



Financial Services and the Treasury Bureau
Financial Services Branch

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Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector



**Legislative Council Panel on
Financial Affairs**

1 June 2015

Background

In 2014, the financial services industry –

- accounted for 16.5% of Hong Kong's Gross Domestic Product
- employed 238 000 persons (accounting for 6.3% of the total labour workforce)

During the period from 2012 to 2022 –

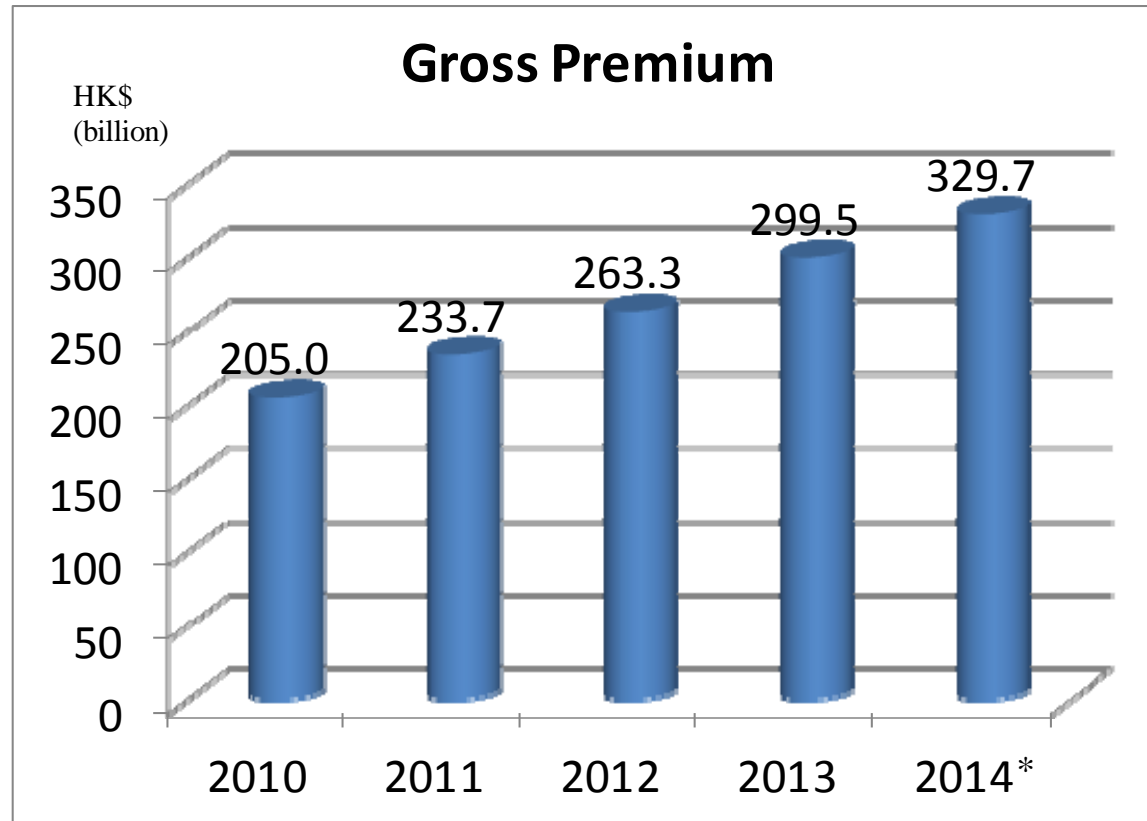
- the manpower requirements of the financial services industry has a projected average annual growth rate of 2.2%
- the growth is much higher than the growth rate of 0.9% for overall local manpower requirements

(Manpower Projection to 2022, Labour and Welfare Department)

Background (Con't)

- In his 2014-15 Budget, the Financial Secretary tasked the Financial Services and the Treasury Bureau (FSTB) to conduct a study on the training of professionals and skilled personnel in various sectors of the financial services industry
- The industry considers that manpower shortage is particularly acute in the **insurance sector** and the **asset and wealth management sector**, and suggests the Government to help promote the industry, enhance the professional competence of practitioners, in particular, train up more talent for middle and back offices
- We suggest allocating \$100 million for a three-year pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector

Insurance Sector – Overview



2.9% of GDP

*Provisional Statistics

Average annual growth rate of 12.3% for the past 5 years

Insurance Sector – Overview (Con't)



158 insurers
(43 life insurers
84 general insurers
12 composite insurers
19 reinsurers)

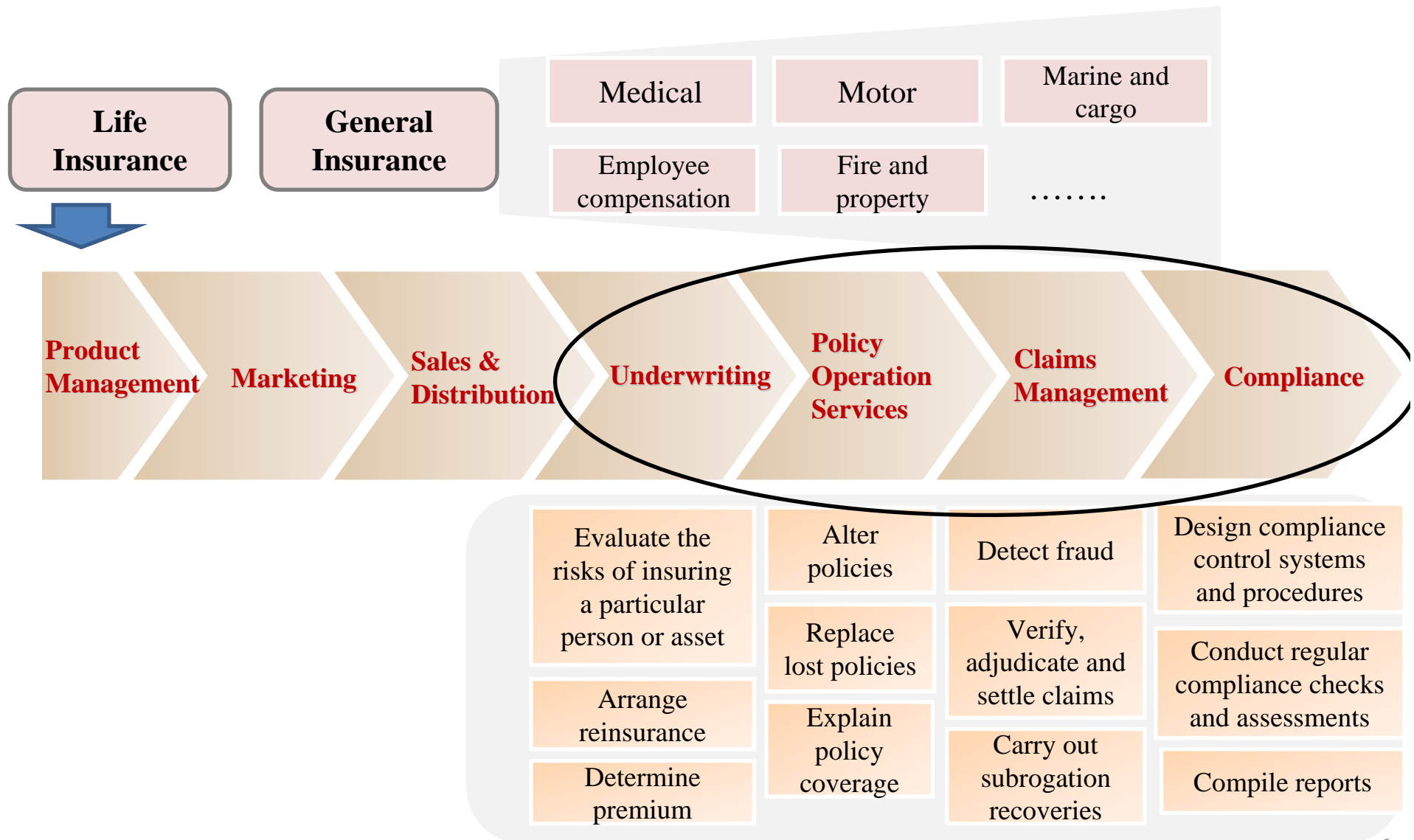


85,000 insurance intermediaries
(75,000 agency business
10,000 brokerage business)



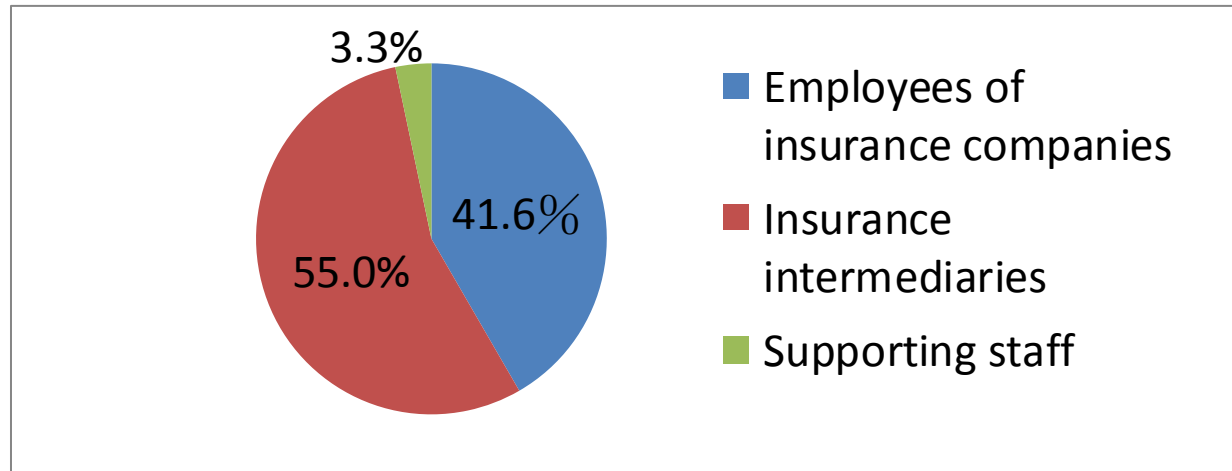
More than 10 million in-force
life policies in 2014
(general policies excluded)

Insurance Sector – Different Job Functions



Insurance Sector – Demand for Talents

- Distribution of manpower in insurance industry:



– *2013 Insurance Industry Manpower Survey*, Vocational Training Council

- Average annual growth rate of 1.6% for manpower requirements in 2012-2022

– *Manpower Projection to 2022*, Labour and Welfare Department

Insurance Sector – Demand for Talents (Con't)

- Skills wanted by insurance employers:
 - Relationship building skills
 - Degree holders
 - Insurance professional qualifications
 - Product knowledge
 - Underwriting and claims management
 - Knowledge of regulatory requirements



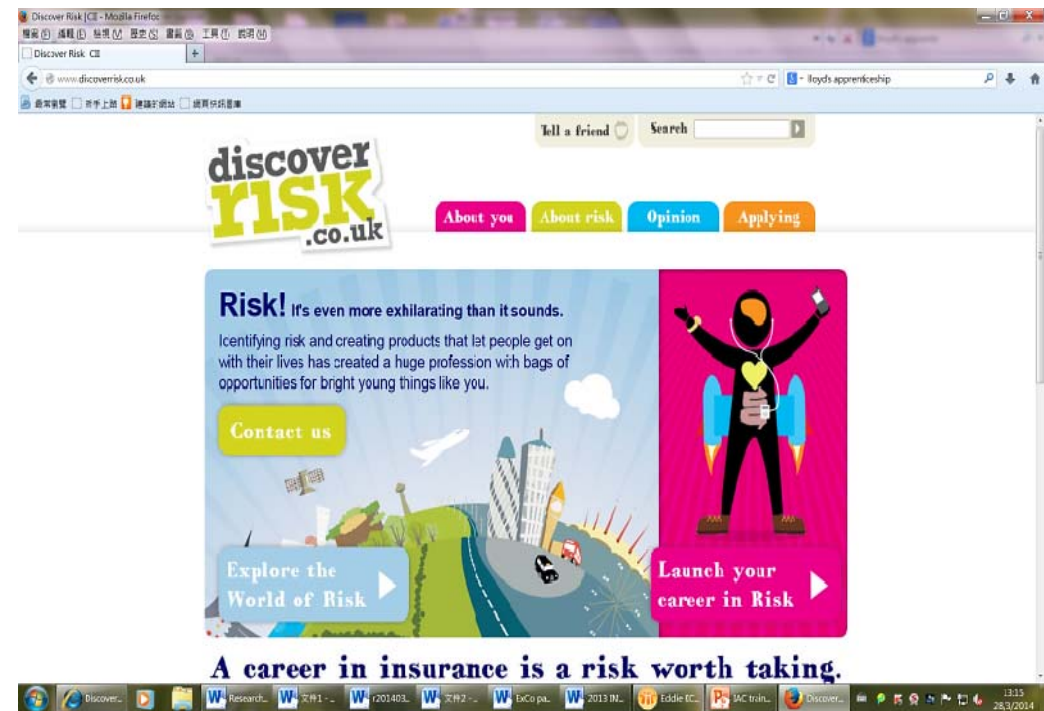
Insurance Sector – Feedback from Stakeholders

- The public lacks understanding of the insurance industry and its professionalism
- The public is unaware of the wide range of career opportunities and development prospects offered by the industry
- Difficulty in attracting new talents, especially for general insurance business and more technical middle- and back-office jobs such as underwriting, risk management and claims management
- Top priority to launch public education programme to clear any misperception and raise public awareness of the skills required and career paths of different jobs within the industry
- To provide more internship opportunities to attract young people to the industry
- To enhance tertiary education on insurance
- To enhance training for practitioners

Insurance Sector – Recommendations

(1) Public Education Programme

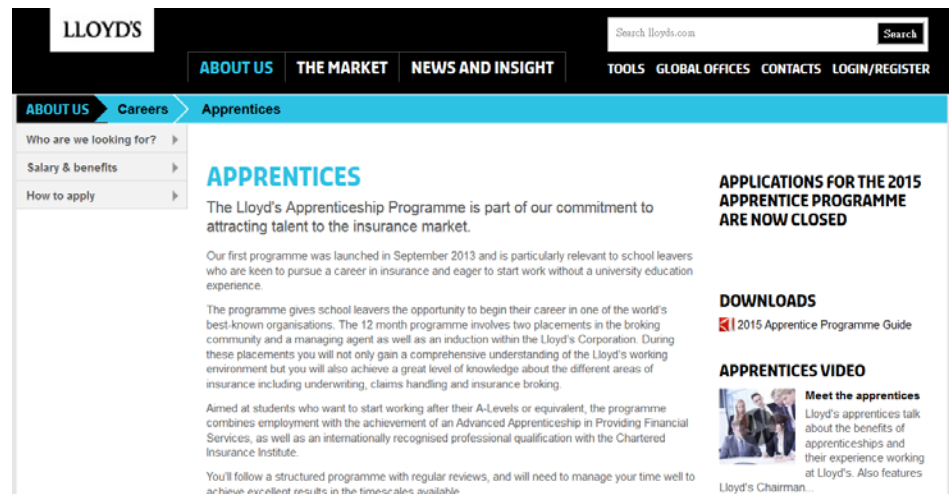
- Increase the public's understanding of the insurance industry
- Increase students' understanding of the wide range of career opportunities and career paths in the insurance industry



Insurance Sector – Recommendations (Con't)

(2) Training Allowance for Work-and-Learn Programme

- 4 days of work + 1 day of classes (for a period of 16 months)
- Employer to pay remuneration (no less than \$120,000 per year) and tuition fees
- Government to provide training allowance (each student-worker would receive a total of \$40,000 within the 16-month training period)
- Government to sponsor 10 top-performing students-workers for an overseas immersion programme
- Employer to guarantee annual remuneration of no less than \$150,000 for full-time employment after completion of the course



The screenshot displays the Lloyd's website interface. At the top, the 'LLOYD'S' logo is on the left, and a search bar is on the right. Below the logo, there are navigation tabs: 'ABOUT US', 'THE MARKET', and 'NEWS AND INSIGHT'. To the right of these are links for 'TOOLS', 'GLOBAL OFFICES', 'CONTACTS', and 'LOGIN/REGISTER'. The main content area is titled 'Apprentices' and features a sub-header 'APPRENTICES'. The text describes the Lloyd's Apprenticeship Programme as a commitment to attracting talent to the insurance market. It mentions that the first programme was launched in September 2013 and is relevant for school leavers. The programme offers school leavers the opportunity to begin their career in one of the world's best-known organisations, involving two placements in the broking community and a managing agent, as well as an induction within the Lloyd's Corporation. The programme is aimed at students who want to start working after their A-Levels or equivalent, combining employment with the achievement of an Advanced Apprenticeship in Providing Financial Services, as well as an internationally recognised professional qualification with the Chartered Insurance Institute. The programme is structured with regular reviews, and participants will need to manage their time well to achieve excellent results in the timescales available. On the right side of the page, there are sections for 'APPLICATIONS FOR THE 2015 APPRENTICE PROGRAMME ARE NOW CLOSED', 'DOWNLOADS' (including a 2015 Apprentice Programme Guide), and 'APPRENTICES VIDEO' (featuring a video titled 'Meet the apprentices' with Lloyd's Chairman).

Insurance Sector – Recommendations (Con't)

(3) Internship Programme for Undergraduate Students

- Government to contribute up to 75% or \$7,000 (whichever is the lower) of students' internship honorarium

(4) Financial Incentive Scheme for Professional Training

- Government to provide subsidy to the three Self-Regulatory Organisations (SROs) for organising high-quality training courses
- Propose to set up a Vetting Committee, comprising practitioners and other relevant stakeholders, to set out detailed assessment criteria and consider proposals submitted by the three SROs

Insurance Sector – Implementation, Control & Review Mechaniam

- Entrust **VTC** as the implementation agent
 - Collaborate with industry bodies to implement the initiatives under the Pilot Programme and provide secretarial support for the Vetting Committee of the financial incentive scheme for professional training
- Establish a **working group**, comprising representatives from FSTB, three SROs and VTC, for the public education programme to ensure that the initiatives under the public education programme meet the needs of the industry and to monitor outcomes

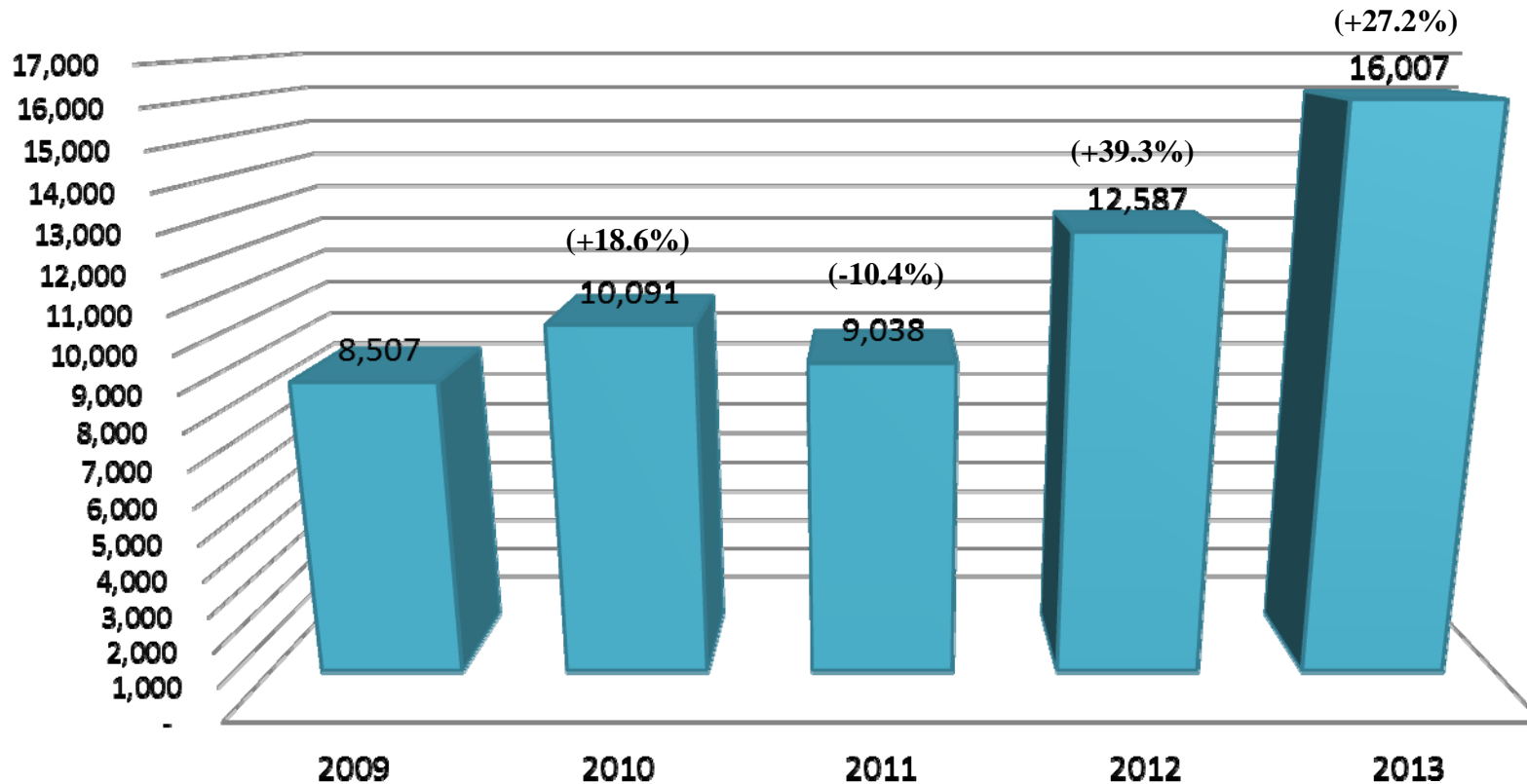
Development of Asset & Wealth Management Sector

Government is committed to promoting the development of Hong Kong as a full-fledged asset management hub

- implementing the Mainland-Hong Kong mutual recognition of funds arrangement
- introducing the new open-ended fund company structure
- extending the profits tax exemption for offshore funds to private equity funds
- waiving the stamp duty for the transfer of all exchange traded fund (“ETF”) shares or units

Development of Asset & Wealth Management Sector (Con't)

Combined Fund Management Business (\$ Bn)

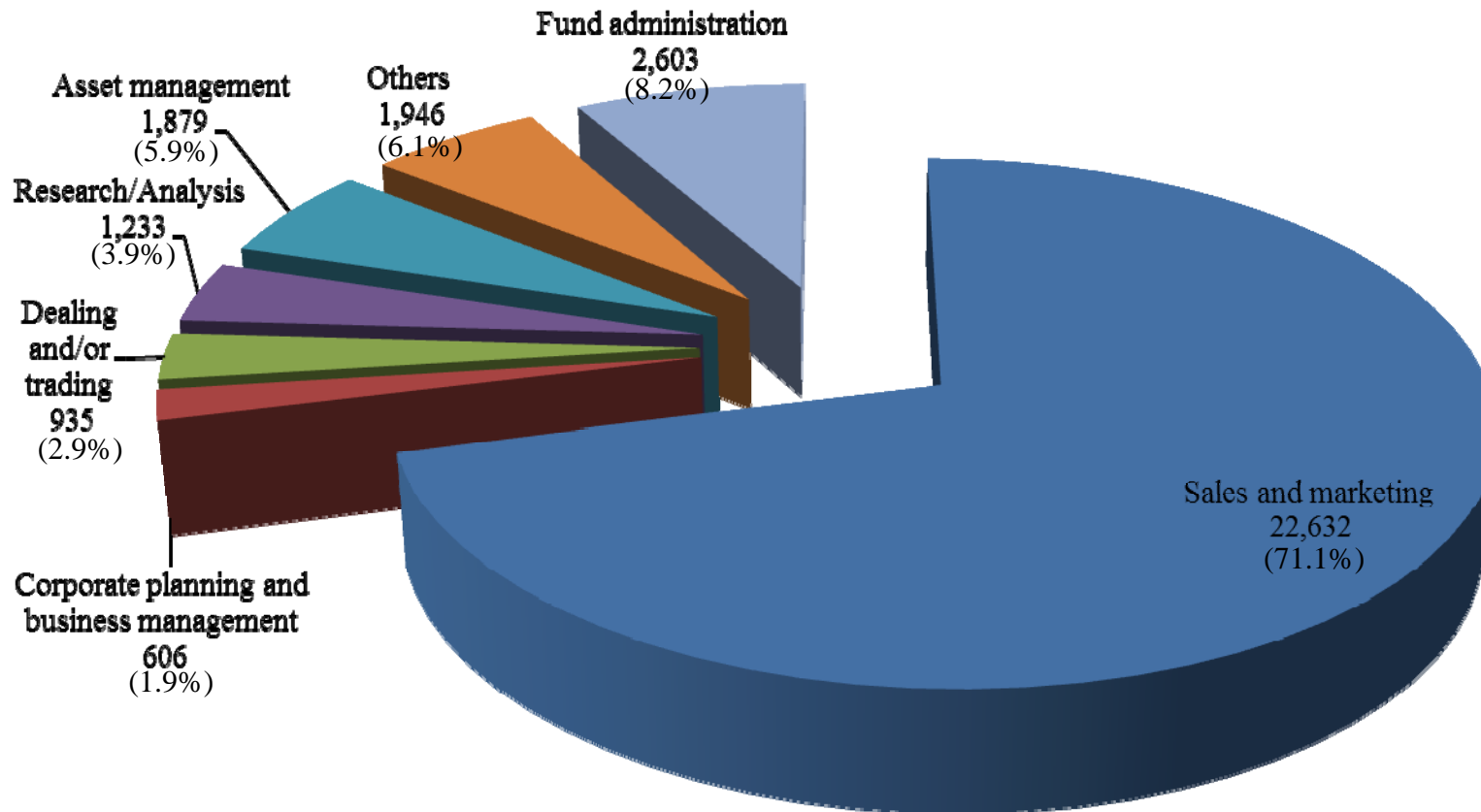


Source : Fund Management Activities Survey 2013 of the Securities and Futures Commission

The asset and wealth management sector is a fast-growing area. There is a need to promote the development of manpower resources for pursuing the growth of the sector.

Asset & Wealth Management Practitioners – Snapshot

By Job Function (Total: 31,834)



Source: Fund Management Activities Survey 2013 of the Securities and Futures Commission

Asset & Wealth Management Sector – Demand for Talents

The asset and wealth management sector consists of a full spectrum of functional posts –

	Post
Front office	Fund managers, salespersons, relationship managers, investment advisors
Middle office	Compliance, legal, risk management
Back office	Operations, finance and control, IT, human resources, internal audit



Facing staff shortage problem (especially for the more technical posts)

Asset & Wealth Management Sector – Industry Views

Industry views on talent training

- Undergraduates do not have a good understanding of the nature and career prospect of the asset and wealth management sector
- Practitioners generally consider front office posts like fund managers more profitable; difficult to attract talents to join the more technical areas
- Given the intense staff poaching among firms, little incentive for firms to invest in talent training

Asset & Wealth Management Sector – Proposals

Aims

1. Promote to **undergraduate students** the different roles in the whole spectrum of the industry and the career prospects; to attract students to join the profession (particularly the more technical jobs)
2. Provide financial incentive for professional training to enhance the competency of **asset and wealth management practitioners** and to assist **other practitioners of the financial services industry** to acquire the knowledge and skills to enable them to enter into the asset and wealth management field

Asset & Wealth Management Sector – Proposals (Con't)

(1) Promotion and Education Initiatives

Target: Local undergraduate students

Aim: Enhance students' understanding of the different roles in the asset and wealth management sector

- Proposals:
- Organize job fairs, talks by industry practitioners, career seminars at the universities
 - Organize larger-scale promotional activities and job fairs

Asset & Wealth Management Sector – Proposals (Con't)

(2) Internship Programme for Undergraduate Students

Target: Local undergraduate students

Aim: Give students early exposure to the wide spectrum of career opportunities in the asset and wealth management sector

- Proposals: - Local financial institutions to offer intern places related to asset and wealth management and take up two rounds of interns over eight weeks during summer
- The internship period for each intern will last four weeks
 - Out of the monthly honorarium that a student would receive, the Government could contribute up to 75% or \$7,000 (whichever is the lower), while the remaining sum and the cost for provision of coaching will be contributed by the financial institutions
 - Student interns and financial institutions should provide an assessment

Asset & Wealth Management Sector – Proposals (Con't)

(3) Financial Incentive Scheme for Professional Training

Target: In-service practitioners of the financial services industry (companies not covered)

Aims: - Enhance the competency of asset and wealth management practitioners

- Assist other practitioners of the financial services sector to acquire the knowledge and skills to enable them to enter into the asset and wealth management field

Proposals: - Applicants may apply for reimbursement for 80% of the fees upon completion of a course under the selected programmes

- Each individual may apply for fee reimbursement for more than one course, up to a ceiling of \$7,000 per person over the three-year period
- Applications will be considered on a first-come-first-served basis, and will remain open for applications until funding is fully committed

Asset & Wealth Management Sector – Proposals (Con't)

(3) Financial Incentive Scheme for Professional Training

- Proposals: - The selected programmes cover about 40 courses offered by Hong Kong Securities and Investment Institute and Hong Kong Institute of Bankers
- The programmes cover a wide range of investment/financial products and services, as well as ethics, risk management and compliance
 - Will consider including more relevant training courses or other forms of programmes in the scheme in the second or third year of the pilot programme

Asset & Wealth Management Sector – Implementation, Control & Review Mechanism

- Engage **Hong Kong Securities and Investment Institute** to implement the programme
 - to collaborate with industry associations, universities and other training institutes in planning and implementing the initiatives under the pilot programme
- To set up a **Steering Committee** to be chaired by the Financial Services and the Treasury Bureau
 - comprising representatives from the industry associations, academia, Hong Kong Securities and Investment Institute and Hong Kong Institute of Bankers
 - to monitor the operation and progress, as well as to review the implementation of the pilot programme and make recommendations

Allocation of Funding

	Initiative	Estimated Funding (\$ million)
<u>Insurance Sector</u>		
(a)	Public Education Programme	25.0
(b)	Work-and-Learn Programme	7.2
(c)	Internship Programme for Undergraduate Students	2.1
(d)	Financial Incentive Scheme for Professional Training	12.0
	<i>Sub-total</i>	<i>46.3</i>
<u>Asset and Wealth Management Sector</u>		
(e)	Promotion and Education Initiatives	5.0
(f)	Internship Programme for Undergraduate Students	3.2
(g)	Financial Incentive Scheme for Professional Training	35.0
	<i>Sub-total</i>	<i>43.2</i>
Administrative Cost		
	<i>Sub-total</i>	<i>10.5</i>
	Total	100

Way Forward

- Seek funding approval by the LegCo Finance Committee
- Aim to roll out various initiatives starting early 2016



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End