

Work of the Financial Services Development Council

3 January 2017

Introduction

- Background
- Work progress in 2016
- Work plan for 2017

Background

Background

- Established in January 2013 as a high-level cross-sectoral advisory body
- Briefed the LegCo Panel on Financial Affairs on 4 February 2013, 6 January 2014, 13 April 2015 and 4 January 2016

Background

- Five committees
 - Policy Research
(Convenor : Mr Laurence Li)
 - Mainland Opportunities
(Convenor: Dr Qin Xiao)
 - New Business
(Convenor: Mrs Florence Yip)
 - Market Development
(Convenor: Mr Benjamin Hung)
 - Human Capital
(Convenor: Mr Joe Ngai)

Background

- Secretariat support to FSDC
 - Professional staff on secondment/contract terms from HKMA, HKTDC, SFC and the industry, as well as administrative staff deployed from the Financial Services and the Treasury Bureau
 - Operating cost met by the Government

Work Progress in 2016

Work Progress in 2016

- Three key areas
 - studies and collaboration with the industry to draw up proposals for the Government
 - promotion and industry engagement
 - initiatives to help nurture human capital

Work Progress in 2016

Vision

To become the preeminent international financial centre based in Asia

Market opportunities

Seek a prominent role in emerging Mainland opportunities

- Recommendations for Capitalising on the Unique Advantages of Hong Kong in the Process of Renminbi Capital Account Convertibility (Apr 2016)
- Proposal on the Mainland-Hong Kong Bond Market Connect (Nov 2016)
- The 13th Five-Year Plan: Opportunities for the Hong Kong Financial Industry and Policy Recommendations (Dec 2016)

Strengthen our core competencies and develop new areas

- Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong (Mar 2016)
- Hong Kong as a Regional Green Finance Hub (May 2016)

Enablers

Develop sustainable talent model, improve living quality and maintain attractiveness as a home for talent

- FSDC Career Day and sharing by practitioners for university students
- FSDC Career Website

Strike balance between market development and financial stability

- Hong Kong's Position Limits Regime for Exchange-traded Derivatives – the Need for Revision (Feb 2016)
- A Paper on Tax Issues Affecting Hong Kong to Become a Preferred Location for Regional and International Financial Institutions to Originate and Trade International Financial Products (Dec 2016)

Step up market promotion of the "Hong Kong Inc."

- Various promotional and engagement activities

Foundation

Achieve Government, industry, and community alignment and buy-in

Work Progress in 2016 – *Research and Reports*

- Seven reports released in 2016
 - Hong Kong's Position Limits Regime for Exchange-traded Derivatives – the Need for Revision
 - Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong
 - Recommendations for Capitalising on the Unique Advantages of Hong Kong in the Process of Renminbi Capital Account Convertibility
 - Hong Kong as a Regional Green Finance Hub
 - Proposal on Mainland-Hong Kong Bond Market Connect
 - The 13th Five-Year Plan: Opportunities for the Hong Kong Financial Industry and Policy Recommendations
 - A Paper on Tax Issues Affecting Hong Kong to Become a Preferred Location for Regional and International Financial Institutions to Originate and Trade International Financial Products

Work Progress in 2016 – *Research and Reports*

Report 1: “Hong Kong’s Position Limits Regime for Exchange-traded Derivatives – the Need for Revision”

Suggesting the Government and regulatory authorities to:

- introduce hedging exemptions for market neutral transactions of qualified users whose hedging needs exceed the limits
- conduct a holistic review of the current position limits along with the possible introduction of a system that sets position limits based on relevant market and product-specific factors
- introduce enhancements to existing clearing houses’ risk management measures

Work Progress in 2016 – *Research and Reports*

Report 2: “Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong”

Suggesting potential approaches for Hong Kong to regulate equity crowdfunding:

- full legislative action;
- maintaining the status quo; or
- a middle option through introducing regulatory initiatives, including granting conditional exemptions from the prospectus regime applicable to public offerings, licensing crowdfunding platforms and imposing risk-exposure limits on crowdfunding investors

Work Progress in 2016 – *Research and Reports*

Report 3: “Recommendations for Capitalising on the Unique Advantages of Hong Kong in the Process of Renminbi Capital Account Convertibility”

Suggesting the Government and regulatory authorities to cooperate closely with relevant Mainland authorities in:

- helping foreign central banks build, maintain and manage their renminbi reserve asset portfolios through Hong Kong;
- promoting Mainland entities (e.g. the Ministry of Finance) to issue renminbi bonds in Hong Kong; and
- striving for the issue of central bank papers by People’s Bank of China in Hong Kong

Work Progress in 2016 – *Research and Reports*

Report 4: “Hong Kong as a Regional Green Finance Hub”

Suggesting to:

- issue benchmark “green bonds” by the Government and public-sector controlled issuers
- establish a Green Finance Advisory Council or similar body to provide on-going focus and assistance
- host a global conference on green finance and investment, followed by a seminar series
- build a cohort of green finance professionals via universities and professional institutions
- establish a Green Labelling Scheme covering projects and securities

Work Progress in 2016 – *Research and Reports*

Report 5: “Proposal on the Mainland-Hong Kong Bond Market Connect”

Suggesting to:

- allow mutual market access for both Mainland and Hong Kong retail investors to invest in each other’s over-the-counter bond market by opening and maintaining a special trading account with designated banks
- allow mutual market access for both Mainland and Hong Kong retail investors to invest in each other’s exchange-traded bond market under the prototype of Shanghai-Hong Kong Stock Connect scheme

Work Progress in 2016 – *Research and Reports*

Report 6: “The 13th Five-Year Plan: Opportunities for the Hong Kong Financial Industry and Policy Recommendations”

Suggesting to:

- strengthen the position of Hong Kong as a global hub of offshore renminbi business
- actively participate in the Belt and Road Initiative
- actively promote the opening of the Mainland market to Hong Kong
- support Hong Kong’s industry transformation and nurture new impetus for economic development through financial services

Work Progress in 2016 – *Research and Reports*

Report 7: “A Paper on Tax Issues Affecting Hong Kong to Become a Preferred Location for Regional and International Financial Institutions to Originate and Trade International Financial Products”

Suggesting to:

- amend the interest deductibility rules so that interest expense paid by a company licensed by the SFC should also satisfy one of the interest deduction conditions in the same way that a bank would fulfil the conditions
- introduce new rules on the deductibility of payments under a hybrid capital instrument
- provide clearer guidance on how to interpret and apply the sourcing rules
- provide clearer guidance on appropriate transfer pricing methodologies
- push forward treaty negotiations and conclusions with key jurisdictions

Work Progress in 2016 – *Promotional Activities*

- FSDC sponsored/participated in flagship events and campaigns organised by the Government and HKTDC
 - ✓ Asian Financial Forum (18-19 January 2016, Hong Kong)
 - ✓ Building for the Future (13 April 2016, Jinan)
 - ✓ SmartHK (12-13 May 2016, Chengdu)
 - ✓ Belt and Road Summit (18 May 2016, Hong Kong)
 - ✓ Think Asia, Think Hong Kong (27-29 September 2016, Germany)
 - ✓ “In Style • Hong Kong” Symposium (6 October 2016, Thailand)

Work Progress in 2016 – *Engagement Activities*

- Continued to engage relevant local, Mainland and overseas bodies

Local

- ✓ Asia Securities Industry & Financial Markets Association
- ✓ Hong Kong Association of Banks
- ✓ Hong Kong Foreign Financial Institutions Association
- ✓ Hong Kong Investment Funds Association
- ✓ Hong Kong Private Equity Finance Association
- ✓ Hong Kong Securities and Investment Institute
- ✓ Hong Kong Venture Capital and Private Equity Association
- ✓ The Chamber of Hong Kong Listed Companies

Work Progress in 2016 – *Engagement Activities*

- Continued to engage relevant local, Mainland and overseas bodies (con't)

Mainland

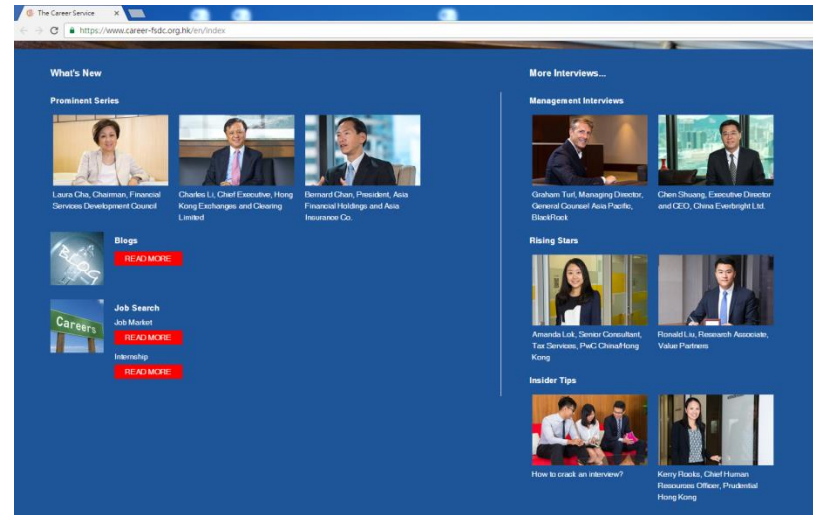
- ✓ China (Shanghai) Pilot Free Trade Zone Administration
- ✓ National Association of Financial Market Institutional Investors
- ✓ Shanghai Municipal Office of Finance Service
- ✓ Shanghai Office of China Banking Regulatory Commission
- ✓ Shanghai Stock Exchange
- ✓ The Finance Affairs Office of Guangdong Government
- ✓ The People's Bank of China

Overseas

- ✓ Finance Montreal
- ✓ Paris Europlace
- ✓ Skandinaviska Enskilda Banken
- ✓ The Bank of England
- ✓ The CityUK

Work Progress in 2016 – *Human Capital Initiatives*

- Sharing by practitioners for university students (eight sessions in 2016)
- The third FSDC Career Day for university students and young graduates (29 October 2016)
- Launch of FSDC Career Website



Work Plan for 2017

Work Plan for 2017

1) Proposals to explore opportunities that reinforce Hong Kong's competitiveness

Topics under discussion:

- Taxation regulation enhancement
- Structured product innovation
- Reinsurance, marine insurance and captive insurance
- Fintech

Work Plan for 2017

2) Promotion – partnership with HKTDC and other stakeholders

- Participation in flagship events
 - ✓ Asian Financial Forum (16-17 January 2017, Hong Kong)
 - ✓ SmartHK (25 May 2017, Fujian)
 - ✓ Belt and Road Summit (11 September 2017, Hong Kong)
 - ✓ Think Asia, Think Hong Kong (21 September 2017, UK)
 - ✓ “In Style • Hong Kong” Symposium (7 November 2017, Malaysia)
 - ✓ Building for the Future (December 2017, Fujian)

Work Plan for 2017

3) Talent : enhancing graduates' understanding of career options in the industry

- Career talks
- Sharing by practitioners
- Further enhancement on the Career Website

Thank you