

立法會
Legislative Council

LC Paper No. CB(1)1323/20-21
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by the Administration)

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Panel on Financial Affairs

**Minutes of meeting held on
Monday, 7 June 2021, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon WONG Ting-kwong, GBS, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon MA Fung-kwok, GBS, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Member absent : Dr Hon CHENG Chung-tai

Member attending : Hon CHUNG Kwok-pan

Public officers attending : Agenda Item IV

Mr Paul MP CHAN, GBM, GBS, MH, JP
Financial Secretary

Mr Andrew AU Sik-hung, JP
Government Economist

Mr Willy TSOI
Administrative Assistant to Financial Secretary

Agenda Item V

Mr Christopher HUI, JP
Secretary for Financial Services and the Treasury

Mr Sam HUI
Deputy Secretary for Financial Services and the Treasury
(Financial Services) Special Duties

Ms Eureka CHEUNG
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)⁵

Mr Desmond WU
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)⁶

Mr Charles NG
Associate Director-General of Investment Promotion
(Sector Specialists)
InvestHK

Mr King LEUNG
Head of Fintech
InvestHK

Mr Colin POU
Executive Director (Financial Infrastructure)
Hong Kong Monetary Authority

Attendance by invitation : Agenda Item V

Ms Clara CHIU
Director of Licensing and Head of Fintech Unit
Securities and Futures Commission

Mr Tony CHAN
Associate Director, Policy and Development Division
Insurance Authority

Clerk in attendance: Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Miss Sharon LO
Senior Council Secretary (1)9

Ms Sharon CHAN
Legislative Assistant (1)4

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I Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)883/20-21 — Minutes of meeting on
1 March 2021)

Members agreed to the amendments proposed by Mr SHIU Ka-fai to the Chinese version of paragraph 65 of the minutes (circulated to members via LC Paper No. CB(1)982/20-21). The minutes of the meeting held on 1 March 2021 incorporating Mr SHIU Ka-fai's amendment were confirmed.

II Information papers issued since the meeting on 3 May 2021

(LC Paper No. CB(1)914/20-21(01) — First Quarter Economic
Report 2021 and the press
release

LC Paper No. CB(1)970/20-21(01) — The Hong Kong Mortgage
Corporation Limited Annual
Report 2020)

2. Members noted the two information papers issued since the regular meeting held on 3 May 2021.

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III Date of next meeting and items for discussion

(LC Paper No. CB(1)963/20-21(01) — List of outstanding items for discussion

LC Paper No. CB(1)963/20-21(02) — List of follow-up actions)

3. Members agreed to discuss the following item proposed by the Administration at the regular meeting scheduled for 5 July 2021, at 10:45am:

- (a) Provision of Financial Data Analytic Platform under the Hong Kong Police Force.

IV Briefing by the Financial Secretary on Hong Kong's latest overall economic situation

(LC Paper No. CB(1)963/20-21(03) — Administration's paper on Hong Kong's recent economic situation and near-term outlook)

Briefing by the Administration

4. At the invitation of the Chairman, the Financial Secretary ("FS") briefed Members on Hong Kong's latest overall economic situation and short-term economic forecast. FS said that the Hong Kong economy recovered visibly in the first quarter of 2021, led by very strong growth of exports of goods alongside a sharp rebound in global demand. Real Gross Domestic Product ("GDP") grew notably by 5.4% on a seasonally adjusted quarter-to-quarter comparison basis. However, the pace of economic recovery was uneven. Some consumer-facing and tourism-related activities were still suffering from the negative impact of the Coronavirus Disease 2019 ("COVID-19") epidemic and the overall economic activity remained below the pre-recession level. While the Hong Kong economy was expected to recover gradually with the support of the Government's various counter-cyclical measures, the near-term economic outlook would hinge on the development of the pandemic. The persistently tense politico-economic relations between China and the United States ("US") and geopolitical tensions also required continued attention. In order to promote a full-fledged economic recovery, it was pivotal to contain the pandemic as soon as possible. Only if the community as a whole continued to fight the disease together and actively participated in the COVID-19 Vaccination Programme could favourable conditions be created for restoring normal life, resuming business and tourist

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travels with the Mainland and the rest of the world, and allowing economic activities to revive to the greatest extent. The Government Economist ("G Econ") then gave a powerpoint presentation on Hong Kong's recent economic situation and near-term economic outlook.

(Post-meeting note: The press release containing the speaking note of FS (Chinese version only) was issued to Members vide LC Paper No. CB(1)989/20-21(01) on 7 June 2021. The powerpoint presentation material (LC Paper No. CB(1)988/20-21(01)) was issued to Members vide Lotus Notes e-mail on 7 June 2021.)

Discussion

Measures to support enterprises and relieve people's burden

5. Ms Starry LEE pointed out that despite the low inflation rate, the appreciation of Renminbi ("RMB") in recent months would inevitably increase prices of raw materials and food items, thus directly affecting people's livelihood, especially the underprivileged. She asked if the Administration would implement other measures to ease the financial burden of the general public in addition to introducing the Consumption Voucher Scheme. She also enquired about the implementation details of the Scheme.

6. Mr SHIU Ka-fai said that while the performance of the retail sector had improved in recent months, the business receipts of the sector was significantly lower than the pre-pandemic level as inbound tourism remained frozen. He hoped that the Consumption Voucher Scheme would help boost local consumption and accelerate Hong Kong's economic recovery.

7. G Econ advised that the underlying consumer price inflation was close to zero in the first four months of 2021, and inflation rate would be affected by a number of factors including the external inflation outlook and the foreign currency exchange rate. Despite the appreciation of RMB against the US dollar, the overall import prices only slightly increased by about 1% year-on-year in the first quarter of 2021. An earlier study conducted by the Office of the Government Economist suggested that a 10% depreciation of the Hong Kong dollar in terms of the import-weighted Effective Exchange Rate Index would on average push up the inflation rate by only about one percentage point. As for the near-term inflation outlook, while local inflation might go up slightly alongside economic recovery, overall price pressures should stay mild for the year as overall economic activity remained below the pre-recession level. Regarding the Consumption Voucher Scheme, FS said that the Government would announce the implementation details including the number of installments, the amount in each

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installment, the validity period, etc. by the end of June 2021. The Government would strive to strike a balance among various demands and provide flexibility, with a view to facilitating the public in using the consumption vouchers for local consumption.

8. Ir Dr LO Wai-kwok expressed concern about the growth in the number of low-income households (i.e. economically active households with monthly household income below \$9,100) which had increased drastically from 75 600 in the first quarter of 2019 to 106 200 in the first quarter of 2020 and further to 149 700 in the first quarter of 2021 (with a total of 301 600 persons), as well as the unemployment rate of the construction sector which had surged to 11% due to the noticeable fall in private sector construction projects. He urged the Administration to introduce measures to alleviate financial hardship of the low-income group and improve their livelihood, and to continue investing in capital works in order to stimulate economic recovery.

9. Sharing Ir Dr LO Wai-kwok's concern about the rising number of low-income households, Mr Holden CHOW urged that the Administration should implement more measures to help the general public including measures to boost the vaccination rate, such as encouraging large enterprises to publish their vaccination rates on a regular basis so as to enhance people's confidence in receiving vaccination.

10. FS advised that the Hong Kong economy recovered visibly in the first quarter of 2021 due to a very strong growth in the exports of goods. However, the pace of economic recovery was uneven. Some consumer-facing and tourism-related activities which were particularly hard hit by the COVID-19 epidemic and social distancing measures were still suffering from the negative impact on their business. The combined unemployment rate of the consumption- and tourism-related sectors (i.e. retail, accommodation, and food and beverage services) was 9.9% between February and April 2021. It would take some time before the economic recovery could bring about a more visible labour market recovery. It was essential for the community as a whole to work together in fighting the epidemic and to actively participate in the COVID-19 Vaccination Programme so as to create favourable conditions for resuming cross-border travel and allowing more economic activities to revive. The concerted anti-epidemic effort of the community, coupled with the support from the Government's various relief measures, would promote a full-fledged economic recovery that would benefit the low-income group in general.

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Measures to stimulate the economy and promote economic development

11. Mrs Regina IP noted that Hong Kong's total exports of goods surged by 30.2% in the first quarter of 2021, specifically exports to the Mainland, US and the European Union. She sought clarification on whether the total exports of goods consisted mainly of re-exports and trans-shipment. Instead of relying on exports which would hinge on the pace of recovery in the Mainland and global economies, she asked if the Administration had plans to promote the development of new industries in order to sustain further growth and development of the Hong Kong economy.

12. The Chairman stressed that in the face of tense politico-economic relations between China and the US, it was important for Hong Kong to capitalize on the opportunities arising from the "dual circulation" strategy and expansion in domestic sales in the Mainland, particularly in the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), with a view to expediting Hong Kong's economic recovery after the pandemic. He enquired about the Administration's measures to facilitate Hong Kong enterprises and support local young people to seize the opportunities in the Mainland in the post-pandemic period, in particular to leverage Hong Kong's advantages as an international trade platform and in various sectors such as financial services, innovation and technology ("I&T") and logistics.

13. On Hong Kong's export growth, FS responded that most of the export earnings were generated from re-exports. As regards the development of new industries, he said that in addition to maintaining the sustainable development and competitiveness of Hong Kong's financial services industry, the current-term Government had been providing increasing support to the development of the I&T industry in Hong Kong, including artificial intelligence, robotics technology, biomedicine, financial technology, etc. FS stressed that Hong Kong had potential for I&T development, and the Administration would continue to devise measures to consolidate Hong Kong's position as an international aviation hub and to promote synergy and foster co-operation with neighbouring Mainland cities. With the unique advantages under the "One Country, Two Systems" arrangement, Hong Kong would contribute to and capitalize on the national "dual circulation" strategy, including further strengthening its intermediary role in the "international circulation" and proactively becoming a participant in the "domestic circulation", particularly in promoting sales in the Mainland domestic market. Playing the dual role well would help contribute to Mainland's overall development strategy, while bringing impetus to Hong Kong's economic growth.

14. Mrs Regina IP and the Chairman considered that the Administration should publish information on the contribution made by the I&T industry to the

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Hong Kong economy including the income generated from the commercialization and industrialization of relevant research and development results. FS took note of their views.

15. In response to the Chairman's concern on the dissemination of rumours and false information about Hong Kong, FS advised that the Government would step up promotion to enable the international community to have a thorough understanding of the current situations in Hong Kong, and to boost international confidence in Hong Kong and the city's reputation as a competitive international financial centre.

COVID-19 vaccination

16. Mr CHAN Chun-ying pointed out that Hong Kong's COVID-19 vaccination rate remained low. Given that the pace of economic recovery would hinge on the development of the pandemic, he enquired about the impact of vaccination rate on real GDP growth and whether the growth forecast for 2021 would increase if the vaccination rate continued to improve.

17. Mr MA Fung-kwok expressed concern about fluctuation in the pandemic situation, in particular the emergence of virus variants which would create uncertainty on the effectiveness of the COVID-19 Vaccination Programme. He enquired about the measures that the Administration would take to prevent further deterioration in the Hong Kong economy in the event of a resurgence of the pandemic.

18. Mr CHAN Kin-por pointed out that achieving "zero" infection case and a high vaccination rate would create favourable conditions for economic recovery. In order to facilitate business travel and maintain Hong Kong's position as an international financial centre, he suggested that the Administration consider granting exemption to senior executives of financial institutions who were fully vaccinated from the compulsory quarantine arrangements when they travelled or returned to Hong Kong. He opined that the Administration should consider granting similar exemption to other sectors or industries when situations allowed in order to facilitate cross-border business and trade.

19. The Chairman said that the business sector was supportive of the Government's anti-pandemic efforts, including the COVID-19 Vaccination Programme, to promote a full-fledged economic recovery. For instance, the Hong Kong General Chamber of Commerce would consider providing incentives to encourage people to get vaccinated.

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20. FS advised that the Government had put in place various anti-epidemic measures, including stringent prevention and control measures to avert the importation of cases, large-scale testing in the community to help identify asymptomatic patients and compulsory quarantine measures to cut the transmission chain of the virus. While the epidemic situation appeared to have come under control in recent months, FS urged the community to continue participating actively in the COVID-19 Vaccination Programme so that Hong Kong could achieve herd immunity which would present favorable conditions for restoring normal life and travel of citizens, resuming cross-border travel, business and trade with the Mainland and the rest of the world, and enabling the revival of economic activities to the greatest extent.

21. As regards real GDP growth, FS said that the forecast for 2021 was maintained at 3.5% to 5.5% as announced in the 2021-2022 Budget. If the local epidemic situation continued to improve and the vaccination rate could reach 70%, cross-border travel with the Mainland and the rest of the world could resume, in which case the actual outturn in real GDP growth could reach the upper end of the range forecast or even exceed the forecast. As such, the public should get vaccinated without further delay.

The residential property market

22. Mr CHAN Chun-ying expressed concern about the index of home purchase affordability which had reached a record high of 73% in the first quarter of 2021. However, according to Hong Kong Monetary Authority's ("HKMA") Half-Yearly Monetary and Financial Stability Report, the debt-servicing ratio for new mortgages stayed low at around 37% in January 2021. He sought the Administration's view on the recent development of the local residential property market, and enquired if the Administration would introduce further measures to curb the surge in residential property prices besides raising flat supply through increasing land supply.

23. FS advised that the residential property market had turned active since January 2021, with monthly transaction volumes of first- and second-hand residential properties reaching over 7 000 in April and May 2021. Flat prices on average reverted to an increase of 3% during the first four months of 2021 and prices in April 2021 were on average only 2% lower than the historic high in May 2019. He pointed out that flat prices were affected by a host of factors, such as the economic situation, employment situation and flat supply. On flat supply, the annual average completion of private residential flats were projected at over 18 000 units in 2021-2025, representing some 5% increase over the annual average of the past five years. FS added that with the implementation of various

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demand-side management and macro-prudential measures, the average loan-to-value ratio of new mortgages was maintained at a healthy level.

24. Mr Christopher CHEUNG concurred that the residential property market had turned more active since January 2021 and enquired about measures the Administration would consider to cope with the increasing demand for residential properties. In particular, he asked if the Administration would re-consider pursuing the development of selected sites on the periphery of country parks in order to increase land and housing supply.

25. Ms Starry LEE remarked that the quantitative easing measures introduced by many major economies and the appreciation of RMB had led to continuous growth in the residential property market. She called on the Administration to monitor flat purchases from non-local individuals and non-local companies which might further drive up investment and non-local demand.

26. FS said that while seeing a trend of increasing capital flow into the residential property market, it was noted that most of the transactions were made by first-time buyers purchasing residential properties for self-use. Purchases by non-local individuals and non-local companies stayed low at around 0.3% of the total transactions in the first four months of 2021; and purchases subject to the new Residential Stamp Duty, as an indicator of investment activities, constituted about 3.3% of the total transactions in the same period. On speculative activities, the number of short-term resale remained low at about 0.8% of the total transactions in the first four months of 2021. Regarding land and housing supply, FS responded that as previously stated by the Secretary for Development in replying to questions by Legislative Council ("LegCo") Members, the current-term Government had no plan to reinitiate the study on developing the periphery of country parks to increase land and housing supply.

27. Mr SHIU Ka-fai considered that adequate flat supply would be conducive to lowering property prices and healthy and stable development in the residential property market. In addition to increasing flat supply, he asked if the Administration would consider importing labour for the construction of public housing so as to lower construction costs and in return help curb the increase in property prices.

28. FS responded that the Government would continue to ensure priority of local workers in employment, noting that the unemployment rate of the construction sector remained high (i.e. 10.9% in February to April 2021).

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Wealth management

29. Mr Christopher CHEUNG pointed out that under the southbound connect of the cross-boundary wealth management connect pilot scheme ("Wealth Management Connect") in the Greater Bay Area, services such as account opening and due diligence of Mainland clients who wished to invest in Hong Kong could be handled by the branches/partners of Hong Kong-incorporated banks in the Greater Bay Area. He enquired if the Administration would consider expanding the scheme to cover the securities sector so that the branches/partners of broker firms in the Greater Bay Area could handle the account opening and "know-your-customer" ("KYC") procedures for their Mainland clients.

30. ES responded that under Wealth Management Connect, residents in the Greater Bay Area could carry out cross-boundary investment in wealth management products distributed by banks. The Government and regulators would continue to discuss with the relevant Mainland authorities to promote mutual access of financial markets in the Greater Bay Area conducive to the development of the financial services industry, including the securities sector. It was expected that some flexibility would be provided under the scheme to allow Mainland residents to open an investment account by remote on-boarding.

Tax issues

31. Referring to the consensus reached by the leaders of the Group of Seven nations on setting a global minimum corporate tax rate of at least 15% as advocated by the Organisation for Economic Co-operation and Development, Mr LUK Chung-hung asked if the Administration had assessed the possible impact of the minimum corporate tax rate on Hong Kong's tax regime and business environment. He also sought information on the amount of profits tax contributed by Hong Kong-registered companies but with their businesses conducted outside Hong Kong, and asked whether the implementation of the global minimum corporate tax rate would help attract more multinational companies to Hong Kong given Hong Kong's corporate tax rate would then be lowered from the current 16.5% to 15%. He further enquired if the Administration would consider introducing progressive rates for profits tax.

32. Mr SHIU Ka-fai pointed out that the persistently tense politico-economic relations between China and the US had already harm Hong Kong's competitiveness, and cautioned that any increase in tax rates, including introducing progressive rates for profits tax, might aggravate the situation.

33. Mr Holden CHOW noted that in order to promote the development of particular industries/sectors, e.g. aircraft leasing and maritime insurance, in

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Hong Kong in recent years, the Administration had introduced preferential tax rates for the relevant industries/sectors. He enquired about the possible impact of the introduction of the global minimum corporate tax rate on Hong Kong's tax regime.

34. FS responded that Hong Kong had been adopting a simple, low and territorial-based tax regime under which companies' profits derived from offshore sources were not subject to Hong Kong's profits tax. He stressed that the Administration conducted reviews on Hong Kong's tax regime on a regular basis, and views and suggestions from the public and various stakeholders, such as those on the introduction of new taxes and progressive tax rates for profits tax, would be taken into account in a holistic manner. The Government would consider a host of factors, including the economic, financial and market conditions and the impact on Hong Kong's competitiveness, when examining the need of adjusting tax rates. In the face of the increasing pressure on public finances and as a means to raise Government's revenue and improve its financial position, the rate of stamp duty on stock transfers had been increased by 0.03% recently. He remarked that if no adjustment in the rate of stamp duty concerned was made, the shortfall in revenue might have to be made up by an increase in the rates of salaries tax and profits tax of 1.5%. FS cautioned that thorough discussion and consensus among the community would be required before the introduction of any substantial changes to the tax regime. The Administration would keep in view the development and implementation of the global minimum corporate tax rate, assess possible impacts and devise corresponding measures when further details were available. He added that the Administration had already invited academics, experts and members of the business community who were experienced in the fields of international taxation and economic development to give advice on the matter.

V Development of financial technologies in Hong Kong

(LC Paper No. CB(1)963/20-21(04) — Administration's paper on "Development of financial technologies in Hong Kong"

LC Paper No. CB(1)963/20-21(05) — Updated background brief on development of financial technologies in Hong Kong prepared by the Legislative Council Secretariat)

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Briefing by the Administration

35. At the invitation of the Chairman, Secretary for Financial Services and the Treasury ("SFST") updated the Panel on the development of the financial technologies ("Fintech") landscape in Hong Kong and the measures to further promote and facilitate Fintech development. He also briefed members on the Administration's proposal to regulate virtual asset trading platforms ("VATPs"), and its plan to introduce the relevant amendment bill into LegCo in the 2021-2022 legislative session.

Discussion

Regulation of virtual asset trading platforms

36. While concurring with the need to regulate virtual assets activities, Mr LUK Chung-hung was concerned whether the Administration's proposed regulatory regime for VATPs could offer sufficient protection for investors and effectively combat money laundering through virtual assets activities, particularly whether the proposed regime could cover new kinds of virtual assets emerging in the market. He also requested the Administration to elaborate on the scope of virtual assets under the proposed regime.

37. Mr Holden CHOW supported the initiative to regulate virtual assets activities in order to address money laundering risks, and urged the Administration to closely monitor the use of virtual assets and the development of VATP regulatory regimes in other jurisdictions in formulating the proposed regulatory regime in Hong Kong. Mr CHAN Kin-por enquired about investor protection measures under the proposed regulatory regime.

38. SFST said that the Administration attached great importance to a robust regulatory regime of virtual assets having regard to the rapid development of virtual assets around the world in recent years. As the development of virtual assets was evolving, the Administration would closely monitor the market development, and strive to strike a proper balance between regulation and market development in formulating the proposed VATP regulatory regime. Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)⁵ ("PAS(FS)⁵") added that the Administration would adopt a risk-based approach in regulating the VATP sector. The proposed regulatory regime was developed based on the prevailing international standards which aimed to address the risks of money laundering and terrorist financing of virtual assets activities and to ensure the protection of market integrity and investor interest. Under the proposal, any person seeking to engage in the regulated activity of operating a virtual asset exchange in Hong Kong would be required to apply for a licence

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from the Securities and Futures Commission ("SFC"). Licensed virtual asset service providers would be subject to the anti-money laundering and counter-terrorist financing requirements stipulated under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) as well as other regulatory requirements for investor protection purposes as appropriate, including that they could only offer services to professional investors. PAS(FS)5 stressed that there would be stringent regulatory requirements including fit and proper test for the licence applicants.

39. As for the coverage of virtual assets, SFST and Director of Licensing and Head of Fintech Unit, Securities and Futures Commission said that under SFC's existing regime, only securities-type virtual assets (e.g. security tokens or crypto funds) would be subject to regulation by SFC. Under the proposed VATP regulatory regime, both securities-type or non-securities type virtual assets would be regulated. A virtual asset would be defined as "a digital representation of value that is expressed as a unit of account or a store of economic value; an asset functions (or is intended to function) as a medium of exchange accepted by the public as payment for goods or services or for the discharge of a debt, or for investment purposes; and can be transferred, stored or traded electronically". This definition was consistent with that promulgated by the Financial Action Task Force. PAS(FS)5 added that upon implementation of the proposed regulatory regime, licences would be required for operating a trading platform of virtual assets in Hong Kong.

40. Pointing out that the Mainland had recently prohibited the use of virtual currencies, Mr CHAN Kin-por was concerned whether the Administration's proposal to regulate VATPs would be inconsistent with the Mainland's relevant policy. Mr Holden CHOW echoed Mr CHAN's concern.

41. SFST pointed out that virtual assets were not legal tenders in Hong Kong and were not generally accepted as a medium of payment. Apart from introducing the proposed VATP regulatory regime, SFC and the Investor and Financial Education Council would continue stepping up investor education on virtual assets.

Central Bank Digital Currencies and e-CNY

42. Noting that HKMA had been conducting research on Central Bank Digital Currencies ("CBDCs") jointly with the Bank of Thailand, the Central Bank of the United Arab Emirates and the People's Bank of China ("PBoC") ("the CBDC Project") in recent years, Mr CHAN Chun-ying enquired about the progress and results of the CBDC Project, the implementation timetable of CBDCs, and

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whether HKMA's study on the technical aspects of retail CBDCs would cover e-CNY.

43. Executive Director (Financial Infrastructure), Hong Kong Monetary Authority ("ED(FI)/HKMA") said that HKMA commenced studies with the Bank of Thailand on the application of CBDCs to cross-border payments in 2019, and the Central Bank of the United Arab Emirates and the Digital Currency Institute of PBoC joined the CBDC Project in 2021. HKMA would release the results of the CBDC Project in due course. Regarding studies on retail CBDCs, ED(FI)/HKMA said that while HKMA would begin studying the technical aspects of retail CBDCs, it had to be mindful of the fact that many electronic payment systems had already been established in Hong Kong. Nevertheless, HKMA would adopt an open attitude in exploring retail CBDC, including on collaboration with other central banks.

44. The Chairman said that the popularity of e-CNY was expected to increase after its launch, and called on the Administration to step up its work in promoting the use of e-CNY and other electronic payment methods in Hong Kong, which he considered could help maintain Hong Kong's role as a premier offshore renminbi centre. Mr CHAN Kin-por requested the Administration to elaborate on the implementation timetable and anticipated benefits of e-CNY.

45. As regards the development of e-CNY in Hong Kong, ED(FI)/HKMA said that HKMA attached great importance to the matter. HKMA had completed the first phase of technical testing on e-CNY with PBoC in 2020, and was collaborating with PBoC on the next phase of technical testing, including inviting more banks to participate and testing the use of the Faster Payment System to top up e-CNY wallets. He added that e-CNY was developed by PBoC, and the implementation timetable would be determined by PBoC. ED(FI)/HKMA pointed out that e-CNY would mainly be used by Hong Kong citizens travelling to the Mainland and Mainland tourists travelling to Hong Kong in making retail payments, and the development of local electronic payment systems would help promote the use of e-CNY.

46. On promoting the use of electronic payment methods in Hong Kong, SFST advised that the Administration had taken a number of relevant measures. Apart from accepting various government bill payment via the Faster Payment System, the Administration would offer e-payment options for payments in respect of most government bills and licences starting from mid-2022. It was also envisaged that the launch of the Consumption Voucher Scheme could encourage more members of the public to use new electronic payment methods.

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47. Mr LUK Chung-hung enquired about the implementation timetable for using e-CNY for making cross-boundary payments in Hong Kong, and how the initiative could facilitate Hong Kong people in transferring renminbi in Hong Kong's bank accounts to their accounts in the Mainland. He considered that the Administration should address the issue of difficulties encountered by Hong Kong people in transferring money to their Mainland accounts as soon as possible before the launch of e-CNY. The Chairman shared Mr LUK's views.

48. SFST reiterated that the implementation timetable of e-CNY was determined by PBoC. He took note of Mr LUK Chung-hung's view and pointed out that some local banks were already providing Mainland bank account opening services for Hong Kong people. It was anticipated that the development of the Greater Bay Area would provide impetus for local banks to enhance their services in this area.

Development of financial technologies in Hong Kong

49. Noting that there had been over 80 applications for the Fintech Proof-of-Concept Subsidy Scheme ("the PoC Subsidy Scheme") as at end-April 2021, Mr CHAN Chun-ying was concerned whether the Scheme would have sufficient funds, and whether the Administration would consider providing additional funds for the Scheme.

50. Deputy Secretary for Financial Services and the Treasury (Financial Services) Special Duties ("DS(FS)SD") responded that vetting of applications for the PoC Subsidy Scheme was underway. As only one application would be approved among the applications proposing similar Fintech solutions, it was envisaged that only two-third of the some 80 applications received would be approved finally. Thus there was still room for the PoC Subsidy Scheme to receive further applications, and the Financial Services and the Treasury Bureau would continue to collaborate with Cyberport to encourage interested parties to submit application.

(Post-meeting note : On 16 June 2021, the Cyberport announced that 54 applications received under Phase 1 of the PoC Subsidy Scheme were approved, involving a total grant of around HK\$6.1 million.)

51. In response to the Chairman's suggestion for the Administration to improve the user interface of the iAM Smart digital service platform, SFST said that the Administration would continue to refine the platform with a view to enhancing the user experience of iAM Smart.

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Development of financial technologies in the securities industry

52. Mr Christopher CHEUNG pointed out that a number of securities firms had to engage consultancy services in making applications for the Technology Voucher Programme ("TVP") due to the complicated application procedures of and various supporting documents required by the Programme. He enquired about: (a) measures (if any) the Administration had introduced to streamline the application procedures of TVP; and (b) the proportion of applications from the securities industry since the launch of TVP in 2016. Moreover, Mr CHEUNG said that he had learnt from recent media reports that the Administration would relax the regulatory requirements for the banking and accounting sectors in inspecting the Companies Register under the proposed new inspection regime. He enquired whether similar relaxations would be applicable to the securities industry. He further enquired whether the Administration would establish a centralized KYC database to help the securities industry fulfill the relevant KYC requirements.

53. In respect of TVP, SFST noted Mr Christopher CHEUNG's concerns and undertook to discuss the issue with him after the meeting. As regards the implementation of the new inspection regime of the Companies Register, DS(FS)SD said that the Administration was aware of the concerns expressed by various sectors. He stressed that the new inspection regime would strike a proper balance between providing adequate protection of personal data contained in the Companies Register and allowing public access to information necessary to fulfil the statutory functions of the Companies Register. The Administration would announce the details of the new inspection regime in due course.

Regulation of Uber drivers

54. Mr SHIU Ka-fai expressed concern about the hire car services currently provided through the Uber platform in Hong Kong, and highlighted the associated problems including a lot of the drivers registered with the Uber platform were unlicensed for providing public transport service, and the large amount of revenue forgone if such activities were not subject to taxation.

55. SFST said that the issue of regulation of Uber drivers straddled over a number of policy areas and purviews of bureaux. He would discuss the matter in more detail with Mr SHIU after the meeting.

(At 12:39 pm, the Chairman ordered that the meeting be extended for 10 minutes to 12:55 pm to allow sufficient time for discussion.)

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VI Any other business

56. There being no other business, the meeting ended at 12:51 pm.

Council Business Division 1
Legislative Council Secretariat
13 September 2021