

Work of the Financial Services Development Council

4 January 2016

Introduction

- Background
- Work progress in 2015
- Work plan for 2016

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 and 13 April 2015

Background

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

Background

- Secretariat support to FSDC
 - Professional staff on secondment/contract 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 2015

Work Progress in 2015

- 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 2015

Vision

To become the preeminent international financial centre based in Asia

Market opportunities

Seek a prominent role in emerging Mainland opportunities

- Chinese Enterprises “Going Global” : Opportunities and Hong Kong’s Policy Responses (Apr 2015)

Strengthen our core competencies and develop new areas

- Strengthening Hong Kong as a Capital Formation Centre for Exchange Traded Funds (Oct 2015)
- Strengthening Hong Kong as a Retail Fund Distribution Centre (Dec 2015)
- A Paper on Limited Partnership for Private Equity Funds (Dec 2015)

Enablers

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

- Developing Hong Kong’s Human Capital in Financial Services (Jan 2015)
- FSDC Career Day and sharing by practitioners for university students

Strike balance between market development and financial stability

- Enhancing Hong Kong’s Role as a Centre for Regional and International Financial Institution Operations: Booking (Sept 2015)
- A Paper on the Tax Issues on Open-Ended Fund Companies and Profits Tax Exemption for Offshore Private Equity Funds (Dec 2015)

Step up market promotion of the “Hong Kong Inc.”

- Various promotional and engagement activities

Foundation

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

“HK’s Financial Centre Strategy”, proposed in the “Strengthening HK as a Leading Global IFC” report (November 2013) ⁹

Work Progress in 2015 – Research and Reports

- Seven reports released in 2015
 - Developing Hong Kong's Human Capital in Financial Services
 - Chinese Enterprises “Going Global” : Opportunities and Hong Kong's Policy Responses
 - Enhancing Hong Kong's Role as a Centre for Regional and International Financial Institution Operations: Booking
 - Strengthening Hong Kong as a Capital Formation Centre for Exchange Traded Funds
 - Strengthening Hong Kong as a Retail Fund Distribution Centre
 - A Paper on the Tax Issues on Open-Ended Fund Companies and Profits Tax Exemption for Offshore Private Equity Funds
 - A Paper on Limited Partnership for Private Equity Funds

Work Progress in 2015 – Research and Reports

Key Recommendations

- Report 1: “Developing Hong Kong’s Human Capital in Financial Services”
 - Develop a comprehensive plan to enhance understanding and transparency in the various careers in the financial services industry
 - Foster closer collaboration between academia and industry
 - Significantly upgrade our professional training
 - Remedy structural issues that affect Hong Kong’s general employment environment

Work Progress in 2015 – Research and Reports

- Report 2: “Chinese Enterprises “Going Global”:
Opportunities and Hong Kong’s Policy Responses”
 - SAR Government to consider policy initiatives to further the competitive advantage of Hong Kong in facilitating Chinese enterprises “Going Global”
 - Urge Central Government to streamline and reduce administrative approval burden to support Chinese enterprises “Going Global”

Work Progress in 2015 – Research and Reports

- Report 3: “Enhancing Hong Kong’s Role as a Centre for Regional and International Financial Institution Operations: Booking”
 - Align the regulatory capital regimes administered by HKMA and SFC to achieve a level of consistency with major international jurisdictions at the same time
 - The SFC to provide additional guidance as to the permissibility of the offshore booking model and clarification as to its position under Section 115 of the SFO

Work Progress in 2015 – Research and Reports

- (con't)
 - Review Hong Kong tax structure and deductions to incentivize, or reduce deterrence for, financial institutions to set up booking entities in Hong Kong

Work Progress in 2015 – Research and Reports

- Report 4: “Strengthening Hong Kong as a Capital Formation Centre for Exchange Traded Funds”
 - Improve investor education on ETF
 - Increase MPF investment in ETFs
 - Include ETFs in Shanghai Stock Connect Schemes and the Mutual Fund recognition regime

Work Progress in 2015 – Research and Reports

- Report 5: “Strengthening Hong Kong as a Retail Fund Distribution Centre”
 - Support the diversification of fund distribution and innovation
 - Provide additional guidance on Suitability requirements
 - Use FinTech and enhance the KYC process
 - Continue to engage with and develop cross-border initiatives

Work Progress in 2015 – Research and Reports

- Report 6: “A Paper on the Tax Issues on Open-Ended Fund Companies and Profits Tax Exemption for Offshore Private Equity Funds”
 - On the OFCs tax framework in Hong Kong, there should not be any restriction or stipulation on the residency of directors of any private OFC. This would allow a private OFC to be centrally managed and controlled in Hong Kong to be eligible for the profits tax exemption.

Work Progress in 2015 – Research and Reports

- (con't)
 - In relation to profits tax exemption for offshore PE funds, in determining whether or not a PE fund is “bona fide widely held”, the criteria should be relaxed. The “bona fide widely held” concession should be extended to certain specified types of entities which are genuinely widely held entities, eg. sovereign wealth funds, pension funds, central banks.

Work Progress in 2015 – Research and Reports

- Report 7: “A Paper on Limited Partnership for Private Equity Funds”
 - Hong Kong should encourage onshore PE funds by updating the Limited Partnership law.
 - Onshore funds will strengthen Hong Kong’s competitive position as a centre for PE and will also create new jobs.
 - The paper sets out a recommended limited partnership structure for Hong Kong.

Work Progress in 2015 – Promotional Activities

- FSDC sponsored/participated in flagship events and campaigns organised by the government and HKTDC
 - Asian Financial Forum 2015 (19-20 January 2015, Hong Kong)
 - Hong Kong Business Luncheon in Seoul (19 May 2015, Seoul)
 - Think Asia, Think Hong Kong (10 June 2015, Chicago)
 - "In Style • Hong Kong" (17 September 2015, Jakarta)

Work Progress in 2015 – Promotional Activities

- FSDC organised the seminar “Development and Opportunities in Internet Finance” (15 November 2015) to promote entrepreneurship and attract talents to this expanding financial sector.



Work Progress in 2015 – Engagement Activities

- Continued to engage relevant local, Mainland and overseas bodies

Local

- ✓ Hong Kong Investment Funds Association
- ✓ Chinese Securities Association of Hong Kong
- ✓ Hong Kong Society of Financial Analysts
- ✓ Chinese Financial Association of Hong Kong
- ✓ Institute of Financial Planners of Hong Kong
- ✓ Chinese Asset Management Association of Hong Kong
- ✓ Private Wealth Management Association

Work Progress in 2015 – Engagement Activities

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

Mainland

- ✓ People's Government of Guangdong Province
- ✓ Shenzhen Stock Exchange
- ✓ Authority of Qianhai Shenzhen-Hongkong Service Industry Cooperation Zone

Overseas

- ✓ European Chamber of Commerce
- ✓ Finance Montreal
- ✓ UK Green Investment Bank

Work Progress in 2015 – Human Capital Initiatives

- Sharing by practitioners for university students
- The second FSDC Career Day for university students and young graduates to better understand career choices in the industry (15 November 2015)



Work Plan for 2016

Work Plan for 2016

Under discussion:

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

Topics

- Green finance
- Crowdfunding as a way to raise capital for start-up companies
- Capitalising on HK's advantages in the process of RMB capital account convertibility

Work Plan for 2016

2) Promotion – partnership with HKTDC and other stakeholders

- participate in flagship events
 - ✓ Asian Financial Forum (18-19 January 2016, Hong Kong)
 - ✓ Building for the Future (12-15 April 2016, Jinan)
 - ✓ Think Asia, Think Hong Kong (28-29 September 2016, Germany)
 - ✓ “In Style • Hong Kong” Symposium (6 October 2016, Thailand)

Work Plan for 2016

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

- career talks
- sharing by practitioners
- a website on financial services careers

Thank you