



Work of the Financial Services Development Council (FSDC)

6 November 2017

Introduction

- Background
- Work progress in 2017 (January - October 2017)
- Work plan for 2018

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, 4 January 2016 and 3 January 2017

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 Hong Kong Monetary Authority, Hong Kong Trade Development Council (HKTDC), Securities and Futures Commission and the industry, as well as administrative staff deployed from the Financial Services and the Treasury Bureau
 - Operating cost met by the Government

Three key areas

1. Study and collaborate with the industry to draw up proposals for the Government
 - **33 research reports** issued since inception *(See Appendix)*
2. Engage the industry and promote Hong Kong, both overseas and locally
 - Organised / participated in **over 50 promotional activities and engagement meetings** over the past four years
3. Outreach to nurture human capital
 - Organised **28 events on human capital development** over the past four years

Work Progress in 2017 (January - October 2017)

Work Progress in 2017

Vision

To become the preeminent international financial centre based in Asia

Market opportunities

Strengthen our core competencies and develop new areas

- The Future of FinTech in Hong Kong
- Hong Kong – Building Trust Using Distributed Ledger Technology
- Turning Crisis into Opportunities: Hong Kong as an Insurance Hub with Development Focuses on Reinsurance, Marine and Captive
- Overview of Hong Kong Financial Services Industry

Seek a prominent role in emerging Mainland opportunities

- Recommendations for Developing Hong Kong as an Aircraft Leasing and Financing Hub (with reference to emerging China opportunities)
- Promoting Hong Kong's unique proposition under the Belt and Road opportunities at local and overseas flagship promotional events

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

- FSDC's Response to HKEX Consultation on New Board and Review of Growth Enterprise Market
- A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong
- Proposals to Extend Offshore Private Equity Fund Tax Exemption to Hong Kong Businesses
- Optimising Hong Kong's Listed Structured Products Market

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 2017 – *Research Reports and Papers*

- ***Nine reports / papers released between January - October 2017***
 - ✓ Turning Crisis into Opportunities: Hong Kong as an Insurance Hub with Development Focuses on Reinsurance, Marine and Captive
 - ✓ Optimising Hong Kong's Listed Structured Products Market
 - ✓ The Future of FinTech in Hong Kong
 - ✓ Hong Kong – Building Trust Using Distributed Ledger Technology
 - ✓ Recommendations for Developing Hong Kong as an Aircraft Leasing and Financing Hub
 - ✓ Proposals to Extend Offshore Private Equity Fund Tax Exemption to Hong Kong Businesses
 - ✓ A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong
 - ✓ FSDC's Response to HKEX Consultation on New Board and Review of Growth Enterprise Market
 - ✓ Overview of Hong Kong Financial Services Industry

Work Progress in 2017 – *Research Reports and Papers*

Report 1: “Turning Crisis into Opportunities: Hong Kong as an Insurance Hub with Development Focuses on Reinsurance, Marine and Captive” (March 2017)

Recommendations include:

- Negotiate with the China Insurance Regulatory Commission for a “Special Administrative Region” status for Hong Kong under the China Risk Oriented Solvency System (C-ROSS)
- Provide tax incentives to certain types of insurers, brokers and Hong Kong registered/flagged ship owners
- Expedite the implementation of risk- based capital regime that suits the situation of Hong Kong
- Issue guidance note on management of captive insurers and on risk management
- Organise business development workshops for marine insurance companies and ship owners/registrars
- Incubate a line of young talents for the insurance sector through tertiary institutions and Continued Professional Development programmes

Work Progress in 2017 – *Research Reports and Papers*

Report 2: “Optimising Hong Kong's Listed Structured Products Market” (April 2017)

Recommendations include:

- Expand listed structured product types
- Review the Exchange’s naming conventions for stock short names
- Shorter timeframe and streamlined process to launch a new listed structured product
- Incentives to support new structured product types
- Allow flexible liquidity provisioning for new products, e.g. a quote request liquidity process
- Support joint market efforts for investor education

Work Progress in 2017 – *Research Reports and Papers*

Report 3: “The Future of FinTech in Hong Kong” (May 2017)

Report 4: “Hong Kong – Building Trust Using Distributed Ledger Technology (DLT)” (May 2017)

Recommendations include:

- Establish a publicly-funded Cybersecurity Centre
- Secure and expand Hong Kong’s role as a settlement hub for China-international payments and securities transactions with the use of FinTech
- Develop a FinTech solution in the form of a sector-wide digital ID
- Develop WealthTech and InsurTech
- Develop a regulatory regime to promote FinTech and apply RegTech
- Other recommendations on DLT

Work Progress in 2017 – *Research Reports and Papers*

Report 5: “Recommendations for Developing Hong Kong as an Aircraft Leasing and Financing Hub” (July 2017)

Recommendations include:

- Expand the tax treaty network, in particular with countries with high aircraft growth rates
- Enhance the protection of creditors and lessors through participation in relevant international convention
- Revisit waivers under the Listing Rules for listed aircraft lessors
- Enable the listing of aircraft securitisation products in the form of investment trusts
- Relax the loan requirements related to aircraft leasing imposed by HKMA
- Nurture professional talents in aircraft financing

Work Progress in 2017 – *Research Reports and Papers*

Report 6: “ Proposals to Extend Offshore Private Equity Fund Tax Exemption to Hong Kong Businesses” (July 2017)

Recommendations include:

- Extend the offshore private equity fund tax exemption to cover investment in Hong Kong private companies and non-Hong Kong private companies with substantial operations in Hong Kong, except those holding substantial Hong Kong residential properties
- Remove certain tax implications relating to tainting
- Expand the scope of allowable activities of a special purpose vehicle which can be tax-exempt

Work Progress in 2017 – *Research Reports and Papers*

Report 7: “A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong” (September 2017)

Recommendations include:

- Introduce group tax loss relief by way of a group tax loss transfer mechanism

Work Progress in 2017 – *Research Reports and Papers*

Paper 1: “Response to HKEX consultation on new board and review of GEM” (September 2017)

- General support for the HKEX consultation proposal, with a view to injecting new energy in the Hong Kong market while striking a balance between market development and regulation.
- Made reference to a 2014 FSDC report on IPO, which proposed to bring the Hong Kong market to the next level through market segmentation and diversification, among others

Work Progress in 2017 – *Research Reports and Papers*

Paper 2: “Overview of Hong Kong Financial Services Industry” (May 2017)

- A stock-take of where Hong Kong stands as an International Financial Centre in all aspects of financial services, including Asset & Wealth Management, Banking, Corporate Finance, Insurance, as well as Professional Services and Financial Infrastructure

Work Progress in 2017 – *Promotional Activities*

- FSDC sponsored, participated and spoke in a wide range of flagship events and campaigns organised by the Government and HKTDC
 - ✓ Asian Financial Forum (January 2017, Hong Kong)
 - ✓ SmartHK (May 2017, Fuzhou)
 - ✓ Belt and Road Summit (September 2017, Hong Kong)
 - ✓ Think Asia, Think Hong Kong (September 2017, London)
 - ✓ Hong Kong Finance Seminars (October 2017, Osaka & Tokyo)
 - ✓ Hong Kong FinTech Week (October 2017, Hong Kong)



Work Progress in 2017 – *Engagement Activities*

- Continued to engage relevant local, Mainland and overseas bodies through outreach meetings

Local

- ✓ Alternative Investment Management Association
- ✓ Asia Securities Industry and Financial Markets Association
- ✓ British Chamber of Commerce in Hong Kong
- ✓ Chamber of Hong Kong Listed Companies
- ✓ Chinese Financial Association of Hong Kong
- ✓ CFA Institute Hong Kong
- ✓ Chinese Securities Association of Hong Kong
- ✓ Financial and Treasury Services Committee of the Hong Kong General Chamber of Commerce
- ✓ Hong Kong Foreign Financial Institutions Association
- ✓ Hong Kong Institute of Bankers
- ✓ Hong Kong Investment Funds Association
- ✓ Hong Kong Private Equity Finance Association
- ✓ Hong Kong Securities and Investment Institute
- ✓ Hong Kong Society of Financial Analysts
- ✓ Hong Kong Venture Capital and Private Equity Association
- ✓ Institute of Financial Planners of Hong Kong
- ✓ Investment Company Institute (Global)

Work Progress in 2017 – *Engagement Activities*

- Continued to engage relevant local, Mainland and overseas bodies through outreach meetings (cont'd)

Mainland and Overseas

- ✓ Authority of Qianhai
- ✓ Asian Development Bank
- ✓ FinPro under the Finland Trade Centre of the Finnish Government
- ✓ Korea Environmental Industry and Technology Institute
- ✓ Tennessee Department of Commerce and Insurance, USA
- ✓ UK stakeholders in the asset management industry



Work Progress in 2017 – *Human Capital Initiatives*

- Practitioners Speakers Series for tertiary students
(Eight sharing sessions between January - October 2017)
- The 4th FSDC Career Day attended by over 300 tertiary students and young graduates (October 2017)
- Continuous update of information and job openings on the FSDC Career Website



Work Plan for 2018

Work Plan for 2018

Incorporation of the FSDC

- The Chief Executive in her Policy Speech on 11 October 2017 agreed that the Government would provide the FSDC with additional resources to strengthen its capacity in:
 - conducting strategic studies and providing advice
 - fostering market development
 - nurturing talent
- In order for FSDC to have its own independent legal status to receive fund from the Government, lease premises and employ staff from the market, it needs to be incorporated as a non-profit making company limited by guarantee
- The incorporated FSDC will retain its name as it has already built up its profile both locally and overseas; its chairman and directors will be non-remunerative and appointed by the Government

Work Plan for 2018

Strengthening the work of the FSDC

1) Conducting strategic studies and providing advice:

Topics under discussion:

- **Green finance:** A Focus Group to keep abreast of the developments in Hong Kong and other major jurisdictions
- **KYC utility and account opening:** Explore the feasibility of developing a central data repository for AML/KYC and suitability (more aspirational) assessments
- **Maritime leasing:** Possible initiatives to attract maritime leasing businesses to set up in Hong Kong, including ship mortgages and the tax regime relevant to maritime leasing

Work Plan for 2018

Strengthening the work of the FSDC

1) Conducting strategic studies and providing advice

Topics under discussion (Cont'd):

- **Life insurance:** Opportunities for the development of life insurance business in Hong Kong and measures for enhancing Hong Kong's role as a leading life insurance centre
- **Belt and Road Initiative and Greater Bay Area development:** The unique role of Hong Kong and the policy headrooms needed for Hong Kong to capture the business opportunities

Work Plan for 2018

Strengthening the work of the FSDC

2) Fostering market development

- Continued partnership with HKTDC, the Government and other stakeholders through sponsorship and participation in flagship events
- Continue to engage local, Mainland and overseas industry associations and development bodies

Work Plan for 2018

Strengthening the work of the FSDC

3) Nurturing talent:

- Enhancing graduates' understanding of career options in the industry through:
 - ✓ Career talks
 - ✓ Sharing by practitioners
 - ✓ Further enhancement on the FSDC Career Website
- Reviewing and stepping up financial training in Hong Kong
- Supporting the Government's three-year pilot programme in nurturing talents for the asset and wealth management and insurance industry

Thank you

Appendix

Full list of research reports issued by the FSDC

1. Strengthening Hong Kong as a Leading Global International Financial Centre (November 2013)
2. Development and Reform of Mainland China's Financial Sector and the Strengthening and Enhancement of Hong Kong's Pivotal Role as a Financial Centre (November 2013)
3. Proposals to Advance the Development of Hong Kong as an Offshore Renminbi Centre (November 2013)
4. Developing Hong Kong as a Capital Formation Centre for Real Estate Investment Trusts (November 2013)
5. Proposals on Legal and Regulatory Framework for Open-ended Investment Companies in Hong Kong (November 2013)
6. Synopsis Paper Proposing Tax Exemptions and Anti-avoidance Measures on Private Equity Funds in 2013-14 Budget (November 2013)
7. Promotional Activities by the Financial Services Development Council (April 2014)
8. Pilot Scheme for Training Courses
9. Positioning Hong Kong as an International IPO Centre of Choice (June 2014)
10. Policy Development Proposals on the "Mainland and Hong Kong Closer Economic Partnership Arrangement"(September 2014)
11. Developing Hong Kong as an Offshore RMB-denominated Reinsurance Centre (December 2014)
12. Disclosure of Interests Regime in Hong Kong (December 2014)
13. Developing Hong Kong's Human Capital in Financial Services (January 2015)
14. Chinese Enterprises "Going Global": Opportunities and Hong Kong's Policy Responses (April 2015)
15. Enhancing Hong Kong's Role as a Centre for Regional and International Financial Institution Operations: Booking (September 2015)
16. Strengthening Hong Kong as a Capital Formation Centre for Exchange Traded Funds ("ETFs") (October 2015)

Appendix

Full list of research reports issued by the FSDC (cont'd)

17. A Paper on Limited Partnership for Private Equity Funds (December 2015)
18. A Paper on the Tax Issues on Open-ended Fund Companies and Profits Tax Exemption for Offshore Private Equity Funds (December 2015)
19. Strengthening Hong Kong as a Retail Fund Distribution Centre (December 2015)
20. Hong Kong's Position Limits Regime for Exchange-traded Derivatives - the Need for Revision (February 2016)
21. Introducing a Regulatory Framework for Equity Crowdfunding in Hong Kong (March 2016)
22. Recommendations for Capitalising on the Unique Advantages of Hong Kong in the Process of Renminbi Capital Account Convertibility (April 2016)
23. Hong Kong as a Regional Green Finance Hub (May 2016)
24. Proposal on the Mainland-Hong Kong Bond Market Connect (November 2016)
25. The 13th Five-Year Plan: Opportunities for the Hong Kong Financial Industry and Policy Recommendations (December 2016)
26. 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 (December 2016)
27. Turning Crisis into Opportunities: Hong Kong as an Insurance Hub with Development Focuses on Reinsurance, Marine and Captive (March 2017)
28. "Optimising Hong Kong's Listed Structured Products Market" (April 2017)
29. The Future of FinTech in Hong Kong (May 2017)
30. Hong Kong – Building Trust Using Distributed Ledger Technology (May 2017)
31. Recommendations for Developing Hong Kong as an Aircraft Leasing and Financing Hub (July 2017)
32. Proposals to Extend Offshore Private Equity Fund Tax Exemption to Hong Kong Businesses (July 2017)
33. A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong (September 2017)