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Ms Connie Szeto
Clerk to Panel on Financial Affairs
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Ms Szeto,

Panel on Financial Affairs

**Information Paper on Government's Initiatives
for Promoting and Facilitating Development
of the Financial Services Sector**

We enclose an information paper on the progress of the various initiatives implemented by the Government for promoting and facilitating development of the financial services sector for Panel members' information.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Chris Sun', written over a large, stylized loop.

(Chris SUN)

for Secretary for Financial Services and the Treasury

For Information
January 2018

Legislative Council Panel on Financial Affairs
Government's Initiatives for Promoting and Facilitating Development
of the Financial Services Sector

Purpose

This paper briefs Members on the progress of the various initiatives implemented by the Government for promoting and facilitating development of the financial services sector.

Background

2. The financial services industry is an important pillar of the Hong Kong economy, contributing to about one-sixth of our Gross Domestic Product in 2016 and providing 259 200 jobs which account for 6.8% of the total employment in Q3 2017. Hong Kong's position as the world's financial centre is also widely recognized.

3. In the Policy Address in October 2017, the Chief Executive re-affirmed the Government's commitment to reinforcing and enhancing Hong Kong's status as a global financial centre. This paper reports on the latest progress of initiatives we have implemented to promote and facilitate the development of the financial services sector.

Progress of existing initiatives and new areas for further development

Talent development for the financial industry

4. Having a rich pool of talents is crucial to the continued competitiveness of our financial services sector. In August 2016, the Government launched a three-year Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector ("Pilot Programme"). The Pilot Programme is welcome by the financial services sector and students. The various initiatives under the Pilot Programme include public education programme ("PEP"), summer internship programme ("SIP") for undergraduate students, training allowance for work-and-learn programme ("WLP"), and a financial incentive scheme ("FIS") for professional training for in-service practitioners.

5. For the insurance sector, the Government has engaged the Vocational Training Council to implement initiatives under the Pilot Programme. On PEP, we have launched a series of publicity and outreach programmes to raise public awareness of the wide range of career opportunities and the career paths of functional jobs in insurance¹. The WLP helps student-workers pursue a career in insurance or brokerage companies and acquire job-related knowledge at the same time. We have enrolled four cohorts of intakes with 16 successful applicants so far. To enhance the enrollment rate, we have stepped up promotion effort to tertiary institutions. On SIP, responses from companies and students are in general very positive, with 64 undergraduate students taking up internship positions with 26 insurance companies and insurance broker companies in the first SIP in summer 2017. On FIS, 68 training sessions have been approved² under the financial incentive scheme for the insurance sector so far. Around 700 practitioners attended the 14 training sessions under the first round of FIS. Government subsidies provided under the scheme have enabled the organisers to introduce specialised and advanced subjects such as cybersecurity risks, ship builder's risks, marine insurance and InsurTech.

6. As for the asset and wealth management ("WAM") sector, the Government has engaged the Hong Kong Securities and Investment Institute to implement the initiatives under the Pilot Programme. The response to the SIP has been positive, with 61 undergraduate students taking up internship positions with 22 employers in the first SIP in summer 2017. We will continue with the SIP in 2018 and 2019. On the other hand, the industry's uptake of the FIS has been lower than expected, mainly because many employers have their own subsidy arrangements for staff training. As of end-November 2017, 176 financial services practitioners have been reimbursed under the FIS for completion of eligible courses related to WAM. We will continue to arrange

¹ The activities launched include the production of generic (titled "It's a Cool Profession") and thematic videos (under the theme "Insurance Knowledge Challenge") targeting young people, organisation of a school video filming competition and production of TV infotainment programmes featuring different professions of the insurance sector. All videos can be viewed on Youtube, Facebook and the website of the Pilot Programme (<https://www.instalent.org.hk/en/content/media-corner>).

² There are three rounds of applications under the FIS. Among the 68 training sessions, 14 sessions have been completed under the first round, and the remaining 54 sessions approved under the second round are being conducted. The third round application runs from November 2017 to January 2018. All training sessions under the FIS will be completed by February 2019.

promotional and educational activities throughout the year to enhance public awareness of the WAM sector, including on- and off-campus talks, publication of news and updates through a dedicated website, and an annual career fair / industry promotion event. The next career fair will be held on 3 February 2018.

7. We will continue to implement the initiatives set out in paragraphs 5 and 6 above between now and 2019-20. We will review their cost-effectiveness and consider nearer the completion of the three-year Pilot Programme which of the initiatives warrant continuation, and if so, in what form³. Industry's feedback will be taken into account in the course of the review.

The promotion and development of green finance

8. Riding on the accelerating global demand for green financial products, Hong Kong, as an international financial centre and the global RMB business hub, is well equipped to develop green finance, in particular serving as a premier financing platform for international and Mainland green enterprises / projects in raising funds through issuing bonds and initial public offerings.

9. The Government and the regulatory authorities have been keeping in view the development of green finance in the global market, such as the latest development of the green bond market, including green bond standards and guidelines, and other means to finance projects / investments that provide environmental benefits. To take forward the initiative announced by the Chief Executive in the October 2017 Policy Address, a Green Bond Programme will be launched in 2018-19 to promote the development of green finance and to demonstrate the Government's commitment to promote sustainable economic development. We are also pleased to see that the Hong Kong Quality Assurance Agency has recently established a green finance certification scheme by making reference to international and national standards. The first certificate under the scheme was issued to a local green bond issuance in early January. During the planning stage, representatives of the Financial

³ In the 2014-15 Budget, the Financial Services and the Treasury Bureau was tasked to conduct a study on the training of professionals and skilled personnel in various sectors of the financial services industry. Through consultation with the financial services industry on the issue of talent training, we noted that there was broad consensus that manpower shortage is particularly acute in the insurance and WAM sectors. The Government undertook that after reviewing the effectiveness of the Pilot Programme, we would then consider whether to extend the programme to other sectors within the financial services industry with actual needs.

Services and the Treasury Bureau and the Environment Bureau attended meetings of its Technical Committee as observers. We will continue to support its implementation and encourage local, Mainland and overseas enterprises to make use of the scheme and our capital markets for financing their green projects.

10. We would also promote our competitive edges in terms of capital markets and green finance at regional and international forums organised in Hong Kong. A thematic workshop on “green economy development” was held at the Asian Financial Forum (“AFF”) 2017 in January last year. Planning is also being made for hosting international event(s) on green finance in Hong Kong this year, such as the Green and Social Bond Principles Annual General Meeting and Conference to be co-hosted by the Hong Kong Monetary Authority and the ICMA in June.

Promoting and developing Hong Kong as a Fintech hub

11. As an international financial centre with a highly-developed information and communication technology sector, Hong Kong is an ideal place for the development of Fintech. With the concerted efforts of the Government, financial regulators, innovation partners (e.g. Cyberport) and industry players, the local Fintech ecosystem has become increasingly vibrant in recent years.

12. We have been providing additional resources to InvestHK since 2016-17 for implementation of an array of Fintech initiatives. InvestHK has a dedicated Fintech team to assist Fintech enterprises, start-up entrepreneurs, investors, incubators, accelerators and innovation labs from all over the world to establish in Hong Kong and expand into the Mainland and Asian markets. InvestHK also organises a series of Fintech events, including the annual flagship “Fintech Week”, to showcase the vibrant Fintech ecosystem in Hong Kong. The second edition of Fintech Week, held in October 2017, drew some 4 000 attendees from over 50 countries and more than 300 speakers.

13. Cyberport plays a key facilitating role in the Hong Kong Fintech ecosystem, particularly in nurturing Fintech start-ups and talents. In 2016, Cyberport launched a 4 300 m² dedicated Fintech co-working space, Smart-Space FinTech. Cyberport now counts over 200 Fintech companies under its network. Cyberport serves as the base for the world-renowned Accenture FinTech Innovation Lab. Cyberport also runs a number of funding schemes and incubation / acceleration programmes that support start-ups, including those engaged in Fintech.

14. Hong Kong Applied Science and Technology Research Institute (“ASTRI”) is another key player in the Hong Kong Fintech ecosystem. ASTRI has identified Fintech as one of its R&D focuses, and currently has three work streams, namely Cybersecurity, Big Data Analytics and Blockchain. ASTRI also works with the banking industry to conduct applied research on Fintech, for example, through establishing innovation laboratories with banks.

15. To further promote and develop Hong Kong as a Fintech hub, InvestHK, Cyberport and ASTRI will continue to play their respective parts, with necessary support from the Government. The Government will also work closely with financial regulators and engage the industry to facilitate and coordinate Fintech development in Hong Kong.

Summary

16. The aforementioned initiatives are welcome by the financial services sector and stakeholders, and have achieved good progress.

17. We will continue to explore and devise, in consultation with industry players and stakeholders, initiatives and programmes to promote and facilitate development of the financial services industry, and seek the necessary resources required through the established mechanism as and when appropriate. Areas identified to be of relevance as of now include, but are not limited to, talent development for the financial industry (not necessarily limited to the insurance and WAM sectors); infrastructural activities for the promotion and development of green finance; promotion and development of Hong Kong as a vibrant Fintech hub; and promotion and development of various sectors of financial services.

Financial Services Branch
Financial Services and the Treasury Bureau
January 2018