

立法會
Legislative Council

LC Paper No. CB(1)1212/18-19
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA

Panel on Financial Affairs

**Minutes of meeting held on
Monday, 1 April 2019, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Hon Christopher CHEUNG Wah-fung, SBS, JP
(Chairman)
Hon Kenneth LEUNG (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Steven HO Chun-yin, BBS
Hon WU Chi-wai, MH
Hon Charles Peter MOK, JP
Hon Dennis KWOK Wing-hang
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon CHU Hoi-dick
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon CHAN Chun-ying, JP
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP

Members attending : Hon CHAN Hak-kan, BBS, JP
Dr Hon Elizabeth QUAT, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP

Member absent : Hon Abraham SHEK Lai-him, GBS, JP

Public officers attending : Agenda Item IV

Mr Andrew LAI, JP
Deputy Secretary for Financial Services and the
Treasury (Treasury)²

Ms TSE Yuk-yip, JP
Assistant Commissioner 3
Inland Revenue Department

Mr HONG Wai-kuen
Chief Assessor (Stamp Office)
Inland Revenue Department

Agenda Item V

Ms Winnie NG
Deputy Secretary for Financial Services and the
Treasury (Financial Services)

Mr Chi Wang TE
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)

Agenda Item VI

Mr Joseph CHAN, JP
Under Secretary for Financial Services and the Treasury

Mr Laurence LI, JP
Chairman
Financial Services Development Council

Ms Anissa WONG
Deputy Executive Director
Financial Services Development Council

Attendance by invitation : Agenda Item V

Mr Charles NG
Associate Director-General of Investment Promotion
InvestHK

Mr Colin POU
Executive Director, Financial Infrastructure Department
Hong Kong Monetary Authority

Ms Julia LEUNG
Deputy Chief Executive Officer and Executive Director
of Intermediaries Division
Securities and Futures Commission

Mr Raymond Tam
Executive Director, Policy and Development Division
Insurance Authority

Mr Peter YAN
Chief Executive Officer
Hong Kong Cyberport Management Company Limited

Mr Eric CHAN
Chief Public Mission Officer
Hong Kong Cyberport Management Company Limited

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

Action

I Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)806/18-19 — Minutes of the meeting on 18 December 2018)

The minutes of the meeting held on 18 December 2018 were confirmed.

II Information paper issued since the regular meeting on 19 March 2019

(LC Paper No. CB(1)791/18-19(01) — Administration's paper on development of a centralized platform for the administration of Mandatory Provident Fund registered schemes – progress update and first-phase legislative amendments)

2. Members noted the information paper issued since the regular meeting held on 19 March 2019.

III Date of next meeting and items for discussion

(LC Paper No. CB(1)760/18-19(01) — List of outstanding items for discussion

LC Paper No. CB(1)760/18-19(02) — List of follow-up actions)

3. Members agreed to discuss the following items proposed by the Administration at the regular meeting scheduled for 6 May 2019, from 9:30 am to 12:30 pm:

- (a) Briefing on the work of the Hong Kong Monetary Authority;
- (b) Progress Report on the work of the Financial Reporting Council; and
- (c) Update on measures to tackle money lending-related malpractices.

Action

IV E-Stamping of Share Transfer Documents

(LC Paper No. CB(1)760/18-19(03) — Administration's paper on "E-Stamping of Share Transfer Documents")

Briefing by the Administration

4. At the invitation of the Chairman, Deputy Secretary for Financial Services and the Treasury (Tsy)2 ("DS(Tsy)2") briefed members on the Administration's plan to amend the Stamp Duty (Specification of Instruments) Notice (Cap. 117 sub. leg. B) ("the Notice") for implementing e-Stamping of the chargeable instruments of stock transactions (i.e. contract notes and instruments of transfer) by highlighting the salient points in the Administration's paper. He added that the e-Stamping services would enhance convenience of duty payers and they would not be subject to any additional charges. The Administration planned to table the Notice before the Legislative Council ("LegCo") for negative vetting on 8 May 2019.

Discussion

Benefits brought by the e-Stamping services

5. Mr WU Chi-wai enquired whether the Administration would, upon the implementation of the e-Stamping services, consider lowering the stamp duty levied on stock transactions so as to reflect savings in the cost for provision of stamping services resulting from the introduction of e-Stamping and to encourage more investors to use e-Stamping. Mr WU also enquired whether the Administration would encourage financial institutions (including banks) ("FIs") to reduce their deposit fees for stocks given that FIs' costs for handling stock transactions might be reduced by using the e-Stamping services.

6. DS(Tsy)2 responded that the Administration currently had no plan to reduce the level of stamp duty on stock transactions which was already considered on the low side. He added that stamp duty income was an important source of government revenue and that Hong Kong's tax base was narrow. As for the stock deposit fees charged by FIs, which were unrelated to stamp duty, DS(Tsy)2 said that he would relay Mr WU Chi-wai's views to the relevant colleagues of the Financial Services Branch of the Financial Services and the Treasury Bureau ("FSTB").

Action

Implementation of the e-Stamping services

7. Noting that e-Stamping services were currently available for property transactions, Mr Kenneth LEUNG enquired whether the Inland Revenue Department ("IRD") would enhance the existing e-Stamping system for property transactions to provide e-Stamping services for share transfer documents so as to facilitate stamp duty payers of both types of transactions. He also asked if users of e-Stamping services had to apply for digital certificates from the Hongkong Post in using the services.

8. DS(Tsy)2 confirmed that the current e-Stamping system would be enhanced for providing services to both property transactions and stock transactions. A duty payer could access the enhanced e-Stamping system through a number of means, including the e-Stamp account maintained with IRD, the taxpayer identification number, or the digital certificate. When using the e-Stamping services, a duty payer would only be required to provide basic information of the stock transaction and IRD would carry out spot checks as appropriate.

9. Mr Kenneth LEUNG pointed out that stock transactions, such as those involving mergers and acquisitions ("M&As") of companies, might be complicated and the Stamp Office of IRD would take relatively longer time to assess the amount of stamp duty to be payable. He enquired whether e-Stamping services would be available to complicated stock transactions, and if not, how duty payers would be informed timely that they had to resort to manual stamping for their transactions. Otherwise, the duty payers concerned would be subject to late penalty inadvertently.

10. Assistant Commissioner 3, Inland Revenue Department ("AC3/IRD") responded that for most transactions, upon the receipt of all relevant documents, the Stamp Office could immediately assess the amount of stamp duty to be payable. For some exceptionally complicated transactions (including those involving M&As), as adjudication of stamp duty would usually be required, e-Stamping services would not be available for such transactions. The enhanced e-Stamping system could identify complicated transactions which the system would not process, and the system would also inform the users concerned that they need to resort to manual stamping. DS(Tsy)2 added that it was envisaged that over 90% of stock transactions could be handled by the e-Stamping system.

11. In response to Mr WU Chi-wai's enquiry, AC3/IRD confirmed that the procedures for manual stamping of share transfer documents would remain unchanged after the launch of e-Stamping.

Action

12. The Chairman enquired whether transactions of accumulators and equity-linked notes of which the underlying assets involved Hong Kong listed shares would be regarded as off-exchange stock transactions, and thus be covered by the e-Stamping services. He also urged that the Administration should fully engage the financial services industry before taking forward legislative proposals affecting the stock market.

13. DS(Tsy)2 responded that the stock transactions referred to by the Chairman were usually conducted in the Hong Kong Stock Exchange and classified as on-exchange stock transactions. Currently, the Hong Kong Exchanges and Clearing Limited was responsible for collecting the stamp duty for on-exchange stock transactions on behalf of the Collector of Stamp Revenue. Nonetheless, he took note of the Chairman's views regarding consultation with the securities industry (including the Hong Kong Securities and Investment Institute) on legislative proposals affecting the stock market in future. The Administration would step up publicity and promotion of the e-Stamping services for stock transactions.

V Development of financial technologies

(LC Paper No. CB(1)760/18-19(04) — Administration's paper on "Development of financial technologies"

LC Paper No. CB(1)760/18-19(05) — Updated background brief on development of financial technologies in Hong Kong prepared by the Legislative Council Secretariat)

Briefing by the Administration

14. At the invitation of the Chairman, Deputy Secretary for Financial Services and the Treasury (Financial Services) ("DS(FS)") updated the Panel with the aid of a powerpoint presentation on the development of the local financial technologies ("Fintech") landscape and the measures taken by the Administration and financial regulators to facilitate Fintech development. Associate Director-General of Investment Promotion, InvestHK also briefed members on InvestHK's initiatives in promoting Fintech development.

Action

(*Post-meeting note:* The powerpoint presentation materials (LC Paper No. CB(1)829/18-19(01)) were issued to Members vide Lotus Notes e-mail on 1 April 2019.)

Discussion

Challenges faced by Fintech companies

15. Mr CHAN Chun-ying noted that there were currently over 550 Fintech companies in Hong Kong. He enquired whether the Administration had information on the number of Fintech companies in Hong Kong which had ceased operation and examined the difficulties such companies had encountered. Mr CHAN Kin-por and Mr WU Chi-wai made similar enquiries. Mr Charles Peter MOK suggested that the Administration should highlight the challenges faced by Fintech companies in Hong Kong in its future briefings.

16. DS(FS) said that InvestHK's dedicated Fintech team had rendered assistance to over 480 Fintech companies since its establishment in September 2016. According to the Fintech ecosystem study conducted by InvestHK in 2018, around 51% of these companies had operated in Hong Kong for over three years. This reflected that a mature Fintech ecosystem had been established in Hong Kong. As regards the challenges faced by Fintech companies in Hong Kong, InvestHK's study revealed that, in general, Fintech companies encountered problems such as recruiting talents, seeking funds and finding clients. InvestHK had been taking various measures to assist Fintech companies in resolving the problems. For instance, Fintech companies should find it easier to open bank accounts in Hong Kong with the facilitation measures of the Hong Kong Monetary Authority ("HKMA") and InvestHK. The Administration's measures for nurturing local talents and attracting overseas talents were also set out in paragraphs 23 to 25 of the paper provided by the Administration.

17. Mr Alvin YEUNG conveyed the industry's concern that the Administration might have overlooked the needs of smaller scale Fintech companies which were located outside Cyberport and the Hong Kong Science Park ("HKSP"), in particular their needs for recruiting talents.

18. DS(FS) advised that the Talent List of Hong Kong promulgated by the Administration had covered, inter alia, Fintech talents. Immigration facilitation was provided to eligible persons under the Talent List through the Quality Migrant Admission Scheme ("QMAS"). Successful applicants of QMAS were not required to have secured an offer of local employment before entering Hong Kong. Fintech companies in Hong Kong, regardless of whether they were located in Cyberport or HKSP, could recruit such talents. The Immigration

Action

Department had so far received 12 applications under QMAS, and three applicants involved experienced data scientists and cyber security specialists. DS(FS) added that InvestHK would continue promoting the Talent List of Hong Kong and QMAS overseas, with a view to attracting overseas Fintech talents to Hong Kong.

Development of Fintech in Hong Kong

19. Mr CHAN Chun-ying sought details of the work of the Global Financial Innovation Network ("GFIN"), and the feedback of local Fintech companies on its work.

20. DS(FS) advised that GFIN, established in January 2019, was a network of financial regulators and related organizations which aimed to provide a more efficient way for innovative firms to interact with regulators, and create a co-operative framework for regulators to exchange views on innovation related topics and share their experience and approaches in tackling Fintech issues. GFIN had launched a pilot programme for the Fintech industry to test innovative financial products, services or business models across jurisdictions.

21. On the further development of the know-your-customer utility ("KYCU"), Mr CHAN Chun-ying enquired how the development of the electronic identity ("eID") system could enhance KYCU of FIs, and whether the Innovation and Technology Bureau ("ITB") and the Office of the Government Chief Information Officer ("OGCIO") had discussed the interface between eID system and KYCU.

22. DS(FS) explained that ITB and OGCI O would, in developing the eID system, provide flexibility for supporting future services to be provided by public and private organizations, including facilitating FIs to perform the KYC procedures. She added that while eID would be launched in mid-2020, OGCI O would release in the second half of 2019 some eID's application programming interfaces with a view to helping public and private organizations to develop applications utilizing eID before its launch.

23. Mrs Regina IP noted that HKMA had released its second whitepaper on distributed ledger technology (commonly known as blockchain) in 2017, and enquired whether HKMA had discussed with ITB and FSTB concerning the use of blockchain in the Government.

24. DS(FS) pointed out that a number of blockchain projects including eTradeConnect and Motor Insurance Distributed Ledger Technology-based Authentication System had been launched. She understood that ITB would

Action

implement a number of new measures under the "Smart City" initiative. FSTB would share with ITB on the financial services industry's experience in using blockchain.

25. Mr CHAN Kin-por sought details on the enquiries handled by the Insurance Authority's ("IA") Insurtech Facilitation Team, and the eight sandbox applications received by IA so far.

26. Executive Director, Policy and Development Division of the Insurance Authority ("ED/IA") advised that the Insurtech Facilitation Team had received more than 150 enquiries since its establishment. Of these enquiries, 39 and 44 were relating to IA's sandbox and Fast Track respectively, while the rest were general enquiries covering a wide range of issues including IA's regulatory requirements. Regarding the eight projects tested in IA's sandbox, ED/IA said that they were all related to the sale of insurance products. Testing for two sandbox applications involving the use of mobile payment and online sale of insurance products had been completed, and the relevant services had been rolled out in the market.

27. Mr Alvin YEUNG sought HKMA's assessment on its Fintech Supervisory Sandbox ("FSS") which was established in 2016 and tested 46 new technology products as of the end of February 2019. Pointing out that the Fintech community in some overseas jurisdictions was not aware of FSS, Mr YEUNG called on HKMA to enhance the publicity on FSS and review the application threshold with a view to promoting the service to Fintech companies.

28. DS(FS) responded that it might not be appropriate for the Administration and financial regulators to set targets on the use of sandboxes as the demand for sandbox service was market-driven. Financial regulators including HKMA, the Securities and Futures Commission ("SFC") and IA welcomed their respective industries to conduct trials of Fintech initiatives using their sandboxes. The sandboxes of HKMA, SFC and IA were also linked up to provide a single platform for pilot trials of cross-sector Fintech products. InvestHK and the Cyberport would help publicize the sandboxes provided by financial regulators.

29. Mr Charles Peter MOK noted that HKMA had issued three virtual bank licences on 27 March 2019. Noting that the three licensees were joint ventures comprising banks, he asked whether Fintech companies could apply for virtual bank licences on their own. As HKMA had not informed the unsuccessful applicants the reasons for refusing their applications, Mr MOK expressed concern about the transparency of the application procedures.

Action

30. Executive Director, Financial Infrastructure Department of the Hong Kong Monetary Authority ("ED/HKMA") responded that the three virtual bank licensees had diverse background and applicants for virtual bank licences were not restricted to banks.

Regulation for virtual assets

31. Mr Holden CHOW noted that SFC had set out a conceptual framework for the potential regulation of virtual asset trading platforms in November 2018. He enquired about details of SFC's regulatory approach and the implementation timetable, whether the regulatory regime would be mandatory and how investors would be informed if a virtual asset trading platform was regulated by SFC.

32. Deputy Chief Executive Officer and Executive Director of Intermediaries Division, Securities and Futures Commission explained that many virtual assets were currently not subject to regulation of the Securities and Futures Ordinance (Cap. 571) ("SFO") as they did not fall within the definition of "securities" or "futures contracts" under SFO. In order to protect investors, SFC would subject certain licensed portfolio managers who managed or distributed funds investing in virtual assets to the same degree of regulation under SFO which was applicable to other funds, and restrict the sale of such funds to professional investors only. Further, SFC had set out the conceptual framework for the potential regulation of virtual asset trading platforms with a view to exploring whether such platforms were suitable for regulation. SFC would examine a number of issues, including how to ensure the cybersecurity of such platforms and whether the platforms were able to meet the statutory requirements concerning anti-money laundering and counter-terrorist financing. As SFC was exploring the feasibility of the regulatory approach, virtual assets trading platform operators were voluntary in participating in the proposed regulatory regime. If SFC later decided to implement the proposed licensing regime for virtual assets trading platforms, investors would be able to identify platforms which were under SFC's regulation.

33. Mr Charles Peter MOK conveyed the industry's view that SFC's sandbox could not meet the need for testing financial products involving virtual assets. He said that he would provide further views on the matter to the Administration and SFC in due course.

34. Dr Elizabeth QUAT enquired whether the Administration and HKMA had conducted studies on initial coin offerings and the development of central bank digital currency ("CBDC") in Hong Kong.

35. ED/HKMA advised that HKMA had carried out a study on CBDC, and concluded that the demand for CBDC at the retail level in Hong Kong would be

Action

limited. Nevertheless, HKMA would monitor relevant studies conducted by other jurisdictions.

Strategies for the development of Fintech

36. Mr WU Chi-wai asked whether the assistance provided by the Administration and financial regulators to Fintech companies in Hong Kong was aimed to help such companies develop financial applications or products targeting the Mainland market. If this was the case, he was concerned that the competitiveness of local Fintech companies in the global Fintech market might be adversely affected as a result, and that Hong Kong might become less attractive to overseas Fintech companies. He requested the Administration to provide information on the measures taken by the Administration and financial regulators in helping local Fintech companies expand business in overseas markets other than the Mainland. He further expressed concern about the competitiveness of local Fintech companies vis-à-vis Fintech companies established overseas, such as Fintech companies in GFIN jurisdictions.

37. DS(FS) stressed that the Administration and financial regulators had been actively pursuing collaboration with Mainland and overseas counterparts in Fintech development. Such efforts had resulted in the conclusion of Fintech co-operation agreements with major financial or Fintech hubs, as well as organization and participation in a number of major Fintech events such as Hong Kong Fintech Week. She reiterated that the purpose of GFIN was to create a network of financial regulators and related organizations for enhancing co-operation and sharing experiences and approaches among them on Fintech-related issues.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)905/18-19(02) on 16 April 2019.)

38. With a view to promoting further mutual financial markets access between Hong Kong and the Mainland, Mr CHAN Chun-ying enquired whether financial regulators would consider extending their sandboxes to the Guangdong-Hong Kong-Macao Greater Bay Area ("the Bay Area"), and if so, whether sandbox applications would be tested in Hong Kong or cities in the Bay Area. Dr Elizabeth QUAT concurred that financial regulators should consider extending their sandboxes to the Bay Area.

39. DS(FS) responded that the Administration adopted an open attitude regarding the extension of financial regulators' sandboxes to the Bay Area, and

Action

would liaise with the relevant Mainland authorities on the matter when the opportunity arose.

Development of electronic payment systems

40. Dr Elizabeth QUAT pointed out that some small and medium enterprises were still unable to grasp new electronic payment methods including stored value facilities ("SVFs") and the Faster Payment System ("FPS"), and urged the Administration and financial regulators to step up publicity and promotion on new payment services.

41. Mr SHIU Ka-fai expressed concern that the development of electronic payment systems in Hong Kong had lagged behind other jurisdictions, and requested supplementary information on the work of the Administration and HKMA in promoting the use of SVFs and FPS to the retail sector including the relevant bodies in the sector which had been engaged. He invited the Administration to approach him if necessary in promoting new electronic payment method to the retail sector. Noting that a number of potential payment system operators planned to provide services in Hong Kong, Mr SHIU enquired about the regulatory regime and support for such companies.

42. DS(FS) acknowledged that Hong Kong people were used to traditional payment methods including Octopus and credit cards in the past. Following the enactment of the Payment Systems and Stored Value Facilities Ordinance (Cap. 584) in 2015, there had been rapid development in SVFs and retail payment systems in Hong Kong. As of the end of February 2019, 16 SVF licensees (of which three were licensed banks) were providing services in Hong Kong, and a number of SVF operators were actively publicizing and promoting their services. The Administration believed that the SVF industry would continue to develop, and it was noted that some public markets and chain stores had started accepting payment by SVFs. ED/HKMA added that the number of registrations of FPS was growing, and HKMA had been promoting the facility to various industries including the retail sector.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)905/18-19(02) on 16 April 2019.)

43. Mr Kenneth LEUNG requested the Administration to provide information on the penetration rate of contactless payment facilities in Hong Kong. Mr LEUNG noted that some e-wallet operators had extended their Hong Kong e-wallets service to accept retail payments in the Mainland, and enquired about

Action

measures the Administration and HKMA would take to further develop cross-border payment systems.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)905/18-19(02) on 16 April 2019.)

44. DS(FS) responded that there had been good progress in the development of cross-border payment services, and some e-wallet operators had recently extended the use of Hong Kong e-wallets for retail payments in the Mainland. At present, a major obstacle to the development was that such e-wallets had to be linked with bank accounts opened in the Mainland. To facilitate Hong Kong people in opening bank accounts in the Mainland, on 20 March 2019, the Bank of China (Hong Kong) Limited ("BOC") launched a pilot scheme for Hong Kong people to open Mainland personal bank accounts in the Bay Area, under which, Hong Kong permanent residents could complete the Mainland account opening procedure in BOC's branches in Hong Kong. The initiative would be conducive to the development of cross-border payment services.

Measures to ensure cybersecurity in Fintech development

45. Mrs Regina IP stressed the need for the Administration and financial regulators to tackle cybersecurity of Fintech applications and ensure the sufficient supply of related talents in Hong Kong, which in turn could enhance public's confidence in using Fintech. She enquired whether FSTB and financial regulators had discussed the matter with the Cyber Security and Technology Crime Bureau ("CSTCB") of the Hong Kong Police Force.

46. DS(FS) responded that the Administration and financial regulators had implemented a number of measures to enhance cybersecurity. OGCIO and the Hong Kong Productivity Council had established the Hong Kong Computer Emergency Response Team Coordination Centre, which was tasked to monitor cybersecurity incidents and provide the industry with advice on preventive measures against security threats. Besides, the Cybersecurity Fortification Initiative introduced by HKMA, which consisted of the Cyber Resilience Assessment Framework, the Cyber Intelligence Sharing Platform, and the Professional Development Programme, had helped promote cybersecurity and increase the supply of qualified professionals in Hong Kong. SFC issued in 2017 the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading, and IA was conducting consultation with the industry on its draft Guideline on Cybersecurity which would be promulgated within 2019. Furthermore, FSTB and financial regulators would liaise with CSTCB on cybersecurity issues as appropriate and when necessary.

Action

VI Work of the Financial Services Development Council

(LC Paper No. CB(1)760/18-19(06) — Administration's paper on "Work of the Financial Services Development Council"

LC Paper No. CB(1)760/18-19(07) — Updated background brief on Financial Services Development Council prepared by the Legislative Council Secretariat)

Briefing by the Administration

47. At the invitation of the Chairman, Chairman of Financial Services Development Council ("C/FSDC") briefed members on the work accomplished by the Financial Services Development Council ("FSDC") in 2018-2019, which included publication of seven research reports and papers, promoting Hong Kong in large-scale events, and organizing events on human capital development. He said that FSDC had been incorporated as a company limited by guarantee with effect from September 2018 allowing it to better discharge its functions with more flexibility. He also highlighted FSDC's work plan for 2019-2020 on areas including market promotion, policy research and human capital development.

48. Under Secretary for Financial Services and the Treasury ("USFST") said that FSDC, formerly an advisory body under the auspices of FSTB, was incorporated as a company limited by guarantee in September 2018. The Government would continue to provide funding for the incorporated FSDC in the form of subvention. The Board of Directors of FSDC, comprising representatives from major sectors of the financial services industry, was appointed by the Government in January 2019. He added that since its establishment, FSDC had published over 40 research reports and papers, organized or participated in over 50 promotional events, held over 70 outreach meetings with industry players and more than 40 seminars and talks relating to the development of human capital. With more operational flexibility, it was expected that the incorporated FSDC would be able to further enhance its work in fostering market development, conducting strategic studies and nurturing talents.

Action

Discussion

Development of Real Estate Investment Trusts in Hong Kong

49. Mrs Regina IP referred to FSDC's report entitled "Developing Hong Kong as a Capital Formation Centre for Real Estate Investment Trusts" issued in November 2013 which suggested introducing flexibility to the investment scope of Real Estate Investment Trusts ("REITs"), including allowing REITs to invest in properties under development or engage in property development activities, with a view to securing Hong Kong's role as an international asset management centre and global capital formation centre for REIT listings. After a one-month consultation, SFC issued a revised "Code on Real Estate Investment Trusts" ("REIT Code") in 2014 to provide REITs with flexibility to, among other things, invest in property development activities (up to 10% of the REITs' gross asset value). Mrs IP expressed grave concern that allowing REITs to invest in property development activities and sell their assets had caused serious adverse impacts on the local community. For instance, the selling of shopping centres, markets and carparks in public rental housing estates by Link Real Estate Investment Trust had driven away small shops and led to increase in prices of goods. She sought information on the development of REITs in Hong Kong after issuance of the revised REIT Code in 2014, in particular the number of new REITs listed in Hong Kong.

50. USFST advised that no new REITs were listed in Hong Kong between 2014 and 2018, nevertheless the market capitalization of REITs in Hong Kong grew by over 36% since 2014. C/FSDC took note of Mrs IP's views and responded that the objectives of FSDC was to engage the industry and formulate proposals to promote the further development of Hong Kong's financial services industry and map out the strategic direction for the development of Hong Kong as an international financial centre. That said, FSDC would take into account environmental, social and governance issues in formulating its proposals to the Government in future.

(Post-meeting note: The information provided by the Administration on the development of REITs in Hong Kong after revision of the REIT Code by SFC in 2014 was issued to members vide LC Paper No. CB(1)931/18-19(02) on 24 April 2019.)

The annual budget of the Financial Services Development Council

51. Mr CHAN Chun-ying enquired about the division of work between FSDC and training institutions (e.g. the Hong Kong Institute of Bankers, the Vocational Training Council, etc.) regarding human capital development in the financial

Action

services industry, and asked if measures were in place to avoid overlapping of efforts among the various parties. Mr CHAN enquired if the expenses incurred by FSDC's directors in conducting promotional activities overseas were included in the \$4.5 million earmarked for market promotion in its budget for 2019-2020, whether FSDC considered the total budget of \$32 million for 2019-2020 sufficient to support its various functions and how it could seek additional funding from the Government if necessary.

52. C/FSDC responded that to avoid possible overlapping of work on human capital development, FSDC had been collaborating with local tertiary institutions as far as possible. In its talks and seminars, FSDC would cover latest job roles, in addition to the traditional ones, in order to provide its audience with a different perspective of career choices in the financial services industry. As regards participation in overseas promotional activities, C/FSDC said that FSDC's directors and committee members were from the financial services industry. For some FSDC's overseas promotional activities, FSDC might ride on the corporate resources of its directors and committee members. FSDC would review its resources in light of operational experience after its incorporation, and consider seeking additional funding from the Government if necessary.

The work of the Financial Services Development Council

53. Mr Holden CHOW pointed out that notwithstanding Hong Kong was ranked fourth in the shipping registry in the world, its total maritime insurance premiums were less than 0.1% of the global total. With a view to enhancing the development of high value-added maritime services in Hong Kong, he sought FSDC's views on measures to attract companies, such as marine insurance, ship finance and dispute resolution services, to establish in Hong Kong. Pointing out that there were initiatives in the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area for developing cross-boundary insurance products in the Bay Area, and Hong Kong insurers could set up service centres for processing claims and providing other services to policyholders in the Bay Area, Mr CHOW asked if FSDC would conduct research on opportunities for Hong Kong arising from the development of the Bay Area including measures to expand the channels for the sales of Hong Kong's insurance products in the Bay Area.

54. C/FSDC said that insurance (including maritime insurance) and asset management were among the main research subjects FSDC would explore in 2019-2020. FSDC would work with relevant regulators and Government bureaux/departments to review latest developments in the maritime insurance sector and explore development of high value-added maritime services in Hong Kong.

Action

55. Mr Kenneth LEUNG expressed gratitude to C/FSDC for taking up the chairmanship of FSDC. He also commended the efforts of USFST in promoting the development of the financial services industry in Hong Kong. He enquired about the guarantors of FSDC as it had been incorporated as a company limited by guarantee, FSDC's plan for promoting Hong Kong's financial services industry, and how FSDC would co-ordinate efforts of Government bureaux/departments and statutory organizations on market promotion.

56. C/FSDC and USFST advised that FSDC was incorporated as a company limited by guarantee without a share capital, and was wholly owned by the Government. The Secretary for Financial Services and the Treasury and the Deputy Secretary for Financial Services and the Treasury (Financial Services)¹ were the founding members of FSDC. The operation of the incorporated FSDC was overseen by its Board of Directors. On promoting Hong Kong's financial services industry, noting the enhanced promotion efforts of other international financial centres (e.g. the United Kingdom, Luxembourg and Tokyo), the incorporated FSDC would strengthen its efforts in promoting Hong Kong's financial services industry amid the latest developments in Hong Kong's financial markets and regulations, with a view to promoting Hong Kong's competitive edges to various target audiences and further consolidating Hong Kong's status as an international financial centre.

57. Mr Dennis KWOK enquired about the progress and the legislative timetable for introducing a limited partnership regime for private equity funds in Hong Kong. He also sought information on the Administration's plan in developing Hong Kong into a regional debt restructuring centre and the legislative timetable for introducing a statutory corporate rescue regime in Hong Kong.

58. USFST advised that the Administration was looking into introducing a limited partnership regime for private equity funds, and would study the case of introducing a more competitive tax arrangement for such funds. The Administration was also looking into introducing a statutory corporate rescue regime in Hong Kong, and aimed to introduce a bill into LegCo as soon as possible.

(Post-meeting note: The information provided by the Administration on developing Hong Kong into a regional debt restructuring centre and the legislative timetable for introducing a statutory corporate rescue regime in Hong Kong was issued to members vide LC Paper No. CB(1)931/18-19(02) on 24 April 2019.)

Action

59. The Chairman remarked that FSDC's research mainly focused on promoting the development of banking, insurance and funds industries. He urged FSDC to conduct studies and propose measures to facilitate the operation and development of the securities industry, particularly the small and medium-sized securities firms, enabling the industry to seize the opportunities arising from the Bay Area.

60. C/FSDC and USFST said that FSDC fully recognized the contribution of the securities industry and was aware of the concerns of small and medium-sized securities firms. They added that FSDC's Board of Directors and its various committees had representatives from the securities industry. FSDC would continue to conduct research and formulate proposals to promote the further development of Hong Kong's financial services industry including the securities industry in the Bay Area, and to study measures to enhance human capital development.

(At 12:41 pm, the Chairman ordered that the meeting be extended for 15 minutes to 1:00 pm. Members agreed.)

VII Any other business

61. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1
Legislative Council Secretariat
25 June 2019