

Financial Services

Industry News

BUDGET
SPEECH**Some Highlights of 2018/2019 Budget Speech on Financial Services Industry****Academy of Finance**

To enrich the pool of financial talent, the Hong Kong Monetary Authority (HKMA) is tasked to study the idea of establishing an academy of finance in collaboration with the Financial Services Development Council, the financial sector, tertiary institutions, professional training bodies and regulators for promoting cross-sector expertise sharing and collaboration in applied research.

New Listing Regime

The Financial Leaders Forum (formed in 2017 and chaired by the Financial Secretary) has laid down the general principles on developing Hong Kong into a preferred listing platform for emerging and innovative enterprises. The new regime should be in place in the second quarter of this year after the Stock Exchange of Hong Kong has consulted the market on the proposed specific arrangements and the amendments to the Listing Rules. It will boost Hong Kong's competitiveness as a listing platform and attract listing applications from emerging and innovative enterprises, including large enterprises with weighted voting rights structure and pre-revenue biotechnology enterprises. Appropriate safeguards for investors and measures to uphold the quality of the stock market under the new regime will also be introduced.

Pilot Bond Grant Scheme

A three-year Pilot Bond Grant Scheme will be launched to attract local, Mainland and overseas enterprises to issue bonds in Hong Kong. The pilot scheme will cover eligible enterprises issuing bonds in Hong Kong for the first time. The amount of grant for each bond issuance is equivalent to half of the issue expenses, capped at HK\$2.5 million. Each enterprise can apply for a grant for two bond issuances at most. The HKMA will announce the details in due course.

Enhanced Qualifying Debt Instrument Scheme for Tax Exemption

The concessionary profit tax rate at 50% of normal tax rate is applied to the interest income and profits derived from qualifying debt instruments with a maturity period of not less than seven years will be extended to instruments of any duration. In addition to instruments lodged and cleared by the Central Money markets Unit of the HKMA, debt securities listed on the SEHK will also become eligible.

Faster Payment System

The HKMA is prepared to launch a Faster Payment System offering 24-hour real-time payment function. This will allow banks and Stored Value Facility service providers to provide real-time, round-the-clock, cross-institution payment and fund transfer service to their business and personal customers.

Corporate Treasury Centres

To attract multinational and Mainland enterprises to establish corporate treasury centres in Hong Kong, the Inland Revenue Department will amend the Inland Revenue Ordinance to extend the coverage of profits tax concession to specified treasury services provided by qualifying corporate treasury centres to all their onshore associated corporations.

Source: www.budget.gov.hk

BOND MARKET



Green Finance Certification Scheme Launched

On 3 January 2018, the Hong Kong Quality Assurance Agency (HKQAA) launched its Green Finance Certification Scheme (Scheme) to provide third-party conformity assessments for green finance issuers to meet growing market needs and support green finance development in Hong Kong. Major features of the Scheme are as follows:

- The Scheme aims at enhancing credibility and stakeholder confidence in green financial instruments, helping issuers reach out to potential investors with the aid of Green Finance Certificates and Certification Mark. Issuers can demonstrate that they are making an effort to promote environmentally-friendly investment.
- The Scheme evaluates the eligibility of green finance and corresponding projects by assessing the effectiveness of an Environmental Method Statement at pre- and post-issuance stages. The Statement covers the method of achieving the intended positive environmental effects of the specified green financial instrument.
- Two types of certificate will be presented: Green Finance Pre-issuance Stage Certification and Post-issuance Stage Certification. The Pre-issuance Stage Certificate is an as-at certificate that requires validation of the adequacy of the Statement for delivering positive environmental effects. The Post-issuance Stage Certificate requires a annual verification of the implementation and effectiveness of the Statement regarding the proposed positive environmental effects.
- Issuers of debt instruments that the proceeds will support green projects for environmental protection may apply for the Scheme. Current eligible debt instruments include bonds and loans.

Source: www.hkqaa.org

TRUST AND COMPANY SERVICES



Introducing a Licensing Regime for Trust or Company Service Providers (TCSPs)

The Government published in the Gazette on 2 February the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018 and Companies (Amendment) Ordinance 2018, to require TCSPs to apply for a licence from the Registrar of Companies and satisfy a “fit-and-proper” test before they can provide trust or company services as a business in Hong Kong.

The new legislation requires companies incorporated in Hong Kong to maintain beneficial ownership information by way of keeping a “significant controllers register” for inspection upon demand by law enforcement officers.

To facilitate the implementation of the new licensing regime, the Companies Registry has set up a new office, the Registry for Trust and Company Service Providers, which will be responsible for the administration of the licensing regime and regulations of TCSPs. The amendment ordinances will commence operation on 1 March 2018.

Source: www.tcsp.cr.gov.hk

WEALTH MANAGEMENT



MoU Signing in Bern
(From left) Mrs Carrie Lam, the Chief Executive of Hong Kong Special Administrative Region; Mrs. Amy Lo, Chairman of the Executive Committee of the PWMA; Mr Herbert J. Scheidt, Chairman of the SBA; Federal Councillor Ueli Maurer, Head of the Federal Department of Finance

The Private Wealth Management Association (PWMA)

Established in 2013, PWMA aims to foster the growth and development of the private wealth management industry in Hong Kong. PWMA members are authorized institutions and licensed corporations in Hong Kong with dedicated private wealth management businesses providing personalised banking and portfolio management services.

In 23 January 2018, PWMA signed a Memorandum of Understanding (MoU) with the Swiss Bankers Association (SBA) to strengthen collaboration and further promote the development of, and cooperation between, the Hong Kong and Swiss private wealth management industries. PWMA and SBA will co-organise the Hong Kong-Swiss Financial Seminar in 2018, timed to coincide with the PWMA's annual Wealth Management Summit in September. The Hong Kong-Swiss Financial Seminar will provide a forum for the private sector to exchange views on important financial trends and developments in Switzerland and Hong Kong. Both parties will also explore an exchange programme for private wealth management practitioners in their respective memberships to foster a greater in-depth understanding of private banking practices in the other location.

In April 2017, the Hong Kong Monetary Authority and the PWMA launched The Pilot Apprenticeship Programme for Private Wealth Management (The Pilot Apprenticeship Programme), offering full-time students at universities funded by the University Grants Committee a multi-year experience dedicated to training in private wealth management. Successful applicants are offered two rounds of paid summer internships with a host private wealth management institution, leading to a potential job offer with the host firm after graduation. The pilot programme successfully placed 29 students at 10 participating PWMA member institutions, exceeding the original target of around 20 students.

Following the success of the inaugural scheme, the Pilot Apprenticeship Programme for Private Wealth Management will expand to offer around 50 internship positions at 13 PWMA member institutions for the 2018-2019 cycle.

Source: www.pwma.org.hk

INSURANCE



Major Regulatory Initiatives of the Insurance Authority (IA)

The IA will engage in two major regulatory tasks designed to maintain market stability and strengthen consumer protection. One is the development of a Risk-based Capital (“RBC”) Regime, and the other the introduction of a Policy Holders’ Protection Scheme (“PPS”).

To keep up with current international standards, Hong Kong will move from the current rule-based capital regime to a risk-based one, which means aligning the capital requirements for insurance companies with the risks to which they are exposed. The process will involve the IA in engaging with all relevant stakeholders to ensure that the RBC Regime will be a viable and practicable one.

The PPS is intended to provide a safety net for policy holders in the event of insurer solvency, and will be an important step in enhancing public confidence in the insurance industry. The IA will work with the Financial Services and the Treasury Bureau in preparing a detailed legislative proposal to set up the PPS.

Source: www.ia.org.hk

CONTACT US

If you would like to know more about how InvestHK’s Financial Services team can help you to set up or expand your business in Hong Kong, please get in touch. Our services are free, confidential and tailored to your needs.

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About InvestHK

InvestHK is the department of the Hong Kong Administrative Region (HKSAR) Government responsible for attracting Foreign Direct Investment, supporting overseas and Mainland business to set up and expand in Hong Kong. We partner with clients on a long-term basis and are available at any stage of their business development process.

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