2019/2020 BUDGET

Highlights of Measures Related to Financial Services Industry Announced in 2019/2020 Budget

On 27 February 2019, the Financial Secretary delivered the 2019/2020 Budget, announcing a number of measures to boost further development of Hong Kong’s financial industry:

- **Green Finance:** to promote the development of green finance in Hong Kong and diversification of related products, apart from rolling out the Green Bond Grant Scheme last year to attract organisations to arrange financing for their green projects through Hong Kong’s capital markets and encourage them to make use of the green finance certification services in Hong Kong, the first batch of government green bonds will be issued.

- **Offshore Renminbi Business:** to explore expansion of the channels for two-way flow of cross-boundary RMB funds for exceling Hong Kong’s distinct role in the Mainland’s gradual liberalisation of the capital account, internationalisation of RMB and integration with global financial markets.

- **Mutual Market Access with the Mainland:** to extend the Bond Connect to cover southbound trading.

- **Wealth Management:** to study the establishment of limited partnership regime/tax arrangements to attract private equity funds to Hong Kong and to seek the enormous business opportunities for wealth and asset management industry brought by the Greater Bay Area development.

- **Asset Management:** to continue work on mutual recognition of funds arrangements with jurisdictions other than Mainland, Switzerland, France, UK and Luxembourg to broaden the distribution network of local fund products.
• **Insurance**: to consider to introduce a 50 percent profits tax concession to marine insurance businesses; to provide tax concessions for the underwriting of specialty risks, and allow for the formation of special purpose vehicle companies specifically for issuing insurance-linked securities to promote Hong Kong’s role as an international risk management centre and help the industry seize the business opportunities brought by the Greater Bay Area development and the Belt and Road Initiative

• **A Hub for Regional Headquarters**: to continue to enhance the relevant tax concessions after the tax concessions for qualifying corporate treasury centers having been introduced in 2016

• **Ship Leasing**: to consider introducing tax and related measures to attract ship finance companies to develop ship leasing businesses in Hong Kong

• **E-payment**: to promote the use of Faster Payment System for payment of government fees and charges

• **Banking**: to issue virtual bank licences

Source: www.budget.gov.hk

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**GREATER BAY AREA**

**Highlights of Measures Related to Financial Services Industry Announced in Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area**

On 18 February 2019, the Central Government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (Outline Development Plan), which sets out the directions guiding the development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area). Under the Outline Development Plan, three policy areas will benefit the Hong Kong financial services industry:

• **To develop an international financial hub**: to leverage Hong Kong’s leading position in the financial services sector, consolidate and enhance Hong Kong’s status as an international financial centre, and establish a platform for investment and financing serving the Belt and Road Initiative

• **To vigorously develop special financial products and services**: to support the development of Hong Kong into a green finance centre in the Greater Bay Area and set up an internationally recognised green bond certification institution; to support insurance institutions in Guangdong, Hong Kong and Macao to jointly develop innovative cross-boundary motor vehicle and medical insurance products, and provide facilitation services for cross-boundary policy holders in areas such as underwriting, investigation and claims
• To progressively promote mutual financial markets access: to allow for cross-boundary RMB interbank lending; cross-boundary transactions of financial products; cross distribution of wealth management products; issuance of cross-boundary RMB bonds; to expand channels for Mainland and Hong Kong residents to invest in financial products in each other’s market; to establish a mechanism for mutual access to capital and products; to support Hong Kong’s institutional investors in raising RMB funds for investment in the capital markets of Hong Kong and in participating in the investment of domestic private equity funds and venture capital funds; to support Hong Kong in developing more offshore RMB commodity and other risk management tools etc.

Source: www.bayarea.gov.hk

ASSET MANAGEMENT

Mutual Recognition of Funds between Luxembourg and Hong Kong

The Securities and Futures Commission (SFC) and the Commission de Surveillance du Secteur Financier (CSSF) have entered into a Memorandum of Understanding (MoU) on Mutual Recognition of Funds (MRF) on 15 January 2019, which will allow eligible Hong Kong public funds and Luxembourg UCITS funds to be distributed in each other’s market through a streamlined process.

The MoU also establishes a framework for exchange of information, regular dialogue as well as regulatory cooperation in relation to the cross-border offering of eligible Hong Kong public funds and Luxembourg UCITS funds.

“The new cooperation framework expands our MRF network following Mainland China, Switzerland, France and United Kingdom. It further strengthens our ties and regulatory cooperation with Luxembourg, a major hub for fund domicile,” said Mr Ashley Alder, the SFC’s Chief Executive Officer.

“Hong Kong and Luxembourg have a long history of cooperation in the area of mutual fund distribution. The new memorandum of understanding is an important step for the mutual recognition of investments funds in our respective jurisdictions, and demonstrates the excellent cooperation between our two supervisory authorities,” said Mr Claude Marx, the Director General of the Luxembourg CSSF.

Source: www.sfc.hk
**GREEN FINANCE**

**Hong Kong Green Bond Market Update**

The Hong Kong Monetary Authority (HKMA) hosted the launch of the Climate Bonds Initiative (CBI) Hong Kong Green Bond Market Briefing Report on 25 February.

The report shows that the Hong Kong market has been growing robustly and has become one of the largest green bond markets in the world. In 2018, green bonds arranged and issued in Hong Kong in the year totaled USD11 billion, an increase of 237 percent from 2017, which was around USD3 billion. Apart from Hong Kong issuers, as an international financial center, a substantial number of Mainland and overseas entities also chose to issue green bonds in Hong Kong. These non-Hong Kong entities arranged and issued a total of USD9 billion, or 83 percent of green bonds in Hong Kong. Mainland Chinese entities were the largest issuer group by origin, with the issuance size totaling USD7 billion, or 64 percent of the market.

Hong Kong saw positive signs in green finance development in 2018, with the government and private sector looking to channel capital to assets or projects that produce positive climate impacts. The HKD100 billion sovereign green bond programme announced by the Hong Kong government, one of the world’s largest by far, is expected to propel the market further with its phased implementation. Besides, enhancing visibility of green debts, steering investment towards green projects and a green bond segment on the stock exchange are also crucial to the next stage of market growth. All these steps will help propel Hong Kong towards its ambition to become Asia’s major hub of green finance.

Source: www.hkma.gov.hk

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**SECURITIES AND FUTURES INDUSTRY**

**New Measures to Update the SFC’s Licensing Processes**

On 1 Feb 2019, the Securities and Futures Commission (SFC) introduced revamped licensing forms, a new edition of the SFC’s licensing handbook and mandatory electronic submission of all annual returns and notifications.

The revamped forms, which have been standardised and come with clear instructions and navigation guides, will help the SFC more efficiently gather the information it needs to assess an applicant’s fitness and properness to be licensed. Applicants for corporate licensees will be required to complete newly-introduced business profile and internal control questionnaires which will allow the SFC to identify potential regulatory issues at an early stage.
Granting of Virtual Banking Licences

The Hong Kong Monetary Authority (HKMA) announced on 27 March 2019 that three virtual banking licences were granted respectively to

- Livi VB Limited [co-owned by Bank of China (Hong Kong), JD Digits and Jardines];
- SC Digital Solutions Limited [a joint venture between Standard Chartered, HKT, PCCW and Ctrip]; and
- ZhongAn Virtual Finance Limited [a joint venture between ZhongAn Online and Sinolink].

These three newly licenced virtual banks intend to launch their services within six to nine months.

The introduction of virtual banks in Hong Kong is a key pillar supporting Hong Kong’s entry into the Smart Banking Era. It is a major milestone in reinforcing Hong Kong’s position as a premier international financial centre. Virtual banks will not only help drive FinTech and innovation, but also bring about brand new customer experiences and further promote financial inclusion in Hong Kong.

After the granting of the above banking licences, the number of licensed banks in Hong Kong will be increased to 155.

The HKMA is making good progress in the processing of the remaining five virtual bank applications.

Source: www.hkma.gov.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.

Dixon Wong
Head of Financial Services
T: (852) 3107 1085
dixonhtwong@investhk.gov.hk

Willy Lam
Senior Manager of Financial Services
willylam@investhk.gov.hk

King Lin
Senior Manager of Financial Services
kinglin@investhk.gov.hk

Simon Wu
Senior Manager of Financial Services
simonwu@investhk.gov.hk

Helen Tsui
Senior Manager of Financial Services
htsui@investhk.gov.hk

www.investhk.gov.hk

About InvestHK
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