GREEN FINANCE

Green Finance Certification Scheme - Green Fund Launched

On 25 September 2019, the Hong Kong Quality Assurance Agency launched the "Green Finance Certification Scheme – Green Fund" (the Scheme) to provide third-party conformity assessments on green funds, to further support the development of Hong Kong’s green finance industry.

The core elements of the Scheme include Fund Objectives, Management of Fund, Green Asset Evaluation and Selection, Green Asset Monitoring, Information Disclosure and Reporting, and Engagement and Active Ownership.

The Scheme is designed to enhance the transparency of the green investment process by making clear to investors how the fund’s green assets are evaluated, selected and managed. Improving and aligning green disclosure standards across funds will support a more informed investment decision-making process, allowing investors to choose funds whose values align with theirs.

The Scheme has been developed with reference to a number of pertinent international and national standards. Following the successful implementation of the certification scheme for green debt instruments in 2018, the extension of the certification scheme to green fund will further strengthen market confidence in green financial products, in line with Hong Kong government’s ongoing commitment to develop Hong Kong as a leading hub for green finance in the region.

Source: www.hkqaa.org
Hong Kong Insurance Industry Records Growth in the First Half of 2019

On 30 August 2019, the Insurance Authority (IA) released provisional statistics of the Hong Kong insurance industry for the first half of 2019, with total gross premiums reaching HK$295.8 billion, indicating an increase of 16.6 percent over the corresponding period in 2018. Major highlights are as follows:

- The total amount of revenue premiums of long term in-force business increased by 17.5 percent
- New office premiums (excluding Retirement Scheme business) of long term business increased by 18.7 percent
- New office premiums in respect of policies issued to Mainland visitors totalled HK$26.3 billion (increased by 17.9 percent), accounting for 26.4 percent of the total new office premiums for individual business; among these new policies, about 97 percent were medical or protective in nature, such as critical illness, medical, whole life, term life and annuity products
- The gross and net premiums of general insurance business increased by 9.4 percent and 8.5 percent respectively; overall underwriting performance recorded a profit of HK$432 million (increased by 41.2 percent)
- Gross and net premiums of direct business increased by 11 percent and 10.2 percent respectively
- Direct business generated an underwriting profit of HK$558 million (increased by 62 percent)
- Gross and net premiums of reinsurance inward business increased by 4.6 percent and 2.9 percent respectively

Source: www.ia.org.hk

New Regulatory Regime for Insurance Intermediaries Took Effect

On 23 September 2019, the Insurance Authority (IA) took over the regulatory functions of the Insurance Agents Registration Board, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association to directly regulate insurance intermediaries (including insurance agents and insurance brokers) in Hong Kong. The new regulatory regime for insurance intermediaries marks another important milestone for Hong Kong insurance industry.

Through the setting of licensing and regulatory requirements, the IA has established an effective, fair and transparent regulatory regime to enhance the standards of conduct and professionalism of insurance intermediaries.

Under the new regulatory regime, any individuals or companies carrying on a regulated activity must possess a valid licence under the Insurance Ordinance (IO), unless exempted. Regulated activities include:

- Negotiating or arranging a contract of insurance;
- Inviting or inducing, or attempting to invite or induce, a person to enter into a contract of insurance;
- Inviting or inducing, or attempting to invite or induce, a person to make a material decision relating to insurance matters; and
- Giving advice related to insurance matters

Under the IO, there are five types of licensed insurance intermediaries:

- Two types of company licensees: Licensed Insurance Agency and Licensed Insurance Broker Company
- Three types of individual licensees: Licensed Individual Insurance Agent, Licensed Technical Representative (Agent) and Licensed Technical Representative (Broker)

The licensing requirements for an insurance agency and an insurance broker company are tabulated below:

**Licensing Requirements for a Licensed Insurance Agency**

- Appointment by an authorised insurer
- Appointment of a Responsible Officer approved by the IA
- Compliance with the organisational competence requirements (e.g. corporate governance, internal controls and risk management)
- Must not, at any time, be appointed for more than 4 authorised insurers, of which no more than 2 can be insurers authorised to carry on long term business

**Licensing Requirements for a Licensed Insurance Broker Company**

- Appointment of a Responsible Officer approved by the IA
- Maintenance of a client account with a bank in Hong Kong
- Compliance with the requirements set out in the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules which set out, inter alia, the requirements in relation to: capital and net assets, professional indemnity insurance, proper books and accounts, accounting disclosure
- Compliance with the organisational competence requirements (e.g. corporate governance, internal controls and risk management)

Source: www.ia.org.hk

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**ASSET MANAGEMENT**

**Hong Kong’s Asset and Wealth Management Business Reached HK$23,955 Billion in 2018**

On 26 July 2019, the Securities and Futures Commission (SFC) released a report on its annual Asset and Wealth Management Activities Survey (AWMAS), which found that the assets under management (AUM) of the asset and wealth management business in Hong Kong amounted to HK$23,955 billion (US$3,059 billion) as at 31 December 2018.
The scope of this year’s AWMAS was extended to cover the assets held by firms providing trust services in Hong Kong (trustees) to provide a more comprehensive overview of the asset and wealth management industry in Hong Kong. Highlights of the survey are set out below:

- Net fund inflows of HK$783 billion (US$100 billion) were recorded in 2018 despite a 5 percent year-on-year dip in the adjusted AUM of the asset and wealth management business to HK$23,047 billion (US$2,943 billion) at a time when leading Asia-Pacific equity markets experienced more substantial corrections amidst global market volatility.
- The AUM of the asset management and fund advisory business conducted by licensed corporations and registered institutions decreased by 6 percent to HK$16,447 billion (US$2,100 billion).
- The AUM of the private banking and private wealth management business decreased slightly by 2 percent to HK$7,624 billion (US$973 billion).
- Assets held under trusts amounted to HK$4,333 billion (US$553 billion).
- Non-Hong Kong investors remained a major source of funding for the asset and wealth management business, accounting for 62 percent of the AUM.
- Assets managed in Hong Kong made up 55 percent of the AUM of the asset management business, with 50 percent of these assets invested in equities.
- The total number of staff in the asset and wealth management business was 42,821, with a growing proportion of staff engaged outside of sales and marketing activities.

Source: www.sfc.hk

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**SECURITIES AND FUTURES MARKET**

**SFC and the ICAC Signed a Memorandum of Understanding to Strengthen Cooperation in Combating Financial Crime**

On 19 August 2019, the Securities and Futures Commission (SFC) and the Independent Commission Against Corruption (ICAC) entered into a Memorandum of Understanding (MoU) to formalise and strengthen cooperation in combating financial crime.

The enhanced collaboration between the SFC and the ICAC under the MoU, which covers referral of cases, joint investigations, exchange and use of information, mutual provision of investigative assistance, and capacity building, will augment the overall effectiveness of both organisations in combating wrongdoings and illegal activities affecting the integrity and reputation of Hong Kong’s securities and futures markets.

The MoU was signed by the SFC’s Executive Director of Enforcement, Mr Thomas Atkinson, and the ICAC’s Deputy Commissioner and Head of Operations, Mr Ricky Yau Shu-chun.
“The arrangement under the MoU will enable the SFC to perform its statutory duties with greater efficiency and effectiveness in combating financial crime and maintaining the integrity of Hong Kong’s securities and futures market. We look forward to closer collaboration with the ICAC,” Mr Atkinson said.

“The MoU sets out the framework for cooperation and collaboration between the two agencies in various aspects, showing our common determination in maintaining a level-playing field for doing business in Hong Kong,” Mr Yau said.

Source: www.sfc.hk

BANKING

Updated HKMA Liquidity Facilities Framework Took Effect

On 26 August 2019, the Hong Kong Monetary Authority (HKMA) announced that it had completed a review of its framework for the provision of liquidity to authorised institutions (AIs), i.e. licensed banks, restricted license banks and deposit-taking companies, with an updated Liquidity Facilities Framework taking immediate effect which serves as one of the HKMA’s measures to maintain integrity and stability of the monetary and financial systems in Hong Kong.

The updated Liquidity Facilities Framework comprises the following:

1. Settlement Facilities: the objective of which is to facilitate smooth operation of the interbank payment system and thus preserve systemic stability;

2. Standby Liquidity Facilities: the objective of which is to make term liquidity (HKD liquidity is normally provided for a term of up to one month) available to AIs to enable them to manage any unexpected liquidity tightness which they may encounter;

3. Contingent Term Facility: it may be made available to an AI facing extraordinary liquidity stress that cannot be overcome through other means and HKMA considers that the liquidity stress situation of the AI threatens or damages systemic stability in Hong Kong; and

4. Resolution Facility: it may be made available, having regard to systemic stability, for ensuring that an AI which has (or whose holding company has) gone into resolution in Hong Kong has sufficient liquidity to meet its obligations, until such time as the AI is able to transition back to market-based funding.

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.

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