

**Financial Services****Industry News****BOND****Bond Connect between Mainland and Hong Kong**

The People's Bank of China and the Hong Kong Monetary Authority made a joint announcement on 16 May 2017 on their approval for the relevant Mainland and Hong Kong financial infrastructure institutions to collaborate in establishing mutual bond market access between Hong Kong and the Mainland (Bond Connect).

Bond Connect will enable eligible overseas investors to access, for the first time, the Mainland interbank bond market through infrastructural connection between the Mainland and Hong Kong. The improvement in the connectivity between market infrastructures will promote the healthy development of the bond markets and will thereby enhance Hong Kong's status as an international financial centre and the global offshore Renminbi business hub.

Bond Connect will be implemented in phases. Northbound trading will be launched first in the initial phase, allowing Hong Kong and other overseas investors to invest in the China interbank bond market through mutual access between the financial infrastructure institutions in Hong Kong and the Mainland in respect of trading, custody, settlement, etc. Southbound trading will be explored in due course, allowing Mainland investors to invest in Hong Kong's bond market.

Bond Connect will formally launch after rules and system development have been finalised, market participants' practical needs suitably addressed, relevant regulatory approvals granted and all other necessary preparations completed.

*Source: [www.hkma.gov.hk](http://www.hkma.gov.hk)*

**HEDGE FUND****Hong Kong Remains the Hedge Fund Hub of Asia**

According to AsiaHedge's latest survey, total assets under management (AUM) in the Asia Pacific hedge fund industry continued to reach new high in 2016. The survey shows that as of 31 December 2016, hedge fund AUM in Asia Pacific reached US\$237.99 billion, which represents an increase of 4.75% from the previous year (US\$227.18 billion in 2015).

By location, Hong Kong remains the industry's leading regional hedge fund hub - accounting for just under US\$98 billion of assets (41% of the total industry), up from US\$82 billion at the beginning of 2016.

### Assets by Location of Manager: US\$billion

Region	as at Dec 2016	Rank
Hong Kong	97.94	1
Singapore	42.05	2
Australia	35.67	3
Mainland	22.81	4
United States	21.17	5
Others	7.64	6
United Kingdom	7.58	7

Source: AsiaHedge March Issue 2017

## SECURITIES AND FUTURES



### The Securities and Futures Commission Consults on New Guidelines on Online Distribution and Advisory Platforms

The Securities and Futures (SFC) launched a three-month consultation on proposed Guidelines on Online Distribution and Advisory Platforms, requesting comments by 4 August 2017.

Online platforms enable transactions to take place without any interaction between an investor and a sales representative. This new business model brings new opportunities as well as risks. The SFC proposes to introduce a set of specific guidelines applicable to all SFC-licensed or registered persons when conducting their regulated activities in providing order execution, distribution and advisory services in respect of investment products via online platforms.

The proposed guidelines aim to provide tailored guidance to the industry on the design and operation of online platforms, as well as clarify how the suitability requirement would operate in the online environment. It focuses on three main areas: suitability requirement; additional protective measures for the sale of complex products on online platforms on an unsolicited basis; and governance and controls.

In the proposed guidelines, the suitability requirement will be extended to the sale of complex products on online platforms because retail investors may have difficulty in fully understanding the nature and risks associated with a complex product based only on the information posted on an online platform. It also contains specific guidance on the provision of automated or robo-advice on an online platform.

Source: [www.sfc.hk](http://www.sfc.hk)

## INSURANCE



### **Insurance Authority Replaced Office of the Commissioner of Insurance**

To align with international practice that financial regulators should be financially and operationally independent of the Government, the Insurance Authority (IA) has replaced the Office of the Commissioner of Insurance (OCI), a government department, to regulate insurance companies with effect from 26 June 2017 with Mr John Leung Chi-yan being the Chief Executive Officer of the IA for one year from 26 June 2017 to 25 June 2018. The OCI was disbanded on the same day.

The three self-regulatory organisations (SROs), i.e. Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association will continue to regulate the insurance intermediaries in the meantime, allowing time for the IA to prepare the necessary tools, such as guidelines on conduct, for regulating insurance intermediaries. The IA is expected to implement the new statutory licensing regime and to take over the regulation of insurance intermediaries from the three SROs within two years from 26 June 2017.

IA is tasked to build a new, independent, more holistic and effective regulatory regime to facilitate the sustainable development of the industry and to better protect the interests of policyholders.

*Source: [www.fstb.gov.hk](http://www.fstb.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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### **About InvestHK**

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