

FINANCIAL SERVICES**INDUSTRY NEWS****INFRASTRUCTURE
FINANCING****The Belt and Road Initiative**

The Belt and Road (B&R) Initiative refers to the Silk Road Economic Belt and 21st Century Maritime Silk Road, a development strategy launched by the Chinese government that aims at fostering connectivity with B&R countries in five areas, namely policies, facilities, trade, finance and people-to-people bond. The Initiative is perhaps the 21st century's most ambitious multilateral undertaking spanning some 65 countries in Asia, Europe and Africa that count for two-thirds of our planet's population.

As an international financial centre and the world's largest offshore Renminbi business centre, Hong Kong has the capital, products, and expertise to meet the growing demand for financial services along the B&R. These include offshore Renminbi services, asset management, insurance and infrastructure financing.

The Hong Kong Monetary Authority (HKMA) is planning to set up an Infrastructure Financing Facilitation Office (IFFO) to facilitate investment in infrastructure projects in the B&R countries. The IFFO will be a platform for the key stakeholders to get together to exchange information and share experience. The key stakeholders include fund providers (for example, private equity funds, sovereign wealth funds, banks), project developers (such as corporations capable of developing and operating large-scale infrastructure) and the B&R countries.

The HKMA has already contacted a number of international financial organisations on the establishment of the IFFO, and received support from the International Finance Corporation under the World Bank, the Asian Infrastructure Investment Bank, the Asian Development Bank, the Silk Road Fund, etc. HKMA is also inviting other public and private organisations interested in the B&R initiative to join the IFFO platform. The IFFO will be officially launched in July 2016.

Sources: www.hktdc.com / www.hkma.gov.hk

**ASSET
MANAGEMENT****SFC to Enhance Fund Authorisation Process**

On 9 May 2016, the Securities and Futures Commission (SFC) launched new initiatives to enhance the authorisation process for new fund applications.

The SFC adopts a two-stream approach where a new fund application will be classified into either the: "Standard Applications" stream or "Non-standard Applications" stream.

Standard Applications will be fast-tracked with an aim that SFC authorisation, if granted, will be given on average between one to two months from the take-up date of the applications ("Standard Applications").

Non-standard Applications will be processed with an aim that SFC authorisation, if granted, will be given on average between two to three months from the take-up date of the applications ("Non-Standard Applications"). All applications which do not comply with the eligibility criteria for Standard Applications will be processed as Non-Standard Applications.

Standard Applications

Standard Applications are intended to cover less complicated applications for which funds under the applications are simpler in nature in comparison with those under the Non-Standard Applications. In general, a new fund application will be processed as a Standard Application if the following criteria are met:

- the fund(s) under application is/are sub-funds(s) under an existing SFC-authorized umbrella fund;
- the relevant new sub-fund is (i) a fund which complies with Chapter 7 of the UT Code or a UCITS fund which does not use financial derivative instruments extensively for investment purposes; or (ii) a physical ETF or unlisted index fund tracking an index which is adopted by other existing SFC-authorized Fund(s) or is a plain vanilla index;
- the new sub-fund(s) is/are not seeking authorisation as approved pooled investment fund(s) under the SFC Code on MPF Products;
- the new sub-funds(s) is/are managed by existing approved management company/delegated investment managers managing other existing SFC-authorized Fund(s) with good regulatory records;
- the trustee/custodian of the new sub-fund(s) is acting as trustee/custodian of other existing SFC-authorized Fund(s) which has confirmed its continuous compliance of the requirements applicable to trustee/custodian of SFC-authorized Funds;
- the application documentation is complete and in good order and quality; and
- there are no material issues and/or policy implications relating to the application as considered by the SFC.

Application to Mainland-Hong Kong Mutual Funds Recognition Scheme

MRF Applications received by the SFC on or after 9 May 2016 will be processed under the Revamped Process and will initially be classified as Non-standard Applications until further notice.

Source: www.sfc.hk

Mainland-Hong Kong Mutual Recognition of Funds (MRF) - Latest Highlights

The MRF initiative, which allows eligible Mainland and Hong Kong funds to be distributed in each other's market through a streamlined vetting process, went live on July 1, 2015. Funds eligible for MRF purposes have to meet a set of requirements such as their fund domicile, track record and asset size. In order to seek members' feedback on the MRF scheme, a survey was conducted by the Hong Kong Investment Funds Association (HKIFA) during Q1 2016. Most of the responding fund companies considered that relaxing the regulatory requirements would enable more fund managers to participate in the MRF Scheme.

Out of all responding companies, 37 percent have already filed or plan to offer funds while another nine percent will set up a Hong Kong platform or re-domicile their funds for MRF purposes. About one-third of the respondents have adopted a wait-and-see approach pointing out that their decision would primarily hinge on how the regulations evolve. The remaining respondents (26 percent) indicate that they do not plan to participate in the MRF Scheme.

As at end of April 2016, six northbound (Hong Kong-domiciled) funds are approved for sale and four are actually selling. Around 12 the 35 approved southbound (Mainland-domiciled) funds have started selling in Hong Kong. Overall net sales of the six Hong Kong-domiciled MRF funds reached RMB 720 million in the first quarter of 2016, 15 times higher than Mainland-domiciled MRF funds selling in Hong Kong, which totaled only RMB 44.6 million.

Sources: www.hkifa.org.hk / www.sfc.hk

INSURANCE



The Independent Insurance Authority

The Independent Insurance Authority (IIA) was established after the enactment of the Insurance Companies (Amendment) Ordinance on 10 July 2015. This statutory body will take over the duties of the existing Office of the Commissioner of Insurance (OCI) and the three Self-regulatory Organisations (SROs)* and exercise new statutory powers to license and regulate insurance intermediaries.

The policy objectives of the establishment of IIA are to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and industry.

On Dec 28, 2015, Dr Moses Cheng Mo-Chi was appointed as the Chairman of the IIA and seven persons as Non-Executive Directors of the IIA for a term of three years. The target is for the IIA to replace the OCI by the end of 2016 and take over the supervision of insurance intermediaries from the SROs in two to three years from end of 2015.

**The three SROs are the 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.*

Source: 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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