

Work of the Financial Services Development Council

6 January 2014

Introduction

- Background
- Setting the foundation
- Work progress
- Way forward

Background

Background

- On 16 January 2013, the Chief Executive announced the establishment of the Financial Services Development Council (FSDC) in his Policy Address
- The FSDC operates as a high-level cross-sectoral government advisory body

Background

- Terms of Reference
 - To conduct policy research and industry surveys for the formulation of proposals to the Government and regulators
 - To work with regulatory and trade bodies to identify new opportunities for, and any constraints on, the sustainable growth and diversity of the financial services industry
 - To maintain a dialogue with the relevant bodies on the Mainland and overseas to support Hong Kong's financial services industry in accessing new markets and growth areas

Background

- Terms of Reference (Con't)
 - To facilitate the upgrading of skills and expertise through collaboration with education and training institutions, trade bodies and practitioners
 - To promote, on the Mainland and overseas, our financial services industry and Hong Kong as an international financial centre through seminars, road shows, publications, and through active participation in international events

Setting the Foundation

Setting the Foundation

- Report of Preparatory Taskforce submitted to the Government in December 2012
- Appointments made by the CE on 17 January 2013
 - 22 Council Members, broadly representative of various sub-sectors of the financial services industry
- Updated the Legislative Council Panel on Financial Affairs on 4 February 2013

Setting the Foundation

- Five committees established
 - Financial Development Research
(Convenor : Mr Laurence Li)
 - Mainland Opportunities
(Mr Qin Xiao)
 - New Business
(Mr Mark McCombe)
 - Market Development
(Mr Benjamin Hung)
 - Human Capital
(Mr Edward Kwan)

Setting the Foundation

- Further appointments of Committee Members made by the CE on 5 April 2013
 - 34 industry experts and 2 Government officials join the five committees
- Drew up workplan for individual initiatives
- Focused on concrete deliverables to complement and add value to the efforts of existing organisations

Setting the Foundation

- Supported by
 - staff deployed/seconded from the FSTB, HKMA, HKTDC and SFC
 - deployment of existing resources from within the Government
 - this arrangement will be maintained for the initial three years and subject to review later

Work Progress

Work Progress

- Conducted studies and industry engagement activities with a view to
 - drawing up proposals and findings for submission to the Government
 - facilitating practitioners' and institutions' understanding on matters of interest and concern for the wider industry
- Promotion
 - strategic coordinator for marketing plans among key “Hong Kong Inc.” stakeholders
 - collaboration with other organisations

Work Progress – Reports and Recommendations

- Submitted first batch of six reports to the Government and released them to the public in November 2013
 1. “Strengthening Hong Kong as a Leading Global International Financial Centre”
 2. “Development and Reform of Mainland China’s Financial Sector and the Strengthening and Enhancement of Hong Kong’s Pivotal Role as a Financial Centre”
 3. “Proposals to Advance the Development of Hong Kong as an Offshore Renminbi Centre”
 4. “Developing Hong Kong as a Capital Formation Centre for Real Estate Investment Trusts”
 5. “Proposals on Legal and Regulatory Framework for Open-ended Investment Companies in Hong Kong”
 6. “Synopsis Paper Proposing Tax Exemptions and Anti-avoidance Measures on Private Equity Funds in the 2013-14 Budget”

Work Progress – Reports and Recommendations

- Proposed “Hong Kong’s Financial Centre Strategy”

Vision

To become the preeminent
international financial centre based in Asia

Market
opportunities

I Seek a prominent role in emerging
Mainland opportunities

II Strengthen our core competencies and
develop new areas

Enablers

III Develop sustainable
talent model

IV Improve Hong Kong’s
living quality and
maintain Hong Kong’s
attractiveness as a
home for talent

V Strike balance
between market
development and
financial stability

VI Step up market
promotion of the
“Hong Kong Inc.”

Foundation

VII Achieve Government, industry, and community alignment and buy-in

Work Progress – Reports and Recommendations

- “Strengthening Hong Kong as a Leading Global International Financial Centre”

Set out achievement but should not be complacent

Financial services industry

- Directly and indirectly contributes > **20%** of GDP
- Creates > **300,000** direct and indirect jobs
- Generates no less than **HKD 40 billion** in tax and other government revenue

Core to Hong Kong’s competitiveness

- Among the top three global financial centres together with London & New York

Structural threat to the industry

- Need for more diversity in the financial services sector

Evolving macroeconomic forces

- Liberalisation of the Mainland economy and financial services sector
- Rise of competitors in Asia
- Changing global regulatory landscape

Emerging local threats

- An increasingly politicised and divided society
- Challenges in the living environment

Work Progress – Reports and Recommendations



Work Progress – Reports and Recommendations

Develop sustainable talent model

- Enhance technical training
- Build talent base for middle and back office functions

Improve Hong Kong's living quality and maintain Hong Kong's attractiveness as a home for talent

- Cross-sector and inter-bureau efforts to tackle problems

Strike balance between market development and financial stability

- Review regulatory framework and approach
- Revise legal, regulatory and tax requirements to facilitate development

Step up market promotion of the “Hong Kong Inc.”

- Review current market promotional activities and develop holistic market development plan

- Many ideas have been discussed before but without sufficient action; **we need to act quicker and more decisively to capture the future growth potential**
- In the past, obstacle has often been the **lack of a common understanding and alignment in our society as a whole**
- Going forward, the success of our financial services sector requires the **full support of the Government, industry, and society**

Work Progress – Reports and Recommendations

- Specific proposals : Mainland opportunities
 - “Development and Reform of Mainland China’s Financial Sector and the Strengthening and Enhancement of Hong Kong’s Pivotal Role as a Financial Centre”
 - “Proposals to Advance the Development of Hong Kong as an Offshore Renminbi Centre”

Work Progress – Reports and Recommendations

- Offshore renminbi business : 21 specific policy recommendations from three perspectives
 - HKSAR Government : review the current regulations with Mainland authorities and enhance local stakeholders' cooperation
 - Promoting reform in the Mainland : easier entry for offshore entities into onshore markets and facilitate onshore enterprises' and individuals' offshore investment and financing
 - Hong Kong financial industry : develop more renminbi financial products and establish more effective benchmarks

Work Progress – Reports and Recommendations

- Specific proposals : develop new areas - more vibrant markets and generate jobs
 - “Developing Hong Kong as a Capital Formation Centre for Real Estate Investment Trusts (REITs)”
 - “Proposals on Legal and Regulatory Framework for Open-ended Investment Companies (OEICs) in Hong Kong”
 - “Synopsis Paper Proposing Tax Exemptions and Anti-avoidance Measures on Private Equity (PE) Funds in the 2013-14 Budget”

Work Progress – Reports and Recommendations

- Recommendations on developing new areas
 - REITs : review “design and build” activities, income tax treatment, compulsory acquisition / scheme of arrangement, and investment by Mandatory Provident Fund constituent funds
 - OEICs : recommendations on main features of a proposed legal, regulatory and tax framework for Public and Private OEICs to attract domiciliation of funds in Hong Kong
 - PE funds : respond to the 2013-14 Budget and propose tax exemptions for offshore funds, with adequate anti-avoidance measures, to attract more PE funds to Hong Kong

Work Progress – Engagement and Promotion

- Launched website (<http://www.fsdcc.org.hk>) to enhance transparency and communications
 - information about the FSDC and Hong Kong's financial services industry
 - publications
 - past and future events

Work Progress – Engagement and Promotion

- Sponsored, together with InvestHK, the International Financial Centres Forum organised by the Financial Times and The Banker (18 September in London / 7 November 2013 in Hong Kong)
 - broadcast the message of Hong Kong to become the preeminent international financial centre based in Asia through keynote speeches and panel discussions on how to attract investment, growth of offshore renminbi market and redefining the international financial centre model

Work Progress – Engagement and Promotion

- Seminar on Opportunities and Challenges of Qianhai's Financial Development (10 July 2013), attracting 530 industry representatives
 - provide opportunity for the industry to interact and exchange views with Shenzhen officials in charge of Qianhai development

Work Progress – Engagement and Promotion

- Engage relevant local, Mainland and overseas bodies
 - Meetings and briefings held with
 - ✓ Hong Kong General Chamber of Commerce's Financial and Treasury Services Committee
 - ✓ TheCityUK
 - ✓ HKTDC's Financial Services Advisory Committee
 - ✓ Paris EUROPLACE
 - ✓ Local industry bodies
 - ✓ Shanghai Municipal Financial Services Office

Way Forward

Way Forward

Three main areas

- Study the further development of the local financial services industry
 - implications on Hong Kong's financial services industry arising from the future development of Mainland's capital market
 - examine regulations and practices to further enhance our traditional areas of strength (e.g. equity market) with due consideration to financial stability and investor protection

Way Forward

Three main areas (Con't)

- Study the further development of the local financial services industry
 - deliberate potential of some emerging opportunities (e.g. reinsurance, venture capital, securitisation)
 - a channel for stakeholders to express views
 - in close consultation and collaboration with industry bodies, the Government and regulators

Way Forward

Three main areas (Con't)

- Promotion
 - active participation in international events (e.g. co-sponsoring the Asian Financial Forum in Hong Kong, 13-14 January 2014)
 - organise promotional events within and outside Hong Kong in partnership with “Hong Kong Inc.” stakeholders

Way Forward

Three main areas (Con't)

- Support the development of core competence and knowledge of financial practitioners
 - gather industry views on human capital development
 - seek collaboration with “supply side” (i.e. post-secondary education and professional training institutions) especially on areas such as middle and back office positions, technical training, homegrown talents for top jobs at financial institutions

Thank you