

Development of Hong Kong's asset management and trust industry

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Agenda

- 1. Hong Kong's asset and wealth management industry
- 2. Latest developments of OFCs
- 3. Other initiatives to support industry
- 4. Green and sustainable finance
- 5. The proposed regulatory regime for depositaries of SFC-authorized CIS (RA 13)

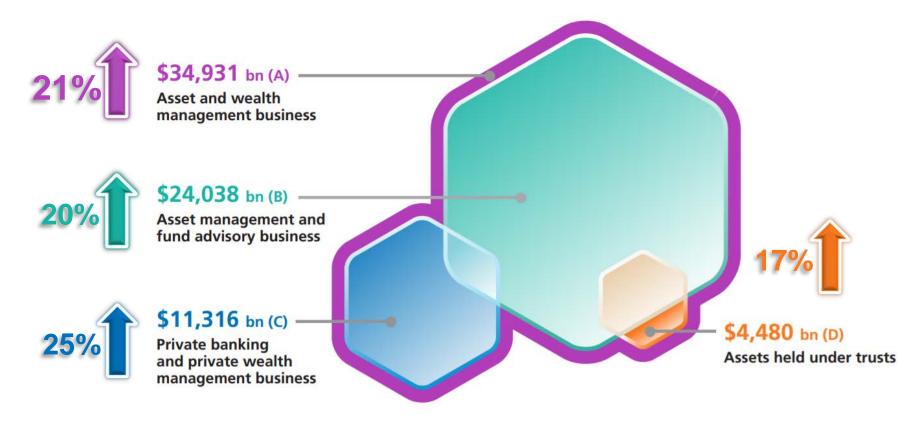


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Hong Kong's asset and wealth management industry



Hong Kong's asset and wealth management business maintained strong growth in 2020



Additional data - AWMAS 2020

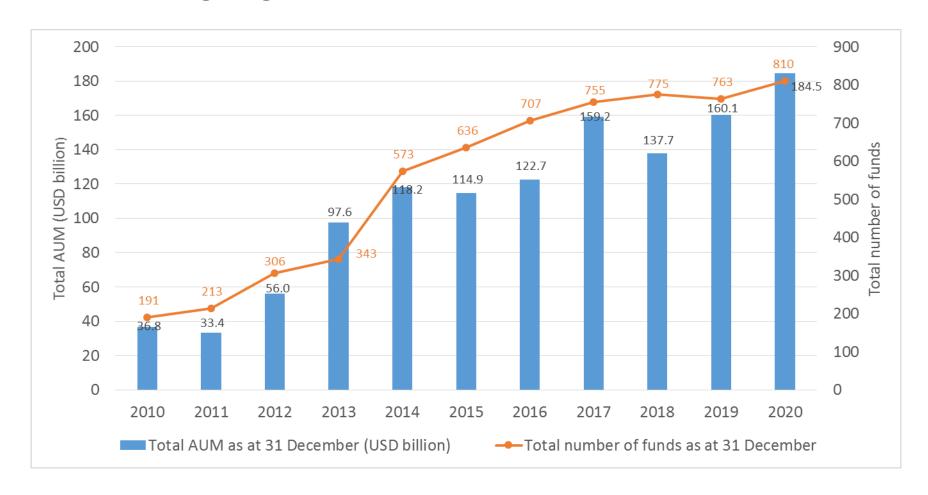
- 1. Net fund inflows during 2020 amounted to \$2,035 billion, accounting for 33% of the y.o.y increase in asset and wealth management business.
- 2. Total number of staff in asset and wealth management business in 2020 increased by 6% to 48,006.

^{*} Size of the Businesses (in HK\$)





Growth of Hong Kong-domiciled SFC-authorized funds





2 Latest developments of OFCs



Major recent milestones

Enhancement to OFC regime:

Sep 2020

• Removal of all investment restrictions for private OFCs

 Expansion of custodian eligibility requirements for private OFCs to allow Type 1 securities brokers

May 2021

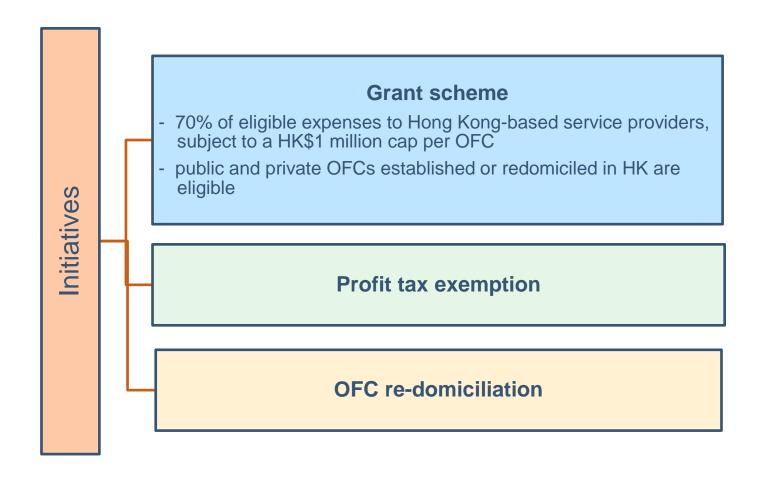
Launch of grant scheme for OFCs

Nov 2021

OFC re-domiciliation regime became effective



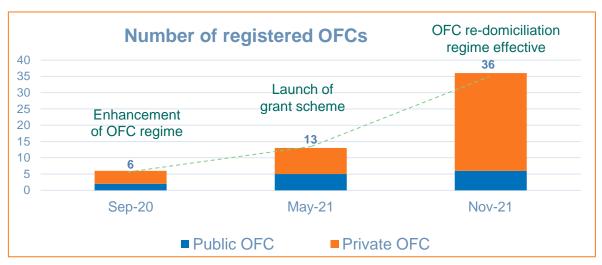
Initiatives to support development of OFCs

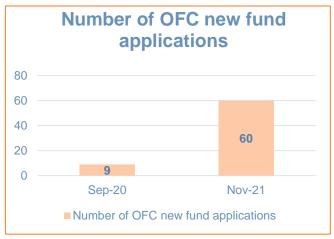




OFC market overview

Continuous growth in the number of registered OFCs, OFC new fund applications and enquiries









Other initiatives to support industry



Active involvement in Government-driven initiatives

Apr 2019 Unified profits tax exemption regime for funds

Aug 2020 New limited partnership fund (LPF) structure

May 2021

- Tax concessions for carried interest distributed by eligible private equity funds operating in HK
- Launch of REIT grant scheme

Feb 2021 One-stop support to family offices and reviewing the relevant tax arrangements (announced by the Financial Secretary in the Budget Speech)

Jun 2021 Expansion of ETF cross-listing to Shanghai Stock Exchange

Oct 2021

Launch of Wealth Management Connect

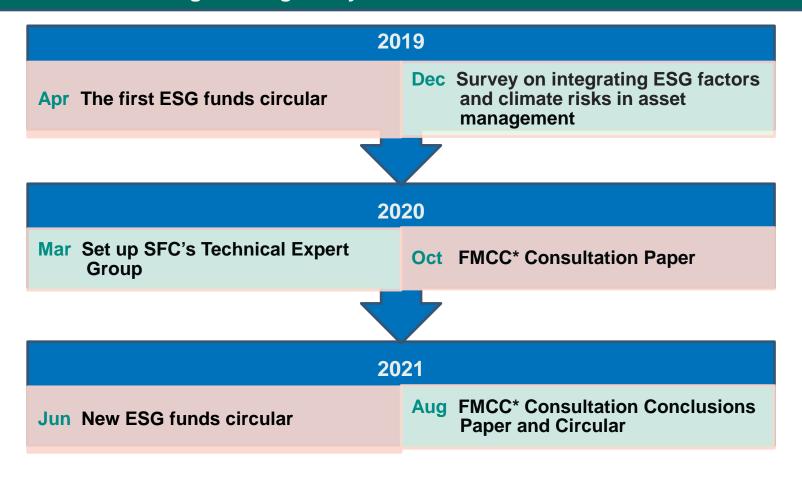


Green and sustainable finance



Key milestones

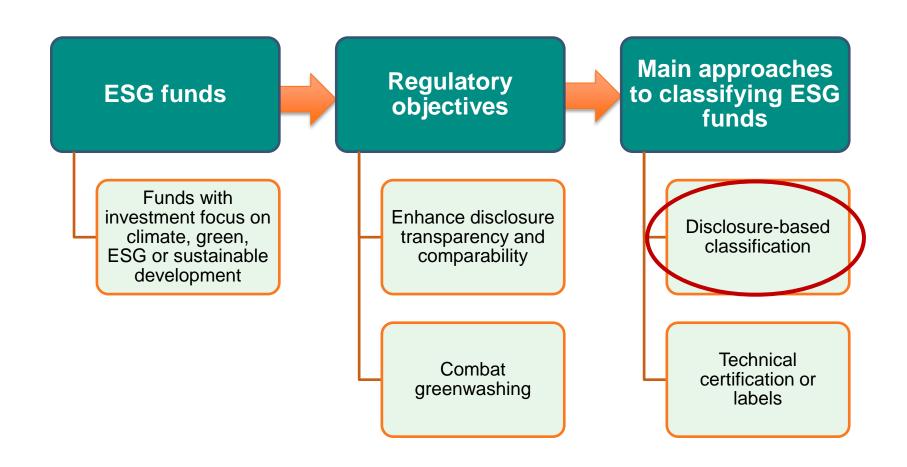
Sustainability, particularly environmental issues, have become a priority of governments and regulators globally



^{*} FMCC – Fund Manager Code of Conduct

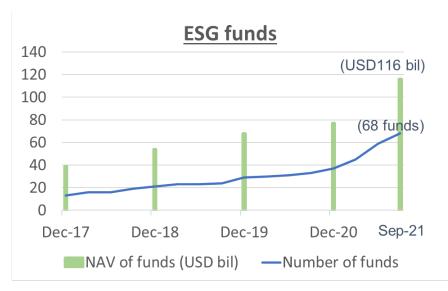


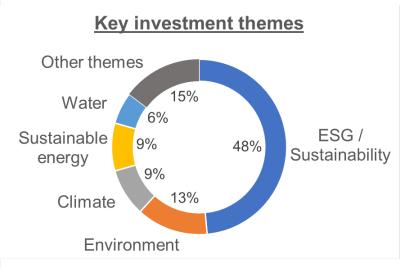
SFC's regulatory approach for ESG funds

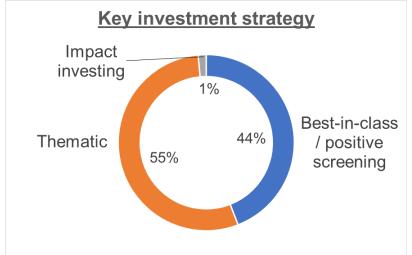


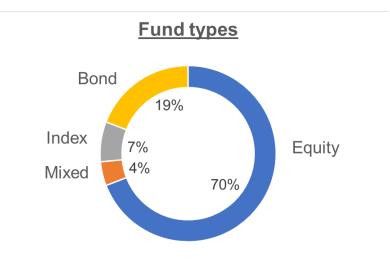


Statistics of ESG funds in Hong Kong











The proposed regulatory regime for depositaries of SFC-authorized CIS (RA 13)



RA 13 Overview

Most major markets provide direct regulatory handle

IOSCO standards on custody of assets enhanced

Depositaries have important obligations re CIS assets & operation

To (i) strengthen regulation of public CIS and (ii) align with international standards

Current framework

- SFC product
codes but no
direct regulatory
handle

Introduction of new regulated activity (RA 13) for depositaries (i.e. top level trustees/ custodians) of SFC-authorized CIS (excluding pure MPF products)

Dec 2019 – First Consultation Paper on regulatory framework published



Key comments received from 2019 consultation

- General support for the framework
- Key comments on -

Definition for RA 13

to adopt an activity-based approach (instead of the proposed capacity-based formulation) and set out core functions

Licensing of individuals

clarifications on individuals who will need to be licensed representatives / relevant individuals

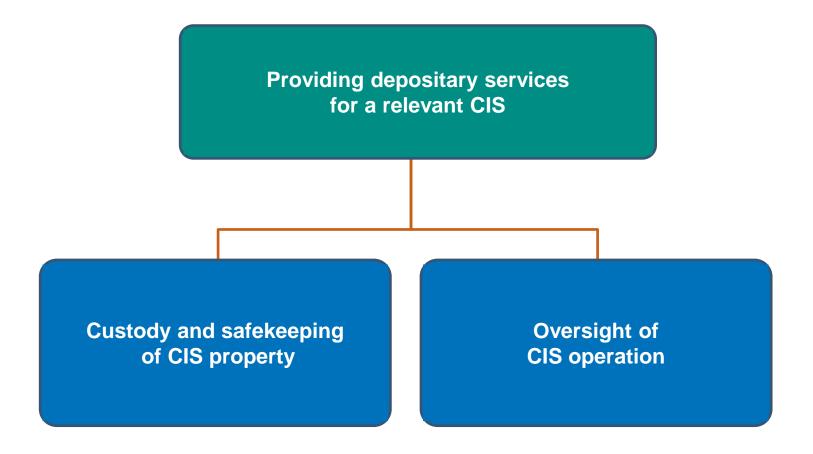
Operational details of proposed Schedule 11 to the Code of Conduct

Transitional period

to extend to 24 months from gazettal of subsidiary legislation



Proposed core functions for RA 13

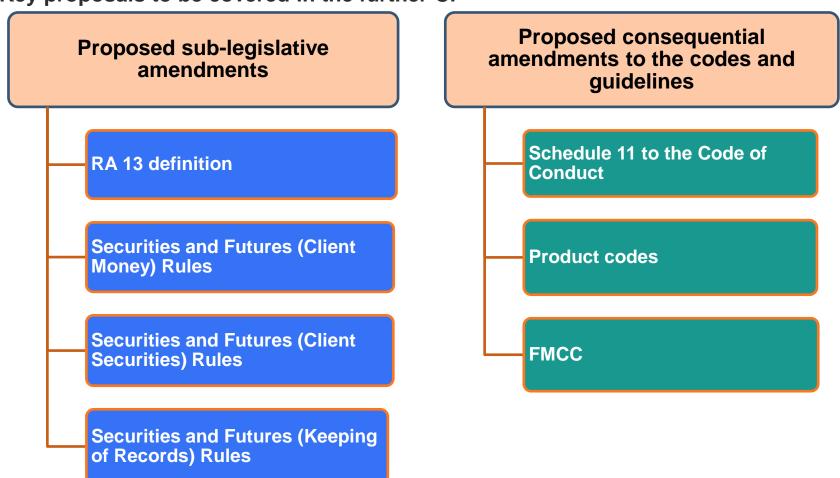


Currently there are 23 potential RA 13 entities, out of which 2 are banks



Proposed way forward

- Continued dialogue with industry
- Plan to issue CCP and further CP in Q1 2022
- Key proposals to be covered in the further CP



Thank you.

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