

## **Hong Kong & Mainland China News – September-2019**

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### **Anti-money laundering work lauded**

By [www.news.gov.hk](http://www.news.gov.hk)

Wednesday, September 4, 2019

The Government welcomes the international community's recognition of Hong Kong's efforts in combating money laundering and terrorist financing.

Financial Secretary Paul Chan made the remarks today as the Financial Action Task Force published the Mutual Evaluation Report of Hong Kong.

Mr Chan said the report reinforces Hong Kong's reputation as an international financial centre that is safe and clean for doing business.

The report assessed the compliance and effectiveness of Hong Kong's anti-money laundering and counter-terrorist financing regime against the international standards. It confirmed that Hong Kong has a strong legal foundation and effective system for combating money laundering and terrorist financing.

The report noted that the system is particularly effective in the areas of risk identification, law enforcement, asset recovery, counter-terrorist financing and international co-operation.

Hong Kong's anti-money laundering and counter-terrorist financing regime is assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of the evaluation.

The task force and the Asia/Pacific Group on Money Laundering jointly conduct mutual evaluations to assess member jurisdictions' anti-money laundering and counter-terrorist financing regime against the international standards and publish reports on the outcomes.

The mutual evaluation on Hong Kong which lasted for over a year was undertaken by an assessment team comprising 10 experts from the two organisations.

## **HK economy sound: FS**

By [www.news.gov.hk](http://www.news.gov.hk)

Friday, September 6, 2019

Hong Kong has sound economic fundamentals. Our fiscal performance and our international investment position have long been amongst those of the top-rated economies. Besides, banks in Hong Kong are well cushioned given their strong capital base, sound liquidity management and healthy asset quality. These factors continue to support the high credit rating of Hong Kong.

Financial Secretary Paul Chan issued the statement in response to the announcement by Fitch today on downgrading Hong Kong's credit rating to "AA" from "AA+", and its outlook to "negative" from "stable".

Mr Chan said that despite the social incidents in Hong Kong over recent months, the Government disagrees that this should lead to Fitch calling into question the effective implementation of "one country, two systems" in Hong Kong.

He also noted that since Hong Kong's return to the Motherland, the Basic Law has strongly safeguarded "one country, two systems" and the continued prosperity of the Hong Kong Special Administrative Region.

The HKSAR Government remains committed to upholding "one country, two systems" and the Basic Law, which are the most important and solid foundation for Hong Kong's sustainable social and economic development, the statement added.

It noted the recent social incidents have not affected Hong Kong's core competitiveness, adding that the Government respects people's freedom of speech and rights of peaceful assembly, procession and demonstration.

The Government always appeals to members of the public to express their views in a peaceful and orderly manner with no violence and has suggested concrete actions and started dialogue with the community to find a way out for Hong Kong.

It also questioned Fitch's suggestion that the gradual rise in Hong Kong's economic, financial and socio-political linkages with the Mainland implies continued integration into the Mainland's governance system that may present greater institutional and regulatory challenges over time.

Hong Kong's deeper economic and financial ties with the Mainland should not be a rating constraint, and quite to the contrary, the ties are a positive driver for Hong Kong's long-term development.

Noting the nation continues to be the main engine of global economic growth, the statement said its economic restructuring and de-risking of the financial system are making progress, and its opening up continues to be deepened.

There is a broad-based consensus among the business community the growing economic and financial linkages with the Mainland will bring significant economic development opportunities for Hong Kong, the statement added.

It noted Hong Kong's financial markets and banking system have been functioning normally in the past few months, adding the Linked Exchange Rate System has been operating smoothly.

There was no noticeable outflow of funds from the Hong Kong dollar or from the banking system while the level of Hong Kong or US dollar deposits in Hong Kong is still stable.

The statement also made it clear that as acknowledged by Fitch, Hong Kong has the capability to defend the Linked Exchange Rate System.

Hong Kong's strong economic fundamentals and ample financial buffers enable it to navigate through challenges in the face of the current relatively difficult environment, and to ensure macroeconomic and financial stability.

Its fiscal reserves reached \$1.14 trillion as at the end of July, equivalent to about 23 months of government expenditure or 38.3% of its gross domestic product, enabling Hong Kong to meet the expenditure needs.

The Government will remain vigilant in assessing the economic impacts of the internal and external environment, and introduce measures to support Hong Kong's economic development when necessary, the statement concluded.

## **Jack Ma hands over reins at Aibaba**

By [www.thestandard.com.hk](http://www.thestandard.com.hk)

Tuesday, September 10, 2019

Jack Ma Yun is giving up the reins of Alibaba Group Holding after presiding over one of the most spectacular creations of wealth the world has ever seen, Bloomberg reports.

The former English teacher steps down as executive chairman of China's largest company on his 55th birthday after amassing a US\$41.8 billion fortune -- a trove surpassed only by India's Mukesh Ambani in Asia, according to the Bloomberg Billionaires Index.

His record-breaking rise from a bootstrapped entrepreneur working out of his apartment in 1999 to jet-setting e-commerce mogul is one for the history books.

Over two decades, Ma and his co-founders built a business-to-business marketplace into a US\$460 billion titan that bested EBay Inc. and Amazon.com Inc, operates the one of the world's largest cloud computing businesses, and runs a logistics network that delivers millions of parcels every day.

Ma hands the helm today to finance maven Daniel Zhang -- a momentous transition for Asia's largest corporation.

Ma became Asia's richest person in 2016, overtaking Dalian Wanda Group Chairman Wang Jianlin. The title now belongs to Reliance Industries Chairman Ambani, who's worth US\$47.4 billion, according to a Bloomberg ranking of the world's 500 wealthiest individuals.

The Alibaba co-founder has become the face of Chinese business even while a member of the ruling Communist Party.

## HK ranked freest economy again

By [www.news.gov.hk](http://www.news.gov.hk)

Thursday, September 12, 2019

The Government has welcomed the Fraser Institute's ranking of Hong Kong as the world's freest economy, once again, in the Economic Freedom of the World 2019 Report.

Hong Kong has been retaining the top rank since the report's launch. Among the five assessment areas, the city came top in "Freedom to Trade Internationally" and "Regulation", vividly reflecting Hong Kong's long-standing and steadfast commitment to building a free economy with a level playing field.

The Government said it is fully committed to upholding Hong Kong's institutional strengths, including the fine tradition of the rule of law, free trade and investment regime, simple tax system with low tax rates, favourable business environment and efficient government.

"These have provided a conducive environment for businesses to thrive, and enabled our economy to prosper and tide over challenges arising anytime."

However, the Government takes exception to the Fraser Institute's comments in its press release about the rule of law in Hong Kong, saying such comments are entirely ungrounded and not borne out by objective facts.

Since China resumed the exercise of sovereignty over Hong Kong on July 1, 1997, the Hong Kong Special Administrative Region has been exercising "Hong Kong people administering Hong Kong" and a high degree of autonomy in strict accordance with the Basic Law.

"One country, two systems" has been fully and successfully implemented. Human rights and freedom are fully protected by the Basic Law, the Hong Kong Bill of Rights Ordinance and other legislation.

Hong Kong has its own legal system and exercises independent judicial power, including that of final adjudication, through its own courts. The rule of law and judicial independence are constitutionally protected, as are the fundamental rights and freedoms of Hong Kong residents, including the freedom of speech and the right of peaceful assembly that are routinely exercised by them.

The fact that eminent judges of the apex courts of other common law jurisdictions sit on Hong Kong's Court of Final Appeal, and that Hong Kong cases are cited in overseas jurisprudence from time to time, speaks volumes on the global legal community's confidence in the integrity and quality of Hong Kong's judicial and legal systems.

Indeed, the robustness of Hong Kong's rule of law is consistently reflected in the relevant reports of other international ranking institutions since 1997.

Regrettably, recent events have seen protesters deviating from peaceful means by resorting to escalating violence, which made it necessary for Police to exercise lawful use of reasonable force to maintain law and order.

The Government said it is committed to stopping violence and maintaining an open dialogue with the community at large to look for common ground and resolve differences on its own.

“The Government is and will always be strongly committed to upholding the rule of law, judicial independence and the fundamental rights and freedoms of Hong Kong residents which are strongly institutionalised.

“We will continue to work with the local and international communities to promote these core values of our society which we jealously guard.”

## HK's fundamentals robust: CE

By [www.news.gov.hk](http://www.news.gov.hk)

Tuesday, September 17, 2019

Chief Executive Carrie Lam today said the decision by Moody's Investors Service to change Hong Kong's credit outlook rating is unjustified as the city's fundamentals remain strong.

Mrs Lam made the remarks ahead of an Executive Council meeting, noting the Government is disappointed with the decision to change the city's credit outlook from "stable" to "negative."

"We do not concur especially if the justifications for that sort of change in outlook was premised on whether we are still upholding 'one country, two systems', whether Hong Kong's institutions are as strong and robust as previously, whether more integration with the Mainland economy will blur the 'two systems'.

"So premising on those basis, we do not agree with the negative rating."

Mrs Lam added that the current social unrest may affect Hong Kong's international reputation, so the violence needed to come to an end.

"As I have commented on a previous rating decision, the continued instability and social unrest in Hong Kong - as we have seen some of these violent acts from time to time - will inevitably undermine and adversely affect international perception about Hong Kong's business environment.

"So this is something that we have to be very alert to and that is why I said while creating this dialogue platform, the first priority is still to stop this violence and to restore law and order in Hong Kong as soon as possible."

## HK hangs on to global foreign exchange trading rank

By [www.thestandard.com.hk](http://www.thestandard.com.hk)

Tuesday, September 17, 2019

Hong Kong advanced one place and ranked third globally in terms of over-the-counter interest rate derivatives turnover and continued to be the fourth largest global foreign exchange market, according to data from The Bank for International Settlements.

The average daily turnover of foreign exchange transactions in Hong Kong increased by 44.8 percent from April, 2016 to US\$632.1 billion (HK\$4.93 trillion) in April this year, mainly attributed to increases in foreign exchange swaps and spot transactions, said BIS.

HK dollar against US dollar transactions surged 1.65 times over the period to US\$142.3 billion, which was the most heavily traded currency pair.

Hong Kong maintained its lead as the largest offshore yuan foreign exchange and interest rate derivatives market, with average daily turnover of yuan foreign exchange transactions rising 39.6 percent in April 2016 to US\$107.6 billion in April this year.

The average daily turnover of yuan OTC interest rate derivatives transactions also doubled from US\$6.2 billion in April 2016 to US\$12.7 billion in April 2019.



## **KPMG expects more Hong Kong IPOs by end of 2019**

By [www.thestandard.com.hk](http://www.thestandard.com.hk)

Thursday, September 19, 2019

KPMG predicts an uptick in Hong Kong initial public offering market by the end of the year, based on the stable number of IPO application and potential positive signs late in the third quarter.

Hong Kong's IPO market remained stable with a strong pipeline especially from the infrastructure and real estate, telecommunications, media and technology, healthcare and life sciences and financial services sectors, KPMG said.

Hong Kong IPO market ranked the fourth among its global peers as of September 13, with total funds raised at US\$11.4 billion (HK\$88.92 billion), and KPMG expects HKEX to rank third globally following the listing of Budweiser Brewing Company APAC scheduled on September 30, anticipated to raise US\$4.6 billion.

Amid global economic uncertainties, some mega-sized companies this year have had difficulties listing, faced with a lower offering price, a reduced offer size or a need to postpone, the firm said.

"We noted positive signs from the number of mainboard deals in the first three quarters which is in fact comparable to that of last year, and the number of new mainboard applicants in July and August which increased by about 30 percent compared to last year," said Paul Lau, head of capital markets, KPMG China, expecting that Hong Kong to remain in the top three globally in terms of total funds raised this year.

The Hong Kong IPO pipeline is at a historically high level, with exceeding 200 active applicants as of September 13, according to KPMG. The city is particularly active in small to medium-sized deals, with 11 medium-sized IPOs on the mainboard in 2019 year-to-date and more than 10 potential deals of this size in the pipeline, and the number of medium-sized deals for the year could surpass last year's total with 21 such deals, KPMG said.

## **HK, Estonia sign tax pact**

By [www.news.gov.hk](http://www.news.gov.hk)

Thursday, September 26, 2019

Hong Kong and Estonia signed a comprehensive avoidance of double taxation agreement on September 25.

Secretary for Financial Services & the Treasury James Lau penned the deal with Estonia's Minister of Finance Martin Helme in Tallinn, Estonia.

It signifies the Hong Kong Special Administrative Region Government's sustained efforts to expand the city's tax treaty network.

The compact will grant mutual taxing rights aimed at helping investors better assess their potential tax liabilities from cross-border economic activities.

Under it, any tax paid in Estonia by Hong Kong residents will be allowed as a credit against the tax payable in Hong Kong on the same income, subject to provisions of Hong Kong tax laws.

For Estonian residents, their income taxed in Hong Kong will be exempted from the Estonian tax, or the tax they pay in Hong Kong will be deducted from the Estonian tax in respect of the same income.

The arrangement also provides several tax relief measures, including capping Estonia's withholding tax rate for Hong Kong residents on royalties at 5% instead of the current 10% rate.

The agreement will take effect once both parties ratify the procedures.

Noting this is the 42nd agreement Hong Kong has signed with its trading partners, Mr Lau said the pact will reinforce economic and trade connections between Hong Kong and Estonia, and offer additional business or investment incentives.

In 2018, Estonia was Hong Kong's 75th largest trading partner. In addition to Estonia, Hong Kong has ratified similar agreements with 17 European Union member states.

After the signing ceremony, Mr Lau further discussed financial sector resilience against the global economic downturn and trade tension challenges with Mr Helme.

They also talked about the development of cryptocurrencies and their impact on monetary and financial stability as well as anti-money laundering initiatives.

Before concluding his Estonia visit, Mr Lau called on Chinese Ambassador to Estonia Li Chao, and forged closer ties with financial technology and commercial sector leaders.