

## Hong Kong & Mainland China News – Jun-2023

---

### **New crypto rules as Hong Kong tries to nurture digital asset hub**

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

Thursday, Jun 01, 2023

Hong Kong kicked off a new crypto regulatory regime in a bid to nurture a digital-asset hub, a pivot that's stirred interest but has yet to win big investment pledges from an industry chastened by a market rout last year.

The rules apply from Thursday and let crypto exchanges offer trading services to individuals and institutions if they secure and comply with licenses designed to shield investors from the risky practices exposed in the 2022 crash.

The framework, months in the making, is rolling out just as crypto firms scour the globe for suitable bases amid a crackdown in the US. Jurisdictions like Hong Kong and Dubai are seeking to attract companies, while Singapore plans curbs on retail-investor participation.

The European Union in April approved the most comprehensive digital-asset rules of any developed economy.

Hong Kong's Securities & Futures Commission has received dozens of inquiries from interested parties, while firms such as Huobi, OKX and Amber Group have said they plan to apply for licenses under the framework.

Hong Kong telegraphed the policy shift last year as part of an effort to restore its image as a cutting-edge financial center. The city offers not just a local market but also a conduit to Chinese wealth, particularly if Beijing ever loosens a 20-month-old ban on crypto trading on the mainland.

Yet 15 major digital-asset outfits — including exchanges, crypto lenders and stablecoin issuers — refrained from elaborating on specific investment plans for Hong Kong when asked about them by Bloomberg News. The exchanges included the likes of Binance, Coinbase, Bybit and Huobi and taken together accounted for the vast bulk of crypto trading volumes.

“Potential investors are proceeding conservatively in setting up virtual-asset trading platforms in Hong Kong,” said Vince Turcotte, director of digital assets at regulatory technology firm Eventus, which is working with some companies seeking licenses. “They want to be sure that they don't end up burning cash.”

The challenges include requirements for investor risk assessments, insurance cover and asset custody that could add to costs. Hong Kong Monetary Authority Chief Executive Eddie Yue has said there's excitement about creating a virtual-asset ecosystem while adding “that doesn't mean light-touch regulation.”

It also remains unclear just how many crypto exchanges the local Hong Kong market can really support — and whether officials will retain crypto as a priority longer term given the sector is prone to bouts of scandal.

Spot digital-asset trading volumes remain depressed globally as the market has only partially recovered from a US\$1.5 trillion rout last year. The implosion sparked bankruptcies like FTX, thousands of layoffs and much circumspection.

“We’ll have to wait and see whether regulators and industry expectations match up in reality, for example on the pace of licensing and implementation of compliance programs,” said Angela Ang, senior policy adviser at blockchain intelligence firm TRM Labs and a former regulator at the Monetary Authority of Singapore.

Among exchanges, major platform OKX has an office in Hong Kong and had already invested in the city before the new crypto regulatory regime.

“We’ve invested millions of dollars in talent acquisition, product development, compliance and system security to benchmark our exchange against traditional exchanges like HKEX,” OKX’s Global Chief Commercial Officer Lennix Lai said.

Rival Bybit plans to apply for permits but will be conservative in its initial investment in Hong Kong. “It takes a bit of patience building up presence in new markets and that’s what we will be doing,” its head Ben Zhou said.

Binance, the largest crypto platform, called for “flexible and inclusive” rules and said it looks “forward to seeing continuous development in Hong Kong.”

While Hong Kong’s mandatory licensing regime allows trading by retail investors, they are restricted to larger coins like Bitcoin and Ether that feature in at least two acceptable, investible indexes from independent providers, one with experience in the traditional financial sector.

The SFC said last month that licensed platforms should “comply with a range of robust investor protection measures covering onboarding, governance, disclosure and token due diligence and admission, before providing trading services to retail investors.”

Some of the criteria around retail-investor access seem to be tougher than almost any other jurisdiction, according to Joey Garcia, head of legal and regulatory affairs at Xapo Bank. Garcia said he’s not convinced platforms will “race to Hong Kong to take advantage of the framework.”

## **IMF backs Hong Kong**

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

Thursday, Jun 01, 2023

The International Monetary Fund reaffirmed Hong Kong's role as a major international financial center despite continuous declines in the city's fiscal reserves and Exchange Fund.

A report issued by the IMF last month affirmed the city's status and cited its robust institutional frameworks, substantial capital and liquidity buffers, high-quality financial sector regulation and a well-functioning peg system, a government statement said yesterday.

It came as official data revealed that Hong Kong's fiscal deficit was HK\$34.8 billion in April while fiscal reserves stood at HK\$800 billion, equal to 12 months' expenditure as compared to HK\$1.1 trillion for 24 months' expenditure three years ago.

Meanwhile, data from the Hong Kong Monetary Authority showed that Hong Kong dollar deposits declined 0.4 percent in the month while the yuan deposits rose 4.9 percent.

In the first four months of 2023, the total deposits and local dollar deposits grew by 0.6 percent and 2.1 percent respectively. The total assets of the Exchange Fund dropped by HK\$44.2 billion to HK\$4.03 trillion in April.

Separately, Bloomberg reported that the Hong Kong Exchanges and Clearing (0388) and local exchange-traded fund issuers have met with external platform managers, seeking to automate its handling of products in a bid to streamline trading as it plays catchup with Asian rivals.

## **Firms eye China, Asean for expansion**

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

Friday, Jun 09, 2023

The mainland and Asean countries have emerged to be the most preferred destinations for Hong Kong firms planning to expand overseas, a United Overseas Bank survey has shown.

The survey interviewed 557 business owners and executives of small, medium and large-sized enterprises in Hong Kong, and found 70 percent of the firms were interested in expanding overseas.

About half of the respondents disclosed a preference for the mainland and 39 percent for Asean countries with Singapore, Thailand and Vietnam in particular.

Over 60 percent of the respondents held a positive outlook for this year despite recent challenges.

Around 83 percent said they still suffered from inflationary pressure, including expensive operating and raw material costs amid shrinking profits.

A separate survey by Bain & Company and Hang Seng Bank (0011) showed over 40 percent of their customers in the Greater Bay Area would like to use cross-boundary financial services if they were not required to cross the border physically.

But appetite for cross-border financial products may decline for the next three years.

Potential customers from the mainland expressed less interest in purchasing cross-border wealth management and insurance products, representing a fall of 23 and 16 percentage points from two years ago. Also, fewer Hong Kong customers were interested in mainland wealth management and insurance products, marked by a drop of 18 and 8 percentage points respectively.

## Platform nurtures family offices in HK

by news.gov.hk

Monday, Jun 12, 2023

Invest Hong Kong today announced the launch of the Network of Family Office Service Providers, a platform specially designed to help promote Hong Kong as a preferred destination of choice for global family offices

Financial Secretary Paul Chan and Secretary for Financial Services & the Treasury Christopher Hui officiated the network's launch event.

Over 100 representatives from a wide array of family office service providers participated in the special occasion, under the witness of key representatives from regulators and industry associations at the HKEX Connect Hall.

Launching the network is one of the eight initiatives in the Government's Policy Statement on Developing Family Office Businesses in Hong Kong announced on March 24.

The network aims to nurture the ecosystem that continues to support local and global family offices as they set up or expand in the Hong Kong market

Apart from providing a two-way channel for the Government to brief the industry on the latest development and supplying opportunities for family offices in Hong Kong, the network will also help with mobilising such networks around the world to advocate opportunities in the city for family offices.

Speaking at the launch ceremony, Mr Chan made it clear that Hong Kong, with its vibrant financial ecosystem, sophisticated financial infrastructure and the best professional services providers as well as the convergence of investment opportunities in the Mainland and the world, is naturally the preferred choice of location for global family offices.

“The Network of Family Office Service Providers brings together the relevant professional services providers, including private bankers, trustees, lawyers, accountants, wealth management professionals, etc, to create mutual business opportunities and promote Hong Kong's advantages to target markets.

“The network will also provide advice to the Government on how we could better facilitate the sector's growth and thrive together.”

On the launch of the network, Mr Hui explained that the launch of the Network of Family Office Service Providers marks a key milestone of the Government's basket of measures to promote Hong Kong as a family office hub.

“Looking ahead, we will thrive to work together with the regulators and the industry to roll out other new initiatives in the Government's policy statement, with a view to facilitating the rapid growth of the ecosystem for global family offices and asset owners in Hong Kong.”

Invest Hong Kong stressed that the Government is actively pursuing various initiatives announced in the policy statement to create a conducive and competitive environment for the businesses of global family offices and asset owners.

Besides launching the network, some of the new initiatives include a new Capital Investment Entrant Scheme, tax concessions, a new Hong Kong Academy for Wealth Legacy, establishing art storage facilities at the airport and developing Hong Kong as a philanthropic centre.

## **Dual counter will boost offshore yuan's efficiency**

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

Monday, Jun 12, 2023

Financial Secretary Paul Chan Mo-po said yesterday that the upcoming launch of the dual currency counter model, which allows investors to trade shares in local currency or yuan, will enhance the efficiency of the offshore yuan in the global market.

Writing in his blog, Chan said the international demand for the use of yuan will only increase in the foreseeable future and Hong Kong should play a key role in yuan internationalization.

Hong Kong is launching dual-currency trading counters on June 19 to let investors trade shares in the local currency or offshore yuan in the first stage.

About 24 stocks, which range from the internet sector to finance, property, and consumer businesses, have been approved as dual counter securities, Chan said. They accounted for about 40 percent of the daily turnover for equity securities in the local market, he added.

Meanwhile, nine financial firms have so far been named as market makers to conduct liquidity-providing activities for transactions upon the launch.

The next stage will be to include yuan-denominated stocks in the Stock Connect scheme linking the city with the mainland and allow mainland investors to directly use onshore yuan for trading, Chan noted.

Hong Kong should continue to diversify offshore yuan products, Chan said, adding that regulators, including the Securities and Futures Commission and Hong Kong Monetary Authority were discussing with mainland authorities to roll out offshore Chinese government bond futures in the city.

As of April this year, the city held close to 1 trillion yuan (HK\$1.1 trillion) in offshore yuan deposits, the world's largest offshore yuan liquidity pool.

Chan said the efforts to enlarge the offshore yuan market are not only to promote the yuan's internationalization, but also to meet the needs arising from international political and economic changes. He added that the factors including the geopolitical tensions in recent years and the US banking crisis in March have undermined the global confidence in the US dollar, and driven many countries to diversify their foreign exchange reserves.

## Office set to meet 300 enterprises

by news.gov.hk

Wednesday, Jun 14, 2023

Deputy Financial Secretary Michael Wong said today the Office for Attracting Strategic Enterprises (OASES) has met more than 150 enterprises in about six months since its establishment and it is estimated that it will meet around 300 strategic enterprises by the end of 2023.

Answering lawmakers questions at the Legislative Council meeting, Mr Wong said many of the enterprises contacted are leaders in their respective industries as well as companies engaging in cutting-edge technologies.

He noted that OASES and relevant bureaus are evaluating the business development proposals submitted by different strategic enterprises.

Looking forward, Mr Wong said OASES will continue to engage and discuss the target list with different strategic enterprises. It is estimated that OASES will meet around 300 strategic enterprises by the end of this year.

Noting that strategic enterprises would have various concerns on whether to set up their operations in Hong Kong, the Government will formulate tailor-made plans in accordance with their needs.

He added that OASES also provides employees of target enterprises with one-stop facilitation services in areas such as visa application and education arrangements for their children.

In recent months, OASES, through the Immigration Department, has handled over 20 cases related to talent schemes or visa facilitation.

The Government aims to attract at least 1,130 companies to set up or expand their operations in Hong Kong from 2023 to 2025.

Mr Wong said the Government emphasises the importance of transparency and OASES will release the number of enterprises it has met and other information every year for public information.

He believes this will also allow other strategic enterprises to understand more about the work of OASES and enhance their interest in investing in Hong Kong.

## Investment summit set for Dec

by news.gov.hk

Monday, Jun 19, 2023

The Hong Kong Special Administrative Region Government today welcomed the Future Investment Initiative (FII) Institute to host its inaugural PRIORITY Asia Summit in Hong Kong on December 7 and 8 this year, noting that it will provide support to the summit.

The summit will invite political and business leaders around the globe to engage in focused discussions on key issues cutting across different segments and areas of society amid accelerated socio-economic changes and under the current geopolitical climate.

Since 2017, the FII Institute has been organising its annual Future Investment Initiative in Riyadh, Saudi Arabia, to discuss major political and economic issues and trends that shape the world as well as promote dialogue and exchanges among important stakeholders around the world. The initiative has become an annual flagship event in the Middle East.

In October last year, Financial Secretary Paul Chan attended the sixth edition of the initiative upon invitation and spoke at its plenary session.

This will be the first time for the institute to stage the PRIORITY Summit in Asia.

Mr Chan said he very much welcomes the FII Institute's decision to host the summit in Hong Kong.

“This demonstrates Hong Kong's unique position and role in connecting our country, Asia and the world, and will further deepen our ties with partners and counterparts around the globe, especially with those in the Middle East.

“The summit will be an important platform for gathering global political and business leaders, academics and experts to exchange views on world trends and topical issues. I trust this summit will be a great success with fruitful outcomes.”

## HK ranked 7th in competitiveness

by news.gov.hk

Tuesday, Jun 20, 2023

Hong Kong was ranked the seventh most competitive economy by the International Institute for Management Development in its World Competitiveness Yearbook 2023, compared to fifth last year.

Among the four competitiveness factors, Hong Kong continued to rank second globally in government efficiency while its ranking in infrastructure also improved.



Yet, due to the upsurge in the COVID-19 epidemic last year, Hong Kong's ranking in business efficiency fell slightly and its ranking in economic performance also dropped as the city's economy weakened notably and recorded negative growth in 2022.

On sub-factors, the city continued to top the ranking in business legislation and was in the top five positions in tax policy, international investment, international trade and technological infrastructure.

Apart from pointing out that the yearbook recognised Hong Kong as one of the most competitive economies in the world, the Government emphasised that the city's competitiveness is underpinned by its distinctive institutional strengths under “one country, two systems”.

Such notable strengths include the continuation of the common law system, the exercise of independent judicial power by the Judiciary, a favourable business environment with efficient and transparent markets, a regulatory regime in line with international rules, an efficient and clean government, a simple and low tax system, world-class professional services, and free flow of goods and production factors including talent, capital and information, etc.

The Government noted that the slight fall in Hong Kong's ranking was mainly due to the epidemic upsurge and weak economy last year and made it clear that as the city resumes normalcy and restores full connectivity to the Mainland and the rest of the world, its economy will improve notably this year.

While stressing that Hong Kong should stay vigilant of the increasingly intense competition among economies and respond proactively, striving to further enhance its competitiveness, it also pointed out that since taking office, the new-term Government has been promoting a better integration of capable government and highly efficient market.

Aside from upholding Hong Kong's institutional strengths and competitive advantages, the Government has implemented strategies to compete for talent and enterprises with a view to attracting strategic enterprises as well as talent and capital from around the world.

Additionally, it has stepped up investment in infrastructure as well as innovation and technology, and continued to increase land and housing supply, in order to expand capacity for the sustained growth of Hong Kong's economy and pursuit of high-quality development.

The Government said the city will continue to benefit from the sustained eastward shift of global economic gravity in the future.

It explained that under “one country, two systems”, Hong Kong will leverage the staunch support of its motherland while staying connected to the world, and continue to serve the distinctive roles as a gateway, a springboard and an intermediary by virtue of its distinctive institutional and geographical advantages.

Hong Kong will also actively align with national development strategies, seize the opportunities arising from the National 14th Five-Year Plan, the Greater Bay Area development and the Belt & Road Initiative, so as to pursue economic development and enhance people's quality of life, the Government added.