

**Summary of Views Expressed at
the Ninth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
held on 31 May 2007**

The Chairman welcomed Members to the meeting.

I. Matters Arising from the Last Meeting

2. The Chairman reported that the summary of views of the eighth meeting of this Committee had been issued to Members as well as relevant bureaux and departments, and uploaded to CSD's website.

**II. Further Development of Hong Kong's Financial Services
(Paper Ref: CSD/EDC/2/2007)**

General

3. Members generally supported that Hong Kong should rigorously reinforce her international financial centre status in the midst of intense competition from other financial centres. Whilst Hong Kong was still superior to other cities in the region in terms of rule of law, free flow of capital and information, tax and regulatory regimes, market infrastructure, etc, continued efforts should be made to enhance the supply and quality of the talent pool, and the efficiency of the regulatory regime. They were important factors to support the development of our financial services.

Nourishing and Attracting Talents

4. A number of Members emphasized the importance of an adequate supply of quality financial services workers. Some Members opined that the Government should be more proactive in nurturing local talents and in promoting training and retraining of the financial services workers. In parallel, immigration procedures for intake of talents

should be simplified. A Member suggested that the Government should shorten the processing time for bringing in overseas financial services talents to work in Hong Kong from the current 6-8 weeks to within a month. Another Member opined that the Government could make reference to various employment schemes of the Singapore Government to facilitate overseas talents working in Hong Kong.

Leveraging on the Rapid Development in the Mainland

5. Members concurred that Hong Kong's financial services development should leverage on the rapid economic development of the Mainland and contribute to its financial development and reform. There was an important role for Hong Kong to play on financial intermediation between the Mainland and the rest of the world. However, the window of opportunity for Hong Kong might be dwindled when Renminbi became fully convertible and the Mainland financial market entirely open.

6. Members also generally agreed with the "complementary, cooperative and interactive" relationships between the Mainland and Hong Kong, the five-pronged strategy, and the recommendations set out in the Report of the Focus Group on Financial Services of the Economic Summit released in January this year. They supported early implementation of the relevant recommendations.

7. Noting Shanghai's development as a major financial centre of the Mainland, a Member suggested that Hong Kong should consider forming strategic regional partnership with neighbouring cities and provinces such as Shenzhen, Fujian, Guangdong and Guangxi, etc. A couple of Members also mentioned that Hong Kong should positively explore the scope of cooperation with Shenzhen on financial services.

8. Some Members considered that there was considerable potential for development on providing wealth management services to the Mainland residents. A Member suggested that the Government should ride on the current huge domestic capital liquidity in the Mainland to explore with the relevant authorities on measures to allow for more Mainland capital to invest in Hong Kong. It was further suggested that the Government should request the Mainland authorities to increase the maximum permitted amount of foreign currencies to be carried by Mainlanders when visiting other places such as Hong Kong,

and to consider allowing Mainlanders to open accounts at Hong Kong's banks or other financial institutions. To a certain extent, the suggestions were to normalize what had already been practised. In addition, a Member felt that there was still much room for further development of Hong Kong's asset management, insurance and re-insurance services in the Mainland. It was also raised that Hong Kong should continue to position itself as the prime location for the listing of Mainland enterprises.

Business Opportunities of other Asian Countries

9. A number of Members put forward that it was equally, if not more, important for Hong Kong's financial services sector to explore servicing other Asian and Islamic markets such as Vietnam, the Middle East, India and South-east Asia. A Member stated that the financial services sector in Hong Kong was not well prepared for those markets and lacked expertise to tap the growing demand of Asian and Islamic countries. Another Member suggested that the Government should consider granting visa-free entry to Hong Kong to businessmen from Vietnam and other potential markets to facilitate trade, business and investment activities.

10. It has also been mentioned that the well-established financial services infrastructure in Hong Kong, e.g. the real-time gross settlement system, had provided unique advantages to Hong Kong as compared with other Asian cities. A Member suggested that Hong Kong should explore the feasibility of multi-currency settlement of the stock market to allow trading of stocks denoted in foreign currencies.

Development of other Financial Products

11. A number of Members considered that Hong Kong should strengthen the market development of bonds, futures and options of foreign exchange and commodities. This would not only broaden the range of products and functions of the Hong Kong financial market, but also cater for the growing need of the Mainland enterprises in managing risks associated with fluctuation in exchange rates and commodity prices.

12. In particular, a Member viewed that Hong Kong had considerable comparative advantages in the development of futures for petroleum products in view of our close proximity to the Mainland with high petrol consumption, and our mature financial and legal systems. At present, the majority of the commodity futures market and related hedging activities on petroleum products were conducted in Singapore.

Others

13. Some Members were concerned about the low turnover of the existing Growth Enterprise Market (GEM). They considered that Hong Kong had not fully utilized the potential of the GEM when compared with Singapore and London. It was proposed that the operation of the GEM should be reviewed to attract and provide opportunities for “second-tier” Mainland small-and-medium enterprises to raise capital in the Hong Kong stock market other than the local main board. A Member suggested that a separate market should be created for the GEM similar to the NASDAQ which was separated from the NYSE in New York.

14. A Member pointed out that the variations in compliance cost and work practices of regulatory bodies among different financial centres were important factors for multi-national financial institutions in deciding where to launch their new financial products and even their office location. It was pointed out that the long lead time required by the Government in deciding and implementing financial policies and measures was not competitive enough to attract international corporations to set up their headquarters or offices in Hong Kong.

15. A couple of Members complimented the Government’s recent measures on abolition of the estate duty and exemption of offshore funds from profits tax. They considered that the measures were favourable to promoting Hong Kong as an international financial centre, in particular on asset and wealth management.

16. The Chairman made the following comments -

- (i) The Government had been maintaining close contacts with the Central People’s Government on strengthening cooperation between the Mainland and Hong Kong on financial services;

- (ii) He noted that in the national financial work conference held in late January this year, Premier Wen stated that the Mainland would further the cooperation with Hong Kong and Macau on financial services, further develop the complementary, cooperative and interactive relationship with Hong Kong, and to consolidate and make use of Hong Kong as an international financial centre. His understanding was that it was the first time for the Central People's Government to explicitly state the relationship between the two financial systems of the Mainland and Hong Kong. This reflected the Central People's Government's view on the importance of Hong Kong as an international financial centre;
- (iii) On implementation of specific recommendations of the Action Agenda of the Economic Summit, considerable progress had been made. Apart from those mentioned in the Paper, he further updated Members that :
- the Hong Kong Exchanges and Clearing Limited (HKEx) had scheduled to conduct, in the coming six to nine months, a series of roadshow activities covering thirteen cities in the Mainland and elsewhere to promote Hong Kong as a premier listing venue for global and Mainland enterprises to raise capital;
 - the HKEx had also conducted a review on the GEM in order to improve its operation and facilitate Mainland small-and-medium enterprises to list in Hong Kong;
 - the HKEx and the Securities and Futures Commission published in March this year a Joint Policy Statement regarding the listing of overseas companies, with the aim of facilitating the listing of overseas companies by clarifying requirements in the Listing Rules. In this respect, the HKEx had also signed Memoranda of Understanding with Kazakhstan and Abu Dhabi respectively; and

- as regards the cooperation with other Mainland cities, working groups had been formed by the HKEx with relevant authorities in Shenzhen and Shanghai to consider the possibility of further cooperation in the financial services sector.
- (iv) Looking ahead, financial services would continue to be one of our most important and promising economic sectors. The Government would endeavour to sharpen Hong Kong's competitiveness as the international financial centre of global significance in the Asian time zone. One of the top priorities for the Government would be to nourish our local talent to acquire high quality training in financial knowledge and with an exposure of international perspective. The Government would also facilitate overseas talent to work in Hong Kong. The regulatory authorities would be mindful to balance the need of maintaining a sound regulatory framework and the costs associated with the compliance of regulatory requirements. Further review might be necessary to investigate the need for streamlining the regulatory authorities to minimise possible duplication of functions.

17. As this was the last Committee meeting of this term, the Chairman thanked Members' contribution to the Committee's discussions since November 2005 and announced the adjournment of the meeting.

18. The attendance list is attached.

Secretariat to the Commission on Strategic Development
June 2007

策略發展委員會
經濟發展及與內地經濟合作委員會第九次會議
2007 年 5 月 31 日

Ninth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
31 May 2007

出席人士

Attendance List

主席 :

Chairman :

The Financial Secretary

財政司司長

官方委員 :

Official Members :

Head, Central Policy Unit

中央政策組首席顧問

Director, Chief Executive's Office

行政長官辦公室主任

非官方委員 :

Non-Official Members :

Dr CHAN Man-hung, J.P.

陳萬雄博士, J.P.

Mr CHAN Yu-ling, Abraham

陳宇齡先生

Mr CHANG Ka-mun

張家敏先生

Ms CHIANG Lai-wan, Ann

蔣麗芸女士

Mr CHOI Koon-shum, Jonathan, J.P.

蔡冠深先生, J.P.

Mr CHUI Yik-chiu, Vincent

徐亦釗先生

Mr FUNG Hau-chung, Andrew

馮孝忠先生

The Hon LEUNG Kwan-yuen, Andrew, S.B.S., J.P.

梁君彥議員, S.B.S., J.P.

Mr LIU Changle, J.P.

劉長樂先生, J.P.

Ms LO Kai-yin
Mr LO Wing-hung, B.B.S.
Dr LUK Tei, Lewis
Prof LUNG Ping-ye, David, S.B.S., J.P.
Mr MOK, Charles P.
Mr NG Hak-kim, Eddie, J.P.
Mrs NGAN NG Yu-ying, Katherine
Mr TAM Wai-ho, Samson, J.P.
Mr WONG Ho-ming, Augustine
Prof YEUNG Yue-man, S.B.S., J.P.

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盧永雄先生, B.B.S.
陸地博士
龍炳頤教授, S.B.S., J.P.
莫乃光先生
吳克儉先生, J.P.
顏吳餘英女士
譚偉豪先生, J.P.
黃浩明先生
楊汝萬教授, S.B.S., J.P.

列席

In Attendance

Mr KWOK Kwok-chuen, B.B.S., J.P.
Government Economist

政府經濟顧問
郭國全先生, B.B.S., J.P.

Miss CHEUNG Yan-wai, Alice
Principal Assistant Secretary (Financial Services)2,
Financial Services and the Treasury Bureau

財經事務及庫務局首席助理秘書長
(財經事務) 2
張恩瑋女士

Mr PENG Wen-sheng,
Head (External Division),
Hong Kong Monetary Authority

香港金融管理局外事部主管
彭文生先生

Dr WANG Chun-xin
Senior Researcher (1), Central Policy Unit

中央政策組高級研究主任(一)
王春新博士

因事未能出席

Apologies

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Non-Official Members :

Prof CHAN Ka-keung, J.P.
Mr CHAN Mo-po, Paul, M.H.
Prof CHEN Kwan-yiu, Edward, G.B.S., J.P.
Mr CHUNG Chi-ping, Roy, J.P.
Prof ENRIGHT, Michael John
Mr FENG Xiaozeng
Dr HUI Cheuk-kuen, Desmond
Mr HUI Ho-ming, Herbert, J.P.
Mr LAU Siu-hong, Freeman, B.B.S.
Prof LIU Pak-wai, S.B.S., J.P.
Mr MA Fung-kwok, S.B.S., J.P.
Mr NG See-yuen, B.B.S., J.P.
Prof SIT Fung-shuen, Victor
Mr WAN Sui-lun, Raymond
Ms WONG Ying-kay, Ada, J.P.
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Prof YUEN TSANG Woon-ki, Angelina, J.P.
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