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The Hong Kong Chief Executive's 2024 Hong Kong Policy Address - Key Business Points

Hong Kong's Chief Executive, John Lee, delivered his third Policy Address on 16 October 2024 (2024 Hong Kong Policy Address), "Reform for Enhancing Development and Building Our Future Together", focused on Hong Kong's competitiveness and strengthening sustainable economic growth in Hong Kong. Also on 16 October 2024, Hong Kong was ranked as the world's freest economy among 165 economies by The Fraser Institute of Canada's Economic Freedom of the World 2024 Annual Report. Of the five areas of assessment in the 2024 Economic Freedom Report, Hong Kong ranks top in "Freedom to trade internationally" and "Regulation", and third in "Sound money".

In brief, the 2024 Hong Kong Policy Address included the following:

The Hong Kong Securities Market

- Introducing Exchange Traded Funds (**ETFs**) for Hong Kong stock indices in the Middle East.
- Encouraging large-scale Mainland enterprises to list in Hong Kong, optimising Hong Kong's mutual access with the Mainland's financial markets.
- Enhancing market efficiency and reducing transaction costs.
- The Hong Kong Securities and Futures Commission (**SFC**) and the Hong Kong Stock Exchanges (**HKEX**) will introduce new measures to expedite the vetting process for companies applying to list on the HKEX.

New Fintech Innovation Ecosystem in Hong Kong

- The Hong Kong Government will continue to promote the development of innovative financial services including Central Bank Digital Currencies (**CBDCs**), mobile payment, virtual banks, virtual insurance and virtual asset (**VA**) transactions.
- FSTB shortly to issue a policy statement on the application of AI in the financial market.
- Promoting the use of CBDCs for cross boundary payments – the Hong Kong Monetary Authority (**HKMA**) is actively testing and exploring more add on technology solutions and use cases related to cross boundary trade settlement on the mBridge platform, and will further widen the participation of both the public and private sectors.
- Enhancing the regulation of Virtual Assets trading, the FSTB will:
 - Complete the second round public consultation on the regulatory proposals for over the counter trading of VA.
 - Put forward a proposed licensing regime for Virtual Assets custodian service providers.
 - Promote real world asset tokenisation and develop a digital money ecosystem – the HKMA is taking forward Project Ensemble, a financial market infrastructure project, to explore the application of real world asset tokenisation and the use of digital money for interbank settlement, facilitating the development of the relevant asset trading. The HKMA will continue to collaborate with different jurisdictions to formulate a mechanism for trade information transmission, promoting cross-boundary data transfer and the digitalisation of international trade.
 - The HKMA already allows potential stablecoin issuers to test business plans and use cases through the stablecoin issuer sandbox, and will work with the FSTB to introduce a bill on the regulation of fiat referenced stablecoin issuers in 2024.

- Promote the development of the digital securities market – the HKMA is to launch the Digital Bond Grant Scheme to encourage more financial institutions and issuers to adopt tokenization technology in capital market transactions.

Internationalisation of the RMB under the 2024 Hong Kong Policy Address

- Improving Hong Kong's infrastructure and upgrading the Central Moneymarkets Unit to aid the settlement in various assets and various currencies globally.
- Enhancing offshore RMB liquidity by making "good use" of the currency swap agreement between Hong Kong and China. The HKMA will explore measures such as night-time cross-boundary service capabilities of Hong Kong's RMB Real Time Gross Settlement System to facilitate global settlements in offshore RMB markets and explore a range of diversified channels for obtaining offshore RMB financing.
- Making available additional RMB-denominated investment products such as increasing issuance of RMB bonds and supporting the issuance of green and sustainable offshore RMB bonds in Hong Kong.
- The HKEX will encourage more listed companies to have their shares listed in the RMB stock trading counter and to expand the range of RMB-denominated equities available.

Hong Kong as an International Financial, Shipping and Trade Centre Under the 2024 Hong Kong Policy Address

- Establish a global marketplace for gold trading and develop gold storage facilities. The Hong Kong Government views the growth of the gold industry in Hong Kong as also driving the demand for related services such as collateral and loan businesses, thereby creating new areas of growth.
- The Insurance Authority will conduct a review of their risk management system, including capital requirements for infrastructure investment, enriching insurance companies' assets allocation for risk diversification and boosting investment in infrastructure such as the Northern Metropolis of Hong Kong.
- To enhance the New Capital Investment Entrant Scheme, with immediate effect, investments in residential properties are permitted, provided the transaction price is at least HK\$50 million, while the amount of real estate investment to be counted towards the total capital investment capped at HK\$10 million. Additionally, starting from 1 March 2025, investments made through an eligible private company wholly owned by the applicant will count towards the applicant's eligible investments.
- Further to the launch of the international carbon market (**Core Climate**) by the HKEX, the HKMA will announce a Sustainable Finance Action Agenda, which will target the full adoption of the International Financial Reporting Standards – Sustainability Disclosures Standards (**ISSB Standard**) by 2024.
- Strengthening Hong Kong's maritime industry including providing tax concessions, promoting maritime services enterprises to establish a presence in Hong Kong and advancing development of a Green Maritime Centre through promoting the green transformation of registered ships, developing a green maritime fuel bunkering centre and offering green fuel bunkering facilities. The Hong Kong Government will complete the installation of a port community system in 2025 which will provide real-time data to the relevant industries.
- Lowering the duty on imported liquor (with alcohol strength of more than 30%) priced over HK\$200 from 100% to 10% for the portion exceeding HK\$200, effective immediately. The duty for such liquor imports priced below HK\$200 will remain unchanged.

Aim to Become the World's Largest Cross-Border Wealth Management Centre under the 2024 Hong Kong Policy Address

- Partnering with sovereign wealth funds in areas connected by Mainland China's Belt and Road initiative and establish funds to invest in assets in Mainland China and other regions.
- The Hong Kong Government will explore avenues to provide tax concessions on qualifying transactions for funds and single-family offices.

Hong Kong Small and Medium Enterprises (SMEs)

- Loans under the SME Financing Guarantee Scheme (launched by HKMC Insurance Limited) are eligible for a principal moratorium for up to 12 months to alleviate financial hardships faced by the SMEs.
- An injection of HK\$1 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (**the BUD Fund**) to enable SMEs to enhance their businesses development and pursue international expansion.
- The Hong Kong Government plans to support SMEs through various promotional events aimed at strengthening brand development, facilitating connections with Mainland enterprises, and providing opportunities for SMEs to participate in tendering processes for contractors.

Research and Innovation and Technology (I.T.) Sector in Hong Kong

- To support the I.T. sector in Hong Kong, the Hong Kong Government will:
 - Establish a Research Matching Grant Scheme of HK\$1.5 billion to support organisations with research.
 - Establish a HK\$10 billion I.T. Industry-Oriented Fund to invest in specific industries with strategic importance, such as life and health technology, AI and robotics, semi-conductors and smart devices, advance materials and new energy.
 - Establish a HK\$1.5 billion fund to invest in start-ups in strategic industries.
 - Establish an I.T. Accelerator Pilot Scheme with a funding allocation of HK\$180 million to attract professional start-up services from both local and overseas to set up accelerator bases in Hong Kong.

Hong Kong as a Regional Centre for International Legal and Dispute Resolution Services

- The “Hong Kong International Legal Talents Training Academy” is set to launch in 2024, aimed at developing legal professionals proficient in various legal systems, with the support from the Department of Justice.
- After the relevant international convention is adopted, the International Organisation for Mediation will establish its headquarters in Hong Kong. The Hong Kong Government aims to improve local mediation accreditation and disciplinary systems, promote mediation clauses in government contracts, and encourage private organizations to adopt these clauses. Additionally, a Pilot Scheme on Community Mediation will be launched to foster a mediation culture.
- A sports dispute resolution system will be introduced.

Low-altitude Economy

- The development of a Low-altitude Economy in Hong Kong which will concentrate on economic activities within the airspace below 1000 metres. The Hong Kong Government will explore the economic potential of this low-altitude airspace in sectors such as telecommunications, AI, and the digital industry. A working group will be established to implement relevant measures, including formulating regulations, enhancing collaboration with the Mainland China, and developing low-altitude infrastructure.

Legislative Framework for Intellectual Property under the 2024 Hong Kong Policy Address

- The Hong Kong Government plans to enhance Hong Kong's legislative framework for intellectual property in 2025. This includes extending the Copyright Ordinance to protect AI

technology development, conducting a consultation on the registered design regime, and proposing amendments to streamline the IP litigation process for greater efficiency.

- The Trade Marks Registry will introduce a new AI-assisted image search service for users to conduct public searches in the trademark database.

Attracting High-Calibre Talent to Hong Kong under the 2024 Hong Kong Policy Address

- Include 13 additional universities to the Top Talent Pass Scheme.
- Attract students from outside Hong Kong to study in Hong Kong via the pilot arrangement for graduates from the GBA to work in Hong Kong, offering scholarships and other incentives.
- Increase the number of quotas for young families to purchase flats under the Home Ownership Scheme in the forthcoming White Form Secondary Market Scheme.

Housing under the 2024 Hong Kong Policy Address

- Adjust the maximum loan-to-value ratio for residential property mortgage loans to 70% of the property's value for all buyers.
- Increase the supply of public housing to 189,000 units over the next five years.
- Legislate for a regulatory framework governing the rental of subdivided units in residential buildings, incorporating prescribed requirements.

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