

FSDC holds forum on digital identity and KYC utilities

The following is issued on behalf of the Financial Services Development Council:

The Financial Services Development Council (FSDC), in collaboration with the School of Professional and Continuing Education of the University of Hong Kong, the Chartered Financial Analyst Institute and the Hong Kong Society of Financial Analysts, today (November 1) hosted a forum to discuss how Hong Kong can secure its important role as a major international financial centre amid the rapid development of financial technology (Fintech).

Entitled "Digital ID and KYC Utilities for Embracing the FinTech Era", the forum was the 30th event under the FSDC's Practitioner Speaker Series. The panel featured the Kerry Holdings Professor in Law at the University of Hong Kong, Professor Douglas Arner, who also serves as a Council Member of the FSDC, and Partner & Head of Financial Services Practice of Deacons Mr Jeremy Dinshaw Lam, who also serves as a member of the Policy Research Committee of the FSDC.

In June 2018, the FSDC released a report entitled "Building the Technological and Regulatory Infrastructure of a 21st Century International Financial Centre: Digital ID and KYC Utilities for Financial Inclusion, Integrity and Competitiveness", which presents strategy to develop the necessary technological and regulatory infrastructure for digital identification and e-KYC (know your client) in Hong Kong.

Professor Arner said, "The application of technology for facilitating the provision of financial services is gaining traction globally. During the development of Fintech infrastructure to enhance the KYC process, Hong Kong also needs urgent regulatory fixes to improve customers' account opening experience and, more importantly, to maintain the city's financial competitiveness."

Mr Lam said that ensuring industry compliance with KYC obligations remains a key priority for regulators, evidenced by increased enforcement action in the major jurisdictions around the world, including Hong Kong. "Complexity and differing regulatory procedural requirements across different industry sectors have in the past added to the compliance challenges faced by financial institutions. The willingness of regulators to streamline and harmonise regulations, whilst at the same time permitting the use of appropriate technology to fulfil KYC obligations, will enable financial institutions to operate more efficiently going forward," he added.

The FSDC's Practitioner Speaker Series is a project developed between the FSDC and local universities, with speakers from the financial services industry giving talks to university students about important industry facts

and the skill sets required in developing a career in financial services.

About the FSDC

The Hong Kong Special Administrative Region Government established the FSDC in 2013 as a high-level, cross-sectoral advisory body to engage the industry in formulating proposals to promote the further development of Hong Kong's financial services industry and to map out the strategic direction for development.

The FSDC set up five committees, namely the Policy Research Committee, the Mainland Opportunities Committee, the New Business Committee, the Market Development Committee and the Human Capital Committee, as the five streams of its work.



[Speech by FS at China Masters Series \(English only\) \(with photos/video\)](#)

Following is the speech by the Financial Secretary, Mr Paul Chan, at China Masters Series: China's New Economic Era in the Face of Escalating Trade Conflicts organised by the Our Hong Kong Foundation today (November 1):

Dr Victor Fung (Group Chairman of the Fung Group), Professor Lin (Director of the Institute of New Structural Economics of Peking University, Professor Justin Lin), distinguished guests, ladies and gentlemen,

Good afternoon.

It is my honour to be here today for this event, under the timely theme "China's New Economic Era in the Face of Escalating Trade Conflicts".

This year marks the 40th anniversary of China's opening up and economic reform, which unleashed productivity growth and market vitality in many

fields, bringing our country unprecedented prosperity. The Mainland economy, which maintained an impressive growth rate of almost 10 per cent per annum over the past four decades, is now the second largest economy in the world, with an annual GDP of over US\$12 trillion or about US\$8,800 on a per capita basis. The Mainland has evolved into a middle-income economy and entered a new era of economic development.

In this new era, the Mainland authorities are committed to developing the economy along the path of balanced, inclusive and sustainable growth. Meanwhile, the Mainland economy has been shifting from an extensive model, which relies more on the accumulation of factors of production, to an intensive one, which relies more on innovation and productivity growth. To promote high-quality development, Mainland authorities pledge to push forward supply-side structural reforms, particularly those relating to boosting market efficiency, increasing consumption, upgrading productivity, lowering business costs and containing financial risks. By harnessing the power of innovation and technology and unleashing the potential of consumption demand, these reforms will enable the Mainland to eventually attain the status of a high-income economy, while sustaining a medium-high rate of growth in the years to come.

Opening up plays a crucial role in facilitating the aforesaid economic reform. Experience over the past four decades proves that opening up has not only enabled foreign capital and technology to enter the Mainland, but also created a competitive environment that compels domestic economic reform, thereby achieving enviable growth. To pursue sustainable and high-quality development, it is essential that China sustains its opening up for global partnerships, so that benefits can be created and shared between the Mainland and its economic partners through trade, investment and more.

Since the Mainland started opening up 40 years ago, the rise of its economy has gone hand in hand with the wave of globalisation. Indeed, the forces of economic globalisation manifested in trade liberalisation through tariff reductions and removal of trade barriers have driven growth worldwide, benefiting many. Such economic success cannot be achieved without the support of the international community as it is built on a shared vision of openness and mutual respect on the part of every economy engaged in international trade and investment.

Unfortunately, this consensus for multilateralism is under threat lately. Protectionism has been on the rise, casting a shadow over the global economy. This became particularly obvious since last year, as the current US administration began to escalate trade conflict with its trading partners around the world, particularly the Mainland.

For a small and externally oriented economy like Hong Kong, a free and open trade environment is of vital importance. A strong and credible multilateral trading system, supported by the World Trade Organization, is of great value because it provides a predictable, rule-based framework to promote trade expansion and liberalisation, while preventing the vagaries of arbitrary and discriminatory actions by any economy. So we note with grave concern the escalating protectionist trends because they pose great

challenges to the established rule-based multilateral trading system.

As the trade conflict between the US and the Mainland continues to escalate and the range of products subject to tariffs expands, Hong Kong's economy would be affected, not only through the trade channel but also indirectly through weaker business confidence and dampened financial market sentiment. Aggravating the situation is the normalisation of US monetary policy and the shifts in international capital flow. The combined impact of these on us and the global economy will become even more apparent in the period ahead, especially if the trade conflict is prolonged and escalates further.

The Hong Kong SAR Government will continue to closely monitor this development and assist the trade by stepping up support measures, particularly for our small and medium-sized enterprises (SMEs), which are relatively vulnerable under the changing market conditions. We have already put forward special measures to enhance support to Hong Kong SMEs including protection against rising export credit risks, enhanced access to bank finance, and assistance in market development and diversification. We will continue to communicate with the trade closely to understand their concerns, and to provide more assistance if needed. We have also been monitoring very closely our banking system and the financial market. Our banking sector is very strong, extremely well capitalised and resilient. The stock market has been operating smoothly and stress tested to withstand extreme market conditions.

Protectionist moves in the form of raising tariffs and imposing trade barriers have brought uncertainties in international trade. I must say it is a big setback to the international trade system. Such moves also drag the pace of global economic growth and impede development towards an open global economy.

Countering this protectionist current, China reaffirms its full commitment to further opening up its economy. At this new historic juncture of its development, further reform and opening up are welcome, and indeed comforting to note, because they will boost new drivers of economic growth. In particular, the Mainland has rolled out concrete measures creating a more favourable business environment for foreign investors. Market access for foreign investors will be significantly eased in sectors such as finance, transportation, professional services, infrastructure, energy, resources, and agriculture. The Mainland has also continued to voluntarily reduce import tariffs, with the latest round of reductions starting today. Together with the tariff reductions which took effect earlier this year, the Mainland's overall tariff level has been lowered to 7.5 per cent, half the level of 2001. To create a level playing field for companies of all kinds of ownership, be they Chinese or foreign-owned, Mainland authorities have, on many occasions, pledged to further widen market access, raise policy transparency and exercise fair and impartial regulation.

China's policy of opening up is also reflected in its efforts to establish partnerships with other countries. The Belt and Road Initiative is a grand strategy adopted by our country to usher in a new phase of

international co-operation, which is particularly important in face of rising protectionism in some advanced economies. The Initiative will deepen collaboration across economies along the Belt and Road region by strengthening economic and infrastructure connectivity and boosting cross-border flows of goods, services, capital and talents, to achieve win-win outcomes for all economies involved – all in the spirit of peace, co-operation, openness, inclusiveness, mutual respect and mutual benefit.

With the focused endeavour and unwavering commitment by Mainland authorities to widen reform and open up further, China's door to the world is bound to open wider in the years to come. Hong Kong can contribute to national reform and development by playing our unique role as the pivotal gateway connecting the Mainland and the rest of the world.

Under the unique "one country, two systems" arrangement underpinned by a fine tradition of rule of law and independent judiciary, our competitive advantages, including an open and free market, a robust institutional framework, a low and simple tax regime and a deep pool of multicultural talent, Hong Kong will continue to serve as China's international financial, trade, shipping and innovation and technology centre. Our participation in the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area development will allow Hong Kong to play an even more active role in the further two-way opening up of the Mainland.

At the same time, Hong Kong will benefit in such participation. As the Mainland becomes a more open, transparent, competitive and better-regulated market, top-quality, high-end service providers in Hong Kong can reap ample opportunities ahead. To fully realise the potential benefits arising from the Mainland's continued reform and opening up, the Hong Kong SAR Government will play the role of "promoter" and "facilitator", diversify our economic base, remove our supply-side constraints in land and manpower, and deepen our economic co-operation with the Mainland.

Ladies and gentlemen, the event today offers an excellent platform for us to discuss the new era that our country embraces amid the current global political and economic climate. I am sure that the insight of Professor Lin and the ensuing panel discussion are going to provide much food for thought. I wish you all a very rewarding afternoon.

Thank you very much.



FS to visit Shanghai and Wuzhen

The Financial Secretary, Mr Paul Chan, will depart on November 4 for a visit to Shanghai and Wuzhen.

On November 5, he will accompany the Chief Executive, Mrs Carrie Lam, to attend the opening ceremony of the China International Import Expo and join part of her visit programme in Shanghai.

The next day (November 6), he will head to Wuzhen to attend the 5th World Internet Conference and address a sub-forum on financial technology on November 8. Themed "Creating a Digital World for Mutual Trust and Collective Governance – Towards a Community with a Shared Future in Cyberspace", the Conference will centre on the themes of "Innovation-driven Development", "Universal Security", "Openness and Inclusiveness", "In Pursuit of a Better Life" and "Common Prosperity".

Mr Chan will return to Hong Kong in the afternoon on November 8. In his absence, the Secretary for Financial Services and the Treasury, Mr James Lau, will act as Financial Secretary.

CE to visit Shanghai

The Chief Executive, Mrs Carrie Lam, will visit Shanghai from November 4 to 6 to attend the opening ceremony of the inaugural China International Import Expo (CIIE). The Secretary for Constitutional and Mainland Affairs, Mr Patrick Nip, and the Director of the Chief Executive's Office, Mr Chan Kwok-ki, will accompany Mrs Lam on the visit. The Financial Secretary, Mr Paul Chan, will join parts of the trip.

Mrs Lam will attend the opening ceremony of the CIIE on November 5 and speak in a parallel session of the Hongqiao International Economic and Trade Forum on the theme "Trade and Innovation". She will also tour the Hong Kong Exhibition Area and exhibition booths of Hong Kong enterprises and organisations.

The next day, Mrs Lam will attend the launch ceremony of the Shanghai Hong Kong University Alliance (SHUA) at Fudan University, visit a cultural facility and meet with Hong Kong people living or studying in Shanghai. The SHUA is jointly initiated by eight universities each from Shanghai and Hong

Kong. It aims to strengthen exchanges and co-operation between universities of the two cities in aspects such as nurturing of talents and scientific research, raising each other's standards in relevant areas and creating synergy for innovation.

Mrs Lam will return to Hong Kong in the evening on November 6. During her absence, the Secretary for Justice, Ms Teresa Cheng, SC, will be Acting Chief Executive.

[Kindergartens invited to use education resource centres \(with photo\)](#)

The Education Bureau (EDB) issued a circular today (November 1) to invite kindergartens (KGs) to use the two KG education resource centres newly set up in the countryside and the accompanying resource packages specially developed for them. The aim is for children to enjoy more space for play and exploration and learn to appreciate life through direct contact with nature.

A spokesman for the EDB said, "The new KG education policy has been implemented, starting from the 2017/18 school year, to enhance the quality of KG education. This includes the provision of more space for conducting various children activities. We have actively explored the feasibility of setting up resource centres as a medium to long-term measure. In this connection, the EDB has collaborated with the Agriculture, Fisheries and Conservation Department (AFCD) to make good use of the AFCD's two visitor centres – the Lions Nature Education Centre and the Hong Kong Wetland Park – to set up KG education resource centres where children can explore freely in the outdoors and learn through play. This also serves to cultivate in them a positive attitude towards caring for nature and an appreciation of life.

"In order to help KG teachers design suitable teaching activities, we commissioned Hong Kong Baptist University to develop for KG teachers' reference two resource packages, 'Countryside Adventure' and 'Wetland Footprints', taking into account the developmental needs of children and the unique natural environment at the two sites. The resource packages tie in with the learning area of 'Nature and Living' in the Kindergarten Education Curriculum Guide (2017). Various free exploration activities are designed with the developmental characteristics of children in mind. The content of the resource packages includes design rationale, teaching principles and strategies, teacher's roles and suggested activities.

"We encourage KGs to use the resource packages flexibly for conducting activities, taking into consideration the developmental needs of children and in connection with the themes in their school-based curriculum.

"As participation of parents is indispensable for facilitating children's healthy development, leaflets for parents are included in the above-mentioned resource packages. We encourage parents to make good use of holidays to engage in outdoor activities with their children to bring them closer to nature, relax their minds and bodies, and nurture in them a positive attitude towards caring for nature."

From today onwards, KGs can download the two resource packages and the reservation form of the two education resource centres to arrange related student activities. Details are included in the Education Bureau Circular No. 14/2018 "Kindergarten Education Resource Centres" (applications.edb.gov.hk/circular/upload/EDBC/EDBC18014E.pdf) issued today.

