

Grace period for Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance will expire soon

The Customs and Excise Department (C&ED) today (October 9) reminded members of the public that rigorous enforcement of the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance (Chapter 629) will begin next Tuesday (October 16).

Under the Ordinance, a person who arrives in Hong Kong via a specified control point and is in possession of a large quantity of currency and bearer negotiable instruments (CBNIs) (i.e. the total value of which is more than HK\$120,000) must use the Red Channel under the Red and Green Channel System and make a written declaration to a Customs officer.

A person who is about to leave Hong Kong, or who arrives in Hong Kong other than at a specified control point, must disclose upon the request of a Customs officer whether he or she is in possession of a large quantity of CBNIs and, if so, make a written declaration.

For a large quantity of CBNIs imported or exported in a cargo consignment, an advance declaration must be made to the C&ED through the Currency and Bearer Negotiable Instruments Declaration System accessible at the website of the C&ED.

Persons who fail to comply with the declaration or disclosure requirements under the Ordinance are liable to a maximum penalty of a fine of HK\$500,000 and imprisonment for two years.

To assist members of the public, visitors and relevant trades to comply with the new requirements, in the three months since the commencement of the Ordinance, the C&ED has implemented a grace period and issued written warnings as far as possible to persons who breached the declaration or disclosure requirements for the first time.

As at last Sunday (October 7), the C&ED handled 6 697 declarations (including 4 294 from travellers and 2 403 for cargoes) and issued 20 written warnings, 18 to travellers and two in respect of cargoes.

"Starting on October 16, the C&ED will take enforcement action against breaches of the Ordinance without issuing any warnings," a spokesperson for the C&ED said.

The Ordinance implements Recommendation 32 of the Financial Action Task Force to detect cross-boundary transportation of large quantities of CBNIs for the purpose of anti-money laundering and counter-financing of terrorism.

For details of the Ordinance, please visit the C&ED's designated webpage at www.customs.gov.hk/en/enforcement/cds/index.html or call the enquiry hotline at 3759 3184.

Final call for “Digital Dunhuang – Tales of Heaven and Earth” exhibition

The "Digital Dunhuang – Tales of Heaven and Earth" exhibition being held at the Hong Kong Heritage Museum has been well received since its opening but will come to an end on October 22. The exhibition showcases Dunhuang grottoes and cultural relics as well as featuring cutting-edge multimedia technology, providing visitors with an interesting and interactive experience. Members of the public should grab the final opportunity to visit the exhibition.

The exhibition is open from 10am to 6pm on Mondays and Wednesdays to Fridays, from 10am to 7pm on Saturdays, Sundays and public holidays, and closed on Tuesdays (except public holidays).

To tie in with the exhibition, two sessions of "Buddha Passion & Digital Dunhuang" music performances will be held from 3pm to 3.30pm on October 14 and 21. The Hong Kong Philharmonic Chorus members and musicians will play music themed around Dunhuang at the museum for visitors to experience the charm of this world-famous heritage site. All are welcome to join the programme in the foyer on the ground floor of the Hong Kong Heritage Museum.

The "Digital Dunhuang – Tales of Heaven and Earth" exhibition showcases over 100 exhibits including a replica of cave 285, one of the most wonderful caves at Mogao, built during the Western Wei period. The cave, which is featured in a Hong Kong exhibition for the first time, has been reproduced at full scale to reveal its murals and stucco statues. The exhibition also includes reproductions of caves 45 and 254, and a huge digitised mural depicting Wutai Mountain from cave 61 (Five Dynasties period), together with precious artefacts and archives, interactive multimedia installations and audio-video programmes, offering visitors a broad overview of the history and art of Dunhuang.

Brand-new multimedia programmes and interactive installations in the exhibition have been produced using high-fidelity images and results of cave scanning provided by the Dunhuang Academy. Visitors will thus be given an opportunity to view Dunhuang art in minute detail, and be able to acquire an in-depth understanding of life in the Buddhist heaven and the ordinary world as portrayed on the murals, including their depictions and tales of heaven and earth.

The exhibition is jointly presented by the Leisure and Cultural Services Department and the Dunhuang Academy and jointly organised by the Hong Kong

Heritage Museum and the Dunhuang Academy. Solely sponsored by the Hong Kong Jockey Club Charities Trust, it is one of the exhibitions in the Hong Kong Jockey Club Series. The exhibition is also supported by Friends of Dunhuang (Hong Kong).

For details of the exhibition, please visit the museum's website www.heritagemuseum.gov.hk/en_US/web/hm/exhibitions/data/exid252.html or call 2180 8188 for enquiries.

The Hong Kong Heritage Museum is located at 1 Man Lam Road, Sha Tin.

Transcript of remarks by CE at media session before ExCo meeting (with video)

Following is the transcript of remarks by the Chief Executive, Mrs Carrie Lam, at a media session before the Executive Council meeting this morning (October 9):

Reporter: Mrs Lam, Victor Mallet is not an activist and he was not advocating independence for Hong Kong. He is very different from Andy Chan. He was purely chairing a talk at the FCC. So, why was his visa denied? He is not leading the Hong Kong independence movement. He was purely facilitating a talk at the FCC...

Chief Executive: I am sorry, what you said is pure speculation. I have just answered in Cantonese that as far as entry and exit matters, these are matters within Hong Kong's autonomy under "One Country, Two Systems".

Point number two is on every individual case, the Director of Immigration will act in accordance with the law and the policy and the circumstances concerning that particular case.

The third point is, as a rule, not only locally, but internationally, we will never disclose, the Immigration Department will not disclose the individual circumstances of the case or the considerations of his decision. So, I cannot comment on your speculations.

Reporter: Mrs Lam, if the Government is talking about independence almost every week, how do journalists navigate this red line? Can they quote independence figures, interview them, invite them to a forum, or invite them only alongside a government representative? If reporters don't know clearly, they may self-censor. So, can you tell us which of these reporting and which is now unlawful advocacy?

Chief Executive: I'm sorry, I cannot tell you exactly what journalists should say or act or interview, but I can assure you, as I did in Cantonese, freedom of expression, freedom of reporting are core values in Hong Kong, and as the Chief Executive, I and the HKSAR Government, will safeguard all these rights as enshrined in the Basic Law. Every act, every case will be dealt with in accordance with the law, the policy and the circumstances, including the facts of the case. Thank you very much.

(Please also refer to the Chinese portion of the transcript.)

FS to attend international conferences in Indonesia and Papua New Guinea

The Financial Secretary, Mr Paul Chan, will attend international conferences in Indonesia and Papua New Guinea from October 10 to 19.

In the evening on October 10, Mr Chan will depart for Bali, Indonesia, to attend the Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) as a member of the Chinese delegation.

During his stay, Mr Chan will meet with representatives of the IMF and the WBG, other attending government officials and prominent figures from the banking sector.

Mr Chan will return to Hong Kong in the night on October 13 and head to Papua New Guinea the following night (October 14) for the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting (FMM). He will also take the opportunity to hold bilateral meetings with other financial officials attending the FMM. He will return to Hong Kong in the morning on October 19.

During his absence, the Secretary for Financial Services and the Treasury, Mr James Lau, will act as the Financial Secretary.

Speech by FS at Pan Asian Regulatory Summit 2018 (English only) (with

photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Pan Asian Regulatory Summit 2018 this morning (October 9):

David (Chief Executive Officer of Refinitiv, Mr David Craig), Julia (Deputy Chief Executive Officer and Executive Director, Intermediaries of Securities and Futures Commission, Ms Julia Leung), distinguished guests, ladies and gentlemen,

Good morning.

I'm pleased to join you for this Refinitiv Pan Asian Regulatory Summit here in Hong Kong. And a very warm welcome to our guests from abroad.

This is not my first time joining the Summit. I was here last year too. But I would say the world we face today is decidedly different from what it was at the opening of last year's Summit – clearly I'm not exaggerating.

There's the trade conflict between the United States (US) and China, which surely is not something we would like to see. And there's today's extraordinary bi-polarity of global financial markets. We have the market in the US again enjoying record highs, while some emerging markets contend with heightened risks and increased pressure from international investors.

All of which makes this year's two-day Summit all the more important for investors, regulators and policymakers.

Let me begin with a look at Hong Kong's financial sector and our regulatory environment. In financial services, Hong Kong remains a global leader. Indeed, the Global Financial Centres Index last month once again ranked Hong Kong third in the world, only behind New York and London. Let me add that Hong Kong was ranked first in investment management, as well as infrastructure and human capital, and finishing second in banking, following London.

The International Monetary Fund also commended our regulatory and supervisory framework, which we've strengthened over the past decade. It's fair to say that a big reason firms and financial institutions establish a presence in Hong Kong is because of our strong, transparent and efficient regulatory system.

World-beating financial services and a regulatory environment that attracts international business and investors add up to opportunity for Hong Kong. The Guangdong-Hong Kong-Macao Greater Bay Area development, in particular, should allow us to cement our position as the global gateway to the Mainland, while elevating our role in the opening up of the country's markets.

The Mainland is certainly counting on Hong Kong to serve as a major investment and financing hub for the Belt and Road Initiative. The companies behind Belt and Road projects can raise capital and seek financing here in any number of ways, from IPOs (initial public offerings) and post-listing arrangements to bond issuances and bank loans.

The Hong Kong Monetary Authority plays a critical go-to role in this through its Infrastructure Financing Facilitation Office, working with key stakeholders who sign on as partners.

And our Securities and Futures Commission provides a clear pathway for infrastructure project companies looking to achieve a listing in Hong Kong.

We are, as well, promoting Hong Kong's bond market, given the increasing funding demands associated with the Belt and Road Initiative, from the Pilot Bond Grant Scheme to the enhanced tax concessions for qualifying debt instruments.

Hong Kong will also continue to expand its status as the global hub for the offshore Renminbi business. Our role as China's international financial centre is on full display through the Stock Connects, Bond Connect and the Mutual Recognition of Funds arrangements between Hong Kong and the Mainland.

In May, let me add, the daily quota of each of the northbound trading links under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect was quadrupled.

That means that Hong Kong's capital markets will play an even more significant role in the opening up of the Mainland's capital markets to the rest of the world.

Hong Kong also boasts the biggest Renminbi Qualified Foreign Institutional Investor quota in the world. And that has been increased from RMB270 billion to RMB500 billion.

These and other initiatives highlight Hong Kong's strategic position as the springboard for overseas investors eager to enter the Mainland financial markets.

Hong Kong has also emerged as a premier regional asset and wealth management centre. This is contributed to by a number of propitious factors, including economic growth and wealth creation in Asia, the continuing increase in portfolio allocation to Asian markets, and the deepening liberalisation of the financial market in the Mainland.

At the end of 2017, our asset and wealth management business stood at US\$3.1 trillion, and two-thirds of those assets came from non-local investors.

To expand and diversify the fund business here, we have enhanced our legal structure.

We have, for example, introduced a new open-ended fund company structure, giving more choices to fund managers, particularly those from jurisdictions unfamiliar with trust laws.

We have also offered tax incentives to broaden the distribution network for our fund industry.

Given these, and other measures to come, I believe Hong Kong has the potential to emerge as the asset management and private equity hub in Asia. Besides, we can also serve as the Belt and Road's pivotal risk management centre. We are blessed with a great variety of multinational insurers and reinsurers. They're equipped with the experience and expertise to underwrite the risks associated with big-ticket, international infrastructure development.

The Insurance Authority and the China Banking and Insurance Regulatory Commission have reached a consensus that will prove beneficial in the long run. When a Mainland insurer cedes business to a qualified Hong Kong reinsurer, the capital requirements of the Mainland insurer will be reduced.

This has been designed to increase the competitiveness of Hong Kong reinsurers in capturing reinsurance business ceded from Mainland insurers.

The Insurance Authority is setting up the Belt and Road Insurance Facilitation Platform. It will bring together key insurance and reinsurance stakeholders, helping Mainland companies involved in Belt and Road projects to find suitable insurance services in Hong Kong.

We're painting Hong Kong finance green, too. In January, the Hong Kong Quality Assurance Agency launched its Green Finance Certification Scheme, providing third-party conformity assessments for issuers on their green debt instruments.

As announced in my Budget this year, a green bond issuance programme with a borrowing ceiling of HK\$100 billion – that's about US\$13 billion – will be launched as soon as possible. It will furnish funding for green Government public works projects. That should encourage more issuers to arrange financing for their green projects through our capital markets.

The Government and our financial regulators also play an important role in safeguarding the sound functioning of the financial system through regulatory reform.

In January, the Government introduced a bill on reforming the Financial Reporting Council. Under the legislative proposals, the Council will become an independent oversight body. Its mission will be to regulate auditors of listed entities, assuming responsibility for the inspection, investigation and discipline of these auditors.

The proposed new regime will better safeguard the interests of the

investing public, reinforcing Hong Kong's status as an international financial centre and capital market. It will also enable Hong Kong to enter into international co-operation for the regulation of auditors.

Hong Kong is committed to implementing international standards that improve our banking sector's resilience. In that regard, we have been implementing the regulatory reform of Basel III since 2013, doing so in accordance with the timetable set by the Basel Committee on Banking Supervision.

The Government is also working to implement the Basel Committee's latest capital and financial-exposure standards, which are scheduled to take effect next year.

We are confident that such measures will strengthen our financial system and contribute to the financial stability of Hong Kong.

Minimising risk is certainly central to effective regulation.

Over the past year, Hong Kong has approved legislation in a number of areas designed to tackle financial risk. These include the Anti-Money Laundering and Counter-Terrorist Financing Ordinance; the Companies Ordinance; the United Nations (Anti-Terrorism Measures) Ordinance; the United Nations Sanctions Ordinance; and the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance.

I won't go into individual detail here regarding the measures. But the point is clear: the new legislation will go a long way towards enhancing Hong Kong's AML (anti-money laundering) and counter-terrorist financing regime. And we will continue to stay on top of the issue, to reinforce Hong Kong's credibility as a transparent and trusted international financial centre.

Hong Kong will also implement the G20 commitments on over-the-counter derivatives regulatory reform. The legislative framework introduces mandatory reporting, clearing and trading obligations in Hong Kong's over-the-counter derivatives market.

Our progress on regulatory reform continues. Reporting and clearing standards and requirements, of course, are now in force with respect to more than 90 per cent of transactions.

We are also committed to strengthening insurance policyholder protection. That's essential if we are to maintain public confidence in the insurance industry. The new statutory licensing regime for insurance intermediaries is expected to begin operation in the coming year.

We are working, as well, on a Policy Holders' Protection Scheme to provide policyholders with a safety net.

To align Hong Kong's regulatory regime with international standards and make capital requirements more sensitive to the level of risk insurance

companies bear, we are preparing to establish a risk-based capital regime for the insurance industry.

A new statutory corporate rescue proposal, together with insolvent trading provisions, will also be introduced. It will help companies experiencing short-term financial difficulty to revive their business.

A key objective is to maximise the existence of a viable company, thereby preserving jobs. If this is not possible, we hope to achieve a better return for the company's creditors than is the case in an immediate insolvent winding-up.

While the application of innovation and technology in all aspects of life is an irresistible global trend, financial technology and regulation are often viewed as opposing forces. Regulation maintains order in the financial system, while the innovative face of fintech offers immense promise, and fresh regulatory challenges as well.

We believe that a robust regulatory framework provides a solid foundation for fintech's long-term prosperity. To that end, our financial regulators have launched regulatory sandboxes which provide secure testing grounds for future fintech solutions.

Industry players appreciate the sandboxes as they expedite the launch of fintech products while allowing users and regulatory feedback to accumulate at an early stage.

Financial regulators have also issued guidelines to help our transition to the latest technology. The Securities and Futures Commission, for example, issued a circular in July allowing electronic signatures online. In May, the HKMA (Hong Kong Monetary Authority) issued revised guidelines for the authorisation of virtual banks. It hopes to begin granting licences to virtual banks here in Hong Kong by the end of this year.

Ladies and gentlemen, Hong Kong is committed both to market development and to regulatory enhancement. With both, we count on your input, your experience, to help us along. This Summit is an ideal platform to hear from you. But if we are to be successful, and if we are to help enable your success, we need to work together long down the financial services and regulatory road.

My thanks again to the organiser for this very welcome opportunity to speak to you today. I wish you all a rewarding Summit, and the best of business in the coming year.

Thank you very much.

