

Acting SFST's speech at AIMA APAC Annual Forum 2023 (English only) (with photo)

Following is the speech by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, at the Alternative Investment Management Association (AIMA) Asia-Pacific (APAC) Annual Forum 2023 today (October 19):

Jack (Mr Jack Inglis, Chief Executive Officer of AIMA), JiÅ™í (Mr JiÅ™í Król, Deputy Chief Executive Officer and Global Head of Government Affairs, AIMA), Michael (Mr Michael Bugel, Managing Director and Co-Head of APAC, AIMA), Kher Sheng (Mr Kher Sheng Lee, Managing Director and Co-Head of APAC, Deputy Global Head of Government Affairs, AIMA), distinguished guests, ladies and gentlemen,

Good morning. I am very delighted to join the AIMA APAC Annual Forum today, and be part of this "event of the year" for the hedge fund and private equity industry where brilliant ideas on the latest developments of the asset and wealth management industry converge and interact.

Overview

Today's agenda covers an extensive range of topics including digital transformation, green growth, family office, the China market, and many more. Indeed, many, if not all of the topics accord with the Government's efforts in promoting the continued development of the asset and wealth management industry as well as the overall financial services sector.

Hong Kong is the primary investment destination for the global private wealth management industry. We are highly competitive in the areas of asset and wealth management with an abundant source of lucrative investment opportunities, an unparalleled professional financial services sector and top-notch regulatory frameworks.

Asset and wealth management

Hong Kong is Asia's largest hedge fund hub, and our private equity capital under management as of June this year amounted to US\$215.1 billion, ranking second in Asia after the Mainland. We are Asia's premier booking centre in terms of cross-border asset flows with AUM (assets under management) reaching US\$2.2 trillion in 2022. Overall, the AUM of Hong Kong's asset and wealth management business recorded a healthy growth of 27.5 per cent over the four year period during 2019-2022, and last year recorded a net fund inflow of US\$11 billion.

The Government continues to sharpen our competitive edge in this area through various strategies. They include diversifying our fund structures

with the introduction of the open-ended fund company and limited partnership fund (LPF) regimes, providing various tax incentives for public and private funds as well as carried interest, broadening our fund distribution network, providing a range of other financial incentives, and many more.

We also strive to attract family offices to set up and operate in Hong Kong. The Government has been adopting a multipronged approach to strengthen the vibrant ecosystem for family offices and asset owners to thrive in Hong Kong. To this end, the Government issued the Policy Statement on Developing Family Office Businesses in Hong Kong to set out the policy stance and measures on developing a favourable and competitive environment for global family offices and asset owners.

The Government is also considering the details of the new Capital Investment Entrant Scheme, which will attract more new capital to Hong Kong and foster the development of the asset and wealth management industry.

Mainland and Greater Bay Area (GBA) opportunities

Our unrivalled connectivity with the Mainland, which we continue to deepen and strengthen, together with our extensive connections with the rest of the world, has also enabled Hong Kong to leverage our global advantage and China advantage available to no other economies. As the global centre of economic gravity shifts eastward, the major engine of economic growth lies in Asia, and Hong Kong is perfectly positioned to capture the enormous opportunities.

The 14th Five-Year Plan acknowledges the significant functions and positioning of Hong Kong in the overall development of the country. It supports Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore RMB (Renminbi) business hub, an international asset management centre and a risk management centre, as well as deepen and widen the mutual access between the financial markets of Hong Kong and the Mainland.

Our various mutual market access schemes including Bond Connect, Stock Connect, Wealth Management Connect, etc, together with the "HKD (Hong Kong Dollar)-RMB Dual Counter Model" establish Hong Kong's status as the premier gateway for overseas investors to enter the Mainland financial markets and contribute to the two-way opening-up of the Mainland's capital markets to the rest of the world.

Hong Kong also has much to offer as the world's offshore RMB business hub. We hold about one trillion in RMB deposits, which is the largest offshore RMB liquidity pool in the world, and we handle 75 per cent of the world's offshore RMB payments. And we will continue to expand our RMB-denominated investment and risk-management products to suit users' needs.

The Government has also made good use of Hong Kong's connectivity with the Mainland and international markets, and capitalise on the enormous opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area

Development to contribute to the economic development and opening up of our country. On the private equity front, in September 2022, the Shenzhen Qianhai Authority and the HKSAR (Hong Kong Special Administrative Region) Government jointly announced 18 measures which included facilitation and preferential policies for the Hong Kong private equity industry, including supporting eligible Hong Kong LPFs to set up qualified investment entities in Qianhai to commence onshore investment. In February this year, the Mainland further set out 30 measures on financial reform and innovation, including measures to provide additional support for Hong Kong private equity funds' development in Qianhai. We will continue to maintain close communication with the Mainland authorities in implementing the relevant measures, and please stay tuned to the wealth of opportunities in the Greater Bay Area.

We will not rest on our laurels and are continuing to work towards the long term and sustainable development of our asset and wealth management industry. In the coming few minutes, allow me to share with you the Government's efforts in the strategic areas of green and sustainable finance, and fintech, which will be covered in today's discussions.

Green and sustainable finance

We continue to develop Hong Kong into an international green technology and green finance centre. Demand for green finance is growing worldwide, as part of the global green transformation. The Asian region over the next 30 years will require some US\$66 trillion in climate investment. Hong Kong's green and sustainable finance market is thriving. Green and sustainable debt, including bonds and loans, issued in Hong Kong rose to more than US\$80 billion in 2022, among which, the volume of green and sustainable bonds arranged in Hong Kong accounts for more than one-third of Asia's market, topping the league table of the region.

Promoting sustainable development is a subject of global concern. In the 14th Five-Year Plan, the Central People's Government has outlined the goals to promote comprehensive green transformation of economic and social growth, and the effort to reach the carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060. Our goals in Hong Kong are to attain a 50 per cent reduction in carbon emissions before 2035 and carbon neutrality before 2050.

To attain our goal and accelerate the development of Hong Kong into an international centre for green technology and finance, the 2023-24 Budget has announced that the Government will proceed in five directions, namely (a) building a green technology ecosystem; (b) green finance application and innovation; (c) green certification and alignment with international standards; (d) training for talents; and (e) enhancing the exchange and co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area and international markets.

Fintech

As one of the world's leading financial centres with a highly

digitalised economy, Hong Kong is a forerunner in embracing fintech and a top destination for fintech companies to establish or expand their business locally, regionally and globally. We are home to more than 800 fintech enterprises, large and small, including eight licensed virtual banks and four licensed virtual insurers. Together, they offer a wide range of innovative services in mobile payments, cross-border transfers, intelligent financial consultancy, wealth management, blockchain and many more.

The Government takes a proactive and catalytic approach in spurring fintech development. We also take the lead in applying fintech, like issuing the first-ever tokenised government green bonds in February this year, by bringing bond issuance onto a distributed ledger.

Closing

Ladies and gentlemen, I would like to take this opportunity to thank AIMA for your long-term support towards Hong Kong's continued success as Asia's premier asset and wealth management hub. The Government will continue to facilitate the industry's sustainable development through the policies and strategies mentioned earlier.

I wish you all a rewarding event and the best of health and business in the years to come. Thank you.

