

# LCQ21: Consolidating and enhancing Hong Kong's status as international financial centre

Following is a question by the Hon Robert Lee and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (November 27):

Question:

At its third plenary session, the 20th Central Committee of the Communist Party of China has firmed up further deepening reform comprehensively to advance Chinese modernisation, which includes consolidating and enhancing Hong Kong's status as an international financial centre. In this connection, will the Government inform this Council:

(1) of the measures currently in place to promote the further development of Hong Kong's markets in securities, fixed income, futures, derivatives and precious metals, etc, and the effectiveness of such measures; how it will enhance the structure of Hong Kong's multi-level capital market to attract more domestic and foreign investors to take part in it;

(2) of the latest specific policy measures to expedite the integration of Hong Kong's financial services industry into the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), such as taking forward the mutual recognition of professional qualifications and further lowering the eligibility thresholds for the Cross-boundary Wealth Management Connect Scheme in GBA, so that more industry players can engage in GBA business; and

(3) whether it will introduce more targeted measures to facilitate the upgrading and transformation of Hong Kong's small and medium-sized financial institutions, so as to promote a high-tech, smart and eco-friendly development in the industry?

Reply:

President,

The Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC Central Committee) adopted the Resolution of the CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization. The Resolution calls on Hong Kong to fully harness the institutional strengths of "one country, two systems" while consolidating and enhancing its status as an international financial, shipping, and trade centre. It also supports Hong Kong's position to become an international hub for high-calibre talents, to exert a greater role in our country's opening up to the world, and to deepen collaboration within the Guangdong-Hong Kong-

Macao Greater Bay Area (GBA) through better harmonisation of rules and mechanisms.

On financial development, Hong Kong ranked third globally and first in Asia in the Global Financial Centres Index. We have a robust financial regulatory system and a rich pool of financial professionals, as well as a deep and broad capital market. The Government will uphold the spirit of promoting development through reforms, leveraging our advantages of having the strong support of the motherland while being closely connected to the world to give full play to our role as a "super connector" and "super value-adder". We will take into account local circumstances in developing new quality productive forces and proactively open up new horizons of development as well as identify fresh areas for growth, so as to further enhance the competitiveness of the financial services industry.

On the Hon Robert Lee's question, upon consulting the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC), my reply is as follows:

(1) We are committed to optimising different aspects of Hong Kong's capital market. On the securities market, we, together with the regulators and Hong Kong Exchanges and Clearing Limited (HKEX), have been taking forward concrete enhancement measures to continuously enhance the competitiveness and liquidity of the market. Specifically, in response to the recommendations put forward by the Task Force on Enhancing Stock Market Liquidity, we have collaborated with the regulators and the industry to introduce various measures to optimise the market this year, including reforming GEM for small and medium enterprises (SMEs), enhancing the listing regime for specialist technology companies, launching the arrangements for maintaining securities market trading under severe weather, and expanding the scope of mutual access of Exchange-traded Funds between the Mainland and Hong Kong. In addition, we have put in place a more certain timetable for the vetting of listing applications, and have conducted consultations on further improving corporate governance of listed companies, expanding the paperless listing regime, etc.

On fixed income market, we will enhance the market infrastructure by, for instance, the set-up of a central clearing system for RMB (Renminbi)-denominated bond repurchase transactions, so as to make RMB sovereign bonds issued in Hong Kong a more popular choice of collateral in offshore markets. For derivatives, we have reformed the position limit regime of derivatives and enhanced the Swap Connect. The HKEX is now developing a new derivatives platform offering near 24-hour derivatives trading to enhance trading and clearing efficiency. We will continue to closely monitor changes and needs of markets in and outside of Hong Kong, and work on medium to long-term directions to optimise the stock market, with a view to further enhancing its competitiveness and promoting its sustainable development.

On precious metals market, in the Policy Address this year, the Chief Executive proposed to develop Hong Kong into an international gold trading centre. We will promote the industry to develop world-class gold storage facilities. By facilitating the storage and delivery of spot gold by users

and investors in Hong Kong, we can scale up associated support services in insurance, testing and certification, logistics, etc, while in parallel expanding related transactions including collateral, loan and hedging, hence creating a comprehensive ecosystem in a progressive manner. This will drive all-round multi-currency trading, clearing and delivery, as well as the development of the regulatory system (covering transactions using offshore Renminbi), thereby establishing a holistic gold trading centre with an industry chain. We will also at suitable juncture explore mutual access with the Mainland financial market, injecting new impetus into Hong Kong's financial industry. In this regard, we will set up a working group within this year to implement specific work, including strengthening the trading mechanism and regulatory framework, promoting application of cutting-edge financial technology, and exploring with the Mainland authorities on the inclusion of gold-related products in the mutual market access programme.

(2) In February 2023, the Central financial authorities and the People's Government of Guangdong Province jointly promulgated the "Opinion on Providing Financial Support for the Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone", leveraging Qianhai's deepening reform to support Hong Kong's integration into the national development of the reform and opening up of the financial market. We attach great importance to and will seize the enormous opportunities brought by the GBA development to the financial and professional services sectors in Hong Kong, so as to promote the continuous growth of the industry.

For cross-boundary financial services, at the corporate level, the HKMA and the People's Bank of China are promoting cross-boundary credit referencing to resolve the pain points in cross-boundary financing for SMEs in the Mainland and Hong Kong. After setting out the co-operative arrangements in early 2024, a number of Shenzhen-Hong Kong pilot cases for southbound transfer of credit reference data to Hong Kong have been successfully conducted. Innovation and technology SMEs in the GBA can raise funds through Hong Kong's international fundraising platforms.

Besides, Cross-boundary Wealth Management Connect in the GBA (WMC) has seen continuous and steady development since its launch in September 2021. The market also has responded positively to the series of enhancement measures commenced in February 2024. As at end-September 2024, over 124 500 individual investors participated in WMC and cross-boundary fund remittances (including Guangdong, Hong Kong and Macao) amounting to over RMB91.4 billion had been recorded, promoting mutual access of GBA financial markets and creating new opportunities for the banking, securities and wealth management sectors in the three places. SFC and the Mainland regulator also announced on November 1, 2024 the first batch of 14 licensed corporations in Hong Kong and their Mainland partner brokers eligible to participate in WMC, bringing further development opportunities for the industry. We will continue our discussion with relevant Mainland authorities to explore further enhancements to WMC.

At the individual level, as economic activities in the GBA further

integrate, there is a growing trend for Hong Kong people to travel, live, work, and reside across the boundary, raising the demand for cross-boundary financial services. The facilitative measure for cross-boundary remittances for property purchases in GBA cities launched early this year has to a large extent responded to the demands from Hong Kong residents for financial services in relation to cross-boundary property purchases, and has also brought immense opportunities for the finance sector. The HKMA and Mainland finance authorities are actively exploring further facilitative measures under different scenarios.

(3) We are actively promoting the high-quality development of the financial industry by supporting industry upgrading and transformation, establishing new growth points and providing more diversified financial services.

In terms of green transition, the Government launched the Pilot Green and Sustainable Finance Capacity Building Support Scheme in December 2022, providing subsidies to eligible local practitioners and prospective practitioners in green and sustainable finance to participate in relevant training in response to the new trend of developing low carbon and sustainable economy. This measure helps to build up a green and sustainable finance talent pool for the finance sector in Hong Kong (including small and medium-sized financial institutions).

Furthermore, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) formed by relevant Government bureaux, financial regulators and the HKEX in collaboration with the Hong Kong University of Science and Technology launched the free greenhouse gas emissions calculation and estimation tools in February 2024. The tools help equip Hong Kong enterprises including small to medium-sized financial institutions with the means to manage their environmental footprint and encourage market participants to improve sustainable business practices. Also, the Steering Group launched the Climate and Environmental Risk Questionnaire for non-listed companies/SMEs to facilitate relevant institutions' sustainability reporting, and to facilitate financial institutions to collect and assess company-level data for risk assessment and relevant business decisions. The electronic Questionnaire has been uploaded to the website of the Steering Group.

Regarding fintech, the Government has been working closely with the financial regulators and industry players to adopt a multi-pronged approach in promoting fintech development. According to a survey in 2023, the adoption of Generative artificial intelligence (AI) by Hong Kong financial institutions was the highest among different financial markets. At the Hong Kong FinTech Week in October 2024, we issued a policy statement setting out the Government's policy stance and approach towards the responsible application of AI in the financial market. We will closely monitor market developments and draw on international experience in promoting the responsible use of AI in the financial services sector (including small and medium-sized financial institutions) for accelerating the development of new quality productive forces tailored to local conditions. At present, there are plenty of AI models and infrastructures available to financial institutions.

We encourage the financial services industry to make full use of these resources in the market, thereby promoting the high-quality development of the industry.