

SFST shares views on how to cope with challenges and promote market development under current international monetary policy at Lujiazui Forum (with photos)

The Secretary for Financial Services and the Treasury, Mr Christopher Hui, attended the 2024 Lujiazui Forum in Shanghai today (June 19). He addressed the second plenary session "Strengthening International Monetary Policy Coordination and Addressing the Challenges of Global Economic Recovery" to talk about how Hong Kong copes with challenges and promotes market development under the current international monetary policy from three perspectives, namely global monetary policy and real economic performance, financial stability, and financial market development.

Mr Hui noted that the current monetary policy and the performance of the real economy interact with each other. With the current outlook for inflation in the United States (US) and the extent of future interest rate cuts uncertain, he opined that in the real economy, attention should be paid to the factors that concern global investors, including the geopolitical situation, the impact of artificial intelligence on productivity, and developments in the private credit market.

Mr Hui also pointed out that under the influence of global monetary policies, Hong Kong needs to keep in view the changes in capital flows caused by the interest rate environment and its impact on the financial market. He said, "The Exchange Fund provides strong support for the stability of the Hong Kong dollar exchange rate. As of April this year, the foreign currency reserve assets exceeded HK\$3.2 trillion, equivalent to about 1.7 times the Hong Kong dollar monetary base. Moreover, the Hong Kong Special Administrative Region (HKSAR) Government also works with regulators to closely monitor the financial market to ensure that it operates in a stable manner."

Changes in the interest rate environment also give impetus to Hong Kong's financial development. Mr Hui remarked that Hong Kong has the largest offshore Renminbi (RMB) liquidity pool, and enjoys unique advantages under the "one country, two systems" arrangement to develop the offshore RMB market.

He said, "As US dollar interest rates are now relatively high, issuers will have a cost advantage in raising funds by issuing bonds in RMB. We have also noticed that the interest rate situation has boosted the issuance of offshore RMB bonds in Hong Kong. The issuance size exceeded RMB490 billion last year, representing an increase of 88 per cent over the previous year and reaching a record high." Mr Hui added that investors are more interested in

products with floating interest rates and flexible terms under a rising interest rate environment, and have significantly increased their investments in private credit in the past few years. He expected Hong Kong to examine whether there is room to promote further development of the private credit market as it continues to foster the asset and wealth management market.

As artificial intelligence technology, which is constantly evolving, has been applied to many areas of Hong Kong's financial industry, Mr Hui said the HKSAR Government will keep an open mind, closely monitor market developments and draw on local and overseas experience in order to promote the responsible use of artificial intelligence in the financial industry.

This year's forum, themed "Promoting World Economic Growth with High-quality Financial Development", is cohosted by the Shanghai Municipal People's Government, the People's Bank of China, the National Financial Regulatory Administration and the China Securities Regulatory Commission. A number of top government officials and leaders of financial regulators from the country and abroad, heads of international financial organisations and financial institutions, as well as renowned experts and scholars, have been invited to speak at the forum to offer their unique insights.

Apart from attending the Luijiazui Forum, Mr Hui also visited the Denglin Technology Company Limited in Shanghai. The company is engaged in the research and development of artificial intelligence chips and technology innovation. Its research and development includes the creation of cutting-edge chip products and software, which continue to expand in finance and many other areas. Mr Hui encouraged the specialist technology company to apply for a listing in Hong Kong under Chapter 18C.

The Permanent Secretary for Financial Services and the Treasury (Financial Services), Ms Salina Yan, also attended the 2024 Luijiazui Forum today and joined other programmes of the visit. Yesterday (June 18) in Shanghai, Ms Yan visited the Shanghai Environment and Energy Exchange and shared views on the carbon market development of Shanghai and Hong Kong with the Chairman of the Shanghai Environment and Energy Exchange, Mr Lai Xiaoming. Ms Yan then visited the Shanghai Futures Exchange to learn about the latest developments in Shanghai's futures markets and discussed further co-operation between the future markets of Shanghai and Hong Kong with the Chief Executive Officer of the Shanghai Futures Exchange, Mr Wang Fenghai.

Mr Hui and Ms Yan will visit and exchange views at the Shanghai Data Exchange and the CCB Fintech Company Limited (CCB Fintech) tomorrow (June 20). The Shanghai Data Exchange was established in November 2021, with the mission to build a data factor market and promote the process of data assetisation. Its trading scale is now expanding, and trading is becoming more active. CCB Fintech, founded in 2018, is the largest bank-based fintech company among large state-owned commercial banks. It has continuously strengthened the co-operation between industry, government, academia and research, contributing to the building of a strong financial country.

Mr Hui and Ms Yan will return to Hong Kong in the evening tomorrow.

