

SFST's closing remarks at Law Society of Hong Kong's Forum on Doing Business in Hong Kong in a Rapidly Changing World (English only)

Following are the closing remarks by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the Law Society of Hong Kong's Forum on Doing Business in Hong Kong in a Rapidly Changing World today (July 11):

C M (President of the Law Society of Hong Kong, Mr Chan Chak-ming), distinguished guests, ladies and gentlemen,

Good afternoon. Now we draw nearer to the conclusion of the Law Society of Hong Kong's Forum focusing on Hong Kong's unique strengths and opportunities for international businesses. I trust you have benefitted from the collective expertise and diverse perspectives of this forum through a comprehensive exploration of key topics, including Hong Kong's legal system and business environment, opportunities in the Greater Bay Area (GBA), and our city's status as an international financial centre. Today's rich dialogue reflects Hong Kong's resilience and our ability to thrive on changes amid unusual times.

As a wrap-up of today's discussion, allow me to reiterate our strengths as an international financial centre as well as the exceptional story presented by Hong Kong under "one country, two systems".

The success of "one country, two systems" is unparalleled, and it serves as the backbone for developing our financial market. It allows our market to benefit from the strong support from our country, and at the same time maintaining seamless international connections. This synergy enhances the stability, reliability, and efficiency of capital formation and financial intermediation in our market, ultimately empowering real economic development for our city and our country. The "one country, two systems" framework is a crucial and integral part of our unique Hong Kong financial story, paving the way for our past success and continued development in the future.

Overall strengths and advantages

Over the past years, amid fierce regional and international competition, Hong Kong has thrived as one of the world's leading international financial centres with a full suite of financial services that are highly competitive, diverse and trusted by investors worldwide. We owe our success to our country's solid support and our own unique geographical and institutional advantages that allow us to leverage the rapid development opportunities of our country.

Compared with other international financial centres, Hong Kong is distinctive as we are the leading international financial centre of our country, which is the world's second largest economy; and our super-connector role under "one country, two systems" is not to be found elsewhere.

By serving as the bridge between the Mainland and the rest of the world, connecting the capital markets and investors on both sides, we are bound to create more opportunities and benefits for countries and economies around the world. The convergence of capital and enterprises from both the Mainland and the globe, coupled with the advantages brought about by the mutual access with the Mainland's financial markets, have allowed Hong Kong to develop into a capital market with greater depth and breadth and more active trading activities that distinguish ourselves with other markets.

Many institutional strengths define Hong Kong's advantages that have long propelled our resounding success. These institutional strengths include our independent judiciary, a market-oriented and globally centred business environment, internationally aligned regulatory regimes, and the free flow of capital and information. With these strengths, we have established our world-leading position in various segments of the financial market.

Remarkably, recently the International Monetary Fund (IMF) released a Staff Report that reaffirms Hong Kong's status as a major international financial centre. The report highlights our robust institutional frameworks, substantial capital and liquidity buffers, high-quality financial sector regulation, and a well-functioning Linked Exchange Rate System. The IMF Report is a recognition for Hong Kong's financial resilience amid a volatile and challenging external environment. It also acknowledges the Hong Kong Government's efforts in bolstering our city's long-term economic and financial developments.

The legal system and the capital market

Another key feature underlying our Hong Kong story is our firm commitment to the rule of law which is the cornerstone of the trust and confidence needed by investors and corporates in doing business here. Our courts independently exercise adjudication powers, and this ensures that there would be fair, objective and impartial legal process for enforcing the law and rules.

Together with a deep pool of local and international legal talent and expertise in arbitration, as well as regulations and practices that align with international standards, we have established a friendly and trusted framework for businesses and investors.

Our trusted legal system is all the more important for Hong Kong to function as an international financial centre, and it has enabled us to develop a sophisticated market. Take the securities market as an example. Hong Kong possesses a deep and broad stock market, attracting investors from all over the world. As of end-April 2023, Hong Kong is the world's seventh

largest and Asia's fourth largest stock market in terms of market capitalisation (US\$4.6 trillion). In 2022, Hong Kong raised a total of US\$13.4 billion of funds through initial public offerings (IPOs), continuing to be one of the top fund raising hubs and leading biotech fundraising venues for companies from different jurisdictions.

Hong Kong is also a top international banking hub in the region. As of end-May 2023, 74 of the world's top 100 banks are operating in Hong Kong. Hong Kong is also among the world's most open insurance centres. Twelve of the top 20 insurers in the world were authorised to conduct business in Hong Kong.

Meanwhile, Hong Kong is a leading bond hub in Asia. We have been the largest centre for arranging international bond issuance in Asia for seven consecutive years since 2016, capturing 30 per cent of the market in 2022. We are also the largest hedge fund centre in Asia. For private equity, we rank second in Asia after the Mainland, with over US\$212 billion of assets under management.

With the support of the Central People's Government, Hong Kong's status as the largest and most important global offshore Renminbi (RMB) business hub has continuously been strengthened over the years. As of end-April 2023, Hong Kong's RMB pool reached RMB984.2 billion. We are handling about 75 per cent of the global RMB settlements. We also offer an unrivalled list of Mainland investment opportunities, including mutual market access programmes such as Stock Connect and Bond Connect as well as risk management tools including the A-shares index futures.

The rule of law in Hong Kong has instilled trust and confidence among financial market participants and investors from all over the world. We set clear rules for our markets and our participants, maintain high transparency of the functioning of the markets, and ensure that policies and practices are implemented in a consistent and predictable manner. Every day, the Government and regulators monitor closely the markets, focusing on whether they are functioning in an orderly and proper manner, and whether there are systematic risks, irregularities and vulnerabilities that will threaten Hong Kong's financial stability. We closely monitor the operation of financial infrastructures and market participants, and ensure they are financially sound and resilient. Prompt and decisive actions are taken against financial crimes to maintain the integrity of our markets.

Mutual market access

Over the past few years, a number of mutual market access schemes were launched, ranging from stocks and bonds to derivatives products with the introduction of Swap Connect in May this year. These have strengthened Hong Kong's status as the premier gateway for offshore investors to enter the Mainland financial markets and further contributed to the two-way opening up of the Mainland's capital markets to the rest of the world. Further to the inclusion of Exchange-traded Funds under Stock Connect in July 2022, the Exchanges in Shanghai, Shenzhen and Hong Kong implemented further expansion

of the scope of eligible stocks under Stock Connect in March this year, including the addition of eligible stocks of foreign companies that are primary listed in Hong Kong. By introducing a channel to improve the liquidity of relevant stocks, the initiative could attract more quality international enterprises to list in Hong Kong and enhance the competitiveness of our fundraising platform.

Separately, in June 2023, the Hong Kong Exchanges and Clearing Limited launched the "Hong Kong Dollar (HKD)-RMB Dual Counter Model" for specified securities, so that investors can trade securities of the same issuer in both HKD and RMB, and transact across the HKD and RMB counters. By accumulating more experiences in key areas such as issuance, trading, market-making mechanism and settlement of RMB stocks in Hong Kong, this will pave the way for further development of the RMB securities market. We will continue to make greater efforts to promote offshore RMB business on various fronts, including collaborating with regulatory bodies to step up preparations of including RMB trading counters in Southbound Trading of Stock Connect for early implementation. We are determined to expand the channels for cross-boundary RMB flow, provide more investment and risk management products, and upgrade our related infrastructure to build an even more vibrant offshore RMB ecosystem.

Risk management

To strengthen Hong Kong as an international risk management centre, we have implemented in recent years a series of measures to promote diversified development of the insurance industry, including half-rate profits tax for specific insurance businesses (including marine and specialty risks), expanding the scope of insurance risk of captive insurers set up in Hong Kong and enhancing the legal framework for group-wide supervision. We have also established a dedicated regulatory regime and pilot grant scheme for insurance-linked securities, facilitating four issuances of catastrophe bonds in Hong Kong which secured protection against losses inflicted by typhoons and earthquakes on the Mainland and in overseas places. To promote mutual access of insurance markets, we have rolled out the "unilateral recognition" arrangement for cross-boundary motor insurance. We will also continue to strive for establishment of after-sales service centres in places such as Nansha, Qianhai and Hengqin to provide GBA residents holding Hong Kong insurance policies with comprehensive support services.

Asset and wealth management

To sharpen our competitiveness as an asset and wealth management hub, the Government has enhanced the fund structures available to the industry, provided tax incentives, put in place a fund re-domiciliation regime, broadened our fund distribution network and offered a range of other financial incentives. In particular, we adopt a multipronged approach in attracting global family offices to set foot in Hong Kong. We published a policy statement in March this year to outline our vision and action plan to develop Hong Kong into a premier hub for family offices. The successful organisation of the Wealth for Good in Hong Kong Summit tailored for family

offices, the provision of profits tax exemption for single family offices' investments, and the recent setup of a new Network of Family Office Service Providers are all proactive efforts to demonstrate our commitment to creating a conducive and competitive environment for family offices and asset owners to thrive in Hong Kong.

Green finance

The Government has various initiatives in the pipeline to promote the development of other emerging segments of the financial market as well. In particular, we are working hard on furthering green finance development. Specifically, the Financial Secretary announced in the 2023-24 Budget that we will actively accelerate the development of Hong Kong into an international centre for green technology and finance. These should bring more opportunities for Hong Kong's financial, business and professional services sectors, as we actively contribute to the global transitions towards green development.

The outlook

Looking ahead, I am very optimistic about Hong Kong's outlook. In the short term, we face opportunities as well as challenges. But of course, opportunities far exceed challenges especially when we cast our sight further to the medium and long term. The opportunities are vested in the fundamental unique strengths of Hong Kong under "one country, two systems".

We continue to practice common law, which is important to international business sector. The Linked Exchange Rate System which has been operating effectively will continue to operate. We have no exchange control, and maintain free flow of goods, capital, people and data. Meanwhile, as our country continues to embrace high-level two-way opening up and strengthen collaboration with economies around the world for mutual development and common prosperity, we have an important role to play and we will continue to seize the unparalleled opportunities by leveraging our unique advantage as the bridge between the Mainland and the rest of the world.

Ladies and gentlemen, in a changing world, with our country's steadfast support, Hong Kong's future as an international financial centre is promising and bright with tremendous opportunities. But all in all, the keyword to these is "trust". We will continue to maintain and strengthen trust in our clear and transparent financial regulatory system; in our facilitating role for connecting the Mainland with the world; and crucially, in our rule of law and common law system. Rest assured we will do our utmost to uphold it, and with our collective efforts, we will continue to craft an exceptional story of Hong Kong. Thank you.