

# SFST's keynote speech at Gulf Cooperation Council Chapter of Asian Financial Forum (English only)

Following is a keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the Gulf Cooperation Council Chapter of Asian Financial Forum themed "Cooperation and opportunities in the Middle East" today (January 14):

His Excellencies, distinguished guests, ladies and gentlemen,

## Introduction

Good afternoon. Welcome to the Gulf Cooperation Council (GCC) Chapter. It is a great pleasure of mine to join you today. GCC member states are Hong Kong's valued trading and investment partners. We are truly honoured to welcome many leaders of GCC member states to this Chapter today, which is the first GCC-dedicated session in the Asian Financial Forum, and we very much look forward to exchanging views on further strengthening co-operation between Hong Kong and GCC member states. I remembered that a few months ago when His Excellency came to my office, we discussed how and in what way we could work more closely together. His Excellency came up with a great idea of having a summit or a forum in Hong Kong dedicated to the GCC member states. And here we are now after a few months of discussion. I am definitely looking forward in terms of how Hong Kong can further facilitate GCC member states in working more closely with us. As we all know, GCC member states play an important role in the global landscape. With a combined population of over 57 million, GCC member states contributed to the world's GDP at around US\$2.1 trillion in 2023. Hong Kong is honoured to have cultivated a strong, long-standing and ever-growing relationship with GCC member states. Our merchandise trade with the GCC reached US\$21.6 billion in 2023. Hong Kong has also seen a considerable presence of businesses from GCC member states, and an increasing number of professionals from GCC member states, attracted by Hong Kong's vibrant economy and strategic location, are working in various sectors across the city. We also have signed agreements of comprehensive avoidance of double taxation with five of the six GCC member states. Currently, three banks from GCC member states are operating in Hong Kong.

In recent years, in light of the increasingly complex global landscape and escalation in geopolitical risks, the countries in the Middle East have started to diversify their investments and channel them into different categories. Hong Kong, as an important hub connecting the Mainland, Asia and global capital markets, is an ideal choice for them to invest in. Under "one country, two systems", Hong Kong has a regulatory regime closely aligned with international standards. The development of our financial markets has been robust, stable and orderly. With the unique advantage of enjoying strong support of the motherland while being closely connected to the world, Hong

Kong has an efficient and diversified capital market, which seamlessly connects the Mainland and global investors with investment opportunities. Timing and geography have created opportunities for Hong Kong to deepen financial co-operation with the Middle East on various fronts. Through persistent and diligent efforts, we have built wider and stronger foundations of mutual trust and created possibilities for deeper co-operation.

The diverse financing needs of various development projects in the Middle East present immense opportunities for us to develop infrastructure financing, revive Islamic financial products, and enhance the promotion of asset and wealth management services. Accelerating the dual listing of companies on exchanges in both regions could attract Middle East enterprises to list in Hong Kong, drawing capital from the Middle East market, including its offshore Renminbi holdings.

## Financial co-operation with the Middle East

### Securities market

As a leading international fundraising centre, we are pleased to see the notable results achieved in recent years in strengthening our connection with the Middle East markets and creating more opportunities for exploring financial co-operation.

For example, the Hong Kong Exchanges and Clearing Limited (HKEX) already signed a Memorandum of Understanding with the Saudi Tadawul Group and included the Saudi Exchange onto its list of Recognised Stock Exchanges in February and September two years ago respectively, allowing companies listed on its main board to apply for secondary listing here in Hong Kong. In July last year, the HKEX further added the Abu Dhabi Securities Exchange and the Dubai Financial Market as Recognised Stock Exchanges, demonstrating our efforts to help issuers in the region to tap into Hong Kong's vibrant capital markets.

On the basis of the enhancements of the listing regime for overseas issuers over the last few years and the rapid growth of connectivity between the Hong Kong and Middle East capital markets, we, in collaboration with the HKEX, will continue to promote the channels for cross-border investments. The Asia-Pacific region's first-ever exchange-traded fund (ETF) tracking the Saudi Arabia market was listed in Hong Kong in November 2023, enabling international investors to share opportunities of development in the Middle East through the Hong Kong market. Since inception, the ETF registered about HK\$3.1 million trading per day. As a reciprocal arrangement, two ETFs tracking Hong Kong stock indices were listed on the Saudi Exchange in October last year, completing the conduit for the two-way capital flow between the two places.

As a demonstration of closer economic ties between the Middle East and Hong Kong, the Future Investment Initiative (FII) Institute chose Hong Kong to host its inaugural PRIORITY Summit in Asia in December 2023. The summit was a great success attended by over 1 000 participants and 100 speakers,

including global and regional policymakers, business leaders, academics and investors.

Moreover, the Saudi Tadawul Group held its first international edition of the Capital Markets Forum, in partnership with the HKEX, in Hong Kong in May last year. The event welcomed over 650 attendees, including representatives from Asia's leading exchanges, with a comprehensive corporate access roadshow facilitating over 1 000 meetings between investors and issuers on a wide range of investment opportunities across Saudi Arabia, Hong Kong, and the Mainland.

The HKEX will continue to offer assistance to Middle Eastern companies interested in listing in Hong Kong. The Government will also continue to assist interested enterprises through the Office for Attracting Strategic Enterprises, which is OASES in short form, Invest Hong Kong, and our overseas Economic and Trade Offices, as well as organise international financial mega events to strengthen networking.

### Islamic finance

As an international financial centre, Hong Kong has been matching issuers and investors from around the world via an array of different products and services. Islamic finance is one of the offerings, giving issuers a viable alternative tool to raise money and diversify their investor base. We have taken concrete steps to build a conducive platform for sukuk issuance, form partnership with key Islamic financial markets and facilitate product development. For instance, we amended our tax laws to provide a level playing field between conventional bonds and sukuk covering five common types of sukuk in the global market. We also amended the law to accommodate the issuance of sukuk under the Government Bond Programme and successfully launched three sukuk.

Going forward, we will continue to welcome more sukuk to be marketed and listed in Hong Kong, and more Islamic financial institutions to establish a presence here, whether to conduct Islamic banking or Islamic asset management business, leveraging Hong Kong's financial platform to tap into investment opportunities available in Asia and Mainland China. We will also continue to observe global market developments as well as other emerging trends and opportunities in the area of Islamic finance.

### Asset and wealth management

As an international asset and wealth management centre, Hong Kong has all along been a hub for global capital and family offices. Two years ago, the AUM (assets under management) of Hong Kong's asset and wealth management business reached about US\$4 trillion, and net fund inflows increased by over 3.4 times year on year. Over half of the funds were sourced from investors outside Hong Kong and the Mainland, fully reflecting the vote of confidence cast by our international investors in Hong Kong.

Hong Kong offers the perfect environment for establishing family office

(FO) with its robust financial infrastructure, world-class support services and pool of asset and wealth management talent. We have introduced measures ranging from establishment of the Hong Kong Academy for Wealth Legacy focusing on education for the second generation of the family offices to foster knowledge sharing and talent development, and the launch of the New Capital Investment Entrant Scheme to strengthen the development of asset and wealth management business, financial services and also related professional services here in Hong Kong.

The tax environment for FOs is simple and favourable. There is no sales tax or value-added tax (VAT), no investment withholding tax, no capital gains tax, no estate tax, no goods and services tax, no wine tax, and no tax on dividends or interest from savings in Hong Kong. We also offer profits tax exemption for single FOs managed in Hong Kong.

We welcome further collaboration in asset management industry in the Middle East. Our Invest Hong Kong's dedicated FamilyOfficeHK team provides one-stop support services to FOs and UHNWIs (ultra-high-net-worth individuals) interested in pursuing development in Hong Kong. We warmly welcome wealth management firms in the Middle East to engage with Hong Kong's FO ecosystem. By participating in Hong Kong's FO ecosystem, firms in the Middle East can access a wealth of investment opportunities, establish strategic partnerships, and enhance their asset management capabilities. Together, we can create a dynamic platform for cross-border collaboration and innovation, fostering new opportunities for growth and success.

## Green finance

Hong Kong, as Asia's leading international financial centre and sustainable finance hub, contributes much to channelling international capital to sustainable purposes to support green transition globally and regionally. In 2023, the total green and sustainable debt, including both bonds and loans, issued in Hong Kong exceeded US\$50 billion, and the volume of green and sustainable bonds arranged in Hong Kong was around US\$30 billion, accounting for 37 per cent of the regional total. Indeed, the volume of green and sustainable bonds arranged in Hong Kong topped the Asian market over the past few years. We welcome and encourage the governments and enterprises in the Middle East to utilise our wide and deep capital market and professional financial services for raising international capital for their sustainable initiatives and projects.

We also see the importance of building up market infrastructure to connect capital with climate-related products and opportunities in Hong Kong, the Mainland, Asia and beyond. In October 2022, the HKEX launched Core Climate, which is an international carbon marketplace to facilitate effective and transparent trading of carbon credits and instruments to support the global transition to Net Zero. It is currently the only carbon marketplace that offers Hong Kong dollar and Renminbi settlement for the trading of international voluntary carbon credits. Our Core Climate participants are able to source, hold, trade, settle and retire voluntary carbon credits through our Core Climate platform. All projects available on Core Climate are

verified by Verra and also Gold Standard, basically the global standard for carbon credits. Our platform's registered participant number reached 100 by the end of last year. The Government and enterprises of the Middle East can make use of Core Climate to trade carbon credits and instruments to support its transition to Net Zero.

#### Closing remarks

Ladies and gentlemen, we definitely welcome enterprises and investors of the GCC member states to capitalise on Hong Kong's distinctive advantages under the "one country, two systems" principle, as a strategic location on the doorstep of Mainland China, as well as its world-class financial infrastructure and deep capital market to tap into the vast investment opportunities and meet their diverse financing needs through Hong Kong.

I hope all of you will enjoy the event today. May the new year of 2025 bring you all immense success and prosperity, and also good family fortune.