

SFST's keynote speech at Hong Kong-Swiss Collaboration Workshop Launch Event (English only)

Following is the keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the Hong Kong-Swiss Collaboration Workshop Launch Event today (September 15):

King (Dr King Au, Executive Director of the Financial Services Development Council), Mr Freihofer (Mr Daniel Freihofer, Consul General of Switzerland in Hong Kong), distinguished guests, ladies and gentlemen,

Good afternoon. I am delighted to join you for the Hong Kong-Swiss Collaboration Workshop to share with you our vision to promote Hong Kong as a global wealth management and family office hub, and what we have done to develop a conducive and competitive environment for global family offices and asset owners to thrive in Hong Kong.

In the realm of family office business and wealth management, Switzerland is one of the globally recognised destinations for the management of private wealth, underpinned by its economic prospects and political stability. It is also a competitive financial centre known for its robust financial infrastructure and regulatory regime. These attributes, coupled with a network of professionals in legal, tax, private banking, and wealth management, make Switzerland a preferred choice for family offices looking for a reliable and prosperous environment.

Let's now shift our perspective to the other side of the globe – Hong Kong – a significant icon in the East in the wealth management and family office business landscape. Hong Kong is the only place in the world where the global connections and Mainland China opportunities converge in a single city. This unique convergence allows Hong Kong to be Mainland China's gateway to the world's financial markets and investors. We take pride in our extensive financial services platform, marked by a highly liquid and efficient capital market. Furthermore, our institutional strengths, such as an independent judiciary and the unrestricted flow of capital and information, are integral elements that underscore our appeal. These attributes naturally draw ultra-high-net-worth (UHNW) individuals to manage their investment portfolios here.

Backing this claim is a recent market report that ranks Hong Kong as the world's top UHNW city, hosting more than 12,000 UHNW individuals in 2022. This is a testament to the city's potential and capacity to attract and nurture wealth, further solidifying our position as a global wealth management and family office hub.

The asset and wealth management business of Hong Kong amounted to \$30.5 trillion (around US\$4 trillion) as at end-2022, with 64 per cent of the

funding sourced from non-Hong Kong investors. Hong Kong is also Asia's largest private equity hub and cross-border wealth management centre. This demonstrates Hong Kong's strength as Asia's premier asset and wealth management hub.

Our standing will continue to flourish with the significant functions and positioning of Hong Kong in the overall development of our country being acknowledged in the National 14th Five-Year Plan. It supports Hong Kong to enhance its status as an international financial centre, strengthen its status as a global offshore 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.

Family office business

The Government has consistently taken a multipronged approach to create a conducive business environment for family offices, with the aim of attracting them to establish and operate in Hong Kong.

In March this year, we issued the Policy Statement on Developing Family Office Businesses in Hong Kong to set out our policy stance and measures. Notable examples include the tax exemption regime launched this year for family-owned investment holding vehicles managed by single family offices in Hong Kong, and the launch of a new Network of Family Office Service Providers to bring together relevant professional services providers and create more business opportunities.

Later this year, we will be setting up an Academy for Wealth Legacy, and we will release details of the new Capital Investment Entrant Scheme so as to enrich the talent pool and attract new capital to Hong Kong.

Building on the success of our inaugural Wealth for Good in Hong Kong Summit, a flagship event designed to promote family office development, we're excited to announce we're planning to host the next edition again next year. This premier event will continue to highlight our unique advantages and present a wealth of opportunities for global family offices seeking to deploy wealth for long-term good.

Virtual assets (VA) and Financial Technology (fintech)

The development of fintech and virtual assets, needless to say, is another area of interest for the family office business, and this is also the primary focus of today's discussion. As you are aware, last year, we have issued the Policy Statement on Development of VA in Hong Kong, outlining the vision and policy direction of the Government. Essentially, our approach seeks to strike a balance between regulation and market development. Together with the financial regulators, we are committed to establishing a facilitating environment, with timely and necessary guardrails to mitigate actual and potential risks put in place in accordance with international standards, so as to promote the sustainable and responsible development of the VA sector in Hong Kong.

The Policy Statement has been well received by the industry. As of end-June this year, Invest Hong Kong has received expressions of interest from over 120 virtual asset-related foreign and Mainland companies looking to establish their presence in Hong Kong. These companies span a range of sectors, including virtual asset exchanges, blockchain infrastructure, network security, virtual currency wallets and payment companies, as well as projects focused on building the Web3 ecosystem.

A comprehensive and clear regulatory system is essential to facilitate the sustainable development of VA and attract quality enterprises to explore opportunities in Hong Kong. On this front, the Government has established a licensing regime for VA service providers through amending the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615).

The regime commenced operation in June this year, requiring any entity involved in a VA exchange business to apply for a licence from the Securities and Futures Commission. Our regulatory approach is one of the first that complies with international AML/CTF requirements as stipulated by the Financial Action Task Force, and provides full regulatory requirements for investor protection – a stance that has been recognised by the International Monetary Fund. There are now two licensed VA service providers in Hong Kong, both of which have obtained licence upgrades under the Securities and Futures Ordinance regime and can now offer VA services to retail investors.

In addition, the Financial Services and the Treasury Bureau and the Hong Kong Monetary Authority are working on a regulatory regime for "stablecoins". We will launch a public consultation soon, and target to introduce a legislative bill in 2024.

On the market development front, we have advanced our securities rules to allow regulated intermediaries to offer trading of eligible VA Futures ETFs (exchange-traded funds) to retail investors in Hong Kong, making us a pioneer in the Asian market. Within a few months' time, we are glad to see that three VA Futures ETFs have already been listed and traded on the Hong Kong Stock Exchange.

To embrace the megatrend of Web3 development, the Financial Secretary has also established the Task Force on Promoting Web3 Development to look further into the market situation, development opportunities, regulation needs and ecosystem of the VA sector, an integral part of the Web3 ecosystem, aiming to formulate proposals on how to promote the sustainable and responsible development of the sector and Web3 in Hong Kong.

Hong Kong, an international financial centre with a highly digitised economy, is at the forefront of the technological evolution. We are a forerunner in embracing the emergence of fintech and are now home to over 800 fintech companies and start-ups, offering a wide spectrum of innovative financial services to the community. These include eight virtual banks, four virtual insurers, and two licensed virtual asset trading platforms.

Our unique strengths of converging global connections and Mainland China's opportunities, coupled with our facilitation measures for

investments, present immense opportunities for family offices, entrepreneurs, service providers, and investors. We welcome global family offices and investors to come to Hong Kong and explore investment opportunities in our thriving market. In closing, I would like to wish you all a fruitful discussion today. Thank you.