

SFST's speech at LME Asia Metals Seminar 2021 (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the LME Asia Metals Seminar 2021 today (May 25):

Distinguished guests, ladies and gentlemen,

Good morning. It is my great pleasure to be here with all of you today to participate in this LME Asia Metals Seminar.

As an alum of HKEX (Hong Kong Exchanges and Clearing Limited), I feel a strong sense of homecoming and also a big welcome to Gucho (Chief Executive Officer of HKEX, Mr Nicolas Aguzin) for joining this big family.

If I ask around as to what is on your mind right now, I suppose the big word, apart from "vacation", which I will come back on later, is "pandemic". So I would like to take this opportunity to share with you what I think are the three key lessons that we can draw from this pandemic, which are resilience, digitalisation and sustainable development.

Not only has the pandemic changed our ways of life and work as highlighted by Laura (Chairman of HKEX, Mrs Laura Cha) just now, it has also changed how trading is being conducted in the LME (London Metal Exchange). As a response to the guidance issued by the UK Government, LME Ring trading activity now remains suspended. While open outcry in the Ring is a long-standing tradition of the LME, LMEselect as an electronic platform has proven to be reliable, and it has also assumed the role of determining official and closing prices.

As commodities also involve the complexities of warehousing and physical delivery, the LME and the metals industry have worked together to ensure orderly and stable operation of the metals supply chains. These efforts should indeed be applauded and in a crisis as disruptive as the one that we are now facing, resilience can truly be demonstrated.

Back to Hong Kong where we are now, our financial markets have also weathered the storm and are performing exceptionally well. On the listed equity side, funds raised through IPO were more than US\$17 billion in the first quarter of this year, more than nine times compared to the same period of 2020. At a broader scale on the monetary side, we have witnessed the inflow of close to US\$50 billion since the second quarter of last year and our foreign reserves now stand at 1.8 times of the HK-dollar monetary base.

On a more daily basis, the average daily turnover of our equity market in the first quarter reached over US\$28 billion, up 86 per cent year-on-year reaching a record high. Judging from these numbers, the Hong Kong financial

markets, I must say, have responded to the pandemic in a very resilient manner.

Indeed, as many market participants have shared with us, they see more opportunities than challenges in the pandemic, and have taken the chance to innovate and digitalise. For example, online roadshows and online board meetings are increasingly being adopted. On the regulatory and legislative front, we at the Government are also putting in our efforts to pursue innovation and digitalisation. Just in March this year, we presented a bill to the Legislative Council on the uncertificated securities market (USM) regime, with a view to allowing investors in the equity market the option to hold securities without paper documents.

I know the same is happening with LME on digitalisation and modernisation. Earlier this year, LME published a discussion paper on future market structure with proposals to facilitate modernisation of the LME and to create a metals market that is fit for the future. Similar to our Hong Kong regime moving from paper-based to scripless securities, LME successfully launched its electronic warranting solution in March this year, replacing paper warrants. I am glad to learn that market support for this new service seems to be strong.

Another key theme that has emerged from the pandemic is the drive towards sustainable development. There is now a global consensus that, as the public and private sectors seek to rejuvenate economic growth, investments into green and sustainable projects should be our prime focus. Pursuing green recovery would allow us to walk out of the crisis together in a stronger and fairer manner.

The Government has accorded top priority to green and sustainable development, as demonstrated by the Chief Executive's commitment in her Policy Address to achieve carbon neutrality for Hong Kong by 2050, basically 10 years before our own country. To deliver on this goal, we will issue a total of US\$23 billion of green bonds over the next five years, depending on market situations, to finance green projects in pursuit of low-carbon economic development. Our cross-regulatory Steering Group also launched a strategic plan to strengthen our financial ecosystem to support a greener and more sustainable future.

Of course relying on the public sector alone would not suffice, and we will need to leverage on the private sector including each and every one of you as well. That is why in the Budget this year, a Green and Sustainable Finance Grant Scheme was announced, with a view to subsidising eligible issuers of green bonds and also green loans this time on their costs of issuance and external review. We hope this would attract more institutions to come, and leverage on Hong Kong's market infrastructure to venture into green and sustainable finance.

Now let's turn back to LME, the focus of today's metals seminar. I note that sustainability is also identified as a strategic goal to pursue, as illustrated by many of its initiatives – one of which is an online service

called LMEpassport, which would register Certificates of Analysis, providing a broad range of metal sustainability certifications and disclosures electronically. I note that launch is planned for Q3 this year, and the LME would actively engage with market stakeholders on its design, ensuring the primary goals will be met for providing the industry with greater transparency and sustainably produced products.

Time flies and it has been more than eight years since HKEX completed its acquisition of LME back in late 2012, and we just passed the seven-year itch. It is a tale of two cities forging a strong connection between East and West. Just now I have shared with you, during the time of the pandemic, how our two trading centres in Hong Kong and London have both maintained resilience, delivered innovation, and pursued sustainability. People say a good marriage would have the couple having in minds the same goals and pursuits. As you can hear from Laura's speech and mine, judging from what we have said, the marriage between the HKEX and LME is actually doing very well and would come a long way continuing to weather ups and downs in our common destiny together going forward.

Looking ahead, under the country's 14th Five-Year Plan and the Greater Bay Area initiative, the catchment of our commodities market would be further expanded. We have seen early signs of success, as marked by the tripling of year-on-year turnover of Qianhai Mercantile Exchange in Q1 this year, and the pioneering investment of HKEX into Guangzhou Futures Exchange. I am sure under the capable leadership of Laura and Gucho, we can expect many more achievements to come. I would also send my warmest welcome again to Gucho, as he officially took on the role as the CEO yesterday.

And back to what I promised at the outset about "vacation". To conclude, as financial market participants, I think what you care about more should be not just vacation but another V, about volatility. That said, if you talk to any people in Hong Kong, what they care about most now is about vacation. But before we can talk about volatility and vacation, we need to know another V, which is vaccination as it is essential for restarting our economic engine. On that, I would urge every one of you who have not been vaccinated to go get your jab and also, at the same time, I wish you all an enjoyable and fruitful discussion in the coming seminar today. Thank you.