

SFST's speech at luncheon "Hong Kong for Vietnam: Financial Gateway to GBA, Asia and the World" in Vietnam (English only) (with photo)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the luncheon co-organised by the Hong Kong Economic and Trade Office in Singapore, and the Vietnam Chamber of Commerce and Industry (VCCI) under the theme "Hong Kong for Vietnam: Financial Gateway to GBA, Asia and the World" in Ho Chi Minh City, Vietnam, today (December 13, Vietnam time):

Mr Thanh (Vice President of the VCCI, Mr Vo Tan Thanh), members of the Chamber of Commerce and Industry, distinguished guests, ladies and gentlemen,

Good afternoon. My sincere thanks to the Economic and Trade Office and the Vietnam Chamber of Commerce and Industry for organising the event today. I am very honoured to be invited to share with you some of the latest developments and opportunities in Hong Kong's financial services sector, and how Hong Kong can serve as a financial gateway for Vietnam to the Greater Bay Area, Asia, and the world.

Vietnam is one of the fastest growing and most promising economies in Southeast Asia, with a large and young population, a strong and diversified industrial base, a dynamic and innovative entrepreneurial spirit, and a strategic and pivotal role in the regional and global arena. Vietnam is also a close and important partner of Hong Kong, with a long and fruitful history of co-operation and exchanges in various fields such as trade and investment. Vietnam has all along been our important trading partner. Vietnam was our seventh-largest trading partner in trade in goods last year, amounting to US\$32.7 billion. Hong Kong is also the fifth-largest foreign investor in Vietnam. We have signed a Comprehensive Avoidance of Double Taxation Agreement with Vietnam for nearly 15 years since 2008. In the Chief Executive's Policy Address, he announced the relaxation of visa policy in respect of employment for Vietnamese talent and the criteria for Vietnamese applying for multiple-entry visas for business and travel. I am sure this good news will further enhance the co-operation between Hong Kong and Vietnam in the areas of talent exchange, business development and travel.

Hong Kong is a leading international financial centre, with a robust and mature regulatory regime, a deep and liquid capital market, a diversified and innovative financial product suite, a strong pool of talent and expertise, and a strategic location connecting Mainland China and overseas markets. We very much look forward to offering the best we have in financial services, and cultivate and realise more co-operation opportunities with Vietnam. This can be summarised in the "3Cs", namely:

- (i) connections with strategic markets in the Greater Bay Area, Belt and Road countries, Asia and the world;
- (ii) currency RMB (Renminbi); and
- (iii) commitment towards green and sustainable development.

On the first "C", connections, Hong Kong is best positioned to connect Vietnam with the Guangdong-Hong Kong-Macao Greater Bay Area, or GBA, our country's national development strategy for a world-class city cluster across nine Guangdong cities, Hong Kong and Macao. The GBA has a population of over 86 million and a GDP of over US\$1.9 trillion, comparable to that of Australia or South Korea. The GBA also has a strong and diversified industrial base, covering advanced manufacturing, innovation and technology, trade and logistics, financial services, and professional services. The GBA offers immense opportunities for Hong Kong to leverage its strengths and complementarity with other cities in the region, and to offer the opportunities of a sizable and integrated market to international market players like Vietnamese financial institutions and corporates.

A landmark initiative for the GBA on the financial services front is the Wealth Management Connect scheme which was launched in September 2021. The Wealth Management Connect scheme provides GBA residents with a formal, direct and convenient channel for cross-boundary investment in diversified wealth management products, and also helps promote the cross-boundary use and circulation of RMB in the region. As of end-October this year, close to 63 000 individual investors participated in the scheme, and remittances totalling over RMB8.6 billion (US\$1.2 billion) were recorded. A series of enhancements have been announced earlier this month, including for example lowering of the entry threshold, increasing the investment quota, broadening participating institutions to cover securities firms, expanding the product scope, and enhancing the promotion and sales arrangements.

Apart from the GBA, Hong Kong is also well positioned to capture the opportunities arising from the Belt and Road Initiative, or BRI, which is another national development strategy to promote regional co-operation and connectivity. Countries along the BRI account for about 62 per cent of the world's population, more than 35 per cent of the global economy, and contribute to approximately 40 per cent of global trade. The BRI involves a lot of infrastructure and development projects, which require substantial financing and professional services. Hong Kong, with our strong financial and professional services capabilities, can play a pivotal role in connecting Vietnamese financial institutions and corporates in fulfilling the financing and investment needs of the BRI projects and its participants.

To this end, we have been promoting Hong Kong's role and advantages as a premier financing and investment hub for infrastructure projects. In May this year, the Hong Kong Mortgage Corporation Limited successfully issued the first infrastructure financing securitisation product through a special purpose company. The total value of the portfolio is in the order of about US\$400 million, including infrastructure loans for 25 projects across 12 countries and involving nine sectors. It also includes US\$100 million in

sustainable financing notes, invested in renewable energy projects that contribute to an annual reduction of over 260,000 metric tons of carbon emissions. The education and telecommunications-related projects covered by the issuance also assist the respective countries in providing more opportunities for higher education to their underprivileged communities and improving communication infrastructure.

Ladies and gentlemen, Hong Kong is not only a financial gateway to the GBA and BRI, but also to Asia and the world. Hong Kong has a deep and broad capital market, which is the prime fundraising platform for many companies. Counting in terms of bonds issued internationally by Asia-based entities, the volume arranged by Hong Kong ranked first globally for seven consecutive years since 2016, exceeding US\$100 billion and capturing 30 per cent of the market last year. To foster greater participation from investors and fundraisers from around the world in our bond market, the Government has implemented a series of measures to enhance its competitiveness. These initiatives include attracting enterprises to issue bonds in Hong Kong, promoting investor engagement, and expanding the market for green and sustainable finance. We very much look forward to having more Vietnamese corporates and financial institutions to leverage our stock or bond market for financing.

The second "C" is currency, which is RMB. Hong Kong is indeed a leading global hub for offshore RMB business, processing about 75 per cent of offshore RMB payments globally and having a RMB liquidity pool of over 1.1 trillion (US\$153 billion). We have a wide range of RMB-denominated products and services, such as bonds, stocks, funds, and loans. We have also been promoting the use of RMB in cross-border trade and investment, and enhancing our market infrastructure to support RMB transactions. We will continue to strengthen Hong Kong's position as a global offshore RMB business hub, and encourage and support more issuers to issue RMB bonds in Hong Kong, and attract offshore investors' participation. Indeed, driven by the market trend of decreasing financing cost for RMB, we have seen increased issuance of RMB bonds in Hong Kong. During the first 10 months of this year, issuance amounted to RMB388 billion (US\$54 billion), already exceeding the amount of RMB263 billion (US\$36 billion) for the whole of last year. Riding on this market trend, we very much look forward to more Vietnamese corporates and financial institutions exploring the possibility of issuing RMB-denominated bonds in Hong Kong, taking advantage of the promising development of RMB internationalisation. In addition to the RMB bond market, to facilitate the issuance and trading of RMB-denominated stocks in Hong Kong, our stock exchange launched the "HKD (Hong Kong Dollar) -RMB Dual Counter Model" and the Dual Counter Market Making Programme in the securities market in June this year, with 24 listed companies stocks designated as dual-counter securities. We will continue to work closely with the regulators on including RMB counters under Southbound Trading of Stock Connect for early implementation, with a view to continuously enhancing the liquidity of RMB products in our market.

On the final "C" regarding our commitment to sustainable development, Hong Kong and Vietnam can certainly work together for common good. The Hong

Kong Government will devote about HK\$240 billion (US\$30 billion) to take forward various measures on climate change mitigation and adaptation in the next 15 to 20 years, with a view to achieving carbon neutrality before 2050. On the financing front, the green and sustainable finance market in Hong Kong has seen impressive growth. The total issuance of green and sustainable debt, comprising both bonds and loans, rose by over 40 per cent from 2021, hitting more than US\$80 billion in 2022. Remarkably, the green and sustainable bonds arranged in Hong Kong constituted 35 per cent of the Asian market, reflecting our central role in this domain. Going forward, we will accelerate the development of Hong Kong into an international centre for green technology and finance. We will launch a dedicated proof-of-concept subsidy scheme for green fintech in the first half of 2024. The new scheme will promote the development of technological solutions and provide early-stage funding support for pre-commercialised green fintech, thus nurturing the growth of the green fintech ecosystem. We are also working with relevant stakeholders to develop a Hong Kong green fintech map to provide one-stop information on the current status of green fintech companies in Hong Kong and related services. The map will raise the profile of these companies and further enhance the green fintech landscape in Hong Kong. I certainly hope these proof-of-concept projects and green fintech companies will find application scenarios in not only the Hong Kong market, but also in the Vietnamese market.

Ladies and gentlemen, Hong Kong and Vietnam share common values and aspirations for prosperity and progress. I sincerely hope that we can strengthen our friendship and partnership over the "3Cs" I just now mentioned, and work together to create a brighter and better future for our people, our markets and our region. I look forward to exchanging views and insights with you during the luncheon. Thank you very much and enjoy your lunch today.

