

SFST's speech at "Unleash the potential of enhanced capabilities re RMB and emerging ESG opportunities" Forum (English only)

Following is the video speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the "Unleash the potential of enhanced capabilities re RMB and emerging ESG opportunities" Forum co-organised by the Hong Kong Investment Funds Association (HKIFA) and Bank of China (Hong Kong) (BOCHK) today (January 26):

Distinguished guests, ladies and gentlemen,

Welcome to this forum co-organised by HKIFA and BOCHK. Today's forum comes with two themes – "unleash the potential of enhanced capabilities re RMB" and "emerging ESG opportunities", both speak directly to the point that Renminbi (RMB) and ESG (environmental, social and governance) opportunities are two of the key elements that will make Hong Kong's financial future flourish and prosper in this ever-changing world. I'm told today's forum gathered some 300 guests from asset-management companies, banks, risk professionals, services providers and media, etc, and we are all here today for insights and knowledge sharing on how we can capitalise on the opportunities brought by new RMB businesses and the rising trends of ESG.

For the next few minutes, allow me to first share how far the Government, together with regulators and market participants, have gone to develop Hong Kong as an offshore RMB business hub over the past years. Then I will share our next moves to further cultivate Hong Kong's RMB market ecosystem, and our plan to develop Hong Kong as a green and sustainable finance centre.

To begin with, with the support from the Central Government, Hong Kong has long been the world's largest offshore RMB business centre, with our offshore RMB liquidity pool amounting to over RMB860 billion. We are in a leading position to offer comprehensive services covering RMB settlement, financing and asset management, and we are also the largest offshore RMB foreign exchange and interest rate derivatives market.

Leveraging the unique positioning as our country's international financial centre, Hong Kong serves as the premier gateway to the Mainland market through various Connect schemes, including the Stock Connect, Bond Connect, Wealth Management Connect and the mutual recognition of funds between the Mainland and Hong Kong. These Connect schemes have performed exceptionally well, as demonstrated by the growth in participation and trading volume. Taking Northbound Bond Connect as an example, total trading volume reached RMB6.4 trillion in 2021, representing a year-on-year increase

of over 33 per cent.

The good performance for the Connect schemes are indeed the results of continuous improvements and expansions being introduced. First of all, we have implemented the expansion of the scope of eligible securities for Stock Connect, to cover pre-revenue biotech companies listed in Hong Kong under the new listing regime in December 2020 for Southbound Trading, and to cover the companies listed on the Mainland's STAR Market (Shanghai Stock Exchange's Sci-Tech Innovation Board) for Northbound Trading starting from February 2021. As at the end of last year, 21 such biotech companies and 42 Mainland STAR Market companies had been included, broadening investment choices for both Mainland, Hong Kong and international investors joining the schemes.

Secondly, to meet investors' demand for risk-management tools further to the implementation of Stock Connect schemes, the HKEX (Hong Kong Exchanges and Clearing Limited) launched the MSCI China A 50 Connect Index futures contract in October last year. This product provides a useful risk-management tool for offshore investors participating in the A-shares market, facilitating further inflow and broadening the availability of risk-management products in Hong Kong.

With the mutual market access growing in breadth and depth, we will continue to explore with the Mainland authorities to further support our offshore RMB infrastructure, with a view to encouraging the use of Hong Kong's RMB financial platforms for transactions, promoting further RMB internationalisation. One such initiative down the line is to introduce new RMB counters for shares tradable under the Southbound Stock Connect, such that Mainland investors can trade Hong Kong stocks in RMB without the need for currency conversion. At the same time, this will create new demand for RMB denominated shares in Hong Kong, driving a positive and reinforcing cycle for new RMB product launches.

Meanwhile, we will also strive to leverage the advantages of "early and pilot implementation" brought by the development of the Greater Bay Area (GBA), and progressively expand the scale and scope of the Wealth Management Connect Scheme. This will not only promote further internationalisation of RMB, but also satisfy the increasing demand for wealth management coming from the growing affluent population in the GBA.

Apart from being a vibrant offshore RMB business hub, Hong Kong's future as an international financial centre will also be built on green finance, as we seek to utilise finance as a driving force to facilitate the transformation towards sustainable economic development. Our country has already pledged responsibly to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, while Hong Kong has also committed to achieving carbon neutrality by 2050.

These commitments would drive massive investments from the Government and all sectors of our society into green and sustainable public and private initiatives, and Hong Kong will play our important role to mobilise the allocation of green capital into these projects. Over the last decade, we

have allocated more than HK\$47 billion to various carbon reduction measures. In the next 15 to 20 years, the Government will be investing another HK\$240 billion to support a series of actions to combat climate change.

The Government has issued over US\$7 billion equivalent in green bonds so far, and they are used to finance a total of 14 public works projects relating to energy efficiency and conservation, waste management and resource recovery, water and wastewater management, and green buildings. With the issuances well received by investors, we will soon follow up with a retail tranche offering to raise the awareness of the public by broadening participation. On the issuer side, we will through the Green and Sustainable Finance Grant Scheme continually subsidise and encourage the issuance and arrangement of more green and sustainable bonds and loans in Hong Kong.

Besides the efforts on promoting green bonds and loans, there is also a Green and Sustainable Finance Cross-Agency Steering Group, jointly established by the Government and regulators, to steer our financial sector towards green and sustainable development. The group will focus its efforts on taxonomies, climate-related disclosures, sustainability reporting, as well as carbon market opportunities, to promote the holistic development of green and sustainable finance in Hong Kong.

With these measures, Hong Kong will continue to actively promote the development of our green and sustainable financial market from all fronts. The Government will work around the clock to develop Hong Kong into an offshore RMB business hub, as well as a green and sustainable financial centre in the region, so as to cement our role as one of the leading international financial centres.

Ladies and gentlemen, in just a week or so we will celebrate the new Year of the Tiger, and I wish the celebration will pave the way for a year full of vitality, prosperity and energy for all of you. Finally, I wish you all a fruitful forum today, and collectively we can further the development of Hong Kong as an international financial centre by making the full use of new opportunities arising from RMB businesses and ESG commitments. Thank you, and Happy New Year!