

Speech by Acting CE at 71st Chartered Financial Analyst Institute Annual Conference (English only)

Following is the speech by the Acting Chief Executive, Mr Matthew Cheung Kin-chung, at the 71st Chartered Financial Analyst Institute Annual Conference – "Future of Global Investing" today (May 14):

Paul (President and CEO of Chartered Financial Analyst Institute, Mr Paul Smith), Tony (President of Hong Kong Society of Financial Analysts, Mr Tony Watson), distinguished guests, ladies and gentlemen,

Good morning. It is my honour to join you all at the 71st Chartered Financial Analyst Institute Annual Conference in Hong Kong. First of all, I would like to extend my sincerest gratitude to the Chartered Financial Analyst Institute for bringing this conference to Hong Kong, and my warmest welcome to all the guests and speakers from the Mainland and overseas.

I would also like to take this opportunity to congratulate the co-organiser of this conference, the Hong Kong Society of Financial Analysts, on their 25th anniversary. The Society, with a 6 600-strong membership, is not only one of the investment professional bodies in Hong Kong but also the largest chartered financial analysts society in Asia and the fourth largest in the world.

Hosting this year's conference in Hong Kong with the theme of "Future of Global Investing" is most timely. Since the 2008 financial tsunami, the global economy has undergone sweeping changes. With the global economic gravity shifting towards the East, emerging markets are playing a much more important and influential role. The unstoppable wave of innovation and technology across the globe has brought disruptive changes to the global economic structure and the way that we live and consume. The rising trade protectionism has driven more economies to turn to regional or bilateral trade negotiations for promoting and maintaining their trading activities, whilst striving to safeguard multilateral trade.

Opportunities are where challenges arise. Hong Kong is bravely rising to the challenges by consolidating our strength, exploring new opportunities with an open mind and solving problems with an innovative mind-set.

Our status as a leading international financial centre has long been established. In the latest Global Financial Centres Index published in March 2018, Hong Kong was ranked third worldwide and the first in Asia. We are the first mover to conduct offshore Renminbi business. Today, we are the world's largest offshore Renminbi business hub with total deposits of over RMB618 billion, handling around 76 per cent of global Renminbi transactions. The number of insurers in Hong Kong added up to 159 in 2017 while the combined

fund management business in Hong Kong amounted to US\$2.3 trillion in 2016, topping the league in Asia. We are also among Asia's top three stock markets, with market capitalisation standing at US\$4.3 trillion.

Hong Kong knows better than anywhere that it cannot rest on its laurels won in the past. We have to strive continuously to maintain and improve our competitive edges for tomorrow's world. To stand still is to stagnate.

Asia is driving the global economy. Within Asia, the impact, scale and importance of China are abundantly clear. Over the past five years, China has contributed over 30 per cent to global economic growth and, together with other developing regions in Asia, has made up a share of almost 60 per cent. The future directions and strategies of our Motherland's economic development thus have a major global bearing. What I am referring to are the enormous opportunities offer by the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development (Bay Area Development).

Hong Kong is destined to play an important role in the overall development of China including the Belt and Road and Bay Area Development. We can provide Belt and Road countries with world quality and reliable financial services. The Bay Area Development adds another important dimension to the Belt and Road Initiative and Hong Kong's prospects. It aims to foster closer cooperation and economic integration among Hong Kong, Macao and nine Guangdong cities, and helps turn the vision of the Belt and Road Initiative into real opportunities particularly in infrastructure development, financial connectivity and innovation and technology. It is important to note that the Bay Area has a total population of 67 million, which is comparable to that of the United Kingdom, France and Italy, and a combined GDP of \$US1.4 trillion which is roughly equivalent to Korea and ahead of Australia. These facts, coupled with our strategic locations and inherent institutional strengths and connectivity with the world, speak volumes about the vast potential of the Bay Area.

Infrastructure development is at the heart of the Belt and Road countries. According to the Asian Development Bank, it is estimated that Asia will require an infrastructure investment of US\$1.7 trillion per year until 2030. With free flow of capital and a deep pool of financial talent, Hong Kong is the ideal place to raise funds for Belt and Road projects. We have a wealth of experience and expertise that are familiar with international standards in carrying out project finance in both public and private markets and a great variety of financing avenues. In fact, the Hong Kong Stock Exchange has topped the world in five of the past nine years in terms of initial public offerings (IPOs). The funds raised through IPOs in 2017 amounted to US\$16.5 billion.

The launch of the Shanghai-Hong Kong Stock Connect, the mutual recognition of funds, the Shenzhen-Hong Kong Stock Connect and Bond Connect schemes in the last few years are of ground-breaking significance to capital market access between Hong Kong and the Mainland. We will continue to explore the possibility of including a wider range of products in the mutual access mechanism such as exchange-traded fund and extending Bond Connect to cover

south-bound trading, with a view to creating more investment opportunities and better access to the Mainland capital markets for both local investors and those from the Belt and Road region and beyond.

We have also seen rapid growth in the Asian bond market in recent years. Last year, US\$300 billion worth of US dollar bonds were issued in Asian economies other than Japan, representing 60 per cent more than 2016. We expect that the Asian bond markets will continue to expand. To encourage more investors and issuers from the Mainland, Asia and along the Belt and Road to participate in the Hong Kong bond market, the Government plans to launch an array of measures to enhance our competitiveness, including attracting corporate bond issuance, facilitating investors participation and broadening investment platform.

We will play a more active role as a facilitator and promoter in developing Hong Kong into a preferred listing platform for emerging and innovative enterprises in the Bay Area and the wider Belt and Road countries. The Stock Exchange of Hong Kong has implemented the new listing regime in late April, allowing pre-revenue biotech companies and companies with weighted voting right structures to list on the Main Board. The new listing regime also provides a new concessionary route for qualifying issuers seeking a secondary listing in Hong Kong. We will ensure appropriate safeguards for investors and uphold the quality of our market under the new regime.

To keep up with the global development, we will also facilitate financial innovation as far as possible. Specifically, we will leverage Hong Kong's well-established financial industry to promote Fintech and green finance.

Fintech is a key driver in the future growth of the banking sector. To facilitate the development of Fintech for Hong Kong's financial services industry, we have launched a series of measures including the Fintech Supervisory Sandbox for banks to test out new technology without meeting full supervisory requirements in order to speed up the time-to-market for banks' Fintech products and services.

We have introduced an Innovation Hub with ASTRI to spur collaboration between Fintech firms and banks. We also partner with banks on testing Distributed Ledger Technology on proof-of-concept trials of trade finance, mortgage loan applications and digital-identity management, as well as researching into central bank digital currency. To nurture more Fintech start-ups and talent, seed funding, business guidance, networking opportunities, and incubation and accelerator programmes are provided to young Fintech entrepreneurs in Hong Kong. According to Accenture, Fintech companies based in Hong Kong had raised about US\$940 million of Fintech investment over the past three years and compared favourably to their counterparts in Australia and Singapore where US\$627 million and US\$325 million were raised respectively during the same period.

As for green financing, we are making earnest preparation for the launch of the government green bond programme with a borrowing ceiling of HK\$100

billion within the current financial year to provide funding for green public works projects.

To demonstrate our commitment to developing our bond market, Fintech, green finance and other aspects of financial services, we have earmarked HK\$500 million for the development of the financial services industry in the next five years. We have also set up the Financial Leaders Forum to formulate strategic and forward-looking proposals to strengthen Hong Kong's position as an international financial centre. More resources will also be allocated to the Financial Services Development Council to enhance its role in promoting market development and nurturing talent.

Ladies and gentlemen, I have only given a pen picture of how we are striving to stay ahead in the fiercely competitive world of finance. With our commitment and efforts in reinforcing and developing our financial infrastructure and strengthening capability, I am confident that with the support from our community including our industries and investors are ready to seize the many opportunities ahead.

On this encouraging note, I wish you all highly rewarding conference, and for those guests who come all the way from overseas and the Mainland, a most pleasant stay in Hong Kong.

Thank you.