

Speech by CE at 14th Asian Financial Forum (English only) (with photo/video)

Following is the video speech by the Chief Executive, Mrs Carrie Lam, at the 14th Asian Financial Forum held online this morning (January 18):

Ladies and gentlemen,

Welcome to the 14th Asian Financial Forum. For the first time, this signature event in the financial sector will take place virtually. But if the distressing realities of COVID-19 have separated us this year, they are also bringing so many more of us together online, and are giving us so much more reason to gather intelligence and insight, to deliberate, debate and network, and to weigh business and investment options. This reminds me of a Chinese saying that when there are risks, there are opportunities. I hope we can look forward to a year of opportunities that will bring us prosperity.

By the organiser's count, more than 5 000 participants from some 70 countries and regions are expected to watch and listen in these two days. You'll be hearing from over 160 high-profile speakers from all over the world. In one way or another, each will be addressing this year's essential theme: "Reshaping World Economic Landscape". The speaker line-up includes, I'm pleased to say, the 2018 Nobel Laureate for Economic Sciences, Professor Paul Romer, who will address you later today. Dr Luc Julia, co-creator of the Apple Voice Assistant Siri, and Alexis Ohanian, co-founder of Reddit, our other keynote speakers, are part of tomorrow's packed agenda.

Allow me, for a moment, to look back at 2020, a year we want to forget and know we will never forget. Mask wearing, social distancing, COVID-19 testing have become our daily routine and as a result, most of the business sectors are hard hit. The global economy last year plunged roughly 4.4 per cent. And Hong Kong's GDP in 2020 is expected to decline by 6.1 per cent. That said, vaccinations have begun in some nations and economies, and will soon spread across the world, Hong Kong included. They will offer hope for us all. Indeed, if the vaccines are as successful as we expect, there will be real momentum for recovery in the second half of this year.

Amidst the challenges, Hong Kong's financial system has demonstrated its strengths and resilience. Our financial markets continue to operate orderly, and that includes the Linked Exchange Rate System. The Hong Kong dollar to the US dollar exchange rate has stayed on the strong side, reflecting investors' continuing confidence in our financial markets.

We continue to see enormous opportunities when the pandemic is over, thanks to our strong fundamentals and unique advantages as the international financial centre of China and one of the world's major financial cities. In particular, with remarkable efforts in controlling the pandemic, the Mainland

has regained economic growth, being the only major economy to show real growth in 2020. There will be plenty of opportunities there, and Hong Kong can offer a range of services for you to capture them.

That's thanks to our "One Country, Two Systems" framework and longstanding advantages, including an internationally aligned regulatory regime, the rule of law, a simple and low tax system and the free flow of information and capital. We continue to be an ideal gateway between the Mainland and the rest of the world. That very much includes our role as both a conduit for foreign capital investing in the Mainland and the springboard for Mainland companies looking to international markets.

Our city is regularly among the world's top performers in raising initial public offering (IPO) funds. Since 2009, we have been ranked number one for IPO funds raised seven times. We are, as well, the world's largest offshore Renminbi business hub. In 2019, about 75 per cent of the global offshore Renminbi payments were processed through Hong Kong. And total Renminbi deposits at the end of October 2020 exceeded RMB721 billion.

We are not complacent, and always look to improve our regime to make it easier to invest in Hong Kong. Since the implementation of a new listing regime in 2018, nearly 40 companies with a weighted voting rights structure, pre-revenue or pre-profit biotechnology companies and secondary listed companies, have listed in Hong Kong. They have taken up about 40 per cent of IPO funds raised during the same period, realising a current market capitalisation of more than US\$1.4 trillion.

The liquidity in our capital markets is remarkable, with an average daily turnover reaching US\$16.7 billion in December. That's up 49 per cent over the same period in 2019, while market capitalisation is over 16 times of our GDP.

With the Central Government's support, and in recognition of Hong Kong now being the second-largest listing platform for biotechnology companies in the world, we recently accelerated the inclusion of pre-revenue or pre-profit biotechnology companies listed in Hong Kong as eligible stocks under the Stock Connect scheme. That has strengthened collaboration between the capital markets of Hong Kong and the Mainland, while deepening the liquidity of biotechnology companies listed in Hong Kong.

Our collaboration with the Mainland goes well beyond listings. The Greater Bay Area, comprising Hong Kong, Macao and nine cities in the Guangdong Province, is an emerging cluster-city development integrating more than 72 million people and a combined GDP of US\$1.7 trillion. And we are working to expand the flow of capital and people, to create new markets and business opportunities in the Greater Bay Area.

Among the latest offerings is Wealth Management Connect, which will allow Greater Bay Area residents to carry out cross-boundary investment in wealth-management products distributed by banks in the area. Given the huge potential investor base in the Greater Bay Area, I have no doubt that Wealth Management Connect will attract a wealth of international financial

institutions.

The initiative will further strengthen Hong Kong's asset and wealth management sector. At the end of 2019, assets under management in Hong Kong totalled US\$3.7 trillion, 64 per cent of that sourced from non-local investors. That, ladies and gentlemen, showcases Hong Kong's high degree of internationalisation as a leading asset and wealth management hub.

To maintain momentum, we are promoting the development of real estate investment trusts, private equity funds and family office business. To that end, we have relaxed investment restrictions for real estate investment trusts and broadened investor base. And we are facilitating the market operation of real estate investment trusts through regulatory enhancements.

As for family office business, we will set up a dedicated team to promote Hong Kong's advantages, offering a full range of support services to family offices interested in establishing a presence in Hong Kong. For private equity funds, we plan to provide tax concessions for carried interest.

We see opportunity, as well, in boosting Hong Kong's status as an international risk management centre. Accordingly, we have reduced the profits tax rate by half, to 8.25 per cent, for specified insurance businesses, including those related to marine and specialty insurance. We have also made it easier for special-purpose companies in Hong Kong to issue insurance-linked securities, and expanded the scope of insurable risks by captive insurers set up in Hong Kong. In addition, we have enhanced the regulatory framework for multinational insurance groups. In short, we are well-placed to serve as the risk-management centre for countries and companies along the Belt and Road.

Innovation and technological advancement are priorities of my Government, and they will power the future of our financial services sector. Hong Kong is home to more than 600 fintech companies and start-ups. They include a herd of unicorns, globally respected research centres, innovation laboratories and more. Eight virtual banks and four virtual insurers have been granted licences, offering a wide variety of financial services for business and the public. A virtual asset trading platform has also been authorised. And our Faster Payment System connects banks and e-wallets, enabling 24-hour instant transfer in Hong Kong dollars and Renminbi, not to mention payment of government fees and charges.

In addition, our new Fintech Proof-of-Concept Subsidy Scheme provides incentives for financial institutions to partner with fintech companies on proof-of-concept projects. I welcome fintech companies in the region and around the world to join us in building the banking and financial services future for Hong Kong, the Greater Bay Area and the world.

Last but not least, sustainable development is also central to our future. In my 2020 Policy Address, I committed Hong Kong to carbon neutrality by 2050. To help realise that ambitious goal, we recently launched a strategic plan to support a greener and more sustainable future, to boost

investment conducive to Hong Kong's low-carbon transformation. I welcome you to take advantage of Hong Kong's capital markets, and our financial and professional services, for green and sustainable investment, financing and certification.

Ladies and gentlemen, many of the topics and initiatives I've touched on will be discussed in greater detail through this year's Forum and its panel discussions and workshops. Alongside the panel discussions, policy dialogues and special addresses, this year's Asian Financial Forum features Fintech Showcase, a Deal Flow Matchmaking Session and a Global Investment Zone, connecting global investors, project owners and start-ups. They will offer all the investment and financial help you need to guide you through this year of challenge and opportunity.

My thanks to the Hong Kong Trade Development Council for putting together another remarkable programme, and doing so under the most daunting of conditions. I thank you once again for your participation, and wish you the best of business over these two days and a healthy and rewarding New Year. I look forward to seeing you all, in person, right here in Hong Kong, at next year's Asian Financial Forum. Thank you.

