

Speech by CE at thematic forum on financial connectivity of second Belt and Road Forum for International Cooperation in Beijing (with photos/video)

Following is the speech by the Chief Executive, Mrs Carrie Lam, at the thematic forum on financial connectivity of the second Belt and Road Forum for International Cooperation in Beijing this morning (April 25):

Minister Liu Kun (Minister of Finance), Governor Yi Gang (Governor of the People's Bank of China), distinguished guests, ladies and gentlemen,

Good morning. It's an honour for me to lead a Hong Kong delegation to attend the second Belt and Road Forum for International Cooperation and a privilege to be invited to speak at this financial connectivity thematic forum.

Belt and Road is a vision that is driving changes and spurring development across the world. As a Special Administrative Region of the People's Republic of China blessed with "One Country, Two Systems" and well established international links, Hong Kong aspires to play an active role in this Initiative. With the support of the Central Government, we entered into an Arrangement with the National Development and Reform Commission in December 2017 for advancing Hong Kong's full participation in and contribution to the Belt and Road Initiative, and in February last year, we hosted a seminar entitled "Strategies and Opportunities under the Belt and Road Initiative – Leveraging Hong Kong's Advantages, Meeting the Country's Needs" at the Great Hall of the People here in Beijing.

In my view, the single most relevant advantage of Hong Kong that could best meet the country's needs is our financial services given our status as a global financial centre. According to the Global Financial Centre Index, Hong Kong is ranked number three globally, right behind New York and London.

Many Belt and Road economies aspire to draw foreign investments in infrastructure that underpins core economic activity and improves people's livelihood. Asian Development Bank estimates a funding demand of US\$1.7 trillion each year in developing countries in Asia alone between 2016 and 2030.

Infrastructure investments are among the most complicated asset classes. Funding of cross-border or regional projects becomes even more challenging. While multiple public financing mechanisms have been put in place, financing the enormous funding needs in the long run calls for private sector involvement.

To attract more private capital for projects requires deep experience and expertise to assess and manage risks. On this front, the Hong Kong Monetary Authority set up an Infrastructure Financing Facilitation Office (IFFO) in 2016 aiming to bring together like-minded partners with the necessary expertise to improve operational efficiency and reduce project risks. By generating demonstration effect for the market, we believe IFFO would help draw in greater private capital participation on a broader scale. In a similar light, the Hong Kong Insurance Authority launched the Belt and Road Insurance Exchange Facilitation platform last December to pool together key stakeholders to exchange intelligence on risk management and insurance, forge alliances and facilitate networking.

Hong Kong can also help in many other ways, given our status as a global financial centre. Under the "One Country, Two Systems" principle, Hong Kong has maintained its market-based financial system, underpinned by the rule of law and internationally aligned regulatory regimes. We have a deep capital market, with our stock market boasting the world's sixth largest capitalisation at US\$4.2 trillion, which is over 11 times our GDP. Last year, we topped the world for the sixth time in 10 years in initial public offerings, taking in some US\$37 billion.

We also have one of the largest bond markets in the region, and are developing into a regional hub for green finance. In addition, we are Asia's second largest international banking centre behind only Japan. Our asset and wealth management sector manages about US\$3.1 trillion, two-thirds of that coming from non-Hong Kong investors.

We are, as well, the biggest offshore Renminbi centre in the world, processing more than 75 per cent of global offshore Renminbi payments. We have vast experience in connecting the Mainland's capital markets with the rest of the world, where our various mutual market access schemes and recognition of funds have all continued apace to strengthen connectivity that facilitates the two-way flow of cross-border funds. In short, Hong Kong is a one-stop destination of choice to serve as a premier financial and risk management centre for Belt and Road's big-ticket projects.

With an unprecedented share of about 65 per cent of world's population and 40 per cent of global GDP, the Belt and Road will create abundant work, business and investment opportunities in the region. To realise this potential, investment in infrastructure today will lay the foundation for achieving inclusive and sustainable growth. Hong Kong is prepared to work with other economies in the region to make a palpable difference in the joint pursuit of shared win-win economic development.

I wish you all a very rewarding Forum. Thank you very much.

