

# Speech by FS at 13th Asian Financial Forum keynote luncheon (English only) (with photos)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the 13th Asian Financial Forum keynote luncheon today (January 13):

Dr Yellen (former Chair of the Board of Governors of the US Federal Reserve System, Dr Janet Yellen), Peter (Chairman of the Hong Kong Trade Development Council, Dr Peter Lam), Norman (former Chief Executive of the Hong Kong Monetary Authority, Mr Norman Chan), distinguished guests, ladies and gentlemen,

Good afternoon. Welcome to today's luncheon of the 2020 Asian Financial Forum.

And, just to reassure you, I am definitely not the main course. Nor am I today's luncheon keynote speaker.

That honour – indeed, our great honour – goes to Dr Janet Yellen. The distinguished economist and former Chair of the US Federal Reserve System's Board of Governors will take the stage soon.

The Fed, under Dr Yellen's clear and compelling leadership, adopted sound monetary policies to keep inflation in check, while promoting job and wage growth.

So, like you, I am looking forward to her insights on tackling the challenges we face in this New Year of daunting challenges and discreet promises.

The challenges, for Hong Kong, are as much local as they are global. I know many of you are concerned about the recent social unrest here in Hong Kong, about whether it is affecting our financial market and whether there has been an out-flow of funds.

I understand those concerns, so please allow me, in the next few minutes, to address them.

First of all, there's the obvious: Hong Kong is undergoing a time of unprecedented turbulence. Dissension has gripped our community for months now. That said, we are working to address and respond to those concerns, determined to find a path to peace, harmony and renewed prosperity in 2020.

We have been making progress. But there is still much to be done before we can put this testing time behind us.

What I can tell is that the advantages Hong Kong has long been recognised for are still very much with us, and they are not going anywhere

anytime soon.

They begin with our enviable location, at the heart of Asia. Which means that Hong Kong is fully plugged into the round-the-clock global financial trading cycle. We provide certain and seamless connectivity with the financial hubs of Europe and North America, as well as those in the Middle East and across Asia.

Hong Kong is blessed with the dual advantages of "one country, two systems". The rule of law, an independent judiciary and an unshakable adherence to free enterprise are among Hong Kong's core values.

We offer businesses from the Mainland and all over the world – more than 9,000 at last count – a level-playing field, a competitive market, whatever their businesses, whatever their investments. Our linked exchange rate system remains solid, our currency fully convertible and capital flowing in and out freely, as enshrined in Article 112 of the Basic Law. Our capital markets are deep and liquid.

Despite our external and domestic challenges, Hong Kong's financial market remains stable. Our banking system continues to run smoothly and with ample liquidity.

The figures speak for themselves. In 2019, Hong Kong again topped the world in funds raised through IPOs – some US\$40 billion worth. This is the seventh time we have come first in the past 11 years.

Our stock market's capitalisation is about US\$4.9 trillion. That's more than 13 times Hong Kong's GDP.

As at end November 2019, bank deposits in both Hong Kong dollars and foreign currencies continued to increase over the same period last year, totalling US\$1.8 trillion.

Our exchange rate remains stable. These and other measures reflect the integrity of Hong Kong's financial and legal system, the confidence it conveys, even as we face formidable external and domestic shocks.

In September last year, the Global Financial Centres Index once again ranked Hong Kong among the world's top three financial centres, behind only New York and bearing in on London.

Last October, the World Economic Forum's Global Competitiveness Report ranked our financial system tops in the world, while the World Bank rated Hong Kong the third-easiest place to do business.

Hong Kong is still very much the largest offshore Renminbi business hub in the world.

We are, as well, the premier asset and wealth management centre. Apart from exempting onshore and offshore funds from profits tax, we are considering introducing a more competitive tax arrangement to attract private equity funds to domicile in Hong Kong.

The insurance industry is equally important. We have, after all, the highest concentration of insurers in Asia – more than 160 at the end of September. And we will enable the issuance of insurance-linked securities, expanding the insurable risks of captive insurers in Hong Kong.

On the taxes front, we already have the world's most business-friendly tax system, according to "Paying Taxes 2020", a report produced by Pricewaterhouse Coopers and the World Bank. Still, we plan to provide tax relief to promote the development of marine insurance and the underwriting of specialty risks in Hong Kong.

Green finance is our policy priority going forward. Green bonds issued and arranged in Hong Kong increased over 200 per cent to US\$11 billion in 2018 as compared to the previous year.

That was followed by our inaugural Government green bond issuance of US\$1 billion last May. And we plan to issue more, and encourage more entities to arrange financing for their green projects right here in Hong Kong.

Financial technology is another area where we strive to excel. You would have got the update on our exciting developments from the opening remarks of our Chief Executive this morning, so I would not repeat them here.

Looking at the big picture, the International Monetary Fund's latest projection of global economic growth this year has been adjusted downward to 3.4 per cent. Growth in Asia, however, will continue to outperform the rest of the world.

The IMF forecasts the Mainland economy to grow by 5.8 per cent in 2020, down slightly but still far and away leading most other jurisdictions.

As for Hong Kong, the IMF Staff Report last month commended the resilience of our financial system and linked exchange rate, despite its slowing economy. The IMF's Hong Kong report noted, and I quote, that "robust policy frameworks and ample buffers will help the economy weather the challenges ahead."

The IMF also expressed approval for the Government's wide-ranging policies to support the economy and safeguard financial stability.

While we welcome the IMF's confidence in Hong Kong, I am prepared to roll out further relief measures as necessary.

We will also step up efforts to capitalise on emerging opportunities – not only from green finance and Fintech but from the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Belt and Road Initiative, which demonstrates Hong Kong's uniqueness and irreplaceable position in the Mainland's national and economic development strategy.

In short, ladies and gentlemen, Hong Kong is, and will remain, the business bridge between the Mainland and the rest of the world. Count on Hong Kong, as always, to be your partner, to help you build your business in the Mainland, throughout the Asian region and around the world. Count on Hong

Kong to connect you with abundant capital and continuing opportunities.

I wish you all the best of business at the Asian Financial Forum and a healthy, happy and prosperous 2020. Thank you.

