

Speech by FS at AIMA APAC Annual Forum 2021 (English only)

Following is the video speech by the Financial Secretary, Mr Paul Chan, at the AIMA APAC Annual Forum 2021 today (June 10):

Jack (Chief Executive Officer of the Alternative Investment Management Association, Mr Jack Inglis), Michael (Managing Director and Co-head of APAC, Mr Michael Bugel), Kher Sheng (Managing Director and Co-head of APAC, Mr Lee Kher-sheng), distinguished guests, ladies and gentlemen,

Good morning.

I'm pleased to be speaking to you today at the Alternative Investment Management Association's (AIMA) APAC Annual Forum. My thanks to AIMA for making its flagship event in the Asia-Pacific region possible in a virtual setting.

I last spoke to this Forum, to you, two years ago in March. Some of you may recall my comment then, that "the world we live and work in today is complicated and volatile, fraught with uncertainty". Ladies and gentlemen, that sounds now like the good old days.

But if the global pandemic, and the economic and social turmoil it has engendered, is still with us, it is, thankfully, ebbing.

Here in Hong Kong, we are in a decidedly good place today, having recovered from last year's contraction of 6.1 per cent. Our first-quarter GDP growth reached a heady 7.9 per cent. I believe the rousing performance to date this year is underpinned by real momentum for recovery, locally and also globally.

It helps that our healthcare system and prudent government measures have kept the virus largely at bay. The rollout of our free COVID-19 Vaccination Programme is now into its fourth month. If you have yet to be vaccinated, I urge you to do so. It is only with your participation that our connectivity with other financial markets can fully resume.

Speaking of connectivity, 64 per cent of Hong Kong's US\$3.7 trillion in assets under management was sourced from non-local investors at the end of 2019. That flourishing international relationship is critical to maintaining, and expanding our role as a leading asset- and wealth-management hub.

The Hong Kong SAR Government's determination to boost our asset- and wealth-management business is driven by a four-step strategy.

The first step was to modernise our fund structure regime. Over the past

three years, we had introduced the open-ended fund company and the limited partnership fund (LPF) regime respectively. These have, I'm pleased to say, been well received. For example, over the past eight months, there were more than 200 funds registered under the LPF regime.

I've been told that the industry appreciates the contractual latitude that allows parties to adopt continually evolving terms. Let me say that it reflects your Association's valuable input in the Government's policymaking.

We are looking to further bridge capital markets and the real economy with this regime, one in which private equity leaders play a pivotal role.

We are hopeful that our limited partnership funds will fuel innovation and technology start-ups in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area).

The second cornerstone in the Government's strategy is to attract more funds to set up and operate in Hong Kong. In this respect, we are introducing legislative amendments to provide tax concessions for carried interest payable by private equity funds.

This together with the other tax concessions already granted to funds will certainly shape how fund sponsors choose a domicile for their next generation of private equity funds.

Our third step was seizing the opportunities presented by the OECD's (Organisation for Economic Co-operation and Development) on-shoring drive. We are encouraging foreign funds to look to Hong Kong, to take advantage of our comprehensive and competitive fund regimes as well as tax and financial incentives.

The end result, of course, is to encourage you to establish a presence in Hong Kong.

The fourth plank in our multi-pronged strategy is financial incentive. We are offering grants to open-ended fund companies and real-estate investment trusts that set up in Hong Kong over the coming three years.

Up to US\$130,000 will be handed out to each open-ended fund company, and more than US\$1 million to each real-estate investment trust. In short, your rewarding future in Hong Kong begins the day you arrive.

And, let me assure you, you'll be in good company. Hong Kong is second only to New York as the world's billionaire city. In 2019, our billionaire population recorded the largest net increase of any city in the world.

The Asian region's ascent to wealth accumulation is a major magnet for family offices. Some 1 300 of the world's 7 300 single-family offices can be found in the Asia-Pacific. And we are committed to making Hong Kong the region's new family office hub.

InvestHK and the Hong Kong Monetary Authority (HKMA) have set up a one-stop shop for potential family office clients. It offers personalised assistance to family offices, wherever in the world they may be, to help them find their way to us, Asia's world city.

Our financial regulators are equally supportive. The Securities and Futures Commission (SFC) and the HKMA have made exemptions from a number of requirements for family offices. For example, a single family office only serving its group companies would not require a licence from the SFC.

And there's more. InvestHK will soon launch a dedicated family office team to target private wealth clients worldwide. I am hopeful it will bring you a wealth of business opportunities.

The Greater Bay Area will certainly realise a wealth of business prospects for Hong Kong companies, and the companies that work with Hong Kong.

In 2019, the Greater Bay Area's GDP per capita exceeded US\$23,000. And the cluster city development of nine cities in Southern China, together with Hong Kong and Macao, is just getting started.

Hong Kong's central role in the Greater Bay Area presents boundless promise for the asset- and wealth-management sector. For each and every one of you.

That includes the Greater Bay Area's Wealth Management Connect scheme (Connect scheme), which is expected to be launched very soon.

The new Connect scheme will expand your customer base and boost Hong Kong's role in managing the flow of capital in and out of the Mainland.

It will also promote the use of Renminbi, reinforcing Hong Kong's standing as the world's offshore Renminbi business hub.

COVID-19 has been a sobering reminder that we are all susceptible to natural perils. It also reminds us that the financial system and larger considerations such as sustainability and inclusivity are inextricably linked. I'm pleased to see that the Forum will feature a spotlight on responsible investing – on integrating environmental, social and governance factors in investment decisions.

I can tell you that Hong Kong's financial future will be green and sustainable, and that includes achieving carbon neutrality before 2050.

Our Green and Sustainable Finance Cross-Agency Steering Group was created to help Hong Kong become the region's leading green finance hub. I'm confident our fund managers will profitably support us in this ambitious undertaking.

Since the launch of the Government Green Bond Programme in 2018, the

Hong Kong SAR Government has issued green bonds in two batches, one of which remains the longest-tenor, US dollar-denominated government bond in Asia.

Our green commitment is working hand-in-hand with market forces. The issuance of green bonds in Hong Kong last year rose to new heights. And we remain Asia's most popular green-bond listing venue.

And there's more to come. We will double the borrowing ceiling of the Government Green Bond Programme to nearly US\$26 billion. That will allow us to issue green bonds totalling some US\$23 billion over the next five years. And we plan to issue retail green bonds to engage the general public as well.

We will also promote Hong Kong as a centre for Chinese companies looking to raise funds for green projects.

The Hong Kong Exchange last year launched its Sustainable and Green Exchange (STAGE). STAGE, as it's known, is Asia's first multi-asset sustainable investment product offering. I'm confident it will become a central hub for data and information on green finance investment throughout the region.

My thanks, again, to the AIMA, for giving me this welcome opportunity to address you. With a worldwide membership of 20 000, and a regional office here in Hong Kong for 22 years, you are a valued contributor to Hong Kong's continuing success as one of the world's leading financial services' centres.

I wish you all a fruitful Forum, the best of health and business and a wealth of everything that is dear to you and yours. And I look forward to seeing you all, in person, right here in Hong Kong at next year's Forum.

Thank you.