

Speech by FS at Bloomberg Global Regulatory Forum 2023 (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Bloomberg Global Regulatory Forum 2023 today (October 31):

Bing (Head of Asia Pacific of Bloomberg, Mr Li Bing), Mr Cotzias (Global Head of External Relations of Bloomberg, Mr Constantin Cotzias), distinguished guests, ladies and gentlemen,

Good morning. Thank you for this opportunity to speak to you, the heads and senior representatives of international regulatory bodies and institutions, as well as high-profile business executives. For that, and for organising its first Global Regulatory Forum in Asia – right here in Hong Kong – my thanks to Bloomberg.

My congratulations, too, on the 30th anniversary of Bloomberg's office in Hong Kong. As Bing alluded to earlier, this is the largest office of Bloomberg in the Asia-Pacific and your regional headquarters.

Unlocking Hong Kong's new opportunities

Today, we are here under the theme, "Navigating complexity and unlocking opportunities". Everyone in this room, I believe, has become an expert navigator of complexity over these last several years. It's time now to begin "unlocking opportunities".

The global economy is still working through its aftershocks. Last month, the IMF (International Monetary Fund) forecast global economic growth this year at just 3 per cent, down from last year's 3.5 per cent.

The lack of growth momentum in many regions, heightened geopolitical conflicts and the persistence of high inflation are among the reasons for slackening growth. There are concerns that the high interest-rate environment will continue, and its effects have not yet fully surfaced.

Supply-chain reshoring, friend-shoring and even onshoring, advocated by some countries, will only further hinder economic growth.

Hong Kong, a small open economy with no capital controls, is inevitably affected by the global financial market and its ebbs and flows. But rest assured, the robustness and security of our financial system against external shocks had been acidly tested. Financial security remains one of our top priorities, and we have been working with regulators to closely monitor the latest developments and potential risk areas in the financial market through a cross-market, round-the-clock surveillance system.

Despite the short-term challenges, the medium- to long-term outlook for Hong Kong is bright. The East, and Asia, will remain a major engine of global economic growth.

Hong Kong is keen on unlocking the opportunities ahead, making the best use of our unique advantages under the "one country, two systems" framework.

The Chief Executive's Policy Address released last week has placed emphasis on adopting an "industry-oriented approach" to expedite our economic development, through reinforcing our traditional sectors such as financial services, boosting new sectors such as innovation and technology, and further opening new markets such as ASEAN (Association of Southeast Asian Nations), the Middle East and countries along the Belt and Road.

It signifies once again the mindset change of this government, no less than a paradigm shift – from relatively "laissez-faire" to being proactive and catalytic.

In the realm of financial services, much media attention has recently been drawn to the reduction of stamp duty for stock trading. But what needs to be stressed here is not to focus on a single measure but look at the bigger picture – that is, our determination and commitment to boost the liquidity of the stock market by a combination of measures. They include bringing enhancements to our listing regime, market structure, trading mechanism, mutual market access arrangements with the Mainland, and attracting both international and Mainland capital. With these, I am confident that we will be able to attract more companies and capital to Hong Kong.

And we continue to pursue other measures to further strengthen our role as a super-connector between the Mainland and the rest of the world. I am pleased to note, for example, that Hong Kong will soon launch Asia's first-ever ETF (exchange-traded fund) investing in Saudi Arabia. In a world heavily drifted by geopolitics and Middle East investors looking for opportunities to diversify, Hong Kong is no doubt best positioned to connect the capital and the vast investment opportunities between the Gulf region and Asia.

Ladies and gentlemen, I know today's Forum will also touch on a few regulatory priorities, including climate change and virtual assets. Allow me to spend the next few minutes to update you on Hong Kong's development on both fronts.

Green transition

As green colours the global agenda, governments around the world are putting high priority on carbon reduction and net-zero transition. Our country is highly committed to it. Not only has the Mainland Government set the "3060" targets as you all know, green transition is also central to the pursuit of high-quality development. This has been stated and reiterated at high-level party and state meetings last year and this year in Beijing. In

other words, it has been deeply ingrained into the minds of policy makers in the Mainland.

On the regulatory side, Hong Kong has long been trusted by international investors and businesses because of our alignment with the best international standards. For green and sustainable finance, we are making great strides in areas such as climate-related disclosure standards, green classification framework, green certification and green capacity building. I understand Eddie (Chief Executive of the Hong Kong Monetary Authority, Mr Eddie Yue) and Julia (Chief Executive Officer of the Securities and Futures Commission, Ms Julia Leung) will update you in this regard.

And I would focus more on the opportunities that Hong Kong could offer to the region and world. Green transition is capital intensive. More than US\$66 trillion will be needed by Asia alone in the coming three decades. Hong Kong is Asia's premier green and sustainable finance centre, issuing more than one-third of Asia's green and sustainable bonds last year.

And we are increasingly serving the needs of developing countries, including those along the Belt and Road. Just in May this year, we launched our first securitised infrastructure debts, worth around US\$400 million, covering 25 projects in the Asia-Pacific, the Middle East and South America. A number of these relate to green, sustainable development, as well as social responsibility.

The Hong Kong Monetary Authority is also working with the Mainland's Silk Road Fund to set up an investment platform for the Belt and Road. Together, they will contribute up to RMB15 billion or equivalent. And in the first phase, the two parties will set up an Impact Fund of up to US\$1 billion focusing projects in energy transition, infrastructure and ESG (environmental, social and governance).

Hong Kong is also advancing carbon trading by offering the world's sole market for settling carbon credits in both Hong Kong dollars and Renminbi. Today, it offers carbon credits from more than 40 internationally certified projects in Asia, South America and West Africa, covering forestry, solar, wind and biomass initiatives.

If I may add one more point – we also envision Hong Kong to be a green tech and green finance centre. With strong basic research, we are already home to hundreds of green tech companies, some of which are already selling their solutions across different parts of the world. Combining our strengths with those of the Greater Bay Area will put us in the lead to become a world-class green tech and green finance centre, creating a complete financial and industry chain.

And please stay tuned – early next year, we will organise the GreenTech and Green Finance Week to promote international dialogue, facilitate more matching of green funds and green projects, and expand co-operation possibilities in the green areas.

Virtual assets

On the area of Web 3 and virtual assets, I know you may be interested in what position the Hong Kong SAR (Special Administrative Region) Government takes after certain recent incidents here in Hong Kong. While investigations are ongoing and it is better not to go into the specifics, I would like to point out that it underlines the importance of a robust licensing regime for virtual asset trading. And we have implemented that regime since June this year. Information transparency and investor education will be strengthened at the same time.

We see regulation in this way: regulation and market development are not against one another. Rather, they go hand in hand: a robust, consistent, predictable and fit-for-purpose regime will instil confidence and trust in investors and market players. On this basis, a vibrant and innovative environment can continue to be built.

For virtual assets, we remain committed to regulating them under the "same activity, same risks, same regulation" principle.

Concluding remarks

Ladies and gentlemen, I am grateful to Bloomberg for organising this event in Hong Kong, which gathers an international audience of investors, regulators and business leaders physically in this great city. You are most welcome to go out and experience the vibrancy and energy of this city.

I am confident that many of you will find Hong Kong to be quite different from what you have heard or read from the Bloomberg news, not to mention the Wall Street Journal.

I wish you all the best of business, and health, in the coming years.

Thank you very much.

