Speech by FS at Bund Summit 2024 (English only) (with video)

Following is the video speech by the Financial Secretary, Mr Paul Chan, at the Bund Summit 2024 today (September 5):

Distinguished guests, ladies and gentlemen,

Good morning. I am pleased to join you today at the 6th Bund Summit, where global financial leaders gather to discuss development prospects and opportunities in our region's financial markets.

The Summit's theme, "Navigating a Changing World", is particularly timely as we face unprecedented changes that present both challenges and opportunities. Geo-economic fragmentation, enduring conflicts, high interest rates, and rampant trade protectionism are profoundly impacting the global business landscape and financial flows. However, the world of investments is also witnessing new opportunities driven by technological advancements such as AI, the reshaping of regional supply chains, and global efforts to combat climate change.

In an increasingly complex global landscape, it is only through openness and collaboration that we can address daunting challenges and seize opportunities together. This is the firm stance of our country, reiterated once again at the recent Third Plenary Session of the Central Committee of the Chinese Communist Party. Continuing opening up and deepening reform remain the country's fundamental direction.

One key focus is advancing the high-level opening up of the financial sector. This is where Hong Kong, as an international financial centre, can play a unique and vital role.

Hong Kong: a bridge for high-level opening up

First, Hong Kong will continue to serve as a key link between the capital markets and investors of the Mainland and the world. For the past four decades, Hong Kong has acted as a testing ground for the Mainland's financial market reforms and opening up, beginning with the introduction of H-shares for Mainland enterprises on the Hong Kong Stock Exchange in the 1990s.

Thanks to the "one country, two systems" framework, we practise common law, with a highly regarded rule of law culture, and ensure the free flow of capital, talent, and information. The Hong Kong dollar continues to be pegged to the US dollar. Our business practices align with the best international standards. Our regulatory framework is robust and transparent, with policies and practices implemented in a consistent and predictable manner.

International financial institutions maintain a strong presence in Hong Kong, with over 70 of the world's top 100 banks, and seven out of the top 10 global insurance companies operating in the city.

These characteristics have also established Hong Kong as a trusted platform favoured by global investors. For them, Hong Kong is the preferred conduit to access the Mainland's financial market.

This is evident in the figures. Since 2014, we have established mutual market access through the Connect Schemes with the Mainland, initially for stocks and bonds and now extended to ETFs (equity exchange-traded funds), index future contracts, and derivatives such as swap contracts. Stock Connect has become a vital channel for international investors to access the Mainland's equity market. Although foreign investors can directly buy Mainland stocks through QFIIs (Qualified Foreign Institutional Investors), over 70 per cent of A-shares held by foreign investors were acquired through Stock Connect. Likewise, around RMB10 trillion, or two-thirds of foreign investors' transactions of Mainland bonds were conducted through Bond Connect.

Hong Kong's role as a bridge between Chinese and global capital markets is set to strengthen further in the coming years. With the staunch support of the Central Authorities, the Connect Schemes are expanding. In April this year, the CSRC (China Securities Regulatory Commission) announced further measures to enhance their scope and depth.

One of those measures is the inclusion of the Renminbi counter in Stock Connect. This allows Mainland investors to purchase stocks of international companies listed on the Hong Kong Stock Exchange in Renminbi, thereby without incurring currency risks, and at reduced costs. In other words, international companies listed in Hong Kong will be able to access both international and Mainland capital.

Going forward, we will work to incorporate more risk management tools into the Connect Schemes to meet the needs of investors.

The second front is the internationalisation of the Renminbi. China now accounts for around 14 per cent of global exports, yet the use of the Renminbi as a settlement currency, while growing, stands at just 4.7 per cent as of July 2024, according to SWIFT data. Its status as a reserve currency is even more modest, at only around 2 per cent. This indicates significant potential for growth, as economies worldwide are increasingly willing to use the Renminbi to settle their trade with China.

Hong Kong has long been the largest offshore Renminbi hub in the world, currently processing over 80 per cent of global trade settlement denominated in the Renminbi. To support the increasing use of the currency, we will strengthen our Renminbi infrastructure and offer more products and risk management tools to better enable international investors to use Renminbi for trade and investment purposes.

We will also continue to support the Central, provincial and municipal authorities to issue Renminibi-denominated bonds in Hong Kong. Together, these measures will further enhance Renminbi liquidity and broaden the variety of products available.

A related development is Project mBridge, jointly developed by the People's Bank of China, the Hong Kong Monetary Authority, and several other central banks. This wholesale multi-central bank platform aims to facilitate faster and more cost-effective cross-border settlements using the respective currencies of participating economies. In June this year, mBridge has reached its minimum viable product stage and begun serving corporate transactions. In the long term, this project will lower trade transaction costs and facilitate multilateral capital flows, while supporting the internationalisation of the Renminbi.

The third front is for Hong Kong to connect with new and emerging markets. In response to geopolitical challenges, apart from strengthening our business relations with major markets in the West, we are opening up new markets by establishing closer financial links with rapidly emerging economies in Southeast Asia, the Middle East and beyond. By doing so, we are also strengthening our role in the country's strategies such as the Belt and Road Initiative and collaboration with the Global South. Indeed, the burgeoning growth in these emerging economies, ranging from infrastructure projects to green transition, requires massive investments. Hong Kong is well positioned to help match their quality projects with the needed capital and technologies. To this end, we are actively attracting more quality issuers and capital from these regions to our capital market. For instance, last year, the Hong Kong Stock Exchange reached agreements with the stock exchanges of Saudi Arabia and Indonesia, allowing quality companies from these economies to secondary list in Hong Kong. Recently, we added Abu Dhabi and Dubai to our list of partners, further expanding our connectivity with these dynamic markets.

The launch of an ETF investing in the Saudi market on our stock exchange last November was a landmark development in financial connectivity between the two markets. This year, we are expecting some reciprocal moves, including the launch of two ETFs on the Saudi Exchange that will invest in stocks listed in Hong Kong.

Concluding remarks

Ladies and gentlemen, I have just highlighted a few areas in which Hong Kong can contribute to the high-level financial opening up of the country. I look forward to your valuable insights that will spark further inspiration on the subject. Thank you very much.