

Speech by FS at China International Finance Forum - Hong Kong Summit (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the China International Finance Forum - Hong Kong Summit today (November 20):

Regina (Convenor of Non-official Members of the Executive Council, Mrs Regina Ip), Bryan (Chief Executive of the International Capital Market Association, Mr Bryan Pascoe), 楊安立 (Director of the Academic Affairs Council of the Shanghai Institutes for International Studies, Mr Yan Anli), distinguished guests, ladies and gentlemen,

Good afternoon. It gives me great pleasure to join you today at the Hong Kong Forum of the China International Finance Forum.

This forum brings together leaders from the financial sector to deliberate on the very pertinent issues of a profoundly changing global environment, faced by economies around the world, including Hong Kong.

But let me start by saying, as I stand before you, that I'm filled with deep confidence in Hong Kong's bright financial future. We have recently been ranked as Asia's top financial centre again, alongside New York and London, as the global top three.

Global investors also continue to take confidence in Hong Kong. Statistics point to

continuous fund inflow. Bank deposits, for example, rose by over 11 per cent, or HK\$1.7 billion, since the beginning of 2023 till September this year.

Our asset and wealth management sector has continued to grow, now managing over US\$4 trillion, according to the latest survey. That represented more than 30 per cent growth compared to 2018. Meanwhile, over 2700 family offices have established their presence in the city.

And we continue to maintain strong buffers to ensure the stability of our financial systems. That includes, for example, a foreign reserve of more than US\$420 billion. Our banking system has a liquidity ratio of over 180 per cent, well above the international standard of 100 per cent; and the capital adequacy ratio at 21 per cent, much higher than the 8 per cent requirement.

On top of these strong figures, what forms the bedrock of Hong Kong's value proposition as an international financial centre (IFC) is that under "one country, two systems", we remain the only city in the world that enjoys both the China advantage and the international advantage.

On the one hand, we have convenient and at times priority access to the

Mainland market. On the other, we maintain all the singular advantages, including the common law, the tradition of rule of law, and a judiciary that exercises powers independently, free flow of capital, goods, information and talent, a simple and low tax system, a currency pegged to the US dollar, and business practices that align with the best international standards.

"One country, two systems", let me emphasise, will be here in the long run, as a firm commitment of the Central Government, reiterated by President Xi multiple times.

I wish to spend the remaining minutes sharing our strategies for bolstering Hong Kong's status as an IFC as we move forward, namely expanding market connectivity, driving financial innovation, and promoting green and transition finance.

Connectivity has always been a defining feature of Hong Kong's success. As a global financial centre located at the crossroads of East and West, Hong Kong remains the key entry point to the Mainland market.

Stock Connect is one of the prime examples of this much-envied connectivity with the Mainland. Initiated 10 years ago, the scheme allows international investors to access the Mainland's capital market through an environment familiar to them – that is, Hong Kong. And it works the same way for Mainland investors wanting to buy Hong Kong stocks. That means, international companies listed in Hong Kong could benefit from the investment and liquidity of both the Mainland and international markets.

Over the years, we have seen the Connect Schemes expand significantly to cover bonds, ETFs (exchange-traded funds), and now derivatives. And they continue to be deepened and broadened. In April this year, the CSRC (China Securities Regulatory Commission) announced a series of measures to boost Hong Kong's capital market. That included expanding the scope of Southbound Connect, and supporting leading Mainland enterprises to list on our stock exchange. Now, over 100 of such companies are in the pipeline for listing in Hong Kong.

Externally, we are also strengthening the connectivity with different markets.

Despite the geopolitical challenges, we will continue to engage with traditional markets, including the US and Europe. Indeed, there are many areas where common interests could be identified, and pragmatic co-operation pursued, such as ESG (environmental, social, and governance) and green transition.

Meanwhile, the shifting economic gravity presents new opportunities. That includes a rising Global South, which now accounts for around 60 per cent of global GDP in terms of purchasing power parity.

As an international financial centre, and given our strategic position at the heart of Asia, Hong Kong can play the role of "super connector",

bridging not only the traditional markets but also emerging markets in the Global South, like ASEAN (Association of Southeast Asian Nations) and the Middle East.

This role is more prominent as many of these markets embark on ambitious development plans driven by their need for growth and desire for risk diversification. Significant trends such as digitalisation and green transformation are set to shape the future of these regions. The rapid advancement of fintech will help make financial services more accessible and inclusive, enabling these economies to leapfrog into a new era of development.

Hong Kong stands ready to contribute in many of these areas, including, of course, our financial and professional expertise, alongside our innovative technological solutions. We can offer essential support in infrastructure financing and green finance and guide funding to new projects through innovative financial products, such as securitised loans. We are also poised to promote the adoption of fintech in cross-border payments and settlements.

Together, we can harness these opportunities and drive economic innovation, resilience, and growth in the Global South markets and, more importantly, create a more interconnected and sustainable future shared by all.

Speaking of innovation, let me turn to our second strategy – promoting financial innovation. Innovation is indeed a key element to Hong Kong's success as a global financial hub. As technology reshapes the financial industry, Hong Kong has embraced the challenge of staying at the forefront of this transformation while maintaining robust regulatory standards.

We adopt a pro-market, pro-innovation regulatory approach. Here, financial regulators have the dual mandate to serve as both regulator and market enabler. In other words, we ensure there is robust regulation to uphold market integrity, stability, and investor protection, while facilitating market development in this fast-changing world of finance.

We take various initiatives, such as sandboxes, to encourage innovative practices. We are among the first to introduce a comprehensive licensing system for digital assets. Now, we are seeking to put stablecoin under regulation by introducing legislation within this year.

Our belief is straightforward: It's only through proper regulation, through putting in the guardrails for financial stability and investor and consumer protection that financial innovation will truly prosper for the benefit of all.

Artificial intelligence, for example, holds transformative potential for financial services but also raises concerns about cybersecurity, data privacy, and intellectual property rights.

That's why we issued a policy statement, just a few weeks ago, to set out our policy stance and regulatory approach towards the responsible

application of AI in financial services. We consider it appropriate to adopt a dual-track model for AI. We will continue to encourage the adoption of AI to capture the opportunities while assessing its associated risks from time to time and mitigating them.

Finally, green and sustainable finance. Sustainability has become a global imperative. Support net-zero transition requires funds measured in trillions of dollars. There is, however, a huge funding gap worldwide. In this respect, we have been playing the role as Asia's green finance centre, having issued more than US\$63 billion in green bonds and sustainable debt on average over the past three years.

On green standards setting, we participate in the global efforts in developing taxonomies to delineate permissible activities. In May this year, the Hong Kong Monetary Authority published the Hong Kong Taxonomy for Sustainable Finance, aiming to facilitate informed investment decisions on green and sustainable finance and thereby scaling up relevant investments. The next step is to develop the taxonomy to include transition activities.

In March this year, the Government issued a statement, which sets out our vision and approach on developing the sustainability disclosure ecosystem in Hong Kong. We aspire to be among the first jurisdictions to align local sustainability disclosure requirements with the global standards set by the ISSB (the International Sustainability Standards Board). We will be issuing a roadmap in this regard within this year.

Ladies and gentlemen, I hope I have given you a good glimpse about some of the directions that Hong Kong is heading in. In a world fraught with challenges, we must continue to adapt to changes, innovate, and reinvent ourselves. Hong Kong stands ready to work with global partners to this end. Only by working together could we shape a future of shared prosperity.

Before I conclude, I invite you to experience Hong Kong beyond its financial offerings. From our world-class dining to our vibrant cultural scene, there is much to discover in our dynamic city. Thank you very much.

