

Speech by FS at Financial Services/Business Professional Services/FinTech Day of Investment Promotion Week (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, delivered today (October 17) at Financial Services/Business Professional Services/FinTech Day of Investment Promotion Week organised by Invest Hong Kong.

Stephen (Director-General of Investment Promotion, Mr Stephen Phillips), distinguished guests, ladies and gentlemen,

Good morning. It is a great pleasure to welcome you all, in person and online, to Investment Promotion Week, organised in celebration of the 25th anniversary of the establishment of the Hong Kong Special Administrative Region (HKSAR).

I'm told that some 2 500 business and investment leaders from 45 economies will take part in this Investment Promotion Week. For that, my sincere thanks to Invest Hong Kong.

As the Chief Executive noted, the theme of this Investment Promotion Week is "Hong Kong Success Story – Your Next Chapter".

Each day this week we'll focus on a salient sector or feature of Hong Kong's longstanding international success story. We'll also highlight what's fast emerging or just around the bend, waiting for you, for your business and investment future in Hong Kong.

Speaking of Hong Kong, the recent issue of a well-known international business magazine included this questioning, and questionable, headline: "Which city will be the next Hong Kong?"

The article suggested that there were contenders for Hong Kong's pre-eminent status despite, and I quote, "decades as Asia's de facto financial capital, thanks to a currency that's pegged to the US dollar, income taxes that top out at just 17 per cent, a robust stock exchange and proximity to Mainland China, the world's second-largest economy".

Ladies and gentlemen, there is only one Hong Kong. And it is not going anywhere. You can count on that. Yes, we've had a bumpy ride the last few years. But our social unrest has given way to stability and business opportunity. As for the pandemic, along with a more modest COVID situation, we have been rationalising our anti-epidemic measures and easing quarantine

and travel arrangements, on a science- and evidence-based and targeted approach. The goal is to reduce the inconvenience of cross-boundary travel, and allow us to revive the economy and return to normality as early as possible. The relaxation of quarantine arrangements for arrivals to "0+3" recently is another important step in this direction.

I can also tell you, looking from the more fundamental perspectives, why Hong Kong will continue to be successful. We can thank our singular "one country, two systems" principle. It ensures a clear and compelling connection with both the Mainland and the world at large.

And we have the assurance of the Central Government. Speaking on the celebration of the 25th anniversary of the establishment of the HKSAR, President Xi Jinping assured the world that the "one country, two systems" principle will be adhered to in the long run. He also emphasised the importance of maintaining Hong Kong's distinctive status and advantages, and the Central Government's full support to strengthen Hong Kong's position as an international financial, shipping and trading centre.

Our status and advantages are underpinned by the rule of law; an independent judiciary; free flow of information, capital and goods; and free trade. We are blessed with world-class infrastructure, a welcoming business environment open to all, a simple and competitive tax regime, a freely convertible currency with no capital controls, an internationally aligned regulatory regime, excellent education institutions recognised by the world, and vibrant city living. And a whole lot more that make Hong Kong the freest economy in the world.

Our connectivity and deepening economic integration with the Mainland, particularly with the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), will only present us, and those working with us, with more far-reaching prospects and opportunities.

The GBA is a young, energetic cluster city development with prosperous developments in innovation and technology (I&T) as well as manufacturing. It boasts a combined population of 86 million and a per capita GDP of more than US\$22,000. We are stepping to strengthen co-operation with sister cities in the GBA on financial services and I&T, and indeed many other areas. Certainly, it is a huge consumer market; it is also a rich source of talents, technology, capital, as well as production and services solutions that could help businesses to thrive.

So, despite the difficulties we encountered due to the COVID-19 pandemic – be they loss of talents or challenges to our competitive status – no city, no financial centre in the world, can eclipse our vaunted strengths and celebrated advantages.

Indeed, Hong Kong is coming back. Ready for the world's return and for your return. In just two days, the Chief Executive will deliver his first Policy Address, and stay tuned – there will be highly favourable terms and measures to attract both enterprises and talents.

And in two weeks' time, Hong Kong will host a global financial summit. A host of cultural and sports events are returning. They include the Hong Kong Masters, a world-class snooker tournament which was successfully concluded; the return of the Vienna Philharmonic Orchestra later this month; and the Rugby Summit – we call it the Hong Kong Sevens. Remember to get your tickets while stock lasts!

Turning to the theme of this day on financial services, business and professional services as well as fintech, there is indeed much to highlight.

Long one of the world's leading international financial centres, Hong Kong is home to nearly 80 of the top 100 world banks and 12 of the top 20 insurance companies. Our banking sector remains resilient, with robust capital and liquidity positions. Our stock market, too, is deep and liquid. Despite the great uncertainties dominating international affairs, straining trade and business, Hong Kong's financial market has remained enviably stable and sure.

We are acting relentlessly to reinforce our position as an international financial centre – backed strongly by our country under the 14th Five-Year Plan. This includes fortifying our traditional advantages and opening up new frontiers.

Over the past few years, we have been working to diversify our fundraising platforms through reforming our listing regimes, offering incentives and concessions for certain securities to be listed, etc. At the same time, with the great support of our country, the various Connect schemes are expanding and deepening, with mutual access helping to further connect the Mainland's financial markets and international capital and vice versa, facilitating the reform and opening up of our country's financial services.

The world's demand for the Renminbi (RMB) for cross-boundary trade settlement, investment, and as a reserve currency, is growing. Hong Kong, as the offshore RMB business hub which handles more than 75 per cent of global offshore RMB payments, is working to enhance our RMB offshore ecosystem and facilitate RMB internationalisation. We seek to roll out more investment and other instruments denominated in RMB, to provide a wide range of investment, exchange, risk management and treasury management tools. We are also upscaling our related market infrastructure.

At the same time, we are striving to strengthen our status as an international asset management centre, risk management centre, and green and sustainable finance centre through various policy incentives. Fintech and virtual assets are also trends that we eagerly embrace.

Altogether, they present boundless, long-term opportunities for Hong Kong's financial services and investors everywhere.

In particular, guided by our environmental commitments and to contribute to worldwide efforts to cut carbon emissions, green and sustainable finance in Hong Kong is shining. It offers great promise for those, governments and enterprises alike, who are seeking to fuel their green transition through

harnessing international capital.

Last year, the total amount of green and sustainable bonds and loans issued or arranged in Hong Kong was four times of that in 2020, reaching US\$56.6 billion and ranked first in Asia. Since 2018, the HKSAR Government has issued a cumulative total of close to US\$10 billion worth of green bonds, which are denominated in RMB, US dollar, the euro and the Hong Kong dollar. Among them, some US dollar- and euro-denominated green bonds have a tenor of as long as 20 to 30 years, which were the longest-tenor government green bonds of the same type in Asia at the time of issuance. In May this year, we issued Hong Kong's inaugural retail green bond. It totalled about US\$2.6 billion, making it the world's largest retail green bond issuance. Thanks to that issuance, residents can contribute directly to Hong Kong's greening and our continuing progress in sustainable finance. In many ways, we are setting the benchmark for green and sustainable finance in the region.

There's opportunity, too, in carbon trading. In July, the Hong Kong Stock Exchange launched the Hong Kong International Carbon Market Council, its membership including Hong Kong, Mainland and international corporations as well as financial institutions.

Hong Kong has a leading role in the asset and wealth management industry in the region. As at the end of last year, assets under management in Hong Kong amounted to over US\$4.5 trillion, with two-thirds of the funding sourced from non-Hong Kong investors. Hong Kong is also Asia's largest hedge fund centre and second largest private equity market, the latter second only to the Mainland. Now, family office is a new growth point here. To boost our attractiveness as a family office hub, tax concessions are already in the pipeline. Our organiser, Invest Hong Kong, has set up a dedicated family office team about a year ago.

Then there is fintech. This Government attaches great importance to fintech development and the digitalisation of financial services.

That includes enhancing our financial infrastructure, nurturing talents, strengthening collaboration with the Mainland and overseas jurisdictions and ensuring an enabling regulatory environment.

We have seen heartening developments: just five years ago, Hong Kong counted only 180 fintech enterprises. Today, we are home to more than 600 fintech companies, about one-third of which are from overseas. That includes eight virtual banks and four virtual insurers.

Our fintech infrastructure is quickly expanding. The popularity of Faster Payment System (FPS) and electronic payment platforms is fast rising. By September this year, the number of FPS registrations was more than 11 million, having increased by 22 per cent compared to a year ago. And with the help of the Consumption Voucher Scheme, the numbers of consumer and merchant accounts in electronic payment platforms had increased by more than 8 million and 150 000 respectively.

And the Hong Kong Monetary Authority (HKMA) has rolled out the Fintech

2025 strategy. Among many other things, it includes building a Commercial Data Interchange, a piece of financial infrastructure that will enable more efficient financial intermediation. It will facilitate small to medium-sized enterprises to gain access to more convenient financing services, being conducive to our financial inclusion goals.

HKMA is also future-proofing central bank digital currencies. In particular, HKMA is working with the Bank for International Settlements Hong Kong Centre and three peer central banks on a project called the mBridge project – exploring the use of central bank digital currencies to expedite cross-boundary payments.

Our advances also include blockchain, and virtual assets (VAs) which are thriving in the global markets. We see promise in securities' token offerings, in how blockchain technology can combine with traditional securities markets to support asset liquidity and wider financing channels, all in a transparent, efficient and cost-effective manner. The Hong Kong Securities and Futures Commission is reviewing its policy in this regard and welcomes business proposals.

For VAs, a statutory licensing regime for VAs service providers will be established after our Legislative Council passes the relevant bill, thus safeguarding as well as promoting the healthy development of the sector. What's more, we are also studying the regulation of payment-related stablecoins, and working to provide traditional financial institutions with guidelines on offering VA-related services to clients.

And do look forward to more exciting developments in our FinTech Week to be held from October 31 to November 4, where we will make a policy statement on VAs. It will showcase our commitment on financial innovation, towards developing a vibrant sector and ecosystem for VAs in Hong Kong. We are ready to tap the vast opportunities brought by Web3, NFTs (non-fungible tokens) and much more.

Ladies and gentlemen, as you can see, there is so much to expect from Hong Kong, which is an ideal location for setting up or expanding your businesses here. Our position is underpinned by our systemic strengths and a range of sectoral advantages, but all the more so, our commitment to embrace innovation, trends and opportunities by rolling out related enabling policies and measures. On this day – and other days – of the Investment Promotion Week, I am sure you will hear a great deal more.

I know you will enjoy every moment of this Investment Promotion Week's Hong Kong success story. After all, it's your next chapter. Your future.

I wish you all the very best of business, investment and health in the coming year.

Thank you.

