[Speech by FS at HKVCA Asia Private Equity Forum 2021 (English only)]

Following is the video speech by the Financial Secretary, Mr Paul Chan, at the Hong Kong Venture Capital and Private Equity Association (HKVCA) Asia Private Equity Forum 2021 held online this morning (January 20):

Eric (Co-Chair of Asia Private Equity Forum, Mr Eric Mason), Jie (Co-Chair of Asia Private Equity Forum, Ms Jie Gong), Chin (Chairman of HKVCA, Mr Chin Chou), distinguished guests, ladies and gentlemen,

Good morning.

I'm pleased to be speaking to you today at the Asia Private Equity Forum. My thanks to the Hong Kong Venture Capital and Private Equity Association for making this happen. For putting together an ambitious, day-long virtual conference. For some of you, a night-long virtual conference.

Indeed, the programme features nearly 60 high-profile speakers from all over the world-speaking from all over the world. And I'm told that about 800 investment and financial professionals, together with those of you from related sectors and interests, are watching and listening, remotely. Intent on gathering a world of intelligence and insight, just as many of you did these past two days, at the 2021 Asian Financial Forum.

All part of the Hong Kong SAR Government's annual financial week. A week dedicated to the promise, the possibilities and the daunting challenges this new year brings us.

The immediate challenges are clear. COVID-19 has brought the world to a standstill, battering business, trade and industry, overwhelming our communities, our institutions, our families and our lives.

Hong Kong is no exception. COVID-19 has swept over our economy, and our community, like one of the mid-summer typhoons that sometimes strikes Hong Kong and the region, shaking everything in its path for a few destructive days. Only that Typhoon COVID-19 has been a disrupting, and deadly, presence now for nearly a year.

Let me give you a quick account of the damage it has caused to our economy. Our GDP has dropped by 9 per cent in the first half of 2020. The free fall slowed in the third quarter, down 3.5 per cent, year on year. Add it up, and we're looking at a full-year contraction of about 6.1 per cent for 2020. A record contraction, let me add.

But that was then. The new year is full of hope and possibilities. They include the injection of guarded optimism in renewed globalism following the change of administration in the United States.

That aside, the rollout of COVID-19 vaccines should give the global economy a much-needed shot in the arm and elsewhere.

I'm not promising a global economic reset by the Chinese New Year in mid-February. But there should be real momentum for recovery in the second half of this year, globally and locally.

Until then, we will continue to see the Hong Kong economy and our community through this crisis. Indeed, over the past year, the Hong Kong SAR Government has rolled out supporting measures totalling more than US$38 billion through the Budget and the Anti-epidemic Fund.

To create more jobs in the financial services sector, we launched the Financial Industry Recruitment Scheme for Tomorrow in September through the Financial Services Development Council.

In less than two months, the US$23 million programme had created 1 500 new jobs full-time positions employing Hong Kong professionals for 12 months, I'm pleased to say. The jobs both expand the sector and boost employment and human capital at a critical time.

Speaking of capital, the wealth management sector's funding in Hong Kong, at the end of 2019, totalled US$3.7 trillion. That, ladies and gentlemen, exceeded the previous year by 20 per cent.

No less cheering, 64 per cent of it was sourced from non-local investors, showcasing Hong Kong's status as a leading asset and wealth management hub.

For that, I am grateful. No doubt, your clients are as well. And let me reassure you, here and now, that our bonds are built on mutual trust, effort and co-operation. They are, in short, as solid as ever and will continue to be so, whatever the crisis.

This Government is intent on boosting your impressive efforts through a three-step strategy.

The first step was the introduction of the limited partnership fund regime at the end of August 2020. This enhancement initiative has been very well received, with over 70 funds registered in just over four months' time.

The regime rewards private equity managers looking for opportunity in the Greater Bay Area, while enhancing Hong Kong's strengths as a private equity centre. It will also bridge capital markets and the real economy, fueling innovation and technology start-ups.

Then there are the tax concession plans for carried interest payable by private equity funds domiciled in Hong Kong. Realising this goal is essential if we are to ensure Hong Kong's status as a regional private equity hub.

On this, we have received valuable feedback from both the industry and the Legislative Council.

We are now pressing ahead with the introduction of a bill into the

Legislative Council. The sooner the better.

Our third step is to seize the opportunities presented by the trend to on-shoring driven by the OECD. We are encouraging foreign funds to migrate to Hong Kong, leveraging on our open-ended fund company or limited partnership fund regimes.

We will soon table a legislative proposal on this. The end result, of course, is to encourage you to operate from Hong Kong.

Hong Kong is second only to New York as the world's billionaire city. In 2019, our billionaire population recorded the largest net increase compared with any other city in the world.

The Asian region, overall, is a magnet for big money. It's also attracting single-family offices. Indeed, 1 300 of the world's 7 300 single-family offices can be found here in the Asia-Pacific. And we're working to get more of them to call Hong Kong home.

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

The Securities and Futures Commission, along with the Hong Kong Monetary Authority, are also helping. They have clarified exemptions from a number of requirements for family offices.

Hong Kong's central role in the Greater Bay Area can only help make the move to Hong Kong easier. And more rewarding.

The emerging cluster-city development embraces some 72 million prosperous consumers across Hong Kong, Macao and nine cities in Guangdong. Last year, the region's GDP, per capita, exceeded US$23,000. And it's just getting started.

The Greater Bay Area presents boundless promise for the asset and wealth management sector. For every one of you.

That's particularly so given the announcement, last June, of the Greater Bay Area's Wealth Management Connect scheme. Alongside the Stock Connect and Bond Connect offerings, it will encourage mutual access to financial markets between Hong Kong and the Mainland. Creating a wealth of new opportunities in asset and wealth management.

Given the growing concentration of high-net-worth individuals across the region, the new connect scheme will expand your customer base, encouraging more global financial institutions to turn to Hong Kong for their investment and business needs. It will also boost Hong Kong's role as the critical gateway for capital flowing in and out of the Mainland.

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

There's more financial promise in Hong Kong's fast-rising innovation and technology sector.

Hong Kong is now home to more than 600 fintech companies and start-ups. Among them eight are unicorns.

In the first seven months of 2020, more than 20 Hong Kong-based start-ups raised nearly US$500 million in venture funding. That was accomplished, by your sector, despite the daunting limitations imposed by the pandemic.

To date, eight virtual banks and four virtual insurers have been authorised to operate here in Hong Kong.

Let me reiterate the Hong Kong SAR Government's commitment to supporting fintech development. In recent years, we have launched a great many fintech offerings. They include the Faster Payment System, the eTradeConnect blockchain platform and a virtual asset-trading company. These, and other innovations, have been widely embraced by business and consumers alike.

And we are working closely with our financial regulators to ensure that convenience does not compromise privacy or security.

Hong Kong's financial future will also be green and sustainable.

We have, I'm pleased to say, come a good, green way in a short time. The Green Bond Grant Scheme of 2018 was followed by the Government's inaugural green bond issuance last year. Over the next five years, we plan to issue green bonds totalling US$8.5 billion.

And, under the Mainland's Belt and Road Initiative, we will promote Hong Kong as a centre for Chinese companies looking to raise funds for green projects.

Last month, a group co-chaired by the Hong Kong Monetary Authority and the Securities and Futures Commission issued a strategic plan to help us fast-track Hong Kong's progress to becoming the region's leading green finance hub.

By the middle of this year, the Government plans to release a carbon neutrality plan for Hong Kong. It will lay the foundation for the Government, our financial regulators and the industry to realise that green financial future. And I'm confident our private equity funds will profitably support us in this ambitious undertaking.

When it comes to sustainable financing, your sector and your businesses are showing the way. The brighter way for Hong Kong.

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, in the new year.

Thank you.