

Speech by FS at LME Asia Metals Seminar 2019 (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the LME Asia Metals Seminar 2019 today (May 7):

Laura (Chairman of the Hong Kong Exchanges and Clearing Limited (HKEX), Mrs Laura M Cha), Charles (Chief Executive of the Hong Kong Exchanges and Clearing Limited, Mr Charles Li), Sir Brian (Chairman of the London Metal Exchange, Sir Brian Bender), Matthew (Chief Executive of the London Metal Exchange, Mr Matthew Chamberlain), distinguished guests, ladies and gentlemen,

Good morning.

It gives me great pleasure to be here with you, for the LME Asia Metals Seminar, one of the highlights of the LME Asia Week, now in its seventh year.

This is, by the way, the first time the seminar has taken place at HKEX Connect Hall, which opened just 15 months ago. Formerly the trading hall of the Hong Kong Stock Exchange, Connect Hall is now a state-of-the-art showcase for the Hong Kong financial market.

And for Hong Kong's financial market, one of the key building blocks is the commodities market, which plays a crucial role in the overall economy.

The Hong Kong Commodity Exchange, established in 1976, traded in products such as cotton, sugar and gold futures.

In 1985, it gave way to the Hong Kong Futures Exchange, which, of course, is now part of the HKEX.

Hong Kong remains a derivatives leader in the Asia-Pacific region, with the Hong Kong Futures Exchange trading in a wide range of futures products.

That only underlines the crucial role that the commodities market has played, and continues to play, in our overall financial market. Indeed, a well-established commodities market is instrumental in enabling manufacturing and infrastructure development and other critical economic activities.

Take batteries for e-vehicles as an example, the manufacture of which involves the use of a variety of metals, and some of them are traded on the London Metal Exchange.

The commodities exchange ensures a constant supply of essential metals, meeting the hedging needs of electric-vehicle manufacturers around the world.

Let me add that the LME established an electric vehicles' Metals Team and Advisory Group in 2017. The LME believes in the future of electric vehicles, and the long-term need that growing business will have for battery metals in the coming years and throughout this 21st century, in Asia and around the world. To that end, the LME is actively exploring new risk-management tools for electric-vehicle battery materials, keen to serve the industry's evolving risk-management requirements.

That can only fuel – please do excuse the term – the development of batteries for e-vehicles. The LME's electric-vehicle focus shows, as well, the role of the financial market in serving the real economy.

Speaking of the market, last year LME's total volume exceeded 157 million lots. That was up an encouraging 17 per cent over the previous year, underscoring the boundless business opportunities in metals trading.

That's certainly the case here in Asia, given the continuing opening-up of the economy of the Mainland of China.

In short, I'm confident that the demand for commodities – for manufacturing and other uses in the region – will enjoy significant growth in the coming years.

Indeed, the financial services sector in general looks very promising, given the launch of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in February this year.

The Greater Bay Area Development is a national strategy embracing Hong Kong, Macao and nine prosperous cities in the Pearl River Delta of the Guangdong Province. Together, their GDP amounted to US\$1.6 trillion. Their collective population, exceeding 70 million, which is nearly the size of the New York, San Francisco and Tokyo Bay areas combined. These, ladies and gentlemen, make the Greater Bay Area one of the biggest and most affluent consumer markets on the Mainland.

In short, there is vast business and financial potential waiting to be harnessed. The good news is that the Development Plan supports Hong Kong's lead role as the international financial centre and global offshore Renminbi business hub for China. It also recognises our position as an international asset management and risk management centre, and a financing hub for infrastructure projects under the Belt and Road Initiative.

No less critical, it supports our goal of progressively promoting mutual financial market access with the Mainland.

The confidence of the Mainland and international communities in Hong Kong reflects our longstanding dual status, as one of the world's leading financial centres, as well as China's international financial capital.

As mentioned by Laura, Hong Kong has ranked first globally, six times in the past decade, in funds raised through IPOs (initial public offerings).

And our stock market capitalisation, which stood at more than US\$4

trillion at the end of this January, is the world's sixth-largest.

Earlier this year, Hong Kong was named the world's freest economy – for the 25th year in a row – by the Heritage Foundation. Their annual "Index of Economic Freedom" called Hong Kong, and I quote, "an exceptionally competitive financial and business hub".

I couldn't have said it any better. In short, ladies and gentlemen, Hong Kong's financial sector – and that very much includes our commodities market – has what it takes to lead, not just in the Greater Bay Area, but also in Asia, in this 21st century of opportunities.

My thanks to the HKEX for organising the annual LME Asia Week. You have a full and rewarding day of market intelligence and insight ahead of you. And even more rewards this evening, with another industry highlight on tap – the annual LME Asia dinner.

I'm told some 2 000 influential professionals from the metals trading industry, as well as businesses, finance and government, are going to attend the gala black-tie event. They are from the Mainland of China and throughout Asia, from Europe and North America, as well. I know it will be a memorable evening.

I wish you all the best of business, whatever you're trading, in the coming year. And I look forward to seeing you here again in 2020.

Thank you very much.

