Speech by FS at Private Wealth Management Association Annual Wealth Management Summit (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Private Wealth Management Association (PWMA) Annual Wealth Management Summit held online this morning (October 6):

Amy (Chairman of the Executive Committee of the PWMA, Ms Amy Lo), Peter (Chief Executive Officer and Managing Director of the PWMA, Mr Peter Stein), distinguished guest, ladies and gentlemen,

Good morning.

It gives me great pleasure to speak to you today, at the opening of the Private Wealth Management Association's sixth annual Wealth Management Summit.

This year's Summit is again taking place virtually. But that pandemic reality has certainly not dimmed your participation. I'm told that upwards of 1 000 of you have registered for the three-day Summit.

If you're keeping score, this is the fifth year in a row I have addressed this indispensable gathering.

It seems we have a mutual interest in wealth and its management. And I'm pleased to tell you that your heart, and your future, is in the right place. Right here in Hong Kong.

Like the rest of the world, Hong Kong continues to contend with COVID-19. But we have come a long good way this year. In the first half of 2021, our real GDP grew 7.8 per cent, year-on-year.

The Government's Consumption Voucher Scheme and the improving labour market have boosted both private consumption and business sentiment. Our exports are surging and the unemployment rate sinking, I'm pleased to say.

And there are a good many other indications that we are moving in the right direction – that there is real momentum for sustainable recovery.

Less than two weeks ago, the Global Financial Centres Index published its latest rankings, and Hong Kong climbed back to third, globally, among the more than 100 financial centres assessed – behind only New York and London. In infrastructure, human capital, financial sector development, reputation and more, Hong Kong remains among the world's most sought-after financial centres.

Last month, as well, the Fraser Institute once again ranked Hong Kong the world's freest economy in its Economic Freedom of the World annual report.

And the World Investment Report 2021, published in June by the United Nations Conference on Trade and Development, ranked Hong Kong the world's third-largest recipient of foreign direct investment (FDI) last year, behind only the United States and the Mainland – and up from fifth place in 2019.

The UN report noted that Hong Kong, and I quote, "will remain an important financial hub in Asia and a gateway to invest in China, because of its favourable tax regime, easy listing process, absence of capital controls and good regulatory framework".

The Investment Report attributed Hong Kong's FDI rebound to, and I quote, "the resolution of conflicts arising from the implementation of the National Security Law", among other factors.

Certainly the National Security Law has returned peace and stability to the lives of the Hong Kong people. That includes our business community. Since its implementation, our financial market has remained steady, and the Linked Exchange Rate System continues to function as it should. The banking sector is as robust as ever, financial services looks promising and development opportunities, here and on the Mainland, continue to open up.

That encouraging business rebound, buoyed by our "one country, two systems" framework and the singular strengths it presents, are detailed in a "Report on Hong Kong's Business Environment", published by the Hong Kong SAR Government just 10 days ago.

The 74-page Report also offers a considered analysis of the severe challenges we've faced, and overcome, these last two years. No less important, it serves as an invaluable guide to where we're going as an economy and a community. The answer, by the way, is more than implied in the Report's subtitle: "A Place with Unique Advantages and Unlimited Opportunities".

I have already addressed a few of the Report's critical observations in my speech. And I'll touch on a few more as I continue. For the most part, however, allow me to talk about you, our asset and wealth management professionals and the business prowess you so capably demonstrate, in good times and bad.

As for you, our asset and wealth management business, your resilience is nothing less than cheering. At the end of 2020, assets under management in the business rose 21 per cent, year on year, to US$4.5 trillion.

Of those assets, some 64 per cent were sourced from external investors. That speaks well – and in many languages – of the asset and wealth management sector's internationalisation, and its continuing promise. Given our ability to keep the pandemic at bay, compared with other financial hubs, I believe it is time to further expand our role as a premier asset and wealth management hub.

Accordingly, the Government developed a four-step strategy to elevate

Hong Kong's position as an international asset management centre.

The first step was to modernise our fund structure regime. After launching the open-ended fund company structure some three years ago, the limited partnership fund regime began last August and is doing remarkably well, I'm pleased to say.

More than 300 funds have been set up over the past year. And for good reason. The regime helps bridge capital markets and the real economy by channelling funding to businesses. It also helps the sector to structure client investments.

The strategy's second step is providing tax concession. One recent example is exempting carried interest payable by private equity funds operating in Hong Kong from taxation. The certification scheme has been open to fund applications since July.

Alongside favourable tax treatment, open-ended fund companies and real estate investment trusts get financial incentive from us in setting up here in Hong Kong. Subsidies of up to HK$1 million will be available to each qualifying open-ended fund company, and as much as HK$8 million for each real estate investment trust.

Introducing a fund regime that will attract foreign funds to relocate to Hong Kong is the final plank in our strategy. The new regime comes into effect on November 1.

Hong Kong is Asia's billionaire city – and second only to New York globally. Last year, Hong Kong recorded the largest net increase of billionaires among the world's cities. Managing that wealth will help sustain our status as a leading financial market.

The accumulation of wealth in Hong Kong, and Asia generally, coupled with the trend to service customisation, is encouraging more diversified wealth management services. That includes family offices.

Hong Kong has what it takes to become a regional family office hub. It helps that our Invest Hong Kong office now has a dedicated family office team in place here in Hong Kong, together with a presence in the Mainland and in Europe.

Our financial regulators have been equally supportive, with the SFC and the HKMA clarifying regulatory requirements for family offices. Among other things, that means that a single-family office, one serving only its group companies, does not need a licence from the SFC.

We are also reviewing tax treatment to enhance Hong Kong's attractiveness as a family office hub.

Then there's the Cross-boundary Wealth Management Connect, launched last month in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). I trust you'll agree with me when I say that the scheme is a landmark in the development of Hong Kong's wealth management business and the heightened connectivity it creates with Mainland markets.

After all, the GBA is just getting started. The cluster city development of nine cities in the Guangdong Province, together with Hong Kong and Macao, already boasts a GDP per capita of US$23,000, not to mention some 86 million consumers. Imagine the wealth of business prospects Wealth Management Connect will realise for the industry. For you and your business.

It will surely open up a broader market for financial services, providing more wealth management products for GBA residents. And that can only strengthen Hong Kong's role both as a global offshore Renminbi business hub and an international asset and wealth management centre.

COVID-19 has awakened us all to our vulnerability to natural threats and natural disasters. It also reminds us that the financial system and broader issues such as sustainability are closely interwoven. So I'm delighted that the Summit has chosen as its theme this year "Powering a Sustainable Future: Ready, Set, Grow".

The Mainland's 14th Five-Year Plan endorses a comprehensive green transformation for economic and social development. Its goal is achieving carbon neutrality by 2060.

The Plan also sets out clear positioning for Hong Kong's development, offering us countless opportunities in a variety of sectors, financial services leading the way. Hand in hand with Hong Kong's expanding role as an international financial centre, the Plan envisions our rise as a green finance hub.

The Hong Kong SAR Government is committed to realising that sustainable goal. We are working to align Hong Kong's regulatory standards with international best practices. We are also encouraging green and sustainable investment, financing and certification.

We are determined, as well, to take full advantage of the massive green financing opportunities, there for us, in the GBA development and the Belt and Road Initiative.

The Green and Sustainable Finance Cross-Agency Steering Group, chaired by the heads of the SFC and the HKMA, is creating climate-related disclosures and sustainability reporting.

It is also, I'm pleased to note, looking into Hong Kong's potential as a regional carbon-trading hub. And I hope to see the Steering Group's report on this promising opportunity before year's end.

Our smart green colours are visible in other areas of finance. The Government Green Bond Programme has issued green bonds in two batches since its launch in 2018. With the doubling of the Programme's borrowing ceiling to HK$200 billion in July, we expect to issue green bonds totalling HK$176 billion over the next five years. That will fund a range of green projects beyond public works.

Let me add that more than US$38 billion of green debt has been issued in Hong Kong up to 2020. And last year's green debt financing arranged here in Hong Kong reached an annual record high of US$12 billion.

As of July this year, 108 green or ESG-related bonds were listed on our Stock Exchange. In addition, more than 60 ESG funds were authorised by the SFC.

And I'm pleased to note increasing diversity among both participants and products. Numerous Mainland and foreign entities, including multilateral development banks, have issued green bonds in Hong Kong.

In May, the Hong Kong SAR Government launched a three-year Green and Sustainable Finance Grant Scheme. It's designed to subsidise eligible bond issuers, as well as loan borrowers' bond issuance and external review expenses. The bright green Scheme has been well received.

Next up, we plan to engage the broader public through the issue of retail green bonds. The greening of Hong Kong, ladies and gentlemen, is well under way.

I know the HKMA has been promoting green and sustainable banking to you. And I appreciate your efforts in pursuing green finance as a promising, and profitable, future for Hong Kong.

My thanks to the Private Wealth Management Association for giving me this welcome opportunity to address you, to share with you my confidence in the boundless promise that asset and wealth management offers Hong Kong and each and every one of you.

I wish you all rewarding business through this three-day Summit. And the best of health, and wealth to you and yours in the coming year. I look forward to seeing you, in person, right here in Hong Kong, at next year's Summit.

Thank you.