

# Speech by FS at Private Wealth Management Association Wealth Management Summit 2024 (English only) (with photo/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Private Wealth Management Association Wealth Management Summit 2024 today (November 22):

Amy (Chairman of the Executive Committee of the Private Wealth Management Association (PWMA), Ms Amy Lo), ladies and gentlemen,

Good morning. It gives me great pleasure to join you all again at the annual PWMA Wealth Management Summit.

The theme of today's Summit, "Navigating New Norms: Drive, Connect, Transform", aptly summarises the investment environment we are in, and what we need to do in the face of uncertainty and potential headwinds.

Here we will hear the perspectives on many pertinent issues from prominent private bankers, asset and wealth management specialists and many other professionals. Today's summit is truly timely.

Hong Kong's strong fundamentals

For friends who are coming from abroad, I'm happy to report that Hong Kong's fundamentals as an international financial centre have remained as strong as ever. Recently, Hong Kong returned to the top three global financial centres, along with New York and London. The Fraser Institute has once again ranked Hong Kong the world's freest economy.

Yet from time to time, we come across misperceptions about Hong Kong, such as those on the outflow of funds.

A few important facts will illustrate that international investors remain highly confident in Hong Kong.

First, bank deposits. Since the beginning of 2023 till September this year, bank deposits soared by around 11 per cent. That was equivalent to around HK\$1.7 trillion.

Second, the stock market, which gradually regained growth momentum and rose by about 15 per cent year to date. And this year, we have raised about HK\$70 billion in IPOs (initial public offerings), ranking fourth in the world.

Third, a vibrant private equity and venture capital ecosystem. With total capital under management of over US\$230 billion, Hong Kong is in the

second position in Asia, only behind the Mainland. We are Asia's No. 1 hedge fund base.

Fourth – and you must know better than I do – asset and wealth management. Despite having gone through some challenging years, we continue to see solid overall growth of the asset and wealth management sector. At last count, the AUM (asset under management) of the sector stood at US\$4 trillion. That represented some 30 per cent growth compared to 2018.

Our unparalleled access to the Mainland capital markets, and strategic location within the Greater Bay Area, have instilled strong confidence in international financial institutions in the outlook for Hong Kong's asset and wealth management business. Many of them are expanding their operations in Hong Kong, renting more floor space and relocating their senior executives to this city.

And there have been more encouraging developments for the industry. Let me explain.

#### Greater Bay Area Opportunities

The first is the enhancement of the GBA (Greater Bay Area) Cross-boundary Wealth Management Connect. The Scheme, since first launched in September 2021, has provided a convenient channel for residents in the region to invest in wealth management products in Hong Kong.

With the steadfast support of the Central Authorities, the scheme was further enhanced in February this year. That included enlarging the scope of investment products covered, increasing the investment quota of individual investors, relaxing the scope of investment products, and more.

The enhancement was warmly received by GBA residents. In just a few months' time, up to September this year, the cumulative amount of cross-boundary flow of funds went up six-fold, to reach over RMB 91 billion. The majority of the fund flow was from the GBA cities to Hong Kong. This has demonstrated the appeal and quality of the diversified investment product offerings by Hong Kong.

The insurance sector, meanwhile, presents good opportunities. The value of new business life insurance premiums from Mainland visitors stood at some HK\$60 billion last year, and HK\$30 billion for the first half of this year. That represented a jump of some 25 per cent compared to 2018.

#### Family Offices

The second is about family office. The Government has worked on all fronts to create a conducive and vibrant ecosystem for family offices. Hong Kong has the largest number of ultra-high-net-worth individuals in Asia. We are home to some 2 700 single family offices.

Over the past two years, the Wealth for Good Summits held in Hong Kong have brought together influential family office owners and decision-makers to explore strategies for effective wealth succession. As part of the effort to

nurture a vibrant family office ecosystem, last year, we launched a network of Family Office Service Providers, and established the Hong Kong Academy for Wealth Legacy to share knowledge, facilitate talent training and provide networking opportunities.

Last month, in partnership with Bloomberg, we also established the Hong Kong Family Office Nexus that will engage in community building, knowledge sharing, technology support and philanthropic collaboration.

Building on the current tax exemption for eligible investments by single family offices, we will consult the industry on enhancing the related tax regimes with additional exemptions.

#### Capital Investment Entrant Scheme

Third, the new Capital Investment Entrant Scheme. Launched in March this year, the Scheme has garnered an encouraging response. At mid-November, it has received more than 670 applications, potentially bringing in capital of over HK\$20 billion.

#### More opportunities ahead

Looking ahead, Hong Kong will present increasingly attractive investment opportunities for the asset and wealth management sector. Allow me to share a few observations.

First, connectivity. The role of Hong Kong in connecting different financial markets of the world is expanding.

Hong Kong has long served as a vital link between the capital markets of the Mainland and advanced economies. The Connect Schemes, initiated a decade ago, provide a trusted channel for both Mainland and international investors to access each other's markets. The schemes have continually expanded in both breadth and depth, encompassing stocks, bonds, exchange-traded funds(ETFs), derivatives, and real estate investment trusts as recently announced. As more products and investment channels emerge, the Connect Schemes will drive more capital and liquidity into Hong Kong.

On the other hand, we are committed to expanding our financial ties with emerging markets and promote two-way capital flows, particularly with economies in ASEAN (Association of Southeast Asian Nations) and the Middle East. Last year, we witnessed the listing of an ETF on the Hong Kong Stock Exchange that invests in the Saudi market. Just weeks ago, two ETFs investing in Hong Kong were listed on the Saudi Exchange, one of which has become the largest ETF in the Middle East. Through expanding into these new markets, we will attract more capital and investors from around the globe to Hong Kong.

My second observation is that Hong Kong holds a bright future with vast potential. One promising area is financial services, which I have discussed at length.

Another promising area is being a headquarters economy and a supply chain management hub. Shifting global dynamics are prompting more Mainland

companies to go global and re-align their manufacturing and supply chain networks. In support of their expansion, many will set up regional or global headquarters in Hong Kong for coordinating trade financing, overseeing corporate treasury functions as well as logistics. Our vision is to develop Hong Kong into a hub for regional and international headquarters, and a high value-added supply chain management centre to serve these enterprises.

Then, it is innovation and technology. Rapid advancements in technology have opened the door to a bright future for our city. Over the years, we have invested some HK\$200 billion in innovation and technology, focusing on four strategic areas: AI (artificial intelligence) and data analytics, biotech, fintech, and new materials and new energy. To accelerate development in these areas, we established the Office for Attracting Strategic Enterprises at the end of 2022. Our concerted efforts have successfully attracted over 100 innovative enterprises to Hong Kong, which are expected to invest more than HK\$50 billion in investments and create 17 000 jobs, many of which will be research and management positions. Notably, these companies will also bring along with them networks of companies in the up, middle and down streams of the industry chain.

In tandem with our efforts to support technological growth and economic development, we are dedicated to attracting talent from all over the world. Our various talent admission schemes have proven to be highly popular. Nearly 400 000 applications have been received to date. We have approved more than 250 000 of them, and more than 160 000 people have already relocated to the city. Many of them are professionals who are bringing their families, too.

All these encouraging developments will undoubtedly attract more top executives, professionals, entrepreneurs and high income individuals to Hong Kong. They are valuable sources of wealth that will contribute to the robust business growth of your sector.

#### Concluding remarks

Ladies and gentlemen, while our asset and management sector holds great promise, more needs to be done to realise its full potential.

One that requires our collaborative effort is the promotion of Hong Kong. As your Hong Kong Private Wealth Management Report has rightly put it, "[T]his year's survey showed that Hong Kong continues to face perception challenges. Continued efforts through public-private partnerships will be required to receive feedback and address concerns from clients on some of the misinformation that may affect their perceptions of the city."

The mission of sharing the true Hong Kong story is one that we would count on you as valuable partners. Whether you live here or are just here for a visit, it helps every bit that you bring back and share what you see in this city with your clients and friends. Invite them to come. Hong Kong will always remain open, welcoming and vibrant – both for business and the many pleasures of life.

Finally, I wish you all a rewarding Summit and the best of business in

the coming year. Thank you.

