# Speech by FS at PWMA Virtual Wealth Management Week 2020 (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Private Wealth Management Association (PWMA) Virtual Wealth Management Week 2020 today (November 10):

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

Good morning, and welcome to the Private Wealth Management Association's Virtual Wealth Management Week.

I'm told there are some 1 000 of you, bankers and financial services professionals, watching and listening in. You're here, there and everywhere – thanks to virtual magic and the innovative people behind the PWMA. They have taken their annual flagship event – a full-day's summit in each of the previous four years – and smartly remade it.

The result, a virtual week, is spread over five days. Each day is concentrated into a few engaging hours of high-profile speakers. They focus on the themes and issues that matter today – and that will continue to reshape the wealth-management sector, and each and every one of you, for the foreseeable future.

The Hong Kong economy, like the global economy, has been battered and buffeted by COVID-19. And that's only the latest in a series of shock waves – starting with the acute geopolitical tensions between the United States and China and continuing, last year, with the widespread protests that rocked our community.

The cumulative effect has not been kind to the Hong Kong economy. Our last five quarters have been mired in recession. But while real GDP fell 9 per cent in the second quarter, following a record plunge of 9.1 per cent in the first quarter, third-quarter results were modestly more palatable, down 3.4 per cent. Third-quarter GDP was actually up 3 per cent over the previous one, in a quarter-to-quarter comparison.

We are, I hope, now consolidating at this low ebb, and anticipate that the fourth-quarter results will be more encouraging. China's economic recovery, which continues to lead the world, and the stabilising of the epidemic in Hong Kong, should help lift economic activity and community sentiment. In these pandemic times, you take your hope where you can find it.

The Government, to be sure, is doing as much as we possibly can to lift the spirits of the Hong Kong people and prop up the economy. Since the beginning of the year, we have made available more than $300 billion through the Budget and three rounds of the Anti-Epidemic Fund.

There's certainly good news in the numbers behind our asset and wealth-management business – your businesses. At the end of 2019, sector funding totalled $28.8 trillion. That's up a rousing 20 per cent, year on year. No less cheering, 64 per cent of it was sourced from non-local investors, showcasing Hong Kong's status as a leading regional asset and wealth-management hub.

Our private banking and private wealth-management business deserves a standing ovation as well, up a soaring 19 per cent, year on year, to $9 trillion. And net fund inflow rose 80 per cent, to $681 billion.

The Government applauds your hard-won results. No less important, we continue to back your impressive efforts. The open-ended fund company regime has been up and running for more than two years now.

And, at the end of August, we introduced the Limited Partnership Fund regime to bolster Hong Kong's continuing rise as a premier private equity home. And that can only boost our asset-management industry.

The new regime has been well received: 32 funds have registered in just over two months' time.

It's capturing opportunities opened by assets reallocation. That, of course, is a result of the on-shoring trend driven by the OECD (Organisation for Economic Co-operation and Development). The OECD's domestic tax-base erosion and profit-shifting framework is working to put an end to tax-avoidance strategies, and that should spur funds to align their structures with business activities.

From a national perspective, the new five-year plan for Shenzhen, announced by the State Council in October, includes efforts to attract more private equity investment to our next-door neighbour.

Our regime embodies the investment sweet spot for private equity managers looking for deals in Shenzhen and other Greater Bay Area (GBA) destinations.

From a socio-economic perspective, the regime will bridge capital markets and the real economy. That, ladies and gentlemen, should fuel start-ups in the innovation and technology field. In short, the Limited Partnership Fund regime is the right plan for the right place at the right time. And, of course, it's for you – the right people.

Beyond the Limited Partnership Fund regime, my Budget this year included tax concession for carried interest payable by private equity funds operating in Hong Kong.

That's crucial to strengthening the competitiveness of Hong Kong as the region's preferred private-equity hub. We recently completed industry consultation on this, receiving valuable feedback.

We are now pressing ahead to draft the relevant amendment bill for the Legislative Council. The sooner the better.

The Asia-Pacific region is home to some 6 million high-net-worth individuals. Hong Kong, I'm pleased to say, is second only to New York as the world's billionaire city. It helps that, last year, Hong Kong's billionaire population recorded the largest net increase of billionaires of any city in the world. For some reason, however, I can't find my name anywhere on that lofty list of money-spinners.

This speaker aside, the region is producing billionaires at remarkable rates. In response, wealth management here has become more personalised, more customised and, as always, exceptionally professional.

I don't know how many of them are billionaires, but there are some 7 300 single-family offices around the world, with about 1 300 located in the Asia-Pacific. Since 2017, the region has recorded a resounding 44 per cent increase in family offices.

Hong Kong has long been a prime location for family offices, and proud of our standing. And I can assure you that the Government is weighing how best to encourage the continuing growth of family offices here.

InvestHK (Invest Hong Kong) and the HKMA (Hong Kong Monetary Authority) set up a one-stop shop for potential family office clients this year. It offers prompt and personalised assistance to family offices throughout the region and around the world.

And the SFC (Securities and Futures Commission) and the HKMA have clarified exemptions from certain selling requirements regarding family offices.

At the 2020 Asian Financial Forum held in January this year, your Association, in concert with the Hong Kong Trade Development Council, hosted a Family Office Symposium. Each year, the Symposium celebrates the numerous accomplishments, and long-term promise, of our private wealth-management community.

Opportunities don't get any bigger, or more far-reaching, than the Guangdong-Hong Kong-Macao Greater Bay Area. The emerging cluster-city development embraces some 72 million prosperous consumers, boasting a GDP per capita, last year, of more than US$23,000.

That presents boundless prospects for the asset and wealth-management sector. For every one of you.

And the opportunity just got more opportune with the recent announcement of the GBA's Wealth Management Connect scheme. Alongside the Stock Connect and Bond Connect offerings, it marks another milestone in promoting mutual access to financial markets between Hong Kong and the Mainland.

Given the growing prosperity and concentration of high-net-worth individuals across the region, the scheme is set to both expand the customer base and encourage more global financial institutions to turn to Hong Kong for their investment and business needs.

That, ladies and gentlemen, will surely strengthen Hong Kong's position as a global asset and management centre. It will, as well, boost our role as the critical gateway for capital flowing in and out of the Mainland.

It will also promote the use of the Renminbi and reinforce Hong Kong's reputation as the world's offshore Renminbi business hub.

I can tell you that the relevant authorities are now hammering out the essential details. Soon enough, the financial sectors of Hong Kong, Macao and the rest of the GBA will be promoting, and providing, an abundance of wealth-management products throughout the region.

More business will demand more talent – much more down the gilded road. And we're working on that.

The Government's Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector has been making a difference since 2016. The programme, I'm pleased to say, has been extended until 2023. The Government has also relaxed participant requirements to expand the pool of beneficiaries.

Still with talent, on September 30, the Financial Services Development Council launched the Financial Industry Recruitment Scheme for Tomorrow. Call it the FIRST Scheme. We've set aside $180 million to run it – to help create 1 500 new jobs in the financial services industry. As of three weeks ago, 96 per cent of that 1 500 job-creation quota had been filled. I would call that a flying start.

Each employer can apply for a salary subsidy of up to $10,000 a month for each new full-time position. And that's for 12 months. Each employer can get a subsidy for up to 25 new positions. I'm confident the talent scheme can make a difference for your company, and the sector as a whole.

Attracting more bright young professionals to banking and finance is also behind the Fintech Anti-epidemic Scheme for Talent Development, launched in July. That programme is subsidising up to 1 000 full-time positions.

In March, the Financial Practitioners FinTech Training Programme got going, with a bang. All 1 500 quotas were taken on by the banking, securities and insurance sectors.

Yes, financial innovation and financial technology go hand in automated hand.

The Hong Kong Private Wealth Management Report 2020, an annual, much anticipated industry analysis from your Association and KPMG, makes that abundantly clear. The report features spotlights on both fintech and regtech, and notes that COVID-19 is accelerating the transformation to digital business and interaction.

Count Hong Kong, home to more than 600 fintech companies and start-ups – including eight unicorns – among the economies leading the transformation.

In the first seven months of this year, more than 20 Hong Kong-based start-ups raised nearly US$500 million in venture funding. That was accomplished despite the daunting face of the pandemic.

As of August, eight virtual banks and four virtual insurers have been authorised, or granted in-principle agreement, to operate here.

Seven virtual banks, let me add, have already launched services to the public in Hong Kong. Together, they've captured close to 300 000 retail customers, taking in more than US$1 billion in deposits.

Some of the virtual banks are now featuring such smart services as numberless debit cards, to boost security, as well as flexible time deposits without early withdrawal penalties, and in-house credit assessment driven by supervised machine learning to measure the creditworthiness of borrowers.

Alongside the virtual banks and insurers, we have launched a variety of fintech initiatives in recent years. These have been embraced by business and consumers alike. I'm talking about the Faster Payment System (FPS), the eTradeConnect blockchain platform, a virtual asset-trading company and much more.

The FPS, launched in September 2018, has recorded 6.2 million registrations as of September 2020. The system, as I'm sure you know, links banks with e-wallets, enabling 24-hour instant transfer in both Hong Kong dollars and Renminbi. In September, the system enjoyed an average daily turnover of 426 000 real-time transactions – seven times more than its first month of business.

You heard that, and a great deal more, if you were among the nearly 900 000 views of various programmes at this year's FinTech Week, which also ran five days, and ended just last week.

Back to back, FinTech Week and Virtual Wealth Management Week underscore Hong Kong's absolute commitment to financial services and to you, the professionals who make them work today. And who will power Hong Kong's prosperity tomorrow.

I wish you all a fruitful Forum, good health, good business and a wealth of everything that is dear to you, and yours, in the coming year.

Thank you.