

# SFST's speech at 19th Annual Asia Pacific Investor Conference (English only)

Following is the video keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the 19th Annual Asia Pacific Investor Conference organised by Citi Global Markets this morning (February 22):

Distinguished guests, ladies and gentlemen,

It's my great pleasure to be joining you at the 19th Annual Asia Pacific Investor Conference. I wish to thank Citigroup Global Markets Asia for organising this two-day virtual conference as an excellent opportunity for us to exchange insights on global market situations. I am told that this flagship event gathers over 1 000 Institutional Investors and C-Suite finance professionals, from regional and global asset managers, sovereign wealth funds, banks, pensions, insurers to hedge funds.

Many important topics concerning the industry will be discussed today, such as the global economic outlook, ESG, emerging industry trends, etc. Although the pandemic has prevented me from greeting all of you in person, I am pleased to have this opportunity to share with you the latest policies from the Hong Kong Government to develop the market. Also, I am excited to share with you Hong Kong's opportunities ahead from the increasing connectivity between the financial markets of the Mainland and Hong Kong, the opening up of the Greater Bay Area (GBA), and the growing demand for green and sustainable finance in the region. Collectively they are the key drivers for expanding Hong Kong's offerings and capabilities as an international financial centre, and they will allow us to better serve the financing, investment and risk management needs for all of you as participants from Hong Kong, the Mainland and the global markets.

The National 14th Five-Year Plan has reaffirmed our position of Hong Kong as the unique international financial centre for our country. We have been serving as the premier gateway to the Mainland markets through various Connect schemes, including the Stock Connect, Bond Connect, Wealth Management Connect and the mutual recognition of funds between the Mainland and Hong Kong.

A few weeks ago we have farewelled the Year of the Ox and welcomed the new Year of the Tiger. I am very pleased to say that throughout last year, our Connect schemes have performed exceptionally well, as demonstrated by the growth in participation and trading volume. To illustrate that with numbers, the average daily turnover of Northbound Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect were RMB55.2 billion and RMB65 billion respectively, representing an increase of 41 per cent and 25 per cent when

compared with that of 2020.

As for Southbound Trading, for capital flowing from the Mainland to Hong Kong, the two Stock Connect programmes witnessed increase in average daily turnover by 54 per cent and 91 per cent respectively, totalling HK\$20.1 billion and HK\$21.6 billion.

Going beyond equities into bonds, the average daily turnover of the Northbound Bond Connect in 2021 increased by 34.3 per cent to RMB26.6 billion on a year-on-year basis.

And for the latest scheme dedicated to individual investors, the Cross-boundary Wealth Management Connect, over 22 000 investors have participated in the scheme as of end 2021. Over 5 000 remittances totalling RMB400 million across the Mainland, Hong Kong and Macao had been recorded.

Behind the good performance of all the Connect schemes are the efforts of continuous improvements and expansions. To start with, we have implemented the expansion of the scope of eligible securities for Stock Connect, to cover pre-revenue biotech companies listed in Hong Kong under the new listing regime in December 2020 for Southbound Trading. And for Northbound Trading, it was also expanded to cover the companies listed on the Mainland's STAR Market (Shanghai Stock Exchange's Sci-Tech Innovation Board) starting from February 2021. As at the end of last year, 21 such biotech companies and 42 Mainland STAR Market companies had been included, further broadening investment choices for both Mainland, Hong Kong and international investors joining the schemes.

Secondly, the HKEX (Hong Kong Exchanges and Clearing Limited) launched the MSCI China A50 Connect Index futures contract in October last year. Further to the implementation of Stock Connect schemes, the product aims to meet investors' demand for risk-management tools for offshore investors participating in the A-shares market, facilitating further inflow and broadening the availability of risk-management products in Hong Kong.

With the continuous expansion of mutual market access schemes, we have a good foundation to further develop Hong Kong in terms of our RMB ecosystem, leveraging our leading positions for offshore RMB deposits, payment settlements and bond issuance. One such initiative down the line is to introduce new RMB counters for shares tradable under the Southbound Stock Connect, such that Mainland investors can trade Hong Kong stocks in RMB without the need for currency conversion. At the same time, this will create new demand for RMB denominated shares in Hong Kong, driving a positive and reinforcing cycle for new RMB product launches.

Looking ahead, we will liaise closely with the Mainland authorities and various stakeholders with a view to enhancing Wealth Management Connect schemes in terms of quotas, product and service scopes, marketing and arrangement for expansion of participants, etc. On the equities side, we all can look forward to the launch of ETF Connect.

Expansion of the Connect schemes aside, the opening up of the GBA will also enhance the connectivity between Mainland markets and Hong Kong. The 14th Five-Year Plan once again recognises the importance to enhance connectivity among the GBA's 11 cities, and it will also give Hong Kong the booster to further develop our financial services sector. The development of the GBA is an entry point for Hong Kong to better integrate into the overall development of our country and to deepen the co-operation with fellow Mainland cities for complementary development. As a proactive participant in domestic circulation and a facilitator in international circulation under the "dual circulation" development strategy of our country, we will continue to play the role as the gateway between the Mainland and international markets, as well as the bridge for international capital to access the Mainland.

I believe continuous impetus will be brought to Hong Kong's economy as we strive to fully leverage our role in the development of the GBA and the country's "dual circulation" development strategy. Initiatives in the work cover the areas of banking, securities, insurance, FinTech, green and sustainable finance, so on and so forth.

For insurance as an example, we are striving for early establishment of after-sales service centres by the Hong Kong insurance industry in Mainland cities of the GBA, with a view to providing GBA residents holding Hong Kong policies with comprehensive support in different areas including enquiries, claims and renewal of policies. We will also strive for early implementation of the "unilateral recognition" policy for Hong Kong vehicles entering Guangdong through the Hong Kong-Zhuhai-Macao Bridge control point. In the long run this will facilitate cross-boundary flow of personnel within the GBA.

We will also support Hong Kong's private equity funds to participate in financing GBA innovation and technology companies, and encourage the listing of eligible new economy companies in Hong Kong for fund raising. Hong Kong institutional investors will be allowed to more flexibly make use of the Qualified Foreign Limited Partnership (QFLP) programme to participate in the markets of privately offered equity and venture funds in Qianhai of Shenzhen.

As for fintech, we are working on the establishment of a cross-boundary Fintech supervisory sandbox for the pilot testing of various cross-boundary Fintech applications. On the other hand, the blockchain-powered eTradeConnect platform can further facilitate exchange of information on trade finance, and allow better business co-operation and integration in GBA.

We will continue to co-operate closely with the Mainland authorities to explore new GBA development initiatives, and we are open to suggestions and ideas from market participants. In a risk-controlled manner, we will orderly implement policy initiatives with a view to leveraging the enormous opportunities brought by GBA and promoting the continuous development of our financial services sector.

Apart from Mainland connectivity, we also aim to be a global pioneer riding on the world's transition towards a low carbon and sustainable

economy. This is why green and sustainable finance is high on our policy agenda.

Against the backdrop of concerted efforts around the world to embrace a zero-carbon future, our country has already pledged responsibly to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. Hong Kong has the same goal of achieving carbon neutrality, and we have pledged to do so by 2050. In the next 15 to 20 years, the Hong Kong Government will devote about HK\$240 billion to take forward various measures on climate change mitigation and adaptation, reflecting our determination and plan to achieve carbon neutrality.

Besides the devotion of financial resources by the Government, Hong Kong can of course leverage our role as an international financial centre and the competitive edges we have to develop ourselves into a green and sustainable finance centre. Through our highly efficient markets and infrastructures, we can channel funds to facilitate the transition and development of a greener economy in Hong Kong, the Mainland and the world. What we have is a deep and liquid financial market, a robust world-class regulatory framework, a network of world-leading financial and professional institutions, credible green assessment and certification organisations, as well as a cluster of international investors, and we are indeed well placed to take good advantage of the enormous opportunities presented by the mass global funding needs for green and sustainable projects.

The Hong Kong Government has indeed taken the lead to promote the development of our green finance market, and set an example of utilising the bond market for green transitions. A total of over US\$7 billion worth of green bonds has been successfully issued since May 2019 by the Hong Kong Government under the Government Green Bond Programme, and the proceeds were used to finance a total of 14 public works projects relating to energy efficiency and conservation, waste management and resource recovery, water and wastewater management, and green buildings.

The issuance of Hong Kong Government Green Bonds were very well received by international investors. To allow room for further issuance, the borrowing ceiling of the programme has been expanded to about US\$26 billion, allowing the issuance of more green bonds within the next five fiscal years from 2021-22 considering market conditions. We have also introduced a retail tranche offering last week, branded as "Bond with a Green Future", aiming to raise the awareness of the society with the issuance of government green bonds available for subscription by members of the public.

On the issuer side, to attract more green and sustainable bond issuers and borrowers to use Hong Kong's fundraising platform and professional services, the government launched a three-year Green and Sustainable Finance Grant Scheme in May last year to provide a subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services. Through the introduction of the scheme, we wish to attract more enterprises to issue green and sustainable bonds and debts in Hong Kong, and encourage more financial institutions, professional service providers and

external reviewers to set up and expand businesses in Hong Kong, with a view to building a holistic ecosystem for green and sustainable finance. As of the end of last year, around 50 applications had been approved under the scheme, covering various types of green and sustainable debt instruments.

To steer our financial sector towards green and sustainable development, the Financial Services and the Treasury Bureau, financial regulators and relevant stakeholders formed The Green and Sustainable Finance Cross-Agency Steering Group. The group promulgated a Strategic Plan that elaborated our shared vision to promote green and sustainable finance, focusing on driving climate-related disclosures and sustainable reporting, carbon market opportunities and, through the newly established Centre for Green and Sustainable Finance, we will foster talent development and capacity building, develop data repository and our analytics capability. We will work with the financial industry and relevant stakeholders to take forward and implement the plan.

The Group is also working on a preliminary assessment of carbon market opportunities for Hong Kong, and will further explore how we may develop into a regional carbon trading centre, including the development of a global high-quality voluntary carbon market. We will work with relevant authorities on carbon market opportunities as part of the Greater Bay Area co-operation.

On the other hand, HKEX launched Asia's first multi-asset sustainable investment product platform, named Sustainable and Green Exchange (STAGE), in December 2020 for greater information access and promotion of transparency and international standards in the space of green and sustainable finance. Following the introduction of Bonds and Exchange Traded Products in December last year, HKEX introduced a new equities section on STAGE. This new section displays ESG metrics of Hong Kong-listed companies published by leading ESG data providers, facilitating investors' better understanding and decision making for ESG investments.

We also had new breakthrough in terms of serving the green financing needs from the Mainland. The Shenzhen Municipal People's Government issued its first offshore Renminbi municipal government bonds, part of which were green bonds, in Hong Kong late last year. It was the first time that a Mainland municipal government issued bonds outside the Mainland, and it was an encouraging breakthrough. To support this issuance, in respect of interest paid or profit received arising from this tranche of municipal government bonds, we will exempt the payment of profits tax.

Going forward, we will continue to strengthen our efforts to promote market development, align Hong Kong's regulatory standards with international best practices, encourage more Hong Kong, Mainland and international institutions to use Hong Kong's financing platforms and professional services to conduct green and sustainable investment, financing and certification, and promote the financing for green and sustainable infrastructure and projects. Through these efforts we will channel capital to support the transitions towards green economic development, and create a more inclusive, sustainable and livable future for all of us.

Looking ahead, I am confident in Hong Kong's prospects as a vibrant city for businesses to thrive. With our unique position as an international trade and financial centre, alongside our offering of high-standard professional services, we stand to benefit from the enormous opportunities Asia and the Mainland have to offer. The GBA is our key focus, as it will be an engine of growth offering abundant development opportunities, especially in the areas of financial services and innovation technology.

Ladies and gentlemen, what I have shared with you just now is only the beginning. The future of our financial services is looking promising with the increased connectivity between the Mainland and Hong Kong, the boom of the GBA, and the growing demand for green and sustainable finance. To conclude, I wish you all a fruitful forum today, and I very much look forward to your support and participation as we explore new frontiers for the Hong Kong financial markets. Thank you.