

SFST's speech at ASIFMA China Capital Markets Conference (English only)

Following is the keynote speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the ASIFMA China Capital Markets Conference this morning (May 25):

Mark (Chief Executive Officer of Asia Securities Industry & Financial Markets Association (ASIFMA), Mr Mark Austen), distinguished guests, ladies and gentlemen,

Good morning. Welcome to the ASIFMA China Capital Markets Conference. Together with a great mix of key representatives from both the buy sides and sell sides, service providers, issuers, and treasurers across the globe, it is my pleasure to take part in this three-day virtual event with all of you. When talking about China capital markets, from Hong Kong as an international financial centre's perspective, two key themes immediately come to my mind: "connectivity" and "opportunities".

To begin with "connectivity", the first thing to mention is our unique and strategic positioning provided by "one country, two systems", as it gives us strength serving as both an international financial centre and a unique gateway between the Mainland and the rest of the world. Leveraging on our unrivalled advantages, a variety of mutual capital market access schemes and enhancements have been launched over the past years, and they have been operating smoothly and proven to be very successful.

Looking back to the year of 2021, we have expanded the product suite and channel of the Connect family, with the Southbound Trading of Bond Connect and the cross-boundary Wealth Management Connect delivered and implemented. The Southbound Trading of Bond Connect has recorded more than 150 completed transactions just on its first trading day, amounting to a total of around RMB4 billion. It has opened up another groundbreaking conduit for Mainland investors to access the international bond market via Hong Kong. In terms of Wealth Management Connect, as of March this year, more than 25 000 individual investors have already participated in the scheme and nearly 9 000 remittances had been processed, amounting to over RMB830 million.

In respect of the equity product scope, the eligible securities under the Stock Connect programmes have also been expanded to cover pre-revenue/pre-profit biotechnology companies listed in Hong Kong and companies listed on the Mainland's STAR Market (Shanghai Stock Exchange's Sci-Tech Innovation Board). At the end of March this year, 28 pre-revenue/pre-profit biotechnology companies and 43 Mainland STAR Market companies have been included through this channel, further widening the investment options available for participants in the Connect programmes for both Northbound and Southbound.

To further expand the channels for the two-way flow of cross-boundary RMB funds and develop our offshore RMB ecosystem, the working group formed by the SFC (Securities and Futures Commission), the HKEX (Hong Kong Exchanges and Clearing Limited) and the HKMA (Hong Kong Monetary Authority) has completed the feasibility study on allowing stocks traded via the Southbound Stock Connect to be denominated in RMB, and has put forward recommendations on detailed implementation. The working group is already discussing with regulatory authorities and relevant organisations in the Mainland, with a view to seeking early implementation of the initiative. Meanwhile, the Government is working on supporting measures such as waiving the stamp duty on stock transfers paid by market makers in their transactions, aiming at increasing the liquidity of RMB-denominated stocks.

With the continuous expansion of mutual capital market access, the demand for relevant risk management tools is on the rise, offering Hong Kong the opportunities to strengthen our role as a risk management centre. The MSCI China A50 Connect Index futures contract is launched last year on this consideration, to serve as a useful risk management tool for offshore investors participating in the A-share market. We are very happy to see that the average daily trading volume has reached over 24 000 contracts in March this year, making it a very successful derivative product in Hong Kong given it is still a relatively new product.

We will have another much-anticipated scheme to be launched next in the pipeline – the ETF Connect. The HKEX had reached an agreement with Shanghai, Shenzhen Stock Exchanges and China Securities Depository and Clearing Corporation on the inclusion arrangements for eligible ETFs. As a next step, the parties will work closely on the business and technical preparations, including amendments to relevant rules, with a view to facilitating actual implementation as soon as possible.

The connectivity with the Mainland offers a great example to remind ourselves of Hong Kong's unique value proposition. It also opens a door to enormous opportunities for our markets to shine, particularly through the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). As wealth in the region continues to accumulate resulting from impressive economic growth, Hong Kong's leading role in the GBA presents boundless promises to our financial services sector. We are working on a number of measures to facilitate Hong Kong to maximise those opportunities.

For individuals, our measures in facilitating the daily lives of people in the GBA will continue to expand. To name a few, we will facilitate bank account openings by Hong Kong residents in the GBA and the use of cross-boundary e-wallets by them on the Mainland and vice versa. We are also working with Mainland authorities to establish Hong Kong after-sales insurance service centres in the Greater Bay Area cities and implementing "unilateral recognition" for cross-boundary motor insurance.

Rest assured there will be opportunities for institutions too. We are committed to enhancing Hong Kong's attractiveness as a one-stop financial services platform by providing the necessary financial services to GBA

enterprises, tech companies in particular, in the areas of financing, listing, bond issuance, insurance services, and risk management, etc to nurture their growth as well as the expansion to international markets.

For Hong Kong's private equity funds, we are going to support their participation in financing GBA tech companies, and encourage the listing of eligible new-economy companies in Hong Kong for fundraising. Hong Kong institutional investors will be allowed to make use of the Qualified Foreign Limited Partnership (QFLP) programme more flexibly to participate in the markets of privately offered equity and venture funds in Qianhai of Shenzhen.

Fintech is another opportunity not to be ignored by our enterprises and tech companies. We are working on the establishment of a cross-boundary fintech supervisory sandbox for the pilot testing of various cross-boundary fintech applications. Moreover, the blockchain-powered eTradeConnect platform can further facilitate exchange of information on trade finance, and allow better business co-operation and integration within the GBA.

Traditional financing aside, we also see great opportunities from the development of green and sustainable finance, and through that, we can serve to support our country's 2030 and 2060 targets for peaking carbon emission and carbon neutrality. We are indeed well placed to take good advantage of the enormous opportunities presented by the GBA, particularly in terms of raising funds for green and sustainable projects.

We had an encouraging breakthrough in terms of servicing the green financing needs from the Mainland last year. The Shenzhen Municipal People's Government issued its first offshore Renminbi municipal government bonds, part of which were green bonds, in Hong Kong. It was the first time that a Mainland municipal government issued bonds outside the Mainland. 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.

Ladies and gentlemen, I understand that the pandemic may slightly detour us from our progress track, but with the full support from the Central Government and the co-operation of various sectors in our community, it will be transitory and we can see that the fifth wave of the epidemic is now under control. The Government will continue to steadfastly implement measures to further stabilise the epidemic situation and enable our society to return to normalcy in an orderly manner.

Looking ahead, with the "connectivity" and "opportunities" presented by our country's capital markets, the boundless promise brought by the GBA, and the robust financial system of Hong Kong, I am confident that our financial market will scale new heights with all of your efforts and contributions.

Finally, I hope my sharing today can set the stage for the audience to have a rewarding and fruitful conference ahead. I would also like to express my gratitude to ASIFMA for organising this event. May I wish you all the best of business, investment and health in 2022, and I hope that we will meet

again very soon, face to face. Thank you.