

SFST's speech at Hong Kong Association Membership Luncheon in London, United Kingdom (English only) (with photos)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the Hong Kong Association Membership Luncheon on "Extending, Embracing, Enhancing – Hong Kong's Role as a Premier International Financial Centre" in London, the United Kingdom (UK), on June 10 (London time):

Lord Mayor (696th Lord Mayor of the City of London, Mr Alderman Alastair King), Sir Douglas (Committee Member of the Hong Kong Association, Chairman of Aberdeen Group, Sir Douglas Flint), distinguished guests, esteemed members of the Hong Kong Association, ladies and gentlemen,

Good afternoon. It is a profound privilege to address you today at this distinguished luncheon hosted by the Hong Kong Association in London. I must say, you are a crowd too difficult to please because you know Hong Kong too well. This organisation's mission is to champion the enduring business and trading relationship between Hong Kong and the UK which resonates deeply with the Government's goal of fostering economic collaboration, innovation, and mutual prosperity. To further the efforts, I am here to showcase our city's unparalleled strengths as a global financial hub and to explore the vast potential for deepening financial co-operation between Hong Kong and the UK. Our shared visions and complementary expertise position us well to forge a partnership that drives transformative growth in an increasingly challenging and also uncertain global economy.

If you may recall, for those people who came two years ago for a similar occasion where I spoke, I tried to group my speech in five alphabet letters, ABCDE. A is about Asia, B is about business as usual, C is about connectivity, D is about digitalisation whereas E is about ESG (environmental, social and governance). These are the five elements at the time I drafted the speech that something Hong Kong could offer to this part of the world. So I am thinking, to this group which is very knowledgeable about Hong Kong, what should I say and how I should structure this speech? Of course I don't want to get to the next alphabet letter after E, that is why I would stay at E and come with 3Es which are actually the pillars that define Hong Kong's strategic vision as a premier international financial centre: 1) Extending our financial value chain across equities, fixed income, currencies, and commodities. For those in the banking or financial world, you know what I mean. It's about EFICC; 2) Embracing new finance through fintech and green finance; and 3) Enhancing offerings for Chinese companies going global through Hong Kong and international firms accessing the Mainland market. These pillars reflect our dynamic approach to navigating global economic and geopolitical challenges, seizing emerging opportunities, and fostering collaboration with partners like the UK. Let me elaborate on each

pillar, highlighting our recent achievements and the opportunities they present for strengthening Hong Kong-UK ties.

Extending our financial value chain

Hong Kong's position as a global financial hub is built on its ability to offer a diversified, resilient, and innovative financial ecosystem. By extending our financial value chain across equities, fixed income, currencies, and commodities which can be grouped as EFICC, we are creating a robust platform that serves both regional and international markets, fostering opportunities for collaboration with global partners, including the UK.

Equities: a vibrant and forward-looking market

Hong Kong's equity market has undergone a remarkable transformation over the past decade, driven by bold structural reforms and a commitment to capturing global economic trends. The Hang Seng Index, which is a key barometer of our market's performance, has demonstrated resilience amid global uncertainties. By May 30, our stock market capitalisation has increased by 24 per cent year on year to over US\$5.2 trillion. This growth was propelled, I must say, by a number of key moments this year, including of course the DeepSeek moment when people really recalibrate the value that Chinese investment carry and at the same time also the "victory day" moment when people are seeing the uncertainty in other parts of the world which actually present opportunities to Hong Kong and London. The average daily turnover for the first five months of this year stood at US\$31 billion in our market, an increase of 1.2 times over the past year, signaling sustained investor confidence and market liquidity.

Apart from the market performance, we are also trying to reform our capital market to make it more instrumental in positioning Hong Kong as a global hub for new economy and technology companies. Back in 2018, we already introduced the "weighted voting rights" regime, enabling companies with dual-class share structures to list in Hong Kong. As I know, London Stock Exchange is also contemplating something similar to reform your stock market. This reform in Hong Kong attracted technology giants and paved the way for a new era of innovation-driven listings. Simultaneously, we opened our market to pre-revenue biotech firms, transforming Hong Kong into one of the world's leading fundraising hubs for biotechnology. As a result, the proportion of new economy companies in our stock market has surged from 1.3 per cent in 2018 to approximately 14 per cent by April 2025, with their market capitalisation share rising from 2.8 per cent to about 28 per cent.

Building on this momentum, we introduced the "18C" listing regime in 2023 for specialist technology companies, followed by a dedicated technology enterprises channel launched last month. These initiatives are designed to accelerate the listing of enterprises in the "hard technology" space, enabling them to raise capital in Hong Kong and expand their international presence. These reforms have not only reshaped the structure of our stock market but also aligned it with global economic trends, positioning Hong Kong

as a vital partner for UK firms seeking exposure to Asia's innovation-driven growth.

Moreover, Hong Kong's capital markets have benefited from the return of Chinese concept stocks, driven by geopolitical developments and Mainland China's technological advancements. This trend has elevated the weight of technology stocks in our market, further enhancing its attractiveness to global investors. For example, before I came, we welcomed the listing of CATL (Contemporary Amperex Technology Co Limited) which is a major lithium-ion battery manufacturing company serving the world for electric vehicles. For UK financial institutions, Hong Kong offers a gateway to invest in Asia's burgeoning tech sector, leveraging our deep liquidity and robust regulatory framework.

Connectivity and stability

Apart from fundraising, it's about our strengthened role as a gateway for international investors accessing Mainland China and for Mainland investors diversifying globally. Our "Connect" schemes – Stock Connect, Bond Connect, Wealth Management Connect, and Swap Connect – have facilitated seamless cross-border capital flows. These initiatives have seen significant growth in transaction volumes, product diversity, and risk management capabilities, enhancing both the "quantity" and "quality" of financial connectivity, covering the broad financial value chain across equities, fixed income and currencies.

Stability is also a cornerstone of our financial system, as demonstrated by the performance of the Hong Kong dollar recently. In the first five months of 2025, the Hong Kong dollar largely traded within the strong-side convertibility undertaking range, signifying a robust demand, partly because a lot of money coming to Hong Kong to buy our IPOs (initial public offerings) which are in Hong Kong dollars, and at the same time it is now the season when the listed companies need Hong Kong dollars to give out dividends. So with this background, what we see is operations by our banking regulator where now the banking system aggregate balances rising to US\$22 billion by May 30, 2025, a substantial increase from US\$5.7 billion at the end of last year. Total bank deposits grew by over 4 per cent in the first four months of 2025, with Hong Kong dollar deposits rising by 4.4 per cent, reflecting strong capital inflows into our banking system. So you have been hearing a lot about capital flight from Hong Kong to others, all these numbers are testaments to how wrong those perceptions are. This stability underscores our role as a trusted financial hub, like that of London, offering a secure environment for UK investors and businesses.

Amid global economic uncertainties, including trade protectionism and unilateral policies, RMB (Renminbi) is gaining prominence as a global transaction and reserve currency. Its share in global payments rose from 2 per cent in 2020 to 4 per cent by the end of 2024, ranking fourth globally, while its share in trade financing increased from 2 per cent to 6 per cent. As the world's leading offshore RMB hub, Hong Kong is seizing this opportunity by enhancing RMB-denominated investment products and risk

management tools. Our plan to integrate RMB-denominated stock trading into Southbound Stock Connect will further support RMB internationalisation in a gradual and prudent manner, creating opportunities for UK financial institutions to engage with RMB-based products and services.

Commodities: pioneering a new ecosystem with LME integration

In the commodities sector, Hong Kong is capitalising on the global surge in non-ferrous metals trading, driven by the transition to new energy technologies. In 2024, the London Metal Exchange (LME) recorded trading volumes of 178 million lots, a 20 per cent year-on-year increase, with significant growth in new-energy metals like nickel and cobalt. These metals are critical to industrial transformation and technological advancement, and China remains a pivotal force, with non-ferrous metals trade exceeding US\$368 billion in 2024, up 11 per cent from the previous year.

Recognising this potential, our Chief Executive outlined a vision in his Policy Address to create a commodity trading ecosystem in Hong Kong, encompassing warehousing, distribution, trading, testing, certification, insurance, and financial services. A landmark achievement in this regard is our integration into the LME's global warehouse network in January this year. By bringing storage facilities closer to Mainland China's industrial heartlands and consumption centres, we are strengthening our role as a central platform for the metals industry. Within months since January this year when we are recognised as a delivery port for the LME contracts, seven warehouses have already been approved, and their operations will commence as early as in July 2025.

This initiative not only enhances Hong Kong's commodities infrastructure but also creates significant opportunities for UK firms, given the LME's London-based heritage. The UK's expertise in commodities trading and Hong Kong's proximity to Asia's industrial markets make our partnership a natural fit. By collaborating on warehousing, trading, and related services, we can jointly tap into the growing demand for new-energy metals, supporting global industrial transformation and sustainable development.

By extending our financial value chain across equities, fixed income, currencies, and commodities, Hong Kong is reinforcing its position as a diversified financial hub. We invite UK businesses to leverage our platform to access Asia's dynamic markets, fostering mutual growth and collaboration in these critical sectors.

Embracing new finance: fintech and green finance

The second pillar of our strategy is embracing new finance, particularly in fintech and green finance, to position Hong Kong at the forefront of financial innovation and sustainability. These areas align closely with the UK's developments in digital finance and sustainable investments, creating fertile ground for partnership.

Fintech: pioneering digital assets and stablecoin regulation

Hong Kong's robust regulatory framework, business-friendly environment, and strategic location make it an ideal hub for fintech innovation. My bureau, FSTB (Financial Services and the Treasury Bureau), in collaboration with financial regulators and industry stakeholders, is pursuing a multipronged strategy to foster a vibrant fintech ecosystem. This includes enhancing financial infrastructures, nurturing talent, strengthening industry connections in Mainland China and overseas, and creating a conducive environment for fintech innovation.

This is my second day here in London and I am hearing a lot about digital assets (DAs). Just days before I embarked on this trip, our Legislative Council has passed the Stablecoins legislation in Hong Kong and it will be enacted on August 1. After that, we will issue a second policy statement about promoting Hong Kong as the digital asset ecosystem.

Looking ahead, we will continue to be a leader in adopting emerging technologies. A 2023 survey revealed that 38 per cent of Hong Kong's financial institutions adopted generative AI, surpassing the global average of 26 per cent. In October last year, we issued a policy statement on the responsible use of AI in finance, followed by practical guidelines, sandbox schemes, and industry seminars to support institutions in adopting AI responsibly. These initiatives position Hong Kong as a hub for fintech innovation, complementing the UK's advancements in areas like blockchain and AI-driven financial services.

Green finance: driving sustainable development

Moving on to green finance, Hong Kong is committed to mobilising cross-border investments to address climate and sustainability challenges, aligning with global efforts to achieve net zero. Last year, Hong Kong arranged US\$43 billion in green and sustainable bonds, capturing 45 per cent of the Asian market and ranking first in the region for seven consecutive years. By March this year, our security regulator authorised around 220 ESG funds, managing US\$140 billion in assets, an 80 per cent increase over three years.

Last week we have just issued a new round of Government green bonds and infrastructure bonds, totally around US\$3.5 billion, denominated in four currencies, namely HKD (Hong Kong dollars), RMB, USD (US dollars) and EUR (euro). The offering attracted participation from a wide spectrum of investors from more than 30 markets across Asia, Europe, Middle East, and the Americas, with total orders amounting around US\$30 billion equivalent, representing an over-subscription of almost nine times. The proceeds from green bond issuance will fund local Government green works projects, and set benchmarks for the market encouraging private-sector participation.

To align with global standards, we launched the Roadmap on Sustainability Disclosure in December last year, providing a clear path for large publicly accountable entities to adopt the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards) by 2028. This positions Hong Kong among the first jurisdictions to align with

global sustainability reporting standards, enhancing transparency and comparability. The roadmap not only reflects our commitment to the global green transition but also offers clarity and guidance to market participants.

On the funding support side, the Green and Sustainable Finance Grant Scheme, which was extended to 2027, subsidises issuance costs for bonds and loans, including transition financing, encouraging industries across the Greater Bay Area and Belt and Road economies to leverage Hong Kong's platform for low-carbon transitions. So for many of you who are working for business financial institutions or companies, do take this message home that we are subsidising for people who are issuing green bonds and loans in Hong Kong.

These efforts create significant opportunities for UK firms to collaborate with Hong Kong on green finance initiatives, from ESG funds to green technology solutions, leveraging our shared commitment to sustainability and innovation. The UK's commitment in green finance, combined with Hong Kong's strategic position in Asia, can drive impactful partnerships in sustainable investment and technology.

Enhancing offerings for global and Mainland businesses

The third pillar, enhancing offerings, underscores Hong Kong's role as a bridge for Chinese companies going global and international firms accessing Mainland China, supported by policies that facilitate cross-border mobility and business expansion.

Supporting Chinese companies going global

As Mainland China accelerates its economic opening, Chinese firms are intensifying their global expansion, optimising supply chains and market presence to address geopolitical risks and tap into international markets. Hong Kong is uniquely positioned to support this "going out" strategy, offering financing, supply chain management, and professional services under the "one country, two systems" framework.

Hong Kong's efforts to strengthen ties with emerging markets further enhance our appeal. In October last year, we facilitated the listing of two Hong Kong-focused exchange-traded funds on the Saudi Exchange, attracting Middle Eastern capital to our markets. The two Saudi-listed ETFs have a combined size of over US\$1.9 billion. They are the two largest ETFs listed and are amongst the top traded ETFs on Saudi Stock Exchange. This initiative demonstrates our commitment to connecting traditional and emerging markets, offering UK firms a platform to diversify their investments across Asia and beyond.

Hong Kong's professional services, for example the Accounting sector, are well-positioned and experienced to meet the needs of Mainland firms going global. The Hong Kong Institute of Certified Public Accountants has earlier compiled a list of firms specialising in supporting global expansion of Chinese companies, and has recently expanded the list from 60 to over 80 firms, connecting Mainland enterprises with international markets for

business expansion. Moreover, Hong Kong's network of 52 Comprehensive Double Taxation Agreements with other tax jurisdictions, with plans for further expansion, provides tax clarity for businesses, enhancing Hong Kong's appeal as a commercial and investment hub.

UK firms can partner with Hong Kong to support Chinese companies' international ventures, leveraging our expertise in financing, legal services, and market access. For example, UK financial institutions can collaborate with Hong Kong-based firms to provide advisory services, underwriting, and risk management solutions for Chinese enterprises expanding into Europe and beyond.

Facilitating international access to the Mainland

Hong Kong is equally committed to helping international talents, including those from the UK, access Mainland China's vast market. A facilitating policy introduced in July last year allows non-Chinese Hong Kong permanent residents to obtain a card-type document with five-year validity. This card enables self-service clearance at Mainland control points without going through manual channels, eliminating the need for arrival cards and significantly enhancing clearance efficiency. This measure, implemented under the "one country, two systems" framework, facilitates business, travel, and family visits, reinforcing Hong Kong's role as a gateway to the Mainland.

Hong Kong's professional services, with deep knowledge of Mainland business culture and international expertise, provide comprehensive support for UK firms navigating China's market. From legal and accounting services to supply chain management, Hong Kong offers a trusted platform for UK companies to establish and grow their presence in Asia.

Hong Kong-UK financial co-operation

The complementary strengths between the two markets of Hong Kong and UK create a strong foundation for collaboration. The integration of Hong Kong into the LME's warehouse network opens new avenues for UK firms to engage with Asia's commodities markets, particularly in new-energy metals critical to the global energy transition. Our leadership in green finance aligns with the UK's expertise in sustainable investments, creating opportunities for joint ventures in ESG funds, carbon trading, and green fintech. In fintech, Hong Kong's progressive DA regulations complement the UK's advancements in digital finance, paving the way for collaborative innovation in areas like blockchain, AI, and stablecoins.

By leveraging Hong Kong's strengths in extending our financial value chain, embracing new finance, and enhancing global and Mainland connectivity, we invite UK businesses to partner with us in tapping Asia's growth opportunities. Our shared commitment to innovation, sustainability, and global connectivity positions us to build a future of mutual prosperity.

Conclusion

Ladies and gentlemen, Hong Kong stands at the forefront of global finance, driven by our commitment to the 3Es: Extending our financial value chain across equities, fixed income, currencies, and commodities; Embracing fintech and green finance; and Enhancing opportunities for Chinese and international businesses. Our unique position under "one country, two systems," robust regulatory framework, and vibrant markets make Hong Kong the ideal partner for the UK in navigating Asia's dynamic markets.

I express my heartfelt gratitude to the Hong Kong Association for hosting this luncheon and for your unwavering commitment to strengthening Hong Kong-UK ties. Let us seize this opportunity to deepen our financial partnership, fostering innovation, sustainability, and prosperity for our shared future. Together, we can shape a world of opportunity, leveraging Hong Kong's strengths and the UK's global leadership to drive transformative growth.

Thank you.

