

Speech by CE at 15th Asian Financial Forum (English only) (with photo/video)

Following is the video speech by the Chief Executive, Mrs Carrie Lam, at the 15th Asian Financial Forum held online today (January 10):

Distinguished guests, ladies and gentlemen,

Good morning. Welcome to the Asian Financial Forum, the 15th edition, and the first in a number of events to kick-start celebrations for the 25th anniversary of the establishment of the Hong Kong Special Administrative Region.

While the pandemic has once again prevented me from greeting you in person, I will not forgo an opportunity to give you an account of where Hong Kong stands in our financial services and am therefore speaking to you online. I am pleased to know that many financial and business professionals, investors, entrepreneurs and educators, as well as government and institutional leaders – from Hong Kong, Mainland China, throughout Asia and around the world – are taking in this year's two-day Forum, and amongst them are a panel of distinguished speakers. It shows that the Asian Financial Forum has indeed become a brand event to start a new year, providing an opportunity for leaders and practitioners in the region and the world to exchange the views on the global economy in an ever-changing world, no less as a result of the COVID-19 pandemic, which has lasted for two years.

This year's theme is "Navigating the Next Normal towards a Sustainable Future". The theme properly describes what people nowadays are looking forward to in a world of uncertainties marked by extreme weather, pandemic outbreaks, geopolitical tensions and diverging fiscal and monetary policies worldwide. It is exactly the quest to navigate through these uncertainties that brings us all here. During this Forum, high-profile speakers from all over the world will offer their insight and intelligence on the "new normal" – on how we get there, how the evolving global economic and financial system must respond, and how we – as economies, companies and individuals – can better prepare ourselves for today's and tomorrow's formidable tests, while building the sustainable future we all want.

Chief among these daunting global challenges is climate change. The Forum's line-up of speakers, I'm pleased to note, includes such internationally recognised leaders as Mark Carney, the United Nations Special Envoy on Climate Action and Finance. Mr Carney has made a clear and compelling case for the need of every company, every financial firm, every bank, insurer and investor to change if we are to avert an all-consuming crisis. Jean-Claude Trichet, former President of the European Central Bank, is another Forum highlight. Mr Trichet knows the essential importance of

creating a resilient economy in troubled times. Indeed, in any times – good or bad – a stable and responsive financial system is critical in supporting economic growth.

Hong Kong's financial system is characterised by our sound regulatory and risk-management regime. It is also underpinned by the principle of "One Country, Two Systems" and with it, institutional strengths such as the rule of law, an independent judiciary, highly open and internationalised markets, a deep liquidity pool, and the free flow of people, information and capital. These strengths which are embodied in the Basic Law have not only sustained during the challenging period in Hong Kong over the past two and a half years, but have been fortified by the resolute actions of the Central Authorities to enact and implement the National Security Law in June 2020 and improve our electoral system last year to ensure "patriots administering Hong Kong".

With "One Country, Two Systems" back on the right track, international investors and observers have shown confidence in Hong Kong. The latest Global Financial Centres Index, in September last year, ranked Hong Kong third globally among the more than 100 financial centres assessed, behind only New York and London. Also in September, we were once again named the world's freest economy in the Fraser Institute's annual Economic Freedom of the World report. And the 2021 World Investment Report, published last June by the United Nations Conference on Trade and Development, ranked Hong Kong the world's third-largest recipient of foreign direct investment.

Last year, the daily turnover in our stock market averaged over US\$21 billion, up 28.8 per cent over 2020. We also continue to be a global fundraising hub. Last year, we raised US\$42 billion in funds through initial public offerings (IPOs), ranking fourth globally. Hong Kong's fund management business is also flourishing. It grew 21 per cent, year on year, to around US\$4.5 trillion at the end of 2020.

Looking ahead, beyond the pandemic and the continuing cloud it raises over global economic growth, particularly associated with the Omicron variant, we see boundless possibilities. We know how important it is for Hong Kong to consolidate existing advantages and seek out fresh opportunities. For the next few minutes, allow me to talk about several of these prospects.

First and foremost is the strong support of the Central Government in consolidating and strengthening Hong Kong's role as an international financial centre, particularly in aspects of asset management, risk management and offshore RMB business, as reinforced in the country's 14th Five-Year Plan promulgated in March 2021. In addition, Hong Kong has always been a reliable fundraising centre for Mainland enterprises and companies from all over the world. To ensure that we retain and, indeed, build on our strengths, our stock exchange, the HKEX, continues to introduce wide-ranging reforms. In 2018, it launched a listing regime for new economy enterprises, including pre-revenue, pre-profit biotechnology companies; innovative corporations with weighted voting rights structures; and qualified companies seeking a secondary listing in Hong Kong. To date, 70 such companies have

listed in Hong Kong, raising US\$74 billion through IPOs. Among them, 48 companies were pre-revenue or pre-profit biotechnology companies. These raised US\$14.4 billion, making Hong Kong the world's second-largest fundraising hub for biotechnology companies.

At the beginning of this new year, the HKEX also launched a listing regime for special-purpose acquisition companies, or SPACs, following market consultation. Some have commented that our SPACs regime is not as relaxed as in some other jurisdictions, but I am confident that it will find success in the Hong Kong market, offering a judicious balance between market development and investor protection.

Hong Kong is also an ideal destination for international investors looking to park and manage their funds. In this regard, we're taking a multi-pronged approach to build on the enviable strength of our asset- and wealth-management sector. That includes diversifying our fund structures by introducing open-ended fund company and limited partnership fund regimes, along with re-domiciling funds to strengthen Hong Kong's edge in fund creation and operation. Nearly 400 limited-partnership funds have been set up in Hong Kong over the past year or so.

We're also working to provide profits-tax exemptions for qualified onshore and offshore fund transactions and the carried interest of private-equity funds operating in Hong Kong. In addition, we are putting a priority on the emerging family office business. InvestHK has set up a global team to provide one-stop shopping for family offices interested in establishing a presence in Hong Kong. We are also considering tax concessions to enhance Hong Kong's attractiveness as a family office hub.

Hong Kong is also an international risk-management centre. To enhance our competitiveness, we have implemented a variety of measures over the past year. They include offering profits-tax concessions for select insurance businesses and expanding the scope of insurable risks for captive insurers based in Hong Kong.

We have also established a dedicated regulatory regime for insurance-linked securities and launched a subsidy scheme for their issuance in Hong Kong. These measures, I'm pleased to say, enabled the issuance, in October last year, of our first insurance-linked security. And that has spurred Hong Kong's emergence as a centre for insurance-linked securities.

There's more good news for our insurance industry. We're working to enhance mutual access of the insurance market in the Greater Bay Area, establishing after-sales service centres in the Greater Bay Area cities. The goal is to provide Hong Kong insurance policyholders in the Greater Bay Area with comprehensive support, from enquiries to claims and, of course, policy renewal. We are also preparing for early implementation of the unilateral recognition policy on cross-boundary motor vehicle insurance. This will allow Hong Kong vehicles to enter Guangdong through the Hong Kong-Zhuhai-Macao Bridge, while promoting connectivity throughout the region. We hope to make concrete progress on these measures early this year.

Financial technology is also a policy priority of the Hong Kong Special Administrative Region Government. Over the past year, our Fintech Proof-of-Concept Subsidy Scheme has granted US\$1.3 million to more than 90 projects, following a rigorous vetting process. The projects range from wealthtech, regtech and insurtech payment systems to cross-boundary data analysis, remittances and many other areas.

The distress and disruption caused by the pandemic over the past two years have taught us the importance of preparing for global crises. That certainly includes climate change. Hong Kong announced its climate action plan in October last year, setting out strategies and measures to achieve our goal of reducing carbon emissions by 50 per cent before 2035 as compared to the 2005 level, and carbon neutrality before 2050. This covers electricity generation, energy saving and green buildings, as well as green transport and waste reduction. We expect some US\$30 billion in public-sector investment over the next 15 to 20 years to support the measures. I'm confident this will also create wide-ranging opportunities for our fast-emerging green economy.

My Government, in collaboration with financial regulators and the industry, is stepping up efforts to promote green and sustainable finance in Hong Kong. Since May 2019, we have issued green bonds totalling the equivalent of more than US\$7 billion under the Government Green Bond Programme. They cover bonds denominated in US dollars, euros and Renminbi. The issuances drew welcome demand from global investors, helping to establish benchmarks for potential issuers in Hong Kong and the region. With the rolling out of the Green and Sustainable Finance Grant Scheme, we encourage the issuance of green and sustainable bonds and loans in Hong Kong. And we welcome financial and professional service providers and external reviewers to set up or expand here in Hong Kong.

Our Green and Sustainable Finance Cross-Agency Steering Group is actively developing its strategic plan. Last month, the Steering Group announced recommendations to encourage capacity building and access to green and sustainable financial data. The Steering Group has also completed a preliminary assessment of carbon-market opportunities for Hong Kong, and is exploring the possibilities of Hong Kong's development as a regional carbon-trading centre. That includes the creation of a global voluntary carbon market and carbon-market opportunities as part of Hong Kong's growing co-operation with the Guangdong-Hong Kong-Macao Greater Bay Area. As the business bridge between China and the rest of the world, Hong Kong is well positioned to connect green and sustainable funds from the Mainland and the world. That can only help the Mainland in its efforts to realise peak carbon emissions before 2030 and carbon neutrality before 2060.

Many of the issues, concerns and opportunities I've touched on will be discussed and debated throughout the Asian Financial Forum. My thanks to the Hong Kong Trade Development Council for putting together such a remarkable programme for this year's Forum, which I am sure you will thoroughly enjoy.

Ladies and gentlemen, we welcomed in a new year 10 days ago. In just

over three weeks, we will celebrate the Chinese New Year – the Year of the Tiger. May it usher in a year of global ambition and vitality. May the tiger in all of us reveal our intelligence, courage and fierce determination to overcome challenges and build a better future. Thank you.

