

Hong Kong

Financing the future



Intrinsically Hong Kong

A city built on the financial services industry

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Intrinsically Hong Kong

A city built on the financial services industry

Hong Kong has a long and proud history as one of the world's most prominent trading hubs, with an advantageous geographic location making it integral to routes between Mainland China and the West. This achievement is supported by the city's dynamic financial services industry, as well as its free market environment, sound legal system, deep pool of talented professionals and transparent regulatory regime.

While Hong Kong's key outputs have evolved over time from primarily manufactured products to services, the city's role as a connecting hub has remained unchanged, allowing it to develop itself into an international financial centre and nurture a reputation for providing world-class services.

Financial and banking system



An anchor of stability

The Linked Exchange Rate System (LERS) was established in 1983, pegging the Hong Kong dollar to the US dollar within a band of HK\$7.75 – 7.85 to US\$1. According to a statement published by the IMF Staff Mission in 2019, the LERS serves as an anchor to stabilise Hong Kong's economy.



Systemically important financial centre

Hong Kong's inclusion in the Financial Stability Board, formerly the Financial Stability Forum, which was established by the G7 in 1999, is a recognition of the city's status as a systemically important financial centre.



Efficient interbank payments

Introduced in 1996, the Hong Kong dollar Real Time Gross Settlement system enables safe and efficient settlement of Hong Kong dollar-denominated interbank payments. The system now also allows interbank transfers in US dollars, euros, and renminbi.

Securities industry



Securities trading has come a long way

Reports of securities trading in Hong Kong date back to the mid-19th century. The first formal market, the Stockbrokers' Association of Hong Kong, was established in 1891.



Hang Seng Index was established

In 1969, the Hang Seng Index was first published and is now globally recognised as the benchmark for the Hong Kong stock market.



The trading hall that ran for three decades

The trading hall located at Exchange Square opened in 1986 following the merger of Hong Kong's four stock exchanges at the time. The hall closed for its original purpose in 2017, amid the rise in electronic trading, which began in the city in 1993.



Hong Kong Exchanges and Clearing

The Stock Exchange, Futures Exchange and Hong Kong Securities Clearing Company merged in 2000 to become Hong Kong Exchanges and Clearing Limited.

Regulatory framework



Four regulators

Over the years, four financial regulators have been established in the city to oversee and maintain financial stability in Hong Kong – the Hong Kong Monetary Authority (1993), the Insurance Authority (2015), the Mandatory Provident Fund Schemes Authority (1998) and the Securities and Futures Commission (1989).

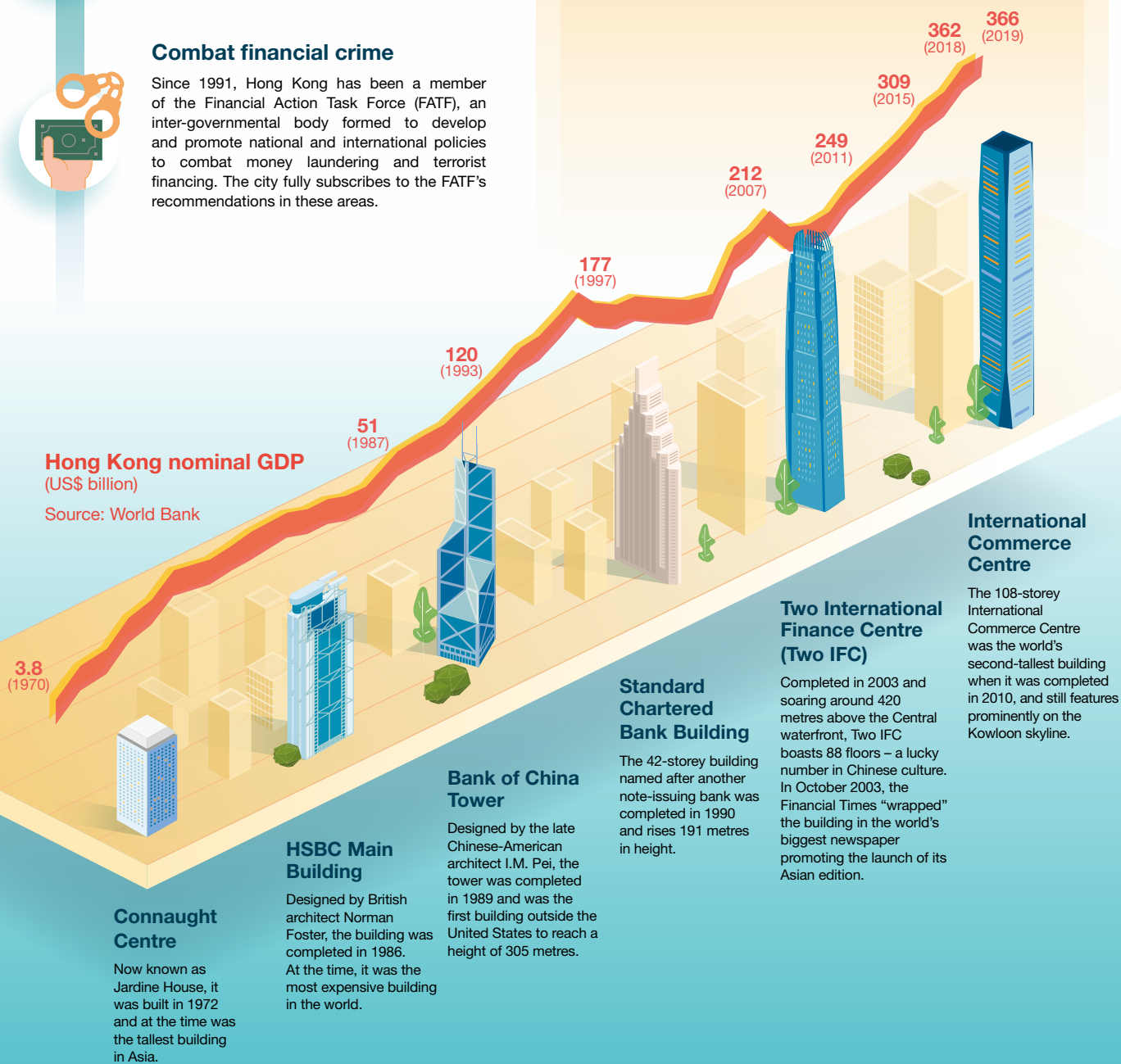


Combat financial crime

Since 1991, Hong Kong has been a member of the Financial Action Task Force (FATF), an inter-governmental body formed to develop and promote national and international policies to combat money laundering and terrorist financing. The city fully subscribes to the FATF's recommendations in these areas.

Finance industry landmarks

Hong Kong is renowned for its iconic skyline. This distinctive feature is an important part of the story of how financial services have shaped the city over time.



Hong Kong nominal GDP
(US\$ billion)
Source: World Bank

Connaught Centre
Now known as Jardine House, it was built in 1972 and at the time was the tallest building in Asia.

HSBC Main Building
Designed by British architect Norman Foster, the building was completed in 1986. At the time, it was the most expensive building in the world.

Bank of China Tower
Designed by the late Chinese-American architect I.M. Pei, the tower was completed in 1989 and was the first building outside the United States to reach a height of 305 metres.

Standard Chartered Bank Building
The 42-storey building named after another note-issuing bank was completed in 1990 and rises 191 metres in height.

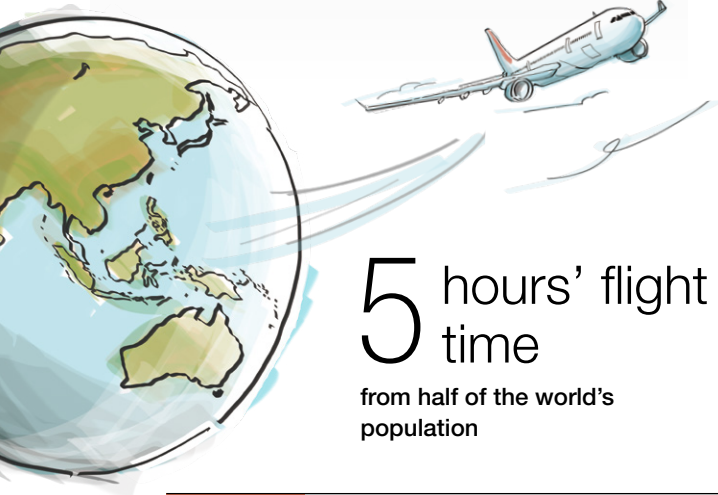
Two International Finance Centre (Two IFC)
Completed in 2003 and soaring around 420 metres above the Central waterfront, Two IFC boasts 88 floors – a lucky number in Chinese culture. In October 2003, the Financial Times “wrapped” the building in the world’s biggest newspaper promoting the launch of its Asian edition.

International Commerce Centre
The 108-storey International Commerce Centre was the world’s second-tallest building when it was completed in 2010, and still features prominently on the Kowloon skyline.

City snapshot

Hong Kong in numbers

Hong Kong strives to uphold its reputation as a premier international financial centre. Those doing business in the city know that they are in an enabling environment driven by healthy competition, economic efficiency, an innovative financial services industry and a forward-thinking, entrepreneurial culture.



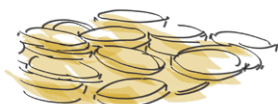
5 hours' flight time
from half of the world's population

Banking

Home to over **70** of the world's 100 largest banks

Asset and wealth management

Asset and wealth management sector managed close to



US **\$3.7** trillion

in 2019, of which 64% came from foreign investors

Business hub

One of the world's top 5 competitive economies for

16 consecutive years since 2005



Renminbi

The world's largest offshore renminbi hub, with the deposit pool of

RMB **757.2** billion
as of 31 December 2020



Around

75%

of the world's cross-boundary renminbi payment transactions were processed via Hong Kong in 2020



FinTech

One of the most important fundraising cities in Asia for growing businesses. From 2014 to 2019, Hong Kong-based FinTechs raised around

US \$1.5 billion

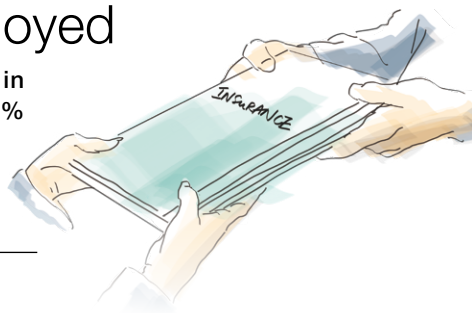


Talent and economic value

272,600

people employed

in the financial sector in 2019, accounting for 7.1% of the workforce



Insurance market

Insurance density

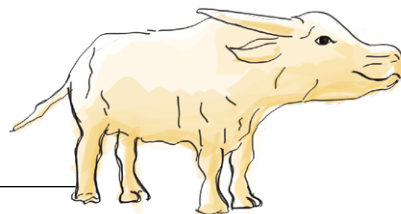
(insurance premiums per capita) of US\$9,706 in 2019,

the highest in Asia and second-highest globally



High concentration of insurers

in Asia, with 165 authorised firms operating as of the end of September 2020



Capital markets

No. 1 globally for Initial Public Offering funds raised in seven out of the past 12 years

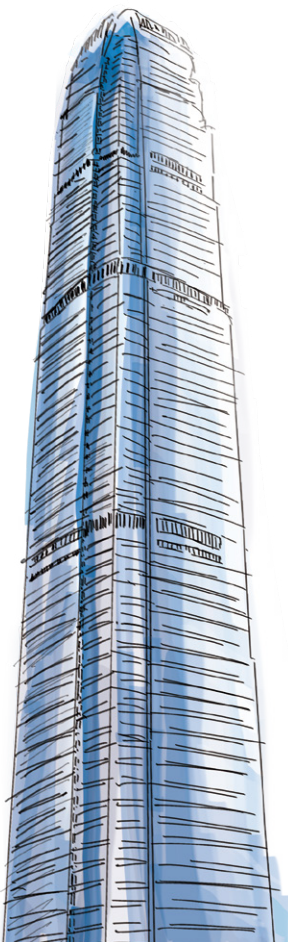
2,538 companies listed on the Stock Exchange of Hong Kong, with a total market capitalisation of around

US \$6.1 trillion, as of the end of December 2020



Green finance

US \$10 billion worth of green bonds were arranged and issued in 2019



Heart of Asia

Supporting the growth of the region

Hong Kong's role as an integral trading hub and one of Asia's premier financial centres makes it a vital market for companies trading in the region, and a key link between Mainland China and the West. Hong Kong is perfectly placed to enable and support Asia's growth, in which much is destined to come from the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) – a Chinese Government initiative to establish a globally competitive economic cluster.

Uniquely competitive in Asia

A trusted legal system that makes it the only common law city in China



Rule of law that gives it international credibility in helping to **resolve trade disputes** and **intellectual property conflicts** in the region



Liquidity of funding, as Asia's financial hub



A low and simple tax system, without VAT or GST, capital gains tax, withholding tax on investments, estate duty or global taxation



One of the world's freest and most services-oriented economies, with services sectors accounting for more than 90% of GDP



Press freedom, allowing for open, free and reliable information



Superb connectivity, boasting key rail and infrastructure connections with other GBA cities and offering access to half of the world's population in just five hours' flight time



The GBA at a glance

The GBA, as an economic cluster, will rival the San Francisco Bay area, New York Metropolitan area and the Greater Tokyo Bay area. The cluster covers nine municipalities in southern China's Guangdong province, as well as the two special administrative regions of Hong Kong and Macao. Hong Kong, as a major international financial centre, is well positioned to enhance the GBA's financial capabilities.



Quick facts about the GBA (figures as of 2019)

- **GDP:** over US\$1.6 trillion (more than that of Australia), by 2030, the region's GDP could top US\$4.6 trillion
- **Population:** over 72 million (more than that of both the UK and France)
- **Land area:** over 56,000 square kilometres – less than 1% of China's land mass, but produces 37% of the country's total exports and generates 12% of its GDP
- With **cross-boundary infrastructure projects** such as the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link in service, travel time within the region is reduced to within an hour
- **Green Finance** is one of the key strategic initiatives of the GBA and Hong Kong is poised to become an international green finance centre in the region. Green bonds arranged and issued in Hong Kong amounted to US\$10 billion in 2019, supported by a diverse pool of issuers

Features



Hong Kong enjoys the dual advantage of being a part of China, while maintaining the global networks

Cross-boundary Stock Connect schemes

link the Stock Exchange of Hong Kong with those of Shenzhen and Shanghai

The Mutual Recognition of Funds scheme

was created to develop Hong Kong as a global asset management centre

BOND

Bond Connect

allows international investors to access the sizable domestic Chinese interbank bond market

Wealth Management Connect pilot scheme framework

was unveiled and would be rolled out as soon as practicable

New connectivity



Hong Kong's history has been shaped by its role as a connector for trade and a gateway to Mainland China, bringing remarkable opportunities for both the city itself and for companies operating here. Hong Kong provides a unique platform for firms based near and far to invest, raise money and sell

Kong is well positioned to create value for both Mainland Chinese and international firms looking to participate in GBA commerce. While being a part of China, it can maintain its global outlook and play five instrumental roles as opportunities for the GBA develop further:

those of Shenzhen and Shanghai. These schemes have increased cross-boundary transactions by making available for trading over 2,000 listed equities across three markets and have presented investors with new liquidity pools and direct access to opportunities in Mainland China.

- Regional financial services centre
- Go-to “dealmaker” and “dispute-resolver” for the GBA, backed by its common law system and independent judiciary
- Business hub with expertise in a full range of mature business services, including accountancy, project management and risk management
- Key driver of innovation and technology
- Provider of creative services across design, marketing and architecture

Bond Connect, launched in July 2017, allows international investors to access China's sizeable interbank bond market for the first time. This has been made possible through closer connections between Mainland and Hong Kong-based financial infrastructure institutions.

In the fund aspect, Hong Kong enjoys the strength as a global asset management centre through the implementation of the Mutual Recognition of Funds schemes. The schemes cover jurisdictions including Mainland China, Switzerland, France, the United Kingdom, Luxembourg, the Netherlands and most recently, Thailand. The schemes have streamlined the process of distributing Hong Kong-domiciled funds in the partnering jurisdiction and vice versa. Investors are now able to access a more diverse range of financial products and opportunities.

The cross-boundary Wealth Management Connect (WMC) Pilot Scheme in the GBA is underway. When the WMC is implemented, the two-way wealth management and investment channels are expected to expand.

products in Mainland China, where ongoing economic reforms and an opening-up of its markets will bring further benefits to the world.

Connected cities – the Greater Bay Area

The Guangdong-Hong Kong-Macao Greater Bay Area (GBA) is a strategic initiative to create one of the world's leading economic clusters. The GBA includes Hong Kong, Macao and nine cities in Guangdong province, representing a population of over 72 million and a projected GDP of US\$4.6 trillion by 2030.

As an international financial centre and an innovation hub with physical infrastructure connectivity, Hong

Hong Kong's tertiary institutions, research capabilities, robust intellectual property protection regime and free flow of information mean that the city is well placed to serve institutions that want to be based in the innovation and technology hub of the GBA.

Connected markets – equity, bond and asset & wealth management

Stock Connect schemes, first established in November 2014, link Hong Kong's stock exchange with

Features

The Technology Talent Admission Scheme

has offered a fast-track arrangement for the admission of R&D talent

Hong Kong has allocated over **HK\$100 billion** to promote its I&T development

Advocating innovation

SenseTime, an artificial intelligence venture, became the first home-grown “unicorn” with valuation surpassing **US\$7.5 billion**

Powering innovation

Cloud computing and data centres have been established by tech giants

Catalyst for change

Looking to the future, Hong Kong has a strong foundation to build upon. Its global reputation for connectivity and financial services is conducive to shaping tomorrow’s economy and pioneering fresh approaches to finance. Moreover, leveraging its expertise in innovation and technology (I&T) in the context of the GBA, Hong Kong has the potential to establish regional leadership and play an integral role in enabling technological disruption.

Advocating innovation

Hong Kong has allocated over HK\$100 billion (approximately US\$12.8 billion) to promote Hong Kong’s Innovation & Technology (I&T) development through a variety of means, including investing in infrastructure and R&D, nurturing start-ups and growing new industries. To support capacity building, the city has been taking a proactive approach to attracting talent from around the world.

For example, the Technology Talent Admission Scheme, announced in 2018, has offered a fast-track arrangement for the admission of non-local research and development talent.

Powering innovation

Hong Kong has received a significant amount of cutting-edge I&T infrastructure and investment in recent years:

- Tech giants such as Google, Alibaba, Tencent, Amazon and Microsoft have established cloud computing and data centres. As at September 2020, Hong Kong accounted for 54% of total investment into the Asia-Pacific data centre market in that year.
- Hong Kong is home to at least eight unicorns.
- The Bank for International Settlements (BIS) set up a BIS Innovation Hub Centre in Hong Kong in 2019 to develop in-

depth insights into critical trends in technology that affects central banking. It serves as a focal point for a network of central bank experts on innovation.

Funding innovation

Hong Kong offers a number of liquidity options for innovative firms seeking public or private capital:

- Hong Kong launched a HK\$2 billion (approximately US\$256 million) Innovation and Technology Venture Fund in 2017 (another HK\$2 billion was injected according to the 2020-2021 budget) to encourage investment in local innovation and technology start-ups. The fund welcomes participation from local and overseas venture capital funds as co-investment partners. 2,690 projects have been approved since this was launched as of the end of December 2020.



Hong Kong launched a **HK\$2 billion** Innovation and Technology Venture Fund in 2017 (another HK\$2 billion was injected according to the 2020-2021 budget)

Funding innovation

A new listing regime was put in place to make it easier for biotechnology and innovative companies to list in Hong Kong

Structuring innovation

A digital technology ecosystem with over 1,500 companies and start-ups in

Cyberport

More than 890 technology companies, local and from overseas, are operating at

Hong Kong Science Park

- Hong Kong has become the largest biotech fundraising venue in Asia and the second in the world. Since the Stock Exchange of Hong Kong instituted a new listing regime to make it easier for biotech firms and innovative companies with weighted voting rights structures to list, leading tech players have chosen to grow their venture funds in Hong Kong.

Structuring innovation

Supported by public policy, Hong Kong has been laying the foundation for a FinTech ecosystem. Hong Kong's digital business parks house a growing number of tech firms and accelerators. In one of them, Cyberport, there is a digital technology ecosystem with over 1,500 companies and start-ups, and the city intends to develop more space there by building Cyberport 5. On top of this, over 890 local and overseas

technology firms are now operating at Hong Kong Science Park.

- The Securities and Futures Commission has adopted a new regulatory framework for virtual asset trading platforms. In December 2020, it issued the first license for operating regulated brokerage and automated trading services for digital assets.

The Hong Kong Monetary Authority (HKMA) has also been playing a leading role in driving FinTech and innovation:

- The HKMA has issued eight virtual banking licences. All the licensees have launched their business. The development of virtual banking, as part of Hong Kong's commitment to Smart Banking Initiatives, is seen as essential to advancing financial innovation, customer experience and financial inclusion.

- Together with seven banks in Hong Kong, the HKMA launched a trade finance platform utilising blockchain technology in 2018.
- Also in 2018, the HKMA launched the Faster Payment System, which enables interbank payments easily and instantly, operates on a 24/7 basis and supports Hong Kong dollar and renminbi payments.

The Insurance Authority has been assisting insurance firms to tackle Insurtech-related regulatory issues through various initiatives. These initiatives include a fast application track for new insurers owning and operating solely digital distribution channels, an Insurtech Sandbox to facilitate pilot run of innovative Insurtech applications, etc. To date, a total of four virtual insurer licenses have been granted with a view to delivering service optimisation, value enhancement and customer convenience.

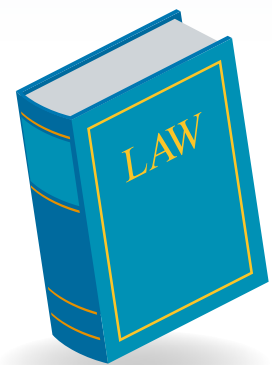
Trust in the rule of law

Hong Kong's legal system is highly ranked internationally and noted for its well-established common law heritage. The city's commitment to the rule of law, and its adherence to the values of transparency, trust and fairness, have been integral to its growth as a financial centre.

Businesses from all over the world, including the top international financial institutions, have been drawn to open offices in the city. A cornerstone of Hong Kong's transformation into a globally renowned financial centre is the knowledge that companies can operate in and be protected by a just legal system.

Global recognition

The Basic Law, a fundamental constitutional document of Hong Kong, ensures that the legal system here will continue to give effect to the rule of law. This system is safeguarded by an independent judiciary, which exercises its powers of final adjudication free from interference. This independence and freedom give Hong Kong's courts a global reputation and recognised authority, and for this reason are often referenced by other common law jurisdictions.



2nd in Asia for judicial independence according to the World Economic Forum's Global Competitiveness Report 2019



Court of Final Appeal

has developed a leading reputation globally

10,433

local solicitors
and

1,657

foreign lawyers
practice in the city



A leading centre for
**dispute
resolution**
in Asia-Pacific



Financial
transparency and
fair competition
safeguarded by a

strong regulatory regime

Dispute resolution

Hong Kong is a leading deal-making and dispute resolution centre across Asia-Pacific, with the presence of several world-renowned legal and dispute resolution organisations, including the Secretariat of the International Court of Arbitration of the International Chamber of Commerce Asia Office; the Asia Pacific Regional Office of the Hague Conference on Private International Law; and CEDR Asia Pacific, part of the Centre for Effective Dispute Resolution. These regional organisations are complemented by

local authorities such as the Hong Kong International Arbitration Centre.

In December 2017, Hong Kong and Mainland China signed an agreement to enhance collaboration in project interfacing and dispute resolution services under the Belt and Road Initiative. Also, the development of Hong Kong as a major legal and dispute resolution services centre in Asia-Pacific currently forms part of the development plan of the GBA. Hong Kong is therefore ideally positioned to resolve any disputes arising from these initiatives.

Supporting all businesses

Conducting business in Hong Kong means having peace of mind that contracts will be enforced, intellectual property will be protected, and disputes will be settled fairly.

In addition, Hong Kong has implemented streamlined legal procedures for registering a company or setting up a business. This is important for enabling the city's start-up community, encouraging innovation and incentivising growth companies to incorporate in Hong Kong.

Robust regulation

Independent agencies are responsible for overseeing the enforcement of industry regulations related to banking, securities and futures, insurance and retirement schemes.

To protect the vitality of Hong Kong's financial services industry, regulations evolve in tandem with developments in the market. Moreover, regulators actively engage with industry stakeholders to ensure all regulations are calibrated to address real needs and offer suitable protections. This approach to regulatory oversight underscores Hong Kong's commitment to fair competition and financial transparency.



A legal system

with well
enforced
contracts and
property rights



Voices on Hong Kong

Why Hong Kong?

Hong Kong's continued rise is best understood by those who call it their professional home. Its reputation as an international finance hub has been reinforced by decades of financial dynamism, facilitated by the world's top companies and the professionals doing business here. In this section, we hear about Hong Kong's position as an international financial centre from some of the city's most accomplished business and thought leaders.



Laurence Li

Chairman

Financial Services Development Council

Hong Kong is a true international financial centre. It has a pool of agile professionals who bring new opportunities every day to our well-established system of open markets, regulations, and the rule of law.

The prosperity in Asia continues to provide a wealth of opportunities, including new major initiatives in China, in particular for the Greater Bay Area. But developmental challenges and the geopolitical situation are also getting more complex. In this environment, having good people and good information is key. Protection provided by strong institutions is also important.

As a lawyer who began his career in New York and now works internationally, I have a first-hand view of how much institutions in Hong Kong help businesses manage risks and protect the fruits of their investments. I am proud of our system and confident that Hong Kong will continue to be a leading centre for financial services globally as well as a great location for the international investment community.

Stock
exchange



Laura M Cha

Chairman
HKEX Group

As the former Vice Chairman of the China Securities Regulatory Commission and the current Chairman of the Hong Kong stock market operator, Cha has extensive regulatory experience in the finance sector, and has played a pivotal role in developing the city as a competitive, well diversified capital market for global investors.

Hong Kong is the ultimate connector between East and West and has long been a preferred listing and fundraising venue in the global arena. **The city's inherent institutional strengths, such as access to deep capital pools, sound regulatory regime and respected legal system provide a solid foundation for companies to raise funds and the basis on which international investors operate with confidence.**

The world continues to evolve and we need to be in the front seat. Hong Kong will build on its past achievements to maintain its global financial leadership into the future. To succeed in the new economy, Hong Kong will use its competitive advantages to maintain our international relevance through adaptability and keeping an open and innovative mindset.

Insurance



Don Kanak

Chairman

Prudential Insurance Growth Markets

Don Kanak is Chairman of Prudential Insurance Growth Markets, and Chairman of the Prudence Foundation. He has lived in Hong Kong for over 15 years, and worked in Asia for over 30 years in insurance and investment.

With a vibrant domestic market and outstanding connectivity to Mainland China and the rest of Asia, Hong Kong is increasingly attractive to multinational insurers as a location for regional, international and global headquarters. Like other companies, our Group has been doing business in Hong Kong for a very long time. Since October 2019, we have been headquartered in London and Hong Kong with the Hong Kong Insurance Authority as Group supervisor.

With the implementation of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), Hong Kong's insurers see tremendous potential for further growth across a huge, integrated and innovative GBA market.

Banking



Amy Lo

Chief Executive
UBS Hong Kong

As Co-Head for UBS Wealth Management in APAC and Chairperson of the Executive Committee of the Hong Kong Private Wealth Management Association (PWMA), Amy is dedicated to fostering the growth of the private banking industry and promoting Hong Kong as the world's leading wealth management hub.

Technology



Jim Lai

Vice President
Tencent Holdings Limited
Chairman
Fusion Bank Limited

Under Jim's leadership, Tenpay introduced many innovative products and services which propelled the platform into its leadership position in mobile payments in mainland China. Jim led Tencent Financial Technology for years before taking up the founding chairmanship of Fusion Bank in 2019. He currently serves on a number of key government advisory committees including the FSDC.

Investment banking



Dr Haizhou Huang

Managing Director
China International Capital Corporation

Dr Huang is a senior executive and leading economist, with over thirty years of experiences across academic, policy institutions and financial services. He heads up the global equities department at CICC. He was formerly a senior economist at International Monetary Fund.

As wealth in Asia continues to grow, Hong Kong's private wealth management industry is presented with exciting opportunities. **The city is strategically located at the heart of Asia which is the global economic powerhouse, and has a long tradition of serving as an important gateway for capital flows into and out of the region. Its strong financial infrastructure is highly valued by high net worth individuals as they seek to protect and grow their wealth.**

Additionally, Hong Kong's proximity and connections to Mainland China also allow us to capture the opportunities in the Greater Bay Area (GBA), including the growing demand for cross-boundary wealth management and investment services of GBA residents. Through collaboration and constant dialogue, the industry will continue to work with the government and relevant stakeholders in order to protect and grow Hong Kong's unique role as the leading wealth management hub in the region and globally.

Strategically located in the Guangdong-Hong Kong-Macau Greater Bay Area, Hong Kong is part of the fastest growing and most innovative region in China. As a Hong Kong native focusing on Fintech in neighbouring Shenzhen in the past decade, I have witnessed the rise of Shenzhen as a thriving technology centre and the growing partnership between Hong Kong and Shenzhen as an integrated innovation hub.

The introduction of virtual banking is putting Hong Kong firmly on the global map of Fintech innovations. Success of the Mutual Market Access schemes between the Mainland and Hong Kong financial markets illustrate the inventive role we can play as the Mainland opens up to the world. And I believe this is only the beginning.

As one of the top international financial centres, **Hong Kong will continue to benefit tremendously from global, regional and especially China's growth and development.** Three key factors are especially important: the strong global liquidity supported by the enormous quantitative easing by the Fed and fiscal stimulus by the US government; the huge demand for financing due to strong global and regional economic recovery; and China's rapid economic growth, strong technological innovations and further opening up. Hong Kong would constantly reinvent itself to capture these exciting opportunities and tackle the uncertainties of the macro environment.



The city where
**global
ambitions**
are realised

Hong Kong is trusted the world over as the premier location for financial services firms to grow and thrive. Its role as a connection hub will continue to facilitate access to Asia's most important markets.

The Financial Services Development Council (FSDC) is at the forefront of Hong Kong financial services industry's development. The FSDC's work is facilitated through collaboration with relevant industry stakeholders and is focused on shaping the future of finance in Hong Kong and beyond.



**Financial Services
Development Council**



**Financial Services Development
Council (@FSDCHK)**

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