

Speech

Speech by SFST at presentation ceremony of Lipper Fund Awards Hong Kong 2010

Friday, March 19, 2010

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the presentation ceremony of Lipper Fund Awards Hong Kong 2010 today (March 19):

Hong Kong as Asia's Fund Management Centre

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Good afternoon ladies and gentlemen.

It gives me great pleasure to attend the Lipper Fund Awards 2010. The Lipper Fund Awards programme recognises the world's top performing funds and honours funds that have excelled in delivering consistently strong performance.

This event is a true celebration of the success of Hong Kong's top-performing funds and fund management firms and creates a great opportunity to meet your fellow financial services professionals, share insights and hear from industry experts.

Hong Kong as a major asset management centre in Asia

Hong Kong has established itself as a major asset management centre in Asia and our fund management businesses have been taken to new heights in recent years. There were a total of 2,093 authorised unit trust and mutual funds in Hong Kong as at the end of March 2009 and their Assets Under Management (AUM) amounted to US\$628 billion as at the end of 2008.

Strengths of Hong Kong as a major asset management centre in Asia

What makes Hong Kong an asset management centre in Asia? The answer lies in our fundamental strengths as an international financial centre. Situated at the heart of Asia and as the gateway to Mainland China, equipped with excellent infrastructure, Hong Kong serves as an ideal platform for overseas fund managers to access the Asian markets.

The competitiveness of Hong Kong as an international financial centre has been recognised worldwide. In the Global Competitiveness Report published by the World Economic Forum last year, Hong Kong continued to rank first out of 133 economies in the financial market pillar. The latest survey by the City of London Corporation Global Financial Centres Index which was hot off the press last week also ranked Hong Kong as the third global financial centre in the world, after London and New York.

Quality human capital is crucial to the development of Hong Kong's asset management industry. We are glad that Hong Kong has gathered financial professionals, including many of you here today, who have demonstrated innovation, adaptability, diligence and strong entrepreneurial spirit to support the development of our financial services sector and asset management industry.

Government initiatives

We expect the strong growth of the asset management industry in Asia to continue. The increasing demand for wealth and asset management services on the Mainland will propel Hong Kong ahead in the game. The Hong Kong Government has in the past and will continue to prepare ourselves to capture opportunities presented to us by working with the Securities and Futures Commission (SFC) and InvestHK.

In the recent past, we have adopted various fiscal policies which encourage fund managers to set up and manage their funds out of Hong Kong. For example, since 2006, offshore funds have been exempted from profits tax, bringing us in line with other major financial centres such as New York and London; estate duty was also abolished in the same year to encourage local and overseas investors to invest in Hong Kong.

This year, we have further proposed a number of measures in our

Budget. The stamp duty concession in respect of the trading of exchange traded funds (ETFs) will be extended. Currently, we waive the stamp duty for the trading of ETFs with no Hong Kong stock in their portfolios. This concession will be extended to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks. This will reduce the trading cost and promote the diversification and healthy growth of our ETF market.

Facilitating the healthy development of a bond market is also on our agenda. Last year, we implemented a government bond programme. This year, we took an extra step by extending the concessionary profits tax rate derived from qualifying debt instruments to cover instruments with a maturity period of less than three years.

To help attract more fund managers to manage overseas funds in Hong Kong, the Commissioner of Inland Revenue has further clarified the industry's concern about the residency requirement for directors of offshore funds.

As well as administering the laws governing the securities and futures markets in Hong Kong, the SFC is also responsible for facilitating and encouraging the development of these markets. Recent achievements on this front include signing an MOU with the Securities Commission of Malaysia late last year to provide for the mutual recognition of Islamic collective investment schemes between Hong Kong and Malaysia. This MOU aims to foster the further development of Islamic fund management in Hong Kong and allows investors in both markets to enjoy a wider choice of investments with the cross-border offering of Islamic collective investment schemes.

The SFC is also proactive in facilitating the development of our REIT market. It has issued a consultation paper earlier this year in relation to mergers and acquisitions of REITS and market conduct regulation of listed collective investment schemes.

InvestHK is the government department in charge of inward investment promotion. It has proactively visited targeted fund management firms overseas and on the Mainland to promote Hong Kong as an ideal destination for asset management business.

Investor education

I have so far talked about how infrastructurally we can make Hong Kong as friendly a place as possible for the asset management industry. However, this is just one half of the equation - the "supply" side. In order to ensure the success of any business, we need to have matching demands - investors who are shopping for these asset management services or products.

The Government is proposing to strengthen investor education in Hong Kong by establishing an Investor Education Council. It aims to improve the financial literacy and capability of the general public by influencing their fundamental financial attitudes and behaviours, so as to help them improve the quality of their financial decisions. It is also about helping the general public understand the importance of, and acquire the general know-how to, asking the right questions before making investments; understanding the trade-off between risk and return; and evaluating their own risk tolerance level. This would in turn raise the public's awareness of the various fund management products and services on offer and will help get the right products into the hands of investors who need them.

Enhancing investor education is not just about protecting investors, it improves investor confidence in the financial system and the effectiveness of their dealings with financial services providers, and is conducive to the development of wealth management business in Hong Kong.

Once again, I would like to thank every one of you for your contributions to the asset management industry in Hong Kong. We all look forward to and will benefit from your industry reaching new heights. I would also like to extend my warmest congratulations to all the award winners for their sterling performance.

Thank you very much.