Press release

SFST: Mainland's economic growth means business opportunities for HK

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Spectacular economic growth on the Mainland meant “buckets of business opportunities” for Hong Kong, the Secretary for Financial Services and the Treasury, Professor KC Chan, said in Washington today (May 14 Washington time).

Addressing a luncheon at the Carnegie Endowment for International Peace, Professor Chan said the Mainland’s continued high growth had resulted in quick and massive accumulation of wealth, which translated into a huge demand for high-end and sophisticated financial products not yet available there.

“At the same time, Mainland enterprises were scouring in droves for funds to grow their business,” he said.

Professor Chan told luncheon guests that Hong Kong had become the darling of Mainland enterprises wanting to list in another jurisdiction. But Hong Kong was not just a darling, she had become a trusted relative to manage Mainland money.

“Since 1993, when the first Mainland company was listed on our stock exchange, more than 440 Mainland enterprises have done so, raising a total of more than US$240 billion.

“In recent years, Mainland authorities have been progressively allowing its banks, securities and fund management companies and insurance companies to invest overseas through the Qualified Domestic Institutional Investors, or QDII,” he said.

This was considered an orderly outflow for Mainland funds. Hong Kong was likely to be the principal beneficiary of QDII because it was a market that Mainlanders knew well, culturally and financially.

Professor Chan said that when Mainland authorities wanted to use untried ways of financial transactions with the outside world, Hong Kong was favoured as the first outlet. “This gives us an enormous early advantage.”

Hong Kong, he said, was not called a money-making paradise for nothing.

“We are third worldwide, just behind London and New York in terms of financial centre competitiveness. This is not my ranking, but the ranking of the Global Financial Centres index published by the City of London in March.”

Hong Kong has been the biggest beneficiary of China’s skyrocketing prosperity. In 2007, China's GDP reached US$3.3 trillion, making her the world’s fourth largest economy and Asia’s No 1 destination for foreign direct investment.

“How can Hong Kong help you to tap this rich vein of opportunities on the Mainland? The people who can help you are the smart financial professionals, and we have many of them. Our financial talent has an intimate knowledge of the Mainland market. Most importantly, they are Mainland networking specialists who can help you avoid costly mistakes and make the right moves,” Professor Chan said.

“Mainland intermediaries such as banks, insurance companies, securities and futures broker dealers are also establishing operations in Hong Kong and we expect to see Mainland fund managers set up operations here later in the year.”

Professor Chan said investors could capitalise on the Mainland’s economic growth by investing in Chinese enterprise shares listed on the Hong Kong Stock Exchange. There are about 440 of these enterprises to choose from, ranging from financial institutions, telecommunications, coal and gold mining, oil, gas, and car making to supermarkets.

“Fund managers can leverage on Hong Kong’s strengths to tap the huge domestic savings of China. We are already Asia’s leading wealth management centre with 80 fund management houses currently operating in Hong Kong, including firms from the US, the UK and Switzerland.”

The renminbi business in Hong Kong has grown steadily since its launch in 2004. Hong Kong is the first place outside the Mainland with a renminbi bond market.

"We need to continue to integrate and strengthen financial co-operation with the Mainland economy. China is unique in having two financial systems within its borders, one in Hong Kong, and one on the Mainland. We are developing a complementary and interactive relationship with the financial system on the Mainland by the following measures:

* Encouraging Hong Kong financial institutions to expand their presence on the Mainland;

* Encouraging Mainland funds, investors and financial institutions to go overseas through Hong Kong;

* Strengthening the links between the financial markets in Hong Kong and the Mainland;

* Getting Hong Kong financial instruments to be traded on the Mainland, and continuing to expand the renminbi business in Hong Kong; and

* Strengthening the financial infrastructural links between Hong Kong and the Mainland."

Professor Chan said Hong Kong would continue to review its regulatory model to ensure that it would not hamper financial innovation or stifle further development of Hong Kong's financial services industry.

"In June last year, for example, the SFC announced a set of initiatives to streamline the licensing procedures for overseas fund managers wishing to operate in Hong Kong. Firms that are already licensed or registered in the US as investment managers or advisers, and which only serve professional investors and have good compliance records will enjoy an expedited licensing process," he said.

Professor Chan called on the Under Secretary of the Treasury for International Affairs, Mr David McCormick, in Washington this morning. He will depart for San Francisco this afternoon and will address a financial summit to be held tomorrow.

Ends