

## **Speech**

### **Speech by SFST at FSDC Career Day (English only) (with photos)**

Sunday, November 9, 2014

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Financial Services Development Council (FSDC) Career Day today (November 9):

Members of FSDC, industry and student speakers, and all students here,

Good afternoon.

I'm pleased to join you today, delighted to see so many young and enquiring faces. All eager to learn more about financial services, about where the opportunities lie, perhaps about how to get fabulously rich, quick, and in need of wealth-management services.

Unfortunately - for you, as well as for me - I don't have any direct experience when it comes to fabulous wealth - how to get it or how to manage it.

That said, I do have some thoughts on financial services. And some experience to share in this surprisingly broad, and broadly rewarding, sector. It's been more than seven years now since I joined the Government as Secretary for Financial Services and the Treasury. Before that, I was Dean of Business and Management at the Hong Kong University of Science and Technology.

So, while I serve Hong Kong as a policymaker in financial services, my perspective as an educator also comes through. With that in mind, I'd like to talk to you about careers in finance. I'd also like to dispel a few misconceptions associated with the sector.

I'm sure you've heard the acronym Ny.lon.kong; it was first coined by Time magazine in January 2008, just before the financial crisis, to refer to the world's three most important international financial centres: New York, London and, yes, Hong Kong. Nearly seven years later, they remain the world's financial capitals. Indeed, Hong Kong ranked third in the latest Global Financial Centres Index results, published in September this year.

In fact, we survived the 2008 financial crisis relatively intact, emerging stronger, more confident than ever before. For good reason. Our stock market is the world's sixth largest and Asia's second largest. Last year, we ranked second in the world in IPO funds raised, and we've been in the top five for the past 12 years.

On the banking side, 72 of the world's 100 top banks operate in Hong Kong. We also have Asia's highest concentration of insurers - 156 at the end of August.

Over the years, the financial services industry's share of Hong Kong's economy has grown - from about 11 per cent of our GDP in 1997, to almost 16 per cent in 2012. In the first quarter of this year, the industry employed 6.5 per cent of our workforce.

In short, Hong Kong's financial services sector is strong and growing. Let me add that our economy is not overly concentrated on financial services, as some commentators have suggested. Neither have we become an international financial centre by design. Rather, it is a clear result of our competitive advantages. These include our low taxes and simple tax regime, the rule of law, our geographical location, international connectivity and a highly skilled labour force.

Financial firms tend to be highly specialised. A transaction is carried out at a certain place often because it meets the specific requirements of the transacting parties and does so at the lowest cost. Once a track record of doing business there has been established, there is a strong inclination to return - to stay with what worked.

Centrally located in the heart of East Asia, Hong Kong serves the region's ever-increasing demand for financial services. The Association of Southeast Asian Nations has been growing at about 6 per cent a year, on average, over the past decade. And Mainland China, as we know, is the world's fastest-growing major economy.

Globalisation has changed the nature of many economic activities, including how goods are made and how investments are financed. In the '60s

and '70s, Hong Kong had a vibrant manufacturing industry and a good sized banking centre to support this business. Due to the opening up of Mainland China, Hong Kong moved up the value stream to become a service centre.

At the same time, globalisation of finance turns Hong Kong into a global financial centre. Financial globalisation means that financial capital can move across borders with a hit of a button, and companies which need capital can go where the cost of raising capital is the lowest. In Hong Kong we are serving companies and individuals in the region as well as globally. We are also facing competition from the world because of the mobility of capital.

Hong Kong's financial market has been successful because it has served our economy well, and meets the changing needs of our regional and global economy. We not only serve Hong Kong companies and investors well, we have been a major window for Chinese companies to raise capital, making possible the fast economic development on the Mainland. We established ourselves as an offshore RMB centre in response to new liberalisation initiatives of our nation.

The future for our financial market is bright, and the scope of activities will expand. The continuing growth of China and the region will fuel demand for a wider range of financial services, including wealth management for individuals and new services for upcoming multinational Chinese corporations.

That's the good news. And now for the challenges we need to overcome. Top on the list is a shortage of talent - one reason why we created this forum, why you're here today. Finance needs more good young people - lots more.

No doubt, a job in high finance is a dream for a good many university graduates. That dream, however, often offers little beyond a few stereotypes. Others avoid the sector because of misconceptions. My goal today is to dispel some of that misunderstanding, while adding some detail to the dream.

The most common fallacy is that finance opportunities are limited to sales and marketing. Some believe that the sector exemplifies greed, created only to serve the rich and expand inequality. Others believe that the globalisation of the sector leaves the benefits unevenly distributed between global capital and the local labour force.

These fallacies overlook the broader role finance plays in the economy and society as a whole. Fundamentally, finance originated from a need to solve real problems for real people - rich, not-so-rich and poor alike. Many things we take for granted today are only possible thanks to the ingenuity of financiers. Consider the following:

Many large-scale undertakings, such as building an airport, developing a new medicine or technology, require a large capital outlay, one beyond the limits of the vast majority of individuals. Capital markets, however, allow entrepreneurs to raise the needed financing from the public by issuing shares and bonds. Thanks to that, we can all enjoy newer and bigger airports, improved health care and better and faster smartphones.

Finance also helps alleviate poverty. Micro-finance is the branch of financial services that specialises in providing financial services to low-income and marginalised communities and individuals. Micro-financing is particularly successful in Bangladesh and India, where micro-finance assists those too poor to qualify for traditional bank loans. The originators - Muhammad Yunus and Grameen Bank - were even awarded a Nobel Peace Prize in 2006 "for their efforts to create economic and social development from below".

Closer to home, financial services also help people like you and me solve everyday problems at different stages in our lives. Loans and mortgages allow individuals to finance their education, vehicles and homes. Insurance policies give individuals the tools to protect themselves against rare and unexpected events. Investment and retirement products enable savers to earn a return on their savings and help prepare for retirement. Innovative offerings such as reverse mortgages provide retirees with a property a steady flow of cash.

Finance also plays a fundamental role in promoting economic activities and growth. Entrepreneurs launching a new venture may get a loan from the bank or turn to private equity funds for investment capital. Once the business is up and running, they may improve their cash flow through invoice-financing. As business continues to grow, companies can be listed on the stock market, securing access to capital from the general public. As you can see, finance is intimately tied to business and the economic growth and employment opportunities that business engenders.

Finance, then, is not Gordon Gekko. Finance is not greed - certainly not all of it, or even most of it. Finance is good. Good for you. Good for society. As the International Monetary Fund's Christine Lagarde has said, "The financial industry is a service industry. It should serve others before it serves itself."

Allow me now to share with you a few of the opportunities that the world of finance can offer people like you.

Let's start with the asset and wealth management industry. Last year, our total combined fund management business reached a record high, topping HK\$16 trillion. This is growth of more than 27 per cent, year on year. Beyond such traditional services as lending and trade execution, today's high-net-worth individuals also look for advice on investments across multiple asset classes, as well as cross-border banking, estate planning and philanthropy.

That advice demands expertise. Specialist talent. As fresh graduates, you won't be an expert right away, but once you've been able to focus on an area, establish credibility in it, you'll find yourself in demand by employers.

The insurance industry is another rapidly growing sector. This year, Hong Kong came fourth in the insurance sub-index of the Global Financial Centres Index. We also ranked among the top in insurance density and penetration. It seems, however, that many university graduates are unaware of the full range of career opportunities that insurance offers.

You will be aware of sales and marketing, of course, along with specialist areas such as actuarial science and investment management. But there's much more to insurance, including specialists able to offer advice on insurance covering anything from mega-events and infrastructure projects to mergers, acquisitions and IPOs.

Those of you with an analytical mindset may want to consider careers in claim handling and loss adjustment. Claims experts help insurance companies investigate incidents, watching out for fraud. There's got to be a good TV series in that. As for loss adjusters, they help insurance companies and policyholders evaluate the level of loss in complex claims.

There is also the role of the insurance underwriter. He examines and then accepts or rejects insurance risks from prospective clients. If he decides to accept certain risks, the underwriter also measures these risks, formulating a premium proportional to the level of risk.

There are many opportunities in different financial sectors that are both exciting and intellectually challenging, and I encourage you to learn more about them.

One way of doing that is by gaining early exposure to careers in the financial sector. To that end, we are exploring a number of initiatives, including publicity drives, scholarships, internships and credit-bearing courses at academic institutions. Working with the industry, we hope to develop concrete proposals in the coming months. So stay tuned!

Ladies and gentlemen, I hope this forum has helped answer some of your questions about the financial sector. I hope, too, that it has inspired you to want to learn more about a career in finance. If finance is about money, it's no less about people, about community, about creating opportunity. It is, in short, about life. The good life. And it's out there, waiting, for you.

Thank you.

Ends

