

Speech
**Speech by SFST at Lipper Fund Awards Hong Kong 2015 presentation
ceremony (English only)**
Tuesday, March 31, 2015

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Lipper Fund Awards Hong Kong 2015 presentation ceremony today (March 31):

Sanjeev (Chatrath), Alice (Kwok), distinguished guests, ladies and gentlemen,

I am delighted to join you all today at this year's Lipper Fund Awards. This programme honours funds that have excelled in delivering a consistently strong risk-adjusted performance. I would like to congratulate the award recipients on your outstanding achievements.

I first attended the award ceremony in 2010. The asset management in Hong Kong has grown by leaps and bounds since then. Combined fund management business expanded by 60 per cent, from about \$10 trillion to \$16 trillion at the end of 2013, and I am sure that number will be updated showing an even better performance.

Progress has not just been quantitative. In 2010, the first RMB fixed income fund was launched, followed by RQFII retail funds and exchange traded funds (ETFs) in 2012, and the Shanghai-Hong Kong Stock Connect last year.

We are continuing to promote our fund industry.

We have waived the stamp duty on the transfer of ETFs.

We are working on legislation to introduce the Open-ended Fund Company as a fund vehicle.

We will extend profits tax exemption for offshore funds to the private equity sector. We've also been working with the Mainland authorities on the mutual recognition and cross-boundary offering of funds.

These are the combined efforts of the Government and the regulators. We are looking to the industry for your support and help to see that these items will be getting all the attention and so that we can carry on growing our fund management business to welcome the great opportunities that are coming our way.

The other thing I want to mention is about the Mandatory Provident Fund (MPF). We know that managing over \$560 billion, the MPF sector has also become an integral part of our asset management industry. As you know we are going to simplify what can be a difficult investment decision process for many scheme members. We propose to mandate a standardised default investment strategy, dubbed the "core fund", across all MPF schemes. This will provide scheme members with an investment approach fit for long-term retirement savings objectives. The management fee charged per annum will also be capped at 0.75 per cent.

Introducing the "core fund" with a fee cap is critical for the sector's long-term development. I believe it will help address the public's concerns over the high fees and complexity of MPF schemes. The "core fund" will also facilitate competition and, in turn, improve the overall MPF regime.

Greater transparency will also help boost employers and employees' confidence in the system. This can lead to an increase in voluntary contributions to the system. Good for retirement planning and good for the industry.

Besides, we are going to take a deep dive into financial technologies, also known as "fintech". Broadly speaking, this sector covers everything from payments and data analytics to financial software and digitised processes.

Technology is not new to finance. Thanks to technology, today we are already transacting with our phone and the Internet. But this is only the beginning.

With the birth of Internet finance, e-commerce businesses have also started to offer financial products. Social media has changed the way young people access financial services. Big data promises to help companies monetise the huge amount of data they collect every day.

Internet finance owes much to real-time processing and cloud technologies. However, rapid data exchanges give rise to privacy and security concerns. No doubt security technology is a key part of the fintech ecosystem, attracting much investment.

Fintech has also given birth to new distribution channels for funds and financial products. It can also drive down compliance costs for both regulators and regulatees. The convergence of finance and technology is surely one of the most exciting spaces to watch today. Just yesterday, I announced the setting-up of a steering group to look into fintech for Hong Kong. More to come.

Ladies and gentlemen, indeed it is a brave new world that's ahead of us. Although past performance is no indication of future success, it is important that we recognise past achievements as they did not come easy. It is with this in mind that I congratulate today's award winners once again. We look forward to working closely with you all to take the fund industry to new heights.

Thank you.

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