

## **Transcript of SFST's remarks**

Friday, May 22, 2015

Following is a transcript of remarks by the Secretary for Financial Services and the Treasury, Professor K C Chan, at a media session at the Legislative Council Complex today (May 22):

Reporter: What is the significance of the latest scheme (mutual recognition of funds between the Mainland and Hong Kong) after the Shanghai-Hong Kong Stock Connect? And what about the social security funds from the Mainland? Does that mean they can come to Hong Kong?

Secretary for Financial Services and the Treasury: This is another good example of how we build better connection between the Hong Kong and the Mainland markets. This is about the fund management companies. By granting mutual recognition between (funds of) Hong Kong and the Mainland, we are establishing Hong Kong as a fund management hub so that fund management companies which are domiciled in Hong Kong and whose funds are managed in Hong Kong can be sold on the Mainland. Of course similarly, we also recognise the Mainland funds to be sold in Hong Kong.

The significance of this is that this will propel Hong Kong into becoming a fund management hub in this part of the world. And judging from the experience in many other jurisdictions such as Europe, fund recognition and fund passports are very important ingredients for supporting the establishment of the fund management industry. By the way, this recognition is about public fund management products and so they do not include the social security fund companies.

Reporter: Is there any market fluctuation in Hong Kong at the beginning of the introduction of the mutual recognition of funds between Hong Kong and the Mainland? What are the benefits that you think will bring to us?

Secretary for Financial Services and the Treasury: I think the mutual recognition of funds, as I explained earlier, is really conducive to investors buying fund management products. And these fund management products are usually taking a much longer market view and are professionally managed. In fact, I would argue that having more fund products and more fund management

involving in the market, it is actually healthy for the industry. As far as this mutual recognition arrangement is concerned, it takes time for the funds to actually get the permission, to get authorised. And also it takes some time for them to sell the products, to gather the fund and to invest. So it is really a longer time process for the funds to actually go into the market. And generally we think that this is a healthy development for the market.

Reporter: ..... do not respect the LegCo (Legislative Council) by bypassing the Public Works Subcommittee?

Secretary for Financial Services and the Treasury: What we are doing is absolutely consistent with the LegCo's procedures because the Public Works Subcommittee itself is a subcommittee of the Finance Committee. And it is perfectly reasonable for us to take it to the Finance Committee, especially for this particular item (Liantang/Heung Yuen Wai works) which we feel that has an urgency because of the tender validity concern and because of the possible economic loss resulting from delay. So we believe that there is a public interest angle for us to bring it to the Finance Committee for consideration.

(Please also refer to the Chinese portion of the transcript.)

Ends