

# Hong Kong

Leading International  
Financial Centre

## CONNECTS

China and the World

Financial Services Support  
Sustained Economic Growth  
and Innovations

2  
Foreword

6  
Why Hong Kong

10  
Vision

14  
Leading Capital Markets

18  
Premier International Banking Centre

22  
Premier Asset and Wealth Management Centre

# C O N T E N T S

26  
Largest Offshore Renminbi (RMB) Business Hub in the World

30  
Vibrant International Bond Market

34  
Dynamic Insurance Market

38  
Fintech Hub

42  
Green Finance Hub

46  
Key Conduit for Foreign and Mainland of China Capital and Investments

52  
Rich Pool of Talent

# FOREWORD



As a leading international financial centre (IFC) on the doorstep of Mainland China, Hong Kong is in a unique league of its own in the region. With a proud history of financial stability, resilience and innovations, we have earned the trust of globally significant investors and financial institutions alike. As China continues to open up its markets to the rest of the world, Hong Kong's importance as the IFC of China and the development of our financial services are set to gather pace.

Guided by the "one country, two systems" principle, the Hong Kong Special Administrative Region of the People's Republic of China enjoys full national support, while preserving our own systems and practices. Attributes underpinning Hong Kong as an IFC — deep liquidity, rule of law, an independent judiciary, free and open market, state-of-the-art financial infrastructure, free flow of capital and information, internationally-aligned standards and regulations, professional and highly efficient talents — remain robust and competitive through constant enhancements and innovations. By bringing together investment, capital, ideas and talents from all over the world, we are in the best position to serve the needs of individuals and corporations, big or small, with a comprehensive range of premier financial services, covering banking, capital raising, asset and wealth management, Renminbi business, bond issuance, insurance and risk management. Coupled with our efforts in driving the development of green finance, financial innovations and technologies, Hong Kong offers the best value and widest choices for individuals, start-ups, multinationals and financial institutions to capture opportunities globally,

especially those arising from the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative.

Financial services are the linchpin of our economy, accounting for nearly 18% of our GDP and providing roughly 7% of our employment. As one of our key competitive sectors, financial services are a crucial element of my vision for Hong Kong's future economic development. It is of paramount importance for leaders and regulators in the financial sector to share insights and collaborate more closely on setting development priorities among competing goals. I am glad that this is achieved through the Financial Leaders Forum which was set up last year under the chairmanship of the Financial Secretary.

This booklet, published under the auspices of the Financial Leaders Forum, echoes the importance the Government attaches to the promotion and development of our financial services.

I am sure Hong Kong will serve you well on all fronts of finance, and is the must-go IFC that connects the Mainland of China and the rest of the world, with unlimited potential for investment and wealth creation.

A handwritten signature in black ink that reads "Carrie Lam". The signature is fluid and cursive.

**Carrie LAM**  
Chief Executive,  
Hong Kong Special Administrative Region  
Autumn 2018





Hong Kong is a well-established international financial centre (IFC) that seamlessly connects markets from East and West. We have always adapted to changes and embraced challenges as opportunities for scaling new heights. Our vibrant financial sector has supported the city's transformation from an entrepôt to a modern-day services hub with a knowledge-based innovative economy for the digital age in a globalised world.

Since the turn of the century, our financial services sector has seen annualised average growth of 7.2% in real terms. We are rated among the world's top-three IFCs, not least due to our deep and liquid capital markets, well-established global banking and insurance services as well as our strengths and reputation as a leading asset and wealth management centre and the world's largest offshore Renminbi business hub. With the Guangdong-Hong Kong-Macao Greater Bay Area as our hinterland and the emerging opportunities brought by the Belt and Road Initiative, there is renewed impetus propelling Hong Kong to a new golden era of growth as a leading IFC in terms of both depth and breadth.

Looking ahead, we see unlimited potential for Hong Kong's financial services, especially in relation to our role as China's IFC. The size of our financial markets far outstrips the size of our economy, with an enormous pool of expanding liquidity consisting of capital from the Mainland of China and around the globe. As the economy of the Mainland of China continues to open up and expands consistently at rates much faster than the rest of the world, the value and wealth unleashed from it will continue to increase in leaps and bounds. Hong Kong as

an IFC will continue to ride on this growth, underpinned by our open market, coupled with world-class regulation and deep liquidity.

As we embark on a new chapter in the development of our financial services, I am pleased to present Hong Kong's unique strengths and characteristics through this booklet produced by the Financial Leaders Forum, which I chair.

This booklet succinctly highlights factors and circumstances that are cornerstones to Hong Kong's unique competitiveness as an international financial services hub. We provide high-level facts and figures in context so that all the key aspects of our financial services, viz capital markets, banking, asset and wealth management, offshore Renminbi market, bond market and insurance, are easily comprehensible. We also look to the future of such areas as Fintech and green finance. To delve more deeply into specific topics, readers can easily access online information by scanning relevant QR codes in this booklet.

We are proud of Hong Kong's achievements in financial services and excited by the growth potential. I welcome investors, entrepreneurs, business leaders and enterprises of all sizes to make use of Hong Kong as an IFC to tap opportunities in Mainland, Asia and globally.

**Paul CHAN**  
Financial Secretary,  
Hong Kong Special Administrative Region Government  
Autumn 2018

W H Y  
H O N G  
K O N G

## Trust

Rule of law, bilingual (English and Chinese) common law system; low and simple tax system; transparent and internationally-aligned regulatory regimes; state-of-the-art financial infrastructure

## Reputation

An IFC for decades, with deep liquidity, full and expanding spectrum of products and services, as well as political and economic stability underpinned by very sound government fiscal position; home to headquarters of top international firms, banks and media companies; one of the safest cities in the world

## Freedom

Free flow of capital, people, information and goods and services; 1<sup>st</sup> in economic freedom; freedom of speech

## Talents

Homegrown and overseas, committed and highly professional

## Connectivity

Strategically located, at the competitive time zone and without threat of natural disasters; connecting the Mainland of China with the rest of the world in the past, for now and in the future like nowhere else; with the Guangdong-Hong Kong-Macao Greater Bay Area as our hinterland, reaching key markets in Asia and half the world's population within 5-hour flight time

## Uniqueness

"One country, two systems", enabling us to enjoy the best of both worlds; highly internationalised financial markets provide ample room for market growth

## Lifestyle

Cosmopolitan, gourmet paradise, serene countryside



**Guangdong-Hong Kong-Macao Greater Bay Area:**

- GDP: US\$1.5 trillion (comparable to the Republic of Korea)
- Population: almost 70 million (more than Italy and UK)
- Share in China total: <1% of land; 5% of population; 12% of GDP
- Larger than the Tokyo Bay Area, San Francisco Bay Area and New York Metropolitan Area in terms of area and population



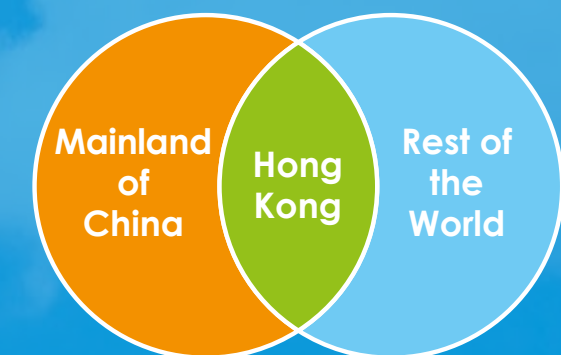
5-HOUR FLIGHT TIME

# OUR VISION

- International Financial Centre of China, Asia and the world
- Spur further growth in financial services riding on the increasing economic size of China and global opportunities

Deepen and broaden our financial markets for balanced and sustainable growth

Leverage our unique role to bridge opportunities in fast-growing Mainland of China and the rest of the world



Capitalise on an expanded hinterland in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area)

Capture opportunities brought by the Belt and Road Initiative

FINTECH

GREEN  
FINANCE

BELT AND ROAD  
INITIATIVE

GREATER  
BAY  
AREA

**HONG  
KONG**  
International  
Financial  
Centre

**Leading Capital Markets**  
(Market cap US\$4.2 trillion at end-Jun 2018,  
+14.1% p.a. past 2 decades)

**The Largest Offshore RMB  
Business Hub**  
(RMB deposit pool RMB618 billion at end-2017)

**Premier Asset & Wealth  
Management Centre**  
(Asset and wealth management business  
US\$3.1 trillion at end-2017)

**Vibrant International Bond Market**  
(Bond issuance US\$467 billion in 2017)

**Dynamic Insurance Market**  
(Gross premiums US\$63 billion in 2017,  
+11.9% p.a. past 2 decades)

**Premier International Banking Centre**  
(Total banking assets US\$2.9 trillion at end-2017,  
+5.1% p.a. past 2 decades)



# LEADING

## Capital Markets



### Global equity funding leader

Top

#### Initial Public Offerings (IPOs) Fundraising Centre

for five of the past nine years

IPO funds raised US\$16.5 billion (2017)

Highest IPO to GDP ratio, almost **5%** (2017)

5<sup>th</sup>

#### Largest Globally In Equity Funds Raised

and **3<sup>rd</sup>** in Asia following Shenzhen and Shanghai  
US\$74.3 billion (2017)

6<sup>th</sup>

#### Largest Market Capitalisation Globally

and **3<sup>rd</sup>** in Asia following Japan and Shanghai  
(end-Jun 2018)

## Vibrant stock and derivative markets

**Market capitalisation**  
**US\$4.2 trillion (end-Jun 2018)**



**1240% of GDP**  
**Highest in the world**

Average daily turnover US\$12 billion (Jan - Jun 2018)



## Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Total northbound  
turnover at  
**About RMB2.3 trillion**  
(about US\$340 billion) (2017)



Total southbound  
turnover at  
**About HK\$2.3 trillion**  
(about US\$290 billion) (2017)

## New listing regime for:

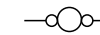
Pre-revenue Biotech issuers



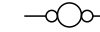
Issuers from emerging and innovative sectors with  
weighted voting rights structures



Qualifying issuers seeking a secondary listing through  
a new concessionary route



**2<sup>nd</sup> Largest stock options trading centre in  
Asia (Jan-Jun 2018)**



**Largest over-the-counter interest rate derivative  
trading centre in Asia by turnover (2016)**



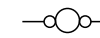
P R E M I E R

International Banking Centre

## Major global banking centre

2<sup>nd</sup>

Largest International Banking Hub in Asia  
Following Japan



Banking assets at **US\$2.9 trillion** (end-2017)



Home to  
**70%** of world's 100 largest banks

## Resilient and well-capitalised banking sector

Stable, free and transparent environment

—

Adopts latest international standards on banking regulation

—

Well-capitalised with a total capital ratio at **19.4%**  
(end-Jun 2018) – well above international standards



## State-of-the-art financial infrastructure

Real-time gross settlement systems enable safe and efficient settlement of interbank transfers in the Hong Kong dollar, US dollar, Euro, and Renminbi

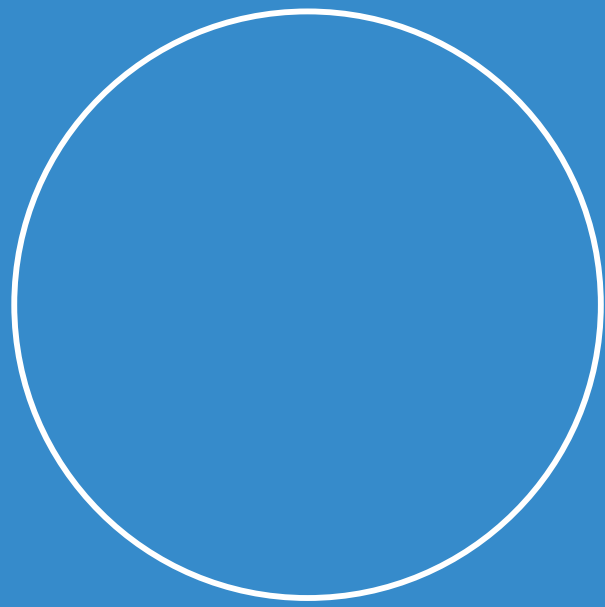
—

Faster Payment System provides 7X24 real-time cross-banks/  
Stored Value Facilities fund transfers or payment services

—

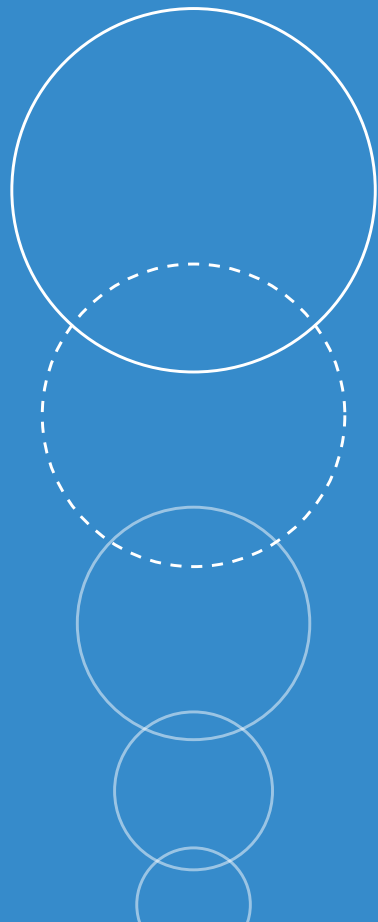
Distributed ledger technology-based trade finance platform





P R E M I E R

Asset and Wealth  
Management Centre



## Asia's leading asset and wealth management hub



**US\$3.1 trillion** in asset and wealth management business  
(end-2017)

Attractive investment location with  
**66%** of funding for asset and wealth management business  
(excluding real estate investment trusts)  
sourced from non-Hong Kong investors

Aggregate net asset value of all  
Mandatory Provident Fund schemes **US\$108.6 billion**  
(end-Jun 2018)

Diversified fund domiciliation platform:  
legal and tax framework introduced for  
a new open-ended fund company structure,  
providing an alternative choice in the setting up of funds  
apart from the unit trust structure

—  
Highly competitive tax regime



## Premier private equity hub in Asia

**US\$152 billion** of total capital under management  
in private equity

**2<sup>nd</sup>**

**In Asia following the Mainland of China**  
(end-Jun 2018)

Offshore RMB Business Hub in the World

**LARGEST**

## The global leader in Renminbi (RMB) financial intermediation activities

Largest RMB deposit pool in the world outside the Mainland of China  
RMB618 billion (end-2017)

Primary gateway to the Mainland financial markets with  
Bond Connect and Stock Connect\*



Largest Renminbi Qualified Foreign Institutional Investor (RQFII)  
quota in the world  
RMB500 billion

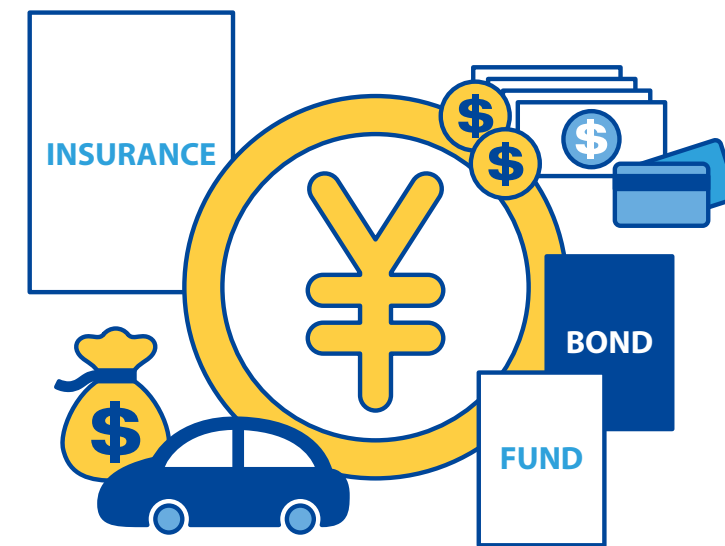
Accounts for over **70% of global** offshore RMB payments

First and largest offshore RMB (CNH) bond issuance market

Note\* : Relevant turnover figures are on P.16 and 32 of this booklet for reference



## Diverse RMB-denominated investment products



Over **500 RMB-denominated investment products**  
(loans, bonds, certificates of deposit, insurance,  
fixed income funds, currency futures, exchange-traded funds,  
real estate investment trusts, stock and derivative products, etc.)



V I B R A N T

International  
Bond Market

## Growing bond market



3<sup>rd</sup>

**in Asia**

following the Mainland of China  
and the Republic of Korea  
Ex-Japan (2017)

Well-established debt securities settlement system and  
trading platform

Tax exemption for debt investors

Bond Grant Scheme for bond issuance in Hong Kong

## Green bonds and Islamic bonds

Legal framework provides level-playing field for sukuk and conventional bonds

Deep capital markets for developing Islamic finance; successful issuances of government sukuk

Government green bond programme with **HK\$100 billion** (roughly US\$12.8 billion\*) borrowing ceiling

## Bond Connect

Northbound Trading running smoothly since operation in July 2017. Total turnover of **RMB422 billion** (Jan-Jun 2018)

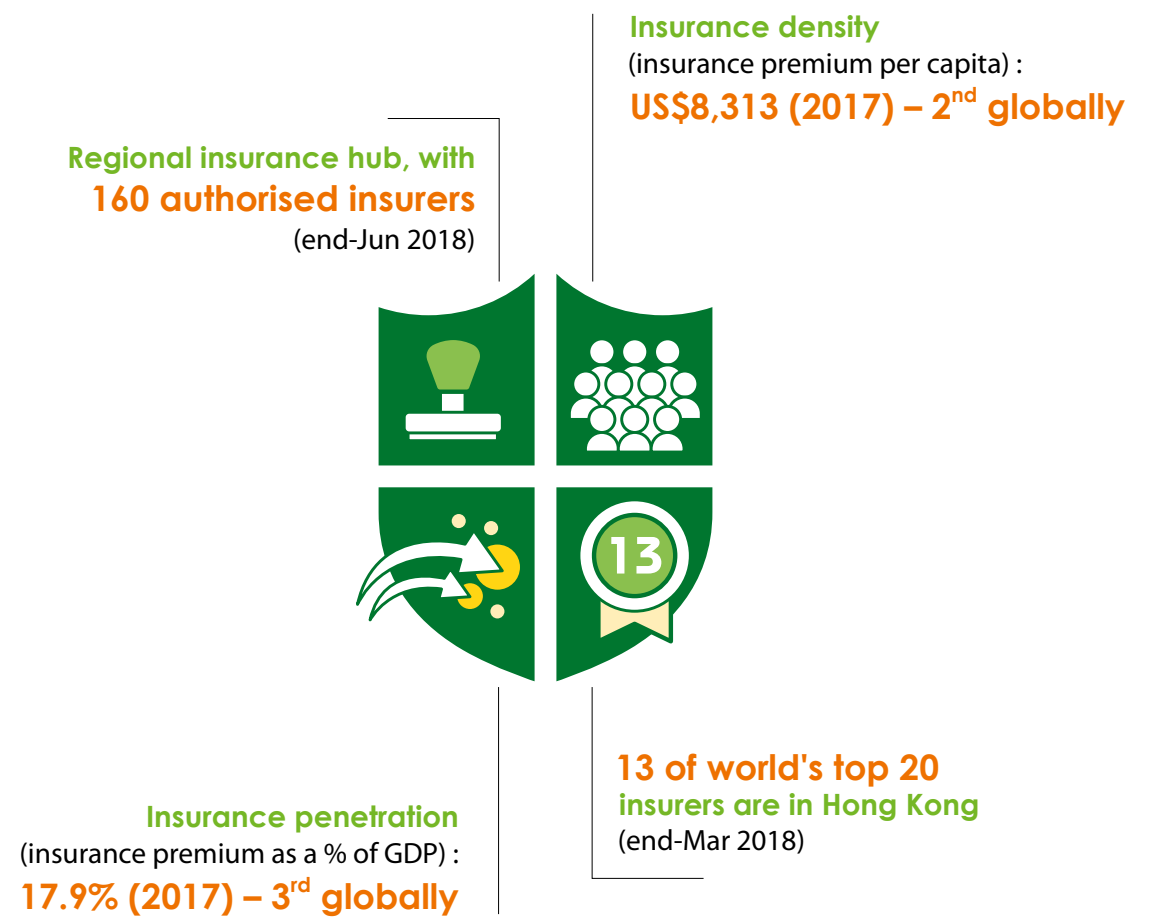
Note\* : Exchange rate of HK\$7.8/US\$1



# DYNAMIC

Insurance  
Market

## One of the world's most vibrant insurance centres





## Cross-boundary insurance services and regional risk management centre

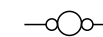


Ideal risk-management centre for large-scale investments and infrastructure projects under the Belt and Road Initiative

---

Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) encourages cross-boundary insurance and reinsurance services

---



## Robust regulatory regime

Internationally-aligned regulatory standards

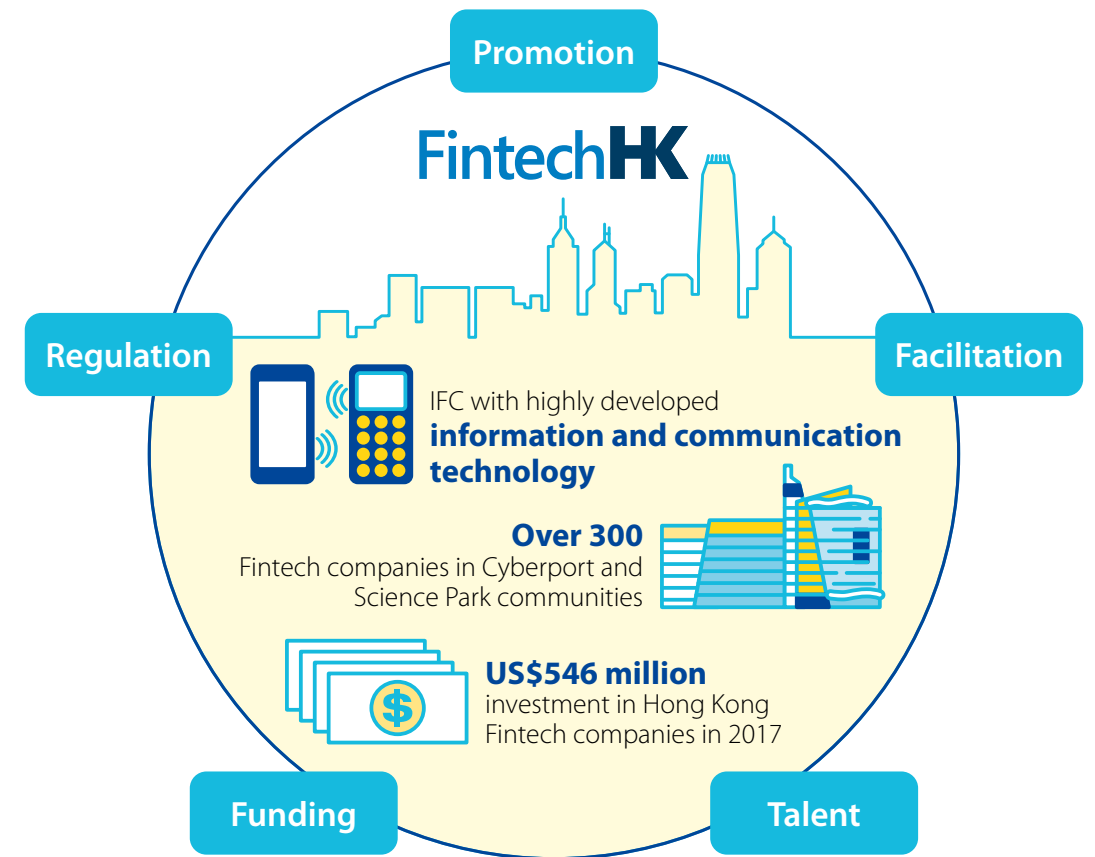
---

Statutory licensing regime for insurance intermediaries to commence operation in 2019

---

Setting up of a Policy Holders' Protection Scheme underway

# FINTECH Hub



## 5-pronged approach to promote Fintech development

### Promotion

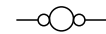
One-stop service provided by InvestHK to Fintech companies from all over the world

Annual programme of Fintech events, including the flagship Hong Kong Fintech Week

## Regulation

Fintech liaison platforms and “sandboxes” provided by our regulators

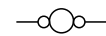
Authorisation of virtual banks



## Funding

A fundraising centre for Fintech companies at all stages of development, including IPOs

Private and public funding available for R&D, technology adoption and start-ups



## Talent

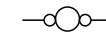
A massive pool of locally trained finance and technology talent

Admission schemes and welcoming attitude for Mainland and global talent

## Facilitation

Fintech Co-working Space in Cyberport, world-renowned incubation programmes, accelerators and hackathons

Digital infrastructure, including Faster Payment System and Cybersecurity Fortification Initiative



**Hong Kong Monetary Authority (HKMA)'s Fintech Facilitation Office**



**Supervisory Sandbox**



**Securities and Futures Commission (SFC)'s Fintech Contact Point**



**Hong Kong Fintech**



**Insurance Authority (IA)'s Insurtech Facilitation Team**



**Technology Funding at a Glance**



**Cyberport Smart-Space**

# GREEN Finance Hub

## Major regional green finance hub

Attracting international enterprises and organisations with green financing mandates to raise funds through our well-established capital markets



## Programmes

Local certification scheme for green finance products

---

Government green bond programme, the largest in the world<sup>^</sup>,  
with a borrowing ceiling of **HK\$100 billion**  
(roughly **US\$12.8 billion**\*)

---

Green bond grant scheme with a grant ceiling of **HK\$800,000**  
(roughly **US\$0.1 million**\*) for each application

Note <sup>^</sup> : At the time of announcement  
\* : Exchange rate of HK\$7.8/US\$1



**Green Finance Certification Scheme**



# KEY CONDUIT

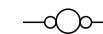
For Foreign and Mainland of China  
Capital and Investments

## Stock Connect

Launch of Shanghai-Hong Kong Stock Connect (Nov 2014) and  
Shenzhen-Hong Kong Stock Connect (Dec 2016)

A unique collaboration that allows international investors to  
trade securities in Mainland's markets through the trading and  
clearing facilities in Hong Kong (northbound trading).  
Likewise, Mainland of China investors can trade securities in  
Hong Kong through their own trading and clearing facilities  
(southbound trading)

Since May 2018, the daily quota of northbound and southbound  
trading under the Stock Connect has been quadrupled to  
**RMB52 billion** and **RMB42 billion** respectively



## Bond Connect

Northbound Trading under Bond Connect launched in July 2017

Eligible overseas investors can access Mainland  
interbank bond market through financial infrastructures  
connected by Hong Kong

## Mutual recognition of funds (MRF)

Broadens distribution channels for fund industry in the Mainland of China and overseas

Streamlines fund authorisation processes

MRF arrangements in place with the Mainland of China, Switzerland and France

## CEPA

Comprehensive free trade pact covering trade in goods and services, investment, and economic and technical co-operation

Most preferential treatment for businesses accessing the Mainland of China market from Hong Kong



## Important Role in Channelling Direct Investment into/from the Mainland of China

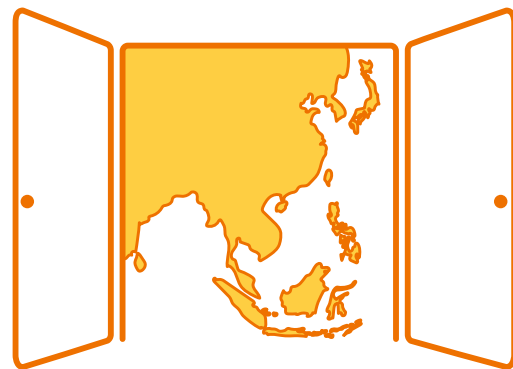
Hong Kong is the Mainland of China's largest source of realised foreign direct investment  
**(61%, US\$81 billion** in 2016)

The Mainland of China is Hong Kong's largest source of inward direct investment  
**(28%, US\$33 billion** in 2016)



## Greater Bay Area and Belt and Road Initiative

Hong Kong plays a key role in the opening up of China's economy and development



Enormous market potential to be unleashed through investment in Belt and Road Initiative, and Greater Bay Area development with more convenient capital flows

Bridging role between the Mainland of China and the rest of the world, including economies from Belt and Road related countries and regions, by:



*Meeting increased demands for RMB settlement, financing and fund management*

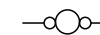
*Facilitating infrastructure investment and financing through the HKMA Infrastructure Financing Facilitation Office*

*Providing a pathway for infrastructure project companies to achieve a listing on the Stock Exchange of Hong Kong*

*Providing investment, financing and risk management services for infrastructure investment*

*Providing tax incentives and competitive environment for multinational and Mainland corporations to set up corporate treasury centres in Hong Kong*

*Serving as a premier financial platform for international and Mainland enterprises to arrange financing for their green projects, including issuing green finance products such as green bonds*



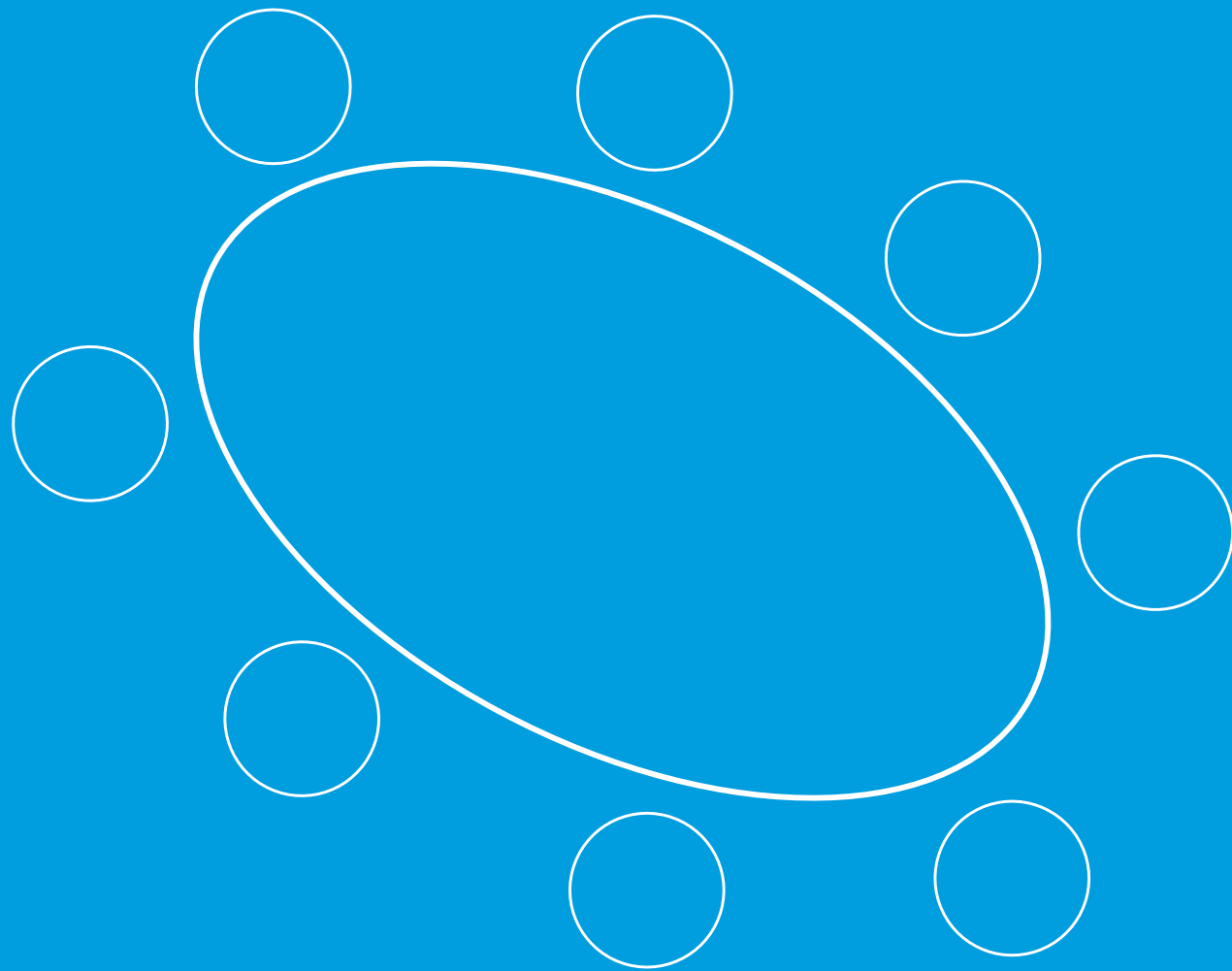
**Stock Connect**



**HKMA Infrastructure Financing Facilitation Office**

Rich Pool of

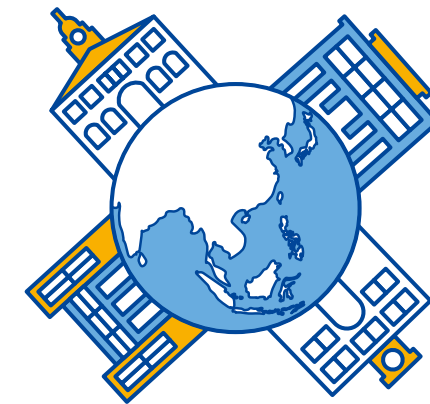
**T A L E N T**



### Nurturing and attracting talent



Broad and deep pool of multicultural financial talent, proficient in English and Chinese, who understand the needs of clients in the Mainland of China and overseas



4 of Hong Kong's universities ranked among top-100 globally

Pilot training programme for insurance and asset and wealth management, comprising training subsidies, internship programmes and publicity

Internship programmes for Fintech and other sectors



Academy of Finance for promoting leadership development, cross-sectoral collaboration and applied research



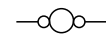
Welcoming and facilitating talent to move to Hong Kong



Talent List targets asset management, marine insurance, actuarial science and Fintech, among others



Admission schemes for talent, professionals and entrepreneurs



**Admission Schemes for Talent, Professionals and Entrepreneurs**



**Technology Talent Admission Scheme**



**Talent List Hong Kong**



**Innovation Hong Kong Booklet**



## Booklet Weblink



Weblink to the pdf version of  
this booklet



## Related Weblinks



Financial Services and  
the Treasury Bureau (FSTB)



Financial Services Development  
Council (FSDC)'s booklet on  
Overview of Hong Kong Financial  
Services Industry



Hong Kong Monetary Authority  
(HKMA)



Securities and Futures  
Commission (SFC)



Insurance Authority (IA)



Mandatory Provident  
Fund Schemes Authority  
(MPFA)



Stock Exchange of  
Hong Kong Limited (HKEX)



InvestHK



Asian Financial Forum (AFF)  
(held in Hong Kong annually)



Financial Leaders Forum



Financial Services and the Treasury Bureau