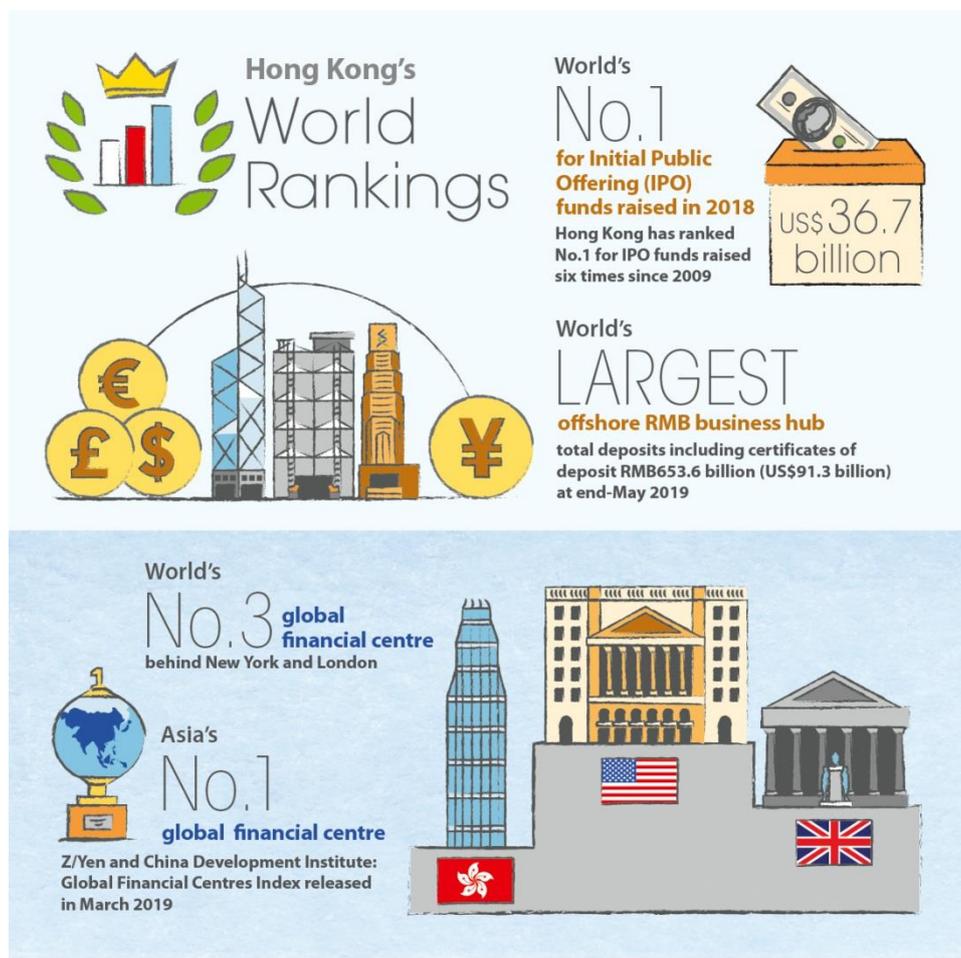


Hong Kong: A truly global financial hub

Hong Kong is renowned for being one of the world's leading international financial centres, ranked third in the biannual Global Financial Centres Index behind only New York and London. As Asia's premier financial hub, the city commands a strong position across many sectors of the industry, thanks to its sophisticated financial infrastructure, sound legal system, low and simple tax regime, free flow of capital and information, and large presence of financial professionals and institutions. As of July 2019, there were 160 licensed banks, of which 130 were incorporated outside Hong Kong. They include 77 of the world's 100 largest banks. Nine banks incorporated in the US are doing business in Hong Kong.



Effective fund-raising platform

Officially formed in 1891 and known today as the Hong Kong Exchanges and Clearing Limited (HKEX), Hong Kong's stock market is one of the oldest and largest in Asia. As at end-May 2019, it was the third-largest in Asia and sixth-largest globally with a market capitalisation of US\$3,958 billion. As of July 2019, 2,394 companies are listed on the HKEX, about half of which are Mainland China companies.

In recent years, the HKEX has become a prime listing platform for initial public offerings (IPOs). For six out of the past 10 years Hong Kong has been the world's largest IPO fund-raising hub, including in 2018 with US\$36.7 billion in IPO funds raised last year. Hong Kong's deep liquidity and a comprehensive range of options for raising capital can meet different financial needs of US businesses.

New initiatives have helped to strengthen the competitiveness of the stock market and attract more new economy listings. Biotech companies, in particular, can face financial challenges due to the long and costly journey involved in turning research into products. To enable such promising companies to get up and running, the HKEX has amended its listing rules to allow pre-revenue biotech companies and companies with weighted voting right structures to list on the Main Board. The new listing regime also provides a route for issuers seeking a secondary listing in Hong Kong.

Fintech-savvy city

Financial technology, or fintech, is driving a new wave of financial services, and Hong Kong is fully engaged in this global trend. A raft of Government support measures and initiatives together with private sector innovation, are propelling advances and adoption of fintech in Hong Kong, to deliver scalable digital banking, payment and financial solutions.

The Hong Kong Monetary Authority (HKMA) has launched a Faster Payment System (FPS), issued the first batch of virtual bank licences and established a Fintech Facilitation Office to enhance Hong Kong's fintech ecosystem. Earlier this year, the first phase of the Open Application Programming Interface (API) for the banking industry in Hong Kong was launched.



The private sector has been quick to seize on the new opportunities. In May 2019, FPS e-wallets, which support payments in both Hong Kong dollars and Renminbi (RMB), saw average daily turnover of 89,000 transactions worth US\$208 million and RMB37 million (US\$5.4 million). So far, there have been some 2.9 million registrations of mobile numbers or other account proxies while around 6,000 merchants have registered.

Regarding virtual banking, the HKMA has so far granted eight virtual banking licences, enabling licensees to open purely digital banks. The move has spurred the traditional banking industry to innovate and provide a new generation of fintech-driven services.

According to a study by Invest Hong Kong, the city is home to around 550 fintech companies including start-ups, more than half (52%) of which have founders from overseas.

Diverse marketplace

With the financial sector contributing nearly a fifth (18.9% in 2017) of the city's GDP and employing more than 263,000 people, Hong Kong offers a wide range of services. It is Asia's premier wealth and asset management center, with the combined fund management business amounting to about US\$3 trillion at end-2018. Seventy of the world's 100 leading fund managers do business in the city.

The city is also renowned for being one of the most open insurance markets in the world with over 160 insurance companies, the highest concentration of insurers in Asia. They include 13 of the world's top 20

insurers operating in the city.

With green finance firmly taking root in the international financial landscape, Hong Kong has launched its first green bonds. In the first half of 2018, there were more 23 green bond issues in Hong Kong, with an aggregate size of nearly US\$7 billion. The World Bank, European Investment Bank and Asian Development Bank were among the issuers.

Portal for Mainland China investment

Close proximity to and unrivaled connectivity with Mainland China, the world's second-largest economy, gives Hong Kong a distinct competitive advantage.

These cross-boundary links have been boosted in recent years with the support of the Central Government. Initiatives include Stock Connect schemes between HKEX and the stock markets in Shanghai and Shenzhen respectively. A Bond Connect scheme between Hong Kong and the Mainland was also set up in 2017.

As the Mainland economy continues to open up to the rest of the world, Hong Kong has become a testing ground for the internationalisation of the Renminbi (RMB), firmly establishing its position as the world's leading offshore RMB center.

As at the end of May 2019, the city's RMB liquidity pool stood at RMB653.6 billion, including deposits and certificates of deposit. More than 75 per cent of the world's RMB payment transactions are processed

via Hong Kong and banks in the city offer various RMB investment products. US investors can make use of Hong Kong for RMB trade settlement, RMB-denominated bonds issuances and other RMB-related financial instruments.

Opportunities await

Hong Kong's well-developed financial services industry is set to play a vital role in two major initiatives: the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and the Belt and Road Initiative.



World-class financial services of Hong Kong are underpinned by the city's fundamental strengths under the "one country, two systems" principle, including international connections, trusted common law system, and free flows of capital, information and talent. Commissioning of the Hong Kong-Zhuhai-Macao Bridge in 2018 helps promote cross-boundary business activities in the Greater Bay Area.

The GBA, encompassing the Special Administrative Regions of Hong Kong and Macao plus nine flourishing cities in Guangdong Province, is an emerging city cluster of more than 70 million consumers and a combined GDP of US\$1.6 trillion. Much larger in scale than the San Francisco and

Tokyo bay areas combined, the GBA presents enormous opportunities for wealth management, asset management and insurance professionals in Hong Kong.

Hong Kong's capital markets, which will also play a key role in raising funds for the Belt and Road's big-ticket infrastructure projects, will be the ideal platform for the Greater Bay Area companies going global. The HKMA's Infrastructure Financing Facilitation Office and Hong Kong Securities and Futures Commission guidelines provide a clear pathway for companies engaged in Belt & Road infrastructure projects to list in Hong Kong.

Finance professionals from the US are encouraged to take a fresh look at the partnership opportunities in Hong Kong and see how the city can help to expand your presence in Asia.

Ends