

International financial centre

Overview

A leading international financial centre, Hong Kong has a prudent and robust financial regulatory regime lauded by an International Monetary Fund Staff Mission to the HKSAR in 2017. The Linked Exchange Rate System (US dollar peg) has served Hong Kong well as the pillar of monetary and financial stability. The financial sector employs about 258,000 people (6.7% of workforce) (2017) and contributes nearly 18% to Hong Kong's GDP. The Financial Leaders Forum was set up in August 2017 to discuss and provide policy steer on strategic and forward-looking proposals to further develop and strengthen Hong Kong's position as an international financial centre, having regard to the need to maintain monetary stability, financial safety and market quality.

- **World's No. 3 global financial centre**, behind London & New York; **1st in Asia** (Z/Yen and China Development Institute: Global Financial Centres Index released in March 2018)
- **World's No.5 and Asia's No.2 for financial market development** (World Economic Forum's Global Competitiveness Report 2017-18)
- **Leading investment hub**: World No.3 for foreign direct investment (FDI) inflows and World No.5 for FDI outflows in 2017 (UNCTAD: World Investment Report) (updated in July 2018)
- **77 of the world's 100 top banks** operate in Hong Kong (September 2018) (updated in November 2018)

Stock market

The launch of **Shanghai-Hong Kong Stock Connect** and **Shenzhen-Hong Kong Stock Connect**, in 2014 and 2016 respectively, are of groundbreaking significance to mutual capital market access between Hong Kong and the Mainland.

The Hong Kong Exchanges and Clearing Limited (HKEX) put in place a new listing regime since April 30 2018 to enhance **Hong Kong's competitiveness as a listing platform** and attract listings of companies from the emerging and innovative sectors, including biotechnology companies that do not meet the HKEX's financial eligibility tests; high growth and innovative companies that have weighted voting rights structures; and Qualifying Issuers seeking a secondary listing through a new concessionary route.

- **World's 6th largest and Asia's 3rd largest stock market** by market capitalisation in end-August 2018 (US\$4,104 billion) (updated in November 2018)
- **World's No.1 for Initial Public Offering (IPO) funds raised** in January – August 2018. HK ranked No.1 for IPO funds raised in 2009 to 2011, 2015 and 2016. (updated in November 2018)
- **World No.1 environment for IPO and M&A (mergers and acquisitions) activity** (Global Transactions Forecast 2019 compiled by Baker McKenzie and Oxford Economics) (updated in December 2018)

Asset management

The **premier fund management hub in Asia**, Hong Kong's **combined fund management business** at end-2016 amounted to HK\$18,293 billion (approx. US\$2,345 billion), +5.2% from 2015, and ranks No.1 in Asia. It is expected that the regime for open-ended fund companies to be used as a fund vehicle and the relevant tax exemption arrangements can commence operation later in 2018.

Amend the Inland Revenue Ordinance to extend the coverage of profits tax concession to specified treasury services provided by qualifying corporate treasury centres for their onshore associated corporations, to attract multinational and Mainland enterprises to establish corporate treasury centres in Hong Kong.

Bonds

The Bond Connect scheme, launched in July 2017, further improves financial connectivity between market infrastructures in Hong Kong and the Mainland. New initiatives/proposals announced in the 2018-19 Budget include:

- Launch a Pilot Bond Grant Scheme to attract more local and overseas issuers
- Amend the qualifying debt instrument scheme by increasing the types of qualified instruments
- Continue issuing Silver Bonds in this and next year targeting residents aged 65 or above
- Launch a government green bond issuance programme and subsidise qualified green bond issuers in obtaining green bond certification under the local Green Finance Certification Scheme to promote green finance

RMB business

- **Around 70 per cent of the world's Renminbi (RMB) payment transactions** are processed via Hong Kong
- **Average daily turnover of Hong Kong's RMB Real-Time Gross Settlement** system reached around RMB 900 billion in 2017
- **World's largest offshore RMB hub** (total deposits of RMB669.7 billion at end-August 2018) (updated in November 2018)

Insurance

- One of the **most open insurance markets** in the world
- **Highest concentration of insurers** in Asia (161 authorised insurers at August 2018) (updated in November 2018)
- Total **gross premium income** of US\$62.8 billion generated (provisional statistics of 2017)
- **Newly-established Insurance Authority** regulates insurance companies from mid-2017, and will implement a statutory licensing regime for insurance intermediaries by mid-2019.

Other initiatives

- **\$500 million for developing financial services industry** (including green finance) in 2018-19 Budget.
- Hong Kong Monetary Authority (HKMA) plans to establish an **academy of finance**, proposed by FS, in around mid-2019. (updated in November 2018)
- HKMA launched a **Faster Payment System** in September 2018, offering 24-hour real-time payment function. (updated in November 2018)
- The HKMA consulted the industry on reviewing and amending guidelines related to **virtual bank**, with a view to issuing licences within 2018.
- The Government will continue to expand Hong Kong's network of **Comprehensive Avoidance of Double Taxation Agreements (CDTAs)**, Hong Kong has so far signed 40 CDTAs.
- The FSTB has completed consultations on proposed enhancements of the regulatory regime for **combating money laundering and terrorist financing**. It introduced amendment bills into the Legislative Council (LegCo) in June 2017.
- The FSTB introduced the **Financial Reporting Council (Amendment) Bill 2018** into LegCo in January 2018, to enhance the regulatory regime for auditors of listed entities.