



KC Chan
Managing Director of AsiaNet Communication Limited

The financial industry is Hong Kong's legend

Hong Kong is changing, but some things never change.

Let me ask a few questions:

1) Which industry accounts for the largest share of Hong Kong's GDP?

The financial industry accounted for 21.2% of Hong Kong's GDP (In 2019, in terms of added value), topping the four major industries in the city.

2) In terms of market value, how does the Hong Kong stock market rank in the world?

At the end of 2020, the total value of the Hong Kong stock market was US\$6.1 trillion, fifth in the world and third in Asia. In the same year, new shares listed on the Hong Kong Stock Exchange raised in all US\$51.3 billion, the second most in the world.

3) In terms of turnover, how does Hong Kong rank in the global foreign exchange market?

According to the results of the Bank for International Settlements' triennial survey, Hong Kong was the fourth largest foreign exchange market in the world and the second largest in Asia in 2019, with daily average turnover reaching US\$632.1 billion (As at April 2019).

4) Hong Kong is the world's largest offshore RMB settlement hub in 2020. So what percentage of the global RMB payment transaction goes through Hong Kong?

According to SWIFT data, Hong Kong is the world's largest offshore RMB settlement center in 2020, handling approximately 75% of all global RMB payment transactions.

5) Which is the most preferred industry to work in for post-secondary students?

According to a Financial Services Development Council survey published in August this year, more than 80% of post-secondary students are "most likely" to or "probably" would consider working in financial technology-related positions.

The above answers are only a few indicators reflective of the performance of Hong Kong's financial industry, but they are already rather impressive. After the reform and opening-up of the mainland China economy, the Shanghai and Shenzhen Stock exchanges were set up, the four major state-owned commercial banks all went through successful reforms (in which Hong Kong played a crucial role), and a financial market adopting market-oriented mechanisms came to be. Seeing these achievements, many thought the role of financial industry in Hong Kong would gradually diminish.

They were proven wrong. Hong Kong's financial industry not only has not fallen behind, but has kept growing strong. Despite the Sino-US conflicts and local social unrest in the past two years, the city still ranked third in the GFCI (Global Financial Centres Index) ranking announced in September this year, after New York and London, and first in Asia, and the ranking has not changed in almost two decades!

The Chief Executive stated in this year's policy address that the Hong Kong Government will step up efforts in five areas to foster the city's financial market, including establishing a listing regime for special purpose acquisition companies (SPAC); expanding further the channels for the two-way flow of cross-boundary RMB funds and developing offshore RMB products and tools; attracting family office to establish presence in Hong Kong; supporting the HKEX in promoting co-operation with the Guangzhou Futures Exchange in financial product development in areas related to carbon emission trading; and promoting cross-border financial technologies (Fintech) to facilitate financial institutions and information and technology companies from Guangdong, Hong Kong, and Macao to test cross-border Fintech applications.

The above suggestions are very timely and have responded to the development trend of the financial industry. They are vital to maintaining Hong Kong's competitiveness and leading role.

Some say Hong Kong relies too much on the financial industry, making economic transformation difficult. The fact is Hong Kong has worked hard and pushed for breakthroughs in innovative technologies in the past 10 years and has achieved preliminary success. The 14th Five-Year Plan of the PRC supports Hong Kong's development into an international innovative technology hub, and the SAR government has invested HKD 130 billion in the area in the past four years. Major efforts have been put in various aspects including providing land, attracting talents, encouraging industries and students to partake in innovative technology fields.

Hong Kong has what it takes, inside and out, to develop innovative technologies, and a complete innovative technology ecosystem is taking shape. Innovative technologies will become Hong Kong's new economic driver, empowering the third round of economic transformation and re-industrialisation of the city.

As the economy transforms, on the strong fundamentals of the city – the rule of law, her meticulous regulatory regime, free flow of capital and superb quality professionals, the local financial industry has been able to maintain its strong competitiveness and its higher proportion GDP contribution. The gifted position of the financial industry has given the city a solid foundation to pursue economic transformation.

Since after HKEX reformed relevant listing rules in 2018, Hong Kong has become the largest biotechnology financing hub in Asia and the second largest in the world. The listing crave is evidence of the rapid development of medical, healthcare and biotechnology industries worldwide, and emergence of new biotechnologies, for example, cellular therapy and digital medical and health technologies, all advanced and breakthrough technologies. With very promising prospects, they have attracted massive global investments.

In addition, with more financial indexes tracking development of the biotechnology sector, plus the continuous increase in ETFs, and futures and options products of individual biotechnology stocks, the Hong Kong financial market has become more diversified.

Being able to emerge as a global biotechnology financing hub in such a short time again showed that the local financial market is very efficient and highly adaptable. Should new innovative technology sectors appear in the future, I believe the city's financial market would be able to, as it does now, provide them with financing and various professional services.

The financial industry is a legend in Hong Kong and will continue to give the city endless impetus to develop and prosper. □