



Financial Services and the Treasury Bureau
The Government of the HKSAR

Belt and Road Initiative – Opportunities for Hong Kong Financial Services Industry



October 2023

Belt and Road Initiative

01

Vision and Blueprint

In March 2015, the National Development and Reform Commission (NDRC), the Ministry of Foreign Affairs and the Ministry of Commerce, authorised by the State Council, published the “**Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road**”

02

Aims: Five Key Areas

To promote deeper and closer cooperation among BRI countries in five key areas, namely **promoting policy coordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds**

03

Blueprint for HK

In December 2017, the HKSAR Government and NDRC signed the “**Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative**” (“the Arrangement”)

Core Competitiveness of Hong Kong as an International Financial Centre

One Country, Two Systems

Leveraging on our unique advantages as a major gateway connecting the Mainland with the rest of the world

Free Flow of Capital and Free Flow of Information

Protected by the Basic Law Hong Kong's foreign currency reserve asset amounted to US\$424 billion¹

Total bank deposits grew by 4.6% and 1.7% respectively in 2021 and 2022 (FY), and 2% as of end Aug 2023

Common Law System and Independent Judiciary

Hong Kong ranked 6th in East Asia and the Pacific and 22nd globally in the Rule of Law Index 2022

Transparent and Low Tax Regime

Foster a favourable business environment

Rich Pool of Professionals and Robust regulatory regime

Align with international standard

1. Source: HKMA, as at end of Dec 2022, equivalent to about 1.8 times of Hong Kong's monetary base.



Hong Kong – Asia's Leading International Financial Centre

Over HK\$100 billion of funds raised via IPO in 2022, ranked 4th in the world

**Vibrant
Equities
Market**

**Largest
Offshore
RMB Centre**

- World's largest pool of RMB liquidity of more than RMB 1 trillion as of July 2023
- Handled about 75% of World's offshore RMB payment

Largest Centre for arranging Asian international bond issuance in 2022 (for 7 consecutive years)

**Region's
Leading
Bond Centre**

**Open
Insurance
Market**

Insurance density ranked #2 in the world, #1 in Asia in 2022

Hong Kong – Asia's Leading International Financial Centre

Asset and wealth management business (end-2022):

HK\$30,541 billion, up by 27.5% across 2018-2022

Cross-border Wealth Centre in AUM (2022):

#2 in the world, #1 in Asia

Ultra High Net Worth Individual Population (2023): 12,615

- #1 in the world
- Ahead of New York (11,845) and London (6,370)

2nd largest Private Equity hub in the Asia Pacific Region (end-Jun2023)

Behind the Mainland market

Asia's #1 hedge fund base (end-Aug 2023)

Largest Centre for arranging Green and Sustainable Bonds in Asia in 2022

Belt and Road Initiative

The “Arrangement between the National Development and Reform Commission and the Government of the Hong Kong Special Administrative Region for Advancing Hong Kong’s Full Participation in and Contribution to the Belt and Road Initiative” signed in 2017 serves as a blueprint for Hong Kong’s further participation in the Belt and Road Initiative

Finance and investment



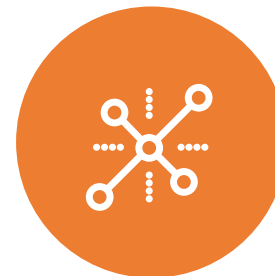
People-to-people bonds



Infrastructure and maritime services



Taking forward the GBA development



Economic and trade facilitation



Enhancing collaboration in project interfacing and dispute resolution services



6 key areas of the Arrangements

Offshore RMB Business

With strengthening economic and trade connectivity between the Mainland and the Belt and Road countries, RMB will be increasingly used in bilateral trade and investment in the region.

Hong Kong can continue to play the role as the global hub for offshore RMB business when the demands from the offshore markets on RMB settlement, financing and fund management gradually increase.

RMB business	2023	
RMB deposits and certificates of deposit (RMB bn)	1,073.3	(end-Jun)
Offshore RMB transaction processed in Hong Kong	73.3%	(Jan-Jul)

Offshore RMB Business

Mutual Market Access Schemes

Bond Connect, Stock Connect, Wealth Management Connect, Swap Connect, Mutual Recognition of Funds between the Mainland and HK

RMB Bonds

Annual RMB sovereign bond issuance by the Ministry of Finance in HK for 15 years consecutively since 2009

The established regular mechanism of central bank bill issuance in HK by PBoC

The Shenzhen Government issued offshore RMB municipal government bonds in HK in 2021, 2022 & 2023. The Hainan Government issued its first offshore RMB bonds in HK in 2022; and issued bonds in HK again in 2023

Currency Swap Agreement

The PBoC and the Hong Kong Monetary Authority (HKMA) announced in July 2022 enhancements to the existing currency swap agreement

As a long-standing currency swap agreement since then, its size has been expanded to RMB800 billion / HKD940 billion, differentiating HK from other jurisdictions in terms of being the only one whose agreement is not subject to renewal, and also having the largest swap size



Offshore RMB Business

Facilitate the issuance of offshore RMB bonds

We have made the Exemption from Profits Tax (Debt Instrument Issued by Mainland Local People's Government at Any Level) Order to extend the coverage of the profits tax exemption to the debt instruments issued in HK by all Mainland local people's governments at any level. It has come into operation from 31 March 2023

Enhancements of the Connect Schemes

We will explore enhancements to Southbound Trading under Bond Connect, with a view to expanding Hong Kong's bond market, facilitating the issuance and trading of more diverse dim sum bonds and enriching the offshore RMB fixed income ecosystem.

HKD-RMB Dual Counter Model

To facilitate the issuance and trading of RMB-denominated stocks in HK, it was officially launched on 19 June 2023. 24 listed companies stocks are designated as dual-counter securities by the HKEX

Next step, we plan to include RMB counters under Southbound Trading of Stock Connect so as to inject new impetus into the issuance and trading of RMB stocks in HK



Landscape of Sustainable Finance in Hong Kong

- Promoting green economy for sustainable development will require substantial investment
 - Some **US\$66 trillion in Asia** over the next 30 years based on market estimates¹
- HK's green and sustainable finance market is thriving
 - The **total green and sustainable debt** (including both bonds and loans) issued in HK increased by over 40% from 2021 to US\$80.5 billion in 2022
 - The volume of green and sustainable bonds arranged in HK accounted for 35% of the Asian market²
- As at end-Jun 2023, there were **195 ESG funds** authorised by SFC with a total assets under management (AUM) of US\$156.5 billion, increased by 44% and 25% respectively on a year-on-year comparison.

1. Source: ASIFMA

2. Source: ICMA and HKMA

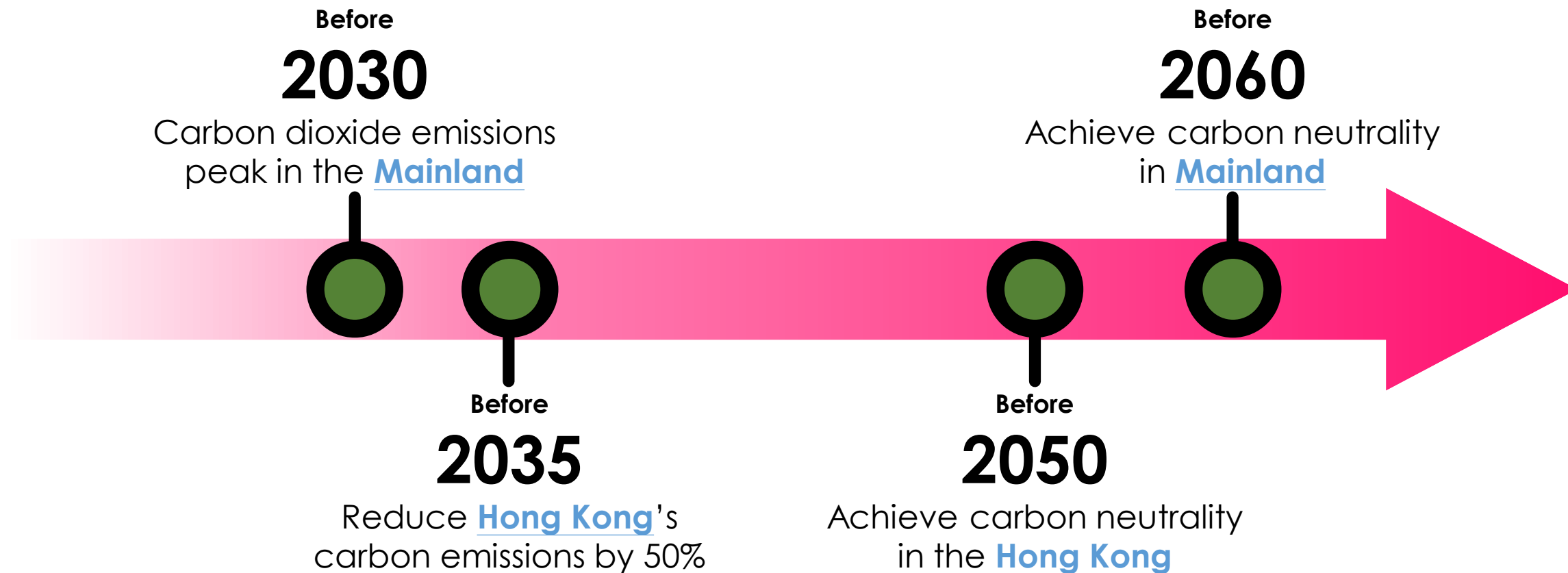


Landscape of Sustainable Finance in Hong Kong

- Over the years, notable deals from Mainland issuers:
 - the world's first Guangdong-Hong Kong-Macau Greater Bay Area – themed green bond
 - The Shenzhen Municipal People's Government bond issuance
 - 2021 (the first time a Mainland municipal government issues bonds, and green bonds, outside the Mainland); 2022 & Sep 2023
- Hong Kong's sustainable financial product suite is more than traditional green bonds:
 - World's first real estate sector's green convertible bond
 - Asia's first Green Retail Certificates of Deposit
 - World's first offshore A-share ESG ETF
 - First Asian Green Bond ETF
 - World's first tokenised government green bond



Carbon Reduction and Neutrality Targets



In the next 15 to 20 years, the HKSAR Govt will be investing **HK\$240 billion** to support a series of actions to combat climate change.

Government Green Bond Programme

- The Government Green Bond Programme (GGBP) was launched in 2018
 - The sums borrowed are credited to the Capital Works Reserve Fund for green projects
 - A separate programme independent of the Government Bond Programme established in 2009
- Green bond reports published annually
- As at August 2023, a total of around **US\$22 billion** equivalent of green bonds, targeting global institutional investors and covering HKD, USD, Euro and Renminbi tranches in multiple tenors, have been successfully issued under the GGBP



Provide benchmark pricing for the market and encourage issuers and investors to use Hong Kong's platform

Green and Sustainable Finance

A leading hub in the region

By 2050, attain **carbon neutrality**

01



02



03



04



05



Green and Sustainable Finance Grant Scheme

To provide subsidy for eligible bond issuers and loan borrowers to cover their expenses on bond issuance and external review services

Pilot Green and Sustainable Finance Capacity Building Support Scheme

Subsidy up to HK\$10,000 each for eligible practitioners to attend training

Green and Sustainable Finance Cross-Agency Steering Group

Promulgated a strategic plan setting out 6 key focus areas and 5 near-term action points

Issue Government Green Bond

Nearly US\$22 billion equivalent of bonds issued by the end of Aug 2023

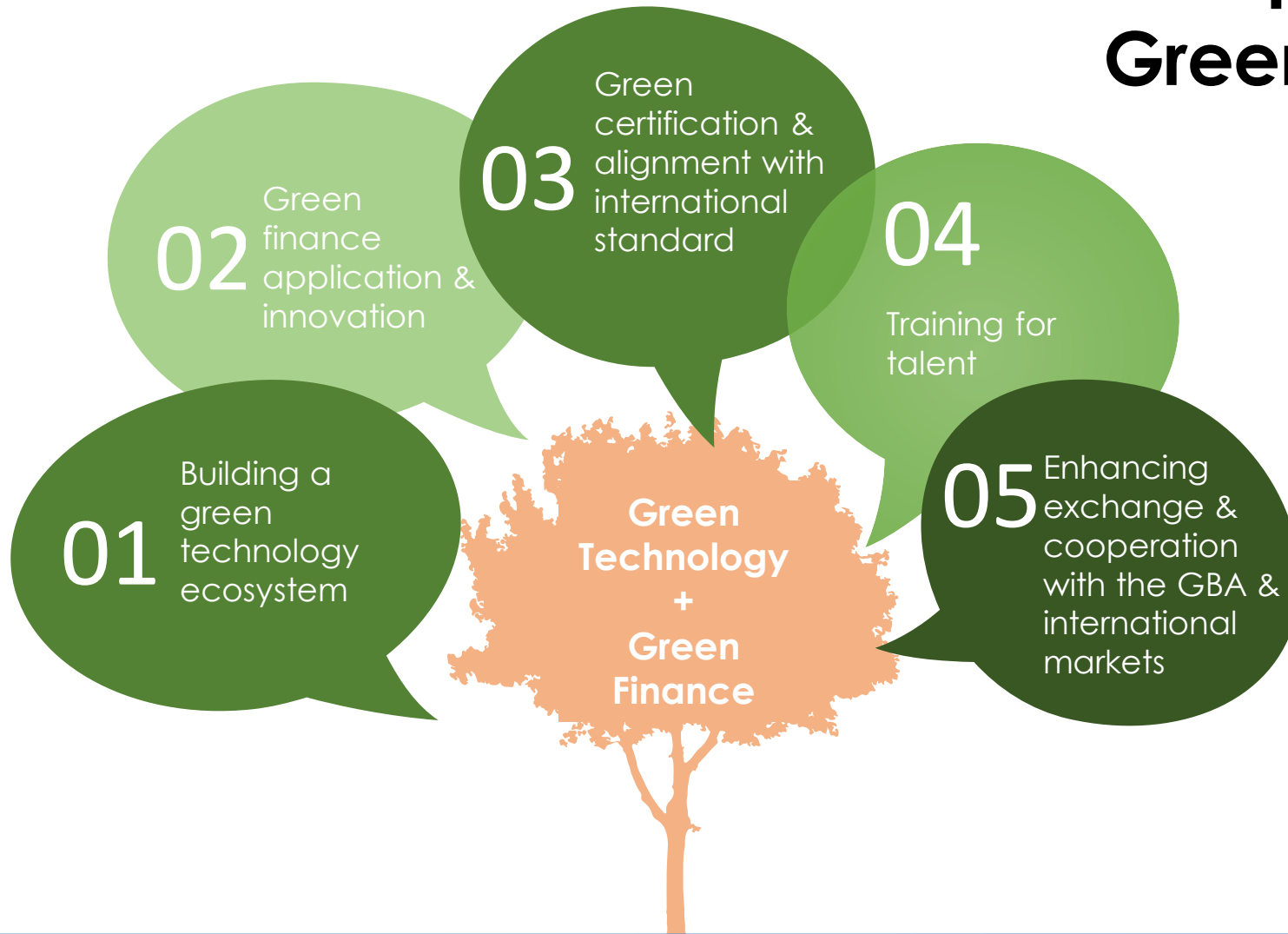
Further expanding the scope of the Government Green Bond Programme

to cover sustainable financial projects

Core Climate

The only international voluntary carbon market that offers both HKD and RMB settlements

The Development of Green Technology & Finance



The Green Technology and Finance Development Committee was set up pursuant to the Financial Secretary's announcement in the 2023-24 Budget to assist in the formation of an action agenda for promoting the development of Hong Kong into an international green technology and financial centre.

Risk Management Centre

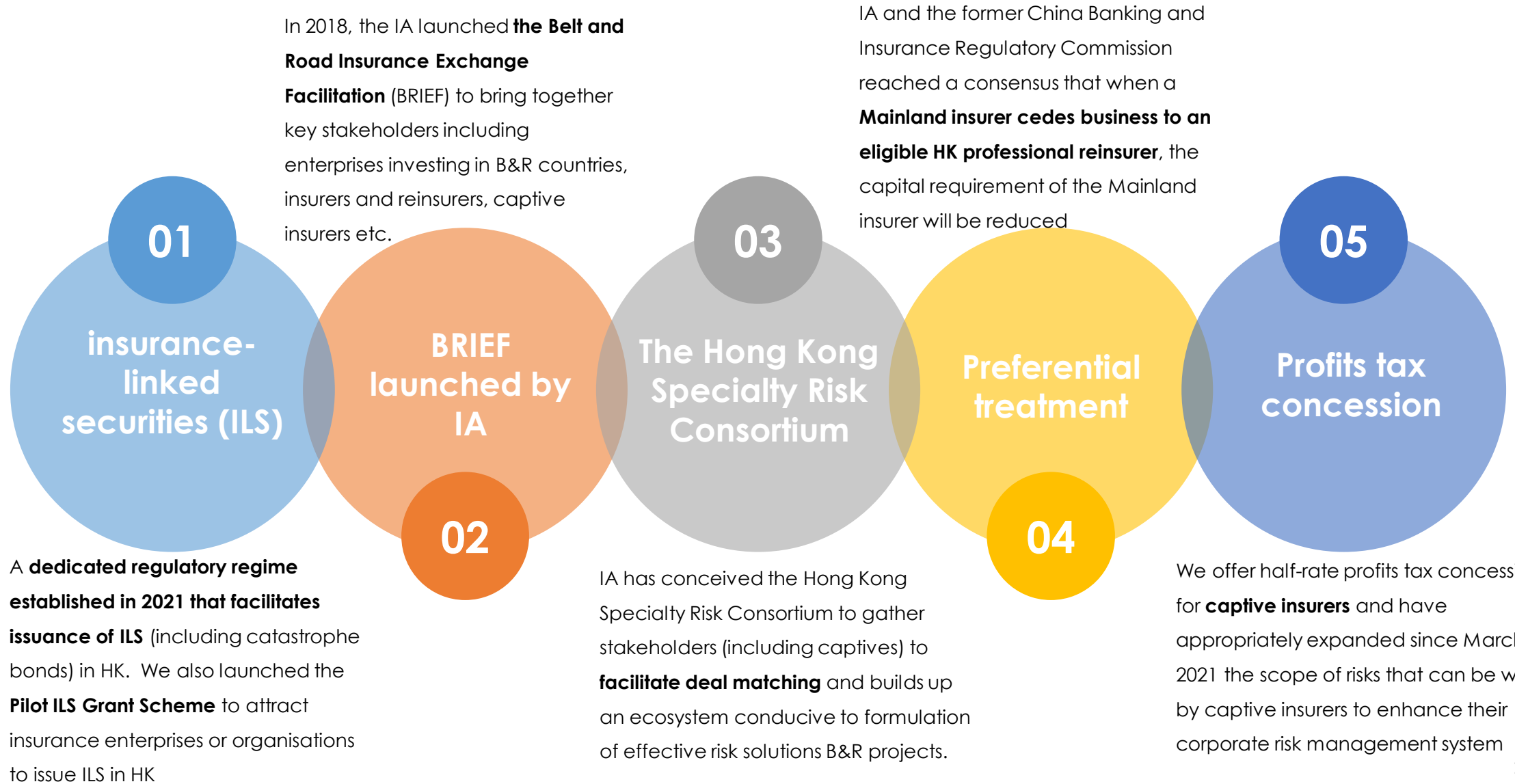
In the **National 14th Five-Year Plan**, the Central Government supports HK to strengthen its function as **a risk management centre** and assist in the development of a cooperative functional platform for the **Belt and Road**

There are a number of **multinational insurers and reinsurers in HK** with rich experience and knowledge of underwriting risks of major infrastructure, which can provide insurance services to Mainland enterprises involved in infrastructure and investments projects under the Belt and Road Initiative

Additionally, they can offer **reinsurance services** to Mainland insurers, thereby enhancing their ability to underwrite and manage risks under the Belt and Road Initiative

HK as the Risk Management Centre

Risk Management Centre



International Investment and Financing Centre

Hong Kong can be the major investment and financing centre for the B&R Initiative. With the accelerated development of infrastructure within the B&R region, enterprises can raise capital and seek financing in Hong Kong through diversified means such as initial public offerings, post-listing arrangement, bond issuance and bank loans

Infrastructure Financing Facilitation Office (IFFO)

aims to facilitate infrastructure investments and financing of sustainable infrastructure and green development, by working with a cluster of key stakeholders who are invited as partners



Infrastructure loan assets

The Hong Kong Mortgage Corporation has invested in infrastructure loan assets of over USD1.1 billion as of end-2022, covering projects in the B&R countries. It successfully completed its first issuance of infrastructure loan-backed securities in May 2023 under its pilot scheme on infrastructure financing securitisation through a special purpose vehicle, Bauhinia ILBS 1 Limited



HK-Asia's leading bond market

HK has been the largest arranging centre for 7 consecutive years. A series of measures to increase the attractiveness of the HK bond market to the B&R countries includes attracting enterprises to issue bonds in HK, promoting investors' participation, and expanding green finance market. E.g. the Qualifying Debt Instrument Scheme



Thank you

