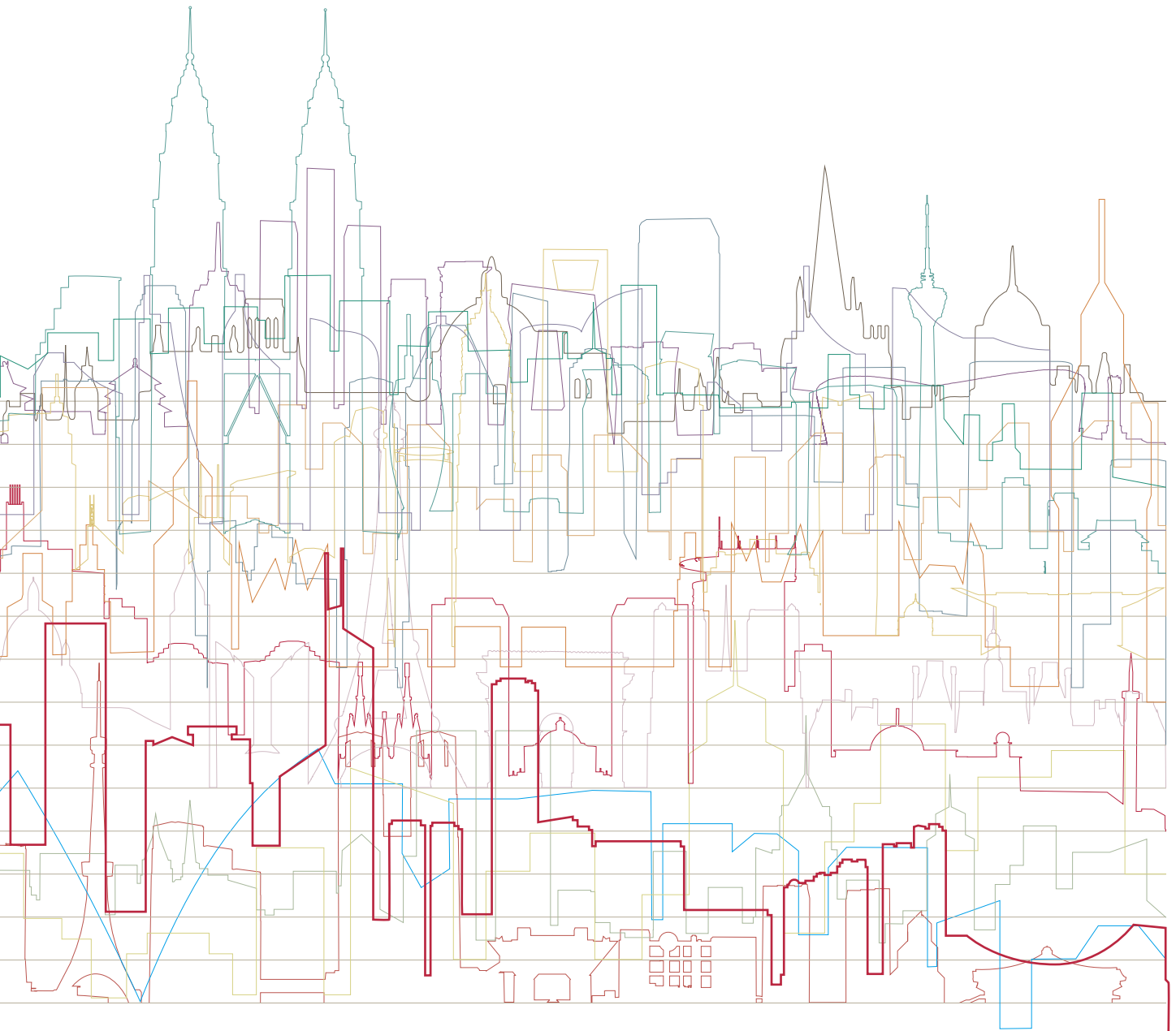




THE OXFORD METRICA REVIEW

HONG KONG; GATEWAY TO CHINA AND THE WORLD



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FOREWORD

We are delighted to present our report on the current state and future prospects of Hong Kong's financial services industry. This serves as a sequel to the *Oxford Metrica (OM) Survey 2021: Hong Kong - The Leading Global Financial Centre* (2021 OM Survey Report), produced in partnership with the Hong Kong Financial Services Development Council (FSDC). The report is structured into eight sections, supported by four appendices.

The 2021 OM Survey Report which canvassed the views of international business leaders was largely positive. Most of the participating institutions stated their intention to maintain or increase their presence in Hong Kong and were confident that the city's position would hold steady, at least over the mid-term, and highlighted several core financial strengths that would continue to play a valuable part in securing the city's future. Equally encouragingly, respondents had not been unduly influenced by the negative political publicity surrounding Hong Kong in the media. The city's vibrant social and cultural life was also welcomed as a vital ingredient in sustaining its position as a world-class financial centre.

Most importantly, respondents emphasised time and time again that Hong Kong's continued role as a world-class financial centre would need to be deliberately nurtured and continually renewed. They welcomed a proactive approach being taken to safeguard the city's future as an international financial centre.

In line with these expectations, Hong Kong has consistently evolved and advanced in various dimensions to uphold its status. This follow-up study highlights the striking progress Hong Kong has achieved over the past two years, dispelling any sceptics with a display of its remarkable resilience and adaptability. The city is clearly achieving a pace in developments that is both blistering and yet measured and carefully and sensibly thought out.

Aiming to provide a snapshot of the city's accomplishments as a global financial centre over the past two years and evaluate if previous comments have been addressed, this report describes the significant strides taken by Hong Kong to maintain and enhance its status as a major financial centre, analyses the various factors driving its progress while also identifying the key challenges and opportunities shaping its future as a financial engine in Asia and the wider world. We have found Hong Kong to be fizzing with innovation in fields ranging from green financing to fintech. Hong Kong, the report finds, still confronts major challenges but these contain great and healthy seeds of future opportunity.

Finally, we would like to thank the Board and staff of the FSDC who provided excellent support and advice throughout the course of the survey and report, in particular Dr King Au and Dr Rocky Tung.



Dr Rory Knight
Chairman
Oxford Metrica

EXECUTIVE SUMMARY

In the two years following the release of the 2021 OM Survey Report, Hong Kong has achieved a pace in developments that is both blisteringly fast and concurrently measured, carefully planned and sensibly thought out.

Despite the global slowdown due to the COVID-19 pandemic, Hong Kong has remained steadfast in its development efforts, strengthening its status as a leading financial centre in recent years.

In the realm of capital markets, the city has stepped up its efforts to enhance Connect Schemes with Mainland China, and further expanded its connectivity with other regions such as the Middle East and ASEAN. Embracing the winds of change, it has also introduced new listing regimes to accommodate emerging trends, such as investors' appetite for Special Purpose Acquisition Companies (SPACs) and specialist technology companies.

Despite some challenges, Hong Kong has demonstrated resilience and adaptability, achieving notable progress in key growth sectors. These sectors span asset and wealth management, green and sustainable finance, virtual assets, and innovation and technology. Additionally, the city has placed a strong emphasis on talent development, recognising that human capital is the cornerstone of sustainable growth and innovation in a rapidly evolving financial landscape.

Understanding the value of a diverse pool of knowledge, the Government has actively sought the input of representatives from various backgrounds. By drawing upon a wide range of perspectives and expertise from both private and public sectors, robust and effective strategies and policies can be formulated. In line with this approach, cross-agency steering groups and task forces have been established for several major sectors. These include the Green and Sustainable Finance Cross-Agency Steering Group and the Task Force on Promoting Web3 Development, embodying the city's commitment to collaborative problem-solving and innovation.

Building on this collaborative framework, Hong Kong has laid out clear roadmaps for the key growth sectors. Policy statements for family office, virtual asset and insurance developments have been released, outlining the city's vision and approach in these fields. In addition, the Innovation and Technology Development Blueprint has been formulated, further cementing the city's commitment to these sectors.

To ensure the city's growth is sustainable and reliable, a robust regulatory framework is of paramount importance. Striking a balance between innovation and investor protection is crucial. Therefore, while embracing new technologies and offerings, Hong Kong has launched a new licensing regime for virtual asset trading platforms and introduced guidelines for these new offerings. In addition, Hong Kong Stock Exchange (HKEX) has proposed new ESG guidelines, aligning with international standards to enhance climate disclosure among listed companies.

To spur advancement in these sectors, the Government has provided a variety of incentives. These include tax concessions for family offices, funding for IT&T startups, and others. These steps highlight Hong Kong's dedication to cultivating a conducive environment for growth and innovation.

With these measures in place, the city is poised to attract more investment and solidify its position as a leading global financial centre, inspiring other cities with its dynamic approach to financial growth and innovation.

A range of future opportunities confronts the city:

Cross-boundary/ border initiatives

- To maintain its standing as one of the world's premier financial cities, Hong Kong can further enhance its unique north-south gateway to Mainland China and a great east-west gateway globally by further deepening and broadening its existing cross-boundary/ border initiatives and continuing to act as a key point of exchange between the renminbi and other commonly used currencies.

Asset and wealth management

- To become a key centre for personal and family asset and wealth management for the Greater Bay Area (GBA), China and Asia more generally, serving not only high-net-worth individuals (HNWIs) but also drawing on the enormous pool of savings on the Mainland.

Green and sustainable finance

- To pursue its goal of a carbon-free future by offering a model for green and sustainable finance activities in the face of the environmental threats from accelerating industrialisation and urbanisation in China and Asia.

Digital and virtual assets

- To establish itself as a hub for digital and virtual asset developments, capitalising on the ambiguous regulatory framework in some other markets.

Innovation and technology

- To seize the opportunities regionally and leapfrog traditional models, moving swiftly into the digital economy era through building on the progress it has achieved in fintech- and virtual asset-related areas.
- To leverage Hong Kong's status as a global financial centre to broaden financing channels for start-ups and tech companies, thereby stimulating Hong Kong's transformation into a vibrant information and technology hub.

Talent

- To boost foreign presence in the city and attract inflows of expertise, Hong Kong aims to establish itself as a global talent hub, acting as a magnet for global talent in the Mainland and the Asia Pacific region.

Events and cultural aspects

- To develop itself as the 'Oriental Metropolis', capitalising on its vigorous cultural and social life in order to attract foreign visitors and residents.
- To add to its already rich annual programme of international business and technology events such as the Asian Financial Forum and the FinTech Week, and relate them to cultural and social celebrations (see Appendix 4, Hong Kong's Calendar of International Events - Financial Services Focus, September 2023 -September 2024).

“Hong Kong has achieved a pace in developments that is both blisteringly fast and concurrently measured, carefully planned and sensibly thought out”

A GATEWAY CONNECTING EAST AND WEST, NORTH AND SOUTH

Two mountains rise in the skies over Hong Kong. The first is Mount Victoria, the actual mountain towering above the island. The second deliverable is tangible, yet encapsulates the spirit of the city: an intricate mountain, representing Hong Kong's comprehensive financial ecosystem. The base of this is formed by a robust base of financial infrastructure, comprised of a range of financial institutions and regional headquarters of multinational businesses. Above this lies a layer of abundant capital and a wide array of investment instruments, symbolised by equities, bonds and derivatives. This is followed by a stratum of talent and expertise, the human capital driving the city's financial services industry. Finally, at the peak, we find a network of relationships, both local and international, facilitating seamless financial initiatives.

In the 2021 OM Survey Report, the majority of respondents acknowledged Hong Kong as an international financial centre (IFC), with its leading position in IPOs and capital formation recognised as a core strength. Over the past two years, the city's sheer scale was - and remains - vibrant. By market capitalisation, Hong Kong stood among the world's top seven financial centres in August 2023¹ and has been ranked the world's number one IPO venue no less than seven times over the past fourteen years.²

However, 2023 brought its share of challenges, largely due to global macroeconomic factors, leading to a softer performance in Hong Kong's stock market. In the first three quarters of the year, the market facilitated 44 IPOs, raising a total of HKD24.7 billion.³

In response to the market dynamics, the Hong Kong Government has proactively initiated measures to enhance the city's financial marketplace. A Task Force on Enhancing Stock Market Liquidity (Task Force) – comprising industry and regulatory experts – was established in August 2023. The Task Force conducted a comprehensive review of the market strengths and areas for improvement in relation to market liquidity, and formulated actionable recommendations. Several of these recommendations were acknowledged in the Policy Address announced in October 2023, these include reducing stamp duty on equity trades, reviewing stock trading spread and market data fees, and reforming the Growth Enterprise Market (GEM). These strategic initiatives signify Hong Kong's commitment to enhancing market liquidity, fortifying investor confidence, and fostering the sustained growth of its stock market.⁴

Meanwhile, on the floors of the HKEX, new ETF product listings continue to grow apace, with 29 new listings in 2022, including the first metaverse-themed ETF, the first carbon futures ETF, the first blockchain ETF and the first crypto asset ETF. The listing of the first Bitcoin and Ether futures ETFs in Hong Kong in December 2022 marked a particular milestone in Asia's virtual asset universe. Notably, the average daily turnover of ETFs recorded a compound annual growth rate (CAGR) of 29% from 2019 to 2Q2023, rising from HK\$5 billion to HK\$13.9 billion.⁵

NORTH AND SOUTH

Connectivity with Mainland China is of course a major bedrock of Hong Kong's financial market. Serving as one of the major proving grounds for the international expansion of Mainland China's financial markets, Hong Kong has established itself as the world's top renminbi (RMB) trading centre. As of October 2023, the city held the largest amount of RMB deposits among offshore RMB markets, totalling up to RMB984 billion in deposits.⁶ Remarkably, 79% of the world's offshore RMB payments were processed in Hong Kong.⁷

Another pillar strengthening Hong Kong's standing is its key role in the GBA development, a strategic initiative in China's economic development blueprint. Covering two Special Administrative Regions - Hong Kong and Macao - and nine cities in Guangdong Province, the GBA's GDP of US\$1.9 trillion outweighs those of other global metropolises such as Tokyo, New York, and San Francisco.⁸

1. SFC. (2023, September). Market Capitalisation of the World's Top Stock Exchanges. <https://www.sfc.hk/-/media/EN/files/SOM/MarketStatistics/a01.pdf>

2. HKEX. (2022, December). Market Statistics 2022. https://www.hkex.com.hk/-/media/HKEX-Market/Market-Data/Statistics/Consolidated-Reports/Annual-Market-Statistics/e_2022-Market-Statistics.pdf

3. Deloitte. (2023, September). 2023 Q3 Review & Outlook for Chinese Mainland & HK IPO markets. <https://www2.deloitte.com/cn/en/pages/audit/articles/mainland-and-hk-ipo-markets-in-q3-2023.html>

4. HKSAR Government. (2023, October). The Chief Executive's 2023 Policy Address. https://www.policyaddress.gov.hk/2023/public/pdf/policy/policy-full_en.pdf

5. HKEX. (2023, 2Q). ETF Perspective. https://www.hkex.com.hk/-/media/HKEX-Market/Products/Securities/ETP/ETF-and-L-and-I-Product-Market-Perspective/2023/ETFLIProductMarketPerspective_2023Q2.pdf

6. HKMA. (2023, October). Hong Kong Monetary Statistics. https://gia.info.gov.hk/general/202310/31/P2023103100439_437699_1_1698740773073.pdf

7. SWIFT. (2023, October). RMB Tracker. <https://www.swift.com/our-solutions/compliance-and-shared-services/business-intelligence/renminbi/rmb-tracker/rmb-tracker-document-centre>

8. HKTDC Research. (2022). Statistics of the GBA. <https://research.hktdc.com/en/article/MzYzMDU5NzQ5>

Indeed, Hong Kong's role has been particularly augmented by a plethora of cross-boundary initiatives including the series of Connect Schemes linking the onshore and offshore markets. The inception of the Stock Connect scheme in November 2014 marked the beginning of these initiatives, which have since expanded to cover cross-boundary investments in bonds and other wealth management products, reinforcing the financial synergy between Hong Kong and Mainland China. A landmark addition in May 2023 was the Northbound Trading Swap Connect, an unprecedented mutual market access programme linking the interbank interest rate swap markets of the onshore and offshore markets. Its novelty lies in providing a trading link and a clearinghouse link - a global first in financial derivatives interoperability. This pioneering initiative further interweaves the international and Mainland Chinese financial systems, driving northbound and southbound traffic to remarkable heights. By November 2023, cross-boundary initiatives had driven northbound and southbound traffic of Stock Connect (including ETF) to a significant RMB2,371 billion and HK\$642 billion respectively.⁹

FIGURE 1. Average daily turnover (buy + sell) for various Connect Schemes.

CONNECT SCHEME	(NORTHBOUND) AVERAGE DAILY TURNOVER (BUY + SELL)	(SOUTHBOUND) AVERAGE DAILY TRADE VALUE (BUY + SELL)	TOTAL NORTHBOUND & SOUTHBOUND
Stock Connect (Nov 2023) ¹⁰	RMB 107.8 billion	HK\$29.2 billion (~RMB26.4 billion)	RMB134.2 billion
Bond Connect (Nov 2023) ¹¹	RMB44.8 billion	/	/
Wealth Management Connect (Nov 2023) (Cross-boundary fund transfers) ¹²	As of the end of November 2023, there were 67,100 individual investors from the GBA participating in the Wealth Management Connect scheme. Among them, 45,000 were investors from Hong Kong and Macao, and 22,100 were Mainland investors. The scheme involved 40,600 cross-border transactions, amounting to RMB11.6 billion (which is the cumulative total from the launch of the plan in September 2021 to November 2023).		

By focusing on quality development and imposing balanced regulatory standards, Hong Kong plays a vital role in boosting international investors' confidence in Chinese companies. The vibrancy of Hong Kong's connections with Mainland China also owes much to the principle-based regulatory frameworks that embrace market development and technologies. In 2018, Hong Kong's listing regime entered a new era when HKEX added three new chapters opening up practical routes for companies to list in Hong Kong, allowing listings of pre-revenue biotech issues and previously excluded companies with weighted voting rights (WVR) structures. As a result, Hong Kong has become one of the main venues of choice for Chinese and other "new economy" companies to have a primary, secondary or dual-listing in Asia.

EAST AND WEST

Hong Kong offers a unique four-way, East-West, North-South, gateway serving companies both from Mainland China and across the globe. In 2023, Hong Kong was home to 9,039 business operations with parent companies located outside the city, further demonstrating its global appeal.¹³

The city's appeal extends beyond being an operational hub for companies, it is one of the most sought-after listing venues globally for companies. Looking ahead, Hong Kong is primed to attract companies from other markets such as ASEAN and Middle Eastern regions, as well as those along the Belt and Road route. This broad international representation would in turn render Hong Kong even more attractive to issuers and investors globally. It also exemplifies the city's role as a unique gateway that transcends a single market.

In demonstrating its adaptability and resilience, Hong Kong has prioritised diversifying its partnerships across sectors like capital markets and fintech. Memorandums of Understanding (MOUs) established with public sector stakeholders in these potential markets serve not only as strategic tools to mitigate geopolitical tensions but also highlight Hong Kong's pivotal role in fostering a broader spectrum of economic relationships.

9. HKEX. (2023, December). Historical Monthly. *Calculation based on turnover* https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Statistics/Historical-Monthly?sc_lang=en#select1=0&select2=0

10. Ibid.

11. Bond Connect. (2023, December). Northbound Investors and Trading Data. <https://www.chinabondconnect.com/en/Resource/Market-Data.html>

12. The People's Bank of China. (2023, December). Cross-boundary Wealth Management Connect Business. <http://guangzhou.pbc.gov.cn/guangzhou/129196/4332364/index.html>

13. C&SD. (2023). Number of Regional Headquarters, Regional Offices and Local Offices. <https://www.censtatd.gov.hk/en/web/table.html?id=325-43001>

With a robust financial ecosystem and a diverse mix of institutional and retail investors from both the East and West, Hong Kong is attractive to companies looking to go public across the globe. Looking ahead, Hong Kong's emergence as a leading capital formation hub for the ASEAN, the Middle East, and beyond constitutes a prospering development outlook over the medium term. By maintaining its ties with Mainland China and simultaneously expanding into new markets, the city continues to enhance its international stature and foster greater economic resilience.

Further bolstering its global stature, Hong Kong emerges as a prominent insurance hub and risk management centre. The city's insurance sector, marked by robust global participation, advanced capabilities, and a sophisticated regulatory framework, offers comprehensive risk management and mitigation solutions. These features elevate Hong Kong's competitive edge on the global stage and unleash the social value of insurance. Hong Kong is home to over 160 licensed insurers, including multinational insurers and reinsurers, as of 2023. The sector's robust performance, as evidenced by the total gross premiums amounting to HK\$37.0 billion in the first six months of 2023, along with a year-on-year growth of 5.1%, attests to its growth trajectory.¹⁴

Building on this momentum, Hong Kong capitalises on opportunities from the Belt and Road Initiative and the GBA development. It is actively expanding its role as a regional insurance hub and global risk management centre. The city's strategic position allows for effective risk diversification for Mainland China corporations, using insurance and reinsurance mechanisms.

Further fuelling this growth is the GBA's rising middle class. Their growing wealth and disposable income have created a burgeoning market for diverse insurance products. Hong Kong's robust framework and expert financial services are poised to meet this demand, reflecting the city's resilience and adaptability amidst changing regional dynamics.

“Hong Kong offers a unique four-way, East-West, North-South, gateway serving companies both from Mainland China and across the globe”

14. Insurance Authority. (2023, August). Hong Kong Insurance Business. https://www.ia.org.hk/en/infocenter/press_releases/files/20231H_Annex.pdf

A PIPELINE FOR ASSET AND WEALTH MANAGEMENT

Hong Kong, with US\$3.9 trillion in assets under management in 2022, is a major Asian centre for personal and family asset and wealth management. Remarkably, an impressive 64% of these assets originated from investors based outside of Hong Kong.¹⁵ Moreover, a forecast by the Boston Consulting Group projects that by 2025, Hong Kong will surpass Switzerland as the world's leading cross-border wealth management hub.¹⁶ This anticipated ascent on the global financial stage illustrates the international confidence in Hong Kong's robust asset and wealth management sector.

With an aim of improving the ease of setting up public and private funds, Hong Kong has introduced diverse fund structures, such as the Open-ended Fund Company (OFC) regime in 2018, and the Limited Partnership Fund (LPF) regime in 2020. The tax benefits associated with the LPF and OFC regimes have raised Hong Kong's profile and increased its appeal as a destination for private equity funds.

Another cornerstone of this growth has been the city's integration into the GBA development, a region with a population exceeding 86 million and a GDP surpassing US\$1.9 trillion in 2022.¹⁷ The GBA, characterised by a flourishing economy, a burgeoning middle class, and a growing contingent of HNWIs, has seen a surge in demand for sophisticated wealth management products and services. Hong Kong is uniquely positioned to cater to this demand. Hong Kong also enjoys the potential to capture an affluent family market on mass. In the GBA alone, there were no less than 388,000 families with investable assets of RMB 6 million in 2022.¹⁸

To further tap into the wealth and economic dynamism of the GBA, Hong Kong launched the Wealth Management Connect scheme in 2021. This initiative broadens the investment spectrum for the region's affluent residents by enabling access to a broader range of wealth management products and services offered by banks in Hong Kong and Macao, and reciprocally. Simultaneously, this scheme channels additional assets into Hong Kong's asset and wealth management sector, strengthening the high-end nature of the private wealth management industry as a key source of investment capital for entrepreneurs and business ventures. In conjunction with other Connect Schemes, the Wealth Management Connect is projected to significantly contribute to the city's wealth management sector, especially with the potential enhancements announced in September 2023.

15. SFC. (2023, August). Asset and Wealth Management Activities Survey 2022. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-2022_E.pdf?rev=3b6a43ac11404a2cacf7123c2f5c949e&hash=C33D88F5AAEAC176BC072AE9326091CC

16. BCG. (2023, June). BCG Global Wealth Report 2023. <https://www.bcg.com/publications/2023/global-wealth-report-resetting-the-course>

17. HKTDC Research. (2022). Statistics of the GBA. <https://research.hktdc.com/en/article/MzYzMDE5NzQ5>

18. Hurun. (2023). Yi Tsai. Hurun China Wealth Report 2022. <https://hurun.net/en-US/Info/Detail?num=VXFIQ9IWF5AF>

19. Forbes. (2023). Forbes World's Billionaires List - The Richest in 2023. <https://www.forbes.com/billionaires/>

A HUB FOR FAMILY OFFICES

In the grand theatre of global wealth management, the rise of family offices (FOs) has become a defining phenomenon. These entities, tasked with managing the wealth and affairs of UHNW families, are carving their niche in the world's financial landscape.

The opportunities in the FO landscape are vast and growing. The rapid wealth accumulation in China, which hosted 562 billionaires in 2023 according to Forbes,¹⁹ is a testament to this trend. This wealth growth is not just confined to the Mainland. Indeed, it is creating a ripple effect, reaching the shores of strategically positioned cities like Hong Kong.

Today, Hong Kong is thoughtfully positioning itself to leverage this trend and emerge as a leading hub for FOs. Its compelling proposition rests on its robust fundamentals: its strategic geographical positioning, a solid financial system, a talented workforce, and many others. Yet, what truly distinguishes the city is its commitment to fostering a conducive environment for the development of the FO sector.

Hong Kong's commitment is not just a statement of intent but is reflected in a series of measures introduced by the Government and it is underlined by its goal to attract 200 FOs to the city by 2025. This dedication was further highlighted at the Wealth for Good Summit in March 2023, where the Government presented a comprehensive strategy to enhance the FO sector's development within the city. The vision extends beyond crafting a favourable regulatory and tax environment, adopting a holistic approach to nurture the broader ecosystem that supports FOs.

At the core of this strategy is the introduction of tax concessions for single FOs and the upcoming launch of a new Capital Investment Entrant Scheme. Furthermore, the establishment of the Hong Kong Academy for Wealth Legacy under the FSDC signals the Government's determination to foster a culture of wealth preservation and legacy planning. The strategy also includes plans for state-of-the-art storage facilities at the airport, a common asset class for the HNWIIs and an aspiration to establish Hong Kong as a philanthropic centre. These measures, coupled with the establishment of a dedicated FamilyOfficeHK team within InvestHK, underline the Government's comprehensive approach to nurturing this sector.²⁰

With a rapid increase in first-generation entrepreneurs in China seeking to transfer wealth to the next generations, the demand for FOs is escalating. Hong Kong, armed with strategic initiatives and robust fundamentals, is well-positioned to meet this rising demand.

In conclusion, Hong Kong is not merely observing the global trend of FOs from the sidelines - it is shaping it. As we cast our gaze towards the future, we can confidently envision Hong Kong standing tall as a leading FO hub. A hub that holds relevance not just for Asia, but the entire global financial landscape.

20. HKSAR Government. (2023, March). Policy Statement on Developing Family Office Businesses in Hong Kong. https://gia.info.gov.hk/general/202303/24/P2023032300717_415645_1_1679627481405.pdf

A MODEL FOR GREEN AND SUSTAINABLE FINANCE

The global financial landscape is undergoing a paradigm shift, with environmental, social, and governance (ESG) factors emerging at the forefront. Hong Kong, as an IFC, has embraced this shift, assuming the mantle of promoting ESG and adhering to international standards. This commitment was acknowledged in the 2021 OM Survey Report, with positive responses from participants across diverse sectors and regions. Hong Kong's leadership within Asia in the realm of green and sustainable finance cements this commitment.

In 2022, the city's effort was highlighted by the issuance of green and sustainable bonds that accounted for 43% of China's offshore green bonds and 31% of Asia's total green and sustainable bond market. With a total value of US\$27.8 billion, Hong Kong is spearheading the shift towards a greener and more sustainable future.^{21 22} (See Appendix 2, Hong Kong Milestones in Green and Sustainable Finance)

TOWARDS A CARBON-FREE FUTURE

Carbon markets have emerged in recent years as a key tool to mobilise finance to smooth the transition to a low-carbon economy. Yet, while dealing in carbon markets is common in Europe and the US, Asia's carbon markets are still playing catch-up. But catching up they are - and fast. It is estimated that opportunities in the voluntary carbon market in Southeast Asia, for instance, will touch US\$10 billion annually by 2030.²³

Since the launch of Mainland China's Emission Trading Scheme (ETS) in July 2021, the scheme's cumulative trading volume already reached 230 million tonnes of carbon dioxide equivalent by the end of 2022, with a total turnover of US\$1.42 billion.²⁴ Asia's carbon market presents particular opportunities for Hong Kong given its proximity to Mainland China and other Asian markets. A mark of the city's ability to play to its strengths as an IFC was HKEX's launch of the Core Climate in October 2022, a dedicated international carbon marketplace designed to channel capital towards carbon and climate-related developments. As the only carbon marketplace currently offering HKD and RMB settlement for trading, it not only drives market accessibility but also bolsters Hong Kong's status as a world-class offshore RMB hub and a leading green and sustainable finance centre.

21. Climate Bonds Initiative. (2023, June). Hong Kong Green and Sustainable Debt Market Briefing 2022. https://www.climatebonds.net/files/reports/cbi_hk_briefing_2022_final.pdf

22. ICMA. (2023, March). The Asian International Bond Markets: Development and Trends. https://www.icmagroup.org/assets/The-Asian-International-Bond-Markets-Development-and-Trends-brochure_March-2023.pdf

23. Bain & Company. (2021, August). Southeast Asia's Carbon Markets: A Critical Piece of the Climate Puzzle. <https://www.bain.com/insights/southeast-asias-carbon-markets-a-critical-piece-of-the-climate-puzzle/>

24. International Institute of Green Finance. (2023, February). 2022 China Carbon Market Annual Report. <https://iigf.cufe.edu.cn/info/1012/6391.htm>

25. HKMA. (2022, November). Greenwashing in the Corporate Green Bond Markets. <https://www.hkma.gov.hk/media/eng/publication-and-research/research/research-memorandums/2022/RM08-2022.pdf>

HONG KONG'S WAR ON "GREENWASHING"

As sustainability gains traction in financial markets, concerns surrounding the risks of greenwashing and its adverse consequences are mounting. Greenwashing can take various forms, such as making false or misleading claims about ESG factors or exaggerating the sustainability benefits of financial products or services; the consequences can be severe, from reputational damage to financial losses for investors who are misled by false sustainability claims. Hong Kong, a global leader in green and sustainable finance, has recognised this emerging threat and is actively taking steps to combat it.

For instance, in November 2022, Hong Kong Monetary Authority (HKMA) released a report highlighting the risks of greenwashing and the need for greater transparency and accountability in sustainability claims, revealing one-third of global corporate green bond issuers are issuing their bonds without making any significant efforts to reduce their greenhouse gas emissions.²⁵ Hong Kong readily acknowledges it must counter these challenges and that proactive measures and constant vigilance are needed to ensure sustainable finance initiatives are genuine and effective. The strategy entails rigorous monitoring of companies and enforcement actions against "greenwashers" and generally encourages market participants and regulators to work together to promote transparency and accuracy.

In this context, Hong Kong has all along been driving towards synchronising its green and sustainable finance regulations with international standards. The HKEX mandates its some 2,600 listed companies to disclose ESG information, steering widespread adoption of such reporting standards and positioning the city as a leader in green and sustainable finance. Furthering this commitment, HKEX issued a consultation paper in April 2023 that aimed

at enhancing climate disclosure standards. The goal was to align these standards with the International Sustainability Standards Board (ISSB) Climate Standard, thereby harmonising local and international reporting requirements.²⁶ A month later, the HKMA sought industry feedback on a prototype Green Classification Framework, seamlessly continuing the dialogue on its regulatory framework. This journey was given further momentum in August 2023 when the Cross-Agency Steering Group announced its key priorities to strengthen the city’s sustainable finance ecosystem. Notably, the priorities included the development of a roadmap to adopt the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards, implementing necessary technology and launching initiatives to raise public awareness.²⁷

Building on its legacy as a green finance hub, Hong Kong is charting a course towards becoming an international green technology and finance centre, a direction outlined in the 2022 Budget Speech. Fusing technological prowess, commercial acumen, financial resources, and talent, the city is primed for this transformation. While a global green tech cluster is still burgeoning, Hong Kong, with its rich constellation of green enterprises and talent, is uniquely positioned to pioneer this promising frontier in sustainable finance and technology.

**“Hong Kong is spearheading the shift
towards a greener, more sustainable future”**

26. HKEX. (2023, April). Consultation Paper on Enhancement of Climate Disclosure under its ESG Framework. https://www.hkex.com.hk/News/Regulatory-Announcements/2023/230414news?sc_lang=en

27. HKMA. (2023, August). Cross-Agency Steering Group announces priorities to further strengthen Hong Kong’s sustainable finance ecosystem. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/08/20230807-3/>

A DIGITAL AND VIRTUAL ASSET HUB

‘The time is ripe’ Hong Kong officials have publicly declared, ‘Virtual assets are here to stay’

Hong Kong is moving rapidly into the wild frontier of Web3 development but is not proceeding headlong or blindly. It is plotting a careful course through the reefs and shoals of proliferating virtual assets in order to ensure developments are tightly aligned, regulated and monitored. The city’s stance on this sector is articulated in the Policy Statement on Development of Virtual Assets in Hong Kong, published in October 2022.²⁸ The document outlines the Government’s intent to cultivate a vibrant environment for the virtual asset (VA) sector, balancing both growth and investor protection. This stance is particularly noteworthy, reflecting the unique principle of “One Country, Two Systems” given China’s prohibition on crypto assets.

In 2021, Hong Kong initially considered limiting trading of VAs to professional investors under proposed amendments to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO). However, demonstrating its dynamic approach and agility in aligning with emerging trends, the city’s stance has evolved. A new licensing regime for virtual asset trading platforms, effective June 2023, necessitates that these entities secure a dual license from the Securities and Futures Commission (SFC) under both the Securities and Futures Ordinance (SFO) and AMLO. Intriguingly, this regime allows retail trading under specific conditions. To guide these platforms through the new regulatory landscape, the SFC has published comprehensive guidelines. This accentuates Hong Kong’s commitment to strike a balance between innovation and investor protection.

Notably, Hong Kong is among the frontrunners in adhering to international AML/CTF requirements set by the Financial Action Task Force, offering robust regulatory measures to protect investors. A stablecoin regulatory regime is in the pipeline, initiated by the HKMA. Alongside these safeguards, Hong Kong has launched parallel initiatives to promote progress in the VA space. Recognising the crucial interplay between Web3 and VAs, the city has formed a dedicated Task Force to promote Web3 development. To further fuel this ecosystem, a HK\$50 million fund has been allocated for seminars and workshops, as well as to promote cross-sectoral business cooperation. A seminal milestone came in February 2023, when the Government successfully issued HK\$800 million of tokenised green bonds. Marking a global first, the issuance demonstrates the city’s regulatory flexibility to enable innovation. Moving forward, a rise in the tokenisation of various assets is expected. During the FinTech Week 2023, the SFC announced the issuance of circulars for tokenised securities and investment products, clarifying the regulatory expectations from an investor protection perspective.^{29 30}

This proactive approach has drawn interest from over 120 VA-related entities from abroad and Mainland China as of June 2023,³¹ spanning sectors from VA exchanges to projects building the Web3 ecosystem. As of August 2023, Cyberport, managed by a wholly owned subsidiary of the Government, has gathered more than 180 firms that specialise in Web3 technology.³² Future developments may include the introduction of Hong Kong’s first digital currency, the Central Bank Digital Currency (CBDC), the e-HKD. With Mainland China looking into its own digital yuan – the e-CNY project – Hong Kong has responded constructively. It has entered into a collaborative initiative, Project mBridge, with central banks from various regions including the People’s Bank of China to facilitate cross-border currency payments and transactions. Progress has been made in the phased development of e-HKD and e-CNY.³³

28. FSTB. (2022, October). Policy Statement on Development of Virtual Assets in Hong Kong. https://gia.info.gov.hk/general/202210/31/P2022103000454_404805_1_1667173469522.pdf

29. SFC. (2023, November). Circular on Tokenisation of SFC-authorized Investment Products. <https://apps.sfc.hk/edistributionWeb/api/circular/openFile?lang=TC&refNo=23EC53>

30. SFC. (2023, November). Circular on Intermediaries Engaging in Tokenised Securities-related Activities. <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=23EC52>

31. HKSAR Government. (2023, September). SFST’s keynote speech at Hong Kong-Swiss Collaboration Workshop Launch Event. <https://www.info.gov.hk/gia/general/202309/15/P2023091500575.htm>

32. Blog of the Financial Secretary (2023, August). Entertainment Goes Beyond Boundaries with Web3. <https://www.fso.gov.hk/eng/blog/blog20230827.htm>

33. HKMA. (2023, November). Hong Kong FinTech Week 2023. <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/11/20231102-4/>

As ever stiffer cryptocurrency clampdowns by some other regulators push the tide of innovation further away from such markets and, despite the fact that other Chinese cities and Asian economies like Japan are snapping hard at its heels, Hong Kong is well placed to become a leading regional hub in future for the evolution taking place in the digital and virtual asset universe.

AN INTERNATIONAL CENTRE FOR INNOVATION AND TECHNOLOGY (I&T)

Hong Kong is diligently working towards becoming an international centre for technological innovation, strengthening and diversifying its economy across a broad array of high-tech fields. However, it is not without challenges.

The 2021 OM Survey Report indicated potential challenges on Hong Kong's path to becoming a leading fintech centre, including a limited local consumer market, competition from other Asian tech hubs, and an insufficient talent pool. Undeterred, the city has intensified efforts to cement its position in the tech innovation landscape.

Displaying an active commitment to technological advancement, the Government has markedly ramped up its relevant spending. The Innovation and Technology Fund has, to date, approved over 59,000 projects, allocating funds up to HK\$38 billion as of October 2023.³⁴ There are also various funding sources from the Government to support companies, including tech firms, in establishing operations in the city, and investing in priority industries, such as the Strategic Investment and Co-Investment Funds, Growth Portfolio, and the GBA Investment Fund, which collectively amounted to around HK\$62 billion.³⁵ The positive impact of the support became evident by 2023 when Hong Kong entered the global top ten in the Smart Centres Index.³⁶

The Hong Kong Innovation and Technology Development Blueprint, introduced in the same year, set forth strategies to establish the city as a global innovation and technology hub. One key strategy capitalises on Hong Kong's success as an IFC to widen venture financing avenues and strengthen support for start-ups, fostering a two-way capital flow. Such a strategy has been realised through a streamlined listing regime on the HKEX, which facilitated pre-revenue listings and introduced new rules for specialist technology company listings. The commitment to these strategies is reflected in the number of completed IPO deals in recent years. Since 2020, both the technology, media and telecommunications and the healthcare/life sciences have been within the top three sectors.³⁷ Today, Hong Kong is the world's second-largest market for biotech company capital raising.

CHARTING THE COURSE FOR INNOVATION AND TECHNOLOGICAL ADVANCEMENT IN THE FINANCIAL SERVICES INDUSTRY

Already one of the world's top ten innovation hubs outside Silicon Valley, Hong Kong was home in 2022 to some 4,000 new high-tech start-ups, a figure which has spiralled up from 2,200 in 2017. There were already 18 unicorns in the city in 2021. In particular, fintech companies expanded from 180 in 2017 to over 800 in 2022,³⁸ earning Hong Kong the first place in Asia Pacific and ninth globally in the 2021 Global Fintech Index. The city's fintech unicorns include ZA International, which was granted a HK virtual bank licence in March 2019, WeLab, an online financial company and Airwallex, a cross-border payment service provider. With an ambitious vision, the Government is striving to attract at least 100 high-potential I&T businesses to set up operations in Hong Kong in the next five years, further strengthening the city's position as an innovation hub.

Looking ahead, the financial services sector is brimming with exciting developments. The Fintech 2025 strategy and the Fintech Promotion Roadmap initiated by the HKMA project a promising fintech adoption blueprint in the financial services industry. The Fintech 2025 Strategy mandates all Hong Kong banks to digitalise their operations by 2025, and the Fintech Promotion Roadmap outlines the key initiatives that it will undertake over the next 12 months, focusing on Wealthtech, Insurtech, and Greentech.³⁹

The growth of digital innovation is set to be amplified through synergies with Mainland China, especially with the newly introduced Shenzhen Park of the Hetao Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone in 2023. Moreover, the 18 measures launched in 2022 by the FSTB and Qianhai Authority provide a strong foundation for Shenzhen-Hong Kong collaboration, among which venture capital investments are made

34. Innovation and Technology Fund. (2023).

Statistics of Approved Projects. <https://www.itf.gov.hk/en/itf-statistics/index.html>

35. HKSAR Government.

(2023, May). Press Release: Hong Kong Investment Corporation Limited. <https://www.info.gov.hk/gia/general/202305/31/P2023053000518p.htm>

36. Z/Yen. (2023, May).

The Smart Centres Index 7. https://www.longfinance.net/media/documents/SCL_7_Report_2023.05.25_v1.0.pdf

37. KPMG. (2022).

Chinese Mainland and Hong Kong IPO markets. <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2022/12/chinese-mainland-hk-ipo-markets-2022-review-2023-outlook.pdf>

38. FintechHK. (2023,

May). Fact Sheet: Hong Kong Fintech Landscape. <https://www.hongkong-fintech.hk/en/insights/news/news-2023/fact-sheet-hong-kong-fintech-landscape/>

39. HKMA. (2023, August).

Hong Kong Fintech Promotion Roadmap. <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2023/20230825e1a1.pdf>

easier. This cooperation between Hong Kong and Qianhai on Qualified Foreign Limited Partnerships is expected to cultivate the interconnected growth of the Shenzhen and Hong Kong private equity markets. It is also set to attract private equity and venture capital funds interested in Mainland investments to establish a foothold in Hong Kong, thereby nurturing its development as an I&T hub within the GBA.

“Already one of the world’s top ten innovation hubs outside Silicon Valley, Hong Kong was home in 2022 to some 4,000 new high-tech start-ups”

CASE STUDIES: HONG KONG FINTECH UNICORNS

WELAB

A homegrown Hong Kong-based start-up, WeLab is reinventing traditional financial services by creating a seamless digital experience. Founded in 2012, they offer digital banking services and loans for private customers (WeLab Bank); a digital lending platform to connect lenders and borrowers; and B2B enterprise solutions by partnering with traditional financial institutions, which utilise WeLab’s proprietary technology (risk management system powered by AI) to offer fintech-enabled services to their customers. They launched their banking app in Hong Kong during the summer of 2020, then confounded many sceptics having successfully weathered Covid-19 uncertainty by accumulating 500,000 users in Hong Kong, including users for the group’s lending platform WeLend.

It became a ‘unicorn’ (a start-up with a valuation of more than US\$1 billion) after a US\$200 million funding round in 2017, and the company’s success has allowed it to expand beyond Hong Kong into Mainland China and most recently, Indonesia. In total, they have close to 60 million retail customers and over 700 corporate customers.⁴⁰

WeLab has twenty-one investors including Allianz X; China Construction Bank; International Finance Corporation; Sequoia Capital; and Hong Kong billionaire Li Ka-shing’s TOM Group. It has raised a total of US\$900 million over 10 rounds. Their latest funding was in December 2021 when they raised HK\$1.9 billion in an undisclosed round.⁴¹

AIRWALLEX

Airwallex is not a bank but a licensed fintech which provides business accounts and payment services. Their product range includes multi-currency accounts; easy transfers; virtual debit cards; and foreign currency exchange, all in one single platform. Having relocated its headquarters from Melbourne, Australia, in 2018, Airwallex has utilised Hong Kong as a base to establish a global business and facilitate faster, frictionless cross-border payments.

Founded in 2015, Airwallex now supports 40 currencies across more than 150 countries and employees more than 1,200 people in nineteen international offices, across Asia-Pacific, Europe and North America. The company has over 23,000 global customers and was valued at US\$5.5 billion in November 2021, supported by numerous prestigious financial backers.⁴²

The company has twenty-two investors including Tencent; Hermitage Capital; Salesforce Ventures; and Sequoia Capital China. It has raised a total of US\$902 million over 14 rounds. Its latest funding was in October 2022 when it raised US\$100 million (Series E).⁴³



40. WeLab. (2023). <https://www.welab.co/en/>

41. CBINSIGHTS. (2023). WeLab. <https://www.cbinsights.com/company/welab-limited>

42. Airwallex. (2023). <https://www.airwallex.com>

43. CBINSIGHTS. (2023). Airwallex. <https://www.cbinsights.com/company/airwallex/financials>

A NEXUS FOR GLOBAL TALENT

The 2021 OM Survey Report highlighted a pivotal challenge facing Hong Kong's financial services industry: the intensifying global competition for talent. The intensified recruitment drive, particularly from international talent pools, is leading to an anticipated rise in the cost of expatriate employment, and it calls for strategic foresight and planning. Investing in the cultivation of local talent and attracting overseas talent, fostering flexible work environments, and burnishing Hong Kong's image as an attractive destination for work and life can be instrumental. These collective initiatives are paramount to reinforce Hong Kong's standing in the ever-competitive financial services arena.

In response, Hong Kong has implemented an array of high-level measures to attract enterprises, investment, and talent. The establishment of the Office for Attracting Strategic Enterprises and a HK\$30 billion Co-Investment Fund are pivotal steps in drawing businesses to Hong Kong and promoting their growth. Alongside this, the setting up of a Talents Service Unit and dedicated teams in Mainland and overseas aims to amplify recruitment efforts and provide support to talent from outside Hong Kong.

To further these efforts, the Government expanded the Talent List from 13 to 51 professions in May 2023.⁴⁴ This updated list now includes sectors like ESG and FinTech. The list applies to policies such as the Quality Migrant Admission Scheme, the General Employment Policy, and the Admission Scheme for Mainland Talents and Professionals. In addition, the Top Talent Pass Scheme has been introduced to attract individuals with rich work experience and strong academic qualifications globally. To cater to the evolving landscape and diversify the talent pool, the universities coverage under the scheme has expanded, as announced in the latest Policy Address. By the end of September 2023, the set of enhanced talent admission schemes garnered a total of 160,000 applications, out of which more than 100,000 were approved. Among these, the Top Talent Pass Scheme alone received over 50,000 applications, with 39,000 successfully approved.⁴⁵ These measures dovetail with the goal to attract at least 35,000 talents into the city each year for the next two years and to attract at least 1,130 companies to set up or expand their operations in Hong Kong from 2023 to 2025.⁴⁶

With the aim of building Hong Kong as a family office hub, the FSDC was commissioned by the Government to establish the Hong Kong Academy for Wealth Legacy (HKAWL). Launched in November 2023, it serves as a dynamic knowledge exchange platform, facilitating idea exchanges, best practice sharing, and networking opportunities for family offices, the next generation of wealth owners and industry practitioners. Through these interactions, the HKAWL is committed to cultivating more private wealth management talent and expanding related talent pools in Hong Kong. The establishment is expected to contribute significantly to the long-term, sustainable growth of the asset and wealth management sector.

44. HKSAR Government. (2023, May). Talent list coverage expanded. https://www.news.gov.hk/eng/2023/05/20230516/20230516_163457_528.html

45. HKSAR Government. (2023, Oct). 100k talent applications approved. https://www.news.gov.hk/chi/2023/10/20231009/20231009_170910_324.html

46. HKSAR Government. (2023, June). HK boldly attracts talent, enterprises. https://www.news.gov.hk/eng/2023/06/20230620/20230620_181506_530.html

OPPORTUNITIES AND CHALLENGES

Overall, Oxford Metrica's Hong Kong survey conducted in 2021, which canvassed the views of international business leaders was largely positive. Moreover, the striking progress Hong Kong has achieved over the past two years should confound any sceptics. While in Hong Kong's haste to move forward, there may lurk dangers of 'initiative-itis' - the risk of substituting a frenzy of announcements and proliferating new offices for actual progress on the ground - Hong Kong is clearly achieving a pace in developments that is both blistering and yet carefully and sensibly thought out. That said, Hong Kong undoubtedly still faces a formidable array of challenges, including fierce competition from leading Mainland cities and other locations in Asia such as Singapore and Japan, as well as mounting US-China tensions, bringing in their wake a wave of sanctions and disinvestment. Nonetheless, a multitude of future opportunities confront the city:

- To maintain its standing as one of the world's premier financial cities, Hong Kong can further enhance its unique north-south gateway to Mainland China and a great east-west gateway globally by further deepening and broadening its existing cross-boundary/ border initiatives and continuing to act as a key point of exchange between the renminbi and other commonly used currencies.
- To become a key centre for personal and family asset and wealth management for the GBA, China and Asia more generally, serving not only HNWIs but also drawing on the enormous pool of savings on the Mainland.
- To pursue its goal of a carbon-free future by offering a model for green and sustainable finance activities in the face of the environmental threats from accelerating industrialisation and urbanisation in China and Asia.
- To establish itself as a hub for digital and virtual asset developments, capitalising on the ambiguous regulatory framework in some other markets.
- To seize the opportunities regionally and leapfrog traditional models, moving swiftly into the digital economy era through building on the progress it has achieved in fintech- and virtual asset-related areas.
- To leverage Hong Kong's status as a global financial centre to broaden financing channels for start-ups and tech companies, thereby stimulating Hong Kong's transformation into a vibrant information and technology hub.
- To boost foreign presence in the city and attract inflows of expertise, Hong Kong aims to establish itself as a global talent hub, acting as a magnet for global talent in the Mainland and the Asia Pacific region.
- To develop itself as the 'Oriental Metropolis', capitalising on its vigorous cultural and social life in order to attract foreign visitors and residents.
- To add to its already rich annual programme of international business and technology events such as Asian Financial Forum and the FinTech Week and relate them to cultural and social celebrations (see Appendix 4, Hong Kong's Calendar of International Events - Financial Services Focus, September 2023- March 2024).

With a lens of optimism, we foresee Hong Kong responding to these views with effectiveness. Moreover, it is our expectation that the international community will witness Hong Kong's sustained progress and positive trajectory in the years to come.

“The world can look forward to witnessing sustained progress and positive trajectory in Hong Kong in the years to come”

APPENDICES

(NON-EXHAUSTIVE)

APPENDIX 1: MILESTONES IN HONG KONG-MAINLAND FINANCIAL CONNECTIVITY

- 2002** Qualified Foreign Institutional Investor (QFII)
- 2003** Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
- 2011** RMB Qualified Foreign Institutional Investor (RQFII)
- 2014** Shanghai-Hong Kong Stock Connect
- 2015** Mutual Recognition of Funds
- 2016** Shenzhen-Hong Kong Stock Connect
- 2017** Northbound Bond Connect
- 2018** HKEX introduced three new chapters in Hong Kong's listing rules:
- i.** Permitting listings of pre-revenue biotech issuers that do not meet any of the Main Board financial eligibility tests;
 - ii.** Permitting listings of innovative companies with weighted voting right (WVR) structures; and
 - iii.** Establishing a new concessionary secondary listing route for Greater China and international companies that wish to secondary list in Hong Kong
- 2019** Inclusion of WVR companies in Southbound Stock Connect
- 2020** HKEX-listed biotech companies added to Southbound Stock Connect
- 2021** **SEP** Southbound Bond Connect
- NOV** Cross-boundary Wealth Management Connect
- 2022** **JAN** HKEX introduced enhanced measures to facilitate “China Concept Stocks” in conducting secondary listings or obtaining primary listings:
- i.** Secondary listings - relaxing the requirements of secondary listings for Greater China issuers without a WVR structure;
 - ii.** Secondary listing to primary listing - secondary listed issuers will be considered as primary listed issuers in the case of delisting from an overseas exchange. A 12-month grace period will be granted for companies to prepare financial statements; and
 - iii.** Dual primary listings - Grandfathered Greater China issuers with WVR or variable interest entity (VIE) structures that fulfil secondary listing requirements could apply directly for dual primary listing
- JUL** ETF inclusion in Stock Connect
- SEP** The joint promulgation of the “18 Measures for Supporting the Linked Development of Shenzhen and Hong Kong Venture Capital Investments in Qianhai” by the Hong Kong SAR Government and the Qianhai Authority of Shenzhen

2023 **FEB** The People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Securities Regulatory Commission, the State Administration of Foreign Exchange and the People's Government of Guangdong jointly promulgated the "Opinion on Providing Financial Support for the Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone"

MAR Inclusion of eligible shares of international companies that are primary-listed in Hong Kong in Southbound Stock Connect

MAY Swap Connect

JUN HKD-RMB Dual Counter Model and Dual Counter Market Making Programme

(NON-EXHAUSTIVE)

APPENDIX 2: HONG KONG MILESTONES IN GREEN AND SUSTAINABLE FINANCE IN RECENT YEARS

CAPACITY BUILDING - TALENT AND AWARENESS

- **2020** Set up a *Green Tech Fund* to fund research and development projects to promote decarbonisation and enhance environmental protection. Its 2022 Budget Speech promised a further injection of HK\$200 million into this fund.
- **2020** The *Cross-Agency Steering Group* (CASG) launched the *Centre for Green and Sustainable Finance* (GSF centre) to coordinate cross-sector capacity building and data collection.
- **2021** ESG were added to the *Talent List for Hong Kong* to further strengthen the talent pipeline in support of ESG, financial professionals.
- **2022** Launched a three-year *Pilot Green and Sustainable Finance Capacity Building Support Scheme*, which is administered by the GSF centre to provide subsidies for locally eligible and prospective practitioners to be trained in green and sustainable finance.
- **2023 JUNE** Established a Green Technology & Finance Development Committee, bringing together industry representatives from green technology, green finance and green standard certification to formulate an action plan to promote Hong Kong as an international green technology and finance centre.
- **2023 OCTOBER** Announced the launch of a dedicated proof-of-concept subsidy scheme for green Fintech in the first half of 2024

REGULATORY - DISCLOSURE AND STANDARDS

- **2020** The Hong Kong Quality Assurance Agency introduced the Green Finance Certification Scheme - ESG Fund, which offers third-party conformity assessments.
- **2023 APRIL** The HKEX proposed to mandate all issuers to make climate-related disclosures in their ESG reports, and introduce new climate-related disclosures aligned with the International Sustainability Standards Board (ISSB) Climate Standard. The ISSB Climate Standard builds on the principles of the TCFD recommendations and sets out detailed climate disclosures.
- **2023 MAY** The HKMA published a discussion paper seeking market feedback on a proposed *Green Classification Framework for Hong Kong*, based on the taxonomy developed by the International Platform on Sustainable Finance.

SPONSORSHIPS/ INCENTIVES

- **2021** Administered by the HKMA, the Government launched the Green and Sustainable Finance Grant Scheme to provide subsidies for green and sustainable bonds and loans issued in Hong Kong.

MARKET SIZE/ PRODUCTS

- **2022 MAY** The Government issued the world's largest retail green bond of HK\$20 billion in value.
- **2023 FEB** The Government issued the tokenised green bond of HK\$800 million in value, the first ever tokenised green bond issued by a government globally.

APPENDIX 3: HONG KONG'S DEVELOPMENT ON ESG DISCLOSURE REQUIREMENTS AND REPORTING FOR LISTED COMPANIES

(NON-EXHAUSTIVE)

Hong Kong has arguably led the way regionally, making it compulsory for listed companies to disclose ESG information. With a multitude of listed companies in the city, it has the potential to significantly impact the adoption of ESG disclosure and reporting standards. As of August 2023, there are 2,600 companies listed on HKEX, with a total market capitalisation of over HK\$33 trillion.

HKEX has taken a proactive approach in requiring listed companies to report on their ESG disclosures, its requirements also include a strong focus on corporate governance. This sets an example of comprehensiveness and adherence to global best practices. HKEX ensures that companies adhere to high standards of accountability, transparency, and ethical conduct, fostering a responsible business environment. This comprehensive approach promotes long-term value creation and sustainable growth, while also addressing the expectations of investors and other stakeholders. The HKEX's commitment to both ESG and corporate governance demonstrates its dedication to fostering a well-rounded and responsible financial market.

THE DEVELOPMENTS ARE AS FOLLOWS:

- **2013** HKEX initially introduced its ESG Reporting Guide, providing a framework for ESG disclosure practices.
- HKEX's listing regulations currently stipulate that all companies listed in Hong Kong must publicly disclose details about their environmental data, ESG strategies, and compliance status in accordance with the ESG Guide or equivalent international benchmarks. A comply or explain approach is adopted.
- **2019** The ESG Reporting Guide was further revised to tackle market concerns regarding “check-the-box” types of corporate ESG disclosures and highlight the expectation that boards of directors of listed companies should fulfil their director duties in considering relevant ESG issues, conducting materiality assessment, providing oversight and review. This approach aims to ensure that ESG disclosures are comprehensive, meaningful, and genuinely reflective of a company's sustainability efforts.
- **2021** HKEX published the Guidance on Climate Disclosures. This guidance supports companies in assessing their strategies for addressing climate change-related risks and offers practical suggestions along with comprehensive instructions for preparing climate change reports in line with TCFD recommendations, as well as enhancing corporate governance standards for listed companies. HKEX also published a review that focuses on IPO applicants' practices on corporate governance, diversity and ESG.
- **2022** Corporate Governance Code and related Listing Rule amendments took effect in January. Some of the key changes are in relation to long-serving INEDs, promoting gender diversity by putting a bar on single-gender boards.
- **2023 MARCH** HKEX released the new edition Enforcement Bulletin, offering insight into the HKEX's expectations regarding issuers' disclosure of information as mandated by the Listing Rules. The bulletin also delves into disclosure challenges specific to newly listed issuers and addresses concerns surrounding “partial truth” disclosures in public announcements. It emphasises the need for complete and accurate information to ensure transparency and maintain investor confidence.
- **2023 APRIL** HKEX consulted on the enhancement of climate disclosure under its ESG framework.

APPENDIX 4: HONG KONG'S CALENDAR OF INTERNATIONAL EVENTS – FINANCIAL SERVICES FOCUS (SEP 2023 – SEP 2024)

For a complete list and the latest calendar of major events in Hong Kong, please visit www.brandhk.gov.hk for more information.

DATE (2023)	TITLE OF EVENT	NATURE OF EVENT	ORGANISER
4-8 Sep	HKEX Biotech Summit 2023	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • HKEX
11-17 Sep	Cybersecurity Week 2023	<ul style="list-style-type: none"> • Conference • Exhibition • Seminar/Talk • Others 	<ul style="list-style-type: none"> • Office of the Government Chief Information Officer (OGCIO) • The Hong Kong Productivity Council (HKPC) • Hong Kong Computer Emergency Response Team Coordination Centre (HKCERT) • Hong Kong Internet Registration Corporation Limited (HKIRC)
13-14 Sep	8th Belt and Road Summit	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • HKSARG • HKTDC
25-27 Sep	Global Artificial Intelligence & Web3 Investment Summit 2023	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • Hong Kong Blockchain Association
30 Oct-5 Nov	Hong Kong Fintech Week 2023	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • InvestHK
31 Oct-1 Nov	Cyberport Venture Capital Forum (CVCF) 2023 -	<ul style="list-style-type: none"> • Conference • Seminar/Talk 	<ul style="list-style-type: none"> • Cyberport
6-8 Nov	Global Financial Leaders' Investment Summit	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • Hong Kong Monetary Authority (HKMA)
8-17 Nov	StartmeupHK Festival 2023	<ul style="list-style-type: none"> • Conference • Seminar/Talk • Exhibition 	<ul style="list-style-type: none"> • InvestHK
23-26 Nov	Gerontech and Innovation Expo cum Summit (GIES)	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • The Hong Kong Council of Social Service • Hong Kong Science and Technology Parks Corporation
28 Nov	HKMA-BIS High-Level Conference	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • HKMA • BIS
6 Dec	InnoHK Summit	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • ITC • Hong Kong Science and Technology Parks Corporation
6-7 Dec	Insurtech Insights Asia 2023	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • Insurtech Insights
7-8 Dec	FII Priority Asia Summit	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • Future Investment Institute
8 Dec	Asian Insurance Forum 2023	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • Insurance Authority
12 Dec	MPF Symposium 2023	<ul style="list-style-type: none"> • Seminar/Talk 	<ul style="list-style-type: none"> • Mandatory Provident Fund Schemes Authority (MPFA)
Dec (tbc)	HKEX Impact Summit	<ul style="list-style-type: none"> • Seminar/Talk • Exhibition 	<ul style="list-style-type: none"> • HKEX

DATE (2024)	TITLE OF EVENT	NATURE OF EVENT	ORGANISER
24-25 Jan	Asian Financial Forum	<ul style="list-style-type: none"> • Conference • Exhibition 	<ul style="list-style-type: none"> • Financial Services and the Treasury Bureau • HKTDC
Feb (TBC)	IOSCO Asia Pacific Regional Committee meetings and SFC Regulatory Forum	<ul style="list-style-type: none"> • Conference • Seminar/ Talk 	<ul style="list-style-type: none"> • Securities and Futures Commission (SFC)
12-13 Apr	Digital Economy Summit (DES) 2024	<ul style="list-style-type: none"> • Conference • Seminar/Talk 	<ul style="list-style-type: none"> • Office of the Government Chief Information Officer (OGCIO) • Cyberport
11-12 Sep	Belt and Road Summit	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • HKTDC
13 Sep	Belt and Road Global Forum Annual Roundtable	<ul style="list-style-type: none"> • -Others (Roundtable) 	<ul style="list-style-type: none"> • HKTDC
24-27 Sep	East Asia Insurance Congress 2024	<ul style="list-style-type: none"> • Conference 	<ul style="list-style-type: none"> • The Hong Kong Federation of Insurers

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Dr Rory Knight, is Chairman of Oxford Metrica and of Investments at the John Templeton Foundation. He was formerly Dean of Templeton, Oxford University's business college. Prior to that Dr Knight was the vize-direktor at the Schweizerische Nationalbank (SNB) the Swiss central bank.

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