

SESSION 3: Hong Kong – An International Financial Center **Asia Capital Markets Developments**

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Outline

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2 Asia Capital Market Overview

3 APAC Outlook

4 Recent Developments

ASIFMA

About

An independent, regional trade association with around 170 member firms comprising a diverse range of leading financial institutions from both the sell side and buy side including banks, asset managers, professional firms, fintech, and market infrastructure service providers



Mission

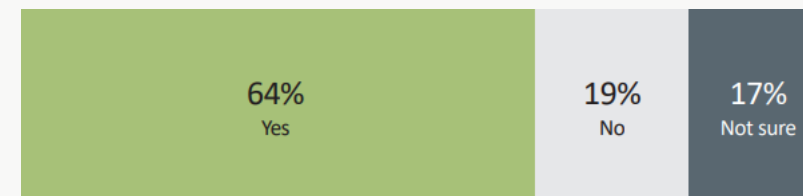
Harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia.

ASIFMA – ASIA-PACIFIC CAPITAL MARKETS SURVEY 2022 Snapshot



- Results gathered from July –September 2022
- 37 participants' from : Australia, Mainland China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam
- Survey results indicate a continued optimistic perception of APAC markets, reflected in the fact that a majority of participants intend to expand their business presence in the region

64% of survey participants intending to expand their business operations in APAC markets



- Key market attractions for conducting business in APAC:
 - Workforce skills
 - Trading and exchange infrastructure
 - Transparent regulatory policy

APAC Market Outlook – Top Market Attractions

Ranking of the markets	Market	Average score	Operating environment	Market development	Regulatory environment
1	Singapore	7.90	Political situation	FinTech development	Predictable and transparent regulatory policy
2	Australia	7.50	Workforce skills	Availability of hedging Trading and exchange infrastructure Transparency of market information	Predictable and transparent regulatory policy
3	Japan	7.18	Political situation	Trading and exchange infrastructure Market liquidity and depth	Predictable and transparent regulatory policy
4	Hong Kong	7.02	Workforce skills	Trading and exchange infrastructure	Tax environment
5	Korea	6.32	Digital infrastructure	Trading and exchange infrastructure Market liquidity and depth	Quality of anti-bribery and corruption framework
6	Taiwan	6.31	Workforce skills	Transparency of market information	Investor protection
7	India	6.05	Workforce skills Language skills	Trading and exchange infrastructure	Investor protection
8	Malaysia	5.97	Language skills	Clearing and settlement infrastructure Payments infrastructure	Prudential regulations Predictable and transparent regulatory policy
9	Thailand	5.90	Cultural and societal factors Competitive landscape	Growing customer base and wealth	Outsourcing regulations Restrictions on product/service offerings
10	Mainland China	5.81	Digital infrastructure	Growing customer base and wealth	Investor protection
11	Indonesia	5.52	Political situation	Growing customer base and wealth	Licensing requirements
12	The Philippines	5.31	Language skills	Growing customer base and wealth	Outsourcing regulations
13	Vietnam	4.67	Cost of doing business	Economic growth rate	Tax environment Other foreign investment regulations

- Taken from the ASIFMA Capital Market Surveys
- Most common factors:
 - Workforce skills
 - Trading and exchange infrastructure
 - Predictable and transparent regulatory policy

APAC Market Outlook – Top Market Impediments

- Factors that make markets least attractive:
 - Political Situation
 - Currency Convertibility
 - Lack of market liquidity & depth
 - Currency controls

Ranking of the markets	Market	Average score	Operating environment	Market development	Regulatory environment
1	Singapore	7.90	Immigration law	Market liquidity and depth	Outsourcing regulations
2	Australia	7.50	Cost of doing business	Regional integration	Tax environment
3	Japan	7.18	Language skills	Economic growth rate	Tax environment
4	Hong Kong	7.02	Political situation	Economic growth rate	International sanctions
5	Korea	6.32	Barriers to entry Language skills	Availability of stock borrowing & lending and short-selling	Restrictions on product/service offerings Licensing requirements
6	Taiwan	6.31	Political situation	Currency convertibility	Restrictions on product/service offerings
7	India	6.05	Cost of doing business Physical infrastructure	Currency convertibility	Currency controls
8	Malaysia	5.97	Political situation	Market liquidity and depth Currency convertibility	Currency controls
9	Thailand	5.90	Political situation	Availability of stock borrowing & lending and short-selling	Currency controls
10	Mainland China	5.81	Political situation Barriers to entry	Currency convertibility	Currency controls
11	Indonesia	5.52	Physical infrastructure	Market liquidity and depth	Data localization requirements
12	The Philippines	5.31	Physical infrastructure	Market liquidity and depth	Tax environment
13	Vietnam	4.67	Physical infrastructure	Transparency of market information	Currency controls

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POLICY DEVELOPMENTS ENHANCING ACCESS TO CHINA CAPITAL MARKETS

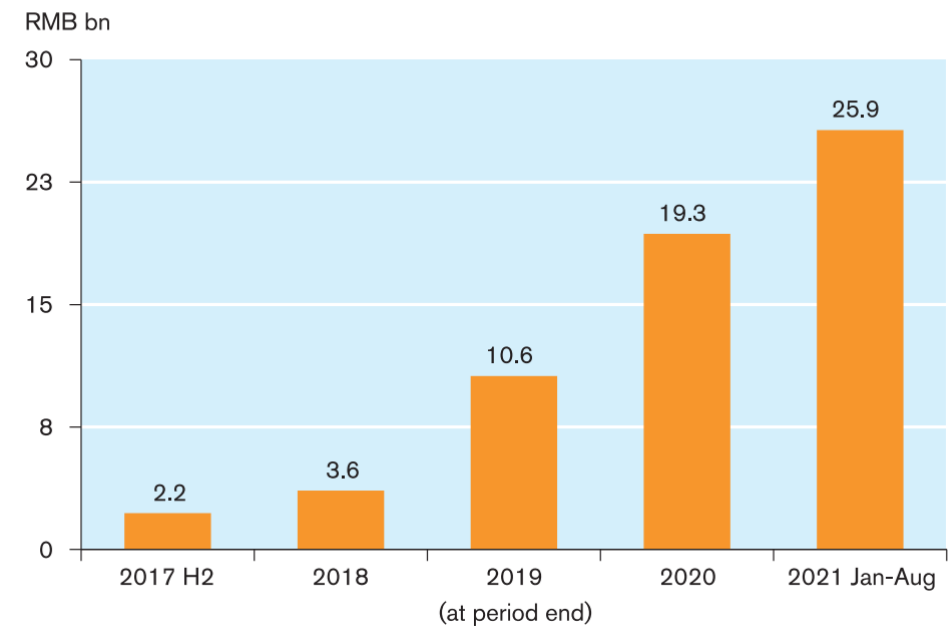
HKEx Connect Schemes:

- Stock connect
- Bond connect
- Swap connect

Connect Schemes Opportunities:

- At ASIFMA China Capital Markets Conference, Julia Leung (CEO of HKEx) said “SFC is studying introduction of Block Trading to Stock Connect”
- Eddie Yue (Chief Executive of HKMA) mentioned Bond Connect enhancements
- Trading Calendar Enhancement for Stock Connect

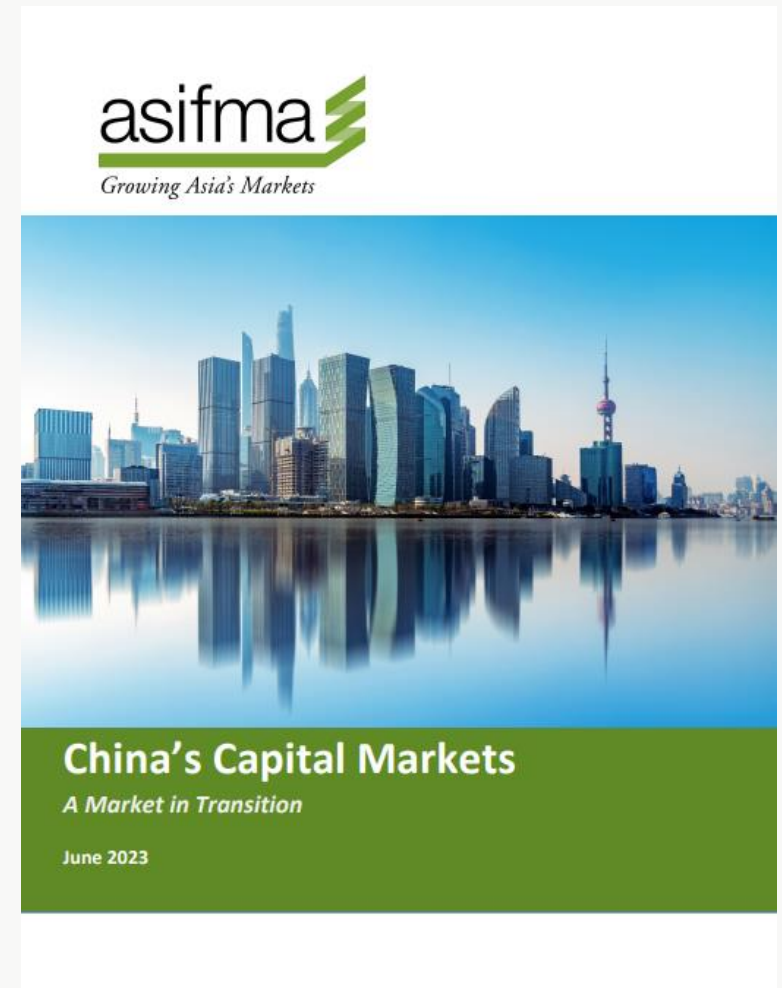
Bond Connect average daily turnover (Northbound)



ASIFMA – China's Capital Markets White Paper

- 149 recommendations to the China Market Regulators and Policy Makers to reform the China Markets
- Identified 7 key areas for further enhancement and offered insights on potential market development areas:
 1. Promoting “high-standard opening up”
 2. Amplifying the interplay between domestic and international markets
 3. Enabling cross-border data sharing to cultivate a vibrant and globally connected financial market
 4. Fostering a “world-class business environment” and advancing law-based governance
 5. Implementing talent development reform and increasing international talent exchanges
 6. Accelerating the development of the digital economy and strengthening the safeguards for ensuring cyber and data security
 7. Pursuing green and sustainable development

Please see appendix for more details on recommendations



Pursuing green and sustainable development

Government Green Bond program:

- As of 31 July 2022, the Government has successfully issued close to US\$10 billion worth of green bonds under the GGBP

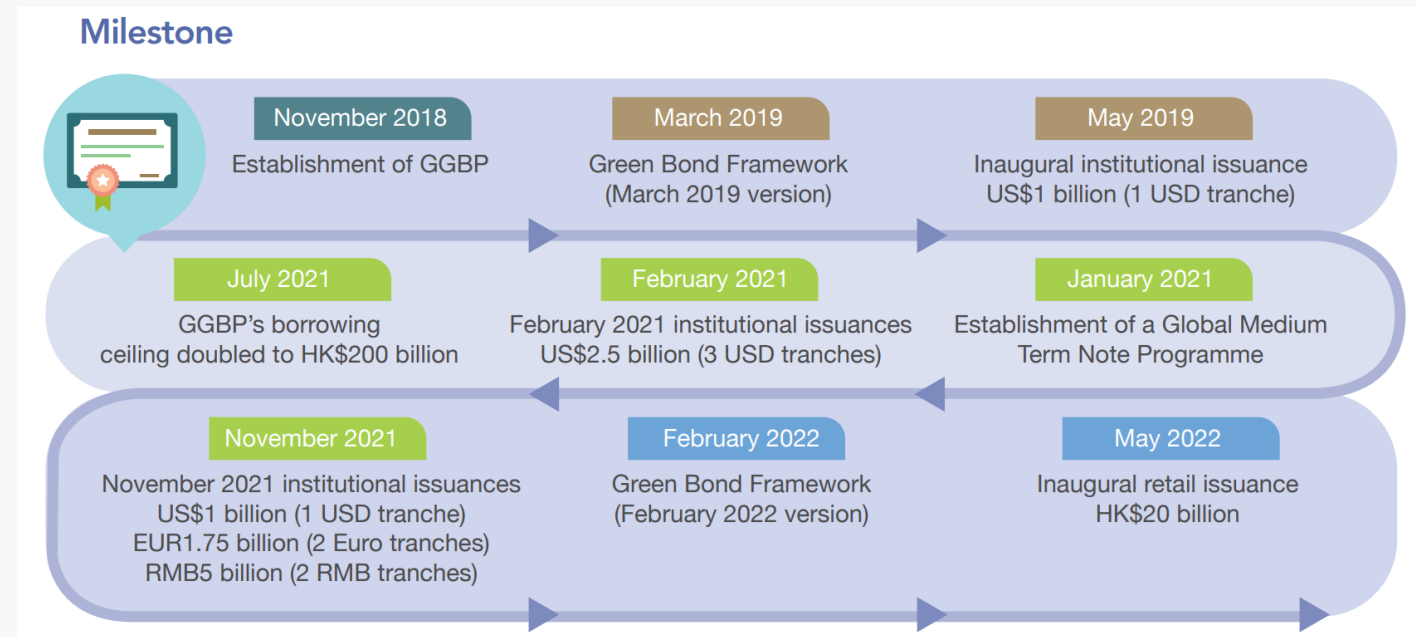
Breakthroughs Achieved:

2021:

- World's first Global Medium Term Note Program dedicated to green bond issuances by a government
- World's largest USD government green bond deal
- Longest tenor USD government green bond ever in Asia
- Longest tenor Euro government green bond ever in Asia

2022:

- World's largest retail green bond issuance



Thank You!

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Reference materials

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- [Economic Forecasts: Asian Development Outlook April 2023 | Asian Development Bank \(adb.org\)](#)
- [Asian economic growth to outstrip Americas and Europe | Financial Times \(ft.com\)](#)
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- [Hong Kong Monetary Authority - Keynote Speech at Wealth Management Connect and Southbound Bond Connect Conference \(hkma.gov.hk\)](#)

Appendix

China Capital Markets Recommendations:

1. Promoting “high-standard opening up”.

- To further incentivize foreign investments in China’s domestic markets and reducing the cost of onshore hedging, we recommend:
 1. Treating all investment managers (including offshore ones) the same way as domestic public funds and exempting them from the short swing profit rule (Recommendation 18)
 2. Removing the quota requirement on foreign exchange profit sell-off and the risk reserve ratio requirement on forward foreign exchange sales (Recommendations 77, 78)
 3. Broadening access to a wider range of hedging products for currency and market exposures (Recommendations 47, 67, 81).

2. Amplifying the interplay between domestic and international markets.

- There is strong market sentiment for further expansion and diversification of products available under various market access regimes (including Stock Connect, Bond Connect, Wealth Management Connect, Swap Connect, QDII, QFI and MRF schemes).

3. Enabling cross-border data sharing to cultivate a vibrant and globally connected financial market.

- We respectfully submit that the stringent or unclear requirements on cross-border data sharing, particularly among members of the same group, in the PRC pose operational uncertainties and challenges for capital markets participants, hindering their ability to share data, particularly in the financial sector, across borders for critical business flow and efficiency. Overall, we recommend revisiting and reassessing the rules applicable to cross-border data transfers using a risk-based approach and clarifying how they should be implemented (Recommendations 103-109). In terms of the financial sector, we recommend carving out certain types of data from the general prohibitions. For example, the sharing of research and investment outlook, portfolio or financial analysis, shareholding information and AML/CTF information between group companies should be allowed to meet legitimate business, compliance and risk management needs (Recommendations 110-112)