



To maintain the competitiveness of Hong Kong, we must do more to develop Hong Kong into a truly comprehensive fund management centre and ensure that funds based in Hong Kong are best placed to explore investment opportunities in the region, and to attract capital.

Let me now quickly highlight some of the more significant initiatives that are in the works.

Hong Kong's role as an offshore RMB market

Hong Kong is the world's largest offshore RMB centre. RMB deposits and outstanding certificates of deposits in Hong Kong totalled more than RMB 1 trillion at the end of 2013, accounting for 70% of the offshore pool of RMB liquidity. This sizeable liquidity pool drives demand for and support further development of a more diversified range of RMB investment and financial products.

Hong Kong is so far the undisputed leader in introducing offshore RMB funds. As both an international market and an offshore market of China, it enjoys a unique position of strength, thanks to a number of key factors rooted close to home. In terms of SFC-authorized funds alone, RMB funds have grown from literally nothing three years ago into a sizeable product category with over RMB80 billion under management as of the end of 2013.

Development of the RQFII scheme

There is a lot of excitement surrounding the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme. It has given some RQFII managers almost instant recognition. Originally devised and proposed by Hong Kong, this rather simple concept has further evolved to a well recognised scheme with a broad range of RMB products, giving Hong Kong a wider lead as an offshore RMB centre.

So much magic appears to rest on the brand. Yet, as a concept, it is actually very simple. It is, simply, a Qualified Foreign Institutional Investor (QFII). China has been giving QFII quotas to different types of institutions like banks and institutional investors around the world since 2003.

What sets the RQFII apart from the regular QFII is that we saw that the QFII could be used to help RMB internationalize, so we asked for a QFII in RMB, to be given to Hong Kong-based asset managers so that they could use the Hong Kong asset management platform to create RMB investment products for investors worldwide. It has always been clear to us that for the RMB to become truly international, it must be widely used outside the Mainland for payment, for investment, and ultimately, as a vehicle for holding value. The RQFII could significantly help to drive the international use of RMB for investments.

Our thesis has been vindicated by the success of the RQFII. Today, every aspiring offshore RMB centre wants a piece of the RQFII quota.

Asset management opportunities in Hong Kong

Mutual recognition of funds with Mainland

Now, a word on mutual recognition. As you know, we have reached broad agreement with the relevant Mainland authorities on mutual recognition of funds between Hong Kong and the Mainland.

Once implemented, this arrangement will significantly expand Hong Kong's RMB investment products universe, and add to the diversity and richness of the asset management talent pool

