



# Consolidating Hong Kong's status as an international financial centre

## Overview

**Hong Kong**, as an international financial centre, brings together the world's top financial institutions and talent to provide professional financial services, and owns a deep and broad capital market. With regulatory systems aligning with those of major overseas markets, Hong Kong also enjoys free flow of information and capital. Under "one country, two systems", Hong Kong has the unique position of having the strong support of the motherland while being closely connected to the world, which empowers us to fully leverage Hong Kong's role as a **super connector** and **super value-adder**.

This issue of **Policy Pulse** briefly describes the achievements and developments of Hong Kong's financial services in recent years by grasping and capitalizing on the above strengths, and outlines the **new measures to deepen financial cooperation between Hong Kong and the Mainland** announced by the Hong Kong Monetary Authority ("HKMA") and the People's Bank of China ("PBoC") on **13 January this year**. It also summarizes relevant discussions in the Legislative Council ("LegCo").

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## International rankings

(as at 24 January 2025)

### ➤ **World's freest economy**

Canada-based Fraser Institute  
[Economic Freedom of the World 2024 Annual Report](#)

### ➤ **No. 3 financial centre globally and No. 1 in Asia-Pacific**

Z/Yen from the United Kingdom ("UK") and the China Development Institute from Shenzhen  
[Global Financial Centres Index](#)

### ➤ **World No. 5 and Asia-Pacific No. 2 for competitiveness**

International Institute for Management Development  
[World Competitiveness Yearbook 2024](#)

### ➤ **World No. 1 for investment environment; No. 2 for enterprise conditions; No. 3 for economic quality**

Legatum Institute  
[Legatum Prosperity Index 2023](#)

### ➤ **World's largest Renminbi ("RMB") offshore business centre**

(As at end-November 2024, the total amount of **RMB deposits** (including certificates of deposit) **reached RMB1.1 trillion**)

Hong Kong Monetary Authority

## Asia's premier asset and wealth management centre



Hong Kong has all along maintained a **simple and low tax regime**. For instance, there is no estate duty or capital gains tax in Hong Kong, which makes it an ideal location for asset and wealth management. Boasting HK\$31.2 trillion (around US\$4 trillion) in its asset and wealth management business at end-2023, with 64% of the funding sourced from non-Hong Kong investors, Hong Kong is a **major asset and wealth management centre in Asia**.

- **Promoting family office business:** In March 2023, the Government issued a policy statement on striving to develop a vibrant ecosystem for global family offices and asset owners in Hong Kong. **LegCo passed legislative amendments<sup>Note 1</sup> on 10 May 2023 to provide profits tax exemption for family-owned investment holding vehicles managed by single family offices** in Hong Kong. There are about 2 700 single family offices operating in Hong Kong at present.
- The Government will consult the industry on **increasing the types of transactions eligible for tax concessions for funds and single family offices** to cover emission derivatives/emission allowances, insurance-linked securities, loans and private credit investments, virtual assets (“VA”), etc.

- **Enhancing the New Capital Investment Entrant Scheme:** In the first 10 months since its launch in March 2024, the scheme has received over 800 applications. With effect from 1 March 2025, the Government will implement **enhancement measures** to relax the net asset assessment and calculation requirements, and allow investments made through an eligible private company wholly owned by an applicant to be counted towards the eligible investment.
- **Introducing a company re-domiciliation regime:** The Government **introduced a bill<sup>Note 2</sup> into LegCo on 8 January 2025** to amend the Companies Ordinance to **introduce a mechanism to facilitate the re-domiciliation of companies incorporated overseas to Hong Kong**, and enable them to benefit from Hong Kong's robust market environment, clear and transparent regulatory regime and efficient professional services. A Bills Committee has been formed in LegCo to study the bill in detail.
- **Enhancing tax incentives:** To promote the real estate investment trust (“REIT”) market, **LegCo passed legislative amendments<sup>Note 3</sup> on 11 December 2024** to implement a **stamp duty waiver for the transfer of REIT shares or units**, so as to enhance the competitiveness of Hong Kong REITs.
- **Expanding the fund distribution network:** Hong Kong has entered into mutual recognition of funds arrangements with the Mainland, Switzerland, France, UK, Luxembourg, the Netherlands and Thailand, allowing eligible funds to be offered directly to retail investors in each other's market under streamlined authorization or approval procedures.

Note 1 Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022

Note 2 Companies (Amendment) (No. 2) Bill 2024

Note 3 Stamp Duty Legislation (Miscellaneous Amendments) Bill 2024



### Members' views

LegCo passed at the Council meeting of 27 November 2024 a motion on “**Promoting high-quality development to build China into a financial powerhouse**”. A total of **42 Members** actively spoke on the motion, focusing on the general thinking of **advancing the building of China into a financial powerhouse** as set forth by President XI Jinping, and expressing views on **how to consolidate and enhance Hong Kong's status as an international financial centre**. Not only did Members elaborate on high-level construction strategies, but they also put forward specific and detailed proposals, with a view to providing strategic advice to the SAR Government.

LegCo  
[Relevant paper](#)



## Deep and broad fundraising platform

Hong Kong's deep and broad stock market is one of the international premier listing platforms, with a special emphasis on embracing the new economy, improving market quality, strengthening mutual market access with the Mainland, and going global. The Hong Kong Exchanges and Clearing Limited ("HKEX") **has ranked first worldwide for seven years in terms of Initial Public Offering funds raised annually** over the past 13 years.

- Since April 2018, HKEX has implemented a **new listing regime to facilitate the listing of companies** from the **emerging and innovative sector**, including pre-revenue/pre-profit biotechnology companies, companies with weighted voting rights structures, and qualifying companies seeking a secondary listing in Hong Kong.
- Since January 2022, HKEX has further launched reforms to the listing regime, including the introduction of a new **listing route for special purpose acquisition companies** and enhancements to the **regime for listing of overseas issuers**, thereby strengthening the competitiveness of Hong Kong as a premier listing platform.
- In March 2023, the scope of **eligible securities under Stock Connect** was **further expanded** to facilitate diversification of global asset allocation by Mainland and international investors while attracting quality foreign

companies to list in Hong Kong. In the first three quarters of 2024, the average daily turnovers of northbound and southbound trades under Stock Connect were RMB123.3 billion and HK\$38.3 billion respectively.

- In October 2024, HKEX, together with the Securities and Futures Commission, announced an **enhanced time frame** for the **new listing application process**. This initiative, which also features an **accelerated processing time frame** for **eligible companies** listed in the **Mainland**, will provide greater certainty and transparency for potential applicants and their advisers in formulating their listing plans.
- **LegCo passed legislative amendments** <sup>Note 4</sup> **on 15 November 2023 to lower the rate of stamp duty** on stock transfers to 0.1%, so as to reinforce the competitiveness of Hong Kong's stock market.
- **HKEX** has implemented the **severe weather trading arrangements** in the securities and derivatives markets with effect from 23 September 2024 to ensure that Hong Kong, as an international financial centre, is able to serve regional and international investors during trading hours under all weather conditions.

Note 4 Stamp Duty (Amendment) (Stock Transfers) Bill 2023



### Members' views

Members suggest that the Administration:







- provide incentives to **encourage** listed companies to **issue RMB-denominated stocks**, and strive for further **relaxation of the Southbound Trading of Stock Connect**, e.g. lowering the access threshold for listed companies and relaxing the investment threshold for Mainland individual investors to invest in Hong Kong stocks through the Southbound Trading of Stock Connect.
- consider **implementing a tiered stamp duty system for stock trading** whereby stamp duty on high-volume transactions will be reduced or even waived, so as to attract more high-frequency trading and increase the liquidity of the securities market.
- visit different places around the world to encourage companies relating to the hottest investment themes in the market currently (e.g. **artificial intelligence, high-end chips, biotechnology, clean energy, Environmental, Social and Governance**, as well as **sustainable investment**) to list in Hong Kong.

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## Deepening mutual access and powering the next growth engine

Hong Kong enjoys the strong support of the motherland and the mutual capital market access between the two places. A number of new products have been introduced in recent years to further enhance the connectivity and concerted development of the two markets. HKMA and PBoC announced **six new policy measures** on **13 January 2025** to **further deepen mutual access** between the financial markets of Hong Kong and the Mainland, and consolidate Hong Kong's status as the global offshore RMB business hub. These measures include:

<p><b>More convenient RMB trade financing</b></p> 	<p>➤ <b>Introduction of the HKMA RMB Trade Financing Liquidity Facility</b> for banks in Hong Kong as a stable source of relatively lower-cost RMB funds, so as to support banks in providing RMB trade finance services to their corporate customers.</p>
<p><b>Better and broader Southbound Bond Connect</b></p> 	<p>➤ <b>Further enhancement and expansion of Bond Connect (Southbound)</b>, including extending the settlement time under the Central Securities Depositories (“CSDs”) linkage, and supporting the settlement of multi-currency bonds in RMB, Hong Kong dollar, US dollar and euro through the CSDs linkage. Further out, expanding the scope of eligible Mainland investors in due course.</p>
<p><b>More competitive offshore RMB business hub</b></p> 	<p>➤ <b>Developing offshore RMB repurchase (repo) using Bond Connect (Northbound) bonds as collateral</b> to establish a market-based arrangement for RMB liquidity management that will enhance Hong Kong's competitiveness as an offshore RMB business hub.</p>
<p><b>More attractive onshore bonds</b></p> 	<p>➤ <b>Inclusion of Northbound Bond Connect bonds as eligible margin collateral at OTC Clearing Hong Kong Limited (“OTCC”)</b> to support offshore investors to use onshore bonds issued by the Ministry of Finance and Mainland policy banks that are held under Northbound Bond Connect as eligible margin collateral for derivative transactions at OTCC. This measure will help further reduce the cost of RMB business for market participants, and vitalize offshore investors' onshore bond holdings, thereby enhancing the attractiveness of onshore bonds and RMB assets to investors.</p>
<p><b>Further cross-boundary payment facilitation</b></p> 	<p>➤ <b>Enhancing cross-boundary payment facilitation</b> to implement the linkage of faster payment systems in the Mainland and Hong Kong, which operates 24x7 to support residents in both places in making real-time, small-value, cross-boundary remittances, by entering the recipient's mobile number or account number.</p>
<p><b>Further financial facilitation in GBA</b></p> 	<p>➤ <b>Promoting financial facilitation in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”):</b> the inclusion of new participating banks by PBoC to offer account opening by attestation services for Hong Kong residents, providing Hong Kong residents with higher-quality and more convenient payment service for consumption, everyday life, and commute in the Mainland <sup>Note 5</sup>.</p>

Note 5 The Cross-boundary Wealth Management Connect Scheme in GBA, launched in September 2021, is one of the key initiatives under the mutual market access schemes between the capital markets of Hong Kong, Macao and the Mainland, providing GBA residents with a convenient channel for cross-boundary investment in diverse wealth management products. As at September 2024, cross-boundary fund remittances amounting to over RMB85.6 billion had been recorded.



### Members' views

Members have all along made great efforts to promote **mutual access** between the financial markets of Hong Kong and the Mainland. On the development of offshore RMB business, Members suggested that the Administration **encourage the issuance of more offshore RMB bonds and equities, and the development of more offshore RMB risk management products**, and **enhance the connection** of Hong Kong's RMB market with **the Middle East, Southeast Asia** and other regions, so as to enable the wider use of RMB as a medium of trade and investment in the international arena.

## International risk management centre

The insurance industry of Hong Kong plays an instrumental role in making Hong Kong a leading international financial centre. Hong Kong is one of the most open insurance markets in the world, with about 160 insurance companies operating locally. It has the highest concentration of insurance companies and the highest insurance density in Asia.

The total gross premiums of the Hong Kong insurance industry for the whole year of 2023 (audited statistics) amounted to \$542.1 billion, while those for the first half of 2024 (provisional statistics) amounted to \$310.9 billion, representing a rise of 5.1% over the corresponding period last year.

- The Government has implemented since 2021 a number of measures to enhance Hong Kong's competitiveness as an **international risk management centre**, including reducing the profits tax rate by 50% for marine and specialty insurance businesses, expanding the scope of insurable risks by captive insurers and enhancing the regulatory framework for multinational insurance groups.
- The Government has commenced the preparatory work on establishing a **policy holders' protection scheme**, including the formulation of detailed arrangements and the drafting of the necessary legislative amendments for the scheme, with a view to enhancing protection for policy holders in the event of insurer insolvency.

- **The Insurance (Amendment) Bill 2023 was passed by LegCo on 6 July 2023** <sup>Note 6</sup> which sought to implement a **risk-based capital regime** for the insurance industry in Hong Kong, so as to enhance Hong Kong's insurance regulatory regime in alignment with international standards, thereby further reinforcing Hong Kong's status as an international financial centre and a risk management centre. The new regime, which replaces the rule-based capital adequacy regime, renders the capital requirements imposed on insurance companies more sensitive to their asset and liability matching, risk profile and mix of products, thereby further strengthening the financial soundness of the Hong Kong insurance industry.
- The Insurance Authority will initiate a review in 2025, including studying the **capital requirements for infrastructure investment** to enrich insurance companies' asset allocation for risk diversification and driving investment in infrastructure such as the Northern Metropolis.

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Note 6 Following the commencement of the Insurance (Amendment) Bill 2023 and the relevant subsidiary legislation, the risk-based capital regime for the Hong Kong insurance industry came into operation in July 2024.



### Members' views

In scrutinizing the Insurance (Amendment) Bill 2023 for the implementation of the risk-based capital regime, Members expressed concern about the **impact** of the implementation of the regime **on premiums**. The Administration explained that insurers need not inject additional capital under the new regime if they enhanced their risk management. Hence, there would not be any significant impact on premiums under the new regime. Members also expressed views on a number of issues such as the implementation of the **mechanism on "designated insurers"**, **tax** arrangements and the requirements on appointment of **actuary** under the regime.

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## Developing fintech

As an international financial centre with a robust regulatory environment as well as rich business opportunities and capital support, Hong Kong stands out as an ideal destination for the development of digital finance and fintech. Currently, there are **over 1 100 fintech enterprises in Hong Kong**, including eight virtual banks, four virtual insurers and seven licensed VA trading platforms. The scope of business covers mobile payment, cross-boundary wealth management, artificial intelligent financial consultancy, wealth and investment management, Regtech, etc.



- In May 2024, HKMA and PBoC announced that the scope of **e-CNY** pilot in Hong Kong would be expanded, under which Hong Kong residents could set up e-CNY personal wallets simply with their Hong Kong mobile phone numbers, and top-up their e-CNY wallets through the Faster Payment System, providing convenient cross-boundary retail payment means for residents of both places. A pilot is expected to be launched around mid-2025.

- HKMA, together with other central banks <sup>Note 7</sup> and the Bank for International Settlements Innovation Hub Hong Kong Centre, is conducting a project named **Multiple Central Bank Digital Currency Bridge (“mBridge”)**. Project mBridge seeks to study how central bank digital currencies and innovative solutions can be applied to solve the key pain points in cross-border payments and settlements. In June 2024, Project mBridge has reached the Minimum Viable Product <sup>Note 8</sup> stage.
- The Government is open and inclusive towards the development of VAs in Hong Kong. In June 2023, the licensing regime for VA service providers came into operation to enable responsible and sustainable development of VA market participants. The House Committee of **LegCo** has set up a **subcommittee** to **review the application and development of Web3 and VA technologies in Hong Kong**, and make recommendations on the implementation of relevant legislation and policies.
- As an effort to further enhance the regulatory framework for VA activities and to provide protection for **fiat-referenced stablecoins (“FRS”)** users, **the Stablecoins Bill was introduced into LegCo on 18 December 2024 to implement a licensing regime for stablecoin issuers**. Regulated institutions are required to obtain a licence to issue FRS in Hong Kong and to actively market the issuance of its FRS to the public. A Bills Committee has been formed in LegCo to study the Bill in detail.

Note 7 Including the Digital Currency Institute of PBoC, the Bank of Thailand, the Central Bank of the United Arab Emirates and the Saudi Central Bank.

Note 8 A Minimum Viable Product refers to a basic version of a product, containing enough features to be launched and used by early adopters.



### Members' views

In discussing the legislative proposals on the regulatory regime for stablecoin issuers, Members expressed concern about **the implementation of the stablecoin issuer sandbox**, including the transparency in the vetting process, and whether the potential use cases of stablecoins would pose limitations to applicants. Members suggested that the Administration discuss with the Hong Kong Institute of Certified Public Accountants or the Accounting and Financial Reporting Council to finalize **the guidelines on reporting and auditing of VAs** as soon as possible for reference of the accounting profession, with a view to facilitating compliance of regulatory requirements by FRS issuers under the proposed licensing regime.

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## Green and sustainable finance



Committed to promoting green and sustainable finance, Hong Kong enjoys a leading position on the sustainable finance map.

- The total borrowing ceiling for the **Government Sustainable Bond Programme** (“GSBP”, previously known as the Government Green Bond Programme) <sup>Note 9</sup> and the **Infrastructure Bond Programme** <sup>Note 10</sup> was increased to HK\$500 billion in May 2024 to allow more flexibility in quota re-allocation.
- **GSBP** is well received by investors, under which nearly HK\$220 billion equivalent of **green bonds**, covering HK dollar, RMB, US dollar and Euro tranches in multiple tenors, have been issued (as at September 2024).

- As effort to support green and sustainable bond issuance and lending to further enrich the green and sustainable finance ecosystem in Hong Kong, the **Green and Sustainable Finance Grant Scheme** provides subsidies for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services.
- Hong Kong is a leading sustainable finance hub in Asia. **The international carbon market (“Core Climate”) launched by HKEX** is the world’s only carbon market to offer Hong Kong dollar and RMB settlement for trading of international voluntary carbon credits.
- On the development of green finance, the Government announced the **Roadmap on Sustainability Disclosure in Hong Kong** in December 2024 to provide a well-defined pathway for the full adoption of the International Financial Reporting Standards – Sustainability Disclosure Standards by listed companies or large organizations. In parallel, it has strengthened cross-agency cooperation, promoted the adoption of high-quality assurance standards, facilitated the application of green fintech and provided the market with free data tools and efficient technological solutions.

Note 9 Established in 2018

Note 10 Established in May 2024



### Members' views

- Members believe that Hong Kong is well-positioned to **accelerate development of robust carbon trading ecosystems**, specifically the voluntary carbon markets, by leveraging its unique advantages as a super connector. To further amplify Core Climate’s role in connecting capital with climate-related opportunities, Members suggest that the Government **step up its efforts to attract more participants and increase trading volumes**.
- Members suggest that the Government **step up its effort to promote in the industry the wider adoption of the Hong Kong Taxonomy for Sustainable Finance** published by HKMA in May 2024 aiming to provide a common language and framework for sustainable finance. Members consider that the Taxonomy, currently encompassing 12 economic activities under 4 sectors (viz. power generation, transportation, construction, and water and waste management) should be **expanded to include more sectors and activities**.

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**Subcommittee on Issues Relating to the  
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