

Regulator-Industry Partnership in Bolstering Hong Kong's Status as Asset Management Hub

Annual Conference of Hong Kong Investment Funds Association

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Good afternoon, distinguished guests, ladies and gentlemen. It is my pleasure to speak at this annual flagship event of the Hong Kong Investment Funds Association (HKIFA) for the first time as the Chairman of the Securities and Futures Commission (SFC).

I would like to thank the HKIFA for this valuable opportunity to share my views with Hong Kong's world-class asset management community, especially at this critical juncture for our capital market development amid the escalating global challenges.

As the regulator of Hong Kong's international financial centre, the SFC recognises the imperative of deepening collaboration with market stakeholders, including all of you here today. This collaboration is essential for us to understand your needs and to ensure our regulation not only protects investors but also fosters market development.

SFC's mission

The SFC is committed to facilitating long-term sustainable developments for markets and maintaining their efficiency, resilience and integrity. Asset managers are key partners in achieving this mission.

Our mission is to uphold robust yet adaptive regulation that promotes market development while cementing Hong Kong's position as a premier global financial hub. Together with our stakeholders, we strive to cultivate a more resilient and dynamic financial ecosystem.

Thus, one of our top priorities is to enable asset managers to seize opportunities from market innovations, new connectivity and emerging trends. Regulation, in our view, is a means to an end, a framework to enable progress, not hinder it.

At the heart of our efforts lies a simple principle: fostering an inclusive economy where capital flows efficiently, innovation thrives, and investor interests remain safeguarded. This is crucial for maintaining trust in our markets.

Striking the right balance between regulation and development is an ongoing challenge. Excessive oversight may stifle innovation and market growth, while too little can undermine

Note: This is the text of the speech as drafted, which may differ from the delivered version.

investors' trust and confidence, and impede market development. Through constant adaptation, our approach is dynamic, continuously refined through dialogue and evidence.

To achieve this balance, proactive engagement with the asset management industry is crucially important. These dialogues are invaluable for us to craft effective policies and address market needs. We are confident that collaboration with the industry will enhance our standard setting, guide professional conduct and promote efficient markets.

Three vital roles of asset managers

Our industry engagement seeks to understand your needs. Your contribution is vital to the wealth creation for investors both in Hong Kong and globally, forming the foundation of Hong Kong's success as a world-leading asset and wealth management centre.

This success stems from three vital roles you play, namely, (i) driving wealth creation for investors, (ii) promoting corporate growth, and (iii) upholding integrity for our market. These contributions align perfectly with the SFC's vision to make sure capital markets serve Hong Kong's long-term economic and societal interests.

First role – Enabling wealth creation for investors

Wealth creation is the fundamental role of asset managers and lies at the core of your mandate. As trusted agents of your clients, you leverage your expertise in portfolio management and investment allocation to navigate an increasingly complex and uncertain global financial landscape.

To ensure wealth creation, you need to monitor market conditions, reallocate your managed assets, and rebalance risk and rewards to optimise portfolio performance.

Your skills and experience are particularly essential in helping investors to navigate volatility, manage risks and pursue financial goals. Your clients entrusted you as their stewards to improve their financial well-being and achieve their dreams. This is a great responsibility and profound commitment for both asset managers and the fund management profession.

Second role – Driving capital formation for business growth

Beyond wealth creation, you are catalysts for capital formation, bridging investors with firms that fuel economic progress. This aligns with the SFC's focus on enabling efficient capital flow for economic development.

By driving capital formation, asset managers connect fund providers' demand for returns with economic activities that require capital. Your activities are essential to the vibrancy and innovation of our economy, particularly in capital-intensive sectors that require significant investment for research and product development.

Once commercialised, many of these innovations would push firms' boundaries and benefit society at large. This is where our goals as regulators and asset managers converge.

A prime example from the past two decades is the rise of the e-commerce sector, where investments, often facilitated by asset managers, have driven the global development of an



industry, enhanced access to affordable goods and contributed to the improvement of lives worldwide.

The SFC actively supports asset managers in fostering economic development and innovation by allowing listed funds to invest in alternative and private assets, while ensuring sufficient safeguards to protect investors' interests.

Third role – Promoting market integrity and corporate accountability

Another essential function of asset managers is to perform your role actively as responsible stewards for accountability and integrity of those firms which you invest in. By doing this, you contribute to stable financial markets and a more prosperous world for all.

As the agents and stewards of your clients, it is crucial for you to continuously monitor and critically evaluate investee companies to ensure sound corporate governance, prioritisation of shareholders' interests, as well as responsible, transparent and accountable operations.

By influencing corporate governance of investees, you advocate best practices and ethical conduct. Your active engagement drive improvements in board oversight, greater executive accountability, and effective shareholder communications. These combine to foster long-term sustainable development of companies, industries and, eventually, our economy.

Paired with the SFC's regulatory philosophy and effective oversight, I am confident your efforts will help induce, inspire and instil further trust in Hong Kong's markets, and reinforce our global reputation as a high-quality financial hub.

Conclusion

In closing, alongside industry engagement, I would like to emphasise the importance of cross-jurisdictional regulatory dialogue in our market development efforts. This is vital for expanding Hong Kong's global reach and diversifying its markets in an ever-changing and uncertain global landscape.

On this note, it is my honour to introduce our next esteemed guest speaker, His Excellency Mr Mohammed Elkuwaiz, Chairman of the Capital Market Authority (CMA) of Saudi Arabia. CMA is a close regulatory partner of the SFC and our visions align closely. We warmly welcome Your Excellency and your delegation on your first official visit to Hong Kong. It is our utmost pleasure to host you and acquire your insights. Thank you.