Chapter 11

Financial Services and the Treasury

As one of the world's leading international financial centres, Hong Kong is the ideal gateway between the Mainland market and the rest of the world for capital and business. The city's vibrant financial sector has a workforce of over 269,100, contributing to 24.9 per cent of the local economy and about 7.3 per cent of total employment.

Hong Kong as an International Financial Centre

Situated at the heart of Asia, Hong Kong is within a five-hour flight to key markets in the region and half the world's population. The city's trading system plugs fully into the round-the-clock global financial trading cycle and provides stable and seamless connectivity with other major financial hubs. Moreover, under 'one country, two systems', Hong Kong, as part of China, has close geographical, cultural and linguistic links with the Mainland, while retaining its distinctive international elements.

Hong Kong benefits from national support and enjoys numerous opportunities through participating in the development of the Mainland market. The National 14th Five-Year Plan affirms the significant functions and positioning of Hong Kong in the country's overall development, and supports Hong Kong to enhance its status as an international financial centre and deepen the mutual access between the financial markets of Hong Kong and the Mainland.

Hong Kong's status as a leading international financial centre is also underpinned by its institutional strengths, which include the rule of law, an independent judiciary, open market, free flow of capital and a low and simple tax regime. Hong Kong's financial market stands out for its deep liquidity, diverse and innovative financial products and services, strong emphasis on investor protection, a well-educated and highly efficient workforce, ease of entry for non-local professionals, and effective and transparent financial regulations aligned with international standards. In the Global Financial Centres Index, published by Z/Yen and the China Development Institute in September, Hong Kong ranked third globally and first in Asia Pacific.

An assessment report published by the International Monetary Fund (IMF) reaffirmed Hong Kong's status and function as an international financial centre and recognised that its financial system remains resilient, supported by robust institutional frameworks, ample room for policy buffers, and smooth functioning of the Linked Exchange Rate System.

To strengthen its competitiveness in financial services, Hong Kong improves the regulatory framework, promotes market development and the application of financial technology (fintech) to increase productivity, enhances financial inclusion and drives green and sustainable development.

Hong Kong will continue to make use of its connectivity with the Mainland and international markets and capitalise on the opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development and the Belt and Road Initiative.

Hong Kong as China's Global Financial Centre

With the continued internationalisation of the Renminbi (RMB) and the opening up of Mainland financial markets, the currency is increasingly used in global transactions, ranging from cross-boundary trade and direct investment transactions to financial investment and asset management activities. Hong Kong is the largest global offshore RMB business hub, offering a range of RMB-denominated investment products, including listed and unlisted investment funds, insurance products, currency futures, real estate investment trusts, shares, derivatives products and bonds.

Hong Kong is the global leader in RMB financial intermediation activities. In 2024, the city handled about 80 per cent of global offshore RMB payments[1] and its RMB real-time gross settlement system recorded RMB3.1 trillion of transactions on average daily.

Offshore RMB Business

At the end of 2024, the offshore RMB deposit pool, including customer deposits and outstanding certificates of deposit, amounted to RMB1,075.3 billion, while RMB bank lending stood at RMB724 billion. RMB trade settlement handled by banks in Hong Kong totalled RMB15.2 trillion in 2024.

The growing suite of mutual market access schemes between Hong Kong and the Mainland, including the Stock Connect, Bond Connect, Cross-boundary Wealth Management Connect and Swap Connect, and the continuously improving ancillary services together offer an efficient and investor-friendly RMB financial platform for global and Mainland investors.

The Ministry of Finance has issued RMB sovereign bonds in Hong Kong since 2009, including RMB55 billion of bonds in 2024. The People's Bank of China first issued RMB bills in Hong Kong in 2018 and has since enriched the city's spectrum of RMB financial products, thereby promoting RMB internationalisation. In 2024, RMB275 billion of bills were issued. During the year, the Shenzhen Municipal People's Government, the People's Government of Guangdong Province and the People's Government of Hainan Province issued offshore RMB local government bonds in Hong Kong amounting to RMB7 billion, RMB5 billion and RMB3 billion respectively.

To support and facilitate more Mainland local governments to issue bonds in Hong Kong, the Hong Kong Special Administrative Region (HKSAR) Government extended the coverage of the profits tax exemption to the debt instruments issued in Hong Kong by all Mainland local people's governments at any level, effective from 31 March 2023.

The HKD-RMB Dual Counter Model, launched in 2023, provides investors with more diversified trading options and flexibility to allocate securities in either Hong Kong dollars (HKD) or RMB. By the end of the year, 24 listed companies stocks had been designated as dual-counter securities by Hong Kong Exchanges and Clearing Limited (HKEX), with an average daily turnover of RMB81.6 million.

HKEX also introduced the Dual Counter Market Maker regime, under which buy and sell quotes are offered through the RMB counter to promote liquidity of RMB-denominated stocks. As of end-2024, 12 exchange participants had been designated to conduct market making and liquidity providing activities.

1 Figures quoted from the Society for Worldwide Interbank Financial Telecommunication.

Stock Connect

Stock Connect celebrated its 10th anniversary in 2024. As of end-2024, international investors could trade in over 1,290 stocks listed on the Shanghai stock exchange and over 1,370 stocks listed on the Shenzhen stock exchange. Mainland investors could also choose from about 550 Hong Kong-listed securities. During 2024, daily northbound trading averaged RMB150.1 billion (7.1 per cent of Mainland market turnover), up 39 per cent from RMB108.3 billion in 2023 (6.2 per cent of market turnover). Daily southbound trading averaged HK$48.2 billion (18.3 per cent of Hong Kong market turnover), up 55 per cent from HK$31.1 billion in 2023 (14.8 per cent of market turnover). Northbound and southbound trading both reached daily record highs on 8 October, at RMB510.1 billion and HK$280.3 billion respectively.

The expansion of eligible exchange-traded funds (ETFs) under Stock Connect took effect in July, adding 91 new ETFs. As of end-2024, 17 Hong Kong ETFs were eligible for southbound trading and 225 Mainland ETFs were eligible for northbound trading. During the year, southbound and northbound ETF trading had cumulative turnovers of HK$1,291 billion and RMB588 billion respectively and southbound ETF trading had an average daily turnover of HK$2.4 billion, contributing 7.5 per cent of overall Hong Kong ETFs' average daily turnover.

Bond Connect

In 2024, the average daily turnover of northbound Bond Connect reached over RMB41 billion, up 4 per cent from 2023. In February, onshore bonds issued by the Ministry of Finance and policy banks on the Mainland and held under northbound Bond Connect were included as eligible collateral for the Hong Kong Monetary Authority's (HKMA) RMB liquidity facility. It was also announced in July that offshore investors would be able to use the eligible onshore bonds and policy banks as margin collateral for northbound Swap Connect transactions. The measures vitalised offshore investors' onshore bond holdings while lowering their cost of liquidity management.

Swap Connect

Swap Connect, launched in 2023, allows overseas investors from Hong Kong and other jurisdictions to participate in the Mainland interbank interest rate swap market, which deepens the connectivity between the Mainland and overseas capital markets and bolsters Hong Kong's position as a premier risk management centre. As of end-2024, 74 overseas investors participated in Swap Connect, and the aggregate notional amount of RMB interest rate swap transactions cleared was over RMB4.6 trillion, representing a daily average of about RMB12 billion.

Guangdong-Hong Kong-Macao Greater Bay Area

The Outline Development Plan for the GBA confirms and supports Hong Kong's status as an international financial centre, a global offshore RMB business hub, and an international asset and risk management centre. It also supports the development of Hong Kong into a green finance centre and a platform for investment and financing serving the Belt and Road Initiative.

The Cross-boundary Wealth Management Connect enables Mainland, Hong Kong and Macao residents in the GBA to invest in wealth management products distributed by financial institutions in each other's markets. Enhancements to the scheme, including refining the eligibility criteria of investors, expanding the scope of participating institutions and eligible products, increasing the individual investor quota and further enhancing the promotion and sales arrangements, came into effect in February. By the end of 2024, the first batch of 14 licensed corporations eligible for the scheme had commenced offering cross-boundary investment services with their Mainland partners; more than 136,000 investors had participated in the scheme and cross-boundary remittances amounting to over RMB99.4 billion had been completed.

Financial Regulators

Hong Kong Monetary Authority

The HKMA maintains currency stability within the framework of the Linked Exchange Rate System; promotes stability and integrity of the financial system, including the banking system; helps maintain Hong Kong's status as an international financial centre, including the maintenance and development of its financial infrastructure; and manages the Exchange Fund.

The HKMA is an integral part of the government, but operates with a high degree of autonomy complemented by a high degree of accountability and transparency. It is accountable to the Financial Secretary, who is advised by the Exchange Fund Advisory Committee (EFAC) in exercising control of the Exchange Fund.

The Banking Advisory Committee and Deposit-taking Companies Advisory Committee advise on matters relating to the banking industry. Both committees are chaired by the Financial Secretary and comprise members from the banking and other professions.

Securities and Futures Commission

The Securities and Futures Commission (SFC) is the statutory regulator of Hong Kong's securities and futures markets. It works with local and Mainland authorities to support Hong Kong's long-term strategic development and participates in global standard-setting bodies to ensure Hong Kong's regulatory framework aligns with international standards. Its regulatory work is categorised into five principal areas: intermediaries, investment products, listings and takeovers, markets, and enforcement.

The Investor Compensation Fund, under the SFC, compensates investors who have suffered losses in certain listed securities or futures contracts as a result of a default by an intermediary licensed by or registered with the SFC or an authorised financial institution.

The Investor and Financial Education Council (IFEC) is a wholly-owned subsidiary of the SFC. It provides financial education resources and programmes through its investor education platform, the Chin Family, and leads the Hong Kong Financial Literacy Strategy to promote a conducive environment for stakeholders to deliver quality financial education.

Insurance Authority

The Insurance Authority (IA) is an independent statutory regulator of the insurance industry to promote sustainable market development and protect policyholders. The authority also assumes direct regulation of insurance intermediaries and works with regulators in other jurisdictions to perform group-wide supervision of three multinational insurance groups.

Mandatory Provident Fund Schemes Authority

The Mandatory Provident Fund Schemes Authority regulates the Mandatory Provident Fund (MPF) System, supervises MPF trustees and intermediaries, and promotes understanding of MPF investments. With the mission to enhance scheme members' benefits, the authority leads reforms and enhancements related to MPF so as to better meet the retirement needs of the working population. The authority is also the Registrar of Occupational Retirement Schemes.

The eMPF Platform standardises, streamlines and automates various MPF scheme administration work, providing a one-stop user experience to about 4.8 million scheme members and about 368,000 employers.

Accounting and Financial Reporting Council

The Accounting and Financial Reporting Council (AFRC) is an independent regulator of the accounting profession. It issues practising certificates to certified public accountants (CPA); registers practice units; registers and recognises listed entities auditors; and deals with inspection, investigation and discipline of the accounting profession. It is also tasked to promote and support the development of the accounting profession and oversee the performance of statutory functions of the Hong Kong Institute of Certified Public Accountants, including the registration of CPAs, setting of continuing professional development requirements and issuance of professional standards.

Cross-regulator Coordination

The government maintains regular dialogue with financial regulators through cross-sectoral platforms, including the Council of Financial Regulators, chaired by the Financial Secretary, and the Financial Stability Committee, chaired by the Secretary for Financial Services and the Treasury. It works towards promoting efficiency and effectiveness in the regulation and supervision of financial institutions, and maintaining financial stability in Hong Kong. The Financial Services and the Treasury Bureau also holds meetings with financial regulators to discuss regulatory and supervisory issues and coordinate legislative and other initiatives to enhance financial stability and financial market development.

Monetary Policy

The objective of Hong Kong's monetary policy is currency stability, defined as a stable external exchange value of the HKD, in terms of its exchange rate in the foreign exchange market against the US dollar (USD), at around HK$7.80 to US$1. This is achieved through the Linked Exchange Rate System, introduced in 1983. The government is fully committed to maintaining this system, which is a cornerstone of Hong Kong's monetary and financial stability, and observing the strict discipline of the system's currency board arrangements.

The system is characterised by currency board arrangements requiring the HKD monetary base to be at least 100 per cent backed by, and changes to be 100 per cent matched by corresponding changes in, USD reserves held in the Exchange Fund at the fixed exchange rate of HK$7.80 to US$1. In Hong Kong, the monetary base includes the amount of currency notes and coins issued, the aggregate balance[2] and the outstanding amount of Exchange Fund Bills and Notes (EFBNs). Under the currency board system, HKD exchange rate stability is maintained through an interest rate adjustment mechanism and the HKMA's commitment to honour Convertibility Undertakings. In particular, the HKMA undertakes to buy USD from licensed banks at HK$7.75 to US$1 (strong-side Convertibility Undertaking) and sell USD at HK$7.85 to US$1 (weak-side Convertibility Undertaking). The expansion or contraction in the monetary base arising from these currency board operations will cause interest rates for the domestic currency to fall or rise respectively, creating the monetary conditions that automatically counteract the original capital movements and ensuring exchange rate stability.

The EFAC's Currency Board Sub-Committee monitors and reports on the currency board arrangements that underpin Hong Kong's Linked Exchange Rate System. Its responsibilities include ensuring that currency board operations are in accordance with established policy, recommending improvements to the currency board system and ensuring a high degree of transparency in the system's operation.

Monetary Situation

The HKD monetary situation was stable and traded in a smooth and orderly manner in 2024. In the first four months, the HKD moderated slightly amid softened liquidity. It strengthened between late April and mid-May, mainly supported by dividend-related funding demand and vibrant equity market activities. In early August, the HKD strengthened amid unwinding of carry trades and short HKD positions, and further strengthened in late September, being supported by a surge in local stock market activities following a series of economic stimulus measures announced in the Mainland. It moderated slightly in early November amid a pullback in the local stock market and rebounded in December amid seasonal year-end funding demand. The monetary base as a whole remained fully backed by foreign exchange reserves.

The HKD money market also remained stable and traded smoothly. Following the decreases in the target range for the US federal funds rate, the base rate was adjusted downwards three times by a total of 1 percentage point (100 basis points) from 5.75 per cent to 4.75 per cent. On the retail front, many banks lowered their Best Lending Rates by a total of 62.5 basis points (25 basis points in mid-September, 25 basis points in early-November, and 12.5 basis points in late-December). The average interest rate of new mortgage loans decreased from 4.13 per cent in 2023 to 3.59 per cent in 2024.

Exchange Fund

The Exchange Fund's statutory role under the Exchange Fund Ordinance is primarily to affect the exchange value of the HKD. It can also be used to maintain the stability and integrity of the

2 Aggregate balance is the sum of the balances of the clearing accounts kept with the HKMA.

monetary and financial systems, with a view to maintaining Hong Kong as an international financial centre.

The HKMA is responsible to the Financial Secretary for the use and investment management of the fund. It is managed as distinct portfolios to meet the objectives of preserving capital, fully backing the entire monetary base, providing liquidity to maintain financial and monetary stability and preserving the fund's long-term purchasing power. The Backing Portfolio holds highly liquid USD-denominated assets to fully back the monetary base. The Investment Portfolio aims to preserve the fund's long-term purchasing power.

The fund's asset allocation strategy is guided by an investment benchmark determined by the Financial Secretary in consultation with the EFAC. The Strategic Portfolio holds all HKEX shares acquired for strategic purposes by the Financial Secretary using the fund. To better manage risks and enhance returns in the medium and long term, the HKMA diversifies part of the fund's investment in a prudent and incremental manner into a wider variety of asset classes, including emerging market and Mainland bonds and equities, private equity and real estate investments.

Another function related to the fund is currency issuance. Bank notes in denominations of $20, $50, $100, $500 and $1,000 are issued by three note-issuing banks: Bank of China (Hong Kong) Limited, the Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited. These banks may issue currency notes only by surrendering non-interest-bearing USD backing at a fixed exchange rate of HK$7.80 to US$1.

Through the HKMA, the government issues $10 currency notes and coins in denominations of $10, $5, $2, $1, 50 cents, 20 cents and 10 cents.

At the end of 2024, the Exchange Fund had total assets of $4,081 billion and an accumulated surplus of $734 billion[3].

Banking and Payment Systems

Banking System

Hong Kong has a robust banking sector, with healthy asset quality and strong liquidity and capital positions. The city was the world's sixth and Asia's second-largest banking centre in terms of external position[4], according to the Bank for International Settlements Locational Banking Statistics.

International financial institutions maintain a strong presence in Hong Kong. At the year end, 141 of the 150 licensed banks in Hong Kong were beneficially owned by parties outside Hong Kong, and 71 of the world's top 100 banks operated in the city.

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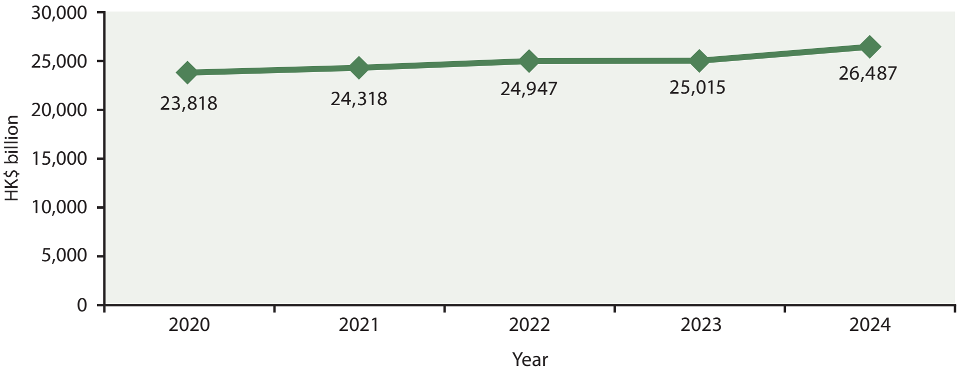
3 Foreign currency asset figures have been published monthly since January 1997 to demonstrate the government's continued commitment to greater openness and transparency. An abridged balance sheet of the Exchange Fund and a set of currency board accounts are also published monthly.

4 Sum of liabilities to banks and non-bank customers outside Hong Kong and claims on banks and non-bank customers outside Hong Kong, such as equities, securities and capital instruments.

Hong Kong maintains three tiers of deposit-taking institutions: licensed banks (LBs), restricted licence banks (RLBs) and deposit-taking companies (DTCs)[5]. They are known collectively as authorised institutions (AIs) under the Banking Ordinance and are supervised by the HKMA.

Chart 1 **External Positions of AIs**



The city has one of the world's highest concentrations of banking institutions. As at end-2024, there were 176 AIs (150 LBs, 15 RLBs and 11 DTCs). There were also 29 representative offices of banks incorporated outside Hong Kong.

Total deposits and total loans and advances of AIs amounted to $17,372.7 billion and $9,907.8 billion respectively, representing an increase of 7.1 per cent and a decrease of 2.8 per cent respectively from a year earlier. Total assets rose by 4.3 per cent to $28,457.2 billion.

		2022	2023	2024
AIs		182	179	176
Of which:	LBs	155	151	150
	RLBs	15	16	15
	DTCs	12	12	11
Total deposits ($ billion)		15,439.7	16,222.1	17,372.7
Total loans and advances ($ billion)		10,571.3	10,192.4	9,907.8
Total assets ($ billion)		27,031.4	27,283	28,457.2

Hong Kong maintains a robust deposit protection regime which underpins the stability of the banking system. The first phase of the enhancement measures to the Deposit Protection Scheme took effect on 1 October, covering the enhanced deposit protection limit of HK$800,000, the refined levy system, and the streamlined negative disclosure requirement on non-protected deposit transactions for private banking customers. The second phase,

5 Only LBs may conduct full banking services, including the provision of current and savings accounts and acceptance of deposits of any size and maturity. RLBs may take deposits of any maturity of $500,000 or above. DTCs may take deposits of $100,000 or above with an original maturity of at least three months.

including the enhanced coverage to affected depositors in the event of a bank merger or acquisition and the requirement for scheme members to display a membership sign on their electronic banking platforms, will come into effect on 1 January 2025.

The successive rounds of countercyclical macroprudential measures for property mortgage loans introduced by the HKMA since 2009 have strengthened the risk management of AIs' property mortgage lending business and the resilience of the banking sector to cope with challenges arising from a sharp correction in property prices. The HKMA launched two rounds of countercyclical macroprudential measures in February and October, aiming to maintain effective risk management while minimising the impact on the public in buying and selling properties. The adjustments reverted the maximum loan-to-value ratio and debt servicing ratio limit for residential properties to the respective pre-2009 levels of 70 per cent and 50 per cent. In February, the HKMA also suspended the interest rate stress test requirement for property mortgage lending that assumes a 200-basis-point rise in the mortgage rate. Furthermore, the HKMA introduced a one-off special mortgage scheme in December to provide flexibility for banks to assist homebuyers who bought uncompleted residential properties during 2021 to 2023 using stage payment plans to complete their property transactions. Under the special scheme, banks may provide mortgage loans with a maximum loan-to-value ratio of 80 per cent to eligible homebuyers and the debt servicing ratio limit is adjusted to 60 per cent.

International Banking Standards

The HKMA seeks to maintain a regulatory framework fully in line with international standards. The aim is to maintain a prudential supervisory system to preserve the stability and effective operation of the banking system, while providing flexibility for AIs to make commercial decisions.

As a member jurisdiction of the Basel Committee on Banking Supervision and the Financial Stability Board, Hong Kong is committed to implementing international standards on banking regulation. The implementation is generally effected through amending the Banking Ordinance and issuing rules supplemented by regulatory guidance. The Banking (Capital) (Amendment) Rules 2023 and the Banking (Disclosure) (Amendment) Rules 2023 were made to implement the latest capital and disclosure standards set out in the Basel III final reform package published by the committee in recent years.

Financial Infrastructure

Real-time Gross Settlement Systems

Hong Kong has robust real-time gross settlement (RTGS) interbank payment systems. All banks in the city maintain settlement accounts with the HKMA in the HKD RTGS system[6]. The USD, euro and RMB RTGS systems enable transactions in these currencies to be settled in real time among banks. All four RTGS systems are linked to enable foreign exchange transactions to be settled on a payment-versus-payment basis.

6 Banks may obtain intra-day and overnight liquidity through repurchase agreements with the HKMA using EFBNs as collateral.

Central Moneymarkets Unit

The Central Moneymarkets Unit (CMU) run by the HKMA supports the issuance, clearing and settlement of EFBNs and government bonds. It also handles transactions and safekeeping for debt securities in HKD and other currencies. By end-2024, the CMU was safekeeping around HK$4.8 trillion of debt securities around the world.

In October, CMU OmniClear was incorporated as a wholly owned subsidiary of the Exchange Fund and, starting in 2025, it will take over the CMU's operations and expand its services.

The CMU has links with international and regional central securities depositories, allowing investors outside Hong Kong to hold and trade debt securities lodged in the CMU, and local investors to do likewise from overseas markets. To expand further, the HKMA and the Monetary Authority of Macao in September agreed to establish a direct linkage between their CSDs. The CMU also signed a memorandum of understanding with SIX[7] in October to establish cross-border links.

To keep up with the development of the Mainland's debt market and new business needs, the HKMA is upgrading the CMU system through the phased introduction of the CMU New Platform. The first phase introduced the CMU Open Application Programming Interface and a modernised user interface, making it easier for member institutions to submit lodgement documents and manage securities accounts online. The second phase is in progress and aims to enhance the system's capability and functionality, especially on collateral management and cash related features.

Additionally, the CMU system commenced the migration of payment messages to the new ISO 20022 standard starting from April for the interoperability with the Hong Kong RTGS, while still accepting older formats during the transitional period. The migration to the ISO 20022 standard is expected to complete by the end of 2025 in line with the international standard.

Stored Value Facilities and Retail Payment Systems

The Payment Systems and Stored Value Facilities Ordinance provides the regulatory regimes for stored value facilities (SVFs) and retail payment systems (RPSs). The HKMA supervises the SVF licensees under a risk-based approach and oversees the six RPSs designated in accordance with the ordinance.

Fund-raising Centre

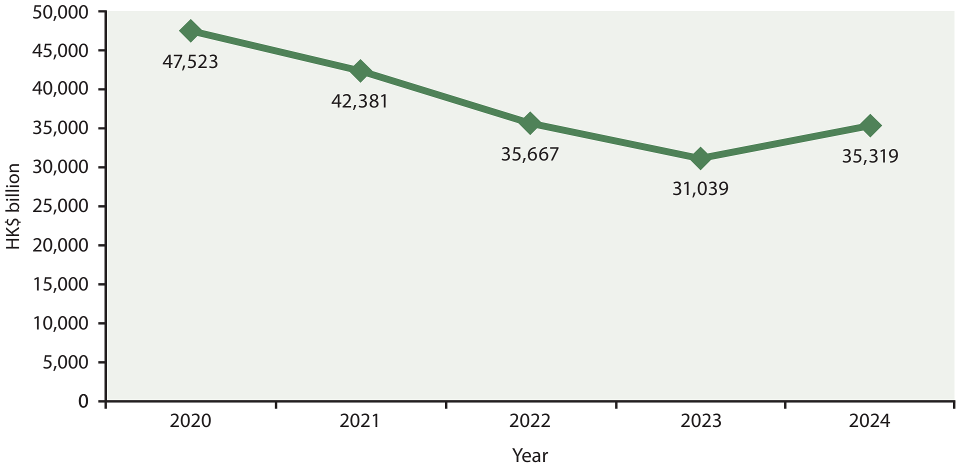
Securities and Futures Markets

Hong Kong's securities market is operated by the Stock Exchange of Hong Kong Limited (SEHK) and its futures market by the Hong Kong Futures Exchange (HKFE), both wholly owned subsidiaries of HKEX. The city's stock market capitalisation totalled about $35.32 trillion as at end-2024, sixth in the world and fourth in Asia, and equivalent to around 11 times Hong Kong's Gross Domestic Product. At the year end, 2,631 companies were listed on the SEHK,

7 SIX provides and operates stable and efficient infrastructure for the Swiss and Spanish financial centres.

representing industries from finance and property to consumer goods, information technology, biotechnology and telecommunications.

Chart 2 **Stock Market Capitalisation**



The Hong Kong market's liquidity and access to international investors are attractive to companies seeking to raise capital. As of end-2024, 1,478 Mainland enterprises were listed on the SEHK, raising $8.5 trillion from the Hong Kong market since 1993. Funds raised by Mainland companies represented 96 per cent of initial public offering (IPO) equity funds raised in 2024. Apart from Hong Kong and Mainland companies, four companies from Singapore, Taiwan and the US were newly listed in 2024.

Hong Kong is a major global listing platform for companies from different jurisdictions. Hong Kong's IPOs in 2024 raised about $88 billion, fourth in the world and second in Asia. There were 71 new listings during the year. In addition to new share issues, about $104.2 billion was raised on the secondary market, bringing the total equity funds raised to about $192 billion. The securities market's total turnover amounted to $32.43 trillion. At HKEX, the turnover of securitised derivatives has ranked first in the world since 2007.

As an international and open market, Hong Kong attracts many intermediaries from other markets to set up companies locally and most international brokerages have branches in the city. At the year end, 26.5 per cent of the 536 SEHK trading participants and 56.5 per cent of the 154 HKFE trading participants were from the Mainland or overseas markets.

HKEX operates four clearing houses: Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited, SEHK Options Clearing House Limited and, for over-the-counter (OTC) transactions, OTC Clearing Hong Kong Limited. These provide integrated clearing, settlement, depository and nominee services.

Exchange-traded Products

Exchange-traded products, which include ETFs and leveraged and inverse products, offer investors exposure to world, regional and Mainland indices and commodities. Leveraged and inverse products provide new trading and hedging tools, while ETFs with multiple trading counters in HKD, RMB and USD increase flexibility in settlement and trading. During the year, 33 new ETFs were listed, bringing the total number of SEHK-listed ETFs to 175. Turnover of ETFs was $3.94 trillion.

During the year, 194 SFC-authorised exchange-traded products were listed on the SEHK, with a total market capitalisation of $463 billion and an average daily turnover of $19 billion. Both the number of listed exchange traded products and average daily turnover reached new highs. This expansion has been fuelled by enhancements to the market structure that have boosted liquidity and reduced trading costs for investors. HKEX also welcomed Hong Kong's first-ever listings of Covered Call ETFs and Asia's first Spot Virtual Asset ETFs in 2024. Additionally, two ETFs tracking Hong Kong stocks were listed in Saudi Arabia in late October, becoming two of its three most-traded ETFs.

Statistics on Securities Market (Main Board and GEM)

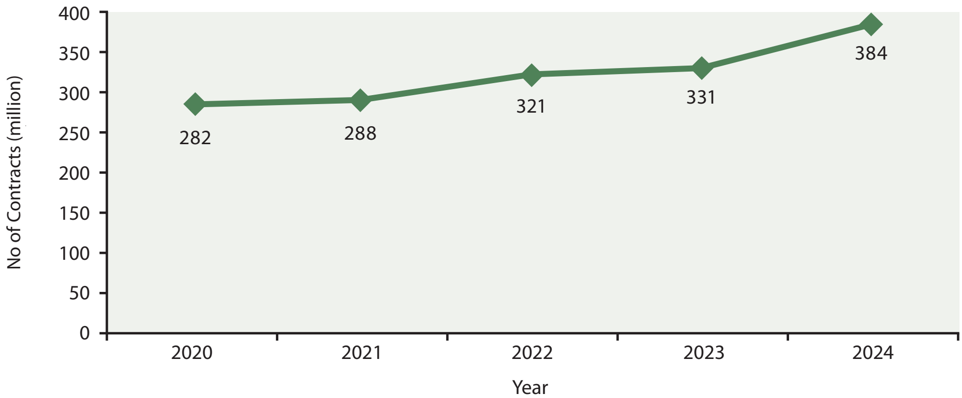
	2022	2023	2024
Number of listed companies (year end)	2,597	2,609	2,631
Total market capitalisation (year end)($ billion)	35,667	31,039	35,319
Total equity funds raised ($10 billion)	25	16	19
Total securities market turnover ($ billion)	30,727	25,518	32,429
Total number of shares traded (billion)	57,299	48,564	54,049
Number of derivatives warrants (DWs) listed (year end)	6,731	4,801	4,669
Turnover of DWs ($ billion)	1,973	1,379	1,268
Number of callable bull/bear contracts (CBBCs) listed (year end)	3,979	3,578	4,219
Turnover of CBBCs ($ billion)	1,943	1,485	1,633
Number of ETFs listed (year end)	145	149	175
Turnover of ETFs ($ billion)	2,415	2,862	3,940

Total turnover of derivatives contracts in 2024 was 383.67 million. Open interest at the year end was about 12.8 million contracts.

Statistics on Derivatives Market Turnover (million contracts)

		2022	2023	2024
All options and futures contracts		321	331	384
Of which:	Hang Seng Index Futures	37	34	35
	Hang Seng China Enterprises Index Futures	45	46	46
	Hang Seng Index Options	6	6	5
	Hang Seng China Enterprises Index Options	11	10	8
	Stock Options	145	149	177

Chart 3 **HKFE Turnover of Derivatives**



As of end-2024, there were 3,305 licensed corporations and 45,145 individuals, including securities brokers, futures dealers, investment and corporate finance advisers and fund managers as well as their representatives, and 109 registered institutions, such as banks, engaging in regulated activities such as dealing in and advising on securities and futures.

There were also 51 SFC-authorised automated trading service providers. Most were overseas exchanges and clearing houses that provided electronic services to process transactions in securities and futures contracts and to clear OTC derivatives.

Statistics on Licensing for SFC-regulated Activities (year end)

		2022	2023	2024
Licensed entities		48,567	47,979	48,450
Of which:	Licensed corporations	3,253	3,257	3,305
	Licensed individuals	45,314	44,722	45,145
	Registered institutions	111	112	109

Enhancing the Listing Platform

Various reforms in 2024 improved the quality and strength of Hong Kong's stock market, including making it easier for small and medium enterprises to go public and providing companies with greater flexibility in their capital management through buy-backs and resales. The time it takes to apply for an IPO was sped up, enhancing Hong Kong's attractiveness as an international listing venue.

The new listing regime for Special Purpose Acquisition Companies (SPAC) and new listing rules for Specialist Technology Companies were introduced in 2022 and 2023 respectively. Temporary modifications to requirements for Specialist Technology Companies and De-SPAC Transactions took effect from September and, in October, the first De-SPAC transaction was completed.

HKEX also now recognises stock exchanges in Abu Dhabi and Dubai, improving listing connectivity between Asia and the Middle East.

Severe Weather Trading

HKEX implemented Severe Weather Trading in securities and derivatives markets on 23 September, with a view to facilitating investors' access to Hong Kong's securities and derivatives markets, including Stock Connect, derivatives holiday trading, and after-hours trading during severe weather conditions. The first such trading day was completed on 14 November.

Other Products and Market Operations Enhancements

Other improvements made by HKEX during the year included launching a self-match prevention service for the derivatives market to avoid accidental self-trading; allowing currency futures and options to be traded on holidays; introducing weekly stock and tech index options; and reducing minimum spreads in the securities market.

HKEX also expanded into new areas in 2024. These included the launch of Hang Seng HKEX Stock Connect China Enterprises Index and HKEX Virtual Asset Index Series, marking its foray into indexes. It also launched a new web-based data platform, the HKEX Data Marketplace, to distribute its historical data products.

Regulation of OTC Derivatives

The amendments to the clearing rules for the OTC derivative transactions, which are in line with the global interest rate benchmark reform, took effect in 2024.

To keep up with international developments, the SFC and HKMA jointly consulted the market on changes, in line with the Group of Twenty's commitment to reform OTC derivative markets, to the Hong Kong OTC derivatives reporting regime, which include the mandatory reporting of unique transaction identifier, unique product identifier and critical data elements. The enhancements will come into effect on 29 September 2025.

Commodity Trading

Hong Kong operates one of the world's most active physical gold markets and is among Asia's largest gold trade hubs. The total import and export volume of gold in the year exceeds 1,700 tonnes. Spot gold can be traded through two closely related yet independent markets: the Chinese Gold and Silver Exchange Society and the Loco London gold market. Prices track closely those in the major gold markets in London, Zurich and New York.

Gold Market Development

Following the 2024 Policy Address announcement to develop Hong Kong into a global gold trading centre, the Financial Services and the Treasury Bureau established the Working Group on Promoting Gold Market Development and convened its first meeting in December. The working group will formulate strategies to develop a full gold market ecosystem covering storage infrastructure, gold trading, logistics and support services.

In addition to operating Hong Kong's securities and derivatives markets, HKEX owns the London Metal Exchange (LME), the world centre for industrial metals trading and price-risk management. The majority of global non-ferrous business is conducted on the LME and its prices are used as global benchmarks. Last year, 178 million lots were traded, equating to US$18 trillion and 4 billion tonnes notional with a market open interest high of 1.8 million lots.

Other Developments

In October, a new regime governing public fund depositaries came into effect. As of end-2024, the SFC had granted licences or registrations to 19 depositaries and more than 300 individuals. The SFC continues taking disciplinary actions to maintain market integrity.

Bond Market

Hong Kong is a major bond market in Asia. Outstanding HKD debt securities, including EFBNs, totalled $2,825.1 billion at the end of 2024. According to the International Capital Market Association, over US$130 billion of international bond issuances by Asia-based entities were arranged in Hong Kong in 2024, capturing around 30 per cent of the market and placing Hong Kong as the largest arranging hub for the ninth time over the past decade. The government pursues bond market development through three strategies:

- building market infrastructure, such as the CMU, to ensure a safe and efficient environment for trading and settlement;
- stimulating growth and providing market benchmarks through government issuance of institutional and retail bonds, including green bonds and infrastructure bonds; and
- incentivising market development through funding support such as the Green and Sustainable Finance Grant Scheme, tax incentives such as the Qualifying Debt Instrument Scheme, and other measures.

Cross-boundary Bond Market Development

In September, the National Development and Reform Commission's Department of Foreign Capital and Overseas Investment and the HKMA held a seminar in Hong Kong titled

'Supporting Mainland enterprises' cross-border financing in Hong Kong', with a view to further promoting Hong Kong as the premier offshore financing platform for Mainland enterprises.

Promoting Innovation Technology Adoption in Bond Market

Following the success of the inaugural issuance in 2023, the government issued a second batch of tokenised green bonds worth around HK$6 billion in February – the world's first multi-currency digital bond. Investors can access the bonds via the CMU and its linkages to international central securities depositories, Euroclear and Clearstream, broadening the bonds' investor base and enhancing its liquidity.

To further promote tokenisation technology in capital markets, the HKMA launched the Digital Bond Grant Scheme – offering a maximum grant of HK$2.5 million for each eligible issuance – and the EvergreenHub, a digital bond knowledge repository, in November.

Infrastructure Bond Programme and Government Sustainable Bond Programme

The government issues bonds under the Infrastructure Bond Programme and the Government Sustainable Bond Programme, previously known as the Government Green Bond Programme, to promote local bond market development and support government initiatives.

The government established the Infrastructure Bond Programme in 2024 to better manage the cashflow needs of major infrastructure projects and facilitate their early completion for the good of the economy and people's livelihood. During the year, it issued close to HK$90 billion worth of bonds under the programme, including the Silver Bond and retail infrastructure bond worth around HK$73 billion; and around HK$17 billion worth of institutional infrastructure bonds denominated in HKD and RMB.

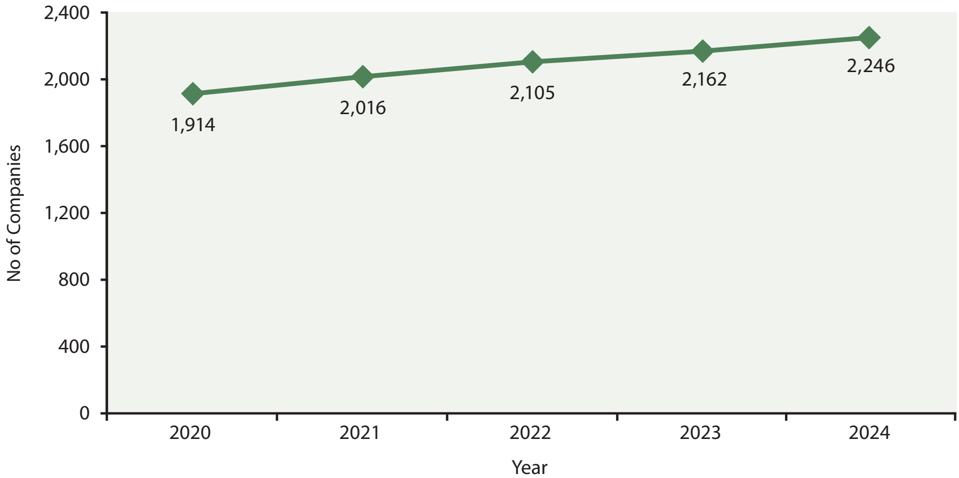
Since the Government Sustainable Bond Programme's launch in 2018, a total of around HK$220 billion worth of green bonds, comprising institutional and retail bonds, have been issued. During 2024, the government issued around HK$31 billion worth of institutional green bonds.

Asset and Wealth Management

Hong Kong is well placed as Asia's leading asset and wealth management centre. At end-2024, 2,246 companies were licensed by or registered with the SFC to carry out asset management business locally, up 3.9 per cent from end-2023. There were 2,383 SFC-authorised unit trusts and mutual funds[8], of which 954 were domiciled in Hong Kong, up 20 per cent from five years ago. Hong Kong-domiciled funds recorded net fund inflows of about US$20.9 billion in 2024, up 87.8 per cent from 2023.

8 These included 116 approved pooled investment funds offered both as retail unit trusts and for MPF purposes.

Chart 4 **Number of Asset Management Companies**



The government has made various efforts to enhance Hong Kong's competitiveness in this area, including attracting family offices to set up and operate in the city, diversifying fund structures, expanding the fund distribution network, providing a more facilitating tax environment, and promoting the real estate investment trust (REIT) market.

The Stamp Duty Legislation (Miscellaneous Amendments) Ordinance 2024 took effect in December to waive the stamp duty payable on the transfer of REIT shares or units, enhancing the competitiveness and reducing the transaction costs of Hong Kong REITs.

New Capital Investment Entrant Scheme

The New Capital Investment Entrant Scheme opened for application on 1 March. Eligible investors who make a minimum investment of HK$30 million in permissible assets may apply to reside and pursue development in Hong Kong.

Family Office

In October, the Financial Services and the Treasury Bureau established the Hong Kong Family Office Nexus, a strategic collaboration with Bloomberg to attract family offices from around the world to establish or expand their presence in Hong Kong. The bureau, together with Invest Hong Kong and the Hong Kong Academy for Wealth Legacy, will work with Bloomberg on initiatives to bolster Hong Kong's family office ecosystem.

Integrated Fund Platform

The Integrated Fund Platform is new financial infrastructure to facilitate retail fund distribution in Hong Kong and generate new business opportunities in the retail fund market. In December, the fund repository of the platform was launched to provide investors with one-stop access to information on SFC-authorised funds.

Open-ended Fund Companies and Limited Partnership Funds

As of end-2024, the SFC registered 472 open-ended fund companies, representing a year-on-year increase of 93.4 per cent and an increase of more than 30 times since the 2021 launch of a grant scheme providing subsidies to such companies setting up in Hong Kong.

The limited partnership fund regime enables funds to be registered in the form of limited partnerships in Hong Kong. As of end-2024, a total of 1,057 such funds have been registered.

Green and Sustainable Finance

The government has been working with the financial regulators, HKEX and the industry to promote the development of green and sustainable finance, aiming to contribute to achieving carbon neutrality before 2050 in Hong Kong and consolidate the city's position as a regional green and sustainable finance hub.

Government Sustainable Bond Programme

In 2024, the government issued institutional green bonds totalling approximately HK$31 billion, consisting of around HK$6 billion worth of tokenised green bonds issued in February and around HK$25 billion worth of conventional green bonds issued in July. The latter included the inaugural 20-year and 30-year RMB green bonds, which extended the government's RMB yield curve and further enriched offshore RMB product offerings.

Green and Sustainable Finance Cross-Agency Steering Group

The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the HKMA and the SFC, works to advance Hong Kong's green and sustainable finance development and coordinate measures of the financial sector for addressing their climate and environmental risks.

Pilot Green and Sustainable Finance Capacity Building Support Scheme

The three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme provides funding to support talent development in green and sustainable finance. As of end-2024, 85 programmes covering international and local courses and qualifications were approved under the scheme, and more than 5,700 applications from market practitioners and related professionals, as well as students and graduates of relevant disciplines who had completed eligible programmes or obtained relevant qualifications, were approved for reimbursement, amounting to over $31.7 million.

Green and Sustainable Finance Grant Scheme

The Green and Sustainable Finance Grant Scheme provides funding support for eligible green and sustainable debt issuance in Hong Kong so as to enrich the local sustainable finance ecosystem. The scheme had approved grants to about 500 green and sustainable debt instruments issued in Hong Kong by 2024, with the underlying debt issuance volume totalling over US$140 billion. In May, the scheme was extended to 2027, with an expanded scope of subsidies to cover transition bonds and loans to encourage relevant industries in the region to make use of Hong Kong's transition financing platform as they move towards decarbonisation.

Green Fintech

The government launched the Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme in June to provide early-stage funding to technology companies or research institutes conducting green fintech activities to work with local businesses to co-develop new projects that address industry pain-points. The scheme helps the solutions complete the commercialisation and proof-of-concept stages and enables a wider adoption of green and sustainable fintech solutions. A total of 60 projects were approved.

The Prototype Hong Kong Green Fintech Map, launched in March, provides one-stop information on the current status of green fintech companies and related services, with a view to raising their profile. In collaboration with the Hong Kong University of Science and Technology, greenhouse gas emissions calculation and estimation tools were also launched for free public access in February.

Roadmap on Sustainability Disclosure in Hong Kong

The Financial Services and the Treasury Bureau published a vision statement in March, setting out the vision and approach of the government and financial regulators in developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. It then launched in December a roadmap on sustainability disclosure in Hong Kong, setting out Hong Kong's approach to require publicly accountable entities (PAEs) to adopt the International Financial Reporting Standards – Sustainability Disclosure Standards (ISSB Standards). The roadmap provides a well-defined pathway for large PAEs to fully adopt the ISSB Standards no later than 2028, leading Hong Kong to be among the first jurisdictions to align its local requirements with the ISSB Standards. In addition, it elaborates on Hong Kong's blueprint to develop a local comprehensive ecosystem to support sustainability disclosures, which encompasses sustainability assurance, data and technology, as well as skills and competencies.

Hong Kong Taxonomy for Sustainable Finance

The Hong Kong Taxonomy for Sustainable Finance, launched in May, enables market participants to make informed decisions regarding green and sustainable finance and scale up relevant finance flows. Phase 1 of the taxonomy covers 12 economic activities across four sectors, namely power generation, transportation, construction, and water and waste management. The next phase of development is under way to expand the taxonomy's scope.

Sustainable Finance Action Agenda of HKMA

In October, the HKMA launched the Sustainable Finance Action Agenda, setting out its vision to facilitate sustainable fund flows in the region, and ensure that banks manage their climate-related risks properly. The agenda includes eight goals in four areas, namely banking for net zero, investing in a sustainable future, financing net zero and making sustainability more inclusive.

Other Developments

As of end-2024, there were 224 SFC-authorised environmental, social and governance (ESG) funds, including 11 ETFs, with total managed assets of about US$151.4 billion.

The SFC-supported voluntary code of conduct for ESG ratings and data products providers was published by an industry-led working group in 2024. Developed based on the International Organization of Securities Commissions' recommended best practices, the code aims to promote higher transparency and quality ESG information for Hong Kong's financial market.

Insurance

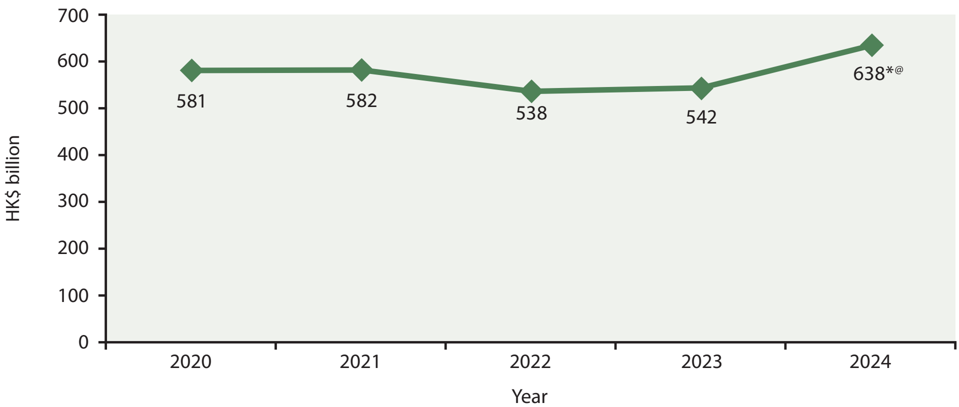
Hong Kong is among the world's most open insurance centres, with one of the highest insurance densities in the world. At end-2024, 64 of the 157 authorised insurers operating in the city were from other jurisdictions, and six of the world's top 10 insurers were authorised to conduct business in Hong Kong. The city had 16 professional reinsurers, including most of the world's top reinsurers. Three international insurance groups have chosen Hong Kong as their base for group-wide supervision.

In 2024, gross premiums amounted to $637.8 billion*. The total revenue premiums of in-force long-term business amounted to $537.4 billion*, mainly composed of Non-Linked long term individual business of $471.8 billion*, or 87.8 per cent* of total revenue premiums of in-force long-term business, with 14.5 million* corresponding policies.

General insurance business were $100.5 billion*. The overall operating profit of general insurance business was $8.1 billion*, out of which $3.3 billion* was underwriting profit.

At end-2024, there were 117,550 licensed insurance intermediaries, comprising 80,445 licensed individual insurance agents, 23,541 licensed technical representatives who were agents, 11,174 licensed technical representatives who were brokers, 1,585 licensed insurance agencies and 805 licensed insurance broker companies.

Chart 5 **Annual Gross Premiums of Insurance Market**



* Provisional statistics

@ Following the implementation of the RBC regime on 1 July 2024, an element reflecting offshore business was also included in respect of general insurance, and the coverage, classifications and definitions for related statistics have been modified. It is therefore inappropriate to make a direct comparison between the latest figures with those published in previous years.

* Provisional statistics

Statistics on Insurance Business

	2022	2023	2024
Number of authorised insurers	164	161	157
Of which: Incorporated in Hong Kong	98	96	93
Incorporated in the Mainland or overseas	66	65	64
Premium income ($ billion)	538	542.1	637.8*@
Total gross premiums			
Long-term in-force business (office/revenue premiums)	473.6^	474.8^	537.4*#
General insurance (gross premiums)	64.4	67.3	100.5*@

* Provisional statistics
^ Office premiums
# Revenue premiums
@ Following the implementation of the RBC regime on 1 July 2024, an element reflecting offshore business was also included in respect of general insurance, and the coverage, classifications and definitions for related statistics have been modified. It is therefore inappropriate to make a direct comparison between the latest figures with those published in previous years.

Market Development Initiatives

Insurance-linked Securities

The regulatory regime for insurance-linked securities (ILS) and the Pilot ILS Grant Scheme inject impetus to the ILS market, facilitating five ILS issuances in Hong Kong, securing protection from losses inflicted by typhoons and earthquakes in the Mainland and other countries. Among them, the World Bank's second catastrophe bond issuance in Hong Kong in May provided coverage for storm risks in Jamaica. The IA also hosted the first ILS Conference for institutional investors and professional service providers in April.

Protection Linked Plan

Protection Linked Plans provide a higher mortality protection element, simple and transparent fee structure and confined fund choices, with a view to narrowing the protection gap while taking investment opportunities at different life stages. By end-2024, eight plans had been authorised for onward product launch.

Connectivity in GBA

To make getting insurance coverage easier for motorists under the 'Northbound Travel for Hong Kong Vehicles' scheme, there are more than 20 local insurers, covering 90 per cent of the market share, offering a unilateral recognition policy for cross-boundary motor insurance. The IA worked with the industry to further improve these products during the year, such as an option for own damage policies, in addition to third-party insurance policies.

Regulatory Initiatives

Risk-based Capital Regime

The Risk-based Capital regime for the Hong Kong insurance industry came into operation in July, which helps align the city's regulatory regime with international standards and make capital requirements more sensitive to the level of risk borne by insurance companies.

Supervision of Insurance Groups

The IA is the group supervisor for three internationally active insurance groups, namely AIA Group Limited, FWD Group Holdings Limited and Prudential plc. Supervisory colleges and crisis management group meetings with the involved supervisors of the three groups are hosted by the IA on an annual basis.

International Collaboration

As a member of the International Association of Insurance Supervisors (IAIS), the IA observes the standards of the Insurance Core Principles and Common Framework as part of its insurance supervisory regime. The IA's chief executive officer is a member of the IAIS' Executive Committee and the chair of the Audit and Risk Committee.

Mandatory Provident Fund System

As one of the pillars of retirement protection, the MPF System helps the workforce set aside savings for retirement. Unless exempted, employees and self-employed persons aged 18 to 64 are required to join an MPF scheme.

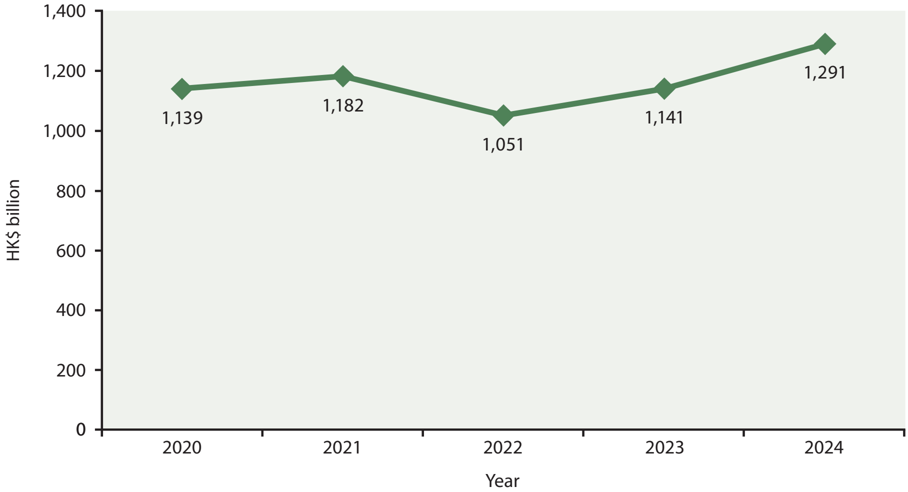
The MPF System is employment-based. Employers are legally obliged to enrol new employees in an MPF scheme and make contributions of 5 per cent of the employees' relevant income as mandatory contributions, subject to a maximum relevant income level. Employees are also required to make the same amount of contributions for themselves unless their relevant income is below the minimum level. Self-employed persons must also contribute 5 per cent of their relevant income, subject to the minimum and maximum levels.

MPF benefits, comprising accumulated mandatory contributions and investment returns, must be preserved until a scheme member reaches the age of 65 or meets a statutory condition for early withdrawal of benefits.

MPF schemes are managed privately by MPF trustees approved and regulated by the Mandatory Provident Fund Schemes Authority (MPFA). At the year end, there were 12 active approved MPF trustees providing 24 MPF schemes and 379 funds and 39,436 registered MPF intermediaries engaging in regulated activities such as selling and advising on MPF schemes and funds.

MPF schemes had a net asset value (NAV) of around $1,291 billion at end-2024 and an annualised rate of return of 3 per cent between December 2000, when the MPF System was launched, and December 2024.

Chart 6 **Total NAV of MPF Schmes**



	2022	2023	2024
Number of MPF-enrolled participants *(estimated rate)*			
Employers	344,000	359,000	368,000
	(100%)	*(100%)*	*(100%)*
Relevant employees	2,722,000	2,662,000	2,650,000
	(100%)	*(100%)*	*(100%)*
Self-employed persons	238,000	237,000	233,000
	(87%)	*(89%)*	*(89%)*
MPF schemes			
Number of registered schemes	27	24	24
Number of approved constituent funds	413	379	379
Aggregate NAV ($ billion)	1,051	1,141	1,291
MPF-exempted ORSO registered schemes[9]			
Number of schemes	2,558	2,437	2,323
Number of participating employees	241,759	230,160	222,630
Aggregate NAV ($ billion)	332	275	277

9 MPF-exempted ORSO registered schemes are occupational retirement schemes set up voluntarily by employers and registered under the Occupational Retirement Schemes Ordinance before the launch of the MPF System, and subsequently granted exemption from MPF requirements.

eMPF Platform

The eMPF Platform standardises, streamlines and automates MPF scheme administration processes, so as to enhance operational efficiency, lower costs and fees, and offer a predominantly paperless MPF experience. The eMPF Platform started operation on 26 June. As at end-2024, five MPF schemes had joined the platform, with onboarding of the remaining MPF trustees expected by end-2025.

Priority Investment by MPF Funds in Government Green Bonds and Infrastructure Bonds

Together with the HKMA, the MPFA developed a mechanism for the allocation of a certain proportion of government green bonds for priority investment by MPF funds. The mechanism was first implemented when government institutional green bonds were issued in 2023, and will also apply to future issuances of government institutional infrastructure bonds. This arrangement provides MPF fund managers with more investment instruments with stable returns in their portfolio management for the benefit of scheme members.

Financial Technology

By end-2024, Hong Kong had more than 1,100 fintech companies, including eight digital banks, four virtual insurers and seven licensed virtual asset trading platforms, offering innovative and convenient financial services, such as mobile payment, cross-boundary transfer and wealth management.

The government promotes fintech development, by enhancing financial infrastructure, building a more active ecosystem and nurturing talent, as well as strengthening connections with the Mainland and overseas.

Enhancing Financial Infrastructure

The government promotes the development of electronic payment and provides the public with safe, efficient, convenient and diversified e-payment options by enhancing financial infrastructure and implementing a robust regulatory regime.

By end-2024, the number of registrations and average daily turnover of the Faster Payment System (FPS) had increased by 16 per cent and 32 per cent year on year, to 15.8 million and 1.65 million real-time HKD transactions respectively.

Since August, the connection arrangement between the Commercial Data Interchange (CDI) and the government's Consented Data Exchange Gateway has been in full operation, with the Companies Registry the first government data source. As of December, the CDI had attracted the participation of 26 banks and 14 data providers, facilitating over 42,000 loan applications and reviews, with an estimated credit approval amount of $35.4 billion.

In September, the HKMA commenced phase 2 of the e-HKD Pilot Programme to delve deeper into innovative use cases across three main themes, namely the settlement of tokenised assets, programmability and offline payments.

In October, the government issued a policy statement setting out the policy stance and approach towards the responsible application of artificial intelligence in the financial market.

Nurturing Fintech Talent

The Pilot Scheme on Training Subsidy for Fintech Practitioners provides practitioners who have attained fintech professional qualifications with reimbursement of tuition fees. By end-2024, more than 500 banking practitioners had enrolled onto the relevant fintech training courses.

The GBA Fintech Two-way Internship Scheme for Post-secondary Students subsidises students from Hong Kong and the Mainland to participate in short-term internships at fintech companies, with a view to enhancing talent exchange and enlarging the fintech talent pool. By end-2024, around 70 students had participated in the scheme.

Strengthening Connection with Mainland and Overseas

In March, the HKMA commenced Project Ensemble to support the development of the tokenisation market in Hong Kong. International partnerships with the Banque de France, the Central Bank of Brazil and the Bank of Thailand were established to explore cross-border tokenisation use cases.

In May, the People's Bank of China (PBoC) and the HKMA announced the expansion of the e-CNY pilot for cross-boundary payments, enabling Hong Kong residents to set up and use e-CNY wallets.

In June, the HKMA, working with three other central banking institutions – the PBoC, the Bank of Thailand and the Central Bank of the United Arab Emirates – advanced the Multiple Central Bank Digital Currency Bridge project to reach the Minimum Viable Product stage, meaning the platform is functional enough for testing by early adopters and further refinement. In the same month, the Saudi Central Bank confirmed it would also join as a full participant.

In 2024, Invest Hong Kong assisted more than 100 Mainland and overseas fintech companies interested in establishing or expanding their business in Hong Kong, of which 67 companies had established or planned to further expand in the city. These companies involved a total investment of more than $20 billion and created more than 800 new jobs.

Development of Digital Assets

To facilitate the responsible and sustainable development of Hong Kong's digital asset ecosystem, the Financial Services and the Treasury Bureau and HKMA introduced the Stablecoins Bill into the Legislative Council in December.

The SFC has been enhancing the virtual assets regulatory regime. It licensed five virtual asset trading platforms in 2024, bringing the total number to seven as of end-2024. In December, the SFC issued a step-by-step licensing guide to these platforms to further develop this sector.

Anti-money Laundering and Counter-financing of Terrorism

Hong Kong has a mature anti-money laundering ecosystem which focuses on prevention, education, enforcement and regulatory reforms to address new and emerging threats. The government works with financial regulators, partners with the private sector and plays a proactive role in standard-setting bodies, such as the Financial Action Task Force, to ensure Hong Kong's anti-money laundering and counter-financing of terrorism regime protects individuals and businesses from harm and upholds the integrity of the city's financial system.

Belt and Road Initiative and International Cooperation

Asian Infrastructure Investment Bank and Asian Development Bank

Hong Kong participates as a member of the Asian Infrastructure Investment Bank (AIIB) and of the Asian Development Bank (ADB) under the name 'Hong Kong, China'. Hong Kong's capital markets and professional and financial services are well-positioned to support the AIIB's operation, and the city contributes to the ADB's efforts in bridging the financing gap in the region. In 2024, the city's capital markets raised the equivalent of US$2.06 billion under the ADB's Global Medium-Term Note Programme.

HKMA Infrastructure Financing Facilitation Office

The HKMA Infrastructure Financing Facilitation Office serves as an important financing platform to infrastructure investors, raising Hong Kong's international profile as an infrastructure and green finance centre. The office has around 90 stakeholders from the Mainland, Hong Kong and overseas joining as partners. They include project developers or operators, commercial and investment banks, multilateral development financial institutions, asset owners and managers and professional service firms.

Belt and Road Insurance Exchange Facilitation

The IA's Belt and Road Insurance Exchange Facilitation aims to help Belt and Road project owners and investors map out their risk management needs and identify solutions, to promote intelligence exchange on risk management and to forge alliances. By end-2024, 43 insurers, reinsurers, captive insurers, insurance brokers, industry associations, loss adjustors and law firms had joined as members.

Other Measures to Enhance Hong Kong's Competitiveness as an International Financial Centre

The government drives, facilitates and coordinates initiatives to ensure the overarching regulatory framework will protect investors and promote market development in the face of global needs and local circumstances.

Company Re-domiciliation

In December, the government published an amendment bill to introduce a company re-domiciliation regime to facilitate non-Hong Kong companies to re-domicile to Hong Kong. Under the legislative proposal, companies re-domiciling to Hong Kong can maintain their legal identities as body corporates, thereby ensuring their business continuity and reducing the need to go through complicated judicial procedures.

Headquarters Economy

The government seeks to attract strategic enterprises from the Mainland and around the world to establish headquarters or corporate divisions in the city. Hong Kong investment promotion conferences were held in Beijing and Shanghai in 2024 to demonstrate Hong Kong's advantages as financing and investment platforms for Mainland enterprises.

Financial Services Development Council

The Financial Services Development Council is a high-level advisory body that collects industry views to formulate strategic proposals for further development. The council published nine policy research papers and reports in 2024, and organised local and overseas market promotion and human capital activities to strengthen Hong Kong's status as an international financial centre.

In 2024, the council stepped up promotion efforts in the Association of Southeast Asian Nations region and the Middle East, and organised overseas visits to Indonesia, Malaysia, Qatar, Saudi Arabia and the United Arab Emirates to promote Hong Kong's advantages as an international financial centre. The council also signed memorandums of understanding with the Financial Sector Development Program of the Kingdom of Saudi Arabia and Qatar Financial Centre Authority respectively to solidify the working relationships between the council and its counterparts.

Silver Economy

The IFEC organises different investor and financial education activities for the elderly and pre-retirees, and strengthens their retirement readiness, financial literacy and fraud prevention awareness in light of the latest development trends in the financial markets.

Money Lenders

The government closely monitors money lenders' compliance with the Money Lenders Ordinance and the conditions imposed by the licensing court. In 2024, the government was reviewing the existing regulation of licensed money lenders and public education, to step up efforts in addressing excessive borrowing. The relevant public consultation will be launched in the first half of 2025.

Talent Training

A pilot programme to nurture talent for the insurance and asset and wealth management sectors promotes career opportunities in the industries, enhances professional competency and provides internships for tertiary students and financial incentives for practitioners to undergo training. By the end of 2024, over 580 students completed internships and more than 18,800 practitioners attended the subsidised courses.

Promotional and educational activities, such as the Future Banking Bridging Programme and career talks at local universities, helped attract and nurture more young talent in the banking sector, while internships and placement programmes targeting different fields, including fintech, sustainable finance, insurance, and asset and wealth management, were made available to provide university students with future work skills and real-world experience.

The Enhanced Competency Framework for Banking Practitioners provides a set of common and transparent competency standards to facilitate more effective training for new entrants and professional development for existing banking practitioners. A professional level module on green and sustainable finance was launched in November for middle- and senior-level banking practitioners to acquire specialised knowledge on green and sustainable finance.

To date, the HKMA has launched 10 modules under the framework, covering private wealth management, anti-money laundering and counter-financing of terrorism, cybersecurity, treasury management, retail wealth management, credit risk management, operational risk management, fintech, compliance and green and sustainable finance.

Mega Events

Asian Financial Forum

The Financial Services and the Treasury Bureau co-organises the annual Asian Financial Forum with the Hong Kong Trade Development Council to provide a platform for exchanges on global finance and the economy. The event in 2024, held in full physical format for the first time since the pandemic, attracted over 3,600 participants from more than 50 countries and regions.

Wealth for Good in Hong Kong Summit

The bureau and Invest Hong Kong co-organised the second Wealth for Good in Hong Kong Summit in March to showcase Hong Kong's vision as a leading global family office hub and international asset and wealth management centre. The event drew more than 400 influential decision makers from global family offices and their professional teams.

Fintech Week

Hong Kong FinTech Week 2024 attracted more than 37,000 attendees from more than 100 economies, featured over 800 distinguished speakers, 700 sponsors and exhibitors, as well as more than 30 Mainland and international delegations.

Global Financial Leaders' Investment Summit

The third Global Financial Leaders' Investment Summit, held on 18 to 20 November, gathered more than 350 participants in total from the world's top financial institutions, including banks, securities firms, asset owners, asset managers, private equity and venture capital firms, hedge funds and insurers, with more than 100 institutions represented by their group chairmen or chief executive officers.

Asian Insurance Forum

The IA's annual flagship event, the Asian Insurance Forum, was held on 10 December with the theme 'Rising to the Challenge amidst Global Volatility'. Over 2,400 participants joined the discussions among global leaders and experts in the insurance and financial markets, as well as top authorities in Hong Kong and around the world.

Company Registration

The Companies Registry registers local and non-Hong Kong companies and statutory returns, deregisters defunct solvent companies and provides the public with services and facilities for inspecting and obtaining company information kept by the registry. The registry is also the licensing authority for trust and company service providers.

The registry provides round-the-clock electronic search and document submission services through a single integrated online platform, the e-Services Portal. Electronic Certificates of Incorporation and Business Registration Certificates are normally issued together in less than an hour after receipt of the applications for company incorporation via the e-Services Portal.

In December, the government introduced an amendment bill to enable listed companies incorporated in Hong Kong to hold shares bought back in the treasury and dispose of them under certain restrictions, and promote paperless corporate communication for both listed and unlisted Hong Kong companies.

By end-2024, the total numbers of local and non-Hong Kong companies registered under the Companies Ordinance were 1,460,494 and 15,126 respectively, which were all-time high figures.

Companies Registry Statistics

	2022	2023	2024
New local companies	104,120	132,246	145,053
Local companies on the register	1,391,678	1,430,758	1,460,494
New non-Hong Kong companies	874	960	1,079
Non-Hong Kong companies on the register	14,533	14,826	15,126

Individual and Corporate Insolvencies

The Official Receiver's Office ensures service in personal and corporate insolvencies is of high quality on a par with international standards.

The office has been implementing the Electronic Submission System in phases, enabling stakeholders to submit documents electronically. Phase 1 was rolled out in 2023, while phase 2 is scheduled to launch in 2025.

When acting as the trustee-in-bankruptcy or liquidator, the Official Receiver or a private-sector insolvency practitioner investigates the affairs of the bankrupt or wound-up company, realises assets and distributes dividends to creditors. The Official Receiver also prosecutes insolvency-related offences, applies for disqualification orders against unfit company directors of wound-up companies, and monitors the conduct of outside liquidators and trustees. All liquidation realisations are paid into the Companies Liquidation Account maintained by the Official Receiver.

Statistics on Bankruptcy Orders, Interim Orders in IVAs and Winding-up Orders

	2022	2023	2024
Bankruptcy orders	5,312	7,348	8,553
Interim orders in IVAs	214	378	577
Winding-up orders	303	354	443

Resolution Regime for Financial Institutions

The Financial Institutions (Resolution) Ordinance establishes a cross-sectoral resolution regime for financial institutions in Hong Kong. The IMF noted in its most recent Financial System Stability Assessment with the HKSAR in 2021 that crisis management arrangements had been significantly strengthened by the introduction of a comprehensive resolution regime under the ordinance.

During the year, the HKMA continued to advance its work to ensure the Hong Kong resolution regime is credible and operational, acting on the lessons learnt from the 2023 overseas banking turmoil. Work to operationalise the Hong Kong resolution regime has seen progress in establishing resolution policy standards, conducting resolution planning, enhancing resolution execution capabilities as well as contributing to international policy and cross-border resolution cooperation.

In February, following an industry consultation, the HKMA issued a code of practice chapter on continuity of access to Financial Market Infrastructure services, which sets out the expectations for banks on their capabilities and arrangements for maintaining, in a resolution scenario, continuity of access to critical Financial Market Infrastructure services. In the same month, the HKMA also published a report providing an overview of the loss-absorbing capacity requirements implementation programme in Hong Kong, outlining the progress made and summarising the HKMA's observations and related policy expectations.

Public Finance

Management of Public Finance

The principles underlying the government's management of public finances are enshrined in the Basic Law, which stipulates that:

- the HKSAR shall have independent finances, and shall use its revenues exclusively for its own purposes;
- the HKSAR shall practise an independent taxation system, taking the low tax policy previously pursued in Hong Kong as reference;
- the HKSAR shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its GDP; and

- the Legislative Council of the HKSAR shall exercise the power to approve taxation and public expenditure.

The government implements these constitutional provisions in its management of public finances by maintaining a low and simple tax regime and exercising fiscal prudence. Hong Kong's Public Finance Ordinance stipulates a system for the control and management of public finances and defines the respective powers and functions of the legislature and the executive. Pursuant to the ordinance, the Financial Secretary submits to the Legislative Council an annual set of estimates of revenue and expenditure. The estimates are drawn up in the context of a medium-range forecast, which is a fiscal planning tool to ensure appropriate regard is given to the longer-term trends in the economy.

A government department can incur expenditure only up to the amounts stated in the expenditure estimates and for the purposes approved by the Legislative Council. During the financial year, which runs from 1 April to 31 March, if a department needs to change the expenditure estimates and spend more money, it must obtain the council's authorisation.

The government controls its finances through the General Revenue Account (GRA) and various funds established under the ordinance. The GRA is the main account for day-to-day departmental expenditure and revenue collection. Funds established under the ordinance are the Bond Fund, Capital Investment Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. The total revenue and expenditure of the GRA and all these funds except the Bond Fund represent government revenue and government expenditure respectively, and the total balance of the GRA and the funds except the Bond Fund constitutes government fiscal reserves.

Financial Results

For 2023-24, government revenue was $549.4 billion and expenditure was $721.3 billion, resulting in a deficit of $100.2 billion after taking into account $72.5 billion received from issuance of Government Bonds and repayment of $0.8 billion principal on Government Bonds. Fiscal reserves as at 31 March 2024 stood at $734.6 billion, equivalent to 12 months of government expenditure.

Public expenditure comprises government expenditure and expenditure by the Housing Authority and trading funds. In 2023-24, public expenditure decreased 10 per cent against the previous year to $762.5 billion, of which $561.5 billion, or 73.6 per cent, was of a recurrent nature.

Future Fund

The Future Fund, with an endowment of $224.5 billion, seeks to secure higher returns for Hong Kong's fiscal reserves through placement in longer-term investments to cope with foreseeable long-term fiscal challenges arising from an ageing population and slower economic growth.

The fund has been placed with the Exchange Fund. Investment returns arising from the Future Fund are retained by the Exchange Fund for reinvestment and shall be paid to the government upon completion of the placement period or on a date as directed by the Financial Secretary.

Starting from the 2021-22 financial year, the cumulative investment return was brought back and reflected in the Operating Account of the Government on a progressive basis, with an aggregate of $117 billion brought back in the first three years.

In 2020, $19.5 billion was allocated from the Future Fund for investment in Cathay Pacific Airways Limited, which remained as a part of the Future Fund. Cathay Pacific Airways Limited had fully redeemed the investment by the end of 2024.

The government also deployed 10 per cent of the Future Fund to set up the Hong Kong Growth Portfolio to invest in projects with a Hong Kong nexus, aiming to reinforce the city's status as a financial, commercial and innovation centre and to raise its productivity and competitiveness in the long run, while seeking reasonable risk-adjusted returns. The allocation was further increased by $10 billion in 2022, of which $5 billion was used to set up the Strategic Tech Fund and $5 billion to set up the GBA Investment Fund.

The government has set up the Hong Kong Investment Corporation Limited to further optimise the use of fiscal reserves for promoting the development of industries and the economy. The corporation consolidates the Hong Kong Growth Portfolio, GBA Investment Fund and Strategic Tech Fund, as well as the Co-Investment Fund established by allocating $30 billion from the Future Fund, to pool resources to invest in strategic industries for attracting and supporting more enterprises to develop their business in Hong Kong.

In 2023, about $1.3 billion was drawn from the Future Fund for investment in Hong Kong Cyberport Management Company Limited to finance its development of the Artificial Intelligence Supercomputing Centre in Hong Kong.

Revenue Sources

Hong Kong's tax system is simple. Tax rates and the cost of administration are low. To protect tax revenue, the government takes vigorous measures to combat tax evasion and prevent tax avoidance. The major sources of revenue in 2023-24 include profits tax (31 per cent), salaries tax (14.5 per cent), stamp duties (8.9 per cent) and land premium (3.6 per cent).

The Inland Revenue Department collects 62.2 per cent of total government revenue including profits tax, salaries tax, property tax, stamp duties and bets and sweeps tax. Profits, salaries and property taxes, including tax under personal assessment, are levied under the Inland Revenue Ordinance and together accounted for 47.6 per cent of total government revenue in 2023-24.

Generally speaking, profits tax is charged only on profits arising in, or derived from, Hong Kong from a trade, profession or business carried on within the territory. The two-tiered profits tax rates regime has been implemented since the 2018-19 year of assessment, lowering the profits tax rates for the first HK$2 million of assessable profits from 16.5 per cent to 8.25 per cent for corporations and from 15 per cent to 7.5 per cent for unincorporated businesses. Assessable profits exceeding HK$2 million are taxed at 16.5 per cent and 15 per cent respectively. Profits tax is charged provisionally on the basis of profits made in the year preceding the year of assessment and is later adjusted according to the actual profits made in the assessment year. Generally, all expenses incurred in the production of assessable profits are deductible. There is no withholding tax on dividends paid by corporations. Interest income from deposits placed with banks or deposit-taking companies, other than that received by financial institutions, and dividends received from corporations are exempt from profits tax. In 2023-24, the profits tax collected was $170.5 billion, making up 31 per cent of total government revenue.

Salaries tax is charged on emoluments arising in or derived from Hong Kong. As with profits tax, a provisional tax mechanism is in place. Salaries tax is calculated at progressive rates on the net chargeable income, which is income less deductions and allowances. In 2023-24, the first, second, third and fourth segments of net chargeable income of $50,000 each were taxed at 2 per cent, 6 per cent, 10 per cent and 14 per cent respectively, and the remainder at 17 per cent. No one, however, need to pay more than the standard rate of 15 per cent of their total income after deductions.

The earnings of husbands and wives are reported and assessed separately. However, where the deductions and allowances of either spouse exceed that spouse's income, or when separate assessments would result in an increase in their total salaries tax payable, the couple may elect to be assessed jointly. Salaries tax contributed $79.9 billion, or 14.5 per cent, of total government revenue in 2023-24. Because of generous personal allowances under the tax law, only 1.83 million people, or 50.1 per cent of the workforce, were liable to salaries tax for the 2022-23 year of assessment.

Owners of land and buildings are charged property tax at the standard rate, of 15 per cent in 2023-24, on the actual rent received after an allowance of 20 per cent for repairs and maintenance. There is a system of provisional payment of tax similar to that for profits tax and salaries tax. Properties owned by a corporation carrying on a business locally are exempt from property tax, but the profits it derives from the properties are chargeable to profits tax. Property tax contributed $3.9 billion, or 0.7 per cent, of total government revenue in 2023-24.

Stamp duty is imposed on different classes of documents relating to transfers of immovable property, leases and transfers of shares under the Stamp Duty Ordinance. In 2023-24, the revenue from stamp duties was $49.1 billion, or 8.9 per cent of total government revenue.

Bets and sweeps tax is charged on the net stake receipts from betting on horse races and football matches and on the proceeds of Mark Six lotteries, all administrated by the Hong Kong Jockey Club. A special football betting duty of $2.4 billion is also imposed on the club annually for five years starting from 2023-24. The yield from bets and sweep tax in 2023-24 totalled about $28.5 billion, or 5.2 per cent of total government revenue.

The Rating and Valuation Department is responsible for the billing and collection of rates, which are levied on landed properties at specified percentages of their rateable values. The rateable value of a property is an estimate of its annual open market rent at a designated valuation reference date. Rateable values are reviewed each year to better reflect prevailing market rents. The current Valuation List, containing about 2.7 million assessments, took effect on 1 April 2024, with rateable values reflecting rental values on 1 October 2023. The revenue from rates in 2023-24 was around $28.2 billion, or 5.1 per cent of total government revenue.

The department is also responsible for the billing and collection of government rent for properties held under new government leases, or on the extension of non-renewable government leases. Government rent is levied at 3 per cent of the rateable value of the property and is adjusted in step with any subsequent changes in the rateable value. There were around 2.1 million assessments in the Government Rent Roll on 1 April 2024. Total government rent collected by the department in 2023-24 was around $12.4 billion, or 2.3 per cent of total government revenue.

Excise duties are levied on four commodities to be consumed locally, namely hydrocarbon oil (motor spirit, aircraft spirit and light diesel oil), liquor with an alcoholic strength of more than 30 per cent by volume, methyl alcohol and tobacco (except smokeless tobacco and alternative smoking products) as defined under the Dutiable Commodities Ordinance, irrespective of whether they are manufactured locally or imported. The Customs and Excise Department collects these duties, which totalled $10.9 billion in 2023-24, or 2 per cent of total government revenue, of which 66.5 per cent was from tobacco, 27.1 per cent from hydrocarbon oil, 6.3 per cent from liquor, and 0.1 per cent from methyl alcohol and other alcohol products.

All motor vehicles imported for use on roads are subject to first registration tax under the Motor Vehicles (First Registration Tax) Ordinance. The Customs and Excise Department assesses the taxable value of vehicles to facilitate the Transport Department's collection of this tax, which totalled $5.9 billion in 2023-24, or 1.1 per cent of total government revenue.

It is government policy that fees charged by the government should in general be set at levels adequate to recover the full cost of providing the goods or services. Certain essential services are subsidised by the government or provided free of charge. Fees and charges for goods and services provided by the government generated $15.9 billion, or 2.9 per cent of total revenue, in 2023-24. Government-operated public utilities generated about $3.4 billion, or 0.6 per cent of total revenue, the most important of which, in revenue terms, is the provision of water supplies.

Land transactions generated some $19.6 billion, or 3.6 per cent of total government revenue, in 2023-24. All revenue from land transactions is credited to the Capital Works Reserve Fund to finance the Public Works Programme.

Tax Treaties and International Tax Cooperation

Hong Kong strives to expand its network of comprehensive avoidance of double taxation agreements (CDTAs) to improve the business environment and facilitate the flow of trade, investment and talent with the rest of the world. The 51 CDTAs signed by the city as at end-2024 help reduce tax burdens on taxpayers and eliminate uncertainties over tax liabilities.

Hong Kong supports international efforts to enhance tax transparency and combat tax evasion, and is committed to implementing the base erosion and profit shifting 2.0 package promulgated by the Organisation for Economic Cooperation and Development. The government conducted a public consultation exercise between December 2023 and March 2024 and the amendment bill for implementing the global minimum tax and Hong Kong minimum top-up tax from 2025 was published in December 2024.

Government Procurement

The government seeks to procure goods and services at the best value for money in a publicly accountable manner, adopting the principles of open and fair competition, transparency, innovation and integrity in its procurement practices. The Government Logistics Department is the government's procurement agent for goods and related services required by bureaus/departments. In 2024, the department procured goods and related services amounting to $4.57 billion from 19 countries and territories, including Hong Kong.

Open tendering is normally adopted. The department maintains supplier lists of different categories of goods and services for sourcing. It publishes tender notices online and notifies relevant listed suppliers about open tenders. As Hong Kong, China is a signatory to the World Trade Organization's Agreement on Government Procurement, tender notices on procurement covered by the agreement are also published in the Government Gazette and issued to consulates and overseas trade commissions where appropriate. Bidders may download tender documents and submit their offers online.

Websites

Accounting and Financial Reporting Council: www.afrc.org.hk
Companies Registry: www.cr.gov.hk
Financial Services and the Treasury Bureau: www.fstb.gov.hk
Financial Services Development Council: www.fsdc.org.hk
Government Logistics Department: www.gld.gov.hk
Hong Kong Deposit Protection Board: www.dps.org.hk
Hong Kong Exchanges and Clearing Limited: www.hkex.com.hk
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Investor and Financial Education Council: www.ifec.org.hk
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