

**Haitong International and the One Country Two Systems Research Institute jointly release the report "Hong Kong: The International Financial Center for the Future"**

**Hong Kong, 25 November 2021** – Haitong International Securities Group Limited ("Haitong International"; Stock Code: 665.HK) and the One Country Two Systems Research Institute ("The Institute"), a non-profit public policy research institute in Hong Kong, today jointly released a research report entitled "**Hong Kong: The International Financial Center for the Future**" ("The Report"). The Institute has long been a public policy think-tank independent of the HKSAR government, focusing on the study of Hong Kong's economy, policy, culture and other public issues for more than 30 years.

Haitong International and the Institute jointly held a press conference today on the report launch. Dr. Peter Lee Ka-kit, Chairman of the One Country Two Systems Research Institute, Mr. Tam Yiu-chung, Director, and guest representatives from the financial and academic fields attended the event. Dr. Lee gave an opening speech and said: "As an international financial center, Hong Kong has been connecting mainland China with the global market for many years. We have seen Hong Kong's steady development in the stock and bond markets, as well as in the asset management and insurance sectors. The leading position of Hong Kong as an international financial center is well recognized by international investors. Mainland China has high hopes for the development of Hong Kong's financial industry. I believe that Hong Kong will be able to contribute to the country through concrete actions, including proactively reforming and innovating the financial industry framework, enhancing its financial market quality, and cultivating new competitive edges. Our report serves as a blueprint outlining long-term potentials and opportunities for Hong Kong to position itself as a forward-looking international financial center."

According to the Report, Internationalization of the RMB, ESG investing and digital asset trading are expected to become strong global trends in the next decade, and Hong Kong has unique competitive edges to be positioned as an offshore RMB center, an ESG investment hub, and a digital asset trading and management center.

**RMB internationalization provides a "long-term track" for the offshore RMB market in Hong Kong**

Currently, two-thirds of mainland China's inward and outward direct investment and most of its financial investment are made via Hong Kong. In 2020, Hong Kong's cross-border RMB receipts

and payments exceeded RMB 13 trillion, accounting for 46% of the total amount of cross-border payments denominated in RMB. Hong Kong is also the world's largest offshore RMB currency trading market, accounting for 41% of the average daily trading volume outside mainland China.

As China, currently the second largest economy in the world, moves towards the world's largest economy, RMB internationalization will be a trend which will require years of steady and orderly progress, the Report said. This provides a "long-term track" for Hong Kong to develop the offshore RMB market. The Report recommended that Hong Kong further strengthen its role as a hub for RMB business through the following five measures:

- 1. Proactively expand the RMB bond market in Hong Kong**, encourage Chinese institutions, including local governments, to issue offshore RMB bonds, allow RMB bond repos by overseas institutions in order to provide liquidity for global offshore RMB centers.
- 2. Encourage Hong Kong stocks to be denominated, traded and financed in RMB**, so as to provide more RMB securities products for overseas institutions holding RMB. It can also match the financing needs of Chinese enterprises listed in Hong Kong, reducing exchange rate risks and attracting a wide range of mainland investors.
- 3. Enrich RMB risk management tools**, by developing RMB-denominated financial derivatives such as futures/options for bonds, stocks, indexes and ETF, so as to attract domestic and international investors with different risk preferences.
- 4. Strengthen the link between the domestic-international dual circulation**, participate in and promote the cross-border use of RMB in the Greater Bay Area, deepen the existing connection mechanisms, develop Hong Kong into an overseas investment and financing platform for the Belt and Road Initiative at the international level, promote the circulation of RMB settlement in countries along the Belt and Road.
- 5. Build an important node in the global cross-border payment network of digital RMB**, actively promote the use of digital RMB in Hong Kong, assist the People's Bank of China to carry out cross-border testing of the digital currency, and lay a foundation for the digitalization of Hong Kong's offshore RMB market.

### **Build a global sustainable financial center and an ESG investment hub**

ESG investment and sustainable finance have risen rapidly worldwide in recent years, becoming a trend in global capital market. According to the Report, Hong Kong has made remarkable progress in terms of the breadth and depth of ESG investment in recent years:

- In 2020, the annual issuance of green bonds in Hong Kong reached a record high of USD 12

billion. In 2021, Haitong International, for example, has participated in the underwriting and issuance of 40 green and sustainable bonds with a total value of USD 11.2 billion as of 30 October, more than double the number of bond issuance and the total value compared with that for the full year of 2020.

- In terms of sustainability-linked bonds and ESG fund products, a total of 15 sustainability-linked bonds and transition bonds have been listed in Hong Kong in the past year and a half, according to the STAGE platform of HKEX. A total of 77 Green and ESG funds have so far been approved by the SFC for sale in Hong Kong, up 43% from 54 in 2018 (all as of 30 October).

In view of Hong Kong's unique advantages in ESG investing and practice, the Report recommended the following five steps to build Hong Kong into a global sustainable financial center and an ESG investment hub:

**1. Establish a local responsible investing initiative**, facilitate exchanges and cooperation within the industry, and ensure the concept of ESG and sustainable development is deeply rooted in the core values of local investment and financing institutions.

**2. Advise asset owners and asset managers in Hong Kong to set investment targets related to climate change risks and carbon neutrality**, and encourage more asset management institutions to participate in the "Net Zero Asset Managers Initiative".

**3. Support the innovation and issuance of ESG-related financial products**, recommend Hong Kong's Exchange Fund to increase its holdings of ESG products issued locally, and encourage financial institutions to develop and invest in ESG products through tax relief and other measures, so as to enhance Hong Kong's leading edge in sustainable finance.

**4. Establish a local carbon trading market**, and build a unified carbon trading center connecting the mainland and overseas markets by cooperating with cities in the Greater Bay Area and utilizing the existing carbon emission trading system and platform.

**5. Strengthen the training of ESG talents**, and provide resources to local universities and encourage them to provide additional ESG-related courses and establish ESG research centers, so as to meet the market demand for talents and knowledge.

Please [click this link](#) to download the full report (in Chinese version only).

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To date, Haitong International has well positioned to serve about 200,000 corporate, institutional, as well as retail and high-net worth clients worldwide. Its well-established financial services platform provides corporate finance, wealth management, asset management, institutional clients (key businesses include fixed income, currency and commodities (FICC), derivatives, institutional equities) and investments business, and a full spectrum of financial products and services. Haitong International possesses a sound risk management system that is in line with international standards. The company has been assigned a "Baa2" long-term issuer rating by Moody's and a "BBB" long-term credit rating by Standard and Poor's. Haitong International has a global financial servicing network covering the world's major capital markets including Hong Kong, Singapore, New York, London, Tokyo, Mumbai and Sydney, thereby making it to be a leading global financial institution with international competitiveness, systematic importance and brand influence.

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