Panel Discussion on "Asset and Wealth Management in Asia: New Frontiers, Challenges and Opportunities"

Introducing the panel discussion, moderator Howard Lee, Deputy Chief Executive, Hong Kong Monetary Authority, noted Asia's startling economic growth and continued deepening of capital markets. With the region on target to account for half of the world's GDP in the next five years, he said Asia has attracted 56 per cent of global inflows in the last five years and experienced a threefold increase in assets under management since the global financial crisis, reaching US$20 trillion in 2018.

At the same time, Mrs Amy Lo, Head and Chief Executive, UBS Hong Kong and Chairman, Executive Committee, Private Wealth Management Association, said the number of high-net-worth individuals has soared from 3.3 million to 6 million in Asia Pacific from 2010 to 2018, including 754 billionaires in 2018, which outnumbered the Americas.

As China accounts for the majority, registering "a new billionaire every week", she said vast potential is clear for both the wealth management industry and UBS as the region's leading wealth manager for ultra-high net-worth individuals.

"Around 70 per cent are also entrepreneurs with businesses to run, and too busy to manage their wealth," she said. "As a result only 15-20 per cent of China's US$1 trillion in personal wealth is invested, with most sitting on the shelf. So we are very optimistic and positive about the potential and Hong Kong remains the main hub – benefiting from one of the region's biggest capital markets and robust regulatory framework."

Hong Kong's connection to the Greater Bay Area is also a new game changer, opening up a market of 71 million with GDP of US$1.6 trillion. "Close proximity also allows closer management oversight than traditional markets of Beijing and Shanghai," she added.

Ms Suyi Kim, Senior Managing Director & Head of Asia Pacific, Canada Pension Plan Investment Board, established the fund's first international office in Hong Kong only 12 years ago when 85 per cent of its assets were invested in Canada. "Today approximately 27 per cent are in the Asia-Pacific with a portfolio of C$110 billion, and Hong Kong will remain our largest office," she said. "Our business is only as good as its talent and Hong Kong is a no-brainer because it attracts the best, and nothing has changed regarding Hong Kong's accessibility to China, which was why we originally opened here."

Investing in China has also significantly simplified, she noted. "Several years back it took around two years for a license application to get approved. Our latest one only took only two weeks!"

A challenge remains on the horizon, however: the world's largest aging population. "Over 8 per cent of Asia's population has reached 65, and is expected to continue rising up to 30 per cent in the future. That will leave a huge asset gap for retirement."

Ms Julia Leung, SBS, Deputy CEO and Executive Director, Intermediaries, Securities and Futures Commission, said China's phased-approach in opening of its capital markets is "prudent and totally understandable" given the Asian financial crisis experience of 1997/98.

As the author of a book on how Asia has surmounted various financial crises, she said "Capital inflow can help float a boat, but can also capsize it. When capital flees, it can bring a country to its knees. In the early 2000s, China adopted an investment quota system that required the holder to observe many restrictions on repatriating capital out of the country to regulate the outflows."

She said, "With Stock Connect launched in 2014, China has embarked on a much bolder experiment and done away with quotas on individual firm level." And Hong Kong is playing a key role with the successful launch of Stock Connect, a unique collaboration between the Hong Kong, Shanghai and Shenzhen Stock Exchanges allowing international and Mainland Chinese investors to trade securities in each other's markets through their home exchanges. "Foreign investors can liquidate their holdings of A shares without any hurdle taking money out," she said. "Ease of money flow in and out of China accounts for a large part of Stock Connect's success." At the end of 2019, foreign investors held US$209 billion in A shares, five times that of utilised investment quotas.

Introduction of Bond Connect in 2017, with similar flexibility in trading, was also a major success with foreign investors holding US$315 bn in Mainland bonds.

Dr Geraldine Buckingham, Chair of Asia Pacific for American global investment corporation BlackRock, said the world's largest asset manager has increased focus on Asia and China investment opportunities over the past five years. From a historical perspective, she said "The world's centre of economic gravity is not shifting to Asia, but back to Asia. Encouraging this capital migration is not only great regional wealth, but China's relaxing regulations bringing greater accessibility."

"The last 18 months have seen a tremendous opening of the China market," Dr Buckingham said. "From the old theory of keeping a dollar in the market and a dollar under the mattress, the realisation now is that the market is probably the best way to go."

For BlackRock, dubbed "the world's largest asset manager" for its power managing US$7.43 trillion of assets as of 31 December 2019, she said Hong Kong is their undisputed Asian hub, with 400 of 1,600 financiers across Asia. "Hong Kong is playing a big role as our international crossroads and gateway to China, which will soon become the world's largest economy." she added.