Those of you from private equity firms and hedge funds may have companies in Bermuda, the Cayman Islands and British Virgin Islands in your structures. I am sure you have been following this issue very closely. With the new economic substance requirements in these jurisdictions, most offshore fund managers are looking at how to restructure to comply with the new regulations.

One of the most realistic options for Asia-based private equity firms is to relocate their fund management functions to Hong Kong. There are a number of reasons for this.

First is Hong Kong's prime location. It connects East and West and is close to the Mainland. We have a large pool of professionals. Businesses benefit from a simple tax regime. Our active stock market provides exit options for private equity funds.

We continue to build out our market infrastructure. For example, in July last year, Hong Kong introduced an open-ended fund companies regime. Hong Kong-domiciled open-ended investment funds can now be structured in a corporate form. This is in addition to the traditional unit trust form.

Keeping ahead of innovation

Another area where we have done a lot of work is addressing the challenges posed by new financial technologies, or Fintech. The firms we regulate are introducing more innovative new businesses and operational models. Traditional asset managers are acquiring robo-advisers to help them deliver their wealth advisory services. New analytics capabilities have been introduced to design more customised portfolios as well as to digitise customer services.

As a market regulator, we recognise that there are many benefits of innovation. At the same time, some 13 sset)3(m)-3(m[ra- Tmc(m)-3(e 13(3011(e a m)-6an)3(y)11( )-4(bi75(g)-8(n)024.82 Tm[( )]TJE

By providing a path for compliance for firms willing to adhere to a high level of standards and practices, we believe it will help investors tell the difference between these firms and those that do not seek a licence.

In October, we also published guidance on licensing conditions for firms that manage portfolios that invest in virtual assets.

Finally, in view of the growing need for Fintech firms to hire specialists to oversee their operations, we announced that we would consider specialised expertise as relevant industry experience in our licensing assessments.

Our efforts in this area have been supported by many stakeholders in the Fintech industry. We have a dedicated communications channel – our Fintech Contact Point – as well as a Fintech Advisory Group made up of industry leaders.

Applying technology in supervision

When we introduce new regulations, we are always mindful of the impact they may have on asset managers and the wider industry. Compliance is undoubtedly a key area but it is also important for compliance measures to be cost-efficient.

A growing trend is for firms to adopt innovative solutions to manage their risk and compliance functions using new technologies.

Green funds

Technology aside, sustainability is another key theme on the global policy-making agenda. Investors increasingly recognise that strong environmental, social and governance (ESG) standards are a reflection of overall management quality.

With these trends in mind, the SFC has been looking closely at global developments in green finance and what they may imply for Hong Kong.

Asset management is a major focus for us in this area. First, we are working to improve public investors' knowledge of green finance.

Second, we are examining asset managers' integration of ESG factors into their own investment processes. Asset owners are becoming more vocal in asking ESG-related questions when they hire or retain asset managers. It is no longer enough for asset managers to simply claim that they take ESG factors into acco -0.1cco -0.1cco -0d