Speech

A regulatory perspective on expanding market access
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I want to thank ASIFMA for LQYLWLQJ PH WR SURYLGH D UHJXODWRU\ SHU
discussion.

Market access and other cross-border programmes have transformed the way in which the 0DLQODQG¶V FDSLWDO PDUNHWV DQG Ist of the world. In fact, \VWHP FRQ developments over the past 10 years or so have been quite remarkable, revolutionising the way in which Hong Kong operates as an international financial centre.

I would like to start with a specific focus on regulation underpinning mainland China and Hong Kong market tie-ups and then briefly touch on financial system resilience in these extraordinary times.

The market access revolution

Stock Connect was a ground-breaking initiative when it was first introduced in 2014, and it has VLQFH EHFRPH D PDLQVWD\ $OWKRXJK WKH ZRUG ³FRQQHFW´ ERUGHU SURJUDPPHV ZLWK RWKHU MXULVGLFWLRQV WKH ³FRQ me remains unique.

The success of this experiment is evident from the fact that southbound trading under Stock Connect now accounts for more than 10 percent of daily turnover in the Hong Kong stock market. Northbound trading averaged RMB120 billion during 2021, equivalent to 52% of Hong

As it scales up, this programme promises to be a model for the future expansion of cross-border market access to the asset and wealth management business. In this context, I should also say that we are keen to expand the Mainland-Hong Kong Mutual Recognition of Funds framework by relaxing restrictions on the value of fund flows from the host market as well as the existing limits on fund management delegation.

A-share futures

There have also been important developments in related areas, the most significant of which was the introduction of MSCI China A 50 Connect Index Futures in Hong Kong last October, after many years of discussion. Shortly after its launch, this new A-share futures contract E H F D P H +¹.(top¶MSCI index futures contract in terms of trading and open interest.

Back when MSCI included A shares in its Emerging Markets Index five years ago ² which itself turbocharged northbound flows ² it was clear that there was enormous market potential for offshore risk management products using equity index and other futures, and that Hong Kong was uniquely positioned as the best place to hedge Mainland exposures.

Of course, the introduction of more sophisticated hedging and similar tools means that we, as regulator, need to manage new risks. This means stepping up our supervision and monitoring of futures trading and also working closely with our Mainland counterparts under a regulatory memorandum of understanding designed specifically for offshore futures. Amongst other things, this deals with the way in which we monitor the potential for offshore derivatives trading