

# Connecting China and the World

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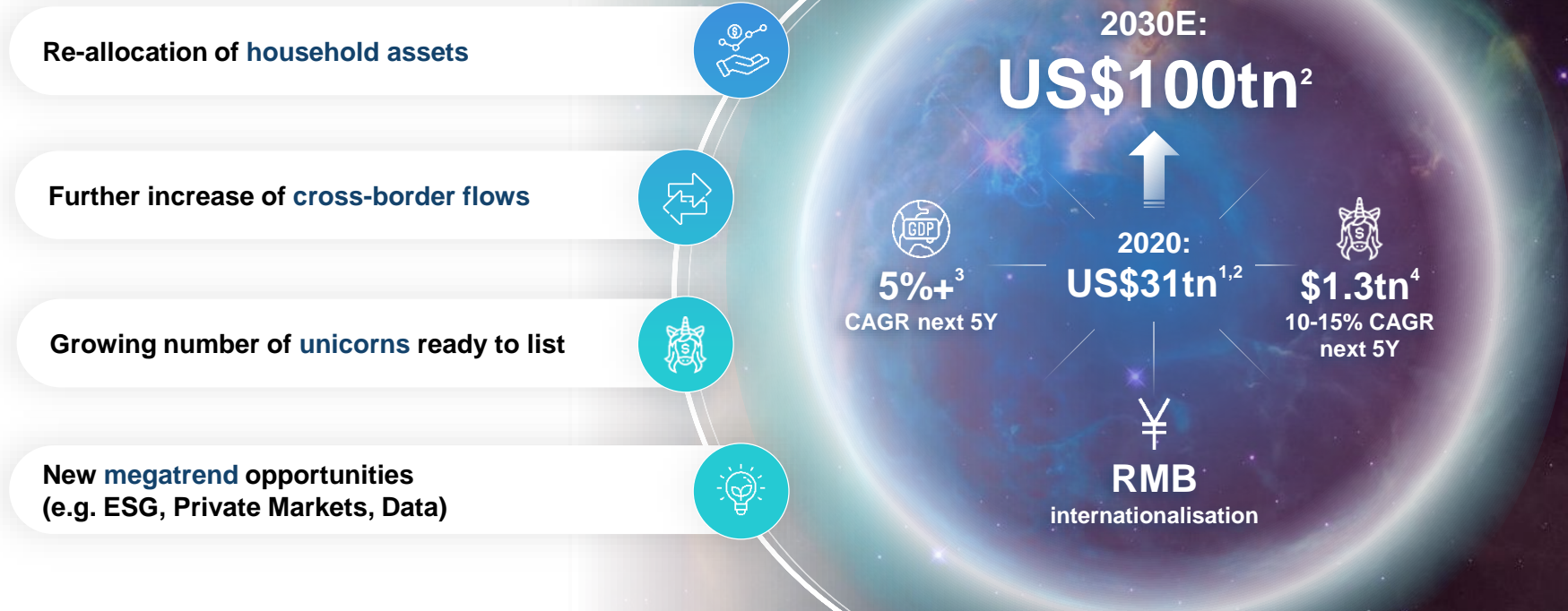
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President & Chief Operating Officer

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Head of Mainland Development



# A “Once in a Generation” Opportunity in China

## China’s “Big Bang of Finance”



1. Combined value of the China onshore bond and stock markets | 2. McKinsey data and forecast, April 2021 | 3. IMF forecast for GDP by 2025E | 4. McKinsey forecast as of Jan 2022

# HKEX: A Superconnector Between China and the World

## Stock Connect

**RMB 120bn**

Northbound ADT

**RMB 2.8tn**

Northbound CCASS holdings

**HK\$ 42bn**

Southbound ADT

**HK\$ 2.3tn**

Southbound holdings

**70%** Northbound holdings as % of total foreign ownership

## Bond Connect

**RMB 27bn**

Northbound ADT

**RMB 920bn**

BCCL Northbound holdings<sup>1</sup>

**3,233**

Registered investors

**56%** BCCL turnover as % of total foreign turnover in cash bond<sup>1</sup>

## Chinese Partners

### Partners



### Joint Venture



Source: HKEX; 2021 data unless stated otherwise

1. Source: CCDC, 2021



# HKEX: A Superconnector Between China and the World

## Risk Management Tools

**USD 720mn**

CNH futures average daily notional traded

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**USD 1.5bn**

MSCI China A 50 Connect futures average daily notional traded (Feb 2022)

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**USD 52bn**

USD/CNH OTC CCS notional cleared value (full year 2021)

## Chinese Issuers

**526**

No. of IPOs (2016-2021)

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**53%**

By no. of Mainland issuers as % of total in HK<sup>1</sup>

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**HK\$ 1.5tn**

IPO funds raised (2016-2021)

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**79%**

By market cap of Mainland issuers as % of total in HK<sup>1</sup>

Source: HKEX; 2021 data unless stated otherwise

1. as of 31 Dec 2021



# Key Themes for China's Future Development

Connecting international financial markets while preserving Mainland standards



Accelerating RMB internationalisation



Raising capital for New Economy and innovative companies



New and emerging assets



# HKEX's Unique China Strengths

## Market Structure



- ✓ Deepen existing Connect programmes
- ✓ Explore new Connect
- ✓ Develop new infrastructures (e.g. digital RMB, ICSD)
- ✓ Bridge gaps in standards and legal framework

## RMB Internationalisation



- ✓ Increase cross holding of financial assets
- ✓ Expand RMB product cluster
- ✓ "Go-to" China risk management centre (capital efficiency + centralised netting)

## Capital Raising



- ✓ New Economy and innovative companies
- ✓ International and Mainland issuers
- ✓ Primary and secondary market participation from Mainland

## New and Emerging Assets



- ✓ New and emerging asset classes (e.g. digital assets and e-currency)
- ✓ Sustainability journey (e.g. ESG, carbon)
- ✓ GBA - testing bed for controlled and manageable pilot programmes



# HKEX Strategies to Support China's Development

1

Enhance  
**Enhance Connect  
Programmes**

2

Become  
**China's Go-To Offshore Risk  
Management Centre**

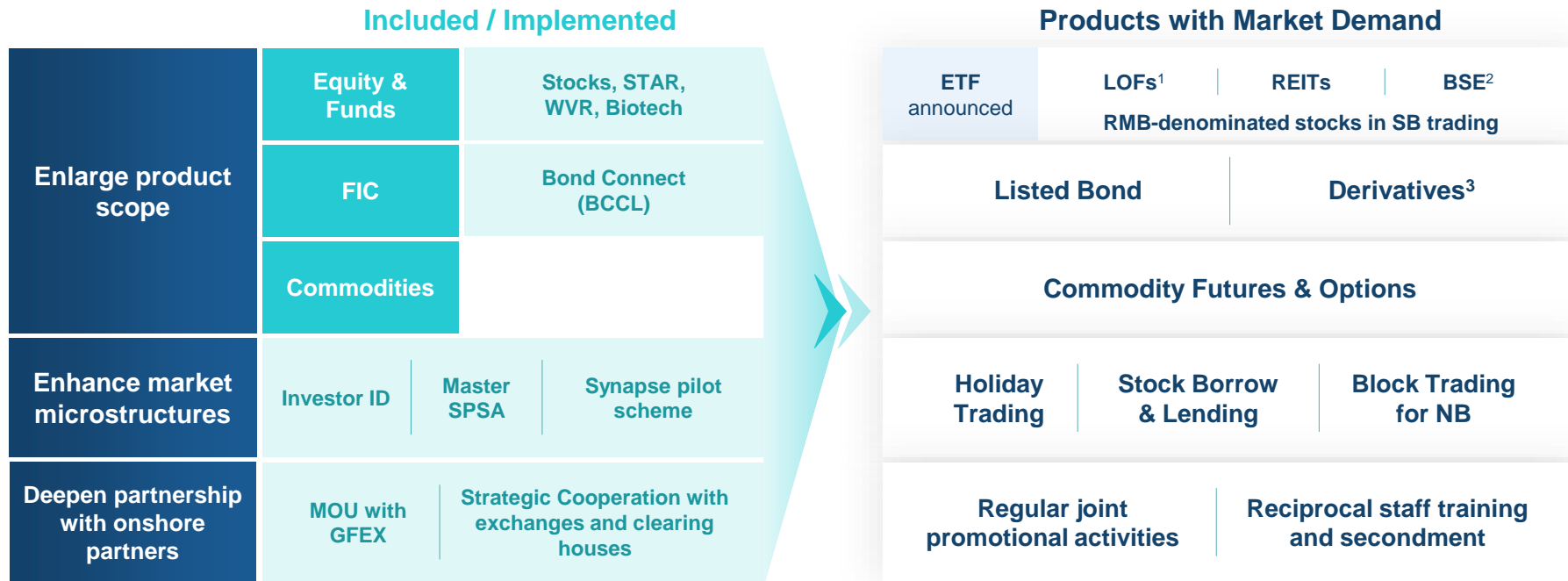
3

Solidify  
**Our Role as China's  
Offshore Fundraising Hub**

4

Grow  
**Our portfolio of China-related  
product offerings**

# 1. Opportunity | Enhance Connect Programmes



**Bridging differences in market rules and standards via adaption, transformation and connectivity through Exchanges and Clearing Houses**

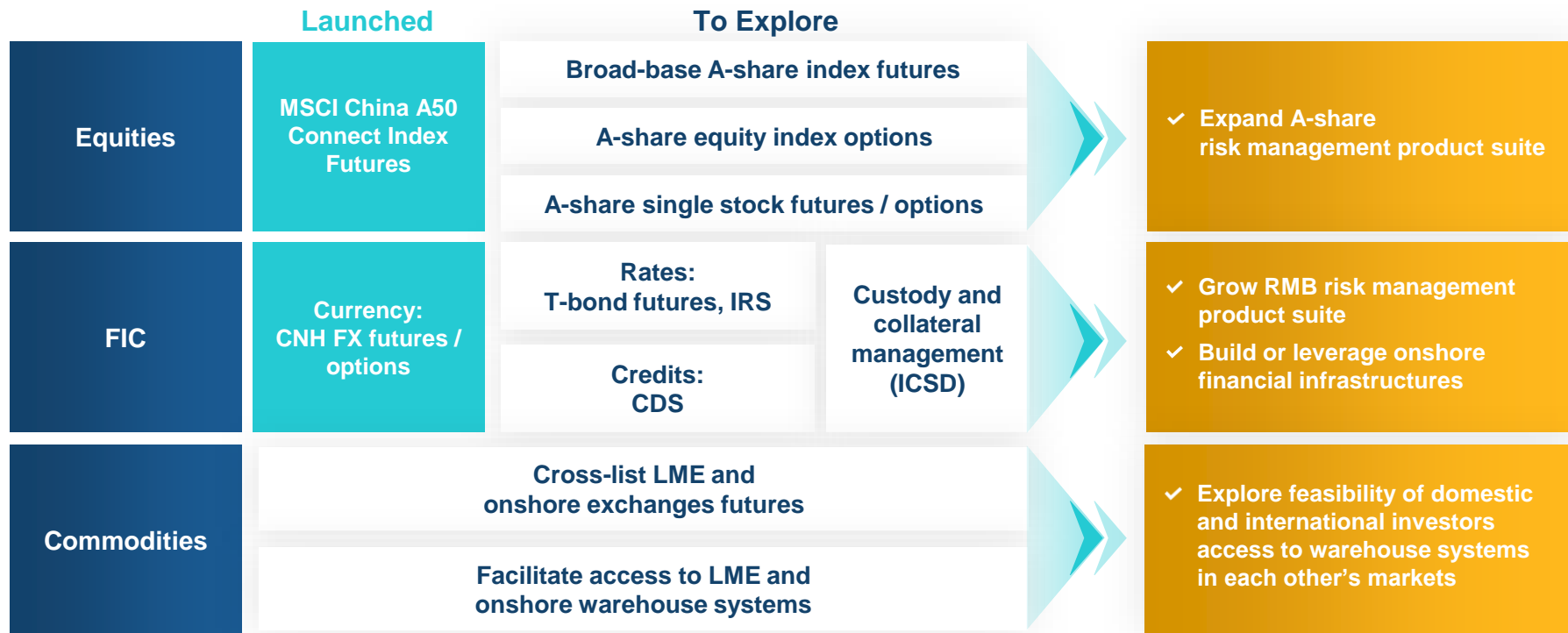
1. LOF – Listed open-ended fund | 2. BSE – Beijing Stock Exchange

3. FIC derivatives include exchange rate, interest rate and credit derivatives traded on interbank market.





## 2. Opportunity | Become China's Go-To Offshore Risk Management Centre



Enriching risk management products and services across asset classes catering to the increasing demand from international investors

### 3. Opportunity | Solidify our Role as China's Offshore Fundraising Hub

The go-to listing venue for Chinese issuers amid increasing uncertainties of overseas markets

Innovation as China's national core strategy

China's determination to become carbon neutral

#### Strengthen attractiveness to Chinese issuers



International market & rules



Continuous enhancements of listing framework



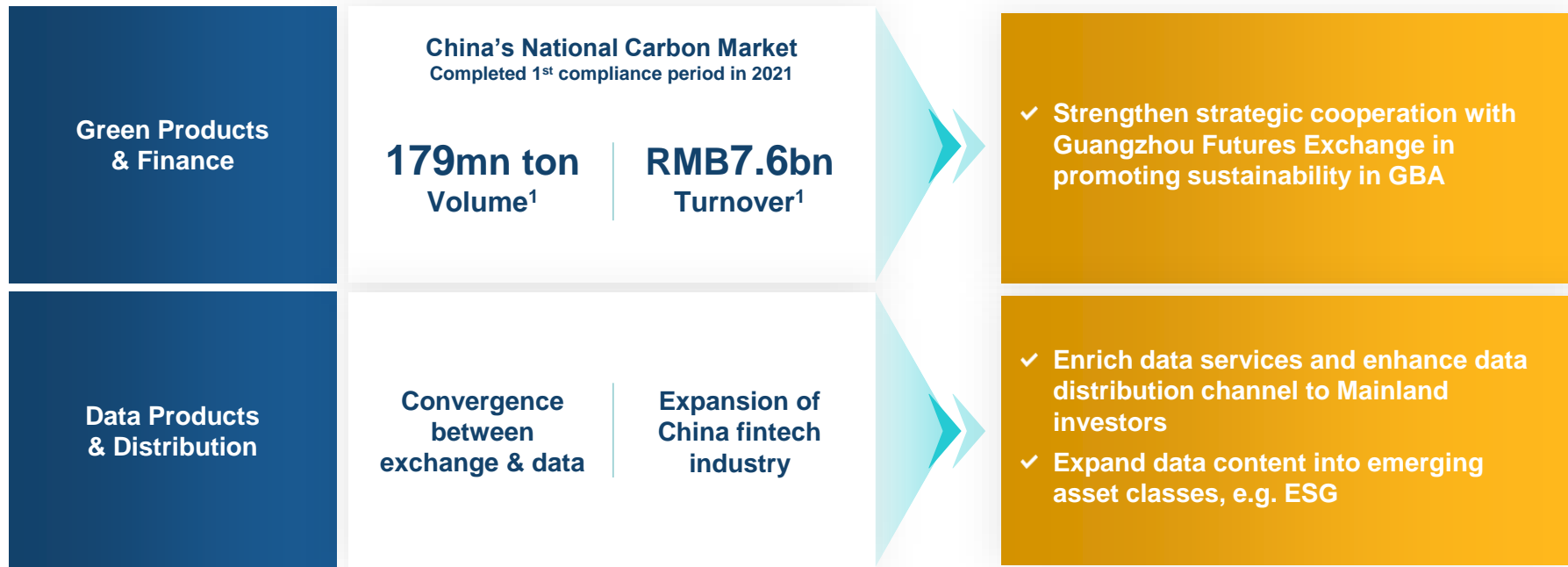
Mainland liquidity through Stock Connect



Ecosystem for New Economy, Biotech and green finance companies

Increasing Mainland liquidity and enhancing listing regime to cater to Chinese issuers' fund raising needs

## 4. Opportunity | Grow our portfolio of China-related product offerings



Leveraging GBA policy support to explore new business opportunities in emerging asset classes

1. Source: Shanghai Environment and Energy Exchange website.

# Roadmap | Path to Future Success



## Short-term (2022)

### Enhance Connect Programmes

- Add ETFs to Stock Connect
- Develop RMB counter under SB Connect
- Progress on holiday trading enhancement
- Conduct joint promotional activities and staff secondment with onshore partners



## Mid-term (2023-4)

### Enhance Connect Programmes

- Expand more products and services under Connect Programmes, e.g. listed bond

### Become China's go-to Offshore Risk Management Centre

- Expand risk management products in Equity and FIC

### Solidify our Role as China's Offshore Fundraising Hub

- Enhance listing regime for Chinese Issuers



## Long-term (2025+)

### Enhance Connect Programmes

- Expand onshore investors' participation in Hong Kong markets

### Become China's go-to Offshore Risk Management Centre

- Explore opportunities in commodities

### Grow our portfolio of China-related product offerings

- Strengthen strategic cooperation with GFEX in green products in GBA
- Expand China-related data offering

# Summary | Unleash the Power to Connect China and the World



We will expand our product suite and enhance services for **Connect Programmes**



We will strive to provide a **diversified suite of risk management products** across equity, FIC and commodities to help our clients manage their Chinese portfolio risks



We will continue to **enhance our listing regime** to best cater to Chinese issuers' fund raising needs and attract liquidity from the Mainland



We will **leverage GBA policy support** to expand our China related product offerings in emerging asset classes, such as green and data products