Why Hong Kong must play to strengths to stay ahead

Given the growing influence and allure of Mainland China, Grace Chow of The Bank of East Asia (BEA) says Hong Kong can maintain its role as a hub and gateway if it leverages what it does well.

Although some people might believe the best days of Hong Kong's dominance as the gateway to Mainland China are behind it, there is still a lot that can be done for the local market to offer some specific advantages to investors.

For example, says Grace Chow, general manager & head of the wealth management division at BEA, a key advantage for Hong Kong today is still its accounting and tax systems.

"These are more aligned with international standards than those currently deployed in China," she says. "This is what we have for now."

Longer term, however, Hong Kong needs to be aware of the advances being made by Mainland banks, to ensure that its competitive edge doesn't get lost.

"Mainland Chinese are obviously looking at diversification and, because the [RMB] is not as strong as it was before."

Hong Kong might also be affected by its property market, according to Chow. While property prices have boomed in recent years, she believes it is not possible for property prices to rise forever and eventually Chinese investors will stop buying. A correction in the property market would also take its toll on Hong Kong.

GRACE CHOW
The Bank of East Asia

"We do cross-border lending and, for customers of our branches in Mainland China, we can consider providing certain facilities [in Hong Kong]," says Chow.

"But we see more of these funds invested in fixed income instruments for yields rather than being used to purchase properties in Hong Kong."

In line with this, she says she would like to see the regulators in Hong Kong playing a more prominent role to facilitate faster development and maintain Hong Kong's competitive position in the financial industry.

This comes down to how the Hong Kong Monetary Authority (HKMA) and Private Wealth Management Association (PWMA) lead the industry going forward.

"We are focusing on serving our customers from the Mainland and trying to grow this part of the business faster by leveraging our own [competitive] edge."

CLEAR LINES OF AUTHORITY

For the time being, therefore, Chow remains confident about BEA's role in the development of wealth management in Hong Kong.

Indeed, she believes Mainland Chinese will continue to allocate part of their wealth offshore, mainly Hong Kong.

"Mainland Chinese are obviously looking at diversification and, because the [RMB] is not as strong as it was before," she explains.

BEA, in particular, has some advantages in China with its strong network, she adds.

"We are focusing on serving our customers from the Mainland and trying to grow this part of the business faster by leveraging our own [competitive] edge, to ensure we can be better or more efficient than other players."

MORE PERSONALISED

More specifically within its business, BEA recently launched its own version of a digital tool – iPortfolio Analyzer in a bid to enhance the bank's value to its private banking customers.

Co-developed with IBM, this is a secure mobile solution that enables BEA's relationship managers to access and display portfolio information for clients at any location from their iPad.

Chow says this is part of the bank's ongoing digital transformation, which includes helping clients to make more timely investment decisions.

Plus, she adds, it empowers bankers to meet with clients wherever they are, to deliver a more flexible and personalised offering. ■

Private wealth continues to grow in China

Joint research from China Merchants Bank and Bain & Company has revealed that the number of Chinese HNWIs has shot up from 180,000 to 1.6 million in just over a decade (ie. the number of people with at least RMB10 million (USD1.5 million) of investable assets.) Indeed, as China's wealthy continue to grow richer and more numerous, they've also become more diverse in terms of segmentation, more geographically dispersed and they have more diversified wealth goals. Key report findings:

- *While HNWIs remain concentrated in major cities and coastal areas, 22 of Mainland China's 34 provinces each have at least 20,000 wealthy individuals*
- *About 40% of UHNWIs would consider using family offices for asset allocation, wealth preservation and inheritance, tax planning, legal consultation, and business inheritance planning*
- *The percentage of HNWIs surveyed with overseas allocation has increased from 19% in 2011 to 56% in 2017, but the overall percentage of assets allocated overseas has levelled off*
- *Today, 63% of China's wealthy rely on financial services providers to manage their domestic financial assets, and about half of that group uses private banking services at commercial banks*