

Hong Kong - upgrading the private wealth proposition



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What are the priorities for the PWMA in 2023?

We have several projects that we’re working on that we will be rolling out over the course of the year. One of them is a white paper entitled Hong Kong 2035, which we expect to launch in the next few weeks. This will be a piece on thought leadership that looks at how Hong Kong can further develop as a global wealth management hub and take full advantage of the opportunities in the Greater Bay Area, in China, and globally. We’re doing that together with the Tsinghua University PBC School of Finance.

We are also working on an ESG survey together with the ESG committee that we formed last year. This is a project that we are doing to further understand the nature of demand for ESG products in this part of the world and to also understand what challenges there might be in trying to meet that demand and cultivate that demand.

And then the third project that we’re working on is something that we started last year, which is a virtual assets position paper. In October of last year, the Hong Kong government came out with a policy statement to declare its support for trying to promote the virtual asset industry in Hong Kong. We are trying to put down on paper our thoughts on what should be done on the regulatory front in order to try and make the industry viable in Hong Kong from a private wealth management perspective. Those are our big projects. One thing that we continue to do, it’s sort of a perennial priority for us, is to work with the regulators and with the government on how to address some of our pain points in the areas of suitability in the sales process.

What’s the role of Hong Kong as a regional centre for Private Wealth Management?

Hong Kong is currently, according to BCG, the second-largest offshore wealth management centre in the world after Switzerland. According to the same BCG data, could potentially overtake Switzerland as soon as this year. Hong Kong is one of the largest centres for managing wealth offshore in the world and it remains extremely important for a couple of reasons. One is its role as the only part of China with no capital controls.

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One of the world's most active stock markets, one of the world's most active IPO markets in particular, is of course something that is extremely important for wealth management because IPOs create liquidity events. Liquidity events mean you have clients who need wealth to be managed. Hong Kong is an extremely important centre for private equity, venture capital, and for fund management. So all of those things remain extremely core to Hong Kong's value proposition as a private wealth management centre globally.

How are you attracting more young people to join this industry?

One of the things that PWMA has been extremely successful with in the last five or six years has been the Pilot Apprenticeship Program for private wealth management, which is a talent development program that we run together with the Hong Kong Monetary Authority. The program recruits young talents from universities in Hong Kong to join the private wealth management industry for two summers, during which they get exposure to the private wealth management industry from front to back. So they get to see what it's like for RMs dealing with high-net-worth clients. They get to see what it's like from the compliance side, from onboarding, to risk management. And then at the end of this, if they're still interested and if they do well,

then they are on the shortlist to get jobs with the firms where they've done this apprenticeship.

And we're extremely proud of the work that we've done. We've had nearly 300 students who've cycled through this program. Not everybody makes it through the end, but we have quite a few who've ended up in the industry. To me, what's really important is it has introduced private wealth management to many students who never even thought of this as a potential career and if they had thought about going into finance, if they thought about going to banking, they would probably have looked at investment banking and very unlikely would've applied for jobs at private banks. That's something we're very proud of and we continue to work with the authorities here on ideas to try and do more to develop talent locally and to try and see what we can do to take advantage of talent across the border that can be hired in Hong Kong especially to serve mainland clients who are a key part of the growth story for Hong Kong.

What is Hong Kong doing to make itself more appealing to UHNW clients as they consider where they establish their family office?

In the last few years, we've seen the Hong Kong government explicitly

talk about the need to try and attract family offices to Hong Kong. They have actually even set KPIs in this sector. The government has said that they want to recruit up to 200 new family offices over the next few years to set up in Hong Kong. One of the most significant measures that the Hong Kong government has introduced with regard to family offices is the proposed tax incentive, which would apply to single-family offices that have a holding vehicle set up that meets certain criteria which basically allows these entities to not have to pay tax on their activities as long as they are involved in basically primarily in investment related activities.

So that's something that we believe is going to be extremely helpful in making Hong Kong competitive with family offices. But on the other hand, Hong Kong already has a lot going for it that's quite attractive to family offices, but they haven't necessarily been extremely effective at communicating that. The other thing that we're very glad to see is that the government seems to be more focused on trying to market itself effectively to families outside of Hong Kong that might be interested in locating here to explain the advantages of locating in Hong Kong and things that are not necessarily widely understood, but which in fact apply and which make Hong Kong quite competitive. ■

