

**IGNITES**
A S I A

Free travel, judicial independence key for HK's future as financial hub: AIMA

Hong Kong 'faces significant competition and challenges in attracting and retaining skilled and diverse talent', says the Alternative Investment Management Association

By Echo Huang | July 13, 2022

Hong Kong is facing some of its “biggest challenges to date” in safeguarding its future as a major regional financial hub, Asia’s largest alternative investment group says in a new report.

In order to uphold its status as a financial hub, Hong Kong must focus on six key aspects, including the rule of law and judicial independence, building a vibrant talent pool of tech-savvy investment professionals, and free movement between the territory and mainland China.

“Some of these challenges are pandemic induced and represent major current issues that Hong Kong is slowly but surely working its way through,” reads the report co-published by the Alternative Investment Management Association and PwC on Tuesday.

The AIMA report comes after many local and international finance and investment bodies have criticised the Hong Kong government over its strict Covid-19 control measures, including lengthy hotel quarantines and flight ban mechanisms. Such policies since early 2020 have greatly obstructed business travel, forcing some to relocate to Singapore in order to be able travel around the region more freely.

“It is critical that a delicate balance is struck giving proper recognition to Hong Kong’s stature as an international financial centre and broader local public health considerations,” reads the report, which includes interviews and roundtables with alternative managers in the region.

Hong Kong is home to more than half of the major hedge funds in APAC, with more than US\$1 billion in assets under management, according to the report.

The territory ranks third behind New York and London as an alternative investment hub, with 44 US\$1 billion alternative managers, compared with 228 in New York and 101 in London. Hong Kong had US\$184 billion in total alternative assets as of end-March, compared with US\$1.56 trillion in New York and US\$539 billion in London, according to the report that cites the HFM database.

“As a gateway to mainland China and regional connector together with its attractive legal, tax and regulatory settings, deep talent pool, capital markets ecosystem, Hong Kong is a significant centre for alternative asset management and ownership,” the report says.

AIMA says that while Hong Kong has ranked highly for liveability and is relatively easy for overseas professionals to work, “it is imperative that the city and its financial services sector look to become more agile”.

Hong Kong, however, fell 19 places in the ranking to become just the 77th most liveable global city for workers relocating from elsewhere in east Asia due to ongoing Covid-19 restrictions and reduced press freedom, according to an ECA International report issued in March this year.

Among proposals to ensure that Hong Kong does not lose its status as a major financial hub, AIMA emphasises the need to resume free travel in and out of the territory.

"These might include ensuring that financial services professionals can move freely between Hong Kong, mainland China and the rest of the world," the report adds.

Some government policies are now being slowly relaxed. Hong Kong last week eliminated a rule that banned flights from bringing in Covid-19 infected passengers, which has "severely affected the operations of airlines", the government **admitted**.

This comes after the chairman of the European Chamber of Commerce in Hong Kong complained to the city's then chief executive that flight cancellation **was** "highly disruptive for the business community in Hong Kong".

Related Content

July 4, 2022

Singapore attracts wave of new fund execs fleeing HK, Shanghai

May 5, 2022

European firms intensify pressure on HK to relax travel restrictions

July 21, 2020

Security law, US sanctions complicate operations for HK fund firms

Fund executives have been put off visiting Hong Kong as the flight ban had often caused last-minute schedule changes and disrupted quarantine hotel booking. International arrivals are still required to spend seven days in a designated hotel upon arriving in Hong Kong, which has become increasingly challenging to secure during the summer months as international students visit home.

The Hong Kong Investment Funds Association has repeatedly called on the authorities to end the quarantine rule.

"The longer we are stuck in this restrictive mode, the more we are reducing our relevance and

competitiveness in the international arena," Sally Wong, CEO of the HKIFA, told *Ignites Asia* in June.

Securing the right professional investment talent is the "lifeblood" of any financial services centre and Hong Kong is no exception, AIMA says in the report.

But Hong Kong now "faces significant competition and challenges in attracting and retaining skilled and diverse talent", reads the report.

Strict Covid travel and quarantine measures in Hong Kong have led to a talent crunch in the territory, with fund executives **leaving** to relocate to Singapore, and **pushing up** salaries and bonuses for some top-paid fund managers.

Judicial independence is another key aspect for Hong Kong to retain its financial hub status, according to AIMA.

Many have questioned whether or not Hong Kong's judicial independence has been eroded since Beijing imposed a National Security Law two years ago following a series of protests by Hong Kong people over an extradition bill in 2020.

“A majority of fund managers consulted identified the rule of law as the most important reason they chose to establish or locate in Hong Kong,” AIMA says in the report.

“Upholding the rule of law will be paramount in ensuring Hong Kong remains one of the freest economies in the world and one of the leading international centres for funds management and capital-raising activities,” reads the report.

Businesses have over a number of years **called** for greater clarity on how the National Security Law would be implemented in various situations given that the vagueness of the law leaves much room for interpretation. Two years on, a total of 208 people have been arrested under national security offences, including lawyers, academics, former pro-democratic legislative members and media tycoons, the Wall Street Journal **reported** this month.

American lawyer Samuel Bickett, who was jailed four and a half months after being convicted of assaulting a plain-clothed police officer in Hong Kong, **told** Nikkei Asia that there was mounting pressure on judges who ruled against Beijing’s interest. Bickett, who left Hong Kong for the U.S. already, said there will be no distinction between criminal and corporate cases under this law.

Ignites Asia is a copyrighted publication. Ignites Asia has agreed to make available its content for the sole use of the employees of the subscriber company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of Ignites Asia for the use of any person, other than the employees of the subscriber company.

An Information Service of Money-Media, a Financial Times Company