

# BOCHK Private Banking: Rising demand from Mainland HNW boosts the wealth management industry

Hong Kong has long been a significant wealth management centre in the region. It is home to a well-established wealth management industry that has attracted notable assets from high-net-worth (HNW) clients in Mainland China and the rest of Asia.



“With our strong foundation, as well as proximity to the Mainland and experience in serving its market, Hong Kong is very well positioned to capture the new opportunities arising from the rapid accumulation of wealth in the country,” says Edmund Kam, Managing Director and Head of Private Banking, Bank of China (Hong Kong) (BOCHK).

## Secular trend of increasing wealth management needs

“Last year, the net inflow of Mainland capital to Hong Kong via the Stock Connect scheme exceeded HKD 600 billion. The market generally expects that the total size of inflow will increase further in the long term. As the economy continues to evolve, Chinese enterprises may strengthen and people are becoming more well-off and financially savvy. The demand for wealth management products and services is on the rise. The fast-growing HNW population in the Mainland, especially in the Greater Bay Area (GBA), will be the new growth driver for Hong Kong's private banking and wealth management industry,” he shares.

Indeed, the GBA is one of the most affluent regions in the country. It is an open and economically vibrant region, boasting a cutting-edge innovation and technology hub and diversified industry chains. With a population of over 70 million, the GBA has a combined GDP of USD 1.6 trillion, greater than some of the G20 economies; and its per-capita GDP of USD 23,000 is comparable to that in some middle-income countries. According to the Hong Kong Monetary Authority, in 2019, the GBA accounted for over one-fifth of the entire country's HNW households with assets amounting to RMB 10 million or more. The continued growth of the economy and personal wealth will generate increasing demand by Mainland residents for diversification of investment to offshore assets.

Meanwhile, Mainland China's stable economic growth and the enormous potential of the country's ongoing transformation have prompted many international investors to increase their exposure to China-related investments, in particular RMB assets.

“As the internationalisation of RMB accelerates, we have seen rising interest from overseas investors in related products. HNW investors from outside China have steadily raised the weight of RMB assets in their portfolios. It presents a vital opportunity for Hong Kong. Currently, Hong Kong handles more than 70% of all RMB settlements. We also have the largest pool of offshore RMB savings in the world and are set to benefit from the continuous trend of increasing RMB-denominated transactions as the currency is further internationalised. BOCHK is in an advantageous position as we are the sole clearing bank for RMB business in Hong Kong,” Kam comments.

## Surge in succession planning

Earlier this year, Invest Hong Kong announced the establishment of a new dedicated FamilyOfficeHK team, which aims to promote the family office business in the city and help wealthy overseas families set up family office in Hong Kong. The family office business has flourished in recent years, becoming an important growth segment in the local wealth and asset

nurtured a number of startups which are now ready to go public and list on exchanges. Entrepreneurs and senior executives of these rising-star companies are our target groups of clients,” he adds.

“Many of these individuals and families are looking to diversify their assets and investments across geographies,” he continues. “As an international financial centre with access to a wide range of global solutions, coupled with our proximity to Mainland China and expertise in serving HNW clients from across the region, Hong Kong is the best place to go to.”

## Unique “1+1+1” service model

In the long run, Kam thinks that the wealth management needs of HNW clients will eventually go beyond savings and investments and demand more sophisticated services, such as holistic wealth planning from a global perspective, setting up of trusts, family wealth succession planning and more.

He notes that the bank has a unique advantage of the synergy created by the collaboration and integration of private banking, corporate banking and retail banking functions.

“Armed with this unique ‘1+1+1’ service model, we are fully capable of meeting the wealth management service needs of HNW investors. In addition, the pandemic has accelerated the adoption of digital technologies, which has transformed the way we communicate and ushered in a new normal for the financial service industry. Complemented by the latest technologies which keep us connected with our clients amid lockdowns and social distancing measures, we can cultivate a stronger relationship with our clients, particularly Mainland HNW.”

## Growing popularity in ESG investments

Another key trend that Kam has observed is the growing popularity of environmental, social and governance (ESG) investments.

“Clients nowadays care more about how their money is put to work. They hope to bring positive impacts to society by investing in companies that have better ESG performance, while generating financial returns for their portfolios. When building portfolios for private banking clients, sustainable investments are added to the mix. For instance, strategic ESG allocations are made to address the carbon neutrality objectives proposed in the 14<sup>th</sup> Five-Year Plan. We also encourage clients to participate in voluntary work and charitable causes for the creation of mutual benefit.”

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### Edmund Kam

Managing Director and Head of Private Banking, Bank of China (Hong Kong) (BOCHK)

management industry. Apart from members from Hong Kong, the team also has two members in Mainland China and one in Europe.

Kam welcomes the government's latest move to support the expansion of Hong Kong's family office business.

“The family office industry is in the midst of a global boom, and Asia is leading the surge. Private enterprises in the Mainland, especially those located in Shenzhen and Zhuhai, have grown rapidly over the past few years. Incubation programmes have