

25 October 2021

The Honourable Mr Paul Chan Mo-po  
Financial Secretary  
Hong Kong SAR Government  
25/F, Central Government Offices  
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cc:  
Mr Christopher Hui Ching-yu  
Secretary for Financial Services and the Treasury  
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Dear Secretary Chan,

### Call for Clarity and Engagement Regarding Hong Kong's COVID-19 Response

On behalf of our members representing the international financial services community in Hong Kong, we offer our partnership to the Hong Kong SAR Government as it deals with the next complex stages of COVID-19. We seek to convey the industry's perspective on these issues and put forward constructive ideas for keeping Hong Kong safe, ensuring the territory's full economic recovery, and protecting Hong Kong's status as an International Financial Centre (IFC) and unique gateway for China's access to capital markets. We commend the Government on its work to keep the impact of COVID-19 low within the community, enabling Hong Kong a degree of normalcy within the territory. Hong Kong has begun its recovery, with year-on-year growth of 6.5% expected for 2021. As members of the community, we welcome this positive economic news but also want to see the Hong Kong enjoy a sustained long-term recovery.

**IFC and Deep-rooted Recovery at Risk:** Our concern is that the growth projected does not represent a deep-rooted recovery and Hong Kong's economic standing in the longer term remains at risk. The international financial services sector is Hong Kong's underlying engine of economic activity representing 21.3% of GDP, in the high single-digits for the number of jobs it creates directly, and a large multiplier effect on indirect employment and broad-based economic activity through consumption of goods and services provided by local businesses. This economic dynamism has been achieved through the strategic development of Hong Kong as a leading International Financial Centre (IFC), second only to London and New York, and supports Hong Kong's role as the premier gateway to the Greater Bay and China generally, an ambition for Hong Kong we share with the Government. Only as an IFC is Hong Kong best placed as an effective conduit for investment in and out of mainland China and as a supportive market for mainland participants to familiarise themselves with international practices. With ongoing travel restrictions, a zero-COVID policy in place, and limited detail on an exit strategy

from these policies, an unintended consequence is that Hong Kong's status as an IFC is increasingly at risk along with its long-term economic recovery and competitiveness as a premier place to do business. In parallel, unless restrictions are eased on travel along key corridors (e.g. Europe, UK, and US), where many multinationals' headquarters are located, we see Hong Kong's international voice becoming more muted, which is not helpful for the territory's recovery and the telling of its growth story.

**Talent, People and Business Operations Leaving HK:** This is a sentiment felt increasingly amongst the international financial services community in Hong Kong. We recently sought the views of bank and asset manager members, who collectively represent the largest global firms in both sectors and largest employers in Hong Kong's financial services sector. Based on our survey, 90% of such financial institutions feel operating in Hong Kong is either moderately or significantly negatively impacted by factors outside their control as businesses, particularly the Government's current highly restrictive COVID-19 policies. With such restrictions, 73% report experiencing difficulties attracting and retaining talent in Hong Kong, a third of whom rate these difficulties as 'significant'. Further, 48% of firms now contemplate moving staff or functions away from Hong Kong due to these operational challenges, including uncertainty regarding when and how travel/quarantine restrictions will be lifted. This comes at a time when demand for talent is amplified by the Government's own [policy](#), which seeks capacity building and talent development in line with international best practice in areas such as fintech, ESG, climate finance, investment and risk management, data governance, cybersecurity, and banking generally.

**Clearer HK COVID-19 Strategy Needed:** We share these and other results only to highlight industry concern regarding Hong Kong's ongoing status as an IFC and for its long-term economic health. Importantly, we think the Government can take concrete actions now to address these issues whilst still effectively managing risks to the health of the community. According to our survey, member firms believe the most critical factor in helping the industry retain and attract staff in Hong Kong would be a clearer roadmap for productively managing COVID-19 (scoring on average 4.2 an importance scale of 1 to 5) and mitigating some of the strictest quarantine measures globally (4.4) which significantly limit Hong Kong's ability to meaningfully function as an IFC and risks its long-term economic prospects.

We offer these specific recommendations for discussion:

- A roadmap for exiting Hong Kong's 'zero-case' based COVID-19 strategy beyond solely the immediate goal of opening borders with China, with clear criteria (e.g. vaccination levels), phased easing of restrictions including 21-day quarantine (e.g. to 14 days for returnees from high risk countries and 7 days from medium-risk countries, and home quarantine for children wherever possible, in line with WHO recommendations), streamlining of airport testing processes (including waiting times) and quarantine transport arrangements, and limiting the definition of close contact for imported cases to the period subsequent to re-entry for Hong Kong returnees; and, more generally, acceptance that 'living with COVID' will eventually be required, enabling businesses, families and the community in Hong Kong to more effectively plan for the future;

- Sustained emphasis on well-resourced programs to prioritise vaccination of Hong Kong’s most vulnerable, a key enabler to Hong Kong opening up both mainland and international borders; in comparable jurisdictions 80-100% of over-60s have received at least one dose of vaccine, while Hong Kong trails substantially at 47%, although we do commend the Government’s latest efforts in this area;
- Transparency on scientific methodologies used to define milestones in the gradual easing of the restrictions (including an eventual exit strategy), which is proportionate and in balance with keeping case numbers and severity to a level to which the public health system can cope, and which again would provide the industry and wider community with a clearer view of interim goals and objectives of the current policy; and
- Consideration of adverse effects on mental health, given anecdotal evidence from the medical community that the current overall environment has triggered an increase in mental health problems, including within the local population (e.g. public surveys).

**Ensuring China’s Capital Market and Economic Development:** In addition to the social and broader economic cost to the community long term, we fear that if Hong Kong does not develop and communicate a clear and meaningful exit strategy from the current zero-case approach, as is the case in many other jurisdictions, Hong Kong risks losing its vital international status. This would undermine the territory’s and the mainland’s long-term interests and policy objectives in relation to the internationalisation of China’s capital markets, integration and continued national economic development, and impact the Greater Bay Area’s positioning.

We share the Hong Kong Government’s goal of ensuring that the Hong Kong community is healthy and on a strong path to economic recovery. We are committed to Hong Kong as a unique and vital place to do business. Like the Government, and as part of the community, we want Hong Kong to maintain a strong, sustainable economy to underpin the welfare of its families and businesses. To that end, the Government must do its utmost to foster informed dialogue and full consideration of the long-term risks to livelihoods if its borders remain effectively closed, in contrast to competing international financial and business centres. A clear and well communicated timeline for opening may in itself serve as a catalyst for the unvaccinated to get vaccinated. We would appreciate engagement with the Government and again offer to meet with you to discuss the proposals raised here as well as what else the financial services sector can do to support Government policy objectives.

Thank you for all you do to enhance Hong Kong’s economic and social prosperity.

Sincerely,



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