

**Welcoming remarks at the “Conversations with Global Investors”  
investment forum of the  
2024 Global Financial Leaders’ Investment Summit**

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Distinguished guests, ladies and gentlemen, good morning.

On behalf of the Securities and Futures Commission, Hong Kong Monetary Authority and the Academy of Finance, let me extend to you all a very warm welcome to Hong Kong, and to this investment forum on Day 3 of our Global Financial Leaders’ Investment Summit. We are most delighted to host you here and explore how to “sail through changes”.

This Connect Hall provides the perfect setting for today’s investment forum. I want to tell you a bit of its history. This venue used to be the bustling Trading Hall of our stock exchange since 1986. At its peak, hundreds of trading desks were arranged in concentric circles and nearly 1,000 traders donning bright red vests jostled on red carpets. This is also where hundreds of enterprises strike the iconic Gong to set off the listing journey.

When the last trading desks walked into history seven years ago, the Trading Hall was given a new life in this Connect Hall, which is named after the Stock Connect programme between Mainland and Hong Kong stock exchanges. Only two days ago, we celebrated the 10th Anniversary of Stock Connect in this very Hall. For the Hong Kong market, the past decade has been a remarkable journey of transformation into a super conduit of capital between Mainland China and the rest of the world.

Good old memories aside, I believe this hall embodies the irresistible forces of change that constantly drive our capital markets forward.

In global markets, the many forces of transformation have continued to reshape our market practices, growth strategies and also regulation. As leading investment managers, you have a knack for identifying evolving market trends to stay steps ahead, seize opportunities, and keep both your firm and investors out of harm’s way. And my job as a regulator shares a similar purpose, to adapt to the shifting landscape through an agile and proportionate regulatory regime.

Let me check off a few forces of change in the investment landscape:

- First, innovative technology is sending the financial industry into a blue ocean of endless possibilities. Algo trading, machine learning and AI language models combined are reshaping front-, middle- and back-office functions including sales, research, client communication and compliance. You can put in this bucket the nascent wave of tokenisation that allows all of primary issuance, transfer, ownership and record keeping of traditional financial products to be done on chain at near-atomic speed.

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Note: This is the text of the speech as drafted, which may differ from the delivered version.

- Second, the rise of passive funds versus active funds has continued. Over the past nine years, passive funds have attracted more inflows than active funds. For the first time, total assets in US passive mutual funds and exchange-traded funds have surpassed those in active ones this year. This trend is also turning a spotlight on the vulnerability of investment concentration in the biggest corporates, where popular trades are driving up their market caps and hence market index weighting. This creates a positive feedback loop. Once these popular trades unwind, the swing could be unforgiving.
- Third is the rapid growth of private market on the back of a more regulated banking market. Estimated assets under management for global private capital are as high as US\$14 trillion plus, tripling from a decade ago. It is growing the fastest in the US, followed by Europe. In Asia, its growth has been slower, which means greater upside potential. We think private credit should be supported as an alternative form of financing for enterprises and projects with a longer investment horizon, but there should be adequate transparency and liquidity risk management, as well as more data reporting.

Then, there is climate change, transition finance, and the list goes on. But my last point is that we are living in an era of predictable unpredictability. Thanks to technology, algo trading and index investments, today's markets are far more concentrated, moving greater amounts of funds at a faster speed across more diverse asset classes and geographies. Throw into this mix geopolitics and Trump 2.0, we know the supply-chain disruptions, trade disputes and military tensions in the past few years are not an aberration. Uncertainty and market volatility are the new and only certainty.

Coping with the flux of this new era is akin to bracing for the trials and tribulations of a triathlon, arguably the toughest sport. Unlike a 100-metre dash, a triathlon, which brings together swimming, cycling and running, requires more grit than sheer power and speed. The triathlete must go the distance and overcome every obstacle along the way — be it torrential rain, tidal waves or treacherous slopes. Hence, we must think and train up like a triathlete for agility, strength and resilience to sail through the changes of our times.

Thank you very much, and now we shall begin.