Strengthening Hong Kong's Status as an International Asset and Wealth Management Hub:
Attracting Patient Capital

November 2026
FSDC Paper No.76

HK FINANCIAL SERVICES DEVELOPMENT COUNCIL 香港金融發展局



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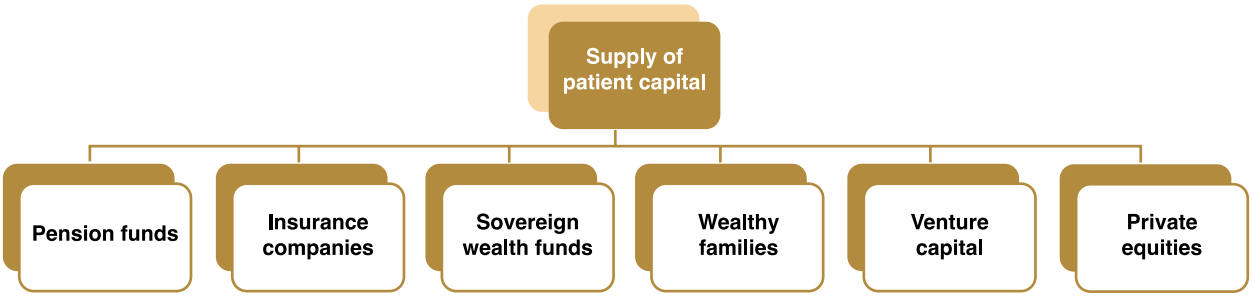


Executive Summary

Executive Summary

In the First Five-Year Plan for Economic and Social Development of the Hong Kong Special Administrative Region (2026-2030) (Hong Kong's Five-Year Plan), the Government pledges to strengthen the city's role as an international asset and wealth management centre. The sector drives capital formation, fosters high-value employment, enriches the intricate fabric of the financial landscape, and nurtures an expansive network of professional expertise spanning legal, accounting, and fiduciary realms. As wealth creation across Asia continues—particularly from Greater China—attracting patient capital represents a strategic imperative for elevating Hong Kong from a transactional marketplace to a structural, long-term wealth management hub.

Figure 1. Supply of patient capital

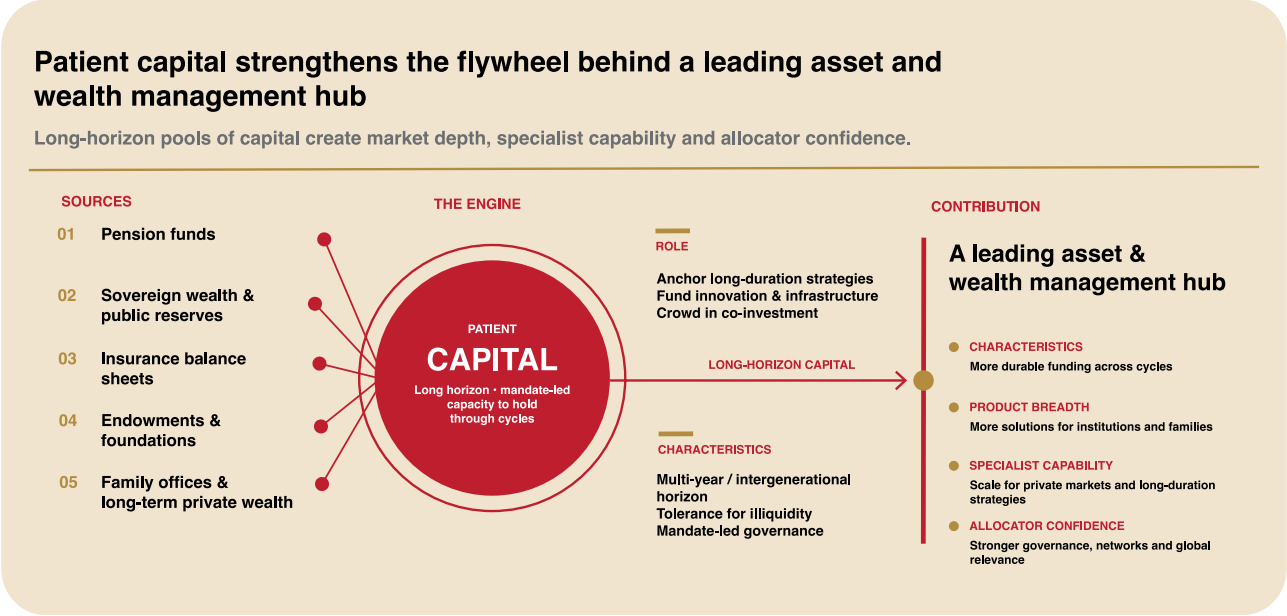


Source: Hong Kong Government[1]

Patient capital—characterised by an extended investment horizon, a value orientation, and a higher tolerance for risk in pursuit of long-term reward—provides multiple benefits that strengthen Hong Kong's asset and wealth management sector. Patient capital supplies stable funding for long-duration assets such as infrastructure, real estate, and the energy transition; it reduces systemic volatility by dampening the impact of short-term market cycles; and it deepens capital markets by expanding the pool of committed, non-speculative investors. For Hong Kong, harnessing this capital is especially timely as the city leverages its unique advantages: unparalleled connectivity to the Chinese Mainland, a robust common law system, sophisticated financial infrastructure, and its growing role as a global family office and wealth management centre. These strengths support the Government's aim under Hong Kong's Five-Year Plan to encourage more international and Mainland family capital and long-term capital to establish and expand their operations in Hong Kong.

1 Legislative Council Secretariat. (2025, 30 July). Promoting fund flows from patient capital to start-ups in the United Kingdom and Sweden (Information Note IN12/2025). https://app7.legco.gov.hk/rpdb/en/uploads/2025/IN/IN12_2025_20250730_en.pdf

Figure 2. Patient capital for Hong Kong's IFC ambitions



Source: Harvard Business School[2], TIAA Institute;[3] Compiled by FSDC staff

Several global and regional trends are converging to create a timely opportunity. Ageing demographics in advanced and major emerging economies are expanding pools of retirement savings. A shifting interest rate environment encourages long-term allocators seeking diversification. Simultaneously, the global push for sustainable finance and net-zero transition is generating vast, long-dated investment opportunities ideally suited to patient capital providers. Closer to home, China's ageing population and pension reform, as well as Chinese Mainland insurers increasingly seeking diversified asset allocation, further amplify opportunities for Hong Kong.

Patient capital comes from a range of sources, including sovereign wealth funds, endowments, foundations, and family offices, yet pension funds[4] and insurance companies[5] stand out as its most natural and scalable sources. Pension funds, accumulating retirement savings over decades, seek liability-matching, long-dated returns. Insurers managing policyholder reserves prioritise stable, risk-adjusted yields to meet future claims. Both bring predictable, stable capital flows that elevate an international financial centre's asset and wealth management business from transactional to structural.

Hong Kong has a strong foundation for attracting patient capital, and encouraging progress is underway. Expanding the supply of longer-term bonds and strengthening benchmark yield curves would support liability matching and price discovery, while further development of risk management infrastructure would broaden institutional access to effective hedging solutions. Cross-boundary access could be further facilitated through expanded quota arrangements. Advancing in these directions will reinforce Hong Kong's position as the destination of choice for patient capital allocators across Asia and beyond.

2 Ivashina, Victoria, and Josh Lerner. Patient Capital: The Challenges and Promises of Long-Term Investing. First ed. Princeton, NJ: Princeton University Press, 2019.
3 https://www.tiaa.org/content/dam/tiaa/institute/pdf/insights-report/2026-02/tiaa-institute-patient-capital-in-impatient-times.pdf
4 International Organisation of Pension Supervisors (IOPS), "Pension funds are rightly viewed as an important source of long-term capital in many countries," in Pedraza Morales, A.E., Fuentes, O., Searle, P. and Stewart, F. (2017) Pension Funds and the Impact of Switching Regulation on Long-term Investment. IOPS Working Papers on Effective Pensions Supervision, No. 28. Paris: IOPS.
5 Unless otherwise specified, references to insurance companies in the context of patient capital in this paper shall be understood as principally denoting their long term business lines, such as life insurance.

Accordingly, this report sets out recommendations aimed at enabling Hong Kong to further attract and retain international institutional capital, facilitate diversified allocation by Chinese Mainland investors and nurture Hong Kong's own pools of long-term capital.

Recommendation 1 – Expanding product horizons: A roadmap for broadening offerings

1. Deepen the bond market
2. Broaden equity investment
3. Enhance risk management and hedging tools
4. Advance index development

Hong Kong can further expand its product offering to better meet long-term investors' needs for credit quality, liquidity and liability matching. Deepening bond and equity markets, enhancing hedging tools and developing a next-generation broad-based index with a supportive product ecosystem would build on the city's established strengths and reinforce its appeal as a patient capital hub.

Recommendation 2 – Unlocking regional opportunities: Strategic levers for cross-boundary investment

1. Enhancements to mutual market access schemes
2. Explore new opportunities in connectivity

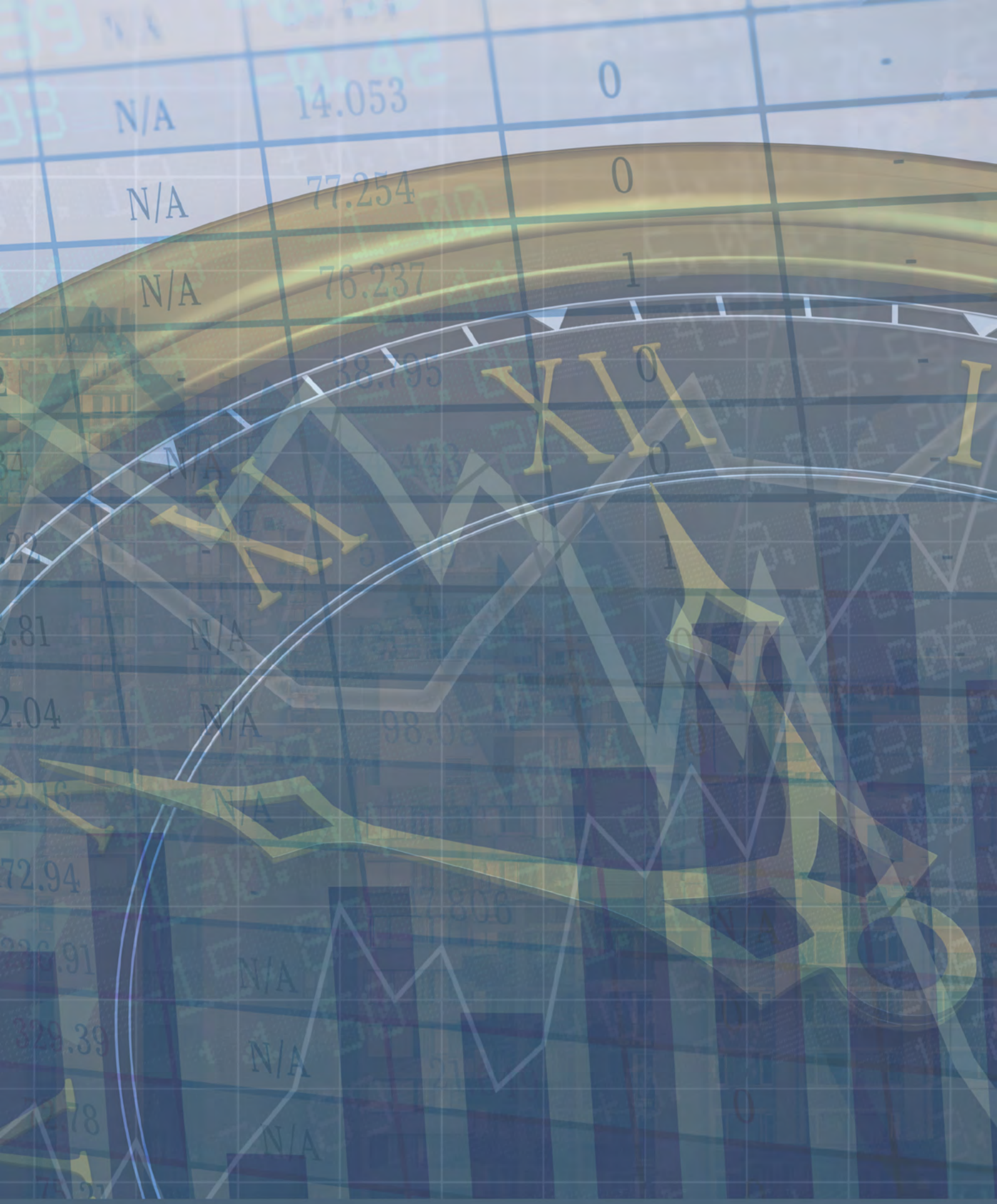
The Chinese Mainland looms large as a fertile ground for Hong Kong, both as a source of patient capital and as a destination for international long-term investment. Building on established investment channels, further enhancements to mutual market access schemes would broaden investment choice, support diversification and facilitate cross-boundary capital flows. Exploring further connectivity in insurance and pensions, guided by market demand, regulatory oversight and the value added to existing arrangements, would benefit both markets and support the development of the Chinese Mainland's pension system.

Recommendation 3 – Future-proofing the ecosystem: Strengthening the enabling environment

1. Leverage Hong Kong's long-term capital
2. Strengthen regulatory and tax frameworks
3. Enhance market infrastructure
4. Enhance the liquidity of small-cap companies

A robust enabling environment complements product development and cross-boundary access in attracting patient capital. Leveraging Hong Kong's long-term capital, strengthening tax frameworks, introducing financial incentives, augmenting market infrastructure, and fortifying corporate governance tenets are pivotal to complementing product and investment channels in attracting streams of patient capital.

With the support of the Government and industry stakeholders, advancing these priorities together would deepen Hong Kong's patient capital ecosystem and strengthen its asset and wealth management sector. While this report focuses on pension funds and insurers, the proposed measures would also benefit a broader range of long-term investors, further reinforcing Hong Kong's status as a leading international financial centre.



Introduction

Introduction

Hong Kong boasts a robust asset and wealth management (AWM) sector, demonstrating strong growth in 2025, reinforcing its role as a leading global financial hub. As reported by the Securities and Futures Commission (SFC), total assets under management (AUM) surged 20% year-on-year to HKD 42.2 trillion (USD 5.4 trillion), with 54% of the AUM sourced from overseas investors.[6] For the first time, Hong Kong also overtook Switzerland as the world's largest cross-boundary booking centre in 2025, according to Boston Consulting Group.[7]

The sector's strong growth and scale can be attributed to several factors, including favourable tax policies, a legal system trusted by the international community, and deep-rooted ties to the Chinese Mainland. However, to sustain this momentum, multi-level diversification would be essential. Other regional centres are aggressively courting capital and talent, posing a challenge to Hong Kong's pre-eminence. To maintain and strengthen its competitive edge, Hong Kong must shift its focus from incremental improvements to a more strategic pursuit: attracting and retaining patient capital.

Characterised by long investment horizons and a commitment to sustainable value creation, patient capital, or long-term capital, has emerged as a highly sought-after form of capital. Unlike short-term, speculative capital flows, which are prone to sudden exits during market volatility, patient capital provides a stable funding base. It fosters deeper and more resilient markets and anchors the development of sophisticated investment products and services. Ultimately, it plays a vital role in building infrastructure, financing innovation, and sustaining long-term economic growth.

Patient capital originates from diverse sources, both geographically—such as international markets, the Chinese Mainland, and local capital pools—and by institution type, including pension funds, insurers, and family offices. Each of these institutions seeks long-term investments to match its enduring liabilities and to diversify its portfolio for optimised returns. Among them, pension funds and insurance companies stand out as particularly significant players, given their inherent structural bias towards long-term investing. With liabilities extending over decades, these institutions naturally favour long-duration assets and collectively command substantial capital reserves.

An example of this trend can be observed in the Chinese Mainland, where insurers held total assets of RMB 41.3 trillion (USD 6.1 trillion) as at end-4Q 2025, a 15.1% increase from the beginning of the year.[8] The Chinese Mainland's three-pillar pension system reached RMB 15.66 trillion (USD 2.2 trillion) in 2024[9] and is estimated to grow to RMB 22–28 trillion by 2030, with the emerging third pillar projected to reach RMB 7 trillion by then.[10]

These shifting dynamics present lucrative prospects for Hong Kong's financial markets, leveraging its unique strengths, especially its proximity to the Chinese Mainland and the flourishing insurance sector. Targeting pension and insurance funds represents a strategic entry point. Success in attracting and harnessing these funds can serve as a catalyst for tapping into other domestic and international sources of patient capital.

6 Securities and Futures Commission. (2026, 2 July). Hong Kong's AUM grew 20% to record high: SFC's 2025 survey on asset and wealth management. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-report-English.pdf?rev=355c352ea18b409f8bef3388ae259d7f&hash=2FD55F1D-F15EDBEBC0375F08B63CA0B9

7 Boston Consulting Group. (2026). Global wealth report 2026: The great reordering. Boston Consulting Group. https://web-assets.bcg.com/84/95/538c1f4b439a91d3ef8ae90b6e89/2026-gwr-may-2026.pdf

8 National Financial Regulatory Administration. (2026, 12 February). 2025 Q4 banking and insurance industry key regulatory indicators. https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1249435&itemId=915

9 BlackRock CCB Wealth. (2025). 2025 China pension finance white paper. https://www.blackrockccbwealth.com/uploads/files/31b73e026d8a758d2044c848bb1044b9.pdf

10 KPMG China & ASIFMA Asset Management Group. (2023). China pensions reform: Winning strategies for global asset managers amid evolution in retirement market. KPMG. https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2023/06/china-pensions-reform.pdf

By identifying opportunities to enhance product offerings, regulatory frameworks and market infrastructure, and by proposing targeted recommendations, we aim to chart a practical path forward—one that further strengthens Hong Kong's position as a leading asset and wealth management hub and a preferred destination for the world's patient capital.



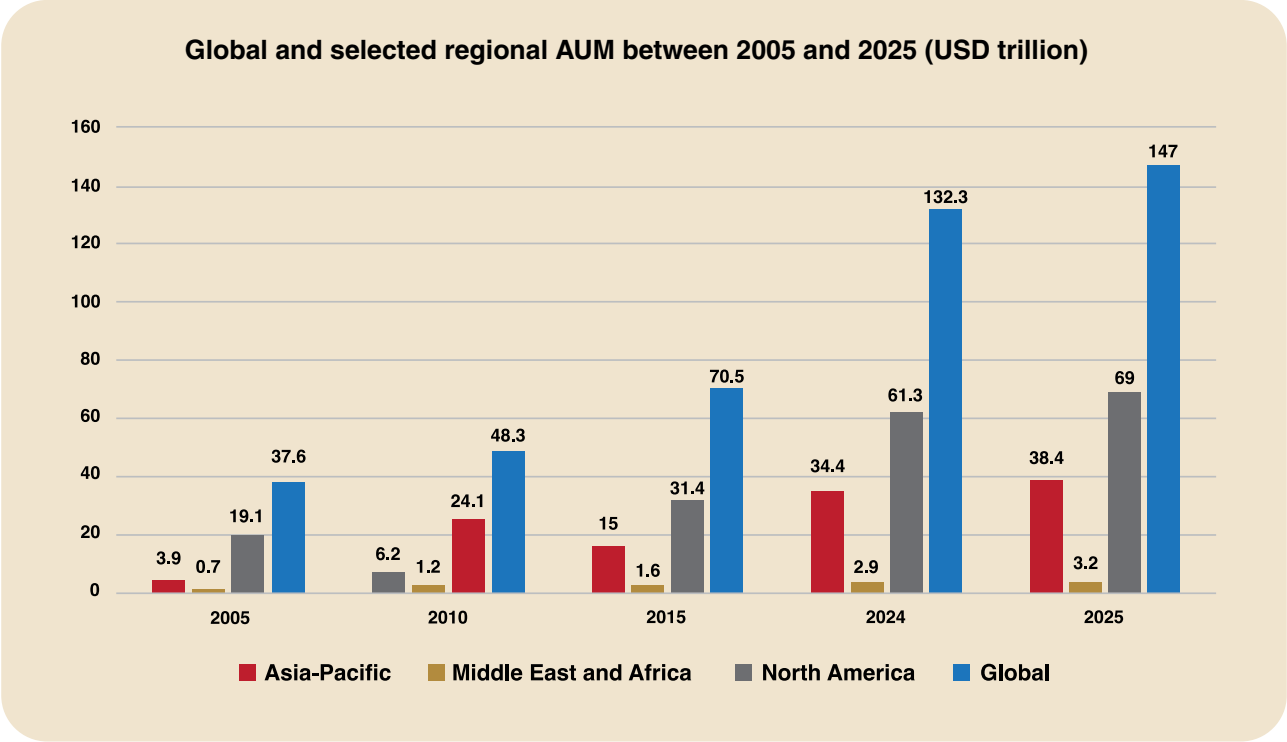
Patient capital and asset and wealth management business

Patient capital and asset and wealth management business

Global and regional asset and wealth management landscape

The global asset and wealth management industry continues its upward trajectory, with total AUM reaching USD 147 trillion in 2025, representing a substantial 11% increase from 2024, according to a BCG study.[11] Growth was observed across all regions, spearheaded by Asia-Pacific (including Australia and Japan) and emerging markets, fuelled by rising capital and an expanding middle-income demographic. Leading the pack, North America (comprising the US and Canada) remains the dominant market, accounting for USD 69 trillion in AUM, followed by Asia-Pacific (including Australia and Japan) at USD 38.4 trillion.

Figure 3. Regional AUM between 2005 and 2025 (USD trillion)



Source: BCG[12]

11 BCG. (2026). Global asset management report 2026: An imperative for growth. Boston Consulting Group. https://web-assets.bcg.com/78/cf/bbb3a3044db782077c75b907d719/2026-gam-report-apr-2026.pdf

12 BCG. (2026). Global asset management report 2026: An imperative for growth. Boston Consulting Group. https://web-assets.bcg.com/78/cf/bbb3a3044db782077c75b907d719/2026-gam-report-apr-2026.pdf

Figure 4. Global and selected regional AUM annual growth rate between 2024 and 2025

Global and selected regional AUM annual growth rate between 2024 and 2025			
Asia-Pacific	Middle East and Africa	North America	Global
12%	10%	13%	11%

Source: BCG[13]

The US and Canada collectively managed USD 69 trillion in 2025 (or USD 61.3 trillion in 2024),[14] reinforcing North America's position as the world's largest asset management hub. The United Kingdom, the second-largest global investment centre, oversees USD 13.25 trillion (GBP 10 trillion) in 2024.[15] Meanwhile, Hong Kong, positioned as the world's third-largest international financial centre,[16] reported USD 5.4 trillion (HKD 42.2 trillion) in AUM in 2025, as per SFC data.[17] Given Asia Pacific's rapid economic growth and its expected contribution of around 46% of global growth through to 2030,[18] Hong Kong has significant potential to further scale its asset management sector, as PwC projected global AUM to reach USD 200 trillion over the same period.[19]

Figure 5. AUM of selected markets

Markets	US and Canada	UK	Hong Kong
AUM (2024, USD, trillion)	61.3	13.25	5.4 (2025)

Source: BCG, the CityUK, SFC

13 BCG. (2026). Global asset management report 2026: An imperative for growth. Boston Consulting Group. https://web-assets.bcg.com/78/cf/bbb3a3044db782077c75b907d719/2026-gam-report-apr-2026.pdf

14 Boston Consulting Group. (2026). Global asset management report 2026: An imperative for growth. Boston Consulting Group. https://web-assets.bcg.com/78/cf/bbb3a3044db782077c75b907d719/2026-gam-report-apr-2026.pdf

15 TheCityUK. (2025, 12 November). The asset management landscape: Global insights and UK strengths. https://www.thecityuk.com/media/o2upzbxn/the-asset-management-landscape-global-insights-and-uk-strengths.pdf

16 Z/Yen Group & China Development Institute. (2026, September 16). The global financial centres index 40 (GFCI 40). https://www.longfinance.net/media/documents/GFCI_40_Report_2026.09.16_v1.2.pdf

17 Securities and Futures Commission. (2026, 2 July). Hong Kong's AUM grew 20% to record high: SFC's 2025 survey on asset and wealth management. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-report-English.pdf?rev=355c352ea18b409f8bef3388ae259d7f&hash=2FD55F1DF15EDBEBC0375F08B63CA0B9

18 Simpfendorfer, B., & Austen, M. (2025, 3 December). Rethinking Asia's 2030 economy: Growth, AI, and global impact. Oliver Wyman Forum. https://www.oliverwymanforum.com/performance-reimagined/asia-2030-economy-outlook-for-business-leaders.html

19 PwC. (2025, 24 November). Asset and wealth management revolution 2025: The profitability paradox: Competing for relevance and returns. https://www.pwc.com/gx/en/issues/transformation/asset-wealth-management/pwc-awm-revolution-2025.pdf

Patient capital

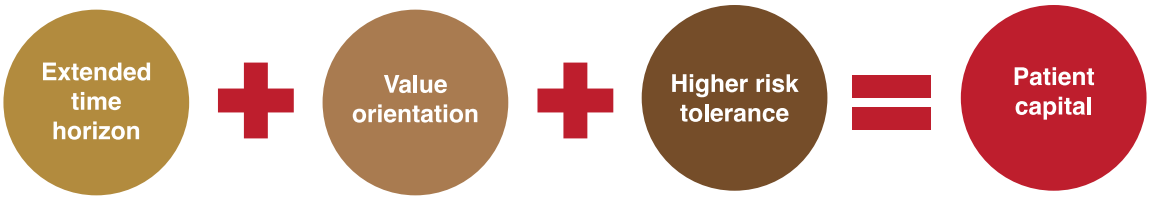
While there is no consensus on the definition of long-term capital, or patient capital, a review of policy, academic, and industry resources indicates a converging consensus on fundamental characteristics.[20,21,22,23] These characteristics underpin the underlying principles and behavioural patterns of patient capital:

1. **Extended time horizon:** Investments are made in assets or projects that demand prolonged periods to mature and generate benefits. Providers demonstrate commitment by holding onto investments during periods of market stress, resisting premature exits despite adverse conditions. Although consensus on the precise duration remains elusive, the emphasis is on a commitment beyond immediate gains.

2. **Value orientation:** Emphasis is placed on sustainable value creation and long-term growth prospects, purposely de-emphasising short-term market fluctuations and speculative profits. Cultivating trust with investees and fostering supportive interaction with management are crucial components of this approach.

3. **Higher risk tolerance in pursuit of long-term rewards:** By the nature of its objectives, patient capital exhibits a greater capacity to absorb volatility and cyclical downturns, viewing them as inherent phases within a longer investment journey rather than immediate triggers for divestment. They have higher holding power to weather short-term volatility.

Figure 6. Characteristics of patient capital



Characterised by an extended investment horizon, an acceptance of short-term market turbulence, and a funding focus on ventures with long-term value realisation timelines, patient capital stands in stark contrast to speculative capital, fixated on rapid exits and short-term gains.

Broadly defined as a financial commitment aimed at achieving sustainable returns over an extended investment horizon, patient capital is deployed by a range of institutional actors, including pension funds, insurance companies, family offices, sovereign wealth funds, endowments, and corporate long-term investment entities. Crucially, pension funds and insurance companies are widely considered natural forms of patient capital due to their structurally long-term liabilities. The allocation decisions of these institutions ultimately generate significant multiplier effects across the asset management landscape.

20 Legislative Council Secretariat. (2025, 30 July). Promoting fund flows from patient capital to start-ups in the United Kingdom and Sweden (Information Note IN12/2025). https://app7.legco.gov.hk/rpdb/en/uploads/2025/IN/IN12_2025_20250730_en.pdf

21 Deeg, R., & Hardie, I. (2016). What is patient capital and who supplies it? Socio-Economic Review, *14*(4), 627–645. https://doi.org/10.1093/ser/mww025

22 Lin, J. Y., & Wang, Y. (2024, 17 June). Patient capital more essential and appropriate for China. China Daily. https://www.chinadaily.com.cn/a/202406/17/WS666f927ba31095c51c509372.html

23 Qiu, R., Tian, Z., & Ding, R. (2025). Patience is a virtue: Patient capital and the financialization of real economy enterprises. Journal of China Economics, *1*(13), 59-80. https://www.jcejournal.com.cn/EN/Y2025/V1/I13/59

The role of patient capital for Hong Kong's AWM ambitions

Patient capital plays a crucial role in strengthening the AWM sector in multifaceted ways.

- **Patient capital acts as a stabilising force within the AWM sector.** Unlike short-term flows that react to quarterly earnings or market sentiment, patient capital remains committed through market cycles. This stability allows asset managers to focus on long-term value creation rather than short-term performance pressure, thereby reducing pro-cyclical tendencies that can exacerbate market volatility. Furthermore, it generates higher fee revenues for managers. Since patient capital tends to be "stickier"—with less frequent redemptions—it provides a more stable and predictable stream of management fees, enhancing financial sustainability for AWM firms.

- **Patient capital encourages the development of sophisticated financial products.**[24] The needs of long-term investors—for liability-matching bonds, predictable income streams, and exposure to illiquid assets—create demand for sophisticated products. Developing these products requires expertise in structuring, risk management, and regulatory navigation, capabilities that deepen a financial centre's competitive moat.

- **Patient capital generates a multiplier effect across the professional ecosystem.** When pension funds and insurers allocate capital, they do not simply invest directly. They appoint fund managers, engage custodians, retain legal and tax advisors, and commission research. Each dollar of patient capital can support a cascade of high-value professional services, create jobs and sustain the ecosystem that defines a leading asset management hub.

Over time, jurisdictions that successfully attract patient capital build deep, resilient markets that are less susceptible to sudden outflows. The presence of stable, sophisticated investors attracts other capital, and the ecosystem develops a virtuous cycle of growth. Translating this vision into a Hong Kong strategy starts with mapping global pools of patient capital and targeting client segments that command the largest pools.

According to a 2025 PwC study, high-net-worth individuals hold approximately USD 127 trillion, followed by mass-affluent investors at USD 100.6 trillion. Institutional pools—pension assets (USD 65 trillion), insurance companies (USD 39.1 trillion), and sovereign wealth funds (USD 13.3 trillion)—together account for a substantial share (34%) of the global total.[25] Among the institutional investors, pension assets and insurance companies accounted for a large share of global AUM.

24 PwC. (2024, November). Asset & wealth management: Top ten trends. https://www.pwccn.com/en/asset-management/top-ten-trends-nov2024.pdf

25 PwC. (2025, 24 November). Asset and wealth management revolution 2025: Balancing relevance and returns in a profitability paradox. https://www.pwc.com/gx/en/issues/transformation/asset-and-wealth-management-revolution.html

Figure 7. AUM breakdown by client segments (USD trillion)

Clients	2020	2024	2030* Base	CAGR Base*
Pension assets	56.8	65	87	5.0%
Insurance companies	35.9	39.1	49.1	3.9%
Sovereign wealth funds	9.9	13.3	19.5	6.6%
High-net-worth individuals	103.5	127	185.7	6.5%
Mass affluents	88.5	100.6	140.5	5.7%
Total client assets	294.6	344.9	481.8	5.7%
Total AUM	116.2	139.9	200.4	6.2%
Penetration rate	39.4%	40.5%	41.6%	

Source: PwC

For Hong Kong, the most promising near-term opportunities lie in pension assets and insurance funds, where the city enjoys strong competitive advantages. Hong Kong's well-developed insurance sector and proximity to the Chinese Mainland—the world's largest pension market—position it as a natural hub for capturing growth in these segments. By leveraging these strengths, the city can reinforce its standing in global asset and wealth management while attracting the long-term, patient capital that underpins sustainable economic development.



A closer look at pension and insurance funds

A closer look at pension and insurance funds

The structural forces reshaping global capital markets are playing directly to Hong Kong's strengths. Secular trends—the diversification imperative, the search for yield, and the energy transition—are driving institutional capital to reallocate across geographies and asset classes. At the same time, dynamics unique to Hong Kong—China's rapidly growing pension and insurance systems and a sustained innovation pipeline—create a distinctive window of opportunity that the city is uniquely positioned to capture.

Diversification is key among international markets

1. **Diversification imperative:** For insurers and pension funds, diversification remains a fundamental strategic investment consideration. Institutional investors need to deploy capital beyond domestic assets to enhance returns and manage concentration risk. International investors seek exposure to Asia's growth story while navigating geopolitical and currency risks. On the Chinese Mainland side, regulatory constraints mean investment choices remain relatively limited and heavily concentrated in domestic assets. Chinese Mainland investors, therefore, are looking for diversification, with younger cohorts typically focusing on wealth creation, while older cohorts prioritise wealth preservation and management.[26] Hong Kong's unique position—combining common law governance, capital market depth, and access to China—makes it an ideal diversification hub for international and Chinese Mainland investors.

2. **Search for yield:** Persistently low interest rates have compressed yields on traditional fixed-income investments, prompting insurers and pension funds to seek alternative sources of return. Market surveys/studies indicate that Asia-Pacific investors show a distinct inclination toward increasing their exposure to global equities, alongside strong enthusiasm for thematic equity sectors—such as REITs, utilities, biotechnology, and alternative energy—which are gaining appeal amid declining inflation and interest rates.[27] In fixed income, regional preferences emerge. European investors prioritise ESG-linked bonds, while their Asian counterparts favour asset-backed securities.[28] Securitised finance also attracts capital, driven by the yield pickup and diversification benefits it offers relative to conventional fixed income.

3. **Energy transition and sustainable development projects:** Energy transition is a core thematic allocation priority for global pension and insurance funds, with green and transition finance continuing to draw robust demand.[29] Patient capital investors, particularly insurers and pension funds with long-duration liabilities, are natural holders of green bonds, infrastructure debt, and sustainability-linked products that offer stable returns while supporting climate objectives. The Insurance Authority, in a 2026 consultation on preferential capital treatment for infrastructure investments, aims to establish a framework, supported by a clearly defined set of eligibility criteria, to provide capital relief to insurers in Hong Kong.[30]

4. The world requires USD 4.2 trillion per year to fund sustainable development or long-term projects until 2030.[31] Sustainable development (climate action, social equity, resilient infrastructure) requires patient and long-horizon capital. Bonds, especially sustainable-related bonds, would particularly benefit from long-term investment.

26 PwC. (2024, November). Asset & wealth management: Top ten trends. https://www.pwccn.com/zh/asset-management/top-ten-trends-nov2024.pdf
27 Schroders.. (2025). Schroders global investor insights survey pension funds. https://publications.schroders.com/view/357191315/6/
28 Schroders. (2025). Schroders global investor insights survey pension funds. https://publications.schroders.com/view/357191315/6/
29 Schroders. (2025). Schroders global investor insights survey pension funds. https://publications.schroders.com/view/357191315/6/
30 Insurance Authority. (2026). Consultation paper on draft Insurance Valuation and Capital Amendment Rules 2026. https://www.ia.org.hk/en/infocenter/files/Consultation_Paper_on_Draft_Insurance_Valuation_and_Capital_Amendment_Rules_2026_EN.pdf
31 United Nations Development Programme. (2025, 28 May). UNDP leverages every dollar to promote investments of nearly $60 for sustainable development, shows new report. https://www.undp.org/news/undp-leverages-every-dollar-promote-investments-nearly-60-sustainable-development-shows-new-report

The growth of institutional capital in the Chinese Mainland

While the diversification imperative, the search for yield, and the energy transition shape institutional behaviour globally, a separate set of developments is unfolding that plays directly to Hong Kong's distinctive strengths. Three trends, in particular, position the city to capture a disproportionate share of institutional capital flows.

1. Unlocking the potential of China's pension system

The super-ageing society is no longer a future projection but a present reality. With advances in longevity, it poses a fundamental challenge to retirement finance across the Chinese Mainland, Hong Kong, and mature global markets. China's population aged over 60 is projected to exceed 30% by 2030. Starting January 1, 2025, China is gradually raising its retirement age over 15 years to address pension budget shortfalls caused by a rapidly ageing population and a shrinking workforce.[32]

China's demographic headwinds are intensifying.[33,34] In 2025, the population aged 60 and above reached 323 million, accounting for 23.0% of the total population—an increase of 13.07 million from 2024. Meanwhile, the working-age population (16–59) declined to 851 million, a net loss of approximately 6.6 million year-on-year. Overall, the total population fell by 3.39 million to 1.4049 billion in 2025. The Chinese Mainland's pension system is currently estimated at approximately RMB 15.7 trillion in 2025,[35] close to 12% of the country's GDP.[36] By comparison, the OECD average stands at 81.3%.[37] This ratio is low by global standards, indicating that China's pension system remains inadequate. China's pension system also struggles to preserve capital and generate returns amid growing global economic uncertainty and geopolitical tensions.

Overall, a key challenge of the Chinese Mainland pension system is limited access to investment products across asset classes.[38] Therefore, it would be worthwhile for Hong Kong to explore channels to facilitate more diversified offshore investment opportunities for pension funds from the Chinese Mainland. An HSBC June 2025 research note estimates that in 2024, Chinese household wealth was RMB 600 trillion, with roughly 30% in cash and deposits and 44% in real estate.[39]

As these savings are progressively channelled into pension vehicles, demand for diversified, professionally managed, long-term investment products will grow substantially. With the right approaches, the Chinese Mainland's pension market could reach RMB 28 trillion (USD 3.96 trillion), and the third pillar could reach RMB 7 trillion (USD 990 billion) by 2030.[40] Hong Kong could play a meaningful role as an offshore product provider—for example, through target-date funds and multi-currency allocation products—if the right frameworks are in place. Nevertheless, incremental and managed growth in connectivity between

32 The target age by 2040 will be 63 for men (up from 60), 58 for white-collar women (up from 55), and 55 for blue-collar women (up from 50). Ministry of Human Resources and Social Security. (2024, September 13). Gradual reform to delay the statutory retirement age. https://www.mohrss.gov.cn/SYrlzyhshbzb/ztzl/zt202409/qwfb/202409/t20240913_525786.html

33 Wang, P. (2026, 19 January). China's total population reaches 1,404.89 million in 2025, high-quality population development continues. National Bureau of Statistics of China. https://www.stats.gov.cn/xxgk/jd/sjjd2020/202601/t20260119_1962338.html

34 Wang, P. (2025, 17 January). Population decline narrows, population quality continues to improve. National Bureau of Statistics of China. https://www.stats.gov.cn/xxgk/jd/sjjd2020/202501/t20250117_1958337.html

35 BlackRock CCB Wealth. (2025). 2025 China pension finance white paper. https://www.blackrockccbwealth.com/uploads/files/31b73e026d8a758d2044c848bb1044b9.pdf

36 World Bank. (n.d.). China. World Bank Open Data. Retrieved November 10, 2026, from https://data.worldbank.org/country/china

37 Li, J., & Liu, D. (2025, 8 January). Thoughts and suggestions on promoting "long-term investment" of China's pension funds. (Macro Observation No. 2025-01, Serial No. 572). Bank of China. https://pic.bankofchina.com/bocappd/rareport/202501/P020250108530768457761.pdf

38 Zhang, M., & Cao, P. (2024, 7 May). China's pension finance: Current situation, problems and suggestions. IMI Research Dispatch, Renmin University of China. http://www.imi.ruc.edu.cn/IMIsd/0a86699b916346bc8df2d002af862672.htm

39 Liu, J. (2025, 2 June). China's pension reform: Bolder measures needed to bridge the funding gap. HSBC Global Research. https://www.business.hsbc.com/en-gb/insights/china-s-pension-reform

40 KPMG China & ASIFMA Asset Management Group. (2023). China pensions reform: Winning strategies for global asset managers amid evolution in retirement market. KPMG. https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2023/06/china-pensions-reform.pdf

Hong Kong and the Chinese Mainland is a more rational expectation, owing to structural constraints such as mainland China's capital outflow controls.

A deep dive into pension funds in Chinese Mainland – China Southern Asset Management[41]

Chinese Mainland's multi-pillar pension system is evolving rapidly, yet its capacity to allocate capital beyond domestic borders remains tightly constrained. With reference to China Southern Asset Management, this section examines the regulatory architecture, structural hurdles and emerging opportunities that shape how enterprise annuities, occupational annuities and personal pensions interact with Hong Kong and other overseas markets.

Under Pillar II, annuity funds may invest in equity-type pension products or public funds explicitly labelled "Hong Kong stocks," but they are barred from direct holdings of Stock Connect securities or QDII funds. Aggregate equity exposure is capped at 40 per cent of portfolio net asset value, while Stock Connect allocations themselves may not exceed 20 per cent. Hong Kong stock-type pension products face still stricter rules: at least 40 per cent of assets must be equity, and no less than 80 per cent of that equity sleeve must be invested via Stock Connect. Managers of such products are required to field teams with proven Hong Kong market experience.

Pillar III—personal pensions—operates under even tighter constraints. Direct investment in Hong Kong or US equities is prohibited. The approved product menu is limited to target-date funds and index funds; QDII and Stock Connect vehicles are excluded. Indirect exposure is possible only through selected target-date FOFs, subject to a 50 per cent ceiling on Stock Connect holdings within the equity portion and, in many contracts, a combined 20 per cent limit on QDII and mutual-recognition funds.

Southern Asset Management identifies four persistent challenges that blunt the effectiveness of these channels. Currency risk remains largely unhedged, as most annuity managers lack both instruments and specialist teams. Liquidity mismatches arise from longer settlement cycles—typically T+5 to T+10 for QDII and mutual-recognition funds versus T+3 domestically. Fragmented portfolio sizes (average enterprise-annuity portfolio of only RMB 690 million as of Q1 2026) make it difficult to absorb the fixed costs of overseas research and custody. Finally, the timing of quota releases frequently collides with unfavourable market or currency conditions, while persistent on-exchange premiums on certain QDII products further erode returns.

Despite these frictions, product supply is expanding. By early 2026, twelve Hong Kong stock-type pension products managed nearly RMB 19 billion, while more than 800 public Hong Kong Stock Connect funds held over RMB 448 billion. Personal-pension accounts had already surpassed 150 million, with total fund assets approaching RMB 28.5 billion.

Southern Asset Management therefore recommends a measured widening of the personal-pension product catalogue to include selected Hong Kong Stock Connect index products, Hong Kong-focused QDII funds and eligible northbound mutual-recognition funds. Parallel progress on risk-management access—currently almost entirely closed to Pillar II and only indirectly available to Pillar III—would further enhance both hedging efficiency and long-term allocation outcomes.

In short, while the regulatory framework has begun to open pathways to Hong Kong, the combination of quantitative limits, operational frictions and incomplete risk-management tools continues to restrain the full potential of Mainland pension capital. Targeted policy adjustments, guided by the practical insights of market participants such as Southern Asset Management, could unlock a more efficient and resilient allocation of long-term savings into Hong Kong's deep and diversified markets.

41 FSDC staff, write-up followed a field visit to and interview at the China Southern Asset Management

2. Growing investment scale from the insurance sector

Insurance markets across Asia continue to expand rapidly, particularly in China. The Chinese Mainland's insurance sector was valued at USD 731 billion in 2024 and is forecast to grow to USD 1.41 trillion by 2032, with a compound annual growth rate of 8.8% from 2025 onward.[42] The Chinese Mainland's appetite for insurance is on the rise, fuelled by increasing financial literacy, an ageing population, and a growing disposable income.

As with pension funds, the overseas allocation of Chinese insurance capital remains low. According to the latest available data, in 2023, Chinese Mainland insurers allocated just 5.4% of total assets offshore in 2025,[43,44] well below the 15% regulatory ceiling.[45,46] 48 insurance companies hold the aggregate Qualified Domestic Institutional Investor (QDII) quotas of approximately USD 39 billion.[47] As of the end of 2024, 99 insurers invested in Hong Kong via Stock Connect, with a total scale of RMB 762.2 billion and an average financial return of around 15%, up 10 percentage points year-on-year.[48] By way of reference, advanced European markets recorded a 9.1% return on equities for the property and casualty insurance segment over the same period.[49]

Despite the low base, the pace of Chinese insurance capital moving abroad is accelerating. According to a news report, a survey released by the Insurance Asset Management Association of China in June 2025 found that 63% of insurance institutions planned to increase their investment scale in Hong Kong stocks in 2025, primarily through Stock Connect.[50]

A nuance worth noting is that insurance capital allocated via Stock Connect has historically been heavily concentrated in financials, energy, and telecom—high-dividend SOEs.[51] More recently, a notable rotation is underway: 2026 year-to-date (March) data shows Southbound flows increasingly gravitating toward technology and internet names, with six of the top ten cross-boundary ETFs by AUM growth being tech-related.[52] To ensure that investment in Hong Kong stocks is long-term, Hong Kong must continue expanding the range of assets that meet institutional investors' criteria for quality, duration, and risk manageability.

42 Fortune Business Insight. (2026, 26 Oct). China Insurance Market Size, Share & Industry Analysis, By Type (Life and Non-life [Property, Health, Motor, and Others], By Mode (Offline and Online), By Distribution Channel (Agencies, Banks, Direct Marketing Channels, Brokers, and Others), and Country Forecast, 2025-2032. https://www.fortunebusinessinsights.com/china-insurance-market-109903

43 Banking and Insurance Asset Management Association of China. (2026, 10 September). 2025 Survey Report on Overseas Investment of Insurance Funds. https://www.cbiama.org.cn/xhdt_details/2001199.html

44 International Finance News. (2026, September 30). Long-term capital breaks new ground: Insurance funds cleared to invest in Southbound Stock Connect ETFs]. Wuhan Municipal Local Financial Administration. https://jrj.wuhan.gov.cn/ztzl_57/xyrd/dcczbsc/202609/t20260930_2856061.shtml

45 Sun, T., & Cao, X. (2025, 10 July). Bond Connect southbound trading expected to expand, opening a new window for insurance funds to invest overseas. Dongwu Securities. https://pdf.dfcfw.com/pdf/H3_AP202507101706481836_1.pdf?1752179959000.pdf

46 SINA. (2026, 18 September). Insurance funds' overseas investment landscape unveiled: scale exceeded RMB 2.2 trillion at end-2025, while Stock Connect returns reached 11.9%. https://finance.sina.com.cn/roll/2026-09-18/doc-inisftxc0286550.shtml?cre=tianyi&mod=pchp&loc=4&r=0&rfunc=95&tj=cxvertical_pc_hp&tr=12

47 State Administration of Foreign Exchange. (2025, 31 December). Qualified Domestic Institutional Investor (QDII) investment approval list]. Guangdong Branch. https://www.safe.gov.cn/guangdong/file/file/20260109/155c20ee9b404823940d771c1995e35f.pdf

48 China Financial News. (2025, 23 June). 60% of insurance institutions plan to increase Hong Kong stock investment in 2025; Hong Kong is the preferred overseas investment market for insurance funds]. China Financial News. https://www.cnfin.com/yw-lb/detail/20250623/4255953_1.html

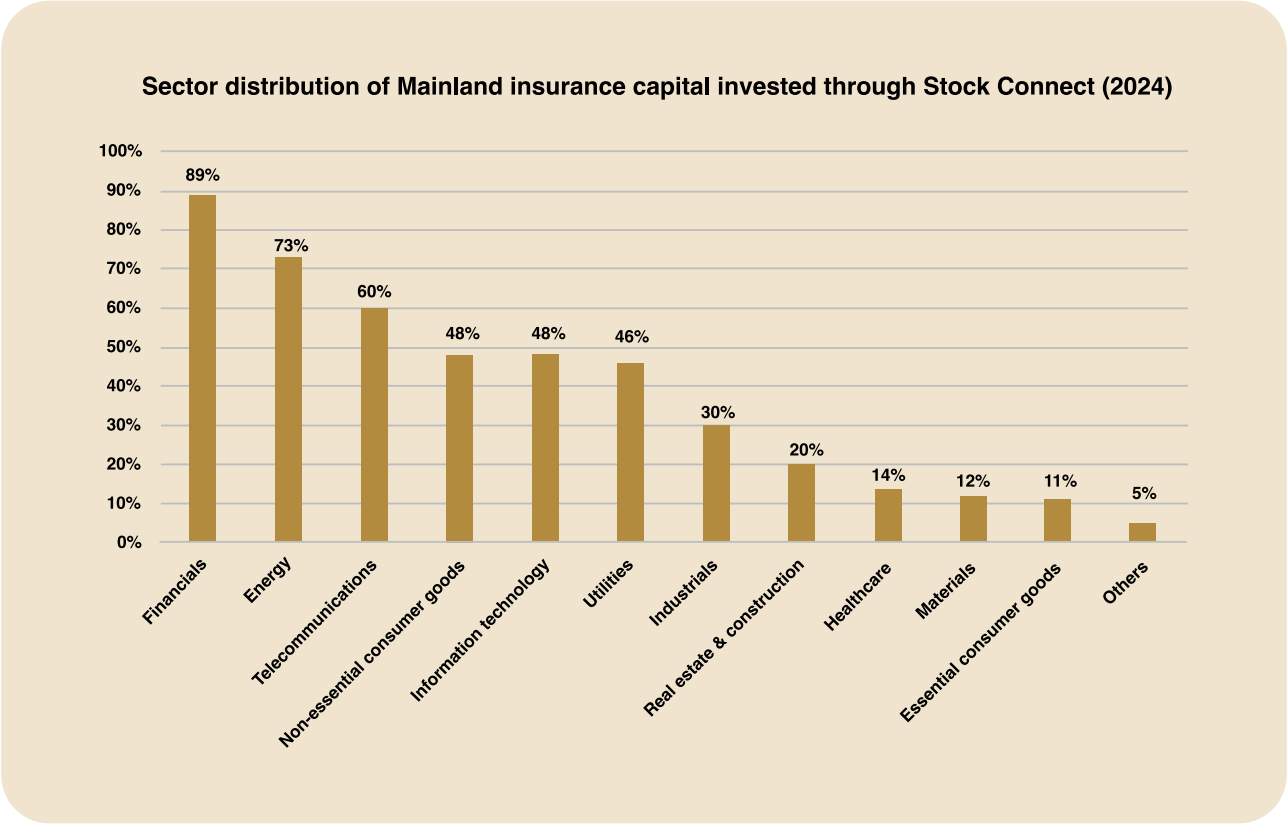
49 Deloitte Center for Financial Services. (2025, 9 October). 2026 global insurance outlook: Changing customer expectations, broker consolidation, and the importance of modernization could reshape the insurance landscape. Deloitte. https://www.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/insurance-industry-outlook.html

50 China Financial News. (2025, 23 June). 60% of insurance institutions plan to increase Hong Kong stock investment in 2025; Hong Kong is the preferred overseas investment market for insurance funds. China Financial News. https://www.cnfin.com/yw-lb/detail/20250623/4255953_1.html

51 Ditto

52 Yi, Y. (2026, 31 January). Over 28.3 billion yuan poured into Hong Kong stock ETFs since the beginning of the year. 21st Century Business Herald. https://m.21jingji.com/article/20260131/26a51959c1e3cb630d65b82c9bd99bfa.html

Figure 8. Sector distribution of Mainland insurance capital invested through Stock Connect (2024)



Source: Banking and Insurance Asset Management Association of China, Sina

3. China's innovation pipeline

The Chinese Mainland's innovation economy continues to generate a large number of companies seeking public listings each year. With domestic A-share markets accommodating only around 100 new listings per year, Hong Kong is the natural venue for the remainder. This creates not only an IPO pipeline but also a steady stream of investment opportunities for patient capital seeking exposure to China's technology and innovation sectors. A media interview with a global financial services firm shared that international investors are strongly interested in Chinese technology firms[53], a similar and recurring theme from FSDC's frequent stakeholder engagements.

According to financial data provider Wind Information, the average cornerstone investor subscription ratio on the Hong Kong Stock Exchange has climbed to 39.15%, reaching a two-year high.[54] In the view of market practitioners, these developments are a logical evolution.[55] On the one hand, Chinese companies have made steady progress in technological innovation and global competitiveness, advancing year by year since 2018. On the other hand, from a global asset allocation perspective, the valuation and structural growth potential of Chinese assets offer investors a critical hedge against single-market risk, making them an increasingly important component of diversified portfolios.

53 Luo, W. (2026, 17 March). China's ETF surge signals new wave of global capital inflows. China Daily Hong Kong. https://www.chinadailyhk.com/hk/article/630630

54 21st Century Business Herald. (2026, 26 January). Hong Kong IPO "spring tide": Over HK$48 billion in fundraising locked in at the start of the year. 21st Century Business Herald. https://www.21jingji.com/article/20260126/herald/5c893be912fc968e7228e1f58f134cf2.html

55 Ditto.

Investment patterns of patient capital

Pension funds and insurers are among the most significant providers of patient capital. According to a third-party study, pension assets within the P22 markets[56] reached USD 68 trillion in 2025; outside the P22, an additional USD 3–6 trillion is estimated.[57] Total assets of insurers grew by 3%, reaching USD 42 trillion by the end of 2024.[58] Pension and insurance funds share a distinct set of investment characteristics that set them apart from other institutional investors. These patterns are shaped by their structural role as providers of long-term financial security and their obligations to policyholders and retirees.

Common ground: Liability-driven and diversification

Pension funds and insurers are fundamentally liability-driven investors. Their investment strategies are designed to meet future obligations – policy payouts for insurers, retirement benefits for pension funds – that are predictable in timing and amount. This requires a stable and predictable funding profile, which in turn makes them ideal long-term investors in capital markets.

Unlike hedge funds or other short-term investors that may target relative returns, pension funds and insurers typically pursue absolute returns—positive real returns over time that match or exceed their liability growth. However, they exhibit a strong aversion to large drawdowns. Significant portfolio losses can impair their ability to meet future obligations, making capital preservation a critical consideration.

Pension funds and insurers operate under strict regulatory frameworks that govern their investment activities. In Hong Kong, insurers are subject to the risk-based capital regime, which requires them to hold capital against investment risks. This regulatory environment shapes their investment style, which tends to be prudent and value-focused. Insurers favour established companies with strong balance sheets, predictable cash flows, and sustainable dividend policies. Their equity investments typically target high-quality, large-cap stocks, while their fixed income portfolios are concentrated in investment-grade bonds.

In terms of thematic investment, as noted earlier, patient capital investors are increasingly tilting towards global equities and thematic equity sectors—such as REITs, utilities, biotechnology, and alternative energy—all of which are gaining appeal amid declining inflation and interest rates in the Chinese Mainland.[59] In fixed income, ESG-linked bonds continue to attract strong interest, aligning long-duration liabilities with sustainability objectives.

Key divergence: Liability profile, risk tolerance, and investment pattern

Pension funds operate with long-duration liabilities aligned with life insurance traits—retirement payouts that span decades. This structural horizon allows them to withstand greater volatility and maintain higher allocations to equities and alternatives than insurers. Insurers, by contrast, particularly in health and property/casualty lines, face more uncertain payout patterns, volatile cash flows, and shorter-duration liabilities. Their investment priority is safety first, followed by return and then growth.

56 P 22 markets are Australia, Brazil, Canada, Chile, China, Finland, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, South Africa, South Korea, Spain, Switzerland, the UK, and the US. Thinking Ahead Institute. (2026, February). Global pension assets study 2026. https://www.thinkingaheadinstitute.org/content/uploads/2026/02/GPAS-2026_summary.pdf

57 Thinking Ahead Institute. (2026, February). Global pension assets study 2026. https://www.thinkingaheadinstitute.org/content/uploads/2026/02/GPAS-2026_summary.pdf

58 International Association of Insurance Supervisors. (2025, December). Global insurance market report (GIMAR) 2025. https://www.iais.org/uploads/2025/12/Global-Insurance-Market-Report-2025.pdf

59 Schroders. (2025). Schroders global investor insights survey pension funds. https://publications.schroders.com/view/357191315/6/

Capital allocation strategies vary significantly between pension funds and insurance companies, both of which pursue prudent asset allocation and sound risk management to enhance diversification and long-term growth, reflecting their distinct fiduciary mandates. Pension funds structurally optimise for capital appreciation, leading to higher risk tolerance. At the end of 2025, the average global pension asset allocation across the seven largest markets[60] was 48% in equities, 31% in bonds, 3% in cash, and 19% in other assets.[61] Conversely, the operational parameters of insurance firms necessitate rigorous cash-flow matching to meet future claims, positioning fixed income assets as the indispensable anchor of the capital stack, supplemented by equities, funds, and a modest allocation to alternatives. To illustrate, European insurers in 2023 allocated nearly 40% of their total assets directly to government bonds (19%) and corporate bonds (18%), while diversifying the remainder across equity (16%), and others, including equity funds (11%) and debt funds (11%).[62] Fixed income remains the dominant asset class, essential for liability matching.

60 Australia, Canada, Japan, Netherlands, Switzerland, UK, and US. Thinking Ahead Institute. (2026, February). Global pension assets study 2026. https://www.thinkingaheadinstitute.org/content/uploads/2026/02/GPAS-2026_summary.pdf

61 Thinking Ahead Institute. (2026, February). Global pension assets study 2026. https://www.thinkingaheadinstitute.org/content/uploads/2026/02/GPAS-2026_summary.pdf

62 Insurance Europe. (2025, October). Investing from insurers' perspective. https://www.insuranceeurope.eu/mediaitem/91cc2159-69e9-4406-a6f6-5377abd7339f/Investing+from+insurers+perspective.pdf?inline=1

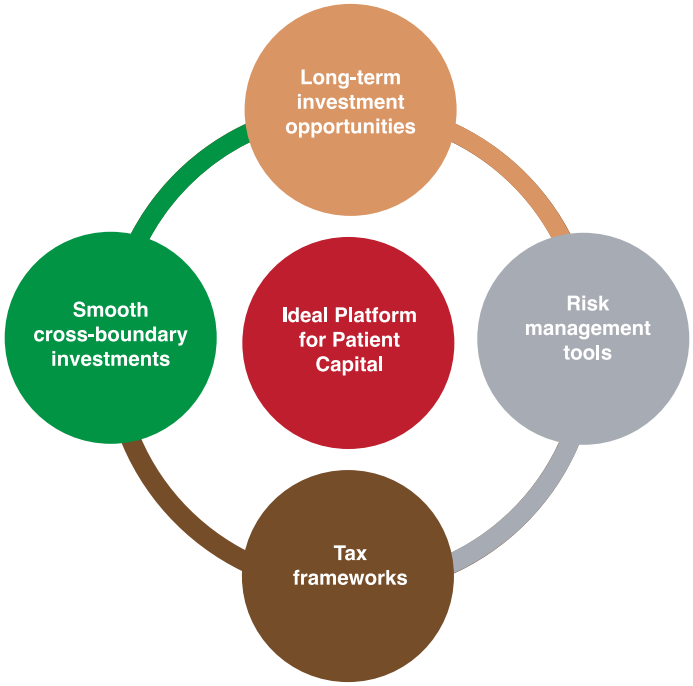


Assessing Hong Kong's readiness for patient capital

Assessing Hong Kong's readiness for patient capital

To attract patient capital from pension funds and insurers, a financial centre must offer more than market access. It requires a comprehensive ecosystem: diverse long-term investment opportunities across asset classes and currencies; robust risk management tools to hedge multi-currency and interest rate risks; a strong tax framework with predictable policies; and smooth cross-boundary investment flows enabled by regulatory alignment. The following sections assess Hong Kong's performance against these criteria and identify the gaps that must be addressed.

Figure 9. Ideal platform for patient capital



Availability of long-term investment opportunities

An ideal platform must offer diverse, long-term investment opportunities across equities, bonds, and alternatives, available in multiple currencies to mitigate concentration risk. Crucially, it must provide access to long-horizon projects or financial products related to long-horizon projects, such as infrastructure, sustainable development, and innovation, that deliver attractive risk-adjusted returns aligned with investors' long-term obligations.

Bond and equity markets

Hong Kong's capital market is characterised by its comprehensive equity offerings, while the fixed income market is gaining strong momentum. Hong Kong hosts approximately 2,700 listed companies, with strong potential ahead. Compared with the USD 28 trillion debt market in the Chinese Mainland and the USD 49.6 trillion in the US, Hong Kong, as the country's most developed international financial centre, offers promising opportunities for investors and issuers.[63]

63 SIFMA Research. (2026, 7 July). US fixed income securities statistics. Securities Industry and Financial Markets Association. https://www.sifma.org/research/statistics/us-fixed-income-securities-statistics

Historically, both HKD-denominated and offshore RMB bond offerings have focused on short maturities. Meanwhile, patient capital allocators show an appetite for long-dated fixed income vehicles to match their liabilities. In addition, some investors prefer bonds denominated in other currencies to match the overseas liability exposure.

With the above in mind, to position Hong Kong strategically as a global Fixed Income and Currency hub, the HKMA and SFC have issued a Roadmap for the Development of Fixed Income and Currency (FIC) markets, outlining key initiatives across the four pillars of primary market issuance, secondary market liquidity, offshore RMB business, and next-generation infrastructure.[64]

The fund industry

The Mutual Recognition of Funds (MRF) scheme offers a cross-boundary channel for retail funds' distribution. As of March 2026, the SFC had authorised 40 Mainland funds, and the CSRC had approved 46 Hong Kong MRF funds. The AUM of Hong Kong MRF funds attributable to Mainland investors stood at RMB 116 billion as of March 2026, while the AUM of Mainland MRF funds attributable to Hong Kong investors amounted to RMB 697 million.[65] As the fund industry and investors' understanding of the market continues to advance, further development could be conducive.

Robust risk management tools

A robust risk management infrastructure is essential. A developed foreign exchange derivatives market enables investors to hedge multi-currency portfolios, while futures, swaps, and options markets help manage duration and interest rate risks. These hedging instruments should be offered across multiple currencies, allowing investors to tailor their risk exposures to their liability profiles.

Hedging tools

Patient capital is inherently exposed to interest-rate and currency risks. To fully realise Hong Kong's ambitions as a patient-capital hub, different market participants will need to use its hedging infrastructure effectively.

It is particularly encouraging that the SFC launched the Five-Year China Government Bond (CGB) Futures on 3 August 2026, providing a hedging tool for international investors.[66] Further development is anticipated. Patient capital seeking exposure to the Chinese Mainland through Hong Kong requires robust tools to manage currency and duration risk, and longer-tenor RMB interest rate swaps, FX options, and cross-currency basis swaps are desired.[67] Advancing the market towards this direction will allow institutional investors of all sizes to access hedging solutions.

Encouraging progress is underway. HKEX is committed to continuing to enhance the Southbound Bond Connect. Recent enhancements include enabling Bond Connect bonds to be used as collateral for offshore RMB repo; supporting settlement of multi-currency bonds in RMB, HKD, USD, and Euro; and the launch of Hong Kong Securities Clearing Company Limited's single-tranche, multiple-counter arrangement in 2025. These developments lay important groundwork. Further deepening the hedging infrastructure would be an impactful step Hong Kong can take to attract and retain patient capital.

64 Securities and Futures Commission & Hong Kong Monetary Authority. (2025, 25 September). Roadmap for the development of fixed income and currency markets. https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2025/20250925e3a1.pdf

65 Securities and Futures Commission. (2026, July). Asset and wealth management activities survey 2025. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-report-English.pdf

66 Securities and Futures Commission. (2026, 18 June). Hong Kong to launch five-year China Government Bond futures [Press release]. https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=26PR94

67 Swap Connect is a positive development. Launched in May 2023, it allows overseas investors to trade and clear onshore RMB interest rate swaps with tenors of up to 30 years.

Benchmark yield curve

Hong Kong possesses an absolute and a comparative advantage in the offshore RMB fixed-income market. Building a complete offshore benchmark yield curve would improve price discovery and hedging for a full spectrum of issuers. Hong Kong Inc. has already been leading on multiple fronts, from advancing the market through leading issuances of a variety of RMB-denominated bonds to attracting issuers of all backgrounds to Hong Kong. As Hong Kong and other issuers issue a wider range of debt vehicles, the product scope will become more comprehensive going forward.

A World Economic Forum study noted that establishing a benchmark yield curve is a foundational step in developing a corporate bond market, as it provides a reference point for investors to determine the relative value of other securities. For most markets, this curve is formed through sovereign bond issuances.[68]

- **A yield curve serves as a pricing compass:** A benchmark yield curve provides a reliable reference point for pricing all other debt instruments.[69] For example, a corporate bond's yield is determined by adding a spread to the sovereign benchmark of the same maturity to compensate for its specific credit risk. Without this "anchor," pricing becomes inefficient and opaque, whereas a yield curve can bolster investor confidence, as noted in the Roadmap for the Development of Fixed Income and Currency Markets, issued by the SFC and HKMA.[70]

- **A yield curve reduces issuance costs and unlocks liquidity:** By concentrating issuance at a few key maturities—such as 2-year, 5-year, and 10-year—a government can create highly liquid securities. Markets are willing to pay a premium for this liquidity, which lowers the government›s borrowing costs. This liquidity is self-reinforcing: once an issue is recognised as a liquid benchmark, more participants trade it, deepening liquidity further and making it a natural vehicle for hedging and price discovery.

    - According to a study from LSEG, Chinese government bonds denominated in offshore RMB have smaller average issuance sizes and lower liquidity compared with those denominated in USD and euros, highlighting the gap that exists in the offshore market.[71]

- **A yield curve supports risk management:** The existence of a benchmark yield curve is a prerequisite for a range of derivative markets that are essential for patient capital. Many countries' interest rate futures, repo, and swap markets are built upon the government yield curve.[72] For long-term investors such as insurers and pension funds, these instruments are critical for hedging duration and interest-rate risks. Without a reliable curve, the entire ecosystem of debt capital markets, from pricing bonds to managing portfolios to hedging exposure, becomes inefficiently complex.

68 World Economic Forum. (2015, April). Accelerating emerging capital markets development: Corporate bond markets (Industry Agenda). https://www3.weforum.org/docs/WEF_Capital_Markets_Report_2015.pdf

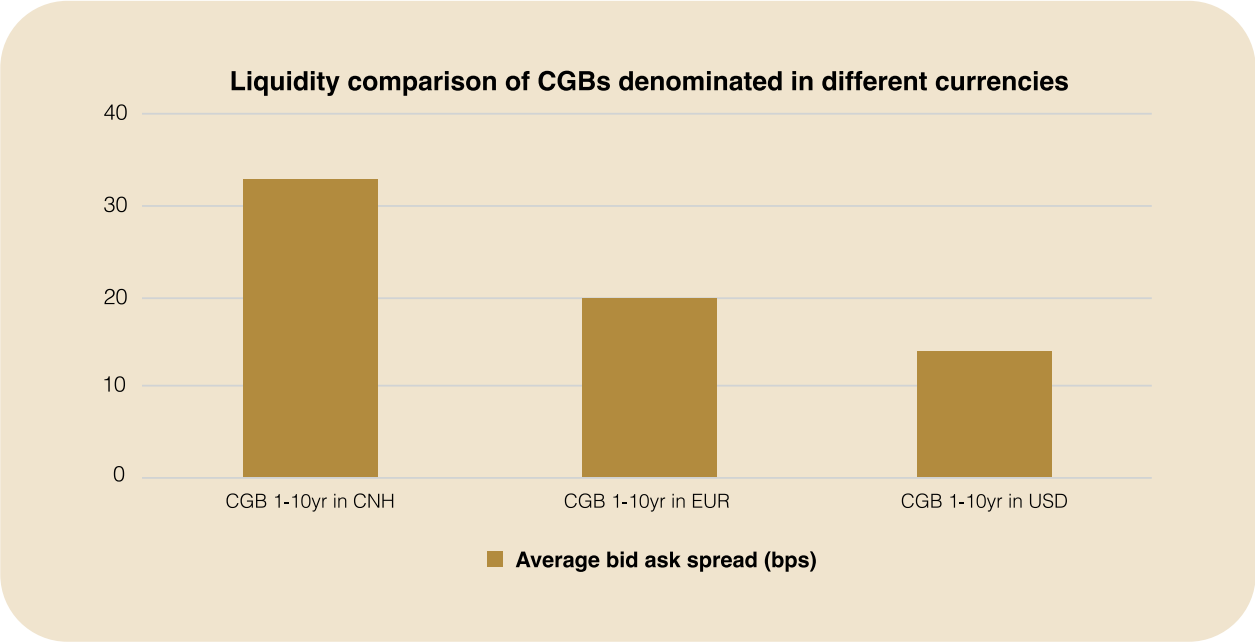
69 Securities and Futures Commission & Hong Kong Monetary Authority. (2025, September). Roadmap for the development of fixed income and currency markets. https://www.sfc.hk/-/media/EN/files/ER/FIC/FIC-Roadmap-Booklet-ENG.pdf

70 Securities and Futures Commission & Hong Kong Monetary Authority. (2025, September). Roadmap for the development of fixed income and currency markets. https://www.sfc.hk/-/media/EN/files/ER/FIC/FIC-Roadmap-Booklet-ENG.pdf

71 LSEG. (2025, 18 July). China's dim sum bond market booms again. https://www.lseg.com/en/insights/ftse-russell/chinas-dim-sum-bond-market-booms-again

72 World Economic Forum. (2015, April). Accelerating emerging capital markets development: Corporate bond markets (Industry Agenda). https://www3.weforum.org/docs/WEF_Capital_Markets_Report_2015.pdf

Figure 10. Liquidity comparison of CGBs denominated in different currencies



Source: An LSEG research report dated 18 July 2025[73]

Note: The graph relies on third-party data provided by LSEG. Due to data proprietary limitations, the precise computational formulas and underlying data-processing steps were not disclosed.

Strong tax frameworks

A competitive tax framework forms a critical pillar of an ideal platform. Predictable and efficient tax treatment—including relief from double taxation and avoidance of punitive withholding rates—provides the certainty that long-term investors require.

Tax certainty

Tax certainty will incentivise patient-capital allocators, local and non-local, to invest in the Hong Kong market. The expansion of Southbound Bond Connect to securities firms, fund managers, insurers and wealth management companies has broadened Mainland institutional access to Hong Kong bonds.[74] As participation grows, investors will consider the tax treatment of offshore bond interest, which is subject to the standard 25% corporate income tax,[75] alongside onshore alternatives such as Chinese government and local government bonds, whose interest is exempt from corporate income tax.[76] Likewise, the 20% tax on dividends received by Mainland securities investment funds through Southbound Stock Connect[77]

73 LSEG. (2025, 18 July). China's dim sum bond market booms again. https://www.lseg.com/en/insights/ftse-russell/chinas-dim-sum-bond-market-booms-again

74 People's Bank of China & Hong Kong Monetary Authority. (2025, July 8). PBoC and HKMA announce three enhancement measures, expanding Southbound Bond Connect to non-bank institutions. Liaison Office of the Central People's Government in the Hong Kong SAR. http://www.locpg.gov.cn/20250710/eacf034b78f44fac878d1807f5908346/c.html

75 Standing Committee of the National People's Congress. (2018). Enterprise Income Tax Law of the People's Republic of China (Art. 4). (Original work published 2007)

76 KPMG China. (2025, August 15). VAT reimposition on government bonds, local government bonds, and financial bonds (China Tax Alert, Issue 5). https://kpmg.com/cn/en/insights/2025/08/china-tax-alert-5.html

77 Ministry of Finance, State Taxation Administration, & China Securities Regulatory Commission. (2014, October 31). Notice on tax policies for the Shanghai–Hong Kong Stock Connect pilot. https://guangdong.chinatax.gov.cn/gdsw/grsdsgg_hmqsc_pyzbsc_ssgs/2021-08/31/content_82717867283b40ebb1d3909f8f5be5ae.shtml

can also be a relevant factor for insurers and pension funds gaining Hong Kong equity exposure through these funds.[78,79]

Smooth cross-boundary investments

Smooth cross-boundary investment flows are essential for a platform aspiring to serve global capital. This requires regulatory standardisation or alignment across jurisdictions to facilitate cross-boundary investments and consistent tax frameworks that encourage efficient capital allocation.

Cross-boundary investment restrictions

Hong Kong can serve as a safe conduit for deploying Chinese patient capital, and vice versa. For instance, increasing quotas for QFII and QDII programmes would further enable, while ring-fencing, two-way institutional capital flows.

At the same time, further overseas project financing can be facilitated, too. Indeed, with different parties working more closely with regulators on both sides, the scale of untapped potential is evident. Indeed, Chinese Mainland insurance funds' overseas investment accounted for only 5.4% of total assets, while the regulatory ceiling is set at 15%.[80,81]

78 Mainland enterprises investing directly through Southbound Stock Connect are exempt from corporate income tax on dividends from H shares held for 12 consecutive months (Ministry of Finance et al., 2014).

79 Mainland individual investors are temporarily exempt from individual income tax on gains from trading Hong Kong-listed stocks through Southbound Stock Connect until 31 December 2027, although dividend income remains taxable. Ministry of Finance, State Taxation Administration, & China Securities Regulatory Commission. (2023, August 21). Announcement on extending individual income tax policies for Shanghai and Shenzhen–Hong Kong Stock Connect and Mainland–Hong Kong Mutual Recognition of Funds. https://www.gov.cn/zhengce/zhengceku/202308/content_6900228.htm

80 Banking and Insurance Asset Management Association of China. (2026, 10 September). 2025 Survey Report on Overseas Investment of Insurance Funds. https://www.cbiama.org.cn/xhdt_details/2001199.html

81 International Finance News. (2026, September 30). Long-term capital breaks new ground: Insurance funds cleared to invest in Southbound Stock Connect ETFs. Wuhan Municipal Local Financial Administration. https://jrj.wuhan.gov.cn/ztzl_57/xyrd/dcczbsc/202609/t20260930_2856061.shtml



Recommendations - Enriching Hong Kong's offerings to attract different sources of long-term capital

Recommendations – Enriching Hong Kong's offerings to attract different sources of long-term capital

Realising Hong Kong's potential as a patient capital hub requires a coordinated programme of action across three reinforcing dimensions: deepening the product ecosystem—spanning bonds, equities and risk-management tools; enhancing cross-boundary investment channels; and strengthening the enabling environment, including domestic patient capital, tax incentives, settlement infrastructure, corporate governance and strategic communication.

By advancing these priorities in tandem, Hong Kong can even more effectively attract and retain three complementary sources of long-term capital—**international institutional investors seeking stable Asian exposure, Chinese Mainland capital seeking diversified and efficient overseas allocation**, and **local Hong Kong capital seeking deeper domestic and regional opportunities.** This section sets out a comprehensive set of policy recommendations designed to strengthen Hong Kong's competitiveness as a preferred destination for all three categories of long-term institutional capital.

Recommendation 1 – Expanding product horizons: A roadmap for broadening offerings

Hong Kong can further expand its product offering to realise its ambitions as a patient capital hub. Insurance companies and other long-term investors consider issues including credit quality, liquidity, duration matching, currency matching, tax certainty, and favourable treatment from a solvency and capital perspective. The following recommendations span bond market development, equity market enhancement, and risk management to deliver attractive products that meet investors' needs.

1. Deepen the bond market

To further attract patient capital, product and market design should reflect these investors' specific needs, such as reliable credit assessments and longer-duration products, while also offering stable, reliable hedging channels. Meanwhile, regular, predictable long-term bond offerings are critical to a reliable, well-established yield curve, which serves as a benchmark for price discovery. Hong Kong should pursue a phased strategy to deepen its bond market over the short, medium, and long term.

Broaden the issuance base

In the short term, **Hong Kong should encourage diverse, high-quality issuers to issue various bonds with different themes**, including sustainability-related bonds and technology-related bonds, in different currencies, including RMB, in Hong Kong, expanding the variety and structure of investable assets. This will help build a more robust foundation for long-term investment.

Credit quality is paramount. As a leading pension industry association has underscored, investment-grade ratings on fixed-income holdings are non-negotiable for pension schemes.[82] Sub-investment-grade issuance, regardless of yield, will not attract pension capital because of binding regulatory and fiduciary constraints. Therefore, while a variety of issuers are welcome to tap the Hong Kong market, issuances by high-quality issuers are tied to the success of credit our offering as a patient-capital marketplace.

82 According to feedback from a retirement investment industry association.

Enhance a long-duration pricing benchmark

Long-duration bonds are critical to establishing a yield-curve benchmark that enables precise valuation of long-dated assets. Such a benchmark would provide insurers and pension funds with reliable pricing references while also serving as a portfolio hedge during periods of equity market volatility.

The Hong Kong Government has been regularly issuing longer-tenor (i.e., up to 30Y) HKD and RMB bonds through bookbuilding, largely on an annual basis in recent years. The Government also regularly issues institutional HKD and RMB bonds through a tendering approach, covering a wide range of tenors—from 1 to 20Y for HKD and 1 to 10Y for RMB—with a tentative half-yearly tender schedule published in advance. The regular supply of HKD and RMB government bonds helps provide market pricing references and facilitates the formation of HKD and RMB yield curves.

There is scope to further increase issuance scale and extend tenors to further align with the requirements of long-term investors. As announced in the 2026-27 Budget, the Government is expected to issue around HKD 160 billion to HKD 220 billion worth of bonds every year in the five years from 2026-27 to 2030-31. In addition, the Government and quasi-sovereign issuers should be encouraged, over the medium term, to issue bonds with maturities of 20 to 30 years.

Anchor the offshore RMB bond market

As an ongoing effort and a long-term vision, Hong Kong should also aim to further develop its offshore RMB bond market and position it as the **primary global hub for RMB-denominated long-duration investment products**—dim sum bonds, RMB infrastructure funds, and RMB ESG instruments. This strategy leverages Hong Kong's unique combination of offshore RMB infrastructure, common law system, and international asset management expertise—a positioning that is difficult for competitors to replicate. A vibrant offshore RMB product is crucial for attracting patient capital from the Chinese Mainland, as well as international capital seeking diversification and exposure to other currencies beyond the US dollar. It would also meaningfully contribute to the broader project of RMB internationalisation.

Hong Kong will continue to diversify its issuer base for RMB-denominated products, which presents a clear pathway for growth. The recent issuance of RMB-denominated bonds in Hong Kong by the Indonesian government serves as a successful blueprint that other ASEAN and Central Asian nations could replicate.[83]

2. Broaden equity investment

Equity investment has always been important for patient capital portfolios. Equity helps investors optimise the chances of higher returns, and investing in global equities provides diversification benefits. Traditionally strong in equity, Hong Kong is bolstering its tech-centric investment opportunities, anchored by high-quality listings with strong corporate governance and clear ESG integration.

Develop thematic equity products

Hong Kong could offer tech-centric investment opportunities that give international investors exposure to the Chinese technology sector, comparable to other global markets. More broadly, supporting pre-revenue, innovative technology companies has been a key priority in the evolution of Hong Kong's listing regime in recent years. Indeed, Hong Kong has already made progress in providing listing pathways for

83 Bank of China (Hong Kong Limited). (2026, 27 February). BOCHK supports the Government of Indonesia in issuing offshore RMB bonds again and partici pates in the Government's Euro public bond issuance for the first time. https://www.bochk.com/dam/bochk/desktop/top/aboutus/pressrelease2/2026/260227009_Press_Release_EN.pdf

pre-revenue innovative technology companies (e.g., via Chapter 18C), and has completed a review to further enhance the market's listing competitiveness and implemented the revised Listing Rules in July 2026.[84]

Co-branded hard technology ETFs developed in partnership with the Shanghai and Shenzhen stock exchanges offer another vehicle for deepening cross-market connectivity and expanding the toolkit available to long-term investors. Free cash flow ETFs also warrant attention. These are notable favourites among institutional investors, as they offer an additional option for patient capital alongside other traditional high-dividend, low-volatility strategies. Developing such ETFs with regular dividend payouts would meet the needs of insurers and pension funds seeking predictable, sustainable income streams.

Attract different and high-quality issuers

Hong Kong has established a solid foundation in connecting the Chinese Mainland with mature markets in Europe and North America. However, being a "super-connector" requires building meaningful linkages in more directions and at multiple levels. The future opportunity lies in deepening connectivity with key corridors, including the Middle East, ASEAN, and other emerging markets, while reinforcing existing ties with Europe and North America. This broader orientation would help attract a more diverse range of high-quality issuers.

Encouragingly, the SFC has strengthened cross-border cooperation with various jurisdictions, including by signing a memorandum of understanding (MOU) with the Securities Commission Malaysia in July 2026 concerning the mutual recognition of covered funds and a simplified dual IPO listing framework. In addition, HKEX has, in recent years, recognised exchanges in the Middle East and Southeast Asia (e.g., Bursa Malaysia and the Abu Dhabi Securities Exchange) as recognised stock exchanges to facilitate secondary listings in Hong Kong by issuers listed on those exchanges.

Governance cultures and financing needs vary across different regions. Hong Kong must therefore clearly articulate its value proposition—whether as a unique conduit to Chinese Mainland capital, a hub for multi-currency financing and a comprehensive derivatives ecosystem, or both—while ensuring that its listing regime evolves accordingly. HKEX's July 2026 reform to enhance the competitiveness of its listing regime includes adjusting the market capitalisation thresholds for weighted voting rights (WVR) structures, refining the definition of "innovative companies," and lowering market capitalisation requirements for overseas issuers seeking secondary listings in Hong Kong. These reforms align closely with FSDC's recommendations detailed in its capital market paper.[85]

3. Enhance risk management and hedging tools

Patient capital is inherently exposed to interest-rate and currency risks. Hong Kong has built a strong foundation for Asia's derivatives ecosystem. Recent efforts include expanding the offshore RMB bond repurchase business[86] and enriching the product types available under Swap Connect.[87] These developments help to better align with the allocation needs of pension funds and insurers seeking long-duration RMB assets and provide institutional investors with a more complete suite of risk management tools.

84 Hong Kong Exchanges and Clearing Limited. (2026, July). Guide for New Listing Applicants. https://en-rules.hkex.com.hk/rulebook/guide-new-listing-applicants

85 Financial Services Development Council. (2025, 12 December). Hong Kong's capital market leadership: A super-connector path to the global capital nexus in the digital era. https://www.fsdc.org.hk/en/insights/hong-kong-s-capital-market-leadership-a-super-connector-path-to-the-global-capital-nexus-in-the-digital-era

86 Hong Kong Monetary Authority. (2025, 25 August). Official launch of enhancement arrangements for offshore RMB bond repurchase business. https://www.hkma.gov.hk/eng/news-and-media/press-releases/2025/08/20250825-5/

87 People's Bank of China, Securities and Futures Commission, & Hong Kong Monetary Authority. (2025, 15 May). Joint press release of the PBoC, the SFC and the HKMA on further enriching the product types of Swap Connect to facilitate high-level opening-up of Mainland's financial markets [Press release]. https://www.hkma.gov.hk/eng/news-and-media/press-releases/2025/05/20250515-7/

From a market perspective, the availability of longer-tenor RMB interest rate swaps, FX options, and cross-currency basis swaps enables institutional investors to manage duration and currency risks more effectively across the full investment horizon. The proliferation of offshore RMB bond futures would provide investors with additional instruments to manage interest rate risk.

4. Advance index development

Developing a next-generation broad-based index is crucial to attracting patient capital and global institutional investors, serving as a recognised core anchor asset that mirrors modern economic realities. Legacy indices frequently suffer from structural concentration, sector skew toward traditional industries, and high cyclical volatility, making them suboptimal for multi-year allocation strategies. A modernised index must capture the Chinese economy's dynamic transformation while delivering consistent risk-adjusted returns. To achieve this, the index design must move beyond standard float-adjusted market-capitalisation weighting. It should incorporate fundamental sector balancing—reallocating weight toward advanced manufacturing, high-growth technology, and green infrastructure alongside traditional blue-chip enterprises—while integrating strict financial quality filters like sustained ROE and corporate governance standards. The benchmark must also embed robust liquidity and capacity safeguards to absorb multi-billion-dollar institutional inflows without triggering artificial market distortions.

Ultimately, establishing an index is only the first step; building a supportive financial product ecosystem around it is equally vital. At the same time, launching corresponding derivative instruments, such as index futures and options, will provide the hedging capabilities long-term asset managers require.[88]

88 Encouragingly, the FSDC has learned through communications with the SFC that the SFC regularly engages with index providers to explore ways to enhance the competitiveness of the Hong Kong market.

Recommendation 2 – Unlocking regional opportunities: Strategic levers for cross-boundary investment

The Chinese Mainland represents a significant opportunity for Hong Kong. It is both a major source of patient capital and a jurisdiction actively seeking to attract international long-term investment. Recognising the importance of patient capital for high-quality economic development and technological innovation, the Chinese Mainland is actively cultivating an ecosystem to nurture domestic patient capital while attracting international counterparts.[89]

A key economic strategy of the Chinese Mainland centres on developing a robust equity market ecosystem.[90] To accelerate the inflow of foreign institutional capital, regulatory leadership has highlighted the need to streamline and optimise cross-boundary investment and financing mechanisms. High-level policy deliberations increasingly focus on three structural pillars: enhancing mutual market access schemes, resolving double-taxation issues, and deepening proactive communication with foreign investors.[91] Given its unique structural position, Hong Kong is poised to play a pivotal, ecosystem-wide role in facilitating these capital objectives.

1. Enhancements to mutual market access schemes

In 2025, net southbound inflows reached a record HK$1.4 trillion (approximately USD 180.1 billion), marking an all-time annual high.[92,93] The QDII and mutual market access schemes have facilitated capital flows between the Chinese Mainland and international markets, enabled cross-boundary investment and financing, and broadened both investment choice and diversification. Further enhancing these mechanisms would deepen connectivity between the two markets, unlock more opportunities for Hong Kong's asset and wealth management sector, and support the Chinese Mainland's efforts to strengthen its pension system.

QDII and RQDII

The QDII scheme, established in 2006, and its RMB-denominated counterpart, RQDII, together form the backbone of the Chinese Mainland's outbound portfolio investment architecture under a managed capital account. As of October 2026, 196 institutions held aggregate QDII quotas of USD 183 billion, with securities and fund management firms accounting for 55% of the total (USD 101 billion).[94] Despite this scale, the industry has consistently sought further quota expansion. Further liaison between counterparts in the Chinese Mainland and Hong Kong is worth considering.

Qualified Domestic Limited Partner (QDLP)

Hong Kong's position as a premier international financial centre and the primary offshore Renminbi hub provides a strong foundation to expand cross-boundary investment capabilities for Mainland investors seeking yield diversification. The QDLP scheme—a mature framework with roughly USD 50 billion in

89 China Daily. (2024, 27 June). 'Patient capital' seen as key to sci-tech self-reliance. China Daily. https://english.www.gov.cn/policies/policywatch/202406/27/content_WS667cc984c6d0868f4e8e89e3.html

90 Central Financial Office & China Securities Regulatory Commission. (2024, 26 September). Central Financial Office and CSRC jointly issue guidance on promoting medium- and long-term capital into the market. China Securities Regulatory Commission. https://www.csrc.gov.cn/csrc/c100028/c7508981/content.shtml

91 China Securities Regulatory Commission Shanxi Bureau. (2025, 9 October). One-year anniversary of the guidance on promoting medium- and long-term capital into the market: "Long-term capital, long-term investment" injects more vitality into the capital market. China Securities Regulatory Commission. https://www.csrc.gov.cn/shanxi/c106408/c7587105/content.shtml

92 Shanghai Stock Exchange. (n.d.). Southbound trading overview. Retrieved November 10, 2026, https://www.sse.com.cn/services/hkexsc/ggtscsj/ggtcjgk/

93 Shenzhen Stock Exchange. (n.d.). Shenzhen–Hong Kong Stock Connect: Southbound annual trading report. Retrieved November 10, 2026, https://investor.szse.cn/szhk/szhktradeinfo/hkyearly/index.html

94 State Administration of Foreign Exchange. (2026, 30 Oct). Approval Status of Investment Quotas for Qualified Domestic Institutional Investors (QDII). https://www.safe.gov.cn/safe/2018/0425/16849.html

cumulative quotas—allows licensed domestic and foreign fund managers to raise onshore RMB from pensions, charitable funds, wealth management products, and high-net-worth individuals and invest in overseas private and public markets approved by Mainland regulators.[95] Hong Kong has the product depth, trusted regulatory oversight, and established cross-boundary infrastructure needed to support QDLP at scale. Under closed-loop capital controls and established regulatory cooperation, QDLP funds channel long-term capital from the Chinese mainland and reinforce Hong Kong's status as Asia's leading asset- and wealth-management hub.

While operations are already underway, regular evaluation of strategic and operational pathways to integrate private markets and expand QDLP could be considered.

Bond Connect

Bond Connect, launched in 2017 with Northbound trading and expanded to include Southbound trading in September 2021, has become the pre-eminent channel for cross-boundary bond market access between the Chinese Mainland and Hong Kong.

A decisive development occurred in July 2025, when the People's Bank of China announced expanding Southbound Bond Connect's eligible investor base beyond the original cohort of 41 banks to include non-bank financial institutions—specifically, securities firms, fund managers, insurers, and wealth management companies; and optimising offshore bond repo arrangements—broadening eligible currencies to USD, EUR, and HKD alongside RMB, among others.[96]

Looking ahead, Bond Connect could be expanded to allow Chinese Mainland pension funds to invest in Hong Kong's bond market. Chinese Mainland insurance companies already access Hong Kong bonds through the Southbound Bond Connect, providing a proven template. A similar framework could be adapted for the pension sector, offering a structured pathway to diversification and long-duration asset allocation.

Greater Bay Area Wealth Management Connect

The Wealth Management Connect (WMC) scheme, launched in 2021 and upgraded to version 2.0 in 2024, has established a direct and efficient cross-boundary investment channel for Greater Bay Area residents, marking a significant step in regional financial integration. The enhanced WMC 2.0 features higher investment quotas, lower barriers to participation, an expanded range of eligible investment products, the inclusion of securities firms, and further improvements to promotion and sales arrangements. Market response has been strongly positive: by August 2026, participating individual investors surpassed 187,000, representing a 160% increase from the initial version.[97]

To further deepen cross-boundary investment channels, Hong Kong should advocate for the inclusion of target-date pension funds, long-duration bond funds, and ESG-themed products within the WMC framework. Meanwhile, whether to include open-ended private market funds—which offer higher yields and help reduce volatility, but have lower liquidity, less transparency, and greater valuation difficulty—

95 The Hainan Provincial Local Financial Supervision and Administration Bureau, the State Administration of Foreign Exchange Hainan Branch, the Hainan Provincial Market Supervision and Administration Bureau, and the China Securities Regulatory Commission Hainan Regulatory Bureau. (2021, 8 April). The Interim Measures for the Pilot Program on Qualified Domestic Limited Partner (QDLP) Overseas Investment in Hainan Province. https://jrj.hainan.gov.cn/sjrb/gfxwj/202104/c2411e892f234f2c9127de35453a6197/files/ceed0481556743d99e348f1e271ddf5c.pdf?f_link_type=f_linkinlinenote&flow_extra=eyJpbmxpbmVfZGlzcGxheV9wb3NpdGlvbiI6MCwiZG9jX3Bvc2l0aW9uIjowLCJkb2NfaWQiOiIyMmY1NzIwZWFiZmRiZTJhLWM1MDRlZTgwODdmNmUzYjEifQ%3D%3D

96 Bond Connect Company Limited. (2025, 8 July). Bond Connect celebrates 8th anniversary—Connecting the world with China's fixed income market via Hong Kong. https://www.chinabondconnect.com/en/About-Us/News-Release/Bond-Connect-Celebrates-8th-Anniversary.html

97 People's Bank of China Guangdong Branch. (n.d.). Cross-boundary Wealth Management Connect: Latest updates. Retrieved November 11, 2026, https://guangzhou.pbc.gov.cn/guangzhou/129196/4332364/4332376/index.html

warrants further study. Expanding the scheme beyond the Greater Bay Area would, over the medium term, broaden access for Chinese Mainland residents and create a more substantial channel for long-term retail investment flows.

While WMC enhancements have been well received, cross-boundary sales staff cannot actively market products, limiting their ability to reach potential customers. Relaxing restrictions on cross-boundary marketing would likely increase participation rates and enhance the scheme's effectiveness as a channel for patient capital.

Mutual Recognition of Funds (MRF)

The MRF scheme, established in 2015, enables Hong Kong-domiciled funds to be sold to Chinese Mainland investors and, reciprocally, allows Chinese Mainland funds to be distributed in Hong Kong. The scheme underwent significant enhancements in January 2025, with key revisions including raising the sales ratio cap from 50% to 80% of total fund assets, easing restrictions on the delegation of investment management functions, and introducing a new product category to accommodate additional fund types.[98]

The AUM of Hong Kong MRF funds attributable to Mainland investors stood at RMB 116 billion, whilst the AUM of Mainland MRF funds attributable to Hong Kong investors amounted to RMB 697 million as of 31 March 2026.[99] A review of the MRF framework could expand the eligible universe to include more globally diversified funds, target-date pension funds, long-duration bond funds, and ESG-themed products. This would better align the scheme with long-term investors' needs and support the development of a more balanced product ecosystem.

In parallel, consideration could be given to permitting individual pension (third-pillar) accounts in the Chinese Mainland to invest through the MRF scheme. Such a step would broaden the range of investment opportunities available to retirees and more closely align the scheme with long-term savings objectives, reinforcing its relevance to the Chinese Mainland's evolving pension architecture.[100]

2. Explore new opportunities in connectivity

Insurance Connect

Insurance Connect has been under discussion for several years and would benefit from renewed momentum. The practical foundations are already being laid in the Greater Bay Area, including crossboundary motor insurance, cross-boundary medical insurance products, and measures to support cross-boundary healthcare cooperation. For Hong Kong, Insurance Connect would provide a regulated channel for Chinese Mainland residents to access more insurance products. For the Chinese Mainland, it would broaden consumer choice under maintained regulatory oversight. Both sides should explore a sequenced approach, beginning with a GBA pilot and a defined product scope and quotas.

The policy direction is increasingly supportive of enhancing industry connectivity. Most notably, effective March 2025, the National Financial Regulatory Administration (NFRA) removed the "minimum total assets of USD 2 billion" requirement for Hong Kong and Macao financial institutions seeking to invest in Chinese Mainland insurers. This threshold reduction represents a meaningful step in lowering barriers

98 Securities and Futures Commission. (2024, 20 December). Mainland-Hong Kong Mutual Recognition of Funds enhancements to take effect on 1 January 2025. https://apps.sfc.hk/edistributionWeb/api/news/list-content?refNo=24PR217&lang=EN

99 Securities and Futures Commission. (2026). Asset and wealth management activities survey 2025: Scaling new heights. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-report-English.pdf

100 Encouragingly, the FSDC has learned through its communications with the SFC that the SFC has been liaising with the Mainland authorities to explore enhancements to the mutual market access schemes. Any changes to the schemes would be subject to discussion with, and approval by, the Mainland authorities.

to cross-boundary insurance participation.[101] High-level regulatory engagement is also intensifying. In July 2025, senior representatives of the Hong Kong Insurance Authority met with Chinese Mainland counterparts, including the NFRA, to discuss insurance market integration, regulatory alignment, and Hong Kong's role as a global risk management centre. These dialogues indicate an institutional appetite for deeper connectivity on both sides.

Pension Connect

Industry practitioners see potential for pension products in the Chinese Mainland and Hong Kong to benefit each other and suggest measures to facilitate mutual investment, which could be dubbed the "Pension Connect".

The rationale is multi-layered. Chinese Mainland pension assets are growing rapidly and face a structural need for diversification across asset classes and currencies. Conversely, international pension funds seeking exposure to Asia struggle to access Chinese Mainland assets directly. Pension Connect could serve as a regulated, two-way bridge. For Chinese Mainland pension capital, it would provide an internationally recognised channel for diversifying into non-RMB assets while keeping capital within China's broader regulatory oversight. For Hong Kong, it would further increase locally managed assets, deepen the product ecosystem, and reinforce the city's positioning as a genuine pension management hub in Asia.

It should be noted that there are already established channels through which pension funds in both markets may obtain exposure to investment products and securities in the other market. Any further connectivity arrangements should therefore be assessed for their incremental value and market demand.

101 National Financial Regulatory Administration. (2025, 26 February). Notice of the National Financial Regulatory Administration on matters concerning the acquisition of shares in insurance companies by financial institutions from Hong Kong and Macao. National Financial Regulatory Administration. https://www.nfra.gov.cn/cn/view/pages/ItemDetail.html?docId=1199748&itemId=4216&generaltype=1

Recommendation 3 – Future-proofing the ecosystem: Strengthening the enabling environment

Product innovation and cross-boundary access alone are insufficient to attract patient capital. A competitive AWM centre like Hong Kong also offers a robust enabling environment—one that leverages domestic pools of patient capital, maintains a competitive tax and regulatory framework, ensures resilient market infrastructure, upholds high corporate governance standards, and communicates a clear, compelling narrative to global investors.

1. Leverage Hong Kong's long-term capital

Hong Kong's MPF is a long-term investment, often lasting 30 to 40 years. The Government may continue to work with relevant stakeholders and introduce further preferential treatment—through additional tax incentives or other financial mechanisms—for MPF scheme members to make further contributions to invest in their future, and in so doing, invest more in MPF funds with exposure to Hong Kong-domiciled funds. This approach would help deepen the pool of long-term capital available for Hong Kong-based investments.

There have also been encouraging developments towards broadening the investment scope of MPF funds. To enhance the risk-adjusted return potential of MPF funds, the Government and the MPFA have been committed to reviewing and broadening the MPF permissible asset classes. Having considered the potential benefits of allowing MPF investment in private equity to enhance diversification and return potential, the MPFA announced to the industry in May 2025 that listed PE funds meeting the relevant criteria and approved by the MPFA on a case-by-case basis can be included as a permissible underlying asset class for MPF funds.[102]

2. Strengthen regulatory and tax frameworks

While Hong Kong's overall tax regime remains competitive, adjustments could reduce the tax burden on investment returns, incentivise long-term holding, and strengthen the cross-boundary tax architecture.

Reducing the tax burden on investment returns

Introduce conditional withholding tax exemptions for Chinese Mainland Southbound Connect investors to reduce the double-taxation burden that currently erodes returns on cross-boundary bond investments.

Investing in Hong Kong equities via mutual funds and ETFs incurs approximately a 20% dividend tax levied by the Chinese Mainland, which erodes returns on dividend-paying assets. For income-focused investors such as insurers and pension funds, this represents a meaningful and ongoing drag on portfolio performance. A targeted reduction in dividend tax would strengthen Hong Kong's attractiveness for these investors.

Industry practitioners have noted equity stamp-duty costs as an important consideration for Hong Kong's relative competitiveness against peer jurisdictions trading similar securities, with potential implications for turnover and market liquidity. A rigorous assessment would provide a constructive basis for weighing direct stamp-duty revenue against the broader economic benefits of deeper market participation—including increased listings and a stronger asset-management ecosystem—and for determining whether any adjustment would be warranted to support the market's long-term development.

102 Government of the Hong Kong Special Administrative Region. (2025, October 8). LCQ9: Promoting development of private equity funds [Press release]. https://www.info.gov.hk/gia/general/202510/08/P2025100800286.htm

3. Enhance market infrastructure

An attractive ecosystem for patient capital must be underpinned by resilient market infrastructure. Two enhancements to Hong Kong's settlement arrangements warrant attention. First, HKEX targets T+1 implementation in the second half of 2028, subject to market readiness and regulatory approval.[103] Doing so would align the market with global practices, including the USA, and reduce settlement and risk for long-term investors. The SFC has included implementing T+1 settlement in its short-term strategic action plan to deliver key initiatives under Hong Kong's first Five-Year Plan and the Chief Executive's 2026 Policy Address.[104]

Second, settlement systems across asset classes should be streamlined. Currently, settlement systems for equities (Stock Connect), bonds (Southbound Connect), and digital assets remain fragmented, increasing operational complexity and cost for institutional allocators. Developing a unified, one-stop settlement capability across asset classes would streamline post-trade operations and lower the operational burden on investors managing multi-asset portfolios.

4. Enhance the liquidity of small-cap companies

Corporate governance is not a peripheral concern—it is a binding constraint on the allocation of patient capital. The 2025 IAIS study noted that insurers face financial market risks stemming from geoeconomic fragmentation, and one solution they pursue is investing in high-quality assets, which are expected to provide a buffer against potential market downturns.[105] Pension funds, especially those governed by fiduciary duty frameworks in their home jurisdictions, are often constrained or discouraged from investing in markets where governance and shareholder protection standards fall below a certain threshold. Better governance, therefore, directly improves the investable universe for such funds.

Hong Kong has good corporate governance measures in place, including the Hong Kong Stock Exchange's Corporate Governance Code (CG Code) and the SFC's Principles of Responsible Ownership. Further measures can accelerate the transition.

In June 2026, HKEX launched a dedicated webpage showcasing key metrics to help investors understand and compare the valuation and performance profiles of HK-listed companies, while listed companies can benchmark their performance against peers, engage with investors, and build sustainable businesses.[106] Hong Kong could further consider a Value-up Statement pilot scheme. A Value-up Statement is a corporate disclosure in which companies outline strategies to boost low stock valuations, improve capital efficiency, and enhance shareholder returns.[107] This pilot scheme can initially apply to Hang Seng Index constituents on a comply-or-explain basis and be integrated with the July 2025 Corporate Governance Code reforms, which introduce independent director tenure caps and dividend policy disclosure requirements.

103 Securities and Futures Commission. (2026, October 16). SFC welcomes HKEX's proposal to implement T+1 settlement in Hong Kong's stock market [Press release]. https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=26PR171

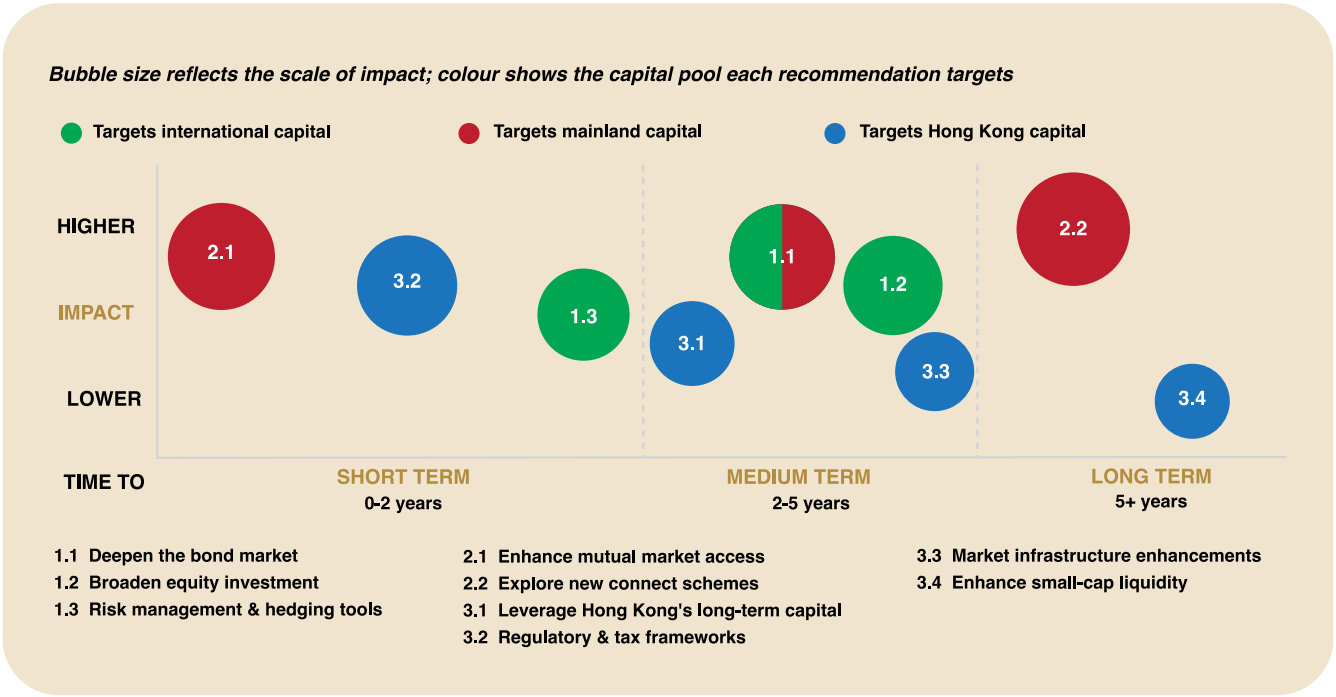
104 Securities and Futures Commission. (2026). The SFC's strategic action plan to implement the key initiatives under Hong Kong's first Five-Year Plan and the Chief Executive's 2026 Policy Address. https://www.sfc.hk/-/media/EN/files/COM/PDF/SFCs-Strategic-Action-PlanE.pdf

105 International Association of Insurance Supervisors. (2025, December). Global insurance market report (GIMAR) 2025. https://www.iais.org/uploads/2025/12/Global-Insurance-Market-Report-2025.pdf

106 Hong Kong Exchanges and Clearing Limited, Shareholder Value in Focus. https://www.hkex.com.hk/Listing/Sustainability/Shareholder-Value-in-Focus/Overview?sc_lang=en

107 Asian Corporate Governance Association. (March 2026). Stewardship in Asia Frameworks, codes and practices. https://www.acga-asia.org/thematic-research.php

Figure 11. Roadmap for implementation: Impact and timeline assessment





Conclusion

Conclusion

Hong Kong is the world's third-largest international financial centre. Its strengths—a common law system, free capital flows, deep liquidity, an independent judiciary, and a world-class talent pool—are widely recognised. That said, the international landscape is characterised by intense competition, with both regional and global financial hubs actively fortifying and refining their value propositions by introducing innovative products, financial incentives, and streamlined regulatory frameworks. Notably, Hong Kong's asset and wealth management domain, which grew to USD 5.4 trillion in 2025[108] and recently became the world's largest cross-boundary wealth management centre,[109] stands at the centre of this imperative evolution.

Patient capital—particularly from pension funds and insurance companies—plays a pivotal role in any leading asset and wealth management centre. These investors offer stable, long-duration capital with strong holding power to withstand market volatility. Unlike short-term speculative flows that can exit at the first sign of trouble, patient capital provides a reliable funding base, supports deeper and more resilient financial markets, and anchors the development of sophisticated investment products and services. Overall, patient capital helps ensure the healthy development of the financial market ecosystem.

With that in mind, Hong Kong should prioritise attracting patient capital, with an immediate focus on insurance funds and pension funds. These institutions are structurally patient: their liabilities span decades, and their investment mandates are built around matching these obligations. Moreover, bolstering Hong Kong's appeal and access for Chinese Mainland pension funds and insurers is strategically significant for China's pension system and offers strong prospects for Hong Kong's financial sector.

To attract these funds to Hong Kong, concerted efforts must focus on enriching product offerings, reducing cross-boundary investment frictions, and strengthening the broader enabling environment, including risk management frameworks, tax structures, and the professional landscape. Specific initiatives include expanding the bond market, introducing long-duration securities, and elevating listing standards. Enhancing risk management, establishing an offshore (RMB) yield curve, and broadening hedging options are essential. Improving cross-boundary access via QDII channels and expanding connectivity mechanisms are also vital goals. Overall, a robust tax framework, sound governance, an alluring narrative, and a competent financial ecosystem are pivotal for Hong Kong's growth.

While this paper focuses specifically on pension and insurance funds, the recommended measures will benefit the broader patient capital ecosystem, including sovereign wealth funds, endowments, and family offices. With the aforementioned enhancements, Hong Kong can pave the way for a wider range of long-term investors to choose it as their preferred hub—thus fortifying its stature as a premier global asset and wealth management haven for years to come.

108 Securities and Futures Commission. (2026, July 2). Hong Kong's AUM grew 20% to record high: SFC's 2025 survey on asset and wealth management. https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-report-English.pdf?rev=355c352ea18b409f8bef3388ae259d7f&hash=2FD55F1D-F15EDBEBC0375F08B63CA0B9

109 Boston Consulting Group. (2026, May). Global wealth report 2026: The great reordering (26th ed.). Boston Consulting Group. https://web-assets.bcg.com/84/95/538c1f4b439a91d3ef8ae90b6e89/2026-gwr-may-2026.pdf



Annex

Annex 1. Understanding patient capital beyond pension and insurance

While the focus of this paper is on pensions and insurers, Hong Kong ultimately aims to attract **diverse sources of patient capital**; the following elements are worth considering when designing a strategy that can, over time, appeal to a broader universe of investors beyond pension and insurance.

The time horizon debate

There is no consensus on what time horizon qualifies as "long-term" – the answer is inherently contextual. A one-year holding period would be "long-term" to a day trader, yet it falls well short of the horizon relevant to most institutional investors, who typically position themselves to ride out full economic cycles.

Rather than fixating on a single numerical threshold, a more effective approach is to identify the target investors and tailor strategies to their structural needs. For insurers, for example, "patience" is defined by their liability durations. In Hong Kong, life insurance liabilities typically range from 8 to 30+ years, requiring investments that can match these long-term promises.

The key takeaway is this: time horizon is not an absolute measure but a relative one, shaped by the investor's business model, liabilities, and investment mandate.

Modes of capital deployment

Beyond identifying institutional sources, it is useful to distinguish between different modes of capital deployment, each with distinct implications for policy and product development.

- Liability-driven capital: Pension funds, insurers, and sovereign wealth funds whose investment horizons are structurally determined by their liabilities. At end-2025, overseas assets accounted for only 5.4% of Chinese Mainland insurers' investment assets,[110,111] well below the regulatory ceiling of 15% of total assets. There is significant headroom for growth, provided Hong Kong offers sufficient long-duration assets.

- Structurally anchored capital: Capital pools whose "patience" comes from institutional design—lock-up periods, tax treatment, and withdrawal constraints—rather than individual investor choice. This includes the Mainland's emerging third-pillar individual pension scheme, projected to reach RMB 7tn by 2030.[112]

- Event-driven flows: Capital responding to market sentiment rather than structural commitment. Southbound flows reached a record HK$1.41tn in 2025, up 74% from 2024,[113,114] with 2026 momentum continuing. However, 4Q 2025 saw sequential declines, and a clear rotation from high-dividend SOEs to tech stocks suggests these flows remain momentum-sensitive rather than reflecting true long-term allocation shifts.

110 Banking and Insurance Asset Management Association of China. (2026, 10 September). 2025 Survey Report on Overseas Investment of Insurance Funds, https://www.cbiama.org.cn/xhdt_details/2001199.html

111 International Finance News. (2026, September 30). Long-term capital breaks new ground: Insurance funds cleared to invest in Southbound Stock Connect ETFs. Wuhan Municipal Local Financial Administration. https://jrj.wuhan.gov.cn/ztzl_57/xyrd/dcczbsc/202609/t20260930_2856061.shtml

112 Asia Securities Industry & Financial Markets Association & KPMG China. (2023, June 26). China pension reforms: Winning strategies for global asset managers amid market reform. https://www.asifma.org/wp-content/uploads/2023/06/press-release_asifma-kpmg-china-pension-reforms_cn.pdf

113 Shanghai Stock Exchange. (n.d.). Southbound trading overview. Retrieved November 11, 2026, from https://www.sse.com.cn/services/hkexsc/ggtscsj/ggtcjgk/

114 Shenzhen Stock Exchange. (n.d.). Shenzhen–Hong Kong Stock Connect: Southbound annual trading report. Retrieved November 11, 2026, from https://investor.szse.cn/szhk/szhktradeinfo/hkyearly/index.html

Locked-up capital or patient capital differences

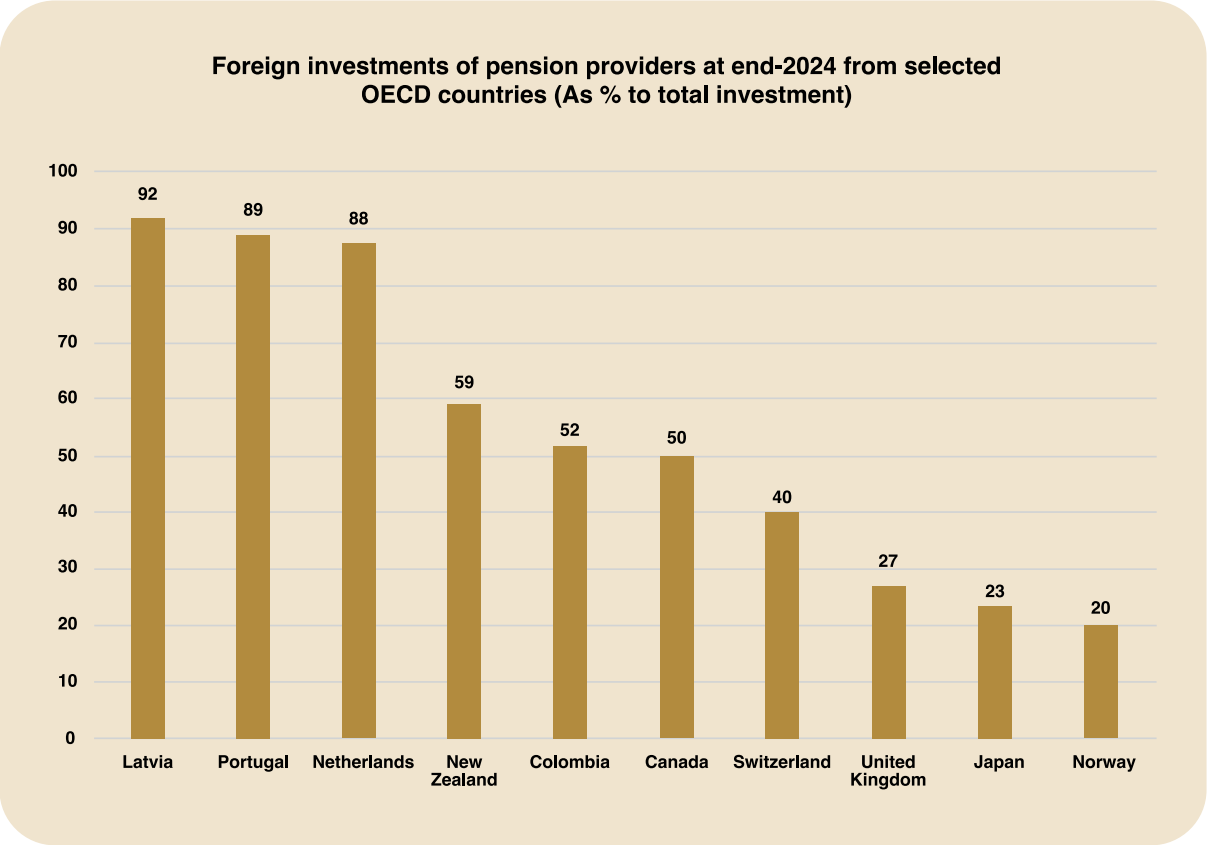
A further distinction should be drawn between structural "patience" and actual investment behaviour. An illustrative data point: Chinese Mainland insurers' average holding period for Hong Kong equities via Stock Connect is approximately 1.09 years, with 80% deployed through active strategies (IAMAC survey). This suggests that even institutions with long-duration liabilities are, in practice, exhibiting relatively short-term behaviour in Hong Kong. The implication is that the constraint is less about willingness and more about the availability of assets and risk management tools suited to longer-term holding.

Annex 2: China's pension system: Three-pillar structure

The Chinese Mainland's current pension system consists of three pillars, though Pillar 2 and Pillar 3 are relatively underdeveloped. Over half of the contributions come from Pillar 1, 40% from Pillar 2, and less than 1% from Pillar 3.[115]

As a foundation of the pension system, **Pillar 1** dominates the landscape but faces sustainability challenges. Built on a pay-as-you-go model, it is increasingly strained by a shrinking workforce and an ageing population. Moreover, its investment remains relatively conservative by international benchmarks: international pension funds typically allocate around 35% of their portfolios to overseas assets, with other mature markets ranging between 20% and 90%.[116] the Chinese Mainland's first pillar allocates approximately 10% to foreign investments.[117] A gradual diversification into overseas assets over time could help enhance returns and manage concentration risk.

Figure 12. Foreign investments of pension providers at end-2024 from selected OECD countries



Source: OECD Global Pension Statistics

115 Li, J., & Liu, D. (2025, January 8). Thoughts and suggestions on promoting "long-term investment" of China's pension funds. Bank of China. https://pic.bankofchina.com/bocappd/rareport/202501/P020250108530768457761.pdf

116 OECD. (2025). Pension markets in focus 2025. https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/pension-markets-in-focus-2025_361974da/b095d0a0-en.pdf

117 China Daily. (2024, June 27). 'Patient capital' seen as key to sci-tech self-reliance. China Daily. https://english.www.gov.cn/policies/policywatch/202406/27/content_WS667cc984c6d0868f4e8e89e3.html

Pillar 2 comprises enterprise or occupational annuities and represents an expanding segment of the pension system. However, its overall efficacy is constrained by a cautious investment strategy, with an equity allocation of 10-15%. This is lower than other more mature markets and the global average, which allocates over 40% to equities.[118] This conservatism limits the pillar's ability to generate the long-term returns needed to support an ageing population.

Pillar 3 is the individual pension plans, which were newly expanded in 2024 with tax incentives, but participation remains limited in practice. As of 15 June 2025, over 150 million accounts opened, only about 21% had actually received contributions, while more than three-quarters of accounts had yet to receive contributions.[119] Additional incentives would be needed to increase participation at scale.

118 Thinking Ahead Institute. (2026, February). Global pension assets study 2026. https://www.thinkingaheadinstitute.org/content/uploads/2026/02/GPAS-2026_summary.pdf

119 China Construction Bank & BlackRock CCB Wealth Management. (2025). 2025 China pension finance white paper. https://www.blackrockccbwealth.com/uploads/files/31b73e026d8a758d2044c848bb1044b9.pdf

Acknowledgement

The FSDC would like to thank the following working group members for their valuable input:

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Mr Kelvin Cheung
Ms Rebecca Fu
Mr Frederick Hui
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Ms Regina Lee
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Financial Services Development Council

About the FSDC

The Financial Services Development Council (FSDC) was established in 2013 by the Government of the HKSAR as a high-level advisory body to engage the industry in formulating proposals to promote the further development of the financial services industry of Hong Kong and to map out the strategic direction for the development.

In September 2018, the FSDC was incorporated as a company limited by guarantee. This change allows it to better discharge its functions through research, market promotion, and human capital development with greater flexibility.

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