For Immediate Release

PWMA and KPMG Jointly Release Hong Kong Private Wealth Management Report 2019

Findings Highlight New Opportunities Continue to Present Avenues for Growth
Respondents Urge Initiatives to Accelerate Industry Development and Overcome Challenges

Hong Kong, 8 October 2019 – A report co-authored by Private Wealth Management Association ("PWMA") and KPMG China highlights the need for industry and government to respond proactively to macro-economic headwinds facing private wealth managers even as PWMA members remain confident in the market's long-term growth opportunities.

As a result of macro events and market volatility, the majority of industry practitioners surveyed forecast 5 to 10 percent annualised assets under management (AUM) growth over the next five years, down from 10 to 20 percent in last year's survey. Industry practitioners cite further penetration of the mainland Chinese market and attracting family offices to set up in Hong Kong as key to growing the market.

While private wealth AUM fell by two percent to HKD 7.6 trillion in 2018 as a result of weaker asset performance, net fund inflow was strong at HKD 379 billion, according to the SFC's Asset and Wealth Management Activities Survey 2018. The investment returns of PWM assets in aggregate also compared favourably against major market indices in 2018, demonstrating the value the industry provides to its clients even in uncertain times.

"The report sheds light on the broader macro challenges facing private wealth managers in Hong Kong while emphasizing future possibilities, particularly in connection with mainland China and family offices. We are confident that the collective efforts of the industry together with our government and regulatory stakeholders can ensure sustainable growth and bring our vision of Hong Kong's status as a leading global private wealth management hub to fruition," said **Amy Lo, Chairman, Executive Committee of PWMA.**

Peter Stein, PWMA's Managing Director, said, "Our members see where their digital offerings lag behind client expectations, as they struggle to divide limited resources between business-oriented enhancements and regulatory requirements. We very much support continued dialogue and collaboration between regulators and the industry to drive positive change and alleviate key pain points. Regtech and other digital investments can also help meet compliance requirements, improve efficiency and promote a positive and consistent client experience."

The report suggests that the government, regulators, and industry should continue to work together to address the recommendations outlined in the joint 2018 PWMA-KPMG China White Paper, such as **streamlining existing disclosure and suitability requirements**, implementing a **Greater Bay Area single wealth zone**, and ensuring a **non-resident tax exemption for high net-worth individuals (HNWIs)**.

Paul McSheaffrey, Head of Banking and Capital Markets, Hong Kong, KPMG China, said, "The ongoing development of the Greater Bay Area is a major opportunity for Hong Kong, as an offshore wealth centre, to better access wealth created in mainland China. Among the core cities in the area, Hong Kong is highlighted as the international centre for finance and asset management. Firms should leverage on the city's unique status and focus on creating and executing comprehensive strategies to further penetrate the mainland Chinese market for long-term success."

Among other recommendations, the report notes that **business and operating models need to be refined** to address opportunities presented from mainland China, and teams need to be equipped with appropriate skills and capabilities to serve the needs of family offices.

The report also highlights the increasingly critical and growing talent gap, noting the need to **enhance talent programmes** to increase recruitment and talent retention. **Investment in technology** that would drive administrative efficiency would be helpful as well, allowing relationship managers (RMs) to focus more on higher value activities, as well as **CRM platforms** which would better equip RMs with the information needed to better serve clients so as to improve retention of both clients and RMs.

The fourth annual Hong Kong Private report is largely based upon an online survey – in which 33 of the 45 member organisations of the PWMA responded – as well as 29 interviews with industry executives. This year, an additional client survey was introduced, gathering 'client insights' from almost 230 clients of PWMA member institutions, which are included throughout the publication.

The full report is available for download at:
https://home.kpmg/cn/en/home/insights/2019/10/hong-kong-private-wealth-management-report-2019.html

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About the Private Wealth Management Association

The Private Wealth Management Association is a Hong Kong-based voluntary association incorporated as a company limited by guarantee; it is separate from the Hong Kong Association of Banks. The main objectives of PWMA are: to better position Hong Kong as the private wealth management hub in the region by promoting and encouraging the growth and development of the PWM industry in Hong Kong and to help maintain Hong Kong's status and competitiveness as a major financial centre; to provide a forum for members to discuss and exchange views on trends and challenges faced by the PWM industry and how to strategically position for these trends and challenges; to promote proper conduct, integrity and high standards of professional competence on the part of PWM practitioners; to provide industry representation and consultation in Hong Kong on PWM-related matters; and to serve as a channel for the private wealth management industry to maintain ongoing dialogue with governments, regulators, trade bodies and non-governmental organisations.

The PWMA currently has 45 Full Corporate Members and five Associate Members with a 10-member Executive Committee serving as the Association's governing body. For more information about PWMA membership, please visit our website at: http://www.pwma.org.hk

About KPMG China

KPMG China is based in 23 offices across 21 cities in China, with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 153 countries and territories and have 207,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as at 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.

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