

For Immediate Release

Hong Kong's Private Wealth Management Industry remains positive on growth momentum Clients continue to favour HK as a key PWM hub

Hong Kong, 20 Oct 2022 – Hong Kong's private wealth management (PWM) industry remains robust despite a challenging macro environment, according to the seventh annual Hong Kong Private Wealth Management report. The report found that 67% of member institutions expect annual growth in the industry's Assets Under Management (AUM) to be in the 6-10% range over the next five years, while a further 22% predict a compound annual growth rate (CAGR) of 11-20%.

Jointly authored by the Private Wealth Management Association (PWMA) and KPMG China, the report also noted that penetrating the Mainland China market has overtaken targeting the next generation and family offices as the number one growth driver for the industry. That growth is expected to further accelerate as cross-border travel activities between Hong Kong and the Mainland are eventually resumed.

Despite market volatility, Hong Kong private wealth management industry recorded net fund inflows amounting to HKD 638 billion in 2021 according to data from the SFC¹. PWM clients surveyed in this year's report also ranked Hong Kong as the preferred PWM hub in Asia across many wealth management capabilities and attributes despite strong competition, proving the city's resilience as a leading PWM hub and Hong Kong's advantages as an International Financial Centre.

Amy Lo, Chairman, Executive Committee of PWMA, said, "We are delighted to see that PWM clients continue to see Hong Kong as an attractive wealth management hub across several key dimensions in terms of proximity to mainland China and integration with the Greater Bay Area (GBA), ease of trading and onboarding, and investment options. As the city gradually lifts its COVID-19 pandemic regime, particularly in relation to travel restrictions, we are confident that the PWM industry will see accelerated growth, particularly in attracting new clients."

Mainland China is now the top growth theme for industry practitioners. Surveyed member institutions expect the proportion of AUM sourced from mainland China to rise from the current 38% to close to 50% in five years' time. In particular, 86% of firms see the GBA as being either a "very important" or "important" part of the growth story. The Wealth Management Connect (WMC) pilot scheme launched last year represents a key milestone, but members indicated that changes will be needed to make the scheme more relevant to the industry, including quota size, range of products, etc.

To attract next-generation clients, the majority of whom are digital natives, PWM firms will need to focus on enhancing the range of services that can be provided digitally. Digital transformation will play a critical role, and 89% of surveyed members are expected to increase spending in technology and transformation.

¹ https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/AWMAS-2021_final_e.pdf

“As more wealth is being passed onto the next generation, it is important for our industry to evolve with our clients and understand the preferences and priorities of the next generation,” said **Peter Stein, CEO and Managing Director, PWMA**.

Other highlights revealed in the seventh annual PWM report:

- **Family Office:** The government’s initiatives to support family offices are welcomed by the industry. 53% of surveyed clients said the proposed tax exemptions for family investing holding vehicles managed by single family offices would make them more likely to set up a family office in Hong Kong.
- **ESG adoption:** 76% of surveyed member firms (72% last year) expect the proportion of AUM invested in ESG products to be over 10%, and 9% of organisations (0% last year) expect AUM to be over 40% in five years. To achieve this growth rate, more client education, increased investment options, and a higher degree of transparency in ESG credentials, as well as regulatory alignment on ESG standards, were all found to be key to driving adoption.
- **Virtual assets:** Four in ten surveyed clients stated that they are interested in virtual assets as an asset class, but felt that Hong Kong did not have a strong market in these assets. The main barrier for the PWM industry to greater investment in virtual assets are concerns about the regulatory environment, while volatility and liquidity concerns are also major issues.
- **Talent:** Like other sectors the PWM industry saw a slight decrease in number of practitioners (4.7%). An increased focus on university education to grow the talent pool, e.g. HKMA x PWMA Apprenticeship Programme, is recommended; also, 86% of surveyed PWMA member firms would support ways to access or attract talent from the GBA to work in the Hong Kong PWM industry.
- **RegTech:** Opportunities to use RegTech to address the evolving regulatory and compliance requirements, which has been one of the top challenges for the PWM industry.

Paul McSheaffrey, Partner, Financial Services, Hong Kong, KPMG China, concluded: “Despite ongoing macroeconomic challenges and challenging conditions in the markets, the PWM industry in Hong Kong is optimistic about its growth prospects. ESG remains a key focus for the industry. PWMA member firms have become slightly more ambitious about where they believe the market for ESG investments will be in five years’ time. Client education, more investment options and transparency around ESG credentials were found to be key to drive growth in ESG adoption.”

The Hong Kong Private Wealth Management Report is largely based on an online survey of PWMA member institutions and a client survey, as well as interviews with industry executives, regulators and other industry stakeholders in Hong Kong. Both surveys and the interviews were conducted from June to August 2022.

The full report is available for download at: <https://home.kpmg/cn/en/home/insights/2022/10/hong-kong-private-wealth-management-report-2022.html>

- End -



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 43 Full Corporate Members and eight Associate Members with a 12-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 has offices located in 30 cities with over 14,000 partners and staff in Beijing, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Nantong, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Taiyuan, 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 organization of independent professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International") operate and provide professional services. "KPMG" is used to refer to individual member firms within the KPMG organization or to one or more member firms collectively.

KPMG firms operate in 144 countries and territories with more than 236,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. Each KPMG member firm is responsible for its own obligations and liabilities.

KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

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

Media contact:

Strategic Financial Relations Limited (On behalf of PWMA)

Ingrid Cheng (t) +852 2864 4836 (e) ingrid.cheng@sprg.com.hk

Yoko Li (t) +852 2864 4813 (e) yoko.li@sprg.com.hk

KPMG China

Dyna Yu (t) +852 3927 5798 (e) dyna.yu@kpmg.com

Gemma Ho (t) +852 3927 3171 (e) gemma.ho@kpmg.com