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## Hong Kong worth its weight in gold for international financial center status

By Jessica Chen

Hong Kong has ambitions to become an international gold trading market to consolidate its status as an [international financial center](#), and has doubled its gold storage capacity from 150 metric tons to around 300 metric tons and is hammering out “a robust and transparent regulatory framework” to match, if not surpass, the three giants in the gold trade — Loco London, the New York Comex (Comex), and the Shanghai Gold Exchange (SGE).

The bold vision unveiled in the [2024 Policy Address](#) on Wednesday triggered the rise of gold concept shares on the Hong Kong stock market for two consecutive days. On Friday, the index of Hong Kong-listed gold and precious metals stocks rallied 3.7 percent. China Silver Group led the gains, surging 5 percent to close at HK\$0.315 (\$0.041). Other notable performers included Lingbao Gold Group, which rose 4.17 percent, and Zhaojin Mining Industry, which advanced 3.98 percent.

Hong Kong, which is often referred to as the “goose that lays the golden egg”, now aspires to be a “golden egg” itself. In the 2024 Policy Address — the first since the enactment of the Safeguarding National Security Ordinance — Chief Executive [John Lee Ka-chiu](#) stated that the city’s security and stability gives it a “clear edge as an attractive place for physical gold storage, driving more gold trading, settlement and delivery activities, and potentially propelling (it) into a gold center of the world”.

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Lee said in the annual Policy Address (his third) that Hong Kong ranks among the world’s largest import and export markets for gold by volume. According to the Observatory of Economic Complexity, Hong Kong ranked the world’s fourth-largest exporter the sixth-largest importer of the gold in 2022.

“It is a move driven by the complexities of modern geopolitics and the increasingly competitive global market,” a government source revealed in a closed-door briefing on the Policy Address on Wednesday. The source said the Hong Kong Special Administration government has taken the initiative to sharpen the horn to better prepare the city for the upcoming shift in the landscape of gold-exchange activities.

The SGE is the biggest gold market in Asia, while Hong Kong is going to tap the gold market as geopolitical pressures generate volumes of gold transactions and increase the demand for a safe place to diversify risk, both in physical delivery and in digital trading platforms.

“The city will be an option for investors to hedge their bets by storing gold outside Europe or London to spread perceived geopolitical risk,” said the source.

“Demand for gold products is on a growing trajectory because of the concerning geopolitics,” said [Christopher Hui Ching-yu](#), secretary for financial services and the Treasury, at Thursday’s press conference.



This undated photo shows a view of the Victoria Harbour in Hong Kong. (PHOTO / CHINA DAILY)

The government's voice was echoed by local financial experts. "Expanding gold reserves can diversify financial assets, provide stability during economic uncertainty and attract investors," Mofiz Chan, chairman of the Hong Kong Securities and Futures Professionals Association, told *China Daily*.

"Currently, we are soliciting the big players in the industry, including the world's largest bank by assets, China's ICBC Standard Bank, to choose Hong Kong for gold trading and storage," Dr Stephen Wong, head of the Chief Executive's Policy Unit, told *China Daily*.

Earlier, ICBC reportedly purchased a massive vault in London that can hold up to 2,000 tons of gold. The bank is also said to be partnering with the World Gold Council to further develop the Chinese gold market.

Some economists are reportedly expecting a "limited boost" from Hong Kong's growing gold market to its GDP. Also, Singapore — Hong Kong's Asia rival — recently opened a 500-ton gold depository, dwarfing the city's current 150-ton storage at the airport vault.

"We believe that Hong Kong has its niche in the global gold market," said Wong. "The city, with its fintech infrastructure and ecosystem, will witness driving demand for related services such as collateral and loan business, which, in turn, will open up new growth areas of the financial sector."

Hong Kong, with its geographic location, "is now positioning itself as a central node in the global gold supply chain by reasserting its role as a 'superconnector' in the trade of strategic materials, i.e., gold and nonferrous metals," said Ken Ip, chairman of the Asia MarTech Society.

Hui said, "The gold exchange right currently is for the local market. Our next move is to uplift it to the international level."

Chan said he expects that attracting global investors in gold will generate capital inflows, benefiting sectors like real estate and retail.

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While most local players are concerned about Singapore, Wong and his team are focusing on the world beyond Asia. "It will be a substantial pillar to the city's financial industry, the final missing link to beat its competitor financial centers of New York and London," said Wong.

"Strategic planning is essential to maximize the potential benefits of increasing gold reserves," said Chan.

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