

# Hong kong as international banking center: present and future

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## Summary

The banking industry is key for Hong Kong's economy but Hong Kong is not a big international banking center, at least not when compared with other centers belonging to large economic areas, such as New York and, to a lesser extent, Tokyo. Within Asia, Hong Kong has a larger banking sector as a whole but similar if we focus on the off-shore side of it and growing faster than in Hong Kong. Furthermore, Singapore is being more active as a banking platform for international corporates while Hong Kong remains larger in terms of banking relations. In fact, Hong Kong continues to have one of the highest concentrations of large banking institutions in the world.

Such international banking platform, together with the increasing local presence of Chinese banks, offers Hong Kong a unique opportunity to become a major banking center, probably the largest off-shore center in Asia. Whether Hong Kong will reap this opportunity will very much depend on how it navigates among the opportunities that China offers in its current situation of capital controls without losing its international clout. In fact, Hong Kong banking system should benefit from the business from China coming off-shore due to capital controls (including RMB settlements but also issuance of RMB-denominated bonds). However, it should also look for non-Chinese related banking business so as to ensure that it remains distinguishable from China's domestic banking system in the years to come.

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