**The Standard - Spacs may cause losses in IPO deals & ibank jobs (12 Apr 2021)**
(Original Article)

Avery Chen

Hong Kong is mulling allowing listings of special purpose acquisition companies to catch up with its international peers, but the ambition might make many investment bankers lose jobs, says Richard Mak, president of the CFA Society Hong Kong.

The financial hub fell further in world competitiveness rankings. Last month, Hong Kong was dumped from the "Index of Economic Freedom" by the Heritage Foundation, a US think tank, as it believes the city's policies are ultimately controlled by Beijing.

To lift the competitiveness, Hong Kong is eyeing to have a SPAC listing regime by the end of this year, and the local bourse is set to launch a consultation in June, Bloomberg reported. Also known as blank check companies, SPACs are shell companies that raise capital for merging with private firms. They are usually formed by private equity firms, high-profile hedge fund managers, billionaires and celebrities.

US SPACs have raised US$98.4 billion (HK$767.52 billion) so far this year, which already surpasses the 2020 haul. Asian exchanges from Singapore, Japan to Indonesia are all exploring having their own SPACs.

But Mak, who also heads advisory services at Pictet Wealth Management Asia, says "the SPAC is definitely another constructive destruction because it skips a lot of investment bankers. A lot of them probably lose their jobs as many firms don't need initial public offerings anymore."

SPACs might need financial professionals when they merge with private firms, "but the way we do it is very different," he adds. "SPACs literally make private equity investment more liquid and tradable."

Local regulators need to consider how to safeguard investors, as SPAC investors basically put their money in shell companies, Mak says. It is more important to ensure transparency, information disclosure, and fair fees, he adds.

On the other hand, despite facing social unrest and Covid-19 pandemic in the past three years, Mak believes Hong Kong financial market has been intact.

The city still has three advantages - location, system, and people, he says. Hong Kong is a hub of the Greater Bay Area and Asia. The common law system with an independent judiciary differentiates the city from mainland counterparts, Mak says.

More importantly, Hong Kong is a hub for global talent, he says. The CFA Society Hong Kong has accepted new members from diverse regions after they pass the Chartered Financial Analyst examination. Mak says there is a strong supply from mainland China, these professionals work in Hong Kong after finishing education in the SAR or overseas.

The nonprofit organization has more than 6,800 members working in 800 financial institutions in Hong Kong.

An increasing number of mainlanders are supplanting homegrown bankers in senior positions. Mainlanders have taken 60 percent of roles in investment banks, while local bankers' share has dropped to 30 percent from 40 percent two years ago, Bloomberg reported last year citing recruiting firm Robert Walters.

"[Mainlanders] win the positions... why they get these jobs? they are good, smart, and hungry," Mak says. "I have a 21-year-old kid going to graduate from a college this year, he has to compete with mainland talent. I am lucky I graduated 35 years ago when there was no competition from mainland talent."

However, some mainland bankers are considering moving back to their hometowns as Beijing is considering taxing citizens living and working abroad. Mainland China's highest income tax rate is 45 percent, 1.65 times higher than Hong Kong's.

Mak says he is not concerned. "What brings and keeps the talent in Hong Kong is not only the tax. Tax is one aspect, the key is the opportunity."

He believes Hong Kong has a niche in China as it plays a complementary role in the Greater Bay Area. "We receive a lot of support from China. But at the same time, we can play a role to bring in talent and the know-how to China," he says. It's a win-win situation for GBA cities to collaborate and compete.