

Foreign Affairs Committee

Oral evidence: Work of the Foreign, Commonwealth and Development Office, HC 253

Tuesday 26 January 2021

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Members present: Tom Tugendhat (Chair); Chris Bryant; Andrew Rosindell; Bob Seely; Royston Smith; Henry Smith; Graham Stringer.

Questions 394-487

Witnesses

I: Noel Quinn, Group Chief Executive at HSBC, and Colin Bell, Group Chief Compliance Officer at HSBC.



Examination of witnesses

Witnesses: Noel Quinn and Colin Bell.

Chair: Welcome to this afternoon's sitting of the Foreign Affairs Committee. This session is about HSBC and activities in Hong Kong, linking to wider inquiries. I am very grateful that we have two guests, two witnesses, from HSBC: Noel Quinn and Mr Bell. Please will you introduce yourselves?

Noel Quinn: Thank you, Chair. My name is Noel Quinn. I am Group Chief Executive of HSBC.

Colin Bell: I am Colin Bell. I am the Group Chief Compliance Officer for HSBC.

Q394 **Chair:** Thank you very much for joining us. Clearly, we have seen recent reports about some of your operations in Hong Kong that have raised concerns here in the United Kingdom. I will ask you to start by talking us through the process that led you to the decision that you had to freeze the bank accounts of Hong Kong activists.

Noel Quinn: First, we did not take a decision at a policy level to freeze the bank accounts of Hong Kong activists. We do not take exit or freezing decisions based on political affiliation or political activity.

To the extent that we have frozen accounts, it is because we are obliged to under request from the police authorities as they undertake their investigations. That is a process that we operate very thoroughly and carefully with appropriate due diligence not only in Hong Kong but elsewhere in the world. I am happy for Colin to share more of the detail of how we operate that process.

If I may just say where Colin fits in, we established a compliance function in HSBC. That compliance function is operating in all 60 markets throughout the world. There are 7,000 people in that compliance function. He reports directly to me as Group Chief Executive. Within that 7,000 team, there are 4,000 people who conduct compliance activities on matters of financial crime and compliance, which has been an area of increased regulatory activity over recent years. Colin, will you add more detail on the process that we follow?

Colin Bell: Noel, of course. I will be brief. Obviously, over the lifetime of the relationship that we have with a customer, we get information from many sources. On the odd occasion, that information can come from law enforcement.

As the Committee would appreciate, police in most jurisdictions have long been able to request customer information from banks as part of a criminal investigation. We as a regulated entity obviously operate within a strict legal and regulatory framework. So, if we get a specific legal instruction—that could be to freeze an account, or a search warrant to provide information, linked to a criminal investigation—we are compelled



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to comply. That is the case for all banks and in all jurisdictions in which we operate, and that includes Hong Kong. I am happy to unpack any of that process, as the Committee might wish.

Q395 **Chair:** May I speak specifically about Mr Hui in Hong Kong? The reason I mention him by name, although I am sure you will not wish to speak about individual account holders, is that there have been significant reports about this, including, Mr Quinn, you writing—*[Inaudible]*—Hong Kong. You also said that you had been misrepresented. In what way have you been misrepresented?

Noel Quinn: Clearly, I cannot comment on any individual customer. I can reinforce that, at any point in time, if we have frozen the account of an individual, it is because we have received specific requests from a law enforcement authority. That is the process that we will apply anywhere in the world, including the UK—it is not just Hong Kong—but I cannot comment on the specifics.

What I can draw your attention to, however, is that there were some statements made by the police at the time of that activity with respect to Mr Hui. A statement was made by the police and was covered by the press on 7 December. In the statement that was made, the Hong Kong police confirmed that they froze the bank accounts of former operation lawmaker Mr Hui, as well as those of his parents and wife, after accusing him of misappropriating money. That is not a statement we made; that is a statement made by the police at that point in time. The Hong Kong Monetary Authority went on to say, on that same day and in that same statement, that “the freezing of funds or property related to overseas criminal investigations was carried out by relevant law enforcement agents, and that financial institutions were expected to cooperate with investigations.” I cannot comment specifically on that case, but I can draw your attention to the press coverage that was made on 7 December as a consequence of statements made by the police.

Q396 **Chair:** I understand. I have a specific question relating to that. Are you legally bound to comply with those requests?

Noel Quinn: Yes. If it is a properly executed law enforcement instruction in any market in which we operate, any bank—not just us—is officially obliged to comply with those requests. If we do not, we would be committing a criminal offence.

Q397 **Chair:** Can I ask the question slightly differently? Have you frozen any accounts on which you were not legally required to take action in Hong Kong?

Noel Quinn: Not to my knowledge. Colin, do you want to add any details?

Colin Bell: No. It is worth unpacking the process in Hong Kong, because it is what we call a consent jurisdiction. If we—quite independent from law enforcement—detect activity in an account that we consider to be of concern, we have an obligation to disclose that to law enforcement. From that point on, we can only disburse assets from that account subject to



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consent from law enforcement. You can get to an inhibit on an account through that process, as well as through a specific legal instruction from a firm, but that is a normal process for a bank as it seeks to combat financial crime.

Chair: Thank you. Bob, did you want to come in?

Q398 **Bob Seely:** Thank you very much, gentlemen, for appearing today. I just want to—*[Inaudible.]* They get the concept of political accusations, rather than criminal accusations, don't they?

Noel Quinn: Sorry, you broke up a little bit. Could you start again, please?

Bob Seely: Do you understand the difference between a criminal accusation and a political accusation jumped up as—*[Inaudible.]*

Noel Quinn: Again, you broke up a bit, but I think I got the essence of it. If we get a legal instruction from a police authority anywhere in the world, I have to comply with it. If that is executed in the appropriate manner and in compliance with the law, we would have to comply with it, as would any other international or domestic bank. As a banker, I am not in a position to be able to judge the motives or the validity of a legal instruction from a law enforcement authority. I cannot do that in the UK, and I cannot do it in any market. So long as it is a formally constructed legal instruction, I have to comply with it, as every other bank would have to comply with it. Otherwise, I commit a criminal offence. By doing so, I put at risk not only our customers and the deposits that they place with us; I put the whole institution at risk. I cannot cherry-pick which law to follow or which legal instruction to follow from a police authority anywhere in the world.

Q399 **Bob Seely:** I get that, and that is a fair answer, but do you feel comfortable with some of the decisions you are being forced to make?

Noel Quinn: I am comfortable that we have applied the law as we had to apply the law. I am not making a moral judgment; it is not my position to make a moral or political judgment on these matters. I have to comply with the law. It is not just my complying with the law. I have a team of people—a legal team and a compliance team; I explained how extensive that compliance team is. We exercise due care to make sure that it is an official request. We exercise due diligence. It is not the decision of any one individual. There is a process that we have to go through to make sure that we apply those laws correctly in the way we execute it.

Q400 **Chair:** Thank you. Mr Bell, you mentioned accounts of concern. How do you determine an account of concern?

Colin Bell: This is a broader conversation about how banks tackle financial crime. Obviously, we spent the last decade building that capability across the world. I lead a function of 7,000 people, of whom 4,000 are dedicated to making sure that we have the right systems and processes in place to tackle that. Within that context, if our hugely experienced investigators with many years' experience see transactional activity in an account that we consider to be suspicious, we have an



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obligation to report. The test for a bank is that you either know, you suspect or you have reason to suspect that assets or activity is suspicious. You have an obligation under law to report that suspicion. As I said, in certain jurisdictions it then becomes a matter of consent before you can disburse funds from an account. My reference was really to that broader question of how we look at financial crime.

I want to add one other point to Noel's answer about the way we deal with legal instructions that come in. As Noel said, we have an independent team, built both from the compliance function but also lawyers. We are very thoughtful about the process we go through to ensure that it is a specific legal instruction. We prepare the information that we have been asked to provide or the action we have been asked to take. That is reviewed, and it is provided, or the action is taken. Of course, as a bank, we know what we know about the customers through the on-boarding process, and we have transactional activity. That customer will have operated with many banks, so there will be a broad network of activity that we will not have sight of. We only see or have knowledge of a very small part of what a law enforcement organisation may have sight of, and therefore, as Noel said, it becomes very difficult for us to try to second-guess the motivation or the conclusions or the analysis that lie behind that.

Noel Quinn: If I could just add one thing, there is a part of the regulatory and legal framework called tipping off, which means that, if financial institutions get approached by a law enforcement authority anywhere in the world, there are restrictions and limitations on what we can say to that individual customer, because we could trip over into the territory of actually tipping off an individual that they are under police investigation, which would make us complicit in the criminal act—if there was a criminal act—by that individual. We are not able to share fully the information, and in many cases we do not have the background to the request from the law authority to make a judgment call on it. They do not share that information with us.

Chair: Thank you. Henry, you wanted to come in.

Q401 **Henry Smith:** Mr Bell, you said that you would be able to explain a little bit more the process of deciding whether to close or freeze an account when approached by law enforcement. What conversations did the bank have with Hong Kong police or, indeed, other Chinese security officials prior to the decision to freeze accounts?

Colin Bell: Obviously, the conversations we have with law enforcement agencies around the world are confidential and are not something that we are able to talk about in public. I go back to the answer that Noel gave and which I talked about. We ensure that the instructions we get are properly formulated and executed under the appropriate legal framework. We only provide information or take action where we are comfortable that that is the case.



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Noel Quinn: I would add only one other thing. You mention the Hong Kong police or other Chinese security officials. We only have dialogue with the Hong Kong police on any legal matters. Our dialogue in this regard in Hong Kong is with the Hong Kong police. In any other jurisdiction, it will be with the police authority in that jurisdiction.

Q402 **Henry Smith:** Mr Quinn, you said earlier that there would be consequences from not acceding to a request from the Hong Kong police to freeze accounts. Can you say a little more on the nature of what those consequences would be?

Noel Quinn: In Hong Kong, the bank, or any bank that refused that request, would be committing a criminal offence under the law in Hong Kong; we are not permitted to refuse that request. If we commit a criminal offence, that puts at risk the licence of our institution in Hong Kong and therefore puts at risk the many millions of deposits that our customers have banked or deposited with us. It potentially prohibits us from acting as an institution. If an institution such as HSBC or any other international or domestic bank commits a criminal offence, it puts your ability to operate at risk.

I come back to this point. It is not a question of the fear of the consequences. I cannot cherry-pick what law to follow and what law not to follow, as a CEO of a financial institution, and I would guess any other CEO of a financial institution—I cannot cherry-pick which laws to follow and which law not to follow.

Q403 **Henry Smith:** I very much appreciate that. I have just one more question to ask, if you will allow me, Mr Chairman. This is to either Mr Quinn or Mr Bell. You have mentioned that of course you have to comply with the law in the jurisdictions in which the bank operates, but what due diligence is done to make sure that a request to freeze an account is indeed in compliance with a criminal accusation, rather than being, potentially, a political request to freeze an account?

Colin Bell: We have a team of compliance professionals and a team of legal professionals, and it is a dedicated group, so that type of request will come to a consistent group of legal and compliance professionals. Their role is to ensure that the instruction is properly formulated and appropriate under the law of the jurisdiction within which we operate and that we are compelled to comply with it.

Noel Quinn: If I can, Mr Smith, with respect to Mr Hui, I go back to the police statement that was made at the time of the freezing order. The police themselves confirmed that the police, on the Friday when that order was issued, asked three banks in Hong Kong to freeze the accounts of Mr Hui and some of his family members, because they were conducting a criminal investigation. That is a public statement the superintendent of police made on that Friday and it was covered, in press statements, by the *South China Morning Post* and Reuters at that point in time. Again, I cannot comment on the individual case as it pertains to information and dialogue between ourselves and the police; I am just drawing your



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attention to the press statements that were made at that point in time by the police authorities.

Q404 **Graham Stringer:** This question is to either of you. The British Government have obviously viewed the progress of events in Hong Kong with some despair after the 1997 agreement with the Chinese Government. Have the UK Government been in touch with you about your decision to freeze these accounts? Have there been any interventions whatsoever from the UK Government?

Noel Quinn: I have had dialogue with the UK regulator; I have not had dialogue with the UK Government. The UK regulator, seeing the press speculation, seeing the press coverage, asked me, as you are asking me, to explain the process we went through, but I have not had direct dialogue with the UK Government.

Q405 **Graham Stringer:** You have not attempted to speak to them?

Noel Quinn: I haven't, no.

Q406 **Graham Stringer:** Can I follow up the earlier question? In one sense, it is an unfair question, but I still think it needs to be asked. Your position is completely watertight and logical: you will follow the law wherever you are. I understand that—I would be very surprised if a banker said anything else—but is there any point at which what is happening in a country where you are carrying out your banking activities is so awful and distasteful that you would consider either withdrawing your business or taking some other action?

Noel Quinn: Mr Stringer, I do not want to get into hypothetical questions but, if it is specific to Hong Kong, we have been in Hong Kong for 155 years. We were formed as an institution there. We have worked with Hong Kong over that time in both good and bad times, and challenging times. Today is a particularly challenging time, I fully acknowledge, but I am 100% committed to Hong Kong—the people of Hong Kong. We have helped that economy and the communities of Hong Kong progress and develop over time.

As challenging as the geopolitics are at this point in time, at the end of the day, as a banker and as a person committed to, and having lived in, Hong Kong, I want to help Hong Kong continue to develop, and the communities of Hong Kong develop. On the specific, if the question was whether I am willing to walk away from Hong Kong the answer is no. We are too committed as an institution, through our heritage and our history. We believe firmly in the economy and the communities, and we want to continue to help it develop.

Q407 **Graham Stringer:** That is a very clear answer. I understand why you do not want to answer hypothetical questions as well. This is against myself, but I think politicians have perhaps gone a bit mad when they start talking about Germany in the 1930s, but there must come a point in some societies where it is impossible for a decent business to carry on when the activities of the Government there are so evil or wicked. Would



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you accept that, or are you saying that there is no such point in Hong Kong?

Noel Quinn: I am nowhere near that point in Hong Kong. Again, I will answer specifically to Hong Kong. We care deeply about Hong Kong. We are troubled by the challenges that Hong Kong has faced over the past two to three years. I witnessed them myself personally, having lived there. My youngest child went to school in Hong Kong. My middle boy went to university in Hong Kong. We, as an institution, have been part of its evolution, and I am nowhere near the point at which the challenges that Hong Kong faces would give me any hint or consideration of walking away from Hong Kong. We are committed to it, and we will help—

Q408 **Graham Stringer:** The implication of that is that there might be a point, however far in the future.

Noel Quinn: No. If I gave you that implication, I shouldn't have. I am sorry.

Graham Stringer: Thank you.

Q409 **Bob Seely:** Noel, there is an issue about ethics. Do you understand the difference between being ethical and being legal?

Noel Quinn: Yes, Mr Seely, I do.

Q410 **Bob Seely:** I say that only because I look at some of your words, which seem very sensible, about how your senior leadership is still not diverse enough. You talk about integrating climate and traditional risks into day-to-day management. You come up with all these—I am not saying they are corporate speak—important ethical considerations that you are having to make in the 21st century, and you seem to be happy to talk about ethical considerations in lots of things, but you are clearly, and for understandable reasons, very uncomfortable about talking about ethical considerations in terms of Hong Kong and in terms of China.

You are saying, "What we're doing is legal." I get that. Do you think that what you are doing is maybe not as ethical as it is legal because of the complex ethical decisions that you are being forced to take in relation to a gradual erosion and undermining of the rule of law, which, as Graham hinted, will eventually hit you even if it does not at this moment?

Noel Quinn: Mr Seely, I am going to come back to this: in essence, I am CEO of HSBC, and we, HSBC, are a bank. I am the CEO of a bank. I am not a politician. I am not a political institution, and I have to refrain from having an opinion on the politics as viewed one state versus another—one country versus another. We operate in 60 countries in the world, and—

Q411 **Bob Seely:** Okay, but this is not about one state versus another. What I am saying is that in many areas of your public life you are very happy to talk about ethics and to tick that ethical box. Yet you simply shut down, for understandable reasons—I wasn't born yesterday—when you talk about Hong Kong.

Basically, your bottom line is that everything we are doing is legal. We



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get that. The question is, is it ethical? With many other things you do, you are very happy to talk about ethics. It is just that you are not assuming to talk about ethics in any consideration when it comes to Hong Kong. That is the point.

Noel Quinn: Mr Seely, when I talked about the climate recently, and the obligations that we as an institution have put into the public domain, I talked about it from the point of view that it was the right thing for the bank to do. That was not from an ethical point of view, but that it is commercially the right thing for an institution to do.

It is economically the right thing for the world to address the climate issue. I was looking at it very much through the lens of we, as a financial institution, and what is the right thing for a financial institution to do, to finance the change and transition that needs to take place. I wasn't making a statement about ethics.

Q412 **Bob Seely:** I know you weren't.

Noel Quinn: Equally, on diversity, I think it is the right thing to do for the organisation, because a diverse organisation has proven to be a much more successful organisation over the long term. I am not trying to avoid the issue. I am reluctant to talk about the politics, or the political architecture or regimes of one country versus another, because I operate in 60 countries. Through time, there have been—and will be in future—political differences between those countries. I am trying to avoid getting into that political debate.

Q413 **Bob Seely:** Okay, fair enough. Do you accept that the legal structure of Hong Kong may be changing?

Noel Quinn: Yes, it is changing, because new laws have been passed recently, and I have to comply with them.

Q414 **Chris Bryant:** Welcome to you both. Can I go back to the issue of freezing an account? Obviously, you might be asked by the police to freeze an account in lots of countries; you might be asked to do that in the UK. What would the normal reason be for the police asking you to freeze an account?

Colin Bell: Mr Bryant, you are absolutely right. We get asked to do that in many countries, including the UK. It is as we set out previously: the police will give us a formal instruction. The instruction will be tied to some criminal investigation they are partaking in, and therefore the instruction is given to us on that basis.

Q415 **Chris Bryant:** But they do not ever just say in the UK, "Please close it down because we are doing a criminal investigation," do they? They have to provide a proper reason.

Colin Bell: Yes, and that's the case in nearly all jurisdictions in which we work.



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Noel Quinn: Normally, those criminal investigations in the financial crime area are to do with misappropriation of funds, fraud, money laundering and other activity.

Q416 **Chris Bryant:** Normally in the UK, you wouldn't have the whole of a family set of people. The police would not ask you to freeze a whole series of accounts just because they are related to another member.

Noel Quinn: That is not unusual if the criminal investigation is trying to track funds that have been moved from one individual to another, or from one organisation to another. That is not an unusual set of circumstances. If we are banking multiple individuals who are part of that investigation, they would ask us to go beyond the one individual. That is not unusual.

Q417 **Chris Bryant:** And in China, or in Hong Kong, is there the same rigour of the process from the policing authorities when they ask you?

Colin Bell: Certainly in terms of the requests we get from the Hong Kong police, yes, I would say it is an equivalent.

Q418 **Chris Bryant:** So it is for exactly the same kind of reasons and arguments, and it would stand up to scrutiny in British courts.

Colin Bell: Yes. I am talking in general terms but, yes, the same kind of offences like that. The point about networks is important. When we do investigations on things we see, we are always looking for networks, because that is really important information to law enforcement. Likewise, it is not unusual for them to give us what could be an individual, a corporate and associates with that locus, in order for them to try to gather as much transactional information as they can.

Q419 **Chris Bryant:** I understand that. So you are saying that the processes that the police are using in China and Hong Kong are virtually identical to the processes in the UK.

Colin Bell: What we are saying is the legal basis on which they serve us and the information that we receive in order to act on a legal instruction—there is an equivalence.

You have to remember as well that AML legislation around the world in the main is derived from principles provided by the Financial Action Task Force, which is a supranational organisation: FATF go round and review countries to ensure that their legislation is compliant with the FATF principles, so you have seen this commonality of approach appear in most of the markets where we operate.

Q420 **Chris Bryant:** Would you accept that if an authoritarian regime—let us say it is not China or Hong Kong; let us say Russia—wanted to clamp down on a political dissident, one of the easiest ways to do that would be to make up a whole equivalent investigation about money laundering?

Noel Quinn: Mr Bryant, I think I would go back to the statement I made earlier. If the instruction has come from a police authority in a structural format that is compliant with the law, we have no obligation but to comply with it. I can't read into each police instruction I get in all 60 countries in



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the world what the motive for that is. I am not in full possession of all the facts. We, HSBC, are in no different place to any other institution that is operating in those markets.

I understand where you are coming from with your question, but it is not one that I think we are in a position to answer, because I can't extend our remit into being judge and jury of every police request we get everywhere in the world—

Q421 **Chris Bryant:** But you are the judge and jury. You are precisely the judge and jury.

Noel Quinn: No, we have to follow the laws. We are following the laws of the markets within which we operate.

Q422 **Chris Bryant:** Except HSBC chooses which laws to obey, doesn't it? You were fined \$1.9 billion in the United States of America for money laundering, and you continued to money launder after you had been found guilty of that. Do you not understand that quite a lot of my constituents might think that you choose to adopt a moral stance when it suits you but not when it doesn't?

Noel Quinn: Mr Bryant, we acknowledge we made mistakes at that point in time. We have invested a significant amount of time, energy and money in putting that right. I am speaking as I am now, looking at the situation that I face now.

Q423 **Chris Bryant:** The police in this country regularly complain about HSBC not providing information behind accounts online when they have made proper requests. You seem to go slow when it comes to that, but you seem to go fast when it comes to a request from the Hong Kong or Chinese Government.

Noel Quinn: I am not aware of that accusation—that is not a piece of information that we are familiar with. I am not aware of that. Colin?

Colin Bell: No, neither am I. I am quite happy to take that away and look at it.

Q424 **Chris Bryant:** Okay. Can you just explain why HSBC supported the Hong Kong security law? That seems like quite a direct engagement in political activity.

Noel Quinn: Mr Bryant, if I go back to where we were in the summer of 2020, Hong Kong had gone through 12, 18 months of significant decline in its situation. We, HSBC, issued a statement at that point in time along with many other companies in Hong Kong that we believed that it was appropriate to stabilise the security position in Hong Kong. We made that statement and I issued that statement myself on behalf of HSBC.

We believed that the situation was deteriorating to the point where it was damaging—not only to the economy, but also to the people. I had nearly 30,000 employees and colleagues in Hong Kong who we had to ask to stay at home, because it was not safe to travel on public transport. They had to



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work from home for an extended period of time, over months. What we called for was the security position in Hong Kong to be stabilised, to try and allow communities to repair and to allow the economy to repair. That is the statement we issued.

Q425 **Chair:** Sorry, but that's not quite right, is it? One of your directors specifically supported the national security law. Surely, there is a difference between the point you reasonably made just now, which is to call for stability and calm, and endorsing specific policies, which are political decisions rather than outcomes sought.

Noel Quinn: Mr Chair, you are correct. Peter did sign a petition at that point in time. Some 2.9 million individuals in Hong Kong also signed the exact same petition. That petition was asking—before the security law was passed—for the security position and for a security law to be passed, in order to stabilise the position.

Now, Peter is a Hong Kong citizen—he has lived and worked in Hong Kong all of his life. He has been involved in banking for over 40 years in Hong Kong. Many other business leaders in Hong Kong and 2.9 million citizens of Hong Kong signed the exact same petition as him. That petition was a request to address the security position that existed in Hong Kong.

My last visit to Hong Kong before covid was in January 2020. My colleagues and I personally witnessed the destruction that was taking place. We had to ask 30,000 people to work from home because they were afraid to travel on public transport. Buildings were being firebombed. I personally witnessed paving stones being ripped up off the streets and thrown off bridges.

Q426 **Chair:** Mr Quinn, I am not disputing the level of civil unrest in Hong Kong. I am merely asking questions about your support for various political policies. Specifically, when the Brexit negotiations were going on here, or before the referendum, when debates were being actively pursued on the referendum, what policies did you ask your senior executives to follow for those debates?

Noel Quinn: We did not have a position on whether Brexit should or should not happen. That is not our place.

Q427 **Chair:** What did you ask your senior executives to do? Did you ask them to comment or not to comment on that matter of debate?

Noel Quinn: We did not ask them to make any political comment. What we were asked on many occasions was what we, as a financial institution, thought the economic consequences may be of the different scenarios that could emerge. We were not commenting on any one of those scenarios but on their economic implications. It is not our role to have a view on whether Brexit should or should not happen.

Q428 **Chair:** I accept that, Mr Quinn. I am merely trying to find out whether you allow or encourage senior executives to make political comment on, for example, whether a Republican or Democrat Administration should win in the United States, whether a Conservative or Labour



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Administration should win in the United Kingdom, whether a particular Bill should pass in the United Kingdom or France, or whether a referendum should pass in the United Kingdom. Do you ask your executives to keep silent on those debates?

Noel Quinn: I do not ask them to make any political statements. I can only speak personally for me at this point in time. I do not ask them to make any political statements. But we are asked at times to express a view, as a financial institution, on the implication of different scenarios.

Q429 **Chair:** Indeed, but you can see the question that I am getting to. If a senior executive of HSBC—you, for example—were to express a view on the Brexit referendum or the outcome of the US general election and which side you favoured, would the board consider that career-enhancing or do you think that would be seen as a misstep by you?

Noel Quinn: Mr Chairman, I do not think it is appropriate for me to answer that. It is a hypothetical question. Do I believe I was right to issue a statement in the summer of last year, saying that we believe that the security situation in Hong Kong needed to be addressed, so that the economy and the people could have a chance of recovery? I think that was the right thing to do and I stand by that statement. I believe Peter's motives were equivalent to that.

Q430 **Chair:** Forgive me, Mr Quinn; as you know, on Zoom we tend to talk over each other without meaning to do so. There is a difference between the statement that you issued and the action that Peter took, because he endorsed a particular policy, whereas you merely identified a situation. Would you, in your position here in the United Kingdom as a UK citizen, advocate for a political party, or indeed for a particular policy? Or would you consider that that would be poor judgment because you have responsibility—

Noel Quinn: Peter was not advocating for a particular party or particular policy. What Peter was advocating for—I remind you, please if I can, that he was one of many business leaders who signed that petition, and he was one of 2.9 million citizens in Hong Kong who signed it. That petition was a petition to seek a resolution to the security concerns in Hong Kong. It was not a political statement on his behalf; it was a statement that he was asking for the security situation in Hong Kong to be addressed, having experienced 18 months of progressive decline that culminated in an extended period of riots and violence. And that was what he was asking for.

Chair: I think maybe our definition of what is political may be slightly different. Chris, did you want to come back in, and then I will go to Bob?

Q431 **Chris Bryant:** I was just going to ask about your activities in China, if that's okay. As you know, Chinese law requires you to allow party branches in the company, so I presume there are party branches in HSBC in China?

Noel Quinn: Not that I am aware of.



Chris Bryant: It is a legal requirement.

Noel Quinn: Well, I am not aware of that. I do not know the political affiliation of any one of the individuals who work for us. It is not something that we record on our systems; it is not something we ask our employees; it is not something that I am aware of. I don't do that in China, I don't do that in Hong Kong, and I don't do it in the UK. It is not a piece of information I have on our individual employees.

Q432 **Chris Bryant:** It is a legal requirement in China, and you just told us about how you like to abide by the law, to have party branches active in any entity such as yours. It worries me if you don't know whether they exist or not, because my next question is: party membership in China requires an individual party member both to recruit other members to the party and then to seek to influence the strategic direction of the company. And I want to know whether that's happening in your company in China through the party branches.

Noel Quinn: Mr Bryant, I have no evidence of that happening, and I visited China regularly when I lived in Hong Kong. I dealt very fully with people in Hong Kong, and I have never witnessed or experienced any sort of influence of that nature. I can only speak as I find, and therefore my answer to you is no, I have no evidence of that.

Q433 **Chris Bryant:** That is not quite the same, is it, having no evidence? Politicians use those words—

Noel Quinn: I have no experience, evidence, I have never come across it. You raise a point that is not something of which I am aware, or ever experienced in my time in dealing with my colleagues in China.

Q434 **Chris Bryant:** Well, I find that a bit shocking. I would be grateful if you could just do a bit of investigating in finding out, because that is a legitimate issue of concern to lots of international organisations that operate in China, and one of the things that we have been concerned with. I would be grateful if you could write to us once you have found out whether you have any party branches—unless Mr Bell knows the answer.

Colin Bell: I have nothing to add to what Noel said.

Noel Quinn: Mr Bryant, I will take on board your request, and I will seek to address that or answer that question after this meeting. But I do want to reinforce that I don't know the political affiliation of any one of my individual employees anywhere in the world, and it is not a piece of information that I seek or would want to seek. But I will try to answer your question after this meeting.

Q435 **Chris Bryant:** I would be grateful. Just a point about reputational risk, because obviously you have taken quite a dent over this. Do you understand how it might seem to a lot of British people who have bank accounts with you that you are effectively aiding and abetting one of the biggest crackdowns on democracy in the world?



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Noel Quinn: First, I don't believe that's the role we play in Hong Kong; I believe, Mr Bryant, that we play a very expansive role in Hong Kong and have done for 155 years, and intend to do so going forward. I understand that individuals may be concerned by our role in Hong Kong, but I can only focus on what I can influence and that is that I want to continue to support Hong Kong, the people of Hong Kong, and I believe that is what I need to be focused on.

Chris Bryant: Okay. Thank you.

Q436 **Chair:** Forgive me, Mr Quinn. There was an article on 14 December, I believe, by Ben Gartside and Juliet Samuel in *The Daily Telegraph*, which I am sure you will have seen, which claimed to list a series of party branches within HSBC in China. Have you seen that article?

Noel Quinn: I have not got that to hand. I know there was press coverage about the particular concern on that, but I cannot recall that particular article.

Q437 **Chair:** That article claimed that 335 HSBC employees were CCP—

Noel Quinn: Oh, yes, I am aware of that article. Sorry.

Q438 **Chair:** Have you done any follow-up on that?

Noel Quinn: I can't, because I don't have—my response at that point in time when *The Telegraph* asked us was that I don't know the political affiliation of any employee in HSBC and, to be fair, I am not going to turn around and suddenly go asking all my colleagues in China, "Are you a Communist party member?" when I don't ask that same question of my employees in the UK or the US or any other market.

That is an article that was published. We were asked for comment. My view was: it is not a question I ask my colleagues. I don't ask anyone what their political affiliation is.

Q439 **Chair:** You have union representation in some jurisdictions around the world, presumably.

Noel Quinn: Yes.

Q440 **Chair:** And some of those unions are politically affiliated, so you would be aware of some political affiliations by default.

Noel Quinn: We are aware of union membership, but that is all. Yes.

Q441 **Chair:** You will be aware—it is certainly spoken about widely enough, including in the article we just mentioned—that party branches exist in certain organisations. Though I know you have said you are not sure whether or not there are party branches in your organisation, are you aware of party-affiliated unions within HSBC in China?

Noel Quinn: That is not a piece of information I have, no.

Q442 **Chair:** Are you aware of any union membership at all in China?



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Noel Quinn: That is a piece of information that I am not aware of, no. That may be because I am just not aware and we do know. If I could take that away and there is information that we can provide after the meeting, I would be happy to do so, but personally I am not aware of that information.

Q443 **Chair:** Okay. I would be grateful if you would be kind enough to write to us about union membership.

Noel Quinn: Certainly.

Chair: As you will no doubt be aware, there are no non-communist unions in China.

Q444 **Bob Seely:** I want to follow up Chris's point about reputational risk, because I find some of your answers to be a little bit odd. You are very careful to say, "We don't make ethical judgments about anything at all." I don't know what your definition is of a political or indeed ethical judgment, but somebody coming out in favour of a one-party state's undermining of the two systems approach seems to me to be a pretty loaded ethical and political statement—maybe not to you.

I am also looking at the slightly naff advertising campaign you had back in 2019 when you appeared to come out against Brexit and were boasting about your internationalism. It seems to me that an awful lot of what you do is boasting about your ethics and credentials and the values you think you have because you think it inspires people and maybe people find your brand attractive, yet in Hong Kong you are effectively saying, "See no evil, hear no evil. What we are doing is legal and we don't make any ethical judgments." In fact, you are making ethical judgments in Hong Kong; it is just you are making the wrong ethical judgments. I find some of your answers to be really quite bizarre.

Noel Quinn: Mr Seely, if I think about our position in Hong Kong—I do not want to use the word "ethics", because that is open to interpretation—I believe we are doing the right thing for Hong Kong. Now, is that ethics or values or whatever? As we have done for 155 years, we are supporting the communities in Hong Kong. We are supporting the economy of Hong Kong. We are trying to help it navigate the difficulties it faces.

Q445 **Bob Seely:** Do you think you still stand for a set of values?

Noel Quinn: In terms of our position in Hong Kong, I do believe we stand strongly—

Q446 **Bob Seely:** Generally. I am looking at your ads, which I saw on the tube along with lots of other people. They are, "Where are you from?" and, "Were your parents brought up here?"—it is all a bit hippy, all a bit lovey-dovey, and a bit "Isn't Brexit awful?" So in free countries you seem to be very happy to take ethical positions that you think will ingratiate you with at least some of your potential customers, but when you need to have developed a sense of ethics and values, you seem to be running from them with your head in the ground saying, "We don't do ethics; we just do what we are told and we follow the law." It is confusing.

Noel Quinn: Mr Seely, the Brexit decision was a decision for the people and Government of the UK. The advertising campaign we ran was all about internationalism—whatever the outcome for the UK, there will be a need for the UK to connect to the rest of the world and that is where HSBC has a role to play.

We are an international bank, not purely a domestic bank. We are headquartered in the UK and are proud of that, but we are also an international bank in the UK. We wanted to send a message that, whatever the outcome of Brexit, we will help the business community of the UK expand and trade internationally. That was the aim of the marketing campaign. If you have a different interpretation of it, I can't do anything about that.

Q447 **Chair:** Can I just come briefly to your point about being an international bank headquartered in the UK? What overlap is there between, for example, HSBC China and HSBC UK? Could a legal request placed on HSBC in China require you to hand over information from the United Kingdom?

Noel Quinn: No. Colin, do you want to expand on that?

Colin Bell: No, there is no legal framework that would compel us to provide information that is placed in the UK.

Chair: Thank you.

Q448 **Royston Smith:** Thank you both for coming today. We are grateful for your time. You said, Mr Quinn, that you follow the law, that you have no option but to follow the law, that everyone else follows the law, and that you follow the law in the jurisdiction that you are in. Can I ask you about the PRC's National Intelligence Law? Do you follow that law?

Noel Quinn: We are aware of that law, yes.

Q449 **Royston Smith:** Some people suggest that that law requires data to be handed to the PRC from any business. If you were in that jurisdiction and they asked for data, which could come from UK banks, would you give it to them?

Noel Quinn: Colin, would you like to answer that, because you have researched this issue in detail?

Colin Bell: The National Intelligence Law was enacted, I think, in 2017 in China. The legal analysis we have done is that it is obviously the law of the land in China and all foreign institutions that operate in China are required to comply with it. The legal analysis that we have, based on a deep pool of legal experts who look at data legislation, given its complexity around the world, is that it has no extraterritorial reach for an organisation like HSBC, and therefore it is the law of the land in China. Obviously, the data that is in China is covered by that law.

Q450 **Royston Smith:** Is it your submission that in Hong Kong you follow the law that you are required to, but in mainland China, you try to find a way



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of interpreting it so that, perhaps, you do not have to follow it?

Noel Quinn: No, we believe that it does not have extraterritorial reach into the UK. We believe we would not be providing information from the UK to China.

Q451 **Royston Smith:** Have you ever given any information about your customers to the PRC?

Noel Quinn: No, categorically not.

Q452 **Royston Smith:** If they asked you for it, what would you say?

Colin Bell: We would do exactly as we would do in all other jurisdictions. If it was a properly formulated request under the law that we believed to be legal, we would obviously comply with the law.

Q453 **Royston Smith:** But if they decided that the law had a different interpretation than you did in their country?

Colin Bell: We are privileged to be equipped with deeply experienced and well-resourced legal departments. As I have said before, these judgments are very careful, considered and thoughtful. They are reviewed by our compliance and legal departments before they are made.

Q454 **Royston Smith:** A law in China would be interpreted in the way that the PRC wants to interpret it. If they interpret it that you have to give that data to them, what would you do?

Colin Bell: Going back to the answer I have given, our legal experts would look at the request. If it was aligned with the law of the land, and appropriately formulated, we would clearly comply with the law in China.

Noel Quinn: But not outside China.

Q455 **Royston Smith:** But if they said that you needed to give data from UK bank account holders, what would you do?

Noel Quinn: Mr Smith, I have answered that. We do not provide that information. The data in the UK is regulated by UK data privacy and the legal situation in the UK.

Q456 **Royston Smith:** I am merely pushing you, Mr Quinn and Mr Bell, because you have both said that you comply with the law in the jurisdiction in which you operate. If the law in the jurisdiction in which you operate— China—was to give over data, you would be required to do so.

Noel Quinn: There are times when laws conflict between different countries, and that is one of the challenges that we as an institution face, and that any international bank faces. There are conflicts between the laws in different countries, but we would do our own legal analysis and would assess how that goes. I am not saying that it is not challenging, but the data in the UK is protected by UK law, and would remain so.



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Colin Bell: Correct. I want to be really clear on that point: if Chinese authorities asked us to provide data in China under the appropriate legal framework, we would comply with that law, but we would not provide information on UK customers based in the UK to Chinese authorities based on a request made in China.

Noel Quinn: And that is not just China-specific, Mr Smith. If any other geography in the world wanted information out of the UK on UK customers, we would be obliged to comply with UK law on that data in the UK, and UK privacy law. This is one of the challenges an international bank has to deal with: at times, there is conflict in laws between geographies, and we have to navigate that as carefully and as appropriately as we can.

Q457 **Chair:** May I ask what percentage of your business is done in mainland China?

Noel Quinn: I am not trying to be awkward, Mr Chairman, but business is done in China for Chinese companies, business is done in the rest of the bank for Chinese companies, and business is done in China for US and UK companies, so it is not as simple as that, but if you want a rough feel of thumb, Hong Kong represents about a third of the bank, and China would represent less than 10% of the bank—probably around 5% if you measure by assets. Clearly, we do business for Chinese companies elsewhere in the world and for overseas companies in China.

Q458 **Chair:** So something around two fifths would be, somewhere or other, under Chinese jurisdiction, you'd guess?

Noel Quinn: Yes.

Q459 **Chair:** Given that that is a very important element of your business, presumably the application of law by Chinese judges is an important consideration for you. Would that be correct?

Noel Quinn: The legal system in Hong Kong is different from the legal system in China in many respects, so I do not couple the two in that sense.

Q460 **Chair:** You have a strong interest in access to justice in mainland China, however.

Noel Quinn: Yes.

Chair: Okay. And the application of the national security law in Hong Kong gives Chinese judges, and indeed Chinese Government officials, a geographically neutral application—a global application—of some of their interpretations. Would you accept that?

Noel Quinn: Sorry, Mr Chairman, but could you repeat that? I missed a bit of it.

Q461 **Chair:** The recently introduced national security law is not geographically specific. It therefore gives a greater jurisdiction to mainland Chinese judges on Hong Kong, and then internationally from Hong Kong, than other laws. You therefore have a greater connection, because of your



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economic connection to China and because of China's application of universal jurisdiction through the national security law, than would normally be the case. Would you accept that?

Noel Quinn: There is undoubtedly the potential for conflict between elements of the national security law and the law elsewhere in the world, because the NSL has extraterritorial reach to a degree, but there is extraterritorial reach from other legal jurisdictions in the world as well. There are potential conflicts in that law.

Q462 **Chair:** I accept that, and certainly many jurisdictions, including ours, give extraterritorial powers to their justice systems. Really, one of the fundamental questions is who regulates that. In the UK you could, I suppose, in theory, end up at the Supreme Court in a dispute, and I presume—maybe I am putting words in your mouth—you would not challenge the integrity of British judges or, indeed, their independence.

Noel Quinn: For me it is a very valid question, who regulates that. There is not a single regulator of that conflict, because different jurisdictions have different laws, and they conflict with each other at times, so there is not a court of arbitration to go to, to seek a resolution to that conflict, and that makes the job of international banking extremely challenging.

Q463 **Chair:** It does, but effectively you rely on national judges, basically, to see the reason of your case, and to understand the persuasiveness of your argument. Is that fair?

Noel Quinn: And we have to reach our own conclusions on how we navigate those conflicts. That is why I have an extensive compliance and legal team to help us navigate those challenges. Those challenges are not specific only to China or Hong Kong. They exist in many markets.

Q464 **Chair:** Would you say that British judges are under political control?

Noel Quinn: To be honest, Mr Chair, I do not believe they are under political control, but my opinion on that is largely irrelevant, because it is not for me to have a view on the legal system—judges.

Q465 **Chair:** I understand, Mr Quinn, but maybe I should ask Mr Bell, for whom it is part of his responsibility to ensure the bank's compliance with laws, and indeed with its international obligations. Mr Bell, do you believe that British judges are under political control?

Colin Bell: Again, Mr Chairman, I think we are straying into asking Noel and me our opinion on the various political systems between countries.

Q466 **Chair:** Forgive me: I am going to stop you there, and I am going to explain why I don't believe that that is correct. The UK operates a single legal system, as we know—the common law. France does the same. The United States does the same. They all have different merits, and one could argue about the nature of the legal systems, but they operate an open legal system, equal to all citizens. China does not. China operates two legal systems—one for Communist party members and one for others. You have just told us that you don't identify Communist party



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members within your organisation in China, which is perfectly reasonable. Therefore you presumably do not appeal to use the Communist party courts. You just use the regular courts, if you have a dispute. Therefore you are automatically using a secondary legal jurisdiction within the Chinese system, in the same way that, maybe a few hundred years ago, if you were an aristocrat or a member of the clergy, you could have appealed for a separate jurisdiction if you were in the UK. Do you think this puts you at a disadvantage in terms of balancing your global requirements, and do you think that this means that because of your two fifths of business that is connected to Chinese legal officers in some degree, you are disadvantaged when trying to balance those international obligations?

Noel Quinn: There are two parts to my answer. There are many different legal systems in the 60 markets plus that we operate in. There is not one legal system. If you want to be in international banking, and you want to be an international company, you have to accept that there are different legal architectures, as there are different political architectures, in the world. It is not my role as CEO of a bank to have an opinion on those different architectures. You have to work with them, and at times that is extremely challenging, but that is what you have to do if you are operating as an international institution. My competitors have the same challenges as I do.

With respect to your question, we have a very good relationship with and experience of operating in Hong Kong, and we have a good experience of operating in China. In the sense of our experience, we are very comfortable with the way that we operate there, and our experience has been positive.

Q467 **Chair:** Maybe I can ask this slightly differently. Would you say that the legal system in Hong Kong has changed over the past five years?

Noel Quinn: Mr Chairman, I do not think I am the person to ask that question to, in terms of expertise. We operate within the legal framework of Hong Kong. All legal frameworks will change over time. Clearly, laws are passed on many occasions, and therefore the legal framework has changed, but I am not an expert on the legal framework of Hong Kong, China or any market in the world. There are more experienced people to answer that question than me.

Q468 **Chair:** Would you say, Mr Bell, that the national security law has changed your compliance requirements for Hong Kong?

Colin Bell: As Noel intimated at the beginning of one of his answers, the introduction of the national security law has created a potential conflict of law, when you look at other extra-territorial pieces of legislation. As an international bank, we have to find a way of balancing that, but we see conflicts of law. We were talking about data earlier. Data is probably the best example of the most complex set of legislation that is based nationally, which creates challenges for international organisations. It has certainly added complexity, but it is not complexity that we are unused to dealing with.



Chair: Okay, thank you. Andrew, you wanted to come in.

Q469 **Andrew Rosindell:** I have listened to the discussion today, the answers that Mr Quinn and Mr Bell have provided, and the statements made by some of my colleagues on the Committee. I have to say that I am slightly aghast at what I have been hearing. It seems to me that there is a huge degree of double standards, hypocrisy and, in fact, appeasement towards the regime in China, which has now extended to Hong Kong.

I put it to the two gentlemen from HSBC that they should realise that we all have constituents. I have constituents in Romford who will be watching today—people who care about democracy, and care about Hong Kong being a former British territory. Hong Kong people and their links to Britain run deep. What we see going on in Hong Kong we find horrific. What would they say to me or to my constituents about whether they should continue to hold a bank account with HSBC when, clearly, we see a company putting its own ethics, or its own interpretation of ethics, before what most of us consider to be correct in this day and age?

Noel Quinn: Mr Rosindell, I also care deeply about Hong Kong. I also care deeply about the people of Hong Kong and helping Hong Kong navigate the current difficulties, so we have a shared agenda in that respect. I can only do what I do as CEO of a bank to continue to support our customers. We have done that through covid, and we have done that through this unrest. I am committed to continuing to help the people of Hong Kong. I have that same passion and concern for Hong Kong as you and your constituents do. I can only execute my concern as a CEO of a bank, making sure we support our customers through the covid crisis. We have done significant amounts in that regard.

It is inappropriate for me to comment on what a customer elsewhere in the world may think of our position in Hong Kong, but I would like to reassure them that I share their concern for Hong Kong, and I am doing everything I can to continue to support the people of Hong Kong.

Q470 **Andrew Rosindell:** But Mr Quinn, we are witnessing the crushing of democracy. A prosperous colony was handed to China, and getting on for a quarter of the way through the 21st century, they are abusing and breaking the word that they gave. The people of Hong Kong are being oppressed in the most awful way, and this is only going to get worse. This will not get any better.

People in the United Kingdom have great affection for the people of Hong Kong. In the long term, how do you see your company, if you continually take this line of effectively appeasing the Chinese regime? If you continue along this line and show no real empathy on what is happening—that is how it seems to me, listening to what you have said today—how do you expect people in my constituency and across the UK to want to continue to bank with HSBC?

Noel Quinn: Mr Rosindell, we have seen Hong Kong go through some very difficult times in our 150 years. I have been with the bank for 34 years, and we have seen good times and bad times in Hong Kong. My focus is on continuing to help our customers in Hong Kong and to help the



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economy and communities of Hong Kong to develop. That is my motivation, and I will continue to be focused on that. I am not a politician. I am not an individual who should be commenting on the politics of one country versus another, or on the political systems of one country versus another. I have to operate in 60 markets. All of those 60 markets have difficult political architectures and approaches, and I am very much focused on my customers and on helping them navigate today's difficulties. That is my focus.

Q471 Andrew Rosindell: But the ethics you choose in other respects are political. You have made statements on other issues, as demonstrated earlier. What you seem to be saying, which I find quite incredible, is that it does not matter how bad things get bad, how much oppression there is or how evil things get in terms of China's approach to Hong Kong, because that is none of your business. You are not a politician; you are out to make a profit and keep your business running. It seems to me there is no limit to what China can do before HSBC decides to make some kind of stand.

Noel Quinn: We have huge commitment to Hong Kong. I am not in Hong Kong purely because of profit. We were formed in Hong Kong—this institution was created in Hong Kong. We have helped Hong Kong navigate extremely difficult times in our history. We have stood by the community of Hong Kong over 155 years, and I will continue to do that. It is not a matter for me of choosing China over the UK, or China over another political system. My motive is 100% about helping the people of Hong Kong recover from the challenges that they face, and I have to work within the legal framework that I am given in Hong Kong to do that.

There is no benefit in HSBC walking away from the community of Hong Kong at this point in time. I see little benefit in that. I would only harm Hong Kong; I would not help it. That is a judgment call I make on behalf of HSBC. You may make a different judgment call, but I have to do it from the point of view of our commitment and our heritage with Hong Kong. I think I have covered the point you make.

Q472 Andrew Rosindell: There is no response from you about my accusation that there is appeasement. You do not feel that is justified in any sense—you cannot see the point that I am making.

Noel Quinn: I think I have given you the answer that I will give to that question.

Chair: Thank you very much. Graham, did you want to come in on that?

Q473 Graham Stringer: I want to follow up on Andrew's question. I am an HSBC customer and have been for 52 years. I joined just before I went to university. When I went to university, the first political campaign I was ever involved in was to try to get students and institutions to stop banking with Barclays—as the slogan went, Barclays was funding apartheid. What would you say to me, both as a customer and as somebody who has campaigned against financial institutions investing in reprehensible regimes? One: why should I keep my account with HSBC?



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Two: why should I not start, much later in age, a campaign to get young people and other potential customers, and real customers of HSBC, to remove their accounts because of your activities in China and Hong Kong?

Noel Quinn: Mr Stringer, I go back to my comment that we are trying to do the right thing by our customers in Hong Kong. We have millions of customers in Hong Kong, whom we have supported over many years. We are trying to stay out of the politics of one country versus another, and to do the right thing by our customers to help them with the current situation.

I am not trying to harm those customers. I am not trying to walk away from them; I am trying to support them. I have to do that within the legal framework of Hong Kong. I think I would do more damage to the people and the economy of Hong Kong if I took a political decision to walk away from it because I do not like what is happening in Hong Kong. I think that would be damaging to the community of Hong Kong.

Thirty per cent. of the shareholders in HSBC are Hong Kong citizens, as individual shareholders. We are clearly aware of our responsibility to the community and people of Hong Kong. I cannot speak on your behalf as to how you feel about that. I hope that I have convinced you that my motive is the good of the people of Hong Kong.

Q474 **Graham Stringer:** I was asking what you would say to me about my judgment on potentially running a campaign, and as a customer. You have explained your responsibility to customers and investors in Hong Kong, but you have not answered that direct question.

Noel Quinn: Clearly, Mr Stringer, I would be disappointed and sad to see you leave as a customer. I thank you for banking with us for so long. I would be very sad to see that change, but that is a personal decision for you.

I hope that I have convinced you—I have tried—that my motives are good when it comes to Hong Kong. Obviously, I would request you not to campaign against us, because I do not think that would improve the situation, but again that is a personal decision for you to take. I hope that you do not do that, but that is a call that you alone will have to make.

Chair: May I move on? Graham, thank you very much. The witnesses have been very kind with their time, so I hope they will forgive us if we squeeze out a couple more minutes—I appreciate that you are being extremely generous. Chris has a quick point.

Q475 **Chris Bryant:** You referred to shareholders. Will you tell us what percentage of the shares of HSBC Holdings plc are held by Ping An Insurance?

Noel Quinn: It is a public record item. I am slightly out of date on that, but it would be in the order of about 8% or 9%, from memory.

Q476 **Chris Bryant:** Who owns Ping An Insurance?



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Noel Quinn: I am not aware of the details of all that. It has multiple shareholders. It is a listed company on the stock market, so it will have many institutional and individual shareholders, but I am not aware of its share register.

Q477 **Chris Bryant:** Broadly speaking, it is the Chinese state, isn't it?

Noel Quinn: I do not believe so. It is a listed company and it has financial institutions from around the world as members of its share register. I believe that it is a listed institution.

Q478 **Chris Bryant:** I think you're wrong. You said earlier that you do not take political positions. Why did HSBC lobby in the United States of America against the Uyghur Forced Labour Prevention Act?

Noel Quinn: I am not aware that we did that, Mr Bryant, if I may say so; I am not aware of that.

Chris Bryant: You see, it is quite difficult to make all this add up, because every time we ask you a difficult question, you do not know the answer. It makes us wonder whether your answers are fully accurate. Let me ask one final question. Do you like what is happening in Hong Kong?

Noel Quinn: Whether I like or dislike it is not the point here; what I want to do is help Hong Kong, and I want to help Hong Kong navigate the current difficulties that it faces. That is much more important than my personal opinions.

Q479 **Chris Bryant:** Does it not bother you that people are being denied their democratic rights?

Noel Quinn: Mr Bryant, as I have said, I am not a politician; I am not going to comment on democracy or political systems. I am here to serve the customers in Hong Kong, to support them, and to help them get through the current challenges. That is my motivation as the CEO of a bank.

Chris Bryant: I just do not believe that there is a gap between politics and life. They are intimately involved. Every decision that you make as a banker is a political decision in the end. But anyway, thank you, Chair.

Chair: Bob, if you are really brief.

Bob Seely: We were going to ask some questions about corporate positions on forced labour. Do you want me to ask them, because I think it would be quite valuable?

Chair: Go on.

Q480 **Bob Seely:** Noel, do you have a corporate position on forced labour and slavery practices in modern slavery?

Noel Quinn: Yes, we have a policy issued—a human rights policy. That is in the public domain. We would be happy to share the contents of that with you, if you have not already seen it.



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Q481 **Bob Seely:** Okay. Do you have a corporate position on dealing with entities in China accused of forced labour?

Noel Quinn: Colin, would you like to explain the level of due diligence we do on our clients, their supply chains, their customers and their suppliers, with respect to matters of human rights?

Colin Bell: Yes. I will be brief because I am conscious of time. As we see allegations emerge, in terms of any contravention of human rights—we are a signatory to various human rights through the Sullivan principles—where we have the information, we can try to identify the subset of customers that have a nexus to anything close to the allegation. We will then sit down with those customers and have a detailed conversation with them about those allegations. Where we find that we can't get comfortable with a customer and their own process for adhering to human rights protocol, then obviously the ultimate sanction is to exit the relationship.

Q482 **Bob Seely:** Do you have a corporate position on events in Xinjiang province, and the many allegations of genocide, of forced labour and of slave labour being used by both western and Chinese companies? Are you aware? Do you believe that any of this impinges on your business or your investments?

Noel Quinn: Mr Seely, we don't have any activities taking place in Xinjiang province. We clearly do due diligence on any company that we bank, and if they have activities in that area, we review their activities to see if they or their supply chain are involved in any form of human rights abuse. That is something we do not only in China, but in all markets in which we operate.

We are not taking a political position on a particular region. We are taking an individual decision on each customer, and we do due diligence on each customer, to make sure that their supply chain is not involved in forced labour activities. That is how we apply our responsibilities under the human rights policy that we have. It is not a position on a market or a sub-segment. It is applied at a customer level, and we do detailed due diligence to that effect.

Q483 **Bob Seely:** You are very comfortable that you have got no relationship with anyone with accusations of forced labour against them, or of being engaged in forced or slave labour anywhere in China, specifically in Xinjiang province.

Noel Quinn: We are constantly looking for any evidence that that may be the case. It would be a brave person in the world who turned round and said they were confident of everything that is happening, but I can guarantee to you that we are fully committed to doing the necessary due diligence on our clients, to try and make sure that we are not involved in any activity, anywhere in the world, involving forced labour.

Q484 **Bob Seely:** Finally, just to sum up, and to follow up what Chris and Andrew were saying, it is not so much that people are expecting you to walk away from Hong Kong, because clearly you are heavily invested



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financially and in many other ways, but the consideration is that, for people who are very happy to make ethical statements in many other parts of the world, to not even admit an ethical problem in Hong Kong is frankly pretty depressing for us to hear. It is not the first time that you have got business people who, with one hand, are happy to virtue signal in the west, and yet do this hear no evil, see no evil attitude when they are having to deal in more ethically complex positions. Do you understand that it is depressing for us that you can't even admit to an ethical dilemma in Hong Kong?

Noel Quinn: I admit that the situation in Hong Kong is challenging; I have said that a few times. I admit that the geopolitics is particularly challenging and that there are significant issues on the horizon, but I am very much focused on doing the right thing for our customers, to try and support them through these challenging times.

Q485 **Bob Seely:** Not all your customers; the Chinese state has been using you to intimidate some of them, so some of your customers clearly do not seem very well served at all by you.

Noel Quinn: As we explained at the beginning of this session, to the extent that we have to take action against a customer we try to make sure that it is in compliance with the law at all times. It is not a statement of politics or a statement of principles; it is a fact of law. That is what we have to comply with in every market that we operate in.

Bob Seely: It is certainly not a statement of principles. Thank you.

Q486 **Chair:** We have explored this afternoon through this Committee issues that put challenges between the way in which the values of the UK and the values of China, for example, compete and that cause difficulties for a major international firm like yours. We appreciate that they do cause challenges. Your fiduciary duties to shareholders under the UK reporting requirements are not the same as Chinese law states are the duties of members of the Chinese Communist party within your organisation in China. We understand that that is not your fault; it is, however, a consequence of operating in jurisdictions as inimical as these two. Do you have any plans or any thoughts that HSBC may one day have to split between a China operation, as it were, and a rest-of-the-world operation?

Noel Quinn: No. I believe that we do good as an international bank. We help the customers that we serve by virtue of being an international bank. I fully acknowledge that being an international bank is challenging, and is getting increasingly challenging, but I believe that what we do as an organisation is valued by our customers and is important to them, and I believe that the economy of the world requires international banking to be part of the scene.

I think we do good. We are a responsible operator in international banking. Clearly, there are points of difference on matters that have been raised today by your Committee. I acknowledge that, but I believe that we are a very responsible operator and have been for 155 years. I do not see a point where we have to split the institution into two. I do not think that

that would be to the benefit of Hong Kong, and I do not think that it would be to the benefit of the UK either.

Q487 **Chair:** May I ask one final question? Although, of course, you were created in Hong Kong and Shanghai, hence your name, your structure is fundamentally built on the basis of British law and British legal systems, not just in Hong Kong but around the world in the global trading system. What challenges do you see in the way that that legal system is being changed, if you wish to be neutral about it—undermined, if you wish to make a value judgment on it—by the way that Chinese businesses are operating around the world? Do you see a challenge to your international model?

Noel Quinn: No. I think we have operated in that time with many different legal methodologies around the world, and we have to adapt, we have to assess, and we have to learn how to navigate that as those legal systems change. Clearly the legal system, to a degree, is changing in Hong Kong. We still see that there are significant advantages for Hong Kong in the international world, from its foundation of commercial law that exists there relative to the commercial law that exists in China. We believe that it should have a strong future, and we want to help it continue to have a strong future, but we will have to adapt as the legal system changes.

Chair: May I say thank you very much, Mr Quinn and Mr Bell, for not only appearing today but being particularly generous with your time? You have been extremely kind in staying a few minutes over, for which I know the Committee is very grateful. We have heard your perspective on the challenges of co-operating across jurisdictions, and that certainly is a point of awareness for all of us, but it does raise some serious concerns as to the influence that is applicable on international business, and we do understand your position. On that basis, thank you very much.