



>> David Clementi plays music written by his great great grandfather Muzio Clementi, who was also a piano manufacturer, visiting Clementi Secondary School, named after his grandfather former governor Cecil Clementi, which will celebrate its 90th anniversary next year. Photo credit: David Clementi and Clementi Secondary School.

# A BETTER WORLD

## VISION & STRATEGY

• Bonnie Chen, business news editor, hopes Money Glitz gives readers valuable investment insight, helps institutions boost transparency and allows executives reach their key clients.



The world economy may be slowing, but a 2008-type financial tsunami is unlikely even if some institutions may need to downsize to avoid systemic risks, says former Bank of England deputy governor David Clementi.

Deflation and the increasing difficulties of using jobs data to determine the true state of complex economic realities are more worrying to central bankers around the world, says Clementi, who now chairs payment services firm World First.

Clementi, 66, is a grandson of former Hong Kong governor Cecil Clementi, one of only a handful of British officials who learned how to speak Chinese. He is accountant by training. He joined the Financial Services Authority and then crossed over to Kleinwort Benson, a private bank where he worked for 22 years. He became Bank of England deputy governor in 1997. While the ongoing uncertainties in the

global economy are causing some jitters, Clementi believes the chance of having a similar 2008-09 financial crisis is rather low.

He says regulators, financial institutions, banks, insurance companies, and intermediaries have learned valuable lessons from the collapse of Lehman Brothers. But that said, Clementi notes individual institutions could be trimmed.

To ensure financial stability, British regulators have toughened rules. But this has prompted financial institutions such as HSBC (0005) and Prudential (2378), of which he is a former chairman, to consider relocating their headquarters from London to Asia.

Clementi believes rising capital requirements might cause some slowdown in the business of British financial institutions.

As for many emerging markets, which are slowing down, a fresh turmoil similar to the Asian financial crisis is unlikely while the US interest rate movement normalizes, he says.

"Many have learned lessons, including those in emerging markets. Younger people are more clever than their parents. I don't think the US Federal Reserve will raise interest rates fast and damage the [economy's] recovery. Interest rates will rise, the direc-

tion is [for them to go] up but it is unlikely to happen soon," he says.

He believes there is a possibility of deflation, caused mainly by energy prices. But he notes other costs with scarce resources, such as IT services, are going up. Central banks, though, have ample tools to tackle these issues, he says.

While scores are arguing that a global economic slowdown might be led by China, Clementi appears unconvinced.

He says even after a stock market correction and a yuan devaluation, China's economy is still growing fast compared with many countries in the West.

"Growth in Asia, even countries like Vietnam and Indonesia, is faster than in Europe. China, though, is the largest. With China's sheer size, it has enormous growth potential... I read in your paper that China has a bigger middle class than in the US," says Clementi.

He says World First intends to leverage its presence in Hong Kong to pursue growth in the Greater China.

The UK-based payment and money transfer firm claims to offer cheaper and faster services than its competitors. For instance, it charges 1.5 percent of revenue

generated from an order, sharply lower than 3.5 percent charged by Paypal.

And money remitted via World First can be collected by the recipient the following day.

World First was started in 2004 in a basement flat in London by two bankers, and since then, has expanded to Washington, Austin, Sydney, Hong Kong and Singapore. In the 2013-14 financial year, it generated more than 6.1 billion pounds (HK\$72.85 billion) worth of transactions.

"When I joined in 2006, I was the 16th member of the company. We now have 400 employees." Over the past 11 years, World First has posted a whopping 40 percent annual growth clip. "I'm extremely confident that business will grow in Hong Kong."

Compared with Singapore, he says "doing business in Hong Kong is much easier. Our license here allows us to do offshore business, but our license in Singapore only allow us to do business there. And Hong Kong is a gateway to China."

"Hong Kong is always a good place for business. It has a good workforce, fair and reasonable regulatory remittance compliance license and a low tax regime. It's a place which welcomes companies like us."

Hong Kong has a special allure for David Clementi. His grandfather, Cecil Clementi, was governor between 1925 and 1930.

Cecil Clementi's ties to the territory dates back to 1899, when he arrived here after passing the British civil service exam. He held different posts, before becoming acting colonial secretary until 1912.

His knowledge of Cantonese and Putonghua enabled him to work across the border.

"My grandfather was a scholar who loved Chinese unlike his grandson who is a businessman. He came here as a cadet in the 1890s when there were no night clubs. He was a scholar who spent a lot of time reading and studying Chinese. Because he

## HONG KONG ROOTS REMAIN STRONG

understood Chinese, he was a man between Peking and Canton," says Clementi.

His grandfather studied Sanskrit and classics at Oxford University, the same institution where the grandson obtained his degree in philosophy, politics and economics.

During Cecil Clementi's tenure as governor, the practice of "female maid servitude" system, known as *Mui Tsai* in Chinese, was ended. He also helped resolve the Canton-Hong Kong strike that lasted from June, 1925 to October, 1926 and crippled the local economy.



He backed the founding of the School of Chinese at The University of Hong Kong and The Government Vernacular Middle School, the first public school to use Chinese as a medium of instruction.

In 1951, the school was renamed Clementi Middle School and later became Clementi Secondary School, which he visited during his recent trip.

He recalls an intriguing exchange he had with an HKU curator concerning an original portrait (pictured) of his late grandfather. "We had a portrait of my grandfather and HKU also had one which

the Japanese had shot, leaving some bullet holes, but it was eventually restored." Both portraits were done at about the same time.

Hong Kong's 17th governor translated several Chinese works into English and even wrote a book about the city.

He passed away at 71 in 1947, two years before David Clementi was born. He later learned much about his grandfather from his grandmother. His father was an air vice-marshal in the Royal Air Force.

David Clementi is also the great great grandson of Italian musician Muzio Clementi who moved to London in 1776. He was a composer, pianist, conductor, music publisher and piano manufacturer.