

LEGISLATIVE COUNCIL PANEL ON FINANCIAL AFFAIRS

Development of Financial Technologies

April 2018

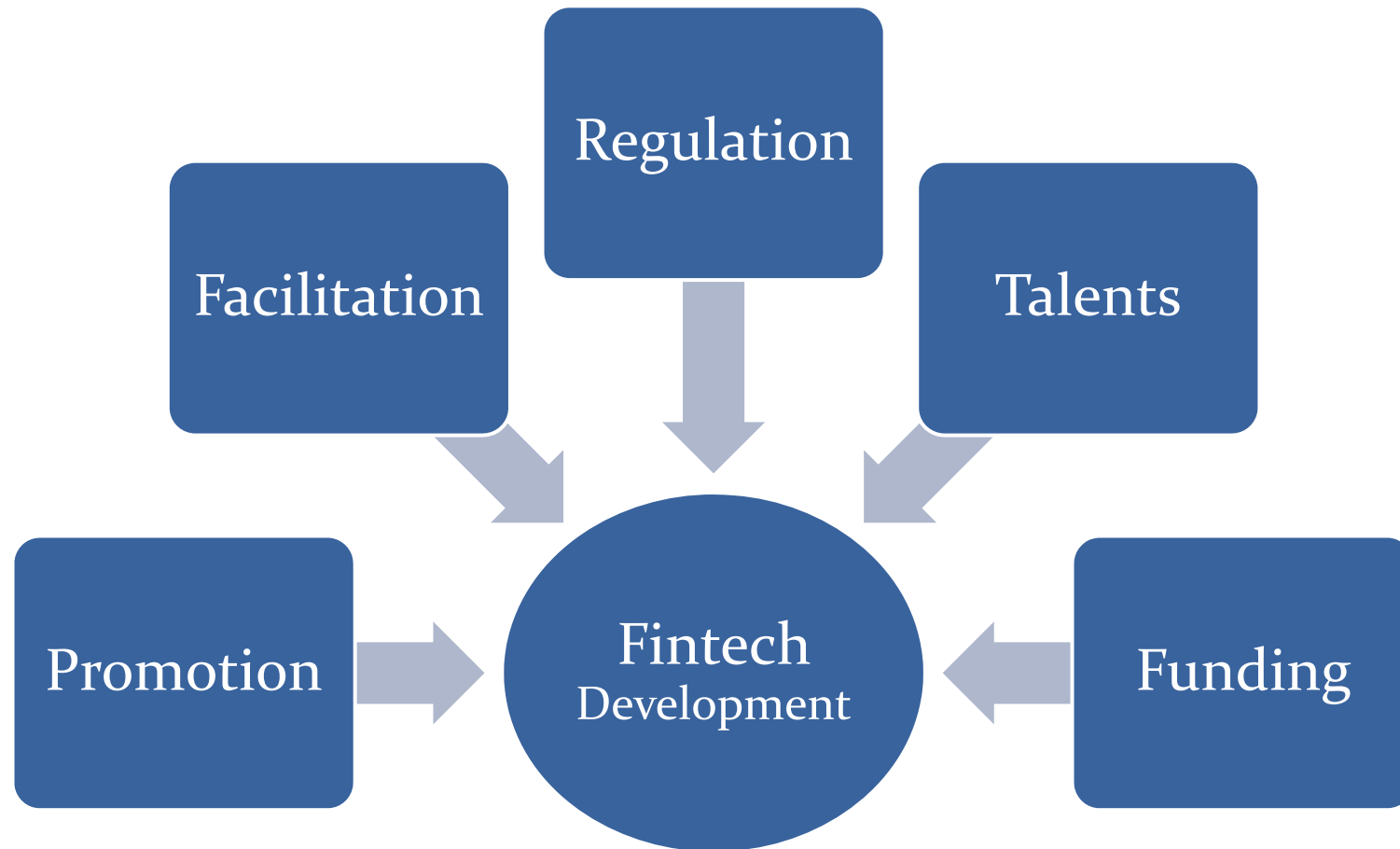


Fintech Landscape

- **Vibrant Fintech community**
 - ▶ Cyberport cluster now comprises some 250 Fintech companies, up from 180 one year earlier
 - ▶ Innovation labs and accelerator programmes established presence in Hong Kong
 - ▶ Financial institutions proactively make use of Fintech to enhance customer experience and operational efficiency
- **In 2014-2017, cumulative investment in Fintech companies based in the following places -**
 - ▶ Hong Kong : US\$940 million
 - ▶ Australia : US\$627 million
 - ▶ Singapore : US\$325 million



A Five-pronged Approach to Facilitate Fintech Development



InvestHK

- Investment in Hong Kong-based Fintech companies in 2017 was US\$546 million
 - ▶ +153% over US\$216 million in 2016
- Dedicated Fintech team in Hong Kong, London and San Francisco provides one-stop service
 - ▶ Assisted some 250 companies in 2017
- 5 accelerators, including Asia's first RegTech accelerator
- 9 financial services & insurance innovation labs



InvestHK

- Hong Kong Fintech Week

	HK Fintech Week 2016	HK Fintech Week 2017
Number of participants	2 500+	4 000+ (+60%)
Number of countries/regions of the participants	20+	50+ (+150%)
Number of speakers	100+	300+ (+200%)
Media coverage	170+	320+ (+88%)
Number of one-on-one business matching meetings organised	-	150+
Fintech hubs breakfast	-	7 Fintech hubs

- Fintech Education Week



InvestHK

- Sponsored and participated in local and overseas major Fintech events

Events in 2017	Sponsored
Hong Kong	26
Europe	12
US	10
Mainland	2
ASEAN	4
Total	54

- FinovateAsia 2017
- Fintech Finals 2018



Cyberport

- Assists Fintech start-ups to develop and grow in Hong Kong
 - ▶ Cyberport Incubation Programme
 - 77 Fintech start-ups joined the programme (2016-Feb 2018) , including TNG, bondIT and Clare.AI, etc.
 - ▶ Cyberport Creative Micro Fund
 - Supported 66 Fintech projects (2016-Feb 2018)
 - ▶ Cyberport University Partnership Programme
 - 160 university students participated in the Fintech entrepreneurship boot camp in the Graduate School of Stanford in Silicon Valley (2015-Feb 2018)



Cyberport

- Assists Fintech start-ups to develop and grow in Hong Kong
 - ▶ Smart-Space FinTech
 - Launched in Dec 2016. It provides over 47,300 square feet of co-working space for Fintech companies. Till end-Feb 2018, 128 Fintech companies moved into this space
 - ▶ Cyberport collaborates with the Hong Kong Monetary Authority
 - Launched the Haccelerator Programme in 2017. It provides a platform for banks to organise Hackathons and Accelerators. Participating institutions included Citibank, Hang Seng Bank and Bank of China (Hong Kong)



香港特別行政區政府財經事務及庫務局

Financial Services and the Treasury Bureau, Government of the Hong Kong Special Administrative Region

Cyberport

- Supports the development of Fintech industry in Hong Kong
 - ▶ Organised the largest Fintech delegation to London in Sep 2017 with the Hong Kong Monetary Authority
 - ▶ Proactively participates in events to promote Fintech development for Hong Kong, including Asian Financial Forum and Hong Kong Fintech Week



Cyberport

- ▶ Cyberport and Hong Kong Monetary Authority signed a MOU addendum in Oct 2017 to explore the feasibility on the establishment of cross-border soft-landing facilities in Shenzhen for Cyberport Fintech companies, with the support from Office of Financial Development Service of the Shenzhen Municipal Government
- ▶ Organised conferences and forums to facilitate the financial services industry in learning more about Fintech, e.g., “Blockchain Strategies for Business” Conference and “Global FinTech Forum”



Hong Kong Monetary Authority

- **Seven Smart Banking Initiatives**

- ▶ (1) **Faster Payment System**

- 7x24 real-time cross-banks/Stored Value Facilities (SVF) fund transfer or payment services
- Support the use of mobile phone numbers or email addresses for payments in HKD or RMB
- To be launched in Sep 2018; around 20 banks and 8 SVF operators plan to participate at the launch

- ▶ (2) **Enhanced Fintech Supervisory Sandbox 2.0**

- Sandbox usage (since establishment up to end-Feb 2018): 29 technology products, 19 products rolled out
- Chatroom usage (since establishment up to end-Feb 2018): 69 requests, 41 from local and overseas tech firms



Hong Kong Monetary Authority

- **Seven Smart Banking Initiatives**

- ▶ (3) Promotion of virtual banking

- Conducted a public consultation (ended on 15 Mar 2018), studying the comments received
- A number of local and overseas firms expressed interest
- Dedicated team to provide assistance

- ▶ (4) Banking Made Easy

- Key digital customer journeys being reviewed: 1) remote onboarding; 2) online finance; 3) online wealth management
- Engaging the banking industry and tech sector



Hong Kong Monetary Authority

- **Seven Smart Banking Initiatives**

- ▶ (5) Open Application Programming Interface (Open API) framework

- Conducted an industry consultation (ended on 15 Mar 2018), studying the comments received

- ▶ (6) Cross-border Fintech co-operation

- Co-operation with Office of Financial Development Service of Shenzhen
 - ◆ Co-organised Shenzhen-Hong Kong Fintech Award
 - ◆ Exploring reciprocal soft-landing support for Fintech firms, internship programmes and other Fintech events
- Entered into co-operation agreements with other jurisdictions (Singapore, Dubai, Switzerland and Poland)



Hong Kong Monetary Authority

- **Seven Smart Banking Initiatives**

- ▶ **(7) Research and talent development**

- **Distributed Ledger Technology (DLT) Research**

- ◆ Published second whitepaper - covering proof of concept details, and advice on control principles, governance, legal and regulatory issues
- ◆ Hong Kong Trade Finance Platform - target to go live by Sep 2018, digitising paper-based documents and automating the trade finance process
- ◆ “Global Trade Connectivity Network” - target to go live by Q1 2019, connecting the domestic trade finance platforms of Hong Kong and Singapore by DLT

- **Fintech Career Accelerator Scheme 2.0**

- Summer entrepreneurship boot camp
- Shenzhen internship programme
- Gap year placement
- Full-time graduate programme



Hong Kong Monetary Authority

- Other Fintech Initiatives

- ▶ (8) Industry liaison

- Organised 24 industry events with over 5 300 participants to exchange ideas and cultivate collaboration opportunities (since establishment up to end-Feb 2018)
- Spoken at 85 Fintech-related events and had more than 330 meetings with industry players, regulators and public organisations (since establishment up to end-Feb 2018)



Securities and Futures Commission

- **Engagement, Enforcement & Policy, Education**
(“Three Es Approach”)

- ▶ **Engagement**

- **(1) Fintech Contact Point**
 - ◆ Handled around 288 Fintech-related enquiries
- **(2) SFC Fintech Advisory Group**
 - ◆ Met 4 times to assist SFC in latest Fintech developments
- **(3) Meeting with Fintech start-ups & associations**
 - ◆ Attended or participated in over 170 meetings and events, including co-organising the Regulators’ Day of Hong Kong Fintech Week with HKMA
- **(4) Cybersecurity**
 - ◆ Held a series of cybersecurity workshops/presentations in 2017, including an interactive workshop co-hosted with Hong Kong Police Force, to explain the baseline cybersecurity requirements
- **(5) International Fintech cooperation**
 - ◆ Signed Fintech co-operation agreements with counterparts in UK, Australia, Malaysia, Dubai and Switzerland
 - ◆ Participated in IOSCO meetings and Initial Coin Offerings Consultation Network



Securities and Futures Commission

- **Engagement, Enforcement & Policy, Education**
(“Three Es Approach”)

- ▶ **Enforcement & Policy**

- (1) **Policies on Fintech development**

- ◆ Published a Consultation Paper on the Proposed Guidelines on Online Distribution and Advisory Platforms (May 2017) to consult the industry on the suitability requirement in an online environment
- ◆ Launched the SFC Regulatory Sandbox (Sep 2017)
- ◆ Clarified the competence requirement for individuals with technology background looking to become responsible officers of licensed corporations (Sep 2017)
- ◆ Issued the Guidelines to Reduce and Mitigate Hacking Risks Associated with Internet Trading, which set out the baseline cybersecurity requirements (Oct 2017)



Securities and Futures Commission

- **Engagement, Enforcement & Policy, Education**
(“Three Es Approach”)

- ▶ **Enforcement & Policy**

- **(2) Policies on crypto tokens**

- ◆ Explained the regulatory stance on initial coin offerings (Sep 2017)
- ◆ Clarified the applicable legal and regulatory requirements in relation to Bitcoin futures & cryptocurrency-related investment products (Dec 2017)
- ◆ Will collaborate further with HKMA with a view to addressing the risks associated with crypto tokens

- **(3) Regulatory actions against crypto exchanges / ICO issuers**

- ◆ Took regulatory actions against a number of crypto exchanges and ICO issuers which resulted in removal of security tokens from the exchanges, unwinding of the purchase and restriction of HK investors' access
- ◆ Ongoing monitoring of crypto exchanges and ICO issuers with local nexus



Securities and Futures Commission

- **Engagement, Enforcement & Policy, Education (“Three Es Approach”)**

- ▶ **Education**

- (1) Collaboration with the Investor Education Centre (IEC)
 - ◆ Published a series of education materials and articles on Fintech
 - ◆ E.g. “Keeping your personal details and passwords safe”, “Two-factor authentication provides additional security”, “Initial Coin Offerings (ICO), Bitcoin and other Cryptocurrencies”, “Five things to know about bitcoin” and “比特幣遇上期貨”
- (2) “Risks Associated with ICO and Cryptocurrencies Public Education Campaign” with FSTB, HKMA and IEC (Jan 2018)
- (3) Investor Warnings
 - ◆ Warned investors of risks associated with crypto tokens in circular/statements (Sep & Dec 2017, Feb 2018)
 - ◆ Message broadcasted via social media (e.g. Facebook) and radio



Insurance Authority

- **Development of Insurance Technology (Insurtech)**

- ▶ Function of IA: Facilitate the sustainable market development and promote the competitiveness of the insurance industry
- ▶ IA's strategy in Insurtech development: Encourage and facilitate the use of Insurtech by the insurance industry, and provide a business friendly environment for the use of Insurtech
- ▶ IA's goal in Insurtech development: Enhance policy holders' experience, project positive image of the industry, promote efficiency and competitiveness of the industry, and encourage the offer of innovative products and services, to spur growth and development of the insurance industry



Insurance Authority

- **Applying Insurtech in Hong Kong**

- ▶ No regulatory hurdle for insurance companies to apply Insurtech
- ▶ Insurance companies have already been applying Insurtech in their operations
- ▶ Some examples include:
 - Telematics – offer premium rebates based on certain criteria of driving behaviour
 - Digital insurance platforms – assisting customers in finding the suitable products



Insurance Authority

- **Initiatives to promote Insurtech**

- ▶ (1) Insurtech Sandbox

- A means to encourage insurance companies to be more innovative
- “Safe space” in which insurers can experiment with new ideas
- Sandbox applications: telematics for fleet, wearables for monitoring health, premium payment through Stored Value Facilities (possible application)

- ▶ (2) Fast track for applications for authorisation of new insurers owning and operating solely digital distribution channels (“Fast Track”)

- A new dedicated queue for applications involving sole digital distribution channels

- ▶ (3) Strengthening communication with stakeholders through Insurtech Facilitation Team

- ▶ (4) Signed Fintech co-operation agreements with other jurisdictions for international cooperation and information sharing on Fintech



Thank you

