

DEVELOPMENT OF FINANCIAL TECHNOLOGIES

PANEL ON FINANCIAL AFFAIRS
LEGISLATIVE COUNCIL

APRIL 2019



Fintech Development in Hong Kong

2016

- Established a **dedicated Fintech team** and organised the **inaugural Fintech Week Smart-Space FinTech** by Cyberport
- Regulators established **dedicated Fintech platforms**
- HKMA launched the **Fintech Supervisory Sandbox (FSS)**
- **Stored Value Facilities licences**
- **Fintech Career Accelerator Scheme**

2017

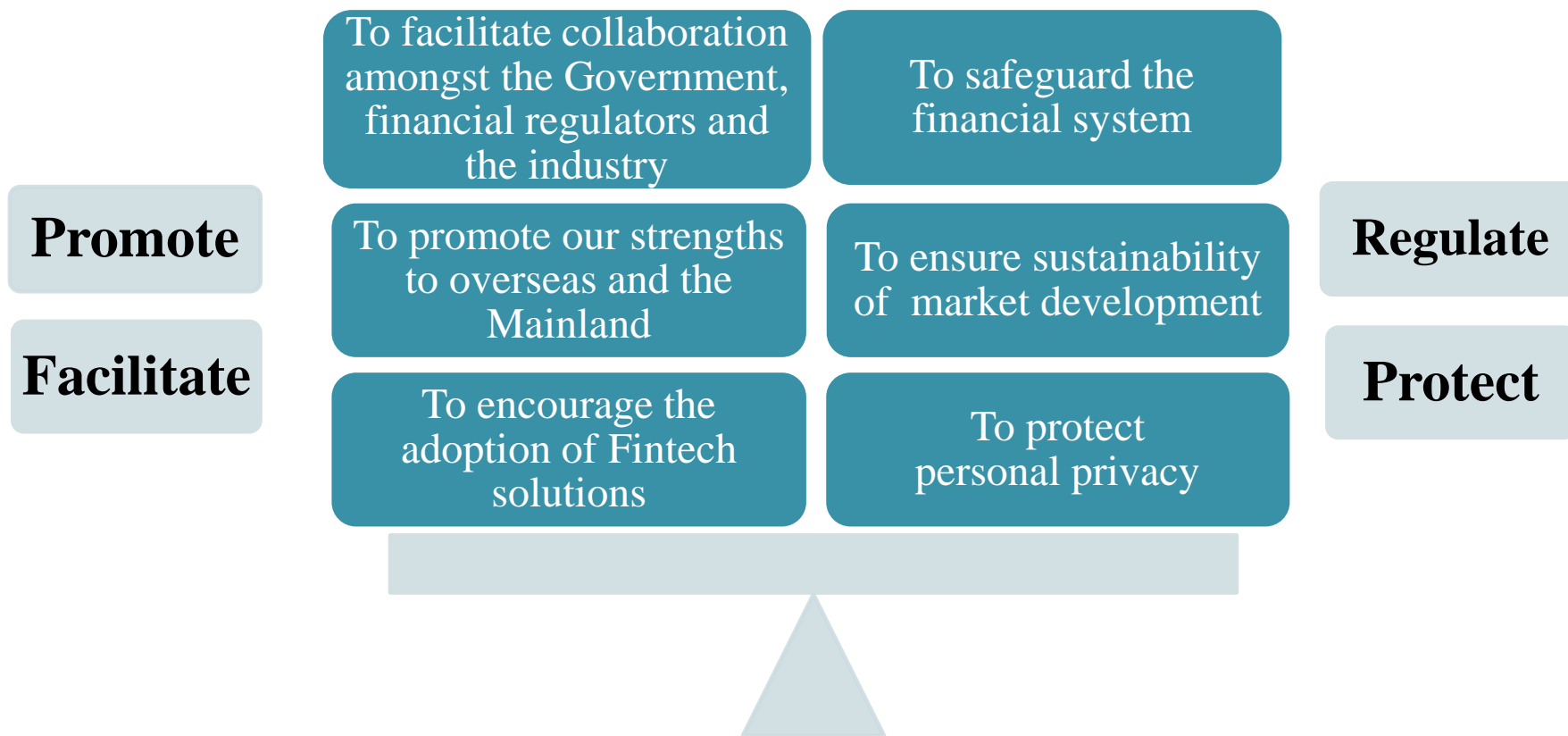
- SFC and OCI launched **Regulatory Sandboxes**
- OCI launched the **“Fast Track”**
- **Fintech cooperation agreements** signed
- **Whitepaper on Distributed Ledger Technology (DLT)** (mortgage loan application, trade finance)
- **Initiatives to “A New Era of Smart Banking”** (FSS2.0, set up “Banking Made Easy” Task Force, etc)

2018

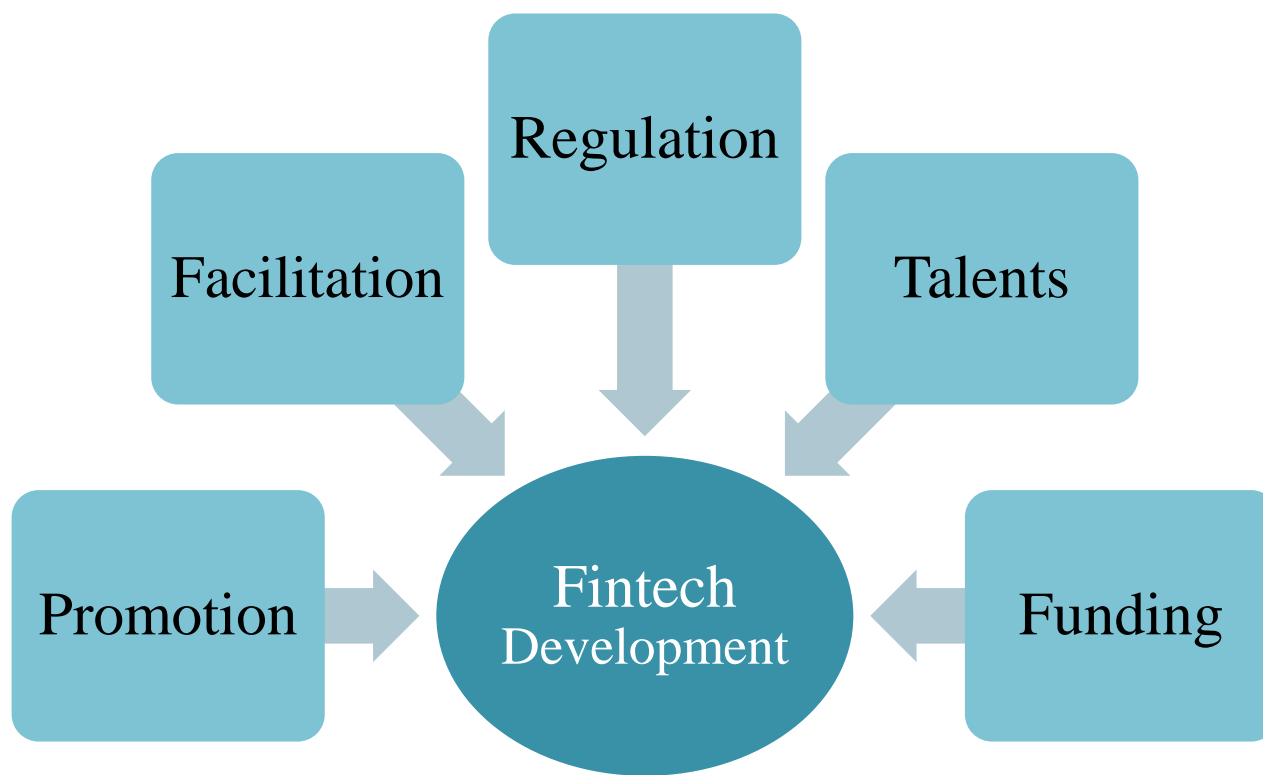
- **Guideline on Authorization of Virtual Banks**
- **Open API Framework for the banking industry**
- Fintech Week added **Shenzhen day**
- **Faster Payment System (FPS) & Common QR Code Standard**
- **Cross-border payment** for Hong Kong e-wallets
- Blockchain applications: **“eTradeConnect”, Motor Insurance DLT-based Authentication System (MIDAS)**
- **Authorisation of 1st virtual insurer**
- **New regulatory approach for virtual assets**
- **Global Financial Innovation Network (GFIN)**
- **Hong Kong Talent List, Technology Talent Admission Scheme**



Our Role



The Five-pronged Approach

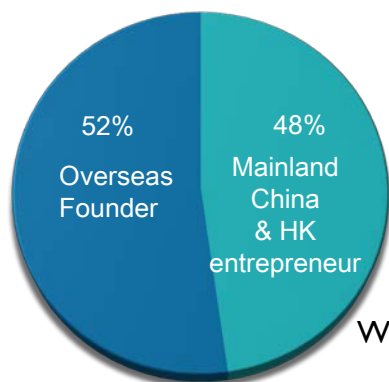


- Policy Bureau plays leading and coordinating role

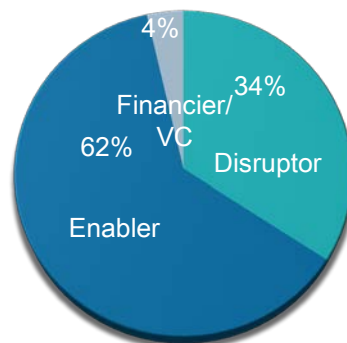
InvestHK

- The number of Fintech companies in Hong Kong is **over 550** in 2018.

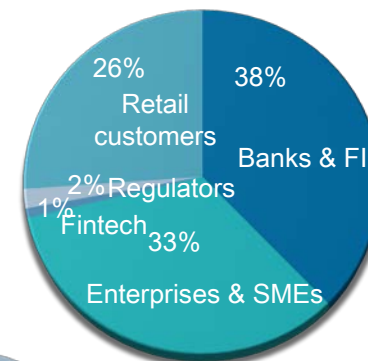
Where is your founder from?



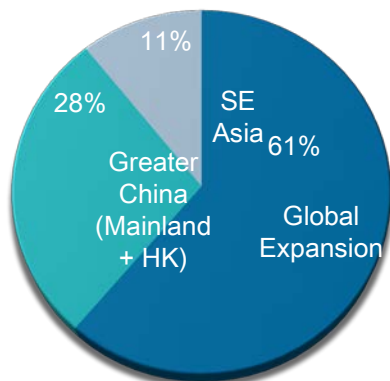
How do you see your role in the ecosystem?



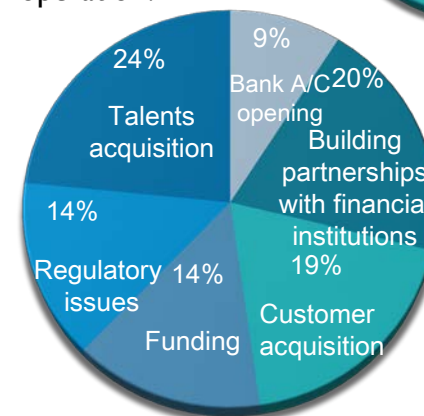
Who are your key customers?



What is your target market?



What is the key challenge of your operation?

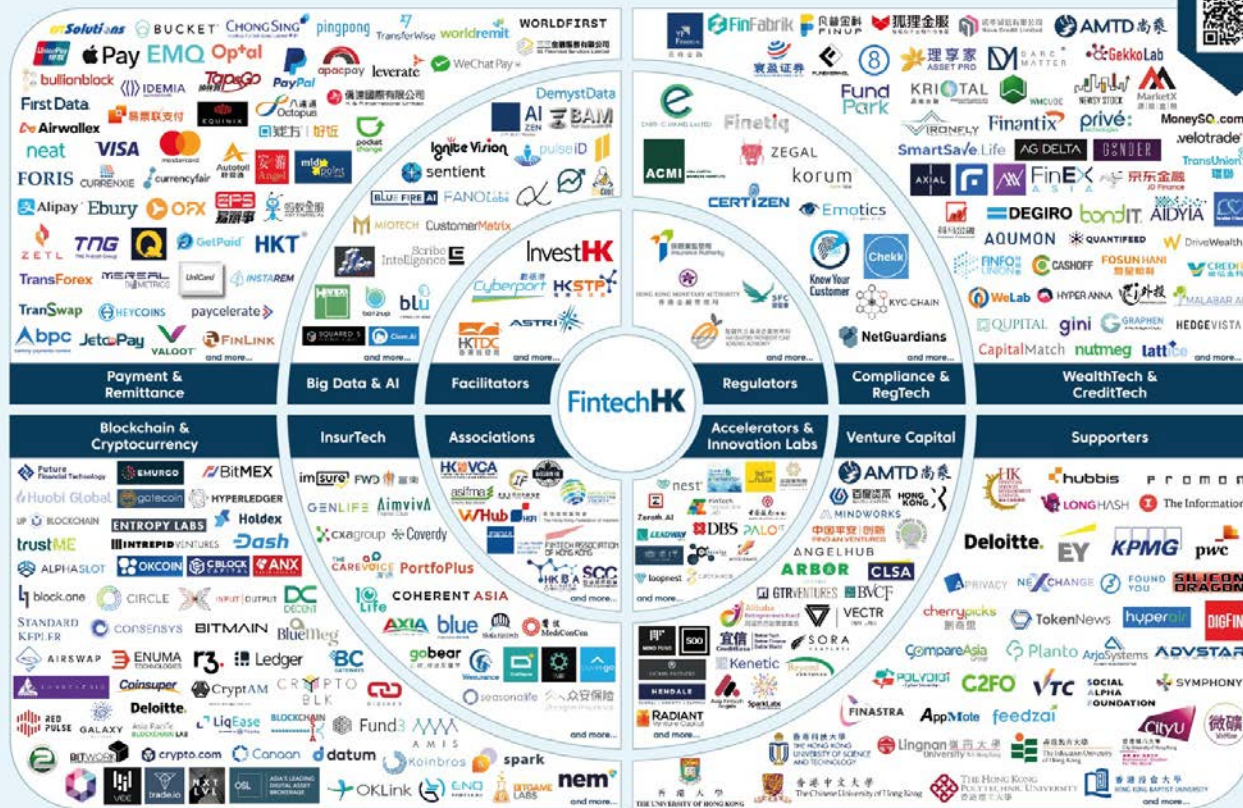


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HK Fintech Ecosystem 2018

Download and share



Expanding in Asia and looking for a base? Looking to tap the strengths of the Hong Kong Fintech ecosystem? At InvestHK we provide free and confidential business set-up facilitation. We're ready to help. Contact us now at fintech@investhk.gov.hk

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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

InvestHK

- Dedicated Fintech team in Hong Kong, London and San Francisco has assisted **over 480** companies since its establishment in Sep 2016
- Total investment in Hong Kong-based Fintech companies in the past 5 years (i.e., from 2014-2018) was **US\$1,128 million** ^{Note}
 - **Higher than US\$922 million of Japan and US\$690 million of Singapore**
- **6** accelerators, including Asia's first RegTech accelerator
- **9** financial services & insurance innovation labs

Note: Investment figures quoted in this slide are based on Accenture's analysis.



InvestHK

■ Hong Kong Fintech Week 2018

Press conference



HK Fintech Community Reception & Official Launch

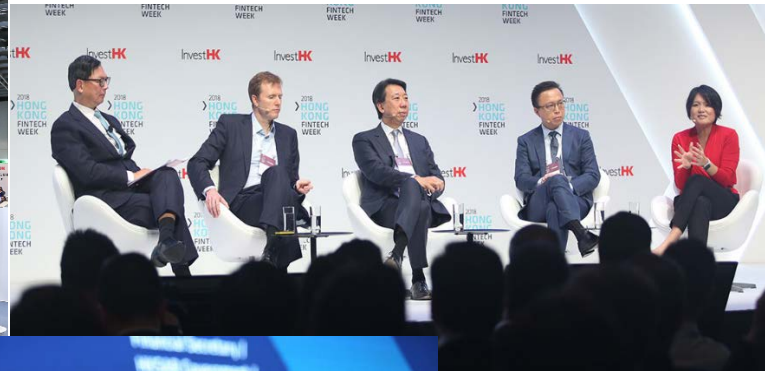


Welcome reception



InvestHK

- Hong Kong Fintech Week 2018 – from 29 Oct to 2 Nov 2018 in Hong Kong and Shenzhen, the world first cross-boundary Fintech event in the world



InvestHK

■ Hong Kong Fintech Week – Global roadshows



Europe
(London,
Nordic,
Amsterdam)



USA
(New York, San Francisco)



InvestHK

- Hong Kong Fintech Week – Mainland China roadshows

Beijing



Hangzhou



Shanghai



Shenzhen



■ Hong Kong Fintech Week

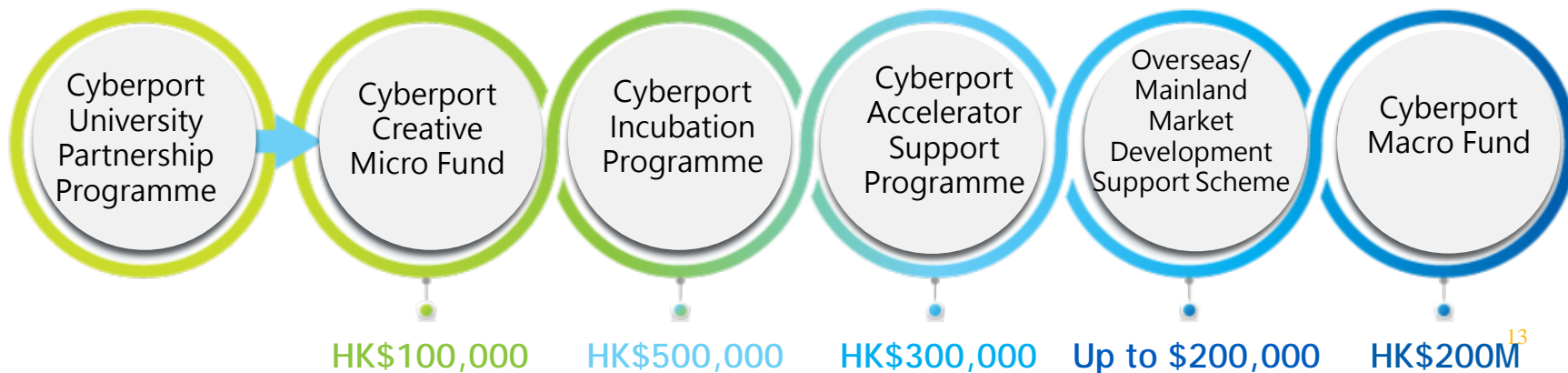
	HK FTW 2016	HKFTW 2017	HKFTW 2018
Number of participants	2 500+	4 000+	8 000+
Number of countries/regions of the participants	20+	50+	55+
Number of speakers	100+	300+	350+
Number of one-on-one business matching meetings organised	-	150+	1 000+

Cyberport

- Develop an ecosystem of more than 300 FinTech companies, with over 200 in Cyberport's offices, Smart-Spaces and Entrepreneurship Centre



- Support FinTech start-ups to develop and grow in Hong Kong and overseas



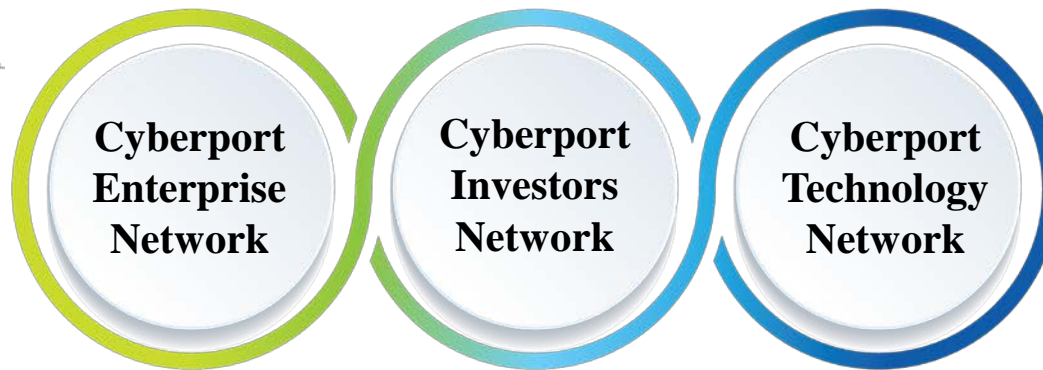
Cyberport

- **Support FinTech start-ups to develop and grow in Hong Kong and overseas**
- **Cyberport University Partnership Programme**
 - Launched in 2015 to nurture and cultivate FinTech talents
 - Funded 51 university students in 19 teams to take part in entrepreneurship boot camp at Chicago Booth School of Business in 2018
 - Funded a total of 211 university students in 78 teams over the years for entrepreneurship training at major business schools (Stanford / Chicago Booth)
 - Automation – AI and Big data allow automation on some tasks (Hong Kong: Robo-Advisor)
- **Accenture FinTech Innovation Lab Asia Pacific Accelerator Programme**
 - 12-week accelerator program to bring together early stage FinTech companies and leading financial institutions across Asia
 - Cyberport co-hosts the program at Cyberport campus and invites local FinTech companies to participate
- **Easy Landing Scheme**
 - Launched in 2018 to attract strategic partners to set up offices and R&D units at Cyberport through the provision of rental concessions
- **Partnership with the UK's Department of International Trade**
 - Support our FinTech community and provide soft-landing opportunities in the UK for HK FinTech start-ups



Cyberport

- Support FinTech start-ups to develop and grow in Hong Kong and overseas



Cyberport

- Support the development of FinTech industry in Hong Kong through active participation in major industry events
 - Hong Kong FinTech Week
 - Singapore FinTech Festival
 - FinTech Taipei
 - Asian Financial Forum
 - Hong Kong Business Delegation to Israel

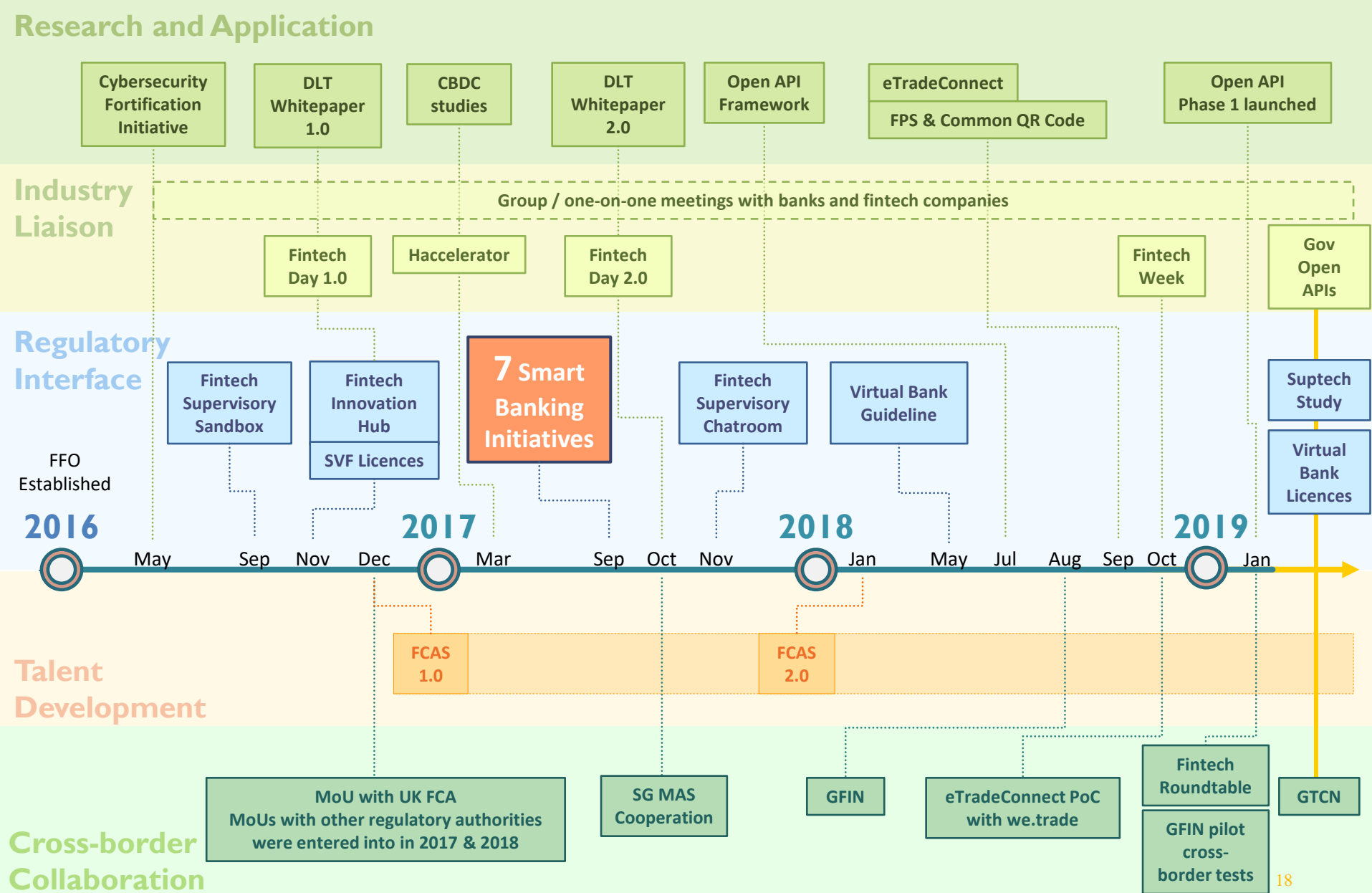


Cyberport

- **Support the development of Fintech industry through active engagement and sponsorship**
 - **Co-organize/Support FinTech conferences**
 - FinTech 0-2-0
 - InsurTech Rising Asia
 - Finwise Summit Hong Kong
 - **Business matching for InsurTech companies with insurance companies (e.g. Allianz, Zurich, Scor Reinsurance and Dai-ichi Life) and financial institutions (e.g. Dah Sing Bank, HSBC, WeLab and Bank of China)**
 - **Host two blockchain accelerators to foster the growth of blockchain companies**
 - WanXiang Blockchain/Hashkey Pro
 - Loopnest
 - **Organize regular blockchain training workshops**
 - Hyperledger Linux Foundation
 - FISCO



HKMA's Fintech Initiatives



Hong Kong Monetary Authority

Healthy growth of SVF activities

1 Increasing use of SVFs

SVF Statistics at a glance (Q4 2018)

SVF operators: **16**

Accounts in use:

56.1 Million (+20.1% yoy)

Number of transactions:

1.64 Billion (+9.7% yoy)

Value of transactions:

HK\$ 48.1 Billion (+24.4% yoy)

SVF float and deposits:

HK\$ 9.7 Billion (+22.1% yoy)

2 New services in past two years

- **P2P payments** via mobile phone or email channels
- **Small merchants** including wet markets and taxis
- **Cross-border payments** at selected Mainland online platforms and retail shops

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Hong Kong Monetary Authority

FPS: New era of retail payment (launched in Sep 2018)

Benefits



Full connectivity – cross-bank/SVF fund transfers



Round-the-clock 24 x 7



Mobile number and/or email address as account proxy



Deal by deal real-time settlement



Multiple currencies

Total number of registration (as of 28 Feb 2019): 2.4 million (↑ 51% from Oct 2018)

In Feb 2019

Total value of transactions:

HK\$33 Billion

Total number of transactions:

1.86 Million

Daily average value:

HK\$1.2 Billion

Daily average number:

66,000 (↑ 30% from Oct 2018)₀



Hong Kong Monetary Authority Sandbox Usage Continues to Increase

Sandbox (launched in Sep 2016)



46 trials

32 products launched

20 trials involved tech firms

Chatroom (launched in Nov 2017)



250 requests

About 70% from tech firms

(As of 28 Feb 2019)

21



Hong Kong Monetary Authority

FCAS*: 4 Modules to Support Talent Development

Entrepreneurship summer boot camp

Fintech-focused entrepreneurship boot camp at an overseas university, with mentorship and sharing offered by industry elites and startups

Shenzhen Summer Internship Programme

Students to work in renowned Shenzhen fintech or techfin firms for six weeks

Gap year full-time placement programme

Full-time internship in 2018/19 for undergraduate and postgraduate students to work on fintech projects at HKMA or one of 20 participating banks for six months or one year

Full-time graduate programme

Cyberport and HKSTP will encourage their tenants with fintech associated businesses to employ fresh or recent graduates full-time

*Fintech Career Accelerator Scheme



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Hong Kong Monetary Authority

Key initiatives in the pipeline

■ eTradeConnect

- A DLT-based trade finance platform to digitize paper-based documents and automate the trade finance process
- Connectivity with other regions to maximize benefits of cross-border trading / financing

■ Open API

- Banks to open up their internal IT systems and data for access by third party service providers to enhance user experience
- To be implemented in four phases
- Phase I implemented in January 2019, with over 500 Open APIs launched

■ Virtual Banking

- Granted 3 virtual bank licences on 27 March 2019
- Processing of remaining 5 applications in good progress



Securities and Futures Commission

SFC's announcements and policies on Fintech in the past year

- Issued a press release to warn of cryptocurrency risks (Feb 2018)
- Took regulatory action and halted an ICO in Hong Kong (Mar 2018)
- Published Consultation Conclusions on the Guidelines on Online Distribution and Advisory Platforms (Mar 2018)
- Provided guidance on the use of instant messaging for receiving client orders by intermediaries (May 2018)
- Reminded intermediaries of the notification requirements regarding provision of services involving crypto-assets and robo-advisors (Jun 2018)
- Provided guidance for intermediaries on online client onboarding (Jul 2018)
- Published a statement on the regulatory framework for virtual asset portfolios managers, fund distributors and trading platform operators (Nov 2018)



Securities and Futures Commission

Local Fintech Engagement

1) Fintech Contact Point

- Handled over 200 Fintech-related enquiries since 2018

2) SFC Fintech Advisory Group

- Members from different sectors, including company utilizing artificial intelligence, provider of electronic certification, robo-advisor, and professionals from legal and academic sectors
- Bi-annual meetings to exchange views on the latest developments and trends on Fintech

3) Meeting with Fintech firms & industry associations

- Attended and participated in over 70 meetings and events since 2018

Securities and Futures Commission

International cooperation and alignment with international standards

- 1) Maintaining close dialogues and exchanging views with overseas regulators and international organizations
 - Acting as a Coordination Group member of Global Financial Innovation Network
 - An international network of financial regulators and related organisations committed to supporting financial innovation in the interests of investors
 - Being a member of International Organization of Securities Commissions (IOSCO) and actively participating in discussions relating to virtual assets
 - Participating in the drafting of the Financial Action Task Force (FATF) guidance on virtual assets
- 2) Signed Fintech co-operation agreements with counterparts (UK, Australia, Malaysia, Dubai, Switzerland and Abu Dhabi Global Market)
- 3) Closely monitoring international regulatory developments and formulating regulatory requirements in line with international standards

Securities and Futures Commission

Investor Education

1) Cooperation with Investor and Financial Education Council

- The Chin family website publishes articles from time to time, covering different Fintech services and products:
 - ❖ Robo-advisors
 - ❖ Cryptocurrencies

2) Reminding investors of the risks associated with Fintech services and products

- Warned investors of cryptocurrency risks through circulars and statements (Feb, Mar and Nov 2018)

Insurance Authority

Insurtech Initiatives by IA

- **IA encourages and facilitates the use of Insurtech by the insurance industry and ensures that policyholders' interests are adequately protected**

Insurtech Sandbox

- A controlled environment which allows insurers to experiment with new ideas without the need to achieve full compliance with IA's usual supervisory requirements
- As of February 2019, IA has received 8 Insurtech Sandbox applications

Fast track for applications for authorisation of new insurers owning and operating solely digital distribution channels ("Fast Track")

- A dedicated queue for new authorization applications from insurers using solely digital distribution channels
- IA authorized the first virtual insurer under Fast Track in December 2018, and is examining two other applications

Insurance Authority

Insurtech Initiatives by IA

Insurtech Facilitation Team

- Facilitates the Insurtech community's understanding of the current regulatory regime and provides advice on Insurtech-related topics as appropriate

International Fintech Co- operation

- IA entered into Fintech co-operation agreements with 3 overseas regulators, namely, the UK Financial Conduct Authority, the Dubai Financial Services Authority, and the Gibraltar Financial Services Commission
- These agreements will enhance the sharing of information and co-operation on referrals of innovative firms seeking to enter the counterpart's market

Insurance Authority

Insurtech Initiatives by IA

Working Group on Embracing Fintech in Hong Kong under Future Task Force

- A platform which holds regular meetings for exchanging ideas of innovative Insurtech initiatives among key stakeholders

Guideline on Cybersecurity

- The draft Guideline sets out the minimum standard of governing control on cybersecurity that is expected of an authorized insurer. It also provides the general guiding principles of IA in assessing the effectiveness of the cybersecurity framework of an insurer
- IA launched the industry consultation in November 2018 and aims to have the Guideline becoming effective by the end of 2019

Insurance Authority

Insurtech Initiatives by The Hong Kong Federation of Insurers (“HKFI”)

The HKFI launched two Insurtech initiatives in December 2018:

(1) Motor Insurance DLT-based Authentication System (“MIDAS”)

- MIDAS is a blockchain application to help authenticate motor insurance cover notes / policies
- This would help eliminate the malpractice of fake motor cover note to protect public interest

(2) Insurance Fraud Prevention Claims Database (“IFPCD”)

- Through its AI technology, the IFPCD will be able to help detect different types of insurance fraud

Trend in Fintech

- **Fintech is fast evolving, but the following general trends can be observed :**
 - **Decentralisation** – enhance efficiency with the transparent, safe and immutable features of blockchain (Hong Kong: “eTradeConnect”, “Motor Insurance DLT-based Authentication System”)
 - **Disintermediation** – financial services can be delivered directly to consumers with no involvement of agents or middlemen (Hong Kong: Virtual insurer)
 - **Personalisation** – provide customised services at low cost (Hong Kong: ‘one person, one price’ insurance policy)
 - **Automation** – AI and Big data allow automation on some tasks (Hong Kong: Robo-advisor)

Our Vision in Fintech development

- **Hong Kong to become a vibrant Fintech hub in Asia where Fintech talents from all over the world can meet, collaborate and explore new opportunities**
 - To enable overseas and Mainland Fintech companies to expand by utilizing the strengths of Hong Kong
 - To nurture home-grown Fintech companies and assist them in reaching out to the Mainland and overseas markets
 - To cultivate local Fintech talents to support and complement the development of FinTech in Hong Kong
 - To provide a fund-raising centre for Fintech companies at all stages of development to access capital

- END -

