

立法會
Legislative Council

LC Paper No. CB(1)963/20-21(05)

Ref: CB1/PL/FA

Panel on Financial Affairs

Meeting on 7 June 2021

**Updated background brief on
development of financial technologies in Hong Kong**

Purpose

This paper provides background information on the development of financial technologies ("Fintech") in Hong Kong, and summarizes the major views and concerns expressed by the Panel on Financial Affairs ("FA Panel") on the subject in recent years.

Background

2. Fintech refers to the application of information and communication technology in the field of financial services, including such areas as digital payment and remittance, financial product investment and distribution platforms, peer-to-peer financing platforms, cybersecurity and data security technology, big data and data analytics, and distributed ledger application to new asset classes and processes.¹

The Administration's strategies and measures to support Fintech development

3. The Administration established the Steering Group on Fintech² ("the Steering Group") in April 2015 to advise the Government on measures required

¹ Page 1 of the Executive Summary of the Report of the Steering Group on Financial Technologies

² The membership of the Steering Group on Fintech is available in Annex A of its report at: https://www.fstb.gov.hk/fsb/en/publication/report/docs/Fintech_Report_for%20publication_e.pdf

to develop Hong Kong into a Fintech hub. The Steering Group released its report in February 2016 setting out the broad directions and focused areas for supporting the Fintech sector. The five parameters identified in the Steering Group's report which are considered important in nurturing a conducive ecology for Fintech development are: promotion, facilitation, regulations, talents, and funding. The Steering Group's recommendations under the five parameters are set out in **Appendix I**.

4. According to the Administration, it has been adopting a multi-pronged approach in facilitating Fintech development in Hong Kong following the five parameters identified by the Steering Group with the objectives to:

- (a) encourage existing financial institutions to provide innovative financial products and services as well as enhance its efficiency through applying Fintech;
- (b) collaborate with stakeholders to foster a conducive ecology, and encourage financial institutions and professional bodies to actively invest, share domain knowledge, establish incubation/accelerator programmes or innovation labs, and enhance collaboration with startups;
- (c) encourage the financial industry to collaborate, invest and research in Fintech projects so as to position Hong Kong as a regional platform for Fintech development; and
- (d) uphold the principle of "technology-neutrality" and ensure adequate investor protection.

5. The initiatives and measures relating to the development of Fintech implemented by the Administration, financial regulators and relevant parties in 2018-2019 and 2019-2020 are set out in **Appendices II** and **III** respectively.

Views and concerns expressed by members of the Panel on Financial Affairs

6. The Administration conducted annual briefings for FA Panel since 2016 on the latest development of Fintech in Hong Kong. Panel members also discussed the development of Fintech during the briefings on the policy initiatives of the Financial Services and the Treasury Bureau in the Chief Executive's Policy Addresses of 2017, 2018, 2019 and 2020. The major views and concerns expressed by members during the discussions at the Panel meetings are summarized in the ensuing paragraphs.

Development of Fintech in Hong Kong

Regulation of Fintech

7. Some members expressed concern that Hong Kong's Fintech development lagged behind other jurisdictions including the Mainland in areas such as development and adoption of electronic payment systems. They pointed out that the establishment of respective Fintech liaison platforms by the Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC") and the Insurance Authority ("IA") was inadequate in addressing Fintech industry's concern about regulatory uncertainty. These members called on the Administration and financial regulators to review and relax existing regulatory regimes in order to cope with the rapid development in Fintech. Other members relayed Fintech industry's views that in developing Fintech, the Administration should put in place a clear legislative framework, refrain from adopting a "technology-neutral" approach and avoid over-regulation. There were suggestions from members that the Administration should set concrete targets and devise implementation timetable on the application of Fintech, as well as set up a working group to review and harmonize laws, regulations and guidelines issued by regulators relating to Fintech. Members further considered that the Administration should take the lead in adopting Fintech in various government operations and processes including the implementation of the Cash Payout Scheme ("CPS") in 2020 and the use of e-wallets in settling Government bills and facilitating cross-border payments. HKMA should also expand the scope of the Faster Payment System ("FPS").

8. On the pace of Fintech development in Hong Kong, the Administration pointed out that consumers in Hong Kong were more cautious in accepting new Fintech services or products when compared with Mainland users. The Administration's strategy was to foster an ecology conducive to Fintech development. The rapid development in stored value facilities and retail payment systems since the enactment of the Payment Systems and Stored Value Facilities Ordinance (Cap. 584) in 2015 had demonstrated that substantial progress in the application of Fintech solutions could be achieved when the corresponding legislative framework was in place. It was noted that at least two e-wallet operators had extended the use of their Hong Kong e-wallets to facilitate retail payment in the Mainland as at end of May 2020. HKMA would continue to promote the adoption of new payment methods including launching FPS in 2018 to facilitate peer-to-peer payment. Moreover, the Administration would continue to promote the use of new payment channels (e.g. smartphone e-wallet) for various Government fees and charges. Members of the public could settle from November 2019 onwards taxes, rates and water

charges bills through FPS. The Administration was also exploring the acceptance of payments through FPS at the counters and self-help kiosks of selected Government departments on a pilot basis. Furthermore, the Administration would examine ways to enhance the efficiency of schemes similar to CPS in the future including promoting the greater use of Fintech in the implementation of the schemes.

9. As regards the regulatory framework for Fintech, the Administration advised that drawing from the discussions with stakeholders, it was noted that many services provided by Fintech companies could operate under the existing legal framework. The "technology neutral" approach meant that the Administration's regulation of the industry should not result in giving any preference to those using technology. The Administration and financial regulators were mindful of the need to streamline the relevant regulations and rules to facilitate Fintech development. The Administration would review its policy on Fintech development where necessary.

10. Regarding the work of regulators, the Administration pointed out that, apart from establishing dedicated platforms to enhance communication with the Fintech community, the regulators including HKMA, SFC and IA had rolled out a number of measures to promote Fintech development. The regulators had also been engaging relevant stakeholders proactively to gauge their views on Fintech development and help them resolve problems encountered.

Responsibilities of authorities in the development of Fintech

11. In response to members' enquiry about the division of responsibilities and authorities among the various bureau/departments ("B/Ds") on Fintech development, the Administration advised that as Fintech had a wide scope, a number of B/Ds and regulators were involved. While the Financial Services and the Treasury Bureau ("FSTB") was the lead bureau in promoting Fintech development, other B/Ds including the Innovation and Technology Bureau were responsible for promoting and supporting upstream research and development. FSTB and financial regulators would collaborate and cooperate with other parties like Cyberport and the Hong Kong Science Park ("HKSP") in taking forward their initiatives.

Application of the Digital Currency Electronic Payment

12. Members enquired about the progress and plans of applying the Digital Currency Electronic Payment ("DCEP") in Hong Kong which is a type of central bank digital currency developed by the People's Bank of China. The Administration advised that the Mainland had launched pilot schemes on DCEP in a number of cities. It was believed that the utilization of DCEP would

initially be confined to retail level. The Administration would review Hong Kong's role in the cross-border application of DCEP and its utilization at institutional level. HKMA would liaise with its Mainland counterparts as necessary, and the Financial Services Development Council had established a task force to study the subject.

Fintech development in the securities industry

13. Some members called on the Administration and SFC to strengthen their efforts in promoting the use of Fintech in the securities industry, and expedite the implementation of the remote onboarding initiative (including the use of online client identity verification and biometric authentication), which would help the local securities industry to promote business to non-local clients.

14. The Administration advised that SFC had been maintaining close liaison with the securities industry on the use of Fintech. While SFC welcomed the use of Fintech in fulfilling the "know-your-customer" ("KYC") requirement, it had to ensure proper conduct of the KYC process. SFC issued in June 2019 a circular on remote onboarding of overseas individual clients which covered, inter alia, the use of biometric data in passports for identity authentication. Development of the KYC Utility would also help streamline the process. SFC pointed out that it had to be prudent in imposing more stringent regulatory requirements on first-time remote onboarding. Securities firms would be allowed to rely on certification authorities recognized under the Electronic Transactions Ordinance (Cap. 553) to conduct facial authentication. The Government's smart city initiative would also study the feasibility of using digital authentication in the securities industry.

Investor protection in the development of Fintech

15. Some members stressed the importance for the Administration to strike a proper balance between promoting the development of Fintech and protecting the interests of consumers and investors including ensuring proper protection of personal data privacy during the process. They further called on the Administration and regulators to formulate prudent regulations over Initial Coin Offerings ("ICOs") in order to protect investors. There were suggestions to introduce a licensing regime for ICOs and restrict the participation of ICOs to certain types of investors (like professional investors). Some members also enquired about the regulatory approach to be adopted for virtual asset trading platforms.

16. The Administration stressed that it attached importance to safeguarding data security in Fintech applications and protection of personal data privacy of consumers and investors, which were vital in maintaining public confidence in

using Fintech. For new financial products or services developed by Fintech companies, if general consumers or retail investors were the targets, the Administration had to ensure that the relevant regulatory regime would provide adequate protection to them and the regime would be commensurate with the risks of the Fintech applications concerned.

17. Regarding the regulation of ICOs, the Administration advised that digital tokens were generally regarded as virtual commodities. SFC advised that, depending on terms and conditions, certain digital tokens might be regarded as "securities" under the Securities and Futures Ordinance (Cap. 571). SFC issued a statement in September 2017 to clarify when digital tokens would be subject to the securities laws of Hong Kong. If issuers of ICOs applied to SFC for licences in launching ICO exercises, SFC could consider imposing conditions on such licences to ensure proper protection for investors including setting eligibility criteria for investors.

18. As for the regulation of virtual asset trading platforms, SFC advised that it issued licensing and supervisory frameworks for virtual asset funds and trading platforms in November 2018 and November 2019 respectively. As at end May 2020, SFC had granted a licence to a company managing virtual asset funds and was processing licensing applications from a number of interested trading platforms.

Challenges arising from the development of Fintech

19. Some members expressed concern that the development of Fintech would inevitably phase out existing jobs in the financial services sector, and urged the Administration to assist the employees concerned in adapting to and preparing themselves for the changes brought by Fintech development in Hong Kong. It was also important for the Administration to help change the mindset of some firms in the banking, securities and insurance sectors which regarded Fintech start-ups as their potential competitors.

20. The Administration responded that it would collaborate with the industry and stakeholders in stepping up training for existing practitioners to enhance their interest in using Fintech and skill-sets to take advantage of the opportunities provided by applying information technology in the financial services industry. Regulators had also implemented a number of measures (like the Haccelerator programmes) to promote cooperation between the industries and Fintech start-ups. Such measures could help the industries see the start-ups as their partners rather than potential competitors.

21. Some members raised concern about cyber attacks on financial infrastructures and stressed the importance for the Administration and

regulators to accord priority in addressing cybersecurity issues in developing Fintech. They enquired about the measures taken by the Administration and financial regulators in enhancing cybersecurity of financial infrastructures, in particular traditional mainframe computer systems used by financial institutions, and new infrastructures like FPS.

22. The Administration advised that it attached importance to strengthening cybersecurity in developing Fintech. HKMA had carried out a number of initiatives and studies including a joint study with the Hong Kong Applied Science and Research Institute on blockchain that covered security. Besides, regulators had also been closely monitoring the security threats and vulnerabilities of information technology systems used by the financial services industry including traditional computer systems. According to the assessment of regulators, the traditional computer systems used by the industry were relatively safe.

23. Some members expressed concern about the adverse impacts of the escalating tension between China and the United States ("the US") on the development of Fintech in Hong Kong, especially whether Hong Kong would face difficulties in importing high-tech products from the US vital for Fintech development, and whether local start-ups would encounter financing difficulties.

24. The Administration advised that in general, Fintech companies and start-ups tended to apply existing technologies like artificial intelligence and blockchain in developing their products and solutions. Given that existing technologies should have multiple sources, it was not envisaged that Hong Kong's Fintech development would be significantly affected as a result. As regards funding support for Fintech start-ups during the coronavirus disease-2019, the Administration pointed out that the Anti-epidemic Fund had included a number of measures to provide financial assistance or relief to enterprises which covered eligible Fintech companies and start-ups.

Strategies and support measures for the development of Fintech

25. During discussions in recent years, Panel members sought details of the Administration's strategies and measures to attract Fintech talents to Hong Kong and to train local talents through developing Fintech-related degree programmes in local universities. Some members enquired about measures to enhance the competitiveness of local Fintech companies in the global Fintech market as there was concern that the assistance provided by the Administration and financial regulators to Fintech companies in Hong Kong seemed to aim at helping such companies to develop financial applications or products targeting the Mainland market.

26. The Administration advised that it would continue its work in strengthening cooperation with other economies and regulators on Fintech development as well as enhancing market access for Fintech start-ups in Hong Kong. Cyberport and InvestHK had been organizing various activities to enhance cooperation with other economies on Fintech development including launching Cyberport's University Partnership Programme for local university students to join the Entrepreneurship Bootcamp in Silicon Valley. Relevant organizations including local universities, HKMA and Cyberport had been offering relevant programmes/courses to nurture Fintech talents. Cyberport had also set up the Creative Micro Fund to nurture local Fintech talents.

27. Members asked if the Administration had examined the difficulties encountered by Fintech companies in Hong Kong; and whether consideration would be given to developing a platform to help Fintech companies seek funding from private equity funds, offer tax concessions for private equity funds to encourage their investments in Fintech companies, provide loans and affordable office premises to Fintech companies, and assist Fintech companies in opening bank accounts in Hong Kong. There was also concern that the Administration might have overlooked the needs of small Fintech companies which were located outside Cyberport and HKSP, in particular their needs for recruiting talents.

28. On the challenges faced by Fintech companies in Hong Kong, the Administration pointed out that according to a study conducted by InvestHK, Fintech companies in general encountered problems such as recruiting talents, seeking funds and finding clients. It was envisaged that the Talent List of Hong Kong and the Quality Migrant Admission Scheme launched by the Administration would help Fintech companies in Hong Kong, regardless of whether they were located in Cyberport or HKSP, to recruit relevant talents.

29. Regarding tax concession, the Administration advised that given the simple and low taxation regime of Hong Kong, the implications of providing tax incentives to Fintech start-ups would warrant careful examination. A number of initiatives would be in place to help start-ups connect with investors. As for the opening of bank accounts by Fintech start-ups, the Administration pointed out that HKMA had required banks to implement measures to enhance the account opening process and customer experience, and emphasized that banks should adopt a risk-based approach in conducting customer due diligence.

Relevant motion passed and questions raised at Council meetings

30. The Council has passed two motions relating to the development of Fintech in Hong Kong since 2016. The details are as follows:

- (a) The motion on "Reforming outdated legislation and promoting the development of innovation and technology" passed at the Council meeting of 5 July 2017 urging the Government, inter alia, to remove various regulations and restrictions for financial innovation and provide relevant legal advice and technical support for financial services enterprises so as to assist the industry in the development and effective use of financial technology products and services; and
- (b) The motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre" passed at the Council meeting of 30 January 2019 urging the Government to promote the development of Fintech in Hong Kong on a number of fronts.

31. Details of the above motions and relevant questions raised at Council meetings in recent years are provided in the hyperlinks in **Appendix IV**.

Latest development

32. The Administration will update the Panel on the latest development of Fintech in Hong Kong and the initiatives to facilitate the development at the Panel meeting to be held on 7 June 2021.

Relevant papers

33. A list of relevant papers is in **Appendix IV**.

Major recommendations set out in the report of the Steering Group on Financial Technologies ("Fintech")

Parameter	Recommendations
Promotion	Formulating a vision on Hong Kong's development in Fintech and organizing an annual premier Fintech event and competitions
Facilitation	Establishing an office to provide targeted assistance to startups, setting up a Fintech-themed programme, attracting accelerator programmes and innovation laboratories, and positioning Hong Kong as a hub for applying and setting standards for cutting-edge Fintech technologies
Regulations	Establishing dedicated contact points at financial regulators
Funding	Improving dissemination of information on funding sources
Talents	Encouraging young talents to consider entering the Fintech sector and enhancing dissemination of information on immigration policy

Source: paragraph 8 of the paper entitled "Strategies and Measures to Develop Financial Technologies" provided by the Administration for the meeting of the Panel on Financial Affairs on 11 April 2016 (LC Paper No. CB(1)736/15-16(02))

Initiatives and measures relating to the development of Financial Technologies ("Fintech") Implemented by the Administration in 2018-2019

Measures	Key achievements
(a) Promotion	
(i) InvestHK's Dedicated Fintech Team	<ul style="list-style-type: none"> - In 2018, InvestHK organised a number of Hong Kong Fintech seminars in the Mainland and overseas and participated in overseas Fintech events - InvestHK supported and participated in a series of local Fintech events including the annual flagship, Hong Kong Fintech Week 2018
(ii) Collaboration with the Mainland and Overseas	<ul style="list-style-type: none"> - In 2018, Hong Kong entered into Fintech cooperation agreements with Switzerland, Poland, Abu Dhabi, Gibraltar, etc. - The Global Financial Innovation Network, formed by the Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC") and 27 international organisations, was formally established in January 2019 and launched a pilot for firms wishing to test innovative financial products, services or business models across more than one jurisdiction
(b) Regulation	
(i) Virtual Bank	<ul style="list-style-type: none"> - HKMA received around 30 applications following the publication of a revised Guideline on Authorisation of Virtual Banks. HKMA has shortlisted eight applications for final due diligence check and is striving to start issuing virtual bank licences by the end of March 2019
(ii) Open Application Programming Interface ("API")	<ul style="list-style-type: none"> - HKMA published the Open API Framework in July 2018. The Framework adopts a risk-based principle and a four-phased approach to implement various Open API functions

Measures	Key achievements
(iii) Know-your-customer ("KYC")	<ul style="list-style-type: none"> - HKMA has been working closely with the Hong Kong Association of Banks to explore how the know-your-customer utility could potentially be used to enhance efficiency of customer (mainly small and medium enterprises and corporates) due diligence processes and customer experience - When designing the electronic identity ("eID") system, Innovation and Technology Bureau and the Office of the Government Chief Information Officer have also provided flexibility for supporting future services to be provided by public and private organisations, including facilitating financial institutions to perform KYC procedure
(iv) Stored Value Facilities ("SVF") (e.g. e-wallets)	<ul style="list-style-type: none"> - At the end of 2018, the total number of SVF accounts in use was 56.1 million, representing a 20.1% increase from end 2017. SVF operators are actively expanding their service and customer reach to different sectors - Recently some e-wallet operators have extended the use of their Hong Kong e-wallets for retail payments in the Mainland
(v) New regulatory approach for virtual assets	<ul style="list-style-type: none"> - The Administration launched a public education campaign on the risks associated with initial coin offerings and "cryptocurrencies" in 2018 - SFC set out a conceptual framework for the potential regulation of virtual asset trading platforms in November 2018, with a view to exploring whether virtual asset trading platforms were suitable for regulation. It also issued guidance on the regulatory standards expected of virtual asset portfolio managers and fund distributors
(vi) Fast Track and the Insurtech Facilitation Team	<ul style="list-style-type: none"> - The Insurance Authority ("IA")'s Fast Track offers a dedicated channel for new authorisation applications from insurers using solely digital distribution channels (i.e. without the involvement of intermediaries) to provide

Measures	Key achievements
	<p>insurance products with a simple structure and high protection element. In December 2018, IA granted the first authorisation of a virtual insurer under the Fast Track</p> <ul style="list-style-type: none"> - The Insurtech Facilitation Team established by IA helps insurers, technology companies and start-ups to gain better understanding of the current regulatory landscape and provides a platform for the exchange of ideas related to Insurtech initiatives - The "Embracing Fintech in Hong Kong" working group has been set up under the IA's "Future Task Force" of the insurance industry to promote the application of Fintech in the insurance industry
(vii) Sandboxes and Regtech	<ul style="list-style-type: none"> - Since its launch in September 2016 until end February 2019, 46 new technology products have been tested in HKMA's Fintech Supervisory Sandbox ("FSS") - SFC has granted two companies with licences to operate in SFC's Regulatory Sandbox. Since the launch of Insurtech Sandbox until end February 2019, IA received eight sandbox applications and two were completed and rolled out to the market - HKMA has expanded the scope of "Banking Made Easy Initiative" to facilitate the adoption of Regtech and the development of the Regtech ecosystem in Hong Kong, which aims to enhance the effectiveness and efficiency of banks' internal risk management and compliance efforts - SFC has established an interdepartmental unit for analyzing market intelligence, and has analyzed transaction data from restructuring and investigating licensed corporations on a trial basis and is able to identify regulatory misconduct and non-compliance situations
(c) Facilitation	
(i) Cyberport	<ul style="list-style-type: none"> - Cyberport has launched various programmes to support Fintech start-ups, nurture talents and provide matching service for financial institutions and start-ups. As at end February 2019, 94

Measures	Key achievements
	<p>Fintech start-ups have participated in the Cyberport Incubation Programme. The Cyberport University Partnership Programme has sponsored more than 210 university students to attend entrepreneurship boot camps organised by renowned universities in the United States</p>
<p>(ii) Faster Payment System ("FPS") and the Common QR Code Standard</p>	<ul style="list-style-type: none"> - FPS was launched in September 2018. As at end February 2019, FPS has processed over 8.7 million transactions involving an aggregate amount of HK\$180 billion - HKMA announced the Common QR Code Standard for Retail Payments in Hong Kong together with the launch of an associated mobile application tool for converting multiple QR codes from different payment service providers into a single, combined QR code
<p>(iii) eTradeConnect</p>	<ul style="list-style-type: none"> - The trade finance platform, eTradeConnect, was launched in October 2018. eTradeConnect is the first large-scale multi-bank blockchain project in Hong Kong - A Memorandum of Understanding has been signed between the operator of eTradeConnect and a European trade finance platform to conduct a Proof-of-Concept on connecting the two platforms. HKMA has been proactively looking for opportunities to connect eTradeConnect with trade platforms in other regions
<p>(iv) Insurance Fraud Prevention Claims Database ("IFPCD") and Motor Insurance DLT-based Authentication System ("MIDAS")</p>	<ul style="list-style-type: none"> - Hong Kong insurance sector launched two Insurtech projects in December 2018, namely IFPCD and MIDAS. IFPCD uses big data and artificial intelligence technology to help detect patterns of fraudulent insurance claims, especially those involving multiple claims and syndicates. MIDAS makes use of blockchain to examine the validity of motor insurance policies with ease, which will help address cases of insurance scams

Measures	Key achievements
(d) Talents	
(i) Nurturing local talents	<ul style="list-style-type: none"> - Six local universities have rolled out Bachelor's or Master's degree programmes related to Fintech. The Study Subsidy Scheme for Designated Professionals/Sectors also covers self-financing Fintech-related undergraduate programmes starting from the 2018/19 academic year - The University of Hong Kong, together with Cyberport and other industry players, launched Asia's first Fintech Massive Open Online Course in 2018 in which practitioners of the financial services industry can enroll
(ii) Attracting overseas talents	<ul style="list-style-type: none"> - In August 2018, the Government promulgated the first Talent List of Hong Kong. Immigration facilitation is provided to eligible persons under the Talent List through the Quality Migrant Admission Scheme. The Government also rolled out the Technology Talent Admission Scheme to provide a fast-track arrangement for the admission of overseas and Mainland research and development ("R&D") talent to undertake R&D work in Hong Kong
(e) Funding	
	<ul style="list-style-type: none"> - The Innovation and Technology Fund ("ITF") administered by the Innovation and Technology Commission ("ITC") has funding programmes that assist local companies, including those in the financial services sector, to upgrade their technological level. The Enterprise Support Scheme under the ITF supports companies in Hong Kong for their in-house R&D on a dollar-for-dollar matching basis - The Technology Voucher Programme subsidises local companies on a 2:1 matching basis in using technological services and solutions to improve productivity, or upgrade or transform their business processes - Cyberport has various programmes and initiatives providing financial support for its technology start-ups, including the Cyberport Creative Micro

Measures	Key achievements
	Fund, Cyberport Incubation Programme, Cyberport Accelerator Support Programme and Cyberport Macro Fund. Cyberport has also launched the Cyberport Investor Network to connect local starts-ups with worldwide investors to address their fundraising needs at various stages of development

Source: Paragraphs 4-29 of the paper entitled "Development of Financial Technologies" provided by the Administration for the meeting of the Panel on Financial Affairs on 1 April 2019 (LC Paper No. CB(1)760/18-19(04))

Initiatives and measures relating to the development of Financial Technologies ("Fintech") Implemented by the Administration in 2019-2020

Measures	Key achievements
(a) Promotion	
(i) InvestHK's Dedicated Fintech Team	<ul style="list-style-type: none"> - InvestHK's dedicated Fintech team has rendered assistance to over 580 Fintech companies since its establishment in 2016 - The team organized a series of "FintechHK" events in the Mainland and overseas in 2019. It also sponsored and participated in a number of signature Fintech events including Hong Kong Fintech Week 2019
(ii) Collaboration with Overseas and the Mainland counterparts	<ul style="list-style-type: none"> - The Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC") and the Insurance Authority ("IA") are members of the Global Financial Innovation Network - Notable international collaborations include Project Inthanon-LionRock, a research jointly conducted by HKMA and the Bank of Thailand to study the application of central bank digital currency for cross-border payments; and the establishment of the world's first Bank for International Settlements Innovation Hub Centre - Hong Kong maintains close liaisons with the Mainland authorities and relevant industry associations so as to foster more Fintech collaborations
(b) Regulation	
(i) Virtual Banks	<ul style="list-style-type: none"> - After granting licences to eight virtual banks in the first half of 2019, HKMA has been maintaining close communication with these virtual banks to understand their progress towards commencement of business

Measures	Key achievements
(ii) Open API	<ul style="list-style-type: none"> - Since the promulgation of the Open API Framework ("Framework") in 2018, the banking industry has been implementing the Framework in phases
(iii) Promoting use of technology in customer onboarding process	<ul style="list-style-type: none"> - HKMA works closely with the industry to promote the greater use of technology, including remote on-boarding initiatives, to enhance the efficiency of banks' customer due diligence process and improve customer experience in terms of transparency and efficiency
(iv) Stored Value Facilities ("SVF") (e.g. e-wallets)	<ul style="list-style-type: none"> - As at the end of Q4 2019, the total number of SVF accounts in use was 63.12 million, an increase by 12.5% from the previous year. SVF operators are actively expanding service and customer reach to different sectors such as public transport, wet markets and small merchants. Two e-wallet operators have also extended the use of their Hong Kong e-wallets for retail payments in the Mainland
(v) New regulatory approach for virtual assets	<ul style="list-style-type: none"> - SFC published a new licensing framework for virtual asset trading platforms in November 2019. Platforms that operate in Hong Kong and offer trading of at least one security token may apply to be licensed by SFC. SFC is currently processing licensing applications from interested platforms
(vi) Fast Track and the Insurtech Facilitation Team	<ul style="list-style-type: none"> - As of May 2020, IA has granted authorizations under Fast Track to four virtual insurers, two of which offer life insurance while the other two offer non-life insurance - The dedicated Insurtech Facilitation Team under IA helps facilitate the Insurtech community's understanding of the current regulatory regime and provides advice on Insurtech-related issues. - The "Embracing Fintech in Hong Kong" working group set up under the Future Task Force of the Insurance Industry provides a platform for

Measures	Key achievements
	exchanging ideas of innovative Insurtech initiatives among key stakeholders
(vii) Sandboxes, Regtech and Suptech	<ul style="list-style-type: none"> - As of end-April 2020, HKMA has allowed 134 pilot trials of Fintech initiatives to be conducted in HKMA's Fintech Supervisory Sandbox. IA has approved nine sandbox applications as of mid-May 2020, six of them have completed trials and have been rolled out to the market - SFC has set out in a circular which prescribed the minimum content and presentation format of trading-related data to be submitted by licensed securities brokers to SFC upon request. An Intelligence Relationship Identification System was rolled out in March 2019 to facilitate the identification of complex relationships between individuals, companies, financial products and enforcement cases
(viii) Cybersecurity	<ul style="list-style-type: none"> - HKMA considers it necessary to further enhance the existing Cybersecurity Fortification Initiative framework. It began a consultation to seek the industry's feedback on the proposed enhancements in January 2020 - The Guideline on Cybersecurity issued by IA has been effective since 1 January 2020 - SFC issued the Guidelines for Reducing and Mitigating Hacking Risks Associated with Internet Trading in October 2017
(c) Facilitation	
(i) Cyberport	<ul style="list-style-type: none"> - Cyberport has been running various programs and funding schemes to support Fintech startups at different stages - The Cyberport Partner networks offer an entrepreneur-conducive environment and networking opportunities to Fintech companies and startups - The Cyberport University Partnership Program has sponsored more than 300 university students to attend overseas entrepreneurship boot camps

Measures	Key achievements
	<p>organized by top universities. Cyberport also supports HKMA's Fintech Career Accelerator Scheme ("FCAS")</p>
(ii) Science Park	<ul style="list-style-type: none"> - Science Park has organized and supported various Fintech-related activities - InnoCentre in Kowloon Tong will be designated as the new Fin + Tech hub, giving different stakeholders a focal point to collaborate with Science Park companies and startups
(iii) In-town Fintech Event Space	<ul style="list-style-type: none"> - The Government will collaborate with Cyberport to set up a Fintech event space, "Fintech @ Gloucester" in Wanchai so as to allow various Fintech stakeholders to exchange ideas and drive Fintech demand and business opportunities
(iv) Faster Payment System ("FPS")	<ul style="list-style-type: none"> - As of 30 April 2020, FPS recorded 4.86 million registrations. The turnover of FPS also rose significantly when compared to December 2019 - Since November 2019, the public can settle the bills issued by the Inland Revenue Department, the Rating and Valuation Department and the Water Supplies Department through mobile banking apps and e-wallets that support FPS payment
(v) eTradeConnect	<ul style="list-style-type: none"> - The Proof-of-Concept ("PoC") to connect eTradeConnect and a European trade finance platform has been completed. A Memorandum of Understanding was signed in November 2019 between the operators of eTradeConnect and the People's Bank of China Trade Finance Platform to conduct a PoC trial
(vi) Study on Artificial Intelligence ("AI")	<ul style="list-style-type: none"> - HKMA completed a study on the application of AI in the banking industry in Hong Kong

Measures	Key achievements
(vii) Insurance Fraud Prevention Claims Database ("IFPCD") and Motor Insurance DLT-based Authentication System ("MIDAS")	<ul style="list-style-type: none"> - IFPCD and MIDAS help detect patterns of fraudulent insurance claims by means of analytical intelligence and digitize motor cover note and policy by adopting blockchain technology to eliminate cases of insurance scams respectively
(d) Talents	
(i) Nurturing local talents	<ul style="list-style-type: none"> - The Administration has launched a new Fintech training programme for in-service financial practitioners, benefiting over 1,500 financial practitioners - Six local universities have rolled out Bachelor's or Master's degree programmes related to Fintech, and some new Fintech related degree programmes are in the pipeline. HKMA launched the upgraded version of FCAS as FCAS 2.0 in 2018
(ii) Attracting overseas talents	<ul style="list-style-type: none"> - Since the promulgation of the Talent List of Hong Kong in 2018, immigration facilitation has been provided to eligible persons under the Talent List through the Quality Migrant Admission Scheme - The Technology Talent Admission Scheme has been rolled out to provide a fast-track arrangement for the admission of overseas and Mainland technology talent to undertake research and development work in Hong Kong
(e) Funding	
	<ul style="list-style-type: none"> - The Innovation and Technology Fund administered by the Innovation and Technology Commission ("ITC") has funding programmes that assist local companies, including those in the financial services sector, to upgrade their technological level - The Technology Voucher Programme ("TVP") subsidizes local enterprises/ organizations on a matching basis in using technological services and solutions to improve productivity, or upgrade or transform their business processes. TVP has

Measures	Key achievements
	been further enhanced since 1 April 2020 - ITC has established a HK\$2 billion Innovation and Technology Venture Fund to co-invest with partner venture capital funds in local information and technology start-ups

Source: Paragraphs 6-39 of the paper entitled "Development of Financial Technologies" provided by the Administration for the meeting of the Panel on Financial Affairs on 1 June 2020 (LC Paper No. CB(1)674/19-20(04))

List of relevant papers

Date/Period	Event	Paper/Minutes of meeting
26 February 2016	The Steering Group on Financial Technologies released its report	Press Release Report of the Steering Group
11 April 2016	The Panel on Financial Affairs ("FA Panel") was briefed by the Administration on its strategies and measures to develop financial technologies ("Fintech") in Hong Kong	Administration's paper (LC Paper No. CB(1)736/15-16(02)) Minutes (LC Paper No. CB(1)979/15-16)
27 April 2016	Hon Frederick FUNG raised a written question on "Development of Financial Technologies"	Hansard (pages 7851-7854)
29 June 2016	Hon CHAN Kin-por raised a written question on "Attracting Financial Technology Start-up Companies to Develop Their Businesses in Hong Kong"	Hansard (pages 12831- 12834)
6 February 2017	FA Panel was briefed by the Administration on the policy initiatives of the Financial Services and the Treasury Bureau featured in the Chief Executive's 2017 Policy Address	Administration's paper (LC Paper No. CB(1)459/16-17(04)) Minutes (LC Paper No. CB(1)788/16-17)

Date/Period	Event	Paper/Minutes of meeting
8 February 2017	Hon CHAN Chun-ying raised an oral question on "Financial technology development in Hong Kong"	Hansard (pages 3273- 3283)
18 April 2017	FA Panel was briefed by the Administration on the development of Fintech in Hong Kong	Administration's paper (LC Paper No. CB(1)777/16-17(03)) Minutes (LC Paper No. CB(1)1344/16-17)
10 May 2017	Hon CHAN Kin-por raised a written question on "Financial technology development in Hong Kong"	Hansard (pages 6972- 6975)
5 July 2017	LegCo passed the motion on "Reforming outdated legislation and promoting the development of innovation and technology" moved by Hon Charles Peter MOK	Hansard 1 and 2 Wording of the motion passed Progress report
5 July 2017	Hon CHAN Kin-por raised a written question on "Measures to facilitate the development of the insurance industry"	Hansard (pages 11120- 11123)
20 October 2017	FA Panel was briefed by the Administration on the policy initiatives of the Financial Services and the Treasury Bureau featured in the Chief Executive's 2017 Policy Address	Administration's paper (LC Paper No. CB(1)47/17-18(01)) Minutes (LC Paper No. CB(1)312/17-18)

Date/Period	Event	Paper/Minutes of meeting
6 December 2017	Hon Charles Peter MOK raised an oral question on "Regulating and facilitating financial technology development"	Hansard (pages 3537- 3546)
10 January 2018	Hon Chan Chun-ying raised an oral question on "Faster Payment System"	Hansard (pages 4655- 4664)
31 January 2018	Hon Kenneth LAU raised a written question on "Electronic payment services"	Hansard (pages 6162- 6165)
7 February 2018	Dr Hon Elizabeth QUAT raised a written question on "Support for start-up enterprises"	Hansard (pages 6724- 6731)
3 April 2018	FA Panel was briefed by the Administration on the development of Fintech in Hong Kong	Administration's paper (LC Paper No. CB(1)724/17-18(03)) Minutes (LC Paper No. CB(1)1178/17-18)
30 October 2018	FA Panel was briefed by the Administration on the policy initiatives of the Financial Services and the Treasury Bureau featured in the Chief Executive's 2018 Policy Address	Administration's paper (LC Paper No. CB(1)12/18-19(01)) Minutes (LC Paper No. CB(1)306/18-19)
5 November 2018	The Hong Kong Monetary Authority ("HKMA") briefed FA Panel on its work	HKMA's paper (LC Paper No. CB(1)101/18-19(02)) Minutes (LC Paper No. CB(1)552/18-19)

Date/Period	Event	Paper/Minutes of meeting
21 November 2018	Hon Charles Peter MOK raised a written question on "Plugging loopholes in electronic payment services"	Hansard (pages 2832- 2835)
30 January 2019	LegCo passed the motion on "Promoting the development of a financial technology hub to reinforce Hong Kong's position as an international financial centre" moved by Hon CHAN Chun-ying	Hansard <u>1</u> and <u>2</u> (pages 6289- 6364) Wording of the motion passed Progress report
1 April 2019	FA Panel was briefed by the Administration on the development of Fintech in Hong Kong	Administration's paper (LC Paper No. CB(1)760/18-19(04)) Minutes (LC Paper No. CB(1)1212/18-19)
3 April 2019	Hon Dennis KWOK raised a written question on "Regulation of financial technology applications"	Hansard (pages 8401- 8405)
3 April 2019	Hon WU Chi-Wai raised a written question on "Regulation of virtual asset investment activities"	Hansard (pages 8416- 8420)
6 May 2019	HKMA briefed FA Panel on its work	HKMA's paper (LC Paper No. CB(1)954/18-19(03)) Minutes (LC Paper No. CB(1)1315/18-19)

Date/Period	Event	Paper/Minutes of meeting
4 November 2019	FA Panel was briefed by the Administration on the policy initiatives of the Financial Services and the Treasury Bureau featured in the Chief Executive's 2019 Policy Address	Administration's paper (LC Paper No. CB(1)53/19-20(02)) Minutes (LC Paper No. CB(1)280/19-20)
29 April 2020	Hon CHAN Chun-ying raised a written question on "Virtual banks"	Hansard (pages 5780- 5781)
1 June 2020	FA Panel was briefed by the Administration on the development of Fintech in Hong Kong	Administration's paper (LC Paper No. CB(1)674/19-20(04)) Minutes (LC Paper No. CB(1)953/19-20)
10 June 2020	Hon Charles Peter MOK raised a written question on "Development of an electronic disbursement platform and fintech"	Hansard (pages 7974- 7977)
7 December 2020	FA Panel was briefed by the Administration on the policy initiatives of the Financial Services and the Treasury Bureau featured in the Chief Executive's 2020 Policy Address	Administration's paper (LC Paper No. CB(1)289/20-21(05)) Minutes (LC Paper No. CB(1)619/20-21)
3 February 2021	Hon Christopher CHEUNG raised a written question on "Assistance provided to the financial services industry"	Hansard (pages 3621- 3624)
17 March 2021	Hon LEUNG Che-cheung raised a written question on "Virtual asset trading platforms"	Hansard (pages 4069- 4071)

Date/Period	Event	Paper/Minutes of meeting
17 March 2021	Hon CHAN Chun-ying raised a written question on "Over-the-counter trading of virtual currencies"	Hansard (pages 4075- 4077)
5 May 2021	Hon CHAN Chun-ying raised a written question on "Promoting Regtech adoption in the banking sector"	Press release