

**For discussion on
7 April 2025**

**Legislative Council
Panel on Financial Affairs**

Development of Fintech in Hong Kong

INTRODUCTION

This paper briefs Members on the latest developments and measures of fintech and Web3 (including virtual assets (“VA”)) in Hong Kong.

BACKGROUND

2. As an international financial centre, with a robust regulatory environment as well as rich business opportunities and capital support, Hong Kong is an ideal destination for the development of fintech and Web3. At present, there are over 1 100 fintech companies, including Web3, covering various aspects of business, including eight digital banks, four virtual insurers and ten licensed virtual asset trading platforms. As two leading digital technology flagships in Hong Kong, the Cyberport currently hosts over 430 fintech and Web3 companies, while the Hong Kong Science Park is home to near 100 fintech and Web3 companies.

3. In recent years, the applications of relevant fintech and Web3 technologies have undergone rapid development. For example, with its characteristics of disintermediation, security, transparency and low cost, blockchain technology can address numerous challenges in finance, trading and business operations, providing new impetus to the continuous development of the relevant fields. Meanwhile, tokenisation technology helps resolve the pain points of transaction transparency for the bond market, thereby facilitating innovations in green finance. Moreover, the financial services industry in Hong Kong is very receptive to deploying artificial intelligence (“AI”) in their business. The adoption rate of generative AI in Hong Kong has been the highest (38%) among all markets and well above the global average (26%)¹. According to the latest “Global Financial Centres Index Report”, Hong Kong has further leapt by five positions to the

¹ According to a survey conducted by Finastra, a global financial software company, in November 2023

4th in the world on fintech offering.

FINTECH

4. The Financial Services and the Treasury Bureau (“FSTB”) coordinates the policy for facilitating fintech development, and assesses the needs of the fintech sector and rooms for development through maintaining liaison with the industry and cooperating with the various financial regulators, with a view to formulating the corresponding support measures. The relevant measures are as follows.

(a) Enhancing financial infrastructure

5. The Government is committed to promoting the development of e-payment and providing the public with safe, efficient, convenient and diversified e-payment options by enhancing fintech infrastructure and implementing a robust regulatory regime. To encourage more local retail and catering merchants to adopt e-payment, the FSTB has liaised with the relevant industry organisations to facilitate the active connection between e-payment operators and industry organisations, with a view to providing retail and catering merchants (particularly small and medium enterprises) with the most suitable and cost-effective payment solutions.

6. The People’s Bank of China (“PBoC”) and the Hong Kong Monetary Authority (“HKMA”) are working closely to implement the linkage of the Internet Banking Payment System in the Mainland and the Faster Payment System (“FPS”) in Hong Kong, with a view to providing round-the-clock services to residents to make real-time, small-value and cross-boundary remittances via entering the recipient’s mobile number or account number, thus helping to promote market connection. The PBoC and the HKMA are actively discussing and examining the details. Some services are expected to be launched in mid-2025 at the soonest, with details to be announced in due course. Taking into account the experience gained upon implementation, the PBoC and the HKMA will gradually expand and enhance the services in an orderly manner, with a view to further promoting broader economic cooperation and exchange.

7. In October 2022, the HKMA launched Commercial Data Interchange (“CDI”) to facilitate enterprises (particularly small and medium enterprises) to share with banks their commercial data at different data sources, thereby enhancing their access to more financial services. As at December 2024, the CDI attracted participation from 26 banks and 14 data providers,

facilitating over 42 000 loan applications and reviews, with an estimated credit approval amount exceeding HK\$35.4 billion. The CDI has connected with the Consented Data Exchange Gateway (“CDEG”) developed by the Government, and the Companies Registry has become the first government data source of the CDI via the CDEG. To further expand the CDI’s scope, the HKMA is exploring to connect with the Land Registry in phases from 2025, in order to enhance the mortgage and loan assessment process for individuals and companies.

8. In June 2024, the Mandatory Provident Fund Schemes Authority (“MPFA”) introduced the eMPF Platform to standardise, streamline and automate various Mandatory Provident Fund (“MPF”) scheme administration work, with a view to enhancing operational efficiency, reducing administration fee and providing greater convenience in managing MPF accounts. As at March 2025, six MPF schemes have onboarded to the Platform, with the remaining MPF trustees expected to be onboarded by end-2025.

9. In September 2024, the HKMA commenced Phase 2 of the e-HKD Pilot Programme to explore innovative use cases with the industry under three major themes, namely settlement of tokenised assets, programmability and offline payments. The HKMA plans to share with the public the key achievements of Phase 2 by end-2025.

(b) Building a more active fintech ecosystem

AI

10. In October 2024, the Government issued a policy statement on responsible application of AI in the financial market. The Government works hand in hand with the financial regulators and industry players to foster a healthy and sustainable market environment, thereby facilitating the financial institutions to seize the opportunities and adopt AI in a responsible manner for accelerating the development of new quality productive forces. At present, there are plenty of AI models and infrastructures available to financial institutions. We encourage the financial services industry to make full use of these resources in the market.

11. As for financial regulatees, the potential risks posed by AI have been suitably reflected in the relevant regulations and/or guidelines issued by financial regulators. To keep pace with the latest developments of AI and international practice, including the emergence of explainable AI, financial regulators will continuously review and update the existing regulations

and/or guidelines as appropriate.

12. The HKMA and Cyberport have launched the Generative AI Sandbox to assist banks in testing their innovating generative AI use cases within a risk-managed framework, supported by essential technical assistance and targeted supervisory feedback. In December 2024, the HKMA announced the first cohort of the Generative AI Sandbox. Through the Sandbox, participating banks and technology partners will delve deeper into generative AI's capabilities in enhancing risk management, anti-fraud measures and customer experience.

13. The Insurance Authority ("IA") is actively promoting responsible application of AI in the insurance sector and enhancing the regulatory framework for AI as appropriate, in order to facilitate solution matching for local insurance companies and ensure prudent application of the relevant technology, thereby fostering long-term and healthy development of the insurance sector. In March 2025, the IA hosted a seminar on AI to examine the current application of AI in the industry and explore the future development trends.

Green Fintech

14. In June 2024, the Government launched the Green and Sustainable Fintech Proof-of-Concept Funding Support Scheme, with a view to expanding the green fintech ecosystem and developing Hong Kong into a green fintech hub through providing early-stage funding for pre-commercialised green fintech and promoting the development of technological solutions. The scheme has approved a total of 60 projects.

15. The Green and Sustainable Finance Cross-Agency Steering Group² is developing the Hong Kong Green Fintech Map with the industry to provide one-stop information on the current status of green fintech companies in Hong Kong and related services, with a view to raising the companies' profile. The Map is expected to be published in the first half of 2025.

Others

16. In April 2024, the HKMA collaborated with the SFC and other

² The Steering Group is co-chaired by the HKMA and the Securities and Futures Commission ("SFC"). Members include the FSTB, the Environment and Ecology Bureau, the IA, the MPFA, the Accounting and Financial Reporting Council and the Hong Kong Exchanges and Clearing Limited.

financial regulators to launch the FiNETech Series and organise a series of seminars and events on wealthtech, insurtech, greentech, AI and distributed ledger technology (“DLT”), thereby exploring the next-level collaboration.

17. In January 2025, the HKMA launched the Supervisory Incubator (“Incubator”) for DLT to help banks maximise the potential of DLT and effectively manage the associated risks. The Incubator offers a one-stop supervisory platform enabling banks to obtain supervisory suggestions before introducing new products and services, and to implement the risk management measures after conducting live trials. The HKMA will introduce different measures to promote the banking industry’s awareness and understanding of the best practices in DLT risk management.

(c) Nurturing fintech talents

18. In Hong Kong, the demand for fintech talents is significant. The first edition of Talent List announced in 2018 already included fintech professionals, in order to attract fintech talents from around the world to Hong Kong. As at January 2025, the Immigration Department has approved 126 applications of fintech professionals through the “Quality Migrant Admission Scheme”, “General Employment Policy” and “Admission Scheme for Mainland Talents and Professionals”, with a view to meeting our needs for fintech talents in Hong Kong.

19. In September 2022, the Government launched the Pilot Scheme on Training Subsidy for Fintech Practitioners to provide practitioners having attained professional qualifications with funds support for training. So far, over 560 practitioners have enrolled the relevant training courses.

20. In October 2023, the Government launched the GBA Fintech Two-way Internship Scheme for Post-secondary Students to subsidise students from the Mainland and Hong Kong to participate in short-term internship in fintech companies, with a view to enhancing talent exchange and enlarging the fintech talent pool. So far, over 80 students have participated in the internship scheme.

(d) Strengthening connection and cooperation with the Mainland and overseas

21. In May 2024, the PBoC and the HKMA expanded the scope of e-CNY pilot in Hong Kong to facilitate setting up and using e-CNY wallets by Hong Kong residents, as well as the top-up of e-CNY wallets via FPS, providing a convenient cross-boundary payment means for residents. The

HKMA will continue to work closely and cooperate with the PBoC in facilitating the implementation of cross-boundary e-CNY pilot in Hong Kong, including promoting more local retail merchants to accept e-CNY, enhancing publicity and promotion, as well as exploring e-CNY wallet upgrade and examining use cases for companies.

22. The HKMA is jointly conducting a project named Multiple Central Bank Digital Currency Bridge (“mBridge”) with other central banks, researching on the application and innovative use cases of central bank digital currency, with a view to addressing the current pain points of cross-boundary transactions, including low efficiency, high cost and operational complexity. In June 2024, the project reached the Minimum Viable Product stage. The HKMA and other central banks will continue to enhance different aspects of the platform and expand the participation from the public and private institutions.

23. In 2024, the InvestHK assisted 539 Mainland and overseas companies to establish or expand their businesses in Hong Kong, of which 67 companies were high-potential fintech companies. These companies involved a total investment of over HK\$20 billion and created over 800 new jobs. The InvestHK will continue to take forward the Global Fast Track Programme, with a view to supporting fintech companies from other regions to expand their business to Hong Kong. In addition, the tenth Hong Kong FinTech Week will be held on 3 to 7 November 2025.

Web3 and Virtual Assets

24. In October 2022, the Government issued the Policy Statement on Development of VA in Hong Kong, setting out the commitment to enhancing the VA regulatory framework and creating a facilitating environment under the “same activity, same risks, same regulation” principle, with a view to promoting the sustainable and responsible development of the VA sector in Hong Kong.

25. To this end, the Government has introduced a licensing system for VA service providers through amending the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”), ensuring that VA trading platforms (“VATPs”) comply with relevant international requirements on anti-money laundering and counter-terrorist financing while protecting investors. Since the implementation of the licensing system in June 2023, the SFC has granted licenses to ten companies from both local and overseas markets.

26. In the 2025-26 Budget, the Financial Secretary announced that the Government will soon promulgate a second policy statement on the development of VA to explore how to leverage the advantages of traditional financial services and innovative technologies in the area of VA, enhance security and flexibility of real economy activities, and encourage local and international companies to explore the innovation and application of VA technologies.

Proposed regulatory regime for stablecoin issuers

27. In December 2024, the FSTB and the HKMA introduced the Stablecoins Bill into the Legislative Council (“LegCo”), and are rendering full support to the LegCo in scrutinising the Bill, with a view to implementing the relevant regulatory regime as soon as possible so as to promote the sustainable and responsible development of the VA sector in Hong Kong.

28. In July 2024, the HKMA announced the list of participants of the stablecoin issuer sandbox, covering use cases in respect of payments, supply chain management and applications in capital markets. The HKMA will continue to maintain dialogue with sandbox participants, and understand their business models and communicate supervisory expectations through conducting limited-scope testing.

Proposed licensing regimes for VA over-the-counter trading and custodian services

29. To further improve the regulatory framework for VA services in Hong Kong, the Government has proposed to amend the AMLO to establish a licensing system for VA over-the-counter service providers, and conducted a public consultation in 2024. The Government is refining the relevant proposal with reference to the views collected, and is also formulating a licensing system for VA custodial service providers. We will conduct public consultation on the aforementioned licensing systems in 2025.

VA market roadmap

30. In February 2025, the SFC unveiled 12 initiatives aimed at elevating the security, innovation, and growth of Hong Kong’s virtual asset market under the “**ASPIRe**” roadmap, built upon five foundational pillars—**A**ccess, **S**afeguards, **P**roducts, **I**nfrastructure, and **R**elationships. The roadmap embodies the SFC’s forward-looking commitment to tackling the most

pressing challenges facing the VA market, positioning Hong Kong as a trusted nexus for global VA liquidity.

Tokenised investment products

31. In November 2023, the SFC issued two circulars to give guidance to the industry on tokenised securities-related activities and tokenisation of SFC-authorised investment products. In these circulars, the SFC emphasised how traditional financial institutions should address and manage the risks arising from tokenisation. Besides, in view of the banking industry's growing interest in DLT adoption, in particular selling tokenised products and providing custodial services for digital assets, the HKMA issued two circulars to banks in February 2024 to provide the industry with guidance on these areas respectively. By providing a clear and consistent regulatory framework through these circulars, the regulators aim to support the industry to experiment with tokenisation with greater certainty, while ensuring sufficient consumer protection.

32. In August 2024, the HKMA launched the Project Ensemble Sandbox, with the SFC co-leading with the HKMA the tokenisation initiatives for the asset management industry, to build and scale the tokenisation market in Hong Kong. Through various use cases, participating financial institutions are pilot-testing interbank settlement of tokenised asset transactions with tokenised money. They are also identifying hurdles in reaping the full benefits of on-chain primary issuance, secondary market trading, custody and hypothecation during the full product life cycle. In the process, the SFC is working closely with the HKMA to provide regulatory guidance and address the industry's concerns arising from these cases.

33. In October 2024, the SFC announced a step forward in the realm of asset management, as one of the Project Ensemble Sandbox participants, which is a financial institution, successfully completed a first-of-its-kind simulation of the dealing and trading process of a tokenised money market fund using tokenised deposits ("TD") within the Sandbox environment. The simulation covered subscription, redemption and trading of the tokenised fund unit for its institutional clients, as well as cross-bank settlement of the tokenised fund unit using TD.

34. The SFC has earlier in 2024 authorised the first tokenised investment product, i.e. a gold token for retail access in Hong Kong which allows investors to acquire fractional ownership of physical gold. It is represented by tokens recorded on an in-house private permissioned ledger using DLT. Further, in February 2025, the SFC authorised its first retail tokenised money

market fund, which launched with a size of approximately US\$107 million making it the largest retail tokenised fund by launch size in the world.

ADVICE SOUGHT

35. Members are invited to note the contents of this paper, and provide comments and suggestions.

Financial Services and the Treasury Bureau
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