

# **立法會**

## ***Legislative Council***

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### **Panel on Financial Affairs**

**Meeting on 7 April 2025**

### **Background brief on the development of financial technologies in Hong Kong**

#### **Purpose**

This paper provides background information on the development of financial technologies (“Fintech”)<sup>1</sup> in Hong Kong. The paper also summarizes the major views and concerns expressed by Members of the Legislative Council (“LegCo”) in recent years on issues relating to the development of Fintech 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 digital finance and financial technologies. Currently, there are about 1 100 Fintech companies operating in Hong Kong. The scope of business covers mobile payment, cross-boundary wealth management, artificial intelligent financial consultancy, wealth and investment management, regulatory technology, etc., including eight digital banks, four virtual insurers and nine licensed virtual assets (“VA”) trading platforms.

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<sup>1</sup> 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.

### Enhancing financial infrastructure

3. The Government is committed to promoting the development of electronic payment (“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. Currently, major QR code e-wallets in the market can support the cross-boundary payment needs of both Mainland and Hong Kong users.

4. In December 2023, the Hong Kong Monetary Authority (“HKMA”) and the Bank of Thailand launched the Faster Payment System (“FPS”) x PromptPay Link for cross-border QR payment, providing visitors with another safe, efficient and cost-effective retail payment means.

5. In October 2022, HKMA launched the Commercial Data Interchange (“CDI”) which effectively facilitates enterprises (in particular small and medium enterprises (“SMEs”)) to share with banks their commercial data from different data sources, thereby enhancing their access to more financial services. Besides, CDI was connected to the Government’s “Consented Data Exchange Gateway”, and the Companies Registry (“CR”) has become the first government data source of CDI via the Gateway.

6. In October 2023, HKMA completed Phase 1 of the e-HKD Pilot Programme and studied domestic retail use cases in various areas such as programmable payments, offline payments and tokenized deposits. Phase 2 commenced in September 2024 to further explore different innovative use cases of new forms of digital money (including e-HKD and tokenized deposits) for the use of individuals and corporates.

7. In March 2024, HKMA announced the commencement of Project Ensemble, a new wholesale central bank digital currency (“wCBDC”) project to support the development of the tokenization market in Hong Kong. Project Ensemble seeks to explore innovative financial market infrastructure and facilitate interbank settlement of tokenized money through wCBDC. In August 2024, HKMA announced the launch of the Project Ensemble Sandbox.

8. On promoting the use of central bank digital currencies for cross-boundary payment, HKMA, together with a number of other participating central banking institutions and the Bank for International Settlements Innovation Hub Hong Kong Centre, is conducting the Multiple Central Bank Digital Currency Bridge Project (“Project mBridge”). With the project entering the Minimum Viable Product stage in June 2024, HKMA is testing and exploring more add-on technology solutions and new use cases related to cross-boundary trade settlement on the mBridge platform, and will further widen the participation of both the public and private sectors.

## Regulation of virtual asset trading

9. In October 2022, the Government issued [the Policy Statement on Development of Virtual Assets in Hong Kong](#) (“the Policy Statement”), laying out its policy stance and approach towards developing a vibrant sector and ecosystem for VAs in Hong Kong. The Policy Statement sets out the Government’s plans to put in place both appropriate regulation as well as market development initiatives, with a view to facilitating the sustainable and responsible development of the sector. In respect of regulation, the Government and financial regulators will adopt the principle of “same activity, same risks, same regulation” to put in place necessary guardrails to address the risks associated with VAs, including actual and potential ones on financial stability, money laundering and terrorist financing, and investor protection. According to the Administration, a second policy statement on the development of virtual assets will soon be promulgated to explore how to leverage the advantages of traditional financial services and innovative technologies in the area of virtual assets, enhance security and flexibility of real economy activities, and encourage local and international companies to explore the innovation and application of VA technologies.

### *Licensing regime for virtual asset service providers*

10. In response to the Policy Statement, the Administration introduced the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 into LegCo in July 2022, which was enacted as the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022 in December 2022, to provide for a licensing regime for VA service providers under 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 (“AML/CTF”) while protecting investors. The licensing regime has commenced operation since 1 June 2023.

### *Proposed regulatory regime for stablecoin issuers*

11. The Administration introduced the Stablecoins Bill into LegCo on 18 December 2024<sup>2</sup> to put in place a regulatory regime for fiat-referenced stablecoin (“FRS”) issuers. Under the proposed regulatory regime, all FRS issuers<sup>3</sup> will have to obtain a licence from HKMA. In addition, only

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<sup>2</sup> A Bills Committee has been formed to study the Stablecoins Bill in detail.

<sup>3</sup> “FRS issuers” refer to issuers who (i) issue an FRS in Hong Kong; (ii) issue a Hong Kong dollar-referenced stablecoin; or (iii) actively market their issuance of FRS to the public of Hong Kong.

specified licensed entities<sup>4</sup> will be permitted to provide services on purchasing FRS, and only FRS issued by HKMA-licensed entities will be permitted to be sold to retail investors. The proposed regulatory regime will also prohibit the advertising of unlicensed issuers' stablecoin issuance.

*Proposed licensing regime for service providers of over-the-counter trading of virtual assets*

12. A public consultation on the legislative proposals to introduce a licensing regime for service providers of over-the-counter ("OTC") trading of VAs was launched on 8 February 2024 through 12 April 2024. The salient points of the legislative proposals include: (a) requiring any person who conducts a business in providing services of spot trade of any VA for money in Hong Kong to be licensed by the Commissioner of Customs and Excise ("CCE"); (b) covering all VA OTC services irrespective of whether the services are provided through a physical outlet and/or other platforms; (c) providing powers for CCE to supervise the AML/CTF conduct of licensees, and enforce the statutory and regulatory requirements under the new regime; and (d) providing transitional arrangement to facilitate the effective implementation of the regulatory regime.

Promoting the development of the Web3 industry

13. Underpinning the development of Web3 is a constellation of advanced technologies and related applications including blockchain technology, smart contracts, VAs, non-fungible tokens ("NFTs") and metaverse technologies. With its characteristics of disintermediation, security, transparency and low cost, blockchain technology can solve a lot of challenges and pain points in finance, trading, business operations and even day-to-day life, so as to drive the development and innovation of related fields and applications in daily life and commercial activities. To embrace the trend of blockchain technology-related development, the Government announced in the 2023-2024 Budget an allocation of \$50 million to support Cyberport in expediting the development of the related ecosystem, including attracting enterprises, nurturing talents, promoting industry development, as well as organizing related educational and promotional activities.

Application of artificial intelligence

14. In October 2024, the Government issued [the Policy Statement on Responsible Application of Artificial Intelligence in Financial Market](#) setting out its policy stance and approach towards the responsible application of

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<sup>4</sup> "Specified licensed entities" refer to licensed FRS issuers, authorized institutions, licensed corporations and licensed VATPs.

artificial intelligence (“AI”) in the financial market. According to the Administration, at present, 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, financial regulators will continuously review and update the existing regulations and/or guidelines as appropriate.

## **Views and concerns expressed by Members**

15. The major views and concerns expressed by Members in recent years on issues relating to the development of Fintech in Hong Kong, including the regulation of VASPs and Web3 development, are summarized in the ensuing paragraphs.

### Enhancing financial infrastructure

#### *Cross-boundary electronic payment*

16. Expressing concern about **the currency conversion arrangement of cross-boundary electronic payment means**, Members suggested that an official settlement platform should be established by the governments of Guangdong, Hong Kong and Macao to facilitate the increased use of Hong Kong payment means in the Mainland and to accumulate experience and establish a mechanism for converting Hong Kong dollar and Renminbi (“RMB”), so as to prepare for the internationalization of RMB.

17. The Administration advised that in the past, cross-boundary electronic payment means mainly carried out currency conversion through banks. Given the small-value conversions with banks on a per-transaction basis, the handling charges and transaction costs led to a less competitive exchange rate. At present, **some major payment means would estimate the daily transaction volume in advance with the use of big data and carry out large-value foreign currency conversions for all customer transactions**, so as to enhance their bargaining power in **securing a better conversion rate** from banks.

#### *Commercial Data Interchange*

18. Members expressed concern about **the progress of the diversification of data sources in CDI**. Noting that CR was one of the major data sources of CDI, Members suggested that the Administration should consider requesting the Inland Revenue Department, which possessed a wider and more comprehensive range of data sources, including financial data of companies, to provide CDI with data on various industries in Hong Kong, subject to data protection principles.

19. The Administration advised that **CDI was connected to the Government's "Consented Data Exchange Gateway" in end-2023 and CR had become the first government data source of CDI via the Gateway**, enabling banks to obtain information of relevant companies in the Companies Register. Company information obtainable through CDI was the same as the scope of information currently available under the electronic search services of CR, including information such as annual returns, shareholders, directors and company secretaries. As at December 2024, over 42 000 loan applications and reviews were concluded through CDI, with an estimated credit approval amount of HK\$35 billion. In compliance with laws and regulations and with the consent of the companies concerned, the Administration would endeavour to promote the diversification of data sources in CDI in order to develop more business use cases.

Licensing regime for virtual asset service providers

20. Members raised enquiries about how the licensing regime for VASPs could **protect investors from fraud** involving VAs.

21. The Administration responded that the licensing regime of VASPs was developed based on the prevailing international standards for addressing money laundering/terrorist financing risks of VA activities and ensuring proper protection of market integrity and investor interests. Under the VASP licensing regime, any person seeking to operate a VA exchange would be **required to obtain a VASP licence from the Securities and Futures Commission ("SFC")**. Unlicensed parties would be prohibited from actively marketing their services to the public. On the protection for client assets, **a licensed VASP would be required to purchase insurance for its customers' assets** and make proper arrangements in relation to client assets.

22. Members enquired about **the number of VASPs licensed** since the commencement of the licensing regime for VASPs in June 2023. Members suggested that the Administration should provide more support to small and medium enterprises ("SMEs") in the Fintech industry, such as assisting them in financing and resolving the issues encountered in opening bank accounts and handling the compliance procedures under AMLO.

23. The Administration advised that **licences had been granted to two VASPs** under the Securities and Futures Ordinance (Cap. 571) ("SFO"), and their licences were modified on 3 August 2023 so that they could provide service to retail investors in Hong Kong. As at the end of December 2024, **seven VATPs had been licensed under AMLO to operate a VA exchange** and SFO for providing Type 1 (dealing in securities) and Type 7 (providing automated trading services) services. There were currently 11 applications for AMLO licences being processed by SFC, including seven which were

deemed applicants. The Administration pointed out that there were already many channels available to SMEs for obtaining financing, but if financing was to be obtained through VA trading platforms, the financing options must comply with the relevant legislation governing the securities industry.

#### Proposed regulatory regime for stablecoin issuers

24. Members expressed concern about whether there were **sufficient talents** in Hong Kong **to conduct risk management for the proposed regulatory regime for stablecoin issuers**. The Administration responded that Hong Kong had a sufficient supply of professionals for asset management and custody, anti-money laundering and auditing work required for the implementation of the regulatory regime. Moreover, financial services and innovation and technology were under the industry segments on the Talent List of Hong Kong, and Fintech talents admitted to Hong Kong would include those familiar with stablecoin operation.

#### Challenges arising from the development of financial technologies

##### *Investor protection in the development of financial technologies*

25. 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. Members enquired how the Administration regulated **the procedures for handling personal data by credit reference platforms**.

26. The Administration advised that the Personal Data (Privacy) Ordinance (Cap. 486) was applicable to all organizations, including financial institutions. The Administration had maintained communication with the financial sector and encouraged the use of the Credit Reference Platform under the Multiple Credit Reference Agencies Model to enhance the protection of the personal data involved. The Administration stressed that **it attached great importance to safeguarding data security in Fintech applications and protection of personal data privacy of consumers and investors**. 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.

### *Cybersecurity of financial infrastructures*

27. Members raised concern about cyber-attacks on financial infrastructures and urged the Administration and regulators to accord priority to address cybersecurity issues in developing Fintech. They enquired about the measures taken by the Administration and financial regulators in enhancing **cybersecurity of financial infrastructures** and tackling system failure incidents involving Internet mobile banking applications.

28. The Administration pointed out that it attached great 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. Furthermore, **the Financial Services and the Treasury Bureau and Digital Policy Office had been maintaining close liaison with various local and international financial institutions, regulatory and enforcement authorities to ensure a robust cybersecurity regime**.

### Attracting and nurturing financial technologies talents

29. Members stressed that it was necessary for the Administration to enhance its efforts in **attracting Fintech talents to Hong Kong**, and that local universities should **provide training to local professionals** through the development of Fintech-related degree programmes.

30. The Administration advised that apart from nurturing talents through the Fintech training programmes operated by the Cyberport and other related organizations, the Administration also strived to **attract overseas Fintech talents to Hong Kong**. Through the Talent List of Hong Kong and the Quality Migrant Admission Scheme, the Administration had helped Fintech companies in Hong Kong recruit talents. 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. Furthermore, the Administration provided **reimbursement of training fees** for practitioners in the financial services industry who had attained Fintech professional qualifications, with the aim of promoting the professional development of Fintech talents and helping the industry with upgrading and transformation.



## Strategies and support measures for the development of financial technologies

31. Members raised concerns about the business performance of the existing eight digital banks in Hong Kong and some **Fintech enterprises** coming to Hong Kong for fundraising, and enquired **how** the Administration **would support the long-term development of digital banks and those enterprises.**

32. The Administration advised that it would explore with **Fintech enterprises** coming to Hong Kong for fundraising on how to **create more value-adding opportunities for their value chains**, including assisting the responsible persons of such enterprises to set up family offices in Hong Kong. The Government had also set up the Hong Kong Growth Portfolio under the Future Fund for making investments in projects of strategic importance and closely related to the development of Hong Kong, with a view to strengthening Hong Kong's position as a financial, business and innovation hub and enhancing Hong Kong's productivity and competitiveness in the long run.

33. On the development of digital banking, HKMA advised that since the introduction of digital banking in 2020, **licensed digital banks had been actively introducing new products and new technologies to enhance customer services and promote financial inclusion.** Over 1.9 million accounts were opened in the eight digital banks, with total deposits exceeding HK\$30 billion. HKMA was also facilitating the sharing of business data between enterprises and banks (including digital banks) through **CDI**, a data infrastructure launched in 2022, **to facilitate the digital approval of loans by banks.**

### **Relevant questions raised at Council meetings**

34. The Council passed a motion on "Strengthening and consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness" at the Council meeting of 15 June 2022 urging the Government, inter alia, to expedite the promotion of Fintech, green and sustainable finance, expand offshore RMB business and investment product channels and increase the size of RMB liquidity pool, with a view to enhancing Hong Kong's status as an offshore RMB business hub and an international financial centre.

35. The Council passed a motion on "Comprehensively promoting the upgrading and transformation of industries to foster the diversification of financial and economic development" at the Council meeting of 10 May 2023 urging the Government to consider, inter alia, fostering the diversified

development of the financial industry: to actively develop financial services areas such as securities, commodity futures, precious metals, corporate financing, funds, VAs and innovation fields; and enhancing cooperation with the Mainland Government to foster the development of Fintech in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”), while taking forward more early and pilot financial liberalization and innovation schemes, thereby proactively expanding the overseas markets for Fintech products and services.

36. The Council passed a motion on “Formulating an AI Plus strategy” at the Council meeting of 20 November 2024 urging the Government, inter alia, to consider formulating an AI Plus strategy; to promote Hong Kong’s connection and integration with other cities in GBA in research and development and application of AI; to fully utilize AI to enhance the efficiency of the SAR Government and foster AI application in various trades and industries; and to motivate individuals and enterprises to keep abreast of technological development, so that they can benefit from AI development.

37. Details of the above motions and relevant questions raised at Council meetings from 2022 to 2024 are provided in the hyperlinks in the [Appendix](#).

### **Relevant papers**

38. A list of relevant papers is in the [Appendix](#).

Council Business Divisions  
Legislative Council Secretariat  
2 April 2025

**List of relevant papers**

Committee	Date of meeting	Paper
Panel on Financial Affairs	7 February 2022	<p><a href="#">Agenda</a> Item III: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2021 Policy Address</p> <p>Item IV: Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022</p> <p>Item V: Briefing on the work of the Hong Kong Monetary Authority</p> <p><a href="#">Minutes</a></p>
	27 April 2022*	<p><a href="#">HKMA's discussion paper on e-HKD: A Policy and Design Perspective</a></p>
	3 May 2022	<p><a href="#">Agenda</a> Item IV: Briefing on the work of the Hong Kong Monetary Authority</p> <p><a href="#">Minutes</a></p>
	6 June 2022	<p><a href="#">Agenda</a> Item V: Development of financial technologies in Hong Kong and measures in tackling financial fraud</p> <p><a href="#">Minutes</a></p>
	7 November 2022	<p><a href="#">Agenda</a> Item III: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2022 Policy Address</p> <p><a href="#">Minutes</a></p>

Committee	Date of meeting	Paper
Panel on Financial Affairs	5 June 2023	<a href="#">Agenda</a> Item IV: Development of financial technologies and other innovations for financial services in Hong Kong  <a href="#">Minutes</a>
	6 November 2023	<a href="#">Agenda</a> Item III: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2023 Policy Address  <a href="#">Minutes</a>
	8 April 2024	<a href="#">Agenda</a> Item IV: Development of financial technologies in Hong Kong and the proposed regulatory regime for stablecoin issuers  <a href="#">Agenda</a> Item V: Proposed regulatory regime for over-the-counter trading of virtual assets  <a href="#">Minutes</a>
	28 October 2024	<a href="#">Agenda</a> Item I: Briefing by the Secretary for Financial Services and the Treasury on the Chief Executive's 2024 Policy Address  <a href="#">Minutes</a>
Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets	19 July 2024	<a href="#">Agenda</a> Item I: Proposed regulatory regime for stablecoin issuers  <a href="#">Minutes</a>
	19 November 2024	<a href="#">Agenda</a> Item I: Cyberport's initiatives to promote Web3 development  <a href="#">Minutes</a>

Committee	Date of meeting	Paper
Subcommittee on Issues Relating to the Development of Web3 and Virtual Assets	21 January 2025	<a href="#">Agenda</a> Item I: Regulation of virtual asset trading platforms  <a href="#">Minutes</a>
	25 March 2025	<a href="#">Agenda</a> Item I: Nurturing Web3 and Fintech talents

\* Issue date of the paper

Council meeting	Paper
26 January 2022	<a href="#">Question 15</a> : Application of Central Bank Digital Currency in Hong Kong
11 May 2022	<a href="#">Question 15</a> : Developing the digital economy
15 June 2022	<a href="#">Members' motion</a> : Strengthening and consolidating Hong Kong's status as an international financial centre and enhancing its competitiveness  <a href="#">Progress report</a>
23 November 2022	<a href="#">Question 1</a> : Promoting the development of Hong Kong into an international virtual assets centre
30 November 2022	<a href="#">Question 4</a> : Promoting the development of the virtual assets market
8 February 2023	<a href="#">Question 8</a> : Promoting the development of the financial investment market
26 April 2023	<a href="#">Question 9</a> : Promoting the development of e-Government services
10 May 2023	<a href="#">Members' motion</a> : Comprehensively promoting the upgrading and transformation of industries to foster the diversification of financial and economic development  <a href="#">Progress report</a>
21 February 2024	<a href="#">Question 7</a> : Regulation of virtual asset trading

Council meeting	Paper
5 June 2024	<a href="#">Question 9</a> : Promoting the development of stablecoins and virtual assets
26 June 2024	<a href="#">Question 9</a> : Combating frauds involving deepfake
3 July 2024	<a href="#">Question 18</a> : Measures to improve the operation of the financial sector
20 November 2024	<a href="#">Members' motion</a> : Formulating an AI Plus strategy <a href="#">Progress report</a>