

Press Release

LCQ2: Financial technology development in Hong Kong

Wednesday, February 8, 2017

Following is a question by the Hon Chan Chun-ying and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 8):

Question:

According to a research report published at the end of last year, Singapore was ranked the second leading financial technology (Fintech) hub in the world in 2016, while Hong Kong took the fifth place. The report also pointed out that Hong Kong fared worse than Singapore in terms of indicators such as government support, innovation culture, proximity to customers, proximity to expertise, regulation, and the ability to bring in other countries' startups. In this connection, will the Government inform this Council:

(1) whether it has reviewed why Hong Kong fared worse than Singapore in terms of the Fintech hub ranking and the relevant indicators; if it has, of the details; if not, the reasons for that;

(2) of the measures taken by the authorities in the past three years to enhance Hong Kong's overall competitiveness as a Fintech hub; and

(3) whether it has plans to formulate appropriate measures to promote the further development of Fintech in Hong Kong; if it has such plans, of the details and the quantitative indicators for measuring the effectiveness of such measures; if it does not have such plans, the reasons for that?

Reply:

President,

My reply to the three parts of the question is as follows:

(1) The ranking mentioned in the report as quoted in the question was derived from a direct summation of separate ranking results compiled by three

organisations. These three rankings were set out to compare competitiveness of financial centres, innovation capacity in the overall economy and business environment respectively, rather than specifically comparing Fintech development and ecologies. Given the three organisations have their own unique research approach, and their rankings offered different consideration factors, methodology and assessment criteria, a direct summation of their results may not be entirely appropriate.

In fact, Hong Kong has performed reasonably well in a number of ranking studies concerning Fintech. For example, in the Fintech Adoption Index compiled by a consultancy firm, Hong Kong's rate of Fintech usage for "digitally active people" in 2015 doubled that for Singapore.

(2) The Steering Group on Financial Technologies under my chairmanship was established in April 2015 and was tasked to study measures required to develop Hong Kong into a Fintech hub. The Steering Group released its report in February last year.

After considering the Steering Group's report, the Government, together with financial regulators and stakeholders, has introduced an array of additional measures on regulation, facilitation, talent, promotion and funding, including:

(a) Regarding financial regulation, after the full commencement of the Payment Systems and Stored Value Facilities Ordinance, the 13 licenced stored value facility operators are launching new or enhancing their services according to their business plans. Apart from the dedicated Fintech liaison platforms set up by the regulators, the Hong Kong Monetary Authority (HKMA) established its Fintech Supervisory Sandbox last year allowing banks to conduct live pilot testing of Fintech initiatives, such as biometric authentication, securities trading and Blockchain technology. These initiatives show that measured regulation can help promote financial innovation.

(b) To support financial innovation, Cyberport launched its designated incubation programme and a 4 300-square metre dedicated Fintech space last year. So far, 13 Fintech start-ups have been admitted to the incubation programme, and Cyberport will provide support to another 130 or so Fintech companies over the next four to five years. Cyberport, the Hong Kong Applied Science and Technology Research Institute (ASTRI), HKMA and the industry

have also rolled out a number of programmes to nurture the next generation of Fintech talents.

(c) In addition to attracting Fintech enterprises, investors and R&D institutions to establish a presence in Hong Kong, Invest Hong Kong (InvestHK)'s dedicated Fintech team has organised signature Fintech events such as the Fintech Week and Fintech Finals 17 conference and start-ups competition to showcase Hong Kong's unique advantages in Fintech to Mainland and overseas stakeholders.

(d) For funding, the "Enterprise Support Scheme" launched in 2015 by the Innovation and Technology Commission provides funding support to investment on innovation and technology projects undertaken by companies of all sizes. In addition, the Government plans to launch the \$2 billion Innovation & Technology Venture Fund in the first half of this year to encourage investment from venture capital funds into early stage start-ups from the Fintech and other technology sectors locally.

(3) In his 2017 Policy Address, the Chief Executive announced to establish Hong Kong as a hub for the application and setting of standards for cutting-edge Fintech such as cyber security and Blockchain technology. HKMA, ASTRI and the banking industry have commenced research on the application of Blockchain technology in mortgage business and trade finance.

Moreover, according to a survey published by InvestHK in November last year, there were 138 Fintech-related start-ups in Hong Kong, up from 86 in mid-2015.

According to statistics from a consultancy firm and a service provider for investment market data, Hong Kong attracted US\$370 million of venture capital investment in Fintech companies between January 2014 and September 2016, almost tripling that of Singapore over the same period.

The Government will continue to implement initiatives to promote Fintech application, investment and development by existing financial institutions and start-ups, as well as strengthen enterprise-level collaboration and cooperation between enterprises and research institutes. We will also monitor any emerging opportunities and challenges on the international and

local horizons.

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