

Speech

Speech by SFST at launch of Commonwealth Bank of Australia's CommBank Innovation Lab in Hong Kong (English only)

Tuesday, January 19, 2016

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the launch of Commonwealth Bank of Australia's CommBank Innovation Lab in Hong Kong today (January 19):

Maaïke (Steinebach), Paul (Tighe), Kelly (Bayer Rosmarin), ladies and gentlemen,

A little more than six months ago, I was in Sydney and I had the pleasure to visit the Commonwealth Bank and its Innovation Lab. I was there trying to learn more about innovation on Fintech and I was very impressed by the bank's determination and innovation in this area.

I am very delighted today to welcome your establishing an Innovation Lab in Hong Kong. Of course I believe you have made an excellent choice. As you can see, we have abundant space here against the skyline of Hong Kong and this summarises what is so beautiful about Hong Kong, a great city of vibrancy.

Maaïke mentioned that I am chairing a steering group on Fintech development in Hong Kong, and I truly believe that Fintech or innovation in finance has great potentials in our city. Many people around town or the media who write about Fintech talk about Fintech being a disruptive technology, sometimes pitting the start-ups against incumbent banking or financial institutions. The truth is that Fintech is also about creating opportunities for the existing financial institutions and all the existing business players in the economy.

Fintech has the potential of disrupting because of the new way of doing things. Take blockchain as an example. Some have estimated that the blockchain technology can potentially reduce banks' infrastructural cost in the range of US\$15-20 billion per year by 2022.

I am very delighted that you are working on this concept and you can

help us dispel some of these misconceptions about the blockchain technology in our community. Blockchain has interesting applications and when applied rightly it actually reduces the transaction cost tremendously for the banking sector.

Financial institutions are always the innovators and we look towards you as the innovator and adopter in new technology. Someone makes the joke saying that the best Fintech ever is ATM. The world has changed so much with the digital revolution and hyper-connectivity, then we are talking about the ICT (information and communications technology) revolution, and so on. We talk about a changed landscape for everybody in our economy.

Financial institutions are affected by it and many of the non-financial institutions are also affected by it. So, how can we actually work together and harness the potential of technology to make our life better, and make our customers value their experience? And these are really challenges and opportunities faced by all of us.

After I started chairing the steering group on Fintech development in Hong Kong, I felt very good about Hong Kong's start-up scene. We have a very vibrant start-up culture. Financial institutions here are adopting the innovations. We have a lot of co-working space springing up all over the town. I also see a lot of collaboration opportunities between the financial institutions and start-ups.

Hong Kong, of course, is a good place to talk about Fintech and other innovations concerning the financial sector because we are a financial centre in Asia. If you look around here, you will have the depth of talents in every aspect of the financial market, be it commercial banking, investment banking, bond trading and asset management. When you are creating a product of innovation to cater for the need to serve the financial sector, Hong Kong can provide a fertile ground for bankers and the technology people to come together and try out new areas for innovation.

The Government will spare no efforts in promoting Fintech and innovation generally. In the latest Policy Address, our Chief Executive announced the set-up of a \$2 billion Innovation and Technology Venture Fund for co-investing with private venture capital funds on a matching basis. It will

encourage more recent start-ups to apply for funds. We will continue to work with the financial institutions and other Fintech developers in Hong Kong. We will look for means and ways to help them realise their dreams in Hong Kong.

Thank you very much.

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