

Speech

Speech by SFST at Swedish-Hong Kong Fintech Seminar (English only)

Wednesday, January 20, 2016

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Swedish-Hong Kong Fintech Seminar today (January 20):

Per (Bolund), Maria (Rankka), friends,

Good morning.

I would like to extend a very warm welcome to friends flying in from Sweden to join us this week at the Asian Financial Forum and at this very important seminar today. Maria mentioned that I was in Sweden a few months ago and I hope we are able to match the kind hospitality you have offered me during my visit there.

Hong Kong and Sweden have a lot in common. We are both open economies, with highly internationalised outlooks and competitive industries. We both appreciate the need for balancing our budget and being fiscally responsible.

The seminar today suggests a further shared aspiration - developing our Fintech sectors.

There is huge potential in the application of Fintech. Existing financial institutions can increase efficiency in their service delivery. New companies can take advantage of the lower barrier of entry and offer potentially transformational products and business practices. All for the benefit of consumers and enterprises.

With a population of about 9.6 million, the size of Sweden's local market is a bit bigger than Hong Kong's, but not much bigger, and is smaller than many Asian economies. However, the apparent small market size did not stop Sweden from grooming leading start-ups. The young people that I met in Stockholm have shown me their strong determination to stretch beyond their limits and I have to say I am very impressed by their entrepreneurial spirit.

They are not afraid of taking risks and they are not afraid of failure.

And I can see that global vision is in the hearts of many Swedish Fintech firms, as demonstrated by companies that come today to join us at the seminar as well as the likes of iZettle and Klarna that I met in Stockholm last year. Take Klarna as an example, it was started by three university graduates in 2005 and the company now serves 50,000 merchants in 18 European markets. I also recall that the average age of the 200 workers at iZettle was only 30! The sky's the limit when you have a great idea, the skill to put it to work, and the ambition to make it successful.

I am glad to share that a vibrant Fintech ecology is also taking shape in Hong Kong, taking full advantage of our position as an international financial centre and our strong information and communication technology (ICT) infrastructure.

Various organisations have rolled out Fintech-themed accelerator programmes and innovation laboratories in Hong Kong too. They provide invaluable platforms to encourage collaboration between existing financial institutions and start-ups to work closely together and capitalise on the business opportunities brought about by Fintech.

We hope that these developments will attract Fintech start-ups and talents from outside Hong Kong to spend time in the city and to mingle with our local professionals and entrepreneurs. Sweden has great technical and engineering prowess inherited from your ICT industry, while Hong Kong has a wealth of financial expertise arising from our tradition as an international financial centre. And both economies are known for entrepreneurship.

While some of us accept the current business models as the result of traditions, policy and regulation, and assume that they are the most optimal way of using the current technology, the young people whom I met in Sweden and the many young start-up firms working very hard around town here just won't accept that. Perhaps this is nothing more than just youthful irreverence, but I also believe that it is the necessary seed for developing innovative ideas.

I know Per will give a speech on "How Regulatory Frameworks Can Support the Development of Fintech" later.

Clearly, Fintech services and models raise new issues about the existing regulatory framework. And the regulatory challenge is global, and Hong Kong and Sweden cannot be immune. I know that the regulators in your country as well as ours are actively engaging with the Fintech sector. This can help provide the environment for encouraging innovation in the financial services industry without compromising the integrity of the supervisory frameworks.

After all, the landscape for financial innovation will remain fast evolving. The international regulatory framework, experience and development may continue to be diverged. So the only way to stay ahead is to keep an open mind when examining whether existing rules should be amended or new rules introduced to support financial innovation that bring about benefits to consumers and the business sector. I always believe that an honest, open dialogue and debate about what regulations work and what don't is very important.

Fostering application of technology and entrepreneurship will be the key to success in our economic development. The task for government, and for the society, is how to harness this creative energy, how to build an environment that breeds the entrepreneurial spirit, and how to support entrepreneurs with mentoring and funding.

As recently as last week, the Chief Executive of the HKSAR announced in his Policy Address speech that the Government is going to set up a \$2 billion Innovation and Technology Venture Fund for co-investing with private venture capital funds on a matching basis. This will help encourage investment from venture capital funds in local innovation and technology start-ups, in Fintech and other sectors.

In sum, developing Fintech is a multifaceted task. We need to encourage financial institutions to adopt technology, and not be burdened by their legacy systems. We need to establish an ecology for Fintech start-ups to thrive, and have the opportunities to collaborate with existing players for mutual benefits to both sides. We need to foster a regulatory environment that facilitates innovation, but without compromising protection for investors and consumers.

When I visited Stockholm last year, I was fortunate enough to have many

opportunities to meet different players in the Swedish Fintech sector. And I hope that we can do the same for all the Swedish visitors today. In case you are planning to expand into Asia, and manage regional and even global markets, Hong Kong can be your ideal platform. If you want to touch base with our financial institutions in Hong Kong and explore business opportunities, don't hesitate to contact my office, and offices of Invest Hong Kong and the Cyberport.

I wish everyone a fruitful seminar. Thank you very much.

Ends