

Speech

Speech by SFST at opening of Internet Economy Summit 2017 Thematic Forum "Global FinTech Innovation" (English only) (with photo)

Monday, April 10, 2017

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the opening of the Thematic Forum "Global FinTech Innovation" of the Internet Economy Summit 2017 today (April 10):

George (Chairman of Hong Kong Cyberport Management Company Limited, Dr George Lam), ladies and gentlemen,

Good morning. I am glad to be here at the opening of the Internet Economy Summit 2017. First of all, thanks to the tireless efforts of stakeholders and industry players, the local Fintech ecology has progressed markedly in the past 12 months or so. According to Invest Hong Kong (InvestHK)'s Start-up Profiling Survey, the number of Fintech start-ups operating in co-working spaces, incubators and accelerator programmes in Hong Kong increased from 86 to 138, or about 60 per cent between August 2015 and August 2016.

In addition, during 2014 to 2016, Hong Kong attracted some US\$400 million of venture capital (VC) investment in Fintech companies, ahead of many regional peers. Also supported by the Fintech Facilitation Office of the Hong Kong Monetary Authority (HKMA), banks have been increasingly proactive in rolling out innovative products and services riding on new technologies.

At the same time, under the supervision of the Securities and Futures Commission (SFC), a number of companies are offering financial services that represent the principal types of Fintech, including on-line fund distribution, robo-advice, and a fund structure that invests in the peer-to-peer (P2P) loan market. The SFC has also initiated an internal Regtech project to actively assess technologies it can adopt to supplement its standing operations. Meanwhile, insurers are going to establish a cybersecurity platform to exchange intelligence on threats and to handle security incidences.

Talent is the most important asset of a financial services company. It is

no different for Fintech companies. Starting from the 2017/18 academic year, local universities will launch dedicated publicly funded first-year first-degree and senior year programmes in Fintech.

Going forward, the HKSAR (Hong Kong Special Administrative Region) Government will focus on enhancing the local payment services ecology and establishing Hong Kong as a hub for the application and setting of standards for cutting edge Fintech. I am glad to see that the general public is increasingly receptive to new payment products and services offered by stored value facility operators. The HKMA is also planning to introduce the Faster Payment System in 2018 and to facilitate the development of new electronic and mobile payment channels for various government services.

The competition for Fintech talent and investments is global and InvestHK will continue to showcase our unique advantages in developing Fintech through organising signature Fintech events like the Hong Kong Fintech Week (scheduled for the fourth quarter of 2017); and to sponsor large-scale events such as Finovate Asia and the Fintech Finals 2018 conference and start-up competition in Hong Kong. Through bilateral agreements with key partners, the Government, regulators and Cyberport will also strengthen co-operation with other economies to enhance market access for Fintech start-ups in Hong Kong, and to attract start-ups from around the world to establish a presence here to launch their regional business. As such, a Cooperation Agreement on Fintech was already signed between the HKMA and the UK (United Kingdom)'s Financial Conduct Authority (FCA) in early December 2016.

The Government and regulators are also keen to promote the use of cutting-edge Fintech. For example, the HKMA commenced just last month a research and a proof-of-concept work on central bank digital currency in collaboration with the three note-issuing banks, Hong Kong Interbank Clearing Limited and R3, a consortium of financial institutions and other stakeholders to explore the potential of distributed ledger technology (DLT). A proof-of-concept project for trade finance has also been developed by the HKMA in collaboration with a consultancy firm and five banks in Hong Kong. It is found that DLT can help digitise paper-intensive processes, reduce the risk of fraudulent trades and duplicate financing, and improve the transparency of the entire trade finance process.

Last but not least, the \$2 billion Innovation and Technology Venture Fund will be launched over the next few months to help bridge the funding gap for technology start-ups. It will jointly invest with VC funds in local innovation and technology start-ups to create a more vibrant ecosystem in Hong Kong.

Ladies and gentlemen, the theme of today's forum is "Global FinTech Innovation and Use Cases". I hope I have given you a quick snapshot of various applications of Fintech in Hong Kong and how we are working together with partners on a global basis. I trust that you will be able to find out more about each specific area from the distinguished speakers who are going to share their insights today. Here, I would like to thank the Cyberport for putting the forum together. Thank you very much.

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