

金融科技督導小組報告

Report of the Steering Group on
Financial Technologies



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Executive Summary

Background

The Government established the Steering Group on Financial Technologies (“Steering Group”) in April 2015 to advise on how to develop Hong Kong into and promote Hong Kong as a Fintech hub. This Report presents the Steering Group’s analysis and recommendations.

Fintech refers to the application of information and communication technology (“ICT”) 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.

The development of Fintech is underpinned by innovative startups that may have the potential of transforming traditional products and business processes as well as the emergence of new market players in financial services, including telecommunication firms and Internet portals. At the same time, existing financial institutions are proactively pursuing the application of Fintech to enhance efficiency of their service delivery and bring benefits to consumers and enterprises. Meanwhile, regulators can also employ technology to complement existing regulatory processes for more effective risk identification, risk weighting, surveillance, and data analytics, which is commonly referred to as “Regtech”.

Hong Kong as a Fintech Hub

The Steering Group considers that Hong Kong, being an international financial centre with a strong ICT sector, is an ideal place for developing Fintech. It notes that Hong Kong has a vibrant Fintech ecology comprising existing financial institutions, startups, co-working spaces, incubation and accelerator programmes, innovation laboratories, professional service providers as well as a decent mix of public and private funding.

Meanwhile, accelerator programmes and innovation laboratories in Hong Kong, many of which are offered by multinational financial and professional services firms, act as platforms for expediting growth for participating Fintech startups as well as channels for incumbent financial institutions to keep abreast of the latest technology. The world-class financial talents in Hong Kong also play the roles as mentors to and collaborators with Fintech startups.

Analysis

Drawing from Mainland and overseas experiences as well as recent developments in Hong Kong, the Steering Group has identified five key parameters for nurturing a conducive ecology for Fintech development (namely (a) promotion, (b) facilitation, (c) regulations, (d) talents, and (e) funding*), and examined what enhancements may be required to take Hong Kong's Fintech sector to the next level.

* The five key parameters specifically point to the following analytical issues –
(a) **Promotion**: how a strong and consistent promotional message may be formulated to appeal to talents, startups, funding and financial institutions;

Promotion

Like the authorities in other Fintech centres, the Government should set a clear strategic vision to help focus stakeholders on leveraging the core competence of the local Fintech ecology. A single outfit to consolidate information on available support will strengthen the appeal of our ecology to local talents and those from outside Hong Kong as well. Such messages will help dispel the misconceived perception of our trailing behind in terms of innovation, supply of technological talents, and attractiveness to multinationals as a location for their research centres.

Facilitation

Hong Kong should further strengthen her Fintech ecology by fully leveraging the strong presence of financial institutions in the city, through encouraging them to proactively embrace opportunities brought about by Fintech in their daily operations and provide startups and talents their wealth of industry domain knowledge, collaboration possibilities, and even funding.

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- (b) **Facilitation**: better matching of resources available and demand by Fintech companies (such as the landscape of co-working spaces, incubator and accelerator programmes, and innovation laboratories) and facilitation offered to talents and startups to start/expand their businesses;
 - (c) **Regulations**: how the regulatory framework can better keep up with the fast evolving technological environment, and channels to enhance the Fintech sector's understanding of the regulatory environment;
 - (d) **Talents**: how to promote the participation of existing financial institutions and financial services professionals in Fintech and nurturing entrepreneurship and a startup culture among graduates and young professionals; and
 - (e) **Funding**: any major gaps in funding for startups along different development stages.

With a view to complementing the existing incubators and accelerator programmes through focusing on different stages of the startup pathway, measures may also be implemented to establish fresh Fintech-themed programmes and attract more financial institutions and organisations from outside Hong Kong to establish their accelerators and innovation programmes (including those zooming into specific Fintech verticals) or even start fresh programmes here.

As a hub for business negotiation, Hong Kong also has the potential to become the centre for application of and standard setting for technologies that have wider applications for financial services. Stakeholders' active participation and the financial services industry's willingness in embracing the standards and processes being advocated would be essential for establishing Hong Kong's leading position in applying cutting-edge technologies.

Regulations

Given that what Fintech offers is still financial services, key considerations such as maintaining financial stability, liquidity and adequate protection of depositors and investors would equally apply. Striking the right balance between promoting Fintech development and consumer protection will enhance the community's confidence and readiness in using innovative financial services.

In view of the evolving landscape, the Government and regulatory authorities should keep an open mind when examining whether existing rules should be amended or new rules introduced to foster a conducive environment for Fintech development. In this context, regulators, by developing dedicated channels to communicate with the industry, can

help the new entrants to understand regulators' expectations and approach.

Talents

Hong Kong should nurture talent pools in finance, entrepreneurship and technology, and relentlessly cultivate synergy among these three types of talents to develop a vibrant Fintech ecology. This will help build further on Hong Kong's financial, strategic and management expertise to form a powerful foundation for fast-paced Fintech development and strengthen research capacity in cutting-edge technologies with wider applications in financial services.

Funding

With regards to funding, the Steering Group notes that funding sources for Fintech ventures varied across economies. For Hong Kong, funding support for startups from the private sector, incubation programmes offered by innovation organisations (such as Cyberport and Hong Kong Science and Technology Parks Corporation) and the Government's Innovation and Technology Fund and its sub-funds (including the Enterprise Support Scheme ("ESS")) has been notable. Nevertheless, it is worth considering helping startups better understand these financing options, as well as promoting to existing financial institutions that Government funding through channels like ESS could potentially offer support to their in-house innovation projects with R&D elements.

Recommendations

In the light of the above analysis, the Steering Group proposes the following recommendations –

Promotion

- To formulate a clear vision to underline Hong Kong's commitment in developing Fintech and our position as a launchpad for Fintech companies with regional and global ambitions
- To organise an annual premier Fintech event and competitions to focus stakeholders on the potential of our Fintech ecology and attract talents locally and from outside Hong Kong

Facilitation

- To establish a One-stop Office to provide targeted assistance to startups, leverage the Office in the overall branding for Hong Kong as a Fintech hub as well as take part in overseas events and organise roadshows to showcase different support measures available in Hong Kong
- To establish a Fintech-themed programme to complement existing facilitation programmes
- To attract financial institutions to locate/start their accelerator programmes and laboratories in Hong Kong
- To raise Hong Kong's position as a hub for applying and setting standards for cutting-edge Fintech technologies such as cybersecurity and Blockchain

Regulations

- To establish dedicated contact points at financial regulators to help the Fintech community better understand our regulatory landscape

Funding

- To improve dissemination of information on funding sources

Talents

- To encourage young talents to consider entering the Fintech sector
- To enhance dissemination of information on immigration policy for talents outside Hong Kong

The Steering Group aims to set the broad directions and identify focused areas that will be important to the further development of the Fintech ecology in Hong Kong. It believes that the Government and relevant authorities will, having regard to resources and other relevant considerations, take forward the recommendations by developing specific proposals and details for implementation. The Steering Group further encourages the Government to continue engaging the industry to keep abreast of the dynamic Fintech landscape, and monitor any emerging opportunities and challenges on the international and local horizons.

Chapter 1 - Introduction

- 1.1 Broadly speaking, financial technologies (“Fintech”) may refer to the application of information and communication technology (“ICT”) in the field of financial services.
- 1.2 Application of Fintech by existing financial institutions may increase efficiency of service delivery and bring benefits to consumers/enterprises. Fintech developed by startups may also have the potential of transforming traditional products and business processes.
- 1.3 Being an international financial centre with a strong ICT sector, Hong Kong is an ideal place for developing Fintech. In this connection, the Financial Secretary in his 2015-16 Budget Speech tasked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a Fintech hub together with industries, research and development institutions as well as regulatory authorities.
- 1.4 The Government established the Steering Group on Financial Technologies (“Steering Group”) in April 2015 to advise on how to develop Hong Kong into and promote Hong Kong as a Fintech hub. The Steering Group’s terms of reference are to advise the Financial Secretary on –
 - (a) economic and business opportunities provided by the development of Fintech for Hong Kong;
 - (b) potential and existing gaps of developing Hong Kong into a Fintech hub; and

(c) the measures needed to promote Hong Kong as such a hub.

1.5 The membership of the Steering Group is at Annex A. The Steering Group held five meetings in the past eight months and received 12 papers on various subjects relevant to the development and promotion of Fintech. This Report presents the Steering Group's analysis and recommendations to the Government.

Chapter 2 - Overview

The Rise of Fintech

- 2.1 The rise of Fintech is underpinned by several technological, social and economic developments. From the technological side, advancement of the Internet and mobile technologies as well as computation capacity has ushered in an age of “hyper-connectivity” with new generations of mobile customers. From the demand side, the emergence of the on-demand economy and “social media” culture has spurred the proliferation of “service now” mentality and crowd-sourcing of information and solutions. This changed environment has facilitated the emergence of new market players in financial services, notably smart phone and Internet giants.
- 2.2 The above trends challenge existing services providers to go beyond the model of bricks-and-mortar branches with fixed opening hours, and cater to consumers’ growing desire for initiating (sometimes spontaneous) interactions anytime, anywhere. At the same time, there are opportunities for financial institutions and Fintech companies, for instance through applying big data techniques, to customise products and solutions for consumers and utilise advanced technologies to make their operations more efficient and cost effective.
- 2.3 While not meant to be exhaustive, the following are commonly counted as subsectors of the Fintech industry –
- (a) digital payment and remittance;

- (b) financial product investment and distribution platforms, including fund distribution platforms and robo-advisors¹;
- (c) peer-to-peer (“P2P”) financing platforms, including P2P lending and equity crowdfunding platforms²;
- (d) cybersecurity and data security technology;
- (e) big data and data analytics to support both front-office and back-office operations; and
- (f) distributed ledgers, including application of the Blockchain technology to new asset classes and processes³.

¹ Robo-advisors provide automated, algorithm-based portfolio management advice with minimal human intervention.

² Crowdfunding may come in different forms. The more common types that have emerged and considered “financial return crowdfunding” (where lenders/investors seek yield/return from engaging in such activities while borrowers/fund-raisers will offer interest payments/profit-sharing to entities providing the relevant funds) include –

- P2P lending: online platforms match lenders (investors) with borrowers (issuers) to provide unsecured loans to individuals or projects; and
- equity crowdfunding (“ECF”): investors invest in a project or a business, usually a startup, and gain in return an interest in shares in or debt issued by a company or an interest in participating in the profits or income of a collective investment scheme.

Other types of crowdfunding that are not considered “financial return crowdfunding” include –

- donation crowdfunding: funds are raised for charitable causes; and
- reward/pre-sale crowdfunding: physical goods or services are provided in return for the funds provided by the payers.

³ The Blockchain is a set of distributed ledger. The ledger is “mathematically signed” to prevent unauthorised tampering, thereby providing extra security for recordkeeping for its users and making the transaction records more traceable.

Table 1: Estimated Global Market Size of Selected Fintech Subsectors

Business	Estimated Market Size in 2015 (US\$ Billion)
Remittance	440 (size of market that can potentially be disrupted by Fintech)
Robo-advisors	19 (2014), forecast to reach 2,000 by 2020
P2P Lending	77
Donation and Reward Crowdfunding	5
Equity Crowdfunding	3
Cybersecurity	75
Big Data & Analytics	27 (2014), with 17% annual growth to 2026 forecasted
Blockchain	By 2022: expected to reduce banks' infrastructural cost by US\$15-20 billion per year

Sources: World Bank, various IT industry research firms and web portals, Massolution, Forbes, Deloitte, CNN, Bloomberg, Santander, InnoVentures and Oliver Wyman, and World Economic Forum

2.4 In addition to remittance and fundraising services for consumers and small businesses, subsectors focusing on enhancing security and efficiency of financial institutions' operations, such as robo-advisors, cybersecurity, big data and analytics, and Blockchain technology, are presenting vast market opportunities to the global Fintech sector. The growth potential in these subsectors will continue to attract more innovative Fintech companies to engage in designing solutions for the financial services industry.

Opportunities Arising from Fintech

2.5 The financial services industry has been a key user of ICT to improve its services for decades⁴. Many financial institutions

⁴ According to Statistica, banking, insurance and securities sectors' combined IT spending worldwide amounted to some US\$669 billion, much ahead of other sectors that are heavy IT investors, such as manufacturing and natural resources

are active in taking advantage of Fintech in enhancing their consumer interface and operations. Fintech further distinguishes itself from financial institutions' traditional IT investment through integrating technology into financial services by redesigning products and reengineering delivery models for providing more efficient, cost-effective and intuitive services to both businesses and consumers. For example, Blockchain technology, as mentioned at Table 1 above, could potentially cut banks' infrastructure costs for cross-border payments, securities trading and regulatory compliance by US\$15-20 billion a year from 2022⁵.

Investment in Fintech ventures

- 2.6 The global investment community has been closely following the development of emerging Fintech companies over the past few years as well. Statistics compiled by Accenture indicated that global investment in Fintech ventures amounted to US\$12.2 billion in 2014, tripling that in 2013 and six-folded the figure in 2010⁶.
- 2.7 The Asia Pacific region is catching up and beginning to attract more Fintech investment. Investment in Fintech across Asia Pacific skyrocketed from about US\$880 million in all of 2014 to nearly US\$3.5 billion in the first nine months of 2015⁷.

(US\$477 billion), media services (US\$429 billion) and governments (US\$425 billion).

⁵ “*Technology: Banks Seek the Key to Blockchain*”, Financial Times, November 2015.

⁶ “*The Future of Fintech and Banking: Digitally Disrupted or Reimagined?*”, Accenture, March 2015.

⁷ “*Fintech Investment in Asia Pacific set to at least quadruple in 2015*”, Accenture, November 2015.

Incumbents and new entrants

- 2.8 The proliferation of Fintech is very much accentuated by new entrants in financial services offering innovations which may transform traditional services models. These new entrants are mounting increasing competition to incumbents by not having the burden of legacy systems and infrastructure, by staying highly focused and nimble, and by continually improving their technology so as to deliver a more appealing and often lower-cost experience to customers.
- 2.9 Yet, it should be recognised that dynamics between incumbents and new entrants are not limited to competition. Instead, many of the ideas from the Fintech firms are complementary to financial institutions' core competence, value proposition and objectives. New entrants can provide technology solutions that assist incumbents in the delivery of their traditional functions as well.
- 2.10 It is therefore not surprising to see that incumbents are partnering closely with new entrants, including through making strategic investments, buying their products and services, participating in accelerator programmes or even by setting up their own programmes and "innovation laboratories". Encouraging established financial institutions to embrace Fintech and make better use of it in the future development of their businesses should be brought to the fore as one of the means to strengthen the industry's competitiveness.

- 2.11 No matter how technology evolves and how genuine innovation could benefit consumers and enterprises, the bread and butter of Fintech remains the same: channeling capital to productive use and trade, facilitating risk pricing and transfer, and processing payments for real economic transactions. As such, rules and regulations to offer adequate customer protection are necessary in developing a healthy ecosystem for Fintech. Maintaining robust customer protection measures will give investors confidence in the new Fintech products and the financial system, and enhance systemic resilience. In sum, the Government and regulators will have a critical role to play in setting the rules for the Fintech sector.
- 2.12 Moreover, regulators themselves may also benefit from Fintech. For instance, regulatory authorities in most financial centres around the world are increasing the deployment of technology to complement existing regulatory processes and facilitate more effective risk identification, risk weighting, surveillance, and data analytics, commonly referred to as “Regtech”. Regtech results in opportunities for the Fintech sector to provide data standardisation, collection, visualisation and analytics solutions to both regulators and regulatees.

Chapter 3 - Hong Kong as a Fintech Hub

Current Development

3.1 A vibrant Fintech ecology is already taking shape in Hong Kong.

Established financial institutions

3.2 Many established financial institutions are actively applying Fintech in enhancing their services. According to the Hong Kong Monetary Authority (“HKMA”), Internet banking accounts for personal customers and business customers have grown by around two times and four times respectively over the past decade (to 9.6 million and 850,000 in 2014). Moreover, the average amount of actual transactions going through the Internet banking channel has increased by around 19 times (to HK\$6.3 trillion per month in 2014 on average) during the same period.

3.3 In response to increasing acceptance of Internet banking and mobile payments, the banking sector has implemented a number of initiatives to enhance the retail payment services for their customers, including the e-Cheque, the Electronic Bill Presentment and Payment (“EBPP”) system, and the Near Field Communication (“NFC”) mobile payments⁸.

⁸ Launched in December 2015, the e-Cheque initiative aims to turn the cheque writing and presentment processes totally online. The e-Cheque, with similar image layout of the paper cheque and exists in PDF format, can be issued any time anywhere, removes the need for physical delivery and deposit, supports a high level of system automation to allow enhanced processing efficiency, is environmentally friendly, and carries enhanced security features. The EBPP platform, launched in December 2013, supports a wide range of services including (a) business-to-customer e-billing and e-payments; (b) online

- 3.4 For non-bank financial services companies, such as stockbrokers as well as asset and wealth managers, some have also leveraged Fintech applications in enhancing their operations. Examples include using big data technology for formulating asset price forecasting models, and developing algorithms to optimise trading strategies as well as robo-advisor services (for clients' portfolio construction). Cybersecurity and data security are other areas where more resources are being devoted into. This will strengthen the foundation for wider application of Fintech by ensuring transactional security and safeguarding against fraud risk.
- 3.5 Moreover, 48 out of 100 top Fintech companies in the world are already operating here, complementing the cluster of local, Mainland and international financial institutions and talents in Hong Kong's financial services industry.

Emergence of innovators: Fintech startups

- 3.6 Fintech startups have made good headway in Hong Kong in recent years, thanks to our maturing ecology. According to a survey conducted by InvestHK in 2015, co-working spaces, incubators and accelerator programmes in Hong Kong have increased from three such facilities in 2010 to 35 in November

charity donations and electronic donation receipts; (c) cross-border e-billing and e-payments; and (d) business-to-business e-billing and e-payments. As of December 2015, there are 148 merchants participating in the EBPP service, including the Water Supplies Department and the Rating and Valuation Department of the HKSAR Government.

Regarding NFC mobile payments, after HKMA conducted a consultancy study in 2013 to facilitate the development of the service in Hong Kong, the Hong Kong Association of Banks, based on the recommendations of the consultancy study and with the support of HKMA, published a set of common standards and recommended best practices in November 2013, laying down a strong foundation for the banks and payment services providers to develop such a service.

2014 and further to 40 in August 2015, offering a wide range of assistance to the new entrants into the field –

- (a) co-working spaces provide flexible and low-cost accommodation to startups, foster synergy among these companies, offer services such as training courses, workshops and mentorship, as well as arrange networking activities for startups to connect with potential investors; and
- (b) incubation and accelerator programmes offer all-rounded support to their participants, including free office facilities, training on entrepreneurship and technology, as well as coaching, mentoring and business development support.

3.7 Pollings of operators of these 40 co-working spaces, incubator and accelerator locations in Hong Kong by InvestHK indicated that the number of startups registered in their premises jumped 46% in less than a year to 1,558 in mid-2015. Among the startups, 86 of them are engaged in Fintech, up 16% from late 2014.

	<i>November 2014</i>	<i>August 2015</i>	<i>Change (%)</i>
Startups			
<i>Total # of startups</i>	1,065	1,558	+46
<i>Of which: Fintech startups</i>	74	86	+16
Co-working spaces and incubation/accelerator programmes			
<i># of co-working spaces and incubation/ accelerator programmes covered by InvestHK's survey</i>	35	40	+14
<i># of workstations available</i>	2,826	4,535	+60

3.8 Impressed by the potential of utilising Fintech to enhance their services and capture new market segments, existing financial institutions are increasingly looking for collaboration with startups to capitalise on the business opportunities brought about by Fintech. Various organisations have rolled out Fintech-themed programmes in Hong Kong. For example –

- (a) Accenture and Cyberport have, for two consecutive years in 2014 and 2015, organised the FinTech Innovation Lab accelerator programme in Hong Kong, which is Accenture’s third programme worldwide following the two previous launches in New York and London;
- (b) DBS Hong Kong and NEST (a professional firm specialised in startup investment and incubation) introduced the DBS Accelerator in April 2015 to support startups to deliver innovations and technologies in Fintech;
- (c) KPMG’s “Insights Labs” set up a branch in Hong Kong in 2015 as a virtual R&D centre that incubates and develops data-driven business solutions for KPMG’s clients locally and across the region, especially Mainland firms that are coming to set up in Hong Kong;
- (d) Standard Chartered, in partnership with Baidu and Tuspark HK, is sponsoring the SuperCharger Fintech Accelerator Programme that caters to both growth-stage startups and mature-stage global Fintech companies; and
- (e) Commonwealth Bank of Australia expanded its CommBank Innovation Lab to Hong Kong in January 2016 to provide

space for its staff and customers to collaborate in exploring ideas, testing new concepts and developing solutions.

Ample opportunities

3.9 In terms of targeted markets, it is noted that many Fintech companies in Hong Kong are catering to the demand from existing financial institutions for enhancing operational efficiency and customer services through providing solutions to banking, securities market and portfolio management activities.

3.10 For example, some 60% of Fintech companies in Cyberport, which has a cluster of over 60 Fintech companies (comprising companies in various development stages from innovative startup projects or business concepts and incubatees to co-working spaces/offices tenants and services subscribers), are engaged in providing solutions to banks, portfolio management companies and brokerages. Similarly, many of the nine Fintech companies hosted by the Hong Kong Science and Technology Parks Corporation (“HKSTPC”) are focusing on innovative solutions in portfolio optimisation and investment strategy, data analysis, and payment services. The brisk business-to-business innovation is an indication that startups are taking advantage of the congregation of financial institutions in Hong Kong as well as the increasingly active channel for collaboration between existing financial institutions and creative entrepreneurs.

Regulations: facilitating an evolving market

3.11 The free operation of market forces under a well-established legal framework is one of the factors that make Hong Kong thrive. A case-in-point is the new legislation for payment services enacted in November 2015 which provides a legal framework to regulate stored value facilities and retail payment systems in Hong Kong. As at 25 November 2015, HKMA has met with 26 prospective applicants which indicated interests to HKMA in applying for a licence under the new regime. Twelve among the 26 prospective applicants, which include telecommunication firms, e-commerce companies and startups, have already begun the issue and operation of stored value facilities in Hong Kong.

Capacity Building in Applied Research

3.12 As part of a wider innovative milieu, the Fintech sector distinguishes itself by focusing on applied research and technology in formulating innovative solutions that are intuitive for customers, secure for financial institutions and cost-effective for all. In Hong Kong, the industry (including existing financial institutions, Fintech firms, and telecommunications companies/Internet portals now engaging in financial services) is working closely with research and academic institutions in promoting greater technological applications in financial services and building the capacity in such areas as Blockchain and cybersecurity.

3.13 Blockchain has the potential to become an underlying technology for a low-cost and transparent transaction infrastructure. Hong

Kong has the potential to become a key Blockchain hub through leveraging our high concentration of industry domain experts and institutions in finance, logistics and other professional services as many of these industries could potentially be major users of the technology for lowering their operating costs and enhancing their process efficiency⁹. In this connection, the Steering Group notes that Cyberport has been organising a series of events including hackathon tutorials, roundtables, workshops and conferences to provide fora to draw together global and local Blockchain experts, financial institutions, Fintech entrepreneurs and other stakeholders.

- 3.14 Cybersecurity is another area attracting great interest. Several factors have made cyber threats to financial market infrastructure (“FMI”) a major concern to the financial services industry: (a) the increasing reliance on technology in the provision of financial services; (b) the growing dependency on external

⁹ Potential applications of Blockchain technology are much beyond cryptocurrencies. Examples of Blockchain applications in financial services include –

- anti-money laundering: Blockchain can enhance anti-money laundering efforts by better tracking transactions and the ultimate destinations and uses of the funds;
- trade finance: Blockchain can help digitise and authenticate records involved in this traditionally paper-intensive process and allow digital records of related data visible to various participants in the trade transaction; and
- securities issuance and trading: partnering with Blockchain technology provider Chain.com, NASDAQ launched in October 2015 “Nasdaq Linq”, which uses Blockchain to facilitate the issuance, cataloging and recording of transfers of shares of privately-held companies on the NASDAQ Private Market (Nasdaq Linq clients are provided with a comprehensive, historical record of issuance and transfer of their securities, offering increased auditability, issuance governance and transfer of ownership capabilities).

On a global level, financial innovation firm R3 formed a consortium with 30 financial institutions to collaborate on research, experimentation, design, and engineering to help advance shared ledger solutions to meet banking requirements for security, reliability, performance, scalability, and audit.

services providers in the provision of technological support (e.g. financial application developments, cloud computing service, etc.); (c) the higher degree of interdependency and interconnectedness among FMIs and financial institutions; and (d) growing sophistication and better-organisation of cyber attacks. Robust cybersecurity is indispensable in providing safeguards to support the sustainable development of traditional financial services.

- 3.15 HKMA is currently working with the Hong Kong Applied Science and Technology Research Institute (“ASTRI”), the Hong Kong Institute of Bankers and the Hong Kong Association of Banks to establish a cybersecurity programme that comprises three components, namely, (a) a cyber risk assessment model; (b) a cyber intelligence sharing platform; and (c) a localised certification scheme and training programme for cybersecurity professionals. HKMA has sounded out other regulatory authorities on the potential to extend this programme to different types of regulatees. It is expected that the proposed certification scheme and training programme for cybersecurity professionals will uplift the quality of the cybersecurity industry in Hong Kong by building a pool of cyber risk talents, knowledge and expertise that are relevant to finance and other sectors.

Hong Kong’s Competitiveness: a Fintech Perspective

Hong Kong as an international financial and business centre

- 3.16 Hong Kong’s competitiveness as an international financial centre is well-recognised: the Global Financial Centre Index published by Z/Yen Group in September 2015 ranked Hong Kong as the

third most competitive global financial centre among 84 major centres in the world, behind only London and New York, and considered her the leading financial centre in Asia.

3.17 Hong Kong is also a key fundraising and asset management centre in Asia. The Stock Exchange of Hong Kong has been among the top five global initial public offering listing markets every year for the past decade, and ranking first globally in 2015 (with HK\$261 billion raised). According to the Securities and Futures Commission (“SFC”)’s Fund Management Activities Survey, the size of the combined fund management business (including private banking) is estimated to be HK\$17.7 trillion in 2014¹⁰. Hong Kong’s assets under management (“AUM”) are the largest in Asia and the investor base is diverse and global with investors from outside Hong Kong accounting for 71% of the AUM. Moreover, the Hong Kong financial services industry is both competitive and well-connected globally: 74 of the world’s 100 top banks are operating in Hong Kong (as at end September 2015), according to HKMA.

3.18 Hong Kong’s financial markets are well-regarded for operating under mature, effective and transparent regulations that are in line with international standards. Indeed, the International Monetary Fund’s Preliminary Staff Concluding Statement published in December 2015 for its 2015 Article IV Consultation with the Hong Kong SAR commended the city for its strong track record of filling regulatory and data gaps, assessing systemic risks, and strengthening financial institutions’ loss absorption buffers in a pre-emptive manner, as well as the authorities’ work in providing infrastructure support for healthy

¹⁰ http://www.sfc.hk/web/EN/files/ER/PDF/2014%20FMAS%20Report_English_20150721_Final.pdf.

market development in the financial services industry¹¹. The Heritage Foundation also commented that Hong Kong’s “highly developed and prudently regulated financial system offers a wide range of innovative financing options”¹².

3.19 As an international business hub, Hong Kong is an ideal platform to manage regional and even global markets for many industries and sectors. In 2015, close to 8,000 business operations in Hong Kong have parent companies overseas or in the Mainland, including over 1,400 that operated as regional headquarters of the company.

3.20 In particular, Hong Kong possesses a unique position in accessing the Mainland market and contributing to Mainland’s opening up to the global economic and financial systems. The Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) signed in 2003 gives Hong Kong’s financial services providers and professionals greater market access and flexibility for their Mainland operations. Thereafter, the content of CEPA has been broadened and enriched. In November 2015, the Agreement on Trade in Services was signed under the framework of CEPA to basically achieve liberalisation of trade in services between the Mainland and Hong Kong, and assure Hong Kong’s favourable position to enjoy the most preferential liberalisation measures of the Mainland¹³.

¹¹ <http://www.imf.org/external/np/ms/2015/121515.htm>.

¹² “2015 Index of Economic Freedom: Promoting Economic Opportunity and Empowerment”, The Heritage Foundation, January 2015.

¹³ The “Most-Favoured Treatment” provision of the agreement specifies that any preferential treatment the Mainland accorded to other countries or regions, if more preferential than those under CEPA, will be extended to Hong Kong.

Hong Kong as a hub for financial talents

- 3.21 With a vibrant financial services industry, Hong Kong possesses a truly unique pool of talents with domain knowledge in finance. Employment in the financial services industry was 236 500 in 2014, or 6.3% of the total employment in the city in the period.
- 3.22 A deep pool of financial talents that is creative, outward looking and globally minded is vital to optimal Fintech development. These talents act as mentors to and collaborators with Fintech companies through incubators and accelerators, and through being purchasers, users and investors in Fintech products, services and companies. Increasingly they may also become Fintech entrepreneurs who strike out on their own or join Fintech startups and thereby enrich the breadth and depth of the firms' expertise.

Hong Kong's infrastructure for innovation

- 3.23 Hong Kong possesses an excellent ICT infrastructure which provides the foundation for wider application of technology in delivering financial services. Hong Kong's mobile-cellular telephone subscriptions per 100 population (239) and Internet bandwidth (3.3 mb/second/user) ranked first and second globally respectively¹⁴.
- 3.24 The Global Innovation Index ("GII") 2015 report published in September 2015 by Cornell University, INSEAD and the World Intellectual Property Organization also ranked Hong Kong's quality of infrastructure for innovation (in terms of ICT and

¹⁴ "Global Competitiveness Report 2015-2016", World Economic Forum, September 2015.

general infrastructure as well as ecological sustainability) second globally.

Vibrant innovation activities

- 3.25 Hong Kong has been relentless in her drive to become a knowledge-based economy through fostering innovation and technology in the community as well as promoting technological entrepreneurship. The Government provides a strategic environment for innovation and technology development through five core strategies: (a) providing world-class technology infrastructure for enterprises, research institutions and universities; (b) offering financial support to stakeholders in the industry, academia and research sector to commercialise their R&D deliverables; (c) nurturing talents; (d) strengthening collaboration with the Mainland and other places in science and technology; and (e) fostering a vibrant culture of innovation.
- 3.26 These efforts have attracted many world-class innovation organisations to set up in Hong Kong, including the proposed establishment of the first overseas research facility of the world renowned Karolinska Institutet of Sweden in Science Park this year and the upcoming launch of Massachusetts Institute of Technology (“MIT”) Hong Kong Innovation Node¹⁵ in summer of 2016.

¹⁵ The MIT Hong Kong Innovation Node convenes MIT students, faculty, and researchers to work on various entrepreneurial and research projects alongside Hong Kong-based students and faculty, MIT alumni, entrepreneurs, and businesses. The Innovation Node aims to connect the MIT community with unique resources — including our strong research universities and world class research advanced manufacturing capabilities — and other opportunities in Hong Kong and the neighbouring Pearl River Delta, and help students learn how to move ideas more rapidly from laboratory to market, through initiatives such as

- 3.27 At the same time, we note that some international studies¹⁶ have maintained that Hong Kong may need to tackle issues such as consumers’ receptiveness to innovative solutions (especially those who are not “digitally active”), firm-level technology absorption, availability of scientists and engineers, and outputs of knowledge and technology (e.g. patent, computer software, and high-tech manufacturing activities and exports).
- 3.28 In order to foster a conducive environment for Fintech development, we need to enhance consumers’ confidence and readiness in using innovative financial services¹⁷. This will not only provide room for innovative startups to achieve economies of scale and become financially sustainable, but also offer incentives for financial institutions to engage in in-house innovation and partnership with innovation firms to develop more “disruptive” technological solutions. The Government and regulatory authorities should also encourage the development of suitable infrastructure that can accelerate and advance the take-up of technology (Fintech and others) in Hong Kong.

the formation of a marketplace and startup programmes for student entrepreneurs.

The Innovation Node is expected to launch with an initial cohort of MIT students traveling to Hong Kong in July 2016 to work on various projects and participate in workshops with local students.

- ¹⁶ Studies include –
- “*Mobile Payment Readiness Index*”, MasterCard, May 2012;
 - “*EY Fintech Adoption Index*”, E&Y, December 2015;
 - “*Global Innovation Index 2015 Report*”, Cornell University, INSEAD and the World Intellectual Property Organization, September 2015; and
 - “*Global Competitiveness Index Report 2015-2016*”, World Economic Forum, September 2015.
- ¹⁷ It is thus encouraging to note that the “EY Fintech Adoption Index” published in December 2015 showed that 29.1% of “digitally active people” in Hong Kong used at least two Fintech products within the last six months. The figure lagged only New York (33.1%) but was ahead of other urban areas such as London (25.1%), Sydney (16.3%) and Singapore (14.7%).

Talents

- 3.29 Our universities are consistently ranked amongst the best in Asia. We have a well-established higher education system to provide academic training on science, technology, engineering and mathematics (“STEM”) to our students. There is also a consistent supply of STEM-related graduates in terms of number. In respect of undergraduate students, around 27 000 students were enrolled in University Grants Committee-funded STEM-related programmes in 2014/15, representing about 34% of the total undergraduate student enrolment. This provides a continuous pool of high quality STEM talents for the innovation and technology sector.
- 3.30 The “Silicon delta” which is neighbouring Hong Kong is fast becoming a global advanced manufacturing and high-tech hardware centre with ample supply of Mainland STEM talents¹⁸. We should thus continue to work with the Mainland, attracting top STEM students, undergraduates and graduates to Hong Kong through exchange and other programmes, further enhancing connection between Mainland and Hong Kong universities.
- 3.31 Additional focus should also be placed on the development of data science programmes at universities as this is one of the fastest growing fields globally in terms of both employment and wage. It is also expected to be a trend that is here to stay as companies, including those in financial services, are now placing more reliance on data analytics to further refine and supplement their business strategy.

¹⁸ <http://www.businessspectator.com.au/article/2015/12/22/china/why-talent-will-flock-chinas-silicon-delta>.

Way forward

- 3.32 Hong Kong's position as a major global financial centre and her ICT infrastructure are both well-regarded internationally. The solid foundation bodes well for the case of developing Fintech in Hong Kong. From the Fintech perspective, Hong Kong, being an important financial centre with the presence of a vibrant and strong financial services industry, may provide a good market/beta site for innovative technologies and eventual development of the Fintech sector.
- 3.33 To better leverage the potential, Hong Kong needs to foster a culture for innovation as well as proactive technology adoption by both businesses and consumers. Moreover, Hong Kong should continue to nurture talent pools in finance, entrepreneurship and technology, and relentlessly cultivate synergy among these three types of talents to develop a vibrant Fintech ecology. This will help build further on Hong Kong's financial, strategic and management expertise to form a powerful foundation for fast-paced Fintech development.

Chapter 4 - Experience in the Mainland and Overseas

Fintech Development in Other Economies

4.1 Competition to attract Fintech activities is keen among advanced economies, and the conduciveness of the local Fintech ecology could determine the outcome of this race for talents, enterprises, funding and, ultimately, innovations. Experience in the Mainland and overseas economies in facilitating the development of their Fintech ecologies and promoting the sector can therefore provide useful references to our development of measures to consolidate Hong Kong's position as a Fintech hub.

Initiatives and Measures: Five Key Parameters

4.2 To systematically analyse Mainland and overseas experience, the Steering Group on Fintech has identified five key parameters that may have implications on the development of the Fintech sector¹⁹ –

¹⁹ We note that an ecological approach is also used by other economies to analyse their strengths and weaknesses for developing Fintech and similar critical factors have also be identified. For example, in its report, “*IFS2020: A Strategy for Ireland’s International Financial Services Sector 2015-2020*”, the Department of Finance of Ireland states that “to establish Ireland’s credentials as one of the best countries in the world to set up and scale a Fintech business, it is necessary to develop and maintain an effective ecosystem which addresses the needs of startups and scaling companies in terms of funding, skills, mentors, accelerators, an innovation-friendly regulatory environment, and access to key markets, while at the same time addressing the needs of foreign-owned [international financial services] multinationals.”

- (a) **Promotion:** how a strong and consistent promotional message may be formulated to appeal to talents, startups, funding and financial institutions;
- (b) **Facilitation:** better matching of resources available and demand of Fintech companies (such as the supply of co-working spaces, incubator and accelerator programmes, and innovation laboratories) and facilitation offered to talents and startups to start/expand their businesses;
- (c) **Regulations:** how the regulatory framework can better keep up with the fast evolving technological environment, and channels to enhance the Fintech sector's understanding of the regulatory environment;
- (d) **Talents:** how to promote the participation of existing financial institutions and financial services professionals in Fintech and nurturing entrepreneurship and a startup culture among graduates and young professionals; and
- (e) **Funding:** any major gaps in funding for startups along different development stages.

Promotion

4.3 High level support from the Government and authorities, first and foremost, helps focus stakeholders' attention in the sector. Examples of such messages include –

- (a) **the Mainland:** in March 2014, promoting the healthy development of Internet-based finance was formally included

into a government work report for the first time at the annual session of the National People's Congress meeting²⁰, and the "Internet Plus" action plan unveiled in July 2015 further named Internet-based finance as one of the 11 key areas for action, with a view to enhancing financial inclusiveness in the Mainland²¹;

- (b) **UK:** Fintech policy coordination is conducted at the level of the Chancellor of Exchequer, and the UK Government issued a report, *The FinTech Futures: The UK as a World Leader in Financial Technologies* in March 2015 outlining its vision to develop Fintech. The UK Government's inward investment promotion body, the UK Trade & Investment ("UKTI") has been proactive in sponsoring and organising inward missions for Fintech firms from Australia, Hong Kong, Israel and the US to visit the UK to get firsthand understanding of the Fintech ecology there; and
- (c) **Singapore:** the Monetary Authority of Singapore ("MAS") set up in July 2015 a Fintech and Innovation Group to formulate policies and strategies for technology solutions for financial services and technology-enabled infrastructures (particularly in areas such as payment services, cloud computing, big data, and distributed ledgers).

4.4 Moreover, the Governments and authorities have put emphasis on Fintech's range of potential benefits to the wider society, including helping to reform and encourage competition in the industry to better serve the development of the real economy (the Mainland), diversifying the economy away from reliance on the

²⁰ http://news.xinhuanet.com/english/special/2014-03/05/c_133163990.htm.

²¹ http://www.gov.cn/zhengce/content/2015-07/04/content_10002.htm.

financial services industry alone and incentivising businesses to shift to outside incumbent financial centres given Fintech's a-spatial nature (the UK), and managing risks better and improving people's lives (Singapore). The broad appeal would foster buy-in from more stakeholders, which is crucial to the smooth implementation of initiatives.

Facilitation

- 4.5 To foster a vibrant Fintech ecology, the top-down visions from the authorities in developing the sector must be complemented by adequate assistance to players in the ecology, especially Fintech startups which typically operate with limited resources notwithstanding their enormous potential in contributing innovative and scalable ideas to the system.
- 4.6 Financial institutions and services providers, organisations specialising in nurturing Fintech companies, and other professional firms have responded by introducing an array of Fintech-themed accelerator programmes in established and aspiring Fintech hubs around the globe (see Annex B for a summary of key Fintech-themed accelerator programmes). Most of the Fintech-themed accelerator programmes are recently established in 2014 or 2015, and provide 3-6 months' curricula.
- 4.7 While the programmes typically recruit their participants globally, a number of programmes such as Accenture's FinTech Innovation Lab, Barclays Accelerator, Citi Mobile Challenge Startupbootcamp and Visa Europe Collab are offered at multiple locations to tap the unique pools of financial institutions and talents in different Fintech ecosystems. In addition, some programmes established their respective thematic focuses (such

as compliance technology, data, insurance, investment management, and payment) to attract specialised talents. Meanwhile, a few programme organisers offered investment (for a 6-10% equity stake) or grants to participants to jumpstart these startups.

4.8 In addition, many multinational financial institutions and professional services providers serving the financial sector are establishing laboratories and innovation centres to conduct larger-scale and more visionary research and application projects. With more generous financial endowment, they can keep experts in specific subsectors engaged for longer periods to focus on cutting-edge research and technology applications. Moreover, laboratories and innovation centres can act as complements to the Fintech-themed accelerator programmes, which typically have compressed schedules that concentrate on bolstering business viability of scalable startups and their founders' entrepreneurship skill.

4.9 Co-working spaces are another type of facilitation infrastructure for Fintech startups. Apart from minimising startups' operating cost, entrepreneurs can have access to the services provided by these spaces (e.g. seminars on business skills, mentorship programmes and interaction with potential investors) as well as benefit from synergy from the collection of novel ideas among innovative firms. London's Level 39 and Sydney's Tyro Fintech Hub are some examples of Fintech-focused co-working spaces that serve as both physical properties in facilitating startups' operation and icons to attract stakeholders' attention to the respective Fintech ecologies in these cities.

4.10 Meanwhile, the Mainland demonstrated a unique ecology that is characterised by the heavy involvement of telecommunication and Internet portals. For example, Yu'E Bao²² and banking platforms like WeBank are working with different partners in the financial services industry in facilitating them to capture new business opportunities arising from integrating personal financial management services with e-commerce and social network. These IT giants are able to reach the large potential market of customers underserved by traditional financial institutions through marketing innovative products and services on platforms that are already deeply intertwined with their clients' daily lives and have cultivated a high level of trust in the telecommunication and Internet portals' ecosystem. In sum, this model takes advantage of the mass client base accumulated through other online services (e.g. online shopping or social media) and the application of advanced technologies (such big data analytics and facial recognition) in order to gain a more holistic understanding of customers and create more competitive products.

Regulations

4.11 Regulatory environment is another factor pertaining to the building of a buoyant ecology. On the one hand, some Fintech businesses will have the potential of fundamentally transforming the existing market landscape through new value network which may raise new issues for the existing regulatory framework. On the other hand, the novel approaches or products developed by the Fintech sector may also carry far-reaching implications for

²² It took Yu'E Bao just nine months to become the world's fourth largest money market fund, trekking the top three that have been in the market for many decades such as Vanguard. See "*The Evolution of FinTech: A New Post-Crisis Paradigm?*", Douglas W. Arne, János Barberis and Ross P. Buckley, 2015.

investor protection upon which the Government and regulators should consider carefully.

4.12 Using P2P lending and equity crowdfunding (“ECF”) as examples, some economies have developed dedicated new regimes (e.g. Australia²³, Malaysia and New Zealand), while others leverage existing rules (Singapore). Some also adopt a mixed approach: the US has developed a new regime for ECF and uses existing rules to regulate P2P lending; whereas the UK has put in a place a new regulatory framework for P2P lending and regulates ECF with existing rules. Nevertheless, adequate investor protection remains the overarching policy objective regardless of their difference in approaches.

4.13 A report published by the International Organization of Securities Commissions (“IOSCO”) also highlighted that regulatory approaches towards P2P lending and ECF vary globally in view of the nascent nature of the business²⁴. However, they all attempt to strike an adequate balance informed by the local context between facilitating the healthy development of the activities and ensuring that there are sufficient safeguards for investors involved. Jurisdictions that have implemented dedicated regulatory frameworks for P2P lending and ECF have at the same time imposed a series of new regulatory requirements on platforms (e.g. licensing, capital, disclosure of non-performing loans/performance), investors (e.g. caps on

²³ In Australia, although there is not yet a firm proposed regulation for P2P lending and ECF, the Companies and Markets Advisory Committee concluded a review on ECF to the Australian Government in June 2014. In December 2015, the Australian Government has proposed amendments to the Corporations Act that will allow businesses to raise capital through ECF. The Australian Government has yet to announce its completed rules.

²⁴ “*Crowdfunding 2015 Survey Responses Report*”, IOSCO, December 2015.

investment, both in absolute value and as share of investors' total income and assets, minimum income/wealth requirement) and corporates that are eligible to seek funding on the platforms (e.g. local incorporation).

4.14 Meanwhile, some regulators using existing regimes to supervise P2P lending and ECF choose to provide or leverage existing exemptions under their regimes that are apportioned to the risk associated with the activities (such as promotion to accredited investors only as in Singapore) so as to facilitate the development of such novel businesses.

4.15 P2P lending and ECF also highlight the potential risk management issues for new business models. For instance, fraud risk is rising with cases of corporate and platform fraud seen in the US and the UK respectively²⁵. In the Mainland, the P2P lending segment has been proliferating in the past few years providing an alternative source of funding to individuals as well as small and medium enterprises. However, according to the China Banking Regulatory Commission's consultation documents on draft rules for P2P lending, about 30% of some 3,600 P2P platforms have either been shut down or have problems meeting their obligations as at end November 2015²⁶.

²⁵ For example, the US Securities and Exchange Commission in December 2015 filed a fraud case in the District Court of Nevada against Ascenergy, an oil and gas company. The company had been soliciting accredited investors through ECF platforms operating under Title II of the JOBS Act. Ascenergy has raised approximately US\$5 million from 90 investors in the US and internationally, but only a very small fraction of the funds have been used for oil and gas-related investment while the majority of the funds raised has been allegedly misappropriated.

²⁶ http://www.gov.cn/xinwen/2015-12/28/content_5028564.htm.

4.16 Meanwhile, regulators are shifting towards increasing engagement with the Fintech sector with a view to achieving a better balance between encouraging innovation in the financial services industry and ensuring the integrity of supervisory frameworks through closer monitoring of development of technologies and cutting-edge services models. The Project Innovate Office under the UK's Financial Conduct Authority ("FCA") set up in October 2014 works closely with Fintech startups to clarify regulatory concerns at different stages of their development. It is also giving thoughts to offering a sandbox arrangement for innovative firms and the industry to conduct trials on new solutions in financial services under a risk-controlled environment²⁷.

4.17 Australia's Innovation Hub and Singapore's Fintech and Innovation Group, both launched in 2015, are pointing towards similar directions. The Innovation Hub formed under Australian Securities and Investments Commission ("ASIC") also offers informal assistance for innovative Fintech startups throughout their "early development stages" and provides a dedicated contact point for each startup. For MAS' Fintech and Innovation Group, it will formulate regulatory policies and develop strategies for technology solutions and infrastructures (in areas such as cloud computing, big data, and distributed ledgers)

²⁸.

²⁷ In November 2015, FCA published a paper on "Regulatory Sandbox" to set out its plans for implementing the sandbox and proposals for how it will work with industry and the Government to further support businesses. FCA intends to open the sandbox unit to proposals from firms for testing in spring 2016.

²⁸ MAS has also set up a "Technology Innovation Lab" for test-bedding solutions and scanning the horizon for cutting-edge technologies with potential application to the financial services industry.

4.18 Benefit from the facilitation from regulators is two-pronged. From the input side, it can reduce barriers and facilitate entry of startups into the Fintech ecology, as well as ensure that their products and models remain generally in line with the broad objectives of the regulatory regime. From the output side, iteration with Fintech startups may prompt regulators to examine whether there are outdated rules inhibiting the full-fledge development of the Fintech sector. This proactive outlook sends a positive signal to the Fintech community. Nevertheless, these offices are selective in offering facilitation to Fintech firms, with eligible criteria focusing on whether the firms are offering genuine innovation. For instance, Project Innovate Office and Innovation Hub require the companies to conduct adequate research on regulations and articulate the benefits and risks of their products in order to obtain assistance from these offices.

Funding

4.19 Funding sources for Fintech ventures also varied across economies. In the UK, a number of public funding schemes for startups in Fintech and other sectors have been set up to complement its vision to develop the Fintech sector and support emerging Fintech companies²⁹.

²⁹ For instance, British Business Bank committed over £100 million (US\$140 million) to Fintech firms by mid-2014 through its range of programmes (“*Making Britain the global centre of financial innovation – £100m extra for British Business Bank Investment Programme, British Business Bank*” (<http://bbbinv.co.uk/157/>), British Business Bank, August 2014; the British Business Bank is a 100% government owned, but independently managed, financial institution that brings expertise and government money to the smaller business finance markets through working with partners (such as banks, leasing companies, venture capital funds and web-based platforms)).

- 4.20 On the other hand, private sector funding plays a more dominant role in the US and, to a certain extent, the Mainland³⁰, as indicated by the investment figures on their Fintech ventures. The ready access in Silicon Valley to seed-round funding and venture capital for growth phase, together with proven startup culture, is one of the essential factors for the hearty pipeline of disruptive finance startups in that region.
- 4.21 A number of Fintech-themed accelerators (see Annex B for details) also offer investment into the participants, which can potentially introduce more transparency and structure into private funding channels and valuation for Fintech ventures around the world.

Talents

- 4.22 Overseas experience suggests that it is important to overcome the challenge of fostering synergy by combining a cluster of financial firms and professionals with the availability of ICT talents. To complement the local talent pool, many economies have already established systems for admitting talents with specific skillsets from abroad. Moreover, some economies have introduced new admission schemes that can better accommodate the distinct characteristics of Fintech talents and entrepreneurs. For instance, Singapore's EntrePass scheme for eligible foreign entrepreneurs who want to start and operate a new business in Singapore have catered specifically, among other things, for entrepreneurs to engage in approved incubator programmes or

³⁰ According to “*Report on China’s Internet Finance (2014)* (中國互聯網金融報告(2014))” published by Xinhua and Internet Society of China in March 2014, Fintech startups received a total of US\$1.4 billion from private equity and venture capital funds over 2011-2013.

received designated funding for growth. Facilitating talent admission will help meet any emerging demand for skills and satisfy the fast-growing need for talents from the sector.

Observations

- 4.23 The Steering Group, after surveying the global landscape, notes that there is no “one-size-fits-all” approach in developing an ecology for Fintech³¹.
- 4.24 First and foremost, developments in the Mainland and other economies indicate that while nurturing innovative startups would be a key driver of Fintech development, ample opportunities remain in the Fintech space for incumbent firms that are willing to keep up with the technological progress and maintain competitiveness vis-à-vis the new entrants to financial services.
- 4.25 The availability of facilitators such as private sector accelerators and laboratory programmes could act as both initiatives to expedite growth for participating Fintech startups as well as channels for incumbent financial institutions to keep abreast of the latest technology.

³¹ The developments in two emerging Fintech hubs in Europe (i.e. Berlin and Stockholm) may illustrate this point. While Berlin’s attractiveness lies in its lower rentals and cost of living, the availability of affordable housing in Stockholm is a key challenge to many Fintech firms who want to attract talents to locate to the city. However, Stockholm’s vibrancy is supported by the supply of highly skilled ICT talents (partly as an outgrowth of its successful telecommunication industry in the past). The lessons drawn are that (a) each economy can develop a combination of the five parameters that suits its niche; and (b) certain usual impediments associated with Hong Kong’s competitiveness, e.g. high office and housing rentals, could be mitigated.

- 4.26 In addition, a clear vision for the sector’s development would help focus stakeholders on leveraging the core competence of the Fintech ecology as well as identifying the potential gaps in achieving the objectives set by the growth blueprint. The positive impact on the wider economy and society that can be harnessed by the application of Fintech should be emphasised as well.
- 4.27 Regarding regulations, overseas experience suggests that regulators will benefit from developing dedicated channels to communicate with the new entrants to the industry. It will help the new entrants to understand regulators’ expectations and approach, especially when many Fintech startups, unlike incumbent financial institutions, may not be endowed with resources to deal with regulatory and compliance issues. However, there is not yet a consensus on the regulatory approach on emerging Fintech businesses, and the risk arising from innovative business models³². In any event, maintaining rigorous consumer protection should remain our compass when consumers and investors, services providers, and regulators may all be charting unfamiliar territories together.

³² For example, in the *Crowdfunding 2015 Survey Responses Report* as mentioned at paragraph 4.13, IOSCO highlighted that: “despite certain commonalities and divergences in various jurisdictions, and the potential risks and positive rewards, crowdfunding regimes are in their infancy (or have not yet been launched) in most jurisdictions surveyed. Accordingly, this Report does not propose a common international approach to the oversight or supervision of on-going or proposed programs...”

Chapter 5 - Taking Hong Kong's Fintech Sector to the Next Level

5.1 Using the five key parameters (i.e. promotion, facilitation, regulations, funding and talents) identified in Chapter 4 and taking into account Mainland and overseas experience, the Steering Group has attempted to identify areas that require enhancement in order to develop Hong Kong into a Fintech hub. The analysis will also form the basis for the Steering Group's recommendations, to be discussed in Chapter 6.

Promotion

5.2 The Government has first declared publicly its intention to develop Hong Kong into a leading global Fintech hub in the Financial Secretary's 2015-16 Budget. The setup of the Steering Group in April 2015 was considered a further initiative in this direction by gathering insights on Fintech development from industries, research and development institutions as well as the Government and regulatory authorities and formulating measures needed to support Hong Kong's Fintech sector.

5.3 To strengthen the message of Hong Kong's Fintech development, Startmeup.hk³³, at the 2016 StartmeupHK Festival (held on 23-30 January 2016), launched the FF16, Asia's biggest Fintech

³³ InvestHK launched Startmeup.hk in 2013 as a one-stop portal to the startup community in Hong Kong, listing the latest startup events and various resources including government incentive and incubation schemes, accelerator programmes, angel investors and venture capital funds. Fintech has been identified as one of the sectors to be promoted by the Startmeup.hk initiative.

startup competition, and Fintech-themed conferences, breakout summits and industry awards. Forty Fintech startups exhibited for free at the event, and a selected 24 Fintech startups received an exclusive opportunity to present their business ideas and models to a collection of bankers, technology experts, entrepreneurs, venture capitalists and designers.

5.4 From the private sector, the accelerator programmes mentioned at paragraph 3.8 are particularly useful to give further incentives to startups outside Hong Kong to consider the realm of opportunities and advantages to launch and grow their businesses in Hong Kong. The assortment of events, seminars, workshops and conferences on Fintech organised by the industry as well as innovation organisations also help raise the awareness of Fintech stakeholders, both locally and outside Hong Kong, about the city's vibrancy in Fintech activities (see Annex C for a list of selected Fintech events held in the second half of 2015).

5.5 Yet there is room for Hong Kong to strengthen promotional efforts. In particular, we may need to address a misconceived perception of our trailing behind in terms of innovation, supply of technological talents, and attractiveness to multinationals as a location for their research centres, as mentioned at paragraph 3.27. If such impressions become entrenched, they could pose difficulty for the local Fintech ecology to attract talents, startups, funding and private sector programmes. While various measures in driving the innovation and startup ecosystem have been launched, such as the establishment of the Innovation and Technology Bureau in November 2015, a HK\$2 billion Innovation and Technology Venture Fund to be set up by the Government, HKSTPC's HK\$50 million corporate venture fund for matching co-investment with private funds and extension of

its Leading Enterprises Acceleration Programme, and further enhancement of the Hong Kong Mortgage Corporation Limited's Microfinance Scheme (which was launched in 2012) as announced in the 2015-16 Budget, a more coordinated and consistent message should be put up to highlight our commitment in driving innovation in the financial services industry.

- 5.6 In doing so, Hong Kong may consider making reference to the efforts in the Mainland and overseas economies to develop a vision that promotes Hong Kong's unique advantages as well as bring to the fore Fintech's potential to benefit the wider economy. To ensure effectiveness in our marketing effort, a dedicated agency may be tasked to coordinate the promotional campaign and collaborate closely with other Hong Kong Inc. stakeholders.

Facilitation

- 5.7 As mentioned, a number of Fintech-themed accelerator programmes have been set up in Hong Kong to provide intensive support to startups and help refine their business models for their further expansion. Proliferation of such programmes can bring about a number of benefits. First, they would help participating financial institutions to connect with innovative ideas that can enhance their operational efficiency. Second, local Fintech startups taking part in these programmes can benefit from the wealth of industry domain knowledge from industry players in Hong Kong. Third, these programmes can also attract Fintech startups and talents from outside Hong Kong to spend time in the city and explore how the Fintech ecology in Hong Kong can help their businesses to launch and thrive here at the centre of Asia

and raise our profile as a Fintech hub. In fact, two-third of participating startups in the two rounds of FinTech Innovation Lab and the inaugural round of the DBS Accelerator are from outside Hong Kong.

- 5.8 There are plenty of programmes and services in Hong Kong to assist startups to go through their different stages of development, albeit they may not be dedicated to the Fintech sector only. For early- and seed-stage entrepreneurs, pre-incubation and incubation programmes offered by Cyberport (Cyberport Creative Micro Fund (“CCMF”), Cyberport Incubation Programme and Cyberport Accelerator Support Programme (“CASP”)) and HKSTPC (Incu-App Programme, for developers of mobile/web apps, and Incu-Tech Programme, for startups in IT, electronics and other technologies) provide financial support as well as access to advanced facilities and resources, mentorship, support in business development, professional consultancy including business plan, marketing, accounting and legal services, and entrepreneurship and technology training (more details of these programmes are at Annex D).
- 5.9 Co-working spaces, providing cost effective and flexible way for startups to secure an office, facilities and support services, are providing an attractive launchpad for startups. As mentioned at paragraph 3.6, the number of co-working space locations has ten-folded between 2010 and mid-2015. Furthermore, startup entrepreneurs who are from the Mainland/overseas or are “returnees” appear very receptive to using private co-working spaces as an overwhelming 80% of them, according to InvestHK’s survey, stationed in private co-working spaces or are taking part in private incubation/accelerator programmes.

5.10 While there is no shortage of support to startups in many areas including practical advice on operational issues, incubation and accelerator programmes, co-working spaces, public and private funding, and networking events, the various initiatives are often provided by different organisations and may not focus on Fintech as such. Overseas experience suggests that Fintech-themed pre-incubation/incubation programmes and co-working spaces, as well as accelerator programmes that zoom into specific Fintech verticals will be able to provide more specific support to Fintech entrepreneurs, which may also further demonstrate our commitment to developing Fintech.

Regulations

5.11 Given that what Fintech offers is still financial services, e.g. raising capital and arranging payments and loans, key considerations such as maintaining financial stability, liquidity and adequate protection of depositors and investors would equally apply to Fintech services.

5.12 The Steering Group notes that many Fintech companies in Hong Kong are focusing on providing solutions to existing financial institutions, in such areas as risk management, data analytics, digital distribution platforms for financial products, software and Blockchain applications, cybersecurity and authentication solutions, robo-advisors, together with algo-trading and strategy, to strengthen their capacity in providing quality and more responsive customer services as well as enhance their operational efficiency. Such business-to-business Fintech services are expected to remain a major sub-segment in Fintech markets according to Mainland and overseas experience, and be

a key propeller of the local Fintech sector. From our discussion with stakeholders, it appears that most of their business models will complement the existing financial institutions and can operate within the remits of the existing regulatory framework as long as they can satisfy relevant requirements such as privacy, anti-money laundering, know-your-client, and system robustness.

5.13 On the other hand, some other forms of financial innovation have raised new opportunities and challenges to which global regulators have responded in different ways, dependent on the local context.

5.14 In the case of Hong Kong, as is the case in most mature financial markets, existing rules and regulations are relevant to new business models. For example, where P2P lending or ECF activity involves an offer to the public to purchase securities (for example, shares, debt instruments or interests in Collective Investment Scheme (“CIS”)), relevant licensing or authorisation requirements apply under the Securities and Futures Ordinance (“SFO”) and registration requirements may apply under Hong Kong Companies law. If target investors are confined to professional investors, the number of applicable regulations will be fewer, but will remain substantive. Other regulations concerning privacy, anti-money laundering and know-your-client, money-lending and deposit-taking are relevant as well³⁴.

³⁴ Where platforms offer their own funds to borrowers, this amounts to “business of lending” and would subject the platforms to the Money Lenders Ordinance (Cap. 163).

Though not meant to be exhaustive, below are some illustrative cases where the platforms may be subject to specific securities regulations –

- P2P lending platforms that (a) manage or pool client money or (b) issue securities including notes or debentures, are typically subject to the full requirements of the SFO (for instance, in cases when (i) the platform issues notes to lenders backed by loans made or (ii) the parts of loans the lenders

5.15 In view of the risk management challenges emerging in the P2P lending and ECF markets in a number of jurisdictions as mentioned at paragraph 4.15, there are concerns that retail investors may not fully appreciate the high risks inherent in P2P lending and ECF, even if risk warnings are disclosed. On the other hand, professional investors are likely to have more resources and experience investing in startups, SMEs and high yield loans, and would have greater capacity to make investment decisions in light of the inherent risks. Moreover, Hong Kong has a very large professional investment community that can constitute a vibrant pool of possible target investor base for alternative lending and alternative funding platforms to make such businesses viable if the platforms can devise efficient and effective business models.

5.16 The Steering Group notes the evolving landscape in terms of the financial regulatory framework for financial innovation and the rather different international experience and development. Therefore, the Government and regulatory authorities should 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.

5.17 Regarding Regtech referred in paragraph 2.12 above, SFC is assessing how risk data standardisation, collection, visualisation and analytics technologies can facilitate the supervision of licensed corporations, regulated activities, individual licensees,

participating in may be regarded as interests in CIS or other types of “securities” as defined in the SFO); and

- ECF platforms, given their nature to offer investment in securities, are also typically subject to the SFO.

listed companies, investment products and trading in the listed markets. Many overseas jurisdictions, including the US, the European Union and the Mainland, have already implemented standardised IT language to categorise and structure reportable corporate and regulatee data.

Funding

- 5.18 Regarding public funding support for innovation, the Government's Innovation and Technology Fund ("ITF") was established in 1999 to finance projects that contribute to innovation and technology upgrading in Hong Kong, and with a view to enhancing Hong Kong's economic development and activities in applied R&D. By end 2015, over HK\$10 billion was provided to about 5,000 projects over the years by ITF, whose scope was expanded last year to support more downstream R&D. In the Policy Address 2015, an additional HK\$5 billion injection into ITF and a new scheme called Enterprise Support Scheme ("ESS") were proposed.
- 5.19 The ESS, which is an enhanced version of its predecessor – the Small Entrepreneur Research Assistance Programme ("SERAP"), may help encourage R&D projects relating to Fintech. The ESS aims to enhance funding support for private sector R&D projects, providing up to HK\$10 million on a dollar-for-dollar matching basis for each project with duration of two years or shorter. Under SERAP, nine projects which have Fintech potential and applications ranging from authentication and security, data analytics to retirement benefits systems and remittance services have received funding support. As the ESS targets all Hong Kong registered companies regardless of their sizes, the scheme

could act as a source of funding to support R&D activities of both existing financial institutions and startups as long as they have ideas and projects comprising R&D elements. The ESS is a technology-neutral scheme. However, from past experience with SERAP, a majority (52%) of the funded projects were related to IT. It is expected that such a trend would continue and that the proponents of Fintech R&D projects, which are often related to IT, would benefit from the ESS.

5.20 In addition, the pre-incubation and incubation programmes offered by Cyberport and HKSTPC mentioned at paragraph 5.8 above also provide targeted funding support to their participants, which are typically early- and seed-stage entrepreneurs and companies –

- (a) Cyberport Creative Micro Fund Programme: HK\$100,000;
- (b) Cyberport Incubation Programme: financial assistance or reimbursement valued up to HK\$530,000;
- (c) Cyberport Accelerator Support Programme: up to HK\$300,000 to cover costs of joining accelerator programmes; and
- (d) HKSTPC's Incu-Tech and Incu-App programmes: provide subsidies on a reimbursement basis for incubatees' expense on technology and business development activities including expenses on exhibition, licensing/joint R&D, technology and business consultancy, data centre/hosting, market intelligence, product launch, lab services, legal (general or on intellectual properties), accounting services and e-marketing. The maximum total funding support under the

two incubation programmes amounts to HK\$645,000 and HK\$300,000 respectively³⁵.

5.21 Private sector funding for Fintech ventures in Hong Kong has been notable as well. According to data from AngelList and company press releases, 18 companies raised about US\$140 million during 2011-2015. The investment made was spread across different stages for the startups, with four companies raised over US\$10 million while nine startups raised less than HK\$100,000.

Talents

5.22 Talents from outside Hong Kong not only keep the local Fintech ecology connected to the latest ideas and development in the fast-evolving global Fintech scene, but they can also be an excellent supplement to the local Fintech talent pool.

5.23 The ample market opportunities and rise in different accelerator programmes already provide many incentives for outside talents to come to Hong Kong. The Government should continue to facilitate the entry/settlement of professionals, talents and entrepreneurs by administering an open and liberal immigration regime. Existing admission schemes including General Employment Policy (“GEP”), Admission Scheme for Mainland Talents and Professionals (“ASMTP”), Quality Migrant

³⁵ Incubatees admitted to the incubation programmes on or after 1 January 2016 would be subject to a non-accountable financial assistance mechanism. Under the new mechanism, incubatees in the Incu-Tech and Incu-App programmes can receive funding, up to a respective ceiling of \$180,000 and \$60,000, upon fulfilling regular milestone assessments.

Admission Scheme (“QMAS”) and Immigration Arrangements for Non-local Graduates (“IANG”) are applicable to different groups of prospective entrants ranging from entrepreneurs who plan to establish or join a business in Hong Kong, to professionals with special skills, knowledge or experience of value and not readily available in Hong Kong, and aspiring graduates who have obtained an undergraduate degree or higher qualification in accredited local programmes in Hong Kong and wish to stay and/ return to work in Hong Kong.

- 5.24 In 2015, entry arrangements were further enhanced specifically for startup entrepreneurs who can enrich startups’ talent supply. GEP applications under the investment stream for startup proprietors or key researchers wishing to join in startups supported by government-backed programmes³⁶ (after a rigorous vetting and selection process) would now be favourably considered.
- 5.25 Equally important is a sustainable pipeline of home-grown talents. Engaging local young talents to start early in considering Fintech in their career planning is therefore invaluable.
- 5.26 Apart from providing practical knowledge in finance and IT, university is nurturing the new generations of entrepreneurs through their dedicated “entrepreneurship centres” (many of

³⁶ Examples of government-backed programmes include –

- (a) StartmeupHK Venture Programme administered by InvestHK;
- (b) Incu-App, Incu-Bio and Incu-Tech programmes administered by HKSTPC;
- (c) Cyberport Incubation Programme;
- (d) SERAP and ESS administered by the Innovation and Technology Commission; and
- (e) Design Incubation Programme administered by the Hong Kong Design Centre.

them have been doing so for more than a decade) to inspire the entrepreneurial mindset, culture and passion in students and alumni through providing entrepreneurial support (workshops, seminars, competitions and mentorship), offering comprehensive information for beginners in creating their own businesses, harnessing the expertise and resources available within the university and through its network, and encouraging partnership with industry and commercial sectors³⁷.

5.27 Moreover, we note that there are other initiatives targeting young and aspiring Fintech entrepreneurs. For example, the inaugural Cyberport University Partnership Programme (“CUPP”) was conducted in the second half of 2015 in collaboration with local universities and Stanford Graduate School of Business to allow universities’ top-tier students to understand Fintech and experience how to pitch their ideas and business models. Fifty-two students took part in a one-week entrepreneurship boot camp at Stanford (featuring lectures, case studies, group work, guest speaker sessions, as well as personal coaching and pitch training), visits to companies in Silicon Valley, and a Demo Day in November 2015 to present their ideas and business models. Another such programme is the ASTRI Innovation Runway (“AIR”) Programme, which was launched in August 2015. The AIR programme focuses on providing technological support and mentorship to young aspiring entrepreneurs in Fintech and other

³⁷ In February 2014, Google and the Chinese University of Hong Kong’s Center for Entrepreneurship kicked off the Empowering Young Entrepreneurs (“EYE”) Programme, a year-long entrepreneurship programme. The EYE programme comprises a five-month Mentorship for 10 startup teams, speaker series and networking events with seasoned founders, pioneers, and business leaders to inspire EYE teams on real opportunities; workshops by Google experts on innovation, technology and mobile-first; a roadshow to Taiwan; and a project demo day in November 2015 with showcase and pitching session with investors.

fields. Twenty participants under the programme with early stage ideas are provided with technological and financial support as well as mentorship.

Strengths and Gaps in the Local Ecology

5.28 Table 2 summarises the status of Hong Kong’s Fintech sector in terms of the five key parameters identified by the Steering Group, and major measures adopted in different economies in developing their Fintech ecologies.

Table 2: Status of Hong Kong’s Fintech Sector and Major Development Measures in Other Economies

Parameter	Hong Kong’s Current Status and Initiatives	Measures in the Mainland and Overseas (Selected Examples in Brackets)
Promotion	<ul style="list-style-type: none"> - Steering Group on Fintech set up in April 2015 after the 2015-16 Budget - StartmeupHK Festival launched FF16 and other Fintech-themed events in January 2016 - Needs to address perception of trailing in innovation 	<ul style="list-style-type: none"> - Policy coordination at senior level (as part of “Internet Plus” action plan in the Mainland; led by Chancellor of Exchequer in the UK) - Proactive promotion by inward investment agency (UKTI in the UK) - Regulators’ open stance in conducting trials with testbeds/sandboxes (FCA and MAS)
Facilitation	<ul style="list-style-type: none"> - Rising number of Fintech-themed accelerator programmes and laboratories - Pre-incubation and incubation programmes offered (for Fintech and other sectors) by ASTRI, Cyberport and HKSTPC - Startmeup.hk as a one-stop portal for the startup community 	<ul style="list-style-type: none"> - Fintech-themed co-working spaces (Level 39 and Tyro Fintech Hub) - Accelerator programmes for specific Fintech verticals (Insurance-themed Startupbootcamp, SWIFT Innotribe Incubator, Ynext Launchpad (data))

Parameter	Hong Kong's Current Status and Initiatives	Measures in the Mainland and Overseas (Selected Examples in Brackets)
Regulations	<ul style="list-style-type: none"> - Legislation to regulate stored value facilities and retail payment systems enacted in November 2015 - Regulators actively canvassing and interacting with the Fintech sector to understand current landscape, opportunities and constraints - Business-to-business Fintech generally can operate within remits of existing regulatory framework - Regulators furthering cybersecurity and Regtech initiatives 	<ul style="list-style-type: none"> - Regulators' dedicated offices to assist Fintech firms in navigating through the regulatory landscape (ASIC, FCA and MAS) - Dedicated regimes, with proper safeguards, for P2P lending and ECF activities (the UK (P2P lending), the US and Malaysia (ECF), and New Zealand (both businesses))
Funding	<ul style="list-style-type: none"> - Schemes such as ESS under ITF provides matching funds for the industry's research activities - Financial support from pre-incubation and incubation programmes offered by ASTRI, Cyberport and HKSTPC - Private sector funding for Fintech ventures 	<ul style="list-style-type: none"> - Public funding support: examples include British Business Bank and MAS' Fintech and Innovation Group (proposed) - Private funding: especially strong in the US (accounted for 81% of global investment (US\$9.9 billion) in Fintech ventures in 2014), and also robust in the Mainland (US\$1.4 billion over 2011-2013)
Talents	<ul style="list-style-type: none"> - GEP's Investment Stream for startup proprietors and key researchers - AIR programme and CUPP for university students and young graduates 	<ul style="list-style-type: none"> - Synergy among talents in finance, entrepreneurship and technology (London) - Entrepreneurial spirit and incentive to design innovative Fintech solutions buoyed by ample supply of private sector funding (the US and the Mainland)

5.29 Hong Kong's position as the premier international financial centre in Asia provides a favourable backdrop for Fintech talents and startups to flourish. Thriving businesses in fundraising, asset management and offshore Renminbi services offer strong potential for business-to-business Fintech solution providers. There are already success cases in this area, including Fintech

companies that are based in Hong Kong to serve regional markets.

5.30 In addition, the well-developed ICT infrastructure in Hong Kong provides the prerequisite for application of advanced technology and adoption of Fintech into client interface and operations of financial services companies.

5.31 Hong Kong's development into a Fintech hub, however, is not free of challenges. One of the most vital prerequisites for building a sustainable and vibrant Fintech ecosystem is an adequate supply of Fintech talents and entrepreneurs to ensure a constant flow of new members joining and contributing to the system. Leading Fintech hubs show that centres with excellent talent pools comprising a good mix of both local experts and professionals from overseas will fortify the interest of investors and financial institutions in searching for innovation and profitable ventures in these places. An abundant supply of funding as well as support and partnership opportunities with existing financial institutions, in turn, proves to be effective means to attract and retain the most promising talents and entrepreneurs. It is therefore necessary to foster favourable conditions for building a sustainable Fintech talent base.

5.32 Moreover, some misperceptions such as Hong Kong is failing to put adequate resources in driving innovation and our regulatory framework is posing hurdles to genuine financial innovation, if become entrenched, could discourage talents, entrepreneurs and investors in Fintech to cluster in Hong Kong. This will not only impede Hong Kong's development into a Fintech hub, but can also be potentially detrimental to the competitiveness of the local financial services industry.

5.33 We may further strengthen our Fintech ecology by fully leveraging the strong presence of financial institutions in the city. Existing financial institutions can provide startups and talents a wealth of industry domain knowledge, collaboration opportunities, and even funding (especially for startups with good prospects). However, there are views that financial institutions in Hong Kong could be complacent at times in adopting innovations, or have a tendency to look outward for new ideas and technological solutions. There is a need to raise the profile of our financial institutions' participation in financial innovation taking place in Hong Kong. While there are already a number of Fintech-themed accelerator programmes established here, measures may be implemented to attract more financial institutions and organisations to establish their accelerators and innovation programmes in Hong Kong, or even start fresh programmes in the city with a view to complementing the existing initiatives through focusing on different stages of the startup pathway.

5.34 Furthermore, a single outfit to consolidate information on available support to the extent possible will be welcomed by startups and strengthen the appeal of our ecology to local talents and those from outside Hong Kong. At the same time, this information hub can help ensure that the support initiatives and resources being offered can reach the right Fintech startups by cutting down the search cost.

Chapter 6 - Recommendations

6.1 The Steering Group has presented its analysis in preceding chapters on the potential of developing Hong Kong into a Fintech hub. Based on this analysis, the Steering Group would like to submit the following recommendations to the Government.

Formulating a Vision for Fintech Development

- *To formulate a clear vision to underline Hong Kong's commitment in developing Fintech and our position as a launchpad for Fintech companies with regional and global ambitions*

6.2 Hong Kong's position as a business centre to connect the Mainland with the global markets provides an ideal platform for Fintech startups and existing financial institutions to develop and apply Fintech for the Mainland, regional and global markets. In addition to emphasising our long established trade and investment networks with other economies in Asia and around the world in our vision for developing Fintech, we should particularly highlight Hong Kong's unique advantage in market access into the Mainland through CEPA and other market opening measures. The Government should also articulate our objectives (especially the benefits to the wider economy and society) for developing the Fintech sector. Such messages will send a strong signal to both startups as well as existing financial institutions regarding Hong Kong's commitment to developing herself into a Fintech hub.

A “One-stop Office” for Fintech Startups

- *To establish a One-stop Office to support startups*
- 6.3 We have pointed out that new products and business processes developed by Fintech startups have the potential to transform the financial services industry. Currently, various institutions are providing assistance to startups and promoting innovation. To maximise the benefits for the Fintech sector, we should develop a more coordinated approach and zoom in the particular needs of Fintech startups. The Steering Group therefore recommends establishing one entity (a “One-stop Office”³⁸) as the central information portal on assistance being provided by different organisations. The One-stop Office should be able to address problems commonly encountered by Fintech startups regarding business development and professional support, talents and funding.
- 6.4 In addition to services that will usually be provided by an inward investment promotion agency (e.g. facilitating visa applications), the One-stop Office should also provide assistance such as directing startups to appropriate contact points regarding government grants and private sector funding sources, and providing information on supporting services, e.g. co-working spaces, pitching opportunities and networking events.
- 6.5 Apart from practical assistance to startups, leveraging the One-stop Office in the overall branding for Hong Kong as a

³⁸ The Steering Group is not proposing establishment of a new department. Instead, the office can work under an existing Government department to maximise synergy.

Fintech hub should be considered. In this connection, the One-stop Office should work with other Hong Kong Inc. members in joining overseas events and organising roadshows to showcase different support measures available in Hong Kong.

An Annual Premier Fintech Event

- *To organise an annual premier Fintech event and competitions to focus stakeholders on the potential of our Fintech ecology and attract talents locally and from outside Hong Kong*

6.6 In order to entrench our position on the global Fintech map, Hong Kong Inc. members (including the One-stop Office proposed above at paragraphs 6.3-6.5) should consider organising a regular large-scale premier Fintech event, gathering representatives from different segments in the ecosystem such as financial institutions, Fintech companies – both local and overseas, professional services providers, investors and regulators. This will increase awareness of our Fintech-friendly ecology, draw talents and funds to Hong Kong to explore the local Fintech ecology, and strengthen Hong Kong’s drive to become a Fintech hub.

6.7 In addition, organising Fintech-themed startup competitions as part of the annual event would help attract more Fintech entrepreneurs, locally and from outside Hong Kong, to participate in the event and promote the opportunities being offered by Hong Kong. Moreover, competitions at different levels can be organised to draw interest from aspiring young talents and recent graduates in coming up with new Fintech

concepts and getting to know more about the sector to nurture a sustainable pipeline of startups and entrepreneurs.

Flagship Fintech-themed Programme

- *To establish a Fintech-themed programme to complement existing facilitation programmes*
- *To attract financial institutions to locate/start their accelerator programmes and laboratories in Hong Kong*

6.8 While existing incubation/accelerator programmes and private co-working spaces in Hong Kong have already been grooming homegrown and overseas Fintech startups, there are also merits in setting up a dedicated Flagship Fintech-themed Programme in Hong Kong to provide a more structured pathway for new Fintech startups and as part of the overall branding of Hong Kong as a Fintech hub. The Steering Group recommends the Government to consider setting up such a programme to provide specific assistance for Fintech startups at different stages of development, particularly where intensive support is not as plentiful from local incubation/accelerator programmes and private co-working spaces, thereby maximising the complementary effect in grooming our Fintech startups as well as attracting different types of startups from other economies.

6.9 Moreover, the Flagship Programme should aim at being a focal point for drawing together different groups of talents (e.g. fresh graduates, young entrepreneurs, IT experts and seasoned financial professionals) as well as encouraging interaction between existing financial institutions and startups.

- 6.10 Indeed, active participation by existing financial institutions in the programme through, for instance, providing mentors and opportunities for collaboration will allow participating startups to benefit from the wealth of industry domain knowledge, which is one of Hong Kong's key advantages. The presence of financial institutions will also help connect them with the latest creative ideas that can potentially enhance their operational efficiency.
- 6.11 In addition, financial institutions already running programmes/laboratories/investment funds overseas, or are contemplating to set up new ones, should be encouraged to locate their programmes/laboratories in Hong Kong to synergise with the Flagship Programme. The Government and One-stop Office should regularly scan the horizon for promising programmes/laboratories, and the One-stop Office, more specifically, could be tasked to lead the efforts in attracting these programmes/laboratories to Hong Kong by highlighting the unique advantages in the local Fintech ecology and the potential synergy offered by collaborating with existing innovation infrastructure in Hong Kong.
- 6.12 Furthermore, we can consider encouraging global Fintech competition/event organisers to leverage the Flagship Programme as an anchor for attracting top-notch Fintech startups to set up longer term operations in Hong Kong by guaranteeing competition winners places to participate in the programme.

Applying and Setting Standards for Cutting-edge Technologies

- *To raise Hong Kong's position as a hub for applying and setting standards for cutting-edge Fintech technologies*

6.13 Hong Kong should leverage our reputation as the hub for business negotiation to become the centre for application of and standard setting for technologies that have wider applications for the Fintech sector as well as the financial services industry as a whole, including such segments as Blockchain and cybersecurity. Organising international events on Blockchain technology and developing certification scheme/training programme for cybersecurity as mentioned at paragraphs 3.13-15 are heading in the right direction. The Steering Group sees the need to mobilise active participation by more Hong Kong Inc. stakeholders, including existing financial institutions, as well as research and academic institutions, and to recommend the financial industry to adopt the standards and processes advocated in the certification scheme/training programme for cybersecurity.

Funding

- *To improve dissemination of information on funding sources*

6.14 The Steering Group recommends enhancing the dissemination of information on funding sources available in Hong Kong to allow companies to fully leverage funds offered by public sector schemes (including those from ITF and organisations such as Cyberport and HKSTPC) and private investors (given there have already been a number of successful cases for seed-stage and

venture capital funding for local Fintech startups over the past few years). In particular, with an injection of HK\$5 billion in 2015, ITF (funding programmes including the ESS mentioned at paragraph 5.19) has the capacity to support both Fintech startups' innovation activities as well as existing financial institutions' in-house research projects, especially when the fund's mandate include encouraging and assisting companies to upgrade their technological level and introduce innovative ideas to their businesses.

- 6.15 Therefore, while such funding support is usually considered as a complement to other funding channels for startups, it is equally important to inform financial institutions of the potential of funding support for their research activities offered by the ESS. Measures to facilitate better understanding of the requirements and procedures by existing financial institutions as well as Fintech startups may make the companies more aware of the full range of funding options. In sum, the Government should proactively consider measures to leverage the existing funding schemes in promoting the development of Fintech in Hong Kong.
- 6.16 Some recommended measures mentioned above can also be made part-and-parcel of this enhanced information flow on funding sources. For example, the One-stop Office can contribute to this by directing startups to the appropriate contact points. In addition, the Flagship Programme mentioned at paragraphs 6.8-6.12 above can also attract institutional investors into its cluster to provide programme participants easier access to potential funding opportunities.

6.17 While experience from the ITF indicates that Fintech companies with projects comprising research elements could benefit from its various schemes such as the ESS, the Steering Group encourages the Government to regularly monitor the funding demand and supply in the Fintech sector, and be more proactive in considering measures to fill in any significant gaps left behind by the public funding schemes and private funding sources for Fintech companies in specific development stages.

Regulations

- *To establish dedicated contact points to help the Fintech community better understand our regulatory landscape*

6.18 Given some Fintech startups may find it difficult to understand and fit themselves into existing rules and categories because of the innovative/disruptive nature of their operating models and products, the Steering Group recommends our financial regulators to provide channels for startups with genuinely innovative ideas to obtain information on regulations directly from them and receive initial feedback on regulatory issues relevant to the startups' businesses.

6.19 Dedicated contact points, similar to those offered by Australia's ASIC and the UK's FCA, could be useful in facilitating the Fintech community's understanding of the current regulatory regime. The Steering Group further sees room for the regulators to work with the industry through these contact points or via other channels to provide more clarity on existing regulations to the Fintech community and help it better understand the relevant rules and regulations for specific Fintech

businesses. In particular, information on how innovation and new services models may interface with the current regime could make a huge difference for many startups.

6.20 For instance, P2P lending and ECF platforms may wish to examine the existing exemptions set out in the current regulatory regime and see whether these exemptions provide a suitable operational space. For example, subject to compliance with SFO licensing, authorisation and other relevant regulatory requirements highlighted in paragraph 5.14 above, offers limited to professional investors may benefit from certain exemptions. This in turn may provide a plausible starting point for their business models.

6.21 To provide a conducive environment for financial innovation that benefits local consumers and enterprises, the Steering Group also recommends the Government and the regulatory authorities to keep a close tap on Fintech development and the financial regulatory landscape globally, and review, as the Fintech sector evolves and develops in the future, whether these developments call for an adaptation of existing regulations.

6.22 Meanwhile, the potential for achieving better efficiency and efficacy in the supervisory process through applying technology should be further pursued to enhance Hong Kong's competitiveness as an international financial centre. The Steering Group encourages our financial regulators to explore benefits arising from Regtech by working closely with services providers and the industry, with a view to strengthening the financial system's resilience. This in turn may lead to fresh business opportunities for the Fintech sector.

- *To encourage young talents to consider entering the Fintech sector*
- *To enhance dissemination of information on immigration policy for talents outside Hong Kong*

6.23 An adequate supply of Fintech talents is essential to a sustainable and vibrant ecosystem. Regarding local talents, the Steering Group recommends putting efforts into developing a clear pathway for aspiring Fintech talents and entrepreneurs. The pathway of support measures should comprehensively cover different development stages of Fintech companies, from ideas formation (through pre-incubation programmes) and startups' launches (incubation programmes and co-working spaces) to the building and scaling-up of the companies (accelerator programmes and Fintech-themed events for pitching and networking).

6.24 Specifically, more young talents should be encouraged to join the Fintech sector. Apart from increasing the supply of technological Fintech talents through offering more relevant STEM/Fintech courses and programmes at tertiary institutions to better complement the robust pool of financial talents in Hong Kong, students and young graduates should be offered opportunities to gain a better understanding of entrepreneurship and innovation as well as hands-on experience of the Fintech sector.

6.25 On top of promoting students' and graduates' participation in general entrepreneurship and commercialisation/

knowledge-transfer programmes now being offered by universities and research institutions, the Steering Group believes that developing elements of youth engagement into the proposed Flagship Programme should be considered, especially when a cluster of Fintech-related expertise would have been formed under the programme already.

6.26 Experts from Fintech firms and financial institutions should also be enlisted to help nurture local Fintech talents, from participating in structured programmes (including mentorship networks) to providing startups and entrepreneurs with easier access to their advice.

6.27 In terms of attracting talents from outside Hong Kong, the Steering Group also recommends enhancing the dissemination of information regarding immigration policy (such as the enhanced entry arrangements for startup entrepreneurs and prospective talents under the GEP) as well as the assistance available in the local startup ecology (through the work of the One-stop Office) so as to lower the perceived hurdle for talents to relocate to Hong Kong.

6.28 Moreover, applied research projects such as big data technology, Blockchain and cybersecurity mentioned above should be leveraged for attracting specific types of technical talents to station in Hong Kong. This will not only help expand the potential talent pool available for the local Fintech community (especially professionals such as data scientists and Blockchain experts, for whom a shortage is apparently observed globally), but it will also provide opportunities for local technical talents to synergise with these world-class experts and keep their skillsets current.

- 6.29 The recommendations proposed by the Steering Group aim to set the broad directions and focused areas that will be critical to the further development of our Fintech ecology. Therefore, subject to the acceptance of the recommendations, the Steering Group believes that the Government and relevant authorities will, having regard to resources and other relevant considerations, take forward the recommendations by developing specific proposals and details for implementation. The Steering Group also believes that close partnership among the Government, industry, regulators and other Hong Kong Inc. members will be essential for the measures to achieve their efficacy.
- 6.30 Given the recommendations are based on the prevailing situation of the local and global Fintech sector, the Steering Group further encourages the Government to continue engaging the industry to keep abreast of the dynamic Fintech landscape, and monitor any emerging opportunities and challenges on the international and local horizons. The Steering Group is confident that robust development in the local Fintech sector will help consolidate the position of Hong Kong as Asia's leading international financial centre as well, and reinforce our position as a hub of multiple economic networks.

Annex A - The Steering Group on Financial Technologies: Membership

Chairman

Professor K C Chan, Secretary for Financial Services and the Treasury

Official Members

Mr Andrew Wong Ho-yuen, Permanent Secretary for Financial Services

Mr James Henry Lau Jr, Under Secretary for Financial Services and the Treasury

Ms Janet Wong, Commissioner for Innovation and Technology (from 1.4.2015)

Ms Annie Choi, Commissioner for Innovation and Technology (from 19.8.2015)

Dr Simon Galpin, Director-General of Investment Promotion

Regulatory Authorities

Mr Peter Pang, Deputy Chief Executive, the Hong Kong Monetary Authority

Ms Bénédicte Nolens, Senior Director/Head of Risk and Strategy, the Securities and
Futures Commission

Non-official Members

Mr Raymond Cheng, Group General Manager & Chief Operating Officer, Asia
Pacific, Hongkong and Shanghai Banking Corporation

Dr Louis Cheung, Managing Partner, Boyu Capital

Mr Herman Lam, Chief Executive Officer, Hong Kong Cyberport Management Co.

Mr Teddy Lui, General Manager for Hong Kong & Macau, Alipay.com

Ms Shelly Painter, Regional Managing Director, Asia, Vanguard Investments
Hong Kong

Mr Sushil Saluja, Senior Managing Director, Accenture

Professor Tam Kar-yan, Associate Provost and Dean of Students, the Hong Kong
University of Science and Technology

Dr Tong Fuk-kay Franklin, Chief Executive Officer, Hong Kong Applied Science and
Technology Research Institute Company

Mr Simon Wong, Chief Executive Officer, Hong Kong R&D Centre for Logistics and
Supply Chain Management Enabling Technologies

Mr Zhang Lei, Chairman and Chief Executive Officer, Hillhouse Capital Management

Annex B - Fintech-themed Accelerator Programmes

Programme	Inauguration Date	Programme Duration	# of Startups per Intake	Programme Theme / Investment
Multi-location				
Accenture's FinTech Innovation Lab (New York, London and Hong Kong)	2010	12 weeks	6-8	-
Barclays Accelerator (London, New York, Cape Town (2016) and Tel Aviv (2016))	June 2014	13 weeks	10	Up to US\$120,000 for 6% equity ³⁹
Startupbootcamp (London and Singapore)	August 2014	3 months	10	An insurance-themed programme was launched in London in December 2015 / £10,000 (US\$14,000) for 6% equity
Visa Europe Collab (London, Tel Aviv and Berlin)	May 2015	100 days	25 (first intake)	Payment
Citi Mobile Challenge APAC (Bangalore, Singapore, Sydney and Hong Kong) ⁴⁰	August 2015	2 months	Around 20 in each city	-
Thematic				
SWIFT Inn Tribe Incubator (La Hulpe, Belgium)	2010	N/A	On-going recruitment	Solutions for SWIFT clients
3DFinTech Challenge (London)	2013	7 weeks	6	Thematic ⁴¹
Ynext Launchpad (Silicon Valley)	2014	6 months	8	Transactional financial data / US\$20,000 (grant)
Wells Fargo Startup Accelerator (San Francisco)	August 2014	6 months	3	US\$50,000-500,000 (for an undisclosed amount of minority stake)

³⁹ Investment is made by Techstars, a US startup accelerator programme organiser.

⁴⁰ Citi Mobile Challenge has previously been held in Latin America (April 2014), the US (October 2014) and Europe, Middle East and Africa (February 2015).

⁴¹ Themes for past programmes –

- 2015: technology for compliance;
- 2014: investment management; and
- 2013: data-led solutions.

Programme	Inauguration Date	Programme Duration	# of Startups per Intake	Programme Theme / Investment
Others				
NDRC Fintech (Dublin)	May 2014	5 weeks	10	-
DBS Accelerator (Hong Kong)	April 2015	3 months	10	-
Plug and Play Fintech (Silicon Valley)	July 2015	12 weeks	20-30 (2 intakes / year)	-
Supercharger (Hong Kong)	January 2016	12 weeks	8	US\$30,000 for 5% equity
H2 Accelerator (Sydney)	August 2015	6 months	8-10	A\$100,000 (US\$70,000) for 10% equity

Annex C - List of Selected Fintech Events held in the Second Half of 2015

Event Name (Organisers)	Event Date
<p>Hong Kong Techathon 2015 (Institute for Entrepreneurship, the Hong Kong Polytechnic University and HKSTPC)</p> <ul style="list-style-type: none"> Programmers, graphic and product designers, and entrepreneurs worked collaboratively over a weekend and came up with ideas and prototypes ready for pitching. Winners received seed fund (HK\$100,000) and admission to HKSTPC's Incu-App / Incu-Tech Programme. 	3-Jul-15
FinTech: Hong Kong's Startup Landscape & 'Hub' Potential (Hong Kong Society of Financial Analysts)	7-Jul-15
FIAT Money Meetup Networking and Drinks (Financial Innovation And Technology ("FIAT"))	23-Jul-15
Regular Cloud / AWS User Group MeetUp (Cloud User Group Hong Kong)	23-Jul-15
FinTech Showcase with Mikal Abdulla of 8 Securities - RISE Week (Garage Society)	28-Jul-15
Inside Israel (Paperclip Startup Campus)	28-Jul-15
Riding the Wave of FinTech: Meet-up with PayPal (Cyberport)	29-Jul-15
<p>RISE (Riseconf)</p> <ul style="list-style-type: none"> RISE brought speakers from the world's biggest companies together with exciting startups. An audience of 5 000 (including 300 investors, 225 media, 525 startups) and 140 speakers attended the event. 	31-Jul-15
<p>OnSummit (HKU Alumni Entrepreneurs Club)</p> <ul style="list-style-type: none"> Startups from HKU Alumni Entrepreneurs Club were put in front of a public audience and a panel of external judges. Top 10 startups by public and judge voting were admitted to Cyberport's CCMF programme. 	22-Aug-15
Payment Optimisation for Startups with Paypal Braintree (Garage Society)	28-Aug-15
Providing the Tech to Fintech (Cloud User Group Hong Kong)	1-Sep-15
NB Hong Kong Meetup (Next Bank)	2-Sep-15
FinTech Book Launch: Paul Schulte (FinTech HK)	17-Sep-15
Cyberport and NexChange present: FinTech Online-2-Offline Meetup	22-Sep-15
<p>International FinTechnology Symposium (Hong Kong Information Technology Joint Council ("HKITJC"))</p> <ul style="list-style-type: none"> The one-day symposium, featuring keynote speeches and panel discussions, was attended by over 200 participants. 	24-Sep-15
Ivey Business School & DBS Accelerator, powered by NEST	24-Sep-15

Event Name (Organisers)	Event Date
<i>Fintech Innovation Forum (Questex Asia)</i> <ul style="list-style-type: none"> The one-day forum, featuring the theme “Disruptive Banking – Innovation, Trends and Risks”, was attended by about 150 participants. 	9-Oct-15
The Future of Wealth - Next Bank HK Meetup (Next Bank)	9-Oct-15
<i>Hong Kong Blockchain Workshops</i> <ul style="list-style-type: none"> Part of a global workshop series on Blockchain, the two-day event was attended by around 150 participants. 	12 to 13-Oct-15
Fintech O-2-O Meetup: Wealth Management (Cyberport and NexChange)	27-Oct-15
<i>Citi Mobile Challenge APAC: Hong Kong (Citibank)</i> <ul style="list-style-type: none"> One of the four Demo Days of the Competition – a total of 19 teams presented their proposals to a panel of judges. 	3-Nov-15
Silicon Dragon Award (Silicon Dragon)	5-Nov-15
Startups: Revolutionize the Global Financial Industry? (Cyberport and MaR S)	11-Nov-15
<i>2015 Global Entrepreneurship Week (“GEW”) China – Hong Kong Opening Ceremony cum Cyberport University Partnership Programme (“CUPP”) Demo Day (Cyberport and GEW)</i> <ul style="list-style-type: none"> 18 teams in the CUPP pitched their ideas after completing their boot camp at Stanford Graduate School of Business and visit to Silicon Valley. 	11-Nov-15
<i>Hong Kong International Computer Conference 2015 (Hong Kong Computer Society)</i> <ul style="list-style-type: none"> An annual event organised by the Hong Kong Computer Society, featuring Fintech as one of the six areas under the Conference’s theme of “#digital_economy – Powered by Innovation”, was attended by over 500 delegates. 	24-Nov-15
<i>Hong Kong International Entrepreneur Festival (China Internet Development Foundation, HKITJC and Internet Professional Association)</i> <ul style="list-style-type: none"> An Internet-finance forum was held as part of the festival. 	3 to 5-Dec-15
Scaling Bitcoin Conference (Scaling Bitcoin Workshop Group)	6 to 7-Dec-15
<i>FinnovAsia - FinTech in Asia (FINNOVASIA)</i> <ul style="list-style-type: none"> The one-day conference (including a startup demo challenge) brought together 20 speakers, more than 20 startups and over 250 participants from around the region to discuss Fintech business development and innovation in financial industry. 	8-Dec-15
“How to Build a More Favorable Environment for your e-Commerce Business” Seminar (HKT)	15-Dec-15
FinTech O-2-O Meetup (Cyberport and NexChange)	16-Dec-15
BondIT Demo + Casual Drinks and Networking (FIAT)	17-Dec-15

Annex D - Facilitation Pathway for Aspiring Fintech Talents and Entrepreneurs in Hong Kong

Below is an overview of the potential pathway for aspiring Fintech talents and entrepreneurs in Hong Kong, with brief descriptions of facilitation programmes offered by ASTRI, Cyberport and HKSTPC:

Pre-incubation

- (a) Cyberport's Cyberport University Partnership Programme ("CUPP"): a collaboration with local universities and Stanford Graduate School of Business, CUPP provides universities' top-tier students with an accelerated programme to understand Fintech and experience how to pitch their ideas and business models through visits to companies in Silicon Valley; a one-week entrepreneurship boot camp at Stanford (featuring lectures, case studies, group work, guest speaker sessions, as well as personal coaching and pitch training); and student teams' presentations of their ideas and business models on a Demo Day;
- (b) ASTRI's ASTRI Innovation Runway ("AIR") Programme: the AIR programme focuses on providing technical support and mentorship to young aspiring entrepreneurs in Fintech and other fields (ASTRI will provide the participants with a monthly fellowship of HK\$9,000 over the programme period but they cannot engage in outside paid work during the period);
- (c) Cyberport's Cyberport Creative Micro Fund ("CCMF"): CCMF is a seed fund set up to encourage innovation and creativity by sponsoring high potential creative and

innovative startup projects or business concepts in ICT-related areas, and a grant of HK\$100,000 in cash will be awarded to the successful applicants in a six-month project period for proof of concepts and for developing prototype products;

Incubation

- (d) HKSTPC's Incu-App Programme: an 18-month incubation programme which aims to provide support to web/mobile application technology startups;
- (e) HKSTPC's Incu-Tech Programme: a three-year incubation programme designed for technology startup companies in areas including ICT, electronics, green technology and material and precision engineering;
- (f) Cyberport Incubation Programme ("CIP"): the programme provides incubatee companies with access to advanced facilities and resources, support in business development, financing and hiring of graduate interns, as well as entrepreneurship and technology training, and financial assistance or reimbursement of up to HK\$530,000 will be made to incubatee companies in a 24-month incubation period for jumpstarting their businesses;
- (g) Cyberport Accelerator Support Programme ("CASP"): the programme provides financial assistance to startups joining accelerator programmes, of up to HK\$300,000, in the areas of accelerator programme fees, office rental, intern hiring, travel and accommodation;

Other supports to startups

- (h) Cyberport’s Collaboration Centre: the centre offers full corporate services to companies that are interested in establishing a collaborative business relationship with the Centre’s overseas and mainland partners; corporate service subscribers are entitled to enjoy benefits including soft landing and business support in the Mainland, access to the Centre’s facilities, business matching and networking opportunities, and marketing support; and
- (i) HKSTPC’s TechnoPreneur Partnership Programme (TPP): a collaborative initiative with private sector co-working spaces to arrange some startups to stationing outside Science Park to receive support from it at the same time.

Potential Pathway for Fintech Talents and Entrepreneurs



