

Speech
Opening remarks by SFST at Hong Kong FinTech Week 2017
(English only)

Monday, October 23, 2017

Following is the opening remarks by the Secretary for Financial Services and the Treasury, Mr James Lau, at Hong Kong FinTech Week 2017 today (October 23):

Ladies and gentlemen,

Good morning everyone here. I am glad to see a whole room of you - tech experts from financial institutions, accountancy firms, consultants and so forth. This is the second Hong Kong FinTech Week, and I was told that we should expect at least some 2,000 participants coming from all over the world. For me, it is an exciting time to come back here, not because I have been appointed the Secretary for Financial Services and the Treasury, but because last year when I was at the FinTech Week, we saw a very promising start and here we are now looking at the exciting opportunities that we just heard about from Juwan (Founder and CEO of NexChange, Mr Juwan Lee).

For me, FinTech is very dynamic and that is why every day when I read the news, I catch up on the AIs and AlphaGo, and for blockchain - of course there are lots of applications and I will speak later on this one. Then we have also cryptocurrency, big data and so forth.

For blockchain in Hong Kong, later you will be hearing from the Cyberport, the ASTRI, the Science Park - they will be talking about our work on trade finance, on cryptocurrency, on central bank digital currency, on cybersecurity, and also some of the finance or banking-related applications. I am getting very excited because we know there are many dynamic developments affecting the FinTech scene.

At the introduction when I saw the list of sponsors, I saw three names at the end of the last page which are actually regulators. It is a good thing that you have the regulators among the sponsors. Regulators in Hong Kong are not trying to kill the FinTech trade or trying to do away with FinTech. What we would like to do is to embrace them and to welcome them to the transformation

of our financial services.

Just as an example, I will spend two minutes on the subject of ICO. Two weeks ago, I had a few ICO companies coming to my office led by one of our members of the Legislative Council. They came to us and asked whether we would welcome their ICOs to Hong Kong. I said certainly we would welcome blockchain and FinTech developments but they had to tell me how would I tell the scams from the serious companies. For some ICOs that we had seen, they created problems and headlines. We knew also there were serious ICOs and useful developments on this front. That's why some countries have banned them and some have classified them as securities.

In Hong Kong, we have made it clear that if they fall into the definition of securities, they would become regulated. That was the announcement made by the Securities and Futures Commission, the regulator for securities in Hong Kong. If the mode of operation falls under the definition or the terms and features of shares or debt securities, or what we call in Hong Kong the collective investment schemes, then they will be regulated.

But then we see that at least one of the jurisdictions in Asia has introduced sandbox for ICOs, so it is for us to see how we look at ICOs and whether there is any regulatory gap. We will be looking at this to make sure that we do not stifle useful FinTech innovations and yet we have to protect the investors, to make sure that the FinTech developments will be on very healthy ground.

I should mention that our regulators, the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, have introduced regulatory sandboxes or a licence to qualify corporations to try out FinTech innovations. And for us, the Government, we have recently launched an Innovation and Technology Venture Fund of US\$250 million for investment in innovation including FinTech.

I must apologise that I can't be with you for all these various days, but some of my colleagues will be here and we look forward to learning from you, so that we can see how Hong Kong should position itself and see ourselves to leapfrog and move forward to the next era.

Thank you very much.

Ends