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FINTECH

IN HONGKONG

FLANDERS INVESTMENT & TRADE MARKET SURVEY



‘The FinTech in HongKong’

Market Report

May 2019

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1. General Introduction of Hong Kong

Hong Kong, officially known as Hong Kong Special Administrative Region of the People's Republic of China, is a city on the southern coast of China. Following British rule from 1842 to 1997, China assumed sovereignty under the 'one country, two systems' principle. The Hong Kong's constitutional document, the Basic Law, ensures "a high degree of autonomy" and "Hong Kong People administering Hong Kong" and that the current political situation will remain in effect for 50 years after the handover. The rights and freedoms of people in Hong Kong are based on the impartial rule of law and an independent judiciary.

- Head of Government: Chief Executive
- Cabinet: Executive Council
- Legislature: Legislative Council, 70 seats
- Highest Court: Court of Final Appeal

Hong Kong covers a total area: 1 104 square kilometres, including Hong Kong Island, Lantau Island, the Kowloon Peninsula, the New Territories and 262 outlying islands. Between Hong Kong Island and the Kowloon Peninsula lies Victoria Harbour, one of the world's most renowned deep-water harbours. Hong Kong's population is about 7.48 million (2018)¹. Chinese and English are the official languages of Hong Kong.

- GDP: HKD2,845.3 billion (2018)²
- GDP per capital: HKD381,870 (2018)³
- Labour force: 3.97 million (2018)⁴
- Unemployment rate: 2.8 percent (2018)⁵
- Inflation rate: 2.4 percent (2018)⁶

The main characters of Hong Kong include free trade, low taxation and minimum government interventions. "Hong Kong was ranked the world's freest economy in the Cato Institute's Economic Freedom of the World: 2017 Annual Report, and the Heritage Foundation's 2018 Index of Economic Freedom."⁷ Hong Kong is also a major service economy, with particularly strong links to mainland China and the rest of the Asia-Pacific region.

Being one of the freest markets in the world, Hong Kong has minimal trade barriers for imports. The market is therefore extremely competitive, which means quality products are often competing on price.

¹ Hong Kong Census & Statistics Department <http://www.censtatd.gov.hk/hkstat/hkif/index.jsp>

² Ibid

³ Ibid

⁴ Ibid

⁵ Ibid

⁶ Ibid

⁷ Trade and Industry Department <https://www.tid.gov.hk/english/aboutus/publications/factsheet/eu.html>

Hong Kong has been known as an international finance hub for decades. In 2018, Hong Kong ranked Second in global competitiveness⁸ and Third as a global financial center⁹.

On the other hand, Hong Kong is also a trading port. Mainland China remains the number one trading partner of Hong Kong both in terms of import, export and re-export as of 2017. Hong Kong is an important trade terminal between the Mainland China and the EU. In 2017, nearly €10 billion of the Mainland's imports from the EU routed through Hong Kong, re-exports of Mainland-origin goods to the EU through Hong Kong exceeded €33 billion. Hong Kong has set-up three Economic and Trade Offices (ETOs) in the EU, one of them based in Brussels. Belgium ranked 6 on the list of Hong Kong's Merchandise Trade with EU and Individual Member States 2017.¹⁰

2. FinTech in Hong Kong

2.1 Overview

Financial Technology, more commonly referred to as “FinTech”, has greatly reshaped the global financial sector in recent years. The concept of “FinTech” – the integration of finance and technology in modern-day style – drives innovation in financial services globally and changes the nature of commerce and end-user expectations for payments and financial services. FinTech mainly refers to the application of information technology to the provision of financial services, it is commonly considered to cover areas such as:

- *P2P lending;*
- *Crowdfunding;*
- *WealthTech/ InvestTech (investment advice and trading activities including robo-advisory)*
- *InsureTech (insurance technology);*
- *Electronic payments and settlement;*
- *Big data analytics;*
- *Cybersecurity;*
- *Customer interface (such as smartphone, social media and internet applications);*
- *RegTech (regulatory technology);*
- *Blockchain-related*

The financial services sector has seen a new category of participants, including FinTech start-ups as well as major e-commerce and technology firms, alongside incumbent financial institutions. Many FinTechs are providing financial services directly to end-users in areas such as payments and P2P (peer-to-peer) lending. Others are working with incumbents to improve their services. Across the world, the FinTech sector has grown tremendously in the last two years. The total global investment has increased more than double from USD50.8 billion in 2017 to USD111.8 billion in 2018¹¹, and it is expected to grow continuously.

Since 2010, Hong Kong FinTechs have raised US\$940 million, nearly one-third more than the amount raised by Australian FinTechs and more than double the amounts raised by FinTechs in Singapore and

⁸ World Competitiveness Yearbook (WCY) 2018, International Institute for Management Development's (IMD) <https://www.info.gov.hk/gia/general/201805/24/P2018052400187p.htm>

⁹ Global Financial Centers Index (GFCI) <https://hongkongbusiness.hk/economy/news/hong-kong-worlds-third-most-attractive-financial-center-asia-outperforms-weakening-euro>

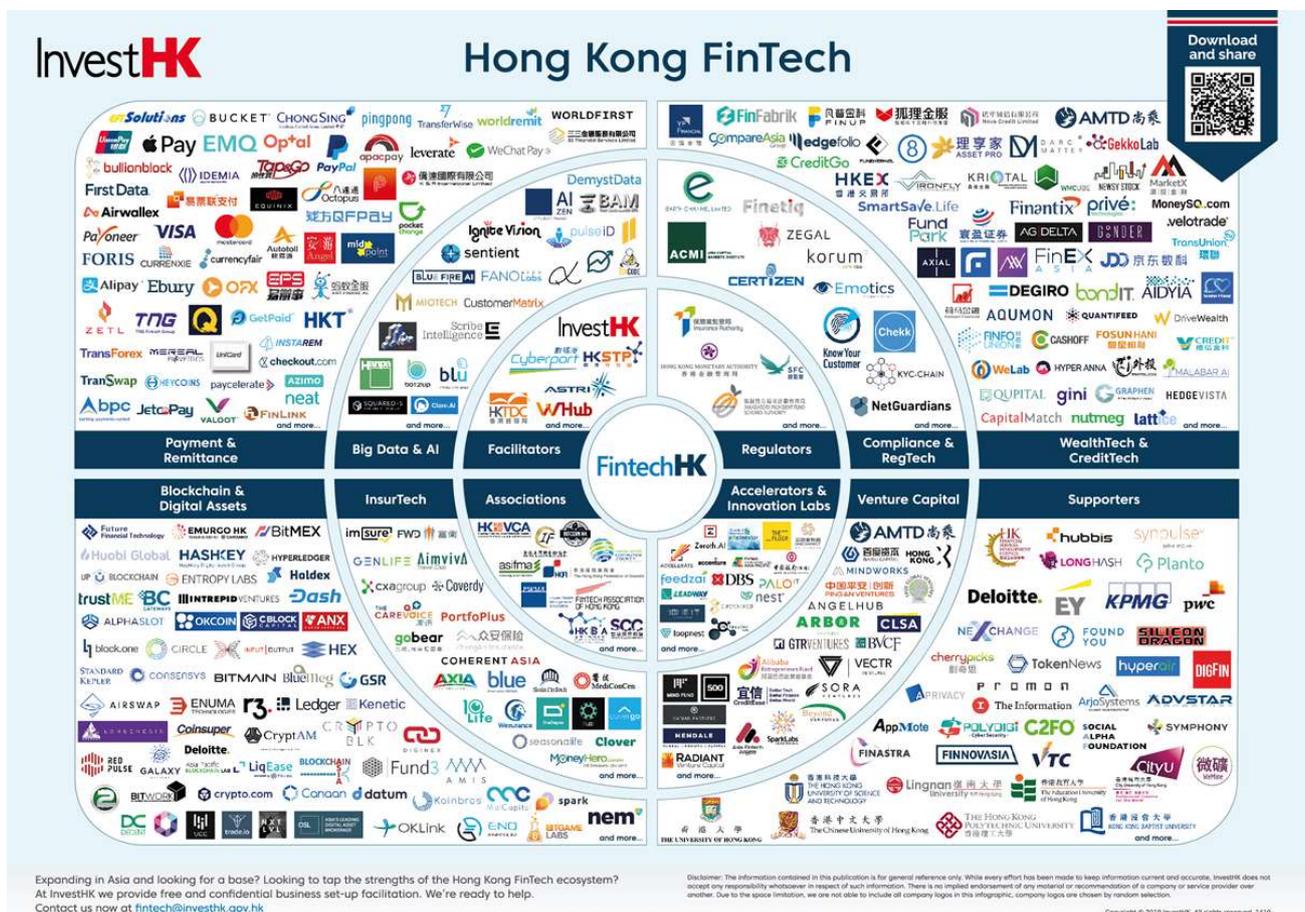
¹⁰Trade and Industry Department <https://www.tid.gov.hk/english/aboutus/publications/factsheet/eu.html>

¹¹ KPMG, The Pulse of FinTech 2018, 13 February 2019

Japan.¹² According to EY Fintech Adoption Index 2017, Hong Kong ranked 3rd in FinTech adoption rate in Asia, coming after Mainland China and India.¹³ Comparing to Mainland China, Hong Kong has a greater potential for development in FinTech.

With its connections to both East and West and its long-term advantages in financial sector, Hong Kong acts as a landing pad for FinTech start-ups aiming at regional opportunities in Asia; and as a launch pad for Mainland Chinese FinTechs seeking for international expansion. With an abundance of local and international talent in finance, entrepreneurship and STEM (science, technology, engineering, mathematics) academia, the City has the ideal ecosystem for FinTech enterprises to succeed. Currently there are 3 FinTech innovation sandboxes, more than 6 FinTech accelerators and over 550 FinTech companies in Hong Kong.¹⁴ As of 2017, 48 of the world's leading 100 FinTech companies are benefited from Hong Kong technologically advanced ecosystem.

Hong Kong FinTech Ecosystem



¹² Accenture <https://newsroom.accenture.com/news/accenture-leading-financial-institutions-seek-applicants-for-asia-pacific-fintech-innovation-lab-2018.htm>

¹³ EY Fintech Adoption Index 2017

¹⁴ FintechHK <http://www.hongkong-fintech.hk>

2.2 Major players in FinTech sector

2.2.1 The Hong Kong Monetary Authority (HKMA)

The Hong Kong Monetary Authority (HKMA) was established on 1 April 1993 by merging the Office of the Exchange Fund with the Office of the Commissioner of Banking. It is the government authority in Hong Kong responsible for maintaining monetary and banking stability. Its main functions are:

- Maintaining currency stability within the framework of the Linked Exchange Rate system;
- Promoting the stability and integrity of the financial system, including the banking system;
- Helping to maintain Hong Kong's status as an international financial center, including the maintenance and development of Hong Kong's financial infrastructure; and
- Managing the Exchange Fund

On behalf of the HKSAR Government, HKMA plays a significant role in setting up regulations and leading the direction of FinTech development. It has set up seven main initiatives in 2017 to foster the growth of FinTech in Hong Kong:

1. Faster Payment System (FPS)
2. Enhanced FinTech Supervisory Sandbox (FSS)
3. Promotion of Virtual Banking
4. Banking Made Easy initiative
5. Open Application Programming Interface (API) framework
6. Closer cross-border collaboration
7. Enhanced research and talent development

As one of the seven initiatives, HKMA has collaborated with various local and overseas organisations to promote the development of FinTech in Hong Kong. This includes the Hong Kong Applied Science and Technology Research Institute Company (ASTRI), Hong Kong Cyberport, Hong Kong Institute of Bankers (HKIB), the Hong Kong Association of Banks (HKAB), the Monetary Authority of Singapore, Abu Dhabi Global Market, etc.

More information about HKMA and its FinTech initiatives can be found on: <https://www.hkma.gov.hk/eng/index.shtml>

Fintech Facilitation Office (FFO)

As the concept of FinTech, the integration of finance and technology in modern-day style has evolved to become a vibrant industry, the HKMA has established a Fintech Facilitation Office (FFO). The FFO was set up in March 2016 to promote Hong Kong as a FinTech hub in Asia. The new office acts as a platform for exchanging ideas of innovative FinTech initiatives among key stakeholders and conducting outreaching activities, an interface between market participants and regulators with the HKMA to help improve the industry's understanding about the parts of the regulatory landscape which are relevant to them, an initiator of industry research in potential application and risks of FinTech solutions and a facilitator to nurture talent to meet the growing needs of FinTech in Hong Kong. For more information about FFO, please visit <http://ffo.hkma.gov.hk/about> .

2.2.2 The Securities and Futures Commission (SFC)

The Securities and Futures Commission (SFC) is an independent statutory body set up in 1989 to regulate Hong Kong's securities and futures markets. They derive investigative, remedial and disciplinary powers from the Securities and Futures Ordinance and subsidiary legislation. The SFC is operationally independent of the Government of the Hong Kong SAR, they are funded mainly by transaction levies and licensing fees. As a statutory body, their work is defined and governed by the Securities and Futures Ordinance, which sets out their powers, roles and responsibilities.

More information about the Securities and Futures Commission can be found on:

www.sfc.hk/web/EN/about-the-sfc/our-role/who-we-regulate.html

Fintech Contact Point

To provide communication the SFC has established a Fintech Contact Point with business involved in the development and application of FinTech which intend to conduct regulated activities in Hong Kong. Under the SFC, no person shall carry on a business in a regulated activity without a license granted by the SFC. The purpose is to facilitate the FinTech community's understanding of the current regulatory regime, and to enable the SFC to stay abreast of the development of FinTech in Hong Kong.

More information about Fintech Contact Point can be found on: <https://www.sfc.hk/web/EN/sfc-fintech-contact-point>

To facilitate the Fintech Contact Point, the SFC has formed a Fintech Advisory Group. This group obtains information on the latest trends of FinTech; collects stakeholders' input on specific FinTech themes; identifies the opportunities, risks and regulatory perimeter implications of FinTech and broadens the understanding of FinTech as an evolution of the financial services industry.

More information about Fintech Advisory Group can be found on: <https://www.sfc.hk/web/EN/sfc-fintech-contact-point/fintech-advisory-committee/>

2.2.3 The Insurance Authority (IA)

On 7 December 2015 the independent Insurance Authority (IA) was established under the Insurance Companies Ordinance 2015. The IA is a new insurance regulator independent of the Government. The objectives of its establishment are to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policy holders and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and industry.

More information about the Insurance Authority can be found on: www.ia.org.hk/en/index.html

Insurtech Facilitation Team

To enhance the communication with business involved in the development and application of Insurtech in Hong Kong, the IA has established the Insurtech Facilitation Team. This team aims at facilitating the Insurtech community's understanding of the current regulatory regime, acts as a platform for exchanging ideas of innovative Insurtech initiatives among key stakeholders, and provide advice on Insurtech-related topics as appropriate. The team is also responsible for the Fast track for applications for authorizations of new insurers owning and operating solely digital distribution channels (i.e. virtual insurance license).

As the IA wants to promote a closer dialogue between the Insurtech Facilitation Team and the market participants and interested parties, a dedicated email account has been set up. To better understand the regulatory landscape for the insurance sector in Hong Kong, please contact insurtech@ia.org.hk.

Future Task Force (FTF)

Beside the Insurtech Facilitation Team, the Future Task Force (FTF) has also been set up to work hand in hand with the IA in exploring the future of the insurance industry. It comprises experts and professionals from the insurance industry and the academia. The major tasks of the FTF are to draw up recommendations to promote the sustainable development of the insurance industry and to protect the interests of policy holders. At the moment, there are three working groups under the FTF to look into three respective important scopes that are shaping the future of the industry: Financial Technology (FinTech); Financial Regulatory and Policy and Image Building.

More information about FTF can be found on:

https://www.ia.org.hk/en/aboutus/task_force/introduction_of_future_task_force.html

2.2.4 InvestHK, FintechHK

InvestHK is the Government Department of the Hong Kong Special Administrative Region responsible for Foreign Direct Investment. It has set up a dedicated FinTech team in Hong Kong (FintechHK) with correspondents located in London and San Francisco. It aims at attracting worldwide top innovative FinTech enterprises, start-up entrepreneurs, investors and other stakeholders to expand and scale their business via Hong Kong to the mainland China, Asia and beyond.

InvestHK offers free, confidential and customized services to support the business planning, set-up, launch, expansion and referral at all stages of the business development.

With planning they offer information and advice on business incorporation procedures, tax and business regulations, cost-of-business models, employment legislation, how to recruit staff and interns, immigration requirements, trademark registration and trade regulations and arranging relevant meetings/visit programs.

In the set-up stage InvestHK can help the smooth set-up of a Hong Kong business. Their services include help finding the right service providers: company secretaries, accountants, lawyers, real estate agents, human resource companies etc., advice on corporate structure, advice on office premises, liaison with other Government departments for necessary licenses, advice on opening bank account, advice on work visas and employment issues and last but not least advice on settling in Hong Kong such as housing, healthcare, etc.

When the crucial stage of launching the business is reached, InvestHK has a range of free services to help make the launch a success, these services include generating publicity, preparing client profiles, developing case studies, arranging for members of the InvestHK Directorate to attend and speak at opening ceremonies and support launch events with public relations, etc.

InvestHK: <https://www.investhk.gov.hk/>

FintechHK: <http://www.hongkong-fintech.hk>

2.2.5 Hong Kong Cyberport Management Company Ltd

Amid the wave of FinTech innovation, Hong Kong Cyberport is the key force spearheading and shaping Hong Kong's FinTech development. Supported by the HKSAR Government, Cyberport is the digital technology flagship in town committed to inspiring innovation, nurturing entrepreneurs, and attracting global talent, partners and companies to Hong Kong for collaborations and business opportunities. It houses over 200 FinTech companies that are engaged in such diverse areas as Blockchain, Cybersecurity, AI, Big Data, Wealth Management and Transaction Engineering. That said, Cyberport is the largest FinTech community in the territory, it supports youth inspiration, incubation program, go-to-market support, investor matching and funding, professional services, alignment with regulators and collaboration with financial institutions.

More information about Hong Kong Cyberport can be found on: www.cyberport.hk/en/about_cyberport/about_overview/cyberport-fintech.

Smart-Space FinTech

Cyberport launched a 35,000 square feet co-working space dedicated to FinTech startups and companies since December 2016. It's equipped training rooms and FinTech Service corners.

Cyberport Incubation Program

The Cyberport Incubation Program gives financial assistance for individual start-ups by providing up to HKD500,000 support over 24 months. It also tries to attract overseas and mainland companies to set up office and resource and development unit in Hong Kong via the launch of an "easy landing" program, to offer financial assistance up to HKD200,000 for each eligible start-up to conduct market research and promotion, as well as participate in business missions, trade fairs, exhibitions etc.

More information about the incubation program can be found on https://www.cyberport.hk/en/about_cyberport/cyberport_entrepreneurs/cyberport_incubation_programme

On the other hand, Hong Kong Cyberport, the Smart City Consortium (SCC) and IBM China/Hong Kong Ltd formed the CSI Alliance in January 2018, which aims to help support local FinTech start-ups by connecting and fostering collaboration between technology, academic and commercial stakeholders to address issues faced by FinTech start-ups and help accelerate their growth.

2.2.6 The Hong Kong Applied Science and Technology Research Institute Company (ASTRI)

The Hong Kong Applied Science and Technology Research Institute Company (ASTRI) was founded by the Government of HKSAR in year 2000 with the mission of enhancing Hong Kong's competitiveness in technology-based industries through applied research.

More information about ASTRI can be found on: www.astr.org/about/

Fintech Career Accelerator Scheme (FCAS)

Supported by 11 universities and 9 banks in Hong Kong, ASTRI and HKMA launched the Fintech Career Accelerator Scheme (FCAS) in December 2016. The program is a gap-year internship scheme aimed at nurturing talents to meet the growing needs of FinTech in Hong Kong. Students from participating universities are invited to apply for this scheme via a full-time, semester-based, internship where interns will be co-supervised by the HKMA, ASTRI, and banks on FinTech projects.

In January 2018, in partnering with Cyberport and Hong Kong Science & Technology Park, ASTRI and HKMA launched the new version of FCAS, namely FCAS 2.0, to enhance the FinTech talent pool in Hong Kong to meet the increasing demand from the industry. In addition to the original gap-year internship

program, FCAS2.0 offers entrepreneurship boot camp, Shenzhen summer internship and full-time graduate jobs.

More details about the program can be found on: <http://www.fcas.hk/>

HKMA-ASTRI Fintech Innovation Hub

Apart from co-developing the Cyber Threat Intelligence Sharing Platform for Hong Kong Association of Banks, HKMA and ASTRI co-operated again in launching the HKMA-ASTRI Fintech Innovation Hub in 2016. This Hub serves as a neutral ground of the FinTech industry, a place where various stakeholders can collaborate to innovate. The Hub is supported by the technical teams and the hardware and software IT infrastructure of ASTRI. With hundreds of virtual workstations connected in a segregated network segment, the hub has different kinds of hybrid cloud computing configurations available. It is equipped to emulate, compare and analyze different financial services and products. Virtual private networks can also be set up to connect out of the hub with up to 30 external innovation facilities or developer laboratories in Hong Kong and overseas.

More information about the Fintech Innovation Hub can be found on <https://www.astri.org/technologies/joint-research-laboratories/rd-centres/hkma-astri-fintech-innovation-hub/>

HSBC-ASTRI Research and Development Innovation Laboratory

In 2016, ASTRI and HSBC has launched a research and development innovation laboratory to encourage research and technology implementation within financial industry. It is aimed to mobilise FinTech developments through exploratory activities in areas including artificial intelligence on Chinese character recognition, behavioural biometric authentication, big data analytics, Blockchain, cybersecurity, facial recognition and electronic finance.

More information can be found on <https://www.astri.org/technologies/joint-research-laboratories/labs/hsbc-astri-research-and-development-innovation-laboratory/>

BOCHK-ASTRI FinTech Collaboration Centre

In July 2016, The Bank of China Hong Kong has jointly launched a FinTech Centre which aims to develop latest technologies which can be adopted by the banking industry, fostering FinTech development in Hong Kong. The Centre embarks on a number of projects that focus blockchain, electronic payments, cybersecurity, big data analytics and behavioural recognition.

More information can be found on <https://www.astri.org/technologies/joint-research-laboratories/labs/bochk-astri-fintech-collaboration-centre/>

2.2.7 Hong Kong Science & Technology Park (HKSTP)

The Hong Kong Science and Technology Park Corporation is a public corporation set up by the Hong Kong Government in 2001. It aims to foster the development of innovation and technology in Hong Kong. HKSTP manages facilities and provides value-added services for the technology, research and development sector in Hong Kong. Therefore it sets to play a leading role in the government's drive to turn the city into an innovation and technology hub as HKSTP was granted HKD10 billion out of the HKD50 billion funding package dedicated to hi-tech industries. The fund is meant to support innovation and technology development, especially in the areas of biotechnology, artificial intelligence, smart cities and financial technologies (FinTech).

More information about the Hong Kong Science & Technology Park can be found on: www.hkstp.org/en

2.2.8 Hong Kong Trade Development Council (HKTDC)

The Hong Kong Trade Development Council is a statutory body established in 1966 to promote, assist and develop Hong Kong's trade. It organizes international exhibitions, conferences and business missions to create business opportunities for companies, particularly SMEs, in the mainland China and international markets. The HKTDC's mission is to create opportunities for Hong Kong companies. They focus on delivering value by promoting trade in goods and services, while connecting the world's SMEs through Hong Kong's business platform. In striving to be the best trade promotion organization in the world, the HKTDC is committed to:

- Developing and expanding new frontiers by exploring, learning and innovating
- Creating and delivering value to our customers
- Building on Hong Kong's economic success through global business
- Maintaining trust, respect and openness in all our relationships

More information about the Hong Kong Trade Development Council can be found on: <https://home.hktdc.com>.

2.2.9 WHub

WHub is Hong Kong's biggest startup community and power connector. It is a platform showcasing startups to accelerate their business through meaningful connections to the resources they need to grow. WHub is based on 3 pillars to help and grow the ecosystem. Those 3 pillars are:

1. Connecting Key Players and the Community: Connecting startups with other startups, accelerators and incubators, universities, government and investors.
2. Empowering Recruitment and Startup-Corporate Co-Innovation: Building a team for the startups through recruitment of best talent.
3. Educating through insights and events: Organizing events and supporting global conferences, as well as issuing white papers on the HK Startup Ecosystem and HK FinTech Ecosystem.

More information about WHub can be found on: <https://www.whub.io>

2.2.10 AMTD Group

Founded in 2003, AMTD Group is a Hong Kong-based comprehensive financial institution group with services coverage across the Chinese mainland and the world. AMTD has been dedicated to serving and connecting capital and resources across the Chinese mainland, Hong Kong and the globe. AMTD has a long history of promoting technological innovation and the development of sharing economy, especially in the field of FinTech and Artificial Intelligence.

To learn more about AMTD, please visit www.amtdgroup.com

AMTD FinTech Centre

In April 2018, AMTD and The Hong Kong Polytechnic University (PolyU) jointly launched the AMTD FinTech Centre of PolyU Faculty of Business (the FinTech Centre), the first university-industry collaborated FinTech center in Hong Kong. The FinTech Centre will conduct FinTech related research, consultancy and training projects for the financial industry, provide support to start-ups, facilitate exchanges among local, Chinese mainland and overseas experts, and offer FinTech education for students, financial personnel and the public. More information can be found on <https://fb.polyu.edu.hk/research/research-specialist-centres/amtd-fintech-centre-of-polyu-faculty-of-business/>

2.2.11 Finnovasia

Established in 2015, Finnovasia focuses on organizing FinTech events and conferences to inspire innovators and connect FinTech leaders across Asia. Since 2015, Finnovasia has hosted a number of regional conferences in Hong Kong and Kuala Lumpur attended by over 5000 senior level FinTech executives, founders, investors, and entrepreneurs from more than 20 countries.

It has been appointed as the official partner of InvestHK in organizing the Hong Kong FinTech Week, an annual event on FinTech which is held by the HKSAR Government.

More information about Finnovasia can be found on www.finnovasia.com

2.3 Associations

2.3.1 The Fintech Association of Hong Kong (FTAHK)

The Fintech Association of Hong Kong (FTAHK) is an independent, non-profit making association representing the Hong Kong's local and global FinTech community. Officially established in June 2017, FTAHK has more than 1,200 representative members of over 300 firms now, including large banks, insurers, technology players, start-ups, consultants, law firms, universities and students. The Association aims to support the development of Hong Kong as a leading FinTech center with three main .

There are different committees under the Association, including Blockchain, Artificial Intelligence, Big Data, Digital Banking, Payments, InsurTech, RegTech, Financial Literacy, etc.

Website: <https://ftahk.org>

2.3.2 Hong Kong Internet Finance Association (HKIFA)

Hong Kong Internet Finance Association is a non-profit organization that aims to facilitate the communication between its enterprise members and Hong Kong Government, to promote and advance the education of FinTech and the use of technology in Hong Kong.

Website: www.hkifa.org

2.3.3 Hong Kong Computer Society-Fintech Special Interest Group

The Fintech Special Interest Group under the Hong Kong Computer Society aims to promote FinTech in Hong Kong, provide advisory and feedback to Government and other stakeholders on the policies and practice related to FinTech.

Website: www.hkcs.org.hk/ftsg

2.3.4 Hong Kong Venture Capital and Private Equity Association (HKVCA)

Established in 1987, the HKVCA aims to promote and protect the interests of the venture capital industry in Hong Kong. The HKVCA provides a forum for networking and experience sharing for its members; promotes industry professional ethics, international best practices and standards; and represents the views of its members before governmental and other relevant bodies.

HKVCA represents more than 400 corporate members, include 240 private equity firms across all types – including Top 10 largest PE firms as well as small VC investors, managing a total of US\$1.5 trillion in assets. These firms are engaged in venture capital and private equity investments in the Asia-Pacific

region at all levels – from venture, growth, buyout, secondary, to pension, funds of fund, family offices, etc.

Website: www.hkvca.com.hk

2.3.5 Artificial Intelligence Society of Hong Kong

The Society is committed to the further development and understanding of Artificial Intelligence technologies in Hong Kong. It co-operates with The Fintech Association of Hong Kong on organising events that integrate the use of AI in finance sector.

Website: aisociety.hk

2.3.6 Hong Kong Blockchain Association

The Hong Kong Blockchain Society (HKBS) aims to increase the public awareness of blockchain and to promote the blockchain ecosystem in Hong Kong. HKBCS encourages and supports projects that are legal and compliant in Hong Kong and the surrounding region but does not promote individual projects nor ICOs. It works with government, academia, and the industry to promote legitimate blockchain development through education & training, research & development, advisory, events and conferences and other activities and services.

Website: www.hkbc.org

2.3.7 The Bitcon Association of Hong Kong

The Bitcon Association of Hong Kong was set up in 2012 by a group of people that aims to foster and promote Bitcoin and its related technology in Hong Kong; and to educate all stakeholders, private, public, and government about the benefits and risks of Bitcoin and its technology.

Website: www.bitcoin.org.hk

2.3.8 Smart City Consortium (SCC)

Starting from 2016, the Hong Kong Government has announced the development of Smart City. Smart City Consortium (SCC) was set up to increase the public awareness of adoption of Smart City technologies, offer advices and views in collaboration with other professional bodies to assist the Hong Kong Government in building a Smart City. It also conducts policy research that relates to Smart City, provides a platform for Government, technology partners, academia and commercial organizations to collaborate and exchange ideas relating to Smart City issues.

In January 2018, SCC formed the CSI Alliance with Cyberport and IBM China/Hong Kong to help support local FinTech start-ups.

Website: <https://smartcity.org.hk>

2.4 Recent developments of FinTech in Hong Kong

2.4.1 Banking

Open Application Programming Interface (API) Framework

Launched in July 2018 by the Hong Kong Monetary Authority (HKMA), the policy framework on Open Application Programming Interface (API) is in place to facilitate the development and wider adoption of API by the banking sector, to stimulate innovation and improve financial services through collaboration between banks and tech firms.

The formulation of the Open API framework is one of the seven initiatives set up by the HKMA in September 2017 to prepare Hong Kong to move into a New Era of Smart Banking. This framework allows access by third-party service providers and offers innovative financial services to members of the public. Open API can help to ensure the competitiveness of the banking sector, encourage more parties to provide innovative and integrated services that improve customer experience, and keep up with worldwide development on the delivery of banking services.

More information about Open API can be found on : <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/open-api-for-banking-sector.shtml>

Virtual Banking License

In February 2018, the HKMA published The Guideline on Authorization of Virtual Banks¹⁵, that sets the principles which the HKMA will take into account in deciding whether to authorize virtual banks to conduct banking business in Hong Kong. As defined in the guideline, a “virtual bank” refers to a bank which delivers retail banking services primarily, if not entirely, through the internet or other forms of electronic channels instead of physical branches.

In the Policy Address 2018, the Chief Executive announced that the HKMA was processing the first batch of virtual banking license applications.

In processing the applications, HKMA will give priority to applicants who can demonstrate that

1. they have sufficient financial, technology and other relevant resources to operate a virtual bank;
2. they have a credible and viable business plan that would provide new customer experience and promote financial inclusion and FinTech development;
3. they have developed or can develop an appropriate IT platform to support their business plan; and
4. they are ready to commence operation soon after a license is granted.

The first licenses have been issued in the beginning 2019 and the names can be found under the [List of Licensed Banks](#) published on HKMA website. The introduction of virtual bank marks the new era of Hong Kong’s banking industry. Virtual banks will not only help drive FinTech and innovation, but also bring about brand new customer experiences and further promote financial inclusion in Hong Kong.

¹⁵ Guideline on Authorization of Virtual Banks (Revised Version) <https://www.hkma.gov.hk/eng/key-information/press-releases/2018/20180530-3.shtml>

The HKMA has set up a dedicated team to answer enquiries of applicants and provide assistance during the application process. For further information about application of virtual banking license, please contact vbapplication@hkma.gov.hk . You can also refer to the below link for updates on granting of virtual banking licenses : <https://www.hkma.gov.hk/eng/key-information/press-release-category/granting-of-banking-licences.shtml>

2.4.2 Blockchain

eTradeConnect

In 2017, the HKMA developed a proof-of-concept for a blockchain-based platform for trade finance, conducting work in three areas: mortgage loan applications, trade finance and digital identity management. In October 2018, the HKMA announced the official launch of eTradeConnect, a blockchain-based trade finance platform developed by a consortium of 12 major banks in Hong Kong. Formerly known as the Hong Kong Trade Finance Platform, eTradeConnect aims to improve trade efficiency, build better trust among trade participants, reduce risks and facilitate trade counterparties to obtain financing by digitising trade documents, automating trade finance processes and leveraging the features of blockchain technology.

To learn more about eTradeConnect, please visit www.etradeconnect.net

Blockchain platform on Stock Connect

Launched in 2014, Stock Connect is a collaboration between Hong Kong Stock Exchange (HKEx) and the Shanghai and Shenzhen stock exchanges, which lets international and mainland Chinese investors trade in each other's markets through their home exchanges' platforms.

In October 2018, HKEx announced to build a blockchain platform to improve Stock Connect collaboration. HKEx has been testing a prototype system for Stock Connect using blockchain platform and smart contract modelling language in an effort to accelerate the post-trade process and reduce settlement.

To learn more about Stock Connect, please visit https://www.hkex.com.hk/Mutual-Market/Stock-Connect?sc_lang=en

In September 2017, Deloitte launched a new Asia-Pacific blockchain lab in Hong Kong to help clients in the region adopt distributed ledger technology.¹⁶

On the other hand, a Hong Kong-based firm focusing on developing Ethereum blockchain for shipping, 300 Cubits, announced a successful trial shipment took place using its smart contract technology in 2018¹⁷, establishing Hong Kong's leading position in the use of blockchain in the global maritime sector.

¹⁶ Deloitte Asia Pacific Blockchain Lab <https://www2.deloitte.com/cn/en/pages/financial-services/solutions/asia-pacific-blockchain-lab.html>

¹⁷ 300cubits Reports Blockchain Shipping Success https://300cubits.tech/300cubits_reports_blockchain_shipping_success/

2.4.3 Cybersecurity

Cybersecurity Fortification Initiative (CFI)

To further enhance the cyber resilience of the banking sector in Hong Kong, the HKMA launched “Cybersecurity Fortification Initiative” (CFI) in December 2016, aiming to improve the cyber resilience of authorized institutions, including major retail banks, and selected global banks. The CFI program consists of three key pillars:

<p>Cyber Resilience Assessment Framework (C-RAF)</p>	<p>Inherent Risk Assessment (Low / Medium / High) – an assessment on AI’s overall cyber risk exposures based on defined criteria measurements that reflects the values, types, volumes and complexity of its business operations</p> <p>Cyber Maturity Assessment (Baseline / Intermediate / Advanced) – a comprehensive control assessment program defining the targeted control requirements for different maturity levels with 7 key cyber domains</p> <p>The AI is required to determine the targeted cyber maturity state/status based on the inherent risk assessment result and conduct the maturity assessment. Based on the gaps identified, the AI is expected to analyse, summarize and prioritize their improvement actions through a roadmap</p> <p>Intelligence-led Cyber Attack Simulation Testing (iCAST) An end-to-end cyber-attack simulation testing framework aiming to evaluate AI’s capability to identify and respond to cyber-attacks based on intelligence-led cyber-attack scenarios</p> <p><i>[For Medium and High risk institutions only]</i></p>
<p>Professional Development Programme (PDP)</p>	<p>Vocational training and certification programme – A program developed in partnership with the Hong Kong Institute of Bankers (HKIB) aiming to increase the supply of qualified cybersecurity professionals in Hong Kong.</p>
<p>Cyber Intelligence Sharing Platform (CISP)</p>	<p>A new element of financial market infrastructure is developed in partnership with the Hong Kong Association of Banks (HKAB) to allow inter-bank sharing of cyber threat intelligence in order to enhance collaboration and systemic resilience.</p>

Source: Deloitte, HKMA

Enhanced Competency Framework (ECF)

In the meantime, the HKMA also developed a module on cybersecurity under the Enhanced Competency Framework (ECF) for banking practitioners, to introduce an industry-wide competency framework for the banking sector that enables talent development, and facilitates the building of professional competencies and capabilities of those working in cybersecurity.

More information about ECF can be found on: <https://www.hkma.gov.hk/eng/key-functions/banking-stability/enhanced-competency-framework-for-banking-practitioners.shtml>

In May 2018, Standard Chartered announced the opening of its Hong Kong innovation lab, the eXellerator, to promote innovation within the Bank and to tap emerging financial technologies and data science in the region.¹⁸ The eXellerator in Hong Kong will be part of the Bank's global network of innovation labs and in Hong Kong it will focus on areas such as Artificial Intelligence and Cybersecurity.

2.4.4 Payment

Faster Payment System (FPS)

In September 2018, the HKMA launched the Faster Payment System (FPS) to link up banks and stored value facilities operators which enables the public to make real-time money transfer anytime and anywhere with the use of mobile number or email address as account proxy for the payee. A common QR code standard was also launched to facilitate retail payments across different e-wallets, offering convenience to merchants and customers alike.

More information about FPS can be found on: <https://fps.hkicl.com.hk/eng/fps/index.php>

Hong Kong Common QR Code (HKQR)

To promote the adoption of QR code (Quick Response code) payments in Hong Kong, the HKMA announced the Common QR Code Standard for Retail Payments in Hong Kong together and released "Hong Kong Common QR Code" (HKQR), a free mobile application tool, on 17 September 2018. The app can be used for converting multiple QR codes from different payment service providers into a single, combined QR code. This would facilitate merchants, especially small and medium enterprises, in using a single QR code to accept different payment schemes, instead of displaying multiple QR codes to their customers.

More information about HKQR can be found on <https://ffo.hkma.gov.hk/news/detail/2018/03/16/common-qr-code-specification-for-retail-payments-in-hong-kong-merchant-presented-mode>

2.4.5 InsurTech

Fast track for applications for authorizations of new insurers owning and operating solely digital distribution channels ("Fast Track")

The Insurance Authorization (IA) launched a pilot scheme Fast Track in September 2017 to expedite applications for new authorization to carry on insurance business in or from Hong Kong using solely digital distribution channels (i.e. virtual insurance license), as a way to promote the development of Insurtech in Hong Kong. In December 2018, the first virtual insurance license was granted under the Fast Track.

The Fast Track provides a dedicated queue for new authorization applications from applicants which would own and operate solely digital distribution channels, without the use of any conventional channels involving agents, banks and brokers.

Applicants for Fast Track authorization must possess an innovative and robust business model, while being able to satisfy all prevailing regulatory requirements on solvency, capital and local assets requirements.

¹⁸ Standard Chartered Opens Innovation Lab eXellerator in Hong Kong
<http://fintechnews.hk/4966/various/standard-chartered-innovation-lab-exellerator-in-hong-kong/>

Though there is no specific deadline for the Fast Track application, the IA will closely monitor the operation of the Fast Track and may revise it in light of implementation experience and industry development.

For more details about Fast Track and the principles of application, please contact the Insurtech Facilitation Team at email insurtech@ia.org.hk or tel. +852 3899 9902 (Long Term Business) or +852 3899 9655 (General Business); or visit https://www.ia.org.hk/en/aboutus/insurtech_corner.html#2

2.4.6 RegTech

Hong Kong Association of Banks (HKAB) set up a working committee to assess creditworthiness and risk management with a view to facilitating account opening. The HKAB also appointed an independent consultancy firm to conduct a feasibility study. These developments are currently at an initial stage.

In May 2018, the Alliance for Financial Stability with Information Technology (AFS-IT) was established in Hong Kong. The AFS-IT includes top-level representation across the banking, financial, technology and regulatory sectors, as well as government officials from China, Hong Kong, Macau, Philippines, Thailand, Cambodia, Myanmar, Vietnam, Brunei and Laos, with a key focus being to foster innovation in Regtech.

More information about AFS-IT can be found on: <http://www.afs-it.org/home.html>

2.5 Government funding and investment to FinTech sector

Private investment in Hong Kong FinTech firms more than doubled in 2017 compared to 2016. Amid a global surge in interest, Hong Kong-based FinTech investment jumped to US\$545.7 Million in 2017 from US\$215.5 Million in 2016 and US\$107.5 Million in 2015, putting it well ahead of Singapore and Australia.¹⁹

In terms of public investment, the Government has adopted a five-pronged approach in facilitating FinTech development, namely *promotion, facilitation, regulation, talents* and *funding*.

Since year 2016, the HKSAR government has invested HKD78 billion to support Innovation & Technology development. In addition, the Hong Kong government's 2018 Budget pledged to allocate HKD500 million to the development of financial services over the next five years, including FinTech. Besides these measures, the HKSAR Government has set up various public funds and financial initiatives to support the development of the FinTech start-ups in Hong Kong, including the Innovation & Technology Venture Fund (ITVF), Technology Voucher Programme (TVP), The Qualifying Debt Instrument Scheme and Cyberport Macro Fund.

2.5.1 Innovation & Technology Venture Fund (ITVF)

In 2016, with the aim to stimulate private investment in local innovation and technology (I&T) start-ups, the Innovation and Technology Commission (ITC), one of the Offices under Innovation and Technology Bureau (ITB), injected HKD2 billion into the Innovation and Technology Fund (ITF) for setting up the Innovation and Technology Venture Fund (ITVF).

¹⁹ Hong Kong Fintech White Paper 2019, Whub

To be eligible for the co-investment, the start-ups must meet the below requirements:

- have a strong presence in Hong Kong (i.e. they must have been registered under the Companies Ordinance within the last seven years; having either their main or regional offices located in Hong Kong, or their key business operation or management personnel in Hong Kong).
- have to be engaged in innovation and technology sector, such as financial or blockchain technology, or in the fields of application development, intelligent manufacturing, robotics, e-commerce, artificial intelligence, internet of things, or cloud computing;
- have any part of their research and development or production chain in Hong Kong.
- have a total number of employees (including the main office and its subsidiaries if any) less than 250.

To facilitate monitoring and administration of the ITVF, a company named “The Innovation and Technology Venture Fund Corporation” (ITVFC) has been set up to serve as a special-purpose vehicle to co-invest with the partner venture capital (VC) funds in local I&T start-ups at an overall matching investment ratio of approximately 1 to 2. ITVFC will be a passive investor, making direct investment in the start-ups concurrently with the partner VC funds upon invitation of the latter.

For more information about criteria and eligibility of I&T start-ups and co-investment partners, please refer to <https://www.itc.gov.hk/en/funding/itvf.htm>

2.5.2 Technology Voucher Programme (TVP)

In 2016, the Innovation and Technology Commission launched a HKD500 million Technology Voucher Programme (TVP) under the Innovation and Technology Fund (ITF) on a pilot basis. The TVP aims to subsidise local SMEs in using technological services and solutions to improve productivity and to upgrade or transform their business processes.

Starting from February 2019, TVP has been converted into a regular funding programme under ITF. The funding ceiling per applicant has been increased from HKD200,000 to HKD400,000, and the eligibility has also been expanded to cover companies incorporated and registered in Hong Kong under the Companies Ordinance and statutory bodies set up in Hong Kong (except government subvented organisations and their subsidiaries). A series of other enhancement measures have also been introduced.

For further details about the application and their requirements, please visit: <https://www.itf.gov.hk/eng/TVP.asp>

2.5.3 The Qualifying Debt Instrument Scheme (QDI)

Hong Kong’s Qualifying Debt Instrument (QDI) scheme was introduced in 1996 with the policy objectives of attracting overseas issuers to Hong Kong, enlarging the local debt market, and enhancing the competitiveness of Hong Kong vis-à-vis other financial centres in the region. The scheme provides tax exemption or concession to interest income and trading profits arising from qualified debt instruments in accordance with sections 14A and 26A of the Inland Revenue Ordinance (Cap 112).

Under the scheme, interest income and trading profits arising from renminbi-denominated bonds issued by the Central People’s Government of the People’s Republic of China in Hong Kong, Exchange Fund Bills and Notes, Hong Kong Government Bonds and Hong Kong dollar-denominated multilateral agency debt instruments are exempt from profits tax in Hong Kong.

Other debt instruments are also qualified for the scheme if they:

- are lodged with the Central Moneymarkets Unit operated by the Hong Kong Monetary Authority;
- have at all relevant times a credit rating acceptable to the Monetary Authority (MA) from a credit rating agency recognized by the MA;
- have a minimum denomination of HKD50,000 or its equivalent in a foreign currency;
- are, at issuance, issued in Hong Kong to –
 - (i) 10 or more persons, or
 - (ii) less than 10 persons none of whom is an associate of the issuer of the instrument.

In the 2018-19 HKSAR Budget, the Secretary of Finance announced the amendment to the Qualifying Debt Instrument scheme by increasing the types of qualified instruments. In addition to instruments lodged and cleared by the Central Moneymarkets Unit of the HKMA, debt securities listed on the Hong Kong Stock Exchange (SEHK) will also become eligible. The Government will also extend the scope of tax exemption from debt instruments with an original maturity of not less than seven years to instruments of any duration. Under the enhanced scheme, Hong Kong FinTech investors will enjoy tax concession for interest income and trading profits derived from a more diverse range of debt instruments.

For more information about the QDI scheme, please visit the Inland Revenue Department's website: <https://www.ird.gov.hk/eng/faq/qdi.htm>.

2.5.4 Cyberport Macro Fund (CMF)

In 2016, Hong Kong Cyberport Management Company Limited (Cyberport), which is wholly owned by the Hong Kong SAR Government, allocated HKD200 million to set up the Cyberport Macro Fund (CMF) to provide development capital for local digital technology start-ups, including FinTech start-ups.

The CMF is an investment fund which targets to co-invest with other private and public investors in the Cyberport digital entrepreneurs. Since the launch of the CMF, a total of around 100 applications have been received up to the end-March 2017. Eligible applicants are scalable digital technology companies with operation based in Hong Kong, which also bear one of the following identities:

- Incubatees or graduates of Cyberport's other programmes
- Cyberport Smart-Space companies
- Cyberport office tenants

The Macro Fund Investment Committee, comprises experts from the financial and tech industries in the region to oversee the CMF. Investment decisions are made upon an in-depth study in the following area:

- Thorough business assessment including, but not limited to, compliance, governance, financial position and business viability
- Potential return on investment
- Proven involvement in the Cyberport community

For further details about CMF, please visit:

https://www.cyberport.hk/en/about_cyberport/cyberport_macro_fund

2.6 Future developments about FinTech in Hong Kong

In recent years, the HKSAR Government has continued to stress importance and commit enormous resources on promoting the development of Innovation and Technology in the City. In Policy Address 2017, the Chief Executive has set out eight major areas to spearhead I&T development in Hong Kong:

- increasing resources for research and development (“R&D”);
- pooling together technology talent;
- providing investment funding;
- providing technological research infrastructure;
- reviewing existing legislations and regulations;
- opening up government data;
- Government to lead changes to procurement arrangements; and
- strengthening popular science education.

The key I&T sectors include: Financial Technologies, Healthcare Technologies, Robotics Technologies and Artificial Intelligence, Smart City Blueprint, the development of Hong Kong-Shenzhen I&T Park, Science, Technology, Engineering and Mathematics (STEM) education, etc.

Since 2016, the Government has adopted a five-pronged approach in facilitating FinTech development:

1. Promotion via developing a vision and holding an annual FinTech event and competitions.
2. Facilitation through establishment of a one-stop shop, efforts to attract accelerators, and standard-setting measures.
3. Regulations: establishing contacts points within the financial regulators to explain current regulations to FinTechs.
4. Funding: to improve dissemination of information on funding sources.
5. Talent: to encourage young people to consider FinTech, and to disseminate information overseas on Hong Kong’s visa policy.

In terms of attracting Fintech talents, the Innovation and Technology Commission has launched a three-year pilot scheme, namely **Technology Talent Admission Scheme (TechTAS)**, which provides a fast-track arrangement for eligible technology companies/institutes to admit overseas and Mainland technology talent to undertake R&D work for them. Under the pilot scheme, tenants and incubates of the Hong Kong Science and Technology Parks Corporation (HKSTPC) and Hong Kong Cyberport Management Company Limited (Cyberport) that are engaged in the areas of biotechnology, artificial intelligence, cybersecurity, robotics, data analytics, financial technologies and material science are eligible for application. To learn more about TechTAS, please visit <https://www.itc.gov.hk/en/techtas/index.htm>

In addition to continue reviewing and processing the virtual banking licenses (as mentioned in above chapter), the Government announced in the latest Policy Address that it would take the lead in issuance of green bonds to signify the support for sustainable development and determination to combat climate change, and to promote the development of green finance in Hong Kong. The Government is now seeking the relevant authorization by the Legislative Council for launching the Government Green Bond Program early and making an inaugural green bond issuance under the Program.

On the other hand, the Financial Secretary also announced in the 2019/20 Budget that the Government will invest HKD5.5 million for the development of the 5th phase of the Hong Kong Cyberport, aiming to attract more quality technology companies and startups, including FinTech, to set up their offices in Cyberport and provide a pathway for young people to pursue a career in innovation and technology industry.²⁰ Cyberport 5 is expected to offer about 66,000 square meters of floor area, including facilities such as offices, co-working space, conference venues and data service platforms, and it's expected to attract 100 tech companies and 700 startups.

3. Rules and regulations relating to FinTech

Currently there is no specific regulatory framework for FinTech operations in Hong Kong. All FinTech related business operations are subjected to the existing body of Hong Kong financial laws and regulations.²¹ The 3 regulatory authorities (i.e. Hong Kong Monetary Authority, Securities & Futures Commission, Insurance Authority) are most relevant to the FinTech industry and they have established dedicated FinTech platforms (i.e. FinTech Facilitation Office, FinTech Contact Point and FinTech Liaison Team) to enhance communications between regulators and the FinTech community.

The launch of FinTech Sandboxes is one of the measures that the Government has taken to provide a confined regulatory environment for qualified firms to demonstrate the reliability of their FinTech solutions as well as their internal control systems at the initial stage.

3.1 FinTech Sandboxes in Hong Kong

3.1.1 FinTech Supervisory Sandbox of the Hong Kong Monetary Authority

The Supervisory Sandbox allow banks and their partnering technology firms to conduct pilot trials of their FinTech initiatives involving a limited number of participating customers without the need to achieve full compliance with the HKMA's supervisory requirements. This arrangement enables banks and technology firms to gather data and user feedback so that they can make refinements to their new initiatives, thereby expediting the launch of new technology products, and reducing the development cost.

The Sandbox also includes a feature called "Chatroom". The Chatroom seeks to provide supervisory feedback to banks and tech firms at an early stage when new technology applications are being contemplated, thereby reducing abortive work and expediting the rollout of new technology applications. Firms may access the Chatroom through emails, video conferences or face-to-face meeting with the HKMA. More information about the Chatroom can be found on: <https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/fintech-supervisory-sandbox.shtml#1>.

3.1.2 Regulatory Sandbox of the Securities and Futures Commission

The SFC Regulatory Sandbox is established to provide a confined regulatory environment for qualified firms to operate regulated activities under the Securities and Futures Ordinance before FinTech is used on a fuller scale. The Sandbox enables qualified firms, through close dialogue with and supervision by the SFC under the licensing regime, to readily identify and address any risks of concerns relevant to their regulated activities.

²⁰ 2019/20 Budget <https://www.budget.gov.hk/2019/eng/budget14.html>

²¹ <https://iclg.com/practice-areas/fintech-laws-and-regulations/hong-kong>

3.1.3 Insurtech Sandbox of the Insurance Authority

The Insurtech Sandbox launched to facilitate a pilot run of innovative Insurtech applications by authorized insurers to be applied in their business operations. The sandbox aims to collect sufficient data to demonstrate to the IA that such Insurtech application can broadly meet relevant supervisory requirements arising from its code and guidelines and other regulatory practices.

Overview and Comparison of Sandboxes in Hong Kong

	FinTech Supervisory Sandbox of the Hong Kong Monetary Authority	Regulatory Sandbox of the Securities and Futures Commission	Insurtech Sandbox of the Insurance Authority
Who can apply to be in the sandbox?	Banks authorized by the HKMA.	Firms licensed by the SFC and start-up firms that intent to be licensed by the SFC.	Insurers authorized by the IA.
Main benefits of the sandbox	They are allowed to conduct a pilot trial of their initiatives involving actual banking services without the need to achieve full compliance with the HKMA’s usual supervisory requirements during the trial period subject to certain parameters.	Through close dialogue with and supervision by the SFC, they are able to identify and address any risks or concerns associated with their regulated activities before their services can be provided to the wider public in Hong Kong.	Insurtech applications will be considered by the IA as to whether they can broadly meet the relevant suspending requirements, without the need of full compliance. The “Fast Track” will expedite the authorization process of the IA.
How to apply to be in the sandbox?	Banks that wish to be in the HKMA’s sandbox should write to the HKMA at hkma_sandbox@hkma.gov.hk .	Firms that wish to be in the SFC’s sandbox should get in touch with the SFC Fintech Contact Point by completing the FinTech Enquiry Form: www.sfc.hk/web/EN/sfc-fintech-contact-point/submit-your-questions-or-ideas.html .	Insurers that wish to be in the IA’s sandbox should write to the Insurtech Facilitation Team at insurtech@ia.org.hk .
When to apply to be in the sandbox?	Anytime. However, applicants should have completed its own due diligence and evaluation on how they will meet the objectives and principles of the sandbox and the <u>evaluation criteria</u> prescribed by the regulators, as applicants are required to demonstrate how they will meet these requirements in the application.		

<p>Evaluation criteria</p>	<p>Banks which are allowed to use the HKMA's sandbox, should ensure:</p> <ol style="list-style-type: none"> 1. Boundary 2. Costumer protection measurers 3. Risk management controls 4. Readiness and monitoring 	<p>The SFC's sandbox is available to firms which are fit and proper, utilize innovative technologies and be able to demonstrate a genuine and serious commitment to carry on regulated activities through the use of FinTech. The establishment or activities of these firms should also increase the range and quality of products and services for investors and benefit the Hong Kong financial services industry.</p>	<p>The following principles apply to the IA's sandbox:</p> <ol style="list-style-type: none"> 1. Well-defined boundary and conditions 2. Risk management controls 3. Customer protection 4. Resources and readiness of the insurer 5. Exit strategy
<p>How long will the regulators take to process sandbox applications?</p>	<p>The regulators did not specify any particular timeframe for the processing of sandbox applications.</p>		
<p>What happens after the sandbox?</p>	<p>Banks may proceed to formally launch their services and products on a broader scale provided that they could comply with supervisory requirements that are applicable outside the sandbox regime.</p>	<p>Once a qualified firm has demonstrated that its technology is reliable and fit for purpose, and its internal control procedures have adequately addressed the risks identified, the firm may apply to the SFC for removal or variation of some or all of the licensing conditions imposed, so that it may conduct regulated activities and be subject to supervision by the SFC on the same basis as licensed corporations which operate outside the sandbox.</p>	<p>Insurers may proceed to formally launch their services and products on a broader scale provided that they could comply with supervisory requirements that are applicable outside the sandbox regime.</p>

		If the SFC considers that a qualified firm operating in the sandbox is not fit and proper to remain licensed, its license may be revoked.	
Cross-sector FinTech Services	<p>If a firm intends to conduct a pilot trial of a cross-sector FinTech product, it may apply to seek access to the sandbox it considers most relevant.</p> <p>The regulator will act as the primary point of contact and assist in liaising with the other regulators for the firm to access the sandboxes concurrently.</p>		



4. Main events related to FinTech in Hong Kong

Hong Kong FinTech Week

Organised by FinTechHK (the FinTech branch of InvestHK) and Finnovasia every year, Hong Kong FinTech Week is the most significant event in Hong Kong FinTech industry. Hong Kong FinTech Week 2018 has become the world's first cross-border financial technology event, took place in Hong Kong and Shenzhen, the China's Silicon Valley. Being held between 29th October and 2nd November 2018, it has attracted more than 10,000 senior executives and featuring over 250 world's top FinTech founders, investors, regulators and academics who are shaping the future of finance services by driving a technological revolution in the industry across Asia and the world.

During the one-week conference, Hong Kong FinTech Week showcased Hong Kong FinTech ecosystem with a wide range of activities including panel discussion, workshops, demos & pitches, company visits, etc.

More information about Hong Kong FinTech Week can be found on: www.fintechweek.hk

FinTech Finals Conference

Sponsored by InvestHK and organized by Next Money Asia, FinTech Finals was an annual event in Hong Kong FinTech industry targeting startups.

FinTech Finals 2018 was held on 30th – 31st January 2018, as a part of the StartmeupHK Festival, organized by InvestHK to showcase the StartUp ecosystem in Hong Kong. It has attracted 2000 attendees and 500 FinTech founders and CEOs around the world. During the event, 24 FinTech startups from around the world competed for a cash prize of USD10,000.

More information about FinTech Finals can be found on: <https://ti.to/nextmoneyltd/ff18/en>

FinHack

FinHack is a 36-hour FinTech hackathon of product development. It encourages innovation and collaborations with Hong Kong FinTech community. During the event, participants form teams to create new ideas and solutions to address the business challenges, and create minimum visible products to tackle many of the main points the industry is facing.

The 2nd annual FinHack was co-organized by WeHub and Societe General in July 2018, with a focus on RegTech, WealthTech and Digital Banking. It has successfully gathered 150 developers and entrepreneurs.

More information about FinHack can be found on <http://finhack.io/>

FinTech O2O Global Summit

Co-hosted by Hong Kong Cyberport and NexChange, FinTech O2O is the platform connecting those transforming the finance world through cutting edge technology. It connects people at the core of FinTech through the app and website, and events. The entire ecosystem of finance professionals, FinTech entrepreneurs, startup leaders, investors, regulators and accelerators were connected to each other through FinTech O2O.

More information about FinTech O2O can be found on www.fintecho2o.com

5. Co-operations with overseas partners

The Hong Kong Government has signed several partnerships and agreements with overseas entities to promote the development of Hong Kong FinTech.

5.1 Asia Pacific

In June 2017, The Securities and Futures Commission (SFC) signed an agreement with the Australian Securities & Investments Commission (ASIC) to establish a framework for cooperation on FinTech.²² Under the agreement, SFC and ASIC will cooperate to share information on emerging FinTech trends, developments and related regulatory issues, as well as on organizations which promote innovation in financial services. In addition, the agreement provides for a bilateral mechanism for referrals of innovative firms seeking to enter one another's markets.

The SFC also established FinTech bridges with Malaysia's Securities Commission in September 2017 to facilitate greater information exchange on emerging trends and regulatory developments.²³

One month later, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Singapore (MAS) signed and exchanged a Co-operation Agreement on developing the Global Trade Connectivity Network (GTCN), a cross-border financial infrastructure platform based on distributed ledger technology (DLT).

Apart from the government organizations, another partnership was formed between the FinTech Association of Hong Kong and FinTech Australia in February 2018 to strengthen the ties between each organization's FinTech ecosystem. The two organizations will work together to support businesses seeking investment, partnerships or entry into each other's markets, encourage greater regulatory harmonization by exchanging information on policy developments, and collaborate on initiatives such as research, among other things.²⁴ In the same year, The Hong Kong Internet Finance Association has also established partnerships with Singapore Fintech Association and Thai Fintech Association.²⁵

²² SFC and ASIC sign Fintech cooperation agreement <https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR80>

²³ SFC and Securities Commission Malaysia sign Fintech cooperation agreement <https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/corporate-news/doc?refNo=17PR121>

²⁴ HONG KONG AND AUSTRALIA FINTECH BUDDY-UP <http://www.hongkong-fintech.hk/en/news/hong-kong-and-australia-fintech-buddy-up.html>

²⁵ The Hong Kong Internet Finance Association www.hkifa.org

5.2 UK & Europe

In September 2017, HKSAR Government and UK Government signed The UK-Hong Kong FinTech Bridge Agreement at London to foster collaboration between the two economies in promoting financial innovation.²⁶ The Agreement commits both sides to enhance governmental, regulatory and business engagement on FinTech. This includes preparing annual FinTech events and to encourage participation of firms in these events. The agreement also facilitates introductions to soft landing facilities for UK and Hong Kong FinTech firms, and the creation of a single point of contact for FinTech companies by the UK Department for International Trade and Invest Hong Kong, to assist FinTech start-ups to establish themselves in the opposite jurisdiction.

In January 2018, The Swiss Financial Market Supervisory Authority (FINMA) signed an MoU with the HKMA to enhance FinTech collaboration with a view to facilitating financial innovation in the two places.²⁷

The HKMA also signed a Memorandum of Understanding (MoU) with the Polish Financial Supervision Authority (KNF) in March 2018 to collaborate on FinTech research projects, information exchange, mutual consultations and expertise sharing.

In March 2018, The Insurance Authority (IA) signed a co-operation agreement with the Gibraltar Financial Services Commission (GFSC) to enhance collaboration in supporting FinTech innovation. Under the Agreement, the IA and the GFSC will co-operate on information sharing on innovation and referrals of innovative firms seeking to enter the counterpart's market.²⁸

5.3 Middle East

In August 2017, SFC signed a cooperation agreement with the Dubai Financial Services Authority (DFSA) to establish a framework for mutual assistance to keep abreast of the development and application of FinTech.²⁹ Under the agreement, the SFC and the DFSA will cooperate on information sharing, potential innovation projects and referrals of innovative firms seeking to enter one another's markets.

In June 2018, the HKMA signed a co-operation agreement with Abu Dhabi Global Market, the International Financial Centre in Abu Dhabi, which focuses on jointly developing a cross-border trade finance system built on distributed ledger technology.³⁰

²⁶ HK and UK signed agreement on FinTech co-operation

<https://www.info.gov.hk/gia/general/201709/21/P2017092100181.htm>

²⁷ Switzerland and Hong Kong Strengthen their cooperation in Fintech markets <http://www.hongkong-fintech.hk/en/news/switzerland-and-hong-kong-strengthen-their-cooperation-in-financial-markets.html>

²⁸ Insurance Authority and Gibraltar Financial Services Commission sign Fintech co-operation agreement https://www.ia.org.hk/en/infocenter/press_releases/insurance_authority_and_gibraltar_financial_services_commission_sign_fintech_co-operation_agreement.html

²⁹ SFC and DFSA sign Fintech cooperation agreement <https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=17PR111>

³⁰ Fintech Co-operation between the Hong Kong Monetary Authority and the Financial Services Regulatory Authority of Abu Dhabi Global Market <https://www.hkma.gov.hk/eng/key-information/press-releases/2018/20180626-4.shtml>

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