

[HKMA Launches Supervisory Incubator to foster responsible adoption of distributed ledger technology \(with photos\)](#)

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) launched the Supervisory Incubator for Distributed Ledger Technology (the Incubator) today (January 8) to help banks responsibly unlock the transformative potential of distributed ledger technology (DLT).

The Incubator is a new supervisory arrangement designed to help banks maximise the potential benefits of DLT adoption by effectively managing the associated risks. It will augment risk management capabilities at both the individual bank and industry levels, with a particular focus on addressing those risks that may arise as banks move to productionise relevant services (e.g. deposits and loans) that cut across DLT-based and legacy banking infrastructures. As part of this effort, tokenised deposits – which have attracted significant production interest from industry – will be a core focus upon the Incubator's inception.

At the individual bank level, the Incubator will offer a one-stop supervisory platform that enables banks to reaffirm the adequacy of their risk management controls prior to the full launch of a DLT-based initiative. By leveraging this platform, banks will have access to a dedicated team from the HKMA for obtaining supervisory feedback and may opt to conduct live trials to validate and refine specific aspects of their risk management implementation under a hands-on and iterative approach, as needed.

The Incubator will also promote industry awareness and understanding of best practices in DLT risk management through a range of targeted initiatives, such as supervisory guidance, industry sharing sessions, and forward-looking research projects. Collectively, these initiatives will enhance the overall industry's ability and readiness to deploy DLT-based solutions in the long run.

Deputy Chief Executive of the HKMA Mr Arthur Yuen said, "As the banking industry continues to evolve, it is essential that we provide a supportive environment for innovation to thrive. The Supervisory Incubator for DLT is a key component of our strategy to foster the development of DLT-based banking solutions that are safe, efficient, and beneficial to the industry and the wider community."

The HKMA announced the launch of the Incubator during the fourth edition of the FiNETech series (FiNETech4), which brought together over 300

professionals from the banking, securities, insurance, mandatory provident fund and technology sectors to explore how DLT could help the financial industry break new frontiers, including with respect to transaction efficiency and information utilisation. The FiNETech series was established in April 2024 as a signature initiative of the HKMA's ongoing work to promote fintech adoption across the industry, and is supported by financial regulators (Note 1), industry associations (Note 2), as well as technology communities (Note 3), and powered by market experts (Note 4).

Note 1: The HKMA, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

Note 2: The Hong Kong Association of Banks and the FinTech Association of Hong Kong.

Note 3: Cyberport and the Hong Kong Science and Technology Parks Corporation.

Note 4: KPMG and Quinlan & Associates.

