

Hong Kong Fintech Week 2020

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

The Hong Kong Monetary Authority (HKMA) today (November 2) co-organised with InvestHK Hong Kong Fintech Week 2020, the city's flagship fintech event, and announced a range of initiatives to further foster the fintech ecosystem and support corporates, particularly small and medium-sized enterprises (SMEs).

1. Using data to facilitate SME financing

In his opening keynote, the HKMA Chief Executive, Mr Eddie Yue, announced that the HKMA is exploring a new data strategy and considering building a new financial infrastructure called Commercial Data Interchange (CDI) to enable more efficient financial intermediation in the banking system, and to enhance financial inclusion in Hong Kong.

The CDI is a consent-based financial infrastructure that would enable more secure and efficient data flow between banks and sources of commercial data. It has the potential of solving long-standing pain points in SME financing by allowing SMEs to use their own data to enhance their access to financial services.

To study the technical feasibility of the CDI, the HKMA is conducting a Proof-of-Concept (PoC) study in collaboration with banks. The PoC focuses on using trade-related data to facilitate trade finance application process and is expected to be completed by the end of 2020. The next phase of the study will begin in 2021 to cover other commercial data sources that could facilitate alternative credit scoring conducted by banks.

To develop the related technology for alternative credit scoring, the HKMA has separately commissioned the Hong Kong Applied Science and Technology Research Institute to study the use of artificial intelligence in SME loan applications; and published a white paper titled ["Alternative Credit Scoring of Micro-, Small and Medium-sized Enterprises"](#) today to deliver the findings.

2. Facilitating the digitalisation of trade finance

To provide importers and exporters with more convenient trade finance services, the operators of eTradeConnect and the People's Bank of China Trade Finance Platform announced in November 2019 that a PoC would be conducted to explore connecting the two platforms. Today the HKMA announced that Phase 1 of the PoC was completed successfully, and a pilot run was initiated in October 2020 for banks in both places to execute cross-border trade finance transactions. Seven banks have already successfully used the connection to conduct trade financing transactions, with the total trade value exceeding HK\$26 million. Phase 2 of the PoC, tentatively scheduled for early 2021, is expected to cover more types of trade activities and financing products.

Separately, to explore innovative solutions to address challenges in trade finance, the HKMA and the Bank for International Settlements Innovation Hub co-organised the [TechChallenge](#) in August 2020. The competition received a total of 103 solutions; and the [result](#) was announced today. The winners will have the opportunity to materialise their proposed solutions through prototype development in 2021.

3. Research on Central Bank Digital Currency (CBDC)

Project Inthanon-LionRock, which is the joint study on the application of CBDC to cross-border payments conducted by the HKMA and the Bank of Thailand, has entered the second phase. The two authorities aim to explore business use cases in cross-border trade settlement and capital market transactions. At the moment, the Hong Kong Exchanges and Clearing Limited, 19 participating banks, and five other corporates are going to participate in the project.

The two authorities also intend to enhance the cross-border corridor network prototype (Note) to support CBDCs of other central banks in the region. They will soon bring banks and large corporates into trials using actual trade transactions. The project findings are expected to be delivered in Q1 2021.

4. Promoting Regtech adoption

Recognising the growing importance of Regtech and the benefits it can offer to financial institutions, the HKMA has developed a two-year roadmap to further promote Regtech adoption in the Hong Kong banking sector. The roadmap, as laid out in a White Paper entitled "[Transforming Risk Management and Compliance: Harnessing the Power of Regtech](#)" published today, includes a series of promotional activities to be rolled out over the next two years, aiming at fostering a more diverse and interactive Regtech ecosystem in Hong Kong. Further details about the roadmap will be announced in a separate press release.

Mr Yue said, "Hong Kong has embraced a new era for smart banking, but to prepare for the next era, there is a need to continuously enhance the ecosystem and empower the people in it. The fintech initiatives announced today are examples of the HKMA's focus on applying technology to achieve better banking and drive financial inclusion."

For videos from Hong Kong Fintech Week 2020, please see Mr Yue's [opening keynote speech](#) and a [virtual panel discussion](#) moderated by Mr Yue.

Note: The cross-border corridor network prototype was developed in Phase 1 of the study. It allows participating banks in Hong Kong and Thailand to conduct funds transfers and foreign exchange (FX) transactions between the two jurisdictions on a peer-to-peer basis.

