

LCQ17: Promoting Regtech adoption in banking sector

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 5):

Question:

In November last year, the Hong Kong Monetary Authority (HKMA) announced a two-year roadmap to promote Regtech adoption in the Hong Kong banking sector (the roadmap), with a view to accelerating the use of technology by the banking sector for enhancing risk management and compliance. The HKMA has indicated that it will roll out a series of events and initiatives in the coming two years, including hosting a large-scale event, launching a Regtech Adoption Index, publishing relevant practice guides, creating a Regtech Knowledge Hub, and establishing a Regtech skills framework. In this connection, will the Government inform this Council:

- (1) of the implementation timetable for the aforesaid events and initiatives, as well as the amount of expenditure and manpower involved;
- (2) whether it has set quantitative performance indicators for the roadmap; if so, of the details; if not, the reasons for that;
- (3) whether, apart from establishing the Regtech skills framework, it has formulated other long-term plans for nurturing Regtech talents; if so, of the details; and
- (4) whether the HKMA has any plans to collaborate with the Innovation and Technology Bureau in the coming three years to support local fintech start-ups to conduct research and development on technologies that dovetail with the Regtech needs of the banking sector; if so, of the details; if not, the reasons for that?

Reply:

President,

The adoption of Regtech can assist the financial services sector to cope with the changing operation mode and relevant regulatory measures, and strengthen risk management and regulatory compliance. To develop a more vibrant Regtech ecosystem, the Hong Kong Monetary Authority (HKMA) published a whitepaper entitled "Transforming Risk Management and Compliance: Harnessing the Power of Regtech" in November last year, and launched a two-year roadmap to facilitate Regtech adoption by the banking industry through a series of promotional events and development initiatives.

After consulting the HKMA, my response to the Hon Chan's questions is as follows:

(1) The HKMA launched the "Global Regtech Challenge" on March 25 this year to enhance the interaction and communication between banks in Hong Kong and global Regtech firms, and encourage them to put forth solutions that help solve common risk management and regulatory compliance pain points experienced by banks. A judging panel is currently evaluating the submissions from participants and the final result will be announced during a Regtech event to be held on June 30 this year. The HKMA has invited leaders from the banking and technology sectors to join the event and share their vision for Regtech development and application, with a view to raising the Hong Kong banking industry's awareness of the potential of Regtech adoption. In addition, the HKMA plans to publish the "Regtech Adoption Practice Guides" series and create a "Regtech Knowledge Hub" in the second half of this year to further facilitate Regtech adoption and encourage information sharing amongst banks. The expenses and staff costs associated with the aforementioned events and initiatives have been incorporated into the HKMA's administrative budget.

(2) The HKMA is developing a "Regtech Adoption Index" to quantify and monitor the overall status of Regtech adoption in the banking industry. It can also gauge the effectiveness of the two-year roadmap in facilitating Regtech adoption.

(3) To nurture Regtech talent, the HKMA is developing a Regtech skills framework to identify the current skills gaps in this aspect in Hong Kong for reference by banks for training purposes. It is expected to be completed by Q3 this year. In addition, the HKMA is working with the banking industry and professional bodies to develop an Enhanced Competency Framework covering both Fintech and Regtech, with a view to assisting the professional development of new and existing practitioners of the Regtech sector.

(4) The Financial Services and the Treasury Bureau and the HKMA have been working with the Innovation and Technology Bureau to promote Fintech development. We are assisting the Office of the Government Chief Information Officer in promoting the use of "iAM Smart" by the financial industry as one of the Regtech infrastructure. The HKMA is also studying the feasibility of a corporate version of "iAM Smart" and Commercial Data Interchange. The latter allows small and medium-sized enterprises to share their commercial data with financial institutions, so that financial institutions will better understand their needs and be in a better position to provide them with tailored financial services while complying with the necessary regulatory requirements. In respect of supporting Regtech development by the Fintech sector, the Financial Services and the Treasury Bureau launched the Fintech Proof-of-Concept (PoC) Subsidy Scheme in February this year to encourage financial institutions to partner with Fintech firms (including Regtech companies) to conduct PoC projects on innovative financial services. In addition, the HKMA is considering enhancing its Fintech Supervisory Sandbox by providing "through-train" approval and funding arrangements for promising Fintech solutions, thereby expediting the market launch of innovative

financial products. Cyberport, the Hong Kong Science and Technology Parks Corporation and the Innovation and Technology Commission also provide a series of initiatives to support the development of local Fintech firms. These include the provision of financial subsidies, sharing of market research and the matching with potential corporate users and investors.