

SFST's speech at 2023 Insurtech Insights Asia Conference (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the 2023 Insurtech Insights Asia Conference today (December 6):

Kristoffer (CEO of Insurtech Insights, Mr Kristoffer Lundberg), Clement (CEO of the Insurance Authority, Mr Clement Cheung), Kin-por, (Legislative Council Member, Mr Chan Kin-por), Pui-leung, (Legislative Council Member, Mr Chan Pui-leung), distinguished guests, ladies and gentlemen,

Good morning. I am delighted to be here at the 2023 Insurtech Insights Asia Conference today. I thank the organiser for inviting me to share my views with industry leaders, tech specialists and all the guests on how Hong Kong is a thriving hub for insurance and innovation in Asia Pacific.

With a robust financial ecosystem, Hong Kong is one of the world's most open and competitive insurance centres. As at end-October 2023, there were 163 insurers authorised by the Insurance Authority (IA), 98 of which were incorporated in Hong Kong and the remaining 65 were incorporated in the Mainland and 20 overseas countries, including 11 of the top 20 insurers in the world conducting business in Hong Kong. According to the audited statistics of the Hong Kong insurance industry for 2022, the total gross premiums amounted to HK\$538.0 billion.

In December last year, the Government issued a development roadmap for the insurance sector in Hong Kong outlining visions and missions of the Government, as well as targeted policy measures to consolidate the status of Hong Kong as a global risk management centre and sophisticated insurance hub.

As announced in the Chief Executive's Policy Address, a risk-based capital regime will be implemented in 2024, with a view to enhancing the financial soundness of insurance companies and aligning with international standards; and we launched a public consultation on the detailed proposals for a policy holders' protection scheme, with a view to strengthening protection for policy holders in case an insurance company becomes insolvent. We will review the feedback received and publish a consultation conclusion as a next step.

While more investors are exploring exposure to emerging investment opportunities in the Greater Bay Area (GBA), Hong Kong aspires to be both a "facilitator" and "promoter" in linking international investors to the Mainland market. We are in the final stage of preparation for establishment of insurance after-sales service centres in places such as Nansha and Qianhai, to provide policy enquiry and administration, premium renewal and

claims services for holders of eligible Hong Kong insurance policies, facilitating those who reside or work in the GBA. On July 1 this year, the unilateral recognition policy was introduced for cross-boundary motor insurance to tie in with Northbound Travel for Hong Kong Vehicles, providing a more convenient way to obtain the necessary insurance coverage for relevant vehicles to drive in the Mainland.

To further enhance connectivity within GBA cities, we encourage the insurance industry to develop more innovative cross-boundary insurance products, for example cross-boundary health policies, that cater for practical needs of people and business operators who regularly traverse across the GBA.

We are home to many multinational insurers and reinsurers with rich experience and knowledge which could provide diverse professional services for enterprises participating in infrastructure and investment projects related to the Belt and Road Initiative. Through supportive policies and active liaison by the Government and the IA, we will attract more Mainland entities interested in making a foray into the international market to establish captive insurers in Hong Kong and elevate their consolidated corporate risk management capabilities.

To stay at the forefront of fast-evolving global financial movements, we are also dedicated to facilitating the development of insurtech to bring about positive disruption in the financial services industries. For example, the IA introduced the Open Application Programme Interface (API) framework in September 2023 to increase data exchanges and foster open competition in the insurance sector. With more than 30 cases of API usage covering various aspects along the insurance value chain, we hope to see the growth of partnerships and collaboration to utilise insurtech for narrowing protection gaps, promoting financial inclusion, enhancing connectivity and adding value to policy holders.

Market research estimated that revenues in the fintech industry are expected to grow almost three times faster than those in the traditional banking sector between 2023 and 2028, and I believe we all agree that it is now an era marked by rapid technological advancement and it is time to elevate global financial technology to the next level.

Hong Kong stands as an international financial centre with a highly digitised economy. Our world-class fintech infrastructure, robust regulatory environment, abundant business opportunities, along with funding support, position us at the forefront of the burgeoning fintech sector.

We have a vibrant fintech ecosystem in Hong Kong, and we proudly host around 1,000 fintech companies, including eight virtual banks, four virtual insurers, and two licensed virtual asset trading platforms. Innovations in areas like e-payment, regtech, insurtech and wealthtech are keenly pursued by the fintech sector.

At our annual flagship event in November, the Hong Kong FinTech Week

2023, we announced three major initiatives to foster co-development of fintech and the real economy. The first one is launching a new Integrated Fund Platform for retail fund distribution. The platform, which will be developed and operated by the Hong Kong Exchanges and Clearing Limited, aims to enhance retail fund distribution in Hong Kong and support Hong Kong's continued role as a regional and global wealth management centre; secondly, we are pleased to note that Octopus Cards Limited and Bank of China (Hong Kong) will seek to explore new e-CNY (digital Renminbi) application scenarios. For example, an inbound solution will be explored to facilitate Mainland tourists' use of e-CNY in Hong Kong through topping up Octopus Cards in tourist mobile application. These financial innovations facilitate cross-boundary consumption with a view to benefitting both inbound Mainland tourists and outbound Hong Kong residents visiting the Mainland, and they also enhance interconnectivity within the GBA. We certainly welcome and encourage more exploration on the innovation and widespread usage of e-CNY.

The third initiative is promoting real economy-related applications and innovations by the Virtual Assets (VA) and Web3.0 sector, such as tokenisation of Real World Assets and traditional financial assets, as well as further development of the regulatory framework for VA-related activities. These measures echo our commitment to establishing a facilitating environment for the development of the sector. Indeed, we have more than 170 Web3.0 related companies from more than 20 countries and regions. These companies include virtual asset exchanges, blockchain infrastructure companies, blockchain network security companies, virtual currency wallets and payment companies, as well as other projects on building the Web3.0 ecosystem.

As Hong Kong forges ahead, the Government attaches great importance to promoting fintech so as to boost the overall competitiveness of the financial services sector in Hong Kong. We have launched two rounds of the Fintech Proof-of-Concept Subsidy Scheme with a view to providing more successfully tested solutions in the market to further accelerate the pace of digital transformation for our financial services sector.

Earlier, the Hong Kong Monetary Authority (HKMA) has completed Phase 1 of the e-HKD Pilot Programme and published an overall assessment of the pilots and the way forward. The authority is planning to commence Phase 2 of the programme next year which will explore new use cases for e-HKD (Hong Kong dollar) and delve deeper into select pilots from Phase 1.

Furthermore, the technical testing conducted by the HKMA in collaboration with the People's Bank of China on cross-boundary usage of e-CNY in Hong Kong has now entered the second phase, centering on the use of the FPS (Faster Payment System) to top up the e-CNY wallet. Both the scope and the scale of testing have been expanded in this phase, with a view to facilitating the use of the e-CNY by Hong Kong residents in the Mainland in the future.

Looking ahead, we are stepping up our effort to explore deeper co-operation and closer connection with our global counterparts. The HKMA has been working closely with the Bank of Thailand to link our FPS and Thailand's

PromptPay, in a new service called FPS x PromptPay QR Payment, which was just launched not long ago. Users can now scan and pay at over 8 million PromptPay merchants in Thailand using their mobile phones. Correspondingly, Thai visitors can use PromptPay to pay at any of the around 50,000 FPS merchants in Hong Kong who choose to accept FPS QR payments.

The success of digital transformation hinges on the availability of tech-savvy talent. Apart from introducing training schemes to help practitioners keep up with the latest development in fintech, we are also developing professional fintech qualifications for the securities and insurance sectors, and launched a GBA Fintech Two-way Internship Scheme for Post-secondary students.

Ladies and gentlemen, in this fast growing financial industry, the key to business success is always to unlock new development opportunities and explore hidden potential growth. I eagerly await your new projects and products in this regard, and I wish you all an enlightening sharing and an insightful exchange today.

Lastly, for those who can vote in Hong Kong, I would like to take this opportunity to encourage you to cast your votes on the coming Sunday (December 10) for the District Council Election. Let's vote for a better community. Thank you.