

SFST's speech at Accenture FinTech Innovation Lab Asia-Pacific Demo Day (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at the Accenture FinTech Innovation Lab Asia-Pacific Demo Day today (October 22):

Simon (Chairman of the Hong Kong Cyberport Management Company Limited, Mr Simon Chan), Rocky (Chief Executive Officer of the Hong Kong Cyberport Management Company Limited, Dr Rocky Cheng), Marco (Managing Director and Head of Financial Services of Accenture, Mr Marco Tsui), Eric (Chief Public Mission Officer of the Hong Kong Cyberport Management Company Limited, Mr Eric Chan), distinguished guests, ladies and gentlemen,

Good afternoon. It is a pleasure to stand before you today at the Accenture FinTech Innovation Lab Asia-Pacific Demo Day. This event represents the culmination of hard work, innovation, and collaborative effort, showcasing the remarkable advancements that are shaping the future of financial technology in our region.

As we gather here, I am reminded of the incredible journey that the FinTech Innovation Lab Asia-Pacific has undertaken over the years. This year, the programme has once again proven to be a highly competitive platform, attracting over 100 applicants from 35 countries. From this pool of talent, we celebrate the achievements of nine outstanding companies selected to present their innovations today. Each of these start-ups embodies the spirit of resilience and creativity that is essential in today's fast-paced financial landscape.

The role of artificial intelligence

One common thread among these nine companies is their deployment of artificial intelligence (AI) in their service offerings. The excitement surrounding AI, particularly Generative AI, has been palpable over the last two years. Despite the fluctuations in the global financial environment, start-ups leveraging generative models continue to attract significant funding. Investors and market participants recognise the vast opportunities that AI presents, allowing businesses to enhance efficiency, improve customer experiences, and create innovative solutions tailored to ever-evolving market demands.

As we look ahead, I want to share that during the upcoming Hong Kong Fintech Week 2024, we will be issuing a policy statement that outlines the Government's stance towards the responsible application of AI in financial markets. This statement will provide a framework for integrating AI into our financial ecosystem, ensuring that innovation is harmonised with robust

security and regulatory frameworks.

The vibrant ecosystem of fintech in Hong Kong

The fintech ecosystem in Hong Kong is not only vibrant but also continues to grow at an unprecedented pace. According to the latest Global Financial Centres Index, Hong Kong ranks ninth globally in fintech offerings, placing us among the elite top 10 fintech hubs worldwide. This recognition is a testament not only to our achievements but also to our commitment to fostering innovation in the financial sector.

We understand that promoting fintech is essential for enhancing the overall competitiveness of Hong Kong's financial services industry. To this end, we work closely with financial regulators, industry leaders, and innovators to ensure that our fintech sector remains at the cutting edge of global developments.

Advancing financial services

As outlined in the latest Policy Address presented just last week, the Government is dedicated to solidifying Hong Kong's position as a global leader in financial innovation. We are advancing the development of cutting-edge financial services that will reshape the financial landscape of tomorrow. Key areas of focus include Central Bank Digital Currencies (CBDCs), mobile payments, virtual banking, virtual insurance, and virtual asset (VA) transactions.

Each of these innovations holds the potential to significantly alter how we conduct financial transactions, interact with financial institutions, and manage our assets. By deepening our efforts in these areas, we are not just keeping pace with global advancements; we are striving to remain at the forefront of this evolution.

Initiatives to cultivate innovation

Over the past few months, we have introduced a range of initiatives aimed at cultivating a vibrant ecosystem for fintech innovation. These efforts span multiple key areas, from enhancing cross-boundary payment systems to advancing digital asset regulation and fostering a dynamic fintech talent pool.

In May, we expanded the cross-boundary e-CNY pilot programme, providing safe and convenient retail payment options for residents in both Hong Kong and the Mainland. The Hong Kong Monetary Authority (HKMA) is actively exploring new technological solutions for cross-boundary trade settlements through the mBridge platform. By expanding use cases and widening participation from both public and private sectors, we aim to make cross-border transactions faster, more secure, and more cost efficient.

Moreover, we are promoting real-world asset tokenisation and developing a digital money ecosystem. Through Project Ensemble, the HKMA is laying the

groundwork for the tokenisation of real-world assets and the use of digital money for interbank settlements. This initiative is designed to facilitate more efficient asset trading and further integrate digital currencies into our financial system.

Stablecoin regulation and digital currencies

As part of our commitment to fostering a secure digital financial environment, potential stablecoin issuers will have the opportunity to test their business plans and use cases through the stablecoin issuer sandbox. Later this year, we will introduce legislation to regulate fiat-referenced stablecoin issuers, creating a secure and consistent framework for the growth of this emerging market.

Further underlining our dedication to digital currencies, we launched Phase 2 of the e-HKD Pilot Programme in September, now renamed Project e-HKD+. This initiative allows us to explore innovative use cases for new forms of digital money, including e-HKD and tokenised deposits. Our expanded focus on the digital money ecosystem will ensure that we remain at the forefront of technological advancements in this space.

Regulatory frameworks and risk mitigation

Regulations play a critical role in mitigating risks in the rapidly evolving world of virtual assets. To protect investors and uphold market integrity, the Financial Services and the Treasury Bureau (FSTB) is conducting a second round of public consultation on regulatory proposals for over-the-counter VA trading. We will also introduce a proposed licensing regime for VA custodian service providers, ensuring the safekeeping of digital assets in line with international standards.

Commitment to digital securities

Our commitment to innovation extends to the digital securities market as well. The HKMA is preparing to launch the Digital Bond Grant Scheme, which will incentivise financial institutions and issuers to adopt tokenisation technology in capital market transactions. This initiative will unlock new opportunities in the digital securities space, modernising our financial infrastructure and ensuring that Hong Kong continues to lead in global financial innovation.

The horizon ahead

As demonstrated by today's gathering of innovators, Hong Kong is truly an ideal platform for nurturing fintech talent and fostering global engagement. The upcoming ninth Hong Kong Fintech Week, themed "Illuminating New Pathways in Fintech", will soon take place, from October 28 to November 1. Last year's event set a new benchmark, drawing a record 35 000 attendees and garnering 5.5 million online views from over 100 economies.

This year, we welcome top leaders, policymakers, and investors from

around the world for insightful discussions on the fintech landscape and cutting-edge technologies such as AI, tokenisation, and Web3. I encourage each of you to join us for what promises to be an exciting and transformative event.

Supporting start-ups and entrepreneurs

To further support innovators like you, the Government is introducing a \$10 billion I&T Industry-Oriented Fund to drive investment into the innovation and technology sectors. In addition, we are enhancing the Innovation and Technology Venture Fund by redeploying \$1.5 billion to create matching funds with market partners. This will provide greater opportunities for start-ups and entrepreneurs to access capital, ensuring that our vibrant start-up ecosystem continues to flourish.

Conclusion

Ladies and gentlemen, as I conclude, I would like to express my sincere gratitude to Accenture and Cyberport for organising today's Demo Day. I also extend my heartfelt thanks to the participating fintech companies and our financial institutions for their invaluable contributions. Your hard work and dedication are what drive innovation in our sector.

Thank you, and I look forward to witnessing the groundbreaking advancements that will emerge from this dynamic ecosystem.