

SFST's speech at StartmeupHK Festival – Virtual FinTech Forum (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, at StartmeupHK Festival – Virtual FinTech Forum today (May 27):

Hello and a warm welcome from Hong Kong to everyone joining us here today at the Virtual FinTech Forum on the fourth day of the StartmeupHK Festival. I am very excited to hear all the discussions from today's forum as fintech is becoming one of the biggest conversations at every dinner table I attend nowadays.

I'm happy to see so many of you joining us from around the world. While many people will forever remember 2020 as the year of the pandemic, 2020 and 2021 also saw unprecedented digitalisation of the world's economy on a massive scale. It is such an exciting time for the fintech sector as well.

Today's schedule will provide insights and curated thought leadership around the core themes of fintech for Industry 4.0, as well as fintech for ESG (environmental, social and governance) and sustainability, through panels, roundtables, workshops, research highlights and business networking.

The Hong Kong Government attaches great importance to the development of fintech, and works closely with financial regulators, the industry and stakeholders to promote the development of the industry. Today, I would like to walk you through our latest initiatives in terms of regulatory enhancements and funding support.

On regulatory enhancements, we have presented to the LegCo a bill in March this year to implement an uncertificated securities market (USM) regime under which investors will have the option to hold securities without paper documents. This is expected to modernise our financial market infrastructure, and will also enhance the efficiency and competitiveness of our market. Taking into account the time and efforts needed, a phased approach will be adopted starting with listed shares of Hong Kong companies and IPOs (initial public offerings). This reform has been widely discussed in the market for a long time, and we are very glad to see that it is finally coming to implementation.

Paperless securities aside, I am sure many of you are now very familiar with cryptocurrencies or virtual assets as a new investment, with Bitcoin being a prominent theme. The Government sees both risks and opportunities from this new trend, and we are of the view that a proper regulatory system could facilitate development and at the same time protect investors and adhere to international regulatory standards. That's why in November last year, we have issued a paper consulting the market on the introduction of a licensing regime for virtual asset services providers (VASPs) in Hong Kong.

Imposing mandatory requirements to protect investors, prohibit market manipulation, and guard against money laundering and terrorist financing, we believe the proposed regime will further facilitate development of the virtual assets industry in Hong Kong, leveraging our world-class regulatory framework. We have just issued the consultation conclusion last week, and based on the feedback received, a change is introduced to allow foreign incorporated companies to also obtain a license as a virtual asset services provider in Hong Kong.

Availability of funding and the willingness to experiment are the success factors for the development of the fintech industry in Hong Kong. With that in mind, the Government has launched a Proof-of-Concept (PoC) subsidy scheme, encouraging licensed financial institutions to partner with startups and develop PoC projects applicable in actual business scenarios. To encourage more innovations, projects involving cross-boundary or cross-border applications such as the Greater Bay Area will be granted an extra 50 per cent subsidy taking into account their complexities. The scheme has indeed proven to be very popular, as so far we have received over 80 applications since the first stage was closed in end of April. The most popular fintech segments submitting applications are regtech, wealthtech, insurtech and paytech. I am very excited about the projects resulting from the subsidy scheme, and I also look forward to them being proven successful and widely adopted by more financial institutions in Hong Kong.

Besides offering a subsidy scheme for PoC projects, we also have a three-step strategic plan to develop our private equity (PE) and venture capital (VC) market, such that funding will be more accessible by fintech startups like all of you. Further to the introduction of a limited partnership fund regime in August last year, we have recently passed a legislation offering tax concessions for carried interest of PEs and VCs, enhancing Hong Kong's attractiveness as a hub for venture investors. With over 200 PEs registered under the new regime, we are also working towards the third step to introduce a re-domiciliation mechanism for overseas funds to relocate to Hong Kong.

The forum today will also cover green and sustainable finance. Indeed, it is now a priority issue for global governments and businesses, and Hong Kong is no exception. As demonstrated by the Chief Executive's commitment to achieve carbon neutrality for Hong Kong by the year 2050, we take green and sustainable development seriously and set concrete targets for ourselves. To finance government green projects as part of the efforts to achieve that target, in the next five years we will issue government green bonds totaling US\$23 billion depending on market situations, and we will also for the very first time issue retail green bonds. Also, to encourage private issuers to participate in the green finance market, we have recently announced the details of the Green and Sustainable Finance Grant Scheme, subsidising issuance costs for green bonds, and external review costs for both green bonds and loans. Since green and sustainable finance are expected to bring tangible benefits, data would play a key role for quantification and fintech in this regard would offer the solutions we need. The intersection of the two new and emerging market trends would present tremendous opportunities to our

market.

Although we are now meeting virtually, as travel returns to normal, Hong Kong will always welcome all of you, and I look forward to greeting each and every one of you in person in the near future. Hong Kong is very much open for business, in fact, now more than ever. And ultimately, I believe together, we can be a force for good by utilising technologies at our disposal.

With that, I wish you all a great day ahead, and an enjoyable experience over the remainder of the StartmeupHK Festival. Thank you.