

# Speech by Acting SFST at Hong Kong Institute of Bankers Annual Banking Conference 2019 (English only)

Following is the speech by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, at the Hong Kong Institute of Bankers Annual Banking Conference 2019 today (September 26):

Patrick (Chairperson of the Executive Committee of the Hong Kong Institute of Bankers, Dr Patrick Fung), Carrie (Chief Executive Officer of the Hong Kong Institute of Bankers, Ms Carrie Leung), ladies and gentlemen,

A very good morning to you all. It is a great pleasure to be here today, to be taking part in the 11th annual Hong Kong Institute of Bankers Banking Conference, under the ambitious theme "The New Future of Banking and Bankers – Greater Bay Area and Digitalisation".

The Greater Bay Area, digitalisation and the future, too: that's a lot to cover in one day – or one week. Perhaps the best thing to be said about the future is that it arrives one day at a time.

Let me begin with the present with you. Hong Kong has long been one of the world's largest, most respected, international banking centres, home to nearly 200 banks. They include, by the way, the world's largest bank and 77 of the top 100.

Hong Kong's attractions for the banking industry – for you – are clear and compelling. We are blessed with a highly open and internationalised market and a regulatory regime aligned with major overseas markets. Blessed, too, with the rule of law, sophisticated infrastructure support and the free flow of information and capital.

Together, we've come a long way. And to maintain our standing as a global banking capital, as one of the world's leading financial centres, we must continue to innovate, smartly and ceaselessly.

The digital revolution in financial services is well under way. And while digital disruption has the potential to shrink the role and relevance of today's banks, it can also help create better, faster, cheaper services. And that can make banking an even more essential part of everyday life for companies as well as individuals. That welcome future means, among a good many other things, embracing openness and collaboration, making judicious investments.

Innovation and technology is high on the Hong Kong Government's agenda. And financial technology is among our major priorities. This year's Hong Kong FinTech Week, November 4 to 8, will once again make that clear, attracting

more than 10,000 fintech professionals, investors and regulators from all over the world, here to explore the region's most innovative fintech centres – Hong Kong and Shenzhen.

Fintech is set to reshape the financial services industry, enabling new modes of service delivery, enhancing consumer experience, improving operational efficiency and promoting financial inclusion.

Hong Kong is working hard to realise that promise. You can see it in the surging number of fintech companies and the launch of virtual bank licences, as well as simple bank account services and a wealth of smart banking initiatives.

As you know, the Hong Kong Monetary Authority (HKMA) granted eight virtual-banking licences between March and May this year.

They will help promote fintech development. They will also offer enhanced digital banking for customers and financial inclusion in serving the retail segment. That includes our small and medium-sized enterprises.

Last September, we introduced the Faster Payment System in response to market demands for more efficient retail payment services. The system supports real-time, round-the-clock fund transfer and payment services in Hong Kong dollar and Renminbi among bank users and stored-value facility operators.

Today, 23 banks and 11 stored-value facility operators participate in the system, with 3.4 million proxy ID registrations. In August alone, the system processed 3.5 million transactions – more than double the transactions in its first month.

The Government plans to use the Faster Payment System (FPS) to provide the public with greater convenience in paying taxes, rates and water charges.

Several government departments are also examining the feasibility of accepting FPS payments at shroff counters on a pilot basis.

Customer confidence, of course, is essential to the adoption of new technology. That's why the HKMA upgraded its FinTech Supervisory Sandbox to version 2.0, giving the industry a stable testing ground for new products.

Sandbox usage continues to increase, allowing banks and technology firms to gain user and regulatory feedback at an early stage. That's a key to expediting the launch of fintech products.

In addition, the Open Application Programming Interface (API) Framework for the Hong Kong banking sector has taken effect. Its goal is to boost collaboration between the banking and IT sectors. That, of course, can only stimulate innovation and improve services for customers in Hong Kong.

I understand that 20 retail banks have released 500 APIs to date. They

cover deposits, loans, insurance, investment and other banking products and services.

As important as these initiatives and measures are, they won't go far without a continuing infusion of talent – technology-savvy talent.

That means that banks must evolve as rapidly as technology does. It means that banks must take a fresh approach to talent management, building a culture that nurtures diversity of thought, ensuring that tomorrow's bankers have the skills they need to succeed. The skills banks need to stay in business.

Hong Kong needs to develop more coders, more developers and engineering specialists. That begins by investing in our schools and teachers, offering scholarships to promising students.

We're doing that, I'm pleased to say. Over the past year, more than 200 students benefited from the four programmes under the HKMA's FinTech Career Accelerator Scheme 2.0. In the coming year, three stored-value facility operators will join the scheme's 18 participating banks, providing gap-year placement positions to students.

We also welcome financial technology specialists from overseas and from Mainland China.

That's why, last year, we introduced the first Talent List for Hong Kong. The list, which contains 11 professions, was drawn up after extensive consultation throughout the community. Fintech, not surprisingly, is among the targeted professions.

The Technology Talent Admission Scheme also provides a fast-track arrangement for the admission of eligible overseas and Mainland research and development professionals.

With the Talent List and related programmes in place, we will continue developing our talent pool, welcoming young banking professionals with the technical expertise to adapt to change quickly, adroitly and profitably.

Today's global economic uncertainty poses varied risks to Hong Kong and our economic and financial stability. Nevertheless, it also represents a window of opportunity. As an international financial hub, Hong Kong connects the Mainland with global markets. That makes us ideal for start-ups, as well as established companies, looking to develop and apply financial technology on the Mainland and throughout Asia.

Hong Kong, after all, is Asia's largest banking hub for the Mainland. And, as China continues to open up through economic restructuring, it will continue to be the main engine of growth here in Asia and around the world.

That, ladies and gentlemen, can only be good news for Hong Kong's economy and its long-term success.

To fully embrace fintech's promise and the Mainland's continuing economic progress, I encourage you to seize the unprecedented opportunities brought by our two major national initiatives – the Belt and Road and the Greater Bay Area.

As infrastructure development accelerates within the Belt and Road region, project owners can count on Hong Kong to raise capital and seek financing through initial public offerings, post-listing arrangements, bond issuance and bank loans.

The HKMA's Infrastructure Financing Facilitation Office, let me add, encourages infrastructure investment and financing.

We have also introduced various initiatives to promote Hong Kong's bond market and the increasing funding demands associated with the Belt and Road.

The Pilot Bond Grant Scheme, for example, was launched to encourage international companies to issue bonds in Hong Kong, offering grants to first-time issuers here to cover part of their issuance expenses.

Tax concessions for qualifying debt instruments have also been enhanced to encourage investor participation in the debt market.

The Greater Bay Area, an ambitious city cluster development encompassing Hong Kong, Macao and nine cities in Guangdong, is no less important to our future. And yours.

By taking full advantage of each city's strengths, the Greater Bay Area is poised to rise as the country's growth engine in this 21st century of opportunity.

With the support of the Central Government, multiple mutual-access arrangements between Hong Kong and Mainland financial markets are in place. The launch of Stock Connects, Bond Connect and the arrangement of mutual recognition of funds over the last few years is testimony to Hong Kong's unique role in the internationalisation of the Renminbi.

And with the release, earlier this year, of the Greater Bay Area Outline Development Plan, we will explore the expansion of channels for two-way, cross-border Renminbi fund flows. That can only strengthen financial co-operation within the Greater Bay Area – and well beyond.

Ladies and gentlemen, our banking system has known many challenges over the years, and the decades, only to emerge stronger after each testing time. With the US-China trade war and a global economic downturn looming large, our banking system has again been put to the test. The social unrest of the last few months has only magnified that test – for the banking community as for the larger community of Hong Kong.

Nonetheless, the recent unrest has not affected Hong Kong's core

competitiveness, including free flow of capital and information, common law system, a simple and low tax regime, a sound regulatory system, and an independent judiciary. I am confident that Hong Kong's strong economic fundamentals, ample fiscal buffers and resilient systems will get us through this difficult time.

On that, I wish you the best of business at today's Hong Kong Institute of Bankers conference and a rewarding year ahead, in banking as in life.