

Speech by FS at FinTech Forum of Internet Economy Summit 2019 (English only) (with photos/video)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the FinTech Forum of the Internet Economy Summit 2019 this morning (April 16):

George (Chairman of the Board of Directors of Cyberport, Dr George Lam), Mr Zhong (Chief Operating Officer of Bank of China (Hong Kong), Mr Zhong Xiangqun), government colleagues, distinguished guests, ladies and gentlemen,

Good morning.

It is a pleasure to join you for today's FinTech Forum at the fourth annual Internet Economy Summit.

Like the past three events, this year's Summit is packed with intelligence and insight from an international gathering of expert speakers, who like myself, have faith in the promise of the digital economy.

Technology is bringing unprecedented opportunities as well as challenges to our financial services – and the customers they court with their innovative offerings. The title of today's forum, "The New Era of Finance Redefined", has aptly pointed this out.

As one of the world's leading international financial centres, Hong Kong is blessed with a strategic location, the "one country, two systems" unique arrangement and ever-growing economic collaboration with the Mainland of China.

Moreover, Hong Kong has a remarkably enabling environment for the development of fintech. After all, we boast a highly efficient infrastructure in information and communications technology, transparent and reassuring financial regulation, the free flow of capital, talent and information, the rule of law underpinned by independent judiciary, and a government committed to a fintech future.

The results, to date, are clear and compelling. Hong Kong is home to over 550 fintech companies and start-ups. Celebrated innovation laboratories and accelerator programmes such as Accenture FinTech Innovation Lab, Deloitte Asia Pacific Blockchain Lab and the Floor from Israel have also established a presence here.

Investment in our fintech sector is equally impressive. Over the past five years, fintech companies here have raised over US\$1.1 billion, compared favourably with those based in Japan, Australia or Singapore.

The Hong Kong SAR Government is determined to keep this momentum going and be its staunch backer. Indeed, fintech is one of our top priorities, and we've rolled out a wealth of fintech programmes and initiatives.

Last September, we launched the Faster Payment System. It connects banks and stored-value facilities – the so-called "e-wallets" – enabling the public to transfer funds instantly, in both Hong Kong dollars and Renminbi, anytime, anywhere. You need only use a mobile phone number or an email address as an account proxy.

As of the end of February, the Faster Payment System had recorded more than 2.5 million registrations, processing over 8.7 million transactions in all. A very fast start, I'd say.

At the same time, we introduced the common QR code standard for retail payments. It helps merchants, especially SMEs, use a single QR code to accept various payment schemes.

In January, the first phase of the Open Application Programming Interface framework for banks got going. In enabling collaboration with technology firms, it offers more innovative financial services.

Our Securities and Futures Commission last year released regulatory guidelines to impose licensing conditions on companies managing, or intending to manage, portfolios that invest in virtual assets. The Commission is now exploring whether it is suitable to and, if so, how it might regulate virtual asset trading platforms.

As George noted in his address, the Hong Kong Monetary Authority has started granting virtual bank licences last month. This is a milestone for Hong Kong opening up the possibility for our banking sector to offer a new kind of customer experience.

I'm sure the emergence of virtual banks will help SMEs and boost the competitiveness of the entire banking sector, and transform the banking experience for customers.

Insurtech is the future as well. And we must all plan for it. Last year, the Insurance Authority launched a Fast Track scheme. It expedites applications by insurance companies, in or from Hong Kong, looking to use digital distribution channels solely in carrying out their businesses.

The first virtual insurer under the Fast Track scheme was granted a licence last December. I am sure more will follow.

The Hong Kong Federation of Insurers has also launched two Insurtech initiatives: the Motor Insurance DLT-based Authentication System or MIDAS, a blockchain application to help authenticate motor insurance cover notes, and the Insurance Fraud Prevention Claims Database. This helps detect insurance fraud through artificial intelligence and big data means. It will prove particularly beneficial in cases involving multiple claims and syndicates.

In trade finance, a blockchain-based platform was developed by a consortium of 12 banks here last October. Called eTradeConnect, it enables participating banks to digitise and share trade documents, automate processes, reduce the risk of fraud and improve overall trade finance processes.

The Hong Kong Monetary Authority is now exploring connecting eTradeConnect with more overseas initiatives.

Ladies and gentlemen, there's more, indeed much more, to come with fintech. The key is in making it work for the financial services sector, for business in general and, no less of course, for the end user. For all of us, in short.

My thanks to the China Internet Development Foundation and Cyberport for organising this year's Internet Economy Summit, and for the many other organisations that lent their invaluable support to this important, and innovative, annual gathering.

I wish you all a very rewarding day and the best of business in the digital economy.

Thank you very much.

