

Speech by FS at “Innovative Blockchain-based Remittance Solution to Enhance Financial Inclusion” press conference (English only)(with photo)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the "Miles apart but close at Heart – Innovative Blockchain-based Remittance Solution to Enhance Financial Inclusion" press conference today (June 25):

Jack (Executive Chairman of Alibaba Group, Mr Jack Ma), Eric (Chief Executive Officer and Executive Chairman of Ant Financial Services Group, Mr Eric Jing), distinguished guests, ladies and gentlemen,

Good afternoon. It is my pleasure to join you today, witnessing another breakthrough application of Fintech in Hong Kong: using blockchain technology for cross-border remittances.

While this application would be a pilot at first, allowing Alipay users in Hong Kong to send money to the Philippines, it will in the long run offer a more efficient and cost-effective way of transferring money around the world. Hong Kong is the international financial centre in Asia and it is most fitting that Ant Financial has chosen to kick off this pilot project right here.

While we take pride in Hong Kong's robust and effective financial regulatory regime that is well in line with international standards, our financial regulators are doing their part to facilitate and foster innovations in the industry. With their dedicated liaison platforms and sandboxes, our financial regulators are allowing financial services providers to conduct pilot trials on Fintech solutions in a confined environment.

For instance, the Fintech Supervisory Sandbox of the Hong Kong Monetary Authority (HKMA) is well loved, and well used by banks. Through the Sandbox, banks and partnering Fintech firms are able to gather real-life data and user feedback on their new Fintech-driven solutions more easily, so that they can make refinements to their proposed solutions as appropriate before full market launch. In just two years' time, 22 new technology products and services have been tested in HKMA's Sandbox and have been rolled out to the market.

I am glad to see that Fintech is bringing greater convenience to the public as witnessed in the e-wallet market over the past few years. It all began in 2015 when the Payment Systems and Stored Value Facilities Ordinance came into operation which provided a clear and certain licensing and regulatory framework for stored value facilities (SVFs). With clarity and certainty in regulation, SVF licensees commenced their safe and sound

operation and have now developed a secure, efficient and diversified electronic payment industry laying a solid and strong foundation for the development of the e-wallet market. Alipay Hong Kong certainly played a key role in the course as it is one of the first SVF licensees in Hong Kong.

Healthy competition amongst strong SVF operators has led to innovations and new services such as electronic coupons, family group e-wallet management, online shopping, insurance and QR code payment, all to the benefit of the general public. It is therefore not surprising that the number of SVF accounts in use has jumped by 15.4 per cent in just a year's time to 46.7 million by end-2017 while the value of transactions increased by 27.7 per cent to over \$38 billion.

More exciting developments in Hong Kong are in the pipeline, with the launch of the Faster Payment System (FPS) in September this year. This new financial infrastructure will provide full connectivity between banks, SVF operators, merchants and consumers. Participating banks and SVF operators can provide real-time credit transfer and real-time direct debit services to facilitate payments between merchants and customers, as well as peer-to-peer transfers through the FPS platform.

The HKMA is also working with the industry to explore how to enable merchants to use a single QR code for accepting mobile payments from different SVF operators. This is conducive to a wider adoption of QR code payment in Hong Kong and will enhance user experience.

Ladies and gentlemen, an exciting new era of Fintech awaits. The Hong Kong SAR Government will continue to do its best as a promoter and facilitator for Fintech companies in Hong Kong to grow and prosper.

Thank you very much indeed.

