

# FACT SHEET: HONG KONG FINTECH LANDSCAPE

6 June, 2018

## Funding

- **Private Investment**
  - Investment in Hong Kong fintech firms [more than doubled](#) in 2017 compared to 2016. Amid a global surge in interest, Hong Kong-based fintech investment jumped to US\$545.7 million in 2017 from US\$215.5 million in 2016 (and US\$107.5 million in 2015), putting it well ahead of Singapore and Australia.
  - In 2017, global investment in fintech companies reached an all-time high of US\$27.4 billion, up 18% year-on-year.
  - The largest fundraising in Hong Kong in 2017 was by WeLab, the mobile lending company, which raised US\$220 million in November.
  
- **Government Funding schemes**
  - The Hong Kong government's 2018 [budget](#) pledged to allocate HK\$500 million to the development of financial services over the next five years, including fintech.
  - The Qualifying Debt Instrument Scheme [now includes SEHK-listed debt securities](#) through which Hong Kong investors to enjoy tax concessions on interest income and trading profits derived from a more diverse range of debt instruments.
  - Green Bond/Green Finance bond issuance programme launched in 2018 with a borrowing ceiling of HK\$100 billion.
    - Sums borrowed will be credited to the Capital Works Reserve Fund to provide funding for green public works projects of the Government.
  - A provision of HK\$500 million was dedicated for the development of the financial services industry in the coming five years.
    - [Providing necessary support](#) for bond market development, fintech, green finance, talent and other aspects of financial services.
  - Hong Kong Cyberport established a private equity fund to invest in fintech companies in September 2017. In November 2017, it launched the Cyberport Investors Network, a platform that engages worldwide investors of leading venture capitalists, angel investors and private equity funds, to enhance the fundraising and deal-making capabilities of Cyberport start-ups. It comprises over 100 investors of different categories including angel, Pre-A and Post-A rounds.

## Regulation

- **New IPO Rules**
  - Hong Kong Exchanges & Clearing Ltd. made the biggest change to its initial public offering rules in two decades by allowing technology firms that have shares with different voting rights to go public in Hong Kong.
  - Biotech firms with no record of profit or revenue can also list. Businesses were permitted to apply under [this new regime](#) from April 30, 2018.

- **HKMA: New virtual banking license and Faster Payment System**
  - The Hong Kong Monetary Authority (HKMA) on February 6, 2018, published a revised [Guideline on Authorization of Virtual Banks](#) for public consultation that ran until mid-March. The HKMA received 25 responses from companies and trade organization and on May 30 published [further revisions](#) to the Guideline.
    - All supported the introduction of virtual banking in Hong Kong;
    - Most agreed that virtual banks be subject to the same supervisory requirements as conventional banks;
    - None objected to allowing both financial and non-financial firms to operate a virtual bank in Hong Kong, while there was broad support for virtual banks to operate in the form of a locally-incorporated entity with no physical branches. The aim is to be able to [issue licenses by the end of 2018](#).
  - Preparations are underway to [launch a Faster Payment System](#) offering 24-hour real-time payment function. It will allow banks and Stored Value Facility service providers to provide real-time, round-the-clock, cross-institution payment and fund transfer service to their business and personal customers.
  
- **Two-tiered profits tax rates regime**
  - [Tax rate](#) for the first HK\$2 million of company profits will be lowered to 8.25%.
  - [Profits above that amount](#) will continue to be subject to the tax rate of 16.5%.
  - For unincorporated businesses, rates will correspondingly be set at 7.5% and 15%.
  
- **Banking Made Easy initiative**
  - A new task force was set up within the HKMA to work with the banking industry to minimize regulatory friction in customers' digital experience.

## Talent

- **Recruitment efforts**
  - Technology Talent Admission Scheme (TechTAS)
    - A scheme to be launched by the Hong Kong government to accelerate the [admission of R&D talent](#) from overseas and the Chinese mainland.
    - Run on a pilot basis for three years, maximum of 1,000 people will be admitted in the first year.
  - [HKMA will set up an academy of finance](#) in collaboration with the Financial Services Development Council, the financial sector, tertiary institutions, professional training bodies and regulators for promoting cross-sector expertise sharing and collaboration in applied research.
  - Hong Kong winning [race to attract talent](#)
    - According to 2017 rankings released by the Switzerland-based Institute for Management Development, Hong Kong is ahead of Singapore in attracting talent.

- **Universities**
  - HKMA step up collaboration with the ASTRI, the Science Park and Cyberport to promote the introduction of new technology and banking processes, and to nurture fintech talent.
  - The Fintech Career Accelerator Scheme, established by the HKMA, ASTRI and Hong Kong-based banks in 2016, provides [fintech internships of 6-12 months](#) at the HKMA or the participating banks to undergraduate and postgraduate students.
  - In 2017, HKUST Business School launched a host of new MBA electives including fintech and big data analytics.
  - Hong Kong Polytechnic University (PolyU) teamed up with AMTD Group Company and AMTD Foundation to launch a [new university-industry fintech centre collaboration](#).
  - PolyU has joined forces with Melbourne-based Monash University and CollinStar Capital – a leading Australian institution specializing in Fintech – to establish the first university-industry [joint-research laboratory on blockchain and cryptocurrency technologies](#) in Hong Kong.
  - The University of Hong Kong (HKU) signed a memorandum of understanding with Hong Kong Cyberport to create a new fintech platform. Through the new platform, an “HKU x Cyberport FinTech Nucleus” will be set up representing the first step towards introducing more creativity and innovation to The Cyberport Centre of Global FinTech Innovation.
  - [HKU Introduction to FinTech MOOC began in May 2018](#). Some 12,000 individuals have signed up for the course.
  
- **The Hong Kong Institute of Financial Technologists of Asia (IFTA)**
  - The Certificate in Finance and Technology (CFT) signed a deal with IFTA to jointly launch the fintech professional qualification (CFT) in Asia by end of 2017. The CFT offers a much-needed qualification for people in technology roles within the financial services sector. The CFT’s 3-level, 18-subject qualification includes subjects such as software engineering, cryptocurrency and data science, in addition to finance topics such as equities, FX and derivatives.

### Latest sub-sector developments

- **Blockchain**
  - The Hong Kong Federation of Insurers is in the process of creating an [e-platform on blockchain](#) to record and track data related to motor insurance in the territory.
  - In 2017, the HKMA developed a proof-of-concept for a [blockchain-based platform for trade finance](#), conducting work in three areas: mortgage loan applications, trade finance and digital identity management.
  - The HKMA and the Monetary Authority of Singapore (MAS) [agreed to collaborate](#) on developing the Global Trade Connectivity Network (GTCN), a cross-border financial infrastructure platform based on distributed ledger technology (DLT).
  - In September 2017, Deloitte launched a new Asia-Pacific blockchain lab in Hong Kong to help clients in the region adopt distributed ledger technology.
  - Hong Kong has established itself as a global leader in the use of blockchain in the maritime sector. In March 2018, [300 Cubits](#), a Hong Kong-based firm focusing on

developing Ethereum blockchain for shipping, announced a [successful trial shipment](#) took place using its smart contract technology.

- **Cybersecurity**

- Cybersecurity-focused accelerator opens in Hong Kong: Standard Chartered announced on April 16 the opening of its Hong Kong innovation lab, [the eXellerator](#), to promote innovation within the Bank and to tap emerging financial technologies and data science in the region. The eXellerator in Hong Kong will be part of the Bank's global network of innovation labs and in Hong Kong it will focus on areas such as AI and Cybersecurity.
- Hong Kong brokerages [rush to comply with new rules on cybersecurity](#): a growing number of Hong Kong online trading companies are seeking to comply with the new rules outlined by the Securities and Futures Commission (SFC) on cyber risks.

- **Payments**

- An industry working group is now in place to facilitate a [common QR code standard](#) to promote the wider use of mobile retail payments.
- Banks and Stored Value Facilities (SVF) can participate in the [Faster Payment System \(FPS\)](#), which supports the use of mobile phone numbers or email addresses for payments in Hong Kong dollar and renminbi anytime, anywhere.
  - Scheduled to launch in September 2018.
  - Across [20 banks and eight e-payment](#) operators.

- **RegTech**

- Hong Kong Association of Banks set up a working committee following the HKMA's establishment of the KYC Utilities as a shared platform to assess creditworthiness and risk management with a view to facilitating account opening. The HKAB also appointed an independent consultancy firm to conduct a feasibility study. These developments are currently at an initial stage.
- In May 2018, the Alliance for Financial Stability with Information Technology (AFS-IT) was established in Hong Kong. The AFS-IT includes top-level representation across the banking, financial, technology and regulatory sectors, as well as government officials from China, Hong Kong, Macau, Philippines, Thailand, Cambodia, Myanmar, Vietnam, Brunei and Laos, with a key focus being to foster innovation in regtech.

- **InsurTech**

- A [policy framework](#) on Open Application Programming Interface (API) is in place to facilitate the development and wider adoption of API by the banking sector, to stimulate innovation and improve financial services through collaboration between banks and tech firms.
- [One of the seven initiatives](#) announced by the HKMA in September 2017 is to prepare Hong Kong to move into a New Era of Smart Banking. Open API will improve system and service integration between banks and other industries such as lifestyle, health care and retail services.
- The full consultation paper can be downloaded from the [HKMA website](#).

## Platforms

- **Incubators**
  - Cyberport incubation programme to:
    - Launch of an "[easy landing](#)" programme to attract overseas and mainland companies to set up offices and R&D units in Hong Kong.
    - [Offer financial assistance](#) up to HK\$200,000 for each eligible start-up to conduct market research and promotion, as well as participate in business missions, trade fairs, exhibitions etc.
    - [Financial assistance](#) for individual start-ups will increase by 50% to HK\$500,000.
  
- **Accelerators**
  - Hong Kong Science and Technology Park:
    - HK\$50 billion is being invested to support I&T development this financial year, with a focus on biotechnology, artificial intelligence, smart cities and fintech. This is in addition to the HK\$10 billion in government funding to support these industries last year. About 12,500 people work at the Science Park, where there are [652 companies](#).
  - Fintech Career Accelerator Scheme 2.0:
    - Offers [four fintech talent](#) building programmes: Entrepreneurship summer boot camp; Shenzhen summer internship programme; gap year full-time placement programme; and full-time graduate programme.
    - Other private fintech accelerators include: Supercharger, FinTech Innovation Lab Asia-Pacific, Moment Accelerator, DBS and The Floor.
  
- **Sandbox**
  - HKMA's Fintech Supervisory Sandbox scheme:
    - Allows banks and their partner technology firms to conduct pilot trials of their fintech initiatives.
    - As of the end of April, there had been tests on [32 new technology products](#), with 22 pilot trials completed and the products rolled out.
  
  - Enhanced [Fintech Supervisory Sandbox](#) (FSS) 2.0:
    - Fintech Supervisory Chatroom set up to provide speedy feedback to banks and tech firms at an early stage of their Fintech projects.
    - Tech firms have direct access to the sandbox by seeking feedback from the Chatroom without going through a bank.
    - [Sandboxes](#) of the HKMA, the Securities and Futures Commission (SFC) and the Insurance Authority are linked up so that there is a single point of entry for pilot trials of cross-sector fintech products.
  
- **HKMA-ASTRI Innovation Hub:**

- Created by Thomson Reuters and ASTRI, [the platform](#) allows banks and financial firms to develop new technology, cut costs and create new products.
- **Fintech innovation lab by Standard Chartered Bank:**
  - The [10,000 square foot facility](#) in the Kwun Tong district of Hong Kong focuses on AI, cybersecurity and “Banking Made Easy” to promote more digital online-based finance and wealth management offerings.

### **Government initiatives**

- **Fintech Awards**
  - InvestHK and UK Department for International Trade co-organized the inaugural InvestHK UK Fintech Awards to encourage ambitious overseas companies to join the flourishing Fintech scene in Hong Kong for their business expansion in Asia.
  - Announced on March 20, London-based Fintech company Mosaic Smart Data, which assists financial institutions in adapting to regulatory change, won the award.
- **International collaborations (to be arranged in chronological order)**
  - HKMA and the [Polish Financial Supervision Authority](#)
    - Collaboration on joint research projects, information exchange, mutual consultations and expertise sharing within the fintech area.
  - SFC and Swiss Financial Market Supervisory Authority (FINMA)
    - Sharing information on emerging fintech trends, developments and related regulatory issues as well as on organizations which promote innovation in financial services.
  - Hong Kong and Australian Stock Exchanges
    - Hong Kong’s stock exchange is working with its Australian counterpart to share information on blockchain, as global exchanges accelerate plans for the technology in an attempt to compete and cut costs.
  - Hong Kong and [Australia Fintech Partnership](#)
    - Signed a memorandum of understanding to strengthen the ties between each other’s fintech industries.
  - [Switzerland and Hong Kong](#) strengthen their cooperation in the financial markets
    - Authorities and private sector representatives from Hong Kong and Switzerland signed three MoUs during the meeting.
  - [Hong Kong-London Financial Services Forum](#) 2017
    - Hong Kong and London announced the City of London has joined as a partner of the Infrastructure Financing Facilitation Office of the HKMA 7<sup>th</sup> Forum.
  - HKEx and Beijing’s National Equities Exchange and Quotations
    - Signed an agreement with to give a greenlight for technology and biotech firms to dual-list on both mainland and Hong Kong exchanges.
  - HKMA and Dubai Financial Services Authority
    - Agreement to refer fintech businesses to one another where they wish to expand into the other jurisdiction, and exchange information on fintech issues.
  - HKMA and the City of London

- The [City of London became a partner](#) of the Infrastructure Financing Facilitation Office of the HKMA to share its network of financial institutions. Hong Kong and London also agreed to further explore the digitisation of global trade finance, including the usage of Distributed Ledger Technology (DLT) developed by the HKMA.
- SFC and Malaysia’s Securities Commission
  - Malaysia’s Securities Commission established fintech bridges to facilitate greater information exchange on emerging trends and regulatory developments, along with referrals of innovative businesses seeking to operate in each other’s jurisdictions and the exploration of potential joint innovation projects.
- SFC and the Dubai Financial Services Authority
  - Cooperation agreement to establish a framework for the two regulators to help each other develop the fintech industry.
- SFC and the Australian Securities and Investments Commission
  - Fintech agreement under which the SFC and ASIC will cooperate to share information on emerging Fintech trends, developments and related regulatory issues, as well as on organisations which promote innovation in financial services. In addition, the agreement provides for a bilateral mechanism for referrals of innovative firms seeking to enter one another’s markets.
- Hong Kong and Gibraltar
  - Fintech cooperation agreement signed between Hong Kong Insurance Authority and Gibraltar’s Financial Services Commission.

### **About Invest Hong Kong**

[Invest Hong Kong \(InvestHK\)](#) is the Hong Kong Special Administrative Region (HKSAR) Government Department responsible for Foreign Direct Investment. It has set up a dedicated Fintech team in Hong Kong with correspondents located in London and San Francisco. It aims at attracting worldwide top innovative Fintech enterprises, start-up entrepreneurs, investors and other stakeholders to expand and scale their business via Hong Kong to the mainland China, Asia and beyond. For more information, please visit [www.hongkong-fintech.hk](http://www.hongkong-fintech.hk).