

Arthur Yuen: The fintech catalyst - a new era of fintech growth in the Greater Bay Area

Remarks by Mr Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Hong Kong FinTech Week 2024, Hong Kong, 28 October 2024.

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Good afternoon ladies and gentlemen. Welcome to the FinTech Week 2024.

As banking supervisors, we have long been encouraging banks to "go Fintech" – on the one hand, to meet customers' increasing expectations of financial services, in terms of timeliness, convenience and cost; and on the other, to catch up with the pace of digitalisation and better manage strategic risks.

Also because of our role as banking supervisors, while we keep an eye on today's adoption rates, we must also have a telescopic view of the future Fintech developments.

Looking ahead, as with the Hong Kong Monetary Authority (HKMA)'s "Fintech 2025" strategy, we should envision the shape of a thriving Fintech ecosystem in the next five to 10 years.

In the Fintech world, one key indicator of success is a Fintech firm's ability to expand beyond its home market. Historically, successful Fintech companies established their global presence in about 10 years down their start-up journeys. With that said, we may wish to set our sights on compressing such time to expansion – can we shorten the cycle to, say, five years?

Indeed, in the Greater Bay Area (GBA), this may be possible, given its unique characteristics that encapsulate a complete and ideal ecosystem, such as a large pool of talented professionals, vast experience in technological research and development, supportive regulatory environment, and a natural position to facilitate cross-border collaboration.

The question for us is: what role should Hong Kong play in the GBA Fintech ecosystem?

The role of Hong Kong in the future of Fintech

As an international financial centre, Hong Kong is poised to leverage its unique advantages to become a regional Fintech hub, accelerating cross-border flows of data, resources, and capital; enabling Fintech firms to refine their solutions to suit the needs of Hong Kong, Asia, and even the global markets; providing access to international resources; and opening up the abundant demand across borders to support Fintech exportation.

These strengths allow Hong Kong to catalyse Fintech growth in the GBA. Specifically, on the southbound, Hong Kong's high aspiration and readiness to embrace frontier technologies will allow the Fintech firms from Mainland China to adapt and expand to international markets quicker and safer; whereas on the northbound, Hong Kong can

facilitate Fintech firms abroad to enter into the Mainland China, the world's top consumer market for Fintech.

As an example, WeBank, an established Mainland digital bank, set up its technology company headquarters in Hong Kong in July this year, further paving the way to commercialise its technology solutions for the global markets. We are pleased to have Mr Henry Ma from WeBank, who will share his experience in the upcoming panel discussion.

Given such a pivotal role as a Fintech catalyst, the value of Hong Kong is substantial. The next and more important question we have is: how do we better achieve this role?

How do Hong Kong better achieve its role?

In nature, catalysts accelerate growth and lower "activation barriers", i.e. the energy required to initiate growth. In the Fintech ecosystem, this is the role of Hong Kong – fostering Fintech growth while addressing key adoption barriers. So, what exactly are the key barriers facing the industry?

According to a recent cross-sectoral adoption study conducted under the HKMA's "All banks go Fintech" initiative, the top three Fintech adoption barriers are:

- Uncertainty about regulatory compliance when adopting novel technologies;
- Unavailability of data accessible in a secure manner; and
- Unawareness of the plethora of Fintech solutions.

To cross these barriers, the HKMA has indeed endeavoured to roll out a wide range of facilitative measures.

Barrier 1: Uncertainty about regulatory compliance when adopting novel technologies

GBA Fintech Pilot Trial Facility

With the aim of addressing the regulatory uncertainties about cross-border technology adoption, the GBA Fintech Pilot Trial Facility was jointly launched in 2022 by the People's Bank of China (PBOC) and the HKMA (and further linked up with the respective pilot trial facility of the Monetary Authority of Macao in November 2023) to facilitate pilot trials of cross-border Fintech initiatives, allowing testing to be conducted concurrently in Hong Kong and Mainland GBA cities.

The Facility has enabled banks and Fintech solution providers to obtain early supervisory feedback and user opinions, expedite the launch of Fintech products, and ultimately reduce development costs. We are encouraged to see successful production roll-out of cross border Fintech solutions following these trials.

Generative Artificial Intelligence (GenA.I.) Sandbox

In August 2024, a new GenA.I. Sandbox was launched by the HKMA and Cyberport to promote responsible innovation in GenA.I. across the banking industry as well as to

support banks in piloting novel use cases that focus on enhancing risk management, anti-fraud efforts and customer experience, providing banks with essential technical assistance and targeted supervisory feedback.

Barrier 2: Unavailability of data accessible in a secure manner

Shenzhen-Hong Kong Cross-boundary Data Validation Platform

Moving on to the second barrier, in order to facilitate the use of data across borders, the HKMA and the Shenzhen authorities launched the Shenzhen-Hong Kong Cross-boundary Data Validation Platform in May 2024, providing a credible means for validating the authenticity of documents presented by data owners.

On this new platform, the first phase of pilot trials has been conducted, covering cross-boundary validation of credit reference reports and account opening documents for corporate customers. We encourage banks to utilise the platform to discover innovative use cases and conduct pilot trials involving cross-border data validation through the HKMA's Fintech Supervisory Sandbox.

Barrier 3: Unawareness of the plethora of Fintech solutions

FiNETech series and Fintech Knowledge Hub

As for the third barrier, removing it requires greater awareness of Fintech solutions throughout the ecosystem. The HKMA and the other financial regulators have launched the FiNETech series to bring together financial institutions and Fintech service providers.

Furthermore, we have upgraded our existing Regtech Knowledge Hub to a new Fintech Knowledge Hub, which serves as a central portal of the latest Fintech news, events, HKMA publications to name a few. Though our efforts to boost awareness did not stop here.

Fintech Connect

Today, we are also pleased to announce the launch of the Fintech Connect, a new cross-sectoral matching platform, that enables financial institutions to discover innovative solutions and partner with solution providers via more direct networking and precise matching.

In collaboration with the Qianhai Authority, the HKMA has also onboarded Fintech firms in the Qianhai region to the Fintech Connect platform to further promote Fintech development. Through the Fintech Connect, financial institutions from Hong Kong are better equipped with access to the innovation from the Qianhai region, and Qianhai Fintech firms are afforded greater opportunities to access and enter international markets.

Reaping the harvest

The collaboration with the Qianhai Authority is just the first step in our blueprint for collaborating with wider GBA stakeholders. A special thanks to the Qianhai Authority and Ms Helen Wen for jointly exploring this collaboration opportunity.

We are committed to closer collaboration to further promote Fintech development in the GBA for sustainable development. More Fintech-related initiatives will be undertaken in the future, such as training sessions and new editions of the FiNETech series, further exploring the cross-border Fintech and financial cooperation between not only Hong Kong and Qianhai, but also other cities in the GBA.

With Hong Kong as a catalyst for the GBA Fintech ecosystem, we are reaping the harvest by converting "uncertainty", "unavailability" and "unawareness" into "certainty", "availability" and "awareness", fostering mutual growth in both "Fin" and "Tech".

All in all, the role of Hong Kong as a catalyst is indispensable – not only to drive innovation and development in the GBA Fintech ecosystem, but also to serve as a launchpad for Fintech solutions that have the potential to reshape the global financial landscape.

The HKMA will continue to play its part in lowering any "activation barriers" that may impede innovation or adoption. Let us work together to build a more vibrant and connected financial ecosystem.