



HONG KONG MONETARY AUTHORITY  
香港金融管理局

## HONG KONG MONETARY AUTHORITY

# Development of Fintech and Innovation in Financial Services Industry

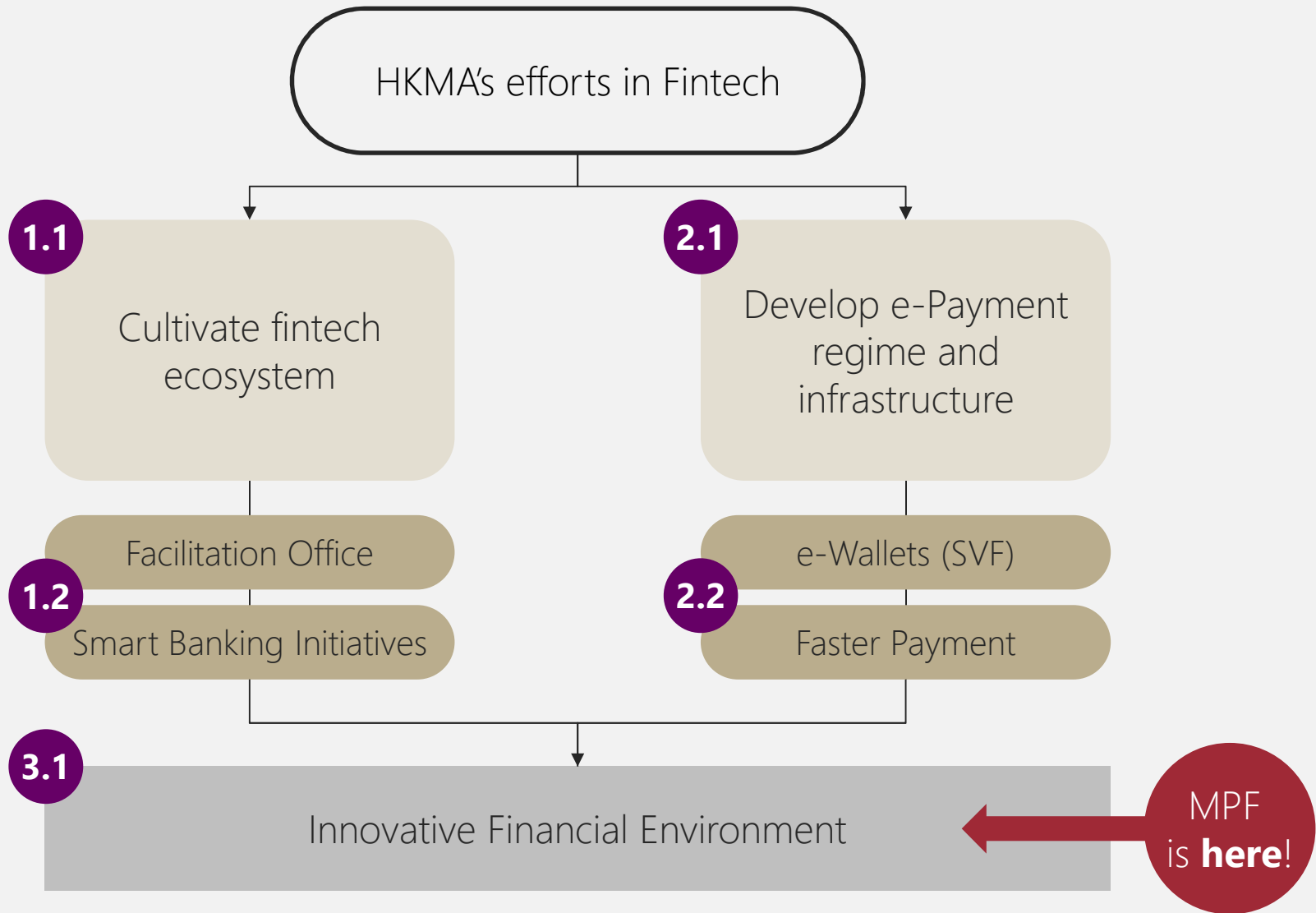
Howard Lee

**DEPUTY CHIEF EXECUTIVE**

Hong Kong Monetary Authority

*MPF Symposium*  
6 September 2019

# OVERVIEW





# Fintech Ecosystem

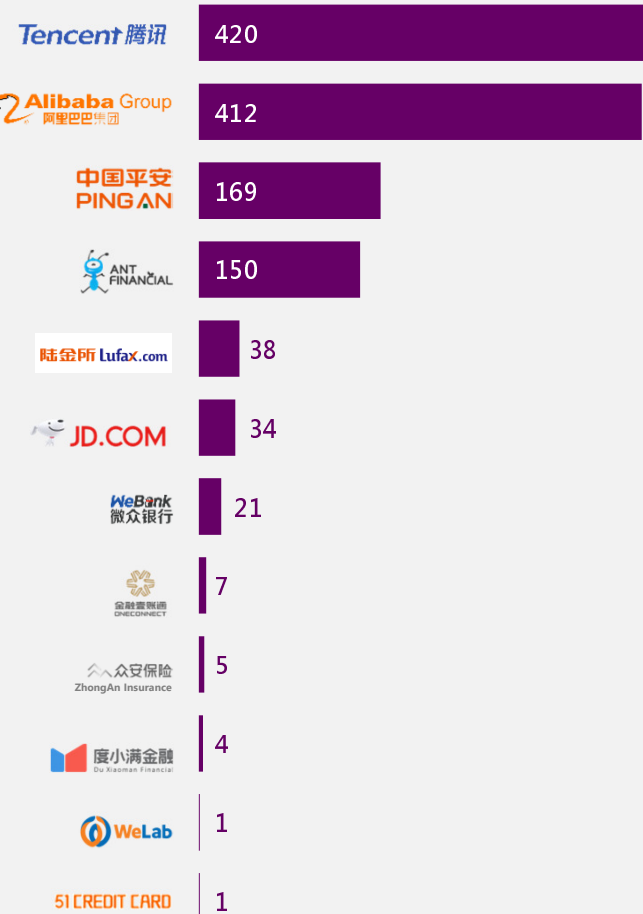


## 1.1 LANDSCAPE

Many unicorns are preying on Hong Kong's market



Companies    Approx. Valuation (US\$ bn) [as of Jan 2019]



Sources: Bloomberg, Reuters, Financial Times, KPMG

## 1.2 FINTECH ECOSYSTEM

### Establishing the Fintech Facilitation Office



Regulators and innovative firms

**Connect** @ FFO

Research and development

**Facilitate** @ FFO



**Fintech**  
Facilitation Office

Fintech professionals and  
young talents

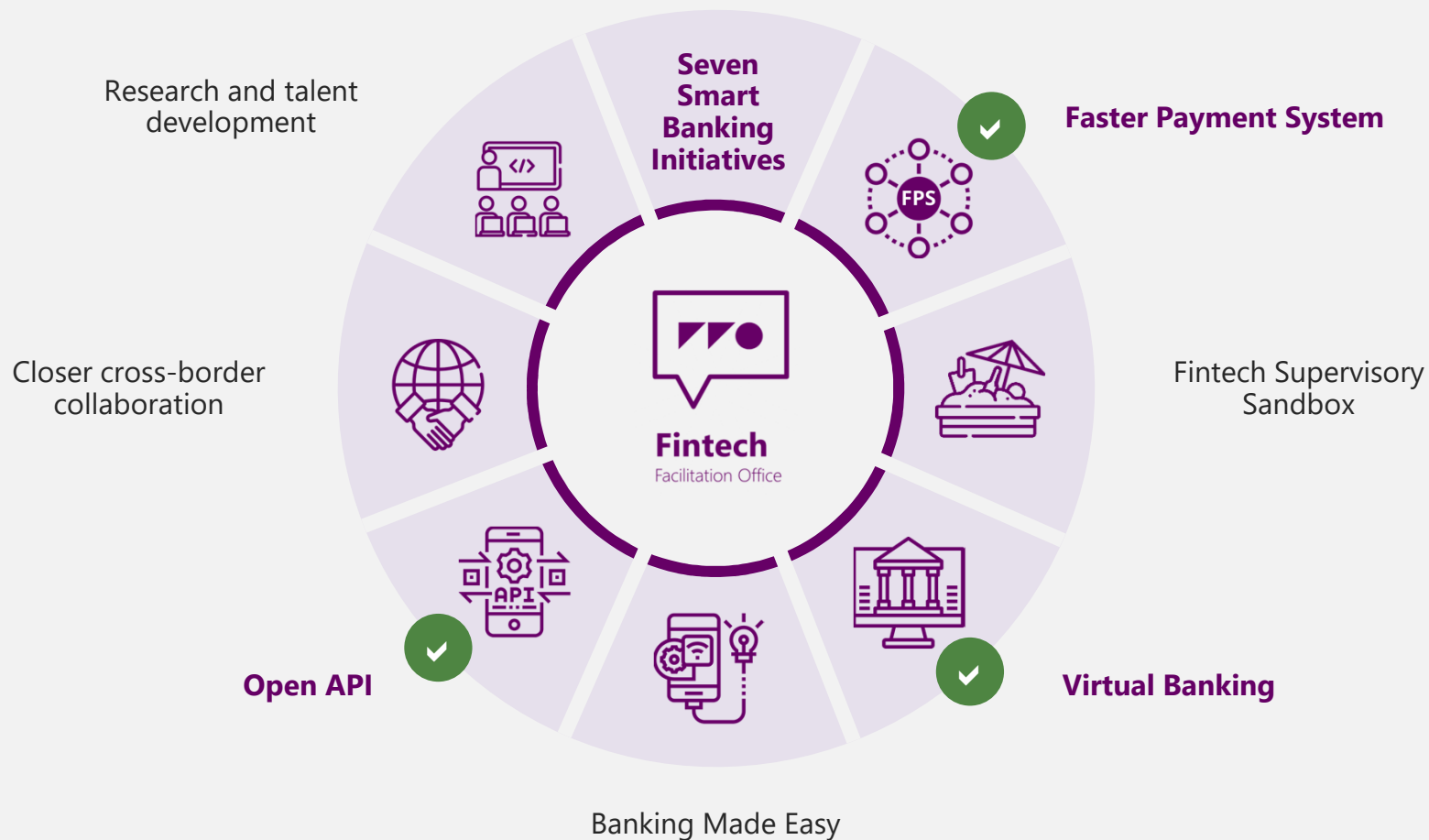
**Nurture** @ FFO

Experience and ideas via  
cross-border collaborations

**Exchange** @ FFO

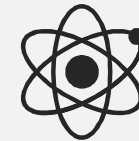
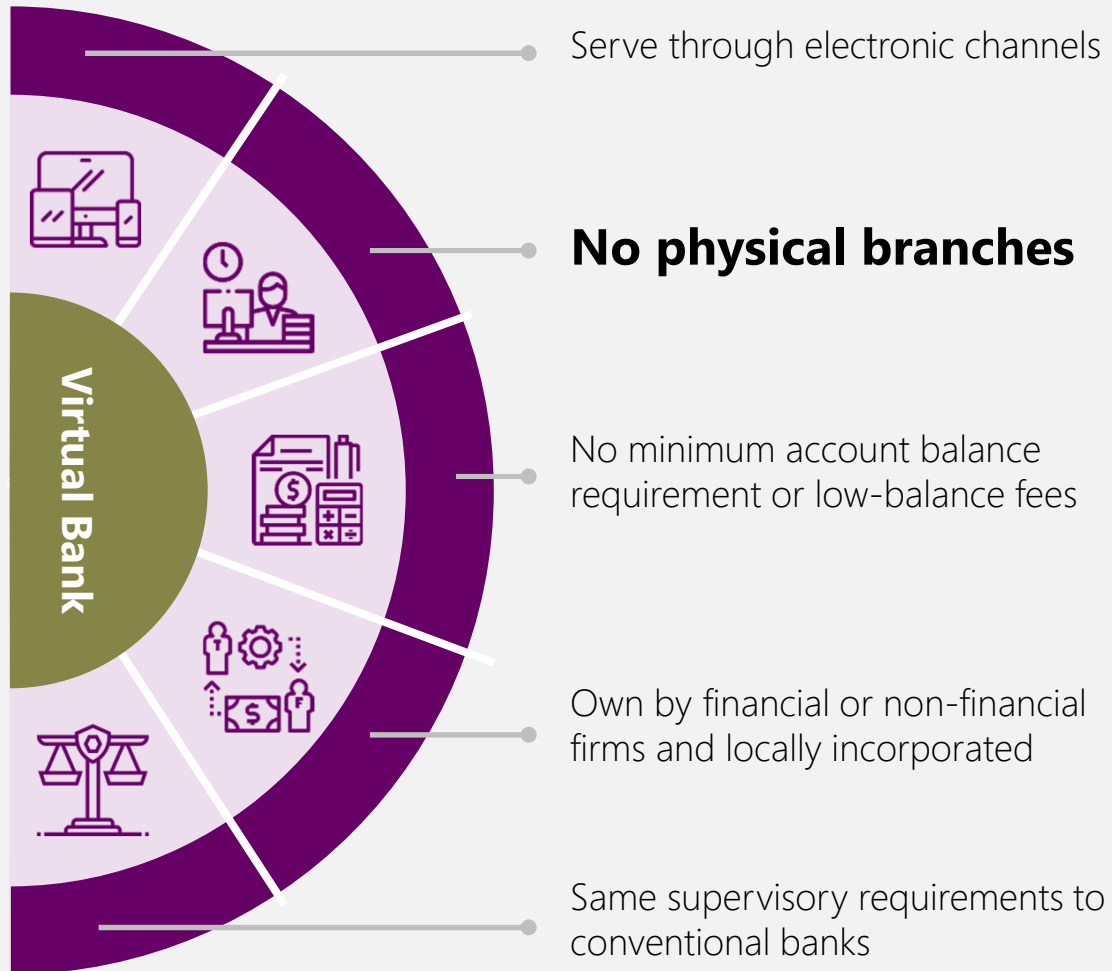
## 1.2 FINTECH ECOSYSTEM

Initiatives to promote digital development in financial industry



## 1.2 FINTECH ECOSYSTEM

### Licensing of virtual banks



Drive Innovation



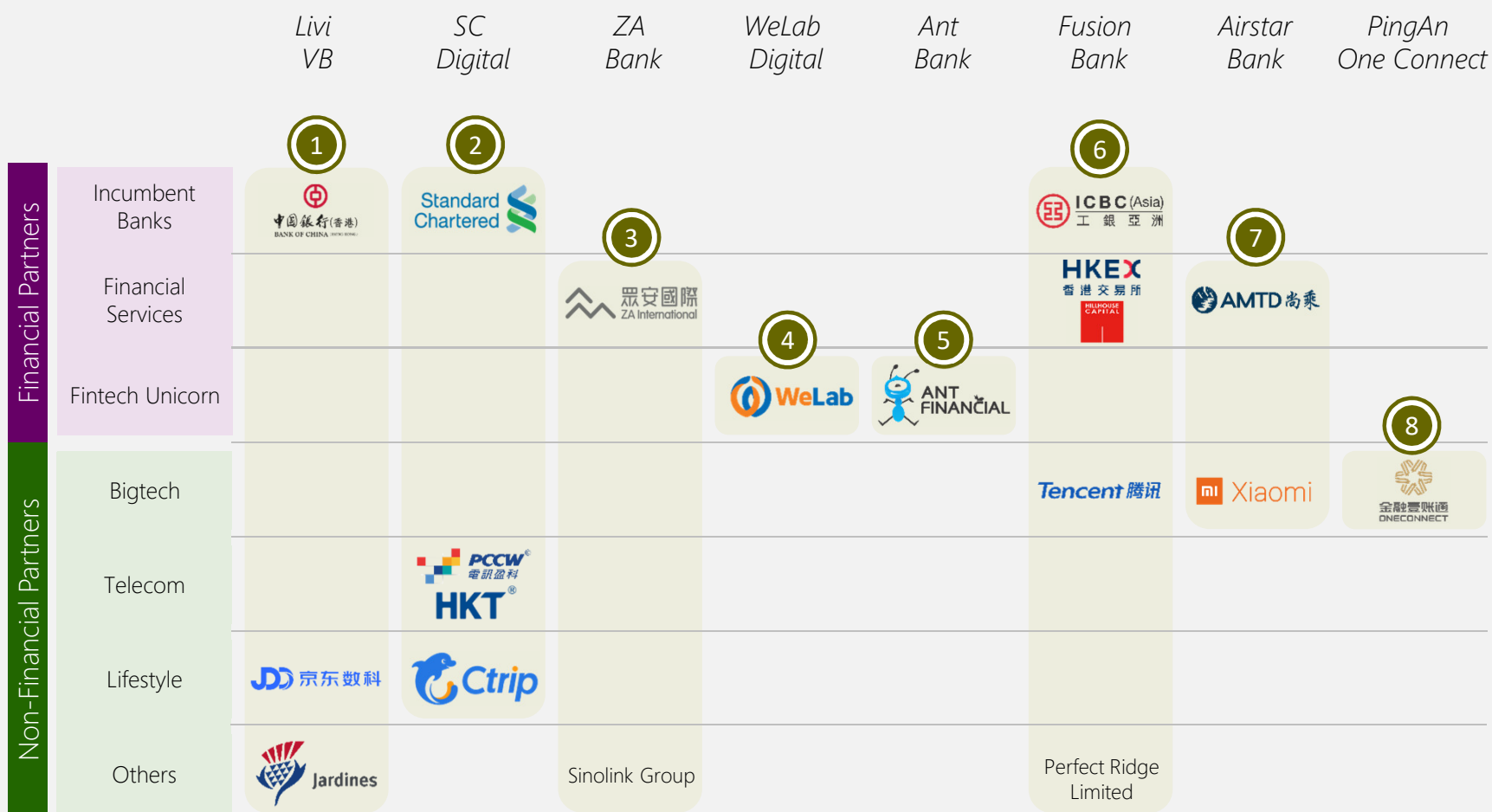
Offer New Experience



Promote Inclusion

## 1.2 FINTECH ECOSYSTEM

Emergence of unique joint ventures through virtual banks





## 1.2 FINTECH ECOSYSTEM

### Enabling third-party collaboration through Open API



#### Benefits



Standardised connections



Encourage collaborations



Create innovation services

#### 4 Phased Approach

**Phase I**

Product  
Information

**Phase II**

Customer  
Acquisition

**Phase III**

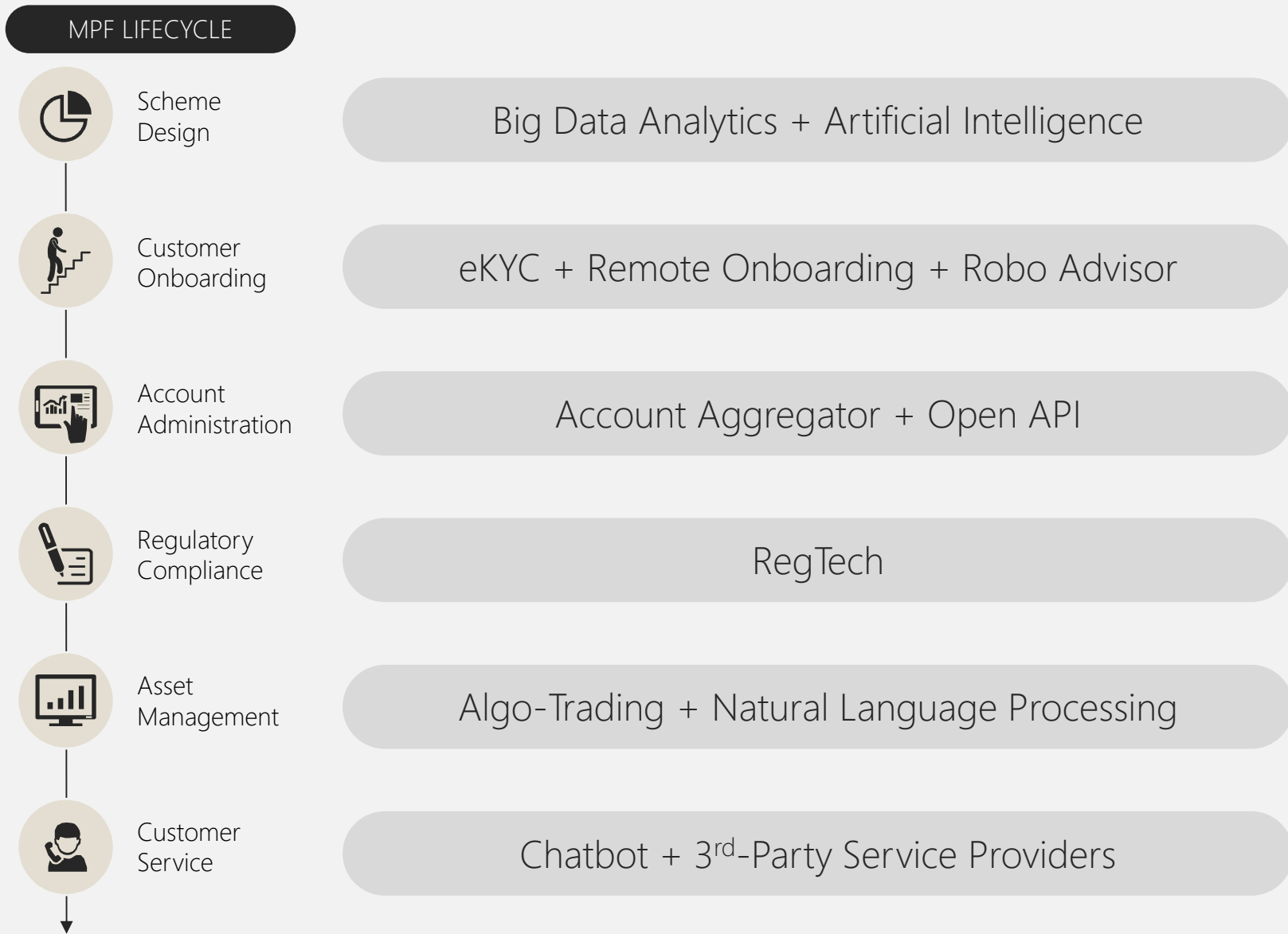
Account  
Information

**Phase IV**

Transactions

## 1.3 FINTECH AND MPF

How could fintech possibly bring new opportunities to MPF business?



2

## e-Payment Regime and Infrastructure

## 2.1 LANDSCAPE

Big Techs usually enter the financial sector via payment



Tencent 腾讯



Google



amazon

Payment	<p>Alipay (2004)</p>	<p>Tenpay (2005)</p>	<p>Du Xiaoman wallet (2008)</p>	<p>Google Pay (2015)</p>	<p>Apple Pay (2014)</p>	<p>Amazon Pay (2007)</p>
Asset Management	<p>Yu'e Bao (2013)</p>	<p>Licitong (2014)</p>	<p>Du Xiaoman Finance (2013)</p>	-	-	-
Banking / Lending	<p>MYBank (2015)</p>	<p>WeBank (2014)</p>	<p>aiBank (2017)</p>	<p>Collaboration with LendingClub (2015)</p>	-	<p>Amazon Lending (2011)</p>
Insurance	<p>ZhongAn Insurance (2013)</p>	<p>Joint venture with Allianz (2015)</p>	<p>Joint venture with Allianz (2015)</p>	-	<p>Collaboration with Allianz (2018)</p>	<p>Partnership with BERKSHIRE HATHAWAY INC. JPMORGAN CHASE &amp; Co. (2018)</p>

\* Spun off from Baidu in April 2018

Source: FSB (2019)

## 2.1 LANDSCAPE

### Pain points of conventional payment in Hong Kong



SLOW

Inter-bank settlement generally took 1 working day

No support for cheques on holidays or non-working hours

+



COSTLY

Interbank transfers incurred disproportionate fees to the transaction value

+

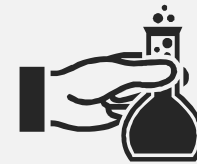
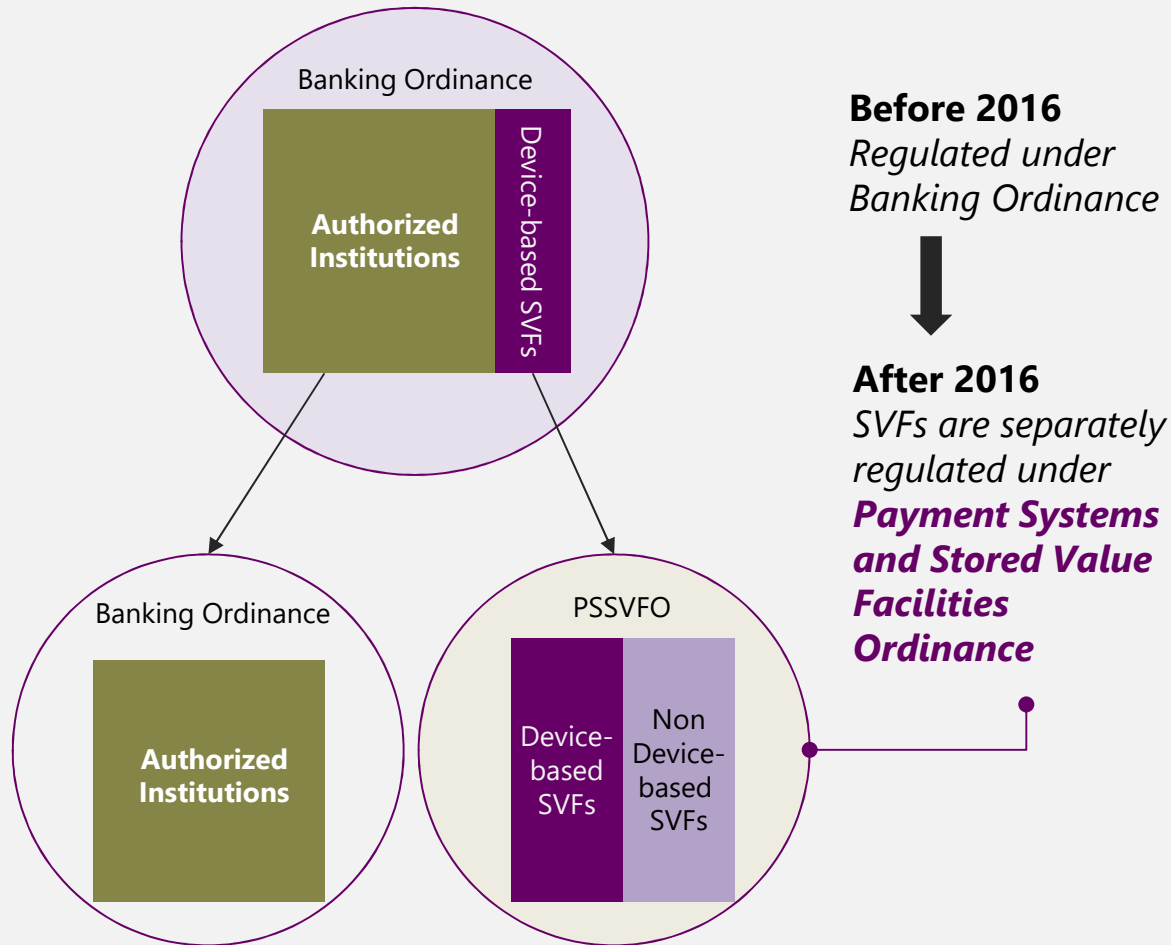


CUMBERSOME

No convenient and user-friendly tools for P2P transfers on-the-go

## 2.2 HKMA'S PROACTIVE RESPONSE

### A New Payment Regime



Foster innovation



Market-driven



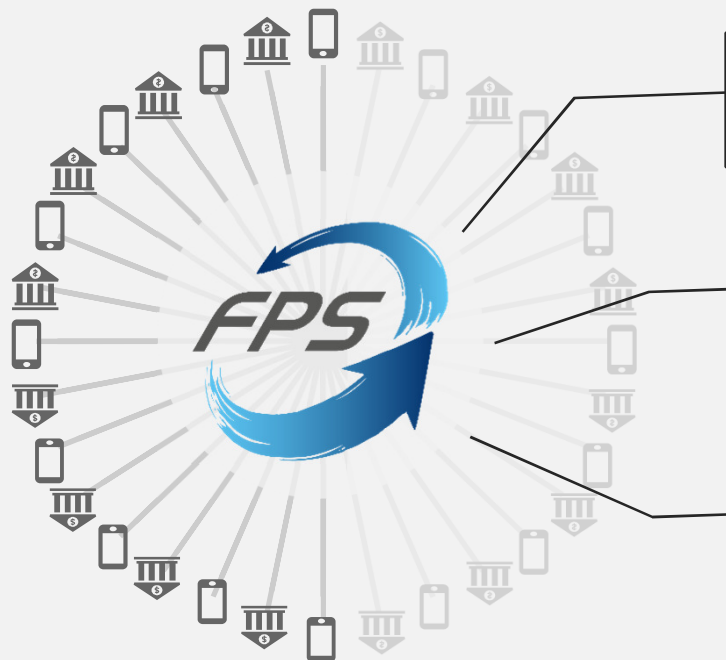
Safe and Secure



## 2.2 HKMA'S PROACTIVE RESPONSE A New Payment Infrastructure

 e-Wallets

 Banks



Real-time HKD /  
RMB settlement

Round-the-clock  
availability

Mobile # and  
email as proxy

Full connectivity  
between banks and e-wallets



User-Friendly



Level Playing Field



Safe and Secure

## 2.3 ROLE OF NEW PAYMENT MEANS IN MPF

How could these developments possibly bring opportunities to MPF?



Instrument



Bank A/C



Paper Cheque



E-Wallet



FPS

Mode



Batch Processed



Real-Time

Channel



Banks



Multiple  
(Banks + SVFs)



### **3. VISION FOR THE FUTURE**

Healthy Ecosystem Paving The Way

### 3.1 VISION FOR THE FUTURE

## Healthy ecosystem paves the way for MPF digitalisation

