



FACT SHEET: HONG KONG FINTECH LANDSCAPE

August 17, 2019

Fintech Landscape

- Hong Kong is among the world's top ten fintech hubs. In 2018, Hong Kong ranked 5th in digitalization of the traditional financial sector, and the percentage of its fintech users in Hong Kong reached 35.1%¹. In 2019, the consumer fintech adoption rate reached 67% in Hong Kong².
- Hong Kong ranked as the 4th most innovative economy in Asia in 2019, according to Cornell University, INSEAD, and the World Intellectual Property Organization³.
- In 2018, Hong Kong ranked 5th in EY's Open Banking Opportunity Index⁴.
- Hong Kong currently has at least eight unicorns (start-ups valued at US\$1 billion), including Airwallex, a cross-border payment service provider, TNG, a fintech company, Welab, an online lending platform, Lalamove and GoGoVan, both in logistics business, Asia Medical, a medical company, Klook, a travel product booking platform, and SenseTime Group, an artificial intelligence company.⁵

Funding

• Private Investment

- Hong Kong fintechs raised a total of US\$1.1 billion from 2014 to 2018⁶. In the first half of 2019, Hong Kong fintech companies raised US\$152 million, up 561% from the same period last year.⁷
- In 2018, Hong Kong ranked 3rd in Asia and 7th in the world on fintech venture capital investment.⁸
- Lalamove, a real-time logistics platform, raised US\$300 million in February 2019, while Klook, a travel experience booking platform, raised US\$225 million in April 2019. These were the largest private financing activities in Hong Kong in 2019 thus far⁹.

¹ [Cambridge Judge Business School, 2018 Global FinTech Hub Report, November 2018](#)

² [Ernst & Young, Ernst and Young Global Fintech Adoption Index 2019, June 2019](#)

³ [Cornell University INSEAD Business School and the World Intellectual Property Organization, Global Innovation Index 2019, July 2019](#)

⁴ [Ernst & Young, Open Banking Opportunity Index 2018, December 2018](#)

⁵ [Ming Pao, July 2019](#)

⁶ [Accenture, Win-win: Driving fintech forces in Asia-Pacific, March 2019](#)

⁷ [South China Morning Post, August 2019](#)

⁸ [Innovate Finance, 2018 FinTech VC Investment Landscape, February 2019](#)

⁹ [Hong Kong Economic Journal, StartUpBeat – Financing Record of Hong Kong Startups, August 2019](#)



- **Capital Market**

- In the first half of 2019, Hong Kong recorded a total of 84 new listings and a total of HK\$69.8 billion was raised, up 35.2% from the same period last year, propelling Hong Kong to the first place among Asia's IPO markets.
- During the period, 20 new economy & biotech companies were listed in Hong Kong. They collectively raised HK\$26.5 billion, accounting for 38% of the total.¹⁰ The successful introduction of New Listing Regime facilitated diversification of Hong Kong IPO market, which helped Hong Kong cement its position as the best financing platform in the Asia-Pacific region.¹¹
- New economy companies are expected to dominate the Hong Kong IPO market in the second half of 2019. The Hong Kong IPO market is expected to raise between HK\$250 billion to HK\$300 billion in 2019.¹²

- **Government Funding Schemes**

- The Hong Kong government set aside HK\$500 million for the development of financial services over the next five years, including fintech, in the 2018/19 budget.
- HK\$20 billion will be earmarked by the government for the first phase of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop. The construction progress is on track for the target of making the first batch of land parcels available by 2021.
- The government injected HK\$10 billion into the Innovation and Technology Fund (ITF) last year to support the continued operation of existing ITF funding schemes, introduce various new initiatives and promote local R&D activities.
- Furthermore, the government also announced injection of HK\$20 billion into the Research Endowment Fund of the Research Grants Council under the University Grants Committee (UGC) to provide sufficient funding.
- In respect of applied R&D, funding for Technology Transfer Offices of designated universities, the Technology Start-up Support Scheme for Universities, State Key Laboratories and Hong Kong branches of the Chinese National Engineering Research Centre will be doubled to support more R&D work and the realization of R&D results. An additional sum of not less than HK\$800 million will be provided over five years starting from 2019-20.
- Other funding support includes: Technology Voucher Programme (TVP), Innovation and Technology Venture Fund (ITVF) and Innovation and Technology Fund (ITF)

Hong Kong Science and Technology Parks Corporation (HKSTPC)

- The government allocated HK\$3 billion to the Hong Kong Science and Technology Parks Corporation (HKSTPC) for constructing R&D infrastructure and facilities such as laboratories. The construction of some facilities has

¹⁰ [Hong Kong Exchanges and Clearing Limited, July 2019](#)

¹¹ [KPMG, Mainland China and Hong Kong 2019 mid-year review: IPOs and other market trends, June 2019](#)

¹² [PwC, July 2019](#)



commenced, and they will gradually come into operation. Stage 1 of the Science Park Expansion Programme is also underway and is expected to be completed by the end of 2019. It will provide an additional floor area of around 74,000 square meters upon completion.

- The HKSTPC is also working in full swing to develop a Data Technology Hub and an Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate to support and promote smart production activities and high-end manufacturing industries which have great demand for data services. The two projects are expected to be completed in 2020 and 2022 respectively.
- The government has provided funding of HK\$10 billion to establish two innovative clusters in the Science Park, including the "AIR@InnoHK" focusing on artificial intelligence and robotics technologies, which gives us an edge in pooling top-notch local, mainland and overseas universities, scientific research institutions and enterprises to undertake R&D activities together. They can also seek research funding from the ITF. A number of leading universities like Harvard University, Stanford University, Imperial College London, University College London and Johns Hopkins University have expressed interest in joining the two clusters and collaborating with local universities.

Hong Kong Cyberport

- 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 leading venture capitalists, angel investors and private equity funds around the world, to enhance the fundraising and decision making capabilities of startups at Cyberport. It comprises over 100 investors across different categories, including angel, pre-A and post-A rounds investors.
- The government has earmarked HK\$5.5 billion for the development of Cyberport 5. Cyberport 5 is expected to offer about 66,000 square meters of floor area, including facilities such as offices, co-working space, conference venues and data service platforms. The government will proceed with the statutory town planning procedures with a view to complete the construction in 2024 at the earliest.

Regulation

• **New Guidelines for Cryptocurrencies**

- Securities and Futures Commission (SFC) took a new regulatory approach for cryptocurrencies to enhance investors protection. In terms of security token offerings (STO), the new regime would ban retail investors from trading bitcoins via these funds or platform, but would allow professional investors to so.
- Under the new rules, all funds which invest more than 10 percent of a mixed portfolio in crypto assets, will have to comply, whether or not those crypto assets are securities.
- The SFC will also use its existing regulatory sandbox to monitor virtual asset trading activities. This is expected to be an opt-in approach for exchanges and



platform operators. The SFC will explore how these exchanges should be regulated in a sandbox environment.

- **New IPO Rules**

- Hong Kong Exchanges & Clearing Ltd. (HKEX) 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 onwards.

- **HKMA: New Virtual Banking Licenses**

- The Hong Kong Monetary Authority (HKMA) granted 8 virtual bank licenses since March 2019. Virtual banking will spur innovation and development of Hong Kong fintech, enhance customer experience and financial inclusion. The first batch of virtual banks are expected to put into service by the end of 2019. After the granting of the banking licenses, the number of licensed banks in Hong Kong increased to 160.

- **Tax Concessions and Corporate Support**

- The government reduced the profit tax by 75% in 2018/19, with a ceiling of 20,000 yuan.
- To ease SMEs of liquidity pressure, the government implemented enhancements for qualifying guarantees under the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited since November 2018, including reducing the guarantee fee rates by 50%; increasing the maximum loan amount to HK\$15 million; and lengthening the maximum guarantee period to seven years and extending the application period.

- **“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

- **Nurturing Local Talent**

- The government established the Academy of Finance in June 2019, which will serve to pool the strengths of tertiary institutions, the financial services sector, professional training bodies and regulators so as to attain two major goals, namely nurturing financial leadership and encouraging applied research in cross-sectoral areas.
- Six local universities have rolled out bachelor’s or master’s degree programs related to fintech. The Study Subsidy Scheme for Designated



Professionals/Sectors also covers self-financing fintech-related undergraduate programs starting from the 2018/19 academic year.

- The HKMA launched the upgraded version of the Fintech Career Accelerator Scheme (“FCAS”) as FCAS 2.0 in 2018, offering four internship programs.
 - The University of Hong Kong, together with Cyberport and other industry players, launched Asia’s first Fintech Massive Open Online Course in 2018 in which practitioners of the financial services industry can enroll.
 - The government and the industry have offered various training programs to enhance the digital literacy of practitioners of the financial services industry. For example, under the Pilot Programme to Enhance Talent Training for Asset and Wealth Management Sector, industry associations can make use of the Financial Incentive Scheme for Professional Training to enhance wider adoption of innovative technology among practitioners.
- **Attracting Overseas Talent**
 - In August 2018, the government promulgated the first Talent List of Hong Kong, which covered, among others, “experienced professionals in fintech”, “experienced data scientists”, “experienced cybersecurity specialists” and “innovation and technology experts”. Immigration facilitation is provided to eligible persons under the Talent List through the Quality Migrant Admission Scheme.
 - The government also rolled out TechTAS to provide a fast-track arrangement for the admission of overseas and mainland R&D talent to undertake R&D work in Hong Kong. As a start, TechTAS will be open to tenants and incubatees of the Hong Kong Science and Technology Parks Corporation and Cyberport that are engaged in fintech or other specific technology areas.

Latest Sub-sector Developments

- **Blockchain**
 - HKEX teamed up with Digital Asset to build a [blockchain platform](#) for post-trade allocation and processing of northbound transactions. HKEX has been testing a prototype system for Stock Connect using Digital Asset's platform and smart contract modelling language in an effort to accelerate the post-trade process and reduce settlement. Stock Connect is a collaboration between HKEX and the Shanghai and Shenzhen stock exchanges, which lets international and mainland Chinese investors trade in each other's markets through their home exchanges' platforms.
 - The trade finance platform, eTradeConnect, was launched in October 2018. eTradeConnect is the first large-scale multi-bank blockchain project in Hong Kong by a consortium of twelve member banks. eTradeConnect aims to improve overall trade efficiency, reduce risks and fraud by digitizing trade documents and automating trade finance processes. A Memorandum of Understanding has been signed between the operator of eTradeConnect and a European trade finance platform to conduct a proof-of-Concept on connecting the two platforms. HKMA has been proactively looking for opportunities to connect eTradeConnect with trade platforms in other regions.



- 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.
- **Cybersecurity**
 - Cybersecurity-focused accelerator opens in Hong Kong: Standard Chartered announced in April 2018 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 SFC on cyber risks.
- **Payments**
 - Faster Payment System (FPS) was launched in September 2018. FPS operates on a round-the-clock basis and connects banks and stored value facility (SVF) operators on the same platform. The public can use internet banking, mobile banking or e-wallets to make real-time fund transfer between banks and SVFs with the use of recipient's mobile number or email address as an account proxy. As at end July 2019, FPS has processed over 25 million transactions involving an aggregate amount of HK\$545 billion. The government is planning for the use of FPS to provide the public with greater convenience in paying taxes, rates and water charges. The Transport Department, the Immigration Department and the Leisure and Cultural Services Department will examine the feasibility of accepting payments through the FPS at their shroff counters on a pilot basis.
 - The HKMA also announced the Common QR Code Standard for Retail Payments in Hong Kong together with the launch of an associated mobile application tool for converting multiple QR codes from different payment service providers into a single, combined QR code. This would facilitate merchants in using a single QR code to accept different payment schemes, thereby promote the adoption of QR code payments in Hong Kong.
 - The SVF industry registered continuing growth. As at end-March 2019, the total number of SVF accounts in use was 59.3 million, representing a 5.8% quarter-on-quarter increase. Recently some e-wallet operators have extended the use of their Hong Kong e-wallets for retail payments in mainland China.
- **Fintech**
 - The HKMA introduced the Open API Framework in July 2018, which aims to facilitate the development and wider adoption of APIs (application programming interfaces) by the banking sector. The framework adopts a four-phase implementation approach. Since the launch of Phase I in January 2019 as scheduled, the 20 participating retail banks have made available more



than 500 Open APIs, offering access to information of a wide range of banking products and services, including deposit, loan, insurance and investment. [Phase II Open APIs will be launched by end of October 2019.](#)

- The HKMA has been working closely with the Hong Kong Association of Banks (“HKAB”) to explore how the know-your-customer utility (“KYCU”) could potentially be used to enhance efficiency of customer (mainly small and medium enterprises and corporates) due diligence processes and customer experience. With the support from the HKMA, the HKAB has earlier gathered market interests and proposals on potential solutions available and the review is now in progress. When designing the electronic identity (“eID”) system, Innovation and Technology Bureau and the Office of the Government Chief Information Officer have also provided flexibility for supporting future services to be provided by public and private organizations, including facilitating financial institutions to perform KYC procedure.
 - 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 mainland China, Hong Kong, Macau, the Philippines, Thailand, Cambodia, Myanmar, Vietnam, Brunei and Laos, with a key focus being to foster innovation in regtech.
- **Insurtech**
 - The Insurance Authority (“IA”)’s Fast Track offers a dedicated channel for new authorization applications from insurers using solely digital distribution channels (i.e. without the involvement of intermediaries) to provide insurance products with a simple structure and high protection element. In December 2018, IA granted the first authorization of a virtual insurer under the Fast Track. IA will continue to process other applications under the Fast Track.
 - Hong Kong insurance sector launched two insurtech projects in December 2018, namely Insurance Fraud Prevention Claims Database (IFPCD) and Motor Insurance DLT-based Authentication System (MIDAS). IFPCD uses big data and AI technology to help detect patterns of fraudulent insurance claims, especially those involving multiple claims and syndicates. MIDAS makes use of blockchain to examine the validity of motor insurance policies with ease, which will help address cases of insurance scams.
 - In addition, the Insurtech Facilitation Team established by IA helps insurers, technology companies and startups to gain a better understanding of the current regulatory landscape and provides a platform for the exchange of ideas related to insurtech initiatives.
 - The “Embracing Fintech in Hong Kong” working group has been set up under the “Future Task Force” of the insurance industry to promote the application of fintech in the insurance industry. The working group comprises representatives from the insurance industry and other stakeholders. The working group meets regularly and acts as a platform for exchanging ideas of innovative insurtech initiatives among key stakeholders.



- **Sandboxes and Regtech**

- Hong Kong has three sandboxes for the banking, insurance and securities sectors to help promote the development of mainland fintech companies in Hong Kong. For example, banks and their partnering tech firms that use the Fintech Supervisory Sandbox (FSS) can gather real-life data and user feedback on their new fintech products or services more easily, so that they can make refinements to them as appropriate before the full launch. Hence, the FSS can facilitate earlier rollout of fintech initiatives by banks and their partnering tech firms, at a lower cost and with better quality upon full product launch. Industries participated in Hong Kong sandbox projects actively. As at the end of May 2019, 53 new technology products have been allowed in the FSS. Out of these cases, 34 pilot trials have been completed, and the products have subsequently been rolled out. Banks are the most active sector in the sandbox project and have collaborated with tech firms in 29 trial cases. Please refer to the following table for further details.

Statistics on Usage of the FSS (As at the end of May 2019)

Technology involved	Number of pilot trials
Biometric authentication	7
Soft token	4
Chatbot	2
Distributed ledger technologies	5
Application programming interface (API)	7
Regtech and compliance technology (e.g. remote account opening)	11
Mobile application enhancements	8
Others (e.g. notification service via social media platforms)	9
Total	53



Platforms

As at the end of April 2019, Hong Kong has six fintech accelerators, including Asia's first regulatory technology accelerator and nine financial service and insurance innovation laboratories.

• **Incubators**

- Cyberport:
 - Launch of an “Easy Landing Scheme” to attract overseas and mainland companies by rent concession to set up offices and R&D units in Hong Kong.
 - Incubatees get up to HK\$500,000 support, rent-free working space (only for incubatees who chose to work on-site at Cyberport), free use of Cyberport’s shared meeting rooms, conference rooms, co-working spaces and other facilities, and meetings with entrepreneurs and investors, and networking opportunities.
 - Fintech is currently a key cluster being developed at Cyberport. It attracts over 300 fintech companies gathered and the cluster has made Cyberport the largest fintech community in Hong Kong. Over the years, the cyberport has been supporting fintech startups, nurturing fintech talent and matching financial institutions with startups through various programs. By the end of February 2019, 94 fintech startups participated in the “Cyberport Incubation Programme”.
- Hong Kong Science and Technology Park:
 - Incu-App is a 2-year program aiming to provide startup support to companies working on business innovation during their inception stages. Incubatees will enjoy a full range of tailor-made support services and facilities that will help drive their business to the next level of development.

• **Innovation Labs and Accelerators**

- Innovation Labs:
 - Many world-renowned innovation laboratories are aware of the advantages of developing fintech in Hong Kong. Many of them have settled in Hong Kong, including Accenture’s FinTech Innovation Lab, Deloitte's Asia-pacific Blockchain Lab, the “Nordic Innovation House” from Scandinavia, the Massachusetts Institute of Technology’s “MIT Hong Kong Innovation Node”, and the Tuspark owned by Tsinghua University-backed Tus-Holdings.
 - There are many successful examples of cooperation between financial and academic institutions, including the “HSBC-ASTRI Research and Development Laboratory” established by HSBC and the Hong Kong Institute of Applied Science and Technology, and the “AMTD FinTech Centre of PolyU Faculty of Business” jointly launched by the Hong Kong



Polytechnic University and AMTD Group Company and AMTD Foundation.

- Accelerators:
 - Many financial institutions have set up accelerators to promote cooperation among regulators, customers, business partners and technology companies, including “DBS Accelerator” operated by DBS and venture capital Nest. Besides, Hong Kong also has “Moment Accelerator”, Asia’s first accelerator dedicated to regtech research and development.

Government Initiatives

- **Fintech Awards**
 - InvestHK and UK Department for International Trade co-organized the InvestHK UK Fintech Awards to encourage ambitious overseas companies to join the flourishing fintech scene in Hong Kong for their business expansion in Asia.
- **International Collaborations (in Chronological Order)**
 - HKMA and Autorité de Contrôle Prudentiel et de Résolution
 - HKMA and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) entered into a Memorandum of Understanding (MoU) to enhance collaboration between the two authorities in supporting fintech innovation.
 - HKMA and the Bank of Thailand (BOT)
 - HKMA and the Bank of Thailand (BOT) entered into a Memorandum of Understanding (MoU) to foster collaboration between the two regulatory authorities in promoting financial innovation.
 - HKMA and the Polish Financial Supervision Authority (KNF)
 - Collaboration on joint research projects, information exchange, mutual consultations and expertise sharing within the fintech area.
 - HKMA and Swiss Financial Markets Supervisory Authority (FINMA)
 - To exchange views on emerging trends in fintech, development and regulation of fintech, as well as promotion of financial service innovation.
 - HKEx and the Australian Stock Exchange (ASX)
 - Hong Kong’s stock exchange is working with its Australian counterpart to share information on blockchain, as global exchanges accelerate plans to adopt the technology 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 financial markets
 - Authorities and private sector representatives from Hong Kong and Switzerland signed three Memorandums of Understanding (MoU) during the meeting.
 - 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.



- 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.
- 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, startup entrepreneurs, investors and other stakeholders to expand and scale their business via Hong Kong to mainland China, Asia and beyond. For more information, please visit www.hongkong-fintech.hk.