

**FACT SHEET: HONG KONG FINTECH LANDSCAPE**

12 Dec 2022

**A Diverse, Resilient, and Dynamic International FinTech Hub**

Hong Kong is an international FinTech hub characterised by a diverse, resilient, and dynamic landscape. Although a relatively small city, it punches above its weight as one of the most productive markets for FinTech start-ups to rapidly scale-up. Throughout the COVID-19 pandemic, the Hong Kong FinTech sector bucked the global trend as companies continued to grow, raise capital and hire.

- Home to [over 3,700](#) start-ups, Hong Kong is one of the top cities globally for start-ups to rapidly scale-up. It is home to [over 10 unicorn companies](#) (start-ups valued over US\$1bn). Examples of Hong Kong's FinTech unicorns include [ZA International](#), which was granted a HK virtual bank license in March 2019 via its subsidiary ZA Bank Limited, [WeLab](#), an online financial company, [Airwallex](#), a cross-border payment service provider and more.
- Hong Kong has one of the highest consumer FinTech [adoption rates \(67%\)](#) in the world, ranking above markets including [France, USA and Japan](#). It also has a high B2B adoption rate of FinTech with [66% of FinTech companies](#) focusing on the B2B market. The city also serves as a platform for mainland China, the world's top consumer market for FinTech, with [51% of companies](#) operating or plan to expand in the Greater Bay Area. According to HSBC, 37% of their international survey respondents sees Hong Kong as the [preferred entry point](#) into the GBA.
- [2021 Annual Startup Survey](#) conducted by InvestHK showed that Hong Kong's start-up scene remained vibrant, with the number of start-ups increasing by 68.5 per cent from 2017 to 3,755. This spans across different business sectors, such as financial technology.
- According the results of [a joint survey by Invest Hong Kong and the Census and Statistics Department \(C&SD\)](#), the number of business operations in Hong Kong with parent companies located outside Hong Kong was 8,978 in 2022. In terms of source country/territory, Mainland China ranked the first with 2,114 companies, followed by Japan (1,388), the United States (1,258), the United Kingdom (655) and Singapore (463). By sector, import/export trade, wholesale and retail topped the list (4,170), followed by financing and banking (1,683), and professional, business and education services (1,308).
- In 2021, Hong Kong [ranked](#) in the top ten of the world's top technology innovation hubs outside Silicon Valley over the next four year. In 2022, the city [ranks fourth](#) in the latest Global Financial Centres Index, which was produced by the China Development Institute and the London think tank Z/Yen Partners.
- The Hong Kong Stock Exchange has been the world's top IPO market [seven of the last 12 years](#) and an increasingly [popular choice](#) for Asia's FinTech companies thanks in part to highly attractive listing rules designed for tech companies. In 2021, Hong Kong Exchanges and Clearing Limited hosted 98 new listings during the year, in which a total of [HK\\$331.4 billion](#) was raised. In 2022, HKEX remains focused on successfully leveraging its strategic [China-anchored advantage](#) to capture further growth opportunities in the region and beyond.
- In March 2022, HKEX welcomed the first Special Purpose Acquisition Company (SPAC) listing in Hong Kong. Unique to Hong Kong, the [SPAC listing framework](#) welcomes SPAC listing applications from experienced and reputable SPAC Promoters seeking good quality De-SPAC Targets, providing another attractive route to listing in Hong Kong whilst ensuring appropriate investor safeguards. As of June 30, HKEX had received [11 SPAC listing applications](#), reflecting strong market interest and demand for this new listing route.



## **A Supportive Regime and Ecosystem Focusing on FinTech Development**

- Stable, world-class regulatory regime with [attractive sandboxes](#) and initiatives to pioneer FinTech development in emerging areas. No exchange controls or restrictions on capital inflows and outflows make Hong Kong one of the freest markets for FinTech companies to grow and expand cross-boundary operations. Start-ups also benefit from a low and simple tax structure, as well as a variety of generous government support, funding, and subsidy schemes.
- Hong Kong's regulators have been ramping up efforts to attract FinTech investments into the market, and financial services in Hong Kong are more open to FinTech adoption, resulting in 35% to 56% of banks consider FinTech as an opportunity, and 86% of the incumbent banks are progressively integrating FinTech applications across all types of financial services, according to a [report](#) by the Hong Kong Monetary Authority (HKMA).
- Banks of all asset sizes plan to dedicate more financial and talent resources to Fintech. The expected financial investment by small and medium-sized banks is set to grow by over 50% and 80% respectively in the next three-year period. Regtech, Paytech and Lendingtech are currently and set to remain the top three most commonly adopted Fintech business areas by 2025. Greentech adoption is set to increase rapidly and projected to double to around 60% of banks by 2025. Similar momentum can also be seen for Legaltech, with its adoption rate expected to almost double to around 40% by 2025, according to an [assessment](#) by HKMA in June 2022.
- In June 2021, the HKMA announced the “FinTech 2025” strategy to encourage the financial sector to adopt technology by 2025, and to promote the provision of fair and efficient financial services for the benefit of Hong Kong citizens and the economy. The focus areas include:
  1. All banks go FinTech by fully digitizing operations
  2. Future-proofing Hong Kong for Central Bank Digital Currencies (CBDCs) by increasing Hong Kong's readiness in issuing CBDCs at both wholesale and retail levels
  3. Creating the next-generation data infrastructure by enhancing the city's existing data infrastructure and building new ones
  4. Expanding the FinTech-savvy workforce by collaborating with various strategic partners to groom all-round FinTech talent
  5. Nurturing the ecosystem with funding and policies by setting up a new FinTech Cross-Agency Co-ordination Group and various industry key players to formulate supportive policies for the Hong Kong FinTech ecosystem
- In April 2022, HKMA released a discussion paper titled [“e-HKD: A policy and design perspective”](#) (the “Paper”), inviting views from the public and the industry on key policy and design issues for introducing retail central bank digital currency (rCBDC), i.e. e-HKD, in Hong Kong. This Paper marks another milestone in the city's exploration for the e-HKD, as well as reflecting latest international developments as well as the unique features of the financial market of Hong Kong.
- As one of the key initiatives under its “Fintech 2025” strategy, [Commercial Data Interchange \(CDI\)](#) is officially launched on [24 October 2022](#), signifying a new era of data sharing. With the launch of CDI, financial institutions could embrace more innovative applications to digitalise and streamline a wide range of financial processes, such as Know-Your-Customer (KYC), credit assessment, loan approval and risk management. During the pilot launch, CDI has registered over HK\$1.6 billion in approved SME loans and attracted the participation of 23 banks with material SME business and 10 data providers.



- During FinTech Week 2022, the Government issued a [policy statement](#) on the development of Virtual Assets (VA) in Hong Kong, recognising VA is here to stay and the potential of distributed ledger technologies (DLT) and Web 3.0 to become the future of finance and commerce. The Government, in conjunction with the financial regulators, are working towards providing a facilitating environment for promoting sustainable and responsible development of the VA sector in Hong Kong.
- Over the past few years, the Government and the regulators have developed a comprehensive framework for the regulation of VA activities, under the “same activity, same risks, same regulation” principle. A new licensing regime for VA Service Providers will align requirements for VA Exchanges in terms of anti-money laundering, counter-terrorist financing (“AML/CTF”), and investor protection to those currently applicable to traditional financial institutions, hence offering licensed VA Exchanges the status and credibility to access a wider net of investors in the Hong Kong market.
- The Government and the regulators are exploring the following pilot projects to test the technological benefits brought by Virtual Assets and their further applications in the financial markets. These demonstrate our commitment and determination to explore financial innovations together with the global VA community. The pilot projects include (a) NFT issuance for Hong Kong Fintech Week (“HKFTW”) 2022: A proof-of-concept project on our part to engage the Fintech and Web3 community; (b) Green bond tokenisation: Tokenising Government Green bond issuance for subscription by institutional investors; and (c) e-HKD: The potential “backbone” and anchor bridging legal tender and VA, offering price stability and confidence needed to empower more innovations.

### **GBA as a Gateway for FinTech companies to Prosper**

- The [GBA Wealth Management Connect Scheme](#) facilitates cross-boundary wealth management within the GBA, an open and economically vibrant region with a population of over 86 million. The GDP of the GBA was around [US\\$ 1.95 trillion](#) in 2021, which was 20% higher than 2020. While promoting the organic growth of our local wealth management market, it will drive the development of the entire financial services value chain, encompassing product development, distribution, asset management and related professional and support services.
- The HKSAR government is also working with the regulatory authorities in the Mainland to explore enhancement measures for the [Cross-boundary Wealth Management Connect Scheme](#), such as increasing quotas gradually, expanding the scope of eligible investment products, inviting more participating organisations and improving the distribution arrangement.
- In October 2021, HKMA and the People's Bank of China (PBoC) signed a [Memorandum of Understanding \(MoU\)](#) to develop a one-stop platform in the form of a “network link-up” to allow eligible financial institutions and technology firms to conduct pilot trials of cross-boundary financial technology projects concurrently in Hong Kong and the Mainland. Beginning February 2022, the HKMA and the People's Bank of China (PBoC) are ready to accept applications from financial institutions (FIs) and technology firms for conducting pilot trials of cross-boundary FinTech initiatives in the Greater Bay Area (GBA).

### **Strong Funding Landscape**



Hong Kong has a rich and diverse [funding landscape](#). This includes both government backed and private funding for smaller start-ups; private equity and venture funding for scale-ups, and one of the world's top IPO markets.

- **Government Funding** – As of 1 September 2022, the Hong Kong government provides [45 grants](#) for enterprises and organizations in different sectors. The 2022-23 budget plan also aligned with Hong Kong's position fostering I&T and FinTech enhancement in the city. For I&T, the HKSAR has set up a \$5 billion [Strategic Tech Fund](#) to invest in technology enterprises and projects of strategic value under the Future Fund and double subsidy under the Technology Start-up Support Scheme for Universities to \$16 million.
- On 6 January 2021, the Financial Services and the Treasury Bureau (FSTB) announced the launch of the FinTech Proof-of-Concept Subsidy Scheme (PoC Scheme). The PoC Scheme aims to encourage traditional financial institutions to partner with FinTech companies to conduct PoC projects on innovative financial services products. As of November 2021, the PoC Scheme has approved a total of [93 projects](#). The government has further allocated a funding of \$10 million to launch a new round of the scheme. The application opens now in [2 phases](#).
- On 2 July 2020, the government launched the FinTech Anti-epidemic Scheme for Talent Development (FAST) scheme, and specifically targeting 1,000 FinTech jobs. Successful applicants will receive HK\$10,000 per month as a salary subsidy for a maximum of 12 months. The total funding involved may amount to HK\$120 million. As of July 2021, the Anti-epidemic Fund received a total of [1,028 submissions](#).
- In November 2021, HKMA's FinTech Supervisory Sandbox 3.0 was launched through the Public Sector Trial Scheme. The Innovation and Technology Bureau will provide a maximum of [\\$1 million](#) in funding to local technology firms for each eligible project supported by the HKMA.
- **Private Funding** – Hong Kong has the 2<sup>nd</sup> largest fund pool in Asia Pacific in [2021](#), behind Mainland China. Between 2016 and 2020, the average fund size in Hong Kong's private equity and venture capital sectors was US \$ 862.95 million and US \$126.83 million respectively, comparing to US \$219.21 million and US \$68.14 in Singapore. Hong Kong was also ranked the largest hedge fund hub in Asia as at [March 2022](#). In 2022, the top five HK start-ups by venture funding alone [raised over](#) US \$472 million.
- This is set to be further boosted by new fund structures, including new planned legislation on the establishment of a limited partnership regime which meets the operational needs of funds, to encourage more private equity funds in Hong Kong. In the 2020-21 Budget, the government also announced plans to provide tax concessions for carried interest issued by private equity funds.
- **IPO** - Funds raised through initial public offerings (IPO) in Hong Kong amounted to nearly [\\$330 billion](#) in 2021, making Hong Kong the fourth largest IPO centre in the world.

### **Emerging FinTech Innovation**

- **[Virtual assets \(VA\)](#)** – As an international financial centre, Hong Kong has attracted a wealth of talent and a great many start-ups in the virtual asset sector. The Government and financial regulators have rolled out a host of measures in March 2022 to ensure the orderly development and operation of the sector and respond to challenges arising from investor protection or money laundering risks. These measures cover three areas, namely (1) establishing a licensing regime for the VA service providers (VASPs); (2) contemplating the regulation of payment-related



“stablecoins”; and (3) providing traditional financial institutions (FIs) with guidelines on offering VA-related services to clients.

- The [circular](#) issued in January 2022 by the SFC and HKMA sets out regulatory guidelines for traditional financial intermediaries and banks to follow when they are (1) distributing VA-related products; (2) providing VA dealing services; and (3) providing VA advisory services to clients. The circular helps financial institutions handle the growing number of enquiries on VAs from investors and facilitates their provision of VA-related services under a sound regulatory system and in the best interests of their clients.
- In June 2022, the government gazetted the [Anti-Money Laundering and Counter-Terrorist Financing \(Amendment\) Bill 2022](#) in an effort to enhance Hong Kong's regulatory regime for combating money laundering and terrorist financing. Any person who seeks to carry on a business of operating a virtual asset exchange is required to apply for a license from the SFC. [The passage of the Bill by the Legislative Council has been made in December 2022](#). The licensing regime for VA service providers as well as other amendments on AML/CTF requirements, will take effect on June 1, 2023
- The Bank for International Settlements (BIS) Innovation Hub and HKMA concluded [Project Genesis](#) in November 2021, which concept-tested the issuance of tokenised green bonds to retail investors in Hong Kong. The two prototype digital platforms combine blockchain, smart contracts, internet-of-things, and digital assets, aiming to enable investment in green bonds with higher transparency and greater access to retail investors.
- **Regtech** - In November 2021, the HKMA launched the [first Anti-Money Laundering \(AML\) Regtech Lab](#) (AMLab), in collaboration with Cyberport and supported by Deloitte, to further encourage the use of Regtech under the “FinTech 2025” strategy. AMLab will strengthen banks’ capabilities to protect customers from fraud and financial crime losses, reduce risk displacement across the banking sector and raise the overall effectiveness of the AML ecosystem.
- In January 2022, HKMA issued the fifth issue of the [Regtech Adoption Practice Guide](#), providing implementation guidance to help banks apply RegTech solutions for cyber risk management. It offers advice on how banks can use these solutions to address the latest cyber risk emerging from container technology and remote working arrangements.
- In April 2022, HKMA launched the [Regtech Knowledge Hub](#) to encourage greater sharing of Regtech adoption experience and expertise within the Regtech ecosystem in Hong Kong. The Hub provides an online platform for the Regtech community, including banks and Regtech providers, to share success stories and implementation experience, while also acting as a central repository of the HKMA’s Regtech-related information, including past circulars, guidance papers, and research reports.
- **Trade Finance** – The trade finance platform, [eTradeConnect](#), is a 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 digitising trade documents and automating trade finance processes.
- **Faster Payments System** – Faster Payment System (FPS) was launched in October 2018. FPS operates on a round-the-clock basis and connects banks and stored value facility (SVF) operators on the same platform. [FPS registrations](#) exceeded 10 million in March 2022, and grew further to 10.9 million as of the end of August. Average daily turnover reached 928,000 real-time transactions in August, representing a surge of 17 times as compared to that when the FPS was just launched.





- **Sandboxes** – Hong Kong has three sandboxes for the banking, insurance and securities sectors to help promote the development of mainland FinTech companies in Hong Kong. As of end-July 2022, pilot trials of 252 FinTech initiatives had been allowed in the FSS. Separately, banks have collaborated with tech firms in 180 trial cases. Usage of the FSS [as of July 2022](#):

Technology involved	Number of pilot trials
Biometric authentication	9
Soft tokens	7
Chatbots	3
Distributed ledger technologies	8
Application programming interface (API) services	15
RegTech	119
Mobile application enhancements	22
Others	69
<b>Total</b>	<b>252</b>

### **Diversity of FinTech Companies**

A unique feature of Hong Kong is its highly diverse range of FinTech companies operating in sectors including virtual banking, insurance technology, asset management, robo-advisory, blockchain, digital trading, payments, and cybersecurity.

- FinTech Enterprise Solutions and CreditTech are the 2 fastest growing categories in 2021, followed by RegTech and InsurTech.
- The FinTech companies in 2022 are from a broad range of sectors including WealthTech; payments and remittance; digital asset & cryptocurrency; FinTech enterprise solutions; InsurTech; compliance & RegTech; CreditTech and others.
- Digital Payments is expected to be the largest segment with a total transaction value of US\$33.37bn in 2022, while The Digital Investment segment is expected to show a revenue growth of 43.7% in 2023, according to [Statista](#).
- FinTech companies benefit from being in close proximity to the world's largest financial institutions across banking, insurance, asset management and payments. Over 70 of the largest 100 banks in the world have a presence in Hong Kong and over 29 multinational banks have their [regional headquarters](#) in the city.
- **Virtual Banking** - Since 2019, the HK Monetary Authority (HKMA) has issued [8](#) virtual banking licenses.



- **Insurance** - Since 2018, the HK Insurance Authority (HKIA) has issued virtual insurance to [4](#) insurtech companies.

### **One of The Richest FinTech Ecosystems in Asia**

Hong Kong has one of Asia's richest ecosystem of public and private organisations to accelerate, invest and support FinTech companies. Some of the [key organisations](#) supporting FinTech companies include:

- **Cyberport** is a business park and ecosystem for digital companies, housing nearly [400](#) FinTech companies. Cyberport also has a private equity fund to invest in FinTech start-ups. In February 2022, global blockchain leader R3 established its "[Innovation Lab](#)" at Cyberport to help Hong Kong FinTechs seize CBDC opportunities.
- The Financial Services and the Treasury Bureau ("FSTB") has commissioned Cyberport to launch the [Financial Practitioners FinTech Training Programme 2022](#), with a view to deepening in-service financial practitioners' understanding of FinTech. The training programme is expected to benefit up to 1,500 practitioners, and promote more application of FinTech in the industry.
- **The Hong Kong Science and Technology Park Corporation (HKSTP)**, also accommodates some [80 companies](#) engaging in the R&D (research and development) of various FinTech solutions, providing research and development infrastructure across the city. Value added services for FinTech companies include HKSTP's Open API partnership with the HKMA. The FinTech Centre of HKSTP officially opened in January 2021 at the InnoCentre, which serves as a focal point for all stakeholders to co-create projects for the financial sector with advanced technologies.
- **Innovation Labs** – Many world-renowned innovation laboratories have settled in Hong Kong, including [Standard Chartered's eXcellerator](#), [DBS Startup Xchange](#), [Intact Lab Hong Kong](#), [HSBC's ASTRI Research and Development Innovation Lab](#), [AMTD FinTech Centre](#), [HKEX Innovation Lab](#), [Bank for International Settlements \(BIS\)](#), [IBM Innovation Center](#), [Deloitte's Asia-Pacific Blockchain Lab](#), [PwC's Emerging Technology Lab](#), [Nordic Innovation House](#), [MIT Hong Kong Innovation Node](#), and the [Tuspark](#) owned by Tsinghua University-backed Tus-Holdings.
- **Accelerators** - Many financial institutions have set up accelerators to promote cooperation among regulators, customers, business partners and technology companies. This includes [Accenture's FinTech Innovation Lab](#), [Helix](#), [Loopnest Blockchain Acceleration Programme](#), [Betatron](#), and [Hype Asia](#). Other notable accelerators include the 'DBS Accelerator' operated by DBS and venture capital Nest.

### **About InvestHK**

- **InvestHK** is the department of the Hong Kong Special Administrative Region Government responsible for attracting foreign direct investment. It has set up a dedicated FinTech team to attract the world's top innovative FinTech enterprises, start-up entrepreneurs, investors and other stakeholders to set up their businesses in Hong Kong or scale their business via Hong Kong into Mainland China, Asia and beyond.
- Hong Kong FinTech Week celebrates global hub's scale-up opportunities for the FinTech industry in Hong Kong and across the Guangdong-Hong Kong-Macao Greater Bay Area. Hong Kong FinTech Week 2022 attracted a record high of over 30,000 visitors and over 5 million views online from over 95 economies, featured over 500 distinguished speakers and over 600 sponsors and



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