

Hong Kong Fintech Promotion Roadmap: Challenges and Solutions of Fintech Adoption

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On 25th Aug, the Hong Kong Monetary Authority (HKMA) released “A Bridge to the Future: Hong Kong Fintech Promotion Roadmap” (hereinafter “Roadmap”). The Roadmap outlines initiatives for the next year to encourage further adoption of fintech solutions in the financial service industry. It focuses on the financial service areas of Wealthtech, Insurtech and Greentech as well as technology type of Artificial intelligence (AI) and Distributed-Ledger Technology (DLT)¹. This report will introduce identified challenges throughout the Fintech adoption cycle and initiatives will be implemented by the HKMA to enhance the adoption of these five key Fintech areas.

BACKGROUND

As a new strategy to drive fintech development of Hong Kong, the HKMA announced its “Fintech 2025²” vision in June 2021. The vision aims to encourage the comprehensive Fintech adoption by banks in Hong Kong under a key initiative badged “All Banks Go Fintech”. As part of the initiative, a Tech Baseline Assessment (hereinafter “Assessment”) was conducted in 2021 to evaluate the state of Fintech adoption among banks in Hong Kong. The assessment result published in June 2022 indicated substantial potential for further development in the Fintech areas of (1)Wealthtech/Investech, (2)Insurtech and (3)Greentech as well as the technology types of (4)Artificial Intelligence (AI) and (5)Distributed Ledger Technology (DLT).

With the increasing demand for asset and investment management in Greater Bay Area, the Assessment highlighted that adoption rate for (1) and (2) solutions among local banks are forecast to rise by 20-40% from 2022 to 2025. Regarding (3), adoption is expected to double between 2022-2025 since the HKMA and financial institutions’ ongoing emphasis on Environmental, Social, and Governance (ESG) has created significant demand for Greentech solutions. Apart from the expected growth in these financial service areas, the Assessment also indicated transformative potential of (4) and (5) in reshaping the financial industry, with strong interest from banks in adopting these emerging technologies.

With a focus on the five Fintech focus areas mentioned above, the HKMA conducted a “Fintech Adoption Study” (hereinafter “Study”) to understand practical challenges of Fintech adoption and identify potential solutions for the future. The study highlights that the industry is well-informed and aware of the importance of Fintech while there is still large room for improvement in mutual understanding between Fintech users and providers. As a result, the HKMA acknowledges the importance of cross-sectoral collaboration and states that it will work “beyond awareness-raising and take proactive steps to assist financial institutions to put fintech solutions into action” to “further fuel the growth of the fintech ecosystem”.

KEY FINDINGS: IDENTIFIED CHALLENGES AND INSIGHTS

The Study reveals that the industry has a solid understanding and awareness of the benefits which Fintech technologies can offer. While interest in Fintech solutions remain strong, financial institutions find it is challenging to source Fintech solution providers that meet their high internal standards and expectations. As such, notable mismatches happen between financial institutions’ expectations and Fintech solution providers’ capabilities. The

¹ A platform that uses ledgers stored on separate, connected devices in a network to ensure data accuracy and security.

² For details, please refer to the HKMA’s official website: https://www.hkma.gov.hk/media/eng/doc/key-functions/ifc/fintech/HK_Fintech_2025_eng.pdf

HKMA highlights the importance of education and clear communication in enhancing mutual understanding between Fintech users and service providers to promote the adoption of Fintech and facilitate its advancement.

Adoption Stage	Fintech Users	Fintech Providers	Insights
Sourcing	<ul style="list-style-type: none"> ▪ Limited availability of appropriate solutions ▪ Limited dedicated resources for sourcing 	<ul style="list-style-type: none"> ▪ High marketing/business development cost ▪ Limited dedicated resources for sourcing 	<ul style="list-style-type: none"> ▪ Build Stronger Connections ✓ Operating a matching platform and running more events where Fintech users and providers can find each other
Consideration	<ul style="list-style-type: none"> ▪ Unmet cybersecurity/ data privacy standards ▪ Lack of product understanding (e.g. capability/compatibility) ▪ Concerns about the varying quality of solution(s) offered 	<ul style="list-style-type: none"> ▪ Establishment of brand/ reputation ▪ Lack of track record ▪ Inability to provide abundant solutions ▪ Inability to meet deployment time expectations 	<ul style="list-style-type: none"> ▪ Bridge Perception Gaps ✓ Informing and educating the market on the identified gaps/ misalignments to optimise communications ✓ Publishing research reports and conducting webinars to bridge the knowledge gap on Fintech solutions
Negotiation	<ul style="list-style-type: none"> ▪ Lack of agreement on indemnity/liability ▪ Divergent fee structure expectations ▪ Stringent intellectual property rights requirements ▪ Non-negotiable termination clauses 	<ul style="list-style-type: none"> ▪ Lack of agreement on indemnity/liability ▪ Divergent fee structure expectations ▪ Constrained ability to negotiate on data rights (e.g. ownership, access) 	<ul style="list-style-type: none"> ▪ Create Common Ground ✓ Informing and educating the market on the identified gaps/ misalignments to form a common ground ✓ Developing guidance on contract requirements to serve as a reference for negotiations, providing a framework for discussions
Onboarding	<ul style="list-style-type: none"> ▪ Lack of standardised internal policies/code of conduct from Fintech providers ▪ Absence of validated security certification from Fintech providers ▪ Failure to receive revenue/profitability proof 	<ul style="list-style-type: none"> ▪ Lengthy requests for follow-ups to discuss internal policies/code of conduct ▪ Lack of third-party endorsement for security certification ▪ Inability to provide revenue/profitability proof 	<ul style="list-style-type: none"> ▪ Minimise Duplicative Efforts ✓ Developing guidance on onboarding practices to serve as a standardised framework for reference
Activation	<ul style="list-style-type: none"> ▪ Integration difficulties ▪ Insufficient internal resources to offer technical support ▪ Lack of overall awareness of the solution by internal staff 	<ul style="list-style-type: none"> ▪ Organisational inertia ▪ Lack of user understanding ▪ Lack of internal endorsement for adoption 	<ul style="list-style-type: none"> ▪ Share Lessons Learnt ✓ Offering avenues for various employee training and internal communication to empower staff and encourage active use of Fintech solutions ✓ Facilitating external dialogue between Fintech users and providers to ensure alignment of initiatives to boost activation

RECOMMENDATIONS: FINTECH PROMOTION ROADMAP

Guided by the insights obtained by the Study, the HKMA developed a new Roadmap and will fine-tune its initiatives to drive Fintech. Understanding awareness is no longer a major barrier for Fintech adoption, the HKMA will transform its focus from awareness raising to real-world adoption journey understanding. Following the focus areas identified by the Assessment, the HKMA will also expand the scope of its Regtech³-focused event to the five Fintech focus areas. Rather than targeting only the Fintech users (mainly banks), solution providers will be included to enhance collaboration and resource accessibility for all stakeholders across the financial service industry.

³ Technology that helps handle regulatory processes while controlling credit risks and operational risks and enhancing cybersecurity

Initiative	Roadmap Recommendation
Fintech Knowledge Hub	<ul style="list-style-type: none"> ▪ A centralized platform to be built upon existing Regtech Knowledge Hub and serves one-stop shop for Fintech content such as relevant publications, news and events, to update the industry on new features demanded by the market ▪ Contact directory for Fintech users and providers ▪ Fintech Academy is added for easier access to Fintech related academic programmes and training modules ▪ May feature proprietary or joint content from Cyberport, HKSTP and FTAHK
Fintech Spotlight Video	<ul style="list-style-type: none"> ▪ Showcase videos that focus on real-world Fintech adoption, highlighting the impact/tangible benefits, challenges and how they can be overcome ▪ Videos will be uploaded and shared on the Fintech Knowledge Hub
Fintech Showcase & Roundtable	<ul style="list-style-type: none"> ▪ Shift the focus from raising awareness to long-term connection facilitations between Fintech users and providers ▪ Organise quarterly Fintech showcase and roundtable events to foster connections and streamline engagement for Fintech adoption ▪ Targeted matchmaking sessions with key decision-makers from both sides
Best Practice Guidance	<ul style="list-style-type: none"> ▪ Issue a best practice guidance to mitigate common challenges encountered during the negotiation and onboarding processes ▪ Cover contractual requirements and onboarding practices (e.g. data protection) to clarify frequent misaligned expectations
Research Projects	<ul style="list-style-type: none"> ▪ Undertake research projects on key emerging technologies that hold relevance for the financial services industry such as A.I., DLT, Open API, cloud and etc ▪ Cover recent market trends, key technological advancements, notable use cases, adoption challenges, implementation considerations and suggested operating models ▪ Showcase various exploration efforts and successful implementation cases (if any)
Webinars/ Seminars	<ul style="list-style-type: none"> ▪ Expand the scope of Regtech-focused events to the five Fintech focus areas ▪ Update key stakeholders latest Fintech development trends and successful adoption case studies
Training Sessions	<ul style="list-style-type: none"> ▪ Training on practical Fintech skillsets to enhance Fintech activation

COMMENTS

By 2025, the HKMA envision Hong Kong to be one of the world’s leading global Fintech hubs. Over the years, the HKMA, together with the SFC and the IA, have put great efforts in implementing various policies and initiatives to facilitate Fintech adoption. Notable milestones such as licensing support on the introduction of e-wallets, virtual banks, virtual insurers and virtual asset trading platforms, have transformed the way of delivering local payments and banking services. In the Roadmap, the HKMA emphasizes the critical importance of identifying and understanding key obstacles and their underlying causes from the perspective of both Fintech users and solution providers. The conducted study and the newly released Roadmap show the HKMA’s willingness to learn and comprehend Fintech, as well as its commitment to provide proactive and practical support throughout the Fintech adoption lifecycle. While there are still many challenges to be tackled, financial institutions see “this as the way forward” and believe “customers will ultimately be the main beneficiary from the HKMA fintech push”, said Aveline San Pau-len, CEO of Citi Hong Kong and Macau, in an interview with South China Morning Post⁴. It is believed that the initiatives will nurture Hong Kong as a Fintech hub. We will keep an eye closely on related policy trend and update the development accordingly.

⁴ [“Fintech to get bigger push as HKMA joins securities and insurance regulators on 12-month road map to wider adoption”](#)
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	Publish date	Title
No.3 2022	2022/10/26	Funding Schemes with HKPC as Secretariat to provide support for SMEs' growth
No.2 2022	2022/04/29	China to Facilitate New Forms of Offshore International Trade
No.1 2022	2022/3/15	Higher Level of Opening Up for Cross-border Trade and Investment in Selected Areas in China

- Please refer to the below links for previous News Focus:

(English) https://www.bk.mufg.jp/report/chi200402/Archive_ENG.pdf

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