

## LCQ2: Development of fintech

Following is a question by the Hon Robert Lee and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (June 4):

Question:

It is learnt that there are currently over 1 100 fintech companies in Hong Kong, including eight licensed digital banks, four virtual insurers and 10 virtual asset trading platforms. Regarding the development of fintech, will the Government inform this Council:

(1) of the plans in place to assist licensed fintech companies in expanding their operations and developing products, such as assisting them in expanding their service scope to the Guangdong-Hong Kong-Macao Greater Bay Area, promoting the asset-under-management size and turnover of Exchange Traded Funds on Virtual Asset (VA), enhancing the international competitiveness and attractiveness of VA-related products, as well as developing more futures and options products for VAs, etc;

(2) whether it will urge the regulators to allow institutional and retail investors to participate in more VA transactions of different types and currencies and relax the eligibility requirements for professional investors, as well as include VAs as assets under the Securities and Futures (Financial Resources) Rules, so as to facilitate the development of the VA market; and

(3) how the Government will formulate enhancement measures in the three aspects of regulatory statute, tax concessions as well as publicity and promotion, so as to further attract large-scale international fintech companies to establish presence in Hong Kong, and of the plans in place to assist the financial services industry in introducing fintech in order to enhance operational efficiency and reduce costs, thereby promoting the upgrading and transformation of the industry?

Reply:

President,

As an international financial centre with a robust regulatory environment and abundant business opportunities, Hong Kong is an ideal location for promoting the development of fintech. The Financial Services and the Treasury Bureau (FSTB) and the financial regulators maintain close communication with the industry to understand their development needs, with a view to formulating appropriate measures to facilitate the development of fintech.

My reply to the various parts of the question is as follows:

(1) To facilitate the continuous and vibrant development of fintech enterprises in Hong Kong, we have adopted a multi-pronged strategy including enhancing Hong Kong's financial infrastructure, building a vibrant fintech ecosystem, nurturing fintech talents, and strengthening our connection and co-operation with the industry in the Mainland and overseas, with a view to creating and providing a conducive environment, thereby promoting fintech innovation and application.

On advancing investment products related to virtual assets (VAs), the Securities and Futures Commission (SFC) authorised the first batch of VA futures exchange traded funds (ETFs) for retail investor trading in December 2022, Asia's first batch of VA spot ETFs in April 2024, as well as Asia's first VA futures inverse product in July 2024. These products have broadened the product diversity of the Hong Kong market, further enhancing Hong Kong's position as Asia's leading ETF market.

Besides, in February 2025, the SFC promulgated the "ASPIRe" roadmap, aspiring to strengthening the security, innovation and growth of the market in Hong Kong. One of the focuses of the roadmap is to expand the range of VA products and services, so as to fulfil the need of various types of investors under the prerequisite of investor protection, while enhancing the international competitiveness and attractiveness of Hong Kong's VA market.

The specific measures of the roadmap includes allowing staking services involving VA within systems with sufficient protection measures, to enable for investors to earn additional returns. In this regard, the SFC provided regulatory guidance respectively to licensed VATPs (virtual asset trading platform) on their provision of staking services, and to SFC-authorised funds with exposure to VA (VA Funds) on their engagement in staking. On April 10, 2025, the SFC allowed two licensed VATPs to provide staking services to clients through the imposition of relevant licensing conditions, which was followed by two SFC-authorised VA spot ETFs updating their fund documents in April and May 2025 for their engagement in staking activities.

The SFC is also considering introducing VA derivatives trading for professional investors and will put in place robust risk management measures. These measures will further enrich the product options available in the Hong Kong market while ensuring that transactions are conducted in an orderly, transparent and safe manner.

In light of the latest development of the VA market, the FSTB will promulgate the second Policy Statement on development of VA, articulating the next-step policy vision and direction, including exploring how to leverage the advantages of traditional financial services and innovative technologies in the area of VAs, enhance security and flexibility of real economy activities, and encourage local and international companies to explore the innovation and application of VA technologies.

As for assisting fintech companies in expanding business, the Invest Hong Kong works closely with industry players to conduct publicity and promotion in the Guangdong-Hong Kong-Macao Greater Bay Area, including

participating in major fintech events in the region, as well as connecting with local government departments, regulators, industry associations and innovation and technology parks, with a view to promoting advantages of Hong Kong fintech companies and further expanding into the Mainland market.

(2) Currently, before including any VAs for trading, licensed VATP operators should perform all reasonable due diligence on these VAs, and ensure that these VAs continue to satisfy all criteria. Before providing any VA for retail trading, VATPs should take all reasonable steps to ensure the selected VAs are of high liquidity. The relevant requirements seek to provide sufficient protection for investors (especially retail investors). The SFC will continue to assess the potential risks of VAs in respect of volatility, liquidity, and market manipulation, etc, and keep a close watch of relevant international regulatory development, so as to review the aforementioned requirements. Further, in light of VAs' nature, characteristics and risks, we will continuously evaluate whether the requirements relating to prudential treatment of VA exposures are in line with those in other jurisdictions.

In respect of professional investors' qualifying criteria and minimum monetary threshold requirements, the SFC has conducted a review during 2019/20. The outcome of the review was that the current minimum monetary thresholds were simple and easy-to-interpret and appropriately reflected an investor's loss absorption ability, as well as being in line with those in comparable jurisdictions (such as the United States, the United Kingdom, Singapore and Australia). We will continue to evaluate whether the professional investor qualification requirements are in line with those in comparable jurisdictions.

It should be noted that with the International Organization of Securities Commissions' (IOSCO) publication of its Final Report with Policy Recommendations for Crypto and Digital Asset Markets in November 2023, the IOSCO recommends that regulatory frameworks should seek to achieve regulatory outcomes for investor protection and market integrity that are the same as, or consistent with, those required in traditional financial markets, which is an approach adopted by the SFC since as early as 2018.

(3) To attract more large-scale international fintech companies to establish presence in Hong Kong, the Office for Attracting Strategic Enterprises (OASES) offers one-stop services and special facilitation measures. On regulation, the OASES assists companies in understanding the licensing and regulatory framework of the relevant sectors and co-ordinates with the financial regulators when necessary to facilitate the licence applications. Regarding tax benefits, the OASES shares with companies information of applicable tax benefits and funding schemes and connects companies with the higher education institutions, research and development institutions and innovation and technology parks, with a view to expediting their business development in Hong Kong. Separately, we will further enhance the preferential tax regimes for funds, single family offices and carried interest, including the inclusion of VAs as qualifying transactions eligible for tax concessions. As for publicity and promotion, the OASES actively engages overseas and the Mainland strategic enterprises to introduce the

advantages and policies in relation to fintech in Hong Kong through organising regular duty visits and enterprise exchange activities, thereby attracting more high-potential fintech companies to Hong Kong.

The Government has been working closely with the financial regulators and industry players to actively promote the financial services sector to adopt fintech through multi-pronged measures. According to a survey in 2023, the adoption rate of generative AI in Hong Kong was the highest (38 per cent) among all markets and well above the global average (26 per cent). In October 2024, we issued a policy statement on the responsible application of AI in the financial market. Since the policy statement was issued, we have introduced various initiatives to assist the financial institutions in seizing the opportunities and adopting AI responsibly, including publishing practical guidelines, launching sandbox schemes, as well as organising seminars and talks.

The Government and financial regulators will continue to maintain close liaison with the industry and assess their needs for fintech, with a view to formulating the corresponding support measures for facilitating the development of new quality productive forces.

Thank you, President.