

Speech by FS at Consensus Hong Kong 2025 (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at Consensus Hong Kong 2025 today (February 19):

Michael (Chairman of Consensus Hong Kong, Mr Michael Lau), Sara (Chief Executive Officer of CoinDesk, Ms Sara Stratoberdha), distinguished guests, industry leaders and innovators, friends from around the world,

It is my pleasure to be here at Consensus Hong Kong 2025. Let me begin by expressing my heartfelt gratitude to CoinDesk for choosing Hong Kong as the first Asian city for hosting this iconic conference. Your decision underscores Hong Kong's growing prominence as a global hub for Web3 and crypto innovation. This event also reflects our commitment to building a thriving digital asset ecosystem.

Vast potential of Web3 and AI

Consensus 2025 is a congregation of Web3 talent from around the world, and its agenda reflects the most pressing topics and trends in the Web3 space today. From the convergence of AI and blockchain to the tokenisation of real-world assets (RWA), crypto and consumers, and DeFi 2.0 (decentralised finance), the discussions here are set to shape the future landscape of digital finance and the digital economy.

One of the most exciting developments is, of course, the intersection of AI and blockchain, where "dencetralised AI" can unlock many new applications and opportunities. For example, AI can assist blockchain platforms in performing more accurate credit assessments, improving smart contract audits, providing tailored investment advice, and more.

Globally, the application of Web3 in finance is gaining traction. Blockchain innovations not just reduce transaction costs but also enhance market transparency, and the efficiency and accessibility of financial services. Indeed, we are seeing more institutional adoption where traditional banks, asset managers and brokers increasingly integrate digital assets into their offerings. The benefits are clear. The World Economic Forum, for example, estimates that financial institutions could free up some US\$100 billion per year by leveraging distributed ledger technology for collateral management.

Hong Kong, with its advanced financial infrastructure and robust regulatory environment, is at the forefront of this transformation. Hong Kong has already made history by issuing the world's first tokenised government green bonds in 2023, followed by a groundbreaking multi-currency issuance in 2024.

Beyond finance, Web3 plus AI innovations are inspiring a host of applications in the real economy. From streamlining supply chain management to enhancing game players' experience; and from improving healthcare management to making agricultural and industrial production more intelligent, they are empowering and transforming business operations and public services.

Rapid tech innovation does not come without challenges. Often, the progress of innovation outpaces regulatory response, creating gaps that can lead to substantial risks. The fallout from several crypto exchanges' failures in recent years serves as vivid reminders that we must pay attention to market integrity, investor protection, money laundering and cybersecurity risks, as financial products and services continue to innovate and digitalise.

On a positive note, the history of financial innovations shows that we learnt and adapted fast, and put in better guardrails and became more resilient. The key to success lies in maintaining an open, fair, balanced and forward-looking regulatory approach that is conducive to the sustainable and responsible development of financial innovation, including Web3.

Hong Kong's unparalleled advantages

This is the path taken by Hong Kong. While some major jurisdictions have recently begun to embrace cryptocurrencies, which has undoubtedly fuelled a boom of the crypto market, Hong Kong stands out as a market with consistent, predictable, forward-looking policies, and a balanced regulatory framework. For innovators and companies committed to building the future of Web3, or financial institutions looking to bridge traditional and digital finance, Hong Kong is where you want to be.

Our regime is premised on the "same activity, same risk, same regulation" principle, which ensures a level playing field for all market participants. In this regard, Hong Kong has already put in place a licensing regime for digital asset trading platforms. Our Securities and Futures Commission has already issued nine such licences, with more in the pipeline. We are also advancing on the regulation of stable coins, and have introduced the relevant piece of legislation.

To facilitate further innovation, regulatory sandboxes have been set up by our regulators to allow innovators to test and refine their ideas, and to get early regulatory feedback. Besides, initiatives like the Hong Kong Monetary Authority's Project Ensemble are accelerating the development of tokenisation ecosystems, covering RWAs like fixed income, investment funds, green finance and trade finance.

Indeed, this pro-innovation and collaborative regulatory approach is a unique value proposition of Hong Kong to Web3 innovators and participants.

AI is constantly evolving and increasingly applied to finance. Its convergence with blockchain will create more use cases, with both new

opportunities to be captured, and challenges to be addressed. Hong Kong has set out a clear policy stance on the use of AI in financial services. The Government and financial regulators are working closely with the industry to monitor technology and market development and establish a transparent supervisory framework.

Hong Kong's commitment to Web3 extends beyond regulation. We are investing heavily in the related infrastructure and talent development. Our Cyberport and Science Park have become vibrant hubs for Web3 innovation and fintech, while our universities and partnerships with the industry are nurturing generations of blockchain experts. Through talent admission schemes, we are also attracting top-notch professionals from around the world, ensuring that Hong Kong remains at the cutting edge of technological advancement.

Concluding remarks

Ladies and gentlemen, while the tides of change may ebb and flow, the quest for innovation has never stopped. The digital asset market today may somewhat resemble the early days of all great transformative paradigms: as new frontiers emerge, there will always be champions of progress and cautious observers. What remains true is that the market ultimately rewards those who dare to innovate, and adapt and persevere.

The tides of change are upon us, and Hong Kong is ready to ride the wave. As the Web3 ecosystem continues to evolve, Hong Kong will remain a stable, open and vibrant market for digital assets. I am confident that global companies and institutions will join force with us to lead its development.

Once again, my heartfelt thanks to CoinDesk for hosting this event in Hong Kong. I wish you all a productive and inspiring event over the next two days. And do remember to take some time to enjoy Hong Kong, Asia's world city. Thank you.