

CONFERENCE REPORT

Hong Kong FinTech Week 2023

2-3 November 2023

BULLISH INSIGHTS TEAM

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Summary

Hong Kong FinTech Week 2023, under the theme “Fintech Redefined”, explored the evolution of financial technology in the context of emerging technologies and post-pandemic challenges.

Day 1

Speakers on Day 1 included John Lee (Chief Executive, Hong Kong SAR), Zhang Qingsong (Deputy Governor of The Peoples Bank Of China), Christopher Hui (Secretary for Financial Services and The Treasury, Hong Kong SAR) figures from the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission of Hong Kong (SFC), and the Financial Secretary of Hong Kong SAR.

John Lee highlighted Hong Kong’s unique positioning as a fintech hub due to its “one country, two systems” principle, advanced infrastructure, internationally aligned regulatory regime, and commitment to free trade. He emphasized the city’s role as Asia’s asset and wealth management hub, handling significant foreign investments and offshore RMB payments. He also mentioned Hong Kong’s green finance initiatives and efforts to become a green fintech hub. He highlighted the government’s commitment to fostering fintech growth, enhancing market competitiveness, and strengthening Hong Kong-mainland China fund connectivity.

Zhang Qingsong discussed inclusive finance powered by fintech, emphasizing the importance of digital technologies to enhance the quality and efficiency of financial services. He highlighted successful initiatives by the PBOC, such as guiding financial institutions to build data-driven businesses, and establishing a financial service network that integrates financial and public services.

Christopher Hui discussed the redefinition of fintech as a link between mainstream finance and the real-world economy. He spoke of the Integrated Fund Platform (IFP) aimed at enhancing efficiency and lowering costs for retail investors. He also discussed the use of e-CNY for cross-boundary transactions and the city’s commitment to promoting the sustainable development of Virtual Assets and Web3. He reassured participants that their commitment to these areas would not be affected by the development of JPEXx.

Eddie Yue, Chief Executive of the HKMA, compared the fintech journey to bamboo growth, requiring years of hard work and commitment. He emphasized the importance of the Fast Payment System (FPS) and its expansion to cross-border payments. Yue also discussed the need for a cross-disciplinary mindset, focusing on opportunities and encouraging cross-sector and cross-border collaboration. The HKMA is also looking into Virtual Assets (VA), stressing the importance of customer protection and

regulatory clarity. Future developments include easier cross-border payments, utilization of data in the Greater Bay Area (GBA), and increased adoption of tokenized assets.

Julia Leung, CEO of the SFC, discussed the evolution of Distributed Ledger Technology (DLT) and tokenization. Leung explained that tokenization presents opportunities for efficiency in product life cycles but also introduces new risks. She stressed the need for regulatory oversight, investor protection, and risk mitigation. Regarding retail participation, she mentioned that the SFC only became comfortable with issuing a license when the technology was stable, the risks were mitigated, and the ecosystem had matured. She also discussed the growing interest in generative AI and the SFC's careful consideration of its use cases.

In his keynote address, Paul Chan, Financial Secretary of Hong Kong SAR, highlighted how Fintech is changing and empowering businesses and communities. He gave examples such as livestock financing through blockchain and the use of AI for SME loans. He also mentioned the rising popularity of virtual banks and the expansion of Hong Kong's Fintech landscape due to combined efforts from the government and the private sector. He pointed out initiatives like the Commercial Data Interchange (CDI) by HKMA and the use of blockchain in financial products like tokenized green bonds. Chan also discussed the expansion of the Proof of Concept subsidy scheme and the focus on cross-boundary payments, including the introduction of digital RMB, and e-CNY, in Hong Kong's retail payments.

Day 2

During the "Explore Web3" session, Brian Armstrong, CEO and co-founder of Coinbase, discussed the company's ongoing dispute with the SEC. Despite having multiple meetings with the SEC, Coinbase has received little feedback on how to improve its operations. Armstrong stressed on the need for regulation that preserves innovation and protects consumers. He also expressed the belief that the 2024 elections could impact the crypto industry given the increasing number of Americans using cryptocurrencies. He highlighted the importance of international expansion for Coinbase, stating they have recently expanded to Singapore, Canada, and Brazil. Armstrong doesn't see traditional finance as a competitor but rather believes that integration of banks into the crypto network is crucial for the crypto economy to flourish. His advice for banks already active in the crypto space is to seek trusted counterparties and regulatory clarity. Armstrong is enthusiastic about the tokenization of real-world assets and the potential of layer-2 solutions like Coinbase's Base, which he compared to the transition from dial-up to broadband in the internet era. Lastly, he acknowledged the importance of reaching emerging markets, where he sees significant potential for crypto to provide financial freedom.

The session "Building a regulated future in crypto space" saw discussions on the macro implications of crypto, regulatory policies, business opportunities, and the role of the International Monetary Fund (IMF) in the crypto space. The speakers highlighted the risks and challenges associated with the growth of crypto,

especially in developing countries, and stressed the need for a comprehensive regulatory framework. The digital economy, they suggested, offers numerous business opportunities, particularly in fields that empower consumers to control their data and digital assets. The panelists also emphasized the potential of Central Bank Digital Currencies (CBDCs) in defining the monetary base in the digital age and the need for central bank operations to integrate with the digital economy.

The afternoon session moderated by George Chou, Chief Fintech Officer, at the Hong Kong Monetary Authority featured in-depth discussions on the e-HKD Pilot Programme in Hong Kong. The speakers shared their experiences and lessons learned from the pilot phase, focusing on the unique advantages of e-HKD, such as tokenization, atomic settlement, and programmability. The value of programmability in limiting the purchase scope, automating flows, and enhancing trust was emphasized, along with its potential applications

in scenarios such as merchant reward programs and government fund reimbursements. Additionally, tokenized deposits were discussed for their potential to streamline high-value transfers and reduce capital requirements for merchants. The potential benefits of offline solutions for the public in Hong Kong were also highlighted, including enhanced payment efficiency and improved merchant experience. The session concluded with the Hong Kong Monetary Authority expressing its intent to build on the success of Phase 1 in the upcoming Phase 2 of the e-HKD Pilot Programme.

The two days of Hong Kong Fintech Week 2023 have pioneered meaningful conversations around the future of financial technology. The robust exchange of ideas from thought leaders and industry stalwarts has not only underscored Hong Kong's position as a fintech powerhouse but also paved the way for innovative solutions to the challenges in our post-pandemic world. We hope you enjoy the following sessions covered by our Bullish Insights team.



To find out more about Bullish for institutions or start onboarding with us, please contact institutions@bullish.com

Hong Kong FinTech Week 2023

2 NOVEMBER 2023

Day 1

Official Opening Keynote

SPEAKERS

John Lee | Chief Executive, Hong Kong SAR

This year's Hong Kong FinTech Week, the 8th annual edition, hosts thousands of participants from over 90 economies. As a flagship event of the Hong Kong government, we aim to bring together the brightest minds in the fintech industry. I had the chance to visit various exhibitors, and I'm encouraged by your passion for fintech and Hong Kong. You are here because Hong Kong is a hub for fintech companies, entrepreneurs, and investors. No other economy can claim our unique advantage under the "one country, two systems" principle. We leverage opportunities both regionally and globally, driven by our advanced infrastructure, communication capabilities, strong support, internationally aligned regulatory regime, free port, and commitment to free trade, information, and capital flows.

Hong Kong is unique as it's the only common law jurisdiction in China. It's also Asia's asset and

wealth management hub. Last year, we managed nearly 4 trillion HK dollars in assets, two-thirds of which were foreign investments. We have 1 trillion RMB in deposits and handle 75% of RMB offshore payments. As Asia's green finance leader, green sustainable bonds in Hong Kong accounted for over one-third of Asia's market last year.

I have led high-profile business delegations from Thailand, Malaysia, Singapore, Saudi Arabia, and the UAE. We shared our success stories and discussed Hong Kong's return to the global stage after COVID-19. Our trade continues to grow, soaring by nearly 40% since the signing of the free trade agreement between Hong Kong and ASEAN. In my meetings with ASEAN government leaders, they reaffirmed their support for Hong Kong. We maintain close ties with the U.S. and European markets and are expanding to countries involved in the Belt and Road Initiative, including Africa.

No other economy can claim our unique advantage under the "one country, two systems" principle. We leverage opportunities both regionally and globally, driven by our advanced infrastructure, communication capabilities, strong support, internationally aligned regulatory regime, free port, and commitment to free trade, information, and capital flows.

To boost growth and enhance Hong Kong's competitiveness, we're launching several initiatives. In securities, we're moving forward with reform measures, reducing stamp duty on stock transfers, and considering best practices from a dedicated task force to boost market competitiveness. Other medium and long-term measures around market structure and trading will be considered. We're also strengthening connectivity between Hong Kong and mainland China's fund connectivity. We aim to better integrate fintech and green finance, expand green fintech, and establish Hong Kong as a green fintech hub. Next year, we'll launch a subsidy scheme for green fintech to support funding. This will promote the development of technology-powered solutions.

In June, the Hong Kong exchange launched the HK-RMB dual-currency model. We'll work with mainland authorities on southbound trading in South Connect and strengthen Bond Connect.

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The Hong Kong SAR government is committed to fostering the rise of fintech in Hong Kong and beyond, offering opportunities for your businesses to grow and thrive in Hong Kong. Over 300 financial field leaders, including group chairpersons and CEOs, will join the high-powered summit. 🏆



Keynote

SPEAKERS

Zhang Qingsong | Deputy Governor of The Peoples Bank Of China

I would like to discuss inclusive finance powered by fintech, with innovation being the driving force for development. Over the years, the People's Bank of China (PBOC) has placed great importance on inclusive finance. We've launched pilot programs and other initiatives to empower inclusive finance with digital technologies, aiming to enhance its quality and efficiency. We have participated in G20 finance reforms to make digital finance a standing topic within the G20. Through collaborative efforts, technologies like big data, IoT, and cloud computing have been widely applied in the mainland in recent years. The innovations continue to reduce information asymmetry and enhance inclusive finance. As a result, customer satisfaction has improved significantly. Over 95% of the mainland population has bank accounts, and payment services extend to villages and micro-businesses, which can open accounts within 1-3 days. Mobile payments have grown at nearly a 30% annual rate, achieving an 86% penetration rate and ranking first globally.

We have promoted the shift of inclusive finance from being labor-intensive to data-driven. The PBOC has guided financial institutions to build businesses focused on digital business systems, underpinned by data and computational power. This enables better understanding of market trends and client needs through panoramic data analysis, streamlines business processes, optimizes resource allocation, and reconfigures

business practices. With the help of RPA, OCR, and low-code tools, we've achieved timely product innovation and business process automation, with one client manager now able to serve four times more clients than before. We've built a financial service network that connects online and real-world services, links different financial institutions, and integrates financial and public services. Many have adopted a one-stop service model where customers can complete tasks in a single visit. We support harnessing technologies such as big data and AI, developing financing plans based on differentiated algorithms, and establishing digital risk control covering the entire lending process, including ex-ante investigation, review during the lending process, and ex-post review. MSB loans stood at 29 trillion RMB, with over 61 million MSBs having gained access to loans at a low interest rate of only 4.6%.

We always keep in mind the daily needs of the elderly and people with disabilities. Over 1,000 institutions have released more than 1,000 accessible apps. Hong Kong is a tech hub within the Greater Bay Area, a competitive city cluster well-positioned to develop fintech and financially inclusive programs. The PBOC will sign a tripartite MOU with the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macau to strengthen regulatory cooperation on fintech innovation in the Greater Bay Area. 

Keynote Address

SPEAKERS

Christopher Hui | Secretary for Financial Services and The Treasury, Hong Kong SAR

Last year, I had a fireside chat with Yat Siu. One thing that stood out to me was the notion that you need to be more than an entrepreneur; you must also be a philosopher for the vision you're trying to build. Borrowing from that theme, this year we started with a definition to define fintech as a way to link fintech with mainstream finance and the real-world economy.

We see fintech as redefining:

- Enhancing Hong Kong's financial infrastructure
- Welcoming cross-boundary e-CNY usage.
- Promoting sustainable development of Virtual Assets and Web3.

We aim to add an integrated fund platform targeting retail investors, promoting better efficiency, lower costs, and allowing new market entrants. The Assets Under Management (AUM) in Hong Kong is increasing, and we want to push this further. We will create a fund platform targeting retail investors to better serve investors, fund managers, distributors, and other stakeholders in the ecosystem.

Our Integrated Fund Platform (IFP) will cover the front-to-back distribution lifecycle and value chain of retail funds. This includes a communication hub, business platform, and information portal. The Hong Kong Stock

Our Integrated Fund Platform (IFP) will cover the front-to-back distribution lifecycle and value chain of retail funds. This includes a communication hub, business platform, and information portal. The Hong Kong Stock Exchange (HKEX) is set to develop this, with a planned launch by the end of 2024.

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Key roles of the IFP include:

- Communication hub – a network connecting fund managers, distributors, transfer agents, trustees/custodians. It will facilitate the exchange of data and messages for fund transactions.
- Business platform – a platform for fund subscription and redemption (order routing, payment, and settlement) and nominee services (corporate actions and other operations).

- Information Portal – a portal providing information on funds (offering documents, fact sheets, and fees and charges).

Our policy considerations for the IFP aim to reduce transactional, compliance, and administrative/servicing costs. We want to focus on a single connection for various distribution channels for fund managers. This will allow more fund managers to distribute products in Hong Kong and more intermediaries to explore business opportunities in distributing fund products, broadening their revenue sources. Investors will benefit from increased transparency, facilitating informed investment decisions.

The second initiative we have is the usage of e-CNY. Octopus cards and Bank of China (Hong Kong) continue to explore new e-CNY applications benefiting both inbound mainland

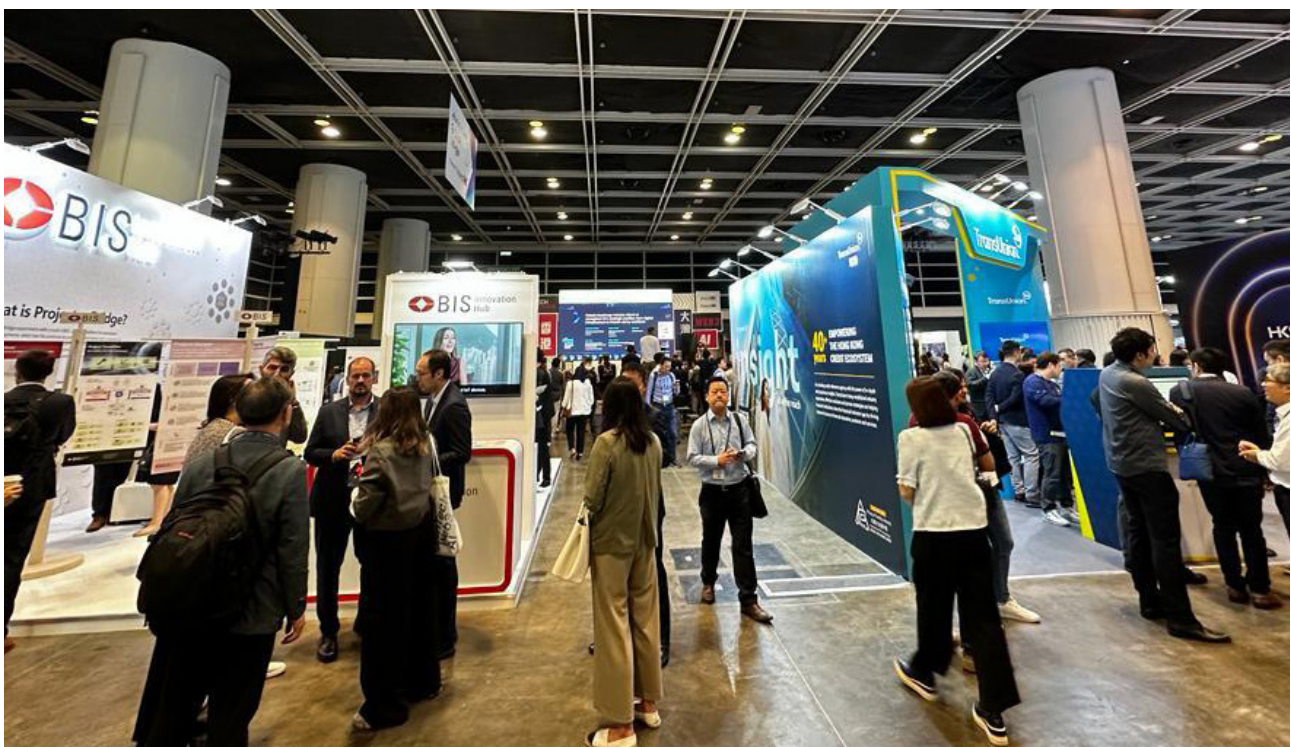
visitors to Hong Kong and outbound Hong Kong residents visiting the mainland.

Northbound: Hong Kong residents can purchase e-CNY hard wallets using the Octopus mobile app in Lo Wu, Shenzhen. They can use their Hong Kong Bank of China bank account to top up e-CNY.

Southbound: Mainland users can pay using e-CNY to our Hong Kong merchants.

We support more innovations from financial institutions and corporates exploring cross-boundary usage of e-CNY, focusing on retail payments and two-way connectivity.

Finally, we're promoting sustainable development of Virtual Assets (VA) and Web3. At the 2022 FinTech Week, we announced a policy statement



on the development of VA in Hong Kong, a licensing regime for VA service providers, and have since had three VA futures ETFs listed on HKEX, as well as a tokenized government green bond.

We've been asked if JPX will affect our commitment to VA and Web3. The answer is no. We're focusing on linking mainstream finance and the real economy. We encourage the exploration of Web3 to empower and enable real-economy-related applications and innovations with tangible benefits, such as reducing cost, improving efficiency, and serving the financing and investment needs of the market.

Product and project ideas from the market include tokenization of real-world assets such as artifacts and IP-related rights, tokenization of financial assets for efficient settlement, and the use of Distributed Ledger Technology (DLT) to track/incentivize the generation of renewable energy.

We're also developing a regulatory framework:

The Securities and Futures Commission (SFC) will issue circulars on intermediaries engaging in tokenized securities-related activities and tokenization of SFC authorized investment products.

We will expand regulatory remit to cover buying and selling of VAs beyond trades taking place on VA trading platforms.

The Financial Services and the Treasury Bureau (FSTB) and HKMA will issue a joint consultation on the regulatory regime for stablecoin issuers. HKMA will continue consulting the industry on its guidance on banks' provision of digital asset custodial services.

There's a lot happening on the regulatory front to encourage the healthy growth of the Web3 sector. 🏆

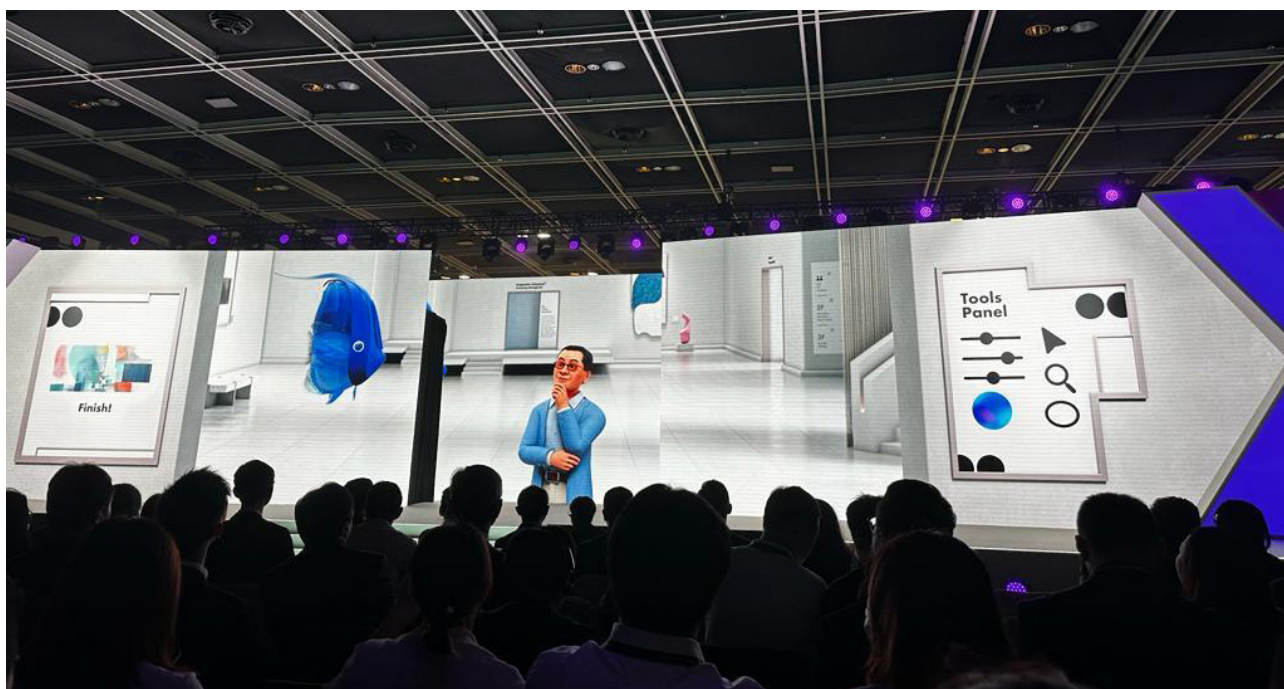
A session with Chief Executive of the Hong Kong Monetary Authority

SPEAKER

Eddie Yue | Chief Executive, Hong Kong Monetary Authority

This year's theme is "Fintech Redefined". The term fintech used to be a casual term that often led to confusion due to its buzzword status. However, as the industry has grown more specialized and less contrived, we've begun to see the rise of more defined terms such as wealth tech, green tech, and others. Against the backdrop of AI and blockchain technology, as well as post-pandemic challenges and high inflation, it seems appropriate to revisit the concept of fintech to determine if we need to recalibrate its definition. Over the past seven years, the HKMA has embarked on a significant fintech journey.

We underscore the importance of long-term commitment, years of hard work, and sustained investment. Like the bamboo that remains unseen for five years while it develops its root system underground, only to shoot up high into the air within two months, fintech and the Fast Payment System (FPS) require years of hard work and persistence. FPS wasn't an overnight success, but we stayed committed to meeting user demand as it evolved. Now, the public can use the FPS for a variety of purposes. The introduction of new features and the impact of COVID-19 have led to a surge in FPS adoption since 2020. Our journey now continues with the



expansion to cross-border payments. Fintech is more than just a convergence of finance and technology – it intersects with law, politics, economics, and more.

Cross-border collaboration is vital.

Investment in Virtual Assets (VA) is about customer protection and trust. Intermediaries who distribute VA need clarity in regulation and standards. A cross-disciplinary mindset is essential to move fintech forward by fostering collaboration with bright minds from diverse fields. We focus on opportunities, not threats, encouraging cross-sector and cross-border collaboration. Each participant focuses on their area of expertise, and in this case, the initiative is from OpenAI. Investor protection is crucial and needs to be examined from a legal perspective. We aim to provide clear guidance and standards for the industry. We want intermediaries, including banks, to understand their roles and responsibilities. Cross-border collaboration is vital. In my view, we have a better chance of addressing challenges when central banks work together. HKMA has collaborated with the Bank of Thailand, and starting from December 4th, we will launch the FPS cross-border payment system. When you visit Thailand, you can use your FPS wallet to pay at over eight million merchants. HK FPS merchants can also benefit by receiving payments from Thai tourists.

Cross-border payments will be made easier, and we will be able to settle a significant volume

of international trade. We anticipate that more central banks will establish instant payment systems together, similar to what HKMA and the Bank of Thailand have done. The second major area is the use of data, which will improve cross-boundary data sharing within the Greater Bay Area (GBA). This will enable easier data sharing among governmental departments and allow banks to access more data, including corporate information and tax-related data, which will aid in credit assessment and risk management for banks.

HKMA has collaborated with the Bank of Thailand, and starting from December 4th, we will launch the FPS cross-border payment system.

Thirdly, we expect the pace of blockchain innovation to increase in the coming years. The adoption of tokenized bonds is already happening in real-time. We have helped launch the tokenized green bond and are discussing the next tokenized issuance with the industry. We anticipate an increase in different tokenized assets. To support this, we expect a rise in services like stablecoin wallets offered by banks. Central Bank Digital Currencies (CBDCs) can provide stability between different payment methods and act as intermediaries. Challenges include defining what constitutes tokenized securities, legal considerations, and dealing with interoperability challenges that are already under discussion. ✍️

Embracing Innovation, Regulation and the Future of Finance

SPEAKERS

Julia Leung | Chief Executive Officer, Securities and Futures Commission of Hong Kong

Christopher Woolard CBE | Partner, Ernst & Young

What is the SFC's stance on tokenization?

Three years ago, the traditional finance industry (TradFi) was concerned that Distributed Ledger Technology (DLT) would dominate and upend the entire industry. It was feared that stablecoins would undermine fiat currency. However, this is not a revolution, but an evolution. As you have heard from Eddie and Secretary Hui, we have already seen real use cases of tokenization. Examples include a Chinese bank with digitally issued notes, and private funds in real estate. Tokenization in bonds does not change the fact that it is a security and it will be regulated as such. We see benefits in tokenization around efficiency in the product life cycle, such as in issuance, transfers, and lower transaction costs. While we support the industry, we also see new risks associated with the transfer, ownership, and record keeping of these tokens. We need to identify risks and assess what regulators expect of intermediaries. Should you be considering issuing public funds, there will be additional safeguards. We need to ensure safe custody and accurate ownership records.

How did you become comfortable with issuing a license for retail participation?

Our philosophy is always centered on investor protection. We are only comfortable when the technology is stable, risks are mitigated, and the ecosystem has matured. More importantly, we can apply regulatory oversight. Our regulatory journey started in 2016/17. The Big Four accounting firms were not comfortable verifying the tokens themselves back then. However, we noticed many other places were jumping on the bandwagon due to a fear of missing out on the crypto trend. So initially, we only allowed professional investors to invest. In 2022, we permitted retail access to certain products like ETFs, cash-settled instruments, and those trading on traditional exchanges with intermediaries regulated by us. In October of the previous year, we authorized the first ETF with a virtual asset (VA) underlying. We made it mandatory for VA platforms to be licensed with us and allowed retail participation in June of this year. While we have seen a light-touch approach from other countries, we have safeguard rails for retail investors here.

Our philosophy is always centered on investor protection. We are only comfortable when the technology is stable, risks are mitigated, and the ecosystem has matured.

What is your attitude towards how you will engage with tokenization?

We believe development and regulation should go hand in hand. In traditional finance, they operate according to a traditional system, whereas with virtual assets, they operate according to a gamification standard. With regulation, we can guide traditional finance on the boundaries and through this, they are able to experiment and pilot VAs. Only when traditional finance and decentralized finance (DeFi) meet can we create an ecosystem that allows broader use and the transparency benefits that come with the use of DLT. It's important to get traditional finance into this space because the demand for custody and smart contract audits will grow. We need these for traditional finance to join. Until now, intermediaries dealing with retail customers could only deposit cash to buy tokens. When liquidated or sold, they could only take back cash. This was so intermediaries didn't have to arrange for custody of those assets. In a recent joint circular, we updated that we allowed cryptocurrencies in and out, provided it is on a licensed venue. The use of stablecoins in the real-world economy, particularly around Central Bank Digital Currencies (CBDCs), will grow.

There's a lot of interest around generative AI. What's the SFC's view?

There are two aspects to consider. We are excited about AI and established a data analytics group a few years ago to look into this to improve productivity and efficiency. We are considering the use cases very carefully. The second aspect is our regulatory expectations. AI is usually used in hedge funds for portfolio construction. We have guidance on a number of internal controls and risk management measures. When firms use AI, we still hold the senior manager of the firm responsible. They need to be able to explain, understand, and appropriately deploy AI with sufficient back testing. All of the above apply to generative AI. We've noticed trading firms are currently taking a cautious approach to integrating generative AI, though it is popular with wealth management. It is time to remind firms of their obligations to consider whether humans need to be included in the loop so the AI does not automatically interact with the customer. On a macro level, the concern is that if many firms use the same model, there may be herd behavior in an already volatile market. We remind firms that they should have alternative strategies, contingency plans, and risk management measures. 🏹



Keynote Address

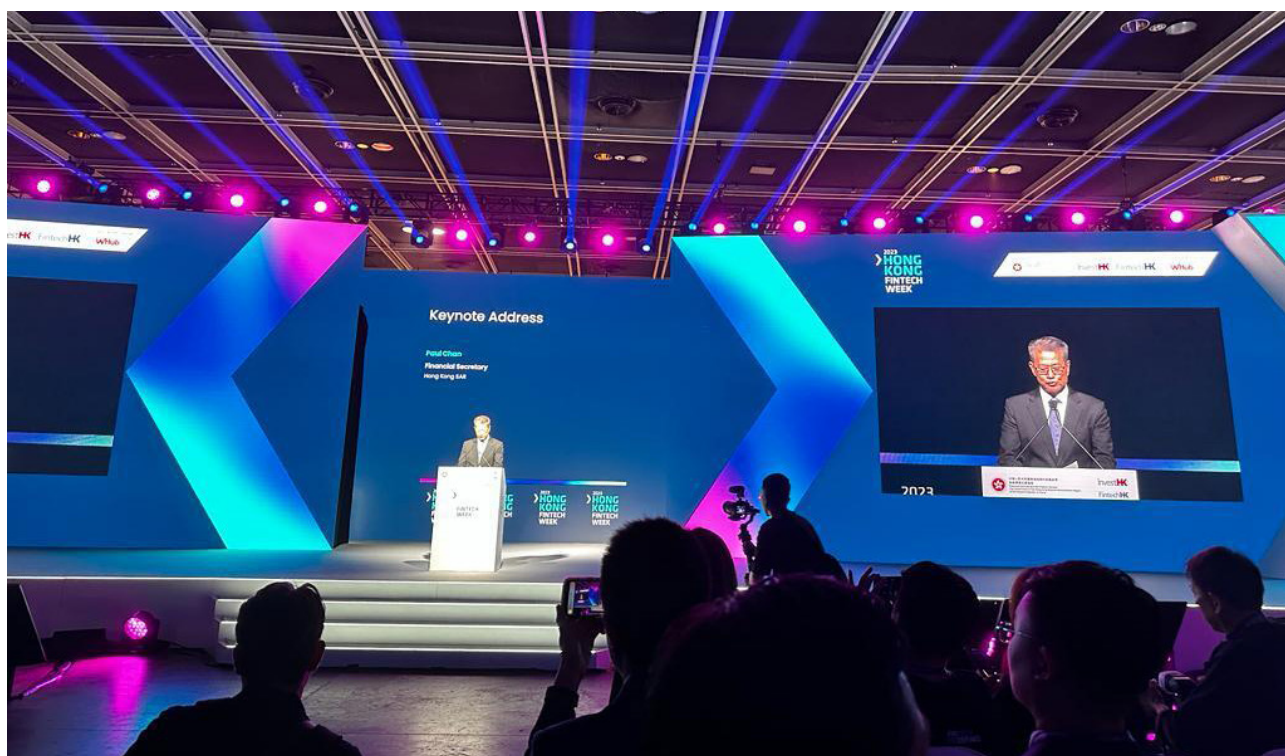
SPEAKERS

Paul Chan | Financial Secretary, Hong Kong SAR

The theme of this year's FinTech Week is "Fintech Redefined". It serves as a catalyst for driving change and innovation to make financial services accessible, efficient, and user-friendly. It's all about bringing tangible benefits to people's lives. There are various examples to show how fintech is bringing changes and empowering businesses and communities. Livestock financing is one such example. Farmers in remote regions can't obtain loans easily, but at Cyberport, they used blockchain technologies for a real-time system to monitor the health, life, and growth of livestock. This data has made it easier for

lenders to accept livestock as collateral. Another example is the use of AI and data technology for SMEs to obtain loans. These technologies have driven financial institutions to innovate faster.

Virtual banks in Hong Kong are becoming increasingly popular. A majority of respondents in a survey view virtual banks as a cheaper, more efficient alternative. Virtual banks are also expanding into Southeast Asia. Two of them have made it into the top ten mobile applications. We also have four virtual insurance companies in Hong Kong, providing coverage for pets such as dogs, cats, and turtles.



Hong Kong's widened landscape of fintech is through the concerted efforts of both the government and the private sector. We see ourselves not just as gatekeepers of investor protection but also as facilitators to help entrepreneurs succeed. We provide cross-boundary solutions like seed funding, incubation, and support services for our fintech startups. We are driving new initiatives to spur fintech development. The Commercial Data Interchange (CDI) by HKMA allows businesses to share data with banks on a consensual basis to access loans without collateral. We are encouraging

We provide cross-boundary solutions like seed funding, incubation, and support services for our fintech startups. We are driving new initiatives to spur fintech development.

We are encouraging the use of blockchain technology in financial products like the tokenized green bond.

the use of blockchain technology in financial products like the tokenized green bond. The issuance demonstrates the benefit of using blockchain in capital market transactions. We saw an efficiency improvement with a settlement time of one business day versus five business days.

We are expanding the Proof of Concept subsidy scheme to enhance our status as a financial green center on the global stage. We are increasing cross-boundary payments with our mainland counterparts. The digital RMB, or e-CNY, in Hong Kong's retail payments has been a focus. We are encouraging more e-CNY applications, like the e-CNY wallet, to be used in Hong Kong by mainland visitors. The HKMA and the Bank of Thailand will launch a program allowing cross-border transactions. 🏆

CEO Dialogue: Reshaping the Future of Finance

SPEAKERS

Aveline San | Chief Executive Officer, Citi Hong Kong & Macau

Yu Sun | Vice Chairman and Chief Executive, Bank of China (Hong Kong)

Levin Wang | CEO, Huatai Financial Holdings

Luanne Lim | Chief Executive Officer, HSBC Hong Kong

Kristi Swartz | Partner, DLA Piper

Mary Huen | CEO, Standard Chartered Hong Kong

How is fintech shaping the future of finance?

Aveline

A decade ago, our focus was on automating processes to make our lives easier. Consumer banking with our open API system has been a game-changer. We are also actively seeking new solutions for cross-border payments. Tokenization is a significant topic. Citi's progress in trade finance transactions, such as cash management and trade using blockchain for 24/7 liquidity digitization, is noteworthy. A major benefit is the reduction in transaction processing time.

Luanne

As people lead increasingly digital lives, HSBC has invested billions in the development of fintech. Innovations such as mobile cash withdrawals, opening accounts remotely, and gaining customer insights through fintech have been game-changers in customer satisfaction. This morning, HKMA announced a bilateral agreement with Thailand. These types of bilateral and multilateral arrangements will become

This morning, the HKMA announced a bilateral agreement with Thailand. These types of bilateral and multilateral arrangements will become more prominent for consumers.

more prominent for consumers. It's interesting to consider the pilot of programmability in the e-HKD space. We've tested inter-group payment through tokenization, and it's been a success.

Mary

mBridge is a prominent feature on the global stage. It's a platform connecting multiple jurisdictions – mainland UAE, Thailand, and Hong Kong – to address pain points like cross-border payments. We're seeking solutions for faster access to cash. For instance, if a Thai farmer wants to sell durian to a Hong Kong

We've tested inter-group payment through tokenization, and it's been a success.

fruit wholesaler, it usually incurs substantial costs. However, mBridge solves this problem by reducing cost and ensuring quick cash access for the farmer. With USD 500 billion of trade flows annually within these jurisdictions, imagine the volume when more members join mBridge. Client demand is crucial, and interoperability is key. By connecting a larger ecosystem, we anticipate a powerful force within the APAC region.

Sun

At Bank of China (Hong Kong), we've been working hard to embrace fintech. AI, for instance, is a cornerstone for customer transformation, making communication with our clients more efficient and secure. AI also serves as a business

model. For instance, by using it for transaction monitoring and credit scoring, we can achieve real-time approvals, enhancing the customer experience. We've applied machine learning models for AML screening, which has reduced operational costs and increased customer trust.

Luanne

Hong Kong is well-equipped for fintech to thrive. However, we need more women in fintech, especially in the startup space where they are underrepresented. Greater diversity is essential.

Aveline

The partnership between fintech and traditional finance is crucial. We aim to assist with issues like cross-border payments, connecting faster payment systems, and reward points where clients earn and spend simultaneously. We hope to foster more partnerships and see the ecosystem thrive. 🏆



Hong Kong Fintech Week 2023

3 NOVEMBER 2023

Day 2

Explore Web3 with Brian Armstrong

SPEAKERS

Brian Armstrong | Chief Executive Officer & Co-founder, Coinbase

Minh Do | Co-Chief Operating Officer, Animoca Brands

Coinbase has an ongoing dispute with the SEC. What are your views?

Coinbase is currently in a legal dispute with the SEC. Typically, in our dealings with regulators around the world, there's a process for establishing rules. We had over 30 meetings with the SEC last year, yet we received no feedback or guidance on how we could improve our practices. Our case is still ongoing, but I believe we will begin to see clearer guidelines from the courts. We need new legislation in the U.S. regarding how cryptocurrencies are regulated, and we're working towards that end. Despite the negative headlines, I believe the U.S. will eventually get there.

Regulating cryptocurrencies should strive to both preserve innovation and protect consumers. Custodians and exchanges can be regulated much like traditional financial institutions, with best practices enforced. This could include comprehensive audits, anti-money laundering and know your customer (AML/KYC) procedures, and prohibitions against wash trading on platforms. However, self-custodians might not be able to be regulated under these same rules. Sensible regulation is the need of the hour.

2024 do you think the election will have a significant outcome?

Regarding the 2024 elections, I believe it could have a significant impact. There are 52 million Americans, who have used cryptocurrencies. Many are frustrated with politicians who assume they only use crypto for illegal activities. I believe that both the HKMA and the SFC have successfully engaged banks and opened the market to new opportunities. There's a push for localization of data, keys, and funds, but I believe it's more beneficial for firms to tap into the global liquidity pool to prevent fragmentation.

How do you think about different jurisdictions?

When considering different jurisdictions, we weigh the costs and benefits of international expansion. Last quarter, we expanded our operations to Singapore, Canada, and Brazil, which represented a significant investment. We bring local payment rails, local licenses, and the hiring of local labor to these markets.

What's the role of TradFi?

I don't see cryptocurrencies as being in competition with it. My goal is to onboard the next billion users, and for that, we need every bank and eventually everyone to be integrated

More ETF applications would help traditional finance draw capital into crypto. We also need to increase the utility of crypto and demonstrate its potential.

into this network. We need to work with these institutions to allow the crypto economy to flourish.

What would your advice be for these banks?

My advice for banks, including major U.S. institutions like J.P. Morgan, Franklin Templeton, and BlackRock, which are already active in the crypto space, is to focus on trusted counterparties and seek regulatory clarity. As G20 nations pass more legislation, I believe the U.S. will follow suit. There are many ETF applications filed in the U.S., and hopefully, some will be approved soon. More ETF applications would help traditional finance draw capital into crypto. We also need to increase the utility of crypto and demonstrate its potential. Stablecoins for payments, DeFi, NFTs with billions locked up, decentralized social media and identity systems, and gaming—crypto goes beyond financial services. As we progress, I believe we'll see more buy-in from traditional finance.

What are your thoughts on Tokenization of real world assets?

When it comes to tokenizing real-world assets, I see a lot of potential in the traditional asset classes like bonds and loans. The terms of

these bonds and loans can be coded into the blockchain for transparency, efficiency, and lower fees. We're very excited about this area.

Coinbase has their own layer-2, Base how is that going?

As for our own layer-2 solution, Base, it's going well. Layer-1 solutions like Bitcoin and Ethereum can be slow and expensive. The industry has been working on layer-2 solutions for several years, which is like the transition from dial-up to broadband for the internet: it allows for exponential growth. Payments still have high frictions—they're slow, expensive, and cross-border transactions are difficult. We imagine that solving these issues will spur innovation. Base has been live for a few months, but we've already had one million wallets transacting on Base, and \$500 million in assets are being utilized on Base. It's emerging as the fastest-growing layer-2 solution. It feels like we're in the early 2000s of the internet, and this development is just beginning.

How do you see frontier markets and Coinbase's expansion?

Looking at frontier markets and Coinbase's expansion, the people who need crypto the most are often in emerging markets. Chainalysis reports that, per capita (not dollar amount),

the places where crypto is taking off include Nigeria, Vietnam, and India, with considerable growth in Asia. Crypto is a tool for financial freedom, allowing people to participate in a global economy in a fair way without eroding their wealth. Reaching these emerging markets can sometimes be challenging for us as a U.S. company, but we try to use a self-custodial wallet in these markets, like the Coinbase wallet. In more developed markets, we launch our centralized products.

From a revenue perspective, the U.K., U.S., and Hong Kong present better opportunities. But from a mission standpoint and considering impact on the world, developing markets offer more potential. ✨

Building a Regulated Future in the Crypto Space

SPEAKERS

Dong He | Deputy Director, Monetary and Capital Markets Department, International Monetary Fund

Linda Jeng | Head of Web3 Strategy, Crypto Council for Innovation

Douglas Arner | Kerry Holdings Professor in Law, The University of Hong Kong

What are the macro implications of crypto?

Dong

Developing country crypto service providers are offshore, and developing countries are on the receiving end through the internet. What does this mean if you can't control your local liquidity? Your monetary policy becomes ineffective. Tax policy is also important; crypto should not be a source of tax evasion. We think it's important to have a framework for the industry to grow where service providers are licensed or registered with proper risk management systems in place. These macro considerations need to be taken into account. Policy consensus has emerged here. More concrete regulation around global stablecoins as well as DeFi. We have a big roadmap ahead along with the IMF and other bodies, so we live in an international environment that's coordinated, consistent, and comprehensive. We want to ensure the path forward is a stable one. Going forward, we want this to be a safe and sound path.

What is your view of regulatory policy?

Linda

I was a financial regulator, spent some years at the Federal Reserve, and one of the first to work at a DeFi project after leaving the regulatory space. There is a real gap between the web3 community and the regulatory space. I tell builders you build products and technology, and regulators are building regimes. The nature of money is always changing, and programmable money is an important concept to grasp. We are supportive of regulation; if you have a clear road, you will have clear, sustainable growth. Balancing consumer protection with innovation is a fine line. Understanding decentralization is something scary for regulators. In a world of decentralization, the intermediaries are harder to identify. Regulators need to know how to negotiate with a different community.

Central bank money and cash reserves held by commercial banks are the monetary base. It is the critical unit of account. The digital age is important for the central bank to be able to define the unit of account.

Where are the business opportunities?

Linda

Agentic technologies, services, and products that allow you as a consumer to control your data and digital assets. Digital identity, your gaming products, etc., that is where I see a lot of growth. Major changes for the digital economy. Public infrastructure to serve public goods is something regulators can help to support. This involves a public and private partnership.

What direction are you all working on in your role at the IMF?

Dong

Central bank money and cash reserves held by commercial banks are the monetary base. It is the critical unit of account. The digital age is important for the central bank to be able to define the unit of account. CBDC's play a role here. We want to make sure central bank operations are integrating with the digital economy so they are able to take advantage of the new technologies we are seeing in the crypto space. Tokenization, how do we make good use of that. We need a monetary anchor, defined by monetary policy for this to work well. 🏹

A Retail CBDC in Hong Kong: Lessons Learned from e-HKD Pilot Program

SPEAKERS

George Chou | Chief Fintech Officer, Fintech Facilitation Office, Hong Kong Monetary Authority

Flora Leung | Executive General Manager and Head of Retail Banking and Wealth Management, ICBC

Monita Leung | Chief Executive Officer, Digital Ventures, HKT

Ashok Venkateswaran | APAC Head for Digital Assets and Blockchain, Mastercard

Gilbert Lee | Head of Strategy & Corporate Development and Chief of Staff, Hang Seng Bank

Nischint Sanghavi | Head of Digital Currencies – Asia Pacific, Visa

The Phase 1 pilot program of the e-HKD has been recently completed. It showed the e-HKD can add unique values like tokenization, atomic settlement, programmability, etc. What are your views on the value add of programmability?

Gilbert

Programmability to limit the purchase scope had value. That is what Hang Seng Bank has tested in our private blockchain. Through our hypothetical e-HKD wallet, we created a merchant reward program and government fund reimbursements. The incentive money can be programmed to be spent by a certain date and with certain vendors only. User experiences are seamless; they don't need to carry the physical paper. The government can send subsidies to certain industries. For example, only companies in Cyberport and not in Wan Chai or Central. We mitigate misuse and the government can trace where the subsidy is being used. We completed these experiments. Most agree programmability is the unique benefit to e-HKD.

Ashok

Programmability is really important as a form of trust. We can use it to write regulations around these tokens. Banks can ensure automation of flows and for the customer, they can guarantee the items they order online is what they will receive. Programmability helps vendors across the board. We tested the e-HKD pilot where a merchant bought a luxury watch from an unknown source, if you don't have trust with the counterparty about where these goods are coming from you can be sure with the programmability. There is an NFT linked to the Rolex watch so it would be verifiable.

How will e-HKD help Hong Kong?

Monita

Our project is quite different from the others. We invited members of different SMEs to pilot a use case for us. Anyone can tokenize their property or apartment for the purpose of secure lending. Banks can offer a more competitive financing rate and in turn, bring benefits to the consumer. If you are adopting a new technology, they all come with smart contracts that can set predetermined sets of conditions. This

Merchant settlement was the second use case. We wanted to see how e-HKD could reduce capital requirements for merchants. E-HKD helped to reduce settlement risk with atomicity as well as reduce working capital requirements.

infrastructure has the power to increase the influx of liquidity to the market. If we can provide a solution for secured lending it can unleash liquidity and growth more easily. It will connect us to the web3 economy with a set of tokens on the public blockchains making on-ramp and off-ramp easier. These are the initiatives we want to bring to the market. We see a lot of opportunities to bring HK to the next level of success.

How will tokenized deposits shape what you do?

Nischint

We focused on different use cases, specifically B2B in interoperability. The first use case was a property use case. We looked at a property from a developer, high-value transfer, and we saw how tokenized deposits made it more seamless. Merchant settlement was the second use case. We wanted to see how e-HKD could reduce capital requirements for merchants. E-HKD helped to reduce settlement risk with atomicity as well as reduce working capital requirements.

In the long run, we want to benefit the majority of the general public. Wet markets, taxis, and charitable donations, etc., we want to roll out to these sectors in future.

Transparency around the two parties with preserved privacy around the success or failure of each transaction is also important. Blockchain is 24/7 and 365 days working infrastructure providing value for high-value transfers.

How will offline solutions benefit the public in Hong Kong?

Flora

During the pilot test, consumers were happy with the settlement efficiency. In the long run, we want to benefit the majority of the general public. Wet markets, taxis, and charitable donations, etc., we want to roll out to these sectors in future. Senior citizens and children can also use this. Merchants only need an app rather than a machine, they receive payments into their account in seconds which is a big plus for them. We also uplift the merchant experience by providing them some data around their customers. The e-HKD pilot test we hope to align with more partners to bridge the gap and hopefully substitute physical cash.

George

While the HKMA has not decided when to introduce the e-HKD, we will consider these points and feedback carefully. We intend to build on the success of Phase 1 for Phase 2 next year. It's a strong testament to public-private cooperation. The outcomes will help enrich our perspective and refine our approach for a future of e-HKD. ✨

DeFi & CeFi: DeFi, The Future of Finance?

SPEAKERS

Ernest Ho | Head (Digital Finance), Hong Kong Monetary Authority

Steven Hu | Global Head of Digital Assets, Trade & Working Capital, Transaction Banking
Standard Chartered

Pursuit Li | Head of International Business, Linklogis International

What do you see DeFi offering in HK?

Jeff

DeFi is a hot topic. CeFi and DeFi may not be conflicting ideas. I hope people look at fundamentals rather than judge a product on DeFi vs CeFi. DeFi gets rid of a lot of intermediaries and relies on smart contracts to deploy and transact. CeFi tends to be more mature, whereas DeFi requires basic coding skills to navigate.

What does DeFi bring to the table for TradFi?

Fabian

DeFi is about computers talking to each other. The direct impact of DeFi on TradFi is not major right now. DeFi can grow but one of the reasons it hasn't grown is that it's very crypto-centric. There's a lot more assets out there that can benefit like stablecoins, tokenized deposits, etc. A key takeaway is that what DeFi has to offer to TradFi is the technology stack that can be used to power traditional finance plumbing faster and more efficiently.

Real-world asset tokenization, what role does DeFi play?

Fabian

Take the legal and ownership rights of an asset and transfer them to a token. The main benefits are 1. Operational efficiency 2. Better control environment 3. Liquidity and more funding as well as investment opportunities.

Janine

We saw what the internet has done in enabling us to do with information compared to 20-30 years ago. DeFi brings that kind of innovation. Micro-payments, atomic movements of assets, and programmability are key points of DeFi.

Jeff

HKMA has tested green bonds, tokenization of these assets is pretty cool. On regulation, DeFi is decentralized without intermediaries, which brings the question of who do you regulate? In DeFi protocols, there are some degrees of centralization. If there are human factors affecting the operation or the risk controls of a protocol, that checkpoint might be where regulation can come in. Given the nature of

crypto, I would welcome the idea that we see a regulator more like a stakeholder. That would be more constructive.

Fabian

When we started to talk to the market, everyone told us there's no priority at all. It's hard to innovate with no framework to do it. Regulators and policymakers have been working actively to create a safer ecosystem. It's true in most jurisdictions except the U.S., which is a little behind. MiCA is in Europe and here in Asia, but DeFi is nowhere to be seen. We might need hybrid models to regulate the space. DeFi is anonymous; people don't want banks involved. But if you are an institutional investor or a traditional market participant, you need AML and KYC checks, so you need that CeFi part that is more in line with traditional regulation. I think it will be split into two parts of the system. One where institutions will participate in a regulated environment vs a less regulated system with that anonymity. But there's a price to pay as there's less of a safety net

How can you regulate DeFi but not stifle innovation?

Janine

We don't want to throw the book of regulation at it before it has a chance to blossom. ZK proofs is a way of knowing a condition has been met but without disclosing any more information. For example, when you buy alcohol, there's a way to know yes, you are over the age limit, but without disclosing your address and privacy.

Jeff

Tornado cash, a crypto trading mixer, is very easily exploited by bad actors. The U.S. government started enforcement and arrested lead engineers, which creates a reaction in the community. A lot of engineers were emotional and took things like this personally. People who push forward these DeFi protocols might not necessarily be the biggest beneficiaries of these projects. Are we suffocating innovation for the sake of stability? That's the point I want to throw out, welcoming regulators into this as stakeholders. 🦄

Author's Note



Sylvia To

Manager, Bullish Insights

While at this year's Hong Kong FinTech week we hoped for substantial announcements that could signal the next wave of industry evolution, the sessions fell somewhat short of our expectations. That said, it doesn't diminish our unwavering support for Hong Kong, our home base, and its ambitious strides in the web3 space. We view these shortfalls not as setbacks, but as opportunities for growth and improvement. As we anticipate the next iteration of this pivotal conference, we remain committed to keeping our audience informed. We will continue to bring forward the most critical insights from the sessions that may have been missed.

Thank you for taking the time to review this report. The insights and discussions captured within these pages reflect the collective thought leadership and market trends in the rapidly evolving world of crypto. The preparation of this report involved careful observation and meticulous transcription of the sessions, aimed at bringing the most accurate representation of the event to those who couldn't attend, and to serve as a refresher for those who did.

It's important to note that while every effort was made to capture the speakers' views verbatim, some paraphrasing has been employed for clarity and brevity. I hope this report provides a comprehensive overview, stimulates further discussion, and enhances your understanding of the topics discussed.

Your feedback is always welcome and appreciated to improve future reports. If you would like to learn more about Bullish or get access to our daily Bullish Insights Telegram channel, please contact us institutions@bullish.com

About us

Bullish

Launched in November 2021, Bullish is a leading regulated and audited institutional digital assets exchange with total trading volumes exceeding \$275 billion. From day one, Bullish was built with the objective of being an institutional-grade platform, prioritizing compliance, audit and governance frameworks. We believe that the era of digital assets is only in its infancy, and we're building boldly with that future in mind.

The genesis of Bullish's DNA can be traced back to the anticipation of two pivotal factors within the digital assets space:

1. The growing importance of compliance and regulation; and
2. The imminent entry of institutional players

To address these two core theses, we first obtained a Distributed Ledger Technology (DLT) license under the Gibraltar Financial Services Commission (GFSC) in order to be a regulated exchange from day one. Recognizing that transparency and compliance are key pillars of trust, we further bolstered our commitment by engaging Deloitte & Touche, a Big Four accounting firm, who has been our auditor since 2020.

Second, we pioneered a cutting-edge technological innovation by integrating the high performance of a central limit order book (CLOB) with deep, deterministic liquidity from our automated market maker (AMM) technology. This combined source of liquidity creates a deeper and more reliable orderbook that operates independently from external price feeds and is tailored for institutions.

Our proprietary order book combines Automated Market Making instructions (AMM Instructions) and standard bids and offers. The unique combination of a traditional crypto exchange and a decentralized exchange allows for innovations such as:

- Deep, deterministic liquidity with predictable pricing and depth across market conditions
- Near-zero spreads and low transaction fees
- Customizable trading income generated from AMM Instructions, and
- High performance and transaction throughput.



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