

Building a Fintech Ecosystem to Shape the Future of Finance

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Ms Julie Chan

everything, including financial markets. changing the face of

Just look at this smartphone every one of us can't seem to let go of — one of the greatest inventions of the 21st century that we live upon. This small gadget of wonder penetrates almost every facet of our everyday life. It is everything rolled into one — camera, wallet, music player, video rental store, social media, e-book reader, even a key. We still call this a “phone” after all.

Gone are the days when business executives relied on landline telephones, fax machines, pagers, Personal Digital Assistants (PDAs), analogue mobile phones, and even blackberries. Behind the scenes of the digital revolution, many former household names have quietly faded out of consumers' minds one after another; others have been going through painstaking transformation.

The lesson is clear: today's innovators can fast become tomorrow's laggards. Failure to keep up with the times could cost your business dearly, even for the most prominent industry leaders.

Harnessing the power of technology: DLT in focus

Financial professionals are debating whether distributed ledger technology (DLT) would drive the same scale of revolution in the delivery of financial services as in consumer electronics. Nowadays, DLT has a number of useful applications in global finance (eg, in virtual assets (VAs) and trade finance), particularly as a rapidly developing underlying technology for the efficient and secure transfer of real-world assets. This would mean moving financial activities and transactions from traditional infrastructure onto blockchain. But are we at that inflection point yet? Could

laws. In particular, interoperability is essential to the development of Web3, which should ideally connect all blockchains in a secure manner.

In Hong Kong, the Web3 ecosystem is gradually being built up. Following the issue of the world's inaugural digital government green bond a year earlier, the Hong Kong SAR Government issued the second batch this February on a private blockchain that applied primary issuance, trading settlement, coupon payment and maturity redemption. Under the city's supportive legal and regulatory framework, the issuance of these HK\$6.8 billion green bonds was a big success, attracting subscription by a wide spectrum of institutional investors globally.

The suite of digital product offerings is expanding. The Securities and Futures Commission (SFC) has authorised the first tokenised investment product — a gold token for retail access in Hong Kong, which allows investors to acquire fractional ownership of physical gold. It is represented by tokens recorded on an in-house private permissioned ledger using DLT. Each token represents 0.001 troy ounce of Loco London gold and is stored in the issuing bank's vault. Though without



highly speculative in nature with extreme price volatility. Therefore, while meeting investors' demand, we have made sure that wide-ranging safeguards are in place to protect investors. For spot VA ETFs, we require



our job as a regulator