

TECHNOLOGICAL TRANSFORMATION OF TREASURY OPERATIONS

**OPPORTUNITIES AND
CHALLENGES FOR HONG KONG
AS ASIA'S GLOBAL TREASURY
MANAGEMENT CENTRE**

IN ASSOCIATION WITH

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FOREWORD

"It is a pleasure for the Fintech Association of Hong Kong to support the report on '*Opportunities and Challenges for Hong Kong as Asia's Global Treasury Centre*'."

Hong Kong has long been a favoured location for regional and increasingly for global treasury centres, given its unique advantages, which are complemented by proactive regulators and a supportive government that promotes innovation. Initiatives like the Hong Kong Corporate Treasury Centre (CTC) tax regime, the GoGlobal Task Force supporting the Chinese Mainland enterprises going global, and the recently announced 4T Action Plan to promote the development of CTCs, which includes enhancements to the CTC tax regime, expansion of tax treaty networks, and measures to strengthen treasury talent and industry engagement, are further enablers which complement Hong Kong's unique advantages in supporting CTCs: superior geographical location (including proximity to the world's fastest growing economies), stable, business-friendly environment, a free economy, an international finance centre with a deep talent pool, and world-class infrastructure.

CTCs have traditionally been reliant on labour-intensive processes. Covid and, subsequently, geopolitics have driven the need for automation (and hence driven the adoption of technology) in CTCs for better cash visibility to manage risks in an increasingly complex world. CTCs started with ERP systems and then moved to adoption of cloud-based Treasury Management Systems. In a growing platform economy, CTCs are now leveraging bank-agnostic multi-bank platforms. New and emerging technologies like Agentic AI, blockchain, and digital assets provide new opportunities for CTCs, e.g., 24/7 cross-border payments by leveraging tokenised deposits. Fintechs have jumped onto these trends and have emerged as partners for CTCs, directly as well as through offering white-labelled solutions with banks, across payments, investments, fraud detection, foreign exchange management and sustainability.

As a super-connector, the Fintech Association of Hong Kong welcomes CTCs to benefit from our vibrant community, which provides access to our wide membership base of banks, fintech companies and other leading service providers. CTCs can also benefit from our close relationships with different players in the Hong Kong and Greater Bay Area ecosystem, including access to Hong Kong regulators and policymakers who follow a very balanced approach – supporting innovation while not compromising on controls and consumer protection. CTCs can be a part of some of the leading innovations in Hong Kong by participating in pilot projects and sandboxes, whether in AI, blockchain or digital assets. As part of the 'Fintech 2030' strategy, Hong Kong is 'DART'ing towards a robust, resilient and future-ready fintech hub which CTCs can benefit from. We hope all of you will benefit from and will enjoy this report.

Board of Directors
Fintech Association of Hong Kong

EXECUTIVE SUMMARY

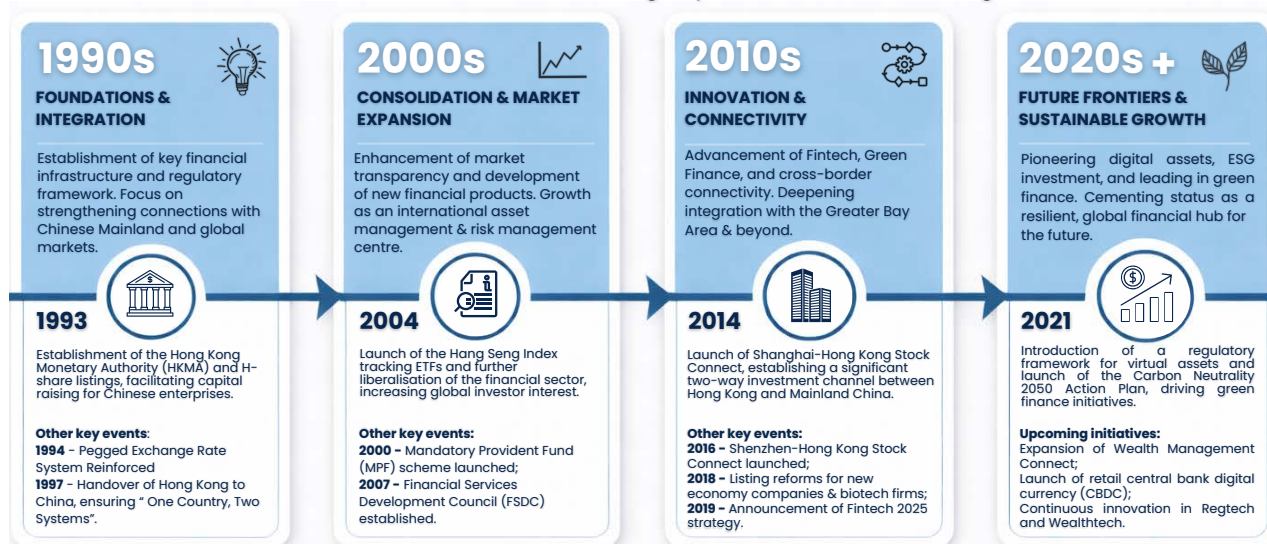
This report is a publication by the Fintech Association of Hong Kong and Finstep Asia, led by Syed Musheer Ahmed (Finstep Asia) and Douglas Arner (University of Hong Kong / University of Cambridge / Queen Mary University of London), and supported by the Emerging Payments Association Asia.

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In this report, we review treasury operations globally and in APAC. We also interviewed market participants, including corporate and financial institution treasury teams, financial services providers, tech firms, policymakers, and infrastructure operators, and insights from these interviews and related discussions held at a variety of workshops in recent months across the region are highlighted throughout.

'Hong Kong's Emergence as Global Financial Centre: Decades of Strategic Development'

A historical and future-oriented timeline showcasing key milestones and strategic evolution



Hong Kong: A resilient, evolving global financial powerhouse connecting East and West

Source: FinStep Asia Analysis

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, functions under the 'One Country, Two Systems' constitutional principle. Under this framework, Hong Kong has evolved over the last several decades into one of the world's leading financial centres, maintaining its own currency, a separate financial system (now increasingly connected to the Chinese Mainland through various Connect schemes to benefit global investors), a Common Law system, and an openness to capital and cross-border capital flows. This is particularly evident in the context of equity capital markets (where Hong Kong is one of the largest capital raising and trading centres), payments and foreign exchange (where Hong Kong is one of the world's leading centres), derivatives (where Hong Kong is one of the world's leading hubs), banking (where Hong Kong has one of the largest concentration of global banking and deposits in the world), and asset management (where Hong Kong is one of the largest centres).

More recently, with the rise of APAC economies, particularly China, Hong Kong has become a major centre for both local and foreign companies to base regional operations and also for Chinese companies to establish regional and international headquarters as part of their regional and global expansion strategies.

In this report, we highlight that the factors underlying Hong Kong's emergence as one of the world's major financial centres, namely location, openness, institutional frameworks, policy approaches, human capital, and hinterland, all underpin its role as a global and regional treasury hub. Going forward, the combination of geopolitical changes, economic opportunities, and technological transformation presents major opportunities that will strengthen its role as the leading treasury management hub in Asia.

Maximising these opportunities will require continued focus on infrastructure development (particularly in payments, data, and blockchain), regulatory development (to proportionately balance opportunities and risks), and human capital development. These initiatives, together with ongoing efforts to engage international, domestic, and regional organizations (particularly international financial organizations) and businesses to establish treasury and management functions in Hong Kong, and supported by the Government's recently announced 4T Action Plan for Corporate Treasury Centres, namely Tax Revamp, Tax Agreements, Targeted Promotion, and Talent & Dialogue, will be central to underpinning Hong Kong's future as a treasury hub.

CHAPTER 01

TREASURY OPERATIONS AND MANAGEMENT: EVOLUTION AND TECHNOLOGICAL TRANSFORMATION



Treasury teams enable businesses to manage global, regional, and local payments and financial operations while maintaining alignment with strategic business policies. They conduct integrated payments, cash management, liquidity planning and arrangement, and foreign exchange (forex) operations while managing regulatory relationships and bank partnerships. They also frequently engage in hedging, fundraising, and credit management.

Treasury managers traditionally operate in major financial centres for efficiency and convenience, and these centres are often treasury hubs. Successful hubs leverage a range of operational advantages, including time zone coverage, payment systems, high-quality banking infrastructure, liquid interbank and capital markets, and active forex trading. This infrastructure supports real-time liquidity management, complex cross-border transactions, and strategic risk monitoring across geographies.^[1]

While financial centres are central to treasury operations and treasury operations are a core financial centre function, this is an area that is often given far less attention than higher-profile activities such as capital raising, derivatives trading, lending and cross-border payments. At the same time, corporate and institutional treasurers and treasury operations are central users of these higher-profile systems. Treasury management is thus a core function of a financial centre, and financial centres are the main locations for treasury managers.

This report focuses on two aspects of global treasury operations and treasury management: first, the continuing evolution of treasury functions and operations, with a focus on technological transformations across finance; and second, evolving locational and market dynamics, with a focus on the Asia Pacific (APAC) region. This context brings particular opportunities for Hong Kong as one of the leading financial centres both regionally and globally.

Reflecting the theme of the 21st century as the Asian Century, the APAC region has experienced and continues to experience growth and increases in GDP across much of the region as well as significant increases in the number of listed firms. This combination is particularly significant, as more firms operate in and across the region. Operations across the region drive increased need for cross-border treasury management, while the growing number of firms increases the volume of treasury operations that must be managed.

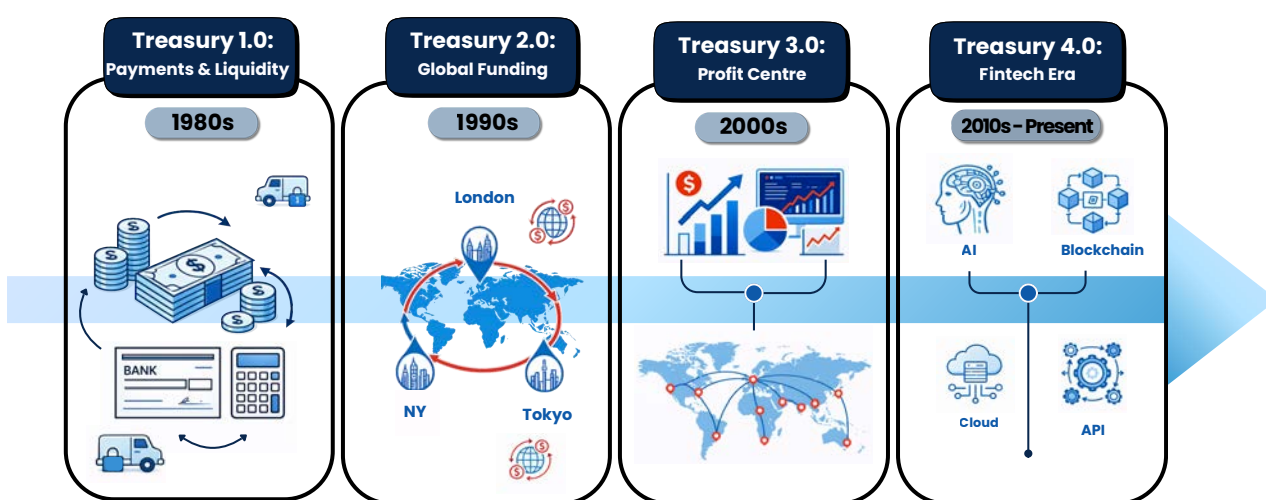
According to the OECD^[2], the number of Asian listed companies since 2000 has increased to 55% of the global total, numbering over 29,000. As these economies continue to grow, the scale of large corporates is also keeping apace, with close to 40% of the 2025 Forbes Global 2000 firms being from Asia.^[3] This has led to a growth in corporate treasury functions and the use of treasury hubs to streamline and optimise corporate treasury operations for firms with regional presence. Some of the large financial centres in APAC, in particular Hong Kong and Singapore, but also Tokyo and others, are key hubs for treasury operations of major global firms in the region.

For this report, we review treasury operations globally and in APAC. We also incorporate feedback received from interviews and discussions with market participants, including corporate and financial institution treasury teams, financial services providers, tech firms, policymakers and infrastructure operators. These interviews and related discussions held at a variety of workshops across the region in recent months are highlighted throughout.

A. Evolution of treasury management

Over the last several decades, Treasury Management globally has evolved in four major phases from Payments to Fintech.

The Evolution of Treasury Management: From Operational Process to Strategic Value Creation



Source: FinStep Asia Analysis

Treasury 1.0: Payments and cash / liquidity management.

Starting off with the enablement of the core functionality of a treasury, making and receiving payments on one hand, while conducting cash and liquidity management on the other. This tends to be primarily focused on local operations. This was generally the case up to the 1980s.

Treasury 2.0: Global funding.

In addition to enabling local operations, corporates use regional and global hubs for providing funding of global operations and funds management, with a focus on optimisation and efficiency. This approach emerged in the mid 1980s and continued through the 1990s, focusing on major financial centres, particularly New York, London and Tokyo.

Treasury 3.0: Profit centre.

While Treasury is often viewed as a back-to-middle office operational function, a well-managed treasury function can also become a profit centre through astute hedging, forex management, and strategic investments to support mid to long-term treasury goals. This emerged in the late 1990s and continued until the 2008 financial crisis. It has taken a somewhat less visible role in the 2010s. New York and London were the major centres, as firms sought to centralise both management and liquidity into single centres with centralised booking entities, but also Frankfurt, Tokyo, Hong Kong, Zurich and Singapore all emerged as significant treasury hubs during this period as regional economies developed, combined with efforts to build 24-hour treasury management cycles, necessitating hubs in favourable time zones.

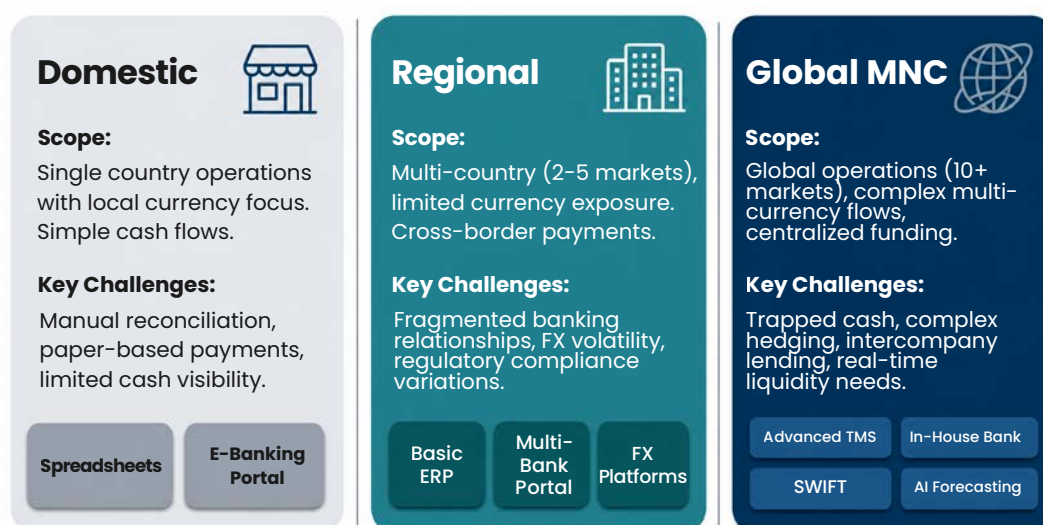
Treasury 4.0: Impact of fintech over the last decade.

Fintech has transformed financial services. The industry is witnessing similar dynamics in treasury operations. Increased adoption of fintech and digital tools for treasury management from end to end, covering local and regional operations, is transforming treasury operations, particularly in major centres. As a result of post 2008-regulatory changes, business changes, multipolar growth and development, and geopolitical developments, regional hubs have grown in importance, focusing on major economies, major currencies, and major financial centres.

Unlike the European Single Market, APAC remains a fragmented market. With growth and scale, corporate treasurers, especially at the regional level, will need to manage fragmentation in currencies, markets, regulations, and policies, as well as balance the lack of standardisation and interoperability in the supporting infrastructure across a range of jurisdictions.^[4] Further, they need to pay closer attention to increasing liquidity movement requirements arising from heightened geopolitical and trade considerations.

B. Evolution of treasury management: Organisational scale and regional presence

While the core operations remain fundamentally unchanged, discussions with corporate treasurers reveal significant variations based on organisational size, regional presence, and operational complexity. In addition to the diverse regulatory environments across jurisdictions, variations across APAC are being driven by diverse banking infrastructure and standards, which are made more complex due to multiple currencies and payment systems. Moreover, treasurers and related partners are at different levels of technology adoption and digital maturity, depending on their scale and location. These variations tend to have a significant influence on shaping technology adoption strategies, resource allocation, and infrastructure requirements.



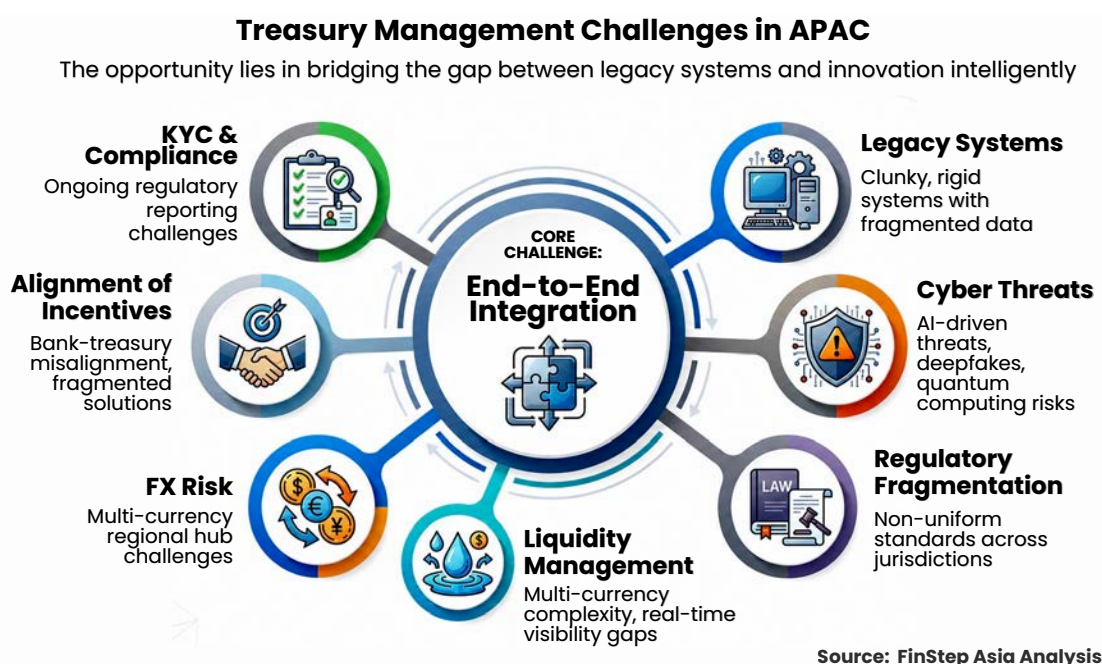
Source: FinStep Asia Analysis

For example, discussions revealed that smaller corporates tend to experience fewer challenges with legacy system integration, largely owing to less complex organisational structures and scale. However, they may lack the resources to invest adequately and scale their adoption of emerging technologies. On the other hand, regional and larger multinational corporates have large transformation budgets but need to deal with complex legacy systems and lack of standardisation, which are intertwined with multiple applications at regional and domestic levels. Further, varying regulatory frameworks and capital rules have a significant impact on liquidity management and regulatory compliance for larger and regional corporates.

C. Key challenges faced by treasury managers in APAC

For many treasurers in APAC, digitalisation remains a work in progress, and transformation has become a major focus to enhance efficiency and competitiveness in a world driven by digital finance. The primary operational challenges being addressed include adapting to 24/7 operations with continuous payment processing, managing liquidity across multiple currencies and markets, geopolitical challenges, regulatory compliance, and integrating legacy systems with new technologies.

Additionally, FX risk and real-time visibility are significant concerns, especially in both regional and global multi-currency hubs. The foundation for future competence will rely heavily on a tech environment built on emerging technologies, particularly artificial intelligence (AI) and blockchain, enabled by structured access to data, computing power, storage, and communications infrastructure.



Although the focus on technology transformation is vital, integrating new capabilities with existing infrastructure in a way that enhances operations without significant disruptions remains a major challenge. While some organisations benefit from simpler structures and automation, many are hampered by manual processes, data silos, and difficulties in consolidating banking relationships. Treasurers pursuing emerging technologies as ends in themselves often discover that implementation complexity, integration challenges, and operational disruption may outweigh the expected benefits. Fragmented banking ecosystems, regulatory complexities, and lack of seamless infrastructure further hinder end-to-end integration.

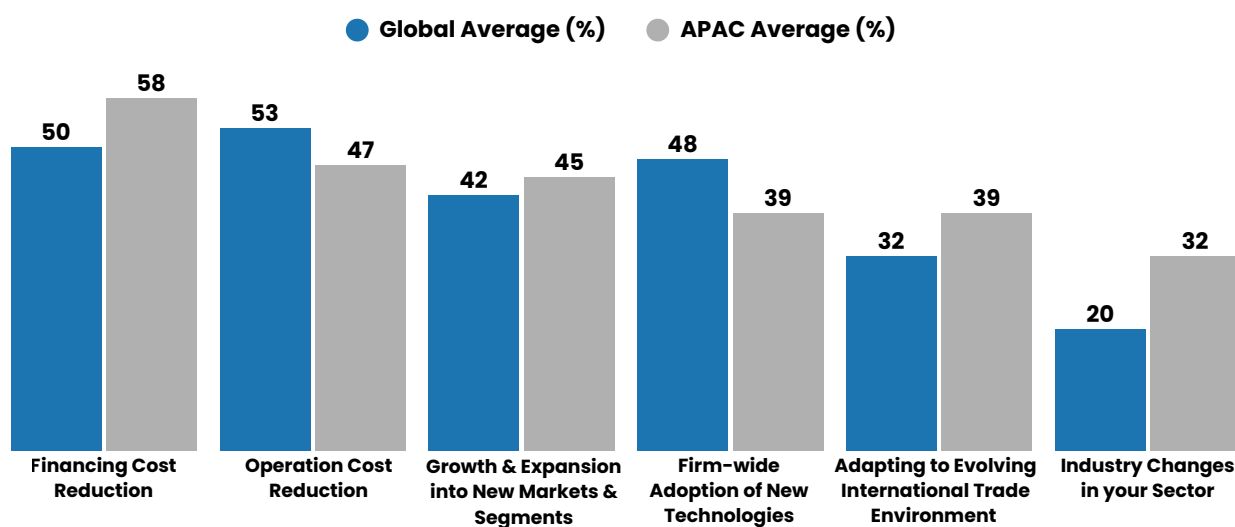
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“The core challenge isn’t tokenisation; it’s building end-to-end integration. The opportunity lies in bridging the gap between legacy systems and innovation intelligently, integrating new technology without sacrificing efficiency, and staying ahead rather than chasing trends.”

– **Head of Treasury, International Insurer**

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APAC Firms' Top Business Priorities Over Next 12 Months



Source: HSBC – APAC Treasury Pulse Report 2025

As highlighted above^[5], when considering near-term priorities, treasuries in APAC are focused on cost reduction and efficiency more than the global average. This reflects an environment of higher regulatory friction, fragmented market infrastructure, and the need to support growth without expanding headcount.

1. Impact of legacy systems

Legacy systems, often developed and implemented over a decade ago or even more, tend to be clunky and rigid, while offering reduced real-time visibility. When considering multinational organisations, they face additional challenges arising from data fragmentation, which restricts their ability to have a unified view of their positions.

Further, treasurers have to deal with challenges in integrating with the banking systems, which are also varied and fragmented across a regional footprint. While there is movement towards integration of ERP platforms and moving to an API-based cloud environment, non-uniform standards across regions continue to hinder a smooth transition.

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“The tools technically exist, but the age of the systems, the difficulty of making changes, and the fragmented way data moves across banks and internal platforms prevent treasuries from getting a unified, up-to-date view of cash positions and exposures.”

- Head of Treasury, International Corporate

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2. Cyber threats and security vulnerabilities

As treasury operations increasingly rely on digital infrastructure and emerging technologies, cybersecurity has evolved from a peripheral concern to a central strategic consideration. The threat landscape has fundamentally shifted, with emerging AI-driven threats now posing risks that traditional security controls alone cannot address.

Security considerations now play a strategic role in system design and vendor selection to ensure resilience against evolving risks. Legacy systems often lack readiness for these advanced threats. To address these issues, as treasurers implement digital transformation programs, they need to prioritise flexible, upgradeable security architectures combined with robust authentication methods and vendor transparency regarding cryptographic roadmaps.

Beyond immediate threats, treasury teams must also anticipate longer-term risks. The potential future impact of quantum computing on encryption standards represents an existential threat to current cryptographic infrastructure.

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“The security risks are real, and the stack needs more attention than it used to. Traditional controls still matter, but the bigger shift is the rise of AI-driven threats. Deepfakes make it harder to trust voice instructions, video confirmations, or anything that looks like an urgent internal request.”

- Head of Treasury, International Corporate

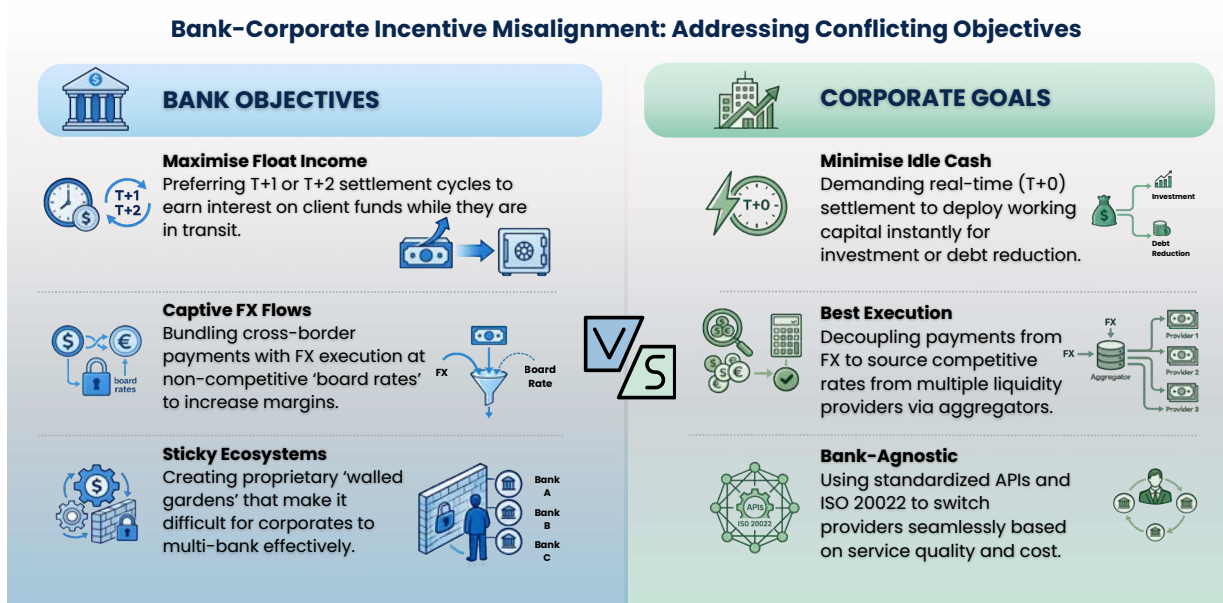
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3. Alignment of incentives

Misaligned incentives between banks and treasuries can lead to inefficient communication, with inconsistent implementation of standards across banks causing reconciliation difficulties and fragmented liquidity management due to the presence of numerous local accounts per entity.

While real-time payment speed is less of an issue for corporates, liquidity consolidation and interoperability remain key pain points, alongside the need to demonstrate measurable business impact.

For many organisations, same-day payment settlement provides sufficient operational efficiency, while the marginal benefit of real-time payments does not fully justify the infrastructure investment. Conversely, investments in liquidity consolidation, cash forecasting accuracy, or FX optimisation often deliver substantially higher ROI.



Source: FinStep Asia Analysis

Banks often develop isolated solutions without necessarily collaborating or including their clients or significant considerations for common standards, limiting operational efficiency for corporates. This misalignment frequently results in technology investments that fail to deliver expected value or are never fully adopted. This is further accentuated by internal decision-making misalignments that complicate adoption of new solutions.

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“Banks often misunderstand corporate incentives. Corporates focus on the impact on the top line or bottom line. For example, real-time payments may be unnecessary; same-day often suffices. So investments should be justified by measurable business outcomes.”

- Head of Treasury, International Financial Institution

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4. Regulatory fragmentation and compliance challenges

Regulatory fragmentation creates pockets of restriction, such as data protection laws and limits on outsourcing, forcing manual processes despite the potential for automation. This is often because regulations are drafted to cater to traditional correspondent banking models, which may not be compatible with modern technology solutions, limiting scalability and interoperability.

Differences in jurisdictional rules also complicate global product distribution and treasury operations. While cloud infrastructure adoption is growing, regulatory compliance remains a key factor in technology provider selection. The lack of unified platforms and standards across payment systems further complicates cross-border treasury management.

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“The regulations were written with that model in mind [correspondent banking]. We still don’t have a proper model that can do this at scale and apply across the full range of applications.”

- Capital Markets Regulatory and Government Affairs Expert

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CHAPTER 02

EMERGING TECHNOLOGIES: OPPORTUNITIES AND CHALLENGES FOR TREASURY OPERATIONS

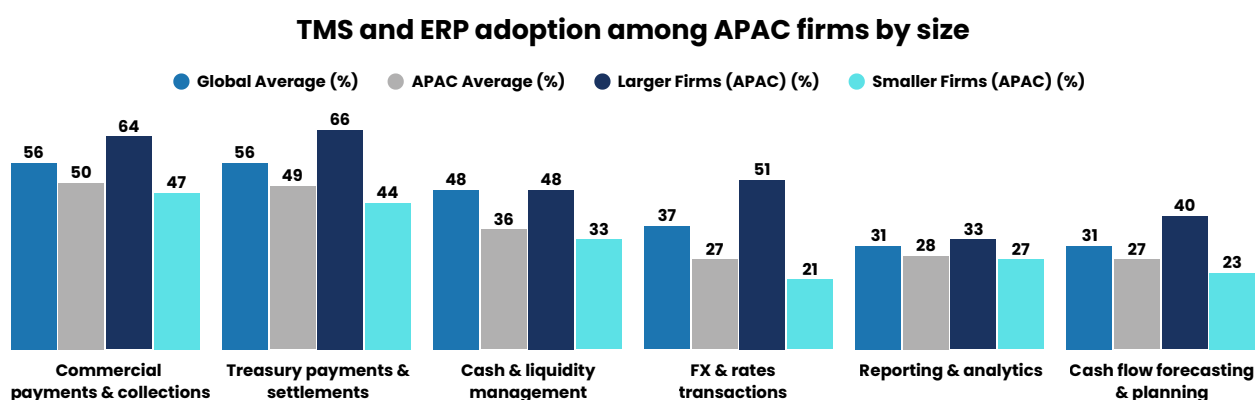


Historically, treasury operations have relied on spreadsheets and on-premises systems, which tend to be cumbersome and error-prone, leaving treasurers without a comprehensive view of the company's overall financial health. In APAC, medium to large-sized treasury operations tend to rely predominantly on ERP-centric environments, supplemented by specialised systems for payments, risk, and liquidity management, whereas smaller operations still rely on Excel-based operations in many instances.

Market fragmentation, inconsistent system setups owing to piecemeal technology implementation and company/division mergers, and diverse regulatory environments have further contributed to uneven progress. The fragmentation remains a significant challenge due to differing bank standards and legacy systems, though initiatives like SWIFT's ISO 20022 aim to standardise and modernise connectivity.

Moreover, regulatory reporting and the lack of visibility around off-banking-rails transactions continue to be major hurdles in efficient treasury operations. This is exacerbated by the emergence of a variety of payment systems and options for transactions beyond traditional systems, including most central bank digital currencies (CBDCs), tokenised deposits, linkages between fast payment systems, stablecoins and an ever-increasing range of other competing options, with particular challenges involving private or mid-tier companies. While most banks have standard treasury systems minimising operational differences, off-bank activities complicate consolidation of inflows and outflows.

As the chart below shows^[6], the APAC treasury technology adoption lags the global average across core functions such as cash visibility, liquidity forecasting, and payment automation. The gaps in uptake of technology are most visible among mid-sized firms, where fragmented banking systems, higher onboarding costs, and uneven API maturity slow integration.



Source: HSBC – APAC Treasury Pulse Report 2025

These gaps have led to some APAC treasurers struggling to keep up with the demands of global operations and volatile markets, while lagging behind in keeping step with the digitalisation of finance. While there is an increased interest in deploying emerging technologies, leadership buy-in and policy support are critical for advancing towards a service-oriented model.

The evolution toward a service-oriented treasury model in APAC is expected to involve a combination of automation, outsourcing, and use of Treasury Management Systems (TMS). Standardised, repetitive, and process-heavy tasks such as shared service-centre functions and technology development can be executed through outsourcing, while retaining strategic decision-making in-house. Although outsourcing documentation flow can be done efficiently, it requires tight controls due to risk in service handoffs.

On the other hand, automation in the region is currently concentrated in execution-heavy areas like cash positioning and payments processing; however, deeper analytical functions lag behind. Further, forecasting, FX management, and treasury reporting still depend heavily on manual work, which slows visibility and undermines real-time decision-making.

To address the shortcomings of current legacy structures and key operational challenges, the industry is experiencing an increasing deployment of service-oriented TMS solutions, underpinned by cloud architecture and data analytics. TMS platforms provide a centralised, comprehensive view of an organisation's finances by integrating with ERPs and other financial systems.

A. Key functionalities of TMS solutions

A TMS enables treasurers to consolidate cash and liquidity positions by connecting with bank partners via APIs, leading to improved management of market risks and cash forecasting to optimise overall treasury efficiency. The TMS further streamlines account reconciliation, automates forex operations, tracks debt and investments, and simplifies financial reporting and compliance.

These features reduce manual effort, improve reconciliation, and enhance control over multi-currency and cross-border operations. In addition to the use of APIs, automation tools such as RPA and Power BI are increasingly used to enhance real-time insights without full system deployments.

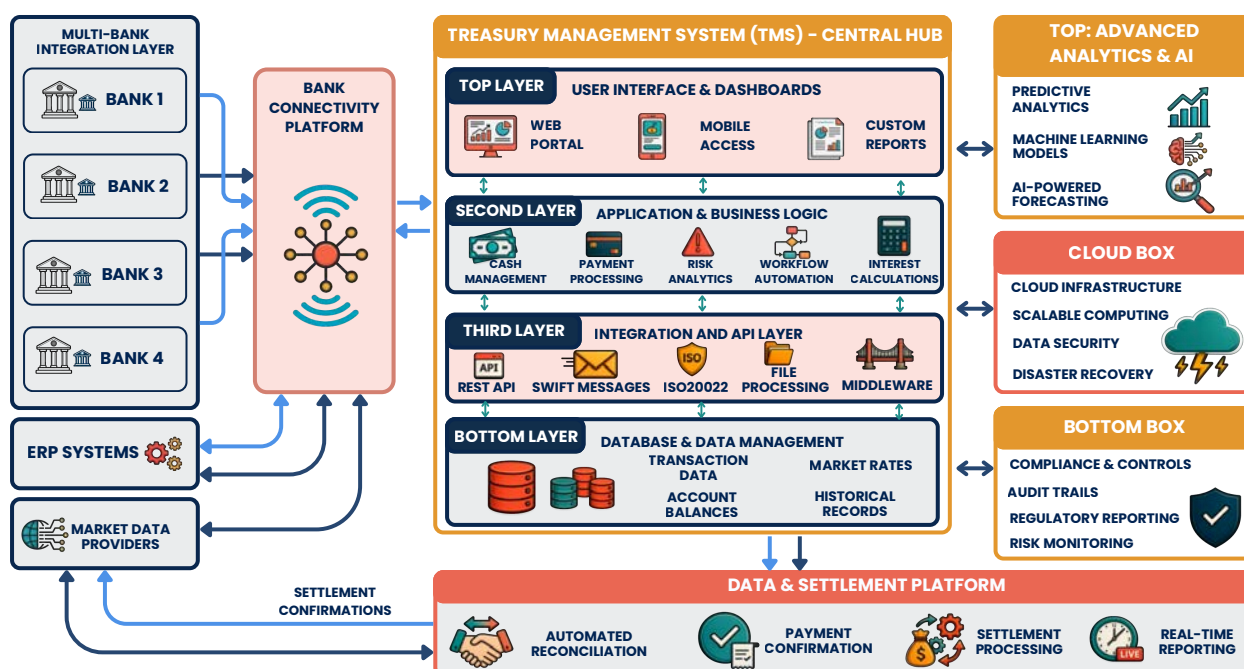
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“Our treasury runs on a mix of core and custom-built platforms for payments, risk, and liquidity. At the group level, we use a TMS vendor. A TMS provides a centralised view of cash, exposures, and interest rates, but integration can be difficult in Asia due to varied banking infrastructure. We now combine automation tools like RPA, Power BI, and APIs to create real-time dashboards and insights without a full system deployment.”

- Head of Treasury, International Insurer

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A modern treasury technology architecture integrated with a TMS would be expected to be composed of several key layers^[7]:



Source: EY, TMS Optimizer, JP Morgan, Kyriba, ACT and Finstep Asia Authors Analysis

- **External data sources:** These include multiple banks, ERP systems, and market data providers.
- **Multi-bank integration layer:** This layer, facilitated by a Bank Connectivity Platform (BCP), is crucial for aggregating data from various banking partners.
- **Treasury Management System (TMS) - Central hub:** At the centre of the architecture, the TMS acts as the core processing and management engine. TMS has four internal layers:

1. User interface and dashboards: The top layer, providing access to the system through web portals, mobile devices, and custom reports.

2. Application and business logic: The heart of the TMS, containing the logic for cash management, payment processing, risk analytics, and workflow automation.

3. Integration and API layer: This layer manages connectivity with other systems, supporting a variety of protocols such as REST APIs, SWIFT messages, and ISO 20022.

4. Database and data management: The foundational layer, responsible for storing all critical treasury data.

- **Data and settlement platform:** This platform handles the final stages of the treasury process, including automated reconciliation, payment confirmation, and settlement processing. It also provides real-time reporting and feeds settlement data back to the banks.
- **Advanced capabilities:** Emerging technologies that can be integrated with the TMS to enhance its capabilities. This includes advanced analytics and AI for predictive forecasting, cloud infrastructure for scalability and security, and compliance and controls for managing regulatory requirements.

B. Role of emerging technologies: AI, blockchain and cloud

Treasury teams in APAC have started piloting and implementing emerging technologies, including AI, blockchain, and cloud computing. The full value of emerging technologies for treasurers is realised when they are integrated with data analytics and security measures into a cohesive treasury infrastructure underpinned by APIs. Blockchain and tokenisation provide secure transaction data. AI analyses this data to optimise it and provide predictive insights. Cloud computing enables scalable access and real-time collaboration, advanced analytics converts information into actionable decision-making, and security frameworks ensure operational integrity and compliance.

This integration of emerging technologies allows treasury centres to optimise liquidity deployment across multiple subsidiaries and jurisdictions, automate intercompany settlements, enhance regulatory compliance, and maintain resilience against operational or cyber risks. It supports faster and more accurate decision-making, reduces operational and financial risk, and enables treasury teams to respond dynamically to global market changes.

1. APIs and multi-bank platforms

Using APIs along with platforms enabling multi-bank integration allows for increased connectivity, supporting account management and FX deals. Across the region, regulatory and banking authorities are making efforts to standardise APIs and promote Open Banking and Open Finance, which is gradually improving interoperability. However, there are challenges with integration owing to a lack of standardisation on one hand, and the high degree of spreadsheet-based processes on the other.

When it comes to multi-bank platforms, a key challenge is that many corporates maintain strong primary banking relationships, which may reduce the incentive to adopt multi-bank solutions. Further, market behaviour and awareness restrict widespread multi-bank platform adoption, especially in instances where these platforms lack loan services and adequate regulatory compliance across jurisdictions, which limits their effectiveness.^[8]

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“APIs and multi-bank platforms help with connectivity, but they bring their own friction. The biggest issue is that APIs aren’t standardised across banks, which makes implementation slow and uneven.”

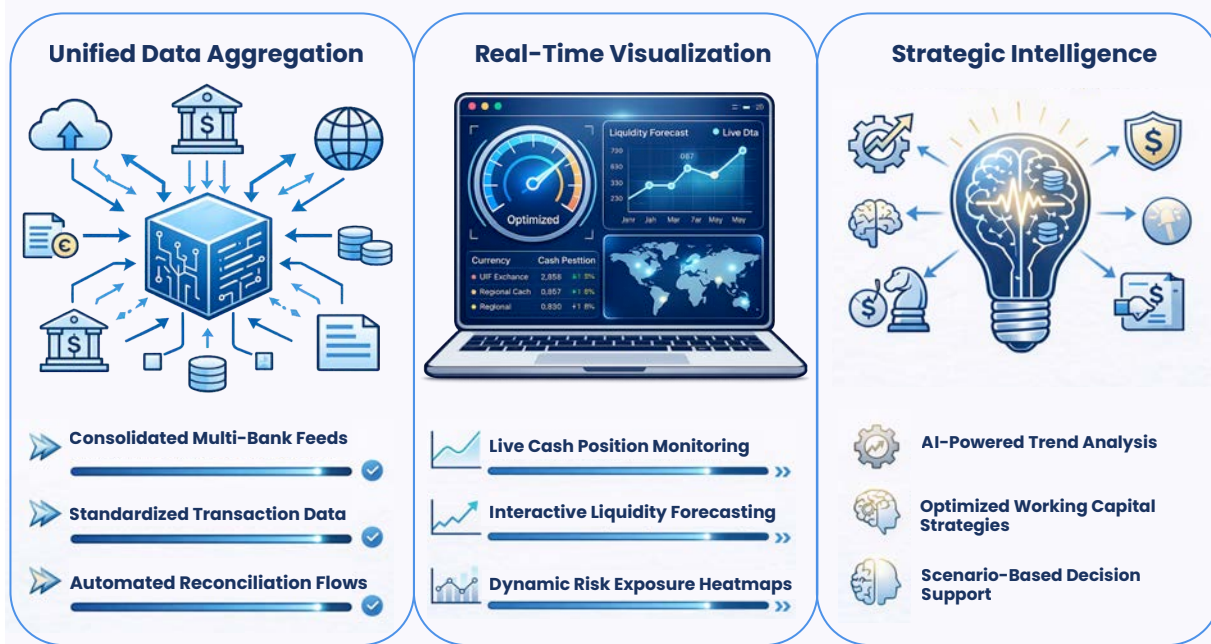
- Head of Treasury, International Corporate

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2. Real-time data analytics

Real-time data analytics are not yet pervasive across the region, leading to selective use in treasury decision-making. Although market data is available in real time and informs risk and FX decisions, most account balance data is still reported on an end-of-day basis. While this suffices for daily operations, the main gap lies in forecasting, where real-time updates would significantly improve short-term liquidity management and exposure planning.

Advanced Analytics: Converting Data into Actionable Treasury Intelligence



Source: FinStep Asia Analysis

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“Real-time analytics play a selective role. Most account balances land at the end of the day, and that level of visibility is enough for the bulk of daily decisions. The bigger gap is forecasting.”

- Head of Treasury, International Corporate

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3. Integration with ERP and banking platforms

Integration of treasury systems with ERP and banking platforms has significantly improved operational efficiency by automating transaction-heavy workflows, reducing manual checks, and accelerating downstream processes. It also enhances risk management by providing more reliable data inputs and minimising errors from manual rekeying or delayed updates. This integration streamlines payments, FX exposure management, and accounting reconciliation, contributing to stronger control and oversight.

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“Integration between treasury systems, ERP platforms, and banking channels has had a major impact on efficiency because so much of the workflow is transaction-heavy. It also strengthens risk management by giving treasury more reliable inputs and reducing the chances of errors.”

- Head of Treasury, International Corporate

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4. Treasury as a service

Treasury-as-a-service (TaaS) is an emerging outsourced model delivering treasury functions, including cash management, payments, liquidity forecasting, and FX risk management, through cloud-based platforms rather than through in-house systems. TaaS can add value by shifting operational workload to specialised providers, allowing treasury teams to focus on decision-making. Companies subscribe to modular services such as automated payment hubs, real-time cash dashboards, and AI-powered liquidity forecasting, eliminating the need for heavy upfront investment in infrastructure or specialist staff.

The Asia-Pacific region is particularly receptive to TaaS adoption due to complex, multi-currency treasury environments across diverse regulatory jurisdictions. A single TaaS platform enables companies operating in different jurisdictions, for example, a multinational conglomerate operating in Hong Kong, Singapore, India, and Indonesia, to manage payments, FX exposures, and liquidity pooling centrally, replacing fragmented bank portals and spreadsheets. This standardisation and centralisation address the region's treasury complexity challenges.

TaaS also provides value by addressing talent shortages in APAC. By outsourcing treasury processes, companies can reduce dependence on scarce in-house specialists, while also accessing providers' scale and expertise. This is particularly valuable for mid-sized firms, startups, and family-owned businesses requiring institutional-grade capabilities without building large treasury departments.

However, the competitive edge of a TaaS provider depends on their ability to govern data and manage third-party vendor relationships effectively, while firms must also overcome certain challenges when deploying TaaS services. Scaling such services may be challenging due to long sales cycles, unclear ROI, and organisational preferences for in-house solutions versus vendor platforms. Integration with legacy ERP and banking systems can create friction, especially considering the regulatory openness to outsourced financial services varies across APAC jurisdictions.

There can also be concerns about data security and regulatory compliance when entrusting sensitive payment and liquidity data to third parties. Despite these hurdles, TaaS is poised to drive digital treasury transformation as cloud platforms mature and incorporate AI, real-time payments, and tokenised assets.

“Treasury-as-a-service could add strong value, especially for teams focused mainly on decision-making rather than day-to-day processing.”
- Head of Treasury, International Corporate

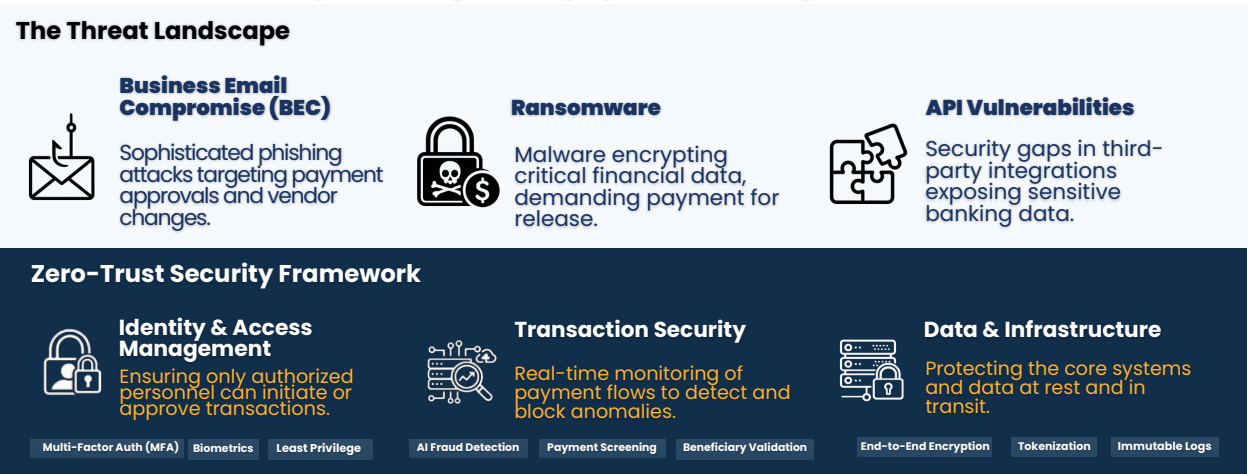
C. Cybersecurity

Cybersecurity has become a top priority for APAC treasuries amid digitisation of payments, liquidity, and operations, and robust security frameworks are now integral to financial risk management. With treasuries being prime targets for cybercriminals as they handle large-value payments, hold sensitive data, and enable cross-border flows, API and cloud integrations with banks and fintechs also introduce third-party vulnerabilities into the systems.

Common attacks include business email compromise, payment diversion, and infiltration of treasury systems and bank links. These are driven by weaknesses such as legacy ERP and TMS lacking adequate safeguards, weak authentication (e.g., email approvals), and poor real-time monitoring, which lead to undetected anomalies. While the region's instant payment systems have scaled significantly in volume and value, real-time fraud risks have increased due to their widespread accessibility.

Moreover, inconsistent practices across jurisdictions expand risks. Institutions often struggle to balance speed and control in instant payments on one hand and talent shortages in cybersecurity expertise, diverse regulatory regimes, and technology sprawl from digital expansion on the other. Regional regulators, led by authorities such as the Hong Kong Monetary Authority (HKMA), the Monetary Authority of Singapore (MAS), and the Reserve Bank of India (RBI), have imposed strict cyber requirements and programs to counter fraud, but corporate maturity varies when dealing with sophisticated fraud risks, and treasuries remain vulnerable.

Security: Protecting Treasury Operations in a Digital Environment



Source: FinStep Asia Analysis

D. Implementation strategy

1. Phased approach to system deployment and security

While the strategic benefits of modern treasury systems are clear, implementation requires careful sequencing and phased deployment. In some instances, treasurers are looking to first complete deployment of ERP platforms before integrating vendor-driven TMS applications. A phased approach prioritises the establishment of an enterprise-wide data environment that the TMS could leverage for treasury activities. This sequencing reflects several practical realities:

- **Data foundation first:** ERP systems provide the foundational data infrastructure required for TMS effectiveness. Implementing TMS before achieving enterprise-wide data consistency in ERP systems often results in poor data quality and limited TMS value. Hence, it is vital that data access, governance, and classification are robustly set up before full implementation of the TMS.
- **Organisational readiness:** Phased implementation allows treasury teams to develop necessary skills and organisational capabilities incrementally, rather than attempting comprehensive transformation simultaneously.
- **Risk mitigation:** Staged deployment reduces implementation risk by limiting the scope of change in any single phase, enabling course correction before proceeding to subsequent phases.

2. Vendor systems vs in-house builds

Traditionally, companies preferred to build in-house applications for their treasury operations with the aim of streamlining processes and maintaining simplicity. In-house builds, while offering customisation flexibility, require sustained internal resources for maintenance and updates, which often diverts focus away from strategic activities. The use of vendor solutions can provide treasurers a range of benefits, including proven functionality and best practices embedded in system design, coupled with regular updates and maintenance without the need for internal resource requirements. These vendor systems can be further integrated with banking networks and market data providers, while also complying with evolving regulatory requirements.

With organisations increasingly showing a preference for vendor systems over in-house builds for TMS implementation, the industry is also witnessing a shift from product-driven solutions to more open models.

This represents a significant shift from traditional vendor evaluation, where security was often treated as a compliance checkbox rather than a strategic differentiator. Organisations are also starting to include explicit vendor commitments to quantum-safe cryptography and transparent security upgrade pathways, keeping future threats in mind.

3. Strategic approach to security architecture

In response to evolving threats, treasury teams are fundamentally rethinking their approach to security architecture and design. Rather than implementing static security controls, organisations are prioritising systems designed with modularity and adaptability to accommodate emerging threats and evolving cryptographic standards. Further, they are deploying robust authentication methods, which include multi-factor authentication, behavioural analytics, and advanced verification protocols that can resist AI-driven spoofing.

As treasury practitioners note, consensus exists on heightened cybersecurity risks and evolving threat landscapes influencing treasury technology strategy. This consensus has elevated security to a primary consideration in technology decisions, requiring treasury leaders to develop sophisticated security evaluation frameworks for technology platform selection and vendor assessments.

4. Leadership buy-in and policy support

Any major technology implementation requires explicit leadership buy-in and organisational policy support to be successful and have the intended impact. Treasury leaders must secure executive sponsorship, allocate adequate resources, and establish clear governance structures for the success of technology initiatives and to create a culture where risk management is valued alongside innovation. This organisational commitment is critical for overcoming implementation challenges and ensuring sustained adoption of technology that enhances rather than compromises treasury operations.

E. Governance layers for deployment of emerging technologies

As treasury operations become increasingly dependent on digitalisation, emerging technologies introduce new risks, and the establishment of robust governance frameworks has become essential. Treasury teams must balance innovation with risk management, ensuring that new technologies enhance rather than compromise operational control and regulatory compliance.

To achieve this, effective technology governance requires multiple layers of oversight:

- **Data governance:** Establishment of clear ownership, quality standards, and access controls for treasury data. Data governance ensures that AI and analytics systems operate on reliable, validated data, reducing the risk of poor decisions based on corrupted or incomplete information.
- **Algorithm governance:** For AI and machine learning applications, the establishment of processes for algorithm validation, performance monitoring, and human review of algorithm outputs. This prevents 'black box' decision-making and ensures that AI systems remain aligned with treasury objectives.
- **Risk governance:** Implementation of risk assessment and monitoring for new technologies before deployment. This includes cybersecurity reviews, operational risk assessment, and regulatory compliance verification.
- **Change governance:** Establishment of formal processes for technology changes, including testing, validation, and rollback procedures. This prevents unintended consequences from system updates or configuration changes.
- **Human oversight and judgment:** Treasury practitioners emphasise that fully unsupervised systems in regulated finance are inherently risky. The history of unregulated financial innovations demonstrates that unregulated players move quickly, forcing adaptation in regulated institutions. Technology failures in treasury operations can have serious consequences for the organisation, and confidentiality can be compromised if not explicitly managed. Therefore, governance frameworks must ensure that human judgment remains central to treasury decision-making, with technology augmenting human judgment versus replacing it. This can be ensured with:
 - Clear escalation procedures for unusual or high-risk transactions.
 - Human review of significant treasury decisions, even when supported by AI analysis.
 - Regular training for treasury staff on technology capabilities and limitations.
 - Explicit accountability for treasury decisions, with technology providing supporting analysis rather than autonomous decision-making

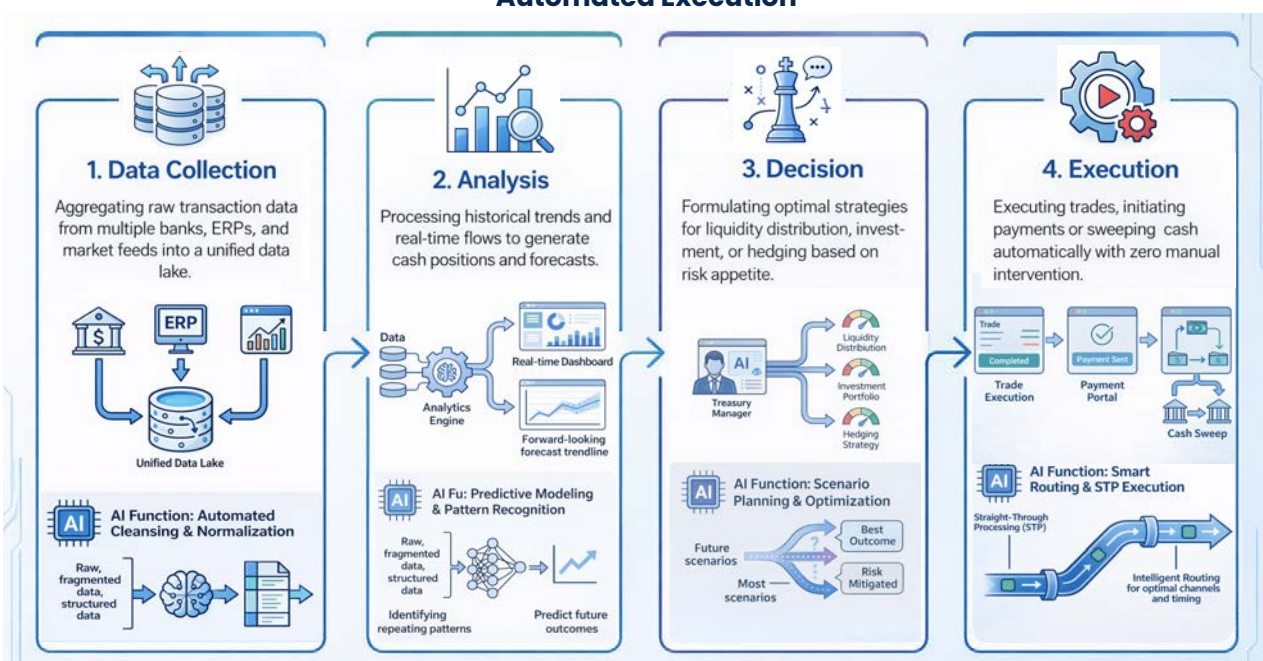
CHAPTER 03



ARTIFICIAL INTELLIGENCE AND TREASURY MANAGEMENT

Most treasurers' views converge on technology as augmenting rather than replacing human judgment, with a focus on gradual integration and risk mitigation. There is a cautious approach towards automation, with an emphasis on human oversight and data governance. Some treasurers stress the need for layered governance around AI, while others highlight the importance of leadership buy-in and policy support to advance adoption. Treasurers are primarily using AI along with Robotic Process Automation (RPA) for automation of operational tasks, predictive analytics, fraud detection, and document processing, with RPA being considered the key driver of current efficiency gains.

AI Transforms Treasury Operations: From Data Collection to Automated Execution



Source: FinStep Asia Analysis

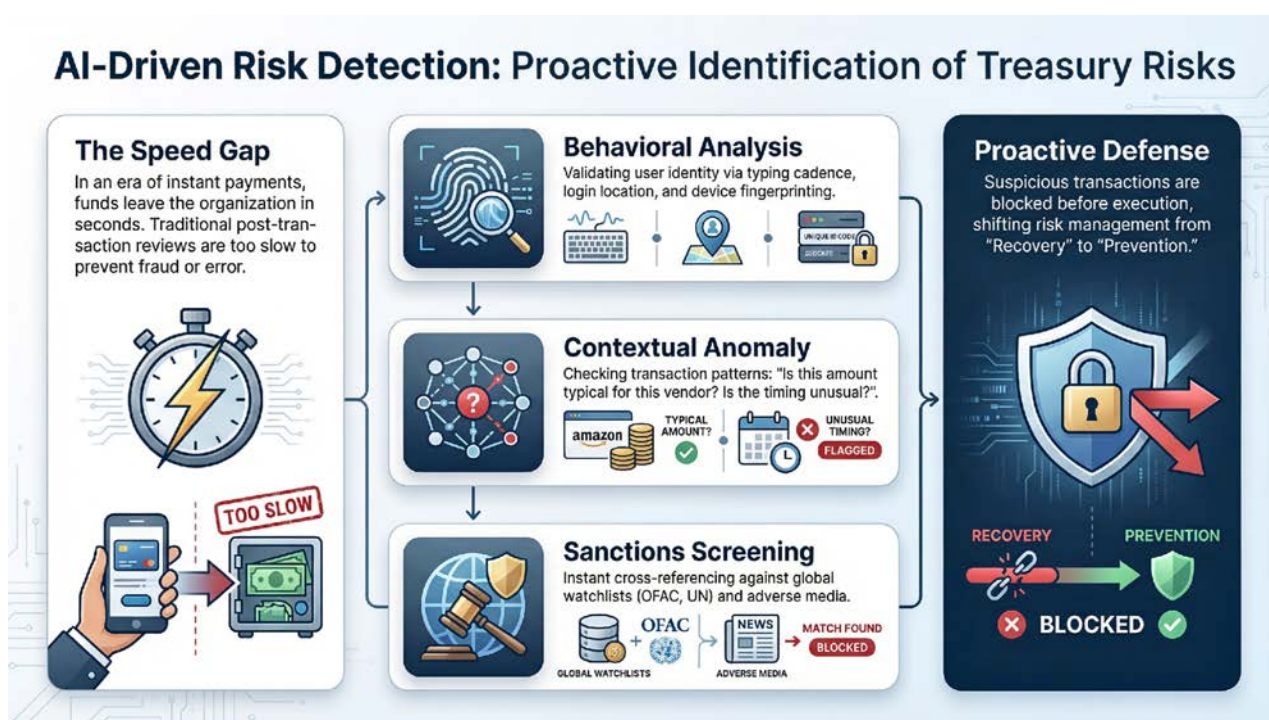
A. AI and machine learning

In considering treasury transformation, arguably the most significant impacts so far have come from the combination of digitisation (particularly of payments) and the transformation of communications systems. This combination has underpinned globalisation of the economy and of financial transactions. Together with the return of a multipolar global economy, particularly the re-emergence of East Asia as a major economic pole alongside the growing importance of South Asia and West Asia, these developments continue to drive treasury transformation. Digitalisation, datafication, communications and storage in turn underpin the rapid pace of AI development, both traditional and, most recently, generative AI.

We see AI as being the most significant enabler and accelerator of treasury transformation at this stage, with implementation moving rapidly globally and across APAC. The integration of AI is shifting corporate treasury functions from a reactive approach to a more proactive data-enabled approach.

By employing machine learning, treasury departments can analyse vast quantities of both historical and live data that spans various transactions, market movements, and cash flows to achieve highly accurate forecasts. Such advancements in automation and data analytics are pivotal in enhancing the speed, precision, and forecasting capabilities of treasury operations. AI-driven models can identify complex patterns that traditional forecasting methods lack, thereby improving cash flow predictions and informing investment decisions, particularly for portfolios with lower risk profiles.

Beyond forecasting, AI plays a crucial role in optimising the allocation of capital and making informed funding decisions. These systems can identify surplus cash, recommend optimal short-term investment opportunities, and dynamically adjust hedging strategies. Furthermore, the use of AI and ML can enhance risk management by detecting anomalies and unusual transaction patterns, thereby mitigating both operational and financial risks. The application of AI also extends to algorithmic hedging and sophisticated scenario modelling, enabling treasury teams to prepare for and proactively address unforeseen market disruptions.^[9]



Source: FinStep Asia Analysis

Data-driven scenario modelling enables treasury centres to simulate the impact of foreign exchange volatility, interest rate fluctuations, or geopolitical events on liquidity positions. Real-time monitoring of intercompany payments, trade receivables, and cash forecasts supports proactive allocation of funds across geographies. Integrating external market data with internal operational data enhances forecasting, improves working capital efficiency, and facilitates benchmarking of treasury performance against industry best practices. Advanced analytics also supports regulatory compliance by providing detailed audit trails, transaction reporting, and automated risk scoring.

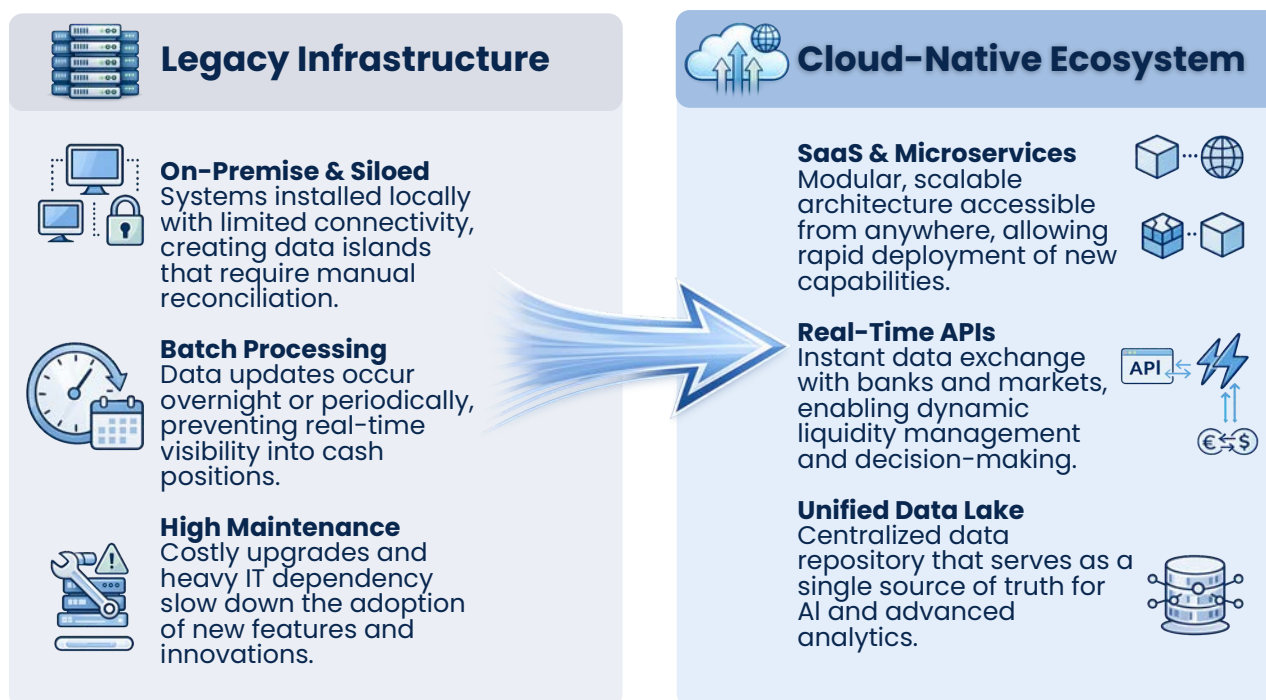
While generative AI is largely in the early phases of deployment in treasury management, it is worthwhile exploring how these models compare to more traditional AI models being deployed currently. Traditional AI models in treasury use structured data to forecast cash flows, optimise liquidity, and detect anomalies through machine learning and scenario modelling, while their deterministic, explainable outputs support regulatory compliance and operational automation. Generative AI extends this by creating a wide range of financial scenarios, synthesising complex interdependencies, and generating strategic recommendations that traditional models may miss. It can help automate reporting and explore alternative capital allocation approaches but requires a higher degree of audit and human oversight to validate the output.

A hybrid approach combines traditional AI for operational forecasting and liquidity management with generative AI for strategic insights and scenario exploration. Successful implementation requires robust data infrastructure, model governance frameworks, cross-functional collaboration, and treasury teams capable of interpreting AI outputs and managing exceptions.

B. Role of cloud

Cloud-based platforms offer scalability and flexibility to integrate diverse APAC operations, often complementing existing ERP and TMS systems, such as SAP. Ensuring robust security, user confidence, and seamless integration are critical for adoption, with treasurers preferring consolidated platforms that reduce login complexity. This integration capability is particularly valuable for organisations with complex, multi-jurisdictional operations that require real-time visibility across multiple systems and data sources.^[10]

From Legacy Systems to Cloud-Native Treasury: The Transformation Imperative



Source: FinStep Asia Analysis

Cloud adoption reduces operational complexity by eliminating on-premises infrastructure management, improving collaboration between finance and risk teams, and enabling faster deployment of new capabilities. As such, cloud platforms allow treasury centres to centralise cash management, liquidity monitoring, and risk analytics across multiple jurisdictions, while offering redundancy, disaster recovery, and business continuity capabilities that exceed what most organisations can achieve with on-premises infrastructure.

Collaboration between banks and fintechs enhances offerings by combining money movement capabilities with innovation. Embedded finance, expanding beyond treasury into related financial processes, can further streamline operations and enable these collaborations. However, transformation can be challenging in large organisations that tend to internalise treasury functions and often consider treasury as a cost centre with limited resources operating in silos. This requires cloud platforms to integrate well with systems like SAP and Oracle to overcome the challenges and to allow for smooth end-to-end treasury operations.

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“Most modern treasury services now run in the cloud, and data hosting sits on a sliding scale depending on the provider’s setup. Cloud-based accounting systems offered as SaaS are also proving useful where lighter, more flexible deployment is needed.”

- Head of Treasury, International Corporate

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Implementation considerations: Treasury teams prioritise security, user confidence, and seamless integration when evaluating cloud platforms. Treasurers prefer consolidated platforms that reduce login complexity and provide unified access to treasury functions, liquidity monitoring, and risk analytics across multiple jurisdictions. By combining cloud computing with AI, treasury centres can achieve fully integrated digital infrastructure capable of handling high volumes of transactions, complex intercompany funding arrangements, and dynamic risk scenarios in near real time.

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“Trust and credibility are critical. Managing cash and flow requires real confidence in the provider. Integration with an existing TMS makes the service even more attractive, eliminating the need to switch systems.”

- Regional Head of Payments, International Bank

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C. Deploying AI in treasury management

Deploying AI in treasury management calls for a structured approach across a few core dimensions that range from getting an organisation’s data lakes to embedding AI into daily workflows.

- **Data readiness:** Treasury operations generate large amounts of structured and unstructured data across a variety of sources such as cash flows, transactions, market rates, and financial statements. Unless this data is clean, complete, and pulled together from the relevant ERP systems, banking portals, and payment platforms into a single reliable source, the efficiency and effectiveness of AI models are considerably diminished. Strong governance involving standardisation, validation, and seamless integration helps ensure that data management is robust.
- **Advanced analytics and algorithms:** Predictive and prescriptive models drive cash forecasting, liquidity optimisation, FX hedging, and risk management. They need to be trained on historical data, tested for performance, and stress-tested against volatility, geopolitics, and other real-world shocks.
- **Automation and workflow integration:** Embedding AI into treasury processes can replace or significantly augment standard workflows such as payment scheduling, reconciliations, and reporting. This ensures a significant reduction in errors, leading to treasury teams being freer to focus on strategic priorities.

- **Risk management and governance:** Controls, audit trails, compliance checks, and cybersecurity safeguards are critical for robust governance of the AI models. They protect sensitive data and ensure transparency in how AI operates.
- **Change management and skills:** Teams need training to interpret AI outputs and weave them into daily work. Cross-functional collaboration, feedback loops, and skill-building keep adoption on track and aligned with business goals.

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“Legacy systems like SWIFT coexist with new technology, and the trick is using tools like blockchain, digital currencies, tokenisation, and AI meaningfully, not just following hype.”

- Head of Treasury, International Insurer

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Key risks and considerations for deploying AI include:

- **Model transparency and explainability:** Complex models can turn opaque when dealing with high-value operations such as liquidity or hedging. To ensure explainability, especially in instances of audit of market impact, it will be essential to maintain detailed documentation while actively monitoring the model.
- **Regulatory compliance:** It is vital to ensure that the AI model is aligned with local and international AML, KYC, and sanctions rules, and needs to be backed by strong governance and validation.
- **Cybersecurity and operational resilience:** Heavy reliance on digital infrastructure opens exposure to breaches and downtime. Ensuring robust encryption, strict access controls, and real-time monitoring are critical for security. This needs to be underpinned by the development of resilience frameworks and Business Continuity Plans (BCP).
- **Bias and ethics:** Training data can introduce bias into forecasts or decisions. Regular evaluation and cleaning of data can help maintain fairness and accountability.

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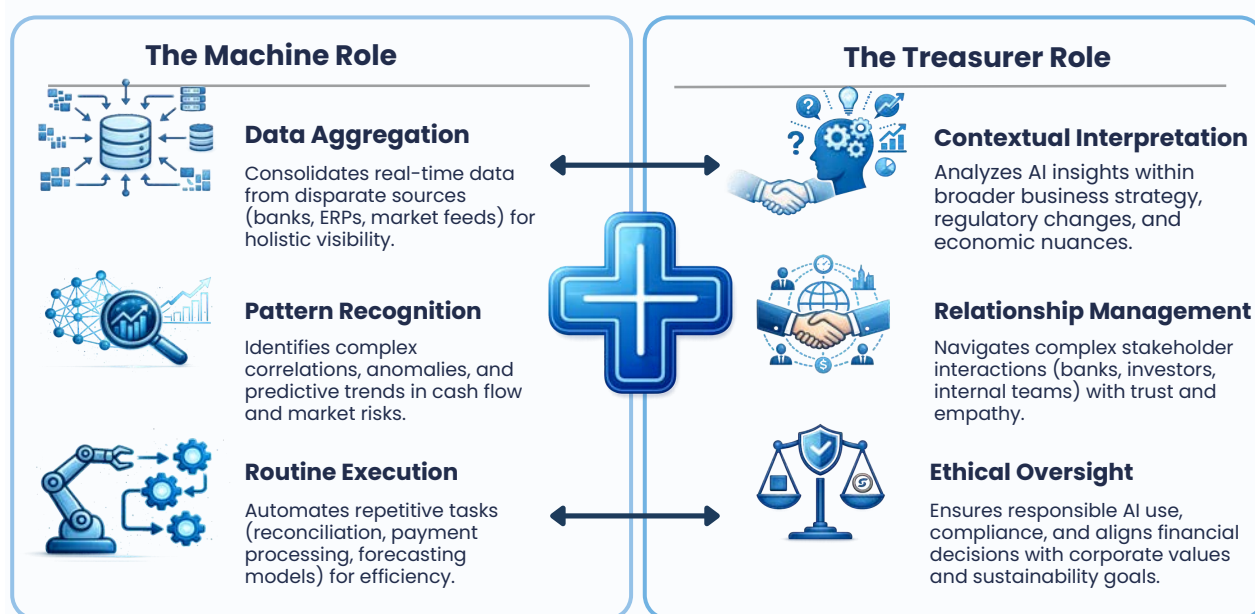
“AI can automate tasks, but human oversight remains essential for explainable decisions. LLMs enhance clarity rather than replace humans. AI offers efficiency gains, but fully unsupervised systems in regulated finance are risky.”

- Head of Innovation, International Financial Institution

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While interest in generative AI is increasing, adoption remains limited in the region, with companies experimenting but cautious about full delegation due to the need for robust risk controls and human oversight. Generative AI is valuable for summarising complex data into qualitative insights but requires explainability and human involvement. Moreover, some AI tools tend to add complexity and necessitate enhanced monitoring tools and controls.

AI Augments Treasury Decision-Making: Treasurers Remain Central to Strategy



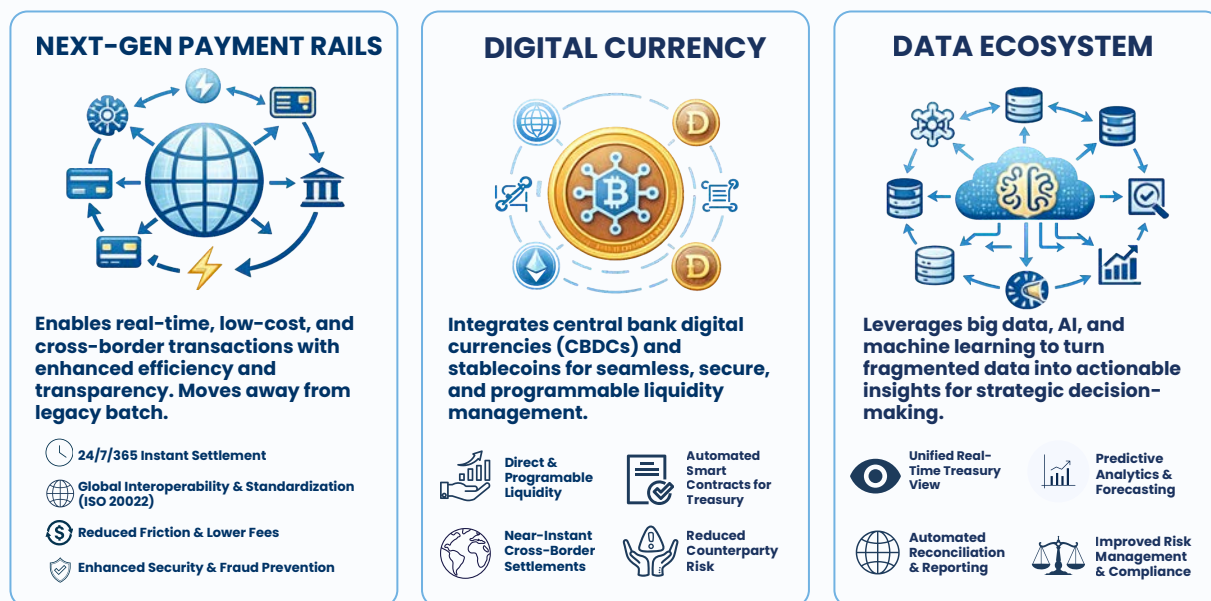
The Future of Treasury: Powered by AI, Guided by Human Expertise.

Source: FinStep Asia Analysis

D. Looking forward

To truly unlock the potential of AI in financial services, a forward-thinking, collaborative approach is essential. This could be in the shape of a shared digital framework, co-created by regulators and industry players, to cultivate an environment ripe for innovation. This framework needs to be built upon the foundations of open data, compute, and a vibrant ecosystem.

Infrastructure Modernization: Essential for Treasury Hub Competitiveness



Source: FinStep Asia Analysis

Firstly, open access to data ensures responsible access to high-quality, structured data to fuel model training, especially in financial services. Secondly, the availability of robust computing power through advanced cloud and data infrastructure is essential to handle complex analytics. Thirdly, a vibrant ecosystem that attracts leading tech firms to develop and deploy cutting-edge solutions is essential. Initiatives such as Project Noor^[11] between the HKMA, the BIS Innovation Hub, and the UK Financial Conduct Authority (FCA), aim to deliver an explainability audit layer for AI used in financial services.

CHAPTER 04



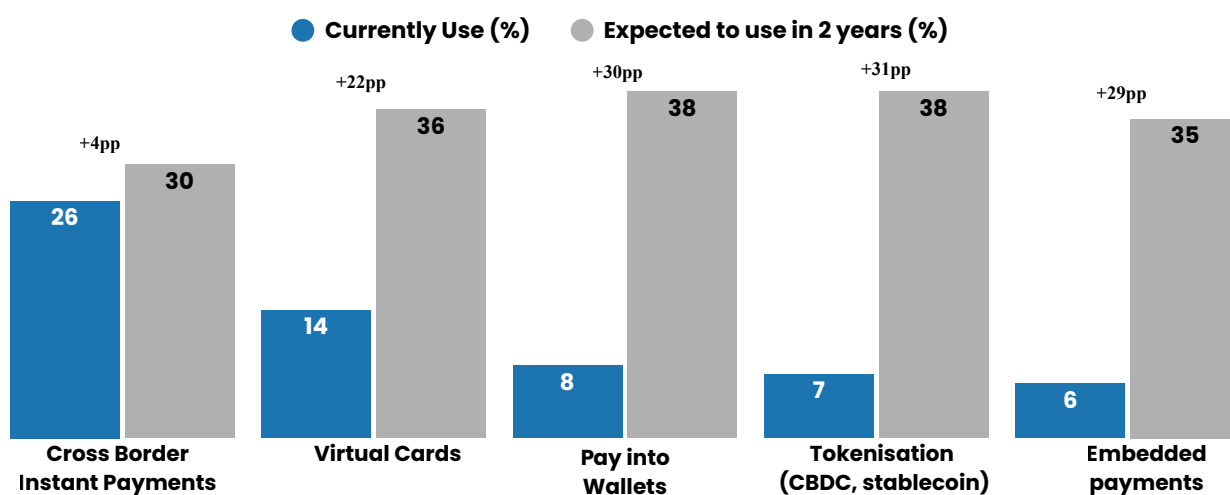
**PAYMENTS,
LIQUIDITY, FUNDRAISING
AND TECHNOLOGY**

In addition to the transformative impact of digitisation, datafication and AI, a range of other new technologies and systems are also having an increasing impact on treasury operations, management and centres. These include the continuing evolution of a range of new options for payments, ranging from centralised to decentralised and across a range of currencies and technologies; and the use of distributed ledger technology, blockchain and tokenisation in an increasing range of contexts including payments, clearing, settlement and traditional and non-traditional financial instruments and markets. All of these are providing new opportunities and options but also raising challenges. As a result, there is a wide range of initiatives to support the development of better infrastructure across the world and the region. Hong Kong has been very active in this respect to date.

A. New payments systems

The advent of digitalisation of payments, and related services and activities, has evolved considerably from the use of credit cards and rudimentary online commerce to the deployment and use of blockchain-based payment rails in recent years. This progress has been incremental over decades, with the 15 years following the 2008 global financial crisis witnessing organisations driving their front office operations through digital solutions versus primarily using technology for middle and back office functions previously. This use has transformed many business models, placing technology at the heart of payment operations across functions. The recent maturity of blockchain-based payments solutions now provides an additional level of sophistication to the payment stack and is expected to complement existing payment systems in the near term.

Expected adoption of innovative payment solutions in APAC [12]



Source: HSBC – APAC Treasury Pulse Report 2025

B. Blockchain and treasury

Blockchain offers opportunities to (a) enhance transparency and verification through distributed ledgers, (b) improve transaction tracking in supply chain and trade finance workflows, and (c) enable faster cross-border settlements. When combined with tokenisation, which represents cash, deposits, assets, securities, or receivables as digital tokens, it allows for programmable, traceable, and near real-time transfer of value.

Blockchain-based treasury platforms offer the potential to provide real-time visibility of liquidity positions across subsidiaries and regions, enabling more accurate funding allocation and risk assessment. Tokenisation can also support innovative funding structures, including digital representation of securities, receivables financing, and programmable cash flows, aligning treasury strategy with the growing digitisation of global financial markets. It is to be noted that while blockchain is being explored mainly for cross-border payments, trade finance, and smart contracts, adoption is currently limited by interoperability, integration hurdles, and regulatory challenges.

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“Blockchain can help with transparency and verification because a distributed ledger makes transaction tracking more reliable, which is useful in supply chain and trade finance workflows.”

- Head of Treasury, International Corporate

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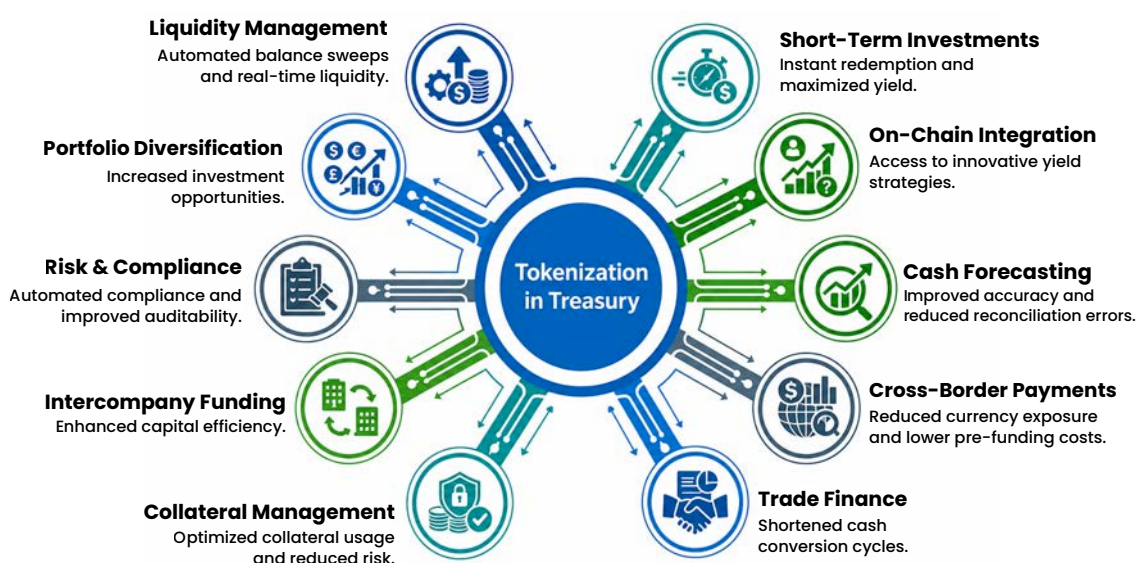
C. Tokenisation and treasury management

Near-term promising use cases for tokenisation in treasury management include 24/7 payments and transfers, new options including central bank digital currencies, tokenised deposits and stablecoins, and tokenised securities, money market mutual funds, and tokenised commodities such as gold. Tokenisation also offers the possibility to enhance auditability, as every transaction is immutably recorded and timestamped, supporting regulatory compliance and internal governance.

Businesses and retail users are increasingly experimenting with and deploying a wider range of payment, transfer, liquidity management, and capital management options to drive faster and real-time transfers. This is being underpinned by major players investing in blockchain settlement to accelerate the deployment of such blockchain-based models and to overcome challenges which include validation, fraud prevention, regulatory acceptance, and integration with legacy systems.

Tokenised financial instruments offer benefits such as 24/7 settlement, improved payment efficiency, and automation through smart contracts. We are witnessing products such as tokenised money market funds gaining traction in markets, including the US, Singapore, and Hong Kong, with longer-term opportunities involving tokenising a broader range of assets, including nature-based assets, AI/IoT-linked assets, and expanding tokenisation in trade finance and supply chains. While collateral tokenisation is seen as low-hanging fruit, it is currently limited by availability and operational constraints. Some of the key use cases gaining traction for the tokenisation of products and services in treasury management include:

Key Use Cases of Tokenization in Treasury Management



Source: FinStep Asia Analysis

Cross-border payment and settlement

Momentum toward tokenised deposits, embedded payments, and real-time cross-border settlement is accelerating, and the adoption of tokenisation is expected to rise significantly in the coming years. This signals a shift from experimentation to operational deployment and reinforces the view that the challenge is not technology access but choosing scalable, compliant rails that fit regional rules.

Tokenisation enables immediate credit by directly moving the tokens representing underlying value and bypassing multi-step traditional processes, thus improving cross-border payment efficiency and settlement speed. This is driven by smart contracts, which automate intercompany payments, enforce contractual conditions, and trigger settlements without manual intervention, increasing efficiency and accuracy. Key factors for adoption include 24/7 availability, lower costs, compliance with regulations, reducing reliance on legacy correspondent banking systems, managing payment sizes, and lowering operational risk.

As tokenisation adoption deepens in traditional finance, offshore and onshore tokenisation markets will coexist, with offshore markets potentially offering 24/7 access and stability, while onshore markets evolve as technical upgrades are incorporated within existing frameworks. Regulatory updates enabling tokenisation of financial systems, such as those by the HKMA and Hong Kong Securities and Futures Commission (SFC), bring the benefits of tokenisation through the integration of both on-chain and off-chain assets.

However, there continues to be legal uncertainties and complexities in the resolution of disputes and ownership of assets recorded on-chain but not reflected off-chain. This needs to be resolved through legal certainty of token registered on a blockchain is considered legally same as the off-chain asset that has been tokenised. This also needs to extend to the treatment of the final register being off-chain in the context of tokenisation of funds.

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“Tokenisation creates an irrevocable representation of value. Unlike traditional systems where funding passes through multi-step processes, tokenisation moves the token carrying actual value, allowing immediate credit to customers and making cross-border payments more efficient.”

- Regional Head of Payments, International Bank

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Trade and supply chain financing

Tokenisation of electronic bills of lading and other trade documents has the potential to streamline shipping and supply chain financing by improving credit assessment and unlocking capital. Major firms such as HSBC and GSNB are pioneering efforts, but widespread adoption remains limited. Regional connectivity, especially in Hong Kong, supports these initiatives, with steady progress expected as infrastructure and regulatory frameworks mature.

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“A larger global bank is currently exploring tokenised electronic bills of lading, potentially transforming shipping. Tokenisation across industries is helping assess credit, unlock capital, and streamline financing.”

- Financial Services Lead

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Risks

Tokenised treasury operations face interconnected risks and regulatory uncertainty across jurisdictions, which compound compliance challenges. Market risks include fluctuations in asset values and heightened liquidity risk from inadequately backed tokens or fire sales during market stress. Tokenisation may lower operational costs but does not inherently improve asset liquidity or returns without robust market infrastructure, regulatory clarity, and active market makers, which are essential for success.

One of the key challenges and risks for broader adoption lies in the current state of tokenised funds liquidity being mainly available on primary markets, with there being limited liquidity in secondary markets. This leaves investors with fewer exit options than are typically available in traditional mainstream financial products. Further, in certain instances, investors need to keep in mind that tokenised deposits could carry higher counterparty risk tied to the solvency and financial stability of the issuing banks.

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“A liquid asset or an illiquid asset is not going to suddenly become liquid because it is tokenised. And at the same time, an asset that is already very liquid is not going to accelerate its velocity simply because it is tokenised.”

- Capital Markets Regulatory and Government Affairs Expert

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In relation to the evolving use of stablecoins and tokenised deposits, primary concerns include reserve management risks and bank runs on custodian banks, the lack of deposit insurance and supervisory buffers, cybersecurity vulnerabilities, and operational risks during early adoption phases. Regulatory clarity and statutory frameworks, especially for cross-border liability and jurisdiction, remain insufficient. Market risk is currently limited but could increase with 24/7 trading. Compliance risks related to money laundering and terrorism financing are also significant and highlighted as key concerns by regulators across the region.^[13]

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“The real gap is off-banking-rails transactions. Transfers using stablecoins or alternative rails, often by private or mid-tier companies, sit outside traditional banking channels and lack visibility.”

- Financial Services Lead

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In contrast, technological risks stem from smart contract vulnerabilities, interoperability across DLTs, cybersecurity threats, and third-party operational disruptions via cloud providers and external data sources. Infrastructure risks arise from blockchain fragmentation, network congestion, settlement delays, and the complexity of integrating with legacy banking systems. To overcome these challenges, use of centrally supervised tokenised ledgers can potentially offer programmability, efficiency, and oversight for safe institutional use.

The regulatory environment dealing with tokenised products remains cautious and fragmented, driven by AML/CFT concerns and differing jurisdictional approaches, creating risks of regulatory arbitrage. Clearer, harmonised rules and licensing frameworks across APAC markets are needed to enable broader implementation and reduce uncertainty.

D. Building infrastructure

While large fintechs may build proprietary infrastructure, most will tend to rely on banks and regulators for large-scale implementations. Integration requires significant infrastructure upgrades, including interoperable clearing and settlement systems, scalable custody and wallet management solutions, and regulatory-backed trusted entities to provide oversight.

With tokenisation being offered via a large set of public and enterprise blockchains, interoperability between blockchains and token protocols remains a major challenge to integration with traditional systems, leading to risks of vendor lock-in and cost trade-offs. Further, current legacy systems and trustee capabilities limit scaling of tokenised funds. Adoption is limited by infrastructure gaps, including a lack of digital wallets, custody solutions, and central clearing authorities. Industry convergence on standards and technology stacks will be critical to avoid fragmented ecosystems and ensure a streamlined flow of assets across mutually recognised capital market ecosystems in the region.

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“If you onboard with any vendor, you risk creating a dependency on that vendor or getting stuck on a specific technology stack. Your investments can end up being suboptimal because you’re limited to whatever innovation that vendor provides.”

- Capital Markets Regulatory and Government Affairs Expert

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CHAPTER 05

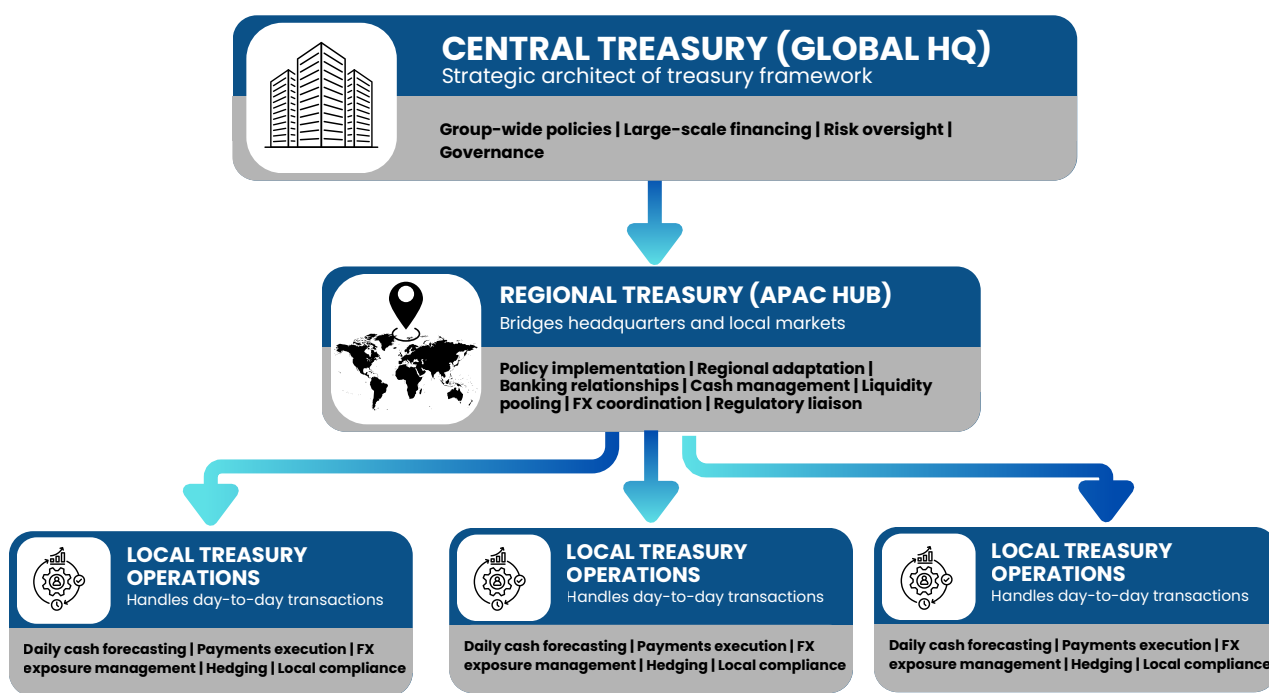


TREASURY MANAGEMENT CENTRES: EVOLUTION & COMPETITIVENESS

The significant increase in the number of multinational corporations in APAC is expected to continue in the coming years, which will be supplemented by an increase in the scale of operations. Treasury management centres in major treasury hubs will play a key role in driving these efficiencies of scale and structured regional growth for the organisations, while going forward, the transformation in technologies and approaches offers significant opportunities for centres such as Hong Kong to establish themselves as major hubs.

A. Treasury management centres

To be a leading treasury hub, jurisdictions require a key set of attributes listed below to leverage their infrastructure advantages, and these need to be combined with strong talent pools and supportive regulatory frameworks to succeed.



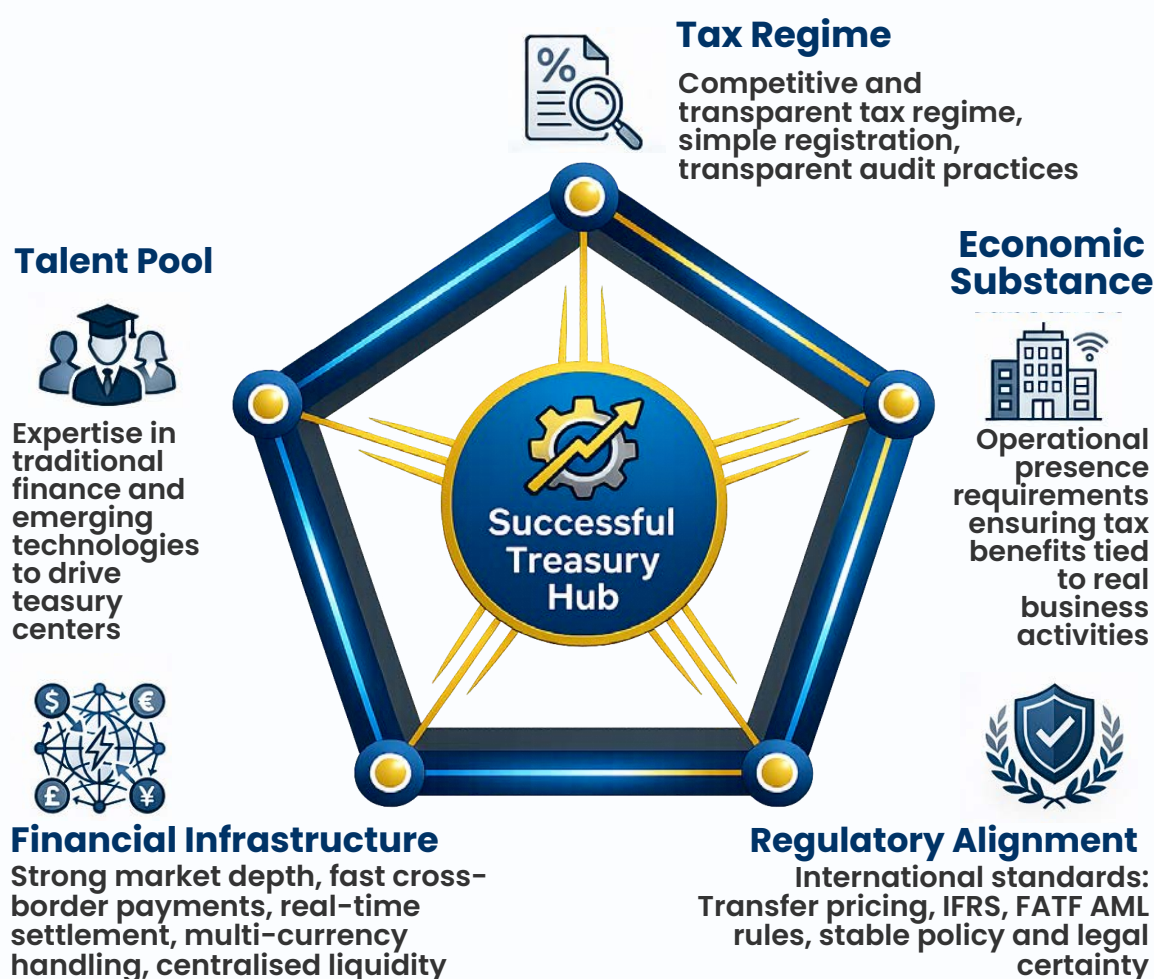
Source: FinStep Asia Analysis

Some of the major attributes needed to become an established treasury management hub include:

- **Competitive and transparent tax regime**, including simple registration and transparent audit practices, supported by continuous enhancement of treasury tax frameworks and administrative certainty to attract multinational CTCs.
- **Economic substance and operational presence requirements**, designed to ensure tax benefits are tied to real business activities.

- **Alignment with international standards and regulatory processes**, especially transfer pricing rules, IFRS, and FATF Anti-Money Laundering (AML) rules, along with stable policy and legal certainty.
- **Strong financial infrastructure and market depth**, along with efficient liquidity movement through fast cross-border payment systems, real-time settlement capabilities, multi-currency handling, and centralised liquidity management mechanisms.
- **Deep talent pool**, particularly individuals with expertise in both traditional finance and emerging technologies to drive the treasury centres, **supported by industry engagement, professional development programmes, and continuous skills enhancement initiatives.**

Attributes of Successful Treasury Hubs



Source: FinStep Asia Analysis

B. Treasury operations in major APAC markets

Treasury operations across major APAC markets show a broad range of maturity levels owing to the distinct operational environments and variations in regulatory frameworks, digital maturity, and local business practices. On one hand, markets such as Hong Kong, Singapore, and Australia serve as sophisticated setups, which include widespread TMS adoption and strong automation for real-time liquidity, hedging, and cash management.

These markets often act as regional hubs for multinationals, with reliable regulations and tech-savvy environments. On the other hand, markets such as the Chinese Mainland, India, and ASEAN countries are catching up and are witnessing moderate system use underpinned by an increasing deployment of digital tools for treasury operations. However, multinational treasurers have to navigate greater regulatory complexity and banking fragmentation, which requires them to further develop localised treasury structures to cater to these complexities and fragmentation.

Treasury Operations Maturity: APAC Market Benchmarking

JURISDICTION	TREASURY MATURITY	TMS ADOPTION	AUTOMATION LEVEL
HONG KONG	☐ Advanced	☒ High	☒ Advanced
SINGAPORE	☐ Advanced	☒ High	☒ Advanced
AUSTRALIA	☐ Advanced	☒ High	☒ Advanced
JAPAN	☐ Mature/Conservative	Moderate	Moderate
SOUTH KOREA	☐ Developing/Improving	Moderate	Increasing
CHINESE MAINLAND	☐ Developing	Moderate	Growing
INDIA	☐ Developing	Low-Moderate	Moderate
MALAYSIA	☐ Developing	Medium-Low	Moderate
THAILAND	☐ Developing	Medium-Low	Moderate

Source: FinStep Asia analysis

Decisions to establish treasury centres in APAC hinge on adding value beyond technology centralisation, managing regional books, and accessing local information, with location choices being influenced by proximity to key markets, geopolitical alignment, commercial advantages like liquidity and infrastructure, regulatory frameworks, and banking infrastructure supporting 24/7 operations.

Hong Kong tends to tick the boxes for these requirements, with the city being favoured for its strategic location, free-port status, strong ties with the Chinese Mainland, and the ongoing policy initiatives, including the 4T Action Plan, aimed at strengthening its attractiveness as a regional and global treasury management hub.

The following chapter takes a deep dive into how Hong Kong has evolved into a major treasury hub and the key factors to be considered to consolidate the city as Asia's global treasury centre.

CHAPTER 06



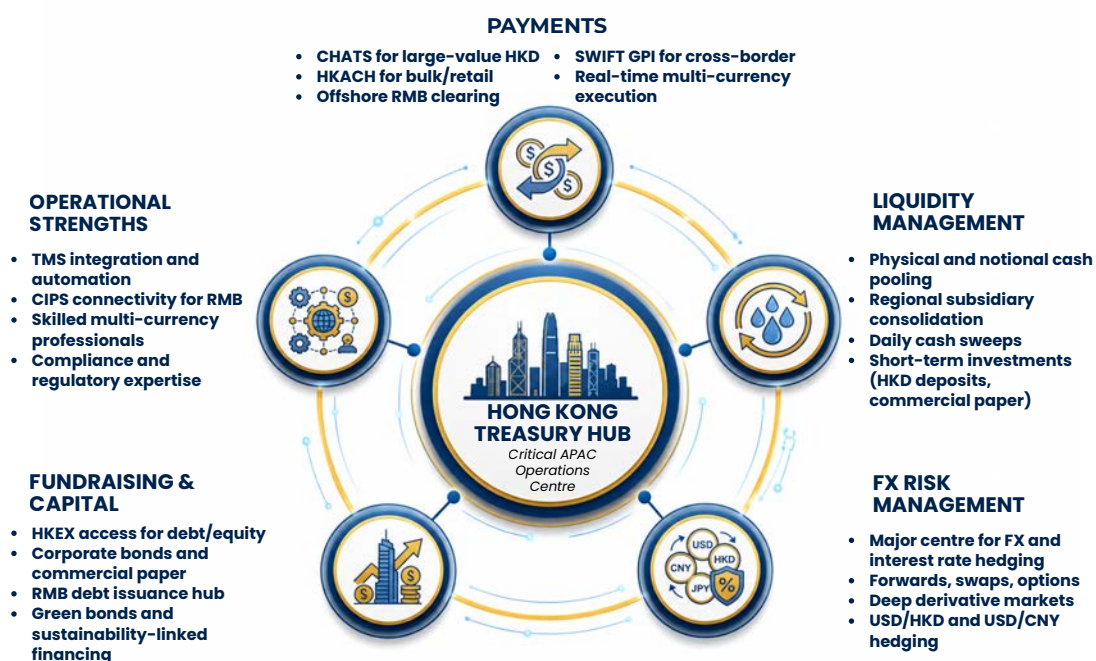
**HONG KONG:
BUILDING ASIA'S
GLOBAL TREASURY CENTRE**

Hong Kong's evolution into APAC's leading treasury management centre has paralleled the global directions considered in Chapter 1. Looking forward, the combination of economics, technology, and geopolitics offers significant opportunities not only to reinforce this role but to become one of the leading global treasury management centres.

A. Hong Kong's evolution as a treasury management centre

Hong Kong serves as a central treasury operation hub in APAC, leveraging advanced infrastructure for payments, liquidity, risk management, fundraising, and capital management. The city maintains a strong position as a treasury hub, especially for Chinese companies, due to its well-developed ecosystem and its status as a leading location for regional and international headquarters and operations. This is supported by free movement of capital, information and human capital, supportive policies, a well-regarded regulatory system, and a high-quality legal system.

Hong Kong's advantages are clear, but challenges remain in talent availability, debt capital market development, banking ecosystem development, and digitalisation. Enhancing efficiency, digital infrastructure, and policy support will be critical to sustaining competitiveness.



Source: FinStep Asia Analysis

- **Payments:** Hong Kong features a robust system with the RTGS system CHATS for large-value HKD payments and HKACH for bulk/retail ones, supported by continual enhancement and improvement. In addition to the HKD infrastructure, Hong Kong is unique in also offering a range of large-value systems for major currencies, including the USD, Euro, and RMB.

As a key offshore RMB clearing centre, it facilitates cross-border transactions, often via SWIFT GPI as well as via CIPS. Multinationals centralise their treasuries in Hong Kong to execute real-time multi-currency payments across markets including China, Singapore, ASEAN, India, and Australia.

- **Liquidity management:** This is typically centralised for multinationals, involving physical and notional cash pooling to consolidate funds from regional subsidiaries into Hong Kong master accounts. Surplus cash is swept daily and invested in short-term instruments like HKD deposits, commercial paper, money market mutual funds and similar products, which are widely available across a range of currencies.
- **Forex management:** Hong Kong also serves as a major centre for FX and interest rate transactions, including hedging, using forwards, swaps, and options for currencies like USD/HKD and USD/CNY. The deep derivative markets support complex strategies, allowing treasurers to hedge subsidiary exposures and to manage market risks. According to BIS data, Hong Kong is among the top five global centres for both FX transactions and OTC derivatives. The city also offers an active market in an increasing range of commodities, especially in gold, with the government introducing new measures to bolster Hong Kong as a major gold trading hub.
- **Fundraising and capital management:** With HKEX, the pre-eminent securities exchange in the region, the SAR provides large-scale access to equity financing, as well as debt, including corporate bonds and commercial paper. Further, as an RMB hub, Hong Kong is ideally placed to enable RMB debt issuance by both Chinese and regional corporates, with examples including green bonds for APAC renewable projects. Regulatory and tax frameworks aid cross-border allocation, with sustainability-linked financing rising.
- **Operational strengths:** Hong Kong acts as the APAC treasury hub for many multinationals, with skilled professionals in multi-currency operations, compliance, and regulation, offering an attractive and supportive combination of attributes. With APAC firms advancing bank rationalisation as part of broader centralisation strategies, a significant number of treasuries are optimising their banking networks to reduce reconciliation load, close redundant accounts, and consolidate cash visibility. This trend favours jurisdictions with clear operating frameworks and cross-border connectivity, making Hong Kong a practical base for centralised liquidity structures and regional oversight.

It aligns with the tax, regulatory, and payments infrastructure that supports treasury hubs in the city with connectivity to the Chinese Mainland, particularly its financial system and infrastructure. Further, it is estimated that virtual accounts and centralised treasury workflows free up the equivalent of over 130 hours of manual work per month for APAC treasury teams.^[14] These gains come from reducing reconciliation checks, accelerating intra-group funding, and eliminating duplicate account handling across markets. Hong Kong's legal clarity, cross-border operating permissions, and liquidity infrastructure make it a natural location to capture these efficiency benefits at scale.

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“Hong Kong holds a strong position as a treasury hub, especially for Chinese Mainland companies. Government communication is efficient, capital flows are robust, and the ecosystem is well developed. The main concerns are cost and geopolitics.”

- Head of Treasury, International Corporate

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B. Regulatory environment

Regulatory clarity significantly influences technology infrastructure and system architecture decisions. Clear and predictable frameworks tend to attract treasurers despite acknowledged inefficiencies. Hong Kong is widely regarded in this respect. While improvements are needed, established frameworks provide a level of certainty that supports decision-making.

Regulatory frameworks in Hong Kong have been progressively supportive of innovation-driven business models, particularly for digital finance and new treasury technologies. This support began with the HKMA's fintech initiatives in 2017, along with digital finance initiatives by the SFC and Insurance Authority (IA). This has increased Hong Kong's attractiveness to both firms that are leaders in emerging technologies as well as treasurers and financial institutions keen to adopt modern technologies.

However, while there is significant progress and development of regulatory frameworks for emerging technologies, some challenges remain. Clear guidance on tokenisation rules for traditional financial institutions and corporates is critical to accelerate the adoption of tokenised assets. Defining who can hold assets, under what conditions, and how custody interacts with legacy systems would reduce operational uncertainty. Additionally, clarity on taxation and accounting treatment of tokenised solutions is needed to ensure comprehensive treatment of tokenised assets.

Recent regulatory consultations by the HKMA, SFC, and Hong Kong Financial Services and the Treasury Bureau (FSTB) indicate progress towards the updating of regulations to keep pace with global competitors. The market would benefit from the 2026 updates providing comprehensive coverage of the various elements of tokenisation, including RWA tokenisation, custody, stablecoins, and OTC dealing. To this effect, it is expected that following the conclusion of consultations in January 2026, the Hong Kong government is expected to introduce legislation in the coming quarters on licensing regimes for Virtual Asset (VA) Dealing, VA Custody, VA Advisory, and VA Asset Management.

Regulators in Hong Kong have also been driving progress in forward-looking regulations through the deployment of pilot projects and sandboxes, such as Project Ensemble and Gen AI sandboxes, that accelerate the development of regulations covering emerging technologies. Project Ensemble is a collaborative pilot program by the HKMA to address interoperability, commercial, legal, and regulatory challenges in tokenisation and brings together financial institutions, fintechs, and tech providers, and involves coordination with international regulators and focuses on real-value pilot transactions, including continuing the large-scale tokenised green bonds issued by the HKMA (over HKD \$10 billion issued in Q4 2025). This is supported by the announcement in the 2026-27 budget that explores the establishment of a Hong Kong-based Green Technology Projects Accelerator and plans to launch a Virtual Assets accelerator under the SFC in the coming year to expedite market innovation.

A key to the success of such programmes is commercial viability. To address this, the HKMA has advanced Project Ensemble to move from sandbox experiments to live market use within a pilot environment, with a new milestone with EnsembleTX^[15], and plans to continually upgrade the system to support settlement on a 24/7 basis and develop local standards to strengthen Hong Kong's interoperability with other markets.^[16] These collective efforts aim to align commercial incentives and leverage competitive pressures to drive innovation, liquidity, and real-world use cases in Hong Kong's financial and technological ecosystem.

The Hong Kong Monetary Authority's innovation programmes are exemplified by the participation of major financial institutions and fintech firms, providing a pathway for live deployment post-experimentation, as witnessed with many of the use cases in the Project Ensemble sandbox, including, in fact, Project Ensemble itself, as it moves from being a sandbox to more of an infrastructure.

Significant use cases in Project Ensemble include Ant International's partnerships with Standard Chartered Bank and HSBC utilising Ant International's blockchain-based real-time treasury system, the Whale platform, which incorporates advanced encryption and artificial intelligence for liquidity management. The Ant International–HSBC project integrates both HSBC's and Hang Seng Bank's networks with Ant International's Whale platform to enable real-time, HKD-denominated cross-bank transfers with 24/7 availability, improved cost efficiency, and reduced working capital.

Separately, the Ant International–Standard Chartered project involves HKD-denominated intra-group transactions between Ant International entities using the Whale platform. The transaction workflows were executed through Standard Chartered Bank's core banking systems in a real-world commercial setting while remaining transparent to customers' business-as-usual workflows.

Another noteworthy use case under the "Fixed Income and Investment Funds" theme was Franklin Templeton's collaboration with HSBC and OSL. This proof-of-concept focused on the distribution of tokenised fund products and culminated in November 2025 with the launch of Hong Kong's first Luxembourg-registered tokenised money market fund.

Building on these outcomes, the HKMA advanced the project to its pilot phase, EnsembleTX, in November 2025. This phase is designed to enable real-value transactions and further test interoperability and efficiency. These developments are guided by the Project Ensemble Architecture Community, a collaborative forum comprising the HKMA, the Securities and Futures Commission (SFC), and major financial institutions, which is working to establish industry standards for the evolving tokenisation ecosystem.

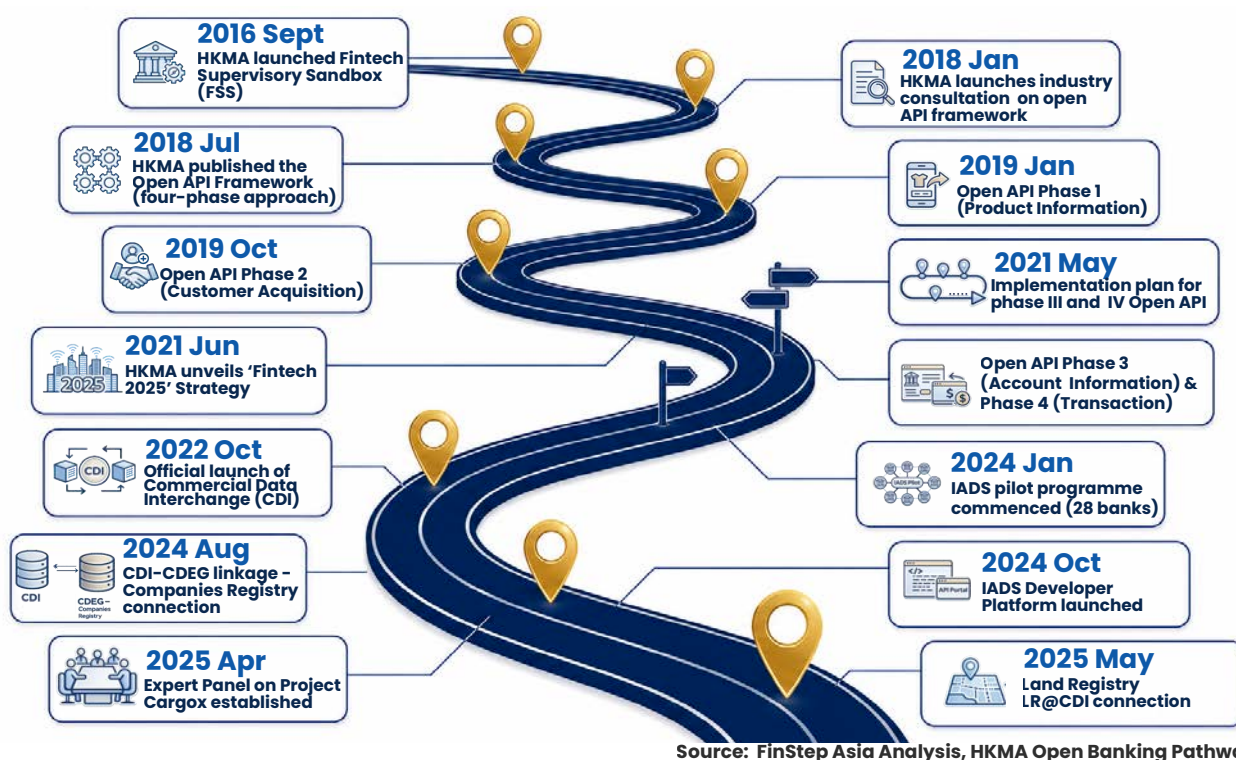
[17]

C. Enhancing Open Banking, Open Finance and Open Data

Hong Kong's journey towards an Open Banking ecosystem, orchestrated by the HKMA, has transitioned from establishing foundational infrastructure to fostering a more dynamic, data-driven financial landscape. The initial step in this multi-stage transformation was the introduction of the Open API Framework in July 2018, which laid the groundwork for subsequent innovation.^[18]

The framework's initial phases, which concentrated on standardising access to product information and streamlining customer acquisition, have achieved significant traction. Adoption has reached a critical mass, with more than two dozen financial institutions deploying over 800 application programming interfaces. This has cultivated a vibrant ecosystem, attracting over 1,300 third-party service providers (TSPs) and facilitating approximately one million banking interactions each month.^[19]

Hong Kong Open Banking Evolution 2016–2025



Building on this foundation, the HKMA has driven the evolution towards more sophisticated data-sharing capabilities. A key development is the Commercial Data Interchange (CDI), which went live in October 2022 to enable secure, consent-based sharing of enterprise data for processes like credit assessment and KYC^[20]. Advancing this data-centric approach, the Interbank Account Data Sharing (IADS) pilot was launched in January 2024, involving 28 banks in an effort to standardise the sharing of both retail and corporate deposit account information.^[21]

To further broaden the scope, the HKMA is involved in a range of other initiatives.^[22] In 2025, to advance CDI infrastructure, the HKMA launched Project CargoX, a multi-year public-private initiative to modernise Hong Kong trade finance by leveraging cargo data, boosting SME digital access, and linking international partners^[23]. Additionally, Hong Kong's participation in the BIS Project Aperta is aimed at enhancing cross-border data portability, with an initial focus on SME trade finance.^[24]

In February 2026, the HKMA released the Fintech Promotion Blueprint, Fintech 2030, to encourage responsible innovation and fintech growth. Fintech 2030 emphasises advanced AI and DLT, supported by high-performance computing. Data excellence and cyber resilience form the core foundations to manage tech risks in banking.

The Blueprint outlines initiatives in ecosystem collaboration, technological progress, and talent development. Key projects include a Quantum Preparedness Index for post-quantum cryptography, a new risk data strategy for enhanced data governance, a fintech cybersecurity baseline for providers, and support for building skills in human-machine interactions.^[25]

D. Maintaining taxation incentives

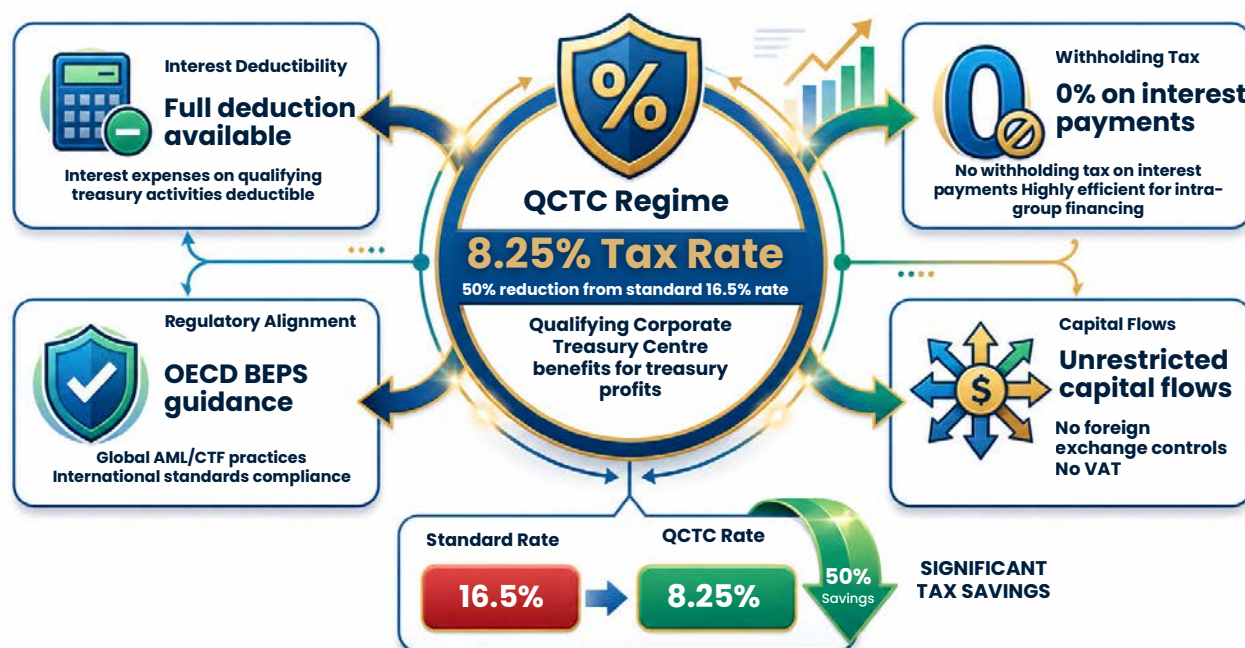
Hong Kong offers attractive tax incentives, competitive standard tax rates, and strong treasury talent, making it a compelling choice for treasury centres despite the OECD global minimum tax introducing some uncertainty, especially compared to other jurisdictions that offer lower effective tax rates. Practical factors such as land availability, immigration policies, and free-port status also contribute to Hong Kong's appeal.

Hong Kong's government has integrated both tax measures and policy initiatives to establish the city as a leading regional treasury hub. Government incentives include profit tax reductions for treasury centres and captive insurance companies. The 4T action plan proposes a two-tier enhancement of the CTC tax regime, with proposed measures for broadening interest deduction provisions, clarifying qualifying requirements, introducing a pre-approval mechanism for eligible treasury centres and associated companies, and providing greater administrative certainty through legislative amendments.^[26]

Key tax based initiatives in the city include:

Hong Kong Treasury Center Tax Benefits

Competitive tax regime supporting regional treasury operations



Source: FinStep Asia Analysis

- Qualifying Corporate Treasury Centre (QCTC) regime:** Introduced in 2016, the regime provides a concessionary profits tax rate of 8.25 percent (half of the standard 16.5 percent) on qualifying corporate treasury profits.
- Eligibility and substance requirements:** To benefit from the incentive, the entity must mainly provide corporate treasury services to associated entities and conduct its core income-generating activities in Hong Kong. The Inland Revenue Department (IRD) assesses substance based on personnel, management control, and physical presence.
- Interest deductibility and withholding tax:** Interest expenses incurred in qualifying treasury activities are generally deductible, and Hong Kong does not impose withholding tax on interest payments, making it highly efficient for intra-group financing. The Government has also recently proposed under the 4T Action Plan, expanding the scope and flexibility of interest deduction arrangements to further facilitate and enhance treasury activities conducted from Hong Kong. The IRD^[27] has provided detailed guidance on eligibility, compliance, and documentation.
- Regulatory and policy alignment:** The IRD and the HKMA have aligned Hong Kong's rules with international standards, including OECD BEPS guidance and global AML/CTF practices.

- **Financial infrastructure and market access:** Hong Kong offers deep capital markets, an extensive banking network, and unrestricted capital flows. These features, supported by government policy, enable regional cash pooling, liquidity management, and funding operations. Additionally, the CMU OmniClear Holdings Limited (CMU OmniClear) of the HKMA, in collaboration with the HKEX, is preparing to launch a study focused on developing a comprehensive, one-stop post-trade infrastructure for multiple asset classes. This system will include equities and debt securities from both the Chinese Mainland and Hong Kong, promoting seamless collateral linkages across products and borders while boosting overall market liquidity and risk management practices.^[28]
- **Tax policy consistency:** Hong Kong's simple tax system, absence of VAT and foreign exchange controls, and stable regulatory regime continue to support its role as a premier Asia-Pacific treasury centre. This is further supported by the expansion of the Comprehensive Avoidance of Double Taxation Agreements (CDTA) network to 55 agreements in 2025 and the establishment of an Advisory Committee on Tax Policy chaired by the Financial Secretary as announced in the FY 2026-27 budget^[29]. Under the 4T Action Plan, further expansion of Hong Kong's CDTA network, particularly with key trading partners and Belt and Road economies, has been identified as a priority to support cross-border treasury activities.

E. Enhancing competitiveness

Recognising increasing competition among global treasury hubs, the 4T Action Plan seeks to enhance Hong Kong's attractiveness as a major hub for Corporate Treasury Centres by strengthening the tax framework, expanding international tax cooperation, promoting Hong Kong to multinational enterprises, and developing treasury talent and industry engagement.

The Action Plan is supported by a phased implementation roadmap, including administrative clarifications to the existing CTC regime, industry consultation on proposed enhancements, legislative amendments to the Inland Revenue Ordinance, and the introduction of a proposed pre-approval mechanism for qualifying treasury centres. This structured approach provides greater certainty for multinational corporations considering Hong Kong as a location for regional or global treasury operations.

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“A holistic approach is needed, combining innovation, new products, regulation, and public-private collaboration to help companies navigate complex markets.”

- Chief Executive Officer, Industry Body

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When it comes to the impact of digital finance and tokenisation on treasury hub positioning, it is essential to note that digital capabilities alone will not determine a hub’s success without strong platforms and quality talent. Furthermore, digital finance and tokenisation have significant potential to optimise financial interactions and overcome infrastructure limitations, provided they are effectively supported by government initiatives that enable adoption through regulatory exemptions and market feedback. This needs to be underpinned by collaboration among banks, fintech, and government to realise these benefits.

F. Talent

Talent availability is a significant challenge globally and is particularly acute in Asia-Pacific, where rapid economic growth and technology innovation have created substantial demand for financial professionals. Attracting and retaining qualified treasury professionals has become increasingly difficult, particularly for roles requiring expertise in both traditional treasury operations and emerging technologies. Treasury centres are facing competition not only from other financial hubs but from technology companies and fintech firms offering alternative career paths.

Attracting and retaining such talent requires both an investment in talent development and the nurturing of an engaging work environment to sustain treasury centre effectiveness. The government has recognised this and launched various talent schemes to attract high-skilled and qualified professionals from overseas and the Chinese Mainland. In addition, the 4T Action Plan proposes deeper engagement with industry bodies and professional organisations to strengthen treasury management training, professional development, and specialist treasury talent cultivation in Hong Kong, including the Top Talent Pass Scheme and the Technology Talent Admission Scheme^[30] which has attracted over 110,000 global elites to the city^[31]. This is in line with the city’s history of welcoming talent from across the world and the presence of many companies with employees based elsewhere in Asia and beyond.

Enhancing competitiveness requires a holistic approach combining innovation, regulation, and public-private collaboration. Key measures include pushing banks to meet higher standards, supporting digitalisation of corporate operations, streamlining licensing for fintech and startups, and providing ecosystem-wide policy support. Simplifying immigration and visa processes, offering tax incentives, and creating a one-stop shop for regulatory facilitation are also important. Examples from other jurisdictions demonstrate the value of long-term tax exemptions and coordinated government support.



“From my perspective in traditional finance, the key is showing the next generation that banking is interesting and relevant.”

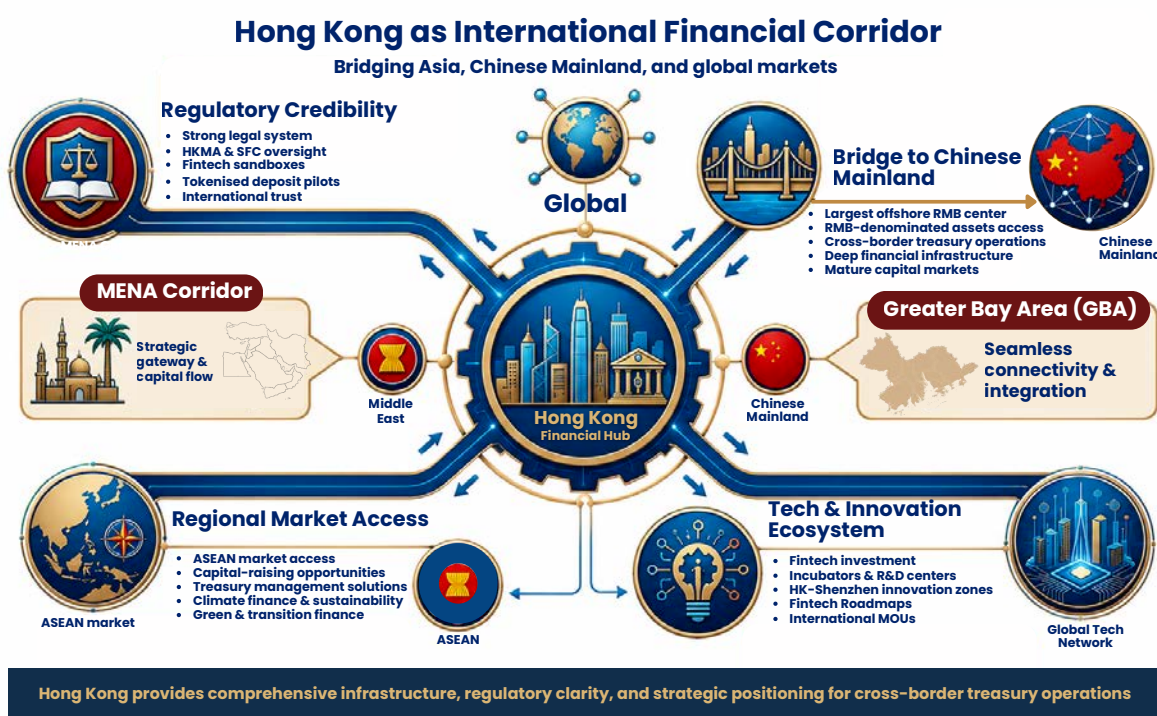
- Head of Digital Partnerships, International Asset Manager



G. Hong Kong's global, international, regional and domestic corridors

Several factors underpin Hong Kong's credibility and positioning as a major corridor serving international markets.

- **Regulatory credibility:** A strong, well-understood legal system underpinned by common law frameworks, and maintained through robust and well-established oversight by the HKMA, SFC, and Insurance Authority (IA). This proven supervision goes hand in hand with the regulators having proven experience with fintech sandboxes and tokenised deposit pilots, providing confidence to cross-border participants.



Source: FinStep Asia Analysis

- **Bridge to the Chinese Mainland:** Geographically and strategically, Hong Kong acts as a bridge between China/Asia and the rest of the world. Its role as the largest offshore RMB centre allows firms to access RMB-denominated assets and payments efficiently, facilitating cross-border treasury operations and investment flows. The city's deep financial infrastructure, mature capital markets, and professional services ecosystem support complex cross-border deals, including debt issuance, custody, settlement, and FX operations.^[32]
- **Tech and innovation ecosystem:** The city has invested heavily in fintech, innovation, and technology, with incubators, R&D centres, and cross-boundary innovation zones connecting Hong Kong and Shenzhen. Government initiatives, such as Fintech Roadmaps and one-stop platforms in the GBA, align policy with practice and reduce regulatory friction. International MoUs establish formal channels of trust for government-to-government cooperation, further reinforcing Hong Kong's credibility.
- **Access to regional markets:** Hong Kong provides an ideal hub and landing pad for firms seeking access to Asian markets, capital-raising opportunities, and treasury management solutions. Climate finance and sustainability also present immediate cross-border opportunities, with Hong Kong promoting green and transition finance, providing potential "quick wins" for corridor development.

Greater Bay Area initiatives

Hong Kong is actively leveraging its position within the Greater Bay Area (GBA) and has signed a memorandum of understanding with Guangdong Province and the Macao SAR on fintech innovation supervisory cooperation, linking the People's Bank of China's (PBoC) fintech innovation regulatory facility, the HKMA's sandbox, and Macao's regulatory requirements for innovative trials. This framework enables coordinated cross-boundary fintech pilot programmes, allowing companies to test products in multiple jurisdictions under harmonised oversight. It is designed to reduce duplication, accelerate regulatory feedback, and foster rapid iteration.^[33]

The HKMA's Fintech Connect platform^[34] further facilitates collaboration by matching financial institutions in Hong Kong with fintech firms across the GBA, including Qianhai and other cities, to co-develop and scale innovative financial solutions. Beyond sandbox support, there is ongoing coordination on financial infrastructure, policy alignment, and pilot studies, creating a foundation for treasury tech adoption across the region.

Middle East and North Africa (MENA) engagement

The Hong Kong government and policymakers are actively extending the corridor strategy to other parts of Asia, as well as to the Middle East and Africa corridors. In addition to senior-level delegations to the region led by the Chief Executive and the Financial Secretary, the government is increasing its local presence through the establishment and scaling of HKDTC and InvestHK operations in the region. For example, InvestHK has recently opened an office in Cairo to attract Egyptian and wider MENA companies to Hong Kong, supporting government efforts to deepen trade and investment ties under the 2024–25 budget.^[35]

Regulatory cooperation is also a key focus for the engagement with MENA economies. The HKMA and the Central Bank of the UAE (CBUAE) have signed a memorandum of understanding to deepen cooperation in cross-border debt capital market connectivity, financial market infrastructure, and investment promotion between MENA and Asia. The CBUAE has also become a member of the Central Moneymarkets Units (CMU), which deepens the financial infrastructure linkage between Hong Kong and the UAE beyond regulatory cooperation into operational connectivity.

Further, the Dubai Financial Services Authority (DFSA) and Hong Kong's SFC have signed an MoU to enhance cross-border regulatory coordination, particularly for collective investment scheme managers.

Sustainable finance initiatives are being advanced through joint climate finance conferences between HKMA and DFSA, targeting a Net-Zero Asia-Middle East corridor, encouraging cross-border investment in transition finance and green bonds.^[36]

RMB internationalisation

RMB internationalisation and resulting treasury management needs and opportunities are perhaps the single most unique and important avenue for Hong Kong going forward. In the aftermath of the 2008 global financial crisis, China began a process of expanding international use of the RMB. This began with a range of payments, financing and investment transactions, and has been supported by a series of major swap lines with central banks across the world. Chinese companies have expanded operations internationally, driven by China's emergence as the world's most significant trading nation.

With the country being the largest trade partner for many countries across the world, as well as a major investor and financier, the use of the RMB for cross-border transactions has increased. Enabling this expansion in trade, Hong Kong has emerged as the major centre for RMB liquidity and related systems outside of the Chinese Mainland and the leading centre for cross-border transactions in and involving RMB. As a result of this, it has evolved into a major centre for RMB payments, liquidity, and financing outside the Chinese Mainland and the most significant international RMB treasury centre, especially since 2020.

In recent years, a combination of factors has led to the increasing attractiveness of the RMB for cross-border transactions, as well as to a range of policy and infrastructure systems and strategies from both the Chinese government and financial regulators as well as local regulators and government in Hong Kong. Moreover, Hong Kong is a favoured location for issuance of offshore RMB-denominated bonds ('dim sum bonds') issued and settled outside of the Chinese Mainland.

The dim sum bond market has seen growth over the last six years continuously, with over one trillion yuan worth of dim sum bonds being issued in 2025. These bonds are also attractive to international issuers who account for over 30% of the total, which includes 17 new international participants entering the market during the year^[37]. The increasing availability of both RMB liquidity tools, such as short and long-term debt instruments, and the ability to raise capital in RMB are central aspects of Hong Kong's role in RMB treasury.

Looking forward, as an increasing number of Chinese Mainland and other companies make and receive cross-border payments in RMB, there will be a continued need and demand for treasury services and systems to cater to RMB-based operations. Hong Kong is well placed in this respect but will need to focus on moving beyond payments and FX to look at RMB and multicurrency liquidity instruments and systems, particularly for commercial paper and money market mutual funds.

The city also needs to focus on enhancing human capital with an understanding of both Chinese treasury operations needs and the needs of companies in APAC and globally. In line with these expectations,, the Hong Kong government has recently proposed various recommendations to advocate for advancing RMB internationalisation and RMB capital account openness, with Hong Kong leveraging its strengths to align with national strategies.

Key measures included in the 2026-27 Budget include:

- Doubling the RMB Business Facility to RMB 200 billion for trade and cross-boundary activities;
- Promoting efficient RMB-regional currency FX transactions to cut costs;
- Issuing RMB bonds regularly to enrich offerings and refine the offshore yield curve;
- Exploring offshore RMB yield curve formation and interest-rate price discovery; and
- Attracting issuers to boost RMB bond issuance while tapping emerging markets for more transactions.

Further, to enhance mutual market access, Hong Kong is aiming to expedite Chinese Mainland government bond futures, include REITs in mutual access, add RMB trading counters under Southbound Stock Connect, and improve Bond Connect.^[38]

CONCLUSION

This report has focused on two aspects of global treasury operations and treasury management: first, the continuing evolution of treasury functions and operations, with a focus on technological transformations across finance; second, the evolving locational and market dynamics, with a focus on the Asia Pacific region. This context brings particular opportunities for Hong Kong as one of the leading financial centres, both regionally and globally.

The full value of emerging technologies emerges when AI, blockchain, cloud computing, data analytics, and security measures are integrated into a cohesive treasury infrastructure. This integration allows treasury centres to optimise liquidity deployment across multiple subsidiaries and jurisdictions, automate intercompany settlements, enhance regulatory compliance, and maintain resilience against operational or cyber risks.

This report highlights that the factors underlying Hong Kong's emergence as one of the world's major financial centres – location, institutional frameworks, policy approaches, human capital – all underpin its role as a global and regional treasury hub. Going forward, the combination of geopolitical changes, economic opportunities and technological transformation presents major opportunities to strengthen its role as the leading treasury management hub in Asia.

Maximising these opportunities will require continued focus on infrastructure development (particularly in payments, data and blockchain), regulatory development (to balance opportunities and risks), and human capital development. These priorities, together with ongoing efforts to engage with international, domestic and regional organisations (particularly international financial organisations) and businesses to establish treasury and management functions in Hong Kong, are central to underpinning Hong Kong's future as a treasury hub.

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The aim of the association is to unite the Hong Kong FinTech industry and ecosystem in order to elevate Hong Kong's status as a FinTech hub. It works on creating awareness, employment, education, promotion and advocacy around FinTech. Members range from start-ups to the world's leading global corporations and come together through 8 committees on various verticals of FinTech including Blockchain, AI, WealthTech, Payments, Digital Banking, RegTech and GreenTech/ESG.

The Association's three pillars are:

Advocate - create the unified voice for the Hong Kong FinTech ecosystem

Collaborate & Connect - bring together the diverse parts of the community

Educate - learn from existing leaders and nurture the next generation of talent

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