

FINTECH ASSOCIATION
OF HONG KONG

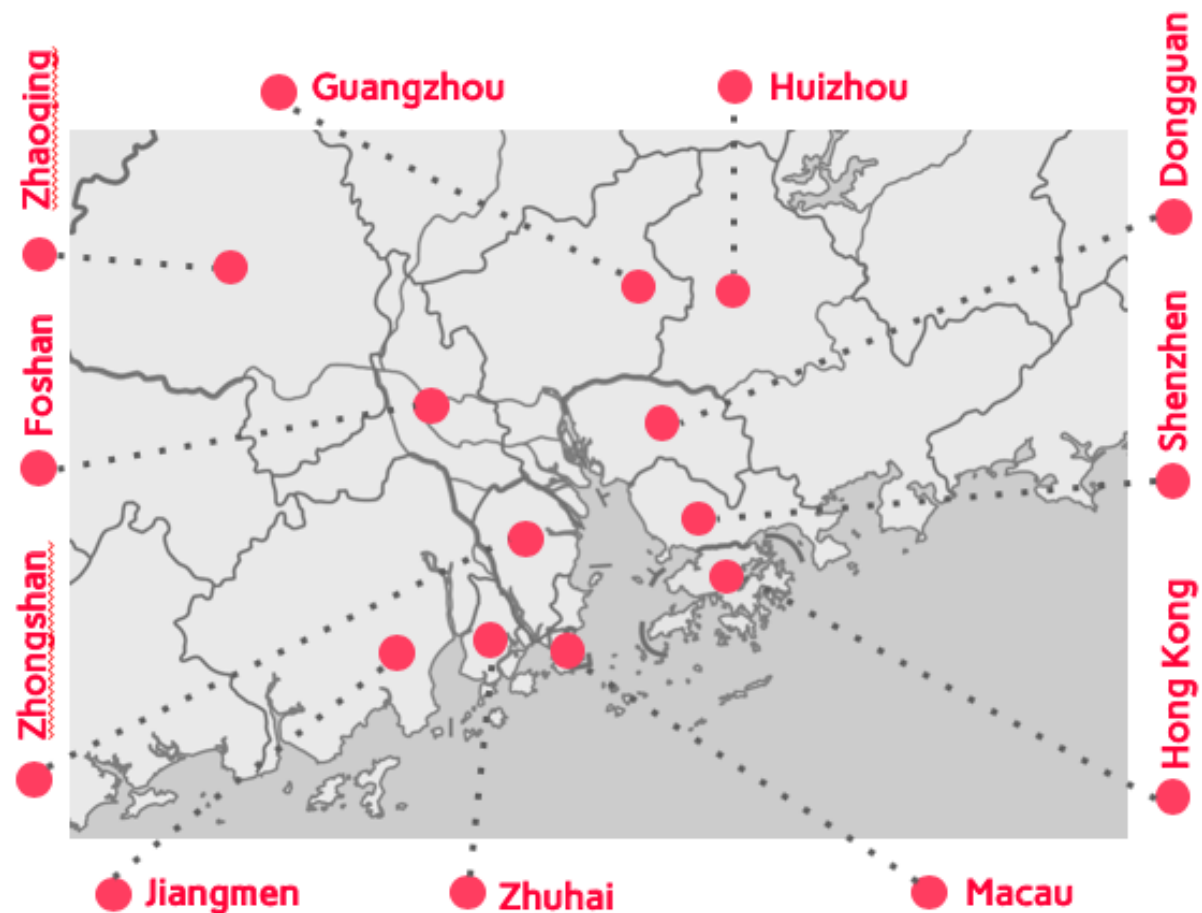
The GBA Fintech Report 2019

Hong Kong – Macau –
Guangdong Greater
Bay Area Fintech
Analysis &
Recommendations

May 2019

www.ftahk.org

HONG KONG – MACAU – GUANGDONG GREATER BAY AREA






FINTECH ASSOCIATION
OF HONG KONG

Powering FinTech Community

FTAHK is an independent, not-for-profit, member-driven organisation representing Hong Kong's local and global FinTech community.

We are organised and led by the community, for the community.

- **Advocate**
- **Collaborate**
- **Educate**

HONG KONG MACAU GUANGDONG GREATER BAY AREA (GBA)

FINTECH ANALYSIS



The Greater Bay Area (GBA) initiative is a plan to build a world-class city cluster linking Hong Kong, Macao and 9 cities in the Guangdong Province. The aim of the GBA initiative is to create a bay area economic cluster in Southern China capable of competing, and even overtaking, similar economic zones around the world such as the San Francisco Bay Area, the Greater New York and Greater Tokyo.

Whitepaper

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Purpose of This Report

The GBA is now a major global hub for business, innovation, and technology yet still remains relatively opaque to the outside world.

This analysis maps out the GBA, its cities, and policies in relation to Fintech, including the PRC Blueprint. The aim is to advocate, collaborate, educate, and differentiate the area from other major economic zones, and make recommendations for future industry development.

Useful Links

Bay Area – HK Government:

<https://www.bayarea.gov.hk/en/home/index.html>

GBA Blueprint:

https://www.bayarea.gov.hk/filemanager/en/share/pdf/Outline_Development_Plan.pdf

INTRODUCTION



The Greater Bay Area (GBA) has the potential to lead the world in finance and technology.

This unique geographical region, which consists of 11 major cities that make up the Pearl River Delta, is at the forefront of China's policy of opening up.

The economy of the GBA is currently larger than that of Australia and by 2030 it will be the world's foremost metropolitan bay area, overtaking Tokyo, New York and San Francisco.

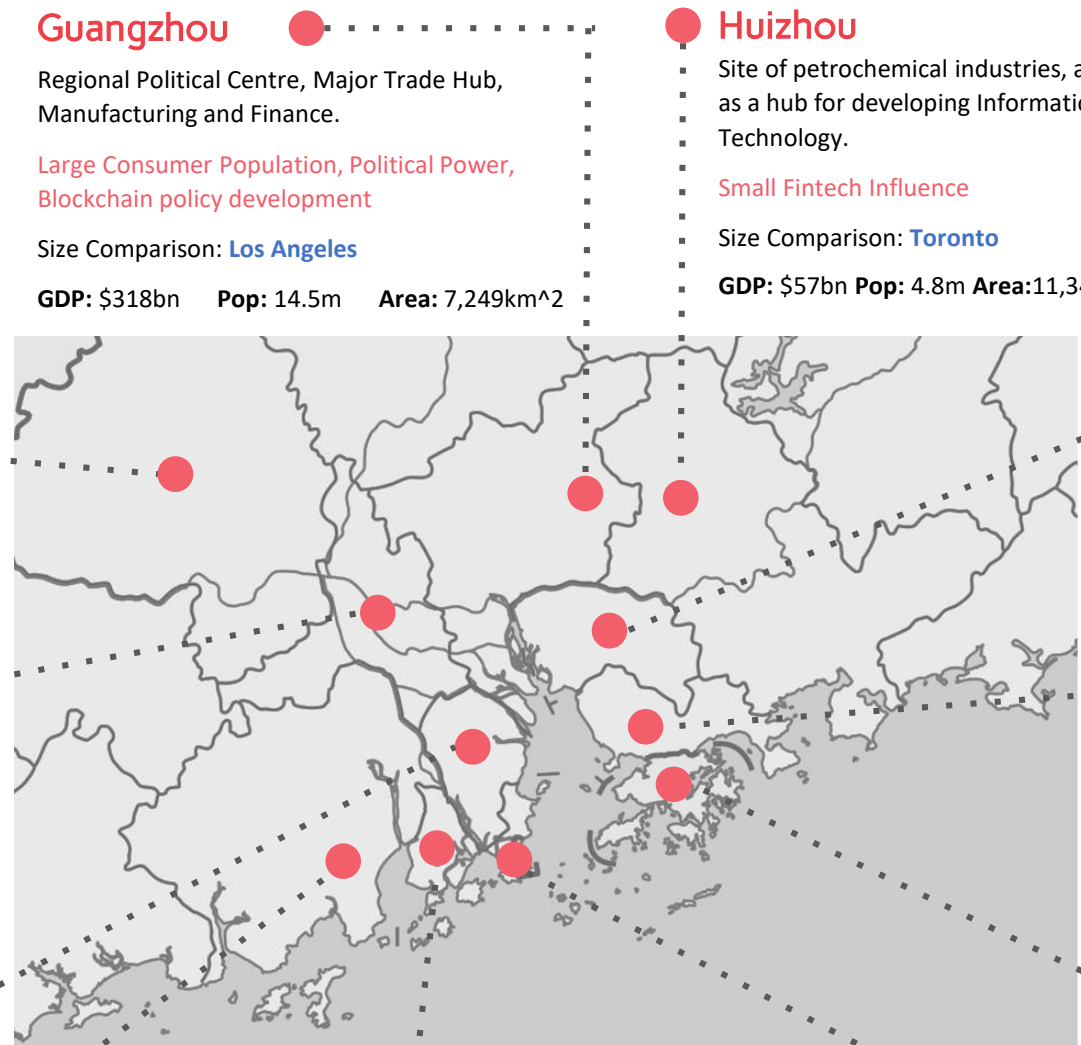
It is a region of unrivalled potential, a hotbed for Fintech innovations such as mobile payments, blockchain, big data, and artificial intelligence.

The area boasts Hong Kong's international financial system; China's abundant source of human capital and booming consumer marketplace and, alongside Fintech associations and consortiums, world leading universities, research institutes and world class infrastructure.

The Outline Development Plan for the Guangdong- Hong Kong-Macao Greater Bay Area (GBA Blueprint), seeks to promote closer cooperation between the GBA region. This will need the Area to come up with solutions for differing political systems, tax and legal frameworks, movement of people & goods, and to help increase ease for operating a Fintech company.

If implemented judiciously, the opportunity is enormous. The promotion of cross-border initiatives, collaboration and integration across the whole of the GBA is critical both for turning the region into a global Fintech powerhouse and for the future success of Hong Kong in general.

CITIES OF THE GBA



Guangzhou
 Regional Political Centre, Major Trade Hub, Manufacturing and Finance.
 Large Consumer Population, Political Power, Blockchain policy development
 Size Comparison: **Los Angeles**
GDP: \$318bn Pop: 14.5m Area: 7,249km²

Huizhou
 Site of petrochemical industries, as well as a hub for developing Information Technology.
 Small Fintech Influence
 Size Comparison: **Toronto**
GDP: \$57bn Pop: 4.8m Area: 11,347km²

Dongguan
 Important industrial city. Manufacturing of electronics and communications equipment. 4th largest Chinese city exporter
 Moderate Fintech Influence
 Size Comparison: **Seoul**
GDP: \$112bn Pop: 8.3m Area: 2,460km²

Shenzhen
 Special Economic Zone, Leader in Technological Innovation, Domestic Finance, Hardware, International Trade and Shipping
 Technological Development and Retail Commercialization of Fintech for China
 Size Comparison: **London**
GDP: \$332bn Pop: 12.5m Area: 1,997km²

Hong Kong
 Special Administrative Region, Leading Financial Capital, Strong Legal System, International Business and Foreign Investment, Logistics, Cultural Hub
 International B2B Fintech hub, IP protection, research and development
 Size Comparison: **Dallas**
GDP: \$341bn Pop: 7.4m Area: 1,106km²

Jiangmen
 Second largest river port in Guangdong. Heavy industries, petrochemicals and machinery.
 Small Fintech Influence
 Size Comparison: **Boston**
GDP: \$40bn Pop: 4.5m Area: 9,505km²

Zhuhai
 Special Economic Zone, Tourism and Entertainment
 Fintech and Finance Ambitions
 Size Comparison: **Barcelona**
GDP: \$38bn Pop: 1.8m Area: 1,736km²

Macao
 Special Administrative Region, Tourism. Platform for trade with Portuguese speaking nations.
 Small Fintech Influence
 Size Comparison: **Venice**
GDP: \$50bn Pop: 0.7m Area: 31km²

The city has a large agricultural sector and thriving commodity sector.
 Small Fintech Influence

Size Comparison: **Berlin**
GDP: \$33bn Pop: 4.1m Area: 14,891km²

Electronic Manufacturing, Furniture, Homeware, and Ceramics hub.

Moderate Role in Fintech
 Size Comparison: **Chicago**
GDP: \$141bn Pop: 7.66m Area: 3,798km²

Mid sized city named after Sun Yat Sen. Midpoint between Guangzhou and Macao

Small Fintech Influence
 Size Comparison: **Seattle**
GDP: \$51bn Pop: 3.6m Area: 1,784km²

****Comparison is done for respective Metropolitan Areas**

Source: HKTDC Research

10 FINTECH GOALS FOR THE GBA

1. Implement a System for Cross-Border **Digital ID**.
2. Make Cross-Border **Payments Faster and Easier** Using Digital Technology.
3. Create a National and Regional Level **AI Strategy** with Guidelines for Ethical Use of AI
4. Establish a GBA **Communication Mechanism** for Financial Regulation to Support Mutual Financial Markets Access and In-Depth Fintech Collaboration.
5. Put in Place a Standardised GBA Wide **Trade Finance Blockchain Platform**.
6. Establish a GBA Wide **Marketing Department** to Attract Business and Investment, and Promote the GBAs Businesses.
7. Launch a **Wealth Management** and **Insurance Connect** so businesses can sell products in each others markets.
8. Increase Freedom of **Movement** for Businesses.
9. Subsidise **Office Space** for Fintech and Tech Start-Ups.
10. Research a GBA Business **“e-residency”** System Similar to Estonia's to Allow International Firms to Remotely set up in Hong Kong and Access the Benefits of the GBA.

RECOMMENDATION TO CREATE AN INTER-ASSOCIATION COLLABORATION GROUP

We recommend the establishment of an official **Inter-Association Collaboration Group** to advocate the GBA Fintech industry and policy to help facilitate the change needed across the GBA and promote the region as a Global Fintech Centre.

We have **identified the main GBA Fintech Associations** on the next page in this report to engage and work with to create the cross-border collaboration group.

The purpose of the new collaboration group is to:

- **Work together** with other associations and universities across the GBA to create policy recommendations for cross-border integration and collaboration.
- **Analyse** the key, feasible cross-border initiatives necessary to develop the region into a Fintech powerhouse.
- **Engage** the key Fintech participants and companies on both sides of the border.
- **Collaborate** with regional governments, regulatory bodies and other decision makers for change.
- **Promote** the GBA as a global Fintech player to attract companies and investments.

GBA FINTECH ASSOCIATIONS

We highlight these important GBA Fintech Associations for the formation of an Inter-Association Collaboration Group

City	Association	National	Website
Guangzhou	Bureaux of Financial Affairs of Guangzhou Municipality	Yes	http://www.gzjr.gov.cn/gzjr/index.shtml
Guangzhou	Guangzhou Internet Finance Association	No	http://www.gzifa.org/
Hong Kong	Fintech Association of Hong Kong	No	https://ftahk.org
Shenzhen	Shenzhen Internet Finance Association	No	http://www.szifa.org.cn/
Shenzhen	Shenzhen Fintech Association	No	http://www.szjrx.org/
Shenzhen	Financial Blockchain Shenzhen Consortium	No	https://www.fisco.com.cn/index.html#page1
Shenzhen	The Development of the Shenzhen Municipal Government Financial Service Office	Yes	http://www.jr.sz.gov.cn/sjrb/
National	China Electronic Commerce Association	Yes	http://www.zhjr.gov.cn/
Zhuhai	Bureaux of Financial Affairs of Zhuhai Municipality	Yes	http://www.zhkjc.org/
Zhuhai	Zhuhai Promotion Association of Science and Technology Innovation	No	http://www.ec.org.cn/

GBA BLUEPRINT SUMMARY & RECOMMENDATIONS BY FTAHK COMMITTEES

The GBA Blueprint was released by the government on the 21st of February and it provides a framework for how the nine cities across Guangdong, Hong Kong and Macau are expected to work together across various industry segments.

AI & BIG DATA

Blueprint Summary

- Emphasize applications of Artificial Intelligence & Big Data in the areas of transportation, energy, city & community management, manufacturing and environmental protection.
- Collaboration along the “Guangzhou-Shenzhen-Hong Kong-Macau” innovation and technology corridor with a joint development of a Greater Bay Area big data centre.
- Propose a “new smart city pilot demonstration” to advance its agenda on building smart city clusters with the development of a national big data integrated pilot zone.

FTAHK Recommendations to Business

- Develop a strategy in line with GBA digital policies using AI & Big Data. To fully maximum benefit from future digital investments, companies need to align their digital strategies and operating model with GBA data policies and leverage opportunities of the GBA big data centre.
- Designate “pilot/demonstration zones” and smart city cluster concepts to enable the region to better embrace and sharing of appropriate digital resources and data for the benefit of the public.
- Build partnerships within the value chain of the emphasized verticals to create future digital ecosystems leveraging of the strengths of Hong Kong and Shenzhen in Financial Services and Innovation respectively.

REGTECH AND CYBERSECURITY

Blueprint Summary

- Establish an information technology infrastructure with secure communication which is protected by real time surveillance, notification and response.
- Put in place a “comprehensive cybersecurity defence system”.
- Recognise the importance of regulatory alignment with international communities.
- Speed up the establishment of a social credit system in the nine PRD municipalities with reference to the Hong Kong and Macao experiences in establishing credit systems and explore the joint implementation of incentives and penalties for credit fraud for enterprises in the GBA.

FTAHK Recommendations to Business

- Establish a more robust digital security ecosystem by clearly positioning their business requirements and identifying established key security partners/processes early.
- Enable secure exchange of data to enable RegTech, thereby helping protect from financial crimes and enhance regulatory compliance.
- Hong Kong & Macao businesses need to understand and comply with PRC cybersecurity laws when dealing with Guangdong businesses & individuals.

WEALTHTECH (1 of 2)

Blueprint Summary

- Hong Kong and Shenzhen markets will be enhanced and progressive cross border financial market access will be promoted.
- Support Shenzhen in developing a capital market with the Shenzhen Stock Exchange as its core in accordance with relevant regulations, and expedite the process of financial liberalisation and innovation.
- Facilitate wider cross-border sales of mutual funds, and other wealth management products, and steadily expand the channels for Mainland and Hong Kong residents to invest in and access financial products in each other's markets.
- Hong Kong to further enhance its position as a leading international finance centre and function as the main capital raising hub for the whole of the GBA. The plan seeks to support Hong Kong's institutional investors in raising RMB funds in the capital markets of Hong Kong.
- Develop a regional private equity trading market, and establish a regional centre for equity and commodity trading.
- Hong Kong's private equity funds will be supported to finance innovation and technology enterprises in the Greater Bay Area. The eligible enterprises will also be allowed to secure listing in Hong Kong for capital financing.

WEALTHTECH (2 of 2)

FTAHK Recommendations to Business

- Hong Kong Fund managers should prepare themselves to launch products in Guangdong, where they can now promote & benefit from cross-border fund sales.
- The size the GBA market is vast and a conventional bricks and mortar approach would be too expensive. For regional asset managers to sell across the GBA, they would need to rely on innovation and tech-driven connectivity.
- Fintech solutions can overcome the challenges of scaling a business across the GBA's borders.
- Granting of virtual banking licenses in Hong Kong will open up potential opportunities for Mainland Chinese TechFin firms to sell wealth management products to their deposit.
- Fintech companies across the region should position themselves to help banks and asset managers build new product lines and methods of client engagement across the GBA.
- GBA startups firms will be able to take advantage of Hong Kong's expertise in financial services and exploit the broader Fintech opportunities.

Blueprint Summary

- Build the GBA into a hub of global tech innovation and an important source of emerging industries.
- Develop an open and interconnected system with reasonable layout for regional innovation and develop a new generation of information infrastructure.
- Pursue the development and growth of new pillar industries including new-generation information technology.
- Improve the traceability system for the origin of food among Hong Kong, Macao and the Mainland.
- Create an innovative new service model of “internet + government services” and address the problem of information silos.
- Build a network service platform for cross-boundary economic and trade cooperation.

FTAHK Recommendations to Business

- Blockchain has the potential to change the architecture of web services, and change the structure of network economies, which will enable many new types of networks and business models.
- Use of blockchain for trade finance and e-trade connect between mainland with Hong Kong and Macao.
- Use of blockchain applications can reduce friction and transaction costs between buyers, sellers, and service providers in complex value chains. This includes supply chains for energy, food, equipment, raw materials, and more.
- Blockchain could also be used more broadly to create a fully functioning digital economy by assisting with regulation. For example, creating a permissioned value transfer system that addresses capital controls would provide an extraordinary opportunity to develop a fully integrated Greater Bay Area.

INSURTECH (1 of 2)

Blueprint Summary

- Hong Kong cemented as a risk management centre.
- Hong Kong enhanced as a maritime hub, including relevant insurance and related activities.
- Develop the Shenzhen pilot zone for insurance innovation.
- Support joint development by insurance institutions in GBA for innovative and cross-boundary motor vehicle and medical insurance product and provide facilitation services such as underwriting, investigation and claims for cross-boundary policy holders.
- Promote collaborative efforts in cross-boundary RMB reinsurance business.
- Support Hong Kong insurers establishment of operations in Qianhai, Nansha, and Hengqin.
- Develop a trading platform for innovative insurance elements such as international marine insurance.
- Export credit insurance system to develop Macao.
- Explore the application of Macao's social insurance schemes in the GBA.

INSURTECH (2 of 2)

FTAHK Recommendations to Business

- Automation processes for underwriting / claims / servicing using big data and AI for marine, healthcare and motor insurance.
- Use of cross border data including use of local credit scoring, healthcare information etc., to enhance underwriting, claims and product development.
- Use of GPS insurance link on shipping and cargo along with Payment innovations such as pay per shipment, instant insurance, etc.
- Customer interaction and personalised marketing along with post treatment customization using digital solutions.
- Use of Blockchain for claims, payments, cross border transactions across insurance verticals.

TALENT

Blueprint Summary

- Expediting the development of a GBA demonstration zone for cooperation in talents by establishing an education and talent hub, developing a talent pool and encouraging interaction and exchanges of talents.
- Support higher education institutions from Guangdong, Hong Kong and Macao to jointly operate education institutions, laboratories and research centres.
- Support multinational companies in setting up global research and development centres, laboratories and open innovation platforms in the GBA.
- Strengthen the mechanism for the two-way flow of talents, provide conveniences and the right conditions for the inter-regional, inter-professional and inter-organisational flow of talents, and realisation of full potential of talents

FTAHK Recommendations to Business

- GBA businesses will be able to access to a larger pool of talent and can leverage Hong Kong's Financial Services, international trade and business professional talent with Shenzhen's technology, innovation and manufacturing to develop new Fintech solutions.
- Collaboration among cross border entrepreneurs, incubators, Fintechs, start-ups, and research institutes will benefit development of commercial application of technological and business solutions.
- Acting as a gateway connecting to the international market and global regimes, Hong Kong and Macao will play a pivotal role in catalysing one belt one road (OBOR) initiatives with a strong base of talent pool of legal, finance, litigation, accounting, taxation.
- Hong Kong and Macao businesses can leverage their overseas networks, crew of professionals and experiences in dispute resolution, management consultancy, project finance and management to take forward GBA enterprises' in "going global".

PAYMENT & DIGITAL BANKING (1 of 2)

Blueprint Summary

- Promoting connections between electronic payment systems in the GBA to build smart city clusters.
- Enhancing Hong Kong's status as international financial centre and a global offshore Renminbi business hub.
- Supporting in-depth collaboration for technology, innovation and financial services in Guangdong, Hong Kong and Macao, with focused Fintech/ 'TechFin' cooperation between Hong Kong and Shenzhen, and between Macao and Shenzhen.
- Supporting cooperation with financial institutions of Hong Kong and Macao to jointly develop offshore financial business.
- Exploring the establishment of a GBA international commercial bank in the China (Guangdong) Pilot Free Trade Zone to serve the development of the GBA.
- Exploring the establishment of an account management system for the GBA, pursue pilot initiatives in cross-boundary capital management, cross-boundary use of RMB, capital account convertibility and facilitate cross-boundary trade, investment and financing settlement.
- Establishing a GBA coordination mechanism for financial regulation, and leveraging industry associations and chambers of commerce in establishing technical standards and regulations.

PAYMENT & DIGITAL BANKING (2 of 2)

FTAHK Recommendations to Business

- Hong Kong financial institutions, Fintechs and industry organizations should leverage their international exposure and domain knowhow to take an active role in the standard setting in the GBA. They are encouraged to proactively engage with the relevant authorities.
- In furtherance of the thematic objectives of enhanced movement of people, innovative capacities and funds, financial institutions and Fintechs are encouraged to explore collaboration opportunities with their GBA counterparts. There are ample opportunities for cross-selling, joint development, and innovative ways to distribute financial products.
- Exploring the establishment of additional funding corridors between Guangdong, Hong Kong and Macao to facilitate RMB business, trade and outbound business.
- Hong Kong virtual banks, Fintech companies and financial institutions can also explore collaboration with Guangdong/ Shenzhen ‘TechFin’ players to introduce their products and services in the Hong Kong market, which can also serve as a testbed and preparatory step for further international expansion – especially for markets along the belt and road.
- Hong Kong being the “buckle” of the belt and road, Hong Kong businesses can explore Fintech solutions for trade and B2B transactions and assist Mainland companies in their outbound initiatives.

FTAHK RECOMMENDATIONS FOR POLICY MAKERS

1. While recognizing that there are different laws and regulations on data, we recommend the regulators in GBA to set up a working group to harmonise rules and practices to facilitate movement of data across the GBA with a view to establish a Special Data Zone.
2. Many of the measures including cross-border fund flows and capital account opening would need to get the approval by the PBOC as well as the respective regulators in Hong Kong and Macau. Regulatory and legal harmonisation and communication would assist in implementing many of these initiatives.
3. A GBA communication mechanism for financial regulation should be established to support mutual financial markets access and in-depth Fintech collaboration.
4. Cross border payments will have to be sorted first in order to facilitate much of the cross border distribution of capital and financial products.
5. Many of the cross border initiatives will require further relaxing of quotas and regulations. We would like to see these quantified, particularly in relation to future capital flow levels.
6. More information is needed on the future impact of taxation when investing in the different jurisdictions.
7. Providing blockchain technology service providers with more access to open data will enable the GBA Blueprint to better achieve its stated goals of building “a network service platform for cross-boundary economic and trade cooperation”.
8. GBA policy makers should consider initiatives to create open data repositories and open APIs for entities like customs authorities, port authorities, transportation authorities, tax authorities, licensing agencies, banks, etc.
9. Any Greater Bay Area blockchain initiative needs to address the nuances of local law and regulation. This includes Blockchain-specific rules, such as Mainland China’s Regulations on the Management of Blockchain Information System.

GBA OVERVIEW

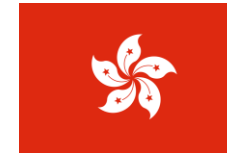
The huge scale of China's economic transformation and rapid urbanisation over the past 40 years has seen the 9 cities of Guangdong, plus Macao and Hong Kong grow and intersect to become one of the most competitive Bay Areas in the world. In 2015, the World Bank reported that the GBA had overtaken Tokyo to become the largest urban area in the world in both size and population.

GBA OVERVIEW

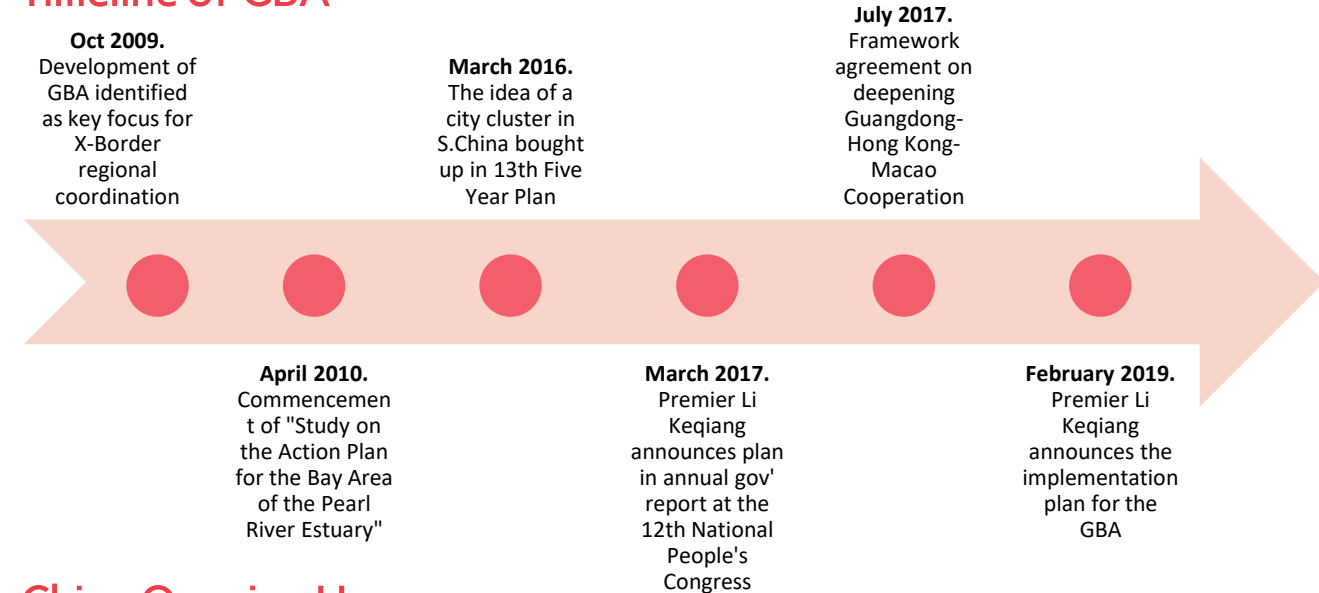
- The Greater Bay Area (GBA) initiative's goal is combining Hong Kong, Macao and the cities of Guangdong's Pearl River Delta to **create a region with the economic heft that is comparable to the San Francisco Bay Area, Greater New York and the Greater Tokyo Area.**
- Strategically located at the heart of Asia, the GBA is **reachable to half of the world's population within five hours'** flight time, opening the possibility for rapid expansion and international growth.
- By 2035, the region is expected to play a **leading role** in advanced manufacturing, innovation, shipping, trade and finance.
- The GBA has the potential to become the **most diversified city cluster in the world.**
- The **"one country, two systems"** principle allows Hong Kong and Macao to enjoy a high degree of autonomy to enjoy executive, legislative and independent judicial power, and promises their way of life would remain unchanged for at least 50 years (until 2047 and 2049 respectively).
- The Hong Kong and Shenzhen ecosystems are **highly complementary** in nature. Joining forces would strengthen the international and mainland competitiveness for both cities.
- Hong Kong is characterized by its strong international connections, developed financial and legal systems, and high-level scientific and technological R&D capabilities.
- Shenzhen and Guangdong enjoy outstanding manufacturing capabilities, supply chain integration, and technology capabilities.
- The region already possesses some of the **most efficient supply chains in the world** as well as a well-developed talent pool fluent in English and Chinese
- The completion of the **Zhuhai Hong Kong Macao Bridge** and the **Express Rail Link** will improve land connectivity and induce more cooperation among GBA cities.
- The GBA is a **global Financial Technology hub**, leveraging Hong Kong's developed international financial system, and China's technology ecosystem.

INCEPTION OF THE GBA

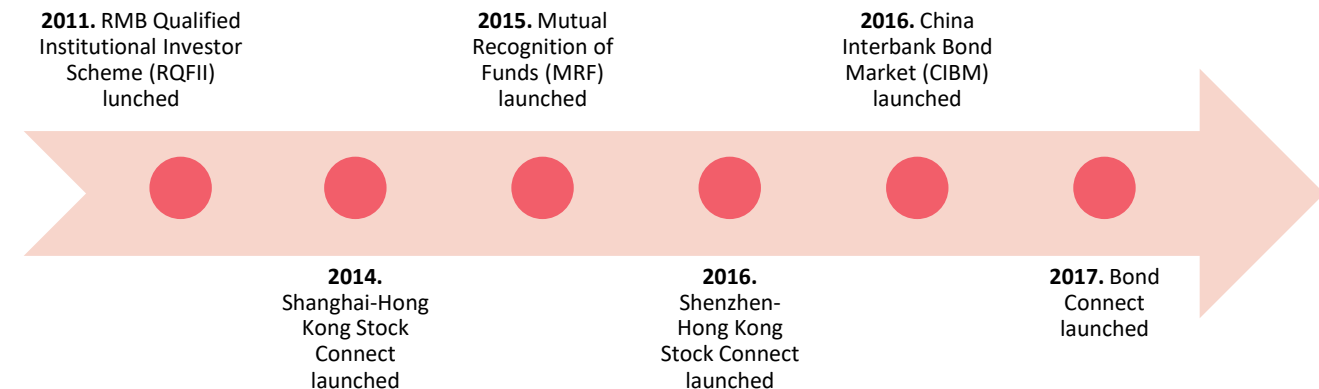
- The concept dates back to 2011 with a study called “The Action Plan for the Bay Area of the Pearl River Estuary”, jointly prepared by officials from Hong Kong, Macao, Shenzhen, Dongguan, Guangzhou, Zhuhai and Zhongshan.
- One of the key objectives is to improve the level of cooperation within the region, including identifying core competitive advantages of the cities within GBA and exploring ways for them to complement one another.
- One example is to build on the strengths of Hong Kong’s financial and professional services sectors, Shenzhen’s high-tech manufacturing and innovation skills, and the manufacturing strengths of Dongguan and Guangzhou.
- Within China, the GBA has the potential to extend its reach beyond the Pearl River Delta to the nearby provinces of Fujian, Jiangxi, Hunan, Guangxi, Hainan, Guizhou and Yunnan. Beyond China, it will be aiming to reach markets in Southeast and South Asia.



Timeline of GBA



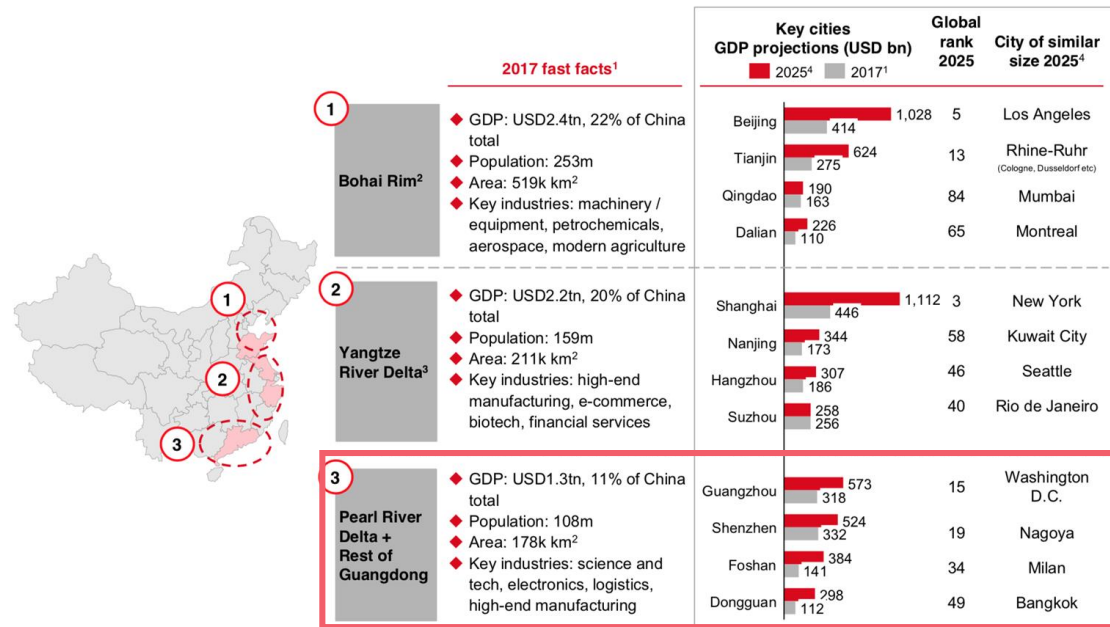
China Opening Up



GBA VS MAJOR CITY CLUSTERS

The Greater Bay Area is predicted to be the world's leading bay area metropolis by 2030, outshining Tokyo, New York, and San Francisco, according to research by PWC.

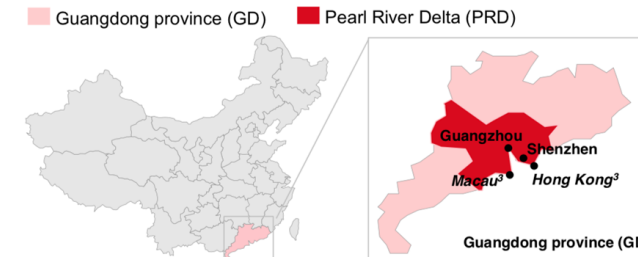
China Regional Comparison



1. Source: National and Provincial Statistics Bureau
 2. Refers to key cities and provinces in the region, does not include small cities in Shanxi Province and Inner Mongolia
 3. Refers to key cities and provinces in the region, does not include small cities in Anhui Province
 4. Source: McKinsey "Global Cities of the Future"

Global City Comparison

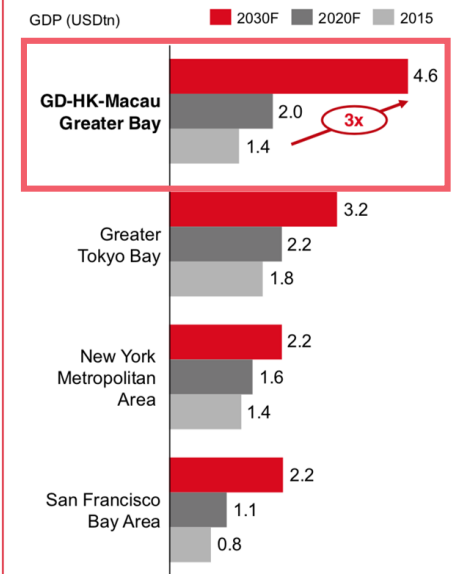
Economy corresponds in size to a leading global economy²



(2017)	Greater Bay Area				Korea
	GD	PRD	HK	Macau	
Population, m	112 (8% of China)	59 (53% of GD)	7	0.6	51
GDP, USDbn	1,330 (11% of China)	1,122 (84% of GD)	341	51	1,454
Trade, USDbn	1,009 (25% of China)	962 (95% of GD)	1,056	11	1,052
Foreign Direct Investment, (FDI) USDbn	23 (16% of China)	21 (95% of GD)	108	3	23

1. Source: "Research on the Development and Planning of GD-HK-Macau Greater Bay Area City Cluster", by China Center for International Economic Exchanges
 2. Source: Statistics Bureau of Guangdong Province, Hong Kong Census and Statistics Department, Macau Census and Statistics Department, UNCTAD World Investment Report, Bank of Korea
 3. Hong Kong and Macau not part of PRD / Guangdong

Forecasted to be the world's leading bay area metropolitan¹



MAJOR FINTECH CITIES OF THE GBA

Hong Kong

- As one of the world's **leading international financial centres**, Hong Kong's service-oriented economy is characterised by low taxation, almost free trade and well established international financial market.
- Ranked first as the **freest economy in the world**, and **number one for technical infrastructure**. Starting a business is easy and safe.
- Ranked **third in the latest Global Financial Centres Index** covering 110 cities, just behind London and New York City
- Its markets are well-regarded for operating under **mature, effective, and transparent regulations** that are in line with global standards.
- Uniquely positioned to allow fast and high scalability. Products can be tested quickly by its **hyper-connected population**. The proximity to the GBA provides easy access to manufacturing and supply facilities.
- Entrepreneurs in Hong Kong possess various edges over other cities with unrestricted **access to global markets, international talent, and global startup funding opportunities**.
- With its strong intellectual property law and arbitration arrangements, also has a key role to play as an **intellectual property (IP) hub**.
- Hong Kong's position as **Asia's super connector** is particularly useful for B2B solutions. Hong Kong businesses can assist MNCs in entering the GBA market and other GBA businesses in going global.
- Out of the global 100 banks, **70 have a presence in Hong Kong**, with many decisions made here.
- **Over 200 Fintech startups** operate within Hong Kong

Shenzhen

- China is in the midst of a major shift towards a service driven economy and nowhere is this truer than in the GBA, where Shenzhen is one of the world's **leading high-tech innovation centres**.
- For most of its history, Shenzhen was a small town in the Pearl River Delta. But its fortunes changed in 1980 when Chinese officials picked the city to become one of China's first **Special Economic Zone**, which provided the city with economic incentives to attract investors.
- At the forefront of **reform and opening up** of China to the world
- Shenzhen is often referred to as Nirvana by hardware-focused companies. The **variety of products and the speed of manufacturing is simply unrivalled**.
- Also referred to as the **Silicon Valley of China**, with an advanced internet and technology sector, and rapid progress in the financial sector.
- Along with Beijing and Shanghai, Shenzhen remains one of the **top three Fintech centres in China**.
- The city is driven by a **focus on innovation, long-term planning and development, and a vibrant entrepreneurial culture**. Generally, it is also cheaper to start a business in this city.
- Shenzhen is now the **number 1 location in China for patents filed**.
- Shenzhen's mayor, Xu Qin, confirmed that Shenzhen will become a **"global innovative center"** as the city shifts investments from manufacturing to research and development in the technology sector.
- In many ways, **Shenzhen has leapfrogged Hong Kong in attracting new-economy companies**. This is due in part to its large supply of engineers and its supportive local government policies.

MAJOR FINTECH CITIES OF THE GBA

Guangzhou

- Guangzhou is one of the oldest cities in Guangdong province with over 2,200 years of history. It's also the capital of Guangdong and the most populated city in the PRD megalopolis.
- The city has been at the **forefront of commercial innovation and foreign trade** for centuries.
- Advanced technology industry and the city's developed financial center have made it a **fertile ground for Fintech companies and innovation**.
- The city has launched **4 national financial reform and innovation pilots**, including The PRD Financial Reform and Innovation Pilot; The Guangzhou Green Finance Reform and Innovation Pilot. This makes Guangzhou the Chinese city with the greatest number of regional financial reform and innovation pilots.
- Guangzhou is currently the only green finance pilot zone in the four 'first-tier' cities in China – Beijing, Shanghai, Shenzhen and Guangzhou.
- **Major centre for Blockchain policy development** alongside Beijing and Shanghai.
- Local authorities in Guangzhou plan to build the city into an **innovation centre with international influence by 2020**.
- By the end of 2016, Guangzhou was home to **4,740 hi-tech companies**, of which 2,820 were newly established, an increase that ranked the city second only to Beijing in the country.
- The government is drafting a five-year plan dedicated to **IT, artificial intelligence and biomedicine** and plans to set aside 150 million yuan a year to help with the development of these industries.
- The city government is building a number of **technology parks**, including the Guangzhou Science City

Zhuhai

- **Special Economic Zone** with a population of 1.2 million
- Creating a development environment to release potential in five fields: **business, financial services, culture, tourism and ecology**.
- Vowed to work with technology parks and business incubators in Hong Kong and Macao to launch technology projects.
- Will support the establishment of **Zhuhai-Hong Kong and Zhuhai-Macao research institutions**, universities and industrial parks, while establishing long-term cooperation mechanisms.

Foshan

- One of the highest GDP per Capita's in China.
- An **economic powerhouse** with more than seven million inhabitants, it is representative of many of the achievements in the development of China's.
- Foshan has been a **pioneer of China's experimental reform** programs launched by Deng Xiaoping in 1979

Dongguan

- Dongguan is the 4th largest exporting city in China, and 15th in terms of GDP.
- Dongguan has launched a **CNY1.5bn (\$217m) fund** looking to boost investment in the region across areas including Fintech.
- The city aims to strike a balance between industry and finance, and has already given **priority to increasing business in financial services**.
- A number of high-tech industrial zones and incubation parks have been established to help develop an innovative scientific industry and upgrade its industrial structure.

GBA CITY DATA (2017)

Major Economic Indicators of the Guangdong-Hong Kong-Macao Greater Bay Area (2017)

City	Land Area (km ²)	Population (mn)	GDP ¹ (US\$ bn ³)	Per-capita GDP (US\$ ³)	GDP share of tertiary industry (%)	Export (US\$ bn ³)	Utilised FDI (US\$ bn ³)
GBA	55,904	69.58	1,513.42	21,750	65.6	1,090.16	140.687
Hong Kong	1,106	7.41	341.41	46,190	92.22	497.29	117.402
Macao	31	0.65	50.36	77,600	93.42	1.41	1.4772
Guangzhou	7,249	14.5	318.15	22,320	70.9	85.7	6.289
Shenzhen	1,997	12.53	331.99	27,120	58.6	244.62	7.401
Foshan	3,798	7.66	141.29	18,450	40.1	46.66	1.623
Dongguan	2,460	8.34	112.18	13,530	52.3	103.97	1.719
Huizhou	11,347	4.78	56.68	11,880	40.7	33.04	1.144
Zhongshan	1,784	3.26	51.05	15,750	47.8	30.41	0.509
Jiangmen	9,505	4.56	39.8	8,740	44.7	15.91	0.511
Zhuhai	1,736	1.77	37.95	22,100	48	27.86	2.433
Zhaoqing	14,891	4.12	32.56	7,940	38.3	3.29	0.181

Note: ¹ At current market prices

² 2016 figure

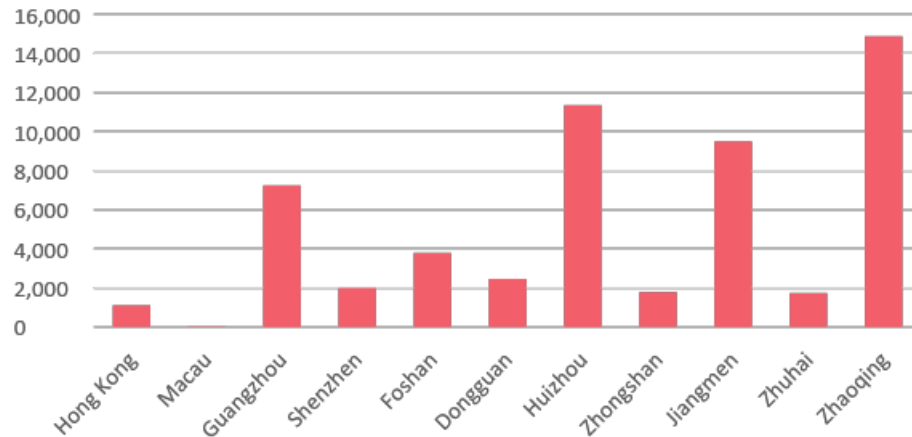
³ 2017 average exchange rates for USD1 are HKD7.794; RMB6.759; MOP8.026

Source: HKTDC Research

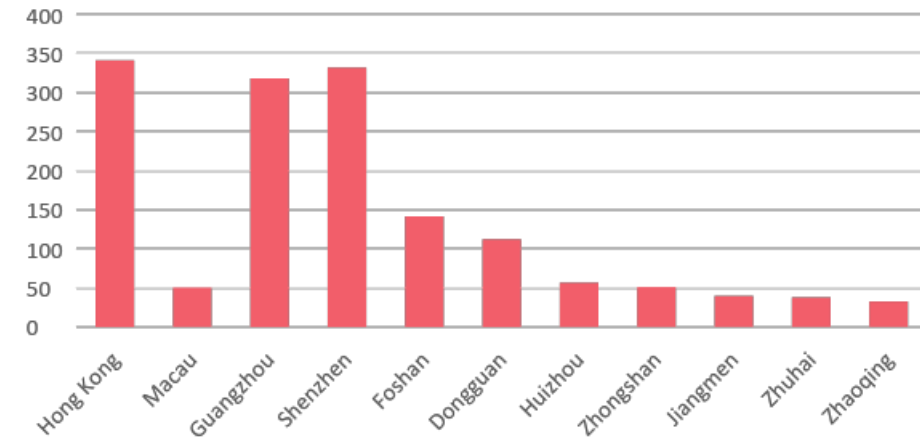
GBA CITY DATA (2017)

Major Economic Indicators of the Guangdong-Hong Kong-Macao Greater Bay Area (2017)

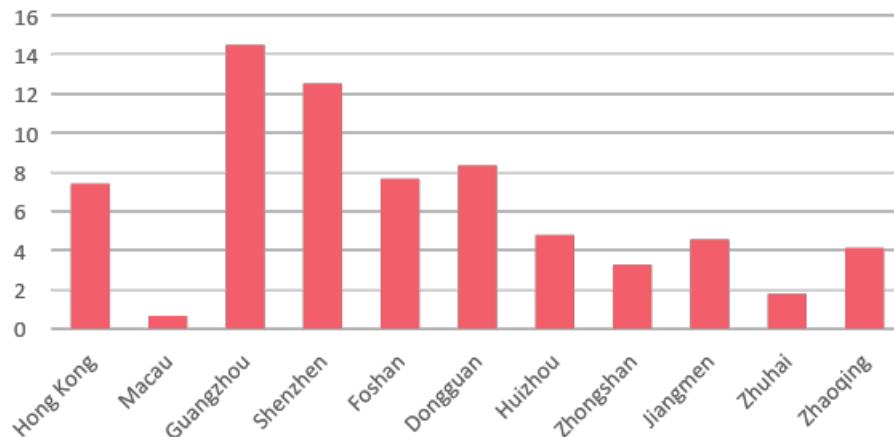
Land Area (km²)



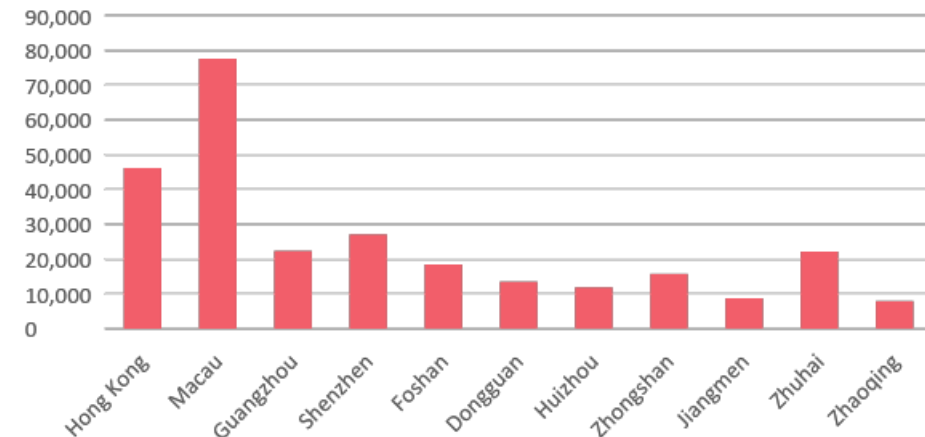
GDP (USD\$ bn)



Population (mn)



GDP per Capita (USD\$)



Note: See last page for data

GLOBAL BAY AREA DATA

The World's Major Bay Areas: Statistical Breakdown

	GBA	San Francisco Bay Area	New York Metropolitan Area	Tokyo Bay Area
Land area (sq km)	55,905.50	17,886.40	21,478.50	36,898.30
Population (mn)	69.6	7.6	20.2	44
GDP ¹ (US\$ bn)	1,513.40	781.2 ²	1,657.5 ²	1,774.2 ^{3,4}
Real GDP growth (%)	7	5.3 ²	0.9 ²	1.9 ³
Per-capita GDP (US\$)	21,750	1,022,30 ²	820,50 ²	40,360 ^{3,4}
Air passenger traffic (mn passenger-times)	201.7	81.3	132.2	123.9
Air freight traffic (mn tonnes)	7.96	1.18	2.16	3.58
Port container throughput (mn TEUs)	66.48	2.42	6.25 ²	7.76 ²
GDP share of tertiary industry (%)	65.6	71.9 ²	83.3 ²	77.0 ³

Note: ¹ At current market prices ² 2016 figure ³ 2015 figure ⁴ 2015 average exchange rate for USD1 is JPY121.03

The San Francisco Bay Area covers nine counties bordering the San Francisco Bay. The New York Metropolitan Area covers the three cities of New York, Newark and Jersey and 25 surrounding counties. The Tokyo Bay Area covers Tokyo and its seven surrounding prefectures.

Source: HKTDC Research

GLOBAL BAY AREA DATA

The World's Major Bay Areas: Statistical Breakdown

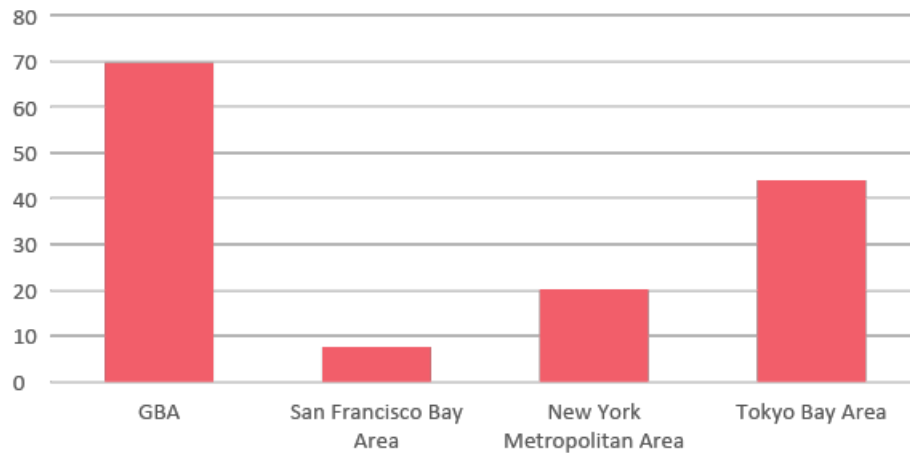
Land Area (Sq km)



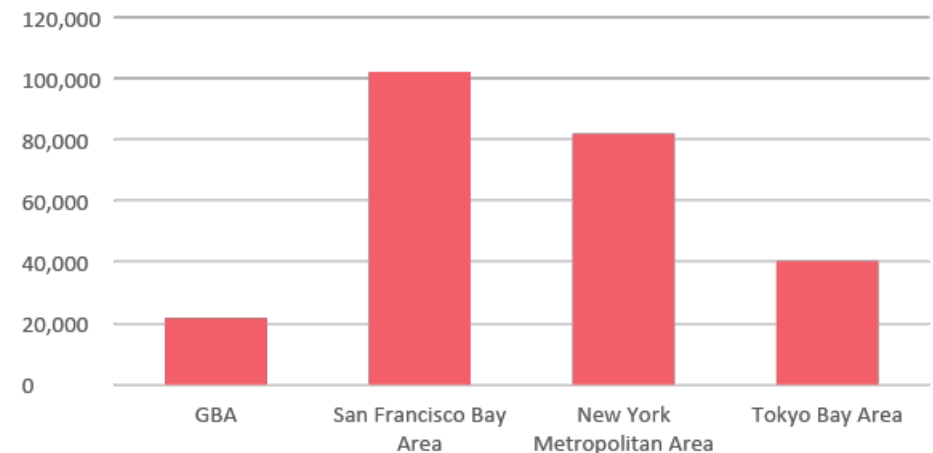
GDP (US\$ bn)



Population (mn)



GDP Per-Capita (US\$)



Note: See last page for data

FINTECH COMPANIES & PROJECTS OF THE GBA



SELECTED FINTECHS SHENZHEN

Name	Description	Website
CreditEase	CreditEase is a leading Fintech conglomerate in China, specializing in inclusive finance and wealth management, including payment technology, marketplace lending, crowdfunding, robo-advisory, insurance technology, and blockchain products and services.	http://english.creditease.cn/
Futunn.com	Established in Hong Kong in 2012, FUTUNN.COM provides services to investors engaged in trading of securities listed on the Hong Kong and US stock exchanges. FUTUNN.COM provides services to support the front, middle and back office functions of securities companies.	www.futu5.com
Huawei	Leading global provider to the financial services industry with a digital solutions portfolio including Blockchain, IoT, AI, Big Data, Mobile Money, Video Teller, and Open Stack Software Defined Infrastructure and Cloud Computing to enable Open Banking platforms. Huawei currently provides ICT and infrastructure to half of the world's top 20 global banks.	https://www.huawei.com/en/
Huize	Huize works with a number of insurers to provide a wide range of insurance products online. Its products include accident insurance, health insurance, life insurance, corporate insurance, auto insurance and home insurance.	www.huize.com
JFZ Capital Management	Shenzhen JFZ Capital Management (JFK) is an Internet wealth management company that provides services for high net worth individuals	https://www.jfz.com/
Lin Bao You	Lin Bao You allows consumers to book packages online for international trips, including flights, hotels and sightseeing tours, and pay later in monthly installments	http://www.linbaoyou.com/
Linghui Technology	Offers financial services products e.g. mutual funds, PE funds, stocks, bonds, currency funds, and insurance products	https://www.techinasia.com/talk/walked-away-400k-income-fintech-startup
Linklogis	Linklogis is a supply chain financing service provider based in China.	https://www.linklogis.com/#/
Niiwoo.com	Shenzhen Niiwoo Financial Information Services Co., Ltd. develops mobile applications for peer-to-peer (P2P) online financial lending.	http://www.niiwoo.com/
Ping An	Leading insurance company in China with a strong focus on Financial Technology.	http://www.pingan.com/

SELECTED FINTECHS SHENZHEN

Name	Description	Website
Samoyed	Samoyed is a Fintech company that offers online financial services to its clients. Its first product, Sheng Bei, provides credit card management, promotion consulting and cross-bank bill payment instalments via low-interest credit cards.	https://www.smyfinancial.com/
Shangpiaquan	Developer and operator of a financial technology service platform. The company provides electronic acceptance bills, bill matching and forwarding services for entities, and funds and asset intelligence services. The platform bill asset end enterprise solution caters to large infrastructure, big transportation, big energy, and other industries.	https://www.shangpiaquan.com/#/
Suishou Technology	Shenzhen Suishou Technology is a mobile finance software subsidiary of Kingdee International Software Group, covering wealth management, consumer loans, credit card applications, securities trading and insurance under its main platforms	https://www.sui.com/
Tencent	Tencent is an internet-based technology and cultural enterprise. Tencent owns many subsidiaries including companies that operate withing the Fintech industry.	https://www.tencent.com/en-us/
Tenpay	Owned by Tencent Group, Tenpay is a third party payment platform. It is committed to providing secure, convenient and professional online payment services for Internet users and businesses.	http://global.tenpay.com/
Touchouwang	Touchouwang is a real estate platform that offers domestic investment opportunities. The company aims to facilitate transactions by taking illiquid real estate properties and leases and converting them into tradeable, investable securities	https://www.touchouwang.net/
Touna.cn	Touna.cn, which means "where to invest" in Chinese, is a Shenzhen-based P2P (peer to peer) lending platform.	https://www.touna.cn/
Viewtran Group	Viewtran Group, formerly Cogo, is a provider of supply chain financial services and enterprise solutions in China	http://www.viewtran.com/
WeBank	China's first digital-only bank. The company operates in the personal credit and financial management areas and over products such as Credit Particles, the WeBank mobile application, WeCar Credit, and We Zhong Financial Management	https://www.webank.com/en/
Wei Zhong Shui Yin	Shenzhen Wei Zhong Shui Yin Information Services (Wei Zhong Shui Yin) uses Big Data to provide credit investigation and risk control services	https://www.vzoom.com/vzoom-common/platform/index.html
Xiaoying.com	Xiaoying.com is a Fintech company that provides financial services based on mobile internet and big data in China, satisfying the financial needs of borrowers and meeting the investment demands of investors.	https://www.xiaoying.com/
ZTE	ZTE Corporation is a Chinese multinational telecommunications equipment and systems company headquartered in Shenzhen, Guangdong, China. It is one of China's leading telecom equipment manufacturers.	https://www.zte.com.cn/global/

SELECTED FINTECHS HONG KONG

Name	Description	Website
WeLab	Provider of online mobile lending services intended to provide small consumer loans in China and Hong Kong. The company's online mobile lending services analyses unstructured mobile data within seconds to make credit decisions for individual borrowers.	https://www.welab.co/en
8 Securities	B2C Robo Wealth Management and free stock trading platform for retail customers in Asia.	https://www.8securities.com/
BC Group	Developer of blockchain payment networks designed to help clients harness the advantages of blockchain technology. The company's network uses blockchain technologies to offer permissionless distributed ledger, payment platform and digital asset exchanges as well as foreign exchange and transaction acquiring services.	https://www.anxintl.com/1
Block.One	Block.one is an open-source software publisher providing end-to-end solutions to bring businesses onto the blockchain.	https://block.one/
CoverGo	Developer of a digital insurance management application designed to offer insurance products. The company's application simplifies the process of understanding, buying and managing insurance policies.	https://www.covergo.com/en.html
FinEx Asia	Global Fintech marketplace connecting Asian investors with high quality, low volatility asset classes, including U.S. consumer lending, a market that was dominated by institutional investors.	https://finexasia.com/en/
FinFabrik	FinFabrik is a fin tech solutions builder that specializes in capital markets software. FinFabrik develops technology, connects startups and established companies, and provides strategic advice.	https://www.finfabrik.com/
Miotech	MioTech is an artificial intelligence platform that empowers financial institutions to better manage and draw insights on their data.	https://www.miotech.com/en-US/
Neat	Neat is a mobile current account solution for underbanked people and companies in Asia.	https://www.neat.hk/
Quantifeed	Leading provider of digital wealth management solutions to financial institutions in Asia. Its automated investment platform allows banks and wealth planners to offer customers a white-labelled digital investing experience.	https://www.quantifeed.com/
Sense Time	World leader in artificial intelligence and deep learning. The company is currently the leader in many fields in the industry, including total amount of financing and highest valuation.	https://www.sensetime.com/
TNG	Hong Kong's leading e-wallet. The app features instant money transfer, forex, bank transfer, and global bill payment. TNG Wallet's network counts 13 countries, 852 banks and over 183,000 cash pick-up points.	https://www.tngwallet.hk/en/home

OTHER SELECTED GBA FINTECHS

Name	Location	Description	Website
Tuandaiwang	Dongguan	Operator of a P2P lending platform started to provide users higher investment return rate than traditional saving rates.	https://www.tuandai.com/
Chaojiaoyi	Guangzhou	financial analysis, investment tools, social trading platform, tmt, trading platform	https://www.f6s.com/chaojiaoyi
Fanhua	Guangzhou	Provider of online to offline financial services. The company provides property, casualty and life insurance products underwritten by domestic and foreign insurance companies operating in China and provides insurance claims adjusting as well as other insurance related services.	http://www.fanhuaholdings.com/
Guangdong Wangjin	Guangzhou	Guangdong Wangjin builds and operates online finance platforms for Chinese banks and insurers	http://www.ucsm.com/
PPmoney	Guangzhou	Developer of online wealth management platform designed to provide a safe, efficient, personalized internet financial services.	https://www.ppmoney.com/
WeChat Pay	Guangzhou	Online payment network for users of WeChat, China's largest mobile messaging network.	https://www.crunchbase.com/organization/we-chat#section-overview
WTOIP International	Guangzhou	Developer of an entrepreneurial resource sharing and trading platform with a focus on intellectual property designed to facilitate IP commercialization, industrialization, financialization, and popularization in order to generate profit and commercial value in the process of IP circulation and industrialization respectively.	https://en.wtoip.com/

SELECTED GBA BLOCKCHAIN PROJECTS

eTrade Connect. Blockchain-based trade finance platform developed by a consortium of twelve major banks in Hong Kong. Formerly known as the Hong Kong Trade Finance Platform, eTrade Connect aims to improve trade efficiency, build better trust among trade participants, reduce risks and facilitate trade counterparties to obtain financing by digitising trade documents, automating trade finance processes and leveraging the features of blockchain technology.

Trade finance involves many stakeholders, including buyers and sellers, and their respective banks, shipping companies, and government authorities.

Trade finance across borders in the GBA is complex because the area encompasses three separate jurisdictions. We expect that this platform will be extended to include the huge volumes of cross border trade emanating from the Greater Bay Area.

FISCO. Based in Shenzhen, FISCO is one of the largest blockchain consortiums in China. Founding members include WeBank, Tencent ZTE, and Huawei, among many others, and membership has since grown to 100+ members, including large banks. The new **BCOS** products, developed by FISCO, is a coinless, opensource blockchain platform built to challenge Hyperledger Fabric and R3 Corda.

Bay Area Trade Finance Blockchain Platform. The platform is aimed at conducting trade and financing activities, such as accounts receivable and trade financing. At the same time, the platform provides a regulatory system for trade finance to enable real-time monitoring of various financial activities.

According to Shanghai Securities News, the platform plans to create an “open financial and trade ecosystem based on the Guangdong, Hong Kong, and Macao Bay Area.” The organizations involved in the platform include Bank of China, China Construction Bank, China Merchants Bank, Ping An Bank, Standard Chartered Bank, and BYD Co., Ltd.

HKEX HK/SZ Blockchain Trade Settlement. The Hong Kong Stock Exchange (HKEX) has teamed up with distributed ledger startup Digital Asset to develop a blockchain platform for post-trade processing. The two firms are exploring the development of a blockchain-powered platform for HKEX’s Northbound Stock Connect program

The system enables the real-time synchronization of post-trade status between asset managers, brokers, custodians and the Hong Kong Securities Clearing Company Limited – HKEX’s securities clearing house.

Guangdong, Hong Kong and Macao Dawan District Blockchain Alliance. Initiated by the Guangzhou City Blockchain Industry Association, the Hong Kong Blockchain Industry Association, and the Macao University Innovation Centre. It involves 54 companies and covers finance, funds, exchanges, insurance, and trading. The project is backed by the PBoC.

Tencent Digital Invoice Solution. In attempts to fightback against counterfeit invoices, Chinese internet giant Tencent has teamed up with the Shenzhen branch of the State Administration of Taxation to develop a blockchain-based digital invoice solution, which is designed to protect the authenticity of invoices by tracking the process of issuance and circulation.

SHENZHEN-HONG KONG FINTECH AWARD WINNERS 2018

Shenzhen-Hong Kong Financial Collaborative Innovation Award

Awarded by the Office of Financial Development Service of Shenzhen and Hong Kong Monetary Authority

Prize	Organisation	City	Initiatives
1 st	<ul style="list-style-type: none">Shenzhen Stock ExchangeChina Securities Depository and Clearing Corporation Limited	Shenzhen	Shenzhen-Hong Kong Stock Connect
2 nd	<ul style="list-style-type: none">Hong Kong Interbank Clearing LimitedShenzhen Financial Electronic Settlement Center Co., Ltd	Hong Kong	Joint e-Cheque clearing between Hong Kong and Shenzhen
2 nd	<ul style="list-style-type: none">China CITIC Bank International Limited	Hong Kong	WeChat Pay Small-value funds transfers and payments
3 rd	<ul style="list-style-type: none">China CITIC Bank Corporation Limited Shenzhen Branch	Shenzhen	Personal cross-border RMB salary pass
3 rd	<ul style="list-style-type: none">The Hongkong and Shanghai Banking Corporation LimitedHSBC Bank (China) Company Limited	Hong Kong	Guangdong-Hong Kong comprehensive fund management solution
3 rd	<ul style="list-style-type: none">China Merchants Fund Management Co.,Ltd.CMS Asset Management (HK)	Shenzhen	CMS Shenzhen-Hong Kong integrated global opportunity asset allocation platform

The competition is a joint initiative between the HKMA and the OFDS with a view to further deepening financial cooperation between Hong Kong and Shenzhen, promoting research and application of Fintech in the two cities, and recognising financial institutions that apply Fintech in new products, promote financial inclusion, and improve the overall efficiency of financial services. <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2018/20180605e6a1.pdf>

SHENZHEN-HONG KONG FINTECH AWARD WINNERS 2018

Fintech Initiatives Award

Awarded by the Office of Financial Development Service of Shenzhen and Hong Kong Monetary Authority

Prize	Organisation	City	Initiatives
1 st	<ul style="list-style-type: none">People's Bank of China Fintech research institute	Shenzhen	Digital currency prototype application research
2 nd	<ul style="list-style-type: none">Ping An Technology (Shenzhen) Co., Ltd.	Shenzhen	Ping An Technology multimodal identity authentication
2 nd	<ul style="list-style-type: none">Shenzhen Qianhai Weizhong Bank Co.,Ltd.	Shenzhen	WeBank Customer Chatbot
3 rd	<ul style="list-style-type: none">Bank of China (Hong Kong) Limited	Hong Kong	Blockchain application Mortgage valuation process optimisation
3 rd	<ul style="list-style-type: none">Merchants Union Consumer Finance Company Limited.	Shenzhen	Merchants Union GPS anti-fraud fishing net and machine learning application
3 rd	<ul style="list-style-type: none">Shenzhen Qianhai Aviation Shipping Trade Center Co., LtdChina-Europe FinTech Innovation Lab	Shenzhen	Blockchain-based aviation and shipping settlement and data service platform
3 rd	<ul style="list-style-type: none">FWD Life Insurance Company (Bermuda) Limited	Hong Kong	FWD Instant Withdrawal Service

The competition is a joint initiative between the HKMA and the OFDS with a view to further deepening financial cooperation between Hong Kong and Shenzhen, promoting research and application of Fintech in the two cities, and recognising financial institutions that apply Fintech in new products, promote financial inclusion, and improve the overall efficiency of financial services. <https://www.hkma.gov.hk/media/eng/doc/key-information/press-release/2018/20180605e6a1.pdf>

POLICY & REGULATORY INITIATIVES



REGULATORY BODIES – MAINLAND CHINA

Main Regulatory Bodies

People's Bank of China (PBoC).

- Central Bank of People's Republic of China. Responsible for carrying out monetary policy and regulation of financial institutions in China.
- **Role in Fintech: Third party fund payments and transfer.**

Securities Regulatory Commission (CSRC).

- Main regulator of securities in China.
- **Role in Fintech: Crowdfunding and online fund products**

Banking & Insurance Regulatory Commission (CBIRC).

- Supervises the establishment and ongoing business activities of banking and insurance institutions.
- **Role in Fintech: P2P Online lending, online trust products, online consumer finance, internet insurance**

Fintech Initiatives

China Central Bank FinTech Committee

In May 2017, China People's Bank has established China Central Bank FinTech Committee, in order to reinforce the regulation, research and planning, as well as the coordination for FinTech industry in China

Function 1

- Organize research to understand the impact of Fintech on monetary policy, capital market, finance market stability, payment and liquidation.
- Provide strategic planning and policy on the FinTech development in China

Function 2

- Reinforce international collaboration and establish a mechanism in managing Fintech innovation that fits China context. Ensure risk management and development, as well as the adoption of Fintech in financial markets.

Function 3

- Reinforce the adoption of RegTech. Leverage technology driving regulatory tools such as big data analysis, A.I. , Cloud Computing to enable financial risk management capability

REGULATORY BODIES – HONG KONG

Main Regulatory Bodies

Securities and Futures Commission (SFC)

- Independent statutory body charged with regulating the securities and futures markets in Hong Kong.
- **Role in Fintech: Digital assets and online investing.**

Hong Kong Monetary Authority (HKMA)

- The HKMA's primary objective is to ensure the stability of the Hong Kong currency, and the banking system. It is also responsible for promoting the efficiency, integrity and development of the financial system.
- **Role in Fintech: Virtual banking and payments.**

Customs & Excise Department

- Regulates and supervises the Money Service Operators (MSO) (i.e. remittance agents and money changers) and supervise licensed MSOs' compliance with the customer due diligence and record-keeping obligations.
- **Role in Fintech: AML and cross-border fund transfer.**

Insurance Authority

- Regulates and supervises the insurance industry for the promotion of the general stability of the insurance industry and for the protection of existing and potential policy holders.
- **Role in Fintech: Internet insurance.**

Mandatory Provident Fund Authority

- Regulates and supervises the operations of mandatory provident fund (MPF) schemes and occupational retirement (ORSO) schemes.
- **Role in Fintech: Online retirement management benefits, new eMPF initiative and Centralized Platform.**

Select Fintech Initiatives

Hong Kong SAR Fintech Facilitation Office (FFO)

Established to facilitate the healthy development of the Fintech ecosystem in HK and to promote HK as a Fintech hub in Asia.

HKMA Fintech Supervisory Sandbox (FSS)

Allows banks to conduct testing and trial of newly developed technologies and applications on a pilot basis. Within the Sandbox, firms can try out their new FinTech products without the need to achieve full compliance with the HKMA's usual supervisory requirements.

SFC FinTech Advisory Group

Formed to facilitate the FinTech Contact Point in order to:

- Obtain information on the latest trends of FinTech;
- Collect stakeholders' input on specific FinTech themes.
- Identify the opportunities, risks and regulatory perimeter implications of FinTech.
- Broaden the understanding of FinTech as a revolution of the financial services industry.

SFC Regulatory Sandbox

Established to provide a confined regulatory environment for qualified firms¹ to operate regulated activities under the SFO before Fintech is used on a fuller scale.

Insurance Authority Insurtech Sandbox

The IA launched an Insurtech Sandbox on 29 September 2017 to facilitate a pilot run of innovative Insurtech applications by authorized insurers to be applied in their business operations.

Insurance Authority Authorization Fast Track

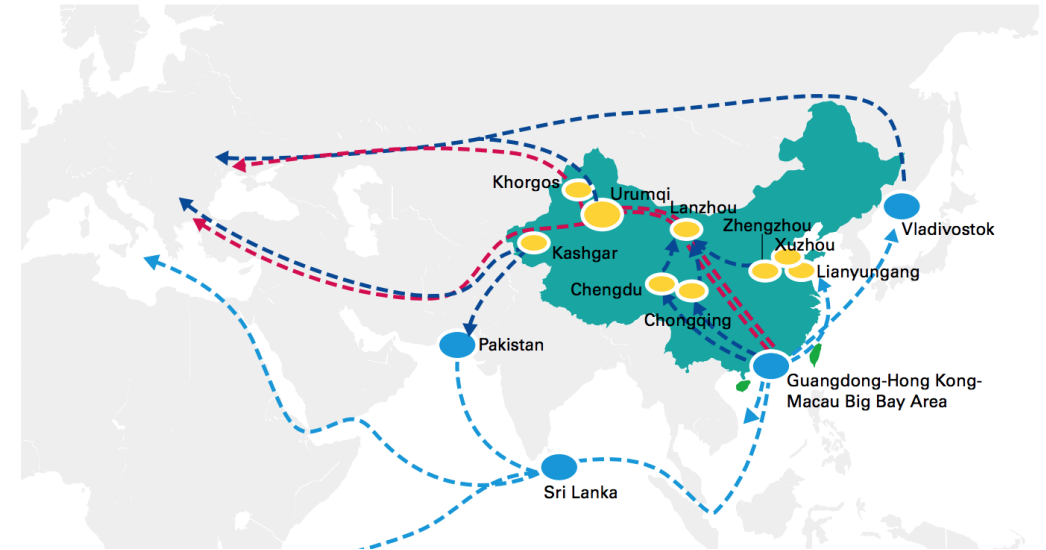
The IA launched a pilot scheme Fast Track on 29 September 2017 to expedite applications for new authorization to carry on insurance business in or from Hong Kong using solely digital distribution channels as a means to promote the development of Insurtech in Hong Kong

HKMA SETS THE TONE FOR CHANGE WITH ITS SMART BANKING AGENDA

1. Faster Payment Systems (FPS)
2. Enhanced Fintech Supervisory Sandbox (FSS) 2.0
3. Promotion of Virtual Banking
4. Banking Made Easy Initiative
5. Open Application Programming Interface (API)
6. Closer Cross-Border Collaboration
7. Enhanced Research and Talent Development

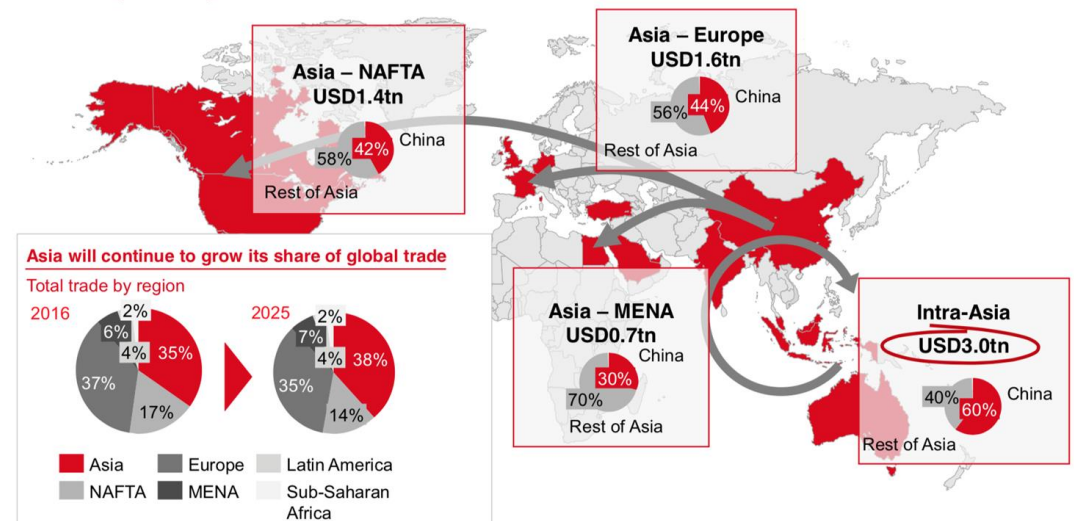
GBA IS THE "BUCKLE" IN THE BELT & ROAD

- The GBA will act as the metaphorical 'buckle' in the belt and road initiative.
- In autumn 2013, President of the PRC, Xi Jinping, announced the One Belt, One Road (OBOR) initiative made up of "The Silk Road Economic Belt" and "The 21st Century Maritime Silk Road".
- Who's Involved: **65 countries; 4.4 billion people; 63% of world's population; 40% of global GDP.**
- President Xi Jinping's strategic initiative explained how the **GBA can seize a key role** in the initiative.
- As the GBA area develops, its influence is likely to extend beyond the geographical boundaries of its city cluster to play a key role in China's Belt and Road Initiative, serving as a key link connecting countries along the 21st century Maritime Silk Road.
- The development of the GBA should also act as a catalyst for China's Belt and Road Initiative.
- China's trade with countries along the Belt and Road is expected to **surpass USD2.5tn by 2025.**



Regional trade corridors 2016

Value of exports + imports



Source: Oxford Economics, UNCTAD, Global Insight

ECONOMIC INTEGRATION KEY FOR FURTHER FINTECH DEVELOPMENT

One Country, Two Systems

- "One Country, Two Systems" is a constitutional principle formulated by Deng Xiaoping in the early 1980s.
- Hong Kong and Macao would be allowed their own economic and administrative systems for a period of 50 years.
- The rest of China uses the Socialism with Chinese Characteristics system.
- Under the principle, each of the two regions could continue to have its own governmental system, legal, economic and financial affairs, including trade relations with foreign countries.

Closer Economic Partnership Agreement (CEPA)

- The Mainland and Hong Kong "Closer Economic Partnership Arrangement" (CEPA) is the first free trade agreement ever concluded by the Mainland of China and Hong Kong in 2003.
- CEPA opens up huge markets for Hong Kong goods and services, greatly enhancing the already close economic cooperation and integration between the Mainland and Hong Kong.
- For Hong Kong, CEPA provides a window of opportunity for Hong Kong businesses to gain greater access to the Mainland market.
- CEPA also benefits the Mainland as Hong Kong serves as a perfect "springboard" for Mainland enterprises to reach out to the global market and accelerating the Mainland's full integration with the world economy.
- Foreign investors are also welcome to establish businesses in Hong Kong to leverage on the CEPA benefits and join hands in tapping the vast opportunities of the Mainland market.

"INTERNET+" DRIVING FINTECH ADOPTION IN CHINA

- The growth of the internet is having a massive effect on transforming and modernizing Chinese industries and businesses. So much so that the Chinese government has created its own **"Internet Plus"** initiative to transform, modernize and equip traditional industries to join the modern economy.
- The central government launched the initiative to **foster further growth in China's mobile internet, e-commerce, Big Data, Internet of Things, and Cloud Computing sectors** as part of a wider effort aimed at stimulating the economy.
- For businesses hoping to enter the Chinese market, understanding Internet Plus is a critical component to achieving success.
- The Internet Plus roadmap is a five-year plan to integrate cloud computing, big data and IoT with a **variety of traditional industries from manufacturing to commerce, internet banking, agriculture and many others.**
- Internet Plus is made up of several different factors:
 - **More funds for research and development**, reaching 2.5 percent of GDP through 2020
 - **Decreased dependency** on non-domestic technology innovation
 - **Access** to 100 MB/s internet connections for people in large cities
 - **Broadband connectivity** to reach 98 percent of population
 - More funds for **promoting business** development and **innovation**

FINTECH INCLUDED IN CHINA'S NATIONAL PLAN

China's central government elaborated on its support for FinTech in its 13th National 5-year development plan

"Top 5 Tasks in Financial Markets"

1. Well establish a comprehensive infrastructure for financial development and enhance the cornerstone of financial services. Including the overall promotion of **payment and settlement, custody and settlement, financial market transactions, transaction reports, financial statistics, credit reporting, anti-money laundering, Treasury and other national financial information infrastructure construction.**
2. Improve the **network security protection system** and safety management capabilities. It includes improving the safety production capacity of the financial information system, and implementing the network security law.
3. Promote the **application of new technologies and promote the development of financial innovation.** Need to strengthen the research and application of cloud computing, large data, block chains and artificial intelligence, and promote the development of financial technology and regulatory technology.
4. Establish detail around the strategy of **financial standardization** and support the healthy development of the financial industry. It mainly refers to establishing and improving the standard system of financial industry.
5. Optimize the **financial information technology governance system** and enhance the level of information technology services.

CAPITAL MARKETS & FUNDING



CAPITAL MARKET CONNECTIVITY ESSENTIAL FOR CROSS-BORDER FUNDING

Stock Connect

- The Shanghai-Hong Kong Stock Connect (**Shanghai Connect**) and the Shenzhen-Hong Kong Stock Connect (**Shenzhen Connect**) were launched in 2014 and 2016 respectively.
- Stock Connect has become the **undisputed platform** of choice for international investors seeking access to China's equity markets and for Chinese investors diversifying their equity through Hong Kong.
- From May 2018, the Northbound daily quota has been increased for each to RMB52 billion; and the Southbound daily quota has been increased for each to RMB42 billion.
- The **Shanghai-London Stock Connect** is expected to commence in 2019. The scheme is a clear sign of mainland China's ongoing efforts to open its financial markets to the rest of the world.

Bond Connect

- Northbound Trading of **Bond Connect** commenced in 2017, allowing eligible overseas investors to invest in the Mainland's interbank bond market. Approximately one and a half year since its launch, the number of registered overseas investors has already reached 450. The scheme has already attracted 28 out of the global top 100 asset managers.

- Bond Connect provides a simplified and streamlined mechanism for international investors to participate in China's onshore bond market. The program was recognised by GlobalRMB publication as the Most Impressive Innovation of 2018.

The full implementation of real-time Delivery versus Payment (DvP) settlement and Block Trade Allocations are key conditions for the inclusion of the Chinese bond market into global bond indices, which is expected to accelerate participation in Bond Connect by global investors.

Mutual Funds

- The implementation of **the Mainland-Hong Kong Mutual Recognition of Funds arrangement in 2015** helps enhance the opening up of the Mainland's capital account, promote the internationalisation of the RMB, and reinforce Hong Kong's position as an international financial centre and the global offshore RMB business hub.

Currency

In July 2017, Hong Kong's Renminbi Qualified Foreign Institutional Investor (**RQFII**) quota was expanded to RMB500 billion. Hong Kong's RQFII quota remains the largest in the world, reinforcing its role as an intermediary to facilitate overseas investors' participation in the Mainland financial markets.

TOP CHINA FINTECH INVESTORS

The most active Fintech investors in China

Most Active Investors	Top Fintech Deals
Source Code Capital	Qudian, Smart Finance Group, INK, feidee.com, Nongfenqi, Huifenqi, zichan360, licai.com, Lantouzi, Xiao Hu Group, juaicai.com, BMQB.com, ABC Fintech, Lean Work
IDG	China UMS, Qingsongchou, Shuidihuzhu, EasyTransfer, Tongdun, Qiandai, Tongbanjie, wacai.com, Wecash, 100credit.com, Yixin, Formax, TransferEasy
Sequoia	ddjf.com, Shoujidai, Xiaoyusan Insurance, Zhongan, Pai Pai Dai, Jinfuzi, feidee.com, 19pay, rong360.com
BANYAN Capital	Zhongrongjin, Qiandai, Shuidihuzhu, Yuanbaopu, Qinbao, QuantGroup, Jcaimao
BAI	Yixin Group, Fenqile, Nongfenqi, Meixin Global, Bigo Live, Baca, Linklogis
Marathon Venture Partners	Baozhunniu, Knowlegene, ejsino.com, Cihon, gevent.com, au23.cn, Totodi
Bluerun Ventures	Qudian, Shuidihuzhu, au23.cn, Totodi
Qiming Ventures	ABC Fintech, wacai.com, SequoiaDB
China Creation Ventures	Id5.cn, Yixin, Sinowel, rong360.com
Vertex Ventures	InstaReM, Turnkey Lender, Maxent

Source: China Internet Report 2018, <https://www.abacusnews.com/china-internet-report/>

CHINA FINTECH FUNDING

Chinese Fintechs with the most funding

Company	Total Funding (USD \$ m)	Selected Investors
Ant Financial	14,500	China Development Industrial Bank, Alibaba Group, National Social Security Fund, CCB International, Primavera Capital Group, China Investment Corporation
JD Finance	3,000	CICC, Sequoia Capital, China Taiping Insurance, Oils and Foodstuffs Corporation, China Creation Ventures, Harvest Global Investments, China National Cereals
Lufax	1,700	CICC, COFCO, CDH Investments, China MingSheng Bank, Guotai Junan Securities, Arbor Ventures, BlackPine Private Equity Partners
U51.com	825	Yintai Group, Shunwei Capital, JD, Meridian Capital China, Xinhua Zhongbao, Tiantu Capital, GGV Capital, Harvest Capital
Jiedaibao	694	JD Capital
OneConnect	650	SBI, IDG Ventures, Ping An
CGTZ	521	Geo-Jade Petroleum, China Media Capital, Guangzhou YUEXIU Industrial Investment Fund, Shunwei Capital
Dianrong	509	Standard Chartered Bank, EG Capital Advisors, CITIC Securities, Max Giant Capital, GIC, Bohai Leasing, Sun Hung Kai Properties, China Fintech Fund, Cross Pacific Capital Partners, Norther Light Venture Capital
WeBank	450	WI Harper Group, Temasek
Dashu Finance	211	PAG, Primavera Capital Group, Sequoia Capital

Source: China Internet Report 2018, <https://www.abacusnews.com/china-internet-report/>

NEW FUND TO BOOST TECH DEVELOPMENT AND INNOVATION IN THE GBA

The **Greater Bay Area Homeland Development Fund** was recently launched by Hong Kong's business community to boost GBA technology development and innovation.

With a planned capital volume of over **HK\$100 billion**, it will provide financial support to high-tech enterprises in the region.

The fund will also provide help to these enterprises to export products to overseas markets backed by the mass production capacity of Guangzhou and Shenzhen.

The foundation will also set up a data platform. This would provide information about patents, intellectual property transactions and world experts.

Moreover, it will also bring top technology companies to the city and set up laboratories or research centers in Hong Kong. This will consolidate the SAR's leading edge in medical health, artificial intelligence and medical technology

The development fund will help Hong Kong's competitive industries such as healthcare and education spread their influence into the Bay Area.

According to the Greater Bay Area Homeland Investments, the fund was initiated by various groups in the business sector, including large-scale mainland enterprises stationed in the special administrative region, Hong Kong companies, mainland private firms and new economy enterprises.

SUPPORTING ECOSYSTEM

A talent pool is a foundation of any competitive hub, and the GBA's Fintech community is unmatched in its vibrancy. There is a plethora of events, meetups, organizations, virtual hubs, and academic institutions.

They're specifically tailored to facilitate top talent development and acquisition, as well as create a conducive environment for business to adopt and push innovation into the market.

ACCELERATORS & INCUBATORS

Name	Location	Description	Website
Accenture Fintech Innovation Lab	Hong Kong	Brings together young FinTech companies with senior executives from financial institutions across Asia.	http://www.fintechinnovationlab.com/
Alibaba Jumpstarter	Hong Kong / Shenzhen	JUMPSTARTER is a startup platform for all entrepreneurs and young people to jump start their dreams in Hong Kong. It is also a first-of-its-kind startup event where we unite entrepreneurs, corporates and investors to build, empower and boost Hong Kong's startup ecosystem and entrepreneurship.	https://www.jumpstarter.hk/en/about
Cyberport Incubation	Hong Kong	Cyberport Incubation Programme is a free incubation programme for early-stage Hong Kong startups. Participating startups can get up to HK\$330,000 support over 24 months. Incubatees will also have access to a rent-free workspace at Cyberport for up to 24 months, subsidised legal consultancy services, monthly salary subsidies and networking opportunities.	https://www.cyberport.hk/en/about_cyberport/cyberport_entrepreneurs/cyberport_incubation_programme
DBS Accelerator	Hong Kong	Targeted at Fintech-focused startups at the seed through Series B stages, addressing areas of focus: digital channel experience, compliance monitoring, credit digitalization, customer engagement and cybersecurity.	http://www.dbs-accelerator.com/
Hande Finmaker	Shenzhen	Incubator and fund. Hande Finmaker is a pioneering platform focused on developing cutting-edge financial technologies. It brings together leading international R&D experts, prominent bankers and innovative technologies in order to deliver technology solutions and consulting services to Chinese financial institutions.	https://www.szhdhf.com/
PingAn-Sparklabs Fin+Tech Accelerator	Shenzhen	The program is a collaboration between Ping An Group and SparkLabs. The accelerator is dedicated to providing innovative transformation of modern finance by nurturing global advanced technologies.	http://www.sparklabsgroup.com/accelerator-fintech.html
Plug + Play Tech Centre	Shenzhen	HQ'd in Silicon Valley with operations in Shenzhen. 12-week accelerator program that runs twice a year connecting the best early-to-growth stage startups to the world's largest financial institutions.	https://www.plugandplaytechcenter.com/locations/
Supercharger	Hong Kong	Intake of 8 companies per year for 12-week program. Powered by Standard Chartered Bank, Fidelity International, and supporting organizations like Baker McKenzie, VISA, Microsoft, HKEX and Thomson Reuters.	https://www.fintechsupercharger.com/
Tencent WeStart	Shenzhen	Tencent WeStart seeks to create a global ecosystem for startup enterprises by offering a unique platform for them to build and grow their businesses.	https://westart.tencent.com/
Zeroth AI	Hong Kong	Zeroth is an accelerator for early-stage start-ups in Asia. It primarily invests in AI technology. Zeroth seeks to invest between USD20,000 and USD120,000 in funding in exchange for a six percent stake in the company.	https://www.zeroth.ai/

TOP UNIVERSITIES

Hong Kong Universities

Name	Fintech Course	HK Rank*	World Rank*	Website
The University of Hong Kong	Fintech Course starting 2019; Online Fintech MOOC	1	36	https://www.hku.hk/
HKUST	FinTech for Non-Technical Executives and Professionals program	2	41	https://www.ust.hk/
The Chinese University of Hong Kong	Offers a 4 Year undergraduate program in FinTech	3	53	http://www.cuhk.edu.hk/english/index.html
City University of Hong Kong	CityU has experience organizing workshops and festivals for FinTech-focused professionals	4	=110	https://www.cityu.edu.hk/
Polytechnic University	Subjects include Programming for FinTech Applications, Computer Systems Security, Business Finance, FinTech Seminar.	5	159	https://www.polyu.edu.hk/web/en/home/index.html
Hong Kong Baptist University	Offers a Contemporary Issues in Finance: FinTech course	6	401-500	https://www.hkbu.edu.hk

Guangdong Universities

City	Name	China Rank*	World Rank*	Website
Guangzhou	Sun Yat Sen University	=8	301-350	http://sysu.edu.cn/2012/en/index.htm
Shenzhen	South University of Science and Technology of China	=8	301-350	http://sustc.edu.cn/en/
Guangzhou	South China University of Technology	15	501-600	https://www.scut.edu.cn/en/
Shenzhen	Shenzhen University	26	601-800	https://www1.szu.edu.cn/2014/en/
Guangzhou	Jinan University	43	801-1000	https://english.jnu.edu.cn/
Shantou	Shantou University	43	801-1000	http://english.stu.edu.cn/index.php

*Times Higher Education, Hong Kong: <https://www.timeshighereducation.com/student/best-universities/best-universities-hong-kong>

FINTECH BUSINESS CENTRES

City	Name	Description	Website
Guangdong	China Fintech Incubation Zone	Opened December 2018: 120 sq km of aggregate Fintech office space housing 20 company headquarters.	https://cointelegraph.com/news/chinese-fintech-incubation-zone-officially-begins-operations-in-guangdong-province
Hong Kong	Cyberport	Dedicated Fintech centre with over 43,000 sqft of space. It describes itself as a "creative digital community" with a cluster of technology and digital content tenants. Cyberport has incubated and funded over 320 startup companies since inception in 2007	https://www.cyberport.hk/en
Hong Kong	Science Park	Campus-like environment of 330,000 square metres marketed for high-technology enterprises. Designed to accommodate companies of all sizes and stages of development to promote interaction and innovation.	https://www.hkstp.org/en
Hong Kong + Shenzhen	Lok Ma Chau Loop Park	Proposed Innovation and technology park on the border of Hong Kong and Shenzhen.	https://en.wikipedia.org/wiki/Lok_Ma_Chau_Loop
Shenzhen	Qianhai Investment Zone	Commercial development in Shenzhen, Guangdong that is also known as Qianhai New District.	https://en.wikipedia.org/wiki/Qianhai

SELECTED FINTECH EVENTS

City	Name	Description	Website
Hong Kong / Shenzhen	Hong Kong Fintech Week	World's first cross-border Fintech Event	https://www.fintechweek.hk/
Hong Kong	Fintech Association Hong Kong	Various events	https://ftahk.org/
Hong Kong	DigFin Group	DigFin is the leading online publication for digital finance in Asia. Annual Fintech Awards and Various Fintech Events	www.digfingroup.com/
Hong Kong	Rise	RISE is produced by the team behind Web Summit.	https://riseconf.com/
Hong Kong	Nexchange	Fintech 020 / Blockchain 020	https://nexchange.com/
Shenzhen	Shenzhen International Financial Exposition (FinExpo)	Major Finance and Fintech event in China	http://www.financeshow.cn/en/
Guangzhou	iMoney Expo	Payment Fintech conference	https://bravenewcoin.com/events/imoney-expo-2018
Macao	Future Fintech Asia	Focus on educating people on Blockchain Technology, Security, and Cryptocurrency	http://www.futurefintechasia.com/

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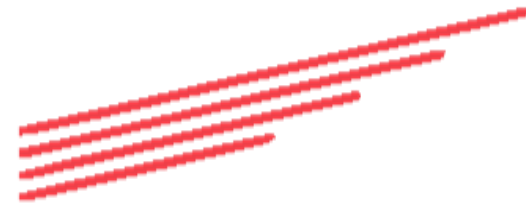
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