



Speech



This kind of model may see changes with the phenomenal rise of investment platforms on the Mainland, such as Lufax, and money market funds bought online, such as Yu'e Bao. Just



The SFC will implement the requirement for platform operators to ensure transactions in complex products³, whose terms, features and risks are not reasonably likely to be understood by retail investors, are suitable for the client in all circumstances even on an



during that period to more than 2,700 firms⁴. The resources available to our supervisory use our resources wisely, focusing on areas which pose greater risk.

To enable us to do the job properly, we need more data from licensed corporations. There are a number of statutory returns through which we obtain data from the industry, notably the Financial Resources Rules returns and Business and Risk Management Questionnaire. We are reviewing these and considering ways we can enhance data collection to heighten risk assessment and the use of data analytics. We will be soft consulting the industry on these new initiatives.

Fintech, ICOs and crypto assets

With the aim of engaging the industry and other regulators, the SFC has established a Fintech Advisory Group back in early 2016. I am currently the Chair. We also have a Fintech Contact Point, which opens a channel of communication with businesses which intend to engage in regulated activities through the use of Fintech. Internationally, we also connect with Fintech firms and their regulators overseas through Fintech collaboration agreements.

To date, we have signed separate agreements with FCA (UK), ASIC (Australia), SC (Malaysia), DFSA (Dubai) and FINMA (Switzerland), providing a solid platform for cooperation and referrals between our innovation functions and setting out how we plan to share and use information about innovation in our respective markets.



Many millennials who subscribe to digital tokens in ICOs⁵ understand that there is no intrinsic value in the tokens but are betting on the rapid rise of the token value in the secondary market. The mercurial rise and fall of Bitcoin prices has fanned a trading frenzy in crypto assets and helped the emergence of crypto exchanges in Asia, subject to little or no regulatory oversight.

The high volatility of crypto assets and serious hacking incidents in Japan and Korea in the past few months resulting in hundreds of millions in US dollar losses should serve as a sharp reminder of the risks associated with such trading.

The primary offer and secondary market trading of crypto assets and related products have earned a central place on the worry list of regulators around the world. In March, G20 leaders who met in Argentina called for IOSCO and other standard-setting bodies to continue their monitoring of crypto assets and their risks. So far, the regulatory response has been diverse. It ranges from complete ban of ICOs and crypto exchanges to full regulation of such activities.

dealing in or advising on such digital tokens, or managing or marketing a fund investing in them, may constitute a regulated activity. We cautioned that parties engaging in a regulated activity targeting the Hong Kong public are required to be licensed by or registered with the SFC, irrespective of where they are located. Last year we warned the industry against fundraising and dealing activities without a license⁶.

In February and March, we took regulatory action against a number of ICO issuers and crypto asset platform operators. In one case, Black Cell Technology Ltd halted its ICO to the Hong Kong public and agreed to unwind transactions for Hong Kong investors following regulatory action by the SFC over concerns that Black Cell had engaged in potential unauthorised promotional activities and unlicensed activities. In other cases, securities tokens were removed from the shelf of trading platforms. We will continue to police the market and enforce where necessary.

Last but not least, we are coupling our enforcement action with investor education. We collaborate closely with the Investor Education Centre to issue educational materials and participate in public education campaigns about the risks associated with ICOs and crypto assets.

Conclusion

Ladies and gentlemen, we live in a brave new economy. It was only ten years ago, when I took my family on a trip to Xinjiang and found myself carrying thick stacks of 100 renminbi banknotes to pay for two weeks of food and lodging because no credit cards were accepted.

Mainland these days. And forget about Visa or American Express. They take only Alipay and WeChat Pay. We watch with awe how social media and new, innovative technologies have transformed the Mainland from a cash society to virtually cashless in just one generation.

⁵ Initial coin offerings.

⁶ [Circular to Licensed Corporations and Registered Institutions on Bitcoin futures contracts and cryptocurrency-related investment products](#) (December 2017) and [Statement on initial coin offerings](#) (September 2017).



the promise and peril theory. The stakes appear to be high. If Professor Schwab is right, we may be at a juncture of this revolution where the ability to capture the benefits would yield great rewards, but failure to do so will result in disaster. No doubt, the industry is staying ahead with Asset Management 2.0, applying new technologies to create efficiencies in both the front and back office and to provide a better customer experience.

As regulators, we should ensure that our regulatory framework accommodates the use of new technologies which help make the delivery of financial services more robust, efficient and inclusive. But we should also be vigilant in addressing the new risks associated with the use of new technologies. In this age of change and revolution, I can assure you that there namely, the general principles set out in the Code of Conduct⁷ and also that the protection of the interest of the investing public in the New Economy is exactly the same as in the Old Economy.

Thank you.

⁷ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.