



SFC Regtech and Fintech Contact Day 2016

Hong Kong, 7 November 2016

On 7 November 2016, the Securities and Futures Commission (SFC) hosted a Regtech and Fintech Contact Day¹ which focused on emerging regulatory technologies (Regtech) and financial technologies (Fintech) and how they intersect with securities regulation.² More than 20



The second presenter, Mr Edmund Lowell, the founder and CEO of KYC Chain, a start-up company using emerging “Distributed Ledger Technologies” (DLT) to provide KYC solutions, explained how “self-sovereign digital identities” can allow clients’ personal data and identity certificates to be shared in a secure fashion among financial institutions participating in the distributed ledger and thus eliminate duplication in client onboarding processes. In the next presentation, Ms Michelle Kam, Head of Regional Design for Risk, Thomson Reuters, described how duplication can also be reduced through the use of KYC utilities that combine the collection of client information with enhanced client due diligence and ongoing screening for negative news, anti-money laundering, financial crime, tax evasion and sanctions risks.

Mr Duncan Wong, Vice President, Financial Technologies, Applied Science and Technology Research Institute of Hong Kong (ASTRI), gave a presentation on cybersecurity where he shared statistics on the increasing variety and sophistication of ransomwares⁷ and observed that cyber intrusion discovery times remain stubbornly high at a global average of around 150 days. Mr Wong said ASTRI is undertaking several cybersecurity initiatives to reduce these risks in Hong Kong, including developing the Cyber Intelligence Sharing Platform for use by participating financial institutions and the Cyber Range, a dedicated training zone for cyber security officers of financial institutions. He added that ASTRI is also developing client authentication and fraud control technologies which use biometrics, and invited the audience to learn more about ASTRI’s mission to enhance Hong Kong’s competitiveness in technology-based industries, including Fintech.⁸

Fintech – Robo-advice, sentiment analy



Intersection of Regtech and Fintech with securities regulations

A panel discussion moderated by Mr Mark Austen, CEO of ASIFMA, began with an introduction by Ms Bénédicte Nolens, SFC Senior Director, Risk and Strategy, to the intersection of Regtech and Fintech with the regulatory perimeter. Ms Nolens reviewed the eight main components which make up the Fintech landscape, namely payments, insurance, planning, lending/crowdfunding, blockchain, trading and investments, data and analytics, and security, and observed how most of these directly intersect with or otherwise relate to financial regulation.

The Fintech landscape



Source: Expand Research

Mr Nelson Chow, Chief Fintech Officer, HKMA, provided an overview of the HKMA's Fintech initiatives, including the Cyber Fortification Initiative,¹⁰ the set-up of a Fintech Facilitation Office¹¹ and a Fintech Supervisory Sandbox (FSS).¹² Several banks in Hong Kong are already using the FSS to pilot biometric authentication and blockchain-based applications, he noted.

Ms Sandra Liu, Senior Legal Counsel of the Privacy Commissioner for Personal Data, explained the six key principles of the Hong Kong Personal Data (Privacy) Ordinance,

¹⁰ www.hkma.gov.hk/eng/key-information/press-releases/2016/20160518-5.shtml.

¹¹ www.hkma.gov.hk/eng/key-functions/international-financial-centre/fintech-facilitation-office-ffo.shtml.

¹² The FSS enables banks to conduct pilot trials of their Fintech initiatives in a controlled environment without the need to achieve full compliance with the HKMA's usual supervisory requirements.



including data collection, accuracy and retention, access and correction, use, security and openness.¹³

Mr Lukas Petrikas, Senior Vice President of Group Strategy of the Hong Kong Exchanges and Clearing Limited (HKEX), expressed the view that a stock exchange is a Fintech company at its core. He explained how HKEX prioritised technology¹⁴ and stressed the importance of data and data analytics.

During the question and answer session, Ms Nolens addressed a question on regulatory sandboxes, noting that a comparison of sandboxes announced so far reveals significant differences in scope, purpose and content. Seeing through the differences, she observed that sandboxes typically serve one or more of the following types of companies:

- business-to-customer Fintech companies offering either the same services as traditional financial companies or more innovative services;
- business-to-business Fintech and Regtech companies offering services to traditional financial companies, including to help them manage their regulatory requirements and processes and better service clients; and
- business-to-business Fintech and Regtech companies offering products and services directly to regulators.