Is Hong Kong Ready for Digital Assets?

HKU-SCF FinTech Academy Workshop Series
Digital Currency: Technology, Challenges and Opportunities
Peter Yan, CEO of Cyberport
27 August 2020
Digital Assets?

Source: Deloitte “A tax lens on the proliferation of digital assets”
Recent Developments

Global regulatory developments

- Hong Kong
  - SFC issued regulatory framework for digital asset exchanges and digital asset funds in November 2019
  - Inland Revenue Department issued broad principles in how digital assets should be taxed in April 2020
  - SFC issued approval-in-principle to OSL for virtual asset automated trading and brokerage licenses on 21 August 2020

Emerging CBDC

- China began trialing its own CBDC, Digital Currency/ Electronic Payment (DC/EP), since May (Shenzhen, Suzhou, Chengdu, Xiongan economic zone)
- Bank of Lithuania issued LBCOIN, first digital collector coin by a central bank

Increasingly cashless societies

- Transaction value of global mobile payments market was USD 3714.5 billion in 2019, and is expected to reach USD 12,407.5 billion by 2025
Opportunities and Challenges

• Enhance cross border transactions
• Facilitate a cashless society - especially in the post-COVID-19 world
• Eliminate costs of storing cash

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• Disrupt conventional practices in different industries
• Disrupt current e-payments

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Global Trends

80%

Of Central Banks in the world engaging in some work related to CBDC

China began trials for its CBDC in four cities
Rumoured screenshot of DC/EP application, Source: ix Crypto Index

Dirty money: concerns raised against hygiene of physical cash amid the COVID-19 pandemic

Project Inthanon-LionRock (2019)
Joint study completed between HKMA and Bank of Thailand to develop cross-border funds transfer proof of concept

Source: Bank of International Settlements, Jan 2020
Talent Supply

- Digital asset companies have generally stated that Hong Kong lacks the **quantity** and **quality** of talents to fulfill demand for middle to back end office talent, such as **programmers or software developers**, especially when compared to the mainland or regional competitors.

![Diagram showing the top 3 most difficult skillsets to hire for 2020 graduates: Data analytics, Programming, Mathematical modelling. Only 570 graduates in 2020.](image-url)
One consequence of the lack of regulatory clarity, is that digital asset companies find it extremely difficult to open or maintain bank accounts in Hong Kong, often finding their accounts suspended for any transactions related to digital assets.

VS Singapore

In terms of regulations, Hong Kong and Singapore are both in the process of solidifying their regimes, Singapore is seen as much more supportive towards the development of the digital asset ecosystem.

Industry companies with business in both jurisdictions have also stated it is much easier to communicate with Singapore authorities when compared to Hong Kong.

Strong consensus that improvement of regulator engagement considered one of the most common challenges in the industry.
Cyberport-Powerhouse of FinTech start-ups
An eco-system with 360+ FinTech companies

- WealthTech: 12%
- Anti-fraud: 3%
- RegTech: 5%
- PayTech: 12%
- Others: 4%
- LendTech: 7%
- InsurTech: 9%
- Digital Asset & Cryptocurrency: 12%
- Financial Research & Analytics: 14%
- Financial Software & Services: 21%
- InsurTech: 9%
- Banking Infrastructure: 1%
- Digital Asset & Cryptocurrency: 12%

Cyberport - The Digital Tech Hub of Hong Kong
As of July 2020
Cyberport’s role - Knowledge sharing

Blockchain Bootcamp & workshops

Through the Cyberport Academy, Cyberport promotes knowledge sharing with financial practitioners, enriching Hong Kong’s talent pool while helping the traditional financial industry understand the benefits of innovative solutions in blockchain and digital assets.

World’s first Hyperledger developers bootcamp on 7-8 March 2019.

FISCO Financial Blockchain Workshop was held in Feb 2019.
Creating an entrepreneur conducive environment

Cyberport
University Partnership Programme

Cyberport Creative Micro Fund

HK$100,000 Seed funding

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Cyberport Incubation Programme

HK$500,000 Financial assistance

KLOOK

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Cyberport Accelerator Support Programme

HK$300,000 Financial assistance

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Overseas/ Mainland Market Development Support Scheme

Up to $200,000 Financial assistance

Cyberport
Macro Fund

Total HK$200M Co-investment fund

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Cyberport Enterprise Network

Cyberport Investors Network

Cyberport Technology Network

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