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Opinion | Embracing the Future: Hong Kong's Commitment to Fintech Innovation with Digital Currencies, Digital Financial Services, and Beyond

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I welcome the comprehensive strategies from the Policy Address by the Chief Executive, aimed at advancing local economic growth. The 2024 Policy Address highlights the government's commitment to bolstering Hong Kong's FinTech innovation through various measures. These include accelerating digital transformation, enhancing digital infrastructure, and piloting new data flow arrangements across the Greater Bay Area (GBA). I am confident that these initiatives focused on sustainable development and innovative technologies will drive our economic progress. To further these efforts, I would like to make the following recommendations for the 2024 Policy Address to ensure more robust outcomes for our fintech sector.

Clarifying regulatory requirements through open dialogues and supervisory sandboxes in fintech

It is crucial to maintain an open dialogue with the financial sector to exchange knowledge and expertise in Fintech. By issuing regular guidance and fostering environments that support innovation, such as the supervisory sandboxes, we can enhance the development and integration of new financial technologies. These frameworks allow Fintech solution providers and users to stay current on the latest regulatory developments and leverage advanced technologies in a controlled setting. This approach not only encourages innovation but also ensures that it occurs within a framework that minimizes regulatory ambiguities and promotes a transparent regulatory environment.

Strengthening Hong Kong's digital infrastructure is essential for advancing its fintech ecosystem

The recent development and pilot testing of the digital Hong Kong Dollar (eHKD) offer significant opportunities to transform financial transactions. By focusing on enhancing security, efficiency, and scalability, the deployment of eHKD can lead to improved financial transaction processes. A proposed centralized digital platform would serve as a hub for fintech activities, primarily leveraging eHKD to ensure smooth and secure transactions.

Drawing on lessons from the European Union's challenges with central currency coordination. From these challenges, Hong Kong can learn the importance of ensuring economic alignment and robust policy frameworks before full-scale implementation. The EU's experience highlighted the need for extensive public communication and education to foster trust and understanding among users. By applying these lessons, Hong Kong's approach to adopting the eHKD can be more strategically aligned with both market needs and regulatory frameworks, thereby smoothing the path for eHKD's integration and enhancing its acceptance across various sectors. This proactive stance positions Hong Kong to play a pivotal role in the digital finance sector, particularly by advancing its capabilities within its local and regional contexts.

These recommendations aim not only to enhance Hong Kong's position as a global leader in financial technology but also to ensure that this growth is sustainable, inclusive, and responsive to the evolving needs of society. Through the concerted efforts of the government, the private sector, and regulatory bodies, Hong Kong can achieve remarkable growth and set new benchmarks in the world of Fintech.

By Jim Chan

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