



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: G12/228C

6 September 2016

The Chief Executive
All Stored Value Facility (SVF) Licensees

Dear Sir/Madam,

HKMA-ASTRI Fintech Innovation Hub

I am writing to inform you that the Fintech Facilitation Office (FFO) of the Hong Kong Monetary Authority (HKMA), in collaboration with the Hong Kong Applied Science and Technology Research Institute (ASTRI), will launch the “HKMA-ASTRI Fintech Innovation Hub” (“the Hub”) – a new facility to support research and adoption of fintech by the industry.

Objective

The Hub is intended to be a neutral ground of the fintech industry, a place where various stakeholders can collaborate to innovate. Industry players, such as banks, payment service providers such as SVF licensees, fintech start-ups, the HKMA, etc. can get together at this facility to brainstorm innovative ideas, try out and evaluate new fintech solutions, conduct proof-of-concept trials, and gain an early understanding of the general applicability of creative solutions for banking and payment services.

We believe that, with such facility to support the exploratory and experimentation stage of research and development work, industry-wide fintech solutions can be developed more timely and efficiently, and industry collaboration – a key to fintech success in Hong Kong – can be further fostered.

The Hub is another step taken by the FFO in meeting the industry needs for developing fintech. Together with the launch of the Fintech Supervisory Sandbox scheme for banks, which was announced separately today, this initiative shows the HKMA’s commitment to facilitate the healthy development of the fintech ecosystem in Hong Kong.

The Hub

The Hub, which is located at ASTRI's office within the Hong Kong Science Park, will be supported by the technical teams and the hardware and software IT infrastructure of ASTRI. Specifically, around 200 virtual workstations connected in a segregated network segment, which can be expanded further if there is a need, will be assigned to support the trial work at the Hub. Together with the different kinds of hybrid cloud computing configurations available at ASTRI, the Hub is equipped to emulate, compare and analyse different financial services and products supported by various fintech solutions at any one time. Also, virtual private networks can be set up to connect the Hub with up to 30 external innovation facilities or developer laboratories in Hong Kong and overseas.

Major activities to be supported by the Hub

We envisage that the Hub can be useful for supporting various kinds of activities such as –

- (i) testing solutions which require participation of multi-parties. Trials of fintech solutions and proof of concept works which require a certain degree of interoperability or interconnectedness among multiple banks, SVF licensees or other parties can take place at the Hub before they are tested out at stakeholders' production environment and subsequently launched in the market. Examples include fintech solutions that try to utilise the blockchain or distributed ledger technology in supporting cross-banks financial services;
- (ii) demonstrating fintech solutions which require substantial computing resources. Fintech start-ups, research entities, SVF licensees or banks may conduct real demonstration of their research and proof of concept results at the Hub with computer and network support (instead of only a slide show presentation) in front of stakeholders, such as potential users in the banking and payment industries, investors, the HKMA, etc.;
- (iii) holding dialogues between the industry and the HKMA on emerging technologies. A regulatee of the HKMA may seek inputs or feedback on a new technology or technological solution at an early stage. Regulatees may arrange demonstration sessions here to show to the HKMA how a certain emerging technology could be beneficial to potential users, and the general issues which need to be taken care of prior to further developing that technology for production implementation;
- (iv) testing solutions that may be adopted by the HKMA. We may explore the use of emerging technologies to enhance the efficiency and efficacy of the HKMA in discharging our duties. For example, the HKMA can utilise the Hub to explore

with fintech firms the use of creative “regtech” solutions in improving its regulatory work; and

- (v) organising training sessions for the industry. Industry players and stakeholders may visit the Hub to learn about various fintech solutions, especially those the demonstration of which require the computing resources or technical support of ASTRI.

Way forward

The FFO is finalising details of the set-up and the mode of operation of the Hub with ASTRI, including how resources should be prioritised. We should be able to announce the detailed arrangements in the next few weeks.

In the meantime, I encourage you to discuss with your colleagues and your fintech solution providers how the new Hub might be helpful to your company in view of your innovation projects in the pipeline, so that you can make the best use of it when it becomes available. You are also welcome to discuss your ideas with the FFO, so that we can take them into account in devising the operational arrangements for the Hub.

Please contact the FFO, through Mr Nelson Chow, Chief Fintech Officer at 2878-8579 or Mr Josiah Lam, Senior Manager (FFO) at 2878-1425, if you wish to ask a question or have a discussion with us about the Hub. You may also send your enquiries to our dedicated email address fintech@hkma.gov.hk.

Yours faithfully,

Howard Lee
Senior Executive Director