



# FINTECH

Adoption and Innovation  
in the Hong Kong Banking Industry

HKIMR Applied Research

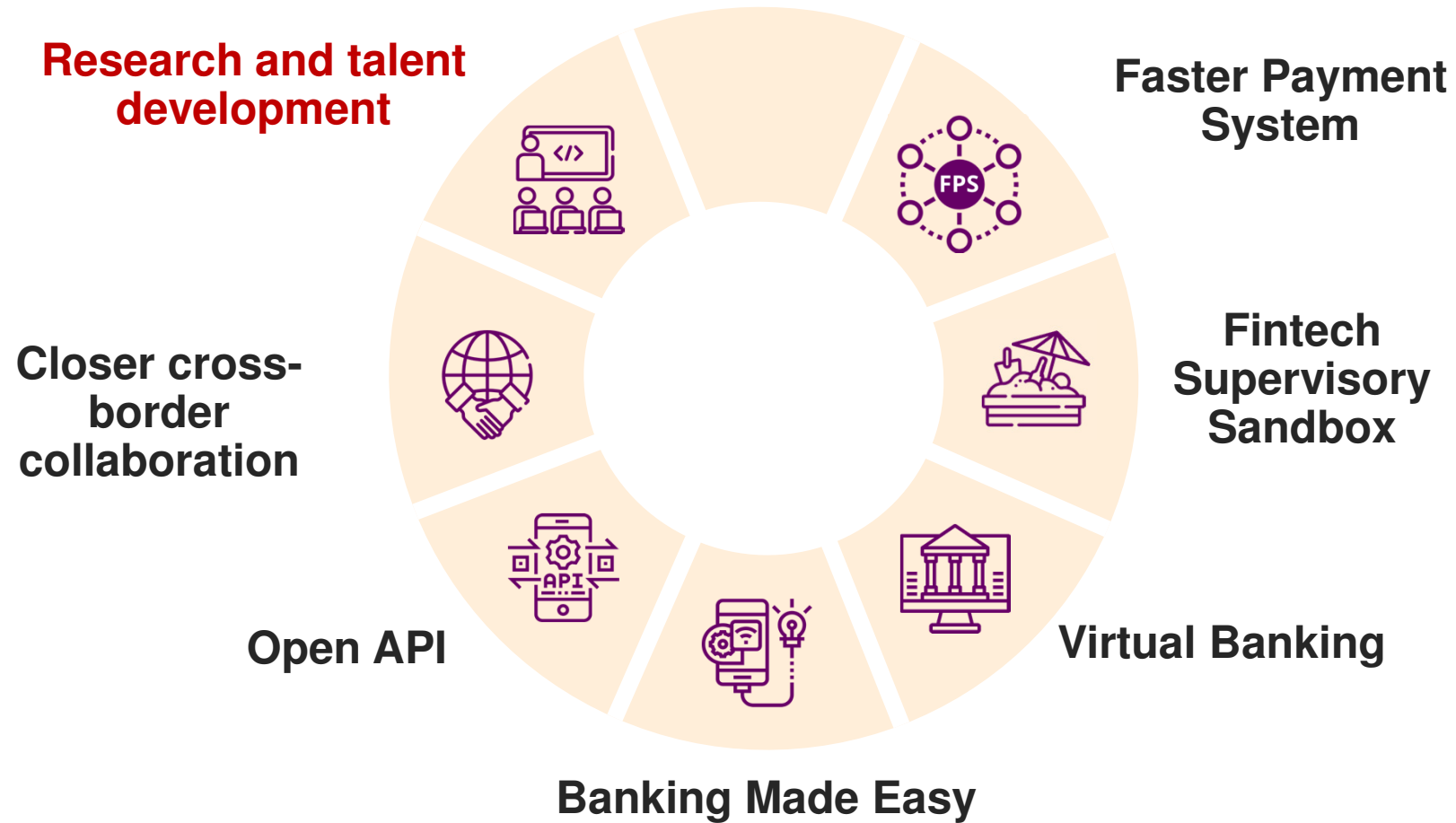
## Objectives of Fintech Development

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**HKMA aims to provide conducive policy to facilitate Hong Kong's Fintech development to achieve the following benefits:**

- **Promote financial intermediation and inclusion**
  - **Enhance financial risk management**
  - **Enhance customer experience and choice**
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# 7-Smart Banking Initiatives



## Research on Fintech Adoption and Innovation in the HK Banking Industry (香港銀行業金融科技採用和創新調查研究)

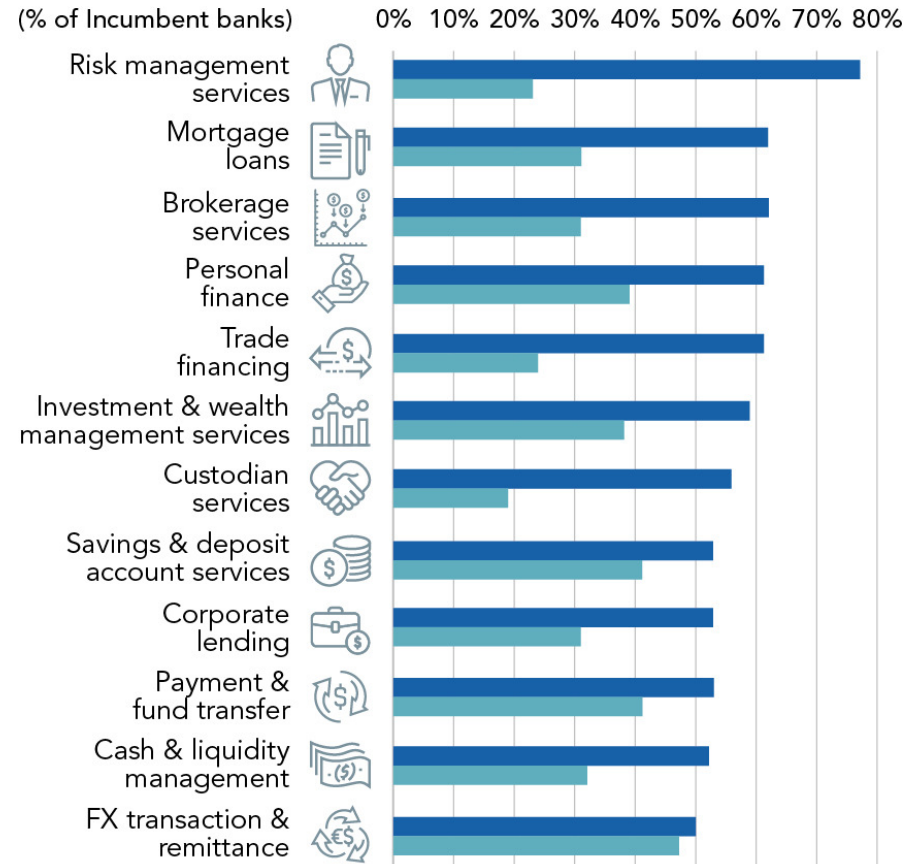
- This report is **the first** in a series of **HKIMR Applied Research reports** on topics that are highly relevant to the **financial industry and regulators in Hong Kong**
- Carried out by AoF - HKIMR
- The HKIMR is **the research arm** of the **AoF** established in June 2019

## Scope of Questionnaire Survey



- **Conducted a survey to gather insights into important trends of Fintech development in Hong Kong**
- **37 Incumbent Banks (18 Retail Banks, 19 Foreign Banks)**
- **8 Virtual Banks**
- **In total, covering 80% of total customer deposits and 75% of total assets**

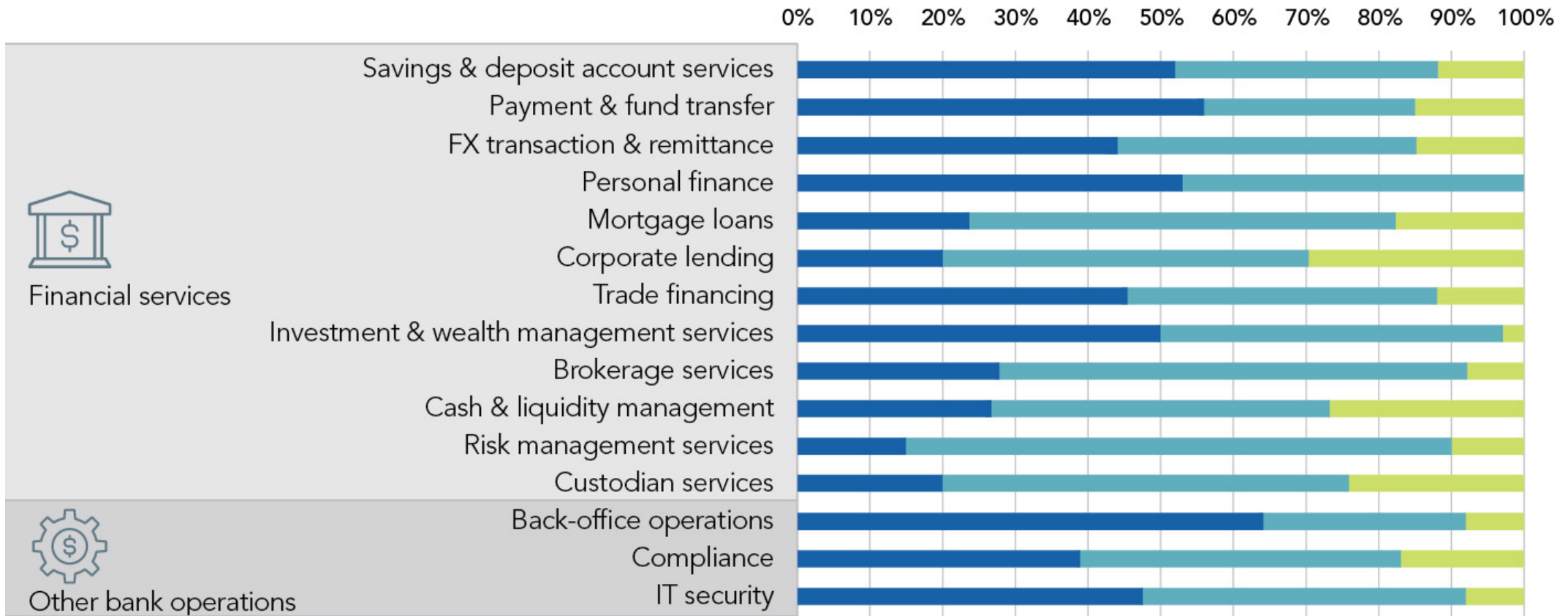
# Banks View Fintech More as Opportunity than Threat



Percentage of respondents – Views on Fintech’s impact in the next five years (areas of financial services)

■ Opportunity      ■ Threat

# Widespread Fintech Adoption across All Financial Services

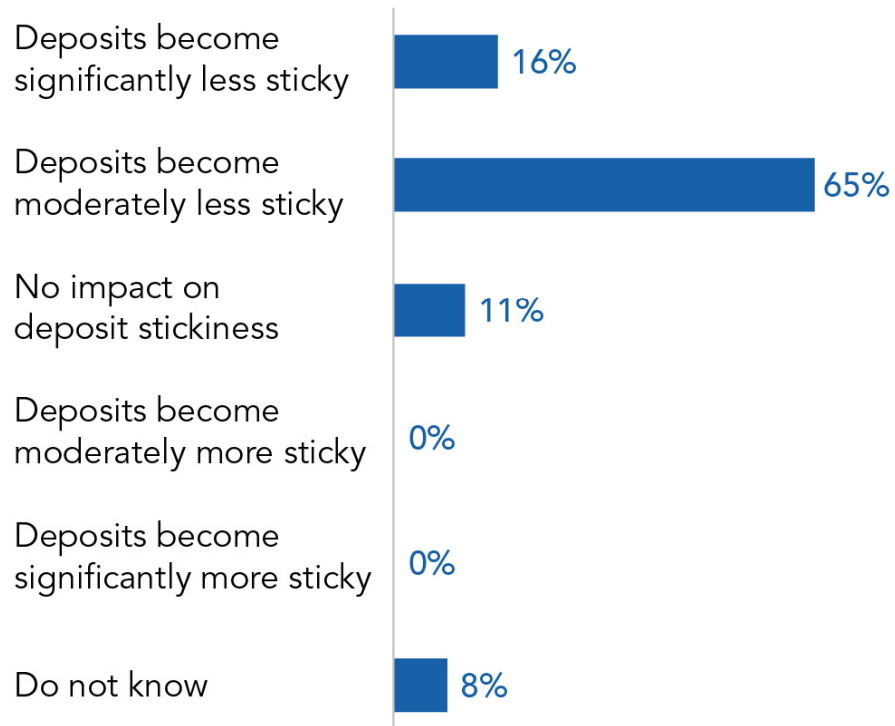


Percentage of incumbent bank respondents – Fintech application status (areas of financial services and other bank operations)

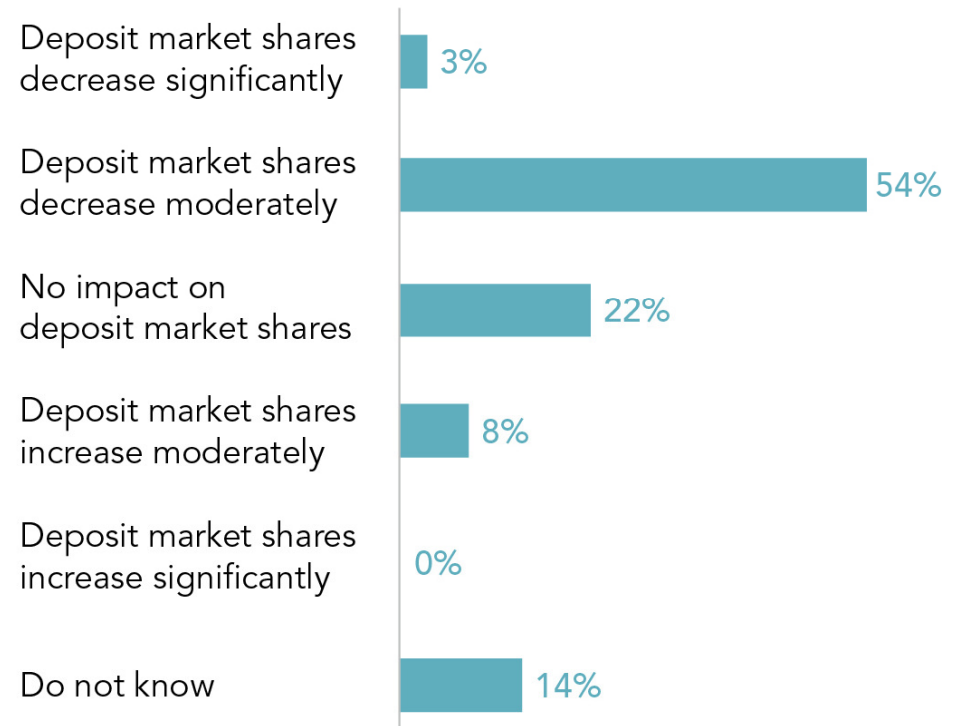
■ Already applied a broad range or a limited number of Fintech   ■ Not yet applied but plan to do so   ■ Have no plan to apply

# Perceived Effects of Fintech on Incumbent Banks' Deposits

## Deposit Stickiness



## Deposit Market Shares

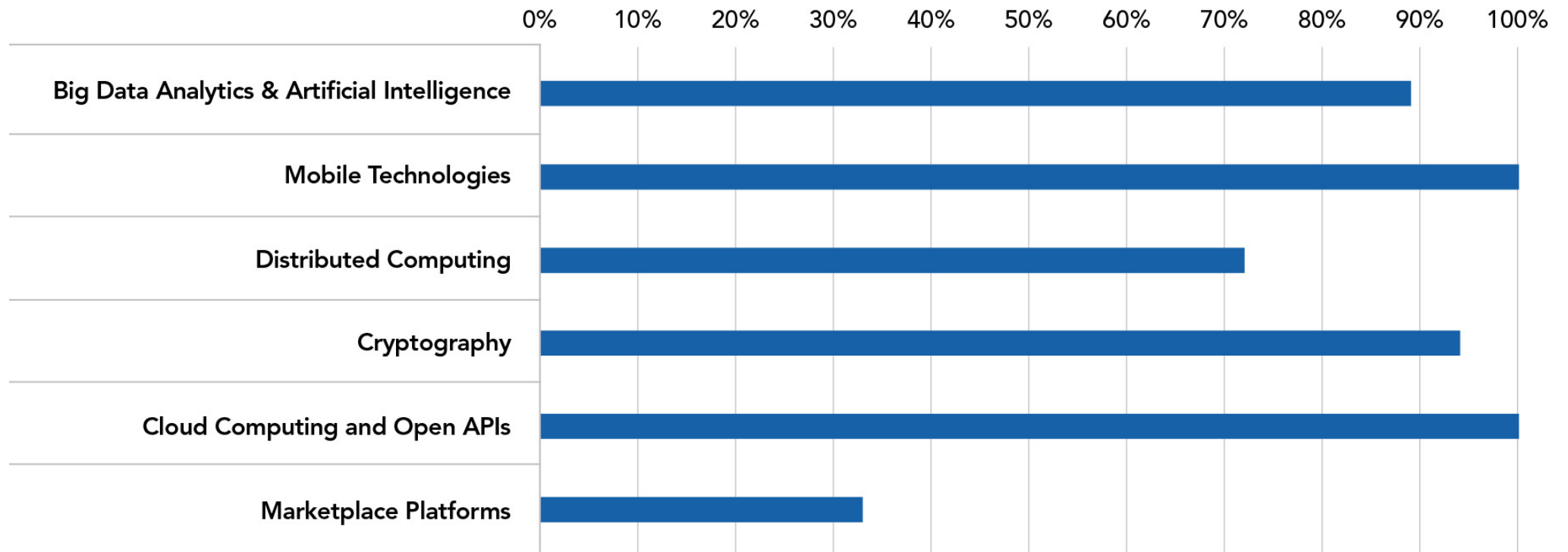




# Technology Revolution: Major Fintech Innovations

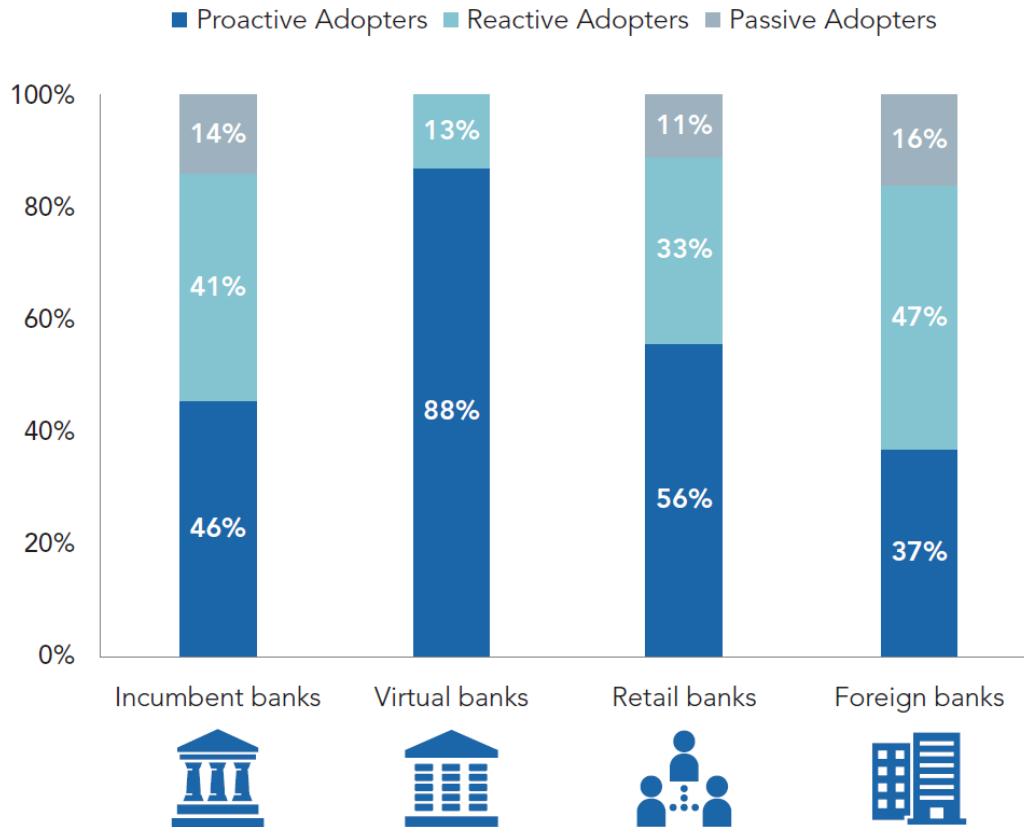


# Key Areas of Fintech Application by Retail Banks



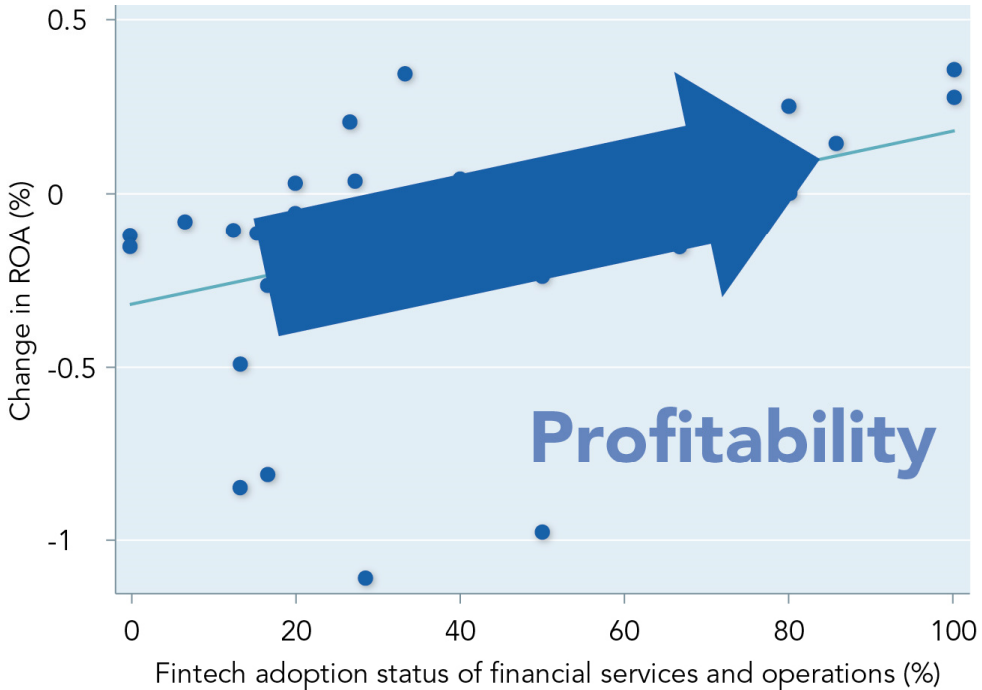
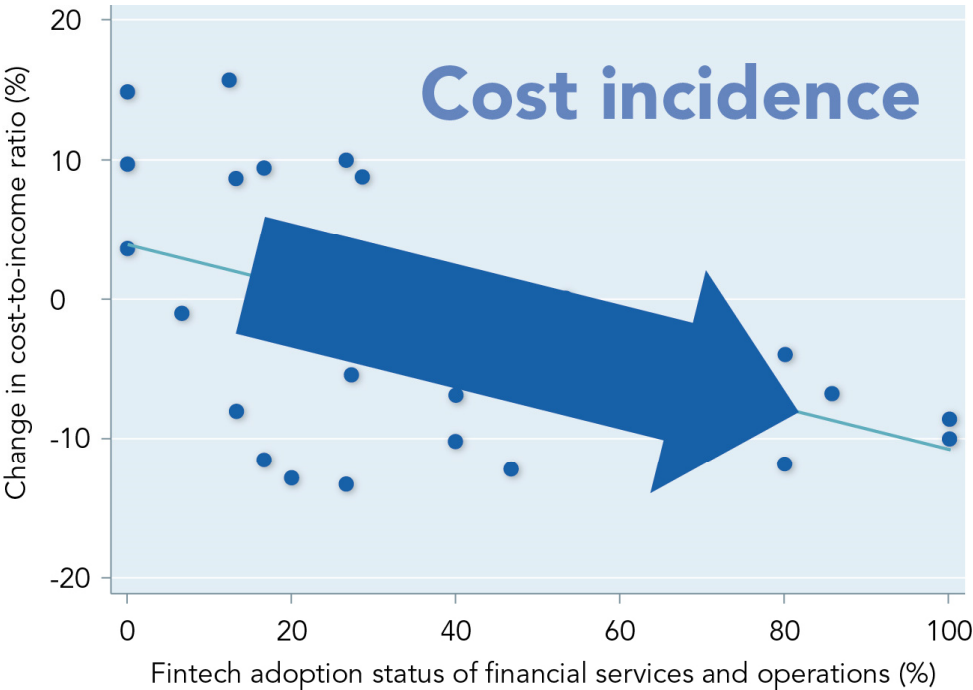
Percentage of respondents that have adopted or plan to adopt innovations in the above areas

## How Do Banks See Themselves in terms of Fintech Adoption?



Most banks view themselves as **proactive/reactive** adopters rather than passive followers

# Some Early Signs of Payoff



# Looking into the Next 10 Years: Potential Scenarios



Higher degree of traditional banks' role

Lower degree of traditional banks' role

## How Do Banks See the Future of the Banking Industry?

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**Banks in Hong Kong are confident that through **adaptation and innovation** they will continue to **play a key role** in the next ten years**

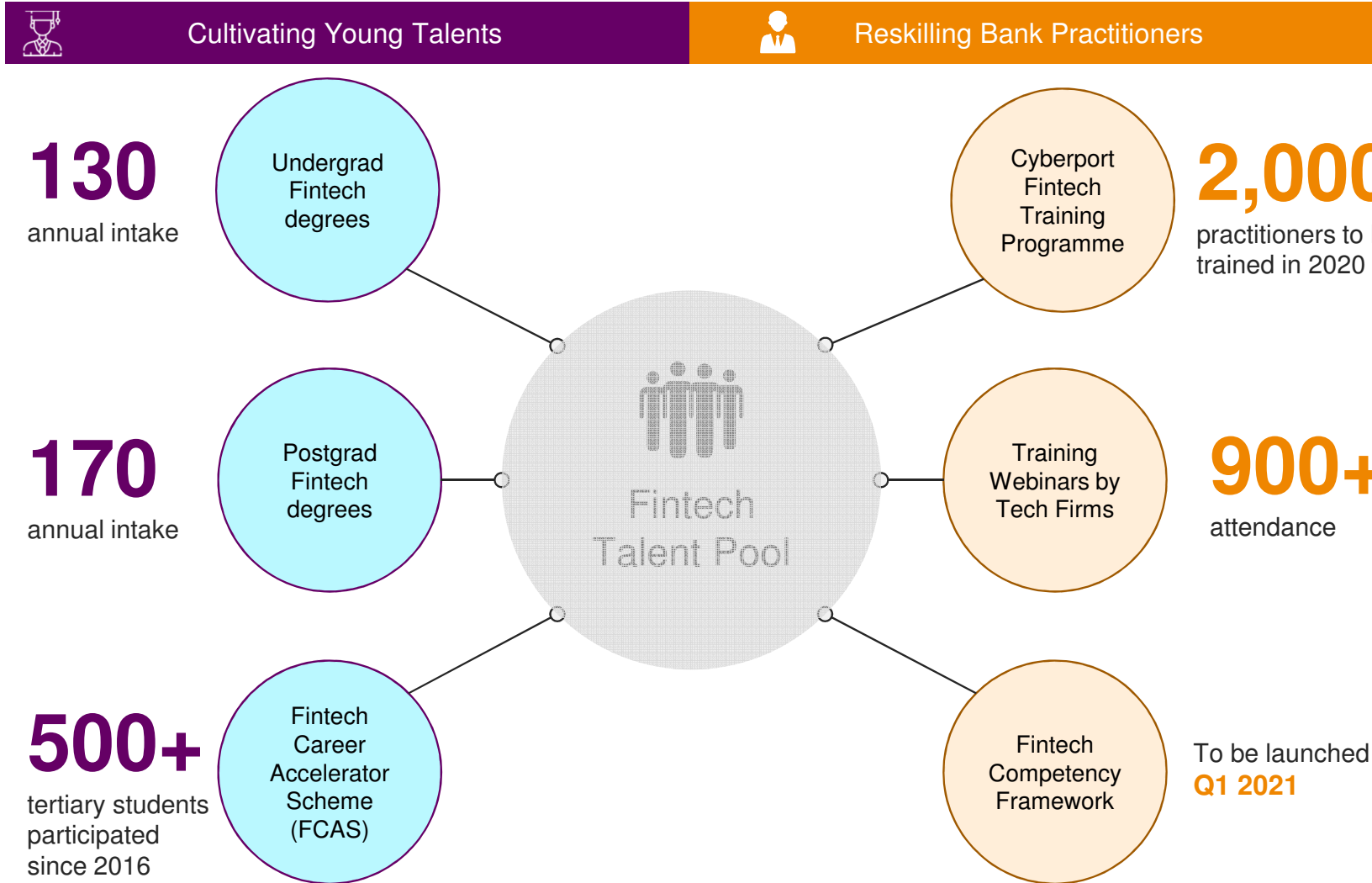
**73%** and **63%**  
of **the incumbent** and  
**virtual banks**  
consider the **better**  
bank scenario as **highly**  
**possible**

## Summary on Key Takeaways of the Fintech Report

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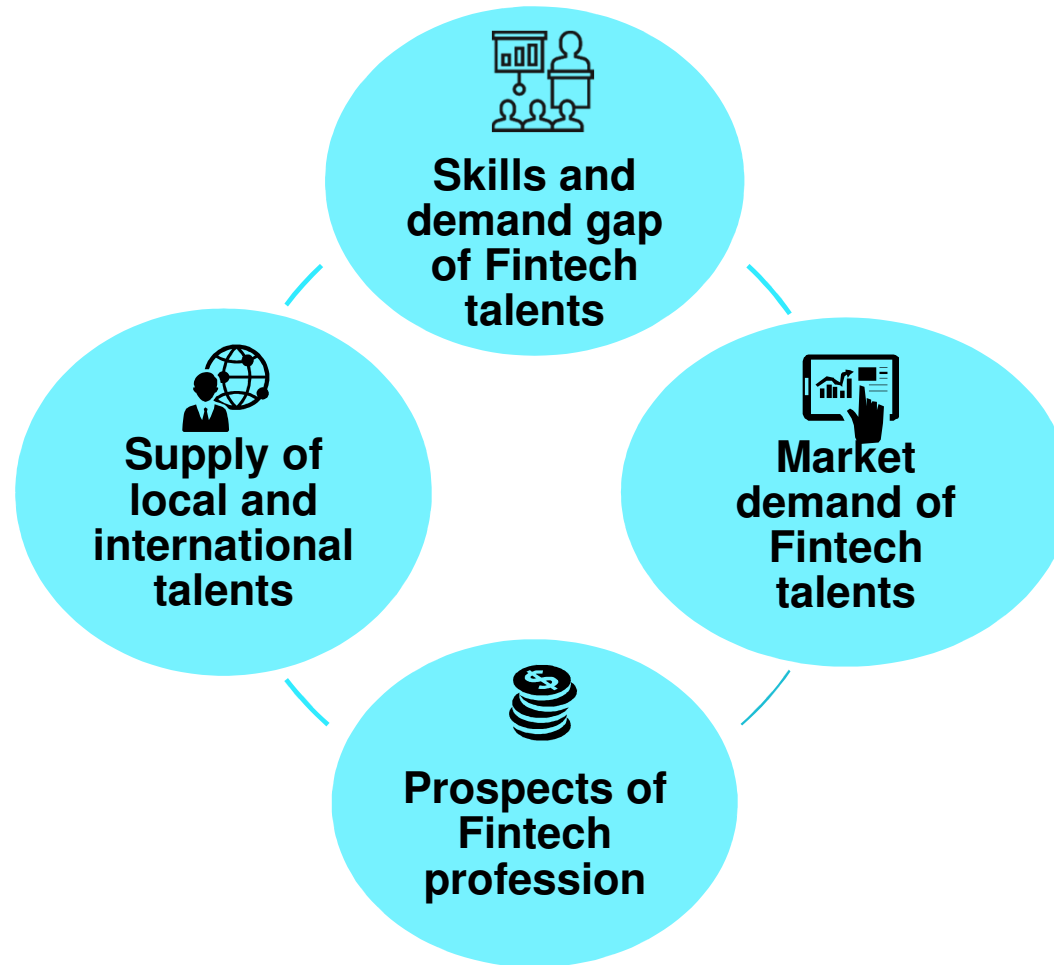
- Banks view Fintech **more as an opportunity than a threat**
  - On average **86%** of banks reported wide adoption of **Fintech**
  - Banks are **proactive/reactive adopters** of Fintech rather than passive followers
  - Early signs of payoff - higher level of Fintech adoption is associated with **higher cost efficiency** and **profitability** for banks
  - Banks are confident that they will **continue to play a key role over the next 10 years**
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# All-encompassing Fintech Talent Development





# HKMA Fintech Talent Study in 2020



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**Find out more from the full report on**

**<https://www.aof.org.hk/docs/default-source/hkimr/applied-research-report/fintechrep.pdf>**

