Hong Kong Financial Reforms - in a Greater Bay State of Mind.

Tuesday November 3rd 2020
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Hong Kong is undergoing a transformation into the Greater Bay Area

- This is the opportunity to create transparency in the transformation.
- Create a level playing field across business entities to minimise arbitrage opportunities
- Use of blockchain technology to give a degree of certainty to cross border transactions and regulation

### Greater Bay

Economic integration of the 9+2 cities of Guangdong, Hong Kong and Macau. This is HK as the financial centre and Shenzhen as the innovation hub.

### Digitisation and Data

Legal and regulatory activity to encourage innovation. This will promote transparency and support interoperability. Provide real-time data along the financial journey.

### RMB Exchange

Create an offshore RMB exchange as step towards RMB internationalization.
Hong Kong heads for the BERMUDA of China as a low taxation offshore facility for financial services. There is no need to doubt that HK will remain the bridge between international markets and China.

- Address China ageing society.
- Address ESG – UN Sustainable Pillars
- Public Private partnerships
- Introduction of family trusts
- Free flow of capital is challenge
- New asset classes

- Pension and Asset Management Reform
- Regulatory Change
- RMB Currency Development
- Digiitisation

- China has extensive blockchain and AI developments supported by Central Government plus extensive reform of IP and patent trading.

- Greater Bay has 3 tax regimes, regulators, laws, currency etc
  The Macau – Zhuhai – Hong Kong bridge has threes insurance covers.
  Regulators are committed to GBA

- Liberalising cross border financial products and deepening the liquidity pool of offshore RMB.
- Potential to move to CBDC
Key Transparency Points and Regulatory Change

1. Cross border trade to use technology to set e-trade standards. Ensure accountability in decentralised cross border systems and controls.

2. Regulatory change for KYC/AML and moving to KYI. Future proof for impact of regulation by moving to real time ecosystems.


4. New regulatory bodies dedicated to FINTECH with specific licence provision. GBA is a turbo-charger for China technical development. Data and intangibles are drivers. Financial inclusion imperative.

5. Moving to pension reform and new asset management regulation.

6. SME development and customer education. Moving to VIRTUAL BANKS shifting from distribution first to customer first. Fast account opening with low cost KYC/AML across GBA using blockchain which bridges the gap between the SME’s and the lenders. Derisking the supply chain.

7. The need to lobby regulators for concessions and exceptions in order to reconcile different regulatory and legal frameworks in conjunction with current contraints. Who is first point of regulatory contact.
The Greater Bay Area aims to develop as a global financial hub in the next five years. China has no plans to decouple from other countries and is open to learn from international expertise.

The Central Committee of the Communist Party of China and the State Council issued Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area:

Larger than San Francisco, Tokyo, New York - accelerated by COVID

- USD 1.3 trillion (12% of total in China)
- 26% of China’s total trade share
- Freight volume per year: 1.6 billion tons
- GDP size: 56,000+ sq km

Shenzhen
- Ranked as the third largest insurance market in China, only after Beijing and Shanghai
  - Position as an innovation and technology area
  - Act as a marine economic pilot city
  - Have 2,700 blockchain companies

Zhuhai
- For the Pearl River, its shipping freight volume exceeded 900 million tons, and the container traffic volume reached 15 million TEUs.
  - Create an innovation hub to undertake technology projects and transfer R&D outcomes
  - Provide angel investment and government funding to create an innovation incubation platform
In the China market, there are more than 320 blockchain enterprises, most of them operating in the financial services sector.

**Active investment in China’s blockchain area**

- North district accounted for more than 73.07%
- The funding amount accounted for RMB8.9 billion
- By the end of April 2018, there were more than 320 blockchain enterprises in China
- Up to 2017, there are 141 IVC and 119 CVC had participated in blockchain investment transactions, with an average annual growth rate of 69.24% and 121.78% respectively.

**Blockchain technology is mainly applied in the following fields**

- **Finance**
  - Virtual currency, cross-border payment, asset digitization
- **Information security**
  - Identity protection, data authenticity, authentication and security
- **Supply chain**
  - Supply chain finance, tracing and logistics
- **Public services**
  - Entertainment, media, copyright, medical treatment, public benefits
- **Main application fields**
  - Finance
  - Enterprise service
  - Entertainment
  - Healthcare
  - Tools software
  - E-commerce
  - Tourism
  - Real estate service
  - Hardware
  - Life service
  - Education
  - Logistics
  - Advertising & marketing

- Among the 459 blockchain investment transactions in the world between 2015 and 2017, the investor mainly invested in finance, corporate services and cultural entertainment, especially in the financial sector, which is equal to the sum of other area.
- The application of blockchain technology in China mainly covers finance, information security, supply chain, and public services.
Q&A

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