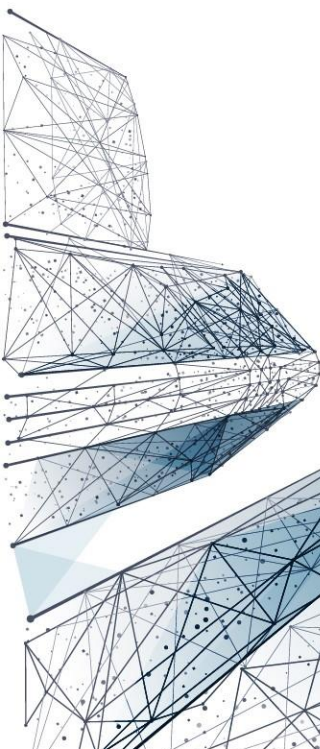


Realising the Potential of Blockchain in Advancing Hong Kong's Financial Services Industry

18 March 2024



Blockchain technology adoption within the financial services industry

Benefits and considerations of blockchain technology/ distributed ledger technology (DLT)

Benefits



Transparency and fraud-resistance



Error-resistance



Faster data access



Efficiency and cost-reduction



Regulatory oversight

Tokenisation of real-world assets (RWAs)

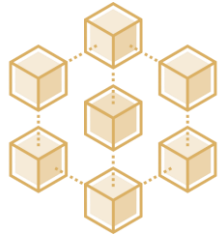
- Tokenised green bond in HK
- Tokenised notes
- CBDCs and tokenised deposit
- Settlement of tokenised assets pilots under Project e-HKD
- Tokenised securities
- Tokenised commodity
- Blockchain-based collateral settlement transaction
- Tokenised equities

Blockchain-enabled applications

- HKMA's projects on CBDCs and virtual assets
- Universal Digital Payments Network
- Blockchain-based motor insurance platform
- Xinghuo Blockchain Infrastructure and Facility
- Tokenisation platform and digital gold system

Expanding opportunities for Hong Kong – the way forward

Harness the power of blockchain on a much grander scale, ushering in transformative changes across multiple sectors



Government-participated blockchain as a utility service

- **Licensed parties can conduct blockchain-based activities in compliance with local regulations, safeguarding investors' and users' interests**
- Fork of the Ethereum blockchain decentralised in nature; high degree of transparency
- Onboarding KYC procedures with varying qualification levels depending on the activities



Enabling the orderly issuance of stablecoins in Hong Kong

- **Stablecoins may provide a digital currency alternative with a stable value, making it widely accepted as a means of payment within the city**
- Enhance efficiency and transparency of payment and settlement via using stablecoins
- Able to function as “programmable money” for the execution of complex transactions when used in conjunction with smart contracts




Blockchain-enabled carbon trading centre

- **Advantages of constructing a technology-driven carbon credit trading platform**
- **Streamline the verification process of carbon credits and promote data transparency**
- Tracking transaction prices, volume, and retirement status of relevant carbon credits
- Prevent the issue of double-counting carbon credits
- Bolstering the integrity, efficiency and effectiveness of VCMs

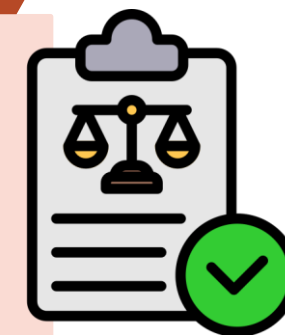
Recommendations – Regulatory adaptation and oversight for technological readiness

Recommendation 1: Conducting industry consultations on the development of digitalisation strategy and roadmap

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- Industry's desire for a clear roadmap, comprehensive turnkey solutions, and sufficient technical support to effectively transform the digitalisation of business operations
 - *Modernising the Electronic Transactions Ordinance and Stamp Duty Ordinance involves revising the requirement of traditional wet-ink signatures for certain documents*
 - *Identifying obstacles associated with digitalisation and the possible solutions, as well as potential blockchain applications in business operations through a hackathon*
 - Conducting regular industry consultations on the development of a comprehensive digitalisation strategy and roadmap within the city
 - *Involving active engagement of key stakeholders from diverse industries, e.g. finance, technology, and other relevant sectors*

Recommendation 2: Integrating development and regulatory oversight of blockchain applications under the established dedicated Task Force

- Important to provide regulatory clarity and uphold consistency
- Consider having the Task Force on Promoting Web3 Development to expand its mandate and play a more significant role
 - *Overseeing the development and regulatory needs for blockchain development and related applications across industries*
 - *Conducting periodic reviews, staying abreast of international best practices to formulate strategic directions and adaptable regulations*



Recommendation – Cultivating a vibrant ecosystem for blockchain technology with active Government participation and strategic support

Recommendation 3: Raising public awareness and the global profile of Hong Kong's blockchain ecosystem through targeted marketing and collaborative efforts

- In addition to investment, **the government's active engagement in the digitalisation and blockchain ecosystem** serves as a catalyst for the widespread adoption of these technologies
 - *Crucial for the Government to **not only act as a promoter but also actively integrate the platform for delivering utility services** in Hong Kong*
 - *Setting a precedent to demonstrate the benefits and advantages of digital transformation to other sectors and encourage them to follow suit*

Potential Opportunities

- **Digitalisation within the Land Registry's operations**
 - *Aiming to reduce heavy dependence on paper documentation*
 - *Enhancing efficiency and reducing costs by integrating blockchain technology*
 - *Enabling a more streamlined registry and verification process*
- **Verifying cross-boundary data and digital identities**
 - *Strategic for the Government to prioritise the use of blockchain to facilitate data flow between Hong Kong and the Mainland*



Recommendations – Capacity building: Raising public awareness and enhancing technical competency

Recommendation 4: Raising public awareness and the global profile of Hong Kong's blockchain ecosystem through targeted marketing and collaborative efforts

- **Robust marketing strategy** to raise public awareness of ongoing efforts of the Government and regulators
- Notable example – shared blockchain platform introduced by the OGCIO in June 2022
 - *Streamlining the delivery of smart government services*
 - *Conduit through which government bureaus and departments can provide digital services to citizens*
- **Engage in global discussions with international blockchain communities** for cross-border collaborations and knowledge sharing (e.g. EU Commission, Technical Committees in the International Organisation for Standardisation, etc.)



Recommendation 5: Establishing Hong Kong as a regional centre of excellence for training, thought leadership and technological literacy in blockchain and emerging technologies through conferences, targeted education, and integration of local and global expertise

- **Education and awareness** play a vital role in the successful implementation of the regulatory framework

Nurturing local talent through education

- **Collaboration between the Government, industry, and academia**, e.g. educational programmes, training workshops
- **Invite industry experts to participate in the design and implementation of these programmes/ workshops**

Attracting global talent, companies, and capital

- **Regularly review and modify these qualification requirements outlined in the Talent List** to better reflect the nature of the field
- **Seek partnerships with international organisations and experts** for collaborative research projects, joint initiatives and exchange programmes



Thank you