

LSCM Logistics Summit sheds light on fintech, OBOR opportunities

Cloud technology, the Internet of Things (IOTs), e-Commerce, smart city and specifically fintech will be the key topics at this year's annual LSCM Logistics Summit that kicks off today

Banking and financial market regulators, venture capitalists, freight operators and solution providers will convene at the two-day summit organised by LSCM R&D Centre, starting today, to discuss about the adoption of new technologies in the logistics sector and business opportunities presented by China's "One Belt, One Road" (OBOR) initiative.

The event, now being held at Hong Kong Science Park, aims to promote the development and application of new technologies to enhance logistics and supply-chain connectivity along the new Belt and Road.

On the first day, the focus will primarily be on how to tap the new opportunities created by China's OBOR initiative. There will be topical speeches delivered by senior executives from leading industry players and a panel discussion moderated by the Centre.

On the second day, how fintech is reshaping the logistics industry will be a key area of discussion. Turnkey fintech solutions tailor-made for the logistics industry will also be showcased and demonstrated in the afternoon sessions.

As fintech innovation continues, it is necessary to solidify the regulatory ground to foster healthy

growth while ensuring maximum protection to investors and customers. Two senior executives respectively from the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) will give timely updates on what the regulators are doing in their best efforts to balance fintech growth and financial stability.

Regulators and banks are increasingly using new technologies, such as artificial intelligence or data analytics, to address new regulations and better manage risk, a process now referred to as "regtech".

In June the SFC issued an invitation to tender for a pilot regtech project. The securities market regulator hopes to analyse better the data it gathers from financial firms and the market to identify and mitigate risks, such as systemic risks, product mis-selling or fraud.

On co-operations with regulators of other jurisdictions, the SFC says it has established communication bridges with global regulatory counterparts, including the US, the UK, Australia, Singapore, etc through the International Organisation of Securities Commissions (IOSCO).

"These communication bridges enable the SFC to anticipate new fintech business models already existent in other markets that may want to expand to, or set foot in, Hong Kong. It also enables the SFC to consider how such business models interact with the SFC regulations," says Ms Bénédicte N. Nolens, senior director and head of risk and strategy (R&S) and of the fintech contact point of the SFC, who will talk about fintech from the perspective of a securities regulator.

The Fintech Contact Point was formally launched in March. Since its inception, it has maintained

an active dialogue with Fintech stakeholders, including local start-ups, global Fintech players, established financial institutions who may be adopters of Fintech and Regtech, etc. The Fintech Contact Point also chairs a Fintech Advisory Group composed of members of the industry.

From the SFC's perspective, financial market stability and investor protection are of utmost importance. "In cases where the risks of the business model outweigh the potential benefits, the SFC has the power not to grant a license," she says. "In certain cases, new fintech business models can fit into our current regulatory regime, while in other cases reconfiguring of the regulation system may be needed." Fintech start-ups are encouraged to contact the Fintech Contact Point before launching their business in Hong Kong.

To facilitate the healthy development of the fintech ecosystem and to promote Hong Kong as a fintech hub in Asia, the HKMA has established the Fintech Facilitation Office (FFO). The FFO aims to serve as an initiator of industry research, a platform for exchanging ideas among industry players, and an interface between the industry and the regulators at the HKMA, according to Mr Li Shu-pui, executive director for financial infrastructure at the HKMA.

To address growing concerns over cybersecurity and to build a good foundation for the fintech industry to grow further, the FFO launched the Cybersecurity Fortification Initiative (CFI) in May, which features a risk-based Cyber Resilience Assessment Framework requiring all Authorised Institutions to assess their inherent risks in the cyberworld and gear up their resilience to a level that is commensurate

with their inherent risks.

"We believe that fintech start-ups offering cybersecurity solutions would welcome such risk-based approach of enhancing banks' cyber resilience, as they can have more scope to provide tailor-made solutions to their bank clients," Mr Li adds.

The FFO also announced in early September the establishment of a Fintech Innovation Hub (the Hub), which

is set up in collaboration with the Applied Science and Technology Research Institute. The Hub will be equipped with appropriate computing resources to enable industry players, such as banks, payment service providers, fintech start-ups, the HKMA, etc. to try out and evaluate new fintech solutions and conduct proof-of-concept trials. The HKMA also launched in parallel a "Fintech Supervisory Sandbox", which is a policy arrangement that allows Authorised Institutions to conduct pilot trials of their initiatives

without the need to achieve full compliance with the HKMA's usual supervisory requirements. Real-life data and user feedback on new fintech products or services can therefore be gathered in a controlled environment more easily and refinements can be made as appropriate.

"The Hub and the "Sandbox" policy are both initiatives to foster fintech innovation in Hong Kong. They together show the HKMA's commitment to facilitating the development of fintech in Hong Kong," Mr Li adds.

"The FFO has also been keeping in touch with the industry through meetings, email correspondence, and attendance at industry events, to explain our work relating to fintech development. We will continue to solicit industry views on related matters through various channels with a view to developing a healthy fintech ecosystem in Hong Kong," he says.

The LSCM Logistics Summit is the premier event for the logistics sector, bringing together regulators, top industry players, investors and solution providers under one roof to share views, exchange ideas, showcase innovations and gain insight from case studies.

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