

## **Fintech and Digital Currency: Financial Innovation in Greater Bay Area**

Moderator Lynn Hang Yu, Chief Correspondent in Hong Kong, YICAI TV, started by framing the discussion around the fact that China has set its sights on developing the Greater Bay Area as a global financial centre, and therefore the emergence of digital currencies will play a major role as this ambitious initiative expands.

Professor Ba Shusong, Managing Director, HKEX and Chief China Economist, then made his keynote speech, "Regulatory Challenges and Development Trend of Libra from the Perspective of Financial Innovation".

Professor Ba traced the history of currency, from shells through to gold and cash and on to digital currencies like the Libra proposal – the "permissioned blockchain digital currency proposed by the American social media company Facebook" - which tap into the tools of the modern age, such as smart phones. Problems have arisen in terms of policy with the spread of these new currencies and of perception, Professor Ba said. "France and the US have criticized Libra and other countries are following suit." These countries are tackling the new currency "from different perspectives" and, he suspects, feeling threatened by it.

Just how digital currencies will influence traditional banks is still unknown, but the professor suggested one area will be in foreign currency reserves, and he thinks the prospect of Libra and other digital currencies will "court controversy" with questions raised over how to identify the person or entity responsible. "Regulators will have a difficult time defining the entity," he said. Digital currencies can "improve efficiency", but would be "very difficult to regulate."

Looking ahead, Professor Ba explains the onus will be on collaboration and communication between countries and between financial markets and regulators.

Mr Cheney Tsoi, President of Asia Blockchain Society, pointed to the problems associated with the invention of Bitcoin: "reliability, authenticity and operation", saying that with time these concerns have diminished.

Mr Tsoi said that the rise of digital currencies is an example of human beings "trying to raise efficiency and minimise costs" but more support is needed higher up the chain of command. "Innovation starts with the private sector, but for it to be successful and to have big-scale promotion it needs government support," he observed.

Noting the rise of digital currencies is directly linked to “customer experience” and citing the example of Blockchain as an innovation that could “help people in countries where they have no access to banks, Mr Tsoi said “This is truly universal banking where everyone can participate even if they don’t have a bank account.”

Turning his attention to the situation in Hong Kong, Mr Tsoi urged more “financial innovation”, which in turn could help leverage the city’s position as a centre of global finance within the Greater Bay Area.

“Banks in Hong Kong cannot rely on the past,” he said. “Many visitors from China feel Hong Kong is still a cash-based society which is not very efficient. It’s not going to change overnight, so Hong Kong’s banks will have to innovate.”

Then Mr Zhu Jiang, Blockchain Business Leader and Blockchain R&D (Blockchain Department) General Manager at Kingsoft Cloud, highlighted recent developments in both Hong Kong and in Singapore where new licenses are being issued for the private sector to become involved in financial innovation.

Research and exploration are under way, said Mr Zhu, referring to issues such as transactional legality and consistency, and in the future, in terms of “payment and settlement and clearing”, there will have to be perfect consistency.

Mr Zhu said the fintech market is constantly being reinvented, so there is a need to “promote integration” between practices that already exist and those that are emerging.

He sees a need to integrate high tech into the financial sector with both sides respecting each other’s existing cultures and workplace practices. Mr Zhu said the word ‘innovation’ sometimes causes undue concern as it also refers to change, “but it is a ‘spirit’. Just like ‘respect’. We must respect banking to sustain innovation.”

Peter Reynolds, Partner and Head Greater China, Oliver Wyman, said his company has been explaining to its clients that the “digital landscape is almost a mirror of the economy” and that people across the board are seeking out ways to facilitate efficient transactions so the digital economy is rising to meet these demands.

“Digital technology allows for faster and efficient settlements,” he said, “and blockchain has obvious benefits. Fundamentally, all currency is digital [today];

there is very little cash. So if we're all talking about keeping accounts, is Blockchain a better database? Yes."

In terms of the change in the landscape of consumer banking, Mr Reynolds said today's customers want to spend as little time as possible dealing with their banks, so digital banking is seen as an opportunity. "From my perspective there is a real opportunity for banks to reduce amount of time people spend in banking and spend more time on what they enjoy," he said.