

Asian Financial Forum 2017

Panel discussion on Payment Technology and Cyber Security

Synopsis

Convenience of online search, staying connected through messaging and social media networks, and conducting instant online purchase and sale, have disruptively changed business operations and models in ways unprecedented. Concomitantly, they generate numerous transactions and massive fund flow each day through many local and cross-border payment platforms. Seamless communication and sprawling e-commerce sales through many information and application platforms, mobile or otherwise, necessitate proper identity validation, authentication and authorisation. Unequivocally, these processes are vulnerable to any scathing attack originated locally or internationally, reminiscent of recent reports that millions of accounts had been hacked. Known for its use in bitcoin distribution, blockchain technology adopts distributed ledgers of payments which aim to eliminate the need for central authorities to certify ownership and clear transactions. Yet, how could this distributed ledger technology be optimally adopted to ensure both security and transaction efficiency, while tackling counter-party risks and interoperability among different chains? This panel will discuss where would payment technology and cyber security be next headed, and how would the interests of concerned stakeholders, including consumers, online vendors, payment platforms, internet and financial institutions, be best served?

Opening remarks: Dr Lee G Lam, Chairman, Hong Kong Cyberport Management Company Limited

Moderator: Ms Melissa Guzy, Co-Founder and Managing Partner Arbor Ventures

Speakers

Mr Eoghan Murphy TD – Minister of State for Financial Services of Ireland

Mr Jixun Foo – Managing Partner, GGV Capital

Mr Lars Ottersgard, Executive Vice President and Head of Nasdaq Market Technology

Mr Makoto Shibata, Principal Analyst and Head of Global Innovation Team, Digital Innovation Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd

Mr Stephen 'Kai' Sui, Chief Executive Officer, Neural Technologies Limited

Mr John Wolpert, Director of Global Offerings - Blockchain, IBM

Dr Lee G Lam, the Chairman of Hong Kong Cyberport Management Company Limited, opened the discussion by noting that he views Cyberport's role as instrumental in Hong Kong's development. "To do Fintech well, you need both fin and tech and fortunately in Hong Kong there is a happy convergence of the right people – good managers and techies from the professional services sector – the right place – HK is a financial centre and the HK government and Monetary Authority are supportive of innovation – and Hong Kong has the

right geography, given that China has a booming internet sector – it is the number one country in the world for digital innovation.”

“Innovators innovate regardless of who the president is – as innovation transcends political boundaries,” Ms Melissa Guzy, the moderator and Co-Founder and Managing Partner of Arbor Ventures, asserted in a powerful opening gambit, which at once addressed and deflected the inevitable question about the new US Administration and the impact Trump may have on the industry. Interestingly, she pointed out that if Facebook were a country, it would have the largest population on earth.

Mr Jixun Foo, the Managing Partner of GGV Capital, suggested that, with new technology, it is hardly necessary to carry a wallet because WeChat and e-wallet make it possible to take care of payments. Though these are mainly used in China, “a distinct trend is emerging” throughout Asia too. Alibaba is also expanding beyond e-commerce and seeking an offline presence. According to Mr Foo, regulation is often perceived as running counter to innovation because it establishes boundaries in terms of what innovation can achieve. Using China as a reference point, he noted that it “is a controlled regime that has allowed innovation to flourish, with regulation being introduced later.” There was no real control in 2005 and 2006 regarding how online video was used and shared and it was only after 2009 that the government began to regulate. China is doing it the right way, he said, because it is enabling innovation to grow, and then stepping in.

Mr Makoto Shibata, the Principal Analyst and Head of the Global Innovation Team, Digital Innovation Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd, spoke of the major changes in the last decade with people increasingly paying with their mobile devices, sometimes through Apple Pay or WeChat Pay. In order to change with the times, conventional banks will have to partner with new players, though it is hard to replace the banking and credit card sectors. Mr Shibata remarked on the *sandbox* approach being used in the UK, where start-ups are authorized to test new products and models with a small number of actual users in a simulated environment. Asian markets, he said, are “slowly trying to adopt the same approach.”

In an Irish context, Mr Eoghan Murphy, the Irish Minister of State for Financial Services, observed that because most people carry out mobile transactions, and because technology is advancing at such a rapid pace, his government is under pressure to keep up with the demand. It therefore introduced IFS 2020 with a view to putting Ireland at the forefront and enable companies to set up their own ecosystems. A system of review allows improvements to be made down the track and working across the EU “made it safer for citizens”, but one had to recognize the risks as well.

Mr John Wolpert, the Director of Global Offerings - Blockchain, IBM, suggested that “something remarkable” is happening. In addition to the Internet of Things, there is also now the Internet of Transactions. In his view, the word blockchain has become overloaded. “Today,” he said, “we are going to see new techs disrupting banking, and cryptocurrencies becoming more

mainstream.” The idea is to negate the need for a third party and to transform social innovation so that people are empowered to make more efficient decisions about how they do business with each other. Fabric is the new word used to describe blockchain, and the “irony of bitcoin is that it is an application of blockchain, created by people who wanted to avoid regulation, a little bit like Napster. They took their cues from the fringe and adapted it for the mainstream.”

When Ms Guzy asked the audience: “*What would be the major challenge to the growth for payment technology and cyber security?*” 35 per cent replied that the lack of industry standards and compatibility in technology application would be the biggest obstacle. And when she asked the panel whether or not cash would still be used in 10 years, Mr Murphy and Mr Foo thought so, but Mr Ottersgard said that they don’t use cash in Sweden today, while Mr Shibata said that although the Japanese love technology he expects cash to be around for at least another 10 years. Mr Siu thought that was less important than there being different ways of consumption and doing business and Mr Wolpert said he didn’t carry cash in his wallet any more, and that one needs to consider physical tokens of value vs. digital tokens.

Ends