

HKU FinTech Day 2023



# Web3 Infrastructure Development and Ecosystem in Hong Kong

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# Virtual Asset Industry in Hong Kong - Compliance, Innovation & Orderly Development

## Stage 2

2022.12

LegCo passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill.

HKMA issued Conclusion of Discussion Paper on Crypto-assets and Stablecoins.

## Stage 1

2022.10

Policy Statement on Development of Virtual Assets in Hong Kong

2022.12

Hong Kong Innovation and Technology Development Blueprint

## Stage 3

2023.02

The Budget announced a task force on VA development.

Successful offering of tokenised Government green bond of HK\$800 million, the first of its kind globally.

## Stage 4

2023.02

SFC issued Consultation Conclusions on the Proposed Regulatory Requirements for VATPs.

2023.06

Implementation of new licensing regime for VATPs.

## Stage 5

Set up more application scenarios of digital assets:

- asset-backed token
- security token
- utility token
- Government token
- NFT



# Present State of VA Services in Hong Kong



## Scope of the AML Bill

- Cryptocurrency
- Stablecoin
- STO
- Any digital token specified by FSTB



## Stablecoin?

- The 1st consultation has been concluded.
- Regulation announced by 2024 Q1



## Licensing Requirements

- Established or registered in Hong Kong
- Responsible officers and owners meet "General Fit and Proper" criteria.
- Adequate financial capability
- Financial reporting and disclosure



## VATPs licensed by the SFC

















## Crypto Asset ETFs Listed in HKEX

- CSOP Bitcoin Futures ETF (3066)
- CSOP Ether Futures ETF (3068)
- SAMSUNG Bitcoin Futures Active ETF (3135)









- Good governance structure
- Appropriate risk management
- Segregation and management of client assets
- Prevention of market manipulation and irregularities
- Prevention of conflicts of interest

JURISDICTION	HONG KONG	SINGAPORE	DUBAI
Regulator	Securities & Futures Commission (SFC)	Monetary Authority of Singapore (MAS)	Dubai Virtual Assets Regulatory Authority (VARA)
Operational Licensing Regime for VASPs	<ul style="list-style-type: none"> <li>Securities and Futures Ordinance</li> <li>Anti-Money Laundering and Counter-Terrorist Financing Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>Payment Services Act</li> <li>Financial Action Task Force</li> </ul>	Virtual Assets and Related Activities Regulations 2023
Dealing services	SFC Type 1 License		
Advisory Services	SFC Type 1/4 License		
Exchange Services	SFC Type 1/7 License Additional license for providing VA service		
Custody Services	Same as Exchange Services if VATP provides custody services as an ancillary service to its trading services.		
Payment Services	 SFC license is not covered in the regime.		
Stablecoin Issuance?	Regulation is under progress.		
Cytpo for Retail Investors?	Eligible large cap crypto only	Yes, but with restriction in promotion & borrowing	

# A sizeable financial industry with opportunities for Web3 innovation

Source: InvestHK, Data as of end 2021

		<i>Market Stats (USD)</i>	<i>No. of Firms</i>
	<b>Asset &amp; Wealth Management</b>	\$4.5tn AUM	1,800+
	<b>Banking</b>	\$3.36tn Total Asset	160+ Licenced Banks 8 Virtual Banks
	<b>Digital Payment</b>	\$33.4bn Projected Total Transaction Value	100+ payment companies
	<b>Insurance</b>	\$74bn Total Gross Premium	160+ Insurers 4 Virtual Insurers
	<b>Securities</b>	\$203.8bn Total Assets	1,400+ Securities Dealers and Securities Margin Financiers
	<b>Trading</b>	\$1.37tn Total Trade	Out of 340,000+ Total SMEs 99,000+ engaged in import/ export trade and wholesale

# Looking ahead, Web3 could affect financial services in far-reaching ways.

Source: McKensey

## Assets

Traditional assets				Novel Web3 assets			
Equities	Debt	Commodities	Cash	Stable-coin and CBDCs <sup>1</sup>	Crypto	NFTs <sup>2</sup>	Tokenized assets

*New markets may continue to form, and certain assets could continue to tokenize, tapping into latent customer demand*

## Services

Traditional
  Web3

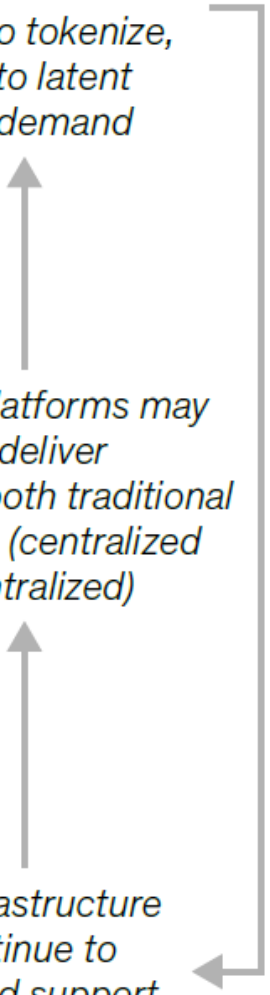
Marketplaces and exchanges	Payment networks	Banking and lending	Gaming	Social	Media
Marketplaces and exchanges	Payment networks	Banking and lending	Gaming	Social	Media

*Multiple platforms may coexist to deliver services, both traditional and Web3 (centralized and decentralized)*

## Infrastructure

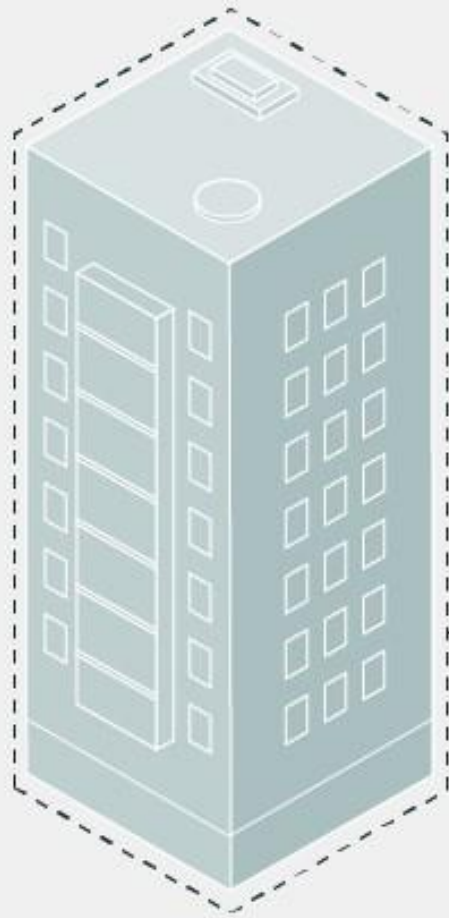
Custody and servicing	Clearing and settlement	Tokenization and issuance	Wallets and identity	Data, risk, and compliance
Blockchain infrastructure				

*Web3 infrastructure could continue to mature and support new assets*



# Asset Class Type 1: Tokenization

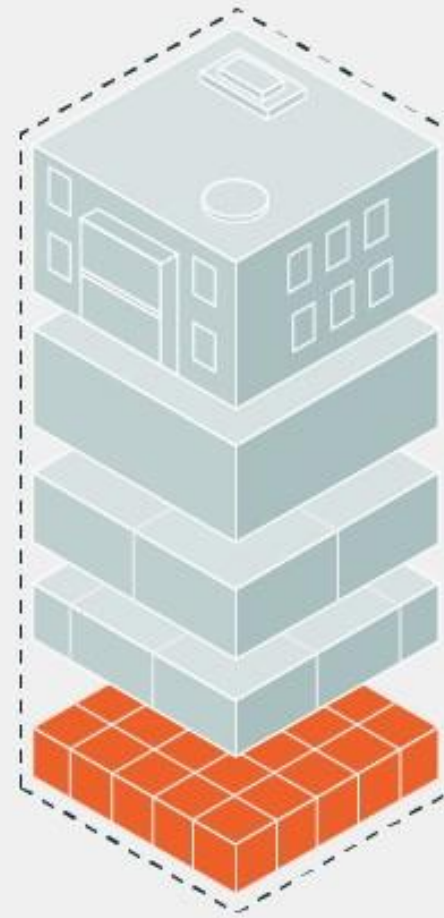
The theory of Real-world asset (RWA) tokenization



Consider an office tower that is worth **\$10 million**.



This type of asset is typically only **accessible to institutional investors** with large amounts of capital.



Through tokenization, the ownership of this building could be split into **100,000 digital tokens worth \$100 each**.



These tokens would be traded securely on a blockchain ledger and made accessible to investors around the world.

**Smart contract functionality on each token would ensure every owner receives their share of the building's rental income.**

# Hong Kong issues world's first government tokenised green bonds worth US\$102 million, with offer attracting strong investor interest

- The success of the tokenised green bond shows Hong Kong's strengths in combining bond market, green and sustainable finance as well as fintech, financial secretary says
- The offering attracted strong interest from institutional investors, says Bank of China (Hong Kong), one of the deal's global coordinators



Enoch Yiu

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Published: 9:14pm, 16 Feb, 2023





# Asset Class Type 2: Digital Assets

How can Hong Kong build up a regulatory environment and professional service industry chain to advance the development of an international NFT market?

Currently, the NFT space has three key branches, each pushing innovation in unique ways:



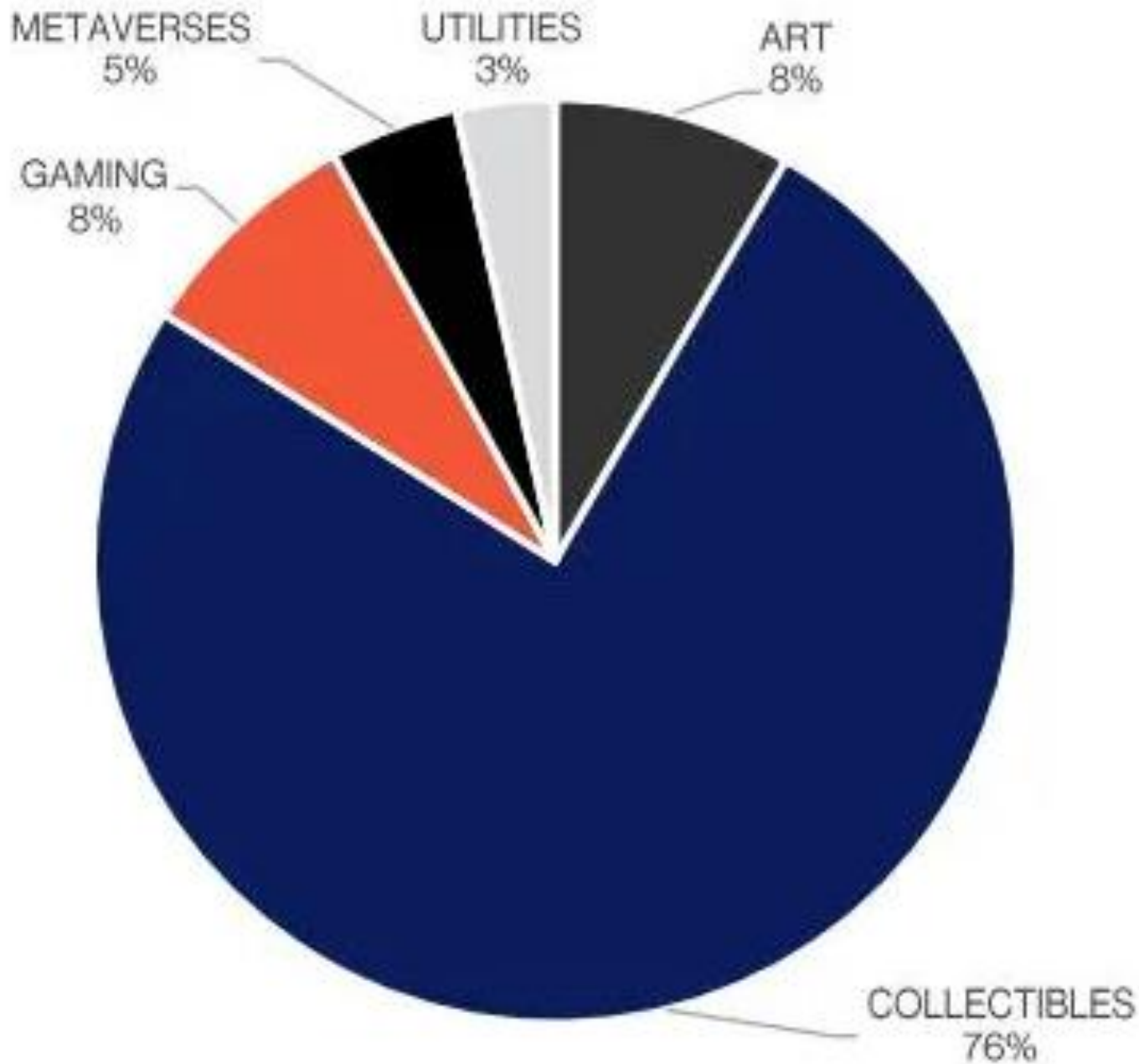
**Art and Digital Collectibles**



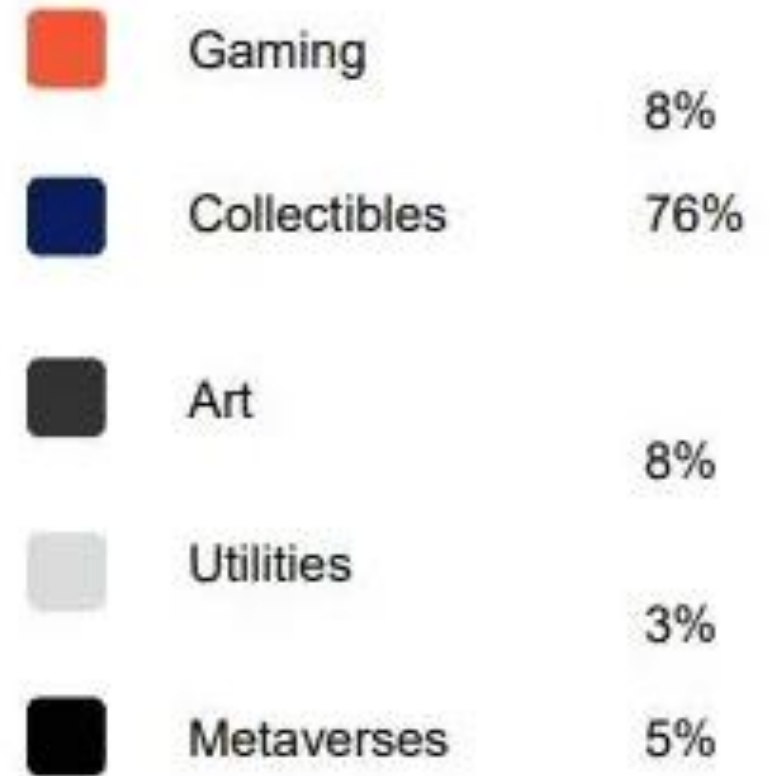
**Gaming**



**The Metaverse: Digital Identities and Spaces**

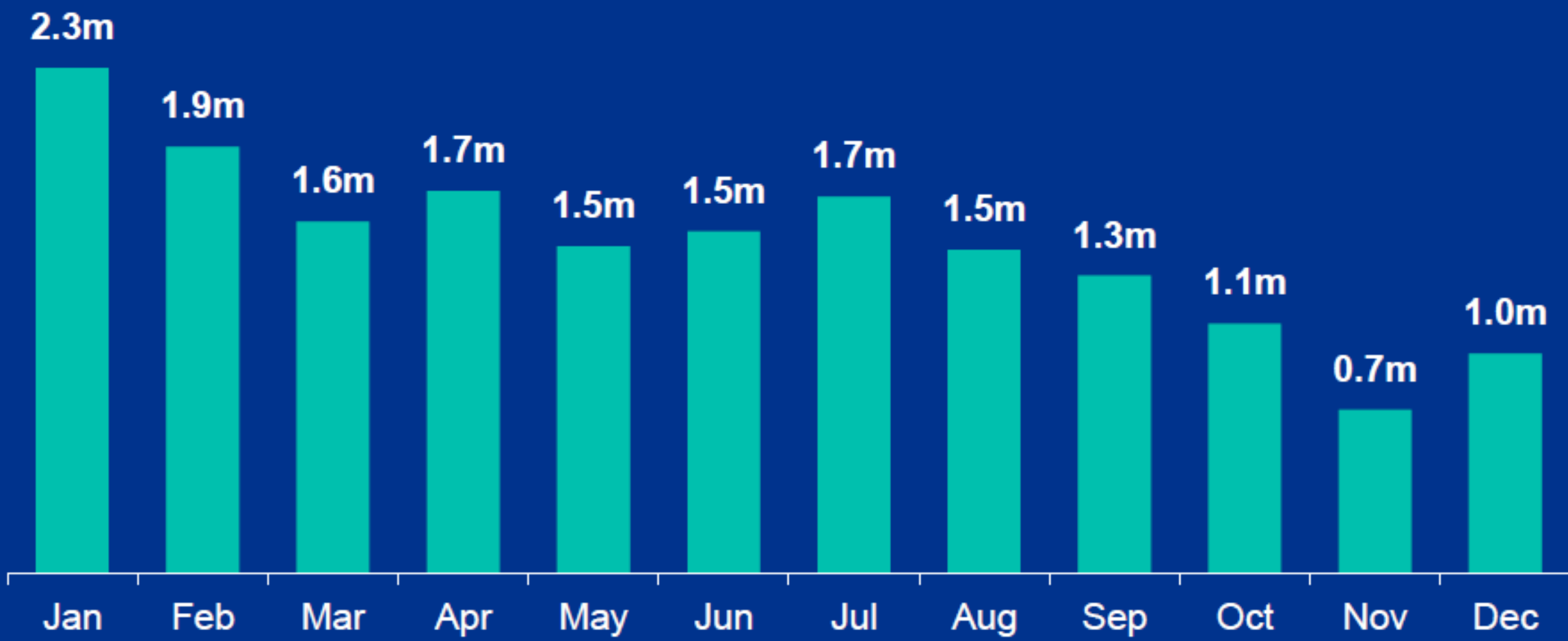


## Volume of USD traded



**NFT activity by segment, 2022 Q1**

**NFTs sales on OpenSea have decreased over 50% from the highs seen in 2021 amidst a macroeconomic downturn and ongoing crypto winter, as well as increased competition**



# For Sale

The lowest price Punk currently for sale is **59.99 ETH (\$111,915.54 USD)**.

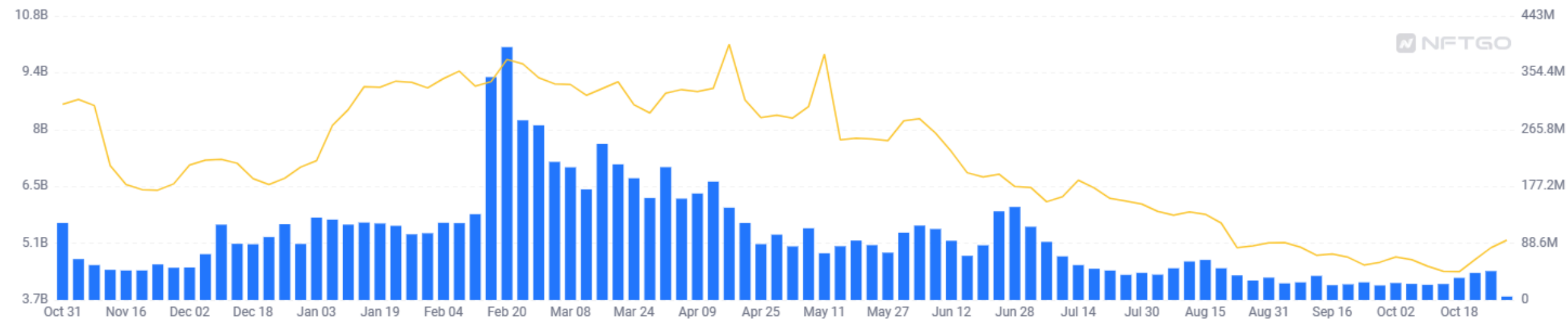
The average sale price of a Punk over the last year is **356.83 ETH (\$665,690.64 USD)**.

The total value of Punks sold over the last year is **231,301.38 ETH (\$431,508,897.04 USD)**.



# Market Cap & Volume

● Market Cap ⓘ **\$5.21B -39.5%**  
● Volume(1Y) ⓘ **\$9.13B -62.89%**



# The Most Expensive NFTs Ever Sold



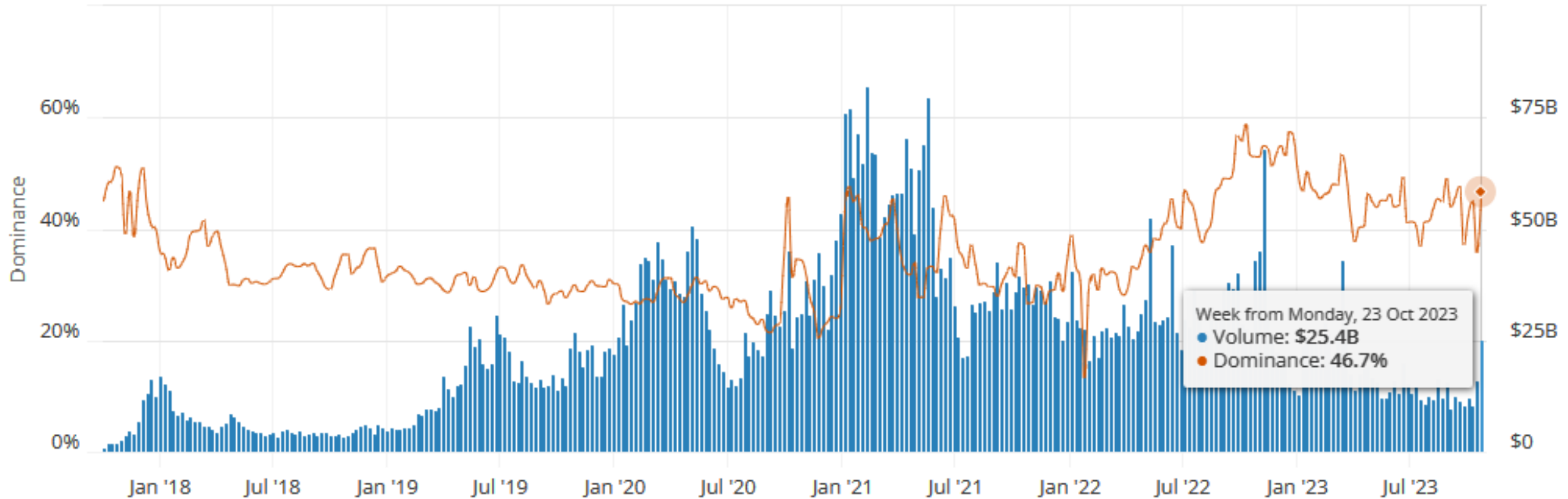
# Asset Class Type 3: Cryptocurrency

Bitcoin trading price (USD)



# Asset Class Type 3: Cryptocurrency

Bitcoin trading volume (USD) and dominance among the whole crypto market



# BlackRock's Imminent Spot Bitcoin ETF Approval Fuels Market Optimism

Susie Violet Ward Contributor   
*Bitcoin Journalist and Financial Analyst.*

Oct 24, 2023, 02:05am EDT



**How US Financial Market Adopts VA Gradually**

# NEXT QUESTIONS ?

## Hong Kong's trust in cryptocurrency assets plunges after JPEX scandal, HKUST survey finds

- From September to October, 41 per cent of Hong Kong people preferred to not hold virtual assets, an increase of 12 percentage points from April to May this year, HKUST found
- Virtual assets have grown in popularity in Hong Kong in recent years, but many people lack a good understanding of the assets and make poor investment decisions

JPEX cryptocurrency scandal | + FOLLOW



Xinmei Shen + FOLLOW

Published: 5:00pm, 17 Oct, 2023

Why you can trust SCMP



Regulation for OTC Transactions?

## STANDARD CHARTERED'S ZODIA LAUNCHES CRYPTO CUSTODY IN HONG KONG

OCTOBER 30, 2023 4:56 PM UTC, ABDELAZIZ FATHI

Zodia Custody, a cryptocurrency custody enterprise owned by British banking heavyweight Standard Chartered, has announced its latest expansion move, this time targeting Hong Kong.



The expansion, revealed exclusively to CNBC, marks a crucial step in the U.K.-based firm's growing footprint across the Asia-Pacific region.

Custodian?



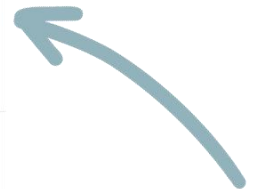
## 新田科技城 | 土地業權分散 邱達根建議發行代幣收地

撰文：李宇婷

出版：2023-08-31 19:58 更新：2023-08-31 19:58



More Application Scenarios of Tokenization Led by the Government?







# Thank You !

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