

Legislative support key to virtual asset growth

Duncan Chiu says by opening up opportunities for VAs, authorities can enhance HK’s financial market

During Hong Kong Fintech Week in November, one of the topics that attracted heated discussions was on the policy statement on the development of virtual assets in Hong Kong released by the Hong Kong Special Administrative Region government. The statement declares that the Securities and Futures Commission will launch a public consultation on the trading of VAs by retail investors. In one of the speeches at Fintech Week, Julia Leung, deputy CEO of the SFC, said that it was an opportune time to review the “professional investor only” requirement. Needless to say, this is a welcome glimmer of hope for the industry to promote the popularity and innovation of VAs.

For those readers who have followed my work in the Legislative Council, they know that I have always been an advocate of the opportunities presented by Web3. Just as Google, Amazon and Facebook have swept the world since the 2000s, Web3 represents a new stage in our digital era. As VAs are the main mediums of exchange and value storage in many Web3 applications, they become the fundamental “backbones” during the development process of Web3.

The classification of VAs consists of utility tokens, security tokens, asset-backed stablecoins and non-fungible tokens, etc, which have emerged for various purposes and uses. For example, although we have witnessed significant growth in global market capitalization, cryptocurrencies are only one part of the much broader digital asset taxonomy. Nevertheless, proactively exploring this new asset class and providing financial services as a test bed can be a possible new growth pillar for Hong Kong’s financial sector.

At the same time, neighboring regions are putting in their best efforts. The Monetary Authority of Singapore recently announced the country’s first decentralized finance industry pilot, under which DBS Bank and JPMorgan Chase completed a real-time cross-currency transaction involving tokenized Singapore and Japanese government bonds. MAS also said it is launching two other new pilots, including the issuance of trade finance tokens led by Standard Chartered, and the digital issuance of wealth management products by HSBC and United Overseas Bank.

It is therefore important for Hong Kong to catch up. In fact, Hong Kong has the potential to develop a vigorous VA ecosystem and become a Web3 international hub. At present, enterprises and talents leading the VA-related technologies (cryptography, distributed ledger, etc.) are mainly from Western countries. However, if Hong Kong can exploit these technologies at the application level,



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there is still plenty of room for growth.

In promoting the sustainable development of the VA industry, we need several success factors. Some of these are the inherent strengths of Hong Kong as the world’s premier international financial center, such as a stable banking system and currency, free movement of capital and mature financial infrastructure. Other success factors are Web3-specific, such as the establishment of specialized faculties in tertiary institutions to provide education in blockchain technology and VA management, in order to nurture talents and lay a solid foundation for the industry.

However, I believe that the most important success factor is the authorities’ recognition and legislative support for the development of our VA ecosystem. As VAs have to be connected to the real world at some point, such as converting cryptocurrencies into stablecoins or legal tender, they should be regulated by the real-world regulatory system as well. However, the legislative process must be careful and keep pace with the times. On the one hand, the authorities need to encourage financial innovation, demonstrate the inclusiveness of new technologies and services, and maximize the value of the VA industry in pilot runs. On the other hand, they need to maintain overall financial stability and avoid excessive risk to investors.

Over the past few months, some of the chaos involving VAs have reflected the need to revamp the law. For example, in view of the collapse of TerraUSD, LUNA and FTX, should we rely solely on the private sector to carry out VAs issuance, trading clearing and settlement? Is it appropriate for the government to be directly involved in the VA business? Should we set up a third-party body to certify the quality of VAs? All these need to be further explored by society.

Early this year, the Hong Kong Monetary Authority launched a consultation on the regulation of stablecoins for payment purposes. This is the right direction to go, and will give the market more confidence in the future regulatory framework.

I remember that the HKMA established the Fintech Facilitation Office in 2016 and announced several initiatives a year later, including the introduction of virtual banking and insurance services, and the Open Application Programming Interface Framework, which allows financial institutions to open their internal IT systems for third parties to facilitate information exchange. This has attracted a large number of startups. Many of today’s fintech unicorns, such as Amber, BitMEX, etc, were founded by talents who came to Hong Kong from overseas at that time. As of 2022, eight virtual banks, four virtual insurers, and two VA trading platforms have been authorized to operate. Therefore, it is clear that Hong Kong will be in an advantageous position once we launch encouraging policies.

As VAs continue to evolve rapidly around the world, I agree with the SFC’s decision to start the consultation as soon as possible and without excessive preconceptions and positions, so as to demonstrate openness toward financial innovation. I suggest that society should focus on the balance between the development of the VA industry and the risks for retail investors. Apart from enhancing investor education and establishing a licensing system for VA service providers, we may refer to overseas experience, such as limiting the investment amount based on retail investors’ income and assets or allowing them to access accredited products only.

There is still a long way before the outcome of the consultation or even the implementation of the legislation. By opening up opportunities for the new asset class, I hope that the authorities can enhance the depth and breadth of Hong Kong’s financial market. They should also improve the legal and regulatory frameworks to win the trust of the public and traditional financial institutions. As a LegCo member, I will actively cooperate with the consultation and reflect the views of the public and the industry to the government.

The views do not necessarily reflect those of China Daily.

Technology empowers art and culture in Hong Kong

The Hong Kong Philharmonic Orchestra’s recent announcement of the world premiere of its Metaverse Symphony very much reflects Hong Kong’s position and increasing relevance in the areas of innovation, technology and the arts.

The significance of the Metaverse Symphony lies in the development of a digital representation of the physical performance, but without any of the constraints of hosting a full orchestra of over 90 musicians in a fixed location, at a fixed time, where each member of the audience has a predetermined view. This is an innovative move and provides infinite creative opportunities for the Hong Kong Philharmonic Orchestra to engage and interact with new and younger audiences. It promises to be an enriching and immersive experience and possibly a first in the metaverse and definitely worth watching.

The virtual concert will be broadcast in the much-heralded Sandbox. This is the Web3 platform where arts and entertainment converge with gaming and commerce in an environment where among other things participants can create, own and monetize their online experiences. The physical premiere will take place in the Hong Kong Cultural Centre in May 2023 while the virtual concert will be performed in a digital recreation of Statue Square catering to a global audience.

Co-commissioned with the Asia Society Hong Kong Center, the symphony was composed by the extraordinarily talented Elliot Leung Ho-yat who is a graduate of the Hong Kong Academy of Performing Arts. At only 27 years of age his dramatic symphonic film scores have garnered a loyal following. Internationally recognized as a very talented composer he is definitely one to watch in the future. One of his most popular works is the soundtrack for *The Battle at Lake Changjin* and this is also the highest grossing non-English-language box office film of all time. An impressive achievement!

Perhaps one of the more important points to remember about the Metaverse Symphony is that it is homegrown. The collaboration of art and technology is certainly not new but the example set by the Hong Kong Philharmonic Orchestra and its partners underlines the importance of supporting local creative talent and actively promoting local art and culture to broader international audiences. This symphonic iteration is simply one example of what is possible when technology interacts with culture and the arts.

The metaverse is based on blockchain technology, the concept of decentralization and token-based economics. There is no doubt that the capability and the speed of development of the technologies and the platforms that are emerging will inevitably touch the lives of most people in some shape or form. Sooner perhaps than many envisage.

It’s worth noting that the fields of innovation and technology are areas on which Hong Kong has been particularly focused for some time. Acknowledgment of this is reflected in the fact that we have maintained the 14th place ranking in the 2022 Global Innovation Index, notwithstanding the devastating impact of COVID-19 on the economy over recent years. In this regard it is also worth noting that the Shenzhen-Hong Kong-Guangzhou science and technology cluster was at No 2 in the rankings in last year’s index. Two of the main drivers in the development of technology and innovation have been the Hong Kong Science Park and Cyberport. The role of the former is to facilitate and support an ecosystem that connects stake-



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holders, supports research and drives development and innovation with the endgame being commercialization. It is home to some 1,100 companies from 22 countries. Cyberport on the other hand is focused on digital technology including artificial intelligence, blockchain, big data, fintech, digital entertainment.

Another interesting example of the crossover between art and technology can be seen in the Hong Kong Palace Museum which houses over 900 priceless artifacts and treasures on loan from the Palace Museum in Beijing. From inception the curatorial team had a clear vision to broaden the programming. As a result, they commissioned six local multimedia and interdisciplinary artists with a brief to create their contemporary interpretations of art and culture in the Forbidden City through the lens of the Hong Kong Special Administrative Region.

The results range from a powerful kinetic, AI-driven calligraphy experience to a precision timepiece simultaneously representing two realms of time, one regular, one irregular. A magnificent sound instillation utilizing 31 audio channels to convey Qing court music is juxtaposed with a night sky which has been reconstructed in an instillation created from Qing Dynasty (1644-1911) archives. Overall, the exhibition reflects thousands of years of Chinese culture and heritage and seamlessly embraces the ancient and the modern.

The museum’s awe-inspiring building was designed by local architects and contains nine galleries. It has quickly become one of the most popular local attractions with visitor numbers outperforming projections, which is quite an achievement, particularly as travel restrictions curtailed the tourist market. However, the visitor numbers also reflect the importance residents attach to their cultural roots. It is currently exhibiting over 100 masterpieces from the collection of the Princes of Lichtenstein, which includes Baroque works by Peter Paul Rubens and Anthony van Dyck and is presenting its inaugural Art in Ink Festival.

Over recent years we have witnessed an increasing number of artists and institutions embracing technology, and the technology sector realizing the value and commercial potential of accessing new audiences through art and culture. There is understandably much debate surrounding the artistic merits of some of the work being produced, particularly in the area of non-fungible tokens. Nonetheless we are at an important point in time and Hong Kong is particularly well placed to take advantage of the crossover between art, culture and technology. There is a significant opportunity to nurture local talent and where appropriate utilize new technology to help promote Chinese arts and culture to international audiences. This ties in with President Xi Jinping’s overall vision and the policies being implemented by the chief executive.

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City must strive to eliminate unfair discrimination, in all its forms

In a recent column published in this paper, attention was drawn to the unfair and unpleasant discrimination exhibited in Hong Kong toward some mainland residents (Discrimination Against Mainland Chinese Must End, Sept 29). It is ironic that such unfair discrimination should be directed at members of the same ethnic group — Chinese — when discrimination elsewhere is usually directed at members of other ethnic groups. However, unjust discrimination is by no means limited to such circumstances, here or elsewhere.

Pressing for more comprehensive anti-discrimination laws, and for stricter enforcement of them, is certainly one direction we could take to help tackle this problem. That this is a problem Hong Kong has is beyond any doubt. During the anarchic insurrection riots in 2019, people were violently assaulted on the street just because they were suspected of being from the Chinese mainland. That episode featured some of the worst acts of unjust discrimination within Hong Kong, and we should all feel ashamed of it.

Because much unfair discrimination is based on ignorance, more needs to be done in the education sector to enlighten our upcoming generations. Regrettably, even



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within some universities in Hong Kong, the hazing of freshmen by older students continues (even though it is prohibited), which is a form of discrimination as the victims are ritually humiliated.

But there are many other varieties of discrimination, some worse than others and

some may even be welcomed.

The recent unprovoked violent attacks on people who looked Asian, carried out by bigots in the United States, brought shame on that country of immigrants. But that was only the latest manifestation of blatant discrimination in a long history of oppression there, which includes slavery and the unfair treatment of Native Americans and African Americans, among others. Indeed, the unfair treatment and exploitation of members of the original indigenous community has historically been a common practice in such places as Australia, South America and even on the island of Taiwan.

Those are only examples of discrimination and related violence between different ethnic groups or tribes. The intertribal battles in much of Africa have lasted for thousands of years, and continue to this day. And then there are people who are divided along lines of different religious beliefs, a phenomenon still manifest in the Middle East and elsewhere, and which is often exacerbated by political factors. Fortunately, unfair discrimination on the grounds of religious affiliation is a rarity in Hong Kong.

Complete equality of treatment and opportunity is a vision every government

should strive to achieve, and here in Hong Kong much needs to be done to achieve that. For example, our foreign domestic workers do not become eligible for permanent Hong Kong residency after seven years of working in the city (as is the case for most overseas professionals who come to Hong Kong to work). When considered alongside their all-too-common mistreatment — such as unscrupulous recruitment agencies saddling them with high (and illegal) fees; employers who demand they work longer hours than they should, or who fail to give them their contracted days off or even underpay them — many of these women are among the most discriminated-against, most victimized people in our society. Much more needs to be done to protect them, with the government taking the lead — perhaps by empowering a public body to better monitor their recruitment and work conditions. Their services are, after all, essential to the thousands of working parents with children who employ them.

But positive discrimination can also be seen in Hong Kong, with some (but not yet enough) community-spirited employers giving preference to disabled applicants who might otherwise face a lifetime of unem-

ployment. Sadly, discrimination against our disabled fellow residents in terms of offering employment, and in other ways, is still prevalent here.

And what of the architects and designers of our stylish modern Hong Kong buildings, which have staircases with no handrails or provide no wheelchair access, representing barriers to our disabled and frail residents? The need for more specialized building features to aid access to such places is going to increase, as our population gradually ages and our senior residents face more mobility challenges. Are such thoughtless designers discriminating against some of our most vulnerable residents by not considering ease of access to their shiny modern buildings?

Let’s hope Chief Executive John Lee Ka-chiu and his administration will introduce more effective measures to eliminate, or at least mitigate, discrimination to create a more inclusive society that befits our success as an international banking, trading and logistics hub, and popular tourist destination, as well as our reputation as an iconic East-meets-West crossroads.

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