

**Memorandum of Understanding (MoU)**

**between**

**The Hong Kong Securities and Futures  
Commission**

**and**

**Israel Securities Authority**

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# MoU

## between

Hong Kong Securities and  
Futures Commission  
("SFC")

and

Israel Securities Authority  
("ISA")

### 1. Definitions

For the purposes of this MoU, unless the context requires otherwise:

- "Authority" means the SFC or the ISA, together referred to as "the Authorities";
- "Financial technologies", or "Fintech", is used to describe a variety of business models and emerging technologies that have the potential to supplement or disrupt the financial services industry.<sup>1</sup>
- "Innovation Function" means the dedicated function established in both Authorities to act as the centralised contact point for Innovator Businesses;
- "Innovator Business" means an innovative financial business that has been offered support from an Authority through its Innovation Function;
- "Laws and Regulations" means any law, regulation or regulatory requirement applicable in the jurisdiction of an Authority.
- "Receiving Authority" means the Authority that is receiving an Innovator Business referral or information relating to that referral;
- "Referring Authority" means the Authority that is referring an Innovator Business to the Receiving Authority;

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<sup>1</sup> Innovative Fintech business models typically offer one or more specific financial products or services in an automated fashion through the use of the internet. Examples include robo-advisors as well as platforms for investment, trading, peer-to-peer lending and equity crowdfunding. Emerging technologies include big data analytics, cognitive computing, machine learning, artificial intelligence and distributed ledger technology

## **2. Introduction**

- 2.1 The Authorities share a mutual desire to stay abreast of innovation in financial services in their respective markets. Both Authorities have established Innovation Functions in order to do so:
- 2.1.1 The SFC established the Fintech Contact Point (FTCP) in March 2016 to enhance communication with businesses involved in the development and application of Fintech in Hong Kong. The purpose of the FTCP is to facilitate the Fintech community's understanding of the current regulatory regime, and to enable the SFC to stay abreast of the development of Fintech in Hong Kong.
- 2.1.2 In July 2018, the ISA established a Fintech Innovation Hub. This initiative is aimed at promoting common discourse between the ISA and relevant players in the field of Fintech. The ISA is set to promote and enable the technological and business innovation in the area of financial services. The ISA aims at establishing trust and providing certainty to the Fintech industry and encourages market actors in the Fintech industry to contact its staff with the purpose of becoming familiar with the relevant regulatory framework and to examine any required adjustments to their activity, through guidance of the ISA's staff.

## **3. Purpose**

- 3.1 The purpose of this MoU is to provide a framework for co-operation and referrals between the Innovation Functions of each Authority. It also sets out how the Authorities plan to share and use information on innovation in their respective markets.

## **4. Principles**

- 4.1 The Authorities intend to provide the fullest possible mutual assistance to one another within the terms of this MoU. This MoU operates subject to the domestic laws and regulations of each Authority and does not modify or supersede any laws or regulatory requirements in force in, or applying to, Hong Kong or Israel. This MoU sets forth a statement of intent and accordingly does not create any enforceable rights, and is not legally binding, does not constitute an international agreement and is not subject to international law.
- 4.2 This MoU is intended to complement, but not affect or alter the terms and conditions of any other multilateral or bilateral arrangement or memorandum of understanding either concluded or which will be concluded between the Authorities or between the Authorities and third parties, or between the respective governments of both countries.

## 5. Scope of Assistance

### Referral mechanism

- 5.1 The Authorities will refer to each other Innovator Businesses that would like to operate in the other Authority's jurisdiction. The Receiving Authority intends to assist the Innovator Businesses in understanding the regulatory regime under the Receiving Authority's remit, and how such regimes may be relevant to them.

Referrals will be made in writing, and should include a short description demonstrating that the impression of the Authority is that the Innovator Business seeking to operate in the Receiving Authority's jurisdiction:

- a. offers innovative financial products or services that might benefit the consumer, investor and/or the industry; and,
- b. has conducted sufficient background research on Regulations as it might apply to it;

The Referring Authority acknowledges that when a Receiving Authority provides assistance to an Innovator Business, the Receiving Authority is not expressing an opinion about whether an Innovator Business will ultimately meet the requirements for Authorisation in its jurisdiction.

Within the scope of its authority and subject to its discretion, each Authority will provide Innovator Businesses originating from the other jurisdiction with the same level of support that it provides to Innovator Businesses originating from its own jurisdiction.

### Information sharing

- 5.2 The Authorities intend to share information about innovations in financial services in their respective markets, where appropriate and as permitted under their respective legal and regulatory regimes. This may include, but is not limited to:

- 5.2.1 Emerging trends and developments;
- 5.2.2 Regulatory issues pertaining to innovation in financial services; and
- 5.2.3 Information on organisations or bodies which lead efforts to promote innovation in financial services.

Representatives of the Authorities intend to meet or hold conference calls, where necessary, to discuss issues of common interest and share their experience in FinTech and Innovative Financial Services.

### Potential joint innovation projects

- 5.3 The Authorities intend to consider participating in joint innovation projects on the application of novel financial technologies.

## **6. Confidentiality & Permissible Uses**

- 6.1 Any information disclosed by one Authority to the other Authority under this MoU, unless otherwise stated, should be treated by the other Authority as confidential information.
- 6.2 An Authority that receives confidential information under this MoU will only disclose that information in accordance with the disclosure permitted under its applicable laws and requirements. The Authorities intend that the sharing or disclosure of confidential information will not constitute a waiver of privilege or confidentiality of such information.
- 6.3 A Referring Authority may only send information about an Innovator Business to a Receiving Authority if the Referring Authority has received prior consent in writing from the Innovator Business that it may so do.
- 6.4 A Receiving Authority should use information about a referred Innovator Business only for the purpose of providing support to the referred Innovator Business through the Receiving Authority's Innovation Function.
- 6.5 Unless with the written consent of the other Authority and for the purpose stated in paragraph 6.4 above, an Authority should not use any information disclosed to it by the other Authority.
- 6.6 If either Authority is required to disclose any information provided to it by the other Authority pursuant to a requirement of law, such Authority should notify the other Authority prior to complying with such a requirement and should assert all appropriate legal exemptions or privileges with respect to such information as may be available.

## **7. Term**

- 7.1 This MoU takes effect from the date of execution and will continue to have effect until terminated by either of the Authorities by the giving of at least 30 days' written notice of termination to the other Authority.
- 7.2 Termination of this MoU does not affect obligations under the existing Memorandum of Understanding between the two Authorities.
- 7.3 In the event of the termination of this MoU, information obtained under this MoU will continue to be treated in the manner set out under paragraph 6.

## **8. Amendment**

- 8.1 The Authorities will review the operation of this MoU and update its terms as required.
- 8.2 This MoU may be amended if both Authorities agree in writing to do so.

**Executed by the Authorities:**

This MoU will be effective from the date of its signing by the Authorities.

**For SFC**

**For ISA**

**[Signed]**

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Ashley Alder, Chief Executive Officer  
Securities and Futures Commission

Date: 17 November 2020

**[Signed]**

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Anat Guetta, Chairwoman  
Israel Securities Authority

Date: 17 November 2020

## Appendix 1: Authority-wide Contact Details

Fintech Unit  
Intermediaries Division  
Securities and Futures Commission  
54/F, One Island East  
18 Westlands Road  
Quarry Bay, Hong Kong

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22 Kanfei Nesharim St.  
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