SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Shaping Hong Kong's Financial Ecosystem for Tomorrow with Effective Regulation

Opening remarks at China International Finance Forum - Hong Kong Summit

Dr Kelvin Wong
Chairman

6 November 2025

Distinguished guests, ladies and gentlemen, good morning.

As the SFC's Chairman, I am honoured to share my views on innovation with you at the China International Finance Forum. Hong Kong is hosting this prestigious event for the second year in a row, building on the rich legacy of the two-decade-old Shanghai forum.

This reaffirms the enduring partnership between the two vibrant cities and clearly illustrates how the event continues to broaden its international significance, benefitting from Hong Kong's unique position as a premier global financial centre.

Today's theme is "New Financial Ecosystems in a Changing World: *Openness, Innovation and Sustainability*". It has rightly captured the crux of capital market success in the age of digital innovation.

In my view, you reap what you sow, and tomorrow belongs to those who prepare well today!

Therefore, I would like to share with you how the Securities and Futures Commission (SFC) is leveraging innovation to drive market progress, while upholding sound risk management.

I have three points to share with the audience today. First, the opportunities and challenges that we envision; second, regulatory principles and approaches that we adopt; and third, our expectations on market participants.

Innovation in Markets: Navigating Opportunities and Risks

<u>Hong Kong as a rising Fintech powerhouse</u>

My first point concerns opportunities and challenges. Today, emerging technologies and digital trends are rapidly transforming the global financial landscape. Against this dynamic backdrop, Hong Kong stands at the forefront of innovation and strategic vision.

The latest Global Financial Centres Index ranks Hong Kong first globally in Fintech development. Earlier this week, the city's Fintech Week event achieved a fourteen-fold increase in participation compared to a decade ago, attracting leaders and innovators from more than 100 economies. These milestones reaffirm Hong Kong's status as a rising hub for financial innovation on the world stage.

Note: This is the text of the speech as drafted, which may differ from the delivered version.

Opportunities and challenges

As economist Joseph Schumpeter famously argued, innovation is the principal driver for sustainable economic growth. Major technological breakthroughs disrupt existing systems and trigger new waves of investment and expansion, as digital advances reshape entire industries and create fresh avenues for economic development.

In today's markets, digital innovation – through technologies like blockchain and artificial intelligence – is boosting efficiency, creating new business opportunities, and increasing access to financial services.

For asset tokenisation, it enhances product innovation, shortens time-to-market, increases settlement efficiency, expands investor access, and strengthens market connectivity. Innovations like round-the-clock trading and atomic settlement are not just future aspirations. More importantly, tokenisation can improve markets' trustworthiness and efficiency in the future.

For virtual assets, global annual trading volume now exceeds US$70 trillion, reflecting its vast potential and wide acceptance by investors, especially the new generation.

While technological innovation fosters market progress, it also brings heightened risks to market integrity and stability by amplifying systemic vulnerabilities, heightening volatility, and accelerating the transmission of shocks throughout the financial system.

Therefore, our concern is on market integrity, as bad actors may exploit these technologies, leveraging anonymity and decentralisation for money laundering and committing fraud. Also, new forms of financial crime can be perpetuated through new means, such as malicious links to hack securities accounts and launder illicit funds.

Moreover, misconceptions about digital assets and gaps in digital financial literacy give rise to excessive short-term speculation and expose investors to harm. Recent episodes of market hype – such as the speculation on the stablecoin concept – demonstrate how misinformation and speculation can subject investors to undue risks, making effective regulation and public education a top priority for regulators globally.

Finding the Golden Mean

Amid both opportunities and challenges, the SFC's regulatory philosophy centres on maintaining a balanced approach to enable innovation while prudently managing risks.

Our philosophy is rooted in the principle of the Golden Mean, which is practical and context-based rather than rigid and mechanical. The regulatory virtue lies in balance, not in extremes.

The Golden Mean allows the SFC to enforce discipline while also fostering an environment for responsible innovation and growth. By upholding this balance, the SFC creates space for new ideas to flourish and ensures the long-term resilience and adaptability of our financial markets.

Safeguards and protection

Under this balanced approach, we pursue a spectrum of initiatives aimed at both investor protection and market development.

Our regulatory regimes are robust in protecting investors and backed by strict governance standards for virtual asset trading platforms. This will ensure those platforms operate with resilience and in full alignment with our rigorous guidelines.

To ensure strong governance, platforms must maintain a transparent organisational structure with clear responsibilities and reporting lines. Robust risk management systems and controls are mandatory. We also require that boards of directors, board committees and senior management consist of suitably qualified individuals.

In combatting emerging forms of misconduct, the SFC leverages technology such as artificial intelligence to bolster market surveillance. Our enhanced social media monitoring system detects misleading information and coordinated market manipulation. Collaborating with technology firms enables us to swiftly identify and remove harmful content online, thereby safeguarding market integrity.

Education and training

A critical pillar of investor protection is comprehensive, up-to-date education, especially for safeguarding the public against technology-enabled misconduct.

To promote digital financial literacy, we work closely with our subsidiary, the Investor and Financial Education Council (IFEC). This collaboration is increasingly vital, as reflected in the annual "World Investor Week", an event that convenes diverse stakeholders from regulators to the exchanges and industry associations. The IFEC's website also offers useful educational resources on Fintech and online investing.

Beyond retail investors, the SFC also focuses on providing education and training to financial practitioners. In partnership with the Hong Kong Securities and Investment Institute, we deliver ongoing training and examinations to ensure licensed practitioners maintain relevant skills for emerging challenges. This commitment to education and professional development supports a resilient and future-ready market ecosystem.

Facilitating development for tomorrow

Beyond protection and education, the SFC is equally committed to supporting innovation as a driver of economic growth.

Central to our approach is proactive engagement with stakeholders to build a resilient digital finance ecosystem. Through regular dialogue and public consultations, such as the digital asset consultative panel, we draw on the expertise of Fintech leaders to shape forward-thinking policies.

Early this year, we issued the ASPIRe Roadmap – our strategy to guide the future growth of Hong Kong's digital finance ecosystem. Since its launch, we have made significant progress. With robust investor safeguards, we continue to enhance market access, expand product variety, strengthen digital infrastructure and deepen stakeholder partnerships.

Our momentum continues with advances in the regulatory regime. Our recent consultations on proposed regimes for virtual asset dealers and custodians received public support. We are now working closely with the Government to finalise by addressing market feedback and will issue our conclusions in due course.

Notably, we launched two new key initiatives this week to facilitate licensed platforms to integrate with global liquidity and expand product offerings, all under robust regulatory standards and guardrails. These initiatives underscore our vision for driving efficiency, diversity and global integration in markets without compromising quality and integrity.

Our Expectations on Market Practitioners

My third point addresses the standards we expect from financial market practitioners.

Proactive engagement is embedded in our DNA, and we call on the collective expertise in this room to help shape effective policy for Hong Kong's markets.

To foster a vibrant and competitive ecosystem, we welcome high-quality, diverse participants and issuers to operate in our market. We also seek to enhance secondary market liquidity to strive for stronger price discovery and a more dynamic trading environment.

At the same time, we set a clear expectation that all market participants must uphold the highest standards of integrity. Performance must be pursued hand-in-hand with robust risk management and a strong investor protection ethos. Regulators and industry participants share the responsibility for building a globally trusted ecosystem.

For licensed trading platforms, adherence to rigorous governance standards and internal controls is non-negotiable. Corporate directors and senior management bear primary responsibility for maintaining regulatory compliance and ensuring effective oversight. By embodying these standards, we collectively reinforce Hong Kong's standing as a fair, resilient and forward-looking market.

Closing

Ladies and gentlemen, "when the winds of change blow, some people build walls and others build windmills". Market development is the result of how we tackle challenges and opportunities.

For the SFC, we are fully committed to our dual mandates of facilitating development and protecting investors. We are building "windmills" to transform the power of innovation into sustainable development, with the practitioners and for the markets.

I call upon all of our stakeholders to champion responsible innovation and actively drive the continued growth and integrity of tomorrow's markets. Your engagement and professionalism are essential to shaping a marketplace that is resilient, dynamic and trusted by all participants.

I wish you all a productive summit today. Thank you.