

Newly launched HKU FinTech Index Series shows positive outlook for 2020

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A positive year for FinTech development is anticipated in 2020, according to two new Fintech indices launched by the University of Hong Kong.

The HKU FinTech Index Series Project introduced the Hong Kong FinTech Growth Index (FGI) and the Hong Kong FinTech Buzz Index (FBI) to gauge local FinTech companies' outlook on the industry and the general sentiment on the sector as reported by local press. Hong Kong is a global financial centre, the HKU FinTech Index Series is the first in the region to provide index indicators on the development of the sector, with an aim to provide information in a timely manner to track the growth and development of the financial technology industry in Hong Kong. The five-year project is sponsored by Suoxinda Data Technology Co. Ltd headquartered in Shenzhen.

The project was initiated by the technology transfer company of the University – Versitech Ltd, and is led by Dr Philip Yu of the Department of Statistics and Actuarial Science of the Faculty of Science.

“FGI provides a reference for different stakeholders such as policy makers, business partners or investors who are looking to build their strategic business plan, while FBI captures society’s sentiment from Fintech-related news reports. It serves as an important indication to show the market confidence of the industry and provides insights to investors and to the government in policy formulation and implementation,” said Dr Yu.

FGI is a yearly index with four sub-indices on Business Environment, Business Performance, Investment on R&D and Demand on Talent. It reflects Hong Kong FinTech

sector's forecast of the market situation in the coming year and an assessment of the situation in the current year.

The index represents responses to an annual survey by 38 companies (84% are Start-ups, 11% are Unicorns and 5% traditional bank/insurance) selected by an Advisory Board which comprises professionals from HKU and the local FinTech industry, including representatives from FinTech Association of Hong Kong, InvestHK, Cyberport, Science Park, and The Bank of East Asia, Limited. It is compared to the companies' responses in the base period of 2018-2019 set at 100 points.

FGI for 2019-20 grew by 52.9%, compared with its base period from April 1, 2018 to March 31, 2019, which represents an optimistic outlook by partnered companies. It can be attributed to policies and measures which act as accelerators to foster a positive impact on the industry's development.

The anticipated growth of business performance, indicated by FinTech customer adoption rate, grew by 113% compared with the previous financial year, reflecting an optimistic outlook of business development by 38 surveyed FinTech companies. The top three desired skills for new hires in the industry are programming skills, marketing expertise and knowledge in artificial intelligence.

However, a weak sub-index in business environment has drawn caution to insufficient support to the sector which would hamper companies' confidence in further investing in the business. The companies in general refer to constraints from external factors such as investment environment, government policy and regulations.

FBI is a quarterly index representing a quantified sentiment of the local FinTech-related news articles in Chinese in the past three months. The index has a base value of 100

points which represents the sentiment of nearly 10K FinTech related news articles in major local news media outlets in 2016 and 2017.

FBI is further broken down into six sectors: Insurance Technology (InsurTech), Wealth Management and Credit Technology (WealthTech & CreditTech), Blockchain & Cryptocurrency, E-Payment & Digital Banking, Regulatory Technology (RegTech) & Cybersecurity and other related business including AI and big data.

“Hong Kong’s quarterly FinTech Buzz Indices in 2019 show values higher than 100, indicating an overall positive perception of the Fintech sector which boost confidence for growth. However, the index in 2019Q3 has dropped slightly to 104.5 compared with Q2, which may be due to the unfolding impact of US-China trade tension and unstable political environment in Hong Kong. With a further economic downturn forecast by the government, the FinTech industry is likely to face more challenges in the near future.” Dr. Yu said.

The long-term goal of the HKU FinTech Index Series is to establish a framework to be extended to the Greater Bay Area including Shenzhen and other neighbouring cities.

A global leading financial centre, Hong Kong is robustly utilising information technology in the provision of financial services. Hong Kong was ranked top ten fintech hubs in the world, according to Cambridge Judge Business School’s recent issue of 2018 Global FinTech Hub Report.

In the first half of 2019, FinTech companies in Hong Kong raised US\$152 million, up 561% from the same period last year. From 2014 to 2018, Hong Kong fintechs raised a total of \$US1.1 billion, the 4th in FinTech financing in the Asia-Pacific Region after Mainland China, India and Australia. About half of the world’s leading 100 Fintech companies are reaping rewards from the city’s technologically advanced ecosystem. It is

also among the top global economies in attracting private fintech venture capital investment.

About HKU FinTech Index Advisory Board

The Advisory Board comprises professionals from the University of Hong Kong and the local FinTech industry, including representatives from FinTech Association of Hong Kong, InvestHK, Cyberport, Science Park, and The Bank of East Asia, Limited. The members provide expert advice on the FinTech companies to be included in the master list for the annual survey to return the FinTech Growth Index. They also advise the Project on index methodology.

About project sponsor: Suoxinda Data Technology Co. Ltd

Suoxinda is a reputable market player in the big data and AI industry in the PRC providing data solutions, sales of hardware and software and related services as an integrated service, as well as IT maintenance and support services, to corporate customers. It is the sole sponsor for this HKU FinTech Index Series research project for a period of 5 years commencing this year. Based in Shenzhen, Suoxinda develops and delivers sophisticated data solutions with a strategic focus on leading banks and financial institutions in the PRC. Since FinTech is believed to be the next big wave for the financial market, the company supports the HKU R&D team to develop the subject Index Series to better understand the FinTech trend in the Hong Kong market so as to provide guidance for policy makers as well as market players. For more information about on project sponsor, please visit datamargin.com.

For further information on the HKU FinTech Index Series Project, please visit the project's website at www.fintechindex.hku.hk.

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