

Howard Lee: Keynote speech - Hong Kong Digital Finance Summit 2026

Keynote speech by Mr Howard Lee, Deputy Chief Executive of the Hong Kong Monetary Authority, at the Hong Kong Digital Finance Summit 2026, Hong Kong, 29 May 2026.

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Deputy Financial Secretary, Professor Bai [Chong-en, Dean of the School of Economics and Management, Tsinghua University], Professor Lou [Dong, Director of the Institute for Financial Research, The Hong Kong University of Science and Technology (HKUST)], distinguished guests, ladies and gentlemen,

Good morning. It is a pleasure to be here at the inaugural Hong Kong Digital Finance Summit, and I thank HKUST, Tsinghua University, and Caijing Magazine for bringing together such a distinguished gathering of the academia, industry practitioners, and policy makers across the region.

At this Digital Finance Summit, we will of course talk about money. The concept of money first emerged about 9,000 BC, or roughly 11,000 years ago. Since then, its form has continued to evolve. We moved from physical commodities to paper notes, and from paper notes to the electronic ledgers that we know today. But regardless of these changes, at its core, money has always been a matter of trust. Along the way, each transition brought new efficiencies, new risks, and new questions about who or what we are trusting, and why.

I make this point because it is easy to conclude that the central challenge in digital finance is a technical one: designing better ledgers, smarter contracts, and more efficient tokens. Those things do matter. But the deeper and more enduring challenge is institutional. It is about how trust gets established, maintained, and extended as the financial system takes on new forms.

The Digital Finance Landscape

Distributed ledger technology, or DLT, is being applied across a wide range of financial activities. To have a coherent policy response, it helps first to be clear about what we are dealing with, because not everything that carries the label of a "digital asset" raises the same questions or calls for the same approach.

At one end of the spectrum are crypto-assets such as Bitcoin. These instruments do not represent a claim on any underlying asset or productive activity, nor any promise to repay. Their value is determined by market sentiment, and their appeal is very often speculative in nature. The main regulatory concerns are investor protection and market integrity. In Hong Kong, the Securities and Futures Commission (SFC) has been building out the virtual asset regulatory regime to address exactly this segment of the market.

At the other end, there is the tokenisation of real-world assets, such as bonds, investment funds, trade receivables, and the like. Here, the underlying value is more tangible and well understood. What is at issue is whether representing such assets on a distributed ledger makes them more efficient to issue, hold, transfer, and settle. That is fundamentally a question about market infrastructure, and one that central banks have a direct interest in.

In the middle is what I would call tokenised money. This encompasses new forms of digital money, such as central bank digital currencies (CBDCs), tokenised commercial bank deposits, and stablecoins. These are not investment instruments. They are new means of payment. Their emergence raises a question that goes to the heart of what central banks do: how do we ensure that trust in money is maintained when the forms of money continue to change?

The Role for Central Banking Institution in the Digital Age

This question defines the HKMA's role in digital finance, which I would describe in terms of three distinct but related responsibilities.

The first is the provision of central bank money in a new manner. Central bank money is the safest form of money, serving as the anchor of trust in the monetary system and ensuring the singleness of money. As tokenised asset markets develop and grow in importance, this anchor becomes more critical. Should DLT see significant adoption across financial markets, central banks will need to ensure that settlement in central bank money remains available and effective in that new environment.

The second responsibility is setting the necessary guardrails that allow the private sector to innovate responsibly. The private sector is innovative and competitive, and it will find ways to use new technology to address real life problems. Our role is not to pick winners or manage the pace of innovation, but to ensure it occurs within a framework that promotes healthy competition, protects users, and preserves systemic stability. Well-designed regulation is not the enemy of innovation. It is what makes sustainable innovation possible.

The third responsibility is building the common infrastructure that connects different parts of the ecosystem. A monetary ecosystem in which each institution operates on its own closed ledger would not function as an efficient monetary system. The value of money comes precisely from its universal acceptability. Interoperability, therefore, is not just a technical preference. And because infrastructure is inherently a public good, central bank would have to take the responsibility to build it.

A Decade of Progress in Digital Finance

The HKMA began its exploration of DLT a decade ago. We published our first whitepaper on the technology in 2016, followed by a second the year after. At the time, no one could say with certainty where the technology would lead. What we did recognise was the potential for structural changes in how financial assets are issued, transferred, and settled, and we thought it important to understand that potential early, rather than wait for the market to move and then react.

Our work since then has been guided by the three responsibilities I described. Let me take each in turn.

On the provision of central bank money, we were an early mover in exploring how to apply DLT in building a CBDC, or what we call an e-HKD in Hong Kong, to serve as an advanced representation of central bank money for the digital economy. We started our CBDC exploration in 2017 with Project LionRock. This has since evolved into Project mBridge, which reached the minimum viable product stage in mid-2024. As financial markets modernise, we need to ensure that central bank money remains an effective settlement asset in the new environment.

The two rounds of the e-HKD Pilot Programme gave us valuable insights into how an e-HKD could function for individuals and corporates in a retail setting. Having completed Phase 2 last year, our assessment is that the current priority lies in wholesale rather than retail use cases, given Hong Kong's well-developed and diversified retail payment landscape.

Our work on tokenised government green bonds was running in parallel, and has served as a proving ground for what CBDCs can actually do in practice. Across three successive issuances in the past three years, we made meaningful improvements with each iteration, from broadening the investor base to extending what settlement in digital money can achieve.

The third issuance last November saw a record offering of approximately HK\$10 billion equivalent across four currencies, with over HK\$130 billion subscription amount from a wide spectrum of institutional investors globally, including asset managers, banks, insurance companies and others. Crucially, it was also the first digital bond in the world to integrate tokenised central bank money, in the form of e-CNY and e-HKD, into the settlement process.

Alongside our work on central bank money, we have shaped the regulatory framework for private digital money, most notably regarding stablecoins. Our goal has been to promote a stablecoin regulatory regime that strikes the right balance between innovation and prudent oversight. Hong Kong's Stablecoins Ordinance came into full effect in August last year, and just last month, we granted stablecoin issuer licences to two entities, marking a new phase in the implementation of Hong Kong's stablecoin regulatory regime.

The two licensed issuers plan to issue HKD-referenced stablecoins for various use cases covering cross-border and local payments, tokenised asset trading and other innovative applications. We expect regulated stablecoins in Hong Kong to be launched in the next few months.

Regarding the granting of additional licences and related timing, we adopt an open yet prudent stance, with no definitive inclination at this stage. That said, it should be emphasised that given the risk inherent in stablecoin activity, the need for user protection, and considerations of market capacity and sustainable development, the licensing threshold will remain high.

The third area—infrastructure and interoperability—is where Project Ensemble sits. Project Ensemble is our attempt to bring all these pieces together: digital assets, tokenised deposits, and central bank money, operating across multiple platforms in a way that is interoperable.

The Ensemble Sandbox explored use cases across four main themes: fixed income and investment funds, liquidity management, green and sustainable finance, and trade and supply chain finance. The HKMA will soon publish the Ensemble Use Case Report to detail the experiences and lessons from these pilots.

Following the experiments done under the Sandbox, we have already seen an increasing size and volume of tokenised asset issuances, such as the first Asia-Pacific retail tokenised money market fund. These milestones represent concrete steps towards building a more efficient and innovative financial system.

In November last year, we transitioned Project Ensemble into the pilot stage with real value transactions, or what we call Ensemble^{TX}. Participating banks and market players can now use tokenised deposits to settle tokenised assets on a delivery-versus-payment (DvP) basis. This is a significant step from experimentation to real transactions with real value.

In this pilot phase, the HKMA will continue to collaborate with the SFC and industry participants to implement end-to-end tokenisation use cases. This will help us identify and address the remaining regulatory, legal, commercial, and technical obstacles that may only become apparent in real-world scenarios, clearing the way for broader adoption of the tokenisation ecosystem.

The Road Ahead: Trust and Interoperability

It would be tempting to conclude that the foundations are now in place and tokenisation of finance will be widely adopted soon. In part, that is true. But there is a significant gap between where we are today and where we need to be, and two sets of challenges stand out.

The first challenge is the gap between tokenisation as it currently exists and what it could ultimately become. Most tokenised assets today are built on what might be called the "digital twin" model. In this model, a token represents a claim on an underlying asset whose primary record of ownership remains in an off-chain register. To transfer the token, you also need to synchronise the off-chain record. This works, and it delivers real efficiency improvements over purely paper-based systems, but it does not eliminate the reconciliation burden. It merely relocates it.

Most tokenised assets today follow the digital twin approach. This is the path of least resistance as markets develop. The initial infrastructure of Ensemble^{TX} is built on the Ensemble Interoperability Layer and leverages Hong Kong's existing RTGS system for interbank settlement. This is a pragmatic first step, allowing real value transactions to begin without waiting for more fundamental infrastructure changes, and it delivers practical improvements to participants today.

However, the end state we are building toward is what is sometimes called "digitally native" issuance, a model in which the token itself is the primary record of ownership, and there is no need for an off-chain register to reconcile against. In that model, the full efficiency gains of DLT can be realised with atomic DvP across asset classes. We are not there yet.

The second challenge is fragmentation. As tokenisation develops across institutions and jurisdictions, the risk grows that we end up with a collection of isolated platforms that cannot communicate with one another. This would undermine the exact efficiencies tokenisation is meant to deliver. Addressing this requires interoperability, and interoperability requires standards.

Efforts have continuously been made in this regard. For example, on the technical side, we have built the Ensemble Interoperability Layer to enable tokenised assets and deposits issued by different entities to be settled seamlessly across platforms.

Standards also mean a shared language. Therefore, on the conceptual side, alongside the Use Case Report, we will soon publish the Ensemble Taxonomy. It is a common set of definitions co-developed with the Ensemble Architectural Community. A shared taxonomy will be the foundation for meaningful commercial and regulatory collaboration.

We see our work under Ensemble^{TX} as a stepping stone, not the destination. The immediate next step will be to advance Ensemble^{TX} to support settlement of tokenised deposits in CBDC. This will enable continuous 24/7 settlement, bringing us closer to the digitally native end state.

Closing

Ladies and gentlemen, trust in digital finance will not come from the technology alone. It will come from the soundness of the institutions that stand behind it, the clarity of the rules that govern it, and the quality of the collaboration that sustains it.

There are some genuinely difficult questions to tackle. They cannot be resolved by any single institution, or even by regulators acting in concert. They require close collaboration between the public sector, private sector, and academia.

The HKMA established the CBDC Expert Group in 2023, bringing together leading academic researchers from five local universities, including HKUST, to engage rigorously with the design challenges that digital money presents. Their work has played an important role in informing the HKMA's policy deliberations. That is the kind of relationship between academia and policy that produces better outcomes for both, and for the industry.

As we captured in our Project Ensemble theme: "Tokenising Together, Today and Tomorrow," the spirit of collaboration between central banks, commercial banks, regulators, and academia is what will determine whether the promise of tokenisation can be fully realised.

Today's Summit is another concrete example of the same idea. I look forward to the discussions ahead and to our continued partnership. Thank you.

