

Hong kong a regional hub for bitcoin



Inside the world's first Bitcoin store in Hong Kong, a visitor from Tokyo hands over a wad of thousand-dollar bills and waits for a clerk to process the transaction on a laptop.

Moments later, a notification on his phone shows that bitcoins have been added to his “digital wallet”, one more transaction in a city that has become a regional hub for the crypto-currency.

Entrepreneurs in Hong Kong are scrambling to offer new services for bitcoin investors and enthusiasts in the region, despite a dip in confidence after the collapse of Mt Gox, a Japanese online exchange.

The former British territory's status has been enhanced by mainland China making it hard for the Bitcoin business—banning financial institutions from dealing in bitcoins and closing the bank accounts of online trading platforms.

Hong Kong, on the other hand, continues to be run under the “one country, two systems” set-up, agreed before it was handed back from British to Chinese sovereignty. So it has its own monetary authority and its own British-style legal system.

A slew of startups are racing to lay out a network of Bitcoin ATM machines (where you pay money in to obtain bitcoins) and to open exchanges for online buying and selling, while a handful of bricks-and-mortar businesses are starting to accept payments in bitcoins.

As in so many areas, straightforward regulations and high-quality local talent have been the key to Hong Kong's early success. Promising ventures have found no shortage of capital in the city.

Li Ka-shing, a Hong Kong tycoon and Asia's richest man, was an early investor in BitPay, a Bitcoin payment technology.

Still, the industry is experiencing growing pains, too. Two of the city's first Bitcoin ATMs stopped working soon after being set up in March.

Aurelian Menant, a former investment banker who left his job last year to start Gatecoin, a digital-currencies exchange website, waited nine months for his company to be granted a licence as a money-service operator.

Yet in spite of the teething problems, many observers believe Hong Kong's transparent legal framework and its position on China's doorstep can make it a leading global centre for Bitcoin, just as it has been for many other commodities.

Authorities in the city have made their position clear. John Tsang, Hong Kong's financial secretary, told a room of teenagers recently: " Bitcoin is not a currency.

Just like your armour in World of Warcraft, since we don't regulate those, we won't be regulating Bitcoin."

In addition, any assets gained from the buying and selling of bitcoins are subject to the city's attractive low flat-tax rate.

Some think the key for Bitcoin startups is to attract capital from flush mainland Chinese investors.

The problem for David Shin, a Hong Kong banker who launched Cryptomex, a Bitcoin crowdfunding investment platform, is that investors in China “ like to hoard their bitcoins”.

Mr Shin hopes his venture could coax them to invest in startups, and that those businesses would in turn improve the security of transactions and earn digital currencies wider legitimacy.

Inside Bitcoin Hong Kong

China is witnessing a bitcoin ‘ gold rush’ with a burgeoning demand for the currency in Chinese markets and a bright future ahead. With Hong Kong getting its first few Bitcoin ATMs and the opening of the first Bitcoin retail store in Hong Kong, it is no wonder the virtual currency is surging in both popularity and trading volume.

On June 24-25, Inside Bitcoins Hong Kong will explore how the world’s fastest growing currency is transforming the financial landscape and driving business forward. Fostering a highly interactive, deep-dive learning environment, Inside Bitcoins brings together the leading companies, pioneers and thought leaders in the distributed payment protocol and cryptocurrency space.