

Jurisdiction:

Hong Kong SAR

2013 IMN Survey of **National Progress in** the Implementation of G20/FSB Recommendations

- I. Refining the regulatory perimeter
- II. Hedge funds
- **III. Securitisation**
- IV. Enhancing supervision
- V. Building and implementing macroprudential frameworks and tools
- VI. Improving oversight of credit rating agencies (CRAs)
- VII. Enhancing and aligning accounting standards
- VIII. Enhancing risk management
 - IX. Strengthening deposit insurance
 - X. Safeguarding the integrity and efficiency of financial markets
 - XI. Enhancing financial consumer protection
- XII. Reference to source of recommendations
- **XIII. List of Abbreviations**



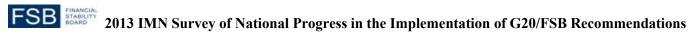
No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
I.	Refining the regulator	y perimeter			_
1 (2)	Review of the boundaries of the	We will each review and adapt the boundaries of the regulatory framework	Jurisdictions should indicate the steps taken to expand the domestic regulatory	Implementation ongoing or completed	Planned actions (if any):
(2)	regulatory framework including strengthening of oversight of shadow	to keep pace with developments in the financial system and promote good practices and consistent approaches at an	framework to previously unregulated entities, for example, non-bank financial institutions (e.g. finance companies,	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	HK will continue to monitor the work of relevant standard setting bodies in policy development of shadow banking as
	banking	international level. (London)	mortgage insurance companies, credit hedge funds) and conduits/SIVs etc.	Issue is being addressed through:	mentioned above.
				☐ Primary / Secondary legislation	
(1)		We agree to strengthen the regulation	Jurisdictions should indicate policy	☐ Regulation /Guidelines	Expected commencement date:
		and oversight of the shadow banking system. (Cannes)	measures to strengthen the regulation and oversight of the shadow banking system.	☑ Other actions (such as supervisory actions), please specify:	
			See, for reference, the recommendations discussed in section 2 of the October	The SFC participates in IOSCO's	Web-links to relevant documents:
			2011 FSB report: <i>Shadow Banking</i> :	workgroup on non-banking SIFIs for	
			Strengthening Oversight and Regulation.	funds, which is currently drafting a joint	
				consultation report with TFUFE and WS3 of the FSB by end 2013. The SFC	
				participated in the project which led to	
				the policy recommendations on MMF	
				issued in Oct 2012. Currently, there are	
				no non-UCITS SFC-authorised MMFs	
				that adopt a constant NAV. We will	
				continue to monitor the market and	
				consider implementing the	
				recommendations contained in the report	
				if appropriate. The SFC continues to	
				participate in the TFUFE and took part in	
				the exercise to collect data from	
				managers of potentially systemically	
				important hedge funds in Q4, 2012. The	

¹ This recommendation will be retained until the monitoring framework for shadow banking, which is one of the designated priority areas under the CFIM, is established.



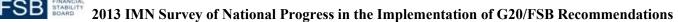
FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				IA, as member of IAIS, actively	
				contributes to deliberations on	
				international standards for insurance	
				supervision.	
				Status of progress :	
				Reform effective (completed) as of: On-	
				going	
				Short description of the content of the legislation/regulation/guideline:	
				The HKMA's current capital treatment	
				for securitization exposures in respect of	
				bank-sponsored securitization conduits	
				(e.g. liquidity facilities extended to	
				securitization conduits) is in line with the	
				requirements under Basel II as amended	
				by Basel 2.5 and Basel 3.	
				Wah Enley to relevant do commenter	
				Web-links to relevant documents:	
				http://www.legislation.gov.hk/blis_pdf.ns	
				f/CurAllEngDoc/4FA16B5F7562DC694	
				82575EE0045FB50/\$FILE/CAP_155L_e	
				_b5.pdf	





No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
II.	Hedge funds				
2 (3)	Registration, appropriate disclosures and oversight of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds(Seoul) Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)	Jurisdictions should indicate the progress made in implementing the high level principles contained in IOSCO's Report on Hedge Fund Oversight (Jun 2009) that inter-alia included mandatory registration and on-going regulatory requirements such as disclosure to investors.	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: Status of progress: Reform effective (completed) as of: 01.04.2003 Short description of the content of the legislation/ regulation/guideline: Generally, HF managers providing asset management services to third parties are required to be licensed by the SFC. There is no minimum size exemption from the licensing requirement. Licensed HF managers are subject to conduct of business standards, including the ICG issued by the SFC, which include guidance and suggested control on risk management. The SFC continues to participate in the TFUFE and took part in	Planned actions (if any): The SFC will continue to participate in TFUFE. Expected commencement date: Web-links to relevant documents:
				guidance and suggested control on risk management. The SFC continues to	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Aggregate data collected by the SFC was provided to IOSCO.	
				Web-links to relevant documents:	
				http://en- rules.sfc.hk/net_file_store/new_rulebook s/h/k/HKSFC3527_162_VER10.pdf	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
No 3 (4)	Description Establishment of international information sharing framework	G20/FSB Recommendations We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London)	Remarks Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO's Report on Hedge Fund Oversight (Jun 2009) on sharing information to facilitate the oversight of globally active fund managers.	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory	Planned actions (if any): The SFC will monitor international developments and review the need for further guidance if necessary. Expected commencement date:
		by the end of 2009. (London)		actions), please specify: The SFC continues to participate in the TFUFE and took part in the exercise to collect data from managers of potentially systemically important hedge funds in Q4, 2012. Aggregate data collected by the SFC was provided to IOSCO.	Web-links to relevant documents:
				Status of progress: Reform effective (completed) as of: Ongoing Short description of the content of the legislation/regulation/guideline: Web-links to relevant documents:	



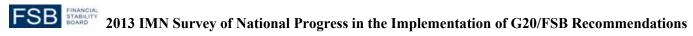
No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
4	Enhancing counterparty	Supervisors should require that	Jurisdictions should indicate specific	Implementation ongoing or completed	Planned actions (if any):
(5)	risk management	institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits	policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	The SFC will monitor international developments and review the need for further guidance if necessary.
		for single counterparty exposures.	counterparties.	Issue is being addressed through:	
		(London)	See, for reference, the following BCBS	✓ Primary / Secondary legislation✓ Regulation /Guidelines	Expected commencement date:
(6)		Supervisors will strengthen their existing	Sound Practices for Banks'	✓ Other actions (such as supervisory actions), please specify:	Web-links to relevant documents:
		guidance on the management of exposures to leveraged counterparties. (Rec. II.17,FSF 2008)	 Interactions with Highly Leveraged Institutions (Jan 1999) Banks' Interactions with Highly Leveraged Institutions (Jan 1999) Basel III (June 2011) – relevant references to counterparty credit risk standards 	HKMA issued circular letter to banks. SFC licensed persons are required to comply with the ICG which set out guidance in managing counterparty risk as well as the OTCRMC. Most major prime brokers do not book their HF counterparty risk in the SFC-licensed entities.	
				Status of progress :	
				Reform effective (completed) as of: 01.01.2013 (for legislation), 19.01.2001 and 03.06.2009 (for supervisory guidance) and 09.01.1999 (for circular letter)	
				Short description of the content of the legislation/regulation/guideline:	
				The legislation implemented the	
				enhanced counterparty credit risk	
				standards on highly leveraged	
				counterparties incorporated under Basel	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				III. The circular letter requested banks to	
				review their risk management processes	
				and systems in light of BCBS papers	
				issued in 1999 on highly leveraged	
				institutions (HLIs). The supervisory	
				guidance requires banks to (i) exercise	
				due caution when entering into	
				transactions with HLIs; (ii) take into	
				account the specific risk characteristics	
				of HLIs before doing business with them	
				and (iii) obtain more detailed information	
				on counterparties to support credit	
				assessment and trade decisions if the	
				counterparties conduct highly leveraged	
				activities.	
				Web-links to relevant documents:	
				Legislation:	
				http://www.legislation.gov.hk/blis_pdf.ns	
				f/CurAllEngDoc/4FA16B5F7562DC694	
				82575EE0045FB50/\$FILE/CAP_155L_e	
				_b5.pdf Circular letter:	
				http://www.hkma.gov.hk/eng/key-	
				information/guidelines-and-	
				circulars/circulars/1999/circu_090399b.s	
				html Supervisory guidance:	
				http://www.hkma.gov.hk/media/eng/doc/	
				key-functions/banking-	
				stability/supervisory-policy-manual/CR-	
				G-2.pdf	
				http://www.hkma.gov.hk/media/eng/doc/	

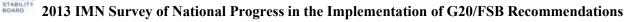


No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				key-functions/banking-	
				stability/supervisory-policy-manual/CR-	
				G-13.pdf http://en-	
				rules.sfc.hk/net_file_store/new_rulebook	
				s/h/k/HKSFC3527_2372_VER10.pdf	





Securitisation Improving the risk				
Improving the risk				
management of securitisation	 During 2010, supervisors and regulators will: implement IOSCO's proposals to strengthen practices in securitisation markets. (FSB 2009) The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London) Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently. (Pittsburgh) 	Jurisdictions should indicate the progress made in implementing the recommendations contained in: • IOSCO's Report on Global Developments in Securitisation Regulation (Nov 2012) including justification for any exemptions to IOSCO requirements; and • BCBS's Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs157.pdf and http://www.bis.org/publ/bcbs158.pdf	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: ☑ Primary / Secondary legislation ☑ Regulation /Guidelines ☐ Other actions (such as supervisory actions), please specify: Status of progress: Reform effective (completed) as of: 01.01.2012 (legislation) Short description of the content of the legislation/regulation/guideline: The legislation implemented the Basel 2.5 standards on securitization exposures. The HKMA is developing supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) with a view to bringing supervisory policy into line with the latest international standards. Given	Planned actions (if any): Supervisory guidance on "Credit Risk Transfer Activities" Expected commencement date: Q4, 2014 Web-links to relevant documents:
ı	•	• implement IOSCO's proposals to strengthen practices in securitisation markets. (FSB 2009) The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London) Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them	• implement IOSCO's proposals to strengthen practices in securitisation markets. (FSB 2009) The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London) Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them recommendations contained in: • IOSCO's Report on Global Developments in Securitisation Regulation (Nov 2012) including justification for any exemptions to IOSCO requirements; and • BCBS's Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs157.pdf and http://www.bis.org/publ/bcbs158.pdf	• implement IOSCO's proposals to strengthen practices in securitisation markets. (FSB 2009) The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London) Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently. (Pittsburgh) ■ BCBS's basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs157.pdf and http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures is securitisations (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures is securitisation (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures is securitisation (Jul 2009), http://www.bis.org/publ/bcbs158.pdf ■ BCBS's Basel 2.5 standards on exposures is securitization of progress: ■ Reform effective (completed) as of: 01.01.2012 (legislation) regulation/guideline: ■ The legislation implemented the Basel 2.5 standards on securitization exposures. The HKMA is developing supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) with a view to bringing supervisory policy into line with the



FSB	FINANCIAL STABILITY BOARD
	BOARD

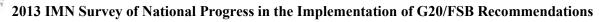
No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				BCBS' review on retention requirements	
				issued in October 2010 and local	
				circumstances.	
				Web-links to relevant documents:	
				http://www.legislation.gov.hk/blis_pdf.ns	
				f/CurAllEngDoc/4FA16B5F7562DC694	
				82575EE0045FB50/\$FILE/CAP_155L_e	
				_b5.pdf	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
6	Strengthening of	Insurance supervisors should strengthen	Jurisdictions should indicate the policy	Not applicable	Planned actions (if any):
(9)	regulatory and capital framework for monolines	the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8 ,FSF 2008)	measures taken for strengthening the regulatory and capital framework for monolines.	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	Expected commencement date:
			See, for reference, the following	Issue is being addressed through:	
			principles issued by IAIS:	☐ Primary / Secondary legislation	Web-links to relevant documents:
			• <u>ICP 13</u> – Reinsurance and Other	☐ Regulation /Guidelines	
			Forms of Risk Transfer	☐ Other actions (such as supervisory	
			• <u>ICP 15</u> – Investments, and	actions), please specify:	
			• <i>ICP 17</i> - Capital Adequacy.	Status of progress:	
			Jurisdictions may also refer to the	Reform effective (completed) as of: Not applicable	
			IAIS <u>Guidance paper on enterprise</u> <u>risk management for capital adequacy</u> <u>and solvency purposes (Oct 2008).</u>	Short description of the content of the legislation/regulation/guideline:	
				Web-links to relevant documents:	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
No 7 (10)	Description Strengthening of supervisory requirements or best practices for investment in structured products	Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18 ,FSF 2008)	Remarks Jurisdictions should indicate the policy measures taken for strengthening best practices for investment in structured product. See, for reference, the principles contained in IOSCO's report on Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009) and Suitability Requirements for Distribution of Complex Financial Products (Jan 2013). Jurisdictions may also refer to the Joint Forum report on Credit Risk Transfer-Developments from 2005-2007 (Jul 2008).	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: The FRRs have capital charge requirement on SFC licensed firms' investment in structured products. The Code of Conduct relating to the sale of investments products was amended to enhance the investor protection. The IA has included this area in its monitoring of insurers' investment positions. Presently, the IA is considering the adoption of the approaches under ICP15 on Investment, including the guidance on investments in structured products, with regard to the local circumstances. Status of progress: Draft in preparation, expected	Planned actions (if any): The SFC will monitor international developments and review the need for further guidance. The IA will issue relevant guidance as appropriate, taking into account local circumstances. Expected commencement date: 2014 (for the supervisory guidance on "Credit Risk Transfer Activities") Web-links to relevant documents:
				local circumstances. Status of progress:	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Activities" (expanding upon existing	
				guidelines on securitization and credit	
				derivatives) with a view to bringing	
				supervisory policy into line with the latest	
				international standards including the	
				recommendations made in the Joint	
				Forum report on Credit Risk Transfer –	
				Developments from 2005-2007 (Jul	
				2008).	
				Web-links to relevant documents:	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
8	Enhanced disclosure of	Securities market regulators should work	Jurisdictions should indicate the policy	Implementation ongoing or completed	Planned actions (if any):
(11)	securitised products	with market participants to expand information on securitised products and their underlying assets. (Rec. III.10-III.13, FSF 2008)	measures taken for enhancing disclosure of securitised products. See, for reference, IOSCO's <i>Report on</i>	If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification:	Expected commencement date:
		111.13,151 2000)	Principles for Ongoing Disclosure for	Issue is being addressed through:	Web-links to relevant documents:
			Asset-Backed Securities (Nov 2012) that complements IOSCO's Disclosure	☐ Primary / Secondary legislation	web-miks to relevant documents.
			Principles for Public Offerings and	☐ Regulation /Guidelines	
			<u>Listings of Asset-Backed Securities (Apr</u> 2010).	Other actions (such as supervisory actions), please specify:	
			<u>2010)</u> .	Status of progress :	
				Reform effective (completed) as of: 1	
				Jan 2012	
				Short description of the content of the legislation/ regulation/guideline:	
				The enhancement to disclosure	
				requirements under Basel 2.5 were	
				already incorporated in Hong Kong	
				through amendment to the Banking (Disclosure) Rules which came into	
				operation from 1 January 2012.	
				operation from 1 suitary 2012.	
				Web-links to relevant documents:	



Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
-			-	
Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)	Jurisdictions should indicate the policy measures taken for implementing consistent, consolidated supervision and regulation of SIFIs. ² See, for reference, the following documents: Joint Forum: • Principles for the supervision of financial conglomerates (Sep 2012) BCBS: • Framework for G-SIBs (Nov 2011) • Framework for D-SIBs (Oct 2012) • BCP 12 (Sep 2012) IAIS: ICP 23 – Group wide supervision FSB: • Framework for addressing SIFIs (Nov 2011)	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation /Guidelines Other actions (such as supervisory actions), please specify: The SFC and the IA continue to participate in the relevant work under IOSCO and the IAIS respectively, eg, IA participated in supervisory colleges for major insurance groups on an on-going basis and is reviewing the standards and guidance in respect of group wide supervision under ICP 23. Status of progress: Draft in preparation, expected publication by: Short description of the content of the legislation/ regulation/guideline: Legislative amendments to the banking capital rules to incorporate rules on capital buffer mechanism, including the	Planned actions (if any): The SFC will participate in IOSCO to develop methodologies to assess systemically important firms in the securities sector. The initial list of G-SIIs and the corresponding policy measures were published in mid July. Hong Kong is not the home jurisdiction of the designated G-SIIs. While the list of G-SIIs will be updated in the future and the IAIS is working on further development and application of the policy measures, the IA will continue to monitor international developments and assess their implications for HK. Guidance will be issued where appropriate. Expected commencement date: Web-links to relevant documents:
	Consistent, consolidated supervision and	Enhancing supervision Consistent, All firms whose failure could pose a risk to financial stability must be subject to supervision and regulation of SIFIs regulation with high standards.	Consistent, consolidated supervision and regulation of SIFIs All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh) All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation of SIFIs. See, for reference, the following documents: Joint Forum: Principles for the supervision of financial conglomerates (Sep 2012) BCBS: Framework for G-SIBs (Nov 2011) Framework for D-SIBs (Oct 2012) BCP 12 (Sep 2012) IAIS: ICP 23 – Group wide supervision FSB: Framework for addressing SIFIs (Nov	Consistent, consolidated supervision and regulation of SIFIs All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh) All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh) All firms whose failure could pose a risk to financial stability must be subject to consolidated supervision and regulation of SIFIs.¹ See, for reference, the following documents: Joint Forum: Principles for the supervision of financial conglomerates (Sep 2012) BCBS: Framework for G-SIBs (Nov 2011) Framework for D-SIBs (Oct 2012) BCP 12 (Sep 2012) IAIS: ICP 23 − Group wide supervision FSB: Framework for addressing SIFIs (Nov 2011) FSB: Framework fo

² The scope of the follow-up to this recommendation will be revised once the monitoring framework on policy measures for G-SIFIs, which is one of the designated priority areas under the CFIM, is established.



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				application of capital buffer for D-SIBs.	
				Further guidelines (in supervisory policy	
				manual) will set out the identification	
				methodology for D-SIBs and other policy	
				measures to be applied to D-SIBs (e.g.	
				enhanced supervision). Work is underway	
				at the HKMA to develop a domestic	
				systemically important bank ("D-SIB")	
				framework in Hong Kong, with industry	
				consultation planned during 2013.	
				Web-links to relevant documents:	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
10	Establishing	To establish the remaining supervisory	Reporting in this area should be	Implementation ongoing or completed	Planned actions (if any):
(13)	supervisory colleges and conducting risk assessments	colleges for significant cross-border firms by June 2009. (London)	undertaken solely by home jurisdictions of significant cross-border firms. Relevant jurisdictions should indicate the steps taken and status of establishing	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	In addition to the continued participating in /organising supervisory colleges for major insurance groups, the IA will, upon review of the standards under ICP 25,
(14)		We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges(Seoul)	remaining supervisory colleges and conducting risk assessments. See, for reference, the following documents: BCBS: • Good practice principles on supervisory colleges (Oct 2010) • Report and recommendations on crossborder bank resolution (Mar 2010) IOSCO: • Principles Regarding Cross-Border Supervisory Cooperation (May 2010) IAIS: • ICP 25 and Guidance 25.1.1—25.1.6 on establishment of supervisory colleges	Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: The IA organised a supervisory college with relevant regulators for a more coordinated group-wide supervision. Being the host regulator of a number of insurance groups with operations in HK, the IA has been actively participating in supervisory colleges for major insurance groups on an on-going basis. The IA is reviewing the ICP25 (supervisory cooperation for consolidated supervision) for adoption where appropriate. For the banking and securities sector, this item is not applicable. The international activities of those institutions for which the HKMA	review of the standards under ICP 25, consider adopting them as appropriate, taking into account the local circumstances. Expected commencement date: Web-links to relevant documents:
			Guidance 25.6.20 and 25.8.16 on risk assessments by supervisory colleges	is the home supervisor are not considered so significant as to warrant the establishment of supervisory colleges. The HKMA will continue to supervise their cross-border activities making use of its bilateral relationships with the relevant host supervisors. The HKMA is the host	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				supervisor of a number of significant cross-border institutions. It participates in the supervisory colleges established by the relevant home supervisors for these institutions to monitor and assess their risk profiles. Given that significant firms in HK's securities market are subsidiaries or branches of overseas financial firms, the SFC would not be establishing supervisory colleges.	
				Status of progress: Reform effective (completed) as of: N/A	
				Short description of the content of the legislation/regulation/guideline:	
				None required Web-links to relevant documents:	



and IA will continue to overseas regulators on institutions with cross-relevant to them, in line standards where
overseas regulators on institutions with cross-relevant to them, in line
ncement date:
vant documents:

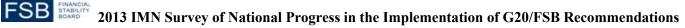
Hong Kong



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				legislation/ regulation/guideline:	
				None required	
				Web-links to relevant documents:	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
12 (16) (17) New	Strengthening resources and effective supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul) Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks. (FSF 2008) Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)	Jurisdictions should provide any feedback received from recent FSAPs/ROSC assessments on the October 2006 BCPs 1 and 23 or, if more recent, the September 2012 BCPs 1, 9 and 11. Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations. Jurisdictions should describe the outcomes of the most recent assessment of resource needs (e.g. net increase in supervisors, skills acquired and sought). Please indicate when this assessment was most recently conducted and when the next assessment is expected to be conducted.	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines ☑ Other actions (such as supervisory actions), please specify: The HKMA, SFC and IA have clear mandates under the BO, SFO and ICO respectively to perform their functions as regulators in their respective sector. The regulators have a suite of powers and tools to deliver their mandates, including, supervision, stress-testing, intervention and investigation. The HKMA, SFC and IA regularly review their staff and resource requirements. The most recent assessment conducted by HKMA in Q3, 2012 indicated that additional resources were required. HKMA has been increasing its resource based on that assessment. There is a current proposal for the establishment of an independent IA which will be financially and operationally independent. Status of progress:	Planned actions (if any): The HKMA, SFC and IA will continue to monitor the risks associated with their regulatory remit on an on-going basis and will regularly assess their resource needs. Expected commencement date: On-going Web-links to relevant documents:
				Reform effective (completed) as of: On-	



FSB	FINANCIAL STABILITY BOARD

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				going	
				Short description of the content of the legislation/regulation/guideline:	
				None required.	
				Web-links to relevant documents:	

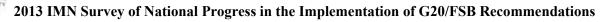


No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
V.	<u> </u>	nting macroprudential frameworks an			*
13 (18) (19)	<u> </u>			Implementation ongoing or completed If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: There are well-established cross-sector platforms such as the CFR and the FSC to facilitate effective exchanges amongst regulators and the Administration for the purposes of, inter alia, the maintenance of financial stability in HK. The HKMA set up the Macro Surveillance Committee (MSC), consisting of the Chief Executive and other senior executives of the HKMA, to facilitate regular monitoring of risks and vulnerabilities to the HK monetary and financial system. The Financial Stability Surveillance Division	Planned actions (if any): The HKMA is currently reviewing its internal institutional framework for systemic risk monitoring and macroprudential policy coordination to identify potential need for improvement. The HKMA will continue to participate in the FSB SCAV and the Governance Workstream of DGIG. Expected commencement date: On-going Web-links to relevant documents:

³ The recommendation as applicable to shadow banks will be retained until the monitoring framework for shadow banking, which is one of the designated priority areas under the CFIM, is established.

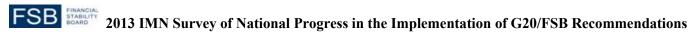


No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				publishes a half-yearly monetary and	
				financial stability report that includes the	
				aggregate results of macro stress testing	
				of credit risk and an assessment of	
				systemic risk in the banking sector. The	
				HKMA participates in the FSB's SCAV	
				which assesses and monitors	
				vulnerabilities in the financial system.	
				Discussions at the SCAV facilitate	
				information exchange on systemic risks	
				at the international level. The HKMA	
				was a member of the FSB Working	
				Group on Data Gaps and Systemic	
				Linkages and chairs one of its	
				workstreams on legal and confidentiality	
				constraints in data sharing. The HKMA	
				is currently a member of the FSB Data	
				Gaps Implementation Group (DGIG) and	
				chairs the Governance Workstream under	
				it. The HKMA, SFC and IA have powers	
				under the BO, SFO and ICO respectively	
				to require institutions under their remit to	
				provide information, on regular or ad hoc	
				basis.	
				Status of progress :	
				Reform effective (completed) as of: On-	
				going	
				Short description of the content of the legislation/regulation/guideline:	
				None required	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Web-links to relevant documents:	





No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
14	Enhancing system-wide	Authorities should use quantitative	Please describe major changes in the	Implementation ongoing or completed	Planned actions (if any):
(20)	monitoring and the use of macro-prudential instruments	indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level(Rec. 3.1, FSF 2009) We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)	institutional arrangements for macroprudential policy that have taken place in the past two years, including changes in: i) mandates and objectives; ii) powers and instruments; iii) transparency and accountability arrangements; iv) composition and independence of the decision-making body; and v) mechanisms for domestic policy coordination and consistency. Please indicate the use of macroprudential tools in the past two years, including the objective for their use and the process used to select, calibrate,	If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: Macro-prudential tools (e.g. maximum LTV ratio) have been used by the HKMA for supervisory purposes in residential mortgage lending since September 1995. Additional measures were introduced recently, including (a)	The HKMA will continue to monitor the risk within the banking sector closely and introduce appropriate additional macroprudential measures to safeguard banking stability in HK as and when necessary. The HKMA is preparing a consultation paper for the implementation of the countercyclical capital buffer in HK in accordance with the Basel schedule. The IA will incorporate the macro-prudential approaches/tools in the supervisory regime where appropriate. Expected commencement date:
(21)		Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)	and apply them. See, for reference, the CGFS document on <i>Operationalising the selection and application of macroprudential instruments (Dec 2012)</i> . Jurisdictions can also refer to the FSB-IMF-BIS progress report to the G20 on <i>Macroprudential policy tools and frameworks (Oct 2011)</i> , and the IMF paper on <i>Macroprudential policy, an organizing framework (Mar 2011)</i> .	increasing the upward mortgage rate adjustment to stress-test debt servicing ability; and (b) lowering the applicable LTV for non-residential property mortgage loans. The HKMA recently imposed a 15% risk-weight floor for all new residential mortgage loans granted by banks which adopt the IRB approach. The HKMA has been closely monitoring changes in asset prices. The relevant information is published in various reports, including the quarterly bulletins, Half-Yearly Monetary and Financial Stability Reports and annual reports. In accordance with IOSCO's principles, the	On-going Web-links to relevant documents:



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				SFC develops indicators to monitor and	
				manage systemic risks in the securities	
				market. These indicators include times	
				series and cross-sectional assessments in	
				the trends and patterns in the equities and	
				derivatives markets to detect, among	
				other things, market risk, liquidity risk	
				and counterparty risk and to gauge the	
				market's resilience to the building up of	
				such risks. The SFC conducts stress	
				testing of SFC-licensed firms'	
				compliance with liquid capital	
				requirement from time to time. Firms	
				licensed by the SFC are required to have	
				effective policies and procedures for	
				proper risk management. The FRRs also	
				set out capital requirements in respect of	
				the risks. The IA is considering the	
				approaches as set out in ICP24 on	
				Macroprudential Surveillance and	
				Insurance Supervision, having regard to	
				the insurance supervisory regime in HK.	
				Status of progress :	
				Reform effective (completed) as of: On-	
				going	
				Short description of the content of the legislation/regulation/guideline:	
				Web-links to relevant documents:	
				http://www.hkma.gov.hk/media/eng/doc/	



Hong Kong

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				key-information/guidelines-and-	
				circular/2013/20130222e2.pdf	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
15 (22)	Improved cooperation between supervisors and central banks	Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain. (Rec. V.8, FSF 2008)	Jurisdictions can make reference to the following BCBS documents: • Report and recommendations of the Cross-border Bank Resolution Group (Mar 2010) • Good Practice Principles on Supervisory Colleges (Oct 2010) (Principles 2, 3 and 4 in particular)	Implementation ongoing or completed If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation /Guidelines Other actions (such as supervisory actions), please specify: Please refer to comments under item 13. FSC and CFR have monthly and quarterly meetings respectively, to discuss key issues and trends to identify financial stability risks and other concerns pertaining to the financial markets and industry in HK. Status of progress: Reform effective (completed) as of: On- going Short description of the content of the legislation/regulation/guideline: None required	Planned actions (if any): HK will continue the current practice of exchange of information. Expected commencement date: Web-links to relevant documents:
				Web-links to relevant documents:	



No	Description G	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VI.	Improving oversight of credit	lit rating agencies (CRAs)			
	Enhancing regulation and supervision of CRAs CRAs All CR regulat regulat registra regime and she Code of (London Nation complirating a for man assuring the ration CRAs structured discloss and the underpotent of the consist approprise through the consist approprise through the constitution obligated approprise through the constitution of the c	CRAs whose ratings are used for latory purposes should be subject to a latory oversight regime that includes stration. The regulatory oversight me should be established by end 2009 should be consistent with the IOSCO e of Conduct Fundamentals. Indon) onal authorities will enforce pliance and require changes to a seg agency's practices and procedures managing conflicts of interest and ring the transparency and quality of rating process. As should differentiate ratings for extured products and provide full losure of their ratings track record the information and assumptions that expin the ratings process. oversight framework should be distent across jurisdictions with copriate sharing of information when national authorities, including the information and authorities, including the companion of the copriate, globally compatible the states of the conflicting compliance grations for CRAs) as early as possible that the conflicting compliance grations for CRAs are as a subject to a latory oversight framework together towards are provided to conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflicting compliance grations for CRAs are all years of the conflictions with the conflictions where the conflictions were all years of the conflictions where the	Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs. They should also indicate its consistency with the following IOSCO document: • Code of Conduct Fundamentals for Credit Rating Agencies (May 2008) Jurisdictions may also refer to the following IOSCO documents: • Principle 22 of Principles and Objectives of Securities Regulation (Jun 2010) which calls for registration and oversight programs for CRAs; • Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003); and • Credit Rating Agencies: Internal Controls Designed to Ensure the Integrity of the Credit Rating Process and Procedures to Manage Conflicts of Interest (Dec 2012).	Implementation ongoing or completed If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: Status of progress: Reform effective (completed) as of: 01.06.2011 Short description of the content of the legislation/ regulation/guideline: CRAs that provide credit rating services and their rating analysts in HK are required to be licensed and are subject to supervision by the SFC. Licensed CRAs are required to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO CRA Code. The SFC actively participates in the policy committee of IOSCO on the regulation of CRAs. In March 2012, the SFC entered into a co-	Planned actions (if any): The SFC will continue to participate in IOSCO's work on CRAs. Expected commencement date: Web-links to relevant documents: http://www.sfc.hk/sfcPressRelease/EN/sf cOpenDocServlet?docno=11PR63
(25)	consist approp betwee through Regula approp solutio obligat	sistent across jurisdictions with copriate sharing of information ween national authorities, including ugh IOSCO. (London) ulators should work together towards copriate, globally compatible tions (to conflicting compliance	Controls Designed to Ensure the Integrity of the Credit Rating Process and Procedures to Manage Conflicts of		supervision by the SFC. Licensed CRAs are required to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO CRA Code. The SFC actively participates in the policy committee of IOSCO on the regulation of CRAs. In



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Web-links to relevant documents: Press release issued by SFC on 2 June 2011 announcing the effectiveness of the new regulatory regime for CRAs in Hong Kong http://www.sfc.hk/sfcPressRelease/EN/sf cOpenDocServlet?docno=11PR63	



FSB	FINANCIAL STABILITY BOARD
	BLOW-LL P.

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
No 17 (26)	Description Reducing the reliance on ratings	G20/FSB Recommendations We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul) Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)	Remarks No information on this recommendation will be collected in the current IMN survey since a thematic peer review is taking place in this area during 2013.	Progress to date	Next steps
		authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings. (Cannes)			



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VII.	Enhancing and alignin	g accounting standards			
18	Consistent application	Regulators, supervisors, and accounting	Jurisdictions should indicate the	Implementation ongoing or completed	Planned actions (if any):
18 (27)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)	Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are deemed to be equivalent to IFRSs as published by the IASB. They should also explain the system they have for enforcement of consistent application of those standards.	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation /Guidelines Other actions (such as supervisory actions), please specify: To ensure consistent application of (IFRS equivalent) HKFRSs across all locally incorporated banks, the HKMA has undertaken the following measures: (1) engaging with banks and their auditors through regular tripartite meetings; (2) issuing accounting-related supervisory guidance (eg, see item 19 for details); (3) engaging with HKICPA and HKAB to share the development of converged global accounting standards. Status of progress: Reform effective (completed) as of: 2005 Short description of the content of the legislation/ regulation/guideline: HKFRS, issued by the HKICPA, have achieved convergence with IFRS issued	Planned actions (if any): HK will continue to maintain convergence of HKFRS with IFRS. HKMA will continue to monitor closely international accounting developments and work with the HKICPA and HKAB, with a view to ensuring that the accounting standards applied by banks in HK are in line with IFRSs/HKFRSs (converged since 2005) and the recommendations of the BCBS. The HKMA will continue to support the BCBS's interactions with the accounting standard setters in the development of prudent global accounting standards. Most of the SFC licensed entities are incorporated in HK and are required to prepare financial statements in accordance with HKFRS. As a member of IOSCO's policy committee on Multinational Disclosure and Accounting (C1), the SFC will continue to provide IOSCO with comments on exposure drafts issued by the IASB. The IA will continue to keep in view of international accounting developments (in particular the international accounting convergence project for insurance contracts).
				by the IASB since 2005. The HKICPA monitors and comments on IASB	Expected commencement date:



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				exposure drafts and will take necessary	Ongoing
				steps to maintain convergence of HKFRS	
				with IFRS.	Web-links to relevant documents:
				Web-links to relevant documents:	http://app1.hkicpa.org.hk/ebook/index.ph p (This link is to the HKICPA Members Handbook which contains all professional standards issued by the Institute.)



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
19	Appropriate application	Accounting standard setters and	Jurisdictions should indicate the policy	Implementation ongoing or completed	Planned actions (if any):
(28)	of Fair Value Accounting	prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak. (Rec. 3.4, FSF 2009)	measures taken for appropriate application of fair value accounting. See, for reference, the following BCBS documents: • Basel 2.5 standards on prudent valuation (Jul 2009)	If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory	HKICPA monitors and comments the IASB exposure drafts and will take necessary steps to maintain convergence of HKFRS with IFRS. The HKMA will update its guidance "Financial Instrument Fair Valuation Practices" to reflect the new definition of capital introduced under
(29)		Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements. (Rec 3.5, FSF 2009)	Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009) Output Description: Description: Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009) Output Description: Description:	actions), please specify: The SFC is providing input via IOSCO in the review of IFRS9. IA is reviewing the use of valuation reserves and guidance on valuation under ICP14. Status of progress: Reform effective (completed) as of: 31.12.2011 Short description of the content of the legislation/ regulation/guideline: The HKMA issued supervisory guidance on "Financial Instrument Fair Valuation Practices" in December 2011. Relevant authorities will monitor the progress of IASB's work in this area: (1) exposure draft for insurance contracts and leases have been issued in Q2, 2013 and for revenue recognition by Q3, 2013; (2) review draft for hedge accounting published on 7 September 2012; (3) exposure draft on expected credit losses published on 7 March 2013. HKICPA has	Basel III in the 2H 2013. The HKMA will continue to closely monitor international accounting developments and work with the HKICPA to assess impacts on banks' financial and regulatory reporting. The SFC will continue to contribute through IOSCO C1 (see item 18). IA will monitor the development of convergence of the FASB and IASB and continue to examine the use of valuation reserves in its supervision with reference to the standards in ICP14. Expected commencement date: Ongoing Web-links to relevant documents:



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				submitted comments to IASB on the exposure draft on expected credit losses in July 2013.	
				Web-links to relevant documents:	
				http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf Review draft of general hedge accounting:http://www.ifrs.org/Alerts/Pro	
				jectUpdate/Pages/Draft_general_hedge.as px	
				IASB's exposure draft on expected credit losses:http://www.hkicpa.org.hk/file/medi a/section6_standards/standards/Financial Reporting/ed-pdf-2013/ed_crlost.pdf HKICPA's comments on the exposure draft on expected credit losses: http://www.hkicpa.org.hk/file/media/secti on6_standards/standards/FinancialReporti ng/ed-pdf-2013/ed_ic.pdf http://www.hkicpa.org.hk/file/media/secti on6_standards/standards/FinancialReporti	
				ng/ed-pdf-2013/ed_leases.pdf http://www.hkicpa.org.hk/file/media/secti on6_standards/standards/FinancialReporti ng/submission-pdf/2013/sub_ecl.pdf	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VIII.	Enhancing risk manag				
20 (31)	Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington) National supervisors should closely check banks' implementation of the updated guidance on the management and	Jurisdictions should indicate the policy measures taken to enhance guidance to strengthen banks' risk management practices. See, for reference, the Joint Forum's <u>Principles for the supervision of financial conglomerates (Sep 2012)</u> and the following BCBS documents: <u>Principles for effective risk data aggregation and risk reporting (Jan 2013)</u>	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: The HKMA conducted a benchmarking	Planned actions (if any): Further SGs being drafted cover credit risk transfer activities; market risk management (by Q4, 2013); foreign exchange risk management (by 2H, 2013); risk governance (taking into account the FSB thematic peer review report on risk governance). The HKMA, SFC and IA will continue with stress testing of firms under their respective remit.
(34)		supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. (Rec. II.10, FSF 2008) Regulators and supervisors in emerging markets ⁴ will enhance their supervision of banks' operation in foreign currency	 The Liquidity Coverage Ratio (LCR) (Jan 2013) Principles for the sound management of operational risk (Jun 2011) Principles for sound stress testing practices and supervision (May 2009) Jurisdictions may also refer to FSB's February 2013 thematic peer review 	exercise to assess and compare the effectiveness of selected AIs' firm-wide stress-testing practices, with a focus on implementation of risk management techniques and controprocedures. Stress testing is conducted from time to time by the HKMA, SFC and IA on firms under their respective remit to assess potential risks and vulnerabilities.	Expected commencement date: 2014 (SG on credit risk transfer activities), 2015 (revised SG relevant to risk governance) Web-links to relevant documents:
(35)		funding markets. (FSB 2009) We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)	report on risk governance.	Status of progress: Reform effective (completed) as of: HKMA issued revised supervisory guideline (SG) on: (1) Supervisory Review Process (Jun 2010 updated in Dec 2012); (2) Use of internal models approach to calculate market risk (Oct 2012); (3) Stress-testing (May 2012); (4)	

⁴ Only the emerging market jurisdictions may respond to this recommendation.



	Remarks	Progress to date	Next steps
		Sound Systems and Controls for Liquidity Risk Management (Apr 2011); (5) General Risk Management Controls (Dec 2010); (6) Foreign exchange risk management (Jan 2009)	
		Short description of the content of the legislation/ regulation/guideline:	
		For details of the six SG, please refer to web-links below. The HKMA is developing a SG on Credit Risk Transfer Activities, expanding upon existing guidelines on securitization and credit derivatives based on international standards. The HKMA is also reviewing the FSB's thematic peer review report on risk governance of February 2013 to identify necessary enhancements to its relevant supervisory guidelines.	
		Web-links to relevant documents:	
		SG on Supervisory Review Process http://www.hkma.gov.hk/media/eng/doc/ key-functions/banking- stability/supervisory-policy-manual/CA- G-5.pdf SG on Use of internal models approach to calculate market risk: http://www.hkma.gov.hk/media/eng/doc/ key-functions/banking- stability/supervisory-policy-manual/CA- G-3.pdf SG on Stress-testing: http://www.hkma.gov.hk/media/eng/doc/	



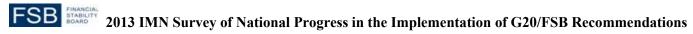
FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				stability/supervisory-policy-manual/IC-	
				5.pdf SG on Sound Systems and Controls	
				for Liquidity Risk Management:	
				http://www.hkma.gov.hk/media/eng/doc/	
				key-functions/banking-	
				stability/supervisory-policy-manual/LM-	
				2.pdf SG on General Risk Management	
				Controls:	
				http://www.hkma.gov.hk/media/eng/doc/	
				key-functions/banking-	
				stability/supervisory-policy-manual/IC-	
				1.pdf SG on Foreign exchange risk	
				management:	
				http://www.hkma.gov.hk/media/eng/doc/	
				key-functions/banking-	
				stability/supervisory-policy-manual/TA-	
				2.pdf	
				A.	



FSB FINANCIAL STABILITY 2013 IMN Survey of National Progress in the Implementation of G20/FSB Recommendations

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (36)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed. (Pittsburgh)	Jurisdictions should indicate steps taken to reduce impaired assets and encourage additional capital raising. For example, jurisdictions could include here the amount of new equity raised by banks operating in their jurisdictions during 2012.	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation /Guidelines Other actions (such as supervisory actions), please specify: Supervisory monitoring Status of progress: [No response] Short description of the content of the legislation/ regulation/guideline: Web-links to relevant documents:	Planned actions (if any): The HKMA will monitor closely accounting developments in relation to expected loss provisioning and will continue to require banks to maintain an adequate regulatory reserve to cater for expected but not yet incurred future losses. Expected commencement date: Web-links to relevant documents:



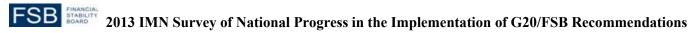


No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
No 22 (37)	Description Enhanced risk disclosures by financial institutions	G20/FSB Recommendations Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)	Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation / Guidelines	Next steps Planned actions (if any): To complete the legislative process required for the inclusion into the BDR of the BCBS "Composition of Capital Disclosure Requirements". The Banking (Disclosure) (Amendment) Rules 2013 is expected to take effect from 30 June
			Force on Enhancing the Risk Disclosures of Banks.	 Other actions (such as supervisory actions), please specify: Risk and loss disclosures of SFC-licensed entities are required to be made in compliance with accounting standards. 	2013. The IA will, upon review, adopt the standards of ICP20 as appropriate, taking into account the local circumstances. Expected commencement date:
				The IA is reviewing the standards in ICP20 on Public Disclosure with regard to the insurance supervisory regime in HK.	30.06.2013 Web-links to relevant documents:
				Status of progress: Reform effective (completed) as of: 01.01.2012 Short description of the content of the legislation/regulation/guideline:	
				Amendments were made to the Banking (Disclosure) Rules (BDR) to incorporate the Basel 2.5 enhancements to the Basel II disclosure requirements; the IASB improved disclosure standards; the recommendations of the Senior Supervisors Group report on disclosure, and other international best practices. The amendments took effect from 1 January	



FSB	FINANCIAL STABILITY BOARD
	BUARD

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				2012. A set of amendments to the BDR	
				to incorporate the new capital disclosure	
				requirements under Basel III has	
				completed the legislative process	
				necessary for the amendments to take	
				effect from 30 June 2013.	
				Web-links to relevant documents:	
				http://www.hkma.gov.hk/media/eng/doc/	
				key-information/guidelines-and-	
				circular/2011/20111123e1.pdf	
				http://www.legislation.gov.hk/blis_pdf.ns	
				f/6799165D2FEE3FA94825755E0033E5	
				32/1D9FB2E246B2BA50482575EE0046	
				4098/\$FILE/CAP_155M_e_b5.pdf	





No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
IX.	Strengthening deposit	insurance			
23	Strengthening of	National deposit insurance arrangements	Jurisdictions should describe any	Implementation ongoing or completed	Planned actions (if any):
(38)	national deposit insurance arrangements	should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)	revisions made to national deposit insurance system, including steps taken to address the recommendations of the FSB's February 2012 <i>thematic peer</i>	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	Expected commencement date:
		necucu. (Rec. V1.7, 131 2006)	review report on deposit insurance	Issue is being addressed through:	
			systems.	☐ Primary / Secondary legislation	Web-links to relevant documents:
				☐ Regulation /Guidelines	
				☑ Other actions (such as supervisory actions), please specify:	
				The Hong Kong Deposit Protection Board (HKDPB) completed a self- assessment of the design of the existing Deposit Protection Scheme (DPS) in HK against the Core Principles for Effective Deposit Insurance Systems (Core Principles). HKDPB has formulated an implementation plan to improve the payout efficiency, taking into account the relevant international trends and results of a full-scope rehearsal conducted in October 2012. Consultation with the banking industry on the proposed revision on the information system	
				guideline and compliance program is being conducted.	
				Status of progress: Draft in preparation, expected publication by: end 2013 (the revised information system guideline)	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Short description of the content of the legislation/ regulation/guideline:	
				The requirements on submission of	
				depositor information by banks have been	
				tightened to ensure that a complete set of	
				accurate depositor records can be obtained	
				from a failed bank efficiently.	
				Web-links to relevant documents:	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
X.	Safeguarding the integ	rity and efficiency of financial markets	·		
24 (39)	Enhancing market integrity and efficiency	We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)	Jurisdictions should indicate the progress made in implementing the following IOSCO reports: • Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011); and • Report on Principles for Dark Liquidity (May 2011).	Implementation ongoing or completed If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: Primary / Secondary legislation Regulation /Guidelines Other actions (such as supervisory actions), please specify: Status of progress: Draft approved and in force / to be in force from / by: 01.01.2014 Short description of the content of the legislation/ regulation/guideline: The SFC published the consultation conclusions on the regulation of electronic trading on 22 March 2013 which sets out a new regulatory framework for electronic trading and standards for intermediaries who conduct electronic trading which includes internet trading, DMA and algorithmic trading. Web-links to relevant documents: http://www.sfc.hk/edistributionWeb/gate way/EN/consultation/conclusion?refNo=12CP3	Planned actions (if any): The SFC intends to publish and publicly consult on the proposals concerning the regulation of dark pools prior to end 2013. The current regulatory requirements are imposed as licensing conditions. The proposal will codify the existing requirements. Expected commencement date: 2014 Web-links to relevant documents:

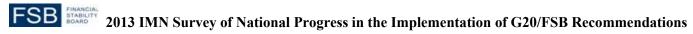


No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
No 25 (40)	Description Enhanced market transparency in commodity markets	We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management	Jurisdictions should indicate the policy measures taken to enhance market transparency in commodity markets. See, for reference, IOSCO's report on Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011). Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the report	Applicable but no action envisaged at the moment If "Not applicable "or "Applicable but no action envisaged" has been selected, please provide a brief justification: According to the outcome of the survey conducted by IOSCO in April 2012 on the implementation of Principles for the Regulation and Supervision of Commodity Futures Markets, Hong Kong was on par with major jurisdictions in the	Next steps Planned actions (if any): Expected commencement date: Web-links to relevant documents:
		powers, including the power to set exante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012. (Cannes)	published by the IOSCO's Committee on Commodity Futures Markets based on a survey conducted amongst its members in April 2012 on regulation in commodity derivatives market.	was on par with major jurisdictions in the implementation of these principles. Currently in Hong Kong, the regulation of commodity derivatives markets comes under the regulatory framework for futures markets in the Securities and Futures Ordinance, which has proven to be robust and effective through the last decade and evidenced during the global financial crisis in 2007 – 2008. The G20 has requested a further update from IOSCO on the implementation of these principles in two years, i.e. by late 2014. As such, Hong Kong foresees no action to be taken at the moment. Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines □ Other actions (such as supervisory actions), please specify: Status of progress:	



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				[No response]	
				Short description of the content of the legislation/ regulation/guideline:	
				Web-links to relevant documents:	





No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps	
26	Legal Entity Identifier	We support the creation of a global legal	Jurisdictions should indicate whether they	Implementation ongoing or completed	Planned actions (if any):	
New		entity identified (LEI) which uniquely identifies parties to financial transactions. (Cannes)	have joined Regulatory Oversight Committee (ROC) and whether they intend setting up Local Operating Unit (LOU) in their jurisdiction.	If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification:	Expected commencement date:	
			I	Issue is being addressed through: □ Primary / Secondary legislation	Issue is being addressed through:	
					☐ Primary / Secondary legislation	Web-links to relevant documents:
		We encourage global adoption of the LEI		☐ Regulation /Guidelines		
		to support authorities and market participants in identifying and managing		☑ Other actions (such as supervisory actions), please specify:		
		financial risks. (Los Cabos)		The local TR specifies in its reporting requirement that Global LEI should be reported to signify the identity of a transacting party in an OTC derivatives transaction if the party possesses the Global LEI. Where the Global LEI is not yet available, pre-LEI can be used. However, where an entity does not possess a Global LEI or pre-LEI, other identification codes may be used. The HKMA has joined the ROC and has participated in its Executive Committee. At the moment, HK does not intend to set up the LOU, which is not a mandatory requirement for all		
				jurisdictions. Entities can apply to an overseas LOU or the Central Operating Unit (COU) for a Global LEI. Status of progress: Reform effective (completed) as of: Jan 2013		



FSB	FINANCIAL STABILITY BOARD
------------	---------------------------------

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Short description of the content of the legislation/ regulation/guideline:	
				The local TR in HK commenced operation in late July 2013. The effective date of mandatory TR reporting is yet to be determined. See HKMA TR Reporting Service Reference Manual. Given that that the requirement for this item is to join the Regulatory Oversight Committee and to require reporting of the LEI, Hong Kong has accordingly implemented this item.	
				Web-links to relevant documents: (Section 8.4) http://www.hkma.gov.hk/media/eng/doc/key-functions/finanical-infrastructure/infrastructure/HKTR_Reporting_Service_Reference_Manual.pdf	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
XI.	Enhancing financial co	onsumer protection			
			Jurisdictions should describe progress toward implementation of the OECD's G-20 high-level principles on financial consumer protection (Oct 2011).	Implementation ongoing or completed If "Not applicable " or "Applicable but no action envisaged" has been selected, please provide a brief justification: Issue is being addressed through: □ Primary / Secondary legislation □ Regulation /Guidelines ☑ Other actions (such as supervisory actions), please specify: In Jun 2012, the Financial Dispute	Planned actions (if any): HKMA together with the relevant financial regulators in HK will consider how to implement the three principles once the OECD approaches are endorsed by the G20. The Government aims to introduce a bill into the Legislative Council for the proposed establishment of an independent IA. To further enhance policyholder protection, the IA has drafted a bill for legislature for the
				Resolution Centre (FDRC) was established, to provide financial consumers with an avenue to resolve monetary disputes with financial institutions through mediation and arbitration. In Nov 2012, the Investor Education Centre (IEC), a wholly-owned subsidiary of the SFC, was established to improve financial literacy and the public's ability to make informed financial decisions. The HKMA, jointly with the OECD and the SFC, hosted the Asian Seminar on financial consumer protection and education and an Asia Financial Consumer Protection Roundtable in Dec 2012. As a member of the OECD's Task Force on Financial Consumer Protection, HKMA has been participating in the work to develop effective approaches to support the	establishment of a policyholders' protection fund in Hong Kong. Expected commencement date: Web-links to relevant documents:



***	5	CAN FEED D	n ,	Duraman ta data	NI A
No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				implementation of the G20 Highlevel	
				Principles on Financial Consumer	
				Protection. HKMA launched a	
				"Consumer Corner" on its website in	
				December 2012 to provide information	
				on local banking consumer issues. The	
				SFC has amended the Code of Conduct	
				in relation to the sale of investments	
				products to enhance the protection to	
				investing public.	
				Status of progress:	
				Reform effective (completed) as of: On-	
				going	
				Short description of the content of the legislation/ regulation/guideline:	
				Web-links to relevant documents:	
				http://en-	
				rules.sfc.hk/net_file_store/new_rulebooks	
				/h/k/HKSFC3527_1868_VER20.pdf	



FSB FINANCIAL 2013 IMN Survey of National Progress in the Implementation of G20/FSB Recommendations

Source of recommendations:

Los Cabos: The G20 Leaders Declaration (18-19 June 2012)

Cannes: The Cannes Summit Final Declaration (3-4 November 2011)

Seoul: The Seoul Summit Document (11-12 November 2010)

Toronto: The G-20 Toronto Summit Declaration (26-27 June 2010)

Pittsburgh: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

London: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Washington: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)

FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)

FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)

FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)

FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision (1 November 2012)

XIII. **List of Abbreviations used:**

BO: Banking Ordinance

Code of Conduct: Code of Conduct by Persons licensed by or registered with the Securities and Futures

Commission

ComFrame: Common Framework for the Supervision of Internationally Active Insurance Groups

CFR: Council of Financial Regulators

DPS: Deposit Protection Scheme

FRC: Financial Reporting Council

FRR: Financial Resource Rules

FSC: Financial Stability Committee

G-SIIs: Globally Systemically Important Insurers

HKAB: Hong Kong Association of Banks

HKDPB: Hong Kong Deposit Protection Board

HKFRS: Hong Kong Financial Reporting Standards

HKICPA: Hong Kong Institute of Certified Public Accountants

HKMA: Hong Kong Monetary Authority

HLIs: Highly leveraged institutions

IA: Insurance Authority of Hong Kong

ICG: Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered

with the Securities and Futures Commission

ICO: Insurance Companies Ordinance

IOSCO CRA Code: IOSCO Code of Conduct Fundamentals for Credit Rating Agencies

LTV: Loan to Value

MMoU: Multilateral Memorandum of Understanding

MMFs: Money Market Funds MOUs: Memorandum of understanding

MSC: Macro Surveillance Committee

NAV: Net Asset Value

OCI: Office of the Commissioner of Insurance

OTCRMC: Core Operational and Financial Risk Management Controls For Over-the-Counter Derivatives

Activities of Persons Licensed by or Registered with the Securities and Futures Commission

SCAV: FSB Standing Committee on Assessment of Vulnerabilities

SFC: Securities and Futures Commission

SFO: Securities and Futures Ordinance

TFUFE: IOSCO Task Force on Unregulated Financial Entities