

Progress in the Implementation of G20/FSB Recommendations – June 2012

Jurisdiction: HONG KONG

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# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
1. Refining the regulatory perimeter						
1 (new)	Cannes	Strengthening the oversight of shadow banking	We agree to strengthen the regulation and oversight of the shadow banking system. ¹	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any): The HKMA will continue to contribute to the FSB efforts in strengthening the oversight and regulation of the shadow banking system.</p> <p>The SFC will continue to participate in the TFUFE. The SFC will participate in another data collection exercise coordinated by IOSCO in 2012.</p> <p>Expected commencement date: Sept 2012 - TFUFE</p> <p>Web-links to relevant documents:</p>
<input checked="" type="checkbox"/> Others, please specify: As a member of the FSB, the HKMA actively participates in discussions concerning unregulated entities/activities in the financial system, such as the shadow banking system. SFC is a member of the IOSCO Task Force on Unregulated Financial Entities (TFUFE), which will contribute to the FSB workstream to strengthen the regulation and oversight of other shadow banking entities (including credit hedge funds) by September 2012. SFC will continue to participate in IOSCO to develop policy recommendations related to Money Market Funds (MMF) product reform options.						

¹ For this survey, the focus is exclusively on the recommendations for monitoring the shadow banking system, discussed in section 2 of the October 2011 FSB report: “Shadow Banking: Strengthening Oversight and Regulation”, which is available here: http://www.financialstabilityboard.org/publications/r_111027a.pdf.

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					<p>SFC is a member of the working group on non-banking SIFIs for funds (other than hedge funds) within SC5 in IOSCO, which will work on elaborating methodologies to identify non-bank SIFIs among asset management entities (other than hedge funds).</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The SFC has participated in a data collection exercise coordinated by IOSCO in the fourth quarter of 2010 to collect data from managers of potentially systemically important hedge funds. Aggregate data collected by the SFC have been sent to IOSCO as agreed among IOSCO TFUFE members.</p> <p>Web-links to relevant documents:</p>	
2 (11)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any): The HKMA will continue to contribute to the FSB efforts in strengthening the oversight and regulation of the shadow banking system.</p> <p>The Insurance Authority (IA) will</p>

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			<p>promote good practices and consistent approaches at an international level.</p>		<p><input checked="" type="checkbox"/> Others, please specify: As a member of the FSB, the HKMA actively participates in discussions concerning unregulated entities/activities in the financial system, such as the shadow banking system.</p> <p>As a member of the IAIS, the IA has been actively contributing to deliberations on international standards for insurance supervision.</p> <p>To enhance protection for the investing public, the SFC issued a consolidated product handbook – the SFC Handbook.</p> <p><input checked="" type="checkbox"/> Completed as of 25 June 2011 with regard to the SFC Handbook.</p> <p>Overview (short description) of action(s) taken: The SFC Handbook comprises revised product codes for unit trusts and mutual funds and investment-linked assurance schemes (ILAS) as well as a new product code for unlisted structured investment products (SIP). Commencing 25 June 2011, all SFC-authorized funds, ILAS and SIP that are marketed to the public in Hong Kong are required to provide investors with product key facts statements (KFS) and offering documents that satisfy the</p>	<p>continue to participate in the meetings of the IAIS and keep in view of all the relevant recommendations, standards and guidance issued by the IAIS.</p> <p>SFC will continue to participate, where appropriate, in the work of IOSCO and its various committees, workstreams and task forces, and the implementation work of the FSB.</p> <p>SFC will continue to monitor and review the regulatory framework in Hong Kong and make enhancements to the regulatory framework when necessary.</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					requirements under the new regime. Web-links to relevant documents: The SFC Handbook: http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H584	
(i) Hedge funds						
3 (13)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	<p>We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, ...</p> <p>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</p>	End-2009	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of April 2003 with regard to Licensing requirement. Overview (short description) of action(s) taken: In general, hedge fund 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 hedge fund managers are subject to the Management, Supervision and Internal	Planned actions (if any): The SFC will continue to participate in the TFUFE. The SFC will participate in another data collection exercise coordinated by IOSCO in 2012. Expected commencement date: September 2012 Web-links to relevant documents:

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			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.		<p>Control Guidelines issued by the SFC. These Guidelines include guidance and suggested controls on risk management.</p> <p>SFC is a member of the IOSCO Task Force on Unregulated Financial Entities (TFUFE). The SFC has participated in a data collection exercise coordinated by IOSCO in the fourth quarter of 2010 to collect data from managers of potentially systemically important hedge funds. Aggregate data collected by the SFC have been sent to IOSCO as agreed among IOSCO TFUFE members.</p> <p>Web-links to relevant documents: http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H196</p>	
4 (14)	(Lon)	Effective oversight of cross-border funds	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.	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The SFC is a member of the IOSCO Task Force on Supervisory Cooperation. IOSCO published the Task Force's final report on the Principles Regarding Cross-Border</p>	<p>Planned actions (if any): Information sharing is being discussed among the members of the IOSCO Task Force on Unregulated Financial Entities following the data collection mentioned in item 3.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.		<p>Supervisory Cooperation in May 2010 that sets out a set of principles to guide IOSCO members in developing arrangements amongst themselves to increase supervisory cooperation and information-sharing in relation to globally-active regulated entities which includes collective investment schemes.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
5 (15)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of April 2003</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any):</p> <p>The SFC will monitor international developments and review the need for further guidance if necessary.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>taken: Licensed persons are required to comply with the SFC's Management, Supervision and Internal Control Guidelines which set out guidance in managing counterparty risk as well as SFC's Core Operational and Financial Risk Management Controls for OTC Derivatives Activities of Registered Persons.</p> <p>Most major prime brokers do not book their hedge fund counterparty risk in the SFC-licensed entities.</p> <p>Web-links to relevant documents: http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H197</p>	
6 (16)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of April 2003 with regard to the SFC guidelines (see below).</p>	<p>Planned actions (if any): The HKMA will keep its guidelines on dealing with HLIs under review having regard to any future guidance provided by the BCBS or other relevant international organisations.</p> <p>The SFC will monitor international developments and review the need for further guidance if necessary.</p> <p>Expected commencement date:</p>

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					<p>Overview (short description) of action(s) taken: The HKMA issued its Supervisory Policy Manual module on "Credit Approval, Review and Records" in January 2001 which provides that Hong Kong banks should exercise due caution when entering into transactions with highly leveraged institutions (HLIs) including hedge funds.</p> <p>In particular, banks in Hong Kong are required to:</p> <ul style="list-style-type: none"> - perform a thorough credit analysis of HLIs' activities, risks and operations; - set meaningful overall credit limits for HLIs; - monitor credit exposures vis-à-vis HLIs, including their trading activities, risk concentration, degree of leverage and risk management processes. <p>As noted in the response to item 5 above, the SFC has issued the Management, Supervision and Internal Control Guidelines, which include guidance and suggested control techniques for credit risk management, and Core Operational and Financial Risk Management Controls for OTC Derivatives Activities for Registered Persons. The Financial Resources Rules contain specific requirements to address client concentration and investment</p>	<p>Web-links to relevant documents:</p>

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					<p>concentration risk.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-2.pdf http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H197</p>	
(ii) Securitisation						
7 (17)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; 	During 2010	<p>No response required for this survey.</p> <p>Please refer to the BCBS progress report on the Basel 2.5 adoption, available at: http://www.bis.org/publ/bcbs/b2_5prog_rep_table.htm</p>	
			<ul style="list-style-type: none"> implement IOSCO's 		<p>Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p>	Planned actions (if any):

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			proposals to strengthen practices in securitisation markets.		<input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: The SFC, as a member of IOSCO's Task Force on Unregulated Markets and Products (TFUMP), will continue to participate in its work and consider implementation, as appropriate, in Hong Kong. <input type="checkbox"/> Completed as of Overview (short description) of action(s) taken: IOSCO's TFUMP is undertaking further work to analyse global regulatory and industry initiatives on risk retention, transparency and disclosure standardization. Web-links to relevant documents:	Expected commencement date: Web-links to relevant documents:
8 (18)	(Lon)	Improvement in the risk management of securitisation, including retention of a part of the risk of the	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including	By 2010	Implementation ongoing: <input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by end-2012 <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	Planned actions (if any): Expected commencement date: Early 2013 Web-links to relevant documents:

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	(Pitts)	underlying assets by securitisation sponsors or originators	<p>considering due diligence and quantitative retention requirements by 2010.</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.</p>		<p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: 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 securitization origination activities by banks in Hong Kong have been minimal, the HKMA is considering the need for introducing retention requirements in Hong Kong, having regard to the results of the BCBS' review and local circumstances.</p> <p>Web-links to relevant documents:</p>	
9 (19)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			to structured credit.		<input checked="" type="checkbox"/> Others, please specify: There is no monoline insurer in Hong Kong. <input type="checkbox"/> Completed as of Overview (short description) of action(s) taken: Web-links to relevant documents:	
10 (20)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Implementation ongoing: <input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by end-2012 <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: This has been included in the IA's monitoring of insurers' investment positions. Presently, the IA is considering the adoption of the approaches under ICP 15 on Investment, including the guidance on investments in structured products, with regard to the local circumstances. <input checked="" type="checkbox"/> Completed as of April 2003 in respect of	Planned actions (if any): The IA will issue relevant guidance as appropriate, taking into account the local circumstances. The SFC will monitor international developments and review the need for further guidance. Expected commencement date: Early 2013 (CRTA) Web-links to relevant documents:

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					<p>the SFC's Financial Resources Rules.</p> <p>Overview (short description) of action(s) taken: The HKMA is developing supervisory guidance on "Credit Risk Transfer Activities" (CRTA) which will include due diligence requirements that banks are required to observe when investing in structured products.</p> <p>The Financial Resources Rules have capital charge requirement on the SFC licensed firms' investment in structured products.</p> <p>Web-links to relevant documents: http://www.legislation.gov.hk/blis_ind.nsf/WebView?OpenAgent&vwpg=CurAllEngDoc*496*100*-568.15#568.15</p>	
11 (21)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: IOSCO consultation on Principles for Ongoing Disclosure for Asset Backed Securities closes on 20 April 2012.</p>	<p>Planned actions (if any): The next step is to consider comments received. SFC as a member of IOSCO Standing Committee 1 will actively participate in the development of the principles.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<input type="checkbox"/> Completed as of Overview (short description) of action(s) taken: Web-links to relevant documents:	
2. Enhancing supervision						
12 (5)	(Pitts)	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.	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: As a member of the FSB, the HKMA actively participates in international discussions on the regulation of SIFIs. The IA has been actively participating in supervisory colleges for major insurance groups on an on-going basis, and in the IAIS. Standards and guidance in respect of supervisory cooperation and coordination for consolidated supervision are promulgated by the IAIS under ICP 25 (Supervisory Cooperation and	Planned actions (if any): The HKMA regularly reviews its supervisory framework for SIFIs to ensure that it remains in line with international standards. The HKMA will continue to contribute to the work of the FSB on SIFIs (both Global SIFIs and Domestic SIFIs). A Peer Review Council (PRC) is expected to be set up by the FSB to review whether its G-SIFI requirements have been implemented effectively. As a key host authority to the majority of global systemically important banks (G-SIBs), the HKMA has supported the appointment of the host supervisors to the PRC and will continue to actively provide input

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					<p>Coordination); and the IA is reviewing them having regard to the insurance supervisory regime in Hong Kong.</p> <p>On the other hand, the assessment methodology for identifying globally systemically important insurers (G-SIIs) is now under further review by the IAIS. To foster group-wide supervision and convergence of regulatory/supervisory approaches, the IAIS is also developing a Common Framework for the Supervision of Internationally Active Insurance Groups (“ComFrame”).</p> <p>SFC will participate in IOSCO to develop methodologies to identify firms that carry out potentially systemic activities.</p> <p><input type="checkbox"/>Completed as of</p> <p>Overview (short description) of action(s) taken: Systemically significant banks in Hong Kong are subject to the consolidated supervision of the HKMA following the standards prescribed in the “Core Principles for Effective Banking Supervision” issued by the BCBS.</p> <p>In determining supervisory programmes and allocating resources, supervisors take into</p>	<p>to the establishment of the PRC.</p> <p>Further to the continued participation in supervisory colleges for major insurance groups, the IA will, upon review of the standards under ICP 25, consider adopting them as appropriate, taking into account the local circumstances.</p> <p>SFC will participate in IOSCO to develop methodologies to identify firms that carry out potentially systemic activities.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>account the complexity, interconnectedness and size of individual banks and banking groups, and the different risk mitigation approaches available.</p> <p>Following the publication of the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions in October 2011, the HKMA is considering the need for enhancing the framework on recovery and resolution plans (RRPs) for systemically important banks.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CS-1.pdf https://www.iosco.org/members_area/committees/pdf/7BFC2150-0DCB-141D-8DEB614A3E5DE1FB/Agenda%20item%202.3%20(b)%20IOSCO%20Letter%20sent%20to%20FSB%20regarding%20non-bank%20SIFs.pdf</p>	
13 (8)	(Lon)	Establishment of Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009 (for establishing supervisory colleges)	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>The HKMA will continue to participate in the supervisory colleges to keep abreast of supervisory developments in relation to the relevant institutions.</p>

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					<p><input checked="" type="checkbox"/> Others, please specify: Implementation in this area by the HKMA does not entail the issuance of any regulation/guidelines.</p> <p>Being the home regulator of a major insurance group with operations across the Asia region, the IA is organizing a supervisory college with relevant regulators for a more coordinated group-wide supervision.</p> <p>Moreover, the IA is also the host regulator of a number of insurance groups with operations in Hong Kong; and it has been actively participating in supervisory colleges for major insurance groups on an on-going basis.</p> <p>Given that significant firms in Hong Kong's securities market are subsidiaries or branches of overseas financial firms, the SFC would not be establishing supervisory colleges.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA is the host regulatory authority of a number of major financial institutions</p>	<p>The IA will continue to participate in/organize supervisory college(s) for major insurance group(s).</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>with significant operations in Hong Kong and has participated in the supervisory colleges established by the relevant home supervisors for these institutions. The international activities of those institutions for which the HKMA is the home supervisor are considered to be not so significant. The HKMA will for present purposes therefore continue to supervise these institutions' cross-border activities making use of its bilateral relationships with the relevant host supervisors.</p> <p>Web-links to relevant documents:</p>	
14 (8)	(Seoul)	Conducting risk assessments through international supervisory colleges	We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Implementation in this area does not entail the issuance of any regulation/guidelines.</p> <p>For insurance sector, please see responses in 13 (8) above.</p> <p>Given that significant firms in Hong Kong's</p>	<p>Planned actions (if any): The HKMA will continue to participate in the supervisory colleges to monitor and assess the risk profiles of the relevant institutions.</p> <p>For insurance sector, please see responses in 13 (8) above.</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>securities market are subsidiaries or branches of overseas financial firms, the SFC would not be establishing supervisory colleges.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA is the host regulatory authority of a number of major financial institutions with significant operations in Hong Kong and has participated in the supervisory colleges established by the relevant home supervisors for these institutions to exchange view on the supervisory issues including evaluation of the risk exposures of the institutions concerned.</p> <p>For insurance sector, please see responses in 13 (8) above.</p> <p>Web-links to relevant documents:</p>	
15 (9)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>The HKMA will continue to work closely with overseas regulators on the supervision of banks with cross-border operations in line with the various principles and standards set out by the BCBS.</p>

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		institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.		<p><input checked="" type="checkbox"/> Others, please specify: The HKMA and SFC are not proposing to issue any regulation/guidelines.</p> <p>In addition to the regular participation in supervisory colleges for major insurance groups, the IA has also been in close contact with local financial regulators on matters of common interest.</p> <p>The SFC participates in a supervisory college organised by an overseas regulator.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA has entered into Memoranda of Understanding (MoUs) with the Securities and Futures Commission and the Office of the Commissioner of Insurance to share supervisory information. The MoUs are working effectively.</p> <p>The HKMA participates actively in the supervisory colleges organised by overseas home regulators. It endeavours to share information with its fellow regulators in a timely manner, through both the supervisory colleges (in accordance with the principles and standard set out by the</p>	<p>The IA will continue to participate in supervisory colleges for major insurance groups and maintain close contact with local financial regulators on matters of common interest.</p> <p>On the other hand, the IA is reviewing the relevant approaches under ICP 25 (Supervisory Cooperation and Coordination) with a view to adopting them into the existing supervisory regime as appropriate, taking into account the local circumstances.</p> <p>SFC will continue to participate in the supervisory college. In addition, SFC will maintain regular contact with major regulators to facilitate supervisory exchange of information.</p> <p>Expected commencement date: In due course</p> <p>Web-links to relevant documents:</p>

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					<p>FSB/BCBS) and its bilateral relationships with them in accordance with the terms of the established Memoranda of Understanding.</p> <p>Web-links to relevant documents:</p>	
16 (10)	(Seoul)	More effective oversight and 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.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Implementation in this area does not entail the issuance of any regulation/guidelines.</p> <p>The SFC conducts stress testing of SFC-licensed firms' compliance with liquid capital requirement from time to time.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA, as a banking regulator, possesses powers provided by the Banking Ordinance and has a clear mandate for promoting the stability and effective</p>	<p>Planned actions (if any): The HKMA will continue to monitor the risk of banks through various measures on an ongoing basis.</p> <p>As a member of the IAIS, the IA will continue to keep track of any update of the standards / guidance / recommendations by the IAIS; and consider adopting as appropriate, taking into account the local circumstances.</p> <p>The SFC reviews its resources to enable it to effectively deliver its mandates on a regular basis. The SFC will continue to monitor the securities and futures markets, exposures of SFC-licensed firms and to stress test SFC-licensed firms' compliance with liquid capital requirement.</p>

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					<p>functioning of the banking system in Hong Kong. The HKMA has adopted a dynamic and forward-looking supervisory approach, and allocated sufficient resources, to proactively identify and address the risks embedded in business models of banks. These include an array of conventional tools for micro-supervision (such as onsite examinations, offsite surveillance and stress testing) and macro-prudential surveillance in order to identify evolving risks that might have important impacts on the operations and risk profiles of individual banking institutions as well as the banking system as a whole.</p> <p>The HKMA conducts supervisory stress tests regularly with the main objective of assessing the resilience of banks to potential risks and vulnerabilities. The stress-testing results are used, in particular, to inform and refine the HKMA's ongoing prudential supervisory process so that more in-depth analyses can be conducted on individual banks identified as outliers, with appropriate early preventative measures being implemented on those banks where necessary.</p> <p>The supervisory mandate and responsibilities of the IA are spelt out under the Insurance Companies Ordinance (ICO)</p>	<p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>with powers conferred on the IA to take interventionary and investigatory actions when necessary.</p> <p>As a member of the IAIS, the IA strives to ensure that the supervisory regime in Hong Kong adheres to its ICPs. The existing set of ICPs is the latest revised version promulgated by the IAIS with the aim of providing an enhanced globally-accepted framework for the effective oversight and supervision of the insurance sector. The IA has conducted self-assessment on selected ICPs organized by the IAIS.</p> <p>The SFC has strong and unambiguous mandates under the Securities and Futures Ordinance (SFO) to maintain and promote efficient, fair, orderly and transparent markets; minimise crime and misconduct; and reduce systemic risks in the securities and futures industry. The SFO empowers the SFC with a full suite of tools and powers to carry out its mandates. The SFC reviews its resources and powers on a regular basis to ensure that it exercises effective oversight and supervision under its mandates. Firms licensed by the SFC are required to have effective policies and procedures for proper risk management. The Financial Resources Rules also set out capital requirements in respect of the risks.</p>	

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					<p>Under the Securities and Futures Ordinance (SFO), the SFC's early intervention powers include the power to restrict a licensed firm from carrying on business or entering into transactions.</p> <p>Web-links to relevant documents: http://www.legislation.gov.hk/blis_ind.nsf/WebView?OpenAgent&vwpg=CurAllEngDoc*496*100*-568.15#568.15</p>	
17 (12)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 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.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify: Implementation in this area does not entail the issuance of any regulation/guidelines</p> <p><input checked="" type="checkbox"/> Completed as of On-going review of expertise and resources.</p> <p>Overview (short description) of action(s) taken: The HKMA's Banking Policy Department and Banking Supervision Department collaborate with the Market Research</p>	<p>Planned actions (if any): The HKMA will continue to keep its supervisory resources under regular review.</p> <p>The IA has the resources to oversee the solvency risks associated with financial innovation.</p> <p>The SFC will continue to keep in view its resources and the need for new expertise.</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>Department to collect market intelligence from various sources and analyse the constituent elements of new financial products, trading strategies and business practices with a view to identifying possible emerging risks to the banking sector and assisting in developing appropriate supervisory responses.</p> <p>The HKMA regularly reviews its supervisory resources requirements. It endeavours to attract and retain qualified staff by benchmarking salary scales to market analogues where practicable. It also seeks funding support to hire outside experts on specific areas as necessary from time to time.</p> <p>To better assess Hong Kong banks' capacity to understand and manage their risks, the HKMA has expanded and enhanced its treasury supervisory team by recruiting additional staff with specialized expertise in the area. In addition to carrying out specialized on-site examinations, the treasury supervisory team has conducted benchmarking reviews of the effectiveness of Hong Kong banks' liquidity risk management and stress testing practices.</p> <p>It is an established requirement of the HKMA that banks should fully understand</p>	

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					<p>the risks involved before they purchase a new product or engage in a new activity. This requirement is stated in various risk management guidelines of the HKMA. Compliance with this requirement is monitored through onsite examinations.</p> <p>Staff of the IA have different expertise and experience. The IA will seek to ensure that insurers have the ability to identify, monitor, measure, report and control the risks associated with their investment activities.</p> <p>The staff of SFC have different background and experience. They possess knowledge about, and working experience in, different aspects of the financial market, ranging from financial products, quantitative analysis, and risk management to market operations.</p> <p>Firms licensed by the SFC are required to have effective policies and procedures for proper risk management. The Financial Resource Rules also set out capital requirements in respect of the risks. However, leading edge financial products are seldom booked in the SFC-licensed firms.</p>	

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				Web-links to relevant documents:		
3. Building and implementing macro-prudential frameworks and tools						
18 (23)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify:</p> <p>There are well-established cross-sectoral platforms such as the Council of Financial Regulators and the Financial Stability Committee to facilitate effective exchanges amongst regulators and the Administration for the purposes of, inter alia, the maintenance of financial stability in Hong Kong.</p> <p>The Macro Surveillance Committee (MSC), consisting of the Chief Executive and other senior executives of the HKMA, has been set up in the HKMA to facilitate regular monitoring of risks and vulnerabilities to Hong Kong's monetary and financial system.</p> <p>A Financial Stability Surveillance Division</p>	<p>Planned actions (if any):</p> <p>In collaboration with the regulators, the Administration shall continue to improve our regulatory regime, taking into account global financial developments and local market needs.</p> <p>The HKMA is currently reviewing the institutional framework for systemic risk monitoring and macroprudential policy coordination to identify potential need for improvement.</p> <p>The SFC regularly reviews its regulatory framework for areas of improvement in light of new principles and standards issued by IOSCO and the FSB that are relevant as appropriate to its regulatory framework.</p> <p>Expected commencement date:</p>

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					<p>has been established in the HKMA to strengthen its surveillance capability for financial stability issues. The new division will assimilate inputs from different departments to produce focused financial stability analyses, which will form the basis for MSC's discussion and formulation of necessary policy responses.</p> <p>The HKMA's Banking Policy Department and Banking Supervision Department collaborate with the Research Department to collect market intelligence from various sources and analyse the constituent elements of new financial products, trading strategies and business practices with a view to identifying possible emerging risks to the banking sector and assisting in developing appropriate supervisory responses.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	Web-links to relevant documents:
19 (24)	(Lon)	Powers for gathering	Ensure that national regulators possess	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being</p>	Planned actions (if any): The HKMA will continue to

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
		relevant information by national regulators	the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.		<p>developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The HKMA is given wide powers under the Banking Ordinance to require banks to submit to it information which is necessary for the HKMA to perform its functions (which include promotion of the general stability and effective working of the banking system). This includes provision of information by way of both regular returns and ad hoc surveys/information requests.</p> <p>The HKMA participates in the FSB's Standing Committee on Assessment of Vulnerabilities (SCAV) which assesses and monitors vulnerabilities in the financial system. Discussions at the SCAV facilitate information exchange on systemic risks at the international level.</p> <p>The HKMA was a member of the FSB Working Group on Data Gaps and Systemic Linkages and chaired 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</p>	<p>participate in SCAV.</p> <p>The HKMA continues to participate in the Governance Workstream of DGIG. A progress report of DGIG was submitted to the FSB Plenary in November 2011. Recommendations for phase 1 implementation of the project will be submitted to the FSB Steering Committee in March 2012.</p> <p>The SFC will continue to explore international cooperation to strengthen oversight on the activities of hedge funds and other systematically important entities/markets.</p> <p>The SFC will participate in another data collection exercise coordinated by IOSCO in 2012.</p> <p>Expected commencement date: September 2012</p> <p>Web-links to relevant documents:</p>

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					<p>the Governance Workstream under it.</p> <p>The IA is empowered under the ICO to request for insurers' financial returns and other information. In addition, the IA has entered into Memoranda of Understanding with regulators in other jurisdictions and is working closely with them in the supervision of insurers with cross-border operations.</p> <p><input checked="" type="checkbox"/> Completed as of Powers to gather information under current legislations of HKMA, IA and SFC.</p> <p>Overview (short description) of action(s) taken: Any person who carries on a business in Hong Kong to provide asset management services to third parties or advises on securities is required to be licensed by the SFC.</p> <p>The SFC has participated in a data collection exercise coordinated by the IOSCO in the fourth quarter of 2010 to collect data from managers of potentially systemically important hedge funds. Aggregate data collected by the SFC have been sent to IOSCO as agreed among IOSCO TFUFE members.</p>	

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					Web-links to relevant documents:	
20 (25)	(FSF 2009) (Cannes)	Use of macro-prudential tools	3.1 Authorities should use quantitative 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... Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions. We are developing	End-2009 and ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: The IA is considering the approaches as set out in ICP 24 on Macroprudential Surveillance and Insurance Supervision, having regard to the insurance supervisory regime in Hong Kong. <input checked="" type="checkbox"/> Completed as of September 1995 in respect of HKMA's macro-prudential tools; and April 2003 in respect of the SFC's Financial Resources Rules. Overview (short description) of action(s) taken: Macro-prudential tools (e.g. maximum 70% loan-to-value ratio) have been used by the HKMA for supervisory purposes in residential mortgage lending since September 1995. The latest requirements on loan-to-value ratios are attached in the following web links.	Planned actions (if any): The HKMA is currently working on ways to implement the countercyclical capital buffer in Hong Kong as part of its measures to implement Basel III reforms according to the internationally agreed schedule. The HKMA is a member of the BCBS-IOSCO-CPSS-CGFS working group on margining requirements for non-centrally cleared derivatives (WGMR) which is tasked with developing global standards in this area. The WGMR is expected to deliver a consultative report in mid-2012. When margining standards for non-centrally cleared derivatives are agreed internationally, the HKMA will update its prudential framework for authorised institutions as appropriate to align with the new international standards. The HKMA is currently reviewing its macroprudential toolkit in light

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		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.		<p>The Financial Resources Rules of the SFC have specific capital charge requirements on OTC derivatives and securities margin financing. Moreover, OTC derivatives and securities financing transactions of most global investment banks are not booked in the SFC-licensed firms.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2011/20110610e2.pdf http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2011/20110610e2a1.pdf http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2011/20110610e2a2.pdf</p>	<p>of the ongoing international policy dialogue to ensure that robust policies are in place while maintaining consistency with sound microprudential criteria.</p> <p>The HKMA will continue to monitor the market situation closely and introduce appropriate additional macroprudential measures to safeguard banking stability in Hong Kong as and when necessary.</p> <p>The IA will incorporate the macro-prudential approaches/tools in the supervisory regime as appropriate, taking into account the local circumstances.</p> <p>The SFC would monitor international developments and review the need for further guidance if necessary.</p> <p>Expected commencement date: In due course</p> <p>Web-links to relevant documents:</p>

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21 (26)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Implementation does not entail issuance of specific regulations/guidelines.</p> <p><input checked="" type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA has been closely monitoring changes in asset prices. The relevant statistical information and analysis are published in its various reports, including the quarterly bulletins, Half-Yearly Monetary and Financial Stability Reports and annual reports.</p> <p>The SFC monitors the situation of local and international markets to assess their implications on the securities markets and issues half-yearly and annual review reports on the securities market of Hong Kong.</p> <p>The SFC started publishing the half-yearly</p>	<p>Planned actions (if any): The SFC will continue its existing practice of monitoring and releasing half-yearly and annual review reports on the securities market of Hong Kong.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>and annual market review in early 2008 with a review of the performance of markets in 2007.</p> <p>Web-links to relevant documents:</p>	
22 (27)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 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.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: There are monthly meetings of the Financial Stability Committee and quarterly meetings of the Council of Financial Regulators involving the Government and all financial regulators to discuss key issues and trends with a view to identifying financial stability risks and other concerns pertaining to the financial markets and financial industry in Hong Kong.</p> <p>The HKMA functions as a de facto central bank in many aspects and as the supervisor of the banking industry of Hong Kong. There are established and effective communication channels between the monetary side (which is responsible for</p>	<p>Planned actions (if any): Hong Kong will continue this practice of exchange of information.</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>central banking functions) and the banking side (which is responsible for banking supervisory functions) of the HKMA.</p> <p>The IA has cooperation agreements with the Financial Reporting Council (FRC) and the local financial regulators which seek to provide channels of communication, exchange of supervisory information, and investigative assistance among each other.</p> <p>The SFC has regular meetings with the HKMA to exchange information.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
4. Improving oversight of credit rating agencies						
23 (35)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.		<input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of 1 June 2011 Overview (short description) of action(s) taken: Following the completion of the legislative process, the regulatory regime for CRAs in Hong Kong became effective on 1 June 2011. From then on, CRAs that provide credit rating services and their rating analysts in Hong Kong are required to be licensed and are subject to supervision by the SFC. In particular the licensed CRAs are required to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (IOSCO CRA Code). 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/sfcOpenDocServlet?docno=11PR63)	

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24 (36)	(Lon)	CRA practices and procedures etc.	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of 1 June 2011 for CRA regulatory framework, and 15 March 2012 for cooperation arrangements with ESMA.</p> <p>Overview (short description) of action(s) taken:</p> <p>Please see response to item 23 (35) above.</p> <p>The SFC is a member of IOSCO SC6. SC6 has been mandated to (1) regularly discuss, evaluate and consider regulatory and policy initiatives vis-à-vis credit rating agency activities and oversight, in an effort to seek cross-border regulatory consensus through such means as the IOSCO CRA Code; and (2) facilitate regular dialogue between securities regulators and the credit rating industry.</p> <p>SFC established cooperation arrangements</p>	<p>Planned actions (if any):</p> <p>The SFC will continue to engage in the work of SC6.</p> <p>Expected commencement date: In progress</p> <p>Web-links to relevant documents:</p>

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			between national authorities, including through IOSCO.		<p>with European Securities and Markets Authority ("ESMA") for the supervision of CRAs that have cross-border activities in March 2012. ESMA also announced its recognition of Hong Kong regulation of CRAs on 15 March 2012.</p> <p>Web-links to relevant documents:</p> <p>Please see the press releases issued by ESMA http://www.esma.europa.eu/system/files/2012-158.pdf) and SFC http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=12PR28) on 15 March 2012</p>	
25 (37)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of (See items 23(35) and 24(36) above).</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any):</p> <p>The SFC will continue to engage in the work of SC6.</p> <p>Expected commencement date: In progress</p> <p>Web-links to relevant documents:</p>

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					taken: Please see responses to items 23 (35) and 24 (36) above. Web-links to relevant documents:	
26 (38)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	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. IV. 8 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	Ongoing	No response required for this survey. Please refer to national summary tables in <i>Progress Report on Reducing Reliance on CRA Ratings</i> (forthcoming).	

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	(Cannes)		<p>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.</p> <p>We reaffirm our commitment to reduce 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.</p>		

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5. Enhancing and aligning accounting standards						
27 (28)	(WAP)	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.	Ongoing	<p>Implementation ongoing:</p> <p><input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by The second half of 2012 (for impairment).</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input checked="" type="checkbox"/> Final rules expected to be in force by 1 January 2015 (for Hong Kong Financial Reporting Standard (HKFRS) 9 Financial Instruments); 1 January 2013 for HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, Hong Kong Accounting Standard (HKAS) 27 (2011) Separate Financial Statements, HKAS 28 (2011) Investments in Associates and Joint Ventures and amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities; 1 January 2014 for amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.</p> <p><input checked="" type="checkbox"/> Others, please specify: The HKMA holds regular bilateral meetings with the HKICPA’s Banking and Regulatory Liaison Group and engages in ongoing dialogue with the HKAB, to enable mutual understanding of key concerns in the development of converged global</p>	<p>Planned actions (if any): The Hong Kong Institute of Certified Public Accountants (HKICPA), the accounting standards setting body in Hong Kong, monitors the IASB exposure drafts and other international developments and would be expected to take the necessary steps to converge HKFRSs with new/revised IFRSs going forward.</p> <p>The HKMA will continue to keep a close watch on international accounting developments and work with the HKICPA and HKAB, with a view to ensuring that the accounting standards applied by banks in Hong Kong are in line with IFRSs/HKFRSs (converged since 2005) and the recommendations of the BCBS.</p> <p>As a member of the BCBS, the HKMA will also continue to support the BCBS’s interactions with the accounting standard setters in the development of prudent global accounting standards.</p>

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					<p>accounting standards and their implications for banks' financial reporting and the HKMA's supervisory framework.</p> <p>The IA has been in close contact with the accounting standard setters on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.</p> <p>The SFC, as a member of the IOSCO SC1, is actively involved in commenting on exposure drafts issued by the IASB.</p> <p>IOSCO SC1 has commented on the IASB exposure draft on transition guidance regarding IFRS 10. IOSCO SC1 is working on the comment letter on revenue recognition.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: HKFRSs have converged with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) since 2005. Implementation of HKFRSs does not require legislation.</p> <p>The Financial Reporting Council and the</p>	<p>The IA will continue to keep in view of international accounting developments (in particular the IFRS4) and closely liaise with the accounting standard setters on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.</p> <p>The SFC will continue to provide SC1 with its comments on exposure drafts issued by the IASB.</p> <p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>

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					<p>HKICPA are responsible for ensuring consistent application and enforcement of high quality accounting standards for HK listed companies.</p> <p>On 5 November 2009, the IASB published an exposure draft on Financial Instruments: Amortised Cost and Impairment, which forms the second part of a three-part project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement with a new standard, to be known as IFRS 9 Financial Instruments. The IASB will further develop the new credit impairment approach and plan to publish that approach in a re-exposure draft or a review draft in the second half of 2012.</p> <p>Moreover, the IASB has issued amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures on Mandatory Effective Date of IFRS 9 in December 2011, which adjusts the mandatory effective date of IFRS 9 so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2015.</p> <p>In May 2011, the IASB issued IAS 27 (2011) Separate Financial Statements, IAS 28 (2011) Investments in Associates and</p>	

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					<p>Joint Ventures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, which complete improvements to the accounting requirements for off balance sheet activities and joint arrangements and concludes an important element of the IASB's comprehensive response to the financial crisis. The global financial crisis illustrated that the existing consolidation guidance was not fundamentally flawed but could be improved. Moreover, the crisis highlighted the importance of enhancing disclosure requirements, in particular, for special purpose or structured entities. As a result, the IASB issued a package of five standards on consolidation and joint arrangements and the HKICPA has issued the equivalent HKFRSs in accordance with the convergence policy.</p> <p>The IASB has issued an exposure draft of Transition Guidance (Proposed Amendments to IFRS 10) which clarifies the transition guidance in IFRS 10 by confirming when an entity needs to apply IFRS 10 retrospectively.</p> <p>In December 2011, the IASB has also issued amendments to IAS 32 Financial Instruments: Presentation – Offsetting</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Financial Assets and Financial Liabilities to eliminate inconsistencies in applying the offsetting criteria in IAS 32; and amendments to IFRS 7 Financial Instruments: Disclosures – Disclosures-Offsetting Financial Assets and Financial Liabilities, which provide common disclosure for financial statements prepared in accordance with IFRS and US GAAP on offsetting.</p> <p>Most of the SFC licensed entities are incorporated in Hong Kong and are required to prepare financial statements in accordance with HKFRS.</p> <p>Web-links to relevant documents:</p> <p>Members’ Handbook Update 106 (http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update106.pdf) – on consolidation, joint arrangements and disclosures.</p> <p>HKICPA comment on amendments to IFRS 9 and IFRS 7 on Mandatory Effective Date of IFRS 9 (http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2011/effective%20date%20ifrs9%20.pdf)</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>HKICPA comment on offsetting of financial assets and financial liabilities (http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2011/offsetting.pdf)</p> <p>Members' Handbook Update 111 (http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update111.pdf) – on amendments to IFRS 9 and IFRS 7 and offsetting of financial assets and financial liabilities.</p> <p>HKICPA comment on Transition Guidance (Proposed Amendments to IFRS 10) (http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2012/sub-ifs-10-transition.pdf)</p>	
28 (30)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input checked="" type="checkbox"/> Final rules expected to be in force by 1 January 2013.</p> <p><input checked="" type="checkbox"/> Others, please specify: The IA has been examining the use of valuation reserves in its supervision. There</p>	<p>Planned actions (if any): The HKICPA will keep a close watch on international developments and put in place measures as appropriate.</p> <p>The IA will continue to examine the use of valuation reserves in its supervision with reference to the standards and guidance as set out in ICP14.</p>

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			their valuation is weak.		<p>are also IAIS standards and guidance on valuation under ICP14; and the IA is reviewing them with regard to the insurance supervisory regime in Hong Kong.</p> <p><input checked="" type="checkbox"/> Completed as of Dec 2011</p> <p>Overview (short description) of action(s) taken: The IASB issued a final standard on fair value measurement standard in May 2011 and the HKICPA issued the same in June 2011 in accordance with the convergence policy as HKFRS 13 Fair Value Measurement, which included guidance on measurement when markets become less active and guidance to address valuation uncertainty.</p> <p>The HKMA updated its statutory guideline on the Supervisory Review Process in June 2010, following industry consultation, to inter alia include the BCBS supplemental Pillar 2 guidance on the valuation of financial instruments.</p> <p>The HKMA issued supervisory guidance on "Financial Instrument Fair Valuation Practices" in December 2011, which incorporates the latest international regulatory standards on valuation practices.</p>	<p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Most of the SFC licensed entities are incorporated in Hong Kong and are required to prepare financial statements in accordance with HKFRS.</p> <p>Web-links to relevant documents:</p> <p>Members' Handbook Update 106 http://app1.hkicpa.org.hk/hksaebk/HKSA_Members_Handbook_Master/updates/update106.pdf</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf</p>	
29 (31)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 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	End-2009	<p>Implementation ongoing:</p> <p><input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by the second half of 2012 (for hedge accounting).</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: For the insurance sector, please see response to item 28(30).</p>	<p>Planned actions (if any): The HKICPA will keep a close watch on international developments and put in place measures as appropriate.</p> <p>The HKMA will continue to closely monitor international accounting developments and work with the HKICPA and assess impacts on banks' financial and regulatory reporting.</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		<p>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.</p>		<p>The FASB and IASB are still working together on the accounting convergence in the insurance area; and the IA is keeping in view of the developments by the two Boards.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The IASB issued IFRS 9 Financial Instruments in November 2009, which established a mixed amortised cost and fair value accounting model. The HKICPA adopted and issued the new standard in HKFRSs in November 2009. HKFRS 9 will be effective from 1 January 2015 with early adoption permitted. In December 2011, the IASB has issued amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures on Mandatory Effective Date of IFRS 9 which adjusts the mandatory effective date of IFRS 9 so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2015. The IASB expects to issue a final standard on hedge accounting representing the third and final part of the project to replace IAS 39 in the second half of 2012. The IASB also expects to issue an exposure draft on macro hedge accounting in the second half of</p>	<p>For the insurance sector, please see response to item 28(30).</p> <p>The IA will keep track of the developments on accounting convergence in insurance by the two Boards.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>2012.</p> <p>Response to item 28 (30) above describes the HKMA's recent actions relating to fair value accounting.</p> <p>The IASB issued IFRS 9 Financial Instruments in November 2009, which established a mixed amortised cost and fair value accounting model. The HKICPA adopted and issued the new standard in HKFRSs in November 2009. Consistent with the IASB's decision to defer the mandatory effective date of IFRS 9, HKFRS 9 will be effective from 1 January 2015.</p> <p>Most of the SFC licensed entities are incorporated in Hong Kong and are required to prepare financial statements in accordance with HKFRS.</p> <p>Web-links to relevant documents:</p>	
6. Strengthening adherence to international financial standards						
30 (32)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as	We are committed to strengthened adherence to international prudential regulatory and	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	Planned actions (if any): An FSAP update is scheduled to take place in 2013. Hong Kong will continue to undergo periodic FSB peer reviews and FSAP updates.

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
		<p>well as agreeing to undergo FSAP/ FSB periodic peer reviews</p> <p>(Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction</p>	<p>supervisory standards.</p> <p>FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.</p>		<p><input checked="" type="checkbox"/> Others, please specify: As an FSB member, Hong Kong is obliged to honour its commitment by undergoing periodic peer reviews and FSAP updates. Hong Kong underwent an FSAP in 2003.</p> <p>Hong Kong participates in FSB thematic peer reviews. HKMA provided members for the review teams for the reviews on (i) risk disclosures by market participants, (ii) mortgage origination practices and (iii) compensation practices (follow-up). The HKMA also chaired the thematic review on deposit insurance systems</p> <p>The SFC chaired the FSB Country Review of Italy.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
7. Enhancing risk management						
31 (4)	(WAP)	Enhancing guidance to strengthen banks' risk management practices	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.	Ongoing	<p>Implementation ongoing:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <ul style="list-style-type: none"> - Draft supervisory guideline on market risk management: expect to be issued for industry consultation in the second half of 2012 - Revising supervisory guidelines on Supervisory Review Process (current version issued in June 2010): expect to be issued for industry consultation in the third quarter of 2012 - Developing supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) to provide guidance on sound risk management practices for credit risk transfer activities: draft supervisory guidance expected to be issued within 2012. - Revised supervisory guidance on "Use of internal models approach to calculate market risk" to incorporate the changes in Basel 2.5 requirements: Addressing industry comments received during consultation. Expect to issue revised guidance in July 2012. 	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of - Revised supervisory guideline on foreign exchange risk management: Jan 2009 - Revised supervisory guideline on supervisory review process: Jun 2010 - Revised supervisory guideline on liquidity risk management: Apr 2011 Overview (short description) of action(s) taken: Revised supervisory guideline on stress-testing: aims to incorporate the BCBS's guidance on stress-testing and the recommendations from other international organisations to address deficiencies in stress-testing revealed by the global financial crisis (GFC). Updated supervisory guideline on "Foreign Exchange Risk Management": Banks are required to put in place effective systems and procedures for managing their foreign exchange risk exposures, including foreign currency funding needs during normal as	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>well as stressed market conditions.</p> <p>Updated supervisory guideline on "Supervisory Review Process" to incorporate supplemental Pillar 2 guidance issued by BCBS in July 2009 in light of the GFC, and provided more detailed guidance for banks' ICAAP in relation to stress-testing and specific risk factors (e.g. reputation risk from securitization exposures).</p> <p>Issued in April 2011 a supervisory guideline "Sound Systems and Controls for Liquidity Risk Management" to enhance liquidity risk management systems and controls in line with the 2008 BCBS Liquidity Sound Principles. (Please also see item 33.)</p> <p>Web-links to relevant documents:</p> <p>Supervisory guideline on "Foreign Exchange Risk Management": http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/TA-2.pdf</p> <p>Existing supervisory guideline on stress-testing: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Existing supervisory guideline on SRP: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf</p> <p>Existing supervisory guideline on liquidity risk management http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/LM-2.pdf</p>	
32 (4)	(FSF 2009)	Validation of adequacy of banks' capital buffers	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Jun 2010</p> <p>Overview (short description) of action(s) taken: A new Annex has been incorporated in the HKMA's guideline on Supervisory Review Process to reflect BCBS's enhanced stress testing requirement on banks. In conducting the supervisory review process,</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
				<p>the HKMA takes into account the stress-testing approach adopted by a bank to determine its minimum regulatory capital requirement.</p> <p>Web-links to relevant documents: Existing supervisory guideline on SRP: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf</p>	
33 (4)	(FSF 2008)	Monitoring the implementation of updated guidance on liquidity risk	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and 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.	<p>Ongoing</p> <p>Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of Apr 2011</p> <p>Overview (short description) of action(s) taken: The HKMA issued a statutory guideline on "Sound Systems and Controls for Liquidity Management" on 1 April 2011. This guideline incorporates the sound principles of liquidity management and supervision set out by the Basel Committee in 2008. All</p>	<p>Planned actions (if any): The HKMA is following up with individual institutions their implementation plans and progress, and will assess their compliance with the relevant requirements as part of on-going risk-based supervision.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>authorized institutions in Hong Kong are required to achieve compliance with the sound principles within specific timeframes (generally within 2012) agreed with the HKMA.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/LM-2.pdf</p>	
34 (4)	(FSB 2009)	Enhancing banks' operations in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of Jan 2009</p> <p>Overview (short description) of action(s) taken: Banks are required to put in place effective systems and procedures for managing their foreign exchange risk exposures, including foreign currency funding needs during normal as well as stressed market conditions. The update in 2009</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>incorporated the recommendations set out in the report "Progress in Reducing Foreign Exchange Settlement Risk" published in May 2008 by the BIS Committee on Payment and Settlement Systems.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/TA-2.pdf</p>	
35 (39)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Apart from the routine supervision and stress testing, the IA will carry out ad hoc stress testing of the insurers when and where necessary.</p> <p><input checked="" type="checkbox"/> Completed as of On-going Stress Testing by Banks: See references to draft revised supervisory guideline on stress-testing mentioned under item 31 above.</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any): The HKMA is planning to improve the supervisory stress test framework and its transparency. It will continue to refine the stress test parameters to take account of external developments and based on the results, formulate corrective actions. The enhancement aims to facilitate the use of stress test in prudential supervision of banks.</p> <p>The IA will continue with routine stress testing and ad hoc stress testing as necessary.</p> <p>The SFC will continue to stress test SFC-licensed firms' compliance with liquid capital requirement from time to time.</p>

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				<p>taken: The HKMA regularly performs stress tests to assess the resilience of banks to potential risks and vulnerabilities. The supervisory stress scenarios and risk parameters are subject to ongoing review.</p> <p>The SFC conducts stress testing of SFC-licensed firms' compliance with liquid capital requirement from time to time.</p> <p>Web-links to relevant documents:</p>	<p>Expected commencement date: On-going</p> <p>Web-links to relevant documents:</p>
36 (40)	(Pitts)	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.	<p>Ongoing</p> <p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: Hong Kong banks' asset quality has remained sound despite the global financial crisis and economic downturn. Impaired</p>	<p>Planned actions (if any): The IASB and the US FASB (the Boards) are in the process of redeveloping a revised expected loss approach for loan loss provisioning following feedback from stakeholders on the Supplementary Document jointly issued by the Boards in January 2011. A re-exposure draft is expected to be released in Q2 2012. In the interim, the HKMA will keep a close watch on accounting developments in this area and will continue to require banks to maintain an adequate regulatory reserve (a non-distributable reserve, earmarked</p>

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					<p>assets were adequately provided for and capital positions remained well above international standards.</p> <p>In the light of the fact that Hong Kong experienced rapid loan growth amid relatively benign economic conditions in 2010 and Authorized Institutions' (AIs) estimates of loan impairment during this period using the incurred-loss approach were likely to be much lower than the inherent credit losses that could eventually materialise during any subsequent economic downturn, the HKMA has requested AIs to raise the level of regulatory reserve in addition to their accounting provisions to cater for possible increase in expected credit losses.</p> <p>Banks' capital management and planning, having regard to their risk profile and business plans, form part of the HKMA's supervisory assessment of locally-incorporated banks' soundness and safety. Where there is supervisory concern over a bank's capital adequacy, the HKMA will require the bank to reduce dividend payout or raise additional capital.</p> <p>The local QIS on the impact of Basel III conducted by the HKMA in 2011 indicated that locally-incorporated banks are</p>	<p>against retained earnings, introduced in 2005 to reduce the impact of changes in accounting standards on provisioning levels) to cater for expected but not yet incurred future losses.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>generally well-positioned for meeting the strengthened capital standards.</p> <p>Web-links to relevant documents:</p>	
37 (41)	(WAP)	Enhanced risk disclosures by financial institutions	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.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The IA is reviewing the standards as set out in ICP 20 on Public Disclosure with regard to the insurance supervisory regime in Hong Kong.</p> <p>Risk and loss disclosures of SFC-licensed entities are required to be made in compliance with accounting standards.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: In response to one of the recommendations in the Peer Review Report on 2011 Thematic Review on Compensation, the HKMA issued a circular letter* to all AIs</p>	<p>Planned actions (if any): The IA will, upon review, adopt the standards of ICP20 as appropriate, taking into account the local circumstances.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>on 23 November 2011, encouraging them to follow the disclosure provisions set out in the paper "Pillar 3 disclosure requirements on remuneration" issued by the Basel Committee on Banking Supervision in July 2011, as far as applicable to them on a proportionate basis with effect from the financial year 2011.</p> <p>Amendments were made to the Banking (Disclosure) Rules 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 2012.</p> <p>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.nsf/6799165D2FEE3FA94825755E0033E532/1D9FB2E246B2BA50482575EE00464098/\$FILE/CAP_155M_e_b5.pdf</p>	

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8. Strengthening deposit insurance					
38 (42)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	<p>No response required for this survey.</p> <p>Please refer to peer review report on deposit insurance systems published in February 2012, available at: http://www.financialstabilityboard.org/publications/r_120208.pdf</p>
9. Safeguarding the integrity and efficiency of financial markets					
39 (new)	(Cannes)	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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by 3Q 2012.</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: In the SFC Corporate Plan 2010-12, it is mentioned that one of the risks we face is market disruptions arising from erroneous</p> <p>Planned actions (if any): Public consultation of the draft SFC guidelines is planned to be conducted by 3Q 2012.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			liquidity, and call for further work by mid-2012.		<p>trading and the impact of technological developments on market structure. In response to the risk identified, SFC's key priority is to establish appropriate policies for the proper regulation of technology-driven trading activities.</p> <p>The SFC is preparing a new set of guidelines on the regulatory standards for intermediaries who engage in electronic trading activities.</p> <p>Web-links to relevant documents:</p>	
40 (new)	(Cannes)	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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The SFC is a member of the IOSCO Task Force on Commodity Futures Markets (TFCFM), which is mandated to study issues related to the operation of commodity futures markets.</p> <p><input type="checkbox"/> Completed as of</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante 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		<p>Overview (short description) of action(s) taken: In September 2011, IOSCO published the Principles for the Regulation and Supervision of Commodity Derivatives Markets which was prepared by the TFCFM. The SFC is reviewing its compliance with the Principles.</p> <p>Web-links to relevant documents: http://iosco.org/library/pubdocs/pdf/IOSCO_PD358.pdf</p>	
10. Enhancing consumer protection						
41 (new)	(Cannes)	Financial consumer protection	We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	Planned actions (if any): The FDRC is expected to begin operation in mid-2012. The Government aims to introduce a bill into the Legislative Council for the proposed establishment of an independent IA.

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			<p>strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions.</p>		<p><input checked="" type="checkbox"/> Others, please specify: Establishment of an investor education body and a Financial Dispute Resolution Centre (FDRC)</p> <p>Currently, each financial regulator pursues investor education to complement its respective regulatory work. Nevertheless, the scope of their work is limited to their respective sector. To improve the financial literacy and capacity of the general public, the Administration proposes to establish an investor education body to holistically oversee the needs of investor education and delivery of related initiatives. The legislative amendments enabling the SFC to set up an investor education centre has passed. The centre is expected to be established by Q4, 2012</p> <p>To provide an affordable and simple redress mechanism to financial consumers, preparations are underway for the establishment of a FDRC to administer a financial dispute resolution scheme by way of primarily mediation, and failing which, arbitration. Expected commencement date is mid-2012.</p> <p>The proposal to establish an independent IA will, among others, align the existing supervisory framework with international</p>	<p>Meanwhile, the IA aims to finalize proposals for the establishment of a policyholders' fund within 2011.</p> <p>As a member of the Task Force, the HKMA will continue to provide advice to the Task Force in its development of guidelines for implementation of the principles.</p> <p>The SFC is setting up a new investor education body, fully owned and funded by it, to take up the expanded investor education mandate.</p> <p>Expected commencement date: Q4 of 2012</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>practices/principles, including the high level principles on financial consumer protection prepared by the OECD.</p> <p>To further enhance policyholder protection, the IA is also proposing the establishment of a policyholders' protection fund in Hong Kong.</p> <p>The OECD Task Force on Financial Consumer Protection is working on developing guidelines for implementation of the G20 High-level Principles on Financial Consumer Protection.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The HKMA provided comments to the FSB Consultative Group and OECD's Task Force in drafting the FSB report and the G20 High-level Principles on Financial Consumer Protection. The two documents were endorsed at G20 Cannes Summit.</p> <p>The HKMA has provided input to the OECD Secretariat's survey on the need and importance for guidance for each of the principles. Based on the survey results, three principles ("Disclosure and Transparency", "Responsible Business</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Conduct of Financial Services Providers and Authorised Agents" and "Complaints Handling and Redress") are identified as having priority for development of the effective approaches.</p> <p>Web-links to relevant documents: http://www.fstb.gov.hk/fsb/ppr/consult/consult_iec_fdrc.htm http://www.oecd.org/dataoecd/58/26/48892010.pdf (G20 High-level Principles on Financial Consumer Protection)</p>	

Origin of recommendations:

- Cannes: The Cannes Summit Final Declaration (3-4 November 2011)
- Seoul: The Seoul Summit Document (11-12 November 2010)
- Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
- WAP: 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)

Index of acronyms

Example:

FSB: Financial Stability Board

BCBS: Basel Committee on Banking Supervision

DPS: Deposit Protection Scheme

FASB: Financial Accounting Standards Board

HKAB: Hong Kong Association of Banks

HKDPB: Hong Kong Deposit Protection Board

HKFRS: Hong Kong Financial Reporting Standard

HKICPA: Hong Kong Institute of Certified Public Accountants

HKMA: Hong Kong Monetary Authority

IA: Insurance Authority of Hong Kong

IAIS: International Association of Insurance Supervisors

IASB: International Accounting Standards Board

ICO: Insurance Companies Ordinance, Chapter 41 of the Laws of the Hong Kong Special Administrative Region.

ICP: Insurance Core Principle (Promulgated by the IAIS, the ICPs is a set of principles which provide an enhanced globally accepted framework for insurance supervision)

IFRS: International Financial Reporting Standard

IOSCO: International Organization of Securities Commissions

OECD: Organisation for Economic Co-operation and Development

SC1: IOSCO Standing Committee 1 on Multinational Accounting and Disclosure

SC6: IOSCO Standing Committee 6 on Credit Rating Agencies

SFC: Securities and Futures Commission

TFUFE: IOSCO Task Force on Unregulated Financial Entities

TFUMP: IOSCO Task Force on Unregulated Markets and Products