

Jurisdiction: Hong Kong SAR

2016 IMN Survey of National Progress in the Implementation of G20/FSB Recommendations

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
I. Hedge funds					
1 (1)	Registration, appropriate disclosures and oversight 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. (Seoul)</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 systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)</p>	<p>Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO's Report on Hedge Fund Oversight (Jun 2009), in particular recommendations 1 and 2.</p> <p>In their response, jurisdictions should specify whether:</p> <ul style="list-style-type: none"> - Hedge Funds (HFs) and/or HF managers are subject to mandatory registration - Registered HF managers are subject to appropriate ongoing requirements regarding: <ul style="list-style-type: none"> • Organisational and operational standards; • Conflicts of interest and other conduct of business rules; • Disclosure to investors; and • Prudential regulation. <p>Jurisdictions can also refer to Principle 28 of the 2010 IOSCO Objectives and Principles of Securities Regulation, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Draft in preparation, expected publication by: <input type="checkbox"/> Draft published as of: <input type="checkbox"/> Final rule or legislation approved and will come into force on: <input type="checkbox"/> Final rule (for part of the reform) in force since : <p><input checked="" type="checkbox"/> Implementation completed as of: 01.04.2003</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Per FSAP's report in June 2014, HK has fully implemented IOSCO principle 28 -- "Hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight." Hedge fund managers are required to be licensed for</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>Types 4 and/or 9 regulated activities under the SFO if they operate hedge funds in Hong Kong (as advisers and/or managers) regardless whether or not the funds they advised and/or managed are offered in Hong Kong. Hedge funds that are offered to the public in Hong Kong are required to obtain prior authorization under section 104 of the SFO, and comply with the Overarching Principles set out in the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the "Handbook") and relevant provisions in the Code on Unit Trusts and Mutual Funds (i.e. Section II in the Handbook) (the "UT Code"). Licensed hedge fund managers/advisers are subject to SFC's on-going supervision. They must remain fit and proper and comply with the requirements set out in various subsidiary legislations of the SFO such as Financial Resources Rules, Record Keeping Rules, Client Money Rules, Accounts and Audit Rules, etc. In addition, licensed hedge fund managers/advisers have to comply with the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct), Fund Manager Code</p>	

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				<p>of Conduct (FMCC) and Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC (ICG). These codes and guidelines give guidance relating to the practice and standards on certain business operations and conduct (including operational standards, conflicts of interest, information about and for investors, etc) with which licensed hedge fund managers/advisers are expected to comply.</p> <p>Highlight main developments since last year's survey:</p> <p>The SFC continues to participate in IOSCO Committee 5 hedge fund sub-group and aggregate data collected by SFC will be provided to IOSCO for the IOSCO HF survey.</p> <p>Web-links to relevant documents:</p> <p>FSAP's report https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf Internal Control Guidelines: http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf Fund Manager Code of Conduct: http://en-rules.sfc.hk/net_file_store/new_rulebook</p>	

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				<p>s/h/k/HKSFC3527_838_VER20.pdf Report of the Survey on Hedge Fund Activities of SFC-licensed Managers/Advisers: http://www.sfc.hk/web/EN/files/ER/Reports/HF%20Survey%20Report%202015_En.pdf Handbook and UT Code http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_3038_VER40.pdf</p>	

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2 (2)	Establishment of international information sharing framework	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London)	<p>Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO's Report on Hedge Fund Oversight (Jun 2009) on sharing information to facilitate the oversight of globally active fund managers.</p> <p>In addition, jurisdictions should state whether they are:</p> <ul style="list-style-type: none"> - Signatory to the IOSCO MMoU - Signatory to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO Principles Regarding Cross-border Supervisory Cooperation. 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Draft in preparation, expected publication by: <input type="checkbox"/> Draft published as of: <input type="checkbox"/> Final rule or legislation approved and will come into force on: <input checked="" type="checkbox"/> Final rule (for part of the reform) in force since : ongoing <p><input checked="" type="checkbox"/> Implementation completed as of: ongoing</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The SFC is a signatory to the IOSCO MMoU. The SFC also participates in the IOSCO Committee 5 HF sub-group. The HKMA is a signatory to the Alternative Investment Fund Managers Directive (AIFMD) MoU, effective 22 July 2013.</p> <p>Short description of the content of the</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>legislation/ regulation/guideline:</p> <p>The SFC has cooperation agreements with major jurisdictions through IOSCO MMoU, including eg Cayman Islands where HF's of SFC-licensed HF managers are typically located. The SFC also has bilateral MoUs with various international securities regulators. The SFC is a member of the IOSCO Committee 5 HF sub-group and it will continue to collect aggregate data and provide to IOSCO for the IOSCO HF Survey. Per FSAP's report in June 2014, HK has fully implemented IOSCO principle 28 – "Hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight"</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents:</p> <p>FSAP's report https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf Overseas collaboration: http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/</p>	

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3 (3)	Enhancing counterparty risk management	<p>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. (London)</p> <p>Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17, FSF 2008)</p>	<p>Jurisdictions should indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties.</p> <p>In particular, jurisdictions should indicate whether they have implemented recommendation 3 of the IOSCO Report on Hedge Fund Oversight (Jun 2009).</p> <p>In their responses, jurisdictions should not provide information on the portion of this recommendation that pertains to Basel III, since it is monitored separately by the BCBS.</p> <p>Jurisdictions can also refer to Principle 28 of the 2010 IOSCO Objectives and Principles of Securities Regulation, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Draft in preparation, expected publication by: <input type="checkbox"/> Draft published as of: <input type="checkbox"/> Final rule or legislation approved and will come into force on: <input checked="" type="checkbox"/> Final rule (for part of the reform) in force since : ongoing <p><input checked="" type="checkbox"/> Implementation completed as of: June 2014</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>SFC licensed corporations are required to comply with the Internal Control Guideline which set out guidance in managing counterparty risk as well as the OTC Risk Management Controls guidelines. Most major prime brokers do not book their HF counterparty risk in the SFC-licensed entities. Per FSAP's</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>report in June 2014, HK has fully implemented IOSCO principle 28 – “Hedge funds and/or hedge funds managers/advisers are subject to appropriate oversight”.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year’s survey:</p> <p>Web-links to relevant documents: FSAP’s report https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf Internal Control Guidelines: http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf OTC Risk Management Controls: http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_2372_VER10.pdf</p>	

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II. Securitisation					
4 (4)	Strengthening of regulatory and capital framework for monolines	Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8, FSF 2008)	<p>Jurisdictions should indicate the policy measures taken for strengthening the regulatory and capital framework for monoline insurers (where these exist).</p> <p>See, for reference, the following principles issued by IAIS:</p> <ul style="list-style-type: none"> • ICP 13 – Reinsurance and Other Forms of Risk Transfer; • ICP 15 – Investments; and • ICP 17 - Capital Adequacy. <p>Jurisdictions may also refer to:</p> <ul style="list-style-type: none"> • IAIS Guidance paper on enterprise risk management for capital adequacy and solvency purposes (Oct 2008). • Joint Forum document on Mortgage insurance: market structure, underwriting cycle and policy implications (Aug2013). 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 2010</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>In Hong Kong, mortgage guarantee insurance has been offered by a monoline insurer who solely writes mortgage insurance. Same as other authorized insurers in Hong Kong, the monoline insurer is subject to the prudential</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>regulation by the IA under the Insurance Companies Ordinance (Cap. 41) (ICO). However, there are requirements that are specific to mortgage insurers and they are set out in the Guidance Note on Reserving for Mortgage Guarantee Business (GN6). The supervisory measures on monoline insurer(s) under the existing regulatory regime have been effective ever since the implementation of GN6 in 2000, which was later revised in 2010; and the IA does not envisage any further action necessary for the time being. The GN 6, which applies to both insurers and reinsurers carrying on mortgage guarantee business in or from Hong Kong, sets out the minimum standard expected of an insurer in setting aside technical reserves in respect of mortgage guarantee business for the purposes of ensuring its ability to meet liabilities or fulfil the reasonable expectations of policyholders. This includes the requirement to establish and maintain an Unearned Premium Reserve, a Provision for Claims Outstanding (including claims incurred but not reported), a Contingency Reserve (a reserve that is set aside for severe claims</p>	

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II. Securitisation					
				<p>arising from economic downturn), and adequate reinsurance arrangements at all times.</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents: Guidance Note on Reserving for Mortgage Guarantee Business (GN6) : http://www.oci.gov.hk/download/e-gn6.pdf</p>	

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5 (5)	Strengthening of supervisory requirements or best practices for investment in structured products	Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18, FSF 2008)	<p>Jurisdictions should indicate the due diligence policies, procedures and practices applicable for investment managers when investing in structured finance instruments and other policy measures taken for strengthening best practices for investment in structured finance products.</p> <p>Jurisdictions may reference IOSCO's report on Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009).</p> <p>Jurisdictions may also refer to the Joint Forum report on Credit Risk Transfer-Developments from 2005-2007 (Jul 2008).</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input checked="" type="checkbox"/> Draft published as of: 30.11.2015</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: June 2016</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The Financial Resources Rules (FRRs) have capital charge requirement on SFC licensed corporations' investment in structured products. The SFC's Code of Conduct has provisions on disclosure and transparency requirements in relation to the sale of investments products to enhance the protection provided to the</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>For institutional investors who are deposit-taking institutions supervised by the HKMA, there are already supervisory guidelines that require the institutions to implement appropriate policies, procedures, monitoring and controls to manage the risks associated with their credit activities (e.g. Supervisory Policy Manual CR-G-1 on "General principles of credit risk management"). The HKMA has been collecting data regularly on the institutions' holdings of structured finance products and note that the holdings have been maintained consistently at a low level. July 2016 Update: The HKMA issued the supervisory guidance on "Credit Risk Transfer Activities" on 30 June 2016. This guidance supplements existing guidance on credit risk management with sound practices in due diligence when participating in activities associated with securitization and credit derivatives and brings supervisory policy into line with the latest international standards including the recommendations made in</p>

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				<p>investing public. Please refer to the SFC's Code of Conduct in the weblinks section below for details. For the HKMA, the supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) aims to supplement existing guidance on credit risk management and bring supervisory policy into line with the latest international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (Jul 2008). This aspect has been covered in the existing monitoring of insurers' investment positions by the IA. Presently, the IA is considering adopting the approaches required under ICP 15 on Investment, including the guidance on investments in structured products, having regard to the local circumstances.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year's survey:</p> <p>The draft of the supervisory guidance on "Credit Risk Transfer Activities" was issued on 30 Nov 2015 for 2-month</p>	<p>the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (July 2008).</p> <p>Planned actions (if any) and expected commencement date:</p> <p>For HKMA, the final guidance on "Credit Risk Transfer Activities" is expected to be issued within 2016. The IA will issue relevant guidance as appropriate, taking into account the local circumstances.</p> <p>Web-links to relevant documents:</p>

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				<p>industry consultation. The draft is being refined in light of the comments received.</p> <p>Web-links to relevant documents:</p> <p>Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER30.pdf</p> <p>Draft supervisory guidance on “Credit Risk Transfer Activities” http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-xx.pdf</p>	

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6 (6)	Enhanced disclosure of securitised products	Securities market regulators should work with market participants to expand information on securitised products and their underlying assets. (Rec. III.10-III.13, FSF 2008)	<p>Jurisdictions should indicate the policy measures and other initiatives taken in relation to enhancing disclosure of securitised products, including working with industry and other authorities to continue to standardise disclosure templates and considering measures to improve the type of information that investors receive.</p> <p>See, for reference, IOSCO’s Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012), Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010) and report on Global Developments in Securitisation Regulations (November 2012), in particular recommendations 4 and 5.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 01.01.2012</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The enhancement to disclosure requirements under Basel 2.5 were already incorporated in Hong Kong through amendment to the Banking (Disclosure) Rules which came into</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>operation from 1 January 2012.</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents:</p>	

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III. Enhancing supervision					
7 (7)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)	<p>Jurisdictions should indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors; (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs.</p> <p>In their response to (3) above, jurisdictions should note any significant changes in their approach, strategy or practices to enhance SIFI supervision.</p> <p>Jurisdictions should mention, but not provide details on, policy measures that pertain to higher loss absorbency requirements for G/D-SIBs, since these are monitored separately by the BCBS.</p> <p>See, for reference, the following documents:</p> <p>BCBS:</p> <ul style="list-style-type: none"> • Framework for G-SIBs (Jul 2013) • Framework for D-SIBs (Oct 2012) <p>IAIS:</p> <ul style="list-style-type: none"> • Global Systemically Important Insurers: Policy Measures (Jul 2013) 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 1 January 2015</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>At present, Hong Kong is not the home jurisdiction of the G-SIIs identified under the latest available FSB 2015 updated list of G-SIIs. However, Hong Kong keeps actively participating in the supervisory colleges for major insurance groups on a regular basis. The IA is now reviewing</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>In order to gain an understanding of what is expected from G-SIIs, the IA, though not the group-supervisor of the identified G-SIIs, will take the initiative to review the two guidance issued by the IAIS , namely Systemic Risk Management Plan guidance and the Guidance on Liquidity Management and Planning. At the same time, the IA will keep in view of the IAIS developments of the policy measures to be applied to G-SIIs, and will consider adopting the measures on the identified G-SIIs, where appropriate.</p> <p>Web-links to relevant documents:</p>

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			<p><i>and initial assessment methodology</i></p> <ul style="list-style-type: none"> • <i>IAIS SRMP guidance - FINAL (Dec 2013)</i> • <i>Guidance on Liquidity management and planning (Oct 2014)</i> <p>FSB:</p> <ul style="list-style-type: none"> • <i>Framework for addressing SIFIs (Nov 2011)</i> 	<p>the standards under ICP 23 on group-wide supervision and the IAIS initial development of the higher loss absorbency (HLA) requirement, taking account of the local circumstances.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Secondary legislation: Banking (Capital) Rules implementing the Basel III Capital Conservation Buffer, the Countercyclical Capital Buffer and, for systemically important banks, a Higher Loss Absorbency requirement Guideline: Supervisory Policy Manual module CA-B-2 “Systemically Important Banks” (issued 18 February 2015) - Sets out the methodology for identifying systemically important banks in Hong Kong; calibration of Higher Loss Absorbency requirement.</p> <p>Highlight main developments since last year’s survey:</p> <p>The HKMA announced on 31 December 2015 the updated list of D-SIBs for 2016, together with their corresponding Higher Loss Absorbency requirement to take effect from 1 January 2017.</p> <p>Web-links to relevant documents:</p> <p>Banking (Capital) Rules:</p>	

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				http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf Guidelines and press releases relating to systemically important banks in Hong Kong: http://www.hkma.gov.hk/eng/key-functions/banking-stability/sibs.shtml	

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8 (8)	Establishing supervisory colleges and conducting risk assessments	<p>To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)</p> <p>We agreed to conduct rigorous risk assessment on these firms [G-SIFIs] through international supervisory colleges. (Seoul)</p>	<p>Reporting in this area should be undertaken solely by home jurisdictions of G-SIBs and G-SIIs.</p> <p>Please indicate the progress made in establishing and strengthening the functioning of supervisory colleges for G-SIBs and G-SIIs, including the development of any joint supervisory plans within core colleges and leveraging on supervisory activities conducted by host authorities.</p> <p>See, for reference, the following documents:</p> <p>BCBS:</p> <ul style="list-style-type: none"> • Principles for effective supervisory colleges (Jun 2014) • Progress report on the implementation of principles for effective supervisory colleges (Jul 2015) <p>IAIS:</p> <ul style="list-style-type: none"> • ICPs 24 and 25, especially guidance 25.1.1 – 25.1.6, 25.6, 25.7 and 25.8 • Application paper on supervisory colleges (Oct 2014) 	<p><input checked="" type="checkbox"/> Not applicable as Hong Kong is not the home jurisdiction of any G-SIBs nor G-SIIs</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input type="checkbox"/> Implementation completed as of:</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Hong Kong is not the home jurisdiction of any G-SIB. The international activities of those institutions for which the HKMA is the home supervisor are not considered so significant as to warrant the establishment of supervisory colleges. The HKMA will continue to supervise</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>their cross-border activities making use of its bilateral relationships with the relevant host supervisors. The HKMA is the host supervisor of a number of significant cross-border institutions. It participates in the supervisory colleges established by the relevant home supervisors for these institutions to monitor and assess their risk profiles. In a case where the HKMA is the intermediate home supervisor of an institution which is a subsidiary of a G-SIB, the HKMA has organized regional supervisory college meetings for that institution to promote the discussion of prudential matters of mutual interest with major host supervisors in the region (i.e. those relevant host authorities in the jurisdictions where the institution has operations.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
9 (9)	Supervisory exchange of information and coordination	<p>To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels. (Rec V.7 , FSF 2008)</p> <p>Enhance the effectiveness of core supervisory colleges. (FSB 2012)</p>	<p>Jurisdictions should include any feedback received from recent FSAPs/ROSC assessments on the September 2012 BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.</p> <p>Jurisdictions should describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <ul style="list-style-type: none"> <input type="checkbox"/> Draft in preparation, expected publication by: <input type="checkbox"/> Draft published as of: <input type="checkbox"/> Final rule or legislation approved and will come into force on: <input type="checkbox"/> Final rule (for part of the reform) in force since : <p><input checked="" type="checkbox"/> Implementation completed as of: ongoing</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>At the domestic level, there are MoUs between the HKMA, SFC and OCI to exchange supervisory information. At the international level, in 2013, the HKMA entered into MoUs with authorities of 28 European Union or European Economic Area countries to develop a framework for mutual</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The HKMA, SFC and IA will continue to work closely with overseas regulators on the supervision of institutions with cross-border operations relevant to them, in line with international standards where appropriate. The HKMA is in the process of negotiating with a number of overseas regulators for formal arrangements for exchange of supervisory information and cooperation. Furthermore, with the establishment of Single Supervisory Mechanism in Europe in 2014, the HKMA is negotiating with the European Central Bank for a MoU for the exchange of supervisory information and cooperation.</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>assistance in the supervision and oversight of authorized institutions acting as depositaries appointed for alternative investment funds that operate on a cross border basis, and for exchange of information for supervisory and enforcement purpose. The MoUs came into effect on 22 July 2013. At international level, in 2014, the HKMA entered into an MoU with Reserve Bank of India for cooperation and sharing of supervisory information and has continued to engage other overseas bank supervisors in negotiating formal arrangements for cooperation and sharing of supervisory information. The SFC is a signatory of the IOSCO MMoUs and various MoUs with international securities regulators. The SFC signed MoU with authorities from 28 European Union / European Economic Area countries on the supervision of alternative investment fund managers. The IA has entered into cooperation agreements with relevant supervisors and regulatory authorities, both local and foreign, for enhanced supervisory cooperation and coordination as well as exchange of information. At the international level, the IA has employed the frameworks of</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>cooperation with relevant overseas regulators in jurisdictions where insurers in Hong Kong have operations. To foster better cooperation between insurance supervisors, the IA also joined the IAIS MMoU and became a signatory authority to it in June 2012.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The proposed legislative changes to provide supervisory assistance to regulators outside of HK is a further enhancement to the existing supervisory cooperation.</p> <p>Highlight main developments since last year's survey:</p> <p>In 2015, the HKMA signed AIFMD MoU with authorities of 2 more European jurisdictions. The total number of jurisdictions which have signed AIFMD MoU with the HKMA comes to 30. The consultation conclusions on "Providing Assistance to Overseas Regulators in Certain Situations" were issued by the SFC in June 2015. The legislative changes to provide supervisory assistance to regulators outside of HK came into effect in November 2015. The SFC signed MoU with Spain and Gibraltar in</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Sep 2015 regarding mutual assistance in the supervision and oversight of managers of alternative investment funds, its delegates and depositaries.</p> <p>Web-links to relevant documents:</p> <p>Supervisory cooperation http://www.hkma.gov.hk/eng/key-functions/banking-stability/banking-policy-and-supervision/supervisory-cooperation.shtml Overseas collaboration http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>the day-to-day supervision of individual banks and topical subjects, such as consumer credit risk, supervisory stress testing and treasury market activities. Three specialist divisions supervise banks' corporate sector credit risk, operational, technology and treasury risks, and anti-money laundering and financial crime risk. The HKMA considers these three areas to be the most significant risks for the banking industry in the near term warranting dedicated supervisory resources. The HKMA continues to further enhance its supervisory approach to enable more efficient use of supervisory resources. In particular, regular on-site examinations are replaced by thematic reviews and thematic on-site examinations as necessary. Thematic reviews are in-depth off-site reviews focusing on particular risk areas or specific activities of groups of selected banks. Based on results of the thematic reviews, the HKMA prioritises its on-site examinations of banks.</p> <p>Short description of the content of the legislation/ regulation/guideline: (cont.)</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents: HKMA Annual Report 2014 (Chapter on Banking Stability) http://www.hkma.gov.hk/eng/publication-s-and-research/annual-report/2014.shtml</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
IV. Building and implementing macroprudential frameworks and tools					
11 (11)	Establishing regulatory framework for macro-prudential oversight	<p>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 banks¹ and private pools of capital to limit the build up of systemic risk. (London)</p> <p>Ensure that national regulators possess 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. (London)</p>	<p>Please describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) that have taken place since the global financial crisis, particularly over the past year.</p> <p>Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among different authorities on financial institutions, markets and instruments to assess the potential for systemic risk. If so, please describe identified gaps in the powers to collect information, and whether any follow-up actions have been taken.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input checked="" type="checkbox"/> Final rule (for part of the reform) in force since: 1990s</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 1990s</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Hong Kong has had an advanced macroprudential framework in place and has been utilising various</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>macroprudential policy tools since the 1990s. There are well-established cross-sector platforms such as the Council of Financial Regulators and Financial Stability Committee to facilitate effective exchanges among regulators and the government for the purposes of maintaining HK's financial stability.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The IA is empowered under the ICO to require authorized insurers in Hong Kong to provide comprehensive supervisory information for IA's scrutiny on a regular as well as ad hoc basis.</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
12 (12)	Enhancing system-wide monitoring and the use of macro-prudential instruments	<p>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...(Rec. 3.1, FSF 2009)</p> <p>We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)</p> <p>Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)</p>	<p>Please describe at a high level (including by making reference to financial stability or other reports, where available) the types of methodologies, indicators and tools used to assess systemic risks.</p> <p>Please indicate the use of macroprudential tools in the past year, including the objective for their use and the process used to select, calibrate, and apply them.</p> <p>See, for reference, the following documents:</p> <ul style="list-style-type: none"> • CGFS report on Operationalising the selection and application of macroprudential instruments (Dec 2012) • FSB-IMF-BIS progress report to the G20 on Macroprudential policy tools and frameworks (Oct 2011) • IMF staff papers on Macroprudential policy, an organizing framework (Mar 2011), Key Aspects of Macroprudential policy (Jun 2013), and Staff Guidance on Macroprudential Policy (Dec 2014) 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since:</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 01.01.2015</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>In Hong Kong, following the issuance of a policy manual explaining the HKMA’s approach to implementing the CCB in January 2015, the HKMA issued another policy manual in September 2015 providing guidance to banks for the determination of the geographic allocation of private sector credit exposures in calculating bank-specific CCB rates. As announced by the HKMA</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>in January 2016, the CCB will be increased from 0.625% to 1.25% with effect from 1 January 2017. Likewise, the HKMA introduced another round (the seventh since 2009) of countercyclical measures in February 2015 to strengthen banks' capacity in relation to their mortgage lending and enhance borrowers' ability to cope with the impact in the event of a property market downturn.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>1. CCyB Secondary legislation: Banking (Capital) Rules -- implementing the Basel III Capital Conservation Buffer, the Countercyclical Capital Buffer (CCyB) and, for systemically important banks, a Higher Loss Absorbency requirement Guideline: Supervisory Policy Manual module CA-B-1 "Countercyclical Capital Buffer (CCyB) – Approach to its Implementation" (issued 27 January 2015) -- Provides an overview of the CCyB framework in Hong Kong and describes the HKMA's approach to taking decisions with regard to the setting or recognition of the CCyB rates applicable to banks. Guideline: Supervisory Policy Manual module CA-</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>B-3 “Countercyclical Capital Buffer (CCyB) – Geographic Allocation of Private Sector Credit Exposures” (issued 25 September 2015) -- Provides guidance to banks on determining the geographic allocation of private sector credit exposures for the purposes of implementing the CCyB within the capital adequacy framework in Hong Kong. 2. Property Lending The HKMA issued a circular on 27 February 2015 requiring authorized institutions (AIs) to: Lower the maximum loan-to-value (LTV) limits for mortgage loans of self-use residential properties valued below HK\$7 million to 60%; Lower the maximum debt servicing ratio (DSR) limit to 40% and stressed DSR limit to 50% for mortgage loans of the second self-use residential mortgaged properties as well as non-self-use residential properties and non-residential properties; Require AIs adopting Internal Ratings Based Approach for managing their credit risks to extend the existing application of 15% risk-weight floor from their new residential mortgage loans to their entire residential mortgage loan portfolios by end-June 2016. The HKMA issued further guidance on 2 March 2015</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>requiring AIs to apply a 5-percentage-point knock down on the applicable DSR caps if the amount of mortgage loans, through any co-financing and mortgage insurance schemes, exceeds 20 percentage points over the normal permissible LTV ceilings. The HKMA also required AIs on 2 March 2015 to seek confirmation from money lenders which have credit relationships with AIs that they (i.e. the money lenders) will either strictly adhere to the HKMA’s prudential requirements for property mortgage lending or not engage in mortgage financing further if they maintain credit relationships with AIs. The IA regularly performs analyses, both quantitative and qualitative, on market performances and trends based on regulatory information and quarterly statistics submitted by insurers and assesses the likely risks and challenges to the industry as a whole as well as to individual insurers. Where there are specific issues of concern, the IA would carry out thematic reviews and collect additional information. Issue(s) that arose from these analyses and assessment, in particular those that may have adverse impact on the stability of</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>the industry/individual insurers, would be discussed with the parties concerned so as to facilitate the taking of preventive actions at an early stage.</p> <p>Highlight main developments since last year's survey:</p> <p>CCyB Announcement on 14 January 2016 to increase Countercyclical Capital Buffer rate for Hong Kong from 0.625% to 1.25% with effect from 1 January 2017.</p> <p>Web-links to relevant documents:</p> <p>CCyB Banking (Capital) Rules: http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf Guidelines and press releases relating to the CCyB for Hong Kong: http://www.hkma.gov.hk/eng/key-functions/banking-stability/ccyb.shtml Property lending http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150227e2.pdf http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150302e1.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
V. Improving oversight of credit rating agencies (CRAs)					
13 (13)	Enhancing regulation and supervision of CRAs	<p>All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. (London)</p> <p>National authorities will enforce compliance and require changes to a rating agency’s practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.</p> <p>CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.</p> <p>The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London)</p> <p>Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance</p>	<p>Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs including registration, oversight and sharing of information between national authorities. They should also indicate their consistency with the following IOSCO document:</p> <ul style="list-style-type: none"> • Code of Conduct Fundamentals for Credit Rating Agencies (Mar 2015) (including governance, training and risk management) <p>Jurisdictions may also refer to the following IOSCO documents:</p> <ul style="list-style-type: none"> • Principle 22 of Principles and Objectives of Securities Regulation (Jun 2010) which calls for registration and oversight programs for CRAs • Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003) • Final Report on Supervisory Colleges for Credit Rating Agencies (Jul 2013) <p>Jurisdictions should take into account the outcomes of any recent FSAP/ROSC assessment against those principles.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 2 Jun 2011</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Per FSAP’s report in June 2014, HK has fully implemented IOSCO principle 22 – “CRAs should be subject to adequate level of oversight” CRAs that provide credit rating services and their rating analysts in HK are required to be licensed</p>	<p>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</p> <p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
		<p>obligations for CRAs) as early as possible in 2010. (FSB 2009)</p> <p>We encourage further steps to enhance transparency and competition among credit rating agencies. (St Petersburg)</p>		<p>and are subject to supervision by the SFC. Licensed CRAs are required to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO CRA Code. CRAs provide credit rating services and their rating analysis in HK are required to be licensed for Type 10 regulated activity under the SFO and are subject to on-going supervision by the SFC. Licensed CRAs must remain fit and proper and comply with the requirements set out in various subsidiary legislations of the SFO (e.g. Financial Resources Rules, Information Rules, etc), the Code of Conduct and ICG (as mentioned in Q1). Licensed CRAs are also required to comply with "Code of Conduct for Persons Providing Credit Rating Services" (CRA Code of Conduct) which is primarily based on the IOSCO CRA Code issued in 2008. SFC has established cross-border cooperative arrangements with different jurisdictions. In particular, SFC is one of the signatories to the IOSCO MMOU which has covered information sharing arrangement between the regulators. In addition, SFC and ESMA entered into MoU on 7 March 2012 which governs the</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>cooperation arrangements on the supervision of cross-border CRA activities including information sharing on cross-border CRAs between SFC and ESMA.</p> <p>Highlight main developments since last year's survey:</p> <p>Web-links to relevant documents: FSAP's report https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf Code of Conduct for Persons Providing Credit Rating Services http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1783_VER10.pdf Code of Conduct http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER60.pdf ICG http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
14 (14)	Reducing the reliance on ratings	<p>We also endorsed the FSB’s principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul)</p> <p>Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)</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. (Cannes)</p> <p>We call for accelerated progress by national authorities and standard setting</p>	<p>Jurisdictions should indicate the steps they are taking to address the recommendations of the May 2014 FSB thematic peer review report on the implementation of the FSB Principles for Reducing Reliance on Credit Ratings, including by implementing their agreed action plans. Any revised action plans should be sent to the FSB Secretariat so that it can be posted on the FSB website.</p> <p>Jurisdictions may refer to the following documents:</p> <ul style="list-style-type: none"> • FSB Principles for Reducing Reliance on CRA Ratings (Oct 2010) • FSB Roadmap for Reducing Reliance on CRA Ratings (Nov 2012) • BCBS Consultative Document Revisions to the Standardised Approach for credit risk (Dec 2015) • IAIS ICP guidance 16.9 and 17.8.25 • IOSCO Good Practices on Reducing Reliance on CRAs in Asset Management (June 2015) • IOSCO Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input checked="" type="checkbox"/> Draft published as of: 30.11.2015 (Credit Risk)</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: June 2016</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The Securities and Futures Commission (“SFC”) has not identified any areas requiring change. SFC has reviewed whether there is a reliance on CRA rating in our authorisation of publicly offered collective investment schemes (CIS) and there is no requirement under the primary legislation, the Securities and Futures</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
		<p>bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and competition among credit rating agencies. (Los Cabos)</p> <p>We call on national authorities and standard setting bodies to accelerate progress in reducing reliance on credit rating agencies, in accordance with the FSB roadmap. (St Petersburg)</p>	<p>Use of External Credit Ratings (Dec 2015).</p>	<p>Ordinance or the applicable SFC product codes and guidelines that these products must be rated by CRA. The only references to CRA rating for publicly offered CIS in the regulations are in the Code on Unit Trusts and Mutual Funds (UT Code) but these references are purely disclosure-based and they do not constitute reliance. Furthermore, the credit rating information is only disclosable where it is applicable. For example, if a CIS is holding collateral, we ask that the description of the holdings of collateral should include; the value of the CIS (by percentage) secured / covered by collateral with breakdown by asset class/nature and credit ratings. The disclosure of the credit rating is only one part of the disclosure requirements and is only applicable to a CIS if it is holding collateral. The purpose of these types of disclosure requirements is to provide more information to investors. We do not mandate any form of reliance (mechanical or otherwise) on CRA ratings. For publicly offered unlisted structured investment products (“SIP”), references to credit rating are identified in three areas: (i) eligibility of issuers/ guarantors; (ii) criteria for collateral; and</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>(iii) disclosure requirements in offering documents/ advertisements. Pursuant to the Code on Unlisted Structured Investment Products (“SIP Code”), in order to satisfy the core eligibility requirements as an issuer/ guarantor, an entity shall, among other things, either be a regulated entity or have a credit rating meeting the relevant requirements stipulated in the SIP Code. Credit rating is only one of the many eligibility criteria. Where a SIP is collateralised, the collateral shall have a credit rating meeting the relevant requirements stipulated in the SIP Code, and credit rating is only one of the many criteria to be met by the collateral. Credit rating is required to be disclosed in offering documents and advertisements only if the issuer/ guarantor relies on its credit rating to be eligible or where the product is collateralised. Where a credit rating is disclosed, it shall be accompanied by certain warning statements to reduce any mechanistic reliance on credit ratings. Currently there is no issuer/ guarantor relying on its credit rating to be eligible and no SIP is collateralised, hence there is very limited reliance on CRA rating in our authorisation of publicly offered SIP.</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Investment and risk management processes are discussed with SFC-licensed firms during the course of supervision. Under the SFC's Internal Control Guidelines, firms are required to have effective system of credit ratings and limits for clients which reflects multiple specified risk factors. External credit rating is only one of the factors. Per the IOSCO Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the Use of External Credit Ratings published in December 2015, HK is one of the jurisdictions that have requirements for securities firms to make their own credit risk assessments for the purposes of making investment or lending decisions. The requirements include appropriate credit risk assessment processes and risk management procedures.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Credit risk The supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) aims to supplement existing guidance on credit risk management and bring supervisory policy into line with the latest</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (Jul 2008) Liquidity The BLR set out the statutory requirements relating to the Liquidity Coverage Ratio (“LCR”) and a local liquidity standard, a minimum 25% Liquidity Maintenance Ratio.</p> <p>Credit Risk The references to CRA ratings in the local banking legislation are all related to the regulatory capital and liquidity frameworks. The capital framework in Hong Kong is closely in line with the latest Basel capital standards, and the HKMA is committed to implementing enhancements (such as the revisions to the Standardised Approach for credit risk) introduced by the BCBS for addressing reliance on CRA ratings in the Basel capital framework. Banks in Hong Kong do not tend to place particularly strong reliance on CRA ratings in their credit risk assessment processes. In addition, supervisory guidelines are in place encouraging / requiring banks to have their own internal risk management capabilities and not to rely unduly on the credit assessment of, and credit ratings</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>assigned by, external credit rating agencies. The adequacy of banks' own credit assessment processes has been covered in the regular risk-based and/or thematic onsite examinations and offsite review of banks' credit risk management. Liquidity For the purpose of implementing the new liquidity standards (including the Basel III Liquidity Coverage Ratio ("LCR") and a local liquidity standard, the Liquidity Maintenance Ratio ("LMR"), the HKMA has made a set of Banking (Liquidity) Rules ("BLR") which commenced effect on 1 January 2015. CRA reference is retained in the BLR to reflect the Basel III LCR standard, which itself includes CRA reference as one of the qualifying criteria for classifying some specific types of high quality liquid assets ("HQLA"). Taking the opportunity of the implementation of the Basel III LCR standard, the HKMA has also modified the local statutory liquidity ratio (i.e. the LMR, which is applicable to those banks in Hong Kong not made subject to the LCR) to enhance its effectiveness. Under the LMR, CRA reference is retained as one of the criteria for defining some specific types of marketable debt</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>securities as “liquefiable assets” (the LMR’s numerator). This limited reference to CRA under the LMR is complementary to other criteria in determining “liquefiable assets” under the LMR.</p> <p>Highlight main developments since last year’s survey:</p> <p>July 2016 Update: The reference to CRA ratings in local banking legislation are all related to the regulatory frameworks developed based on Basel III capital and liquidity standards (so any CRA reference is merely the result of full alignment with the relevant international standard). While BCBS' initiatives in minimising references to CRA ratings in regulatory frameworks (e.g. the revised securitisation framework and the review of the standardised approach for credit risk) are either completed not long ago or still ongoing, our pace of implementation of Basel standards are tracking closely the respective BCBS timelines. In addition, HKMA issued the supervisory guidance on “Credit Risk Transfer Activities” on 30 June 2016 which has incorporated sound practices in due diligence when investing in securitisation</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>products, emphasising the importance of banks' conducting their own due diligence without undue or mechanical reliance on credit ratings.</p> <p>Web-links to relevant documents:</p> <p>Credit risk Draft supervisory guidance on “Credit Risk Transfer Activities” http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-xx.pdf Liquidity Banking (Liquidity) Rules: http://www.gld.gov.hk/egazette/pdf/20141843/es220141843129.pdf Internal Control Guidelines: http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VI. Enhancing and aligning accounting standards					
15 (15)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)	<p>Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are of a high and internationally acceptable quality (eg equivalent to IFRSs as published by the IASB), and provide accurate and relevant information on financial performance. They should also explain the system they have for enforcement of consistent application of those standards.</p> <p>Jurisdictions may want to refer to their jurisdictional profile prepared by the IFRS Foundation, which can be accessed at: http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx.</p> <p>As part of their response on this recommendation, jurisdictions should indicate the policy measures taken for appropriate application of fair value accounting.</p> <p>In addition, jurisdictions should set out any steps they intend to take (if appropriate) to foster transparent and consistent implementation of the new</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 01.01.2005</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Hong Kong Financial Reporting Standards (HKFRS), issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), achieved convergence with IFRS issued by the IASB since 2005. The HKICPA ensures consistent application of HKFRS through</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The HKMA will continue to monitor closely international accounting developments and work with the HKICPA and HKAB, with a view to ensuring that the accounting standards applied by banks in HK are in line with IFRSs/HKFRSs (converged since 2005) and the recommendations of the BCBS. With the impending application of IFRS9/HKFRS9 to banks, the HKMA intends to adopt the BCBS’s new guidance on credit risk and accounting for expected credit losses issued in December 2015 in order to ensure consistent application of the new impairment requirements under HKFRS9. The HKMA will continue to support the BCBS’s interactions with the accounting standard setters in the development of prudent global accounting standards. HKFRS 9, the new accounting requirements for financial instruments including the expected loan loss provisioning, was issued by the HKICPA in 2014 and will come into force on</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
			<p>accounting requirements for expected loan loss provisioning for impaired loans that are being introduced by the IASB and are scheduled to be introduced by the FASB.</p> <p>See, for reference, the following BCBS document:</p> <ul style="list-style-type: none"> • Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009) 	<p>its professional standards monitoring and practice review programs in accordance with its Professional Accountants Ordinance (Cap. 50). To ensure consistent application of (IFRS equivalent) HKFRSs across all locally incorporated banks, the HKMA has undertaken the following measures: (1) engaging with banks and their auditors through regular tripartite meetings; (2) issuing accounting-related supervisory guidance; and (3) engaging with the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Hong Kong Association of Banks (HKAB) to share international and domestic accounting developments and their implications for banks. Insurers authorized in Hong Kong are also required to prepare their financial statements in accordance with HKFRS issued by the HKICPA and requirements under the Third Schedule to the ICO. HKFRS, issued by the HKICPA, achieved convergence with IFRS issued by the IASB since 2005. The HKICPA ensures consistent application of HKFRS through its professional standards monitoring and practice review programs in accordance with the Professional</p>	<p>01.01.2018. HKFRS 9 will be effective from Jan '18, the same effective date as IASB's IFRS 9. HKICPA continues to have regular meetings with stakeholders to discuss any implementation issues of HKFRS 9 or fair value accounting in general. HKICPA also continues to roll out education seminars and issue educational materials on the implementation and application of HKFRS 9. HKFRS 13, the accounting requirements for fair value accounting, has been effective since 01.01.2013. HKICPA continues to participate in IASB and other national standard-setter discussions on fair value accounting, and continues to monitor fair value accounting issues in practice through its Advisory Panel and its regular meetings with regulators and standard-setting committee. The IA will keep in view the developments in international accounting standards, in particular the IFRS on Insurance Contracts which is expected to be published in 2016. The SFC is a member of IOSCO's policy committee on Issuer Accounting, Audit and Disclosure (C1), the SFC will continue to provide IOSCO with comments on exposure drafts issued by the IASB.</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Accountants Ordinance (PAO) (Cap. 50). HKICPA also seeks the input of its constituents, including issues/concerns in applying HKFRS and views on proposed HKFRS, when commenting on IASB consultative documents.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The HKMA issued Supervisory Policy Manual (“SPM”) (Module CA-S-10 on “Financial Instrument Fair Valuation Practices”) in December 2011. In December 2013, the HKMA further updated the SPM to incorporate amendments relating to the full recognition, for regulatory capital purposes, of fair-value gains arising from fair-valued financial instruments as a component of “Common Equity Tier 1 capital” under Basel III.</p> <p>Highlight main developments since last year’s survey:</p> <p>Web-links to relevant documents:</p> <p>HKICPA submissions in 2015: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/financial-reporting-submissions/2015/ Financial Instrument Fair Value Practices http://www.hkma.gov.hk/media/eng/doc/</p>	<p>Web-links to relevant documents:</p> <p>HKMA issued a circular to banks dated 23 December 2015 regarding the BCBS guidance on credit risk and accounting for expected credit losses (see http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20151223e1.pdf).</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VII. Enhancing risk management					
16 (17)	Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks	<p>Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington)</p> <p>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. (Rec. II.10, FSF 2008)</p> <p>Regulators and supervisors in emerging markets¹ will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)</p> <p>We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)</p>	<p>Jurisdictions should indicate the policy measures taken to enhance guidance to strengthen banks' risk management practices.</p> <p>Jurisdictions may also refer to the following documents:</p> <ul style="list-style-type: none"> • FSB's thematic peer review report on risk governance (Feb 2013); • Joint Forum's Developments in credit risk management across sectors: current practices and recommendations (June 2015); and • BCBS Peer review of supervisory authorities' implementation of stress testing principles (Apr 2012) and Principles for sound stress testing practices and supervision (May 2009). 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input checked="" type="checkbox"/> Draft in preparation, expected publication by: 2015/16 New / existing supervisory guidelines (SG) being developed / updated in respect of: liquidity risk supervision and management, internal audit function and compliance function, and credit risk transfer activities</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input checked="" type="checkbox"/> Final rule (for part of the reform) in force since : 1 Jan 2015. Banking (Liquidity) Rules ("BLR") and Banking (Liquidity Coverage Ratio –Calculation of Total Net Cash Outflows) Code ("Code of Practice"), • Reporting requirements and templates for local implementation of the BCBS guidance Monitoring Tools for Intraday Liquidity Management (for reporting from Oct 2015), and • A</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Credit risk transfer The final guidance on "Credit Risk Transfer Activities" is expected to be issued within 2016.</p> <p>Stress testing Continue to require selected AIs to conduct the SDST regularly and as part of the exercise, to assess their stress testing capabilities and request them to improve where weaknesses are identified. In addition, the HKMA is now enhancing the submitted templates, completion instructions and scenarios for 2016 SDST exercise.</p> <p>Web-links to relevant documents:</p> <p>Stress testing SPM module IC-5 "Stress Testing": http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf</p>

¹ Only the emerging market jurisdictions that are members of the FSB may respond to this recommendation.

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>new return is developed to adopt a set of Basel III liquidity risk monitoring tools to complement the new liquidity standards (for reporting from Dec 2015).</p> <p><input checked="" type="checkbox"/> Implementation completed as of: June 2016</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Stress testing The HKMA conducted thematic examinations on selected AIs’ stress testing programmes in 2015 to assess their compliance with the standards and guidance set out in the Supervisory Policy Manual (“SPM”) module IC-5 “Stress-testing”, which was updated in 2012 and drew principally on the "Principles for sound stress testing practices and supervision" issued by the BCBS. The HKMA required selected AIs’ to conduct the Supervisor-driven Stress Testing (“SDST”) on a regular basis. As part of this exercise, the HKMA continued to assess these AIs’ stress testing capabilities and request them to improve where weaknesses are identified. In 2015, the HKMA implemented Basel III's new liquidity</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>standards, the Liquidity Coverage Ratio (LCR). The HKMA have monitored AIs' liquidity conditions including their LCRs to check whether they comply with the relevant requirements as set out in the Banking (Liquidity) Rules (BLR). The also conducted thematic examinations on selected AIs' compliance with the standards and guidance set out in the Supervisory Policy Manual on "Sound Systems and Controls for Liquidity Risk Management" with a view to enhancing AIs' liquidity risk management. The HKMA also conducted supervisory liquidity stress tests on a regular basis.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Credit risk transfer The supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) aims to supplement existing guidance on credit risk management and bring supervisory policy into line with the latest international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (Jul 2008). Stress testing SPM module IC-5 "Stress Testing": Guidance to AIs on the</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>key elements of an effective stress-testing programme, and describe the HKMA’s supervisory approach to assessing the adequacy of their stress-testing practices. Other areas The HKMA has issued comprehensive supervisory guidance, mainly under the “Supervisory Policy Manual” (SPM), relating to the management of various risks borne by authorized institutions (AIs), covering corporate governance, credit risk, market risk, operational risk, liquidity risk, stress-testing, etc. The HKMA monitors compliance of AIs with applicable supervisory requirements by adopting a risk-based supervisory approach based on a policy of "continuous supervision", through on-site examinations, off-site reviews, prudential meetings, co-operation with external auditors and sharing information with other supervisors. The HKMA also requires AIs to report their risk profiles regularly using standard returns. Furthermore, as regards management of liquidity risk, the Banking (Liquidity) Rules, which implement the Basel III LCR standard, took effect on 1 January 2015. The various liquidity monitoring tools per BCBS guidance were also introduced in</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>the course of 2015.</p> <p>July 2016 Update: The HKMA issued the supervisory guidance on “Credit Risk Transfer Activities” on 30 June 2016, and reported completion of its 2015 Supervisor-driven Stress Test (SDST) exercise, which included a review of the capabilities of participating banks to run stress tests, and led to the identification of weaknesses identified previously.</p> <p>Highlight main developments since last year’s survey:</p> <p>Credit risk transfer The draft of the supervisory guidance on “Credit Risk Transfer Activities” was issued on 30 November 2015 for 2-month industry consultation. The draft is being refined in the light of comments received. Stress testing The review of 2015 SDST exercise on stress-testing results and capabilities of participating AIs is expected to be completed in March 2016. The HKMA will continue to review stress testing processes and capabilities of these AIs and provide feedbacks to them on areas with room for further improvement. During our review, the HKMA noted that participating AIs had addressed or were addressing the stress-testing weaknesses</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>identified previously. The HKMA is now enhancing the submitted templates, completion instructions and scenarios for 2016 SDST exercise. Other areas The following new reporting requirements were introduced in Q4 2015: - Reporting requirements for local implementation of the BCBS guidance Monitoring Tools for Intraday Liquidity Management finalised in June 2015 and commenced from October 2015. - Reporting of liquidity positions using a set of liquidity monitoring tools, including those recommended by the BCBS, started from the position of December 2015.</p> <p>Web-links to relevant documents: Credit risk transfer Draft supervisory guidance on “Credit Risk Transfer Activities” http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-xx.pdf Stress testing SPM module IC-5 “Stress Testing”: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf Other areas Supervisory Policy Manual (SPM): http://www.hkma.gov.hk/eng/key-functions/banking-stability/supervisory-policy-manual.shtml Return on Intraday Liquidity Position of an Authorised Institution:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				http://www.hkma.gov.hk/eng/key-functions/banking-stability/banking-policy-and-supervision/regulatory-framework/22.shtml Return on Liquidity Monitoring Tools: http://www.hkma.gov.hk/eng/key-functions/banking-stability/banking-policy-and-supervision/regulatory-framework/23.shtml	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
17 (18)	Enhanced risk disclosures by financial institutions	<p>Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)</p> <p>We encourage further efforts by the public and private sector to enhance financial institutions' disclosures of the risks they face, including the ongoing work of the Enhanced Disclosure Task Force. (St. Petersburg)</p>	<p>Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS 7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on Enhancing the Risk Disclosures of Banks and Implementation Progress Report by the EDTF (Dec 2015), and set out any steps they have taken to foster adoption of the EDTF Principles and Recommendations.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 31.3.2015</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Risk and loss disclosures of SFC licensed corporations are required to be made in compliance with accounting standards. Insurers are required under the ICO to submit their accounts, financial statements and other information to the IA. In the financial statements, insurers are required to disclose, among others, their insurance liabilities; capital</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The HKMA is undertaking preparatory work for introducing the necessary legislative amendments and guidance to implement the BCBS Revised Pillar 3 disclosure requirements issued in January 2015 according to the BCBS timeline. The HKMA will develop policy proposals for implementing further revised Pillar 3 disclosure requirements (currently being developed by the BCBS) in due course. The IA will adopt the disclosure standards under ICP 20 as appropriate, taking account of the local circumstances.</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>adequacy; exposure to risks arising from financial instruments; risk management/enterprise risk management; financial performance; insurance risk exposures and management; and corporate governance and controls. The IA is considering enhancing existing risk disclosure by insurers through the development of a risk-based capital framework.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The Banking (Disclosure) (Amendment) Rules 2014 amended the Banking (Disclosure) Rules (BDR) with effect from 31 March 2015 to introduce new disclosure requirements for AIs in relation to their capital buffers, LCR and leverage ratio in line with Basel III.</p> <p>Highlight main developments since last year's survey:</p> <p>In December, the HKMA issued a consultation document on its proposed approach to implementing the Basel Committee's January 2015 Revised Pillar 3 disclosure requirements (2015 Pillar 3 Package). The Pillar 3 package features a greater use of standard templates and tables for quantitative disclosures,</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>combined with flexibility for banks to provide commentary to reflect bank specific circumstances and risk profiles.</p> <p>Web-links to relevant documents:</p> <p>Banking (Disclosure)(Amendment) Rules 2014 http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/BDAR_2014_Eng.pdf Banking (Disclosure) Rules http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/1D9FB2E246B2BA50482575EE00464098/\$FILE/CAP_155M_e_b5.pdf Implementation of Revised Pillar 3 Disclosure Requirements http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/consultation_on_implementation_of_revised_pillar3_disclosure_requirements.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VIII. Strengthening deposit insurance					
18 (19)	Strengthening of national deposit insurance arrangements	National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)	<p>Jurisdictions should describe any revisions made to national deposit insurance system, including steps taken to address the following recommendations of the FSB’s February 2012 thematic peer review report on deposit insurance systems:</p> <ul style="list-style-type: none"> • Adoption of an explicit deposit insurance system (for those jurisdictions that do not have one) • Addressing the weaknesses and gaps to full implementation of the Core Principles for Effective Deposit Insurance Systems issued by IADI in November 2014. 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 11.10.2013</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The Hong Kong Deposit Protection Board (HKDPB) completed a self-assessment of the design of the existing Deposit Protection Scheme (DPS) in HK against the Core Principles for Effective Deposit Insurance Systems in 2012. HKDPB has formulated an</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>implementation plan to improve the payout efficiency, taking into account the relevant international trends and results of a full-scope rehearsal conducted in October 2012. Amendments were made to the Information System Guideline in 2013. The revised Information System Guideline was issued to DPS member banks in September 2013, gazetted in October 2013, and became effective in phrases starting from 2014.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The requirements on submission of depositor information by banks have been tightened to ensure that a complete set of accurate depositor records can be obtained from a failed bank within a specified time period.</p> <p>Highlight main developments since last year’s survey:</p> <p>DPS member banks have implemented the new requirements of the revised Information Guideline. Their level of compliance is monitored by compliance reviews under an enhanced compliance review program. In respect of the DPS enhancements for adopting the “gross payout” approach, a public consultation,</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>which has taken into account the latest reform experience of overseas deposit insurers and the recommendations of the International Monetary Fund-led Financial Sector Assessment Programme, was launched in September 2014 for three months. Respondents indicated support for the proposals. The consultation conclusions were published in May 2015. The legislative amendments were passed by the Legislative Council in March 2016. Meanwhile, various operational functions of the DPS are being reviewed to identify areas where adjustments are necessary to ensure a smooth transition to the gross payout approach.</p> <p>Web-links to relevant documents: Hong Kong Deposit Protection Board http://www.dps.org.hk/en/download/guideline/ISG_2013-ENG.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
IX. Safeguarding the integrity and efficiency of financial markets					
19 (20)	Enhancing market integrity and efficiency	We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)	<p>Jurisdictions should indicate whether high frequency trading and dark pools exist in their national markets.</p> <p>Jurisdictions should indicate the progress made in implementing the recommendations:</p> <ul style="list-style-type: none"> • in relation to dark liquidity, as set out in the IOSCO Report on Principles for Dark Liquidity (May 2011). • on the impact of technological change in the IOSCO Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011). • on market structure made in the IOSCO Report on Regulatory issues raised by changes in market structure (Dec 2013). 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input checked="" type="checkbox"/> Final rule or legislation approved and will come into force on: April 2016 for Pre-trade Risk Management (PTRM) to the derivatives market</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input type="checkbox"/> Implementation completed as of:</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Amendments to rules of the exchange.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Pre-trade Risk Management (PTRM) – Hong Kong Stock Exchange (HKEX) has engaged market participants, conducted</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>PTRM – shall be launched in April 2016. VCM - subject to SFC’s approval and market readiness, it shall be introduced to the cash and derivatives markets by phases in 2H 2016. July 2016 Update: The Hong Kong Exchanges and Clearing Limited (HKEX) introduced Pre-trade Risk Management (PTRM) system to its derivatives market in April 2016. The Exchange will introduce a volatility control mechanism (VCM) to its cash market in August 2016 and plans to implement VCM in the derivatives market by the end of 2016.</p> <p>Web-links to relevant documents:</p> <p>Launch of HKATS Risk Functions - PTRM http://www.hkex.com.hk/eng/market/partcir/sehk/2016/Documents/MO_DT_042_16_e.pdf http://www.hkex.com.hk/eng/market/partcir/hkfe/2016/Documents/MO_DT_030_16_e(HKFE).pdf For the tentative implementation timeline VCM- see page 15 of this document: http://www.hkex.com.hk/eng/market/sec tradinfra/vcm_cas/Documents/VCM%20</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>market-wide testing and obtained SFC’s approval on the relevant rule amendments. Volatility Control Mechanism (VCM - mentioned in last year’s survey is in essence dynamic price bands with short cooling off period where trading can continue) – HKEX has concluded the public consultation and is engaging market participants for testing. Web-links to relevant</p> <p>Highlight main developments since last year’s survey:</p> <p>The SFC published the consultation conclusion on proposal to enhance and unify the regulatory regime for alternative liquidity pools. The new regime will come to effect on 1 December 2015. Consultation conclusion on VCM has been published in June 2015.</p> <p>Web-links to relevant documents:</p> <p>Pre-Trade Risk Management (PTRM) System in Derivatives Market PTRM - http://www.hkex.com.hk/eng/market/dv_tradinfra/ptrm.htm Volatility Control Mechanism (VCM) - http://www.hkex.com.hk/eng/market/sec_tradinfra/vcm_cas/vcm_cas.htm http://www.hkex.com.hk/eng/market/dv_tradinfra/vcm.htm</p>	CAS%20Overview%20Eng.pdf

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
20 (21)	Regulation and supervision of commodity markets	<p>We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management 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. (Cannes)</p> <p>We also call on Finance ministers to monitor on a regular basis the proper implementation of IOSCO's principles for the regulation and supervision on commodity derivatives markets and encourage broader publishing and unrestricted access to aggregated open interest data. (St. Petersburg)</p>	<p>Jurisdictions should indicate whether commodity markets of any type exist in their national markets.</p> <p>Jurisdictions should indicate the policy measures taken to implement the principles found in IOSCO's report on Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011).</p> <p>Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the update to the survey published by IOSCO in September 2014 on the principles for the regulation and supervision of commodity derivatives markets.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 27.03.2002</p> <p>Issue is being addressed through :</p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The regulation of commodity derivatives markets in Hong Kong comes under the regulatory framework for futures markets under the Securities and Futures Ordinance, which has proven to be robust and effective through the last decade and</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>evidenced during the global financial crisis in 2007 – 2008. There are commodity futures contracts traded in the futures market operated by the Hong Kong Exchanges and Clearing Limited (HKEX). According to the outcome of the survey conducted by IOSCO in April 2012 on the implementation of the Principles for the Regulation and Supervision of Commodity Futures Markets and an update to the 2012 survey reported to the IOSCO Board in September 2014, Hong Kong was on par with major jurisdictions in the implementation of these principles. The SFC will ensure that Hong Kong would continue to implement these principles.</p> <p>Highlight main developments since last year’s survey:</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (22)	Reform of financial benchmarks	We support the establishment of the FSB’s Official Sector Steering Group to coordinate work on the necessary reforms of financial benchmarks. We endorse IOSCO’s Principles for Financial Benchmarks and look forward to reform as necessary of the benchmarks used internationally in the banking industry and financial markets, consistent with the IOSCO Principles. (St. Petersburg)	Collection of information on this recommendation will continue to be deferred given the forthcoming FSB progress report on implementation of FSB recommendations in this area, and ongoing IOSCO work to review the implementation of the IOSCO <i>Principles for Financial Benchmarks</i> .		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
X. Enhancing financial consumer protection					
22 (23)	Enhancing financial consumer protection	We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to 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. (Cannes)	<p>Jurisdictions should describe progress toward implementation of the OECD’s G-20 high-level principles on financial consumer protection (Oct 2011).</p> <p>Jurisdictions may also refer to OECD’s September 2013 and September 2014 reports on effective approaches to support the implementation of the High-level Principles. The effective approaches are of interest across all financial services sectors – banking and credit; securities; insurance and pensions – and consideration should be given to their cross-sectoral character when considering implementation.</p> <p>Jurisdictions should, where necessary, indicate any changes or additions that have been introduced as a way to support the implementation of the High-level Principles, to address particular national terminology, situations or determinations.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress [for legislation and regulation/guidelines only]:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 06.02.2015</p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>In November 2015 the Hong Kong Strategy for Financial Literacy (HKSFL) was launched. Led and coordinated by the Investor Education Centre (IEC), the HKSFL is the first initiative of its kind in Hong Kong which aims to harness the enthusiasm and efforts of various sectors</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The IEC has also entered into a new phase of development following the launch of its new strategic plan (2015-17). An independent and impartial education platform, “The Chin Family”, which is managed and operated by the IEC was launched on 11 April 2016 to better engage the Hong Kong people in managing their money wisely and effectively. As a principal platform reaching out to the general public and different target groups (i.e. families, tertiary students, working adults and retirees), “The Chin Family” aims to make learning about financial matters simple and fun by providing information, resources, tools and education programmes in an interesting and engaging way through various communication channels, including the website, mobile app, newsletters and social media such as Facebook and YouTube. The IEC has also developed and piloted a number of education programmes for different target groups that aim to drive behaviour change.</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>by setting common goals that address the financial education needs of Hong Kong people. It is supported by over 40 organisations. For the IA, further to the promulgation of GN15 - Guidance Note on Underwriting Class C Business in July 2014, the IA issued another similar guidance note in relation to the underwriting of long term business, namely GN16 –Guidance Note on Underwriting Long Term Insurance Business (Other than Class C) on 30 July 2015. Premised on the principle of fair treatment of customers under the IAIS ICP 19 – Conduct of Business, GN16 has adopted a cradle-to-grave approach, setting out the comprehensive requirements for insurers underwriting long term business (other than linked long term business) from product design to post-sale controls. The guidance note has already taken effect from 1 April 2016 for new products; and for new and existing insurance policies of current products, it will come into effect on 1 January 2017. Apart from the promulgation of guidance notes, policies relating to the fair treatment of consumers, policyholders, as well as the direct supervision of insurance</p>	<p>These include a parenting programme to teach children about money and a workplace financial wellness programme for adults. The HKMA will continue to promote “smart and responsible” use of banking services through its consumer education programme. The Amendment Ordinance will become operative in three stages. It is expected that relevant guidelines for insurers and other subsidiary legislation will be ready by the end of Stage 1. For the policyholders’ protection fund, the IA aimed to put forward the enabling legislation by 2016.</p> <p>Web-links to relevant documents: HKMA Consumer Education Programme http://www.hkma.gov.hk/eng/key-functions/banking-stability/consumer-corner/strengthening-financial-consumer-protection/consumer-education-programme/</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>intermediaries will, among others, be further enhanced and integrated into the independent IA regime. In the meantime, a separate legislation for the establishment of a policyholders' protection fund is currently under preparation.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The HKMA has contributed to the work of the OECD Task Force in developing effective approaches to support the implementation of the G20 High-level Principles on Financial Consumer Protection. Riding on the good practices promulgated under the G20 High-Level Principles on Financial Consumer Protection, the HKMA has worked with the banking industry to introduce a Treat Customers Fairly (TCF) Charter as a catalyst for fostering a stronger risk culture towards fair treatment of customers at all levels of banks and at all stages of their relationship with customers. All retail banks in Hong Kong signed up to the Charter on 28 October 2013. As part of the efforts to promote financial education, the HKMA has launched a "Consumer Education Programme" to educate the public to be a</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>“smart and responsible” consumer in the use of banking services. Through educational videos and audio clips, roving exhibitions, marketing collaterals, print, web (including the HKMA website and designated channel page on YouTube), mobile and out-of-home publicity, the HKMA has been promoting “smart tips” on using various banking services such as deposits, credit cards, ATMs, internet/mobile banking, and personal loans to members of the public. The HKMA has worked together with the industry to complete a comprehensive review of the Code of Banking Practice. The revised Code was issued on 6 February 2015. The revised Code has, among other things, incorporated the G20 High-level Principles on Financial Consumer Protection as general principles for authorized institutions (AIs) to observe when providing products and services to their customers, thereby helping to promote international good banking practices in Hong Kong; and enhancing the disclosure and transparency about terms and conditions by AIs, which include the provision of new standardized Key Facts Statements by AIs as promulgated under Principle 4</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>of the G20 principles. GN 16 – Guidance Note on Underwriting Long Term Insurance Business (Other than Class C), which was issued on 30 July 2015, is premised on the principle of fair treatment of customers under the IAIS ICP 19 on Conduct of Business. It has adopted a cradle-to-grave approach, setting out the comprehensive requirements for authorized insurers underwriting long term insurance business (other than Class C (i.e linked long term) business) from product design to post-sale controls. There are two effective dates of GN16. One is on 1 April 2016 for new products issued by relevant authorized insurers and the other will be on 1 January 2017 for new and existing policies of current products issued by them. Enacted on 10 July 2015, the Insurance Companies (Amendment) Ordinance 2015 (“Amendment Ordinance”) provides for, among others, the establishment of an independent IA and a statutory licensing regime for insurance intermediaries to replace the existing self-regulatory system. Under the Amendment Ordinance, the independent IA will take over the duties of the existing IA and the three self-regulatory</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>organizations (namely the Insurance Agents Registration Board under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers, and the Professional Insurance Brokers Association); and exercise new statutory powers to licence and regulate insurance intermediaries. Powers of inspection, investigation and taking disciplinary actions on insurers as well as insurance intermediaries will also be conferred upon the independent IA under the Amendment Ordinance.</p> <p>Highlight main developments since last year's survey:</p> <p>To remind AIs of the importance of complying with the TCF principles, the HKMA has issued circulars to provide guidance to AIs in relation to their provision of banking services for ethnic minorities and NGOs (in their properly approved fund raising activities) in December 2014 and June 2015, respectively. For better protection of the interests of bank customers against fraud and misuse, and improved awareness of bank customers about bogus calls, the HKMA has issued circulars in July and August 2015 to provide guidance to AIs</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>on possible preventive measures and further steps they should take to help raise awareness of customers about phone scams, to help protect bank customers' interests, and to reduce the potential risks to the reputation of the banking industry arising from possible malpractices by external parties engaging in the marketing of financial products or services. The HKMA and the banking industry also jointly organised on 31 August 2015, a “Beware of Fraudulent Calls, Verify the Caller’s Identity” promotion campaign to raise public awareness of phone scams and help further protect bank customers' interests. Two main developments: the passage of the Amendment Ordinance on 10 July 2015, which provides for, among other things, the establishment of an independent IA and a statutory licensing regime for insurance intermediaries, and the promulgation of GN16- Guidance Note on Underwriting Long Term Insurance Business (Other than Class C Business) on 30 July 2015.</p> <p>Web-links to relevant documents: Code of Banking Practice http://www.hkma.gov.hk/media/eng/doc/code_eng.pdf Treat Customers Fairly</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Charter http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2013/20131028e1.pdf GN16- Guidance Note on Underwriting Long Term Insurance Business (Other than Class C Business) http://www.oci.gov.hk/download/gn16.pdf f the Insurance Companies (Amendment) Ordinance 2015 are available at: http://www.legco.gov.hk/yr14-15/english/ord/ord012-2015-e.pdf respectively.	

XI. Source of recommendations:

- [Brisbane: G20 Leaders' Communique \(15-16 November 2014\)](#)
- [St Petersburg: The G20 Leaders' Declaration \(5-6 September 2013\)](#)
- [Los Cabos: The G20 Leaders' Declaration \(18-19 June 2012\)](#)
- [Cannes: The Cannes Summit Final Declaration \(3-4 November 2011\)](#)
- [Seoul: The Seoul Summit Document \(11-12 November 2010\)](#)
- [Toronto: The G-20 Toronto Summit Declaration \(26-27 June 2010\)](#)
- [Pittsburgh: Leaders' Statement at the Pittsburgh Summit \(25 September 2009\)](#)
- [London: The London Summit Declaration on Strengthening the Financial System \(2 April 2009\)](#)
- [Washington: The Washington Summit Action Plan to Implement Principles for Reform \(15 November 2008\)](#)
- [FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience \(7 April 2008\)](#)
- [FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System \(2 April 2009\)](#)
- [FSB 2009: The FSB Report on Improving Financial Regulation \(25 September 2009\)](#)
- [FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision \(1 November 2012\)](#)

XII. List of Abbreviations used:

BO: Banking Ordinance BCBS: Basel Committee on Banking Supervision Code of Conduct: Code of Conduct by Persons licensed by or registered with the Securities and Futures Commission DPS: Deposit Protection Scheme FMCC: Fund Manager Code of Conduct FRR: Financial Resource Rules FSB: Financial Stability Board G-SIIs: Globally Systemically Important Insurers HKAB: Hong Kong Association of Banks HKDPB: Hong Kong Deposit Protection Board HKFRS: Hong Kong Financial Reporting Standards HKICPA: Hong Kong Institute of Certified Public Accountants HKMA: Hong Kong Monetary Authority HLIs: Highly leveraged institutions IA: Insurance Authority of Hong Kong IAIS: International Association of Insurance Supervisors IASB: International Accounting Standards Board ICG: Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC IFRS: International Financial Reporting Standards ICG: Management, Supervision and Internal Control Guidelines for

Persons Licensed by or Registered with the Securities and Futures Commission ICO: Insurance Companies Ordinance IOSCO: International Organization of Securities Commissions IOSCO CRA Code: IOSCO Code of Conduct Fundamentals for Credit Rating Agencies LTV: Loan to Value MMoU: Multilateral Memorandum of Understanding MMFs: Money Market Funds MOUs: Memorandum of understanding MSC: Macro Surveillance Committee NAV: Net Asset Value OCI: Office of the Commissioner of Insurance PAO: Professional Accountants Ordinance SCAV: FSB Standing Committee on Assessment of Vulnerabilities SFC: Securities and Futures Commission SFO: Securities and Futures Ordinance UT Code: Code on Unit Trusts and Mutual Funds