

Jurisdiction:	<i>Hong Kong SAR</i>
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2017 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>Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).</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 recommendation 6 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 in relation to cooperation in enforcement - 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>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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: The SFC is a signatory to the IOSCO MMoU. The SFC also participates in the IOSCO Committee 5 sub-group. The HKMA is a signatory to the Alternative Investment Fund Managers Directive (AIFMD) MoU. <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The SFC has cooperation agreements with major jurisdictions through the IOSCO</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>MMoU, including eg Cayman Islands where HF of SFC-licensed HF managers are typically located. The SFC also has bilateral MoUs with various international securities regulators. 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>The SFC participated in the data collection exercise coordinated by IOSCO in Q4 2016 to collect data from managers of potentially systemically important hedge funds. Aggregated data collected by the SFC will be sent to IOSCO in due course. SFC and US SEC entered into MoU on 18 January 2017 which provides for consultation, cooperation and exchange of information related to the supervision and oversight of regulated entities including investment fund managers that operate on a cross-border basis in HK and the USA.</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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: ongoing</p> <p><input checked="" type="checkbox"/> Implementation completed as of: June 2014</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: 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 report in June 2014, HK has fully implemented IOSCO principle 28 – "Hedge funds and/or hedge funds"</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>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 (Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission): http://www.sfc.hk/web/EN/rule-book/codes-and-guidelines/guidelines/ OTC Risk Management Controls Guidelines (Core Operational and Financial Risk Management Controls for Over-the-Counter Derivatives Activities of Persons Licensed by or Registered with the Securities and Futures Commission): http://www.sfc.hk/web/EN/rule-book/codes-and-guidelines/guidelines/</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)	Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will take place every 2-3 years henceforth (i.e. in 2019 or 2020).		

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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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: 30 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: 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 investing public. For institutional investors who are deposit-taking institutions supervised by the Hong</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>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>Kong Monetary Authority (HKMA), there are 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 supervisory guidance on “Credit Risk Transfer Activities” issued on 30 June 2016 also supplements existing guidance on credit risk management with sound practices on due diligence when participating in activities associated with securitization and credit derivatives and incorporates the latest international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (July 2008). This aspect has been covered in the existing monitoring of insurers’ investment positions by the Insurance Authority (IA). Nevertheless, 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 supervisory guidance on “Credit Risk Transfer Activities” was issued on 30 June 2016 by the HKMA.</p> <p>Web-links to relevant documents:</p> <p>Code of Conduct for Persons Licensed by or Registered with the Securities and</p>	
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				Futures Commission http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER30.pdf http://www.hkma.gov.hk/eng/key-functions/banking-stability/supervisory-policy-manual.shtml	
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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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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 operation from 1 January 2012.</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>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 (banks, insurers, other etc.); (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>Jurisdictions should 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><u>IAIS:</u></p> <ul style="list-style-type: none"> • Global Systemically Important Insurers: Policy Measures (Jul 2013) and revised assessment methodology (updated in June 2016) • IAIS SRMP guidance - FINAL (Dec 2013) 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: Hong Kong is not the home jurisdiction of the G-SIIs identified under the latest available FSB 2016 updated list of G-SIIs. However, Hong Kong participates in the supervisory colleges for major insurance groups; as well as reviewing the standards under ICP23 on group-wide supervision and the relevant</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The IA, though not the group-supervisor of the identified G-SIIs, will keep in view the IAIS developments of the policy measures to be applied to G-SIIs and the systemic risk assessment, 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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			<ul style="list-style-type: none"> • <i>Guidance on Liquidity management and planning (Oct 2014)</i> <p><u>FSB:</u></p> <ul style="list-style-type: none"> • <i>Framework for addressing SIFIs (Nov 2011)</i> 	<p>policy measures promulgated by IAIS, having regard to 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 30 December 2016 an updated list of D-SIBs, together with their corresponding Higher Loss Absorbency requirement to take effect from 1 January 2018.</p> <p>Web-links to relevant documents:</p> <p>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 systemically important banks in Hong Kong: http://www.hkma.gov.hk/eng/key-functions/banking-stability/sibs.shtml</p>	

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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-SIFs] through international supervisory colleges. (Seoul)</p>	<p>Reporting in this area should be undertaken solely by home jurisdictions of global systemically important insurers (G-SIIs). The BCBS is separately monitoring implementation progress in this area with respect to banks.</p> <p>Please indicate the progress made in establishing and strengthening the functioning of supervisory colleges for 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 IAIS documents:</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</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>as Hong Kong is not the home jurisdiction of the G-SIIs and G-SIB.</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 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: 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 their cross-border activities making use of its bilateral relationships with 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>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>	

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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 <i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: ongoing</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 checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: At the domestic level, there are MoUs between the HKMA, SFC and IA to exchange supervisory information. At the international level, the HKMA has entered into MoUs or other formal arrangements with authorities of 23 jurisdictions to facilitate the exchange of supervisory information and co-operation. “AIFMD MoU” - The</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The HKMA 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. With the establishment of Single Supervisory Mechanism in Europe, the HKMA is working closely with the European Central Bank for a MoU for the exchange of supervisory information and cooperation. The IA will, in line with international standards where appropriate, continue to work closely with overseas regulators in the supervision of institutions with cross-border operations.</p> <p>Web-links to relevant documents:</p>

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				<p>HKMA has entered into MoUs with authorities of 30 European Union or European Economic Area countries to develop a framework for mutual assistance in the supervision and oversight of Authorized Institutions (AIs) 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 SFC signed MoUs with authorities from 30 European Union / European Economic Area countries on the supervision of alternative investment fund managers. The SFC is a signatory of the IOSCO MMoU and various MoUs with international securities regulators. 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 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 legislative changes in November 2015 to provide supervisory assistance to</p>	

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				<p>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>SFC and US SEC entered into a MoU on 18 January 2017 which provides for consultation, cooperation and exchange of information related to the supervision and oversight of regulated entities including exchanges and other trading venues, market intermediaries, investment funds or companies, clearing agencies and CRAs that operate on a cross-border basis in HK and the USA. SFC and US FINRA entered into a MoU on 20 May 2016 concerning mutual assistance in the supervision and oversight of regulated entities that operate on a cross-border basis in Hong Kong and the USA.</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/ Overseas collaboration http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/</p>	

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10 (10)	Strengthening resources and effective supervision	<p>We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)</p> <p>Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks. (FSF 2008)</p> <p>Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)</p>	<p>Jurisdictions should indicate any steps taken on recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' IT and MIS, data requests, and talent management strategy respectively) in the FSB thematic peer review report on supervisory frameworks and approaches to SIBs (May 2015).</p> <p>Jurisdictions should also indicate any steps taken or envisaged in terms of resources/expertise, supervisory measures and/or regulation to strengthen the oversight of risks associated with financial innovation (FinTech).</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: 2014 / 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: In early 2014, the HKMA's Banking Supervision Department was restructured to better align supervisory resources with the perceived key risks facing the banking industry over the next few years. Under the new structure, specialist divisions were set up to supervise AIs' corporate sector credit risk, operational and</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>In 2017, the HKMA will continue to refine existing supervisory guidance in relation to Fintech, having regard to technological advancement and industry development, and devote additional resources to the supervision of technology risks covering cyber threats and Fintech.</p> <p>Web-links to relevant documents:</p>

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				<p>technology risks (which also cover the risks associated with Fintech). In 2015 and 2016, the HKMA further stepped up its supervision of the technology risks of the banking sector, including those rising from cyber threats and Fintech development.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>(1) The supervisory guideline on e-banking was updated in September 2015 to set out the sound risk management principles and practices applicable to banks' e-banking services as well as some Fintech services. (2) In the light of the unauthorised online share trading cases reported by banks in 2016, the HKMA issued a circular on how banks should further enhance the security controls of Internet banking services. (3) To promote the overall cyber security resilience of the banking industry, the HKMA rolled out the Cybersecurity Fortification Initiative (CFI) for the implementation by the industry. For details of the CFI, please refer to the web-link below.</p> <p>Highlight main developments since last year's survey:</p> <p>(1) In September 2016, the HKMA launched the Fintech Supervisory Sandbox to enable banks to conduct pilot trials of their Fintech initiatives in the real world under a controlled environment without the need to achieve full compliance with the HKMA's usual supervisory requirements. (2) Further, a circular on "small-value payment services through Internet banking" was issued in November 2016 to increase the</p>	

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				<p>transaction limits for banks’ small-value payment services.</p> <p>Web-links to relevant documents:</p> <p>HKMA Annual Report 2014 (Chapter on Banking Stability): http://www.hkma.gov.hk/eng/publication-s-and-research/annual-report/2014.shtm</p> <p>HKMA Annual Report 2015 (Chapter on Banking Stability): http://www.hkma.gov.hk/eng/publication-s-and-research/annual-report/2015.shtml</p> <p>Supervisory Policy Manual (SPM) on “Risk Management of E-banking” (2 Sep 2015): http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150902e1.pdf</p> <p>Security controls related to Internet banking services (26 May 2016): http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160526e1.pdf</p> <p>Cybersecurity Fortification Initiative (21 Dec 2016): http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20161221e1.pdf</p> <p>Fintech Supervisory Sandbox (FSS) (6 Sep 2016): http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20160906e1.pdf</p> <p>Small-value payment services through Internet banking (18 Nov 2016): http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20161118e1.pdf</p>	

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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 banks 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 in your jurisdiction since the global financial crisis.</p> <p>Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among national 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 <i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: before 2007</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: The establishment of the Council of Financial Regulators and the Financial Stability Committee, and signing MoU for information sharing between financial regulators.</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>An independent IA will soon be established under the Insurance Companies (Amendment) Ordinance 2015. The new IA will, among others, have enhanced legal capacity and powers, including those on the gathering of relevant information on all authorized insurers in Hong Kong. [Update: The independent IA was established on 26 June 2017.]</p> <p>Web-links to relevant documents:</p>

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				<p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The IA has the power under the ICO to gather relevant information necessary for the IA’s scrutiny on a regular and ad hoc basis. This power, however, will be further enhanced upon the operation of the Insurance Companies (Amendment) Ordinance 2015.</p> <p>Highlight main developments since last year’s survey:</p> <p>Web-links to relevant documents:</p> <p>http://www.hkma.gov.hk/media/eng/publication-and-research/background-briefs/bg_brief_3/E_Section3.pdf http://www.hkma.gov.hk/media/eng/publication-and-research/reference-materials/viewpoint/doc/HKMA-SFC_MoU_eng.pdf http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/banking-policy-and-supervision/HKMA-IA_MOU.pdf http://www.sfc.hk/web/doc/EN/aboutsfc/arrangements/local-org/05pr302_sfc_ia_mou_051220.pdf</p>	

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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 tools for macroprudential purposes over the past year, including: the objective for their use; the process to select, calibrate and apply them; and the approaches used to assess their effectiveness.</p> <p>See, for reference, the following documents:</p> <ul style="list-style-type: none"> • FSB-IMF-BIS progress report to the G20 on Macroprudential policy tools and frameworks (Oct 2011) • CGFS report on Operationalising the selection and application of macroprudential instruments (Dec 2012) • 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) • IMF-FSB-BIS paper on Elements of Effective Macroprudential 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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 [CCyB]; 27.02.2015 [Property mortgage lending]</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: Countercyclical Capital Buffer (CCyB): As announced by the HKMA, in January 2017, the CCyB will be increased from 1.25% to 1.875% with effect from 1 January 2018. Property mortgage lending: Since 2009, the HKMA introduced seven rounds of counter-cyclical measures to stabilise the property</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>The IA is considering the approaches under ICP 24 on Macroprudential Surveillance and Insurance Supervision, having regard to the local circumstances; and the IA will adopt the approaches/tools as appropriate to further enhance existing financial oversight.</p> <p>Web-links to relevant documents:</p>

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			<p><i>Policies: Lessons from International Experience (Aug 2016)</i></p> <ul style="list-style-type: none"> • CGFS report on <i>Experiences with the ex ante appraisal of macroprudential instruments (Jul 2016)</i> • CGFS report on <i>Objective-setting and communication of macroprudential policies (Nov 2016)</i> 	<p>market. (i) Setting up the Macro Surveillance Committee (MSC) within the HKMA, which meets quarterly to monitor systemic risks by examining banking, property, leverage, macroeconomic and external indicators as well as any other relevant information; (ii) Reviewing CCyB quarterly at MSC meeting to protect the banking sector against the build-up of system-wide risk; (iii) Using property-related macroprudential measures since the 1990s to strengthen banks' risk management and resilience. 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 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>Short description of the content of the legislation/ regulation/guideline:</p> <p>[CCyB] 1. Secondary legislation: Banking (Capital) Rules -- implementing the Basel III Capital Conservation</p>	

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				<p>Buffer, the Countercyclical Capital Buffer (CCyB) and, for systemically important banks, a Higher Loss Absorbency requirement. 2. 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. 3. Guideline: Supervisory Policy Manual module CA-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.</p> <p>Highlight main developments since last year’s survey:</p> <p>CCyB: The HKMA announced on 27 January 2017 to increase the Countercyclical Capital Buffer rate for Hong Kong to 1.875% with effect from 1 January 2018 from the current 1.25%. Property mortgage lending: Following the introduction of the seventh round of countercyclical measures in February 2015, there had been a correction in property prices beginning in September 2015. The correction was short-lived, and prices of residential properties reverted to an increasing trend starting from March 2016. Given the uncertain outlook of the property market, the</p>	

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				<p>HKMA did not make any adjustment to its countercyclical measures on property lending in 2016. The HKMA will continue to monitor the situation of the property market and mortgage lending market, and introduce appropriate measures to safeguard banking stability as and when necessary. The countercyclical measures introduced by the HKMA have strengthened the resilience of AIs to cope with a possible downturn in the property market. In December 2016, the average loan-to-value (LTV) ratio for new residential mortgage loans (RMLs) approved reduced to 51%, compared to 64% in September 2009 before the first round of countercyclical measures was introduced. The average debt servicing ratio (DSR) for new RMLs approved dropped to 34% in December 2016, from 41% in August 2010, when DSR was first tightened. The requirement for AIs using Internal Ratings-Based approach to calculating credit risk capital charge to extend the application of risk-weight floor of 15% to the whole of their RML portfolios, instead of only those newly granted mortgage loans, came into effect in June 2016.</p> <p>Web-links to relevant documents:</p> <p>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 HKMA's circular of 27 Feb 2015 regarding the prudential measures on</p>	

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				property mortgage lending: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150227e2.pdf http://www.hkma.gov.hk/eng/publications-and-research/half-yearly-monetary-and-financial-stability-report/201609.shtml	

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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 on 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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: 01.06.2011</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 checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: The SFC participates in the Supervisory College of the big 3 CRAs.</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</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>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>level of oversight” CRAs that 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 for Persons Licensed By Or Registered With the Securities and Futures Commission (Code of Conduct) and Management, Supervision and Internal Control Guidelines For Persons Licensed By Or Registered With the Securities and Futures Commission (ICG). 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 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>SFC and SEC entered into MoU on 18 January 2017 which provides for consultation, cooperation and exchange</p>	

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				<p>of information related to the supervision and oversight of regulated entities including the CRAs that operate on a cross-border basis in HK and the USA.</p> <p>Web-links to relevant documents:</p> <p>CRA Code of Conduct http://www.sfc.hk/web/EN/assets/components/codes/files-current/web/codes/code-of-conduct-for-persons-providing-credit-rating-services/Code%20of%20Conduct%20for%20Persons%20Providing%20Credit%20Rating%20Services.pdf Code of Conduct http://www.sfc.hk/web/EN/assets/components/codes/files-current/web/codes/code-of-conduct-for-persons-licensed-by-or-registered-with-the-securities-and-futures-commission/Code%20of%20Conduct%20for%20Persons%20Licensed%20by%20or%20Registered%20with%20the%20Securities%20and%20Futures%20Commission.pdf Internal Control Guidance http://www.sfc.hk/web/EN/assets/components/codes/files-current/web/guidelines/management,-supervision-and-internal-control-guidelines-for-persons-licensed/Management.%20Supervision%20and%20Internal%20Control%20Guidelines%20for%20Persons%20Licensed%20by%20or%20Registered%20with%20the%20Securities%20and%20Futures%20Commission.pdf FSAP's report https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf Exchange of Information http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/exchange-of-information.html</p>	

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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 bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and</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 (Jun 2015) • IOSCO Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: 06.2016 [Supervisory guidance on Credit Risk Transfer Activities]; 01.01.2015 [Liquidity]; ongoing</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: Credit Risk Transfer Activities: The supervisory guidance on “Credit Risk Transfer Activities” issued on 30 June 2016 supplements existing guidance on credit risk management (which encouraging / requiring banks to have their own internal risk</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Credit Risk Transfer Activities: Revisions to the Standardised Approach for credit risk: The HKMA expects to implement the final standards in accordance with the BCBS timetable, and will develop policy proposals for this purpose, in consultation with the industry, once the final standards are issued by the BCBS.</p> <p>Web-links to relevant documents:</p>

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		<p>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><i>the Use of External Credit Ratings (Dec 2015).</i></p>	<p>management capabilities and not to rely unduly on external credit ratings) and has incorporated sound practices on due diligence when investing in securitisation products, emphasising on the importance of banks' conducting their own due diligence without undue or mechanical reliance on credit ratings. Liquidity: For the purpose of implementing the new Basel III liquidity standards (including the Liquidity Coverage Ratio ("LCR")) and a simplified local liquidity measure for the smaller and non-internationally active banks in Hong Kong, the HKMA made a set of Banking (Liquidity) Rules ("BLR") which came into operation on 1 January 2015. References to CRA reference are retained in the BLR only to the extent that they are adopted in the Basel III LCR standards (eg as one of the qualifying criteria for classifying certain types of high quality liquid assets ("HQLA")) and comparable applications in respect of the simplified local liquidity measure. With respect to Hong Kong CCPs and the use of CRA ratings, proposed amendments to the rules of the Hong Kong Securities Clearing Company (HKSCC) are being prepared to replace CRA ratings with capital requirements in membership criteria for General Clearing Participants. Once implemented, this will remove the only instance of CRA ratings in membership requirements for Hong Kong CCPs. Investment and risk management processes are</p>	

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				<p>discussed with SFC-licensed firms during the course of supervision. Under the SFC's Internal Control Guidelines, firms are required to have an 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>(The information below is a continuation from the section under "Other actions" above- due to word limit in the text field) The Securities and Futures Commission ("SFC") has not identified any areas requiring change. SFC has reviewed whether there is 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 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</p>	

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				<p>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 (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 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</p>	

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				<p>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> <p>Highlight main developments since last year’s survey:</p> <p>[Credit Risk Transfer Activities] The supervisory guidance on “Credit Risk Transfer Activities” was issued on 30 June 2016. The reference to CRA ratings in local banking legislation are all related to the regulatory frameworks developed based on Basel capital and liquidity standards. Capital: The capital framework in Hong Kong is closely in line with the latest BCBS capital standards, and the HKMA is committed to implementing enhancements released by the BCBS on the standards (such as the revisions to the Standardised Approach for credit risk that are still ongoing) for addressing reliance on CRA ratings and to tracking closely the respective BCBS timelines. The HKMA is in the progress of implementing the BCBS revised securitisation framework which has reduced the mechanistic reliance on external ratings by, among other things, including other relevant risk drivers. The consultation paper on the HKMA’s implementation proposals was issued in January 2017 and the draft rule is expected to be published in Q3/Q4 2017. With respect to Hong Kong CCPs</p>	

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				<p>and the use of CRA ratings for investment activity, the Hong Kong Exchange (HKEX) has set up in-house credit assessment processes for selecting deposit-taking banks. This allows HKEX to independently assess credit quality deterioration before rating agencies publish actions.</p> <p>Web-links to relevant documents:</p> <p>http://www.hkma.gov.hk/eng/key-functions/banking-stability/supervisory-policy-manual.shtml</p> <p>http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_revised_securitisation_framework.shtml</p> <p>Banking (Liquidity) Rules:</p> <p>http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/2CC81883342F956748257D7A0056F9E9/\$FILE/CAP_155Q_e_b5.pdf</p> <p>Internal Control Guidelines (Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission):</p> <p>http://www.sfc.hk/web/EN/rule-book/codes-and-guidelines/guidelines/</p>	

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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 (e.g. equivalent to IFRSs as published by the IASB), and provide accurate and relevant information on financial position and 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 recognition, measurement and disclosure.</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 accounting requirements for the measurement of expected credit losses on financial assets that are being introduced by the IASB and FASB.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment <i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), achieved full convergence with IFRS issued by the IASB since 2005. The HKICPA ensures consistent application of HKFRS through its</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. The HKMA will continue to support the BCBS’s interactions with the accounting standard setters in the development of global accounting standards. IFRS/HKFRS 9 will become effective on 1 January 2018. 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 HKFRS 9. The HKMA will continue its dialogue with banks regarding the impact of IFRS/HKFRS 9 on their business and controls, and monitor their status of implementation of IFRS/HKFRS 9. Also, the HKMA will continue to discuss with external auditors to understand the key issues they have identified. The HKMA plans to launch another round of quantitative impact study based on 30 June 2017 figures to update the assessment of impact of IFRS/HKFRS 9 to banks. Further, the HKMA will consider issuing supervisory guidance related to IFRS/HKFRS 9 where necessary. The HKICPA continues to have regular meetings with stakeholders to discuss any implementation issues of IFRS/HKFRS 9 or fair value accounting</p>

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			<p>See, for reference, the following BCBS documents:</p> <ul style="list-style-type: none"> • <u>Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009)</u> • <u>Guidance on credit risk and accounting for expected credit losses (Dec 2015)</u> 	<p>professional standards monitoring and practice review programs in accordance with the Professional Accountants Ordinance (Cap. 50). HKICPA also seeks the input of its constituents, including issues/concerns in applying HKFRSs and views on proposed HKFRSs, when commenting on IASB consultative documents. Insurers authorized in Hong Kong are 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. In respect of consistency in application of (IFRSs 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. The Quality Assurance Department of HKICPA conducted reviews of published financial statements, predominantly of listed companies, to identify any potential issues relating to the application of professional standards. It publishes annual report on findings identified</p>	<p>in general. HKICPA also continues to roll out seminars and issue educational materials on the implementation and application of HKFRS 9. The HKMA will develop policy proposals on the regulatory treatment of provisions required to be made by banks under IFRS9, having regard to the latest BCBS guidance and proposals, in consultation with the banking industry. The IA will keep in view of the developments of the international accounting standards, in particular those that are specific to the insurance sector. HKFRS 9, the new accounting requirements for financial instruments including the expected loan loss provisioning, was issued by the HKICPA in 2014. HKFRS 9 is the equivalent of IFRS 9 issued by the IASB and will come into force on the same date as IASB's IFRS 9 on 01.01.2018. HKICPA continues to have regular meetings with stakeholders, including the Hong Kong Monetary Authority, to discuss any implementation issues of HKFRS 9 or other standards. HKICPA also continues to roll out education seminars and publish educational materials on the implementation and application of HKFRS 9. A new web-based resource centre was set up in 2016 for our members' and stakeholders' easy-access to relevant implementation and application guides on the new and major standards, including HKFRS 9. HKFRS 13, the accounting requirements for fair value accounting, is the equivalent of IFRS 13 issued by IASB and 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</p>

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				<p>from its review of the financial statements and provides suggestions to members on how to enhance the quality of the future financial statements. In summary, full convergence of HKFRS and IFRS was confirmed in December 2005 and has been maintained.</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 HKMA has taken the following actions in preparation for the adoption of IFRS/HKFRS 9 Expected Loan Loss Methodology: - Ongoing discussion with banks on their status of preparing for the implementation of IFRS /HKFRS 9 and monitoring of their implementation progress. - Launch of the first survey on potential impacts of IFRS/HKFRS 9 implementation to banks. Responses from selected banks are collected and analysed in Q3 2016. - Discussion with external auditors on the key developments and key issues relating to IFRS/HKFRS 9 implementation.</p> <p>Web-links to relevant documents:</p> <p>HKICPA financial reporting submissions in 2016: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/financial-reporting-submissions/2016/ HKICPA submissions 2015-2016: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/financial-reporting-submissions</p>	<p>practice through its 'monitoring and practice review programs', Advisory Panel and its regular meetings with regulators and standard-setting committee. HKICPA also monitors developments of valuation standards issued by the International Valuation Standards Council (IVSC). HKICPA comments on IVSC consultation documents that may have an impact on HKFRS fair valuation requirements/guidance or financial reporting in general. In February 2017, HKICPA will participate in a roundtable organised by IVSC to discuss its standards. 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> <p>Web-links to relevant documents:</p> <p>The HKMA issued a circular to banks dated 23 December 2015 regarding the BCBS guidance on credit risk and accounting for expected credit losses: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20151223e1.pdf HKICPA technical education events: http://www.hkicpa.org.hk/en/standards-and-regulations/technical-resources/tue/HKICPA_new_and_major_standards_resource_centre: http://www.hkicpa.org.hk/en/standards-and-regulations/technical-resources/newmajor/ HKICPA comments to IVSC: http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/comment-letters/2016/sub_ivsced.pdf</p>

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				http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/ http://www.hkicpa.org.hk/en/standard	

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VII. Enhancing risk management					
16 (16)	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 markets² will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)</p>	<p>Jurisdictions should indicate the measures taken in the following areas:</p> <ul style="list-style-type: none"> • guidance to strengthen banks' risk management practices, including BCBS good practice documents (Corporate governance principles for banks, External audit of banks, and the Internal audit function in banks); • measures to monitor and ensure banks' implementation of the BCBS Principles for Sound Liquidity Risk Management and Supervision (Sep 2008); • measures to supervise banks' operations in foreign currency funding markets;¹ and • extent to which they undertake stress tests and publish their results. <p>Jurisdictions should not provide any updates on the implementation of Basel III liquidity requirements (and other recent standards such as capital</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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: 2017 [revised guidance on counterparty credit risk management]; 30.09.2017 [revised SPM module IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance"]]</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</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Corporate Governance: The revised modules on "Corporate Governance of Locally Incorporated Authorized Institutions", "Risk Management Framework" and "Internal Audit Function" are expected to be issued in H1 2017. External audits of banks: SPM module IC-3 "Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance" will be reviewed during 2017 and considered for the need to further incorporate the relevant guidance provided in BCBS document "External audits of banks", e.g., engagement between the supervisor and the external auditors, supervisory expectations for the external auditors. It is targeted that the draft revised SPM module IC-3 will be published for comments in 2017.</p> <p>Web-links to relevant documents:</p> <p>SPM module CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions": http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CG-1.pdf SPM module IC-2 "Internal Audit Function": http://www.hkma.gov.hk/media/eng/doc/</p>

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

² Only the emerging market jurisdictions that are members of the FSB may respond to this recommendation.

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		We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)	requirements for CCPs), since these are monitored separately by the BCBS .	<p>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 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: 31.12.2015</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: The HKMA has issued comprehensive supervisory guidance, mainly under the “Supervisory Policy Manual” (SPM), relating to the management of various risks borne by 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</p>	key-functions/banking-stability/supervisory-policy-manual/IC-2.pdf SPM module IC-3 “Reporting Requirements Relating to Authorized Institutions’ External Auditors under the Banking Ordinance”: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-3.pdf

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				<p>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 the course of 2015. The more relevant supervisory regulations or guidelines are highlighted below. June 2016 [Supervisory guidance on “Credit Risk Transfer Activities]</p> <p>External audits of banks: The supervisory teams of the HKMA maintained dialogues with the boards of directors and external auditors of selected AIs. They held tripartite meetings with the senior management and external auditors of AIs to cover topics related to external audit, such as, auditors’ audit approach, key areas of significant risk of material misstatement in the financial statements, significant internal control deficiencies identified. In addition, external auditors of the AI would normally communicate to management and/or those charged with governance of the AI on the significant matters relating to financial reporting. The related written communications may be accessed by the supervisory teams of HKMA. There were also discussions between the HKMA and the Banking Regulatory Liaison Group of the Hong Kong institute of Certified public Accountants (HKICPA) on the international and domestic developments in relation to new or revised accounting, auditing and financial reporting</p>	

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				<p>standards and their implications for banks, as well as major international and domestic banking regulatory developments. Stress testing: The HKMA continues to require selected AIs to conduct the Supervisor-driven Stress Testing (“SDST”) on a regular basis. As part of this exercise, the HKMA continues to assess these AIs’ stresstesting capabilities and request them to improve where weaknesses are identified. In 2016, the HKMA conducted onsite examinations and thematic reviews on selected AIs’ risk management controls for dealing with contingency liquidity stress scenarios. The HKMA also continued to conduct supervisory liquidity stress testing regularly and requested individual AIs to enhance their capabilities to cope with more stressful but plausible liquidity stress scenarios. The HKMA continued to monitor the level and trend of AIs’ liquidity positions including Liquidity Coverage Ratio (LCR) of category 1 institutions, which generally maintained LCRs close to or over 100%, well above the statutory minimum of 70% for 2016 under the phase-in arrangement.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>General Risk Management: Supervisory Policy Manual (SPM) module IC-1 General Risk Management sets out the HKMA’s expectations on AIs’ general risk management systems, including, for example, the responsibilities of the Board of directors, Risk Committee,</p>	

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				<p>senior management (including the Chief Risk Officer) and the risk management function in the risk management process. SPM module IC-5 Stress-testing sets out the key elements of an effective stress-testing programme, and describe the HKMA’s supervisory approach to assessing the adequacy of their stress-testing practices. SPM module LM-2 Sound Systems and Controls for Liquidity Risk Management has incorporated the BCBS “Liquidity Sound Principles” published in 2008. SPM module TA-2 Foreign Exchange Risk Management sets out supervisory guidance on banks’ risk management of foreign exchange risk (last updated in 2009). Counterparty credit risk management: The revisions to the supervisory guidance on counterparty credit risk (CCR) management are intended to reflect recent developments in CCR management practices (including those associated with the latest capital treatment for CCR under the BCBS CCR framework). The supervisory guidance on “Credit Risk Transfer Activities” issued on 30 June 2016 supplements existing guidance on credit risk management and incorporates the latest international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (Jul 2008). External audits of banks: The major principles regarding the Audit Committee’s responsibilities in relation to the external audit and its relationship with the external auditor, which are set out in BCBS document “External audits of banks”, will be reflected in the HKMA’s revised Supervisory Policy Manual (“SPM”) module CG-1</p>	

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				<p>“Corporate Governance of Locally Incorporated Authorized Institutions” and SPM module IC-2 “Internal Audit Function”. These two SPMs are currently under consultation. The HKMA’s existing SPM IC-3 “Reporting Requirements Relating to Authorized Institutions’ External Auditors under the Banking Ordinance” includes guidance in respect of auditors’ reporting on various matters other than financial statements (e.g., banking returns, internal control systems), appointment, removal and resignation of external auditors for the purpose of reporting under the Banking Ordinance, communication between the external auditors and the HKMA. This SPM will be reviewed during 2017 and considered for the need to further incorporate the relevant guidance provided in BCBS document “External audits of banks”, e.g., engagement between the supervisor and the external auditors, supervisory expectations for the external auditors. Stress testing Stress testing SPM module IC-5 “Stress Testing”: Guidance to AIs on the key elements of an effective stress-testing programme and the HKMA’s supervisory approach to assessing the adequacy of their stress-testing practices.</p> <p>Highlight main developments since last year’s survey:</p> <p>Liquidity risk management: LM-2 was updated in November 2016 in order to make the guidelines coherent with the new LCR (and the local LMR requirements). General Risk Management: IC-1 is being updated to incorporate latest international standards. Counterparty credit risk management:</p>	

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				<p>The supervisory guidance on “Credit Risk Transfer Activities” was issued on 30 June 2016. Corporate Governance: The HKMA consulted the industry in August 2016 on the revision of three modules under the Supervisory Policy Manual relating to corporate governance and risk controls, namely “Corporate Governance of Locally Incorporated Authorized Institutions”, “Risk Management Framework” and “Internal Audit Function”. External audits of banks: Currently, the revised SPM modules CG-1 “Corporate Governance of Locally Incorporated Authorized Institutions” and IC-2 “Internal Audit Function” are under consultation. The draft documents for these two revised SPMs were published for comments. For details on the main developments, please refer to the write-up on corporate governance principles for banks and internal audit function in banks. Stress testing: The HKMA has enhanced the SDST reporting templates, completion instructions and scenarios for 2016 SDST exercise. The review results and capabilities of participating AIs are expected to be completed in March 2017. Where weaknesses are identified, the HKMA will discuss with the concerned AIs on how their stress-testing processes can be further improved. Separately, the HKMA will continue to keep close track of international development regarding stress testing.</p> <p>Web-links to relevant documents:</p> <p>Credit risk transfer activities: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CR-G-12.pdf Risk Management Framework:</p>	

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				<p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-1.pdf SPM module CG-1 “Corporate Governance of Locally Incorporated Authorized Institutions”:</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CG-1.pdf SPM module IC-2 “Internal Audit Function”:</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-2.pdf SPM module IC-3 “Reporting Requirements Relating to Authorized Institutions’ External Auditors under the Banking Ordinance”:</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-3.pdf Stress testing SPM module IC-5 “Stress Testing”:</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf Sound systems and controls for liquidity risk management: LM-2</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/LM-2.pdf Foreign exchange risk management: TA-2</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/TA-2.pdf</p>	

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17 (17)	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>In addition, in light of the new IASB and FASB accounting requirements for expected credit loss recognition, jurisdictions should set out any steps they intend to take (if appropriate) to foster disclosures needed to fairly depict a bank's exposure to credit risk, including its expected credit loss estimates, and to provide relevant information on a bank's underwriting practices. Jurisdictions may use as reference the recommendations in the report by the Enhanced Disclosure Task Force on the Impact of Expected Credit Loss Approaches on Bank Risk Disclosures (Nov 2015), as well as the recommendations in Principle 8 of the BCBS Guidance on credit risk and</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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; ongoing</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: Implementation of disclosure requirements relating to Phase 2 of Basel III standards (i.e. those scheduled to take effect from 2015) was completed as of 31.3.2015. The HKMA will further amend the Banking (Disclosure) Rules to implement Phase 2 of the revised Pillar 3 package (pending finalisation by the Basel</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>For the purpose of implementing the BCBS revised Pillar 3 disclosure requirements, the HKMA will issue standard disclosure templates and tables developed based on BCBS standards for use by AIs starting from Q1/2017. Supervisory Policy Manual module CA-D-1 Guideline on the Application of the Banking (Disclosure) Rules will also be updated to provide guidance to AIs on the subject. 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>

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
			<u>accounting for expected credit losses (Dec 2015)</u>	<p>Committee) which include specific disclosure requirements related to the transitional arrangements for expected loss provisioning. The Banking (Disclosure)(Amendment) Rules 2016 (“BDAR 2016”) amended the Banking (Disclosure) Rules (“BDR”) with effect from 31 March 2017 to (i) incorporate the January 2015 BCBS revised Pillar 3 disclosure requirements; (ii) address the lack of quarterly disclosure in Hong Kong of certain key regulatory capital and leverage ratios (and their constituent components), as identified by the BCBS under its Regulatory Consistency Assessment Programme (“RCAP”); and (iii) revise the existing provisions of the BDR in relation to the financial disclosure requirements for locally incorporated AIs (as opposed to regulatory disclosures required for prudential reasons) to remove duplication and inconsistencies with similar requirements that already exist in applicable financial reporting standards. For the new IASB accounting requirements for expected credit loss recognition, we are in the process of studying the regulatory impact of the implementation of IFRS 9, and will publish guideline to the industry where necessary. We have issued a circular to request banks to review their credit risk management process in light of the relevant principles set out in the BCBS guidance on credit risk and accounting for expected credit losses. Please see our response to</p>	

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				<p>item 15 above. 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 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. Risk and loss disclosures of SFC licensed corporations are required to be made in compliance with accounting standards. In general, SFC licensed corporations are not listed and therefore do not require public disclosures.</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 HKMA developed the BDAR 2016 and the associated standard templates and tables for implementing the BCBS revised Pillar 3 disclosure requirements. Subject to Legislative Council's approval, the revised disclosure requirements will take effect in Hong Kong from 31 March 2017.</p>	

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20151223e1.pdf http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2016/20161230e1.pdf http://www.legco.gov.hk/yr16-17/english/hc/sub_leg/sc05/general/sc05.htm</p>	

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VIII. Strengthening deposit insurance					
18 (18)	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 that have not yet adopted an explicit national deposit insurance system should describe their plans to introduce such a system.</p> <p>All other jurisdictions should describe any significant design changes in their national deposit insurance system since the issuance of the revised IADI Core Principles for Effective Deposit Insurance Systems (November 2014).</p> <p>In addition, jurisdictions should indicate if they have carried out a self-assessment of compliance with the revised Core Principles:</p> <ul style="list-style-type: none"> • If so, jurisdictions should highlight the main gaps identified and the steps proposed to address these gaps; • If not, jurisdictions should indicate any plans to undertake a self-assessment exercise. 	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: 24.03.2016</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: Following the implementation of the gross payout approach, the Deposit Protection Scheme (DPS) in Hong Kong is able to reimburse depositors within 7 days upon a bank failure under most circumstances. The faster payout speed can help promote general banking stability and increase</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>depositors' confidence in the financial safety net.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year's survey:</p> <p>No major gaps were identified when assessing the compliance of the DPS with the revised Core Principles. In respect of the DPS enhancements for adopting the "gross payout" approach, the legislative amendments were passed by the Legislative Council and took effect in March 2016. Adjustments on the operations of the DPS, including updating payout policy and procedures, and revising the contribution assessment and reporting requirements, to ensure smooth implementation of the gross payout approach were completed. All these improvements have resulted in the target payout time frame for making full compensation payments to depositors being significantly shortened from the previous six weeks to within seven days.</p> <p>Web-links to relevant documents:</p> <p>http://www.info.gov.hk/gia/general/201603/24/P201603230492.htm http://www.legco.gov.hk/yr15-16/english/ord/ord002-2016-e.pdf</p>	

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
IX. Safeguarding the integrity and efficiency of financial markets					
19 (19)	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><i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: 16.01.2017</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: The SFC approved the proposed amendments to trading rules of the Hong Kong Exchanges and Clearing Limited (HKEX) for introducing Volatility Control Mechanism (VCM - in essence dynamic price bands with short cooling off period where trading can continue).</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year's survey:</p> <p>VCM was launched in HKEX's cash market and derivatives market on 22 Aug 2016 and 16 Jan 2017 respectively. Another initiative, Pre-trade Risk Management (PTRM), already mentioned in last year survey, was launched in HKEX's derivatives market in April 2016 and had gone through the 6 months calibration period.</p> <p>Web-links to relevant documents:</p> <p>VCM - http://www.hkex.com.hk/eng/market/sec_tradinfra/vcm_cas/vcm_cas.htm PTRM - http://www.hkex.com.hk/eng/market/dv_tradinfra/ptrm.htm</p>	

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
20 (20)	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><i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></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 evidenced during the global</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Web-links to relevant documents:</p>

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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>	

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (21)	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> .		

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
X. Enhancing financial consumer protection					
22 (22)	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 <i>If “Not applicable“ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></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: 06.02.2015 [Consumer Protection]</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: Consumer Education: As part of the efforts to promote financial education, the HKMA has launched a “Consumer Education Programme” to educate the public to be smart and responsible financial consumers. Through television programmes, educational videos, audio clips,</p>	<p>Planned actions (if any) and expected commencement date:</p> <p>Consumer education: The HKMA will continue to promote smart and responsible use of banking and related products and services through its Consumer Education Programme. The independent IA is expected to be established in the 2nd quarter of 2017, and relevant guidelines for insurers and other subsidiary legislation will be ready by then. In the meantime, the IA aimed to finalize the draft legislation for the policyholders’ protection scheme before the 2nd quarter of 2017. [Update: The independent IA was established on 26 June 2017.] Money Month, Hong Kong’s first-ever territory-wide financial literacy awareness and engagement campaign, will commence on 18 February to encourage the public to plan and manage their finances. A Money Learning Directory will launch as a one-stop resource for the public to access and participate in financial education initiatives offered by financial education providers in Hong Kong. The Chin Family will run three significant public education advertising campaigns throughout 2017, complemented by regular social and digital communication. More education programmes targeted at schools will be developed, these will be used in the curriculum and in extra-curriculum activities.</p> <p>Web-links to relevant documents:</p> <p>HKMA Consumer Education Programme http://www.hkma.gov.hk/eng/key-functions/banking-stability/consumer-</p>

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				<p>marketing collaterals, print, web, mobile and out-of-home publicity, the HKMA has been promoting smart tips on using banking and related products and services such as credit cards, ATMs, internet / mobile banking, personal loans, etc. to members of the public.</p> <p>Consumer Protection: 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. 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 AIs to observe when providing products and services to their customers, thereby helping to promote international good banking practices in Hong Kong; and</p>	<p>corner/strengthening-financial-consumer-protection/consumer-education-programme/ http://www.moneymonth.hk/en/</p>

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				<p>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 of the G20 principles. The IA has, riding on the principle of fair treatment of customers under the IAIS ICP 19 on Conduct of Business, promulgated two guidance notes, namely GN15 – Guidance Note on Underwriting Class C Business and GN 16- Guidance Note on Underwriting Long Term Insurance Business (Other than Class C). These guidance notes set out the comprehensive requirements for insurers underwriting long term (including Class C) business from product design to post-sale control. Policies pertaining to the fair treatment of consumers, policyholders, as well as direct supervision of insurance intermediaries, however, will, be further enhanced and integrated into the independent IA regime.. These include the establishment of a policyholders’ protection fund, which is currently in the law drafting process. The Chin Family, which is managed and operated by the Investor Education Centre (IEC) was launched on 11 April 2016 to better engage the Hong Kong people in managing their money wisely and effectively. 230 community events and workshops reaching more than 15,520 people were organised during the year. The new Chin Family website recorded</p>	

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				<p>over 618,973 website visitors with more than 1.7 million page views in the year April 16 – Dec 31st 2016. The IEC is also the secretariat for the Hong Kong Strategy for Financial Literacy, which aims to harness the efforts of various sectors by setting common goals and enabling cross-sectoral collaboration to advance financial education and literacy in Hong Kong. To date, over 100 supporting organisations have signed up, and together with 12 ambassadors, are committed to promoting the benefits of financial education to the public.</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Highlight main developments since last year’s survey:</p> <p>Consumer Protection: For better protection of the interests of bank customers against malpractices of intermediaries, the HKMA has introduced, further to those covered in the 2016 IMN survey, in November 2016 new measures to require all AIs to proceed with a loan application in respect of retail customers and SMEs referred by a third party only if it is appointed by the AI concerned, and that the prospective borrowers are not charged any loan-related fees by that third party in general.</p> <p>Web-links to relevant documents:</p> <p>Consumer Protection Code of Banking Practice: http://www.hkma.gov.hk/media/eng/doc/</p>	

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				code_eng.pdf Treat Customers Fairly Charter: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2013/20131028e1.pdf http://www.thechinfamily.hk/web/en/ http://www.hksfl.hk/en/	

XI. Source of recommendations

[Hangzhou: G20 Leaders' Communique \(4-5 September 2016\)](#)

[Antalya: G20 Leaders' Communique \(15-16 November 2015\)](#)

[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 (now the Office of the Commissioner of Insurance, OCI)

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

ICP: IAIS Insurance Core Principle

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