

Jurisdiction: Hong Kong SAR

# 2015 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
<b>I. Hedge funds</b>					
1 (2)	Registration, appropriate disclosures and oversight of hedge funds	<p>We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds. (Seoul)</p> <p>Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)</p>	<p>Jurisdictions should indicate the progress made in implementing the high level principles contained in IOSCO's <a href="#">Report on Hedge Fund Oversight (Jun 2009)</a>. In particular, jurisdictions should specify whether:</p> <ul style="list-style-type: none"> <li>- Hedge Funds (HFs) and/or HF managers are subject to mandatory registration</li> <li>- Registered HF managers are subject to appropriate ongoing requirements regarding: <ul style="list-style-type: none"> <li>• Organisational and operational standards;</li> <li>• Conflicts of interest and other conduct of business rules;</li> <li>• Disclosure to investors; and</li> <li>• Prudential regulation.</li> </ul> </li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress :</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: 01.04.2003</p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year's survey:</b></p> <p>The SFC continues to participate in IOSCO Committee 5 hedge fund sub-group and aggregate data collected by SFC will be provided to IOSCO for the IOSCO HF survey.</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

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				<p><b>Web-links to relevant documents:</b></p> <p>ICG: <a href="http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_162_VER10.pdf">http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_162_VER10.pdf</a></p> <p>Fund Manager Code of Conduct: <a href="http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_838_VER20.pdf">http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_838_VER20.pdf</a></p> <p>Report of the Survey on Hedge Fund Activities of SFC-licensed Managers/Advisers: <a href="http://www.sfc.hk/web/EN/files/ER/Reports/HF%20Survey%20Report%202015_En.pdf">http://www.sfc.hk/web/EN/files/ER/Reports/HF%20Survey%20Report%202015_En.pdf</a></p> <p><b>Additional questions:</b></p> <p><b>1. Please indicate whether Hedge Funds (HFs) are domiciled locally and, if available, the size of the industry in terms of Assets under Management and number of HFs.</b></p> <p>Based on data collected in local HF survey as of 30 September 2014, the number of HFs managed by SFC-licensed HF managers in Hong Kong was 778, and the total HF AUM in Hong Kong was US\$120.9 billion. Also, the managers reported that none of the qualifying HFs managed by SFC-licensed HF managers was domiciled in Hong Kong.</p>	

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				<p><b>2. Please specify the main criteria and numerical thresholds (if applicable) for subjecting HF managers to mandatory registration.</b></p> <p>Generally, HF managers providing asset management services to third parties are required to be licensed by the SFC. There is no minimum size exemption from the licensing requirement.</p> <p><b>3. Please specify whether registered HF managers are subject to ongoing requirements regarding organisational and operational standards; conflicts of interest and other conduct of business rules; disclosure to investors; and prudential regulation. If any of these requirements are not applicable, please explain.</b></p> <p>Licensed HF managers are subject to conduct of business standards, including the Internal Control Guideline (ICG) and Fund Manager Code of Conduct issued by the SFC, which covers operational standards, conflict of interest and disclosure of clients. They are also required to submit their financial resource figures under SFC rules as well as annual audited reports on regular basis.</p> <p><b>4. Please describe the main challenges (where relevant) and any lessons learned in implementing this</b></p>	

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				<p>reform.</p> <p>The SFC will keep in view international policy development in systemic risk assessment and risk management practice.</p> <p>5. <b>Are you monitoring the effects of this reform in your jurisdiction? If yes, please share the main findings and any related policy initiatives in response to those findings.</b></p> <p>Data collected from local and IOSCO HF surveys have assisted our assessment of the potential systemic risk posed by the local HF industry.</p>	

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2 (3)	Establishment of international information sharing framework	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London)	<p>Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO’s <a href="#">Report on Hedge Fund Oversight (Jun 2009)</a> 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"> <li>- Signatory to the IOSCO MMoU</li> <li>- Signatory to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO <a href="#">Principles Regarding Cross-border Supervisory Cooperation</a>.</li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Draft in preparation, expected publication by:</li> <li><input type="checkbox"/> Draft published as of:</li> <li><input type="checkbox"/> Final rule or legislation approved and will come into force on:</li> <li><input checked="" type="checkbox"/> Final rule (for part of the reform) in force since :</li> </ul> <p><input checked="" type="checkbox"/> Implementation completed as of: 18.08.2015</p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>The SFC is a signatory to the IOSCO MMoU. The SFC also participates in the IOSCO Committee 5 HF sub-group. The HKMA is a signatory to the Alternative Investment Fund Managers Directive (AIFMD) MoU, effective 22 July 2013.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The SFC has cooperation agreements with major jurisdictions through IOSCO</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p>SFC will continue to participate in IOSCO Committee 5 hedge fund sub-group.</p> <p><b>Web-links to relevant documents:</b></p>

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				<p>MMoU, including eg Cayman Islands where HF's of SFC-licensed HF managers are typically located. The SFC also has bilateral MoUs with various international securities regulators. In 2013, the HKMA entered into MoUs with authorities of 28 European Union or European Economic Area countries to develop a framework for mutual assistance in the supervision and oversight of authorized institutions acting as depositaries appointed for alternative investment funds that operate on a cross border basis, and for exchange of information for supervisory and enforcement purpose. The MoUs came into effect on 22 July 2013.</p> <p><b>Highlight main developments since last year's survey:</b></p> <p>SFC is a member of the IOSCO Committee 5 HF sub-group. The SFC has participated in the data collection exercise coordinated by IOSCO in the fourth quarter of 2014 to collect data from managers of potentially systemically important hedge funds. Aggregate data collected by the SFC have been sent to IOSCO in Apr 2015.</p> <p><b>Web-links to relevant documents:</b></p>	

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				Overseas collaboration: <a href="http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/">http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/</a>	

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3 (4)	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 principle 2.iii of IOSCO <a href="#">Report on Hedge Fund Oversight (Jun 2009)</a>. Jurisdictions should also indicate the steps they are taking to implement the new standards on equity exposures (<a href="#">Capital requirements for banks' equity investments in funds, Dec 2013</a>) by 1 January 2017.</p> <p>For further reference, see also the following documents :</p> <ul style="list-style-type: none"> <li>• BCBS <a href="#">Sound Practices for Banks' Interactions with Highly Leveraged Institutions (Jan 1999)</a></li> <li>• BCBS <a href="#">Banks' Interactions with Highly Leveraged Institutions (Jan 1999)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input checked="" type="checkbox"/> Draft in preparation, expected publication by: Q3 2016 (equity investments in funds)</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 : 19.01.2001 and 03.06.2009 (for supervisory guidance) and 09.01.1999 (for circular letter) (interactions with highly leveraged institutions)</p> <p><input type="checkbox"/> Implementation completed as of:</p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The draft amendments to secondary legislation will implement the BCBS capital requirements for banks' equity investments in funds. The supervisory guidance requires banks to (i) exercise due caution when entering into transactions with HLIs; (ii) take into</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The HKMA intends to incorporate the BCBS standards on capital requirements for banks' equity investments in funds in secondary legislation for implementation on 1 January 2017.</p> <p><b>Web-links to relevant documents:</b></p>

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				<p>account the specific risk characteristics of HLIs before doing business with them and (iii) obtain more detailed information on counterparties to support credit assessment and trade decisions if the counterparties conduct highly leveraged activities. SFC licensed persons 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. BCBS requirements are not applicable to the securities sector in Hong Kong.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year's survey:</b></p> <p>The HKMA issued a consultative document on 13 Oct. 2015 to consult the industry on the policy proposals for implementing the capital requirements for banks' equity investments in funds.</p> <p><b>Web-links to relevant documents:</b></p> <p><a href="http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_basel_standards.shtml">http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_basel_standards.shtml</a></p> <p><a href="http://www.hkma.gov.hk/eng/key-">http://www.hkma.gov.hk/eng/key-</a></p>	

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				<p>information/guidelines-and-circulars/circulars/2001/20010119.shtml  <a href="http://www.hkma.gov.hk/eng/key-information/guidelines-and-circulars/circulars/2009/20090603-1.shtml">http://www.hkma.gov.hk/eng/key-information/guidelines-and-circulars/circulars/2009/20090603-1.shtml</a>  <a href="http://www.hkma.gov.hk/eng/key-information/guidelines-and-circulars/circulars/1999/circu_090399b.shtml">http://www.hkma.gov.hk/eng/key-information/guidelines-and-circulars/circulars/1999/circu_090399b.shtml</a>                      ICG: <a href="http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf">http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_162_VER10.pdf</a>                      OTCRMC: <a href="http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_2372_VER10.pdf">http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_2372_VER10.pdf</a></p>	

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

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

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<b>II. Securitisation</b>					
				<p><b>Highlight main developments since last year's survey:</b></p> <p><b>Web-links to relevant documents:</b></p> <p>Guidance Note on Reserving for Mortgage Guarantee Business (GN6) :  <a href="http://www.oci.gov.hk/download/e-gn6.pdf">http://www.oci.gov.hk/download/e-gn6.pdf</a></p>	

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5 (7)	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 product.</p> <p>Jurisdictions may reference IOSCO's report on <a href="#">Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009)</a>.</p> <p>Jurisdictions may also refer to the Joint Forum report on <a href="#">Credit Risk Transfer-Developments from 2005-2007 (Jul 2008)</a>.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input checked="" type="checkbox"/> Draft in preparation, expected publication by: End-2015 (draft guidance on credit risk transfer activities)</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input type="checkbox"/> Implementation completed as of:</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The Financial Resources Rules (FRRs) have capital charge requirement on SFC licensed firms' 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 to investing public. This aspect has been covered in the existing monitoring of insurers'</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p>For institutional investors who are deposit-taking institutions supervised by the HKMA, there are already supervisory guidelines that require the institutions to implement appropriate policies, procedures, monitoring and controls to manage the risks associated with their credit activities (e.g. Supervisory Policy Manual CR-G-1 on "General principles of credit risk management"). The HKMA has been collecting data regularly on the institutions' holdings of structured finance products and note that the holdings have been maintained consistently at a low level.</p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The SFC will monitor international developments and review the need for further guidance. The IA will issue relevant guidance as appropriate, taking into account the local circumstances. The draft guidance on "Credit Risk Transfer Activities" is expected to be issued by end-2015 for consultation.</p>

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				<p>investment positions by the IA. Presently, the IA is considering adopting the approaches required under ICP 15 on Investment, including the guidance on investments in structured products, having regard to the local circumstances.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The HKMA is developing supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) with a view to bringing supervisory policy into line with the latest international standards including the recommendations made in the Joint Forum report on Credit Risk Transfer – Developments from 2005-2007 (Jul 2008).</p> <p><b>Highlight main developments since last year's survey:</b></p> <p><b>Web-links to relevant documents:</b></p> <p>Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission <a href="http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER30.pdf">http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER30.pdf</a></p>	<p><b>Web-links to relevant documents:</b></p>

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6 (8)	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 taken for enhancing disclosure of securitised products.</p> <p>See, for reference, IOSCO’s <a href="#">Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012)</a> and IOSCO’s <a href="#">Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010)</a>.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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><b>Issue is being addressed through :</b></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><b>Short description of the content of the legislation/ regulation/guideline:</b></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><b>Highlight main developments since last year’s survey:</b></p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

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<b>III. Enhancing supervision</b>					
7 (9)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)	<p>Jurisdictions should indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors; (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs. See, for reference, the following documents:</p> <p>BCBS:</p> <ul style="list-style-type: none"> <li>• <a href="#">Framework for G-SIBs (Jul 2013)</a></li> <li>• <a href="#">Framework for D-SIBs (Oct 2012)</a></li> <li>• <a href="#">BCP 12 (Sep 2012)</a></li> </ul> <p>IAIS:</p> <ul style="list-style-type: none"> <li>• <a href="#">Global Systemically Important Insurers: Policy Measures (Jul 2013)</a></li> <li>• <a href="#">ICP 23– Group wide supervision</a></li> </ul> <p>FSB:</p> <ul style="list-style-type: none"> <li>• <a href="#">Framework for addressing SIFIs (Nov 2011)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>HKMA announced a list of Authorized Institutions designated as D-SIBs on 16 March 2015. The SFC continues to participate in the relevant work under IOSCO. At present, Hong Kong is not the home jurisdiction of the G-SIIs identified under the latest available FSB 2014 updated list of G-SIIs. However, Hong Kong keeps actively participating</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The IAIS is developing policy measures to be applied to G-SIIs. Among them is the higher loss absorbency requirement. The IA will keep in view of the developments of those policy measures and will consider adopting the measures on the G-SIIs identified (the assessment methodology of which is still under refinement by the IAIS) as appropriate, having regard to the local circumstances.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>in the supervisory colleges for major insurance groups on a regular basis. Meanwhile, the IA is reviewing the standards under ICP 23 on group-wide supervision.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>1. Secondary legislation: Banking (Capital) (Amendment) Rules 2014 (effective 1 January 2015) implementing the Basel III Capital Conservation Buffer (CB), the Countercyclical Capital Buffer (CCyB) and, for systemically important banks, a Higher Loss Absorbency (HLA) requirement 2. Guideline (Supervisory Policy Manual module): SPM CA-B-2 “Systemically Important Banks” (issued 18 February 2015): Sets out the methodology for identifying systemically important Authorized Institutions in Hong Kong; calibration of HLA requirement; and the supervisory measures applied to such D-SIBs.</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>The Banking (Capital) (Amendment) Rules 2014 implementing requirements in relation to Basel III capital buffers – Capital Conservation Buffer,</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Countercyclical Capital Buffer and, for SIBs, HLA requirement – came into effect on 1 January 2015. The HKMA issued a new SPM module “Systemically Important Banks” on 18 February 2015, setting out the methodology for identifying SIBs in HK, calibration of HLA requirement, and supervisory measures applied to SIBs.</p> <p><b>Web-links to relevant documents:</b></p> <p>D-SIB documentation:  <a href="http://www.hkma.gov.hk/eng/key-functions/banking-stability/sibs.shtml">http://www.hkma.gov.hk/eng/key-functions/banking-stability/sibs.shtml</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
8 (10)	Establishing supervisory colleges and conducting risk assessments	<p>To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)</p> <p>We agreed to conduct rigorous risk assessment on these firms [G-SIFIs] through international supervisory colleges. (Seoul)</p>	<p>Reporting in this area should be undertaken solely by home jurisdictions of G-SIBs and G-SIIs.</p> <p>Please indicate the progress made in establishing and strengthening the functioning of supervisory colleges for G-SIBs and G-SIIs using, as reference, the following documents:</p> <p>BCBS:</p> <ul style="list-style-type: none"> <li>• Principle 13 of the BCBS <a href="#">Core Principles for Effective Banking Supervision (Sep 2012)</a></li> <li>• <a href="#">Principles for effective supervisory colleges (Jun 2014)</a></li> </ul> <p>IAIS :</p> <ul style="list-style-type: none"> <li>• <a href="#">ICP 25 and Guidance 25.1.1 – 25.1.6 on establishment of supervisory colleges</a></li> <li>• <a href="#">Guidance 25.6.20 and 25.8.16 on risk assessments by supervisory colleges</a></li> <li>• <a href="#">Application paper on supervisory colleges (Oct 2014)</a></li> </ul>	<p><input checked="" type="checkbox"/> <b>Not applicable</b> as Hong Kong is not the home jurisdiction of any G-SIBs nor G-SIIs</p> <p><input type="checkbox"/> <b>Applicable but no action envisaged at the moment</b></p> <p><input type="checkbox"/> <b>Implementation ongoing:</b> <i>Status of progress :</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"/> <b>Implementation completed as of:</b></p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The IA has assumed the role of the group-wide supervisor of an insurance group based in Hong Kong and organized a supervisory college with relevant regulators for a more coordinated group-wide supervision. And being the home supervisor of the group, the IA coordinates the work, such as risk assessment and stress testing, among</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>college members. Notwithstanding the above, the IA has also been actively participating as the host supervisor in the supervisory colleges for other major insurance groups. 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 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</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>operations).</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year’s survey:</b></p> <p><b>Web-links to relevant documents:</b></p> <p><b>Additional questions:</b></p> <p><b>1. Please indicate whether supervisory colleges for all G-SIBs/G-SIIs headquartered in your jurisdiction have been established. If not, please explain.</b></p> <p>No. The G-SIIs identified so far, according to the FSB 2013 and the latest available FSB 2014 G-SIIs lists, are not headquartered in Hong Kong. Nevertheless, the IA has participated in the supervisory colleges established by the home supervisors of the identified G-SIIs that have operations in Hong Kong. None of the G-SIBs is headquartered in Hong Kong.</p> <p><b>2. Please indicate the structure of the supervisory colleges for G-SIBs/G-SIIs in your jurisdiction (core, universal, other) and the reasons why it may differ across firms.</b></p> <p>The G-SIIs identified so far are not headquartered in Hong Kong. None of the G-SIBs is headquartered in Hong Kong. However, in a case where the</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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.</p> <p><b>3. Please indicate the frequency of meetings over the past year of the supervisory colleges (core, universal, other) for G-SIBs/G-SIIs in your jurisdiction.</b></p> <p>The G-SIIs identified so far are not headquartered in Hong Kong. None of the G-SIBs is SIBs is headquartered in Hong Kong. The regional college meeting mentioned in our response to Q2 is held on an annual basis.</p> <p><b>4. Please describe the main objectives of supervisory colleges for G-SIBs/G-SIIs in your jurisdiction and the types of issues that have been discussed over the past year. (e.g. specific area(s) of risk, coordinated risk assessments, joint supervisory work, coordinated supervisory plans). In your response, please indicate briefly some of the main challenges in conducting joint risk assessments and steps taken to address them.</b></p> <p>The G-SIIs identified so far are not headquartered in Hong Kong. None of the G-SIBs is headquartered in Hong Kong. The main objective of the regional college meeting (mentioned in our</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>response to Q2) is to promote the discussion of prudential matters of mutual interest with major host supervisors in the region. The topics covered in the meeting include latest developments, major risks, supervisory assessments, and supervisory work plans of / for the institution.</p> <p><b>5. Please describe the main challenges in the functioning of supervisory colleges for G-SIBs/G-SIIs in your jurisdiction and any plans to enhance the effectiveness of colleges.</b></p> <p>The G-SIIs identified so far are not headquartered in Hong Kong. None of the G-SIBs is headquartered in Hong Kong. The HKMA did not encounter any major challenge in the functioning of the regional college (mentioned in our responses to Q2) for meeting its objective.</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
9 (11)	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 <a href="#">September 2012</a> BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.</p> <p>Jurisdictions should describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></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:</p> <p>At the national level, there are MoUs between the HKMA, SFC and OCI to exchange supervisory information. The SFC is a signatory of the IOSCO MMoUs and various MoUs with international securities regulators. The SFC signed MoU with authorities from 28 European Union / European Economic Area countries on the supervision of alternative investment fund managers. The IA has</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>Upon concluding the public consultation on “Providing Assistance to Overseas Regulators in Certain Situations” in June 2015. SFC has made recommendations to the HK government to consider making necessary legislative changes to provide supervisory assistance to regulators outside of Hong Kong. The HKMA, SFC and IA will continue to work closely with overseas regulators on the supervision of institutions with cross-border operations relevant to them, in line with international standards where appropriate.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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. At the international level, in 2013, the HKMA entered into MoUs with authorities of 28 European Union or European Economic Area countries to develop a framework for mutual assistance in the supervision and oversight of authorized institutions acting as depositaries appointed for alternative investment funds that operate on a cross border basis, and for exchange of information for supervisory and enforcement purpose. The MoUs came into effect on 22 July 2013. At international level, in 2014, the HKMA entered into an MoU with Reserve Bank of India for cooperation and sharing of supervisory information and has</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>continued to engage other overseas bank supervisors in negotiating formal arrangements for cooperation and sharing of supervisory information.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The proposed legislative changes to provide supervisory assistance to regulators outside of HK is a further enhancement to the existing supervisory cooperation.</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>SFC issued a public consultation on “Providing Assistance to Overseas Regulators in Certain Situations” and made its consultation conclusion in June 2015. The public consultation conclusion on “Providing Assistance to Overseas Regulators in Certain Situations” has been published in June 2015. SFC has made recommendations to the HK government to consider making necessary legislative changes to provide supervisory assistance to regulators outside of HK.</p> <p><b>Web-links to relevant documents:</b></p> <p>Overseas collaboration  <a href="http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/">http://www.sfc.hk/web/EN/about-the-sfc/collaboration/overseas/</a></p>	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
10 (12)	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>No information on this recommendation will be collected in the current IMN survey due to the recent publication of the FSB <a href="#">thematic peer review report on supervisory frameworks and approaches to SIBs</a>.</p>		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>IV. Building and implementing macroprudential frameworks and tools</b>					
11 (13)	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<sup>1</sup> and private pools of capital to limit the build up of systemic risk. (London)</p> <p>Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions. (London)</p>	<p>Please describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) that have taken place since the financial crisis, including over the past year.</p> <p>Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among different authorities on financial institutions, markets and instruments to assess the potential for systemic risk. If so, please describe identified gaps in the powers to collect information, and whether any follow-up actions have been taken.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing: <i>Status of progress :</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The IA is empowered under the ICO to require authorized insurers in Hong Kong to provide comprehensive supervisory information for IA’s scrutiny on a regular as well as ad hoc basis. As far as the</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The HKMA already has relevant regulatory framework in place, and will review its internal institutional framework for systemic risk monitoring and macroprudential policy coordination from time to time to identify potential need for improvement.</p> <p><b>Web-links to relevant documents:</b></p>

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

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>HKMA is concerned, existing regulatory framework enables the authority to identify and take account of macro-prudential risks in the financial system. Besides, the HKMA, SFC and IA have powers under the Banking Ordinance, Securities and Futures Ordinance and Insurance Companies Ordinance respectively to require institutions under their supervision to provide information, on regular or ad hoc basis.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year's survey:</b></p> <p>Not applicable since the macroprudential framework has long been in place in HK.</p> <p><b>Web-links to relevant documents:</b></p> <p><a href="http://www.hkma.gov.hk/eng/key-functions/banking-stability/ccyb.shtml">http://www.hkma.gov.hk/eng/key-functions/banking-stability/ccyb.shtml</a></p> <p><b>Additional questions:</b></p> <p><b>1. Please describe the institutional arrangements for financial stability and macroprudential policy in your jurisdiction, including whether a macroprudential authority has been explicitly identified and the respective roles and responsibilities of the central bank and other authorities.</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>There are well-established cross-sector platforms such as the Council of Financial Regulators and Financial Stability Committee to facilitate effective exchanges amongst regulators and the Administration for the purposes of, inter alia, the maintenance of financial stability in Hong Kong. For the HKMA, maintaining the stability and the integrity of the monetary and financial systems of Hong Kong is one of the main responsibilities of the authority. A Macro Surveillance Committee (MSC), consisting of the Chief Executive and other senior executives of the HKMA, was set up within the HKMA to facilitate regular monitoring of risks and vulnerabilities to the monetary and financial systems in Hong Kong. Financial Stability Surveillance Division was also established to strengthen the HKMA's surveillance capability for financial stability issues. The HKMA publishes a half-yearly monetary and financial stability report which provides in-depth analyses on recent external and domestic economic and financial developments which may have implications for Hong Kong's monetary and financial stability.</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p><b>2. If a macroprudential authority has been explicitly identified in your jurisdiction, please describe its legal basis, mandate, composition, powers (warnings, recommendations, prudential tools, powers of direction, other) and accountability arrangements. Who provides the resources and analytical support for the authority’s activities?</b></p> <p>Not applicable, as no macroprudential authority is explicitly identified in Hong Kong.</p> <p><b>3. Is there an inter-agency body on financial stability or macroprudential matters – distinct from the designated macroprudential authority – in your jurisdiction? If so, please describe its legal basis, mandate, composition, powers and accountability arrangements. Who provides the resources and analytical support for its activities?</b></p> <p>Not applicable, as no macroprudential authority is explicitly identified in Hong Kong.</p> <p><b>4. Please describe the extent to which the macroprudential authority (or other relevant body) is able to collect information on material financial institutions, markets and instruments in order to assess potential systemic risks. In your response, please indicate whether the authorities involved in systemic risk monitoring have specific legal powers to collect information from financial institutions</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>(whether regulated or not) for financial stability purposes, and whether there exist dedicated information gateways (e.g. Memorandum of Understanding) to share such information among relevant authorities.</p> <p>The HKMA, SFC and IA have powers under the Banking Ordinance, Securities and Futures Ordinance and Insurance Companies Ordinance respectively to require institutions under their supervision to provide information, on regular or ad hoc basis. The HKMA participates in the FSB's SCAV which assesses and monitors vulnerabilities in the financial system. Discussions at the SCAV facilitate information exchange on systemic risks at the international level.</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
12 (14)	Enhancing system-wide monitoring and the use of macro-prudential instruments	<p>Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level...(Rec. 3.1, FSF 2009)</p> <p>We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)</p> <p>Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)</p>	<p>Please describe at a high level (including by making reference to financial stability or other reports, where available) the types of methodologies, indicators and tools used to assess systemic risks.</p> <p>Please indicate the use of macroprudential tools in the past year, including the objective for their use and the process used to select, calibrate, and apply them.</p> <p>See, for reference, the following documents:</p> <ul style="list-style-type: none"> <li>CGFS report on <a href="#">Operationalising the selection and application of macroprudential instruments (Dec 2012)</a></li> <li>FSB-IMF-BIS progress report to the G20 on <a href="#">Macroprudential policy tools and frameworks (Oct 2011)</a></li> <li>IMF staff papers on <a href="#">Macroprudential policy, an organizing framework (Mar 2011)</a>, <a href="#">Key Aspects of Macroprudential policy (Jun 2013)</a>, and <a href="#">Staff Guidance on Macroprudential Policy (Dec 2014)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress :</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></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:</p> <p>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</p>	<p><b>Planned actions (if any) and expected commencement date:</b></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. 1. CCyB The HKMA will continue to monitor the risk within the banking sector closely and introduce appropriate additional macroprudential measures to safeguard banking stability in HK as and when necessary. 2. Property Lending The HKMA will continue to monitor the property market. 3. The HKMA will continue to monitor potential risks and threats to the monetary and financial systems in Hong Kong and introduce appropriate macroprudential measures to safeguard the banking stability in Hong Kong as and when necessary.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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. 1. Announcement of countercyclical capital buffer rate 2. Property Lending</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>1. CCyB Secondary legislation: Banking (Capital) (Amendment) Rules 2014 (effective 1 January 2015) implementing the Basel III Capital Conservation Buffer (CB), the Countercyclical Capital Buffer (CCyB) and, for systemically important banks, a Higher Loss Absorbency (HLA) requirement (web link: <a href="http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf">http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf</a>) Guidelines (Supervisory Policy Manual modules): SPM 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</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>decisions with regard to the setting or recognition of the CCyB rates applicable to banks. (web link: <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-B-1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-B-1.pdf</a>) The CCyB for Hong Kong would be 0.625% with effect from 1 January 2016. SPM CA-B-3 “Countercyclical Capital Buffer (CCyB) – Geographic Allocation of Private Sector Credit Exposures” was gazetted on 25 September 2015. (web link: <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-B-3.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-B-3.pdf</a>)</p> <p>2. Property Lending The HKMA issued a circular on 27 February 2015 requiring authorized institutions (AIs) to: Lower the maximum loan-to-value (LTV) limits for mortgage loans of self-use residential properties valued below HK\$7 million to 60%; Lower the maximum debt servicing ratio (DSR) limit to 40% and stressed DSR limit to 50% for mortgage loans of the second self-use residential mortgaged properties as well as non-self-use residential properties and non-residential properties; Require AIs adopting Internal Ratings</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Based Approach for managing their credit risks to extend the existing application of 15% risk-weight floor from their new residential mortgage loans to their entire residential mortgage loan portfolios by end-June 2016. The HKMA issued further guidance on 2 March 2015 requiring AIs to apply a 5-percentage-point knock down on the applicable DSR caps if the amount of mortgage loans, through any co-financing and mortgage insurance schemes, exceeds 20 percentage points over the normal permissible LTV ceilings. The HKMA also required AIs on 2 March 2015 to seek confirmation from money lenders which have credit relationships with AIs that they (i.e. the money lenders) will either strictly adhere to the HKMA’s prudential requirements for property mortgage lending or not engage in mortgage financing further if they maintain credit relationships with AIs</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>2.Property Lending The property market became buoyant again in the second half of 2014, particularly for small- and medium-sized residential property market. Given the renewed signs of</p>	

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				<p>overheating in the property market, coupled with the increasing household indebtedness, The HKMA introduced the seventh round of countercyclical measures in February 2015 to strengthen the risk management of AIs in relation to their mortgage lending and enhance borrowers’ ability to cope with the impact in the event of a property market downturn. The relevant measures are set out in the “Short description of the content of the legislation/ regulation/ guideline” above. Following the introduction of the seventh round of measures, residential property market showed signs of consolidation in March and April 2015. The number of mortgage applications decreased by 14.8% from January and February 2015 to a monthly average of 10,222 in March and April 2015. The seventh round of measures has further strengthened the resilience of AIs against the potential material downward adjustment in the property market. The average loan-to-value ratio decreased to 50.4% in August 2015 from 54.7% in February 2015 when the seventh round of measures were</p>	

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				<p>introduced while the debt servicing ratio decreased to 34.2% from 35.7%.</p> <p>Countercyclical Capital Buffer: CCyB for HK (to be effective on 1 January 2016) was announced on 27 January 2015.</p> <p><b>Web-links to relevant documents:</b></p> <p>Banking (Capital) (Amendment) Rules 2014  <a href="http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf">http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf</a>                      1.CCyB  <a href="http://www.hkma.gov.hk/eng/key-functions/banking-stability/ccyb.shtml">http://www.hkma.gov.hk/eng/key-functions/banking-stability/ccyb.shtml</a>                      2.Property lending  <a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150227e2.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150227e2.pdf</a>  <a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150302e1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150302e1.pdf</a></p> <p><b>Additional questions:</b></p> <p><b>1. Please describe, at a high level, the types of methodologies, indicators and reports used in your jurisdiction to identify, analyse, communicate and address systemic risks.</b></p> <p>The IA regularly carries out stress testing on insurers and the insurance market.</p>	

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				<p>Where there are areas of concern, the IA would carry out thematic reviews and collect additional information for further assessments. Issues arising from these analyses and assessments that may pose risk(s) to the stability of the industry/individual insurers will be communicated with the industry/individual insurers to facilitate timely preventive actions. As far as the HKMA is concerned, a host of indicators in relation to global and domestic macroeconomic and financial stability are being monitored by the MSC regularly with a view to identifying risks and threats to the monetary and financial systems in Hong Kong and devising possible measures to address such risks.</p> <p>Property Lending The HKMA uses various tools to analyse and monitor property market risks in Hong Kong. The key types of tools used by the HKMA include: a) risk indicators (e.g. property price and transaction volume indicators; indicators on speculative activities; affordability indicators; and user-cost measures) and other macroeconomic indicators. b) models (e.g. Housing price model based on demand-supply dynamics and asset-pricing models) c) monthly</p>	

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				<p>survey on residential mortgage lending In addition to the above, focused macro-financial stability analyses will also be conducted.</p> <p><b>2. Please describe the range of policy tools (prudential and other) currently available to the authorities for macroprudential purposes.<sup>2</sup></b></p> <p>The IA primarily uses prudential tools for macroprudential purposes. Property Lending The range of tools for property mortgage lending includes: (i) Various maximum limits on LTV depending on the type and value of properties and borrowers’ background. (ii) Various maximum limits on DSR and stressed DSR depending on the type of properties and borrowers’ background. (iii) Maximum limit on loan tenor (iv) Capital risk weight floor for residential mortgage portfolios of banks using internal ratings based approach for managing their credit risks (v) Requirement for banks to share positive mortgage data through credit reference agency In addition to those related to property mortgage lending, the</p>	

<sup>2</sup> An indicative list of such tools can be found in “Macroprudential Policy Tools and Frameworks – Progress Report to the G20” by the FSB, IMF and BIS (October 2011, [http://www.financialstabilityboard.org/wp-content/uploads/r\\_111027b.pdf](http://www.financialstabilityboard.org/wp-content/uploads/r_111027b.pdf)); “Staff Guidance on Macroprudential Policy” (December 2014, <http://www.imf.org/external/np/pp/eng/2014/110614.pdf>) by IMF staff; and “Operationalising the selection and application of macroprudential instruments” (December 2012, <http://www.bis.org/publ/cgfs48.pdf>) by the CGFS.

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				<p>HKMA also requires banks to provide regulatory reserves to build a stronger buffer against possible material deterioration in their asset quality.</p> <p><b>3. Please indicate which tools have been deployed for macroprudential purposes over the past year, including the objective for their use and the process used to select, calibrate, and apply them.</b></p> <p>The IA has not identified threat(s) to the stability of the insurance industry from the assessments last year; hence, no deployment of tools was necessary for macroprudential purposes. CCyB The HKMA announced on 27/01/2015 a Hong Kong CCyB rate of 0.625%, in line with the Basel III phase-in level of the maximum CCyB rate, to become effective on 01/01/2016. The primary objective of the CCyB is to make the banking sector more resilient against system-wide risk associated with excessive aggregate credit growth. Decisions on whether to activate, increase, decrease or release the Hong Kong jurisdictional CCyB rate hinge on an assessment of: (i) the extent to which any aggregate credit growth in Hong Kong may be deemed excessive; (ii) the risks that may be building up across the</p>	

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				<p>banking system; (iii) the fragility of the Hong Kong banking system vis à vis such risks; and (iv) the degree to which an excessive credit contraction may be underway or is likely imminent. The HKMA will use a “guided discretion” approach in making decisions on the CCyB (and indeed on the deployment of other macroprudential policy instruments), based on regularly monitoring and analysing the following:</p> <p>a) The Basel Common Reference Guide (BCRG) based on the credit/GDP gap (calculated and published quarterly). b) The Initial Reference Calculator (IRC) (also calculated and published quarterly), i.e. a guide for both the build-up of the CCyB and the timely (partial or full) release of the CCyB in the presence of early signs of banking system stress, calculated with a methodology that combines the credit/GDP gap with additional indicators on local property prices and rents, the interbank market spread and average loan quality. c) A broader set of Comprehensive Reference Indicators that can help the HKMA develop a more complete view of systemic risk by covering risk factors that may not be adequately captured by the</p>	

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				<p>BCRG and the IRC. d) Other relevant information and analyses. Based on the analysis of the available information as described above and before considering a decision on the Hong Kong jurisdictional CCyB rate, the HKMA will first determine a “macroprudential policy stance”, i.e. it will first focus on deciding whether the broad systemic picture suggests that the appropriate macroprudential policy stance, relative to that indicated by the IRC, should be “neutral”, “tightening” or “loosening”. The HKMA will review its macroprudential policy stance on at least a quarterly basis. Once a macroprudential policy stance has been determined, the HKMA will consider and assess the available policy options (including possible combinations of CCyB rate levels with other complementary or alternative macroprudential policy instruments designed to bolster the resilience of the banking sector). Before reaching a decision, the MA may also consult any other parties as the MA may deem appropriate in order to arrive at an informed judgement based on all relevant information. The public announcement of the decision will include a reasoned</p>	

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				<p>justification where there is any divergence from the IRC. Property Lending The macroprudential measures on property mortgage lending aims to strengthen the resilience of the Hong Kong banking system in weathering a possible correction in property prices. The measures do not aim to influence property prices. The choice of countercyclical parameters (e.g. caps on LTV &amp; DSR, and loan tenor), the setting (or adjustment) of the respective maximum limits, and the type of mortgage loans that are subject to the countercyclical measures are principally based on professional judgement. In making a decision, the HKMA will conduct relevant studies and consider the potential impact of the proposed measures on members of the public (e.g. LTV and/or DSR, the reduced amount of property mortgage loans that mortgage loan applicants could borrow from AIs; or the proportion of mortgage loan applicants that would be affected).</p> <p><b>4. Please describe whether and, if so, how the relevant authorities assess the <i>ex ante</i> cost and benefits of macroprudential policies and their <i>ex post</i> effectiveness.</b></p> <p>For the HKMA, the ex ante cost and</p>	

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				<p>benefits of macroprudential policies and their ex post effectiveness are deliberated regularly in various internal meetings, such as the MSC meetings. 1.CCyB In making CCyB decisions, the HKMA will also consider the balance of costs and benefits of policy options, at least on a qualitative basis. The HKMA also intends to undertake periodic reviews of the performance of the Initial Reference Calculator, and of the CCyB decision making process more broadly, with a view to enhancing them wherever deemed appropriate. 2.Property Lending Please refer to 3 above regarding the ex ante cost and benefits assessment. As regards the assessment of the effectiveness of the measures, the objective of the measures is to strengthen the resilience of AIs. This can be reflected from the average LTV and DSR for the new mortgage loans approved each month. The average LTV dropped from 64% in September 2009 before the first round of macroprudential measures was introduced to 50% in August 2015. The average DSR also dropped from 41% in August 2010 when the tighter requirement on DSR was introduced to 34% in August 2015.</p>	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>V. Improving oversight of credit rating agencies (CRAs)</b>					
13 (16)	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 obligations for CRAs) as early as possible</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"> <li>• <a href="#">Code of Conduct Fundamentals for Credit Rating Agencies (Mar 2015)</a></li> </ul> <p>Jurisdictions may also refer to the following IOSCO documents:</p> <ul style="list-style-type: none"> <li>• Principle 22 of <a href="#">Principles and Objectives of Securities Regulation (Jun 2010)</a> which calls for registration and oversight programs for CRAs</li> <li>• <a href="#">Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003)</a></li> <li>• <a href="#">Final Report on Supervisory Colleges for Credit Rating Agencies (Jul 2013)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 2 Jun 2011</p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The new SFC regulatory regime governing CRAs operating in Hong Kong became effective on 1 June 2011. CRAs that provide credit rating services and their rating analysts in HK are required to be licensed and are subject to supervision by the SFC. Licensed CRAs are required</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
		<p>in 2010. (FSB 2009)</p> <p>We encourage further steps to enhance transparency and competition among credit rating agencies. (St Petersburg)</p>		<p>to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO CRA Code. Per FSAP's report in June 2014, HK has fully implemented IOSCO principle 22 – "CRAs should be subject to adequate level of oversight"</p> <p><b>Highlight main developments since last year's survey:</b></p> <p><a href="https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf">https://www.imf.org/external/pubs/ft/scr/2014/cr14205.pdf</a></p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
14 (17)	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</p>	<p>Jurisdictions should indicate the steps they are taking to address the recommendations of the <a href="#">May 2014 FSB thematic peer review report on the implementation of the FSB Principles for Reducing Reliance on Credit Ratings</a>, including by implementing their <a href="#">agreed action plans</a>.</p> <p>Jurisdictions may refer to the following documents:</p> <ul style="list-style-type: none"> <li>• <a href="#">FSB Principles for Reducing Reliance on CRA Ratings (Oct 2010)</a></li> <li>• <a href="#">FSB Roadmap for Reducing Reliance on CRA Ratings (Nov 2012)</a></li> <li>• <a href="#">BCBS Consultative Document Revisions to the Standardised Approach for credit risk (Dec 2014)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input checked="" type="checkbox"/> Draft in preparation, expected publication by: End-2015 (draft guidance on credit risk transfer activities)</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input type="checkbox"/> Implementation completed as of:</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Investment and risk management processes are discussed with SFC-licensed firms during the course of supervision. Under the SFC’s Internal Control Guidelines, firms are required to have effective system of credit ratings and limits for clients which reflects multiple specified risk factors. External credit rating is only one of the factors. The SFC has not identified any areas</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>SFC will keep in view of IOSCO’s developments in this area. For CCPs • With regards to the review on the use of CRA ratings as one of the CCP’s admission criteria, the relevant CCP plans to complete the review in 2015 and thereafter, will consider whether to incorporate other relevant information of an applicant to supplement or replace CRA ratings as part of the admission criteria. • In relation to CCPs’ investment activities, a very small percentage of the CCPs’ total funds is invested in fixed income securities. For fixed income investment activities, the CCPs have an internal analytical process which is based on CRA ratings as well as other factors. In this regard, the CCPs are currently reviewing their reliance on CRA ratings as part of a more encompassing review on counterparty concentration. The review is targeted to be completed by end of 2015. The draft guidance on “Credit Risk Transfer Activities” is expected to be issued by end-2015 for consultation.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
		<p>would enhance transparency of and competition among credit rating agencies. (Los Cabos)</p> <p>We call on national authorities and standard setting bodies to accelerate progress in reducing reliance on credit rating agencies, in accordance with the FSB roadmap. (St Petersburg)</p>		<p>requiring change. SFC has reviewed whether there is a reliance on CRA rating in our authorisation of publicly offered collective investment schemes (CIS) and there is no requirement under the primary legislation, the Securities and Futures Ordinance or the applicable SFC product codes and guidelines that these products must be rated by CRA. The only references to CRA rating for publicly offered CIS in the regulations are in the Code on Unit Trusts and Mutual Funds (UT Code) but these references are purely disclosure-based and they do not constitute reliance. Furthermore, the credit rating information is only disclosable where it is applicable. For example, if a CIS is holding collateral, we ask that the description of the holdings of collateral should include; the value of the CIS (by percentage) secured / covered by collateral with breakdown by asset class/nature and credit ratings. The disclosure of the credit rating is only one part of the disclosure requirements and is only applicable to a CIS if it is holding collateral. The purpose of these types of disclosure requirements is to provide more information to investors. We do not mandate any form of reliance</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>(mechanical or otherwise) on CRA ratings. The references to CRA ratings in the local banking legislation are all related to the regulatory capital and liquidity frameworks. The capital framework in Hong Kong is closely in line with the latest Basel capital standards, and the HKMA is committed to implementing enhancements (such as the revisions to the Standardised Approach for credit risk) introduced by the BCBS for addressing reliance on CRA ratings in the Basel capital framework. Banks in Hong Kong do not tend to place particularly strong reliance on CRA ratings in their credit risk assessment processes. In addition, supervisory guidelines are in place encouraging / requiring banks to have their own internal risk management capabilities and not to rely unduly on the credit assessment of, and credit ratings assigned by, external credit rating agencies. The adequacy of banks' own credit assessment processes has been covered in the regular risk-based and/or thematic onsite examinations and offsite review of banks' credit risk management. For the purpose of implementing the new liquidity standards (including the Basel</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>III Liquidity Coverage Ratio (“LCR”) and a local liquidity standard, the Liquidity Maintenance Ratio (“LMR”), the HKMA has made a set of Banking (Liquidity) Rules (“BLR”) which commenced effect on 1 January 2015. CRA reference is retained in the BLR to reflect the Basel III LCR standard, which itself includes CRA reference as one of the qualifying criteria for classifying some specific types of high quality liquid assets (“HQLA”). Taking the opportunity of the implementation of the Basel III LCR standard, the HKMA has also modified the local statutory liquidity ratio (i.e. the LMR, which is applicable to those banks in Hong Kong not made subject to the LCR) to enhance its effectiveness. Under the LMR, CRA reference is retained as one of the criteria for defining some specific types of marketable debt securities as “liquefiable assets” (the LMR’s numerator). This limited reference to CRA under the LMR is complementary to other criteria in determining “liquefiable assets” under the LMR.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>To supplement existing supervisory</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>guidelines on credit risk management, the HKMA is in the process of developing supervisory guidance on credit risk transfer to, among other things, strengthen the requirements on banks' internal credit risk assessment of structured products with a view to reducing undue reliance on CRA ratings.</p> <p><b>Highlight main developments since last year's survey:</b></p> <p>FSB's 2014 peer review report has set out certain practices that may assist in the implementation of the FSB principles, including reviewing credit assessment process as part of the ongoing supervision of securities firms. HK is mentioned as one of the jurisdictions with this practice.</p> <p><b>Web-links to relevant documents:</b></p> <p>Internal Control Guidelines <a href="http://en-rules.sfc.hk/en/display/display_main.html?rbid=3527&amp;element_id=162">http://en-rules.sfc.hk/en/display/display_main.html?rbid=3527&amp;element_id=162</a> Banking (Liquidity) Rules  <a href="http://www.gld.gov.hk/egazette/pdf/20141843/es220141843129.pdf">http://www.gld.gov.hk/egazette/pdf/20141843/es220141843129.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VI. Enhancing and aligning accounting standards</b>					
15 (18)	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 deemed to be equivalent to IFRSs as published by the IASB or are otherwise of a high and internationally acceptable quality, and provide accurate and relevant information on financial performance. They should also explain the system they have for enforcement of consistent application of those standards.</p> <p>Jurisdictions may want to refer to their jurisdictional profile prepared by the IFRS Foundation, which can be accessed at: <a href="http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx">http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx</a>.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>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. The HKICPA ensures consistent application of HKFRS</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>As 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. The IA will keep in view the developments in international accounting standards, in particular the second phase project on Insurance Contracts which is expected to be issued in 2015. 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 prudent global accounting standards.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>through its professional standards monitoring and practice review programs in accordance with the Professional Accountants Ordinance (PAO) (Cap. 50). HKICPA also seeks the input of its constituents, including issues/concerns in applying HKFRS and views on proposed HKFRS, when commenting on IASB consultative documents. To ensure consistent application of (IFRS equivalent) HKFRSs across all locally incorporated banks, the HKMA has undertaken the following measures: (1) engaging with banks and their auditors through regular tripartite meetings; (2) issuing accounting-related supervisory guidance (e.g. see item 16 for details); and (3) engaging with HKICPA and HKAB to share the development of converged global accounting standards.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year's survey:</b></p> <p>HKFRS has remained converged with IFRS since last year's survey.</p> <p><b>Web-links to relevant documents:</b></p> <p><a href="http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/">http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/</a>  <a href="http://www.hkicpa.org.hk/en/standards-">http://www.hkicpa.org.hk/en/standards-</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				and-regulations/quality-assurance/	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
16 (19)	Appropriate application of Fair Value Accounting	<p>Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak. (Rec. 3.4, FSF 2009)</p> <p>Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements. (Rec 3.5, FSF 2009)</p>	<p>Jurisdictions should indicate the policy measures taken for appropriate application of fair value accounting.</p> <p>Although not an application of fair value accounting, jurisdictions should additionally be mindful of implementation issues arising from the new accounting requirements for expected loan loss provisioning for impaired loans that are being introduced by the IASB and the FASB, and, for those jurisdictions where specific action is needed to foster transparent and consistent implementation, set out any steps they intend to take.</p> <p>See, for reference, the following BCBS documents:</p> <ul style="list-style-type: none"> <li>• <a href="#">Basel 2.5 standards on prudent valuation (Jul 2009)</a></li> <li>• <a href="#">Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009)</a></li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>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 13 issued in June 2011 closely modelled the IFRS 13 on Fair Value Measurement. Implementation is in progress for revised HKFRS 9 'Financial Instruments' (issued in Sep '14), the</p>	<p><b>If this recommendation has not yet been fully implemented, please provide reasons for delayed implementation:</b></p> <p>As 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.(See item 15) The IASB issued the revised Exposure Draft on Insurance Contracts in 2013 and the final Standard is expected to be issued in 2015. The IA will closely monitor its developments. On the other hand, the IA is currently revamping its capital and solvency regime with reference to the relevant ICPs, and a risk-based capital framework is now under development. HKFRS 9 (2014) will be effective from Jan '18, the same effective date as IASB's IFRS 9 (2014). HKICPA continues to have regular meetings with stakeholders to discuss any implementation issues of HKFRS 9 or fair value accounting in general. The HKMA will continue to closely monitor international accounting developments and work with the HKICPA to assess impacts on banks' financial and regulatory reporting.</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>equivalent of IASB's revised IFRS 9, that includes new classification and measurement, impairment and hedge accounting requirements. HKFRS 13 'Fair Value Measurement', the equivalent of IASB's IFRS 13, has been effective since Jan '13. HKICPA continues to comment on IASB proposals that improve fair value accounting including 'Measuring Quoted Investments... at Fair Value' in Jan '15.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The HKMA issued Supervisory Policy Manual (“SPM”) (Module CA-S-10 on “Financial Instrument Fair Valuation Practices”) in December 2011. In December 2013, the HKMA further updated the SPM to incorporate amendments relating to the full recognition, for regulatory capital purposes, of fair-value gains arising from fair-valued financial instruments as a component of “Common Equity Tier 1 capital” under Basel III.</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>HKFRS 9 has been revised, for the purpose of enhancement, to adhere to the</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>new accounting requirements.</p> <p><b>Web-links to relevant documents:</b></p> <p>HKICPA submissions in 2015:  <a href="http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/financial-reporting-submissions/2015/">http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/financial-reporting-submissions/2015/</a>  <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VII. Enhancing risk management</b>					
17 (20)	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 markets<sup>3</sup> will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)</p> <p>We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)</p>	<p>Jurisdictions should indicate the policy measures taken to enhance guidance to strengthen banks' risk management practices.</p> <p>Jurisdictions may also refer to FSB's <a href="#">thematic peer review report on risk governance (Feb 2013)</a> and the BCBS <a href="#">Peer review of supervisory authorities' implementation of stress testing principles (Apr 2012)</a> and <a href="#">Principles for sound stress testing practices and supervision (May 2009)</a>.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input checked="" type="checkbox"/> Draft in preparation, expected publication by: 2015/16 New / existing supervisory guidelines (SG) being developed / updated in respect of: liquidity risk supervision and management, internal audit function and compliance function, and credit risk transfer activities</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input checked="" type="checkbox"/> Final rule (for part of the reform) in force since : 1 Jan 2015. Banking (Liquidity) Rules ("BLR") and Banking (Liquidity Coverage Ratio –Calculation of Total Net Cash Outflows) Code ("Code of Practice"), • Reporting requirements and templates for local implementation of the BCBS guidance Monitoring Tools for Intraday Liquidity Management (for reporting from Oct 2015), and • A new return is developed to adopt a set of Basel III liquidity risk monitoring tools to complement the</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>Continue to require selected AIs to conduct the SDST regularly and as part of the exercise, to assess their stress testing capabilities and request them to improve where weaknesses are identified.</p> <p><b>Web-links to relevant documents:</b></p> <p>SPM IC-5 "Stress Testing"  <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf</a></p>

<sup>3</sup> Only the emerging market jurisdictions that are members of the FSB may respond to this recommendation.

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>new liquidity standards (for reporting from Dec 2015).</p> <p><input type="checkbox"/> <b>Implementation completed as of:</b></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>The HKMA conducted thematic examinations on selected AIs' stress testing programmes in 2013 to assess their compliance with the standards and guidance set out in the Supervisory Policy Manual (SPM) module IC-5 "Stress-testing", which was updated in 2012 and drew principally on the "Principles for sound stress testing practices and supervision" issued by the BCBS. HKMA required selected AIs' to conduct the Supervisor-driven Stress Testing (SDST) on a regular basis. As part of this exercise, the HKMA continued to assess these AIs' stress testing capabilities and request them to improve where weaknesses are identified. In 2014, the HKMA conducted a round of thematic examinations on selected AIs' compliance with the standards and guidance set out in the Supervisory Policy Manual on "Sound Systems and</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Controls for Liquidity Risk Management" with a view to enhancing AIs' liquidity risk management. In 2014, the HKMA also implemented the Stable Funding Requirement (SFR) to ensure AIs could maintain stable business operations in the event market liquidity came under stress. A circular was issued as well to formalise the implementation of a refined version of SFR effective from 1 January 2015.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The BLR set out the statutory requirements relating to the Liquidity Coverage Ratio ("LCR") and a local liquidity standard, a minimum 25% Liquidity Maintenance Ratio ("LMR").</p> <ul style="list-style-type: none"> <li>• Technical requirements on the calculation of "total net cash outflows (the LCR's denominator) is set out in the Code of Practice published by the HKMA under section 97J of the Banking Ordinance.</li> <li>• SG on Internal Audit Function and Compliance Function- To set out the HKMA's expectations on the key role, responsibilities and qualities of an AI's internal audit function and compliance function; and describe HKMA's approach in assessing the effectiveness of the</li> </ul>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>functions. • Reporting on intraday liquidity risk – A new prudential return and accompanying completion instructions for regular reporting by selected AIs in respect of the various monitoring tools for intraday liquidity risk as set out in the relevant BCBS guidance. • Reporting on Basel liquidity monitoring tools – A new prudential return and accompanying completion instructions for regular reporting by all AIs in respect of several liquidity monitoring tools, including those recommended by the BCBS. • SG on Credit Risk Transfer Activities – To set out the HKMA’s expectations on the key elements of an AI’s risk management framework for credit risk transfer activities. • SPM IC-5 "Stress Testing" Guidance to AIs on 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.</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>The Banking (Liquidity) Rules, the related Code of Practice and a standard return for calculation of LCR commenced operation on 1 January 2015. Also, the</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>reporting requirements on BCBS intraday liquidity monitoring tools were finalised in June 2015. Guidance on certain key implementation issues relating to the new liquidity requirements were provided in HKMA’s circular of 6 February 2015. The circular will form the basis for HKMA to update the statutory guidelines (to be included in HKMA’s Supervisory Policy Manual) to reflect the new liquidity supervisory framework. The 2015 Supervisor-driven Stress Testing has commenced. Participating AIs have addressed or are addressing the stress test weaknesses we identified in 2014. The HKMA has commenced another round of review in 2015 to assess the stress testing capabilities of these AIs. Draft supervisory guidance on credit risk transfer is being updated for industry consultation this year.</p> <p><b>Web-links to relevant documents:</b>            Banking (Liquidity) Rules:  <a href="http://www.gld.gov.hk/egazette/pdf/20141843/es220141843129.pdf">http://www.gld.gov.hk/egazette/pdf/20141843/es220141843129.pdf</a> Code of Practice:  <a href="http://www.gld.gov.hk/egazette/pdf/20141852/egn201418527386.pdf">http://www.gld.gov.hk/egazette/pdf/20141852/egn201418527386.pdf</a> Standard LCR calculation return:  <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/banking-">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/banking-</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>policy-and-supervision/regulatory-framework/ma(bs)1e_e2015.pdf            HKMA's circular of 6 Feb 2015  <a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150206e3.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150206e3.pdf</a> Report on intraday liquidity positions:  <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/banking-policy-and-supervision/regulatory-framework/Completion_Instructions(MA(BS)22).pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/banking-policy-and-supervision/regulatory-framework/Completion_Instructions(MA(BS)22).pdf</a> Return on Basel liquidity monitoring tools issued in the circular of 25 Sep 2015:  <a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150925e2.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150925e2.pdf</a> SPM IC-5 "Stress Testing"  <a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-5.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
18 (22)	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 IFRS7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on <a href="#">Enhancing the Risk Disclosures of Banks</a> and <a href="#">Implementation Progress Report by the EDTF (Aug 2013)</a>, and set out any steps they have taken to foster adoption of the EDTF Principles and Recommendations.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input checked="" type="checkbox"/> Final rule or legislation approved and will come into force on:</p> <p><input type="checkbox"/> Final rule (for part of the reform) in force since :</p> <p><input checked="" type="checkbox"/> Implementation completed as of: 31.3.2015</p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Risk and loss disclosures of SFC licensed entities are required to be made in compliance with accounting standards. Insurers are required under the ICO to submit their accounts, financial statements and other information to the IA. In the financial statements, insurers are required to disclose, among others, their insurance liabilities; capital adequacy; exposure to risks arising from</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The IA will, upon review of the standards under ICP 20 on Public Disclosure, adopt the disclosure standards as appropriate, taking into account the local circumstances. The HKMA is developing policy proposals for implementing the BCBS Revised Pillar 3 disclosure requirements issued in January 2015 according to the BCBS timeline.</p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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 and is presently reviewing the standards under ICP 20 on Public Disclosure.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>A set of amendments to the BDR to incorporate the new capital disclosure requirements under Basel III took effect from 30 June 2013. A circular letter was issued in December 2012 to encourage AIs to adopt the EDTF principles in making disclosures where appropriate. SPM (Module CG-5 on “Guideline on a Sound Remuneration System”) incorporating Remuneration disclosure requirements, which follow closely the FSB Principles for Sound Compensation Practices and align with BCBS’s Pillar 3 disclosure requirements for remuneration.</p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>Application guidance for regulatory disclosure framework, embodied in the Supervisory Policy Manual (“SPM”)</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>(Module CA-D-1 on “Guideline on the Application of the Banking (Disclosure) Rules”), has been revised to assist AIs in making the disclosures under Basel III.</p> <p><b>Web-links to relevant documents:</b></p> <p><a href="http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/BDAR_2014_Eng.pdf">http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/basel-3/BDAR_2014_Eng.pdf</a></p> <p><a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150423e1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150423e1.pdf</a></p> <p><a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150206e2.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150206e2.pdf</a></p> <p><a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150312e1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150312e1.pdf</a></p> <p><a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150806e1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2015/20150806e1.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VIII. Strengthening deposit insurance</b>					
19 (23)	Strengthening of national deposit insurance arrangements	National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)	<p>Jurisdictions should describe any revisions made to national deposit insurance system, including steps taken to address the following recommendations of the FSB’s February 2012 <a href="#">thematic peer review report on deposit insurance systems</a>:</p> <ul style="list-style-type: none"> <li>• Adoption of an explicit deposit insurance system (for those jurisdictions that do not have one)</li> <li>• Addressing the weaknesses and gaps to full implementation of the <a href="#">Core Principles for Effective Deposit Insurance Systems</a> issued by IADI in November 2014</li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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: 2013</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The Hong Kong Deposit Protection Board (HKDPB) completed a self-assessment of the design of the existing Deposit Protection Scheme (DPS) in HK against the Core Principles for Effective Deposit Insurance Systems in 2012. HKDPB has formulated an implementation plan to improve the payout efficiency, taking into account the</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

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

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>International Monetary Fund-led Financial Sector Assessment Programme, was launched in September 2014 for three months. Respondents indicated support for the proposals. The consultation conclusions were published in May 2015.</p> <p><b>Web-links to relevant documents:</b>  <a href="http://www.dps.org.hk/en/download/guideline/ISG_2013-ENG.pdf">http://www.dps.org.hk/en/download/guideline/ISG_2013-ENG.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>IX. Safeguarding the integrity and efficiency of financial markets</b>					
20 (24)	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 recommendation in the following IOSCO reports in their regulatory framework:</p> <ul style="list-style-type: none"> <li>• <a href="#">Regulatory issues raised by changes in market structure (Dec 2013)</a></li> <li>• <a href="#">Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011)</a></li> <li>• <a href="#">Report on Principles for Dark Liquidity (May 2011)</a>.</li> </ul>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input checked="" type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</i></p> <p><input type="checkbox"/> Draft in preparation, expected publication by:</p> <p><input type="checkbox"/> Draft published as of:</p> <p><input checked="" type="checkbox"/> Final rule or legislation approved and will come into force on: 2H 2016</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><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Market systems enhancements</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Subject to SFC’s approval, HKEx plans to introduce to the cash and derivatives markets a volatility control mechanism (VCM) for trading which in essence are dynamic price bands with short cooling off period where trading can continue</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>Introduce VCM by phases in 2H 2016.</p> <p><b>Web-links to relevant documents:</b></p> <p>VCM consultation paper:  <a href="http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201501.pdf">http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201501.pdf</a>  VCM consultation conclusions:  <a href="http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm">http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm</a></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>within the price bands. A market consultation has been conducted and the conclusions shall be published by end June 2015.</p> <p><b>Highlight main developments since last year's survey:</b></p> <p>The SFC published the consultation conclusion on proposal to enhance and unify the regulatory regime for alternative liquidity pools. The new regime will come to effect on 1 December 2015. Consultation conclusion on VCM has been published in June 2015.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (25)	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 <a href="#">Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011)</a>.</p> <p>Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the <a href="#">update to the survey</a> published by IOSCO in September 2014 on the principles for the regulation and supervision of commodity derivatives markets.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></p> <p><input 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><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Highlight main developments since last year’s survey:</b></p> <p>At the moment, HK envisages no action to be taken. The SFC will keep in view the development of the commodity futures market in HK and ensure that HK would continue to implement the Principles for the Regulation and</p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Supervision of Commodity Futures Markets. <b>Web-links to relevant documents:</b>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
22 (26)	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 the FSB recommendations in this area, and ongoing IOSCO work to review the implementation of the IOSCO Principles for Financial Benchmarks.		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>X. Enhancing financial consumer protection</b>					
23 (27)	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 <a href="#">G-20 high-level principles on financial consumer protection (Oct 2011)</a>.</p> <p>Jurisdictions may also refer to OECD’s <a href="#">September 2013 and September 2014 reports</a> on effective approaches to support the implementation of the High-level Principles.</p>	<p><input type="checkbox"/> Not applicable</p> <p><input type="checkbox"/> Applicable but no action envisaged at the moment</p> <p><input type="checkbox"/> Implementation ongoing:</p> <p><i>Status of progress:</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: 18.08.2015</p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Under the proposal of an independent IA, policies relating to the fair treatment of consumers, policyholders protection as well as the direct supervision of insurance intermediaries, will, among others, be further enhanced and integrated into the proposed independent IA regime.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p>	<p><b>Planned actions (if any) and expected commencement date:</b></p> <p>The legislation for the proposed independent IA has been put forward to the legislature for examination. The enabling legislation for the establishment of a policyholders’ protection fund, however, is now in the preparation stage. From April 2015 to March 2017, the IEC will implement these new strategies, which include leading a Hong Kong strategy for financial literacy; driving behaviour change through life events and creating a consumer brand to deliver education to target groups with higher priority more effectively. In the meantime, the IA also proposes the establishment of a policyholders’ protection fund to better protect policyholders’ interest and maintain market stability. Financial regulators in Hong Kong will continue to consider how to implement the effective approaches in Hong Kong as appropriate. The HKMA will continue to promote “smart and responsible” use of banking services through its consumer education programme. The Investor Education Centre (IEC) is entering into a new phase</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>The HKMA has contributed to the work of the OECD Task Force in developing effective approaches to support the implementation of the G20 High-level Principles on Financial Consumer Protection. Riding on the good practices promulgated under the G20 High-Level Principles on Financial Consumer Protection, the HKMA has worked with the banking industry to introduce a Treat Customers Fairly (TCF) Charter as a catalyst for fostering a stronger risk culture towards fair treatment of customers at all levels of banks and at all stages of their relationship with customers. All retail banks in Hong Kong signed up to the Charter on 28 October 2013. As part of the efforts to promote financial education, the HKMA has launched a “Consumer Education Programme” to educate the public to be a “smart and responsible” consumer in the use of banking services. Through educational videos and audio clips, roving exhibitions, marketing collaterals, print, web (including the HKMA website and designated channel page on YouTube), mobile and out-of-home publicity, the HKMA has been promoting “smart tips” on using various banking</p>	<p>of development. In June 2013, the IEC released a three-year Strategic Plan (2013-2016) to first set out the strategy to raising financial knowledge and capability in Hong Kong. The Plan has now evolved to eight key components of the IEC’s new strategic direction.</p> <p><b>Web-links to relevant documents:</b>  <a href="http://www.hkma.gov.hk/eng/key-functions/banking-stability/consumer-corner/strengthening-financial-consumer-protection/consumer-education-programme/ Treat Customers Fairly Charter">http://www.hkma.gov.hk/eng/key-functions/banking-stability/consumer-corner/strengthening-financial-consumer-protection/consumer-education-programme/ Treat Customers Fairly Charter</a>  <a href="http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2013/20131028e1.pdf">http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2013/20131028e1.pdf</a></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>services such as deposits, credit cards, ATMs, internet/mobile banking, and personal loans to members of the public.</p> <p><b>Highlight main developments since last year's survey:</b></p> <p>The HKMA has worked together with the industry to complete a comprehensive review of the Code of Banking Practice. The revised Code issued on 6 February 2015 has 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. This will help promote international good banking practices in HK. To remind AIs of the importance of complying with the Treat Customers Fairly principles, HKMA has issued circulars to provide guidance to AIs in relation to their provision of banking services for ethnic minorities and NGOs (in their properly approved fund raising activities) in December 2014 and June 2015, respectively. For better protection of the interests of bank customers against fraud and misuse, and improved awareness of bank customers about bogus calls, the HKMA has issued</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>circulars in July and August 2015 to provide guidance to AIs on possible preventive measures and further steps they should take to help raise awareness of customers about phone scams, to help protect bank customers' interests, and to reduce the potential risks to the reputation of the banking industry arising from possible malpractices by external parties engaging in the marketing of financial products or services. The HKMA and the banking industry also jointly organised on 31 August 2015, a “Beware of Fraudulent Calls, Verify the Caller’s Identity” promotion campaign to raise public awareness of phone scams and help further protect bank customers' interests. Recently in July 2015, the IA issued GN16 – Guidance Note on Underwriting Long Term Insurance Business (Other than Class C Business), which will take effect in January 2017. GN 16 is premised on the principle of Fair Treatment of Customers promulgated by the IAIS. It has adopted a cradle-to-grave approach, setting out comprehensive requirements for insurers underwriting long term insurance business (other than</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Class C business) from product design to post-sale controls. Under the same spirit, the IA issued GN 15 – Guidance Note on Underwriting Class C Business in July 2014. The Insurance Companies (Amendment) Ordinance 2015 was passed in July 2015. The legislation facilitates the establishment of an independent Insurance Authority and a statutory licensing regime for insurance intermediaries. It is an important step forward in enhancing the regulatory framework for better protecting policyholders’ interests and fair treatment of consumers.</p> <p><b>Web-links to relevant documents:</b>  <a href="http://www.hkiec.hk/web/en/about-iec/strategy.html">http://www.hkiec.hk/web/en/about-iec/strategy.html</a> Code of Banking Practice  <a href="http://www.hkma.gov.hk/media/eng/doc/code_eng.pdf">http://www.hkma.gov.hk/media/eng/doc/code_eng.pdf</a></p>	

**XI. Source of recommendations:**

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

**XII. List of Abbreviations used:**

BO: Banking Ordinance  
 BCBS: Basel Committee on Banking Supervision  
 Code of Conduct: Code of Conduct by Persons licensed by or registered with the Securities and Futures Commission  
 DPS: Deposit Protection Scheme  
 FRR: Financial Resource Rules  
 FSB: Financial Stability Board  
 G-SIIs: Globally Systemically Important Insurers  
 HKAB: Hong Kong Association of Banks  
 HKDPB: Hong Kong Deposit Protection Board  
 HKFRS: Hong Kong Financial Reporting Standards  
 HKICPA: Hong Kong Institute of Certified Public Accountants  
 HKMA: Hong Kong Monetary Authority

HLIs: Highly leveraged institutions  
 IA: Insurance Authority of Hong Kong  
 IAIS: International Association of Insurance Supervisors  
 IASB: International Accounting Standards Board  
 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

SCAV: FSB Standing Committee on Assessment of Vulnerabilities

SFC: Securities and Futures Commission

SFO: Securities and Futures Ordinance