

Press release

Press enquiries:
+41 61 280 8138
Joe.Perry@fsb.org

Ref: 3/2018
28 February 2018

FSB peer review of Hong Kong completes first round of country reviews

The Financial Stability Board (FSB) published today its [peer review of Hong Kong](#). This completes the first round of country reviews of FSB member jurisdictions. A second round, to be undertaken over a longer cycle (corresponding to around three reviews per year) and focusing on topics that support the G20 implementation agenda, will be launched in late 2018.

The Hong Kong peer review examined two topics relevant for financial stability: over-the-counter (OTC) derivative market reforms, and the framework for resolution of financial institutions. The review focused on the steps taken by the authorities to implement reforms in these areas, including by following up on relevant International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) recommendations and G20/FSB commitments.

The peer review finds that good progress has been made in recent years on both topics, reflecting Hong Kong's strong commitment to implementing international standards, driven by its status as an international financial centre. The authorities have put in place a well-defined legal and regulatory framework – in terms of scope, assignment of responsibilities and enforcement – to implement the G20 commitments to reform OTC derivatives markets. Considerable progress has been made in implementing some OTC derivatives reform areas – trade reporting, central clearing, margin/capital requirements for non-centrally cleared derivatives – while work is underway to implement the remaining areas and measures. A comprehensive cross-sectoral resolution regime with a broad range of powers and a statutory framework for the recognition of cross-border resolution actions was introduced in 2017.

Notwithstanding this progress, the review concludes that there is additional work to be done:

- On OTC derivatives market reforms:
 - adopting a tailored regulatory regime for OTC derivatives trading venues and publishing comprehensive standards/criteria for determining when products should be platform traded;
 - enhancing the transparency of OTC derivatives transactions by expanding the scope and timeliness of public disclosure, improving transparency on price levels, and accelerating unmasking of counterparties in trade reporting;
 - actively promoting the use of the Legal Entity Identifier for trade reporting; and
 - completing the timely implementation of margin requirements, risk mitigation standards and higher capital requirements for non-centrally cleared derivatives.
- On the framework for resolution of financial institutions:

- completing the remaining elements of the framework by adopting necessary rules as well as by enhancing internal governance and cross-sectoral coordination arrangements for crisis management and resolution;
- advancing resolution strategies and planning, and developing approaches to resolvability assessments; and
- operationalising resolution funding mechanisms.

The peer review report includes recommendations to the Hong Kong authorities in order to address these issues.

Lesetja Kganyago, Governor of the Reserve Bank of South Africa and Chairman of the FSB Standing Committee on Standards Implementation that oversees the functioning of peer reviews, said “The FSB began a regular programme of country and thematic peer reviews in 2010, which has given the opportunity for FSB members to engage in dialogue with their peers and to share implementation lessons and experiences. We will continue to undertake these reviews in support of the full, timely and consistent implementation of G20 reforms.”

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six Regional Consultative Groups.

The peer review of Hong Kong is the twenty-fourth country peer review conducted by the FSB. The review was based on the objectives and guidelines in the March 2015 version of the [Handbook for FSB Peer Reviews](#). FSB member jurisdictions have committed to undergo an IMF-World Bank assessment under the FSAP every five years and, to complement that cycle, an FSB peer review two to three years following an FSAP. As part of this commitment, Hong Kong volunteered to undergo this peer review in 2017. The [schedule of country peer reviews](#), as well as [all completed peer review reports](#), is available on the FSB website.

Country peer reviews focus on the implementation and effectiveness of regulatory, supervisory or other financial sector standards and policies agreed by the FSB, as well as their effectiveness in achieving desired outcomes. They examine the steps taken or planned by national authorities to address IMF-World Bank FSAP and Report on the Observance of Standards and Codes recommendations on financial regulation and supervision as well as on institutional and market infrastructure that are deemed most important and relevant to the FSB’s core mandate of promoting financial stability. Country reviews can also focus on regulatory, supervisory or other financial sector policy issues not covered in the FSAP that are timely and topical for the jurisdiction itself and for the broader FSB membership. Unlike the FSAP, a peer review does not comprehensively analyse a jurisdiction’s financial system structure or policies, or its compliance with international financial standards.

The report published today describes the findings and recommendations of the peer review of Hong Kong. The draft report was prepared by a team of experts from FSB member institutions and led by Otávio Ribeiro Damaso, Deputy Governor of the Central Bank of Brazil. The review

benefited from dialogue with the Hong Kong authorities and private sector representatives as well as from discussion in the FSB Standing Committee on Standards Implementation.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.