

Jurisdiction : Hong Kong SAR

2013 IMN Survey of National Progress in the Implementation of G20/FSB Recommendations

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
I. Refining the regulatory perimeter					
1 (2)	Review of the boundaries of the regulatory framework including strengthening of oversight of shadow banking	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level. (London)	Jurisdictions should indicate the steps taken to expand the domestic regulatory framework to previously unregulated entities, for example, non-bank financial institutions (e.g. finance companies, mortgage insurance companies, credit hedge funds) and conduits/SIVs etc.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i> Issue is being addressed through : <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:	Planned actions (if any): HK will continue to monitor the work of relevant standard setting bodies in policy development of shadow banking as mentioned above.
(1)		We agree to strengthen the regulation and oversight of the shadow banking system. ¹ (Cannes)	Jurisdictions should indicate policy measures to strengthen the regulation and oversight of the shadow banking system. See, for reference, the recommendations discussed in section 2 of the October 2011 FSB report: Shadow Banking: Strengthening Oversight and Regulation.	The SFC participates in IOSCO’s workgroup on non-banking SIFIs for funds, which is currently drafting a joint consultation report with TFUFE and WS3 of the FSB by end 2013. The SFC participated in the project which led to the policy recommendations on MMF issued in Oct 2012. Currently, there are no non-UCITS SFC-authorized MMFs that adopt a constant NAV. We will continue to monitor the market and consider implementing the recommendations contained in the report if appropriate. The SFC continues to participate in the TFUFE and took part in the exercise to collect data from managers of potentially systemically important hedge funds in Q4, 2012. The	Expected commencement date: Web-links to relevant documents:

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

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				<p>IA, as member of IAIS, actively contributes to deliberations on international standards for insurance supervision.</p> <p>Status of progress : Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline: The HKMA's current capital treatment for securitization exposures in respect of bank-sponsored securitization conduits (e.g. liquidity facilities extended to securitization conduits) is in line with the requirements under Basel II as amended by Basel 2.5 and Basel 3.</p> <p>Web-links to relevant documents: http://www.legislation.gov.hk/blis_pdf.nsf/CurAllEngDoc/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf</p>	

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II. Hedge funds					
2 (3)	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 Report on Hedge Fund Oversight (Jun 2009) that inter-alia included mandatory registration and on-going regulatory requirements such as disclosure to investors.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Status of progress :</p> <p>Reform effective (completed) as of : 01.04.2003</p> <p>Short description of the content of the legislation/ regulation/guideline:</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. Licensed HF managers are subject to conduct of business standards, including the ICG issued by the SFC, which include guidance and suggested control on risk management. The SFC continues to participate in the TFUFE and took part in the exercise to collect data from managers of potentially systemically important hedge funds in Q4, 2012.</p>	<p>Planned actions (if any):</p> <p>The SFC will continue to participate in TFUFE.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>Aggregate data collected by the SFC was provided to IOSCO.</p> <p>Web-links to relevant documents: http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_162_VER10.pdf</p>	

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3 (4)	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)	Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO's Report on Hedge Fund Oversight (Jun 2009) on sharing information to facilitate the oversight of globally active fund managers.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The SFC continues to participate in the TFUFE and took part in the exercise to collect data from managers of potentially systemically important hedge funds in Q4, 2012. Aggregate data collected by the SFC was provided to IOSCO.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>The SFC will monitor international developments and review the need for further guidance if necessary.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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4 (5)	Enhancing counterparty risk management	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)	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. See, for reference, the following BCBS documents :	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i> Issue is being addressed through : <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: HKMA issued circular letter to banks. SFC licensed persons are required to comply with the ICG which set out guidance in managing counterparty risk as well as the OTCRMC. Most major prime brokers do not book their HF counterparty risk in the SFC-licensed entities. Status of progress : Reform effective (completed) as of : 01.01.2013 (for legislation), 19.01.2001 and 03.06.2009 (for supervisory guidance) and 09.01.1999 (for circular letter)	Planned actions (if any): The SFC will monitor international developments and review the need for further guidance if necessary. Expected commencement date: Web-links to relevant documents:
6)		Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17,FSF 2008)	<ul style="list-style-type: none"> • Sound Practices for Banks' Interactions with Highly Leveraged Institutions (Jan 1999) • Banks' Interactions with Highly Leveraged Institutions (Jan 1999) • Basel III (June 2011) – relevant references to counterparty credit risk standards 		

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				<p>III. The circular letter requested banks to review their risk management processes and systems in light of BCBS papers issued in 1999 on highly leveraged institutions (HLIs). The supervisory guidance requires banks to (i) exercise due caution when entering into transactions with HLIs; (ii) take into 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.</p> <p>Web-links to relevant documents:</p> <p>Legislation: http://www.legislation.gov.hk/blis_pdf.nsf/CurAllEngDoc/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf Circular letter: http://www.hkma.gov.hk/eng/key-information/guidelines-and-circulars/circulars/1999/circu_090399b.shtml Supervisory guidance: http://www.hkma.gov.hk/media/eng/doc/</p>	

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				key-functions/banking-stability/supervisory-policy-manual/CR-G-13.pdf http://en-rules.sfc.hk/net_file_store/new_rulebooks/hk/HKSFC3527_2372_VER10.pdf	

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III. Securitisation					
5 (7)	Improving the risk management of securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> implement IOSCO’s proposals to strengthen practices in securitisation markets. (FSB 2009) 	<p>Jurisdictions should indicate the progress made in implementing the recommendations contained in:</p> <ul style="list-style-type: none"> IOSCO’s Report on Global Developments in Securitisation Regulation (Nov 2012) including justification for any exemptions to IOSCO requirements; and 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p>	<p>Planned actions (if any): Supervisory guidance on "Credit Risk Transfer Activities"</p>
8)		<p>The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London)</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently. (Pittsburgh)</p>	<ul style="list-style-type: none"> BCBS’s Basel 2.5 standards on exposures to securitisations (Jul 2009), http://www.bis.org/publ/bcbs157.pdf and http://www.bis.org/publ/bcbs158.pdf 	<p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Status of progress :</p> <p>Reform effective (completed) as of : 01.01.2012 (legislation)</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The legislation implemented the Basel 2.5 standards on securitization exposures. The HKMA is developing supervisory guidance on "Credit Risk Transfer Activities" (expanding upon existing guidelines on securitization and credit derivatives) with a view to bringing supervisory policy into line with the latest international standards. Given securitization origination activities by banks in HK have been minimal, the HKMA is considering the need for introducing retention requirements in HK, having regard to the results of the</p>	<p>Expected commencement date: Q4, 2014</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>BCBS' review on retention requirements issued in October 2010 and local circumstances .</p> <p>Web-links to relevant documents: http://www.legislation.gov.hk/blis_pdf.nsf/CurAllEngDoc/4FA16B5F7562DC69482575EE0045FB50/\$FILE/CAP_155L_e_b5.pdf</p>	

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6 (9)	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"> • ICP 13 – Reinsurance and Other Forms of Risk Transfer • ICP 15 – Investments, and • ICP 17 - Capital Adequacy. <p>Jurisdictions may also refer to the IAIS Guidance paper on enterprise risk management for capital adequacy and solvency purposes (Oct 2008).</p>	<p>Not applicable</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Status of progress :</p> <p>Reform effective (completed) as of : Not applicable</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
7 (10)	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 policy measures taken for strengthening best practices for investment in structured product.</p> <p>See, for reference, the principles contained in IOSCO's report on Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009) and Suitability Requirements for Distribution of Complex Financial Products (Jan 2013).</p> <p>Jurisdictions may also refer to the Joint Forum report on Credit Risk Transfer-Developments from 2005-2007 (Jul 2008).</p>	<p>Implementation ongoing or completed</p> <p><i>If "Not applicable " or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The FRRs have capital charge requirement on SFC licensed firms' investment in structured products. The Code of Conduct relating to the sale of investments products was amended to enhance the investor protection. The IA has included this area in its monitoring of insurers' investment positions. Presently, the IA is considering the adoption of the approaches under ICP15 on Investment, including the guidance on investments in structured products, with regard to the local circumstances.</p> <p>Status of progress :</p> <p>Draft in preparation, expected publication by : Q4 2013</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The HKMA is developing supervisory guidance on "Credit Risk Transfer</p>	<p>Planned actions (if any):</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 local circumstances.</p> <p>Expected commencement date:</p> <p>2014 (for the supervisory guidance on "Credit Risk Transfer Activities")</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
8 (11)	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 Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012) that complements IOSCO’s Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010).</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Status of progress :</p> <p>Reform effective (completed) as of : 1 Jan 2012</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The enhancement to disclosure requirements under Basel 2.5 were already incorporated in Hong Kong through amendment to the Banking (Disclosure) Rules which came into operation from 1 January 2012.</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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IV. Enhancing supervision					
9 (12)	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 the policy measures taken for implementing consistent, consolidated supervision and regulation of SIFIs.²</p> <p>See, for reference, the following documents:</p> <p>Joint Forum:</p> <ul style="list-style-type: none"> • Principles for the supervision of financial conglomerates (Sep 2012) <p>BCBS:</p> <ul style="list-style-type: none"> • Framework for G-SIBs (Nov 2011) • Framework for D-SIBs (Oct 2012) • BCP 12 (Sep 2012) <p>IAIS:</p> <ul style="list-style-type: none"> • ICP 23 – Group wide supervision <p>FSB:</p> <ul style="list-style-type: none"> • Framework for addressing SIFIs (Nov 2011) 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The SFC and the IA continue to participate in the relevant work under IOSCO and the IAIS respectively, eg, IA participated in supervisory colleges for major insurance groups on an on-going basis and is reviewing the standards and guidance in respect of group wide supervision under ICP 23.</p> <p>Status of progress :</p> <p>Draft in preparation, expected publication by :</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Legislative amendments to the banking capital rules to incorporate rules on capital buffer mechanism, including the</p>	<p>Planned actions (if any):</p> <p>The SFC will participate in IOSCO to develop methodologies to assess systemically important firms in the securities sector. The initial list of G-SIIs and the corresponding policy measures were published in mid July. Hong Kong is not the home jurisdiction of the designated G-SIIs. While the list of G-SIIs will be updated in the future and the IAIS is working on further development and application of the policy measures, the IA will continue to monitor international developments and assess their implications for HK. Guidance will be issued where appropriate.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

² The scope of the follow-up to this recommendation will be revised once the monitoring framework on policy measures for G-SIFIs, which is one of the designated priority areas under the CFIM, is established.

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				<p>application of capital buffer for D-SIBs. Further guidelines (in supervisory policy manual) will set out the identification methodology for D-SIBs and other policy measures to be applied to D-SIBs (e.g. enhanced supervision). Work is underway at the HKMA to develop a domestic systemically important bank (“D-SIB”) framework in Hong Kong, with industry consultation planned during 2013.</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<p>10 (13)</p> <p>(14)</p>	<p>Establishing supervisory colleges and conducting risk assessments</p>	<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 through international supervisory colleges ...(Seoul)</p>	<p>Reporting in this area should be undertaken solely by home jurisdictions of significant cross-border firms. Relevant jurisdictions should indicate the steps taken and status of establishing remaining supervisory colleges and conducting risk assessments.</p> <p>See, for reference, the following documents:</p> <p>BCBS:</p> <ul style="list-style-type: none"> • Good practice principles on supervisory colleges (Oct 2010) • Report and recommendations on cross-border bank resolution (Mar 2010) <p>IOSCO:</p> <ul style="list-style-type: none"> • Principles Regarding Cross-Border Supervisory Cooperation (May 2010) <p>IAIS :</p> <ul style="list-style-type: none"> • ICP 25 and Guidance 25.1.1 – 25.1.6 on establishment of supervisory colleges • Guidance 25.6.20 and 25.8.16 on risk assessments by supervisory colleges 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The IA organised a supervisory college with relevant regulators for a more coordinated group-wide supervision. Being the host regulator of a number of insurance groups with operations in HK, the IA has been actively participating in supervisory colleges for major insurance groups on an on-going basis. The IA is reviewing the ICP25 (supervisory cooperation for consolidated supervision) for adoption where appropriate. For the banking and securities sector, this item is not applicable. 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</p>	<p>Planned actions (if any):</p> <p>In addition to the continued participating in /organising supervisory colleges for major insurance groups, the IA will, upon review of the standards under ICP 25, consider adopting them as appropriate, taking into account the local circumstances.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>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. Given that significant firms in HK's securities market are subsidiaries or branches of overseas financial firms, the SFC would not be establishing supervisory colleges.</p> <p>Status of progress : Reform effective (completed) as of : N/A</p> <p>Short description of the content of the legislation/ regulation/guideline: None required</p> <p>Web-links to relevant documents:</p>	

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<p>11 (15)</p> <p>New</p>	<p>Supervisory exchange of information and coordination</p>	<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 October 2006 Basel Core Principle (BCP) 25 (Home-host relationships) or, if more recent, the September 2012 BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.</p> <p>Jurisdictions should describe any regulatory, supervisory or legislative changes that will contribute to the sharing of supervisory information within core colleges (e.g. bilateral or multilateral MoUs).</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>At the national level, there are MOUs as between the HKMA, SFC and OCI to exchange supervisory information. At the international level, the HKMA has entered into MoUs or similar arrangements with 25 banking supervisory authorities. The SFC is a signatory of the IOSCO MMoUs and various MoUs with international securities regulators. The IA became a signatory of the IAIS MMoU on cross-border cooperation and information exchange in June 2012. The HKMA, SFC and IA participate in the supervisory colleges relevant to them where appropriate.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : On-going</p> <p>Short description of the content of the</p>	<p>Planned actions (if any):</p> <p>The HKMA, SFC and IA will continue to work closely with overseas regulators on the supervision of institutions with cross-border operations relevant to them, in line with international standards where appropriate.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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				<p>legislation/ regulation/guideline: None required</p> <p>Web-links to relevant documents:</p>	

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12 (16)	Strengthening resources and effective supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)	Jurisdictions should provide any feedback received from recent FSAPs/ROSC assessments on the October 2006 BCPs 1 and 23 or, if more recent, the September 2012 BCPs 1, 9 and 11. Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i>	Planned actions (if any): The HKMA, SFC and IA will continue to monitor the risks associated with their regulatory remit on an on-going basis and will regularly assess their resource needs.
(17)		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)		Issue is being addressed through : <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: The HKMA, SFC and IA have clear mandates under the BO, SFO and ICO respectively to perform their functions as regulators in their respective sector. The regulators have a suite of powers and tools to deliver their mandates, including, supervision, stress-testing, intervention and investigation. The HKMA, SFC and IA regularly review their staff and resource requirements. The most recent assessment conducted by HKMA in Q3, 2012 indicated that additional resources were required. HKMA has been increasing its resource based on that assessment. There is a current proposal for the establishment of an independent IA which will be financially and operationally independent.	Expected commencement date: On-going
New		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)	Jurisdictions should describe the outcomes of the most recent assessment of resource needs (e.g. net increase in supervisors, skills acquired and sought). Please indicate when this assessment was most recently conducted and when the next assessment is expected to be conducted.	Status of progress : Reform effective (completed) as of : On-	Web-links to relevant documents:

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				going Short description of the content of the legislation/ regulation/guideline: None required. Web-links to relevant documents:	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
V. Building and implementing macroprudential frameworks and tools					
13 (18)	Establishing regulatory framework for macro-prudential oversight	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 ³ and private pools of capital to limit the build up of systemic risk. (London)	Please describe the systems, methodologies and processes that have been put in place to identify macroprudential risks, including the analysis of risk transmission channels.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i>	Planned actions (if any): The HKMA is currently reviewing its internal institutional framework for systemic risk monitoring and macroprudential policy coordination to identify potential need for improvement. The HKMA will continue to participate in the FSB SCAV and the Governance Workstream of DGIG.
(19)		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)	Please indicate whether an assessment has been conducted with respect to the powers to collect and share relevant information among different authorities – where this applies – on financial institutions, markets and instruments to assess the potential for systemic risk. Please indicate whether the assessment has indicated any gaps in the powers to collect information, and whether any follow-up actions have been taken.	Issue is being addressed through : <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: There are well-established cross-sector platforms such as the CFR and the FSC to facilitate effective exchanges amongst regulators and the Administration for the purposes of, inter alia, the maintenance of financial stability in HK. The HKMA set up the Macro Surveillance Committee (MSC), consisting of the Chief Executive and other senior executives of the HKMA, to facilitate regular monitoring of risks and vulnerabilities to the HK monetary and financial system. The Financial Stability Surveillance Division was established to strengthen the HKMA’s surveillance capability for financial stability issues. The HKMA	Expected commencement date: On-going Web-links to relevant documents:

³ 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>publishes a half-yearly monetary and financial stability report that includes the aggregate results of macro stress testing of credit risk and an assessment of systemic risk in the banking sector. 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. The HKMA was a member of the FSB Working Group on Data Gaps and Systemic Linkages and chairs one of its workstreams on legal and confidentiality constraints in data sharing. The HKMA is currently a member of the FSB Data Gaps Implementation Group (DGIG) and chairs the Governance Workstream under it. The HKMA, SFC and IA have powers under the BO, SFO and ICO respectively to require institutions under their remit to provide information, on regular or ad hoc basis.</p> <p>Status of progress : Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline: None required</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Web-links to relevant documents:	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
14 (20)	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>Please describe major changes in the institutional arrangements for macroprudential policy that have taken place in the past two years, including changes in: i) mandates and objectives; ii) powers and instruments; iii) transparency and accountability arrangements; iv) composition and independence of the decision-making body; and v) mechanisms for domestic policy coordination and consistency.</p> <p>Please indicate the use of macroprudential tools in the past two years, including the objective for their use and the process used to select, calibrate, and apply them.</p> <p>See, for reference, the CGFS document on Operationalising the selection and application of macroprudential instruments (Dec 2012).</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Macro-prudential tools (e.g. maximum LTV ratio) have been used by the HKMA for supervisory purposes in residential mortgage lending since September 1995. Additional measures were introduced recently, including (a) increasing the upward mortgage rate adjustment to stress-test debt servicing ability; and (b) lowering the applicable LTV for non-residential property mortgage loans. The HKMA recently imposed a 15% risk-weight floor for all new residential mortgage loans granted by banks which adopt the IRB approach. The HKMA has been closely monitoring changes in asset prices. The relevant information is published in various reports, including the quarterly bulletins, Half-Yearly Monetary and Financial Stability Reports and annual reports. In accordance with IOSCO’s principles, the</p>	<p>Planned actions (if any):</p> <p>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. The HKMA is preparing a consultation paper for the implementation of the countercyclical capital buffer in HK in accordance with the Basel schedule. The IA will incorporate the macro-prudential approaches/tools in the supervisory regime where appropriate.</p> <p>Expected commencement date:</p> <p>On-going</p> <p>Web-links to relevant documents:</p>
(21)		<p>Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)</p>	<p>Jurisdictions can also refer to the FSB-IMF-BIS progress report to the G20 on Macroprudential policy tools and frameworks (Oct 2011), and the IMF paper on Macroprudential policy, an organizing framework (Mar 2011).</p>		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>SFC develops indicators to monitor and manage systemic risks in the securities market. These indicators include times series and cross-sectional assessments in the trends and patterns in the equities and derivatives markets to detect, among other things, market risk, liquidity risk and counterparty risk and to gauge the market’s resilience to the building up of such risks. The SFC conducts stress testing of SFC-licensed firms’ compliance with liquid capital requirement from time to time. Firms licensed by the SFC are required to have effective policies and procedures for proper risk management. The FRRs also set out capital requirements in respect of the risks. The IA is considering the approaches as set out in ICP24 on Macroprudential Surveillance and Insurance Supervision, having regard to the insurance supervisory regime in HK.</p> <p>Status of progress : Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				key-information/guidelines-and-circular/2013/20130222e2.pdf	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
15 (22)	Improved cooperation between supervisors and central banks	Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain. (Rec. V.8 , FSF 2008)	<p>Jurisdictions can make reference to the following BCBS documents:</p> <ul style="list-style-type: none"> • Report and recommendations of the Cross-border Bank Resolution Group (Mar 2010) • Good Practice Principles on Supervisory Colleges (Oct 2010) (Principles 2, 3 and 4 in particular) 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Please refer to comments under item 13. FSC and CFR have monthly and quarterly meetings respectively, to discuss key issues and trends to identify financial stability risks and other concerns pertaining to the financial markets and industry in HK.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>None required</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>HK will continue the current practice of exchange of information.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VI. Improving oversight of credit rating agencies (CRAs)					
16 (23)	Enhancing regulation and supervision of CRAs	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)	Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs. They should also indicate its consistency with the following IOSCO document:	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i>	Planned actions (if any): The SFC will continue to participate in IOSCO’s work on CRAs.
(24)		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.	They should also indicate its consistency with the following IOSCO document: <ul style="list-style-type: none">• Code of Conduct Fundamentals for Credit Rating Agencies (May 2008)	Issue is being addressed through : <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify:	Expected commencement date:
(25)		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. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London)	Jurisdictions may also refer to the following IOSCO documents: <ul style="list-style-type: none">• Principle 22 of Principles and Objectives of Securities Regulation (Jun 2010) which calls for registration and oversight programs for CRAs;• Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003); and• Credit Rating Agencies: Internal Controls Designed to Ensure the Integrity of the Credit Rating Process and Procedures to Manage Conflicts of Interest (Dec 2012).	Status of progress : Reform effective (completed) as of : 01.06.2011 Short description of the content of the legislation/ regulation/guideline: 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 to comply with the "Code of Conduct for Persons Providing Credit Rating Services", which is based on the IOSCO CRA Code. The SFC actively participates in the policy committee of IOSCO on the regulation of CRAs. In March 2012, the SFC entered into a co-operative arrangement with ESMA for the supervision of CRAs that have cross borders activities to facilitate regulatory exchange of information.	Web-links to relevant documents: http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=11PR63
		Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010. (FSB 2009)			

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Web-links to relevant documents: Press release issued by SFC on 2 June 2011 announcing the effectiveness of the new regulatory regime for CRAs in Hong Kong http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=11PR63</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
17 (26)	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>	No information on this recommendation will be collected in the current IMN survey since a thematic peer review is taking place in this area during 2013.		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VII. Enhancing and aligning accounting standards					
18 (27)	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)	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. They should also explain the system they have for enforcement of consistent application of those standards.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>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 (eg, see item 19 for details); (3) engaging with HKICPA and HKAB to share the development of converged global accounting standards.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : 2005</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>HKFRS, issued by the HKICPA, have achieved convergence with IFRS issued by the IASB since 2005. The HKICPA monitors and comments on IASB</p>	<p>Planned actions (if any):</p> <p>HK will continue to maintain convergence of HKFRS with IFRS. 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. Most of the SFC licensed entities are incorporated in HK and are required to prepare financial statements in accordance with HKFRS. As a member of IOSCO’s policy committee on Multinational Disclosure and Accounting (C1), the SFC will continue to provide IOSCO with comments on exposure drafts issued by the IASB. The IA will continue to keep in view of international accounting developments (in particular the international accounting convergence project for insurance contracts).</p> <p>Expected commencement date:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				exposure drafts and will take necessary steps to maintain convergence of HKFRS with IFRS. Web-links to relevant documents:	Ongoing Web-links to relevant documents: http://app1.hkicpa.org.hk/ebook/index.php (This link is to the HKICPA Members Handbook which contains all professional standards issued by the Institute.)

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<p>19 (28)</p> <p>(29)</p>	<p>Appropriate application of Fair Value Accounting</p>	<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>See, for reference, the following BCBS documents:</p> <ul style="list-style-type: none"> • Basel 2.5 standards on prudent valuation (Jul 2009) • Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009) 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The SFC is providing input via IOSCO in the review of IFRS9. IA is reviewing the use of valuation reserves and guidance on valuation under ICP14.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : 31.12.2011</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The HKMA issued supervisory guidance on “Financial Instrument Fair Valuation Practices” in December 2011. Relevant authorities will monitor the progress of IASB's work in this area: (1) exposure draft for insurance contracts and leases have been issued in Q2, 2013 and for revenue recognition by Q3, 2013; (2) review draft for hedge accounting published on 7 September 2012; (3) exposure draft on expected credit losses published on 7 March 2013. HKICPA has</p>	<p>Planned actions (if any):</p> <p>HKICPA monitors and comments the IASB exposure drafts and will take necessary steps to maintain convergence of HKFRS with IFRS. The HKMA will update its guidance “Financial Instrument Fair Valuation Practices” to reflect the new definition of capital introduced under Basel III in the 2H 2013. The HKMA will continue to closely monitor international accounting developments and work with the HKICPA to assess impacts on banks’ financial and regulatory reporting. The SFC will continue to contribute through IOSCO C1 (see item 18). IA will monitor the development of convergence of the FASB and IASB and continue to examine the use of valuation reserves in its supervision with reference to the standards in ICP14.</p> <p>Expected commencement date:</p> <p>Ongoing</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>submitted comments to IASB on the exposure draft on expected credit losses in July 2013.</p> <p>Web-links to relevant documents:</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-S-10.pdf</p> <p>Review draft of general hedge accounting:http://www.ifrs.org/Alerts/ProjectUpdate/Pages/Draft_general_hedge.aspx</p> <p>IASB's exposure draft on expected credit losses:http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/ed-pdf-2013/ed_crlost.pdf</p> <p>HKICPA's comments on the exposure draft on expected credit losses:</p> <p>http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/ed-pdf-2013/ed_ic.pdf</p> <p>http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/ed-pdf-2013/ed_leases.pdf</p> <p>http://www.hkicpa.org.hk/file/media/section6_standards/standards/FinancialReporting/submission-pdf/2013/sub_ecl.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
VIII. Enhancing risk management					
20 (31)	Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks	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)	Jurisdictions should indicate the policy measures taken to enhance guidance to strengthen banks' risk management practices. See, for reference, the Joint Forum's Principles for the supervision of financial conglomerates (Sep 2012) and the following BCBS documents:	Implementation ongoing or completed <i>If "Not applicable" or "Applicable but no action envisaged..." has been selected, please provide a brief justification:</i>	<p>Planned actions (if any): Further SGs being drafted cover credit risk transfer activities; market risk management (by Q4, 2013); foreign exchange risk management (by 2H, 2013); risk governance (taking into account the FSB thematic peer review report on risk governance). The HKMA, SFC and IA will continue with stress testing of firms under their respective remit.</p> <p>Expected commencement date: 2014 (SG on credit risk transfer activities), 2015 (revised SG relevant to risk governance)</p> <p>Web-links to relevant documents:</p>
(33)	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)	<ul style="list-style-type: none"> • Principles for effective risk data aggregation and risk reporting (Jan 2013) • The Liquidity Coverage Ratio (LCR) (Jan 2013) • Principles for the sound management of operational risk (Jun 2011) • Principles for sound stress testing practices and supervision (May 2009) 	<p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input checked="" type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>The HKMA conducted a benchmarking exercise to assess and compare the effectiveness of selected AIs' firm-wide stress-testing practices, with a focus on implementation of risk management techniques and controprocedures. Stress testing is conducted from time to time by the HKMA, SFC and IA on firms under their respective remit to assess potential risks and vulnerabilities.</p>		
(34)	Regulators and supervisors in emerging markets ⁴ will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)	Jurisdictions may also refer to FSB's February 2013 thematic peer review report on risk governance .	<p>Status of progress :</p> <p>Reform effective (completed) as of : HKMA issued revised supervisory guideline (SG) on: (1) Supervisory Review Process (Jun 2010 updated in Dec 2012); (2) Use of internal models approach to calculate market risk (Oct 2012); (3) Stress-testing (May 2012); (4)</p>		
(35)	We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)				

⁴ Only the emerging market jurisdictions may respond to this recommendation.

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Sound Systems and Controls for Liquidity Risk Management (Apr 2011); (5) General Risk Management Controls (Dec 2010); (6) Foreign exchange risk management (Jan 2009)</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>For details of the six SG, please refer to web-links below. The HKMA is developing a SG on Credit Risk Transfer Activities, expanding upon existing guidelines on securitization and credit derivatives based on international standards. The HKMA is also reviewing the FSB’s thematic peer review report on risk governance of February 2013 to identify necessary enhancements to its relevant supervisory guidelines.</p> <p>Web-links to relevant documents:</p> <p>SG on Supervisory Review Process http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-5.pdf SG on Use of internal models approach to calculate market risk: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/CA-G-3.pdf SG on Stress-testing: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				stability/supervisory-policy-manual/IC-5.pdf SG on Sound Systems and Controls for Liquidity Risk Management: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/LM-2.pdf SG on General Risk Management Controls: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/IC-1.pdf SG on Foreign exchange risk management: http://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/TA-2.pdf	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (36)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed. (Pittsburgh)	Jurisdictions should indicate steps taken to reduce impaired assets and encourage additional capital raising. For example, jurisdictions could include here the amount of new equity raised by banks operating in their jurisdictions during 2012.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Supervisory monitoring</p> <p>Status of progress :</p> <p>[No response]</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>The HKMA will monitor closely accounting developments in relation to expected loss provisioning and will continue to require banks to maintain an adequate regulatory reserve to cater for expected but not yet incurred future losses.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
22 (37)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)	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 Enhancing the Risk Disclosures of Banks .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Risk and loss disclosures of SFC-licensed entities are required to be made in compliance with accounting standards. The IA is reviewing the standards in ICP20 on Public Disclosure with regard to the insurance supervisory regime in HK.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : 01.01.2012</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Amendments were made to the Banking (Disclosure) Rules (BDR) to incorporate the Basel 2.5 enhancements to the Basel II disclosure requirements; the IASB improved disclosure standards; the recommendations of the Senior Supervisors Group report on disclosure, and other international best practices. The amendments took effect from 1 January</p>	<p>Planned actions (if any):</p> <p>To complete the legislative process required for the inclusion into the BDR of the BCBS "Composition of Capital Disclosure Requirements". The Banking (Disclosure) (Amendment) Rules 2013 is expected to take effect from 30 June 2013. The IA will, upon review, adopt the standards of ICP20 as appropriate, taking into account the local circumstances.</p> <p>Expected commencement date:</p> <p>30.06.2013</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>2012. A set of amendments to the BDR to incorporate the new capital disclosure requirements under Basel III has completed the legislative process necessary for the amendments to take effect from 30 June 2013.</p> <p>Web-links to relevant documents: http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2011/20111123e1.pdf http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/1D9FB2E246B2BA50482575EE00464098/\$FILE/CAP_155M_e_b5.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
IX. Strengthening deposit insurance					
23 (38)	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)	Jurisdictions should describe any revisions made to national deposit insurance system, including steps taken to address the recommendations of the FSB’s February 2012 thematic peer review report on deposit insurance systems .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The 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 (Core Principles). HKDPB has formulated an implementation plan to improve the payout efficiency, taking into account the relevant international trends and results of a full-scope rehearsal conducted in October 2012. Consultation with the banking industry on the proposed revision on the information system guideline and compliance program is being conducted.</p> <p>Status of progress :</p> <p>Draft in preparation, expected publication by : end 2013 (the revised information system guideline)</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The requirements on submission of depositor information by banks have been tightened to ensure that a complete set of accurate depositor records can be obtained from a failed bank efficiently.</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
X. Safeguarding the integrity and efficiency of financial markets					
24 (39)	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 the progress made in implementing the following IOSCO reports:</p> <ul style="list-style-type: none"> • Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011); and • Report on Principles for Dark Liquidity (May 2011). 	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Status of progress :</p> <p>Draft approved and in force / to be in force from / by : 01.01.2014</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The SFC published the consultation conclusions on the regulation of electronic trading on 22 March 2013 which sets out a new regulatory framework for electronic trading and standards for intermediaries who conduct electronic trading which includes internet trading, DMA and algorithmic trading.</p> <p>Web-links to relevant documents:</p> <p>http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/conclusion?refNo=12CP3</p>	<p>Planned actions (if any):</p> <p>The SFC intends to publish and publicly consult on the proposals concerning the regulation of dark pools prior to end 2013. The current regulatory requirements are imposed as licensing conditions. The proposal will codify the existing requirements.</p> <p>Expected commencement date:</p> <p>2014</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
25 (40)	Enhanced market transparency in commodity markets	We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address 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>Jurisdictions should indicate the policy measures taken to enhance market transparency in commodity markets.</p> <p>See, for reference, IOSCO’s report on Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011).</p> <p>Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the report published by the IOSCO’s Committee on Commodity Futures Markets based on a survey conducted amongst its members in April 2012 on regulation in commodity derivatives market.</p>	<p>Applicable but no action envisaged at the moment</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>According to the outcome of the survey conducted by IOSCO in April 2012 on the implementation of Principles for the Regulation and Supervision of Commodity Futures Markets, Hong Kong was on par with major jurisdictions in the implementation of these principles. Currently in Hong Kong, the regulation of commodity derivatives markets comes under the regulatory framework for futures markets in the Securities and Futures Ordinance, which has proven to be robust and effective through the last decade and evidenced during the global financial crisis in 2007 – 2008. The G20 has requested a further update from IOSCO on the implementation of these principles in two years, i.e. by late 2014. As such, Hong Kong foresees no action to be taken at the moment.</p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>Status of progress :</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>[No response]</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents:</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
26 New	Legal Entity Identifier	<p>We support the creation of a global legal entity identified (LEI) which uniquely identifies parties to financial transactions. (Cannes)</p> <p>We encourage global adoption of the LEI to support authorities and market participants in identifying and managing financial risks. (Los Cabos)</p>	Jurisdictions should indicate whether they have joined Regulatory Oversight Committee (ROC) and whether they intend setting up Local Operating Unit (LOU) in their jurisdiction.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>The local TR specifies in its reporting requirement that Global LEI should be reported to signify the identity of a transacting party in an OTC derivatives transaction if the party possesses the Global LEI. Where the Global LEI is not yet available, pre-LEI can be used. However, where an entity does not possess a Global LEI or pre-LEI, other identification codes may be used. The HKMA has joined the ROC and has participated in its Executive Committee. At the moment, HK does not intend to set up the LOU, which is not a mandatory requirement for all jurisdictions. Entities can apply to an overseas LOU or the Central Operating Unit (COU) for a Global LEI.</p> <p>Status of progress :</p> <p>Reform effective (completed) as of : Jan 2013</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Short description of the content of the legislation/ regulation/guideline:</p> <p>The local TR in HK commenced operation in late July 2013. The effective date of mandatory TR reporting is yet to be determined. See HKMA TR Reporting Service Reference Manual. Given that that the requirement for this item is to join the Regulatory Oversight Committee and to require reporting of the LEI, Hong Kong has accordingly implemented this item.</p> <p>Web-links to relevant documents:</p> <p>(Section 8.4)</p> <p>http://www.hkma.gov.hk/media/eng/doc/key-functions/financial-infrastructure/infrastructure/HKTR_Reporting_Service_Reference_Manual.pdf</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
XI. Enhancing financial consumer protection					
27 (41)	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)	Jurisdictions should describe progress toward implementation of the OECD’s G-20 high-level principles on financial consumer protection (Oct 2011) .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p>Issue is being addressed through :</p> <ul style="list-style-type: none"> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: <p>In Jun 2012, the Financial Dispute Resolution Centre (FDRC) was established, to provide financial consumers with an avenue to resolve monetary disputes with financial institutions through mediation and arbitration. In Nov 2012, the Investor Education Centre (IEC), a wholly-owned subsidiary of the SFC, was established to improve financial literacy and the public's ability to make informed financial decisions. The HKMA, jointly with the OECD and the SFC, hosted the Asian Seminar on financial consumer protection and education and an Asia Financial Consumer Protection Roundtable in Dec 2012. As a member of the OECD’s Task Force on Financial Consumer Protection, HKMA has been participating in the work to develop effective approaches to support the</p>	<p>Planned actions (if any):</p> <p>HKMA together with the relevant financial regulators in HK will consider how to implement the three principles once the OECD approaches are endorsed by the G20. The Government aims to introduce a bill into the Legislative Council for the proposed establishment of an independent IA. To further enhance policyholder protection, the IA has drafted a bill for legislature for the establishment of a policyholders’ protection fund in Hong Kong.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>implementation of the G20 Highlevel Principles on Financial Consumer Protection. HKMA launched a "Consumer Corner" on its website in December 2012 to provide information on local banking consumer issues. The SFC has amended the Code of Conduct in relation to the sale of investments products to enhance the protection to investing public.</p> <p>Status of progress : Reform effective (completed) as of : On-going</p> <p>Short description of the content of the legislation/ regulation/guideline:</p> <p>Web-links to relevant documents: http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_1868_VER20.pdf</p>	

XII. Source of recommendations:

- [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 \(1 November 2012\)](#)

XIII. List of Abbreviations used:

- BO: Banking Ordinance
- Code of Conduct: Code of Conduct by Persons licensed by or registered with the Securities and Futures Commission
- ComFrame: Common Framework for the Supervision of Internationally Active Insurance Groups
- CFR: Council of Financial Regulators
- DPS: Deposit Protection Scheme
- FRC: Financial Reporting Council
- FRR: Financial Resource Rules
- FSC: Financial Stability Committee
- 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
- ICG: Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission
- ICO: Insurance Companies Ordinance
- 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
- OTCRMC: Core Operational and Financial Risk Management Controls For Over-the-Counter Derivatives Activities of Persons Licensed by or Registered with the Securities and Futures Commission
- SCAV: FSB Standing Committee on Assessment of Vulnerabilities
- SFC: Securities and Futures Commission
- SFO: Securities and Futures Ordinance
- TFUFE: IOSCO Task Force on Unregulated Financial Entities