

## **Press release**

### **LCQ2: Structure of authorised institutions**

Wednesday, December 10, 2008

Following is a question by Dr the Hon David Li Kwok-po and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 10):

Question:

On July 17, 2008, the Hong Kong Monetary Authority published an independent consultant's report on "Review of the Hong Kong Monetary Authority's Work on Banking Stability". One of the recommendations was that "the current three tier structure of authorised institutions should be reduced to two tiers: banks and other deposit-takers". In this connection, will the Government inform this Council whether it plans to take up the above recommendation; if so, of the proposed timetable for implementation?

Reply:

President,

The Hong Kong Monetary Authority (HKMA) published the report on the review of its work on maintaining banking stability compiled by the independent consultant, Mr David Carse, on July 17, 2008. The objective of the review is to put forth recommendations on how the HKMA can best discharge its functions in promoting the general stability and effective working of the banking system in Hong Kong, taking into account recent and future developments and the changing nature of the risks facing the system.

Following the publication of the aforesaid report, the HKMA has conducted a three-month public consultation. The consultation ended at the end of October 2008. The HKMA is considering the comments received during the consultation period, and will draw up policy responses and implementation timetable, if applicable, in respect of the recommendations put forth in the report, including the simplification of the arrangements concerning the three-tier authorisation system as regards authorised institutions. Where necessary, the HKMA will further consult the Banking Advisory Committee, the Deposit-taking Companies Advisory Committee and the Exchange Fund Advisory Committee. The Administration plans to publish its policy responses on the review report and brief the Legislative Council Panel on Financial Affairs in the first half of 2009.

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