

Press Release

Consultation response on establishment of effective resolution regime for financial institutions in Hong Kong

Friday, October 9, 2015

The Government and the financial regulators, namely the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority, today (October 9) released a consultation response to the second stage of public consultation on proposals to establish a cross-sector resolution regime for financial institutions (FIs), including financial market infrastructure, in Hong Kong. The consultation response summarises the respondents' views on the proposals, and sets out the Government's responses along with its refined policy positions on certain aspects of the proposed resolution regime.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "We are pleased to note that the majority of respondents to the second stage of public consultation continued to be supportive of the proposals to establish an effective local resolution regime in line with the latest international standards set by the Financial Stability Board. (Note)

"The establishment of a local resolution regime will bolster the resilience of Hong Kong's financial system and enhance Hong Kong's position as an international finance centre by supporting the effective resolution of non-viable systemically important FIs while minimising the need for recourse to public funds. As a major financial centre and host jurisdiction for many global systemically important FIs, Hong Kong should maintain a local regime which is effective at the cross-border level."

At the end of the consultation period (January to April 2015), around 30 submissions had been received from a variety of industry associations, FIs, professional bodies and firms.

Taking into consideration respondents' comments and observations as well as ongoing developments in international practice, the consultation response contains further information on the latest policy position in relation to certain aspects of the proposed regime, including pre-resolution powers, loss absorbing capacity requirements to facilitate bail-in, resolution funding arrangements, the recognition of cross-border resolution actions and safeguards

for those affected by resolution action, including appeal mechanisms.

It is expected that a bill to establish the local resolution regime will be introduced into the Legislative Council by the end of this year. Any interested party that wishes to raise substantive points regarding the contents of the consultation response should submit their comments to the relevant regulatory authorities as soon as possible. The Government and the financial regulators will continue their dialogue with stakeholders throughout the legislative process and thereafter when rules, codes of practice and guidance are developed and issued.

The consultation response has been uploaded to the websites of the Financial Services Branch of the Financial Services and the Treasury Bureau (www.fstb.gov.hk/fsb/ppr/consult/doc/resolutionregime_conclu_e.pdf), the Hong Kong Monetary Authority (www.hkma.gov.hk), the Securities and Futures Commission (www.sfc.hk) and the Insurance Authority (www.oci.gov.hk).

Note: The development of the resolution regime in Hong Kong draws on the international standards set out in the FSB's "Key Attributes of Effective Resolution Regimes for Financial Institutions" (www.financialstabilityboard.org/2014/10/r_141015/).

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