



HONG KONG MONETARY AUTHORITY
香港金融管理局

HONG KONG BANKING SECTOR

2021 Year-end Review and
Priorities for 2022

26 January 2022

OUTLINE



1

Banking Sector in 2021

2

Review of Work in 2021

3

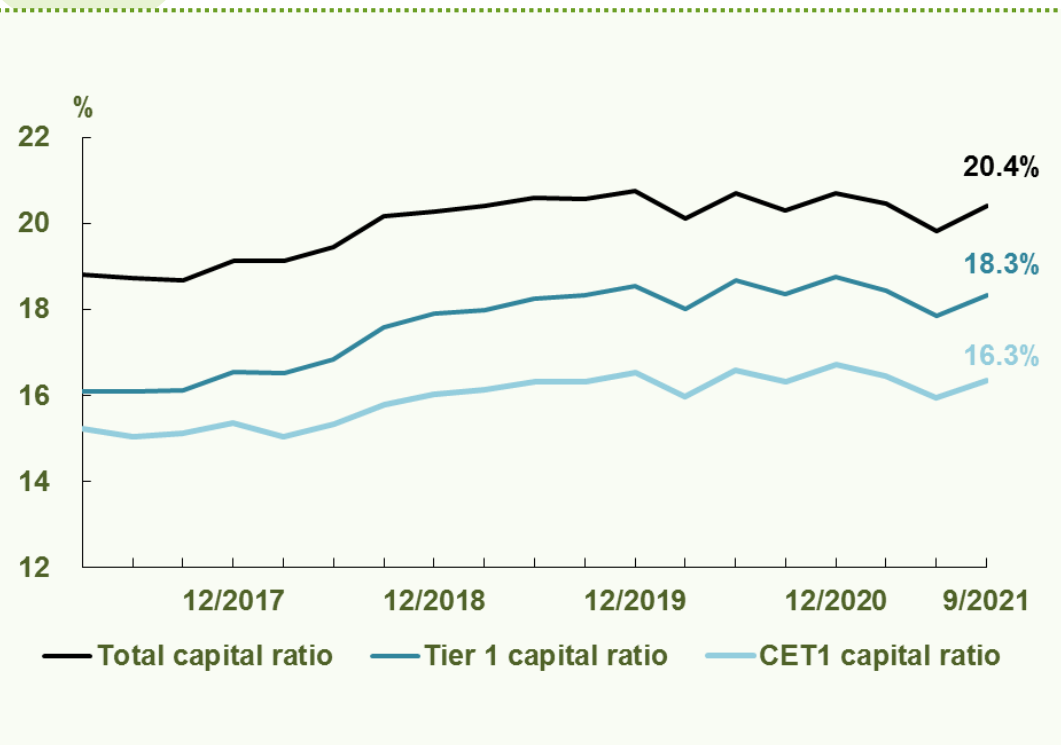
Work Priorities in 2022



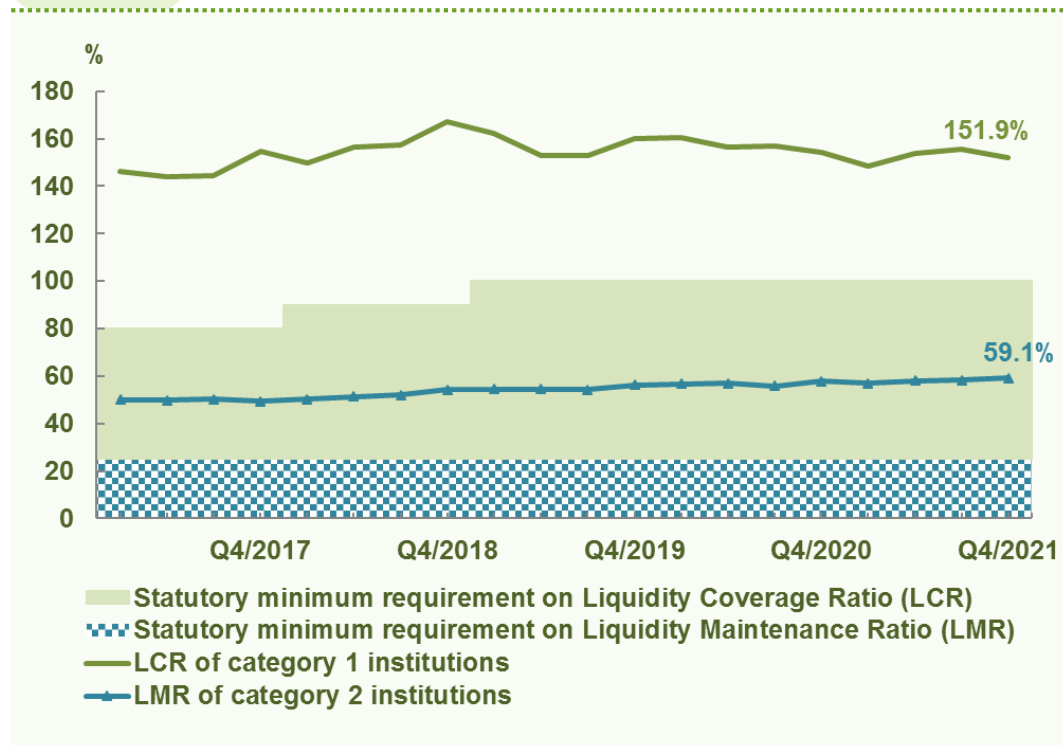
▶ Banking sector remained resilient



Capital Adequacy Ratios



Liquidity Ratios

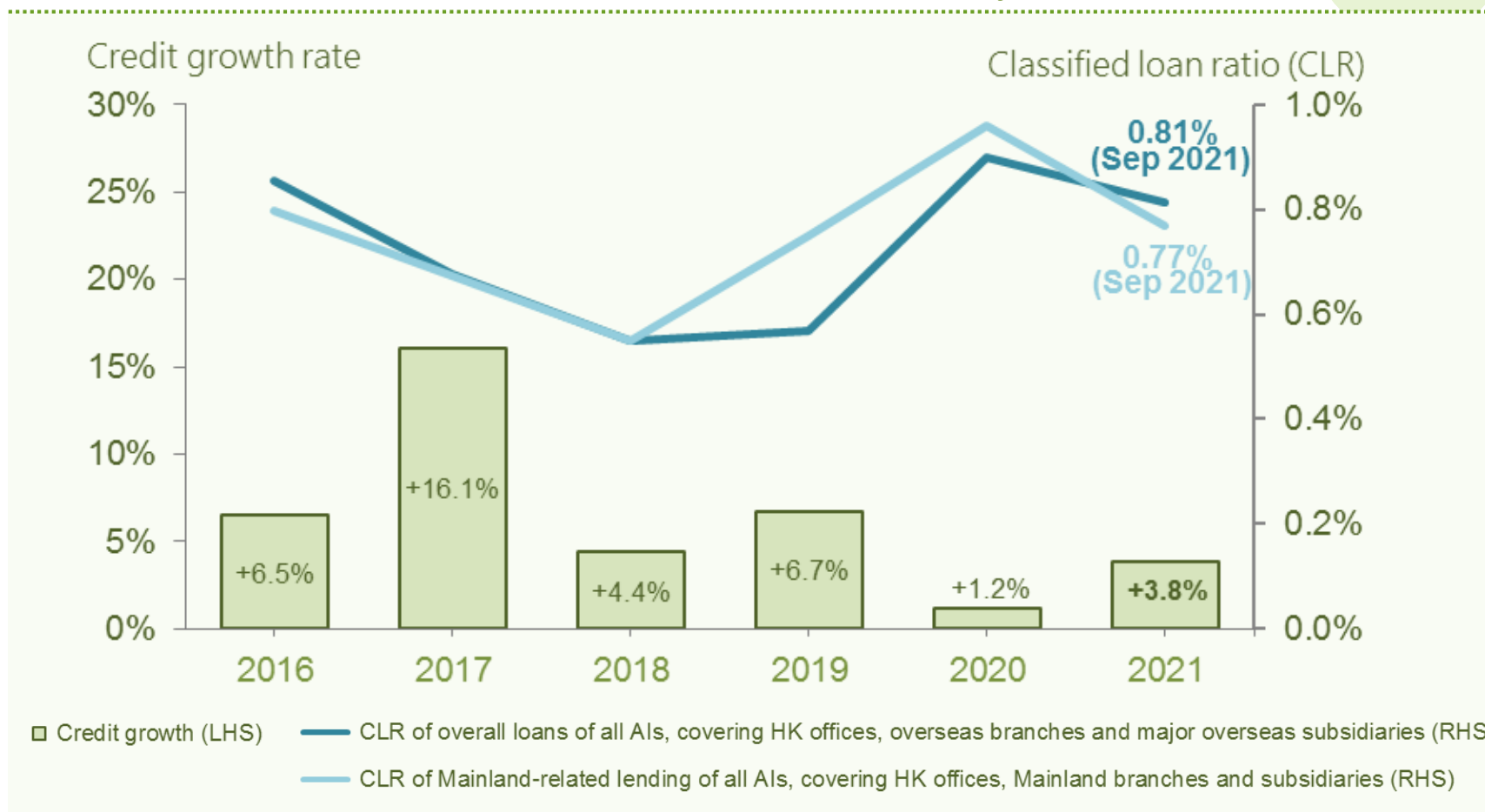




▶ Asset quality stayed healthy, although some headwinds expected



Credit Growth and Asset Quality

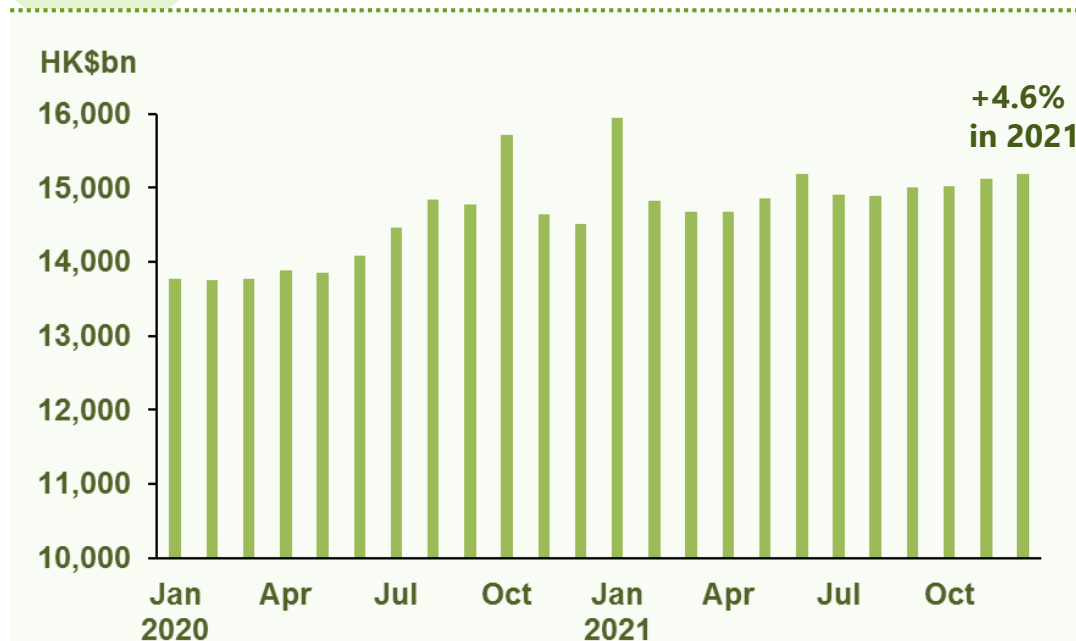




► Deposits grew while interest margin narrowed



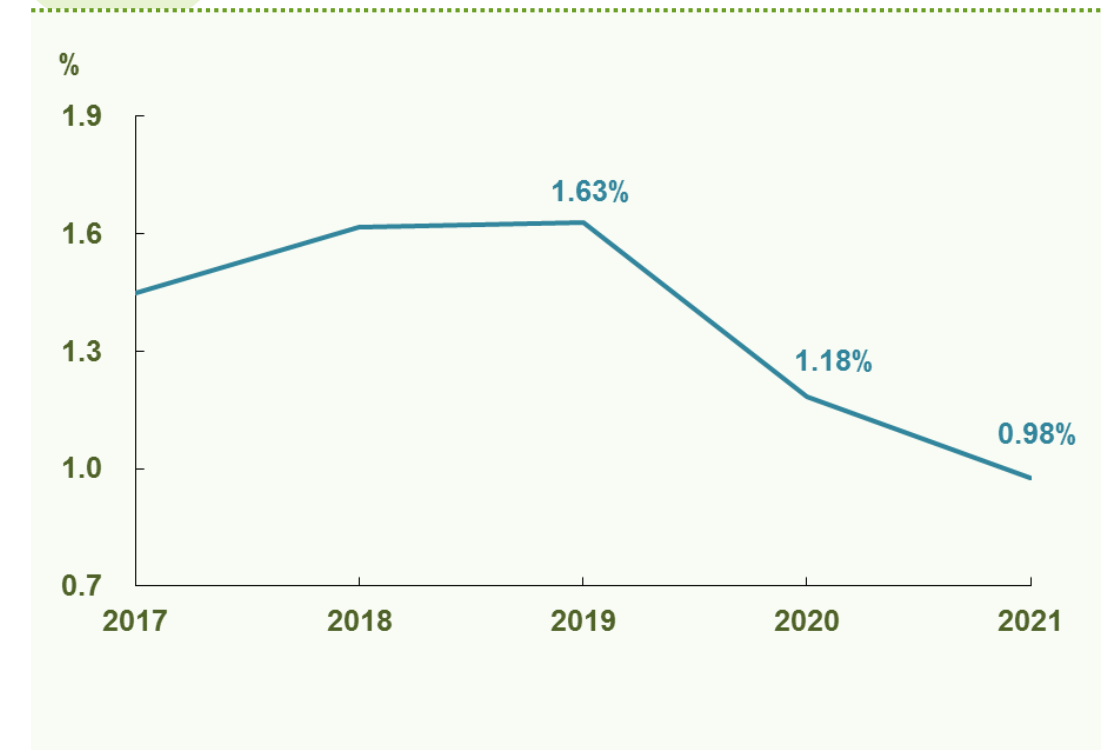
Total Deposits



Note: The significant increase in total deposits in Jan 2021 was partly driven by initial public offering (IPO) activities.



Net Interest Margin (NIM) of Retail Banks





Work in 2021

Supervisory Work



Credit



Operational resilience and
technology risk management



AML/CFT



Consumer
Protection

Developmental Initiatives



RegTech
Promotion



Cross-boundary
Wealth Management
Connect



Green and
Sustainable
Banking



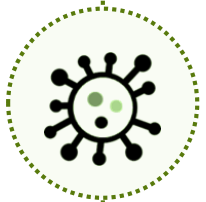
► Staying vigilant to evolving credit landscape



Elevated inflation necessitating reversal of monetary stimulus



Slowing global economic growth



Lingering pandemic with new variants



**Close surveillance and forward looking action
to ensure effective credit risk management by banks**



▶ Enhancing operational and cyber resilience amid growing digitalisation



Accelerating digitalisation



Increasing third party dependency



Evolving cyber threat landscape

▶ Work priorities



Implementation of new SPM on operational resilience



Review of AIs' hybrid working arrangement



Providing guidance on cloud computing



C-RAF 2.0



Secure Tertiary Data Backup

▶ Promoting technology adoption



Tech Baseline Assessment



Suptech adoption



► AML/CFT Landscape



Strengthen AML/CFT regime



Updating Hong Kong
ML/TF risk assessment



Legislative amendments and
AML/CFT Guideline updates



Strengthening banks'
monitoring systems' ability



► Consumer Protection

Enhancing Consumer Protection on Innovative Products



“Buy Now Pay Later” products



Code of Banking Practice



Enhancing Protection on New Insurance Product Offerings



Premium Financing for long term insurance policies



Protection Linked Plan

Implementation of Credit Reference Platform



Platform development



System testing and launch



► Green and Sustainable Banking



Implementation of supervisory requirements

- Engaging banks to understand their progress
- Keeping in view international policy developments



Taxonomy

- Exploring development of a green classification framework



“Greenness Assessment”

- Revamping the assessment framework
- Target to launch in 2022 H2



Data and tools

- Exploring possible tools and technologies that help banks deal with climate risks





► Capacity Building



Upskilling practitioners



Enhanced Competency Framework (ECF)



Skills Transformation and Empowerment Programme (STEP)



Building a sustainable future talent pipeline



Future Banking Bridging Programme



Career talks, educational seminars and workshops



New virtual resource centre



Apprenticeship Programme for Private Wealth Management

Future Banking Bridging Programme





► Implementation of Basel Standards



Basel III final reforms

- Rule-making/statutory consultation
- Updating and development of supporting guidance, banking returns and disclosure templates



Other Basel standards

- Implementation of rules on capital requirements for banks' equity investments in funds
- Consultation on revised principles for sound management of operational risk and principles for operational resilience