



# HONG KONG BANKING SECTOR

2022 Year-end Review  
and Priorities for 2023

17 February 2023



# AGENDA

01

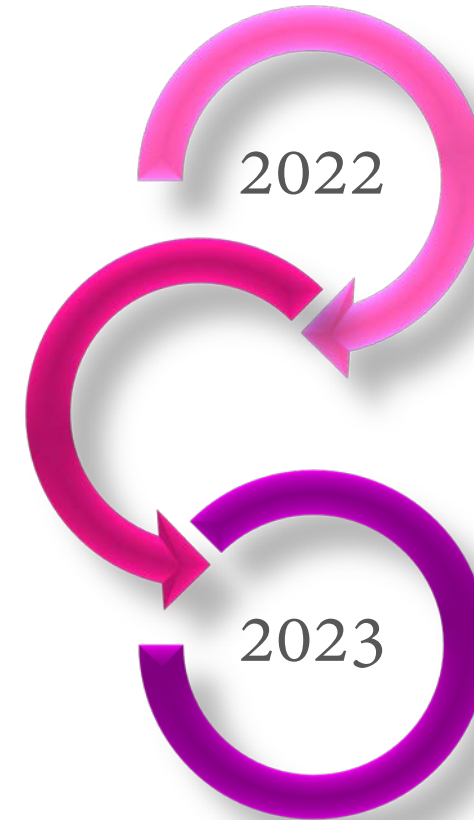
Banking Sector in 2022

02

Review of Work in 2022

03

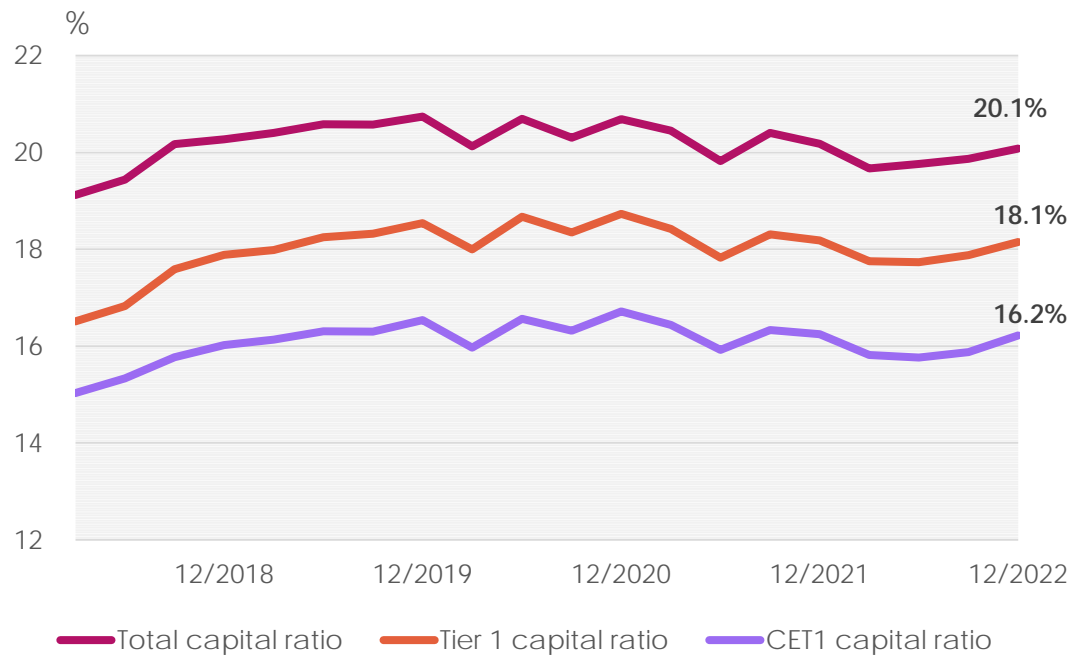
Work Priorities in 2023



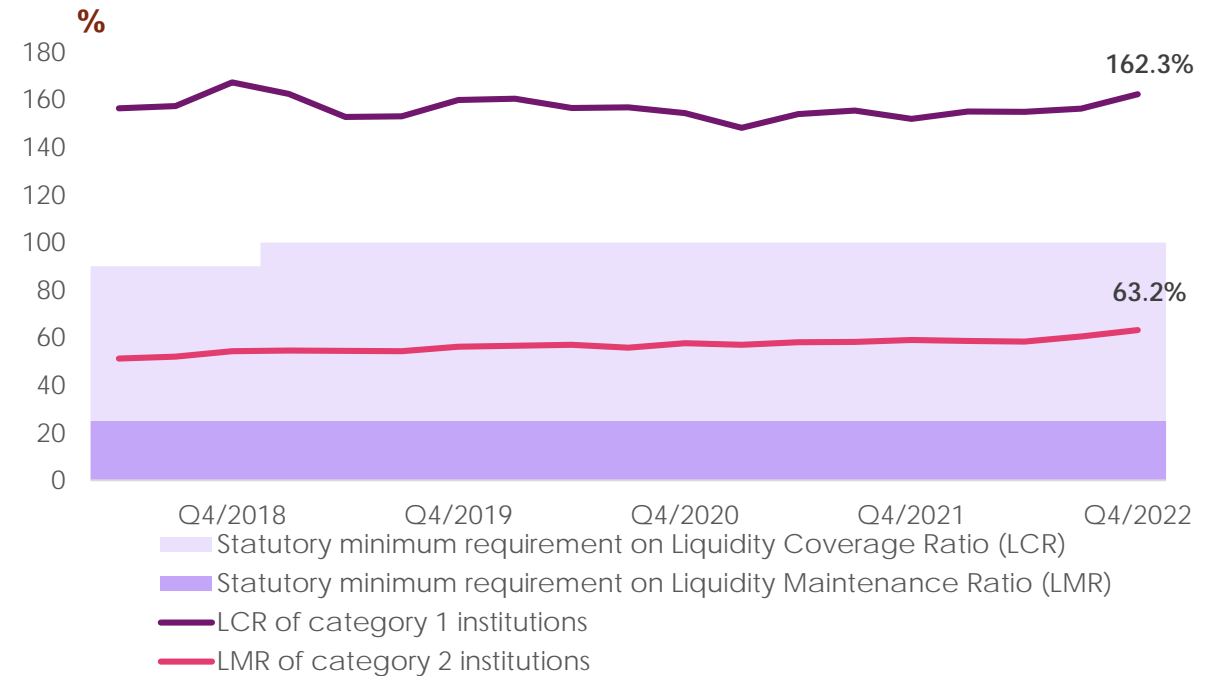


# BANKING SECTOR REMAINED RESILIENT

Capital Adequacy Ratios (CAR)



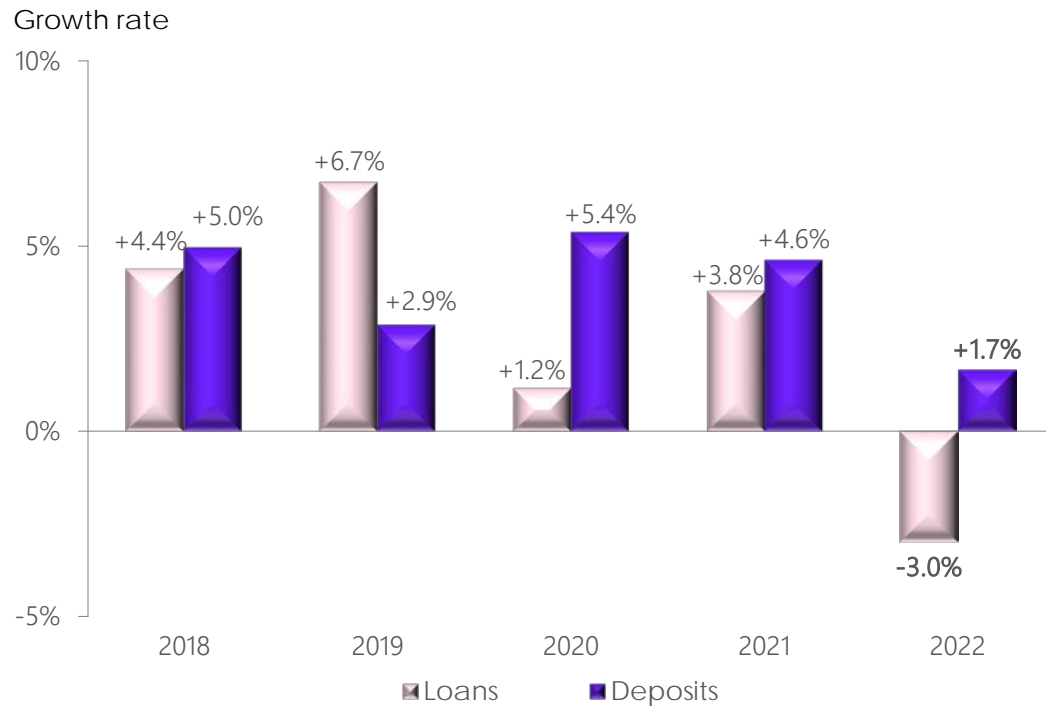
Liquidity Ratios



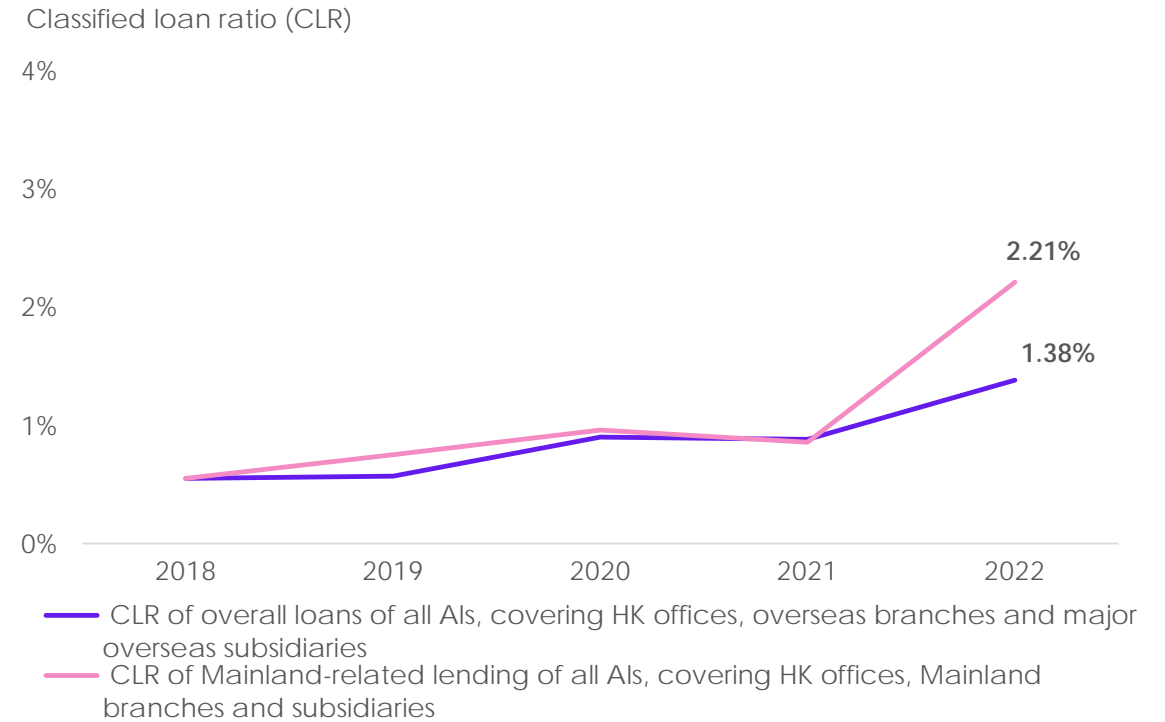


# LOAN DEMAND WEAKENED WHILE ASSET QUALITY STAYED HEALTHY

Loans and Deposits



Credit Quality





# REVIEW OF WORK



## Prudential Resilience

- Credit
- Market & Liquidity
- Operation & Technology



## Digital Transformation

- Fintech
- AML & Financial Crime Risk
- Consumer Protection



## Green

Green & Sustainable Banking



# CREDIT

## Credit



- o Enhanced surveillance of Mainland-related lending and conducted deep dive reviews of exposures to Mainland property developers

- o Stepped up examinations focusing on asset quality and provisioning to ensure healthy bank books



- o Further extended the Pre-approved Principal Payment Holiday Scheme and introduced voluntary partial repayment options



# MARKET AND LIQUIDITY



- o Stepped up surveillance of banks' exposures to market and liquidity risk



- o In-depth assessment of impacts of monetary tightening on banks (particularly on their banking books)



- o Introduced new scenarios to assess banks' resilience to cope with prolonged liquidity stress



# OPERATION AND TECHNOLOGY

## Strengthened operational and cyber resilience



- o New SPM module on Operational Resilience
- o Guidance on payment operations, payment card security and cloud computing
- o Implementation of C-RAF 2.0
- o Guidance on anti-DDoS protection
- o Promoting adoption of secure tertiary data backup

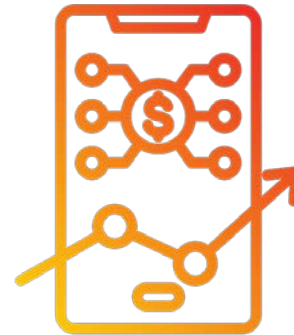




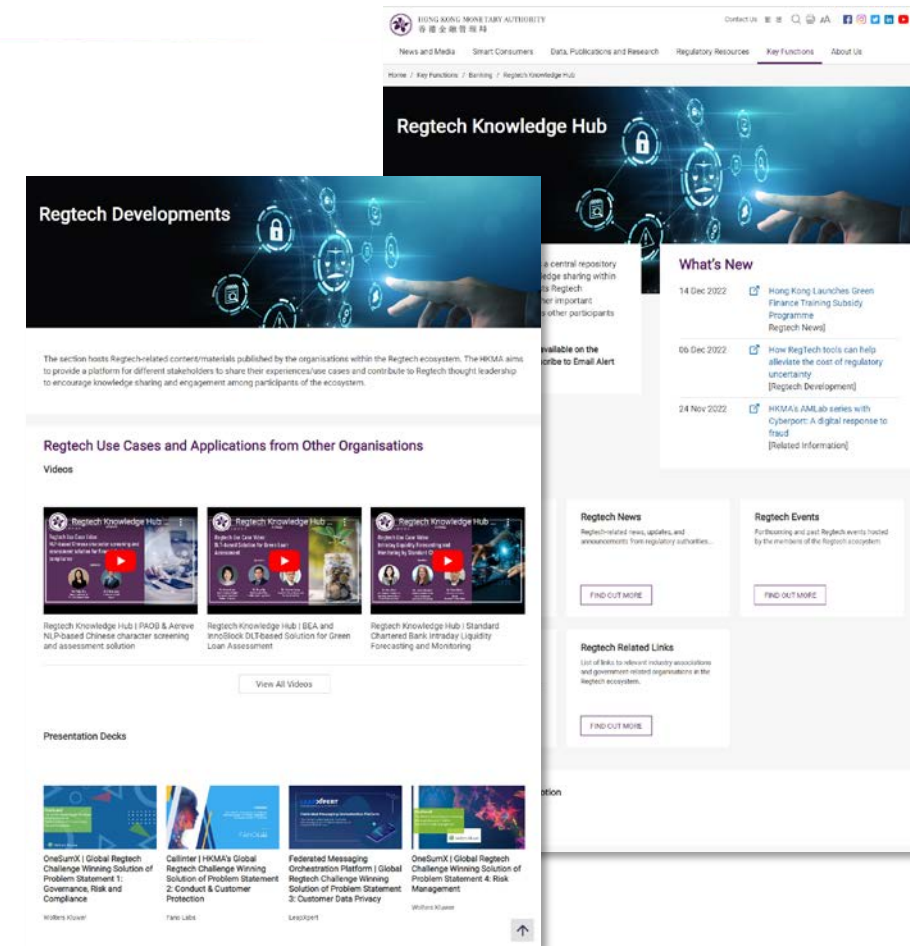
# FINTECH

## Adoption of Fintech by banks

- o Published the Tech Baseline Assessment report in June 2022
- o Launched the “Regtech Knowledge Hub” as part of the two-year Regtech promotion roadmap



“Regtech Knowledge Hub”: <https://www.hkma.gov.hk/eng/key-functions/banking/regtech-knowledge-hub/>





# AML AND FINANCIAL CRIME RISK

## Anti-fraud and mule accounts



### Publicity and education

- Public awareness campaign “Protect your Personal Digital Keys; Beware of Fraudulent Links!”
- “Don’t Lend/Sell Your Account”
- “一次性密碼 先對唔·後輸入”

### Combatting deposit scams and digital frauds

- Workshop on remote onboarding and identification of stooge accounts
- AML Seminar & FMLIT<sup>1</sup> meetings
- Regular Operational and IT Incidents Watch on digital scams
- Complaints Watch

### Public-Private Partnerships

**>6,800** new suspicious accounts identified  
**23** banks intercepting criminal proceeds 24/7  
**~HK\$1.2 billion** suspected fraudulent payments intercepted

### 2<sup>nd</sup> Hong Kong ML/TF Risk Assessment Report

- Banking sector: High
- Key threat: Fraud

### AML Regtech Adoption

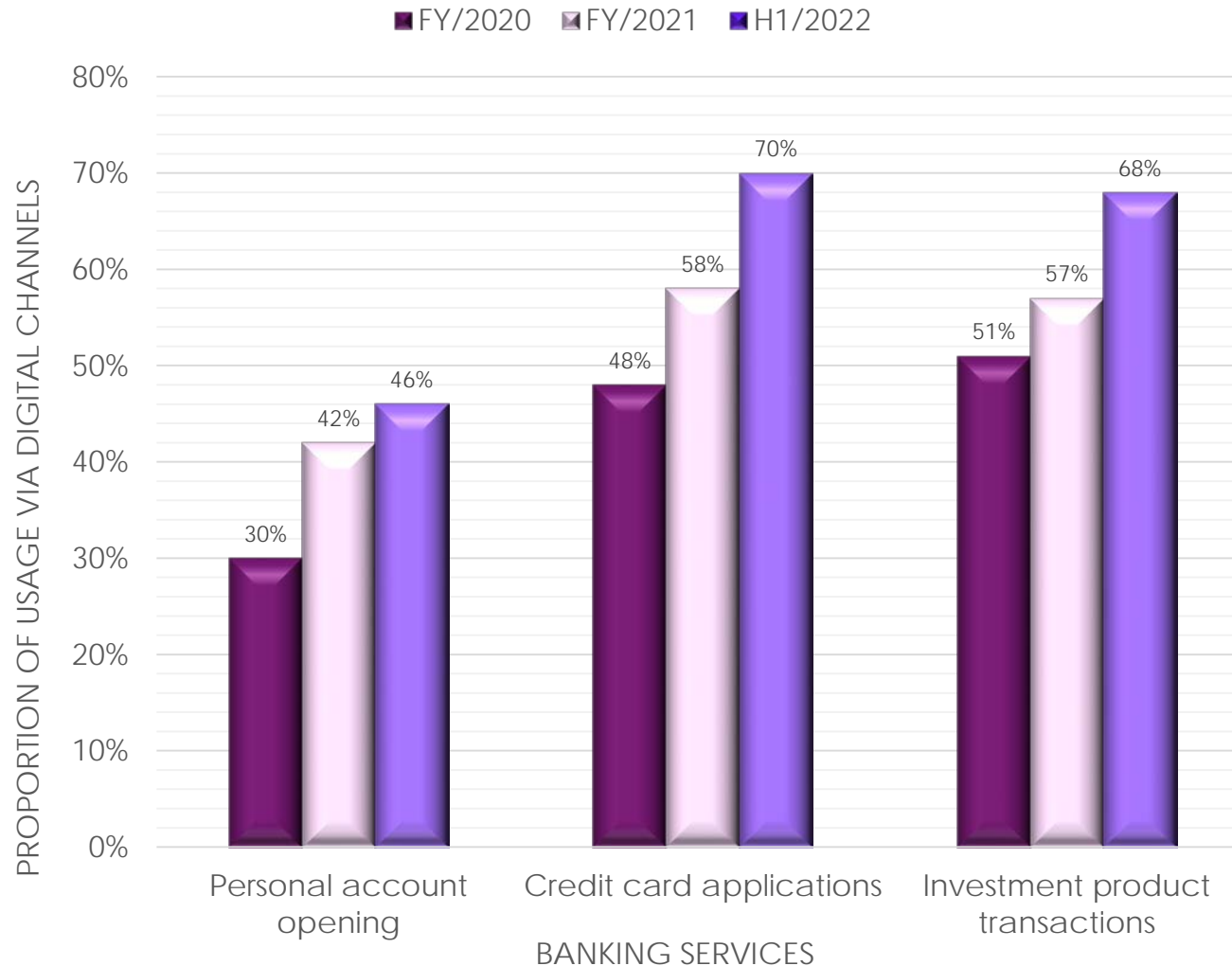
**60%** retail banks deploying network analytics  
**+319%**: intelligence-led STRs filed  
**+113%**: criminal proceeds restrained / confiscated

<sup>1</sup> Fraud and Money Laundering Intelligence Taskforce



# CONSUMER PROTECTION

## Rising digitalisation of banking services



- ❖ “Buy Now, Pay Later” products
- ❖ Payment Arrangements for Property Transactions
- ❖ Protective measures for real-time fund transfers
- ❖ Insurance and retirement planning products
  - Premium Financing
  - Protection Linked Plan
  - Qualifying Deferred Annuity Policy
  - MPF Tax-deductible Voluntary Contribution



# GREEN AND SUSTAINABLE BANKING



Embed climate risk  
in supervisory  
processes



Promote data  
availability



Develop  
taxonomy



Strengthen  
participation in  
international  
forums



# WORK PRIORITIES

## 2023

### Supervisory Work

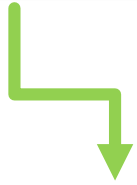

  
Prudential Work

  
Technology

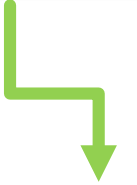

  
AML & Financial Crime Risk

  
Consumer Matters

### Development

  
Capacity Building  


  
Green & Sustainable Banking  


  
Virtual Assets  


  
BASEL III



# PRUDENTIAL WORK



- o Continue to focus on asset quality amid ongoing challenges in the credit landscape
- o Conduct health check on exposures to non-bank financial institutions





# TECHNOLOGY

## Operational resilience

- o Enhance operational resilience with focus on cyber security & third-party risk management (including cloud service providers)



## Fintech

- o Continue to promote Fintech adoption particularly in the areas of Wealthtech, Insurtech, AI and blockchain



# AML AND FINANCIAL CRIME RISK



## Support

- Regulatory updates
- Data-driven supervision



## Collaborate

- Maximise public-private partnerships
- Bank-to-bank information sharing



## Innovate

- Mule account network analytics
- AML Regtech Labs



**Detect, Deter and Disrupt  
Money Laundering,  
Fraud and Financial Crime**





# CONSUMER MATTERS

## General Banking Services



Review of Code of Banking Practice



Enhancing Protection on Credit Card Services

## Investment & Wealth Management



Supervision of Trust Business



Enhancing Investor Protection on Virtual Assets

## Infrastructure & Culture Development



Multiple Credit Reference Agencies Model



Cross-Boundary Credit Referencing



Mandatory Reference Checking Scheme



# BASEL STANDARDS



## Basel III standards

- Will be implemented no earlier than 1 January 2024
- Getting amendment rules ready
- Updating and development of
  - Supporting guidance
  - Banking returns
  - Disclosure templates

## New standard on cryptoassets

- Local industry consultation expected in H2 2023
- Implementation date: 1 January 2025





# GREEN AND SUSTAINABLE BANKING

Continue to step up supervision of climate risk management

- Thematic examinations on climate risk governance
- A new round of climate risk stress test

Climate Risk Management



• Sale of Green and Sustainable Investment Products

Green Products



• Leverage on Pillar 2 framework to drive banks to go green, by incorporating climate considerations into the supervisory review process

Supervisory Framework



• Develop a local green classification framework to strengthen the green financial ecosystem in Hong Kong

Taxonomy



• Build a physical risk assessment platform  
• Explore initiatives and technology solutions to support the industry in identifying, measuring and monitoring their exposures to climate risks

Data & Utilities



• Work with the other regulators and the international community in addressing climate-related issues  
• Promote insight/experience sharing as well as facilitate green innovation

Collaboration





# CAPACITY BUILDING



Upskill and reskill  
the existing  
workforce

- Set competency benchmark – launching ECF module on Green and Sustainable Finance
- Help banks enhance talent management capabilities by promoting good talent development practices

Attract and nurture  
future talents

- Attract new blood by deepening the young's understanding of modern banking
- Better equip the younger generation by providing professional training and work experience

