



HONG KONG MONETARY AUTHORITY
香港金融管理局

HONG KONG BANKING SECTOR

2023 Year-end Review and Priorities for 2024

31 January 2024



Agenda

Review of Work in 2023

01

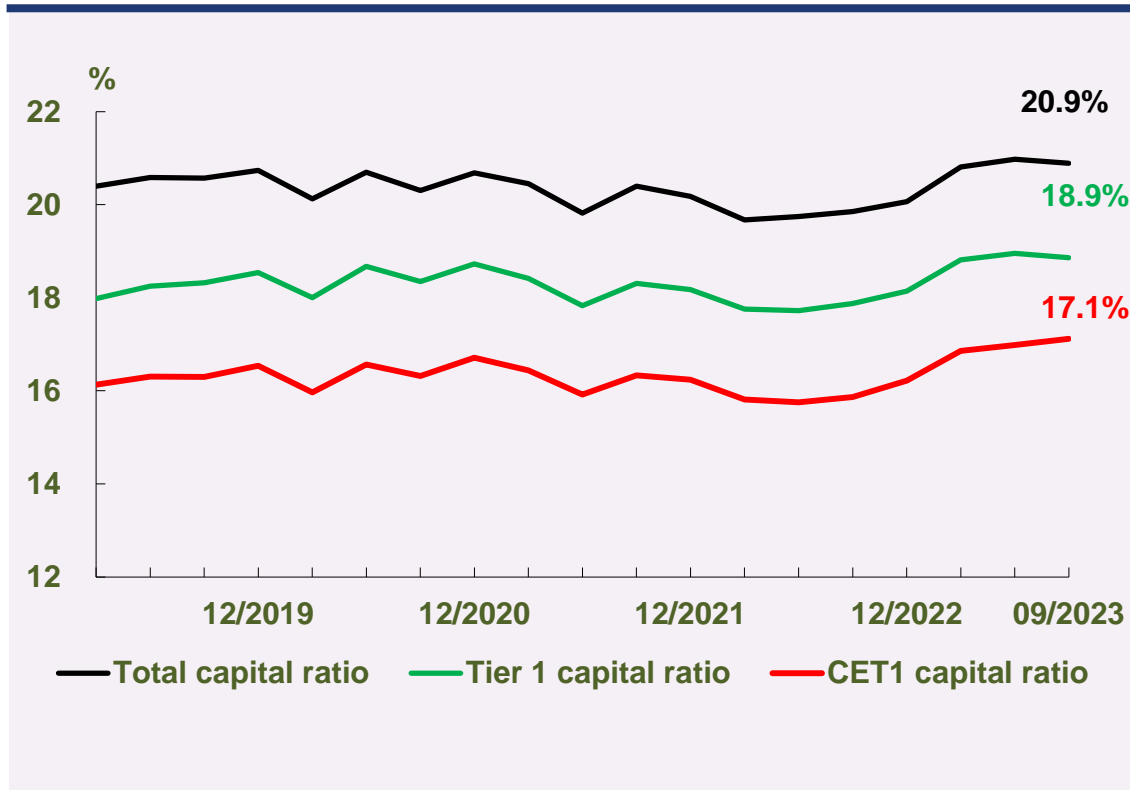
Work Priorities in 2024

02

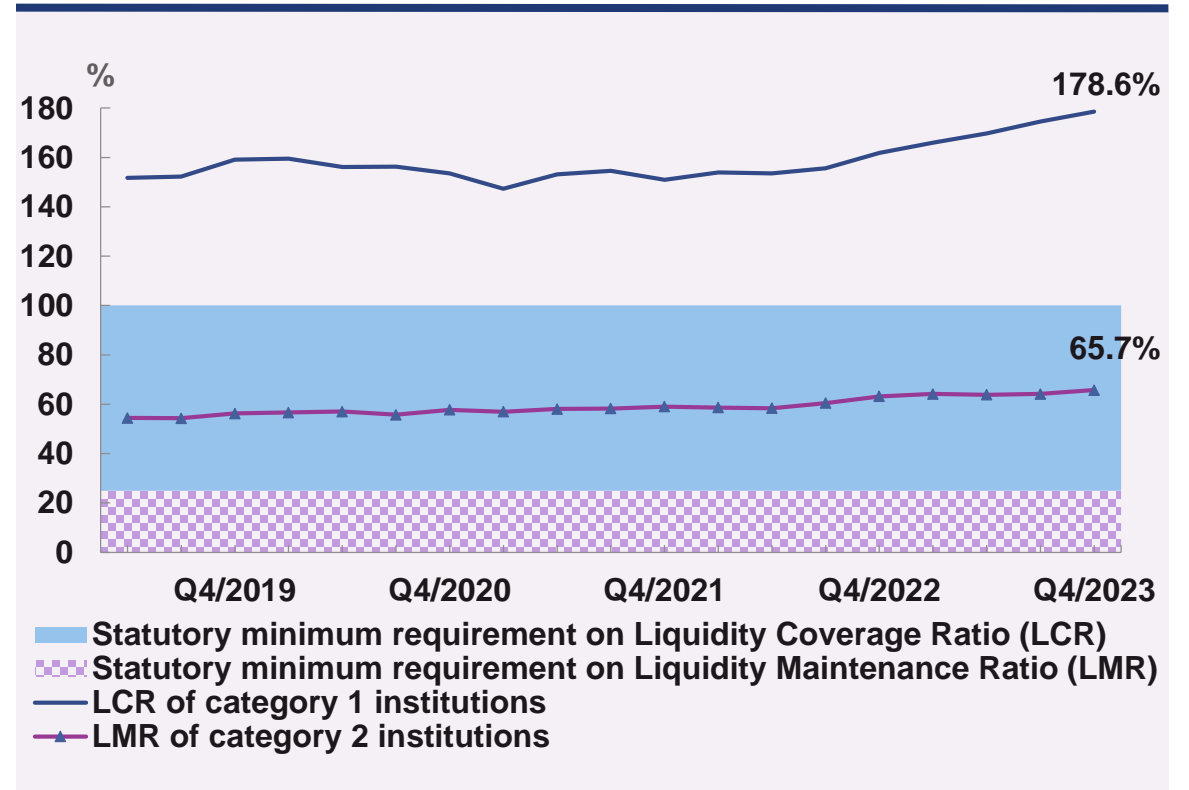


► Banking system remained safe and sound

Capital adequacy ratios (CAR)



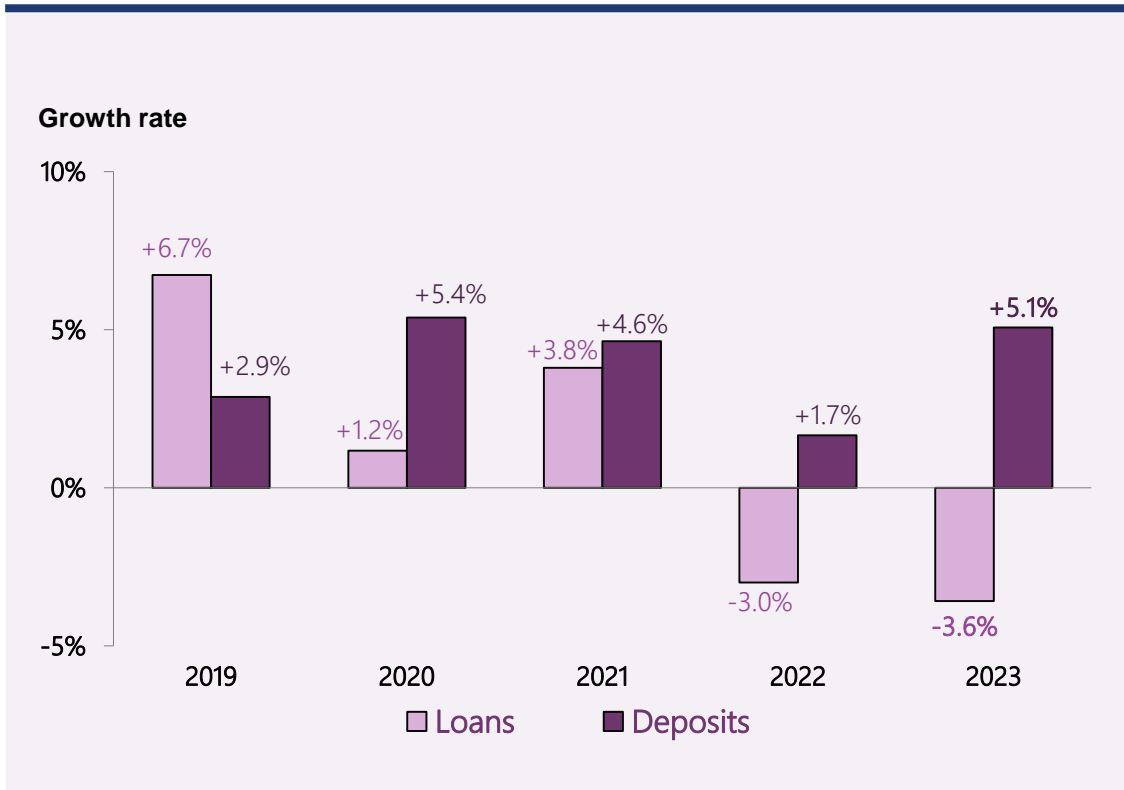
Liquidity ratios



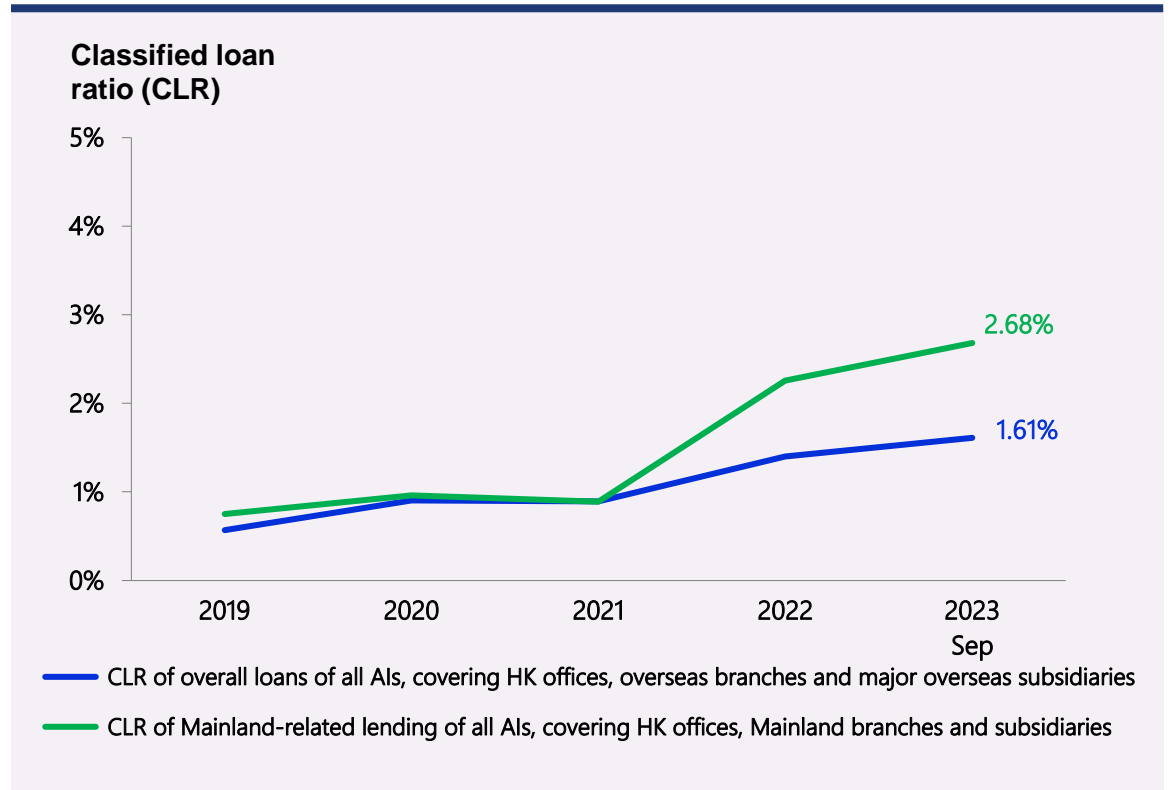


► Asset quality stayed healthy despite multiple headwinds

Loans and deposits



Credit quality





Other Supervisory Accomplishments in 2023

Financial resilience

March banking turmoil



Credit landscape



Operation & technology



Fraud prevention & detection



Green

Green & sustainable banking



Digital transformation & consumer protection

Fintech promotion & development



Consumer protection





► March banking turmoil in US and Europe



Managed the
spillover effects



Completed an
internal review to
draw lessons from
the turmoil



► Credit landscape

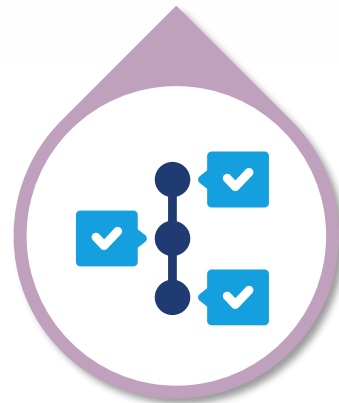


Maintained healthy asset quality amid heightened credit risk

Exited orderly from the Pre-approved Principal Payment Holiday Scheme (PPPHS)



Conducted a health check on exposures to non-bank financial institutions (NBFIs)

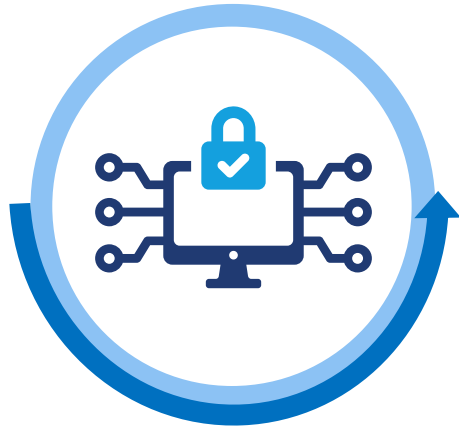


Implemented the 10th round of countercyclical macroprudential measures for property mortgage loans





► Operation and technology



- **Strengthened the banking sector's cyber resilience and collective defence against systemic cyber events**

- Completed another round of cyber defence maturity assessment and intelligence-led cyber simulation test
- Made significant inroad in implementing Secure Tertiary Data Backup (STDB) to enhance recovery capabilities from ransomware attacks
- Facilitated the organisation of and actively participated in a cross-sectoral crisis simulation exercise

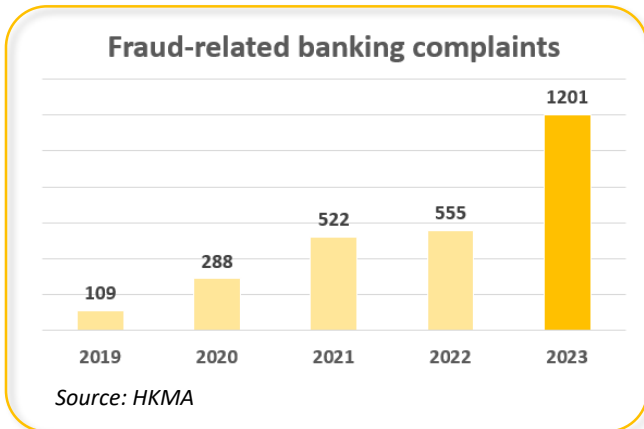
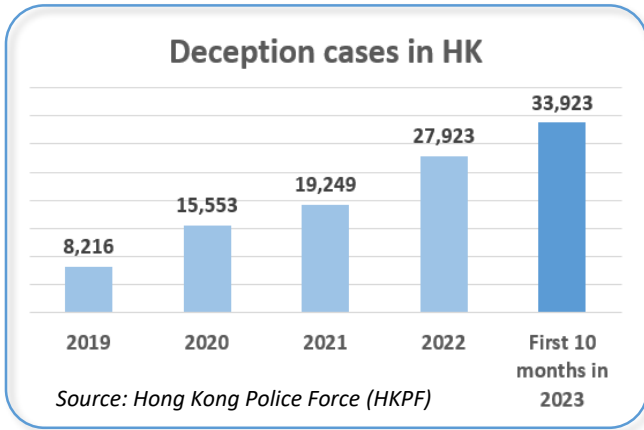


- **Satisfactory progress made in implementing global operational resilience standards**

- Operational resilience frameworks developed by May 2023
- On track to become fully operationally resilient by May 2026



► Fraud prevention and detection



Enhanced eco-system responses & information flow

- Pre-emptive & agile approach to combating rising threat of digital frauds
- 33 measures on payment card security and consumer protection
- 10 measures on e-banking security
- Measures against malware scams

Launch of Anti-Scam Consumer Protection Charter

Bank-to-Bank Information Sharing Platform (FINEST)

Fraud and Money Laundering Intelligence Taskforce (FMLIT)

Assistance to criminal investigation

Strengthened detection & monitoring of suspicious transactions

Real-time fraud monitoring system

Enhancement of 24/7 stop payment mechanism

Co-location of bank staff

Surveillance of breaches of Banking Ordinance

Raised customer alerts and education

Suspicious payee account

FPS suspicious Proxy ID alert

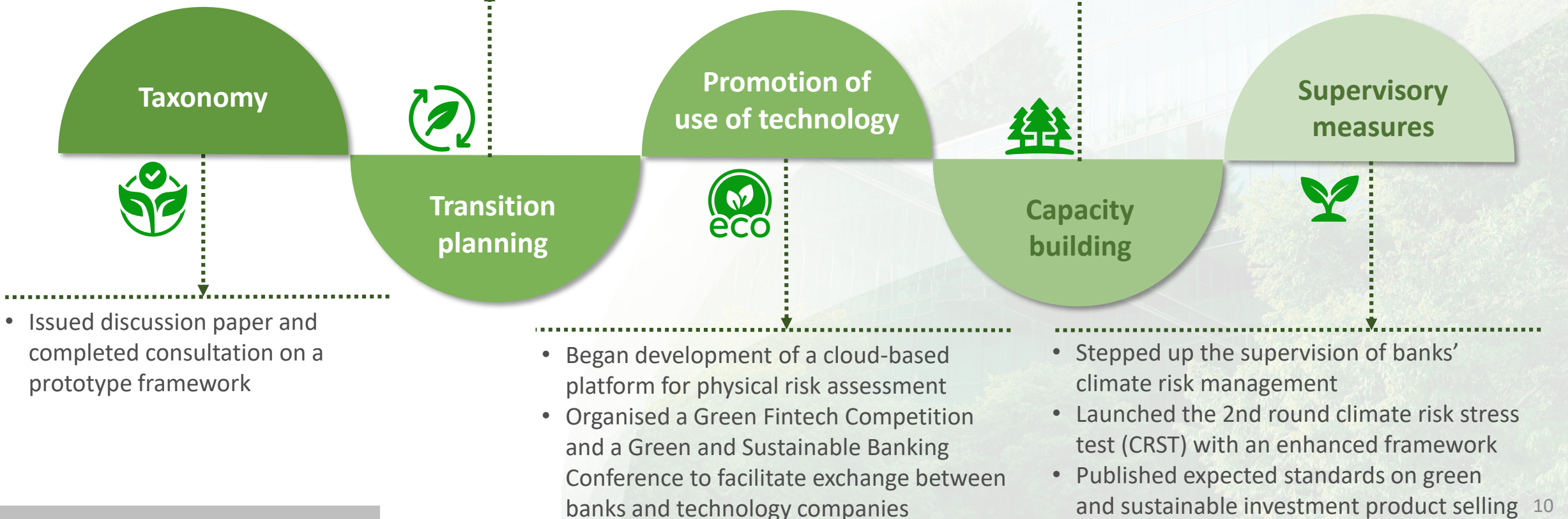
Public education & campaign



► Green and sustainable banking

- Issued high-level principles on planning for the net-zero transition
- Conducted a survey on banks' transition planning practices to facilitate subsequent industry sharing

- Launched the Core Level of the ECF on Green and Sustainable Finance (ECF-GSF) to set the competency standards required for GSF-related job roles in the banking industry





► Fintech promotion and development



Virtual banks continued to make progress in maturing business models and financial innovation



Widespread adoption of Regtech: **90% adoption** across multiple risk management and compliance functions



Launch of New Fintech Promotion Roadmap in Aug 2023, leveraging success in facilitating uptake of Regtech



Suptech: Established a solid foundation by introducing an end-to-end digital supervisory platform to increase efficiency

Observed use cases



FX Settlement



Credit Risk



Wealth Management



DLT



Federated Learning



Robotic

... and more

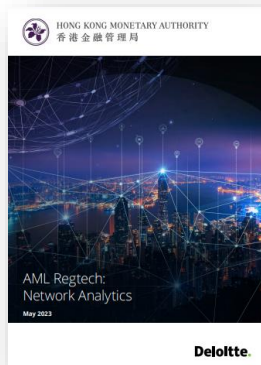


Fintech Promotion Roadmap
(Aug 2023)



▶ AML Regtech adoption

- Network analytics: Retail banking customers coverage up from 40% in 2019 to nearly **90% in 2023**, providing stronger protection from fraud
- High value AML Regtech use cases promoted through AMLab and publications, to strengthen controls and address pain points



AML Regtech: Network Analytics
(May 2023)



AMLab 4
(Jun 2023)



AML/CFT Regtech:
Case Studies and Insights Vol 2
(Sep 2023)

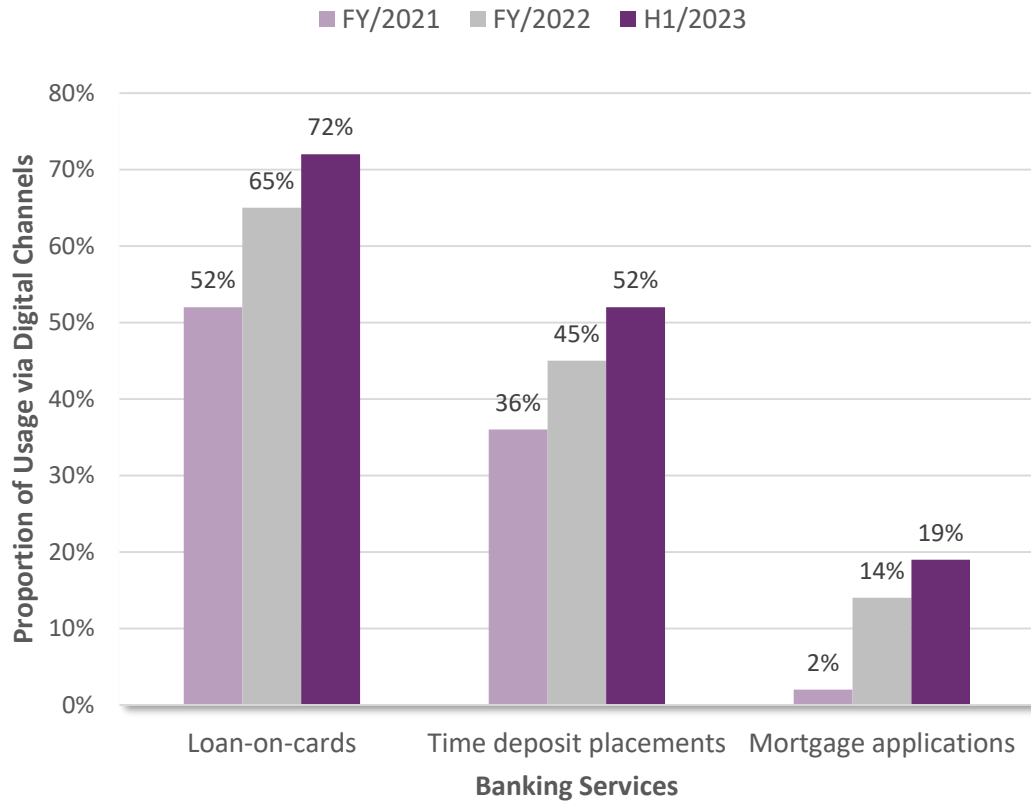
▶ Use of Technology in Enforcement work

- Speech to text and Robotic Process Automation: improved processing time of complaint handling and investigation by 8% in 2023



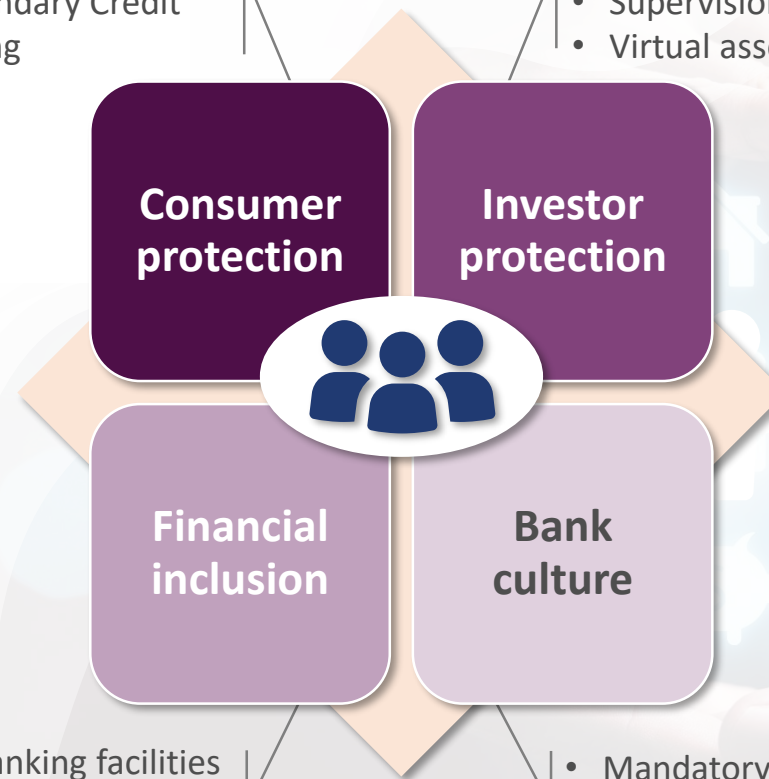
► Consumer protection

Rising digitalisation of banking services



- Code of Banking Practice
- Payment Arrangement for Property Transactions
- Digital marketing
- Cross-boundary Credit Referencing

- Streamlined approach for sophisticated professional investors
- Investment selling process review
- Supervision of trust business
- Virtual assets



- Physical banking facilities
- Account opening

- Mandatory Reference Checking Scheme



Work priorities in 2024

Supervisory work



Prudential work



AML & financial crime risk



Anti-fraud



Consumer protection



Basel III implementation

Development



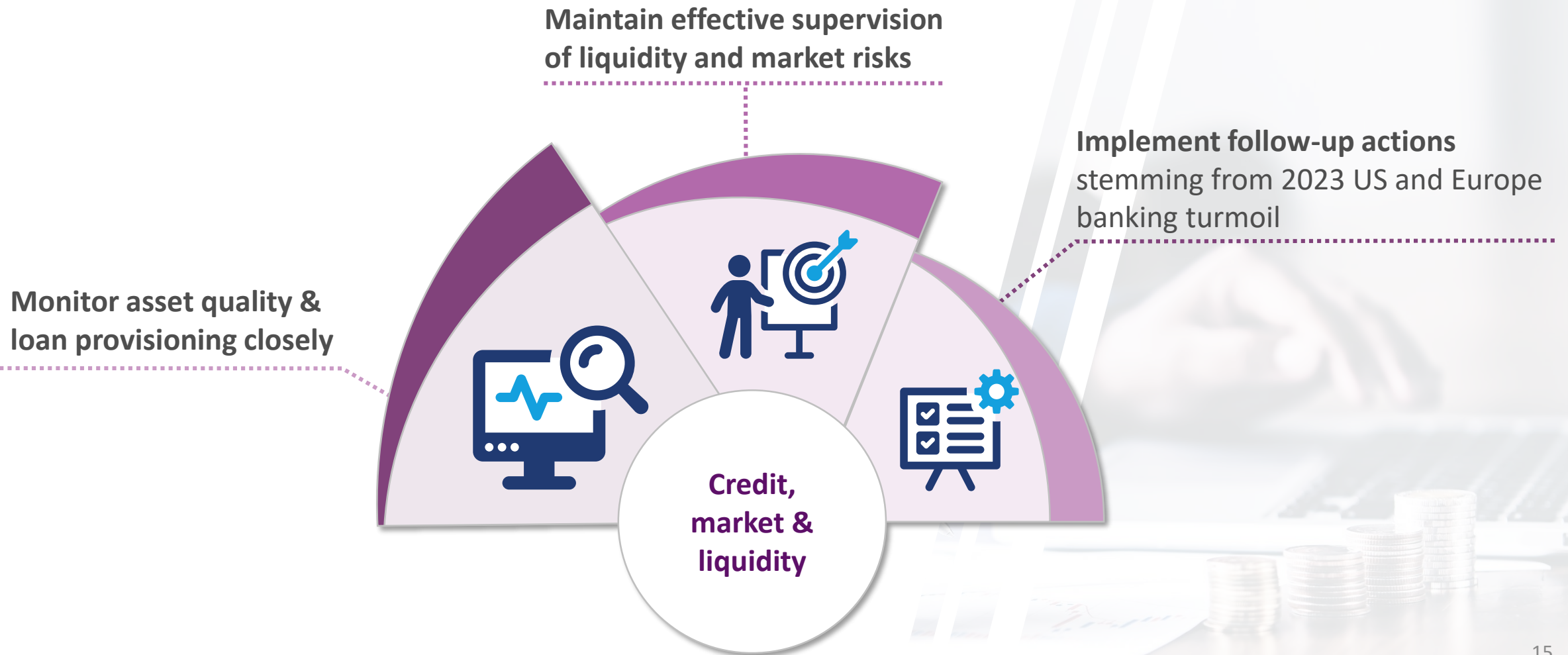
Green & sustainable banking



Fintech promotion



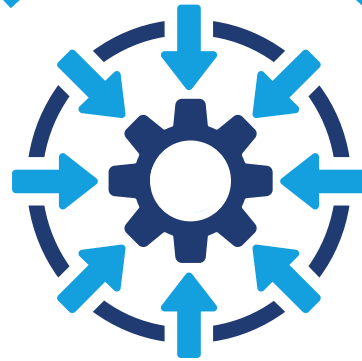
► Prudential work





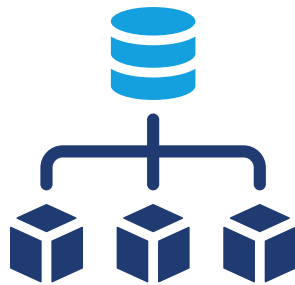
► Operational and cyber resilience

Monitor the industry's progress in achieving operational resilience



Oversee another round of assessments under C-RAF 2.0

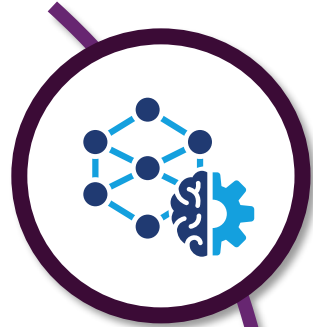
Monitor banks' implementation of STDB





► AML and financial crime risk

- Uphold banking integrity
- Promote customer confidence



Macro Analytics 3.0

- Multi-bank payment data
- Artificial Intelligence in Transaction Monitoring (Guidance)



Target high risk areas

- Thematic review of high-end Money Laundering
- Risk-based Politically Exposed Person Guidance



Strengthen eco-system

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



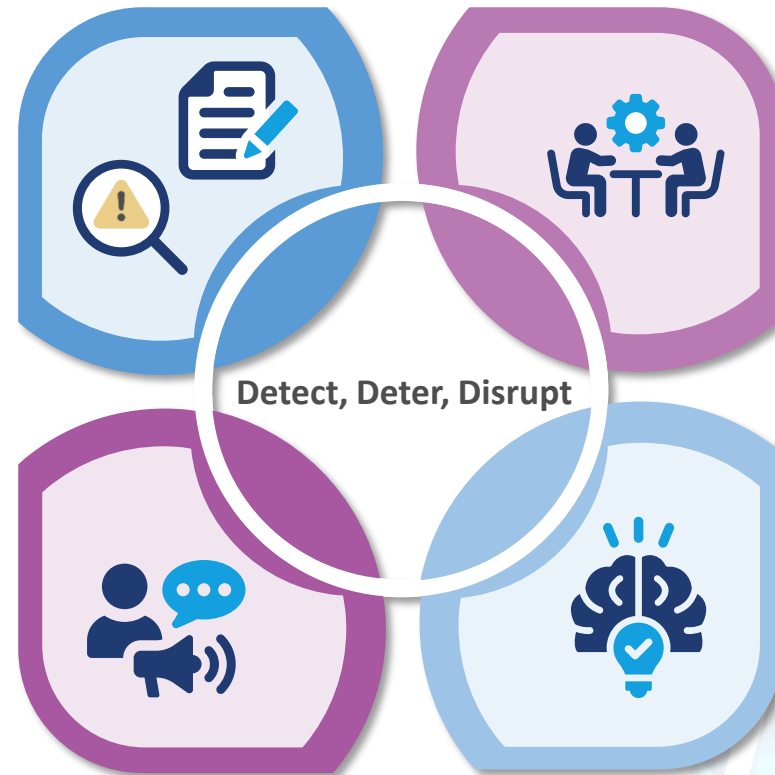
► Anti-fraud

Pre-emptive & agile responses to digital frauds

- Ensuring e-banking security keeps up with fraud landscape
- Monitoring banks' implementation of new e-banking security measures
- Stepping up surveillance

Education & promotion

- Latest modus operandi
- Mobile point-of-sale terminals
- Public education



Collaboration

- Further enhance effectiveness of 5 joint anti-fraud initiatives
- Expansion of Anti-Scam Consumer Protection Charter
- Strengthening defense against digital frauds with banks & Police

Innovation

- Adoption of network analytics to strengthen real-time fraud monitoring
- Enhancing suspicious proxy alert model



► Consumer protection

General banking services



Use of Artificial Intelligence



Personal credit products

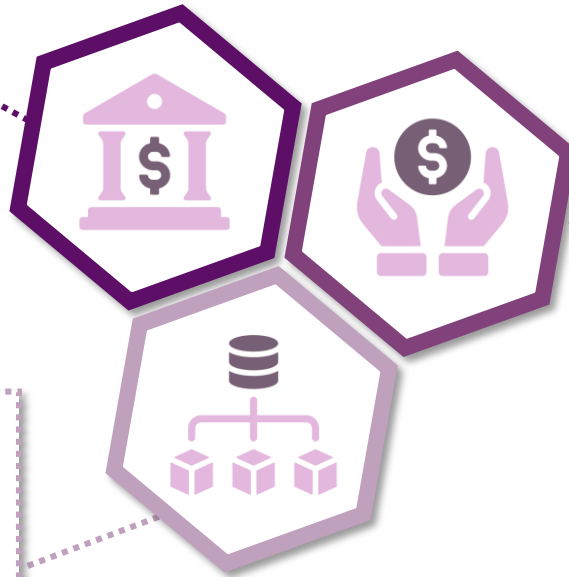
Infrastructure



Credit Data Smart



Cross-boundary credit referencing



Investment & wealth management



Virtual assets and tokenisation



Investment selling process



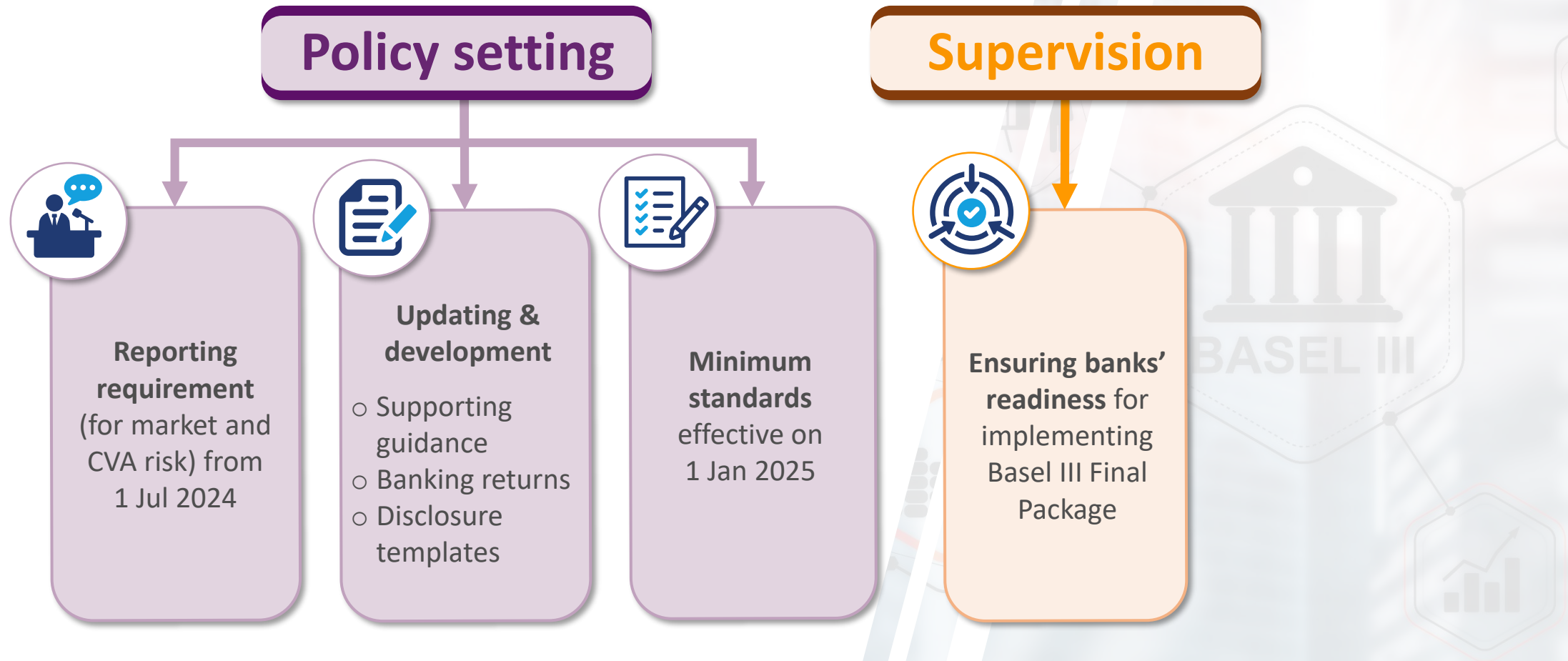
Cross-boundary Wealth Management Connect



Premium financing



► Basel III implementation





► Green and sustainable banking

- Preparatory work on adopting Basel's proposed disclosure framework

Disclosure on climate-related financial risks



- Finalise and issue the taxonomy
- Continue the development in second phase

Taxonomy



- Issue observations and guidance on best practices
- Organise seminars or workshops

Transition planning



- Launch platform and make enhancements based on feedback

Physical risk assessment platform



- Developing the Professional Level of ECF-GSF

Capacity building



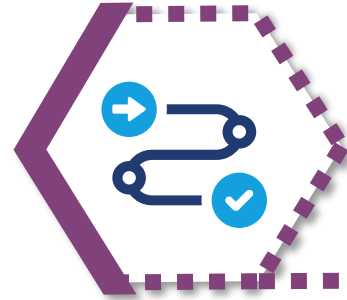
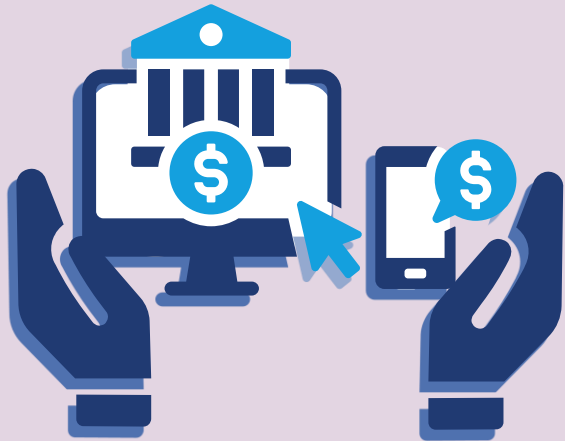
- Thematic exams on climate risk management practices
- Consultative sessions on implementation of HKMA's supervisory expectations
- Completing the 2nd round sector-wide CRST

Supervision of climate risk management





► Fintech promotion



- Roll out initiatives under New Fintech Promotion Roadmap
- Undertake research on GenAI & DLT



Wealthtech



Insurtech



Greentech



AI



DLT



- Strengthen advanced analytics capabilities
- Explore GenAI in Supotech



Anti-scam Campaigns to raise public awareness

Scam Prevention



New API & Cross-media Campaign on Phishing Risk



Overall impact:

- 109M+ outdoor promotion impression
- 2.7M+ digital platforms video views
- 2.2M+ social media post reach

- 2M+ social media video views
- 80K+ social media post engagement