



Hong Kong Banking Sector: 2017 Year-end Review and Priorities for 2018

Hong Kong Monetary Authority

1 February 2018



Outline

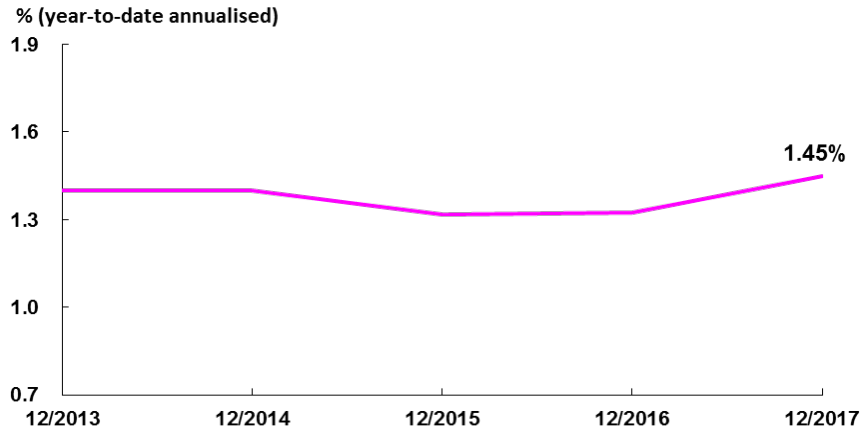
- 1. Banking Sector in 2017**
- 2. Review of Work in 2017**
- 3. Major Risk Scenarios**
- 4. Work Priorities for 2018**
- 5. Major Developmental Trends**



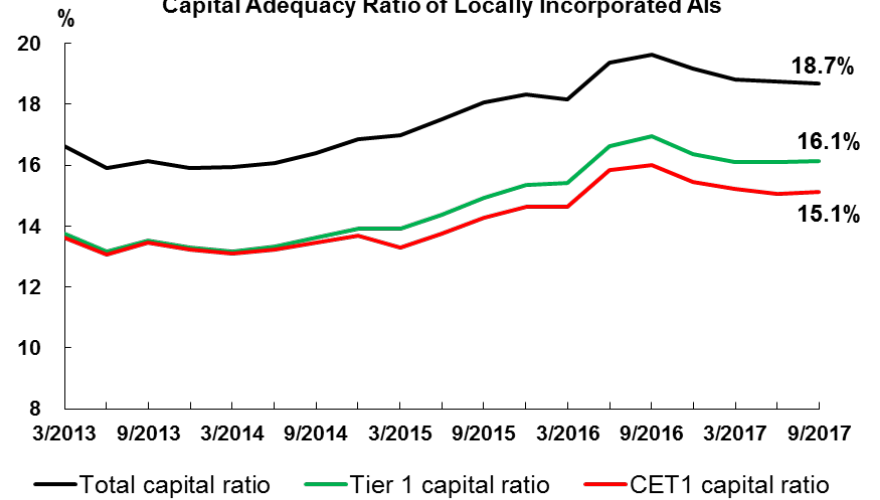
Banking sector in 2017

Hong Kong's banking sector remains safe and sound

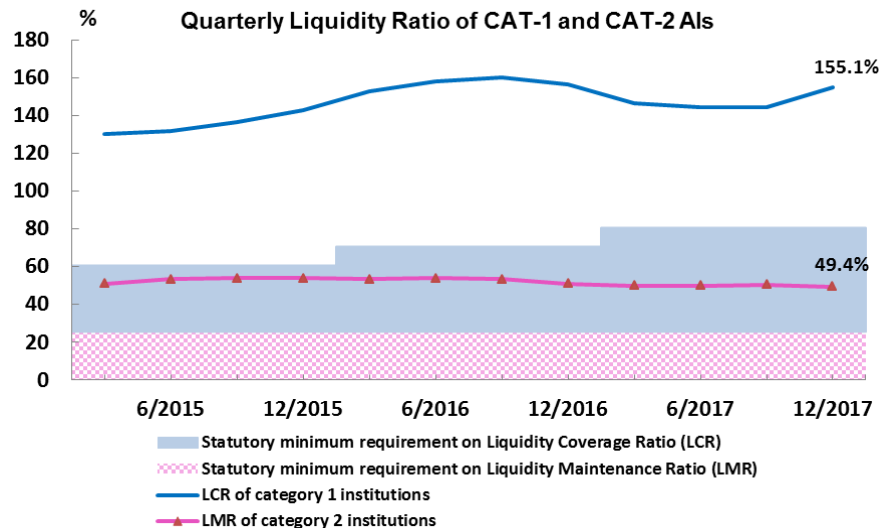
Net Interest Margin of Retail Banks



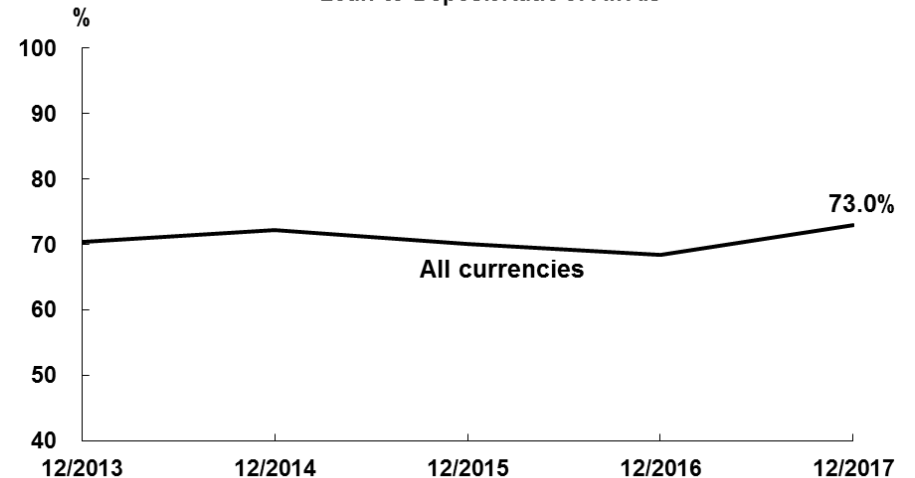
Capital Adequacy Ratio of Locally Incorporated AIs



Quarterly Liquidity Ratio of CAT-1 and CAT-2 AIs



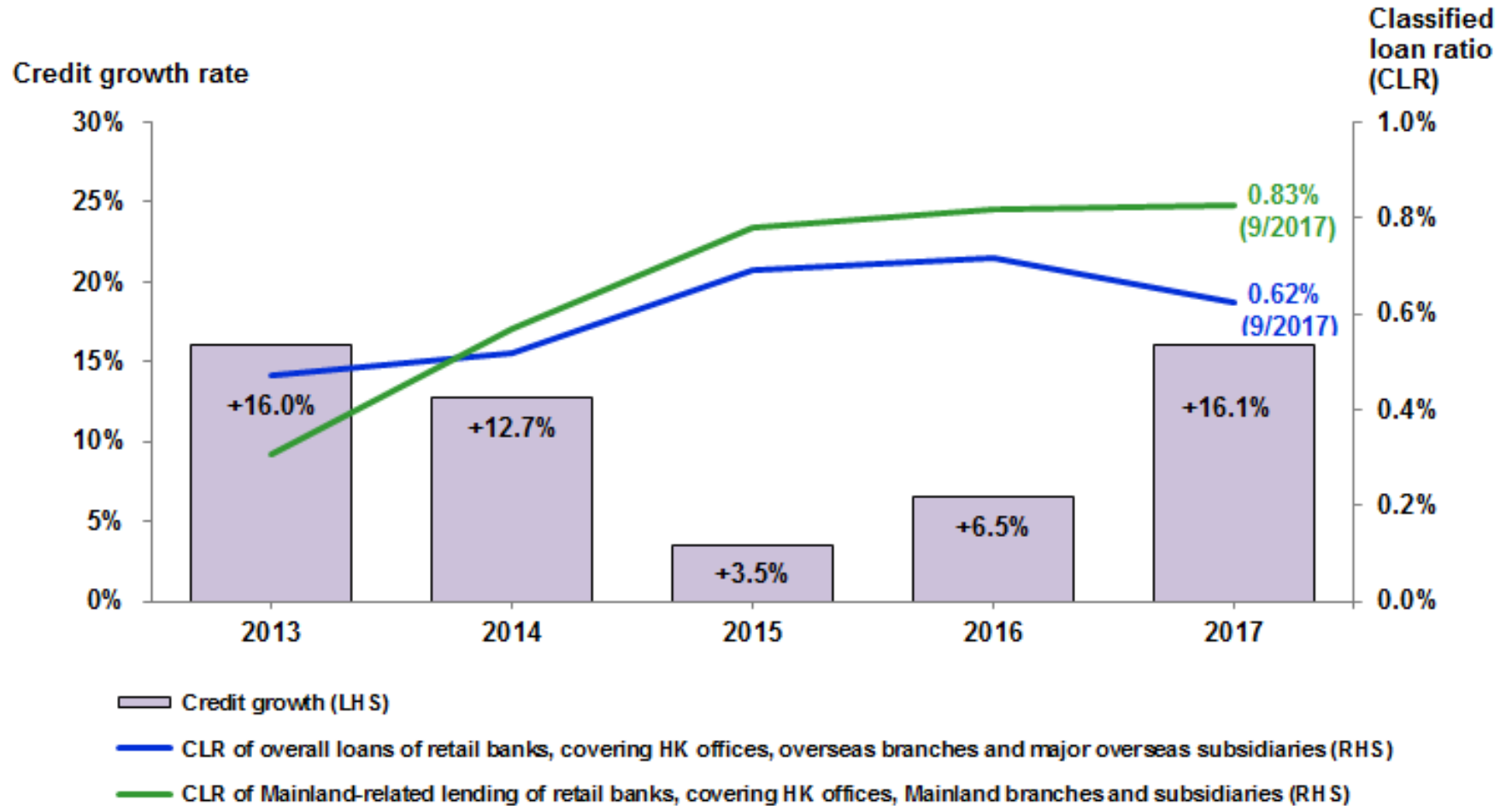
Loan-to-Deposit Ratio of All AIs





Banking sector in 2017

Credit Growth and Asset Quality





Review of Work in 2017

Banking stability

Fintech development

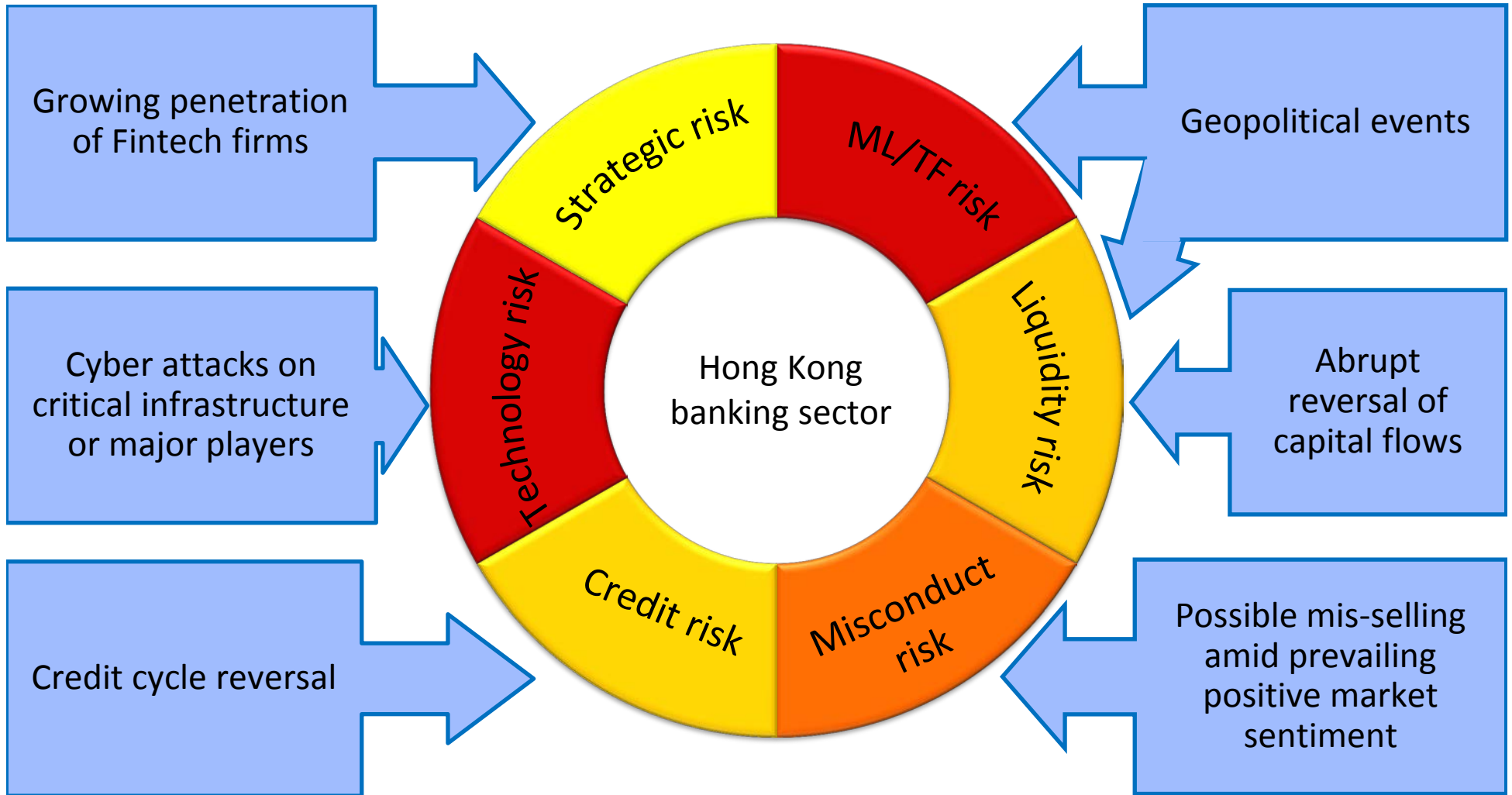
Implementation of international standards

Financial inclusion and consumer protection

Culture and capacity building

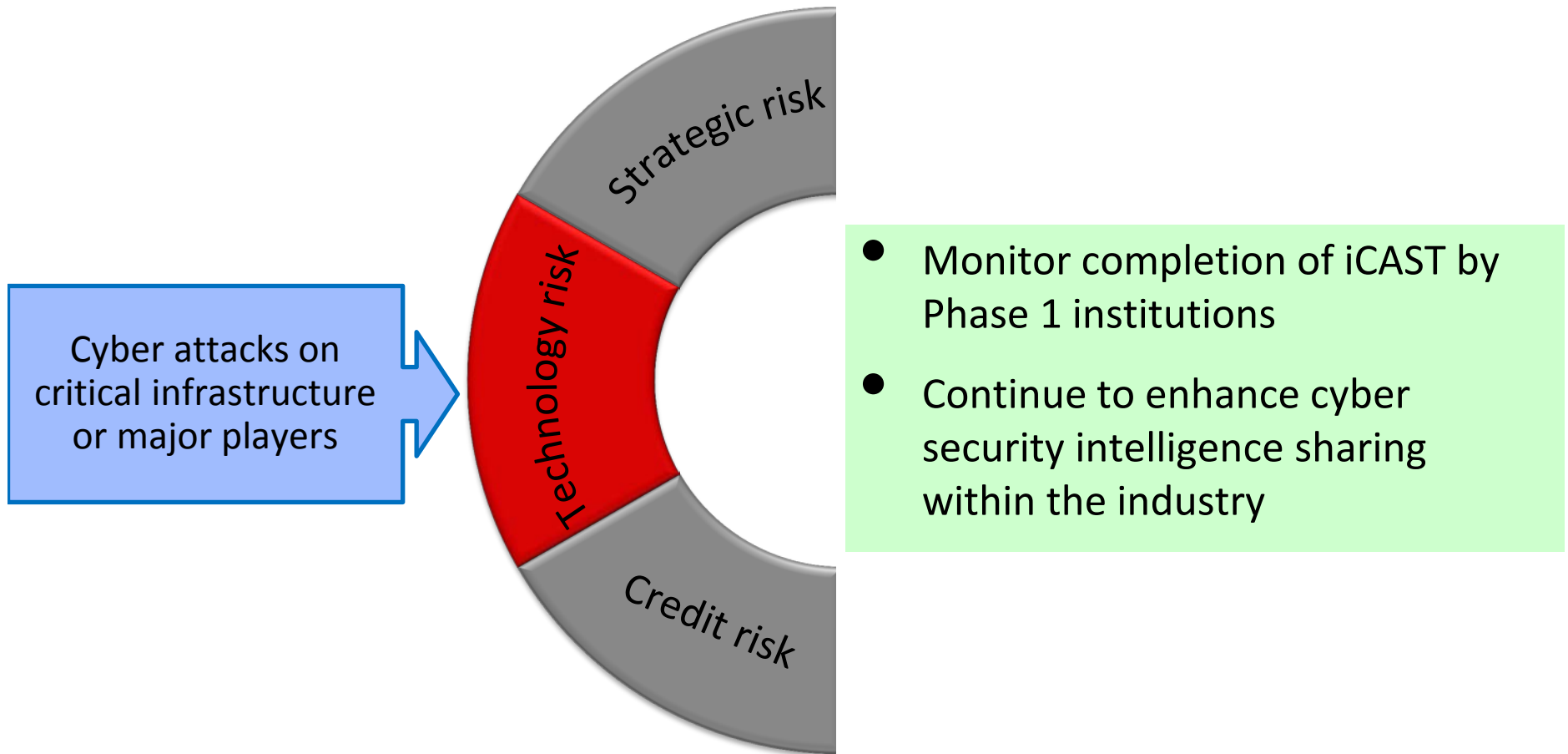


Major Risk Scenarios





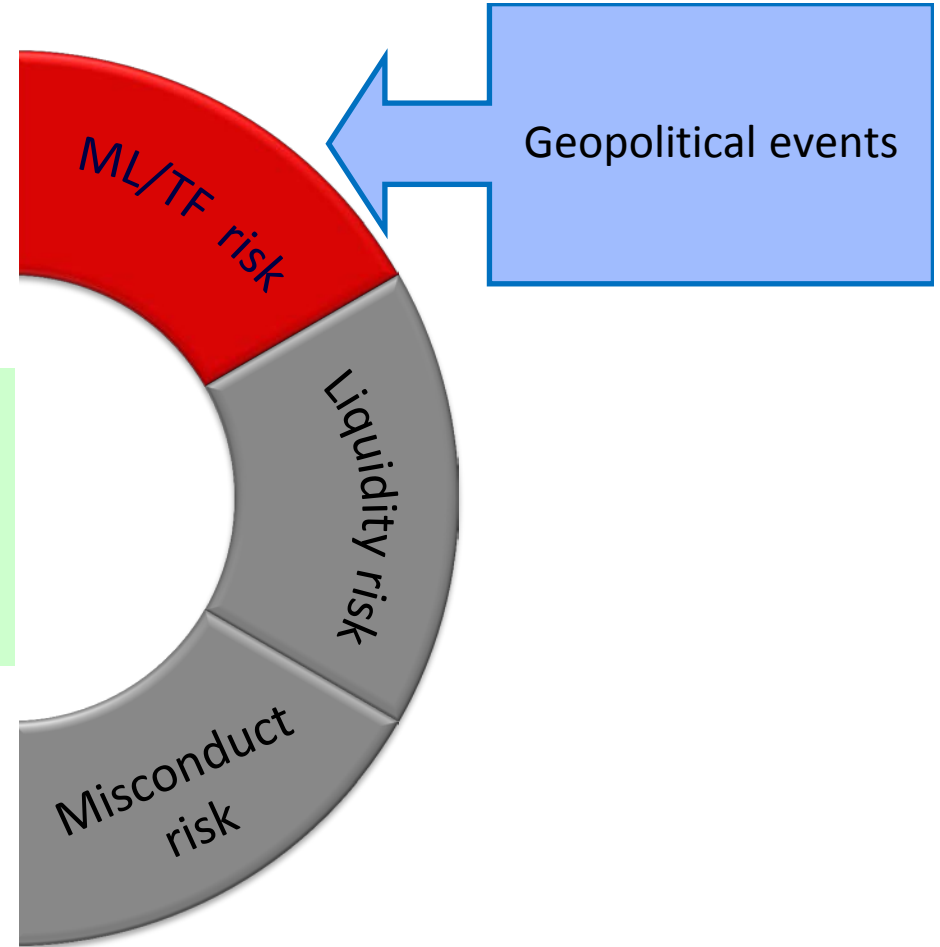
Work Priorities for 2018





Work Priorities for 2018

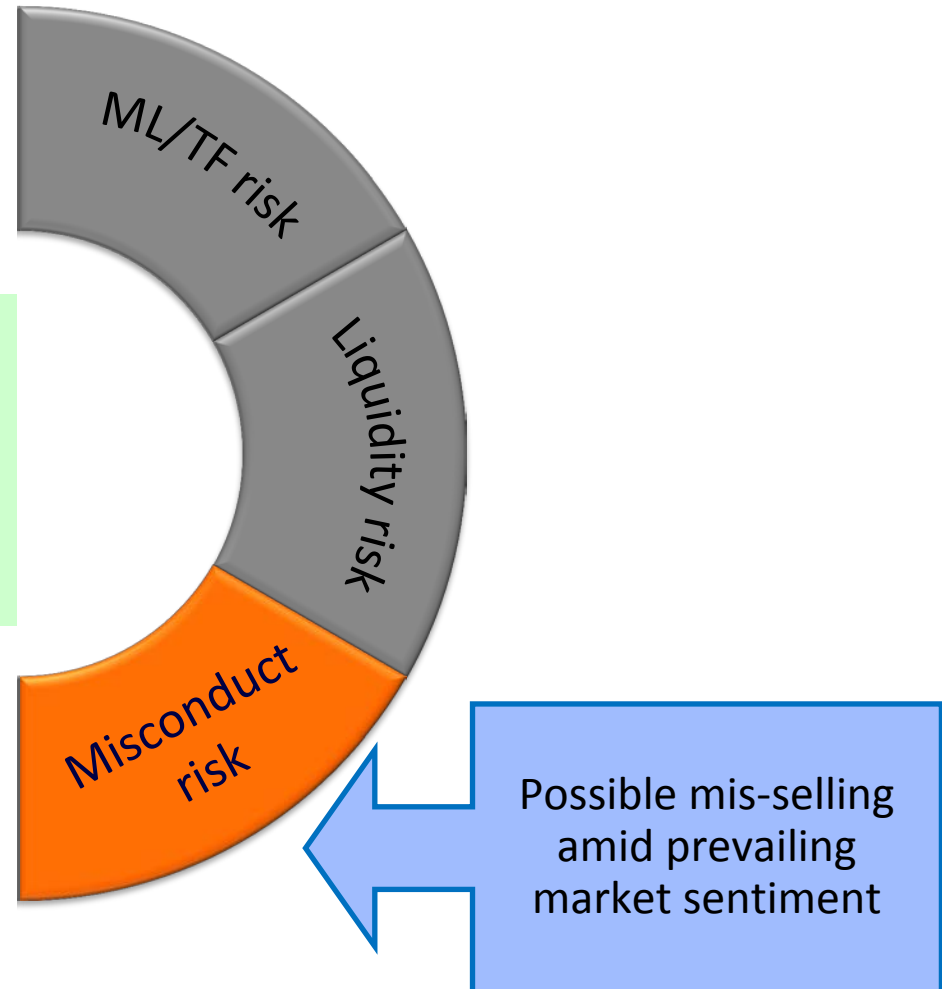
- Sanctions compliance
- Information and intelligence sharing
- Risk-based approach





Work Priorities for 2018

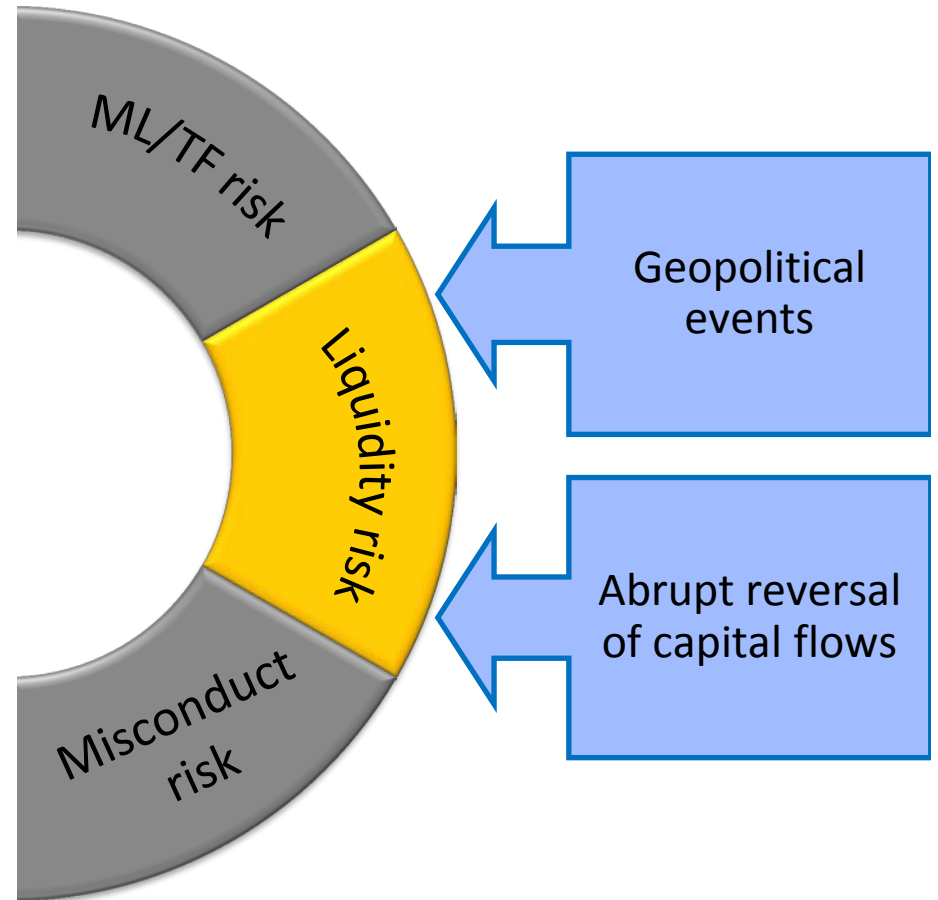
- Selling practice of popular investment products
- Selling practice of new insurance products





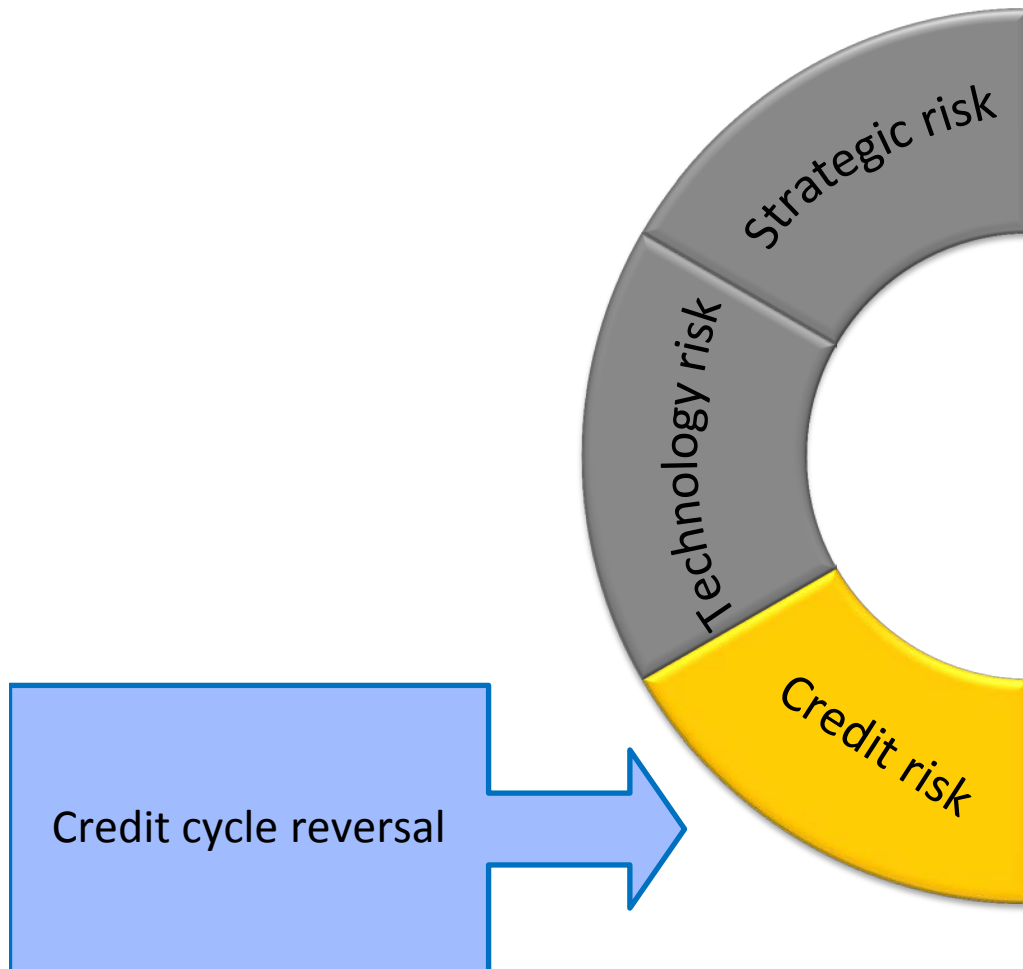
Work Priorities for 2018

- Strengthen banks' internal liquidity stress testing
- Assess banks' management of USD funding risk
- Monitor implementation of Net Stable Funding Ratio (NSFR) by banks





Work Priorities for 2018

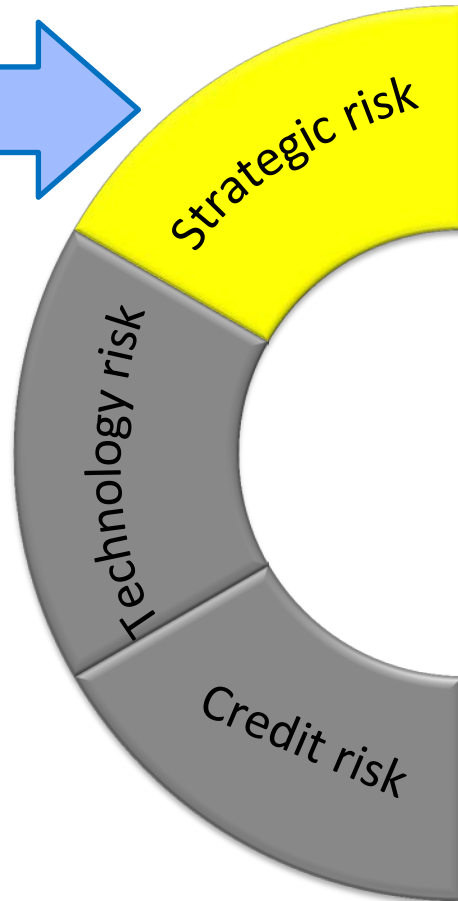
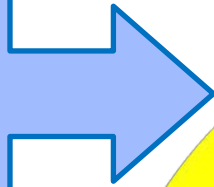


- Continue to promote sound underwriting practices, particularly in relation to lending to property developers which increased considerably in 2017
- Enhance surveillance of exposures to large corporates



Work Priorities for 2018

Growing penetration
of Fintech firms



- Continue to engage senior management of banks to understand their latest strategies



Major Developmental Trends

Fintech

Guideline on Authorization of virtual banks

Banking Made Easy

Growth of wealth management business

Supervision of fast growing private banks

Migration of derivative books of international banks

Modernise large exposure rules

Enhance internal model validation capability



Major Developmental Trends

Basel 3

Implementation of international standards

Others

Promote effective risk governance