

Process Review Committee

Annual Report to the Financial Secretary 2024-2025

I. GENERAL INFORMATION

Background of establishment

1.1 The Payment Systems and Stored Value Facilities Ordinance (“PSSVFO”) empowers the Monetary Authority (“MA”) to designate and oversee clearing and settlement systems (“CSSs”) that are material to the monetary or financial stability of Hong Kong or to its functioning as an international financial centre or having regard to matters of significant public interest. The purpose of the PSSVFO is, among other things, to promote the general safety and efficiency of designated CSSs.

1.2 To date, six CSSs have been designated under the PSSVFO. They are:

- (a) the Central Moneymarkets Unit (“CMU”)
- (b) the Hong Kong Dollar Clearing House Automated Transfer System (“HKD CHATS”)¹
- (c) the US Dollar Clearing House Automated Transfer System (“USD CHATS”)
- (d) the Euro Clearing House Automated Transfer System (“EUR CHATS”)
- (e) the Renminbi Clearing House Automated Transfer System (“RMB CHATS”)²
- (f) the Continuous Linked Settlement (“CLS”) System

1.3 The system operators (“SOs”) and settlement institutions (“SIs”) of the designated CSSs are set out in the following table:

¹ Including the Faster Payment System (“FPS”) which was launched on 17 September 2018 as extensions of the HKD CHATS and RMB CHATS respectively to provide 7 x 24 real-time clearing and settlement services for HKD and RMB retail payment transactions.

² The FPS also supports RMB transactions. See footnote 1.

Table 1:

Designated CSS	System operator	Settlement institution
CLS System	CLS Bank	CLS Bank
CMU	HKMA	Nil
HKD CHATS	HKICL*	HKMA
USD CHATS		The Hongkong and Shanghai Banking Corporation Limited
EUR CHATS		Standard Chartered Bank (Hong Kong) Limited
RMB CHATS		Bank of China (Hong Kong) Limited

* The Hong Kong Monetary Authority (HKMA) and the Hong Kong Association of Banks each own 50% of the Hong Kong Interbank Clearing Limited (HKICL)

1.4 The HKMA is the owner/ operator of HKD CHATS and the CMU, and has a 50% stake in the HKICL, which is the system operator of the four CHATS systems and provides computer support to the CMU. Of the six designated CSSs, the CLS System is the only one in which the HKMA does not have an interest. The CLS System is subject to the supervision of the Federal Reserve Bank of New York (“FRBNY”) and is exempted under section 11 of the PSSVFO from certain requirements under the Ordinance. FRBNY leads a CLS Oversight Committee with representatives from all of the jurisdictions (including Hong Kong) whose currencies are members of the CLS system, and the HKMA exercises oversight of CLS through participation in this committee.

1.5 The HKMA exercises on-going oversight of the five local designated CSSs: the CMU³, HKD CHATS, USD CHATS, EUR CHATS and RMB CHATS. Some of these designated CSSs have established links with overseas payment or securities settlement systems to facilitate cross-border transactions. For example, the payment-versus-payment (“PvP”) and the delivery-versus-payment (“DvP”) links between USD CHATS and RENTAS⁴ in Malaysia, the PvP link between USD CHATS and BI-RTGS⁵

³ Starting from January 2025, CMU OmniClear Limited, a wholly owned subsidiary of the Exchange Fund, is responsible for carrying out the operations of the CMU on behalf of the MA.

⁴ RENTAS is the RTGS clearing and settlement system for inter-bank fund transfer and scripless securities trading in Malaysia.

⁵ BI-RTGS is the RTGS clearing and settlement system for inter-bank fund transfer in Indonesia.

in Indonesia, the PvP link between USD CHATS and BAHTNET⁶ in Thailand, and the DvP link between HKD CHATS and BOJ-NET JGB Services⁷ in Japan. Over the years, the CMU has also established various cross-border links with regional and international central securities depositories (such as Clearstream, Euroclear), and the most recent cross-boundary link with the central securities depository operated by Macao Central Securities Depository and Clearing Limited. Although these systems outside Hong Kong are not overseen by the HKMA, the HKMA oversees these external links in cooperation with the respective home overseers.

1.6 The HKMA has implemented a number of measures to address the potential or perceived conflict of interest arising from the HKMA being the SO or SI of certain CSSs and also the overseer of designated CSSs. These include a clear segregation of duties within the HKMA and the promotion of transparency in the designation and oversight processes. In addition, the Process Review Committee (“PRC”), a non-statutory committee, was established by the Chief Executive of the Hong Kong Special Administrative Region (“CE/HKSAR”) in December 2004 to review the processes and procedures adopted by the HKMA in applying oversight standards on designated CSSs to ensure that the same set of standards is applied to all designated CSSs, whether or not the HKMA has an interest in them.

Scope of work and terms of reference

1.7 The terms of reference of the PRC are:

- (a) to review and advise the HKMA upon the adequacy of the HKMA’s internal operational procedures and guidelines for applying the standards set under the PSSVFO to those designated systems in which the HKMA has a legal or beneficial interest;
- (b) to receive and consider periodic reports from the HKMA on all completed or discontinued files in respect of alleged non-compliance of

⁶ BAHTNET is the RTGS clearing and settlement system for large value fund transfer between financial institutions or other organisations in Thailand.

⁷ BOJ-NET JGB Services is the government securities settlement system in Japan.

the PSSVFO by those designated systems in which the HKMA has a legal or beneficial interest; and

- (c) to submit annual reports and, if appropriate, special reports on designated systems in which the HKMA has a legal or beneficial interest, to the Financial Secretary.

1.8 The PRC has agreed that, in discharging its functions, it should focus on whether there were any discrepancies in the HKMA's oversight of designated CSSs in which the HKMA has an interest, as compared with other systems. In other words, the PRC would review the processes and procedures adopted by the HKMA to ensure that the same oversight standards were applied to all designated CSSs. The PRC also agreed that its scope could be expanded in future if the HKMA had a legal or beneficial interest in a designated retail payment system ("RPS") or a licensed stored value facility ("SVF") under the PSSVFO. This is consistent with the policy intention of the establishment of the PRC in 2004. So far, the HKMA had not acquired any interest in any designated RPS or licensed SVF under the PSSVFO.

1.9 The Financial Secretary may cause the reports submitted by the PRC to be published, subject to relevant confidentiality requirements.

Membership of the PRC

1.10 The PRC is in its seventh term of service. Members of the PRC are appointed by the CE/HKSAR in their personal capacity for a three-year term from 1 December 2022 to 30 November 2025. The membership of the PRC as at 30 November 2025 was:

Chairman

Mr Jack Chan Hoi

Chairman, China, Regional Managing Partner, Greater China
EY

Members

Mr Frederick Chan Hing Fai

Barrister-at-Law
Parkside Chambers

Mr Louis Chow Ka Leung

Director
Accounting Development Foundation Limited

Professor Matthew Lee Kwok On

Chair Professor of Digital Business & AI
LSK School of Business and Administration
Hong Kong Metropolitan University

Ms Fion Ng Siu Mui

Managing Director
Chief Group Limited

II. HIGHLIGHTS OF THE WORK OF THE PRC

2.1 This is the 21st Annual Report of the PRC, which covers the work of the Committee from 1 December 2024 to 30 November 2025. This is also the third annual report for the current term of the PRC.

Meetings held and major deliberations of the PRC

2.2 The PRC held two meetings in 2025. At the first meeting in July 2025, Members reviewed the regular report covering the oversight activities of the HKMA from December 2024 to March 2025 and were briefed on the oversight activities conducted by the HKMA from April to June 2025. In particular, Members discussed and noted how the HKMA handled abnormal events encountered by the designated CSSs, the implications of these events and the follow-up actions taken. Members also noted that the oversight activities of the Financial Market Infrastructure Oversight (“FMIO”) team of the HKMA had been carried out in accordance with the Internal Operating Manual (“IOM”).

2.3 During the meeting in July 2025, Members were briefed on the FPS and CMU initiatives including the launch of Payment Connect⁸ and the establishment of CMU OmniClear Limited (“CMUOC”) to carry out the operations of the CMU on behalf of the MA. Members discussed the handling of operational incidents in various systems and measures to prevent recurrence of incidents in the future, as well as the processes for comprehensive testing to ensure system enhancements are carried out in a safe and efficient manner. Moreover, Members discussed the potential impact of the newly established stablecoin regime on Hong Kong’s RTGS system, if any.

2.4 At the second meeting held in November 2025, Members reviewed the regular report covering the period from July to September 2025 and were briefed on the oversight activities conducted by the HKMA from October to November 2025. Members also discussed the drafting of the Committee’s 21st Annual Report to be

⁸ Payment Connect refers to the linkage of the Internet Banking Payment System (“IBPS”) on the Chinese Mainland and the FPS in Hong Kong.

submitted to the Financial Secretary. Members discussed and reviewed how the HKMA managed the abnormal events experienced by the designated CSSs during the review period, the implications of these events and the follow-up actions taken. Members noted that the operations of the designated CSSs remained safe and efficient throughout the period.

2.5 In addition, Members were briefed on a new initiative aimed at strengthening critical infrastructures (“CI”) protection through the enactment of the Protection of Critical Infrastructures (Computer Systems) Ordinance on 1 January 2026, which seek to safeguard the security of computer systems of designated CI in Hong Kong. The Monetary Authority has been appointed as a Designated Authority to designate and regulate CI operators and CI with corresponding computer systems.

2.6 As agreed by Members, regular reports covering the HKMA’s oversight activities were sent to Members for review by circulation between meetings. If Members have questions about the reports, they may raise them with the Secretary of the Committee. Subject to the agreement of the Chairman, the questions will be discussed at the next regular meeting or, if needed, at a special meeting. During 2025, four regular reports had been circulated to Members for review. Members noted that the HKMA had met the performance benchmarks for oversight activities.

Comments and recommendations of the PRC

2.7 The format of the regular report and the accompanying oversight activities management reports were designed based on suggestions from Members. During the year, Members reviewed four regular reports and 36 accompanying oversight activities management reports covering the period from December 2024 to November 2025. Statistics showing the oversight activities contained in each regular report under the review of the PRC are summarised below:

Table 2: Oversight activities of HKMA under the review of PRC from December 2024 to November 2025

HKMA’s oversight activities conducted during the quarter	1 st Regular	2 nd Regular	3 rd Regular	4 th Regular
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	Report (Dec- Mar)	Report (Apr-Jun)	Report (Jul-Sep)	Report (Oct-Nov)
Processing of monthly return submitted by SO/SI	24	18	18	12
Granting approval to changes in operating rules	5	1	0	9
Vetting of changes in particulars of SO/SI	15	3	6	0
Reviewing of ad-hoc information submitted by SO/SI	63	43	44	18
Conducting on-site examinations	0	0	0	0
Handling of abnormal events/production incidents	13	6	6	2
Handling of possible contravention cases	0	0	0	0
Holding of meetings with management of SO/SI	6	0	0	0

2.8 At the meeting in November 2025, Members discussed the draft 2024 - 2025 PRC Annual Report. Members agreed to adopt the same publication approach as previous annual reports, and comments from Members were incorporated in the Report. The PRC would propose to the Financial Secretary that the annual report be published in its entirety and be posted on the website of the HKMA for wider dissemination to the public in the interests of promoting transparency and accountability.

III. CONCLUSION AND WAY FORWARD

3.1 The PRC reviewed four regular reports and 36 accompanying oversight activities management reports covering the period from December 2024 to November 2025. No complaints were received from the SOs and SIs. The review covered, among other things, submissions by the HKMA on its processing of 72 monthly returns and 24 cases of changes in particulars; granting of approvals to 15 changes in operating rules; handling of 27 abnormal events; reviewing of 168 submissions of ad-hoc

information; and holding of 6 meetings with the management of the SOs and the SIs.

3.2 The PRC was not aware of any cases where the HKMA had not followed duly the internal operational procedures, or where the HKMA had not been procedurally fair in carrying out its oversight activities across different designated systems.

3.3 The PRC will continue to review the processes and procedures adopted by the HKMA in overseeing the existing designated CSSs and, where appropriate, any additional designated systems or licensed SVF under the PSSVFO in which the HKMA has a legal or beneficial interest.