



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
B9/75C  
B9/124/2C

7 July 2017

The Chief Executive  
All authorized institutions

Dear Sir/Madam,

**Financial Institutions (Resolution) Ordinance - commencement**

I am writing to inform you that the Financial Institutions (Resolution) Ordinance (Cap. 628) (“FIRO”) and the Financial Institutions (Resolution) (Protected Arrangements) Regulation (Cap. 628A) (“the Regulation”) have commenced operation today, following the completion of the negative vetting process by the Legislative Council.

Enacted in June 2016, the FIRO establishes the legal basis for a cross-sector resolution regime for within scope financial institutions in Hong Kong reflecting the international standards, set by the Financial Stability Board, in the *Key Attributes of Effective Resolution Regimes for Financial Institutions*. The regime is designed to mitigate the risks which a failing financial institution may pose to the stability and effective working of the Hong Kong financial system. It provides the authorities with a set of statutory tools targeted at securing continuity of critical financial functions (e.g. deposits) in the event of a resolution of a financial institution, whilst still imposing the cost of failure on the shareholders and creditors of that financial institution, thereby minimising the risks posed to public funds.

Under the FIRO, the Monetary Authority is the resolution authority for banking sector entities including all authorized institutions (“AIs”). The HKMA will, through its Resolution Office<sup>1</sup>, be engaging in resolution planning for individual AIs to ensure that they are structured so as to facilitate the application of resolution powers to achieve orderly resolution, with a

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<sup>1</sup> <http://www.hkma.gov.hk/eng/key-information/press-releases/2017/20170317-3.shtml>

focus on those AIs posing the greatest systemic risk in Hong Kong.

The Regulation, made as subsidiary legislation under the FIRO, imposes appropriate constraints on the resolution authorities that are designed to safeguard the economic effect of certain financial arrangements in resolution.

On the same day, the Monetary Authority has also been designated by the Financial Secretary under the FIRO as the lead resolution authority for 25 cross-sectoral groups which include both banking sector entities and securities and futures sector entities.

The Monetary Authority may publish guidance about any matter relating to the functions given to it as a resolution authority by the FIRO, including the communication of resolution standards which AIs are expected to meet. To this end, three code of practice chapters were published today to provide guidance on i) the HKMA's approach to resolution planning for AIs; ii) resolution planning core information requirements for AIs; and iii) operational independence of the Monetary Authority as resolution authority. All three documents are available under the Resolution section of the HKMA website.

Should you have any questions relating to the above, please contact Mr Eamonn White on 2878-1232/[ewhite@hkma.gov.hk](mailto:ewhite@hkma.gov.hk).

Yours faithfully,

Stefan M Gannon  
Commissioner  
Resolution Office

cc: The Chairperson, The Hong Kong Association of Banks  
The Chairman, The DTC Association  
FSTB (Attn: Ms Eureka Cheung)