



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

1 December 2023

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Maintaining Trading in Hong Kong Securities and Derivatives Markets under Severe Weather Conditions

I am writing to request authorized institutions (AIs) to commence the planning work required to support the initiative to maintain trading under severe weather conditions.

Hong Kong is one of the few financial centres which suspend shares trading under severe weather. To enhance the competitiveness of Hong Kong as a leading international financial centre, and noting the remote working arrangements commonly practised by financial institutions during the COVID-19 pandemic, the Government, financial regulators and the Hong Kong Exchanges and Clearing Limited (HKEX) have been working with various stakeholders to explore arrangements for maintaining market operations under severe weather.

HKEX published earlier this week its proposals on maintaining market operations including trading, clearing and settlement under severe weather, after extensive consultation with the securities and banking sectors, including relevant industry associations, the Securities and Futures Commission and the Hong Kong Monetary Authority (HKMA). As stated in the consultation paper, bearing in mind the importance of protecting the safety of staff and customers of financial institutions, it is proposed that:

- (i) bank branches will be closed as is the case now under inclement weather, and banking services will be provided only through electronic channels; and
- (ii) no paper cheques will be collected, but cheques collected prior to a severe weather day will continue to be cleared and settled.

The HKMA appreciates that some AIs may need to make changes to their banking systems, or even relocate their cheque clearing operation, to ensure the safety of their staff, if severe weather trading is to proceed on the basis of HKEX's current proposal.

Therefore, whilst the public consultation on severe weather trading is still ongoing and no decision has yet been taken to proceed with HKEX's proposal, AIs are recommended to commence the necessary planning and preparation work, so as to shorten the lead time required for the introduction of severe weather trading.

The Hong Kong Interbank Clearing Limited (HKICL) will soon publish a technical guideline to facilitate banks' preparation for the clearing and settlement process under severe weather conditions and is planning to organise a briefing to help AIs familiarise with the proposed arrangements. AIs should study the HKICL's guideline carefully, identify potential system enhancements required, and be prepared to participate in the relevant briefing and subsequent simulation tests to ensure operational and technical readiness. AIs' planning should also cover the resources required for supporting trading-related functions (e.g. customer service hotlines and phone banking functions) under severe weather, whether these functions, as well as the cheque clearing operation, can be performed remotely, and if not how to ensure safe access to the bank's premises by staff under inclement weather.

In the discussions with the banking and securities sectors, a suggestion was made to HKEX and the Government that Hong Kong should opt for complete electronic shares trading and discontinue paper cheques settlement for stock transactions, given the increasing receptiveness to digital financial services of the investing public. After considerable deliberation, the current proposal seeks a balanced approach to maintain a certain degree of paper cheque services at the request of some stakeholders. This issue will be revisited as technology continues to transform electronic shares trading and payment in the irreversible trend towards digitalisation.

The HKMA will stay in close touch with HKEX and other stakeholders and keep AIs updated on developments relating to severe weather trading. Should your institution have any questions on the above, please contact Ms Joyce Cheung on 2878 1494 or Mr Kenneth See on 2878 8749.

Yours faithfully,

Raymond Chan
Executive Director (Banking Supervision)

c.c. FSTB (Attn: Mr Larry Chu)
The Securities and Futures Commission (Attn: Mr Rico Leung)
The Hong Kong Exchanges and Clearing Limited (Attn: Mr Wilfred Yiu)