



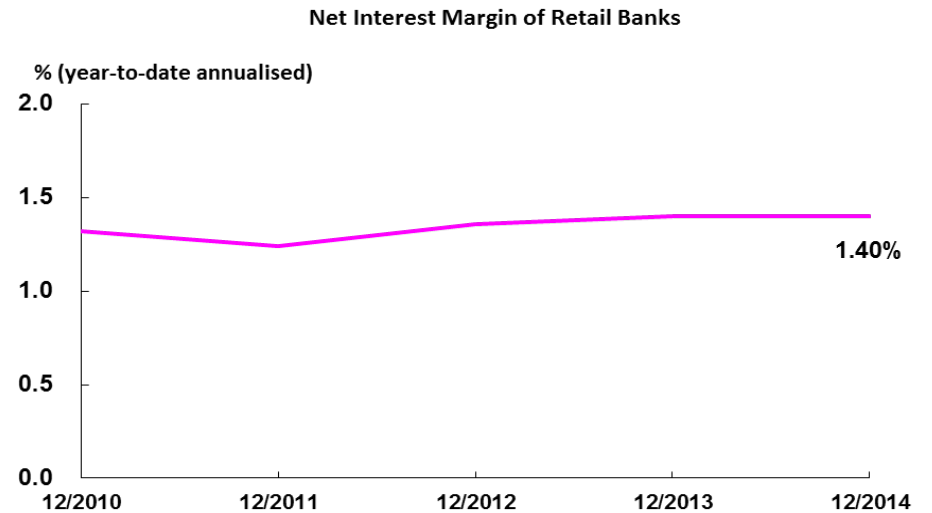
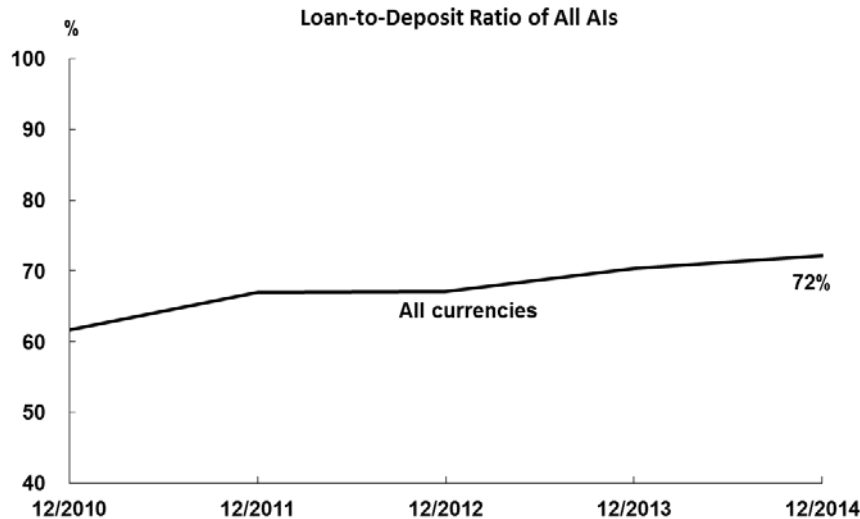
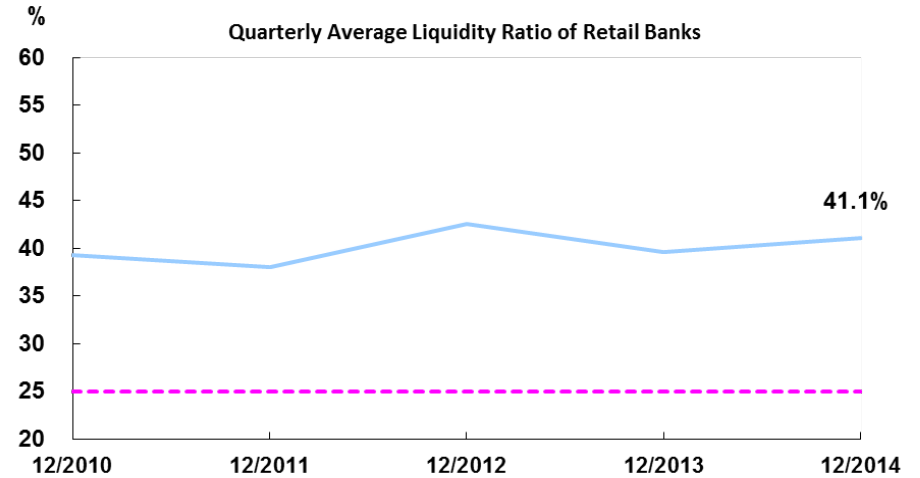
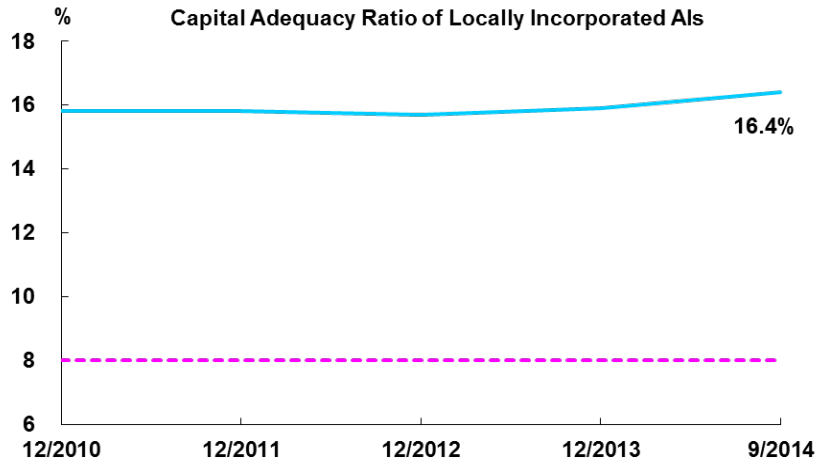
Hong Kong Banking Sector: 2014 Year-end Review and Priorities for 2015

**Hong Kong Monetary Authority
28 January 2015**



Banking sector in 2014

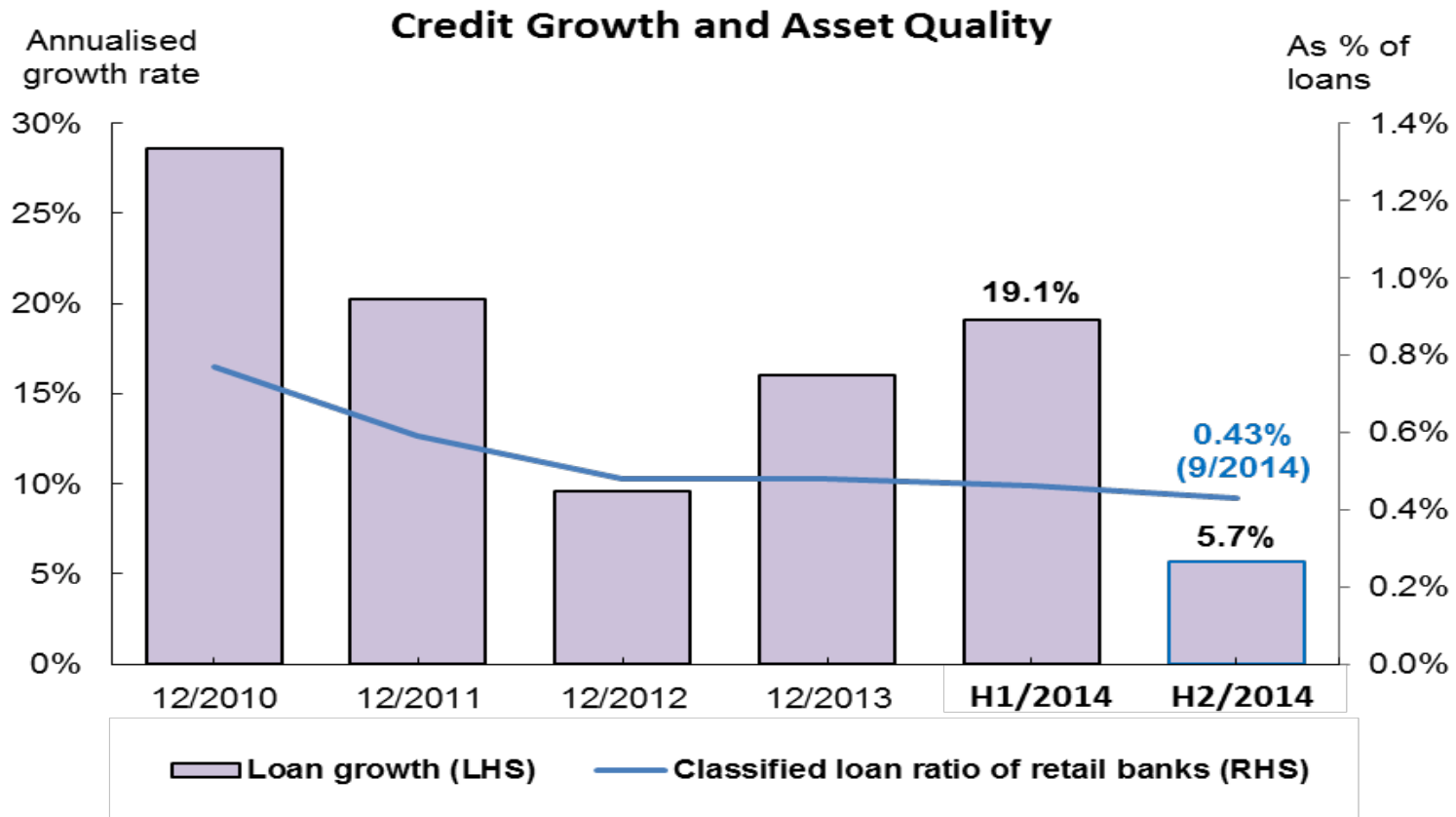
Hong Kong's banking sector remains resilient





Banking sector in 2014

Supervisory attention on credit growth and asset quality





Expected uncertainties of the macro environment in 2015

- Liquidity cost needs to be monitored closely
- Interest rate landscape could change, putting pressures on asset price valuation
- Credit costs going up?



Banking Supervision in 2014

- Credit underwriting standards
 - Retail credit
 - Corporate credit
- Stable funding requirement
- Stress testing
- Capital planning



Banking Supervision Priorities in 2015

- Corporate Sector Credit
 - Promote good risk management practices
 - Asset quality review
- Risk governance
- Business strategy under current macro environment
- Monitor implementation of Basel 3 standards



Banking Policy in 2014

- Basel 3 implementation
 - Capital Buffers
 - Liquidity Standards
- Recovery and Resolution
 - Recovery Planning SPM
 - Resolution Consultation (1)



Banking Policy Priorities in 2015

- Resolution
 - Consultation (2) and (3)
 - Resolvability Assessment Framework
- Basel Standards
 - Implementation (Basel 3)
 - RCAP report



Banking Conduct in 2014

- Culture and Capacity Building
 - Treat Customers Fairly Charter
 - Director development
 - Enhanced Competency Framework for private wealth management practitioners
- Bank Consumer Protection
 - G20 High-level Principles on Financial Consumer Protection
 - Mystery Shopping Programme
 - Guidance on selling practices for investment products and non-linked long term insurance products
 - Consumer Education Programme



Banking Conduct Priorities in 2015

- Culture and Capacity Building
 - Effective implementation of Treat Customers Fairly Charter principles
 - Enhanced training for directors and Engagement with Boards
 - Timely implementation of Enhanced Competency Framework by private banking industry

- Bank Consumer Protection
 - Revised Code of Banking Practice
 - AIs' selling of high-yield bond products and renminbi structured products
 - AIs' selling of non-linked long term insurance products
 - Consumer Education Programme



Enforcement in 2014

- 1,234 complaints received and 1,334 complaints handled
 - Complaints re closure of accounts ranked top
 - Increase in complaints re insurance products
 - Decrease in complaints re ILAS and investment products
- Complaints handling process enhanced
- Major enforcement actions
 - HIBOR investigations
 - FX investigations
- Complaints Watch issued



Enforcement Priorities in 2015

- Monitor emerging trends in complaints and provide alerts to the industry and the public
- Facilitate the complaints lodging process
- AMLO enforcement work



Deposit Protection Scheme

Key Results in 2014

- Public consultation on enhanced DPS
- Initiatives to enhance payout efficiency
- New publicity campaign

Priorities for 2015

- Issue consultation conclusions and prepare legislative amendments
- Strengthen DPS under resolution regime
- Continue testing payout processes