



Hong Kong Banking Sector: 2016 Year-end Review and Priorities for 2017

Hong Kong Monetary Authority

26 January 2017



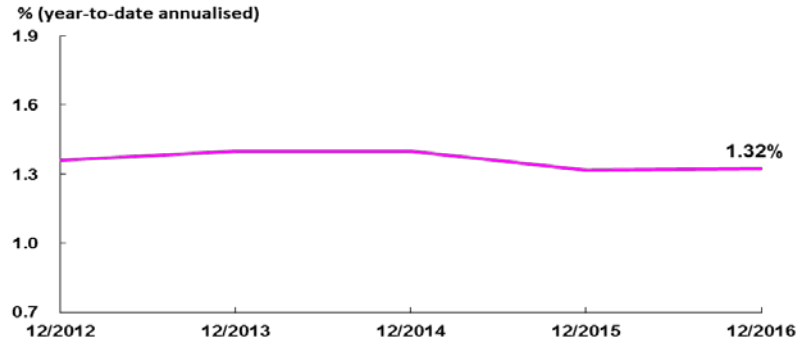
1. Banking sector in 2016
2. Review of supervisory work in 2016
3. Priorities in 2017



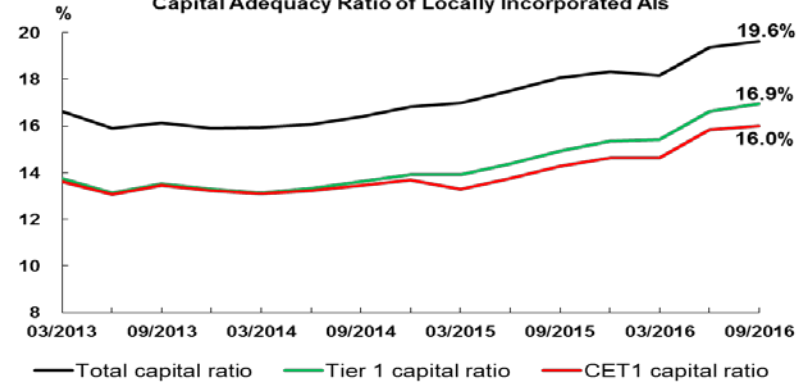
Banking sector in 2016

Hong Kong's banking sector remains resilient

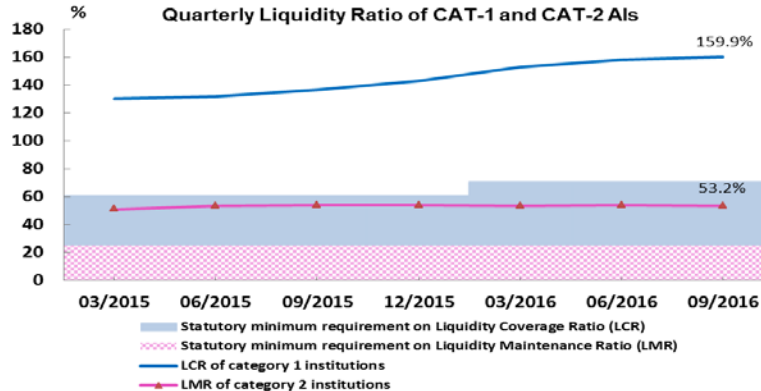
Net Interest Margin of Retail Banks



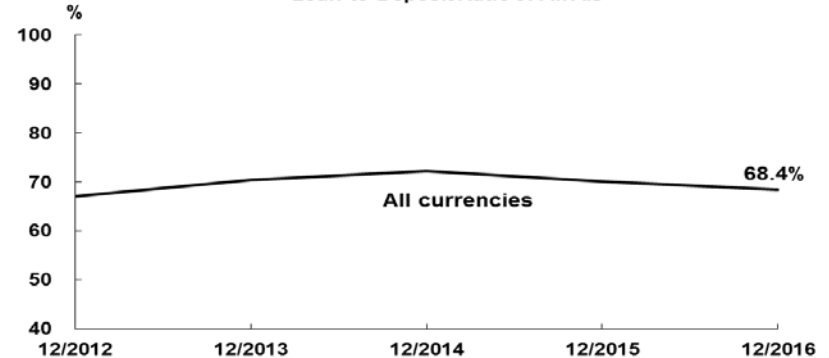
Capital Adequacy Ratio of Locally Incorporated AIs



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



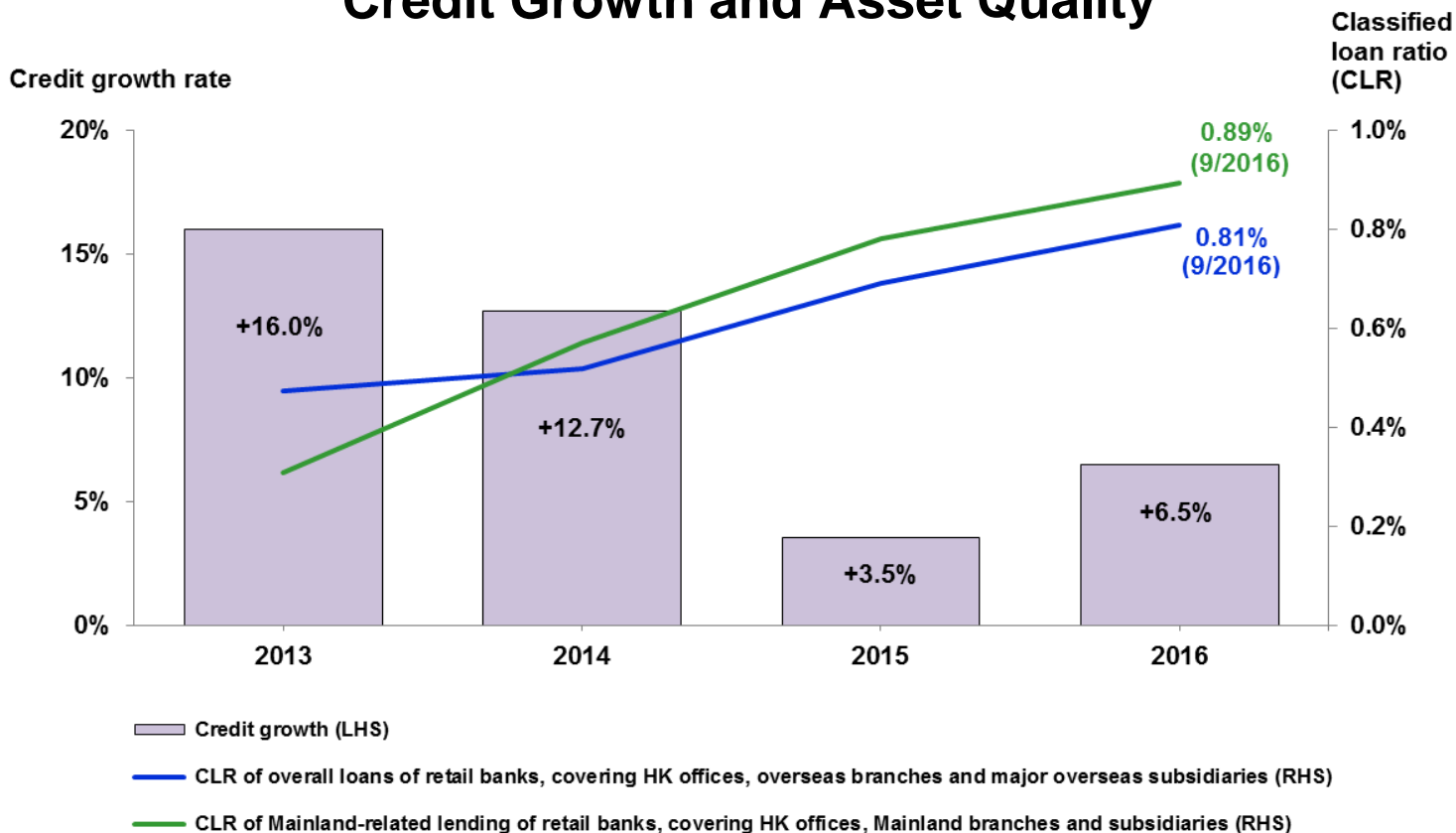
Loan-to-Deposit Ratio of All AIs





Banking sector in 2016 (2)

Credit Growth and Asset Quality





Review of supervisory work in 2016

- Prudential supervision
 - Credit risk
 - Liquidity risk
 - Cyber security risk
- International standards
 - Basel Committee
 - Resolution



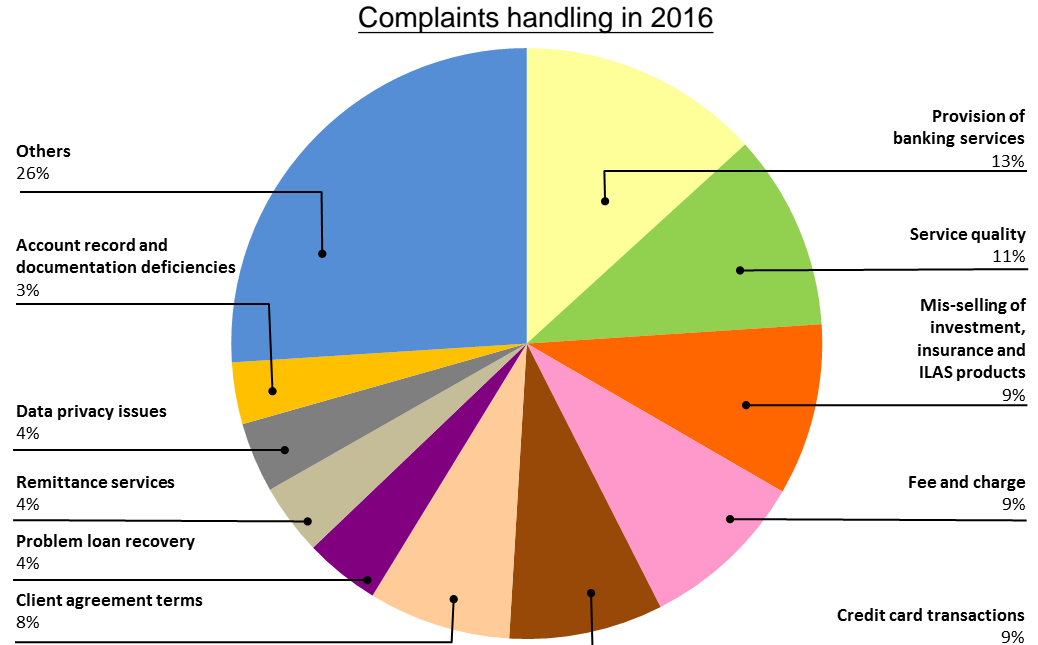
Review of supervisory work in 2016 (2)

- Consumer protection
 - Account opening and maintenance
 - Banking service delivery channels
 - Engagement of intermediaries by AIs
- AML/CFT
 - Addressing De-risking
 - National Risk Assessment



Review of supervisory work in 2016 (3)

- Complaints handling
 - 1,745 complaints received (vs 1,608 in 2015)
- Enforcement
 - 7 Former Rels disciplined
 - 48 Compliance Advice Letters issued





Priorities in 2017

- Prudential Supervision
 - Liquidity risk
 - Technology risk and Fintech
 - Credit risk
- Prudential policy
 - Basel Committee standards
 - FIRO (rules and regulations)



Priorities in 2017 (2)

- Consumer protection
 - Financial inclusion and account opening/maintenance
 - Selling of investment and insurance products
 - Corporate culture initiative
- AML/CFT
 - Risk based approach
 - FATF mutual evaluation
 - Policy development
- Enforcement
 - Effective processing of complaints and enforcement work under various Ordinances