OUTLINE

1. Banking Sector in 2021
2. Review of Work in 2021
3. Work Priorities in 2022
Banking sector remained resilient

Capital Adequacy Ratios

- Total capital ratio
- Tier 1 capital ratio
- CET1 capital ratio

Liquidity Ratios

- Statutory minimum requirement on Liquidity Coverage Ratio (LCR)
- Statutory minimum requirement on Liquidity Maintenance Ratio (LMR)
- LCR of category 1 institutions
- LMR of category 2 institutions
Asset quality stayed healthy, although some headwinds expected
Deposits grew while interest margin narrowed

**Note:** The significant increase in total deposits in Jan 2021 was partly driven by initial public offering (IPO) activities.
Work in 2021

Supervisory Work

- Credit
- Operational resilience and technology risk management
- AML/CFT
- Consumer Protection

Developmental Initiatives

- RegTech Promotion
- Cross-boundary Wealth Management Connect
- Green and Sustainable Banking
Staying vigilant to evolving credit landscape

- Elevated inflation necessitating reversal of monetary stimulus
- Slowing global economic growth
- Lingering pandemic with new variants

Close surveillance and forward looking action to ensure effective credit risk management by banks
Enhancing operational and cyber resilience amid growing digitalisation

- Accelerating digitalisation
- Increasing third party dependency
- Evolving cyber threat landscape

Work priorities

- Implementation of new SPM on operational resilience
- Review of AIs' hybrid working arrangement
- Providing guidance on cloud computing
- C-RAF 2.0
- Secure Tertiary Data Backup

Promoting technology adoption

- Tech Baseline Assessment
- Supertech adoption
AML/CFT Landscape

Strengthen AML/CFT regime

- Updating Hong Kong ML/TF risk assessment
- Legislative amendments and AML/CFT Guideline updates
- Strengthening banks’ monitoring systems’ ability
Consumer Protection

Enhancing Consumer Protection on Innovative Products
- "Buy Now Pay Later" products
- Code of Banking Practice

Enhancing Protection on New Insurance Product Offerings
- Premium Financing for long term insurance policies
- Protection Linked Plan

Implementation of Credit Reference Platform
- Platform development
- System testing and launch
Green and Sustainable Banking

- **Implementation of supervisory requirements**
  - Engaging banks to understand their progress
  - Keeping in view international policy developments

- **Taxonomy**
  - Exploring development of a green classification framework

- **“Greenness Assessment”**
  - Revamping the assessment framework
  - Target to launch in 2022 H2

- **Data and tools**
  - Exploring possible tools and technologies that help banks deal with climate risks
Capacity Building

- **Upskilling practitioners**
  - Enhanced Competency Framework (ECF)
  - Skills Transformation and Empowerment Programme (STEP)

- **Building a sustainable future talent pipeline**
  - Future Banking Bridging Programme
  - Career talks, educational seminars and workshops
  - New virtual resource centre
  - Apprenticeship Programme for Private Wealth Management
Implementation of Basel Standards

**Basel III final reforms**

- Rule-making/statutory consultation
- Updating and development of supporting guidance, banking returns and disclosure templates

**Other Basel standards**

- Implementation of rules on capital requirements for banks’ equity investments in funds
- Consultation on revised principles for sound management of operational risk and principles for operational resilience