



HONG KONG MONETARY AUTHORITY  
香港金融管理局

# Hong Kong Banking Sector



**2024 Year-end Review and  
Priorities for 2025**

**22 January 2025**

# Agenda



Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
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Work Priorities in 2025

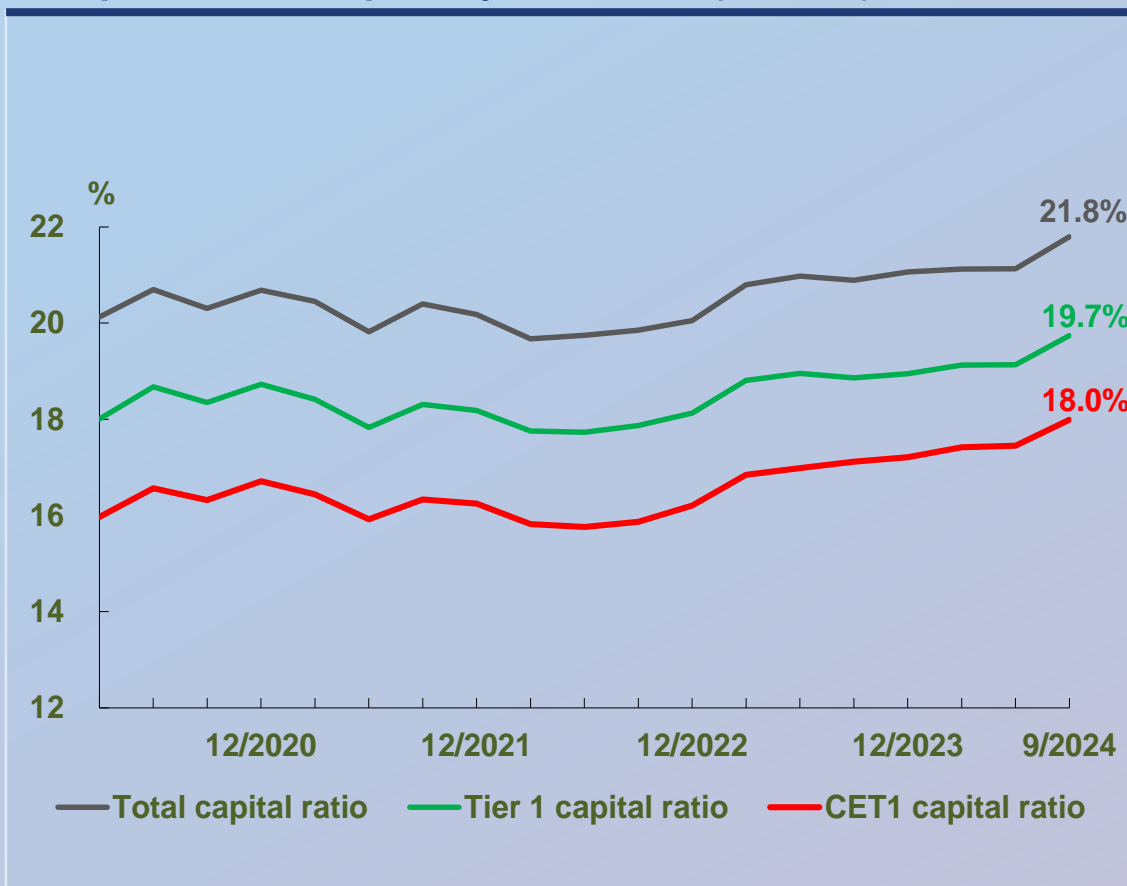
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Work Review in 2024

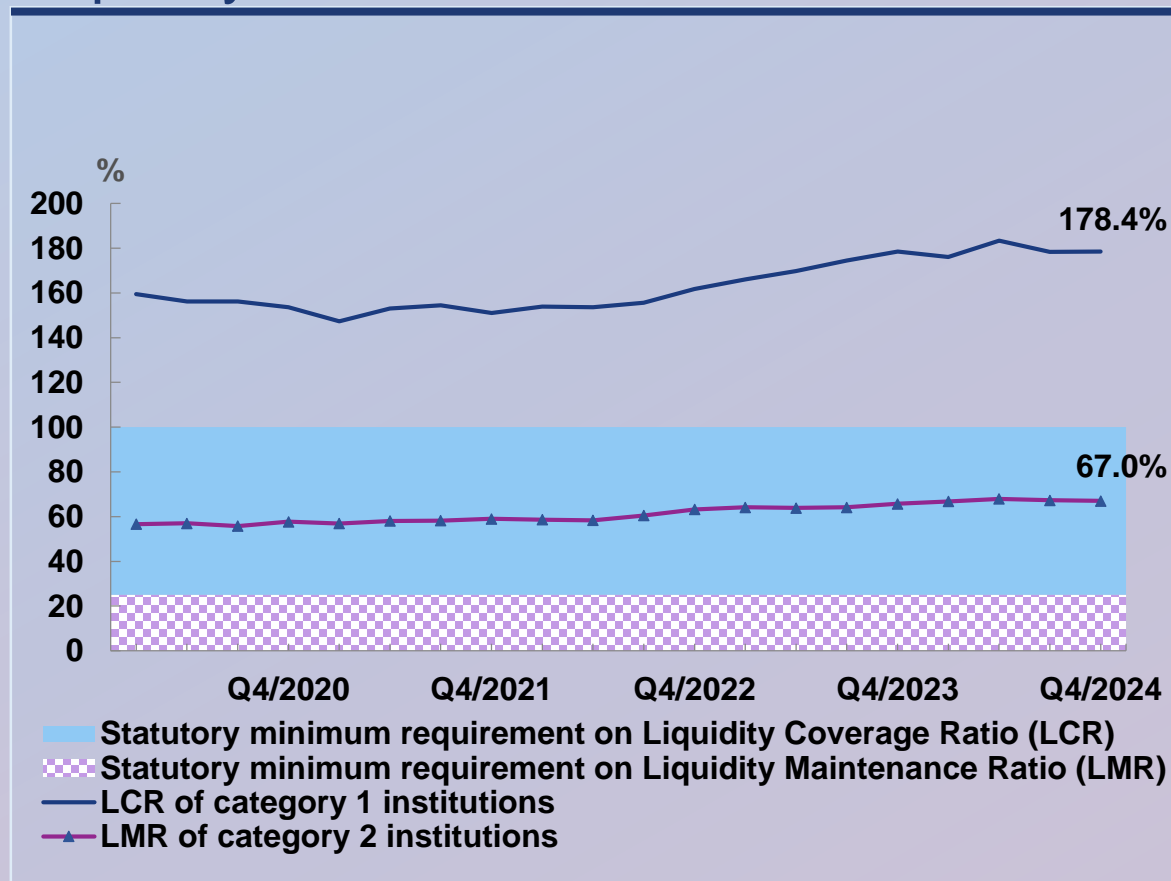


## ❖ Robust banking system

### Capital adequacy ratios (CAR)



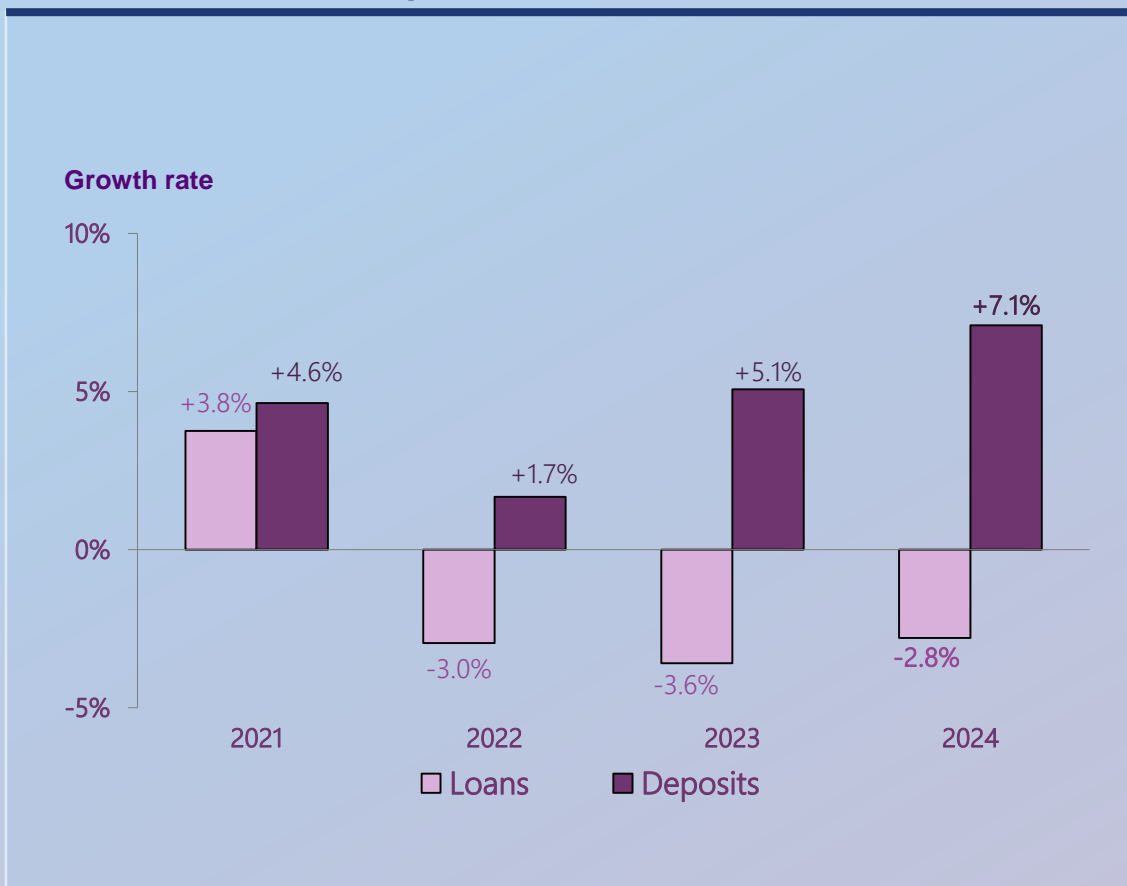
### Liquidity ratios



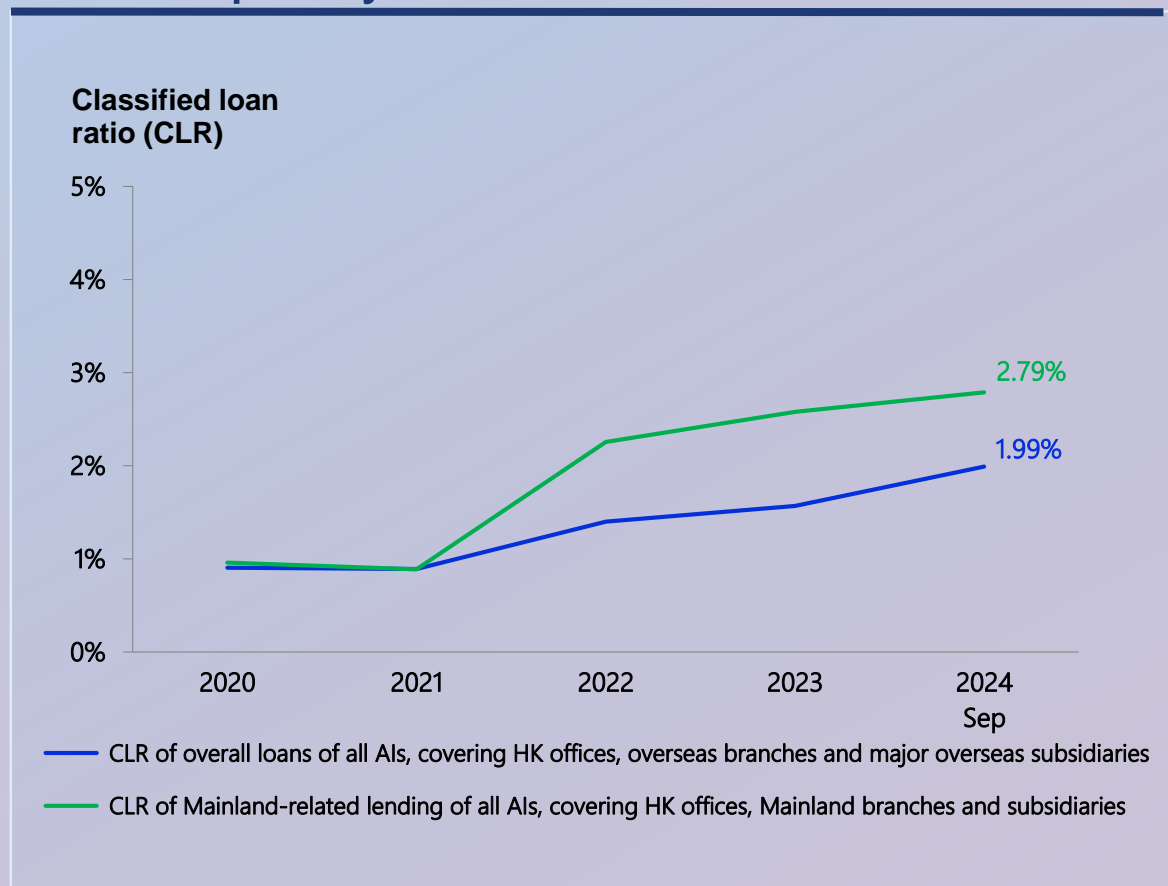


## ❖ Credit risk manageable despite challenging environment

### Loans and deposits



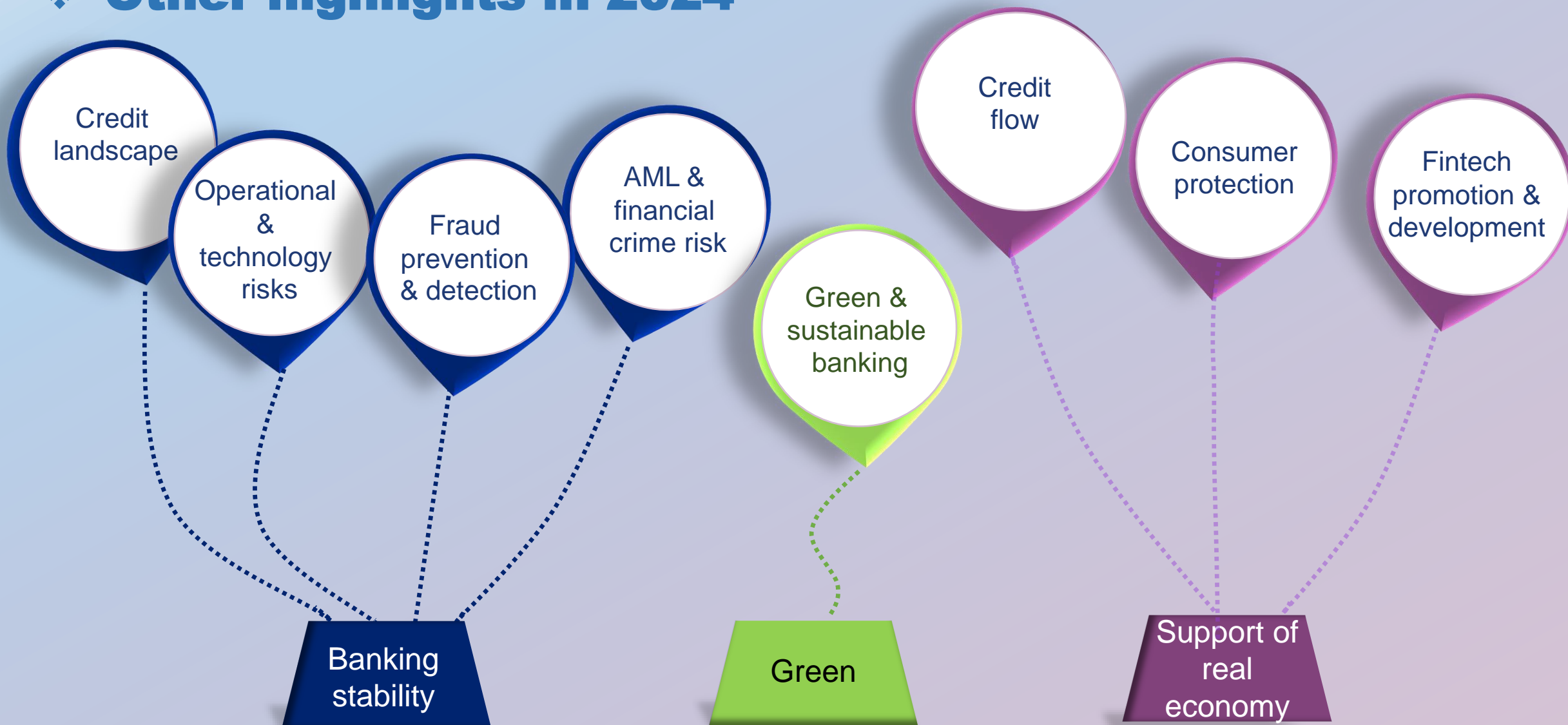
### Credit quality







## ❖ Other highlights in 2024





## ❖ Credit landscape

### Asset quality

Credit risk remains manageable  
amid heightened risk



### Property lending

Adjusted prudential measures for property mortgage loans  
in response to changes in market conditions



## ❖ Operational and technology risks

### Operational Resilience

- All banks: Frameworks established
- Major banks: Mapped c.70% of critical operation mapping and c.50% of scenario testing

### Technology Resilience

- Updated guidance on e-banking risk management
- Sharing good practices and guidance following the global CrowdStrike incident



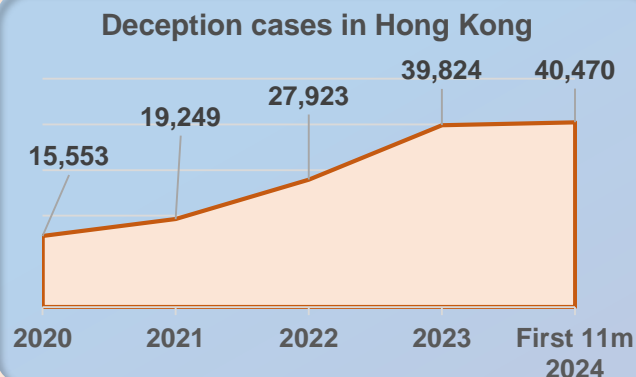
### Cyber Resilience

- New guidance on cyber risk management
- Strengthened cyber defence maturity
- Cross-sectoral Cyber Mapping exercise

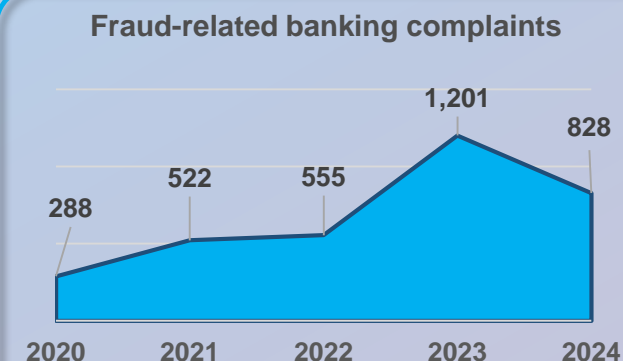


# ❖ Fraud prevention and detection

Source: Hong Kong Police Force (HKPF)



Source: HKMA



## Enhanced ecosystem & information sharing



Held jointly with the Police, Digital Policy Office and the Hong Kong Association of Banks an anti-digital fraud workshop



Anti-Scam Consumer Protection Charter 2.0



"Money Safe" for extra protection to bank deposits



Collaborated with Banks & SVF Licensees in Fraud & Money Laundering Intelligence Taskforce (FMLIT)



Expanded Bank-to-Bank Information Sharing Platform (FINEST)

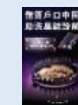
## Raised customer alerts and education



Expansion of Suspicious Account Alert Mechanism



Customer Alerts of Authorized Payment Scams



Intensified Public Education & Awareness

## Strengthened monitoring & surveillance



Surveillance of breaches of Banking Ordinance



Protection against bogus calls and promotion of use of mobile POS terminals



Anti-deepfake measures



In-app authentication of online card transactions



Malware scams prevention and detection



Dynamic unauthorised fraud and authorised payment scams monitoring systems



Enhanced effectiveness on 24/7 stop payment mechanism



Expanded upstream scam intervention





## ❖ Anti-scam campaigns

Anti-scam song campaign and other initiatives enhanced public awareness of different types of scams



### Anti-scam song campaign



### Other initiatives against different types of scams



## Overall Impacts

228M+

outdoor promotion  
impressions

5.65M+

digital platforms video  
views & audio plays

3.9M+

social media  
post reach

7.5M+

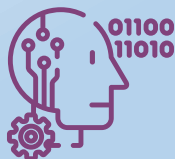
social media  
video views

82K+

social media  
post engagement



## ❖ AML and financial crime risk



### Use of AI for monitoring of suspicious activities

- Provided guidance on transaction monitoring systems
- Launched uplift program to accelerate the use of artificial intelligence for monitoring of suspicious activities



*Insights for Design, Implementation and Optimisation of Transaction Monitoring Systems*  
(Apr 2024)



*Circular on Use of Artificial Intelligence for Monitoring of Suspicious Activities*  
(Sept 2024)



*Experience Sharing Forum & AML Seminar*  
(Nov 2024)



### Strengthen ecosystem capability

- Concluded public consultation supporting bank to bank sharing of personal information
- Strengthened cross border risk understanding and liaison



*Conclusions of the Public Consultation for Information Sharing among Authorized Institutions to Aid in Prevention or Detection of Crime*  
(Sept 2024)



### Proportionate guidance

- Issued guidance on key principles of risk-based approach
- Collaborated with industry to provide guidance on dual use goods



## ❖ Green and sustainable banking



### Taxonomy

- Published Phase 1 of the HK Taxonomy for Sustainable Finance after public consultation
- Started preparation for the Phase 2 development



### Promotion of use of technology

- Launched a cloud-based physical risk assessment platform



### Disclosure

- Working to implement ISSB Standards and Basel's Pillar 3 disclosure framework for climate-related financial risks
- Supported the development of the Roadmap on Sustainability Disclosure in Hong Kong



### Strengthened supervision of banks' climate risk management and supported capability building

- Shared with the industry good practices on climate-related risk governance
- Collaborated with the ecosystem stakeholders to promote the adoption of Green Fintech solutions



### Transition planning

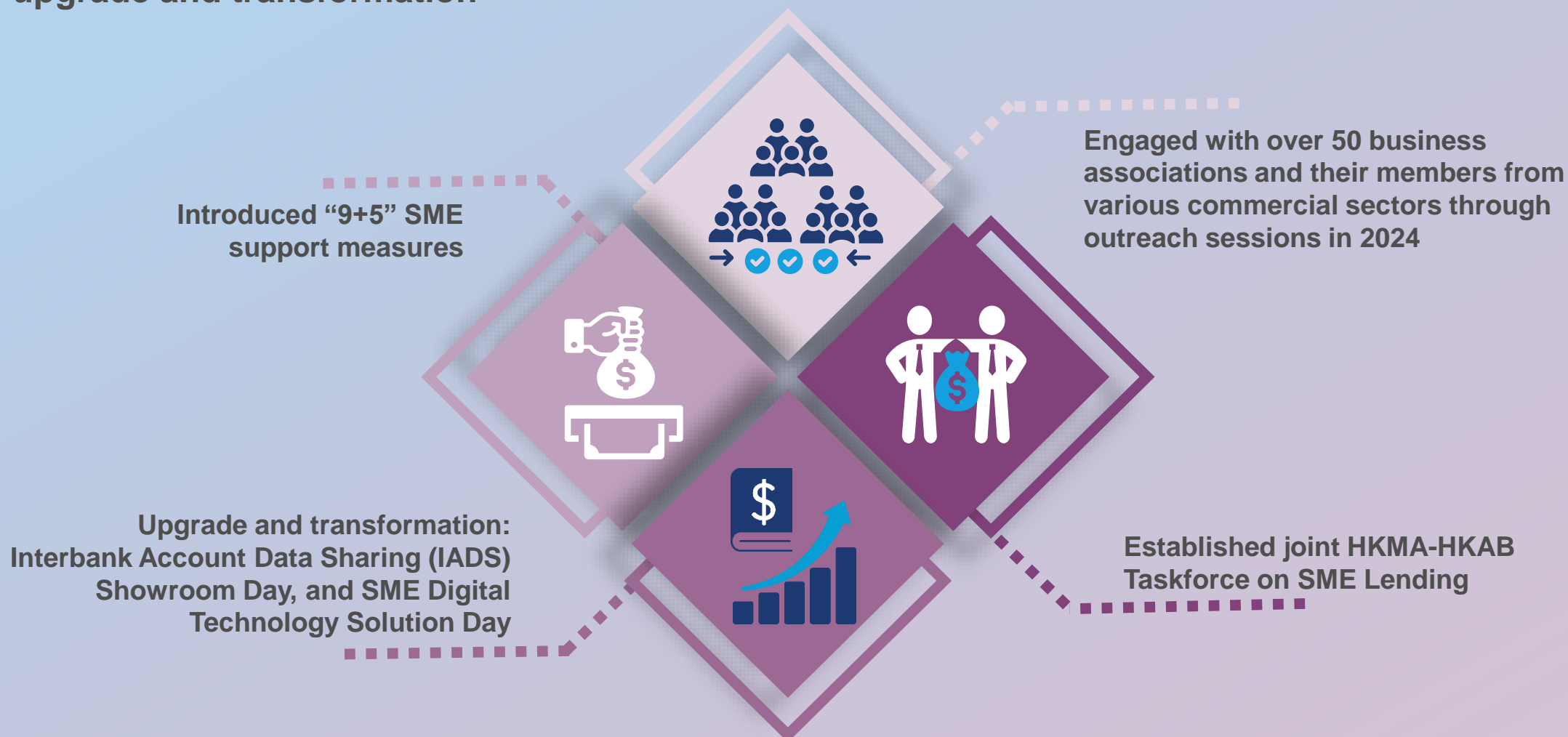
- Launched industry consultation on a new set of guidelines
- Issued good practices for banks to make reference to when conducting transition planning





## ❖ Credit flow: SME lending

Facilitated SMEs' access to bank financing and supported their continuous development, upgrade and transformation







## ❖ Consumer protection

- Cooling-off period for unsecured consumer credit products
- Payment Arrangement for Property Transactions
- Payment Card Direct Debit Authorisation

**Consumer protection**

**Investor protection**

- Digital assets (tokenisation & custodial services)
- Cross-boundary Wealth Management Connect
- Streamlined investment processes
- Supervision of trust business & depositary services

**Infrastructure**

**Digital banks**

- Credit Data Smart
- Cross-boundary Credit Referencing

- Renaming
- Relaxations to support development





## ❖ Fintech promotion and development

### Generative A.I. sandbox (GenA.I. sandbox)

- Launched GenA.I. sandbox to promote responsible AI adoption
- Selected 15 use cases for the first cohort, including participation of 10 banks and 4 technology firms



### Supotech adoption

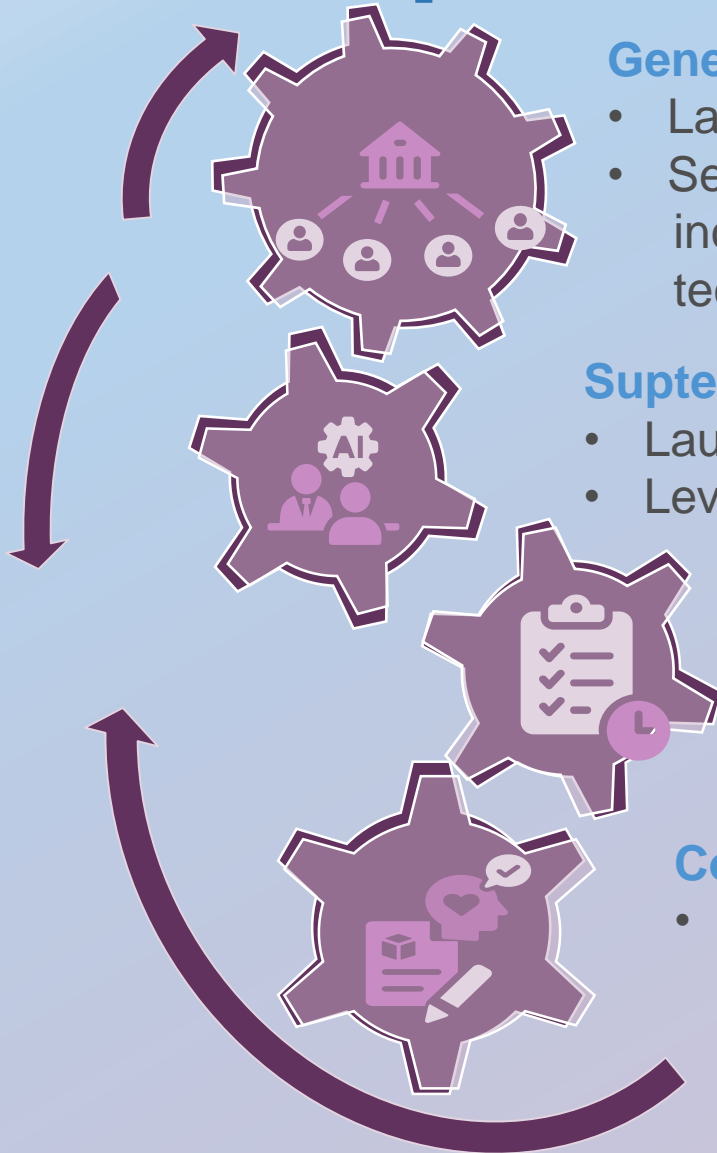
- Launched survey tool to streamline supervisory data collection
- Leveraging GenA.I. pilots to identify supervisory insights

### Fintech promotion

- Fostered innovation across five Key Tech Areas through FiNETech
- Achieved 95% Fintech adoption rate in Banks

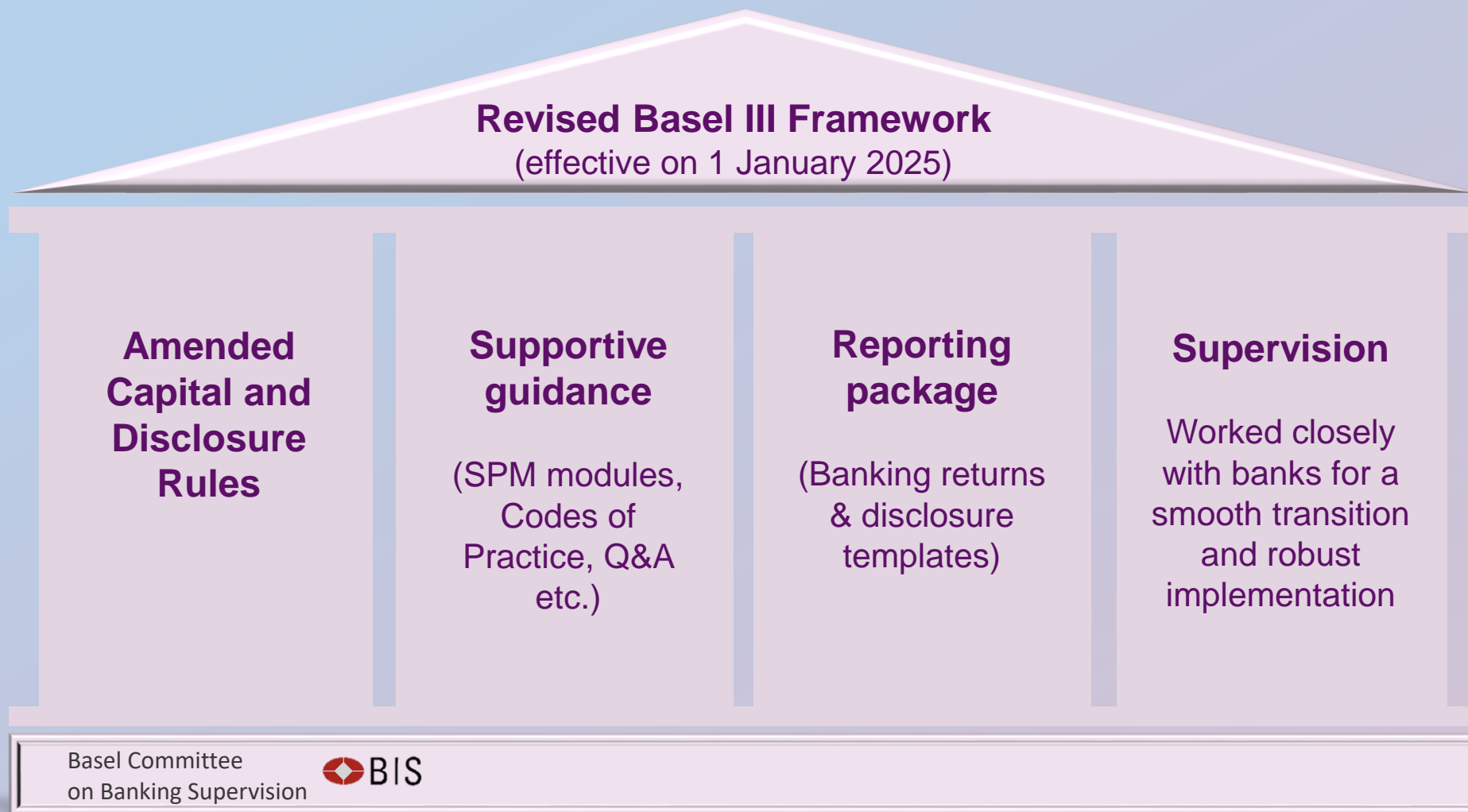
### Consumer protection

- Issued a set of guiding principles on consumer protection in respect of use of GenA.I. in customer-facing applications



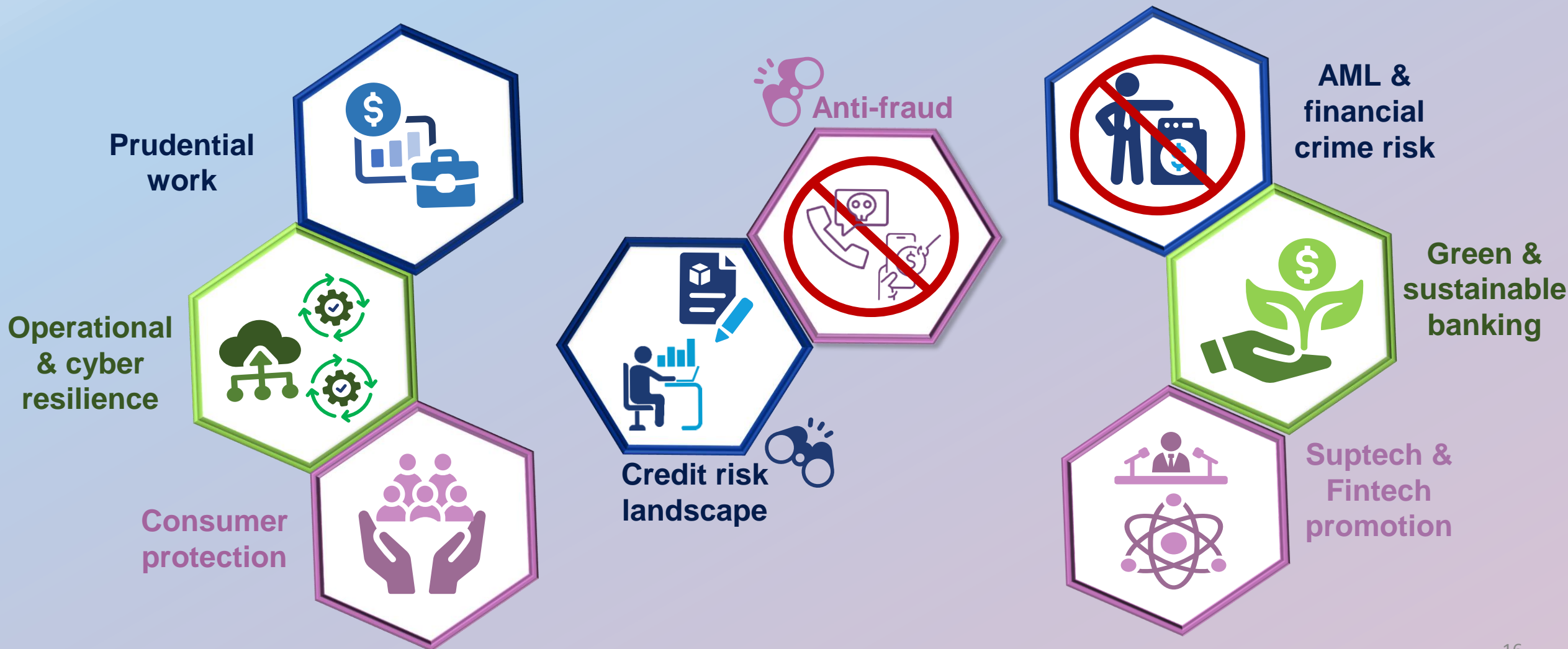


## ❖ Basel III implementation





## ❖ Work priorities in 2025





## ❖ Credit risk landscape



### Stay vigilant and agile

- Close monitoring of asset quality and capital positions
- Timely and sufficient loan provisioning by banks
- Pragmatic approach to corporate difficulties

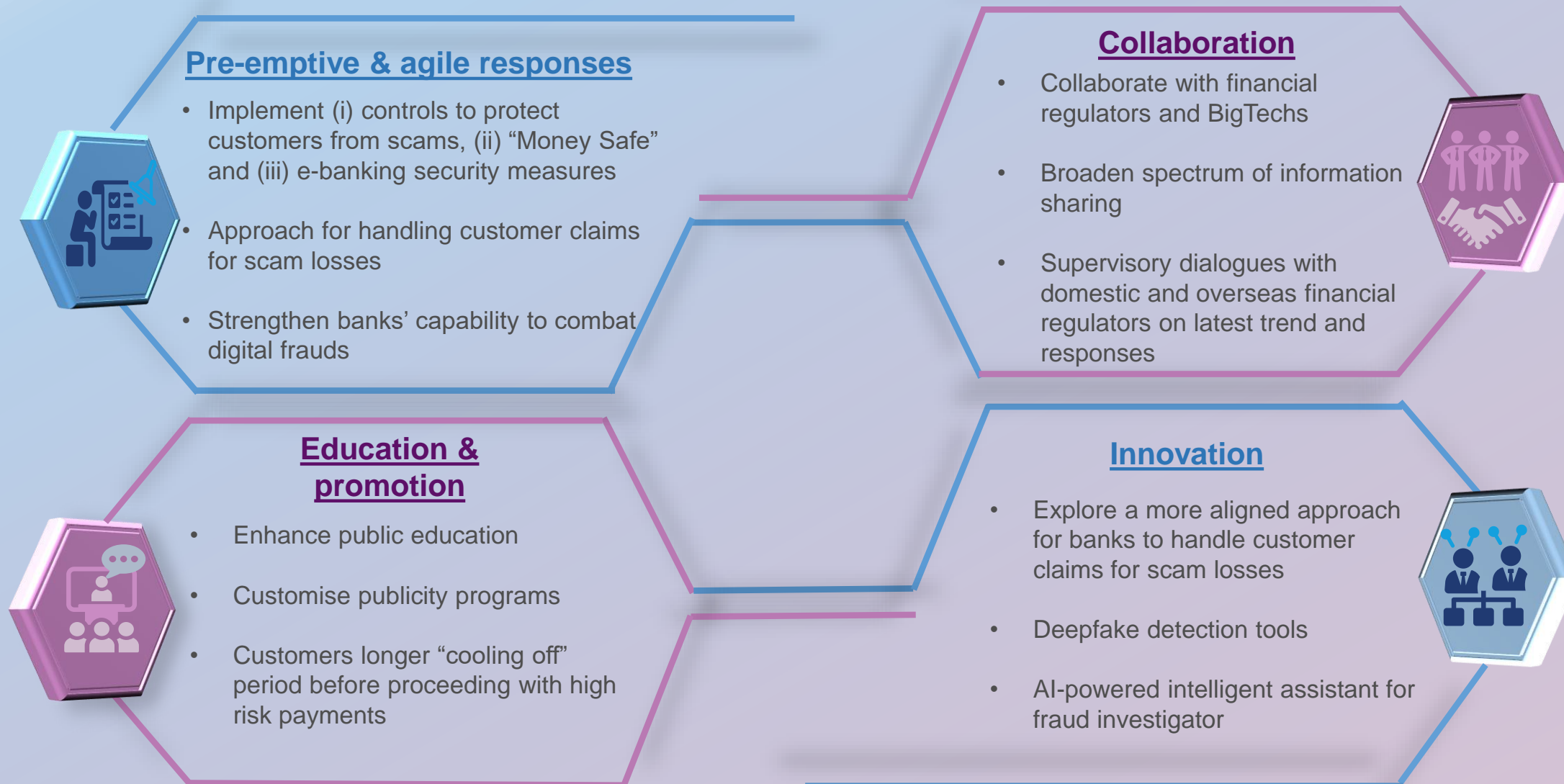


### Support real economy including SMEs

- Robust credit strategies
- Support business upgrade and transformation
- Leveraging data and technology (e.g. CDI, IADS, SZ-HK cross-boundary data validation platform)



## ❖ Anti-fraud





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## ❖ Prudential work

### Liquidity and market risk management



Enhance banks' risk management capability amidst growing digitalisation and new liquidity landscape

Update risk assessment and management over banks' treasury activities and booking arrangements



## ❖ Operational, technology and cyber resilience



### Operational resilience

- Assessment of implementation progress
- Third-party risk management, including cloud adoption



### Technology resilience

- Strengthen authentication and identity verification
- High risk transaction alert
- Optional enhanced security measures at customers' choices



### Cyber resilience

- Uplift banks' cyber incident response and recovery capabilities
- Ecosystem collaboration on managing systemic cyber risks





## ❖ Consumer protection



### Investor protection



Insurance Selling



Investment Product Selling



### Consumer protection



Real-time Fund Transfers



Payment Arrangement for Property Transactions



### Bank culture



Mandatory Reference Checking Scheme



### Infrastructure



Credit Data Smart



Cross-boundary Credit Referencing





## ❖ **AML and financial crime risk**

### **Understand & Disrupt**



Identify potential weak spots amid technological advancement



Strengthen monitoring and deliver proportionate guidance

### **Enhance & Protect**



Enhance suspicious activity monitoring through use of AI



Uplift capabilities to mitigate high-end money laundering

**Reduce threats from illicit fund flows**

**Enhance resilience through eco-system reform**

### **Collaborate & Share**

Increase information sharing through FINEST



Improve early detection using payments data analytics







## ❖ **Green and sustainable banking**

- Sustainable Finance Action Agenda
- Further strengthen the climate resilience of the banking sector



**Taxonomy  
phase 2**



**Transition  
planning**



**Sustainability  
disclosure**



**Supervision**



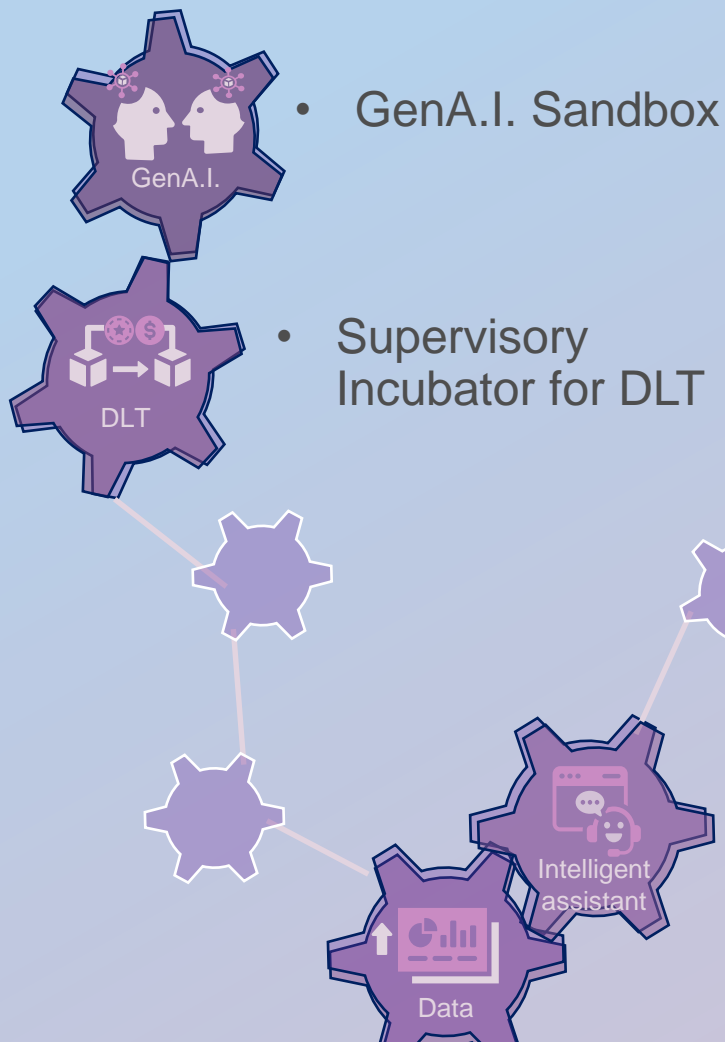
**Climate risk  
stress test**



## ❖ Suptech and Fintech promotion



### Support responsible innovation



- GenA.I. Sandbox

- Supervisory Incubator for DLT

### Tech Maturity Assessment (preliminary results)

- 95% surveyed banks (and 100% retail banks) have adopted Fintech (2022 = c.80%)
- Interests in more sophisticated adoption (e.g. DLT smart contracts, High-performance Computing)
- Foster cross-border Fintech cooperation in GBA

### Suptech: Data-driven and Technology-empowered Supervision

- Intelligent assistant to supervisors
- Enhance risk data collection

