

Priorities for 2024 and Beyond



Entering 2024, the Hong Kong economy is expected to continue to recover at a moderate pace, riding on the ongoing revival of inbound tourism, public infrastructure projects and stable private consumption. However, the external environment is fraught with risks and uncertainties, especially those relating to the future US policy rate path, the global growth prospects, and the evolving geopolitical tensions. That said, Hong Kong's financial system remains well-positioned to weather adverse shocks given its resilience and ample buffers built up over the years.

The HKMA attaches great importance to safeguarding Hong Kong's monetary and financial stability. Looking ahead, we will stay vigilant in the face of the uncertain macroeconomic environment, seeking to promptly identify emerging risks and respond to them in an agile manner. At the same time, we will seek opportunities and create policy headroom to help further enhance Hong Kong's status as a leading international financial centre. In managing the Exchange Fund in this challenging investment environment, we will continue to invest prudently, while remaining flexible, taking defensive measures as appropriate, and maintaining a high degree of liquidity.

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Stability and integrity of the financial system

The global economic uncertainties of recent years look set to continue in 2024. The HKMA will keep abreast of latest developments and stay vigilant against potential risks, with the aim of upholding the resilience and stability of the financial system, which are essential for the ongoing provision of critical financial services that support the functioning of the Hong Kong economy.

Staying vigilant against potential risks

Looking into 2024, global financial markets could experience volatility as a result of uncertainties surrounding the US monetary policy outlook, evolving geopolitical risks, and an uneven global economic recovery. 2024 is also a key election year as many major elections are scheduled to be held across the world. The outcome of these elections could further increase market uncertainties. Nevertheless, Hong Kong's financial system is well-positioned to withstand adverse shocks given its resilience and buffers built up over the years. The HKMA also has the capability, the resources and the commitment to safeguard Hong Kong's monetary and financial stability.

The HKMA will continue its efforts to closely monitor any risks and vulnerabilities arising in the domestic and external environments, and will deploy appropriate measures where necessary to maintain Hong Kong's monetary and financial stability. We will also conduct research into issues affecting the Hong Kong economy, assessing and addressing any potential risks associated with these issues.

Maintaining banking stability

In 2023, new geopolitical tensions across the world broke out while others remained unresolved, contributing to political uncertainty and instability that looks set to continue into 2024. Economic pressures in the form of high interest rates were a feature of the global landscape, and rates remain high entering 2024. Within the banking sector, the continued drive towards digitalisation and the implementation of new technology, including artificial intelligence, have brought many advantages but are also posing new operational and cyber security risks as well as supervisory challenges. In such a volatile political, economic and technological landscape, the HKMA strives to ensure banks' ability to withstand shocks through its ongoing supervisory efforts. At the same time, we will continue to enhance and refine our banking supervisory and regulatory frameworks and policies, taking into account technological developments, changes in customer expectations, as well as international standards and best practices.

A risk-based supervisory focus

Credit, liquidity and market risks

In light of the increasingly challenging macroeconomic landscape, a special focus of the HKMA will be on monitoring the asset quality of authorized institutions (AIs) and assessing the effectiveness of their credit risk management and controls, particularly with respect to loan classification and provisioning practices and problem loans management. We will also maintain close dialogue with the banking and commercial sectors with a view to ensuring that AIs are striking an appropriate balance between undertaking prudent credit risk management and fulfilling their financial intermediation function throughout economic cycles. In particular, we will follow up with banks through the Banking Sector SME Lending Coordination Mechanism on the nine new measures rolled out in March 2024 to assist small and medium-sized enterprises in obtaining financing from banks.

Uncertainties in the global economic outlook as well as elevated geopolitical tensions may increase the volatility of both asset prices and cross-border fund flows. The HKMA will make vigilance a priority, and will continue to effectively supervise the liquidity and market risk management of AIs.

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Follow-up actions on lessons drawn from the 2023 banking turmoil

The HKMA will implement the follow-up actions identified in the internal review that it undertook in response to the 2023 banking turmoil in the US and Europe. These are actions that will further strengthen supervisory effectiveness and enhance its ability to handle a banking crisis should one arise. They include enhancing the risk capture of Als' interest rate risk in the banking book in the context of the HKMA's supervisory review process, improving the preparedness of Als for dealing with liquidity stresses given the continuing digitalisation of banking services, streamlining the HKMA's crisis management processes, and further enhancing inter-agency and cross-border supervisory co-ordination.

Operational and technology risk

The HKMA will continue to monitor Als' progress towards achieving full compliance with the HKMA Supervisory Policy Manual (SPM) module OR-2 on "Operational Resilience", and assess and benchmark banks' tolerance limits for plausible disruptions, with a view to enhancing the overall resilience of the banking system. With respect to cyber risk, we will oversee a new round of self-assessments by Als under the Cyber Resilience Assessment Framework 2.0 and monitor Als' implementation of a secure tertiary data backup to enhance their data recovery capabilities if faced with destructive cyber attacks.

Given the accelerating pace of digitalisation in banking operations, the HKMA will keep a close watch on emerging risks arising from the use of advanced technologies such as generative artificial intelligence and distributed ledger technology. We will also collaborate with banks and other relevant stakeholders in operating an agile and pre-emptive mechanism to counter the growing trend of digital fraud.

Combatting money laundering and terrorist financing

In 2024, to uphold the integrity of the banking system and build customer confidence, the HKMA will target high-risk areas and prioritise risk-based regulatory updates, including issuing guidance to support an effective, risk-based implementation of changes to requirements for politically exposed persons, and supporting the implementation of the regulatory regime for stablecoin issuers. We will also issue guidance to help Als optimise their transaction monitoring systems and to promote the responsible use of artificial intelligence, and focus on controls targeting high-end money laundering through our thematic work. To strengthen the ecosystem response to digital fraud and reduce losses to victims, we will further consult the public and the industry on a proposal to expand the scope of bank-to-bank information sharing from corporate accounts to personal accounts and, based on the feedback received, pursue necessary legislative amendments. We will move to a full build of Macro Analytics 3.0 by pooling data relevant to anti-money laundering across multiple banks and interfacing this with existing ecosystem fraud analysis. This will deliver more rapid cross-bank responses and further enhance our data-driven anti-money laundering and counter-financing of terrorism supervision, enabling us to take quicker, more decisive action against systemic money laundering and terrorist financing risks.

Wealth management and Mandatory Provident Fund-related businesses

In 2024, the HKMA will step up both its on-site examinations and off-site surveillance of Als' conduct in relation to wealth management and the selling of securities, investment products, and insurance and Mandatory Provident Fund (MPF)-related businesses. More specifically, we will focus on Cross-boundary Wealth Management Connect (Cross-boundary WMC) business, digital distribution and advisory platforms, virtual asset (VA)-related products, long term insurance products and premium financing activities, taking into account the latest market developments as well as evolving international standards.

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The HKMA will communicate closely with fellow regulators and the banking industry to provide guidance on regulatory standards in relation to the sale of investment, insurance and MPF products as appropriate. In particular, to support the sustainable and responsible development of the VA sector, we will continue to work with the Government and fellow regulators to ensure that the regulatory regime in place for the VA sector is robust, comprehensive and well-balanced.

The HKMA will facilitate and monitor the industry's implementation of enhancements to Cross-boundary WMC, and continue to engage with the industry and relevant regulatory authorities in order to further enhance the scheme. We will also continue to work with fellow regulators and the industry to streamline the selling process for investment products, and will consolidate and clarify guidance, as appropriate, to facilitate industry compliance. In addition to trust business, we will also commence the supervision of new Type 13 regulated activity under the Securities and Futures Ordinance for AIs providing depositary services for collective investment schemes authorised by the Securities and Futures Commission (SFC), which will come into operation on 2 October 2024.

Oversight of financial market infrastructures

The HKMA aims to promote the safety and efficiency of the financial market infrastructures (FMIs) under its oversight in accordance with the Payment Systems and Stored Value Facilities Ordinance (PSSVFO), the Principles for Financial Market Infrastructures (PFMI) and the various guidance issued by the Committee on Payments and Market Infrastructures (CPMI). We will continue to participate in the CPMI-IOSCO¹ PFMI implementation monitoring and assessment exercise, and in other international working groups to discuss the implementation of new and innovative FMI-related initiatives. We will also participate in the work of international standard-setting bodies, and will review and strengthen our oversight requirements as appropriate to reflect the latest international practices as well as market and technology developments.

Policy development

The HKMA will continue to strengthen and refine its banking supervisory and regulatory frameworks and policies, taking into account international standards and best practices.

Implementation of Basel standards in Hong Kong

The proposed amendments to the Banking (Capital) Rules (BCR) and the Banking (Disclosure) Rules (BDR) for implementing the Basel III final reform package (Final Package) are expected to take effect on 1 January 2025 following the passage of the amended Rules in the Legislative Council. In 2024, the HKMA will continue to prepare the supporting guidance, banking returns and standard disclosure templates and tables needed to facilitate the application of the Rules. In particular, we plan to:

- consult the industry in the second quarter of 2024 on the revisions to the SPM module CA-B-3 on "Countercyclical Capital Buffer (CCyB)–Geographic Allocation of Private Sector Credit Exposures" and Return MA(BS)25 "Quarterly reporting on the Countercyclical Capital Buffer", reflecting the consequential changes arising from the implementation of the Final Package and the revised Return of International Banking Statistics; and
- finalise the package for effecting the reporting-only requirement for the new standards on market and credit valuation adjustment risks, which starts on 1 July 2024.

Those parts of the proposed amendments to the Banking (Exposure Limits) Rules (BELR) and the Banking (Liquidity) Rules (BLR) that are largely consequential to the implementation of the Final Package under the amended BCR are also targeted to take effect on 1 January 2025. The HKMA plans to finalise the proposed consequential amendments to the related regulatory returns in 2024.

¹ IOSCO refers to the International Organization of Securities Commissions.

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Meanwhile, with a new standard on the prudential treatment of banks' crypto-asset exposures and subsequent targeted revisions to the standard having been issued by the Basel Committee on Banking Supervision in December 2022 and December 2023 respectively, local implementation of the standard is planned for 2025. The HKMA will examine the need for potential legislative amendments to various sets of rules, including the BCR, the BDR, the BELR and the BLR, and conduct the statutory consultation on the necessary rule amendments in the first half of 2025.

Other supervisory policies and risk management guidelines

The HKMA plans to update a number of SPM modules in response to lessons learned from the banking turmoil in the US and Europe of March 2023, as well as developments in regulatory requirements and international standards. These modules include:

- LM-2 on *"Sound Systems and Controls for Liquidity Risk Management"*;
- CA-S-10 on *"Financial Instrument Fair Value Practices"*;
- IC-5 on *"Stress-testing"*;
- IR-1 on *"Interest Rate Risk in the Banking Book"*; and
- IC-3 on *"Reporting Requirements Relating to Authorized Institutions' External Auditors under the Banking Ordinance"*.

New and revised guidance in the form of Q&As, Codes of Practice, updated SPM modules (e.g. CR-G-8 on *"Large Exposures and Risk Concentrations"* and CR-G-9 on *"Exposures to Connected Parties"*) and similar documents will also be developed to help AIs understand the requirements under the Banking (Capital) (Amendment) Rules 2023 and the Banking (Exposure Limits) (Amendment) Rules 2023.

Balanced and responsive supervision

Through close communication with the banking sector, the HKMA will continue to explore areas for further refining and streamlining its supervisory policies and practices to support the sustainable development of the banking sector amid the fast-evolving banking environment and risk landscape.

Accounting standards

The International Accounting Standards Board is conducting a post-implementation review of the impairment requirements in International Financial Reporting Standard 9. When the exercise is done, the HKMA will consider any implications arising from the review. We will also maintain regular dialogue with the external auditors of AIs, and assess the implications of other impending accounting standards for the existing prudential requirements on AIs.

Enforcement

The HKMA will continue to improve the effectiveness and efficiency of its complaint handling and of the enforcement actions and other appropriate follow-up actions it takes on issues of concern, by implementing enhanced working procedures, utilising new technological tools and optimising its use of resources. To further streamline its complaint management and enforcement workflows, as well as enhance its data analysis capabilities, the HKMA is developing a new complaint handling and enforcement management system that is planned for implementation in 2025.

The HKMA is also looking to strengthen the protection for bank customers against fraudsters and to foster a more customer-centric culture among banks. To do this, we will step up our collaboration work with law enforcement agencies and banks, share useful intelligence and insights derived from complaints, provide timely feedback to the industry, and educate the public against scams. We will also facilitate the banking industry's engagement with law enforcement agencies and other relevant authorities, and develop joint public-private initiatives to promote the integrity of the banking sector and protect banks and their customers from actual or potential harm caused by financial crime, corruption or personal data breaches.

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Resolution

The HKMA is continuing with its multi-year programme to build an operational resolution regime for AIs. For 2024, we will prioritise the following four areas (Table 1), taking into account the follow-up actions identified in the internal review that we undertook in response to the 2023 banking turmoil in the US and Europe.

Table 1 Forward priorities on resolution in 2024



Resolution policy and standards

- Advance the development of policy proposals on the ex-ante capabilities and arrangements that an AI should put in place to support orderly resolution, including those in relation to timely and robust valuations and resolution preparedness
- Review whether there is a need to amend the Financial Institutions (Resolution) Ordinance to enhance the flexibility of resolution initiation



Resolution execution capability

- Enhance crisis management framework and arrangements to support both internal co-ordination and cross-sectoral co-ordination among Hong Kong resolution authorities via the development of playbook and simulation exercises
- Continue to operationalise the stabilization options of a transfer to a bridge institution and bail-in



Resolution planning

- Lead regional resolution planning and co-ordinate with other authorities via 14 Crisis Management Groups and Resolution Colleges to enhance the resolvability of global systemically important banks and the cross-border crisis preparedness of authorities
- Advance resolution planning for domestic systemically important banks and other relevant AIs to enhance their resolvability, including fostering the build-up and maintenance of loss-absorbing capacity resources and the implementation of resolution policy standards on operational continuity, liquidity and funding, contractual recognition of suspension of termination rights, as well as continuity of access to FMs
- Advance development of preferred resolution strategies for relevant AIs with total consolidated assets above HK\$300 billion in co-ordination with the home authorities



International and cross-border co-operation

- Contribute to international policy initiatives on resolution reform at the Financial Stability Board, including resolution strategies and tools, operationalisation of bail-in execution, public sector liquidity backstops, the impact of digital innovation on resolution, and the role of deposit insurance in resolution
- Chair the Study Group on Resolution of the Executives' Meeting of the East Asia-Pacific Central Banks, and co-ordinate regional discussions and studies on resolution

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Banking sector development

The HKMA will work on further promoting sound business conduct among banks and fostering the healthy growth of the banking sector. These are important efforts as they contribute to public confidence in the banking sector as well as Hong Kong's overall competitiveness as an international financial centre.

Building a safe and inclusive banking sector

Bank consumer protection

The HKMA will monitor Als' implementation of and compliance with the revised Code of Banking Practice.

To strengthen consumer protection, we will keep abreast of new developments in innovative banking services (such as those provided through generative artificial intelligence technologies) as well as popular banking products (such as personal credit products), and provide guidance to the banking industry as appropriate. To enhance public awareness of the importance of safeguarding credit card and personal information, we will continue to expand the coverage of the Anti-Scam Consumer Protection Charter.



Mr Eddie Yue, Chief Executive, gives opening remarks at the Anti-Scam Consumer Protection Charter 2.0 event in April 2024, announcing that the coverage of the Charter is expanded to include more institutions and merchants

The HKMA will also continue to participate actively in the international effort on financial consumer protection, with focus on advances in technology in the banking environment as well as surge in scams and frauds arising from the increasing use of digitalised banking channels. We will also continue to monitor the operation and promote the adoption of the payment arrangement for property transactions by mortgage banks and pursue necessary enhancements based on our experience in this area.

As part of its ongoing initiative to promote a sound culture in the banking sector, the HKMA will continue to hold culture dialogues with leadership of Als to discuss the effectiveness of their culture enhancement efforts and provide supervisory feedback. We will also maintain dialogue with regulators outside Hong Kong on the development of bank culture.

In co-ordination with the banking associations, the HKMA will monitor Als' implementation of the Mandatory Reference Checking Scheme designed to address the "rolling bad apples"² phenomenon in the banking sector. Improvements to the Scheme will be made as appropriate.

"Credit Data Smart" started service on 26 April 2024, allowing the selected credit reference agencies to officially provide the public with consumer credit reference services. The HKMA will work with the industry associations on various enhancement initiatives to encourage more credit providers to join "Credit Data Smart" and improve its resilience.

Financial inclusion

The HKMA will continue to engage with the banking industry, the business community and other relevant stakeholders to promote financial inclusion in Hong Kong, taking into account market developments and new opportunities arising in the digital age.

² "Rolling bad apples" refers to the situation where individuals have engaged in misconduct behaviour in one institution but can obtain employment elsewhere without disclosing their earlier misconduct to the new employer.

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Deposit protection

It is important to ensure that Hong Kong's Deposit Protection Scheme (DPS) remains efficient and effective in protecting depositors and contributing to banking stability in Hong Kong. Following a three-month public consultation on proposed enhancements to the DPS conducted from July to October 2023, the Hong Kong Deposit Protection Board (HKDPB) had consolidated the views and comments received from the public, the banking industry and other key stakeholder groups and issued the consultation conclusions in early 2024. Subject to the legislative process, the HKDPB will strive to put the new protection limit, one of the key enhancements proposed, into effect in 2024. It plans to commence the next review in 2027, three years after the implementation of the enhanced protection limit, with the aim of completing the review exercise in the following year.

To support the implementation of the proposed DPS enhancements, the HKDPB will update relevant guidelines and systems, including the payout procedures and system, as well as the information submission requirements relating to the payout of a merged bank. A comprehensive advertising and public education campaign will also be launched to promote public awareness of the enhanced DPS. In particular, social media campaigns and educational outreach activities will be carried out to engage key target groups, including the younger generation and the elderly.

Future-proofing the banking sector

Technology adoption

The HKMA, the SFC and the Insurance Authority (IA) will press on with their roll-out of the initiatives in the new Fintech Promotion Roadmap published in August 2023. Specifically, we will launch a Fintech Knowledge Hub to make resources more accessible for various fintech ecosystem stakeholders. The Hub will feature a cross-sectoral directory to foster stronger connections between fintech solution providers and financial institutions. We will also undertake a package of initiatives that will include fintech showcase events, roundtables, seminars, training sessions, and the development of practical guidelines and promotional videos. These will all be aimed at giving further impetus to the adoption of the five technology focus areas, namely Wealthtech, Insurtech, Greentech, artificial intelligence and distributed ledger technology.



The report on Hong Kong Fintech Promotion Roadmap:



Regarding supervisory technology (Suptech), the HKMA will introduce additional new functionalities in its end-to-end digital supervisory platform as well as implementing an online survey tool. The aim is to further optimise our supervisory processes and automate the supervisory information management lifecycle, from acquisition to retrieval and analysis. We will also explore additional advanced analytics use cases that leverage novel technologies such as generative artificial intelligence, cognitive automation and decision analytics.

Capacity building in the banking sector

The HKMA is currently consulting the banking industry about an updated module on Competence and Ethical Behaviour in the SPM. The updated module will provide more guidance to AIs on assessing and maintaining the competence of the banking workforce. This updated set of supervisory requirements is expected to take effect in 2024. We will also monitor banks' talent development efforts through a new annual Survey on Talent Development, starting from 2024.

In addition, the HKMA will launch the Professional Level of the Green and Sustainable Finance (GSF) module under the Enhanced Competency Framework (ECF) for Banking Practitioners in 2024, to meet the rapidly growing demand for experienced GSF practitioners in the banking industry. A total of ten ECF modules have been launched to date, and we will also conduct an in-depth review into how effectively the existing ECF modules are supporting the professional development of banking practitioners.

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Enhanced Competency Framework

2014	<input checked="" type="checkbox"/> Private Wealth Management
2016	<input checked="" type="checkbox"/> Anti-Money Laundering and Counter-Financing of Terrorism (Core Level)
	<input checked="" type="checkbox"/> Cybersecurity
2018	<input checked="" type="checkbox"/> Treasury Management
	<input checked="" type="checkbox"/> Retail Wealth Management
	<input checked="" type="checkbox"/> Anti-Money Laundering and Counter-Financing of Terrorism (Professional Level)
2019	<input checked="" type="checkbox"/> Credit Risk Management
2020	<input checked="" type="checkbox"/> Operational Risk Management
2021	<input checked="" type="checkbox"/> Fintech
2022	<input checked="" type="checkbox"/> Compliance
2023	<input checked="" type="checkbox"/> Green and Sustainable Finance (Core Level)
Upcoming	<input type="checkbox"/> Green and Sustainable Finance (Professional Level)

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Following Hong Kong's post-COVID return to normality in early 2023, the HKMA gradually resumed various seminars and events aimed at building capacity in the banking sector. In the coming year, we will continue to organise the Regulator's Dialogue for both bank directors and practitioners. This is a valuable platform where bankers of all levels can engage in interactive discussions on topical banking issues and regulatory developments.

As a major source of the banking workforce is the younger generation, the HKMA will step up its efforts to attract and nurture young talents interested in joining the industry. Through an online platform namely Banking GPS and various career talks, we will seek to enrich our young people's understanding of new developments and career opportunities in the modern banking industry. We will also undertake more initiatives designed to increase students' exposure to real-life work experience and enhance their practical banking knowledge, thus better equipping them for future careers in the banking industry.

International financial centre

Building on Hong Kong's strong foundation and the ample opportunities the city offers, the HKMA will strive to further strengthen Hong Kong's position as an international financial centre in 2024 and beyond.

Staying ahead of technological advances

Hong Kong as a fintech hub in Asia

The HKMA will continue to take forward the initiatives laid out under the "Fintech 2025" strategy, designed to promote the development and use of technology in the financial sector. We will focus on facilitating banks' digitalisation and adoption of fintech, strengthening our work on both wholesale and retail Central Bank Digital Currencies, further developing the next-generation data infrastructure needed for more efficient financial intermediation, and deepening the fintech talent pool. More generally, we will step up our work to strengthen Hong Kong's fintech capabilities, while maintaining close collaboration with strategic partners and key stakeholders both locally and abroad.

Crypto-assets, particularly stablecoins

A public consultation was conducted between December 2023 and February 2024 on the regulation of stablecoin issuers. The HKMA will take forward the legislative work in collaboration with the Government, and will continue to engage with different stakeholders while monitoring market developments and international discussion in formulating and implementing the relevant regulatory regime. Parallel with this, we will administer a stablecoin sandbox arrangement in order to facilitate the exchange of views with the industry on the proposed regulatory regime and requirements.

Dominant gateway to the Mainland and global offshore renminbi business centre

The HKMA will continue to collaborate with Mainland authorities and the financial industry to further develop Hong Kong's offshore renminbi market, with a particular focus on deepening market liquidity, promoting a more diverse range of renminbi products, and enhancing Hong Kong's financial infrastructure. The HKMA will also work on deepening the financial co-operation in the Greater Bay Area, bringing more convenience for corporates and individuals, as well as more opportunities for the banking industry in Hong Kong.

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Moreover, the HKMA will continue to enhance connectivity with the Mainland financial market, exploring further enhancements and expansion of the various Mainland-Hong Kong Connect schemes, and working together with relevant Mainland and Hong Kong authorities to provide more diversified risk management and liquidity management tools, including promoting the wider use of onshore bonds as collateral in the international markets, and supporting the further opening up of onshore repo market, which will broaden access to Mainland onshore markets by offshore investors, including Bond Connect investors, and address their growing need for liquidity and risk management as they increase their allocation to renminbi assets.

A hub for asset and wealth management

The HKMA will proactively reach out to the asset and wealth management industry to promote Hong Kong as an international financial centre, with a view to attracting more capital, talent, and financing and investment activities to Hong Kong. We will also continue our work with the Government and the industry to enhance the competitiveness of Hong Kong as an international asset and wealth management hub and a regional destination for corporate treasury centres and investment activities. Specifically, a task force will be set up by the Government to identify opportunities and devise measures to further develop the asset and wealth management industry. To attract fund managers, family offices and asset owners around the world to set up presence or further expand their operation in Hong Kong, we will work with the Government to further enhance the preferential tax regimes for related funds, single family offices and carried interest.

Innovation and technology adoption in bond markets

Whilst the adoption of tokenisation in the bond market is still at an early stage, the technology holds the potential to generate efficiency gains, reduce costs, enhance liquidity, and broaden investor participation in the bond market. Through two batches of tokenised green bond issuances in 2023 and early 2024, the HKMA and the Government have demonstrated the viability of adopting tokenisation technology in real capital market transactions in Hong Kong. We will continue to explore policy initiatives to foster wider adoption of the technology including further issuance of tokenised Government bonds.

Hong Kong's financial infrastructures

The HKMA will continue to maintain the smooth and reliable operation of the various financial infrastructures to strengthen overall resilience and meet international standards. Riding on the rapid adoption of the Faster Payment System (FPS) by the public over the past five years, we will continue to explore more potential use cases in collaboration with the industry and various Government departments, for example, adoption of App-to-App and Web-to-App feature to facilitate on-mobile payments, with a view to further promoting e-payment in Hong Kong. In particular, more work will be done to promote the use of the FPS for merchant payments and business payments.

Leveraging on its successful experience in the past few years, the HKMA will continue engaging with banks and stored value facilities (SVFs) to encourage the public to give electronic lai sees via the FPS during the Chinese New Year.

The HKMA has been supporting the Digital Currency Institute of the People's Bank of China in its pilot testing of digital renminbi (e-CNY) for cross-boundary payments in Hong Kong. We will expand the scope and scale of the testing to cover more Mainland operating institutions, Hong Kong banks and merchants.

Hong Kong's retail payment industry

In its role of supervising SVF licensees and overseeing the designated retail payment systems in accordance with the PSSVFO, the HKMA will continue to refine its risk-based approach having regard to relevant international and local developments, with a view to promoting a safe and efficient retail payment industry.

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Other market development initiatives

Hong Kong's treasury markets

The HKMA works closely with the Treasury Markets Association and engages market participants to keep enhancing the professionalism and competitiveness of Hong Kong's treasury market, particularly in relation to financial benchmarks, promotion of the Foreign Exchange Global Code, and opportunities to further develop Hong Kong's treasury market.

Over-the-counter derivatives market

An over-the-counter (OTC) derivatives regime has been introduced in phases in Hong Kong. In close collaboration with the SFC, the HKMA will further develop and refine the implementation rules to make the regulatory regime for the OTC derivatives market more effective. Market consultation on the implementation of updated international standards for mandatory reporting will be conducted in 2024, with implementation planned for 2025.

Developing financial leadership in Hong Kong

Looking ahead, the Hong Kong Academy of Finance (AoF)³ will strengthen its activities across its three areas of work, namely knowledge exchange and overseas collaborations, thought leadership in macro and industry trends, and building a pipeline of future leaders. The Leadership Development Programme will be further developed with a view to fostering leadership talents and broadening the macro and cross-disciplinary perspectives of members and industry participants. The flagship Financial Leaders Programme, launched in 2022, has now been running successfully for two years, and is contributing strongly to AoF's efforts to build a robust alumni network of future financial leaders.



The 2023 cohort of the Financial Leaders Programme with Mr Eddie Yue (front row, centre), Chief Executive of HKMA and Chairman of AoF, and Mr Enoch Fung (front row, third from left), CEO of AoF

The Hong Kong Institute for Monetary and Financial Research (HKIMR), the research arm of the AoF, will continue to pursue research studies on topics that are highly relevant to Hong Kong's financial services industry and regulators. These studies typically cover the fields of monetary policy, banking, and financial market developments, all of which are of strategic importance to Hong Kong and the Asia region. Notable topics include generative artificial intelligence in the financial services industry, long-term investing in a digital economy, and further development of family offices in Hong Kong. In addition to these research activities, efforts are being put into engaging knowledge exchange activities with a diverse range of stakeholders, including local and international researchers and research institutions, to promote the AoF/HKIMR brand and expand its footprint.

Market outreach initiatives

Following up on visits of its delegations to the Middle East in 2023, the HKMA is planning to carry out further overseas visits in 2024, including to Association of Southeast Asian Nations (ASEAN) countries, to reinforce connections and promote Hong Kong's financial services overseas.

³ The AoF was set up with the full collaboration of the HKMA, the SFC, the IA and the Mandatory Provident Fund Schemes Authority. It brings together personnel from academia, the industry, professionals and the regulatory community with the aim of developing financial leadership and promoting research collaboration.

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International and regional co-operation

Turmoil in financial markets in 2023 demonstrated that regional shocks can quickly ripple throughout the global financial system, making cross-border co-operation between central banks and regulatory authorities of critical importance. The HKMA will therefore continue its active participation in international and regional forums to promote global financial stability.

The HKMA will continue to take on leadership roles in a number of priority work areas of the Financial Stability Board, including those on enhancing the resilience of non-bank financial intermediation, crypto-assets and financial innovation, as well as cross-border payments and regional collaboration. It will also actively contribute to other financial stability topics including non-bank financial leverage, cyber and operational resilience, and addressing financial risks from climate change.

On the regional front, following the success of the inaugural AMRO-HKMA-ADB⁴ Financial Leadership Programme for senior representatives from central banks, ministries of finance and related government agencies of the ASEAN+3⁵ economies, the HKMA is committed to further developing the training programme as part of its ongoing efforts to strengthen Hong Kong's connections with its fellow Asian economies and support their development.

Sustainability

Challenges arising from climate change and sustainability are among the most pressing issues of our time, and the HKMA is working at multiple levels to address these issues globally, regionally and locally, with a particular focus on the financial industry. Full details of our work and our forward-looking strategies and priorities can be found in the *Sustainability Report 2023*. This is work that must be undertaken collaboratively and on a global scale, and we are therefore continuing to work closely with like-minded peers and international organisations to achieve meaningful change. In 2024, we will step up our efforts to promote a more sustainable financial sector in Hong Kong, while carrying out our duties as a responsible investor and a sustainable organisation.

⁴ AMRO, ASEAN+3 Macroeconomic Research Office, is an international organisation that aims to contribute to the macroeconomic and financial resilience and stability in the ASEAN+3 region. ADBI, Asian Development Bank Institute, is the Tokyo-based think tank of the Asian Development Bank, providing policy research, capacity building, training, and outreach to assist developing countries in Asia and the Pacific.

⁵ ASEAN+3 comprises the ten ASEAN member countries (Brunei, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), together with China, Japan and South Korea.