Why banking stability is important

Banks are closely linked with our everyday lives and activities. Drawing salaries, paying bills, buying homes, building up savings and taking out loans all involve transactions with banks. Businesses also rely on the banking system for settlement of their transactions and meeting other financial needs. Banks also interact among themselves in an international network to deliver financial services to their overseas as well as local customers. The links among banks and the fact that banking stability is essentially founded on public confidence mean that problems of one bank can easily spread to other banks and financial institutions. Any large disruption of banking operations will affect society as a whole. Banking stability is, therefore, crucial to minimising the extensive economic and social impact that may arise from problems in the industry.

The HKMA ensures general stability and effective working of the banking system through the regulation of banking and deposit-taking business and the supervision of AIs. The HKMA has responsibility to promote proper standards of conduct, encourage sound and prudent business practices, and to help prevent illegal, dishonourable or improper practices in the banking industry. The HKMA derives its regulatory powers from the Banking Ordinance.