Financial Services

Hong Kong is a major international financial centre, comprising an integrated network of institutions and markets which provide a wide range of products and services to local and international customers and investors. Hong Kong's financial markets operate under effective and transparent regulations that are in line with international standards. Another feature is high liquidity in the markets.

The Government of the Hong Kong Special Administrative Region (HKSAR) abides by the principle of keeping intervention into the way in which the market operates to a minimum and has endeavoured to provide a favourable environment in which business operates. Its policy of low and simple taxation allows maximum room for business initiatives and innovation. There is a strong emphasis on the rule of law and fair market. There are no barriers of access to the market by foreign businesses, with free flow of capital and information. There are also no exchange controls.

The Financial Markets: In the banking sector, at end May 2020, there were 163 licensed banks, 17 restricted licence banks and 13 deposit-taking companies in Hong Kong, together with 42 local representative offices of overseas banking institutions. These institutions come from 34 economies and include 78 of the world's largest 100 banks. Together they operated a comprehensive network of about 1 245 local branches, excluding their principal place of business in Hong Kong. Banks in Hong Kong engage in a wide range of retail and wholesale banking business.

Hong Kong has a mature and active foreign exchange market, the development of which has been stimulated by the absence of exchange controls in Hong Kong and its favourable time zone location. Links with overseas centres enable foreign exchange dealing to continue 24 hours a day around the world. According to a triennial global survey conducted by the Bank for International Settlements in 2019, Hong Kong was the world's fourth largest foreign exchange market in terms of turnover.

The Hong Kong money market consists primarily of the interbank market with the Hong Kong Interbank Offer Rate (HIBOR) being an important indicator of the price of short-term funds in Hong Kong. The daily turnover in the Hong Kong interbank market averaged HK$502.0 billion in 2019.

Hong Kong's stock market was the fifth largest in the world and the third largest in Asia in terms of market capitalisation as at end April 2020*. Hong Kong was the most active market for raising initial public offering (IPO) funds in 2019, with US$40.1 billion raised. Hong Kong ranked first for IPO funds raised seven times since 2009. A wide variety of products are traded in the stock market, ranging from ordinary shares to options, warrants, Callable Bull Bear Contracts (CBBCs), Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), units trusts and debt securities. As at end May 2020, 2 482 companies were listed on the Stock Exchange of Hong Kong (SEHK), with a market capitalisation of HK$33,984.7 billion. Among them, 1 261 were Mainland enterprises which have together raised around HK$6,740 billion in terms of total equity funds from 1993 to May 2020.

For the derivatives market, the Hong Kong Futures Exchange (HKFE) and the SEHK offer a wide range of futures and options products, including index futures, stock futures, interest rate futures, bond futures, gold futures, index options and stock options.

The transactions on the two exchanges are cleared and settled through their three associated clearing houses, namely, the Hong Kong Securities Clearing Company Limited (HKSCC), the Stock Exchange of Hong Kong Options Clearing House Limited (SEOCH) and the Hong Kong Futures Exchange Clearing Corporation Limited (HKCC).

As at end March 2020, 54 overseas market operators were authorised as automated trading services providers to offer their trading and/or clearingservices to institutions in Hong Kong.

Apart from the stock market and the futures market, there is also an active over-the-counter (OTC) market which is mainly operated and used by professional institutions and trades swaps, forwards and options in relation to equities, interest rates and currencies. OTC Clearing Hong Kong Limited (OTC Clear), a subsidiary of the Hong Kong Exchanges and Clearing Limited (HKEX), commenced operation in November 2013 to provide clearing services for certain types of OTC derivative products. It now offers clearing services for inter-dealer interest rate swaps, non-deliverable currency forwards and cross currency swaps.

Hong Kong's debt market has developed into one of the most liquid markets in the region. The Central Moneymarkets Unit (CMU) Service, established in 1990, is operated by the Hong Kong Monetary Authority (HKMA) to provide a clearing, settlement and custodian system for Exchange Fund Bills and Notes (EFBNs), Hong Kong Government Bonds and other private debt securities. The outstanding amount of the EFBNs was about HK$1,086.3 billion at end March 2020, with an average daily turnover in these papers of HK$13.9 billion in 2019. A total of HK$790 billion Hong Kong dollar debt securities other than the EFBNs were issued in 2019.

The Chinese Gold and Silver Exchange Society has provided a platform for gold trading in Hong Kong since the early 20th Century. In 2011, it launched the Renminbi Kilobar Gold. In 2013, it launched the platform for Loco Hong Kong Silver, quoted and settled in Hong Kong Dollar.

Hong Kong is one of the most open insurance centres in the world. As at end May 2020, there were 165 authorised insurers, 95 of which were incorporated in Hong Kong and the remaining 70 were incorporated in the Mainland and 20 overseas countries, with Bermuda, the United Kingdom and the United States of America taking the lead. In recent years, Hong Kong's insurance market has shown considerable growth.

During the past 5 years, the overall Hong Kong insurance industry achieved an average annual growth of 11.3%. The total gross premiums of Hong Kong insurance industry in 2019 amounted to HK$580.2 billion.

As one of the largest asset management centres in Asia, Hong Kong continued to attract international investors to use it as the platform for investing in the region. The asset under management of Hong Kong asset and wealth management business amounted to HK$23,955 billion as at the end of 2018. Hong Kong is also the regional centre for portfolio management activity, including Hong Kong authorised unit trusts and mutual funds and, on a larger scale, institutional fund management. As at end May 2020, there were 2 143 authorised unit trusts and mutual funds in Hong Kong and the net asset value of authorised unit trusts and mutual funds totalled around US$1,678 billion as at end 2019. To streamline the processing of investment fund transactions in order to make fund order routing and settlement safer and more efficient, the HKMA launched the CMU Fund Order Routing and Settlement Service in August 2009. This was enhanced in June 2013 to support money settlement of investment fund orders using the real-time-gross-settlement System (RTGS) in Hong Kong. The Fund Order Routing and Settlement service launched a new cross border linkage with the Mainland in July 2015 to provide order routing and settlement support to the Mainland-Hong Kong Mutual Recognition of Funds (MRF) initiative.

The introduction of the Mandatory Provident Fund (MPF) System since December 2000 has generated significant amounts of retirement assets, adding impetus to the further development of the financial markets. MPF is a long-term investment. Hence, apart from creating new and additional demands for investment products, MPF also contributes to greater stability in the financial markets. As at end April 2020, the aggregate net asset value of all MPF schemes has reached HK$918.7 billion (US$117.8 billion).

Offshore Renminbi (RMB) Business in Hong Kong: Hong Kong is the world's largest offshore RMB business hub, with the world's largest offshore pool of RMB liquidity. As at end April 2020, RMB deposits and outstanding RMB certificates of deposits totalled RMB698.3 billion. With the development of RMB bonds, loans and equity products, Hong Kong has become the largest centre for conducting offshore RMB financing activities. As at end May 2020, outstanding RMB bonds issued in Hong Kong amounted to RMB165.3 billion. Hong Kong also serves as a platform for enterprises and financial institutions all over the world to conduct RMB trade settlement, payments, financing and investments. In 2019, total RMB trade settlement conducted through banks in Hong Kong reached RMB5,376.3 billion. Hong Kong maintained its lead as the largest offshore RMB foreign exchange market, with the average daily turnover of RMB foreign exchange transactions increasing by 39.6% to US$107.6 billion in April 2019 compared with that preceding three years. The RMB clearing platform in Hong Kong is also supporting banks from all over the world to conduct their RMB transactions. As at end April 2020, there were a total of 205 banks participating in the RMB clearing platform in Hong Kong, of which 172 were branches and subsidiaries of foreign banks and overseas presence of banks in Mainland China. Business links with overseas markets have also been established to enhance Hong Kong's position as the global hub for offshore RMB business.

The MRF arrangement between the Mainland and Hong Kong became operational on July 1, 2015. Under the arrangement, qualified Mainland and Hong Kong funds may offer directly to the public in each other's market after obtaining authorization or approval under streamlined procedures. The arrangement opens up a new channel to mutual access not only between the Mainland and Hong Kong, but also between the Mainland and the international market through the Hong Kong platform, thereby broadening cross-border investment channels.

Launched in November 2014 and December 2016 respectively, the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect enable mutual stock market access between the SEHK and the Shanghai Stock Exchange as well as the Shenzhen Stock Exchange. The Stock Connect allows eligible Mainland investors to trade directly for the first time in eligible stocks listed on the SEHK through the two Mainland Exchanges, and allows Hong Kong and overseas investors to trade directly for the first time in eligible stocks listed on the two Mainland Exchanges through the SEHK.

The Bond Connect marks another important milestone in the further development of mutual capital market access between the Mainland and Hong Kong. It enables eligible overseas investors to access the Mainland interbank bond market through financial infrastructural connection established between Hong Kong and the Mainland.

The Stock Connect and Bond Connect are important steps in the opening up of Mainland China's capital markets and the internationalisation of RMB. They also reinforce Hong Kong's position as a premier international financial centre and strengthen Hong Kong's role as an offshore RMB business centre.

Regulation of Financial Markets: In line with the international trend, Hong Kong's financial services regulatory system has evolved and developed over the years. The principal regulators are the HKMA, the Securities and Futures Commission (SFC), the Insurance Authority (IA) and the Mandatory Provident Fund Schemes Authority (MPFA). They are responsible respectively for regulation of the banking; securities and futures; insurance and retirement scheme industries.

The HKMA was established in 1993, by merging the Office of the Exchange Fund with the Office of the Commissioner of Banking. This was done primarily to ensure that the central banking functions of maintaining monetary and banking stability can be performed with a high degree of professionalism and continuity, in a manner that commands the confidence of the people of Hong Kong and the international financial community. Besides banking supervision, other functions and objectives of the HKMA include the maintenance of currency stability and promotion of the efficiency, integrity and development of the financial system. These functions and objectives are generally consistent with those of central banks around the world.

The Government is not involved in the day-to-day regulation of the securities and futures industry. The SFC, established in 1989, is an autonomous statutory body responsible for administering the laws governing the securities and futures markets in Hong Kong and facilitating the development of these markets. It seeks to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry and to provide protection for investors. Within the regulatory framework, the SFC has regulatory oversight of the HKEX and its subsidiaries, namely the SEHK, the HKFE and four recognised clearing houses. The Government may act as a facilitator and co-ordinator of market reforms pursued by the SFC and HKEX where necessary.

The IA is an independent insurance regulator established in December 2015 to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policy holders, and align with international practice that insurance regulators should be financially and operationally independent of the Government. The IA took over the responsibility of supervising insurance companies from the former Office of the Commissioner of Insurance in June 2017 and assumed direct regulation of insurance intermediaries in September 2019. It also collaborates with regulators in other jurisdictions to perform group-wide supervision for three multinational insurance groups.

The MPFA was established in September 1998 as an autonomous, statutory body to regulate, supervise and monitor the operation of the MPF System.

The resolution regime for financial institutions established under the Financial Institutions (Resolution) Ordinance (Cap. 628) commenced operation on 7 July 2017. As confirmed by the Financial Stability Board (FSB), Hong Kong is one of the few FSB jurisdictions with a cross-sectoral resolution regime that meets the relevant international standards. It strengthens the resilience of Hong Kong's financial system. By conferring powers on the resolution authorities to effect orderly resolution of financial institutions, the resolution regime mitigates the risks posed by the non-viability of systemically important financial institutions to the stability and effective working of the financial system of Hong Kong. It also minimizes risks posed to public funds as losses are imposed on the institutions' shareholders and creditors.

Banking: Hong Kong maintains a three-tier system of deposit-taking institutions, namely, licensed banks, restricted licence banks and deposit-taking companies. They are collectively known as authorised institutions (AIs) under the Banking Ordinance. AIs may operate in Hong Kong as either locally incorporated companies or branches of foreign banks.

Only licensed banks may operate current accounts, and accept deposits of any size and maturity. Restricted licence banks are principally engaged in merchant banking and capital market activities. They may take deposits of any maturity of HK$500,000 and above. Many of the deposit-taking companies are owned by or, otherwise associated with, licensed banks or banks incorporated outside Hong Kong and engage in a range of activities, consumer finance, commercial lending and securities business. These companies are restricted to taking deposits of HK$100,000 or above with an original term to maturity of at least three months. Depositors of licensed banks in Hong Kong are protected by the Deposit Protection Scheme. Each depositor is entitled to compensation up to a maximum of HK$500,000.

The three-tier structure enables soundly based institutions which do not qualify for a full banking licence to apply for authorization as a restricted licence bank or a deposit-taking company so as to enter the local deposit-taking market or to conduct wholesale and investment banking business. The authorisation criteria for licensed banks, restricted licence banks and deposit-taking companies seek to ensure that only fit and proper institutions are entrusted with public deposits. The licensing criteria are subject to periodic reviews to ensure that they reflect the changing needs of the regulatory environment and are consistent with evolving international standards.

AIs have to comply with the provisions of the Banking Ordinance which, inter alia, require them to maintain adequate liquidity and capital adequacy ratios; to submit periodic statistical returns to the HKMA; to adhere to limitations on loans to any one customer or to directors and employees; and to seek the HKMA's approval for the appointment of directors, chief executives (including their alternates) and for changes in control. Overseas banks which operate in branch form are not required to hold capital in Hong Kong. They are also not subject to capital ratio requirements or to capital-based limits in large exposures under the Banking Ordinance.

The legal framework for banking supervision in Hong Kong is in line with international standards including the Basel Committee's *Core Principles for Effective Banking Supervision*. The supervisory process follows a risk-based approach which puts emphasis on the evaluation of the quality of AIs internal risk management systems in respect of current and emerging risks they face. The objective is to devise a prudential supervisory system to help preserve the general stability and effective operation of the banking system, but which at the same time provides sufficient flexibility for AIs to take commercial decisions.

Securities and Futures: Hong Kong's securities market is operated by the SEHK and its futures market by the HKFE, both being wholly owned by subsidiaries of the HKEX. Under the three-tier regulatory structure for the securities and futures industry, the Government, the SFC and the HKEX assume different roles in the operation of the securities market. The Government formulates overall policies for the development of the financial market. The stock and futures exchanges are entrusted with the statutory function of ensuring orderly, informed and fair securities and futures markets and must act in the interest of the public, having particular regard to the interest of the investing public. The SFC, as the statutory regulator of the securities and futures markets which derives its investigative, remedial and disciplinary powers from the Securities and Futures Ordinance (SFO), has a statutory duty to supervise, monitor and regulate the exchanges and the performance of their listing-related functions and responsibilities. The SFC's work can be divided into five areas: intermediaries; investment products; listing and takeovers; market infrastructure and trading; and enforcement. The SFC's powers are subject to both internal controls and external scrutiny, designed to ensure fairness in its decision-making, observance of due process and proper use of its regulatory powers.

At the end 2019, there were 47 437 licensed entities, including securities brokers, futures dealers, investment advisers and fund managers as well as their representatives, and 114 registered institutions, such as banks, engaging in regulated activities such as dealing in and advising on securities and futures.

Insurance: The Insurance Ordinance (IO) provides for the authorisation and prudential supervision, by the IA, of all insurers carrying on insurance business in, or from, Hong Kong. New insurers admitted should be well established, financially sound and well managed. All insurers seeking authorisation from the IA are subject to the same authorisation criteria and all authorised insurers are subject to the same prudential supervision, regardless of their place of incorporation.

The IO also provides for the regulation by the IA of all insurance intermediaries. The regulatory regime for insurance intermediaries is activity-based. Any person who carries on or holds themselves out as carrying on "regulated activity" as defined under the IO must be licensed by the IA, unless an exemption applies. All insurance intermediaries are subject to the fit and proper as well as the conduct requirements.

The Government, in collaboration with the IA, has pursued a series of initiatives in recent years to enhance Hong Kong's competitiveness as a regional insurance hub and assist the industry to seize new business opportunities. With effect from the assessment year of 2019-20, the Government provides tax deductions under salaries tax and personal assessment to encourage retirement savings and facilitate the development of the deferred annuity market. The Government also introduced two amendment bills into LegCo in December 2019 and June 2020 respectively to provide profits tax concessions to promote the development of marine insurance and specialty, enable the issuance of insurance linked securities in Hong Kong and expand the scope of insurable risks by captive insurers in Hong Kong.

The Government and the IA have also directed efforts towards developing a framework for group-wide supervision, with a view to establishing Hong Kong as a preferred base for large insurance groups in Asia Pacific. To strengthen these powers in line with prevailing international standards and practices of insurance regulation, an amendment bill was introduced into LegCo in June 2020.

MPF System: In August 1995, Hong Kong took a major step in enacting the Mandatory Provident Fund Schemes Ordinance, which provides the framework for the establishment of a privately managed, mandatory provident fund system for the working population. The ordinance was amended in March 1998 and supplemented by subsidiary regulations enacted in April 1998 and May 1999 respectively, setting out the detailed rules governing the operation of the MPF System and exemption of members covered by certain occupational retirement schemes.

As contributions are mandatory, the Government has built into the MPF System a multiplicity of measures to ensure that MPF assets are safe and secure. The measures include stringent criteria for the approval of MPF trustees; prudential supervision to ensure compliance with standards and regulations; smooth and transparent operation of schemes; as well as a compensation fund mechanism to make good losses caused by illegal conduct. The MPF System was implemented in December 2000. As at end May 2020, 100 per cent of employers, 99 per cent of relevant employees, as well as 73 per cent of self-employed persons participated in MPF schemes.

Incorporation of Companies: Companies are incorporated or registered under the Companies Ordinance (CO). Setting up a company in Hong Kong is very convenient. Incorporation can be completed online at the Companies Registry's e-Registry portal by completing an incorporation form and filing a copy of the company's articles of association. With the implementation of a one-stop electronic company incorporation and business registration service since March 2011, electronic Certificates of Incorporation and Business Registration Certificates can normally be obtained in one go in less than one hour after submission of the applications. There is also no requirement for a minimum amount of capital while capital duty has been abolished since June 1, 2012. The Companies Registry launched a free mobile application "CR eFiling" for filing of electronic forms on the mobile platform in February 2017. The mobile filing service now covers 13 commonly filed forms including applications for incorporation of companies and annual returns. As at end 2019, there were 1 380 185 local companies on the Companies Register comprising 821 public companies, 1 364 591 private companies and 14 773 guarantee companies.

The new CO which came into operation in March 2014, provides a modernised legal framework for the incorporation and operation of companies in Hong Kong and strengthens Hong Kong's position as an international business and financial centre.

Money Market: Hong Kong has a sizeable and active interbank market whereHong Kong dollar funds are transacted among banking institutions. The Hong Kong interbank rates are important indicators of the liquidity situation in the financial system and are central to the pricing of Hong Kong dollar credits.

Interbank funds have always been a major source of Hong Kong dollar funding for the banking system, particularly for those banks (mostly foreign incorporated institutions) not operating extensive retail networks. The interbank market is also the venue for those banks with a large customer deposit base to invest in short term loans.

Monetary Policy: The monetary policy objective of Hong Kong is to maintain currency stability, defined as a stable external exchange value of the currency of Hong Kong, in terms of its exchange rate in the foreign exchange market against the US dollar, at around HK$7.80 to US$1. This is adopted having regard to Hong Kong being a highly externally-oriented economy. Stability of the external value of the currency has special significance to Hong Kong, both in terms of the nature of the businesses carried out in the territory and in terms of general confidence.

The Linked Exchange Rate System in Hong Kong was established in October 1983. It is characterised by Currency Board arrangements, requiring the Hong Kong dollar monetary base to be at least 100 per cent backed by, and changes in it to be 100 per cent matched by corresponding changes in, US dollar reserves held in the Exchange Fund. The monetary base includes banknotes and coins issued, the sum of the balances in clearing accounts of licensed banks maintained with the HKMA – the Aggregate Balance – and the outstanding Exchange Fund paper. The Hong Kong dollar banknotes and coins are fully backed by, and their changes fully matched with corresponding changes in US dollars held by the Exchange Fund at the fixed exchange rate of HK$7.80 to US$1. Since September 1998, the HKMA has provided a clear undertaking to licensed banks to convert Hong Kong dollars in their clearing accounts into US dollars. On 18 May 2005 the HKMA introduced a strong-side Convertibility Undertaking to buy US dollars from licensed banks at 7.75, and announced the shifting of the weak-side Convertibility Undertaking from 7.80 to 7.85, so as to achieve symmetry around the Linked Rate of 7.80. Within the Convertibility Zone defined by the levels of the Convertibility Undertakings, the HKMA may choose to conduct market operations consistent with Currency Board principles with the aim of promoting the smooth functioning of the money and foreign exchange markets.

Development of the Debt Market: Hong Kong is a major bond market in Asia. Outstanding Hong Kong dollar debt securities, including EFBNs, totalled $2,165.9 billion at end March 2020. Hong Kong ranked third in local-currency-denominated bond issuance in Asia (excluding Japan) in 2019.

Over the past decades, a number of measures have been taken to promote the development of the local debt market. The Exchange Fund paper programme has encouraged the growth of the debt market by supplying high quality Hong Kong dollar debt paper and providing a benchmark yield curve for Hong Kong dollar debt. The establishment of the Government Bond Programme (GBP) in 2009 and the Government Green Bond Programme (GGBP) in 2018 has promoted the further and sustainable development of the local bond market. Institutional issuances with tenors ranging from three to fifteen years under the GBP help further extend the benchmark yield curve for Hong Kong dollar debt while retail issuances such as inflation-linked retail bond (iBond) and Silver Bond help raise retail investors' interest in and awareness of debt securities. Green bond issuances under the GGBP also help consolidate Hong Kong's position as a leading hub for green finance in the region.

The establishment of the CMU in 1990 provides an efficient clearing and settlement system for Hong Kong dollar as well as non-Hong Kong dollar denominated bonds, while the linkages with other overseas clearing systems facilitate cross border investment in debt instruments. In June 2007, the HKMA also extended the CMU BID bond tendering service to other debt securities issuers as an additional channel for issuing debt securities in Hong Kong. The Ministry of Finance (MoF) of the Central Government started to use the CMU BID service in 2010 to issue RMB sovereign bonds in Hong Kong, and the People's Bank of China also started using this service for issuing RMB Bills since 2018 and both have continued to do so since then. Beginning from 2012, the HKMA also established the "HKMA CMU Central Bank Placement Co-ordinating Window" to help expand the investor base to central banks and monetary authorities. These measures helped promote the development of Hong Kong's offshore RMB bond market.

Apart from RMB sovereign bonds, the MoF also issued US dollar sovereign bonds totalling US$2 billion in Hong Kong in October 2017, the first of this sort after Hong Kong's return to the motherland. Subsequently, it further issued US dollar sovereign bonds totalling US$3 billion and US$6 billion in Hong Kong in 2018 and 2019 respectively. Not only does it demonstrate the Central Government's support in reinforcing Hong Kong's status as an international financial centre, but is also conducive to the development of local bond market.

To promote the development of the bond markets in the Mainland and Hong Kong, Bond Connect was launched in July 2017 with trial operation of Northbound Trading (initial phase of Bond Connect) commencing on 3 July. Bond Connect is an arrangement that enables Mainland and overseas investors to trade bonds tradable in the Mainland and Hong Kong bond markets through connection between the financial infrastructure institutions of the two places. Settlement of Bond Connect transactions is conducted through CMU's respective accounts set up with the two Mainland Central Securities Depositories. As the account opening procedures and compliance requirements are handled by the CMU, overseas investors can participate more easily in the Mainland bond market through Bond Connect.

In addition to the Hong Kong dollar RTGS System, the HKMA launched the US dollar and Euro RTGS Systems in 2000 and 2003 respectively, which facilitate the efficient clearing and settlement of US dollar and Euro denominated transactions, including debt securities transactions, on a real-time basis within the Asian time zone. In 2007, the HKMA launched the Renminbi RTGS System to facilitate clearing and settlement of the renminbi denominated transactions including debt securities transactions in Hong Kong. To help participating banks better serve their customers in the region, the CMU began operating on all Hong Kong general holidays, with the exception of January 1 (a worldwide holiday), in November 2009 to support intraday/overnight repo facilities of the US dollar, Euro and Renminbi RTGS Systems. To enhance the inter-operability of the Systems with the global system so as to attract overseas users, CMU and the four RTGS Systems fully migrated from a proprietary system to an open platform riding on SWIFTNet in July 2010.

Oversight of Financial Market Infrastructures (FMIs): The Payment Systems and Stored Value Facilities Ordinance (PSSVFO) helps promote the general safety and efficiency of payment systems that are material to the monetary or financial stability of Hong Kong and its functioning as an international financial centre. Under the PSSVFO, the Monetary Authority (MA) is empowered to designate and oversee such payment systems. The Ordinance also provides statutory backing to the finality of settlement for transactions made through clearing and settlement systems designated under the Ordinance by protecting the settlement finality from insolvency laws or any other laws. The MA issues certificates of finality to designated clearing and settlement systems meeting certain criteria specified in the Ordinance. The CMU, Hong Kong dollar Clearing House Automated Transfer System (CHATS), Continuous Linked Settlement (CLS) System, US dollar CHATS, Euro CHATS and Renminbi CHATS have been designated and each was issued a certificate of finality. The MA is also responsible for overseeing the OTC Derivatives Trade Repository (HKTR) established in Hong Kong in 2013. HKTR maintains a centralized electronic record of data of eligible OTC derivative transactions. In overseeing the FMIs under its purview, the MA has incorporated new international standards, including the Principles for Financial Market Infrastructures (PFMI) jointly published by the Committee on Payments and Market Infrastructures of the Bank for International Settlements and the International Organization of Securities Commissions in its oversight framework.

Participation in international and regional financial organisations: Through active participation in the Financial Stability Board, and international standard-setting bodies such as the Basel Committee on Banking Supervision, International Organisation of Securities Commissions and International Association of Insurance Supervisors, Hong Kong has been contributing to the development of global financial regulatory reform on various fronts. Hong Kong is also a member of the Asian Infrastructure Investment Bank, Asian Development Bank and Asia Pacific Economic Cooperation.

The HKSAR Government and financial regulators play an active role in the Financial Action Task Force and the Asia-Pacific Group on Money Laundering, to ensure that our anti-money laundering and counter financing of terrorism regime is in line with those standards and practices.

*Source: World Federation of Exchanges and London Stock Exchange Group