



4th April 2014

Sent by Email and by Post

Resolution Regime Consultation
Financial Services Branch
Financial Services and the Treasury Bureau
24/F, Central Government Offices
2 Tim Mei Avenue, Tamar, Hong Kong

Dear Sirs/Madams,

Re: Consultation Paper on An Effective Resolution Regime for Financial Institutions in Hong Kong

The Hong Kong Society of Financial Analysts (HK SFA) is pleased to comment on the establishment of an effective resolution regime for financial institutions in Hong Kong. The HK SFA is supportive of the international regulatory reform initiatives to enhance the resilience and stability of the financial systems which will improve the ability of financial institutions to withstand external shocks in the future. That being said, additional costs associated with the reform should be carefully considered and weighed against the potential benefits.

Based on our positions, we state our comments to the specific questions set out in the Consultation Paper as follows:

Question 2

Do you agree that it is appropriate for all LBs to be within the scope of the regime (given it would only be used where a non-viable LB also posed a threat to financial stability)? If not, what other approaches to the setting of the scope of the regime, which ensure that all relevant LBs are covered, should be considered?

Bringing all Licensed Banks (LBs) to be within scope of the regime would be unnecessarily burdensome less sizable LBs and unfair to them given that it would be more remote for them to have systemic impact.

Question 5

Do you agree that it is appropriate to set the scope of the regime to extend to some LCs?

Yes, we believe that it is appropriate to extend to some Licensed Corporations if they would have potential material systemic impact.

Question 9

Do you agree that branches of foreign FIs should be within the scope of the local resolution regime such that the powers made available might be used to: (i) facilitate resolution being undertaken by a home authority; or (ii) support local resolution?

It is suggested that more in-depth cost and benefit analysis be conducted before concluding whether or not branches of foreign Financial Institutions should be within the scope of the local resolution regime.

Question 16

Do you agree that, in line with their existing statutory responsibilities and supervisory intervention powers, the MA, SFC and IA should be appointed to act as resolution authorities for the FIs under their respective purviews?

While it may be appropriate to appoint MA, SFC and IA as resolution authorities, the three agencies should establish a consistent approach (including policy expectations, guidance to the industry, inspection and review approach and interpretation of requirements) and avoid bureaucracy - efficiency of implementation should be one of the key benchmarks for a successful rollout. The overarching framework should better be defined and established by the HK SAR Government and have MA, SFC and IA to carry out the operational part in case of need.



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

The HKSFA appreciates the opportunity to comment on joint consultation paper on an effective resolution regime for financial institutions in Hong Kong. We trust you find our comments useful and constructive.

Yours sincerely,
For and on behalf of
The Hong Kong Society of Financial Analysts

Jimmy Jim, CFA
Chair, Advocacy Committee

Ashley Khoo, CFA
Chair, Advocacy Committee