

REGULATORY UPDATES (FINANCIAL SERVICES) February 2019 Issue



To maintain the financial stability and facilitate the economic growth of Hong Kong, regulators have been reviewing and establishing different legal framework regularly for financial institutions. In this month, the Hong Kong Monetary Authority (HKMA) and Securities and Futures Commission (SFC) have the following updates:

Update on Enhanced Competency Framework on Cybersecurity

The HKMA has published the updated Enhanced Competency Framework on Cybersecurity (ECF-C) on 10 January 2019.

The Certified Cyber Attack Simulation Professional (CCASP) is a localised certification scheme developed by the HKMA in collaboration with the Hong Kong Applied Science and Technology Research Institute and the Hong Kong Institute of Bankers. Six certifications of the CCASP under the HKMA's Cybersecurity Fortification Initiative were included on the list of recognised certificates as additional options available to banking practitioners for meeting the ECF-C.

[Read more on HKMA's website](#)

Code of Practice – Banking (Securitization) Code

The Banking (Securitization) Code (Code) was published in the Gazette on 11 January 2019.

The Code was issued under section 97M of the Banking Ordinance with immediate effect. Its aim is to provide technical guidance on the qualifying conditions for using the internal assessment approach (introduced in the Banking (Capital) (Amendment) Rules 2018) to calculate the capital requirement for certain securitization exposures.

[Read more on HKMA's website](#)

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Best Practice for Control Functions within the 1st Line of Defence

The HKMA has delivered a speech at the 1LoD Summit regarding the bank culture reform on 16 January 2019.

To adopt a holistic and effective framework for fostering a sound culture, the HKMA has reiterated that the banks should pay attention to three pillars, namely governance, incentive systems and assessment and feedback mechanisms. In order to drive bank culture reform, the HKMA has also launched three culture supervision initiatives: a) self-assessments by banks, b) conducting focus reviews and c) culture dialogues with banks, and highlighted the importance of collaborative efforts of the industry and the regulator.

[Read more on HKMA's website](#)

FRTB: Revised Market Risk Standards

The HKMA has issued a circular regarding the update of "Minimum capital requirements for market risk" (FRTB) by the Basel Committee on Banking Supervision (BCBS) on 17 January 2019.

The revised FRTB includes a set of amendments such as revisions to the tests used to determine model eligibility and clarification of the process to identify risk factors that are eligible for internal modelling etc. Given the size and complexity of the new market risk standards, the HKMA urges the authorized institutions to start implementing the new market risk standards based on the published BCBS framework within 2019.

[Read more on HKMA's website](#)

Handling Procedures for Following up Mis-transfer of Funds

The HKMA has published a circular regarding "Handling Procedures for Following up Mis-transfer of Funds Reported by Customers" (the Handling Procedures) on 25 January 2019.

Given that there have been cases where customers transfer funds to wrong recipients mistakenly and request assistance to recover their mis-transferred funds, hence the Handling Procedures are established for the banking industry to adopt in relation to following up cases of mis-transfer of funds. The HKMA has reminded the banks to have proper process and control to ensure the Handling Procedures are adopted and enforced which would be with effect from 25 March 2019.

[Read more on HKMA's website](#)

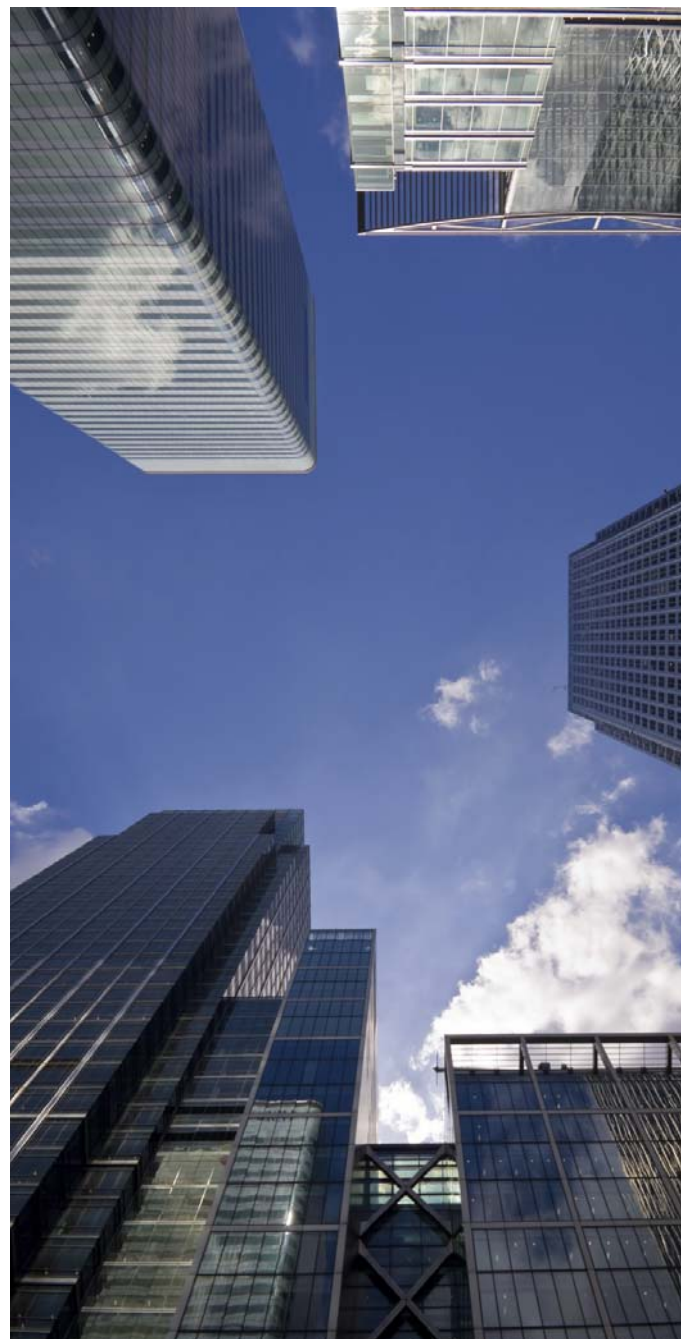
Launch of revamped Business and Risk Management Questionnaire and new online portal

On 4 January 2019, the SFC has issued a revamped Business and Risk Management Questionnaire (BRMQ) which aims to collect more information about the business operations of

Licensed Corporations (LCs) and associated entities as well as the specific measures adopted, including controls, policies and procedures, to ensure sound risk management and that business is conducted in a proper manner. LCs and associated entities are required to complete and electronically submit the new BRMQ to the SFC for financial years ending on or after 31 March 2019.

The new BRMQ should be completed within four months after the end of each financial year and submitted electronically through WINGS, which is a new online portal for making electronic submissions to the SFC such as BRMQ. For financial years ending before 31 March 2019, LCs and associated entities should continue to complete the existing BRMQ and submit it in paper form.

[Read more on SFC's website](#)



SFC reprimands and fines FWD Life Insurance Company (Bermuda) Limited (FWD Life) \$2.4 million for regulatory breaches

The SFC reprimands and fines FWD Life \$2.4 million for failures in complying with the key personnel requirements under the SFC Code on MPF Products and the Fund Manager Code of Conduct on 8 January 2019.

The SFC considers that FWD Life not only failed to ensure there were at least two key personnel who met the minimum five-year investment experience requirement in managing retirement funds or public funds, but also failed to implement policies and procedures for the designation and monitoring of key personnel and communicate to relevant staff members of their designation as key personnel.

[Read more on SFC's website](#)

Revised financial return

The SFC has published a circular on 25 January 2019 to highlight the amendment on the Securities and Futures (Financial Resources) (Amendment) Rules (FRR), which would come into operation on 1 January 2019. Form 2 of the financial return would be updated to enable LCs to report excluded lease liabilities.

The first return for the reporting of their liquid capital calculations in accordance with the amendments is for the position ended 31 January 2019.

With effect from 1 February 2019, the updated form 2 supersedes all previous versions and shall be used for a return required to be submitted under section 56 of the FRR.

[Read more on SFC's website \(Circular\)](#)

[Read more on SFC's website \(Financial return form\)](#)

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