C L I F F O R D

C H A N C E

CLIFFORD CHANCE
高偉紳律師行
27TH FLOOR
JARDINE HOUSE
ONE CONNAUGHT PLACE
HONG KONG
TEL +852 2825 8888
FAX +852 2825 8800
INTERCHANGE DX-009005 CENTRAL 1

www.cliffordchance.com

Our reference: 10-40479565
Direct Dial: +852 2825 8855
E-mail: mark.hyde@cliffordchance.com
E-mail: joanna.charter@cliffordchance.com

For presentation at the meeting of the Bills Committee on Tuesday 19 January 2016 at 8.30 a.m.

Dear Sirs,

Financial Institutions (Resolution) Bill

Thank you to the Bills Committee for inviting us to appear. We appear on behalf of Asia Securities Industry & Financial Markets Association (ASIFMA) who represents a significant number of international financial institutions, all of whom are interested stakeholders in the Hong Kong financial markets and are dedicated to Hong Kong's success. The group is committed to helping the Bills Committee, the HKMA and the SFC develop an appropriate and proportionate regulatory framework that enhances the stability and liquidity of the Hong Kong financial market, and maintains Hong Kong's status as a premier international financial centre.

There are three key messages that we would like to deliver on behalf of the group:

1. The critical importance of Hong Kong developing a resolution regime which is internationally aligned with other major jurisdictions, including provisions for the recognition of resolution actions taken in other jurisdictions.

2. The need for such a regime to be introduced within the current legislative session in order to ensure that Hong Kong fulfils its overdue obligations as a member of the Financial Stability Board.

3. The importance of ongoing dialogue and market consultation during the rule making process.

Hong Kong is a premier international financial centre, hosting 29 of the 30 banks designated by the Financial Stability Board in November 2015 as being globally systemically important banks. This, combined with the requirements of its membership of the Financial Stability Board, and its commitments to the Financial Stability Board to introduce such a regime before the end of 2015 means that Hong Kong needs to put in place a resolution regime which meets international standards **as a matter of urgency**. Not only has Hong Kong failed to introduce such a regime before the end of 2015 deadline, it is also lagging behind other members of the Financial Stability Board.

In addition, it is expected that the International Monetary Fund (IMF) will use the Financial Stability Board's assessment methodology in assessments as part of the Financial Sector Assessment Programs, starting in 2016. Global financial centres such as Hong Kong will therefore be expected to have a satisfactory regime in place before such assessments start.

It is therefore of critical importance that Hong Kong introduce such a regime during the current legislative session.

From the perspective of rationalising the regimes to which they are subject, the group is keen to see the implementation of a regime in Hong Kong which dovetails with the other globally accepted regimes. Financial institutions are required to report on the regimes to which they are subject and a substantial presence in a market which does not have a satisfactory regime will be a cause for grave concern for regulators in the institution's home and other host jurisdictions. Accordingly, the failure to introduce a regime which does not meet the required international standards would make Hong Kong uncompetitive internationally and create needlessly onerous requirements for market participants faced with multiple regulatory standards.

In order to achieve international alignment of regulatory regimes, the group strongly supports the development of an appropriate and proportionate scope for Hong Kong's resolution regime, including a recognition regime for equivalent foreign regulatory regimes. Reciprocal access and recognition will be key to ensuring that Hong Kong's regulatory framework is consistent with that of other key jurisdictions to that Hong Kong's financial markets can continue to thrive.

The group are appreciative of the level of consultation which was undertaken prior to the launch of the Financial Institutions (Resolution) Bill, and are broadly supportive of the proposed regime as it is set out in the Bill. They note that the Bill contemplates certain rules will be set out in subsidiary legislation, enabling alignment of Hong Kong's rules with those of other jurisdictions as needed and as international standards are developed and progressed.

As the rules on the resolution regimes in many jurisdictions are in the process of development, we urge the HKMA and the SFC to remain flexible and conduct regular market consultations with stakeholders so that Hong Kong can have the best rules for the continued stability and functioning of its financial markets. The group lends its full support to assist in developing a regulatory regime for Hong Kong that reduces systemic risk and maintains Hong Kong's position as a leading financial centre.

Yours faithfully,

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