# Speaking note of Ms YIM Yuen-kwan Annie, Deputy General Manager of Bank of China (Hong Kong) Limited

Dear Mr. Chairman Chan and Members of the subcommittee on Financial Institution (Resolution) (Loss-absorbing Capacity Requirements –Banking sector) Rules, On behalf of Bank of China (Hong Kong) Ltd, it is our deepest honor to express our gratitude to your close attention to the draft rule of total loss-absorbing capacity (TLAC) framework and its profound impacts. Today, I would like to briefly share our views on the draft.

1. Firstly, we are fully supportive of the HKMA's efforts to establish TLAC framework in Hong Kong. Hong Kong is a pre-eminent global financial center that plays host to 29 out of the 30 G-SIBs. We believe the implementation of TLAC will enhance the stability and effective operation of HK's financial system and facilitate the orderly resolution of entities and material subsidiaries, should they reach the point of non-viability. The TLAC framework that meets international standards will undoubtedly enhance HK's status as global financial center and are highly valued by the industry.

2. We understand, just as other initiatives of resolution planning, that on the condition to ensure largely consistency with FSB standard, the MA has taken into considerations of HK's unique status and situations while formulating its own TLAC standard,

3. We understand that effective resolution to international financial institutions relies on effective cross-border cooperation between resolution authorities. The Cross-border cooperation between resolution authorities is a pre-requisite not just for implementation of TLAC framework but also for the whole resolution planning phase and rule-making phase of minimum TLAC

requirements. For instance, in pursuant to FSB's TLAC standard, host and home resolution entities should reach out an agreement through CMGs when formulating internal TLAC requirements to material subsidiaries of GSIBs. We trust the MA has made significant efforts in this regards.

4. The FSB has requested EME G–SIBs to implement TLAC requirements in a phased approach starting from 2025 to 2028, about 6 years later than non-EME G–SIBs. EME G–SIBs will need considerably more time to prepare and implement TLAC in order to fine-tune financing structure and increase weights of debt securities. Material subsidiaries of EME G-SIBs are facing similar challenges in Hong Kong. In consideration of macro-economic conditions of emerging markets countries and practical situations, EME G-SIBs will face a dilemma if the MA implements a much earlier schedule for their material subsidiaries in Hong Kong.

5. In sum, we earnestly request the MA to fully consider a coordinated implementation arrangement of TLAC for EME G-SIBs and their material subsidiaries to promote more effective cross border resolution coordination and optimal allocation of TLAC capabilities between jurisdictions within G-SIB groups. We hope the MA to reach out agreements and consensus with home authorities in regards with implementation schedule and specifics of internal TLAC requirements for material subsidiaries of EME G-SIBs in Hong Kong.

6. Meanwhile, we suggest the MA to consider adopting minimum TLAC requirements of 18% under FSB standard and allow a phased-in approach. As Hong Kong has already rolled out more prudent and stringent regulatory capital requirements and standards than vast majority of other jurisdictions, we trust that there is sufficient room for HKMA to accommodate the request

from the industry.

7. Lastly, we reiterated that implementing localized regulatory framework that meets best international standards will improve financial stability and enhance HK's status as global financial center. But we do believe that a fair and reasonable regulatory framework would help providing level-playing field for all market participants.

Chairman, this concludes my speech. Once again thank you for your attention.