



PEOPLE'S REPUBLIC OF CHINA— HONG KONG SPECIAL ADMINISTRATIVE REGION

FINANCIAL SECTOR ASSESSMENT PROGRAM

June 2021

TECHNICAL NOTE—BANKING SECTOR: SUPERVISION AND REGULATION

This Technical Note on Banking Sector: Supervision and Regulation for the People's Republic of China–Hong Kong Special Administrative Region FSAP was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed in June 2021.

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BANKING SECTOR: SUPERVISION AND REGULATION

Prepared By
**Monetary and Capital Markets
Department**

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in the People's Republic of China – Hong Kong Special Administrative Region, led by Ananthakrishnan Prasad. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at <http://www.imf.org/external/np/fsap/fssa.aspx>

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Glossary

AI	Authorized (deposit-taking) Institution
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AT1	Additional Tier 1
BCP	Basel Core Principles for Effective Banking Supervision
BCBS	Basel Committee on Banking Supervision
BO	Banking Ordinance
BCD	Banking Conduct Department
BCR	Banking (Capital) Rules
BDR	Banking (Disclosure) Rules
BSD	Banking Supervision Department
BELR	Banking (Exposure Limits) Rules
BPD	Banking Policy Department
CAMEL	Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity
CBIRC	China Banking and Insurance Regulatory Commission
CE	Chief Executive
CET1	Common Equity Tier 1
CLS	Continuous Linked Settlement
CM	Case Management
CNH	Chinese Yuan in the offshore market
CNY	Chinese Yuan
CP	Core Principle
DTC	Deposit-Taking Company
D-SIB	Domestic Systemically Important Authorized Institutions
ED	Executive Director
EFO	Exchange Fund Ordinance
FBB	Foreign Bank Branch
FRC	Financial Reporting Council
FS	Financial Secretary
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FX	Foreign Exchange
G-SIB	Global Systemically Important Bank
HSBC	Hong Kong and Shanghai Banking Corporation Limited
HKMA	Hong Kong Monetary Authority
HKSAR	Hong Kong Special Administrative Region

IA	Insurance Authority
ICT	Internal Capital Target
IFFO	Infrastructure Financing Facilitation Office
IHC	Immediate Holding Company
INED	Independent Non-Executive Director
LAC	Loss-Absorbing Capacity
LE	Large Exposure
MA	Monetary Authority
MLO	Money Lenders Ordinance
MOU	Memorandum of Understanding
MPF	Mandatory Provident Fund
MPFA	Mandatory Provident Fund Schemes Authority
NDFC	Non-deposit taking finance company
NED	Non-Executive Director
RLB	Restricted License Bank
RML	Residential Mortgage Loan
RPT	Related Party Transaction
PBS	Portfolio-based supervision
PRA	Prudential Regulation Authority at the Bank of England
PvP	Payment versus Payment
RCAP	Regulatory Consistency Assessment Program
RTGS	Real Time Gross Settlement
SFC	Securities and Futures Commission
SPM	Supervisory Policy Manual
SRP	Supervisory Review Process
UHC	Ultimate Holding Company