

28 July 2017

Our Ref: INS/TEC/6/15/9
Sub-file II (Part 93)

To: Chief Executives of all authorized insurers

Dear Sirs,

Commencement of the Financial Institutions (Resolution) Ordinance

We are writing to inform you that the Financial Institutions (Resolution) Ordinance (Cap. 628) (“the Ordinance”) came into operation on 7 July 2017.

The Ordinance establishes a cross-financial sector resolution regime that is designed to meet the international standards set by the Financial Stability Board. It will strengthen the resilience of Hong Kong’s financial system and enhance Hong Kong’s premier position as an international financial centre. The Ordinance is available at the following: www.gld.gov.hk/egazette/pdf/20162026/es12016202623.pdf.

Under the Ordinance, the Monetary Authority, the Insurance Authority and the Securities and Futures Commission are the resolution authorities under their respective purview. They are vested with a range of necessary powers to effect orderly resolution of non-viable systemically important financial institutions in Hong Kong such that risks posed by the non-viability to the stability and effective working of the Hong Kong financial system, including the continuity of critical financial services, can be mitigated while losses are imposed on the institution’s shareholders and creditors, thereby minimising risks posed to public funds.

As provided by section 2 of the Ordinance, the financial institutions falling under the scope of the Ordinance include banking sector entities, insurance sector entities as well as securities and futures sector entities. An insurance sector entity means (i) an authorized insurer that is a global systemically important insurer as published by the Financial Stability Board; or (ii) a financial institution designated by the Financial Secretary as a within scope financial institution for which the Insurance Authority is designated as the resolution authority under section 6 of the Ordinance. So far, the Financial Secretary has not yet designated any financial institution as a within scope financial institution under (ii).

Following the commencement of the Ordinance, the Insurance Authority will work along with the Government and other resolution authorities to maintain close liaison with the financial industry and the relevant stakeholders in the formulation of regulations and rules to be made under the Ordinance as well as on the implementation of resolution planning requirements.

Should you have any enquires on the above, please contact Mr Erwin Chak at 2153 2736 or Ms Jenny Tsang at 2153 2743.

Yours faithfully,

Raymond Tam
Executive Director
Policy and Development Division
Insurance Authority

c.c. Chairman, The Hong Kong Federation of Insurers