

Newsletter

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HKMA launches Phase 2 of the e-HKD Pilot Programme

Simon Deane and Crystal Choi

On 14 March 2024, the Hong Kong Monetary Authority (“**HKMA**”) announced the launch of Phase 2 of the e-HKD Pilot Programme, aimed at further exploring innovative applications for an e-HKD in Hong Kong.

The HKMA completed the first phase of the e-HKD Pilot Programme in October 2023. This explored domestic retail use cases in different areas such as programmable payments, settlement of tokenized assets, and offline payments.

Building on Phase 1, the HKMA is now launching Phase 2 of the pilot. This next phase will delve deeper into select use cases from the previous stage where an e-HKD provided unique benefits, including programmability, tokenization, and atomic settlement (i.e. the ability to settle transactions and exchange assets in a simultaneous, instant and contingent manner). Phase 2 will also explore new potential use cases through facilitating study of interoperability and interbank settlement between e-HKD and other forms of tokenised money.

Details about the application process is available [here](#).

International Conference on Central Bank Digital Currencies and Payment Systems

Simon Deane and Hui Ling Yuen

The International Conference on Central Bank Digital Currencies and Payment Systems (the “**Conference**”), jointly organised by the HKMA, the Hong Kong Institute for Monetary and Financial Research and the Hong Kong University of Science and Technology, took place on 11 April 2024.

The conference brought together over 100 representatives from international financial institutions, central banks, policymakers, academia and other industry experts and provided a platform to discuss the latest developments and future implications of the use of central bank digital currencies (“**CBDC**”).

Key topics explored during the Conference included:

- lessons from central banks' efforts to develop and implement CBDCs in various jurisdictions;
- the synergies and interplay between digital finance innovations such as CBDCs, stablecoins and tokenised deposits in the evolving digital money landscape; and
- the future challenges and opportunities for the broader adoption of such digital assets within the financial ecosystem.

In his opening keynote speech, Mr. Eddie Yue, chief executive of the HKMA, gave his thoughts on the evolution of CBDCs and the development of a holistic digital money framework. He highlighted various ongoing initiatives led by the HKMA in exploring potential systems and structures to support the wider use of digital currencies and tokenised assets. He also emphasised the critical roles that central banks and public policy should play in ensuring a stable yet innovative and competitive digital money landscape, and the importance of public-private collaboration among different stakeholders.

The full keynote speech delivered by Mr. Yue is available [here](#). You can also access the press release from HKMA on the conference [here](#).

Revised Core Principles for effective banking supervision

Simon Deane and Sally Lau

On 25 April 2024, the Bank for International Settlements issued a press release on the revised core principles for effective banking supervision.

Over 220 central bankers and banking supervisors representing more than 90 jurisdictions met on 24–25 April in Basel for the 23rd International Conference of Banking Supervisors. The conference included a programme to celebrate the 50th anniversary of the Basel Committee on banking supervision. Delegates endorsed the Committee's revised Core Principles for Effective Banking Supervision, which is the global standard for the sound prudential regulation and supervision of banks and banking systems.

The Committee commenced a review of the Core Principles in 2022, aiming to reflect supervisory and regulatory developments, structural changes affecting the banking system and lessons learned since the last update in 2012. The revised standard reflects changes in certain areas, including (i) embedding lessons learned for mitigating financial risks and strengthening the macroprudential aspects of supervision; (ii) promoting operational resilience; (iii) reinforcing corporate governance and risk management practices; and (iv) addressing new and emerging risks, including the digitalisation of finance and climate-related financial risks.

For the press release, please see [here](#). To access a full copy of the Core Principles for effective banking supervision, please see [here](#).

Adjustments to the Fees in the Second Schedule to the Banking Ordinance

Simon Deane and Ruby Hui

On 12 June 2024, the resolution ("**Resolution**") was passed by the Legislative Council under section 135(2) of the Banking Ordinance (Cap. 155) ("**BO**") to amend the second schedule to the BO, to increase the fees payable (collectively "**Fees**") under sections 19(1) to (2), 20(5), 45(1) to (3), 48 (1) to (4), 51(1) to (2) and 118F(1) to (2) of the BO set out in the table below, and the Government gazetted the Resolution on the same day.

Item number as set out in the second schedule to BO	Description of fee	Relevant section in the BO	Original fee (HKD)	Amended fee (HKD), effective from 12 June 2024
1	Banking licence fee	19(1)	474,340	610,000
1A	Renewal of banking licence fee	19(2)	474,340	610,000
2	Registration fee for deposit taking company	19(1)	113,020	145,000
3	Renewal of registration fee for deposit taking company	19(2)	113,020	145,000

4	Restricted banking licence fee	19(1)	384,270	490,000
5	Renewal of restricted banking licence fee	19(2)	384,270	490,000
6	Inspection fee	20(5)	10	12
7	Fee for a copy or extract, per page	20(5)	5	6
8	Fee for the establishment of a local branch of a bank, other than a restricted licence bank	45(1)	22,400	29,000
9	Annual fee for maintaining a local branch of a bank, other than a restricted licence bank	45(1), (2) and (3)	22,400	29,000
10	Fee for the establishment of a local branch of a restricted licence bank or deposit-taking company	45(1)	19,110	20,000
11	Annual fee for maintaining a local branch of a restricted licence bank or deposit-taking company	45(1), (2) and (3)	19,110	20,000
12	Fee for the establishment of a local representative office	48(1)	22,400	29,000
13	Annual fee for maintaining a local representative office	48(1), (2), (3) and (4)	22,400	29,000
14	Fee for the establishment of an overseas branch of a bank, other than a restricted licence bank	51(1)	44,800	58,000
15	Annual fee for maintaining an overseas branch of a bank, other than a restricted licence bank	51(1) and (2)	44,800	58,000
16	Fee for the establishment of an overseas branch of a restricted licence bank or deposit-taking company	51(1)	38,400	40,000
17	Annual fee for maintaining an overseas branch of a restricted licence bank or deposit-taking company	51(1) and (2)	38,400	40,000
18	Fee for the establishment of an overseas representative office of a bank, other than a restricted licence bank	51(1)	11,200	14,500
19	Annual fee for maintaining an overseas representative office of a bank, other than a restricted licence bank	51(1) and (2)	11,200	14,500
20	Fee for the establishment of an overseas representative office of a restricted licence bank or deposit-taking company	51(1)	19,110	20,000
21	Annual fee for maintaining an overseas representative office of a restricted licence bank or deposit-taking company	51(1) and (2)	19,110	20,000
22	Approved money broker fee	118F(1)	44,800	58,000
23	Renewal of approved money broker fee	118F(2)	44,800	58,000

Pursuant to the BO, authorized institutions, local representative offices and approved money brokers are obliged to pay to the Director of Accounting Services licence fees, registration fees, and establishment fees for local and overseas branches or overseas representative offices, and relevant renewal fees on every anniversary thereafter.

In response to the 2024-25 Budget announced by the Government, the HKMA proposed to raise the Fees after considering factors such as the "user pays" and cost-recovery principles, general price inflation and corresponding fee levels in other jurisdictions.

Please click here for copies of the relevant [Legislative Council Brief](#) and [government gazette notice](#).

The Passage of Deposit Protection Scheme (Amendment) Bill 2024

Simon Deane and Kelly Poon

The Deposit Protection Scheme (Amendment) Ordinance 2024 (“**Ordinance**”) was passed on 3 July 2024. (Our previous newsletter also published on 3 July mentioned this but did not anticipate that it would be passed so quickly! Please see [here](#) for our previous article). As mentioned, the Ordinance seeks to enhance the Deposit Protection Scheme (“**DPS**”) to strengthen protection for depositors, maintain banking stability and keep up with international standards and the latest developments of Hong Kong.

The Ordinance includes several measures to enhance the DPS, including:

- raising the protection limit from the current HK\$500,000 to HK\$800,000;
- refining the levy system to enable the DPS Fund to reach its target fund size under the increased protection limit within a reasonable time frame;
- providing enhanced coverage to affected depositors upon a bank merger or acquisition;
- requiring the display of the DPS membership sign on the electronic banking platforms of DPS members; and
- streamlining the negative disclosure requirement on non-protected deposit transactions for private banking customers.

The Ordinance will be implemented in two phases. The first phase comes into effect on 1 October 2024. This covers measures requiring shorter preparation including amendments relating to the enhancement of protection limit to HK\$800,000; the build-up levy mechanism; certain requirements on display of membership sign; and the regulation of disclosure in relation to private banking customers. The second phase comes into operation on 1 January 2025 covering the remaining measures.

For the press release, please see [here](#). To access a copy of the Bill, please see [here](#).

Want to know more?

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