
REGULATORY NEWSLETTER

2024 Vol.10



Welcome to the September 2024 edition of our Regulatory Newsletter. In this issue, we reflect on the significant developments and updates from the past month that are impacting the financial sector. We'll delve into the latest regulatory changes and the challenges that professionals in the industry are currently facing, with a special focus on the evolving landscape in Hong Kong.

At ComplianceDirect, we are dedicated to ensuring that you remain well-informed about the compliance issues and regulations that directly affect your business. It is our hope that the insights shared in this newsletter prove valuable to you. We look forward to your continued success and are here to assist you in navigating the complexities of the regulatory environment.

Press Releases

Insurance Authority warns against fraudulent article with false or misleading information

09 Sep 2024

The Insurance Authority (IA) today (9 September 2024) wishes to alert members of the public against a fraudulent article on two webpages with domain names of "https[:]//new[.]qq[.]com/rain/a/20240820A01JN400?web_channel=wap&openApp=false&f=newdc&suid=&media_id" and "https[:]//www[.]sohu[.]com/a/802144872_121955438". The aforesaid article claims that "Hong Kong Allianz Insurance" provides security guarantee to an application named "Cerebras Online Investment Platform". Allianz Global Corporate & Specialty SE and Euler Hermes (with the brand name of Allianz Trade), both of which are authorized insurers of Hong Kong, have confirmed that they have no connection with Cerebras Online Investment Platform.

The case has been reported to the Hong Kong Police Force for further investigation. Anyone who has provided personal information or conduct any transactions with the aforesaid online investment platform should report the case to the Hong Kong Police Force or the local law enforcement.

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Speeches / Articles

Reinforcing the role of Hong Kong as an international financial centre

08 Sep 2024

Our standing as a premier international financial centre was reaffirmed by the Sigma Report on World Insurance 2023 released by Swiss Re, showing that with the highest insurance penetration rate, the second highest insurance density and total premiums of HK\$550 billion, Hong Kong ranked 16th in the world as an insurance market. This is an awesome achievement for a place occupying only 1,115 square kilometres with a population of only about 7.5 million.

The Insurance Authority (IA) takes pride in this achievement, since its statutory functions include prudential supervision to maintain general market stability and protection for policy holders, and promoting the sustainable development and global competitiveness of the insurance industry. I would like to share with you some notable progress being made and the priorities we set in pursuing these goals.

Regarding prudential supervision, implementation of the Risk-based Capital (RBC) regime in July 2024 marks a major milestone that puts us in full alignment with prevailing international standards. From a practical perspective, the capital requirement imposed on each individual insurer will be more sensitive to its asset-liability profile, thereby inducing sophisticated risk management. My team and I are grateful to the industry for actively participating in the deliberations and for adopting a pragmatic approach when tackling issues on which there was divergence of views. As the focus is shifting to public disclosure under Pillar 3 of the regime, I am confident that the same spirit of mutual trust and understanding will take us through this final phase of work.

At the same time, it is important that prudential supervision does not stand apart from the drive for a quality operating environment. My team is therefore committed to reviewing the different parameters embedded in the RBC regime, with an emphasis on creating sufficient incentives for insurers and broker companies to place larger volumes of business in Hong Kong. You are welcome to suggest possible ways in which the balance between regulation and development could be better calibrated.

Given its natural constraints of geographic area and population, Hong Kong must be able to serve as an effective platform for large corporations to administer their operations in the Asia Pacific region. Our ability to do so is bolstered by unique advantages conferred by the principle of "One Country, Two Systems" and the "dual circulation" economic strategy, which make us a super-connector and super

value-adder, amplified by promising prospects offered by the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).

Although three out of the nine Internationally Active Insurance Groups (IAIGs) in the region are already based in Hong Kong, we cannot be complacent and should continuously refine the group-wide supervision (GWS) framework to increase our appeal. Riding on the favourable response to the GWS framework, we will render full support to the introduction of a simple and efficient pathway for enterprises incorporated overseas but with a prominent local presence to re-domicile in Hong Kong by encouraging insurers with matching attributes to pioneer the use of this convenient new channel, which complements the policy recently announced by the Government to develop a “headquarters economy”.

Admittedly, the efforts to attract inward investment are frustrated by misconceptions about Hong Kong. The best way to dispel such conceptions is to convince people to come and witness for themselves how the community is recovering steadily from the pandemic, addressing structural weaknesses of the economy in a determined and methodological manner by nurturing alternative sources of strategic growth. The IA has made meaningful contributions by hosting a meeting of the Capital, Solvency and Field Testing Working Group, combined with a one-day stakeholder engagement session in May 2024, and a meeting of the Macroprudential Monitoring Working Group in December 2023. Both underpinned the work of International Association of Insurance Supervisors. Building on this experience, we will bid for other mega-events that attract influential visitors from abroad.

In addition to improving and modernising the financial infrastructure, we must place appropriate attention on emerging problems, including the treacherous geopolitical landscape, rapid deglobalisation, accelerating climate change, aggravated cybersecurity threats and frequent supply chain disruptions. We will write about these issues later.

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