

Consultation conclusions on review of three-tier banking system

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) published today (August 5) the conclusions on the public consultation relating to the review of the three-tier banking system (the Conclusions Paper). The Conclusions Paper sets out the key comments received in the consultation, the HKMA's responses to these comments, and the HKMA's proposal on implementing the new two-tier banking system.

The HKMA launched a three-month public consultation on June 26, 2023. In the consultation, the HKMA proposed to merge deposit-taking companies (DTCs) into the second-tier institutions, i.e. restricted licence banks (RLBs), with a transition period of five years, with the current requirements on RLBs in respect of minimum capital (i.e. HK\$100 million) and minimum deposit size (i.e. HK\$500,000) applied.

The HKMA received a total of seven submissions from the banking industry, professional bodies and relevant organisations in the consultation. The respondents were broadly supportive of the proposal. Having considered the feedback, the HKMA has introduced new parameters to the proposal with a view to streamlining the transition and minimising impact on existing customers of the DTCs, as follows:

1. the HKMA intends to adopt an arrangement whereby, without a need for them to submit fresh licence applications, existing DTCs will be converted to be an RLB, upon demonstrating to the satisfaction of the HKMA that they have met the minimum capital requirement of an RLB before the end of the five-year transition period; and
2. it is intended that the converted RLBs may continue to hold and renew or roll over outstanding deposit taken before the upgrade, up to the end of the five-year transition period, subject to the pre-existing deposit size and maturity requirements of DTCs of HK\$100,000 and three months respectively.

"We are pleased to note the broad support of the respondents of the proposed simplification of the three-tier banking system into two-tier. We have carefully considered the suggestions received and adopted them as appropriate. The HKMA will provide guidance to the DTCs in their transition. Following the issuance of the consultation conclusions, the HKMA will work with the relevant parties to prepare the proposed legislative amendments to implement the proposal," said the Chief Executive of the HKMA, Mr Eddie Yue.

[The Conclusions Paper](#) is available on the HKMA website.