

Regulatory regime for insurance-linked securities business to commence operation on March 29, 2021

The Government announced today (January 15) that a new regulatory regime for insurance-linked securities business (ILS) will commence operation on March 29, 2021.

ILS is a risk management tool that enables insurers or reinsurers to offload risks that they have underwritten to the capital market by way of securitisation. Enacted in July 2020, the Insurance (Amendment) Ordinance 2020 provides for, inter alia, a new ILS regulatory regime. For the purpose of implementing this new regime, the Government gazetted the Insurance (Authorization and Annual Fees) (Amendment) Regulation 2021 today, and will gazette the Insurance (Amendment) Ordinance 2020 (Commencement) Notice and the Insurance (Special Purpose Business) Rules on January 22.

"The new ILS regulatory regime will broaden the range of risk management tools in Hong Kong and assist the insurance industry to seize the potential business opportunities in Asia, particularly those generated by the Guangdong-Hong Kong-Macao Greater Bay Area development," a spokesman for the Financial Services and the Treasury Bureau said.

The Insurance (Authorization and Annual Fees) (Amendment) Regulation 2021 prescribes the fees payable by a special purpose insurer set up for ILS business to the Insurance Authority. The Insurance (Amendment) Ordinance 2020 (Commencement) Notice appoints March 29, 2021, as the date on which the Insurance (Amendment) Ordinance 2020 will become effective. The Insurance (Special Purpose Business) Rules prescribes restrictions on the sale of ILS.

The Insurance (Authorization and Annual Fees) (Amendment) Regulation 2021 will be tabled before the Legislative Council for negative vetting on January 20, while the Insurance (Amendment) Ordinance 2020 (Commencement) Notice and the Insurance (Special Purpose Business) Rules will be tabled on January 27.