HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

10 May 2002

Relaxation of Market Entry Criteria

Our Ref : B9/23C
B2/14C

10 May 2002

The Chief Representative
All Local Representative Offices

Dear Sir/Madam,

Relaxation of Market Entry Criteria

I am writing to inform you that the Chief Executive in Council has endorsed the proposals of the Hong Kong Monetary Authority (HKMA) to relax some of the existing market entry criteria for the banking sector. The Banking Ordinance (Amendment of Seventh Schedule) Notice 2002, which aims to give effect to these proposals, is published in the gazette today and will be laid before the Legislative Council for negative vetting. A copy of the Notice is enclosed at Annex A.

Major amendments to the authorization criteria set out in the Seventh Schedule include:

i. the minimum capital requirement (including paid-up share capital and balance of share premium account) for locally incorporated bank applicants is increased from HK$150 million to HK$300 million. This requirement is also extended to bank applicants incorporated outside Hong Kong (in respect of the applicant as a whole) (see the revised paragraph 6(a) in the Notice);
ii. the US$16 billion asset size criteria for overseas-incorporated bank applicants is replaced by the much lower size criteria applicable to locally incorporated bank applicants, which are HK$3 billion for customer deposits and HK$4 billion for total assets (see the revised paragraph 13(a) in the Notice);
iii. the "association with Hong Kong" requirement under the former paragraph 13(b)(i) is removed;
iv. the requisite period of operation for locally incorporated restricted licence banks and deposit-taking companies to upgrade to licensed bank status is reduced from ten to three years (see the revised paragraph 13(b)(ii)(A) in the Notice); and
v. overseas-incorporated banks will be allowed to subsidiarise their Hong Kong operations provided that they have been authorized to conduct banking business in Hong Kong for not less than three years and the amounts of customer deposits and assets that will be

transferred to the subsidiary seeking authorization are not less than HK$3 billion and HK$4 billion respectively (see the revised paragraph 13(b)(ii)(B) in the Notice).

Over the past few years, a number of important changes have been introduced to the authorization regime of the HKMA. These include, for example, the recent removal of the general requirement for banks incorporated outside Hong Kong to have maintained a local representative office for a period of 1-2 years before its authorization request will be considered. In view of this, we have initiated a comprehensive review of the Guide to Applicants. An updated Guide will be available shortly. In the meantime, I enclose a brief note summarising the latest changes to the authorization system at Annex B for your reference.

Should you have any queries regarding authorization related matters, please do not hesitate to contact Mr Alex Lui at 2878 1500 or Mr Danny Leung at 2878 8202.

Yours faithfully,

Raymond Li
Executive Director (Banking Development)

Encl: Annex A
Annex B

c.c. Hong Kong Association of Banks (Attn: Ms Eva Wong)
The DTC Association (Attn: Mr PC Lund)
Financial Services Bureau (Attn: Ms Kinnie Wong)

Last revision date : 01 August 2011