



The Legal 500 Country Comparative Guides

Hong Kong: Securitisation

This country-specific Q&A provides an overview to securitisation laws and regulations that may occur in Hong Kong.

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1. How active is the securitisation market in your jurisdiction? What types of securitisations are typical?

Hong Kong has an active and established securitisation market that has evolved through many decades of development. Today, a broad variety of receivables types can be securitised. These include primarily trade receivables, consumer debt receivables, commercial loan receivables, various types of fixed income securities and mortgage loan receivables. Securitisation transactions in Hong Kong typically involve the issuance of asset-backed securities (“ABS”) in the private market to sophisticated investors. The Hong Kong Monetary Authority (“HKMA”) has recently been promoting infrastructure securitisation to facilitate infrastructure investments.

2. What assets can be securitised (and are there assets which are prohibited from being securitised)?

Hong Kong has a developed legal framework to accommodate generally all types of receivables securitisation that has been done in other major common law jurisdictions.

Any contractual (or in some cases statutory) right to payment, whether contingent or otherwise, is capable of being securitised in Hong Kong. Some types of receivables which have been securitised include trade receivables, corporate loan receivables, project loan receivables, consumer loan receivables and property mortgages.

There are no categories of receivables which are, in and of themselves, prohibited from being securitised. However, some instances may give rise to additional considerations when trying to assign receivables, for example:

- a) a contractual term of the receivables purports to prohibit their assignment;
- b) there are public policy grounds (for instance, assignments of salary payments); or
- c) the originator is a public authority or government (which may not be able to transfer its assets depending on the asset type).

3. What legislation governs securitisation in your jurisdiction? What transactions fall within the scope of this legislation?

There are no legislations in Hong Kong are specifically enacted to accommodate only securitisation transactions. However, the legal and regulatory framework in Hong Kong is well-developed and it provides a robust legal environment for securitisation transactions to be undertaken.

The following Hong Kong legislations are normally relevant and shall be considered in securitisation transactions:

- a) Companies Ordinance (Cap. 622) in connection with corporate originators and the registration of security;
- b) Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) ("**CWUMPO**") in connection with insolvency;
- c) Conveyancing and Property Ordinance (Cap. 219) in connection with insolvency;
- d) Securities and Futures Ordinance (Cap. 571) ("**SFO**") in connection with the issuance of securities;
- e) Money Lenders Ordinance (Cap. 163) in connection with lending activity;
- f) Law Amendment and Reform (Consolidation) Ordinance (Cap. 23) in connection with transfer of loans and receivables; and
- g) Personal Data (Privacy) Ordinance (Cap. 486) ("**PDPO**") in connection with the use and transfer of personal data.

4. Give a brief overview of the typical legal structures used in your jurisdiction for securitisations and key parties involved.

Special Purpose Vehicle ("**SPV**") is typically used in securitisation transactions in Hong Kong. The SPV acts as the beneficial owner of the assets transferred from the originator and the issuer of the asset-backed notes, to insulate the assets from the financial and credit risks of the originator.

Key parties involved in the securitisation transactions include:

- a) **Issuer:** the issuer is often an SPV with a restricted scope of business permitted to be undertaken.
- b) **Sponsors:** A sponsor is often referred to as an "originator" in securitisation in Hong Kong. In Hong Kong, originators are often large commercial enterprises (such as operating entities that own a large portfolio of receivables that they could securitise) or financial institutions (such as banks that could securitise some of their loans).
- c) **Underwriters and Placement Agents:** They are sometimes referred to as an "arranger" in securitisation in Hong Kong. They are involved in the underwriting of the ABS, in the case of an underwriter, or the placement of the ABS, in the case of a placement agent.
- d) **Servicers:** Typically, in a securitisation, the originator will also take up the role of a servicer (or an "administrator" as it is sometimes called) to provide services with respect to the receivables transferred to the issuer.
- e) **Investors:** An investor purchases the ABS from the issuer or underwriter, as applicable. Investors often tend to be financial institutions, insurance companies and private funds.
- f) **Trustees:** The note trustee acts under the instructions of the noteholders in respect of the actions being taken by the noteholders, among other duties. The security trustee, on the other hand, holds for the benefit of the noteholders the security created over the issuer's assets.

5. Which body is responsible for regulating securitisation in your jurisdiction?

The regulators for securitisation in Hong Kong may include the HKMA and the Securities and Futures Commission (“SFC”). HKMA is the principal regulator for authorised institutions such as banks. For institutions that are not authorised institutions, the principal regulator is the SFC when there is an issuance of securities.

6. Are there regulatory or other limitations on the nature of entities that may participate in a securitisation (either on the sell side or the buy side)?

Currently, there are no regulatory or other limitations on the nature of entities that may participate in a securitisation (either on the sell side or the buy side). However, in reality, usually the financial institutions are the major participants in the securitisation in Hong Kong, other than the SPV. Also see response to (4) above.

7. Does your jurisdiction have a concept of “simple, transparent and comparable” securitisations, following the BCBS recommendations?

In January 2017, HKMA stated that the alternative capital treatment for “simple, transparent and comparable” securitisations would not be introduced in Hong Kong at this stage. Nevertheless, in the Supervisory Policy Manual (“**Module CR-G-12**”), the HKMA regards it as good practice for an authorised institution to take into account of the *Criteria for identifying simple, transparent and comparable securitisations* issued jointly by the BCBS and IOSCO in July 2015 in the authorised institution’s policies and procedures for securitisation activities and adopt the criteria wherever it is feasible to do so.

8. Does your jurisdiction distinguish between private and public securitisations?

In Hong Kong, there are no significant differences between the public market and the private market in terms of the size of securitisation or the types of investors. However, public securitisations would be subject to approval, disclosure and registration requirements under the SFO and the CWUMPO, as applicable, while private securitisations would be exempted from such requirements.

Typically securitisation transactions in Hong Kong, however, involve issuance in the private market to sophisticated investors.

9. Are there registration, authorisation or other filing requirements in relation to securitisations in your jurisdiction (either in relation to participants or transactions themselves)?

Public securitisations in Hong Kong may be subject to the registration, authorisation or other filing requirements.

The Code of Unlisted Structured Investment Products (the “SIP Code”) issued by the SFC

establishes guidelines for authorisation of structured investment products (including securitisation products), and the issue of offering documents and advertisements for unlisted structured investment products (including unlisted securitisation products) offered to the public in Hong Kong.

Under the SIP Code, the issuer has the obligation to comply with certain requirements throughout the period during which any of its obligations remain outstanding. For instance, the issuer shall inform the SFC and all investors in the event that the issuer ceases to meet any of the core requirements specified in this code. The issuer should also notify the SFC and all investors, to the extent permitted by applicable law, of changes in circumstances (including financial conditions) that could reasonably have a material adverse effect on the ability of the issuer (or the guarantor, if any) to perform its obligations in connection with the securitisation.

For securitisation products listed on the Hong Kong Stock Exchange, the Listing Rules will also need to be complied with.

10. What are the disclosure requirements for public securitisations?

There are no disclosure requirements specifically relating to securitisation under Hong Kong law. However, where a securitisation involves the issuance of debt securities, the issuance may be subject to the disclosure/registration regime under the CWUMPO and the SFO, as applicable.

Under the CWUMPO, an offer of ABS, among other types of securities, to the public in Hong Kong, unless otherwise exempted, must be issued with a prospectus that complies with the mandatory requirements set forth in the CWUMPO. For instance, the prospectus must specify the general nature of the business of the issuer, the investors' rights in respect of interest, security and redemption, and other information that is sufficient to enable a reasonable person to form a valid and justifiable opinion in investing in such debt securities. Additionally, unless otherwise exempted, the issuance must also be authorised by the SFC.

Nevertheless, the CWUMPO and the SFO also provide a number of exemptions in respect of the above requirements. The following two exemptions are often sought by the parties in a securitisation.

a) Professional investors exemption – an offer made to professional investors can be exempted from the registration requirement. “Professional investor” is defined in Schedule 1 to the SFO and it includes investors who are, among others, an authorised institution (eg, a bank), an authorised insurer, a collective investment scheme and an individual having a portfolio of not less than HKD8 million.

b) Private placement exemption – an offer made to not more than 50 persons and containing a warning statement as specified in the Eighteenth Schedule to the CWUMPO can be exempted from the registration requirement. The warning statement generally stipulates that the

contents of the prospectus have not been reviewed by any authority in Hong Kong and that the investors should exercise caution and obtain professional advice in relation to the offer of debt securities.

In addition, the SIP Code also sets forth certain disclosure requirements that might be applicable in a securitisation transaction in Hong Kong. For instance, the prospectus for the debt securities should contain a description of (i) the key components of the transaction structure, (ii) the relevant parties, (iii) the terms and conditions of the notes, (iv) risks that might be involved in investing in the notes, (v) the events of default in which the debt securities may be terminated before the scheduled maturity, and (vi) the rights of the investors in the event of such termination.

Where a prospectus is not explicitly required under the law (eg, in certain private issuances), an offering circular or offering memorandum is normally produced for disclosure to investors nevertheless. Contents typically follow those in public transactions.

11. Does your jurisdiction require securitising entities to retain risk? How is this done?

There is no specific credit risk retention requirement designed to ensure originators in securitisations retain certain economic exposure to the transactions for the purposes of aligning the parties' interests under Hong Kong law.

HKMA published the Module CR-G-12 with the aim of providing guidance to authorised institutions (eg, banks) on the vital elements of an effective risk management system for credit risk transfer activities. The guidelines contained in the Module CR-G-12 are not law but authorised institutions are expected to comply with them. See also response to question 13 below.

HKMA recommends various actions to be taken by an authorised institution. In particular, where an authorised institution acts as the originator in a securitisation, it is required to carry out, among others, the following actions: (i) assessing its risk exposures to the subject transaction on an arm's-length basis according to its normal assessment and approval processes; and (ii) applying to the assets of the securitisation transaction a due diligence process, credit underwriting criteria and standards of analysis that are as rigorous as those for assets that are originated or acquired by the institution for its own retention, as well as ensuring that investors in the securitisation transaction have access to all materially relevant data concerning the transaction. Additionally, unless otherwise agreed with the HKMA, an authorised institution, should refrain from making investments in, or incurring an exposure to, a securitisation transaction where the originator has not disclosed its compliance with applicable risk retention requirements, if any, in the relevant jurisdiction..

Similarly, although the SFC does not have specific risk retention requirements, it has established various codes and guidelines on risk management which are applicable to licensed persons and registered persons (namely authorised institutions). *The Code of*

Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("Code of Conduct") sets out the general requirements on internal control procedures and financial and operational capabilities. More detailed requirements are set out in the *Management, Supervision and Internal Control Guidelines*, which include, inter alia, the licensed persons and registered persons should maintain appropriate trading limits, position limits and other credit risk management measures for carrying out proprietary trading. If a licensed fund manager is involved in the securitisation transaction, they should also comply with the *Fund Manager Code of Conduct*. For example, they should maintain an effective internal control and credit assessment system to evaluate the creditworthiness of the fund's counterparties and the credit risk of the fund's investments.

12. Do investors have regulatory obligations to conduct due diligence before investing?

In the Module CR-G-12, HKMA requires authorised institutions to conduct due diligence before investing in credit risk transfer products, which include securitisation products.

Pursuant to the Code of Conduct, a licensed persons and registered persons shall ensure the suitability of their recommendation or solicitation (which includes their responsibility to conduct proper product due diligence). If a fund managed by a licensed fund manager is investing into the securitisation products, the fund manager also has a duty to conduct due diligence as they should exercise due skill, care and diligence in managing the fund, according to the *Fund Manager Code of Conduct*.

13. What penalties are securitisation participants subject to for breaching regulatory obligations?

Module CR-G-12 is a non-statutory guideline. No direct penalties are stipulated for non-compliance with the Module CR-G-12. Nevertheless, any failure to adhere to any of the guidelines in the Module CR-G-12 may call into question whether the authorised institution concerned continues to satisfy the minimum criteria for authorisation under the Banking Ordinance (Cap. 155).

Although codes and guidelines issued by the SFC do not have the force of law, if licensed persons and registered persons or licensed fund managers breach the codes and guidelines issued by the SFC, it will reflect adversely on the person's fitness and properness to remain licensed or registered.

14. Are there regulatory or practical restrictions on the nature of securitisation SPVs?

In Hong Kong, there are no regulatory restrictions on the nature of securitisation SPVs. The Companies Ordinance (Cap. 622) provides a legal framework for the establishment of companies and this includes SPVs. An SPV is typically structured as an orphan entity (where the entity is typically owned by a charitable trust and thus achieving bankruptcy remoteness for the SPV) and usually a limited liability company, with its share capital being held by a

charitable trust so that the SPV becomes bankruptcy remote. There are no particular regulatory requirements which an SPV needs to meet in and of itself. The structure of the transaction dictates whether any regulatory approvals or other licences are required.

Although the SPV can be incorporated in Hong Kong, more commonly the transaction parties will use an offshore SPV (such as a Cayman Islands limited liability company) to achieve, inter alia, more favourable tax treatments. In such cases, the insolvency law of the jurisdiction of the offshore SPV would apply in the event of an insolvency of the SPV. Hong Kong courts are not bound to recognise or enforce the laws of the SPV's jurisdiction, especially if they are considered contrary to public policies, for instance.

Depending on the transaction structure, the transaction parties often seek to incorporate the following aspects when establishing the SPV (in Hong Kong or in other jurisdictions), to eliminate the originator's influence or control over the SPV:

- a) The businesses that the SPV may undertake will normally be restricted to those in connection with the purchase and holding of the subject assets, the issuance of the asset-backed securities and other ancillary matters. For instance, the SPV may not own assets other than the subject assets in the securitisation transaction and the SPV may not incur indebtedness or grant any security other than in connection with the ABS. The liabilities and assets of an SPE in a securitisation transaction should be ring-fenced from those in unrelated transactions.
- b) Independent directors will be appointed for the SPV. Given that the SPV is an orphan entity, managers and investors would want to see that the originator does not have absolute control over the SPV (other than on an arm's-length basis as an administrator or servicer, as applicable) and thus the SPV directors will usually not be affiliated with or nominated by the originator. This could also be required by auditors where the transaction is seeking on off-balance sheet treatment.
- c) The transaction parties will agree in the documentation that any recourse a party may have against the SPV in the securitisation will be limited to those assets owned and held by the SPV.
- d) The transaction parties will agree in the documentation that they will not individually commence insolvency proceedings against the SPV, even if an event of default has occurred.

15. How are securitisation SPVs made bankruptcy remote?

To make the securitisation SPVs bankruptcy remote, in addition to setting up an orphan entity SPV as discussed above, a "true sale" of the assets should be made by the originator (as the seller) to the issuer (as the buyer). After the true sale, the relevant assets would no longer be the assets of the originator and, as noted above, will not form part of the originator's estate.

Currently, there is no doctrine of "substantive consolidation" in Hong Kong. A company (including an SPV) incorporated under Hong Kong law will have its own legal personality.

Where the originator becomes bankrupt, an insolvency official would not have the power to consolidate the issuer's assets with those of the originator, unless exceptional circumstances, such as "sham" or fraud exist.

In Hong Kong, a variety of techniques can be used in securitisation transactions to strengthen the insolvency remoteness of the transaction from the originator, for instance:

- a) keeping the corporate activities of the SPV separate from those of the originator;
- b) avoiding mingling of the SPV's assets with those of the originator;
- c) ensuring none of the SPV's obligations are guaranteed by the originator;
- d) limiting recourse to the SPV to the assets it has acquired;
- e) contractually restricting counterparties to the SPV from initiating insolvency proceedings;
- f) imposing on the SPV a restrictive set of covenants limiting the activities it can undertake and, consequently, the liabilities it may become subject to;
- g) granting security over an SPV's assets to protect them and the cash flows they generate against any unsecured third party creditors of the SPV;
- h) undertaking solvency and corporate searches in respect of the originator; and
- i) undertaking regular performance audits to ensure counterparties to the transaction are performing their roles properly.

16. What are the key forms of credit support in your jurisdiction?

There are four main types of security interest in Hong Kong:

- a) **Charges.** The chargor grants to the chargee equitable rights in property but the title in that property is not transferred to the chargee. The security can be taken by a fixed charge or a floating charge. If security is taken over an asset by a fixed charge or assignment, it is critical that the restrictions are imposed on what the chargor can do with that asset and the proceeds of that asset and to ensure that the chargee can exercise control over the asset and its proceeds. If the chargee has inadequate control over that asset or its proceeds, the fixed security might be recharacterised as a floating charge by the courts on the insolvency of the chargor. A floating charge will normally rank behind all fixed security and other creditors preferred by statute.
- b) **Mortgages (legal or equitable).** In the case of a legal mortgage, the chargor transfers the title in the property to the chargee. In the case of an equitable mortgage, no title is transferred. In the context of intangible rights, such as receivables, the transfer is typically done by means of an assignment.
- c) **Pledges.** The pledgor passes the possession of the assets to the pledgee, and the pledgee has power to dispose of the asset on default by the pledgor.
- d) **Liens.** Lien usually gives the person with possession a right to retain the asset until they

are paid, but not to otherwise dispose of the asset.

17. How may the transfer of assets be effected, in particular to achieve a 'true sale'? Must the obligors be notified?

In order for the transfer of the subject assets to be valid and enforceable, the originator will transfer the assets to the issuer by way of an assignment and the assignment can be legal or equitable. In order to achieve a legal assignment, certain conditions will need to be satisfied, including:

- a) the originator's entire (and not partial) interests in the assets are transferred to the issuer by way of an absolute assignment, rather than by an assignment by way of security;
- b) the assignment must be in writing and signed by the originator;
- c) the subject assets must not be restricted or prohibited in respect of such transfer, whether contractually or legally; and
- d) the obligor of the subject assets (eg, the borrower of the loans) must be notified of such transfer.

If an assignment fails to meet any of the above conditions, it would still be enforceable but instead would be an equitable assignment until such time as it does satisfy all these conditions. In particular, if the original obligor has not been notified of the transfer, although the transfer would not be ineffective solely because of such failure of notification, in the event of default by the obligor, the issuer (being the buyer of the assets) will not be able to enforce its rights directly against the obligor. Rather, the issuer would be required to join the originator in the proceedings against the obligor by adding the name of the originator as a claimant to any claim against the obligor.

Other than being an express written notice, there are no other requirements as to the form of the notice save that it must bring to the notice of the original obligor with reasonable certainty the fact that there has been an assignment of the assets so that the original obligor knows to whom it has to pay in the future and the notice must be unconditional. It would be prudent to ensure the notice was in English or Chinese, where necessary or applicable. A notice cannot be served on the obligor prior to the transfer of the assets as the transfer has not yet occurred.

An assignment is perfected once the above conditions have been satisfied. The requirements are more specifically set forth in Section 9 of the Law Amendment and Reform (Consolidation) Ordinance (Cap. 23).

18. In what circumstances might the transfer of assets be challenged by a court in your jurisdiction?

A transaction will not be treated as a true sale for the sole reason that it is so characterised by the relevant parties. In determining whether a transaction constitutes a true sale, a Hong

Kong court would look at several factors, including the parties' intention and the substance of the transaction. More specifically, the court would take into account the following distinguishing features in its determination, without limitation: (i) under the transaction documents, whether the originator has the contractual right to repurchase the subject assets and, if so, under what circumstances; (ii) in the event that the assets are realised by the issuer at a profit, whether the issuer is contractually required to account to the originator for any such profit and, in the event that the assets are realised by the issuer at a loss, whether the issuer is entitled to recover from the originator for such loss; and (iii) the intention of the parties.

Judging by the above factors, if the court finds the transaction resembles a secured loan rather than a true sale, the court may recharacterise the transaction as a secured loan. The court may also consider other relevant factors in the overall circumstances of a securitisation transaction, but no absolute criteria have been established in the determination of whether a transaction constitutes a true sale or a secured loan.

19. Are there data protection or confidentiality measures protecting obligors in a securitisation?

Yes, in Hong Kong the PDPO governs the collection, use and dissemination of personal data of living individuals. This does not apply to information with respect to enterprises.

The PDPO applies to anyone who collects or uses personal information which is capable of identifying an individual. In such circumstances, the "data user" must comply with six data protection principles that are set out in schedule 1 of the PDPO. These six principles are:

- (1) The personal data must be collected for a lawful purpose and by means that are lawful and fair in the circumstances. The data subject must have been explicitly informed on or before the collection of his/her personal data of the purpose (in general or specific terms) for which the data is to be used and the classes of person to whom the data can be transferred.
- (2) Personal data must not, without the data subject's prescribed consent, be used for any purpose other than the purpose for which the data was to be used at the time of collection or a purpose directly related to it.
- (3) Personal data must not be kept longer than is necessary for the purpose for which the data is used and the user of the data must take practicable steps to ensure that personal data is accurate, having regard to the purpose of its use.
- (4) All practicable steps are taken to ensure that personal data is secure.
- (5) All reasonably practicable steps must be taken to ensure that a person can ascertain the policy of a person who uses data as regards personal data.
- (6) Providing data subjects with rights of access in relation to the personal data held by the user of the data and rights to request correction of any incorrect data.

In April 2013, criminal liability was introduced in respect of the new direct marketing provisions, which deal with unauthorised transfers of personal data to third parties for direct

marketing purposes.

A person whose data is subject to a breach of the PDPO requirements can complain to the Privacy Commissioner for Personal Data about a suspected breach and claim compensation for damage caused to him/her due to a breach of the PDPO in civil proceedings. However, a breach of the PDPO does not invalidate the assignment of the receivables.

Banks are also required to handle information of individual customers with a duty to maintain privacy pursuant to the Code of Banking Practice.

Data about or provided by obligors may also be protected by the more general Hong Kong legal and regulatory principles that require the protection of confidential information.

20. Is the conduct of credit rating agencies regulated?

Providing credit rating services is a regulated activity supervised by the SFC. Any person who intends to prepare credit ratings for dissemination to the public or for distribution by subscription in Hong Kong or elsewhere, is required to be licensed for Type 10 regulated activity (providing credit rating services) from the SFC.

However, if a firm prepares credit ratings only for its own internal use, such as a bank's internal systems for assessing counterparty risks, it is unlikely that the firm will be regarded as "providing credit rating services" for the purposes of the SFO because the credit ratings would neither be intended for dissemination to the public or distribution by subscriptions, whether in Hong Kong or elsewhere, nor reasonably expected to be so disseminated or distributed.

21. Are there taxation considerations in your jurisdiction for originators, securitisation SPVs and investors?

Yes. The main taxation considerations are stamp duty and profits tax. There is no withholding tax regime in Hong Kong.

The potential tax involved would be stamp duty. Whether stamp duty is payable for the transfer of the subject assets depends on the nature of these assets. Generally, transfer of receivables (whether trade or lease receivables) is not subject to stamp duty, while transfer of interests in land and stocks could be subject to payment of stamp duty. Receivables would not be regarded as "stock" for Hong Kong stamp duty purposes and, as such, no charge to Hong Kong stamp duty would arise in relation to receivables in securitisation. The requirements are more specifically set forth in the Stamp Duty Ordinance (Cap. 117).

Profits tax is chargeable on a person who is carrying on a trade, profession or business in Hong Kong in respect of the person's assessable profits arising in or derived from Hong Kong

for a particular year from such trade, profession or business. Nevertheless, as the SPV normally will not undertake any business other than purchasing the assets and issuing the notes, it might not be deemed to be carrying on a trade, profession or business in Hong Kong.

In Hong Kong, tax advice is typically provided by accountants. Transaction parties would normally seek and consider such advice when structuring their transactions.

22. To what extent does the legal and regulatory framework for securitisations in your jurisdiction allow for global or cross-border transactions?

HKMA seeks to establish a regulatory framework in line with international standards, in particular those issued by the Basel Committee on Banking Supervision and the Financial Stability Board, to facilitate the development of the global or cross-border transactions.

In order to promote co-operation in infrastructure financing (including infrastructure securitisation transactions), Hong Kong Mortgage Corporation Limited, wholly owned by the Hong Kong SAR Government, has signed a MOU with Sinosure of China, and a Master Cooperation Agreement with the International Finance Corporation in 2019, in order to streamline the steps taken when both sides co-finance infrastructure projects by standardising the investment process and documentation.

23. To what extent has the securitisation market in your jurisdiction transitioned from IBORs to near risk-free interest rates?

The financial market (including securitisation market) participants in Hong Kong are at the stage of preparing for the transition from IBORs (in particular LIBOR) to alternative reference rates (ARRs).

In October 2019, the Treasury Markets Association (TMA) of Hong Kong has identified the Hong Kong Dollar Overnight Index Average (HONIA) as the ARR to the Hong Kong Interbank Offered Rate (HIBOR). Nevertheless, HKMA currently has no plan to discontinue HIBOR.

24. How could the legal and regulatory framework for securitisations be improved in your jurisdiction?

In order to achieve closer alignment with the securitisations framework in the US and Europe, Hong Kong can improve its legal and regulatory framework for securitisations, by taking into consideration of the regulatory developments in the US and Europe (for instance, retention of risk and due diligence and disclosure requirements) as well as the actual circumstances in Hong Kong.