

Banking and Other Financial Services – 2008 Liberalization Measures

1. What is the new provision for the banking sector under Supplement V to CEPA? What are the expected benefits to the industry?

Under the new provision, for Hong Kong banks, the data centre of their Mainland-incorporated banking institution can be located in Hong Kong, subject to the approval and the prudential requirements of the relevant Mainland authorities. The provision will apply to those banking institutions incorporated on the Mainland on or before 30 June 2008 whereby at the time of incorporation their parent bank in Hong Kong was already operating a data centre in Hong Kong.

This provision will bring along several benefits. For the banks concerned, the flexibility will allow economies of scale in providing information technology support to their businesses in Hong Kong, Mainland China and other geographical areas through their regional data centre in Hong Kong. A single-location arrangement may also help reduce the operational and technology-related risks involved. Furthermore, the provision signifies the confidence of the Mainland authorities in Hong Kong's legal, regulatory and technical infrastructures for banks' data centre operations. Implementation of the provision will be supported by cooperation arrangements between the Hong Kong and Mainland banking regulators on the supervision of the data centres concerned.