



**Consultation on draft amendments to the Securities and Futures
(Financial Resources) Rules (FRR), Guidelines for
Internal Models Approach for FRR Market Risk Charges
Calculation and General Principles for Model Risk Management**

Law Society Submissions

The Security and Futures Commission (“SFC”) issued the “Consultation on draft FRR amendments, Guidelines for Internal Models approach for FRR Market risk Charges Calculation and General Principles for Model Risk Management” on 14 July 2025 (“Consultation Paper”).

In response, the Law Society provides the following submissions in respect of Part 5 Miscellaneous of the Securities and Futures (Financial Resources) Rules and Part 5 Post-approval Requirements of the draft Guidelines for Internal Models Approach for FRR Market Risk Charges Calculation. Unless otherwise defined, the same abbreviations and definitions appearing in the Consultation Paper are used in this paper.

Security and Futures (Financial Resources) Rules

Part 5: Miscellaneous

Law Society’s response: We agree with the proposal to provide for approval of alternative approaches to satisfy the new technical requirements, and that the intended flexibility may help to minimise home-host divergence in market risk internal models. We also agree that the approval criteria for an alternative approach under section 58 sub-sections (5C) and (5D) are adequate for safeguarding the potential risks of allowing flexible approaches.

Guidelines for Internal Models Approach for FRR Market Risk Charges Calculation Part 5: Post-approval Requirements

Law Society’s response: Part 5 (*Post-approval Requirements*) of the proposed draft Guidelines for Internal Models Approach for FRR Market Risk Charges Calculation relate to reporting and notification obligations consequential to intended changes to the technical requirements. We have no comments on the proposed draft Part 5.

**The Law Society of Hong Kong
26 September 2025**