

# Risk Committee Report

## Introduction

2025 was a year characterised by heightened uncertainty in the global economy driven by tightened financial conditions and escalated tensions in the geopolitical environment. Tariff-related changes affected resource planning across the international trade environment. De-risking activities by investors became more volatile, driven by greater caution on the potentially elevated valuations in global stock markets.

Despite fragility and fragmentation in the economic environment through 2025, HKEX Group Risk Management continued to evolve its organisational structure and implement proactive and appropriate risk management measures to align with the Group's business priorities.

The risk management and internal control systems adopted by the Group remain adequate and effective in evaluating, determining and managing significant risks that the Group may take in achieving its strategic objectives.

## Risk Statement

Effective risk management is fundamental in enabling the Group to achieve its strategic goals. The Group manages risk across multiple domains including, but not limited to, financial, business and strategic, operational (including IT and cyber security), ESG, legal and regulatory domains. Business operations are managed within risk appetite tolerances set by the Board.

The Group seeks to ensure it achieves its strategic goals whilst concurrently acting in the interest of the public with particular regard to the interest of the investing public, maintaining stakeholder trust, and supporting the integrity of the financial system. The Group recognises its role as a market infrastructure provider and manager of systemic risk and, in doing so, acknowledges its responsibility to maintain sufficient capital and liquidity, ensure continuity of operations, and protect its reputation, through effective risk management.

The Group aims to maintain sufficient capital and liquidity to fund its daily operations, meet its obligations as they fall due, and absorb unforeseen losses. Capital and liquidity levels are designed to comply with regulatory requirements and include extensive stress testing to project the additional funds required to account for extreme but plausible market conditions. The Group also aims to maintain capital buffers to fund its strategic development objectives while ensuring the appropriate balance between risk and shareholder returns.

The Group strives to gain and maintain stakeholder trust by avoiding business practices that could lead to reputational damage or harm to HKEX and its subsidiaries. The Group, therefore, seeks to operate within all relevant rules and regulations and avoid disruptions to its business operations that could have a negative impact on the Group, the Hong Kong market, its participants or other stakeholders.

## The Risk Committee

The Risk Committee is delegated by the Board to oversee the design and effective implementation of the Group's Risk Management Framework and to advise the Board on the Group's risk-related matters.

The Group Risk Management Framework provides a consistent, comprehensive and coordinated methodology for the identification, assessment, reporting and management of risks. It is deployed across the Group and forms the basis for the day to day oversight of risk management in the business.

The Committee is also responsible for reviewing the Group's risk and compliance policies and, in conjunction with the Audit Committee, at least quarterly, assessing the adequacy and effectiveness of the Group's risk management and internal control systems.

The Committee's Terms of Reference is available on the HKEX Group website [OS](#). The Committee comprises seven INEDs whose names and biographies are set out in the Board and Committees section of this Annual Report. The Committee held four meetings in 2025. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

## Summary of Work in 2025/2026

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- Approved the updates to the Group Anti-Fraud Policy, Group Acceptable Use of Information and IT Systems Policy, Group Prevention of Financial Crime Policy, Group Privacy Policy, Group Cyber Risk Management Policy, and Group Disciplinary Policy
- Approved the responses to SFC inspection report on its review of HKEX's Stock Connect and Swap Connect
- Approved the review of the Pre-launch Testing Framework
- Approved the review of the SEOCH Default Fund Cap
- Approved the proposed enhancements to Client Account Structure for HKCC and SEOCH
- Approved the review on Risk Assessment Matrix
- Approved the revisions to the Terms of Reference (ToR) of the Executive Risk Committee and the Clearing Risk Committee
- Approved the revisions to the ToR of the Default Management Executives Group
- Endorsed the revisions of the Risk Committee's ToR and assessed the Risk Committee's compliance with its ToR
- Endorsed the Group Risk Appetite Statement updates
- Reviewed the proposed implementation of the operational resilience roadmap
- Reviewed the Clearing Risk Committee Reports and associated membership composition
- Reviewed updates on the progress in the Orion Derivatives Platform project, and Model Risk Management independent validation results and governance framework
- Reviewed the results of the Group's quarterly Group Risk Management processes covering HKEX, the LME Group, and QME, which include top risks, reporting of the risk appetite metrics, summaries of issues and incidents, and clearing house liquidity and capital adequacy
- Reviewed and endorsed the management confirmation on the adequacy and effectiveness of the Group's risk management and internal control systems

## Risk Governance

The Group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and direction from the Board, the Risk Committee, and Group management through the Executive Risk Committee ("ERiC").

ERiC is delegated by the Management Committee to oversee and manage the Group's risk management activities. It reports quarterly to the Risk Committee and its responsibilities include:

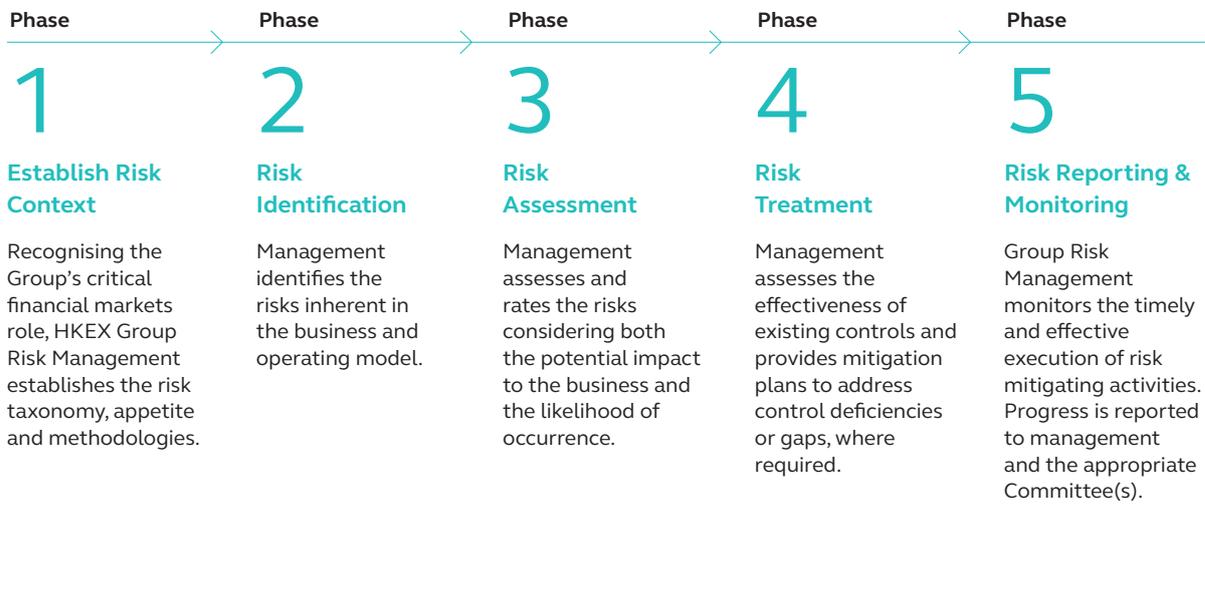
- To review and evaluate the Group's risk profile and the associated risks in achieving the Group's strategic objectives.
- To review the Group's risk and compliance policies.
- To monitor the effectiveness of controls across all key risk domains.
- To foster a strong risk management culture across the Group.

ERiC delegates specific tasks to management sub-committees for further discussion and handling when necessary.



## Group Risk Management

The Group Risk Management Framework, approved by the Risk Committee, is designed to deliver a consistent and effective approach to manage the risks associated with the Group’s business and operations. The framework is based on the International Organisation for Standardisation (ISO) 31000 Risk Management – Principles and Guidelines. The following diagram illustrates the key processes adopted under the Group Risk Management Framework.



## Principal Risks

The Group faces a number of principal risks and uncertainties that, if not properly managed, could create an exposure for the Group. Thorough risk assessment and mitigation help ensure these risks are appropriately managed and governed effectively. The Group focuses on addressing the following principal risks.

Principal Risk	Description	Key Mitigations
<b>Strategic Risk</b>	The risk of material adverse changes to the Group's business performance, development prospects and/or ability to deliver its objectives and strategic goals, caused by changes in the business, economic, regulatory or political environments in which the Group operates	<ul style="list-style-type: none"> <li>Proactive monitoring of global exchange industry trends, competitors, climate change and innovations</li> <li>Proactive monitoring of and preparation for global and local changes in regulations affecting the Group</li> <li>Responsive project controls in place to allow strategic flexibility and timely resource allocation</li> <li>Proactive monitoring of geopolitical developments, including impacts of sanctions</li> </ul>
<b>Model Risk</b>	The risk of adverse consequences arising from actions and decisions taken on the basis of incorrect or miscalculated model outputs and reports and such consequences may result in financial loss, ill-advised business or strategic decisions, poor risk capital deployment or reputational damage	<ul style="list-style-type: none"> <li>Performance of model validation with different scope and frequency based on model rating</li> <li>Compilation of model validation report, findings, and remediation plans</li> <li>Model and issues tracking workflow in Model Risk Management system following the Model Risk Governance Policy</li> </ul>
<b>Market Risk</b>	The risk resulting from adverse movements in market rates or prices such as foreign exchange rates, interest rates, or equity prices impacting a defaulted participant's and/or member's portfolio	<ul style="list-style-type: none"> <li>Backtesting of margin and collateral haircut sufficiency</li> <li>Default contingent market risk managed through collateral management and margin collection</li> <li>Adequate financial resources to cover expected uncollateralised loss in each clearing house</li> </ul>
<b>Treasury Investment Risk</b>	The risk of financial impact on the Group resulting from Group treasury activities	<ul style="list-style-type: none"> <li>Investment capital at risk limited by investment and risk policies and guidelines</li> <li>Exposures regulated through market risk stress loss limit</li> <li>FX and bond investment risk control dashboard facilitates weekly monitoring by the first and second Lines of Defence</li> </ul>
<b>Credit Risk</b>	The risk that any counterparty will not settle an obligation in full value, either when due or any time thereafter	<ul style="list-style-type: none"> <li>Credit risk management framework in place</li> <li>On-going monitoring of counterparty group based on early warning alerts</li> <li>Stress-testing of collateral and margin deposits</li> <li>Assessment of financial impact on the Group from counterparty defaulting</li> <li>Default management and recovery procedures in place</li> </ul>
<b>Liquidity Risk</b>	The risk of being unable to settle obligations as they fall due whether relating to the Group's or HKEX's actual or modelled cash flow requirements and/or regulatory requirements under extreme but plausible market conditions	<ul style="list-style-type: none"> <li>Investment policy, restrictions, and guidelines in place covering Corporate Funds, Margin Funds, and Clearing House Funds</li> <li>Clearing liquidity risk management requirements met through established stress testing practices</li> </ul>

Principal Risk	Description	Key Mitigations
<b>Cyber &amp; Technology Risk</b>	<p><b>Cyber Risk:</b> The risk of operational disruption, financial loss or reputational damage due to cyber incidents (including cyber attacks) resulting from malicious unauthorised access, use, disclosure, disruption, modification, or destruction of data or systems</p> <p><b>Technology Risk:</b> The risk of operational impact, financial loss or reputational damage due to technology failures and/or operational inefficiencies in existing technologies and IT processes as well as the threat of new emerging and potentially disruptive technologies</p>	<ul style="list-style-type: none"> <li>• Regular cyber and technology risk governance reporting by senior management to the Risk Committee and ERiC</li> <li>• Implementation of Group policies in alignment with industry information security standards</li> <li>• Defence-in-depth cyber controls</li> <li>• Risk advice on strategic projects</li> <li>• Low latency, highly resilient IT service design for relevant critical systems including trading systems</li> <li>• Regular system performance monitoring, capacity planning, maintenance, and drills (including disaster recovery)</li> <li>• Regular risk-based testing and audits of key cyber and technology risk controls</li> </ul>
<b>Third Party Risk</b>	The risk that business operations or reputation of the Group are adversely impacted by third party actions or a failure by the third party in provisioning services to the Group in line with business agreements	<ul style="list-style-type: none"> <li>• Proactive monitoring and reporting of vendor risks, particularly where they support critical services</li> <li>• Continuous enhancement of training programmes to elevate user awareness and knowledge</li> <li>• Enhancement on systems to embed the elevated third-party risk management requirements, ensure compliance, and streamline the process</li> </ul>
<b>Data Risk</b>	The risk of any unexpected or underestimated adverse impact on the Group as a result of limitations to or issues arising from its ability (or that of a third party) to effectively, appropriately or lawfully process, manage and/or protect its data in its ownership or possession	<ul style="list-style-type: none"> <li>• Launch of the new Enterprise Data Platform (EDP), which enables strategic data agendas (covering business growth, data commercialisation, operational effectiveness, and risk management) and supports data initiatives such as HKEX's Data Marketplace and firmwide data analytics (including advanced management reporting and insights), on the secure on-premises private cloud with governed data sharing</li> <li>• Implementation of robust governance and controls on EDP to enhance data integrity, security and accessibility</li> <li>• Delivery of ongoing data literacy training and best practice guidance to the community of departmental data champions, data owners, and data stewards</li> </ul>
<b>Human Capital Risk</b>	The risk of operational impact as a result of not being able to retain key personnel, engage employees and develop new capabilities	<ul style="list-style-type: none"> <li>• Continued investment in talent development and upskilling, with a focus on succession planning to meet evolving business needs</li> <li>• Continued monitoring voluntary attrition rates trends across the Group to understand workforce dynamic shifts or changes and support the businesses with timely retention initiatives</li> </ul>

Principal Risk	Description	Key Mitigations
<b>Operational Risk</b>	The risk of financial loss, reputational damage or inability to provide services and products to customers resulting from inadequate or failed processes	<ul style="list-style-type: none"> <li>• Ongoing enhancement of the Operational Risk Management Framework, which offers an overview of the structure for managing operational risks across the Group</li> <li>• Continuous improvement in the understanding and documentation of critical processes, risks, and key controls to improve operational resilience</li> <li>• Ongoing maintenance of the Operational Risk Management tool to facilitate a more holistic oversight of interconnections among processes, risks, controls, issues, and incidents, enabling in-depth analysis</li> <li>• Maintenance of a confident state of preparedness to respond to and recover from business disruptions through regular drills on crisis management of major incident scenarios</li> </ul>
<b>Legal Risk</b>	The risk of unexpected or uncertain application of a law or regulation to the Group's business or operations	<ul style="list-style-type: none"> <li>• Regular monitoring of legal and regulatory developments in the jurisdictions in which the Group has business activities or operations</li> <li>• Where appropriate, internal and/or external legal advice sought on matters (including legal review of contracts)</li> </ul>
<b>Compliance Risk</b>	The risk of incurring penalties, financial loss and/or loss of operating licence resulting from the Group's, and/or personnel working for or on behalf of HKEX whose, failure to act in accordance with industry laws and regulations, statutory obligations, internal policies or prescribed good practices	<ul style="list-style-type: none"> <li>• Regular review and enhancement of the Group Compliance Policies to align with laws, regulations and industry practices</li> <li>• Enhancement of regular and targeted training</li> <li>• Continuous enhancement and implementation of compliance policies monitoring to assess adequacy and effectiveness of controls</li> <li>• Provision of advice on control environment</li> </ul>

More information about the climate-related risks faced by the Group and the Group's approach to other corporate responsibility topics that are material or relevant to its business, including but not limited to information security and anti-corruption, is set out in the 2025 Sustainability Report.

**CHOW WOO Mo Fong, Susan**

Chairman of the Risk Committee

Hong Kong, 24 February 2026