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### Legal Landscape | Banking & Finance

#### Hong Kong- Banking & Finance

#### Contributor



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## Hong Kong- Banking & Finance

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### **1. What is the current legal landscape for your practice area in your jurisdiction?**

Hong Kong's banking and finance market is currently characterised by cautious credit conditions, continued weakness in the real estate sector and a more selective risk appetite among traditional lenders, against the backdrop of an uncertain interest rate outlook.

Banks continue to adopt conservative positions, including tighter covenant packages, lower loan-to-value ratios and enhanced collateral requirements, particularly in the commercial real estate sector, which remains under significant stress. Refinancing and restructuring activity therefore continues to be a prominent feature of the market as borrowers manage liquidity constraints and upcoming maturities. Notwithstanding this, the banking system remains well capitalised and broadly resilient.

At the same time, alternative lenders and private credit providers have become increasingly active, filling gaps left by commercial banks and often offering more flexible structures, albeit at higher pricing. As private credit continues to expand, market participants are also paying closer attention to issues around liquidity, structuring discipline, investor expectations and product suitability, particularly where products are distributed beyond institutional investors.

Uncertainty around the interest rate outlook has also contributed to tight credit conditions. Hong Kong's monetary environment remains closely linked to US monetary policy under the Linked Exchange Rate System, which continues to shape local funding costs and credit conditions.

In parallel, Hong Kong continues to reinforce its position as a regional hub for sustainable finance. Green, social and sustainability-linked financing remains an area of growth, supported by regulatory initiatives and government-backed measures. In particular, the HKMA published Phase 2A of the Hong Kong Taxonomy for Sustainable Finance in January 2026, expanding the taxonomy's coverage and further supporting market standardisation in sustainable finance.

### **2. What three essential pieces of advice would you give to clients involved in your practice area matters?**

First, borrowers should prioritise flexibility in financing structures and diversify their funding sources. In the current environment, access to liquidity through conventional bank facilities cannot be assumed, as lenders remain highly selective. Borrowers should be prepared to engage with a broader range of capital providers, including private credit funds and family offices, while recognising the pricing, diligence and execution implications of doing so. Early engagement on financings and refinancings is critical to managing concentrated maturity profiles and preserving negotiating leverage.

Second, borrowers should actively monitor covenant compliance and downside scenarios, with particular attention to loan-to-value ratios and valuation risk. Given the sustained pressure on Hong Kong commercial property values, maintaining sufficient covenant headroom is critical to reducing the risk of technical defaults caused by asset revaluations. Early and proactive engagement with lenders can

facilitate consensual restructuring outcomes and reduce the risk of margin calls, accelerated enforcement or distressed asset sales.

Third, lenders and investors should remain disciplined in credit selection and structuring in what is increasingly a bifurcated market. While opportunities exist, careful underwriting, robust covenant protection and a clear understanding of borrower credit risk remain essential, particularly in refinancing and stressed situations. This is especially important as alternative lenders continue to expand their footprint, making differentiation through bespoke structuring, pricing discipline and rigorous risk analysis increasingly important.

### **3. What are the greatest threats and opportunities in your practice area law in the next 12 months?**

The most immediate challenge remains the continued stress in the commercial real estate sector, which is likely to drive a further wave of refinancing, restructuring and, in some cases, enforcement activity. As declining asset values weaken collateral positions and tighter credit conditions constrain refinancing options, lenders are expected to remain cautious, contributing to a more challenging restructuring environment.

A related area of risk arises from the growing role of private credit. While private credit remains an important source of liquidity where conventional bank lending is constrained, its continued expansion is likely to sharpen focus on liquidity mismatches, investor expectations, governance and product suitability, particularly where the investor base broadens.

At the same time, these conditions create opportunities for lenders and investors with available capital, particularly in distressed and special situations. Alternative lenders are likely to remain active in providing flexible financing solutions, while banks may selectively deploy capital into higher-quality transactions with stronger credit profiles and better sponsor support.

Sustainable finance is also expected to remain a key area of growth. Regulatory developments, including the publication of Phase 2A of Hong Kong's sustainable finance taxonomy, should continue to support demand for green, social and sustainability-linked financings.

More broadly, Hong Kong's position as a regional financial hub should continue to benefit from cross-border initiatives, capital flows and policy measures aimed at strengthening its role as an international asset and wealth management centre. Recent reports on proposed tax changes to attract asset and wealth managers also point in that direction.

### **4. How do you ensure high client satisfaction levels are maintained by your practice?**

We focus on delivering commercially pragmatic advice tailored to each client's objectives, rather than providing purely technical legal analysis in isolation. This requires a clear understanding of the client's business, the commercial drivers of the transaction and the client's risk tolerance, enabling us to propose solutions that are workable in practice as well as sound in law.

We place particular emphasis on responsiveness, clarity and proactive communication. To support

efficient execution, we identify key issues early, align expectations on timing and deliverables, and maintain close coordination across jurisdictions and across the wider adviser group.

We also seek to deliver consistency and reliability in execution by combining strategic judgment with hands-on delivery. Our approach is forward-looking and solution-oriented, giving clients clear, actionable guidance that helps them make informed decisions and move transactions forward efficiently. This is particularly important in complex financing and refinancing matters involving multiple stakeholders, where alignment and timing are often critical to successful execution.

## **5. What technological advancements are reshaping your practice area law and how can clients benefit from them?**

Technology is increasingly being used to improve efficiency in financing transactions, particularly in high-volume workstreams such as due diligence, document review, data extraction and first-level drafting. AI-enabled tools can assist with reviewing large document sets, identifying departures from standard positions and streamlining document comparison, allowing transaction teams to work more efficiently.

These tools are particularly useful in complex or documentation-heavy financings, where they can accelerate initial review processes and improve consistency across transaction documents. This allows lawyers to devote more time to higher-value work, including structuring, negotiation and risk allocation.

At the same time, technology is not a substitute for legal judgment. Financing documentation is highly context-specific and sensitive to commercial intent, so experienced legal oversight remains essential to ensure that issues are properly identified, analysed and addressed.

For clients, the combination of technology and legal expertise can support faster execution, more efficient use of advisory resources and better visibility over key transaction issues, particularly in large, cross-border or time-sensitive matters.

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