DAC BEACHCROFT

Hong Kong
Predictions 2026

Regulatory pragmatism will attract business to Hong Kong

Hong Kong has traditionally adopted a relatively hands-off approach to regulation, with regulatory powers in place described as somewhat conservative. However, in recent years the government has adopted a more robust approach, particularly following the global financial crisis in 2008, most notably establishing the Accounting and Financial Reporting Council to oversee accountants and auditors. With the recent economic downturn, consolidation and change in the mix of players operating in Hong Kong, we now predict a shift to a comparatively pragmatic business-friendly approach to regulation in 2026 to increase the attractiveness of the jurisdiction by making it more accessible and easier to operate in. Hong Kong has also recently taken steps to regulate and embrace virtual assets and we expect this trend to continue in 2026.

New laws will protect critical infrastructure in Hong Kong

Hong Kong recently saw the passage of the Protection of Critical Infrastructure (Computer System) Ordinance into law, the provisions of which will come into effect on 1 January 2026. The new laws aim to protect local infrastructure in certain sectors designated as critical. Banks and financial institutions (in addition to those operating in other prescribed sectors) will be required to implement measures to prevent and report security breaches. Failure to do so may attract a fine of up to HK$5 million (US$640,000). We expect increased regulatory activity in encouraging organisations to bolster the security and reporting any breaches of their computer systems in 2026.

Increased Russian investment in Hong Kong risks sanctions implications

With much of the world now effectively closed to Russian investment, Russia is increasing its historic interest in its next door neighbour China, including Hong Kong, as an environment in which to create economic partnerships. Bilateral trade between Russia and China was reported as rising 90% year on year in 2024 to US$245 billion, with US$3.3 billion of that focused on Hong Kong. Russian companies are keen to engage in Hong Kong's infrastructure projects and its entrepreneurs are increasing their involvement in the manufacturing sector. But greater Russian investment into Hong Kong brings heightening risk for local trading entities of breaching international and particularly United States sanctions. We predict those issues will increasingly come to the forefront of corporate risk teams' concerns while businesses in Hong Kong look to take advantage of improved trading opportunities.

Increased risks of extreme weather in Hong Kong will drive insurance demand and claims

We have seen an unprecedented increase in the number of black rainstorm warnings issued by the Hong Kong Observatory in 2025. Three black rainstorm warnings were issued within a four-day period in early August 2025, with daily rainfall of almost 370mm recorded on 5 August, the highest daily rainfall in August since records began in 1884. The deluge strained Hong Kong's historically resilient infrastructure and caused widespread flash flooding to a population not accustomed to the effects of such extreme weather. It is predicted that those who have not previously considered coverage will in 2026 begin to explore insurance products to reduce potential risks from predicted increases in instances and the effects of adverse weather in Hong Kong. Insurers should ensure they have adequate reserves available to cater for the potential influx of both sales queries and claims.

Increase in IPO activity will impact D&O cover

Hong Kong saw sharp growth in initial public offerings (IPOs) on its public bourse in the first half of 2025, propelling it to take back the crown of ranking first globally in the amount of funds raised through IPOs. It is expected that the IPO trend in Hong Kong will continue into 2026 and is likely to lead to higher demand for D&O policies to cover directors and officers against personal financial losses arising from allegations or findings of wrongful acts committed in their managerial capacity. Given the level of scrutiny and public interest in the business operations of listed companies in Hong Kong, it is essential for private companies in the process of listing to evaluate their directors' and officers' potential exposure and ensure sufficient and appropriate insurance is in place to afford comfort to management.

For further information or enquiries, please contact:

Ross Risby
Partner
rrisby@dacbeachcroft.com

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