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8 June 2016

*By email and by hand*

Mr Lee Huat Oon  
Acting Chairman  
The DTC Association  
Unit 1704, 17/F Bonham Trade Centre  
50 Bonham Strand East  
Sheung Wan  
Hong Kong

Dear Mr Lee,

**Consultation on proposed revision of Return MA(BS)1E (Liquidity Position of an Authorized Institution)**

I am writing to consult the Association on proposed revisions to Return MA(BS)1E.

The revisions will allow those authorized institutions designated as “category 1 institutions” for the purposes of calculating the Liquidity Coverage Ratio (LCR) to apply an outflow rate of 3% when calculating their expected cash outflow arising from stable retail deposits when the applicable requirements are met. This reflects the fact that, with the implementation of the Deposit Protection Scheme (Amendment) Ordinance 2016, the Deposit Protection Scheme (DPS) will ordinarily be capable of making a payment to depositors in respect of their insured deposits within 7 working days of the Scheme being activated in a given case. In addition, some textual changes to certain other provisions in the Completion Instructions (CIs) for Return MA(BS)1E have been made to provide clarity. The proposed revised versions of the Return and CIs are at [Annex 1](#).

Taking this opportunity, we have also reviewed the reporting frequency and timeline for both MA(BS)1E and Return MA(BS)23 (Liquidity Monitoring Tools), for which transitional reporting arrangements were initially introduced.

For MA(BS)1E, we consider that the transitional arrangement should cease at the end of this year and reporting under this Return should therefore follow the frequency and timeline as provided in paragraph 5 of its CIs, which are in line with the requirements

of the relevant Basel standards.<sup>1</sup> As for MA(BS)23, to alleviate authorized institutions' reporting burden, we propose to adjust the reporting timeline for this Return and reduce the number of reporting bases. Accordingly, the reporting frequency and timeline for these two Returns will be:

	<b>Reporting position up to December 2016</b>	<b>From January 2017</b>
<b>MA(BS)1E</b>	<ul style="list-style-type: none"> <li>• <u>Hong Kong office position</u>: To be submitted monthly within 21 days after each month-end.</li> <li>• <u>Consolidated and unconsolidated positions</u>: To be submitted monthly within 1 month after each month-end.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>All positions</u>: To be submitted monthly within 14 days after each month-end.</li> </ul>
<b>MA(BS)23</b>	<ul style="list-style-type: none"> <li>• <u>All positions (where applicable)</u>: To be submitted quarterly within 1 month after each quarter-end.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Hong Kong office and consolidated positions</u>: Parts 1 to 3: To be submitted monthly within 1 month after each month-end. Parts 4 and 5: To be submitted quarterly within 6 weeks after each quarter-end.</li> <li>• <u>Unconsolidated position</u>: No reporting is required unless specifically requested by HKMA.</li> </ul>

I would be grateful if the Association could circulate this letter and the enclosures to its members, and let us have any comments by 24 June 2016.

I am writing in similar terms to The Hong Kong Association of Banks.

Yours sincerely,

Karen Kemp  
Executive Director (Banking Policy)

Encl.

c.c. FSTB (Attn: Jackie Liu)

<sup>1</sup> As provided in paragraph 162 of the document *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* published by the Basel Committee in January 2013, the LCR should be reported to supervisors at least monthly, with the operational capacity to increase the frequency to weekly or even daily in stressed situations at the discretion of the supervisor. The time lag in reporting should be as short as feasible and ideally should not surpass two weeks.