HONG KONG MONETARY AUTHORITY
香港金融管理局

Consultation Paper on

Review of the Three-Tier Banking System

26 June 2023

Contents

I. Foreword

1. This consultation paper sets out the results of a review conducted by the Hong Kong Monetary Authority (HKMA) on the three-tier banking system in Hong Kong and a proposal to simplify the system.

2. The HKMA invites comments on the proposal in this paper. A full list of the consultation questions can be found at **Annex**.

3. Please submit your comments to your industry association or directly to the mailbox at **three-tier-banking-system@hkma.gov.hk** by **25 September 2023**.

4. Persons submitting comments on behalf of an organisation should provide details of the organisation whose views they represent.

5. **Please note that the names of commentators and the contents of their submissions may be published by the HKMA on the website and/or in other documents to be published by the HKMA. Please read the Personal Information Collection Statement in the following section for details.**

6. **If you do not wish your name or submission to be published by the HKMA, please indicate so when you make your submission.**

II. Personal Information Collection Statement

7. This Personal Information Collection Statement (PICS) is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. The PICS sets out the purposes for which your Personal Data[1] will be used following collection, what you are agreeing to with respect to the HKMA's use of your Personal Data, and your rights under the Personal Data (Privacy) Ordinance (Cap. 486) (PDPO).

Purpose of Collection

8. The personal data provided in your submission in response to this consultation paper may be used by the HKMA for one or more of the following purposes –

- to administer the provisions of the Banking Ordinance (Cap. 155) and guidelines published pursuant to the powers vested in the HKMA;
- to perform statutory functions under the provisions of the Banking Ordinance (Cap. 155);
- for research and statistical purposes; or
- for other purposes permitted by law.

Transfer of Personal Data

9. Personal data may be disclosed by the HKMA to members of the public in Hong Kong and elsewhere as part of this consultation. The names of persons who submitted comments on this consultation paper, together with the whole or any part of their submissions, may be disclosed to members of the public. This will be done by publishing this information on the HKMA website and/or in documents to be published by the HKMA during the consultation period or at its conclusion.

Access to Data

10. You have the right to request access to and correction of your personal data in accordance with the provisions of the PDPO. Your right of access

[1] Personal data means personal information as defined in the Personal Data (Privacy) Ordinance (Cap. 486).

includes the right to obtain a copy of your personal data provided in your submission on this consultation paper. The HKMA has the right to charge a reasonable fee for processing any data access request.

Retention

11. Personal data provided to the HKMA in response to this consultation paper will be retained for such period as may be necessary for the proper discharge of its functions.

Enquiries

12. Any enquiries regarding the personal data provided in your submission on this consultation paper, requests for access to personal data or correction of personal data should be addressed in writing to –

Personal Data Privacy Officer
Hong Kong Monetary Authority
55/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

III. Executive Summary

13. The current three-tier structure of the banking system (comprising of licensed banks (LBs), restricted licence banks (RLBs) and deposit-taking companies (DTCs)) had a history of four decades and aimed to strike a balance between flexibility of entry into the banking system and protection of small depositors.

14. Based on the HKMA's recent analyses, the three-tier system has become more complex than necessary to achieve the above-mentioned balance, and the market share of DTCs has dwindled over time. Therefore, it is recommended that the three-tier structure be simplified into two tiers by merging DTCs into the RLB sector to form a new second-tier of our banking system.

15. Existing DTCs will be invited and encouraged to upgrade to the second-tier (i.e. RLBs) or LBs within a transition period of 5 years. In case they are no longer pursuing deposit-taking business under their own strategies, they may consider revoking their registration voluntarily and transforming themselves into other types of regulated financial entities. The HKMA aims to facilitate a smooth transition for all existing DTCs.

16. The existing minimum capital requirement of HK$100 million and minimum deposit size requirement of HK$500,000 on RLBs are considered appropriate for the new second-tier, and there is no strong justification to introduce any change to these parameters. Further, no maturity limit would be imposed on the deposits to be taken by the new second-tier institutions. Meanwhile, the restriction that the second-tier institutions should not operate checking accounts or savings accounts will remain a principal distinction between LBs and the second-tier institutions.

17. Currently, LBs are required to join, and RLBs can apply to join, the Real Time Gross Settlement (RTGS) systems for handling payments and settlement of securities transactions through the Central Moneymarkets Unit and the Hong Kong Securities Clearing Company Limited. It is proposed that all second-tier institutions shall be allowed to apply for access to the RTGS systems, including those existing DTCs upgrading themselves to the new second-tier.

18. The HKMA has also considered other areas including the nomenclature and supervision of the new second-tier. It is considered that the existing nomenclature "restricted licence banks" remains appropriate and should thus be kept for the second-tier. As for supervision, the HKMA has no intention to change the existing supervisory requirements on RLBs as a result of this review exercise.

19. On deposit protection coverage of the second-tier institutions, the HKMA understands that the Hong Kong Deposit Protection Board has conducted a comprehensive review of the Deposit Protection Scheme (DPS), which

also covers DPS membership, and will announce the findings of the review in due course.

20. With the proposed simplification, it appears no longer necessary to maintain a standalone Deposit-taking Companies Advisory Committee (DTCAC). Therefore, it is proposed that the DTCAC shall be combined with the Banking Advisory Committee (BAC), with suitable representatives from the RLB sector to be appointed to the BAC.

21. The proposed simplification of the three-tier structure is not expected to have significant impact on banking stability. There will still be a clear distinction between full LBs that can take retail deposits without any restriction, and the new second-tier that will be subject to minimum deposit size and capital requirements at the existing levels applicable to RLBs.

22. It is also unlikely that the proposal will have a significant impact on market dynamics or on the existing customers and depositors of the DTCs, as the market share of DTCs (in terms of total assets and customer deposits) in the banking sector is very small. Suitable transitional arrangements will be provided to enable existing depositors to migrate to the proposed new framework if necessary.

23. Members of public are welcome to provide comments on the proposal.

IV. Background

The three-tier banking system

24. The HKMA is responsible for the authorization, regulation and supervision of banking business[2] and the business of taking deposits in Hong Kong. Under the Banking Ordinance (BO), any corporation hoping to operate a banking business or a business of taking deposits in Hong Kong must obtain authorization from the HKMA.

25. Hong Kong maintains a three-tier system of deposit-taking institutions, comprising LBs, RLBs, and DTCs (collectively known as "authorized institutions"). They are classified according to the amount and maturity of deposits that can be accepted and the nature of the business, and correspondingly different capital requirements set out in the table below.

Table 1 Requirements of Different Tiers under the Three-Tier Banking System

Tier / Requirements	LBs	RLBs	DTCs
Deposit-taking activities	• May pay or collect cheques drawn by or paid in by customers; • May operate current and savings accounts; and • May accept deposits of any size and maturity from the public	• May take deposits of any maturity of HK$500,000 or above	• May take deposits of HK$100,000 or above with an original term of maturity of at least three months
Minimum capital requirement	• HK$300 million	• HK$100 million	• HK$25 million

[2] As defined under section 2 of the BO, *"Banking business"* means the business of either or both of the following:

(a) receiving from the general public money on current, deposit, savings or other similar account repayable on demand or within less than the period specified in item 1 of the First Schedule or with a period of call or notice of less than that period, other than any float or SVF deposit as defined by section 2 of the Payment Systems and Stored Value Facilities Ordinance (Cap. 584);

(b) paying or collecting cheques drawn by or paid in by customers.

26. Development of the banking industry is shown in the timeline below.

- 1948 • Enactment of Hong Kong's first BO
- 1965 • Banking crisis with a series of bank runs
- 1976 • Enactment of Deposit-taking Companies Ordinance (DTCO)
- 1981 • Amendments of DTCO to establish a three-tier banking system
- 1983-86 • Banking crisis with a series of bank runs
- 1986 • Revamp of BO to improve prudential supervision of banking industry
- 1990 • Further amendments of BO to introduce RLBs and DTCs

27. Banking in Hong Kong began in the early 1840s, but the banking industry had not been subject to any stringent supervision for more than a century until 1948, when the Hong Kong Government introduced the first BO and issued licenses to banks for the first time. Since then the industry has been subject to official supervision. Subsequently, in response to market conditions, such as banking crisis in 1965, amendments had been made to the BO from time to time.

28. In 1976, the DTCO was introduced to enhance the robustness of the banking industry, in response to market conditions in the 1970s. At that time, there was inflow of funds into Hong Kong and strong demand for credit. Competition in the banking sector was heavy, while DTCs proliferated and competed with LBs by offering more keen competitive interest rates to attract customers, as DTCs were not bounded by the then Interest Rate Agreement (IRA)[3]. To compete with DTCs, many LBs established subsidiaries to operate in the DTC sector. Many overseas banks also used this route to gain a presence in Hong Kong. By the early 1980s, the number of DTCs had risen to over 300. Also, DTCs were subject to less stringent supervisory standards than LBs. As a result, many problems occurred in the DTC sector at that time. In 1981, the Hong Kong Government enacted the Deposit-taking Companies (Amendment) Ordinance, establishing a three-tier system of banks (i.e. LBs, licensed deposit-taking companies (LDTCs) and registered deposit-taking companies (RDTCs)) and imposing limitations on the amount and maturity of deposits taken by LDTCs and

[3] Under the IRA, LBs had to observe a uniform lending rate and a set of uniform deposit rates.

RDTCs.

29. Hong Kong experienced another banking crisis between 1983 and 1986, during which a string of bank failures occurred and over 100 DTCs left the market because of financial difficulties or unfavourable operating environment. In response to these problems, a new BO was introduced in 1986 to improve the prudential supervision of banks and DTCs, and to put them under the same supervisory framework under the BO[4]. The new BO empowered the then Commissioner of Banking (the predecessor of the Monetary Authority) to, among other things, supervise the three categories of deposit-taking institutions. In line with international financial environment, regulatory requirements on capital adequacy and liquidity were also introduced to improve the quality of banking supervision, enhancing international and public's confidence in the soundness of Hong Kong's banking system.

30. The BO was further amended in 1990 to, among other things, replace LDTCs and RDTCs by RLBs and DTCs respectively, and to increase the minimum capital requirements of all authorized institutions, laying the foundation of the present three-tier system.

31. Over the years, refinements had been made to the three-tier banking system to ensure that it remained fit for purpose, including making it easier to become an LB by relaxing the market entry criteria. For example, in the review conducted by the HKMA in 2012, a number of outdated authorization criteria for LBs were removed[5]. The three-tier banking system has remained largely unchanged since then (as shown in Table 1).

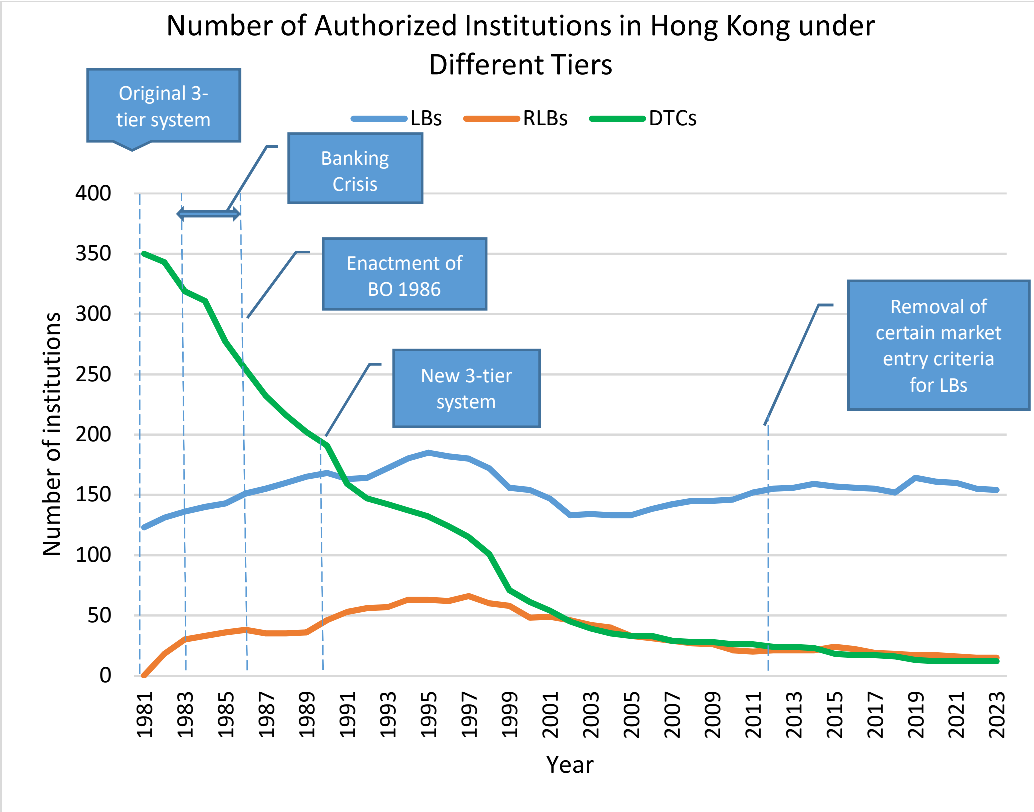
Recent review

32. The IRA was fully abolished in July 2001. With the relaxation of the market entry criteria for LBs, there was an increase in the number of LBs thereafter, and the number has remained largely stable over time. On the other hand, as shown in the chart below, the total number of DTCs and RLBs has dropped significantly over the past four decades (from 349 as of end-1983 to 27 as of end-May 2023).

---

[4] Examples of tighter supervisory requirements included capital adequacy ratios and liquidity ratios, limits on large exposures and connected lending, new regulation of ownership and management.

[5] Criteria removed included the following: (a) the requirement to have total customer deposits of not less than HK$3 billion and total assets of not less than HK$4 billion; (b) for a locally incorporated applicant, the requirement that the applicant must have been an RLB or a DTC (or any combination thereof) for at least 3 years; (c) for a foreign bank that wished to establish a locally incorporated banking subsidiary in Hong Kong, the requirement that it had operated a branch (or DTC/RLB or any combination thereof) in Hong Kong for at least 3 years.



33. The supervisory requirements on DTCs and RLBs are basically the same under the HKMA's risk-based supervisory approach. The case for maintaining two separate and distinct categories (DTCs and RLBs) for the participation of smaller institutions in the Hong Kong banking system (in addition to LBs) has become weaker than it was previously.

34. In light of the above, the HKMA has conducted a review of the three-tier banking system (the "Review") with the following objectives:

(a) to simplify the structure of our banking system, keeping pace with evolving circumstances and enhancing its vital role in strengthening Hong Kong's status as an international financial centre; and

(b) to revitalise institutions in the category of deposit-taking companies, enhancing their flexibility and efficiency in conducting business and meeting customers' needs.

V. Proposal

35. Based on the findings of the Review, the HKMA proposes to:

    (a) maintain LBs as the first-tier institutions and merge DTCs into the second-tier, which will continue to be called RLBs;

    (b) discontinue the authorization of new DTCs, and invite and encourage existing DTCs to upgrade themselves to the second-tier (i.e. RLBs) or LBs, within a transition period of 5 years. In case they are no longer pursuing deposit-taking business under their own strategies, they may consider revoking their registration voluntarily and transforming themselves into other types of regulated financial entities depending on their business model. The HKMA aims to facilitate a smooth transition for all existing DTCs; and

    (c) keep the requirements on the second-tier institutions unchanged, including the minimum capital requirement (HK$100 million) and the minimum deposit size requirement (HK$500,000), subject to suitable transitional arrangements for existing depositors of DTCs.

36. In developing the proposal, reference has been made to the licensing systems of other banking centres, including Australia, Singapore, the UK, the US and the Mainland of China. Moreover, views from individual DTCs received so far have also been taken into account.

Justifications

<u>Simplification into a two-tier system</u>

37. The first issue is whether a tiered structure should be maintained. The current three-tier structure of the banking system aimed to strike a balance between flexibility of entry into the banking system and protection of small depositors. A tiered banking system offers flexible means of entry into the banking industry. Other banking centres such as Australia, Singapore, the UK, the US and the Mainland of China also adopt a tiered approach. The categorisation of different types of deposit-taking institutions reflects the respective market and regulatory developments in these places, and the business activities of the deposit-taking institutions differ by the type of licence they hold (see Table 2). For example, in Singapore, generally merchant banks are restricted from, among others, accepting any deposit in Singapore dollars, whereas finance companies are not allowed to, among others, accept any deposit which is repayable on demand.

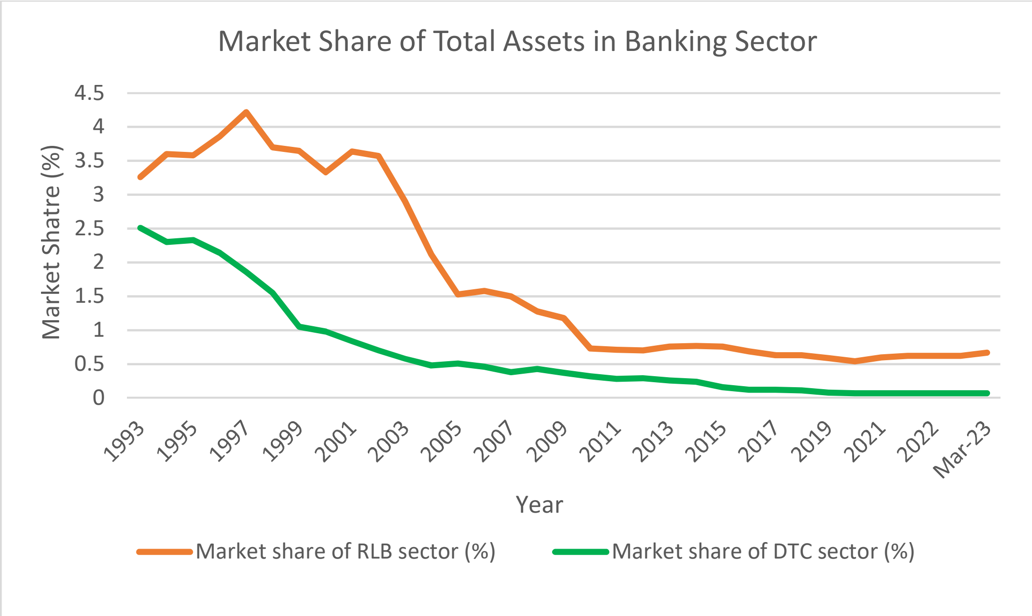
Table 2 Tiered Structure in Other Jurisdictions

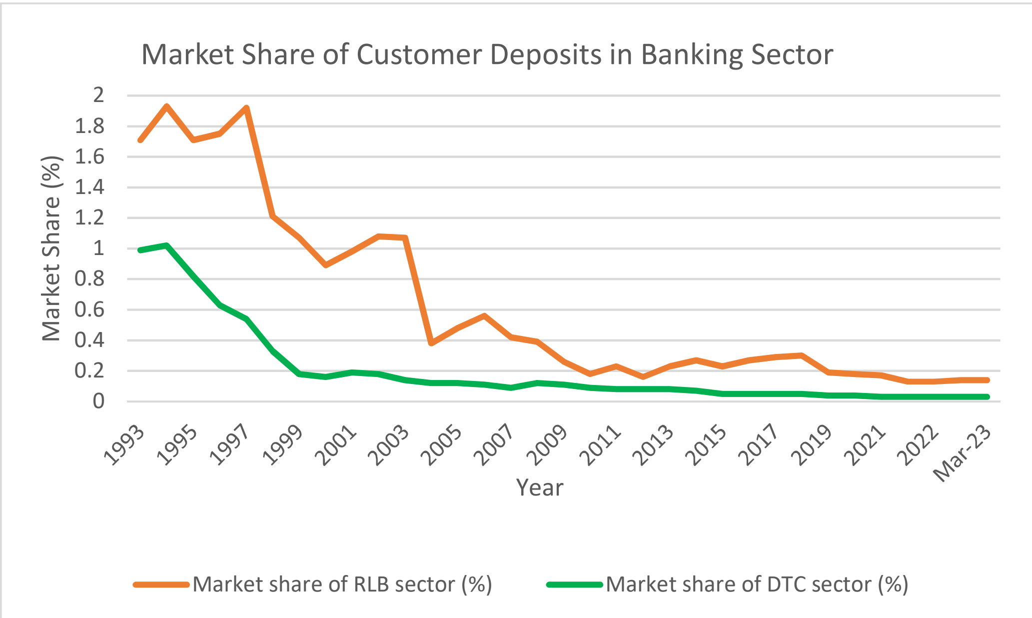
Jurisdiction	Institutions in the respective tiered structure
Hong Kong	• LBs • RLBs • DTCs
Australia	• Authorised deposit-taking institutions (ADIs): a) Banks b) Building societies c) Credit Unions • Restricted ADIs
Singapore	• Full banks • Qualifying full banks • Wholesale banks • Merchant banks • Finance companies
UK	• Banks • Credit unions • Friendly societies • Building societies
USA	• Commercial banks • Thrifts: Savings and loan association / Savings banks • Credit unions
Mainland of China	• Policy banks • Large commercial banks • National joint-stock commercial banks • City commercial banks • Rural small & medium-sized banking institutions

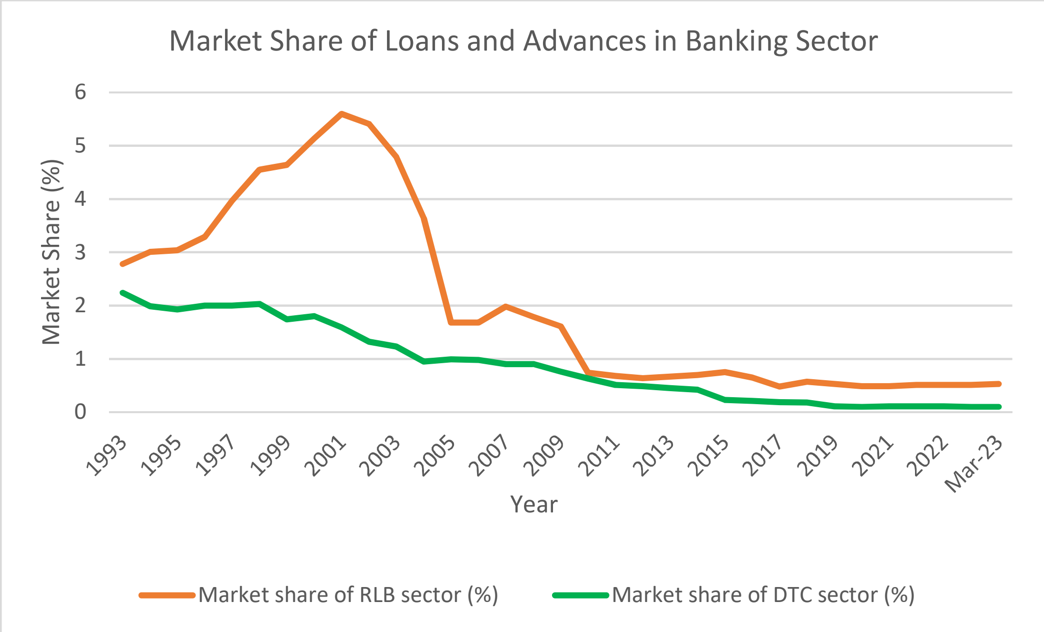
38. A tiered system is useful for distinguishing banks qualified to accept retail deposits from institutions that should be restricted in the types of deposits they can take for prudential and depositor protection considerations. However, our three-tier system has become more complicated than necessary in facilitating participation of smaller institutions. The DTC sector currently has only 12 institutions, and some of these institutions focus more on securities business with non-deposit funding instead of traditional deposit-taking activities to support lending. The DTC sector's market share in the banking sector has dropped significantly in the past three decades (see Table 3).

Table 3 Market Share of RLBs and DTCs

	As of 31 December 1993		As of 31 March 2023	
Market share (%)	**RLBs**	**DTCs**	**RLBs**	**DTCs**
Total assets	3.3%	2.5%	0.67%	0.07%
Customer deposits	1.7%	1.0%	0.14%	0.03%
Loans & advances	2.8%	2.2%	0.53%	0.10%







39. In addition, unlike the RLB sector which the HKMA has received licence applications from time to time with 7 RLBs authorized since the Global Financial Crisis in 2008-09, there has been no DTC licence application since 2009. The lack of interest of new entry into the DTC sector may probably be due to the 3-month maturity requirement which is considered not flexible for meeting the needs of customers.

40. Considering the circumstances of the current RLB and DTC sectors, it is proposed that the DTC sector be merged into the RLB sector to form the new second-tier of our banking system.

41. It is proposed that a transition period of 5 years to be given to the existing DTCs to ensure they will migrate smoothly to the new framework. Existing DTCs may choose to join the second-tier (i.e. RLBs) or upgrade to become LBs or, in case they are no longer pursuing deposit-taking business under their own strategies, they may consider revoking their registration voluntarily and transforming themselves into other types of regulated financial entities depending on their business models.

Consultation questions:

Question 1: Do you agree that the three-tier banking system should be simplified into two tiers by merging DTCs into RLBs?

Question 2: Do you have any comments on the proposed transition period of 5 years for existing DTCs to upgrade to the second-tier (i.e. RLBs) or LBs, or transforming themselves into other types of regulated financial entities depending on their business models and revoking their registration as DTCs voluntarily?

Capital requirement

42. The existing minimum capital requirement for DTCs and RLBs is HK$25 million and HK$100 million respectively. The threshold of HK$100 million for RLBs is considered appropriate and there is no strong justification to introduce any changes. Further, maintaining this requirement for the second-tier institutions will not impact the existing RLBs.

43. Most of the existing DTCs already have capital position exceeding HK$100 million, or can readily increase their share capital by capitalising their retained earnings or using parental resources.

44. It is proposed that a transition period of 5 years be given to the existing DTCs to raise their capital in a gradual manner if necessary. The proposed threshold of HK$100 million does not seem to be an insurmountable challenge to the DTCs.

45. If existing DTCs choose to join the second-tier (i.e. RLBs) or LBs, it will entail larger paid-up capital, and their financial position will be strengthened. This will be conducive to maintaining the banking stability in Hong Kong.

Consultation questions:

Question 3: Do you have any comments on the proposed minimum capital requirement for the second-tier institutions?

Minimum requirements on deposit-taking activities

46. The purpose of the minimum deposit size requirement is to differentiate between retail and non-retail deposits, and to accord more protection to retail deposits. The existing minimum deposit size requirement for RLBs (i.e. HK$500,000) is considered appropriate for the new second-tier, and we

do not see strong justification for altering the threshold. It is also in line with the threshold adopted for differentiating between public offers and private placements in the prospectus regime.

47. The existing minimum deposit size requirement of DTCs is HK$100,000. In proposing to maintain the threshold at HK$500,000 for the new second-tier, consideration has been given to any possible impacts on the DTCs' business and customers. Based on our analysis of customer deposits of the existing DTCs, pitching the minimum deposit threshold at HK$500,000 would not have material impact on the existing DTCs and their customers. The number of customers having a deposit balance below HK$500,000 and the corresponding amount of those deposits accounted for a rather small percentage (below 5%) of total customer deposits of the respective DTCs.

48. It is further proposed that no maturity limit should be imposed on the deposits to be taken by the new second-tier institutions. This arrangement will provide flexibility for the second-tier institutions to meet the needs of customers and facilitate their management of funding sources and cost.

49. Meanwhile, the restriction that the second-tier institutions should not operate checking accounts or savings accounts will remain a principal distinction between LBs and the second-tier institutions.

Consultation questions:

Question 4: Do you have any comments on the proposed minimum deposit size requirement on the second-tier institutions?

<u>Access to RTGS systems</u>

50. Currently, LBs are required to join, and RLBs can apply to join, the RTGS systems[6] for handling payments and settlement of securities transactions through the Central Moneymarkets Unit and the Hong Kong Securities Clearing Company Limited. It is proposed that all second-tier institutions shall be allowed to apply for access to the RTGS systems, including those existing DTCs which choose to join the new second-tier.

[6] Since 2000, RLBs can apply for access to the RTGS systems. The HKMA will evaluate whether an RLB has a valid business case for their entry into the RTGS, taking into account the access criteria set out in the HKMA circulars "Access to the Real Time Gross Settlement System" issued on 29 December 1999 and 19 May 2000, which include mainly: (a) whether a RLB has a large number of money market, foreign exchange and securities transactions; and (b) whether a RLB has high value of interbank transactions.

Consultation questions:

Question 5: Do you have any comments on the proposed arrangement for access to the RTGS systems of the new second-tier?

Other considerations

Nomenclature

51. Consideration has been given to devising a new name for the second-tier institutions. Some institutions find the term "restricted" in the current nomenclature of RLBs somewhat pejorative. However, it is considered that the existing nomenclature "restricted licence banks" remains appropriate and should thus be kept for the second-tier. First, it clearly and readily distinguishes LBs from the second-tier institutions, which are restricted from taking retail deposits. Second, the public is already familiar with the name and its meaning. Further, some other jurisdictions (such as Australia) also uses the term "restricted" to describe those institutions which are allowed to conduct banking business subject to specific requirements and restrictions (e.g. deposit and balance sheet size).

Consultation questions:

Question 6: Do you agree that the current nomenclature of RLBs should be kept for the new second-tier? If not, do you have any suggestions on the new name?

Use of banking names and descriptions

52. Currently, DTCs are not allowed to use banking names whereas an RLB that is a branch of a foreign bank or a local subsidiary of a bank is allowed to do so on the conditions that such name (a) is used in immediate conjunction with the term "restricted licence bank"; and (b) is not more prominent than the term "restricted licence bank". It is considered that the existing policy remains appropriate for the proposed framework, as it is important for depositors to know clearly the type of institution they are dealing or intend to deal with. Other banking centres such as Singapore and Australia have similar restrictions.

Supervision

53. The HKMA adopts a risk-based supervisory approach, and the supervisory requirements are commensurate with the risk profile of an authorized

institution instead of the tier to which the institution belongs. Apart from the minimum capital and deposit size requirements, and the 3-month maturity restriction on DTCs, there is only minimal difference in supervisory requirements between RLBs and DTCs[7]. The HKMA has no intention to change the existing supervisory requirements on RLBs as a result of this review exercise. The flexibility available to existing RLBs and DTCs in meeting the supervisory requirements will continue to apply to the new second-tier institutions under the proposed new framework.

Deposit protection coverage

54. Currently, RLBs and DTCs are not members of the DPS. There is a suggestion of expanding the membership of the DPS to all deposit-taking institutions under the new simplified structure. While joining the DPS would enable the second-tier institutions to offer protection to their depositors, there would be cost implications on the other hand, as DPS members are required to make contributions to the DPS Fund. We understand that the Hong Kong Deposit Protection Board has conducted a comprehensive review of the DPS, which also covers DPS membership, and will announce the findings of the review in due course.

The DTCAC

55. Pursuant to the BO, the DTCAC is established to advise the Chief Executive on matters in relation to DTCs and RLBs and the carrying on of a business of taking deposits by them. On the other hand, the BAC is established to advise the Chief Executive on matters in relation to LBs and the carrying on of banking business. With the proposed simplification whereby DTCs will be merged into the RLB sector, it appears that it is no longer necessary to maintain a standalone DTCAC. Therefore, it is proposed that the DTCAC shall be combined with the BAC, with suitable representatives from the RLB sector to be appointed to the BAC.

Consultation questions:

Question 7: Do you recommend any other changes to the three-tier banking system?

[7] In relation to the submission of a quarterly return.

VI. Impact on Banking Stability

56. The proposed simplification of the three-tier structure is not expected to have significant impact on banking stability. There will still be a clear distinction between full LBs that can take retail deposits without any restriction, and the new second-tier that will be subject to minimum deposit size and capital requirements at the existing levels applicable to RLBs.

57. It is unlikely that the proposal will have a significant impact on market dynamics, as DTCs accounted for less than 0.1% of the banking sector in terms of total assets as of end-March 2023.

58. Finally, the impact on customers and depositors is also not expected to be significant. As of end-March 2023, total customer deposits with the DTC sector only accounted for less than 0.1% of the whole banking sector. Suitable transitional arrangements will be provided to enable the existing depositors to migrate to the proposed new framework if necessary (e.g. providing time for depositors to renew their deposits at a level at or above HK$500,000 or withdraw their deposits below HK$500,000 during the 5-year transition period or slightly beyond for a few months if necessary).

Consultation question:

Question 8: Do you agree that the proposed simplification shall not have significant impact on banking stability as well as customers and depositors of the existing DTCs?

VII. Way Forward

59. The HKMA is now consulting the public on the proposal to simplify the three-tier banking system. Interested party is welcome to submit its views to the HKMA by **25 September 2023**. Subject to the result of the consultation, the HKMA will work out and take forward the detailed legislative amendments to effect the proposed changes.

Annex Consultation Questions

1. Do you agree that the three-tier banking system should be simplified into two tiers by merging DTCs into RLBs?

2. Do you have any comments on the proposed transition period of 5 years for existing DTCs to upgrade to the second-tier (i.e. RLBs) or LBs, or transforming themselves into other types of regulated financial entities depending on their business models and revoking their registration as DTCs voluntarily?

3. Do you have any comments on the proposed minimum capital requirement for the second-tier institutions?

4. Do you have any comments on the proposed minimum deposit size requirement on the second-tier institutions?

5. Do you have any comments on the proposed arrangement for access to the RTGS systems of the new second-tier?

6. Do you agree that the current nomenclature of RLBs should be kept for the new second-tier? If not, do you have any suggestions on the new name?

7. Do you recommend any other changes to the three-tier banking system?

8. Do you agree that the proposed simplification shall not have significant impact on banking stability as well as customers and depositors of the existing DTCs?