



HONG KONG MONETARY AUTHORITY

香港金融管理局

Banking Policy Department

銀行政策部

Our Ref.: B4/9C

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29 October 2014

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

By email and by hand

Dear Mr Lee,

Consultation on Basel III implementation – Disclosure Requirements

I am writing to consult the Association on proposals for implementing the Basel III disclosure requirements in Hong Kong.

The proposals, which are described in the enclosed consultation paper, **Implementation of Basel III disclosure standards in Hong Kong (for Leverage Ratio, Liquidity Coverage Ratio and Capital Buffers) (D2)**, relate primarily to the disclosure requirements associated with the second phase of Basel III implementation as prescribed by the Basel Committee on Banking Supervision (BCBS). These include disclosure in relation to the Basel III:

- (i) Leverage Ratio, as described in *Basel III leverage ratio framework and disclosure requirements* (issued by the BCBS in January 2014);
- (ii) Liquidity Coverage Ratio, as described in the *Liquidity coverage ratio disclosure standards* (revised version issued by the BCBS in March 2014); and
- (iii) Capital buffer requirements, as described in *Basel III: A global regulatory framework for more resilient banks and banking systems* (revised version issued by the BCBS in June 2011), and *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement* (issued by the BCBS in July 2013).

Under the BCBS implementation timeline, the above disclosure requirements are scheduled to take effect from January 2015.

It will be necessary to amend the Banking (Disclosure) Rules (BDR) to implement the disclosure requirements and we propose to take this opportunity to also slightly refine some of the current disclosure requirements in the BDR in order to align them more closely with recent updates in prudential reporting requirements in relation to (i) Mainland exposures to non-bank counterparties and (ii) cross-border claims.

In addition to amending the BDR, the HKMA will issue the necessary disclosure templates and will revise the Supervisory Policy Manual module CA-D-1 *Guideline on the Application of the Banking (Disclosure) Rules*. The industry will soon be consulted on all of these items (including the text of the proposed amendments to the BDR). The intention is for the disclosure requirements to apply to authorized institutions starting from their first interim or annual financial disclosures in 2015.

I would be grateful if you could circulate this letter and the enclosed consultation paper to all members of the Association. We would be grateful to receive comments from the Association by 28 November.

If you have any questions on the enclosed consultation paper, please feel free to contact Mr Richard Chu (2878-8276) or Miss Theresa Kwan (2878-1093).

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. Mr Jackie Liu)