



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

銀行政策部

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11 August 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 draft Banking (Capital) (Amendment) Rules 2014

For the purpose of implementing the second phase of the Basel III standards in Hong Kong, we are preparing a set of amendments to the Banking (Capital) Rules (BCR) to incorporate the Basel III capital buffer requirements (i.e. the “capital conservation buffer” and the “countercyclical capital buffer” (CCyB) and, for authorised institutions considered as systemically important (G-SIBs or D-SIBs), the higher loss absorbency (HLA) requirements).

As part of this process, the MA is required, pursuant to section 97C of the Banking Ordinance, to formally consult a number of parties specified in the Ordinance (including DTCA) before the amendment rules are finalised. It is for this purpose that I am writing to you enclosing a draft of the Banking (Capital) (Amendment) Rules 2014 (BCAR), containing the capital buffer and HLA requirements, for the Association’s review and comment. Similar consultation exercises will soon be undertaken for the proposed rules to implement the Liquidity Coverage Ratio and the disclosure requirements that also form part of the second phase of the Basel III implementation.

In preparing the draft BCAR, we have taken into consideration relevant comments received from the Association following the release of our two consultation papers, in December 2013 and March 2014 respectively, setting out our proposals for the implementation of the Basel III CCyB and a framework for systemically important banks in Hong Kong. The draft BCAR also incorporate

the proposed miscellaneous amendments to the BCR set out in our letter of 29 July 2014 to the Association.

The BCAR will be subsidiary legislation and hence will be subject to negative vetting by the Legislative Council (LegCo). It is our intention, once we have had an opportunity to consider and address any responses received in respect of this consultation, to publish the BCAR in the Gazette and table them in LegCo in October 2014. The amendments in the BCAR are intended to come into operation from 1 January 2015¹ in line with the timetable set by the Basel Committee.

I would be grateful if the Association's comments on the BCAR could reach us by 11 September 2014. On-line access to this letter, together with its annexure, is available through the HKMA's private web-site (<http://www.stet.iclnet.hk/index.htm>).

I am writing in similar terms to the Hong Kong Association of Banks, members of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee and the Financial Secretary.

Yours sincerely,

Karen Kemp
Executive Director (Banking Policy)

Encl.

c.c. FSTB (Attn. Mr Jackie Liu)

¹ Under the Basel Committee's timetable, regulations for the implementation of the capital buffer and HLA requirements are required to be in place from 1 January 2015 and the phase-in of the respective requirements will begin on 1 January 2016.