



Our Ref.: B1/15C
CB/POL/4/5/6
CB/POL/4/5/21

8 May 2013

The Chief Executive
All authorized institutions

Dear Sir/Madam,

BCBS Guidance on Monitoring Tools for Intraday Liquidity Management

As you may be aware, the Basel Committee on Banking Supervision (“BCBS”) published a set of *Monitoring Tools for Intraday Liquidity Management* on 11 April 2013 (see <http://www.bis.org/publ/bcbs248.htm>). This followed a consultation on an earlier draft in July 2012 to which the Hong Kong Association of Banks (“HKAB”) responded indicating its general support.

Recognizing that the management of intraday liquidity risk forms a key element of a bank’s overall liquidity risk management framework, the Monitoring Tools are designed to complement the qualitative guidance on intraday liquidity management set out in the *Principles for Sound Liquidity Risk Management and Supervision* issued by the BCBS in September 2008.

The “Monitoring Tools” are essentially a set of quantitative tools to enable banking supervisors to monitor banks’ management of intraday liquidity risk and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The BCBS document covers –

- the detailed design of the Monitoring Tools for banks’ intraday liquidity risk;
- some stress scenarios that can be used to assess the impact of stressed conditions on a bank’s intraday liquidity requirements;
- key application issues, including the scope of application of the Monitoring Tools and the most appropriate way to apply the tools to banks; and
- the reporting regime for the provision of the monitoring data.

The BCBS has provided for the reporting of the Monitoring Tools to commence from 1 January 2015, with bank management being generally responsible for collating and submitting the monitoring data in respect of the tools to their banking supervisor.

The HKMA is considering the most appropriate approach for implementing the Monitoring Tools in Hong Kong, including the scope of their application and the manner in which the monitoring data should be collected, having regard to local circumstances and to HKAB's express wish that certain of the required statistics be provided by the operators of the real time gross settlement systems in Hong Kong. The HKMA will consult the industry on its proposals in the coming months. In the meantime, authorized institutions are encouraged to review the Monitoring Tools in the context of, and assess the implications for, their management of intraday liquidity risk.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Mr Jackie Liu)