



22 October 2013

The Chief Executive

All authorized institutions

Dear Sir/Madam,

**Notification requirements under Basel Core Principles 6 and 9**

The International Monetary Fund is currently conducting an assessment on Hong Kong's financial sector under the Financial Sector Assessment Program (FSAP).

As the HKMA self-assesses our compliance against the 29 revised Basel Core Principles for Effective Banking Supervision published by the Basel Committee in September 2012, it has come to our attention that there are two types of notification requirements required from authorized institutions (AIs) in order to comply with Principle 6 on Transfer of significant ownership and Principle 9 on Supervisory techniques and tools. The details of these two Principles and the relevant Essential Criteria are set out in the attached Annex.

The HKMA considers these notification requirements good practice. Locally incorporated AIs are therefore required to comply with them to the extent permitted by law with immediate effect. For AIs incorporated outside Hong Kong, whilst these notifications should be made to the respective home supervisors, the HKMA would expect to be also kept informed as soon as practicable.

If you have any question on this matter, please liaise with your usual contact at the HKMA.

Yours faithfully,

**Principle 6. Transfer of significant ownership**

The supervisor has the power to review, reject and impose prudential conditions on any proposals to transfer significant ownership or controlling interests held directly or indirectly in existing banks to other parties.

*Essential Criterion 6*

Laws or regulations or the supervisor require banks to notify the supervisor as soon as they become aware of any material information which may negatively affect the suitability of a major shareholder or a party that has a controlling interest.

**Principle 9. Supervisory techniques and tools**

The supervisor uses an appropriate range of techniques and tools to implement the supervisory approach and deploys supervisory resources on a proportionate basis, taking into account the risk profile and systemic importance of banks.

*Essential Criterion 10*

The supervisor requires banks to notify it in advance of any substantive changes in their activities, structure and overall condition, or as soon as they become aware of any material adverse developments, including breach of legal or prudential requirements.