

***Banking Policy Department***

Our Ref : B4/9C  
B2/1C  
B9/130C

8 March 2018

*By email and by hand*

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

Dear Mr Lee,

**Consultation on new rules to replace section 87 of the Banking Ordinance**

Earlier this year the Legislative Council (“LegCo”) passed the Banking (Amendment) Ordinance 2018, which empowers the MA to amend Part XV of the Banking Ordinance for the purposes of replacing obsolete provisions and implementing the new large exposures standards promulgated by the Basel Committee on Banking Supervision<sup>1</sup>. We are currently developing new rules on equity exposures limit to replace the existing section 87 of the Banking Ordinance. To expedite the rule making process, we would like to solicit the Association's early feedback to the enclosed detailed proposals to be reflected in the rules being made.

The enclosed proposals are largely based on the completion instructions of a QIS conducted with selected AIs in 2017. We noted that the participating AIs generally agreed with the proposed measurement of equity exposures as stated in the completion instructions. We have now set them out in greater details to be turned into rule text, and would like to know if the Association envisages any major problem in complying with the new rules.

We are working towards having the new rules on section 87 passed by the LegCo by the end of June. Regarding the implementation time, we are mindful that some AIs may need time for system changes to comply with the new rules. In this regard, we would be grateful if the Association could solicit views of its member on the time that they would be ready to comply with the new rules.

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<sup>1</sup> “Supervisory framework for measuring and controlling large exposures” issued in April 2014.

As we are under a tight schedule to implement the new rules, I would be most grateful if the Association's comments on the proposed rules could reach us by 9 April 2018.

We plan to consult the industry of the rest of the new rules for revising Part XV of the Ordinance later this year.

Should you have any questions, please contact Mr Frank Leung on 2878-1457 or Mr Andy Cheung on 2878-1022.

I am writing in similar terms to The Hong Kong Association of Banks.

Yours sincerely,

Daryl Ho  
Executive Director (Banking Policy)

Encl

cc: FSTB (Attn: Ms Eureka Cheung)