



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
B9/75C  
B9/155C

20 October 2017

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Banking (Capital) (Amendment) Rules 2017, Banking (Liquidity) (Amendment) Rules 2017 and Banking (Specification of Multilateral Development Bank) (Amendment) Notice 2017**

I am writing to inform you that the Banking (Capital) (Amendment) Rules 2017 (“BCAR 2017”), the Banking (Liquidity) (Amendment) Rules 2017 (“BLAR 2017”) and the Banking (Specification of Multilateral Development Bank) (Amendment) Notice 2017 (“Amendment Notice 2017”) were published in the Gazette today.

***BCAR 2017***

The amendments contained in the BCAR 2017 are to implement three Basel III related capital standards of the Basel Committee on Banking Supervision (“BCBS”). They include the revised securitisation framework, the leverage ratio framework, and the interim capital treatment of expected loss provisions under the new International Financial Reporting Standard 9.

***BLAR 2017***

The principal purpose of the BLAR 2017 is to implement the Basel III Net Stable Funding Ratio and a new local Core Funding Ratio to different categories of authorized institutions, having regard to their business size and liquidity risk profile, to ensure that their assets are financed with a sufficiently stable source of funding.

*Amendment Notice 2017*

The Amendment Notice seeks to implement a decision of the BCBS in November 2016 to allow banks to apply a 0% risk-weight to claims on the International Development Association (a member of the World Bank Group) as a multilateral development bank (“MDB”) under the standardized approach for credit risk. The opportunity is also taken to incorporate the Chinese names of certain MDBs in the existing Notice.

The three pieces of subsidiary legislation will be tabled before the Legislative Council for negative vetting on 25 October 2017. Subject to the views of the Legislative Council, the subsidiary legislation should come into operation on 1 January 2018. We will inform you once the negative vetting process has been completed.

Yours faithfully,

Daryl Ho  
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks  
The Chairman, The DTC Association  
FSTB (Attn: Ms Eureka Cheung)