



HONG KONG MONETARY AUTHORITY  
香港金融管理局

*Banking Policy Department*

Our Ref: B1/15C  
B9/130C  
B2/1C

18 May 2018

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Banking (Exposure Limits) Rules**

I am writing to inform you that the Banking (Exposure Limits) Rules (“BELR”) were published in the Gazette today.

Following the enactment of the Banking (Amendment) Ordinance 2018 which provides the Monetary Authority (“MA”) with a new rule-making power to regulate authorized institutions’ (“AIs”) exposures, the MA has now made the BELR to replace the limit under section 87 of the Banking Ordinance (“BO”) in relation to AIs’ equity exposure. Rules to replace other exposure limits in Part XV of the BO are being developed and will be issued for consultation later this year.

When compared with section 87 of the BO, the current BELR capture AIs’ equity exposures more comprehensively, recognize certain risk mitigation techniques commonly used in the industry in measuring equity exposures, provide details of valuation of different types of equity exposure and change the basis of calculation of the equity exposure limit from overall capital base to Tier 1 capital.

The BELR will be tabled before the Legislative Council for negative vetting on 23 May 2018. We will inform you once the negative vetting process is completed.

While we have previously indicated that the BELR might come into operation

as early as 30 June 2018, in order to avoid unnecessary complication in the legislative process, the latest decision is to appoint 13 July 2018 to be the commencement date of the BELR, subject to views of the Legislative Council.

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)