



HONG KONG MONETARY AUTHORITY  
香港金融管理局

*Banking Policy Department*

Our Ref: B1/15C  
B9/188C

9 July 2018

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Banking (Exposure Limits) Rules and  
Revised Return of Certificate of Compliance (Form MA(BS)1F(a))**

Further to our letter of 18 May 2018, I am writing to inform you that the negative vetting of the Banking (Exposure Limits) Rules by the Legislative Council has already expired. As a result the Rules will come into operation from 13 July 2018.

The Rules primarily replace the equity exposure limit under section 87 of the Banking Ordinance. We have previously consulted locally incorporated authorized institutions (“AIs”) regarding their readiness to comply with the revised limit. An AI which has opted for complying with the Rules starting from 1 January 2019 will receive notification on the detailed arrangements individually soon. Other AIs, i.e. ones which have opted for immediate switching should start to comply with the revised equity exposure limit in the Rules from 13 July 2018.

To supplement the implementation of the Rules, we propose to revise the Return of Certificate of Compliance with Banking Ordinance (“Certificate”) and the accompanying Completion Instructions (“CIs”) as attached in **Annex 1** and **Annex 2**.

The revisions primarily seek to (i) replace as appropriate references to the Banking Ordinance which have been made obsolete by the implementation of the Rules and (ii) add a new reporting field on Tier 1 capital. Changes from the current return in use are highlighted for ease of reference. We believe that these minor changes should not cause reporting difficulties.

All AIs, whether subject to individual notification of special arrangements or not, should use the revised Certificate for statutory reporting purposes starting from the reporting period ended September 2018. We will notify you separately when the electronic files for the revised Certificate and its accompanying CIs are available for downloading from the HKMA's supervisory communication website.

In relation to an AI which will start to comply with the revised equity exposure limit under the Rules from 13 July 2018, the reporting of the September Certificate is complicated by the fact that the applicable regulations for compliance assessment will change from the current section 87 of the Ordinance before 13 July 2018 to Part 2 of the Rules after that date. Expedient reporting arrangements to address the associated reporting issues are set out in Annex 3. The AI should follow these expedient reporting arrangements to report the September Certificate. To support the expedient reporting arrangements, pursuant to section 63(2) of the Ordinance the AI is required to submit the information set out under Supplementary Reporting Requirement in Annex 3 to the HKMA.

When we write to an AI which has opted for complying with the Rules starting from 1 January 2019, we will also specify the expedient reporting arrangements applicable to their case.

Yours faithfully,

Daryl Ho  
Executive Director (Banking Policy)

Encl

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