



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/187C
S4/7C

14 December 2018

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Interest Rate Risk in the Banking Book (IRRBB): Local Implementation

I am writing to inform you that, following a comprehensive consultation process with the industry Associations, the Monetary Authority is issuing today a revised version of the Supervisory Policy Manual (SPM) IR-1 with an updated title “Interest Rate Risk in the Banking Book” better reflecting its nature, a new return “MA(BS)12A – Interest Rate Risk in the Banking Book” (IRRBB return), and a revised return “MA(BS)12B – Interest Rate Risk in the Banking Book (Supplementary Information)” that will replace the existing MA(BS)12(i) return. On-line access to the revised SPM module and these two new/revised returns is available on the HKMA’s public (<http://www.hkma.gov.hk>) and private (<http://www.stet.iclnet.hk>) websites.

As specified in our circular to all Authorized Institutions (AIs) dated 31 August 2018, we have decided to generally exempt AIs incorporated outside Hong Kong from the local IRRBB framework in cases where the parent group of the AIs is not additionally represented in Hong Kong through any locally incorporated AI. These exempted AIs should continue to report their interest rate risk exposures through the existing return of “MA(BS)12 – Interest Rate Risk Exposures”, and are expected to manage their IRRBB together with their parent groups based on the IRRBB standards of their home jurisdictions and in accordance with the BCBS standards. Other AIs that are not exempted from the local IRRBB framework should be ready to measure and report IRRBB exposures using the new standardised framework through MA(BS)12A (and MA(BS)12B as the case may be) by 1 July 2019, with the first report based on data as of 30 June 2019.

If you have any questions on the new IRRBB standards or on the implementation of the local IRRBB framework, please feel free to contact Mr Jule Chong at 2878 1611 or jckchong@hkma.gov.hk.

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)