



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C, B9/75C
B9/151C, B9/188C

21 December 2018

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Banking (Exposure Limits) Rules, Banking (Capital) (Amendment) Rules 2018 and Banking (Disclosure) (Amendment) (No. 2) Rules 2018

Further to our letter of 16 November 2018, I am writing to inform you that the negative vetting by the Legislative Council of: (i) the Banking (Exposure Limits) Rules (“BELR”), (ii) the Banking (Capital) (Amendment) Rules 2018 (“BCAR”) and (iii) the Banking (Disclosure) (Amendment) (No. 2) Rules 2018 (“BDAR”) has now expired.

For the BCAR, the dates on which various parts of the provisions will take effect are:

- 11 January 2019 for (i) Part 4 (except section 34) which is mainly to incorporate the Internal Assessment Approach within the securitisation framework, and (ii) sections 15 and 16 concerning revisions to the eligibility criteria for Additional Tier 1 and Tier 2 capital instruments issued by authorized institutions (“AIs”)¹;
- 1 April 2019 for Part 2 (except sections 15 and 16) in relation to the capital treatment of the holdings by AIs of non-capital loss-absorbing capacity liabilities of financial sector entities; and

¹ The revisions set out in sections 15 and 16 of the BCAR include as part of the eligibility criteria sale and distribution restrictions (in terms of target investors, risk disclosure and minimum denomination) that are applicable to instruments to be counted as regulatory capital by the issuing AI. These restrictions (as set out in section 1(ab), (s)(ii) and (t) of the revised Schedule 4B and section 1(ab), (m)(ii) and (n) of the revised Schedule 4C of the Banking (Capital) Rules) are however not applicable to “intra-group transactions”, viz., instruments issued to and held by any entity within the same banking group as the issuing AI.

- 1 July 2019 for Part 3 and section 34 in relation to the capital treatment to address concentrated risk in sovereign exposures which is supplementary to the implementation of the 2014 Basel standards on *Supervisory framework for measuring and controlling large exposures* (“Basel large exposure framework”) locally under the BELR.

The BELR and the BDAR, together with the Banking (Amendment) Ordinance 2018 (Commencement) (No. 2) Notice 2018 that has likewise gone through negative vetting by the Legislative Council, will give effect to the Basel large exposure framework locally and supersede obsolete provisions pertaining to exposure limits in Part XV of the Banking Ordinance, from 1 July 2019.

Yours faithfully,

Frank Leung
Acting Executive Director (Banking Policy)

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