



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: S4/3C
B1/15C
B1/21C

19 June 2020

The Chief Executive
All Locally Incorporated Authorized Institutions

Dear Sir / Madam,

Supervisory Policy Manual (“SPM”)
CA-G-1: “Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions” (Revised)

I am writing to inform you that, following consultation with the two industry Associations, the Monetary Authority (“MA”) is issuing by notice in the Gazette today a revised version of the SPM module “Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions” as a statutory guideline under section 7(3) of the Banking Ordinance.

The changes incorporated in the revised SPM module are mainly to:

- revise the guidance on the self-assessment of proposed capital instruments to be included within an authorized institution's capital base so as to align with the equivalent guidance in the Code of Practice "Resolution Planning - LAC Requirements" (LAC-1);
- update the guidance in relation to capital buffer, revised securitization framework, sovereign concentration risk, leverage ratio and interest rate risks in the banking book to reflect the current capital regime in Hong Kong (in terms of both legal framework and associated supervisory practices); and
- outline the HKMA's plan to implement the remaining BCBS capital standards, covering those in relation to the Basel III final reform package.

On-line access to the module is available under the icon for “Supervisory Policy Manual” on the HKMA’s public website (<http://www.info.gov.hk/hkma>) and private website (<http://www.stet.iclnet.hk>).

Should you have any questions regarding this module, please feel free to contact Miss Theresa Kwan on 2878-1093 or Miss Rowena Cheung on 2878-1919.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

Encl

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