



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/75C

3 June 2021

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Implementation guidance on counterparty credit risk capital standard

The HKMA is issuing the enclosed Q&As on the counterparty credit risk framework under the Banking (Capital) Rules (“BCR”) to assist authorized institutions in interpreting the BCR at a more detailed level in a number of specific areas. The Q&As have incorporated the FAQs on the framework issued in September 2013 with modifications and additions (highlighted in blue for ease of reference) that cover:

- (a) the latest FAQs published by the Basel Committee on *the Standardised approach to counterparty credit risk and Capital requirements for bank exposures to central counterparties*;
- (b) questions raised by the industry in previous consultations on the Banking (Capital) (Amendment) Rules 2020; and
- (c) updates to reflect the passage of time and the implementation of revised or new Basel capital standards.

The Q&As have been drafted, as far as possible, in simple non-legal language to facilitate consistent interpretation and application of the capital requirements. Explanatory in nature, they are intended to supplement (rather than to seek to replace) any requirements in the BCR. Also, they are inevitably general in scope and do not take into account the particular circumstances of individual authorized institutions. As such, the reading of the Q&As is no substitute for the reading of the BCR themselves or for obtaining, where necessary, legal and other professional advice on particular aspects of the BCR.

Where necessary, updates and additions will be made in future as appropriate to address common interpretative issues as they arise, or to incorporate further guidance issued by the Basel Committee. AIs are also welcome to submit any questions to the HKMA should there be areas where they wish to seek further clarification.

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)