



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
CB/POL/4/5/34
S4/2C

17 November 2021

The Chief Executive
All locally incorporated authorized institutions

Dear Sir/Madam,

BCBS standards – Revisions to market risk disclosure requirements and Voluntary disclosure of sovereign exposures

As you may be aware, the Basel Committee on Banking Supervision (“BCBS”) issued two documents, respectively *Revisions to market risk disclosure requirements*¹ and *Voluntary disclosure of sovereign exposures*², on 11 November 2021.

The adjustments to the market risk disclosure requirements mainly reflect the revised market risk framework published by the BCBS in January 2019 (covering, for instance, the “traffic light” approach for capital requirements as a consequence of the outcome of the profit and loss attribution test for banks using the internal models approach, and the simplified standardised approach as an alternative way of calculating market risk capital requirements, etc.).

The voluntary disclosure requirements on sovereign exposures comprise three templates for banks to disclose such exposures respectively by jurisdictional breakdown, by currency breakdown, and according to the accounting classification of the exposures. Voluntary in nature, supervisors are free to decide whether to implement the requirements in their jurisdictions.

The BCBS proposes 1 January 2023 as the effective date for both sets of disclosure requirements. We plan to implement the revised market risk disclosure requirements when the revised market risk framework comes into effect (i.e. no earlier than 1 January 2024). As regards the voluntary disclosure

¹ Please see <https://www.bis.org/bcbs/publ/d529.pdf>

² Please see <https://www.bis.org/bcbs/publ/d528.pdf>

requirements on sovereign exposures, we will evaluate the need to implement them, having regard, for instance, to the extent to which equivalent disclosures are already being made by authorized institutions.

We will consult the industry on our implementation proposals on the above disclosure requirements in due course. Meanwhile, should you have any questions, please feel free to contact Miss Theresa Kwan at tyykwana@hkma.gov.hk or Mr Ivan Hui at iyhui@hkma.gov.hk.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks
The Chairperson, The DTC Association
FSTB (Attn: Mr Justin To)