



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
S4/15C

13 December 2024

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Guidelines for counterparty credit risk management

I am writing to inform you that the Basel Committee on Banking Supervision (BCBS) published *Guidelines for counterparty credit risk management* (<https://www.bis.org/bcbs/publ/d588.htm>) on 11 December 2024.

The guidelines replace the BCBS paper titled *Sound practices for banks' interactions with highly leveraged institutions*¹ published in January 1999 and introduce key practices critical to resolving long-standing industry weaknesses in counterparty credit risk (CCR) management. The key practices include (i) conducting comprehensive due diligence of counterparties both at initial onboarding and on an ongoing basis; (ii) developing a comprehensive credit risk mitigation strategy to effectively manage counterparty exposures; (iii) using a wide variety of complementary metrics to measure, control and limit CCR; and (iv) building a strong CCR governance framework.

The HKMA will update its Supervisory Policy Manual module CR-G-13 "Counterparty Credit Risk Management" in due course to reflect the sound practices introduced by the guidelines. In the meantime, authorized institutions are encouraged to review their CCR management policies and procedures in the light of the guidelines and take appropriate actions to address any material gaps identified.

Yours faithfully,

Cho-hoi Hui
Acting Executive Director (Banking Policy)

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

¹ <https://www.bis.org/publ/bcbs46.htm>