

Questions and Answers on Banking (Capital) Rules in respect of Credit Risk Framework

I. INTRODUCTION

1. These questions and answers (“Q&As”) relate to the Banking (Capital) Rules (“the BCR”) that are subsidiary legislation made by the Monetary Authority (“MA”) under section 97C of the Banking Ordinance (Cap. 155) and have been subject to negative vetting by the Legislative Council.
2. These Q&As, written in simple and non-legal language, are designed to assist authorized institutions (“AIs”) in understanding the approach being taken by the MA to the implementation of certain sections of the BCR. They are not intended to provide a comprehensive summary of the BCR (or of the aspects of the BCR to which they refer). The answers given are general in their scope and do not take into account the particular circumstances of any individual AI. Certain sections of the BCR contain exceptions or qualifications which, although not covered in these Q&As, may still apply to particular AIs. In the case of any discrepancy between these Q&As and the BCR, the BCR prevail. As such, reading these Q&As is no substitute for reading the BCR themselves.
3. These Q&As should not be regarded as, or be considered a substitute for obtaining, legal or other professional advice. AIs should consider obtaining legal and other professional advice before taking any action on any of the matters covered by the Q&As, particularly if they have any doubt as to how any aspect of the BCR might apply to them.
4. The matters covered by these Q&As include information and issues arising during the consultation and rule-making processes undertaken in respect of the BCR; the MA’s responses to some common enquiries raised by AIs; ongoing developments in respect of the Basel Framework; and relevant explanatory guidance provided by the Basel Committee on Banking Supervision (“BCBS”) relating to the Basel Framework. The MA will keep under review the practical implementation of the BCR by AIs and changes to the Basel Framework as promulgated by the BCBS from time to time, and will revise these Q&As as appropriate in the circumstances.
5. Unless stated to the contrary (or as otherwise made clear by the context), the terms and acronyms used in the Q&As have the same meaning as in the BCR (as in force from 1 January 2025), and the parts, divisions, subdivisions, sections, schedules, tables or formulae referred to are references to those in the BCR.