HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

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Supervisory Policy Manual (SPM) CR-G-13 "Counterparty Credit Risk Management"

Our Ref: S4/15C B4/1C
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B1/21C

3 June 2009

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Supervisory Policy Manual (SPM) CR-G-13 "Counterparty Credit Risk Management"

I am writing to inform you that, following consultation with the two industry Associations, the HKMA is issuing the above SPM module as a guidance note today.

The main purpose of this module is to provide AIs with guidance that they can adopt in developing or enhancing their counterparty credit risk (CCR) management systems, and to describe the HKMA's supervisory approach to CCR. The guidance contained in this module aligns with the sound practices for CCR management set out in the Basel II framework. It also incorporates, where appropriate, the lessons and experiences drawn from the recent financial crisis, and relevant recommendations contained in the various reports issued by the Counterparty Risk Management Policy Group.

As part of its risk-based supervision, the HKMA will assess on a continuous basis the adequacy and effectiveness of AIs' CCR management, and the level and trend of their CCR exposures. AIs should review their existing CCR management systems and incorporate relevant risk management guidance laid down in this module into their CCR management systems as soon as practicable, but not later than nine months from the issue date of the module or such further period as may be agreed with the HKMA. The HKMA will monitor AIs' progress in meeting the standards and will take into account the assessment results in determining their overall risk profile and supervisory priorities.

On-line access to the module is available under the icon of "Supervisory Policy Manual" on the HKMA's public (http://www.info.gov.hk/hkma) and private (http://www.stet.finnet.hk) websites.

Should you have any questions relating to the module, please feel free to contact Ms Rita Yeung at 2878-1388 or Ms Echo Chan at 2878-1558.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Miss Natalie Li)

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