



HONG KONG MONETARY AUTHORITY  
香港金融管理局

*Banking Policy Department*

Our Ref.: S4/3C  
B9/75C  
B1/15C

4 September 2013

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Basel III implementation - Frequently Asked Questions ("FAQs")**

As mentioned during previous consultations, it is our intention to release supplementary guidance in the form of FAQs periodically to the industry in order to facilitate consistent application of the Banking (Capital) Rules and the Banking (Disclosure) Rules.

Enclosed is a set of FAQs on the counterparty credit risk framework under the Banking (Capital) Rules. This mainly draws on corresponding FAQs published by the Basel Committee (<http://www.bis.org/publ/bcbs237.pdf>), and questions raised in previous consultations with the industry on Basel III implementation, which we consider will assist authorized institutions ("AIs") in interpreting the Banking (Capital) Rules at a more detailed level in a number of specific areas.

It should however be noted that the FAQs are drafted as far as possible in simple and non-legal language and they are intended to be explanatory in nature. They do not seek to introduce any new requirements into, or replace any requirements specified in, the Banking (Capital) Rules. Also, the FAQs are general in their scope and do not take into account the particular circumstances of individual AIs. As such, reading the FAQs is no substitute for reading the Rules themselves or for obtaining, where necessary, legal and other professional advice on particular aspects of the Rules.

We envisage that the issuance of FAQs will be a continuing process, and the next set to follow will focus on the revised definition of capital under Basel III. Thereafter, updates and additions will be made as appropriate to address common interpretative issues which arise, or to incorporate further guidance issued by the Basel Committee. AIs are also welcome to submit any questions to their usual supervisory contacts at the HKMA should there be areas where they wish to seek further clarification.

For ease of access, the FAQs will be maintained on the HKMA's website through the "Basel III" icon  
(<http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3.shtml>).

Yours faithfully,

Rita Yeung  
Acting Executive Director (Banking Policy)

Encl.

c.c. The Chairman, The Hong Kong Association of Banks  
The Chairman, The DTC Association  
FSTB (Attn: Mr Jackie Liu)