HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref.: S4/3C
B1/15C
B1/21C

27 February 2015

The Chief Executive
All locally incorporated authorized institutions

Dear Sir / Madam,

Supervisory Policy Manual ("SPM")
CA-G-1: "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions" (Revised)

I am writing to inform you that, following consultation with the two industry Associations, the Monetary Authority ("MA") is issuing by notice in the Gazette today a revised version of the SPM module "Overview of Capital Adequacy Regime for Locally Incorporated Authorized Institutions" as a statutory guideline under section 7(3) of the Banking Ordinance.

The revisions update the module to reflect the current regulatory capital requirements (as contained in the Banking Ordinance, the Banking (Capital) Rules (BCR), the Banking (Disclosure) Rules and the relevant supervisory guidelines issued to date) as well as the supervisory process to ensure compliance. In particular, paragraphs 6.1.2 to 6.1.6 of the revised module provide guidance on the procedures to be followed by authorized institutions to ensure a capital instrument proposed to be included as Additional Tier 1 capital or Tier 2 capital meets all of the qualifying criteria specified in Schedule 4B or 4C to the BCR.

The opportunity has also been taken to clarify a couple of issues (relating to the application of section 33(1) of the BCR and the capital buffers) identified in the recent assessment by the Basel Committee of Hong Kong's compliance with the Basel 2/2.5/3 standards under the Committee's Regulatory Consistency Assessment Programme (see paragraphs 4.6, 13.1 (in respect of capital plan) and 13.2 of the revised module).

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

Should you have any questions regarding this module, please feel free to contact Mr Richard Chu on 2878-8276 or Miss Samantha Yau on 2878-8284.

Yours faithfully,

Martin Sprenger
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)