



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/75C
S4/2C
S4/3C

14 December 2017

The Chief Executive
All Locally Incorporated Authorized Institutions

Dear Sir/Madam,

Finalisation of Basel III and Revised FRTB Timeline

We wrote to you on 23 June 2017 updating all authorized institutions that the HKMA will implement the new standards on *Minimum Capital Requirements for Market Risk* (FRTB)¹, issued by the Basel Committee on Banking Supervision (BCBS) on 14 January 2016, no earlier than 1 January 2020.

As you may be aware, the BCBS presented the finalisation of the Basel III reform package on 7 December 2017.² At this occasion, it also communicated an extension of the original FRTB implementation timeline by three years to 1 January 2022, i.e. to the same date from which the Basel III reform package starts taking effect.

We have therefore decided to align our local implementation of the new market risk standards with the revised BCBS timeline. This also means that we are going to slightly defer the originally intended publication of consultation papers on the local implementation of the new market risk standards until there will be more clarity on the expected revisions to the FRTB text later in 2018.

For other components of the Basel III reform package, the HKMA will consider its local implementation approach in the coming months. In this process we are going to take into account industry views and assess the

¹ <https://www.bis.org/bcbs/publ/d352.pdf>

² <https://www.bis.org/bcbs/basel3.htm?m=3%7C14%7C572>

impact of Basel III for Hong Kong based on local data. We will update the industry on the way forward on this in due course.

Yours faithfully,

Martin Sprenger
Acting Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Eureka Cheung)