

Our Ref. : CB / BANK / 120

8 September 1988

To : The Chief Executive,
Authorised Institutions
incorporated in Hong Kong.

Dear Sir,

Capital Adequacy

I circulated last December a copy of the Basle Committee's proposals for a new, world-wide, capital adequacy ratio. The Committee, in the light of comments and consultation, revised their initial paper, publishing a final version in July. A copy is attached.

Many institutions commented, through their associations, on the December paper.. A draft version of a Hong Kong variation of the proposals was subsequently discussed with the Associations of Banks and of DTCs. It was generally agreed that Hong Kong should move from the present capital adequacy ratio to one based on the Basle format.

The enclosed paper sets out such a format for Hong Kong. I have written to the two Associations seeking their views on it, by 28 September.

I would particularly draw attention to the section concerning implementation, on pages 18 to 19. I would be grateful if you would begin planning to collect and collate the data needed to calculate the new ratio.

Yours faithfully,

(A.W. Nicolle)
Commissioner of Banking

Encl

c.c. Other authorised institutions
Local representative offices