



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

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15 September 2014

By email & by hand

Mr Lee Huat Oon
Acting Chairman
The DTC Association
Unit 1704, 17/F, Bonham Trade Centre
50 Bonham Strand East
Sheung Wan
Hong Kong

Dear Mr Lee,

Consultation on Reporting of Liquidity Coverage Ratio under Return relating to “Liquidity Position of an Authorized Institution”

I am writing to consult the Association on the enclosed set of draft templates (and completion instructions) for the reporting of the Liquidity Coverage Ratio (“LCR”) under Part 2 of the Return relating to the “Liquidity Position of an Authorized Institution” (“MA(BS)1E”). These templates constitute the standard calculation methodology templates referred to in the draft Banking (Liquidity) Rules to be used by category 1 institutions for LCR calculation purposes.

I would also like to update the Association on (i) the progress in finalising the reporting requirements for (a) the Liquidity Maintenance Ratio (“LMR”) under Part 3 of MA(BS)1E and (b) a set of liquidity monitoring tools under the new Return on “Liquidity Monitoring Tools” (“MA(BS)23”) on which the Association was consulted earlier; (ii) our proposal to allow transitional reporting arrangements when the two Returns are implemented in 2015; as well as (iii) our plans for test runs to be conducted on the two Returns in the coming few months.

Reporting of LMR and liquidity monitoring tools

After receiving industry comments in the earlier round of consultation, we conducted a briefing in July for all AIs to clarify the various reporting issues raised. In the light of the comments received, we are revising the relevant reporting templates and requirements with a view to introducing some changes to reduce AIs' reporting burdens. For example, Part 4 of MA(BS)1E on the collection of supplementary information related to the LCR or LMR will be deleted. The revised templates (and completion instructions) will be sent to the Association for further comments shortly.

Transitional reporting arrangements

Originally, we proposed that AIs be required to submit MA(BS)1E and MA(BS)23 on a monthly basis, within submission timelines of 14 calendar days (for MA(BS)1E) and one calendar month (for MA(BS)23) after each month-end. After further consideration, we plan to adopt the following transitional reporting arrangements in the year 2015:

- The frequency for the submission of MA(BS)1E will remain on a monthly basis. However, AIs will be given more time to submit the Return. The timeline for submission of this Return on a Hong Kong office basis will be extended to 21 calendar days after each month-end. The timeline for submission on an unconsolidated basis or consolidated basis, if applicable to a locally incorporated AI, will be extended further to one calendar month after each month-end.
- The frequency for the submission of MA(BS)23 will be extended to a quarterly basis. The timeline for submission of the Return will still be one calendar month (after each quarter-end) for any reporting basis applicable to an AI.

The above arrangements are intended to enable a smoother transition to the new reporting requirements as AIs adjust or upgrade their internal systems or procedures to accommodate the requirements. We will review these arrangements again over the course of 2015 to assess whether there is still a need for any continuation of the arrangements after 2015.

Test runs

In line with our plan to conduct test runs on the two Returns after completing industry consultation, it is our target to commence the test run on MA(BS)1E based on the position of end-September 2014. Once we have had the opportunity to consider the industry responses to this current round of consultation, we will provide AIs with a complete set of Excel templates for MA(BS)1E and the relevant details of the test-run arrangements, tentatively before the end of October 2014.

As regards MA(BS)23, the quarterly reporting frequency for 2015 under the transitional arrangements will allow more time for finalising the Return and conducting a test run. As mentioned above, we are revising the reporting requirements for the liquidity monitoring tools on which the Association was consulted earlier. We expect the reporting templates and requirements for the two remaining liquidity monitoring tools (viz. the “maturity mismatch profile” and “LCR by significant currency”) will be completed shortly. We will consult the Association further on MA(BS)23 in the coming few weeks, with the target of finalising it before the end of this year. The commencement of the test run for this Return will accordingly be extended to January 2015 based on the position of end-December 2014.

I would be grateful if the Association could circulate this letter and the enclosures to its members, and forward any comments by 14 October 2014. If there are any questions on this letter and its enclosures, please feel free to contact me (2878-1388) or Mr Thomas Wong (2878-1219).

I am writing in similar terms to The Hong Kong Association of Banks.

Yours sincerely,

Rita Yeung
Head (Banking Policy Division)

Encl.

c.c. FSTB (Attn: Mr Jackie Liu)