HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department *銀行政策部*

Our Ref.: B1/15C B9/151C
S4/16C B9/155C
CB/POL/4/5/34

6 February 2015

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Implementation of Basel III

Further to our letter of 24 December 2014, I write to inform you that the period for negative vetting of the Banking (Disclosure) (Amendment) Rules 2014 ("BDAR 2014") by the Legislative Council has now expired. As a result, the amendments to the Banking (Disclosure) Rules brought about by the BDAR 2014 will come into operation on 31 March 2015.

I would also like to take this opportunity to highlight a transitional issue regarding the implementation of these new liquidity disclosure requirements. For category 2 institutions whose financial year does not end on 31 December, their first annual and/or interim reporting period in 2015 will straddle 2014 and 2015. In such cases, the category 2 institutions will be required by the Banking (Disclosure) Rules (as amended) to disclose the average value of their liquidity maintenance ratio ("LMR") for the reporting period concerned only in respect of those months in the period that fall on or after 1 January 2015, when the LMR came into effect.[1] However, as the amended Rules no longer mandate disclosure of the liquidity ratio ("LR"), which was replaced by the LMR on 1 January 2015, those institutions will not be required to disclose the average value of their LR in respect of those months in the reporting period preceding 1 January 2015.

[1] For example, if a category 2 institution's financial year-end is 30 September, for the purposes of its first interim and annual reporting in 2015, the average value of its LMR to be disclosed will only cover the months of January to March 2015 (for interim reporting) and January to September 2015 (for annual reporting).

Notwithstanding this, in order to maintain the continuity of liquidity disclosure and facilitate market analysis of the disclosed information, we would strongly encourage all category 2 institutions affected by this transitional issue to voluntarily disclose the average value of their LR covering those months in the reporting period concerned that precede 1 January 2015.[2]

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

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

[2] Using the example quoted above, the category 2 institution concerned (with a September year-end) may voluntarily disclose the average value of its LR covering the months of October to December 2014 for the purposes of its interim reporting and annual reporting in 2015.