HONG KONG MONETARY AUTHORITY
香港金融管理局

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3 June 2015

*By email & by post*

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,

**Return on Liquidity Monitoring Tools (Form MA(BS)23)**

I am writing to further consult the Association on the enclosed revised draft of the new *Return on Liquidity Monitoring Tools* (and associated completion instructions), which –

(i) incorporates changes to the first three liquidity monitoring tools (viz. concentration of funding sources, unencumbered assets available for secured borrowing, and committed facilities) included in this Return, which were the subject of an earlier consultation with the Association. The changes made address, where appropriate, comments received from the Association in the earlier consultation, and propose some refinements to facilitate the HKMA's supervisory monitoring of AIs' liquidity positions; and

(ii) includes two new liquidity monitoring tools (viz. maturity profile and liquidity coverage ratio by significant currencies) for the Association's comments.

All five of the liquidity monitoring tools included within the Return have been developed by the Basel Committee on Banking Supervision (BCBS)[1] to complement the new regulatory framework for supervision of liquidity risk.

[1] The liquidity monitoring tools are set out in paragraphs 174 to 220 of the document *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* published by the BCBS in January 2013, which is available at: http://www.bis.org/publ/bcbs238.pdf.

In the light of the modifications to the Return (and its completion instructions), including the introduction of the two new liquidity monitoring tools, we are minded to extend the implementation timeline for the Return as follows so that AIs will have more time to prepare for reporting under it:

(i) the first official submission of the Return will start from the reporting position of 31 December 2015 (instead of 30 June 2015 as previously advised to the Association in our letter of 24 December 2014);

(ii) to alleviate reporting burden, AIs will be allowed to submit the Return quarterly (instead of monthly) for a transitional period ending with the submission based on the reporting position of 31 December 2016.[2] We will review, in due course, whether there is still any need to continue with this arrangement beyond 2016; and

(iii) we intend to finalise the Return before the end of August this year, after taking into account any further comments received from industry. To enable AIs to adapt to the new reporting requirements, we will conduct a round of test-reporting based on AIs' position of 30 June 2015 before commencement of official reporting. Once this Return is finalised, we will write to the Association to confirm the details of the test-reporting arrangement.

We would be grateful if the Association could provide us with any comments on this Return by 3 July 2015. If the Association or its members have any questions regarding this letter or the enclosed Return, please feel free to contact Eric Ng (2878-8603), Leo Lai (2878-1580) or Thomas Wong (2878-1219).

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

Yours sincerely,

Karen Kemp
Executive Director (Banking Policy)

Encl.

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

[2] During this transitional period, AIs will be required to report under the Return based on the month-end positions of December 2015, March 2016, June 2016, September 2016 and December 2016.