HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
S4/7C

26 September 2017

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Interest Rate Risk in the Banking Book: Local Implementation Timeline

We wrote on 27 February 2017 to inform you that the HKMA intended to implement the new standards on interest rate risk in the banking book (IRRBB)[1] by 1 January 2018, in accordance with the BCBS timetable. On 22 June 2017, we issued a consultation paper (CP 17.04)[2] with proposed updates to the Supervisory Policy Manual (SPM) IR-1 "Interest Rate Risk Management", the return "MA(BS)12 – Interest Rate Risk Exposures" (IRR return) and the return "MA(BS)12i – Interest Rate Risk Exposures (Supplementary Information)".

According to the originally intended timeline, banks were expected to be ready to measure and report their IRRBB exposures using the proposed standardised framework by 2018, with the first report to be based on data as at 31 December 2017. However, industry responses to the consultation paper expressed legitimate concerns on the relatively tight implementation timeline. In particular, the industry highlighted a number of new requirements in the IRRBB standards requiring system changes that would be challenging to implement by 1 January 2018.

In light of the above, we consider that it would be more appropriate to revise the implementation date of the new IRRBB standards in Hong Kong to 1 January 2019, i.e. banks should be ready to measure and report their IRRBB exposures using the proposed standardised framework in 2019, with the first report based on data as at 31 December 2018.

[1] http://www.bis.org/bcbs/publ/d368.htm
[2] http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/consultation_on_implementation_of_irrbb.shtml

If you have any questions on the new IRRBB standards or on the planned local implementation approach, please feel free to contact Zijun Liu at 2878 1399 or zliu@hkma.gov.hk.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

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