HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B1/21C
S4/15C

3 July 2018

The Chief Executive
All authorized institutions

Dear Sir / Madam,

<u>Supervisory Policy Manual (SPM): Revised module CR-G-13 "Counterparty Credit Risk Management"</u>

I am writing to inform you that, following consultation with the two industry Associations, the Monetary Authority is issuing a revised version of the above SPM module as a guidance note today.

The SPM module was revised primarily to incorporate the relevant international standards and guidelines issued by the Basel Committee on Banking Supervision[1] and the Financial Stability Board[2]. Moreover, some of the guidance in the SPM module was updated to ensure consistency with the capital treatments for counterparty credit risk under the Basel capital framework. The coverage of the SPM module was also expanded to cater for relevant issues arising from credit valuation adjustments and central clearing.

On-line access to the SPM module is available on the HKMA's public (http://www.hkma.gov.hk/eng/key-functions/banking-stability/supervisory-policy-manual.shtml) and private (http://www.stet.iclnet.hk) websites.

Authorized institutions should assess their counterparty credit risk management systems against the guidance laid down in the SPM module and devise an action

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[1] Principles for effective risk data aggregation and risk reporting (January 2013).

[2] Regulatory framework for haircuts on non-centrally cleared securities financing transactions (November 2015) and Policy framework for addressing shadow banking risks in securities lending and repos (August 2013).

plan to address any gaps identified within a reasonable timeframe which should be no later than one year from the issue date of the SPM module. If your institution has any questions about meeting this implementation timeline, please approach your usual supervisory contact at the HKMA.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

Encl

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