Banking Policy Department

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By email and by hand

26 October 2018

Ms Diana Cesar
Chairperson
The Hong Kong Association of Banks
Room 525, 5/F Prince Building
Central
Hong Kong

Dear Ms Cesar,

Consultation on draft Banking (Exposure Limits) Code

I am writing to consult the Association on a set of draft Banking (Exposure Limits) Code ("the Code") to be made under section 97M of the Banking Ordinance ("BO").

The Code is intended to provide technical guidance on the application of the Banking (Exposure Limits) Rules ("BELR") which was issued to the Association for statutory consultation on 5 October 2018. One important element of the Code is the guidance on how an authorized institution should determine whether two counterparties are economically dependent in practice for the purposes of Rule 41 of the BELR (in relation to the single counterparty / group of linked counterparties exposure limit). In the course of making the draft Code, we realise that certain provisions originally intended to be included in the Code should more appropriately be included in Rule 41 directly. As a result, we would propose changes to Rule 41, which have been reflected under paragraph 5(1) of the draft Code.

This consultation of the draft Code is conducted pursuant to section 97M of the BO, which requires the Monetary Authority to formally consult a number of persons specified in that section (including the Association) before the Code is approved and issued.

In preparing the draft Code, we have taken into consideration relevant comments received from the industry associations in response to our earlier non-statutory consultations of the proposals[1].

[1] Consultation on amendments to the Banking (Exposure Limits) Rules in May 2018 (main provisions) and June 2018 (transitional provisions), and Consultation on new Exposure Limits framework (CP 16.01) in March 2016.

We will take into account the comments received in this consultation to enhance the draft Code, as appropriate. Our current plan is to implement the Code on the same date when the BELR are implemented, i.e. on 1 July 2019.

I would be grateful if the Association's comments on the draft Code could reach us by 30 November 2018. Online access to this letter, together with the enclosed draft Code and annex, is available through the HKMA's Supervisory Communication Website (http://www.stet.inclnet.hk/PWS/CMS.nsf).

I am writing in similar terms to the Members of the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee, and The DTC Association.

Yours sincerely,

Daryl Ho
Executive Director (Banking Policy)

Encl

cc: FSTB (Attn: Ms Eureka Cheung)