HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/187C
S4/7C

8 February 2019

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Interest Rate Risk in the Banking Book: Frequently Asked Questions

On 14 December 2018, we issued a revised version of the Supervisory Policy Manual (SPM) IR-1 "Interest Rate Risk in the Banking Book" (IRRBB) and the two related returns, (MA(BS)12A and MA(BS)12B). Following this publication, the HKMA has received a number of questions related to the local IRRBB implementation. As the answers to some of these questions may be of interest to the industry as a whole, we would like to make them accessible to all interested parties.

Regarding the general exemption for some Authorized Institutions (AIs) incorporated outside Hong Kong, as set out in our circular dated 31 August 2018, the revised version of the SPM IR-1 and the related returns, we consider the exemption criteria sufficiently clear to allow all AIs to ascertain whether they are exempted from the new local IRRBB standards or not. Therefore, no separate notifications will be issued to individual AIs. In case of any remaining potential doubt, an AI should contact its case officer to verify whether or not it is exempted from the new local IRRBB framework.

To help ensure a consistent implementation of the new local IRRBB framework across the industry, we have provided answers to a range of frequently asked questions (FAQs) on the HKMA's Supervisory Communication Website (https://www.stet.iclnet.hk). They can be found under the main items "Reporting Requirements" and "Supervisory Policy" (see the sub-item "FAQ" under these main items and the links to the relevant subjects "MA(BS)12A" and "IRRBB", respectively). All AIs subject to the new local IRRBB framework are encouraged to make reference to these FAQs for their firm-specific IRRBB implementation. The FAQ list will be updated on an ongoing basis to reflect the most recent status on questions we receive from AIs.

If you should have any questions on the implementation of the local IRRBB framework, please feel free to contact Mr Jule Chong (2878 1611, jckchong@hkma.gov.hk) or Mr Marcel Bluhm (2878 1511, mbluhm@hkma.gov.hk).

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

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