Banking Policy Department

Our Ref: B4/9C
B9/75C
S4/2C
S4/3C

By email & by hand

11 October 2022

Mrs Lourdes A Salazar
Chairperson
The DTC Association
Unit 1704, 17/F, Strand 50
50 Bonham Strand
Sheung Wan
Hong Kong

Dear Mrs Salazar,

Soft consultation on market and CVA risk

I am writing to seek the Association's comments on (i) our proposed amendments to the Banking (Capital) Rules (BCR) for the implementation of the revised market risk and CVA risk frameworks (Annex 1 and 2) and (ii) the related two new Supervisory Policy Manual modules (SPMs) (Annex 3 and 4).

The proposed amendments to the BCR mainly relate to Parts 2 and 8 as well as Schedule 3, together with some consequential changes in other Parts of the BCR. A new Part (after the current Part 8) and a new Schedule (after the current Schedule 1A) of the BCR are also proposed in order to set out the requirements of the revised CVA risk framework. All these updates will be subject to a further consultation based on the actual draft BCR amendments in 2023.

In addition, two new SPMs, MR-1 "Market Risk Capital Charge" and MR-2 "CVA Risk Capital Charge", are enclosed for your initial comments. They both are designed not just to provide additional details to the BCR amendments but to integrally cover all the market risk and CVA risk requirements in a user-friendly format.

I would be grateful if the Associations' comments on the enclosed proposals could reach us by 12 December 2022.

Should you have any questions relating to this letter, please feel free to contact Mr Horace Lee (2878 1540, hhwlee@hkma.gov.hk) or Mr Steven Yu (2878 1324, schyu@hkma.gov.hk).

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

Yours sincerely,

Daryl Ho
Executive Director (Banking Policy)

Encl

cc: FSTB (Attn: Mr Justin To)