



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C, B9/75C

10 October 2024

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Gazettal of commencement notice for Basel III final reform package

I am writing to inform you that the Banking (Capital) (Amendment) Rules 2023 (Commencement) Notice 2024 (“Commencement Notice”) was published in the Gazette today, appointing 1 January 2025 as the commencement date for Parts 3 and 5 of the Banking (Capital) (Amendment) Rules 2023 (“BCAR”).¹

The BCAR was approved by negative vetting of the Legislative Council in February 2024. Its main purpose is to incorporate the Basel III final reform package promulgated by the Basel Committee on Banking Supervision into local legislation. Part 3 of the BCAR provides for amendments in relation to credit risk, the output floor, operational risk and sovereign concentration risk. Part 5 of the BCAR deals with amendments in relation to market risk and credit valuation adjustment (“CVA”) risk.

When the BCAR was prepared, certain transitional provisions were included to cater for the period of time when Part 3, but not Part 5, would have commenced operation. Given that Parts 3 and 5 should now commence operation on the same day (i.e. 1 January 2025), these transitional provisions were excluded from the Commencement Notice.

Consequential amendments to the Banking (Disclosure) Rules, the Banking (Liquidity) Rules and the Banking (Exposure Limits) Rules relating to the Basel III final package will simultaneously come into operation on 1 January 2025.

¹ Part 4 relates to minimum haircut requirements applicable to contracting parties to securities financing transactions was not covered by this Commencement Notice as it is to be commenced on a later date after taking into consideration the implementation progress of other major jurisdictions.

The Commencement Notice will be tabled before the Legislative Council on 16 October 2024 for negative vetting. We will inform you once the negative vetting process has been completed.

Yours faithfully,

Donald Chen
Executive Director (Banking Policy)

cc: The Chairperson, The Hong Kong Association of Banks
The Chairperson, The DTC Association
FSTB (Attn: Mr Justin To)