



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/75C
S4/3C

20 August 2026

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Implementation guidance on Banking (Capital) Rules

The HKMA has revised Chapter III (STC approach) and Chapter IV (IRB approach) of the supplementary guidance on the revised credit risk framework under the Banking (Capital) Rules (“BCR”).

The revisions are primarily to address some findings of the recent Regulatory Consistency Assessment Programme conducted by the Basel Committee on Banking Supervision to assess Hong Kong’s compliance with the Basel III final package, and requests from the industry for clarification on certain requirements under the BCR. The revisions include the following:

(a) for Chapter III (STC approach) (see **Annex 1**):

- (i) a new Q&A (125) to clarify the information requirement for using the look-through approach to calculate the risk-weighted amount of equity investments in funds;
- (ii) a new Q&A (149) to spell out the operational requirements for determining whether a guarantee that allows settlement by a payment based on estimated loss is recognized for capital calculation under the BCR; and
- (iii) the reinstatement of a Q&A (151) related to the treatment of credit derivative contracts under the ISDA Big Bang Protocol.

(b) for Chapter IV (IRB approach) (see **Annex 2**), a new paragraph in a Q&A (58) to better align with the Basel standard the operational requirements for treating commercial and residential real estate as recognized IRB collateral.

The revisions have been highlighted in the two Annexes for ease of reference. On-line access to the revised supplementary guidance is available at the HKMA's Banking Regulatory Document Repository¹ or the Supervisory Communication Website².

Yours faithfully,

Donald Chen
Executive Director (Banking Policy)

Encl

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

¹ <https://brdr.hkma.gov.hk/eng>

² <https://brdr.stet.iclnet.hk/eng>