



HONG KONG MONETARY AUTHORITY
香港金融管理局

Capital adequacy (treatment of general provisions)

Guideline No. 4.3

Capital adequacy (treatment of general provisions)

On 21 March 1991 my office circulated a copy of the Basle Committees consultative paper setting out the suggested terms on which general provisions may be counted as part of the capital base. The Committee proposed that only provisions which are freely available to meet presently unidentified losses should count as supplementary capital. The amount eligible for inclusion in supplementary capital would be limited to 1.25 percentage points of weighted assets.

The Committee has recently advised that by the end of the commentary period no objections of substance to the proposed amendment have been received. Accordingly, it will now be formally incorporated in the 1988 accord on capital adequacy. It is intended that the amendment be fully implemented by member countries as soon as possible, and at the latest by the end of 1993.

The Committees announcement has little practical significance for Hong Kong. The Third Schedule to the Banking Ordinance already contains a definition of general provisions which meets the new requirement, including a limit of 1.25 points of total weighted assets.

[A copy of the Basle Committees statement](#) on the matter is enclosed.

Last revision date : 01 August 2011