Circulars

30 Jun 1999

Policy Statement on the Lender of Last Resort

Our Ref.: B1/15C (96)

30 June 1999

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Policy Statement on the Lender of Last Resort

As you are aware, the Banking Sector Consultancy Study commissioned by the Hong Kong Monetary Authority ("HKMA") last year has identified, amongst other things, a level of uncertainty in the market on the HKMA's role as the lender of last resort.

For that reason, the HKMA has formulated a Policy Statement (copy attached) which seeks to address this uncertainty by reaffirming the HKMA's status as the official lender of last resort. Further, it clarifies the extent to which authorized institutions in Hong Kong can expect lender of last resort support to be given by the HKMA. Specifically, the Policy Statement provides details on the following:

- the objectives of the HKMA as the lender of last resort;
- the principles under which the HKMA would be ready to provide liquidity support to institutions;
- the preconditions that authorized institutions must meet before support is provided;
- the instruments used to provide lender of last resort support; and
- the limits of this support.

I believe that the issuance of this Policy Statement would help dispel any doubts and uncertainties on our role in this regard and contribute positively to banking sector stability. In case you have any questions regarding this Policy Statement, please do not hesitate to approach Mr. Edmond Lau, Division Head (2878 8110) or Mr. Peter Li, Senior Manager (2878 1848) of the Banking Development Division.

Yours faithfully,

c.c. Chairmen,

Hong Kong Association of Banks
Hong Kong Deposit-taking Companies Association

Attachment

Last revision date : 01 August 2011