HONG KONG MONETARY AUTHORITY
香 港 金 融 管 理 局

Banking Policy Department

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

26 March 2018

The Chief Executive
All Locally Incorporated Authorized Institutions

Dear Sir/Madam,

Implementation guidance on securitization framework under Banking (Capital) Rules

As mentioned in our responses to the industry during the consultations conducted in 2017 on the implementation of the revised securitization framework in Hong Kong, supplementary guidance will be provided to assist authorized institutions in interpreting Part 7 of the Banking (Capital) Rules (BCR) (as amended to implement the framework) at a more detailed level in a number of specific areas.

Enclosed is a set of Q&As on the revised securitization framework under the BCR, which supersedes the guidance on securitization set out in pages 52 to 66 of the revised *Questions and Answers on Banking (Capital) Rules* issued on 31 December 2014[1]. The enclosed Q&As were built on the existing Q&As with modifications to align with the amendments made to Part 7 of the BCR and to clarify our policy intent in respect of specific issues. In particular, new guidance is provided on the notification requirement under section 230(3), (4) and (5) in Part 7 and the assessment of significant credit risk transfer for the purposes of obtaining capital relief for the underlying exposures of a securitization transaction under the BCR.

The Q&As have been drafted, as far as possible, in simple non-legal language to facilitate consistent interpretation and application of the capital or disclosure requirements. They are however explanatory and supplementary in nature and do not seek to replace (and should not be read as replacing) any requirements in

[1] See Annex 1 to the circular letter "Implementation guidance on Banking (Capital) Rules and Banking (Disclosure) Rules" (http://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2014/20141231e1.pdf)

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the BCR. Also, the Q&As are inevitably general in scope and do not take into account the particular circumstances of individual authorized institutions. As such, the reading of the Q&As is no substitute for the reading of the BCR themselves or for obtaining, where necessary, legal and other professional advice on particular aspects of the BCR.

Yours faithfully,

Daryl Ho
Executive Director (Banking Policy)

Encl

cc: The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Eureka Cheung)