

Banking (Amendment) Ordinance 2018 (Commencement) Notice 2018 and Banking (Exposure Limits) Rules gazetted

The Banking (Amendment) Ordinance 2018 (Commencement) Notice 2018 and the Banking (Exposure Limits) Rules were gazetted today (May 18) to modernise section 87 of the Banking Ordinance in relation to a prescribed limit on equity exposures incurred by authorised institutions.

Enacted by the Legislative Council in January 2018, the Banking (Amendment) Ordinance seeks to incorporate into local legislation the latest standards promulgated by the Basel Committee on Banking Supervision in relation to concentration of financial exposures of authorised institutions, by empowering the Monetary Authority to prescribe rules on financial exposure limits.

The Banking (Exposure Limits) Rules modernise section 87 of the Banking Ordinance by capturing equity exposures more comprehensively and recognising certain risk mitigation techniques commonly used in the industry in measuring equity exposures. The relevant provisions in the Banking (Amendment) Ordinance 2018 will have to commence operation to allow new rules to be made to replace section 87 of the Banking Ordinance.

A government spokesman said, "The Banking (Exposure Limits) Rules introduce a more flexible equity exposure limit which could enhance the resilience of the banking system and at the same time ensure competitiveness of the banking industry in Hong Kong. This is important to Hong Kong as a major international financial centre."

A Hong Kong Monetary Authority spokesman said, "Guided by the international principles on the supervision of a bank's concentration risk, we have made the Banking (Exposure Limits) Rules to bring up to date the provisions for regulating authorised institutions' equity exposure. We have closely engaged the banking industry in the making of the Rules to make sure that the Rules reflect the latest market developments and risk management practices of the industry."

The Commencement Notice and the Banking (Exposure Limits) Rules will be tabled before the Legislative Council at its sitting on May 23, 2018 (Wednesday) for negative vetting, and will come into operation on July 13, 2018.