

# Gazettal of Banking (Capital) (Amendment) Rules 2022

The Banking (Capital) (Amendment) Rules 2022 (BCAR) were gazetted today (April 22) to implement an international capital standard for banks promulgated by the Basel Committee on Banking Supervision.

The BCAR mainly seek to implement the capital requirements for banks' equity investments in funds published in 2013 (and revised in 2019) by the Basel Committee. The standard forms part of the Basel III reform package introduced in the aftermath of the global financial crisis to enhance the resilience of banks against future shocks. Specifically, the standard contributes to the broader international effort to strengthen the oversight and regulation of shadow banking activities, including those conducted through funds, by ensuring that banks' exposures to funds are supported by adequate capital.

The BCAR also include amendments for the designation of the Hong Kong Export Credit Insurance Corporation (HKECIC) as a domestic public sector entity eligible for preferential capital treatment under the Banking (Capital) Rules. The preferential capital treatment would encourage authorised institutions to provide more financial support to exporters (including small and medium-sized enterprises) when the institutions' trade exposures guaranteed or covered by insurance policies issued by the HKECIC are eligible for lower capital requirement, contributing to Hong Kong's export trade.

A government spokesperson said, "We strive to bring the financial regulatory and supervisory policy frameworks in Hong Kong up to date and in line with international standards, with a view to safeguarding Hong Kong's financial stability and consolidating Hong Kong's position as an international financial centre."

A Hong Kong Monetary Authority spokesperson said, "We have consulted and considered the industry's comments in the course of formulating the relevant rules to ensure that they are appropriate under the local circumstances in enhancing the regulatory regime for authorised institutions."

The BCAR will be tabled before the Legislative Council at its sitting on April 27, 2022, for negative vetting, and will come into operation on July 1, 2022.