

Gazettal of revised capital rules under Banking Ordinance

The Banking (Capital) (Amendment) Rules 2020 (BCAR 2020) were gazetted today (April 24) to implement the latest international standards on banking regulation promulgated by the Basel Committee on Banking Supervision.

The BCAR 2020 seek mainly to implement two sets of capital standards for the treatment of banks' counterparty credit risk exposures to derivatives trades, as set out in the two documents entitled "The standardised approach for measuring counterparty credit risk exposures" and "Capital requirements for bank exposures to central counterparties" published by the Basel Committee. They form 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.

A government spokesman said, "The continued implementation of Basel III standards underlines our commitment to bring our regulatory regime up to date in line with the latest international standards. The legislative amendments will further enhance the resilience of banks and contribute to the overall stability of the banking system in Hong Kong. This is important for Hong Kong as an international financial centre."

A Hong Kong Monetary Authority spokesman said, "Complementing the global over-the-counter derivatives market reforms to promote central clearing of derivatives trades, the Basel Committee's revised capital standards for counterparty credit risk exposures are designed to better address the relevant risks observed in stress periods and reflect the risk management practices of banks. We have consulted the banking industry in the course of formulating the rules to ensure that they benefit the local circumstances and are appropriate for implementation in Hong Kong."

The BCAR 2020 will be tabled before the Legislative Council at its sitting on April 29 for negative vetting, and will come into operation on June 30, 2021.