

Consultation on Draft Banking (Capital) Rules

The Hong Kong Monetary Authority has today (Thursday) released for public consultation a draft of the Banking (Capital) Rules. These Rules, which are planned to come into effect in January 2007, are the implementing Rules for Basel II, the new international standard for banks' capital adequacy.

The Rules, which set out in detail the different approaches that can be adopted for calculating the capital charge for credit, market and operational risks, will be issued under a new Rule-making power provided under the Banking (Amendment) Ordinance 2005, and will replace the current regulatory capital regime set out in the Third Schedule to the Banking Ordinance.

The Monetary Authority is subject to a statutory duty to consult the Banking Advisory Committee, the Deposit-Taking Companies Advisory Committee, the Hong Kong Association of Banks, the DTC Association and the Financial Secretary when making the Rules. The Rules will also be published in the Gazette and subject to negative vetting by the Legislative Council.

"To ensure broad support and to identify issues of relevance to industry players and the general public, we encourage any parties interested in this subject to review the draft Rules and to provide us with their feedback as early as possible, so that we can meet the timetable of getting the Rules passed by the end of the year," said Mr William Ryback, Deputy Chief Executive of the HKMA.

"There has already been very extensive consultation with the relevant parties throughout the long process of development of Basel II and the implementation proposals for Hong Kong. The consultation currently underway provides the opportunity for the banking industry and other interested parties to review the detailed requirements," Mr Ryback added.

The [draft Rules](#), together with an Explanatory Paper, are available on the HKMA website www.hkma.gov.hk. The consultation period will end on 2 September 2006.

A similar consultation exercise will be undertaken on the Banking (Disclosure) Rules shortly.

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