

## Press Release

### **Consultation on Draft Banking (Disclosure) Rules**

The Hong Kong Monetary Authority (HKMA) has today (Friday) released for public consultation a draft of the Banking (Disclosure) Rules. These Rules, together with the Banking (Capital) Rules, comprise the full implementing Rules for Basel II, the new international standard for banks' capital adequacy.

The Rules set out the minimum standards for public disclosure which authorized institutions (AIs) must make in respect of their profit and loss, state of affairs and capital adequacy ratio. They also prescribe the manner in which the disclosures should be made, for example by permitting AIs to rely on disclosures made on their Internet websites, as well as the timing of disclosures. The Rules will be issued pursuant to the Rule-making power conferred by the Banking (Amendment) Ordinance 2005, and will replace the financial disclosure guidelines issued by the HKMA as modules of the Supervisory Policy Manual.

In line with the Recommendations under Pillar 3 of Basel II, the Rules introduce a larger risk-based element into AIs' financial disclosures than hitherto. The HKMA has also taken the opportunity to update its disclosure regime to reflect the adoption in Hong Kong of International Financial Reporting Standards.

The Rules have been developed in close collaboration with several working groups including the Basel II Consultation Group, the Working Party on Financial Disclosure, and the Joint Technical Working Group on Financial Disclosure (which includes representatives of both the Hong Kong Stock Exchange and the Securities and Futures Commission). The HKMA has also taken into account comments received from several rounds of prior consultation with the banking industry associations, the accounting profession, and other interested parties such as rating agencies and analysts. The consultation currently underway provides an opportunity for the banking industry and other interested parties to review the detailed requirements. Comments on any of the provisions contained therein will be taken into account in the final rules where appropriate.

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.

The draft Rules, together with an Explanatory Paper, are available on the HKMA website [www.hkma.gov.hk](http://www.hkma.gov.hk). The consultation period will end on 23 September 2006.

The Monetary Authority proposes to implement the Banking (Capital) Rules and the Banking (Disclosure) Rules from 1 January 2007.

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