

**立法會**  
***Legislative Council***

LC Paper No. LS25/14-15

**Paper for the House Committee Meeting  
on 9 January 2015**

**Legal Service Division Report on  
Subsidiary Legislation Gazetted on 24 December 2014**

**Tabling in LegCo** : Council meeting of 7 January 2015

**Amendment to be made by :** Council meeting of 4 February 2015 (or that of 25 February 2015 if extended by resolution)

**Prisons (Amendment) (No. 2) Order 2014** (L.N. 157)

**Drug Addiction Treatment Centre (Nei Kwu Correctional Institution) (Amendment) Order 2014** (L.N. 158)

**Drug Addiction Treatment Centre (Lai King Correctional Institution) (Amendment) Order 2014** (L.N. 159)

At present, certain parts or portion of the buildings in Nei Kwu Correctional Institution (NKCI) and Lai King Correctional Institution (LKCI) are set apart as prisons and appointed as drug addiction treatment centres under section 4 of the Prisons Ordinance (Cap. 234) and section 3 of the Drug Addiction Treatment Centres (Cap. 244) respectively.

2. L.N. 157 is made by the Secretary for Security under section 4 of Cap. 234 to amend the Prisons Order (Cap. 234B) and its Schedule to the effect that Dormitories 9A and 9B of LKCI cease to be set apart for the purposes of a prison; Dormitory 5B in LKCI is newly set apart for the purposes of a prison; and the use of certain parts of the NKCI as a prison is discontinued.

3. L.N. 158 and L.N. 159 are both made by the Secretary for Security under section 3 of Cap. 244 to amend the Drug Addiction Treatment Centre (Nei Kwu Correctional Institution) Order (Cap. 244G) and the Drug Addiction Treatment Centre (Lai King Correctional Institution) Order (Cap. 244F). The amendments are as follows –

- (a) appoint the whole of NKCI as an addiction treatment centre;
- (b) appoint Dormitories 9A and 9B of LKCI as an addiction treatment centre; and
- (c) discontinue the use of Dormitory 5B in LKCI as an addiction treatment centre.

4. According to the LegCo Brief (File Ref. SEC 2/1/844) issued by the Security Bureau in December 2014, L.N. 157 to L.N. 159 are made to facilitate the better use of the penal premises in NKCI and LKCI as a result of the discontinuance of the use of NKCI as a prison for adult female prisoners since June 2011 and an expected upward trend in the number of female drug addicts that will be sentenced to addiction treatment.

5. As advised by the Clerk to the Panel on Security, the Administration has not consulted the Panel on L.N. 157 to L.N. 159.

6. L.N. 157 to L.N. 159 will come into operation on 27 February 2015.

## **Banking (Disclosure) (Amendment) Rules 2014**

**(L.N. 160)**

### Background

7. The Banking (Amendment) Ordinance 2012 (Ord No. 3 of 2012) (BAO) was enacted in February 2012 to provide the legal framework for the implementation in Hong Kong of the revised regulatory package of capital, liquidity and disclosure standards promulgated by the Basel Committee on Banking Supervision (Basel Committee) known as Basel III. For implementation of the first phase Basel III capital standards and the associated disclosure requirements, the relevant provisions of BAO and the related subsidiary legislation came into operation on 1 January 2013.

8. The second phase implementation of Basel III requirements encompassing capital buffers and liquidity coverage ratio (LCR) are implemented through the Banking (Capital) (Amendment) Rules 2014 (L.N. 128 of 2014) and the Banking (Liquidity) Rules (L.N. 129 of 2014) (BLR). L.N. 128 and L.N. 129 and the remaining provisions of BAO will come into operation on 1 January 2015. According to paragraph 4 of the LegCo Brief (File Ref. B&M/2/1/63C) issued by the Financial Services and the Treasury Bureau and the Hong Kong Monetary Authority jointly on 23 December 2014, corresponding amendments to the Banking (Disclosure) Rules (Cap. 155M) (BDR) are required to enhance the disclosure requirements for authorized institutions (AIs) in connection with the new capital buffers, LCR and the leverage ratio.

## L.N. 160

9. L.N. 160 is made under section 60A of the Banking Ordinance (Cap. 155) after consultation with the Financial Secretary and certain specified persons<sup>1</sup>. It amends BDR to prescribe the new and additional information to be disclosed by an authorized institution. The new disclosure requirements are summarized in the following paragraphs.

### *Disclosures relating to leverage ratio*

10. New sections 24A and 45A of BDR require AIs to disclose the following information to the Monetary Authority (MA) regarding its leverage position as set out in the leverage ratio template –

- (a) a comparison of its total accounting assets amounts and its leverage ratio exposure measure;
- (b) a breakdown of the main components of its leverage ratio;
- (c) a qualitative reconciliation that details the source of material differences between the bank's total balance sheet assets in its financial statements and its on-balance sheet exposures in the standard disclosure template; and
- (d) disclosures on the key drivers of material changes in the bank's leverage ratio observed from the end of the previous reporting period to the end of the current reporting period.

### *Disclosures relating to countercyclical capital buffer (CCyB) ratio*

11. New sections 24B and 45B of BDR require AIs to disclose their specific CCyB requirement calculated by reference to CCyBs in effect in the respective jurisdictions in which they have private sector credit exposures; together with the geographic breakdown of their private sector credit exposures used in the calculation of their CCyB requirement.

### *Disclosures relating to LCR*

12. The new disclosure requirements for LCR in respect of AIs that are category 1 institutions designated by MA under BLR are set out in new sections 30A, 51A and 103A. These new requirements include disclosure of the average value of a category 1 institution's LCR, and the information relating to that value

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<sup>1</sup> The specified persons include the Banking Advisory Committee, the Deposit-taking Companies Advisory Committee, The Hong Kong Association of Banks and The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies (section 60A(2)).

for the quarter ending on an interim or annual reporting date and the quarter immediately preceding (in the case of interim reporting) and the three quarters immediately preceding (in the case of annual reporting), specified information that the institution considers to be significant to the calculation of its LCR and information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.

13. New sections 30B, 51B and 103B of BDR set out the disclosure requirements applicable to AIs that are category 2 institutions as defined in the BLR. These provisions are broadly similar to those under the current sections 30, 51 and 103 of BDR with necessary changes to reflect the requirement that category 2 institutions must compute the liquidity maintenance ratio instead of LCR.

#### Public consultation

14. According to paragraph 18 of the LegCo Brief, MA has engaged the banking industry in formulating L.N. 160. In accordance with section 60A of the Banking Ordinance, MA issued a draft of the relevant provisions to consult the Financial Secretary, the Banking Advisory Committee, the Deposit-taking Companies Advisory Committee, The Hong Kong Association of Banks, and The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies in November 2014. According to the Administration, relevant technical or drafting comments have been addressed, and the intent of certain provisions has been clarified.

#### Consultation with LegCo Panel

15. As advised by the Clerk to the Panel on Financial Affairs, the Panel was briefed at its meeting on 7 July 2014 on the legislative proposals relating to the implementation of the Basel III requirements in Hong Kong. Some members expressed concern that AIs, in particular small and medium-sized institutions, might have to incur significant additional costs in complying with the Basel III standards. They considered that Hong Kong should adopt a progressive approach and stay on a par with other jurisdictions in implementing the requirements to avoid exerting undue pressure on the operating costs of the Hong Kong banking sector and affecting their competitiveness.

#### Commencement

16. L.N. 160 will come into operation on 31 March 2015.

## **Concluding Observations**

17. No difficulties have been identified in relation to the legal or drafting aspects of L.N. 157 to L.N. 159.

18. We are seeking clarification from the Administration on certain legal and drafting issues in relation to L.N. 160. A further report will be made after we have received and considered the Administration's reply.

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