

LN326-E

L.N. 326 of 1999

Banking Ordinance (Amendment of
Third Schedule) Notice 1999
(Made under section 135(3) of the
Banking Ordinance (Cap. 155))

1. Capital Adequacy Ratio

The Third Schedule to the Banking Ordinance (Cap. 155) is amended---

(a) in paragraph 1---

(i) in the definition of "public sector entity in Hong Kong", by adding ", the Hospital Authority, the Airport Authority, The Hong Kong Mortgage Corporation Limited" after "the Hong Kong Housing Authority";

(ii) in the definition of "Supplementary Capital", by repealing "3(g)" and substituting "3(h)";

(iii) by adding---

"securities not held for trading purposes" (非作交易用途証券), in relation to an authorized institution, means securities---

(a) held by the institution other than those which are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin; and

(b) designated as such by the institution;";

(b) in paragraph 3---

(i) in subparagraph (d)---

(A) by repealing "(g),";

(B) by adding ", (ha)" after "(h)";

(ii) by repealing subparagraph (g);

(iii) in subparagraph (h), by repealing the proviso and substituting---

"Provided that the amount of reserves for each of sub-subparagraphs (i) and (ii) to be included in Supplementary Capital shall not exceed---

(A) 70% of surplus, if any, on revaluation of each of sub-subparagraphs (i) and (ii) respectively; and

(B) their respective amounts included in Supplementary Capital as at 31 December 1998.";

(iv) by adding---

"(ha) its reserves on revaluation of its holding of securities not held for trading purposes:

Provided that---

(i) the amount of overall surplus, if any, on revaluation to be included in Supplementary Capital shall be limited to 70% of such surplus;

(ii) the amount of overall deficit, if any, on revaluation shall be deducted from Supplementary Capital;";

(v) in subparagraph (i), by repealing the proviso and substituting---
"Provided that---

(i) the amount of overall surplus, if any, on revaluation to be included in Supplementary Capital shall be limited to 45% of such surplus;

(ii) the amount of overall deficit, if any, on revaluation shall be deducted from Supplementary Capital;";

(c) by repealing paragraph 4(b) and substituting---

"(b) subtracting from the sum calculated under subparagraph (a)---

(i) the value of general provisions not included in the capital base of the authorized institution; and

(ii) the amount, if any, by which the book value of reserves on revaluation of paragraph 3(h)(i) exceeds the book value of such reserves as at 31 December 1998.";

(d) in Table A, in item 28, by adding ", other than those which are deducted in determining the capital base of the authorized institution" after "specified".

Donald TSANG

Financial Secretary

21 December 1999

Explanatory Note

This Notice amends various provisions for the calculation of the capital adequacy ratio of an authorized institution under the Third Schedule to the Banking Ordinance (Cap. 155). The main purposes of the amendments are to---

(a) include revaluation reserves arising from securities not held for trading purposes as Supplementary Capital at an appropriate discount; and

(b) limit the revaluation reserves arising from land and interests in land that can be included in Supplementary Capital to the amount reported by the authorized institution as at 31 December 1998.