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By Fax (2527 0790)
16 April 2013

Mr. LIU Chun Kit, Jackie
Principal Assistant Secretary for
Financial Services & the Treasury
Financial Services and the Treasury Bureau
24/F, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Mr Liu,

**Banking (Capital) (Amendment) Rules 2013
(L.N. 51 of 2013)**

To assist my scrutiny of the above item of subsidiary legislation, I should be grateful for your clarification on the following matters in both languages **as soon as possible**:

Sections 22 and 23

These sections amend sections 265(b)(ii) and 278(b)(ii) of the Banking (Capital) Rules (Cap. 155 sub. leg. L) (BCR) to refer to "the risk-weight of the credit protection provider derived in section 216(3), section 216(3) and (3A) or section 216(3B), as the case may be, in respect of the portion covered by the credit protection". In each of sections 265(b)(ii) and 278(b)(ii) as amended, there appear to be two separate references to "section 216(3)".

- (a) Is the second reference to "section 216(3)" redundant?
- (b) Please explain the relationships among subsections (3), (3A) and (3B) of section 216 of the BCR. Are they cumulative or alternative provisions?

- (c) For the purposes of sections 265(b)(ii) and 278(b)(ii) (as amended) of the BCR, what possible scenarios of risk-weight may be derived under section 216(3), (3A) and/or (3B) for the credit protection provider in respect of the portion covered by the credit protection?
- (d) If the intent is to provide for only three possible scenarios under sections 265(b)(ii) and 278(b)(ii) of the BCR (i.e. the risk weight derived in: (i) section 216(3); (ii) section 216(3) and (3A); or (iii) section 216(3B)), should section 216(2)(a) of the BCR be similarly amended so that the covered portion of the underlying exposure receives "the treatment set out in subsection (3), subsections (3) and (3A) or subsection (3B)"? Under section 11(2) of L.N. 51, section 216(2)(a) of the BCR currently simply refers to "the treatment set out in subsections (3), (3A) and (3B)".

Section 27

Section 27(2) and (4) amends the references to "position would" in section 311(1)(a) and (b) of the BCR to "positions would".

- (e) Is it necessary to make similar amendments to the Chinese text of section 311(a) and (b) to change "該持倉" to "該等持倉"?

Section 28

In the new paragraph (e)(ii) of section 1 of Schedule 1A to the BCR, the word "recognized" (in the context of recognizing losses) is rendered in the Chinese text as 確認. However, "recognize" (in the context of recognizing the credit risk mitigating effect of recognized collateral) is rendered in the Chinese text as 認可 under the new section 226S(2A) of the BCR.

- (f) Please explain why two different Chinese renditions are used for the same English word.

Yours sincerely,



(Mr Bonny LOO)
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