

**Bank of Communications (Hong Kong) Limited (Merger) Bill
Bills Committee**

**Supervisory Policy of the Hong Kong Monetary Authority on Non-Locally
Incorporated Banks Conducting Retail Banking Business in Hong Kong**

Supplementary Information

1. The Hong Kong Monetary Authority (HKMA)'s supervisory policy is that, for a non-locally incorporated bank with sizeable retail banking business in Hong Kong, such business should be operated in the form of a locally-incorporated bank rather than in the form of a branch. Locally-incorporated banks are required to observe the HKMA's requirements in relation to, among others, corporate governance, capital, large exposure limits and connected lending limits. These supervisory requirements enable the HKMA to more effectively carry out its duty to protect depositors under the Banking Ordinance (Cap. 155).
2. At present, there are 156 banks which have been granted a banking licence by the Monetary Authority to carry on banking business in Hong Kong. 22 of these banks are locally-incorporated banks. Bank of Communications Co., Limited (BCOM) is currently the only licensed bank conducting sizeable retail banking business in the form of a branch in Hong Kong. In accordance with the above-mentioned supervisory policy, the HKMA supports BCOM to transfer the retail banking business and private banking business of its Hong Kong branch to a newly established subsidiary, namely the Bank of Communications (Hong Kong) Limited.
3. Separately, based on the information published by the China Banking Regulatory Commission, the average capital adequacy ratio (CAR) of commercial banks in Mainland China was 13.4% as of March 2016. The corresponding period's average CAR of locally-incorporated banks in Hong Kong was 18.2%.

**Hong Kong Monetary Authority
5 July 2016**