

**Subcommittee on Financial Institutions (Resolution)
(Loss-absorbing Capacity Requirements - Banking Sector) Rules**

**List of follow-up actions arising from the discussion
at the meeting on 12 November 2018**

1. The Administration and the Hong Kong Monetary Authority ("HKMA") are requested to provide the following information:
 - (a) A comparison on the implementation progress of the resolution regime and the corresponding loss-absorbing capacity ("LAC") rules of Hong Kong with other major international financial markets including the United States, the United Kingdom, Singapore, Japan and the Mainland;
 - (b) the estimated interest rates of LAC instruments to be issued by local authorized institutions ("AIs") (particularly those AIs without any single major shareholders), and details of the relevant studies conducted by HKMA on the matter; and
 - (c) given the expected substantial amount of loss-absorbing capacity products to be issued by the major banks in the Mainland, HKMA's assessment on the demand for LAC instruments to be issued by local AIs and thus the cost impact on local AIs.
2. The Administration and HKMA are requested to consider some members' suggestion of allowing an AI to use part of its assets for meeting the capital adequacy ratio to fulfill the minimum external LAC requirement (if the AI is classified as a resolution entity) or minimum internal LAC requirement (if the AI is classified as a material subsidiary).