L.N. 84 of 2019

Banking (Liquidity) (Amendment) Rules 2019

Contents

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(Made by the Monetary Authority under section 97H of the Banking Ordinance (Cap. 155) after consultation with 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)

1. Commencement

These Rules come into operation on 1 January 2020.

2. Banking (Liquidity) Rules amended

The Banking (Liquidity) Rules (Cap. 155 sub. leg. Q) are amended as set out in rules 3 to 21.

3. Rule 2 amended (interpretation)

(1) Rule 2(1), definition of ***level 1 assets***—

Repeal

"specified in"

Substitute

"falling within".

(2) Rule 2(1), definition of ***level 2A assets***—

Repeal

"specified in"

Substitute

"falling within".

(3) Rule 2(1), definition of ***level 2B assets***—

Repeal

"specified in"

Substitute

"falling within".

(4) Rule 2(1)—

Add in alphabetical order

"***Basel III LCR document*** (《巴塞爾III LCR文件》) means the document entitled "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools" published by the Basel Committee in January 2013;".

(5) Rule 2(2)—

Add in alphabetical order

"***recognized exchange*** (認可交易所)".

4. Rule 25 amended (requirements that must be satisfied before asset can be included in HQLA for purposes of calculation of LCR)

Rule 25(a), Chinese text—

Repeal

"附表 2 指明"

Substitute

"附表 2 所指".

5. Rule 39 amended (interpretation of Division 5)

Rule 39—

Repeal the definition of *Basel III LCR document*.

6. Rule 48 amended (calculation of average LMR in each calendar month)

Rule 48(8), definition of ***principal amount***—

Repeal paragraph (a)

Substitute

“(a) in relation to an item mentioned in item 2, 6 or 6A in Table A in section 2 of Schedule 5, means the fair value of the item determined in accordance with rule 9 at the close of business on a working day; or”.

7. Rule 49 amended (requirements that must be satisfied before asset can be included in liquefiable assets for purposes of calculation of LMR)

After rule 49(2)(f)—

Add

“(fa) for a listed ordinary share, the share—

(i) would fall within section 3(c) of Part 2 of Schedule 2 if the category 2 institution were a category 1 institution; and

(ii) must be listed on a recognized exchange;”.

8. Rule 54 amended (interpretation of Part 9 and Schedule 6)

Rule 54(1)—

Add in alphabetical order

“***total derivative liabilities (before adjustments)*** (衍生工具負債總額 (經調整前)), in relation to an authorized institution, subject to rule 58, means the sum of the replacement costs of derivative contracts between the institution and its counterparties, where each of those contracts has a negative replacement cost before adjustment for any variation margin posted by the institution to the counterparty under the contract;”.

9. Rule 58 amended (total derivative assets (after adjustments) or total derivative liabilities (after adjustments))

(1) Rule 58, heading—

Repeal

“**or total derivative liabilities (after adjustments)**”

Substitute

“**, total derivative liabilities (after adjustments) or total derivative liabilities (before adjustments)—valid bilateral netting agreements**”.

(2) Rule 58—

Repeal subrule (1)

Substitute

“(1) This rule applies to an authorized institution that has entered into 2 or more derivative contracts with a particular counterparty that are subject to a valid bilateral netting agreement.

(1A) In determining an authorized institution’s total derivative assets (after adjustments), total derivative liabilities (after adjustments) or total derivative liabilities (before adjustments) under this Part and Schedule 6—

(a) the replacement costs of the contracts mentioned in subrule (1) are not to be included; and

(b) subrules (2), (3) and (4) apply.”.

(3) Rule 58(2)—

Repeal

everything before "by—"

Substitute

"(2) The institution must determine the aggregate net value of the contracts mentioned in subrule (1) (***aggregate net value***)".

(4) Rule 58—

Repeal subrule (3)

Substitute

"(3) If the aggregate net value is a positive value, it—

(a) must be included in the institution's total derivative assets (after adjustments); and

(b) must not be included in the institution's total derivative liabilities (after adjustments) and total derivative liabilities (before adjustments).

(4) If the aggregate net value is a negative value, it—

(a) must be included in the institution's total derivative liabilities (after adjustments) and total derivative liabilities (before adjustments); and

(b) must not be included in the institution's total derivative assets (after adjustments).".

10. Rule 59 amended (interpretation of Division 2 and Tables 1 and 2 in Schedule 6)

(1) Rule 59(1), Chinese text, definition of ***穩定小型企業借款***, paragraph (b)(ii)—

Repeal

"持。"

Substitute

"持；".

(2) Rule 59(1)—

Add in alphabetical order

"***ASF item*** (ASF項目), in relation to a category 1 institution, means a capital item or on-balance sheet liability, listed in column 1 of Table 1 in Schedule 6, of the institution;

RSF item (RSF項目), in relation to a category 1 institution, means an on-balance sheet asset or off-balance sheet obligation or the total derivative liabilities (before adjustments), listed in column 1 of Table 2 in Schedule 6, of the institution;".

11. Rule 65 amended (determination of ASF)

(1) Rule 65(1)—

Repeal

everything after "all of"

Substitute

"its ASF items.".

(2) Rule 65—

Repeal subrule (2).

(3) Rule 65(3)(b)(i)—

Repeal

"6-1"

Substitute

"1 in Schedule 6 (***Table 6-1***)".

12. Rule 68 amended (determination of RSF)

(1) Rule 68(1)—

Repeal

everything after "all of"

Substitute

"its RSF items.".

(2) Rule 68—

Repeal subrule (2).

(3) Rule 68(3)(b)(i)—

Repeal

"6-2"

Substitute

"2 in Schedule 6 (***Table 6-2***)".

13. Rule 71 amended (interpretation of Division 3)

(1) Rule 71, heading, after "**3**"—

Add

"**and Tables 3 and 4 in Schedule 6**".

(2) Rule 71, after "Division"—

Add

"and Tables 3 and 4 in Schedule 6".

(3) Rule 71, definition of ***average CFR***—

Repeal

"76."

Substitute

"76;".

(4) Rule 71—

Add in alphabetical order

"***ACF item*** (ACF項目), in relation to a category 2A institution, means a capital item or on-balance sheet liability, listed in column 1 of Table 3 in Schedule 6, of the institution;

RCF item (RCF項目), in relation to a category 2A institution, means an on-balance sheet asset or off-balance sheet obligation or the total derivative liabilities (before adjustments), listed in column 1 of Table 4 in Schedule 6, of the institution.".

14. Rule 76 amended (calculation of average CFR in each calendar month)

(1) Rule 76(1)(a)—

Repeal

"capital and on-balance sheet liabilities listed in column 1 of Table 3 in Schedule 6"

Substitute

"ACF items".

(2) Rule 76(1)(b)—

Repeal

"on-balance sheet assets and off-balance sheet obligations listed in column 1 of Table 4 in Schedule 6"

Substitute

"RCF items".

15. Rule 77 amended (determination of ACF)

(1) Rule 77(1)—

Repeal

everything after "all of"

Substitute

"its ACF items.".

(2) Rule 77—

Repeal subrule (2).

(3) Rule 77(3)(b)(i)—

Repeal

"6-3"

Substitute

"3 in Schedule 6 (***Table 6-3***)".

16. Rule 80 amended (determination of RCF)

(1) Rule 80(1)—

Repeal

everything after "all of"

Substitute

"its RCF items.".

(2) Rule 80—

Repeal subrule (2).

(3) Rule 80(3)(b)(i)—

Repeal

"6-4"

Substitute

"4 in Schedule 6 (***Table 6-4***)".

17. Schedule 2 amended (classes of assets which may be included in HQLA for calculating LCR and qualifying criteria applicable to those classes)

(1) Schedule 2—

Repeal

"& 25 & Sch. 4A]"

Substitute

", 25 & 49 & Schs. 4A, 5 & 6]".

(2) Schedule 2, Part 1, section 1—

Renumber the section as section 1(1).

(3) Schedule 2, Chinese text, Part 1, section 1(1), definition of ***聯繫實體***——

Repeal the semicolon

Substitute a fullstop.

(4) Schedule 2, Part 1, section 1(1)—

(a) definition of ***credit risk***;

(b) definition of ***IRB approach***;

(c) definition of ***local currency***;

(d) definition of ***standardized (credit risk) approach***—

Repeal the definitions.

(5) Schedule 2, Part 1, section 1(1)—

Add in alphabetical order

"***PSE bank*** (公營單位銀行) means a bank that is a public sector entity;".

(6) Schedule 2, Part 1, after section 1(1)—

Add

"(2) In this Schedule, an expression specified below has the meaning given by section 2(1) of the Capital Rules—

central counterparty (中央交易對手方)

credit risk (信用風險)

Fitch Ratings (惠譽評級)

IRB approach (IRB計算法)

Japan Credit Rating Agency, Ltd. (日本格付研究所株式會社)

local currency (本地貨幣)

Moody's Investors Service (穆迪投資者服務)

Rating and Investment Information, Inc. (評級及投資資料有限公司)

S&P Global Ratings (標普全球評級)

standardized (credit risk) approach (標準(信用風險)計算法)".

(7) Schedule 2, Part 2, section 3(a)—

Repeal

"corporates; and"

Substitute

"a corporate, sovereign, central bank or public sector entity;".

(8) Schedule 2, Part 2, section 3(b)—

Repeal

"RMBS."

Substitute

"RMBS; and".

(9) Schedule 2, Part 2, after section 3(b)—

Add

“(c) subject to section 10 of Part 3 of this Schedule, listed ordinary shares.”.

(10) Schedule 2, Chinese text, Part 3, section 1(1)—

Repeal everything before paragraph (a)

Substitute

“(1) 除非有價債務證券符合以下説明，否則該債務證券不屬本附表第2部第1(c)條所指者——”.

(11) Schedule 2, Part 3, section 1(1)—

Repeal paragraph (d)

Substitute

“(d) it is not an obligation of a financial institution, or an associated entity of a financial institution, that is not a PSE bank.”.

(12) Schedule 2, Chinese text, Part 3, section 2—

Repeal subsection (1)

Substitute

“(1) 除非持有由某國家的官方實體或中央銀行發行的有價債務證券的第1類機構，是在該國家成立為法團，或透過分行或附屬公司在該國家經營銀行業務，否則該債務證券不屬本附表第2部第1(d)條所指者。”.

(13) Schedule 2, Chinese text, Part 3, section 3(1)—

Repeal

everything before “——”

Substitute

“(1) 除非有價債務證券符合以下説明，否則該債務證券不屬本附表第2部第1(e)條所指者”.

(14) Schedule 2, Chinese text, Part 3, section 4(1)—

Repeal everything before paragraph (a)

Substitute

“(1) 除非有價債務證券符合以下說明，否則該債務證券不屬本附表第2部第2(a)條所指者——”.

(15) Schedule 2, Part 3, section 4(1)—

Repeal paragraph (d)

Substitute

“(d) it is not an obligation of a financial institution, or an associated entity of a financial institution, that is not a PSE bank.”.

(16) Schedule 2, Chinese text, Part 3, section 5(1)—

Repeal everything before paragraph (a)

Substitute

“(1) 除非有價債務證券符合以下說明，否則該債務證券不屬本附表第2部第2(b)條所指者——”.

(17) Schedule 2, Chinese text, Part 3, section 6(1)—

Repeal everything before paragraph (a)

Substitute

“(1) 除非資產覆蓋債券符合以下說明，否則該資產覆蓋債券不屬本附表第2部第2(c)條所指者——”.

(18) Schedule 2, Chinese text, Part 3, section 7(1)—

Repeal everything before paragraph (a)

Substitute

“(1) 除非有價債務證券符合以下說明，否則該債務證券不屬本附表第2部第3(a)條所指者——”.

(19) Schedule 2, Part 3, section 7(1)(a)—

Repeal

"of 2"

Substitute

"of 1, 2 or 3".

(20) Schedule 2, Part 3, section 7(1)(b)(i)—

Repeal

"2"

Substitute

"1, 2 or 3".

(21) Schedule 2, Part 3, section 7(1)(b)(ii)—

Repeal

"2 or 3"

Substitute

"1, 2, 3 or 4".

(22) Schedule 2, Part 3, after section 7(1)(b)—

Add

"(ba) subject to subsection (2), if the debt security is issued by a sovereign or central bank, it has an ECAI issue specific rating that, if mapped to the scale of credit quality grades in Table A in Schedule 6 to the Capital Rules, would result in the debt security being assigned a credit quality grade of 1, 2 or 3;

(bb) subject to subsection (2), if the debt security is issued by a public sector entity, it has an ECAI issue specific rating that, if mapped to the scale of credit quality grades in Table B or Part 1 of Table C (for a long-term ECAI issue specific rating) or Part 1 of Table E (for a short-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security being assigned a credit quality grade of 1, 2 or 3;".

(23) Schedule 2, Part 3, section 7(1)(c)—

Repeal

"(a) or (b)"

Substitute

"(a), (b), (ba) or (bb)".

(24) Schedule 2, Part 3, section 7(1)—

Repeal paragraph (f)

Substitute

"(f) it is not issued by a financial institution, or an associated entity of a financial institution, that is not a PSE bank; and".

(25) Schedule 2, Part 3, section 7(2)—

Repeal

"(a) and (b)"

Substitute

"(a), (b), (ba) and (bb)".

(26) Schedule 2, Chinese text, Part 3, section 8(1)—

Repeal everything before paragraph (a)

Substitute

"(1) 除非RMBS符合以下說明，否則該RMBS不屬本附表第2部第3(b)條所指者——".

(27) Schedule 2, Part 3, section 8(1)(e)(i)—

Repeal

"Standard & Poor's Ratings Services"

Substitute

"S&P Global Ratings".

(28) Schedule 2, Part 3, after section 9—

Add

"10. Qualifying criteria—listed ordinary shares (level 2B assets) under section 3(c) of Part 2 of this Schedule

(1) A listed ordinary share does not fall within section 3(c) of Part 2 of this Schedule unless—

(a) it is not issued by a financial institution or an associated entity of a financial institution;

(b) it is listed and traded on an exchange, and its trading is cleared by a central counterparty;

(c) it is a constituent of—

(i) the Hang Seng Index or MSCI Hong Kong Index; or

(ii) a stock index specified by the relevant banking supervisory authority of a country outside Hong Kong, where the following conditions are met—

(A) the category 1 institution holding the share is incorporated in that country or carries on a banking business through a branch or subsidiary in that country; and

(B) the supervisory authority's liquidity requirements on level 2B assets are consistent with, and no less stringent than, the relevant requirements referred to in paragraph 54(c) of the Basel III LCR document;

(d) it is denominated in Hong Kong dollars or in the local currency of the country in which the category 1 institution holding the share is incorporated or carries on a banking business through a branch or subsidiary;

(e) it is traded in large, deep and active markets, characterized by a low level of concentration, and where a share of that type can be monetized through direct sale or repo-style transactions; and

(f) subject to subsection (2), it has a proven record as a reliable source of liquidity in those markets, even during a period of financial stress.

(2) A listed ordinary share, for meeting the criterion specified in subsection (1)(f), must not have experienced a decline of more than 40% of its market price, or (if it is used as collateral in a repo-style transaction) an increase in haircut of more than 40 percentage points, within—

(a) any period of 30 calendar days during a relevant period of significant liquidity stress since the share was listed; or

(b) (if no such relevant period of significant liquidity stress is applicable to the share) any period of 30 calendar days since the share was listed.”.

18. Schedule 3 amended (characteristic requirements that asset must satisfy before it can be included in HQLA for purposes of calculation of LCR)

(1) Schedule 3, Chinese text, section 1, definition of ***現行市場價格***—

Repeal

"格；"

Substitute

"格。".

(2) Schedule 3, section 1—

Repeal the definition of *recognized exchange*.

19. Schedule 4A amended (tables related to LCR)

(1) Schedule 4A, Table 1, item 1(c)—

Repeal

"mentioned in"

Substitute

"falling within".

(2) Schedule 4A, Table 1, item 1(d)—

Repeal

"mentioned in"

Substitute

"falling within".

(3) Schedule 4A, Table 1, item 1(e)—

Repeal

"mentioned in"

Substitute

"falling within".

(4) Schedule 4A, Table 1, item 2(a)—

Repeal

"mentioned in"

Substitute

"falling within".

(5) Schedule 4A, Table 1, item 2(b)—

Repeal

"mentioned in"

Substitute

"falling within".

(6) Schedule 4A, Table 1, item 2(c)—

Repeal

"mentioned in"

Substitute

"falling within".

(7) Schedule 4A, Table 1, item 3(a)—

Repeal

"mentioned in"

Substitute

"falling within".

(8) Schedule 4A, Table 1, after item 3(b)—

Add

"(c)	listed ordinary shares falling within section 3(c) of Part 2 of Schedule 2	50%".

(9) At the end of Schedule 4A—

Add

"**Note—**

See rule 17 for the interpretation of this Schedule.".

20. Schedule 5 amended (liquidity conversion factors applicable to assets and liabilities in calculation of LMR)

(1) Schedule 5, section 1—

Repeal the definition of *qualifying ECAI issue specific rating*

Substitute

"***qualifying ECAI issue specific rating*** (合資格ECAI特定債項評級)—see section 1A of this Schedule;".

(2) Schedule 5, section 1—

Repeal the definition of *qualifying ECAI issuer rating*

Substitute

"***qualifying ECAI issuer rating*** (合資格ECAI發債人評級)—see section 1A of this Schedule;".

(3) Schedule 5, section 1—

Repeal the definition of *qualifying ECAI rating*

Substitute

"***qualifying ECAI rating*** (合資格ECAI評級)—see section 1A of this Schedule.".

(4) Schedule 5, section 1—

Add in alphabetical order

"***investment-grade issue specific rating*** (投資級別特定債項評級)—see section 1B of this Schedule;

investment-grade issuer rating (投資級別發債人評級)—see section 1B of this Schedule;

investment-grade rating (投資級別評級)—see section 1B of this Schedule;".

(5) Schedule 5, after section 1—

Add

“1A. Qualifying ECAI issue specific rating, qualifying ECAI issuer rating and qualifying ECAI rating

For the purposes of this Schedule—

(a) a marketable debt security or prescribed instrument has a qualifying ECAI issue specific rating if any of the following conditions is met—

(i) the ECAI issue specific rating of the debt security or instrument—

(A) if mapped to the scale of credit quality grades in Table A, Table B or Part 1 of Table C (for a long-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 1 or 2; or

(B) if mapped to the scale of credit quality grades in Part 1 of Table E (for a short-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 1 or 2;

(ii) without limiting subparagraph (i), for a debt security or instrument issued by a corporate incorporated in India, the ECAI issue specific rating of the debt security or instrument—

(A) if mapped to the scale of credit quality grades in Part 2 of Table C (for a long-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 1, 2 or 3; or

(B) if mapped to the scale of credit quality grades in Part 2 of Table E (for a short-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 1, 2 or 3;

(b) the issuer or guarantor of a marketable debt security or prescribed instrument has a qualifying ECAI issuer rating if any of the following conditions is met—

(i) the ECAI issuer rating of the issuer or guarantor, if mapped to the scale of credit quality grades in Table A, Table B or Part 1 of Table C in Schedule 6 to the Capital Rules, would result in the issuer or guarantor being assigned a credit quality grade of 1 or 2;

(ii) without limiting subparagraph (i), for an issuer or guarantor that is a corporate incorporated in India, the ECAI issuer rating of the issuer or guarantor, if mapped to the scale of credit quality grades in Part 2 of Table C in Schedule 6 to the Capital Rules, would result in the issuer or guarantor being assigned a credit quality grade of 1, 2 or 3; and

(c) a marketable debt security or prescribed instrument has a qualifying ECAI rating if—

(i) it has a qualifying ECAI issue specific rating; or

(ii) its issuer or guarantor has a qualifying ECAI issuer rating.

1B. Investment-grade issue specific rating, investment-grade issuer rating and investment-grade rating

For the purposes of this Schedule—

(a) a marketable debt security or prescribed instrument has an investment-grade issue specific rating if any of the following conditions is met—

(i) the ECAI issue specific rating of the debt security or instrument—

(A) if mapped to the scale of credit quality grades in Table A, Table B or Part 1 of Table C (for a long-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 3; or

(B) if mapped to the scale of credit quality grades in Part 1 of Table E (for a short-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 3;

(ii) without limiting subparagraph (i), for a debt security or instrument issued by a corporate incorporated in India, the ECAI issue specific rating of the debt security or instrument—

(A) if mapped to the scale of credit quality grades in Part 2 of Table C (for a long-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 4; or

(B) if mapped to the scale of credit quality grades in Part 2 of Table E (for a short-term ECAI issue specific rating) in Schedule 6 to the Capital Rules, would result in the debt security or instrument being assigned a credit quality grade of 4;

(b) the issuer or guarantor of a marketable debt security or prescribed instrument has an investment-grade issuer rating if any of the following conditions is met—

(i) the ECAI issuer rating of the issuer or guarantor, if mapped to the scale of credit quality grades in Table A, Table B or Part 1 of Table C in Schedule 6 to the Capital Rules, would result in the issuer or guarantor being assigned a credit quality grade of 3;

(ii) without limiting subparagraph (i), for an issuer or guarantor that is a corporate incorporated in India, the ECAI issuer rating of the issuer or guarantor, if mapped to the scale of credit quality grades in Part 2 of Table C in Schedule 6 to the Capital Rules, would result in the issuer or guarantor being assigned a credit quality grade of 4; and

(c) a marketable debt security or prescribed instrument has an investment-grade rating if—

(i) it has an investment-grade issue specific rating; or

(ii) its issuer or guarantor has an investment-grade issuer rating.”.

(6) Schedule 5, section 2, Table A, item 6(b)—

Repeal

everything before “, with”

Substitute

"(b) having a qualifying ECAI rating, issued or guaranteed by the central bank or central government of a country, a multilateral development bank, or a relevant international organization".

(7) Schedule 5, English text, section 2, Table A, item 6(c)—

Repeal

"with a qualifying"

Substitute

"having a qualifying".

(8) Schedule 5, section 2, Table A, item 6(c)(i)—

Repeal

"paragraph"

Substitute

"sub-item".

(9) Schedule 5, English text, section 2, Table A, item 6(d)—

Repeal

"without"

Substitute

"not having".

(10) Schedule 5, section 2, Table A, item 6(d)(i)—

Repeal

"paragraph"

Substitute

"sub-item".

(11) Schedule 5, section 2, Table A, item 6(g)—

Repeal

"month"

Substitute

"month;".

(12) Schedule 5, section 2, Table A, after item 6(g)—

Add

"(h)	having an investment-grade rating, that are not covered by sub-item (a), (b), (c), (d), (e), (f) or (g)	50%".

(13) Schedule 5, section 2, Table A, after item 6—

Add

"6A.	Listed ordinary shares that would fall within section 3(c) of Part 2 of Schedule 2 if the category 2 institution were a category 1 institution	50%".

21. Schedule 6 amended (tables related to NSFR and CFR)

(1) Schedule 6—

Repeal

"76, 77 & 80]"

Substitute

"71, 77 & 80]".

(2) Schedule 6, Table 1, heading—

Repeal

"**Capital and On-balance Sheet Liabilities**"

Substitute

"**ASF Items**".

(3) Schedule 6, Table 1—

Repeal

"Capital or on-balance sheet liability"

Substitute

"ASF item".

(4) Schedule 6, at the end of Table 1—

Add

"**Note—**

See rule 59 for the interpretation of this Table.".

(5) Schedule 6, Table 2, heading—

Repeal

"**On-balance Sheet Assets and Off-balance Sheet Obligations**"

Substitute

"**RSF Items**".

(6) Schedule 6, Table 2—

Repeal

"On-balance sheet asset or off-balance sheet obligation"

Substitute

"RSF item".

(7) Schedule 6, Table 2, item 3(e), after "equities"—

Add

"not covered by sub-item (c)".

(8) Schedule 6, Table 2, after item 12—

Add

"13.	Total derivative liabilities (before adjustments)	N/A	N/A	N/A	5%".

(9) Schedule 6, at the end of Table 2—

Add

“**Note—**

See rule 59 for the interpretation of this Table.”.

(10) Schedule 6, Table 3, heading—

Repeal

“**Capital and On-balance Sheet Liabilities**”

Substitute

“**ACF Items**”.

(11) Schedule 6, Table 3—

Repeal

“Capital or on-balance sheet liability”

Substitute

“ACF item”.

(12) Schedule 6, Table 4, heading—

Repeal

“**On-balance Sheet Assets and Off-balance sheet Obligations**”

Substitute

“**RCF Items**”.

(13) Schedule 6, Table 4—

Repeal

“On-balance sheet asset or off-balance sheet obligation”

Substitute

“RCF item”.

(14) Schedule 6, Table 4, after item 5(a)—

Add

"(ab)	listed ordinary shares that would fall within section 3(c) of Part 2 of Schedule 2 if the category 2A institution were a category 1 institution	0%	0%	0%	0%".

(15) Schedule 6, Table 4, item 5(b), after "(a)"—

Add

"or (ab)".

(16) Schedule 6, Table 4, after item 11—

Add

"12.	Total derivative liabilities (before adjustments)	N/A	N/A	N/A	5%".

(17) At the end of Schedule 6—

Add

"**Note—**

See rule 54 for the interpretation of this Schedule.".

Norman CHAN
Monetary Authority

21 June 2019

Explanatory Note

These Rules amend the Banking (Liquidity) Rules (Cap. 155 sub. leg. Q) (***BLR***).

2. The main purpose of these Rules is to introduce the following in the BLR, in line with the standards set by the Basel Committee on Banking Supervision (***BCBS***)—
   (a) recognizing listed ordinary shares and marketable debt securities (rated BBB- or above) issued by corporates, sovereigns, central banks or public sector entities—
      (i) as level 2B assets in calculating a category 1 institution's liquidity coverage ratio (***LCR***); and
      (ii) as liquefiable assets in calculating a category 2 institution's liquidity maintenance ratio;
   (b) implementing—
      (i) a required stable funding factor of 5% on total derivative liabilities (before adjustments) in calculating a category 1 institution's net stable funding ratio; and
      (ii) a required core funding factor of 5% on total derivative liabilities (before adjustments) in calculating a category 2A institution's core funding ratio.

3. These Rules also make amendments to the LCR provisions in the BLR to reflect the latest BCBS guidance on the eligibility of level 2B assets.

4. The amendments are made after referencing the following documents—

(a) "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools" published by the BCBS in January 2013;

(b) "Basel III—The Liquidity Coverage Ratio framework: frequently asked questions" published by the BCBS in June 2017;

(c) "Basel III: The net stable funding ratio" published by the BCBS in October 2014, supplemented with an announcement made by the BCBS in October 2017;

(d) "Basel III—The Net Stable Funding Ratio: frequently asked questions" published by the BCBS in February 2017.