
L.N. 170 of 2023**Banking (Liquidity) (Amendment) Rules 2023****Contents**

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Banking (Liquidity) (Amendment) Rules 2023

(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 the day on which Part 3 of the Banking (Capital) (Amendment) Rules 2023 comes into operation.

2. Banking (Liquidity) Rules amended

The Banking (Liquidity) Rules (Cap. 155 sub. leg. Q) are amended as set out in rules 3 to 8.

3. Rule 2 amended (interpretation)

(1) Rule 2(1), definition of *financial institution*—

Repeal

“157A(3)”

Substitute

“139(1)”.

(2) Rule 2(1)—

Add in alphabetical order

“*residential mortgage loan* (住宅按揭貸款) has the meaning given by section 139(1) of the Capital Rules;”.

- (3) Rule 2(2)—

Repeal

“*residential mortgage loan* (住宅按揭貸款)”.

- (4) Rule 2(2)—

Add in alphabetical order

“*home jurisdiction* (原屬司法管轄區)

LT ECAI rating mapping table (LT ECAI 評級配對表)

ST ECAI rating mapping table (ST ECAI 評級配對表)

Type A ECAI (A類ECAI)

Type B ECAI (B類ECAI)”.

4. Rule 2A added

After rule 2—

Add

“2A. Use of ECAI issue specific ratings and ECAI issuer ratings

An authorized institution may use an ECAI issue specific rating or an ECAI issuer rating for the purposes of these Rules only if the rating fulfils the requirements specified in section 4B(1)(a), (b), (c) and (d) of the Capital Rules.”.

5. Rule 39 amended (interpretation of Division 5)

- (1) Rule 39—

Repeal the definition of *fully performing*

Substitute

“*fully performing* (一直依期清償), in relation to an asset or exposure of a category 1 institution, means the asset or exposure is not overdue and the original terms of repayment—

- (a) have not been revised;
- (b) have been revised for a reason other than the inability of the obligor to meet those terms; or
- (c) have been revised because of the inability of the obligor to meet those terms and the asset or exposure has subsequently been serviced by the obligor in accordance with the revised terms continuously for—
 - (i) in the case of an asset or exposure with monthly repayments (whether in respect of principal, interest or both)—a period of not less than 6 months; or
 - (ii) in any other case—a period of not less than 12 months;”.

(2) Rule 39—

Repeal the definition of *rescheduled*.

6. 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, Part 1, section 1(2)—

Repeal

“*Fitch Ratings* (惠譽評級)”.

(2) Schedule 2, Part 1, section 1(2)—

Repeal

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

(3) Schedule 2, Part 1, section 1(2)—

Repeal

“*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)”。

- (4) Schedule 2, Part 2, section 1(d)(i)—

Repeal

“55(2)”

Substitute

“55(1)”.

- (5) Schedule 2, Part 2, section 1(e)—

Repeal

“55(2)”

Substitute

“55(1)”.

- (6) Schedule 2, Part 3, section 1(1)(a)(i)—

Repeal

“55(2)”

Substitute

“55(1)”.

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

Repeal

“57(2)(b)”

Substitute

“57(3)”.

- (8) Schedule 2, Part 3, section 1(1)(a)(iii)—

Repeal

“56(4)”

Substitute

“56(3)”.

- (9) Schedule 2, Part 3, section 1(1)(a)(iv)—

Repeal

“58”

Substitute

“58(1)”.

- (10) Schedule 2, Part 3, section 4(1)(a)(i)—

Repeal

“55(2)”

Substitute

“55(1)”.

- (11) Schedule 2, Part 3, section 5(1)—

Repeal paragraphs (a) and (b)

Substitute

- “(a) subject to subsection (2), if the debt security is issued by a corporate incorporated outside the home jurisdiction of a Type B ECAI, it has an ECAI issue specific rating that—
- (i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAs (for a long-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1 or 2; or

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- (ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1;
 - (b) subject to subsection (2), if the debt security is issued by a corporate incorporated in the home jurisdiction of a Type B ECAI, it has an ECAI issue specific rating assigned by a Type A ECAI or that Type B ECAI that—
 - (i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1 or 2;
 - (ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1; or
 - (iii) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAIs (for a long-term ECAI issue specific rating assigned by that Type B ECAI) or the ST ECAI rating mapping table for Type B ECAIs (for a short-term ECAI issue specific rating assigned by that Type B ECAI), would result in the debt security being assigned a credit quality grade of 1;”.

- (12) Schedule 2, Part 3, section 5(2)—

Repeal

“69(2)”

Substitute

“54E(2)”.

- (13) Schedule 2, Part 3, section 6(1)—

Repeal paragraph (b)

Substitute

“(b) subject to subsection (2), it has an ECAI issue specific rating that—

(i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating assigned by a Type A ECAI), would result in the covered bond being assigned a credit quality grade of 1 or 2; or

(ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating assigned by a Type A ECAI), would result in the covered bond being assigned a credit quality grade of 1;”.

- (14) Schedule 2, Part 3, section 6(2)—

Repeal

“69(2)”

Substitute

“54E(2)”.

- (15) Schedule 2, Part 3, section 7(1)—

Repeal paragraphs (a), (b), (ba) and (bb)

Substitute

- “(a) subject to subsection (2), if the debt security is issued by a corporate incorporated outside the home jurisdiction of a Type B ECAI, it has an ECAI issue specific rating that—
- (i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1, 2, 3 or 4; or
 - (ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1, 2 or 3;
- (b) subject to subsection (2), if the debt security is issued by a corporate incorporated in the home jurisdiction of a Type B ECAI, it has an ECAI issue specific rating assigned by a Type A ECAI or that Type B ECAI that—
- (i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1, 2, 3 or 4;

- (ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating assigned by a Type A ECAI), would result in the debt security being assigned a credit quality grade of 1, 2 or 3; or
 - (iii) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAIs (for a long-term ECAI issue specific rating assigned by that Type B ECAI) or the ST ECAI rating mapping table for Type B ECAIs (for a short-term ECAI issue specific rating assigned by that Type B ECAI), would result in the debt security being assigned a credit quality grade of 1, 2, 3 or 4;
- (ba) subject to subsection (2), if the debt security is issued by a sovereign or central bank, it has an ECAI issue specific rating assigned by a Type A ECAI that, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs, would result in the debt security being assigned a credit quality grade of 1, 2, 3 or 4;
- (bb) subject to subsection (2), if the debt security is issued by a public sector entity, it has an ECAI issue specific rating assigned by a Type A ECAI that—
 - (i) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating), would result in the debt security being assigned a credit quality grade of 1, 2, 3 or 4; or

- (ii) if mapped to the scale of credit quality grades in accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating), would result in the debt security being assigned a credit quality grade of 1, 2 or 3;”.

- (16) Schedule 2, Part 3, section 7(2)—

Repeal

“69(2)”

Substitute

“54E(2)”.

- (17) Schedule 2, Part 3, section 8(1)—

Repeal paragraphs (c), (d) and (e)

Substitute

- “(c) subject to subsection (2), if the RMBS is issued by a public sector entity, financial institution or corporate incorporated outside the home jurisdiction of a Type B ECAI, it has a long-term ECAI issue specific rating assigned by a Type A ECAI that, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs, would result in the RMBS being assigned a credit quality grade of 1 or 2;
- (d) subject to paragraph (e) and subsection (2), if the RMBS is issued by a public sector entity, financial institution or corporate incorporated in the home jurisdiction of a Type B ECAI, it has a long-term ECAI issue specific rating—

- (i) assigned by a Type A ECAI that, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs, would result in the RMBS being assigned a credit quality grade of 1 or 2; or
 - (ii) assigned by that Type B ECAI that, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAIs, would result in the RMBS being assigned a credit quality grade of 1;
- (e) it does not have an ECAI issue specific rating assigned by a Type A ECAI that is, or is ranked lower than, AA- or Aa3 (or its equivalent rating);”.
- (18) Schedule 2, Part 3, section 8(2)—

Repeal

“69(2)”

Substitute

“54E(2)”.

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

- (1) Schedule 5, section 1A(a)—

Repeal subparagraphs (i) and (ii)

Substitute

- “(i) the ECAI issue specific rating of the debt security or instrument assigned by a Type A ECAI—

- (A) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating), 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 accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating), 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 the home jurisdiction of a Type B ECAI, the ECAI issue specific rating of the debt security or instrument assigned by that Type B ECAI—
- (A) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAIs (for a long-term ECAI issue specific rating), 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 accordance with the ST ECAI rating mapping table for Type B ECAIs (for a short-term ECAI issue specific rating), would result in the debt security or instrument being assigned a credit quality grade of 1, 2 or 3;”.

- (2) Schedule 5, section 1A(b)(i)—

Repeal

“, 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”

Substitute

“assigned by a Type A ECAI, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAs, would result in the issuer or guarantor being assigned a credit quality grade of 1, 2 or 3”.

- (3) Schedule 5, section 1A(b)(ii)—

Repeal

“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”

Substitute

“the home jurisdiction of a Type B ECAI, the ECAI issuer rating of the issuer or guarantor assigned by that Type B ECAI, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAs”.

- (4) Schedule 5, section 1B(a)—

Repeal subparagraphs (i) and (ii)

Substitute

“(i) the ECAI issue specific rating of the debt security or instrument assigned by a Type A ECAI—

- (A) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAIs (for a long-term ECAI issue specific rating), 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 accordance with the ST ECAI rating mapping table for Type A ECAIs (for a short-term ECAI issue specific rating), 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 the home jurisdiction of a Type B ECAI, the ECAI issue specific rating of the debt security or instrument assigned by that Type B ECAI—
 - (A) if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAIs (for a long-term ECAI issue specific rating), 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 accordance with the ST ECAI rating mapping table for Type B ECAIs (for a short-term ECAI issue specific rating), would result in the debt security or instrument being assigned a credit quality grade of 4;”.
- (5) Schedule 5, section 1B(b)—

Repeal subparagraphs (i) and (ii)

Substitute

- “(i) the ECAI issuer rating of the issuer or guarantor assigned by a Type A ECAI, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type A ECAs, would result in the issuer or guarantor being assigned a credit quality grade of 4;
- (ii) without limiting subparagraph (i), for an issuer or guarantor that is a corporate incorporated in the home jurisdiction of a Type B ECAI, the ECAI issuer rating of the issuer or guarantor assigned by that Type B ECAI, if mapped to the scale of credit quality grades in accordance with the LT ECAI rating mapping table for Type B ECAs, would result in the issuer or guarantor being assigned a credit quality grade of 4; and”.

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

Schedule 6, Table 2, item 2(c)(i)—

Repeal

“55(2)”

Substitute

“55(1)”.

Eddie YUE
Monetary Authority

18 December 2023

Explanatory Note

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

2. The principal Rules contain cross-references to the Banking (Capital) Rules (Cap. 155 sub. leg. L) (*BCR*). The main purpose of these Rules is to introduce the following consequential amendments to the principal Rules arising from the amendments to the BCR introduced by the Banking (Capital) (Amendment) Rules 2023 (*BCAR 2023*)—
 - (a) amendments to rule 2 of, and Schedules 2 and 5 to, the principal Rules in respect of their references to the names of institutions set out in the definition of *external credit assessment institution (ECAI)* in the BCR which, as amended by the BCAR 2023, will be replaced by references to a list of ECAs to be published by the Monetary Authority (*MA*);
 - (b) amendments to Schedules 2 and 5 to the principal Rules in respect of their references to the rating mapping tables of credit quality grade in Schedule 6 to the BCR which, as amended by the BCAR 2023, will be replaced by references to a new set of tables to be published by the MA;
 - (c) amendments to certain defined terms and provisions in rules 2 and 39 of, and Schedule 6 to, the principal Rules that currently refer to corresponding definitions and provisions in the BCR that will be repealed or amended by the BCAR 2023.
3. These Rules come into operation on the day on which Part 3 of the BCAR 2023 comes into operation.