

L.N. 150 of 2025

**Banking (Capital) (Amendment) Rules 2025**  
**Contents**

Section	Page
1. Commencement .....	B4465
2. Banking (Capital) Rules amended .....	B4465
3. Section 2 amended (interpretation) .....	B4465
4. Section 3N amended (interpretation of Division 4) .....	B4483
5. Section 4A amended (valuation of exposures measured at fair value) .....	B4483
6. Section 5 amended (authorized institution shall only use STC approach, BSC approach or IRB approach to calculate its credit risk for non-securitization exposures) .....	B4485
7. Section 10AB added .....	B4485
10AB. Approach to be used to calculate counterparty credit risk in respect of derivative contracts and SFTs on cryptoassets .....	B4485
8. Section 10B amended (authorized institution may apply for approval to use IMM(CCR) approach to calculate its default risk exposures) .....	B4487
9. Section 23C amended (approaches authorized institution must use to calculate its CVA risk capital charge) .....	B4489

Section	Page
10. Section 43 amended (deductions from CET1 capital) .....	B4489
11. Section 48 amended (deductions from Tier 2 capital) .....	B4491
12. Section 51 amended (interpretation of Part 4) .....	B4493
13. Section 52 amended (calculation of risk-weighted amount of exposures) .....	B4493
14. Section 53 amended (on-balance sheet exposures and off-balance sheet exposures to be covered) .....	B4497
15. Section 54 amended (classification of exposures) .....	B4497
16. Section 54F amended (further restrictions on use of ECAI ratings) .....	B4499
17. Section 59B amended (bank exposures—standardized credit risk assessment approach—assignment of credit assessment grade) .....	B4499
18. Section 60 amended (exposures to qualifying non-bank financial institutions) .....	B4501
19. Section 65I amended (holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities) .....	B4501
20. Section 65L amended (items in the process of clearing or settlement) .....	B4503
21. Section 65M added .....	B4503
65M. Group 1a cryptoasset exposures .....	B4503

---

Section	Page
22. Section 66 amended (other exposures that are not defaulted exposures) .....	B4503
23. Section 68C amended (exposures in respect of assets underlying SFTs) .....	B4505
24. Section 71 amended (calculation of exposure amounts of off-balance sheet exposures) .....	B4507
25. Section 77 amended (recognized collateral) .....	B4507
26. Section 78 amended (approaches to use of recognized collateral) .....	B4509
27. Section 79 amended (collateral which may be recognized under simple approach) .....	B4511
28. Section 80 amended (collateral that may be recognized under comprehensive approach) .....	B4511
29. Section 88 amended (calculation of net credit exposure of off-balance sheet exposures other than default risk exposures in respect of derivative contracts) .....	B4513
30. Section 90 amended (haircut applicable to a basket of recognized collateral) .....	B4513
31. Section 94 amended (on-balance sheet netting) .....	B4515
32. Section 99 amended (recognized credit derivative contracts) .....	B4515
33. Section 105 amended (interpretation of Part 5) .....	B4517
34. Section 106 amended (calculation of risk-weighted amount of exposures) .....	B4517

Section	Page
35. Section 107 amended (on-balance sheet exposures and off-balance sheet exposures to be covered) .....	B4519
36. Section 108 amended (classification of exposures) .....	B4519
37. Section 113 amended (bank exposures) .....	B4521
38. Section 114A amended (items in the process of clearing or settlement) .....	B4521
39. Section 114B added .....	B4521
114B. Group 1 cryptoasset exposures .....	B4523
40. Section 115G amended (holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities) .....	B4523
41. Section 117C amended (exposures in respect of assets underlying SFTs) .....	B4523
42. Section 118 amended (calculation of exposure amounts of off-balance sheet exposures) .....	B4525
43. Section 125 amended (collateral which may be recognized for purposes of section 124(h)) .....	B4527
44. Section 126 amended (calculation of risk-weighted amount of exposures taking into account credit risk mitigating effect of recognized collateral) .....	B4527
45. Section 130 amended (on-balance sheet netting) .....	B4527
46. Section 133 amended (recognized credit derivative contracts) .....	B4529

Section	Page
47.	Section 138 substituted .....B4529
	138. Application of Part 6 .....B4529
48.	Section 139 amended (interpretation of Part 6) .....B4531
49.	Section 140 amended (calculation of risk-weighted amount of exposures) .....B4533
50.	Section 141 amended (exposures to be covered) .....B4537
51.	Section 147 amended (IRB calculation approaches) .....B4537
52.	Section 156 amended (calculation of risk-weighted amount of corporate, sovereign and bank exposures) .....B4539
53.	Section 158 amended (provisions supplementary to section 156—risk-weights for specialized lending) .....B4539
54.	Section 161 amended (loss given default under advanced IRB approach) .....B4541
55.	Section 165 amended (exposure at default under foundation IRB approach or advanced IRB approach—default risk exposures in respect of derivative contracts) .....B4541
56.	Section 176 amended (calculation of risk-weighted amount of retail exposures) .....B4541
57.	Section 183 amended (CIS exposure constituting deductible holding) .....B4543

---

Section	Page
58.	Section 200 amended (requirements for authorized institution using top-down approach to estimate probability of default, etc. of purchased receivables for default risk or dilution risk) .....B4543
59.	Section 202 amended (securities financing transactions) .....B4543
60.	Section 202C amended (capital instruments issued by, and non-capital LAC liabilities of, financial sector entities) .....B4547
61.	Section 220 amended (calculation of expected losses and eligible provisions for corporate, sovereign, bank and retail exposures) .....B4547
62.	Section 226A amended (interpretation of Part 6A) .....B4551
63.	Section 226BA amended (interpretation of Division 1A) .....B4553
64.	Section 226BB amended (application of Division 1A) .....B4553
65.	Section 226BJ amended (calculation of haircut value of net collateral held) .....B4555
66.	Section 226BK amended (authorized institution to hold regulatory capital for credit risk or market risk of posted collateral) .....B4555
67.	Section 226BL amended (classification of derivative contracts into asset classes) .....B4555
68.	Section 226BNA added .....B4557

Section	Page
226BNA. Further classification of derivative contracts in asset class of group 2a cryptoasset derivative contracts .....	B4557
69. Section 226BT amended (calculation of add-on for derivative contracts in same asset class) .....	B4559
70. Section 226BVA added .....	B4559
226BVA. Calculation of add-on for hedging sets in asset class of group 2a cryptoasset derivative contracts .....	B4559
71. Section 226BZA amended (calculation of effective notional amount for hedging sets etc.) .....	B4561
72. Section 226BZB amended (supervisory delta adjustment applicable to derivative contracts) .....	B4561
73. Section 226BZC amended (calculation of adjusted notional of derivative contracts) .....	B4561
74. Section 226C amended (application of Division 2) .....	B4565
75. Section 226H amended (calculation of EE) .....	B4565
76. Section 226K amended (treatments for margin agreements) .....	B4567
77. Section 226MA amended (application of Division 2A) .....	B4567
78. Section 226MD amended (calculation of potential future exposure of derivative contract) .....	B4569

---

Section	Page
79.	Section 226ME amended (notional amount of certain types of derivative contracts) .....B4569
80.	Section 226MF amended (authorized institution to hold regulatory capital for credit risk or market risk of posted collateral) .....B4571
81.	Section 226MJ amended (calculation of default risk exposure in respect of SFTs that are not nettable) .....B4573
82.	Section 226MK amended (calculation of default risk exposure in respect of nettable SFTs) .....B4573
83.	Section 226MM amended (supplementary provisions to sections 226MK and 226ML) .....B4575
84.	Section 226U amended (application of Division 4) .....B4577
85.	Section 226Z amended (exposures of clearing members to direct clients) .....B4579
86.	Section 226ZA amended (exposures of direct clients to clearing members) .....B4579
87.	Section 226ZB amended (exposures of direct clients to CCPs) .....B4579
88.	Section 226ZBA amended (exposure of authorized institution to higher level client or lower level client within multi-level client structure) .....B4581
89.	Section 226ZE amended (treatment of posted collateral) .....B4581



Section	Page
90. Section 226ZI amended (calculation of risk-weighted amount of CIS exposure) .....	B4581
91. Section 226ZN amended (TPA conditions) .....	B4585
92. Section 226ZO amended (look-through approach: calculation of risk-weighted amount of underlying exposures) .....	B4587
93. Section 226ZQ amended (mandate-based approach: general requirements) .....	B4587
94. Section 226ZR amended (mandate-based approach: calculation of risk-weighted amounts of underlying exposures) .....	B4589
95. Section 226ZU amended (calculation of risk-weighted amounts of CIS exposures held by Level 1 CIS) .....	B4591
96. Section 226ZV amended (calculation of risk-weighted amounts of CIS exposures held by Level 2 CIS onwards) .....	B4591
97. Section 226ZY added .....	B4593
226ZY. Treatment of group 2 cryptoasset exposures held by Level 1 CIS onwards .....	B4593
98. Section 280B amended (interpretation of Division 11) .....	B4595
99. Section 281 amended (interpretation of Part 8 and Schedule 3) .....	B4597
100. Part 8, Division 14 added .....	B4597

Section	Page
---------	------

**Division 14—Calculation of Market Risk Capital Charge for  
Cryptoasset Exposures**

	322HA. Calculation of market risk capital charge or risk-weighted amount for market risk for cryptoasset exposures .....	B4597
101.	Section 322J amended (transactions and contracts to be covered) .....	B4597
102.	Part 8A, Division 6 added .....	B4599

**Division 6—Calculation of CVA Risk Capital Charge for  
Cryptoasset Exposures**

	322V. Calculation of CVA risk capital charge for cryptoasset exposures .....	B4599
103.	Section 356 amended (calculation of output floor) .....	B4599
104.	Section 357 amended (calculation of actual risk-weighted amount) .....	B4607
105.	Part 12 added .....	B4609

**Part 12**

**Calculation of Risk-weighted Amounts of Cryptoasset Exposures**

**Division 1—General**

359.	Application of Part 12 .....	B4611
360.	Interpretation of Part 12 .....	B4613
361.	Classification of cryptoassets .....	B4613

Section	Page
362. Trading book and banking book boundary requirements for cryptoasset exposures .....	B4623
<b>Division 2—Calculation of Credit Risk for Group 1 Cryptoasset Exposures</b>	
<b>Subdivision 1—General</b>	
363. Interpretation of Division 2 .....	B4625
<b>Subdivision 2—Calculation of Risk-weighted Amounts of Group 1 Cryptoasset Exposures under STC Approach</b>	
364. Application of Subdivision 2 .....	B4627
365. Risk-weights of group 1a cryptoasset exposures .....	B4627
366. Group 1b cryptoasset exposures—general .....	B4627
367. Group 1b cryptoasset exposures relating to cryptoasset where all holders are allowed to transact directly with redeemer .....	B4629
368. Group 1b cryptoasset exposures relating to cryptoasset where authorized institution is member holder .....	B4635
369. Group 1b cryptoasset exposures relating to cryptoasset where authorized institution is non-member holder .....	B4639
<b>Subdivision 3—Determination of Risk-weight of Group 1 Cryptoasset Exposures under BSC Approach</b>	
370. Application of Subdivision 3 .....	B4645

Section	Page
371. Risk-weights of group 1a cryptoasset exposures .....	B4645
372. Risk-weights of group 1b cryptoasset exposures .....	B4647
<b>Subdivision 4—Calculation of Risk-weighted Amounts of Group 1 Cryptoasset Exposures under IRB Approach</b>	
373. Application of Subdivision 4 .....	B4647
374. Risk-weights of group 1a cryptoasset exposures .....	B4647
375. Group 1b cryptoasset exposures .....	B4647
<b>Subdivision 5—Calculation of Risk-weighted Amounts of Group 1b Cryptoasset Exposures that are Assigned to Trading Book</b>	
376. Calculation of credit risk of group 1b cryptoasset exposures .....	B4651
<b>Division 3—Calculation of Counterparty Credit Risk for Group 2b Cryptoasset Derivative Contracts and SFTs on Cryptoassets</b>	
377. Calculation of default risk exposure of group 2b cryptoasset derivative contract .....	B4653
378. Calculation of default risk exposure of SFTs .....	B4657
<b>Division 4—Calculation of Market Risk for Group 1 Cryptoasset Exposures</b>	
379. Calculation of risk-weighted amount for market risk for group 1 cryptoasset exposures .....	B4659

Section	Page
---------	------

**Division 5—Infrastructure Risk Add-on for Group 1 Cryptoasset Exposures**

380.	Calculation of infrastructure risk add-on for group 1 cryptoasset exposures .....	B4661
------	---	-------

**Division 6—Market Risk and Credit Risk for Group 2 Cryptoasset Exposures**

381.	Calculation of market risk for group 2a cryptoasset exposures .....	B4663
382.	Modifications to STM approach for calculating market risk for group 2a cryptoasset exposures .....	B4663
383.	SSTM approach for calculating risk-weighted amount for market risk for group 2a cryptoasset exposures .....	B4671
384.	Calculation of credit risk for group 2a cryptoasset exposures to stablecoins .....	B4677
385.	Calculation of credit risk for group 2b cryptoasset exposures .....	B4677

**Division 7—CVA Risk for Cryptoasset Exposures**

386.	Calculation of CVA risk for cryptoasset exposures .....	B4681
------	---	-------

**Division 8—Group 2 Cryptoasset Exposure Ratio**

387.	Calculation of group 2 cryptoasset exposure ratio .....	B4681
------	---	-------

---

Section	Page
388.	Group 2 cryptoasset exposure ratio for G-SIBs and D-SIBs .....B4683
106.	Schedule 1A amended (transactions and contracts not subject to CVA risk capital charge) .....B4687
107.	Schedule 7 amended (standard supervisory haircuts) .....B4689
108.	Schedule 9 amended (requirements to be satisfied for traditional securitization transaction to be eligible traditional securitization transaction) .....B4689
109.	Schedule 10 amended (requirements to be satisfied for synthetic securitization transaction to be eligible synthetic securitization transaction) .....B4691

## Banking (Capital) (Amendment) Rules 2025

(Made by the Monetary Authority under section 97C 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 2026.

### 2. Banking (Capital) Rules amended

The Banking (Capital) Rules (Cap. 155 sub. leg. L) are amended as set out in sections 3 to 109.

### 3. Section 2 amended (interpretation)

- (1) Section 2(1), definition of **bank**, paragraph (b)—

#### Repeal

“incorporated outside Hong Kong”.

- (2) Section 2(1), definition of **bank**, paragraph (b)(i)—

#### Repeal

“the jurisdiction in which it is incorporated or it has an establishment”

#### Substitute

“a jurisdiction outside Hong Kong”.

- (3) Section 2(1), definition of **bank**, paragraph (b)(ii)(B)—

#### Repeal

“the banking supervisory authority of the jurisdiction in which it is incorporated”

**Substitute**

“a banking supervisory authority outside Hong Kong”.

(4) Section 2(1)—

**Repeal the definition of *CIS exposure*****Substitute**

“*CIS exposure* (CIS風險承擔)—

- (a) means an on-balance sheet exposure, or an off-balance sheet exposure, that is in the form of an equity investment in a collective investment scheme or that has the same credit risk as an equity investment in a collective investment scheme; and
- (b) includes an exposure falling within paragraph (a) that arises from—
  - (i) the holding of units or shares in the scheme; or
  - (ii) a commitment to subscribe to the scheme’s future capital calls; but
- (c) excludes an exposure falling within paragraph (a) where the scheme—
  - (i) references solely one or both of the following items—
    - (A) a group 2 cryptoasset;
    - (B) a derivative contract on a group 2 cryptoasset;
  - (ii) references solely one or more of the following items—



Section 3

---

- (A) a collective investment scheme that references solely one or both of a group 2 cryptoasset and a derivative contract on a group 2 cryptoasset;
    - (B) a group 2 cryptoasset;
    - (C) a derivative contract on a group 2 cryptoasset;
  - (iii) references a cryptoasset-related reference rate; or
  - (iv) the value of the units or shares of which is primarily derived from the value of group 2 cryptoassets;”.
- (5) Section 2(1), definition of *credit valuation adjustment*—
- Repeal**
- “OTC derivative transactions”
- Substitute**
- “derivative contracts”.
- (6) Section 2(1), definition of *CVA risk*—
- Repeal**
- “OTC derivative transactions”
- Substitute**
- “derivative contracts”.
- (7) Section 2(1), definition of *default risk exposure*, paragraph (c)—
- Repeal**
- “or”.
- (8) Section 2(1), definition of *default risk exposure*, paragraph (d), after “Part 6A;”—
- Add**

“or”.

- (9) Section 2(1), definition of *default risk exposure*, after paragraph (d)—

**Add**

“(e) the method set out in Division 3 of Part 12;”.

- (10) Section 2(1), definition of *derivative contract*, paragraph (a), after “bond,”—

**Add**

“cryptoasset,”.

- (11) Section 2(1), definition of *long settlement transaction*, after “security,”—

**Add**

“cryptoasset,”.

- (12) Section 2(1), definition of *margin lending transaction*, after “securities” (wherever appearing)—

**Add**

“or cryptoassets”.

- (13) Section 2(1), definition of *positive current exposure*, after “securities,”—

**Add**

“cryptoassets,”.

- (14) Section 2(1), definition of *qualifying non-bank financial institution*, paragraph (c)—

**Repeal**

“is incorporated in a jurisdiction other than Hong Kong and is authorized by a regulator under the law of that jurisdiction to carry on financial activities in that jurisdiction, if the relevant banking supervisory authority in”

**Substitute**

“does not fall within paragraph (a) or (b) and is authorized by a regulator of a jurisdiction outside Hong Kong to carry on financial activities in that jurisdiction, if the banking supervisory authority of”.

- (15) Section 2(1), definition of *repo-style transaction*, after “securities” (wherever appearing)—

**Add**

“or cryptoassets”.

- (16) Section 2(1), definition of *risk-weighted amount*, paragraph (d)—

**Repeal**

“; or”

**Substitute a semicolon.**

- (17) Section 2(1), definition of *risk-weighted amount*, paragraph (e), after “Part 10;”—

**Add**

“or”.

- (18) Section 2(1), definition of *risk-weighted amount*, after paragraph (e)—

**Add**

“(f) in relation to the calculation of the credit risk of a cryptoasset exposure of an authorized institution, means the amount of the institution’s exposure to credit risk calculated in accordance with section 376 and Divisions 5, 6 and 8 of Part 12 ;”.

- (19) Section 2(1), definition of *risk-weighted amount for credit risk*, paragraph (a)—

**Repeal**

“requires; and”

**Substitute**

“requires;”.

- (20) Section 2(1), definition of *risk-weighted amount for credit risk*, paragraph (b), after “Part 7;”—

**Add**

“and”.

- (21) Section 2(1), definition of *risk-weighted amount for credit risk*, after paragraph (b)—

**Add**

“(c) the institution’s cryptoasset exposures to credit risk calculated in accordance with section 376 and Divisions 5, 6 and 8 of Part 12;”.

- (22) Section 2(1)—

**Repeal the definition of *standard supervisory haircut***

**Substitute**

“*standard supervisory haircut* (標準監管扣減)—

(a) in relation to a group 1a cryptoasset—means a haircut applicable to the cryptoasset as determined in accordance with section 90(1)(a) or (b); or

(b) in any other case—means a haircut set out in the Tables in section 1 of Schedule 7;”.

- (23) Section 2(1), definition of *underlying exposures*, paragraph (ab)(ii)(B)—

**Repeal**

“the exposure to such an underlying exposure or asset under Part 4, 5, 6, 6A or 7, as the case requires”

**Substitute**

“the credit risk of such an underlying exposure or asset under Part 4, 5, 6, 6A or 7 or Division 6 of Part 12, as the case requires, or in respect of the market risk of such an underlying exposure or asset under Division 6 of Part 12”.

- (24) Section 2(1), definition of *underlying exposures*, paragraph (ab)(iv)—

**Repeal**

“such an exposure under Part 4, 5, 6, 6A or 7, as the case requires”

**Substitute**

“the credit risk of such an exposure under Part 4, 5, 6, 6A or 7 or Division 6 of Part 12, as the case requires, or in respect of the market risk of such an exposure under Division 6 of Part 12”.

- (25) Section 2(1)—

**Add in alphabetical order**

“*cryptoasset* (加密資產) means an asset that—

- (a) is a digital representation of value;
- (b) depends primarily on cryptography and distributed ledger or similar technology; and
- (c) can be used for payment or investment purposes or to access goods or services;

*cryptoasset exposure* (加密資產風險承擔), in relation to an authorized institution, means an exposure that—

- (a) is an on-balance sheet exposure or off-balance sheet exposure of the institution, whether directly, indirectly or synthetically, to one or more cryptoassets; and
- (b) gives rise to credit risk, market risk, CVA risk, operational risk or liquidity risk,

but does not include a CIS exposure booked in the institution's banking book or a default risk exposure in respect of derivative contracts or SFTs on cryptoassets;

**group 1 cryptoasset** (第1組加密資產) means a group 1a cryptoasset or a group 1b cryptoasset;

**group 1 cryptoasset exposure** (第1組加密資產風險承擔) means a cryptoasset exposure that relates to a group 1 cryptoasset;

**group 1a cryptoasset** (第1a組加密資產) means a cryptoasset that is classified in accordance with the conditions set out in section 361(2);

**group 1a cryptoasset derivative contract** (第1a組加密資產衍生工具合約) has the meaning given by section 226A;

**group 1a cryptoasset exposure** (第1a組加密資產風險承擔) means a cryptoasset exposure that relates to a group 1a cryptoasset;

**group 1b cryptoasset** (第1b組加密資產) means a cryptoasset that is classified in accordance with the conditions set out in section 361(3);

**group 1b cryptoasset exposure** (第1b組加密資產風險承擔) means a cryptoasset exposure that relates to a group 1b cryptoasset;

**group 2 cryptoasset** (第2組加密資產) means a group 2a cryptoasset or a group 2b cryptoasset;

**group 2 cryptoasset exposure** (第2組加密資產風險承擔) means a cryptoasset exposure that relates to a group 2 cryptoasset;

**group 2a cryptoasset** (第 2a 組加密資產) means a cryptoasset that is classified in accordance with the conditions set out in section 361(4);

**group 2a cryptoasset derivative contract** (第 2a 組加密資產衍生工具合約) has the meaning given by section 226A;

**group 2a cryptoasset exposure** (第 2a 組加密資產風險承擔) means a cryptoasset exposure that relates to a group 2a cryptoasset;

**group 2b cryptoasset** (第 2b 組加密資產) means a cryptoasset that is not—

(a) a group 1 cryptoasset; or

(b) a group 2a cryptoasset;

**group 2b cryptoasset derivative contract** (第 2b 組加密資產衍生工具合約) has the meaning given by section 226A;

**group 2b cryptoasset exposure** (第 2b 組加密資產風險承擔) means a cryptoasset exposure that relates to a group 2b cryptoasset;

**traditional asset** (傳統資產) means an asset captured by the Basel Framework that is not classified as a cryptoasset under that Framework;”.

(26) Section 2(7)—

**Repeal**

“(other than an authorized institution) incorporated outside Hong Kong”.

(27) Section 2(7)(a)—

**Repeal**

“the banking supervisory authority of the jurisdiction in which the institution is incorporated”

Section 4

---

**Substitute**

“a banking supervisory authority outside Hong Kong that has a supervisory responsibility for that institution”.

(28) Section 2(7)(b)—

**Repeal**

“of the jurisdiction in which the institution is incorporated or it has an establishment”.

**4. Section 3N amended (interpretation of Division 4)**

(1) Section 3N, definition of *private obligor*, paragraph (d)—

**Repeal**

“or”.

(2) Section 3N, definition of *private obligor*—

**Repeal paragraph (e)****Substitute**

“(e) an unspecified multilateral body; or

(f) a bank;”.

**5. Section 4A amended (valuation of exposures measured at fair value)**

Section 4A(1)—

**Repeal**

“and 11”

**Substitute**

“, 11 and 12”.



**6. Section 5 amended (authorized institution shall only use STC approach, BSC approach or IRB approach to calculate its credit risk for non-securitization exposures)**

After section 5(2)—

**Add**

- “(3) A reference in this section to non-securitization exposures includes group 1 cryptoasset exposures but does not include group 2 cryptoasset exposures.”.

**7. Section 10AB added**

After section 10A—

**Add**

**“10AB. Approach to be used to calculate counterparty credit risk in respect of derivative contracts and SFTs on cryptoassets**

Despite sections 10A and 10B(4), (5) or (7) and any IMM(CCR) approval, the following paragraphs apply to the calculation of default risk exposures in respect of derivative contracts and SFTs on cryptoassets—

- (a) subject to paragraph (b), an authorized institution must use the SA-CCR approach to calculate its default risk exposures in respect of group 2a cryptoasset derivative contracts;
- (b) an authorized institution that uses the current exposure method to calculate its default risk exposures under section 10A(2A) may use the current exposure method, instead of the SA-CCR approach, to calculate its default risk exposures in respect of group 2a cryptoasset derivative contracts;

- (c) an authorized institution must use the method set out in section 377 to calculate its default risk exposures in respect of group 2b cryptoasset derivative contracts;
- (d) an authorized institution must use the methods set out in Division 2B of Part 6A, as modified by section 378, to calculate its default risk exposures in respect of SFTs under which group 1 cryptoassets or group 2 cryptoassets are received by the institution or its counterparty as collateral.”.

**8. Section 10B amended (authorized institution may apply for approval to use IMM(CCR) approach to calculate its default risk exposures)**

- (1) Section 10B(4)—

**Repeal**

“and (7)”

**Substitute**

“, (7) and (7A)”.

- (2) After section 10B(7)—

**Add**

- “(7A) If the calculation of the CVA risk capital charge for transactions and contracts specified in section 322J relating to a group 1a cryptoasset indicates that there are issues that could limit the application of the IMM(CCR) approach to group 1a cryptoasset derivative contracts that reference that group 1a cryptoasset, an authorized institution must use the SA-CCR approach to calculate its default risk

## Section 9

exposures in respect of those derivative contracts as if they were group 2a cryptoasset derivative contracts.

(7B) Without limiting the issues referred to in subsection (7A), those issues include—

- (a) significant valuation differences between the group 1a cryptoasset and its underlying traditional asset;
- (b) significant basis risk; and
- (c) insufficient data availability to model the impact of different liquidity characteristics between the group 1a cryptoasset and its underlying traditional asset on the market value of the group 1a cryptoasset.”.

(3) Section 10B(8)—

**Repeal**

“section 10A(1)”

**Substitute**

“sections 10A(1) and 10AB(a), (c) and (d)”.

**9. Section 23C amended (approaches authorized institution must use to calculate its CVA risk capital charge)**

Section 23C(2)—

**Repeal**

“OTC derivative transactions that are not cleared with a CCP”

**Substitute**

“non-centrally cleared derivative contracts”.

**10. Section 43 amended (deductions from CET1 capital)**

(1) Section 43(2), Chinese text, definition of 有關資本短欠—

**Repeal**

“數額。”

**Substitute**

“數額；”.

- (2) Section 43(2)—

**Add in alphabetical order**

“*intangible asset* (無形資產) does not include a cryptoasset exposure;”.

**11. Section 48 amended (deductions from Tier 2 capital)**

- (1) Section 48(3)—

**Repeal**

“The amount”

**Substitute**

“Subject to subsection (4), the amount”.

- (2) After section 48(3)—

**Add**

“(4) The portion of the amount referred to in subsection (3) that represents the institution’s direct holdings of non-capital LAC liabilities of financial sector entities that are members of the institution’s LAC consolidation group is not required to be risk-weighted.

- (5) In this section—

***LAC consolidation group*** (LAC綜合集團) has the meaning given by rule 2(1) of the LAC Rules.”.

**12. Section 51 amended (interpretation of Part 4)**

- (1) Section 51(1), definition of *ECAI ratings based portfolio*, paragraph (b)(vii)—

**Repeal**

“65L; or”

**Substitute**

“65L;”.

- (2) Section 51(1), definition of *ECAI ratings based portfolio*, after paragraph (b)(vii)—

**Add**

“(viiia) cryptoasset exposures; or”.

- (3) Section 51(1), definition of *general corporate exposure*, after paragraph (k)—

**Add**

“(ka) a group 1 cryptoasset exposure or group 2 cryptoasset exposure;”.

**13. Section 52 amended (calculation of risk-weighted amount of exposures)**

- (1) Section 52(3)(a), after “CIS exposure”—

**Add**

“, group 1b cryptoasset exposure”.

- (2) Section 52(3)(b)—

**Repeal**

“and”.

- (3) After section 52(3)(b)—

**Add**

“(ba) the risk-weighted amount of each group 1b cryptoasset exposure must be calculated in accordance with Subdivision 2 of Division 2 of Part 12; and”.

- (4) Section 52(4)(a)(ii)—

**Repeal**

“or (7)”

**Substitute**

“, (7) or (7A)”.

- (5) Section 52(4)(a)(ii)—

**Repeal**

“and”.

- (6) After section 52(4)(a)(ii)—

**Add**

“(iia) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the exposure amount of the default risk exposure by the risk-weight attributable to the exposure determined under Division 3; and”.

- (7) Section 52(4)(b)(i)—

**Repeal**

“and”.

- (8) After section 52(4)(b)(i)—

**Add**

“(ia) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the exposure amount of the default risk exposure by the

risk-weight attributable to the exposure determined under Division 3; and”.

- (9) Section 52(8), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

**14. Section 53 amended (on-balance sheet exposures and off-balance sheet exposures to be covered)**

- (1) Section 53(1)(b)(ii), after “securities,”—

**Add**

“cryptoassets,”.

- (2) Section 53(2)(e)—

**Repeal**

“and”.

- (3) After section 53(2)(e)—

**Add**

“(ea) group 2 cryptoasset exposures; and”.

**15. Section 54 amended (classification of exposures)**

- (1) Section 54(1)(a), after “CIS exposures”—

**Add**

“and group 1b cryptoasset exposures”.

- (2) Section 54(1)(b)—

**Repeal the full stop**

**Substitute a semicolon.**

- (3) After section 54(1)(b)—

**Add**

“(c) group 1b cryptoasset exposures.”.

- (4) After section 54(3)(a)(ix)—

**Add**

“(ixa) group 1a cryptoasset exposures;”.

- (5) After section 54(5)—

**Add**

“(5A) An authorized institution must calculate the risk-weighted amount of each of the exposures falling within subsection (1)(c) in accordance with Subdivision 2 of Division 2 of Part 12.”.

- (6) Section 54(6)—

**Repeal**

“incorporated outside Hong Kong”.

**16. Section 54F amended (further restrictions on use of ECAI ratings)**

Section 54F(3)—

**Repeal the definition of *implicit government support***

**Substitute**

“*implicit government support* (隱性政府支持) means the notion that the government of a jurisdiction would act to prevent creditors of a bank from incurring losses in the event of the bank’s default or distress.”.

**17. Section 59B amended (bank exposures—standardized credit risk assessment approach—assignment of credit assessment grade)**

- (1) Section 59B(7)—



**Repeal the definition of *home jurisdiction***

**Substitute**

“*home jurisdiction* (原屬司法管轄區), in relation to a bank, means—

- (a) if the bank is an authorized institution incorporated in Hong Kong—Hong Kong; or
- (b) in any other case—the jurisdiction of the banking supervisory authority whose capital adequacy standards are applicable to the bank;”.

- (2) Section 59B(7), definition of *relevant supervisor*, paragraph (b)—

**Repeal**

“relevant”.

**18. Section 60 amended (exposures to qualifying non-bank financial institutions)**

Section 60(3)(a)(i)—

**Repeal**

“the regulatory authority in the jurisdiction in which it is incorporated”

**Substitute**

“its regulatory authority”.

**19. Section 65I amended (holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities)**

Section 65I(3)—

**Repeal**

Section 20

---

“not deducted from the institution’s capital base under section 48(1)(g)(i)”

**Substitute**

“neither deducted from the institution’s capital base under section 48(1)(g)(i) nor exempted from risk-weighting under section 48(4)”.

**20. Section 65L amended (items in the process of clearing or settlement)**

Section 65L(3) and (4), after “securities,”—

**Add**

“cryptoassets,”.

**21. Section 65M added**

After section 65L—

**Add**

**“65M. Group 1a cryptoasset exposures**

An authorized institution must determine the risk-weight applicable to a group 1a cryptoasset exposure in accordance with section 365.”.

**22. Section 66 amended (other exposures that are not defaulted exposures)**

Section 66(1)—

**Repeal**

“or 65L”

**Substitute**

“, 65L or 65M”.

**23. Section 68C amended (exposures in respect of assets underlying SFTs)**

(1) Section 68C(2)—

**Repeal**

“securities” (wherever appearing)

**Substitute**

“asset”.

(2) Section 68C—

**Repeal subsections (3) and (4)**

**Substitute**

“(3) If the asset referred to in subsection (2)(a) is a securitization issue, the risk-weight attributable to the asset must be determined in accordance with Part 7.

(4) To avoid doubt—

- (a) subject to paragraphs (b) and (c), if a specified SFT is booked in an authorized institution’s trading book, an exposure of the institution to the asset underlying the specified SFT is an exposure subject to the requirements of Part 8 instead of this Part;
- (b) if the asset underlying a specified SFT booked in an authorized institution’s trading book is a group 1 cryptoasset, an exposure of the institution to the asset is an exposure subject to the requirements of Division 4 of Part 12 instead of this Part; and
- (c) if the asset underlying a specified SFT (whether booked in an authorized institution’s trading book or not) is a group 2 cryptoasset, an exposure of the institution to the asset is an

exposure subject to the requirements of Division 6 of Part 12 instead of this Part.”.

- (3) Section 68C(5), definition of *specified SFT*, paragraph (b)—

**Repeal**

“securities”

**Substitute**

“assets other than money”.

**24. Section 71 amended (calculation of exposure amounts of off-balance sheet exposures)**

- (1) Section 71(2)(b)(ii), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

- (2) Section 71(5), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

**25. Section 77 amended (recognized collateral)**

- (1) Section 77(2)(f)(ii)(C)—

**Repeal**

“and”.

- (2) Section 77(2)(g)(ii)—

**Repeal**

“exposure.”

**Substitute**

“exposure; and”.

- (3) After section 77(2)(g)—

**Add**

- “(h) if the collateral is a group 1a cryptoasset, the volatility in value and the holding period of that cryptoasset under distressed market conditions can be confirmed not to be materially increased compared with those of the traditional asset or pool of traditional assets underlying that cryptoasset.”.

**26. Section 78 amended (approaches to use of recognized collateral)**

- (1) Section 78(1B)(d), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

- (2) Section 78(1C), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

- (3) Section 78(2)—

**Repeal paragraph (a)****Substitute**

- “(a) for exposures that are not defaulted exposures—
- (i) subject to subparagraph (ii), use only the simple approach or only the comprehensive approach to the treatment of recognized collateral; and
  - (ii) if the exposures are default risk exposures in respect of SFTs falling within subsection (1A)(a) where the recognized collateral received by the institution under the SFTs is group 1a cryptoassets, use only the comprehensive approach to the treatment of recognized collateral; and”.

**27. Section 79 amended (collateral which may be recognized under simple approach)**

- (1) Section 79(1)(n)(ii)—

**Repeal**

“paragraph (o); or”

**Substitute**

“paragraph (na) or (o);”.

- (2) After section 79(1)(n)—

**Add**

“(na) group 1a cryptoassets that are tokenised versions of traditional assets that fall within any one or more of the preceding paragraphs; or”.

**28. Section 80 amended (collateral that may be recognized under comprehensive approach)**

- (1) Section 80(1)(b)—

**Repeal**

“or”.

- (2) Section 80(1)(c)(ii)—

**Repeal**

“79(1)(o)).”

**Substitute**

“79(1)(na) or (o); or”.

- (3) After section 80(1)(c)—

**Add**

“(d) group 1a cryptoassets that are tokenised versions of one or more of the following assets—

- (i) traditional assets that fall within section 79(1) (except section 79(1)(na) or (o));
- (ii) traditional assets that fall within paragraph (b) or (c).”.

**29. Section 88 amended (calculation of net credit exposure of off-balance sheet exposures other than default risk exposures in respect of derivative contracts)**

Section 88(1), Formula 3, the entry relating to “H<sub>e</sub>”, paragraph (b)—

**Repeal**

“the securities provided by”

**Substitute**

“the asset provided by”.

**30. Section 90 amended (haircut applicable to a basket of recognized collateral)**

- (1) Section 90, heading, after “applicable to”—

**Add**

“group 1a cryptoasset or”.

- (2) Section 90—

**Renumber the section as section 90(2).**

- (3) Before section 90(2)—

**Add**

“(1) For the purposes of sections 87, 88 and 89, if an exposure or recognized collateral is a group 1a cryptoasset that is a tokenised version of one or more traditional assets—

- (a) when there is only 1 traditional asset, the standard supervisory haircut that applies to the traditional asset also applies to the group 1a cryptoasset; or
- (b) when there is more than one traditional asset and they are subject to standard supervisory haircuts of different values, the standard supervisory haircut applicable to the group 1a cryptoasset is the haircut applicable to the basket of traditional assets, calculated in accordance with subsection (2) without making the adjustment set out in section 92.”.

**31. Section 94 amended (on-balance sheet netting)**

Section 94(1), after “CIS exposures”—

**Add**

“or group 1 cryptoasset exposures”.

**32. Section 99 amended (recognized credit derivative contracts)**

(1) Section 99(1)(i)—

**Repeal**

“the subject contract obliges the protection seller to make payment to the institution in the following credit events”

**Substitute**

“the credit events specified in the subject contract include at least the following”.

(2) Section 99(1)(i)(ii)—

**Repeal**

“events; or”



**Substitute**

“events;”.

**33. Section 105 amended (interpretation of Part 5)**

Section 105, Chinese text, definition of 信貸等值數額—

**Repeal**

“負責”

**Substitute**

“負債”.

**34. Section 106 amended (calculation of risk-weighted amount of exposures)**

(1) Section 106(3)(a)(ii)—

**Repeal**

“or (7)”

**Substitute**

“, (7) or (7A)”.

(2) Section 106(3)(a)(ii)—

**Repeal**

“and”.

(3) After section 106(3)(a)(ii)—

**Add**

“(iia) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the exposure amount of the default risk exposure by the risk-weight attributable to the exposure determined under Division 3; and”.

Section 35

---

- (4) Section 106(3)(b)(i)(B)—

**Repeal**

“and”.

- (5) After section 106(3)(b)(i)—

**Add**

“(ia) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the exposure amount of the default risk exposure by the risk-weight attributable to the exposure determined under Division 3; and”.

- (6) Section 106(6), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

**35. Section 107 amended (on-balance sheet exposures and off-balance sheet exposures to be covered)**

- (1) Section 107(1)(b)(ii), after “securities,”—

**Add**

“cryptoassets,”.

- (2) Section 107(2)(e)—

**Repeal**

“and”.

- (3) After section 107(2)(e)—

**Add**

“(ea) group 2 cryptoasset exposures; and”.

**36. Section 108 amended (classification of exposures)**

- (1) Section 108(2)(a)(i)—

**Repeal**

“or (vii)”

**Substitute**

“, (vii) or (viii)”.

(2) Section 108(2)(a)(vii)—

**Repeal**

“and”.

(3) After section 108(2)(a)(vii)—

**Add**

“(viii) group 1 cryptoasset exposures; and”.

**37. Section 113 amended (bank exposures)**

(1) Section 113(1)(a)(ii), after “incorporated”—

**Add**

“or otherwise re-domiciled”.

(2) Section 113(1)(a)(iii) and (b), after “incorporated”—

**Add**

“or otherwise re-domiciled”.

**38. Section 114A amended (items in the process of clearing or settlement)**

Section 114A(3) and (4), after “securities,”—

**Add**

“cryptoassets,”.

**39. Section 114B added**

Part 5, Division 3, Subdivision 2, after section 114A—

**Add**

**“114B. Group 1 cryptoasset exposures**

An authorized institution must determine the risk-weight applicable to a group 1 cryptoasset exposure in accordance with Subdivision 3 of Division 2 of Part 12.”.

**40. Section 115G amended (holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities)**

Section 115G(3)—

**Repeal**

“not deducted from the institution’s capital base under section 48(1)(g)(i)”

**Substitute**

“neither deducted from the institution’s capital base under section 48(1)(g)(i) nor exempted from risk-weighting under section 48(4)”.

**41. Section 117C amended (exposures in respect of assets underlying SFTs)**

(1) Section 117C(2)—

**Repeal**

“securities” (wherever appearing)

**Substitute**

“asset”.

(2) Section 117C—

**Repeal subsections (3) and (4)****Substitute**

“(3) If the asset referred to in subsection (2)(a) is a securitization issue, the risk-weight attributable to the asset must be determined in accordance with Part 7.

- (4) To avoid doubt—
- (a) subject to paragraphs (b) and (c), if a specified SFT is booked in an authorized institution's trading book, an exposure of the institution to the asset underlying the specified SFT is an exposure subject to the requirements of Part 8 instead of this Part;
  - (b) if the asset underlying a specified SFT booked in an authorized institution's trading book is a group 1 cryptoasset, an exposure of the institution to the asset is an exposure subject to the requirements of Division 4 of Part 12 instead of this Part; and
  - (c) if the asset underlying a specified SFT (whether booked in an authorized institution's trading book or not) is a group 2 cryptoasset, an exposure of the institution to the asset is an exposure subject to the requirements of Division 6 of Part 12 instead of this Part.”.
- (3) Section 117C(5), definition of *specified SFT*, paragraph (b)—

**Repeal**

“securities”

**Substitute**

“assets other than money”.

**42. Section 118 amended (calculation of exposure amounts of off-balance sheet exposures)**

- (1) Section 118(2)(b)(ii), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

Section 43

---

- (2) Section 118(3), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

**43. Section 125 amended (collateral which may be recognized for purposes of section 124(h))**

- (1) Section 125(1)(i)(ii), after “incorporated”—

**Add**

“or otherwise re-domiciled”.

- (2) After section 125(2)—

**Add**

“(3) All cryptoassets, including those that are tokenised versions of the assets falling within subsection (1), are not recognized for the purposes of section 124(h).”.

**44. Section 126 amended (calculation of risk-weighted amount of exposures taking into account credit risk mitigating effect of recognized collateral)**

- (1) Section 126(1B)(d), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

- (2) Section 126(1C), after “Part 6A”—

**Add**

“or Division 3 of Part 12”.

**45. Section 130 amended (on-balance sheet netting)**

Section 130(1), after “CIS exposures”—

**Add**

“or group 1 cryptoasset exposures”.

**46. Section 133 amended (recognized credit derivative contracts)**

(1) Section 133(1)(l)—

**Repeal**

“the subject contract obliges the protection seller to make payment to the institution in the following credit events”

**Substitute**

“the credit events specified in the subject contract include at least the following”.

(2) Section 133(1)(l)(ii)—

**Repeal**

“events; or”

**Substitute**

“events;”.

**47. Section 138 substituted**

Section 138—

**Repeal the section**

**Substitute**

**“138. Application of Part 6**

(1) This Part applies to an authorized institution that is permitted by these Rules to use the IRB approach to determine the risk-weight or the risk-weighted amount of a non-securitization exposure.

- (2) A reference in this Part to an authorized institution is a reference to an authorized institution that is permitted by these Rules to use the IRB approach to determine the risk-weight or the risk-weighted amount of a non-securitization exposure.”.

**48. Section 139 amended (interpretation of Part 6)**

- (1) Section 139(1), definition of *cash items*, paragraphs (g), (h) and (i), after “securities,”—

**Add**

“cryptoassets,”.

- (2) Section 139(1), definition of *cash items*, paragraph (j)—

**Repeal**

“or transactions in foreign exchange or commodities,”

**Substitute**

“cryptoassets, foreign exchange or commodities”.

- (3) Section 139(1), definition of *financial institution treated as corporate*—

**Repeal**

“(other than a bank) that is not a qualifying non-bank financial institution”

**Substitute**

“to which an exposure does not otherwise fall within the IRB class of bank exposures or sovereign exposures”.

- (4) Section 139(1), definition of *recognized collateral*—

**Repeal everything after paragraph (b)(i)**

**Substitute**



“(ii) which satisfy the requirements under section 77(2), but does not include group 1b cryptoassets or group 2 cryptoassets;”.

- (5) Section 139(1), definition of *recognized financial collateral*, paragraph (a)(i)—

**Repeal**

“or (c)”

**Substitute**

“, (c) or (d)”.

- (6) Section 139(1), definition of *recognized IRB collateral*, paragraph (b)—

**Repeal**

“requires; or”

**Substitute**

“requires;”.

- (7) Section 139(1), definition of *recognized IRB collateral*, paragraph (c), after “requires;”—

**Add**

“or”.

- (8) Section 139(1), definition of *recognized IRB collateral*, after paragraph (c)—

**Add**

“(d) group 1a cryptoassets that are tokenised versions of one or more of the traditional assets that fall within paragraph (a), (b) or (c);”.

**49. Section 140 amended (calculation of risk-weighted amount of exposures)**

- (1) Section 140(1) and (1A), after “(1BA)—

**Add**

“, (1BB)”.

- (2) After section 140(1BA)—

**Add**

“(1BB) For a group 1b cryptoasset exposure, the authorized institution must calculate the risk-weighted amount of the exposure in accordance with Subdivision 4 of Division 2 of Part 12.”.

- (3) Section 140(1C)(a)(i)—

**Repeal**

“and”.

- (4) Section 140(1C)(a)(ii)—

**Repeal**

“or (7)”

**Substitute**

“, (7) or (7A)”.

- (5) After section 140(1C)(a)(ii)—

**Add**

“(iia) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the EAD of the default risk exposure by the risk-weight attributable to the exposure determined under Division 4; and”.

- (6) Section 140(1C)—

**Repeal paragraph (c)****Substitute**

- “(c) the authorized institution must, if it does not have an IMM(CCR) approval for any of its transactions or contracts, calculate the risk-weighted amount of the counterparty credit risk exposure as the sum of—
- (i) the sum of the SA-CCR risk-weighted amounts calculated for the contracts;
  - (ii) the SFT risk-weighted amount; and
  - (iii) the risk-weighted amount of the default risk exposure in respect of group 2b cryptoasset derivative contracts is the amount calculated by multiplying the EAD of the default risk exposure by the risk-weight attributable to the exposure determined under Division 4.”.

**50. Section 141 amended (exposures to be covered)**

- (1) Section 141(1)(b)(ii), after “securities,”—

**Add**

“cryptoassets,”.

- (2) Section 141(2)(f)—

**Repeal**

“and”.

- (3) After section 141(2)(f)—

**Add**

“(fa) group 2 cryptoasset exposures; and”.

**51. Section 147 amended (IRB calculation approaches)**

Section 147(3A)(a) and (3B)—

**Repeal**

“satisfy the requirements set out in section 143(3A)(a) or (b)”

**Substitute**

“fall within the IRB subclass of large corporates under section 143(3A)”.

**52. Section 156 amended (calculation of risk-weighted amount of corporate, sovereign and bank exposures)**

Section 156(1)—

**Repeal**

“An authorized institution shall,”

**Substitute**

“Subject to section 202B, an authorized institution must,”.

**53. Section 158 amended (provisions supplementary to section 156—risk-weights for specialized lending)**

Section 158(2)—

**Repeal paragraph (c)****Substitute**

“(c) map the internal grades assigned to specialized lending referred to in paragraph (b) to one of the 5 supervisory rating grades of “strong”, “good”, “satisfactory”, “weak” and “default” set out in Table 18 or 18A, whichever is applicable—

- (i) on the basis of the criteria specified in paragraphs CRE33.13 to CRE33.16 in Chapter CRE33 of the current Basel Framework; and
- (ii) by reference to, where applicable, the credit quality grades for specialized lending specified in a table made by the Monetary Authority under section 4B(2) that provides how each

credit quality grade maps to each supervisory rating grade;”.

**54. Section 161 amended (loss given default under advanced IRB approach)**

Section 161(1B), Chinese text—

**Repeal**

“對該認可抵押品對收回的影響構建模式”

**Substitute**

“模擬該認可抵押品對收回的影響”.

**55. Section 165 amended (exposure at default under foundation IRB approach or advanced IRB approach—default risk exposures in respect of derivative contracts)**

Section 165—

**Repeal**

“by using the SA-CCR approach or the IMM(CCR) approach, as the case requires”

**Substitute**

“in accordance with these Rules”.

**56. Section 176 amended (calculation of risk-weighted amount of retail exposures)**

Section 176(1)—

**Repeal**

“An authorized institution shall,”

**Substitute**

“Subject to section 202B, an authorized institution must,”.

**57. Section 183 amended (CIS exposure constituting deductible holding)**

After section 183(2)—

**Add**

“(2A) For the purposes of subsection (2), the EAD of the deductible holding means  $PCIS_{\text{exposure}}$  referred to in Formula 23L in section 226ZI.”.

**58. Section 200 amended (requirements for authorized institution using top-down approach to estimate probability of default, etc. of purchased receivables for default risk or dilution risk)**

Section 200(d)—

**Repeal**

“consolidated Basel Framework launched by the Basel Committee as amended or supplemented from time to time”

**Substitute**

“current Basel Framework”.

**59. Section 202 amended (securities financing transactions)**

(1) Section 202(1) and (3)—

**Repeal**

“Where”

**Substitute**

“Subject to subsection (5), where”.

(2) After section 202(3)—

**Add**

“(3A) An authorized institution must only use the methods set out in Division 2B of Part 6A, as modified by

section 378, to calculate its default risk exposures in respect of SFTs under which group 1 cryptoassets or group 2 cryptoassets are received by the institution or its counterparty as collateral and calculate the risk-weighted amount of its exposures to the asset underlying the SFTs in accordance with subsections (4) and (5) and section 68C.”.

(3) Section 202—

**Repeal subsection (5)**

**Substitute**

“(5) To avoid doubt—

- (a) subject to paragraphs (b) and (c), if a specified SFT (as defined by section 68C(5)) is booked in an authorized institution’s trading book, an exposure of the institution to the asset underlying the specified SFT is an exposure subject to the requirements of Part 8 instead of this Part;
- (b) if the asset underlying a specified SFT booked in an authorized institution’s trading book is a group 1 cryptoasset, an exposure of the institution to the asset is an exposure subject to the requirements of Division 4 of Part 12 instead of this Part; and
- (c) if the asset underlying a specified SFT (whether booked in an authorized institution’s trading book or not) is a group 2 cryptoasset, an exposure of the institution to the asset is an exposure subject to the requirements of Division 6 of Part 12 instead of this Part.”.

**60. Section 202C amended (capital instruments issued by, and non-capital LAC liabilities of, financial sector entities)**

Section 202C(3)—

**Repeal**

“not deducted from the institution’s capital base”

**Substitute**

“neither deducted from the institution’s capital base under section 48(1)(g)(i) nor exempted from risk-weighting under section 48(4)”.

**61. Section 220 amended (calculation of expected losses and eligible provisions for corporate, sovereign, bank and retail exposures)**

(1) Section 220(1)(a), English text—

**Repeal**

“shall”

**Substitute**

“must”.

(2) Section 220(1), English text—

**Repeal paragraph (b)**

**Substitute**

“(b) must, if the total EL amount exceeds the total eligible provisions, deduct the difference from the institution’s CET1 capital in accordance with section 43(1)(i); and”.

(3) Section 220(1)(c), English text—

**Repeal**

“if the total EL amount is less than the total eligible provisions, may, in accordance with section 42(3)(c)”



**Substitute**

“may, if the total EL amount is less than the total eligible provisions, in accordance with section 42(3)(c)”.

- (4) Section 220(2)(a), English text—

**Repeal**

“shall”

**Substitute**

“must”.

- (5) Section 220(2)(b)—

**Repeal**

“subject to paragraph (c), shall”

**Substitute**

“must, if it uses the advanced IRB approach or the retail IRB approach,”.

- (6) Section 220(2)—

**Repeal paragraph (c)****Substitute**

“(c) must, if it uses the foundation IRB approach, use the supervisory estimate for the LGD as EL for each of its corporate, sovereign and bank exposures which are in default.”.

- (7) Section 220(3), English text—

**Repeal**

“shall”

**Substitute**

“must ”.

- (8) Section 220(4), English text—

**Repeal**

“shall,”

**Substitute**

“must,”.

**62. Section 226A amended (interpretation of Part 6A)**

Section 226A—

**Add in alphabetical order**

***“group 1a cryptoasset derivative contract*** (第 1a 組加密資產衍生工具合約) means a derivative contract the value of which is determined by reference to the value of, or any fluctuation in the value of, one or more group 1a cryptoassets, except such a contract that is priced in units of a group 2b cryptoasset;

***group 1b cryptoasset derivative contract*** (第 1b 組加密資產衍生工具合約) means a derivative contract the value of which is determined by reference to the value of, or any fluctuation in the value of, one or more group 1b cryptoassets, except such a contract that is priced in units of a group 2b cryptoasset;

***group 2a cryptoasset derivative contract*** (第 2a 組加密資產衍生工具合約) means a derivative contract the value of which is determined by reference to the value of, or any fluctuation in the value of, one or more group 2a cryptoassets, except such a contract that is priced in units of a group 2b cryptoasset;

***group 2b cryptoasset derivative contract*** (第 2b 組加密資產衍生工具合約) means a derivative contract—

- (a) the value of which is determined by reference to the value of, or any fluctuation in the value of, one or more group 2b cryptoassets; or

(b) that is priced in units of a group 2b cryptoasset;”.

**63. Section 226BA amended (interpretation of Division 1A)**

Section 226BA, definition of *hedging set*, after “226BN,”—

**Add**

“226BNA,”.

**64. Section 226BB amended (application of Division 1A)**

(1) Section 226BB—

**Renumber the section as section 226BB(1).**

(2) Section 226BB(1), after “contracts”—

**Add**

“(including group 2a cryptoasset derivative contracts)”.

(3) After section 226BB(1)—

**Add**

“(2) This Division applies to group 1a cryptoasset derivative contracts or group 1b cryptoasset derivative contracts as it applies to any other derivative contracts on traditional assets except that in determining the asset class to which a group 1a cryptoasset derivative contract or group 1b cryptoasset derivative contract belongs, an authorized institution must—

(a) identify the type of traditional asset underlying the group 1a cryptoasset or group 1b cryptoasset concerned; and

(b) treat the group 1a cryptoasset derivative contract or group 1b cryptoasset derivative

contract as if it were a derivative contract on that traditional asset.

- (3) This Division does not apply to group 2b cryptoasset derivative contracts.”.

**65. Section 226BJ amended (calculation of haircut value of net collateral held)**

Section 226BJ(5)(a)(i)—

**Repeal**

“or (c)”

**Substitute**

“, (c) or (d)”.

**66. Section 226BK amended (authorized institution to hold regulatory capital for credit risk or market risk of posted collateral)**

Section 226BK—

**Repeal**

“or 8”

**Substitute**

“, 8 or 12”.

**67. Section 226BL amended (classification of derivative contracts into asset classes)**

(1) Section 226BL(1)—

**Repeal**

“5”

**Substitute**

“6”.

(2) After section 226BL(1)(b)—

**Add**

“(ba) group 2a cryptoasset derivative contracts;”.

**68. Section 226BNA added**

After section 226BN—

**Add**

**“226BNA. Further classification of derivative contracts in asset class of group 2a cryptoasset derivative contracts**

All derivative contracts in a netting set that fall within the asset class of group 2a cryptoasset derivative contracts must be further classified into different hedging sets as follows—

- (a) volatility transactions referencing the same group 2a cryptoasset—fiat currency pair must be grouped together to form a hedging set;
- (b) volatility transactions referencing the same group 2a cryptoasset—group 2a cryptoasset pair must be grouped together to form a hedging set;
- (c) contracts (other than volatility transactions) referencing the same group 2a cryptoasset—fiat currency pair must be grouped together to form a hedging set;
- (d) contracts (other than volatility transactions) referencing the same group 2a cryptoasset—group 2a cryptoasset pair must be grouped together to form a hedging set.”.

**69. Section 226BT amended (calculation of add-on for derivative contracts in same asset class)**

(1) Section 226BT(2), after “exchange rate contracts”—

**Add**

“, group 2a cryptoasset derivative contracts”.

(2) Section 226BT(2), Formula 23AP, after “226BV”—

**Add**

“, 226BVA”.

**70. Section 226BVA added**

After section 226BV—

**Add**

**“226BVA. Calculation of add-on for hedging sets in asset class of group 2a cryptoasset derivative contracts**

An authorized institution must calculate the add-on for a hedging set in the asset class of group 2a cryptoasset derivative contracts by using Formula 23AUA.

**Formula 23AUA**

$$\text{AddOn}_j^{(\text{crypto})} = \text{SF}^{(\text{crypto})} \cdot \left| \text{Effective Notional}_j^{(\text{crypto})} \right|$$

where—

- (a)  $\text{AddOn}_j^{(\text{crypto})}$  is the add-on for hedging set  $j$  in the asset class of group 2a cryptoasset derivative contracts;

## Section 71

- (b)  $SF^{(crypto)}$  is the supervisory factor for the asset class of group 2a cryptoasset derivative contracts, which is equal to 32%, subject to adjustments set out in section 226BZ; and
- (c)  $Effective\ Notional_j^{(crypto)}$  is the effective notional amount for hedging set j calculated in accordance with section 226BZA(3).”.

**71. Section 226BZA amended (calculation of effective notional amount for hedging sets etc.)**

Section 226BZA(3), after “rate contracts”—

## Add

“or group 2a cryptoasset derivative contracts”.

**72. Section 226BZB amended (supervisory delta adjustment applicable to derivative contracts)**

Section 226BZB(3), Table 23AG, after the entry relating to Exchange rate contracts—

## Add

“Group 2a cryptoasset derivative contracts - 120”.

**73. Section 226BZC amended (calculation of adjusted notional of derivative contracts)**

- (1) Section 226BZC(1)(b)(ii)—

## Repeal

“and”.

- (2) After section 226BZC(1)(b)—

**Add**

- “(ba) the adjusted notional of a derivative contract falling within the asset class of group 2a cryptoasset derivative contracts is—
- (i) if the group 2a cryptoasset underlying the contract is priced in Hong Kong dollars, the notional amount of the group 2a cryptoasset expressed in Hong Kong dollars;
  - (ii) if the group 2a cryptoasset underlying the contract is priced in a fiat currency other than Hong Kong dollars, the notional amount of the group 2a cryptoasset converted to Hong Kong dollars at the current market spot exchange rate; or
  - (iii) if the group 2a cryptoasset underlying the contract (*first cryptoasset*) is priced in another group 2a cryptoasset (*second cryptoasset*), the larger of—
    - (A) the notional amount of the first cryptoasset determined under subparagraph (i) or (ii), as the case requires; or
    - (B) the notional amount of the second cryptoasset determined under subparagraph (i) or (ii), as the case requires; and”.
- (3) After section 226BZC(1)—

**Add**

- “(1A) For the purposes of subsection (1)(ba)(iii), if the pair of a group 2a cryptoasset and Hong Kong dollars is not liquidly traded, an authorized institution must—



## Section 74

- (a) by reference to the pair of the group 2a cryptoasset and fiat currency that is the most liquid, calculate the notional amount of the group 2a cryptoasset expressed in that fiat currency; and
- (b) convert the notional amount calculated under paragraph (a) to Hong Kong dollars at the current market spot exchange rate.”.

**74. Section 226C amended (application of Division 2)**

After section 226C(2)—

**Add**

- “(3) This Division applies to group 1a cryptoasset derivative contracts or group 1b cryptoasset derivative contracts as it applies to any other derivative contracts on traditional assets except that in determining the market factors and other model parameters relevant to a group 1a cryptoasset derivative contract or group 1b cryptoasset derivative contract, an authorized institution must take into consideration the type of traditional asset underlying the cryptoasset concerned.
- (4) This Division does not apply to group 2a cryptoasset derivative contracts or group 2b cryptoasset derivative contracts.”.

**75. Section 226H amended (calculation of EE)**

Section 226H(3)(a)—

**Repeal**

“or (c)”

**Substitute**

“, (c) or (d)”.

**76. Section 226K amended (treatments for margin agreements)**

Section 226K(7)—

**Repeal**

“or 8”

**Substitute**

“, 8 or 12”.

**77. Section 226MA amended (application of Division 2A)**

(1) Section 226MA—

**Renumber the section as section 226MA(1).**

(2) Section 226MA(1), after “contracts”—

**Add**

“(including group 2a cryptoasset derivative contracts)”.

(3) After section 226MA(1)—

**Add**

“(2) This Division applies to group 1a cryptoasset derivative contracts or group 1b cryptoasset derivative contracts as it applies to any other derivative contracts on traditional assets except that in determining the type of derivative contract to which a group 1a cryptoasset derivative contract or group 1b cryptoasset derivative contract belongs for the purposes of sections 226MD and 226ME, an authorized institution must—

(a) identify the type of traditional asset underlying the group 1a cryptoasset or group 1b cryptoasset concerned; and

- (b) treat the group 1a cryptoasset derivative contract or group 1b cryptoasset derivative contract as if it were a derivative contract on that traditional asset.
- (3) This Division does not apply to group 2b cryptoasset derivative contracts.”.

**78. Section 226MD amended (calculation of potential future exposure of derivative contract)**

Section 226MD(1), Table 23AI, after item 8—

**Add**

“8A. Group 2a cryptoasset derivative contract 32%”.

**79. Section 226ME amended (notional amount of certain types of derivative contracts)**

- (1) Section 226ME(1)(a)(ii)—

**Repeal**

“and”.

- (2) After section 226ME(1)(a)—

**Add**

- “(ab) the notional amount of a group 2a cryptoasset derivative contract is—
- (i) if the group 2a cryptoasset underlying the contract is priced in Hong Kong dollars, the notional amount of the group 2a cryptoasset expressed in Hong Kong dollars;
  - (ii) if the group 2a cryptoasset underlying the contract is priced in a fiat currency other than Hong Kong dollars, the notional amount of the

group 2a cryptoasset converted to Hong Kong dollars at the current market spot exchange rate; or

(iii) if the group 2a cryptoasset underlying the contract (*first cryptoasset*) is priced in another group 2a cryptoasset (*second cryptoasset*), the larger of—

(A) the notional amount of the first cryptoasset determined under subparagraph (i) or (ii), as the case requires; or

(B) the notional amount of the second cryptoasset determined under subparagraph (i) or (ii), as the case requires; and”.

(3) After section 226ME(1)—

**Add**

“(1A) For the purposes of subsection (1)(ab)(iii), if the pair of a group 2a cryptoasset and Hong Kong dollars is not liquidly traded, an authorized institution must—

(a) by reference to the pair of the group 2a cryptoasset and fiat currency that is the most liquid, calculate the notional amount of the group 2a cryptoasset expressed in that fiat currency; and

(b) convert the notional amount calculated under paragraph (a) to Hong Kong dollars at the current market spot exchange rate.”.

**80. Section 226MF amended (authorized institution to hold regulatory capital for credit risk or market risk of posted collateral)**

Section 226MF—

**Repeal**

“or 8”

**Substitute**

“, 8 or 12”.

**81. Section 226MJ amended (calculation of default risk exposure in respect of SFTs that are not nettable)**

(1) Section 226MJ(2)—

**Repeal**

“securities and money provided by it to a counterparty under an SFT as if they were a loan to the counterparty secured on the money and securities”

**Substitute**

“assets and money provided by it to a counterparty under an SFT as if they were a loan to the counterparty secured on the money and assets”.

(2) Section 226MJ(3)—

**Repeal**

“principal amount of the securities and the money”

**Substitute**

“total principal amount of the assets and money”.

**82. Section 226MK amended (calculation of default risk exposure in respect of nettable SFTs)**

(1) Section 226MK(3), Formula 23EB, paragraphs (b), (c), (d) and (e)(i) and (ii)—

**Repeal**

“security”

**Substitute**

“asset”.

- (2) Section 226MK(3), Formula 23EB, paragraph (f)—

**Repeal**

“securities”

**Substitute**

“assets”.

- (3) Section 226MK(4)(b)—

**Repeal**

“security s”

**Substitute**

“asset s”.

- (4) Section 226MK(5)(b)—

**Repeal subparagraph (ii)**

**Substitute**

- “(ii) all the assets received by the institution under all those SFTs are recognized collateral (within the meaning of section 51(1)) falling within section 79(1) (excluding section 79(1)(o)) or 80(1)(b), (c) or (d).”.

**83. Section 226MM amended (supplementary provisions to sections 226MK and 226ML)**

- (1) Section 226MM—

**Repeal**

“securities received by”

**Substitute**

“assets received by”.

- (2) Section 226MM(a)—

**Repeal**

“securities”

**Substitute**

“assets”.

(3) Section 226MM(a)—

**Repeal**

“or (c)”

**Substitute**

“, (c) or (d)”.

(4) Section 226MM—

**Repeal paragraph (b)**

**Substitute**

“(b) for SFTs booked in the institution’s trading book—

(i) the assets are recognized collateral (within the meaning of section 51(1)) falling within section 79(1) (excluding section 79(1)(o)) or 80(1)(b), (c) or (d); or

(ii) if the assets do not fall within subparagraph (i), the assets are securities that meet both of the following conditions—

(A) they are eligible to be included in the trading book;

(B) they are provided to the institution under arrangements that meet all the criteria specified in section 77(2) and (4)(b).”.

#### **84. Section 226U amended (application of Division 4)**

Section 226U(2)(b)—

**Repeal subparagraph (i)**

**Substitute**

- “(i) cash transactions in securities or cryptoassets (other than repo-style transactions);
- (ia) cash transactions in foreign exchange or commodities; or”.

**85. Section 226Z amended (exposures of clearing members to direct clients)**

Section 226Z(1), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.

**86. Section 226ZA amended (exposures of direct clients to clearing members)**

(1) Section 226ZA(1)(b)—

**Repeal**

“financial”

**Substitute**

“clearing”.

(2) Section 226ZA(1), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.

**87. Section 226ZB amended (exposures of direct clients to CCPs)**

Section 226ZB(1), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.



**88. Section 226ZBA amended (exposure of authorized institution to higher level client or lower level client within multi-level client structure)**

Section 226ZBA(1), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.

**89. Section 226ZE amended (treatment of posted collateral)**

(1) Section 226ZE(6A)(b), after “2B”—

**Add**

“or Division 3 of Part 12”.

(2) Section 226ZE(7)(a)(ii)—

**Repeal**

“or section 226V(2)(a)”

**Substitute**

“, section 226V(2)(a) or Division 3 of Part 12”.

(3) Section 226ZE(7)(b)—

**Repeal**

“or 8”

**Substitute**

“, 8 or 12”.

**90. Section 226ZI amended (calculation of risk-weighted amount of CIS exposure)**

(1) After section 226ZI(3)—

**Add**

- “(3A) If an authorized institution uses any approach other than the third-party approach or the fall-back approach to calculate the risk-weighted amount of a Level 1 CIS’s underlying exposures and some of those underlying exposures are group 2 cryptoasset exposures, the risk-weighted amount of a CIS exposure to the Level 1 CIS must be calculated by—
- (a) splitting the CIS exposure into two portions, with one portion representing an indirect exposure to the group 2 cryptoasset exposures held by the Level 1 CIS (*portion A*) and the other portion representing an indirect exposure to the other underlying exposures (*portion B*) of the Level 1 CIS;
  - (b) applying section 361 and Divisions 6 and 7 of Part 12 to portion A as if portion A were a standalone group 2 cryptoasset exposure; and
  - (c) applying this Part to portion B as if portion B were a standalone CIS exposure.”.
- (2) Section 226ZI—

**Repeal subsection (4)**

**Substitute**

- “(4) For the purposes of subsection (3A), group 2 cryptoasset exposures held by a Level 1 CIS include the Level 1 CIS’s proportional share of any group 2 cryptoasset exposure held by any of the following collective investment schemes—
- (a) a Level 2 CIS to which the Level 1 CIS has a CIS exposure;

- (b) a Level  $n+1$  CIS (where  $n$  is an integer equal to or greater than 2) to which the Level 1 CIS has an indirect CIS exposure.
- (5) To avoid doubt, if any part of an authorized institution's CIS exposure to a Level 1 CIS—
  - (a) constitutes one or more than one deductible holding of the institution; or
  - (b) is treated as if it were a standalone group 2 cryptoasset exposure under subsection (3A)(b), the institution is only required to calculate a risk-weighted amount in accordance with this Division for that part of the CIS exposure that does not constitute any deductible holding of the institution or that falls within subsection (3A)(c).”.

**91. Section 226ZN amended (TPA conditions)**

- (1) Section 226ZN(2)(b)(ii)—

**Repeal**

“, 70A); and”

**Substitute**

“and 70A);”.

- (2) Section 226ZN(2)(b)(iii)—

**Repeal**

“they relate to an STC AI.”

**Substitute**

“those Parts relate to an STC AI; and”.

- (3) After section 226ZN(2)(b)(iii)—

**Add**

“(iv) Part 12 (other than sections 380, 387 and 388), in so far as that Part relates to an STC AI.”.

**92. Section 226ZO amended (look-through approach: calculation of risk-weighted amount of underlying exposures)**

(1) Section 226ZO(2)(a)—

**Repeal**

“226ZU and 226ZX”

**Substitute**

“226ZU, 226ZX and 226ZY”.

(2) Section 226ZO(2)(b)—

**Repeal**

“226ZW and 226ZX”

**Substitute**

“226ZW, 226ZX and 226ZY”.

(3) Section 226ZO(4), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.

**93. Section 226ZQ amended (mandate-based approach: general requirements)**

(1) Section 226ZQ(4)(a)(i)—

**Repeal**

“and Parts 4 and 7”

**Substitute**

“, Parts 4 and 7 and Division 6 of Part 12”.

(2) Section 226ZQ(4)(a)(ii)—

**Repeal**

“and Parts 5 and 7”

**Substitute**

“, Parts 5 and 7 and Division 6 of Part 12”.

- (3) Section 226ZQ(6)—

**Repeal paragraphs (a) and (b)**

**Substitute**

- “(a) subject to paragraph (c), if the institution is an STC AI, an exempted IRB AI or an IRB AI—the SA-CCR approach;
- (b) subject to paragraph (c), if the institution is a BSC AI—the SA-CCR approach or current exposure method; or
- (c) if the derivative contracts are group 2b cryptoasset derivative contracts—the method set out in Division 3 of Part 12.”.
- (4) After section 226ZQ(9)—

**Add**

- “(10) For the purposes of subsection (6)(c), if the replacement cost of a netting set that contains group 2b cryptoasset derivative contracts is unknown, the sum of the notional amounts of the derivative contracts in the netting set must be regarded as the replacement cost of the netting set.”.

**94. Section 226ZR amended (mandate-based approach: calculation of risk-weighted amounts of underlying exposures)**

- (1) Section 226ZR(2)(a)—

**Repeal**

“226ZU and 226ZX”

**Substitute**

Section 95

---

“226ZU, 226ZX and 226ZY”.

- (2) Section 226ZR(2)(b)—

**Repeal**

“226ZW and 226ZX”

**Substitute**

“226ZW, 226ZX and 226ZY”.

- (3) Section 226ZR(4), after “Part 8A”—

**Add**

“and Division 7 of Part 12”.

**95. Section 226ZU amended (calculation of risk-weighted amounts of CIS exposures held by Level 1 CIS)**

Section 226ZU—

**Repeal subsection (4)**

**Substitute**

- “(4) If there is any regulatory deductible item or group 2 cryptoasset exposure held by the Level 2 CIS, the application of Divisions 2 and 4 under subsection (3) is subject to modification by section 226ZX or 226ZY, as the case requires.”.

**96. Section 226ZV amended (calculation of risk-weighted amounts of CIS exposures held by Level 2 CIS onwards)**

Section 226ZV(3)—

**Repeal paragraph (b)**

**Substitute**

- “(b) if there is any regulatory deductible item or group 2 cryptoasset exposure held by the Level n+1 CIS—in accordance with sections 226ZI, 226ZJ(2) and 226ZO

as modified by section 226ZX or 226ZY, as the case requires.”.

**97. Section 226ZY added**

Part 6B, Division 6, after section 226ZX—

**Add**

**“226ZY. Treatment of group 2 cryptoasset exposures held by Level 1 CIS onwards**

- (1) This section applies to a Level  $n+1$  CIS (where  $n$  is an integer  $\geq 1$ ) to which a Level 1 CIS holds a CIS exposure or an indirect CIS exposure if—
  - (a) the underlying exposures of the Level  $n+1$  CIS consist of group 2 cryptoasset exposures; and
  - (b) the risk-weighted amount of the underlying exposures of the Level  $n+1$  CIS is calculated by using an approach other than the third-party approach or the fall-back approach.
- (2) For the purpose of calculating the Level 1 CIS’s proportional share of the group 2 cryptoasset exposures held by a Level  $n+1$  CIS—
  - (a) subsection (3) applies if  $n$  is equal to 1; or
  - (b) subsection (4) applies if  $n$  is greater than 1.
- (3) An authorized institution must—
  - (a) split the CIS exposure to the Level 2 CIS held by the Level 1 CIS into two portions, with one portion representing the Level 1 CIS’s indirect exposure to the group 2 cryptoasset exposures held by the Level 2 CIS (*portion A*) and the other portion representing the Level 1 CIS’s

- indirect exposure to the other underlying exposures (*portion B*) of the Level 2 CIS;
- (b) treat portion A as if it were a group 2 cryptoasset exposure held by the Level 1 CIS for the purpose of section 226ZI(3A); and
  - (c) apply this Part to portion B as if portion B were a standalone CIS exposure.
- (4) An authorized institution must—
- (a) split the CIS exposure to the Level n+1 CIS held by the Level n CIS into two portions, with one portion representing the Level n CIS's indirect exposure to the group 2 cryptoasset exposures held by the Level n+1 CIS (*portion X*) and the other portion representing the Level n CIS's indirect exposure to the other underlying exposures (*portion Y*) of the Level n+1 CIS;
  - (b) treat portion X as if it were a group 2 cryptoasset exposure held by the Level n CIS for the purpose of subsection (3)(a) when n is equal to 2 or for the purpose of splitting a CIS exposure to the Level n CIS in accordance with this subsection when n is greater than 2; and
  - (c) apply this Part to portion Y as if portion Y were a standalone CIS exposure.”.

**98. Section 280B amended (interpretation of Division 11)**

Section 280B(2)—

**Repeal**

“a locally incorporated authorized institution”

**Substitute**

“an authorized institution incorporated in Hong Kong”.



**99. Section 281 amended (interpretation of Part 8 and Schedule 3)**

Section 281, English text, definition of *sensitivities-based method*—

**Repeal**

“SMB”

**Substitute**

“SBM”.

**100. Part 8, Division 14 added**

Part 8, after Division 13—

**Add**

**“Division 14—Calculation of Market Risk Capital Charge for Cryptoasset Exposures**

**322HA. Calculation of market risk capital charge or risk-weighted amount for market risk for cryptoasset exposures**

An authorized institution must comply with the following, as the case requires, to calculate its market risk capital charge or risk-weighted amount for market risk, as the case requires, for cryptoasset exposures—

- (a) Divisions 1A, 1B, 1C, 1D, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 13; and
- (b) sections 379, 380, 381, 382 and 383.”.

**101. Section 322J amended (transactions and contracts to be covered)**

Section 322J(1)(a)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

**102. Part 8A, Division 6 added**

Part 8A, after Division 5—

**Add****“Division 6—Calculation of CVA Risk Capital Charge for Cryptoasset Exposures****322V. Calculation of CVA risk capital charge for cryptoasset exposures**

An authorized institution must comply with the following, as the case requires, to calculate its CVA risk capital charge for cryptoasset exposures—

- (a) Divisions 2, 3 and 4; and
- (b) Division 7 of Part 12.”.

**103. Section 356 amended (calculation of output floor)**

(1) Section 356—

**Repeal subsection (2)****Substitute**

“(2) An authorized institution must arrive at the relevant amount for the purposes of subsection (1) by—

- (a) calculating its risk-weighted amount for credit risk by—
  - (i) subject to subsections (3), (4), (5) and (6), using the STC approach for non-securitization exposures (other than those

- exposures falling within subparagraphs (iii), (iv), (v), (vi) and (vii));
- (ii) using the SEC-ERBA (except the use of internal assessment approach), SEC-SA or SEC-FBA, as determined in accordance with section 15(2), (2A), (3) and (4), for securitization exposures;
  - (iii) including the risk-weighted amounts for the exposures that fall within section 53(2)(c), (d) and (e) calculated in accordance with Division 4 of Part 6A;
  - (iv) including the risk-weighted amount referred to in section 376 or 384 in respect of group 1b cryptoasset exposures assigned to the trading book or group 2a cryptoasset exposures that relate to group 2a cryptoassets that are stablecoins, calculated in accordance with Part 4 or Subdivision 2 of Division 2 of Part 12;
  - (v) including the infrastructure risk add-on for group 1 cryptoasset exposures assigned to the banking book specified by the Monetary Authority under section 380;
  - (vi) including the risk-weighted amount of group 2b cryptoasset exposures calculated in accordance with section 385; and
  - (vii) including the add-on for group 2 cryptoasset exposures referred to in section 388(2) or (3);
- (b) calculating its risk-weighted amount for market risk by—

- (i) subject to subsection (7), using the STM approach or, with the Monetary Authority's approval under section 17A, the SSTM approach; and
    - (ii) including the infrastructure risk add-on for group 1 cryptoasset exposures assigned to the trading book specified by the Monetary Authority under section 380;
  - (c) calculating its risk-weighted amount for CVA risk by using the calculation approach used by the institution for CVA risk;
  - (d) calculating its risk-weighted amount for operational risk by using the calculation approach used by the institution for operational risk; and
  - (e) aggregating the amounts calculated under paragraphs (a), (b), (c) and (d).”.
- (2) Section 356—

**Repeal subsection (3)**

**Substitute**

- “(3) For the purposes of subsection (2)(a)(i), (ii) and (iii), an authorized institution must use—
- (a) subject to paragraph (c) and subsection (6)(b), the SA-CCR approach to calculate its default risk exposures in respect of derivative contracts;
  - (b) subject to paragraph (d), the methods set out in Division 2B of Part 6A (except the use of value-at-risk model set out in section 226ML) to calculate its default risk exposures in respect of SFTs;

- (c) the method set out in section 377 to calculate its default risk exposures in respect of group 2b cryptoasset derivative contracts; and
- (d) the methods set out in Division 2B of Part 6A, as modified by section 378, to calculate its default risk exposures in respect of SFTs under which the asset received by the institution or delivered to the counterparty by the institution is a cryptoasset.”.

(3) Section 356(4)—

**Repeal**

“For the purposes of subsection (2)(a)(i),”

**Substitute**

“For the purposes of subsection (2)(a)(i) and (iv),”.

(4) Section 356—

**Repeal subsection (6)**

**Substitute**

“(6) Where an authorized institution that uses the BSC approach to calculate its credit risk for all its non-securitization exposures is subject to this Part because of its use of the IMA or IMM(CCR) approach in calculating its risk-weighted amounts for the relevant risks—

- (a) subsection (2) applies to the institution as if—
  - (i) a reference in subsection (2)(a)(i) to “STC approach” were a reference to “BSC approach”;
  - (ii) a reference in subsection (2)(a)(iv) to “Part 4” or “Subdivision 2 of Division 2 of Part 12” were a reference to “Part 5” or

“Subdivision 3 of Division 2 of Part 12”  
respectively; and

- (b) if the institution does not have an IMM(CCR) approval and uses the current exposure method as permitted under these Rules to calculate its default risk exposures in respect of derivative contracts, the institution must, for the purposes of subsection (2), continue to use the current exposure method to calculate those default risk exposures.”.

- (5) After section 356(6)—

**Add**

“(6A) To avoid doubt, subsection (2)(a)(i), (ii) and (iii) includes the risk-weighted amounts for all risks that could result in a credit loss referred to in section 366(2)(b) in respect of group 1b cryptoasset exposures assigned to the banking book.”.

- (6) Section 356(7), after “SEC-SA or SEC-FBA”—

**Add**

“, as determined in accordance with section 15(2), (2A), (3) and (4),”.

**104. Section 357 amended (calculation of actual risk-weighted amount)**

Section 357—

**Repeal paragraphs (a) and (b)**

**Substitute**

“(a) calculating its risk-weighted amount for credit risk—

- (i) in respect of the exposures referred to in section 356(2)(a)(i), (ii) and (iv)—by using the calculation approaches used by the institution for credit risk;
  - (ii) in respect of the exposures referred to in section 356(2)(a)(iii)—in accordance with Division 4 of Part 6A; and
  - (iii) in respect of the exposures referred to in section 356(2)(a)(v), (vi) and (vii)—in accordance with Part 12;
- (b) calculating its risk-weighted amount for market risk—
  - (i) in respect of the exposures referred to in section 356(2)(b)(i)—by using the calculation approach used by the institution for market risk; and
  - (ii) in respect of the exposures referred to in section 356(2)(b)(ii)—in accordance with Part 12;”.

**105. Part 12 added**

After Part 11—

**Add**

## **“Part 12**

### **Calculation of Risk-weighted Amounts of Cryptoasset Exposures**

#### **Division 1—General**

##### **359. Application of Part 12**

- (1) This Part applies to the calculation of the risk-weighted amounts of an authorized institution’s cryptoasset exposures booked in its banking book or trading book, except for any exposures relating to cryptoassets that are digital currencies issued by central banks.
- (2) Despite the requirements relating to cryptoasset exposures set out in these Rules, the Monetary Authority may, by written notice given to one or more authorized institutions, require an authorized institution to calculate a risk-weighted amount of a cryptoasset exposure, or exposures belonging to a class of cryptoasset exposures, by a method as specified in the notice, if the Monetary Authority, after taking into account the considerations set out in subsection (3), is satisfied on reasonable grounds that it is prudent to impose the requirement.
- (3) The considerations are—
  - (a) the risks associated with the cryptoasset exposure or class of cryptoasset exposures;
  - (b) any risk mitigation measures taken by the institution to manage those risks and the risks associated with those measures;



- (c) the financial soundness of the institution;
  - (d) the changes in market conditions or technological innovations;
  - (e) the stability and effective working of the financial system of Hong Kong; and
  - (f) any other factors that the Monetary Authority considers relevant.
- (4) An authorized institution must comply with a notice given to it under subsection (2).

### 360. Interpretation of Part 12

In this Part—

***reserve assets*** (儲備資產), in relation to cryptoasset exposures, means assets that back the value of a stablecoin;

***stablecoin*** (穩定幣) means a cryptoasset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets.

### 361. Classification of cryptoassets

- (1) An authorized institution must, in accordance with this section, classify a cryptoasset as—
- (a) a group 1a cryptoasset;
  - (b) a group 1b cryptoasset;
  - (c) a group 2a cryptoasset; or
  - (d) a group 2b cryptoasset.
- (2) An authorized institution may classify a cryptoasset as a group 1a cryptoasset if the following conditions are all met on an ongoing basis—

- (a) the cryptoasset is a tokenised version of one or more traditional assets;
  - (b) all rights, obligations and interests arising from the cryptoasset arrangement are clearly defined and legally enforceable in all jurisdictions where the cryptoasset is issued and redeemed;
  - (c) the functions of the cryptoasset and the network on which it operated, including the distributed ledger or similar technology on which it is based, are designed and operated to sufficiently mitigate and manage any material risk;
  - (d) all entities that execute redemptions, transfers, storage or settlement of the cryptoasset, or manage or invest reserve assets—
    - (i) are regulated and supervised, or are subject to appropriate risk management standards; and
    - (ii) have in place and disclose a comprehensive governance framework.
- (3) An authorized institution may classify a cryptoasset as a group 1b cryptoasset if the following conditions are all met on an ongoing basis—
- (a) the cryptoasset has a stabilization mechanism that is effective at all times in linking its value to a traditional asset or pool of traditional assets;
  - (b) the conditions set out in subsection (2)(b), (c) and (d).

- 
- (4) An authorized institution may classify a cryptoasset as a group 2a cryptoasset if the following conditions are all met—
- (a) the cryptoasset is not classified as a group 1 cryptoasset;
  - (b) the cryptoasset exposure that relates to the cryptoasset is one of the following—
    - (i) a spot position in the cryptoasset where there exists a derivative contract, exchange-traded fund or exchange-traded note that—
      - (A) solely references the cryptoasset;
      - (B) is traded on a regulated exchange; and
      - (C) in the case of a derivative contract, is cleared through a qualifying CCP;
    - (ii) a derivative contract, exchange-traded fund or exchange-traded note that references the cryptoasset where—
      - (A) the derivative contract, exchange-traded fund or exchange-traded note has been explicitly approved by a jurisdiction's relevant regulators for trading; or
      - (B) the derivative contract is cleared through a qualifying CCP;
    - (iii) a derivative contract, exchange-traded fund or exchange-traded note that references a derivative contract, exchange-traded fund or exchange-traded note that meets the criterion set out in subparagraph (ii);

- (iv) a derivative contract, exchange-traded fund or exchange-traded note that references a cryptoasset-related reference rate published by a regulated exchange that clears trades using that reference rate through a qualifying CCP;
  - (c) the cryptoasset, or the cryptoasset referenced by the derivative contract, exchange-traded fund or exchange-traded note, is highly liquid;
  - (d) sufficient market data on price, trading volume and market capitalization is available over the previous year.
- (5) An authorized institution must classify a cryptoasset as a group 2b cryptoasset if it does not classify the cryptoasset as a group 1a cryptoasset, a group 1b cryptoasset or a group 2a cryptoasset.
- (6) Despite subsection (2), (3) or (4)—
  - (a) an authorized institution must classify the underlying cryptoasset of a cryptoasset exposure entered into before 1 January 2026 as a group 2b cryptoasset until the Monetary Authority is satisfied that the cryptoasset meets the conditions for a different classification;
  - (b) if an authorized institution enters into a cryptoasset exposure where the institution has never held an exposure to the underlying cryptoasset, the institution must—
    - (i) immediately give written notice to the Monetary Authority; and

- (ii) classify the underlying cryptoasset as a group 2b cryptoasset until the Monetary Authority is satisfied that the cryptoasset meets the conditions for a different classification;
- (c) if an authorized institution enters into a cryptoasset exposure (*current exposure*) where the institution has held an exposure (*previous exposure*) to the underlying cryptoasset, the institution must, subject to paragraph (d), give the underlying cryptoasset in relation to the current exposure the same classification as the underlying cryptoasset in relation to the previous exposure;
- (d) if a cryptoasset that has been classified as a group 1a cryptoasset, a group 1b cryptoasset or a group 2a cryptoasset ceases to meet the conditions for that classification, the authorized institution must reclassify the cryptoasset as a group 2b cryptoasset until the cryptoasset meets the relevant conditions again;
- (e) subject to subsection (7), an authorized institution must not reclassify a cryptoasset as anything other than a group 2b cryptoasset unless the institution—
  - (i) gives written notice to the Monetary Authority of the intention to reclassify; and
  - (ii) satisfies the Monetary Authority that the cryptoasset meets the conditions for the proposed reclassification.

- (7) The Monetary Authority may, by written notice, require an authorized institution to reclassify a cryptoasset if the Monetary Authority considers that—
  - (a) the institution has incorrectly classified the cryptoasset; and
  - (b) it is prudent to require the institution to reclassify the cryptoasset.
- (8) An authorized institution must—
  - (a) keep records of its classification of cryptoassets under this section including the information used in determining that classification; and
  - (b) at the request of the Monetary Authority, produce those records to the Monetary Authority within the time specified by the Monetary Authority.

**362. Trading book and banking book boundary requirements for cryptoasset exposures**

- (1) An authorized institution must assign a group 1 cryptoasset exposure to its banking book or trading book in accordance with sections 281A and 281B and, in particular—
  - (a) a group 1a cryptoasset exposure must be assigned to the banking book or trading book in a manner consistent with the cryptoasset's non-tokenised equivalent traditional asset; and
  - (b) a group 1b cryptoasset exposure must be assigned to the banking book or trading book in a manner consistent with the traditional assets to which the cryptoasset is referenced.

- (2) An authorized institution must assign a group 2a cryptoasset exposure to its trading book.
- (3) An authorized institution must assign a group 2b cryptoasset exposure to its banking book.

## Division 2—Calculation of Credit Risk for Group 1 Cryptoasset Exposures

### Subdivision 1—General

#### 363. Interpretation of Division 2

In this Division—

***member holder*** (成員持有人), in relation to a group 1b cryptoasset where only a subset of holders of the cryptoasset are allowed to transact directly with the redeemer in respect of the cryptoasset to redeem the cryptoasset, means a holder of the cryptoasset who falls within that subset;

***non-member holder*** (非成員持有人), in relation to a group 1b cryptoasset where only a subset of holders of the cryptoasset are allowed to transact directly with the redeemer in respect of the cryptoasset to redeem the cryptoasset, means a holder of the cryptoasset who does not fall within that subset;

***reference asset*** (參照資產), in relation to a group 1b cryptoasset whose value is linked to one or more traditional assets, means any one of those traditional assets.

## **Subdivision 2—Calculation of Risk-weighted Amounts of Group 1 Cryptoasset Exposures under STC Approach**

### **364. Application of Subdivision 2**

This Subdivision applies to an authorized institution's group 1 cryptoasset exposures assigned to its banking book if the institution is required by these Rules to use only the STC approach to calculate the risk-weighted amounts of non-securitization exposures.

### **365. Risk-weights of group 1a cryptoasset exposures**

An authorized institution must allocate a risk-weight to a group 1a cryptoasset exposure in accordance with the provisions of Part 4 or 7, as the case requires, that apply to an exposure to the traditional asset or assets of which the cryptoasset to which the group 1a cryptoasset exposure relates is a tokenised version.

### **366. Group 1b cryptoasset exposures—general**

- (1) An authorized institution must determine the capital charge for a group 1b cryptoasset exposure by—
  - (a) analysing the specific structure and arrangements of the cryptoasset to which the exposure relates to identify all risks that could result in a credit loss;
  - (b) calculating a risk-weighted amount for each of the risks identified; and
  - (c) calculating the total risk-weighted amount of the exposure as the sum of all the risk-weighted amounts calculated under paragraph (b).
- (2) For the purposes of subsection (1)(b)—



- (a) the risk-weighted amounts must at least include those calculated in accordance with section 367, 368 or 369, as applicable to the institution, the exposure and the cryptoasset to which the exposure relates; and
- (b) if there is any risk identified under subsection (1)(a) that does not fall within the categories of risk described in section 367, 368 or 369, the risk-weighted amount for that risk must be calculated in accordance with Part 4 or 7, as the case requires.

**367. Group 1b cryptoasset exposures relating to cryptoasset where all holders are allowed to transact directly with redeemer**

- (1) This section applies to a group 1b cryptoasset exposure of an authorized institution if all holders of the cryptoasset to which the exposure relates are allowed to transact directly with the redeemer in respect of the cryptoasset to redeem the cryptoasset.
- (2) If the exposure arises from the institution's own direct holding of the cryptoasset, the institution must—
  - (a) calculate—
    - (i) in accordance with subsection (3), a risk-weighted amount for the risk arising from the potential default of the reference asset of the cryptoasset; and
    - (ii) in accordance with subsection (4), a risk-weighted amount for the risk that the redeemer in respect of the cryptoasset defaults; and

- (b) calculate the total risk-weighted amount of the exposure as the sum of the risk-weighted amounts calculated under paragraph (a).
- (3) For the risk referred to in subsection (2)(a)(i)—
  - (a) if there is only 1 reference asset, the risk-weighted amount of the institution's exposure to that risk is the institution's proportional share of the risk-weighted amount of the reference asset that would be calculated in accordance with Part 4, 6B or 7, as the case requires, if the reference asset were directly held by the institution; or
  - (b) if there is a pool of reference assets, the risk-weighted amount of the institution's exposure to that risk is the institution's proportional share of the risk-weighted amount of the pool of reference assets that would be calculated in accordance with Part 6B if the pool of reference assets were directly held by the institution.
- (4) Subject to subsection (5), for the risk referred to in subsection (2)(a)(ii)—
  - (a) if the institution would have an unsecured claim on the redeemer in case of default, the risk-weighted amount of the institution's exposure to that risk must be calculated in accordance with Part 4 as if—
    - (i) the institution had granted a direct unsecured loan to the redeemer; and
    - (ii) the loan amount were equal to the peg value of the institution's holding of the cryptoasset; or

- (b) if the institution would have a secured claim on the redeemer in case of default, the risk-weighted amount of the institution's exposure to that risk (including the credit risk mitigating effect of the available recognized credit risk mitigation) must be calculated in accordance with Part 4 as if—
    - (i) the institution had granted a direct secured loan to the redeemer; and
    - (ii) the loan amount, before taking into account the available recognized credit risk mitigation, were equal to the peg value of the institution's holding of the cryptoasset.
- (5) The institution is not required to calculate a risk-weighted amount for the risk referred to in subsection (2)(a)(ii) if both of the following conditions are met—
  - (a) the reserve assets in respect of the cryptoasset are held in a bankruptcy remote special purpose vehicle (**SPV**) on behalf of the holders of the cryptoasset and those holders have direct claims on the reserve assets;
  - (b) the institution has obtained an independent legal opinion for all laws relevant to the parties involved, including the redeemer, the SPV and the custodian, affirming that relevant courts would recognize reserve assets held in a bankruptcy remote manner as assets of the holders of the cryptoasset.
- (6) If the exposure arises from means other than the institution's own direct holding of the cryptoasset, the institution must calculate the risk-weighted

amount of the exposure in accordance with this section and, if applicable, Part 4 or 7, as the case requires, as if the amount of the cryptoasset underlying the exposure were held directly by the institution.

(7) In this section—

**peg value** (掛鈎值), in relation to one or more units of a group 1b cryptoasset held (whether directly, indirectly or synthetically) by an authorized institution, means the value of the reference asset or pool of reference assets to which the units are designed to be redeemable.

**368. Group 1b cryptoasset exposures relating to cryptoasset where authorized institution is member holder**

- (1) This section applies to a group 1b cryptoasset exposure of an authorized institution if the institution is—
  - (a) a member holder of the cryptoasset to which the exposure relates; or
  - (b) neither a member holder nor a non-member holder but exposed to the same or similar risks as a member holder of the cryptoasset to which the exposure relates.
- (2) If the exposure arises from the institution's own direct holding of the cryptoasset, the institution must—
  - (a) calculate—
    - (i) in accordance with section 367(3), a risk-weighted amount for the risk arising from the potential default of the reference asset of the cryptoasset; and

- (ii) in accordance with section 367(4) and (5), a risk-weighted amount for the risk that the redeemer in respect of the cryptoasset defaults;
  - (b) calculate in accordance with subsection (3), a risk-weighted amount for the risk that the redeemer defaults and the institution could be obliged to purchase units of the cryptoasset from non-member holders; and
  - (c) calculate the total risk-weighted amount of the exposure as the sum of the risk-weighted amounts calculated under paragraphs (a) and (b).
- (3) For the risk referred to in subsection (2)(b)—
- (a) the risk-weighted amount for the risk is the risk-weighted amount that would be calculated in accordance with section 367 if the institution held all units of the cryptoasset that it could be obliged to purchase; and
  - (b) for the purposes of paragraph (a), if there is no legal obligation on the institution to purchase units of the cryptoasset from non-member holders—
    - (i) the institution must consider whether in practice it would be obliged to step in and purchase units of the cryptoasset to satisfy the expectations of non-member holders and protect the institution's reputation; and
    - (ii) unless the institution demonstrates to the Monetary Authority's satisfaction that there is no risk that the institution may be

under an obligation referred to in subparagraph (i), the institution must include in the risk-weighted amount calculated under paragraph (a) the amount that would apply if legally binding commitments had been made in relation to the purchase of the cryptoasset.

- (4) If the exposure arises from means other than the institution's own direct holding of the cryptoasset, the institution must calculate the risk-weighted amount of the exposure—
  - (a) as if the amount of the cryptoasset underlying the exposure were held directly by the institution, in accordance with—
    - (i) subsection (2)(a) for the risks referred to in that subsection; and
    - (ii) subsection (2)(b), if the institution is exposed to the risk referred to in that subsection; and
  - (b) if applicable, in accordance with Part 4 or 7, as the case requires.

**369. Group 1b cryptoasset exposures relating to cryptoasset where authorized institution is non-member holder**

- (1) This section applies to a group 1b cryptoasset exposure of an authorized institution if the institution is—
  - (a) a non-member holder of the cryptoasset to which the exposure relates; or
  - (b) neither a member holder nor a non-member holder but exposed to the same or similar risks

as a non-member holder of the cryptoasset to which the exposure relates.

- (2) If one or more member holders have committed to purchase units of the cryptoasset in unlimited amounts, the institution must, where the exposure arises from its own direct holding of the cryptoasset—
  - (a) calculate—
    - (i) in accordance with section 367(3), a risk-weighted amount for the risk arising from the potential default of the reference asset of the cryptoasset; and
    - (ii) in accordance with subsection (4), a risk-weighted amount for the risk that all member holders default, leaving the institution with no way to redeem the cryptoasset; and
  - (b) calculate the total risk-weighted amount of the exposure as the sum of the risk-weighted amounts calculated under paragraph (a).
- (3) If no member holder has committed to purchase units of the cryptoasset in unlimited amounts from all non-member holders, the institution must, where the exposure arises from its own direct holding of the cryptoasset—
  - (a) calculate—
    - (i) in accordance with section 367(3), a risk-weighted amount for the risk arising from the potential default of the reference asset of the cryptoasset;

- (ii) in accordance with subsection (4), a risk-weighted amount for the risk that all member holders default, leaving the institution with no way to redeem the cryptoasset; and
    - (iii) in accordance with section 367(4) and (5), a risk-weighted amount for the risk that the redeemer in respect of the cryptoasset defaults; and
  - (b) calculate the total risk-weighted amount of the exposure as the sum of the risk-weighted amounts calculated under paragraph (a).
- (4) For the risk referred to in subsection (2)(a)(ii) or (3)(a)(ii)—
- (a) if there is only 1 member holder, the institution must calculate the risk-weighted amount for the risk in accordance with Part 4 by treating its holding of the cryptoasset as an unsecured loan granted to that member holder; or
  - (b) if there is more than one member holder, the institution must calculate the risk-weighted amount for the risk in accordance with Part 4 by treating its holding of the cryptoasset as an unsecured loan granted to the member holder that has the lowest attributed risk-weight under that Part.
- (5) If the exposure arises from means other than the institution's own direct holding of the cryptoasset, the institution must calculate the risk-weighted amount of the exposure—



- (a) in accordance with subsection (2) or (3), as the case requires, for the risks referred to in those subsections, as if the amount of the cryptoasset underlying the exposure were held directly by the institution; and
  - (b) if applicable, in accordance with Part 4 or 7, as the case requires.
- (6) In this section—
- attributed risk-weight*** (歸屬風險權重) has the meaning given by section 51(1).

### **Subdivision 3—Determination of Risk-weight of Group 1 Cryptoasset Exposures under BSC Approach**

#### **370. Application of Subdivision 3**

This Subdivision applies to an authorized institution's group 1 cryptoasset exposures assigned to its banking book if the institution is permitted by these Rules to use the BSC approach to calculate the risk-weighted amounts of non-securitization exposures.

#### **371. Risk-weights of group 1a cryptoasset exposures**

- (1) An authorized institution must allocate a risk-weight to a group 1a cryptoasset exposure that relates to a cryptoasset issued by the Government or a domestic public sector entity in accordance with the provisions of Part 5 or 7, as the case requires, that apply to an exposure to the traditional asset or assets of which the cryptoasset is a tokenised version.
- (2) A group 1a cryptoasset exposure that relates to a cryptoasset issued by an entity that is neither the

Government nor a domestic public sector entity must be allocated a risk-weight of 1,250%.

**372. Risk-weights of group 1b cryptoasset exposures**

A group 1b cryptoasset exposure must be allocated a risk-weight of 1,250%.

**Subdivision 4—Calculation of Risk-weighted Amounts of Group 1 Cryptoasset Exposures under IRB Approach**

**373. Application of Subdivision 4**

This Subdivision applies to an authorized institution's group 1 cryptoasset exposures assigned to its banking book if the institution is permitted by these Rules to use the IRB approach to calculate the risk-weighted amounts of non-securitization exposures.

**374. Risk-weights of group 1a cryptoasset exposures**

An authorized institution must allocate to a group 1a cryptoasset exposure the same risk-weight as the risk-weight applicable to an exposure to the traditional asset or assets of which the cryptoasset to which the group 1a cryptoasset exposure relates is a tokenised version, determined in accordance with Part 4, 6 or 7, as the case requires, as if the traditional asset or assets were directly held by the institution.

**375. Group 1b cryptoasset exposures**

- (1) An authorized institution must determine the capital charge for a group 1b cryptoasset exposure by—

- (a) analysing the specific structure and arrangements of the cryptoasset to which the exposure relates to identify all risks that could result in a credit loss;
  - (b) calculating a risk-weighted amount for each of the risks identified; and
  - (c) calculating the total risk-weighted amount of the exposure as the sum of all the risk-weighted amounts calculated under paragraph (b).
- (2) For the purposes of subsection (1)(b)—
  - (a) the risk-weighted amounts must at least include those calculated in accordance with section 367, 368 or 369, as modified as set out in subsection (3), as applicable to the institution, the exposure and the cryptoasset to which the exposure relates; and
  - (b) if there is any risk identified under subsection (1)(a) that does not fall within the categories of risk described in section 367, 368 or 369, the risk-weighted amount for that risk must be calculated in accordance with—
    - (i) subject to subparagraph (ii), Part 4 or 7, as the case requires; or
    - (ii) Part 6, provided that the exposure to that risk falls within one of the IRB adoption classes for which the institution has an approval granted under section 8(2)(a) to use the IRB approach.
- (3) For the purposes of subsection (2), the modifications are—

- (a) subject to paragraph (b), references in sections 367, 368 and 369 to Part 4 are taken to be references to Part 6 if the exposures concerned fall within one of the IRB adoption classes for which the institution has an approval granted under section 8(2)(a) to use the IRB approach; and
- (b) section 369(4)(b) should be replaced by “if there is more than one member holder, the institution must determine the risk-weight applicable to each of the member holders in accordance with Part 4 or 6, as the case requires, by treating its holding of the cryptoasset as an unsecured loan granted to the member holder, and use the lowest of those risk-weights to calculate the risk-weighted amount for the risk.”.

### **Subdivision 5—Calculation of Risk-weighted Amounts of Group 1b Cryptoasset Exposures that are Assigned to Trading Book**

#### **376. Calculation of credit risk of group 1b cryptoasset exposures**

An authorized institution must calculate the risk-weighted amount for credit risk in accordance with Part 4, 5 or 6 or Subdivision 2, 3 or 4, as the case requires, for any of the following risks in a group 1b cryptoasset exposure assigned to its trading book—

- (a) risk of default of the redeemer;
- (b) risk arising when intermediaries perform the redemption function.

### **Division 3—Calculation of Counterparty Credit Risk for Group 2b Cryptoasset Derivative Contracts and SFTs on Cryptoassets**

#### **377. Calculation of default risk exposure of group 2b cryptoasset derivative contract**

- (1) An authorized institution must use Formula 30 to calculate the default risk exposure in respect of a netting set of group 2b cryptoasset derivative contracts.

#### **Formula 30**

$$\text{Default risk exposure} = 1.4 \times (\text{RC} + \text{PFE})$$

where—

- (a) RC is the replacement cost of the netting set calculated in accordance with Subdivision 2 of Division 1A of Part 6A, subject to subsection (2); and
  - (b) PFE is the potential future exposure of the netting set calculated in accordance with subsection (3) or (4), as the case requires.
- (2) In calculating the RC of a netting set of group 2b cryptoasset derivative contracts—
    - (a) netting is allowed only between group 2b cryptoasset derivative contracts that reference the same group 2b cryptoasset; and
    - (b) if the netting set involves different group 2b cryptoassets and is covered by a single variation margin agreement, section 226BE(3) applies as if all derivative contracts referencing the same

group 2b cryptoasset formed their own netting set.

- (3) If the netting set referred to in subsection (1) contains only 1 group 2b cryptoasset derivative contract, the PFE is equal to 50% of the gross notional amount of the derivative contract.
- (4) If the netting set referred to in subsection (1) contains more than one group 2b cryptoasset derivative contract, the institution must—
  - (a) calculate the potential future exposure of each of the group 2b cryptoasset derivative contracts in the netting set as 50% of the gross notional amount of that contract; and
  - (b) calculate the PFE of the netting set as the sum of the potential future exposures calculated under paragraph (a).
- (5) If a valid bilateral netting agreement entered into with a counterparty covers both group 2b cryptoasset derivative contracts and derivative contracts other than group 2b cryptoasset derivative contracts such that the netting set with the counterparty contains both types of derivative contract—
  - (a) the institution must split the netting set into—
    - (i) a sub-netting set that contains only group 2b cryptoasset derivative contracts; and
    - (ii) a sub-netting set that contains all other derivative contracts; and
  - (b) for the purpose of calculating the default risk exposure in respect of the sub-netting set referred to in paragraph (a)(i), subsections (1), (2), (3) and (4) apply to the sub-netting set as

they apply to the netting set referred to in subsection (1).

(6) In this section—

***variation margin agreement*** (變動保證金協議) has the meaning given by section 226BA.

### 378. Calculation of default risk exposure of SFTs

- (1) If an authorized institution has a default risk exposure to a counterparty in respect of an SFT under which the asset received by the institution or delivered to the counterparty by the institution is a cryptoasset, the institution must calculate the amount of the default risk exposure in accordance with Division 2B of Part 6A subject to this section.
- (2) An authorized institution to which section 226MI(1) or (2)(b) applies that receives or provides cryptoassets under one or more SFTs entered into with a counterparty must calculate the amount of the default risk exposure in respect of the SFTs (***subject amount***) as follows—
  - (a) the subject amount must be calculated in accordance with section 226MJ or 226MK, as the case requires; and
  - (b) if the subject amount is calculated in accordance with section 226MJ—
    - (i) the risk-weighted amount of the subject amount must be calculated by using the comprehensive approach set out in Division 7 of Part 4; and
    - (ii) the cryptoassets received by the institution may be taken into account in the calculation of the risk-weighted amount

only if they are group 1a cryptoassets that are recognized collateral as defined by section 51(1).

- (3) An authorized institution to which section 226MI(3) applies that provides a group 1b cryptoasset or group 2 cryptoasset to a counterparty under an SFT must—
  - (a) multiply the amount of the default risk exposure in respect of the SFT calculated under section 226MJ by  $(1+H)$ , where  $H$  is 30%; and
  - (b) treat the product obtained under paragraph (a) as the exposure amount referred to in section 129(1)(a) for calculating the risk-weighted amount of the default risk exposure in accordance with section 129.

## **Division 4—Calculation of Market Risk for Group 1 Cryptoasset Exposures**

### **379. Calculation of risk-weighted amount for market risk for group 1 cryptoasset exposures**

- (1) An authorized institution must calculate the risk-weighted amount for market risk for group 1 cryptoasset exposures assigned to its trading book in accordance with Part 8 and, in particular—
  - (a) the risk-weighted amount for market risk for a group 1a cryptoasset exposure must be calculated consistently with that for its non-tokenised equivalent traditional asset; and



- (b) the risk-weighted amount for market risk for a group 1b cryptoasset exposure must be calculated consistently with that for the traditional asset to which it is referenced.
- (2) An authorized institution must calculate the risk-weighted amount for market risk in accordance with Part 8 for any of the following risks in a group 1 cryptoasset exposure assigned to its banking book—
  - (a) foreign exchange risk;
  - (b) commodity risk.

### **Division 5—Infrastructure Risk Add-on for Group 1 Cryptoasset Exposures**

#### **380. Calculation of infrastructure risk add-on for group 1 cryptoasset exposures**

- (1) The Monetary Authority may, by written notice, require an authorized institution to calculate an add-on at a level specified in the notice for a group 1 cryptoasset exposure specified in the notice if the Monetary Authority considers it prudent to do so in order to cover any observed weakness in the underlying technological infrastructure of the cryptoasset to which the exposure relates.
- (2) To avoid doubt, the institution must treat an add-on required under subsection (1) as—
  - (a) a risk-weighted amount for credit risk if the add-on is attributable to a group 1 cryptoasset exposure that is assigned to the banking book;  
or

- (b) a risk-weighted amount for market risk if the add-on is attributable to a group 1 cryptoasset exposure that is assigned to the trading book.

## **Division 6—Market Risk and Credit Risk for Group 2 Cryptoasset Exposures**

### **381. Calculation of market risk for group 2a cryptoasset exposures**

An authorized institution must calculate the risk-weighted amount for market risk for a group 2a cryptoasset exposure assigned to its trading book by using—

- (a) the STM approach in accordance with Divisions 1A, 1B, 1C and 1D of Part 8 subject to the modifications set out in section 382; or
- (b) the SSTM approach in accordance with section 383.

### **382. Modifications to STM approach for calculating market risk for group 2a cryptoasset exposures**

- (1) This section sets out the modifications to the STM approach for the purpose of an authorized institution calculating the risk-weighted amount for market risk for group 2a cryptoasset exposures assigned to its trading book.
- (2) The institution must calculate the market risk capital charge on a standalone basis.
- (3) The institution must calculate the market risk capital charge arising from the price movement of group 2a cryptoassets in a separate risk class distinct from the 7 risk classes specified for the STM approach when the institution—

- (a) subject to subsections (4) and (5), calculates the SBM delta risk capital charge in accordance with section 281I;
  - (b) subject to subsection (6), calculates the SBM vega risk capital charge in accordance with section 281J;
  - (c) subject to subsections (7) and (8), calculates the SBM curvature risk capital charge in accordance with section 281K.
- (4) The institution must use Formula 31 instead of Formula 27M to calculate the SBM delta sensitivity  $\text{delta}_{k,i}$  under section 281I(2)(a) to capture the SBM delta risk arising from the price movement of group 2a cryptoassets.

**Formula 31**

$$\text{delta}_{k,i} = \frac{V_i(1.01k) - V_i(k)}{0.01}$$

where—

- (a)  $\text{delta}_{k,i}$  is the SBM delta sensitivity for instrument  $i$  with respect to SBM delta risk factor  $k$ ;
  - (b)  $V_i(k)$  is the value of instrument  $i$  as a function of SBM delta risk factor  $k$ ; and
  - (c)  $k$  is an SBM delta risk factor.
- (5) The institution must use Formula 32 instead of Formula 27P to calculate the SBM delta risk capital charge under section 281I(2)(e) to capture the SBM delta risk arising from the price movement of group 2a cryptoassets.

**Formula 32**

$$\text{SBM delta risk capital charge} = \sum_b K_b$$

where—

$K_b$  is the capital charge for SBM delta bucket  $b$ .

- (6) The institution must use Formula 32A instead of Formula 27T to calculate the SBM vega risk capital charge under section 281J(2)(e) to capture the SBM vega risk arising from the price movement of group 2a cryptoassets.

**Formula 32A**

$$\text{SBM vega risk capital charge} = \sum_b K_b$$

where—

$K_b$  is the capital charge for SBM vega bucket  $b$ .

- (7) The institution must use Formula 32B instead of Formula 27V to calculate the capital charge for each SBM curvature bucket  $b$ ,  $K_b$ , under section 281K(2)(b) to capture the SBM curvature risk arising from the price movement of group 2a cryptoassets.

**Formula 32B**

$$K_b = \max(K_b^+, K_b^-)$$

where

$$\left\{ \begin{array}{l} K_b^+ = \sum_k \max(0, \text{CVR}_k^+) \\ K_b^- = \sum_k \max(0, \text{CVR}_k^-) \end{array} \right.$$

where—

- (a)  $K_b$  is the capital charge for SBM curvature bucket  $b$  and is determined as the greater of  $K_b^+$  and  $K_b^-$ ;
- (b)  $\text{CVR}_k^+$  is the incremental loss beyond the SBM delta risk capital charge across all instruments by applying an upward shock to the SBM curvature risk factor  $k$ ;
- (c)  $\text{CVR}_k^-$  is the incremental loss beyond the SBM delta risk capital charge across all instruments by applying a downward shock to the SBM curvature risk factor  $k$ ;
- (d)  $K_b^+$  is the capital charge for SBM curvature bucket  $b$  under the upward scenario; and

- (e)  $K_b^-$  is the capital charge for SBM curvature bucket  $b$  under the downward scenario.
- (8) The institution must use Formula 32C instead of Formula 27W to calculate the SBM curvature risk capital charge under section 281K(2)(c) to capture the SBM curvature risk arising from the price movement of group 2a cryptoassets.

### Formula 32C

$$\text{SBM curvature risk capital charge} = \sum_b K_b$$

where—

$K_b$  is the capital charge for SBM curvature bucket  $b$ .

- (9) The institution must define the SBM delta risk factors and the SBM curvature risk factors, at a level of granularity specified by the Monetary Authority, as the prices of group 2a cryptoassets.
- (10) Group 2a cryptoassets are not subject to the SA-DRC.

### 383. SSTM approach for calculating risk-weighted amount for market risk for group 2a cryptoasset exposures

- (1) An authorized institution that uses the SSTM approach to calculate its risk-weighted amount for market risk must calculate the risk-weighted amount for market risk for group 2a cryptoasset exposures on a standalone basis by multiplying the aggregate of the market risk capital charges calculated in accordance with this section by 12.5.

- (2) The institution must calculate the market risk capital charge arising from the price movement of group 2a cryptoassets—
  - (a) in a separate risk category that is distinct from the 4 risk categories specified for the SSTM approach; and
  - (b) as 100% of the net position of each group 2a cryptoasset.
- (3) The institution must—
  - (a) treat group 2a cryptoassets traded in different markets or exchanges as different group 2a cryptoassets;
  - (b) convert its long and short positions in each group 2a cryptoasset into monetary terms at the current market price of the group 2a cryptoasset and calculate a net position for each group 2a cryptoasset by using Formula 32D;

### Formula 32D

Net position =  $\max(\text{long position}_k, |\text{short position}_k|) - 0.65 \cdot \min(\text{long position}_k, |\text{short position}_k|)$

where—

- (i) long position<sub>k</sub> is the total long positions of group 2a cryptoasset k; and
  - (ii) short position<sub>k</sub> is the total short positions of group 2a cryptoasset k.
- (c) apply Divisions 2, 3, 4, 5 and 6 of Part 8 to calculate the market risk if there is an interest rate risk, equity risk, foreign exchange risk or commodity risk arising from the group 2a cryptoasset exposures; and

- (d) treat option exposures with a group 2a cryptoasset as the underlying asset and associated hedging positions in accordance with the scenario approach set out in subsection (4).
- (4) The institution must calculate the market risk capital charge of option exposures with a group 2a cryptoasset as the underlying asset and associated hedging positions by—
  - (a) revaluing the options and associated hedging positions using matrices for simultaneous changes in—
    - (i) the underlying price of group 2a cryptoassets; and
    - (ii) the volatility of that price;
  - (b) setting up a different matrix for each group 2a cryptoasset, and for each matrix—
    - (i) using the range of +100% to -100% for the relative change of the underlying price and dividing the range by at least 7 observations into equally-spaced intervals, inclusive of the current observation; and
    - (ii) using the relative change of +100% and -100% for the volatility, inclusive of the current observation, and, if required by the Monetary Authority, using additional intermediate levels;
  - (c) calculating the net position for each cell of the matrix using Formula 32D; and
  - (d) calculating the market risk capital charge as the difference between the current net position and the lowest net position occurring in the matrix.



(5) In this section—

***current market price*** (現行市價) of a group 2a cryptoasset means the valuation of the group 2a cryptoasset exposure to which the cryptoasset relates that would be determined in accordance with section 4A if the exposure was measured at fair value.

**384. Calculation of credit risk for group 2a cryptoasset exposures to stablecoins**

- (1) This section applies in relation to a group 2a cryptoasset exposure assigned to an authorized institution's trading book that relates to a group 2a cryptoasset that is a stablecoin.
- (2) The institution must calculate the risk-weighted amount for credit risk for any of the following risks—
  - (a) risk of default of the redeemer;
  - (b) risk arising when intermediaries perform the redemption function.
- (3) The risk-weighted amount in subsection (2) must be calculated in the same way as the risk-weighted amount for credit risk under section 376.

**385. Calculation of credit risk for group 2b cryptoasset exposures**

- (1) Subject to subsections (2) and (4), an authorized institution must calculate the risk-weighted amount for credit risk for group 2b cryptoasset exposures assigned to its banking book by, for each group 2b cryptoasset, applying a risk-weight of 1,250% to the greater of—

- 
- (a) the absolute value of the aggregate long positions; and
    - (b) the absolute value of the aggregate short positions.
  - (2) In the case of a derivative contract with a group 2b cryptoasset k as the underlying asset, the exposure value contributing to the aggregate of long positions and short positions referred to in subsection (1) must be the fair value of the underlying group 2b cryptoasset k, adjusted upward to take into account the leverage and capped at the maximum possible loss on the contract.
  - (3) If a risk-weighted amount for credit risk is calculated under subsection (1) for a group 2b cryptoasset exposure, an authorized institution is not required to calculate a risk-weighted amount for market risk or CVA risk for the exposure.
  - (4) The Monetary Authority may, by written notice given to an authorized institution, require the institution to apply an add-on where—
    - (a) the institution has one or more material exposures to any short positions in group 2b cryptoassets; and
    - (b) those exposures could give rise to potential future losses that are insufficiently covered by the risk-weighted amount calculated under subsection (1).

## **Division 7—CVA Risk for Cryptoasset Exposures**

### **386. Calculation of CVA risk for cryptoasset exposures**

- (1) An authorized institution must calculate the risk-weighted amount for CVA risk for covered transactions and contracts specified in section 322J that relate to cryptoasset exposures.
- (2) For covered transactions and contracts that relate to group 1 cryptoassets, the institution must calculate the risk-weighted amount for CVA risk in accordance with Part 8A.
- (3) For covered transactions and contracts that relate to group 2a cryptoassets, the institution must calculate the risk-weighted amount for CVA risk in accordance with Part 8A but must not use the standardized CVA approach to calculate the CVA risk capital charge.
- (4) For covered transactions and contracts that relate to group 2b cryptoassets, the institution must—
  - (a) treat the risk-weighted amount for CVA risk as zero if a risk-weighted amount for credit risk is calculated under section 385(1); or
  - (b) otherwise calculate the risk-weighted amount for CVA risk as the risk-weighted amount for credit risk calculated under section 385(1).

## **Division 8—Group 2 Cryptoasset Exposure Ratio**

### **387. Calculation of group 2 cryptoasset exposure ratio**

An authorized institution must calculate its group 2 cryptoasset exposure ratio in accordance with Formula 32E.

**Formula 32E**

$$\text{Group 2 cryptoasset exposure ratio} = \frac{\sum_k c_k}{\text{Tier 1 capital}}$$

where—

- (a)  $\sum_k c_k$  is the institution's aggregate exposure to group 2 cryptoassets;
- (b)  $c_k$  is the institution's exposure to group 2 cryptoasset  $k$  and is calculated as the greater of—
  - (i) the absolute value of the aggregate long positions of group 2 cryptoasset  $k$ ; and
  - (ii) the absolute value of the aggregate short positions of group 2 cryptoasset  $k$ ; and
- (c) in the case of a derivative contract with a group 2 cryptoasset  $k$  as the underlying asset, the exposure value contributing to the aggregation of group 2 cryptoasset  $k$  in paragraph (b) must be delta-weighted.

**388. Group 2 cryptoasset exposure ratio for G-SIBs and D-SIBs**

- (1) A G-SIB or D-SIB must at all times maintain a group 2 cryptoasset exposure ratio that does not exceed 1%.
- (2) If the group 2 cryptoasset exposure ratio of a G-SIB or D-SIB exceeds 1% but is less than 2%, the G-SIB or D-SIB must—
  - (a) give written notice to the Monetary Authority;

- (b) impose an add-on for its group 2 cryptoasset exposures calculated in accordance with Formula 32F; and

### Formula 32F

$$\text{add-on} = (B - A) \times \frac{\sum_k c_k - \text{Tier 1 capital} \times 1\%}{\text{Tier 1 capital} \times 1\%}$$

where—

- (i) A is the total risk-weighted amount for the institution's group 2 cryptoasset exposures;
  - (ii) B is the total risk-weighted amount for the institution's group 2 cryptoasset exposures, calculated as if all the group 2 cryptoassets were classified as group 2b cryptoassets; and
  - (iii)  $\sum_k c_k$  is the institution's aggregate exposure to group 2 cryptoassets.
- (c) rapidly rectify the situation to restore the ratio to 1% or below.
- (3) If the group 2 cryptoasset exposure ratio of a G-SIB or D-SIB exceeds 2%, the G-SIB or D-SIB must—
- (a) give written notice to the Monetary Authority;
  - (b) impose an add-on for its group 2 cryptoasset exposures such that the total risk-weighted amount for those exposures, inclusive of the add-on, is equal to the risk-weighted amount that would be calculated as if all the group 2 cryptoassets were classified as group 2b cryptoassets; and

- (c) rapidly rectify the situation to restore the ratio to 1% or below.
- (4) The institution must treat the add-on required under subsections (2) and (3) as a risk-weighted amount for credit risk.”.

**106. Schedule 1A amended (transactions and contracts not subject to CVA risk capital charge)**

- (1) Schedule 1A, section 1(a)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

- (2) Schedule 1A, section 1(b)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

- (3) Schedule 1A, section 1(c)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

- (4) Schedule 1A, section 1(ca)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

- (5) Schedule 1A, section 1(d)(i)(A) and (B) and (e)—

**Repeal**

“OTC derivative transactions”

**Substitute**

“derivative contracts”.

**107. Schedule 7 amended (standard supervisory haircuts)**

Schedule 7, section 1, Table C—

**Repeal item 8**

**Substitute**

“8. Exposures arising from assets sold, lent or posted as collateral under securities financing transactions where the assets are—

30%”.

- (a) group 1b cryptoassets or group 2 cryptoassets; or
- (b) other financial instruments that do not fall within Table A or B in this section or item 4, 6 or 7

**108. Schedule 9 amended (requirements to be satisfied for traditional securitization transaction to be eligible traditional securitization transaction)**

Schedule 9, paragraph (g)(v)—

**Repeal**

“third party”

**Substitute**

“third-party”.

**109. Schedule 10 amended (requirements to be satisfied for synthetic securitization transaction to be eligible synthetic securitization transaction)**

(1) Schedule 10, section 1(f)(v)—

**Repeal**

“third party”

**Substitute**

“third-party”.

(2) Schedule 10, section 2(a)(i)—

**Repeal**

“79(1)(o)”

**Substitute**

“79(1)(na) and (o)”.

Eddie YUE  
Monetary Authority

7 July 2025

---



## Explanatory Note

These Rules amend the Banking (Capital) Rules (Cap. 155 sub. leg. L) (*principal Rules*).

2. The main purpose of these Rules is to provide for the new capital standards for cryptoasset exposures, which are set out in the documents “Prudential treatment of cryptoasset exposures” and “Cryptoasset standard amendments” published by the Basel Committee on Banking Supervision in December 2022 and July 2024 respectively.
3. The new capital standards consist of methodologies for determining the capital requirements of authorized institutions for credit risk, market risk and credit valuation adjustment (*CVA*) risk arising from their cryptoasset exposures as well as their impact on the output floor. These are mainly incorporated in the following Parts of the principal Rules—
  - (a) prescribed approaches to calculation—Part 2;
  - (b) credit risk—Parts 4, 5, 6, 6A and 6B;
  - (c) market risk—Part 8;
  - (d) CVA risk—Part 8A;
  - (e) output floor—Part 11; and
  - (f) cryptoasset exposures—new Part 12.
4. These Rules also seek to introduce other miscellaneous amendments to revise certain definitions and provisions to enhance clarity and better align with the Basel Framework or international practices.
5. These Rules come into operation on 1 January 2026.