

## L.N. 168 of 2023

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## **Banking (Disclosure) (Amendment) Rules 2023**

(Made by the Monetary Authority under section 60A 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)

### **Part 1**

#### **Preliminary**

##### **1. Commencement**

- (1) Subject to subsection (2), these Rules come into operation on the day on which Part 3 of the Banking (Capital) (Amendment) Rules 2023 comes into operation.
- (2) Part 3 comes into operation on the day on which Part 5 of the Banking (Capital) (Amendment) Rules 2023 comes into operation.

##### **2. Banking (Disclosure) Rules amended**

The Banking (Disclosure) Rules (Cap. 155 sub. leg. M) are amended as set out in Parts 2 and 3.

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## Part 2

### Amendments other than those in relation to Market Risk and CVA Risk

#### 3. Section 2 amended (interpretation)

(1) Section 2(1), definition of *capital requirements*—

##### Repeal paragraphs (a) and (b)

##### Substitute

- “(a) the measure of an authorized institution’s non-securitization exposures to credit risk calculated in accordance with any one or more of Parts 4, 5 and 6 and Division 4 of Part 6A of the Capital Rules, as the case requires;
- (b) the measure of an authorized institution’s securitization exposures to credit risk calculated in accordance with Part 7 of the Capital Rules; and
- (c) the measure of an authorized institution’s sovereign concentration risk calculated in accordance with Part 10 of the Capital Rules.”.
- (2) After section 2(3)—

##### Add

- “(3A) Unless otherwise approved by the Monetary Authority, if the commencement date of any section, or of any amendment of any section, falls within a reporting period, an authorized institution must comply with that section, or that section as amended, as the case requires, in respect of the required disclosure for the reporting period.”.

(3) Section 2(4)(b)—

**Repeal**

“parent bank (or a section of the internet website)”

**Substitute**

“holding company (or a section of the internet website of the institution’s holding company)”.

**4. Section 5 amended (disclosure policy)**

Section 5—

**Repeal paragraph (b)**

**Substitute**

“(b) which is subject to regular and independent review and approval by the institution’s senior management and board of directors.”.

**5. Section 6 amended (medium, location and timing of disclosure)**

Section 6(10A)(b)(ii)—

**Repeal**

“parent bank”

**Substitute**

“holding company”.

**6. Section 16AB amended (key prudential ratios—quarterly disclosures)**

(1) Section 16AB—

**Renumber the section as section 16AB(1).**

(2) After section 16AB(1)(a)(iii)—

**Add**

“(iiia) pre-floor capital ratios;”.



- (3) After section 16AB(1)(a)(iv)—

**Add**

“(iva) mean-SFT adjusted leverage ratio;”.

- (4) After section 16AB(1)—

**Add**

“(2) In this section—

***mean-SFT adjusted leverage ratio*** (經調整平均證券融資交易槓桿比率), in relation to an authorized institution, means a ratio determined in the same way as the institution’s leverage ratio, except that the institution’s exposures arising from SFTs used in the calculation of the exposure measure are based on the arithmetic mean of the gross amount of SFT assets (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables) as of each day of the quarterly reporting period;

***pre-floor capital ratios*** (下限前資本比率), in relation to an authorized institution, means the pre-floor CET1 capital ratio, the pre-floor Tier 1 capital ratio and the pre-floor Total capital ratio that are determined in the same way as the institution’s CET1 capital ratio, Tier 1 capital ratio and Total capital ratio under subsection (1)(a)(i), (ii) and (iii) respectively, except that the risk-weighted amount used for calculating the pre-floor ratios excludes any adjustments required for meeting the output floor requirement specified in Part 11 of the Capital Rules.”.

**7. Section 16FF amended (G-SIB indicators—annual disclosures)**

Section 16FF(2)(a), after “consolidation group”—

**Add**

“and any subsidiaries of the institution that are not included in the consolidation group but are insurance firms”.

**8. Section 16FI amended (leverage ratio—quarterly disclosures)**

(1) Section 16FI—

**Renumber the section as section 16FI(1).**

(2) Section 16FI(1)—

**Repeal paragraph (a)**

**Substitute**

“(a) the following information—

- (i) its leverage ratio;
- (ii) the minimum leverage ratio applicable to it;
- (iii) a breakdown of the components of the exposure measure determined in accordance with section 3ZB of the Capital Rules;
- (iv) the mean-SFT adjusted leverage ratio;
- (v) the denominator, including the mean value of gross assets of SFTs, used in the calculation of the mean-SFT adjusted leverage ratio referred to in subparagraph (iv);”.

(3) Section 16FI(1)(b)—

**Repeal**

“changes.”

**Substitute**

“changes; and”.

- (4) After section 16FI(1)(b)—

**Add**

“(c) an explanation of any material differences between the gross amount of SFT assets that are used in the calculation of the leverage ratio referred to in paragraph (a)(i) and the mean value of gross assets of SFTs specified under paragraph (a)(v).”.

- (5) After section 16FI(1)—

**Add**

“(2) In this section—

*mean-SFT adjusted leverage ratio* (經調整平均證券融資交易槓桿比率) has the meaning given by section 16AB(2).”.

**9. Section 16O amended (STC approach or BSC approach: credit risk exposures by asset classes and by risk-weights—semi-annual disclosures)**

- (1) Section 16O, heading—

**Repeal**

“asset”

**Substitute**

“exposure”.

- (2) Section 16O(a)—

**Repeal**

“asset”

**Substitute**

“exposure”.

**10. Section 16Q substituted**

Section 16Q—

**Repeal the section****Substitute****“16Q. IRB approach: credit risk exposures by portfolio and PD ranges—semi-annual disclosures**

An authorized institution using the IRB approach to calculate its credit risk capital requirements for non-securitization exposures must disclose, for each semi-annual reporting period—

- (a) the main parameters of its internal models used for the calculation of capital requirements; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the semi-annual reporting period, including key drivers of those changes.”.

**11. Section 16U amended (IRB approach: specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method—semi-annual disclosures)**

(1) Section 16U, heading—

**Repeal****“and equities under simple risk-weight method”.**

(2) Section 16U(a)—

**Repeal****“and its equity exposures for which it uses the simple risk-weight method”.**

(3) Section 16U(b), English text—

**Repeal**

“matters”

**Substitute**

“matter”.

**12. Section 16Y amended (STC approach or BSC approach: counterparty default risk exposures, other than those to CCPs, by asset classes and by risk-weights—semi-annual disclosures)**

(1) Section 16Y, heading—

**Repeal**

“asset”

**Substitute**

“exposure”.

(2) Section 16Y(a)—

**Repeal**

“asset”

**Substitute**

“exposure”.

**13. Part 2A, Divisions 8A, 8B and 8C added**

Part 2A, after Division 8—

**Add**

**“Division 8A—Operational Risk**

**16ZQA. General information on operational risk framework—annual disclosures**

An authorized institution must disclose, for each annual reporting period, the main characteristics and elements of its operational risk management framework.

**16ZQB. Historical losses—annual disclosures**

- (1) This section applies to an authorized institution—
  - (a) that is classified under section 331 of the Capital Rules as a bucket 2 AI or a bucket 3 AI; or
  - (b) that is classified under section 331 of the Capital Rules as a bucket 1 AI and falls within section 332(2)(a) or (b) of those Rules.
- (2) The institution must disclose, for each annual reporting period—
  - (a) its annual operational risk losses incurred over the last 10 years, or a fewer number of years that the institution uses to calculate its loss component under Division 5 of Part 9 of the Capital Rules, based on the accounting date of the incurred losses; and
  - (b) an explanation of the rationale for any new exclusions of operational risk losses since the previous disclosure, and any other material information relating to its historical operational risk losses and loss recoveries during the annual reporting period.

**16ZQC. Business indicator and business indicator components breakdown—annual disclosures**

- (1) An authorized institution must disclose, for each annual reporting period—
  - (a) the business indicator and a breakdown of the business indicator components that are used by the institution for the operational risk capital charge calculation;

- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the annual reporting period, including key drivers of those changes; and
- (c) divested businesses and activities that the institution has obtained the Monetary Authority's approval under Part 9 of the Capital Rules to exclude from the calculation of the business indicator.

(2) In this section—

*business indicator* (業務指標) has the meaning given by section 323(1) of the Capital Rules;

*business indicator component* (業務指標組成部分) has the meaning given by section 323(1) of the Capital Rules.

#### **16ZQD. Minimum operational risk capital requirement—annual disclosures**

An authorized institution must disclose, for each annual reporting period, information for the calculation of its minimum operational risk capital requirement.

#### **Division 8B—Comparison of Modelled and Standardized Risk-weighted Amounts**

#### **16ZQE. Comparison of modelled and standardized risk-weighted amounts at risk level—quarterly disclosures**

- (1) An authorized institution that uses any of the model-based approaches as defined by section 355 of the Capital Rules to calculate its credit risk or market risk, or both, for some or all of its exposures must disclose, for each quarterly reporting period—

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- (a) a comparison of the actual risk-weighted amount for credit risk, market risk, CVA risk and operational risk referred to in section 357 of the Capital Rules against the risk-weighted amount for credit risk, market risk, CVA risk and operational risk calculated using only standardized approaches as set out in section 356 of the Capital Rules, as applicable, at risk level; and
  - (b) subject to subsection (3), an explanation of the main drivers of the differences between the 2 risk-weighted amounts stated under paragraph (a).
- (2) To avoid doubt, in disclosing the comparison of actual risk-weighted amounts under subsection (1)(a), an authorized institution must comply with section 359 of the Capital Rules.
  - (3) The disclosure under subsection (1)(b) must include the extent to which an authorized institution is using the SEC-ERBA (except the use of the internal assessment approach set out in section 266A of the Capital Rules), the SEC-SA or the SEC-FBA for the calculation of risk-weighted amount for securitization exposures if the risk-weighted amount for securitization exposures in the banking book is a main driver of the differences.

**16ZQF. Comparison of modelled and standardized risk-weighted amounts for credit risk at exposure class level—semi-annual disclosures**

An authorized institution that uses the IRB approach to calculate its credit risk for non-securitization exposures must disclose, for each semi-annual reporting period—



- (a) a comparison of the risk-weighted amount of credit risk for non-securitization exposures calculated in accordance with section 356(2)(a) of the Capital Rules at the exposure class level against the corresponding risk-weighted amount calculated under the calculation approach or approaches used by the institution for credit risk; and
- (b) an explanation of the main drivers of the differences between the 2 risk-weighted amounts stated under paragraph (a).

## **Division 8C—Asset Encumbrance**

### **16ZQG. Asset encumbrance—semi-annual disclosures**

- (1) An authorized institution must disclose, for each semi-annual reporting period—
  - (a) the carrying value amounts of assets on its financial statement distinguishing encumbered assets and unencumbered assets; and
  - (b) information relevant to the carrying value amounts of assets referred to in paragraph (a), including an explanation of any material changes in those amounts during the semi-annual reporting period.
- (2) In this section—

*encumbered assets* (具產權負擔資產), in relation to an authorized institution, means any assets that the institution is restricted or prevented from liquidating, selling, transferring or assigning, due to legal, regulatory, contractual or other limitations;

*unencumbered assets* (無產權負擔資產), in relation to an authorized institution, means any assets of the institution other than encumbered assets.”

**14. Section 51C repealed (operational risk)**

Section 51C—

**Repeal the section.**

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## Part 3

### Amendments in relation to Market Risk and CVA Risk

- 15. Section 12 amended (basis of disclosure)**  
Section 12(1)(a), (b) and (c) and (2), after “market risk”—  
**Add**  
“, CVA risk”.
- 16. Section 16W heading amended (analysis of counterparty default risk exposures, other than those to CCPs, by approaches—semi-annual disclosures)**  
Section 16W, heading—  
**Repeal**  
“default”  
**Substitute**  
“credit”.
- 17. Section 16X repealed (CVA capital charge—semi-annual disclosures)**  
Section 16X—  
**Repeal the section.**
- 18. Section 16Y heading amended (STC approach or BSC approach: counterparty default risk exposures, other than those to CCPs, by exposure classes and by risk-weights—semi-annual disclosures)**  
Section 16Y, heading—  
**Repeal**  
“default”

**Substitute**

“credit”.

**19. Section 16Z amended (IRB approach: counterparty default risk exposures, other than those to CCPs, by portfolio and PD scale—semi-annual disclosures)**

(1) Section 16Z, heading—

**Repeal**

“default”

**Substitute**

“credit”.

(2) Section 16Z(a)—

**Repeal**

“default”

**Substitute**

“credit”.

(3) Section 16Z(a), Chinese text—

**Repeal**

“的違責風險”.

**20. Section 16ZA amended (composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)—semi-annual disclosures)**

(1) Section 16ZA, heading—

**Repeal**

“default”

**Substitute**

“credit”.

(2) Section 16ZA(a)—

**Repeal**

“default”

**Substitute**

“credit”.

**21. Section 16ZK amended (additional qualitative disclosures for authorized institution using IMM approach—annual disclosures)**

(1) Section 16ZK, heading—

**Repeal**

“IMM approach”

**Substitute**

“IMA”.

(2) Section 16ZK—

**Repeal**

“IMM approach to calculate its market risk capital requirements”

**Substitute**

“IMA to calculate part or all of its market risk capital charge”.

(3) Section 16ZK(a)—

**Repeal**

“requirements”

**Substitute**

“charge”.

**22. Section 16ZL amended (market risk under STM approach—semi-annual disclosures)**

(1) Section 16ZL—

**Repeal**

“calculate its market risk capital requirements”

**Substitute**

“calculate part or all of its market risk capital charge”.

(2) Section 16ZL(a)—

**Repeal**

“requirements”

**Substitute**

“charge”.

(3) Section 16ZL(b), after “period”—

**Add**

“, including key drivers of those changes”.

**23. Sections 16ZM and 16ZN substituted**

Sections 16ZM and 16ZN—

**Repeal the sections****Substitute****“16ZM. Market risk under IMA—quarterly disclosures**

An authorized institution using the IMA to calculate part or all of its market risk capital charge must disclose, for each quarterly reporting period—

- (a) the components of its market risk capital charge calculated using the IMA;

- (b) the corresponding components referred to in paragraph (a) for the immediately preceding quarterly reporting period; and
- (c) an explanation of any material changes in the components referred to in paragraph (a) during the quarterly reporting period, including key drivers of those changes.

**16ZN. Market risk under SSTM approach—semi-annual disclosures**

An authorized institution using the SSTM approach to calculate its market risk capital charge must disclose, for each semi-annual reporting period—

- (a) the components of its market risk capital charge calculated using the SSTM approach; and
- (b) an explanation of any material changes in the components referred to in paragraph (a) during the semi-annual reporting period, including key drivers of those changes.”.

**24. Section 16ZO repealed (comparison of VaR estimates with gains or losses—semi-annual disclosures)**

Section 16ZO—

**Repeal the section.**

**25. Part 2A, Division 7A added**

Part 2A, after Division 7—

**Add**

**“Division 7A—CVA Risk****16ZOA. Qualitative disclosures related to CVA risk—annual disclosures**

An authorized institution must disclose, for each annual reporting period, a description of its CVA risk management objectives and policies.

**16ZOB. Additional qualitative disclosures for authorized institution using standardized CVA approach—annual disclosures**

An authorized institution using the standardized CVA approach to calculate part or all of its CVA risk capital charge must disclose, for each annual reporting period, the main characteristics of its CVA risk management framework, including—

- (a) a description of the framework;
- (b) a description of senior management’s involvement in the framework; and
- (c) an overview of the governance of the framework.

**16ZOC. CVA risk under reduced basic CVA approach—semi-annual disclosures**

An authorized institution using the reduced basic CVA approach to calculate part or all of its CVA risk capital charge must disclose, for each semi-annual reporting period—

- (a) the components used for calculating the CVA risk capital charge under the reduced basic CVA approach; and



- (b) a description of the type of CVA hedges used by the institution, irrespective of whether the CVA hedges are eligible or not as set out in section 322U of the Capital Rules.

**16ZOD. CVA risk under full basic CVA approach—semi-annual disclosures**

An authorized institution using the full basic CVA approach to calculate part or all of its CVA risk capital charge must disclose, for each semi-annual reporting period, the components used for calculating the CVA risk capital charge under the full basic CVA approach.

**16ZOE. CVA risk under standardized CVA approach—semi-annual disclosures**

An authorized institution using the standardized CVA approach to calculate part or all of its CVA risk capital charge must disclose, for each semi-annual reporting period, the components used for calculating the CVA risk capital charge under the standardized CVA approach.

**16ZOF. Risk-weighted amount flow statements of CVA risk exposures under standardized CVA approach—quarterly disclosures**

An authorized institution using the standardized CVA approach to calculate part or all of its CVA risk capital charge must disclose, for each quarterly reporting period—

- (a) a flow statement explaining changes in the risk-weighted amount for CVA risk determined under the standardized CVA approach; and

- (b) an explanation of any material changes in the risk-weighted amount referred to in paragraph (a) during the quarterly reporting period, including key drivers of those changes.”.

Eddie YUE  
Monetary Authority

18 December 2023

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## Explanatory Note

These Rules amend the Banking (Disclosure) Rules (Cap. 155 sub. leg. M) (*principal Rules*).

2. The main purpose of these Rules is to implement the new and revised disclosure requirements contained in the following documents published by the Basel Committee on Banking Supervision—
  - (a) “Pillar 3 disclosure requirements—updated framework” of December 2018;
  - (b) “Revisions to leverage ratio disclosure requirements” of June 2019;
  - (c) “Revisions to market risk disclosure requirements” of November 2021.
3. The disclosure requirements mentioned in paragraph 2 are mainly incorporated in Part 2A of the principal Rules.
4. These Rules come into operation on—
  - (a) in respect of the provisions set out in Part 2 of these Rules, the day on which Part 3 of the Banking (Capital) (Amendment) Rules 2023 (*BCAR 2023*) comes into operation; and
  - (b) in respect of the provisions set out in Part 3 of these Rules, the day on which Part 5 of the BCAR 2023 comes into operation.