Basel Committee
on Banking Supervision

Regulatory Consistency Assessment Programme (RCAP)

Assessment of Basel NSFR regulations – Hong Kong SAR

March 2020

BANK FOR INTERNATIONAL SETTLEMENTS

Note that this report refers to the RCAP grades prior to October 2025. The grade 'materially non-compliant (MNC)', ie one notch above the lowest grade, has since been renamed to 'partially non-compliant (PNC)' for greater clarity

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Glossary

AI	Authorised Institution
ASF	Available stable funding
BCB	Central Bank of Brazil (Banco Central do Brasil)
BIS	Bank for International Settlements
BLR	Banking Liquidity Rules
C	Compliant (grade)
CI	Completion Instructions
DPS	Deposit Protection Scheme
D-SIB	Domestically systemically important bank
GDP	Gross domestic product
G-SIB	Global systemically important bank
HKD	Hong Kong dollar
HKMA	Hong Kong Monetary Authority
HQLAs	High-quality liquid assets
LC	Largely compliant (grade)
LCR	Liquidity Coverage Ratio
MDB	Multilateral development bank
MNC	Materially non-compliant (grade)
NDB	National Development Bank
NC	Non-compliant (grade)
NSFR	Net Stable Funding Ratio
PSE	Public sector entity
RCAP	Regulatory Consistency Assessment Programme
RSF	Required stable funding
SAR	Special Administrative Region
SIG	Supervision and Implementation Group
SPM	Supervisory Policy Manual

Preface

The Basel Committee on Banking Supervision (Basel Committee) places a high priority on the implementation of regulatory standards underpinning the Basel III framework. The prudential benefits from adopting Basel standards can only fully accrue if these are implemented fully, consistently and in a timely manner by all member jurisdictions. The Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel framework.

This report presents the findings of an RCAP Assessment Team (the Assessment Team) on the domestic adoption of the Basel Net Stable Funding Ratio (NSFR) standard in the Hong Kong Special Administrative Region (SAR). The assessment focused on the completeness and consistency of the domestic regulations in force on 31 December 2019 with the Basel NSFR standard, as applied to internationally active banks in Hong Kong SAR. Issues related to prudential outcomes, the resilience of the banking system or the supervisory effectiveness of the Hong Kong authorities were not in the scope of this assessment. The assessment relied on regulations, other information and explanations provided by the Hong Kong authorities and ultimately reflects the view of the Basel Committee.

The Assessment Team was led by Mr Ricardo Franco Moura, Head of the Prudential and Foreign Exchange Regulation Department at the Central Bank of Brazil (BCB) and comprised four technical experts, from Kazakhstan, Korea, the Netherlands and Sweden (see Annex 1). The counterparty for the assessment was the Hong Kong Monetary Authority (HKMA). The work was coordinated by the Basel Committee Secretariat with support from staff from the BCB.

The assessment began in the middle of 2019 and comprised (i) a self-assessment by the assessed jurisdiction's authorities (June to August 2019); (ii) an assessment phase (August to December 2019), including an on-site assessment involving discussions with the HKMA and banks; and (iii) a review phase (December 2019 to February 2020), including a technical review of the Assessment Team's findings by a separate RCAP Review Team, the Committee's Supervision and Implementation Group, the RCAP Peer Review Board and the Basel Committee. More information on the RCAP assessment process is available on the Committee's website.[1]

The Assessment Team sincerely thanks the staff of the HKMA for the efficient, professional and constructive engagement throughout the assessment process. The Assessment Team hopes that the RCAP exercise will contribute to refining the sound initiatives that have been undertaken in Hong Kong and to further strengthening the prudential effectiveness of the NSFR standard.

[1] See www.bis.org/bcbs/implementation.htm.

Executive summary

The HKMA has implemented the Basel NSFR regulations consistently with the internationally agreed timeline, ie by 1 January 2018.

In Hong Kong SAR, the NSFR applies to 16 banks (consisting of both locally incorporated banks and foreign bank branches) designated as category 1 institutions, which account for around 60% of total banking assets in Hong Kong. These category 1 institutions include all the internationally active banks. Category 1 institutions must comply with the international NSFR standard as prescribed in the local NSFR regulations, which are the subject of this assessment. All other banks in Hong Kong are designated as category 2 institutions. Among these category 2 institutions, 34 are considered to play a significant role in the local banking and financial market. Designated as category 2A institutions, these institutions must comply with a modified version of the NSFR (the Core Funding Ratio).

Overall, as of 31 December 2019, the NSFR regulations in Hong Kong are assessed as compliant with the Basel NSFR standard. This is the highest possible grade.

The Assessment Team did not identify any findings indicating a deviation from the Basel NSFR standard. One observation was identified, which concerns the delayed implementation of a required stable funding (RSF) for derivative liabilities. Whereas the main components of the NSFR were implemented on 1 January 2018, this particular aspect is implemented as of 1 January 2020.

In response to technical discussions with the Assessment Team during the on-site visit, the HKMA has agreed to make several changes to the Supervisory Policy Manual and the Completion Instructions. These changes are listed in Annex 4. At the same time, the Assessment Team noted that the NSFR framework in Hong Kong SAR is in some areas more conservative than the Basel standards. The super-equivalent areas are listed in Annex 5.

In addition to the formal assessment of the NSFR standard and disclosure requirements, this report contains an annex with a follow-up to an issue raised in the RCAP of the Hong Kong SAR's Liquidity Coverage Ratio (LCR) framework[2] regarding the outflow rate for insured deposits (Annex 7).

[2] www.bis.org/bcbs/publ/d314.htm.

Response from the HKMA

The HKMA would like to express its appreciation of the dedication and professionalism with which the Assessment Team, under the leadership of Mr Ricardo Franco Moura, conducted the assessment. Throughout the RCAP process, a comprehensive and thorough review of the implementation of the Basel NSFR standard in Hong Kong was conducted and areas for improvement were identified.

The HKMA is pleased that Hong Kong has received an overall compliant rating in relation to its NSFR regulations (including the NSFR disclosure standard). With regard to the observation identified in the assessment, the HKMA has taken steps to enhance the relevant local NSFR regulations to make sure that they are fully aligned with the Basel standard.

Overall, Hong Kong has a strong commitment to implement the international standards, including the NSFR requirements, as promulgated by the Basel Committee. This will strengthen public confidence in the banking system in Hong Kong and promote our status as an international financial centre. The HKMA fully supports the RCAP process, which aims to foster a consistent implementation of the Basel standards across member jurisdictions. The HKMA will remain committed to the future work of the Basel Committee.

1 Assessment context

1.1 Status of implementation of the NSFR

The HKMA is the monetary and banking authority of Hong Kong. The Basel NSFR standard was implemented on 1 January 2018 and its disclosure standard came into operation on 30 June 2018, in line with the internationally agreed timeline. The NSFR rules were implemented via the Banking (Liquidity) Rules (BLR) and Banking (Disclosure) Rules (BDR), which are subsidiary legislation under the Banking Ordinance (BO).

The HKMA applies a two-tiered approach to implementing the NSFR in Hong Kong, having regard to the diversity of authorised institutions (AIs)[3] in terms of their nature and scale of business as well as operational sophistication and systemic importance to the Hong Kong banking system. The HKMA applies the NSFR to all category 1 institutions and a modified version of the NSFR to category 2A institutions, which together constitute around 89% of total banking assets in Hong Kong.

1.2 Regulatory system

The HKMA, established on 1 April 1993, is charged with maintaining monetary and banking stability. The HKMA's monetary policy objective is to maintain currency stability within the framework of the Linked Exchange Rate system. In its role as Hong Kong's banking regulator, the HKMA is charged with promoting financial stability and the stability and effective working of the banking system, as well as helping to maintain Hong Kong's status as an international financial centre, in part through the maintenance and development of Hong Kong's financial infrastructure.

1.3 Structure of the banking sector

With total exposures of locally incorporated AIs of HKD 17.7 trillion[4] (equivalent to 623% of GDP), the banking system in Hong Kong is one of the largest financial systems in the world, serving as a regional financial centre and a gateway to Mainland China.[5] In March 2019, 186 AIs[6] operated in Hong Kong, of which 51 were locally incorporated AIs, and 135 were branch entities. The total exposures of the five locally incorporated internationally active banks accounted for 72.4% of those of locally incorporated AIs.

1.4 Scope of the assessment

The Assessment Team considered the NSFR requirements applicable to commercial banks in Hong Kong as of 31 December 2019. The assessment had two dimensions:

- a comparison of domestic regulations with the Basel NSFR standard to ascertain that all the required provisions have been adopted (*completeness* of the regulations); and

[3] AIs include licensed banks, restricted licence banks and deposit-taking companies.

[4] Total exposures used in the leverage ratio, which include both on- and off-balance sheet exposures.

[5] See IMF 2018 Article IV Consultation at www.imf.org/en/Publications/CR/Issues/2019/01/25/People-s-Republic-of-China-Hong-Kong-Special-Administrative-Region-2018-Article-IV-46539.

[6] This excluded three virtual banks that were locally incorporated AIs licensed in early 2019 but had yet to commence business as at 31 March 2019.

- whether there are any differences in substance between the domestic regulations and the Basel NSFR standard and, if so, their significance (*consistency* of the regulations).

In its assessment, the Assessment Team considered all binding documents that effectively implement the Basel NSFR standard in Hong Kong. Annex 2 lists the Basel standards used as the basis for the assessment. The assessment did not evaluate the adequacy of liquidity or the resilience of the banking system in Hong Kong or the supervisory effectiveness of the HKMA.

The Assessment Team noted that, in one area, the assessed jurisdiction's rule goes beyond the minimum Basel standards. Although the element (listed in Annex 5) provides for a more rigorous implementation of the Basel framework, it has not been taken into account for the assessment of compliance.

The outcome of the assessment is summarised using a four-grade scale, both at the level of each of the four key components of the Basel NSFR framework and the overall assessment of compliance. The four grades are: compliant, largely compliant, materially non-compliant and non-compliant.

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the NSFR in Hong Kong SAR to be compliant with the Basel standards. This grade takes into account the rectifications issued by the assessed authorities in December 2019, as described in Annex 4.

Assessment grades — Table 1

Component of the Basel NSFR framework	Grade
Overall grade	C
Scope, minimum requirement and application issues	C
Available stable funding (numerator)	C
Required stable funding (denominator)	C
NSFR disclosure requirements	C

Assessment scale: C (compliant), LC (largely compliant), MNC (materially non-compliant) and NC (non-compliant).

2.1.1 Scope, minimum requirement and application issues

The HKMA regulations on the scope and definition requirements are compliant with the Basel NSFR framework. The NSFR framework applies to 16 category 1 institutions, which include all internationally active institutions. No findings were identified.

2.1.2 Available stable funding

The HKMA regulations on the available stable funding are compliant with the Basel NSFR framework. No findings were identified.

2.1.3 Required stable funding

The HKMA regulations on the required stable funding are compliant with the Basel NSFR framework. No findings were identified. The Assessment Team noted one observation to the effect that the implementation of an RSF factor for total derivative liabilities was postponed.

2.1.4 Disclosure requirements

The HKMA regulations on the disclosure requirements are compliant with the Basel NSFR framework. No findings were identified.

2.2 Detailed assessment findings

No findings were identified.

2.3 Observation on the NSFR implementation in Hong Kong SAR

The following observation highlights certain special features of the regulatory implementation of the Basel NSFR standard in Hong Kong SAR. This is presented to provide additional context and information. The observation is considered compliant with the Basel standards and does not have a bearing on the assessment outcome.

2.3.1 Required stable funding

Basel paragraph number	43: Assets assigned a 100% RSF factor – total derivative liabilities
Reference in the domestic regulation	BLR Rule 54(1) to be amended by Rule 8 of Banking (Liquidity) (Amendment) Rules 2019 (BLAR 2019), re definition of total derivative liabilities (before adjustments), Table 2 of BLR Schedule 6 to be amended by Rule 21 of BLAR 2019; the CIs (Completion Instructions, Paragraph 68A and Annex 1) for the Return MA(BS)26.
Observation	The Basel NSFR framework paragraph 43(d) assigns a 20% RSF factor to derivative liabilities. At the time of the introduction of the NSFR in Hong Kong in January 2018, HK regulation contained no RSF factor prescribed, ie a 0% RSF factor, for derivative liabilities. The HKMA explained that this decision was taken because the Basel Committee on Banking Supervision was still discussing a potential modification of this treatment at the time. The Committee agreed in October 2017 that, at national discretion, jurisdictions may lower the value of the 20% RSF factor, with a floor of 5%. The HKMA has implemented a 5% RSF factor as per 1 January 2020. The Assessment Team observes therefore that the implementation of this particular element of the NSFR standard was delayed by two years.

Annexes

Annex 1: RCAP Assessment Team and Review Team

Assessment Team Leader

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Review Team members

Mr Jo Swyngedouw	National Bank of Belgium
Mr Piers Haben	European Banking Authority
Mr James Watkins	Federal Deposit Insurance Corporation, United States
Mr Toshio Tsuiki	Basel Committee Secretariat

Annex 2: List of Basel standards and implementing regulations issued by the HKMA

The following Basel standards were used as the basis of this RCAP assessment:

- *Basel III: the Net Stable Funding Ratio*, October 2014
- *Pillar 3 disclosure requirements – consolidated and enhanced framework*, March 2017
- *Implementation of Net Stable Funding Ratio and treatment of derivative liabilities*, October 2017
- *Treatment of extraordinary monetary policy operations in the Net Stable Funding Ratio*, June 2018

Table A.1 lists the regulations issued by the HKMA to implement the NSFR in Hong Kong. Previous RCAP assessments of the HKMA's implementation of the Basel standards considered the binding nature of regulatory documents in Hong Kong.[7] This RCAP Assessment Team did not repeat that assessment, but instead relied on the previous assessments' findings. Those assessments concluded that the types of instrument described in Table A.1 could be considered as binding on banks and supervisors for the purposes of an RCAP assessment.

Overview of relevant HKMA liquidity regulations — Table A.1

Domestic regulations	Type, version and date
Banking Ordinance	Primary legislation, amended on 1 July 2019
Banking (Liquidity) Rules	Subsidiary legislation, amended as per 1 January 2020 (as amended by BLAR 2019 gazetted on 28 June 2019)
Banking (Disclosure) Rules	Subsidiary legislation, amended on 1 July 2019
Supervisory Policy Manual (SPM) module LM-1 Regulatory Framework for Supervision of Liquidity Risk	Statutory guideline, finalised revisions announced on 31 December 2019
Supervisory Policy Manual module LM-2 Sound Systems and Controls for Liquidity Risk Management	Statutory guideline, revised on 25 November 2016
Return of Stable Funding Position of an Authorised Institution (MA(BS)26)	Banking return (with CIs), finalised revisions announced on 31 December 2019.
NSFR standard disclosure template (LIQ2)	Standard disclosure template (with CIs), revised on 3 August 2018

Source: HKMA.

7 See Annex 7 of the RCAP assessment of the Basel III risk-based capital regulations in Hong Kong SAR, March 2015, www.bis.org/bcbs/publ/d313.pdf.

Annex 3: Key liquidity indicators of the banking system in Hong Kong

Overview of the Hong Kong banking sector liquidity as of 31 March 2019 — Table A.2

Size of banking sector (HKD millions)[1]		
Total exposures of all authorised institutions (AIs) operating in Hong Kong	17,700,619	
Total exposures of all locally incorporated internationally active AIs[2]	12,820,589	
Total exposures of locally incorporated AIs to which liquidity standards under the Basel framework are applied	16,183,168	
Number of banks		
Number of AIs operating in Hong Kong (excluding local representative offices)[3]	186	
Number of global systemically important banks (G-SIBs)	0	
Number of domestic systemically important banks (D-SIBs)[4]	6	
Number of locally incorporated AIs which are internationally active	5	
Number of AIs required to implement Basel III liquidity standards	16	
Number of AIs required to implement domestic liquidity standards (ie Liquidity Maintenance Ratio and/or Core Funding Ratio (CFR))	170	
Breakdown of NSFR for four RCAP sample banks (HKD millions)	**Unweighted**	**Weighted**
Capital	1,260,771	1,252,253
Stable deposits from retail and small business customers	852,690	810,076
Less stable deposits from retail and small business customers	4,078,626	3,670,984
Unsecured funding from non-financial corporates	2,696,895	1,358,744
Unsecured funding from central banks, sovereigns, PSEs, MDBs and NDBs	556,140	63,218
Unsecured funding from financials (other legal entities)	1,574,920	395,252
Total available stable funding	12,686,862	7,670,373
Cash and central bank reserves	407,256	0
Loans to financial institutions	1,720,166	556,392
Securities eligible as Level 1 HQLA	1,756,602	96,883
Securities eligible as Level 2A HQLA	197,227	29,594
Securities eligible as Level 2B HQLA	103,589	51,795
All residential mortgages	1,270,371	816,895
Loans, <1 year	2,581,837	928,811
Other loans, >1 year, risk weight<=35%	16,985	11,040
Loans, risk weight>35%	2,495,191	2,120,912
Derivatives	416,365	25,736
All other assets	1,795,926	956,617
Off-balance sheet	4,732,913	46,029
Total required stable funding	17,494,427	5,640,706
NSFR		127.9%

Notes

[1] The figures are based on the measure of total exposures used in the leverage ratio, which includes both on- and off-balance sheet exposures. The measure is applicable to all AIs incorporated in Hong Kong.

[2] For this reporting purpose, a locally incorporated AI is regarded as internationally active if the amount of its total external claims and liabilities is equal to or exceeds HKD 250 billion (per one of the HKMA assessment criteria for designating an AI as a category 1 institution).

[3] The figure excludes three AIs which were licensed but had yet to commence operations as at 31 March 2019.

[4] The D-SIBs include the Hong Kong and Shanghai Banking Corporation Limited, Hang Seng Bank Limited, Bank of China (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited, the Industrial and Commercial Bank of China (Asia) Limited and the Bank of East Asia Limited.

Source: HKMA.

RCAP sample banks

Table A.3

Banking group	Share of banks' assets in the total assets of the banking system in Hong Kong (per cent)
Bank A	45.02
Bank B	15.21
Bank C	6.72
Bank D	5.48
Total	72.43

Source: HKMA. For this purpose, banking assets are based on the measure of total exposures used in the leverage ratio, which includes both on- and off-balance sheet exposures.

Annex 4: Rectifications made by the HKMA

List of rectifications by the HKMA — Table A.4

Basel paragraph	Reference in the HKMA's regulations	Description of the rectification
38	CIs (Paragraph 55) for Return MA(BS)26	Rectification was made in the CIs to specify that the RSF item eligible for the application of the 10% RSF factor covers loans and funds secured by Level 1 assets that can be rehypothecated by the reporting institution for the life of the loan.
50	SPM LM-1 (Paragraph 3.3.4)	Rectification was made in SPM LM-1 to clarify and restate that the consolidated requirement is applicable to locally incorporated internationally active banks.

Source: HKMA.

Annex 5: Areas where the HKMA rules are stricter than the Basel standards

In one area, the HKMA has adopted a stricter approach than the minimum standards prescribed by the Basel Committee. This instance is listed below for information. The stricter rule has not been taken into account as a mitigant for the overall or component-level assessment of compliance.

When it comes to the application of the NSFR, the HKMA has adopted a stricter approach than the minimum standards prescribed by Basel. Whereas the Basel standards apply only to internationally active banks, the HKMA has added three other considerations that could lead to the application of the NSFR: (i) the institution is significant to the overall stability and effective working of the banking system in Hong Kong; (ii) the liquidity risk of the institution is material; or (iii) there is a risk of regulatory arbitrage if the institution connected to a category 1 institution is not designated as a category 1 institution.

Annex 6: Elements of the NSFR subject to national discretion

Implementation of national discretions by the HKMA — Table A.5

Basel paragraph	Description	National implementation
25(a)	Treatment of deposits between banks within the same cooperative network	The HKMA did not exercise such supervisory discretion.
31	Treatment of excess collateral in a covered bond collateral pool allowing for multiple issuance	The HKMA did not exercise such supervisory discretion.
31, 36	Treatment of central bank operations	The HKMA did not exercise such supervisory discretion.
43	RSF factor for derivative liabilities	The HKMA has exercised the national discretion to apply a 5% RSF factor as of 1 January 2020.
45	Treatment of interdependent assets and liabilities	The HKMA has exercised the national discretion to adjust RSF and ASF for assets and liabilities that are considered interdependent, in case of the specific situation of "legal tender notes" and "certificates of indebtedness". Three note-issuing banks, which are also category 1 institutions, issue banknotes (ie legal tender notes) in Hong Kong. The note-issuing banks hold certificates of indebtedness issued by the Financial Secretary under the Exchange Fund Ordinance as cover for the banknotes they issue. The HKMA has assessed and considered that the pair of "legal tender notes" and "certificates of indebtedness" satisfy fully the requirements mentioned in paragraph 45 of the Basel NSFR standard. For example, both are exclusive items reported in relevant regulatory returns or financial statements; the amounts of these two items are equivalent at all times and any increase or reduction in them is fully matched; the note-issuing banks are acting solely as a pass-through unit; the certificates of indebtedness are payable by the Financial Secretary for the account of the Exchange Fund, whereas the counterparties for banknotes could be any person. Applying the NSFR requirements without exercising this discretion would put the note-issuing banks in a disadvantageous position. Moreover, the HKMA has also exercised the national discretion to treat assets and liabilities (other than "legal tender notes" and "certificates of indebtedness") as interdependent if they meet the requirements. At present, this discretion is not being exercised in practice.
47	RSF factors for other contingent funding obligations	The HKMA has exercised its discretion to apply a 0% RSF factor to the following off-balance sheet obligations: • Potential drawdown of uncommitted facilities; • Trade-related contingencies; and • Guarantees and letters of credit unrelated to trade-related contingencies.
50	Scope of application of NSFR and scope of consolidation of entities within a banking group	The NSFR framework applies to a wider selection of banks than strictly internationally active banks only. The HKMA has also required locally incorporated category 1 institutions to calculate the NSFR on a Hong Kong office basis and an unconsolidated basis (ie legal entity basis).

Source: HKMA.

Annex 7: RCAP-LCR follow-up: Outflow rate for insured deposits

Background

This annex reviews the compliance of the enhanced Deposit Protection Scheme (DPS) in Hong Kong with the Basel LCR requirements for applying a 3% outflow rate to insured deposits. Although this item was not highlighted as a deviation in the RCAP-LCR report since the HKMA opted for a 5% outflow rate for deposits, the report noted that the HKMA could consider applying a lower outflow rate (3%), as permitted by the Basel LCR requirements provided that certain criteria are met, notably that "the insurance scheme is based on a system of prefunding via the periodic collection of levies on banks with insured deposits".

The RCAP-LCR report also questioned the level of pre-funding in Hong Kong (0.25% of the insured deposits plus a credit facility) but, at the same time, acknowledged that the requirement in the Basel text is vague since it does not define the extent of prefunding required. Against this backdrop, the Assessment Team noted the difficulty of following up with respect to the adequacy of the level of prefunding of insured deposits.

Response from the HKMA

The HKMA indicated that, following the enhancements to the DPS in Hong Kong, banks have been allowed to apply the 3% outflow rate to their stable retail deposits insured by this scheme from 1 January 2017.

Assessment by the HKMA of the compliance of the DPS in Hong Kong with the requirements set out in the Basel LCR paragraph 78 — Table A.6

Basel paragraph	National implementation
The insurance scheme is based on a system of prefunding via the periodic collection of levies on banks with insured deposits.	The DPS has adopted an ex ante funding approach to provide for the operating costs and reserve for absorbing the payout costs. The target fund size is 0.25% of total protected deposits in the banking sector. The Hong Kong Deposit Protection Board (which oversees the DPS) collects contributions (ie levies) from scheme banks annually.
The scheme has adequate means of ensuring ready access to additional funding in the event of a large call on its reserves.	The DPS has secured a backup liquidity facility of HKD 120 billion with the Exchange Fund to enable it to make timely payment of compensation to depositors affected by bank failure in the event that the DPS is triggered.
Access to insured deposits is available to depositors in a short period of time (typically be expected to be no more than seven business days) once the scheme is triggered.	The DPS is committed to making full compensation to most depositors within seven business days, in line with international standards.
Jurisdictions should be able to provide evidence of run-off rates for stable deposits within the banking system of below 3% during any periods of stress experienced that are consistent with the conditions within the LCR.	The worst monthly decrease of "savings deposits" during recent periods of stress (ie July 2007–June 2009) was 2.4%, which is below the 3% run-off rate. In fact, there was a decrease in "savings deposits" only in four out of the 24 months, the percentage of this decrease ranging from 0.7% to 2.4%.

Source: HKMA.

Follow-up assessment

The Assessment Team focused on the compliance of the enhanced DPS with the Basel criteria for applying a 3% outflow rate and found no evidence of any deviations from the Basel LCR standard.