

澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

By fax and by mail

Ms. Danièle Nouy,
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel,
Switzerland

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事項
ASSUNTO: The New Basel Capital Accord

Dear Ms. Nouy,

We are pleased to receive the second consultative package on the New Accord. During the period, we have consulted all the banking institutions in Macau for their comments on the New Accord. In general, we welcome the New Capital Accord for the introduction of more risk sensitive ways to assess an institution's regulatory capital requirement. The implementation of the supervisory review and market discipline in the second and third pillars will certainly bring improvement to the financial soundness of the international banking system.

However, we would like to address the following concerns of the Macau banking institutions for your consideration:

1. Owing to the small economic environment of Macau, most of the banks are small to medium sized with focus on domestic businesses only. On the other hand, external rating is not popular in Macau, most of the banks or other business entities are not rated by external rating agencies. Therefore, the New Capital Accord, either with the sophisticated internal ratings-based approach or with the standardized approach, may not be appropriate to apply in Macau for the time-being.

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2. In view of the above, the deadline of 2004 for full implementation of the New Accord is considered too short. Our proposed plan is to implement the New Accord step by step in order to allow enough time to adopt the new approach. At the first stage, the existing method of calculating capital adequacy ratio will be maintained but with additional capital charge for operational risks. Due to the size and simple nature of banking activities in Macau, the basic indicator approach will be adopted. However, the amount of the fixed percentage to be charged on the gross income is to be determined later after we have made further assessment on the adequacy of the control environment of each bank.
3. Owing to the fact that banks in Macau are generally running traditional collateral based lending businesses, the exclusion of the tangible collateral in case of loans overdue more than 90 days and the risks weighing of 150% are considered too harsh. Taking into consideration the normal time taken for the legal proceedings to acquire and liquidate the tangible collateral and the inherent risks involved according to the domestic environment of Macau, we suggest a lower risks weighing of 100% to be applied to loans with overdue period over 90 days but the value of tangible collateral will only be excluded after the loan has been overdue for more than 18 months.

At last, we highly appreciate the consideration of the committee on the local environment of Macau and the provision of adequate flexibility in the final capital adequacy framework. Nevertheless, in view of the fast changing global financial market, the Monetary Authority of Macau will always strive to keep pace with the international standards and we always give high regards to the Basle recommendations on banking supervision.

With best regards,

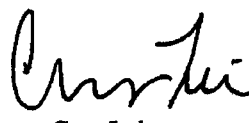
MONETARY AUTHORITY OF MACAU

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