

The DTC Association

(The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies)

存款公司公會 (香港有限制牌照銀行及接受存款公司公會)

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12th October, 2012 (Fri)

The Secretariat
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Dear Sir,

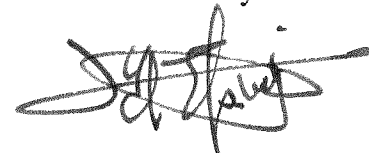
Basel Committee on Banking Supervision (BCBS)
Consultation on Supervisory Guidance for Managing Risks
Associated with the Settlement of Foreign Exchange Transactions

Thank you for your consultation paper of Wednesday the 22nd August, 2012 consulting us on the captioned subject of "*Consultation on Supervisory Guidance for Managing Risks Associated with the Settlement of Foreign Exchange Transactions*".

We have received a response from one of our Association members. The content of this reply is herewith attached as an appendix to the present letter.

Thank you for your kind attention,

Yours Sincerely



Pui-Chong LUND
Association Secretary

c.c. Ms. Rita Yeung
Acting Executive Director (Banking Policy)
The Hong Kong Monetary Authority

Appendix

In Hong Kong, HKSCC provide DVP services for securities settlement, while there is currently no organization with similar natures of independent (quasi- government/ central bank organization) provide full range of PvP services (except for HKD/USD settlement which handled by CHATS).

For the purpose of (i) better compliance of the Basel recommendations, and (ii) mitigation the Herstatt risk of banking system (i.e. one FI file will not create chain effect to other FI in Hong Kong), it is suggested the government / HKMA to assist the setup of an independent organization (or separate function of HKSCC) and relevant systems to provide PvP services in Hong Kong for major currencies.