

State-run lender [Allahabad Bank](#) on Tuesday said the [Hong Kong Monetary Authority](#) (HKMA) has enhanced supervisory arrangements on its Hong Kong branch while "assessing implications of the capital positions" of the lender.

"..we have to inform you that the Hong Kong Monetary Authority while assessing the implications of [capital position](#) of our bank as on 31 March 2018, has enhanced the supervisory arrangements on our Hong Kong branch," it said in a regulatory filing.

In fact, the bank's capital to risk-weighted assets ratio (CRAR) had declined to 8.69 per cent at the end of March quarter from 11.27 per cent at the end of December quarter of 2017-18.

The HKMA, the de facto central bank of Hong Kong, is responsible for maintaining monetary and [banking stability](#).

According to the filing, the branch should maintain the high-quality liquid asset in Hong Kong equivalent to 100 per cent of unpledged deposits.

"ALHBHK ([Allahabad Bank](#) Hong Kong branch) should not proactively solicit customer deposits in Hong Kong. However, transactional deposits such as pledged deposits for commercial loans would be excluded from this supervisory arrangement," the filing said.

According to supervisory arrangements imposed by HKMA, the branch should maintain a position of 'net due to' its head office, other branches and any direct or indirect subsidiaries and associates of the bank.

"ALHBHK should not incur additional non-bank credit exposures," the filing added.

The bank's latest annual report said its Hong Kong branch had earned operating profit of Rs. 905 million and net profit of Rs 448.6 million in the financial year 2017-18.

In the last fiscal, the bank's international business stood at Rs 128.71 billion and recorded a negative year-on-year growth of (-) 8.91 per cent on account of 12.82 per cent year-on-year drop in overseas advances.

In fact, under the capital adequacy guidelines stipulated by the Reserve Bank of India (RBI), the lender is required to maintain a [CRAR](#) of 9 per cent with minimum Common Equity Tier I (CET1) of 5.5 per cent as on 31 March 2019.

In fact, the [RBI](#) had last month imposed additional restrictions on [Allahabad Bank](#) under prompt corrective action (PCA) framework.

The lender was asked to restrict the expansion of risk-weighted assets (RWA), reduce exposure to high-risk loans and restrict accessing or renewing wholesale deposits.

The lender had posted a net loss of Rs 35.09 billion in the March quarter of 2017-18.