

Template KM2: Key metrics – LAC requirements for resolution entities (at LAC consolidation group level)

Purpose:	To provide summary information on external loss-absorbing capacity available, at LAC consolidation group level, of a resolution entity.
Scope of application:	The template is mandatory for all resolution entities under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").
Content:	Key regulatory metrics related to external loss-absorbing capacity of a resolution entity. Resolution entities are required to disclose the values for the current reporting period (designated by T in the template below) as well as the four previous quarterly reporting periods (designated by T-1 to T-4 respectively).
Frequency:	Quarterly.
Format:	Fixed.
Accompanying narrative:	A resolution entity should explain the key drivers behind any material changes across reporting periods for each ratio's value in a narrative commentary.
Corresponding LAC Rules rule	47(1)

		(a)	(b)	(c)	(d)	(e)
		T	T-1	T-2	T-3	T-4
Of the resolution entity at LAC consolidation group level						
1	External loss-absorbing capacity available					
2	Risk-weighted amount under the LAC Rules					
3	External LAC risk-weighted ratio					
4	Exposure measure under the LAC Rules					
5	External LAC leverage ratio					
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Points to note:

- (i) Under the BCBS's standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template KM2 applies to the disclosure of loss-absorbing capacity at the resolution group level. In tailoring the template KM2 for Hong Kong, the HKMA has made necessary adjustments so that the template applies to the disclosure by a resolution entity of external loss-absorbing capacity at the LAC consolidation group level to reflect that a requirement of a resolution entity to maintain, on a consolidated basis, its external LAC risk-weighted ratio or its external LAC leverage ratio at or above a specified minimum under the LAC Rules is imposed with respect to its LAC consolidation group.

- (ii) Disclosures are prospective during the first period of implementation and build up quarterly comparatives over time. Enter "NA" in the columns with respect to periods prior to the first period of implementation.
- (iii) A row shaded yellow represents an item that is not applicable in Hong Kong.
- (iv) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.

Explanatory Note	
Rows	
1	External loss-absorbing capacity available: the value in [KM2:1/a] should be equal to the value in [TLAC1:22/a] of the resolution entity with respect to the relevant position date, as applicable.
2	Risk-weighted amount under the LAC Rules: the value in [KM2:2/a] should be equal to the value in [TLAC1:23/a] of the resolution entity with respect to the relevant position date, as applicable.
3	External LAC risk-weighted ratio: the value in [KM2:3/a] should be equal to the value in [TLAC1:25/a] of the resolution entity with respect to the relevant position date, as applicable. This is derived from external loss-absorbing capacity available in row 1 divided by risk-weighted amount under the LAC Rules in row 2. The resultant ratio should be expressed as a percentage.
4	Exposure measure under the LAC Rules: the value in [KM2:4/a] should be equal to the value in [TLAC1:24/a] of the resolution entity with respect to the relevant position date, as applicable.
5	External LAC leverage ratio: the value in [KM2:5/a] should be equal to the value in [TLAC1:26/a] of the resolution entity with respect to the relevant position date, as applicable. This is derived from external loss-absorbing capacity available in row 1 divided by exposure measure under the LAC Rules in row 4. The resultant ratio should be expressed as a percentage.
6a	The subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.
6b	The subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.
6c	The subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.

Template KM2(A): Key metrics – LAC requirements for material subsidiaries (at LAC consolidation group level)

Purpose:	To provide summary information on internal loss-absorbing capacity available, at LAC consolidation group level, of a material subsidiary.
Scope of application:	The template is mandatory for all material subsidiaries under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”).
Content:	Key regulatory metrics related to internal loss-absorbing capacity of a material subsidiary. Material subsidiaries are required to disclose the values for the current reporting period (designated by T in the template below) as well as the four previous quarterly reporting periods (designated by T-1 to T-4 respectively).
Frequency:	Quarterly.
Format:	Fixed.
Accompanying narrative:	A material subsidiary should explain the key drivers behind any material changes across reporting periods for each ratio’s value in a narrative commentary.
Corresponding LAC Rules rule	47(1)

		(a)	(b)	(c)	(d)	(e)
		T	T-1	T-2	T-3	T-4
Of the material entity at LAC consolidation group level						
1	Internal loss-absorbing capacity available					
2	Risk-weighted amount under the LAC Rules					
3	Internal LAC risk-weighted ratio					
4	Exposure measure under the LAC Rules					
5	Internal LAC leverage ratio					
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Points to note:

- (i) *Under the BCBS’s standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template KM2 applies to the disclosure of loss-absorbing capacity at the resolution group level. The disclosure requirements under the LAC Rules apply to a disclosure entity, including a material subsidiary. In designing template KM2(A) for Hong Kong by modelling template KM2, the HKMA has made necessary adjustments so that template KM2(A) applies to the disclosure by a material subsidiary of internal loss-absorbing capacity at the LAC consolidation group level to reflect that a requirement of a material subsidiary to maintain, on a consolidated basis, its internal LAC risk-weighted*

ratio or its internal LAC leverage ratio at or above a specified minimum under the LAC Rules is imposed with respect to its LAC consolidation group.

- (ii) Disclosures are prospective during the first period of implementation and build up quarterly comparatives over time. Enter "NA" in the columns with respect to periods prior to the first period of implementation.
- (iii) A row shaded yellow represents an item that is not applicable in Hong Kong.
- (iv) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the reporting period should be used for conversion purposes.

Explanatory Note	
Rows	
1	Internal loss-absorbing capacity available: the value in [KM2(A):1/a] should be equal to the value in [TLAC1(A):22/a] of the material subsidiary with respect to the relevant position date, as applicable.
2	Risk-weighted amount under the LAC Rules: the value in [KM2(A):2/a] should be equal to the value in [TLAC1(A):23/a] of the material subsidiary with respect to the relevant position date, as applicable.
3	Internal LAC risk-weighted ratio: the value in [KM2(A):3/a] should be equal to the value in [TLAC1(A):25/a] of the material subsidiary with respect to the relevant position date, as applicable. This is derived from internal loss-absorbing capacity available in row 1 divided by risk-weighted amount under the LAC Rules in row 2. The resultant ratio should be expressed as a percentage.
4	Exposure Measure under the LAC Rules: the value in [KM2(A):4/a] should be equal to the value in [TLAC1(A):24/a] of the material subsidiary with respect to the relevant position date, as applicable.
5	Internal LAC leverage ratio: the value in [KM2(A):5/a] should be equal to the value in [TLAC1(A):26/a] of the material subsidiary with respect to the relevant position date, as applicable. This is derived from internal loss-absorbing capacity available in row 1 divided by exposure measure under the LAC Rules in row 4. The resultant ratio should be expressed as a percentage.
6a	The subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.
6b	The subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.
6c	The subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet does not apply in Hong Kong under the LAC Rules.

Template KM2(B): Key metrics – TLAC requirements for non-HK resolution entity (at resolution group level)

Purpose:	For a material subsidiary in a resolution group with a non-HK resolution entity to provide summary information on external loss-absorbing capacity available, at resolution group level, of the non-HK resolution entity, to the extent that the material subsidiary can reasonably obtain the necessary information.
Scope of application:	The template is mandatory for all material subsidiaries under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").
Content:	Where applicable, key regulatory metrics related to external loss-absorbing capacity of the non-HK resolution entity of a material subsidiary. Material subsidiaries are required to disclose the values for the current reporting period (designated by T in the template below) as well as the four previous quarterly reporting periods (designated by T-1 to T-4 respectively).
Frequency:	Quarterly.
Format:	Fixed.
Accompanying narrative:	A material subsidiary should explain the key drivers behind any material changes across reporting periods for each ratio's value in a narrative commentary.
Corresponding LAC Rules rule	47(2)

		(a)	(b)	(c)	(d)	(e)
		T	T-1	T-2	T-3	T-4
Of the non-HK resolution entity at resolution group level						
1	External loss-absorbing capacity available					
2	Total risk-weighted amount under the relevant non-HK regime					
3	External loss-absorbing capacity as a percentage of risk-weighted amount					
4	Leverage ratio exposure measure under the relevant non-HK regime					
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure					
6a	Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					
6b	Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?					
6c	If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised as external loss-absorbing capacity, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised as external loss-absorbing capacity if no cap was applied					

Points to note:

- (i) Under the BCBS's standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template KM2 applies to the disclosure of loss-absorbing capacity at the resolution group level. A material subsidiary under the LAC Rules in a resolution group with a non-HK resolution entity should, to the extent that the material subsidiary can reasonably obtain the necessary information, fill in the above template, which applies to the disclosure of external loss-absorbing capacity of such non-HK resolution entity at resolution group level.
- (ii) The material subsidiary may, subject to rule 56 of the LAC Rules being satisfied, treat disclosures made by a group company (e.g. the non-HK resolution entity) as disclosures required to be made under rule 47(2) of the LAC Rules and as specified in the above template.
- (iii) Disclosures are prospective during the first period of implementation and build up quarterly comparatives over time. Enter "NA" in the columns with respect to periods prior to the first period of implementation.
- (iv) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the reporting period should be used for conversion purposes.
- (v) Where the necessary information for an item is not available or cannot be reasonably obtained by the material subsidiary, enter "NA" in the relevant row.

Explanatory Note	
Rows	
1	External loss-absorbing capacity available: the value in [KM2(B):1/a] should be the amount of external loss-absorbing capacity of the non-HK resolution entity recognised as being able to count towards a requirement under a regulatory regime in a non-Hong Kong jurisdiction that corresponds to a LAC requirement ("relevant non-HK regime"), at resolution group level.
2	Total risk-weighted amount under the relevant non-HK regime: the value in [KM2(B):2/a] should be the amount of total risk-weighted amount of the non-HK resolution entity, determined in accordance with the relevant non-HK regime, at resolution group level.
3	External loss-absorbing capacity as a percentage of risk-weighted amount: the value in [KM2(B):1/a] should be derived from external loss-absorbing capacity available in row 1 divided by total risk-weighted amount in row 2. The resultant ratio should be expressed as a percentage.
4	Leverage ratio exposure measure under the relevant non-HK regime: the value in [KM2(B):4/a] should be the amount of the leverage ratio exposure measure of the non-HK resolution entity, determined in accordance with the relevant non-HK regime, at resolution group level.
5	External loss-absorbing capacity as a percentage of leverage ratio exposure measure: the value in [KM2(B):5/a] should be derived from external loss-absorbing capacity available in row 1 divided by leverage ratio exposure measure in row 4. The resultant ratio should be expressed as a percentage.
6a	[KM2(B):6a] refers to the uncapped exemption in Section 11 of the FSB TLAC Term Sheet, for jurisdictions in which all liabilities excluded from TLAC specified in Section 10 of the FSB TLAC Term Sheet are statutorily excluded from the scope of the bail-in tool and therefore cannot legally be written down or converted to equity in a bail-in resolution. <i>Enter: [Yes] or [No]</i>

Explanatory Note	
6b	<p>[KM2(B):6b] refers to the capped exemption in Section 11 of the FSB TLAC Term Sheet, for jurisdictions where the resolution authority may, under exceptional circumstances specified in the applicable resolution law, exclude or partially exclude from bail-in all of the liabilities excluded from TLAC specified in Section 10 of the FSB TLAC Term Sheet, and where the relevant authorities have permitted liabilities that would otherwise be eligible to count as external TLAC but which rank alongside those excluded liabilities in the insolvency creditor hierarchy to contribute a quantum equivalent of up to 2.5% risk-weighted amount (from 2019) or 3.5% risk-weighted amount (from 2022).</p> <p><i>Enter: [Yes] or [No]</i></p>
6c	<p>Only applicable if the answer to [KM2(B):6b] is entered [Yes]. The value in [KM2(B):6c/a] should be equal to the quotient, at resolution group level, of (a) the amount recognised as external loss-absorbing capacity of the non-HK resolution entity under the relevant non-HK regime after application of the cap in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet divided by (b) funding issued by the non-HK resolution entity which is not subordinated to liabilities excluded from external loss-absorbing capacity but meet all other FSB TLAC Term Sheet requirements. The resultant ratio should be expressed as a percentage.</p>

Template CCA(A): Main features of regulatory capital instruments and non-capital LAC debt instruments

Purpose:	To provide a description of the main features of a resolution entity or a material subsidiary's Common Equity Tier 1 ("CET1"), Additional Tier 1 ("AT1"), Tier 2 ("T2") capital instruments and non-capital LAC debt instruments, as applicable, that are recognised as part of its loss-absorbing capacity under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").
Scope of application:	The table is mandatory for all resolution entities and material subsidiaries under the LAC Rules for all instruments included in their loss-absorbing capacity.
Content:	Qualitative and quantitative information.
Frequency:	Semi-annual. This table should be updated whenever a capital instrument or a non-capital LAC debt instrument is issued, repaid, included in or excluded from the external or internal loss-absorbing capacity by a resolution entity or material subsidiary, as applicable, and whenever there is a redemption, conversion / write-down, or any other material change in the nature of the relevant instrument. The resolution entity or material subsidiary should include the web link to the issuances made over the previous period in each disclosure statement.
Format:	Flexible.
Accompanying information:	The full terms and conditions of all instruments included in the external or internal loss-absorbing capacity of a resolution entity or material subsidiary, as applicable, should be made available on its internet website.
Corresponding LAC Rules rule:	51

		(a)
		Quantitative / qualitative information
1	Issuer	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Governing law(s) of the instrument	
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for non-capital LAC debt instruments governed by non-Hong Kong law)	
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules ¹	

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the Banking (Capital) Rules ("BCR").

		(a)
		Quantitative / qualitative information
5	Post-transitional Basel III rules ²	
6	Eligible at solo / group / solo and group (for regulatory capital purposes)	
6a	Eligible at solo / LAC consolidation group / solo and LAC consolidation group (for LAC purposes)	
7	Instrument type (types to be specified by each jurisdiction)	
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	
8a	Amount recognised in loss-absorbing capacity (currency in millions, as of most recent reporting date)	
9	Par value of instrument	
10	Accounting classification	
11	Original date of issuance	
12	Perpetual or dated	
13	Original maturity date	
14	Issuer call subject to prior supervisory approval	
15	Optional call date, contingent call dates and redemption price	
16	Subsequent call dates, if applicable	
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	
18	Coupon rate and any related index	
19	Existence of a dividend stopper	
20	Fully discretionary, partially discretionary or mandatory	
21	Existence of step-up or other incentive to redeem	
22	Non-cumulative or cumulative	
23	Convertible or non-convertible	
24	If convertible, conversion trigger(s)	
25	If convertible, fully or partially	
26	If convertible, conversion rate	
27	If convertible, mandatory or optional conversion	
28	If convertible, specify instrument type convertible into	
29	If convertible, specify issuer of instrument it converts into	
30	Write-down feature	
31	If write-down, write-down trigger(s)	
32	If write-down, full or partial	
33	If write-down, permanent or temporary	
34	If temporary write-down, description of write-up mechanism	
34a	Type of subordination	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

(a)
Quantitative / qualitative information

Points to note:

- (i) A resolution entity or a material subsidiary should cover all instruments included in its external or internal loss-absorbing capacity respectively, on a consolidated basis and, as applicable, on a solo basis or solo-consolidated basis (as the case requires). A resolution entity or material subsidiary that is a Hong Kong-incorporated AI may complete Table CCA for all CET1, AT1 and T2 capital instruments, as applicable, that are included in both its regulatory capital and external or internal loss-absorbing capacity, as the case requires, in place of this table.
- (ii) This table may be posted on the internet website of a group company of the resolution entity or material subsidiary, instead of that of the resolution entity or material subsidiary, upon approval by the resolution authority under the LAC Rules. However, for disclosure by a resolution entity or material subsidiary that is a Hong Kong-incorporated AI with respect to CET1, AT1 and T2 capital instruments that are included in both its regulatory capital and external or internal loss-absorbing capacity, the reference to "group company" should be interpreted as a reference to the parent bank only (but not also any other group company) of the resolution entity or material subsidiary, consistent with requirements under the Banking (Disclosure) Rules.
- (iii) A resolution entity or material subsidiary should report the main features of each outstanding regulatory capital instrument or non-capital LAC debt instrument. For any item that is not applicable for a particular instrument, "NA" should be entered.
- (iv) In order to provide a "main features report" that summarises all of the regulatory capital instruments and non-capital LAC debt instrument of the banking group, a resolution entity or material subsidiary should group the instruments under three sections (horizontally along the table) to indicate whether they are for meeting (i) only regulatory capital (but not LAC) requirements; (ii) both regulatory capital and LAC requirements; or (iii) only LAC (but not regulatory capital) requirements. The resolution entity or material subsidiary should report each instrument in a separate column of this template (by adding column (b), column (c) and so on) under each of the three sections according to the relevant grouping.
- (v) A resolution entity or material subsidiary should select one of the standard options in the list as the input for a particular cell, where relevant. The following table provides a more detailed explanation of reporting requirements for each of the cells, and, where relevant, the list of standard options from which the resolution entity or material subsidiary should select as the input for a particular cell.

Explanatory Note	
Rows	
1	The legal entity which is the issuer of the instrument. <i>Free text</i>
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement). <i>Free text</i>
3	Specifies the governing law(s) of the instrument. <i>Free text</i>
3a	Non-capital LAC debt instruments governed by non-Hong Kong law — To meet the qualifying criteria for loss-absorbing capacity, the resolution entity or material subsidiary is required to obtain independent legal advice acceptable to the Monetary Authority (as the resolution authority) issued under the non-Hong Kong law, addressing whether the application of resolution powers under the Financial Institutions (Resolution) Ordinance (Cap. 628) would be effective and enforceable on the basis of binding statutory provisions or legally enforceable contractual provisions. If the legal basis is legally enforceable contractual provisions, select "Contractual". If the legal basis is binding

	<p>statutory provisions, select "Statutory". Select "NA" where the governing law of the instrument is the law of Hong Kong.</p> <p><i>Enter: [Contractual] [Statutory] [NA]</i></p>
4	<p>Specifies the regulatory capital treatment (if the instrument is subject to the transitional arrangements provided for in Schedule 4H to the BCR) (i.e. the component of capital that the instrument is being phased-out from).</p> <p><i>Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]</i></p>
5	<p>Specifies the regulatory capital treatment (if the instrument is not subject to the transitional arrangements provided for in Schedule 4H to the BCR).</p> <p><i>Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]</i></p>
6	<p>Specifies the level(s) within the group at which the instrument is included in capital. The level of solo includes solo-consolidated.</p> <p><i>Enter: [Solo] [Group] [Solo and Group]</i></p>
6a	<p>Specifies the level(s) within the group at which the instrument is included in loss-absorbing capacity. The level of solo includes solo-consolidated.</p> <p><i>Enter: [Solo] [LAC consolidation group] [Solo and LAC consolidation group]</i></p>
7	<p>Specifies the instrument type, varying by jurisdiction. This helps provide a more granular understanding of features, particularly during transition.</p> <p><i>Enter: [Ordinary shares] [Perpetual non-cumulative preference shares] [Perpetual debt instruments] [Perpetual cumulative preference shares] [Redeemable non-cumulative preference shares] [Redeemable cumulative preference shares] [Other Tier 2 instruments][non-capital LAC debt instrument] [Others: please specify]</i></p>
8	<p>Specifies amount recognised in regulatory capital. Where more than one capital instrument is subject to the phase-out arrangements in a particular tier of capital, a resolution entity or material subsidiary may specify the total amount recognised in that tier of capital for all such instruments instead of the amount recognised for each individual capital instrument.</p> <p><i>Free text</i></p>
8a	<p>Specifies amount recognised in loss-absorbing capacity.</p> <p><i>Free text</i></p>
9	<p>Par value of the instrument.</p> <p><i>Free text</i></p>
10	<p>Specifies accounting classification which helps to assess loss absorbency.</p> <p><i>Enter: [Shareholders' equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]</i></p>
11	<p>Specifies date of issuance.</p> <p><i>Free text</i></p>
12	<p>Specifies whether dated or perpetual.</p> <p><i>Enter: [Perpetual] [Dated]</i></p>
13	<p>For dated instrument, specifies original maturity date (day, month and year). For perpetual instrument, "no maturity" should be entered.</p>

	<i>Free text</i>
14	Specifies whether there is an issuer call option. <i>Enter: [Yes] [No]</i>
15	For instrument with issuer call option, specifies (i) first date of call if the instrument has a call option on a specific date (day, month and year); (ii) if the instrument has a tax and / or regulatory event call; and (iii) the redemption price. <i>Free text</i>
16	Specifies the existence and frequency of subsequent call dates, if applicable. <i>Free text</i>
17	Specifies whether the coupon / dividend is: (i) fixed over the life of the instrument; (ii) floating over the life of the instrument; (iii) currently fixed but will move to a floating rate in the future; or (iv) currently floating but will move to a fixed rate in the future. <i>Enter: [Fixed] [Floating] [Fixed to floating] [Floating to fixed]</i>
18	Specifies the coupon rate of the instrument and any related index that the coupon / dividend rate references. <i>Free text</i>
19	Specifies whether the non-payment of a coupon or dividend on the instrument prohibits the payment of dividends on ordinary shares (i.e. whether there is a dividend stopper). <i>Enter: [Yes] [No]</i>
20	Specifies whether the issuer has (i) full discretion; (ii) partial discretion; or (iii) no discretion over whether a coupon / dividend is paid. If a resolution entity or material subsidiary has full discretion to cancel coupon / dividend payments under all circumstances, it should select "fully discretionary" (including when there is a dividend stopper that does not have the effect of preventing the resolution entity or material subsidiary from cancelling payments on the instrument). If there are conditions that should be met before payment can be cancelled (e.g. capital below a certain threshold), the resolution entity or material subsidiary should select "partially discretionary". If the resolution entity or material subsidiary is unable to cancel the payment outside of insolvency, it should select "mandatory". <i>Enter: [Fully discretionary] [Partially discretionary] [Mandatory]</i>
21	Specifies whether there is a step-up or other incentive to redeem. <i>Enter: [Yes] [No]</i>
22	Specifies whether dividends / coupons are cumulative or non-cumulative. <i>Enter: [Non-cumulative] [Cumulative]</i>
23	<i>Convertible or non-convertible:</i> specifies whether the instrument is convertible or not. <i>Enter: [Convertible] [Non-convertible]</i>
24	Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, names of the authorities should be listed. For each of the authorities, it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach). Where any authorities are required to be given an opportunity to object

	to the triggering of conversion, names of authorities should be listed. <i>Free text.</i>
25	For each conversion trigger separately, specifies whether the instrument will: (i) always convert fully; (ii) may convert fully or partially; or (iii) will always convert partially. <i>Free text referencing one of the options above</i>
26	Specifies rate of conversion into the more loss absorbent instrument. <i>Free text</i>
27	For convertible instruments, specifies whether conversion is mandatory or optional. <i>Enter: [Mandatory] [Optional] [NA]</i>
28	For convertible instruments, specifies instrument type convertible into. <i>Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Others: please specify]</i>
29	If convertible, specifies issuer of instrument into which it converts. <i>Free text</i>
30	Specifies whether there is a write-down feature. <i>Enter: [Yes] [No]</i>
31	Specifies the trigger at which write-down occurs, including point of non-viability. Where one or more authorities have the ability to trigger write-down, names of the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach). Where any authorities are required to be given an opportunity to object to the triggering of write-down, names of authorities should be listed. <i>Free text</i>
32	For each write-down trigger separately, specifies whether the instrument will: (i) always be written down fully; (ii) may be written down partially; or (iii) will always be written down partially. <i>Free text referencing one of the options above</i>
33	For write-down instrument, specifies whether write-down is permanent or temporary. <i>Enter: [Permanent] [Temporary] [NA]</i>
34	For instrument that has a temporary write-down, description of write-up mechanism. Not applicable in the case of Hong Kong as no write-up is allowed. <i>Enter: [NA]</i>
34a	Type of subordination. If the instrument is issued by a clean HK holding company, irrespective of whether it is contractually subordinated to depositors and general creditors of the clean HK holding company, select "Structural". Where the instrument issued by a clean HK holding company is contractually subordinated to its depositors and general creditors, explain so in a narrative description. If the instrument is contractually subordinated to depositors and general creditors of the resolution entity or material subsidiary (as applicable), select "Contractual". <i>Enter: [Structural] [Contractual]</i> <i>Free text (if applicable)</i>

35	Specifies instrument to which it is most immediately subordinate. Where applicable, a resolution entity or material subsidiary should specify the column numbers of the instruments in the completed main features template to which the instrument is most immediately subordinate. <i>Free text</i>
36	Specifies whether there are non-compliant features. <i>Enter: [Yes] [No]</i>
37	If there are non-compliant features, a resolution entity or material subsidiary should identify them. <i>Free text</i>

Template TLAC1: LAC composition of resolution entity (at LAC consolidation group level)

Purpose:	To provide details of the composition of a resolution entity's external loss-absorbing capacity.
Scope of application:	This template is mandatory for all resolution entities under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").
Content:	Carrying values (corresponding to the values reported in financial statements).
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	Resolution entities should supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change(s). Qualitative narrative on the preferred resolution strategy covering the resolution entity, as identified by the resolution authority under rule 3 of the LAC Rules, may be included to facilitate understanding of the TLAC templates.
Corresponding LAC Rules rule	48

		(a)
		Amount
Regulatory capital elements of external loss-absorbing capacity and adjustments		
1	Common Equity Tier 1 ("CET1") capital	
2	Additional Tier 1 ("AT1") capital before LAC adjustments	
3	AT1 capital instruments ineligible as external loss-absorbing capacity as issued by a member of the resolution entity's LAC consolidation group other than the resolution entity	
4	Other adjustments	
5	AT1 capital eligible under the LAC Rules	
6	Tier 2 ("T2") capital before LAC adjustments	
7	Amortized portion of T2 capital instruments that are external debt LAC debt instruments issued by the resolution entity	
8	T2 capital instruments ineligible as external loss-absorbing capacity as issued by a member of the resolution entity's LAC consolidation group other than the resolution entity	
9	Other adjustments	
10	T2 capital eligible under the LAC Rules	
11	External loss-absorbing capacity arising from regulatory capital	
Non-regulatory capital elements of external loss-absorbing capacity		
12	External non-capital LAC debt instruments issued directly by the resolution entity and that meet subordination requirements set out in the LAC Rules	
13	External non-capital LAC debt instruments issued directly by the resolution entity and that do not meet subordination requirements but meet all other LAC eligibility requirements	Not applicable
14	Of which: amount eligible as external loss-absorbing capacity after application of the caps	Not applicable
15	External non-capital LAC debt instruments issued by funding vehicles prior to 1 January 2022	Not applicable
16	Eligible ex ante commitments to recapitalise a resolution entity in resolution	Not applicable

		(a)
		Amount
17	External loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	
Non-regulatory capital elements of external loss-absorbing capacity: adjustments		
18	External loss-absorbing capacity before deductions	
19	Deductions of exposures between the resolution entity's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for external loss-absorbing capacity	
20	Deduction of holdings of its own non-capital LAC liabilities	
21	Other adjustments to external loss-absorbing capacity	
22	External loss-absorbing capacity after deductions	
Risk-weighted amount and exposure measure under the LAC Rules for external loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	
24	Exposure measure under the LAC Rules	
External LAC ratios and buffers		
25	External LAC risk-weighted ratio	
26	External LAC leverage ratio	
27	CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements	
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	
29	Of which: capital conservation buffer requirement	
30	Of which: institution-specific countercyclical capital buffer requirement	
31	Of which: higher loss absorbency requirement	

(a)
Amount

Points to note:

- (i) Under the BCBS's standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template TLAC1 applies to the disclosure of loss-absorbing capacity composition at the resolution group level. In tailoring template TLAC1 for Hong Kong, the HKMA has made necessary adjustments so that the template applies to the disclosure of external loss-absorbing capacity composition at the LAC consolidation group level, instead of the resolution group level, to reflect that a requirement of a resolution entity to maintain, on a consolidated basis, its external LAC risk-weighted ratio or its external LAC leverage ratio at or above a specified minimum under the LAC Rules is imposed with respect to its LAC consolidation group.
- (ii) Where the LAC consolidation group of the resolution entity under the LAC Rules is the same as the capital consolidation group, those rows that refer to regulatory capital before adjustments coincide with information provided under Template CC1. Otherwise, the capital and RWA for regulatory capital purposes for a LAC consolidation group reported in this template will not directly correspond to the capital and RWA for regulatory capital purposes reported in Template CC1.
- (iii) The regulatory capital elements of external loss-absorbing capacity of a LAC consolidation group shall include only capital instruments issued by entities belonging to the LAC consolidation group. The external loss-absorbing capacity position is based on the risk-weighted amount under the LAC Rules (as set out in paragraph (a)(ii) or paragraph (b) (as the case requires) of the definition of "risk-weighted amount" under rule 2 of the LAC Rules) and exposure measure under the LAC Rules (as set out in paragraph (a)(ii) or paragraph (b) (as the case requires) of the definition of "exposure measure" under rule 2 of the LAC Rules) calculated at the level of the LAC consolidation group.
- (iv) Unless otherwise specified, any holdings of non-capital LAC liabilities issued by financial sector entities that are group companies that are not members of the resolution entity's LAC consolidation group which should be deducted from external loss-absorbing capacity under the LAC Rules are to be reported in row 19. If applicable, any holdings of non-capital LAC liabilities issued by such financial sector entities which should be deducted pursuant to the BCR (or, for a resolution entity that is not an AI, which should be deducted as if the BCR applied to it) should have been reflected in the figures reported for rows 1, 2, and 6 (i.e. the figures reported for rows 1, 2 and 6 should be net of such holdings).
- (v) In the case of a resolution entity that is an AI and whose LAC consolidation group is the same as its capital consolidation group, the resolution entity may, pursuant to rule 52(2) of the LAC Rules and subject to the specified conditions being met, set out figures for rows 28 to 31 in a separate document (e.g. a document for reporting under Template KM1) that is signposted in this template, instead of reporting the figures in these rows in this template.
- (vi) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. All figures should be reported in absolute amount regardless of whether the amount is to be added to or deducted from the total. The closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.
- (vii) Regarding the shading:
 - A row shaded dark grey introduces a new section detailing one of the main components of external loss-absorbing capacity.
 - A row shaded light grey with no thick border reports the sum of the rows in the relevant section.
 - A row shaded light grey with a thick border reports one of the main components of external loss-absorbing capacity
 - A row shaded yellow identifies an item that is not applicable in Hong Kong.
- (viii) The following table provides guidance in relation to each row of the above template.

Explanatory Note	
Rows	
1	CET1 capital of the resolution entity, calculated as if the BCR applied to the entity with respect to its LAC

Explanatory Note	
	consolidation group as defined in the LAC Rules.
2	AT1 capital before LAC adjustments of the resolution entity, calculated as if the BCR applied to the entity with respect to its LAC consolidation group as defined in the LAC Rules.
3	AT1 capital instruments issued by a member of the LAC consolidation group other than the resolution entity that do not count towards external loss-absorbing capacity pursuant to rule 37(a)(ii) of the LAC Rules. For a resolution entity whose LAC consolidation group is the same as its capital consolidation group for calculating regulatory capital, the amount is equal to that reported in row 34 in Template CC1.
4	Other elements of AT1 capital that are ineligible as external loss-absorbing capacity (excluding those already incorporated in row 3). For example, any AT1 capital instrument that is not an external LAC debt instrument (i.e. it does not meet all the qualifying criteria set out in Schedule 1 to the LAC Rules) under rule 37(a)(i) of the LAC Rules or any item of AT1 capital instrument that a resolution entity is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of its external loss-absorbing capacity under rule 42 of the LAC Rules.
5	AT1 capital eligible to be included under the LAC Rules, calculated as the value in row 2 minus the values in rows 3 and 4.
6	Tier 2 capital before LAC adjustments of the resolution entity, calculated as if the BCR applied to the entity with respect to its LAC consolidation group as defined in the LAC Rules.
7	Amortized portion of T2 capital instruments that are external LAC debt instruments issued by the resolution entity. This row recognises that as long as a T2 capital instrument has more than one year of residual maturity as required under section 1(1)(e) of Schedule 1 to the LAC Rules, the full amount may be included in external loss-absorbing capacity, even if the instrument is partially derecognised from regulatory capital under the BCR due to the requirement to amortise the instrument in the five years before maturity. Only the amount not recognised in regulatory capital aforementioned but meeting all external loss-absorbing capacity eligibility criteria should be reported in this row.
8	T2 capital instruments issued by a member of the LAC consolidation group other than the resolution entity that do not count towards external loss-absorbing capacity under rule 37(a)(ii) of the LAC Rules. For a resolution entity whose LAC consolidation group is the same as its capital consolidation group for calculating regulatory capital, the amount is equal to that reported in row 48 of Template CC1.
9	Other elements of T2 capital that are ineligible as external loss-absorbing capacity (excluding those already incorporated in row 8). For example, any T2 capital instrument that is not an external LAC debt instrument (i.e. it does not meet all the qualifying criteria set out in Schedule 1 to the LAC Rules) under rule 37(a)(i) of the LAC Rules or any item of T2 capital instrument that a resolution entity is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of its external loss-absorbing capacity under rule 42 of the LAC Rules.
10	T2 capital eligible to be included under the LAC Rules, calculated as value in row 6, add the value in row 7, and

Explanatory Note	
	then minus the values in rows 8 and 9.
11	External loss-absorbing capacity arising from regulatory capital, calculated as the sum of values in rows 1, 5 and 10.
12	External non-capital LAC debt instruments issued directly by the resolution entity and that meet the subordination requirements set out in section 1(1)(i) of Schedule 1 to the LAC Rules.
13	The subordination exemptions in Section 11 of the FSB TLAC Term Sheet that relate to liabilities that rank pari passu with excluded liabilities do not apply in Hong Kong under the LAC Rules.
14	The subordination exemptions in Section 11 of the FSB TLAC Term Sheet that relate to liabilities that rank pari passu with excluded liabilities do not apply in Hong Kong under the LAC Rules.
15	The exemptions for instruments issued by funding vehicles in Section 8 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.
16	The provision for ex ante commitments to recapitalise a resolution entity to count towards TLAC requirements as set out in Section 7 of the FSB TLAC Term Sheet do not apply in Hong Kong under the LAC Rules.
17	External loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments. The value in row 17 is the same as the value in row 12.
18	External loss-absorbing capacity before adjustments, calculated as the sum of values in rows 11 and 17.
19	Deductions of exposures between the resolution entity's LAC consolidation group and group companies outside that group that correspond to items eligible for external loss-absorbing capacity. This row reports the amount of holdings of non-capital LAC liabilities issued by financial sector entities that are group companies that are not members of the resolution entity's LAC consolidation group, calculated in accordance with rule 38(1)(b) of, and Schedule 4 to, the LAC Rules.
20	Deductions of holdings of its own non-capital LAC liabilities. This row reports the amount to be deducted from the resolution entity's external loss-absorbing capacity resources in accordance with rule 38(1)(a) of, and Schedule 4 to, the LAC Rules.
21	Other adjustments to external loss-absorbing capacity. For example, any item of non-capital LAC liabilities that the resolution entity is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of its external loss-absorbing capacity under rule 42 of the LAC Rules.
22	External loss-absorbing capacity of the resolution entity at the LAC consolidation group level after deductions, calculated as the value in row 18 minus the sum of values in rows 19, 20 and 21.
23	Risk-weighted amount under the LAC Rules of the resolution entity at the LAC consolidation group level. For a resolution entity whose LAC consolidation group is the same as its capital consolidation group for calculating regulatory capital, the amount reported in this row will be equal to that in row 60 of Template CC1.
24	Exposure measure under the LAC Rules of the resolution entity at the LAC consolidation group level.

Explanatory Note	
25	External LAC risk-weighted ratio, calculated as the value in row 22 divided by that in row 23.
26	External LAC leverage ratio, calculated as the value in row 22 divided by that in row 24.
27	(Not applicable for a resolution entity that is not an AI). The resolution entity's CET1 ratio available after meeting its minimum capital requirements and LAC requirements, calculated as the ratio of (a) its CET1 less any common equity used to meet CET1, Tier 1, total minimum capital and LAC requirements; to (b) its RWA under the BCR.
28	<p>(Only applicable to a resolution entity that is an AI and whose LAC consolidation group is the same as its capital consolidation group). Institution-specific buffer requirements, calculated as the sum of: (i) the capital conservation buffer requirement; (ii) the countercyclical capital buffer requirement; and (iii) the higher loss absorbency requirement, in each case calculated as if the BCR applied to the resolution entity at the LAC consolidation group level.</p> <p>The value reported in this row should be equal to the sum of values for capital conservation buffer requirement, countercyclical capital buffer requirement and higher loss absorbency requirement reported in row 11 of Template KM1.</p>
29	<p>(Only applicable to a resolution entity that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the capital conservation buffer requirement.</p> <p>The value reported in this row should be equal to the value for capital conservation buffer requirement reported in row 8 of Template KM1.</p>
30	<p>(Only applicable to a resolution entity that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the countercyclical capital buffer requirement.</p> <p>The value reported in this row should be equal to the value for countercyclical capital buffer requirement reported in row 9 of Template KM1.</p>
31	<p>(Only applicable to a resolution entity that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the higher loss absorbency requirement. The value reported in this row should be equal to the value for higher loss absorbency requirement reported in row 10 of Template KM1.</p>

Template TLAC1(A): LAC composition of material subsidiary (at LAC consolidation group level)

Purpose:	To provide details of the composition of a material subsidiary's internal loss-absorbing capacity.
Scope of application:	This template is mandatory for all material subsidiaries under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules").
Content:	Carrying values (corresponding to the values reported in financial statements).
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	Material subsidiaries should supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change(s). Qualitative narrative on the preferred resolution strategy covering the material subsidiary, as identified by the resolution authority under rule 3 of the LAC Rules, may be included to facilitate understanding of the TLAC templates.
Corresponding LAC Rules rule	48

		(a)
		Amount
	Regulatory capital elements of internal loss-absorbing capacity and adjustments	
1	Common Equity Tier 1 ("CET1") capital	
2	Additional Tier 1 ("AT1") capital before LAC adjustments	
3	AT1 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	
4	Other adjustments	
5	AT1 capital eligible under the LAC Rules	
6	Tier 2 ("T2") capital before LAC adjustments	
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	
8	T2 capital instruments ineligible as internal loss-absorbing capacity as not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	
9	Other adjustments	
10	T2 capital eligible under the LAC Rules	
11	Internal loss-absorbing capacity arising from regulatory capital	
	Non-regulatory capital elements of internal loss-absorbing capacity	
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held indirectly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group	

		(a)
		Amount
13	(This row is intentionally left blank)	Not applicable
14	(This row is intentionally left blank)	Not applicable
15	(This row is intentionally left blank)	Not applicable
16	(This row is intentionally left blank)	Not applicable
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments	
Non-regulatory capital elements of internal loss-absorbing capacity: adjustments		
18	Internal loss-absorbing capacity before deductions	
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to non-capital items eligible for internal loss-absorbing capacity	
20	Deduction of holdings of its own non-capital LAC liabilities	
21	Other adjustments to internal loss-absorbing capacity	
22	Internal loss-absorbing capacity after deductions	
Risk-weighted amount and exposure measure under the LAC Rules for internal loss-absorbing capacity purposes		
23	Risk-weighted amount under the LAC Rules	
24	Exposure measure under the LAC Rules	
Internal LAC ratios and buffers		
25	Internal LAC risk-weighted ratio	
26	Internal LAC leverage ratio	
27	CET1 capital (as a percentage of RWA under the Banking (Capital) Rules ("BCR")) available after meeting the LAC consolidation group's minimum capital and LAC requirements	
28	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer requirements plus higher loss absorbency requirement, expressed as a percentage of RWA under the BCR)	
29	Of which: capital conservation buffer requirement	
30	Of which: institution-specific countercyclical capital buffer requirement	
31	Of which: higher loss absorbency requirement	

(a)
Amount

Points to note:

- (i) Under the BCBS's standards on Pillar 3 disclosure requirements – consolidated and enhanced framework (March 2017), template TLAC1 applies to the disclosure of loss-absorbing capacity composition at the resolution group level. The disclosure requirements under the LAC Rules apply to a disclosure entity, including a material subsidiary. In designing template TLAC1(A) for Hong Kong by modelling template TLAC1, the HKMA has made necessary adjustments so that template TLAC1(A) applies to the disclosure of internal loss-absorbing capacity composition at the LAC consolidation group level to reflect that a requirement of a material subsidiary to maintain, on a consolidated basis, its internal LAC risk-weighted ratio or its internal LAC leverage ratio at or above a specified minimum under the LAC Rules is imposed with respect to its LAC consolidation group.
- (ii) The regulatory capital elements of internal loss-absorbing capacity of a LAC consolidation group shall include only capital instruments issued by entities belonging to the LAC consolidation group. The internal loss-absorbing capacity position is based on the risk-weighted amount under the LAC Rules (as set out in paragraph (a)(ii) or paragraph (b) (as the case requires) of the definition of "risk-weighted amount" under rule 2 of the LAC Rules) and exposure measure under the LAC Rules (as set out in paragraph (a)(ii) or paragraph (b) (as the case requires) of the definition of "exposure measure" under rule 2 of the LAC Rules) calculated at the level of the LAC consolidation group.
- (iii) Unless otherwise specified, any holdings of non-capital LAC liabilities issued by financial sector entities that are group companies that are not members of the material subsidiary's LAC consolidation group which should be deducted from internal loss-absorbing capacity under the LAC Rules are to be calculated and reported in row 19. If applicable, any holdings of non-capital LAC liabilities issued by such financial sector entities which should be deducted pursuant to the BCR (or, for a material subsidiary that is not an AI, which should be deducted as if the BCR applied to it) should have been reflected in the figures reported for rows 1, 2 and 6 (i.e. the figures reported for rows 1, 2 and 6 should be net of such holdings).
- (iv) In the case of a material subsidiary that is an AI and whose LAC consolidation group is the same as its capital consolidation group, the material subsidiary may, pursuant to rule 52(2) of the LAC Rules and subject to the specified conditions being met, set out figures for rows 28 to 31 in a separate document (e.g. a document for reporting under Template KM1) that is signposted in this template, instead of reporting the figures in these rows in this template.
- (v) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. All figures should be reported in absolute amount regardless of whether the amount is to be added to or deducted from the total. The closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.
- (vi) Regarding the shading:
 - A row shaded dark grey introduces a new section detailing one of the main components of internal loss-absorbing capacity.
 - A row shaded light grey with no thick border reports the sum of the rows in the relevant section.
 - A row shaded light grey with a thick border reports one of the main components of internal loss-absorbing capacity
- (vii) The following table provides guidance in relation to each row of the above template.

Explanatory Note	
Rows	
1	CET1 capital of the material subsidiary, calculated as if the BCR applied to the entity with respect to its LAC consolidation group as defined in the LAC Rules.
2	AT1 capital before LAC adjustments of the material subsidiary, calculated as if the BCR applied to the entity with respect to its LAC consolidation group as defined in the LAC Rules.

Explanatory Note	
3	AT1 capital instruments not issued directly to or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group that do not count towards internal loss-absorbing capacity pursuant to rule 39(a)(ii) of the LAC Rules, but otherwise fulfil all the qualifying criteria set out in Schedule 2 to the LAC Rules.
4	Other elements of AT1 capital that are ineligible as internal loss-absorbing capacity (excluding those already incorporated in row 3). For example, any AT1 capital instrument that is not an internal LAC debt instrument (i.e. it does not meet all the qualifying criteria set out in Schedule 2 to the LAC Rules) under rule 39(a)(i) of the LAC Rules or any item of AT1 capital instrument that a material subsidiary is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of its internal loss-absorbing capacity under rule 42 of the LAC Rules.
5	AT1 capital eligible to be included under the LAC rules, calculated as the value in row 2 minus the values in rows 3 and 4.
6	Tier 2 capital before LAC adjustments of the material subsidiary, calculated as if the BCR applied to the entity with respect to its LAC consolidation group as defined in the LAC Rules.
7	Amortized portion of T2 capital instruments that are internal LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group. This row recognises that as long as a T2 capital instrument has more than one year of residual maturity as required under section 1(1)(d) of Schedule 2 to the LAC Rules, the full amount may be included in internal loss-absorbing capacity, even if the instrument is partially derecognised from regulatory capital under the BCR due to the requirement to amortise the instrument in the five years before maturity. Only the amount not recognised in regulatory capital aforementioned but meeting all internal loss-absorbing capacity eligibility criteria should be reported in this row.
8	T2 capital instruments not issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group that do not count towards internal loss-absorbing capacity under rule 39(a)(ii) of the LAC Rules, but otherwise fulfil all the qualifying criteria set out in Schedule 2 to the LAC Rules.
9	Other elements of T2 capital that are ineligible as internal loss-absorbing capacity (excluding those already incorporated in row 8). For example, any T2 capital instrument that is not an internal LAC debt instrument (i.e. it does not meet all the qualifying criteria set out in Schedule 2 to the LAC Rules) under rule 39(a)(i) of the LAC Rules or any item of T2 capital instrument that a material subsidiary is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of the internal loss-absorbing capacity of the material subsidiary under rule 42 of the LAC Rules.
10	T2 capital eligible to be included under the LAC Rules, calculated as value in row 6, add the value in row 7, and then minus the values in rows 8 and 9.
11	Internal loss-absorbing capacity arising from regulatory capital, calculated as the sum of values in rows 1, 5 and

Explanatory Note	
	10.
12	Internal non-capital LAC debt instruments issued directly or indirectly to, and held directly or indirectly by, the resolution entity or non-HK resolution entity in the material subsidiary's resolution group, counting towards internal loss-absorbing capacity under rule 39(c) of the LAC Rules.
13-16	Rows 13 to 16 are intentionally left blank.
17	Internal loss-absorbing capacity arising from non-capital LAC debt instruments before adjustments. The value in row 17 will be the same as the value reported in row 12.
18	Internal loss-absorbing capacity before adjustments, calculated as the sum of values in rows 11 and 17.
19	Deductions of exposures between the material subsidiary's LAC consolidation group and group companies outside that group that correspond to items eligible for internal loss-absorbing capacity. This row reports the amount of holdings of non-capital LAC liabilities issued by financial sector entities that are group companies that are not members of the material subsidiary's LAC consolidation group, calculated in accordance with rule 40(1)(b) of, and Schedule 4 to, the LAC Rules.
20	Deductions of holdings of its own non-capital LAC liabilities. This row reports the amount to be deducted from the material subsidiary's internal loss-absorbing capacity resources in accordance with rule 40(1)(a) of, and Schedule 4 to, the LAC Rules.
21	Other adjustments to internal loss-absorbing capacity. For example, any item of non-capital LAC liabilities that the material subsidiary is required by the resolution authority to exclude from, or to discontinue inclusion in, the calculation of its internal loss-absorbing capacity under rule 42 of the LAC Rules.
22	Internal loss-absorbing capacity of the material subsidiary at the LAC consolidation group level after deductions, calculated as the value in row 18 minus the sum of values in rows 19, 20 and 21.
23	Risk-weighted amount under the LAC Rules of the material subsidiary at the LAC consolidation group level.
24	Exposure measure under the LAC Rules of the material subsidiary at the LAC consolidation group level..
25	Internal LAC risk-weighted ratio, calculated as the value in row 22 divided by that in row 23.
26	Internal LAC leverage ratio, calculated as the value in row 22 divided by that in row 24.
27	(Not applicable for a material subsidiary that is not an AI). The material subsidiary's CET1 ratio available after meeting its minimum capital requirements and LAC requirements, calculated as the ratio of (a) its CET1 less any common equity used to meet CET1, Tier 1, total minimum capital and LAC requirements; to (b) its RWA under the BCR.
28	(Only applicable to a material subsidiary that is an AI and whose LAC consolidation group is the same as its capital consolidation group). Institution-specific buffer requirements, calculated as the sum of: (i) the capital conservation buffer requirement; (ii) the countercyclical capital buffer requirement; and (iii) the higher loss absorbency requirement, in each case calculated as if the BCR applied to the material subsidiary at the LAC

Explanatory Note	
	<p>consolidation group level.</p> <p>The value reported in this row should be equal to the sum of values for capital conservation buffer requirement, countercyclical capital buffer requirement and higher loss absorbency requirement reported in row 11 of Template KM1.</p>
29	<p>(Only applicable to a material subsidiary that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the capital conservation buffer requirement.</p> <p>The value reported in this row should be equal to the value for capital conservation buffer requirement reported in row 8 of Template KM1.</p>
30	<p>(Only applicable to a material subsidiary that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the countercyclical capital buffer requirement.</p> <p>The value reported for this row should be equal to the value for countercyclical capital buffer requirement reported in row 9 of Template KM1.</p>
31	<p>(Only applicable to a material subsidiary that is an AI and whose LAC consolidation group is the same as its capital consolidation group). The portion of the amount in row 28 (expressed as a percentage of the RWA under the BCR) that relates to the higher loss absorbency requirement.</p> <p>The value reported in this row should be equal to the value for higher loss absorbency requirement reported in row 10 of Template KM1.</p>

Template TLAC2 – Material subsidiary – creditor ranking at legal entity level

Purpose:	To provide creditors with information regarding their ranking in the capital and liabilities structure of a material subsidiary which has issued directly or indirectly internal loss-absorbing capacity to a resolution entity or a non-HK resolution entity.
Scope of application:	The template is mandatory for all material subsidiaries under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”). It is to be completed in respect of every material subsidiary under the LAC Rules, on a legal entity basis.
Content:	Nominal values.
Frequency:	Semi-annual.
Format:	Fixed (number and description of each column under “Creditor ranking” depending on the capital and liabilities structure of a material subsidiary).
Accompanying narrative:	Where appropriate, material subsidiaries should provide institution- or jurisdiction-specific information relating to credit hierarchies.
Corresponding LAC Rules rule:	50

		Creditor ranking						Sum of values in columns 1 to n
		1 (most junior)	1 (most junior)	2	2	...	n (most senior)	
1	Is a resolution entity or a non-HK resolution entity the creditor/investor? (yes or no)					...		
2	Description of creditor ranking (free text)					...		
3	Total capital and liabilities net of credit risk mitigation					...		
4	Subset of row 3 that are excluded liabilities					...		
5	Total capital and liabilities less excluded liabilities					...		
6	Subset of row 5 that are eligible as internal loss-absorbing capacity					...		
7	Subset of row 6 with 1 year ≤ residual maturity < 2 years					...		
8	Subset of row 6 with 2 years ≤ residual maturity < 5 years					...		

		Creditor ranking						Sum of values in columns 1 to n
		1 (most junior)	1 (most junior)	2	2	...	n (most senior)	
9	Subset of row 6 with 5 years ≤ residual maturity < 10 years					...		
10	Subset of row 6 with residual maturity ≥ 10 years, but excluding perpetual securities					...		
11	Subset of row 6 that is perpetual securities					...		

Points to note:

- (i) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.

Explanatory Note	
Column	
1 to n	<p>The number of creditor rankings (n) in the creditor hierarchy will depend on the set of liabilities of the entity. There should be at least one column for each creditor ranking. In cases where the resolution entity or non-HK resolution entity is a creditor of part of the total amount in one creditor ranking, two columns should be completed (both with the same ordinal ranking): one covering amounts owned by the resolution entity or non-HK resolution entity and the other covering amounts not owned by the resolution entity or non-HK resolution entity. In these cases, the columns covering amounts owned by the resolution entity or non-HK resolution entity should include, without limitation, amounts with respect to internal loss-absorbing capacity that the material subsidiary has issued directly or indirectly to such entity.</p> <p>Columns should be added until the most senior-ranking internal loss-absorbing capacity, and all pari passu liabilities, have been reported. The table should therefore contain all funding that is pari passu or junior to internal loss-absorbing capacity, including CET1 capital instruments, AT1 capital instruments and T2 capital instruments. The subordination exemption in Section 11 of the FSB TLAC Term Sheet that relate to liabilities ranking pari passu to excluded liabilities does not apply in Hong Kong under the LAC Rules.</p>
Rows	
1	Fill in “yes” in the column where the amounts reported in the column concern liabilities to or capital invested by the resolution entity or the non-HK resolution entity (i.e. the resolution entity or the non-HK resolution entity is the creditor / investor of the material subsidiary); fill in “no” if otherwise.

Explanatory Note	
2	Material subsidiaries should provide a description of each creditor class ranking in this row. This description can be in free form text, and should typically include a specification of at least one type of instrument that is within that creditor class ranking (e.g. CET1 capital instruments, T2 capital instruments). This allows for the disclosure of the creditor hierarchy even if there is a range of different statutory creditor hierarchies in different jurisdictions, tranching that may exist within some jurisdictions' statutory hierarchies or which material subsidiaries have established contractually with respect to the ranking of claims.
3	Liabilities subject to set-off or netting rights should be included net of the material subsidiary's claims on the creditor.
4	This consists of (i) protected deposits and similar; (ii) sight deposits and other short-term deposits (deposits with original maturity of less than one year; (iii) liabilities which are preferred to senior unsecured creditors under Hong Kong insolvency law; (iv) liabilities arising from derivatives or debt-instruments with derivative-linked features, such as structured notes; (v) liabilities arising other than through a contract, such as tax liabilities; and (vi) any other liabilities that fall within the definition of "excluded liabilities" in the Financial Institutions (Resolution) Ordinance.
5	The value in row 3 minus the value in row 4.
6	This row reports the subset of the amounts reported in row 5 that are eligible as internal loss-absorbing capacity according to rule 39 of, and Schedule 2 to, the LAC Rules. The value in row 6 should be equal to the sum of values in rows 7 to 11.
7-11	These rows disclose the portions of the amount reported in row 6 according to their respective time to maturity.

Template TLAC3 – Resolution entity – creditor ranking at legal entity level

Purpose:	To provide creditors with information regarding their ranking in the capital and liabilities structure of a resolution entity.
Scope of application:	This template is mandatory for all resolution entities under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (“LAC Rules”). It is to be completed in respect of every resolution entity under the LAC Rules, on a legal entity basis.
Content:	Nominal values.
Frequency:	Semi-annual.
Format:	Fixed (number and description of each column under “Creditor ranking” depending on the capital and liabilities structure of a resolution entity).
Accompanying narrative:	Where appropriate, resolution entities should provide institution- or jurisdiction-specific information relating to credit hierarchies.
Corresponding LAC Rules rule	49

		Creditor ranking				Sum of values in columns 1 to n
		1 (most junior)	2	...	n (most senior)	
1	Description of creditor ranking (free text)			...		
2	Total capital and liabilities net of credit risk mitigation			...		
3	Subset of row 2 that are excluded liabilities			...		
4	Total capital and liabilities less excluded liabilities			...		
5	Subset of row 4 that are eligible as external loss-absorbing capacity			...		
6	Subset of row 5 with 1 year ≤ residual maturity < 2 years			...		
7	Subset of row 5 with 2 years ≤ residual maturity < 5 years			...		
8	Subset of row 5 with 5 years ≤ residual maturity < 10 years			...		
9	Subset of row 5 with residual maturity ≥ 10 years, but excluding perpetual securities			...		
10	Subset of row 5 that is perpetual securities			...		

Points to note:

- (i) All amounts should be reported in thousands of Hong Kong dollars or equivalent amounts of Hong Kong dollars in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the current reporting period should be used for conversion purposes.

Explanatory Note	
Column	
1 to n	The number of creditor rankings (n) in the creditor hierarchy will depend on the set of liabilities of the entity.

Explanatory Note	
	<p>Columns should be added until the most senior-ranking external loss-absorbing capacity, and all pari passu liabilities, have been reported. The table should therefore contain all funding that is pari passu or junior to external loss-absorbing capacity, including CET1 capital instruments, AT1 capital instruments and T2 capital instruments. The subordination exemption in Section 11 of the FSB TLAC Term Sheet that relate to liabilities ranking pari passu to excluded liabilities does not apply in Hong Kong under the LAC Rules.</p>
Rows	
1	<p>Resolution entities should provide a description of each creditor class ranking in this row. This description can be in free form text, and should typically include a specification of at least one type of instrument that is within that creditor class ranking (e.g. CET1 capital instruments, T2 capital instruments). This allows for the disclosure of the creditor hierarchy even if there is a range of different statutory creditor hierarchies in different jurisdictions, tranching that may exist within some jurisdictions' statutory hierarchies or which resolution entities have established contractually with respect to the ranking of claims.</p>
2	<p>Liabilities subject to set-off or netting rights should be included net of the resolution entity's claims on the creditor.</p>
3	<p>This consists of (i) protected deposits and similar; (ii) sight deposits and other short-term deposits (deposits with original maturity of less than one year; (iii) liabilities which are preferred to senior unsecured creditors under Hong Kong insolvency law; (iv) liabilities arising from derivatives or debt-instruments with derivative-linked features, such as structured notes; (v) liabilities arising other than through a contract, such as tax liabilities; and (vi) any other liabilities that fall within the definition of "excluded liabilities" in the Financial Institutions (Resolution) Ordinance.</p>
4	<p>The value in row 2 minus the value in row 3.</p>
5	<p>Row 5 reports the subset of the amounts reported in row 4 that are eligible as external loss-absorbing capacity according to rule 37 of, and Schedule 1 to, the LAC Rules.</p> <p>Note that the subordination exemption in the antepenultimate and penultimate paragraphs of Section 11 of the FSB TLAC Term Sheet and credible ex-ante commitments to recapitalise a resolution entity in the second paragraph of Section 7 of the FSB TLAC Term Sheet are not applicable in Hong Kong. As such, this amount should only represent capital or liabilities that satisfy all external LAC eligibility criteria under the LAC Rules, and the question of "potentially" eligible amount (that would otherwise be derived after dis-applying the cap under the aforementioned Section 11 and applying the second paragraph of the aforementioned Section 7) does not arise in Hong Kong.</p> <p>The value in row 5 should be equal to the sum of values in rows 6 to 10.</p>
6-10	<p>These rows disclose the portions of the amount reported in row 5 according to their respective time to maturity.</p>