Interest Rate Risk Exposures (Supplementary Information)

Position of * Banking Book / Trading Book and Banking Book
Currency: Hong Kong Dollar

* Delete where inappropriate. (In HK$ Million)

TIME BAND		INTEREST BEARING LIABILITIES (Note (1)) 1. Total interest bearing liabilities a. Total	b. Deposits	c. Total weighted average interest costs	d. Weighted average interest costs (Deposits)
Next day or less	(A)			%	%
2 to 7 days	(B)			%	%
8 days to 1 month	(C)			%	%
1 to 3 months	(D)			%	%
3 to 6 months	(E)			%	%
6 to 12 months	(F)			%	%
1 to 2 years	(G)			%	%
2 to 3 years	(H)			%	%
3 to 4 years	(I)			%	%
4 to 5 years	(J)			%	%
5 to 7 years	(K)			%	%
7 to 10 years	(L)			%	%
10 to 15 years	(M)			%	%
15 to 20 years	(N)			%	%
More than 20 years	(O)			%	%
Total book value	Total (A to O)			%	%
Non-interest bearing liabilities	(P)+(Q)				
Equity capital	(P)				
Others	(Q)				
Total liabilities	Total (A to Q)				

Note:
(1) Authorized institutions can choose to report either detailed statistics or the aggregate figures. Please refer to item 14 of Specific Instructions under Section C of the Completion Instructions for details.

Completion Instructions

Return of Interest Rate Risk Exposures (Supplementary Information) (Form MA(BS)12(i))

Introduction

1. This return collects supplementary information on the weighted average interest costs of interest bearing liabilities denominated in Hong Kong dollars of authorized institutions on a monthly basis. ~~The reporting items are the same as those of interest bearing and noninterest bearing liabilities in Hong Kong dollars in the Return of Interest Rate Risk Exposures (Form MA(BS)12). The corresponding reporting requirements are in general the same.~~

2. The information collected from this return will be used for the compilation of the monthly composite interest rate for Hong Kong, which aims to provide an overall picture of the average interest cost of funds in the banking sector, and its changes over time.

3. The Completion Instructions contain three sections. Section A describes the general reporting requirements. Section B provides definitions and clarification of certain items. Section C explains the specific reporting requirements for each item in the return form.

Section A : General Instructions

4. Authorized institutions are required to complete this return showing their positions as at the last calendar day of each month and submit the return to the HKMA not later than 14 days after the end of each month. If the submission deadline falls on a public holiday, it will be deferred to the next working day. Locally incorporated institutions should complete the return on a solo basis. They may choose to report, consistently, either the positions of their local offices or the combined positions of their local and overseas offices. Overseas incorporated institutions are required to report the positions of their Hong Kong operations only.

5. This return captures on-balance sheet liabilities. Locally incorporated institutions subject to the market risk capital adequacy regime[1] ("non-exempted institutions") are required to report positions of the banking book only. Other institutions, i.e. those locally incorporated and exempted from the market risk capital adequacy regime ("exempted institutions") and those incorporated overseas, should report aggregate positions of the banking book and trading book.

6. All the positions captured by this return should be slotted into the appropriate time bands according to the earliest interest repricing date (see paragraph 8 below). ~~Institutions that meet the criteria set out in Annex 2 of the Completion Instructions of Form MA(BS)12 may, subject to the HKMA's approval, slot their positions into different time bands based~~

[1] The details of the market risk capital adequacy regime, including the de minimis exemption criteria and other requirements relevant to exempted institutions, are set out in the Banking (Capital) Rules~~statutory guideline "Maintenance of Adequate Capital Against Market Risk" (CA-G-2) in the Supervisory Policy Manual~~.

~~on their estimation of the respective behavioural maturity. Institutions are allowed to phase in the use of behavioural maturity on a product-by-product basis.~~

7. Unless otherwise stated, book value should be used for reporting purposes. Amounts are to be shown to the nearest million, in Hong Kong dollars.

Section B : Definitions and Clarification

8. In respect of different interest bearing liabilities, the earliest interest repricing date is used according to the instructions in paragraph 11 of the Completion Instructions of Form MA(BS)12. The methodology for slotting of cash flows should be consistent between this return and Form MA(BS)12.

9. For the purpose of this return, interest bearing liabilities include those which do not involve any formal payment of interest but the values of which are sensitive to interest rate movements. Typically, these include financial instruments which are sold at a discount such as Exchange Fund Bills and zero coupon bonds.

10. Institutions should report under item 1b the amount of deposits. Deposits are deposit liabilities due to non-bank customers, as defined under item 6 of the Return of Assets and Liabilities (Form MA(BS)1).

11. In respect of liabilities with embedded options, institutions should decompose them into embedded options and underlying liabilities according to the instructions in paragraph 14 of the Completion Instructions of Form MA(BS)12. The underlying liabilities should be slotted into the appropriate time bands according to their earliest interest repricing date (see paragraph 8 above). The embedded options should not be reported. ~~In the case of liabilities with an early redemption option (by either the reporting institution or its counterparty), and the institutions concerned cannot decompose them into the embedded option and underlying liabilities, the reporting may be based on the institution's expectation of whether an early redemption will occur. Such liabilities should then be slotted into the appropriate time bands according to their earliest interest rate repricing date or the redemption date, whichever is the earlier.~~

12. Liabilities which are repayable by instalments rather than by one lump sum at maturity should be broken down into individual tranches and slotted into the appropriate time bands according to the repricing date of each tranche.

13. ~~Institutions which have the practice of raising internal deals to record positions passed from one unit to another (e.g. Money Market Department to Foreign Exchange Department) within the same institution should not report these internal deals. However, this rule does not apply to an institution incorporated overseas, if the deals in question were executed between the institution's Hong Kong office and its overseas head office or branches.~~ For the purpose of this return, internal deals are transactions between units within the relevant reporting scope (see paragraph 4 above) of the institution. Internal deals within the banking book should not be reported. The reporting method for internal deals should be consistent between this return and Form MA(BS)12.

Section *C* : Specific Instructions

14. Item 1 rows (A) to (O) and row Total (A to O) – Total interest bearing liabilities

Report items 1a and 1b for all time bands in row (A) to row (O) and row Total (A to O) under the respective items.

Report the weighted average costs of total interest bearing liabilities and deposits under items 1c and 1d respectively of the same row for rows (A) to (O). All the rates reported should be rounded to 2 decimal places. An example showing the method of calculation is given at Annex 1. Interest rates applicable at the reporting date should be used for the purpose of calculation. The institution does not need to report items 1c and 1d for row Total (A to O).

Alternatively, the institution may choose to report the total book value of items 1a and 1b for row Total (A to O) and the total weighted average costs for all interest bearing liabilities and the weighted average costs of deposits of items 1c and 1d respectively for row Total (A to O), instead of reporting the figures of items 1a, 1b, 1c and 1d for rows (A) to (O).

15. Item 1 row (P)+(Q) – Non-interest bearing liabilities

Report the sum of equity capital and others.

16. Item 1 row (P) – equity capital

These include the capital, reserves (including retained earnings) and profit and loss accounts of the reporting institution and should be reported in the same manner as the reporting of these items in Form MA(BS)12. Interest-bearing capital items (e.g. preference shares and subordinated debts) should be reported under interest-bearing liabilities as appropriate.

17. Item 1 row (Q) - other non-interest bearing liabilities

These include, for example, ~~deposits in current accounts and other~~ payables / liabilities which are non-interest bearing, and loan loss provisions etc. Non-remunerated deposits (e.g. deposits in current accounts) should be reported as non-maturity deposits under interest-bearing liabilities, in the same manner as the reporting of these items in Form MA(BS)12.

General provisions and other provisions should be reported in the same manner as the reporting of these items in Form MA(BS)12.

18. Item 1 Total (A to Q) - Total liabilities

Report the sum of total interest bearing and non-interest bearing liabilities. Locally incorporated and exempted institutions without overseas branches and institutions incorporated overseas should note that the amounts reported under this item, in respect of the positions for Hong Kong dollars, should be consistent with the sum of the amounts of "Total liabilities" and "Provisions" reported under the relevant columns of item 11 and item 24 of Form MA(BS)1 respectively.

Hong Kong Monetary Authority
~~January~~ June ~~2006~~2017

Annex 1

Computation of weighted average interest costs

The following is an example showing the method of calculating the weighted average interest costs: (Please note that the rates used are for illustration only. Reporting institutions should use the actual rates that are applicable to their interest bearing liabilities.)

Item*s* 1***a, 1b***	Amount reported	Of which
Row (A)	100	20 are priced at 2% per month and 80 are priced at 8% per annum
Row (B)	350	200 are priced at 10% and 150 are priced at 9% per annum
Row (C)	50	50 are priced at 12% per annum
Row (D)	0	
Row (E)	0	
Row (F)	0	
Row (G)	0	
Row (H)	0	
Row (I)	500	200 are priced at 13% and 300 are priced at 14% per annum
Row (J)	0	
Row (K)	0	
Row (L)	0	
Row (M)	0	
Row (N)	0	
Row (O)	0	
Total (**A *to* O**)	1000	

Weighted average interest costs to be reported in items 1c and 1d are calculated as follows:

(i) for row (A)
(20 x 2% x 12 + 80 x 8%) ÷ 100 x 100% = 11.20%

(ii) for row (B)
(200 x 10% + 150 x 9%) ÷ 350 x 100% = 9.57%

(iii) for row (C)
(50 x 12%) ÷ 50 x 100% = 12.00%

(iv) for row (I)
(200 x 13%+ 300 x 14%) ÷500 x 100% = 13.60%

(iv) for row Total (A to O)
(20 x 2% x 12 + 80 x 8% + 200 x 10% + 150 x 9% + 50 x 12%
+ 200 x 13%+ 300 x 14%) ÷1000 x 100% = 11.87%