

Basel III Implementation –

Countercyclical Capital Buffer Ratio Standard Disclosure Template

Purpose

1. Section 24B and section 45B of the Banking (Disclosure) Rules (“BDR”) specify the information which locally incorporated authorized institutions (“AIs”) are required to provide in their interim and annual financial disclosures in respect of their countercyclical capital buffer (“CCyB”) ratio.
2. To enhance the consistency and comparability of CCyB ratio disclosures by AIs, the Monetary Authority (“MA”) specifies under section 6(1)(ab) of the BDR the attached CCyB ratio standard disclosure template – Annex 1 (and its accompanying explanatory note – Annex 2) to be adopted by AIs for the purposes of complying with section 24B and section 45B of the BDR.

Application

3. The CCyB ratio standard disclosure template is required to be used by all locally incorporated AIs, except those that are exempted by the MA under section 3(7) or section 3(8) of the BDR, as the case requires.
4. An AI will be required to make its CCyB ratio disclosures using the standard disclosure template, in the manner described below, from the date of the publication of its first set of financial statements (interim or annual) relating to a balance sheet date on or after 31 March 2016¹.

CCyB Ratio Standard Disclosure Template

5. The CCyB ratio standard disclosure template presents the information that an AI is required to disclose under section 24B and section 45B of the BDR. This includes: (a) the AI’s CCyB ratio; (b) the geographic breakdown of the sum of the AI’s risk-weighted amounts (as represented by RWA_j in

¹ For AIs with financial year ended on 30 September and 31 October 2015, their first CCyB ratio disclosures should be made for the interim period ended 31 March and 30 April 2016 respectively.

Formula 1A under section 3O of the Banking (Capital) Rules (“BCR”) in relation to jurisdictions in which it has private sector credit exposures that are relevant to the calculation of its CCyB ratio; and (c) the applicable Jurisdictional CCyB (“JCCyB”) ratio corresponding to each jurisdiction mentioned in item (b) above used for calculating its CCyB ratio. An AI is required to complete the template in accordance with the instructions in the accompanying explanatory note.

Accompanying narrative

6. To assist information users in understanding the way in which an AI’s CCyB ratio is computed, an AI is expected, where relevant, to explain the methodology it uses for geographical allocation of its private sector credit exposures, including information on the extent to which the exposures are allocated to jurisdictions on the “ultimate risk” basis². Information about the key drivers for the changes in exposure amounts and the applicable JCCyB ratios should also be provided in the narrative.

Medium of Disclosure

7. The CCyB ratio standard disclosure template complements the relevant standard disclosure template specified by the MA for capital disclosures under section 24 and section 45 of the BDR³. For ease of reference of information users, AIs are (in line with the existing practice adopted for other standard disclosure templates specified by the MA under the BDR to date) advised to include the template in their interim or annual financial statements, or include a direct link in those statements to the relevant sections of the AI’s website where the template can be found. In this regard, the AI will be required to maintain a “Regulatory Disclosures” section on its website where all the information relating to the CCyB ratio disclosures will be housed. A direct link to the “Regulatory Disclosures” section must be prominently displayed on the home page of the AI’s website such that the CCyB ratio disclosures will be easily accessible to information users.

² In determining the geographic location of obligors on an ultimate risk basis, an AI should make reference to the guidance provided in section 3 of the HKMA’s Supervisory Policy Manual module CA-B-3 *Countercyclical Capital Buffer (CCyB) – Geographic Allocation of Private Sector Credit Exposures*.

³ The CCyB ratio standard disclosure template shows the detailed computation of the value presented in row 66 of the Capital Disclosures Template (or Transition Disclosures Template as the case may be), specified by the MA.