

L.N. 160 of 2014**Banking (Disclosure) (Amendment) Rules 2014****Contents**

Section	Page
1. Commencement	B3877
2. Banking (Disclosure) Rules amended	B3877
3. Section 2 amended (interpretation)	B3877
4. Section 6 amended (medium and location of disclosure and issue of press release)	B3881
5. Section 13 amended (comparative information)	B3881
6. Section 24 amended (capital disclosures)	B3883
7. Sections 24A and 24B added	B3885
24A. Leverage ratio disclosures	B3885
24B. Countercyclical capital buffer ratio disclosures	B3889
8. Section 25 amended (general disclosures)	B3891
9. Section 28 amended (non-bank Mainland exposures)	B3893
10. Section 30 substituted	B3893
30. Liquidity information disclosures: general	B3895
11. Sections 30A and 30B added	B3897

Section	Page
30A.	Liquidity information disclosures: category 1 institution B3897
30B.	Liquidity information disclosures: category 2 institution B3905
12.	Section 45 amended (capital disclosures) B3907
13.	Sections 45A, 45B and 45C added B3909
45A.	Leverage ratio disclosures B3909
45B.	Countercyclical capital buffer ratio disclosures B3913
45C.	Disclosure requirements for G-SIBs B3915
14.	Section 46 amended (general disclosures) B3917
15.	Section 49 amended (non-bank Mainland exposures) B3919
16.	Section 51 substituted B3921
51.	Liquidity information disclosures: general B3921
17.	Sections 51A and 51B added B3923
51A.	Liquidity information disclosures: category 1 institution B3925
51B.	Liquidity information disclosures: category 2 institution B3933
18.	Section 88 amended (medium and location of disclosure and issue of press release) B3933
19.	Section 90 amended (comparative information) B3935
20.	Section 98 amended (general disclosures) B3935

Banking (Disclosure) (Amendment) Rules 2014

L.N. 160 of 2014
B3875

Section	Page
21.	Section 101 amended (non-bank Mainland exposures)B3937
22.	Section 103 substitutedB3939
103.	Liquidity information disclosures: generalB3939
23.	Sections 103A and 103B addedB3941
103A.	Liquidity information disclosures: category 1 institutionB3941
103B.	Liquidity information disclosures: category 2 institutionB3949

Banking (Disclosure) (Amendment) Rules 2014

(Made by the Monetary Authority under section 60A of the Banking Ordinance (Cap. 155) after consultation with the Financial Secretary, the Banking Advisory Committee, the Deposit-taking Companies Advisory Committee, The Hong Kong Association of Banks and The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies)

1. Commencement

These Rules come into operation on 31 March 2015.

2. Banking (Disclosure) Rules amended

The Banking (Disclosure) Rules (Cap. 155 sub. leg. M) are amended as set out in sections 3 to 23.

3. Section 2 amended (interpretation)

- (1) Section 2(1), Chinese text, definition of 聯營者, paragraph (b)—

Repeal the full stop

Substitute a semicolon.

- (2) Section 2(1)—

Add in alphabetical order

“*applicable JCCyB ratio* (適用JCCyB比率) has the meaning given by section 3N of the Capital Rules;

capital conservation buffer ratio (防護緩衝資本比率) has the meaning given by section 3E of the Capital Rules;

countercyclical capital buffer ratio (逆周期緩衝資本比率) has the meaning given by section 3E of the Capital Rules;

derivative exposures (衍生工具風險承擔) means the derivative exposures as described in the leverage ratio template;

exposure measure (風險承擔計量) means the exposure measure as described in the leverage ratio template;

G-SIB has the meaning given by section 3E of the Capital Rules;

higher loss absorbency ratio (較高吸收虧損能力比率) has the meaning given by section 3E of the Capital Rules;

leverage ratio (槓桿比率) means the Basel III Leverage Ratio as defined in the leverage ratio template;

leverage ratio template (槓桿比率模版) means the template on leverage ratio required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;

liquidity position return (流動性狀況申報表) means the return relating to liquidity position required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;

Liquidity Rules (《流動性規則》) means the Banking (Liquidity) Rules (L.N. 129 of 2014);

off-balance sheet exposures (資產負債表外風險承擔) means the off-balance sheet exposures as described in the leverage ratio template;

on-balance sheet exposures (資產負債表內風險承擔) means the on-balance sheet exposures as described in the leverage ratio template;

private sector credit exposures (私人機構信用風險承擔) has the meaning given by section 3N of the Capital Rules;

securities financing transaction exposures (證券融資交易風險承擔) means the SFT exposures as described in the leverage ratio template;”.

- (3) Section 2(2)—

Repeal

“Section 2”

Substitute

“Subject to sections 30(8), 51(8) and 103(6), section 2”.

4. Section 6 amended (medium and location of disclosure and issue of press release)

- (1) Section 6(8)—

Repeal

“Subject to sections 24(4) and (5) and 45(4) and (5),”

Substitute

“Subject to sections 24(4) and (5), 24A(5), 30(2), 45(4) and (5), 45A(5) and 51(2),”.

- (2) Section 6(9)—

Repeal

“Subject to sections 24(4) and (5) and 45(4) and (5),”

Substitute

“Subject to sections 24(4) and (5), 24A(5), 30(2), 45(4) and (5), 45A(5) and 51(2),”.

5. Section 13 amended (comparative information)

- Section 13(1)(b)—

Repeal

“profit and loss information and liquidity ratio”

Substitute

“profit and loss information disclosure and liquidity information disclosure”.

6. Section 24 amended (capital disclosures)

- (1) Section 24(8)(b)—

Repeal

“and”.

- (2) Section 24(8)(c)—

Repeal the full stop

Substitute a semicolon.

- (3) After section 24(8)(c)—

Add

“(d) capital conservation buffer ratio; and
(e) (if applicable) higher loss absorbency ratio.”.

- (4) Section 24(9)(b)—

Repeal

“and”.

- (5) Section 24(9)(c)—

Repeal the comma

Substitute a semicolon.

- (6) After section 24(9)(c)—

Add

“(d) capital conservation buffer ratio; and
(e) (if applicable) higher loss absorbency ratio.”.

(7) Section 24(10)(b)—

Repeal

“and”.

(8) Section 24(10)(c)—

Repeal the comma

Substitute a semicolon.

(9) After section 24(10)(c)—

Add

“(d) capital conservation buffer ratio; and

(e) (if applicable) higher loss absorbency ratio.”.

7. Sections 24A and 24B added

After section 24—

Add

“24A. Leverage ratio disclosures

(1) An authorized institution must disclose the following information regarding its leverage position as set out in the leverage ratio template submitted by the institution to the Monetary Authority—

(a) the exposure measure of the institution with breakdown into the following exposures—

(i) derivative exposures;

(ii) securities financing transaction exposures;

(iii) on-balance sheet exposures (other than those included in subparagraphs (i) and (ii));

-
- (iv) off-balance sheet exposures (other than those included in subparagraphs (i) and (ii));
 - (b) the institution's leverage ratio;
 - (c) the institution's Tier 1 capital.
 - (2) An authorized institution must disclose—
 - (a) a summary comparison table reconciling the institution's balance sheet assets as stated in its interim financial statements with the exposure measure disclosed under subsection (1)(a); and
 - (b) (if the differences shown from the reconciliation are material) a detailed explanation for the differences.
 - (3) An authorized institution must disclose an explanation of the key drivers of the material changes in its leverage ratio observed from the end of the reporting period immediately preceding the current reporting period to the end of the current reporting period.
 - (4) An authorized institution must do either of the following—
 - (a) include the disclosures under subsections (1), (2) and (3) in the interim financial statements published by it;
 - (b) provide in its interim financial statements a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.

- (5) An authorized institution must establish and maintain an archive of all disclosures made by it under subsections (1), (2) and (3) that relate to the reporting periods ending after 31 December 2014.
- (6) If an authorized institution is required under section 3C of the Capital Rules to calculate its capital adequacy ratio on a consolidated basis, the institution must disclose the following calculated on that basis—
 - (a) the institution's leverage ratio;
 - (b) the institution's Tier 1 capital and exposure measure.
- (7) If subsection (6) does not apply to an authorized institution, the institution must disclose the following calculated on a solo basis or solo-consolidated basis, as the case requires—
 - (a) the institution's leverage ratio;
 - (b) the institution's Tier 1 capital and exposure measure.

24B. Countercyclical capital buffer ratio disclosures

An authorized institution must disclose the following—

- (a) the institution's countercyclical capital buffer ratio;
- (b) the geographic breakdown of the sum of the institution's risk-weighted amounts (as represented by RWA_j in Formula 1A under section 3O of the Capital Rules) in relation to each jurisdiction in which the institution has private sector credit exposures that is relevant to the calculation of the countercyclical capital buffer ratio;

- (c) the applicable JCCyB ratio for each jurisdiction referred to in paragraph (b) that is used by the institution for calculating the countercyclical capital buffer ratio.”.

8. Section 25 amended (general disclosures)

- (1) Section 25(1)—

Repeal

“cross-border”

Substitute

“international”.

- (2) Section 25(1)(b)—

Repeal

“banks, public sector entities and others”

Substitute

“banks, official sector, non-bank private sector and others”.

- (3) Section 25(5), definition of *major country or geographical segment*, paragraph (a)—

Repeal

“cross-border” (wherever appearing)

Substitute

“international”.

- (4) Section 25(5), definition of *recognized risk transfer*—

Repeal paragraph (a)

Substitute

“(a) means the risk transfer as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance; or”.

(5) Section 25(5)—

Repeal the definition of *cross-border claim*.

(6) Section 25(5)—

Add in alphabetical order

“*international claim* (國際債權) means the international claim as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;”.

9. Section 28 amended (non-bank Mainland exposures)

(1) Section 28, heading—

Repeal

“Non-bank Mainland exposures”

Substitute

“Mainland activities”.

(2) Section 28—

Repeal

“return for non-bank Mainland exposures”

Substitute

“return of Mainland activities”.

10. Section 30 substituted

Section 30—

Repeal the section**Substitute****“30. Liquidity information disclosures: general**

- (1) An authorized institution must do either of the following—
 - (a) include in the interim financial statements published by it the disclosures under, as applicable—
 - (i) section 30A(1) and (7); or
 - (ii) section 30B(1) and (3);
 - (b) provide in its interim financial statements a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.
- (2) An authorized institution must establish and maintain an archive of all disclosures relating to the reporting periods ending after 31 December 2014 and made by it under the provisions referred to in subsection (1)(a).
- (3) If an authorized institution is required under rule 11(1) of the Liquidity Rules to calculate its LCR or LMR on a consolidated basis, the institution must disclose the average value of its LCR or LMR and the related information on that basis.
- (4) If subsection (3) does not apply to an authorized institution and the institution is required under rule 10(1)(b) of the Liquidity Rules to calculate its LCR or LMR on an unconsolidated basis, the institution must disclose the average value of its LCR or LMR and the related information on that basis.

- (5) If subsections (3) and (4) do not apply to an authorized institution, the institution must disclose the average value of its LCR or LMR and the related information on a Hong Kong office basis.
- (6) Disclosures by an authorized institution under this section, section 30A or 30B may be presented in Hong Kong dollars or in another currency.
- (7) Rules 2, 17 and 39 of the Liquidity Rules, if applicable, apply to the interpretation of this section and sections 30A and 30B as those rules apply to the interpretation of the Liquidity Rules.
- (8) If there is any conflict between subsection (7) and section 2(2) as to the interpretation of this section, or section 30A or 30B, subsection (7) is to prevail.”.

11. Sections 30A and 30B added

Part 3, after section 30—

Add

“30A. Liquidity information disclosures: category 1 institution

- (1) An authorized institution that is a category 1 institution must disclose the average value of its LCR, and the information relating to that value, for—
 - (a) the quarter ending on an interim reporting date; and
 - (b) the quarter immediately preceding the quarter mentioned in paragraph (a).

- (2) For section 6(1)(ab), a category 1 institution must make the disclosures under subsection (1) by using the standard disclosure template specified by the Monetary Authority (*disclosure template*) to the extent that the template covers the relevant required disclosure items.
- (3) For subsection (1), a category 1 institution, subject to subsection (4), must calculate the average value of its LCR for each quarter during the interim reporting period, based on—
 - (a) the arithmetic mean of the institution's LCR as at the end of each working day in the quarter; and
 - (b) the calculation methodology and instructions set out in the liquidity position return.
- (4) If there is any practical difficulty in complying with subsection (3)(a), a category 1 institution may calculate the average value of its LCR for each quarter preceding 1 January 2017, based on the arithmetic mean of its LCR as at each month-end in the quarter as reported in its liquidity position return submitted for each month during the quarter.
- (5) For subsection (1), a category 1 institution must disclose the average values of those components, as specified in the disclosure template, relating to the average value of its LCR, in unweighted and weighted amounts (as applicable), in the following manner—
 - (a) the average value of each component is to be calculated, based on—
 - (i) for subsection (3)—

- (A) the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at the end of each working day in each quarter during the interim reporting period; and
- (B) the unweighted and weighted amounts of the component as derived according to the calculation methodology and instructions set out in the liquidity position return; or
 - (ii) for subsection (4), the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at each month-end derived from the information as reported in the institution's liquidity position return submitted for each month during the quarter;
- (b) the weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Liquidity Rules;
- (c) the unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts of the various assets, liabilities and off-balance sheet items that are included in the calculation of the LCR as required under the Liquidity Rules;
- (d) the weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Liquidity Rules;

- (e) the total HQLA and the total net cash outflows are to be disclosed as an adjusted value, where—
 - (i) the adjusted value of the total HQLA is the weighted amount of the total HQLA (net of haircuts) after taking into account any applicable ceiling on level 2B assets, and the sum of level 2A assets and level 2B assets, as required under the Liquidity Rules; and
 - (ii) the adjusted value of the total net cash outflows is the weighted amount of the total net cash outflows after taking into account any applicable ceiling on the total expected cash inflows as required under the Liquidity Rules.
- (6) For subsection (1), a category 1 institution must disclose, at a minimum, the following information that the institution considers to be significant to the calculation of its LCR—
 - (a) the key drivers of material changes in the institution's LCR disclosed under subsection (1) and the evolution of the main factors contributing to the calculation of the institution's LCR over time;
 - (b) material changes in the institution's LCR, whether observed during the current reporting period or over time;
 - (c) the composition of the institution's HQLA;
 - (d) concentration in the sources from which the institution obtains funding for conducting its business;

- (e) the institution's exposures under its derivative contracts and the potential for the institution to be required to post collateral under the terms of the contracts;
 - (f) currency mismatch in the institution's LCR;
 - (g) descriptions of the degree of centralization of liquidity management and the interaction between members of the consolidated group;
 - (h) other cash inflows and cash outflows in the LCR calculation—
 - (i) that are not covered by the disclosure template; but
 - (ii) that the institution considers to be relevant for understanding its liquidity profile.
- (7) A category 1 institution must disclose information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.

30B. Liquidity information disclosures: category 2 institution

- (1) An authorized institution that is a category 2 institution must disclose the average value of its LMR for an interim reporting period.
- (2) For subsection (1), a category 2 institution must calculate the average value of its LMR for the interim reporting period, based on the arithmetic mean of the average value of its LMR for each calendar month as reported in its liquidity position return submitted for the reporting period.

- (3) A category 2 institution must disclose information relating to the institution’s approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.”.

12. Section 45 amended (capital disclosures)

- (1) Section 45(8)(b)—

Repeal

“and”.

- (2) Section 45(8)(c)—

Repeal the full stop

Substitute a semicolon.

- (3) After section 45(8)(c)—

Add

“(d) capital conservation buffer ratio; and
(e) (if applicable) higher loss absorbency ratio.”.

- (4) Section 45(9)(b)—

Repeal

“and”.

- (5) Section 45(9)(c)—

Repeal the comma

Substitute a semicolon.

- (6) After section 45(9)(c)—

Add

“(d) capital conservation buffer ratio; and
(e) (if applicable) higher loss absorbency ratio.”.

- (7) Section 45(10)(b)—

Repeal

“and”.

- (8) Section 45(10)(c)—

Repeal the comma**Substitute a semicolon.**

- (9) After section 45(10)(c)—

Add

- “(d) capital conservation buffer ratio; and
(e) (if applicable) higher loss absorbency ratio.”.

13. Sections 45A, 45B and 45C added

After section 45—

Add**“45A. Leverage ratio disclosures**

- (1) An authorized institution must disclose the following information regarding its leverage position as set out in the leverage ratio template submitted by the institution to the Monetary Authority—
- (a) the exposure measure of the institution with breakdown into the following exposures—
 - (i) derivative exposures;
 - (ii) securities financing transaction exposures;
 - (iii) on-balance sheet exposures (other than those included in subparagraphs (i) and (ii));
 - (iv) off-balance sheet exposures (other than those included in subparagraphs (i) and (ii));

- (b) the institution's leverage ratio;
 - (c) the institution's Tier 1 capital.
- (2) An authorized institution must disclose—
- (a) a summary comparison table reconciling the institution's balance sheet assets as stated in its annual financial statements with the exposure measure disclosed under subsection (1)(a); and
 - (b) (if the differences shown from the reconciliation are material) a detailed explanation for the differences.
- (3) An authorized institution must disclose an explanation of the key drivers of the material changes in its leverage ratio observed from the end of the reporting period immediately preceding the current reporting period to the end of the current reporting period.
- (4) An authorized institution must do either of the following—
- (a) include the disclosures under subsections (1), (2) and (3) in the annual financial statements published by it;
 - (b) provide in its annual financial statements a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.
- (5) An authorized institution must establish and maintain an archive of all disclosures made by it under subsections (1), (2) and (3) that relate to the reporting periods ending after 31 December 2014.

-
- (6) If an authorized institution is required under section 3C of the Capital Rules to calculate its capital adequacy ratio on a consolidated basis, the institution must disclose the following calculated on that basis—
- (a) the institution's leverage ratio;
 - (b) the institution's Tier 1 capital and exposure measure.
- (7) If subsection (6) does not apply to an authorized institution, the institution must disclose the following calculated on a solo basis or solo-consolidated basis, as the case requires—
- (a) the institution's leverage ratio;
 - (b) the institution's Tier 1 capital and exposure measure.

45B. Countercyclical capital buffer ratio disclosures

An authorized institution must disclose the following—

- (a) the institution's countercyclical capital buffer ratio;
- (b) the geographic breakdown of the sum of the institution's risk-weighted amounts (as represented by RWA_j in Formula 1A under section 3O of the Capital Rules) in relation to each jurisdiction in which the institution has private sector credit exposures that is relevant to the calculation of the countercyclical capital buffer ratio;

- (c) the applicable JCCyB ratio for each jurisdiction referred to in paragraph (b) that is used by the institution for calculating the countercyclical capital buffer ratio.

45C. Disclosure requirements for G-SIBs

- (1) An authorized institution that was a G-SIB either in an annual reporting period (*current reporting period*) or in the immediately preceding annual reporting period must disclose the information regarding its systemic importance as set out in subsection (3).
- (2) An authorized institution that meets both of the following conditions must, if so directed by the Monetary Authority, disclose the information regarding its systemic importance as set out in subsection (3)—
 - (a) the institution does not fall within the description in subsection (1);
 - (b) the institution or, if applicable, its consolidation group had, as at 31 December immediately preceding the current reporting period, an exposure measure exceeding EUR 200 billion or equivalent (using the exchange rate prevailing on that day).
- (3) The information is, if applicable, the institution's—
 - (a) cross-jurisdictional activities;
 - (b) size;
 - (c) interconnectedness;
 - (d) substitutability (including the institution's role in the financial institution infrastructure); and
 - (e) complexity.

-
- (4) An authorized institution must base its disclosures on the position as at—
 - (a) the end of the immediately preceding financial year; or
 - (b) (if the Monetary Authority approves another date) such other date.
 - (5) An authorized institution must do either of the following—
 - (a) include the disclosures under subsection (1) or (2) in the annual financial statements published by it;
 - (b) provide in its annual financial statements a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.”.

14. Section 46 amended (general disclosures)

- (1) Section 46(7)—

Repeal

“cross-border”

Substitute

“international”.

- (2) Section 46(7)(b)—

Repeal

“banks, public sector entities and others”

Substitute

“banks, official sector, non-bank private sector and others”.

- (3) Section 46(11), definition of *major country or geographical segment*, paragraph (a)—

Repeal

“cross-border” (wherever appearing)

Substitute

“international”.

- (4) Section 46(11), definition of *recognized risk transfer*—

Repeal paragraph (a)

Substitute

“(a) means the risk transfer as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance; or”.

- (5) Section 46(11)—

Repeal the definition of *cross-border claim*.

- (6) Section 46(11)—

Add in alphabetical order

“*international claim* (國際債權) means the international claim as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;”.

15. Section 49 amended (non-bank Mainland exposures)

- (1) Section 49, heading—

Repeal

“Non-bank Mainland exposures”

Substitute

“Mainland activities”.

(2) Section 49—

Repeal

“return for non-bank Mainland exposures”

Substitute

“return of Mainland activities”.

16. Section 51 substituted

Section 51—

Repeal the section

Substitute

“51. Liquidity information disclosures: general

- (1) An authorized institution must do either of the following—
 - (a) include in the annual financial statements published by it the disclosures under, as applicable—
 - (i) section 51A(1) and (7); or
 - (ii) section 51B(1) and (3);
 - (b) provide in its annual financial statements a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.
- (2) An authorized institution must establish and maintain an archive of all disclosures relating to the reporting periods ending after 31 December 2014 and made by it under the provisions referred to in subsection (1)(a).

- (3) If an authorized institution is required under rule 11(1) of the Liquidity Rules to calculate its LCR or LMR on a consolidated basis, the institution must disclose the average value of its LCR or LMR and the related information on that basis.
- (4) If subsection (3) does not apply to an authorized institution and the institution is required under rule 10(1)(b) of the Liquidity Rules to calculate its LCR or LMR on an unconsolidated basis, the institution must disclose the average value of its LCR or LMR and the related information on that basis.
- (5) If subsections (3) and (4) do not apply to an authorized institution, the institution must disclose the average value of its LCR or LMR and the related information on a Hong Kong office basis.
- (6) Disclosures by an authorized institution under this section, section 51A or 51B may be presented in Hong Kong dollars or in another currency.
- (7) Rules 2, 17 and 39 of the Liquidity Rules, if applicable, apply to the interpretation of this section and sections 51A and 51B as those rules apply to the interpretation of the Liquidity Rules.
- (8) If there is any conflict between subsection (7) and section 2(2) as to the interpretation of this section, or section 51A or 51B, subsection (7) is to prevail.”.

17. Sections 51A and 51B added

After section 51—

Add

“51A. Liquidity information disclosures: category 1 institution

- (1) An authorized institution that is a category 1 institution must disclose the average value of its LCR, and the information relating to that value, for—
 - (a) the quarter ending on an annual reporting date; and
 - (b) each of the 3 quarters immediately preceding the quarter mentioned in paragraph (a).
- (2) For section 6(1)(ab), a category 1 institution must make the disclosures under subsection (1) by using the standard disclosure template specified by the Monetary Authority (*disclosure template*) to the extent that the template covers the relevant disclosure items.
- (3) For subsection (1), a category 1 institution, subject to subsection (4), must calculate the average value of its LCR for each quarter during the annual reporting period, based on—
 - (a) the arithmetic mean of the institution’s LCR as at the end of each working day in the quarter; and
 - (b) the calculation methodology and instructions set out in the liquidity position return.
- (4) If there is any practical difficulty in complying with subsection (3)(a), a category 1 institution may calculate the average value of its LCR for each quarter preceding 1 January 2017, based on the arithmetic mean of its LCR as at each month-end in the quarter as reported in its liquidity position return submitted for each month during the quarter.

-
- (5) For subsection (1), a category 1 institution must disclose the average values of those components, as specified in the disclosure template, relating to the average value of its LCR, in unweighted and weighted amounts (as applicable), in the following manner—
- (a) the average value of each component is to be calculated, based on—
 - (i) for subsection (3)—
 - (A) the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at the end of each working day in each quarter during the annual reporting period; and
 - (B) the unweighted and weighted amounts of the component as derived according to the calculation methodology and instructions set out in the liquidity position return; or
 - (ii) for subsection (4), the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at each month-end derived from the information as reported in the institution's liquidity position return submitted for each month during the quarter;
 - (b) the weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Liquidity Rules;

- (c) the unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts of the various assets, liabilities and off-balance sheet items that are included in the calculation of the LCR as required under the Liquidity Rules;
- (d) the weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Liquidity Rules;
- (e) the total HQLA and the total net cash outflows are to be disclosed as an adjusted value, where—
 - (i) the adjusted value of the total HQLA is the weighted amount of the total HQLA (net of haircuts) after taking into account any applicable ceiling on level 2B assets, and the sum of level 2A assets and level 2B assets, as required under the Liquidity Rules; and
 - (ii) the adjusted value of the total net cash outflows is the weighted amount of the total net cash outflows after taking into account any applicable ceiling on the total expected cash inflows as required under the Liquidity Rules.
- (6) For subsection (1), a category 1 institution must disclose, at a minimum, the following information that the institution considers to be significant to the calculation of its LCR—

- (a) the key drivers of material changes in the institution's LCR disclosed under subsection (1) and the evolution of the main factors contributing to the calculation of the institution's LCR over time;
 - (b) material changes in the institution's LCR, whether observed during the current reporting period or over time;
 - (c) the composition of the institution's HQLA;
 - (d) concentration in the sources from which the institution obtains funding for conducting its business;
 - (e) the institution's exposures under its derivative contracts and the potential for the institution to be required to post collateral under the terms of the contracts;
 - (f) currency mismatch in the institution's LCR;
 - (g) descriptions of the degree of centralization of liquidity management and the interaction between members of the consolidated group;
 - (h) other cash inflows and cash outflows in the LCR calculation—
 - (i) that are not covered by the disclosure template; but
 - (ii) that the institution considers to be relevant for understanding its liquidity profile.
- (7) A category 1 institution must disclose information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.

51B. Liquidity information disclosures: category 2 institution

- (1) An authorized institution that is a category 2 institution must disclose the average value of its LMR for an annual reporting period.
- (2) For subsection (1), a category 2 institution must calculate the average value of its LMR for the annual reporting period, based on the arithmetic mean of the average value of its LMR for each calendar month as reported in its liquidity position return submitted for the reporting period.
- (3) A category 2 institution must disclose information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.”.

18. Section 88 amended (medium and location of disclosure and issue of press release)

- (1) Section 88(7)—

Repeal

“Where an authorized institution”

Substitute

“Subject to section 103(2), if an authorized institution”.

- (2) Section 88(8)—

Repeal

“Where an authorized institution”

Substitute

“Subject to section 103(2), if an authorized institution”.

19. Section 90 amended (comparative information)

(1) Section 90(1)(a)—

Repeal

“liquidity ratio disclosure”

Substitute

“liquidity information disclosures”.

(2) Section 90(1)(b)—

Repeal

“liquidity ratio disclosure”

Substitute

“liquidity information disclosures”.

20. Section 98 amended (general disclosures)

(1) Section 98(1)—

Repeal

“cross-border”

Substitute

“international”.

(2) Section 98(1)(b)—

Repeal

“banks, public sector entities and others”

Substitute

“banks, official sector, non-bank private sector and others”.

(3) Section 98(4), definition of *major country or geographical segment*, paragraph (a)—

Repeal

“cross-border” (wherever appearing)

Substitute

“international”.

- (4) Section 98(4), definition of *recognized risk transfer*—

Repeal paragraph (a)

Substitute

“(a) means the risk transfer as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance; or”.

- (5) Section 98(4)—

Repeal the definition of *cross-border claim*.

- (6) Section 98(4)—

Add in alphabetical order

“*international claim* (國際債權) means the international claim as described in the return of international banking statistics required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;”.

21. Section 101 amended (non-bank Mainland exposures)

- (1) Section 101, heading—

Repeal

“Non-bank Mainland exposures”

Substitute

“Mainland activities”.

- (2) Section 101—

Repeal

“return for non-bank Mainland exposures”

Substitute

“return of Mainland activities”.

22. Section 103 substituted

Section 103—

Repeal the section

Substitute

“103. Liquidity information disclosures: general

- (1) An authorized institution must do either of the following—
 - (a) include in the financial statements relating to the reporting period published by it the disclosures under, as applicable—
 - (i) section 103A(1) and (7); or
 - (ii) section 103B(1) and (3);
 - (b) provide in the financial statements relating to the reporting period a direct link to the relevant sections of its website where the disclosures referred to in paragraph (a) can be found.
- (2) An authorized institution must establish and maintain an archive of all disclosures relating to the reporting periods ending after 31 December 2014 and made by it under the provisions referred to in subsection (1)(a).
- (3) An authorized institution must disclose the average value of its LCR or LMR and the related information on a Hong Kong office basis.

- (4) Disclosures by an authorized institution under this section, section 103A or 103B may be presented in Hong Kong dollars or in another currency.
- (5) Rules 2, 17 and 39 of the Liquidity Rules, if applicable, apply to the interpretation of this section and sections 103A and 103B as those rules apply to the interpretation of the Liquidity Rules.
- (6) If there is any conflict between subsection (5) and section 2(2) as to the interpretation of this section, or section 103A or 103B, subsection (5) is to prevail.”.

23. Sections 103A and 103B added

Part 8, Division 3, after section 103—

Add

“103A. Liquidity information disclosures: category 1 institution

- (1) An authorized institution that is a category 1 institution must disclose the average value of its LCR, and the information relating to that value, for—
 - (a) (if the disclosure relates to an interim reporting period)—
 - (i) the quarter ending on the interim reporting date; and
 - (ii) the quarter immediately preceding the quarter mentioned in subparagraph (i); or
 - (b) (if the disclosure relates to an annual reporting period)—
 - (i) the quarter ending on the annual reporting date; and

- (ii) each of the 3 quarters immediately preceding the quarter mentioned in subparagraph (i).
- (2) For section 6(1)(ab), a category 1 institution must make the disclosures under subsection (1) by using the standard disclosure template specified by the Monetary Authority (*disclosure template*) to the extent that the template covers the relevant required disclosure items.
- (3) For subsection (1), a category 1 institution, subject to subsection (4), must calculate the average value of its LCR for each quarter during the reporting period, based on—
 - (a) the arithmetic mean of the institution's LCR as at the end of each working day in the quarter; and
 - (b) the calculation methodology and instructions set out in the liquidity position return.
- (4) If there is any practical difficulty in complying with subsection (3)(a), a category 1 institution may calculate the average value of its LCR for each quarter preceding 1 January 2017, based on the arithmetic mean of its LCR as at each month-end in the quarter as reported in its liquidity position return submitted for each month during the quarter.
- (5) For subsection (1), a category 1 institution must disclose the average values of those components, as specified in the disclosure template, relating to the average value of its LCR, in unweighted and weighted amounts (as applicable), in the following manner—

-
- (a) the average value of each component is to be calculated, based on—
- (i) for subsection (3)—
 - (A) the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at the end of each working day in each quarter during the reporting period; and
 - (B) the unweighted and weighted amounts of the component as derived according to the calculation methodology and instructions set out in the liquidity position return; or
 - (ii) for subsection (4), the arithmetic mean of the component, in unweighted and weighted amounts (as applicable), as at each month-end derived from the information as reported in the institution's liquidity position return submitted for each month during the quarter;
- (b) the weighted amount of HQLA is to be calculated as the amount after applying the haircuts as required under the Liquidity Rules;
- (c) the unweighted amounts of cash inflows and cash outflows are to be calculated as the principal amounts of the various assets, liabilities and off-balance sheet items that are included in the calculation of the LCR as required under the Liquidity Rules;

- (d) the weighted amounts of cash inflows and cash outflows are to be calculated as the amounts after applying the inflow and outflow rates as required under the Liquidity Rules;
- (e) the total HQLA and the total net cash outflows are to be disclosed as an adjusted value, where—
 - (i) the adjusted value of the total HQLA is the weighted amount of the total HQLA (net of haircuts) after taking into account any applicable ceiling on level 2B assets, and the sum of level 2A assets and level 2B assets, as required under the Liquidity Rules; and
 - (ii) the adjusted value of the total net cash outflows is the weighted amount of the total net cash outflows after taking into account any applicable ceiling on the total expected cash inflows as required under the Liquidity Rules.
- (6) For subsection (1), a category 1 institution must disclose, at a minimum, the following information that the institution considers to be significant to the calculation of its LCR—
 - (a) the key drivers of material changes in the institution's LCR disclosed under subsection (1) and the evolution of the main factors contributing to the calculation of the institution's LCR over time;
 - (b) material changes in the institution's LCR, whether observed during the current reporting period or over time;

- (c) the composition of the institution's HQLA;
 - (d) concentration in the sources from which the institution obtains funding for conducting its business;
 - (e) the institution's exposures under its derivative contracts and the potential for the institution to be required to post collateral under the terms of the contracts;
 - (f) currency mismatch in the institution's LCR;
 - (g) descriptions of the degree of centralization of liquidity management and the interaction between members of the consolidated group;
 - (h) other cash inflows and cash outflows in the LCR calculation—
 - (i) that are not covered by the disclosure template; but
 - (ii) that the institution considers to be relevant for understanding its liquidity profile.
- (7) A category 1 institution must disclose information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.

103B. Liquidity information disclosures: category 2 institution

- (1) An authorized institution that is a category 2 institution must disclose the average value of its LMR for a reporting period.

- (2) For subsection (1), a category 2 institution must calculate the average value of its LMR for the reporting period, based on the arithmetic mean of the average value of its LMR for each calendar month as reported in its liquidity position return submitted for the reporting period.
- (3) A category 2 institution must disclose information relating to the institution's approach to liquidity risk management that is necessary and relevant for understanding its liquidity risk position and liquidity management.”.

Peter PANG
Acting Monetary Authority

19 December 2014

Explanatory Note

These Rules are made by the Monetary Authority under section 60A of the Banking Ordinance (Cap. 155) to amend the Banking (Disclosure) Rules (Cap. 155 sub. leg. M) (*principal Rules*).

2. The main purpose of the Rules is to incorporate into the principal Rules—
 - (a) amendments necessitated by the new disclosure requirements contained in the document entitled “Basel III leverage ratio framework and disclosure requirements” published by the Basel Committee on Banking Supervision (*Basel Committee*) in January 2014;
 - (b) amendments necessitated by the new disclosure requirements contained in the document entitled “Liquidity coverage ratio disclosure standards” published by the Basel Committee in January 2014 (revised in March 2014);
 - (c) amendments necessitated by the additional disclosure requirements relating to capital buffers required under the Banking (Capital) Rules (Cap. 155 sub. leg. L), i.e.—
 - (i) the capital conservation buffer ratio;
 - (ii) the countercyclical capital buffer ratio; and
 - (iii) (for an authorized institution considered as systemically important in a global or domestic context) the higher loss absorbency ratio; and
 - (d) amendments necessitated by some recent updates in prudential reporting requirements.
3. The Rules come into operation on 31 March 2015.