

25. General disclosures

(1) An authorized institution shall disclose a breakdown of its cross-border claims by major countries or geographical segments in accordance with—

- (a) the location of the counterparties; and
- (b) the types of counterparties, broken down into banks, public sector entities and others.

(2) An authorized institution shall disclose the gross amount of loans and advances to customers by major countries or geographical segments in accordance with the location of the counterparties.

(3) An authorized institution shall disclose the basis of the country or geographical segment classification used for the purposes of subsections (1) and (2).

(4) An authorized institution shall disclose—

- (a) the amount of impaired loans and advances to customers which are individually determined to be impaired and, if available, overdue loans and advances to customers, disclosed separately broken down by major countries or geographical segments;
- (b) the amounts of specific provisions allocated in respect of the loans and advances referred to in paragraph (a); and
- (c) that portion of its collective provisions which is allocated to any country or geographical segment.

(5) In this section—

“cross-border claim” (跨域債權), in relation to an authorized institution—

- (a) subject to paragraph (b), includes—
 - (i) receivables and loans and advances;
 - (ii) cash and balances and placements with banks (including loans and advances to banks);
 - (iii) holdings of certificates of deposit, bills, promissory notes, commercial paper, other debt instruments and investments; and
 - (iv) accrued interest and overdue interest on the assets referred to in subparagraphs (i), (ii) and (iii);
- (b) does not include—
 - (i) claims arising between the institution and its branches or subsidiaries;
 - (ii) claims on a counterparty in Hong Kong, except to the extent that such claims are guaranteed by a person outside Hong Kong;
 - (iii) claims on a counterparty outside Hong Kong, to the extent that such claims are guaranteed by a person in Hong Kong;

(iv) claims on a branch of a bank located in Hong Kong, except where the head office of the bank is located outside Hong Kong; or

(v) claims on a branch of a bank located outside Hong Kong, where the head office of the bank is located in Hong Kong;

“major country or geographical segment” (主要國家或地域分部)—

(a) in relation to an authorized institution’s cross-border claims, means a country or geographical segment, as the case may be, to which not less than 10% of the institution’s total cross-border claims are attributable after taking into account any recognized risk transfer; or

(b) in relation to loans and advances to customers, means a country or geographical segment, as the case may be, to which not less than 10% of the institution’s total amount of loans and advances to customers are attributable after taking into account any recognized risk transfer;

“recognized risk transfer” (認可風險轉移)—

(a) in relation to a cross-border claim of an authorized institution, means that—

(i) the claim is guaranteed by a person in a country which is different from that of the counterparty; or

(ii) the claim is on an overseas branch of a bank and the head office of the bank is located in a country which is different from that of the overseas branch; or

(b) in relation to loans and advances to a customer of an authorized institution, means that the loans and advances are guaranteed by a person in a country which is different from that of the customer.

26. Sector information

(1) An authorized institution shall disclose the gross amount of loans and advances to customers, broken down into—

(a) loans and advances for use in Hong Kong—

(i) industrial, commercial and financial—

(A) property development;

(B) property investment;

(C) financial concerns;

(D) stockbrokers;

(E) wholesale and retail trade;

(F) manufacturing;

(G) transport and transport equipment;

(H) recreational activities;

- (I) information technology; and
- (J) others; and
- (ii) individuals—
 - (A) loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes;
 - (B) loans for the purchase of other residential properties;
 - (C) credit card advances; and
 - (D) others;
- (b) trade finance; and
- (c) loans and advances for use outside Hong Kong.

(2) An authorized institution shall disclose the extent to which loans and advances referred to in subsection (1) are covered by collateral or other security.

(3) Where an authorized institution's total amount of loans and advances to a counterparty type, or to a sector which has been classified by the institution as an industry sector, constitutes not less than 10% of the institution's total amount of loans and advances, the institution shall, in respect of that counterparty type or industry sector, as the case may be, disclose—

- (a) the amount of impaired loans and advances which are individually determined to be impaired and, if available, overdue loans and advances, set out separately; and
- (b) the amounts of specific provisions and collective provisions.

27. Overdue or rescheduled assets

- (1) An authorized institution shall—
 - (a) disclose the gross amount of loans and advances to customers which have been overdue for—
 - (i) more than 3 months but not more than 6 months;
 - (ii) more than 6 months but not more than one year; and
 - (iii) more than one year;
 - (b) disclose the percentage of its total amount of loans and advances to customers which have been overdue for—
 - (i) more than 3 months but not more than 6 months;
 - (ii) more than 6 months but not more than one year; and
 - (iii) more than one year; and
 - (c) ensure that the total amount of loans and advances to customers as disclosed pursuant to paragraphs (a) and (b) corresponds to the total amount of loans and advances for use in Hong Kong, trade finance, and loans and advances for use outside Hong Kong as disclosed pursuant to section 26(1).

- (2) An authorized institution shall disclose—
 - (a) the gross amount of loans and advances to banks which have been overdue for—
 - (i) more than 3 months but not more than 6 months;
 - (ii) more than 6 months but not more than one year; and
 - (iii) more than one year; and
 - (b) the percentage of its total amount of loans and advances to banks which have been overdue for—
 - (i) more than 3 months but not more than 6 months;
 - (ii) more than 6 months but not more than one year; and
 - (iii) more than one year.
- (3) An authorized institution shall disclose—
 - (a) a description of any collateral held in respect of the overdue loans and advances and any other forms of credit risk mitigation and, unless impracticable, an estimate of the fair value of such collateral or such other forms of credit risk mitigation; and
 - (b) the amount of specific provisions made on such overdue loans and advances.
- (4) An authorized institution shall disclose—
 - (a) the amount of rescheduled loans and advances to customers, excluding those which have been overdue for more than 3 months and disclosed pursuant to subsection (1); and
 - (b) the percentage of such loans and advances to its total amount of loans and advances to customers.
- (5) An authorized institution shall disclose—
 - (a) the amount of rescheduled loans and advances to banks, excluding those which have been overdue for more than 3 months and disclosed pursuant to subsection (2); and
 - (b) the percentage of such loans and advances to its total amount of loans and advances to banks.
- (6) An authorized institution shall disclose the amount of other assets, broken down into major classes of assets (including trade bills and debt securities), which have been overdue for—
 - (a) more than 3 months but not more than 6 months;
 - (b) more than 6 months but not more than one year; and
 - (c) more than one year.
- (7) An authorized institution shall disclose the amount of repossessed assets held, irrespective of the accounting treatment of the related loans and advances.

28. Non-bank Mainland exposures

An authorized institution shall disclose a breakdown of its Mainland exposures to non-bank counterparties, if the exposures are material, into the categories in the return for non-bank Mainland exposures submitted by the institution to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the interim reporting period.

29. Currency risk

(1) Subject to subsections (2) and (3), an authorized institution shall disclose its foreign currency exposures which arise from trading, non-trading and structural positions in accordance with the return relating to foreign currency positions it submitted to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the interim reporting period.

(2) Where an authorized institution's net position (in absolute terms) in a particular foreign currency constitutes not less than 10% of the institution's total net position in all foreign currencies, the institution shall disclose in respect of the particular currency its—

- (a) spot assets;
- (b) spot liabilities;
- (c) forward purchases;
- (d) forward sales;
- (e) net options position; and
- (f) net long (or net short) position.

(3) For the purposes of subsection (2), an authorized institution shall calculate its net options position on the basis of—

- (a) the delta-weighted position of its options contracts; or
- (b) the institution's internal reporting method.

(4) An authorized institution shall disclose the basis referred to in subsection (3) on which it calculates its net options position.

(5) Where an authorized institution's net structural position (assets less liabilities) in a particular foreign currency constitutes (in absolute terms) not less than 10% of the institution's total net structural position in all foreign currencies, the institution shall disclose that net structural position in that particular foreign currency.

(6) For the purposes of this section, an authorized institution shall convert all foreign currency amounts into their equivalents in Hong Kong dollars as at the reporting date in determining whether its net position or net structural position in a foreign currency constitutes not less than 10% of its total net position or total net structural position, as the case may be, in all foreign currencies.

30. Liquidity

(1) Subject to subsection (2), an authorized institution shall disclose its average liquidity ratio for the interim reporting period.

(2) For the purposes of subsection (1), an authorized institution—

- (a) shall calculate its average liquidity ratio as the arithmetic mean of each calendar month's average liquidity ratio as reported in the return relating to the liquidity position submitted by the institution to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the interim reporting period;
- (b) may, with the prior consent of the Monetary Authority, include overseas branches or subsidiaries of the institution, or both, in the calculation of its average liquidity ratio.

PART 4

ANNUAL FINANCIAL DISCLOSURES TO BE MADE BY AUTHORIZED INSTITUTIONS INCORPORATED IN HONG KONG

31. References to authorized institution in Part 4

Unless the context otherwise requires, a reference to an authorized institution in this Part is a reference to an authorized institution which falls within section 3(1).

32. Interpretation of Part 4

In this Part, unless the context otherwise requires—

“cash flow hedge” (現金流對沖) has the meaning assigned to it by section 35 of the Capital Rules;

“corporate” (法團) has the meaning assigned to it by section 139(1) of the Capital Rules;

“fair value hedge” (公平價值對沖), in relation to a hedging relationship of an authorized institution, means a hedge of the exposure to changes in the fair value of—

- (a) a financial asset or financial liability which is recognized on the institution's balance sheet;
- (b) a firm commitment which is not recognized on the institution's balance sheet; or
- (c) an identified portion of such an asset, liability or firm commitment, which is attributable to a particular risk and which could affect profit or loss;

“forecast transaction” (預期交易) has the meaning assigned to it by section 35 of the Capital Rules;

“hedges of net investments in foreign operation” (外地經營淨投資對沖), in relation to a hedging relationship of an authorized institution, means a hedge of the institution’s net investments in a foreign operation where—

(a) a foreign operation is a subsidiary, associate, joint venture or branch of the institution—

(i) the activities of which are based or conducted in a country other than that of the institution; or

(ii) the products, services and costs of which are principally denominated in a currency other than that in which the products, services and costs of the institution are principally denominated; and

(b) net investment in a foreign operation is the amount of the institution’s interest in the net assets of that operation;

“highly probable forecast transaction” (極有可能發生的預期交易), in relation to the forecast transaction which is the subject of a cash flow hedge, means the forecast transaction is highly probable and presents an exposure to variations in cash flows which could ultimately affect profit or loss;

“long lease” (長期租約) has the meaning assigned to it by the Tenth Schedule to the Companies Ordinance (Cap. 32);

“medium-term lease” (中期租約) has the meaning assigned to it by the Tenth Schedule to the Companies Ordinance (Cap. 32);

“related party” (關聯者), in relation to an authorized institution, means a person—

(a) who directly, or indirectly through one or more intermediaries—

(i) controls, is controlled by, or is under common control with, the institution;

(ii) has an interest in the institution which gives the person significant influence over the institution; or

(iii) has joint control over the institution;

(b) who is an associate of the institution;

(c) who is a joint venture in which the institution has joint control;

(d) who is a member of the key management personnel of the institution or of any holding company of the institution;

(e) who is a relative, within the meaning of section 79(1) of the Ordinance, of any individual falling within paragraph (a) or (d), and who, in his dealings with the institution, may be expected to influence or be influenced by that individual;

(f) who is controlled, jointly controlled or significantly influenced by any person falling within paragraph (d) or (e);

(g) significant voting power in which resides with, directly or indirectly, any person falling within paragraph (d) or (e); or

- (h) which is an entity which constitutes a post-employment benefit plan for the benefit of—
 - (i) the employees of the institution; or
 - (ii) the employees of any person falling within any of paragraphs (a), (b), (c), (d), (e), (f) and (g) in relation to the institution;

“related party transaction” (與關聯者的交易) means a transfer of resources, services or obligations between related parties, regardless of whether a price is charged;

“short lease” (短期租約) has the meaning assigned to it by the Tenth Schedule to the Companies Ordinance (Cap. 32).

33. Scope of consolidation

An authorized institution shall disclose—

- (a) the basis of consolidation including—
 - (i) an outline of the differences between the basis of consolidation for accounting purposes and the basis of consolidation for regulatory purposes; and
 - (ii) a description of—
 - (A) the institution’s subsidiaries which are members of its consolidation group; and
 - (B) the institution’s subsidiaries in respect of which the institution’s shareholdings therein are deducted from the institution’s core capital and supplementary capital as determined in accordance with Part 3 of the Capital Rules; and
- (b) any restrictions, or other major impediments, on the transfer of funds or regulatory capital between the members of the institution’s consolidation group including any relevant regulatory, legal or taxation constraints on the transfer of capital.

34. Principal accounting policies

(1) An authorized institution shall disclose the principal accounting policies it uses in the preparation of its financial statements.

(2) Without prejudice to the generality of subsection (1), an authorized institution shall disclose—

- (a) the accounting policies, practices and methods it uses for credit risk exposures, in particular for loans and advances (including the measurement basis used for loans and advances at the time of their origination and at subsequent periods, and the recognition of interest income), and the determination of specific provisions, collective provisions and write-offs;

- (b) the accounting treatment of loans and advances upon the repossession of assets where such loans and advances to which the repossession of assets relate are material;
- (c) the accounting treatment of fees and expenses related to loans and advances (including whether any incentives relating to residential mortgage loans or other loans and advances have been written off or amortized) where the fees and expenses are material;
- (d) the principal accounting policies used for derivative transactions and off-balance sheet exposures (including an explanation of the accounting practices and major assumptions used for valuation and income recognition); and
- (e) the accounting policies used for offsetting assets and liabilities arising from derivative transactions.

35. Income statement and equity information

(1) An authorized institution shall disclose for the annual reporting period particulars of—

- (a) the institution's net gains or net losses on—
 - (i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately the amount of net gains or net losses arising from financial assets or financial liabilities, as the case may be, which are—
 - (A) designated as such upon initial recognition; and
 - (B) classified as held for trading;
 - (ii) available-for-sale financial assets, showing separately the amount of net gains or net losses recognized directly in equity during the annual reporting period and the amount of net gains or net losses removed from equity and recognized in profit or loss for the annual reporting period;
 - (iii) held-to-maturity investments;
 - (iv) loans and receivables; and
 - (v) financial liabilities measured at amortized cost;
- (b) the institution's total interest income and total interest expense (calculated by using the effective interest method) for financial assets or financial liabilities which are not measured at fair value through profit or loss;
- (c) the institution's fees and commission income and expense (other than amounts included in determining the effective interest rate) which arise from—
 - (i) financial assets or financial liabilities which are not measured at fair value through profit or loss; and

- (ii) trust and other fiduciary activities which result in the holding or investing of assets on behalf of individuals, trusts, retirement benefits plans, and other entities;
 - (d) the institution's interest income on impaired financial assets;
 - (e) the institution's dividend income, broken down into receipts from listed and unlisted companies;
 - (f) the institution's operating expenses, broken down into—
 - (i) staff costs;
 - (ii) premises and equipment expenses, excluding depreciation charges (broken down if material);
 - (iii) depreciation charges; and
 - (iv) other operating expenses (broken down if material);
 - (g) the institution's net gains or net losses from the disposal or revaluation of investment properties;
 - (h) the institution's gains less losses from the disposal of property, plant and equipment;
 - (i) the institution's impairment losses and specific provisions and collective provisions for impaired assets, broken down into—
 - (i) available-for-sale financial assets;
 - (ii) held-to-maturity investments; and
 - (iii) loans and receivables;
 - (j) the institution's tax expense or tax income, broken down into—
 - (i) Hong Kong tax;
 - (ii) overseas tax; and
 - (iii) deferred tax, if any; and
 - (k) the institution's transfers to or from reserves.
- (2) An authorized institution shall, in relation to its tax expense or tax income, disclose the basis on which Hong Kong profits tax is calculated.
- (3) An authorized institution shall disclose any material amount—
- (a) set aside for provisions other than those for depreciation, renewals or diminution in the value of assets; or
 - (b) withdrawn from such provisions and not applied for the purposes thereof.
- (4) An authorized institution shall, in relation to income and expense, disclose the nature and amount of items of income and expense within profit or loss where such items are of such size, nature or incidence that their disclosure is necessary for understanding the performance of the institution for the annual reporting period.

36. Balance sheet information

- (1) An authorized institution shall disclose the carrying amounts of—
- (a) each of the institution's assets, broken down into—

- (i) cash and balances with banks;
 - (ii) placements with banks which have a residual contractual maturity of more than one month but not more than 12 months;
 - (iii) financial assets measured at fair value through profit or loss, showing separately those—
 - (A) designated as such upon initial recognition; and
 - (B) classified as held for trading;
 - (iv) held-to-maturity investments;
 - (v) loans and receivables (other than those falling within subparagraph (i) or (ii)), broken down into—
 - (A) loans and advances to customers;
 - (B) loans and advances to banks;
 - (C) other accounts (broken down if material); and
 - (D) provisions for impaired loans and receivables (broken down into those against loans and advances to customers, loans and advances to banks, other accounts if material) which constitute the institution's—
 - (I) collective provisions; and
 - (II) specific provisions;
 - (vi) available-for-sale financial assets;
 - (vii) investments in associates; and
 - (viii) property, plant and equipment and investment properties including, for each material class of such assets—
 - (A) the cost or valuation of the assets;
 - (B) any additions to, revaluations and disposals of, the assets made during the annual reporting period;
 - (C) the amount provided or written off for the depreciation or diminution in value of the assets during the annual reporting period;
 - (D) the accumulated depreciation of the assets; and
 - (E) the net book value of the assets; and
- (b) each of the institution's equity and liabilities, broken down into—
- (i) deposits and balances from banks;
 - (ii) deposits from customers, broken down into—
 - (A) demand deposits and current accounts;
 - (B) savings deposits; and
 - (C) time, call and notice deposits;
 - (iii) certificates of deposit issued—
 - (A) measured at fair value through profit or loss, showing separately those—

- (I) designated as such upon initial recognition; and
- (II) classified as held for trading; and
- (B) measured at amortized cost;
- (iv) issued debt securities—
 - (A) measured at fair value through profit or loss, showing separately those—
 - (I) designated as such upon initial recognition; and
 - (II) classified as held for trading; and
 - (B) measured at amortized cost;
 - (v) deferred taxation, if any;
 - (vi) other liabilities;
 - (vii) provisions;
 - (viii) loan capital (including particulars of types, coupon rates and maturities);
 - (ix) minority interests;
 - (x) share capital; and
 - (xi) reserves, broken down into the regulatory reserve, revaluation reserves where maintained, and other material types of reserves.

(2) An authorized institution which maintains a regulatory reserve shall disclose the nature and purpose of the reserve.

(3) An authorized institution shall disclose particulars of any movements in provisions for impaired loans and receivables (including provisions against trade bills if material) during the annual reporting period.

(4) For the purposes of subsection (3), an authorized institution—

- (a) is not required to break down the movements in provisions referred to in that subsection into asset classes but is required to break down the movements into collective provisions and specific provisions; and
- (b) shall, in respect of the movements in provisions referred to in that subsection, disclose particulars of—
 - (i) the amount of new provisions charged to the profit and loss in the annual reporting period for losses on impaired loans and receivables;
 - (ii) the amount of provisions released back to the profit and loss in the annual reporting period;
 - (iii) the amount of loans and receivables which were written off in the annual reporting period;
 - (iv) the amount of recoveries in respect of loans and receivables which were written off in previous years; and
 - (v) the amount of foreign exchange adjustments, if any, in the annual reporting period.

37. Provisions supplementary to section 36

(1) For the purposes of section 36(4)(b)(i) and (ii), an authorized institution shall (whether or not its accounting practices include the recording of recoveries and write-offs through the provision for impaired loans and receivables) ensure that—

- (a) the amount of new provisions includes any amount of loans and receivables directly written off through the profit or loss in the annual reporting period;
- (b) the amount of provisions released back includes any amount of loans and receivables recovered directly through the profit or loss in the annual reporting period; and
- (c) the net amount of the amount of new provisions referred to in paragraph (a) and the amount of provisions released back referred to in paragraph (b) is consistent with the amount of provisions disclosed in the profit and loss information referred to in section 35(1).

(2) For the purposes of section 36, an authorized institution shall disclose—

- (a) the amount of impaired loans and advances to customers which are individually determined to be impaired;
- (b) the amount of specific provisions made for such loans and advances;
- (c) the value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate; and
- (d) the percentage of such loans and advances to its total amount of loans and advances to customers.

(3) For the purposes of section 36, an authorized institution shall disclose—

- (a) the amount of impaired loans and advances to banks which are individually determined to be impaired;
- (b) the amount of specific provisions made for such loans and advances;
- (c) the value of collateral which has been taken into account in respect of such loans and advances to which the specific provisions relate; and
- (d) the percentage of such loans and advances to its total amount of loans and advances to banks.

(4) For the purposes of section 36, an authorized institution shall—

- (a) subject to paragraph (b), disclose a breakdown of investments in securities (including treasury bills) into equity and debt securities and listed and unlisted securities;

- (b) ensure that the breakdown required by paragraph (a) is carried out separately for held-to-maturity securities, available-for-sale securities and securities designated at fair value through profit or loss; and
- (c) disclose the total fair value of listed securities, broken down into the securities groupings set out in paragraph (b).

(5) For the purposes of section 36, an authorized institution shall disclose separately a breakdown of the issuers of held-to-maturity securities, available-for-sale securities and securities designated at fair value through profit or loss into—

- (a) sovereigns;
- (b) public sector entities;
- (c) banks;
- (d) corporates; and
- (e) others.

(6) Subject to subsections (7) and (8), an authorized institution shall disclose a breakdown of the residual contractual maturity of its assets and liabilities into those which are repayable—

- (a) on demand;
- (b) within a period of not more than one month (except those repayable on demand);
- (c) within a period of more than one month but not more than 3 months;
- (d) within a period of more than 3 months but not more than one year;
- (e) within a period of more than one year but not more than 5 years;
- (f) within a period of more than 5 years; and
- (g) within an indefinite period.

(7) An authorized institution shall disclose a breakdown of its assets and liabilities referred to in subsection (6) into—

- (a) for its assets—
 - (i) loans and advances to customers;
 - (ii) cash and balances with banks and placements with banks (including loans and advances to banks);
 - (iii) certificates of deposit held;
 - (iv) debt securities held, which are measured at fair value through profit or loss, showing separately those—
 - (A) designated as such upon initial recognition; and
 - (B) classified as held for trading;
 - (v) debt securities held as available-for-sale securities; and
 - (vi) debt securities held as held-to-maturity securities; and
- (b) for its liabilities—
 - (i) deposits and balances from banks;

- (ii) deposits from customers;
- (iii) certificates of deposit issued; and
- (iv) issued debt securities.

(8) An authorized institution shall base the breakdown referred to in subsection (6) on the remaining period to the contractual maturity date of the asset or liability concerned.

- (9) For the purposes of section 36, an authorized institution shall—
- (a) disclose a breakdown of the gross amount (before accumulated depreciation) of property, plant and equipment, and investment properties into those included at cost and those included at valuation, if any;
 - (b) in the case of fixed assets which have been included at valuation, disclose the years in which those assets were valued and the values; and
 - (c) in the case of assets which have been valued during the annual reporting period, disclose—
 - (i) the names of the persons who valued them and particulars of their qualifications for doing so; and
 - (ii) the bases of valuation used by such persons.
- (10) For the purposes of section 36, an authorized institution shall—
- (a) subject to paragraph (b), disclose a breakdown of real property, being real property included in the property, plant and equipment, or in the investment properties, of the institution, into that held freehold and that held on a lease (broken down into long lease, medium-term lease and short lease);
 - (b) ensure the breakdown referred to in paragraph (a) distinguishes between properties held on lease in Hong Kong and properties held on lease outside Hong Kong.

(11) For the purposes of section 36, an authorized institution shall disclose particulars of the movements in reserves during the annual reporting period, including the surplus or deficit on the revaluation of property.

38. Provisions supplementary to section 36: derivative transactions

(1) An authorized institution shall disclose a description of its objectives, policies and strategies for the use of derivative transactions (including the types of derivative contracts which qualify as hedges for accounting purposes, those which do not qualify as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss, those entered into for other purposes including trading, and whether they are exchange-traded or OTC derivative transactions).

(2) An authorized institution shall disclose the total contractual or notional amounts, total risk-weighted amount for credit risk and total fair value (after taking into account the effect of a valid bilateral netting agreement) of derivative transactions, broken down into—

- (a) exchange rate-related derivative contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements);
- (b) interest rate derivative contracts; and
- (c) others.

(3) An authorized institution shall disclose a breakdown of the total contractual or notional amounts, total risk-weighted amount for credit risk and total fair value (after taking into account the effect of a valid bilateral netting agreement) of each material class of derivative transactions into—

- (a) exchange rate-related derivative contracts which are—
 - (i) forwards and futures contracts;
 - (ii) swap contracts;
 - (iii) option contracts purchased; and
 - (iv) option contracts written;
- (b) interest rate derivative contracts which are—
 - (i) forwards and futures contracts;
 - (ii) swap contracts;
 - (iii) option contracts purchased; and
 - (iv) option contracts written; and
- (c) others (broken down if material).

(4) For the purposes of subsection (3), an authorized institution shall disclose—

- (a) the amount of fair value which has taken into account the effect of a valid bilateral netting agreement; and
- (b) a breakdown of the total contractual or notional amounts of each material class of derivative transactions into—
 - (i) those which qualify as hedges for accounting purposes;
 - (ii) those which do not qualify as hedges for accounting purposes but which are managed in conjunction with the financial instruments designated at fair value through profit or loss; or
 - (iii) those entered into for other purposes including trading.

**39. Off-balance sheet exposures
(other than derivative
transactions)**

(1) Subject to subsection (2), an authorized institution shall disclose the contractual or notional amounts of each material class of its off-balance sheet exposures.

(2) Without prejudice to the generality of subsection (1), an authorized institution shall disclose the contractual or notional amount of its off-balance sheet exposures which are—

- (a) direct credit substitutes;
- (b) transaction-related contingencies;
- (c) trade-related contingencies;
- (d) note issuance and revolving underwriting facilities;
- (e) forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed and asset sales with recourse; or
- (f) other commitments which do not fall within any of the classes of off-balance sheet exposures specified in paragraphs (a), (b), (c), (d) and (e), broken down into—
 - (i) commitments which have an original maturity of not more than one year;
 - (ii) commitments which have an original maturity of more than one year; and
 - (iii) commitments which may be cancelled at any time unconditionally by the institution or which provide for automatic cancellation due to a deterioration in the creditworthiness of the persons to whom the institution has made the commitments.

(3) Subject to subsection (4), an authorized institution shall disclose such risk exposure information as is necessary for understanding the underlying risks of the off-balance sheet exposures incurred by the institution.

(4) Without prejudice to the generality of subsection (3), an authorized institution shall disclose the total risk-weighted amount for credit risk of its off-balance sheet exposures, if any.

(5) In this section—

“original maturity” (原訂到期期限), in relation to an off-balance sheet exposure of an authorized institution, means the period between the date on which the exposure is entered into by the institution and the earliest date on which the institution can, at its option, unconditionally cancel the exposure.

40. Hedge accounting

(1) An authorized institution shall separately disclose, in respect of its hedges which are fair value hedges, cash flow hedges or hedges of net investments in foreign operations—

- (a) a description of each type of hedge;
- (b) a description of the financial instruments designated as hedging instruments and their fair values; and
- (c) the nature of the risks being hedged.

(2) An authorized institution shall disclose in respect of its cash flow hedges—

- (a) the periods when the cash flows are expected to occur and when they are expected to affect the institution's profit or loss;
- (b) a description of any forecast transaction for which hedge accounting had previously been used but which is no longer expected to occur;
- (c) any amount which was recognized in equity for the annual reporting period;
- (d) any amount which was removed from equity and included in profit or loss for the annual reporting period, showing the amount included in each line item in the income statement; and
- (e) any amount which was removed from equity for the annual reporting period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability the acquisition or incurrence of which was a hedged highly probable forecast transaction.

(3) An authorized institution shall separately disclose—

- (a) in respect of its fair value hedges, gains or losses—
 - (i) on the hedging instrument; and
 - (ii) on the hedged item attributable to the hedged risk;
- (b) any ineffectiveness recognized in the institution's profit or loss which arises from cash flow hedges; and
- (c) any ineffectiveness recognized in the institution's profit or loss which arises from hedges of net investments in foreign operations.

(4) In this section—

“ineffectiveness” (無效部分), in relation to a hedge, means the degree to which changes in the fair value or cash flows of the hedged item concerned which are attributable to a hedged risk are not offset by changes in the fair value or cash flows of the hedging instrument.

41. Fair value

(1) An authorized institution shall disclose the fair value of each class of its financial assets and financial liabilities in a way which permits such fair value to be compared with the carrying value of each such class.

(2) An authorized institution is not required to include in the disclosure required under subsection (1)—

- (a) the fair value of any financial asset or financial liability where the carrying value of such asset or liability is a reasonable approximation of its fair value;
- (b) the fair value of any equities—
 - (i) which do not have a quoted market price in an active market; and
 - (ii) which are measured at cost as the fair value of such equities cannot be measured reliably;
- (c) the fair value of any derivative contract the value of which is determined by reference to the value of, or any fluctuation in the value of, any equities referred to in paragraph (b); or
- (d) the fair value of any contract of insurance which contains a discretionary participation feature where the fair value of such feature cannot be measured reliably.

(3) In this section—

“discretionary participation feature” (酌情參與成分), in relation to a contract of insurance, means a right under the terms of the contract to receive, as a supplement to guaranteed benefits, additional benefits—

- (a) the amount of which is likely to be a significant portion of the total contractual benefits;
- (b) the amount and time for payment of which is, under the terms of the contract, at the discretion of the insurer which is a party to the contract; and
- (c) the amount of which is based on—
 - (i) the performance of a pool of contracts or a type of contract, as specified in the contract;
 - (ii) realized and unrealized investment returns on a pool of assets (as specified in the contract) held by the insurer which is a party to the contract; or
 - (iii) the profit or loss of the insurer which is a party to the contract.

42. Cash flow statement

An authorized institution shall disclose a cash flow statement.

43. Related party transactions

Where an authorized institution has entered into transactions with related parties, the institution shall disclose—

- (a) the nature of the related party relationships and such information about the transactions and outstanding balances as is necessary for understanding the potential effect of the relationships on the financial statements of the institution; and
- (b) the institution's policy for lending to related parties.

44. Assets used as security

An authorized institution shall disclose—

- (a) the total amount of its secured liabilities; and
- (b) the nature and carrying values of its assets used as security.

45. Capital structure and adequacy

(1) An authorized institution shall disclose a summary of the terms and conditions of the main features of all regulatory capital instruments issued by the institution, in particular in the case of innovative, complex or hybrid capital instruments.

(2) An authorized institution shall disclose the components of its capital base set out in the returns relating to capital adequacy it submitted to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the annual reporting period.

(3) Without prejudice to the generality of subsection (2), the disclosure referred to in that subsection required of an authorized institution shall include—

- (a) in the case of the institution's core capital—
 - (i) the institution's paid-up ordinary share capital;
 - (ii) the institution's paid-up irredeemable non-cumulative preference shares;
 - (iii) the amount standing to the credit of the institution's share premium account;
 - (iv) the institution's published reserves;
 - (v) the amount of the institution's profit and loss account;
 - (vi) minority interests in the equity of the institution's subsidiaries which are included in the institution's core capital; and
 - (vii) the total deductions from the institution's core capital;
- (b) in the case of the institution's supplementary capital—

- (i) the institution's reserves which are attributable to fair value gains on the revaluation of its holdings of land and buildings;
 - (ii) the institution's reserves which are attributable to fair value gains on the revaluation of its holdings of available-for-sale equities and debt securities (after netting of any overall deficit required to be deducted from the institution's supplementary capital under section 44(3) of the Capital Rules);
 - (iii) the institution's fair value gains arising from its holdings of equities and debt securities designated at fair value through profit or loss included in the institution's supplementary capital;
 - (iv) the amount of the institution's regulatory reserve for general banking risks;
 - (v) the amount of the institution's collective provisions;
 - (vi) the amount of the institution's surplus provisions;
 - (vii) the institution's perpetual subordinated debt;
 - (viii) the institution's paid-up irredeemable cumulative preference shares;
 - (ix) the institution's term subordinated debt;
 - (x) the institution's paid-up term preference shares; and
 - (xi) minority interests in—
 - (A) the paid-up irredeemable non-cumulative preference shares of the institution's subsidiaries (being special purpose vehicles) in excess of the amount included in the institution's core capital which are included in the institution's supplementary capital; and
 - (B) the paid-up irredeemable cumulative preference shares and paid-up term preference shares of the institution's subsidiaries which are included in the institution's supplementary capital;
 - (c) the total deductions from the institution's core capital and supplementary capital;
 - (d) the institution's core capital after deductions;
 - (e) the institution's supplementary capital after deductions; and
 - (f) the institution's capital base.
- (4) An authorized institution shall disclose—
- (a) the total amount of any relevant capital shortfall in any of its subsidiaries which are not included in its consolidation group for regulatory purposes; and
 - (b) the names of its subsidiaries which are not included in its consolidation group.

(5) Subject to subsections (6) and (7), an authorized institution shall disclose—

- (a) its capital adequacy ratio; and
- (b) its core capital ratio.

(6) Where an authorized institution is required under section 98(2) of the Ordinance as read with Part 2 of the Capital Rules to calculate its capital adequacy ratio on a consolidated basis, the institution shall disclose—

- (a) its capital adequacy ratio on a consolidated basis; and
- (b) its core capital ratio.

(7) Where subsection (6) does not apply to an authorized institution, the institution shall disclose—

- (a) its capital adequacy ratio on a solo basis; and
- (b) its core capital ratio.

(8) Where an authorized institution has earmarked part of its retained earnings for maintaining its regulatory reserve to satisfy the provisions of the Ordinance for prudential supervision purposes, the institution shall disclose—

- (a) this fact; and
- (b) the amount of retained earnings so earmarked.

(9) In this section—

“core capital ratio” (核心資本比率), in relation to an authorized institution, means the ratio, expressed as a percentage, of the amount of the institution’s core capital after making the deductions therefrom required by Part 3 of the Capital Rules, to the sum of, subject to sections 29, 30 and 31 of the Capital Rules, the institution’s risk-weighted amount for credit risk, risk-weighted amount for market risk and risk-weighted amount for operational risk as determined in accordance with the Capital Rules;

“relevant capital shortfall” (有關資本短欠), in relation to a subsidiary of an authorized institution—

- (a) which is a securities firm or insurance firm; and
- (b) which is not the subject of a consolidation requirement imposed on the institution,

means that amount which is deducted from the institution’s core capital and supplementary capital pursuant to section 48(2)(h) of the Capital Rules.

46. General disclosures

(1) Subject to subsection (2), an authorized institution shall—

- (a) disclose a description of each of its major business activities which is consistent with its internal management classifications;