

- (b) for the IRB class referred to in section 77(3)(b), the EAD of its equity exposures; and
  - (c) for each IRB class referred to in section 77(3)(a) and (b)—
    - (i) if the institution uses the advanced IRB approach, the exposure-weighted average LGD expressed as a percentage; and
    - (ii) the exposure-weighted average risk-weight.
- (3) For the purposes of complying with subsection (2), an authorized institution shall ensure that—
- (a) the disclosure required by that subsection is across a number of obligor grades (including defaulted obligor grades) which is sufficient for a consistent, logical and cogent differentiation of the credit risk inherent in the exposures to which the information required to be disclosed under subsection (2)(a), (b) or (c) relates;
  - (b) the disclosures of the PD, LGD and EAD take into account the effect of recognized collateral, recognized netting, recognized guarantees and recognized credit derivative contracts;
  - (c) the disclosure of an obligor grade includes the exposure-weighted average PD for each grade; and
  - (d) it does not aggregate obligor grades for the purposes of disclosure except in a manner which represents a breakdown of obligor grades, used in the IRB approach used by the institution, which provides for a consistent, logical and cogent differentiation of the credit risk inherent in the exposures.
- (4) An authorized institution which uses the advanced IRB approach—
- (a) shall disclose the amount of undrawn commitments and exposure-weighted average EAD of each IRB class referred to in section 77(3)(a) and (b); and
  - (b) only needs to disclose one estimate of the EAD of each such IRB class.
- (5) An authorized institution shall, in respect of an IRB subclass referred to in section 77(3)(c), (d) or (e), disclose—
- (a) on a pool basis the information required by subsections (2) and (3); or
  - (b) a breakdown of exposures (the EAD of on-balance sheet exposures and off-balance sheet exposures) on a pool basis into a number of EL grades which is sufficient to provide for a consistent, logical and cogent differentiation of the credit risk inherent in the exposures.

## **79. Credit risk: disclosures on historical results**

- (1) An authorized institution shall—

- (a) disclose the actual losses (including write-offs and specific provisions) for the annual reporting period for each IRB class or IRB subclass referred to in section 77(3); and
  - (b) in that disclosure—
    - (i) explain how the actual losses referred to in paragraph (a) differ from past actual losses in respect of the same such IRB class or IRB subclass; and
    - (ii) explain the factors which caused the losses referred to in paragraph (a).
- (2) An authorized institution shall—
  - (a) subject to paragraph (b), disclose the estimates made against actual outcomes over a period sufficient to permit understanding of the reliability of the information provided by the institution pursuant to section 78 over the long run;
  - (b) without prejudice to the generality of paragraph (a)—
    - (i) subject to subparagraph (ii), disclose information on the estimates of losses against actual losses in each IRB class or IRB subclass referred to in section 77(3) over a long run to enable an assessment of the institution's performance of the internal rating processes for each such IRB class or IRB subclass;
    - (ii) where appropriate, disclose a breakdown of the information as disclosed pursuant to subparagraph (i) to provide an analysis of the PD and, if the institution uses the advanced IRB approach, the LGD and EAD outcomes against estimates provided in the disclosures it made pursuant to section 78; and
    - (iii) if there are material differences between the PD, LGD or EAD estimates given by the institution and the actual outcomes over the long run, disclose—
      - (A) a breakdown of the PD and, if the institution uses the advanced IRB approach, the LGD and EAD outcomes against estimates provided in the disclosures it made pursuant to section 78; and
      - (B) an explanation of those differences.
- (3) In this section—

“long run” (長遠期間) means a period of time sufficient to capture a reasonable mix of high-default and low-default years of at least one economic cycle.

## **80. General disclosures for counterparty credit risk-related exposures**

(1) An authorized institution shall disclose, in respect of its counterparty credit risk which arises from OTC derivative transactions, repo-style transactions and credit derivative contracts (other than recognized credit derivative contracts) booked in its banking book or trading book (referred to in this section as “relevant transactions”), a description of—

- (a) the methodology it uses to assign internal capital and credit limits for counterparty credit exposures; and
- (b) its policies for securing collateral and establishing provisions.

(2) An authorized institution shall disclose a breakdown of the major classes of its exposures by counterparty type.

(3) An authorized institution shall disclose, in respect of the relevant transactions—

- (a) the gross total positive fair value of the relevant transactions which are not repo-style transactions;
- (b) the credit equivalent amounts, after taking into account the effect of valid bilateral netting agreements, for the relevant transactions which are not repo-style transactions;
- (c) the net credit exposures to counterparties, after taking into account the effect of any valid bilateral netting agreements, for the relevant transactions which are repo-style transactions;
- (d) the recognized collateral (broken down by type of collateral) held by the institution for the relevant transaction;
- (e) the credit equivalent amounts, or the net credit exposures, for the relevant transactions after taking into account the effect of any recognized collateral;
- (f) the respective risk-weighted amounts for the relevant transactions;
- (g) the notional amounts of recognized credit derivative contracts which provide credit protection for the relevant transactions; and
- (h) the institution’s EAD and the risk-weighted amount of its credit exposures for each type of relevant transaction.

(4) An authorized institution shall disclose the notional amounts of credit derivative contracts which create exposures to counterparty credit risk—

- (a) segregated between those used for the institution’s credit portfolio and those used in the institution’s intermediation activities, and broken down into each type of credit derivative contracts used; and
- (b) broken down into the protection bought and the protection sold within each type of such contract.

(5) A reference in this section to a relevant transaction which is a repo-style transaction means a transaction which falls within—

- (a) paragraph (c) of the definition of “repo-style transaction” in section 2(1) of the Capital Rules; or
- (b) where the collateral provided by the authorized institution concerned is money, paragraph (d) of the definition of “repo-style transaction” in section 2(1) of the Capital Rules.

## **81. Credit risk mitigation**

(1) An authorized institution shall disclose, in respect of credit risk mitigation used by it other than for transactions and contracts which fall within section 80(1)—

- (a) its policies and processes for, and an indication of the extent to which it makes use of, on-balance sheet and off-balance sheet recognized netting;
- (b) its policies and processes for the valuation and management of collateral;
- (c) a description of the main types of recognized collateral taken by the institution;
- (d) the main types of guarantor and credit derivative counterparty and their creditworthiness for the recognized guarantees and recognized credit derivative contracts which constitute its credit risk mitigation; and
- (e) information about both credit and market risk concentrations within the credit risk mitigation used by it.

(2) An authorized institution shall disclose—

- (a) for each separately disclosed IRB class of exposures in respect of which the institution uses the foundation IRB approach other than for transactions and contracts which fall within section 80(1), the total exposure (after, if applicable, the effect of any on-balance sheet or off-balance sheet recognized netting has been taken into account) which is covered by recognized collateral after the application of any haircuts required under the Capital Rules; and
- (b) for each separately disclosed IRB class of exposures other than for transactions and contracts which fall within section 80(1), the total exposure (after, if applicable, the effect of any on-balance sheet or off-balance sheet recognized netting has been taken into account) which is covered by recognized guarantees or recognized credit derivative contracts after the application of any haircuts required under the Capital Rules.

- (3) An authorized institution—
  - (a) shall not make disclosures under this section in respect of credit derivative contracts which are treated as part of synthetic securitization transactions; and
  - (b) shall make disclosures under section 82 in respect of such credit derivative contracts.

## **82. Asset securitization**

(1) An authorized institution which is an originating institution in securitization transactions shall disclose, in respect of the securitization transactions—

- (a) the institution's objectives in relation to securitizing the underlying exposures in the securitization transactions and the extent to which the securitization transactions transfer credit risk in respect of the underlying exposures away from the institution to other parties to the transaction;
- (b) a summary of the institution's accounting policies for the securitization transactions, including—
  - (i) whether the transactions are treated as sales or financings;
  - (ii) recognition of gain-on-sale;
  - (iii) key assumptions for valuing the securitization exposures retained (including any significant changes since the immediately preceding annual reporting period and the impact of such changes); and
  - (iv) the treatment of synthetic securitization transactions if this is not covered by other accounting policies;
- (c) the total outstanding underlying exposures which have been securitized by the institution and which are subject to Part 7 of the Capital Rules, broken down into traditional securitization transactions and synthetic securitization transactions and then broken down by class of exposure;
- (d) the total outstanding underlying exposures in the securitization transactions entered into by the institution in the annual reporting period and in which the institution did not, during the annual reporting period, retain any securitization exposure;
- (e) the securitization exposures of the institution resulting from the securitization transactions in which the institution only acted as a sponsor;
- (f) in the case of underlying exposures which have been securitized by the institution and which are subject to Part 7 of the Capital Rules—

- (i) the amount of impaired or overdue exposures securitized, broken down by class of exposure; and
- (ii) the losses recognized by the institution during the annual reporting period, broken down by class of exposure;
- (g) the total amount of securitization exposures retained and securitization exposures repurchased by the institution, broken down by class of exposure;
- (h) the total amount of securitization exposures retained and securitization exposures repurchased by the institution, the risk-weighted amounts of those exposures and the capital requirements for those exposures, in respect of which the institution uses the STC(S) approach or IRB(S) approach, or both, broken down into the respective risk-weights of those exposures;
- (i) the securitization exposures which have been fully deducted from the institution's core capital, broken down by class of exposure; and
- (j) the credit-enhancing interest-only strips and other exposures which have been deducted from the institution's core capital and supplementary capital, broken down by class of exposure.

(2) An authorized institution which is the originating institution in securitization transactions which are subject to an early amortization provision shall disclose—

- (a) the total principal amount of the drawn balances of the underlying exposures attributed to the originator's and investors' interests, broken down by class of exposure;
- (b) the total capital requirements, in respect of which the institution uses the STC(S) approach or IRB(S) approach, or both, incurred by the institution against the originator's retained shares of the principal amount of the drawn balances and undrawn balances of the underlying exposures, broken down by class of exposure; and
- (c) the total capital requirements, in respect of which the institution uses the STC(S) approach or IRB(S) approach, or both, incurred by the institution against the investors' shares of the principal amount of the drawn balances and undrawn balances of the underlying exposures, broken down by class of exposure.

(3) An authorized institution which is the originating institution in securitization transactions shall disclose a summary of the securitization transactions it has entered into during the annual reporting period including—

- (a) the underlying exposures which have been securitized, broken down by class of exposure; and



- (b) the amount of recognized gain or loss on sale, broken down by class of exposure.

(4) An authorized institution shall disclose, in respect of its securitization transactions and the securitization exposures assumed by it (whether it is the originating institution or an investing institution)—

- (a) the roles played by the institution in the securitization transactions including a description of its involvement in each class of exposures into which the underlying exposures in the securitization transactions would fall; and
- (b) the names of the ECAIs the institution used in relation to the securitization exposures during the annual reporting period and the class of securitization exposure for which each such ECAI was so used.

(5) An authorized institution which is an investing institution in securitization transactions shall disclose, in respect of the related securitization exposures assumed by it—

- (a) the total amount of the securitization exposures, broken down by class of exposure;
- (b) the total amount of the securitization exposures, the risk-weighted amount of the securitization exposures, and the capital requirements for the securitization exposures, in respect of which the institution uses the STC(S) approach or IRB(S) approach, or both, broken down into the respective risk-weights of the securitization exposures; and
- (c) the securitization exposures which the institution has deducted from its core capital and supplementary capital, broken down by class of exposure.

(6) Section 227(1) of the Capital Rules applies to the interpretation of this section as that section applies to the interpretation of Part 7 of the Capital Rules.

### **83. Market risk**

(1) An authorized institution which uses the STM approach to calculate its market risk shall disclose—

- (a) its positions covered by the approach; and
- (b) its market risk capital charge for its—
  - (i) interest rate exposures (including options exposures if applicable);
  - (ii) equity exposures (including options exposures if applicable);
  - (iii) foreign exchange (including gold) exposures (including options exposures if applicable); and

(iv) commodity exposures (including options exposures if applicable).

(2) An authorized institution which uses the IMM approach to calculate its market risk capital charge shall—

- (a) disclose the positions covered by the approach;
- (b) subject to paragraph (c), disclose a description of—
  - (i) the methodologies it uses to ensure it complies with section 316(3) of the Capital Rules in respect of its valuation of market risk positions; and
  - (ii) the extent to which the methodologies referred to in subparagraph (i) are so used;
- (c) ensure that the description referred to in paragraph (b) includes—
  - (i) an articulation of the soundness standards on which the institution's internal capital adequacy assessment is based; and
  - (ii) a description of the methodologies the institution uses to achieve a capital adequacy assessment which is consistent with the soundness standards;
- (d) for each position covered by the approach, disclose—
  - (i) the characteristics of the internal models it uses;
  - (ii) a description of the stress-testing the institution applies to the position; and
  - (iii) a description of the approach the institution uses to back-test or validate the accuracy and consistency of the internal models it uses and the modelling processes; and
- (e) for each position covered by the approach and for each internal model used by the institution for the position, separately disclose—
  - (i) the institution's average, high and low VaR for the annual reporting period and the VaR as at the last trading day of the annual reporting period; and
  - (ii) a comparison of VaR estimates with actual gains or losses experienced by the institution and a breakdown of important exceptions in back-test results.

(3) Where pursuant to section 20(2)(a) of the Capital Rules an authorized institution uses an approach (referred to in this subsection as the “relevant approach”) other than the STM approach or IMM approach to calculate its market risk, then subsection (2), with all necessary modifications, applies to and in relation to the institution and the relevant approach as that subsection applies to and in relation to an authorized institution which uses the IMM approach to calculate its market risk.



(4) The Monetary Authority may, by notice in writing given to an authorized institution which falls within subsection (3), require the institution to make such disclosures, in addition to any other disclosures required under this section to be made by the institution, as the Monetary Authority considers necessary to understand the institution's market risk positions.

(5) An authorized institution shall comply with the requirements of a notice given to it under subsection (4).

(6) Section 281 of the Capital Rules applies to the interpretation of this section as that section applies to the interpretation of Part 8 of the Capital Rules.

#### **84. Operational risk**

An authorized institution shall disclose each approach for operational risk capital assessment it uses to calculate its exposure to operational risk.

#### **85. Equity exposures: disclosures for banking book positions**

An authorized institution shall, in respect of its equity exposures booked in its banking book—

- (a) disclose how it differentiates between its equity holdings taken for relationship and strategic reasons and its equity holdings taken for other reasons (including the reason of capital gains);
- (b) disclose a description of its main policies covering the valuation and accounting of equity holdings, including—
  - (i) the accounting techniques and valuation methodologies the institution uses;
  - (ii) the key assumptions and practices affecting such valuation; and
  - (iii) any significant changes in those practices during the annual reporting period; and
- (c) disclose—
  - (i) the cumulative realized gains or losses arising from sales and liquidations of its equity holdings in the annual reporting period; and
  - (ii) the total unrealized gains or losses recognized in the institution's reserves but not through the profit and loss account, and any amount of unrealized gains included in, or unrealized losses deducted from, the institution's supplementary capital for capital adequacy ratio purposes.

**86. Interest rate exposures in banking book**

An authorized institution shall, in respect of its interest rate exposures which arise from its banking book positions, disclose—

- (a) the nature of the risk;
- (b) the key assumptions the institution uses in its measurement of the risk (including assumptions regarding loan prepayments and the behaviour of deposits without a fixed maturity);
- (c) the frequency of its measurement of the risk; and
- (d) the variations in earnings or economic value (or other relevant measures used by the institution) for significant upward and downward interest rate movements in accordance with the method the institution uses for stress-testing, broken down by currency, if relevant.

**PART 8**

**DISCLOSURES TO BE MADE BY AUTHORIZED  
INSTITUTIONS INCORPORATED  
OUTSIDE HONG KONG**

**Division 1—General provisions****87. References to authorized institution, etc.  
in Part 8**

(1) 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(6).

(2) A disclosure required to be made under Division 3 by an authorized institution is a disclosure only in respect of—

- (a) the institution's local branches; and
- (b) the institution's principal place of business in Hong Kong.

**Division 2—General requirements****88. Medium and location of disclosure  
and issue of press release**

(1) Subject to subsection (2), where an authorized institution is required under this Part to disclose information (however described), it shall make that disclosure by—

- (a) preparing a disclosure statement, in the Chinese and English languages, which contains the information;
- (b) publishing the statement not later than 3 months after the end of the reporting period to which the statement relates; and
- (c) complying with the other provisions of this section applicable to or in relation to the statement.

(2) An authorized institution shall ensure that when its disclosure statement is published—

- (a) the statement contains—
  - (i) all the disclosures required under this Part to be made by the institution for the reporting period to which the statement relates; or
  - (ii) a prescribed summary; and
- (b) neither the disclosures referred to in paragraph (a)(i), nor the prescribed summary referred to in paragraph (a)(ii), nor any information published with the prescribed summary, is false or misleading in any material respect.

(3) An authorized institution shall, at the same time as it publishes its disclosure statement, issue a press release to the press in Hong Kong, in the Chinese and English languages containing the statement or consisting of the statement.

(4) An authorized institution shall lodge a copy of its disclosure statement with the Monetary Authority before it publishes the statement.

(5) The Monetary Authority shall keep each copy of a disclosure statement lodged with it pursuant to subsection (4) with the register.

(6) Subject to subsections (7) and (8), an authorized institution shall—

- (a) keep one or more than one copy (referred to in this subsection as the “relevant copy”) of each of its disclosure statements—
  - (i) in its principal place of business in Hong Kong; and
  - (ii) if practicable, in each local branch of the institution; and
- (b) make a relevant copy available for inspection by the general public during the business hours of the institution at the place where the relevant copy is kept.

(7) Where an authorized institution publishes a disclosure statement which contains the disclosures referred to in subsection (2)(a)(i), it shall ensure that the statement is available for inspection under subsection (6) for a period—

- (a) in the case where the statement relates to an annual reporting period, not less than the period commencing on the date of the publication of the statement and ending on the date of publication in accordance with subsection (1) of its disclosure statement in respect of the immediately succeeding annual reporting period; or

- (b) in the case where the statement relates to an interim reporting period, not less than the period commencing on the date of the publication of the statement and ending on the date of publication in accordance with subsection (1) of its disclosure statement in respect of the immediately succeeding interim reporting period.

(8) Where an authorized institution publishes a disclosure statement which contains a prescribed summary—

- (a) it shall ensure that the statement is available for inspection under subsection (6) for a period—
  - (i) in the case where the statement relates to an annual reporting period, not less than the period commencing on the date of the publication of the statement and ending on the date of publication in accordance with subsection (1) of its disclosure statement in respect of the immediately succeeding annual reporting period; or
  - (ii) in the case where the statement relates to an interim reporting period, not less than the period commencing on the date of the publication of the statement and ending on the date of publication in accordance with subsection (1) of its disclosure statement in respect of the immediately succeeding interim reporting period; and
- (b) it shall not change the means as stated in the prescribed summary by which the general public may readily access the relevant complete disclosures unless it amends the summary in such a manner, and at such time, that the summary at all times states the means by which the general public may readily access the relevant complete disclosures.

(9) Subsections (4) and (5) apply to an amendment referred to in subsection (8)(b) of a prescribed summary contained in an authorized institution's disclosure statement as they apply to the disclosure statement.

(10) In this section—

“prescribed summary” (訂明撮要), in relation to an authorized institution's disclosure statement, means a statement setting out the location at which and the means by which the general public may readily access all the disclosures—

- (a) which are required under this Part to be made by the institution for the reporting period to which the disclosure statement relates; and
- (b) which are readily accessible by the general public (whether on an Internet website or by any other means or combination of means).

## 89. Materiality

(1) The chief executive of an authorized institution shall ensure that a disclosure made by the institution pursuant to this Part contains all the material information.

(2) In this section—

“material information” (重要資料) means information—

- (a) which is required to be disclosed under this Part; and
- (b) which, if it were not disclosed or were misstated, could change or influence the assessment or decision of a person relying on the disclosure concerned for the purposes of making investment or other economic decisions.

## 90. Comparative information

(1) Subject to subsections (2) and (3), an authorized institution which makes a quantitative disclosure pursuant to this Part shall—

- (a) for disclosures under Division 3, except for the profit and loss information disclosure under section 93 and the liquidity ratio disclosure under section 103, also disclose the corresponding amounts for the immediately preceding reporting period;
- (b) for the profit and loss information disclosure under section 93 and the liquidity ratio disclosure under section 103, where a disclosure statement relates to the annual reporting period, also disclose the figures for the institution’s immediately preceding annual reporting period and, where a disclosure statement relates to the interim reporting period, also disclose the figures for the institution’s immediately preceding interim reporting period;
- (c) for disclosures under Division 4, except for the pre-tax profit disclosure under section 106(1)(e), also disclose the corresponding amounts for the immediately preceding reporting period; and
- (d) for the pre-tax profit disclosure under section 106(1)(e), where a disclosure statement relates to the annual reporting period, also disclose the figures for the institution’s immediately preceding annual reporting period and, where a disclosure statement relates to the interim reporting period, also disclose the figures for the institution’s immediately preceding interim reporting period.

(2) Where an authorized institution is unable to comply with subsection (1)(a), (b), (c) or (d) because interim consolidated information is not provided by the institution as a whole, the institution shall disclose the annual figures as comparatives.

(3) Where an authorized institution makes disclosures pursuant to this Part for the first time and it is not practicable for the institution to provide the comparative figures required by subsection (1)(a), (b), (c) or (d) (including that subsection as read with subsection (2)), the institution is not required to comply with that subsection for the first reporting period concerned.

## **91. Frequency**

An authorized institution shall make a disclosure pursuant to this Part—

- (a) in respect of the institution's last financial year; and
- (b) in respect of the 6 months period immediately after the close of the institution's last financial year.

## **92. Compliance**

(1) An authorized institution shall, in addition to the disclosures it is required to make pursuant to any other provisions of this Part, include in its disclosure statement such other information that it is necessary to so include to ensure that—

- (a) the information contained in the statement is not false or misleading in any material respect; and
- (b) the operations of the institution are clearly explained.

(2) Notwithstanding any other provisions of this Part, where it is not practicable for an authorized institution to make a disclosure required under this Part, the institution—

- (a) shall, after consultation with the Monetary Authority, include in its disclosure statement—
  - (i) a statement that it is so unable and of the reasons why it is so unable; and
  - (ii) information which is the closest available alternative to the information which would have been the subject of those disclosures if the institution had not been so unable; and
- (b) shall not publish the disclosure statement except with the prior consent of the Monetary Authority.

### **Division 3—Branch information disclosures**

## **93. Income statement information**

(1) Subject to subsection (2), an authorized institution shall disclose its profit and loss information on—

- (a) interest income;



- (b) interest expense;
- (c) other operating income, broken down into—
  - (i) gains less losses arising from trading in foreign currencies;
  - (ii) gains less losses on securities held for trading purposes;
  - (iii) gains less losses from other trading activities;
  - (iv) net fees and commission income (including separate disclosure of gross fees and commission income and expenses); and
  - (v) others;
- (d) operating expenses (broken down if material);
- (e) impairment losses and provisions for impaired loans and receivables;
- (f) gains less losses from the disposal of property, plant and equipment and investment properties;
- (g) profit before taxation;
- (h) tax expense or tax income; and
- (i) profit after taxation.

(2) Where a disclosure under subsection (1) by an authorized institution does not give a full picture of the underlying performance of the institution's business in Hong Kong, the institution shall disclose such further explanation as is necessary for understanding the performance of that business.

#### **94. Balance sheet information**

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 (except those included in amount due from overseas offices of the institution);
  - (ii) placements with banks which have a residual contractual maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices of the institution);
  - (iii) amount due from overseas offices of the institution;
  - (iv) trade bills;
  - (v) certificates of deposit held;
  - (vi) securities held for trading purposes;
  - (vii) loans and receivables (other than those falling within subparagraph (i), (ii) or (iii)), 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;
- (viii) investment securities;
- (ix) other investments;
- (x) property, plant and equipment and investment properties; and
- (xi) total assets; and
- (b) each of the institution's liabilities, broken down into—
  - (i) deposits and balances from banks (except those included in amount due to overseas offices of the institution);
  - (ii) deposits from customers, broken down into—
    - (A) demand deposits and current accounts;
    - (B) savings deposits; and
    - (C) time, call and notice deposits;
  - (iii) amount due to overseas offices of the institution;
  - (iv) certificates of deposit issued;
  - (v) issued debt securities;
  - (vi) other liabilities;
  - (vii) provisions; and
  - (viii) total liabilities.

**95. Provisions supplementary to sections 93 and 94**

(1) Where provisions for loans and advances or other exposures have been set aside for an authorized institution's local branches (including the institution's principal place of business in Hong Kong) and are maintained at the overseas head office of the institution, the institution shall disclose the provisioning policy of the head office including the amount of specific provisions allocated for exposures maintained in the local branches of the institution (including the institution's principal place of business in Hong Kong).

- (2) 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) 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.

**96. Provisions supplementary to  
section 94: derivative  
transactions**

(1) An authorized institution shall disclose the total contractual or notional amounts 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.

(2) An authorized institution shall disclose such risk exposure information as is necessary for understanding the underlying risks of the exposures incurred by the institution through the institution's use of derivative transactions.

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

- (a) the total fair value (after taking into account the effect of a valid bilateral netting agreement) of its exchange rate-related derivative contracts, interest rate derivative contracts and other derivative transactions, if any; and
- (b) the amount of fair value which has taken into account the effect of a valid bilateral netting agreement.

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

(1) An authorized institution shall disclose the contractual or notional amounts of each material class of its off-balance sheet exposures (broken down if material) including—

- (a) direct credit substitutes;
- (b) transaction-related contingencies;
- (c) trade-related contingencies;
- (d) note issuance and revolving underwriting facilities;
- (e) other commitments; and
- (f) others (including forward asset purchases, amounts owing on partly paid-up shares and securities, forward deposits placed, asset sales with recourse or other transactions with recourse).

(2) 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.

**98. 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—

- (a) disclose the gross amount of loans and advances to customers by major countries or geographical segments in accordance with the location of the counterparties; and
- (b) disclose a breakdown of—
  - (i) overdue loans and advances to customers, broken down by major countries or geographical segments; and
  - (ii) impaired loans and advances to customers which are individually determined to be impaired, broken down by major countries or geographical segments.

(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) 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 head office, 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 of 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.

## **99. 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.

## **100. 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 99(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 as at the reporting date, and the accounting treatment of the related loans and advances.

#### **101. 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 reporting period.

#### **102. 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 returns relating to foreign currency positions it submitted to the Monetary Authority pursuant to section 63 of the Ordinance in respect of the 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.

### **103. Liquidity**

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

(2) For the purposes of subsection (1), an authorized institution 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 reporting period.

## **Division 4—Consolidated group level disclosures**

### **104. Consolidated group level disclosures: general**

For the purposes of this Division, an authorized institution shall—

- (a) make consolidated group level disclosures based on the most recent consolidated accounts of the institution as at the publication date of the disclosure statement (being the most recent annual accounts or interim accounts, as the case requires, of the institution);
- (b) if the institution has a holding company and does not itself publish consolidated accounts—
  - (i) ensure that the information it is required to disclose under this Division is extracted from the corresponding information in the consolidated accounts of the group of companies of which the institution is a member; and
  - (ii) disclose the extracted information; and
- (c) if it does not publish interim accounts or only publishes unconsolidated information in its interim accounts, disclose the corresponding consolidated information from its most recent annual accounts.

**105. Capital and capital adequacy**

An authorized institution shall—

- (a) subject to paragraph (b), disclose its consolidated capital adequacy ratio calculated in accordance with—
  - (i) the document entitled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)” (published by the Basel Committee on Banking Supervision in June 2006); or
  - (ii) the Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast) and the Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy ratio of investment firms and credit institutions (recast),as at the date of its most recently available annual accounts or interim accounts;
- (b) if its consolidated capital adequacy ratio is not calculated in accordance with the document or Directive referred to in paragraph (a), disclose that fact with its consolidated capital adequacy ratio; and
- (c) disclose the total amount of shareholders’ funds (being capital and reserves).

**106. Other financial information**

(1) Subject to subsection (2), an authorized institution shall disclose the following consolidated information as at the date of its most recently available annual or interim accounts—

- (a) total assets;
- (b) total liabilities;
- (c) total loans and advances;
- (d) total customer deposits (or total deposits); and
- (e) pre-tax profit.

(2) Where an authorized institution’s total customer deposits referred to in subsection (1)(d) are not separately disclosed in its annual or interim accounts, the institution shall disclose—

- (a) the amount of its total deposits (including those from banks); and
- (b) the fact that the disclosure referred to in paragraph (a) is made pursuant to this subsection.

Joseph C. K. YAM  
Monetary Authority

24 October 2006

### **Explanatory Note**

These Rules are made by the Monetary Authority under section 60A of the Banking Ordinance (Cap. 155) as amended by the Banking (Amendment) Ordinance 2005 (19 of 2005) to prescribe the information to be disclosed to the general public by authorized institutions relating to their state of affairs, profit and loss or capital adequacy ratio. The Rules also prescribe the manner in which, times at which and periods during which such information shall be so disclosed. The Rules need to be read in conjunction with the Banking (Capital) Rules (L.N. 228 of 2006) to ascertain the meaning of many of the expressions used in the Rules.

2. Section 3 specifies the authorized institutions to which the various Parts of the Rules apply. Section 3(1) provides that Parts 2 and 4 apply to authorized institutions incorporated in Hong Kong except such institutions which are exempted under section 3(7). Section 3(2) provides that Part 3 applies to authorized institutions incorporated in Hong Kong except such institutions which are exempted under section 3(8). Section 3(6) provides that Part 8 applies to authorized institutions incorporated outside Hong Kong except such institutions which are exempted under section 3(9).
3. Part 2 specifies the general disclosure requirements applicable to authorized institutions incorporated in Hong Kong.
4. Part 3 specifies the disclosures an authorized institution incorporated in Hong Kong is required to make in respect of every 6 months period immediately after the close of the institution's financial year.
5. Part 4 specifies the disclosures an authorized institution incorporated in Hong Kong is required to make in respect of every financial year of the institution.
6. Parts 5, 6 and 7 specify the additional disclosures an authorized institution incorporated in Hong Kong is required to make in respect of its financial year if it uses the standardized (credit risk) approach (Part 5), basic approach (Part 6) or internal ratings-based approach (Part 7) to calculate its credit risk for non-securitization exposures.
7. Part 8 specifies the disclosures an authorized institution incorporated outside Hong Kong is required to make in respect of every financial year and in respect of every 6 months period immediately after the close of the institution's financial year.