

Leverage Ratio Common Disclosure Template – Explanatory Note

The table below provides an explanation of the item described in each row of the Leverage Ratio Common Disclosure Template and the respective cross reference to the equivalent items in the Quarterly Template on Leverage Ratio.¹

Row number	Explanatory note	Reference to Quarterly Template
<i>On-balance sheet exposures</i>		
1	On-balance sheet assets, excluding on-balance sheet derivative and securities financing transaction (“SFT”) assets but including on-balance sheet derivatives collateral and collateral for SFTs. Where an AI is a note-issuing bank, the AI’s on-balance sheet exposure shall not include, for the purpose of this template, any certificates of indebtedness issued under the Exchange Fund Ordinance and held by the AI as cover for legal tender notes issued by it.	Line (1) in column 1
2	Deductions from Tier 1 capital in accordance with sections 38(2)(a), (c), (d) and (e), 43 and 47 of the Banking (Capital) Rules (“BCR”), reported as negative amounts.	Line (1)(a) in column 2
3	Sum of lines 1 and 2.	-
<i>Derivative exposures</i>		
4	Replacement cost associated with all derivatives transactions, net of cash variation margin received and with, where applicable, bilateral netting under a valid bilateral netting agreement.	Line (2)(a) in column 2
5	Add-on amounts for potential future exposure (“PFE”) associated with all derivative transactions.	Line (2)(b) in column 2
6	Gross-up for collateral provided in respect of derivative transactions where the provision of that collateral has reduced the value of the AI’s balance sheet assets pursuant to the operative accounting framework.	Line (2)(c) in column 2

¹ Quarterly Template on Leverage Ratio can be accessed at the following link: http://www.hkma.gov.hk/eng/key-functions/banking-stability/basel-3/basel-3_implementation_leverage_ratio_20140509.shtml.

Row number	Explanatory note	Reference to Quarterly Template
7	Deductions of receivables assets in respect of cash variation margin provided in derivatives transactions, reported as negative amounts.	Line (2)(f) in column 2
8	Exempted trade exposures associated with the central counterparty (“CCP”) leg of derivatives transactions resulting from client-cleared transactions, reported as negative amounts.	Line (2)(g) in column 2
9	Adjusted effective notional amount for written credit derivatives.	Line (2)(d) in column 2
10	Adjusted effective notional offsets and permitted deductions from add-on amounts for PFE of written credit derivatives, reported as negative amounts.	Line (2)(e) in column 2
11	Sum of lines 4–10.	-
<i>Securities financing transaction exposures</i>		
12	Gross SFT assets with no recognition of any accounting netting other than novation with qualifying central counterparties (in which case the final contractual exposure is to replace the gross SFT assets amount as set out in footnote 15 of the LR framework ²), removing any securities received under an SFT where the AI has recognised the securities as an asset on its balance sheet per the first bullet of paragraph 10.3(b)(ii) of the LR framework; and adjusting for any sales accounting transactions in accordance with paragraph 10.3(b)(vi) of the LR framework.	Line (3)(a) in column 2
13	Adjustment for netted amount of cash payables and cash receivables of gross SFT assets, reported as negative amounts, if all the criteria as set out in paragraph 10.3(b)(ii)(A) to (C) of the LR framework are met.	Line (3)(b) in column 2
14	Counterparty credit risk exposures for SFT assets.	Line (3)(c) in column 2
15	Agent transaction exposures.	Line (3)(d) in

² “LR framework” refers to the “Leverage Ratio Framework” set out at Annex 1 to the completion instructions for the Quarterly Template on Leverage Ratio, which was published by the HKMA on 19 May 2014 along with the circular letter namely *Implementation of Basel III – Quarterly Template for Reporting of Leverage Ratio*.

Row number	Explanatory note	Reference to Quarterly Template
		column 2
16	Sum of lines 12–15.	-
<i>Other off-balance sheet exposures</i>		
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors (“CCFs”).	Summation of lines (4)(a) to (4)(d) in column 1
18	Reduction in gross amount of off-balance sheet exposures due to the application of CCFs according to paragraph 10.4(a) and (b) of the LR framework, reported as negative amounts.	Summation of lines (4)(a) to (4)(d) in column 1 minus line (4) in column 3
19	Sum of lines 17 and 18.	-
<i>Calculation of the LR</i>		
20	Tier 1 capital as determined under the BCR.	Line (6) in column 3
21	Sum of lines 3, 11, 16 and 19.	Line (5) in column 3
22	Calculated as row 20 divided by row 21 (expressed as a percentage).	Line (7) in column 3