



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C
B9/151C
CB/POL/4/5/34

30 March 2017

The Chief Executive
All locally incorporated authorized institutions

Dear Sir/Madam,

Implementation of Revised Pillar 3 Disclosure Requirements – Standard Disclosure Templates and Tables

I am writing to inform you that, following consultation with the two industry associations, the Monetary Authority is issuing and specifying a set of standard disclosure templates and tables (together with the associated explanatory notes) pursuant to section 6(1)(ab) of the Banking (Disclosure) Rules¹ to be used by locally incorporated authorized institutions (“AIs”) for the purpose of making disclosure under Part 2A of the Rules. English versions of the templates and tables² are enclosed.

The standard disclosure templates and tables, other than templates CR3, CR8 and CCR5, are specified for use by AIs for any reporting period ending on or after 31 March 2017. For templates CR3, CR8 and CCR5, in view of industry’s comments on the potential need for more time and resources for AIs to prepare for the disclosure in the required formats, the three templates are specified for use and must be used for any reporting period ending on or after 31 December 2017. In the meantime, AIs should endeavor to adopt alternative formats to provide disclosure on the subject matter of the three templates on a best efforts basis during 2017.

The English versions of the templates and tables can be accessed through the “Basel III” icon on the HKMA’s public website (<http://www.hkma.gov.hk>) or through the Supervisory Communication Website (<http://www.stet.iclnet.hk>). The Chinese versions of the standard templates and tables will be uploaded as

¹ These refer to the Banking (Disclosure) Rules as amended by the Banking (Disclosure) (Amendment) Rules 2016 which will come into effect from 31 March 2017.

² For ease of reference, a marked-up draft highlighting changes over the consultation draft is also enclosed.

soon as available.³

Should you have any questions regarding the standard templates and tables, please feel free to contact Miss Theresa Kwan at tyykw@hkma.gov.hk or Mr Lai-chun So at lcs@hkma.gov.hk.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl.

c.c. The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn. Ms Eureka Cheung)

³ The Chinese version of the templates/tables to be used for quarterly disclosures will be available for downloading by AIs shortly, to be followed by the templates/tables to be used for semi-annual and annual disclosures in the near future.

Summary of disclosure templates and tables

Disclosure requirement	Tables and templates*	Applicability	Format		Frequency of disclosure		
			Fixed	Flexible	Quarterly	Semi-annual	Annual
Part I : Overview of risk management and RWA	Table OVA: Overview of risk management	All		✓			✓
	Template OV1: Overview of RWA	All	✓		✓		
Part II : Linkages between financial statements and regulatory exposures	Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	All		✓			✓
	Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	All		✓			✓
	Table LIA: Explanations of differences between accounting and regulatory exposure amounts	All		✓			✓
Part III : Credit risk for non-securitization exposures	Table CRA: General information about credit risk	All		✓			✓
	Template CR1: Credit quality of exposures	All	✓			✓	
	Template CR2: Changes in defaulted loans and debt securities	All	✓			✓	
	Table CRB: Additional disclosure related to credit quality of exposures	All		✓			✓

Disclosure requirement	Tables and templates*	Applicability	Format		Frequency of disclosure		
			Fixed	Flexible	Quarterly	Semi-annual	Annual
	Table CRC: Qualitative disclosures related to credit risk mitigation	All		✓			✓
	Template CR3: Overview of recognized credit risk mitigation	All	✓			✓	
	Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach	STC		✓			✓
	Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach	STC; BSC	✓			✓	
	Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach or BSC approach	STC; BSC	✓			✓	
	Table CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach	IRB		✓			✓
	Template CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach	IRB	✓			✓	
	Template CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach	IRB	✓			✓	
	Template CR8: RWA flow statements of credit risk exposures under IRB approach	IRB	✓		✓		

Disclosure requirement	Tables and templates*	Applicability	Format		Frequency of disclosure		
			Fixed	Flexible	Quarterly	Semi-annual	Annual
	Template CR9: Back-testing of PD per portfolio – for IRB approach	IRB		✓			✓
	Template CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach	IRB		✓		✓	
Part IV : Counterparty Credit risk	Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)	All		✓			✓
	Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches	All	✓			✓	
	Template CCR2: CVA capital charge	All	✓			✓	
	Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach or BSC approach	STC; BSC	✓			✓	
	Template CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach	IRB	✓			✓	
	Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)	All		✓ (fixed columns , flexible rows)		✓	
	Template CCR6: Credit-related derivatives contracts	All		✓		✓	

Disclosure requirement	Tables and templates*	Applicability	Format		Frequency of disclosure		
			Fixed	Flexible	Quarterly	Semi-annual	Annual
	Template CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach	IMM(CCR)	✓		✓		
	Template CCR8: Exposures to CCPs	All	✓			✓	
Part V : Securitization exposures	Table SECA: Qualitative disclosures related to securitization exposures	All		✓			✓
	Template SEC1: Securitization exposures in banking book	All		✓		✓	
	Template SEC2: Securitization exposures in trading book	All		✓		✓	
	Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator	All	✓			✓	
	Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor	All	✓			✓	
Part VI : Market risk	Table MRA: Qualitative disclosures related to market risk	All (other than exempted)		✓			✓
	Table MRB: Additional qualitative disclosures for AI using IMM approach	IMM		✓			✓
	Template MR1: Market risk under STM approach	STM	✓			✓	

Disclosure requirement	Tables and templates*	Applicability	Format		Frequency of disclosure		
			Fixed	Flexible	Quarterly	Semi-annual	Annual
	Template MR2: RWA flow statements of market risk exposures under IMM approach	IMM	✓		✓		
	Template MR3: IMM approach values for market risk exposures	IMM	✓			✓	
	Template MR4: Comparison of VaR estimates with gains or losses	IMM		✓		✓	

* The shaded rows are tables (primarily for qualitative disclosure) and the unshaded rows are templates (for quantitative disclosure supplemented with accompanying narrative).

Part I: Overview of risk management and RWA

Table OVA: Overview of risk management

Purpose:	To provide a description of risk management objectives and policies and how the Board of Directors and senior management assess and manage risks, enabling users to gain a clear understanding of the risk tolerance and appetite in relation to the main activities and all significant risks.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16B

An AI should describe its risk management objectives and policies, in particular:

- (a) (i) how the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures); and
- (ii) how the risk profile of the AI interacts with the risk tolerance approved by the Board.
- (b) the risk governance structure:
 - (i) the responsibilities attributed throughout the AI (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); and
 - (ii) the relationships between the structures involved in risk management processes (e.g. Board of Directors, senior management, separate risk committees, risk management function, compliance function, internal audit function).
- (c) the channels to communicate, decline and enforce the risk culture within the AI (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk limits; procedures to raise and share risk issues between business lines and risk functions).
- (d) the scope and main features of risk measurement systems.
- (e) a description of the process of risk information reporting provided to the Board and senior management, in particular the scope and main content of reporting on risk exposure.
- (f) qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management).

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- (g) (i) the strategies and processes to manage, hedge and mitigate risks that arise from the AI's business model; and
(ii) the processes for monitoring the continuing effectiveness of hedges and mitigants for those risks.
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Template OV1: Overview of RWA

Purpose:	To provide an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	RWA and capital requirements under the Pillar 1 framework.
Frequency:	Quarterly.
Format:	Fixed.
Accompanying narrative:	An AI should explain the drivers behind differences in reporting periods T and T-1 where these differences are material. The AI should also explain the adjustments made if capital requirements in column (c) do not correspond to 8% of RWA in column (a). If an AI uses the internal models method under the market-based approach to calculate its equity exposures in the banking book pursuant to the BCR, it should provide a description of its internal models used in an accompanying narrative.
Corresponding BDR section:	16C

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		T	T-1	T
1	Credit risk for non-securitization exposures			
2	Of which STC approach			
2a	Of which BSC approach			
3	Of which IRB approach			
4	Counterparty credit risk			
5	Of which SA-CCR			
5a	Of which CEM			
6	Of which IMM(CCR) approach			
7	Equity exposures in banking book under the market-based approach			
8	CIS exposures – LTA			
9	CIS exposures – MBA			
10	CIS exposures – FBA			
11	Settlement risk			
12	Securitization exposures in banking book ¹			

¹ Of note, after entering into force of the revised securitization framework in January 2018, the following replacements in row 13, 14 and 15 should be made: (i) IRB(S) rating based method should be replaced by Securitization Internal Ratings-Based Approach (SEC-IRBA)*; (ii) IRB(S) supervisory formula method should be replaced by Securitization External Ratings-Based Approach (SEC-ERBA)*; and (iii) STC(S) should be replaced by Securitization Standardized Approach (SEC-SA)*. A new row following row 15 (say, row 15a) may be added to cater for Securitization Fall-back Approach (SEC-FBA)* where this is applicable. (* all names and applicable approaches subject to the final amendments to the BCR)

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		T	T-1	T
13	Of which IRB(S) approach – ratings-based method			
14	Of which IRB(S) approach – supervisory formula method			
15	Of which STC(S) approach			
16	Market risk			
17	Of which STM approach			
18	Of which IMM approach			
19	Operational risk			
20	Of which BIA approach			
21	Of which STO approach			
21a	Of which ASA approach			
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)			
24	Capital floor adjustment			
24a	Deduction to RWA			
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital			
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital			
25	Total			

N/A: Not applicable in the case of Hong Kong

Explanatory Note	
Columns	
(a)	<i>RWA (T)</i> : RWA referred to in the BCR and as reported in accordance with the subsequent parts of this document. Where the output of a calculation approach is a capital charge instead of a RWA (e.g. the approaches for market risk and operational risk), an AI should calculate the RWA by multiplying capital charge by 12.5.
(b)	<i>RWA (T-1)</i> : RWA as reported in the previous reporting period (i.e. at the end of the previous quarter) of this template.
(c)	<i>Minimum capital requirement (T)</i> : Pillar 1 capital requirements, which in general are calculated as 8% of the RWA but may differ if a capital floor is applicable or adjustments (such as scaling factors) are applied in accordance with the BCR, as of the reporting date. Any such adjustments, if applicable, should be applied to all the applicable rows in column (c). For example, an AI using the IRB approach for credit risk is required to apply a scaling factor of 1.06 as specified in section 224 of BCR to column (c) of all the items the credit risk requirement of which are calculated in accordance with Part 6 of the BCR (i.e. $RWA \times 8\% \times 1.06$).
Rows	
1	<i>Credit risk for non-securitization exposures</i> : RWA and capital requirements according to the credit risk framework reported in Part III of this document. The amounts exclude all positions subject to capital requirements relating

Explanatory Note	
	to counterparty credit risk, equity exposures (unless otherwise required), and CIS, settlement risk and securitization regulatory framework (e.g. securitization exposures in the banking book), which should be reported respectively in rows 4, 7-10, 11 and 23 respectively.
2	<i>Of which STC approach:</i> RWA and capital requirements calculated using the STC approach under the BCR. For an interim or annual reporting period, the value in [OV1: 2/a] should be equal to the value in [CR4 (STC): 15/e].
2a	<i>Of which BSC approach:</i> RWA and capital requirements calculated using the BSC approach under the BCR. For an interim or annual reporting period, the value in [OV1: 2a/a] should be equal to the value in [CR4 (BSC): 10/e].
3	<i>Of which IRB approach:</i> RWA and capital requirements calculated using the IRB calculation approaches under the BCR, excluding equity exposures in the banking book under market-based approaches (reported in row 7 unless otherwise required), exposures to counterparty credit risk (reported in rows 4-6) and settlement risk (reported in row 11).
4	<i>Counterparty credit risk:</i> RWA and capital requirements for counterparty credit risk (including exposures to CCPs) calculated in accordance with the BCR, as reported in Part IV of this document. The value in [OV1:4/a] is equal to the sum of values in [CCR1:6/f], [CCR2:4/b], [CCR8:1/b] and [CCR8:11/b].
5	<i>Of which SA-CCR:</i> RWA calculated based on the amount of default risk exposures calculated under the SA-CCR, and the capital requirement calculated based on the RWA.
5a	<i>Of which CEM:</i> RWA calculated based on the amount of default risk exposures calculated under the CEM, and the capital requirement calculated based on the RWA.
6	<i>Of which IMM(CCR) approach:</i> RWA calculated based on the amount of default risk exposures calculated under the IMM(CCR) approach, and the capital requirement calculated based on the RWA. The value in [OV1:6/a] is equal to the value in [CCR7:9/a].
7	<p><i>Equity exposures in the banking book under the market-based approach:</i> The amounts correspond to RWA and capital requirements where the AI applies the market-based approach (either simple risk-weight method or internal models method) specified in the BCR. Where the regulatory treatment of equities is in accordance with the simple risk-weight method (under the market-based approach), the corresponding RWA are included in template CR10 and in this row. The value in [OV1:7/a] is equal to the sum of values in [CR10: total/e for equity exposures under the simple risk-weight method] and the RWA corresponding to the internal models method for equity exposures in the banking book.</p> <p>To avoid doubt:</p> <ul style="list-style-type: none"> ♦ Where the regulatory treatment of equities in the banking book is in accordance with the PD/LGD approach, the corresponding RWA and capital requirements are reported in template CR6 (portfolio Equity PD/LGD) and included in row 3 of this template. ♦ Row 7 is not applicable to equity exposures that are subject to the STC approach or the BSC approach. The corresponding RWA calculated under the STC or BSC approach is reported in template CR4 and included in row 2 (for STC approach) or row 2a (for BSC approach), as the case requires, of this template.

Explanatory Note	
8	<i>CIS exposures – LTA</i> : RWA and capital requirements calculated using the LTA under the to-be-amended BCR. ²
9	<i>CIS exposures – MBA</i> : RWA and capital requirements calculated using the MBA under the to-be-amended BCR. ²
10	<i>CIS exposures – FBA</i> : RWA and capital requirements calculated using the FBA under the to-be-amended BCR. ²
11	<p><i>Settlement risk</i>: RWA and capital requirements of the following items:</p> <p>(i) Transactions in relation to cash items that remain outstanding for 5 or more business days after the settlement date, calculated in accordance with the risk-weight allocated to these transactions as specified in the BCR; and</p> <p>(ii) Transactions entered into on a non-delivery-versus-payment basis that failed to deliver as specified in the BCR.</p>
12	<i>Securitization exposures in banking book</i> : The amounts correspond to capital requirements applicable to the securitization exposures in the banking book (Part V of this document). The RWA should be derived from the capital requirement, meaning that they do not necessarily systematically correspond to the RWA reported in templates SEC3 and SEC4, which are before application of the cap.
13	<i>Of which IRB(S) approach – ratings-based method</i> : RWA and capital requirements calculated using the ratings-based method under the IRB(S) approach under the BCR.
14	<i>Of which IRB(S) approach – supervisory formula method</i> : RWA and capital requirements calculated using the supervisory formula method under the IRB(S) approach, which is available under the BCR to AIs that have obtained prior approval from the MA to use such approach.
15	<i>Of which STC(S) approach</i> : RWA and capital requirements calculated using the STC(S) approach under the BCR.
16	<i>Market risk</i> : The amounts correspond to the capital requirements in the market risk framework (Part VI of this document), which also includes capital charges for securitization exposures booked in the trading book but excludes the counterparty credit risk capital charges associated with covered positions (reported in Part IV of this document and row 4 of this template).
17	<i>Of which STM approach</i> : RWA and capital requirements calculated using the STM approach under the BCR. The value in [OV1:17/a] is equal to the value in [MR1:9/a].
18	<i>Of which IMM approach</i> : RWA and capital requirements calculated using the IMM approach under the BCR. The value in [OV1:18/a] is equal to the value in [MR2:8/f].
19	<i>Operational risk</i> : The amounts correspond to capital requirements in the operational risk framework specified in the BCR.
20	<i>Of which BIA approach</i> : RWA and capital requirements calculated using the BIA approach under the BCR.
21	<i>Of which STO approach</i> : RWA and capital requirements calculated using the STO approach, which is available

² Before the approaches come into operation, rows 8, 9 and 10 could be merged to report the RWA and capital requirement for total collective investment scheme exposures.

Explanatory Note	
	under the BCR for AIs that have obtained prior approval from the MA to use such approach.
21a	<i>Of which ASA approach:</i> RWA and capital requirements calculated using the ASA approach, which is available under the BCR for AIs that have obtained prior approval from the MA to use such approach.
22	This row is not applicable in the case of Hong Kong where the AMA is not implemented. AIs may report "Not applicable" or "N/A" in this row.
23	<i>Amounts below the thresholds for deduction (subject to 250% RW):</i> The amounts correspond to items subject to a 250% risk-weight pursuant to the BCR.
24	<i>Capital floor adjustment:</i> The impact of any Pillar 1 capital floor adjustment on total RWA and total capital requirements determined according to the BCR so that the total amount in row 25 below reflects the total RWA and total capital requirements, including such an adjustment. The AI should not report Pillar 2 adjustments applied to it in this row. Where the capital floor or adjustments are applied at a more granular level (e.g. at risk category level), the AI should reflect them in the capital requirements reported for the risk category.
24a	<i>Deduction to RWA:</i> This is the sum of values in rows 24b and 24c.
24b	<i>Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital:</i> This row is only applicable for an AI using the STC, BSC or STC(S) ³ approach for calculating credit risk for all or part of its exposures. It refers to and has the same calculation basis as the amount reported in item 2.12(i), Division A, Part I of CAR return MA(BS)3.
24c	<i>Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is noted included in Tier 2 Capital:</i> It refers to and has the same calculation basis as the amount reported in item 2.12(ii), Division A, Part I of CAR return MA(BS)3.
25	<i>Total:</i> This is equal to the sum of values in rows 1, 4, 7, 8, 9, 10, 11, 12, 16, 19, 23 and 24, minus the deduction value in row 24a.

³ The reference to the STC(S) approach should be replaced by the relevant approaches when the revised securitization framework is implemented.

Part II: Linkages between financial statements and regulatory exposures

Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Purpose:	To provide information on assets and liabilities to enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying values (corresponding to the values reported in financial statements).
Frequency:	Annual.
Format:	Flexible, but the rows should align with the presentation of the AI's financial statements.
Accompanying narrative:	As set out in table LIA. An AI should provide qualitative explanation on items that are subject to regulatory capital charges in more than one risk category.
Corresponding BDR section:	16D

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	
Assets							
Cash and balances at central banks							
Items in the course of collection							

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				not subject to capital requirements or subject to deduction from capital
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	
from other banks							
Trading portfolio assets							
Financial assets designated at fair value							
Derivative financial instruments							
Loans and advances to banks							
Loans and advances to customers							
Reverse repurchase agreements and other similar secured lending							
Available for sale financial investments							
....							
Total assets							
Liabilities							
Deposits from banks							
Items in the course of collection due to other banks							
Customer accounts							
Repurchase agreements and other similar secured borrowings							
Trading portfolio liabilities							
Financial liabilities designated at fair value							
Derivative financial instruments							
....							
Total liabilities							

Explanatory Note	
Columns	
(a) and (b)	<i>Carrying values as reported in published financial statements / under scope of regulatory consolidation:</i> If an AI's scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns (a) and (b) should be merged and this fact should be clearly disclosed.
(c) to (f)	<p><i>Carrying values of items:</i> The breakdown of regulatory categories in columns (c) to (f) corresponds to the breakdown prescribed in the rest of this document:-</p> <ul style="list-style-type: none"> • column (c) corresponds to the carrying values of items (other than OBS items) reported in Part III; • column (d) corresponds to the carrying values of items (other than OBS items) reported in Part IV; • column (e) corresponds to the carrying values of items in the banking book (other than OBS items) reported in Part V; and • column (f) corresponds to the carrying values of items (other than OBS items) reported in Part VI. <p>Where a single item attracts capital charges according to the risk frameworks for more than one risk category, it should be reported in all the relevant columns of risk categories. An example could be where assets/liabilities arising from derivative contracts held in the regulatory trading book are related to both column (d) (subject to capital charge for default risk exposure) and column (f) (subject to capital charge for market risk exposure) calculation thus the sum of the values in column (c) to (g) may not equal the value in column (b). Similarly, where the amount subject to such double counting (i.e. disclosed in two or more different columns) results in a material variance between the value in column (b) and the sum of values in columns (c) to (g), an AI should provide the reasons in the accompanying narrative.</p>
(g)	<i>Carrying values of items not subject to capital requirements or subject to deduction from capital:</i> Column (g) includes amounts not subject to capital requirements according to the BCR or subject to deductions from regulatory capital. Elements which are deducted from the AI's regulatory capital (e.g. goodwill, intangible assets, deferred tax assets) are to be included in column (g), taking into consideration the different thresholds that apply where relevant.
Rows	
All	The rows should strictly follow the balance sheet presentation used by the AI in its year-end financial statements.

Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Purpose:	To provide information on the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying values (that correspond to values reported in financial statements but according to the scope of regulatory consolidation (rows 1 to 3) and amounts considered for regulatory exposure purposes (row N)).
Frequency:	Annual.
Format:	Flexible.
Accompanying narrative:	As set out in table LIA.
Corresponding BDR section:	16E

		(a)	(b)	(c)	(d)	(e)
		Total	Items subject to:			
			credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)					
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation					
4	Off-balance sheet amounts					
5	<i>Differences in valuations</i>					
6	<i>Differences due to different netting rules, other than those already included in row 2</i>					
7	<i>Differences due to consideration of provisions</i>					
8	<i>Differences due to prudential filters</i>					
⋮	⋮					
N	Exposure amounts considered for regulatory purposes					

Explanatory Note	
Columns	
(a)	<i>Total</i> : the values reported in column (a) may not necessarily equal the sum of values in columns (b) to (e), as some items may be subject to regulatory capital charges in more than one risk category, and other items not subject to capital requirements or subject to deduction from capital may be also included in values reported in this column. The following linkage holds:- values in column (a) in LI2 = Values in column (b) in LI1 minus values in column (g) in LI1
(b)	<i>Items subject to credit risk framework</i> : the exposures reported in Part III of this document.
(c)	<i>Items subject to securitization framework</i> : the exposures reported in Part V of this document.
(d)	<i>Items subject to counterparty credit risk framework</i> : the exposures reported in Part IV of this document.
(e)	<i>Items subject to market risk framework</i> : the exposures reported in Part VI of this document.
Rows	
1	<i>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</i> : the value reported in columns (b) to (e) of this row should correspond to the values reported in columns (c) to (f) of row 'total assets', of template LI1.
2	<i>Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)</i> : the value reported in columns (b) to (e) of this row should correspond to the values reported in columns (c) to (f) of row 'total liabilities', of template LI1.
3	<i>Total net amount under regulatory scope of consolidation</i> : all values in this row are derived from the subtraction of the respective values in row 1 and row 2.
4	<i>Off-balance sheet amounts</i> : these include original exposures of OBS items, prior to the application of CCFs in column (a), and the amounts subject to the respective regulatory frameworks, after application of the CCFs where relevant, in columns (b) to (e).
5 to N-1	Row headings shown in rows 5 to N-1 in above are provided for illustrative purposes only and should be adapted by the AI to describe the most meaningful drivers for differences between its financial statement carrying values and the exposure amounts considered for regulatory purposes.
N	<i>Exposure amounts considered for regulatory purposes</i> : the row designates the aggregate amount considered as a 'starting point' of the RWA calculation (post CCF and CRM) for each of the risk categories. This should correspond either to the exposure amount applied in the STC approach, in the BSC approach or to the EAD in the IRB approach under the credit risk framework; the exposure amount of any securitization exposure under the securitization framework; the default risk exposure or EAD under the counterparty credit risk framework; and the fair value (with necessary adjustments) of any market risk exposure under the market risk framework.

Table LIA: Explanations of differences between accounting and regulatory exposure amounts

Purpose:	To provide qualitative explanations on the differences observed between accounting carrying values (as defined in template LI1) and amounts considered for regulatory capital purposes (as defined in template LI2) under each risk framework.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16F

An AI should explain the sources of differences from financial statements amounts to regulatory exposure amounts, as displayed in templates LI1 and LI2. In particular, the AI should:

-
- (a) explain the derivation of any material differences between the amounts in columns (a) and (b) in template LI1.
-
- (b) explain the main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2.
-
- (c) describe its systems and controls to ensure that the valuation estimates are prudent and reliable for the purposes of implementing the guidance on prudent valuation. The AI should provide a description of the following:
 - (i) Valuation methodologies, including a description of the extent of use of marking-to-market methodology and of a marking-to-model methodology;
 - (ii) Independent price verification process; and
 - (iii) Procedures for considering valuation adjustments or reserves, including a description of the process and the methodology for valuing trading positions by type of instrument.
-

Part III: Credit risk for non-securitization exposures

Unless the context otherwise requires, the scope of this section includes an AI's credit risk for non-securitization exposures subject to capital requirements under Part 4, 5 or 6 of the BCR, and excludes:

- all securitization exposures subject to capital requirements under Part 7 of the BCR; and
- all exposures in the banking book and trading book that are subject to a counterparty credit risk capital charge under Part 6A of the BCR (including the CVA capital charges and charges applied to exposures to CCPs).

For the purpose of Part III of this document, any reference to exposures related to "credit risk" is referring to the same scope as described above (i.e. credit risk for non-securitization exposures excluding counterparty credit risk) unless otherwise specified.

I. General information about credit risk

Table CRA: General information about credit risk

Purpose:	To describe the main characteristics and elements of credit risk management, including the business model, credit risk profile, organisation and functions involved in credit risk management, and risk management reporting.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16G

An AI should disclose its risk management objectives and policies for credit risk, particularly focusing on:

-
- (a) how the business model translates into the components of its credit risk profile;
-
- (b) criteria and approach used for defining credit risk management policy and setting credit risk limits;
-
- (c) structure and organization of the credit risk management and control function;
-
- (d) relationships between the credit risk management, risk control, compliance and internal audit functions; and
-
- (e) scope and main content of the reporting on credit risk exposure and on the credit risk management function to the senior management and to the board of directors.
-

Template CR1: Credit quality of exposures

Purpose:	To provide an overview of the credit quality of on- and off-balance sheet exposures.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	If an AI uses a definition of “default” that is different to “past due for more than 90 days”, it should explain its definition in an accompanying narrative. See explanatory note to column (a) for the specific requirements.
Corresponding BDR section:	16H

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans				
2	Debt securities				
3	Off-balance sheet exposures				
4	Total				

Explanatory Note	
Columns	
(a) and (b)	<i>Gross carrying amounts:</i> these represent the items that give rise to on- or off-balance sheet credit exposures that are subject to capital requirements under the BCR. The gross carrying amount is the accounting value before any allowance / impairments, gross of any CCF or CRM but after any write-offs. Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when an AI has no reasonable expectations for its recovery.
(a)	<i>Defaulted exposures:</i> for AIs using the STC or BSC approach, the meaning of “default” should correspond to the secured and unsecured portions of claims “past due for more than 90 days” (or any more stringent definition adopted by the AI, in which case the definition of default should be provided in the accompanying narrative of this template and consistently applied throughout all templates where the “default” concept is used). AIs using the IRB approach should use the definition of “default” under section 149 of the BCR for exposures under that approach.
(b)	<i>Non-defaulted exposures:</i> any exposure that does not meet the above definition of defaulted exposures.

Explanatory Note	
(c)	<i>Allowances / impairments:</i> the total amount of impairments, made via an allowance against impaired and not impaired exposures according to the applicable accounting standards for the preparation of the AI's financial statement.
(d)	<i>Net values:</i> total gross carrying value less allowances / impairments, which is equal to the sum of values in columns (a) and (b) minus the value in column (c).
Rows	
1	<i>Loans:</i> the value in [CR1:1/d] is equal to the sum of values in [CR3:1/a] and [CR3:1/b1].
2	<i>Debt securities:</i> the value in [CR1:2/d] is equal to the sum of values in [CR3:2/a] and [CR3:2/b1].
3	<p><i>Off-balance sheet exposures:</i> this row includes all items that give rise to off-balance sheet credit exposures. For example, guarantees and irrevocable loan commitments provided by an AI should be reported according to the following criteria:</p> <p>(a) guarantees given by the AI – the maximum amount, gross of any CCF or CRM, that the AI would have to pay if the guarantee were called;</p> <p>(b) irrevocable loan commitments – total amount, gross of any CCF or CRM, that the AI has committed to lend; revocable loan commitments should be excluded.</p>
4	<i>Total:</i> this is the sum of values in rows 1, 2 and 3. The value in [CR1:4/a] is also equal to that in [CR2:6/a] if the AI has no off-balance sheet exposures.

Template CR2: Changes in defaulted loans and debt securities

Purpose:	To provide information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should explain the drivers of any material changes in the amounts of defaulted exposures in the current reporting period and any material movement between defaulted and non-defaulted exposures.
Corresponding BDR section:	16I

		(a)
		Amount
1	Defaulted loans and debt securities at end of the previous reporting period	
2	Loans and debt securities that have defaulted since the last reporting period	
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes	
6	Defaulted loans and debt securities at end of the current reporting period	

Explanatory Note	
Rows	
1	<i>Defaulted loans and debt securities at end of the previous reporting period:</i> the scope of loans and debt securities reported in this template should be the same as that in template CR1 (rows 1 to 2 therein). The amount should be reported net of write-offs, gross of any CCF or CRM and gross of allowances and provisions, as of the end of the last reporting period.
2	<i>Loans and debt securities that have defaulted since the last reporting period:</i> loans and debt securities that the AI classifies as defaulted during the current reporting period.
3	<i>Returned to non-defaulted status:</i> loans and debt securities that the AI re-classifies into non-default status in the current reporting period. This item, which has the effect of reducing the relevant exposure amount, should be

Explanatory Note	
	reported as a negative figure.
4	<i>Amounts written off</i> : carrying amounts that have been totally or partially written off. This item has the effect of reducing the relevant exposure amount thus should be reported as a negative figure.
5	<i>Other changes</i> : any balancing items that are necessary to enable reconciliation between row 1 and row 6. An AI should disclose details of these balancing items in the accompanying narrative if they are material in nature. This item should be reported as a negative figure if it has the effect of reducing the relevant exposure amount.
6	<i>Defaulted loans and debt securities at end of the current reporting period</i> : the sum of values in rows 1 to 5, which is also equal to the value in [CR1: 4/a] if the AI has no off-balance sheet exposures.

Table CRB: Additional disclosure related to credit quality of exposures

Purpose:	To provide additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under templates CR1 and CR2.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information and quantitative information (i.e. carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes).
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16J

An AI should disclose the following information:

Qualitative disclosures

- (a) The scope and definitions of “past due” and “impaired” exposures used according to the applicable accounting standards and the differences, if any, between the definitions of past due exposures and defaulted exposures for accounting purposes and those for regulatory purposes;
- (b) The extent of exposures which are past due for more than 90 days but are not impaired and the justifications for these exposures not being classified as impaired;
- (c) A description of methods adopted for determining impairments;
- (d) The AI’s own definition of a restructured exposure;

Quantitative disclosures

- (e) Breakdown of exposures by geographical areas, industry and residual maturity. Any segment which constitutes not less than 10% of the AI’s total RWA for credit risk (after taking into account any recognized CRM) is deemed significant and should be separately disclosed. Non-significant exposures may be disclosed on an aggregated basis under the category “other”;
- (f) Amounts of impaired exposures (according to the definitions in use under the applicable accounting standards) and related allowances and write-offs, broken down by geographical areas and industries;
- (g) Aging analysis of accounting past due exposures; and
- (h) Breakdown of restructured exposures, between impaired and not impaired exposures.

II. Credit risk mitigation

Table CRC: Qualitative disclosures related to credit risk mitigation

Purpose:	To provide qualitative information on the policies and processes relating to the use of CRM.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16K

An AI should disclose the following information:

-
- (a) (i) Description of policies and procedures for netting of on- and off-balance sheet exposures;
 - (a) (ii) An indication of the extent to which the AI makes use of netting of on- and off-balance sheet exposures;
 - (b) Description of policies and processes for the revaluation and management of collateral; and
 - (c) Information about market or credit risk concentrations under each form of CRM used by the AI (i.e. by type of guarantor, collateral and credit protection seller).
-

Template CR3: Overview of recognized credit risk mitigation

Purpose:	To disclose the extent of credit risk exposures covered by different types of recognized CRM.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation. An AI should include recognized CRM (i.e. collateral, guarantees and credit derivative contracts) used to reduce its capital requirements and disclose all secured exposures that fall under the category of “loans” and “debt securities” (after any applicable haircuts and anticipated costs to realize the collateral), irrespective of whether the STC, BSC or IRB approach is used for RWA calculation.
Frequency:	Semi-annual.
Format:	Fixed. Where an AI is unable to categorize its exposures secured by recognized collateral, recognized guarantees or recognized credit derivative contracts into “loans” and “debt securities”, it may either (i) merge two corresponding cells, or (ii) divide the amount by the pro-rata weight of gross carrying amounts. In such case the AI should explain which method has been used. Where an exposure benefits from multiple forms of recognized CRM, the exposure value should be allocated to each form by order of priority based on the forms of recognized CRM which the AI would apply in the event of loss.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. An AI may disclose any over-collateralisation of exposures using the accompanying narrative.
Corresponding BDR section:	16L

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans					
2	Debt securities					
3	Total					
4	Of which defaulted					

Explanatory Note	
Columns	
(a)	<i>Exposures unsecured: carrying amount</i> : the carrying amount of exposures (net of allowances / impairments) that

Explanatory Note	
	do not benefit from any recognized CRM.
(b1)	<i>Exposures to be secured:</i> the carrying amount of exposures which have at least one recognized CRM (collateral, financial guarantees, credit derivative contracts) associated with them. The allocation of the carrying amount of multi-secured exposures to different forms of recognized CRM in columns (b), (d) and (f) is made by order of priority, starting with the form of recognized CRM expected to be called first in the event of loss, and within the limits of the carrying amount of the secured exposures.
(b)	<i>Exposures secured by recognized collateral:</i> the carrying amount of exposures (net of allowances / impairments) secured by recognized collateral. In case an exposure is secured by recognized collateral and other form(s) of recognized CRM, the carrying amount of the exposures secured by recognized collateral is the remaining share of the exposure secured by such collateral after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation.
(d)	<i>Exposures secured by recognized guarantees:</i> the carrying amount of exposures (net of allowances / impairments) secured by recognized guarantees. In case an exposure is secured by recognized guarantees and other form(s) of recognized CRM, the carrying amount of the exposure secured by recognized guarantees is the remaining share of the exposure secured by such guarantees after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation.
(f)	<i>Exposures secured by recognized credit derivative contracts:</i> the carrying amount of exposures (net of allowance / impairments) secured by recognized credit derivative contracts. In case an exposure is secured by recognized credit derivative contracts and other form(s) of recognized CRM, the carrying amount of the exposure secured by recognized credit derivative contracts is the remaining share of the exposure secured by such credit derivative contracts after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation.
Rows	
1	<i>Loans:</i> the scope of loans reported in this row should be the same as that used in template CR1 (i.e. row 1 therein).
2	<i>Debt securities:</i> the scope of debt securities reported in this row should be the same as that used in template CR1 (i.e. row 2 therein).
3	<i>Total:</i> this row reports the sum of values in rows 1 and 2.
4	<i>Of which defaulted:</i> the portion of the amount in row 3 which has been defaulted. The definition of "default" used in this row should be the same as that used in template CR1.

III. Credit risk under standardized (credit risk) approach

Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

Purpose:	To provide information on the process adopted for using ECAI ratings and the extent to which the ratings are used for RWA calculation.
Scope of application:	<p>The table is mandatory for AIs incorporated in Hong Kong that use the STC approach for calculating all or part of their credit risk capital requirement. AIs that use the BSC approach are not subject to the disclosure requirements of this table. For IRB AIs with exposures subject to the STC approach, such exposures should also be reported using this table. However, an AI may choose not to disclose the information required in this table provided that the following conditions are met:</p> <ul style="list-style-type: none"> (i) the exposure amounts and RWA calculated under the STC approach are negligible; (ii) the AI has clearly stated this fact in the disclosure statement; and (iii) the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the portfolios concerned and the aggregate total RWAs these portfolios represent.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16M

For portfolios that are risk-weighted under the STC approach, an AI should disclose the following information:

- (a) Names of the ECAIs used by the AI, and the reasons for any changes over the current reporting period;
- (b) The exposure classes for which each ECAI is used; and
- (c) Description of the process used to transfer the ECAI issuer rating to ECAI issue specific rating onto comparable assets in the banking book.

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach

Purpose:	To illustrate the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements. RWA density provides a synthetic metric on riskiness of each portfolio.
Scope of application:	<p>The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have credit risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:</p> <ul style="list-style-type: none"> (i) the exposure amounts and RWA calculated are negligible; (ii) the AI has clearly stated this fact in the disclosure statement; and (iii) the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the portfolios concerned and the aggregate total of RWAs from such exposures.
Content:	Credit risk exposure amounts for the purpose of capital adequacy.
Frequency:	Semi-annual.
Format:	Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the classification of exposures as defined under the BCR, where applicable.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16N

Version for AIs using STC approach (“STC version”)

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures						
2	PSE exposures						
2a	Of which: domestic PSEs						
2b	Of which: foreign PSEs						
3	Multilateral development bank exposures						
4	Bank exposures						
5	Securities firm exposures						
6	Corporate exposures						
7	CIS exposures						
8	Cash items						
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis						
10	Regulatory retail exposures						
11	Residential mortgage loans						
12	Other exposures which are not past due exposures						
13	Past due exposures						
14	Significant exposures to commercial entities						
15	Total						

Version for AIs using BSC approach ("BSC version")

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures						
2	PSE exposures						
3	Multilateral development bank exposures						
4	Bank exposures						
5	Cash items						
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis						
7	Residential mortgage loans						
8	Other exposures						
9	Significant exposures to commercial entities						
10	Total						

Explanatory Note	
Columns	
(a)	<i>Exposures pre-CCF and pre-CRM – On-Balance sheet amount:</i> the on-balance sheet exposure amount (net of allowances / impairments and write-offs) under the regulatory scope of consolidation gross of the effect of recognized CRM.
(b)	<i>Exposures pre-CCF and pre-CRM – Off-Balance sheet amount:</i> the off-balance sheet exposure amount, gross of CCF and the effect of recognized CRM under the regulatory scope of consolidation.
(c)	<i>Exposure post-CCF and post-CRM – On-Balance sheet amount:</i> the on-balance sheet exposure amount to which the capital requirements are applied. It is a net credit equivalent amount, after the effects of recognized CRM.
(d)	<i>Exposure post-CCF and post-CRM – Off-Balance sheet amount:</i> the off-balance sheet exposure amount to which the capital requirements are applied. It is a net credit equivalent amount, after the effects of recognized CRM and CCF.
(e)	<i>RWA:</i> for AIs using the STC approach, the value in [CR4(STC): 15/e] is equal to the value in [OV1: 2/a]; for AIs using the BSC approach, the value in [CR4(BSC): 10/e] is equal to the value in [OV1: 2a/a].
(f)	<i>RWA density:</i> this is derived from total RWA in column (e) divided by exposures post-CCF and post-CRM (i.e. the sum of values in columns (c) and (d)). The resultant ratio should be expressed in percentage.
Rows	
All	The rows and their respective definitions are aligned with the classification of exposures used in Division 2, Part 4 (for STC approach) or Division 2, Part 5 (for BSC approach) of the BCR. For clarity, all CIS exposures under the new standard on bank's equity investment in funds should, upon its implementation, be excluded from this template.
15 (STC) / 10 (BSC)	<i>Total:</i> for AIs using the STC approach, the sum of values in [CR4(STC):15/c] and [CR4(STC):15/d] is equal to the value in [CR5(STC):15/j]; for AIs using the BSC approach, the sum of values in [CR4(BSC):10/c] and [CR4(BSC):10/d] is equal to the value in [CR5(BSC):10/j].

Template CR5: Credit risk exposures by asset classes and by risk weights – for STC approach or BSC approach

Purpose:	To present a breakdown of credit risk exposures by asset classes and by risk weights (corresponding to the classification of exposures according to the approaches used).
Scope of application:	<p>The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have credit risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:</p> <ul style="list-style-type: none"> (i) the credit exposure amounts and RWA calculated are negligible; (ii) the AI has clearly stated this fact in the disclosure statement; and (iii) the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the exposures included in the respective portfolios and the aggregate total RWAs from such exposures.
Content:	Credit risk exposure amounts for the purpose of capital adequacy, after taking into account CCFs and the effect of recognized CRM.
Frequency:	Semi-annual.
Format:	Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the exposure classes as defined under the BCR.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16O

Version for AIs using STC approach ("STC version")

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
Exposure class		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures											
2	PSE exposures											
2a	Of which: domestic PSEs											
2b	Of which: foreign PSEs											
3	Multilateral development bank exposures											
4	Bank exposures											
5	Securities firm exposures											
6	Corporate exposures											
7	CIS exposures											
8	Cash items											
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis											
10	Regulatory retail exposures											
11	Residential mortgage loans											
12	Other exposures which are not past due exposures											
13	Past due exposures											
14	Significant exposures to commercial entities											
15	Total											

Version for AIs using BSC approach (“BSC version”)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures									
2	PSE exposures									
3	Multilateral development bank exposures									
4	Bank exposures									
5	Cash items									
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis									
7	Residential mortgage loans									
8	Other exposures									
9	Significant exposures to commercial entities									
10	Total									

Explanatory Note	
Rows	
All	The rows and their respective definitions are aligned with the classification of exposures used in Division 2, Part 4 (for STC approach) or Division 2, Part 5 (for BSC approach) of the BCR. For clarity, all CIS exposures under the new standard on bank’s equity investment in funds should, upon its implementation, be excluded from this template.
15 (STC) / 10 (BSC)	<i>Total:</i> for AIs using the STC approach, the value in [CR5(STC):15/j] is equal to the sum of values in [CR4(STC):15/c] and [CR4(STC):15/d]; for AIs using the BSC approach, the value in [CR5(BSC):10/j] is equal to the sum of values in [CR4(BSC):10/c] and [CR4(BSC):10/d].

IV. Credit risk under internal ratings-based approach

Table CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach

Purpose:	To provide additional information on the internal models used to calculate RWA for credit risk, describing the main characteristics of the models used at the group-wide level and the scope of models.
Scope of application:	The table is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures. An AI should provide meaningful information to users on their use of internal models. The AI should describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described is determined. The commentary should include the percentage of RWAs covered by the models for each of the AI's regulatory portfolios.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible. The commentary should include the percentage of RWAs covered by the models for each of the AI's regulatory portfolios.
Corresponding BDR section:	16P

An AI should provide the following information on its use of the internal models:

- (a) (i) Internal model development, controls and changes;
- (ii) Role of the functions involved in the development, approval and subsequent changes of the credit risk models;
- (b) (i) Relationships between risk management function and internal audit function;
- (ii) Procedure to ensure the independence of the function in charge of the review of the models from the functions responsible for the development of the models;
- (c) Scope and main content of the reporting related to credit risk models;
- (d) Scope of approach approved by the MA pursuant to the BCR for an AI to calculate its credit risk for non-securitization exposures using the IRB approach, with a breakdown between the FIRB approach and the AIRB approach, if applicable. In particular, the AI should include a description of the nature of the exposures (except for those exempted under the BCR) which are subject to the separately disclosed IRB calculation approach.
- (e) For each of the portfolios, the AI should indicate the portion of EAD within the group (in percentage of total EAD) covered by the STC approach (if any), FIRB, AIRB and other IRB calculation approaches, as well as the portion of

portfolios that are involved in a roll-out plan.

- (f)
 - (i) The number of key models used with respect to each portfolio;
 - (ii) A brief discussion of the main differences among the models within the same portfolios;
-
- (g) Description of the main characteristics of the approved models:
 - (i) definitions, methods and data for estimation and validation of PD (e.g. how PDs are estimated for low default portfolios; if there are regulatory floors, the drivers for differences observed between PD and actual default rates at least for the last three reporting periods);
 - (ii) LGD (e.g. methods to calculate downturn LGD; how LGDs are estimated for low default portfolio; the time lapse between the default event and the closure of the exposure), where applicable; and
 - (iii) credit conversion factors, including assumptions employed in the derivation of these variables, where applicable.
-

Template CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach

Purpose:	To provide the main parameters of internal models used for the calculation of credit risk capital requirements under the IRB approach, for the purpose of enhancing the transparency of RWA calculations and the reliability of regulatory measures.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures.
Content:	Columns (a) and (b) are based on accounting carrying amounts and columns (c) to (l) regulatory amounts. All values are based on the regulatory scope of consolidation for capital adequacy purposes.
Frequency:	Semi-annual.
Format:	Fixed. Where an AI makes use of the FIRB approach, AIRB approach, retail IRB approach and/or the PD/LGD approach for equity exposures under the IRB approach, it should disclose the IRB calculation approaches in separate templates. For each IRB calculation approach used, an AI should disclose the portfolio types subject to the IRB calculation approaches by major IRB class and/or subclass (which are in line with the classification used in the BCR) as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate – specialized lending (other than HVCRE) – FIRB/AIRB; (iv) Corporate – small-and-medium sized corporates; (v) Corporate – HVCRE – FIRB/AIRB; (vi) Corporate – other (including purchased corporate receivables); (vii) Equity – PD/LGD approach; (viii) Retail – QRRE; (ix) Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies); (x) Retail – small business retail exposures; and (xi) Other retail exposures to individuals. Divide the table into various sections, one section for each type of the IRB classes / subclasses according to (i) to (xi) aforementioned.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material changes in the current reporting period and the key drivers of such changes.
Corresponding BDR section:	16Q

	PD scale	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
		Original on-balance sheet gross exposure	Off-balance sheet exposures pre-CCF	Average CCF	EAD post-CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density	EL	Provisions
Portfolio (i) – Sovereign	0.00 to < 0.15												
	0.15 to < 0.25												
	0.25 to < 0.50												
	0.50 to < 0.75												
	0.75 to < 2.50												
	2.50 to < 10.00												
	10.00 to < 100.00												
	100.00 (Default)												
Sub-total													
Portfolio (ii) – Bank	0.00 to < 0.15												
	0.15 to < 0.25												
	0.25 to < 0.50												
	0.50 to < 0.75												
	0.75 to < 2.50												
	2.50 to < 10.00												
	10.00 to < 100.00												
	100.00 (Default)												
Sub-total													
Portfolio (iii)...	...												
Portfolio (iv)...	...												
...	...												
Total (sum of all portfolios)													

Explanatory Note	
Columns	
<i>PD scale</i>	PD scale should not be changed. An AI should map the PD scale it uses in the calculations of RWA into the PD scale provided in the template.
(a)	<i>Original on-balance sheet gross exposure</i> : the amount of the on-balance sheet exposure gross of accounting provisions (before taking into account the effect of recognized CRM).
(b)	<i>Off-balance sheet exposure pre-CCF</i> : the exposure value determined under Part 6 of the BCR, as the case requires, without taking into account credit valuation adjustments and provisions, CCFs and the effect of recognized CRM.
(c)	<i>Average CCF</i> : this is derived from dividing the EAD post-CCF by the EAD pre-CCF determined in accordance with the BCR for off-balance sheet exposure.
(d)	<i>EAD post-CRM and post-CCF</i> : the amount determined under the BCR and relevant to the capital requirements calculation.
(e)	<i>Average PD</i> : the weighted average of obligor grade PD included in the same row, using the EAD of each obligor as the weight.
(f)	<i>Number of obligors</i> : the number of individual included in the same row. Approximation (round number) of obligor number is acceptable for disclosure purpose.
(g)	<i>Average LGD</i> : the weighted average of obligor grade LGD within the same PD band (or the same portfolio(s) for rows 'sub-total' and 'total' as appropriate), using the EAD of each obligor as the weight. The LGD should be net of any recognized CRM effect.
(h)	<i>Average maturity</i> : the weighted average of obligor maturity within the same PD band (or the same portfolio(s) for rows 'sub-total' and 'total' as appropriate), presented in years, using the EAD of each obligor as the weight. This parameter needs to be filled in only when it is used for calculating RWA.
(i)	<i>RWA</i> : the RWA calculated in accordance with Part 6 of the BCR.
(j)	<i>RWA density</i> : this is derived from total RWA in column (i) divided by EAD post-CCF and post-CRM in column (d). The resultant ratio should be expressed in percentage.
(k)	<i>EL</i> : the expected losses are calculated in accordance with the requirements under Division 11, Part 6 of the BCR.
(l)	<i>Provisions</i> : the eligible provisions as defined under Division 1, Part 6 of the BCR.

Template CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach

Purpose:	To disclose the effect of recognized credit derivative contracts on the calculation of credit risk capital requirements under the IRB approach. The hypothetical RWA before taking into account the mitigation effect of recognized credit derivative contracts (column (a) below) is disclosed to evaluate the impact of recognized credit derivative contracts on RWA. This is irrespective of the extent that recognized CRM are taken into account in calculating the RWA.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures.
Content:	RWA.
Frequency:	Semi-annual.
Format:	Fixed. Columns are fixed and the IRB class and subclass breakdown in the rows should follow the classification of exposures specified in Table 16, section 142 of the BCR.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain the effect on RWA of recognized credit derivative contracts used as credit risk mitigation.
Corresponding BDR section:	16R

		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
1	Corporate – Specialized lending under supervisory slotting criteria approach (project finance)		
2	Corporate – Specialized lending under supervisory slotting criteria approach (object finance)		
3	Corporate – Specialized lending under supervisory slotting criteria approach (commodities finance)		
4	Corporate – Specialized lending under supervisory slotting criteria approach (income-producing real estate)		
5	Corporate – Specialized lending (high-volatility commercial real estate)		
6	Corporate – Small-and-medium sized corporates		
7	Corporate – Other corporates		
8	Sovereigns		
9	Sovereign foreign public sector entities		
10	Multilateral development banks		
11	Bank exposures – Banks		
12	Bank exposures – Securities firms		
13	Bank exposures – Public sector entities (excluding sovereign foreign public sector entities)		
14	Retail – Small business retail exposures		

		(a)	(b)
		Pre-credit derivatives RWA	Actual RWA
15	Retail – Residential mortgages to individuals		
16	Retail – Residential mortgages to property-holding shell companies		
17	Retail – Qualifying revolving retail exposures (QRRE)		
18	Retail – Other retail exposures to individuals		
19	Equity – Equity exposures under market-based approach (simple risk-weight method)		
20	Equity – Equity exposures under market-based approach (internal models method)		
21	Equity – Equity exposures under PD/LGD approach (publicly traded equity exposures held for long-term investment)		
22	Equity – Equity exposures under PD/LGD approach (privately owned equity exposures held for long-term investment)		
23	Equity – Equity exposures under PD/LGD approach (other publicly traded equity exposures)		
24	Equity – Equity exposures under PD/LGD approach (other equity exposures)		
25	Equity – Equity exposures associated with equity investments in funds (CIS exposures)		
26	Other – Cash items		
27	Other – Other items		
28	Total (under the IRB calculation approaches)		

Explanatory Note	
Columns	
(a)	<i>Pre-credit derivatives RWA</i> : the hypothetical RWA calculated assuming the absence of recognition of any recognized credit derivative contracts as CRM.
(b)	<i>Actual RWA</i> : RWA calculated taking into account the CRM effect of the recognized credit derivative contracts in accordance with Division 10, Part 6 of the BCR. If an AI does not consider the CRM effect of recognized credit derivative contracts in its RWA calculation of an exposure, or if certain exposures cannot recognize any CRM effect from credit derivative contracts, the AI should report identical amounts in both columns for these exposures.

Template CR8: RWA flow statements of credit risk exposures under IRB approach

Purpose:	To present a flow statement explaining variations in the RWA for credit risk determined under the IRB approach.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures.
Content:	RWA. Changes in RWA in the current reporting period for each of the key drivers should be based on an AI's reasonable estimation of the figures.
Frequency:	Quarterly.
Format:	Fixed. Columns and rows 1 and 9 should not be altered. An AI should add additional rows between rows 7 and 8 to disclose additional elements, if any, that contribute materially to RWA variations.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material change in the current reporting period and the key drivers of such changes.
Corresponding BDR section:	16S

		(a)
		Amount
1	RWA as at end of previous reporting period	
2	Asset size	
3	Asset quality	
4	Model updates	
5	Methodology and policy	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
9	RWA as at end of reporting period	

Explanatory Note	
Rows	
1	<i>RWA as at end of previous reporting period</i> : this row equals the value in [CR8: 9/a] of the last reporting period, which is also equal to the value in [OV1: 3/b].
2	<i>Asset size</i> : the variation in RWA due to the organic changes in book size and composition (including origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities.

Explanatory Note	
3	<i>Asset quality</i> : the variation in the assessed quality of the AI's assets due to changes in borrower risk, such as rating grade migration or similar effects.
4	<i>Model updates</i> : the variation in RWA arising from model implementation, changes in model scope, and any material changes intended to address model weaknesses.
5	<i>Methodology and policy</i> : the variation in RWA due to methodological changes in calculations driven by regulatory policy changes, such as new regulations.
6	<i>Acquisitions and disposals</i> : the variation in RWA arising from changes in book sizes due to acquisitions and disposal of entities.
7	<i>Foreign exchange movements</i> : the variation in RWA driven by foreign exchange rate movements.
8	<i>Other</i> : this category captures variation in RWA that cannot be attributed to any category above. An AI should add additional rows between rows 7 and 8 (to be named 7a, 7b and so on) to disclose other material drivers of RWA movements in the current reporting period.
9	<i>RWA as at end of reporting period</i> : the sum of rows 1 to 8 (including any additional row(s) inserted by the AI), which is also equal to the value in [OV1: 3/a].

Template CR9: Back-testing of PD per portfolio – for IRB approach

Purpose:	To provide back-testing data to validate the reliability of PD calculations, including a comparison of the PD used to calculate capital requirements with the effective default rates of obligors under the IRB approach.
Scope of application:	<p>The template is mandatory for AIs incorporated in Hong Kong that use AIRB and/or FIRB approaches for credit risk. Where an AI makes use of an FIRB approach for certain exposures and an AIRB approach for others, it should disclose two separate sets of portfolio breakdown in separate templates.</p> <p>An AI should provide meaningful information to users on the back-testing of its internal model, or a combination of models, which are used to rate and assign a PD to the borrower. A minimum 5-year-average annual default rate is required, in order to compare the PD with a more stable default rate. An AI may use a longer historical period that is consistent with its actual risk management practices. The disclosed template should include the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described was determined. The commentary should include the percentage of RWAs covered by the models whose back-testing results are shown here for each of the AI's regulatory portfolios.</p>
Content:	Modelling parameters used in the capital calculation under the IRB approach.
Frequency:	Annual. Where the back-testing reference period does not coincide with the annual reporting period but on another time interval (e.g. a 12-month interval), the term "year" used in this template means "over the period used for the back-testing of a model", so that an AI could still disclose values that actually correspond to the performance of the models. The AI should disclose the time horizon (observation period) it uses for the back-testing.
Format:	Flexible.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. The AI may wish to supplement the template with a disclosure of the exposure amount and the number of obligors whose defaulted exposures have been cured in the year.
Corresponding BDR section:	16T

(a)	(b)	(c)	(d)	(e)	(f)		(g)	(h)	(i)
Portfolio X	PD Range	External rating equivalent	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which: new defaulted obligors in the year	Average historical annual default rate
					Beginning of the year	End of the year			

Explanatory Note

Columns

(a)	<i>Portfolio X</i> : the breakdown by portfolios should follow the major IRB class and/or subclass (which are in line with the classification used in the BCR), as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate – specialized lending (other than HVCRE); (iv) Corporate – small-and-medium sized corporates; (v) Corporate – HVCRE*; (vi) Corporate – other (including purchased corporate receivables); (vii) Equity – PD/LGD approach; (viii) Retail – QRRE; (ix) Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies); (x) Retail – small business retail exposures; and (xi) Other retail exposures to individuals. (* Only for those IRB exposures subject to the FIRB or AIRB approach.)
(b)	<i>PD Range</i> : the upper and lower bound of the PD assigned at the beginning of the period for obligors of the respective portfolios.
(c)	<i>External rating equivalent</i> : one column should be filled in for each ECAI or credit rating agency authorized for prudential purposes in Hong Kong or other jurisdictions where the AI operates. This may not be applicable to a retail portfolio for which external rating is not available. If there are more than one applicable ECAIs or credit rating agencies, add column (c)(i), (c)(ii) and so on for disclosure.
(d)	<i>Weighted average PD</i> : the estimated PDs assigned at the beginning of the period for obligors by the internal model authorized under the IRB approach. The PD values are EAD-weighted and the “weight” is the EAD at the beginning of the period that are not in default.
(e)	<i>Arithmetic average PD by obligors</i> : the simple average of PD at the beginning of the period, calculated by aggregating the values of obligors’ PD within range which is then divided by the total number of obligors within the range.
(f)	<i>Number of obligors</i> : two sets of information are required: (i) the number of obligors at the beginning of the year; and (ii) the number of obligors at the end of the year subject to reporting. The ‘Beginning of the year’ sub-column includes non-default obligors at the beginning of the year for disclosure. The ‘End of the year’ sub-column includes all the non-default accounts related to obligors already included in the ‘Beginning of the

Explanatory Note	
	year' sub-column plus all the new obligors acquired during the year.
(g)	<i>Defaulted obligors in the year:</i> the number of defaulted obligors during the year, which includes: (i) obligors not in default at the beginning of the year who went into default during the year; and (ii) new obligors acquired – through origination or purchase of loans, debt securities or off-balance sheet commitments - during the year not in default who went into default during the year. Obligor under (ii) are also separately disclosed in column (h).
(h)	<i>Of which: new defaulted obligors in the year:</i> the number of obligors having defaulted during the last 12-month period that were not funded at the end of the previous financial year.
(i)	<i>Average historical annual default rate:</i> a minimum of 5-year average of the annual default rate is required. The annual default rate is calculated by dividing the number of obligors at the beginning of each year that are defaulted during that year, by the total number of obligors held at the beginning of the year. An AI may use a longer historical period (i.e. longer than 5 years) that is consistent with the AI's actual risk management practices for calculating the average historical annual default rate figure.
Rows	
An AI is expected not to aggregate obligor grades for the purposes of disclosure except in a manner which represents a breakdown of obligor grades, under the IRB approach used by the AI, which provides for a consistent and logical differentiation of the credit risk exposures. To achieve this, a breakdown by obligor grades together with the corresponding PD ranges may be disclosed for each regulatory portfolio.	

Template CR10: Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method – for IRB approach

Purpose:	To provide quantitative information in respect of specialized lending under the supervisory slotting criteria approach and equity exposures under the simple risk-weight method.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use one of the following approaches: (I) supervisory slotting criteria approach – HVCRE; (II) supervisory slotting criteria approach – other than HVCRE; and (III) simple risk-weight method.
Content:	Carrying values, exposure amounts and RWA.
Frequency:	Semi-annual.
Format:	Flexible.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16U

I. Specialized Lending under supervisory slotting criteria approach – HVCRE

		(a)	(b)	(c)	(d)	(e)	(f)
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA	Expected loss amount
Strong [^]	Less than 2.5 years			70%			
Strong	Equal to or more than 2.5 years			95%			
Good [^]	Less than 2.5 years			95%			
Good	Equal to or more than 2.5 years			120%			
Satisfactory				140%			
Weak				250%			

		(a)	(b)	(c)	(d)	(e)	(f)
Supervisory Rating Grade	Remaining Maturity	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA	Expected loss amount
Default				0%			
Total							

^ Use of preferential risk-weights.

II. Specialized Lending under supervisory slotting criteria approach – Other than HVCRE

Supervisory Rating Grade	Remaining Maturity	(a) On-balance sheet exposure amount	(b) Off-balance sheet exposure amount	(c) SRW	(d) EAD amount					(e) RWA	(f) Expected loss amount
					(d)(i) PF	(d)(ii) OF	(d)(iii) CF	(d)(iv) IPRE	(d)(v) Total		
					Strong^	Less than 2.5 years			50%		
Strong	Equal to or more than 2.5 years			70%							
Good^	Less than 2.5 years			70%							
Good	Equal to or more than 2.5 years			90%							
Satisfactory				115%							
Weak				250%							
Default				0%							
Total											

^ Use of preferential risk-weights.

III. Equity exposures under the simple risk-weight method

	(a)	(b)	(c)	(d)	(e)
Categories	On-balance sheet exposure amount	Off-balance sheet exposure amount	SRW	EAD amount	RWA
Publicly traded equity exposures			300%		
All other equity exposures			400%		
Total					

Explanatory Note	
Columns	
(a)	<i>On-balance sheet exposure amount</i> : the carrying value of exposure (net of allowances and write-offs) under the regulatory scope of consolidation.
(b)	<i>Off-balance sheet exposure amount</i> : the carrying value of exposure before applying the CCF and the effect of any recognized CRM.
(c)	<i>SRW</i> : the supervisory risk-weights assigned in accordance with Division 5 (for specialized lending under supervisory slotting criteria approach) and Division 7 (for equity exposures under the simple risk-weight method), Part 6 of the BCR. The risk-weights in the tables should not be altered.
(d)	<i>EAD amount</i> : the amount relevant for the capital requirement's calculation with the effects of CRM and CCF already taken into account. For specialized lending other than HVCRE, an AI should further breakdown the exposure amount into categories: (d)(i) <i>PF</i> – Project finance; (d)(ii) <i>OF</i> – Object finance; (d)(iii) <i>CF</i> – Commodities finance; and (d)(iv) <i>IPRE</i> – Income-producing real estate. Column (d)(v) is the sum of values reported in columns (d)(i) to (d)(iv).
(e)	<i>RWA</i> : for specialized lending other than HVCRE, this column equals the product of the values in column (c) and column (d)(v); for specialized lending – HVCRE and equity exposures under the simple risk-weight method, this column equals the product of values in column (c) and column (d).
(f)	<i>Expected loss amount</i> : for specialized lending only, the amount of expected losses are calculated according to Division 11, Part 6 of the BCR.

Part IV: Counterparty Credit risk

Unless the context otherwise requires, the scope of the counterparty credit risk section (Part IV of this document) includes all exposures in the banking book and trading book that are subject to a counterparty credit risk capital charge under Part 6A of the BCR (including the CVA capital charges and charges applied to exposures to CCPs).

Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Purpose:	To describe the counterparty credit risk management objectives and policies, including, but not limited to, those related to the setting of operating limits, use of guarantees and other forms of CRM, anticipated impacts of own credit rating downgrading.
Scope of application:	The table is mandatory for all AIs incorporated in Hong Kong.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16V

An AI should disclose:

- (a) its risk management objectives and policies related to counterparty credit risk;
 - (b) the method it uses to set operating limits defined in terms of internal capital for counterparty credit risk exposures and for credit exposures to CCPs;
 - (c) its policies relating to guarantees and other forms of CRM and assessments concerning counterparty credit risk, including credit exposures to CCPs;
 - (d) its policies with respect to general wrong-way risk (being the risk that arises when the PD of counterparties is positively correlated with general market risk factors) and specific wrong-way risk (as defined under Part 6A of the BCR) exposures;
 - (e) the impact in terms of the amount of collateral that the AI would be required to provide given a credit rating downgrade.
-

Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

Purpose:	To provide a comprehensive breakdown of default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Default risk exposures (other than those to CCPs), RWA and parameters used to calculate the AI's default risk exposures in respect of derivative contracts and SFTs.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material changes in relation to its RWA in the current reporting period and the key drivers of such changes.
Corresponding BDR section:	16W

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)				1.4		
1a	CEM						
2	IMM (CCR) approach						
3	Simple Approach (for SFTs)						
4	Comprehensive Approach (for SFTs)						
5	VaR (for SFTs)						
6	Total						

Explanatory Note	
Columns	
(a)	<p><i>Replacement Cost (RC)</i>: for the standardized approach for measuring counterparty credit risk exposure (SA-CCR), means the RC calculated under the SA-CCR in accordance with Part 6A of the BCR. For the CEM:</p> <ul style="list-style-type: none"> ♦ (before SA-CCR comes into effect) means the current exposure as defined in the BCR; ♦ (after SA-CCR comes into effect) means the RC calculated under the CEM to be prescribed under the BCR.
(b)	<p><i>PFE</i>: For SA-CCR, means the PFE calculated under the SA-CCR in accordance with Part 6A of the BCR. For CEM:</p>

Explanatory Note	
	<ul style="list-style-type: none"> ♦ (before SA-CCR comes into effect) means the 'potential exposure' as defined in the BCR; ♦ (after SA-CCR comes into effect) means the PFE calculated under the CEM to be prescribed under the BCR.
(c)	<i>Effective EPE</i> : this has the meaning given to it by the BCR.
(d)	<i>Alpha (α) used for computing default risk exposure</i> : under the CEM, SA-CCR or IMM(CCR) approach, as the case may be, means the alpha applicable to the AI as specified in the BCR.
(e)	<i>Default risk exposure after CRM</i> : the default risk exposure or outstanding default risk exposure, as the case may be, as defined under the BCR. In the case of CEM (i.e. row 1a) or for any SFTs that are not subject to recognized netting (i.e. rows 3 and 4), the amount disclosed should be the amount calculated after taking into account any recognized collateral. In the case of recognized collateral, recognized guarantees and recognized credit derivative contracts where the CRM effect is considered in the risk-weight function, the post-CRM default risk exposure reported in column (e) is equal to the pre-CRM default risk exposure given that the related CRM effect is not reflected in the EAD of eligible IRB exposures.
(f)	<i>RWA</i> : the product of the default risk exposure after CRM and the risk weight applicable to the counterparty concerned.
Rows	
1	<i>SA-CCR (for derivative contracts)</i> : the default risk exposures under the SA-CCR after the approach becomes effective.
1a	<i>CEM</i> : after the SA-CCR is effective, for an AI that uses the BSC approach for calculating credit risk and is qualified for using the modified CEM to calculate default risk exposure, the AI should report the relevant figures under column (a) to (f) where applicable. Before the SA-CCR takes effect, an AI may report in row 1 relevant information corresponding to the CEM.
2	<i>IMM(CCR) approach</i> : this has the meaning given to it by the BCR.
3	<i>Simple Approach (for SFTs)</i> : the default risk exposures after CRM and RWAs in respect of SFTs by the following AIs:- <ul style="list-style-type: none"> ♦ AIs that do not use the IMM(CCR) approach to calculate their default risk exposures in respect of SFTs; ♦ AIs that use the simple approach set out in Part 4 of the BCR, or the treatments for recognized collateral set out in Part 5 of the BCR, to take into account the recognized collateral received under SFTs.
4	<i>Comprehensive Approach (for SFTs)</i> : the default risk exposures after CRM and RWAs in respect of SFTs by the following AIs:- <ul style="list-style-type: none"> ♦ AIs that do not use the IMM(CCR) approach to calculate their default risk exposures in respect of SFTs; ♦ AIs that use the comprehensive approach set out in Part 4 of the BCR to take into account the recognized collateral received under SFTs and/or use the method (other than a VaR model as discussed below) provided for under the BCR to take into account recognized netting for repo-style transactions.
5	<i>VaR (for SFTs)</i> : this row is for AIs that have obtained the MA's approval for using a VaR model to calculate the default risk exposure of their nettable repo-style transactions to disclose the default risk exposure so calculated and the associated RWA.

Explanatory Note	
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6	<i>Total:</i> this row reports the sum of values in rows 1 to 5.
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Template CCR2: CVA capital charge

Purpose:	To provide information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong with exposures subject to CVA capital charges.
Content:	Risk-weighted assets and corresponding exposures at default.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16X

		(a)	(b)
		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method		
1	(i) VaR (after application of multiplication factor if applicable)		
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method		
4	Total		

Explanatory Note	
Columns	
(a)	<i>EAD post CRM</i> : this column refers to the outstanding default risk exposure, or default risk exposure, of the netting sets calculated in accordance with the BCR. In the case of CEM or for any SFT within a netting set that are not subject to a recognized netting, the amount reported should be the amount calculated after taking into account any recognized collateral.
(b)	<i>RWA</i> : this column refers to the CVA risk-weighted amount.
Rows	
	<i>Netting sets for which CVA capital charge is calculated by the advanced CVA method</i> : the relevant amounts of the netting sets subject to the advanced CVA method according to Part 6A of the BCR.
1	<i>VaR (after application of multiplication factor if applicable)</i> : the product of the VaR determined in accordance with Part 6A of the BCR and 12.5.

Explanatory Note	
2	<i>Stressed VaR (after application of multiplication factor if applicable):</i> the product of the stressed VaR determined in accordance with Part 6A of the BCR and 12.5.
3	<i>Netting sets for which CVA capital charge is calculated by the standardized CVA method:</i> the relevant amounts of the netting sets subject to the standardized CVA method according to Part 6A of the BCR.
4	<i>Total:</i> for each of columns (a) and (b), this is equal to the sum of values in row 1 and row 4 of the columns concerned.

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach or BSC approach

Purpose:	To present a breakdown of default risk exposures, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach or BSC approach, by asset classes and risk-weights (the latter representing the riskiness attributed to the exposure according to the respective approaches), irrespective of the approach used to determine the amount of default risk exposures.
Scope of application:	The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have counterparty default risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met: <ul style="list-style-type: none"> (i) the default risk exposure amounts and RWA for default risk exposure calculated under the STC or BSC approach, where applicable, are negligible; (ii) the AI has clearly stated this fact in the disclosure statement; and (iii) the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the exposures included in the respective portfolios and the aggregate total RWAs from such exposures.
Content:	Default risk exposure amounts.
Frequency:	Semi-annual.
Format:	Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the classification of exposures as defined under the BCR, where applicable.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16Y

Version for AIs using the STC approach ("STC version")

		(a)	(b)	(c)	(ca)	(d)	(e)	(f)	(g)	(ga)	(h)	(i)
Exposure class		0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures											
2	PSE exposures											
2a	Of which: domestic PSEs											
2b	Of which: foreign PSEs											
3	Multilateral development bank exposures											
4	Bank exposures											
5	Securities firm exposures											
6	Corporate exposures											
7	CIS exposures											
8	Regulatory retail exposures											
9	Residential mortgage loans											
10	Other exposures which are not past due exposures											
11	Significant exposures to commercial entities											
12	Total											

Version for AIs using the BSC approach (“BSC version”)

		(a)	(b)	(c)	(ca)	(d)	(f)	(ga)	(h)	(i)
	Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total default risk exposure after CRM
	Exposure class									
1	Sovereign exposures									
2	PSE exposures									
3	Multilateral development bank exposures									
4	Bank exposures									
5	CIS exposures ⁴									
6	Other exposures									
7	Significant exposures to commercial entities									
8	Total									

Explanatory Note	
Column	
(i)	It is the sum of values in columns (a) to (h).
Rows	
All	The rows and their respective definitions are aligned with the exposure class used in Division 2, Part 4 (for the STC approach) or Division 2, Part 5 (for the BSC approach) of the BCR.

⁴ Before the new standard on banks’ equity investment in funds is effective, an AI’s CIS exposures may be reported within the category of ‘Other exposures’ of the template.

Template CCR4: Counterparty default risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

Purpose:	To provide all the relevant parameters used for the calculation of counterparty default risk capital requirements for IRB exposures (other than those to CCPs).
Scope of application:	<p>The template is mandatory for AIs incorporated in Hong Kong that use the IRB approach for some or all of their exposures, irrespective of the approach used to determine their default risk exposure amounts.</p> <p>An AI should include the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described was determined. The commentary should include the percentage of RWAs covered by the models for each of the regulatory portfolios.</p>
Content:	RWA and parameters used in RWA calculations for exposures to counterparty default risk (excluding CVA charges or exposures cleared through a CCP) and where the IRB approach is used for credit risk calculation. All disclosures are based on the regulatory scope of consolidation for capital adequacy purposes.
Frequency:	Semi-annual.
Format:	Fixed. Where an AI makes use of both the FIRB and AIRB approaches for credit risk, it should disclose the two approaches in separate templates. For each IRB calculation approach used, the AI should disclose the portfolio types subject to the IRB calculation approaches by major IRB class (which are in line with the classification used in the BCR) as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate; and (iv) Retail. Divide the table into various sections, one section for each of the IRB classes according to (i) to (iv) aforementioned.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material changes in the current reporting period and the key drivers of such changes.
Corresponding BDR section:	16Z

	PD scale	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		EAD post-CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWA	RWA density
Portfolio (i) – Sovereign	0.00 to < 0.15							
	0.15 to < 0.25							
	0.25 to < 0.50							
	0.50 to < 0.75							
	0.75 to < 2.50							
	2.50 to < 10.00							
	10.00 to < 100.00							
	100.00 (Default)							
Sub-total								
Portfolio (ii) – Bank	0.00 to < 0.15							
	0.15 to < 0.25							
	0.25 to < 0.50							
	0.50 to < 0.75							
	0.75 to < 2.50							
	2.50 to < 10.00							
	10.00 to < 100.00							
	100.00 (Default)							
Sub-total								
Portfolio (iii)...	...							
Portfolio (iv)...	...							
Total (sum of all portfolios)								

Explanatory Note	
Columns	
<i>PD scale</i>	PD scale should not be changed. An AI should map the PD scale it uses in the calculations of RWA into the PD scale provided in the template.
(a)	<i>EAD post-CRM</i> : the amount relevant to the capital requirements calculation using the applicable approach for counterparty credit risk, after the effect of recognized CRM but gross of accounting provisions.
(b)	<i>Average PD</i> : the weighted average of obligor grade PD included in the same row, using the EAD of each obligor as the weight.
(c)	<i>Number of obligors</i> : the number of individual PDs included in the same row. Approximation (round number) of obligor numbers is acceptable for disclosure purpose.
(d)	<i>Average LGD</i> : the weighted average of obligor grade LGD within the same PD band (or the same portfolio(s) for rows 'sub-total' and 'total' as appropriate), using the EAD of each obligor as the weight. The LGD should be net of any effect of recognized CRM.
(e)	<i>Average maturity</i> : the weighted average of obligor maturity within the same PD band (or the same portfolio(s) for rows 'sub-total' and 'total' as appropriate), presented in years, using the EAD of each obligor as the weight. This parameter needs to be filled in only when it is used for the RWA calculation.
(f)	<i>RWA</i> : the RWA calculated in accordance with Part 6 of the BCR.
(g)	<i>RWA density</i> : this is derived from total RWA in column (f) divided by EAD post-CRM in column (a). The resultant ratio should be expressed in percentage.

Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

Purpose:	To provide a breakdown of all types of collateral posted or recognized collateral received to support or reduce the exposures to counterparty default risk exposures in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP.
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong.
Content:	Carrying values of collateral posted and recognized collateral received in the context of derivative contracts or SFTs, irrespective of whether the contracts or transactions are cleared through a CCP and whether the collateral is posted to a CCP.
Frequency:	Semi-annual.
Format:	Flexible. The columns are fixed but the rows are flexible where the categories of collateral which may be recognized are those specified under Division 5 of Part 4, Division 5 of Part 5, or Division 10 of Part 6, of the BCR, as the case requires.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZA

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs ⁵	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency ⁶						
Cash - other currencies						
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						
...						

⁵ For "Collateral used in SFTs" reported in columns (e) and (f), the collateral used is defined as referring to both legs of the transaction. For example, an AI transfers securities to a third party, which in turn posts collateral to the AI. The AI should report both legs of the transaction in the template; on one hand the collateral received is reported in column (e), on the other hand the collateral posted by the AI is reported in column (f).

⁶ "Domestic currency" refers to the AI's reporting currency (not the currency / currencies in which the derivative contract or SFT is denominated).

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs ⁵	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Total						

Explanatory Note	
Columns	
(a), (b) and (e)	<i>Fair value of recognized collateral received</i> : the disclosed fair value of recognized collateral received should be after any haircut (if applicable), meaning the value of recognized collateral received will be reduced after haircut (i.e. $C(1-H_s)$).
(c), (d) and (f)	<i>Fair value of posted collateral</i> : the disclosed fair value of collateral posted should be after any haircut (if applicable), meaning the value of collateral posted (which is an exposure) will be increased after haircut (i.e. $E(1+H_s)$).
(a) & (c)	<i>Segregated</i> : this refers to collateral which is held in a bankruptcy remote manner.
(b) & (d)	<i>Unsegregated</i> : this refers to collateral which is not held in a bankruptcy remote manner.

Template CCR6: Credit-related derivatives contracts

Purpose:	To disclose the amount of credit-related derivative contracts, broken down into credit protection bought and credit protection sold. ⁷
Scope of application:	This template is mandatory for all AIs incorporated in Hong Kong.
Content:	Notional amounts (before any netting) and fair values of credit-related derivative contracts
Frequency:	Semi-annual.
Format:	Flexible. The columns are fixed but the rows (other than the “Total notional amounts” and those related to fair values) are flexible.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZB

	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps		
Index credit default swaps		
Total return swaps		
Credit-related options		
Other credit-related derivative contracts		
Total notional amounts		
Fair values		
Positive fair value (asset)		
Negative fair value (liability)		

⁷ Before amendments to the BCR to implement SA-CCR take effect, the term “credit-related derivative contract” should refer to “credit derivative contract” for disclosure purpose using this template.

Template CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach

Purpose:	To present a flow statement explaining variations in RWA for default risk exposures determined under the IMM(CCR) approach.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IMM(CCR) approach for measuring default risk exposures, irrespective of the credit risk approach used to compute the RWAs of the default risk exposures.
Content:	RWA of default risk exposure (i.e. credit risk disclosed in template CR8 excluded). Changes in RWA in the current reporting period for each of the key drivers should be based on an AI's reasonable estimation of the figures.
Frequency:	Quarterly.
Format:	Fixed. Columns and rows 1 and 9 should not be altered. An AI should add additional rows between rows 7 and 8 to disclose additional elements, if any, that contribute significantly to RWA variations.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material change in the current reporting period and the key drivers of such changes.
Corresponding BDR section:	16ZC

		(a)
		Amount
1	RWA as at end of previous reporting period	
2	Asset size	
3	Credit quality of counterparties	
4	Model updates	
5	Methodology and policy	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	
9	RWA as at end of reporting period	

Explanatory Note	
Rows	
1	<i>RWA as at end of previous reporting period</i> : this row equals the value in [CCR7: 9/a] of the last reporting period, which is also equal to the value in [OV1: 6/b].
2	<i>Asset size</i> : the variation in RWA due to the organic changes in book size and composition (including origination

Explanatory Note	
	of new businesses and maturing exposures) but excluding changes in book size due to acquisitions and disposal of entities.
3	<i>Credit quality of counterparties</i> : the variation in RWA due to the changes in the assessed credit quality of the AI's counterparties, whatever credit risk calculation approach the AI uses. This row also includes potential changes due to internal models used under the IRB approach.
4	<i>Model updates</i> : the variation in RWA arising from model implementation, changes in model scope, or any material changes intended to address model weaknesses, in respect of the model used for the IMM(CCR) approach.
5	<i>Methodology and policy</i> : the variation in RWA due to methodological changes in calculations driven by regulatory policy changes, such as new regulations, in respect of the use of the IMM(CCR) approach.
6	<i>Acquisitions and disposals</i> : the variation in RWA arising from changes in book sizes due to acquisitions and disposal of entities.
7	<i>Foreign exchange movements</i> : the variation in RWA driven by foreign exchange rate movements.
8	<i>Other</i> : this category captures changes in RWA that cannot be attributed to any category above. An AI should add additional rows between rows 7 and 8 (to be named 7a, 7b and so on) to disclose any other material drivers of RWA movements in the current reporting period.
9	<i>RWA as at end of reporting period</i> : the sum of rows 1 to 8 (including any additional row(s) inserted by the AI), which is also equal to the value in [OV1: 6/a].

Template CCR8: Exposures to CCPs

Purpose:	To provide a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs).
Scope of application:	The template is mandatory for all AIs incorporated in Hong Kong. ⁸
Content:	Exposures to CCPs after recognized CRM, and RWA corresponding to the exposures to central counterparties.
Frequency:	Semi-annual.
Format:	Fixed. An AI should provide a breakdown of exposures to both qualifying and non-qualifying CCPs.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZD

		(a)	(b)
		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:		
3	(i) OTC derivative transactions		
4	(ii) Exchange-traded derivative contracts		
5	(iii) Securities financing transactions		
6	(iv) Netting sets subject to valid cross-product netting agreements		
7	Segregated initial margin		
8	Unsegregated initial margin		
9	Funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:		
13	(i) OTC derivative transactions		
14	(ii) Exchange-traded derivative contracts		
15	(iii) Securities financing transactions		

⁸ The template will only take effect when the final standard on capital requirements for bank exposures to central counterparties becomes effective.

		(a)	(b)
		Exposure after CRM	RWA
16	(iv) Netting sets subject to valid cross-product netting agreements		
17	Segregated initial margin		
18	Unsegregated initial margin		
19	Funded default fund contributions		
20	Unfunded default fund contributions		

Explanatory Note	
Columns	
(a)	<p><i>Exposure after CRM:</i></p> <ul style="list-style-type: none"> For rows 2 to 6 and 12 to 16, the amount should be the “outstanding default risk exposure” or “default risk exposure”, as the case may be, as defined under the BCR, for the derivative contracts or SFTs calculated in accordance with the BCR. For (i) CEM and (ii) any SFTs that are not subject to recognized netting and for which the default risk exposure is not calculated by using the IMM(CCR) approach, the amount disclosed should be the amount calculated after taking into account any recognized collateral. For rows 7 to 10 and 17 to 20, the amount should be the amount of the initial margin posted or the amount of default fund contribution made or committed by the AI.
(b)	<i>RWA:</i> the RWA calculated in accordance with Division 4, Part 6A of the BCR.
Rows	
1 & 11	<i>Exposures of the AI as clearing member or client to qualifying CCPs / non-qualifying CCPs (total):</i> for column (b), the value in row 1 should equal the sum of values in rows 2, 8, 9 and 10; the value in row 11 should equal the sum of values in rows 12, 18, 19 and 20. Column (a) should be left blank.
2 & 12	<p><i>Default risk exposures to qualifying CCPs / non-qualifying CCPs (excluding items disclosed in rows 7 to 10 / rows 17 to 20):</i> the default risk exposures disclosed should include all exposures that are, or regarded as, default risk exposures to qualifying CCPs or to non-qualifying CCPs in accordance with the requirements set out in Division 4, Part 6A of the BCR.</p> <p>The values in row 2 should equal the sum of values in rows 3 to 6; the value in row 12 should equal the sum of values in rows 13 to 16.</p>
3 & 13	<i>(i) OTC derivative transactions:</i> this has the meaning given to it by the BCR.
4 & 14	<i>(ii) Exchange-traded derivative contracts:</i> a derivative contract other than an OTC derivative transaction.
5 & 15	<i>(iii) Securities financing transactions:</i> this has the meaning given to it by the BCR.
6 & 16	<i>(iv) Netting sets subject to valid cross-product netting agreements:</i> netting set as defined by the BCR where the netting could be done according to a valid cross-product netting agreement.

Explanatory Note	
7 & 17	<i>Segregated initial margin</i> : the initial margin held in a bankruptcy remote manner. For the purposes of this template, initial margin does not include contributions to a CCP for mutualised loss-sharing arrangements (i.e. in cases where a CCP uses initial margin to mutualise losses among the clearing members, such margin will be treated as a default fund exposure).
8 & 18	<i>Unsegregated initial margin</i> : it means the initial margin not held in a bankruptcy remote manner. Similar to the above, for the purposes of this template, initial margin does not include contributions to a CCP for mutualised loss-sharing arrangements.
9 & 19	<i>Funded default fund contributions</i> : the meaning of this term should be in line with that of “default fund contribution” under the BCR and the usage of “funded default fund contribution” in Division 4, Part 6A of the BCR.
10 & 20	<i>Unfunded default fund contributions</i> : the meaning of this term should be in line with that of “default fund contribution” under the BCR and the usage of “unfunded default fund contribution” in Division 4, Part 6A of the BCR.

Part V: Securitization exposures

Unless the context otherwise requires, the scope of the securitization section is as follows:

- Table SECA and templates SEC1 and SEC2 cover all securitization exposures as defined under the BCR.
- Templates SEC3 and SEC4 cover banking book securitization exposures subject to capital requirements according to the securitization framework under Part 7 of the BCR, and exclude securitization positions in the trading book under Part 8 of the BCR which are reported in Part VI of this document (i.e. Market risk section).

An AI should disclose securitization exposures arising from securitization transactions that satisfy the risk transference criteria set out in Schedule 9 (for traditional securitization transactions) or in Schedule 10 (for synthetic securitization transactions) of the BCR in template SEC3. Conversely, securitization exposures are reported in templates SEC1, SEC2 and SEC4 according to their respective disclosure requirements, irrespective of the criteria in Schedules 9 and 10.

Table SECA: Qualitative disclosures related to securitization exposures

Purpose:	To provide qualitative information on the strategy and risk management with respect to securitization activities.
Scope of application:	The table is mandatory for AIs incorporated in Hong Kong with securitization exposures.
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16ZE

An AI should describe its risk management objectives and policies for securitization transactions and main features of these activities according to the framework below (if the AI holds securitization positions that are reflected in both the regulatory banking book and the regulatory trading book, it should describe each of the following points by distinguishing activities in each of the regulatory books):

- (a) Its objectives in relation to securitization transactions, including the extent to which these transactions transfer credit risk of the underlying securitized exposures away from the AI to other entities, the type of risks assumed and the types of risks retained.
- (b) A list of:

-
- SPEs where the AI acts as sponsor (but not as originating institution – such as asset-backed commercial paper conduits), indicating whether the AI consolidates the SPEs into its scope of regulatory consolidation;
 - affiliated entities (i) that the AI manages or advises and (ii) that invest either in the securitization exposures that the AI has securitized or in SPEs that the AI sponsors; and
 - entities to which the AI provides implicit support and the associated capital impact for each of them.
-
- (c) Summary of the AI's accounting policies for securitization transactions. Where relevant, the AI should distinguish securitization exposures from re-securitization exposures.
-
- (d) If applicable, the names of ECAIs used for securitizations and the types of securitization exposure for which each ECAI is used.
-

I. Quantitative disclosure – description of securitization exposures

Template SEC1: Securitization exposures in banking book

Purpose:	To present a breakdown of securitization exposures in the banking book (regardless of whether the exposures arising from securitization transactions satisfy all the requirements under Schedule 9 or 10 of the BCR).
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong with securitization exposures in the banking book.
Content:	Carrying values. For the purpose of this template, securitization exposures are those defined under the BCR, including those arising from securitization transactions that do not satisfy the requirements for recognition of risk transference under Schedule 9 or 10 of the BCR.
Frequency:	Semi-annual.
Format:	Flexible.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZF

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:									
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitization exposures									
6	Wholesale (total) – of which:									
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
10	other wholesale									
11	re-securitization exposures									

Explanatory Note	
Columns	
(a) to (c)	<i>Acting as originator (excluding sponsor)</i> : the securitization positions reported under these columns are the positions retained by an AI in a capacity that directly or indirectly originates the underlying exposures in the transaction, including such transactions that do not satisfy the requirements under Schedule 9 or 10 of the BCR (which may be presented separately).
(d) to (f)	<i>Acting as sponsor</i> : the securitization positions reported under these columns are those arising from the activities of an AI as a sponsor, for example, exposures to commercial paper conduits to which the AI provides programme-wide enhancements, liquidity and other facilities. Where the AI acts as both originator and sponsor, it should avoid double-counting for the purpose of disclosure. In this regard, the AI should merge the two columns into one as “Acting as originator / sponsor” in its presentation.
(g) to (i)	<i>Acting as investor</i> : these columns represent the investment positions an AI purchased in third-party deals.
(a), (d) & (g)	<i>Traditional</i> : this captures any traditional securitization transaction as defined under Part 7 of the BCR.
(b), (e) & (h)	<i>Synthetic</i> : this captures any synthetic securitization transaction as defined under Part 7 of the BCR. If an AI has purchased protection it should report the net exposure amounts to which it is exposed under columns originator/sponsor (i.e. the amount that is not secured). If the AI has sold protection, the exposure amount of the credit protection should be reported in the “investor” column.
Rows	
All	An AI may modify the breakdown of exposures in the rows if another breakdown would be more appropriate to reflect its transactions, except that the rows regarding re-securitization exposures (i.e. rows 5 and 11 in the above table) are fixed, meaning that all re-securitization exposures that fall under the definition in the BCR should be reported in these rows but not in other rows, which contain only securitization exposures other than re-securitization exposures.

Template SEC2: Securitization exposures in trading book

Purpose:	To present a breakdown of securitization exposures in the trading book (regardless of whether the exposures arising from securitization transactions satisfy all the requirements under Schedule 9 or 10 of the BCR).
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong with securitization exposures in the trading book.
Content:	Carrying values. For the purpose of this template, securitization exposures are those defined under the BCR, including those arising from securitization transactions that do not satisfy the requirements for recognition of risk transference under Schedule 9 or 10 of the BCR.
Frequency:	Semi-annual.
Format:	Flexible.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZG

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:									
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitization exposures									
6	Wholesale (total) – of which:									
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									
10	other wholesale									
11	re-securitization exposures									

Explanatory Note	
Columns	
(a) to (c)	<i>Acting as originator (excluding sponsor)</i> : the securitization positions reported under these columns are the positions retained by an AI in a capacity that directly or indirectly originates the underlying exposures in the transaction, including such transactions that do not satisfy the requirements under Schedule 9 or 10 of the BCR (which may be presented separately).
(d) to (f)	<i>Acting as sponsor</i> : the securitization positions reported under these columns are those arising from the activities of an AI as a sponsor, for example, exposures to commercial paper conduits to which the AI provides programme-wide enhancements, liquidity and other facilities. Where the AI acts as both originator and sponsor, it should avoid double-counting for the purpose of disclosure. In this regard, the AI should merge the two columns into one as “Acting as originator/ sponsor” in its presentation.
(g) to (i)	<i>Acting as investor</i> : these columns represent the investment positions an AI purchased in third-party deals.
(a), (d) & (g)	<i>Traditional</i> : this captures any traditional securitization transaction as defined under Part 7 of the BCR.
(b), (e) & (h)	<i>Synthetic</i> : this captures any synthetic securitization transaction as defined under Part 7 of the BCR. If an AI has purchased protection it should report the net exposure amounts to which it is exposed under columns originator/sponsor (i.e. the amount that is not secured). If the AI has sold protection, the exposure amount of the credit protection should be reported in the “investor” column.
Rows	
All	An AI may modify the breakdown of exposures in the rows if another breakdown would be more appropriate to reflect its transactions, except that the rows regarding re-securitization exposures (i.e. rows 5 and 11 in the above table) are fixed, meaning that all re-securitization exposures that fall under the definition in the BCR should be reported in these rows but not in other rows, which contain only securitization exposures other than re-securitization exposures.

II. Quantitative disclosure – calculation of capital requirements

Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator⁹

Purpose:	To present securitization exposures in the banking book where an AI acts as an originating institution of securitization transactions and the associated capital requirements.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong with securitization exposures and acting as originator.
Content:	Exposure values, RWAs and capital charges. This template only contains securitization exposures arising from securitization transactions that satisfy the requirements for recognition of risk transference criteria (as stipulated in Schedule 9 (for traditional securitization transaction) or Schedule 10 (for synthetic securitization transaction) of the BCR).
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZH

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	
	Exposure values (by RW bands)					Exposure values (by regulatory approach)					RWAs (by regulatory approach)				Capital charges after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	
1 Total exposures																		
2 Traditional securitization																		
3 Of which securitization																		
4 Of which retail																		

⁹ For clarity, “originator” has the meaning given by Part 7 of the BCR, which includes a person who serves as a sponsor of an ABCP programme or a programme with similar features.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
5	Of which wholesale																	
6	Of which re-securitization																	
7	Of which senior																	
8	Of which non-senior																	
9	Synthetic securitization																	
10	Of which securitization																	
11	Of which retail																	
12	Of which wholesale																	
13	Of which re-securitization																	
14	Of which senior																	
15	Of which non-senior																	

Explanatory Note	
Columns	
(a) to (e)	<i>Exposure values (by RW bands):</i> the exposure values subject to the securitization framework, allocated in accordance with the applicable risk-weights of the exposures.
(f) to (i)	<i>Exposure values (by regulatory approach):</i> the exposure values subject to the securitization framework, allocated in accordance with the applicable regulatory approaches, namely the IRB(S) approach – ratings-based method, the IRB(S) approach – supervisory formula method, and the STC(S) approach ¹⁰ . For those securitization exposures subject to a risk-weight of 1,250%, irrespective of the approaches, they should be included in column (i).
(j) to (m)	<i>RWAs (by regulatory approach):</i> the RWAs (to be calculated before application of the regulatory maximum or cap as explain below) subject to the securitization framework, allocated in accordance with the allocation method of exposure values as in columns (f) to (i).

¹⁰ Of note, after entering into force of the revised securitization framework in January 2018, the following replacements (and column headers modified accordingly) should be made: (i) IRB(S) RBM columns should be used for Securitization Internal Ratings-Based Approach (SEC-IRBA)*; (ii) IRB(S) SFM columns should be used for Securitization External Ratings-Based Approach (SEC-ERBA)*; (iii) STC(S) columns should be used for Securitization Standardized Approach (SEC-SA)*; and (iv) 1,250% columns should be used for Securitization Fall-back Approach (SEC-FBA)*. (* all names and applicable approaches subject to the final amendments to the BCR)

Explanatory Note	
(n) to (q)	Capital charges after cap: the capital charges (after application of the regulatory maximum or cap pursuant to Part 7 of the BCR, as the case may require) as determined according to the securitization framework, allocated in accordance with the allocation method of RWAs as in columns (j) to (m). ¹¹

¹¹ After entering into force of the revised securitization framework in January 2018, capital charges after cap in columns (n) to (q) will refer to capital charges after application of the maximum risk weight for senior exposures and maximum capital requirements.

Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

Purpose:	To present securitization exposures in the banking book where an AI acts as an investing institution of securitization transactions and the associated capital requirements.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong with securitization exposures and acting as investor.
Content:	Exposure values, RWAs and capital charges.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZI

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
	Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
1 Total exposures																	
2 Traditional securitization																	
3 Of which securitization																	
4 Of which retail																	
5 Of which wholesale																	
6 Of which re-securitization																	
7 Of which senior																	
8 Of which non-senior																	
9 Synthetic securitization																	
10 Of which securitization																	
11 Of which retail																	
12 Of which wholesale																	
13 Of which re-securitization																	

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)				Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap				
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%	IRB(S) RBM	IRB(S) SFM	STC(S)	1250%
14	Of which senior																	
15	Of which non-senior																	

Explanatory Note	
Columns	
(a) to (e)	<i>Exposure values (by RW bands):</i> the exposure values subject to the securitization framework, allocated in accordance with the applicable risk-weights of the exposures.
(f) to (i)	<i>Exposure values (by regulatory approach):</i> the exposure values subject to the securitization framework, allocated in accordance with the applicable regulatory approaches, namely the IRB(S) approach – ratings-based method, the IRB(S) approach – supervisory formula method, and the STC(S) approach ¹² . For those securitization exposures subject to a risk-weight of 1,250%, irrespective of the approaches, they should be included in column (i).
(j) to (m)	<i>RWAs (by regulatory approach):</i> the RWAs (to be calculated before application of the regulatory maximum or cap as explain below) subject to the securitization framework, allocated in accordance with the allocation method of exposure values as in columns (f) to (i).
(n) to (q)	Capital charges after cap: the capital charges (after application of the regulatory maximum or cap pursuant to Part 7 of the BCR, as the case may require) as determined according to the securitization framework, allocated in accordance with the allocation method of RWAs as in columns (j) to (m). ¹³

¹² Of note, after entering into force of the revised securitization framework in January 2018, the following replacements (and column headers modified accordingly) should be made: (i) IRB(S) RBM columns should be used for Securitization Internal Ratings-Based Approach (SEC-IRBA)*; (ii) IRB(S) SFM columns should be used for Securitization External Ratings-Based Approach (SEC-ERBA)*; (iii) STC(S) columns should be used for Securitization Standardized Approach (SEC-SA)*; and (iv) 1,250% columns should be used for Securitization Fall-back Approach (SEC-FBA)*. (* all names and applicable approaches subject to the final amendments to the BCR)

¹³ After entering into force of the revised securitization framework in January 2018, capital charges after cap in columns (n) to (q) will refer to capital charges after application of the maximum risk weight for senior exposures and maximum capital requirements.

Part VI: Market risk

Unless the context otherwise requires, the market risk section includes exposures booked in the trading book and banking book that are subject to a market risk capital charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Part IV – Counterparty credit risk.

Table MRA: Qualitative disclosures related to market risk

Purpose:	To provide a description of the risk management objectives and policies concerning market risk.
Scope of application:	The table is mandatory for AIs incorporated in Hong Kong that are subject to market risk capital requirements in Part 8 of the BCR (other than those exempted under section 22 of the BCR).
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16ZJ

An AI should describe its risk management objectives and policies for market risk according to the framework below (the granularity of the information should support the provision of meaningful information to users):

- (a) Strategies and processes of the AI, this should include an explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the AI's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.
- (b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the AI discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.
- (c) Scope and nature of risk reporting and/or measurement systems. In particular, the AI should describe:
 - (i) its risk analysis and risk management systems;
 - (ii) how the items in (a) are commensurate with the nature and volume of transactions;

-
- (iii) how reporting and measurement systems provide an overall understanding of all the risks associated with the AI's market risk activities, including at least on a day-to-day basis the risks resulting from trading book positions;
 - (iv) its organisational and internal control procedures;
 - (v) its communication mechanisms between the different parties involved in risk management (management body, senior management, business lines and central risk management function); and
 - (vi) how often the reporting and/or measurement systems are regularly updated and assessed.
-

Table MRB: Additional qualitative disclosures for AI using IMM approach

Purpose:	To provide the scope, the main characteristics and the key modelling choices of the different models (e.g. VaR, stressed VaR, IRC, CRC) adopted in respect of the different models used for calculating market risk capital requirements.
Scope of application:	The table is mandatory for AIs incorporated in Hong Kong that use the IMM approach for calculating their market risk capital requirements. To provide meaningful information to users on its use of the IMM approach, an AI should describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain to what extent they represent all the models used at the group-wide level. The commentary should include the percentage of capital requirements covered by the models described for each of the regulatory models (e.g. VaR, stressed VaR, IRC, CRC).
Content:	Qualitative information.
Frequency:	Annual.
Format:	Flexible.
Corresponding BDR section:	16ZK

(I) For VaR models and stressed VaR models, an AI should provide the following information:	
(a)	Description of activities and risks covered by the VaR models and stressed VaR models. Where applicable, the AI should also describe the main activities and risks not included in VaR/stressed VaR regulatory calculations (due to lack of historical data or model constraints) and treated under other model risk measures (as may be allowed by the MA).
(b)	Specification of which entities in the group use the models or if a single model (VaR/stressed VaR) is used for all entities with market risk exposure.
(c)	General description of the models (VaR/stressed VaR).
(d)	Discussion on the main differences, if any, between the model used for management purposes and the model used for regulatory purposes (10 days-99%), for VaR and stressed VaR models.
(e)	For VaR model, the AI should specify:
(e)(i)	Data updating frequency;
(e)(ii)	Length of the data period that is used to calibrate the model. Describe the weighting scheme that is used (if any);
(e)(iii)	How the 10-day holding period is determined, e.g. whether the AI scales up a one-day VaR by the square root of

	10, or it directly models the 10-day VaR;
(e)(iv)	Aggregation approach (method for aggregating the specific and general risk, i.e. whether the AI calculates the specific charge as a standalone charge by using a different method than the one used to calculate the general risk, or it uses a single model that diversifies general and specific risk;
(e)(v)	Valuation approach (full revaluation or use of approximations); and
(e)(vi)	Description of whether, when simulating potential movements in risk factors, absolute or relative returns (or mixed approach) are used (i.e. proportional change in prices or rates or absolute change in prices or rates).
(f)	For stressed VaR model, the AI should specify:
(f)(i)	How the 10-day holding period is determined, e.g. whether the AI scales up a one-day VaR by the square root of 10, or it directly models the 10-day VaR. If the approach is the same as that for the VaR models, the AI may confirm this fact and refer to disclosure in (e)(iii) above;
(f)(ii)	The stress period chosen by the AI and the rationale for this choice; and
(f)(iii)	Valuation approach (full revaluation or use of approximations).
(g)	Description of the modelling parameters applied to stressed VaR, including the main scenario that the AI developed to capture the characteristics of the portfolios to which the VaR and stressed VaR models apply at the group-wide level.
(h)	Description of the approach used for back-testing / validating the accuracy and internal consistency of data and parameters used for the internal models and modelling processes.

(II)	An AI using internal models to measure the risk for the IRC should provide the following information:
(a)	General description of the methodology;
(a)(i)	Information about the overall modelling approach (notably use of spread-based models or transition matrix-based models);
(a)(ii)	Information on the calibration of the transition matrix; and
(a)(iii)	Information about correlation assumptions.
(b)	Approach used to determine liquidity horizons.
(c)	Methodology used to achieve a capital assessment that is consistent with the required soundness standard (in accordance with Schedule 3 of the BCR).
(d)	Approach used in the validation of the models. In particular, a general description of the process developed to ensure that the internal models have been adequately validated by suitable parties (i.e. independent and qualified to ensure that the models are conceptually sound and capture all material risks, including specific criteria related to incremental default and migration risk) should be provided. The AI should also explain how the validation process is implemented, when the models are initially developed as well as when any significant changes are made to the models, and how it ensures a periodic validation to capture any significant structural

changes in the market or in the composition of the portfolios covered by the models.

(III) An AI using internal models to measure the risk for the CRC should provide the following information:

(a) General description of the methodology:

(a)(i) Information about the overall modelling approach (notably choice of model correlation between default / migrations and spread: (i) separate but correlated stochastic processes driving migration / default and spread movement; (ii) spread changes driving migration / default; or (iii) default / migrations driving spread changes);

(a)(ii) Information used to calibrate the parameters of the base correlation: LGD pricing of the tranches (constant or stochastic); and

(a)(iii) Information on the choice as to whether to age positions (profits and losses based on the simulated market movement in the model calculated based on the time to expiry of each position at the end of the one-year capital horizon or using their time to expiry at the calculation date).

(b) Approach used to determine liquidity horizons.

(c) Methodology used to achieve a capital assessment that is consistent with the required soundness standard.

(d) Approach used in the validation of the models.

Template MR1: Market risk under STM approach

Purpose:	To disclose the components of the market risk capital requirements calculated using the standardized (market risk) approach (STM approach).
Scope of application:	<p>The template is mandatory for AIs incorporated in Hong Kong that use the STM approach for calculating their market risk capital requirements for all or part of their market risk exposures. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:</p> <p>(i) the exposure amounts and RWA calculated under the STM approach are negligible;</p> <p>(ii) the AI has clearly stated this fact in the disclosure statement; and</p> <p>(iii) the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the portfolios concerned and the aggregate total of RWAs from such exposures.</p>
Content:	RWA.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZL

		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	
2	Equity exposures (general and specific risk)	
3	Foreign exchange (including gold) exposures	
4	Commodity exposures	
	Option exposures	
5	Simplified approach	
6	Delta-plus approach	
7	Other approach	
8	Securitization exposures	
9	Total	

Explanatory Note	
Column	
(a)	<i>RWA</i> : for consistency throughout this document RWAs instead of capital requirements are disclosed. An AI should derive the market risk RWAs by multiplying the market risk capital requirements by 12.5.
Rows	
1	<i>Interest rate exposures (general and specific risk)</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 3, Part 8 of the BCR. However, an AI should exclude from this row those positions arising from securitization exposures (including re-securitization exposures), whose RWA should be included in row 8 of this template.
2	<i>Equity exposures (general and specific risk)</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 4, Part 8 of the BCR.
3	<i>Foreign exchange (including gold) exposures</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 5, Part 8 of the BCR.
4	<i>Commodity exposures</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 6, Part 8 of the BCR.
5	<i>Simplified approach</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 8, Part 8 of the BCR.
6	<i>Delta-plus approach</i> : the RWA in relation to market risk capital charge calculated in accordance with Division 9, Part 8 of the BCR.
7	<i>Other approach</i> : the RWA in relation to market risk capital charge calculated in accordance with any other approach (e.g. scenario approach) which has been approved by the MA pursuant to Part 8 of the BCR.
8	<i>Securitization exposures</i> : the RWA in relation to market risk capital charge arising from securitization exposures (including re-securitization exposures) calculated in accordance with Part 8 of the BCR.
9	<i>Total</i> : the sum of values in rows 1 to 8, which is also equal to the value in [OV1: 17/a].

Template MR2: RWA flow statements of market risk exposures under IMM approach

Purpose:	To present a flow statement explaining variations in the RWA for market risk determined under the IMM approach.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IMM approach for calculating their market risk capital requirements.
Content:	RWA for market risk exposures under the IMM approach. Changes in RWA in the current reporting period for each of the key drivers should be based on an AI's reasonable estimation of the figures.
Frequency:	Quarterly.
Format:	Fixed. Columns and rows 1 and 8 should not be altered. An AI should add additional rows between rows 7 and 8 to disclose additional elements, if any, that contribute materially to RWA variations.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZM

		(a)	(b)	(c)	(d)	(e)	(f)
		VaR	Stressed VaR	IRC	CRC	Other	Total RWA
1	RWA as at end of previous reporting period						
2	Movement in risk levels						
3	Model updates/changes						
4	Methodology and policy						
5	Acquisitions and disposals						
6	Foreign exchange movements						
7	Other						
8	RWA as at end of reporting period						

Explanatory Note

Columns

- | | |
|-----|--|
| (a) | <i>VaR</i> : report in this column the movements of RWA that are attributed to VaR. The period-end RWA is derived from multiplying the corresponding capital requirement reflecting the regulatory VaR (10 days 99%), as well as any additional capital charge related to VaR model at the MA's discretion, by 12.5. |
|-----|--|

Explanatory Note										
(b)	<i>Stressed VaR</i> : report in this column the movements of RWA that are attributed to stressed VaR. The period-end RWA is derived from multiplying the corresponding capital requirement reflecting the regulatory stressed VaR (10 days 99%), as well as any additional capital charge related to stressed VaR at the MA's discretion, by 12.5.									
(c)	<i>IRC</i> : report in this column the movements of RWA that are attributed to IRC. The period-end RWA is derived from multiplying the corresponding capital requirement as used for computing the incremental risk charge, as well as any additional capital charge at the MA's discretion, by 12.5.									
(d)	<i>CRC</i> : report in this column the movements of RWA that are attributed to CRC. The period-end RWA is derived from multiplying the corresponding capital requirement as used for computing the comprehensive risk charge, as well as any additional capital charge at the MA's discretion, by 12.5.									
(e)	<i>Other</i> : this column captures any changes that could not be reflected in columns (a) to (d).									
(f)	<i>Total RWA</i> : the sum of values in columns (a) to (e) where the value in [MR2: 8/f] is also equal to the value in [OV1: 18/a]. The period-end RWA of this column is derived from multiplying the total capital charge for market risk on the basis of the IMM approach by 12.5.									
Rows										
1	<p><i>RWA as at end of previous reporting period</i>: this row equals row 8 of this template of the last reporting period; moreover, the value in [MR2:1/f] is equal to the value in [OV1: 18/b].</p> <p>If values in this row are calculated on the basis of average figures of the last 60 trading days before the period end, two additional reconciling rows may be added between rows 1 and 2 (namely rows 1a and 1b) so that the starting values of the flow statement could be reconciled from the basis of average figures to the basis of period-end figure, as shown below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 5%;">1</td> <td style="width: 40%;">RWA as at end of previous reporting period</td> <td style="width: 55%;">To report 60-day average value</td> </tr> <tr> <td>1a</td> <td><i>Regulatory adjustment</i></td> <td>To report the variance (Δ) between 60-day average value and period-end value</td> </tr> <tr> <td>1b</td> <td><i>RWA as at day-end of previous reporting period</i></td> <td>To report period-end value</td> </tr> </tbody> </table> <p>The two additional reconciling rows 1a and 1b are not necessary if the beginning RWA values (which could be tied with the value in [OV1:18/b]) in row 1 are already calculated on the basis of period-end figure.</p>	1	RWA as at end of previous reporting period	To report 60-day average value	1a	<i>Regulatory adjustment</i>	To report the variance (Δ) between 60-day average value and period-end value	1b	<i>RWA as at day-end of previous reporting period</i>	To report period-end value
1	RWA as at end of previous reporting period	To report 60-day average value								
1a	<i>Regulatory adjustment</i>	To report the variance (Δ) between 60-day average value and period-end value								
1b	<i>RWA as at day-end of previous reporting period</i>	To report period-end value								
2	<i>Movement in risk levels</i> : the changes due to changes in the market risk position of an AI, e.g. arising from purchase, acquisition or disposal of exposures subject to the market risk capital framework (except for those arising from acquisition or disposal of business / product lines or entities which should be reported in row 5 of the template).									
3	<i>Model updates/changes</i> : the change in RWA arising from any material updates to the model to reflect recent experience (e.g. recalibration), as well as material changes in model scope; if more than one model update has taken place, the AI may insert additional rows (to be named 3a, 3b and so on) for disclosing changes resulted from these updates.									
4	<i>Methodology and policy</i> : the change in RWA arising from any methodological changes in calculations driven by									

Explanatory Note										
	regulatory policy changes, such as new regulations, in respect of the use of the IMM approach.									
5	<i>Acquisitions and disposals</i> : the change in RWA arising from changes in book sizes due to acquisition or disposal of business/product lines or entities.									
6	<i>Foreign exchange movements</i> : the changes in RWA driven by foreign exchange rate movements.									
7	<i>Other</i> : this category should be used to capture changes in RWA that cannot be attributed to any other category above. An AI should add additional rows between rows 6 and 7 (to be named 6a, 6b and so on) to disclose any other material drivers of RWA movements in the current reporting period.									
8	<p><i>RWA as at end of reporting period</i>: this row equals the sum of values in rows 1 to 7 (including any additional row(s) inserted by the AI); moreover, the total sum reported in [MR2:8/f] is equal to the value in [OV1:18/a].</p> <p>If values in this row are calculated on the basis of average figures of the last 60 trading days before the period end, two additional reconciling rows may be added between rows 7 and 8 (namely rows 7a and 7b) so that the ending values of the flow statement could be reconciled from the basis of period-end figure to the basis of average figures, as shown below:</p> <table border="1" data-bbox="236 936 1347 1122"> <tbody> <tr> <td>7a</td> <td><i>RWA as at day-end of reporting period</i></td> <td>To report period-end value</td> </tr> <tr> <td>7b</td> <td><i>Regulatory adjustment</i></td> <td>To report the variance (Δ) between period-end value and 60-day average value</td> </tr> <tr> <td>8</td> <td>RWA as at end of reporting period</td> <td>To report 60-day average value</td> </tr> </tbody> </table> <p>The two additional reconciling rows 7a and 7b are not necessary if the ending RWA values (which could be tied with the value in [OV1:18/a]) in row 8 are already calculated on the basis of period-end figure.</p>	7a	<i>RWA as at day-end of reporting period</i>	To report period-end value	7b	<i>Regulatory adjustment</i>	To report the variance (Δ) between period-end value and 60-day average value	8	RWA as at end of reporting period	To report 60-day average value
7a	<i>RWA as at day-end of reporting period</i>	To report period-end value								
7b	<i>Regulatory adjustment</i>	To report the variance (Δ) between period-end value and 60-day average value								
8	RWA as at end of reporting period	To report 60-day average value								

Template MR3: IMM approach values for market risk exposures

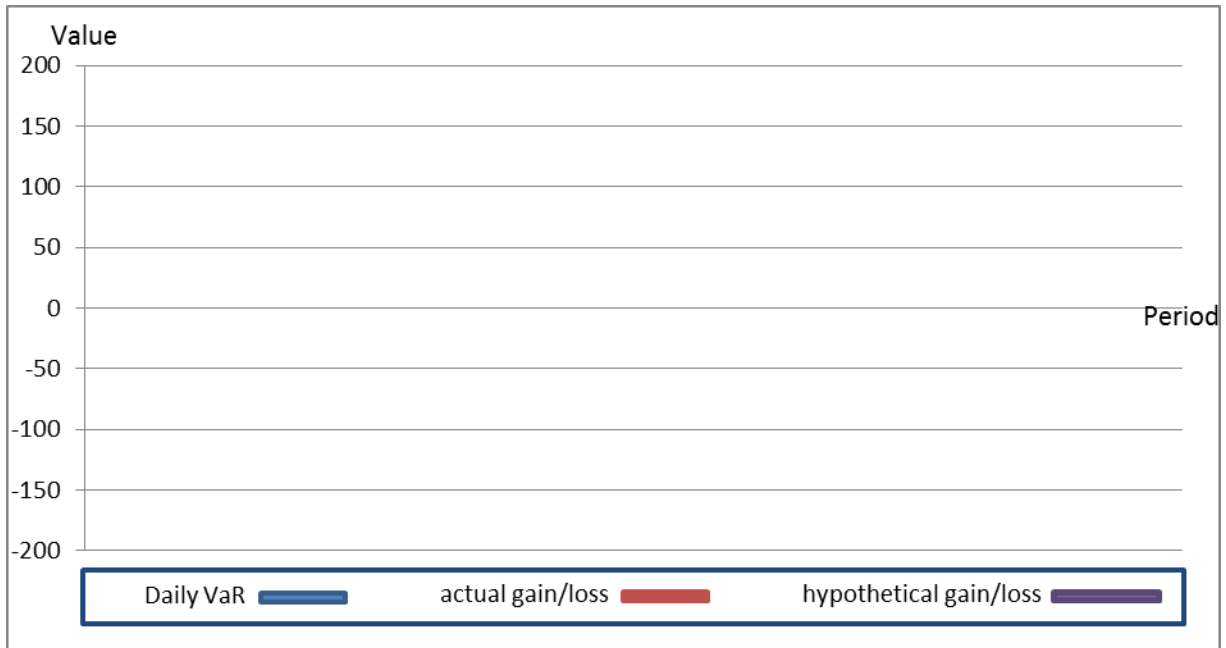
Purpose:	To disclose the values (maximum, minimum, average and period ending for the reporting period) resulting from the different types of models used for computing the regulatory market risk capital requirement at the group-wide level, before any additional capital charge is applied by the MA.
Scope of application:	The template is mandatory for AIs incorporated in Hong Kong that use the IMM approach for calculating their market risk capital requirements.
Content:	Outputs of internal models for computing market risk capital charge at the group-wide level according to the regulatory scope of consolidation.
Frequency:	Semi-annual.
Format:	Fixed.
Accompanying narrative:	An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements.
Corresponding BDR section:	16ZN

		(a)
		Value
VaR (10 days – one-tailed 99% confidence interval)		
1	Maximum Value	
2	Average Value	
3	Minimum Value	
4	Period End	
Stressed VaR (10 days – one-tailed 99% confidence interval)		
5	Maximum Value	
6	Average Value	
7	Minimum Value	
8	Period End	
Incremental risk charge (IRC) (99.9% confidence interval)		
9	Maximum Value	
10	Average Value	
11	Minimum Value	
12	Period End	
Comprehensive risk charge (CRC) (99.9% confidence interval)		
13	Maximum Value	
14	Average Value	
15	Minimum Value	
16	Period End	
17	Floor	

Explanatory Note	
Rows	
1-4	<i>VaR</i> : the amounts reported in these rows do not include the multiplication factor (m_c), any additional capital charge as a result of imposition of a plus factor due to back-testing exceptions, or any additional plus factor assigned by the MA. An AI may add additional rows or columns (e.g. column (b)), where necessary, to separately disclose the parameters for general market risk and specific risk.
5-8	<i>Stressed VaR</i> : the amounts reported in these rows do not include the multiplication factor (m_s), any additional capital charge as a result of imposition of a plus factor due to back-testing exceptions, or any additional plus factor assigned by the MA. An AI may add additional rows or columns (e.g. column (b)), where necessary, to separately disclose the parameters for general market risk and specific risk.
9-12	<i>Incremental risk charge (IRC)</i> : the amounts reported in these rows do not include the scaling factor (S_i) or any additional capital charge imposed by the MA.
13-16	<i>Comprehensive risk charge (CRC)</i> : the amounts reported in these rows do not include the scaling factor (S_c) or any additional capital charge imposed by the MA, and should be un-floored figures.
17	<i>Floor</i> : the 8% of the market risk capital charge for specific risk calculated under the STM approach in accordance with Part 8 of the BCR.

Template MR4: Comparison of VaR estimates with gains or losses

Purpose:	To present a comparison of the results of estimates from the key VaR model for calculating market risk capital requirements with both hypothetical and actual trading outcomes, to highlight the frequency and the extent of the back-testing exceptions, and to give an analysis of the main outliers in back-tested results.
Scope of application:	<p>The template is mandatory for AIs incorporated in Hong Kong that use the IMM approach for calculating their market risk capital requirements.</p> <p>An AI should provide meaningful information to users on the back-testing of its internal models, include the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary to what extent this description represents the models used at the group-wide level. The commentary should include the percentage of capital requirements covered by the models whose back-testing results are shown here for each of the regulatory models (e.g. VaR, stressed VaR, IRC, CRC).</p>
Content:	VaR model outcomes.
Frequency:	Semi-annual.
Format:	Flexible.
Accompanying narrative:	<p>An AI should present an analysis of “outliers” (back-testing exception) in back-tested results, specifying the dates and the corresponding excess (VaR-P&L). The analysis should at least specify the key drivers of the exceptions.</p> <p>The AI should disclose similar comparisons for actual profit and loss (actual P&L) as well as hypothetical P&L. In particular, the AI should disclose a comparison between the daily VaR measures and the trading outcomes corresponding to hypothetical changes in the portfolio's values (based on a comparison between the portfolio's end- of-day value and, assuming unchanged positions, its value at the end of the subsequent day), as well as a comparison between the daily VaR measure and the trading outcomes corresponding to actual changes in the portfolio's values (based on a comparison between the portfolio's end-of-day value and its actual value at the end of the subsequent day).</p> <p>For actual P&L, the AI should provide information about actual gains/losses, especially clarify whether they include reserves, and if not, how reserves are integrated into the back-test process; the AI should also clarify whether actual P&L includes commissions and fees or not.</p>
Corresponding BDR section:	16ZO



Explanatory Note

Daily VaR: this reflects the risk measures (used for regulatory purposes) calibrated to a one-day holding period to compare with the 99% of confidence level with its trading outcomes.

Actual gain/loss: this is based on actual changes in portfolio values that have occurred.

Hypothetical gain/loss: this is based on hypothetical changes in portfolio values that would occur if end-of-day positions remain unchanged.