

SUPERVISOR'S MEMO

Q.1 How and in what form should the Disclosure Statement of an overseas incorporated authorized institution be released to the public?

A.1 The Disclosure Statement of an overseas incorporated authorized institution should be issued in the form of a press release in both English and Chinese to newspapers circulating in Hong Kong within three months from the end of each financial period. There is, however, no requirement to publish the Disclosure Statement as a paid advertisement in newspapers (although the institution may do so if it chooses). A copy of the statement should also be displayed in a conspicuous position in the principal place of business of the institution in Hong Kong and in each local branch if applicable. The statement should also be made readily available to members of the public on request.

It is recommended that the press release should also contain the following information:

- (i) the location where the public can obtain copies of the Disclosure Statement and the relevant contact person (where there is a charge for copies of the Statement, the amount charged per copy should be stated);
- (ii) that a copy of the Disclosure Statement has been lodged with the HKMA's Public Registry for public inspection.

Q.2 In the annual accounts of a locally incorporated authorized institution, how should the maturity profile of a 1 year fixed term loan with interest payable on a monthly basis be disclosed when interest on the loan has been overdue for more than 1 month?

A.2 The loan should be treated for maturity profile purposes according to its residual maturity if the principal of the loan is not yet overdue. However, if the repayment of the loan is in doubt, or when interest has been placed in suspense or ceased to be accrued, it should be reported as "undated".

Q.3 Where multiple loans extended to one borrower are in aggregate secured partially by the same collateral, and one of the loans has been overdue for more than 3 months, what should be the value of the collateral held against the overdue loan that need to be disclosed in an authorized institution's financial statements?

A.3 The proportion of the value of the collateral held against the overdue loan disclosed should be the same as the proportion of the value of the collateral held against the different loans in aggregate. For example, if the different loans to one borrower are in aggregate 80% secured by the same collateral, it would be logical to assume that each of the loans, including the overdue loan, should also be 80% secured. The institution should therefore disclose as the value of the collateral held against the overdue loan 80% of the outstanding amount of the overdue loan. If, however, the market value of the collateral has fallen to below 80% of the aggregate outstanding amount of the loans, the value of the collateral held against the overdue loan should also be adjusted accordingly.