

**Return of Certificate of Compliance (MA(BS)1F(a))**  
**Temporary reporting arrangement during grace period**

A locally incorporated AI that intends to comply with an exposure limit under the BO in lieu of an applicable exposure limit under the BELR during the grace periods<sup>1</sup> should follow the reporting instructions below to compile the Certificate of Compliance for the positions of September and December 2019:

**- Part II item 1(e) (applicable to an AI utilizing the grace period for compliance with the 50% limit under Rule 35(a), Part 6 of the BELR and for the September 2019 position only):** Report on the basis that during the grace period, if the AI does not contravene current BO section 88 (as if it were still in operation) and does not acquire any interest in land (except as described in rule 38(a) or (b) of the BELR), it is treated as compliant with rule 35(a), Part 6 of the BELR by virtue of rule 108 of the BELR. If the grace period applicable to an AI expires before 30 September 2019, for the period from the date after the grace period expires to 30 September 2019, report on the basis of compliance with Part 6 of the BELR.

**- Part II item 1(f): (applicable to an AI utilizing the grace period for compliance with the large exposure limits under Part 7 of the BELR)** Report on the basis that during the grace period, compliant with BO section 81 (as if it were still in operation) is treated as compliant with BELR Part 7 by virtue of rules 112(1) and 113(1) of the BELR.

**- Part II item 1(g): (applicable to an AI utilizing the grace period for compliance with the connected party exposure limits under Part 8 of the BELR)** Report on the basis that during the grace period, compliant with BO section 83 (as if it were still in operation) is treated as compliant with BELR Part 8 by virtue of rules 117, 118 and 119 of the BELR.

**- Part III item 1 on maximum exposure (applicable to an AI utilizing the grace period for compliance with the large exposure limits under Part 7 of the BELR):**

- If an AI utilizes the grace period for all of its exposures fully, report zero.
- If an AI only partially utilizes the grace period on certain exposures, report the

---

<sup>1</sup> **Grace period:** (1) for the purpose of compliance with Part 6 of the BELR means the period from 1 July 2019 to 30 September 2019 or the date on which the institution becomes compliant with rule 35(a) of the BELR or (if applicable) that rule as varied under rule 36(1); (2) for the purpose of compliance with Parts 7 and 8 of the BELR means the period from 1 July 2019 to 31 December 2019.

maximum of all the exposures to a counterparty/LC group to which the grace period does not apply.

**- Part III items 2, 3 and 4 on maximum exposure (applicable to an AI utilizing the grace period for compliance with the connected party exposure limits under Part 8 of the BELR):**

- If an AI utilizes the grace period for compliance with the limit under rule 87(a) of the BELR, report zero in Part III item 2;
- If an AI utilizes the grace period for compliance with the limit under rule 87(b) of the BELR, report zero in Part III item 3;
- In respect of Part III item 4:
  - (i) if an AI utilizes the grace period on all connected natural persons for compliance with rule 87(c) in Part 8 of the BELR, report zero.
  - (ii) if an AI only utilizes the grace period on certain connected natural persons for compliance with rule 87(c) in Part 8 of the BELR, report the maximum of all exposures to the connected natural persons to which the grace period does not apply.

**- Part III item 6 on maximum land exposure (applicable to an AI utilizing the grace period for compliance with the 50% limit under Part 6 of the BELR and for the September 2019 position only):** If the grace period applicable to an AI expires before 30 September 2019, report the maximum land exposure under Part 6 of the BELR, as calculated in accordance with rule 37(1)(a) of the BELR, during the period from the date after the grace period expires to 30 September 2019. If the grace period applicable to an AI does not expire before 30 September 2019, report zero.

**- Part V items 1 and 2 on exempted/approved transactions in relation to Parts 7 and 8 of the BELR (as applicable):**

- If an AI utilizes the grace period for compliance with the large exposure limits under Part 7 of the BELR and the limit under rule 87(a) (b) & (c) of the BELR in relation to connected natural person fully, nil reporting.
- If an AI only utilizes the grace period on certain of its large exposures under Part 7, report in items 1 and 2 the exempted/approved exposures in relation to Part 7 to which the grace period does not apply.
- If an AI only utilizes the grace period on certain of its exposures to connected natural persons for the compliance with rule 87(c) under Part 8 of the BELR, report in items 1 and 2 the exempted/approved exposures in relation to the

connected natural persons under Part 8 to which the grace period does not apply.

### **Supplementary Reporting Requirement**

In addition, the relevant AIs will be required, pursuant to section 63(2) of the BO, to **submit the following information** with respect to the exposures to which the grace period applies<sup>2</sup> to the HKMA when submitting the Certificate of Compliance for the quarters ending September and December 2019: a letter enclosing a hard copy of the current version of the Certificate (i.e. version before the revision of September 2019) by completing--

- Part I(a),
- Part III items 1, 2, 3, 4 and 6 (as applicable and item 6 for the position of September 2019<sup>3</sup> only) as if sections 81, 83 and 88 of the BO were still in operation during the reporting period; and
- Part V items 1 and 2 as applicable for exempted/approved transactions in relation to sections 81 and 83 of the BO as if these sections were still in operation during the reporting period.

These hard copies have to be signed off by the usual delegated authorities of the AI and submitted to the AI's usual contact at HKMA.

---

<sup>2</sup> An AI which only utilizes the grace period (1) on certain of its large exposures for compliance with the large exposure limits under Part 7 of the BELR or (2) on certain of its exposures to connected natural persons for compliance with the limit under rule 87(c) of the BELR is only required to provide supplementary information with respect to the exposures subject to the grace period. To avoid doubt, for the purposes of the large exposure limit under Part 7, if the exposures to which the grace period is utilized are all exempted under current BO section 81, an AI should report zero under Part III item 1 of the current version of the Certificate.

<sup>3</sup> For the purpose of compliance with Part 6 of the BELR, an AI whose grace period expires before 30 September 2019 should report in Part III item 6 the maximum aggregate value of interests in land within the meaning of BO section 88(1) (except as excluded under BO section 88) up to the date the grace period expires.