

Completion Instructions

Certificate of Compliance with the Banking Ordinance of an authorized institution incorporated in Hong Kong Form MA(BS)1F(a)

Introduction

Section A : General Instructions

1. This Certificate is to be submitted by all authorized institutions (“AIs”) incorporated in Hong Kong essentially on a solo basis, unless otherwise specified.¹ AIs with subsidiaries or (in the case of liquidity requirements) other associated entities may additionally be required to submit the Certificate on a consolidated basis. In the case of a solo Certificate, report the positions of the AI’s Hong Kong offices and overseas branches (if any) in one Certificate; in the case of a consolidated Certificate, report the positions of the AI and its consolidated entities in a separate Certificate.
2. Unless otherwise specified by the Monetary Authority, AIs should submit the Certificate not later than 14 days after the end of each quarter (that is, 31 March, 30 June, 30 September or 31 December). If the submission deadline falls on a public holiday, it will be deferred to the next working day.
3. All figures reported in this Certificate should be shown to the nearest thousand, in HK\$ or HK\$ equivalents in the case of foreign currency items. The closing middle market T/T rates prevailing at the position date should be used for conversion purposes.
4. In completing this Certificate, reference should be made to the relevant sections of the Banking Ordinance or relevant rules of the Banking (Exposure Limits) Rules (“BELR”) regarding the scope of the statutory limits and restrictions.
5. For the purposes of Part XVIA of the Banking Ordinance and the BELR, the Monetary Authority may require an AI to observe the limitations and restrictions on a consolidated basis and may specify different subsidiaries for consolidation under Part XVIA and the BELR. The amount of Tier 1 capital reported in Part I (a) of this return may therefore differ from the relevant amount reported in the Return of Capital Adequacy Ratio (MA(BS)3). Institutions should therefore be careful in selecting the appropriate Tier 1 capital amount for reporting under Part II of the Certificate.
6. For the purposes of this Certificate, the term “value of charges” means the book value of the assets which have been charged to another party.
7. Securities transactions should be reported on the “trade date” basis. Both the CCR exposure and non-CCR exposure arising from repo-style transactions should be reported. Provisions on the determination of non-CCR exposure of repo-style

¹ A locally incorporated AI is required to certify its compliance with the liquidity requirements relating to the Liquidity Coverage Ratio, Liquidity Maintenance Ratio, Net Stable Funding Ratio and Core Funding Ratio where applicable to the AI on (i) a Hong Kong Office basis (as referred to in rule 10(1)(a) of the Banking (Liquidity) Rules (BLR)) and (ii) a solo basis (i.e. unconsolidated basis as referred to in rule 10(1)(b) of the BLR). Please refer to item 3 and the relevant completion instructions.

transactions are set out in rule 67 of the BELR. In brief, in relation to non-CCR exposure for securities transactions under sale and repurchase agreements (“repos”) and securities lending transactions, the AI must treat the securities sold or lent as remaining as its holding. For securities borrowing transactions, if the AI provides any securities to the counterparty in exchange as collateral for securities borrowed, it must treat the securities provided to the counterparty as remaining as its holding. Please also refer to rule 60 of the BELR on the determination of CCR exposure of repo-style transactions.

Section B : Specific Instructions

8. Part I - Tier 1 capital/Adjusted Tier 1 capital amount

Unless otherwise advised by the Monetary Authority, report Tier 1 capital and Adjusted Tier 1 capital amount figures as at the end of the previous quarter compiled on the basis for determining compliance with the BELR.

9. Part II - Compliance with the Banking Ordinance

9.1 Put an “X” in the appropriate column to indicate whether or not the AI has contravened each of the sections specified in this Part during the reporting period.

9.2 Items 1(a), (e), (f) & (g)

For the purposes of determining compliance with Parts 2, 6, 7 and 8 of the BELR, AIs should calculate on a daily basis the relevant ratios by dividing the aggregate exposure² by the Tier 1 capital or adjusted Tier 1 capital amount³ (whichever applicable) prevailing at the close of business on the same day. However, for the sake of convenience, AIs may use the Tier 1 capital or adjusted Tier 1 capital amount reported in Part I of this Certificate as the basis of calculation provided that there has been no significant reduction in the Tier 1 capital or adjusted Tier 1 capital amount during the quarter covered by the Certificate.

9.3 Item 1(b)

For the purpose of determining compliance with Part 3 of the BELR, AIs which, during the reporting period, have acquired the share capital of a company (except those with the written consent from the Monetary Authority under rule 24(1) of the BELR or exempted under rule 23(2) of the BELR) should calculate the ratio by dividing the value of the share capital (i.e. cost of acquisition or the accumulated value in the case of a series of acquisitions) by the Tier 1 capital prevailing at the close of business on the date of acquisition. However, for the sake of convenience, AIs may use the Tier 1 capital reported in Part I of this Certificate as the basis of calculation provided that there has been no significant reduction in the Tier 1 capital during the period from the end of the previous quarter to the date of acquisition.

9.4 Item 2

² The determination of the exposure amounts regulated under the BELR should: (1) in respect of Part 2, follow rule 13; (2) in respect of Part 6, follow rule 37; (3) in respect of Part 7, follow rules 46 and 47; and (4) in respect of Part 8, follow rules 89, 90 and 91.

³ Please refer to rule 33 of the BELR for the definition of *Adjusted Tier 1 capital amount*.

For the purpose of determining its compliance with the minimum capital adequacy ratio applicable to it (defined in section 3 of the Banking (Capital) Rules to be the AI's CET1 capital ratio, Tier 1 capital ratio and Total capital ratio), the reporting AI should take into account any variation of its capital adequacy ratio made by the Monetary Authority by notice served on the AI under section 97F(1) of the Banking Ordinance. That is, the reporting AI should certify compliance against the capital adequacy ratio specified in section 97F(1) notice. Moreover, for reasons already mentioned in paragraph 5 above, AIs which have been required by the Monetary Authority to observe the capital adequacy ratio on a consolidated basis should note that the consolidated Tier 1 capital to be used for computation under this section may not be the same as the one used under the BELR.

9.5 Item 3

Report in this item whether the reporting AI complied with the minimum liquidity requirement(s) applicable to it during the reporting period.

- If the reporting AI is a category 1 institution, the minimum liquidity requirements are the minimum required level of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) set out respectively in rule 4 and rule 8A of the Banking (Liquidity) Rules (BLR).
- If the reporting AI is a category 2 institution, the minimum liquidity requirement is the minimum required level of the Liquidity Maintenance Ratio (LMR) set out in rule 7 of the BLR. Further to this, a category 2A institution must also comply with the minimum Core Funding Ratio (CFR) set out in rule 8D of the BLR.

In the "solo" Certificate, the reporting AI should complete –

- sub-item (a) – covering the AI's Hong Kong office position as referred to under rule 10(1)(a) of the BLR; and
- sub-item (b) – covering the AI's unconsolidated position as referred to under rule 10(1)(b) of the BLR, if this position is applicable to the AI.

If the reporting AI is also required to submit the Certificate on a consolidated basis, it should, in the "consolidated" Certificate, complete item 3(c), covering the AI's consolidated position as referred to under rule 11(1) of the BLR.

9.6 Item 4

For the purpose of determining compliance with section 119A of the Banking Ordinance, only the reporting AI's solo position (i.e. the combined position of Hong Kong office and, if any, overseas branches) should be taken into account. This is applicable to reporting under both the solo and the consolidated Certificates.

9.7 Item 5

For the purposes of indicating compliance with the rules made under section 60A(1) of the Banking Ordinance (that is, the Banking (Disclosure) Rules, or hereafter referred to

the BDR), the reporting AI is required to complete item 5 under a solo Certificate only. The certification of compliance should be made in relation to the reporting AI's ~~most recent~~ disclosure statement(s) ~~issued prior to the Certificate of Compliance published during the reporting period~~. For instance, if the AI's financial year-end is ~~31 end~~ December, any contravention of the BDR in respect of its disclosures for the annual reporting period and the quarterly reporting period ending 31 March should be recorded in the Certificate for the period ending 30 June. ~~it should indicate in its solo Certificate~~ In the Certificate for the period ending 30 September, any contravention ~~whether it has contravened the requirements~~ of the BDR in respect of its disclosures for the interim reporting period should be recorded. ~~Any contraventions of the BDR in respect of its disclosures for the annual reporting period should be recorded in the Certificate for the period ending 30 June~~. Where the Certificate of Compliance relates to a quarter in which no disclosure statement has been ~~issued~~ published, the reporting AI should give the same answer as on the previous quarter's Certificate of Compliance.

The reporting AI should complete item 5 by putting a "Y" or "N" in the appropriate column to indicate whether or not the AI has contravened any of the requirements of the BDR. If the answer to item 5 is "yes", the AI should specify in the space provided the relevant section(s) of the BDR that it contravened and the disclosure statement to which the contravention relates. If the AI is exempted by the Monetary Authority for disclosures required under the BDR, it should tick the relevant box as provided in the Certificate.

10. Part III - Maximum Exposures under the BELR

10.1 Items 1 - 7

For each of the Parts of the BELR specified under these items, report the maximum exposure⁴ incurred during the reporting period. In this connection, the daily closing exposures should be used for comparison and reporting purposes. The amount reported should include only those transactions which are subject to the limitations / restrictions prescribed under the relevant rules. Items and transactions which are exempted under the relevant Parts of the BELR should not be included.

For item 1, an AI should report the name of and the relevant amount of maximum aggregate linked counterparty group exposure ("ALCG exposure"⁵) to a group of linked counterparties ("LC group") to which the AI has the maximum aggregate exposure during the reporting period. However, if the AI's maximum aggregate exposure during the reporting period is to a single counterparty which does not belong to any LC group, the AI should report the name of and the amount of maximum aggregate single counterparty exposure ("ASC exposure"⁶) to that counterparty instead. In valuing an exposure that is supported by a letter of comfort, the amount of exposure so covered by the letter of comfort is to be deducted. An example for the reporting is provided at Annex 1.

11. Part IV – Assets under Charge

⁴ Please refer to FN 2 for the determination of the exposure amounts regulated under Part 2, 6, 7 and 8 of the BELR.

⁵ See rule 47 of the BELR for the meaning of *ALCG exposure*.

⁶ See rule 46 of the BELR for the meaning of *ASC exposure*.

11.1 Item 1

Report in sub-item 1(c) the maximum ratio, expressed as a percentage, during the reporting period between the aggregate book value of all assets charged and the book value of the total assets after provisions (excluding contra items) of the AI. The book value of the numerator and denominator of such maximum ratio should then be reported under sub-items 1(a) and 1(b) respectively. For both the solo and consolidated Certificates, report only the AI's solo position covering the Hong Kong offices and, if any, overseas branches.

11.2 Item 2

Report in the table details of all charges created during the reporting period.

These include:

- Column (a) - Date

State in chronological order all the dates on which new charges, except those approved or exempted by the Monetary Authority, were created.

- Column (b) - Value of charges

Report the book value of the assets which were the subject of a new charge created on the date indicated in column (a).

- Column (c) - Aggregate value of all charges

Report the aggregate book value of all the assets which have been charged to another party (including those reported under column (b) but exclude those approved or exempted by the Monetary Authority under sections 119A(2) and 119A(3) at the close of business on the date indicated in column (a).

- Column (d) - Value of total assets

Report the book value of the total assets after provisions (excluding contra items) of the AI at the close of business on the date indicated in column (a).

12. Part V - Exempted / Approved Transactions

12.1 Item 1

Report the maximum amount of financial facilities⁷ or exposures that are excluded or disregarded under the BELR:

(1) (in relation to Part 4) from rule 27(2) by the Monetary Authority's written consent under rule 28(1);

⁷ Please refer to rule 2(1) of the BELR for the definition of *financial facility*.

(2) (in relation to Part 7) from rule 44(1) and (2) by the Monetary Authority's written consent or approval under rules 48(1)(e)(i)(B), 48(1)(f)(i)(B), 48(1)(n) or 57(1)(d)(i)⁸;

(3) (in relation to Part 8) from rule 87 (a), (b) and (c) by the Monetary Authority's approval or written consent under rules 85(3) or 92(1).

- Relevant rule of exemption under the BELR:

Specify the relevant rule under which exemption / approval / written consent has been given by the Monetary Authority.

- Name of customer:

- in the case of rule 28(1), report the name of the company for which the AI has been approved by the Monetary Authority under this rule to provide any financial facility against the security of any share, capital-in-nature instrument⁹ or non-capital LAC debt instrument¹⁰ of the company; and

- in the case of other rules under this item, provide the name of the counterparty/LC group to whom the relevant exposures were incurred. Where an approval is given by the Monetary Authority on an investment structure¹¹ under rule 48(1)(e)(i)(B), report the name of the issuer of the investment structure, i.e. no need to "look through" the structure. Where an exemption is granted by the Monetary Authority under rule 92(1) to a number of staff residential mortgage loans, the AI may report them in aggregate and under the title "unsecured staff mortgage loan".

- Type of facility/ exposure:

Specify the type of facility / exposure such as term loan, overdraft, financial guarantee, letters of credit etc. that has been granted by the AI or share capital, debt securities or investment structure etc that has been acquired by the AI.

- Limit approved by the Monetary Authority:

Report the limit of facility or exposure approved by the Monetary Authority.

- Maximum amount of financial facility or exposure:

Report maximum amount of financial facility or exposure during the reporting period for each of the exempted / approved transactions. In the case of exposure arising from investment structure, report the maximum book value of the AI's investment in the investment structure.

⁸ For an exposure covered by a letter of comfort, report in column 4 "Limit approved by the Monetary Authority" the maximum lending limit approved by the Monetary Authority on the letter of comfort and report in column 5 "Maximum amount of financial facility/ exposure" the maximum amount of exposure to the counterparty /LC group of that exposure during the reporting period. Please see Annex 1 for an illustrative example.

⁹ Please refer to rule 25(1) of the BELR for the definition of *capital-in-nature instrument*.

¹⁰ Please refer to rule 25(1) of the BELR for the definition of *non-capital LAC debt instrument*.

¹¹ Please refer to rule 39(1) of the BELR for the definition of *investment structure*.

12.2 Item 2

Report:

(1) the value as determined under Part 2 of the BELR of capital interest¹² or as determined under Part 7 of the BELR of share capital, debt securities or investment structure (as the case applies), acquired in the course of satisfaction of debt due to the AI or under an underwriting/ subunderwriting contract, as approved by the Monetary Authority:

- in respect of Part 2 of the BELR under rule 14(1)(b)(i)(B) and 14(1)(c)(i)(B) respectively; and
- in respect of Part 7 of the BELR under rules 48(1)(e)(i)(B) and 48(1)(f)(i)(B) respectively;

(2) the book value of interest in land acquired in the course of satisfaction of debts due to the AI as approved by the Monetary Authority under rule 38(b)(i)(B) of the BELR.

- Relevant rule of approval under the BELR:

Specify the rule under which the relevant approval was given by the Monetary Authority.

- Name of entity¹³/ location of property:

- Provide the name of the entity that issued the capital interest, share capital, debt securities or investment structure concerned, or,

- Provide the address of the property concerned.

- Date of acquisition:

Report the date on which the capital interest, share capital, debt securities or investment structure of an entity or the property was acquired by the AI.

- Expiry of approved period of holding:

Report the expiry date of the longer period of holding approved by the Monetary Authority.

- Value

Report the value as determined under Part 2 of the BELR of the approved holding of capital interest, or as determined under Part 7 of the BELR of the approved holding of share capital, debt securities and investment structure¹⁴ or the book value of properties which were outstanding at the end of the reporting period.

¹² Please refer to rule 14(4) of the BELR for the definition of *capital interest*.

¹³ Please refer to rule 39(1) of the BELR for the definition of *entity*.

¹⁴ Similar to Part V item 1, in respect of an approved holding of investment structure, AI should report the book value of its investment in the investment structure at the end of the reporting period.

12.3 Item 3

Report the maximum aggregate value of all charges during the reporting period which have been approved by the Monetary Authority under section 119A(2) of the Banking Ordinance.

- Particulars of charges:

Provide a description of the assets (e.g. properties, shares, debt securities, etc.) which have been charged to another party.

- Value of charges:

Report the book value of the assets charged.

- Limit of facility secured by charges:

Report the limit of facilities granted to the AI against the security of the charged assets.

- Maximum amount utilized:

Report the maximum amount of the facility utilized by the AI during the reporting period. For example, in the case of an overdraft facility, report the maximum amount that had been overdrawn by the AI during the reporting period.

12.4 Item 4(a)

Report the maximum aggregate value of all charges exempted by the Monetary Authority under section 119A(3) of the Banking Ordinance in respect of each of the classes of charges.

- Class of exempted charges:

Select the appropriate class of exempted charges, i.e.

- Charges in favour of Euroclear Bank S.A.;
- Charges in favour of Clearstream Banking S.A.; or
- Charges created in connection with the provision of initial margin for over-the-counter derivative transactions (“initial margin charges”).

- Particulars of charges:

Provide a description of the assets (e.g. properties, cash, shares, debt securities, etc.) which have been charged to another party.

- Value of charges:

Report the book value of the assets charged.

- Maximum amount utilized:

For initial margin charges, this column should be left blank. For other classes of exempted charges, report the maximum amount utilized under the exempted charges during the reporting period.

Item 4(b)

Report the top 5 counterparties among the exempted charges included in the maximum aggregate value of exempted initial margin charges reported under item 4(a).

- Charges in favour of:

Provide the name of the counterparty in favour of which the exempted charge has been created.

- Particulars of charges:

Provide a description of the assets (e.g. cash, shares, debt securities, etc.) which have been charged to each of the top 5 counterparties.

- Value of charges:

Report the book value of the assets charged.

Illustration of reporting the maximum exposure covered by a letter of comfort under Part III

Example:	HK\$'000
Maximum exposure during the quarter	900,000
Maximum lending limit	1,000,000

Since the maximum exposure is less than the maximum lending limit, the amount to be reported is zero.

In general, if an AI has operated within the approved maximum lending limit during the quarter, the reported amount should be zero.

Illustration of reporting the maximum amount of exposure excluded/disregarded in relation to a letter of comfort under Part V Item 1

Following the above example, the AI should report \$1,000,000 in column 4 “Limit approved by the Monetary Authority” of Part V item 1. Since the full amount of exposure is within the maximum lending limit and hence is disregard, the AI should report \$900,000 in column 5 “Maximum amount of financial facility/ exposure”.