Completion Instructions

Return of Liquidity Position of an Authorized Institution
(Form MA(BS)1E)

Introduction

This return captures information on institutions' liquidity ratio and funding sources. This information will be used to monitor institutions' compliance with the requirements under the Banking Ordinance supplemented by the policy & guidelines issued by the Hong Kong Monetary Authority ("HKMA"). These completion instructions should be read in conjunction with the circular letter of 24 January 1994 issued by the HKMA concerning its policy on supervision of liquidity of authorized institutions and the revised Fourth Schedule to the Banking Ordinance implemented on 1 August 1994.

Section A : General instructions and reporting principles

1. All authorized institutions ("AIs") are required to complete this return showing the position of their Hong Kong office(s) for each month. The return should be submitted to the Monetary Authority ("MA") not later than 14 days after the end of each month.

2. Locally incorporated AIs, as advised by the MA, may be required to complete an additional return on the consolidated position of their Hong Kong office(s) and certain overseas branches and subsidiaries. This return should be submitted to the MA not later than 21 days after the end of each month or at a deadline otherwise approved by the MA.

3. If the submission deadline falls on a public holiday, it will be deferred to the next working day.

4. Amounts should be shown to the nearest thousand in HK$ or HK$ equivalent in the case of foreign currency items. The closing middle market T/T rates prevailing at the close of business on the reporting date should be used for conversion purposes.

5. The meaning of the terms used in Part I of this return are specified in the Fourth Schedule to the Banking Ordinance.

6. "Weighted amounts" should be calculated by multiplying the principal amount of an item by the Liquidity Conversion Factor ("LCF") assigned to it. Weighted amount under the "HK$ + US$" and "Other currencies" columns should be calculated by multiplying the principal amounts of an item in these currencies by the relevant LCF.

7. "Remaining term to maturity" should be classified in accordance with the following illustrative examples:

Reporting Date

Remaining term to Maturity	31.1.94	28.2.94	29.2.94*	30.4.94
	Period Covered			
not more than 7 days	1.2.94 - 7.2.94	1.3.94 - 7.3.94	1.3.94 - 7.3.94	1.5.94 - 7.5.94
8 days to 1 month	8.2.94 - 28(29*).2.94	8.3.94 - 28.3.94	8.3.94 - 29.3.94	8.5.94 - 30.5.94
not more than 1 month	1.2.94 - 28(29*).2.94	1.3.94 - 28.3.94	1.3.94 - 29.3.94	1.5.94 - 30.5.94
more than 1 month but not more than 1 year	1.3.94 - 31.1.95	29.3.94 - 28.2.95	30.3.94 - 28.2.95	31.5.94 - 30.4.95
not more than 1 year	1.2.94 - 31.1.95	1.3.94 - 28.2.95	1.3.94 - 28.2.95	1.5.94 - 30.4.95
more than 1 year but not more than 5 years	1.2.95 - 31.1.99	29.2.95* or 1.3.95 - 28.2.99	1.3.95 - 28(29*).2.99	1.5.95 - 30.4.99
more than 5 years	1.2.99 onwards	29.2.99* or 1.3.99 onwards	1.3.99 onwards	1.5.99 onwards

*Assuming 29 days in February

8. Unmatured securities transactions and repo/reverse repo should be reported according to the treatments presented in Annex 2 to these instructions. The treatments are based on the impact of these transactions on the liquidity position of the reporting institution within one month. Market makers of Exchange Fund Bills/Notes and other Specified Instruments should however report their positions according to the specific completion instructions for item 5(a)(i) below. ***Where the Market Makers enter into repo transactions with HKMA through the Discount Window, they should report these transactions as recommended in Annex 2.***

9. “Specified Instruments” refer to those specified in Schedule 1 of the Sale and Repurchase Agreement with the HKMA - ***currently apply to notes issued by Mass Transit Railway Corporation, Airport Authority, The Hong Kong Mortgage Corporation Limited and The Kowloon-Canton Railway Corporation.***

Section B : Specific instructions

Item	Description

Part I.1

(2) Gold

This includes gold coins and gold bullion beneficially owned by the reporting institution.

(3) Total “one-month liabilities” due from/due to relevant banks

(3)(a) Report in this sub-item claims on relevant banks maturing within 1 month. This would include forward forward deposits due to be placed by relevant banks with the reporting institution within 1 month except those also maturing within 1 month from the reporting date. Claims under export bills discounted and marketable debt securities or prescribed instruments held should be reported in items (4) and (5) of Part I.1 respectively.

(3)(b) Report in this sub-item liabilities to relevant banks maturing within 1 month. This would include forward forward deposits due to be placed by the reporting institution with relevant banks within 1 month except those also maturing within 1 month from the reporting date. This would also include the contingent liabilities as referred to in the definition of item (11) below. Liabilities arising from debt securities or prescribed instruments issued by the reporting institution should be included in item (8) of Part I.1, unless otherwise agreed with the MA.

Amounts of interest payable and interest receivable which are due within 1 month in respect of claims on and liabilities to relevant banks should also be included in the calculation of the net “one month liabilities” to relevant banks.

Back-to-back transactions

Back-to-back transactions refer to those inter-office or intra-group transactions which typically involve two legs, one borrowing long (at more than 1 month's maturity) and the other lending short (at a maturity of not more than 1 month). Both legs of the transactions are for the same or similar amount and at the same or similar rate of interest and are, in most cases, rolled forward continuously. There may be no actual movement of funds.

In the case of a local branch (or an authorized subsidiary) of a foreign bank, the MA may approve a claim under a back-to-back transaction for liquidity purposes if the following conditions are met:

(a) the foreign bank is an international bank whose liquidity is managed, and supervised, on an integrated global basis;

(b) the transaction is carried out with the head office of the foreign bank; transactions with sister branches outside Hong Kong should not be included;

(c) the transaction has been accounted for and settled in the same way as other interbank transactions entered into in the normal course of business;

(d) there are no doubts about the liquidity of the head office;

(e) the head office has confirmed, in terms acceptable to the MA, that the effect of the transactions is to provide genuine liquidity to the branch even in the event of funding difficulties affecting the bank as a whole;

(f) in the case of transactions of material size, the home supervisor has confirmed to the MA that it is aware of the transaction and its purpose and has no objection to it.

The MA will approach the home supervisor for a confirmation where necessary. As a general rule, back-to-back transactions will be regarded as material if the liquidity ratio of the institution would drop below <u>30%</u> after excluding such transactions from the calculation of the ratio.

Amounts of interest payable and interest receivable in respect of claims on and liabilities to relevant banks due within 1 month should also be included in this item.

(4) <u>Export bills</u>

(4) (a) Report in this sub-item the amount of export bills drawn under letters of credit issued by relevant banks which are payable after sight or within 1 month. Report also export bills which are not drawn under letters of credit but accepted by relevant banks and due for payment within 1 month. However, sight bills which remain unpaid 14 days after negotiation and usance bills which remain unpaid 14 days after due date, or whose due date has been extended, should be excluded.

(4)(b) Usance bills which are excluded from sub-item 4(a) may be included in this sub-item provided that they are covered by re-discounting facilities approved by the MA. A re-discounting facility will be approved only if it meets the following criteria:

(a) it is provided by a third party relevant bank;

(b) it is irrevocable before its expiry;

(c) it allows usance bills to be re-discounted on a without recourse basis; and

(d) it provides for the proceeds of bills re-discounted to be remittable to the reporting institution within 1 month.

The amount to be reported under sub-item 4(b) should be net of any realisation cost or discounting charges the reporting institution may expect.

(5) <u>Marketable debt securities or prescribed instruments</u>

Report the amount of any securities or instruments eligible for inclusion in this item which the reporting institution may receive within 1 month either by maturity or by realisation in the secondary market.

(5)(a)(i) Exchange Fund Bills/Notes and other Specified Instruments

Market Makers of these instruments should report their positions in these instruments in accordance with the following instructions:

(a) the long and short positions of such instruments with a remaining term to maturity of not more than 1 year should be offset against one other;

(b) the long and short positions of such instruments with a remaining term to maturity of more than 1 year should similarly be offset against one other;

(c) if the net positions in both (a) and (b) above are long, they should be reported in sub-items (5)(a)(i)(A) and (5)(a)(i)(B) respectively;

(d) if the net positions in (a) and (b) are in the opposite direction (i.e. one is long and the other is short), the long position should be reduced by the amount of the short position on a dollar for dollar basis. The resultant net long position, if any, should then be reported in the appropriate time band.

(5)(a)(ii) Securities or instruments issued by the head office or sister branches of an AI incorporated overseas should not be included in this sub-item. They may be included in sub-items (5)(b)(ii), (5)(c), (5)(d) or (5)(e) if they meet the criteria for any of these sub-items.

(5)(b) The qualifying credit rating as specified in the Fourth Schedule generally relates to individual securities or instruments rather than the issuers of such securities or instruments. However, marketable debt securities which do not have an individual qualifying credit rating but which are issued or guaranteed by the central government or central bank of a country which has a qualifying credit rating should be included in item (5)(b)(i).

(5)(d) Marketable debt securities or prescribed instruments approved for inclusion by the MA

Als with any of the following securities may report them in this sub-item:

(i) unrated securities issued or guaranteed by the regional or local governments of a country which has a qualifying credit rating;

(ii) unrated securities issued by any institution which are re-discountable with the central bank of a country which has a qualifying credit rating;

(iii) unrated securities issued or guaranteed by a relevant bank which has a qualifying credit rating; and

(iv) any other securities from time to time approved by the MA for inclusion in this item.

(6) Eligible loan repayments

Report in this item repayments of loans, including the principal and interest receivable which fall due within 1 month**,** by customers other than relevant banks. Refer to the definitions in the Fourth Schedule to the Banking Ordinance for the eligibility criteria of loan repayments for inclusion in this item. ***This item should exclude any repayment in respect of mortgage loans reported in item (7) below.***

For the purpose of this item, a loan will be regarded as fully performing if there are no arrears of principal or interest. Where the payment date(s) of principal or interest of a loan has been "rescheduled", including the roll-over of a loan on its original due date or the negotiation of a loan of its payment terms in advance of maturity, the loan can still be regarded as fully performing provided that:

(a) the rescheduling of payment dates is not caused by a deterioration in the financial position of the borrower or of his ability to meet the original repayment schedule; and

(b) the revised payment terms are not "non-commercial" to the authorized institution.

In the case of loans repayable by instalments at intervals of not more than 1 month (e.g. residential mortgage loans, hire purchase loans and personal loans), they will still be regarded as fully performing if there is no instalment which is overdue for more than 1 month on the reporting date.

Loans falling due within one month that have revolving features, i.e. where the reporting institution has a commitment to provide finance to its customer under a facility on an on-going basis, should not be included in this item. However, such revolving loans can be included as eligible loan repayments when both the revolving loan and the facility are due to mature or expire within one month and there is no commitment, either verbally or in writing, that the facility will be renewed. The background and rationale for the treatment of revolving loans in the statutory liquidity ratio are given in the HKMA's letter of 27 May 1994 to AIs.

For repayments of loans which are secured by deposits pledged with the reporting institution, their reporting principles are based on a cash flow concept. The following table illustrates how the loan repayments and the pledged deposits, both of which are due within 1 month, should be reported.

	Amount to be included in			
Scenarios	Eligible Loan Repayment		1-month liabilities	
	(A)	(B)	(A)	(B)
L = D	-	R*	-	-

L > D	R - D	R*	-	-
L < D	-	R*	D - L	D - L

(A) = in the case of a loan, including a loan to be repaid by instalments, the outstanding balance of which will be fully repaid within 1 month

(B) = in the case of a loan the outstanding balance of which will not be fully repaid within 1 month

L = outstanding balance of the loan

D = amount of the pledged deposit

R = repayment(s) of the loan due within 1 month

* = to the extent that the repayments will not be used to reduce the amount of the deposit or interest payable thereon.

Where the pledged deposit matures beyond 1 month, a repayment of the loan due within 1 month can be included as eligible loan repayment.

(7) ***Residential mortgage loans in respect of which there has been issued by The Hong Kong Mortgage Corporation Limited ("HKMC") an irrevocable commitment to purchase which is approved by the Monetary Authority***

AIs should seek prior approval from the MA before reporting any mortgage loans under this item.

Report in this item the amount of residential mortgage loans covered by HKMC's irrevocable Forward Commitment Facility ("Facility") and are immediately saleable to HKMC. Such loans must conform to HKMC's purchasing requirements and satisfy any conditions as set out in its Forward Commitment Facility Letter Agreement approved by the MA for this purpose.

In addition, the total reported amount cannot exceed the amount of commitment agreed under the Facility less any commitment amount utilised. During the Initial Period, the amount of commitment shall be the entire amount under the approved Facility (i.e. both the Initial Allocated Amount and the Subsequent Allocated Amount). During the Subsequent Period, it shall be the Subsequent Allocated Amount adjusted for any unutilized amount rolled over from the Initial period.

If HKMC, under the facility agreement, requires the AI to repurchase default mortgages, the obligation to repurchase the mortgage should be included in qualifying liabilities for liquidity calculation purpose if the repurchase is to be made within 1 month.

(8) Debt securities or prescribed instruments issued

Report the amount of any such securities or instruments with a remaining term to maturity of not more than 1 month issued by the reporting institution and interest payable thereon. However, these liabilities may be given the standard treatment applied to 1-month liabilities due to relevant banks or non-relevant bank customers, as the case may be, if the reporting institution can demonstrate to the satisfaction of the MA that they have similar rollover characteristics to such other 1-month liabilities. The MA will require a reasonable assurance, based on past experience, that the maturing liabilities would be replaced and were not simply “one-off” transactions. This might apply, for example, where the institution is able to tap a reliable pool of investors through regular issues of certificates of deposit.

Alternatively, they can be treated in the same way as interbank borrowings if the institution can demonstrate to the MA that alternative funding will be available from specific lines of credit standby facilities provided by a third party relevant bank in the event of a failure to refinance.

Qualifying liabilities

(10) Total net “one-month liabilities” to relevant banks

If the reporting institution's “one-month liabilities” to relevant banks exceed the latter's “one-month liabilities” to it, i.e. where item (3)(b) of Part I.1 is greater than item (3)(a) of the same Part, report the net “one-month liabilities” to relevant banks in this item.

(11) Other one-month liabilities

Report in this item deposits and other liabilities payable including interest payable within 1 month to non-bank customers (including non-relevant banks). “Other liabilities” include the reporting institution's irrevocable commitments to provide funds on a known date of draw down within 1 month or irrevocable standby facilities which are at call or have a notice period within 1 month. This would include a commitment to pay under contingent liabilities, e.g. a call on the institution to meet its undertaking under a guarantee. Commitments to provide funds which can be unconditionally cancelled (such as credit facilities for overdrafts) should be excluded.

Pledged deposits, to the extent of the outstanding balance of the loan which is secured by them, should be excluded from this item. Deposits which have been pledged with the reporting institution to secure off-balance sheet items should be included as qualifying liabilities except to the extent that they are pledged to secure such items which are also included as qualifying liabilities.

Amounts due to third parties (customers or brokers) when the reporting institution has sold or bought securities on behalf of clients for which the settlement date is not yet due should be excluded from this item. Similarly, the corresponding receivables (from brokers or clients) should not be included as liquefiable assets. Exclusion from liquefiable assets and qualifying liabilities is also applicable to the account receivables and payables arising from the margin trading deals which are valued but unsettled. These refer to margin trading positions which the customer has not given instructions to close out. The margin deposits should however be included as qualifying liabilities where appropriate.

Part I.2 Average liquefiable assets and qualifying liabilities

These should be calculated by dividing the sum of the weighted amounts of liquefiable assets, or the sum of qualifying liabilities, as the case may be, which are maintained by the reporting institution at the close of business on each working day during a month by the number of working days during that month.

In the case of institutions which have been approved by the MA to calculate their average monthly liquidity ratios on the basis of specified days during a month, their average liquefiable assets and average qualifying liabilities should be calculated by dividing the sum of the weighted amounts of liquefiable assets, or the sum of qualifying liabilities, as the case may be, maintained by the institution at the close of business on each of the specified days during a calendar month by the number of such specified days during the same month. If such specified day is a public holiday, the immediate preceding working day shall be taken for the purpose of such calculation.

Part I.3 Lowest liquidity ratio during the month

This should be the lowest liquidity ratio recorded at the close of business on a working day, or specified day and the last calendar day of the month, as the case may be, during the month covered by the return.

Part II.1 Inter-office/Intra-group transactions included in Part I.1

“Connected Als” and “connected banks outside Hong Kong” include any such AI or bank which is for the time being a minority or majority shareholder controller (as defined in section 2 of the Banking Ordinance), subsidiary, associate or affiliate of the reporting institution.

Part II.2 Deposits from connected customers

Connected customers include any non-bank customer who is for the time being:

(a) a holding company, subsidiary, associate or affiliate of the reporting institution;

(b) a minority or majority shareholder controller (as defined in section 2 of the Banking Ordinance) of the reporting institution and the spouse of any such shareholder in the case of an individual; or

(c) a director of the reporting institution and the spouse of any such director.

Part II.3 <u>Back-to-back transactions included in the computation of liquidity ratio</u>

Report in this part details of back-to-back transactions which have been included in the computation of the liquidity ratio. The two legs of a back-to-back transaction should be reported on the same row.

Indicate with an asterisk, (*) against the amount of a claim where the reporting institution has an option to call for repayment before the contractual maturity with a period of notice of not more than 7 days.

Part II.4 A & B ***In this part, report irrevocable standby facilities received from/given to banks, authorized institutions and HKMC. For the reporting of the Forward Commitment Facility issued by HKMC and approved by the Monetary Authority, the amount of the available limit should be reported. For facilities of over 6 months, both the Initial Allocated Amount and the Subsequent Allocated amount should be reported as the commitment amount in the Initial Period. During the Subsequent Period, report the Subsequent Allocated Amount and any unutilized Initial Allocated Amount rolled over by HKMC.***

Part II.4 C & D In this part, different deposits from the same non-bank customer and different borrowings by the same bank should be aggregated. Deposit from non-bank customers may be identified by account/customer numbers. Use of a different number from that applied to the same client in a previous return must be indicated and cross referenced.

For the purpose of this part, borrowings and deposits from Exchange Fund should be regarded as deposits from banks.

HONG KONG MONETARY AUTHORITY
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Annex 1

Method of Calculation of Tier 1 Liquidity Ratio

1. The Tier 1 liquidity ratio of an authorized institution shall be calculated as the ratio, expressed as a percentage, between its Tier 1 liquefiable assets as specified in paragraph 2 and its Tier 1 qualifying liabilities as specified in paragraph 3.

2. The Tier 1 liquefiable assets of an authorized institution shall be the sum of the weighted amounts, calculated in Hong Kong dollars, of the following items which are reported in the return of Liquidity Position -

Tier 1 liquefiable assets	Item reference in Part I of the return of Liquidity Position
Cash	1.(1)
Gold	1.(2)
Net 7-day claims on relevant banks	5.(1)(c)
Export bills payable or re-discountable within 7 days	5.(2)(a) + (b)
Marketable debt securities or prescribed instruments maturing or realizable within 7 days	1.(5)(a) + 1.(5)(b) + 1.(5)(d) + 5.(3)(a) + 5.(3)(b)
Eligible loan repayments falling due within 7 days	5.(4)
Deduction: Debt securities or prescribed instruments with a residual maturity of within 7 days issued by the authorized institution	5.(5)

3. The Tier 1 qualifying liabilities of an authorized institution shall be the sum of the principal amounts, calculated in Hong Kong dollars, of the following items -

Tier 1 qualifying liabilities	Item reference in Part I of the return of Liquidity Position
Net 7-day liabilities to relevant banks	5.(1)(b) - 5.(1)(a) > 0
Net 8 days - 1 month liabilities to relevant banks	{[1.(3)(b) - 5.(1)(b)] - [1.(3)(a) - 5.(1)(a)]} > 0
Other 1-month liabilities	1.(11)

Annex 2

Liquidity Return - Treatment of securities transactions and repo/reverse repo

Background

1. The liquidity return aims to gather information to monitor the liquidity position of an institution in a quantitative perspective as specifically defined in the Fourth Schedule to the Banking Ordinance. The reporting requirements attached to the various items are therefore designed to reflect the change in the liquidity position of the institution arising from such items. These may differ from the general accounting treatments of such items as the latter are not designed specifically for the measurement of liquidity. It is also not unusual for the treatment of specific items to differ between financial reporting and regulatory reporting.

2. The general accounting treatment of securities transactions poses a particular problem due to the adoption of two different approaches by institutions, i.e. trade date vs. value date accounting. The essence is whether during the period when the deal is committed and pending settlement, it should be booked as a deal done with the creation of account payable/receivable or booked purely as a commitment i.e. off-balance-sheet. The Working Group has endorsed the trade date accounting approach and therefore the subject securities of unmatured deals will be booked as having moved from the seller to the purchaser with the creation of the corresponding account receivable/payable.

3. Securities transactions also commonly involve a repo/reverse repo mechanism where a sale and a purchase deal on the same subject are transacted simultaneously for different value dates. The substance of the transactions can be taken as a collateralised deposit or a collateralised loan, as in reality the repo subject does not move away from the owner, i.e. the party doing the repo. The Working Group has endorsed this substance approach for repo/reverse repo transactions. On this basis the party doing the repo will book a cash inflow (increase of nostro balance) with a corresponding account payable, while the party doing the reverse repo will book a cash outflow (decrease of nostro balance) with a corresponding account receivable. The subject of the transaction will remain booked with the original owner i.e. the party doing the repo throughout the period of the transaction.

4. Based on the above guiding principles covering both the intention of the liquidity regime and the accounting treatments aimed to reflect the substance of the particular transactions, the reporting requirements of the liquidity return under various scenarios are presented in the following pages. The underlying rationale is also explained where appropriate. Where there is a reference to the reporting of a qualifying liability and the liability is due to a relevant bank, it means the amount will be set off against amounts due from relevant banks for reporting purpose.

Treatment of unmatured securities transactions and repo/reverse repo

1. Unmatured purchase

(a) subject is a liquefiable asset

Report the subject as a liquefiable asset.

Report the corresponding account payable as a qualifying liability.

(b) subject is not a liquefiable asset

No liquefiable asset can be reported.

Report the corresponding account payable as qualifying liability.

2. Unmatured sale

(a) subject is a liquefiable asset

The subject cannot be reported as a liquefiable asset since it has been removed from the reporting institution's books on the trade day. Report the corresponding account receivable as a liquefiable asset on the basis of a net one month liability due from relevant bank or an eligible loan repayment, depending on the type of counterparty and provided the conditions in the Fourth Schedule are fulfilled. The possible change in the amount to be reported due to the different Liquidity Conversion Factor reflects the change in the "liquid quality" of the asset arising from the transaction.

No qualifying liability arises from the transaction.

(b) subject is not a liquefiable asset

Neither the subject nor the corresponding account receivable can be reported as a liquefiable asset. A stricter approach is adopted for the sale of non-liquefiable assets in general (i.e. not restricted to securities) because the inclusion of such account receivables will basically capture the sale of any asset pending settlement. This is not in line with the spirit of the liquidity regime. Non-liquefiable assets can be converted to liquefiable assets by sale only upon the receipt of cash.

No qualifying liability arises from the transaction.

N.B. Items 1 and 2 assumes that the settlement period of the relevant transaction is within 1 month.

3. Repo due to unwind within 1 month

(a) repo subject is a liquefiable asset

The repo subject remains in the books of the reporting institution but cannot be reported as a liquefiable asset since it is regarded as "collateral" to secure a "deposit" and not free from encumbrance. If the cash inflow (increase in nostro balance) remains in the liquefiable asset form, the liquidity position will not change significantly because the liquefiable asset has only changed from one form to another. If however the cash inflow is utilised to acquire a non-liquefiable asset, the liquefiable assets will be reduced because a liquefiable asset (the repo subject) has been exchanged for a non-liquefiable one. This treatment ensures that no extra liquefiable asset is created.

The corresponding account payable is not reported as qualifying liability because the future cash outflow will bring in a future liquefiable asset and the liquidity position in essence does not change (apart from the possible difference in LCF). In other words, once the account payable is settled, the repo subject immediately ceases to be "collateral" and can be reported as liquefiable asset.

In summary, both the repo subject and the account payable arising from the repo should be excluded from the reporting of liquefiable assets and qualifying liabilities respectively.

(b) repo subject is not a liquefiable asset

Similar to 3(a) the cash inflow (increase in nostro balance) may result in a net increase in liquefiable assets if the funds stay in cash form or are being utilised to acquire a liquefiable asset because a non-liquefiable asset (the repo subject) has exchanged for a liquefiable one. If the funds are utilised to acquire a non-liquefiable asset, there will be no net impact on liquefiable assets as the original subject is also a non-liquefiable asset.

The corresponding account payable is a qualifying liability because the cash outflow will not result in a liquefiable asset and there is no "offsetting" effect.

4. Reverse repo due to unwind within 1 month

The reverse repo subject is effectively regarded as "collateral" pledged by the counterparty for a loan and remains in the books of the counterparty. The cash outflow (decrease in nostro balance) will be reflected in the reduction of liquefiable asset but the corresponding account receivable is a liquefiable asset either in the form of net one month liabilities due from relevant bank or eligible loan repayment, depending on the type of counterparty, provided the conditions in the Fourth Schedule are fulfilled.

No qualifying liability arises from the transaction.

5. Repo due to unwind beyond 1 month

(a) repo subject is a liquefiable asset

Similar to item 3(a), the repo subject cannot be reported as liquefiable asset.

No qualifying liability arises from the transaction as yet since the corresponding account payable is only due after 1 month.

(b) repo subject is not a liquefiable asset

Same consideration of liquefiable assets and qualifying liabilities as in item 5(a).

6. Reverse repo due to unwind beyond 1 month

Same as under item 4, report the cash outflow (decrease in nostro balance) as a reduction of the liquefiable asset. However, the corresponding account receivable is not a liquefiable asset since it is a claim due beyond 1 month.

No qualifying liability arises from the transaction.