

## Completion Instructions

### **Return of Cross-border Claims (Form MA(BS)9)**

#### Introduction

1. This return collects information on authorized institutions' exposures to foreign counterparties on which the ultimate risk lies.

#### Section A : General Instructions

2. The general reporting requirements for authorized institutions incorporated locally and overseas are as follows:-

	<u>Coverage</u>	<u>Reporting frequency and submission deadline</u>
Institutions incorporated in HK	Consolidated position of the institution including all its branches and subsidiaries worldwide	Half yearly; not later than <u>6 weeks</u> after 30 June and 31 December
Institutions incorporated overseas	Position of the <u>HK</u> offices only	Half yearly; not later than <u>1 month</u> after 30 June and 31 December

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

3. Amounts should be shown to the nearest million, in HK\$ or HK\$ equivalents in the case of foreign currency items, before deduction of provisions. The closing middle market T/T rates prevailing at the reporting date should be used for conversion purpose. Where claims are acquired at less than their nominal value, the discounted value should be shown.

4. Claims should be reported in column (1), (2) or (3) according to the status of the counterparty and his address. This means, in the case of a company with branches, the business address of the office with which the reporting institution has the claims on and in the case of an individual, his home address. Temporary or correspondence addresses should be disregarded. All claims which cannot be properly classified into a particular country should be reported in aggregate under the "unallocated" category (Code 5M on page 7 of the form).

5. **Transfer of risk**

Certain claims reported in columns (1), (2) and (3) should be transferred from one country to another in accordance with the instructions for columns (5) to (8). Such transfer of risk should be made only if the claims concerned are either:

- (a) guaranteed by a party in another country; or
- (b) made with an overseas branch of a bank whose head office is located in another country.

***Claims guaranteed by parties in different countries should be transferred to the country of each guarantor according to the amounts being guaranteed. In case where the guarantors' liabilities are joint and several, the transfer of risk to the country of the guarantors should be reported at the reporting institution's best estimation.***

No transfer will be required for any collateralised claims which do not meet the above criteria.

6. Locally incorporated institutions with overseas branches or subsidiaries should exclude from reporting those claims of their overseas ***branches and overseas subsidiaries*** which are due from local residents and are denominated and funded in the local currency.
7. Certain claims on counterparties in Hong Kong have to be included in this return. These are explained in more detail in Section B.

8. For the purposes of this return:

"Claims" include the following types of assets:

- receivables and loans and advances;
- balances due from banks;
- holdings of certificates of deposit, bills, promissory notes, commercial paper and other negotiable debt instruments;

and also include accrued interest and overdue interest on these assets. *However, any accrued interest or overdue interest which has not been recognised in the profit & loss account but credited as interest in suspense should be netted off against the corresponding account whether or not it has been capitalised.* Off-balance sheet items are excluded.

"International Organizations" (Part A) are those organizations listed in Annex 1. They may include other organizations which are not given in Annex 1 but are regarded as such by the HKMA.

"Banks" (Column 1) refer to institutions which are regarded as such by the appropriate supervisory authorities in their place of incorporation. *They include authorized institutions incorporated in Hong Kong and banks which are owned by the central, local and state governments of a country (other than the central bank of that country).* In case the reporting institution is incorporated outside Hong Kong, any claims on its head office and branches outside Hong Kong should be reported under column (1).

"Public Sector" (Column 2) refers to the central, local and state governments of a country and includes enterprises and agencies which are owned/controlled by these governments. It includes also the central bank of that country. *Banks owned by the central, local or state government of a country (other than the central bank) should however be reported under column(1).*

"Others" (Column 3 of Part B) refer to customers other than international organizations, banks and public sector entities.

## **Section B : Specific Instructions**

### 9. Columns (1) to (4)

Report in Part A all claims on "International Organizations".

Report in columns (1) to (3) claims on counterparties in each country according to their addresses and status as "Banks", "Public sector", and "Others".

Report in column (4) the total of columns (1) to (3).

Claims on a counterparty (*other than a bank as defined under paragraph 8*) in a country which is partially owned by the central, local or state government of the country should be reported under column (2) according to the proportion of their ownership. The remaining portion should be reported in column (3). Claims on a counterparty (*other than a bank as defined under paragraph 8*) which is operating in one country but is owned by the central, local or state government of another country should be reported under column (3) against the first-mentioned country.

Claims in the form of certificates of deposit or other debt instruments should be reported in the country where the issuer is situated, e.g. CDs issued by the London branch of an U.S. bank should be reported as a claim on U.K. in column (1).

In the case of export trade bills purchased/negotiated/discounted by the reporting institution, the claims should be reported according to the address of the drawee, or if the bills are drawn under letters of credit or accepted by banks, the address of the LC issuing bank or accepting bank, as the case may be. ***Bills drawn under confirmed letters of credit may be reported according to the address of the LC issuing bank or that of the confirming bank.*** For export bills discounted with recourse to the drawer, transfer of risk should be made as if these bills are subject to the guarantee of the drawer unless they are drawn under letters of credit issued by banks or accepted by banks.

### 10. Column (5)

Report in column (5) the amounts reported in column (1) that represent:

- claims on a bank whose head office is located in another country; or
- claims on a bank where the claim is guaranteed by a guarantor in another country.

11. Column (6)

Report in column (6) the amount reported in column (5) according to the address of the head office or the guarantor which is in a country other than that of the borrower. For example, a placement with the Brazil branch of a U.S. bank; an entry to "Brazil" should be made under column (5) and an entry to "U.S.A." should be made under column (6). But if the placement is guaranteed by a Japanese guarantor, an entry under column (6) should be made against "Japan" instead of "U.S.A." to indicate that the ultimate risk lies with Japan. ***Where the Japanese guarantor is a branch of a bank, the ultimate risk should lie with the country of the head office of such bank.***

12. Column (7)

Report in column (7) the amounts reported in columns (2) and (3) which are guaranteed by a third party in another country.

13. Column (8)

Report in column (8) the amount reported in column (7) according to the address of the guarantor which is in a country other than that of the borrower. For example, in the case of a loan to a company in the Philippines which is guaranteed by a Japanese holding company, an entry to "Philippines" should be made under column (7) and an entry to "Japan" should be made under column (8).

14. Column (9)

The amounts to be reported in this column should be calculated as:

$$\text{Column (4)-(5)+(6)-(7)+(8)}$$

This represents the total cross-border claims of the reporting institution on each country.

15. Column (10)

Report in column (10) the provisions established for country risks (i.e. exclude provisions for commercial risks or credit risks).

16. Claims on counterparties in Hong Kong

The country line for Hong Kong should be completed only in respect of risk transfers into or out of Hong Kong i.e. a claim on an overseas counterparty where the ultimate risk would be transferred back to Hong Kong or vice versa. For example, a claim on the U.S. branch of a Hong Kong incorporated bank should be included against "U.S.A." in columns (1) and (5) and against "Hong Kong" in column (6). On the other hand, a claim on a counterparty in Hong Kong which is guaranteed by a guarantor in Japan should be included against "Hong Kong" in column (1), (2) or (3), as the case may be and against "Japan" in column (6) or (8).

17. Claims on the former Yugoslavia, Soviet Union and Czechoslovakia

Report the positions with the former Yugoslavia under the country line for "Western Europe - other" (code 2B). For positions with the successor republics of the former Soviet Union and the former Czechoslovakia, other than Russia and Czech Republic, they should be reported under the country line for "Eastern Europe - other" (code 2E).

18. Consistency check

The amount reported in the columns indicated below should be consistent:

- In the country line for Hong Kong

column (1)	= column (5)
columns (2) + (3)	= column (7)
columns (6) + (8)	= column (9)

- In the line "Total of section B" in page 7

column (5) = column (6)
column (7) = column (8)
column (4) = column (9)

19. Arrangements in lieu of Provisioning requirement

For the purpose of this part, "subordinated deposit in lieu of provision" means a subordinated deposit from the shareholders of the authorized institution which has been accepted by the Monetary Authority as an alternative to provisions against the debts of countries experiencing repayment difficulties.

Hong Kong Monetary Authority  
April 1997

International Organizations

(a) EU Organizations

European Atomic Energy Authority  
European Coal and Steel Community  
European Community  
European Investment Bank  
European Monetary Institute

(b) Other International Organizations

African Development Bank  
Andean Development Corporation  
Andean Group, The  
Arab Bank for Economic Development in Africa  
Arab Fund for Economic and Social Development  
Arab Monetary Fund  
Asian and Pacific Coconut Community  
Asian Clearing Union  
Asian Development Bank  
Association of South East Asian Nations  
Caribbean Community, The  
Caribbean Development Bank  
Central African States' Development Bank  
Central American Common Market  
Central American Bank for Economic Integration  
Colombo Plan  
Council of Europe  
East African Development Bank  
Economic Community of West African States  
European Bank for Reconstruction and Development  
European Company for the Financing of Railway Rolling Stock (“EUROFIMA”)  
European Free Trade Association  
European Nuclear Research Centre  
European Space Agency  
European Telecommunications Satellite Organization  
Food and Agriculture Organisation  
General Agreement of Tariffs and Trade  
Gulf Cooperation Council  
Inter-American Development Bank

Intergovernmental Council of Copper Exporting Countries  
International Atomic Energy Agency  
International Bank for Reconstruction and Development  
International Bauxite Association  
International Civil Aviation Organisation  
International Cocoa Organisation  
International Coffee Organisation  
International Cotton Advisory Committee  
International Development Association  
International Finance Corporation  
International Fund for Agricultural Development  
International Jute Organisation  
International Labour Organisation  
International Lead and Zinc Study Group  
International Maritime Satellite Organisation  
International Maritime Organisation  
International Monetary Fund  
International Natural Rubber Organisation  
International Olive Oil Council  
International Red Cross  
International Rubber Study Group  
International Satellite Organisation  
International Sugar Organisation  
International Telecommunications Union  
International Tin Council  
International Wheat Council  
Islamic Development Bank  
Latin American Association of Development Financing Institutions  
Latin American Economic System  
Latin American Energy Organisation  
Latin American Export Bank  
Latin American Integration Association  
Latin American Reserve Fund  
League of Arab States  
Nordic Investment Bank  
North Atlantic Treaty Organisation  
OPEC Fund for International Development  
Organisation for Economic Co-operation and Development  
Organisation of African Unity  
Organisation of American States  
Organisation of Arab Petroleum Exporting Countries  
Organisation of Central American States  
Organisation of Eastern Caribbean States  
Organisation of Petroleum Exporting Countries  
South Asian Association for Regional Cooperation

United Nations  
United Nations Conference on Trade and Development  
United Nations Educational, Scientific and Cultural Organisation  
United Nations International Children's Emergency Fund  
Universal Postal Union  
West African Clearing House  
West African Economic Community  
West African Monetary Union  
Western European Union  
World Council of Churches  
World Health Organisation  
World Meteorological Organisation  
World Intellectual Property Organisation