

**Return of Current Year's Profit & Loss Account
MA(BS)1C**

Summary of Changes

1. Reporting frequency of returns submitted by overseas branches of locally incorporated authorized institutions

(Return – Cover page; Completion instructions – Section A item 2)

To reduce the reporting burden of locally incorporated AIs, the frequency of such reporting is changed from a quarterly basis to half yearly, to the extent that the quarterly data can be supplemented by management information.

2. Investment in securities for reporting institutions adopting SSAP24

(Return – Part I items 3.1 - 3.3; Completion instructions – Section B Part I items 3.1 - 3.3)

To avoid confusion with the terms used in SSAP24, the headings of items 3.2 and 3.3 of the Return are changed to “Dividend from subsidiary and associated companies and other equity investments” and “Income from non-trading investments” respectively. In addition, clarification is now made as to how to map the various categories of securities under the alternative or benchmark approaches of SSAP24 onto the respective items of this return.

3. Two new items : “Deficit/(surplus) on revaluation of land and buildings” and “Impairment loss/(reversal of impairment loss) on assets”

(Return – Part I items 11A and 11B; Completion instructions – Section B Part I items 11A and 11B)

Two new items are now added in the return to facilitate AIs to report (i) revaluation deficit or surplus on land and building and (ii) impairment of assets. Guidance is also given in the completion instructions to standardise the reporting treatment of these two items.

4. “Exceptional items” and “Extraordinary profit/(loss)”

(Return – Part I existing item 14; Completion instructions – Section B Part I existing item 14 and revised item 16)

“Exceptional items” are no longer catered for to reflect the abolition of “Exceptional items” in SSAP2 “Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies” while the definition of “Extraordinary profit/(loss)” is revised to bring it fully into line with the SSAP.

5. Dividend income

(Return – Part I items 19.1, 19.2 and 19; Completion instructions – Section B Part I items 3.2, 19.1, 19.2 and 19)

Dividend income is to be reported on a “declared” basis, as opposed to the “receipt” basis, to bring it into line with SSAP18 “Revenue” which specifies that “dividends should be recognised when a shareholder’s right to receive payment is established”.

6. A new column on “Country risk provision”

(Return - Part II item 1(c); Completion instructions – Section B Part II item 1)

This change is to facilitate the reporting of country risk provision for AIs which have separately set aside such provision against their cross-border exposures.

7. Interest income (or expenses) arising from securities held (or in short position) for trading purposes

(Completion instructions – Section B Part I items 1.1 and 1.2)

Although most AIs generally report the interest element on such securities under the respective “Interest income” or “Interest expense” items, a few institutions choose to report them under item 3.1 “Income from investments held for trading”. To standardise the reporting treatment of these items and facilitate proper comparison of AI’s net interest margin, it is now clarified that such items should be reported as interest income or expenses, as the case may be.

8. Amortisation of discounts and premiums of securities held or issued

(Completion instructions – Section B Part I items 1.1 and 1.2)

The change is to clarify that any amortisation of discounts and premiums on securities held by the reporting institution should be reported as “interest income” while any amortisation of discounts and premiums on securities issued by the reporting institution should be reported as “interest expenses”.

9. Gains or losses arising from early redemption or disposal of: (i) non-trading investments and (ii) securities issued by the reporting institutions

(Completion instructions - Section B Part I items 3.3 and 6)

Presently, different reporting treatments have been adopted on these items - some AIs take them to interest income/expenses while others take them to investment income or other income. Taking into account their non-recurring nature and to standardise reporting, profits or losses (including unamortised premiums or discounts) arising from early redemption or disposal of non-trading investments should be reported under item 3.3 “Income from non-trading investments” while any gains or losses (including those arising from the remaining unamortised premiums or discounts) on early redemption of

securities issued by the reporting institutions should be reported under item 6 “Other income”.

10. Staff expenses

(Completion instructions – Section B Part I item 8.1)

The explanation of “staff expenses” has been refined to reflect the accounting treatment of employee benefits under SSAP34.

11. Unrealised/deferred gains and losses in derivatives

(Completion instructions – Section B Part I item 20)

Clarification is made that reporting institutions are allowed to net off their unrealised/deferred gains and losses in derivatives only where a legally enforceable bilateral netting agreement exists.

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