

**Return of Loans and Advances and Provisions
MA(BS)2A**

Summary of Changes

1. Economic sector breakdown

(a) “Telecommunications”

(Return – Part I items A5a, C & E1; Completion instructions - Section B paragraph 6.5)

Separate reporting of lending to the telecommunication sector is now required. Loans to companies engaging in the provision of telecommunication services are to be reported in item E1 “Information technology – Telecommunications” while those relating to the manufacturing of telecommunication equipment are to be reported in item A5a. The existing quarterly survey on the supplementary information on “Telecommunications” is thus no longer required.

(b) “Agriculture and fisheries” and “Mining and quarrying”

(Existing return – Part I items B and F)

These sunset industries, to which the banking sector has insignificant exposure are now deleted.

(c) “Recreational activities” and “Information technology”

(Return - Part I items D and E; Completion instructions - Section B paragraphs 6.4, 6.5 and 6.6)

Two new economic sectors - “Recreational activities” and “Information technology” - are added. Both are defined with reference to the ISIC Code.

(d) “Transport and transport equipment”

(Return – Part I items G2, G3 and G4)

To facilitate a better understanding of this sector, the category “Taxis and public light buses” are split and a new category “Air transport” is added.

(e) Loans for the purchase of flats under Home Ownership Scheme (“HOS”), Private Sector Participation Scheme (“PSPS”) and Tenants Purchase Scheme (“TPS”)

(Return – Part I item H5a; Completion instructions – Section B paragraph 6.9)

This is to clarify that loans for the purchase of flats under HOS, PSPS and TPS should be reported under item H5(b) “for the purchase of other residential properties” once they are no longer covered by the guarantee issued by the Housing Authority. It is because the characteristics of such loans without the guarantee are no different to a normal residential mortgage loan from a risk perspective.

(f) Miscellaneous – All others

(Completion instructions – Section B item 6.10)

This is to clarify that sunset industries that have now been deleted are to be reported in this category.

2. Country risk provisions

(Return – Part II items A6, B4, C6, D5 and F6; Completion instructions - Appendix 2 paragraph 12)

This is to clarify that country risk provisions can be made either on a country basis or an individual obligor basis. It is consistent with the reporting treatment of country risk provisions in the Profit and Loss Return.

3. Exposures to non-bank Chinese entities

(Return - Note (6); Completion instructions - Section B paragraph 13)

This is designed to replace the Quarterly Survey on Exposures to Non-bank Chinese Entities. Under the new format, AIs are no longer required to analyse their exposures to non-bank Chinese entities according to the borrowers’ place of incorporation.

4. Loans for subscribing initial public offerings

(Completion instructions – Section B paragraph 6.8)

This is to clarify the reporting treatment of loans for IPO subscriptions and to provide the definition of non-stockbroking companies.

5. Value of security

(Completion instructions – Section B paragraph 7.8)

In line with Appendix 2 “Guideline on loan classification system” and CR-G-7 “Collateral and Guarantee” of the Supervisory Policy Manual, it is now specified that collateral should be valued at net realisable value.

6. Rescheduled assets

(Completion instructions – Section B paragraph 10.3 and Appendix 2.1 paragraphs 10 & 11)

Guidance on the reporting treatment of a rescheduled asset taken up by a new obligor and the circumstances under which such assets may be upgraded to “special mention” are now given.

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