

## **Return of Capital Adequacy Ratio MA(BS)3**

### **Summary of Changes**

#### **1. Specified instruments**

*(Completion instructions - Section B item 14; Section C Part II items 9-10)*

- (a) The list of the issuers of the specified instruments is updated to reflect change in name and changes in Schedule 1 of the Sale and Repurchase Agreement with the HKMA.
- (b) Clarification is also made in respect of the specified instruments that are allowed for offsetting purposes.

#### **2. Repo and reverse repo where all the risks and rewards of ownership are substantially transferred to the buyer**

*(Completion instructions - Section B item 22; Section C Part III item 4)*

Guidance is now given for the reporting of such repos/reverse repos, in line with the accounting treatment under the SSAP24.

#### **3. “Euroclear” and “Cedel”**

*(Completion instructions - Section B item 23)*

To reflect the change of names to “Euroclear Bank” and “Clearstream Banking” respectively.

#### **4. Deviation from the Third Schedule**

*(Return - Part I Deductions from total capital base item (C); Completion instructions - Section C Part I Deductions from capital base item (C))*

The existing return and completion instructions for the deduction of equity investments in non-subsidiary companies are slightly inconsistent with the requirements under the Third Schedule. Changes to the return and completion instructions are now made to eliminate the inconsistency.

#### **5. Minority interests**

*(Completion instructions - Section C Part I items (f) and (o))*

- (a) The completion instructions are updated to include reference to Supervisory Policy Manual CA-S-6 for reporting paid-up irredeemable non-cumulative preference shares as minority interests in core capital.
- (b) Instruction is also provided for reporting the excess amount of irredeemable non-cumulative preference shares as supplementary capital.

**6. Latent reserves on revaluation of long-term holding of equity securities**  
*(Completion instructions – Annex 2)*

The list of stock exchanges at Annex 2 for the purpose of reporting latent reserves on revaluation of long-term holding of equity securities is updated to align with those under the Securities and Futures Ordinance.

**7. Perpetual subordinated debt**  
**Irredeemable cumulative preference shares**  
*(Completion instructions - Section C Part I items (k) and (l))*

The completion instructions are updated to reflect changes to the qualifying conditions of such instruments as provided in the Supervisory Policy Manual CA-S-8 which sets out detailed requirements on these instruments.

**8. Term subordinated debt**  
**Term preference shares**  
*(Completion instructions - Section C Part I items (m) and (n))*

The completion instructions are updated to reflect changes to the qualifying conditions of such instruments as provided in the Supervisory Policy Manual CA-S-7 which sets out detailed requirements on these instruments.

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