

Liquidity Coverage Ratio Standard Disclosure Template **Completion Instructions**

Introduction

1. This document sets out the instructions for the completion of the Liquidity Coverage Ratio (“LCR”) Standard Disclosure Template (“the Template”), which is specified by the Monetary Authority (“MA”) as the standard disclosure template that a category 1 institution must use for the purposes of disclosing its LCR and related information under the Banking (Disclosure) Rules (“Disclosure Rules”), to the extent that the required disclosure items are covered in the template. These Completion Instructions (“CIs”) provide specific guidance on the manner in which individual items required to be disclosed by a category 1 institution under subsections (3) to (5) of section 30A, 51A or 103A of the Disclosure Rules, where applicable to the institution, are to be calculated.

2. These CIs must be read in conjunction with the Banking (Liquidity) Rules (“Liquidity Rules”), the Banking (Liquidity Coverage Ratio – Calculation of Total New Cash Outflows) Code (“the Code”), the Disclosure Rules, and the *Return of Liquidity Position of an Authorized Institution* (Form MA(BS)1E) (“Liquidity Position Return”). The terms used in the Template and these CIs follow the meanings adopted in the Liquidity Rules, the Code or the Disclosure Rules, as applicable.

Basis of disclosure

3. A category 1 institution must disclose the required disclosure items in the Template on -
 - (i) a consolidated basis - applicable to a category 1 institution incorporated in Hong Kong that has one or more associated entities and is subject to rule 11(1)¹;

 - (ii) an unconsolidated basis – applicable to a category 1 institution incorporated in Hong Kong that has no associated entity (i.e. rule 11(1) is not applicable to the institution) but has an overseas branch and is subject to rule 10(1)(b);
or

¹ Unless the context otherwise requires, a reference to a “rule” in these CIs means a rule in the Liquidity Rules.

- (iii) a Hong Kong office basis – applicable to (a) a category 1 institution incorporated in Hong Kong that has no associated entity and overseas branch (i.e. rules 11(1) and 10(1)(b) are not applicable to the institution); and (b) a category 1 institution incorporated outside Hong Kong.
4. A category 1 institution must indicate the basis on which the required disclosure items in the Template are disclosed.

Currency

5. A category 1 institution must present the required disclosure items in the Template in a single currency. The currency used must be specified in the Template. Normally, the disclosure items are to be presented in Hong Kong dollars, unless the institution uses another currency for financial disclosure purposes.

Specified quarter

6. The Template provides for the disclosure of the “average value” of each required disclosure item for one quarter², whether in “unweighted amount”, “weighted amount” and “adjusted value”, as applicable. A category 1 institution must specify in the Template the end-date of the quarter for which the disclosure is made (referred to as the “specified quarter” in these CIs).

Required disclosure items

7. The Template sets out the disclosure items that all category 1 institutions are required to disclose in 4 sections. These sections encompass high quality liquid assets (“HQLA”), cash outflows, cash inflows, and LCR of a category 1 institution. Various components (and sub-components) within these sections are also covered. In summary, the required disclosure items include the following:
- (i) total HQLA in weighted amount (***Section A, Row 1***)³;
 - (ii) total cash outflows and various components (and sub-components) in unweighted and weighted amounts (as applicable) (***Section B, Rows 2 to***

² (i) If the disclosure relates to an interim reporting period, disclosure is required for the quarter ending on the interim reporting date and the quarter immediately preceding the afore-mentioned quarter.

(ii) If the disclosure relates to an annual reporting period, disclosure is required for the quarter ending on the annual reporting date and any of the 3 quarters immediately preceding the afore-mentioned quarter.

³ Unless otherwise specified, the references in bold italics in these CIs pertain to those in the Template.

17);

(iii) total cash inflows and various components in unweighted and weighted amounts (*Section C, Rows 18 to 21*);

(iv) the LCR (as a percentage) and the adjusted values of total HQLA and total net cash outflows in weighted amounts (*Section D, Rows 22 to 24*).

8. The Table in **Annex 1** provides an explanation of the disclosure item in each row of the Template, with references to the relevant items presented in the Liquidity Position Return (Part 2, Section (I)). For ease of reference, the mapping of each disclosure item to the relevant item(s) of the Liquidity Position Return is also shown in the last column of the Template.

Calculation of average value

9. As required under the Disclosure Rules, the “average value” of each disclosure item must be calculated based on the arithmetic mean of the item as at the end of each working day for each quarter during the reporting period (interim or annual). Nevertheless, the Disclosure Rules allow a category 1 institution to calculate the “average value” based on the arithmetic mean of the item as at each month-end for each quarter preceding 1 January 2017 if the institution has practical difficulty in calculating such value using the day-end positions of the item. This is to relieve the burden on category 1 institutions during the initial period of implementing the LCR disclosure requirements.
10. A category 1 institution must specify in the Template the number of data points used in calculating the “average value” of each disclosure item. If the specified quarter precedes 1 January 2017 and the number of data points is 3, this means that the institution has availed itself of the option under the Disclosure Rules to use month-end positions in the calculation on a transitional basis due to practical difficulties as referred to in paragraph 9 above. If the specified quarter falls on or after 1 January 2017, the number of data points must in no circumstances be less than the number of working days in the quarter.
11. If the specified quarter precedes 1 January 2017 (and on the ground of practical difficulty a category 1 institution avails itself of the option under the Disclosure Rules to use month-end positions on a transitional basis), the category 1 institution may calculate the “average value” of each disclosure item based on the arithmetic mean of the item (in “unweighted amount”, “weighted amount” and “adjusted value” as applicable) as at each month-end in the quarter -

- (i) as reported in the institution’s Liquidity Position Return submitted for each month during the quarter; or
- (ii) as derived from the information reported in the institution’s Liquidity Position Return submitted for each month during the quarter. This recognises that some of the disclosure items may have to be derived by summing up two or more relevant items in the Liquidity Position Return.

12. In all other cases (i.e. if the specified quarter falls on or after 1 January 2017 or there is no issue of practical difficulty and a category 1 institution has not therefore availed itself of the option under the Disclosure Rules to use the month-end positions on a transitional basis), the category 1 institution must calculate the “average value” of each disclosure item –

- (i) based on the arithmetic mean of the item (in “unweighted amount”, “weighted amount” and “adjusted value” as applicable) as at the end of each working day in the quarter; and
- (ii) according to the calculation methodology and instructions set out in the Liquidity Position Return. This recognises that the day-end positions of each disclosure item for the specified quarter cannot all be extracted or derived from the Return which is submitted on a monthly basis. Therefore, a category 1 institution is required to follow the calculation methodologies and instructions specified in the Return for the calculation of the day-end positions of each such item.

13. A category 1 institution should note that the calculation of the “average value” of its LCR (**Section D, Row 24**) is based on the arithmetic mean of the LCR as at the end of each working day (or as at each month-end if paragraph 11 above is applicable) during the specified quarter. Accordingly, the average value of the institution’s LCR for quarter Qi must be calculated as:

$$LCR_{Q_i} = 1/N \sum_{n=1}^N LCR_n$$

where (a) N is the number of data points used in calculating such value for the quarter; and (b) LCR_n means the LCR at data point n.

14. For the avoidance of doubt, the “average value” of the institution’s LCR for the quarter must not be calculated by dividing (i) the “average value” of its total

HQLA for the quarter (*Section D, Row 22*) by (ii) the “average value” of its total net cash outflows for the quarter (*Section D, Row 23*).

15. The same principle as mentioned in paragraph 13 above applies to all disclosure items in the Template. That is, the “average value” of each disclosure item is independently calculated based on the arithmetic mean of the positions of the item as at the end of each working day (or as at each month-end if paragraph 11 above is applicable) during the specified quarter.

16. The average values of individual disclosure items are calculated before (in the case of unweighted amounts) and after (in the case of weighted amounts) the application of any haircuts, outflow or inflow rates, as required under the Liquidity Rules (as read with the Code). For example, in the case of stable retail deposits and stable small business funding (“SDF”) (*Section B, Row 3*),

(i) average value of SDF in unweighted amount $Q_i = 1/N \sum_{n=1}^N uSDF_n$,

where (a) N is the number of data points used in calculating such value for quarter Q_i ; and (b) $uSDF_n$ means the unweighted amount of SDF at data point n; and

(ii) average value of SDF in weighted amount $Q_i = 1/N \sum_{n=1}^N wSDF_n$,

where (a) N is the number of data points used in calculating such value for quarter Q_i ; and (b) $wSDF_n$ means the weighted amount of SDF at data point n.

Calculation of unweighted and weighted amounts

17. Consistent with paragraph 16 above, a category 1 institution’s positions in total HQLA (*Section A, Row 1*), total cash outflows, total cash inflows, as well as their components (and sub-components, if applicable) (*Section B, Rows 2 to 17* and *Section C, Rows 18 to 21* respectively) as at the end of each working day (or as at each month-end if paragraph 11 above is applicable) during the specified quarter, on which the “average value” or the arithmetic mean for each of the disclosure items is derived, must be calculated in both unweighted and weighted amounts, or in weighted amount only, as specified in the Template.

18. The “weighted amount”, in relation to total HQLA (*Section A, Row 1*), is to be calculated as the total principal amount of such HQLA, net of any haircuts

applicable to the assets concerned (in accordance with rule 35 and, if applicable, rule 38), but before the application of the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A assets and level 2B assets (in accordance with rules 33 and 34 as applicable). See also the Liquidity Position Return (Part 2, Section (I)A) for the calculation methodologies and instructions.

19. The “unweighted amount”, in relation to a disclosure item under cash outflows (*Section B*) and cash inflows (*Section C*), means the outstanding balance of the item maturing or callable within 30 days. Such outstanding balance is to be calculated as the principal amount of an asset, liability or off-balance sheet item included in the calculation of the LCR, as required under the Liquidity Rules (as read with the Code).
20. The “weighted amount”, in relation to a disclosure item under cash outflows (*Section B*) and cash inflows (*Section C*), means the amount after applying the outflow rate(s) or inflow rate(s) applicable to the item, as required under the Liquidity Rules (as read with the Code). See also the Liquidity Position Return (Part 2, Section (I)B and Section (I)C) for the calculation methodologies and instructions.

Calculation of adjusted value

21. A category 1 institution’s total HQLA (*Section D, Row 22*) and total net cash outflows (*Section D, Row 23*) are to be disclosed as an adjusted value, where -
 - (i) the adjusted value of total HQLA means the weighted amount of total HQLA (net of any haircuts applicable to the assets concerned), after the application of the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A and level 2B assets, where applicable, as required under the Liquidity Rules (as read with the Code); and
 - (ii) the adjusted value of total net cash outflows means the weighted amount of total net cash outflows (with outflow and inflow rates applied to respective cash outflow and inflow items), after the application of the 75% inflow cap, where applicable, as required under the Liquidity Rules (as read with the Code).
22. As mentioned in paragraph 13 above, the “average value” of a category 1 institution’s LCR (*Section D, Row 24*) must be calculated based on the arithmetic mean of the LCR position (being the ratio of the adjusted value of total HQLA to

the adjusted value of total net cash outflows) as at the end of each working day (or as at each month-end if paragraph 11 above is applicable) for the specified quarter.

Other points to note

23. Certain features are incorporated into the design of the Template to clarify its context and facilitate its use. A category 1 institution should note that -

- (i) the rows shaded in dark grey introduce respectively the 4 sections of the Template (i.e. HQLA, cash outflows, cash inflows and LCR) and do not require any value to be reported;
- (ii) the disclosure items shaded in light grey (e.g. **Section B, Rows 2, 6, 10, 11, 15, 16 and 17**) represent the components within the respective sections;
- (iii) the unshaded disclosure items represent sub-components within the components of cash outflows (**Section B**). See **Annex 1** for a more detailed explanation of the composition of such sub-components; and
- (iv) no figure needs to be disclosed in those cells that are cross-hatched.

24. Not all figures to be disclosed will sum exactly, particularly those relating to the denominator of the LCR. For example, total net cash outflows (**Section D, Row 23**) may not be exactly equal to total cash outflows (**Section B, Row 17**) minus total cash inflows (**Section C, Row 21**) if the 75% inflow cap is binding. Similarly, the disclosed average value of the LCR (**Section D, Row 24**), as calculated according to paragraph 13 above, may not be equal to an LCR calculated on the basis of the average values of the set of disclosure items in the Template.

Annex 1

Row number	Explanation	Liquidity Position Return (Part 2, Section (I))
<i>High quality liquid assets</i>		
1	All HQLA that satisfy the applicable requirements under rule 25, after applying any applicable haircuts but before applying any applicable ceilings ⁴ (as required under the Liquidity Rules)	Item A4 (minus item A6 if applicable)
<i>Cash outflows</i>		
2	Retail deposits and small business funding (as defined in rule 39) (<i>i.e. Rows 3 to 5</i>)	Sum of items B1 to B4
3	Stable retail deposits (as defined in rule 39) and small business funding (that is akin to stable retail deposits), calculated in accordance with clauses 3 and 6 respectively ⁵	Sum of sub-items B1(a), B2(a), B3(a) and B4(a)
4	Less stable retail deposits (as defined in rule 39) and small business funding (that is akin to less stable retail deposits), calculated in accordance with clauses 4 and 6 respectively	Sum of sub-items B1(b), B2(b), B3(b) and B4(b)
5	Retail term deposits (as defined in rule 39) and small business term funding (that is akin to retail term deposits), calculated in accordance with clauses 5 and 6 respectively	Sum of sub-items B1(c), B2(c), B3(c) and B4(c)
6	Unsecured wholesale funding (as defined in rule 39) (other than small business funding) and debt securities and prescribed instruments issued by the category 1 institution and redeemable within the LCR period (<i>i.e. Rows 7 to 9</i>)	Sum of items B5, B6 and B7
7	Operational deposits (as defined in rule 39), calculated in accordance with clause 7 and meeting the qualifying criteria under clause 7(2)	Sum of sub-items B5(a) and B5(b)
8	Unsecured wholesale funding (other than small	Sum of sub-items

⁴ These refer to the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A and level 2B assets.

⁵ References to “clauses” pertain to those in the Code.

Row number	Explanation	Liquidity Position Return (Part 2, Section (I))
	business funding and operational deposits), calculated in accordance with clauses 8 and 9 ⁶	B6(a)(i), B6(a)(ii) and B6(b)
9	Debt securities and prescribed instruments (as defined in rule 2(1)) issued by the category 1 institution and redeemable within the LCR period, irrespective of the type of investors holding such securities and instruments, calculated in accordance with clause 10 ⁷	Item B7
10	Liabilities and obligations arising from secured funding transactions (including securities swap transactions) (as defined in rule 39) due for settlement within the LCR period, calculated in accordance with clause 11	Sum of items B8 and B9
11	Liabilities and obligations (and any additional liquidity requirements) arising from (1) derivative contracts and other transactions (and any related collateral requirements); (2) structured financing transactions; and (3) potential drawdown of undrawn committed facilities (<i>i.e. Rows 12 to 14</i>)	Sum of items B10 to B19
12	Liabilities and obligations arising from derivative contracts and other transactions. These include - (1) Contractual net cash outflows arising from derivative contracts (as defined in rule 39), calculated in accordance with clause 12; and (2) Additional liquidity needs arising from - (i) derivative contracts or other transactions with material adverse event clauses, calculated in accordance with clause 13; (ii) potential loss in market value of posted collateral securing derivative contracts or other transactions, calculated in accordance with clause 14;	Sum of items B10, B11, B12, B13, B14, B15 and B16

⁶ To avoid doubt, this Row includes unsecured wholesale funding received in the course of providing correspondent banking and prime brokerage services (as defined in rule 39).

⁷ To avoid doubt, any expected cash outflows arising from the redemption of asset-backed securities, covered bonds or other structured financial instruments issued by the category 1 institution within the LCR period are to be reported in Row 13 instead.

Row number	Explanation	Liquidity Position Return (Part 2, Section (I))
	<ul style="list-style-type: none"> (iii) excess non-segregated collateral callable by counterparty under derivative contracts or other transactions, calculated in accordance with clause 15; (iv) collateral substitution under derivative contracts or other transactions, calculated in accordance with clause 16; (v) contractual obligations to post collateral to counterparty under derivative contracts or other transactions, calculated in accordance with clause 17; and (vi) increase in collateral needs arising from adverse changes in market value of derivative contracts or other transactions, calculated in accordance with clause 18 	
13	<p>Expected cash outflows arising from -</p> <ul style="list-style-type: none"> (1) repayment of funding obtained from structured financial instruments issued by the category 1 institution and redeemable within the LCR period, calculated in accordance with clause 19; and (2) obligations for repayment of maturing debt or provision of funding or assets arising from any embedded option in structured financing transaction (as defined in rule 39), calculated in accordance with clause 20 	Sum of items B17 and B18
14	Expected cash outflow arising from potential drawdown of undrawn committed credit facilities and committed liquidity facilities (as defined in rule 39) within the LCR period, calculated in accordance with clause 21	Item B19
15	Expected cash outflows arising from contractual lending obligations not otherwise included in Section B of the Template, calculated in accordance with clause 22; and other contractual cash outflows (as defined in rule 39), calculated in accordance	Sum of items B20 and B22

Row number	Explanation	Liquidity Position Return (Part 2, Section (I))
	with clause 24	
16	Other contingent funding obligations (as defined in rule 39) (whether contractual or non-contractual), calculated in accordance with clause 23	Item B21
17	Total cash outflows (<i>i.e. Rows 2, 6, 10, 11, 15 & 16</i>)	Item B23
<i>Cash inflows</i>		
18	Expected cash inflows arising from maturing secured lending transactions (including securities swap transactions) (as defined in rule 39), calculated in accordance with clause 25	Sum of items C1, C2 and C3
19	Expected cash inflows arising from (1) secured or unsecured loans (other than secured lending transactions) that are contractually due within the LCR period; and (2) operational deposits placed at other financial institutions, calculated in accordance with clauses 26 and 29(b) respectively	Sum of items C4 and C8
20	Expected cash inflows arising from - (1) release of balances (whether in money or other assets) maintained by the category 1 institution in segregated accounts in accordance with requirements for protection of customer assets, calculated in accordance with clause 27; (2) maturing securities not included by the institution in its HQLA, calculated in accordance with clause 28; (3) undrawn facilities granted by, and operational deposits placed at, other financial institutions, calculated in accordance with clause 29; (4) contractual net cash inflows arising from derivative contracts, calculated in accordance with clause 30; and (5) other contractual cash inflows arising from assets, transactions or activities not otherwise covered in Section C of the Template, calculated in accordance with clause 31	Sum of items C5, C6, C7, C9 and C10
21	Total cash inflows (<i>i.e. Rows 18 to 20</i>)	Item C11

Row number	Explanation	Liquidity Position Return (Part 2, Section (I))
<i>Liquidity coverage ratio</i>		
22	Total HQLA (net of any haircuts applicable to assets concerned under rule 35 and, if applicable, rule 38), after applying the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A assets and level 2B assets (in accordance with rules 33 and 34 as applicable)	Item A7
23	Total net cash outflows (with outflow and inflow rates applied to respective outflow and inflow items as required under the Liquidity Rules (as read with the Code), after applying the 75% inflow cap if applicable (calculated in accordance with rule 40) ⁸	Item B23 minus item C12
24	The average value of LCR calculated in accordance with paragraphs 13 and 21 of these CIs	Item D

⁸ The 75% inflow cap is binding on a category 1 institution if its weighted amount of total expected cash inflows exceeds 75% of its weighted amount of total expected cash outflows, in which case the excess portion cannot be used to offset the weighted amount of total expected cash outflows.