Summary of disclosure templates and tables[[1]](#footnote-1)

| **Disclosure requirement** | **Tables and templates** | **Applicability[[2]](#footnote-2)** | **Format** | | **Frequency of disclosure** | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Fixed** | **Flexible** | **Quarterly** | **Semi-**  **annual** | **Annual** |
| Part I : Key prudential ratios, overview of risk management and RWA | Table OVA: Overview of risk management | L |  | 🗸 |  |  | 🗸 |
| Template KM1: Key prudential ratios | L | 🗸 |  | 🗸 |  |  |
| Template OV1: Overview of RWA | L | 🗸 |  | 🗸 |  |  |
| Part II : Linkages between financial statements and regulatory exposures | Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories | L |  | 🗸 |  |  | 🗸 |
| Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements | L |  | 🗸 |  |  | 🗸 |
| Table LIA: Explanations of differences between accounting and regulatory exposure amounts | L |  | 🗸 |  |  | 🗸 |
| Template PV1: Prudent valuation adjustments | L | 🗸 |  |  |  | 🗸 |
| Part IIA : Composition of regulatory capital | Template CC1: Composition of regulatory capital | L | 🗸 |  |  | 🗸 |  |
| Template CC2: Reconciliation of regulatory capital to balance sheet | L |  | 🗸 |  | 🗸 |  |
| Table CCA: Main features of regulatory capital instruments | L |  | 🗸 |  | 🗸 |  |
| Part IIB : Macroprudential supervisory measures | Template GSIB1: G-SIB indicators | L [G-SIBs, or AIs falling within BDR §16FF(1)] |  | 🗸 |  |  | 🗸 |
| Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer | L |  | 🗸 |  | 🗸 |  |
| Part IIC : Leverage ratio | Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure | L | 🗸 |  |  | 🗸 |  |
| Template LR2: Leverage ratio | L | 🗸 |  | 🗸 |  |  |
| Part IID : Liquidity | Table LIQA: Liquidity risk management | L & O |  | 🗸 |  |  | 🗸 |
| Template LIQ1: Liquidity Coverage Ratio – for category 1 institution | L & O [designated as category 1 institution] | 🗸 |  | 🗸 |  |  |
| Template LIQ2: Net Stable Funding Ratio – for category 1 institution | L & O [designated as category 1 institution] | 🗸 |  |  | 🗸 |  |
| Part III : Credit risk for non-securitization exposures | Table CRA: General information about credit risk | L |  | 🗸 |  |  | 🗸 |
| Template CR1: Credit quality of exposures | L | 🗸 |  |  | 🗸 |  |
| Template CR2: Changes in defaulted loans and debt securities | L | 🗸 |  |  | 🗸 |  |
| Table CRB: Additional disclosure related to credit quality of exposures | L |  | 🗸 |  |  | 🗸 |
| Table CRC: Qualitative disclosures related to credit risk mitigation | L |  | 🗸 |  |  | 🗸 |
| Template CR3: Overview of recognized credit risk mitigation | L | 🗸 |  |  | 🗸 |  |
| Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach | L [STC] |  | 🗸 |  |  | 🗸 |
| Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach | L [STC; BSC] | 🗸 |  |  | 🗸 |  |
| Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach or BSC approach | L [STC; BSC] | 🗸 |  |  | 🗸 |  |
| Table CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach | L [IRB] |  | 🗸 |  |  | 🗸 |
| Template CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach | L [IRB] | 🗸 |  |  | 🗸 |  |
| Template CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach | L [IRB] | 🗸 |  |  | 🗸 |  |
| Template CR8: RWA flow statements of credit risk exposures under IRB approach | L [IRB] | 🗸 |  | 🗸 |  |  |
| Template CR9: Back-testing of PD per portfolio – for IRB approach | L [IRB] |  | 🗸 |  |  | 🗸 |
| Template CR10: Specialized lending under supervisory slotting criteria approach – for IRB approach | L [IRB] |  | 🗸 |  | 🗸 |  |
| Part IV : Counterparty credit risk | Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs) | L |  | 🗸 |  |  | 🗸 |
| Template CCR1: Analysis of counterparty credit risk exposures (other than those to CCPs) by approaches | L | 🗸 |  |  | 🗸 |  |
|  | Template CCR3: Counterparty credit risk exposures (other than those to CCPs) by exposure classes and by risk weights – for STC approach or BSC approach | L [STC; BSC] | 🗸 |  |  | 🗸 |  |
| Template CCR4: Counterparty credit risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach | L [IRB] | 🗸 |  |  | 🗸 |  |
| Template CCR5: Composition of collateral for counterparty credit risk exposures (including those for contracts or transactions cleared through CCPs) | L |  | 🗸 (fixed columns, flexible rows) |  | 🗸 |  |
| Template CCR6: Credit-related derivatives contracts | L |  | 🗸 |  | 🗸 |  |
| Template CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach | L [IMM(CCR)] | 🗸 |  | 🗸 |  |  |
| Template CCR8: Exposures to CCPs | L | 🗸 |  |  | 🗸 |  |
| Part IVA : Credit valuation adjustment risk | Table CVAA : Qualitative disclosures related to CVA risk | L |  |  |  |  |  |
| Template CVA1 : CVA risk under reduced basic CVA approach | L [reduced basic CVA] |  |  |  |  |  |
| Template CVA2 : CVA risk under full basic CVA approach | L [full basic CVA] |  |  |  |  |  |
| Table CVAB : Additional qualitative disclosures for AI using standardized CVA approach | L [standardized CVA] |  |  |  |  |  |
| Template CVA3 : CVA risk under standardized CVA approach | L [standardized CVA] |  |  |  |  |  |
| Template CVA4 : RWA flow statements of CVA risk exposures under standardized CVA approach | L [standardized CVA] |  |  |  |  |  |
| Part V : Securitization exposures | Table SECA: Qualitative disclosures related to securitization exposures | L |  | 🗸 |  |  | 🗸 |
| Template SEC1: Securitization exposures in banking book | L |  | 🗸 |  | 🗸 |  |
| Template SEC2: Securitization exposures in trading book | L |  | 🗸 |  | 🗸 |  |
| Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator | L | 🗸 |  |  | 🗸 |  |
| Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor | L | 🗸 |  |  | 🗸 |  |
| Part VI : Market risk | Table MRA: Qualitative disclosures related to market risk | L [other than AIs exempted from the market risk framework] |  | 🗸 |  |  | 🗸 |
| Template MR1: Market risk under STM approach | L [STM] |  |  |  |  |  |
| Table MRB: Additional qualitative disclosures for AI using IMA | L [IMA] |  |  |  |  |  |
| Template MR2: Market risk under IMA | L [IMA] |  |  |  |  |  |
| Template MR3: Market risk under SSTM approach | L [SSTM] |  |  |  |  |  |
| Part VII : Interest rate risk in banking book | Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies | L |  | 🗸 |  |  | 🗸 |
| Template IRRBB1: Quantitative information on interest rate risk in banking book | L | 🗸 |  |  |  | 🗸 |
| Part VIII : Remuneration | Table REMA: Remuneration policy | L |  | 🗸 |  |  | 🗸 |
| Template REM1: Remuneration awarded during financial year | L |  | 🗸 |  |  | 🗸 |
| Template REM2: Special payments | L |  | 🗸 |  |  | 🗸 |
| Template REM3: Deferred remuneration | L |  | 🗸 |  |  | 🗸 |
| Part IX : Operational risk | Table ORA : General information on operational risk framework | L |  |  |  |  |  |
| Template OR1: Historical losses | L |  |  |  |  |  |
| Template OR2 : Business indicator and business indicator components breakdown | L |  |  |  |  |  |
| Template OR3 : Minimum operational risk capital requirement | L |  |  |  |  |  |
| Part X : Comparison of modelled and standardized RWAs | Template CMS1 : Comparison of modelled and standardized RWAs at risk level | L [using model-based approaches to calculate credit risk or market risk] |  |  |  |  |  |
| Template CMS2 : Comparison of modelled and standardized RWAs for credit risk at exposure class level | L [IRB] |  |  |  |  |  |
| Part XI : Asset encumbrance | Template ENC : Asset encumbrance | L |  |  |  |  |  |

# Part I: Key prudential ratios, overview of risk management and RWA

## Table OVA: Overview of risk management

|  |  |
| --- | --- |
| **Purpose:** | To provide a description of risk management objectives and policies and how the board of directors and senior management assess and manage risks, enabling users to gain a clear understanding of the risk tolerance and appetite in relation to the main activities and all significant risks. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16B |

|  |  |
| --- | --- |
| An AI should describe its risk management objectives and policies, in particular: | |
| (a) | 1. how the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures); and 2. how the risk profile of the AI interacts with the risk tolerance approved by the board. |
| (b) | the risk governance structure:   1. the responsibilities attributed throughout the AI (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit, etc.); and 2. the relationships between the structures involved in risk management processes (e.g. board of directors, senior management, separate risk committees, risk management function, compliance function, internal audit function). |
| (c) | the channels to communicate, decline and enforce the risk culture within the AI (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk limits; procedures to raise and share risk issues between business lines and risk functions). |
| (d) | the scope and main features of risk measurement systems. |
| (e) | a description of the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure. |
| (f) | qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management). |
| (g) | 1. the strategies and processes to manage, hedge and mitigate risks that arise from the AI’s business model; and 2. the processes for monitoring the continuing effectiveness of hedges and mitigants for those risks. |

## Template KM1: Key prudential ratios

|  |  |
| --- | --- |
| **Purpose:** | To provide an overview of an AI’s key prudential ratios. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Key prudential ratios related to regulatory capital and buffers, leverage ratio and liquidity standards. An AI should disclose each ratio’s value using the corresponding specifications pursuant to the BCR and BLR, for the current reporting period (designated as T in the template below) as well as the four previous quarterly reporting periods (designated as T-1 to T-4 respectively). As Hong Kong does not provide any transitional arrangements for implementation of expected credit loss provisioning under HKFRS 9, information in this template is disclosed on the basis of “fully-loaded” provisioning. Metrics designated as “pre-floor” are before the adjustment of output floor (if applicable) and hence may not reflect actual values used for capital requirement computation. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. If an AI wishes to add rows to provide additional regulatory or financial ratios, it should provide definitions for these ratios and a full explanation of how the ratios are calculated (including the scope of consolidation and the regulatory capital used if relevant). The additional ratios should not replace the prudential ratios in this template. |
| **Accompanying narrative**: | An AI should explain the key drivers (e.g. whether the changes are due to changes in the regulatory framework, group structure or business model) behind any material changes across reporting periods for each ratio’s value in a narrative commentary. |
| **Corresponding BDR section:** | 16AB |

|  |  | (a) | (b) | (c) | (d) | (e) |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | T | T-1 | T-2 | T-3 | T-4 |
|  | **Regulatory capital (amount)** | | | | | |
| 1 & 1a | Common Equity Tier 1 (CET1) |  |  |  |  |  |
| 2 & 2a | Tier 1 |  |  |  |  |  |
| 3 & 3a | Total capital |  |  |  |  |  |
|  | **RWA (amount)** | | | | | |
| 4 | Total RWA |  |  |  |  |  |
| 4a | Total RWA (pre-floor) |  |  |  |  |  |
|  | **Risk-based regulatory capital ratios (as a percentage of RWA)** | | | | | |
| 5 & 5a | CET1 ratio (%) |  |  |  |  |  |
| 5b | CET1 ratio (%) (pre-floor ratio) |  |  |  |  |  |
| 6 & 6a | Tier 1 ratio (%) |  |  |  |  |  |
| 6b | Tier 1 ratio (%) (pre-floor ratio) |  |  |  |  |  |
| 7 & 7a | Total capital ratio (%) |  |  |  |  |  |
| 7b | Total capital ratio (%) (pre-floor ratio) |  |  |  |  |  |
|  | **Additional CET1 buffer requirements (as a percentage of RWA)** | | | | | |
| 8 | Capital conservation buffer requirement (%) |  |  |  |  |  |
| 9 | Countercyclical capital buffer requirement (%) |  |  |  |  |  |
| 10 | Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs) |  |  |  |  |  |
| 11 | Total AI-specific CET1 buffer requirements (%) |  |  |  |  |  |
| 12 | CET1 available after meeting the AI’s minimum capital requirements (%) |  |  |  |  |  |
|  | **Basel III leverage ratio** | | | | | |
| 13 | Total leverage ratio (LR) exposure measure |  |  |  |  |  |
| 13a | LR exposure measure based on mean values of gross assets of SFTs |  |  |  |  |  |
| 14, 14a & 14b | LR (%) |  |  |  |  |  |
| 14c & 14d | LR (%) based on mean values of gross assets of SFTs |  |  |  |  |  |
|  | **Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)** | | | | | |
|  | Applicable to category 1 institutions only: |  |  |  |  |  |
| 15 | Total high quality liquid assets (HQLA) |  |  |  |  |  |
| 16 | Total net cash outflows |  |  |  |  |  |
| 17 | LCR (%) |  |  |  |  |  |
|  | Applicable to category 2 institutions only: |  |  |  |  |  |
| 17a | LMR (%) |  |  |  |  |  |
|  | **Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)** | | | | | |
|  | Applicable to category 1 institutions only: |  |  |  |  |  |
| 18 | Total available stable funding |  |  |  |  |  |
| 19 | Total required stable funding |  |  |  |  |  |
| 20 | NSFR (%) |  |  |  |  |  |
|  | Applicable to category 2A institutions only: |  |  |  |  |  |
| 20a | CFR (%) |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 & 1a | *Common Equity Tier 1 (CET1)*:for an interim or annual reporting period, the value in [KM1:1 & 1a/a] should be equal to the value in [CC1:29/a]. |
| 2 & 2a | *Tier 1*: for an interim or annual reporting period, the value in [KM1:2 & 2a/a] should be equal to the value in [CC1:45/a]. |
| 3 & 3a | *Total capital*: for an interim or annual reporting period, the value in [KM1:3 & 3a/a] should be equal to the value in [CC1:59/a]. |
| 4 | *Total RWA*: the value in [KM1:4/a] should be equal to the value in [OV1:29/a]. For an interim or annual reporting period, the value in [KM1:4/a] should also be equal to the value in [CC1:60/a]. |
| 4a | *Total RWA (pre-floor):* the disclosed amount should exclude any adjustment made to total RWA from the application of the output floor. The value in [KM1:4a/a] should be equal to ([OV1:29/a] – [OV1:27/a]). An AI that is not required to apply the output floor requirement may disclose the same value under row 4 and this row. |
| 5 & 5a | *CET1 ratio (%)*: for an interim or annual reporting period, the value in [KM1:5 & 5a/a] should be equal to the value in [CC1:61/a]. |
| 5b | *CET1 ratio* (%) *(pre-floor ratio):* the disclosed ratio should exclude the impact of the output floor in the calculation of RWA. An AI that is not required to apply the output floor requirement may disclose the same value under row 5 & 5a and this row. |
| 6 & 6a | *Tier 1 ratio (%)*: for an interim or annual reporting period, the value in [KM1:6 & 6a/a] should be equal to the value in [CC1:62/a]. |
| 6b | *Tier 1 ratio (%) (pre-floor ratio)*: the disclosed ratio should exclude the impact of the output floor in the calculation of RWA. An AI that is not required to apply the output floor requirement may disclose the same value under row 6 & 6a and this row. |
| 7 & 7a | *Total capital ratio (%)*: for an interim or annual reporting period, the value in [KM1:7 & 7a/a] should be equal to the value in [CC1:63/a]. |
| 7b | *Total capital ratio (%) (pre-floor ratio)*: the disclosed ratio should exclude the impact of the output floor in the calculation of RWA. An AI that is not required to apply the output floor requirement may disclose the same value under row 7 & 7a and this row. |
| 8 | *Capital conservation buffer requirement (%)*: for an interim or annual reporting period, the value in [KM1:8/a] should be equal to the value in [CC1:65/a]. |
| 9 | *Countercyclical capital buffer requirement (%)*: for an interim or annual reporting period, the value in [KM1:9/a] should be equal to the value in [CC1:66/a]. |
| 10 | *Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)*: for an interim or annual reporting period, the value in [KM1:10/a] should be equal to the value in [CC1:67/a]. |
| 11 | *Total AI-specific CET1 buffer requirements (%):* this is equal to the sum of values in rows 8, 9 and 10. |
| 12 | *CET1 available after meeting the AI’s minimum capital requirements (%)*: it may not necessarily refer to the difference between CET1 ratio (row 5 & 5a) and the 4.5% minimum CET1 requirement under BCR §3B as an AI may have used CET1 capital to meet its minimum Tier 1 and/or total capital requirements. For an interim or annual reporting period, the value in [KM1:12/a] should be equal to the value in [CC1:68/a]. |
| 13 | *Total leverage ratio (LR) exposure measure*: it should accord with the specifications set out in Templates LR1 and LR2. The value in [KM1:13/a] should be equal to the value in [LR2:24/a]. |
| 13a | *LR exposure measure based on mean values of gross assets of SFTs*: it should accord with the specifications set out in Template LR2. The value in [KM1:13a/a] should be equal to the value in [LR2:30 & 30a/a]. |
| 14, 14a & 14b | *LR (%)*: Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. The disclosed amount is derived from the value reported in row 2 & 2a divided by the value reported in row 13, expressed as a percentage. The value in [KM1:14, 14a & 14b/a] should be equal to the value in [LR2: 25 & 25a/a]. |
| 14c & 14d | *LR (%) based on mean values of gross assets of SFTs:* Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. The value in [KM1:14c & 14d/a] should be equal to the value in [LR2:31 & 31a/a]. |
| 15 | *Total HQLA:* an AI designated as a category 1 institution should disclose the total adjusted value according to the specifications set out in Template LIQ1. Data should be presented as simple averages of daily observations over all working days of the quarter. The value in [KM1:15/a] should be equal to the value in [LIQ1:21/b]. |
| 16 | *Total net cash outflows:* an AI designated as a category 1 institution should disclose the total adjusted value according to the specifications set out in Template LIQ1. Data should be presented as simple averages of daily observations over all working days of the quarter. The value in [KM1:16/a] should be equal to the value in [LIQ1:22/b]. |
| 17 | *LCR (%)*: the value in [KM1:17/a] should be equal to the value in [LIQ1:23/b]. |
| 17a | *LMR (%)*: an AI that is a category 2 institution should disclose in this row the arithmetic mean of the average LMRs of the 3 calendar months within the quarter. The average LMR of each calendar month should be the figure reported in its Return of Liquidity Position (MA(BS)1E) submitted for the reporting month. |
| 18 | *Total available stable funding*: the value in [KM1:18/a] should be equal to the value in [LIQ2:14/e]. |
| 19 | *Total required stable funding*: the value in [KM1:19/a] should be equal to the value in [LIQ2:33/e]. |
| 20 | *NSFR (%):* the value in [KM1:20/a] should be equal to the value in [LIQ2:34/e]. |
| 20a | *CFR (%)*: an AI designated as a category 2A institution should disclose in this row the arithmetic mean of the average CFRs of the 3 calendar months within the quarter. The average CFR of each calendar month should be the figure reported in its Return of Stable Funding Position (MA(BS)26) submitted for the reporting month. |

## Template OV1: Overview of RWA

|  |  |
| --- | --- |
| **Purpose:** | To provide an overview of capital requirements in terms of a detailed breakdowns of RWAs for various risks. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | RWA and capital requirements under the Pillar 1 framework. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should explain the drivers behind differences in reporting periods T and T-1 where these differences are material. The AI should also explain the adjustments made if capital requirements in column (c) do not correspond to 8% of RWA in column (a). |
| **Corresponding BDR section:** | 16C |

|  |  | (a) | (b) | (c) |
| --- | --- | --- | --- | --- |
|  |  | RWA | | Minimum capital requirements |
|  | T | T-1 | T |
| 1 | Credit risk for non-securitization exposures |  |  |  |
| 2 | Of which STC approach |  |  |  |
| 2a | Of which BSC approach |  |  |  |
| 3 | Of which foundation IRB approach |  |  |  |
| 4 | Of which supervisory slotting criteria approach |  |  |  |
| 5 | Of which advanced IRB approach |  |  |  |
| 5a | Of which retail IRB approach |  |  |  |
| 5b | Of which specific risk-weight approach |  |  |  |
| 6 | Counterparty credit risk and default fund contributions |  |  |  |
| 7 | Of which SA-CCR approach |  |  |  |
| 7a | Of which CEM |  |  |  |
| 8 | Of which IMM(CCR) approach |  |  |  |
| 9 | Of which others |  |  |  |
| 10 | CVA risk |  |  |  |
| 11 | Equity positions in banking book under the simple risk-weight method and internal models method | N/A | N/A | N/A |
| 12 | Collective investment scheme (“CIS”) exposures – look-through approach / third-party approach |  |  |  |
| 13 | CIS exposures – mandate-based approach |  |  |  |
| 14 | CIS exposures – fall-back approach |  |  |  |
| 14a | CIS exposures – combination of approaches |  |  |  |
| 15 | Settlement risk |  |  |  |
| 16 | Securitization exposures in banking book |  |  |  |
| 17 | Of which SEC-IRBA |  |  |  |
| 18 | Of which SEC-ERBA (including IAA) |  |  |  |
| 19 | Of which SEC-SA |  |  |  |
| 19a | Of which SEC-FBA |  |  |  |
| 20 | Market risk |  |  |  |
| 21 | Of which STM approach |  |  |  |
| 22 | Of which IMA |  |  |  |
| 22a | Of which SSTM approach |  |  |  |
| 23 | Capital charge for moving exposures between trading book and banking book |  |  |  |
| 24 | Operational risk |  |  |  |
| 24a | Sovereign concentration risk |  |  |  |
| 25 | Amounts below the thresholds for deduction (subject to 250% RW) |  |  |  |
| 26 | Output floor level applied |  |  |  |
| 27 | Floor adjustment (before application of transitional cap) |  |  |  |
| 28 | Floor adjustment (after application of transitional cap) | N/A | N/A | N/A |
| 28a | Deduction to RWA |  |  |  |
| 28b | Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital |  |  |  |
| 28c | Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital |  |  |  |
| 29 | Total |  |  |  |
| *N/A: Not applicable in the case of Hong Kong* | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *RWA (T)*:RWA referred to in the BCR and as reported in accordance with the subsequent parts of this document. Where the output of a calculation approach is a capital charge instead of a RWA (e.g. the approaches for market risk and operational risk), an AI should calculate the RWA by multiplying capital charge by 12.5. |
| (b) | *RWA (T-1)*:RWA as reported in the previous reporting period (i.e. at the end of the previous quarter) of this template. |
| (c) | *Minimum capital requirements (T):* Pillar 1 capital requirements, which in general are calculated as 8% of the RWA. |
| **Rows** | |
| 1 | *Credit risk for non-securitization exposures*: RWA and capital requirements according to the credit risk framework reported in Part III of this document. The amounts exclude RWA and capital requirement arising from counterparty credit risk and default fund contributions, CVA risk, CIS exposures, settlement risk, securitization framework (e.g. securitization exposures in the banking book), and amounts below the deduction thresholds and subject to a 250% risk-weight. |
| 2 | *Of which STC approach*: RWA and capital requirements calculated using the STC approach under the BCR. For an interim or annual reporting period, the value in [OV1: 2/a] should be equal to the value in [CR4 (STC): 12/e]. |
| 2a | *Of which BSC approach*: RWA and capital requirements calculated using the BSC approach under the BCR. For an interim or annual reporting period, the value in [OV1: 2a/a] should be equal to the value in [CR4 (BSC): 16/e]. |
| 3 | *Of which foundation IRB approach*: RWA and capital requirements for AIs using the foundation IRB approach (“FIRB approach”) to calculate their credit risk under the BCR, excluding specialized lending calculated using the supervisory slotting criteria approach (reported in row 4), retail exposures under the retail IRB approach (reported in row 5a) and other exposures under the specific risk-weight approach (reported in row 5b). |
| 4 | *Of which supervisory slotting criteria approach*: RWA and capital requirements of specialized lending calculated using the supervisory slotting criteria approach under the BCR. |
| 5 | *Of which advanced IRB approach*: RWA and capital requirements for AIs using the advanced IRB approach (“AIRB approach”) to calculate their credit risk under the BCR, excluding specialized lending calculated using the supervisory slotting criteria approach (reported in row 4), retail exposures under the retail IRB approach (reported in row 5a) and other exposures under the specific risk-weight approach (reported in row 5b). |
| 5a | *Of which retail IRB approach*: RWA and capital requirements for AIs using the retail IRB approach to calculate their credit risk under the BCR. |
| 5b | *Of which specific risk-weight approach*: RWA and capital requirements for AIs using the specific risk-weight approach to calculate their credit risk under the BCR. |
| 6 | *Counterparty credit risk and default fund contributions*: RWA and capital requirements for counterparty credit risk (including such a risk to CCPs) and default fund contributions, calculated in accordance with the BCR as reported in Part IV of this document. The value in [OV1:6/a] is equal to the sum of values in [CCR1:6/f], [CCR8:1/b] and [CCR8:11/b]. |
| 7 | *Of which SA-CCR approach*: RWA calculated based on the amount of default risk exposures calculated under the SA-CCR approach. The value in [OV1:7/a] should be equal to the value in [CCR1: 1/f]. |
| 7a | *Of which CEM*: RWA calculated based on the amount of default risk exposures calculated under the CEM, and the capital requirement calculated based on the RWA. The value in [OV1:7a/a] is equal to the value in [CCR1:1a/f]. |
| 8 | *Of which IMM(CCR) approach*: RWA calculated based on the amount of default risk exposures calculated under the IMM(CCR) approach, and the capital requirement calculated based on the RWA. The value in [OV1:8/a] is equal to the value in [CCR1:2/f] and the value in [CCR7:9/a]. |
| 9 | *Of which others*: RWA and capital requirements for the items calculated in accordance with the BCR by using methods other than those falling under rows 7 to 8 above as reported in Part IV of this document. |
| 10 | *CVA risk*: Capital requirements for CVA calculated in accordance with the BCR and the corresponding RWA for CVA, as reported in Part IVA of this document. |
| 11 | This row is not applicable in the case of Hong Kong because the BCR do not provide for any phase-in arrangement for the use of the IRB approach for equity exposures. An AI may report “Not applicable” or “N/A” in this row. |
| 12 | *Collective investment scheme (“CIS”) exposures – look-through approach / third-party approach*: RWA and capital requirement of a CIS calculated under the look-through approach and/or third-party approach in accordance with Part 6B of the BCR. |
| 13 | *CIS exposures – mandate-based approach*: RWA and capital requirement of a CIS calculated under the mandated-based approach in accordance with Part 6B of the BCR. |
| 14 | *CIS exposures – fall-back approach*: RWA and capital requirement of a CIS calculated under the fall-back approach in accordance with Part 6B of the BCR. |
| 14a | *CIS exposures – combination of approaches*: RWA and capital requirement of a CIS calculated by using more than one approach under Part 6B of the BCR. For clarity, RWA and capital requirement of a CIS calculated only under the look-through approach and third-party approach are reported under row 12. |
| 15 | *Settlement risk*: RWA and capital requirements for the exposures arising from the following items:   1. Transactions in securities, foreign exchange, and commodities that are entered into on a delivery-versus-payment basis and remain outstanding for 5 or more business days after the settlement date, calculated in accordance with the risk-weight allocated to the exposures as specified in the BCR; and 2. Transactions in securities, foreign exchange, and commodities that are entered into on a non-delivery-versus-payment basis and remain unsettled after the settlement date, calculated in accordance with the risk-weight allocated to the exposures as specified in the BCR. |
| 16 | *Securitization exposures in banking book:* The amounts correspond to capital requirements applicable to the securitization exposures in the banking book (Part V of this document). The RWA should be derived from the capital requirements (including the impact of the cap specified in the BCR), meaning that they do not necessarily systematically correspond to the RWA reported in Templates SEC3 and SEC4, which are before the application of the cap. |
| 17 | *Of which SEC-IRBA*: RWA and capital requirements calculated using the SEC-IRBA under the BCR. |
| 18 | *Of which SEC-ERBA (including IAA)*: RWA and capital requirements calculated using the SEC-ERBA (including those exposures that the AI uses IAA to determine the risk-weights) under the BCR. |
| 19 | *Of which SEC-SA*: RWA and capital requirements calculated using the SEC-SA under the BCR. |
| 19a | *Of which SEC-FBA*: RWA and capital requirements calculated using the SEC-FBA under the BCR. |
| 20 | *Market risk*: The amounts correspond to the RWA and capital requirements in the market risk framework (Part VI of this document), which also includes capital charges for securitization exposures booked in the trading book but excludes the capital charges for counterparty credit risk, default fund contributions and CVA risk associated with covered positions (reported in Part IV and Part IVA of this document and in rows 6 and 10 of this template). An AI should derive the market risk RWAs by multiplying the market risk capital requirements by 12.5. |
| 21 | *Of which STM approach*: RWA and capital requirements calculated using the STM approach under the BCR, including capital charges for securitization exposures booked in the trading book. The value in [OV1:21/c] is equal to the value in [MR1:12/a]. |
| 22 | *Of which IMA*: RWA and capital requirements calculated using the IMA under the BCR. The value in [OV1:22/c] is equal to the value in [MR2:16 minus MR2:13]. |
| 22a | *Of which SSTM approach*: RWA and capital requirements calculated using the SSTM approach under the BCR. |
| 23 | *Capital charge for moving exposures between trading book and banking book*: Outstanding accumulated capital surcharge imposed on the AI in accordance with the market risk framework in the BCR when the total capital charge (across banking book and trading book) of an AI is reduced as a result of the instruments being moved between the trading book and the banking book after their initial assignment. The outstanding accumulated capital surcharge takes into account any adjustment due to run-off as the positions mature or expire, in a manner agreed with the MA. |
| 24 | *Operational risk*: The amounts correspond to capital requirements in the operational risk framework specified in the BCR. |
| 24a | *Sovereign concentration risk*: The amounts correspond to capital requirements in the sovereign concentration risk framework specified in the BCR. |
| 25 | *Amounts below the thresholds for deduction (subject to 250% RW)*: The amounts correspond to items subject to a 250% risk-weight pursuant to the BCR. |
| 26 | *Output floor level applied*: the output floor level (expressed as a percentage) applied by the AI in accordance with the BCR in its computation of the floor adjustment value in row 27. An AI not subject to the output floor requirement may report “Not applicable” or “N/A” in this row. |
| 27 | *Floor adjustment (before application of transitional cap)*: The impact of the output floor, based on the output floor level applied in row 26, in terms of the increase in RWA. A transitional cap that limits the RWA increase resulting from the application of the output floor is not applicable to Hong Kong. |
| 28 | This row is not applicable in the case of Hong Kong. |
| 28a | *Deduction to RWA*: This is the sum of values in rows 28b and 28c. |
| 28b | *Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital:* This row is only applicable for an AI using the STC, BSC, SEC-SA, SEC-ERBA or SEC-FBA approach for calculating credit risk for all or part of its exposures. It refers to and has the same calculation basis as the amount reported in item 2.12(i), Division A, Part I of CAR return MA(BS)3. |
| 28c | *Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital*: It refers to and has the same calculation basis as the amount reported in item 2.12(ii), Division A, Part I of CAR return MA(BS)3. |
| 29 | *Total*: This is equal to the sum of values in rows 1, 6, 10, 12, 13, 14, 14a, 15, 16, 20, 23, 24, 24a, 25 and 27, minus the deduction value in row 28a. |

Part II: Linkages between financial statements and regulatory exposures

## Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

|  |  |
| --- | --- |
| **Purpose:** | To provide information on assets and liabilities to enable users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying values (corresponding to the values reported in financial statements). |
| **Frequency:** | Annual. |
| **Format:** | Flexible, but the rows should align with the presentation of the AI’s financial statements. |
| **Accompanying narrative**: | As set out in Table LIA. An AI should provide qualitative explanation on items that are subject to regulatory capital charges in more than one risk category. |
| **Corresponding BDR section:** | 16D |

|  | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Carrying values as reported in published financial statements | Carrying values  under scope of regulatory consolidation | Carrying values of items: | | | | |
|  | subject to credit risk framework | subject to counterparty credit risk framework | subject to the securitization framework | subject to market risk framework\* | not subject to capital requirements or subject to deduction from capital |
| **Assets** |  |  |  |  |  |  |  |
| Cash and balances at central banks |  |  |  |  |  |  |  |
| Items in the course of collection from other banks |  |  |  |  |  |  |  |
| Trading portfolio assets |  |  |  |  |  |  |  |
| Financial assets designated at fair value |  |  |  |  |  |  |  |
| Derivative financial instruments |  |  |  |  |  |  |  |
| Loans and advances to banks |  |  |  |  |  |  |  |
| Loans and advances to customers |  |  |  |  |  |  |  |
| Reverse repurchase agreements and other similar secured lending |  |  |  |  |  |  |  |
| Available for sale financial investments |  |  |  |  |  |  |  |
| …. |  |  |  |  |  |  |  |
| **Total assets** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |
| Deposits from banks |  |  |  |  |  |  |  |
| Items in the course of collection due to other banks |  |  |  |  |  |  |  |
| Customer accounts |  |  |  |  |  |  |  |
| Repurchase agreements and other similar secured borrowings |  |  |  |  |  |  |  |
| Trading portfolio liabilities |  |  |  |  |  |  |  |
| Financial liabilities designated at fair value |  |  |  |  |  |  |  |
| Derivative financial instruments |  |  |  |  |  |  |  |
| …. |  |  |  |  |  |  |  |
| **Total liabilities** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| \* For the purpose of this template, column (f) also includes items subject to CVA risk framework. | | | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) and (b) | *Carrying values as reported in published financial statements / under scope of regulatory consolidation*: If an AI’s scope of accounting consolidation and its scope of regulatory consolidation are exactly the same, columns (a) and (b) should be merged and this fact should be clearly disclosed. |
| (c) to (f) | *Carrying values of items*: The breakdown of regulatory categories in columns (c) to (f) corresponds to the breakdown prescribed in the rest of this document:-   * column (c) corresponds to the carrying values of items (other than OBS items) reported in Part III; * column (d) corresponds to the carrying values of items (other than OBS items) reported in Part IV; * column (e) corresponds to the carrying values of items in the banking book (other than OBS items) reported in Part V; and * column (f) corresponds to the carrying values of items (other than OBS items) reported in Part VI and Part IVA.   Where a single item attracts capital charges according to the risk frameworks for more than one risk category, it should be reported in all the relevant columns of risk categories. An example could be where assets/liabilities arising from derivative contracts held in the regulatory trading book are related to both column (d) (subject to capital charge for default risk exposure) and column (f) (subject to capital charge for market risk exposure) calculation thus the sum of the values in column (c) to (g) may not equal the value in column (b). Similarly, where the amount subject to such double counting (i.e. disclosed in two or more different columns) results in a material variance between the value in column (b) and the sum of values in columns (c) to (g), an AI should provide the reasons in the accompanying narrative. |
| (g) | *Carrying values of items not subject to capital requirements or subject to deduction from capital*: Column (g) includes amounts not subject to capital requirements according to the BCR or subject to deductions from regulatory capital. Elements which are deducted from the AI’s regulatory capital (e.g. goodwill, intangible assets, deferred tax assets) are to be included in column (g), taking into consideration the different thresholds that apply where relevant. |
| **Rows** | |
| All | The rows should strictly follow the balance sheet presentation used by the AI in its year-end financial statements. |

## Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

|  |  |
| --- | --- |
| **Purpose:** | To provide information on the main sources of differences between the carrying values in financial statements and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying values (that correspond to values reported in financial statements but according to the scope of regulatory consolidation (rows 1 to 3) and amounts considered for regulatory exposure purposes (row N)). |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | As set out in Table LIA. |
| **Corresponding BDR section:** | 16E |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | (a) | (b) | (c) | (d) | (e) |
|  |  | | Total | Items subject to: | | | |
|  |  | | credit risk framework | securitization framework | counterparty credit risk framework | market risk framework\* |
| **1** | **Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)** | |  |  |  |  |  |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1) | |  |  |  |  |  |
| 3 | Total net amount under regulatory scope of consolidation | |  |  |  |  |  |
| 4 | Off-balance sheet amounts | |  |  |  |  |  |
| 5 | *Differences in valuations* | |  |  |  |  |  |
| 6 | *Differences due to different netting rules, other than those already included in row 2* | |  |  |  |  |  |
| 7 | *Differences due to consideration of provisions* | |  |  |  |  |  |
| 8 | *Differences due to prudential filters* | |  |  |  |  |  |
| ⁞ | ⁞ | |  |  |  |  |  |
| **N** | **Exposure amounts considered for regulatory purposes** | |  |  |  |  |  |
| \* For the purpose of this template, column (e) also includes items subject to CVA risk framework. | | | | | | | |
| **Explanatory Note** | | | | | | | |
| **Columns** | | | | | | | |
| (a) | | *Total*: the values reported in column (a) may not necessarily equal the sum of values in columns (b) to (e), as some items may be subject to regulatory capital charges in more than one risk category, and other items not subject to capital requirements or subject to deduction from capital may be also included in values reported in this column.  The following linkage holds:- values in column (a) in LI2 = Values in column (b) in LI1 minus values in column (g) in LI1. | | | | | |
| (b) | | *Items subject to credit risk framework*: the exposures reported in Part III of this document. | | | | | |
| (c) | | *Items subject to securitization framework*: the exposures reported in Part V of this document. | | | | | |
| (d) | | *Items subject to counterparty credit risk framework*: the exposures reported in Part IV of this document. | | | | | |
| (e) | | *Items subject to market risk framework*: the exposures reported in Part VI and Part IVA of this document. | | | | | |
| **Rows** | | | | | | | |
| 1 | | *Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)*: the value reported in columns (b) to (e) of this row should correspond to the values reported in columns (c) to (f) of row ‘total assets’, of Template LI1. | | | | | |
| 2 | | *Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)*: the value reported in columns (b) to (e) of this row should correspond to the values reported in columns (c) to (f) of row ‘total liabilities’, of Template LI1. | | | | | |
| 3 | | *Total net amount under regulatory scope of consolidation*: all values in this row are derived from the subtraction of the respective values in row 1 and row 2. | | | | | |
| 4 | | *Off-balance sheet amounts*: these include original exposures of OBS items, prior to the application of CCFs in column (a), and the amounts subject to the respective regulatory frameworks, after application of the CCFs where relevant, in columns (b) to (d). | | | | | |
| 5 to N-1 | | Row headings shown in rows 5 to N-1 in above are provided for illustrative purposes only and should be adapted by the AI to describe the most meaningful drivers for differences between its financial statement carrying values and the exposure amounts considered for regulatory purposes. | | | | | |
| 7 | | *Differences due to consideration of provisions*: the exposure values under row 1 are the carrying amounts and hence net of provisions (ie specific and collective provisions). Nevertheless, exposures under the FIRB approach and AIRB approach are risk-weighted gross of provisions. Row 7 therefore is the re-inclusion of collective and specific provisions in the carrying amount of exposures in the FIRB approach and AIRB approach so that the carrying amount of those exposures is reconciled with their regulatory exposure value. Row 7 may also include the elements qualifying as collective provisions that may have been deducted from the carrying amount of exposures under the STC approach and that therefore need to be reintegrated in the regulatory exposure value of those exposures. Any differences between the accounting provisions and the regulatory provisions that have an impact on the exposure amounts considered for regulatory purposes should also be included in row 7. | | | | | |
| N | | *Exposure amounts considered for regulatory purposes*: the row designates the aggregate amount considered as a ‘starting point’ of the RWA calculation (post CCF and CRM) for each of the risk categories. This should correspond either to the exposure amount applied in the STC approach, in the BSC approach or to the EAD in the IRB approach under the credit risk framework; the exposure amount of any securitization exposure under the securitization framework; and the default risk exposure or EAD under the counterparty credit risk framework. | | | | | |

## Table LIA: Explanations of differences between accounting and regulatory exposure amounts

|  |  |
| --- | --- |
| **Purpose:** | To provide qualitative explanations on the differences observed between accounting carrying values (as defined in Template LI1) and amounts considered for regulatory capital purposes (as defined in Template LI2) under each risk framework. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16F |

|  |  |
| --- | --- |
| An AI should explain the sources of differences from financial statements amounts to regulatory exposure amounts, as displayed in Templates LI1 and LI2. In particular, the AI should: | |
| (a) | explain the derivation of any material differences between the amounts in columns (a) and (b) in Template LI1; |
| (b) | explain the main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in Template LI2; |
| (c) | describe its systems and controls to ensure that the valuation estimates are prudent and reliable for the purposes of implementing the guidance on prudent valuation. The AI should provide a description of the following:   1. Valuation methodologies, including a description of the extent of use of marking-to-market methodology and of a marking-to-model methodology; 2. Independent price verification process; and 3. Procedures for considering valuation adjustments or reserves, including a description of the process and the methodology for valuing trading positions by type of instrument. |
| (d) | The AI with insurance subsidiaries must disclose:   1. the national regulatory approach used with respect to insurance entities in determining an AI's reported capital positions (i.e. deduction of investments in insurance subsidiaries); and 2. any surplus capital in insurance subsidiaries recognised when calculating the bank's capital adequacy. |

## Template PV1: Prudent valuation adjustments

|  |  |
| --- | --- |
| **Purpose:** | To provide a detailed breakdown of the constituent elements of valuation adjustment. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Valuation adjustments for all assets measured at fair value (marked to market or marked to model), including non-derivative and derivative instruments, that an AI has actually considered and made for the purpose of BCR §4A. |
| **Frequency:** | Annual. |
| **Format:** | Fixed. For rows that are not applicable, “0” should be reported. An AI should explain the reason why such rows are not applicable in the accompanying narrative. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. In particular, an AI should provide details on “other adjustments” in row 11, where material, together with the definitions of those adjustment that are not listed in the Basel framework. An AI should also explain the types of financial instruments with the highest amounts of valuation adjustment recorded. |
| **Corresponding BDR section:** | 16FA |

|  |  | (a) | (b) | (c) | (d) | (e) | **(f)** | (g) | (h) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Equity | Interest rates | FX | Credit | Commodities | **Total** | Of which: In the trading book | Of which: In the banking book |
| 1 | Close-out uncertainty, of which: |  |  |  |  |  |  |  |  |
| 2 | *Mid-market value* |  |  |  |  |  |  |  |  |
| 3 | *Close-out costs* |  |  |  |  |  |  |  |  |
| 4 | *Concentration* |  |  |  |  |  |  |  |  |
| 5 | Early termination |  |  |  |  |  |  |  |  |
| 6 | Model risk |  |  |  |  |  |  |  |  |
| 7 | Operational risks |  |  |  |  |  |  |  |  |
| 8 | Investing and funding costs |  |  |  |  |  |  |  |  |
| 9 | Unearned credit spreads |  |  |  |  |  |  |  |  |
| 10 | Future administrative costs |  |  |  |  |  |  |  |  |
| 11 | Other adjustments |  |  |  |  |  |  |  |  |
| **12** | **Total adjustments** |  |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *Close-out uncertainty, of which*: valuation adjustments that reflect close-out uncertainty which include but not limited to the items reported in rows 2 to 4 below. |
| 2 | *Mid-market value*: valuation adjustment required to reflect an appropriate level of prudence given the range of plausible mid values that could be derived from available market data either for the instrument price or price of equivalent instrument or for each valuation input used in the relevant valuation model when this input has been calibrated from prices of instruments. |
| 3 | *Close-out costs*: valuation adjustment to take into account the valuation uncertainty where the position level resulted from the valuations may not reflect the exit price for such position or portfolio (for example, where such valuations are calibrated to a mid-market price). |
| 4 | *Concentration*: valuation adjustment required (over and above market price and close-out costs) to reach a prudent exit price for positions that are larger in terms of size as compared with the positions used for calculating the valuation (i.e. cases where the aggregate position held by an AI is larger than the normal traded volume or size of positions that formed the basis of observable quotes or trades that are applied to calibrate the price or inputs used by core valuation model). |
| 5 | *Early termination*:valuation adjustment to reflect potential losses which may arise from contractual or non-contractual early terminations of customer trades in the valuation. |
| 6 | *Model risk*:valuation adjustment to take into account valuation model risk which may arise due to: (i) the potential existence of a range of different models or model calibrations used by Pillar 3 data users; (ii) the lack of a firm exit price for the specific product being valued; (iii) the use of an incorrect valuation methodology; (iv) the risk of using unobservable and incorrect calibration parameters; or (v) the fact that certain market or product factors are not captured by the core valuation model. |
| 7 | *Operational risks*: valuation adjustment to take into account potential losses that may arise from operational risks related to the valuation processes. |
| 8 | *Investing and funding costs*: valuation adjustment to reflect the valuation uncertainty in the funding costs which other Pillar 3 data users may factor into a position or portfolio’s exit price, including funding valuation adjustments on derivatives exposures. |
| 9 | *Unearned credit spreads*: valuation adjustment to take into account the valuation uncertainty in the adjustment in order to reflect the current value of expected losses due to counterparty default on derivative positions, including the valuation uncertainty on CVAs. |
| 10 | *Future administrative costs*: valuation adjustment to take into account the administrative costs and future hedging costs over the expected life of the exposures for which a direct exit price is not applied for the close-out costs. Operational costs arising from hedging, administration and settlement of contracts in the portfolio should be included in the valuation adjustment for these future administrative costs that are incurred by the portfolio or position but are not reflected in the core valuation model or prices that are used to calibrate inputs for that model. |
| 11 | *Other adjustments*:valuation adjustment to take into account other factors that will influence the exit price but are not included in any of the categories listed in rows 1 to 10 above. An AI should disclose these factors in the narrative commentary to support the disclosure in this template. |
| 12 | *Total adjustments*: the value in [PV1:12/f] should be equal to the value in [CC1:7/a]. |

# Part IIA: Composition of regulatory capital

## Template CC1: Composition of regulatory capital

|  |  |
| --- | --- |
| **Purpose:** | To provide a breakdown of the constituent elements of Total capital. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Breakdown of regulatory capital according to the scope of regulatory consolidation. Where an AI has a reporting date for disclosure (e.g. end-April, end-October) that does not fall on the same position date for the Return on Capital Adequacy Ratio (MA(BS)3) (i.e. end-March, end-June, end-September, end-December), the AI should disclose this template based on its own reporting date. In such circumstance, the calculation basis of values disclosed in this template should, however, follow the same calculation basis used for the return. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. AIs are not permitted to add, delete or change the definitions of any rows of this reporting template. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any significant changes over the reporting period and the key drivers of such change. |
| **Corresponding BDR section:** | 16FB |

|  | | (a) | (b) |
| --- | --- | --- | --- |
|  | | **Amount** | **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation** |
|  | **CET1 capital: instruments and reserves** |  |  |
| 1 | Directly issued qualifying CET1 capital instruments plus any related share premium |  | [e] |
| 2 | Retained earnings |  |  |
| 3 | Disclosed reserves |  |  |
| 5 | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group) |  |  |
| 6 | **CET1 capital before regulatory deductions** |  |  |
|  | **CET1 capital: regulatory deductions** |  |  |
| 7 | Valuation adjustments |  |  |
| 8 | Goodwill (net of associated deferred tax liabilities) |  | [a] - [c] |
| 9 | Other intangible assets (net of associated deferred tax liabilities) |  | [b] - [d] |
| 10 | Deferred tax assets (net of associated deferred tax liabilities) |  |  |
| 11 | Cash flow hedge reserve |  |  |
| 12 | Excess of total EL amount over total eligible provisions under the IRB approach |  |  |
| 13 | Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions |  |  |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities |  |  |
| 15 | Defined benefit pension fund net assets (net of associated deferred tax liabilities) |  |  |
| 16 | Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet) |  |  |
| 17 | Reciprocal cross-holdings in CET1 capital instruments |  |  |
| 18 | Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) |  |  |
| 19 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) |  |  |
| 20 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 21 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 22 | Amount exceeding the 15% threshold | Not applicable | Not applicable |
| 23 | of which: significant investments in the ordinary share of financial sector entities | Not applicable | Not applicable |
| 24 | of which: mortgage servicing rights | Not applicable | Not applicable |
| 25 | of which: deferred tax assets arising from temporary differences | Not applicable | Not applicable |
| 26 | National specific regulatory adjustments applied to CET1 capital |  |  |
| 26a | Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) |  |  |
| 26b | Regulatory reserve for general banking risks |  |  |
| 26c | Securitization exposures specified in a notice given by the MA |  |  |
| 26d | Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings |  |  |
| 26e | Capital shortfall of regulated non-bank subsidiaries |  |  |
| 26f | Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base) |  |  |
| 27 | Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions |  |  |
| 28 | **Total regulatory deductions to CET1 capital** |  |  |
| 29 | **CET1 capital** |  |  |
|  | **AT1 capital: instruments** |  |  |
| 30 | Qualifying AT1 capital instruments plus any related share premium |  | [f] |
| 31 | of which: classified as equity under applicable accounting standards |  |  |
| 32 | of which: classified as liabilities under applicable accounting standards |  |  |
| 34 | AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group) |  |  |
| 36 | **AT1 capital before regulatory deductions** |  |  |
|  | **AT1 capital: regulatory deductions** |  |  |
| 37 | Investments in own AT1 capital instruments |  |  |
| 38 | Reciprocal cross-holdings in AT1 capital instruments |  |  |
| 39 | Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold) |  |  |
| 40 | Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation |  |  |
| 41 | National specific regulatory adjustments applied to AT1 capital |  |  |
| 42 | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions |  |  |
| 43 | **Total regulatory deductions to AT1 capital** |  |  |
| 44 | **AT1 capital** |  |  |
| 45 | **Tier 1 capital (T1 = CET1 + AT1)** |  |  |
|  | **Tier 2 capital: instruments and provisions** |  |  |
| 46 | Qualifying Tier 2 capital instruments plus any related share premium |  |  |
| 48 | Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group) |  |  |
| 50 | Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital |  |  |
| 51 | **Tier 2 capital before regulatory deductions** |  |  |
|  | **Tier 2 capital: regulatory deductions** |  |  |
| 52 | Investments in own Tier 2 capital instruments |  |  |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities |  |  |
| 54 | Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold) |  |  |
| 54a | Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as “section 2 institution” under §2(1) of Schedule 4F to BCR only) |  |  |
| 55 | Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) |  |  |
| 55a | Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions) |  |  |
| 56 | National specific regulatory adjustments applied to Tier 2 capital |  |  |
| 56a | Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital |  |  |
| 56b | Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within BCR §48(1)(g) |  |  |
| 57 | **Total regulatory adjustments to Tier 2 capital** |  |  |
| 58 | **Tier 2 capital (T2)** |  |  |
| 59 | **Total regulatory capital (TC = T1 + T2)** |  |  |
| 60 | **Total RWA** |  |  |
|  | **Capital ratios (as a percentage of RWA)** |  |  |
| 61 | **CET1 capital ratio** |  |  |
| 62 | **Tier 1 capital ratio** |  |  |
| 63 | **Total capital ratio** |  |  |
| 64 | **Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)** |  |  |
| 65 | of which: capital conservation buffer requirement |  |  |
| 66 | of which: bank specific countercyclical capital buffer requirement |  |  |
| 67 | of which: higher loss absorbency requirement |  |  |
| 68 | CET1 (as a percentage of RWA) available after meeting minimum capital requirements |  |  |
|  | **National minima (if different from Basel 3 minimum)** |  |  |
| 69 | National CET1 minimum ratio | Not applicable | Not applicable |
| 70 | National Tier 1 minimum ratio | Not applicable | Not applicable |
| 71 | National Total capital minimum ratio | Not applicable | Not applicable |
|  | **Amounts below the thresholds for deduction (before risk weighting)** |  |  |
| 72 | Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation |  |  |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation |  |  |
| 74 | Mortgage servicing rights (net of associated deferred tax liabilities) | Not applicable | Not applicable |
| 75 | Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities) | Not applicable | Not applicable |
|  | **Applicable caps on the inclusion of provisions in Tier 2 capital** |  |  |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap) |  |  |
| 77 | Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA |  |  |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap) |  |  |
| 79 | Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA |  |  |
| *Points to note:*   1. *Shaded rows with borders indicate the following:*  * *a row shaded dark grey introduces a new section which provides details of a certain component of regulatory capital;* * *a row shaded light grey, with no thick border, represents the sum of cells in the relevant section above it;* * *a row shaded light grey, with a thick border, indicates a key component of regulatory capital and the regulatory capital ratios;* * *a row shaded yellow represents an item that is not applicable to Hong Kong.*  1. *The reconciliation requirements included in Template CC2 result in the decomposition of certain regulatory adjustments. For example, the disclosure template above includes the adjustment “Goodwill net of associated deferred tax liabilities”. The reconciliation requirements will lead to the disclosure of both the goodwill component and the related tax liability component of this regulatory adjustment.* 2. *Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards are disclosed below in Notes to the template.* | | | |

Notes to the template

|  | **Description** | **Hong Kong basis** | **Basel III basis** |
| --- | --- | --- | --- |
| 9 | **Other intangible assets (net of associated deferred tax liabilities)** |  |  |
| Explanation  As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights (“MSRs”) may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III. | | |
| 10 | **Deferred tax assets (net of associated deferred tax liabilities)** |  |  |
| Explanation  As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III. | | |
| 18 | **Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)** |  |  |
| Explanation  For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| 19 | **Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)** |  |  |
| Explanation  For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| 39 | **Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)** |  |  |
| Explanation  The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| 54 | **Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)** |  |  |
| Explanation  The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach. | | |
| Remarks:  The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime. | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | All amounts should be reported in Hong Kong dollars unless the AI uses another currency consistently for disclosure purposes. |
| (b) | An AI is required to complete column (b) to show the source of every major input, which is to be cross-referenced to the corresponding rows in Template CC2. This is Step 3 as required under the three-step approach to reconciliation as explained in DIS25 of the Basel framework. |
| **Rows** | |
| 1 | Instruments that meet all the qualifying criteria for CET1 capital as set out in BCR Schedule 4A issued by an AI. This should be equal to the sum of ordinary shares (and any related share premium) and other capital instruments (in the case of non-joint stock companies) which meet the qualifying criteria. This item should be net of treasury stock and other investments in own shares to the extent that such investments are already derecognized on the balance sheet under the relevant accounting standards. Other paid-in capital elements should be excluded. All minority interests should be excluded. |
| 2 | Retained earnings, prior to all regulatory deductions, in accordance with BCR §38(1)(c). For interim disclosure, this row should report for the reporting period an AI’s profit or loss as published in its interim financial statements (and therefore subject to internal review); and for annual disclosure, the audited profit or loss as published in its annual financial statements. Dividends should be removed in accordance with the applicable accounting standards, i.e. they should be excluded from this row when they are removed from the balance sheet of the AI. |
| 3 | Disclosed reserves (including accumulated other comprehensive income), prior to all regulatory adjustments. |
| 5 | Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties. Only the amount that is eligible for inclusion in the CET1 capital of the consolidation group should be reported here, as determined by the application of BCR Schedule 4D. |
| 6 | Sum of values in rows 1 to 5. |
| 7 | Prudential valuation adjustments according to the requirements of BCR §43(1)(g) and paragraph 4.5 of the Supervisory Policy Manual module CA-S-10 “Financial Instrument Fair Value Practices”. |
| 8 | Goodwill net of associated deferred tax liabilities, as referred to in BCR §43(1)(a). |
| 9 | Other intangible assets (referred to in BCR §43(1)(b)) including mortgage servicing rights (“MSRs”), net of associated deferred tax liabilities. |
| 10 | Deferred tax assets (“DTAs”) (referred to in BCR §43(1)(d)) including those arising from temporary differences, net of associated deferred tax liabilities. |
| 11 | Cumulative cash flow hedge reserve that relate to the hedging of financial instruments that are not fair valued on the balance sheet (including projected cash flows) described in BCR §38(2)(a). |
| 12 | Excess of total EL amount over total eligible provisions under the IRB approach as described in BCR §43(1)(i). |
| 13 | Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions in which the AI is the originating institution as referred to in BCR §43(1)(e). |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities, as described in BCR §38(2)(b), and debit valuation adjustments in respect of derivative contracts as referred to in BCR §43(1)(h). |
| 15 | Net assets of defined benefit pension fund or plan, net of associated deferred tax liabilities, as referred to in BCR §43(1)(c). |
| 16 | Investments in own CET1 capital instruments, as referred to in BCR §43(1)(l). |
| 17 | Reciprocal cross-holdings in CET1 capital instruments, as referred to in BCR §43(1)(m). |
| 18 | Amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to BCR Schedule 4F after taking into account any amount of loans, facilities or other credit exposures that is required (i) by BCR §46(2) to be aggregated with this item for the purpose of determining the excess amount, and (ii) by BCR §43(1)(o) to be deducted from CET1 capital. |
| 19 | Amount of significant LAC investments in CET1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to BCR Schedule 4G, after taking into account any amount of loans, facilities or other credit exposures that is required (i) by BCR §46(2) to be aggregated with this item for the purpose of determining the excess amount, and (ii) by BCR §43(1)(p) to be deducted from CET1 capital. |
| 20 | This row is not applicable in the case of Hong Kong given that any amount of MSRs on an AI’s balance sheet will be included in row 9 (other intangible assets) and fully deducted in accordance with BCR §43(1)(b). |
| 21 | This row is not applicable in the case of Hong Kong given that any amount of DTA arising from temporary difference on an AI’s balance sheet will be included in row 10 (deferred tax assets) and fully deducted in accordance with BCR §43(1)(d). |
| 22 | This row is irrelevant as the “15% threshold” is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR. |
| 23 | This row is irrelevant as the “15% threshold” is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR. |
| 24 | This row is irrelevant as the “15% threshold” is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR. |
| 25 | This row is irrelevant as the “15% threshold” is not applicable to Hong Kong since MSRs and DTAs are required to be fully deducted under the BCR. |
| 26 | Specific regulatory adjustments that the MA requires AIs to apply to CET1 capital in addition to the adjustments required under Basel III, calculated as the sum of values in rows 26a to 26f and any other additional rows inserted between rows 26 and 27, if applicable. |
| 26a | Cumulative fair value gains arising from revaluation of land and buildings (covering both own-use and investment properties) as set out in BCR §38(2)(c) and (d). |
| 26b | Regulatory reserve for general banking risks as referred to in BCR §38(2)(e). |
| 26c | Any securitization exposures specified in a notice given by the MA pursuant to BCR §43(1)(f). |
| 26d | Cumulative losses below depreciated cost arising from the institution’s holdings of land and buildings as referred to in BCR §43(1)(j). |
| 26e | Capital shortfall of regulated non-bank subsidiaries as specified in BCR §43(1)(k). |
| 26f | Amount of the sum of any capital investment in commercial connected entities that is in excess of 15% of the capital base of the AI (as reported in its capital adequacy return as at the immediately preceding calendar quarter end date according to BCR §43(1)(n)), taking into account any amount of loans, facilities or other credit exposures that is required by BCR §46(1) to be aggregated with this item for the purpose of determining the excess amount subject to deduction. |
| 27 | Regulatory deductions applied to CET1 capital due to insufficient AT1 capital being available to cover deductions, as required under BCR §43(1)(r). If the value reported in row 43 exceeds that in row 36, the excess is to be reported here. |
| 28 | Total regulatory deductions to CET1 capital, calculated as the sum of values in rows 7 to 19, rows 26 and 27. |
| 29 | CET1 capital, calculated as the difference of values in row 6 and row 28. |
| 30 | Instruments issued by an AI that meet all the qualifying criteria for AT1 capital as set out in BCR Schedule 4B, and any related share premium as referred to in BCR §39(1)(b). All instruments issued by subsidiaries of the consolidation group should be excluded from this row. This row may however include AT1 capital instruments issued by an SPV of the institution only if it meets the requirements set out in BCR §39(3) and Schedule 4B. |
| 31 | The amount of instruments in row 30 classified as equity under applicable accounting standards. |
| 32 | The amount of instruments in row 30 classified as liabilities under applicable accounting standards. |
| 34 | Applicable amount of capital instruments issued by consolidated bank subsidiaries and held by third parties allowed to be recognized in consolidated AT1 capital in accordance with BCR Schedule 4D. |
| 36 | The sum of values in rows 30 and 34. |
| 37 | Investments in own AT1 capital instruments, as referred to in BCR §47(1)(a). |
| 38 | Reciprocal cross-holdings in AT1 capital instruments, as referred to in BCR §47(1)(b). |
| 39 | Amount of insignificant LAC investments in AT1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is in excess of the 10% threshold according to BCR Schedule 4F, and is required to be deducted from AT1 capital in accordance with BCR §47(1)(c). |
| 40 | Amount of significant LAC investments in AT1 capital instruments issued by financial sector entities outside the scope of regulatory consolidation that is required to be deducted from AT1 capital in accordance with BCR §47(1)(d). |
| 41 | Specific regulatory deductions that the MA requires AIs to apply to AT1 capital in addition to the adjustments required under Basel III, calculated as the sum of values in any other additional rows inserted between rows 41 and 42, if applicable. |
| 42 | Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital being available to cover deductions, as required under BCR §47(1)(g). If the value reported in row 57 exceeds that in row 51, the excess is to be reported here. |
| 43 | The sum of values in rows 37 to 40, 41 (if applicable) and 42. |
| 44 | AT1 capital, calculated as the difference of values in row 36 and row 43. If the amount reported in row 43 exceeds that in row 36, include the excess amount in row 27 and report zero here. |
| 45 | Tier 1 capital, calculated as the sum of values in row 29 and row 44. |
| 46 | Instruments issued by an AI that meet all the qualifying criteria for Tier 2 capital as set out in BCR Schedule 4C and any related share premium as referred to in BCR §40(1)(b). All instruments issued by subsidiaries of the consolidation group should be excluded from this row. This row may however include Tier 2 capital instruments issued by an SPV of the institution only if it meets the requirements set out in BCR §40(3) and Schedule 4C. |
| 48 | Applicable amount of capital instruments issued by consolidated bank subsidiaries and held by third parties allowed to be recognized in consolidated Tier 2 capital in accordance with BCR Schedule 4D. |
| 50 | The aggregate amount of the AI’s regulatory reserve for general banking risks and collective provisions related to the BSC approach or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA, surplus provisions for exposures calculated by using the IRB approach, and the portion of the institution’s total regulatory reserve for general banking risks and collective provisions apportioned to the SEC-IRBA approach, allowed to be included in Tier 2 capital, calculated in accordance with BCR §42. |
| 51 | The sum of values in rows 46, 48 and 50. |
| 52 | Investments in own Tier 2 capital instruments, as referred to in BCR §48(1)(a). |
| 53 | Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities, as referred to in BCR §48(1)(b). |
| 54 | Amount of insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities outside the scope of regulatory consolidation (net of eligible short positions) that is in excess of the 10% threshold and, where applicable, the gross long positions of non-capital LAC liabilities of such entities that is in excess of the 5% threshold according to BCR Schedule 4F, and is required to be deducted from Tier 2 capital in accordance with BCR §48(1)(c). |
| 54a | Amount of insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation, formerly designated for the 5% threshold but no longer meeting the conditions for designation under BCR Schedule 4F, measured on a gross long basis. This row is applicable to “section 2 institutions” (as defined in §2 of Schedule 4F) only, where the amounts designated to this threshold may not subsequently be moved to the 10% threshold. This row does not apply to “section 3 institutions” (as defined in §3 of Schedule 4F), to which these conditions on the use of the 5% threshold do not apply. |
| 55 | Amount of significant LAC investments in Tier 2 capital instruments issued by financial sector entities outside the scope of regulatory consolidation (net of eligible short positions) that is required to be deducted from Tier 2 capital in accordance with BCR §48(1)(d). |
| 55a | Amount of significant LAC investments in non-capital LAC liabilities of financial sector entities outside the scope of regulatory consolidation (net of eligible short positions) that is required to be deducted from Tier 2 capital in accordance with BCR §48(1)(d). |
| 56 | Specific regulatory adjustments that the MA requires AIs to apply to Tier 2 capital in addition to the minimum adjustments required under Basel III, calculated as the sum of values in any additional rows inserted between rows 56 and 57, if applicable. |
| 56a | The portion (i.e. 45%) of the property revaluation reserve that is permitted to be included / added back as Tier 2 capital under BCR §40(1)(d). This item has the effect of reducing the total regulatory deductions to Tier 2 capital and must be reported as a negative figure. |
| 56b | For institutions that maintain any non-capital LAC debt resources, the amount by which the total amount of the AI’s holdings of non-capital LAC liabilities falling within BCR §48(1)(g) exceeds the institution’s non-capital LAC debt resources or, for institutions that do not maintain any non-capital LAC debt resources, the total amount of the institution’s holdings of non-capital LAC liabilities falling within BCR §48(1)(g). |
| 57 | The sum of values in rows 52 to 56b. |
| 58 | Tier 2 capital, calculated as the difference of values in row 51 and row 57. If the amount reported in row 57 exceeds that in row 51, include the excess amount in row 42 and report zero here. |
| 59 | Total capital, calculated as the sum of values in row 45 and row 58. |
| 60 | Total RWA of the AI. |
| 61 | CET1 capital ratio (as a percentage of RWA), calculated as the quotient of value in row 29 to value in row 60, expressed as a percentage. |
| 62 | Tier 1 capital ratio (as a percentage of RWA), calculated as the quotient of value in row 45 to value in row 60, expressed as a percentage. |
| 63 | Total capital ratio (as a percentage of RWA), calculated as the quotient of value in row 59 to value in row 60, expressed as a percentage. |
| 64 | Institution-specific buffer requirement (i.e. capital conservation buffer (“CB”), any countercyclical capital buffer (“CCyB”) and any higher loss absorbency (“HLA”) requirements, all expressed as a percentage of RWA), to be calculated in accordance with the level specified in BCR §3M for CB requirement, plus the institution-specific CCyB requirement and the institution-specific HLA requirement. |
| 65 | The amount in row 64 (expressed as a percentage of RWA) that relates to the CB requirement (i.e. to report the level specified in BCR §3M). |
| 66 | The amount in row 64 (expressed as a percentage of RWA) that relates to the institution-specific CCyB requirement, which is equal to the value reported in cell N+2/d of Template CCyB1. |
| 67 | The amount in row 64 (expressed as a percentage of RWA) relates to any HLA requirements, if applicable. An AI should report the HLA requirement applicable to it as a G-SIB or a D-SIB, whichever is higher. |
| 68 | CET1 (as a percentage of risk-weighted assets) available after meeting the AI’s minimum capital requirements, calculated as the CET1 capital ratio (row 61) less the sum of ratios of (i) the 4.5% minimum CET1 requirement under BCR §3B; and (ii) any other CET1 capital required to meet the minimum Tier 1 and Total capital requirements under BCR §43(1)(r) and §47(1)(g).  For example, suppose an AI has 100 RWA, 10 CET1 capital, 1.5 AT1 capital and no Tier 2 capital. Since it does not have any Tier 2 capital, it will have to earmark its CET1 capital to meet the 8% minimum capital requirement. The net CET1 capital left to meet other requirements (which could include Pillar 2 or buffers requirements) will be 10 – 4.5 – 2 = 3.5. |
| 69 | This row is not applicable in the case of Hong Kong where the CET1 capital ratio is as defined under Basel III. |
| 70 | This row is not applicable in the case of Hong Kong where the Tier 1 capital ratio is as defined under Basel III. |
| 71 | This row is not applicable in the case of Hong Kong where the Total capital ratio is as defined under Basel III. |
| 72 | Insignificant LAC investments in CET1, AT1, Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities outside the regulatory scope of consolidation, to the extent that such holdings are not reported in row 18, row 39 and row 54. |
| 73 | Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the regulatory scope of consolidation, to the extent that such holdings are not reported in row 19 and row 23. |
| 74 | This row is not applicable in the case of Hong Kong, as MSRs are fully deducted. Please refer to row 20. |
| 75 | This row is not applicable in the case of Hong Kong, as DTAs are fully deducted. Please refer to row 21. |
| 76 | Amount of an AI’s regulatory reserve for general banking risks and provisions for Stages 1 and 2 of credit impairment related to the BSC approach, the STC approach and SEC-ERBA, SEC-SA and SEC-FBA eligible for inclusion in Tier 2 capital, calculated in accordance with BCR §42(1) or §42(2), where applicable, prior to the application of the cap. |
| 77 | Cap for inclusion of regulatory reserve for general banking risks and provisions for Stages 1 and 2 of credit impairment related to the BSC approach, the STC approach and the SEC-ERBA, SEC-SA and SEC-FBA in Tier 2 capital, calculated in accordance with BCR §42(1) or §42(2), where applicable. |
| 78 | The sum of surplus provisions for exposures calculated using the IRB approach and the portion of an AI’s total regulatory reserve for general banking risks and provisions for Stages 1 and 2 of credit impairment that is apportioned to the SEC-IRBA in Tier 2 capital, calculated in accordance with BCR §42(2), (3) and (4), prior to the application of the cap. |
| 79 | Cap for inclusion of surplus provisions for exposures calculated using the IRB approach and the portion of an AI’s total regulatory reserve for general banking risks and provisions for Stages 1 and 2 of credit impairment that is apportioned to the SEC-IRBA in Tier 2 capital, calculated in accordance with BCR §42(2), (3) and (4). |

## Template CC2: Reconciliation of regulatory capital to balance sheet

|  |  |
| --- | --- |
| **Purpose:** | To enable Pillar 3 data users to identify the differences between the scope of accounting consolidation and the scope of regulatory consolidation, and to show the link between an AI’s balance sheet in its published financial statements and the numbers that are used in the composition of regulatory capital disclosure template set out in Template CC1. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying values (corresponding to the values reported in financial statements). Where an AI has a reporting date for disclosure (e.g. end-April, end-October) that does not fall on the same position date for the Return on Capital Adequacy Ratio (MA(BS)3) (i.e. end-March, end-June, end-September, end-December), the AI should disclose this template based on its own reporting date. In such circumstance, the calculation basis of values disclosed in this template should, however, follow the same calculation basis used for the return. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible (but the rows should align with the balance sheet presentation). |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any significant changes in the expanded balance sheet items over the reporting period and the key drivers of such change. Narrative commentary to significant changes in other balance sheet items could be found in Table LIA. |
| **Corresponding BDR section:** | 16FC |

|  | (a) | (b) | (c) |
| --- | --- | --- | --- |
|  | **Balance sheet as in published financial statements**  (as at period-end) | **Under regulatory scope of consolidation**  (as at period-end) | **Reference** |
| **Assets** |  |  |  |
| Cash and balances at central banks |  |  |  |
| Items in the course of collection from other banks |  |  |  |
| Trading portfolio assets |  |  |  |
| Financial assets designated at fair value |  |  |  |
| Derivative financial instruments |  |  |  |
| Loans and advances to banks |  |  |  |
| Loans and advances to customers |  |  |  |
| Reverse repurchase agreements and other similar secured lending |  |  |  |
| Financial investments measured at fair value through other comprehensive income |  |  |  |
| Current and deferred tax assets |  |  |  |
| Prepayments, accrued income and other assets |  |  |  |
| Investments in associates and joint ventures |  |  |  |
| Goodwill and intangible assets |  |  |  |
| Of which: goodwill |  |  | [a] |
| Of which: other intangibles assets |  |  | [b] |
| Property, plant and equipment |  |  |  |
| **Total assets** |  |  |  |
| **Liabilities** |  |  |  |
| Deposits from banks |  |  |  |
| Items in the course of collection due to other banks |  |  |  |
| Customer accounts |  |  |  |
| Repurchase agreements and other similar secured borrowing |  |  |  |
| Trading portfolio liabilities |  |  |  |
| Financial liabilities designated at fair value |  |  |  |
| Derivative financial instruments |  |  |  |
| Debt securities in issue |  |  |  |
| Accruals, deferred income and other liabilities |  |  |  |
| Current and deferred tax liabilities |  |  |  |
| Of which: DTLs related to goodwill |  |  | [c] |
| Of which: DTLs related to intangible assets |  |  | [d] |
| Subordinated liabilities |  |  |  |
| Provisions |  |  |  |
| Retirement benefit liabilities |  |  |  |
| **Total liabilities** |  |  |  |
| **Shareholders’ equity** |  |  |  |
| Paid-in share capital |  |  |  |
| Of which: amount eligible for CET1 |  |  | [e] |
| Of which: amount eligible for AT1 |  |  | [f] |
| Retained earnings |  |  |  |
| Accumulated other comprehensive income |  |  |  |
| **Total shareholders’ equity** |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) and (b) | An AI should take the balance sheet numbers in its published financial statements (reported in column (a)), and report the numbers when the regulatory scope of consolidation is applied (reported in column (b)). This is referred to as Step 1 under the three-step approach to reconciliation, as explained in DIS25 of the Basel framework.  If there are rows in the balance sheet under the regulatory scope of consolidation that are not present in the published financial statements, the AI should add these rows and give a value of zero in column (a).  If an AI’s scope of accounting consolidation and scope of regulatory consolidation are exactly the same, columns (a) and (b) should be merged and this fact should be clearly disclosed.  The amounts in columns (a) and (b) in this template before balance sheet expansion (i.e. before Step 2 under the three-step approach) should be identical to columns (a) and (b) in Template LI1. |
| (c) | An AI should, using a reference number/letter input in this column, cross-reference the figures of the expanded balance sheet items to the corresponding items in column (b) of Template CC1 in accordance with Step 3 under the three-step approach to reconciliation as explained in DIS25 of the Basel framework. |
| **Rows** | |
| All | Rows in the template should follow the balance sheet presentation used by an AI in its financial statements, on which basis the AI is required to expand the balance sheet to identify all the items that are disclosed in Template CC1 (referred to as Step 2 under the three-step approach to reconciliation, as explained in DIS25 of the Basel framework). Set out above (i.e. items [a] to [f]) are some examples of items that may need to be expanded for a particular banking group. Disclosure should be proportionate to the complexity of the AI’s balance sheet. Each item should be given a reference number/letter in column (c) that is used as cross-reference to the corresponding items in column (b) of Template CC1. |

## Table CCA: Main features of regulatory capital instruments

|  |  |
| --- | --- |
| **Purpose:** | To provide a description on the main features of the CET1, Additional Tier 1 and Tier 2 capital instruments, as applicable, that are included in an AI’s regulatory capital. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative and quantitative information. |
| **Frequency:** | Semi-annual. This table should be posted on the AI’s internet website (or if permitted by the MA, the internet website of its holding company). It should be updated whenever a capital instrument is issued, repaid, included in or excluded from the capital base by an AI, and whenever there is a redemption, conversion / write-down, or any other material change in the nature of the relevant instrument. The AI should include the web link to the issuances made over the previous period in each disclosure statement. |
| **Format:** | Flexible. |
| **Accompanying information:** | The full terms and conditions of all instruments included in an AI’s regulatory capital should be made available on its internet website. |
| **Corresponding BDR section:** | 16FE |

|  |  | (a) |
| --- | --- | --- |
|  |  | **Quantitative / qualitative information** |
| 1 | Issuer |  |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) |  |
| 3 | Governing law(s) of the instrument |  |
|  | *Regulatory treatment* |  |
| 4 | Transitional Basel III rules | NA |
| 5 | Basel III rules |  |
| 6 | Eligible at solo / group / solo and group |  |
| 7 | Instrument type (types to be specified by each jurisdiction) |  |
| 8 | Amount recognised in regulatory capital (currency in millions, as of most recent reporting date) |  |
| 9 | Par value of instrument |  |
| 10 | Accounting classification |  |
| 11 | Original date of issuance |  |
| 12 | Perpetual or dated |  |
| 13 | Original maturity date |  |
| 14 | Issuer call subject to prior supervisory approval |  |
| 15 | Optional call date, contingent call dates and redemption amount |  |
| 16 | Subsequent call dates, if applicable |  |
|  | *Coupons / dividends* |  |
| 17 | Fixed or floating dividend / coupon |  |
| 18 | Coupon rate and any related index |  |
| 19 | Existence of a dividend stopper |  |
| 20 | Fully discretionary, partially discretionary or mandatory |  |
| 21 | Existence of step-up or other incentive to redeem |  |
| 22 | Non-cumulative or cumulative |  |
| 23 | Convertible or non-convertible |  |
| 24 | If convertible, conversion trigger(s) |  |
| 25 | If convertible, fully or partially |  |
| 26 | If convertible, conversion rate |  |
| 27 | If convertible, mandatory or optional conversion |  |
| 28 | If convertible, specify instrument type convertible into |  |
| 29 | If convertible, specify issuer of instrument it converts into |  |
| 30 | Write-down feature |  |
| 31 | If write-down, write-down trigger(s) |  |
| 32 | If write-down, full or partial |  |
| 33 | If write-down, permanent or temporary |  |
| 34 | If temporary write-down, description of write-up mechanism |  |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned). |  |
| 36 | Non-compliant transitioned features | NA |
| 37 | If yes, specify non-compliant features | NA |
| *Points to note:*   1. *An AI should report the main features of each outstanding regulatory capital instrument. For any item that is not applicable for a particular capital instrument, “NA” should be entered.* 2. *In order to provide a “main features report” that summarises all of the regulatory capital instruments of the banking group, an AI should report each instrument, including ordinary shares, in a separate column of this template (by adding column (b), column (c) and so on).* 3. *An AI should select one of the standard options in the list as the input for a particular cell, where relevant. The following table provides a more detailed explanation of reporting requirements for each of the cells, and, where relevant, the list of standard options from which the AI should select as the input for a particular cell.* | | |

|  |  |
| --- | --- |
| **Explanatory Note** | |
| **Rows** | |
| 1 | The legal entity which is the issuer of the instrument.  *Free text* |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement).  *Free text* |
| 3 | Specifies the governing law(s) of the instrument.  *Free text* |
| 4 | This row is obsolete and no longer applicable. |
| 5 | Specifies the regulatory capital treatment.  *Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]* |
| 6 | Specifies the level(s) within the group at which the instrument is included in capital. The level of solo includes solo-consolidated.  *Enter: [Solo] [Group] [Solo and Group]* |
| 7 | Specifies the instrument type, varying by jurisdiction. This helps provide a more granular understanding of features.  *Enter: [Ordinary shares] [Perpetual non-cumulative preference shares] [Perpetual debt instruments] [Perpetual cumulative preference shares] [Redeemable non-cumulative preference shares] [Redeemable cumulative preference shares] [Other Tier 2 instruments] [Others: please specify]* |
| 8 | Specifies amount recognised in regulatory capital.  *Free text* |
| 9 | Par value of the instrument.  *Free text* |
| 10 | Specifies accounting classification which helps to assess loss absorbency.  *Enter: [Shareholders’ equity] [Liability – amortised cost] [Liability – fair value option] [Non-controlling interest in consolidated subsidiary]* |
| 11 | Specifies date of issuance.  *Free text* |
| 12 | Specifies whether dated or perpetual.  *Enter: [Perpetual] [Dated]* |
| 13 | For dated instrument, specifies original maturity date (day, month and year). For perpetual instrument, “no maturity” should be entered.  *Free text* |
| 14 | Specifies whether there is an issuer call option.  *Enter: [Yes] [No]* |
| 15 | For instrument with issuer call option, specifies (i) first date of call if the instrument has a call option on a specific date (day, month and year); (ii) if the instrument has a tax and / or regulatory event call; and (iii) the redemption price.  *Free text* |
| 16 | Specifies the existence and frequency of subsequent call dates, if applicable.  *Free text* |
| 17 | Specifies whether the coupon / dividend is: (i) fixed over the life of the instrument; (ii) floating over the life of the instrument; (iii) currently fixed but will move to a floating rate in the future; or (iv) currently floating but will move to a fixed rate in the future.  *Enter: [Fixed] [Floating] [Fixed to floating] [Floating to fixed]* |
| 18 | Specifies the coupon rate of the instrument and any related index that the coupon / dividend rate references.  *Free text* |
| 19 | Specifies whether the non-payment of a coupon or dividend on the instrument prohibits the payment of dividends on ordinary shares (i.e. whether there is a dividend stopper).  *Enter: [Yes] [No]* |
| 20 | Specifies whether the issuer has (i) full discretion; (ii) partial discretion; or (iii) no discretion over whether a coupon / dividend is paid. If an AI has full discretion to cancel coupon / dividend payments under all circumstances, it should select “fully discretionary” (including when there is a dividend stopper that does not have the effect of preventing the AI from cancelling payments on the instrument). If there are conditions that should be met before payment can be cancelled (e.g. capital below a certain threshold), the AI should select “partially discretionary”. If the AI is unable to cancel the payment outside of insolvency, it should select “mandatory”.  *Enter: [Fully discretionary] [Partially discretionary] [Mandatory]* |
| 21 | Specifies whether there is a step-up or other incentive to redeem.  *Enter: [Yes] [No]* |
| 22 | Specifies whether dividends / coupons are cumulative or non-cumulative.  *Enter: [Non-cumulative] [Cumulative]* |
| 23 | *Convertible or non-convertible*: specifies whether the instrument is convertible or not without considering the implications of the potential exercise of powers under the Financial Institutions (Resolution) Ordinance. However, the AI should also disclose in this row, e.g. in the form of a remark, if the terms and conditions of the instrument contain a provision that the holder of the instrument acknowledges and agrees to be bound by such powers.  *Enter: [Convertible] [Non-convertible]* |
| 24 | Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, names of the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach).  *Free text.* |
| 25 | For each conversion trigger separately, specifies whether the instrument will: (i) always convert fully; (ii) may convert fully or partially; or (iii) will always convert partially.  *Free text referencing one of the options above* |
| 26 | Specifies rate of conversion into the more loss absorbent instrument.  *Free text* |
| 27 | For convertible instruments, specifies whether conversion is mandatory or optional.  *Enter: [Mandatory] [Optional] [NA]* |
| 28 | For convertible instruments, specifies instrument types they are convertible into.  *Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Others: please specify]* |
| 29 | If convertible, specifies issuer of instrument into which it converts.  *Free text* |
| 30 | Specifies whether there is a write-down feature without considering the implications of the potential exercise of powers under the Financial Institutions (Resolution) Ordinance. However, the AI should also disclose in this row, e.g. in the form of a remark, if the terms and conditions of the instrument contain a provision that the holder of the instrument acknowledges and agrees to be bound by such powers.  *Enter: [Yes] [No]* |
| 31 | Specifies the trigger at which write-down occurs, including point of non-viability. Where one or more authorities have the ability to trigger write-down, names of the authorities should be listed. For each of the authorities it should be stated whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach).  *Free text* |
| 32 | For each write-down trigger separately, specifies whether the instrument will: (i) always be written down fully; (ii) may be written down partially; or (iii) will always be written down partially.  *Free text referencing one of the options above* |
| 33 | For write-down instrument, specifies whether write-down is permanent or temporary.  *Enter: [Permanent] [Temporary] [NA]* |
| 34 | For instrument that has a temporary write-down, description of write-up mechanism. Not applicable in the case of Hong Kong as no write-up is allowed.  *Enter: [NA]* |
| 35 | Specifies instrument to which it is most immediately subordinate. Where applicable, an AI should specify the column numbers of the instruments in the completed main features template to which the instrument is most immediately subordinate.  *Free text* |
| 36 | This row is obsolete and no longer applicable. |
| 37 | This row is obsolete and no longer applicable. |

# Part IIB: Macroprudential supervisory measures

## Template GSIB1: G-SIB indicators

|  |  |
| --- | --- |
| **Purpose:** | To provide an overview of the indicators regarding G-SIBs. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong which are G-SIBs[[3]](#footnote-3) in the current annual reporting period or in the annual reporting period immediately preceding the current annual reporting period, or otherwise directed by the MA to make such disclosure. The MA may so direct where an AI or, if applicable, its consolidation group and any of its subsidiaries that are not included in the consolidation group but are insurance firms, have a leverage ratio exposure measure exceeding EUR200 billion or equivalent[[4]](#footnote-4) as at 31 December immediately preceding the current annual reporting period, or the AI is being regarded as capable of having a significant impact on the effective working and stability of the global financial system were it to become non-viable. |
| **Content:** | At least the 13 indicators (including the two sub-indicators for the trading volume indicator, i.e. (i) trading volume of fixed income instruments, and (ii) trading volume of equities and other securities) used in the assessment methodology of the G-SIB framework. |
| **Frequency:** | Annual, or in circumstances when the G-SIB restates figures to reflect final data submitted to the BCBS as considered necessary by the MA or on a voluntary basis. The MA may allow a G-SIB whose financial year ends otherwise than on 31 December to report indicator values based on its position as of 31 December, nevertheless this template should be included in the G-SIB’s annual disclosure statement. |
| **Format:** | Flexible. The information disclosed should be fully consistent with the data submitted to the MA for subsequent remittance to the BCBS in the context of its annual data collection exercise for the assessment and identification of G-SIBs.  The disclosure of each category item should follow the related instructions that the G-SIB uses to report its data to the BCBS’s data hub or as required by the MA.[[5]](#footnote-5) |
| **Accompanying narrative**: | A G-SIB should indicate the annual reference date of the information reported as well as the date of first public disclosure. A web link to the disclosure of the previous G-SIB assessment exercise should also be included.  A G-SIB should supplement the template with a narrative commentary to explain any relevant qualitative characteristic deemed necessary for understanding the quantitative data. This information should include explanations about the use of estimates with a short explanation in relation to the method used, mergers or modifications of the legal structure of the entity subjected to the reported data, the bucket to which the G-SIB was allocated and changes in HLA requirements, or reference to the BCBS website for data on denominators, cut-off scores and buckets.  Regardless of whether Template GSIB1 is included in the annual Pillar 3 report, a G-SIB’s annual and interim disclosure statements should include a reference to the website where its current and previous disclosures of Template GSIB1 are housed. |
| **Corresponding BDR section:** | 16FF |

|  |  |  | (a) |
| --- | --- | --- | --- |
|  | **Category** | **Individual indicator** | **Values** |
| 1 | Cross-jurisdictional activities | Cross-jurisdictional claims |  |
| 2 | Cross-jurisdictional liabilities |  |
| 3 | Size | Total exposures\* |  |
| 4 | Interconnectedness with other financial institutions | Intra-financial system assets\* |  |
| 5 | Intra-financial system liabilities\* |  |
| 6 | Securities outstanding\* |  |
| 7 | Substitutability / Financial institution infrastructure | Assets under custody |  |
| 8 | Payment activity |  |
| 9 | Underwritten transactions in debt and equity markets |  |
| 10a | Trading volume of fixed income instruments |  |
| 10b | Trading volume of equities and other securities |  |
| 11 | Complexity | Notional amount of over-the-counter (“OTC”) derivatives\* |  |
| 12 | Level 3 assets\* |  |
| 13 | Trading securities and securities measured at fair value through other comprehensive income |  |
| *Point to note:*   1. *For items marked with an asterisk (\*), the scope of consolidation are extended to include subsidiaries that are insurance firms.* | | | |

| **Explanatory Note** |
| --- |
| **Columns & rows** |
| The template should be completed in accordance with the instructions and definitions for the corresponding rows in force as of the disclosure’s reference date, which is based on the BCBS’s G-SIB identification exercise. Details could be found on the BIS website: <http://www.bis.org/bcbs/gsib/reporting_instructions.htm>. |

## Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

|  |  |
| --- | --- |
| **Purpose:** | To provide an overview of the geographical distribution of private sector credit exposures relevant for the calculation of an AI’s CCyB ratio. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong which are subject to a CCyB requirement, based on the jurisdictions to which they have private sector credit exposures subject to a CCyB requirement compliant with the BCBS standards. Only AIs with exposures to jurisdiction(s) in which the applicable JCCyB ratio is higher than zero should disclose this template. |
| **Content:** | Private sector credit exposures and other relevant inputs necessary for the computation of the AI’s CCyB ratio. Where an AI has a reporting date for disclosure (e.g. end-April, end-October) that does not fall on the same position date for the Quarterly Reporting on the Countercyclical Capital Buffer (MA(BS)25) (i.e. end-March, end-June, end-September, end-December), the AI should disclose this template based on its own reporting date. In such circumstance, the calculation basis of values disclosed in this template should, however, follow the same calculation basis used for the return reporting. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible rows 1 to N (to cater for the number of jurisdictions to which the AI has private sector credit exposures and with a non-zero applicable JCCyB ratio). Fixed rows N+1, N+2 and columns. |
| **Accompanying narrative**: | For the purposes of the CCyB, an AI must use, where possible, exposures on an “ultimate risk” basis. It should disclose the methodology for geographical allocation used, and explain the exceptional jurisdictions or types of exposures for which the ultimate risk method is not used as a basis for allocation.[[6]](#footnote-6) Information about the key drivers for changes in the RWA (or exposure amounts) and the applicable JCCyB ratios should be summarised. |
| **Corresponding BDR section:** | 16FG |

|  |  | (a) | (c) | (d) | (e) |
| --- | --- | --- | --- | --- | --- |
|  | **Geographical breakdown by Jurisdiction (J)** | **Applicable JCCyB ratio in effect (%)** | **RWA used in computation of CCyB ratio** | **AI-specific CCyB ratio (%)** | **CCyB amount** |
| 1 | Hong Kong SAR |  |  |  |  |
| 2 | Mainland China |  |  |  |  |
| 3 | Country / Jurisdiction 3 |  |  |  |  |
| ⁞ | ⁞ |  |  |  |  |
| N | Country / Jurisdiction N |  |  |  |  |
| N+1 | Sum |  |  |  |  |
| N+2 | Total |  |  |  |  |
| *Point to note:*   1. *no disclosure is required for items shaded in dark grey (i.e. column (d) and (e) in rows 1 to N+1, cells N+1/a and N+2/a).* | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| Jurisdiction (J) | Report in this column names of jurisdictions in which the AI has private sector credit exposures (as defined in the BCR §3N), and which has an applicable JCCyB ratio (within the meaning of the BCR) greater than zero as of the end date of the reporting period. An AI should report one jurisdiction for each row, beginning with Hong Kong SAR (row 1), followed by Mainland China (row 2), then by all other jurisdictions in alphabetical order. |
| (a) | *Applicable JCCyB ratio in effect (%)*:report in each row of this column the applicable JCCyB ratio in respect of each relevant jurisdiction named in the “Jurisdiction (J)” column. JCCyB ratios that were set by the relevant national authority, but are not yet applicable in the jurisdiction concerned as of the reporting date (pre-announced rates), should not be reported. |
| (c) | *RWA used in computation of CCyB ratio*: report in rows 1 to N of this column the sum of the RWA for the credit risk and the market risk relating to the AI’s private sector credit exposures to the jurisdiction listed in the “Jurisdiction (J)” column, calculated in the manner specified in the BCR §3O(1) for calculating RWAj, having regard to the guidance provided in the HKMA’s Supervisory Policy Manual module CA-B-3 *Countercyclical Capital Buffer – Geographic Allocation of Private Sector Credit Exposures* for the purpose of determining the geographic location of the obligors for its private sector credit exposures. |
| (d) | *AI-specific CCyB ratio (%)*: report in [CCyB1: N+2/d] the AI’s specific CCyB ratio (expressed as a percentage). This is equal to the institution-specific CCyB requirement reported in [KM1: 9/a], and corresponds to the CCyB ratio calculated in the BCR §3O(1), Formula 1A. |
| (e) | *CCyB amount*: report in [CCyB1: N+2/e] the amount of the AI’s minimum CCyB requirement, calculated as the product of the value in [CCyB1: N+2/d] and the AI’s total RWA. |
| **Rows** | |
| 1 to N | Enter only information of jurisdictions with a non-zero applicable JCCyB ratio. |
| N+1 | *Sum*: the sum of values in rows 1 to N of column (c). |
| N+2 | *Total*: (for column (c)) total sum of the RWA for private sector credit exposures across all jurisdictions to which the AI is exposed, including jurisdictions with no applicable JCCyB ratio or with applicable JCCyB ratio set at zero. |

# Part IIC: Leverage ratio

## Template LR1: Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

|  |  |
| --- | --- |
| **Purpose:** | To reconcile the total assets in the published financial statements (if any) to the LR exposure measure. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. The LR framework should follow the same scope of regulatory consolidation as the capital adequacy framework (i.e. solo basis, solo-consolidated basis, and/or consolidated basis as specified by the MA under BCR §3C). |
| **Content:** | Quantitative information. Where an AI has a reporting date for disclosure (e.g. end-April, end-October) that does not fall on the same position date for the Return of Leverage Ratio (MA(BS)27) (i.e. end-March, end-June, end-September, end-December), the AI should disclose this template based on its own reporting date. In such circumstance, the calculation basis of values disclosed in this template should, however, follow the same calculation basis used for the return. |
| **Frequency:** | Semi-annually. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should disclose and detail the source of material differences between its total balance sheet assets, as reported in its financial statement, and its LR exposure measure. |
| **Corresponding BDR section:** | 16FH |

|  |  | (a) |
| --- | --- | --- |
|  | **Item** | **Value under the LR framework**  (HK$ equivalent) |
|  | Total consolidated assets as per published financial statements |  |
|  | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation |  |
| 3 | Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference |  |
| 4 | Adjustments for temporary exemption of central bank reserves | Not applicable |
| 5 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure |  |
| 6 | Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting |  |
| 7 | Adjustments for eligible cash pooling transactions |  |
| 8 | Adjustments for derivative contracts |  |
| 9 | Adjustment for SFTs (i.e. repos and similar secured lending) |  |
| 10 | Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures) |  |
| 11 | Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from LR exposure measure |  |
| 12 | Other adjustments |  |
| **13** | **Leverage ratio exposure measure** |  |
| *Point to note:*  *(i) a row shaded yellow represents an item that is not applicable to Hong Kong.* | | |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
|  | The AI’s total consolidated assets as per published financial statements. |
|  | Adjustments in relation to the AI’s investments in financial sector entities or commercial entities as defined in BCR §35 that are consolidated for accounting purposes, but outside the scope of regulatory consolidation. As these adjustments reduce the total LR exposure measure, they should be reported as a negative amount. |
| 3 | Adjustment related to securitised exposures that meet the operational requirements for the recognition of risk transference. As the adjustment reduces the total LR exposure measure, it shall be reported as a negative amount. |
| 4 | This row is not applicable as Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. |
| 5 | Adjustments related to any fiduciary assets recognised on the balance sheet pursuant to the AI’s applicable accounting standard but excluded from the LR exposure measure, provided that the assets meet the IFRS 9 (or HKFRS 9) criteria for derecognition and, where applicable, IFRS 10 (or HKFRS 10) for deconsolidation. As these adjustments reduce the total LR exposure measure, they should be reported as a negative amount. |
| 6 | Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting. The adjustment reflects (i) the reverse-out of any offsetting between cash receivables for unsettled sales and cash payables for unsettled purchases of financial assets that may be recognised under the applicable accounting standard, and (ii) the offsetting between those cash receivables and cash payables that are eligible per the criteria specified in the LR framework. If this adjustment leads to an increase in exposure, it shall be reported as a positive amount. If this adjustment leads to a decrease in exposure, it shall be reported as a negative amount. |
| 7 | Adjustments for eligible cash-pooling transactions. An adjustment is for the difference between the accounting value of cash-pooling transactions and the treatments specified in the LR framework. If this adjustment leads to an increase in exposure, it shall be reported as a positive amount. If this adjustment leads to a decrease in exposure, it shall be reported as a negative amount. |
| 8 | Any adjustments in relation to derivative contracts should be in line with the LR calculation methodology under Part 1C of the BCR. If this adjustment leads to an increase in exposure, an AI should disclose this as a positive amount. If this adjustment leads to a decrease in exposure, the AI should disclose this as a negative amount. |
| 9 | Any adjustments in relation to SFTs (i.e. repos and other similar secured lending) should be in line with the LR calculation methodology under Part 1C of the BCR. If this adjustment leads to an increase in the exposure, an AI should disclose this as a positive amount. If this adjustment leads to a decrease in exposure, the AI should disclose this as a negative amount. |
| 10 | Aggregates of the credit equivalent amount of OBS exposures through the use of credit conversion factors (“CCFs”). For details of the OBS exposures and their applicable CCFs, please refer to the LR calculation methodology under Part 1C of the BCR. As these amounts increase the total LR exposure measure, they shall be reported as a positive amount. |
| 11 | Adjustments for prudent valuation adjustments and specific and collective provisions which have reduced Tier 1 capital. This adjustment reduces the LR exposure measure by the amount of prudent valuation adjustments and provisions that have reduced Tier 1 capital, which should be reported as a negative amount.  Where specific and collective provisions are set aside against OBS exposures that have an effect to decrease Tier 1 capital, such provision amounts may be deducted from the credit equivalent amount of the exposures and in turn reported in this row. However, the resulting total credit equivalent amount for OBS exposures cannot be less than zero. |
| 12 | Any other adjustments that are necessary for the reconciliation but not included in rows 1 to 11 above. These may include adjustments in relation to any items that are deducted from Tier 1 capital under the capital adequacy framework in accordance with BCR §38(2), §43 and §47, but are not already excluded from the calculation of the LR exposure measure. For a note-issuing bank as defined under the Legal Tender Notes Issue Ordinance (Cap. 65), the adjustments should also include any certificates of indebtedness issued under the Exchange Fund Ordinance (Cap. 66) and held by it as cover for legal tender notes issued. |
| 13 | The LR exposure measure, which should be the sum of rows 1 to 12 above, should be consistent with the total exposures amount reported in [LR2: 24/a]. |

## Template LR2: Leverage ratio (“LR”)

|  |  |
| --- | --- |
| **Purpose:** | To provide a detailed breakdown of the components of the LR denominator, as well as information on LR, minimum applicable LR and mean-SFT adjusted LR. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. The LR framework should follow the same scope of regulatory consolidation as the capital adequacy framework (i.e. solo basis, solo-consolidated basis, and/or consolidated basis as specified by the MA under BCR §3C). |
| **Content:** | Quantitative information. Where an AI has a reporting date for disclosure (e.g. end-April, end-October) that does not fall on the same position date for the Return of Leverage Ratio (MA(BS)27) (i.e. end-March, end-June, end-September, end-December), the AI should disclose this template based on its own reporting date. In such circumstance, the calculation basis of values disclosed in this template should, however, follow the same calculation basis used for the return, unless otherwise provided in the explanatory notes for the relevant rows. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should describe the key factors that have had a material impact on the LR for the current reporting period compared with the preceding reporting period. An AI should also describe the key factors that explain any material differences between the gross amount of SFT assets that are disclosed in row 29 and the mean values of gross assets of SFTs that are disclosed in row 28. |
| **Corresponding BDR section:** | 16FI |

|  | | (a) | (b) |
| --- | --- | --- | --- |
|  | | HK$ equivalent | |
|  | | T | T-1 |
| **On-balance sheet exposures** | |  |  |
|  | On-balance sheet exposures (excluding derivative contracts and SFTs, but including related on-balance sheet collateral) |  |  |
| 2 | Gross-up for derivative contracts collateral provided where deducted from balance sheet assets pursuant to the applicable accounting standard |  |  |
| 3 | Less: Deductions of receivables assets for cash variation margin provided under derivative contracts |  |  |
| 4 | Less: Adjustment for securities received under SFTs that are recognised as an asset |  |  |
| 5 | Less: Specific and collective provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital |  |  |
| 6 | Less: Asset amounts deducted in determining Tier 1 capital |  |  |
| 7 | **Total on-balance sheet exposures (excluding derivative contracts and SFTs)**  **(sum of rows 1 to 6)** |  |  |
| **Exposures arising from derivative contracts** | |  |  |
| 8 | Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting) |  |  |
| 9 | Add-on amounts for PFE associated with all derivative contracts |  |  |
| 10 | Less: Exempted CCP leg of client-cleared trade exposures |  |  |
| 11 | Adjusted effective notional amount of written credit-related derivative contracts |  |  |
| 12 | Less: Permitted reductions in effective notional amount and permitted deductions from add-on amounts for PFE of written credit-related derivative contracts |  |  |
| 13 | **Total exposures arising from derivative contracts (sum of rows 8 to 12)** |  |  |
| **Exposures arising from SFTs** | |  |  |
| 14 | Gross amount of SFT assets (with no recognition of netting), after adjusting for sale accounting transactions |  |  |
| 15 | Less: Netted amounts of cash payables and cash receivables of gross SFT assets |  |  |
| 16 | CCR exposure for SFT assets |  |  |
| 17 | Agent transaction exposures |  |  |
| 18 | **Total exposures arising from SFTs (sum of rows 14 to 17)** |  |  |
| **Other off-balance sheet exposures** | |  |  |
| 19 | Off-balance sheet exposure at gross notional amount |  |  |
| 20 | Less: Adjustments for conversion to credit equivalent amounts |  |  |
| 21 | Less: Specific and collective provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital |  |  |
| 22 | **Off-balance sheet items (sum of rows 19 to 21)** |  |  |
| **Capital and total exposures** | |  |  |
| 23 | **Tier 1 capital** |  |  |
| 24 | **Total exposures (sum of rows 7, 13, 18 and 22)** |  |  |
| **Leverage ratio** | |  |  |
| 25 & 25a | **Leverage ratio** |  |  |
| 26 | **Minimum leverage ratio requirement** |  |  |
| 27 | **Applicable leverage buffers** | Not applicable | Not applicable |
| **Disclosure of mean values** | |  |  |
| 28 | Mean value of gross assets of SFTs, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables |  |  |
| 29 | Quarter-end value of gross amount of SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables |  |  |
| 30 & 30a | Total exposures based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables) |  |  |
| 31 & 31a | Leverage ratio based on mean values from row 28 of gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables) |  |  |
| *Point to note:*  *(i) a row shaded yellow represents an item that is not applicable to Hong Kong.* | | | |

| **Explanatory Note** | | |
| --- | --- | --- |
| **Rows** | | |
| 1 | An AI should include all consolidated assets on balance sheet as per its financial statements, including collateral for on-balance sheet derivative contracts and for SFTs, with the exception of on-balance sheet derivative contracts and SFT assets that are included in rows 8 to 18. Collateral for derivative contracts and SFTs refer to either collateral received or collateral provided (or any associated receivable asset) included as a balance sheet asset. Where an AI is a note-issuing bank as defined under the Legal Tender Notes Issue Ordinance (Cap. 65), the AI’s on-balance sheet exposure should not include, for the purpose of this template, any certificates of indebtedness issued under the Exchange Fund Ordinance (Cap. 66) and held by the AI as cover for legal tender notes issued. Amounts are to be reported in accordance with the LR framework. |
| 2 | Grossed-up amount of any collateral provided in relation to exposures arising from derivative contracts where the provision of that collateral has reduced the value of the balance sheet assets under the AI’s applicable accounting standard. |
| 3 | Deductions of receivable assets in respect of cash variation margin provided under derivative contracts where the posting of cash variation margin has resulted in the recognition of a receivable asset under the AI’s applicable accounting standard. As the adjustments in row 3 reduce the exposure measure, they should be reported as negative figures. |
| 4 | Adjustment for securities received under a SFT where an AI has recognised the securities as an asset on its balance sheet. These amounts are to be excluded from the exposure measure in accordance with the LR framework in respect of SFT exposures. As the adjustments in row 4 reduce the exposure measure, they shall be reported as negative figures. |
| 5 | Specific and collective provisions, if any, that reduce the on-balance sheet exposure measures may be presented in this row, provided that such reductions from exposure measures are allowable under Part 1C of the BCR. As these adjustments reduce the exposure measure, they should be reported as negative figures. |
| 6 | Adjustments to balance sheet assets due to deductions from Tier 1 capital in accordance with BCR §3ZB(4). For example:   * Where a financial sector entity is not included in the regulatory scope of consolidation, the amount of any investment in the capital of that entity that is totally or partially deducted from CET1 capital or from additional Tier 1 capital of the AI following the corresponding deduction approach, may be deducted from the exposure measure. * For an AI using the IRB approach to determining capital requirements for credit risk, it is required any excess of the total expected loss over the total eligible provisions be deducted from CET1 capital. The same amount may be deducted from the exposure measure.   As the adjustments in row 6 reduce the exposure measure, they should be reported as negative figures. |
| 7 | Sum of values in rows 1 to 6. |
| 8 | Replacement cost (“RC”) associated with all derivative contracts (including exposures resulting from direct transactions between a client and a CCP where the AI guarantees the performance of its clients’ derivative trade exposures to the CCP), net of cash variation margin received and with, where applicable, bilateral netting under a qualifying bilateral netting agreement. This amount should be reported after applying the 1.4 alpha factor. |
| 9 | Add-on amount for the potential future exposure (“PFE”) of all exposures arising from derivative contracts. This amount should be reported after applying the 1.4 alpha factor. |
| 10 | Exempted trade exposures associated with the CCP leg of derivative contracts resulting from client-cleared transactions or which the clearing member, based on the contractual arrangements with the client, is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that a QCCP defaults. As the adjustments in row 10 reduce the exposure measure, they should be reported as negative figures. |
| 11 | The effective notional amount of written credit-related derivative contracts, which may be reduced by the total amount of negative changes in fair value amounts that have been incorporated into the calculation of Tier 1 capital with respect to written credit-related derivative contracts. |
| 12 | Adjustments relating to:   * The amount by which the notional amount of a written credit-related derivative is reduced by a purchased credit-related derivative contract on the same reference name; and * The deduction of add-on amounts for PFE in relation to written credit-related derivative contracts.   As the adjustments in row 12 reduce the exposure measure, they should be reported as negative figures. |
| 13 | Sum of values in rows 8 to 12. |
| 14 | The gross amount of SFT assets without recognition of netting, other than novation with QCCPs (in which case the final contractual exposure is to replace the gross amount of SFT assets), determined in accordance with the LR framework in respect of SFT exposures (e.g. excluding any securities received under an SFT where the AI has recognised the securities as an asset on its balance sheet), and adjusting for any sale accounting transactions. |
| 15 | Adjustments for cash payables and cash receivables of gross SFT assets with netting determined in accordance with the LR framework in respect of SFT exposures. As these adjustments reduce the exposure measure, they should be reported as a negative figure. |
| 16 | The amount of the counterparty credit risk add-on for SFTs determined in accordance with the LR framework in respect of SFT exposures. |
| 17 | The amount for which the AI acting as an agent in an SFT has provided an indemnity or guarantee determined in accordance with the LR framework in respect of SFT exposures. |
| 18 | Sum of values in rows 14 to 17. |
| 19 | Total off-balance sheet exposure amounts (excluding off-balance sheet exposure amounts associated with SFT and derivative contracts) on a gross notional basis, before any adjustment for credit conversion factors (“CCFs”). |
| 20 | Reduction in gross amount of off-balance sheet exposures due to the application of CCFs. As these adjustments reduce the exposure measure, they should be reported as negative figures. |
| 21 | Amounts of specific and collective provisions associated with off-balance sheet exposures that have decreased Tier 1 capital, the absolute value of which is not to exceed the sum of rows 19 and 20. As these adjustments reduce the exposure measure, they shall be reported as negative figures. |
| 22 | Sum of values in rows 19 to 21. |
| 23 | The amount of Tier 1 capital as determined under the BCR. The value in [LR2:23/a] is equal to the value in [KM1:2 & 2a/a]. |
| 24 | Sum of values in rows 7, 13, 18 and 22. The value in [LR2:24/a] is equal to the value in [KM1:13/a] and in [LR1: 13/a]. |
| 25 & 25a | Leverage ratio is defined as the Tier 1 capital measure of row 23 (the numerator) divided by the exposure measure of row 24 (the denominator), where the resultant quotient be expressed as a percentage. Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. The value in [LR2:25 & 25a/a] is equal to the value in [KM1:14, 14a & 14b/a]. |
| 26 | The minimum leverage ratio requirement applicable to an AI as specified in BCR §3Z. |
| 27 | This row is not applicable as Hong Kong does not adopt leverage buffers. |
| 28 | Mean of the sums of rows 14 and 15, based on the sums calculated as of each calendar day of the reporting quarter. |
| 29 | If rows 14 and 15 are based on quarter-end values, this amount is the sum of rows 14 and 15. |
| 30 & 30a | Total exposure measure, using mean values calculated as of each calendar day of the reporting quarter for the amounts of the exposure measure associated with gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables). Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. The value in [LR2:30 & 30a/a] should be equal to the value in [KM1:13a/a]. |
| 31 & 31a | Tier 1 capital measure divided by the exposure measure, using mean values calculated as of each calendar day of the reporting quarter for the amounts of the exposure measure associated with gross assets of SFTs (after adjustment for sale accounting transactions and netted amounts of associated cash payables and cash receivables). Hong Kong does not exercise the discretion to allow for the temporary exemption of central bank reserves from the LR exposure measure. The value in [LR2:31 & 31a/a] is equal to the value in [KM1:14c & 14d/a]. |

Part IID: Liquidity

## Table LIQA: Liquidity risk management

|  |  |
| --- | --- |
| **Purpose:** | To enable Pillar 3 data users to make an informed judgment about the soundness of an AI’s liquidity risk management framework and liquidity position. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong and AIs incorporated outside Hong Kong. |
| **Content:** | Qualitative and quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. An AI may choose the relevant information to be provided depending upon its business model, liquidity risk profile, organisation structure and functions involved in liquidity risk management. |
| **Corresponding BDR section:** | 16FJ and 103(4A) |

|  |  |
| --- | --- |
| An AI should describe the following elements of liquidity risk management, where relevant: | |
| Qualitative disclosures | |
| (a) | Governance of liquidity risk management, including:   1. risk tolerance; 2. structure and responsibilities for liquidity risk management; 3. internal liquidity reporting; and 4. communication of liquidity risk strategy, policies and practices across business lines and with the board of directors. |
| (b) | Funding strategy, including:   1. policies on diversification in the sources and tenors of funding; and 2. whether the funding strategy is centralised or decentralised. |
| (c) | Liquidity risk mitigation techniques. |
| (d) | An explanation of how stress testing is used. |
| (e) | An outline of the AI’s contingency funding plan. |
| Quantitative disclosures | |
| (f) | Customised measurement tools or metrics that assess the structure of the AI’s balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the AI. |
| (g) | Concentration limits on collateral pools and sources of funding (both products and counterparties). |
| (h) | Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity. |
| (i) | On- and off-balance sheet items, broken down into maturity buckets and the resultant liquidity gaps. |

## Template LIQ1: Liquidity Coverage Ratio(“LCR”) – for category 1 institution

|  |  |
| --- | --- |
| **Purpose:** | To present the details of LCR, high quality liquid assets (“HQLA”), and a breakdown of cash outflows and inflows. |
| **Scope of application:** | The template is mandatory for both AIs incorporated in Hong Kong and AIs incorporated outside Hong Kong that are designated as category 1 institution. A category 1 institution should disclose the required disclosure items in this template on:-   1. a consolidated basis – applicable to a category 1 institution incorporated in Hong Kong that is subject to Banking (Liquidity) Rules (“BLR”) rule 11(1); 2. an unconsolidated basis – applicable to a category 1 institution incorporated in Hong Kong that is not subject to BLR rule 11(1) but subject to BLR rule 10(1)(b); or 3. a Hong Kong office basis – applicable to a category 1 institution:-    * incorporated in Hong Kong that is not subject to BLR rule 10(1)(b) or 11 but subject to BLR rule 10(1)(a); and    * incorporated outside Hong Kong that is subject to BLR rule 10(1)(a).   A category 1 institution should indicate the basis on which the required disclosure items in this template are disclosed. |
| **Content:** | Simple average values of all working days in the quarter. Data should be presented in Hong Kong dollars or the equivalent amounts in Hong Kong dollars. An AI should also specify the number of data points used in calculating the average values in the template and the currency used for presentation. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should provide sufficient qualitative discussion to facilitate Pillar 3 data users’ understanding of its LCR calculation. For example, where significant to the LCR, the AI should discuss:   * the main drivers of its LCR results and the evolution of the contribution of inputs to the LCR’s calculation over time; * intra-period changes as well as changes over time; * the composition of HQLA; * concentration of funding sources; * currency mismatch in the LCR; * the degree of centralization of liquidity management and the interaction between members of the consolidated group; * the exposures under its derivative contracts and the potential for it to be required to post collateral under the contracts; and * other inflows and outflows in the LCR calculation that are not captured in the template but the AI considers relevant for its liquidity profile. |
| **Corresponding BDR section:** | 16FK and 103A |

| Number of data points used in calculating the average value of the LCR and related components set out in this template: ( ) | HK$ equivalent |
| --- | --- |

|  | | (a) | (b) |
| --- | --- | --- | --- |
| Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate) | | **Unweighted value**  (average) | **Weighted value**  (average) |
| 1. **HQLA** | |  |  |
| 1 | Total HQLA |  |  |
| 1. **Cash outflows** | |  |  |
| 2 | Retail deposits and small business funding, of which: |  |  |
| 3 | *Stable retail deposits and stable small business funding* |  |  |
| 4 | *Less stable retail deposits and less stable small business funding* |  |  |
| 4a | *Retail term deposits and small business term funding* |  |  |
| 5 | Unsecured wholesale funding (other than small business funding), and debt securities and prescribed instruments issued by the AI, of which: |  |  |
| 6 | *Operational deposits* |  |  |
| 7 | *Unsecured wholesale funding (other than small business funding) not covered in row 6* |  |  |
| 8 | *Debt securities and prescribed instruments issued by the AI and redeemable within the LCR period* |  |  |
| 9 | Secured funding transactions (including securities swap transactions) |  |  |
| 10 | Additional requirements, of which: |  |  |
| 11 | *Cash outflows arising from derivative contracts and other transactions, and additional liquidity needs arising from related collateral requirements* |  |  |
| 12 | *Cash outflows arising from obligations under structured financing transactions and repayment of funding obtained from such transactions* |  |  |
| 13 | *Potential drawdown of undrawn committed facilities (including committed credit facilities and committed liquidity facilities)* |  |  |
| 14 | Contractual lending obligations (not otherwise covered in Section B) and other contractual cash outflows |  |  |
| 15 | Other contingent funding obligations (whether contractual or non-contractual) |  |  |
| 16 | **Total Cash Outflows** |  |  |
| 1. **Cash Inflows** | |  |  |
| 17 | Secured lending transactions (including securities swap transactions) |  |  |
| 18 | Secured and unsecured loans (other than secured lending transactions covered in row 17) and operational deposits placed at other financial institutions |  |  |
| 19 | Other cash inflows |  |  |
| 20 | **Total Cash Inflows** |  |  |
| 1. **Liquidity Coverage Ratio** | |  | **Adjusted value** |
| 21 | **Total HQLA** |  |  |
| 22 | **Total Net Cash Outflows** |  |  |
| 23 | **LCR (%)** |  |  |
| *Points to note:*   1. *the rows A, B, C and D 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 input;* 2. *the disclosure items shaded in light grey (e.g. rows 2, 5, 9, 10, 14 and 15 under Section B) represent the components, if any, within the respective sections;* 3. *the unshaded disclosure items represent sub-components within the components of cash outflows (Section B). See explanatory note below for a more detailed explanation of the composition of such sub-components;* 4. *no disclosure is required for items shaded in dark grey (i.e. cells 1/a, 9/a, 16/a, 21/a, 22/a and 23/a).* | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Unweighted value*: In relation to a disclosure item under cash outflows (Section B) and cash inflows (Section C), it 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 before applying the outflow rate(s) or inflow rate(s) applicable to them, as required under the BLR (as read in conjunction with the Banking (Liquidity Coverage Ratio – Calculation of Total Net Cash Outflows) Code (“the Code”). For example, in the case of stable retail deposits and stable small business funding (“SDF”):  where N is the number of data points used in calculating such value for quarter Qi; and uSDFn means the unweighted amount of SDF at data point n. |
| (b) | *Weighted value*: In relation to a disclosure item under cash outflows (Section B) and cash inflows (Section C), it means the amount after applying the outflow rate(s) or inflow rate(s) applicable to the item, as required under the BLR (as read in conjunction with the Code). For example, in the case of SDF:  where N is the number of data points used in calculating such value for quarter Qi; and wSDFn means the weighted amount of SDF at data point n. |
| (a) & (b) | *(average)*: the “average value” of each disclosure item should be calculated (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 for a reporting quarter; and (ii) according to the calculation methodology and instructions set out in the Return of Liquidity Position (MA(BS)1E). 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 (instead of daily). Therefore, a category 1 institution should follow the calculation methodologies and instructions specified in the return for the calculation of the day-end positions of each such item. |
| **Rows[[7]](#footnote-7)** | |
| 1 | All HQLA that satisfy the applicable requirements under BLR rule 25, after applying any applicable haircuts but before applying any applicable ceilings[[8]](#footnote-8) (as required under the BLR).  The weighted amount of total HQLA is to be calculated as the total principal amount of such HQLA, net of any haircuts applicable to the assets concerned (in accordance with BLR rule 35 and, if applicable, BLR 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 BLR rules 33 and 34 as applicable).  {Item A4 (minus item A6 if applicable)} |
| 2 | Retail deposits and small business funding (as defined in BLR rule 39) (i.e. the sum of values in rows 3 to 4a).  {Sum of items B1 to B4} |
| 3 | Stable retail deposits (as defined in BLR rule 39) and small business funding (that is akin to stable retail deposits), calculated in accordance with, respectively, clauses 3 and 6 of the Code.  {Sum of sub-items B1(a), B2(a), B3(a) and B4(a)} |
| 4 | Less stable retail deposits (as defined in BLR rule 39) and small business funding (that is akin to less stable retail deposits), calculated in accordance with, respectively, clauses 4 and 6 of the Code.  {Sum of sub-items B1(b), B2(b), B3(b) and B4(b)} |
| 4a | Retail term deposits (as defined in BLR rule 39) and small business term funding (that is akin to retail term deposits), calculated in accordance with, respectively, clauses 5 and 6 of the Code.  {Sum of sub-items B1(c), B2(c), B3(c) and B4(c)} |
| 5 | Unsecured wholesale funding (as defined in BLR 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.e. the sum of values in rows 6 to 8).  {Sum of items B5, B6 and B7} |
| 6 | Operational deposits (as defined in BLR rule 39), calculated in accordance with clause 7 and meeting the qualifying criteria under clause 7(2) of the Code.  {Sum of sub-items B5(a) and B5(b)} |
| 7 | Unsecured wholesale funding (other than small business funding and operational deposits), calculated in accordance with clauses 8 and 9 of the Code.[[9]](#footnote-9)  {Sum of sub-items B6(a)(i), B6(a)(ii) and B6(b)} |
| 8 | Debt securities and prescribed instruments (as defined in BLR 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 of the Code.[[10]](#footnote-10)  {Item B7} |
| 9 | Liabilities and obligations arising from secured funding transactions (including securities swap transactions) (as defined in BLR rule 39) due for settlement within the LCR period, calculated in accordance with clause 11 of the Code.  {Sum of items B8 and B9} |
| 10 | 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.e. the sum of values in rows 11 to 13).  {Sum of items B10 to B19} |
| 11 | Liabilities and obligations arising from derivative contracts and other transactions. These include:-   1. Contractual net cash outflows arising from derivative contracts (as defined in BLR rule 39), calculated in accordance with clause 12 of the Code; and 2. Additional liquidity needs arising from:- 3. derivative contracts or other transactions with material adverse event clauses, calculated in accordance with clause 13 of the Code; 4. potential loss in market value of posted collateral securing derivative contracts or other transactions, calculated in accordance with clause 14 of the Code; 5. excess non-segregated collateral callable by counterparty under derivative contracts or other transactions, calculated in accordance with clause 15 of the Code; 6. collateral substitution under derivative contracts or other transactions, calculated in accordance with clause 16 of the Code; 7. contractual obligations to post collateral to counterparty under derivative contracts or other transactions, calculated in accordance with clause 17 of the Code; and 8. increase in collateral needs arising from adverse changes in market value of derivative contracts or other transactions, calculated in accordance with clause 18 of the Code.   {Sum of items B10, B11, B12, B13, B14, B15 and B16} |
| 12 | Expected cash outflows arising from:-   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 of the Code; 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 BLR rule 39), calculated in accordance with clause 20 of the Code.   {Sum of items B17 and B18} |
| 13 | Expected cash outflows arising from potential drawdown of undrawn committed credit facilities and committed liquidity facilities (as defined in BLR rule 39) within the LCR period, calculated in accordance with clause 21 of the Code.  {Item B19} |
| 14 | Expected cash outflows arising from contractual lending obligations not otherwise included in Section B of the template, calculated in accordance with clause 22 of the Code; and other contractual cash outflows (as defined in BLR rule 39), calculated in accordance with clause 24 of the Code.  {Sum of items B20 and B22} |
| 15 | Other contingent funding obligations (as defined in BLR rule 39) (whether contractual or non-contractual), calculated in accordance with clause 23 of the Code.  {Item B21} |
| 16 | Total cash outflows (i.e. the sum of values in rows 2, 5, 9, 10, 14 & 15).  {Item B23} |
| 17 | Expected cash inflows arising from maturing secured lending transactions (including securities swap transactions) (as defined in BLR rule 39), calculated in accordance with clause 25 of the Code.  {Sum of items C1, C2 and C3} |
| 18 | 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, respectively, clauses 26 and 29(b) of the Code.  {Sum of items C4 and C8} |
| 19 | 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 of the Code; 2. maturing securities not included by the category 1 institution in its HQLA, calculated in accordance with clause 28 of the Code; 3. undrawn facilities granted to the category 1 institution, calculated in accordance with clause 29(a) of the Code; 4. contractual net cash inflows arising from derivative contracts, calculated in accordance with clause 30 of the Code; 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 of the Code.   {Sum of items C5, C6, C7, C9 and C10} |
| 20 | Total cash inflows (i.e. the sum of values in rows 17 to 19).  {Item C11} |
| 21 | *Total HQLA (adjusted value)*: the weighted amount of total HQLA (net of any haircuts applicable to the assets concerned under BLR rule 35 and, if applicable, BLR rule 38), 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 in accordance with BLR rules 33 and 34 as applicable.  {Item A7} |
| 22 | *Total Net Cash Outflows (adjusted value)*: 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 as applicable in accordance with BLR rule 40[[11]](#footnote-11) (as read in conjunction with the Code).  {Item B23 minus item C12} |
| 23 | *LCR (%)*: the calculation of the “average value” of its LCR in this row should be based on the arithmetic mean of the LCR as at the end of each working day during the quarter. Accordingly, the average value of the AI’s LCR for quarter Qi should be calculated as:  where (a) N is the number of data points used in calculating such value for the quarter; and (b) LCRn means the LCR at data point n.  For the avoidance of doubt, the “average value” of the AI’s LCR for the quarter should not be simply calculated by dividing (i) the “average value” of its total HQLA for the quarter (row 21) by (ii) the “average value” of its total net cash outflows for the quarter (row 22).  {Item D} |

## Template LIQ2: Net Stable Funding Ratio – for category 1 institution

|  |  |
| --- | --- |
| **Purpose:** | To provide details of NSFR and details of ASF and RSF components. |
| **Scope of application:** | The template is mandatory for both AIs incorporated in Hong Kong and AIs incorporated outside Hong Kong that are designated as category 1 institution. A category 1 institution should disclose the required items in this template on:-   1. a consolidated basis – applicable to a category 1 institution incorporated in Hong Kong that is subject to BLR rule 11(1); 2. an unconsolidated basis – applicable to a category 1 institution incorporated in Hong Kong that is not subject to BLR rule 11(1) but subject to BLR rule 10(1)(b); or 3. a Hong Kong office basis – applicable to a category 1 institution:-    * incorporated in Hong Kong that is not subject to BLR rule 10(1)(b) or 11 but subject to BLR rule 10(1)(a); and    * incorporated outside Hong Kong that is subject to BLR rule 10(1)(a).   A category 1 institution should indicate the basis on which the required disclosure items in this template are disclosed. |
| **Content:** | Items disclosed should be measured and defined according to the methodology and instructions set out in the Stable Funding Position Return (MA(BS)26). Data should be presented as quarter-end observations and in Hong Kong dollars or the equivalent amount of Hong Kong dollars. |
| **Frequency:** | Semi-annual (including two data sets covering the latest and the preceding quarter-ends). |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should provide a sufficient qualitative discussion on the NSFR to facilitate an understanding of the results and the accompanying data. For example, where significant, the AI should discuss:   * the drivers of its NSFR results, the reasons for intra-period changes and the changes over time (e.g. changes in strategies, funding structure, circumstances); and * the composition of the AI’s interdependent assets and liabilities (as defined under Division 2 of Part 9 of the BLR) and to what extent these transactions are interrelated. |
| **Corresponding BDR section:** | 16FL and 103AB |

|  | | (a) | (b) | (c) | (d) | (e) |
| --- | --- | --- | --- | --- | --- | --- |
| Basis of disclosure: consolidated / unconsolidated / Hong Kong office (delete as appropriate) | | **Unweighted value by residual maturity** | | | | **Weighted amount** |
| No specified term to maturity | <6 months or repayable on demand | 6 months to < 12 months | 12 months or more |
| 1. **Available stable funding (“ASF”) item** | |  |  |  |  |  |
| 1 | Capital: |  |  |  |  |  |
| 2 | *Regulatory capital* |  |  |  |  |  |
| 2a | *Minority interests not covered by row 2* |  |  |  |  |  |
| 3 | *Other capital instruments* |  |  |  |  |  |
| 4 | Retail deposits and small business funding: |  |  |  |  |  |
| 5 | *Stable deposits* |  |  |  |  |  |
| 6 | *Less stable deposits* |  |  |  |  |  |
| 7 | Wholesale funding: |  |  |  |  |  |
| 8 | *Operational deposits* |  |  |  |  |  |
| 9 | *Other wholesale funding* |  |  |  |  |  |
| 10 | Liabilities with matching interdependent assets |  |  |  |  |  |
| 11 | Other liabilities: |  |  |  |  |  |
| 12 | *Net derivative liabilities* |  |  |  |  |  |
| 13 | *All other funding and liabilities not included in the above categories* |  |  |  |  |  |
| 14 | **Total ASF** |  |  |  |  |  |
| 1. **Required stable funding (“RSF”) item** | |  |  |  |  |  |
| 15 | Total HQLA for NSFR purposes |  | | | |  |
| 16 | Deposits held at other financial institutions for operational purposes |  |  |  |  |  |
| 17 | Performing loans and securities: |  |  |  |  |  |
| 18 | *Performing loans to financial institutions secured by Level 1 HQLA* |  |  |  |  |  |
| 19 | *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions* |  |  |  |  |  |
| 20 | *Performing loans, other than performing residential mortgage, to non-financial corporate clients, retail and small business customers, sovereigns, the Monetary Authority for the account of the Exchange Fund, central banks and PSEs, of which:* |  |  |  |  |  |
| 21 | *With a risk-weight of less than or equal to 35% under the STC approach* |  |  |  |  |  |
| 22 | *Performing residential mortgages, of which:* |  |  |  |  |  |
| 23 | *With a risk-weight of less than or equal to 35% under the STC approach* |  |  |  |  |  |
| 24 | *Securities that are not in default and do not qualify as HQLA, including exchange-traded equities* |  |  |  |  |  |
| 25 | Assets with matching interdependent liabilities |  |  |  |  |  |
| 26 | Other assets: |  |  |  |  |  |
| 27 | *Physical traded commodities, including gold* |  |  |  |  |  |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* |  |  |  |  |  |
| 29 | *Net derivative assets* |  |  |  |  |  |
| 30 | *Total derivative liabilities before adjustments for deduction of variation margin posted* |  |  |  |  |  |
| 31 | *All other assets not included in the above categories* |  |  |  |  |  |
| 32 | Off-balance sheet items |  |  | | |  |
| 33 | **Total RSF** |  |  |  |  |  |
| 34 | **Net Stable Funding Ratio (%)** |  |  |  |  |  |
| *Points to note:*   1. *the rows without a numerical row number introduce a section of the NSFR template (i.e. ASF and RSF) and do not require any value to be input;* 2. *the disclosure items shaded in light grey (e.g. rows 1, 4, 7, 10, 11) represent a broad sub-component category of the NSFR in the relevant section;* 3. *the unshaded disclosure items represent a sub-component within the major categories under ASF and RSF items, except that rows 21 and 23 are sub-components of rows 20 and 22, respectively. See explanatory note below for a more detailed explanation of the composition of such sub-components;* 4. *no disclosure is required for items shaded in dark grey (i.e. cells 5/a, 6/a, 8/a, 12/b-e, 14/a-d, 27/b-d, 28/b-d, 29/b-d, 30/b-d, 32/a, 33/a-d and 34/a-d).* | | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (d) | *Unweighted value by residual maturity*: values entered in these columns should be the quarter-end observations of individual line items in accordance with the maturity bands. Items to be reported in column (a), i.e. the “no specified term to maturity” time bucket, do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, collective provisions, net derivative liabilities, currency notes and coins, equities, physical traded commodities, assets posted as initial margin for derivative contracts and contributions to default funds of CCPs, net derivative assets and total derivative liabilities before deduction of variation margin posted. |
| (e) | *Weighted amount*: values entered in this column are calculated in accordance with Part 9 of the BLR. |
| **Rows** | |
| 1 | *Capital*: the sum of values in rows 2 to 3. |
| 2 | *Regulatory capital*: CET1 capital, Additional Tier 1 capital and Tier 2 capital as defined by Part 3 of the BCR before the application of any regulatory adjustments required by the BCR. To avoid doubt, the aggregated amount of total Tier 1 capital can be reported under the time bucket of “No specified term to maturity” (i.e. column (a)). |
| 2a | *Minority interests not covered by row 2:* if there is any minority interest that has a specified term to maturity, report it under the relevant column. Otherwise, report under the time bucket of “No specified term to maturity” (i.e. column (a)). |
| 3 | *Other capital instruments*: total amount of any capital instruments not included in row 2 or 2a. |
| 4 | *Retail deposits and small business funding*: as defined in BLR rule 39, which are equal to the sum of values in rows 5 and 6. |
| 5 | *Stable deposits*: they comprise stable retail deposits and stable small business funding, as defined in the BLR. |
| 6 | *Less stable deposits*: they comprise retail deposits and small business funding as defined in the BLR but not already covered by row 5 above. |
| 7 | *Wholesale funding*: the sum of values in rows 8 and 9. |
| 8 | *Operational deposits*: as defined in BLR rule 39. |
| 9 | *Other wholesale funding*: it is funding (other than operational deposits) provided to the AI by non-financial corporates (other than small business customers), sovereigns, public sector entities (“PSEs”), multilateral development banks, national development banks, the Monetary Authority (“MA”) for the account of the Exchange Fund (“EF”), central banks, financial institutions and other entities. |
| 10 | *Liabilities with matching interdependent assets*: any liabilities that meet the descriptions in BLR rule 70 and match with interdependent assets should be included in this row and excluded from all other ASF items. For note-issuing banks, this row also includes the amount of legal tender notes in circulation issued by them, as follows:   * for unweighted value, the legal tender notes in circulation should be included in column (a) for ‘no specified term to maturity’; * for weighted value, a note-issuing bank may choose either to (a) treat the amount for legal tender notes as $0; or (b) apply BLR rules 65 and 68 to determine such weighted amounts in accordance with BLR rule 69(2). |
| 11 | *Other liabilities*: the sum of values in rows 12 and 13. |
| 12 | *Net derivative liabilities*: in the unweighted cell, report the amount of net derivatives liabilities as calculated according to Part 9 of the BLR (i.e. the net amount of total derivative liabilities (after adjustments) in excess of total derivative assets (after adjustments)). The cell for weighted amount under net derivative liabilities is darkened given that the value will be zero after the 0% ASF is applied. |
| 13 | *All other funding and liabilities not included in the above categories*: report in this row all other funding and liabilities that are counted towards ASF under the BLR but not included in rows 1 to 12 above (e.g. debt securities or prescribed instruments issued, deferred tax liabilities, trade-date payables, etc). |
| 14 | *Total ASF*: the sum of all weighted amounts in rows 1, 4, 7, 10 and 11. |
| 15 to 31 | For any assets that are not free from encumbrances (as defined in Part 9 of the BLR), report the unweighted value in columns (a) to (d) taking into account their remaining terms to maturity and periods of encumbrance (whichever is subject to a higher RSF factor), and the weighted amount (i.e. after the applicable RSF factor for encumbered assets) in column (e). |
| 15 | *Total HQLA for NSFR purposes*: being unencumbered high quality liquid assets without regard to LCR operational requirements and caps on Level 2 and Level 2B assets that might otherwise limit the ability of some HQLA to be included as eligible in calculation of the LCR. Under the BLR, these items include:   1. currency notes and coins; 2. claims on the MA for the account of the EF or central banks that are repayable on demand or readily monetizable (including funds placed with the AI's HKD CHATS Account, or with central banks to meet reserve requirements, EF debt securities and central bank debt securities that qualify for HQLA); and 3. other level 1 assets, level 2A assets and level 2B assets held by the AI. |
| 16 | *Deposits held at other financial institutions for operational purposes*: as defined in Part 7 of the BLR. |
| 17 | *Performing loans and securities*: the sum of values in rows 18, 19, 20, 22 and 24. |
| 18 | *Performing loans to financial institutions secured by Level 1 HQLA*: comprising performing loans and funds (other than operational deposits) provided by the AI to other financial institutions that are secured by level 1 assets. |
| 19 | *Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*: comprising performing loans and funds (other than operational deposits) provided by the AI to other financial institutions not already covered by row 18. |
| 20 | *Performing loans, other than performing residential mortgages, to non-financial corporate clients, retail and small business customers, sovereigns, the MA for the account of the EF, central banks and PSEs:* comprising performing loans and funds (which are not residential mortgages) provided by the AI to retail customers and wholesale customers (other than financial institutions) that are not covered by rows 15 to 19 and 22 to 23. |
| 21 | *With a risk-weight of less than or equal to 35% under the STC approach*: being the portion of amount reported in row 20 that is subject to a risk-weight of less than or equal to 35% under Division 3, Part 4 of the BCR. |
| 22 | *Performing residential mortgages*: comprising all performing residential mortgages provided by the AI. In determining the scope of residential mortgage, an AI could make reference to BCR §139(1) for the scope of row 22. For clarity sake, residential mortgage loans to financial institutions, if any, should be excluded from row 22 and be included in row 18 or 19 where appropriate. |
| 23 | *With a risk-weight of less than or equal to 35% under the STC approach*: being the portion of amount reported in row 22 that is subject to a risk-weight of less than or equal to 35% under Division 3, Part 4 of the BCR. |
| 24 | *Securities that are not in default and do not qualify as HQLA including exchange-traded equities*: comprising debt securities, prescribed instruments and listed equities held by the AI that are not already included in row 15. To avoid doubt, debt securities or prescribed instruments that are not marketable should also be covered by this row, while unlisted equities should be reported under row 31. |
| 25 | *Assets with matching interdependent liabilities*: any assets which meet the descriptions in BLR rule 70 and match with interdependent liabilities should be included in this row and excluded from all other RSF items. For note-issuing banks, this row also includes the amount of certificate of indebtedness that are issued under section 4(1) of the Exchange Fund Ordinance (Cap. 66), as follows:   * for unweighted value, the certificates of indebtedness held should be included in column (a) for ‘no specified term to maturity’; * for weighted value, a note-issuing bank may choose either to (a) treat the amount for certificates of indebtedness as $0; or (b) apply BLR rules 65 and 68 to determine such weighted amounts in accordance with BLR rule 69(2). |
| 26 | *Other assets*: the sum of values in rows 27 to 31. |
| 27 | *Physical traded commodities, including gold*: including all physical traded commodities held by the AI. |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*: including cash, securities and other assets posted by the AI as initial margins or default fund contributions under all derivative contracts regardless of whether the assets are maintained on the AI’s balance sheet. |
| 29 | *Net derivative assets*: in the unweighted cell, report the amount of net derivative assets as calculated according to Part 9 of the BLR (i.e. the net amount of the total derivative assets (after adjustments) in excess of total derivative liabilities (after adjustments)). Since net derivative assets are subject to an RSF factor of 100%, the amount reported in the weighted cell should be equal to the amount reported in the unweighted cell. |
| 30 | *Total derivative liabilities before adjustments for deduction of variation margin posted*: report in this row the amount of total derivative liabilities (before adjustments) according to Part 9 of the BLR (i.e. the sum of the replacement costs of derivative contracts between the reporting AI and its counterparties, where each of those contracts has a negative replacement cost before adjustments for any variation margin posted by the reporting AI to the counterparty under the contract). The reported value should be in an absolute term (i.e. disregard the negative sign). |
| 31 | *All other assets not included in the above categories*: report in this row all other on-balance sheet assets that are counted towards RSF under the BLR but not included in rows 15 to 29 above (e.g. trade-date receivables, fixed assets, goodwill, investments in associated entities, unlisted equities, non-performing assets, etc). |
| 32 | *Off-balance sheet items*: the sum of all off-balance sheet obligations listed in Table 2, Schedule 6 to the BLR. |
| 33 | *Total RSF*: the sum of all weighted amounts in rows 15, 16, 17, 25, 26 and 32. |
| 34 | *Net Stable Funding Ratio (%)*: presented as quarter-end observations. |

# Part III: Credit risk for non-securitization exposures

Unless the context otherwise requires, the scope of this section includes an AI’s credit risk for non-securitization exposures subject to capital requirements under Part 4, 5 or 6 of the BCR, and excludes:

* all securitization exposures subject to capital requirements under Part 7 of the BCR; and
* all counterparty credit risk exposures to CCPs and other counterparties arising from transactions in the banking book and trading book, and exposures in respect of default fund contributions to CCPs, that are subject to Part 6A of the BCR.

For the purpose of Part III of this document, any reference to exposures related to “credit risk” is refering to the same scope as described above (i.e. credit risk for non-securitization exposures excluding counterparty credit risk) unless otherwise specified.

1. General information about credit risk

### Table CRA: General information about credit risk

|  |  |
| --- | --- |
| **Purpose:** | To describe the main characteristics and elements of credit risk management, including the business model, credit risk profile, organisation and functions involved in credit risk management, and risk management reporting. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16G |

|  |  |
| --- | --- |
| An AI should disclose its risk management objectives and policies for credit risk, particularly focusing on: | |
| (a) | how the business model translates into the components of its credit risk profile; |
| (b) | criteria and approach used for defining credit risk management policy and setting credit risk limits; |
| (c) | structure and organization of the credit risk management and control function; |
| (d) | relationships between the credit risk management, risk control, compliance and internal audit functions; and |
| (e) | scope and main content of the reporting on credit risk exposure and on the credit risk management function to the senior management and to the board of directors. |

### Template CR1: Credit quality of exposures

|  |  |
| --- | --- |
| **Purpose:** | To provide an overview of the credit quality of on- and off-balance sheet exposures. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should provide its definition of “default”. |
| **Corresponding BDR section:** | 16H |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|  |  | Gross carrying amounts of | | Allowances /  impairments | Of which ECL accounting provisions for credit losses  on STC approach exposures | | Of which ECL accounting provisions for credit losses on IRB approach exposures | Net values  (a+b-c) |
|  |  | Defaulted  exposures | Non- defaulted  exposures | Allocated in regulatory category of specific provisions | Allocated in regulatory category of collective provisions |
| 1 | Loans |  |  |  |  |  |  |  |
| 2 | Debt securities |  |  |  |  |  |  |  |
| 3 | Off-balance sheet exposures |  |  |  |  |  |  |  |
| ***4*** | ***Total*** |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) and (b) | *Gross carrying amounts*: these represent the items that give rise to on- or off-balance sheet credit exposures that are subject to capital requirements under the BCR. The gross carrying amount is the accounting value before any allowance / impairments, gross of any CCF or CRM but after any write-offs. Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when an AI has no reasonable expectations for its recovery. |
| (a) | *Defaulted exposures*: AIs should use the definition of “default” that they use for regulatory capital adequacy purpose. I.e. For AIs using the STC or BSC approach, the meaning of ”defaulted exposures” should correspond to the secured and unsecured portions of “defaulted exposures” as defined in BCR §51(1) or claims “past due for more than 90 days” (or any more stringent definition adopted by the AI as provided in the accompanying narrative of this template and consistently applied throughout all templates where the “default” concept is used) respectively. AIs using the IRB approach should use the definition of “default” under BCR §149 for exposures under that approach. |
| (b) | *Non-defaulted exposures*: any exposure that does not meet the above definition of defaulted exposures. |
| (c) | *Allowances / impairments*: the total amount of impairments, made via an allowance against impaired and not impaired exposures according to the applicable accounting standards for the preparation of the AI’s financial statement. “Impaired exposures” are those that are considered “credit-impaired” in the meaning of HKFRS 9 / IFRS 9 Appendix A. |
| (d) to (f) | An AI should fill in column (d) to (f) in accordance with the categorisation of accounting provisions distinguishing those meeting the conditions to be categorised as collective provisions and those that are categorised as specific provisions. This categorisation must be consistent with information provided in Table CRB. |
| (g) | *Net values*: total gross carrying value less allowances / impairments, which is equal to the sum of values in columns (a) and (b) minus the value in column (c). |
| **Rows** | |
| 1 | *Loans*: the value in [CR1:1/g] is equal to the sum of values in [CR3:1/a] and [CR3:1/b]. |
| 2 | *Debt securities*: the value in [CR1:2/g] is equal to the sum of values in [CR3:2/a] and [CR3:2/b]. |
| 3 | *Off-balance sheet exposures*: this row includes all items that give rise to off-balance sheet credit exposures. For example, guarantees and irrevocable loan commitments provided by an AI should be reported according to the following criteria:   1. guarantees given by the AI – the maximum amount, gross of any CCF or CRM, that the AI would have to pay if the guarantee were called; 2. irrevocable loan commitments – total amount, gross of any CCF or CRM, that the AI has committed to lend; revocable loan commitments should be excluded. |
| 4 | *Total*: this is the sum of values in rows 1, 2 and 3. The value in [CR1:4/a] is also equal to that in [CR2:6/a] if the AI has no off-balance sheet exposures. |

### Template CR2: Changes in defaulted loans and debt securities

|  |  |
| --- | --- |
| **Purpose:** | To provide information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and reductions in the defaulted exposures due to write-offs. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should explain the drivers of any material changes in the amounts of defaulted exposures in the current reporting period and any material movement between defaulted and non-defaulted exposures. |
| **Corresponding BDR section:** | 16I |

|  |  | (a) |
| --- | --- | --- |
|  |  | Amount |
| 1 | **Defaulted loans and debt securities at end of the previous reporting period** |  |
| 2 | Loans and debt securities that have defaulted since the last reporting period |  |
| 3 | Returned to non-defaulted status |  |
| 4 | Amounts written off |  |
| 5 | Other changes |  |
| 6 | **Defaulted loans and debt securities at end of the current reporting period** |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *Defaulted loans and debt securities at end of the previous reporting period*: the scope of loans and debt securities reported in this template should be the same as that in Template CR1 (rows 1 to 2 therein). The amount should be reported net of write-offs, gross of any CCF or CRM and gross of allowances and provisions, as of the end of the last reporting period. |
| 2 | *Loans and debt securities that have defaulted since the last reporting period*: loans and debt securities that the AI classifies as defaulted during the current reporting period. |
| 3 | *Returned to non-defaulted status*: loans and debt securities that the AI re-classifies into non-default status in the current reporting period. This item, which has the effect of reducing the relevant exposure amount, should be reported as a negative figure. |
| 4 | *Amounts written off:* carrying amounts that have been totally or partially written off. This item has the effect of reducing the relevant exposure amount thus should be reported as a negative figure. |
| 5 | *Other changes*: any balancing items that are necessary to enable reconciliation between row 1 and row 6. An AI should disclose details of these balancing items in the accompanying narrative if they are material in nature. This item should be reported as a negative figure if it has the effect of reducing the relevant exposure amount. |
| 6 | *Defaulted loans and debt securities at end of the current reporting period*: the sum of values in rows 1 to 5, which is also equal to the value in [CR1: 4/a] if the AI has no off-balance sheet exposures. |

### Table CRB: Additional disclosure related to credit quality of exposures

|  |  |
| --- | --- |
| **Purpose:** | To provide additional qualitative and quantitative information on the credit quality of exposures to supplement the quantitative information provided under Templates CR1 and CR2. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information and quantitative information (i.e. carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation for capital adequacy purposes). |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16J |

|  |  |
| --- | --- |
| An AI should disclose the following information: | |
| Qualitative disclosures | |
| (a) | The scope and definitions of “past due” and “impaired” exposures used according to the applicable accounting standards and the differences, if any, between the definitions of past due exposures and defaulted exposures for accounting purposes and those for regulatory purposes. |
| (b) | The extent of exposures which are past due for more than 90 days but are not impaired and the justifications for these exposures not being classified as impaired. |
| (c) | A description of methods adopted for determining accounting provisions for credit losses. In addition, an AI that has adopted an expected credit loss (“ECL”) accounting model must provide information on the rationale for categorisation of ECL accounting provisions in collective and specific categories for exposures calculated under the STC approach. |
| (d) | The AI’s own definition of a restructured exposure. |
| Quantitative disclosures | |
| (e) | Breakdown of exposures by geographical areas, industry and residual maturity. Any segment which constitutes not less than 10% of the AI’s total RWA for credit risk (after taking into account any recognized CRM) is deemed significant and should be separately disclosed. Non-significant exposures may be disclosed on an aggregated basis under the category “other”. |
| (f) | Amounts of impaired exposures (according to the definitions in use under the applicable accounting standards) and related allowances and write-offs, broken down by geographical areas and industries. |
| (g) | Aging analysis of accounting past due exposures. |
| (h) | Breakdown of restructured exposures, between impaired and not impaired exposures. |

1. Credit risk mitigation

### Table CRC: Qualitative disclosures related to credit risk mitigation

|  |  |
| --- | --- |
| **Purpose:** | To provide qualitative information on the policies and processes relating to the use of CRM. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16K |

|  |  |
| --- | --- |
| An AI should disclose the following information: | |
| (a) | 1. description of policies and procedures for netting of on- and off-balance sheet exposures; 2. an indication of the extent to which the AI makes use of netting of on- and off-balance sheet exposures; |
| (b) | description of policies and processes for the revaluation and management of collateral; and |
| (c) | information about market or credit risk concentrations under each form of CRM used by the AI (i.e. by type of guarantor, collateral and credit protection seller). |

### Template CR3: Overview of recognized credit risk mitigation

|  |  |
| --- | --- |
| **Purpose:** | To disclose the extent of credit risk exposures covered by different types of recognized CRM. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying amounts that correspond to the values reported in financial statements but according to the scope of regulatory consolidation. An AI should include recognized CRM (i.e. collateral, guarantees and credit derivative contracts) used to reduce its capital requirements and disclose all secured exposures that fall under the category of “loans” and “debt securities” (after any applicable haircuts and anticipated costs to realize the collateral), irrespective of whether the STC, BSC or IRB approach is used for RWA calculation. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Where an AI is unable to categorize its exposures secured by recognized collateral, recognized guarantees or recognized credit derivative contracts into “loans” and “debt securities”, it may either (i) merge two corresponding cells, or (ii) divide the amount by the pro-rata weight of gross carrying amounts. In such case the AI should explain which method has been used. Where an exposure benefits from multiple forms of recognized CRM, the exposure value should be allocated to each form by order of priority based on the forms of recognized CRM which the AI would apply in the event of loss. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. An AI may disclose any over-collateralisation of exposures using the accompanying narrative. |
| **Corresponding BDR section:** | 16L |

|  |  | (a) | (b) | (c) | (d) | (e) |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by recognized collateral | Exposures secured by recognized guarantees | Exposures secured by recognized credit derivative contracts |
| 1 | Loans |  |  |  |  |  |
| 2 | Debt securities |  |  |  |  |  |
| **3** | **Total** |  |  |  |  |  |
| 4 | Of which defaulted |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Exposures unsecured: carrying amount*: the carrying amount of exposures (net of allowances / impairments) that do not benefit from any recognized CRM. |
| (b) | *Exposures to be secured*: the carrying amount of exposures which have at least one recognized CRM (collateral, financial guarantees, credit derivative contracts) associated with them. For the avoidance of doubt, both the secured and unsecured portions of such exposures should be reported in this column. The allocation of the carrying amount of multi-secured exposures to different forms of recognized CRM in columns (c), (d) and (e) is made by order of priority, starting with the form of recognized CRM expected to be called first in the event of loss, and within the limits of the carrying amount of the secured exposures. |
| (c) | *Exposures secured by recognized collateral*: the carrying amount of exposures (net of allowances / impairments) secured by recognized collateral. In case an exposure is secured by recognized collateral and other form(s) of recognized CRM, the carrying amount of the exposures secured by recognized collateral is the remaining share of the exposure secured by such collateral after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation. |
| (d) | *Exposures secured by recognized guarantees*: the carrying amount of exposures (net of allowances / impairments) secured by recognized guarantees. In case an exposure is secured by recognized guarantees and other form(s) of recognized CRM, the carrying amount of the exposure secured by recognized guarantees is the remaining share of the exposure secured by such guarantees after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation. |
| (e) | *Exposures secured by recognized credit derivative contracts*: the carrying amount of exposures (net of allowance / impairments) secured by recognized credit derivative contracts. In case an exposure is secured by recognized credit derivative contracts and other form(s) of recognized CRM, the carrying amount of the exposure secured by recognized credit derivative contracts is the remaining share of the exposure secured by such credit derivative contracts after consideration of the shares of the exposure already secured by other forms of recognized CRM expected to be called beforehand in the event of a loss, but not taking into account any over-collateralisation. |
| (a)-(e) | The following examples illustrate how columns (a) to (e) should be completed:   |  |  | (a) | (b) | (c) | (d) | (e) | | --- | --- | --- | --- | --- | --- | --- | |  |  | Exposures unsecured: carrying amount | Exposures to be secured | Exposures secured by recognized collateral | Exposures secured by recognized guarantees | Exposures secured by recognized credit derivative contracts | | (i) | One secured loan of 100 with recognized collateral of 120 (after haircut) and recognized guarantees of 50 (after haircut), if an AI expects that recognized guarantee would be extinguished first. | 0 | 100 | 50 | 50 | 0 | | (ii) | One secured loan of 100 with recognized collateral of 120 (after haircut) and recognized guarantees of 50 (after haircut), if an AI expects that recognized collateral would be extinguished first. | 0 | 100 | 100 | 0 | 0 | | (iii) | Secured exposure of 100 partially secured: 50 by recognized collateral (after haircut), 30 by recognized guarantee (after haircut), none by recognized credit derivatives. | 0 | 100 | 50 | 30 | 0 | | (iv) | One unsecured loan of 20 and one secured loan of 80. The secured loan is over-collateralised: 60 by recognized collateral (after haircut), 90 by recognized guarantee (after haircut), none by recognized credit derivatives. If an AI expects that recognized collateral would be extinguished first. | 20 | 80 | 60 | 20 | 0 | | (v) | One unsecured loan of 20 and one secured loan of 80. The secured loan is under-collateralised: 50 by recognized collateral (after haircut), 20 by recognized guarantee (after haircut), none by recognized credit derivatives. | 20 | 80 | 50 | 20 | 0 | |
| **Rows** | |
| 1 | *Loans*: the scope of loans reported in this row should be the same as that used in Template CR1 (i.e. row 1 therein). |
| 2 | *Debt securities*: the scope of debt securities reported in this row should be the same as that used in Template CR1 (i.e. row 2 therein). |
| 3 | *Total*: this row reports the sum of values in rows 1 and 2. |
| 4 | *Of which defaulted*: the portion of the amount in row 3 which has been defaulted. The definition of “default” used in this row should be the same as that used in Template CR1. |

1. Credit risk under standardized (credit risk) approach

### Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach

|  |  |
| --- | --- |
| **Purpose:** | To provide information on the process adopted for using ECAI ratings and the extent to which the ratings are used for RWA calculation. |
| **Scope of application:** | The table is mandatory for AIs incorporated in Hong Kong that use the STC approach for calculating all or part of their credit risk capital requirement. AIs that use the BSC approach are not subject to the disclosure requirements of this table. For IRB AIs with exposures subject to the STC approach, such exposures should also be reported using this table. However, an AI may choose not to disclose the information required in this table provided that the following conditions are met:   1. the exposure amounts and RWA calculated under the STC approach are negligible; 2. the AI has clearly stated this fact in the disclosure statement; and 3. the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the portfolios concerned and the aggregate total RWAs these portfolios represent. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16M |

|  |  |
| --- | --- |
| For portfolios that are risk-weighted under the STC approach, an AI should disclose the following information: | |
| (a) | names of the ECAIs used by the AI, and the reasons for any changes over the current reporting period; |
| (b) | the exposure classes for which each ECAI is used; and |
| (c) | description of the process used to transfer the ECAI issuer rating to ECAI issue specific rating onto comparable exposures in the banking book. |

### Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach

|  |  |
| --- | --- |
| **Purpose:** | To illustrate the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements. RWA density provides a synthetic metric on riskiness of each portfolio. |
| **Scope of application:** | The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have credit risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:   1. the exposure amounts and RWA calculated are negligible; 2. the AI has clearly stated this fact in the disclosure statement; and 3. the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the portfolios concerned and the aggregate total of RWAs from such exposures.   CIS exposures should not be reported in this template but in Template OV1. |
| **Content:** | Credit risk exposure amounts for the purpose of capital adequacy. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the classification of exposures as defined under the BCR, where applicable. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. An AI should describe the sequence in which CCFs, provisioning and credit risk mitigation measures are applied in relation to both on-balance sheet and off-balance sheet exposures, where applicable. |
| **Corresponding BDR section:** | 16N |

Version for AIs using STC approach (“STC version”)

|  |  | (a) | (b) | (c) | (d) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Exposures pre-CCF and pre-CRM** | | **Exposures post-CCF and post-CRM** | | **RWA and RWA density** | |
|  | Exposure classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereign exposures |  |  |  |  |  |  |
| 2 | Public sector entity exposures |  |  |  |  |  |  |
| 3 | Multilateral development bank exposures |  |  |  |  |  |  |
| 3a | Unspecified multilateral body exposures |  |  |  |  |  |  |
| 4 | Bank exposures |  |  |  |  |  |  |
| 4a | Qualifying non-bank financial institution exposures |  |  |  |  |  |  |
| 5 | Eligible covered bond exposures |  |  |  |  |  |  |
| 6 | General corporate exposures |  |  |  |  |  |  |
| 6a | Of which: non-bank financial institution exposures excluding those reported under row 4a |  |  |  |  |  |  |
| 6b | Specialized lending |  |  |  |  |  |  |
| 7 | Equity exposures |  |  |  |  |  |  |
| 7a | Significant capital investments in commercial entities |  |  |  |  |  |  |
| 7b | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities |  |  |  |  |  |  |
| 7c | Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates |  |  |  |  |  |  |
| 8 | Retail exposures |  |  |  |  |  |  |
| 8a | Exposures arising from IPO financing |  |  |  |  |  |  |
| 9 | Real estate exposures |  |  |  |  |  |  |
| 9a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9b | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9c | Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9d | Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9e | Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9f | Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 9g | Of which: land acquisition, development and construction exposures |  |  |  |  |  |  |
| 10 | Defaulted exposures |  |  |  |  |  |  |
| 11 | Other exposures |  |  |  |  |  |  |
| 11a | Cash and gold |  |  |  |  |  |  |
| 11b | Items in the process of clearing or settlement |  |  |  |  |  |  |
| 12 | **Total** |  |  |  |  |  |  |

Version for AIs using BSC approach (“BSC version”)

|  |  | (a) | (b) | (c) | (d) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Exposures pre-CCF and pre-CRM** | | **Exposures post-CCF and post-CRM** | | **RWA and RWA density** | |
|  | Exposure classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereign exposures |  |  |  |  |  |  |
| 2 | Public sector entity exposures |  |  |  |  |  |  |
| 3 | Multilateral development bank exposures |  |  |  |  |  |  |
| 4 | Unspecified multilateral body exposures |  |  |  |  |  |  |
| 5 | Bank exposures |  |  |  |  |  |  |
| 6 | Eligible covered bond exposures |  |  |  |  |  |  |
| 7 | Exposures arising from IPO financing |  |  |  |  |  |  |
| 8 | Real estate exposures |  |  |  |  |  |  |
| 8a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 8b | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |
| 8c | Of which: other real estate exposures |  |  |  |  |  |  |
| 9 | Equity exposures |  |  |  |  |  |  |
| 10 | Significant capital investments in commercial entities |  |  |  |  |  |  |
| 11 | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities |  |  |  |  |  |  |
| 12 | Subordinated debts issued by banks and corporates |  |  |  |  |  |  |
| 13 | Cash and gold |  |  |  |  |  |  |
| 14 | Items in the process of clearing or settlement |  |  |  |  |  |  |
| 15 | Other exposures |  |  |  |  |  |  |
| 16 | **Total** |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Exposures pre-CCF and pre-CRM – On-Balance sheet amount*: the on-balance sheet exposure amount (net of specific provisions, including allowances / impairments and partial write-offs) under the regulatory scope of consolidation gross of the effect of recognized CRM. |
| (b) | *Exposures pre-CCF and pre-CRM – Off-Balance sheet amount:* the off-balance sheet exposure amount, gross of CCF and the effect of recognized CRM under the regulatory scope of consolidation. |
| (c) | *Exposures post-CCF and post-CRM – On-Balance sheet amount*: the on-balance sheet exposure amount to which the capital requirements are applied. It is a net credit exposure amount, after the effects of recognized CRM. |
| (d) | *Exposures post-CCF and post-CRM – Off-Balance sheet amount*: the off-balance sheet exposure amount to which the capital requirements are applied. It is a net credit equivalent amount, after the effects of recognized CRM and CCF. |
| (e) | *RWA*: for AIs using the STC approach, the value in [CR4(STC): 12/e] is equal to the value in [OV1: 2/a]; for AIs using the BSC approach, the value in [CR4(BSC): 16/e] is equal to the value in [OV1: 2a/a]. |
| (f) | *RWA density*: this is derived from total RWA in column (e) divided by exposures post-CCF and post-CRM (i.e. the sum of values in columns (c) and (d)). The resultant ratio should be expressed in percentage. |
| **Rows** | |
| All | The rows and their respective definitions are aligned with the classification of exposures used in Part 4 (for STC approach) or Part 5 (for BSC approach) of the BCR. |
| 12 (STC) / 16 (BSC) | *Total*: for AIs using the STC approach, the sum of values in [CR4(STC):12/c] and [CR4(STC):12/d] is equal to the value in [CR5(STC):11/d] under the table “Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (STC version)”; for AIs using the BSC approach, the sum of values in [CR4(BSC):16/c] and [CR4(BSC):16/d] is equal to the value in [CR5(BSC):8/d] under the table “Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (BSC version)”. |

### Template CR5: Credit risk exposures by exposure classes and by risk weights – for STC approach or BSC approach

|  |  |
| --- | --- |
| **Purpose:** | To present a breakdown of credit risk exposures by exposure classes and by risk weights (corresponding to the classification of exposures according to the approaches used). |
| **Scope of application:** | The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have credit risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:   1. the credit exposure amounts and RWA calculated are negligible; 2. the AI has clearly stated this fact in the disclosure statement; and 3. the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the exposures included in the respective portfolios and the aggregate total RWAs from such exposures.   CIS exposures should not be reported in this template but in Template OV1. |
| **Content:** | Credit risk exposure amounts for the purpose of capital adequacy, after taking into account CCFs and the effect of recognized CRM. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the exposure classes as defined under the BCR. |
| **Accompanying narrative:** | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. An AI should describe the sequence in which CCFs, provisioning and credit risk mitigation measures are applied in relation to both on-balance sheet and off-balance sheet exposures, where applicable. |
| **Corresponding BDR section:** | 16O |

Version for AIs using STC approach (“STC version”)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 0% | 20% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 1 | Sovereign exposures |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 0% | 20% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 2 | Public sector entity exposures |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 0% | 20% | 30% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 3 | Multilateral development bank exposures |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 20% | 30% | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 3a | Unspecified multilateral body exposures |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 20% | 30% | 40% | 50% | 75% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 4 | Bank exposures |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 20% | 30% | 40% | 50% | 75% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 4a | Qualifying non-bank financial institution exposures |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 10% | 15% | 20% | 25% | 35% | 50% | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 5 | Eligible covered bond exposures |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 20% | 30% | 50% | 65% | 75% | 85% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 6 | General corporate exposures |  |  |  |  |  |  |  |  |  |  |
| 6a | Of which: non-bank financial institution exposures excluding those reported under row 4a |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 20% | 50% | 75% | 80% | 100% | 130% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 6b | Specialized lending |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 100% | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 7 | Equity exposures |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 250% | 400% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 7a | Significant capital investments in commercial entities |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 150% | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 7b | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 7c | Subordinated debts issued by banks, qualifying non-bank financial institutions and corporates |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 45% | 75% | 100% | Other | Total credit exposure amount (post CCF and post-CRM) |
| 8 | Retail exposures |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 0% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 8a | Exposures arising from IPO financing |  |  |  |

|  |  | 0 % | 20% | 25% | 30% | 35% | 40% | 45% | 50% | 60% | 65% | 70% | 75% | 85% | 90% | 100% | 105% | 110% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9 | Real estate exposures |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9b | Of which: no loan splitting applied |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9c | Of which: loan splitting applied (secured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9d | Of which: loan splitting applied (unsecured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9e | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9f | Of which: regulatory commercial real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9g | Of which: no loan splitting applied |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9h | Of which: loan splitting applied (secured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9i | Of which: loan splitting applied (unsecured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9j | Of which: regulatory commercial real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9k | Of which: other real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9l | Of which: no loan splitting applied |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9m | Of which: loan splitting applied (secured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9n | Of which: loan splitting applied (unsecured) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9o | Of which: other real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9p | Of which: land acquisition, development and construction exposures |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 50% | 100% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 10 | Defaulted exposures |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 100% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 11 | Other exposures |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 0% | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 11a | Cash and gold |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 0% | 20% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 11b | Items in the process of clearing or settlement |  |  |  |  |

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (STC version)

|  | Risk Weight# | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- |
|  | On-balance sheet exposure | Off-balance sheet exposure  (pre-CCF) | Weighted average CCF\* | Exposure  (post-CCF and post-CRM) |
| 1 | Less than 40% |  |  |  |  |
| 2 | 40-70% |  |  |  |  |
| 3 | 75% |  |  |  |  |
| 4 | 85% |  |  |  |  |
| 5 | 90- 100% |  |  |  |  |
| 6 | 105-130% |  |  |  |  |
| 7 | 150% |  |  |  |  |
| 8 | 250% |  |  |  |  |
| 9 | 400% |  |  |  |  |
| 10 | 1,250% |  |  |  |  |
| 11 | **Total exposures** |  |  |  |  |
| *Points to note:*  # An AI should add additional rows for the applicable risk weights that are not listed in the table, if any.  \* Weighting is based on off-balance sheet exposure (pre-CCF). | | | | | |

Version for AIs using BSC approach (“BSC version”)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | 0% | 10% | 20% | | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 1 | Sovereign exposures | |  |  |  | |  |  |  |
|  | |
|  |  | | 20% | | 100% | | | Other | Total credit exposure amount (post-CCF and post-CRM) | |
| 2 | Public sector entity exposures | |  | |  | | |  |  | |
|  | |
|  |  | | 0% | | | Other | | | Total credit exposure amount (post-CCF and post-CRM) | |
| 3 | Multilateral development bank exposures | |  | | |  | | |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 50% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 4 | Unspecified multilateral body exposures |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 20% | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 5 | Bank exposures |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 10% | 50% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 6 | Eligible covered bond exposures |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 0% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 7 | Exposures arising from IPO financing |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 40% | 50% | 70% | 100% | 120% | 150% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 8 | Real estate exposures |  |  |  |  |  |  |  |  |
| 8a | Of which: regulatory residential real estate exposures (not materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |
| 8b | Of which: regulatory residential real estate exposures (materially dependent on cash flows generated by mortgaged properties) |  |  |  |  |  |  |  |  |
| 8c | Of which: other real estate exposures |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 9 | Equity exposures |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 250% | 400% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 10 | Significant capital investments in commercial entities |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | 150% | 250% | 400% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 11 | Holdings of capital instruments issued by, and non-capital LAC liabilities of, financial sector entities |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 150% | Other | Total credit exposure amount (post CCF and post-CRM) |
| 12 | Subordinated debts issued by banks and corporates |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 0% | 100% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 13 | Cash and gold |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 0% | 20% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 14 | Items in the process of clearing or settlement |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 100% | 1250% | Other | Total credit exposure amount (post-CCF and post-CRM) |
| 15 | Other exposures |  |  |  |  |

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures (BSC version)

|  | Risk Weight# | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- |
|  | On-balance sheet exposure | Off-balance sheet exposure  (pre-CCF) | Weighted average CCF\* | Exposure  (post-CCF and post-CRM) |
| 1 | Less than 40% |  |  |  |  |
| 2 | 40-70% |  |  |  |  |
| 3 | 100%-120% |  |  |  |  |
| 4 | 150% |  |  |  |  |
| 5 | 250% |  |  |  |  |
| 6 | 400% |  |  |  |  |
| 7 | 1,250% |  |  |  |  |
| 8 | **Total exposures** |  |  |  |  |
| *Points to note:*  # An AI should add additional rows for the applicable risk weights that are not listed in the table, if any.  \* Weighting is based on off-balance sheet exposure (pre-CCF). | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| All | The rows and their respective definitions are aligned with the classification of exposures used in Part 4 (for STC approach) or Part 5 (for BSC approach) of the BCR. Loan-splitting approach is not applicable to Hong Kong. |
| 11 (STC) / 8 (BSC) | *Total exposures* under the table “Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures”: for AIs using the STC approach, the value in [CR5(STC):11/d] is equal to the sum of values in [CR4(STC):12/c] and [CR4(STC):12/d]; for AIs using the BSC approach, the value in [CR5(BSC):8/d] is equal to the sum of values in [CR4(BSC):16/c] and [CR4(BSC):16/d]. |

1. Credit risk under internal ratings-based approach

### Table CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To provide additional information on the internal models used to calculate RWA for credit risk, describing the main characteristics of the models used at the group-wide level and the scope of models. |
| **Scope of application:** | The table is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures. An AI should provide meaningful information to users on their use of internal models. The AI should describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described is determined. The commentary should include the percentage of RWAs covered by the models for each of the AI’s regulatory portfolios. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. The commentary should include the percentage of RWAs covered by the models for each of the AI’s regulatory portfolios. |
| **Corresponding BDR section:** | 16P |

|  |  |
| --- | --- |
| An AI should provide the following information on its use of the internal models: | |
| (a) | 1. Internal model development, controls and changes; 2. Role of the functions involved in the development, approval and subsequent changes of the credit risk models. |
| (b) | 1. Relationships between risk management function and internal audit function; 2. Procedure to ensure the independence of the function in charge of the review of the models from the functions responsible for the development of the models. |
| (c) | Scope and main content of the reporting related to credit risk models. |
| (d) | Scope of approach approved by the MA pursuant to the BCR for an AI to calculate its credit risk for non-securitization exposures using the IRB approach, with a breakdown between the FIRB approach and the AIRB approach, if applicable. In particular, the AI should include a description of the nature of the exposures (except for those exempted under the BCR) which are subject to the separately disclosed IRB calculation approach. |
| (e) | For each of the portfolios, the AI should indicate the portion of EAD within the group (in percentage of total EAD) covered by the STC approach (if any), FIRB, AIRB and other IRB calculation approaches, as well as the portion of portfolios that are involved in a roll-out plan. |
| (f) | 1. The number of key models used with respect to each portfolio; 2. A brief discussion of the main differences among the models within the same portfolios. |
| (g) | Description of the main characteristics of the approved models:   1. definitions, methods and data for estimation and validation of PD (e.g. how PDs are estimated for low default portfolios; if there are regulatory floors, the drivers for differences observed between PD and actual default rates at least for the last three reporting periods); 2. LGD (e.g. methods to calculate downturn LGD; how LGDs are estimated for low default portfolio; the time lapse between the default event and the closure of the exposure), where applicable; and 3. credit conversion factors, including assumptions employed in the derivation of these variables, where applicable. |

### Template CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To provide the main parameters of internal models used for the calculation of credit risk capital requirements under the IRB approach, for the purpose of enhancing the transparency of RWA calculations and the reliability of regulatory measures. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures. |
| **Content:** | Columns (a) and (b) are based on accounting carrying amounts and columns (c) to (l) regulatory amounts. All values are based on the regulatory scope of consolidation for capital adequacy purposes. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Where an AI makes use of the FIRB approach, AIRB approach, and/or retail IRB approach, it should disclose the IRB calculation approaches in separate templates. For each of these IRB calculation approaches used, an AI should disclose the portfolio types subject to the IRB calculation approaches by major IRB class and/or subclass (which are in line with the classification used in the BCR) as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate – specialized lending (other than HVCRE)\*; (iv) Corporate – small-and-medium sized corporates; (v) Corporate – specialized lending (HVCRE)\*; (vi) Corporate – large corporates; (vii) Corporate – financial institutions treated as corporates; (viii) Corporate – other corporates; (ix) Retail – QRRE (transactor); (x) Retail – QRRE (revolver); (xi) Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies); (xii) Retail – small business retail exposures; and (xiii) Retail – Other retail exposures to individuals. Divide the table into various sections, one section for each type of the IRB classes / subclasses according to (i) to (xiii) aforementioned. (\* Only for those specialized lending subject to the FIRB or AIRB approach.) |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes in the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16Q |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | PD scale | Original on- balance  sheet gross exposure | Off- balance sheet  exposures  pre-CCF | Average CCF | EAD post-CRM and post-CCF | Average PD | Number of obligors | Average LGD | Average maturity | RWA | RWA density | EL | Provisions |
| Portfolio (i) – Sovereign | 0.00 to < 0.15 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.15 to < 0.25 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.25 to < 0.50 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.50 to < 0.75 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.75 to < 2.50 |  |  |  |  |  |  |  |  |  |  |  |  |
| 2.50 to < 10.00 |  |  |  |  |  |  |  |  |  |  |  |  |
| 10.00 to < 100.00 |  |  |  |  |  |  |  |  |  |  |  |  |
| 100.00 (Default) |  |  |  |  |  |  |  |  |  |  |  |  |
| Sub-total |  |  |  |  |  |  |  |  |  |  |  |  |
| Portfolio (ii) – Bank | 0.00 to < 0.15 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.15 to < 0.25 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.25 to < 0.50 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.50 to < 0.75 |  |  |  |  |  |  |  |  |  |  |  |  |
| 0.75 to < 2.50 |  |  |  |  |  |  |  |  |  |  |  |  |
| 2.50 to < 10.00 |  |  |  |  |  |  |  |  |  |  |  |  |
| 10.00 to < 100.00 |  |  |  |  |  |  |  |  |  |  |  |  |
| 100.00 (Default) |  |  |  |  |  |  |  |  |  |  |  |  |
| Sub-total |  |  |  |  |  |  |  |  |  |  |  |  |
| Portfolio (iii)… | … |  |  |  |  |  |  |  |  |  |  |  |  |
| Portfolio (iv)… | … |  |  |  |  |  |  |  |  |  |  |  |  |
| … | … |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total (sum of all portfolios)** | |  |  |  |  |  |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| *PD scale* | PD scale should not be changed. An AI should map the PD scale it uses in the calculations of RWA into the PD scale provided in the template. |
| (a) | *Original on-balance sheet gross exposure*: the amount of the on-balance sheet exposure gross of accounting provisions (before taking into account the effect of recognized CRM). |
| (b) | *Off-balance sheet exposure pre-CCF*: the exposure value determined under Part 6 of the BCR, as the case requires, without taking into account credit valuation adjustments and provisions, CCFs and the effect of recognized CRM. |
| (c) | *Average CCF*: this is derived from dividing the EAD post-CCF by the EAD pre-CCF determined in accordance with the BCR for off-balance sheet exposure. |
| (d) | *EAD post-CRM and post-CCF*: the amount determined under the BCR and relevant to the capital requirements calculation. |
| (e) | *Average PD*: the weighted average of obligor grade PD included in the same row, using the EAD of each obligor as the weight. |
| (f) | *Number of obligors*: the number of individual included in the same row. Approximation (round number) of obligor number is acceptable for disclosure purpose. |
| (g) | *Average LGD*: the weighted average of obligor grade LGD within the same PD band (or the same portfolio(s) for rows ‘sub-total’ and ‘total’ as appropriate), using the EAD of each obligor as the weight. The LGD should be net of any recognized CRM effect. |
| (h) | *Average maturity*: the weighted average of obligor maturity within the same PD band (or the same portfolio(s) for rows ‘sub-total’ and ‘total’ as appropriate), presented in years, using the EAD of each obligor as the weight. This parameter needs to be filled in only when it is used for calculating RWA. |
| (i) | *RWA*: the RWA calculated in accordance with Part 6 of the BCR. |
| (j) | *RWA density*: this is derived from total RWA in column (i) divided by EAD post-CRM and post-CCF in column (d). The resultant ratio should be expressed in percentage. |
| (k) | *EL*: the expected losses are calculated in accordance with the requirements under Division 11, Part 6 of the BCR. |
| (l) | *Provisions*: the eligible provisions as defined under Division 1, Part 6 of the BCR. |

### Template CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To disclose the effect of recognized credit derivative contracts on the calculation of credit risk capital requirements under the IRB approach. The hypothetical RWA before taking into account the mitigation effect of recognized credit derivative contracts (column (a) below) is disclosed to evaluate the impact of recognized credit derivative contracts on RWA. This is irrespective of how the recognized CRM are taken into account in calculating the RWA. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures. |
| **Content:** | RWA. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Columns are fixed and the IRB class and subclass breakdown in the rows should follow the classification of exposures specified in Table 16, section 142 of the BCR. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain the effect on RWA of recognized credit derivative contracts used as credit risk mitigation. |
| **Corresponding BDR section:** | 16R |

|  | | (a) | (b) |
| --- | --- | --- | --- |
|  | | Pre-credit derivatives RWA | Actual RWA |
| 1 | Corporate – Specialized lending (project finance) |  |  |
| 2 | Corporate – Specialized lending (object finance) |  |  |
| 3 | Corporate – Specialized lending (commodities finance) |  |  |
| 4 | Corporate – Specialized lending (income-producing real estate) |  |  |
| 5 | Corporate – Specialized lending (high-volatility commercial real estate) |  |  |
| 6 | Corporate – Small-and-medium sized corporates |  |  |
| 7 | Corporate – Large corporates |  |  |
| 8 | Corporate – Financial institutions treated as corporates |  |  |
| 9 | Corporate – Other corporates |  |  |
| 10 | Sovereign – Sovereigns |  |  |
| 11 | Sovereign – Sovereign foreign public sector entities |  |  |
| 12 | Sovereign – Multilateral development banks |  |  |
| 13 | Bank – Banks (excluding covered bonds) |  |  |
| 14 | Bank – Qualifying non-bank financial institutions |  |  |
| 15 | Bank – Public sector entities (excluding sovereign foreign public sector entities) |  |  |
| 16 | Bank – Unspecified multilateral bodies |  |  |
| 17 | Bank – Covered bonds |  |  |
| 18 | Retail – Small business retail exposures |  |  |
| 19 | Retail – Residential mortgages to individuals |  |  |
| 20 | Retail – Residential mortgages to property-holding shell companies |  |  |
| 21 | Retail – Qualifying revolving retail exposures (QRRE) (transactor) |  |  |
| 22 | Retail – QRRE (revolver) |  |  |
| 23 | Retail – Other retail exposures to individuals |  |  |
| 24 | CIS –CIS exposures |  |  |
| 25 | Other – Cash items |  |  |
| 26 | Other – Other items |  |  |
| **27** | **Total (under the IRB calculation approaches)** |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Pre-credit derivatives RWA*: the hypothetical RWA calculated assuming the absence of recognition of any recognized credit derivative contracts as CRM. |
| (b) | *Actual RWA*: RWA calculated taking into account the CRM effect of the recognized credit derivative contracts in accordance with Division 10, Part 6 of the BCR. If an AI does not consider the CRM effect of recognized credit derivative contracts in its RWA calculation of an exposure, or if certain exposures are not eligible for recognizing any CRM effect from credit derivative contracts, the AI should report identical amounts in both columns for these exposures. |

### Template CR8: RWA flow statements of credit risk exposures under IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To present a flow statement explaining variations in the RWA for credit risk determined under the IRB approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IRB calculation approaches for some or all of their exposures. |
| **Content:** | RWA. Changes in RWA in the current reporting period for each of the key drivers should be based on an AI’s reasonable estimation of the figures. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. Columns and rows 1 and 9 should not be altered. An AI should add additional rows between rows 7 and 8 to disclose additional elements, if any, that contribute materially to RWA variations. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material change in the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16S |

|  |  | (a) |
| --- | --- | --- |
|  |  | **Amount** |
| **1** | **RWA as at end of previous reporting period** |  |
| 2 | Asset size |  |
| 3 | Asset quality |  |
| 4 | Model updates |  |
| 5 | Methodology and policy |  |
| 6 | Acquisitions and disposals |  |
| 7 | Foreign exchange movements |  |
| 8 | Other |  |
| **9** | **RWA as at end of reporting period** |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *RWA as at end of previous reporting period*: this row equals the value in [CR8: 9/a] of the last reporting period. |
| 2 | *Asset size*: the variation in RWA due to the organic changes in book size and composition (including origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities. |
| 3 | *Asset quality*: the variation in the assessed quality of the AI’s assets due to changes in borrower risk, such as rating grade migration or similar effects. |
| 4 | *Model updates*: the variation in RWA arising from model implementation, changes in model scope, and any material changes intended to address model weaknesses. |
| 5 | *Methodology and policy*: the variation in RWA due to methodological changes in calculations driven by regulatory policy changes, such as new regulations. |
| 6 | *Acquisitions and disposals*: the variation in RWA arising from changes in book sizes due to acquisitions and disposal of entities. |
| 7 | *Foreign exchange movements*: the variation in RWA driven by foreign exchange rate movements. |
| 8 | *Other*: this category captures variation in RWA that cannot be attributed to any category above. An AI should add additional rows between rows 7 and 8 (to be named 7a, 7b and so on) to disclose other material drivers of RWA movements in the current reporting period. |
| 9 | *RWA as at end of reporting period*: the sum of rows 1 to 8 (including any additional row(s) inserted by the AI). |

### Template CR9: Back-testing of PD per portfolio – for IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To provideback-testing data to validate the reliability of PD calculations, including a comparison of the PD used to calculate capital requirements with the effective default rates of obligors under the IRB approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use AIRB, FIRB and/or retail IRB approaches for credit risk. Where an AI makes use of a combination of FIRB, AIRB and/or retail IRB approaches, it should disclose separate sets of portfolio breakdown for each approach in separate templates.  An AI should provide meaningful information to users on the back-testing of its internal model, or a combination of models, which are used to rate and assign a PD to its obligor. A minimum 5-year-average annual default rate is required, in order to compare the PD with a more stable default rate. An AI may use a longer historical period that is consistent with its actual risk management practices. The disclosed template should include the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described was determined. The commentary should include the percentage of RWAs covered by the models whose back-testing results are shown here for each of the AI’s regulatory portfolios. |
| **Content:** | Modelling parameters used in the capital calculation under the IRB approach. |
| **Frequency:** | Annual. Where the back-testing reference period does not coincide with the annual reporting period but on another time interval (e.g. a 12-month interval), the term “year” used in this template means “over the period used for the back-testing of a model”, so that an AI could still disclose values that actually correspond to the performance of the models. The AI should disclose the time horizon (observation period) it uses for the back-testing. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. The AI may wish to supplement the template with a disclosure of the exposure amount and the number of obligors whose defaulted exposures have been cured in the year. |
| **Corresponding BDR section:** | 16T |

| (a) | (b) | (c) | (d) | (e) | (f) | | (g) | (h) | (i) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Portfolio X | PD Range | External rating equivalent | Weighted average PD | Arithmetic average PD by obligors | Number of obligors | | Defaulted obligors in the year | Of which: new defaulted obligors in the year | Average historical annual default rate |
| Beginning of the year | End of the year |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Portfolio X*: the breakdown by portfolios should follow the major IRB class and/or subclass (which are in line with the classification used in the BCR), as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate – specialized lending (other than HVCRE)\*; (iv) Corporate – small-and-medium sized corporates; (v) Corporate – specialized lending (HVCRE)\*; (vi) Corporate – large corporates; (vii) Corporate – financial institutions treated as corporates; (viii) Corporate – other corporates; (ix) Retail – QRRE (transactor); (x) Retail – QRRE (revolver); (xi) Retail – Residential mortgage exposures (including both to individuals and to property-holding shell companies); (xii) Retail – small business retail exposures; and (xiii) Retail – Other retail exposures to individuals. (\* Only for those specialized lending subject to the FIRB or AIRB approach.) |
| (b) | *PD Range*: the upper and lower bound of the PD assigned at the beginning of the period for obligors of the respective portfolios. |
| (c) | *External rating equivalent*: one column should be filled in for each ECAI or credit rating agency authorized for prudential purposes in Hong Kong or other jurisdictions where the AI operates. This may not be applicable to a retail portfolio for which external rating is not available. If there are more than one applicable ECAIs or credit rating agencies, add column (c)(i), (c)(ii) and so on for disclosure. |
| (d) | *Weighted average PD*: the estimated PDs assigned at the beginning of the period for obligors by the internal model authorized under the IRB approach. The PD values are EAD-weighted and the “weight” is the EAD at the beginning of the period that are not in default. |
| (e) | *Arithmetic average PD by obligors*: the simple average of PD at the beginning of the period, calculated by aggregating the values of obligors’ PD within range which is then divided by the total number of obligors within the range. |
| (f) | *Number of obligors*: two sets of information are required: (i) the number of obligors at the beginning of the year; and (ii) the number of obligors at the end of the year subject to reporting. The ‘Beginning of the year’ sub-column includes non-default obligors at the beginning of the year for disclosure. The ‘End of the year’ sub-column includes all the non-default accounts related to obligors already included in the ‘Beginning of the year’ sub-column plus all the new obligors acquired during the year. |
| (g) | *Defaulted obligors**in the year*: the number of defaulted obligors during the year, which includes: (i) obligors not in default at the beginning of the year who went into default during the year; and (ii) new obligors acquired – through origination or purchase of loans, debt securities or off-balance sheet commitments - during the year not in default who went into default during the year. Obligors under (ii) are also separately disclosed in column (h). |
| (h) | *Of which: new defaulted obligors in the year*: the number of obligors having defaulted during the last 12-month period that were not funded at the end of the previous financial year. |
| (i) | *Average historical annual default rate*: a minimum of 5-year average of the annual default rate is required. The annual default rate is calculated by dividing the number of obligors at the beginning of each year that are defaulted during that year, by the total number of obligors held at the beginning of the year. An AI may use a longer historical period (i.e. longer than 5 years) that is consistent with the AI’s actual risk management practices for calculating the average historical annual default rate figure. |
| **Rows** | |
| An AI is expected not to group obligor grades for the purposes of disclosure except in a manner which represents a breakdown of obligor grades, under the IRB approach used by the AI, which provides for a consistent, logical and cogent differentiation of the credit risk exposures. To achieve this, a breakdown by obligor grades together with the corresponding PD ranges may be disclosed for each regulatory portfolio. | |

### Template CR10: Specialized lending under supervisory slotting criteria approach – for IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To provide quantitative information in respect of specialized lending under the supervisory slotting criteria approach |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use: (I) supervisory slotting criteria approach – HVCRE; and (II) supervisory slotting criteria approach – other than HVCRE. |
| **Content:** | Carrying values, exposure amounts and RWA. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16U |

1. **Specialized Lending under supervisory slotting criteria approach – HVCRE**

|  | |  | | (a) | (b) | (c) | (d) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supervisory Rating Grade | | Remaining Maturity | On-balance sheet exposure amount | Off-balance sheet exposure amount | SRW | EAD amount | RWA | Expected loss amount |
| Strong^ | | Less than 2.5 years |  |  | 70% |  |  |  |
| Strong | | Equal to or more than 2.5 years |  |  | 95% |  |  |  |
| Good^ | | Less than 2.5 years |  |  | 95% |  |  |  |
| Good | | Equal to or more than 2.5 years |  |  | 120% |  |  |  |
| Satisfactory | |  |  |  | 140% |  |  |  |
| Weak | |  |  |  | 250% |  |  |  |
| Default | |  |  |  | 0% |  |  |  |
| Total | |  |  |  |  |  |  |  |
| ^ Use of preferential risk-weights. | | | | | | | | |

1. **Specialized Lending under supervisory slotting criteria approach – Other than HVCRE**

|  |  | (a) | (b) | (c) | (d)(i) | (d)(ii) | (d)(iii) | (d)(iv) | (d)(v) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Supervisory Rating Grade | Remaining Maturity | On-balance sheet exposure amount | Off-balance sheet exposure amount | SRW | EAD amount | | | | | RWA | Expected loss amount |
| PF | OF | CF | IPRE | Total |
| Strong^ | Less than 2.5 years |  |  | 50% |  |  |  |  |  |  |  |
| Strong | Equal to or more than 2.5 years |  |  | 70% |  |  |  |  |  |  |  |
| Good^ | Less than 2.5 years |  |  | 70% |  |  |  |  |  |  |  |
| Good | Equal to or more than 2.5 years |  |  | 90% |  |  |  |  |  |  |  |
| Satisfactory |  |  |  | 115% |  |  |  |  |  |  |  |
| Weak |  |  |  | 250% |  |  |  |  |  |  |  |
| Default |  |  |  | 0% |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |  |  |  |
| ^ Use of preferential risk-weights. | | | | | | | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *On-balance sheet exposure amount*:the carrying value of exposure (net of allowances and write-offs) under the regulatory scope of consolidation. |
| (b) | *Off-balance sheet exposure amount*: the carrying value of exposure before applying the CCF and the effect of any recognized CRM. |
| (c) | *SRW*: the risk-weights attached to the corresponding supervisory rating grades in accordance with Division 5 (for specialized lending under supervisory slotting criteria approach), Part 6 of the BCR. The risk-weights in the tables should not be altered. |
| (d) | *EAD amount*:the amount relevant for the capital requirement’s calculation with the effects of CRM and CCF already taken into account. For specialized lending other than HVCRE, an AI should provide the exposure amount for: (d)(i) *PF* – Project finance; (d)(ii) *OF* – Object finance; (d)(iii) *CF* – Commodities finance; and (d)(iv) *IPRE* – Income-producing real estate. Column (d)(v) is the sum of values reported in columns (d)(i) to (d)(iv). |
| (e) | *RWA*: for specialized lending other than HVCRE, this column equals the product of the values in column (c) and column (d)(v); for specialized lending – HVCRE, this column equals the product of values in column (c) and column (d). |
| (f) | *Expected loss amount:* the amount of expected losses are calculated according to Division 11, Part 6 of the BCR. |

Part IV: Counterparty credit risk

Unless the context otherwise requires, the scope of the counterparty credit risk section (Part IV of this document) includes all counterparty credit risk exposures to CCPs and other counterparties arising from transactions in the banking book and trading book, and exposures in respect of default fund contributions to CCPs, that are subject to Part 6A of the BCR.

## Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

|  |  |
| --- | --- |
| **Purpose:** | Todescribe the counterparty credit risk management objectives and policies, including, but not limited to, those related to the setting of operating limits, use of guarantees and other forms of CRM, anticipated impacts of own credit rating downgrading. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16V |

|  |  |
| --- | --- |
| An AI should disclose: | |
| (a) | its risk management objectives and policies related to counterparty credit risk; |
| (b) | the method it uses to set operating limits defined in terms of internal capital for counterparty credit risk exposures and for credit exposures to CCPs; |
| (c) | its policies relating to guarantees and other forms of CRM and assessments concerning counterparty credit risk, including credit exposures to CCPs; |
| (d) | its policies with respect to general wrong-way risk (being the risk that arises when the PD of counterparties is positively correlated with general market risk factors) and specific wrong-way risk (as defined under Part 6A of the BCR) exposures; |
| (e) | the impact in terms of the amount of collateral that the AI would be required to provide given a credit rating downgrade. |

## Template CCR1: Analysis of counterparty credit risk exposures (other than those to CCPs) by approaches

|  |  |
| --- | --- |
| **Purpose:** | To provide a comprehensive breakdown of default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Default risk exposures (other than those to CCPs), RWA and parameters used to calculate the AI’s default risk exposures in respect of derivative contracts and SFTs. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes in relation to its RWA in the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16W |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Replacement cost (RC) | PFE | Effective EPE | Alpha (α) used for computing default risk exposure | Default risk exposure after CRM | RWA |
| 1 | SA-CCR approach (for derivative contracts) |  |  |  | 1.4 |  |  |
| 1a | CEM (for derivative contracts) |  |  |  | 1.4 |  |  |
| 2 | IMM (CCR) approach |  |  |  |  |  |  |
| 3 | Simple approach (for SFTs) |  |  |  |  |  |  |
| 4 | Comprehensive approach (for SFTs) |  |  |  |  |  |  |
| 5 | VaR (for SFTs) |  |  |  |  |  |  |
| 6 | **Total** |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Replacement Cost (RC)*: for the SA-CCR approach, means the RC calculated under the SA-CCR approach in accordance with Division 1A, Part 6A of the BCR. For the CEM, means the RC calculated under the CEM in accordance with Division 2A, Part 6A of the BCR. |
| (b) | *PFE*: For SA-CCR approach, means the PFE calculated under the SA-CCR approach in accordance with Division 1A, Part 6A of the BCR. For CEM, means the PFE calculated under the CEM in accordance with Division 2A, Part 6A of the BCR. |
| (c) | *Effective EPE*: this has the meaning given to it by the BCR. |
| (d) | *Alpha (α) used for computing default risk exposure*:under the CEM, SA-CCR approach or IMM(CCR) approach, as the case may be, means the alpha applicable to the AI as specified in the BCR. |
| (e) | *Default risk exposure after CRM*: In the case of the SA-CCR approach, the CEM, the IMM(CCR) approach, SFTs subject to BCR §226MJ for which the CRM effect is taken into account by using the simple approach and SFTs subject to BCR §226MK or 226ML, means the default risk exposure or outstanding default risk exposure, as the case may be, as defined under the BCR. In the case of SFTs subject to BCR §226MJ for which the CRM effect is taken into account by using the comprehensive approach under Part 4 of the BCR, the amount disclosed in row 4 should be the amount calculated after taking into account any recognized collateral received under the SFTs.  In the case of recognized guarantees and recognized credit derivative contracts where the CRM effect is taken into account in accordance with Parts 4 and 5 of the BCR, the default risk exposure (or outstanding default risk exposure) after taking into account the guarantee or credit derivative contract is equal to the default risk exposure (or outstanding default risk exposure) as defined under the BCR.  In the case of recognized collateral for SFTs subject to BCR §226MJ, recognized guarantees and recognized credit derivative contracts where the CRM effect is considered in the risk-weight function under Part 6 of the BCR, the post-CRM default risk exposure reported in column (e) is equal to the pre-CRM default risk exposure given that the related CRM effect is not reflected in the EAD of eligible IRB exposures.  For the purposes of this disclosure template—   * CRM does not include recognized collateral received by an AI outside a netting set where the collateral is not designated solely for offsetting losses on default risk exposures. * Simple approach — * in relation to the STC approach, means the simple approach set out in Division 6 of Part 4 of the BCR; and * in relation to the BSC approach, means the method of reducing the risk-weighted amount of an exposure set out in Division 5 of Part 5 of the BCR. |
| (f) | *RWA*: the product of the default risk exposure after CRM and the risk weight applicable to the counterparty concerned. |
| **Rows** | |
| 1 | *SA-CCR approach (for derivative contracts)*: for an AI that uses the SA-CCR approach to calculate default risk exposure in respect of derivative contracts, the AI should report the relevant figures under column (a) to (f) where applicable. The value in [CCR1: 1/f] should be equal to the value in [OV1: 7/a]. |
| 1a | *CEM (for derivative contracts)*: for an AI that uses the CEM to calculate default risk exposure in respect of derivative contracts, the AI should report the relevant figures under column (a) to (f) where applicable. The value in [CCR1: 1a/f] should be equal to the value in [OV1: 7a/a]. |
| 2 | *IMM(CCR) approach*: this has the meaning given to it by the BCR. The value in [CCR1: 2/f] should be equal to the value in [CCR7: 9/a] and [OV1: 8/a]. |
| 3 | *Simple approach (for SFTs)*: the default risk exposures after CRM and RWAs in respect of SFTs by the following AIs:-   * AIs that do not use the IMM(CCR) approach to calculate their default risk exposures in respect of SFTs; * AIs that use the simple approach set out in Part 4 of the BCR, or the treatments for recognized collateral set out in Part 5 of the BCR, to take into account the recognized collateral received under SFTs. |
| 4 | *Comprehensive approach (for SFTs)*: the default risk exposures after CRM and RWAs in respect of SFTs by the following AIs:-   * AIs that do not use the IMM(CCR) approach to calculate their default risk exposures in respect of SFTs; * AIs that use the comprehensive approach set out in Part 4 of the BCR to take into account the recognized collateral received under SFTs and/or use the method (other than a VaR model as discussed below) provided for under the BCR to take into account recognized netting for nettable SFTs. |
| 5 | *VaR (for SFT*s): this row is for AIs using a VaR model to calculate the default risk exposure of their single SFTs or nettable SFTs to disclose the default risk exposure so calculated and the associated RWA. |
| 6 | *Total*: this row reports the sum of values in rows 1 to 5. |

## Template CCR3: Counterparty credit risk exposures (other than those to CCPs) by exposure classes and by risk weights – for STC approach or BSC approach

|  |  |
| --- | --- |
| **Purpose:** | To present a breakdown of default risk exposures, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the STC approach or BSC approach, by exposure classes and risk-weights (the latter representing the riskiness attributed to the exposure according to the respective approaches), irrespective of the approach used to determine the amount of default risk exposures. |
| **Scope of application:** | The template, which comprises a STC version and a BSC version, is mandatory for AIs incorporated in Hong Kong that have counterparty credit risk exposures subject to the STC approach or the BSC approach. The STC version of this template is to be completed by AIs that use the STC approach and the BSC version by AIs that use the BSC approach. IRB AIs with exposures subject to the STC approach should report such exposures in the STC version. However, an AI may choose not to disclose the information required in this template provided that the following conditions are met:   1. the default risk exposure amounts and RWA for default risk exposure calculated under the STC or BSC approach, where applicable, are negligible; 2. the AI has clearly stated this fact in the disclosure statement; and 3. the AI has explained in a narrative commentary why it considers the information not to be meaningful to information users, including a description of the exposures included in the respective portfolios and the aggregate total RWAs from such exposures. |
| **Content:** | Default risk exposure amounts. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. The columns are fixed and the rows in the STC version and the BSC version of this template reflect respectively the classification of exposures as defined under the BCR, where applicable. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16Y |

Version for AIs using the STC approach (“STC version”)

|  |  | (a) | (b) | (c) | (ca) | (cb) | (d) | (e) | (ea) | (f) | (g) | (h) | (i) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Risk Weight  Exposure class | 0% | 10% | 20% | 30% | 40% | 50% | 75% | 85% | 100% | 150% | Others | Total default risk exposure after CRM |
| 1 | Sovereign exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Public sector entity exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Multilateral development bank exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Unspecified multilateral body exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Bank exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 6 | Qualifying non-bank financial institution exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 | General corporate exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 8 | Retail exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Defaulted exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 | Other exposures |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 | **Total** |  |  |  |  |  |  |  |  |  |  |  |  |

Version for AIs using the BSC approach (“BSC version”)

|  |  | (a) | (b) | (c) | (d) | (f) | (h) | (i) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Risk Weight  Exposure class | 0% | 10% | 20% | 50% | 100% | Others | Total default risk exposure after CRM |
| 1 | Sovereign exposures |  |  |  |  |  |  |  |
| 2 | Public sector entity exposures |  |  |  |  |  |  |  |
| 3 | Multilateral development bank exposures |  |  |  |  |  |  |  |
| 4 | Unspecified multilateral body exposures |  |  |  |  |  |  |  |
| 5 | Bank exposures |  |  |  |  |  |  |  |
| 6 | Other exposures |  |  |  |  |  |  |  |
| 7 | **Total** |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Column** | |
| (i) | It is the sum of values in columns (a) to (h). |
| **Rows** | |
| All | The rows and their respective definitions are aligned with the exposure class used in Part 4 (for the STC approach) or Part 5 (for the BSC approach) of the BCR, whereas “other exposures” comprise any other relevant exposure classes not specified elsewhere in the template. An AI should report its default risk exposures in the exposure classes to which the counterparties to the derivative contracts and SFTs belong (and, if CRM is taken into account by substitution of risk-weights, to which the CRM belongs) while the risk-weights reported should represent the riskiness attributed to the counterparties or CRM accordingly. |

## Template CCR4: Counterparty credit risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach

|  |  |
| --- | --- |
| **Purpose:** | To provide all the relevant parameters used for the calculation of counterparty credit risk capital requirements for IRB exposures (other than those to CCPs). |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IRB approach for some or all of their exposures, irrespective of the approach used to determine their default risk exposure amounts.  An AI should include the key models used at the group-wide level (according to the scope of regulatory consolidation) and explain in a narrative commentary how the scope of models described was determined. The commentary should include the percentage of RWAs covered by the models for each of the regulatory portfolios. |
| **Content:** | RWA and parameters used in RWA calculations for exposures to counterparty credit risk (excluding exposures cleared through a CCP) and where the IRB approach is used for credit risk calculation. All disclosures are based on the regulatory scope of consolidation for capital adequacy purposes. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Where an AI makes use of both the FIRB and AIRB approaches for credit risk, it should disclose the two approaches in separate templates. For each IRB calculation approach used, the AI should disclose the portfolio types subject to the IRB calculation approaches by major IRB class (which are in line with the classification used in the BCR) as follows:- (i) Sovereign; (ii) Bank; (iii) Corporate; and (iv) Retail. Divide the table into various sections, one section for each of the IRB classes according to (i) to (iv) aforementioned. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes in the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16Z |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | PD scale | EAD post-CRM | Average PD | Number of obligors | Average LGD | Average maturity | RWA | RWA density |
| Portfolio (i) – Sovereign | 0.00 to < 0.15 |  |  |  |  |  |  |  |
| 0.15 to < 0.25 |  |  |  |  |  |  |  |
| 0.25 to < 0.50 |  |  |  |  |  |  |  |
| 0.50 to < 0.75 |  |  |  |  |  |  |  |
| 0.75 to < 2.50 |  |  |  |  |  |  |  |
| 2.50 to < 10.00 |  |  |  |  |  |  |  |
| 10.00 to < 100.00 |  |  |  |  |  |  |  |
| 100.00 (Default) |  |  |  |  |  |  |  |
| Sub-total |  |  |  |  |  |  |  |
| Portfolio (ii) – Bank | 0.00 to < 0.15 |  |  |  |  |  |  |  |
| 0.15 to < 0.25 |  |  |  |  |  |  |  |
| 0.25 to < 0.50 |  |  |  |  |  |  |  |
| 0.50 to < 0.75 |  |  |  |  |  |  |  |
| 0.75 to < 2.50 |  |  |  |  |  |  |  |
| 2.50 to < 10.00 |  |  |  |  |  |  |  |
| 10.00 to < 100.00 |  |  |  |  |  |  |  |
| 100.00 (Default) |  |  |  |  |  |  |  |
| Sub-total |  |  |  |  |  |  |  |
| Portfolio (iii)… | … |  |  |  |  |  |  |  |
| Portfolio (iv)… | … |  |  |  |  |  |  |  |
| **Total (sum of all portfolios)** | |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| *PD scale* | PD scale should not be changed. An AI should map the PD scale it uses in the calculations of RWA into the PD scale provided in the template. |
| (a) | *EAD post-CRM*: the amount relevant to the capital requirements calculation using the applicable approach for counterparty credit risk, after the effect of recognized CRM but gross of accounting provisions. |
| (b) | *Average PD*: the weighted average of obligor grade PD included in the same row, using the EAD of each obligor as the weight. |
| (c) | *Number of obligors*: the number of individual PDs included in the same row. Approximation (round number) of obligor numbers is acceptable for disclosure purpose. |
| (d) | *Average LGD*: the weighted average of obligor grade LGD within the same PD band (or the same portfolio(s) for rows ‘sub-total’ and ‘total’ as appropriate), using the EAD of each obligor as the weight. The LGD should be net of any effect of recognized CRM. |
| (e) | *Average maturity*: the weighted average of obligor maturity within the same PD band (or the same portfolio(s) for rows ‘sub-total’ and ‘total’ as appropriate), presented in years, using the EAD of each obligor as the weight. This parameter needs to be filled in only when it is used for the RWA calculation. |
| (f) | *RWA*: the RWA calculated in accordance with Part 6 of the BCR. |
| (g) | *RWA density*: this is derived from total RWA in column (f) divided by EAD post-CRM in column (a). The resultant ratio should be expressed in percentage. |

## Template CCR5: Composition of collateral for counterparty credit risk exposures (including those for contracts or transactions cleared through CCPs)

|  |  |
| --- | --- |
| **Purpose:** | To provide a breakdown of all types of collateral posted or recognized collateral received to support or reduce counterparty credit risk exposures in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying values of collateral posted and recognized collateral received in the context of derivative contracts or SFTs, irrespective of whether the contracts or transactions are cleared through a CCP and whether the collateral is posted to a CCP. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible. The columns are fixed but the rows are flexible where the categories of collateral which may be recognized are those specified under Division 5 of Part 4, Division 5 of Part 5, or Division 10 of Part 6, of the BCR, as the case requires. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZA |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | (a) | (b) | (c) | (d) | (e) | (f) |
|  | Derivative contracts | | | | SFTs[[12]](#footnote-12) | |
|  | Fair value of recognized collateral received | | Fair value of posted collateral | | Fair value of recognized collateral received | Fair value of posted collateral |
| Segregated | Unsegregated | Segregated | Unsegregated |
| Cash - domestic currency[[13]](#footnote-13) |  |  |  |  |  |  |
| Cash - other currencies |  |  |  |  |  |  |
| Domestic sovereign debt |  |  |  |  |  |  |
| Other sovereign debt |  |  |  |  |  |  |
| Government agency debt |  |  |  |  |  |  |
| Corporate bonds |  |  |  |  |  |  |
| Equity securities |  |  |  |  |  |  |
| Other collateral |  |  |  |  |  |  |
| … |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a), (b) and (e) | *Fair value of recognized collateral received*: the disclosed fair value of recognized collateral received should be after any haircut (if applicable), meaning the value of recognized collateral received will be reduced after haircut (i.e. C(1-Hs)). |
| (c), (d) and (f) | *Fair value of posted collateral*: the disclosed fair value of collateral posted should be after any haircut (if applicable), meaning the value of collateral posted (which is an exposure) will be increased after haircut (i.e. E(1+Hs)). |
| (a) & (c) | *Segregated*: this refers to collateral which is held in a bankruptcy remote manner. |
| (b) & (d) | *Unsegregated*: this refers to collateral which is not held in a bankruptcy remote manner. |

## Template CCR6: Credit-related derivatives contracts

|  |  |
| --- | --- |
| **Purpose:** | To disclose the amount of credit-related derivative contracts, broken down into credit protection bought and credit protection sold. |
| **Scope of application:** | This template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Notional amounts (before any netting) and fair values of credit-related derivative contracts. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible. The columns are fixed but the rows (other than the “Total notional amounts” and those related to fair values) are flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZB |

|  | (a) | (b) |
| --- | --- | --- |
|  | Protection bought | Protection sold |
| **Notional amounts** |  |  |
| Single-name credit default swaps |  |  |
| Index credit default swaps |  |  |
| Total return swaps |  |  |
| Credit-related options |  |  |
| Other credit-related derivative contracts |  |  |
| **Total notional amounts** |  |  |
| **Fair values** |  |  |
| Positive fair value (asset) |  |  |
| Negative fair value (liability) |  |  |

## Template CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach

|  |  |
| --- | --- |
| **Purpose:** | To present a flow statement explaining variations in RWA for default risk exposures determined under the IMM(CCR) approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IMM(CCR) approach for measuring default risk exposures, irrespective of the credit risk approach used to compute the RWAs of the default risk exposures. |
| **Content:** | RWA of default risk exposure (i.e. credit risk disclosed in Template CR8 excluded). Changes in RWA in the current reporting period for each of the key drivers should be based on an AI’s reasonable estimation of the figures. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. Columns and rows 1 and 9 should not be altered. An AI should add additional rows between rows 7 and 8 to disclose additional elements, if any, that contribute significantly to RWA variations. |
| **Accompanying narrative:** | An AI should supplement the template with a narrative commentary to explain any material change in the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16ZC |

|  |  | (a) |
| --- | --- | --- |
|  |  | **Amount** |
| **1** | **RWA as at end of previous reporting period** |  |
| 2 | Asset size |  |
| 3 | Credit quality of counterparties |  |
| 4 | Model updates |  |
| 5 | Methodology and policy |  |
| 6 | Acquisitions and disposals |  |
| 7 | Foreign exchange movements |  |
| 8 | Other |  |
| **9** | **RWA as at end of reporting period** |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *RWA as at end of previous reporting period*: this row equals the value in [CCR7: 9/a] of the last reporting period, which is also equal to the value in [OV1: 8/b]. |
| 2 | *Asset size*: the variation in RWA due to the organic changes in book size and composition (including origination of new businesses and maturing exposures) but excluding changes in book size due to acquisitions and disposal of entities. |
| 3 | *Credit quality of counterparties*: the variation in RWA due to the changes in the assessed credit quality of the AI’s counterparties, whatever credit risk calculation approach the AI uses. This row also includes potential changes due to internal models used under the IRB approach. |
| 4 | *Model updates*: the variation in RWA arising from model implementation, changes in model scope, or any material changes intended to address model weaknesses, in respect of the model used for the IMM(CCR) approach. |
| 5 | *Methodology and policy*: the variation in RWA due to methodological changes in calculations driven by regulatory policy changes, such as new regulations, in respect of the use of the IMM(CCR) approach. |
| 6 | *Acquisitions and disposals*: the variation in RWA arising from changes in book sizes due to acquisitions and disposal of entities. |
| 7 | *Foreign exchange movements*: the variation in RWA driven by foreign exchange rate movements. |
| 8 | *Other*: this category captures changes in RWA that cannot be attributed to any category above. An AI should add additional rows between rows 7 and 8 (to be named 7a, 7b and so on) to disclose any other material drivers of RWA movements in the current reporting period. |
| 9 | *RWA as at end of reporting period*: the sum of rows 1 to 8 (including any additional row(s) inserted by the AI), which is also equal to the value in [OV1: 8/a] and the value in [CCR1:2/f]. |

## Template CCR8: Exposures to CCPs

|  |  |
| --- | --- |
| **Purpose:** | To provide a comprehensive breakdown of exposures to both qualifying and non-qualifying CCPs and the respective RWAs, covering all types of credit risk exposures (including default risk exposures to the CCPs, credit risk exposures arising from initial margins posted, and default fund contributions made, to the CCPs). |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Exposures to CCPs after recognized CRM, and RWA corresponding to the exposures to CCPs. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. An AI should provide a breakdown of exposures to both qualifying and non-qualifying CCPs. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZD |

|  |  | (a) | (b) |
| --- | --- | --- | --- |
|  |  | Exposure after CRM | RWA |
| **1** | **Exposures of the AI as clearing member or clearing client****[[14]](#footnote-14) to qualifying CCPs (total)** |  |  |
| 2 | Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which: |  |  |
| 3 | (i) OTC derivative transactions |  |  |
| 4 | (ii) Exchange-traded derivative contracts |  |  |
| 5 | (iii) Securities financing transactions |  |  |
| 6 | (iv) Netting sets subject to valid cross-product netting agreements |  |  |
| 7 | Segregated initial margin |  |  |
| 8 | Unsegregated initial margin |  |  |
| 9 | Funded default fund contributions |  |  |
| 10 | Unfunded default fund contributions |  |  |
| **11** | **Exposures of the AI as clearing member or clearing client to non-qualifying CCPs (total)** |  |  |
| 12 | Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which: |  |  |
| 13 | (i) OTC derivative transactions |  |  |
| 14 | (ii) Exchange-traded derivative contracts |  |  |
| 15 | (iii) Securities financing transactions |  |  |
| 16 | (iv) Netting sets subject to valid cross-product netting agreements |  |  |
| 17 | Segregated initial margin |  |  |
| 18 | Unsegregated initial margin |  |  |
| 19 | Funded default fund contributions |  |  |
| 20 | Unfunded default fund contributions |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Exposure after CRM*:   * For rows 2 to 6 and 12 to 16, the amount should be the “outstanding default risk exposure” or “default risk exposure”, as the case may be, as defined under the BCR, for the derivative contracts or SFTs calculated in accordance with Part 6A of the BCR. For any SFTs subject to BCR §226MJ where the CRM effect of any recognized collateral received under the SFTs is taken into account by using the comprehensive approach under Part 4 of the BCR, the amount disclosed should be the net credit exposure calculated in accordance with BCR §88. * For rows 7 to 10 and 17 to 20, the amount should be the amount of the initial margin posted or the amount of default fund contribution made or committed by the AI. |
| (b) | *RWA*: the RWA calculated in accordance with Division 4, Part 6A of the BCR. |
| **Rows** | |
| 1 & 11 | *Exposures of the AI as clearing member or clearing client to qualifying CCPs / non-qualifying CCPs (total)*: for column (b), the value in row 1 should equal the sum of values in rows 2, 8, 9 and 10; the value in row 11 should equal the sum of values in rows 12, 18, 19 and 20. Column (a) should be left blank. |
| 2 & 12 | *Default risk exposures to qualifying CCPs / non-qualifying CCPs (excluding items disclosed in rows 7 to 10 / rows 17 to 20*): the default risk exposures disclosed should include all exposures that are, or regarded as, default risk exposures to qualifying CCPs or to non-qualifying CCPs in accordance with the requirements set out in Division 4, Part 6A of the BCR.  The values in row 2 should equal the sum of values in rows 3 to 6; the value in row 12 should equal the sum of values in rows 13 to 16. |
| 3 & 13 | *(i) OTC derivative transactions*: this has the meaning given to it by the BCR. |
| 4 & 14 | *(ii) Exchange-traded derivative contracts*: a derivative contract other than an OTC derivative transaction. |
| 5 & 15 | *(iii) Securities financing transactions*: this has the meaning given to it by the BCR. |
| 6 & 16 | *(iv) Netting sets subject to valid cross-product netting agreements*: netting set as defined by the BCR where the netting could be done according to a valid cross-product netting agreement. |
| 7 & 17 | *Segregated initial margin*: the initial margin held in a bankruptcy remote manner. For the purposes of this template, initial margin does not include contributions to a CCP for mutualised loss-sharing arrangements (i.e. in cases where a CCP uses initial margin to mutualise losses among the clearing members, such margin will be treated as a default fund exposure). |
| 8 & 18 | *Unsegregated initial margin*: it means the initial margin not held in a bankruptcy remote manner. Similar to the above, for the purposes of this template, initial margin does not include contributions to a CCP for mutualised loss-sharing arrangements. |
| 9 & 19 | *Funded default fund contributions*: the meaning of this term should be in line with that of “default fund contribution” under the BCR and the usage of “funded default fund contribution” in Division 4, Part 6A of the BCR. |
| 10 & 20 | *Unfunded default fund contributions*: the meaning of this term should be in line with that of “default fund contribution” under the BCR and the usage of “unfunded default fund contribution” in Division 4, Part 6A of the BCR. |

# Part IVA: Credit valuation adjustment risk

## Table CVAA: Qualitative disclosures related to CVA risk

|  |  |
| --- | --- |
| **Purpose:** | To provide a description of the risk management objectives and policies for CVA risk. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong that are subject to CVA risk capital charges, including AIs which are qualified and have chosen to calculate their RWA for CVA risk at 100% of their RWA for counterparty credit risk exposures as prescribed under the BCR. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZOA |

|  |  |  |
| --- | --- | --- |
| An AI should describe its risk management objectives and policies for CVA risk as follows: | | |
| (a) | An explanation and/or a description of the AI’s processes implemented to identify, measure, monitor and control its CVA risks, including policies for hedging CVA risk and the processes for monitoring the continuing effectiveness of hedges. |
| (b) | Whether the AI is qualified and has chosen to set its RWA for CVA risk at 100% of its RWA for counterparty credit risk exposures as prescribed under the BCR. |

## Template CVA1: CVA risk under reduced basic CVA approach

|  |  |
| --- | --- |
| **Purpose:** | To provide the components used for the calculation of CVA risk capital charge under the reduced basic CVA approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the reduced basic CVA approach to calculate part or all of their CVA risk capital charges. The template should be completed with only the capital charges obtained from the netting sets which are under the reduced basic CVA approach. |
| **Content:** | Capital charge. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should describe the type of CVA hedges it uses even if the CVA hedges are not taken into account under the reduced basic CVA approach. |
| **Corresponding BDR section:** | 16ZOC |

|  | | (a) | (b) |
| --- | --- | --- | --- |
|  | | Components | CVA risk capital charge under the reduced basic CVA approach |
| 1 | Aggregation of systematic components of CVA risk |  |  |
| 2 | Aggregation of idiosyncratic components of CVA risk |  |  |
| 3 | **Total** |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *Aggregation of systematic components of CVA risk:* Capital charge under perfect correlation assumption  (ΣCSCVAc) as calculated in accordance with Part 8A of the BCR. |
| 2 | *Aggregation of idiosyncratic components of CVA risk:* Capital charge under zero correlation assumption (sqrt(ΣcSCVAc2)) as calculated in accordance with Part 8A of the BCR. |
| 3 | *Total:* This is the CVA risk capital charge under the reduced basic CVA approach (i.e. BA\_CVAreduced) as calculated in accordance with Part 8A of the BCR. The value in [CVA1:3/b] should be equal to the value in [OV1:10/c] if the AI only uses the reduced basic CVA approach for all CVA risk exposures. |

## Template CVA2: CVA risk under full basic CVA approach

|  |  |
| --- | --- |
| **Purpose:** | To provide the components used for the calculation of CVA risk capital charge under the full basic CVA approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the full basic CVA approach to calculate part or all of their CVA risk capital charges. The template should be completed with only the capital charges obtained from the netting sets which are under the full basic CVA approach. |
| **Content:** | Capital charge. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Additional rows can be inserted for the breakdown of other risks. |
| **Corresponding BDR section:** | 16ZOD |

|  | | (a) |
| --- | --- | --- |
|  | | CVA risk capital charge under the full basic CVA approach |
| 1 | BA\_CVAreduced |  |
| 2 | BA\_CVAhedged |  |
| 3 | **Total** |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | *BA\_CVAreduced*: BA\_CVAreduced as calculated in accordance with Part 8A of the BCR. |
| 2 | *BA\_CVAhedged*: BA\_CVAhedged as calculated in accordance with Part 8A of the BCR. |
| 3 | *Total:* This is the CVA risk capital charge under the full basic CVA approach(i.e. BA\_CVAfull) as calculated in accordance with Part 8A of the BCR. The value in [CVA2:3/a] should be equal to the value in [OV1:10/c] if the AI only uses the full basic CVA approach for all CVA risk exposures. |

## Table CVAB: Additional qualitative disclosures for AI using standardized CVA approach

|  |  |
| --- | --- |
| **Purpose:** | To provide the main characteristics of the AI’s CVA risk management framework. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong using the standardized CVA approach to calculate part or all of their CVA risk capital charge. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZOB |

|  |  |
| --- | --- |
| An AI should provide the following information on its CVA risk management framework: | |
| (a) | A description of the AI’s CVA risk management framework. |
| (b) | A description of how senior management is involved in the CVA risk management framework. |
| (c) | An overview of the governance of the CVA risk management framework (e.g. documentation, independent control unit, independent review, independence of the data acquisition from the lines of business). |

## Template CVA3: CVA risk under standardized CVA approach

|  |  |
| --- | --- |
| **Purpose:** | To provide the components used for the calculation of CVA risk capital charge under the standardized CVA approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the standardized CVA approach to calculate part or all of their CVA risk capital charges. |
| **Content:** | Capital charge. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. Additional rows can be inserted for the breakdown of other risks. |
| **Corresponding BDR section:** | 16ZOE |

|  | | (a) | (b) |
| --- | --- | --- | --- |
|  | | CVA risk capital charge under the standardized CVA approach | Number of counterparties |
| 1 | Interest rate risk |  |  |
| 2 | Foreign exchange risk |  |  |
| 3 | Reference credit spread risk |  |  |
| 4 | Equity risk |  |  |
| 5 | Commodity risk |  |  |
| 6 | Counterparty credit spread risk |  |  |
| 7 | **Total (sum of rows 1 to 6)** |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 7 | *Total*: for column (a), this is the sum of values in rows 1 to 6, and should be equal to the value in [OV1: 10/c] if the AI only uses the standardized CVA approach for all CVA risk exposures. |

## Template CVA4: RWA flow statements of CVA risk exposures under standardized CVA approach

|  |  |
| --- | --- |
| **Purpose:** | Flow statement explaining variations in RWA for CVA risk determined under the standardized CVA approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the standardized CVA approach to calculate part or all of their CVA risk capital charges. |
| **Content:** | RWA for CVA risk. Changes in RWA amounts over the reporting period for each of the key drivers should be based on an AI’s reasonable estimation of the figure. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes over the reporting period and the key drivers of such changes. Factors behind changes could include movements in risk levels, scope changes (e.g. movement of netting sets between the standardized CVA approach and the full or reduced basic CVA approach), acquisition and disposal of business/product lines or entities or foreign currency translation movements. |
| **Corresponding BDR section:** | 16ZOF |

|  | | (a) |
| --- | --- | --- |
| 1 | Total RWA for CVA risk at end of previous reporting period |  |
| 2 | Total RWA for CVA risk at end of reporting period |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 1 | The value in [CVA4:1/a] should be equal to the value in [OV1:10/b] if the AI only uses the standardized CVA approach for all CVA risk exposures. |
| 2 | The value in [CVA4:2/a] should be equal to the value in [OV1:10/a] if the AI only uses the standardized CVA approach for all CVA risk exposures. |

# Part V: Securitization exposures

Unless the context otherwise requires, the scope of the securitization section is as follows:

* Table SECA and Templates SEC1 and SEC2 cover all securitization exposures as defined under the BCR.
* Templates SEC3 and SEC4 cover banking book securitization exposures subject to capital requirements according to the securitization framework under Part 7 of the BCR, and exclude securitization positions in the trading book under Part 8 of the BCR which are reported in Part VI of this document (i.e. Market risk section).

An AI should disclose securitization exposures arising from eligible securitization transactions in Template SEC3. Conversely, securitization exposures are reported in Templates SEC1, SEC2 and SEC4 according to their respective disclosure requirements, irrespective of whether the exposures arise from an eligible securitization transaction or a non-eligible securitization transaction.

## Table SECA: Qualitative disclosures related to securitization exposures

|  |  |
| --- | --- |
| **Purpose:** | To provide qualitative information on the strategy and risk management with respect to securitization activities. |
| **Scope of application:** | The table is mandatory for AIs incorporated in Hong Kong with securitization exposures. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZE |

|  |  |
| --- | --- |
| An AI should describe its risk management objectives and policies for securitization transactions and main features of these activities according to the framework below (if the AI holds securitization positions that are reflected in both the regulatory banking book and the regulatory trading book, it should describe each of the following points by distinguishing activities in each of the regulatory books): | |
| (a) | Its objectives in relation to securitization transactions, including the extent to which these transactions transfer credit risk of the underlying securitized exposures away from the AI to other entities, the type of risks assumed and the types of risks retained. |
| (b) | A list of:   * SPEs where the AI acts as sponsor (as defined in the BCR §227(1)), indicating whether the AI consolidates the SPEs into its scope of regulatory consolidation; * affiliated entities (i) that the AI manages or advises and (ii) that invest either in the securitization exposures that the AI has securitized or in SPEs that the AI sponsors; and * entities to which the AI provides implicit support and the associated capital impact for each of them. |
| (c) | Summary of the AI’s accounting policies for securitization transactions. Where relevant, the AI should distinguish securitization exposures from re-securitization exposures. |
| (d) | If applicable, the names of ECAIs used for securitizations and the types of securitization exposure for which each ECAI is used. |
| (e) | If applicable, describe the process for implementing internal assessment approach (“IAA”) under the BCR. The description should include:   * structure of the internal assessment process and relation between internal assessment and external ratings, including information on ECAIs as referenced in item (d) above of this table; * control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review; and * the exposure type to which the internal assessment process is applied; and stress factors used for determining credit enhancement levels, by exposure type. |
| (f) | A description of the use of internal assessment, other than for IAA capital purposes, by the AI. |

I. Quantitative disclosure – description of securitization exposures

### Template SEC1: Securitization exposures in banking book

|  |  |
| --- | --- |
| **Purpose:** | To present a breakdown of securitization exposures in the banking book (regardless of whether the exposures arising from eligible securitization transactions or non-eligible securitization transactions). |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong with securitization exposures in the banking book. |
| **Content:** | Carrying values. For the purpose of this template, securitization exposures are those defined under the BCR, including those arising from non-eligible securitization transactions. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZF |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Acting as originator (excluding sponsor) | | | Acting as sponsor | | | Acting as investor | | |
|  |  | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| 1 | Retail (total) – of which: |  |  |  |  |  |  |  |  |  |
| 2 | residential mortgage |  |  |  |  |  |  |  |  |  |
| 3 | credit card |  |  |  |  |  |  |  |  |  |
| 4 | other retail exposures |  |  |  |  |  |  |  |  |  |
| 5 | re-securitization exposures |  |  |  |  |  |  |  |  |  |
| 6 | Wholesale (total) – of which: |  |  |  |  |  |  |  |  |  |
| 7 | loans to corporates |  |  |  |  |  |  |  |  |  |
| 8 | commercial mortgage |  |  |  |  |  |  |  |  |  |
| 9 | lease and receivables |  |  |  |  |  |  |  |  |  |
| 10 | other wholesale |  |  |  |  |  |  |  |  |  |
| 11 | re-securitization exposures |  |  |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (c) | *Acting as originator (excluding sponsor)*: the securitization positions reported under these columns are the positions retained by an AI in a capacity that directly or indirectly originates the underlying exposures in the transaction, including exposures arise from an eligible securitization transaction or a non-eligible securitization transaction. |
| (d) to (f) | *Acting as sponsor*: the securitization positions reported under these columns are those arising from the activities of an AI as a sponsor, for example, exposures to commercial paper conduits to which the AI provides programme-wide enhancements, liquidity and other facilities. Where the AI acts as both originator and sponsor, it should avoid double-counting for the purpose of disclosure. In this regard, the AI should merge the two columns into one as “Acting as originator / sponsor” in its presentation. |
| (g) to (i) | *Acting as investor*: these columns represent the investment positions an AI purchased in third-party deals. |
| (a), (d) & (g) | *Traditional*: this captures any traditional securitization transaction as defined under Part 7 of the BCR. |
| (b), (e) & (h) | *Synthetic*: this captures any synthetic securitization transaction as defined under Part 7 of the BCR. If an AI has purchased protection it should report the net exposure amounts to which it is exposed under columns originator/sponsor (i.e. the amount that is not secured). If the AI has sold protection, the exposure amount of the credit protection should be reported in the “investor” column. |
| **Rows** | |
| All | An AI may modify the breakdown of exposures in the rows if another breakdown would be more appropriate to reflect its transactions, except that the rows regarding re-securitization exposures (i.e. rows 5 and 11 in the above table) are fixed, meaning that all re-securitization exposures that fall under the definition in the BCR should be reported in these rows but not in other rows, which contain only securitization exposures other than re-securitization exposures. |

### Template SEC2: Securitization exposures in trading book

|  |  |
| --- | --- |
| **Purpose:** | To present a breakdown of securitization exposures in the trading book (regardless of whether the exposures arising from eligible securitization transactions or non-eligible securitization transactions). |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong with securitization exposures in the trading book. |
| **Content:** | Carrying values. For the purpose of this template, securitization exposures are those defined under the BCR, including those arising from non-eligible securitization transactions. |
| **Frequency:** | Semi-annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZG |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Acting as originator (excluding sponsor) | | | Acting as sponsor | | | Acting as investor | | |
|  |  | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| 1 | Retail (total) – of which: |  |  |  |  |  |  |  |  |  |
| 2 | residential mortgage |  |  |  |  |  |  |  |  |  |
| 3 | credit card |  |  |  |  |  |  |  |  |  |
| 4 | other retail exposures |  |  |  |  |  |  |  |  |  |
| 5 | re-securitization exposures |  |  |  |  |  |  |  |  |  |
| 6 | Wholesale (total) – of which: |  |  |  |  |  |  |  |  |  |
| 7 | loans to corporates |  |  |  |  |  |  |  |  |  |
| 8 | commercial mortgage |  |  |  |  |  |  |  |  |  |
| 9 | lease and receivables |  |  |  |  |  |  |  |  |  |
| 10 | other wholesale |  |  |  |  |  |  |  |  |  |
| 11 | re-securitization exposures |  |  |  |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (c) | *Acting as originator (excluding sponsor)*: the securitization positions reported under these columns are the positions retained by an AI in a capacity that directly or indirectly originates the underlying exposures in the transaction, including exposures arise from an eligible securitization transaction or a non-eligible securitization transaction. |
| (d) to (f) | *Acting as sponsor*: the securitization positions reported under these columns are those arising from the activities of an AI as a sponsor, for example, exposures to commercial paper conduits to which the AI provides programme-wide enhancements, liquidity and other facilities. Where the AI acts as both originator and sponsor, it should avoid double-counting for the purpose of disclosure. In this regard, the AI should merge the two columns into one as “Acting as originator/ sponsor” in its presentation. |
| (g) to (i) | *Acting as investor*: these columns represent the investment positions an AI purchased in third-party deals. |
| (a), (d) & (g) | *Traditional*: this captures any traditional securitization transaction as defined under Part 7 of the BCR. |
| (b), (e) & (h) | *Synthetic*: this captures any synthetic securitization transaction as defined under Part 7 of the BCR. If an AI has purchased protection it should report the net exposure amounts to which it is exposed under columns originator/sponsor (i.e. the amount that is not secured). If the AI has sold protection, the exposure amount of the credit protection should be reported in the “investor” column. |
| **Rows** | |
| All | An AI may modify the breakdown of exposures in the rows if another breakdown would be more appropriate to reflect its transactions, except that the rows regarding re-securitization exposures (i.e. rows 5 and 11 in the above table) are fixed, meaning that all re-securitization exposures that fall under the definition in the BCR should be reported in these rows but not in other rows, which contain only securitization exposures other than re-securitization exposures. |

II. Quantitative disclosure – calculation of capital requirements

### Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator[[15]](#footnote-15)

|  |  |
| --- | --- |
| **Purpose:** | To present securitization exposures in the banking book where an AI acts as an originating institution of eligible securitization transactions and the associated capital requirements. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong with securitization exposures and acting as originator. |
| **Content:** | Exposure values, RWAs and capital charges. This template only contains securitization exposures arising from eligible securitization transactions. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZH |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) | (n) | (o) | (p) | (q) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Exposure values (by RW bands) | | | | | Exposure values  (by regulatory approach) | | | | RWAs  (by regulatory approach) | | | | Capital charges after cap | | | |
|  |  | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA |
| **1** | **Total exposures** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Traditional securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Of which securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Of which retail |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Of which simple, transparent and comparable | N/A | | | | | | | | | | | | | | | | |
| 6 | Of which wholesale |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Of which simple, transparent and comparable | N/A | | | | | | | | | | | | | | | | |
| 8 | Of which re-securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Synthetic securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 | Of which securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 | Of which retail |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 12 | Of which wholesale |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 13 | Of which re-securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*N/A: Not applicable in the case of Hong Kong*

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (e) | *Exposure values (by RW bands)*: the exposure values subject to the securitization framework, allocated in accordance with the applicable risk-weights of the exposures. |
| (f) to (i) | *Exposure values (by regulatory approach)*: the exposure values subject to the securitization framework, allocated in accordance with the applicable regulatory approaches, namely the SEC-IRBA, SEC-ERBA (including those exposures that the AI uses IAA to determine the risk-weights), SEC-SA and SEC-FBA. |
| (j) to (m) | *RWAs (by regulatory approach)*: the RWAs (to be calculated before application of the regulatory maximum or cap as explain below) subject to the securitization framework, allocated in accordance with the allocation method of exposure values as in columns (f) to (i). |
| (n) to (q) | Capital charges after cap: the capital charges (after application of the regulatory maximum or cap pursuant to Part 7 of the BCR, as the case may require) as determined according to the securitization framework, allocated in accordance with the allocation method of RWAs as in columns (j) to (m).[[16]](#footnote-16) |

### Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

|  |  |
| --- | --- |
| **Purpose:** | To present securitization exposures in the banking book where an AI acts as an investing institution of securitization transactions and the associated capital requirements. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong with securitization exposures and acting as investor. |
| **Content:** | Exposure values, RWAs and capital charges. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material movements in the current reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZI |

|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) | (l) | (m) | (n) | (o) | (p) | (q) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Exposure values (by RW bands) | | | | | Exposure values  (by regulatory approach) | | | | RWAs  (by regulatory approach) | | | | Capital charges after cap | | | |
|  |  | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA | SEC-IRBA | SEC-ERBA (incl. IAA) | SEC-SA | SEC-FBA |
| **1** | **Total exposures** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Traditional securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Of which securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Of which retail |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Of which simple, transparent and comparable | N/A | | | | | | | | | | | | | | | | |
| 6 | Of which wholesale |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Of which simple, transparent and comparable | N/A | | | | | | | | | | | | | | | | |
| 8 | Of which re-securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Synthetic securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10 | Of which securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 | Of which retail |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 12 | Of which wholesale |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 13 | Of which re-securitization |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

*N/A: Not applicable in the case of Hong Kong*

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (e) | *Exposure values (by RW bands)*: the exposure values subject to the securitization framework, allocated in accordance with the applicable risk-weights of the exposures. |
| (f) to (i) | *Exposure values (by regulatory approach)*: the exposure values subject to the securitization framework, allocated in accordance with the applicable regulatory approaches, namely the SEC-IRBA, SEC-ERBA (including those exposures that the AI uses IAA to determine the risk-weights), SEC-SA and SEC-FBA. |
| (j) to (m) | *RWAs (by regulatory approach)*: the RWAs (to be calculated before application of the regulatory maximum or cap as explain below) subject to the securitization framework, allocated in accordance with the allocation method of exposure values as in columns (f) to (i). |
| (n) to (q) | Capital charges after cap: the capital charges (after application of the regulatory maximum or cap pursuant to Part 7 of the BCR, as the case may require) as determined according to the securitization framework, allocated in accordance with the allocation method of RWAs as in columns (j) to (m).[[17]](#footnote-17) |

# Part VI: Market risk

Unless the context otherwise requires, the market risk section includes exposures booked in the trading book and banking book that are subject to a market risk capital charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures and CVA risk, which are reported in Part IV – Counterparty credit risk and Part IVA – Credit valulation adjustment risk respectively.

## Table MRA: Qualitative disclosures related to market risk

|  |  |
| --- | --- |
| **Purpose:** | To provide a description of the risk management objectives and policies concerning market risk. |
| **Scope of application:** | The table is mandatory for AIs incorporated in Hong Kong that are subject to market risk capital charge in Part 8 of the BCR (other than those exempted under BCR §22). |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZJ |

|  |  |
| --- | --- |
| An AI should describe its risk management objectives and policies for market risk according to the framework below: | |
| (a) | Strategies and processes of the AI, which should include an explanation and/or a description of:   1. the AI’s strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the AI’s market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges; 2. policies for determining whether a position is designated as trading, including the definition of stale positions and the risk management policies for monitoring those positions. In addition, an AI should describe cases where instruments are assigned to the trading or banking book contrary to the general presumptions of their instrument category as set out in Part 8 of the BCR and the market and gross fair value of such cases, as well as cases where instruments have been moved between the banking book and the trading book since the last reporting period, including the gross fair value of such cases and the reason for the move; and 3. description of internal risk transfer activities, including the types of internal risk transfer trading desk. |
| (b) | Structure and organisation of the market risk management function: including a description of the market risk governance structure established to implement the strategies and processes of the AI discussed in row (a) above. |
| (c) | The scope and nature of risk reporting and/or measurement systems. |

## Template MR1: Market risk under STM approach

|  |  |
| --- | --- |
| **Purpose:** | To disclose the components of the market risk capital charge calculated using the STM approach. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the STM approach for calculating their market risk capital charges for all or part of their market risk exposures. AIs that have the MA’s approval under BCR §18(2)(a) to use the IMA to calculate their market risk capital charges must disclose in this template their market risk capital charges for those exposures that are subject to the STM approach. |
| **Content:** | Market risk capital charge calculated under STM approach. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes over the current reporting period and the key drivers of such changes. In particular, the narrative should inform about changes in the scope of application, including changes due to trading desks for which market risk capital charges are calculated using the STM approach. |
| **Corresponding BDR section:** | 16ZL |

|  |  | (a) |
| --- | --- | --- |
|  |  | Market risk capital charges under STM approach |
| 1 | General interest rate risk |  |
| 2 | Equity risk |  |
| 3 | Commodity risk |  |
| 4 | Foreign exchange risk |  |
| 5 | Credit spread risk (non-securitization) |  |
| 6 | Credit spread risk (securitization: non-correlation trading portfolio (“CTP”)) |  |
| 7 | Credit spread risk (securitization: CTP) |  |
| 8 | Standardized default risk charge (“SA-DRC”) (non-securitization) |  |
| 9 | SA-DRC (securitization: non-CTP) |  |
| 10 | SA-DRC (securitization: CTP) |  |
| 11 | Residual risk add-on |  |
| 12 | **Total** |  |

| **Explanatory Note** | |
| --- | --- |
| **Rows** | |
| 12 | *Total*: the sum of values in rows 1 to 11, which is also equal to the value in [OV1: 21/c]. |

## Table MRB: Additional qualitative disclosures for AI using IMA

|  |  |
| --- | --- |
| **Purpose:** | To provide the scope, main characteristics and key modelling choices of the different models used for the calculation of market risk capital charge using the IMA. |
| **Scope of application:** | The table is mandatory for AIs incorporated in Hong Kong that use the IMA for calculating all or part of their market risk capital charge.  To provide meaningful information to users on its use of internal models, an AI should describe the main characteristics of the models used at the group-wide level (according to the scope of regulatory consolidation) and explain the extent to which they represent all the models used at the group-wide level. The commentary should include the percentage of market risk capital charge covered by the models described for each of the market risk capital charge components (modellable risk factors, non-modellable risk factors (“NMRFs”) and default risk charge). |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZK |

|  |  |
| --- | --- |
| (I) | An AI should provide a general description of the trading desk structure and types of instruments included in the IMA trading desks. |

|  |  |
| --- | --- |
| (II) | An AI using internal models to determine the market risk charges for modellable risk factors (“ES models”) should provide the following information: |
| (a) | A description of trading desks covered by the ES models. Where applicable, the AI should also describe the main trading desks not included in the calculation of market risk capital charge for modellable risk factors (due to lack of historical data or model constraints). |
| (b) | The soundness criteria on which the internal capital adequacy assessment is based (e.g. forward-looking stress testing) and a description of the methodologies used to achieve a capital adequacy assessment that is consistent with the soundness standards as set out in Schedule 3 to the BCR. |
| (c) | A general description of the ES model(s). For example, the AI may describe whether the model(s) is (are) based on historical simulation, Monte Carlo simulations or other appropriate analytical methods, and the stressed ES relevant period for stressed ES calculation. |
| (d) | The frequency by which model data is updated. |
| (e) | A description of the ES calculation based on current and stressed observations. For example, the AI should describe the reduced set of modellable risk factors used to calibrate the period of stress, the share of the variations in the fully specified ES that is explained by the reduced set of modellable risk factors, and the observation period used to identify the stressed ES relevant period. |

|  |  |
| --- | --- |
| (III) | An AI using internal models to determine the market risk charges for NMRFs must provide the following information: |
| (a) | A general description of each methodology used to achieve a capital assessment for categories of NMRFs that is consistent with the required soundness standard as set out in Schedule 3 to the BCR. |

|  |  |
| --- | --- |
| (IV) | An AI using internal models to determine the default risk charge must provide the following information: |
| (a) | A general description of the methodology, including information about the characteristics and scope of the VAR and whether different models are used for different exposure classes. For example, the AI may describe the range of probability of default (“PD”) by obligors on the different types of positions, the approaches used to correct market-implied PDs as applicable, the treatment of netting, basis risk between long and short exposures of different obligors, mismatch between a position and its hedge and concentrations that can arise within and across product classes during stressed conditions. |
| (b) | The methodology used to achieve a capital assessment that is consistent with both the required soundness standard as set out in Schedule 3 to the BCR. |

|  |  |
| --- | --- |
| (V) | Validation of models and modelling processes: |
| (a) | The approaches used in the validation of the models and modelling processes, describing general approaches used and the types of assumptions and benchmarks on which they rely. |

## Template MR2: Market risk under IMA

|  |  |
| --- | --- |
| **Purpose:** | To provide the components of the market risk capital charge calculated using the IMA for market risk |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the IMA for calculating all or part of their market risk capital charge. |
| **Content:** | Components for calculating market risk capital charge at the group-wide level (according to the scope of regulatory consolidation). |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should report the components of its total market risk capital charge that are included for its most recent measure as at the end of the current reporting period and the components that are included for its average of the last 60 trading days for expected shortfall, IMCC and SES, and 12 weeks for default risk charge. An AI should also provide a comparison of VaR estimates with actual gains/losses experienced by the AI, with analysis of important exceptions in backtesting results. An AI should explain any material changes in the current reporting period for the figures reported in the template and the key drivers of such changes. |
| **Corresponding BDR section:** | 16ZM |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|  |  | | At the current quarter | | | | | At the previous quarter | |
|  |  | | Risk measure for previous 60 trading days/ 12 weeks | | | | Number of backtesting exceptions | Risk measure: for previous 60 trading days/ 12 weeks | |
|  |  | | Most recent | Average | High | Low | VaR measure 99.0% | Most recent | Average |
| 1 | Unconstrained expected shortfall | |  |  |  |  |  |  |  |
| 2 | Expected shortfall for the regulatory risk classes | General interest rate risk |  |  |  |  |  |  |  |
| 3 | Equity risk |  |  |  |  |  |  |  |
| 4 | Commodity risk |  |  |  |  |  |  |  |
| 5 | Foreign exchange risk |  |  |  |  |  |  |  |
| 6 | Credit spread risk |  |  |  |  |  |  |  |
| 7 | Constrained expected shortfall | |  |  |  |  |  |  |  |
| 8 | IMCC | |  |  |  |  |  |  |  |
| 9 | Non-modellable risk factors (i.e. SES) | |  |  |  |  |  |  |  |
| 10 | Default risk charge | |  |  |  |  |  |  |  |
| 11 | Capital surcharge for trading desks assigned to the yellow zone | |  | |  |  |  |  | |
| 12 | Market risk capital charge for trading desks assigned to the green or yellow zone (including capital surcharge) | |  | |  |  |  |  | |
| 13 | Total market risk capital charge for trading desks subject to STM approach as disclosed in Template MR1 | |  | |  |  |  |  | |
| 14 | Difference in market risk capital charge under the IMA and STM approach for trading desks assigned to the green or yellow zone | |  | |  |  |  |  | |
| 15 | Market risk capital charge for all trading desks (including those subject to the IMA) calculated using the STM approach | |  | |  |  |  |  | |
| 16 | Total market risk capital charge | |  | |  |  |  |  | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Most recent*: For each of the rows 1 to 10, the value in this column is the position as of the end of the reporting period. |
| (b) | *Average*: For each of the rows 1 to 9, the value in this column is an average-based figure of the last 60 trading days. For row 10, the value in this column is an average-based figure of the last 12 weeks. |
| (c) | *High*: For rows 1 to 6, an AI should report the highest value in the last 60 trading days. |
| (d) | *Low*: For rows 1 to 6, an AI should report the lowest value in the last 60 trading days. |
| (f) & (g) | Corresponding value for each of the rows as reported in the previous reporting period (i.e. the previous quarter). |
| **Rows** | |
| 1 | *Unconstrained expected shortfall*: IMCC(C) calculated in accordance with Division 13, Part 8 of the BCR. |
| 2 to 6 | IMCC(Ci) for each of the risk classes calculated in accordance with Division 13, Part 8 of the BCR. |
| 7 | *Constrained expected shortfall*: this is the sum of values in rows 2 to 6. |
| 8 | *IMCC*: IMCC calculated in accordance with Division 13, Part 8 of the BCR. |
| 9 | *Non-modellable risk factors (i.e. SES)*: SES calculated in accordance with Division 13, Part 8 of the BCR. |
| 10 | *Default risk charge*: default risk charge as defined in section 281 of the BCR. This is the measure of the default risk of trading book positions, except those subject to STM approach, covering inter alia, sovereign exposures (including those denominated in the sovereign’s domestic currency), equity positions and defaulted debt positions. |
| 11 | *Capital surcharge for trading desks assigned to the yellow zone*: capital surcharge for approved trading desks that fulfil the backtesting requirements and are assigned to the yellow zone in the profit and loss attribution test, which is calculated in accordance with Division 13, Part 8 of the BCR. |
| 12 | *Market risk capital charge for trading desks assigned to the green or yellow zone (including capital surcharge):* the value is the sum of market risk capital charge for trading desks assigned to the green or yellow zone, including any capital surcharge for trading desks assigned to the yellow zone, where applicable. The value of row 12 = max(row 8/a + row 9/a; multiplication factor (i.e. *mc*) \*row 8/b + row 9/b) + max(row 10/a; row 10/b) + row 11. |
| 13 | *Total market risk capital charge for trading desks subject to STM approach as disclosed in Template MR1*: market risk capital charge for trading desks that are subject to the STM approach (i.e. *CU*). The value in this row is equal to the total market risk capital charge under the STM approach as disclosed in [MR1: 12/a].  The value in this row multiplied by 12.5 is equal to the value in [CMS1:5/b] (Note: The linkage to [CMS1:5/b] will not hold if an AI using the STM approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitizations held in the trading book). |
| 14 | *Difference in market risk capital charge under the IMA and STM approach for trading desks assigned to the green or yellow zone:* this is the difference between the market risk capital charges for trading desks that fulfil the back-testing requirements and assigned to green zone and yellow zone in the profit and loss attribution test calculated under the IMA (i.e. IMAG,Y calculated in accordance with Division 13, Part 8 of the BCR) and the STM approach (i.e. SAG,Y calculated in accordance with Division 13, Part 8 of the BCR). The value reported in this row should be a negative value if the value of IMAG,Y is smaller than that of SAG,Y. |
| 15 | *Market risk capital charge for all trading desks (including those subject to the IMA) calculated using the STM approach*: this is the market risk capital charge for all instruments across all trading desks of the AI, regardless of whether those trading desks are subject to the IMA, calculated under the STM approach (i.e. SAall desks calculated in accordance with Divisions 1A to 1D, Part 8 of the BCR). The value in this row multiplied by 12.5 should be equal to the value in [CMS1:5/d] (Note: The linkage to [CMS1:5/d] will not hold if an AI using the STM approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitizations held in the trading book). |
| 16 | *Total market risk capital charge*: total market risk capital charge calculated in accordance with Part 8 of the BCR.  The value in this row minus [MR2:13] is equal to [OV1:22/c]. The value in this row minus [MR2:13] and then multiplied by 12.5 is also equal to [CMS1:5/a] (Note: The linkage to [CMS1:5/a] will not hold if an AI using the STM approach for market risk also uses SEC-IRBA and/or SEC-IAA when determining the default risk charge component for securitizations held in the trading book.) The value in this row multiplied by 12.5 is equal to [CMS1:5/c]. |

## Template MR3: Market risk under SSTM approach

|  |  |
| --- | --- |
| **Purpose:** | Provide the components of the market risk capital charge under the SSTM approach for market risk. |
| **Scope of application:** | The template is mandatory for AIs incorporated in Hong Kong that use the SSTM approach to determine their market risk capital charge. |
| **Content:** | Market risk capital charge. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any material changes over the current reporting period and the key drivers of such changes. |
| **Corresponding BDR section:** | 16ZN |

|  | | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- |
|  | |  | Options | | |
|  | | Outright products | Simplified approach | Delta-plus method | Other approach |
| 1 | Interest rate exposures (general and specific risk) |  |  |  |  |
| 2 | Equity exposures (general and specific risk) |  |  |  |  |
| 3 | Commodity exposures |  |  |  |  |
| 4 | Foreign exchange (including gold) exposures |  |  |  |  |
| 5 | Securitization exposures |  |  |  |  |
| 6 | Total |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Outright products*: The market risk capital charge calculated in accordance with Divisions 2, 3, 4, 5, 6 and 10, Part 8 of the BCR. |
| (b) | *Options under the simplified approach*: The market risk capital charge calculated in accordance with Divisions 2 and 8, Part 8 of the BCR. |
| (c) | *Options under the delta-plus method*: The market risk capital charge calculated in accordance with Divisions 2 and 9, Part 8 of the BCR. |
| (d) | *Options under the other approach*: The market risk capital charge calculated in accordance with any other approach (e.g. scenario approach) which has been approved by the MA pursuant to Part 8 of the BCR. |
| **Rows** | |
| 5 | *Securitization exposures*: The market risk capital charge arising from securitization exposures (including re-securitization exposures) should be disclosed in this row and calculated in accordance with Division 3, Part 8 of BCR. |

Part VII: Interest rate risk in banking book

## Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

|  |  |
| --- | --- |
| **Purpose:** | To provide a description of the risk management objectives and policies concerning interest rate risk in the banking book (“IRRBB”). |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. This table should be used for reporting an AI’s interest rate exposures related to financial year end on or after 30 June 2019. |
| **Content:** | Qualitative and quantitative information. The latter should be based on the daily or monthly average of the year or on the data as at the reporting date. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZP |

|  |  |
| --- | --- |
| An AI should describe the following elements of IRRBB risk management, where relevant: | |
| Qualitative disclosures | |
| (a) | A description of how the AI defines IRRBB for purposes of risk control and measurement. |
| (b) | A description of the AI’s overall IRRBB management and mitigation strategies. Examples include:   1. monitoring of economic value of equity (“EVE”) and net interest income (“NII”) in relation to established limits; 2. hedging practices; 3. conduct of stress testing; 4. outcome analysis; 5. the role of independent audit; 6. the role and practices of the ALCO; 7. the AI’s practices to ensure appropriate model validation; and 8. timely updates in response to changing market conditions. |
| (c) | The periodicity of the calculation of the AI’s IRRBB measures, and a description of the specific measures that the AI uses to gauge its sensitivity to IRRBB. |
| (d) | A description of the interest rate shock and stress scenarios that the AI uses to estimate changes in the economic value and in earnings. |
| (e) | Where significant modelling assumptions used in the AI’s internal measurement systems (“IMS”) (i.e. the EVE metric generated by the AI for purposes other than disclosure, e.g. for internal assessment of capital adequacy) are different from the modelling assumptions prescribed for the disclosure in Template IRRBB1, the AI should provide a description of those assumptions and their directional implications and explain its rationale for making those assumptions (e.g. historical data, published research, management judgment and analysis). |
| (f) | A high-level description of how the AI hedges its IRRBB, as well as the associated accounting treatment. |
| (g) | A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Template IRRBB1, which includes:   1. for ΔEVE, whether commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used; 2. how the average repricing maturity of non-maturity deposits has been determined (including any unique product characteristics that affect assessment of repricing behaviour); 3. the methodology used to estimate the prepayment rates of customer loans, and/or the early withdrawal rates for time deposits, and other significant assumptions; 4. any other assumptions (including for instruments with behavioural optionalities that have been excluded) that have a material impact on the disclosed ΔEVE and ΔNII in Template IRRBB1, including an explanation of why these are material; and 5. any methods of aggregation across currencies and any significant interest rate correlations between different currencies. |
| (h) | Any other information which the AI considers as relevant regarding its interpretation of the significance and sensitivity of the IRRBB measures disclosed and/or an explanation of any significant variations in the level of the reported IRRBB since previous disclosures. |
| Quantitative disclosures | |
| 1 | Average repricing maturity assigned to non-maturity deposits (“NMDs”): This refers to notional-weighted maturity of NMDs. |
| 2 | Longest repricing maturity assigned to NMDs. |

## Template IRRBB1: Quantitative information on interest rate risk in banking book

|  |  |
| --- | --- |
| **Purpose:** | To provide information on the changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios in respect of its interest rate exposures arising from banking book positions. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. This template should be used for reporting an AI’s interest rate exposures related to financial year end on or after 30 June 2019. If an AI is exempted under BCR §22(1) from calculating its market risk, it should aggregate the positions of banking book and trading book for disclosure purpose. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should provide a commentary on the significance of the reported values and an explanation of any material changes since the end of the preceding reporting period. |
| **Corresponding BDR section:** | 16ZQ |

|  | |  | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- | --- |
| (in reporting currency) | | | **ΔEVE** | | **ΔNII** | |
|  | **Period** | | **T** | **T-1** | **T** | **T-1** |
| 1 | Parallel up | |  |  |  |  |
| 2 | Parallel down | |  |  |  |  |
| 3 | Steepener | |  |  |  |  |
| 4 | Flattener | |  |  |  |  |
| 5 | Short rate up | |  |  |  |  |
| 6 | Short rate down | |  |  |  |  |
| 7 | **Maximum** | |  |  |  |  |
|  | **Period** | | **T** | | **T-1** | |
| 8 | **Tier 1 capital** | |  | |  | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) & (b) | The change in the economic value of equity (“ΔEVE”) based on the standardised framework described in the Supervisory Policy Manual (“SPM”) module IR-1 “Interest Rate Risk in the Banking Book” and the Return on Interest Rate Risk in the Banking Book (MA(BS)12A) (“IRRBB return”). |
| (c) & (d) | The change in projected net interest income (“ΔNII”) over a forward-looking rolling 12-month period based on the methodology described in the SPM module IR-1 “Interest Rate Risk in the Banking Book” and the IRRBB return. The cells in rows 3 to 6 (in dark grey) need not be filled in. |
| **Row** | |
| 7 | *Maximum*: This refers to the maximum of economic value of equity (across interest rate shock scenarios 1 to 6 above) and net interest income (across interest rate shock scenarios 1 and 2 above). Positive values indicate losses under the alternative scenarios. |

Part VIII: Remuneration

## Table REMA: Remuneration policy

|  |  |
| --- | --- |
| **Purpose:** | To describe the remuneration policy as well as key features of the remuneration system to allow meaningful assessments by Pillar 3 data users of an AI’s compensation practices. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZS |

|  |  |
| --- | --- |
| An AI should describe the main elements of its remuneration system and how it developed this system. In particular, the following elements, where relevant, should be described: | |
| (a) | Information relating to the bodies that oversee remuneration. Disclosures should include:   1. name, composition and mandate of the main body overseeing remuneration; 2. external consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process; 3. a description of the scope of the AI’s remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches; and 4. a description of the types of employees considered as key personnel and as senior managers. |
| (b) | Information relating to the design and structure of remuneration processes. Disclosures should include:   1. an overview of the key features and objectives of remuneration policy; 2. whether the remuneration committee reviewed the firm’s remuneration policy during the past year, and if so, an overview of any changes that were made, the reasons for those changes and their impact on remuneration; and 3. a discussion of how the AI ensures that risk and compliance employees are remunerated independently of the businesses they oversee. |
| (c) | Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration. |
| (d) | Description of the ways in which the AI seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:   1. an overview of main performance metrics for the institution, top-level business lines and individuals; 2. a discussion of how amounts of individual remuneration are linked to institution-wide and individual performance; and 3. a discussion of the measures the AI will in general implement to adjust remuneration in the event that performance metrics are weak, including the AI’s criteria for determining “weak” performance metrics. |
| (e) | Description of the ways in which the AI seeks to adjust remuneration to take account of longer-term performance. Disclosures should include:   1. a discussion of the AI’s policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance; and 2. a discussion of the AI’s policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements. |
| (f) | Description of the different forms of variable remuneration that the AI utilises and the rationale for using these different forms. Disclosures should include:   1. an overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms); and 2. a discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employee), a description the factors that determine the mix and their relative importance. |

## Template REM1: Remuneration awarded during financial year

|  |  |
| --- | --- |
| **Purpose:** | To provide quantitative information on remuneration for the financial year. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any significant movements over the reporting period and the key drivers of such movements. Where relevant, the accompanying narrative should include descriptions of the other forms of fixed and variable remuneration. |
| **Corresponding BDR section:** | 16ZT |

|  |  | | | (a) | (b) |
| --- | --- | --- | --- | --- | --- |
| Remuneration amount and quantitative information | | | | Senior management | Key personnel |
| 1 | | Fixed remuneration | Number of employees |  |  |
| 2 | | Total fixed remuneration |  |  |
| 3 | | Of which: cash-based |  |  |
| 4 | | Of which: deferred |  |  |
| 5 | | Of which: shares or other share-linked instruments |  |  |
| 6 | | Of which: deferred |  |  |
| 7 | | Of which: other forms |  |  |
| 8 | | Of which: deferred |  |  |
| 9 | | Variable remuneration | Number of employees |  |  |
| 10 | | Total variable remuneration |  |  |
| 11 | | Of which: cash-based |  |  |
| 12 | | Of which: deferred |  |  |
| 13 | | Of which: shares or other share-linked instruments |  |  |
| 14 | | Of which: deferred |  |  |
| 15 | | Of which: other forms |  |  |
| 16 | | Of which: deferred |  |  |
| **17** | | **Total remuneration** | |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) and (b) | Senior management and key personnel categories in columns (a) and (b) should correspond to the type of employees described in Table REMA. (Note: If an AI has such a small number of executives that individuals’ remuneration could be easily deduced from disclosure of a breakdown of the figures, it is acceptable for the AI, in so far as the sensitivity of the information will be disadvantageous to the AI, to disclose aggregate figures for senior management and key personnel. This is, however, provided that this fact and the reason for doing so (i.e. disclosing aggregate figures instead of disclosing separate figures) are adequately disclosed in the accompanying narrative.) |
| **Rows** | |
| 2 | *Total fixed remuneration*: the sum of values in rows 3, 5 and 7. |
| 7 | *Fixed remuneration – Of which: other forms*: these other forms of fixed remuneration must be described in Table REMA and, where relevant, in the accompanying narrative of this template. |
| 10 | *Total variable remuneration*: the sum of values in rows 11, 13 and 15. |
| 15 | *Variable remuneration – Of which: other forms*: these other forms of variable remuneration must be described in Table REMA and, where relevant, in the accompanying narrative of this template. |
| 17 | *Total remuneration*: the sum of values in rows 2 and 10. |

## Template REM2: Special payments

|  |  |
| --- | --- |
| **Purpose:** | To provide quantitative information on special payment for the financial year. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any significant movements over the reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZU |

|  |  | | (a) | (b) | (c) | (d) | (e) | (f) |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Special payments | | | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
| Number of employees | Total amount | Number of employees | Total amount | Number of employees | Total amount |
| 1 | | Senior management |  |  |  |  |  |  |
| 2 | | Key personnel |  |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) and (b) | *Guaranteed bonuses*: the number of employees granted and the payments of guaranteed bonuses during the financial year. |
| (c) and (d) | *Sign-on awards*: the number of employees granted and the payments allocated to employees upon recruitment during the financial year. |
| (e) and (f) | *Severance payments*: the number of dismissed employees compensated with severance payments and the payments allocated to employees dismissed during the financial year. |
| **Rows** | |
| 1 and 2 | *Senior management / Key personnel*: the categories in rows 1 and 2 must correspond to the type of employees described in Table REMA. (Note: If an AI has such a small number of executives that individuals’ remuneration could be easily deduced from disclosure of a breakdown of the figures, it is acceptable for the AI, in so far as the sensitivity of the information will be disadvantageous to the AI, to disclose aggregate figures for senior management and key personnel. This is, however, provided that this fact and the reason for doing so (i.e. disclosing aggregate figures instead of disclosing separate figures) are adequately disclosed in the accompanying narrative.) |

## Template REM3: Deferred remuneration

|  |  |
| --- | --- |
| **Purpose:** | To provide quantitative information on deferred and retained remuneration. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Quantitative information (amounts). |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain any significant movements over the reporting period and the key drivers of such movements. |
| **Corresponding BDR section:** | 16ZV |

|  |  | (a) | (b) | (c) | (d) | (e) |
| --- | --- | --- | --- | --- | --- | --- |
| Deferred and retained remuneration | | Total amount of outstanding deferred remuneration | Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit adjustments | Total amount of amendment during the year due to ex post implicit adjustments | Total amount of deferred remuneration paid out in the financial year |
| 1 | Senior management |  |  |  |  |  |
| 2 | Cash |  |  |  |  |  |
| 3 | Shares |  |  |  |  |  |
| 4 | Cash-linked instruments |  |  |  |  |  |
| 5 | Other |  |  |  |  |  |
| 6 | Key personnel |  |  |  |  |  |
| 7 | Cash |  |  |  |  |  |
| 8 | Shares |  |  |  |  |  |
| 9 | Cash-linked instruments |  |  |  |  |  |
| 10 | Other |  |  |  |  |  |
| **11** | **Total** |  |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | This column should report the amounts of deferred remuneration accrued (cumulated) over the previous years as of the reporting date. |
| (b) | The amount reported in this column is a subset of that reported in column (a) which is subject to the following:   1. *Outstanding exposed to ex post explicit adjustment*:part of the deferred and retained remuneration that is subject to direct adjustment clauses (for instance, subject to malus, clawbacks or similar reversal or downward revaluations of awards). 2. *Outstanding exposed to ex post implicit adjustment*:part of the deferred and retained remuneration that is subject to adjustment clauses that could change the remuneration, due to the fact that they are linked to the performance of other indicators (for instance, fluctuation in the value of shares performance or performance units). |
| (c) | The definition in explanatory note (b)(i) above applies. It shows the movements specifically related to column (b) during the financial year. |
| (d) | The definition in explanatory note (b)(ii) above applies. It shows the movements specifically related to column (b) during the financial year. |
| (e) | This column, which shows the movements during the financial year, represents the payments that have affected the value disclosed in column (a). |
| **Rows** | |
| 1 | *Senior management*: it should correspond to the type of employees described in Table REMA, and its value is equal to the sum of values in rows 2 to 5. |
| 6 | *Key personnel*: it should correspond to the type of employees described in Table REMA, and its value is equal to the sum of values in rows 7 to 10. |
| 1 & 6 | If an AI has such a small number of executives that individuals’ remuneration could be easily deduced from disclosure of a breakdown of the figures, it is acceptable for the AI, in so far as the sensitivity of the information will be disadvantageous to the AI, to disclose aggregate figures for senior management and key personnel. This is, however, provided that this fact and the reason for doing so (i.e. disclosing aggregate figures instead of disclosing separate figures) are adequately disclosed in the accompanying narrative. |
| 11 | *Total*: the sum of values in rows 1 and 6. |

# Part IX: Operational risk

An AI should ensure that disclosures made under this Part are consistent with the BCR, completion instructions to banking return and other supervisory guidance (including code of practices) for implementing the Basel III revised operational risk capital framework.

## Table ORA: General information on operational risk framework

|  |  |
| --- | --- |
| **Purpose:** | To describe the main characteristics and elements of an AI’s operational risk management framework. |
| **Scope of application:** | The table is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Qualitative information. |
| **Frequency:** | Annual. |
| **Format:** | Flexible. |
| **Corresponding BDR section:** | 16ZQA |

|  |
| --- |
| An AI should describe: |
| 1. Its policies, frameworks and guidelines for the management of operational risk. |
| 1. The organisational structure of its operational risk management and control function. |
| 1. Its operational risk measurement system (i.e. the systems and data used to measure operational risk in order to estimate the operational risk capital charge). |
| 1. The scope and main context of its reporting framework on operational risk to senior management and to the board of directors. |
| 1. The risk mitigation and risk transfer used in the management of operational risk. This includes mitigation by policy (such as the policies on risk culture, risk appetite, and outsourcing), by divesting from high-risk businesses, and by the establishment of appropriate internal controls. The remaining exposure can then be absorbed by the AI or transferred, e.g. through insurance. |

## Template OR1: Historical losses

|  |  |
| --- | --- |
| **Purpose:** | To disclose aggregate operational risk losses incurred over the last 10 annual reporting periods, based on the accounting date of the incurred losses. This entire period is referred to as the disclosure period. However, an AI that uses a fewer number of years (which must be no less than 5 years) of operational loss data to calculate its loss component for operational risk capital charge on a transitional basis should use such period as its disclosure period instead. This disclosure informs the operational risk capital charge calculation. The general principle on retrospective disclosure set out in Supervisory Policy Manual module CA-D-1 “Guideline on the Application of the Banking (Disclosure) Rules” does not apply to this template. From the implementation date of this template onwards, disclosure of all preceding annual reporting periods in the disclosure period applicable to the AI is required. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong that are classified as (i) bucket 2 AIs or bucket 3 AIs or (ii) bucket 1 AIs which have obtained the prior consent of the MA under BCR §332(2)(b) or met the specified conditions under BCR §332(2)(a) to include operational loss data to calculate their capital charge for operational risk. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with narrative commentary explaining the rationale in aggregate, for new exclusions of operational risk losses since disclosure in the last reporting period. An AI should disclose any other material information, in aggregate, that would help inform users as to their historical operational risk losses or their recoveries, with the exception of confidential and proprietary information, including information about legal reserves. |
| **Corresponding BDR section:** | 16ZQB |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) | (k) |
|  |  | T | T–1 | T–2 | T–3 | T–4 | T–5 | T–6 | T–7 | T–8 | T–9 | Average |
| **Using HKD200,000 threshold** | | | | | | | | | | | | |
| 1 | Total amount of operational losses net of recoveries (no exclusions) |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Total number of operational risk losses |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Total amount of excluded operational risk losses |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Total number of exclusions |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Total amount of operational losses net of recoveries and net of excluded losses |  |  |  |  |  |  |  |  |  |  |  |
| **Using HKD1 million threshold** | | | | | | | | | | | | |
| 6 | Total amount of operational losses net of recoveries (no exclusions) |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Total number of operational risk losses |  |  |  |  |  |  |  |  |  |  |  |
| 8 | Total amount of excluded operational risk losses |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Total number of exclusions |  |  |  |  |  |  |  |  |  |  |  |
| 10 | Total amount of operational losses net of recoveries and net of excluded losses |  |  |  |  |  |  |  |  |  |  |  |
| **Details of operational risk capital charge calculation** | | | | | | | | | | | | |
| 11 | Are losses used to calculate the ILM (yes/no)? |  | | | | | | | | | | |
| 12 | If “no” in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)? |  | | | | | | | | | | |
| 13 | Loss event threshold: HKD200,000 or HKD 1 million for the operational risk capital charge calculation if applicable |  | | | | | | | | | | |
| *Points to note:*   1. Loss amounts and the associated recoveries (i.e. receipt of payments) should be reported in the annual reporting period in which they were recorded in financial statements. 2. AIs must use the date of accounting for building the loss data set. That is (i) the date (or dates) when a loss event results in a loss, reserve or provision against a loss being recognised in the AI’s profit and loss (P&L) accounts or (ii) for losses related to legal events, the date when a legal reserve is established for the probable estimated loss in the P&L accounts. 3. Losses caused by a common operational risk event or by related operational risk events over time, but posted to the accounts over several years, should be allocated to the corresponding annual reporting periods in line with their accounting treatment. 4. An operational event having an overall positive financial impact over the disclosure period should not be included in this template. 5. The HKD200,000 threshold also includes losses listed in the HKD1 million threshold. | | | | | | | | | | | | |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (k) | For rows 1 to 10, T denotes the end of current annual reporting period, T–1 denotes the annual reporting period immediately preceding T, etc. Column (k) refers to the average of an item (based on the amount reported in individual years) over the disclosure period applicable to the AI. |
| **Rows** | |
| 1 | Based on a loss event threshold of HKD200,000, the total loss amount net of recoveries resulting from loss events above the loss event threshold for each annual reporting period in the disclosure period. Losses excluded from the operational risk capital charge calculation must still be included in this row. |
| 2 | Based on a loss event threshold of HKD200,000, the total number of operational risk losses. |
| 3 | Based on a loss event threshold of HKD200,000, the total net loss amounts above the loss threshold excluded for each annual reporting period in the disclosure period. |
| 4 | Based on a loss event threshold of HKD200,000, the total number of exclusions. |
| 5 | Based on a loss event threshold of HKD200,000, the total amount of operational risk losses net of recoveries and excluded losses. |
| 6 | Based on a loss event threshold of HKD1 million, the total loss amount net of recoveries resulting from loss events above the loss event threshold for each annual reporting period in the disclosure period. Losses excluded from the operational risk capital charge calculation must still be included in this row. |
| 7 | Based on a loss event threshold of HKD1 million, the total number of operational risk losses. |
| 8 | Based on a loss event threshold of HKD1 million, the total net loss amounts above the loss threshold excluded for each annual reporting period in the disclosure period. |
| 9 | Based on a loss event threshold of HKD1 million, the total number of exclusions. |
| 10 | Based on a loss event threshold of HKD1 million, the total amount of operational risk losses net of recoveries and excluded losses. |
| 11 | Indicate whether the AI uses operational risk losses to calculate the internal loss multiplier. |
| 12 | Indicate whether internal loss data are not used in the ILM calculation due to non-compliance with the standards for high quality operational loss data as set out in the relevant supervisory guidance. The application of any resulting multipliers must be disclosed in row 2 of Template OR3 and accompanied by a narrative. |
| 13 | The loss event threshold used in the actual operational risk capital charge calculation (i.e. HKD200,000 or HKD1 million) if applicable. |

## Template OR2: Business indicator and business indicator components breakdown

|  |  |
| --- | --- |
| **Purpose:** | To disclose the business indicator (BI) and a breakdown of its components, which inform the operational risk capital charge calculation. The general principle on retrospective disclosure set out in Supervisory Policy Manual module CA-D-1 “Guideline on the Application of the Banking (Disclosure) Rules” does not apply to this template. From the implementation date of this template onwards, disclosure should be made to all prior periods as required. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should supplement the template with narrative commentary to explain any material changes in the current reporting period and the key drivers of such changes. Additional narrative on divested business and activities is required for those AIs that have received MA’s approval to exclude divested businesses and activities from the calculation of the BI. |
| **Corresponding BDR section:** | 16ZQC |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | (a) | (b) | (c) |
|  | BI and its subcomponents | T | T–1 | T–2 |
| 1 | Interest, leases and dividend component |  |  |  |
| 1a | Interest and leases income |  |  |  |
| 1b | Interest and leases expenses |  |  |  |
| 1c | Interest earning assets |  |  |  |
| 1d | Dividend income |  |  |  |
| 2 | Services component |  |  |  |
| 2a | Fee and commission income |  |  |  |
| 2b | Fee and commission expenses |  |  |  |
| 2c | Other operating income |  |  |  |
| 2d | Other operating expenses |  |  |  |
| 3 | Financial component |  |  |  |
| 3a | Net P&L on trading book |  |  |  |
| 3b | Net P&L on banking book |  |  |  |
| 4 | BI |  |  |  |
| 5 | Business indicator component (BIC) |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Disclosure on the BI:** | | | |
|  |  | (a) |  |
| 6a | BI gross of excluded divested businesses and activities |  |  |
| 6b | Reduction in BI due to excluded divested businesses and activities |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) to (c) | T denotes the end of current annual reporting period, T–1 denotes the annual reporting period immediately preceding T, etc. |
| **Rows** | |
| 1 | The interest, leases and dividend component (ILDC) = Min [Abs (Interest income - Interest expenses); 2.25%\* Interest-earning assets] + Dividend income. In the formula, all the terms are calculated as the average over three annual reporting periods: T, T-1 and T-2. The absolute value of the net item (i.e. interest income – interest expenses) should be calculated by individual annual reporting periods first before calculating the average of the three annual reporting periods. |
| 1a | Interest income from all financial assets and other interest income (includes interest income from finance and operating leases and profits from leased assets). |
| 1b | Interest expenses from all financial liabilities and other interest expenses (includes interest expenses from finance and operating leases, depreciation and impairment of, and losses from, operating lease assets). |
| 1c | Average of total gross outstanding loans, advances, interest bearing securities (including government bonds and zero coupon bonds (which provide for imputed interest)) and leased assets measured at the end of the 4 calendar quarters for each annual reporting period. |
| 1d | Dividend income from investments in stocks and collective investment schemes not consolidated in the AI’s financial statements, including dividend income from non-consolidated subsidiaries, associates and joint ventures. |
| 2 | Services component (SC) = Max (Fee and commission income; Fee and commission expenses) + Max (Other operating income; Other operating expenses). In the formula, all the terms are calculated as the average over three annual reporting periods: T, T-1 and T-2. |
| 2a | Income received from providing advice and services (includes income received by the AI for providing outsourcing of financial services). |
| 2b | Expenses paid for receiving advice and services (includes outsourcing fees paid by the AI for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (e.g. logistics, IT, human resources)). |
| 2c | Income from ordinary banking operations not included in other BI items but of a similar nature (income from operating leases should be excluded). |
| 2d | Expenses and losses from ordinary banking operations not included in other BI items but of a similar nature and from operational loss events (expenses from operating leases should be excluded). |
| 3 | Financial component (FC) = Abs (Net P&L on Trading Book) + Abs (Net P&L on Banking Book). In the formula, all the terms are calculated as the average over three annual reporting periods: T, T-1 and T-2. The absolute value of a net P&L item should be calculated by individual annual reporting periods first before calculating the average of the three annual reporting periods. |
| 3a | Net P&L on trading book: This comprises (i) gains minus losses on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities); (ii) gains minus losses from hedge accounting; and (iii) gains minus losses from exchange differences. |
| 3b | Net P&L on banking book: This comprises (i) gains minus losses on financial assets and liabilities measured at fair value through the profit and loss account; (ii) realised gains minus losses on financial assets and liabilities not measured at fair value through the profit and loss accounts (loans and advances, assets available for sale, assets held to maturity, financial liabilities measured at amortised cost); (iii) gains minus losses from hedge accounting; and (iv) gains minus losses from exchange differences. |
| 4 | The BI is the sum of the three components: ILDC, SC and FC (i.e. sum of values in rows 1, 2 and 3). |
| 5 | The BIC is calculated by multiplying the BI by a set of regulatory determined marginal coefficients as set out in Part 9 of the BCR. The marginal coefficients increase with the size of the BI: 12% for BI ≤ HKD10 billion; 15% for HKD10 billion< BI ≤HKD300 billion; and 18% for BI > HKD300 billion. The value in [OR2:5/a] should be equal to [OR3:1/a]. |
| **Disclosure on BI under rows 6a and 6b** should be reported by AIs that have received MA’s approval to exclude divested businesses and activities from the calculation of the BI. | |
| 6a | The BI reported in this row includes divested businesses and activities. |
| 6b | Difference between BI gross of divested businesses and activities (row 6a) and BI net of divested businesses and activities (row 4). |

## Template OR3: Minimum operational risk capital requirement

|  |  |
| --- | --- |
| **Purpose:** | To disclose operational risk capital requirement. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Quantitative information. |
| **Frequency:** | Annual. |
| **Format:** | Fixed. |
| **Corresponding BDR section:** | 16ZQD |

|  |  |  |
| --- | --- | --- |
|  |  | (a) |
| 1 | Business indicator component (BIC) |  |
| 2 | Internal loss multiplier (ILM) |  |
| 3 | Minimum operational risk capital requirement |  |
| 4 | Total RWA for operational risk |  |
| |  |  | | --- | --- | | **Explanatory Note** | | | **Rows** | | | 1 | *Business indicator component (BIC)*: The BIC used for calculating capital charge for operational risk. | | 2 | *Internal loss multiplier (ILM)*: The ILM used for calculating capital charge for operational risk. For AIs whose ILMs are not determined based on internal loss data, the ILMs must be disclosed and accompanied by a narrative. | | 3 | *Minimum operational risk capital requirement:* It equals to the BIC times the ILM. For AIs having ILM equals to 1, this corresponds to the BIC. | | 4 | *Total RWA for operational risk*: The minimum operational risk capital requirement is converted into RWA. | | | | |

# Part X: Comparison of modelled and standardized RWAs

## Template CMS1: Comparison of modelled and standardized RWAs at risk level

|  |  |
| --- | --- |
| **Purpose:** | To compare the RWA calculated under “full standardized” approaches against the actual RWA, part of which is calculated under any of the model-based approaches that AIs have the MA’s approval to use. The disclosure also provides the full standardized RWA amount used in the computation of the output floor as specified in Part 11 of the BCR. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong using model-based approaches to calculate their credit risk or market risk or both. |
| **Content:** | RWA. |
| **Frequency:** | Quarterly. |
| **Format:** | Fixed. |
| **Accompanying narrative**: | An AI should explain the main drivers of difference (e.g. asset class or sub-asset class of a particular risk category, key assumptions underlying parameter estimations, national implementation differences) between the RWA calculated under the model-based approaches that are used to calculate its capital ratios and the RWA disclosed under the full standardized approach should the AI not be allowed to use any models in calculating its capital ratios. Explanation should be specific and, where appropriate, might be supplemented with quantitative information. In particular, if the RWA for securitization exposures in the banking book are a main driver of the difference, the AI should explain the extent to which it is using each of the three potential approaches (SEC-ERBA (except IAA), SEC-SA and SEC-FBA) for calculating the RWA for securitization exposures. |
| **Corresponding BDR section:** | 16ZQE |

|  |  | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- |
|  |  | RWA | | | |
|  | RWA calculated under model-based approaches that the AI has the MA’s approval to use | RWA for portfolios where standardized approaches are used | Total actual RWA  (a + b)  (i.e. RWA which the AI reports as current requirements) | RWA calculated using full standardized approach  (i.e. used in the computation of the output floor) |
| 1 | Credit risk for non-securitization exposures |  |  |  |  |
| 2 | Counterparty credit risk and default fund contributions |  |  |  |  |
| 3 | CVA risk |  |  |  |  |
| 4 | Securitization exposures in banking book |  |  |  |  |
| 5 | Market risk |  |  |  |  |
| 6 | Operational risk |  |  |  |  |
| 7 | Residual RWA |  |  |  |  |
| 8 | Total |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *RWA calculated under model-based approaches that the AI has the MA’s approval to use*: model-based approaches refer to those approaches specified in section 355 of Part 11 of the BCR (i.e. IRB approach, SEC-IRBA, IAA, IMM(CCR) approach, VaR model and IMA). |
| (d) | *RWA calculated using full standardized approach (i.e. used in the computation of the output floor)*: RWA disclosed in rows 1 to 8 are RWAs before applying the output floor level in accordance with Part 11 of the BCR. |
| **Rows** | |
| 1 | *Credit risk for non-securitization exposures*  This row excludes RWA arising from counterparty credit risk and default fund contributions (which are reported in row 2), CVA risk (which are reported in row 3), securitization framework (including securitization exposures in the banking book (which are reported in row 4)), CIS exposures, settlement risk and amounts below the thresholds for deduction from CET1 capital and subject to a 250% risk-weight (which are reported in row 7).  *[CMS1:1/b] i.e. RWA for portfolios where standardized approaches are used*: RWA for exposures calculated under the STC approach; or where applicable, the BSC approach.  *[CMS1:1/c] i.e. Total actual RWA*: the RWA reported is the sum of values in [CMS1:1/a] and [CMS1:1/b]. The value in [CMS1:1/c] is equal to the value in [OV1:1/a].  *[CMS1:1/d] i.e. RWA calculated using full standardized approach*: the RWA for credit risk serving as the basis for output floor calculation under the approach stated in [CMS1:1/b] in accordance with Part 11 of the BCR for all exposures giving rise to the RWA reported in [CMS1:1/c]. |
| 2 | *Counterparty credit risk and default fund contributions*  This row excludes all positions subject to capital requirements relating to CVA risk.  *[CMS1:2/b] i.e. RWA for portfolios where standardized approaches are used*: RWA for default risk exposures calculated under the SA-CCR approach or methods set out in Division 2B of Part 6A of the BCR (except the use of the VaR model), or where applicable, the current exposure method for an AI using the BSC approach to calculate its credit risk for all its non-securitization exposures. The RWA reported should also cover the RWA of the default fund contributions.  *[CMS1:2/c] i.e. Total actual RWA*: the RWA reported is the sum of values in [CMS1:2/a] and [CMS1:2/b]. The value in [CMS1:2/c] is equal to the value in [OV1:6/a].  *[CMS1:2/d] i.e. RWA calculated using full standardized approach*: the RWA for credit risk calculated in accordance with Part 11 of the BCR serving as the basis for output floor calculation for all exposures giving rise to the RWA reported in [CMS1:2/c], where the default risk exposures should be calculated under the approach(es) stated in [CMS1:2/b]. |
| 3 | *CVA risk*  *[CMS1:3/b] i.e. RWA for portfolios where standardized approaches are used*: RWA calculated based on the approach(es) used by the AI for CVA risk.  *[CMS1:3/c] i.e. Total actual RWA*: the value in [CMS1:3/c] is equal to the values in [CMS:3/b] and [OV1:10/a].  *[CMS1:3/d] i.e.* RWA calculated using full standardized approach: the RWA for CVA risk serving as the basis for output floor calculation under the approach(es) stated in [CMS1:3/b] for all exposures giving rise to the RWA reported in [CMS1:3/c]. |
| 4 | *Securitization exposures in banking book*  *[CMS1:4/b] i.e. RWA for portfolios where standardized approaches are used*: the RWA calculated based on the SEC-ERBA (except the use of IAA), SEC-SA or SEC-FBA.  *[CMS1:4/c] i.e. Total actual RWA*: the RWA reported is the sum of the values in [CMS1:4/a] and [CMS1:4/b]. The value in [CMS1:4/c] is equal to the value in [OV1:16/a].  *[CMS1:4/d] i.e. RWA calculated using full standardized approach*: the RWA for credit risk serving as the basis for output floor calculation under the approach(es) stated in [CMS1:4/b] for all exposures giving rise to the RWA reported in [CMS1:4/c]. |
| 5 | *Market risk*  *[CMS1:5/b] i.e. RWA for portfolios where standardized approaches are used*: the RWA calculated under the STM approach or where applicable the SSTM approach. For securitizations held in the trading book, the SEC-ERBA (except the use of IAA), SEC-SA or SEC-FBA should also be used when determining the default risk charge component under the STM approach and market risk capital charge factor for specific risk for interest rate exposures under the SSTM approach.  *[CMS1:5/c] i.e. Total actual RWA*: the RWA reported is the sum of values in [CMS1:5/a] and [CMS1:5/b]. The values in [CMS1: 5/c] is equal to the values in [OV1:20/a].  *[CMS1:5/d] i.e. RWA calculated using full standardized approach*: the RWA for market risk serving as the basis for output floor calculation under the approach(es) stated in [CMS1:5/b] for all exposures giving rise to the RWA reported in [CMS1:5/c]. |
| 6 | *Operational risk*  *[CMS1:6/b] i.e. RWA for portfolios where standardized approaches are used*: RWA calculated based on the calculation approach used by the AI for operational risk.  *[CMS1:6/c] i.e. Total actual RWA*: the RWA reported refers to the calculation approach used by the AI for operational risk. The value in [CMS1:6/c] is equal to the value in [OV1:24/a].  *[CMS1:6/d] i.e. RWA calculated using full standardized approach*: the RWA for operational risk serving as the basis for output floor calculation under the approach stated in [CMS1:6/b] for all exposures giving rise to the RWA reported in [CMS1:6/c]. |
| 7 | *Residual RWA*  This row refers tothe RWA not captured within rows 1 to 6 (i.e. this is the sum of the RWA arising from CIS exposures ([OV1:12/a], [OV1:13/a], [OV1:14/a] and [OV1:14a/a]), settlement risk ([OV1:15/a]), capital charge for moving exposures between trading book and banking book ([OV1:23/a]) and amounts below the thresholds for deduction from CET1 capital and subject to a 250% risk-weight ([OV1:25/a])).  *[CMS1:7/a] i.e. RWA calculated under model-based approaches that the AI has the MA’s approval to use*: this cell is applicable where the RWA is calculated based on any of the model-based approaches stated in the explanatory notes for column (a) above for calculating AI’s credit risk (e.g. for the underlying exposures of a CIS exposure).  *[CMS1:7/b] i.e. RWA for portfolios where standardized approaches are used*: this cell is applicable for the exposures where the RWA is calculated based on the approaches used by the AI for calculating its credit risk other than the model-based approach stated in [CMS1:7/a].  *[CMS1:7/c] i.e. Total actual RWA*: the RWA reported is the sum of values in [CMS1:7/a] and [CMS1:7/b].  *[CMS1:7/d] i.e. RWA calculated using full standardized approach*: where applicable, an AI should calculate the RWA for credit risk serving as the basis for output floor calculation for exposures giving rise to the RWA reported in [CMS1:7/c] based on the approach(es) other than the model-based approaches stated in the explanatory notes for column (a) above. |
| 8 | *Total*  *[CMS1:8/a] i.e. RWA calculated under model-based approaches that the AI has the MA’s approval to use*: this is the total sum of values in [CMS1:1/a], [CMS1:2/a], [CMS1:4/a], [CMS1:5/a] and [CMS1:7/a].  *[CMS1:8/b] i.e. RWA for portfolios where standardized approaches are used*: this is the total sum of values in [CMS1:1/b], [CMS1:2/b], [CMS1:3/b], [CMS1:4/b], [CMS1:5/b], [CMS1:6/b] and [CMS1:7/b].  *[CMS1:8/c] i.e. Total actual RWA*: this is the total actual RWA calculated in accordance with Part 11 of the BCR. The RWA reported is equal to the total sum of values in [CMS1:1/c], [CMS1:2/c], [CMS1:3/c], [CMS1:4/c], [CMS1:5/c], [CMS1:6/c] and [CMS1:7/c].  *[CMS1:8/d] i.e. RWA calculated using full standardized approach*: it refers to the AI’s total RWA that are the basis for output floor calculation in accordance with Part 11 of the BCR (i.e. amount before applying the output floor level). The amount reported is equal to the total sum of [CMS1:1/d], [CMS1:2/d], [CMS1:3/d], [CMS1:4/d], [CMS1:5/d], [CMS1:6/d] and [CMS1:7/d]. |

## Template CMS2: Comparison of modelled and standardized RWAs for credit risk at exposure class level

|  |  |
| --- | --- |
| **Purpose:** | To compare RWAs calculated according to the STC approach for output floor calculation (i.e. in accordance with BCR §356(2)(a)) for credit risk for non-securitization exposures at the exposure class level against the corresponding RWA figure calculated under the approaches, including both the STC approach and IRB approach (including the supervisory slotting criteria approach), used by the AI for calculating its credit risk. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong that use IRB approach for all or part of its credit risk for non-securitization exposures. Same as row 1 of Template CMS1, it excludes all positions subject to capital requirements relating to counterparty credit risk and default fund contribution, CVA risk, CIS, settlement risk and securitization framework (including securitization exposures in the banking book) and amounts below the thresholds for deduction from CET1 capital and subject to a 250% risk-weight. |
| **Content:** | RWA. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. The columns are fixed, but the portfolio breakdowns in the rows reflect the exposure classification under Part 6 and Part 4 of the BCR. AIs are encouraged to add rows to show where significant differences occur. |
| **Accompanying narrative**: | An AI should explain the main drivers of differences between the internally modelled amounts disclosed that are used to calculate their capital ratios and amounts disclosed should the AI apply the STC approach in accordance with Part 11 of the BCR. Where differences are attributable to mapping between IRB approach and STC approach, the AI is encouraged to provide explanation and estimated materiality. |
| **Corresponding BDR section:** | 16ZQF |

|  |  | (a) | (b) | (c) | (d) |
| --- | --- | --- | --- | --- | --- |
|  |  | RWA | | | |
|  | RWA calculated under model-based approaches that the AI has the MA’s approval to use | RWA for column (a) if re-calculated using the standardized approach | Total actual RWA  (i.e. RWA which the AI reports as current requirements) | RWA calculated using full standardized approach  (i.e. RWA used in the computation of the output floor) |
| 1 | Sovereign exposures |  |  |  |  |
| 1a | Of which: categorised as public sector entity exposures and multilateral development bank exposures under the STC approach |  |  |  |  |
| 2 | Bank exposures |  |  |  |  |
| 3 | Equity |  |  |  |  |
| 4 | Corporate exposures (excluding specialized lending) |  |  |  |  |
| 4a | Of which: FIRB is applied |  |  |  |  |
| 4b | Of which: AIRB is applied |  |  |  |  |
| 5 | Retail exposures |  |  |  |  |
| 5a | Of which: qualifying revolving retail |  |  |  |  |
| 5b | Of which: other retail exposures to individuals and small business retail exposures |  |  |  |  |
| 5c | Of which: residential mortgages |  |  |  |  |
| 6 | Corporate exposures - Specialized lending |  |  |  |  |
| 6a | Of which: income-producing real estate and high-volatility commercial real estate |  |  |  |  |
| 7 | Other exposures |  |  |  |  |
| 8 | Total |  |  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *RWA calculated under model-based approaches that the AI has the MA’s approval to use*: this column represents the portion of RWA calculated according to the IRB approach set out in Part 6 of the BCR. |
| (b) | *RWA for column (a) if re-calculated using the standardized approach*: this is the RWA as would result from applying the STC approach in accordance with BCR §356(2)(a) to all exposures giving rise to the RWA reported in column (a), irrespective of the exposure classification under STC approach to which the exposures belong when re-calculated under the STC approach. |
| (c) | *Total actual RWA (i.e. RWA which the AI reports as current requirements)*: this is the sum of the actual RWA calculated under the IRB approach that AI has the MA’s approval to use and the RWA calculated under STC approach. For the exposures whose actual RWAs are calculated under the STC approach, they are disclosed in accordance with the IRB class and IRB sub-class to which the corresponding exposures belong as if the IRB approach was used. |
| (d) | *RWA calculated using full standardized approach*: this is the total RWA assuming the full standardized approach for credit risk for non-securitization applied at exposure class level in accordance with BCR §356(2)(a). For the exposures whose actual RWAs are calculated under the STC approach in column (c), they are disclosed in accordance with the IRB class and IRB sub-class to which the corresponding exposures belong as if the IRB approach was used. Disclosed numbers for each exposure class are calculated purely for comparison purposes and do not represent the capital requirements under the BCR. |
| **Rows** | |
| 8 | *Total*: The values in [CMS2:8/a], [CMS2:8/c] and [CMS2:8/d] are equal to the values in [CMS1:1/a], [CMS1:1/c] and [CMS1:1/d] respectively. |

# Part XI: Asset encumbrance

## Template ENC: Asset encumbrance

|  |  |
| --- | --- |
| **Purpose:** | To provide the amount of encumbered and unencumbered assets. |
| **Scope of application:** | The template is mandatory for all AIs incorporated in Hong Kong. |
| **Content:** | Carrying amount for encumbered and unencumbered assets on the balance sheet using period-end values. An AI should use the specific definition of “encumbered assets” set out in BDR §16ZQG(2) and the explanatory notes below in making the disclosure. The scope of consolidation for the purposes of this disclosure requirement should be the AI’s regulatory scope of consolidation, and any assets (including those relevant to securitization exposures) meeting the definition of “encumbered asset” should be included in the disclosure. |
| **Frequency:** | Semi-annual. |
| **Format:** | Fixed. An AI should group any assets used in central bank facilities with other encumbered and unencumbered assets, as appropriate. |
| **Accompanying narrative**: | An AI should supplement the template with a narrative commentary to explain (i) any significant change in the amount of encumbered and unencumbered assets from the previous disclosure; and (ii) any other relevant information necessary to understand the context of the disclosed figures. |
| **Corresponding BDR section:** | 16ZQG |

|  |  |  |  |
| --- | --- | --- | --- |
|  | (a) | (c) | (d) |
| **Encumbered assets** | **Unencumbered assets** | **Total** |
| The assets on the balance sheet would be disaggregated; there can be as much disaggregation as desired |  |  |  |
|  |  |  |
|  |  |  |

| **Explanatory Note** | |
| --- | --- |
| **Columns** | |
| (a) | *Encumbered assets*: Encumbered assets are assets that the AI is restricted or prevented from liquidating, selling, transferring or assigning due to legal, regulatory, contractual or other limitations. The definition of “encumbered assets” in this template excludes the aspect of asset monetisation (which is required for an asset to be qualified as high-quality liquid assets in the BLR. For an unencumbered asset to qualify as high-quality liquid assets, the BLR requires an AI to have the ability to monetise that asset during the stress period such that the AI can meet net cash outflows). |
| (c) | *Unencumbered assets*: Unencumbered assets are assets which do not meet the definition of encumbered assets in this template. |
| (d) | *Total*: This refers to the sum of encumbered and unencumbered assets. The scope of consolidation for the purposes of this disclosure requirement should be based on the AI’s regulatory scope of consolidation, and any assets (including those relevant to securitization exposures) should be included. |
| **Rows** | |
| AIs are required to provide a breakdown of balance sheet assets in separate rows. The breakdown could be based on a broad and useful categorisation of balance sheet items (e.g. loans and advances, financial assets, non-financial assets, etc.) as appropriate. | |

1. Unless otherwise specified in the relevant explanatory notes, any terms and definitions used in the disclosure templates and tables shall have the meanings assigned to them by the Banking (Capital) Rules (“BCR”), Banking (Liquidity) Rules (“BLR”) and the Banking (Disclosure) Rules (“BDR”), as the context may require. [↑](#footnote-ref-1)
2. ‘L’ denotes a disclosure template/table applicable to authorized institutions (“AIs”) incorporated in Hong Kong; ‘O’ denotes a disclosure template/table applicable to AIs incorporated outside Hong Kong. [↑](#footnote-ref-2)
3. “G-SIBs” for the purpose of disclosures in this template, refers to G-SIBs for which the MA is the home regulatory authority. [↑](#footnote-ref-3)
4. For application of this threshold, the applicable exchange rates prescribed by the BCBS will be used. [↑](#footnote-ref-4)
5. A reference to the template format and reporting instructions could be found on the BIS website:

   <https://www.bis.org/bcbs/gsib/reporting_instructions.htm>. [↑](#footnote-ref-5)
6. The allocation of exposures to jurisdictions should be made taking into account the clarifications provided by RBC30 of the Basel framework. [↑](#footnote-ref-6)
7. For mapping purpose, the explanatory notes to the following rows also provide the corresponding items in Part 2, Section (I) of the Return of Liquidity Position, in big brackets (i.e. **{ }**). However, AIs should be cautious that they are only definition references for the items and should not be interpreted as a simple formula using which the values disclosed in the following rows are to be derived. For example, the definition reference for row 2 (item “Retail deposits and small business funding”) is {Sum of items B1 to B4}. The value to be disclosed in [LIQ1: 2/a] of this template for a particular quarter is, however, not equal to the simple summation of the principal amounts of items B1 to B4 as reported in Section (I), Part 2 of the Return of Liquidity Position for the month that ends on the close of the quarter. Rather, the value in [LIQ1: 2/a] should be calculated as the arithmetic mean of the unweighted value of “Retail deposits and small business funding” as at the end of each working day within the quarter (i.e. the average of all data points of item “Retail deposits and small business funding” in that quarter). See explanatory notes to columns (a) and (b) for the calculation method in details. [↑](#footnote-ref-7)
8. These refer to the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A and level 2B assets. [↑](#footnote-ref-8)
9. To avoid doubt, this row includes unsecured wholesale funding received in the course of providing correspondent banking and prime brokerage services (as defined in BLR rule 39). [↑](#footnote-ref-9)
10. 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 12 instead. [↑](#footnote-ref-10)
11. 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. [↑](#footnote-ref-11)
12. For “SFTs” reported in columns (e) and (f), the collateral used is defined as referring to both legs of the transaction. For example, an AI transfers securities to a third party, which in turn posts collateral to the AI. The AI should report both legs of the transaction in the template; on one hand the collateral received is reported in column (e), on the other hand the collateral posted by the AI is reported in column (f). [↑](#footnote-ref-12)
13. ”Domestic currency” refers to the AI’s reporting currency (not the currency / currencies in which the derivative contract or SFT is denominated). [↑](#footnote-ref-13)
14. “Clearing client” here may mean a direct client, or an indirect client within a multi-level client structure, as applicable. These terms have the meaning given by the BCR. [↑](#footnote-ref-14)
15. For clarity, “originator” has the meaning given by Part 7 of the BCR, which includes a person who serves as a sponsor of an ABCP programme or a programme with similar features. [↑](#footnote-ref-15)
16. Capital charges after cap in columns (n) to (q) will refer to capital charges after application of the caps on risk-weights for senior exposures and maximum capital charge under Part 7 of the BCR. [↑](#footnote-ref-16)
17. Capital charges after cap in columns (n) to (q) will refer to capital charges after application of the caps on risk-weights for senior exposures and maximum capital charge under Part 7 of the BCR. [↑](#footnote-ref-17)