

Our Ref: G10/1/2C

17 December 1999

The Chief Executive
All locally incorporated authorized institutions

Dear Sir/Madam,

Financial Disclosure by Locally Incorporated Authorized Institutions

In previous years, the HKMA issued to all locally incorporated authorized institutions ("local institutions") a set of financial disclosure recommendations known as the Best Practice Guide ("BPG"). The BPG sets out the HKMA's recommendations in respect of information to be disclosed in institutions' annual accounts. While the BPG worked well in the past, the HKMA considers it appropriate to transform the BPG into a more formal document in line with the objective to set the minimum standards for disclosures by local institutions. In this respect, a guideline entitled *Financial Disclosure by Locally Incorporated Authorized Institutions* ("Guideline") has been issued by the MA under section 16(10) of the Banking Ordinance and published in the Gazette today. A copy of the Guideline is attached.

The Guideline is substantially the same as a consultative paper "Best Practice Guide on Financial Disclosure by Authorized Institutions 1999" issued by the HKMA in September. The HKMA has taken into account the comments provided by the two industry Associations, the Working Party on Financial Disclosure as well as the Joint Technical Working Group on Financial Disclosure. In the Guideline, the HKMA has updated the disclosure standards in line with the recent pronouncements in the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and incorporated the changes introduced in the guideline on Interim Financial Disclosure by Authorized Institutions incorporated in Hong Kong issued by the HKMA in 1999. In particular, the analysis of investments in securities has been revised in accordance with HKSSAP 24. Additional disclosure of the components of capital base is also incorporated to bring the Guideline in line with the recommendations of the Basel Committee. The disclosure requirements on the Year 2000 problem are no longer relevant and have been deleted.

As you may recall, Mr David Carse wrote on 18 November 1999 informing all authorized institutions on the enactment of the Banking (Amendment) Ordinance 1999 which effectively repealed section 60(1) of the Banking Ordinance and replaced it by a new section 60A giving the MA a discretionary power to require all authorized institutions to publish or disclose information relating to their financial affairs. The MA will specify in a legal notice the requirements regarding the amount of information to be disclosed and the manner and timing in which this should be published. The commencement of section 60A is being withheld pending the drafting of the corresponding legal notice and guideline which we aim to introduce early next year. The Guideline will be replaced by the section 60A legal notice and guideline in due course.

The Guideline is applicable to all licensed banks and the larger restricted licence banks and deposit-taking companies in respect of their annual accounts for financial years ending on or after 31 December 1999. We will produce the Guideline in booklet format and make it available to all local institutions for their easy reference in due course. The Guideline can also be accessed through the Hong Kong Monetary Authority's private website for authorized institutions (www.hkfin.net).

Although the Guideline relates to disclosure in the annual accounts, institutions are also encouraged to include as much information as possible in their press releases which announce their results for the financial year ending on or after 31 December 1999.

If you have any enquiries on the Guideline, please contact Mr. Kim Chong at 2878 1848 or Mr. Gary Leung at 2878 1879.

Yours faithfully,

Raymond Li
Executive Director
(Banking Policy)

Encl

c.c. Chairman, HKAB
Chairman, DTC Association
Stock Exchange of Hong Kong (Attn: Ms. Estella Ng)
Securities and Futures Commission (Attn: Mr. Charles Grieve)
President, Hong Kong Society of Accountants
Auditors of Authorized Institutions
Secretary for Financial Services (Attn: Mr. Edward Mak)