



HONG KONG MONETARY AUTHORITY
香港金融管理局

Banking Policy Department

Our Ref: B1/15C
B9/175C
CB/POL/4/5/24

20 December 2017

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

HKFRS 9 Implementation: Revisions to Regulatory Reporting

I am writing to inform you that, following consultation with the two industry Associations, we have finalised changes to the reporting templates and the Completion Instructions (“CIs”) for relevant banking returns¹. The revised returns will take effect from 1 January 2018.

The revisions cover, inter alia, (i) changes in financial asset categories to align with the new classification of financial assets under Hong Kong Financial Reporting Standard 9 (“HKFRS 9”); (ii) references to the Banking (Capital) Rules (“BCR”) and Capital Adequacy Ratio (“CAR”) Return (Form MA(BS)3) regarding the definitions of general provisions (“GP”) and specific provisions (“SP”) as well as the categorisation of HKFRS 9 accounting provisions as GP or SP; (iii) updated guidance for the reporting of movements in provisions in the Return of Current Year’s Profit & Loss Account (Form MA(BS)1C); and (iv) a few other non-HKFRS 9 related miscellaneous amendments to enhance clarity of the reporting requirements.

The revised reporting templates and the CIs are enclosed for reference. The revised electronic form of the Monthly Return of Renminbi (RMB) Business Activities (Form MA(BS)16) will be available for authorized institutions to download from the HKMA’s supervisory communication website (<http://www.stet.iclnet.hk>) before the end of December 2017. We will inform your institution by email when the STET software for the other revised returns is available for downloading from the HKMA’s supervisory communication website in early March 2018.

¹ These include: Returns of Assets and Liabilities (Forms MA(BS)1, 1A and 1B)*, Return of Current Year’s Profit & Loss Account (Form MA(BS)1C), Quarterly Analysis of Loans and Advances and Provisions (Form MA(BS)2A)*, Return of Foreign Currency Position (Form MA(BS)6)*, Monthly Return of Renminbi (RMB) Business Activities (Form MA(BS)16), and Quarterly Return of Mainland Activities (Form MA(BS)20). For those denoted with asterisk, revisions are made to the completion instructions only.

Should you have any questions about the revised returns, please contact your usual supervisory contacts at the HKMA.

Yours faithfully,

Richard Chu
Acting Executive Director (Banking Policy)

Encl

cc: The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Ms Eureka Cheung)

Completion Instructions

Returns of Assets and Liabilities

Form MA(BS)1, Form MA(BS)1A, and Form MA(BS)1B

Introduction

1. These completion instructions are applicable to the following 3 return forms: MA(BS)1, MA(BS)1A and MA(BS)1B.
2. Section A gives instructions on the general reporting requirements. Section B explains the reporting requirements for each individual item in the return forms.

Section A : General Instructions

3. The general reporting requirements for the 3 forms are as follows:

<u>Form</u>	<u>To be reported by</u>	<u>Coverage</u>	<u>Reporting frequency and submission deadline</u>
MA(BS)1	All authorized institutions	Positions of the HK offices	Monthly; not later than <u>14 days</u> (except Parts IX and X which may be submitted not later than 1 month) after the last day of each calendar month
MA(BS)1A	Overseas branches of locally incorporated institutions	Position of overseas branches in each country	Half yearly; not later than <u>1 month</u> after 30 June and 31 December
MA(BS)1B	Locally incorporated institutions with overseas branches	Combined positions of the HK offices and overseas branches	Quarterly; not later than <u>6 weeks</u> after 31 March, 30 June, 30 September and 31 December

If the submission deadline falls on a public holiday, it will be deferred to the next working day. Report the positions as at the last calendar day of each month/quarter.

4. Except where otherwise stated, book value should be used for reporting these returns. Report figures on an accrual basis and report the gross and not the net position. However, where the accrued interest has been credited to the interest in suspense account instead of the profit and loss account, it should be netted off against the corresponding accounts in suspense whether or not it has been capitalised. Total liabilities must equal total assets less provisions.
5. Institutions should apply consistent accounting policies in compiling the returns. Any change in accounting policies (i.e. different to those used in previous returns or the institution's most recent statutory accounts) should be notified to the Monetary Authority in writing.
6. Amounts should be shown to the nearest thousand in HK\$ or HK\$ equivalent in the case of foreign currency items. Transactions denominated in gold should be reported under the column of "other currencies". The closing middle market T/T rates should be used for conversion purposes.
7. For the purposes of these returns:
 - (i) "Authorized institutions" refer to institutions authorized under the Banking Ordinance and "authorized institutions in Hong Kong" refer to the Hong Kong office of authorized institutions.
 - (ii) "Banks" refer to institutions which are regarded by the appropriate supervisory authorities as banks in their place of incorporation, and the central bank of a country. "Banks outside Hong Kong" refer to the overseas offices of authorized institutions and banks which are not authorized institutions.
 - (iii) "Repo and Reverse Repo" refer to
 - (a) sale & repurchase agreement ("Repo") / Stock lending
 - (b) purchase & resale agreement ("Reverse Repo") / Stock borrowing

Report repo/reverse repo by economic substance approach. Detailed reporting instructions are provided in Annex 1.
 - (iv) Report securities transactions by trade date approach. The reporting treatments of unmatured purchases and unmatured sales are provided in Annex 2.
 - (v) Capital, reserves and profit/loss and general provisions should be reported in the base currency of the reporting institution or in the currency in which the capital is denominated. Specific and country risk provisions should be reported in the currency of the underlying assets against which the provisions are made.

- (vi) The aggregate balance of the exchange position account (commonly known as “exchange equalisation account”) should be reported in the base currency of the reporting institution. This refers to the balancing item which arises due to the need to translate the balance sheet into the base currency for reporting purposes. Report as “other liabilities” in the case of a net credit balance and “other assets” in the case of a net debit balance under item 10.3 or 22.4 of MA(BS)1, item 8 or 18 of MA(BS)1A and item 10 or 21 of MA(BS)1B, as the case may be.
- (vii) With the exception of securities transactions, all other unmatured spot or forward contracts are regarded as forward transactions (i.e. off-balance sheet items). Matured but unsettled spot or forward contracts are regarded as spot transactions (i.e. on-balance sheet items) except for FX margin trading arrangements where such contracts are also regarded as forward transactions.
8. For the purposes of Form MA(BS)1, two institutions are regarded as connected if one institution holds directly or indirectly 20% or more of the voting capital of another institution, or both institutions are members of the same group of companies (items 8.1 and 17.1).
9. For Form MA(BS)1, “overseas offices” refer, in the case of a locally incorporated institution, to its branches and representative offices outside Hong Kong and, in the case of an institution incorporated outside Hong Kong, to its head office and other branches and representative offices outside Hong Kong.
10. For items with maturity classifications, the remaining period to maturity as at reporting date should be used as the basis for reporting. The remaining period to maturity should be counted by reference to calendar days. Some examples are given in Annex 3.
11. Definition of residency:

An individual who has, or will have, resided in Hong Kong for over a consecutive period of one year. The individual’s residency in Hong Kong should be supported by his Hong Kong home address for the period of his residency. If the place and/or period of residency cannot be ascertained, the holding of Hong Kong Identity Card may be used as a proxy for residence.

A company has its place of operation (e.g. production of goods and/or provision of services) in Hong Kong for over a consecutive period of one year. The company’s operation in Hong Kong should be supported by its Hong Kong business address for the period of its residency. If the place of operation and/or the period of operation cannot be ascertained, the holding of Hong Kong business registration certificate and the business address appearing on the certificate may be used as a proxy for residence.

For address in Hong Kong, both temporary address and correspondence address should not be considered unless the residency cannot be ascertained by the reporting institution.

For negotiable debt instruments issued by the reporting institution, they should, to the extent possible, be allocated on the basis of the residency of the holder. Where this cannot be ascertained, the place of issue may be used as a proxy of residence.

12. As stipulated in our guidance note “Review on Impact of the New Hong Kong Accounting Standards on Authorized Institutions’ Capital Base and Regulatory Reporting” issued to all AIs on 12 April 2005, locally incorporated AIs and overseas-incorporated AIs whose head offices have chosen to adopt IFRS or comparable standards shall neglect any reference made thereto in this return on “interest in suspense” and “country risk provision”.
13. Specific provisions and general provisions mentioned in this completion instruction should follow the definitions of specific provisions and collective provisions defined in section 2(1) of the Banking (Capital) Rules respectively. The categorisation of accounting provisions into specific provisions or general provisions follows the treatment adopted in MA(BS)3.

Section B : Specific Instructions

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
I.	I.	I.	LIABILITIES
-	-	1.	<u>Capital & reserves</u> This is the sum of paid-up capital, reserves and current profit/(loss) of the institution as a whole.
1.1	-	-	<u>Paid-up capital</u> Report all the paid-up share capital of the authorized institution at paid-up value ¹ . This includes ordinary and preference share capital.
1.2	-	-	<u>Reserves</u> Report all published reserves, including retained earnings, general reserves and revaluation reserves but exclude provisions however described. The amount to be included shall be net of any dividends paid or declared (i.e. on or before the reporting date) out of retained earnings. Accumulated losses, if any, should also be reported in this item. Subsequent changes of published reserves should be confirmed by auditors.
1.3	-	-	<u>Current profits/losses</u> Report any balance in the current year's profit and loss account (which should be the same as the amount reported in item 17 of the Return of Current Year's Profit & Loss Account [MA(BS)1C]) less any dividend which has been paid or declared (i.e. on or before the reporting date) out of the current year's profit or, in the case of an institution incorporated overseas, any amount which has been remitted back to the head office.

¹ This includes share premium accounts and capital redemption reserves which were previously included in reserves (item 1.2) before commencement of the new Hong Kong Companies Ordinance (Cap. 622) section 135 on 3 March 2014.

Item Reference

Item

Form MA(BS)1 Form MA(BS)1A Form MA(BS)1B

Unaudited profit/loss of the previous year, net of dividends paid and declared, should also be reported in this item.

2. - 2.

Qualifying capital instruments

This comprises other capital instruments accepted by the Monetary Authority for capital adequacy ratio purposes, e.g. perpetual subordinated debt and qualifying term subordinated debt. Report the book value of these instruments.

3. - 3.

Other capital-type instruments

This comprises loan capital and capital instruments other than those qualifying capital instruments reported in item 2 of MA(BS)1 and MA(BS)1B.

4. - 4.

Notes in circulation

This comprises bank notes issued by the reporting institution.

- 1. -

Capital from head office

Report balances which are of a capital nature due to the head office in Hong Kong.

- 2. -

Statutory reserves

Report all statutory reserves required by local laws in the country where the reporting overseas branch is located.

5. 3. 5.

Due to Exchange Fund

Report balances due to the Exchange Fund. Where balances due to the Exchange Fund arise from repo Transactions with the Hong Kong Monetary Authority for Discount Window purposes, they should be reported under item 7 of MA(BS)1 and MA(BS)1B and item 5 of M(BS)1A.

6. 4. 6.

Deposits from customers

**Item
Reference**

Form Form Form
MA(BS)1 MA(BS)1A MA(BS)1B

Item

Report all deposit liabilities (including balances denominated in gold) due to parties other than banks and other authorized institutions. Include deposits from the Hong Kong Government (e.g. The Treasury) but exclude deposits from the Exchange Fund, which should be reported under item 5 of MA(BS)1 and MA(BS)1B and item 3 of MA(BS)1A. Exclude negotiable debt instruments issued by the reporting institution. Exclude also cash margins which do not form part of the savings, current or other deposit accounts. "Cash margins" refers to cash collateral pledged by a customer for obtaining general banking facilities such as leveraged foreign exchange trading. Such amounts should be reported under item 10.3 of MA(BS)1, item 8 of MA(BS)1A and item 10 of MA(BS)1B. However, where the cash margins form part of the deposit accounts, they should be reported under this item. When reporting deposits with embedded derivative contract, the value of the deposit leg before adjusting the effect of fair value on the embedded derivative contract should be reported under this item, while the fair value of the embedded derivative contract should be reported as "other liabilities" in the case of losses arising from changes in fair value of derivatives and "other assets" in the case of gains arising from changes in fair value of derivatives under item 10.3 or 22.4 of MA(BS)1, item 8 or 18 of MA(BS)1A and item 10 or 21 of MA(BS)1B, as the case may be. The term "deposit" is defined in section 2 of the Banking Ordinance.

6.1

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Demand deposits and current accounts

Report all demand deposits and current accounts, analysing them into interest bearing and non-interest bearing, based on the product feature of the deposit accounts. Interest bearing deposits shall continue to be classified as such even though the prevailing interest rates offered on them fall to zero or the depositors are not entitled to receive interest because the average balance of their deposits is below a minimum threshold specified by the reporting institution.

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
7.	5.	7.	<u>Amount payable under repos</u> Report the amount payable to the counterparty under “repo” transactions.
8.	6.	8.	<u>Due to banks</u> This includes interbank takings and borrowings from other authorized institutions in Hong Kong, banks abroad, and overseas head office and branches of the reporting institution. Negotiable debt instruments issued by the reporting institution should be reported in item 9 of MA(BS)1 and MA(BS)1B and item 7 of MA(BS)1A. In the case of an institution incorporated overseas, balances due to head office which are of a capital nature should be reported under item 8.3 of MA(BS)1.
9.	7.	9.	<u>Negotiable debt instruments issued and outstanding</u> If the reporting institution’s own negotiable debt instruments are being repurchased, whether for trading or market making purposes, they should be netted off under this item.
9.1	7.1	9.1	<u>Negotiable certificates of deposit (NCDs)</u> This comprises all outstanding NCDs issued by the reporting institution. Report the issue, redemption, repurchase and sale of the reporting institution’s own NCDs in nominal value. The difference between the nominal value and the book value should be reported in item 10.3 or 22.4 of MA(BS)1, item 8 or 18 or MA(BS)1A and item 10 or 21 of MA(BS)1B as appropriate. These transactions should also be reported under Memorandum items IV(a)1, IV(a)2, IV(a)3 and IV(a)4 respectively.
9.2	7.2	9.2	<u>Other negotiable debt instruments</u> This refers to negotiable securities, other than shares, stocks or negotiable certificates of deposit, issued by the reporting institution. These include instruments such as promissory notes, bonds, bills,

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
			bankers' acceptances, etc.
10.	8.	10.	<u>Other liabilities</u> Report all other liabilities of the reporting institution that have not been reported elsewhere. For MA(BS)1A only, the current year's profit/loss and any unremitted profit/loss of the reporting branch(es) should also be reported in this item.
10.1	-	-	<u>Accrued interest payable</u> Report all accrued interest payable.
10.2	-	-	<u>Suspense items</u> This comprises all credit balances not in customers' names but relating to customers' funds, e.g. accounts holding customers' funds awaiting investment, meeting acceptances or other payments. Exclude interest in suspense which has been netted off from the corresponding accounts.
10.3	-	-	<u>Others</u> Report all other liabilities of the reporting institution that have not been reported elsewhere including its net short positions of individual issues in Exchange Fund Bills and Notes, Hong Kong Government Bonds and other money and capital market instruments, i.e. netting between long and short position in different issues is not required. Cash margins (which do not form any part of the savings, current or other deposit account) held by the reporting institution for the provision of credit facilities should be reported under this item. Include also the amount payable on unmatured spot and forward purchases of securities.
11.	9.	11.	<u>Total liabilities</u> This is the total of items 1 to 10 of MA(BS)1 and MA(BS)1B and items 1 to 8 of MA(BS)1A.

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
II.	II.	II.	ASSETS
12.	10.	12.	<u>Cash</u> Report holdings of all notes and coins in any currency.
13.	-	13.	<u>Government certificates of indebtedness for notes issued</u> Report holdings of Hong Kong Government certificates of indebtedness for bank notes issued.
14.	11.	14.	<u>Due from Exchange Fund</u> Report all balances due from the Exchange Fund.
15.	12.	15.	<u>Loans and advances to customers</u> Report all loans and advances to customers other than the Exchange Fund, banks and other authorized institutions in gross amount before provisions . Holdings of debt instruments which are not negotiable should be regarded as loans and advances. However, interest in suspense should be netted off against the corresponding loan accounts where the accrued interest has been capitalised. Do not deduct provisions for bad and doubtful debts. Exclude holdings of negotiable bills accepted or payable by banks or non-banks which should be reported as negotiable debt instruments.
15.3	-	-	<u>Other loans for use in Hong Kong</u> A loan is regarded as for use in Hong Kong if it finances or has a direct impact on the economic activity of Hong Kong. This is usually determined by the place of business of the customer or by the place in which the loan is drawn.
15.5 & 15.6	-	-	<u>Other loans where the place of use is not known</u> Include in item 15.5 all other loans to a customer in MA(BS)1/P. 10 (01/2018)

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	Hong Kong which are not included in item 15.1 or 15.2 and the place of use is unknown; include in item 15.6 if the loans are made to a customer outside Hong Kong and the place of use is unknown.
15.7	-	-	<p><u>Total loans and advances to customers</u></p> <p>All loans, with the exception of overdrafts, are to be classified according to their residual maturity. Loans to the extent of the amount which is actually overdue should be reported under item 15.7b. Institutions should note that the instructions for reporting overdue loans in the Return of Loans and Advances and Provisions [MA(BS)2A] and in the Return on Liquidity Monitoring Tools [MA(BS)23] are not the same as those mentioned above.</p>
16.	13.	16.	<p><u>Amount receivable under reverse repos</u></p> <p>Report the amount receivable from the counterparty under “reverse repo” transactions.</p>
17.	14.	17.	<p><u>Due from banks</u></p> <p>Report all placements with and advances to authorized institutions in Hong Kong, banks abroad and overseas head office and branches of the reporting institution but exclude holdings of negotiable certificates of deposit and other negotiable debt instruments issued by these parties. For locally incorporated institutions, balances due from overseas offices which are of a capital nature (i.e. capital injection) should be reported under item 17.3 of MA(BS)1. Holdings of export trade bills accepted and payable by banks should be reported in item 19.2 of MA(BS)1, item 15.2 of MA(BS)1A and item 18.2 of MA(BS)1B.</p>
18.	15.1	18.1	<p><u>Negotiable certificates of deposit (NCDs) held</u></p> <p>Report all holdings of NCDs issued by authorized institutions in Hong Kong and banks abroad. Such holdings are to be reported in nominal values. The difference between the nominal value and the book</p>

Item Reference

Item

Form MA(BS)1 Form MA(BS)1A Form MA(BS)1B

value should be reported in item 10.3 or 22.4 of MA(BS)1, item 8 or 18 of MA(BS)1A and item 10 or 21 of MA(BS)1B as appropriate. NCDs issued by non-banks are regarded as other debt instruments.

19. 15.2 18.2

Other negotiable debt instruments held, other than NCDs

Report holdings of all other negotiable debt instruments (such as floating rate notes, acceptances, bills of exchange, commercial paper, government debt securities and other negotiable debt instruments), other than NCDs, issued by authorized institutions, banks abroad, non-bank institutions in and outside Hong Kong and governments.

19.2 - -

Acceptances and bills of exchange held

Report all acceptances and bills of exchange held (i.e. excluding those held as collateral for a loan and advance) by the reporting institution. Bills under own acceptances which have been discounted by the reporting institution itself should be reported as loans to customers on whose behalf the acceptances have been committed.

19.3 - -

Commercial papers held

Commercial paper is defined as a general debt obligation in the form of a promissory bearer note issued at a discount or interest-bearing basis by non-bank institutions. Its term to maturity is usually very short ranging from 30 to 90 days.

19.4 - -

Government bills, notes and bonds

Report all net long positions of individual issues in bills, notes and bonds issued by central and local governments including the Exchange Fund, i.e. netting between long and short position in different issues is not required.

19.5 - -

Other debt instruments held

Report all holdings of negotiable debt instruments not included elsewhere, e.g. corporate bonds, convertible

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
			loan stocks etc.
20.1	16.1	19.1	<u>Investments in shares</u> Report all holdings of share capital of any other company owned (i.e. excluding those held as collateral for a loan or advance) by the reporting institution. This also includes the holdings of capital instruments (e.g. perpetual subordinated debts) and unit trusts which are established specifically for investments in shares.
20.2	16.2	19.2	<u>Other investments</u> Report all other investments not included elsewhere. This includes gold, debentures and other securities.
21.	17.	20.	<u>Interests in land and buildings</u> Report bank premises (including those for providing housing or amenities for staff of the reporting institution) and other interests in land and buildings, net of depreciation, owned by the reporting institution.
-	18.	21.	<u>Other assets</u> Report all other assets of the reporting institution not included elsewhere.
22.1	-	-	<u>Accrued interest receivable</u> Report all accrued interest receivables. Exclude accrued interest which has not been recognised in the profit and loss account but credited as interest in suspense.
22.2	-	-	<u>Fixed assets</u> This comprises plant and equipment, vehicles,

<u>Item Reference</u>			<u>Item</u>
Form <u>MA(BS)1</u>	Form <u>MA(BS)1A</u>	Form <u>MA(BS)1B</u>	
			vessels, furniture and fixtures and other fixed assets. The fixed assets should be reported net of depreciation.
22.3	-	-	<p><u>Suspense items</u></p> <p>This comprises all debit balances not in customers' names but relating to customers' funds, e.g. debit balances awaiting transfer to customers' accounts.</p>
22.4	-	-	<p><u>Others</u></p> <p>Report all other assets not included elsewhere. Include also the amounts receivable on unmatured spot and forward sales of securities.</p>
23.	19.	22.	<p><u>Total assets</u></p> <p>This is the total of all entries under items 12 to 22 of MA(BS)1, items 10 to 18 of MA(BS)1A and items 12 to 21 of MA(BS)1B.</p>
24.	20.	23.	<p><u>Less: Provisions</u></p> <p>Report the provisions set aside for on- and off-balance sheet exposures. Provisions for expenditures, such as provision for taxation, retirement benefits, etc should be reported as other liabilities. General provisions should be reported in the base currency of the reporting institution and other provisions should be reported in the currency of the underlying assets. The amount reported should agree with the amount reported in Part II – item 3 of the Return of Current Year's Profit & Loss Account [MA(BS)1C].</p>
25.	21.	24.	<p><u>Total assets less provisions</u></p> <p>This is the net amount of total assets less provisions and should equal to the amount of total liabilities reported under item 11 of MA(BS)1 and MA(BS)1B and item 9 of MA(BS)1A.</p>

For MA(BS)1 only

Item

Reference Item

III – X **Memorandum items**

III. **Foreign currency swap and HK\$ customer deposits**

(a) Foreign currency swap deposits from customers

For the purpose of this return, a foreign currency swap deposit is defined as any deposit from a customer involving the customer buying at spot a foreign currency against Hong Kong dollars, placing the foreign currency proceeds on deposit and at the same time entering into a forward contract to sell on the maturity of the deposit such foreign currency (principal plus interest) for Hong Kong dollars.

(a)1 Includes foreign currency swap deposits booked locally which have been reported as foreign currency deposits in item 6 of Part I.

(a)2 Includes foreign currency swap deposits booked offshore which have not been reported under item (a)1 above and item 6 of Part I of the Return.

(b) Hong Kong dollar customer deposits booked offshore

It refers to Hong Kong dollar customer deposits arranged by the institution for offshore booking. (These deposits are not reported in item 6 of Part I)

IV. **Changes in liability and holdings of NCDs (these changes are to be reported in nominal values)**

(b)1 Purchases by the institution in the primary market

Primary market refers to the market for the initial placing of NCDs with banks or authorized institutions by the group organised to handle the issue.

(b)2/(b)3 Purchases/sales by the institution in the secondary market

Secondary market refers to the market for the sale and purchase of NCDs after the initial issue in the primary market. Purchases/sales should be reported by reference to the place where the deal is traded and not to where the NCDs are issued.

V. **Value of securities**

NCDs are to be reported in nominal value while other securities are to be reported at book value.

Item
Reference **Item**

(a) Securities sold under repo agreements

Report the value of securities sold under repo agreements that have been reported under the relevant items in Part II. This does not include repo transactions where all the risks and rewards of ownership are substantially transferred to the buyer and which are regarded as outright sales (see Annex 1 (iii) for the reporting treatment of such transactions).

(b) Unmatured purchases of securities

Report the value of unmaturing spot and forward purchases of securities that have been reported under the relevant items in Part II.

(c) Securities acquired under reverse repo agreements

Report the value of securities acquired under reverse repo agreements. This does not include reverse repo transactions where the reporting institution has substantially taken up all the risks and rewards of ownership from the seller and which are regarded as outright purchases (see Annex 1(iv) for the reporting treatment of such transactions).

(d) Unmatured sales of securities

Report the value of unmaturing spot and forward sales of securities that have been excluded from the relevant items in Part II.

VI. Market makers' short position

Only authorized institutions that are Market Makers of Exchange Fund Bills/Notes need to report this part. Report the value of net short positions in individual issues of Exchange Fund Bills & Notes, i.e. no netting between long and short position in different issues is required. The short positions in MTRC notes should be excluded.

(Parts VII and VIII are for completion by institutions incorporated overseas only. Definitions for individual items in these Parts can be found in **section 2 of the Banking (Capital) Rules (“BCR”).**)

Item

Reference Item

Exposures in both the banking book and the trading book should be reported in Parts VII and VIII.

VII. Residential mortgages

(a) Residential mortgage loans

Report all loans fully secured by a first legal charge on residential properties. Please refer to the definition of “residential mortgage loan” in section 2(1) of BCR.

(b) Securities backed by, or participations in, residential mortgages

Report all residential mortgage-backed securities and participation in a pool of residential mortgages.

VIII. Off-balance sheet exposures

(a) Direct credit substitutes

Please refer to the definition of “direct credit substitute” in section 2(1) of BCR. ~~Direct credit substitutes are any irrevocable off balance sheet obligations which carry the same credit risk as a direct extension of credit. These include liabilities arising from issue of guarantees, confirming of letter of credits and issue of standby letters of credit serving as financial guarantees for loans, securities and other financial liabilities. Include also acceptances on accommodation bills but exclude any such bills which have been discounted by the reporting institution itself. Report also risk participation and any other similar commitments where the reporting institution has undertaken to repay the financial obligation of a customer on his failure to do so.~~

(b) Transaction-related contingent items

Please refer to the definition of “transaction-related contingency” in section 2(1) of BCR.

~~Report contingent liabilities arising from an irrevocable obligation to pay to a third party beneficiary when a customer fails to perform some non financial contractual obligations, e.g. those arising from performance bonds, bid bonds, warranties and standby letters of credit related to a particular transaction.~~

Item
Reference Item

(c) Trade-related contingent items

Please refer to the definition of “trade-related contingency” in section 2(1) of BCR.

~~Report contingent liabilities arising from trade related obligations, include liabilities arising from issuing and confirming letters of credit, acceptances on trade bills, shipping guarantees issued and any other trade related contingencies. However, liabilities under letters of credits confirmed should be regarded as direct credit substitutes and be reported under item (a) above.~~

(d) Sale and repurchase agreements; asset sales or other transactions with recourse; forward asset purchases; amount owing on partly paid shares and securities; and forward forward deposits placed

Please refer to the definitions of “repo-style transaction”, “asset sale with recourse”, “forward asset purchase”, “partly paid-up shares and securities” and “forward forward deposits placed” in section 2(1) of BCR.

~~“Sale and repurchase agreement” (“Repo”) is an arrangement whereby an institution sells an asset to a third party with a commitment to repurchase it at an agreed price on an agreed future date.~~

Repo agreements involving securities should be reported by adopting “economic substance approach” as set out in Annex 1.

~~“Asset sales or other transactions with recourse” include assets sales where the holder of the asset is entitled to 'put' the asset back to the reporting institution within an agreed period or under certain circumstances such as deterioration in the value or credit quality of the asset.~~

~~“Forward asset purchases” refer to commitments to purchase, at a specified future date and on prearranged terms, a loan, security or other asset from another party, including those under a put option written by the reporting institution.~~

~~“Amount owing on partly paid shares and securities” refer to the amount which is unpaid on shares and securities owned by the reporting institution and the issuer may call upon the institution to pay any of this amount at a predetermined or unspecified date in the future.~~

~~A “forward forward deposit” is an agreement between two parties whereby one will pay and the other will receive at a predetermined future date a deposit at an agreed rate of interest. A commitment to place a forward forward deposit should be reported under this item. For an institution which has contracted to receive the deposit, failure to deliver by the counterparty will result in an unanticipated change in its interest rate exposure and may involve a replacement cost. Its exposure should therefore be accorded the same treatment as interest rate related contracts (see item h below).~~

Item
Reference Item

(e) Note issuance and revolving underwriting facilities

Please refer to the definition of “note issuance and revolving underwriting facilities” in section 2(1) of BCR.

~~These are arrangements whereby a borrower may draw down funds up to a prescribed limit over a predefined period through the issue of notes which the reporting institution has committed to underwrite.~~

(f) Other commitments

Other commitments include the undrawn portion of any binding arrangements which obligate the reporting institution to provide funds at some future date. Commitments with an original maturity of less than 1 year, or which can be unconditionally cancelled at any time - other than where the only reason for cancellation is “force majeure” – should be reported under item (f)1. This also includes any revolving or undated / open-ended commitments, e.g. overdrafts or unused credit card lines, providing that they can be unconditionally cancelled at any time and subject to credit review at least annually. Commitments with an original maturity of 1 year and over should be reported in item (f)2.

Original maturity is defined as the period between the date on which the reporting institution enters into the commitment and the earliest date on which the institution can, at its option, unconditionally cancel the commitment.

~~Original maturity is defined as the length of time between the date the commitment is made and the earliest date on which the reporting institution can, at its option, unconditionally cancel the commitment.~~

For the following items (g) to (k), report the notional principal of each contract.

(g) Exchange rate and gold contracts

Please refer to the definition of “exchange rate contract” in section 2(1) of BCR.

~~Exchange rate contracts include cross currency interest rate swaps, forward foreign exchange contracts, currency futures, currency options purchased and similar instruments. For the purposes of reporting in this item, gold contracts should be included.~~

(h) Interest rate contracts

Please refer to the definition of “interest rate contract” in section 2(1) of BCR.

~~The commitment to accept forward forward deposits should be included in this item. Interest rate contracts include single currency interest rate swaps, forward rate agreements, interest rate futures, interest rate options purchased and similar instruments, such as forward forward deposits taken or received by the reporting institution.~~

Item
Reference Item

(i) Equity contracts

Please refer to the definition of “equity contract” in section 2(1) of BCR.

~~Equity contracts include forwards, swaps, purchased options and similar derivative contracts based on individual equities or on equity indices.~~

For items (j) and (k)

Please refer to the definition of “commodity” in section 2(1) of BCR when reporting items (j) and (k).

(j) Precious metal other than gold contracts

Please refer to definition of “precious metal contract” in section 2(1) of BCR.

~~Precious metal (other than gold) contracts include forwards, swaps, purchased options and similar derivative contracts that are based on precious metals such as silver, platinum and palladium.~~

(k) Commodities other than precious metals and gold contracts

Please refer to the definition of “other commodity contract” in section 2(1) of BCR. ~~Other commodity contracts include forwards, swaps, purchased options and similar derivative contracts based on energy contracts, agricultural contracts, base metals (such as aluminum, copper and zinc) and any other non-precious metal commodity contracts.~~

IX. Breakdown of liabilities to and claims on banks and non-banks outside Hong Kong

Report the liabilities to and claims on banks and non-banks to Mainland China, Japan, the United States, the United Kingdom and all other countries (including international organisations) in accordance with the completion instructions of the Return of International Banking Statistics – Locational Banking Statistics (MA(BS)21A Part I).

Other currencies refer to currencies other than Hong Kong dollar and US dollar.

International organisations listed in Annex 2 of the completion instructions of MA(BS)21 are classified under “non-bank customers” in Part IX. The list of international organisations may be updated from time to time. Please refer to the BIS website (www.bis.org) for an updated list. This classification is only for purposes of Part IX.

Reporting institutions do not need to submit the information under Part IX for positions as at the end of March, June, September and December as the information will be included in MA(BS)21A Part I.

X. Breakdown of liability and asset items by residency

The sum of Hong Kong residents and non-Hong Kong residents of each item should reconcile with the amount reported under the relevant item in Part I or II of this return.

Reporting treatments of repo/reverse repo

- (i) Securities that have been sold under a repo agreement with a commitment to repurchase at a pre-determined price

	<u>On-balance sheet item</u>	<u>Off-balance sheet item</u>
Repo/ stock lending	<p>The relevant asset which has been sold/lent should remain as an asset item.</p> <p>Cash received on the transaction is regarded as collateralised deposit and should be reported under items 7, 5 and 7 of Part I of MA(BS)1, MA(BS)1A and MA(BS)1B respectively.</p> <p>If the collateral received is not cash, it should not be reported on the balance sheet. No liability to the counterparty should be reported.</p>	No need to report

- (ii) Securities that have been purchased under a reverse repo agreement with a commitment to sell back at a pre-determined price

	<u>On-balance sheet item</u>	<u>Off-balance sheet item</u>
Reverse repo/ stock borrowing	<p>The relevant asset which has been purchased/borrowed should not be reported as an asset item.</p> <p>Cash given on the transaction is regarded as a collateralised loan to the counterparty and should be reported under items 16, 13 and 16 of Part II of MA(BS)1, MA(BS)1A and MA(BS)1B respectively.</p> <p>If the collateral given is not cash, it should continue be reported on the balance sheet. No exposure to the counterparty should be reported.</p>	No need to report

- (iii) Securities that have been sold under a repo agreement under which all the risks and rewards of ownership have been transferred substantially to the buyer

	<u>On-balance sheet item</u>	<u>Off-balance sheet item</u>
Repo (regarded as outright sales)	The relevant asset that has been sold should no longer be treated as an asset item.	Where the commitment to repurchase has no pre-determined price, it should be reported at fair value (i.e. current market value) on the reporting date. For institutions incorporated outside Hong Kong, such a transaction should be reported in item (d) of Part VIII of MA(BS)1. For locally incorporated institutions, such a transaction should be reported in item 4 under Division B of Part III(a) or III(b) of MA(BS)3 for AIs adopting Basic or Standardized approach; and item 4 under Division D of Part III(c) of MA(BS)3 for AIs adopting IRB approach.

- (iv) Securities that have been purchased under a reverse repo agreement under which the reporting institution has substantially taken up all the risks and rewards of ownership from the seller

	<u>On-balance sheet item</u>	<u>Off-balance sheet item</u>
Reverse Repo (regarded as outright purchases)	The relevant asset that has been purchased should be reported as an asset item.	No need to report

Reporting treatments of unmatured securities transactions

	<u>On-balance sheet item</u>	<u>Off-balance sheet item</u>
Unmatured purchases of securities	Unmatured spot and forward purchases of securities are included on the balance sheet from the day of trade. The corresponding liability to the counterparty should be reported under items 10.3, 8 and 10 of Part I of MA(BS)1, MA(BS)1A and MA(BS)1B respectively.	No need to report
Unmatured sales of securities	Unmatured spot and forward sales of securities are excluded from the balance sheet from the day of trade. The corresponding receivable due from the counterparty should be reported under items 22.4, 18 and 21 of Part II of MA(BS)1, MA(BS)1A and MA(BS)1B respectively.	No need to report

Annex 3

Reporting Date	Money at call	Repayable or callable within 7 days	Repayable or callable within 1 month	Between 8 days & 1 month	Between 1 & 3 months	Later than 3 months
Maturity dates						
31 January	1 February	1 – 7 February	1 - 28 (29*) February	8 - 28 (29*) February	1 March - 30 April	1 May onwards
28 (29*) February	1 March	1 – 7 March	1 - 28 (29*) March	8 - 28 (29*) March	29 (30*) March - 28(29*) May	29 (30*) May onwards
30 April	1 May	1 – 7 May	1 - 30 May	8 – 30 May	31 May - 30 July	31 July onwards

(* where February has 29 days)

Completion Instructions

Return of Current Year's Profit & Loss Account Form MA(BS)1C

Introduction

1. This return collects information on the profit and loss account and provisions of authorized institutions.

Section A: General Instructions

2. The general reporting requirements for authorized institutions incorporated locally and overseas are as follows:

<u>To be reported by</u>	<u>Coverage</u>	<u>Reporting frequency and submission deadline</u>
Institutions incorporated in HK without overseas branches / institutions incorporated outside HK	<ul style="list-style-type: none">• 1 return on the position of HK offices	<ul style="list-style-type: none">• Quarterly; not later than <u>21 days</u> after 31 March, 30 June, 30 September and 31 December
Institutions incorporated in HK with overseas branches	<ul style="list-style-type: none">• Same as above• 1 return each for the position of overseas branches in each overseas country• 1 return on the combined position of Hong Kong and overseas offices	<ul style="list-style-type: none">• Same as above• <i>Half yearly</i>, not later than <u>1 month</u> after <i>30 June and 31 December</i>• Quarterly, not later than <u>6 weeks</u> after the end of each quarter.

3. This return covers the position of a reporting institution from the first calendar day of its financial year to the last calendar day of the current quarter. Institutions whose financial year ends on a date other than 31 March, 30 June, 30 September and 31 December should submit an additional return for the whole financial year not later than 21 days after the end of each financial year, unless otherwise specified by the Monetary Authority. If the submission deadline falls on a public holiday, it will be deferred to the next working day.
4. All entries in this return should be reported on an accrual basis except those relating to assets which must be carried in non-accrual status. To avoid large fluctuation of profit/loss during a financial year, institutions are expected to set aside provisions for major expenditure items such as bad and doubtful debts, tax, depreciation and audit fees at least on a quarterly basis.
5. Institutions should apply consistent accounting policies in compiling this return. Any change in accounting policies (i.e. different to those used for previous returns or the institutions' most recent statutory accounts) should be ***notified to the Monetary Authority in writing***.
6. Amounts should be shown to the nearest thousand, in HK\$ or HK\$ equivalents in the case of foreign currency items. The closing middle market T/T rates prevailing at the end of the current quarter should be used for conversion purpose.
7. As stipulated in our guidance note “Review on Impact of the New Hong Kong Accounting Standards on Authorized Institutions’ Capital Base and Regulatory Reporting” issued to all AIs on 12 April 2005, locally incorporated AIs and overseas-incorporated AIs whose head offices have chosen to adopt IFRS or comparable standards shall neglect any reference made thereto in this return on “interest in suspense” and “country risk provision”.
8. Specific provisions and general provisions mentioned in this completion instruction should follow the definitions of specific provisions and collective provisions defined in section 2(1) of the Banking (Capital) Rules respectively. The categorisation of accounting provisions into specific provisions or general provisions follows the treatment adopted in MA(BS)3.

Section B : Specific Instructions

<u>Item Reference</u>	<u>Item</u>
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Part I	Profit & Loss Account
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Income

1.1 Interest income

Report interest received and accrued interest receivable attributable to the reporting period, including those arising from trading securities held. Amortisation of discounts and premiums of securities held by the reporting institution should also be reported under this item.

Where interest rate related derivatives are used to hedge banking book assets, the net interest arising from the combination of the asset and the hedge should be included. Income from interest rate related derivatives held for purposes other than hedging should be reported under item 2.2.

1.2 Interest expenses

Report interest paid and accrued interest payable attributable to the reporting period, including those arising from securities short **positions held** for trading purposes. Amortisation of discounts and premiums of securities issued by the reporting institution should also be reported under this item.

Where interest rate related derivatives are used to hedge banking book liabilities, the net interest arising from the combination of the liability and the hedge should be included. Costs arising from interest rate related derivatives held for purposes other than hedging should be reported under item 2.2.

1. Net interest income

Report the net amount of items 1.1 and 1.2. Where interest expenses exceed interest income, the net figure should be shown in brackets.

2.1 - 2.3 "Trading transactions" for the purposes of items 2.1 - 2.3 of this return mean an institution's proprietary positions in financial instruments which are intentionally held for short term resale and/or which are taken on by the institution with the intention of benefiting in the short term from actual and/or expected differences between buying and selling prices, or from other price or interest rate variations, and positions in financial instruments arising from matched principal brokering and market making, or positions taken in order to hedge other elements of the trading book.

2.1A Gains less losses arising from trading in foreign currencies

Report the realised and unrealised gains less losses for the current financial year from the reporting institution's trading transactions in foreign currencies (which includes dealings in gold) including those from foreign exchange derivatives. Include also all fees and commissions derived from such activities. Where the losses exceed the gains, the net figure should be shown in brackets.

2.1B Gains less losses arising from non-trading activities in foreign currencies

Report the realised and unrealised gains less losses arising from non-trading activities in foreign currencies including fees and commissions derived from such activities.

Where the institution is engaged in interest arbitrage dealing (for example, the institution takes a HK dollar deposit and makes a US dollar loan and simultaneously enters into a HK dollar/US dollar forward contract in order to hedge the currency exposure) and does not distinguish between exchange and interest gains or losses on such dealing, the entire amount of the profits or losses concerned should be shown under items 1.1 or 1.2; a profit arising from the transaction should be treated as interest income and a loss as interest expense.

2.2 Gains less losses arising from trading in interest rate derivatives

Report the realised and unrealised gains less losses for the current financial year from the reporting institution's trading transactions in interest rate derivatives. Where the losses exceed the gains, the net figure should be shown in brackets.

2.3 Gains less losses arising from trading in other derivatives

Report the realised and unrealised gains less losses for the current financial year from the reporting institution's trading transactions in all other derivatives excluding interest rate and foreign exchange derivatives. Where the losses exceed the gains, the net figure should be shown in brackets.

2. Gains less losses arising from foreign exchange operations and trading in derivatives

Report the net amount of items 2.1A, 2.1B, 2.2 and 2.3. Where the total losses exceed the total gains, the net figure should be shown in brackets.

3.1 Income from investments held for trading¹

¹ The term "investments held for trading" refers to investments and loans and advances measured at fair value through profit or loss under HKFRS 9 or equivalent accounting standard. Financial assets designated at fair value through profit or loss shall also be included.

Report all profit or loss from investments held for trading or dealing purposes. Where derivatives are used to hedge investments held for trading, the net profit or loss arising from the combination of the investment and the hedge should be included.

3.2 Dividend from subsidiary and associated companies and other equity investments

Report the dividends ***declared by*** group companies, associated companies and other equity investments ***during the reporting period.***

3.3 Income from non-trading investments²

Report all profit or loss (including any remaining unamortised premiums or discounts) from ~~sale or early redemption~~ derecognition (e.g. sale, early redemption, modifications that result in derecognition) of all investments other than those which qualify for reporting under item 3.1 above.

Where derivatives are used to hedge investments other than those which qualify for items 3.1 and 3.2, the net profit or loss arising from the combination of the investment and the hedge should be included.

3. Income from investments

Report the sum of items 3.1 to 3.3. ~~For the purposes of this item, "investments" include shares and debt instruments held by the reporting institutions.~~

4. Income from fees and commissions

This includes charges, fees and commissions received by the reporting institution in respect of services such as credit lines, corporate advice, investment management and trustee services, guarantees and indemnities etc. provided by it to customers.

~~Report the net income from fees and commissions. Where fee and commission expenses exceed fee and commission income, the net figure should be shown in brackets.~~

5. Profit/(loss) on sale of fixed assets

Report the profit or loss on the sale of fixed assets of the reporting institution, e.g. premises and equipment. ~~Gains and losses arising from disposal of leasehold land for own use should be reported under this item. Gains and losses arising from disposal of investment properties should be reported under item 6.~~

² The term "non-trading investments" refers to investments measured at "amortised cost" or "fair value through other comprehensive income" under HKFRS 9 or equivalent accounting standard.

6. Other income

Report all other income but which are not elsewhere included. This should include any income or expenses arising from derivatives positions which do not qualify for inclusion within items 1, 2 or 3 above. Where the expenses exceed income, the net figure should be shown in brackets.

For securities issued by the reporting institution, net gains or losses (including those arising from the remaining unamortised premiums or discounts) on early redemption of such securities shall be reported under this item.

7. Total income

Report the sum of items 1 to 6.

Expenses and other charges

8.1 Staff expenses

This includes all employee benefits (including short-term employee benefits such as wages and salaries, post employment benefits such as pensions and other retirement benefits, other long-term employee benefits and termination benefits etc.) and directors' emoluments.

8.2 Rental expenses

This includes expenses on occupancy such as rents, rates, insurance of premises, depreciation cost of premises, lighting, heating and maintenance costs etc. Expenses for staff housing benefit schemes should be included under item 8.1.

9. Other expenses

This includes depreciation cost of equipment, audit fees and all other expenses which are not elsewhere included.

10. Net charge/(credit) for debt provision³

Report net amount charged or credited to the profit and loss account during the reporting period in respect of provisions for bad and doubtful debts and bad debt recoveries.

The amount reported for this item should be the same as the net amount of items 1.4, 1.6 and 1.7 of Part II, save for any exchange differences.

³ Item 10 includes net charge/(credit) in both general provisions and specific provisions.

11. Net charge for other provisions

Report amount provided less amount recovered for other provisions in the reporting period.

11A. Deficit/(surplus) on revaluation of land and buildings

Report the net deficit/(surplus) on revaluation of bank premises and investment properties.

A deficit arising on revaluation of bank premises should be charged to the profit and loss account if and to the extent that it exceeds the amount held in the bank premises revaluation reserve in respect of that same asset immediately prior to the revaluation. Where there is a surplus arising on revaluation, it should be credited to the profit and loss account to the extent of the deficit previously charged to the profit and loss account in respect of that same asset.

Deficits and surpluses arising on revaluation of investment properties should be recognised on a portfolio basis. A net deficit should be first set off against the investment property revaluation reserve⁴ and thereafter charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus should be credited to the profit and loss account to the extent of the deficit previously charged.

11B. Impairment loss / (reversal of impairment loss) on assets

Report the net amount of impairment loss / (reversal of impairment loss)⁵ on bank premises, investment properties and other assets (such as equipment, fixtures and fittings). An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

⁴ Locally incorporated authorized institutions shall neglect the reporting treatment in relation to investment property revaluation reserve. Instead, the fair value gains and losses arising from investment properties should be report under item 11A. Overseas incorporated authorized institutions which adopt accounting standards relevant to their home country and record investment property revaluation reserve in their books should report the movement in investment property revaluation reserve according to the completion instructions for item 11A.

⁵ Please refer to HKAS 36 for the accounting treatment of impairment loss.

12. Total expenses and other charges

Report the sum of items 8 to 11B.

Current profit/(loss)

13. Profit/(loss) before tax

Report the net amount of items 7 and 12. Where total expenses exceed total income, the net figure should be shown in brackets.

14. Net charge for tax provision

Report the net charge for tax provision in the reporting period.

15. Profit/(loss) after tax

Report the difference between items 13 and 14.

16. Extraordinary profit/(loss) net of tax

Report all extraordinary profit or loss that arise from events or transactions that are clearly distinct from the ordinary activities of the institution and therefore are not expected to recur frequently or regularly. Include for example any loss on the expropriation of assets or arising from a natural catastrophe.

17. Profit/(loss) for the period

Report the total of items 15 and 16.

Other information

18. Dividend declared

Report all dividends declared during the reporting period. Dividends attributable to profits earned in previous years should be included if these were declared during the reporting period.

19.1 Dividend from licensed bank subsidiaries / associated companies

Report all dividends declared by subsidiaries and associated companies which are licensed banks during the reporting period.

19.2 Dividend from RLB/DTC subsidiaries / associated companies

Report all dividends declared by subsidiaries and associated companies which are restricted licence banks or deposit-taking companies during the reporting period.

19. Total dividend from authorized institution subsidiaries / associated companies

Report the total of items 19.1 and 19.2 and the sum should be equal to or smaller than item 3.2.

20. Unrealised and deferred losses in derivatives

Report any unrealised losses on derivatives which have not been taken to the profit and loss account and any amount of realised losses on derivatives contracts that have been deferred as at the end of the reporting period. Any unrealised or deferred gains on derivatives should not be netted off unless a legally enforceable bilateral netting agreement exists.

Part II Provisions

1. Changes in provision for bad and doubtful debts

Any provisions charged/credited to the profit and loss account including recoveries and write-offs should be reported in this Part. Institutions which have the practice of crediting recoveries and debiting write-offs directly to the profit and loss account without going through the provision for bad and doubtful debts account should take note of the reporting instructions for items 1.3 and 1.5 below. For the purposes of this part, "bad and doubtful debts" include loans and advances, claims on banks (other than holdings of debt securities issued by them), bills receivable, bills discounted and purchased. They include also accrued interest on these items.

Country risk provisions generally refer to provisions set aside by authorized institutions to absorb potential losses arising from their country risk exposures. If institutions reflect country risk in provisions earmarked against their aggregate exposure to a particular country after accounting for risk transfer and specific provision made against credit risk (i.e. on a country basis), such provision should be reported under the column of "Country risk (c)". If institutions do not separately set aside country risk provisions but factor in an element of provision for country risk into specific provisioning for each individual exposure (i.e. on an individual obligor basis), such provision should be reported under the column of "Specific (a)".

1.1 Previous balance

The date to be inserted in the space provided should be the last day of the previous financial year.

Report the balance outstanding in the specific, general and country risk provisions accounts as at the last day of the previous financial year. The amounts

should be the same as those reported under items 1.9(a), (b) and (c) of this part as at the end of the previous financial year.

It is recognised that institutions often have the need to make adjustments to these reported figures, typically upon the finalisation of annual financial statements. In such case, the amounts to be reported should be the revised amounts instead of the amounts shown in the earlier return(s). Institutions which have made the adjustments should provide the Monetary Authority with amendments to the earlier return(s) at or before the time of submitting the return for the current quarter.

1.2 Adjustments for exchange difference

Report any increase or decrease in the opening balances resulting from the conversion into HK\$ of any portion of the balances which is denominated in a foreign currency.

1.3 Recoveries

Report recoveries of amounts previously written off against which a provision has been made or where a provision has been reinstated for an amount that has been previously written off. The release of the amounts to the profit and loss account should pass through item 1.6 below.

1.4 New provisions

Report the amount charged to the profit and loss account during the reporting period in respect of new provisions.

1.4A Net provisions arising from new financial assets originated or acquired

This includes the amount charged to the profit or loss arising from new financial assets originated or purchased (net of repayments made on these financial assets during the reporting period). Increases or decreases in provisions due to changes in credit risk subsequent to initial recognition shall be reported under item 1.4B or item 1.6A.

1.4B Increase in provisions arising from changes in credit risk

Report the increase in provisions arising from change in credit risk of existing financial assets, e.g., transfer from 12-month to lifetime expected credit loss stage, updates of risk parameters (such as probability of default, loss given default), modifications of contractual cash flows of financial assets without derecognition, changes in forward looking economic data and the weighting for respective forward looking scenarios.

1.4C Others

Report new provisions arising from any other factor not included in 1.4A, 1.4B or 1.7.

1.5 Amount written off

Report the amount of debts which were written off in the reporting period. Where no provision had been established for the debts in question, an entry equal to the amount that has been written off should be reported as new provisions under item 1.4B at the same time.

1.6 Amount released

Report any amount which is no longer required as provisions and which has been released back to the profit and loss account during the reporting period.

1.6A Release of provisions arising from changes in credit risk

Report the provisions released which arise from change of credit risk of existing financial assets, e.g., transfer from lifetime to 12-month expected credit loss stage, updates of risk parameters (such as probability of default, loss given default), repayments of financial assets, modifications of contractual cash flows of financial assets without derecognition, changes in forward looking economic data and the weighting for respective forward looking scenarios.

1.6B Others

Report the provisions released which arise from derecognition of financial assets other than amounts written off (e.g. full repayments of financial assets except for partial repayments reported under item 1.6A) and any other factor not included in item 1.6A or item 1.7. This item also includes recoveries of amounts previously written off against which a provision has been made.

1.7 Net charge/release due to changes in estimation methodology

Report any net charge/release to the profit and loss account during the reporting period which arises from changes in the methodology for estimation of provisions. This shall include changes in the existing methodology (e.g. model assumptions) or the use of new methodology. However, changes arising from updates of risk parameters (such as probability of default, loss given default) and changes in forward looking economic data and the weighting for respective forward looking scenarios shall be reported under item 1.4 or item 1.6.

1.8 Other movements

Report all other movements of provisions not included in items 1.3 to 1.7, for example, unwinding of discounts.

1.9 Current balance

Report in items 1.9(a), (b) and (c) the current balances of specific, general and country risk provisions respectively.

2. Provisions against value of other claims and investment

Report all provisions other than those reported in item 1.9.

3. Total provisions

This is the total of items 1.9(a), (b), (c) and 2. The amount reported should agree with the sum of amount reported in item 24 of Form MA(BS)1 (or, item 20 of Form MA(BS)1A and item 23 of Form MA(BS)1B, as the case may be.)

4. Gross value of loans against which specific provisions have been made

Report the gross book value as at the end of the reporting quarter of all exposures against which specific provisions have been made. The gross value of loans should not include accrued interest which has been capitalised but credited to interest in suspense account.

5. Provisions made by head office / other overseas branches or by the parent company of the reporting institution against the exposures of the reporting institution

Report provisions made in the books of the overseas head office or other overseas branches or by the parent company of the reporting institution in respect of the bad and doubtful debts of the reporting institution. Those institutions which do not presently establish provisions in their own books are expected to maintain the provisions on their own as far as possible.

Additional reporting guidance on
Part II.1 “Changes in provision for bad and doubtful debts”

1. Item 1.4A “Net provisions arising from new financial assets originated or acquired” should capture the increase in provisions due to the following:
 - Initial drawdown of credit facilities granted to customers;
 - Subsequent increase in outstanding loan balance by comparing the ending balance of the reporting period to the beginning balance of the reporting period;
 - Loans purchased from other entities during the reporting period;
 - In the situation where an increase in outstanding loan balance is coupled with a change in the underlying credit risk¹, the portion of changes in provisions contributed by the increase in loan balance is separately reported in this item (Appendix 2).

2. Item 1.4B “Increase in provisions arising from changes in credit risk” should capture the increase in provisions arising from the following changes:
 - Increase in the underlying credit risk regardless of whether there is any change in staging of the loan under IFRS/HKFRS 9;
 - In the situation where an increase in the underlying credit risk is coupled with an increase in outstanding loan balance, the portion of increase in provisions contributed by the increase in underlying credit risk of existing loan balance is separately reported in this item (Appendix 2);
 - In the situation where an increase in the underlying credit risk coupled with partial repayment of loan results in a net increase in provisions (Appendix 2).

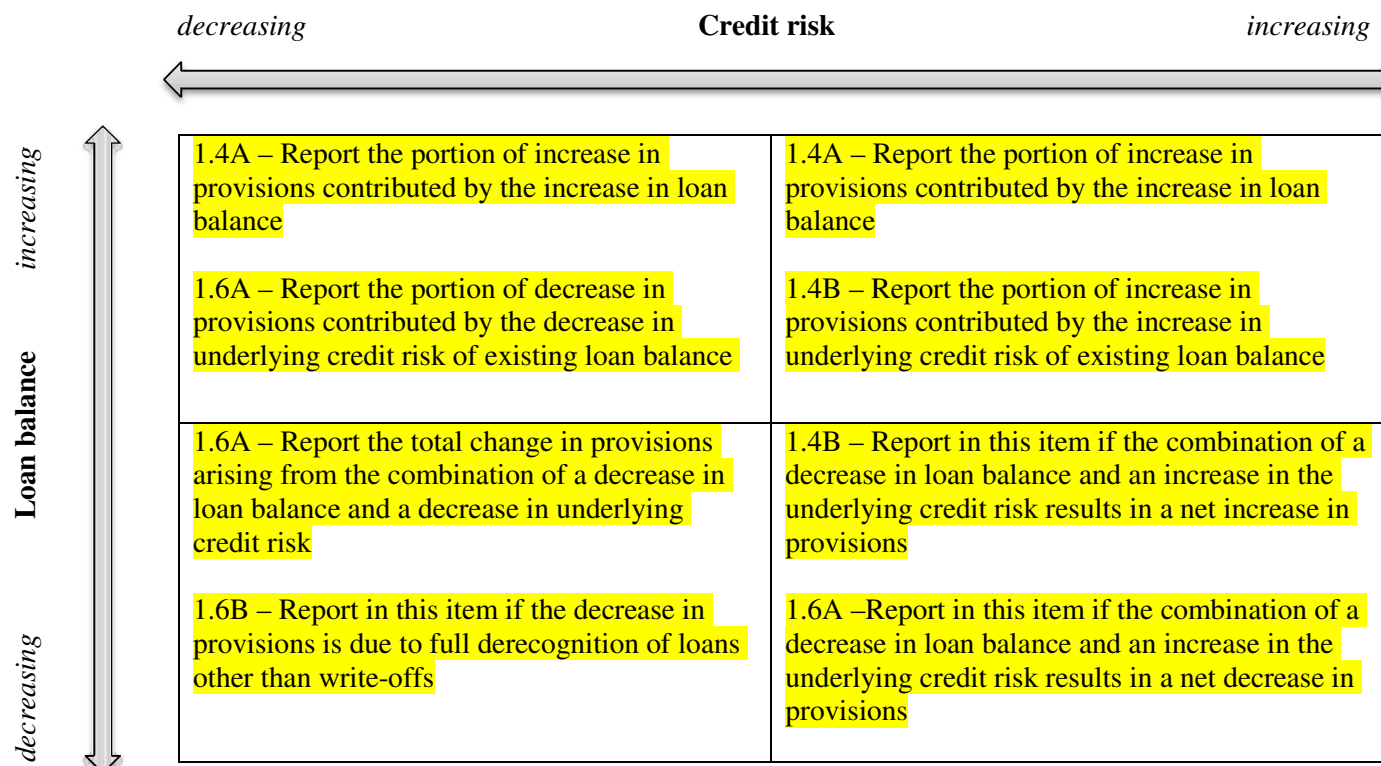
3. Item 1.6A “Release of provisions arising from changes in credit risk” should capture the decrease in provisions arising from the following changes:
 - Partial repayment of loan except for the situations described in paragraph 4 below and in the last bullet point of paragraph 2 above;
 - Decrease in the underlying credit risk regardless of whether there is any change in staging of the loan under IFRS/HKFRS 9;
 - In the situation where a decrease in the underlying credit risk is coupled with an increase in outstanding loan balance, the portion of decrease in

¹ “Change in the underlying credit risk” refers not only the change among the three stages under IFRS/HKFRS 9 but also the factors described in Part II.1.4B and 1.6A of this completion instruction.

provisions contributed by the decrease in underlying credit risk of existing loan balance is separately reported in this item (Appendix 2).

4. If any partial or full repayments are made to a loan originated or purchased in the same financial year, they are netted in item 1.4A.
5. In the case of revolving credit facilities, repayment is reported in item 1.6B if the loan is fully repaid and the facility is cancelled upon its expiry because the AI has decided (as evidenced in the AI's credit records) that the facility will not be renewed.
6. If the measurement of impairment of the financial asset changes from general provisions to specific provisions (e.g. from stage 2 to stage 3 under IFRS/HKFRS 9, or vice versa), the release of general provisions for stage 2 should be reported in item 1.6A and the new specific provisions for stage 3 should be reported in item 1.4B (or vice versa).
7. Reporting of unwinding of discounts depends on its impact on profit or loss under the applicable accounting requirements. For unwinding of discounts which is recognised as interest income (e.g. discounts unwind on stage 3 loans under IFRS/HKFRS 9), it should be reported in item 1.8. For other unwinding of discounts which results in changes in impairment charged to profit or loss, it should be reported under item 1.4B/1.6A.
8. If any newly granted loans are subsequently written off in the same financial year, they should be reported in item 1.4A as well as item 1.5.
9. For AIs which adopt IFRS/HKFRS 9 or equivalent standard and have financial years ending on 31 December, they should report in item 1.1 the opening provision balance based on IFRS/HKFRS 9 upon transition to the new standard on 1 January 2018 for the 2018 MA(BS)1C returns. Similar principle applies to AIs with other year-end dates, i.e., report the opening balance of the provision movement based on IFRS/HKFRS 9 or equivalent standard upon transition to the standard.

Illustration of the reporting of changes in provisions arising from a combination of changes in loan balance and underlying credit risk (Part II.1 “Changes in provision for bad and doubtful debts”)



Note: The above diagram is for illustrative purpose only. For details of reporting requirements, please refer to the main text and Appendix 1 of this completion instruction.

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SECRET

under the Banking Ordinance

RETURN OF CURRENT YEAR'S PROFIT & LOSS ACCOUNT

Position of *local office(s) / overseas branches in / local offices and overseas branches
(overseas country)

Period from to
(first day of the financial year) (31 Mar/ 30 Jun/ 30 Sep/ 31 Dec, as appropriate)

* Delete where inapplicable. Overseas incorporated institutions are required to report this return showing the profit and loss account of the Hong Kong office(s) only.

Name of Authorized Institution	Date of Submission
--------------------------------	--------------------

The Banking Ordinance

Information requested in this return is required under section 63(2) of the Banking Ordinance. The return should be submitted to the Monetary Authority not later than 21 days after the end of each quarter ending on 31 March, 30 June, 30 September and 31 December, unless otherwise advised by the Monetary Authority. For the position of overseas branches in each overseas country, the return should be submitted to the Monetary Authority not later than 1 month after 30 June and 31 December.

Note: This return is to be prepared in accordance with the completion instructions issued by the Monetary Authority.

We certify that this return is, to the best of our knowledge and belief, correct.

Chief Accountant

Chief Executive

Name

Name

Name and telephone number of responsible person who may be contacted by the Monetary Authority in case of any query.

Name

Telephone Number

I. Profit and loss account

Income	HK\$'000	HK\$'000
1.1 Interest income		
1.2 Interest expenses		
1. Net interest income		
2.1A Gains less losses arising from trading in foreign currencies		
2.1B Gains less losses arising from non-trading activities in foreign currencies		
2.2 Gains less losses arising from trading in interest rate derivatives		
2.3 Gains less losses arising from trading in other derivatives		
2. Gains less losses from foreign exchange operations and trading in derivatives		
3.1 Income from investments held for trading		
3.2 Dividend from subsidiary and associated companies and other equity investments		
3.3 Income from non-trading investments		
3. Income from investments		
4. Income from fees and commissions		
5. Profit/(loss) on sale of fixed assets		
6. Other income		
7. Total income		
Expenses and other charges		
8.1 Staff expenses		
8.2 Rental expenses		
8. Staff and rental expenses		
9. Other expenses		
10. Net charge/(credit) for debt provision		
11. Net charge for other provisions		
11A. Deficit/(surplus) on revaluation of land and buildings		
11B. Impairment loss / (reversal of impairment loss) on assets		
12. Total expenses and other charges		
Current profit/(loss)		
13. Profit/(loss) before tax		
14. Net charge for tax provision		
15. Profit /(loss) after tax		
16. Extraordinary profit/(loss) net of tax		
17. Profit/(loss) for the period		

Other information		HK\$'000	HK\$'000
18.	Dividend declared		
19.1	Dividend from licensed bank subsidiaries/associated companies		
19.2	Dividend from RLB/DTC subsidiaries/associated companies		
19.	Total dividend from authorized institution subsidiaries/associated companies		
20.	Unrealised and deferred losses in derivatives		

II. Provisions

1. Changes in provision for bad and doubtful debts

	Specific (a)	General (b)	Country Risk (c)
1.1	Previous balance as at _____		
1.2	Adjustments for exchange difference		
1.3	Recoveries		
1.4	New Provisions		
	1.4A Net provisions arising from new financial assets originated or acquired		
	1.4B Increase in provisions arising from changes in credit risk		
	1.4C Others		
1.5	Amount written off		
1.6	Amount released		
	1.6A Release of provisions arising from changes in credit risk		
	1.6B Others		
1.7	Net charge/release due to changes in estimation methodology		
1.8	Other movements		
1.9	Current balance (=sum of 1.1 to 1.8)		

2. Provisions against value of other claims and investments

3. Total provisions (1.9(a)+1.9(b)+1.9(c)+2)

4. Gross value of loans against which specific provisions (as shown in 1.9a) have been made

5. Provisions made by the head office/other overseas branches or by the parent company of the reporting institution against the exposures of the reporting institution

	Head office/ overseas branches (a)	Parent company (b)
5.1	General provisions	
5.2	Specific provisions	
5.3	Country risk provisions	
5.4	Total provisions	
5.5	Gross value of assets against which specific provisions (as shown in 5.2(a) and 5.2(b) respectively) have been made	

Completion Instructions

Quarterly Analysis of Loans and Advances and Provisions (Form MA(BS)2A)

Introduction

1. This return analyses, by economic sector, an authorized institution's loans and advances for use in Hong Kong. It also analyses the performance of an institution's selected assets (mainly loans and advances) and off-balance sheet exposures according to the classification methods defined in these instructions. Information on provisions set aside for each category of classified assets is also included.

Section A : General Instructions

2. This return consists of 2 parts and 3 supplementary items. It should be completed by authorized institutions in the following manner:

	<u>For Part I and Notes (1) & (2)</u>	<u>For Part II and Notes (3), (4), (5), (6) & (7)</u>
Institutions incorporated in HK without overseas branches / institutions incorporated outside HK	Report the aggregate positions of HK offices	Report the aggregate positions of HK offices
Institutions incorporated in HK with overseas branches	Same as above	Report the combined position of HK offices and overseas branches unless otherwise indicated

3. The return, showing the positions as at the last calendar day of each quarter, should be submitted no later than 14 days after the end of each quarter. In the case of an institution incorporated in Hong Kong with overseas branches, the information required under Part II and Notes (3), (4), (5), (6) & (7) of the return may be separately submitted within a period to be agreed with the Monetary Authority if that institution has difficulties in complying with the time limit. However, in no case should the information be submitted later than 6 weeks after the end of each quarter. If the submission deadline falls on a public holiday, it will be deferred to the next working day.

4. Amounts should be shown to the nearest thousands, in HK\$ or HK\$ equivalent in the case of foreign currency items. The closing middle market T/T rates prevailing at the reporting date should be used for conversion purposes.
5. Certain items reported under Parts I and II of this return should be reconciled with the amounts reported in relevant items in the Return of Assets and Liabilities (Form MA(BS)1 or MA(BS)1B) and the Return of Current Year's Profit & Loss Account (Form MA(BS)1C). Details are given in the specific instructions below and are summarised in [Appendix 1](#).
6. As stipulated in our guidance note "Review on Impact of the New Hong Kong Accounting Standards on Authorized Institutions' Capital Base and Regulatory Reporting" issued to all AIs on 12 April 2005, locally incorporated AIs and overseas-incorporated AIs whose head offices have chosen to adopt IFRS or comparable standards shall neglect any reference made thereto in this return on "interest in suspense" and "country risk provision".
7. Specific provisions and general provisions mentioned in this completion instruction should follow the definitions of specific provisions and collective provisions defined in section 2(1) of the Banking (Capital) Rules respectively. The categorisation of accounting provisions into specific provisions or general provisions follows the treatment adopted in MA(BS)3.

Section B: Specific Instructions

8. Part I - Classification of Loans and Advances by Economic Sectors

8.1 Items A to I - Loans and advances for use in Hong Kong

Report loans and advances for use in Hong Kong, according to each economic sector, under items A to H. A loan is regarded as for use in Hong Kong if it finances or has a direct impact on the level of economic activity in Hong Kong. For most of the cases, this can be determined by whether the loan is made available or disbursed in Hong Kong and by the principal place of business of the customer.

A loan should be classified according to its usage. For example, if a loan is granted to a textile manufacturer to purchase a factory building for enhancing productive capacity, it should be allocated to "textiles" (item A1) rather than to "property investment" (item B2). But if the loan is granted to the manufacturer to purchase a commercial complex for investment purpose, it should be classified under "investment in commercial properties" (item B2c). Similarly, if a loan is granted to a property developer for purposes which are clearly unrelated to its principal activities, such as the running of a hotel, such loan should not be reported under "property development" (item B1) or "property investment" (item B2).

In cases where the usage of a loan cannot be identified with reasonable certainty, it should be classified according to the principal business activity of the borrower. For example, a loan to a property developer for general working capital purposes should be reported under the relevant sub-item of item B1 - Property development.

In cases where it may not be possible to categorise a loan, including a finance lease and a hire purchase loan, by reference to the use of the loan proceeds or the use of the asset financed by the loan, it may be categorised by reference to the asset financed. For example, a mechanical digger can be categorised under the construction industry (item B3). Lorries and vans, where the principal activity of the end-user is uncertain may be classified under item G5 - Other transport and transport equipment.

The classification of loans by economic sectors should be made irrespective of whether the borrower is a corporate, firm or individual except for item H5. For example, a loan granted to an individual for purchasing a taxi should be reported under "taxis" (item G3) while a loan granted to an individual for purchasing residential property should be reported under "individuals - for the purchase of other residential properties" (item H5b).

Where a loan is known to be raised by an immediate borrower to finance another party (the ultimate beneficiary), it should be classified according to the usage of the loan deployed by the ultimate beneficiary. An exception to this rule is where the principal business activity of the immediate borrower is that of lending money and it has financed the ultimate beneficiary in the ordinary course of business.

8.2 Item B1 - Property development

Report loans to finance property development, including those for building and construction, according to the type of properties being developed. In cases where a loan cannot be readily classified by type of properties, e.g. where a loan is extended to a property developer not specifically tied to a particular project or property or where the borrower is involved in more than one sector, such loans may be reported under item B1d - Other properties.

8.3 Item B2 - Property investment

Report loans to finance investments in properties, including uncompleted properties, according to the type of properties being invested in. These include loans to finance corporate customers purchasing residential properties for the use of their directors, shareholders or employees and also loans to shell companies through which individuals acquired properties. Loans to finance the purchase of residential properties by professional & private individuals should be reported under item H5a or H5b, as the case may be. Loans to finance the acquisition of properties, e.g. factories, for a borrower's own use should be classified according to the principal activities of that borrower rather than as a property investment in general.

8.4 Item D – Recreational activities

Report loans to companies engaging in motion picture, radio, television and other entertainment activities. The manufacturing of radios and televisions should, however, be reported under item A5 "Electrical & electronic".

8.5 Item E1 - Telecommunications

Report loans to companies that provide telecommunication services, such as residential or commercial telephone lines, mobile phone lines, pager, IDD, fax, data

lines for data transmission and communication via satellite. Include loans to internet service providers and companies setting up networks/platforms for the provision of services as internet service providers. Loans to companies engaging in the manufacture of telecommunication equipment and other related accessories should be reported under item A5a “Telecommunication equipment”.

8.6 Item E2 - Information technology - Others

These include loans to companies that engage in software or application development, data processing, system administration or maintenance and the provision of IT-related consultancy services. Loans to companies engaging in the manufacture of computer hardware and other peripherals should be reported under item A5 “Electrical and electronic”. Loans to companies engaging in the wholesale or retail business of IT-related products should be reported under item F “Wholesale and Retail Trade”.

8.7 Item H2 - Financial concerns

These include loans to investment companies, insurance companies, futures brokers, finance companies and any other persons in the financial sector not being authorized institutions or overseas banks. Investment companies include companies in the business of investment in commodity futures, foreign currencies, gold bullion, shares, funds and securities. They include also unit trusts, retirement funds and investment holding companies. Finance companies and others include companies in the business of leasing, factoring, bills discounting, hire purchase, mortgage, commercial and industrial finance. They include also gold bullion brokers, money-lenders, pawnshops and credit card companies.

8.8 Item H3a/H4a - Margin lending for stockbrokers and non-stockbroking companies and individuals

Margin lending is defined as lending for the purchase of shares against the market value of shares pledged, typically, the borrower of such lending is obliged to ensure, and the lending institution to monitor, that the amount of the loan would not exceed a predetermined ratio of the market value of the collateral pledged. In cases where a margin loan is secured partly by shares and partly by other securities, then only that part of the loan in excess of the value of the other securities should be reported as margin lending. For example, in respect of a loan of 10 which is secured by shares and other securities valued at 10 and 6 respectively, 4 being the part of the loan in excess of the value of other securities should be reported as margin lending. The remaining loan of 6 should be reported under item H3b or H4b, as the case may be. Loans for subscribing for new shares in initial public offerings (IPOs) should be included under items H3a and/or H4a, as the case may be. In addition, a breakdown of the amount of such loans included in items H3a and/or H4a should be reported under Note (2)(a). Non-stockbroking companies refer to companies other than investment companies.

8.9 Item H5b - Purchase of residential properties by professional and private individuals

Report loans to professional and private individuals for the purchase of residential properties, other than the purchase of flats under the Home Ownership Scheme (HOS),

Private Sector Participation Scheme (PSPS) and Tenants Purchase Scheme (TPS), regardless of whether the properties are intended for occupation by the borrowers or for other purposes. As long as the loans for the purchase of flats under HOS, PSPS and TPS are covered by the guarantee issued by the Housing Authority, they should be reported under item H5a; otherwise, they should be reported under item H5b. This item includes refinancing loans and residential mortgage loans which have been transferred from other banks or companies.

8.10 Item H6 – All others

Report all loans and advances for use in Hong Kong that cannot be classified in the above economic sectors. Examples include “agriculture and fisheries” and “mining and quarrying”.

8.11 Item I - Loans and advances for use in Hong Kong

Report the sum of entries under items A to H under columns (1) to (6).

8.12 Item J - Trade financing

These are loans reported under items 15.1 and 15.2 of Form MA(BS)1 covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade.

8.13 Item K - Other loans and advances

These are loans reported under items 15.4, 15.5 and 15.6 of Form MA(BS)1.

8.14 Item L - Total loans and advances

Report the sum of entries under items I, J, and K, columns (1) to (5). Entries under columns (1) to (4) should correspond to those reported under item 15.7g of Form MA(BS)1. The entry under column (4) should also correspond to that reported under item A1, column (6) in Part II.

8.15 Columns (1) to (3)

Report the principal amount of all loans which are outstanding as at the reporting date in the appropriate columns according to the currency in which they are denominated. Accrued interest which has been capitalised as loans should be included net of any interest in suspense. Accrued interest which has not been capitalised should be reported net of any interest in suspense under E1 in Part II. Interest in suspense refers to the interest that has been accrued to a suspense account instead of the profit and loss account.

8.16 Column (5)

Report the amount of specific provisions, other than country risk provisions, that have been set aside for each item. In the case of institutions incorporated in Hong Kong without overseas branches or institutions incorporated overseas, the total of this column as reported under item L should correspond to the entry under item A5, column (6) in Part II.

8.17 Column (6)

Report the amount of general provisions, if any, that have been set aside for the various economic sectors under items A to H.

9. Part II - Asset Quality and Provisions

9.1 For items A1, A2, A4, B1, C1, C2, D1, D2, F1 and F2, classify and report loans and advances, balances due from banks, acceptances and bills of exchange held, investment debt securities and commitments and contingent liabilities of similar nature into the categories as listed out in this part according to the guidelines on Loan Classification System in Appendix 2. For item A4, licensed banks incorporated in Hong Kong should report the position of loans and advances of their banking subsidiary incorporated in Mainland China.

Any financial assets which are classified as fair value through profit or loss under HKFRS9 or equivalent accounting standards should **NOT** be included in this part except Item A.

9.2 Item B1 - Balances due from banks

This item refers to placements with authorized institutions in Hong Kong and other banks abroad (excluding overseas head office and branches of the reporting institution).

9.3 Item C - Acceptances and bills of exchange held

This item refers to acceptances and bills of exchange held (i.e. excluding those held as collateral for a loan or advance) by the institution.

9.4 Item D – Investment debt securities

Report the holding of debt securities ~~which are designated by the AI as “available for sale” or “held to maturity” under HKAS 39 or equivalent accounting standards~~ in items D1 to D2 according to the type of issuer and the category of classification.

9.5 Item E1 - Accrued interest

Report interest that has been accrued but not capitalised for those exposures classified as either substandard, doubtful or loss under items A3, B1, C3 and D3. Accrued interest should be reported net of any interest in suspense (i.e. any interest which has been accrued to a suspense account instead of the profit and loss account).

9.6 Items F1 and F2 - Commitments and contingent liabilities

Report commitments and contingent liabilities which subject the reporting institution to credit risk. These include direct credit substitutes (such as guarantees and standby letters of credit), trade-related contingent items (such as letters of credit and liabilities under acceptances) and irrevocable loan commitments. Guarantees and standby letters of credit are usually converted into on-balance sheet exposures if the counterparty they are supporting fails but there may be circumstances when the bank is reasonably

certain that such instruments will be called upon at a future date because of uncertainty about the client. Loan commitments which are irrevocable should also be classified as impaired assets if the creditworthiness of the client has deteriorated to an extent that makes repayment of any loan drawdown (or associated interest payments) doubtful.

The definitions of direct credit substitutes and trade-related contingent items are the same as those defined in section 2 of the Banking (Capital) Rules. Commitments and contingent liabilities to overseas head office and branches of the reporting institution are excluded for the purposes of this item.

9.7 **Items A5 to A7, B2 to B4, C4 to C6, D4 to D5, E2, F4 to F6 - Provisions**

Provisions should be reported and classified according to their nature, i.e. for general, specific or country risk, and the categories of exposures (where appropriate) for which the provisions are set aside.

9.8 **Item G - Value of security**

Report in item G1 the value of security held by the reporting institution to support those exposures classified as either substandard, doubtful or loss under item A3, and in item G2 the value of security for those classified exposures under items B1, C3, D3, E1 and F3. However, for each counterparty, the aggregate value of the security reported here should not exceed the aggregate of all relevant principals and accrued interest (i.e. for each counterparty, the lower of the value of the total exposure and the value of the total security should be reported here). If a security is held in support of different types of exposures to the same counterparty, the value should first apply to loans and advances. The following illustrates how value of security should be reported by institutions.

Counterparty	Net realisable value of security	Exposures		Value of security to be reported under	
		Loans	Others	HK\$'000	
				Item G(1)	Item G(2)
A	1,000	700	0	700	0
B	1,000	1,500	0	1,000	0
C	1,000	500	200	500	200
D	1,000	900	500	900	100
E	1,000	1,300	500	1,000	0

9.9 **Item H - Assets acquired through security enforcement**

Report in column (6) the net book value of any asset (e.g. shares, debt securities or real properties) the ownership of which has been transferred to the institution in settlement of all or part of a claim (e.g. by way of foreclosure). Such assets usually indicate a lack of demand which contributes to uncertainty about their actual value. They should therefore be closely monitored until sold.

This item does not include those assets, such as mortgaged properties, which have been taken possession of by the reporting institution but the ownership of which has yet to be transferred to the institution.

10. Note (1) - Loans to group companies of property developers

Indicate the amount of loans reported under items H2a (to investment companies) and H2d (to finance companies) in Part I the borrowers of which are connected with property developers (where the use of such loans is known to be related to property development or property investment activities, it should be reported under item B in accordance with the purpose explained above). A borrower is regarded as property-developer-connected if it is the holding company, sister company, subsidiary or associate of any property developer.

11. Note (2) - Margin lending

Provide the breakdown of margin lending reported under items H3a and H4a in Part I as follows:

- (a) loans for subscribing new shares in IPOs; and
- (b) other margin lending.

The breakdown relating to item H4a is required to be split further into loans to non-stockbroking companies and loans to individuals.

For other margin lending reported under Note (2)(b), provide the following supplementary information:

- (i) closing market value of the shares which are pledged with the institution to support these loans; and
- (ii) aggregate amount of any individual loans which are in excess of 50% of the closing market value of the underlying shares pledged as security.

12. Note (3) - Overdue and rescheduled assets

12.1 Report the book value (net of accrued interest that has been capitalised but accrued to a suspense account) of overdue or rescheduled assets under items (a) to (d) and (f). “Loans” include loans and advances to customers, and “other assets” include balances due from banks, acceptances & bills of exchange held and debt securities. Institutions incorporated in Hong Kong with overseas branches should report separately the aggregate positions of the Hong Kong Offices and overseas branches. Information on each individual country of the overseas branches should also be provided by completing pages 14 (for overdue and rescheduled loans) and 15 (for other overdue and rescheduled assets) of the return form. Supplementary sheets are to be used when necessary.

12.2 Sub-items (a) to (d)

The criteria for determining the overdue status of an asset are included in a separate guideline in Appendix 2.1.

All assets should be reported as and when they have been overdue for more than 1 month. However, consumer loans repayable by regular monthly instalments should be treated differently and should not be reported unless they have been overdue for more

than three months. When such consumer loans qualify for reporting as overdue, the period overdue should be determined by reference to the earliest due date of any of the instalments. Similarly, demand loans (including overdrafts) which have exceeded the approved limit advised to the customer should not be reported unless they have remained continuously above the limit for more than three months. When such demand loans qualify for reporting as overdue, the overdue period should be determined by reference to the whole of the period that the limits were exceeded.

12.3 **Sub-item (f)**

All rescheduled assets (including those which have been reported under (a) - (d) above should be reported in item (f), except those specified under paragraph 9 of the “Guidelines on overdue and rescheduled assets” in Appendix 2.1.

The amount of those rescheduled assets which have also been reported as overdue under item (a) should be reported in item (f)(i) and those rescheduled assets which have been reported as overdue in items (b) to (d) should be reported in item (f)(ii).

The reporting treatment of a rescheduled asset taken up by a new obligor and the circumstances under which a rescheduled asset may be upgraded to “special mention” are provided under paragraphs 10 and 11 of Appendix 2.1.

13. **Note (4) - Assets on which interest no longer accrues to profit and loss**

Assets on which interest no longer accrues to the profit and loss refer to those assets in respect of which the interest has not been taken to the profit and loss account but credited to a suspense account or where the interest has ceased to be accrued. Report under item (a) the amount of loans and advances reported in Part II. Report under item (b) all those assets not included under item (a) above. The criteria on which institutions should cease to accrue interest on an asset to the profit and loss account are set out in CR-G-6 “Interest Recognition” of the Supervisory Policy Manual.

14. **Note (5) - Interest in suspense**

Interest in suspense refers to the accrued interest that has not been taken to the profit & loss account but credited to a suspense account. Report under (a) the amount that has been capitalised as the principal exposure and under (b) the amount that accrued to the interest receivable account. Accrued interest is deemed to be “capitalised” if it is treated indistinguishably from the principal exposure, rather than included within a suspense accrued interest account.

15. **Note (6) – Non-bank China exposures**

Note (6) has been replaced by Return of Mainland Activities MA(BS)20.

16. **Note (7) - Ten largest criticised assets**

Criticised assets refer to those that have been reported by the institution in Part II of this return as “special mention”, “substandard”, “doubtful” or “loss”. For the purpose of reporting under this Note, assets include on-balance sheet exposures such as loans and advances to non-bank customers, balances due from banks, acceptances and bills of exchange held, investment debt securities and accrued interest as reported under

Items A3, B1, C3, D3 and E1 of Part II respectively. They also include commitments and contingent liabilities as reported under Item F3 of the same part of the return.

Criticised assets should be reported on a gross basis before provisions and in descending order by size. Specific provisions made against these assets, which include those made for country risk, should be reported under a separate column of the return.

Each reported item should be the aggregate of exposures to an individual counterparty or a group of related counterparties. In the latter case, the aggregate should be reported as one exposure and shown in the name(s) of the principal counterparty(ies). For the definition of “a group of related counterparties”, reference should be made to the completion instructions of the Return of Large Exposures. The full name of each counterparty or the principal counterparty in the case of a group of related parties should be reported.

Hong Kong Monetary Authority
January 2018

Appendix 1

Reconciliation with other returns

<u>Item in this return</u>	<u>Return of Assets and Liabilities</u>		<u>Return of Profit and Loss</u>
	<u>Form MA(BS)1</u> (For position of HK offices)	<u>Form MA(BS)1B</u> (For combined position)	<u>Form MA(BS)1C</u> (For both cases)
<u>Part I,</u> <u>columns (1),(2),(3) and (4)</u>			
I	Part II 15.3	N.A.	N.A.
J	Part II 15.1 + 15.2	N.A.	N.A.
K	Part II 15.4 + 15.5 + 15.6	N.A.	N.A.
L	Part II 15.7g	N.A.	N.A.
<u>Part II, column (6)</u>			
A1	Part II 15.7g	N.A.	N.A.
A3	N.A.	Part II 15	N.A.
A5+B2+C4	N.A.	N.A.	≤ Part II 1.9 (b)
A6+B3+C5	N.A.	N.A.	≤ Part II 1.9 (a)
A7+B4+C6	N.A.	N.A.	≤ Part II 1.9 (c)
B1	Part II 17.1 + 17.2 + 17.4	Part II 17.3	N.A.
C1	Part II 19.2b(1+2))	≤ Part II 18.2	N.A.
C2	Part II 19.2a(1+2))		
F3	≤ Part VIII(a) + (c) + (f) [®]	N.A.	N.A.
A8+B5+C7+D6 +E2 (col.3+4+5) + F7	≤ Part II 24	≤ Part II 23	≤ Part II 3

Notes:

[®] apply to institutions incorporated outside HK only. For institutions incorporated in Hong Kong, the amount reported should be equal to or less than the sum of the principal amounts for items 1, 3 and 9 in Table 10 (Standardized), Table 14 (BSC) and Table 20 (IRB) of the Banking (Capital) Rules.

Guideline on loan classification system

1. This guideline sets out the loan classification framework adopted by the Hong Kong Monetary Authority (“HKMA”) for monitoring the asset quality and provisioning adequacy of authorized institutions.

Background

2. The purpose of a loan classification system is to enable institutions to prudently value loans and to act as a guide to appropriate provisions. The HKMA’s 5-grade loan classification framework was first introduced in 1994 and has been regularly updated since the first issue. The framework covers loans and advances and other types of on- and off-balance sheet exposures, including balances due from banks, investment debt securities, acceptances and bills of exchange held, accrued interest receivable and commitments and contingent liabilities.

The loan classification framework

3. Under the HKMA’s loan classification system, loans and advances are to be classified into the following categories: Pass, Special Mention, Substandard, Doubtful, and Loss. Loans in the substandard, doubtful and loss categories are collectively known as “classified loans”. Classified loans together with loans in the special mention category are collectively referred to as “criticised loans”. The definition and characteristics of each of the categories are given below. In general, the decision to classify loans should be largely judgmental based on assessment of the borrower’s capacity to repay and on the degree of doubt about the collectibility of the principal or interest of a loan. An important indicator of collectibility is the period that payments of interest and principal are overdue. Thus, loans on which payments of interest and/or principal are overdue for more than three months and six months should generally be classified at least as substandard and doubtful respectively, unless there are good reasons for a better classification (such as the fact that the loan is fully secured by good quality collateral). However, the existence of payment arrears is only one of a number of factors to be considered in classifying problem loans and even a loan which is current or overdue for less than three months may justify a rating of substandard or doubtful if there are reasons to doubt the borrower’s ability to continue to service the loan.

- **Pass**

This refers to loans where borrowers are current in meeting commitments and full repayment of interest and principal is not in doubt.

- **Special Mention**

This refers to loans where borrowers are experiencing difficulties which may threaten the institution's position. Ultimate loss is not identified at this stage but could occur if adverse conditions persist. These loans exhibit one or more of the following characteristics:

- a) early signs of liquidity problems such as delay in servicing loans;
- b) inadequate loan information such as annual audited financial statements not obtained or available;
- c) the condition of and control over collateral is questionable;
- d) failure to obtain proper documentation or non-cooperation by the borrower or difficulty in keeping contact with him;
- e) slowdown in business or adverse trend in the borrower's operations that signals a potential weakness in the financial strength of the borrower but which has not reached a point where servicing of the loan is jeopardised;
- f) volatility in economic or market conditions which may in the future affect the borrower negatively;
- g) poor performance in the industry in which the borrower operates;
- h) the borrower or in the case of corporate borrowers, a key executive, is in ill health;
- i) borrower is the subject of litigation which may have a significant impact on his financial position; and/or
- j) even if the loan in question is current, the borrower is having difficulty in servicing other loans (either from the institution concerned or from other institutions).

- **Substandard**

This refers to loans where borrowers are displaying a definable weakness that is likely to jeopardise repayment. The institution is relying heavily on available security. This would include loans where some loss of principal or interest is possible after taking account of the “net realisable value” of security, and rescheduled loans* where concessions have been made to a customer on interest or principal such as to render the loan "non-commercial" to the bank.

These loans exhibit one or more of the following characteristics:

- a) repayment of principal and/or interest has been overdue* for more than three months and the net realisable value of security is insufficient to cover the payment of principal and accrued interest;
- b) even where principal and accrued interest are fully secured, a "substandard" classification will usually be justified where repayment of principal and/or interest is overdue* for more than 12 months;
- c) in the case of unsecured or partially secured loans, a “substandard” classification may also be justified, even if the overdue period is less than three months, where other significant deficiencies are present which threaten the borrower’s business, cash flow and payment capability. These include:
 - credit history or performance record is not satisfactory;
 - labour disputes or unresolved management problems which may affect the business, production or profitability of the borrower;
 - increased borrowings not in proportion with the borrower's business;
 - the borrower experiencing difficulties in repaying obligations to other creditors;
 - construction delays or other unplanned adverse events resulting in cost overruns that may require loan restructuring; and/ or
 - unemployment of an individual borrower.

* Guidelines in relation to overdue and rescheduled loans are set out in Appendix 2.1.

- **Doubtful**

This refers to loans where collection in full is improbable and the institution expects to sustain a loss of principal and/or interest after taking account of the net realisable value of security. Doubtful loans exhibit one or more of the following characteristics:

- a) repayment of principal and/or interest has been overdue for more than six months and the net realisable value of security is insufficient to cover the payment of principal and accrued interest; and/or
- b) in the case of unsecured or partially secured loans, a shorter overdue period may also justify a “doubtful” classification if other serious deficiencies, such as default, death, bankruptcy or liquidation of the borrower, are detected or if the borrower’s whereabouts are unknown.

- **Loss**

This refers to loans which are considered uncollectible after exhausting all collection efforts such as realisation of collateral, institution of legal proceedings, etc.

4. Individual loans should not be split between categories. This means, where only part of a loan has become overdue, the total loan outstanding should be considered as overdue and classified under the most appropriate category.
5. Although references are made to “loans” in this guideline, the classification criteria are also applicable to exposures arising from:
 - balances due from banks;
 - investment debt securities;
 - acceptances and bills of exchange held; and
 - credit commitments and contingent liabilities.
6. Debt securities include certificates of deposit, floating rate notes, commercial paper and other negotiable debt instruments. These securities carry credit risk and should be included in the institution’s loan classification system. A decline in the market value of a security simply due to interest rate fluctuations is not a basis for adverse classification. Classification of investment debt securities is based on credit risk. However, debt securities which are measured at fair value through profit or loss under HKFRS 9 or equivalent accounting standards are not required to be included in the loan classification system.
7. The ultimate and conclusive test of investment quality is the actual credit soundness of the issuers. The principles underlying analysis of the credit soundness of issuers are essentially the same as those applicable to loan analysis. However, debt

securities for which payments are in default should generally be classified as “doubtful”. Institutions should maintain adequate records in support of their investment decisions and current credit information relating to the securities.

8. Many debt securities are rated by credit rating agencies (e.g. S&P’s and Moody’s). In such cases, the ratings assigned by the agencies will be useful guides for institutions to classify debt securities. This, however, should not replace the institution’s own judgement on the credit soundness of the issuers.
9. In classifying acceptances and bills of exchange held, references to "borrower" as in the case of loans and advances should normally apply to the party who is expected to pay the bill (i.e. the acceptor or the drawee). However, they may also apply to the customer of the institution from whom the institution has purchased the bill on a recourse basis. The classification should generally be based on whether or not the bill is current except where the institution has doubt about the relevant payment or the financial condition of the parties involved. Accordingly, a bill which is overdue should at least be classified as “special mention”. A bill which has been overdue for more than 3 months should at least be classified as “substandard”.

Multiple extensions of credit to one borrower and loans to related companies

10. The classification of individual loans should be based in the first instance on an assessment of the repayment capacity of the borrower. However, even if one or more loans to the same borrower have been classified in a particular category, this does not necessarily mean that all other outstanding loans to that borrower or to other related companies should be treated in the same manner. In particular, whether individual loans should be treated separately or collectively for classification purposes will depend on how they are collateralised or guaranteed. If it is clear that there is sufficient security dedicated to a particular loan to cover payments of principal and interest on that loan, it need not be classified in the same way as other loans to the same borrower which are not similarly secured. It will however usually be appropriate to classify the loan as at least “special mention” to reflect the known financial difficulties of the borrower. Where a number of loans are supported by a pool of collateral or are cross-collateralised, they should all be classified in the same category.

Value of security

11. For the purposes of the HKMA’s loan classification system, security refers to (i) tangible assets such as cash, properties and securities and (ii) guarantees issued by a central government or central bank of a country without payment difficulties, an authorized institution or an overseas bank which is under adequate supervision. The value of tangible security means its net realisable value, being the current market value of the security less any realisation costs. Market value should be measured on the basis of up-to-date valuation and is defined in terms of the price at which an asset might be sold at the valuation date assuming:
 - a) a willing buyer and seller;

- b) transaction is at arm's length;
- c) a reasonable period has been allowed for the sale; and
- d) the asset is freely exposed to the market.

Loan loss provisioning¹

12. Loan loss provisions should be established and maintained at a level that is adequate to absorb estimated inherent losses in the institution's loan portfolio, binding commitments and contingent liabilities. In general, provisions established to absorb unidentified losses inherent in an institution's loan portfolio are referred to as general provisions, and provisions established to absorb losses identified for specific loans are referred to as specific provisions. Country risk provisions generally refer to provisions set aside by authorized institutions to absorb potential losses arising from their country risk exposures. If institutions reflect country risk in provisions earmarked against their aggregate exposures to a particular country after accounting for risk transfers and specific provision made against credit risk (i.e. on a country basis), such provision should be referred to as country risk provisions. If institutions do not separately set aside country risk provisions but factor in an element of provision for country risk into specific provisioning for each individual exposure (i.e. on an individual obligor basis), such provision should be referred to as "specific provisions".
13. Every authorized institution should have a system for the establishment of adequate provisions. There is not a single method that is suitable for all institutions. However, provisioning decisions should be based primarily on an assessment of the recoverability of individual loans or portfolios of loans with similar characteristics (such as credit card receivables). Therefore, recognising problem loans is a necessary step and an effective loan classification system is essential for the establishment of an adequate level of provisions. The level of specific provisions in respect of a particular loan should normally be related to its loan classification, with higher provisions being required when loans are downgraded into a lower category (e.g. from substandard to doubtful). Specific provisions should normally be made

¹ The recommendations in this section also apply to other assets to which the loan classification framework applies (see paragraph 5 above).

as soon as a loan is classified as substandard, unless there are good reasons to the contrary. Provisions against substandard loans may not be necessary where the policy of the institution is to classify loans promptly as doubtful and to provision accordingly.

Implementation

14. The HKMA expects every institution to have a formal loan classification system in place for internal monitoring of its asset quality. Institutions whose internal systems are different from that of the HKMA are required to agree with the HKMA the methodology for mapping their system onto the HKMA's system for the purposes of reporting the Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A).

Hong Kong Monetary Authority
January 2018

Guidelines on overdue and rescheduled assets

1. This paper sets out the criteria which are to be applied in determining overdue and rescheduled assets for the purposes of classification under the loan classification framework and for reporting in the Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A).

Overdue assets

2. The overdue status of the following assets are to be determined as follows:-
 - a) Loans with a specific expiry date (e.g. a term loan, inward bill loan, advance against trust receipt, packing loan and other loans of similar nature) - these loans should be treated as overdue where the principal or interest is overdue and remains unpaid as at the reporting date. (For multiple loans to a single borrower, e.g. where there are more than one trust receipt loans, report only the one overdue according to its overdue period.)
 - b) Consumer loans repayable by regular instalments (e.g. residential mortgage loans, hire purchase loans and personal loans) - these loans should be treated as overdue when an instalment payment is overdue and remains unpaid as at the reporting date.
 - c) Loans repayable on demand (e.g. demand loans and overdrafts) - these loans should be treated as overdue where one or both of the following conditions are met:
 - i) a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction; or
 - ii) the loan has remained continuously outside the approved limit that was advised to the borrower for more than the period in question (e.g. three months or six months).
 - d) Bankers acceptances are to be treated as overdue where either the principal or interest of the instruments are still in arrears after the due dates or maturity dates.
 - e) A bill payable at a determinable date (i.e. usance bill) should be treated as overdue if it remains in arrears after the maturity date. Sight bills/drafts in respect of goods exported from Hong Kong should normally be paid within

one week from the date of presentation (or the arrival of carrying vessel if the buyer is not obliged to pay before the arrival of goods). However, to allow for unforeseeable delays in processing the documents or effecting payments, a grace period of one month will be allowed. These bills should therefore be regarded as overdue if payment is not made within one month after presentation or the arrival of carrying vessel, as the case may be.

3. The period of overdue of a loan which has a determinable due date should commence from the date following such due date. The whole amount of a loan is regarded as overdue even if part of it is not yet due and assessment should be made by reference to the earliest due date of such a loan. For example, if the longest overdue instalment of a loan repayable by monthly instalments has been overdue for six months as at the reporting date, the entire amount of the loan should be considered as overdue for six months.
4. Where partial repayment of an overdue loan repayable by monthly instalments is made, to the extent that it is not financed by a new loan extended by the reporting institution for the purpose of repaying the overdue loan, the repayment should be offset against the earliest instalments due. In the previous example, if the borrower makes a partial repayment reducing the longest overdue instalment to five months, the entire loan may be considered as overdue for five months.
5. If an overdue loan is scheduled to be repaid by a lump sum payment, a partial repayment will not change the overdue status of the remaining loan balance, i.e. the outstanding balance should continue to be treated as overdue with reference to the original due date.
6. An institution should not extend a new loan to a borrower solely for the purpose of repaying an existing overdue loan with the institution. Where the repayment whether partial or whole is financed by a new loan extended by the institution, the overdue status of the initial loan should be considered as unchanged, i.e. as if the new loan and partial repayment had never been made.
7. It is recognised that institutions may decide to increase overdraft limits (or limits of similar facilities) to accommodate the increased financing needs of sound customers. In such cases, the loan would not be regarded as overdue under paragraph 2(c)(ii) above. However, this should only be done on the basis of a well-documented credit evaluation and after the appropriate internal approval have been obtained. An increase in the overdraft limit should not be sanctioned simply to avoid classifying the loan as overdue.

Rescheduled assets

8. Rescheduled assets refer to loans and other assets that have been restructured and renegotiated between the reporting institution and the borrower because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are 'non-commercial' to the bank. A rescheduled asset will normally require an adverse classification under the loan classification system (i.e. substandard or doubtful).
9. The following assets are not regarded as rescheduled even if their repayment terms have been revised:
 - a) Assets rescheduled in response to the changes in market conditions provided that at the time of rescheduling, the assets have been serviced normally, the ability of borrowers to service the assets according to the revised repayment terms is not in doubt and the rescheduled assets are priced at interest rates equal to the current market interest rates for new assets with similar risks.
 - b) Rescheduled assets whose revised repayment terms are, or become, commercial to the institution and where there is reasonable assurance that the borrowers will be able to service all future principal and interest payments on the assets in accordance with the revised repayment terms and the borrowers have serviced all principal and interest payments on the assets in accordance with the revised repayment terms continuously for a reasonable period. The reasonable period of continuing repayments for rescheduled assets with monthly payments (including both interest and principal) is 6 months. For other rescheduled assets, a period of continuing repayment of 12 months would be considered as reasonable.
10. If a rescheduled asset is taken up by a new obligor, the reporting institution may regard it as a new asset (i.e. no longer a rescheduled asset) and classify it according to the creditworthiness of the new obligor provided that:
 - a) it is restructured with the new obligor on commercial terms;
 - b) the agreed haircut, if any, has been fully written off upon completion of restructuring; and
 - c) it is a genuine restructuring and not merely a transfer of an overdue loan among the borrower's group companies. The reporting institution must be satisfied with the creditworthiness and repayment ability of the new obligor (e.g. the new obligor must have sufficient assets that can generate adequate funds to repay the outstanding debt) before entering into the restructuring.

11. A rescheduled asset may be upgraded to “special mention” if : i) the agreed haircut has been fully written off and all the potential losses have been fully provided upon completion of restructuring; and ii) the reporting institution is satisfied that the borrower will be able to service all future principal and interest payments in accordance with the revised repayment terms. Such asset will however continue to be regarded as rescheduled until the borrowers have serviced all principal and interest payments on the assets in accordance with the revised repayment terms continuously for a reasonable period (see paragraph 9 above).

Hong Kong Monetary Authority

January 2018

Completion Instructions

Return of Foreign Currency Position Form MA(BS)6

Introduction

This return collects information on authorized institutions' foreign currency positions (including options) as at the last calendar day of each month and the exception reports during the month. The information will form the basis of the supervision of institutions' foreign exchange risk.

Section A : General Instructions

1. This form consists of three parts. Parts I and III are for completion by all institutions except that overseas incorporated institutions need not complete columns 7 to 10 of Part I. Part II is for completion only by institutions which have option transactions giving rise to foreign currency exposures. It should be submitted not later than 21 days after the end of each month. If the submission deadline falls on a public holiday, it will be deferred to the next working day.
2. In compiling this return, all foreign currency amounts should be translated into HK\$ equivalents by using the middle market T/T rates ruling at the close of business on the reporting date.
3. Authorized institutions should follow the Hong Kong Monetary Authority ("HKMA") guidelines on their overnight open positions in a single currency and in all currencies taken together (i.e. the aggregate overnight open position). For details, please refer to the HKMA's supervisory policy manual ("SPM") TA-2 "Foreign Exchange Risk Management" or other applicable HKMA's guidelines.
4. The aggregate overnight open position means:
 - (a) in the case of an institution which has not written any option transactions giving rise to foreign currency exposures - the amount of "Adjusted sum of net long/short positions" reported in column 5 of Part I (for institutions incorporated outside Hong Kong) or column 9 of Part I (for institutions incorporated in Hong Kong); and
 - (b) in the case of an institution involved in the writing of option transactions giving rise to foreign currency exposures - the amount of "Adjusted sum of net long/short positions" reported in column 13 of Part II.

5. Institutions should apply consistent policies in compiling the returns. Any change in policies (i.e. different to those used in previous returns) should be notified to the Monetary Authority in a covering note accompanying the return.
6. For the purposes of this return, gold is regarded as one of the foreign currencies, but other precious metals and commodities are not. ~~For positions in the Euro and the national currencies of the Euro participating countries, (which now include Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain), institutions should report all the positions under “Euro (EUR)”. All the long positions in the Euro and the Euro participating currencies shall be aggregated in arriving at the long position in the Euro. Similarly, the same shall apply in arriving at the short position in the Euro.~~
7. Specific provisions and general provisions mentioned in this completion instruction should follow the definitions of specific provisions and collective provisions defined in section 2(1) of the Banking (Capital) Rules respectively. The categorisation of accounting provisions into specific provisions or general provisions follows the treatment adopted in MA(BS)3.

Section B : Specific Instructions

Part I - Foreign Currency Position (excluding options)

8. This part reports the open positions of the reporting institution in each individual currency as at the end of the reporting month. Foreign currency exposures arising from option transactions are excluded from this Part.
9. Columns 1 to 6 should be completed by all institutions, whether incorporated in Hong Kong or not.
10. Columns 7 to 10 should be completed by locally incorporated institutions only. For institutions which have no overseas branches and subsidiaries, column 9 will be the same as column 5.
11. **Spot transactions** (Columns 1 and 2)
 - Columns 1 and 2 record all foreign currency assets and liabilities except structural positions and unmatured spot contracts (All unmatured spot and forward securities transactions and all matured but unsettled spot or forward transactions should however be reported here. An exception is given to matured but unsettled contracts under FX margin trading. These contracts are regarded as forward contracts.). Capital and reserves, including balances in the profit and loss account and general provisions, should be reported as liabilities in the base currency of the reporting institution or in the currency in which the capital is denominated. Other provisions should be reported in the currency of the underlying assets.
 - While fixed assets should be reported net of depreciation, all other assets and liabilities should be reported on gross basis. For example, the gross amount of

a foreign currency loan, instead of the net amount after provisions set aside for it, should be reported in column 1.

12. Forward transactions (Columns 3 and 4)

- Columns 3 and 4 record unmatured spot and forward transactions. They include matured but unsettled contracts under FX margin trading. An exception is provided for securities transactions where trade date approach is adopted. Under this approach the unmatured spot and forward purchases or sales of securities are reported as 'spot transactions'.
- Show the gross figures of all unmatured spot and forward transactions, including undelivered "spot", and "forward" legs of swaps.
- Forward purchases and forward sales include all receivables and payables of principal and/or interest under any foreign currency related contracts. Such contracts should include but are not limited to the following:
 - unmatured spot and forward foreign exchange contracts
 - foreign currency futures contracts (the gross or nominal amounts of the contracts should be reported)
 - foreign currency interest rate futures contracts (the unrealized profits or losses should be reported)
 - foreign currency interest rate swap contracts (interest receivable and payable according to the best estimate at the reporting date should be reported)
 - forward rate agreements (the best estimated net settlements should be reported)
 - where a security is sold subject to a repurchase agreement, the terms of which transfer substantially all risks and rewards of ownership to the buyer (and the transaction is separately accounted for as an outright sale plus a commitment to repurchase), the security sold under such an agreement should not be reported in the return. The commitment to repurchase should be reported as a forward purchase of the security. Where the price for the commitment to repurchase has not been determined, the fair value (i.e. current market price) as of the reporting date should be used.
 - where a security is purchased subject to a resale agreement, the terms of which transfer substantially all risks and rewards of ownership to the reporting institution (and the transaction is separately accounted for as an outright purchase plus a commitment to sell back), the security purchased under such an agreement should be reported as an asset and the commitment to sell back should be reported as a forward sale of the security. Where the price for the commitment to sell back has not

been determined, the fair value (i.e. current market price) as of the reporting date should be used.

13. Net long (short) position (Columns 5, 7, 8 and 9)

- Enter in the relevant boxes in columns 5 and 9 the net long (short) positions in individual currencies.
- Enter in columns 7 and 8 the net long (short) positions in individual currencies of the reporting institution's overseas branches and subsidiaries. Do not offset intra group transactions.
- The Hong Kong dollars positions in columns 5 and 9 are balancing figures to bring the total of all net long positions the same as the total of all net short positions. In other words, they should equal and opposite to the net open positions of all other currencies in the boxes above them.

14. Sum of net long/short positions (Columns 5 and 9)

- Enter in the relevant boxes in columns 5 and 9 the sum of either the net long or the net short positions in individual currencies, including the Hong Kong dollars.
- The sum of the net short positions should be the same as the sum of the net long positions.
- Do not put any positive or negative sign to amounts in these boxes.

15. USD/HKD Position (Columns 5 and 9)

- Enter in the relevant boxes in columns 5 and 9 the positions in USD against HKD, which should be computed as follows:
 - If the net open positions in USD and HKD as reported in the same column are of the same sign (e.g. both are short), report a 'zero' in this box.
 - If the net open positions in USD and HKD as reported in the same column are of the opposite sign (e.g. short in USD and long in HKD or vice versa), report the smaller of the two positions in this box, ignoring the sign.
- Do not put any positive or negative sign to amounts in these boxes.

16. Adjusted sum of net long/short positions (Columns 5 and 9)

- The adjusted sum of net long/short positions is calculated as the "sum of net long/short positions" less the "USD/HKD position".
- For institutions which do not write any option transactions that give rise to foreign currency exposures, this net open position should be within the guidelines agreed with the HKMA.

17. Structural assets (liabilities) (Columns 6 and 10)

- Please read carefully section 2.1 of the HKMA's SPM TA-2 “Foreign Exchange Risk Management”.
- Report in column 6 any structural position on the institution's books in Hong Kong. Report in column 10 the institution's aggregate structural position i.e. the position reported in column 6 and those structural positions of the reporting institution's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange trading.
- AIs’ definitions of their structural positions and management of these positions are subject to review by the HKMA (section 2.1.4 of SPM TA-2). Examples of structural assets or liabilities include:
 - investments in fixed assets and premises, net of depreciation charges;
 - capital and statutory reserves of overseas branches;
 - investments in overseas subsidiaries and related companies;
 - loan capital, e.g. perpetual subordinated debts.

Part II - Foreign Currency Position (Including Options)

18. Part II reports the open foreign currency positions of an institution (including positions of its overseas branches and subsidiaries in the case of a locally incorporated institution) arising from option transactions.

Section A - columns 11 to 13

19. Net long (short) position (column 11)

Column 11 is the same as column 5 of Part I (for overseas incorporated institutions) or column 9 of Part I (for locally incorporated institutions).

20. Adjusted options position (column 12)

Enter in column 12 the adjusted value of options held and written (including options involving a HK\$ leg) using the delta equivalent approach ~~(as in reporting the Return of Interest Rate Risk Exposures, Form MA(BS)12)~~. Any cover taken on option positions in the cash market should be included in Part I of this return.

An institution purchasing options to a limited extent for the purposes of hedging may report only those option contracts which are in-the-money. Instead of reporting their delta equivalent values, it may report the notional value of the option contracts.

21. Net long (short) position including options (column 13)

- Column 13 is the sum of columns 11 and 12.
- The "HKD position", "Sum of net long/short positions", "USD/HKD position" and "Adjusted sum of net long/short positions" should be computed in the same way as those described for columns 5 and 9 of Part I.
- The "adjusted sum of net long/short positions" gives the institution's overall net open position, including those arising from options, which should be kept within the guidelines agreed with the HKMA.

Section B - columns 14 to 17

22. The information sought under columns 14 to 17 is required for statistical purposes only and is not intended to be used to assess an institution's foreign currency positions.

23. Options written - Potential purchases (column 14) and Potential sales (column 15)

Enter in column 14 (column 15) the gross amount of each currency, including HK\$, that the reporting institution may be required to purchase or sell under options written. The gross amount includes back-to-back options held and dealings with branches or Head Office.

24. Options held - Potential purchases (column 16) and Potential sales (column 17)

Enter in column 16 (column 17) the gross amount of each currency, including HK\$, that the reporting institution may purchase or sell through the exercise of option transactions giving rise to foreign currency exposures held. The gross amount includes back-to-back options held and dealings with branches or Head Office.

Part III - Exception Reports

25. This Part should be reported as "nil" if the institution has operated within the guidelines (both on individual currency positions and on the aggregate overnight open position) agreed with the HKMA throughout the reporting month.

26. Any breach of the guidelines should be reported in this Part in a chronological order starting from the first blank column on the left hand side of the table. Only the positions that exceed limits need to be reported.

Monthly Return of Renminbi (RMB) Business Activities For Position of the Hong Kong Office(s) of an Authorized Institution

Completion Instructions

Introduction

1. This return collects information on RMB activities engaged by AIs as well as their RMB positions incurred in Hong Kong offices. In other words, RMB positions of AIs' branches located outside Hong Kong or their subsidiary banks incorporated outside Hong Kong should not be reported in this return.
2. For the purpose of this return, Participating AIs refers to AIs that have signed the clearing and settlement agreement with the RMB Clearing Bank in Hong Kong or AIs that have signed correspondent banking agreements with one or more Mainland Correspondent Banks for conducting RMB business. All AIs can provide RMB services to customers by signing up the relevant agreements with the RMB Clearing Bank in Hong Kong and/or Mainland Correspondent Banks as Participating AIs.

Section A: General Instructions

3. This return begins with the Standing Information, which enquires the reporting institution's status as a Participating AI. Following this part is the RMB balance sheet of the reporting institution (i.e. Part A) and detailed information on major RMB activities and positions of the reporting institution (Parts B to G). These activities and positions include money exchange, cross-border remittances, asset quality with details on the performance of credit card receivables, current account activities, and sales and purchases of negotiable debt instruments.
4. All AIs should complete all parts of this return unless otherwise specified.
5. Information reported in this return should be the outstanding position as at the last calendar day of the reporting month or the turnover position for the reporting month as the case may be.
6. RMB transactions embedded in activities or products involving other currencies should also be reported in this return. An example of this type of transaction is RMB conversion and cross-border remittance or local fund transfer conducted directly through a US dollar account.
7. Submission of this return should be made via STET not later than 21 days after the end of each calendar month. If the submission deadline falls on a public holiday, it will be deferred to the next working day.

8. Unless otherwise specified, amounts should be shown to the nearest thousands in RMB, or RMB equivalent in the case of amounts converted from HK\$ or other currencies.

Section B: Specific Instructions

Standing Information

9. All AIs are required to indicate under questions 1 and 2 whether they have entered into the relevant agreements with the RMB Clearing Bank in Hong Kong and Mainland Correspondent Banks for conducting RMB business.

Part A Balance Sheet

10. The reporting requirement for RMB balance sheet basically follows the Return of Assets and Liabilities MA(BS)1.
11. Report book value of the gross (i.e. not net) position on an accrual basis except where otherwise stated. However, if the accrued interest has been credited to the interest in suspense account¹ instead of the profit and loss account, it should be netted off against the corresponding accounts in suspense whether or not it has been capitalised.
12. Securities transactions should be reported on a trade date basis. Unmatured spot contracts, forward contracts and foreign exchange margin trading arrangements are regarded as forward transactions and should be reported as off-balance sheet items. Matured but unsettled spot or forward contracts are regarded as spot transactions, which should be reported on the balance sheet.
13. Items 1 and 2 – Deposits from individual and non-individual customers

For reporting purpose, “Hong Kong Residents” refers to Hong Kong identity card holders and “Non-Hong Kong Residents” refers to other individual customers. “Designated Merchants” refers to those “Designated Business Customers” defined in the settlement agreement of the RMB Clearing Bank in Hong Kong.

14. Items 3 and 11 – Amount payable/receivable under sale and repurchase arrangements (“repos”)/reverse repos

¹ Please refer to paragraph 12 of Section A General Instructions of the Completion Instructions of the Return of Assets and Liabilities MA(BS)1 for the reporting requirement of interest in suspense.

The reporting treatments of repos and reverse repos in this return follow those of the Return of Assets and Liabilities MA(BS)1.

15. Items 4 and 12 – Due to banks and Due from banks

Outstanding balance maintained in the Fiduciary Account with the People’s Bank of China through the RMB Clearing Bank in Hong Kong should be reported in item 12.1.

Item 12.2a should reflect the balance of RMB settlement account maintained by the reporting institution with the RMB Clearing Bank in Hong Kong, while item 12.5a should include the aggregate balance of RMB settlement accounts maintained by the reporting institution with Mainland Correspondent Banks.

Due to/from Mainland banks—and other banks outside Hong Kong should be reported according to the location of the banks. Following this reporting treatment, a UK bank’s Mainland branches should be reported as “banks in Mainland China” and the Tokyo branch of a Mainland bank should be reported as “other banks outside Hong Kong”. “Banks in Mainland China” includes positions with banks located in Mainland whether or not they are Mainland Correspondent Banks of the reporting institution.

Due to/from connected AIs or connected banks outside Hong Kong should also be reported as memorandum items although the relevant amounts have already been included in the counterparty breakdown for due to and due from banks under items 4.1 to 4.5 and items 12.1 to 12.6 respectively. Due to/from the reporting AI’s overseas offices should be reported separately. It should not be included in the amount of due to/from connected banks outside Hong Kong.

For the licensed bank appointed as the RMB Clearing Bank in Hong Kong, a separate return has to be submitted in relation to its RMB clearing activities. Therefore, it is not necessary for the RMB Clearing Bank in Hong Kong to include in this return any RMB amounts due to/from Participating AIs arising from its clearing activities. Nevertheless, where the RMB Clearing Bank in Hong Kong is also a Participating AI, it should report in item 4 or 12 as the case may be, any amount arising from its Participating AI operations due to/from the RMB Clearing Bank in Hong Kong as at the end of the reporting period.

16. Items 6 and 15 – RMB negotiable debt instruments (NDIs) issued and outstanding/held

The reporting treatments for these items follow those of the Return of Assets and Liabilities MA(BS)1.

The breakdown of holding of RMB NDIs into “amortised cost”, “fair value through other comprehensive income” and “others” (e.g. at fair value through

profit or loss) should be reported according to the accounting treatments under HKFRS9.

The reporting of memorandum items 15.6, 15.7 and 15.8 should not include bills of exchange receivables reported under item 15.2. Acceptance and bills of exchange denominated in RMB and discounted by the reporting institution in other currencies (e.g. HK\$ or US\$) should be reported under item 15.2.

17. Item 14 – Loans and advances to customers

Outstanding RMB credit card receivables should also be included.

Interest in suspense² should be netted off against the corresponding loan accounts where accrued interest has been capitalised. Do not deduct provisions for problem loans.

18. Item 16 – Investments

Holdings of RMB share capital of entities owned by the reporting institution, excluding those held as collateral for loans and advances, should be reported under “investments in shareholding”. This includes for instance investment in banks incorporated in Mainland China whether they are subsidiary banks of the reporting institution or not and shareholding investments in China UnionPay. Holdings of RMB capital instruments (e.g. perpetual subordinated debts) and unit trusts which are established specifically for investments in shares should also be covered.

Structural position should be reported as “investments in shareholdings”. Reporting institutions should make reference to section 2.1 in module TA-2 Foreign Exchange Risk Management of the Supervisor’s Policy Manual for the definition of structural position.

Report as “other investments” for all investments such as RMB-denominated debentures and other securities not included under item 16.1.

19. Items 7 and 17 – Other liabilities and Other assets

The balancing figure reported in item 7.2 or item 17.2 are the RMB net long position or RMB net short position on the balance sheet as the case may be. As such, reporting institutions should not report balancing figures on both assets and liabilities sides of the RMB balance sheet.

² Refer to footnote 1.

20. Items 9 and 21 – Off-balance sheet items

Positions of derivative contracts should be reported in nominal amount breaking down into forwards, RMB currency futures and “others”.

Deliverable forwards should include all RMB cash flows arising from the reporting institution's outstanding transactions including but not limited to exchange of principals in foreign exchange swap, foreign exchange forward and cross currency interest rate swap agreements.

Derivatives such as options and currency swaps not being reported as forwards and RMB currency futures should be reported as “others”. A reporting institution having long position in RMB put options or short position in RMB call options may have contingent payments in RMB. The institution should therefore include the aggregate contingent payable amount arising from such options in “others” under item 9.1 as off-balance sheet liabilities, being the nominal value of the options. Similarly, the aggregate nominal amount of RMB call options held or RMB put options written by the reporting institution should be included in “others” under item 21.1 as off-balance sheet assets.

Item 9.3 (other commitments) and item 21.3 (other claims) capture the amounts of any binding arrangements which, as the case may be, obligate/entitle the reporting institution to pay/receive RMB funds in the future. Examples of such commitments include irrevocable credit facilities, commitments for RMB bond underwriting, and commitments/claims caused by repos/reverse repos whereas all the risks and rewards of ownership have been transferred substantially to the counterparties.

Part B Money Exchange

21. Report the volume of money exchange activities from RMB into HK\$ or other currencies or vice versa from the customers’ perspective during the reporting month on value date basis according to the breakdown as shown in the return.
22. Outright forwards and forward leg of swap contracts that are not yet delivered need not be covered in this part. They should be reported in this part only upon the actual conversion being done, i.e. in the month of the forward settlement date.
23. Exchange with the RMB Clearing Bank in Hong Kong and Mainland Correspondent Banks for position squaring purpose should be reported as separate items.

24. RMB banknote exchange transactions should be reported as transactions “not through RMB accounts”.

Part C RMB Remittances

25. Report the volume of RMB cross-border remittances conducted during the reporting month according to the required breakdown as shown in the return. Unsuccessful remittance (e.g. remittance rejected by the RMB Clearing Bank in Hong Kong or Mainland Correspondent Banks) need not be reported. However, returned remittances (e.g. remittance accepted and processed by the RMB Clearing Bank in Hong Kong or Mainland Correspondent Banks but subsequently rejected by the receiving bank and routed back to the reporting institution) should be treated as two separate transactions (i.e. one outward remittance and one inward remittance). Local cross-bank fund transfer should not be reported in this part.
26. Remittances for charity purposes should be reported as “by other non-individuals not included in the above items”.

Part D RMB Credit Cards

27. RMB credit cards issued to both individual and corporate customers should be reported.
28. Accounts that fail to pay at least the required minimum payments by due dates should be reported as delinquent accounts. The number and aggregate outstanding balance of these delinquent accounts as at the last calendar day of the reporting month should be reported in this part.

Part E Quality of RMB Assets

29. The reporting criteria for this part basically follow the Return of Loans and Advances and Provisions (MA(BS)2A). Provisions include general provisions and specific provisions.
30. Report the information on the credit quality of RMB assets, including loans and advances to individual and non-individual customers and other assets, with the breakdown as indicated.
31. Other assets are balances due from banks, acceptances and bills of exchange held, investment debt instruments and accrued interest. Balances due from banks refers to placements with authorized institutions in Hong Kong and other banks abroad (excluding overseas head office and branches of the reporting institution).

Part F RMB Current Accounts

32. The aggregate number and value of RMB cheques received from Mainland China and from Participating AIs for clearing should be reported on a gross basis.

Part G RMB Negotiable Debt Instruments

33. The turnover of RMB negotiable debt instruments, including those issued offshore such as in Hong Kong, purchased or sold should be reported in nominal amount on a gross basis regardless whether the transactions were conducted in the primary or secondary markets. Initial issuance of RMB negotiable debt instruments by the reporting institution in the primary market should not be reported.
34. Acceptance, bills of exchange and synthetic negotiable debt instruments (e.g. RMB bonds with settlement in US dollar) should not be included in this part.
35. Repos and reverse repos in nominal amount should be reported separately under item 2 and hence should not be included in the positions reported under item 1.
36. Each repo or reverse repo transaction should be reported once only, i.e. no need to report both the sale and the purchase legs in the same transaction.
37. Below is an example of reporting.

During the reporting period the reporting institution conducted the following RMB NDI transactions:

- (i) In an initial offering, the reporting institution successfully subscribed for RMB bonds worth RMB 100 million for own account and RMB 50 million for customers.
- (ii) For own account, the reporting institution bought RMB bonds worth RMB 40 million from other Participating AIs and RMB 30 million from customers. Subsequently the reporting institution unloaded its position by selling RMB bonds worth RMB 20 million to other Participating AIs and RMB 10 million to customers.
- (iii) On behalf of customers, the reporting institution purchased RMB bonds worth RMB 5 million from other Participating AIs.

- (iv) The reporting institution's customers sold RMB bonds worth RMB 4 million, with (a) 50% (i.e. RMB 2 million) sold to the reporting institution and (b) 50% sold to other Participating AIs through the reporting institution.
- (v) The reporting institution conducted a repo transaction with RMB bonds of RMB 70 million in nominal value as the underlying asset. Separately, the reporting institution conducted a reverse repo transaction with RMB bonds of RMB 60 million in nominal value as the underlying asset.

The above transactions should be reported as follows:

		CNY '000
1.	Total amount of RMB NDIs bought/sold during the month	
1.1	Bought for own account	172,000
	a. Subscribed from RMB NDI Issuers	100,000(i)
	b. Bought from customers	30,000(ii) + 2,000(iv)a
	c. Bought from other Participating AIs	40,000(ii)
	d. Others	0
1.2	Sold for own account	30,000
	a. Sold to customers	10,000(ii)
	b. Sold to other Participating AIs	20,000(ii)
	c. Others	0
1.3	Bought for customers	50,000(i) + 10,000(ii)+5,000(iii)
1.4	Sold for customers	30,000(ii)+2,000(iv)a+ 2,000(iv)b
2.	Total amount of RMB NDI repos and reverse repos during the month	
2.1	Repos	70,000(v)
2.2	Reverse Repos	60,000(v)

Hong Kong Monetary Authority
February 2004

Revised: June 2004
March 2006
June and August 2007
August 2009
September 2010
December 2014
January 2018

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SECRET

LLLLLLL LLL/LLL

Co. No. MM/YY

under the Banking Ordinance

RETURN OF RENMINBI (RMB) BUSINESS ACTIVITIES

For Position of the Hong Kong Office(s) of an Authorized Institution

For the month ended _____(dd/mm/yyyy)
(last day of the month)

Name of Authorized Institution	Date of Submission
--------------------------------	--------------------

The Banking Ordinance

Information requested in this return is required under section 63(2) of the Banking Ordinance. The return should be submitted to the Monetary Authority not later than 21 days after the last day of each calendar month, unless otherwise advised by the Monetary Authority.

Note: This return is to be prepared in accordance with the completion instructions issued by the Monetary Authority.

We certify that this return is, to the best of our knowledge and belief, correct.

Chief Accountant

Chief Executive

Name

Name

Name and telephone number of responsible person who may be contacted by the Monetary Authority in case of any enquiry.

Name

Telephone Number

Standing Information

1. Please state whether your institution has signed the Agreement for Clearing and Settlement of Renminbi Business with the RMB Clearing Bank	Yes / No
2. Please state whether your institution has entered into correspondent banking agreement with any Mainland bank for effecting RMB business (including RMB trade settlement business):	Yes / No
If "Yes", state the name of the Mainland Correspondent Banks below:	
1. Name1	
2. _____ Name2	
3. _____ Name3	
4. _____ Name4	
5. _____ Name5	
6. _____ Name6	
7. _____ Name7	
8. _____ Name8	
9. _____ Name9	
10. _____ Name10	
11. _____ Name11	
12. _____ Name12	
13. _____ Name13	
14. _____ Name14	
15. _____ Name15	
16. _____ Name16	
17. _____ Name17	
18. _____ Name18	
19. _____ Name19	
20. _____ Name20	

A. Balance Sheet as at the last day of the reporting month	No. of Accounts			RMB '000			
<i>Liabilities</i>							
	Current Account Deposits	Savings Deposits	Time Deposits	Current Account Deposits	Savings Deposits	Time Deposits	Total
1. Deposits from individual customers							
1.1 Hong Kong Residents							
1.2 Non-Hong Kong Residents							
2. Deposits from non-individual customers							
2.1 Designated Merchants							
2.2 Other non-individuals located in Hong Kong							
2.3 Other non-individuals located in Mainland China							
2.4 Other non-individuals located in other places							
3. Amount payable under repos							
3.1 Exchange Fund							
3.2 AIs							
3.3 Other counterparties							
4. Due to banks							
4.1 RMB Clearing Bank in Hong Kong							
a. Payable on demand and money at call							
b. Repayable or callable within 1 month, other than (a)							
c. Between 1 and 3 months							
d. Later than 3 months							
4.2 Participating AIs in Hong Kong							
a. Payable on demand and money at call							
b. Repayable or callable within 1 month, other than (a)							
c. Between 1 and 3 months							
d. Later than 3 months							
4.3 Other AIs in Hong Kong							
a. Payable on demand and money at call							
b. Repayable or callable within 1 month, other than (a)							
c. Between 1 and 3 months							
d. Later than 3 months							
4.4 Banks in Mainland China							
a. Payable on demand and money at call							
b. Repayable or callable within 1 month, other than (a)							
c. Between 1 and 3 months							
d. Later than 3 months							
e. Memorandum: Due to overseas offices							
4.5 Other banks outside Hong Kong							
a. Payable on demand and money at call							
b. Repayable or callable within 1 month, other than (a)							
c. Between 1 and 3 months							
d. Later than 3 months							
e. Memorandum: Due to overseas offices							
4.6 Memorandum: Due to connected AIs							
4.7 Memorandum: Due to connected banks outside Hong Kong							
5. Due to Exchange Fund							
5.1 Repayable or callable within 1 month							
5.2 Between 1 and 3 months							
5.3 Later than 3 months							
6. RMB negotiable debt instruments (NDIs) issued and outstanding							
6.1 RMB negotiable certificates of deposit							
6.2 Acceptance and bills of exchange payable							
6.3 Other RMB NDIs							
7. Other liabilities							
7.1 Miscellaneous							
7.2 Balancing figure							
8. Total liabilities							
9. Off-balance sheet items							
9.1 Derivatives positions							
a. Deliverable forwards							
b. Non-deliverable forwards							
c. RMB currency futures							
d. Others							
9.2 Contingent liabilities related to RMB trade finance							
9.3 Other commitments							

A. Balance Sheet as at the last day of the reporting month	No. of Accounts	RMB '000
<i>Assets</i>		
10. RMB cash		
11. Amount receivable under reverse repos		
11.1 Exchange Fund		
11.2 AIs		
11.3 Other counterparties		
12. Due from banks		
12.1 People's Bank of China (Fiduciary Account balances)		
12.2 RMB Clearing Bank in Hong Kong		
a. Payable on demand and money at call		
b. Repayable or callable within 1 month, other than (a)		
c. Between 1 and 3 months		
d. Later than 3 months		
12.3 Participating AIs in Hong Kong		
a. Payable on demand and money at call		
b. Repayable or callable within 1 month, other than (a)		
c. Between 1 and 3 months		
d. Later than 3 months		
12.4 Other AIs in Hong Kong		
a. Payable on demand and money at call		
b. Repayable or callable within 1 month, other than (a)		
c. Between 1 and 3 months		
d. Later than 3 months		
12.5 Banks in Mainland China		
a. Payable on demand and money at call		
b. Repayable or callable within 1 month, other than (a)		
c. Between 1 and 3 months		
d. Later than 3 months		
e. Memorandum: Due from overseas offices		
12.6 Other banks outside Hong Kong		
a. Payable on demand and money at call		
b. Repayable or callable within 1 month, other than (a)		
c. Between 1 and 3 months		
d. Later than 3 months		
e. Memorandum: Due from overseas offices		
12.7 Memorandum: Due from connected AIs		
12.8 Memorandum: Due from connected banks outside Hong Kong		
13. Due from Exchange Fund		
13.1 Repayable or callable within 1 month		
13.2 Between 1 and 3 months		
13.3 Later than 3 months		
14. Loans and advances to customers		
14.1 Loans and advances to individuals		
a. for use in Hong Kong		
b. for use in Mainland China		
c. for use in other places		
d. where the place of use is not known		
14.2 Loans and advances to non-individuals		
a. trade finance		
b. for use in Hong Kong		
c. for use in Mainland China		
d. for use in other places		
e. where the place of use is not known		
15. RMB negotiable debt instruments (NDIs) held		
15.1 RMB negotiable certificates of deposit		
15.2 Acceptance and bills of exchange receivable		
15.3 Commercial paper		
15.4 Government bills, notes and bonds		
15.5 Other RMB NDIs		
15.6 Memorandum: Holding of RMB NDIs		
a. Amortised cost Held-to-maturity		
b. Fair value through other comprehensive income Available-for-sale		
c. Others		
15.7 Memorandum: Holding of RMB NDIs issued in Mainland China		
15.8 Memorandum: Holding of RMB NDIs issued in Hong Kong		
16. Investments		
16.1 Investments in shareholdings		
16.2 Other investments		
16.3 Memorandum: Investments in Mainland China		
17. Other assets		
17.1 Miscellaneous		
17.2 Balancing figure		
18. Total assets		
19. Less: provisions		
20. Total assets less provisions		
21. Off-balance sheet items		
21.1 Derivatives positions		
a. Deliverable forwards		
b. Non-deliverable forwards		
c. RMB currency futures		
d. Others		
21.2 Contingent claims related to RMB trade finance		
21.3 Other claims		

B. Money Exchange

Volume of transactions during the reporting month	No. of counts	RMB '000
1. From RMB into HK\$ and other currencies by customers		
1.1 with individuals conducted through RMB accounts		
a. with Hong Kong residents		
b. with non-Hong Kong residents		
1.2 with individuals not through RMB accounts		
1.3 with Designated Merchants		
1.4 with other AIs		
a. with the RMB Clearing Bank in Hong Kong		
1.5 with banks outside Hong Kong		
a. with Mainland Correspondent Banks for position squaring purpose		
1.6 with other non-individuals for trade settlement purposes		
1.7 with other non-individuals not included in the above items		
2. From HK\$ and other currencies into RMB by customers		
2.1 with individuals conducted through RMB accounts		
a. with Hong Kong residents		
b. with non-Hong Kong residents		
2.2 with individuals not through RMB accounts		
2.3 with other AIs		
a. with the RMB Clearing Bank in Hong Kong		
2.4 with banks outside Hong Kong		
a. with Mainland Correspondent Banks for position squaring purpose		
2.5 with other non-individuals for trade settlement purposes		
2.6 with other non-individuals not included in the above items		

C. RMB Remittances

Volume of transactions during the reporting month	No. of counts	RMB '000
1. Outward remittances to the Mainland		
1.1 by individuals		
a. Hong Kong residents		
b. non-Hong Kong residents		
1.2 by RMB bond issuers or their payment agents		
1.3 by non-individuals for trade settlement purposes		
1.4 by other AIs		
1.5 by banks outside Hong Kong		
1.6 for the reporting AI's own account		
1.7 by non-individuals not included in the above items		
1.8 Memorandum: all remittances reported above		
a. through RMB Clearing Bank in Hong Kong		
b. through Mainland Correspondent Banks		
1.9 Memorandum: all remittances for trade settlement purposes reported above		
a. through RMB Clearing Bank in Hong Kong		
b. through Mainland Correspondent Banks		
2. Inward remittances from the Mainland		
2.1 to individuals		
a. Hong Kong residents		
b. non-Hong Kong residents		
2.2 to RMB bond issuers or their payment agents		
2.3 to non-individuals for trade settlement purposes		
2.4 to other AIs		
2.5 to banks outside Hong Kong		
2.6 for the reporting AI's own account		
2.7 by non-individuals not included in the above items		
2.8 Memorandum: all remittances reported above		
a. through RMB Clearing Bank in Hong Kong		
b. through Mainland Correspondent Banks		
2.9 Memorandum: all remittances for trade settlement purposes reported above		
a. through RMB Clearing Bank in Hong Kong		
b. through Mainland Correspondent Banks		
3. Outward remittances to places outside the Mainland		
4. Inward remittances from places outside the Mainland		
5. Remittances between places not reported in the above items		

D. RMB Credit Cards

	No. of cards	RMB '000
1. Total no. of credit cards and outstanding receivables at the end of the reporting month		
2. Delinquent accounts		
2.1 overdue for 1 - 30 days		
2.2 overdue for 31 - 60 days		
2.3 overdue for 61 - 90 days		
2.4 overdue for over 90 days		
3. Charge-off for the reporting month		

E. Quality of RMB Assets

	Loans and advances to non-individuals	Loans and advances to individuals	Other assets	Provisions Individual impairment allowance
Outstanding balance at the end of the reporting month	RMB '000	RMB '000	RMB '000	RMB '000
1. Asset quality classification				
1.1 Pass				
1.2 Special Mention				
1.3 Substandard				
1.4 Doubtful				
1.5 Loss				
1.6 Total				
2. Overdue assets				
2.1 overdue for more than 1 month and up to 3 months				
2.2 overdue for more than 3 months and up to 6 months				
2.3 overdue for more than 6 months and up to 1 year				
2.4 overdue for more than 1 year				
2.5 Total overdue assets				
3. Rescheduled assets				

F. RMB Current Accounts

	Number	RMB '000
1. Aggregate number and value of RMB cheques received for clearing from Mainland China during the reporting month		
2. Aggregate number and value of RMB cheques received from Participating AIs in Hong Kong for clearing during the reporting month		
2.1 issued by individuals		
2.2 issued by non-individuals		
3. Number of days during the reporting month on which the aggregate amount of RMB cheques received for clearing from Mainland China in respect of any RMB current account of individuals exceeded RMB80,000		
3.1 The largest number of accounts involved in each of these days		

G. RMB Negotiable Debt Instruments

	NDIs issued in Hong Kong	Total NDIs
	RMB '000	RMB '000
1. Total amount of RMB NDIs bought / sold during the reporting month		
1.1 Bought for own account		
a. subscribed from RMB NDI Issuers		
b. bought from customers		
c. bought from other Participating AIs		
d. Others		
1.2 Sold for own account		
a. sold to customers		
b. sold to other Participating AIs		
c. Others		
1.3 Bought for customers		
1.4 Sold for customers		
2. Total amount of RMB NDI repos and reverse repos during the reporting month		
2.1 Repos		
2.2 Reverse Repos		

**Quarterly Return of Mainland Activities
For Position of the Hong Kong Office(s), Mainland Branch(es)
and Mainland Subsidiary Bank(s)
of an Authorized Institution**

Completion Instructions

Introduction

1. This statutory return collects information on the Mainland-related business activities of authorized institutions and their Mainland bank subsidiaries. The scope of reporting covers activities booked in the Hong Kong office(s), Mainland branch(es) and subsidiary bank(s) in Mainland China.

General instructions

2. This return is divided into 8 parts and reporting institutions should complete all parts.
 - Part 1. Abridged balance sheet for position of the subsidiary bank(s) in Mainland China
 - Part 2. Current year's profit and loss account for position of the subsidiary bank(s) in Mainland China
 - Part 3. Type and counterparty breakdown of non-bank Mainland China exposures
 - Part 4. Geographical breakdown of non-bank Mainland China exposures
 - Part 5. Economic sector breakdown of non-bank Mainland China exposures
 - Part 6. Classification of Mainland-related loans and advances
 - Part 7. Ten largest non-bank Mainland China exposures
 - Part 8. Risk mitigation breakdown of selected non-bank Mainland China exposures
3. Reporting institutions should submit this return via STET not later than 6 weeks after the end of March, June, September and December each year. If the submission deadline falls on a public holiday, it will be deferred to the next working day.
4. Report the position as at the last calendar day of the reporting period except for the current year's profit and loss account of subsidiary bank(s) in Mainland China, which should cover the position from the first calendar day of the reporting bank's financial year to the last calendar day of the current reporting period.
5. Amounts should be reported to the nearest thousand in HK\$ or HK\$ equivalent. The closing middle market T/T rates should be used for conversion purposes.

6. As stipulated in our guidance note “Review on Impact of the New Hong Kong Accounting Standards on Authorized Institutions’ Capital Base and Regulatory Reporting” issued to all AIs on 12 April 2005, locally incorporated AIs and overseas-incorporated AIs whose head offices have chosen to adopt IFRS or comparable standards shall neglect any reference made thereto in this return on “interest in suspense”.
7. Specific provisions and general provisions mentioned in this completion instruction should follow the definitions of specific provisions and collective provisions defined in section 2(1) of the Banking (Capital) Rules respectively. The categorisation of accounting provisions into specific provisions or general provisions follows the treatment adopted in MA(BS)3.

Specific instructions

Part 1: Abridged balance sheet for position of the subsidiary bank(s) in Mainland China

8. Unless otherwise specified, the reporting of Part 1 should follow the same treatment as in the Return of Assets and Liabilities (MA(BS)1,1A and 1B).
9. Except where otherwise stated, book value should be used. Report figures on an accrual basis and report the gross position (i.e. do not net off assets and liabilities). Total liabilities must equal total assets less provisions.

Capital and reserves

10. “Paid-up capital” should be reported at the nominal paid-up value.
11. “Reserves” include retained earnings, general reserves, revaluation reserves and share premium accounts but exclude provisions. The amount to be included shall be net of any dividend paid or declared out of retained earnings on or before the reporting date. Accumulated losses, if any, should also be reported.
12. “Current profits/losses” refers to any balance in the current year’s profit and loss account (which should be the same as the amount reported in item 19 of Part 2) less any dividend which has been paid or declared (i.e. on or before the reporting date) out of the current year’s profit.

Capital-type instruments

13. Report all capital-type instruments including loan capital.

Deposits from customers

14. Report all deposit liabilities due to parties other than banks and other authorized institutions (AIs). Exclude negotiable debt instruments issued. Such amounts should be reported separately under “negotiable debt instruments issued and outstanding”. Exclude also cash margins which do not form part of the savings, current or other deposit accounts. Such amounts should be reported as “other liabilities”. **When reporting deposits with embedded derivative contract, the value of the deposit leg before adjusting the effect of fair value on the embedded derivative contract should be reported under this item while the fair value of the**

embedded derivative contract should be reported under “other liabilities” or “other assets” as appropriate.

Negotiable debt instruments issued and outstanding / held

15. Report the nominal value of negotiable certificates of deposits and other negotiable debt instruments, which include negotiable securities other than shares and stocks. If the reporting bank’s own negotiable debt instruments are being repurchased, whether for trading or market-making purposes, they should be netted off from “negotiable debt instruments issued and outstanding”. The difference between the nominal value and the book value should be reported as “other liabilities” or “other assets” as appropriate.

Other liabilities

16. Report all other liabilities that have not been reported elsewhere.

Placement with The People’s Bank of China

17. Placement with The People’s Bank of China in excess of the deposit reserve requirements should be reported as “other placement”.

Loans and advances to customers

18. Report all loans and advances to customers other than banks and other AIs in gross amount before provisions. Do not deduct provisions for bad and doubtful debts. Holdings of debt instruments which are not negotiable should be regarded as loans and advances. Exclude holdings of negotiable bills accepted or payable by banks or non-banks which should be reported as “negotiable debt instruments held”.

Investments

19. “Investment in shareholdings” captures all holdings of share capital of any other company (i.e. excluding those held as collateral for a loan or advance) owned by the Mainland subsidiary bank(s). This also includes the holdings of capital instruments (e.g. perpetual subordinated debts) and unit trusts which are established specially for investment in shares. Investment in shares not for strategic purpose (e.g. for trading purposes) should be reported as other investments (i.e. “Others”).

Part 2: Current year's profit and loss account for position of the subsidiary bank(s) in Mainland China

20. Unless otherwise specified, the reporting of Part 2 should follow the same treatment as in the Return of Current Year's Profit & Loss (MA(BS)1C).
21. Report the position from the first calendar day of the financial year to the last calendar day of the current reporting period.

Interest income

22. Report interest received and accrued interest receivable attributable to the reporting period, including those arising from trading securities held. Amortisation of discounts and premiums of securities held by the reporting bank should also be included.
23. Where interest rate-related derivatives are used to hedge banking book assets, the net interest arising from the combination of the asset and the hedge should also be included as interest income.
24. Where the reporting bank is engaged in interest arbitrage dealing and does not distinguish between exchange and interest gains or losses on such dealing, the entire amount of the profits or losses concerned should be reported as interest income or interest expenses as the case may be. A profit arising from the transaction should be treated as interest income and a loss as interest expenses.

Interest expenses

25. Report interest paid and accrued interest payable attributable to the reporting period, including those arising from securities **short positions held** for trading purposes. Amortisation of discounts and premium of securities issued by the reporting bank should also be included.
26. Where interest rate-related derivatives are used to hedge banking book liabilities, the net interest arising from the combination of the liability and the hedge should be included as interest expenses.

Income from trading activities

27. Trading activities mean the reporting bank's proprietary positions in financial instruments which are intentionally held for short term resale and / or which are taken on by the reporting bank with the intention of benefiting in the short term from actual and / or expected differences between buying and selling prices, or from other price or interest rate variations, and positions in financial instruments arising from matched-

principal brokering and market-making, or positions taken in order to hedge other elements of the trading book.

28. The following items should be included:
1. realised and unrealised gains less losses (or income less costs) for the current financial year from the reporting bank's foreign exchange operations and trading in other derivatives;
 2. profit or loss from equity or debt instruments held for trading or dealing purposes;
 3. net profit or loss arising from the combination of the instrument and the hedge in the cases where derivatives are used to hedge instruments held for trading; and
 4. all fees and commissions derived from trading activities.
29. In the cases where the losses exceed the gains or the costs exceed the income, the net figure should be reported as negative values.

Income from non-trading activities and investments

30. The following items should be included:
- realised and unrealised gains less losses (or income less costs) arising from non-trading activities in derivatives **and** foreign exchange, and equity and debt instruments held by the reporting bank for non-trading purposes;
 - profit and loss (including any remaining unamortised premiums or discounts) from **sale or early redemption derecognition (e.g. sale, early redemption, modifications that result in derecognition)** of all equity and debt instruments other than those held for trading;
 - net profit or loss arising from the combination of the instrument and the hedge in the cases where derivatives are used to hedge non-trading instruments;
 - fees and commissions derived from non-trading activities and investments; and
 - dividends declared by group companies, associated companies and other equity investments during the reporting period. For the avoidance of doubt, dividends attributable to profits earned in previous years should be included if these were declared during the reporting period.

Part 3: Type and counterparty breakdown of non-bank Mainland China exposures

Non-bank Mainland China exposures (NBMCE)

31. NBMCE refer to exposures of the reporting institution to the seven categories of counterparty set out in paragraph 40 below.
32. Report direct exposures, which are exposures to non-bank counterparties that are directly liable to the reporting institution as principals.
33. Report the gross outstanding amount of non-bank Mainland China exposures before deduction of provisions. Accrued interest, if any, on an exposure should also be reported. However, any accrued interest which has not been recognised in the profit and loss account but credited as interest in suspense should be netted off against the corresponding amount of interest in suspense whether or not it has been capitalised.
34. On-balance sheet exposures should be split into “loans and advances”, “negotiable debt instruments” and “others”. The breakdown of plain vanilla negotiable debt instruments should be provided as a memorandum item. Off-balance sheet exposures should be split into “contingent liabilities”, “irrevocable undrawn commitments” and “foreign exchange and derivatives contracts”.
35. The proportion of on-balance sheet non-bank Mainland China exposures to total assets after provisions should also be reported.
36. “Contingent liabilities” refer to any potential liabilities of the reporting institution that may arise from guarantees, letters of credit, etc, issued by it.
37. “Irrevocable undrawn commitments” refer to commitments which the reporting institution is obliged to honour under all circumstances.
38. “Foreign exchange and derivatives contracts” are contracts with positive value to the reporting institution at replacement cost. “Foreign exchange contracts” include cross-currency swaps, forward foreign exchange contracts, currency futures and foreign exchange options purchased.
39. Total on-balance sheet exposures reported under geographical location breakdown in Part 4 as well as on-balance sheet loans and advances reported under economic sector breakdown in Parts 5 and 8 should tally with the same items reported under the type and counterparty breakdown in Part 3.

Breakdown by non-bank counterparty

40. Exposures to non-bank counterparties should be categorised in the following order of reporting priority. The same principle applies to counterparties with multiple shareholders.
1. Central government, central government-owned entities and their majority-owned subsidiaries and majority-owned joint ventures (JVs) incorporated in or outside Mainland China.
 2. Local governments, local government-owned entities and their majority-owned subsidiaries and majority-owned joint ventures incorporated in or outside Mainland China.
 3. The People's Republic of China (PRC) nationals residing in Mainland China whether the credit is for use in or outside Mainland China or other entities incorporated in Mainland China including those that are minority-owned by central or local governments. Majority-owned subsidiaries and majority-owned JVs of "other entities incorporated in Mainland China" and incorporated outside Mainland China should also be included.
 - 3.1 Of which, PRC nationals residing in Mainland China or entities with ultimate beneficial ownership held by Mainland interest other than the central and local governments. If the ultimate beneficial ownership cannot be established after reasonable efforts have been made, AIs can determine on a best effort basis whether the borrower is ultimately owned by Mainland interest.
 4. Other entities incorporated outside Mainland China and minority-owned by the central government not reported in item 1 above.
 5. Other entities incorporated outside Mainland China and minority-owned by the local governments not reported in item 2 above.
 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China other than those reported under items 1 to 5 where the credit is granted for use in Mainland China. For avoidance of doubt, credit granted for use outside Mainland China to PRC nationals residing outside Mainland China is outside the reporting scope of this return.
 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures.
41. Central government-owned entities refer to the entities owned by the central government, including but not limited to those on the list of central government-owned entities (央企) published by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

42. Local governments refer to governments other than the central government. Examples of local governments are provincial governments, municipal governments, etc.
43. Majority-owned subsidiaries and majority-owned JVs refer to entities majority-owned or controlled (i.e. controlling larger than 50% shareholdings or voting rights) by the parent company.
44. Examples of exposures to entities incorporated outside Mainland China where the credit is granted for use in Mainland China include loans to finance a specific building or manufacturing plant construction project in Mainland China, trade finance facilities known to be for imports to or exports from the Mainland.
45. The reporting item “Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures” is intended to be a residual item not captured under other categories of counterparty.
46. Loans for use as general working capital or revolving credit facilities where the loan usage is not specified should be classified according to the principal place of business of the borrower.

Part 4. Geographical breakdown of non-bank Mainland China exposures

47. Report the geographical breakdown of all on-balance sheet non-bank Mainland China exposures as indicated. Loans and advances should be categorised according to the loan usage. In cases where the usage of a loan cannot be identified with reasonable certainty (e.g. working capital loan), it should be classified according to the principal place of business of the borrower. Instruments such as negotiable debt instruments should similarly be categorised according to the location of issuers’ principal place of business.

Part 5. Economic sector breakdown of non-bank Mainland China exposures

48. Report the breakdown of the on-balance sheet loans and advances for use in Mainland China according to loan usage as indicated. Refer to the Completion Instructions for the Return of Loans and Advances and Provisions (MA(BS)2A) for the definitions of individual economic sectors.

Part 6: Classification of Mainland-related loans and advances

49. Report the classification of on-balance sheet loans and advances according to the classification criteria of the HKMA's guideline on loan classification. The "Total" on-balance sheet loans and advances figures reported under "Item 6" in Part 6 should reconcile with the corresponding "Total" figures reported under "Item 1.1" in Part 3.
50. Classified loans refer to loans classified as "substandard", "doubtful" and "loss". The amount of **specific provisions** and the current market value of the collateral should be reported separately.

Part 7. Ten largest non-bank Mainland China exposures

51. Report the ten largest exposures on an aggregate basis, i.e. on-balance sheet plus off-balance sheet non-bank exposures, as at the reporting date and the proportion of total on-balance sheet exposures to the reporting institution's total assets after provisions.
52. Each reported item should be the aggregate exposures to an individual counterparty or a group of related counterparties. In the latter case, the aggregate should be reported as one exposure under the name(s) of the principal counterpart(ies). "A group of related counterparties" refer to parties which are connected in such a way that the financial soundness of any of them may affect the financial soundness of the others. For details, refer to paragraph 5(i) of the Completion Instructions of the Return of Large Exposures (M(BS)1D).
53. Ten largest exposures on an aggregate basis, i.e. on-balance sheet plus off-balance sheet non-bank exposures as at the reporting date to PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest as reported in item 3.1 of Part 3 and the proportion of total on-balance sheet exposures to the reporting institution's total assets after provisions should also be reported.

Part 8. Risk mitigation breakdown of selected non-bank Mainland China exposures

54. Report the risk mitigation breakdown for total on-balance sheet loans and advances included as non-bank Mainland China exposures under the counterparty breakdown in Part 3.

55. Risk mitigation position for on-balance sheet loans and advances to PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest as reported in item 3.1 of Part 3 should also be reported.
56. Report the amount based on the type of risk mitigation features. Loans should be reported using the following ranking order: fully collateralised loans, loans with full guarantee from banks, partially collateralised loans, loans with full non-bank guarantee and unsecured.
57. An indication of obligation covering an exposure such as letter of indemnity, letter of comfort or letter of undertaking that is considered equivalent to a guarantee by the reporting institution can be treated as a guarantee for reporting purpose.
58. In the case where the loan amount is less than the value of the collateral or the amount of bank or non-bank guarantees, only the loan amount should be reported.
59. In the case where the loan amount exceeds the value of the collateral or the amount of bank or non-bank guarantees, the exceeded amount should be treated as unsecured.
60. For loans with full collateral, report the loan value based on the following type and order of collateral: pledged deposits, properties, debt securities, shares and other assets. For example, if the outstanding loan amount is HK\$100,000 and the loan is collateralised with pledged RMB deposits (HK\$40,000), properties (value after applying haircut / loan-to-value ratio: HK\$20,000) and shares (value after applying haircut / loan-to-value ratio: HK\$80,000), the reporting should be as follows: 40 under “pledged deposits”, 20 under “properties” and 40 under shares.
61. For loans with partial collateral, the loan should first be reported in the order of collateral type as specified. The remaining balance (i.e. the outstanding loan net of collateral) should be split into guarantee from banks, guarantees from non-banks and the remaining loan balance. For example, if the outstanding loan amount is HK\$100,000 and the loan is collateralised with pledged RMB deposits (HK\$40,000), properties (value after applying haircut / loan-to-value ratio: HK\$20,000), bank guarantees (HK\$10,000) and non-bank guarantees (HK\$10,000), the reporting should be as follows: 40 under pledged RMB deposits, 20 under properties, 10 under bank guarantees, 10 under non-bank guarantees and 20 as unsecured.
62. Loans secured by collateral and non-bank guarantees should be reported as partially secured. For example, if the outstanding loan amount is HK\$100,000 and the loan is collateralised with pledged RMB deposits

(HK\$40,000), properties (value after applying haircut / loan-to-value ratio HK\$20,000) and non-bank guarantees (HK\$40,000), the reporting should be as follows: 40 under pledged RMB deposits, 20 under properties, 40 under non-bank guarantees.

63. In the case where the loan is granted based on bank guarantees and non-bank guarantees, the loan should be also reported as partially collateralised loans with the respective amount of bank guarantees and non-bank guarantees being reported. For example, if the outstanding loan amount is HK\$100,000 and the loan is supported by Mainland bank guarantees (HK\$40,000), non-Mainland bank guarantees (HK\$20,000) and non-bank guarantees (HK\$30,000), the reporting should be as follows: 40 under Mainland bank guarantees, 20 non-Mainland bank guarantees, 30 under non-bank guarantees and 10 under “remaining loan balance (i.e. unsecured portion)”.
64. Unsecured loans refer to clean loans without collateral, bank guarantees as well as non-bank guarantees.
65. The amount of loans and advances supported by bank guarantees issued by wholly-owned subsidiary banks without backing by collateral such as deposits pledged to the subsidiary banks should be treated as an unsecured amount.
66. Exposures with guarantees from the central government, central government-owned entities and their subsidiaries and JVs, from the local governments, local government-owned entities and their subsidiaries and JVs, and from PRC nationals residing in Mainland China or private enterprises incorporated in Mainland China and their subsidiaries and JVs should be reported separately as memorandum items. Exposures with intragroup bank guarantees should be provided as a separate memorandum item as well.

Hong Kong Monetary Authority
September 2013

Revised:
December 2013
January 2018

SECRET

under the Banking Ordinance

Return of Mainland Activities

For Position of the Hong Kong Office(s), Mainland Branch(es) and Mainland Subsidiary Bank(s)
of an Authorized Institution as the case may be

Position as at _____ (dd/mm/yyyy)
(last day of March, June, September and December)

Current year's profit & loss account
Period from _____ (dd/mm/yyyy) to _____ (dd/mm/yyyy)
(from first day of the financial year to 31 March, 30 June, 30 September or 31 December as appropriate)

Name of Authorized Institution	Date of Submission

The Banking Ordinance

Information requested in this return is required under section 63(2) of the Banking Ordinance. The return should be submitted to the Monetary Authority not later than **6 weeks** after the last day of March, June, September and December, unless otherwise advised by the Monetary Authority.

Note: This return is to be prepared in accordance with the completion instructions issued by the Monetary Authority.

We certify that this return is, to the best of our knowledge and belief, correct.

Chief Accountant

Chief Executive

Name

Name

Name and telephone number of responsible person who may be contacted by
the Monetary Authority in case of any enquiry.

Name

Telephone Number

Part 1. Abridged balance sheet for position of the subsidiary bank(s) in Mainland China

Q1. Does your institution have subsidiary bank(s) in Mainland China? Yes / No

	HK\$'000
I. LIABILITIES	
1. Capital and reserves	
1.1 Paid-up capital	
1.2 Reserves	
1.3 Current profits/losses	
2. Capital-type instruments	
3. Deposits from customers	
3.1 Time deposits	
3.2 Others	
4. Amounts payable under repos	
5. Due to banks	
5.1 Parent bank	
5.2 Connected AIs and connected banks outside Hong Kong	
5.3 Other AIs and banks outside Hong Kong	
5.3.1 AIs	
5.3.2 Banks in Mainland China	
5.3.3 Banks outside Mainland China	
6. Negotiable debt instruments issued and outstanding	
6.1 Negotiable certificates of deposit	
6.2 Others	
7. Other liabilities	
8. Total liabilities	
II. ASSETS	
9. Cash	
10. Placement with The People's Bank of China	
10.1 Placement subject to reserve requirement	
10.2 Other placement	
11. Loans and advances to customers	
12. Amount receivable under reverse repos	
13. Due from banks	
13.1 Parent bank	
13.2 Connected AIs and connected banks outside Hong Kong	
13.3 Other AIs and banks outside Hong Kong	
13.3.1 AIs	
13.3.2 Banks in Mainland China	
13.3.3 Banks outside Mainland China	
14. Negotiable debt instruments held	
14.1 Negotiable certificates of deposit held	
14.2 Others	
15. Investments	
15.1 Investments in shareholdings	
15.2 Others	
16. Interests in land and buildings	
16.1 Bank premises	
16.2 Others	
17. Other assets	
18. Total assets	
19. Less: Provisions	
20. Total assets less provisions	

Part 2. Current year's profit & loss account for position of the subsidiary bank(s) in Mainland China

Q1. Does your institution have subsidiary bank(s) in Mainland China?

Yes / No

First day of the financial year (dd-mm-yyyy)	
Income	HK\$'000
1.1 Interest income	
1.2 Interest expenses	
1. Net interest income	
2. Income from trading activities	
3. Income from non-trading activities and investments	
4. Income from fees and commissions	
5. Profit / (loss) on sale of fixed assets	
6. Other income	
7. Total income	
Expenses and other charges	
8.1 Staff expenses	
8.2 Rental expenses	
8. Staff and rental expenses	
9. Other expenses	
10. Net charge / (credit) for debt provision	
11. Net charge for other provisions	
12. Deficit / (surplus) on revaluation of land and buildings	
13. Impairment loss / (reversal of impairment loss) on assets	
14. Total expenses and other charges	
Current profit / (loss)	
15. Profit / (loss) before tax	
16. Net charge for tax provision	
17. Profit / (loss) after tax	
18. Extraordinary profit / (loss) net of tax	
19. Profit / (loss) for the period	

Part 3. Non-bank Mainland China exposures - Breakdown by type and counterparty

HK\$'000	Total direct exposures								
	I. Hong Kong offices and all Mainland branches								
	1. On-balance sheet exposures				2. Off-balance sheet exposures			3. Memo	
Breakdown by counterparties according to the following order of priority	1.1. Loans and advances	1.2. Negotiable debt instruments	1.3. Others	1.4. Total	2.1. Contingent liabilities	2.2. Irrevocable undrawn commitments	2.3. FX and derivatives contracts	2.4. Total	3.1. Plain vanilla NDIs out of item 1.2
1. Central government, central government-owned entities and their subsidiaries and JVs									
2. Local governments, local government-owned entities and their subsidiaries and JVs									
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs									
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest									
4. Other entities of central government not reported in item 1 above									
5. Other entities of local governments not reported in item 2 above									
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China									
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures									
8. Total									
	9. Total assets after provisions								
	10. On-balance sheet exposures as % of total assets								

HK\$'000	Total direct exposures								
	II. All Mainland subsidiary banks								
	1. On-balance sheet exposures				2. Off-balance sheet exposures			3. Memo	
Breakdown by counterparties according to the following order of priority	1.1. Loans and advances	1.2. Negotiable debt instruments	1.3. Others	1.4. Total	2.1. Contingent liabilities	2.2. Irrevocable undrawn commitments	2.3. FX and derivatives contracts	2.4. Total	3.1. Plain vanilla NDIs out of item 1.2
1. Central government, central government-owned entities and their subsidiaries and JVs									
2. Local governments, local government-owned entities and their subsidiaries and JVs									
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs									
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest									
4. Other entities of central government not reported in item 1 above									
5. Other entities of local governments not reported in item 2 above									
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China									
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures									
8. Total									
	9. Total assets after provisions								
	10. On-balance sheet exposures as % of total assets								

HK\$'000	Total direct exposures								
	III. Total (I+II)								
	1. On-balance sheet exposures				2. Off-balance sheet exposures			3. Memo	
Breakdown by counterparties according to the following order of priority	1.1. Loans and advances	1.2. Negotiable debt instruments	1.3. Others	1.4. Total	2.1. Contingent liabilities	2.2. Irrevocable undrawn commitments	2.3. FX and derivatives contracts	2.4. Total	3.1. Plain vanilla NDIs out of item 1.2
1. Central government, central government-owned entities and their subsidiaries and JVs									
2. Local governments, local government-owned entities and their subsidiaries and JVs									
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs									
3.1 Of which, PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest									
4. Other entities of central government not reported in item 1 above									
5. Other entities of local governments not reported in item 2 above									
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China									
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures									
8. Total									
	9. Total assets after provisions								
	10. On-balance sheet exposures as % of total assets								

Part 4. Non-bank Mainland China exposures - Breakdown by geographical location in Mainland China

HK\$'000	Total direct on-balance sheet exposures			
	Breakdown by geographical location in Mainland China	I. Hong Kong offices and all Mainland branches	II. All Mainland subsidiary banks	III. Total (I+II)
A. Eastern region:				
1. Beijing				
2. Tianjin				
3. Hebei				
4. Liaoning				
5. Shanghai				
6. Jiangsu				
7. Zhejiang				
8. Fujian				
9. Shandong				
10. Guangdong				
11. Hainan				
B. Central region:				
1. Shanxi				
2. Jilin				
3. Heilongjiang				
4. Anhui				
5. Jiangxi				
6. Henan				
7. Hubei				
8. Hunan				
C. Western region:				
1. Chongqing				
2. Sichuan				
3. Guizhou				
4. Yunnan				
5. Tibet				
6. Shaanxi				
7. Gansu				
8. Qinghai				
9. Ningxia				
10. Xinjiang				
11. Guangxi				
12. Inner Mongolia				
D. Other locations in Mainland China				
E. Locations outside Mainland China				
F. Total				

Part 5. Non-bank Mainland China exposures - Breakdown by economic sector

HK\$'000	On-balance sheet loans and advances			
	Breakdown by economic sector	I. Hong Kong offices and all Mainland branches	II. All Mainland subsidiary banks	III. Total (I+II)
Loans for use in Mainland China:				
A. Manufacturing				
1. Textiles				
2. Footwear & wearing apparel				
3. Metal products & engineering				
4. Rubber, plastic & chemicals				
5. Electrical & electronic				
6. Food				
7. Beverages & tobacco				
8. Printing & publishing				
9. Others				
B. Building and construction, property development and investment				
1. Property development (by types of properties)				
a. industrial				
b. residential				
c. commercial				
d. others				
e. Memorandum item: Properties located in Mainland China				
2. Property investment (by types of properties)				
a. industrial				
b. residential				
c. commercial				
d. others				
e. Memorandum item: Properties located in Mainland China				
3. Civil engineering works				
C. Electricity and gas				
D. Recreational activities				
E. Information technology				
1. Telecommunications				
2. Others				
F. Wholesale & retail trade				
G. Transport & transport equipment				
1. Shipping				
2. Air transport				
3. Land transport				
4. Others				
H. Miscellaneous				
1. Hotels, boarding houses & catering				
2. Financial concerns				
a. investment companies				
b. insurance companies				
c. futures brokers				
d. finance companies & others				
3. Stockbrokers				
a. margin lending				
b. others				
4. Non-stockbroking companies & individuals for the purchase of shares				
a. margin lending				
b. others				
5. Professional & private individuals				
a. for the purchase of residential properties				
a(i). Memorandum item: Properties located in Mainland China				
b. for credit card advances				
c. for other business purposes				
d. for other private purposes				
6. Mining and quarrying				
7. Agriculture and fisheries				
8. Others				
I. Loans for use in Mainland China (A to H)				
J. Trade financing				
K. Loans for use outside Mainland China				
L. Total (I + J + K)				

Part 6. Classification of Mainland related loans and advances

HK\$'000	On-balance sheet loans and advances		
Breakdown by loan classification	I. Hong Kong offices and all Mainland branches	II. All Mainland subsidiary banks	III. Total (I+II)
1. Pass			
2. Special mention			
3. Substandard			
4. Doubtful			
5. Loss			
6. Total			
7. Classified loans			
8. Amount of individual impairment allowances specific provisions for the classified loans			
9. Value of collateral for the classified loans			
10. Coverage ratio			

Part 7a. Non-bank Mainland China exposures - Ten largest exposures among all counterparties

HK\$'000

I. Hong Kong offices and all Mainland branches

		I. Hong Kong offices and all Mainland branches		
		1.1 On-balance sheet exposures	1.2 Off-balance sheet exposures	1. Total
	Top 10 largest total on- and off-balance sheet exposures by name of customers			
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	11. Total assets after provisions			
	12. On-balance sheet exposures as % of total assets			

HK\$'000

II. All Mainland subsidiary banks

		II. All Mainland subsidiary banks		
		1.1 On-balance sheet exposures	1.2 Off-balance sheet exposures	1. Total
	Top 10 largest total on- and off-balance sheet exposures by name of customers			
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	11. Total assets after provisions			
	12. On-balance sheet exposures as % of total assets			

Part 7b. Non-bank Mainland China exposures - Ten largest exposures to PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest as reported in item 3.1 of Part 3

HK\$'000

I. Hong Kong offices and all Mainland branches

		I. Hong Kong offices and all Mainland branches		
		1.1 On-balance sheet exposures	1.2 Off-balance sheet exposures	1. Total
	Top 10 largest total on- and off-balance sheet exposures by name of customers			
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	11. Total assets after provisions			
	12. On-balance sheet exposures as % of total assets			

HK\$'000

II. All Mainland subsidiary banks

		II. All Mainland subsidiary banks		
		1.1 On-balance sheet exposures	1.2 Off-balance sheet exposures	1. Total
	Top 10 largest total on- and off-balance sheet exposures by name of customers			
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
	11. Total assets after provisions			
	12. On-balance sheet exposures as % of total assets			

Part 8a. Non-bank Mainland China exposures - breakdown by risk mitigation type (exposures to all counterparties)

HK\$'000	On-balance sheet loans and advances		
Breakdown by risk mitigation type	I. Hong Kong offices and all Mainland branches	II. All Mainland subsidiary banks	III. Total (I+II)
Loans granted on the back of the following features:			
1. With full collateral			
1.1 Pledged deposits			
1.1.1 RMB			
1.1.2 Non-RMB			
1.2 Properties			
1.3 Debt securities			
1.4 Shares			
1.5 Other assets			
2. With full guarantee from banks			
2.1 Mainland banks			
2.2 Non-Mainland banks			
3. With partial collateral			
3.1 Pledged deposits			
3.1.1 RMB			
3.1.2 Non-RMB			
3.2 Properties			
3.3 Debt securities			
3.4 Shares			
3.5 Other assets			
3.6 with guarantee from Mainland banks			
3.7 with guarantee from non-Mainland banks			
3.8 with guarantee from non-banks			
3.9 Remaining loan balance (i.e. unsecured portion)			
4. With full guarantee from non-banks			
5. Unsecured			
6. Total loans and advances			
Memorandum items:			
7. With Intragroup bank guarantee (full and partial)			
8. With non-bank guarantee (full and partial) from the central government, central government-owned entities and their subsidiaries and JVs			
9. With non-bank guarantee (full and partial) from the local governments, local government-owned entities and their subsidiaries and JVs			
10. With non-bank guarantee (full and partial) from PRC nationals residing in Mainland China or private enterprises incorporated in Mainland China and their subsidiaries and JVs			

Part 8b. Non-bank Mainland China exposures - breakdown by risk mitigation type (exposures to PRC nationals residing in Mainland China or entities beneficially-owned by Mainland interest as reported in item 3.1 of Part 3)

HK\$'000	On-balance sheet loans and advances		
Breakdown by risk mitigation type	I. Hong Kong offices and all Mainland branches	II. All Mainland subsidiary banks	III. Total (I+II)
Loans granted on the back of the following features:			
1. With full collateral			
1.1 Pledged deposits			
1.1.1 RMB			
1.1.2 Non-RMB			
1.2 Properties			
1.3 Debt securities			
1.4 Shares			
1.5 Other assets			
2. With full guarantee from banks			
2.1 Mainland banks			
2.2 Non-Mainland banks			
3. With partial collateral			
3.1 Pledged deposits			
3.1.1 RMB			
3.1.2 Non-RMB			
3.2 Properties			
3.3 Debt securities			
3.4 Shares			
3.5 Other assets			
3.6 with guarantee from Mainland banks			
3.7 with guarantee from non-Mainland banks			
3.8 with guarantee from non-banks			
3.9 Remaining loan balance (i.e. unsecured portion)			
4. With full guarantee from non-banks			
5. Unsecured			
6. Total loans and advances			
Memorandum items:			
7. With Intragroup bank guarantee (full and partial)			
8. With non-bank guarantee (full and partial) from the central government, central government-owned entities and their subsidiaries and JVs			
9. With non-bank guarantee (full and partial) from the local governments, local government-owned entities and their subsidiaries and JVs			
10. With non-bank guarantee (full and partial) from PRC nationals residing in Mainland China or private enterprises incorporated in Mainland China and their subsidiaries and JVs			