HONG KONG MONETARY AUTHORITY
香港金融管理局

Supervisory Policy Manual

FD-1	Financial Disclosure by Locally Incorporated Authorized Institutions	v.2 – 08.11.02

This module should be read in conjunction with the Introduction and with the Glossary, which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on blue underlined headings to activate hyperlinks to the relevant module.

Purpose

To set out the minimum disclosure standards which the MA expects AIs incorporated in Hong Kong to adopt in respect of information to be disclosed in their annual accounts

Classification

A statutory guideline issued by the MA under the Banking Ordinance, §16(10)

Previous guidelines superseded

Guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions" dated 02.11.01

Application

To all AIs incorporated in Hong Kong, except the smaller restricted licence banks ("RLBs") and deposit-taking companies ("DTCs")[1]

Structure

1. Status and implementation
   - 1.1 Status
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[1] See subsection 1.2 below for details.

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1. Status and implementation

1.1 Status

1.1.1 This module supplements, and does not replace, any other disclosures required under relevant legislation or accounting standards or which are necessary to show a true and fair view of the financial state or affairs of an AI. Hence in addition to the disclosure standards in this module AIs will need to take account of the other existing disclosure requirements under the Companies Ordinance (Cap. 32), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, and the Hong Kong Statements of Standard Accounting Practice ("HK SSAPs") where relevant.

1.2 Application

1.2.1 This module applies to all licensed banks incorporated in Hong Kong and the larger RLBs and DTCs incorporated in Hong Kong in respect of their annual accounts.

1.2.2 Larger RLBs and DTCs are defined for the purposes of these requirements as those which currently have:

- total assets of HKD1 billion or more; or
- total customer deposits of HKD300 million or more.

1.2.3 To maintain consistency in reporting, the RLBs and DTCs which have previously adopted the disclosure standards should continue to report in accordance with the standards in this module notwithstanding that they may fall below the exemption thresholds in subsequent financial years.

1.2.4 In assessing whether an RLB or DTC meets the above size criteria, reference should be made to item 25 “Total assets less provisions” and item 6.4 “Total deposits from customers” of the “Return of Assets and Liabilities - MA(BS)1”. In order to avoid the effect of one-off fluctuations at the end of the financial year, the average of the relevant figures reported in the twelve months up to and including August of each financial year should be adopted for this purpose.

1.2.5 This module sets out the minimum standards for disclosure. AIs are encouraged to disclose information in addition to that required herein, and RLBs and DTCs below the exemption thresholds are encouraged to adopt the disclosure standards set out in this module in their accounts.

1.3 Compliance

1.3.1 The Seventh Schedule of the Banking Ordinance includes adequate disclosure of financial information as one of the criteria for continuing authorization (i.e. criteria that apply to AIs not only at the time of authorization but thereafter) under the Ordinance. Paragraph 11 of that Schedule provides that in relation to an AI incorporated in Hong Kong, the MA must be satisfied that it presently discloses, and will continue to disclose, adequate information about the state of its affairs and its income statement in its audited annual accounts and in other parts of its annual report.

1.3.2 This module sets out the MA's expectations with respect to financial disclosure by AIs to which this module applies. It is important to note that failure to meet the authorization criteria in the Seventh Schedule would be a ground for revocation of authorization (although the MA would have the discretion to decide whether to revoke).

1.4 Materiality

1.4.1 AIs are not required to disclose items which are not material. An item should be regarded as material to an

AI if the omission or misstatement of that item could have changed or influenced the judgement or decision of a user relying on the relevant information.

1.5 Statement of compliance

1.5.1 AIs to which this module applies should include a statement in their directors' report on the extent of compliance with the disclosure standards set out in this module and the reason for any non-compliance.

1.5.2 In cases of full compliance, a general statement that the annual accounts comply fully with the disclosure standards set out in this module should be made.

1.5.3 In case of partial compliance, the statement in the directors' report should specify the areas of, and reasons for, non-compliance.

1.6 Issue of press release

1.6.1 AIs to which this module applies should issue a press release in both English and Chinese in Hong Kong to announce their annual results within four months from the end of each financial year.

1.6.2 AIs are encouraged to include in the press release as much as possible of the information set out in sections 2 to 4 of this module. It is not sufficient to issue a press release or advertisement which informs members of the public that a full set of accounts is available at the principal place of business or local branches of the AI without disclosing any of the information specified in these sections.

1.6.3 AIs should lodge a copy of the press release with the HKMA prior to issuance. The HKMA will keep such press releases in its public registry maintained under §20 of the Banking Ordinance.

2. Annual accounts disclosure

2.1 Income statement

2.1.1 AIs should include the following information in the income statements or the notes to the financial statements:

- interest income;
- interest expense;
- other operating income:
  - gains less losses arising from dealing in foreign currencies;
  - gains less losses on trading securities or other investments in securities;
  - gains less losses from other dealing activities;
  - net fees and commission income ***(separate disclosure of gross fees and commission income and expenses to be given);***
  - dividend income (analyse into listed and unlisted); and
  - others;
- operating expenses:
  - staff costs;
  - premises and equipment expense, excluding depreciation (analyse where material);
  - depreciation charge; and
  - other operating expenses ***(analyse where material)***;
- charge for bad and doubtful debts;
- gains less losses from disposal of tangible fixed assets;
- gains less losses from disposal of investment securities or non-trading securities;
- gains less losses from disposal of held-to-maturity securities;

- provisions on held-to-maturity securities and investment securities or provisions on held-to-maturity securities and non-trading securities;
- taxation charge:
  - Hong Kong tax;
  - overseas tax; and
  - deferred tax, if any;
- extraordinary items (in accordance with HK SSAP 2);
- as an appropriation:
  - transfers to or from reserves.

2.1.2 In relation to the taxation charge, the basis on which the Hong Kong profits tax is computed should be disclosed.

2.1.3 AIs should disclose any material amount set aside for provisions other than those for depreciation, renewals or diminution in value of assets or any material amount withdrawn from such provisions and not applied for the purposes thereof.

2.1.4 AIs should disclose in the notes to the financial statements the nature and amount of items of income and expense within profit or loss from ordinary activities which are of such size, nature or incidence that their disclosure is relevant to explain the performance of the AI for the period.

2.2 Balance sheet

2.2.1 AIs should disclose the following information in the balance sheet or in the notes to the financial statements:

Assets

- cash and short-term funds:
  - cash and balances with banks and other financial institutions;
  - money at call and short notice; and
  - treasury bills (including Exchange Fund Bills);

- placements with banks and other financial institutions maturing between one and twelve months;
- trade bills (provisions should be shown if material);
- certificates of deposit held;
- trading securities or other investments in securities;
- advances and other accounts:
  - advances to customers;
  - advances to banks and other financial institutions;
  - accrued interest and other accounts (analyse where material);
  - provisions for bad and doubtful debts (analyse between those against advances to customers, advances to banks and other financial institutions, accrued interest and other accounts if material):
    - ❑ general; and
    - ❑ specific;
- held-to-maturity securities and investment securities <u>or</u> held-to-maturity securities and non-trading securities;
- investments in associates;
- tangible fixed assets (for each major class of assets including investment properties disclose the information set out below):
  - cost or valuation;
  - additions, revaluations and disposals made during the period;
  - amount provided or written off for depreciation or diminution in value of these assets during the period;

- accumulated depreciation; and
- net book value.

Liabilities

- deposits and balances of banks and other financial institutions;
- deposits ***from*** customers:
  - ***demand deposits and current accounts;***
  - ***savings deposits; and***
  - ***time, call and notice deposits;***
- certificates of deposit issued;
- issued debt securities;
- deferred taxation, if any (disclose in accordance with HK SSAP 12); and
- other accounts and provisions.

Capital resources

- loan capital (types, coupon rates and maturities should be disclosed);
- minority interests;
- share capital; and
- reserves (analyse into the various material types of reserves including property and other revaluation reserves, where maintained).

2.2.2 AIs should disclose details of the movements in provisions for bad and doubtful debts (including provisions against trade bills where material) during the period. The movements in provisions need not be analysed by categories of assets but should be analysed into those in respect of general and specific provisions. Details of such movements to be disclosed include:

- the amount of new provisions charged to the profit and loss in the period for losses on doubtful advances etc.[2];
- the amount of provisions released back to the profit and loss in the period[2];
- the amount of advances etc. written off in the period;
- amounts recovered of advances etc. written off in previous years;
- interest suspended on doubtful advances etc., if applicable;
- suspended interest recovered during the period, if applicable; and
- exchange adjustments, if any.

2.2.3 AIs should disclose:

- the amount of non-performing loans[3];
- the amount of suspended interest[4] in respect of such advances;
- the amount of specific provisions made in respect of such advances; and
- the percentage of such advances to total advances to customers.

2.2.4 Similar information as stated in para. 2.2.3 on advances to banks and other financial institutions which are non-performing should also be disclosed.

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[2] Irrespective of the accounting practices of AIs (whether recoveries and write-offs are recorded through the provision for bad and doubtful debts or not), the amount of new provisions should include any amount of advances directly written-off in the period and the amount of provisions released back should include any amount of advances recovered directly through the profit or loss in the period. The net of these two items should reconcile to the charge in the profit and loss statement as shown in para. 2.1.1. For details, reference can be made to the return "Current Year's Profit & Loss Account – MA(BS)1C".

[3] Non-performing loans (see Annex H on terminology for guidance) should be adequately defined in the accounts and distinguished from "overdue loans", "rescheduled loans" and "classified loans" (i.e. those which are substandard, doubtful or loss).

[4] Refer to CR-G-6 "Interest Recognition" for guidance.

2.2.5 Where the specific provisions were made after taking into account the value of collateral in respect of such advances, AIs may wish to indicate this in order to put the level of provisioning into perspective.

2.2.6 Investments in securities[5] should be analysed into equity and debt securities and listed and unlisted securities. The analysis should be provided separately for held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities where applicable. The market values of listed securities should also be disclosed.

2.2.7 The issuers of held-to-maturity securities, investment securities, other investments in securities, trading securities and non-trading securities should be separately analysed into:

- central governments and central banks;
- public sector entities;
- banks and other financial institutions;
- corporate entities; and
- others.

2.2.8 The maturity profile of the following assets and liabilities should be disclosed:

Assets

- advances to customers;
- placements with banks and other financial institutions (including advances to banks and other financial institutions);
- certificates of deposit held;
- debt securities included in:
  - trading securities or other investments in securities;

[5] AIs should, for the purpose of paras. 2.2.6 to 2.2.8, include treasury bills.

– investment securities or non-trading securities; and

– held-to-maturity securities.

Liabilities

- deposits and balances of banks and other financial institutions;
- deposits ***from*** customers;
- certificates of deposit issued; and
- issued debt securities;

and analysed into those that are repayable:

- on demand;
- three months or less (except those repayable on demand);
- one year or less but over three months;
- five years or less but over one year;
- after five years; and
- undated.

The analysis into the relevant maturity groupings should be based on the remaining period to the contractual maturity date as at the balance sheet date. Further guidance on maturity classification is given in Annex A.

2.2.9 The gross amount (before accumulated depreciation) of tangible fixed assets included in the financial statements should be analysed between those included at cost and those included at valuation, if any. For those fixed assets that have been included at valuation, the years in which those assets were valued and the values should be disclosed and in the case of assets that have been valued during the current financial period, the following should be disclosed:

- the names of the persons who valued them and particulars of their qualifications for doing so; and
- bases of valuation used by such persons.

2.2.10 AIs should disclose how much of the premises (including investment properties) which are contained in tangible fixed assets are ascribable to those held freehold and those held on a lease (categorised into long lease, medium-term and short lease). A distinction should also be made between those held on lease in Hong Kong and those held outside Hong Kong.

2.2.11 AIs should disclose details of the movements in reserves during the period, including the surplus or deficit on revaluation of properties.

2.2.12 AIs should not maintain any undisclosed inner reserves in their balance sheets.

2.3 Cash flow statement

2.3.1 AIs should disclose a cash flow statement in accordance with HK SSAP 15.

2.4 Off-balance sheet exposures

2.4.1 AIs should disclose the contractual or notional amounts of each significant class of off-balance sheet financial instruments or contracts outstanding. These should include the following items:

Contingent liabilities and commitments

- direct credit substitutes;
- transaction-related contingencies;
- trade-related contingencies;
- note issuance and revolving underwriting facilities;
- other commitments:
  - with an original maturity of under one year or which are unconditionally cancellable;
  - with an original maturity of one year and over; and
- others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset

sales or other transactions with recourse) – analyse where material.

Derivatives

- exchange rate contracts (excluding forward foreign exchange contracts arising from swap deposit arrangements);
- interest rate contracts; and
- others.

2.4.2 In relation to derivatives, AIs should provide an analysis of the aggregate notional amounts of each significant class of instruments. These should include the following, where significant:

Exchange rate contracts

- forwards and futures;
- swaps;
- options purchased; and
- options written.

Interest rate contracts

- forwards and futures;
- swaps;
- options purchased; and
- options written.

Others – analyse where material.

2.4.3 AIs should analyse the aggregate notional amounts of each significant class of derivatives instruments into those entered into for trading or hedging purposes.

2.4.4 The contractual or notional amounts of off-balance sheet instruments provide only an indication of the volume of business outstanding at the balance sheet date and bear little relation to the underlying risks of the exposure. AIs should also provide risk exposure information on their off-balance sheet instruments. In particular, they should report:

- aggregate credit risk weighted amounts of their contingent liabilities and commitments, exchange rate contracts, interest rate contracts and other derivatives, if any; and
- aggregate replacement costs of their exchange rate contracts, interest rate contracts, and other derivatives, if any.

AIs should also indicate whether these amounts take into account the effects of bilateral netting arrangements.

2.5 Transactions with group companies

2.5.1 Where AIs have entered into transactions with group companies, they should disclose the nature of the relationship and analyse the balances due to or from the various categories of group companies as at the balance sheet date.

2.6 Assets pledged as security

2.6.1 AIs should disclose the aggregate amount of secured liabilities and the nature and carrying values of assets pledged as security.

2.7 Principal accounting policies

2.7.1 The principal accounting policies adopted in determining the profit or loss for the period and in stating the financial position should be disclosed by way of notes to the accounts.

2.7.2 An AI should disclose its accounting policies, practices and methods adopted for credit risk exposures, in particular for loans and advances, which should include, inter alia, the basis of measurement at the time of acquisition and at subsequent periods, recognition of interest income, and the determination of specific and general provisions and write-offs. ***AIs should also describe the accounting treatment of loans and advances upon the repossession of assets where these are material.*** AIs are encouraged to disclose the accounting treatment of related fees and expenses, including whether any incentives relating to residential mortgages or other advances have been written off or amortized.

2.7.3 A description of the principal accounting policies adopted in respect of off-balance sheet transactions should be given in the notes to the financial statements. As a minimum the notes should include an explanation of the accounting practices adopted ***and major assumptions used*** for valuation and income recognition***, particularly in respect of derivatives. AIs should also specify the policies adopted for offsetting assets and liabilities arising from derivative transactions.***

2.7.4 AIs should disclose the criteria to be met for the recognition of hedges and the accounting treatment of hedges (including the treatment of discontinuance of hedging relationships, e.g. because the hedging instrument has expired, or is sold, terminated, or exercised, or the hedge no longer meets the hedging criteria).

3. Supplementary financial information disclosure

3.1 General

3.1.1 AIs should disclose the following information either as part of the accompanying information to their financial statements or as part of the financial statements themselves.

3.1.2 In general, where consolidated financial statements are presented, the disclosures need only be presented on the basis of the consolidated financial statements. Disclosure of additional information on a solo basis is, however, encouraged.

3.2 Corporate governance

3.2.1 AIs should disclose the roles, functions and composition of key specialised committees established under the Board of Directors. Typical specialised committees include the Executive Committee, Credit Committee, Asset and Liability Committee and Audit Committee.

3.2.2 AIs are encouraged to include a statement on the extent of compliance with the guideline CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the HKMA and the reason and details of any non-compliance.

3.3 Qualitative information on management of risks

3.3.1 AIs should provide a description of the main types of risk arising out of their business, including, where appropriate, credit, liquidity, interest rate, foreign exchange and market risks arising out of their trading books.

3.3.2 AIs should also provide a description of the policies, procedures and controls used for measuring, monitoring and controlling those risks and for managing the capital required to support them. This would include, for example, discussion of:

- board and senior management oversight of risk management (e.g. the setting of overall strategy and policy for each type of risk, and means of ensuring it is implemented***, including the role of the specialised board committees in reviewing the adequacy of risk management policies and systems and the extent to which these are operating effectively***);
- identification and measurement of the various forms of risk (e.g. in respect of credit risk, descriptions of the analytical techniques for assessing the risk profile and structure of the credit portfolio and identifying credit risk concentrations, and the use of internal credit risk rating systems, if any);
- approval of transactions including the delegation of credit authority, and the approval process for new products and activities;
- monitoring and control of risks (e.g. for credit risk, the structure of the credit risk management function, the segregation of duties in key credit functions, the use of independent risk control units

and the use of risk mitigation techniques such as collateral, standby letters of credit and guarantee, netting arrangements, loan covenants and credit derivatives and other hedging instruments, if any);

- use of limits for controlling risks (e.g. limits on large exposures and other concentrations of credit risk);
- operational controls; and
- role of internal audit.

3.3.3 AIs should give a broad description of the objectives, policies and strategies for the use of derivatives, including the types of derivatives primarily used for trading and hedging purposes and whether they are primarily exchange-traded or over-the-counter derivatives.

3.4 Market risk

3.4.1 Market risk arising from an AI's trading book should be regarded as immaterial if the AI meets all of the de minimis exemption criteria for reporting market risk as set out in CA-G-2 "Maintenance of Adequate Capital Against Market Risks". The AI should, however, state the fact that it has relied on such criteria in considering the materiality of market risk arising from its trading book.

3.4.2 Where the market risk arising from the trading book is not material for the AI, a statement to that effect should be made in conjunction with the qualitative information disclosed in accordance with subsection 3.3 above and no further qualitative or quantitative disclosure need be made[6].

3.4.3 Where the market risk arising from the trading book is regarded as material for the AI, in addition to the qualitative information described in subsection 3.3 above, the AI should also provide quantitative

[6] The AI should, however, for the purpose of subsection 3.3 provide a description of interest rate risk and foreign exchange rate risk which it incurs outside its trading book and the policies, procedures and controls used for managing those risks.

information about the amount and volatility of the risk. As a minimum, such information should include the average daily revenue and the standard deviation of such daily revenue, analysed into foreign exchange, interest rate, commodity and equity exposures where material[7]. An analysis of the frequency distribution of the total daily revenues (in the form of a histogram) should also be provided.

3.4.4 AIs should also disclose further quantitative information on a basis that is consistent with the way in which the AIs manage their market risk exposures, analysed into foreign exchange, interest rate, commodity and equity exposures where material. An explanation of the main parameters and assumptions underlying the data provided should be given. The types of information that AIs could provide would include information on the value at risk, an analysis of actual changes in portfolio values, a comparison of risk against performance, a stress analysis based on the hypothetical effect of severe changes in market prices or a gap or duration analysis.

3.4.5 Both the qualitative and quantitative disclosures set out above should encompass market risk arising over the period in respect of both on- and off-balance sheet business included in the relevant market-risk related portfolios.

3.5 Segmental information

3.5.1 AIs should report concentrations of income, profit or loss, assets, liabilities and contingent liabilities and commitments arising from or booked in countries or geographical areas which are considered to be significant to them. A country or geographical area should generally be reported where it contributes 10% or more of the relevant disclosure item. The financial information to be disclosed should include:

- total operating income (net of interest expense);

[7] Revenue in this context would comprise the daily change in value in marked-to-market trading portfolios plus any trading-related net interest income or other revenue.

- profit or loss before taxation;
- total assets;
- total liabilities; and
- contingent liabilities and commitments.

The above information should be based on the location of the principal operations of a subsidiary or, in the case of the AI itself, on the location of the branch responsible for reporting the results or booking the assets. The basis should be clearly stated. An illustration of how the geographical information should be disclosed is in Annex B.

3.5.2 AIs should report both qualitative and quantitative information for the various classes of business which are significant to them. Under qualitative information, AIs should identify their own significant classes of business and give a brief description of the activities of each reported class of business. AIs may decide for themselves how to classify their business. This may be based on the internal classification of the AIs for management purposes. AIs should aim to provide a breakdown of activities rather than simply putting all activities into one broad category. In this connection, a class of business activities should be reported if it constitutes 10% or more of the total amount in any of the following categories of information. Under quantitative information, AIs should provide a breakdown of one or more of the following ***profit or loss information***:

- total operating income (net of interest expense);
- profit or loss before charge for bad and doubtful debts;
- profit or loss after charge for bad and doubtful debts; and
- profit or loss before taxation.

AIs are also encouraged to disclose the operating assets[8] for each reported class of business.

Such breakdown may be expressed in either absolute or percentage terms, by each class of business reported in the qualitative information. In the former case, the aggregate of such breakdown should reconcile with the figures provided in the audited income statement.

3.5.3 AIs are encouraged to disclose the breakdown of fees and commission income by major product lines such as credit lines, corporate advice, investment management and trustee services, guarantees and indemnities. In this connection, AIs are encouraged to report a product line if it constitutes 10% or more of the total fees and commission income.

3.5.4 AIs should disclose the breakdown of the gross amount of advances to customers by industry sectors which are considered to be significant to them. In order to achieve consistency of reporting among AIs, the information should be disclosed in accordance with the industry categories set out below. The types of advances that should be included in the respective categories should follow those contained in the return "Quarterly Analysis of Loans and Advances and Provisions - MA(BS)2A". Further guidance on how the various types of advances classified in that return relate to the industry categories set out below is given in Annex C.

Loans for use in Hong Kong

- industrial, commercial and financial:
  - property development;
  - property investment;
  - financial concerns;
  - stockbrokers;
  - wholesale and retail trade;

[8] ***Operating assets of a class of business are those assets that are employed by the business class in its operating activities and that either are directly attributable to that business class or can be allocated to that business class on a reasonable basis.***

  - manufacturing;
  - transport and transport equipment; and
  - others;

- individuals:
  - loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme;
  - loans for the purchase of other residential properties;
  - credit card advances; and
  - others;

Trade finance

Loans for use outside Hong Kong

3.5.5 While all AIs should break down the gross amount of advances to customers using the categories in para. 3.5.4, they may also break items down into more detailed sub-categories if they so wish. AIs may also find that disclosing information about the extent to which these advances are backed by collateral or other security indicates better the extent of credit risk. Disclosure of any such additional information is encouraged. In addition, the aggregate of this analysis should reconcile with the relevant figures provided in the balance sheet.

3.5.6 AIs should disclose the breakdown of the gross amount of advances to customers by countries or geographical areas that are considered to be significant[9] to them according to the location of the counterparties. A breakdown of overdue and non-performing loans by

[9] A country or geographical area should generally be reported where it constitutes 10% or more of the relevant disclosure item, e.g. aggregate amount of advances to customers or cross-border claims, after taking into account any risk transfers.

these identified countries or geographical areas should also be given.

3.5.7 AIs should also disclose the breakdown of their cross-border claims by countries or geographical areas that are significant[10] according to the location of the counterparties and by the types of counterparties (analysed into banks and other financial institutions, public sector entities and others). Reference should be made to the return "Cross-border Claims – MA(BS)9". Cross-border claims should include the following types of financial claims:

- loans and advances and other accounts (including money at call and short notice, balances and placements with banks and other financial institutions);
- holdings of treasury bills, trade bills and certificates of deposit; and
- investment in securities.

Claims arising between branches and subsidiaries of the AI should be excluded. An illustration of how cross-border claims should be disclosed is at Annex D.

3.5.8 In relation to para. 3.5.6 and para. 3.5.7, the basis of the country or geographical classification should be clearly stated, including the fact that transfer of risk has been taken account of. In general, risk transfer should only be made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

3.5.9 AIs are encouraged to disclose other types of credit exposure, including those arising from off-balance sheet transactions, according to the location of the counterparty.

[10] A country or geographical area should generally be reported where it constitutes 10% or more of the relevant disclosure item, e.g. aggregate amount of advances to customers or cross-border claims, after taking into account any risk transfers.

3.6 Currency risk

3.6.1 AIs should disclose foreign currency exposures arising from trading, non-trading and structural positions. The position in a particular foreign currency should be reported if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies. The net options position reported should be calculated using either the “model user” or the “worst case” approach set out in the return “Foreign Currency Position - MA(BS)6” or using the AI’s internal reporting method. The basis of calculation should be clearly stated. The financial information to be disclosed in respect of each such currency should include:

- spot assets;
- spot liabilities;
- forward purchases;
- forward sales;
- net options position; and
- net long (short) position.

3.6.2 Similarly the net structural position (assets less liabilities) in a particular foreign currency (in absolute terms) should be reported if it constitutes 10% or more of the total net structural position in all foreign currencies.

3.6.3 An illustration of how currency risk should be disclosed is at Annex E.

3.7 Overdue and rescheduled assets

3.7.1 AIs should disclose the gross amount of advances[11] (to customers, banks and other financial institutions) which have been overdue for:

- six months or less but over three months;
- one year or less but over six months; and

[11] The amount of gross advances should be shown net of any interest that has been capitalised but accrued to a suspense account.

- over one year.

Both the absolute amount of overdue advances and the percentage of such advances to total advances to customers[12] should be given for each maturity bracket. Similar information on overdue advances to banks and financial institutions should also be disclosed.

3.7.2 AIs may wish to disclose the value of collateral held against the overdue loans and the amount of specific provisions made. Where AIs opt to disclose the value of collateral held, they should disclose the split of overdue advances into those which are secured and those which are unsecured and the market value of collateral held against the secured loans based on the most recent estimate.

3.7.3 AIs should also disclose the amount of advances to customers and advances to banks and other financial institutions which: (i) are overdue for more than three months and on which interest is still being accrued; and (ii) are overdue for three months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has ceased.

3.7.4 AIs should disclose the amount of rescheduled advances to customers, net of those which have been overdue for over three months and reported in para. 3.7.1 above, and the percentage of such advances to total advances to customers. Similar information on rescheduled advances to banks and other financial institutions should also be given.

3.7.5 The information disclosed above should take the form of a reconciliation between overdue loans and non-performing loans. The reconciliation should comprise the amount in para. 3.7.1 less that in para. 3.7.3(i) plus the amounts in paras. 3.7.3(ii) and 3.7.4.

[12] Total advances to customers should correspond to the total of loans for use in Hong Kong, trade finance and loans for use outside Hong Kong disclosed under the analysis of advances to customers by industry sector in Annex C.

3.7.6 The non-performing loans reconciled under para. 3.7.5 above should correspond with the relevant figures provided under para. 2.2.3 above.

3.7.7 Guidance on the classification and definition of overdue and rescheduled loans is given in Annex F. An illustration showing how the value of collateral held against overdue loans should be disclosed is at Annex G.

3.7.8 AIs should disclose the amount of other assets, analysed by major categories of assets such as trade bills and debt securities, which have been overdue for:

- six months or less but over three months;
- one year or less but over six months; and
- over one year.

3.7.9 AIs should disclose the amount of repossessed assets held, irrespective of the accounting treatment of the related loans and advances, upon the repossession of the assets (see also para. 2.7.2 regarding the disclosure of the accounting treatment for repossessed assets).

3.8 Other financial information

3.8.1 AIs should disclose the capital adequacy ratio at balance sheet date, computed in accordance with the Third Schedule of the Banking Ordinance. Where an AI is required to compute a consolidated ratio by the HKMA, that ratio should be disclosed. Otherwise, the solo ratio should be disclosed.

3.8.2 For AIs which are required by the HKMA to maintain capital against market risk, an adjusted capital adequacy ratio which takes into account market risk as at the balance sheet date, computed in accordance with CA-G-2 "Maintenance of Adequate Capital Against Market Risks", should also be disclosed.

3.8.3 The basis of computation should be clearly stated and should be consistently applied each period. Where both the adjusted and unadjusted capital adequacy ratios are disclosed, the fact that the adjusted ratio takes into account market risk should be clearly stated.

3.8.4 The components of the total capital base after deductions as reported under Part I of the “Capital Adequacy Return - MA(BS)3” should be disclosed. These should include the following items:

- core capital:
  - paid up ordinary share capital;
  - share premium account;
  - reserves (eligible for inclusion in core capital);
  - minority interests;
  - others; and
  - deduct: goodwill;
- eligible supplementary capital:
  - reserves on revaluation of land and interests in land (at 70%);
  - general provisions for doubtful debts;
  - irredeemable cumulative preference shares;
  - term subordinated debt;
  - term preference shares; and
  - others;
- total capital base before deductions;
- deductions from total capital base; and
- total capital base after deductions.

3.8.5 The average liquidity ratio for the financial period (i.e. 12 months in normal cases) should be disclosed. The average ratio should be the simple average of each calendar month’s average ratio, as reported in Part 1(2) of the “Return of Liquidity Position of an Authorized Institution - MA(BS)1E” calculated for the purposes of the Banking Ordinance. Where the basis of computation has been agreed with the HKMA, AIs may choose to include overseas branches and/or subsidiaries in the calculation of the liquidity ratio, rather than Hong Kong offices only.

4. Other issues

4.1 Comparative figures and transitional arrangements

4.1.1 The corresponding amounts for the immediately preceding financial year should be given for the disclosures in sections 2 and 3.

4.1.2 Where the disclosures are applied for the first time, and it is impractical to apply the disclosures retrospectively, the disclosure in respect of the comparatives need not apply for the first year.

4.2 Terminology

4.2.1 AIs should consider the guidance on terminology given in Annex H in determining the classification of items within the disclosure standards contained in this module.

4.2.2 AIs should provide sufficient descriptions in their accounting policy notes or other notes on the accounts to enable the users of the financial statements to understand how material items have been dealt with.

4.3 Presentation and layout

4.3.1 The disclosure standards set out in sections 2 and 3 present a broad framework of financial disclosure by AIs. The precise method of presentation in the accounts and the layout is a matter for individual AIs to agree with their auditors.

4.3.2 AIs should exercise judgement in deciding on the relative prominence given to each disclosure item, having regard to the overall clarity of the financial statements.

Annex A: Maturity classification

1. Where an item is repayable by instalments, the repayments should be reported according to each instalment payment date and amount.

2. Items of a revolving nature should be reported according to:

   – the earliest date the asset will mature – if the AI has no notice of any intention of renewal by the borrower;

   – the next maturity date – if notice has been received on renewal of the loan or debt securities upon maturity; and

   – the final maturity date of the credit line – if the asset is to be renewed automatically on each rollover date.

3. Report any assets such as loans and debt securities which have been overdue for not more than one month as "Repayable on demand" and an asset which is non-performing or which is overdue for more than one month as "Undated". Any loan which is repayable on demand (e.g. demand loans and overdrafts) should be treated as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction and the loan has remained unpaid at the reporting date.

4. In case of an asset which is repayable by different payments or instalments, only that portion of the asset which is actually overdue should be reported according to the method indicated above. Any part of the asset which is not due should continue to be reported according to the residual maturity unless the repayment of the asset is in doubt, in which case the amount should be reported as "Undated".

5. Unless otherwise indicated, liabilities should be classified according to their earliest maturity. In relation to deposits, this means the first roll-over date or the shortest period of notice required to effect a withdrawal.

6. Report demand, savings and current account deposits of customers as "Repayable on demand". Time, call and notice deposits of customers should be classified according to the earliest date on which these deposits may be withdrawn.

7. Negotiable debt instruments issued by the AI which are still outstanding and can be redeemed before maturity at the holder's option should be classified in the appropriate maturity bands according to the earliest date for redemption. Perpetual instruments should be reported as "Undated".

Annex B: Geographical concentrations of income, profit or loss, assets, liabilities and off-balance sheet items

The following note illustrates disclosure of geographical concentrations of income, profit or loss, assets, liabilities and off-balance sheet items. Individual countries or geographical areas should be shown if they constitute 10% or more of any of the relevant disclosure items. AIs may use the composition of geographical areas set out below or a different composition of geographical areas defined by management for internal reporting purposes. Individual items should be allocated on the basis of the location of the principal operations of the subsidiary or, in the case of the AI itself, on the location of the branch responsible for reporting the results or booking the assets.

	Total operating income	**Profit/loss before taxation**	**Total assets**	**Total liabilities**	**Contingent liabilities and commitments**
As at [date]					
1. Hong Kong	xx	xx	xx	xx	xx
2. Asia Pacific excluding Hong Kong	xx	xx	xx	xx	xx
of which country A	xx	xx	xx	xx	xx
3. North and South America	xx	xx	xx	xx	xx
of which country B	xx	xx	xx	xx	xx
4. Middle East and Africa	xx	xx	xx	xx	xx
of which country C	xx	xx	xx	xx	xx
5. Europe	xx	xx	xx	xx	xx
of which country D	xx	xx	xx	xx	xx
As at [date of last disclosure]					
1. Hong Kong	xx	xx	xx	xx	xx
2. Asia Pacific excluding Hong Kong	xx	xx	xx	xx	xx
of which country A	xx	xx	xx	xx	xx
3. North and South America	xx	xx	xx	xx	xx
of which country B	xx	xx	xx	xx	xx
4. Middle East and Africa	xx	xx	xx	xx	xx
of which country C	xx	xx	xx	xx	xx
5. Europe	xx	xx	xx	xx	xx
of which country D	xx	xx	xx	xx	xx

Annex C: Segmental reporting

Geographical segments

1. Depending on both an AI's activities and the nature of the markets concerned, reportable geographical segments may be based on continents, other regional areas, whether compatible for geographical or economic reasons, and/or individual countries. An AI's operations within Hong Kong are considered to be a separate geographical segment.

Intra-group items

2. AIs will need to determine, in the light of their individual circumstances, whether it would be more meaningful to include or exclude intra-group items when preparing segmental information. Where the individual segmental analysis is shown inclusive of intra-group transactions, it will be necessary to show separately the aggregate of intra-group items deducted in order to reconcile with the consolidated totals for profits and assets.

General

3. Where an AI operates predominantly in one geographical area, the AI need only indicate the geographical area in which the AI predominantly operates.

4. Where allocation of an item of revenue, expense, or assets cannot be made to segments on a reasonable basis, no allocation should be made and the unallocated amount should be adjusted against the revenue, expense or assets of all segments. The unallocated amounts should be disclosed. Where allocation of an item involves a material judgement, the basis of allocation should be clearly stated.

5. In the event that segments are redefined in subsequent years, an AI should disclose the nature, reason for and effects of such change, where the change has a material effect on the segment information.

6. When a particular segment is regarded as material and disclosed for the first time, comparative figures for the previous year should be provided. Conversely, when a segment falls below the material level in the year of reporting the segmental information should still be disclosed if the prior year comparatives were material and disclosed in the previous year.

Analysis of advances to customers by industry sectors

7. The allocation of advances to customers classified by industry sectors set out in this module should be made in accordance with the definitions in the completion instructions for the return of "Quarterly Analysis of Loans and Advances and Provisions - MA(BS)2A". The completion instructions provide a detailed description of the types of advances that should be included in the

respective items in the return. The relation between the industry sectors in this module and the items on the return is set out in the following table. It should however be noted that while Part I of the return deals only with the position of the Hong Kong office(s) of the AI, the analysis in this module should cover all advances to customers on a consolidated basis where applicable.

Industry classification	**Advances included in the following item(s) of the return**
Loans for use in Hong Kong	
Industrial, commercial and financial:	
– Property development	Item C1e
– Property investment	Item C2e
– Financial concerns	Item H2e
– Stockbrokers	Item H3c
– Wholesale and retail trade	Item E
– Manufacturing	Items A1 to A9
– Transport and transport equipment	Item G4
– Other	Items B, C3, D, F, H1, H4, H5d and H6
Individuals	
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	Item H5a
– Loans for the purchase of other residential properties	Item H5b
– Credit card advances	Item H5c
– Other	Item H5e
Trade finance	Item J
Loans for use outside Hong Kong	Item K

Annex D: Cross-border claims

The following note illustrates geographical disclosure of cross-border claims by types of counterparties. An individual country or geographical area should generally be reported if it constitutes 10% or more of the aggregate cross-border claims. AIs may use the composition of geographical areas set out below or a different composition of geographical areas defined by management for internal reporting purposes. For the classification of types of counterparties, reference should be made to the return "Cross-border Claims - MA(BS)9".

	Banks and other financial institutions	Public sector entities	Others	Total
As at [date]				
1. Asia Pacific excluding Hong Kong	xx	xx	xx	xx
of which country A	xx	xx	xx	xx
2. North and South America	xx	xx	xx	xx
of which country B	xx	xx	xx	xx
3. Middle East and Africa	xx	xx	xx	xx
of which country C	xx	xx	xx	xx
4. Europe	xx	xx	xx	xx
of which country D	xx	xx	xx	xx
As at [date of last disclosure]				
1. Asia Pacific excluding Hong Kong	xx	xx	xx	xx
of which country A	xx	xx	xx	xx
2. North and South America	xx	xx	xx	xx
of which country B	xx	xx	xx	xx
3. Middle East and Africa	xx	xx	xx	xx
of which country C	xx	xx	xx	xx
4. Europe	xx	xx	xx	xx
of which country D	xx	xx	xx	xx

Annex E: Currency risk

The following note illustrates disclosure of currency risk including exposures arising from option positions and structural positions. An individual currency should be reported if it constitutes 10% or more of the total net position in all foreign currencies. Similarly, for disclosure of the net structural position (assets less liabilities), an individual currency should be reported if it constitutes 10% or more of the total net structural position in all foreign currencies.

Equivalent in millions of HK$	**US$**	**Euro**	**Japanese Yen**	**Total**
Spot assets	200	150	500	850
Spot liabilities	(100)	(50)	(100)	(250)
Forward purchases	350	100	100	550
Forward sales	(550)	(400)	(350)	(1,300)
Net option position	(100)	(200)	(80)	(380)
Net long (short) position	(200)	(400)	70	(530)

	US$	**Can$**	**Euro**	**Total**
Net structural position	180	(15)	(40)	125

Annex F: Overdue and rescheduled loans

1. Overdue advances can be broadly classified into the following types:

   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 on them is overdue and remains unpaid as at the end of the financial period.

   b) 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 end of the financial period.

   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:

      – A demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction; and/or

      – 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).

2. The period of overdue of a loan which has a determinable due date should be counted from the date following such due date[13]. The whole amount of a loan should be classified as overdue even if part of it is not yet due and the date used to determine whether it is overdue should be 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 more than six months as at the end of the financial period, the entire amount of the loan should be reported as overdue for more than six months.

3. Rescheduled advances refer to those that have been restructured or renegotiated 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 AI.

[13] In the case of a loan repayable on demand, the period of overdue should be counted from the date following either the repayment date specified in the demand for repayment served on the borrower or the date on which the loan first exceeded, and thereafter remained continuously outside, the approved limit notified to the borrower, whichever is earlier.

4. Rescheduled advances do not include the following:

   a) loans rescheduled in response to the changes in market conditions provided that at the time of rescheduling, the loans have been serviced normally, the ability of the borrowers to service the loans according to the revised repayment terms is not in doubt and the rescheduled loans are priced at interest rates equal to the current market interest rates for new loans with similar risks; and

   b) rescheduled loans where there is reasonable assurance that the borrowers will be able to service all future principal and interest payments on the loans in accordance with the revised repayment terms <u>and</u> the borrowers have serviced all principal and interest payments on the loans in accordance with the revised repayment terms continuously for a reasonable period. The reasonable period of continuing repayments for rescheduled loans with monthly payments (including both interest and principal) is 6 months. For other rescheduled loans, a period of continuing repayments of 12 months would be considered reasonable.

5. Rescheduled advances which have been overdue for more than three months under the revised repayment terms should be included under overdue advances and not in rescheduled advances.

Annex G: Disclosure of value of collateral held against overdue loans

1. The following illustrates how AIs should disclose the collateral value of their overdue loans and the split between secured and unsecured amounts:

HK$ million

Overdue loans	Outstanding loan amount	Market value of security	Secured amount	Unsecured amount
A	10	15	10	-
B	10	7	7	3
C	10	-	-	10
Total	30	22	17	13

Minimum information to be disclosed by the AI:

– Market value of security held against the secured overdue loans HK$ 22 million

– Secured overdue loans HK$ 17 million

– Unsecured overdue loans HK$ 13 million

2. Where multiple loans extended to one borrower are in aggregate secured partially by the same collateral, and one of the loans has been overdue for more than 3 months, the proportion of the value of the collateral held against the overdue loan disclosed should be the same as the proportion of the value of the collateral held against the different loans in aggregate. For example, if the different loans to one borrower are in aggregate 80% secured by the same collateral, it is assumed that each of the loans, including the overdue loans, should also be 80% secured. The AI should therefore disclose as the value of the collateral held against the overdue loan 80% of the outstanding amount of the overdue loan. If, however, the market value of the collateral has fallen to below 80% of the aggregate outstanding amount of the loans, the value of the collateral held against the overdue loan should also be adjusted accordingly.

Annex H: Terminology

Term	Meaning
Advances to banks and other financial institutions	Include placements with banks and financial institutions of more than one year.
Amounts owing on partly paid shares and securities	The unpaid portion of shares or securities which the issuer of such shares or securities may call for at a future date.
Asset sales or other transactions with recourse	Include asset sales where the holder of the asset is entitled to put the asset back to the AI within an agreed period or under certain prescribed circumstances, e.g. deterioration in the value or credit quality of the asset concerned.
Banks and other financial institutions	AIs authorized under the Banking Ordinance and institutions which are regarded as banks by the appropriate supervisory authorities in their place of incorporation, and include central banks.
Cash and balances with banks and other financial institutions	Cash in the till and demand deposits with other banks and financial institutions.
Certificates of deposit	All certificates of deposit regardless of maturity (including those held for dealing purposes).
Charge for bad and doubtful debts	The net amount charged or credited to the income statement in respect of provisions for bad and doubtful debts and bad debt recoveries.
Credit risk weighted amount	The amount as computed in accordance with the Third Schedule of the Banking Ordinance.
Cross-border claims	Cross-border claims should include loans and advances and other accounts (including money at call and short notice, balances and placements with banks and other financial institutions); holdings of treasury bills, trade bills and certificates of deposit; and investment in securities.
Debt security	Any security representing a creditor relationship with an enterprise. It also includes preference shares that by their terms either must be redeemed by the issuer or are redeemable at the option of the investor. Thus, it includes, among other items, government securities, government agency securities, corporate bonds, convertible debt, commercial paper, and all securitised debt instruments such as mortgage backed securities and interest-only and principal-only strips. Holdings of a bank's own debt securities should not be included, even if they are held on a market maker's book; they should be netted against the amount of issued debt securities shown on the liabilities side.
Deposits and balances of banks and other financial institutions	All amounts (excluding those in the form of debt securities and certificates of deposit) arising out of banking transactions owed to other banks and financial institutions.
Derivatives	Financial contracts whose value depends on the value of one or more underlying assets or indices.
Direct credit substitutes	Irrevocable off-balance sheet obligations which carry the same credit risk as a direct extension of credit. They include guarantees, the confirming of letters of credit, standby letters of credit serving as financial guarantees for loans, securities and other financial liabilities. They include also liabilities arising from acceptances on accommodation bills but exclude any such bills which have been discounted by the AI itself. Risk participation and any other similar commitments where the AI has undertaken to repay the financial obligation of a

Term	Meaning
	customer on his failure to do so should also be included.
Equity security	Any security representing an ownership interest in an enterprise (e.g. ordinary or preference shares). However, it does not include convertible debt or preference shares that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor.
Forward asset purchases	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 AI.
Forward forward deposits placed	Agreements between the AI and another party whereby the AI will place a deposit at an agreed rate of interest with that party at some predetermined future date.
Gains less losses arising from dealing in foreign currencies	Profits less losses from foreign exchange transactions including those from foreign exchange derivatives.
Gains less losses from other dealing activities	Include profits less losses from dealing in instruments such as commodities, precious metals, derivatives based on these items and other derivatives such as interest-rate derivatives.
Group companies	Refer to the following categories: – the ultimate holding company; – any subsidiary of the ultimate holding company (including any intermediate holding company of the AI); and – any subsidiary of the AI.
Hedging transactions	Those entered into to reduce risk by taking a position which offsets existing or anticipated exposure to a change in market rates or prices other than those on the trading book, e.g. those entered into to manage interest rate or foreign exchange risks.
Held-to-maturity securities, investment securities and other investments in securities (benchmark treatment), non-trading securities and trading securities (alternative treatment)	Terminology is as defined in HK SSAP 24. AIs may use different terms, provided that the meaning of alternative terms is made clear and the accounting treatment adopted conforms to the requirements set out in HK SSAP 24.
Issued debt securities	All negotiable securities other than stocks, shares and certificates of deposit
Loan capital	Subordinated liabilities such as loans, debentures, floating rate notes etc.
Market risk	The risk of loss arising from adverse changes in value as a result of movements in market rates or prices.
Money at call and short notice	Deposits of up to a maximum of one month to maturity.
Non-performing loans	Loans and advances to customers on which interest has been placed in suspense or on which interest accrual has ceased[14].
Note issuance and revolving underwriting facilities	Arrangements whereby a borrower may draw funds up to a prescribed limit over a pre-defined period through the issue of notes which the AI has committed to underwrite.

[14] Refer to CR-G-6 "Interest Recognition" for guidance.

Term	Meaning
Other commitments	Include the undrawn portion of any binding arrangements which oblige the AI to provide funds at some future date. Commitments with an original maturity of less than one year, or which can be unconditionally cancelled at any time by the AI at its discretion, other than for "force majeure" reasons, include 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 are subject to credit revision at least annually. Original maturity is defined as the length of time between the date the commitment is made and the earliest date on which the AI can, at its option, unconditionally cancel the commitment.
Premises and equipment expense	Include rents and rates, insurance of premises and equipment, lighting, heating, maintenance costs and electronic data processing expenses.
Replacement cost	The cost of replacing all contracts (including those traded on exchanges, margin trading transactions, foreign exchange contracts with original maturities of 14 calendar days or less, and the unmatured forward leg of foreign exchange swaps but excluding forward foreign exchange contracts arising from swap deposit arrangements) which have a positive value when marked to market.
Repossessed assets	***Assets in respect of which AIs have acquired access or control (e.g. through court proceedings or voluntary actions by the borrowers concerned) for release in full or in part the obligations of the borrowers. Repossessed assets include properties and securities. In case of properties, voluntary surrender of keys by mortgagors is deemed repossession.***
Trade bills	All purchased bills of exchange in relation to trade transactions.
Trade-related contingencies	Contingent liabilities arising from trade-related obligations. They include letters of credit issued, acceptances on trade bills, shipping guarantees issued and any other trade-related contingencies. However, liabilities arising from confirmation of letters of credits issued by another AI should be regarded as direct credit substitutes.
Trading book	Includes the AI's proprietary positions in financial instruments which are taken on with the intention of short-term resale or benefiting in the short term from actual or expected differences between the buying and selling prices or from other price or interest rate variations; positions which arise from the execution of trade orders from customers and market making; and positions taken in order to hedge other elements of the trading book. For the purpose of disclosure of market risk, money market transactions originated for funding purposes or to deploy surplus liquidity need not be included.
Trading transactions	The AI's proprietary positions in financial instruments which are taken on with the intention of short-term resale or benefiting in the short term from actual or expected differences between the buying and selling prices or from other price or interest rate variations; positions which arise from the execution of trade orders from customers and market making; and positions taken in order to hedge other elements of the trading book.
Transaction-related contingencies	Contingent liabilities arising from an irrevocable obligation to pay a beneficiary when a customer fails to perform some contractual, non-financial obligation. They include those arising from performance bonds, bid bonds, warranties and standby letters of credit related to a particular transaction.
Treasury bills (including Exchange Fund Bills)	Include all such bills regardless of maturity and including those held for dealing purposes.

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