Certificate of Compliance
MA(BS)1F(a)
MA(BS)1F(b)

Summary of Proposed Changes

MA(BS)1F(a)

1. Section 87A
(Return - Part II item 6; Completion instructions – Section A paragraph 5 and Section B paragraph 9.3)

Like other sections under Part XV of the Banking Ordinance, AIs are required to certify whether they comply with the new section 87A.

2. Name of the largest non-exempt exposure under section 81
(Return - Part III item 1)

This is to facilitate easy identification of the largest non-exempt exposure of the reporting AI.

3. Value of total assets
(Return – Part IV items 1(b) and 2(d); Completion instructions – Section B paragraphs 11.1 and 11.2)

This is to clarify that provisions should be deducted from respective asset items when calculating the value of total assets.

4. Repo transactions where all the risks and rewards of ownership are substantially transferred to the buyer
(Completion instructions – Section A paragraph 7)

Guidance is now provided for the reporting of repos, the terms of which transfer substantially all the risks and rewards of the ownership of the securities to the buyers. This is to give recognition to such repo transactions, in line with the accounting treatment under SSAP24.

5. Exposures supported by letters of comfort
(Completion instructions - Section B paragraph 10.1 and Annex 1)

Clarification is given on the reporting treatment of exposures supported by letters of comfort in Part III - item 1 of the return.

6. Staff residential mortgage loans under the exemption of section 83(4A)
(Completion instructions - Section B paragraph 12.1)

Clarification is made that details of such loans need not be reported in order to reduce the reporting burden of an AI where it has a large number of staff residential mortgage loans that are exempted under section 83(4A).

7. "Euroclear" and "Cedel"
(Completion instructions – Section B Paragraph 12.4)

To reflect the change of name to "Euroclear Bank" and "Clearstream Banking" respectively.

MA(BS)1F(b)

1. Insertion of "Yes" and "No" columns
(Return – Cover page item 2)

To facilitate overseas incorporated authorized institutions in their reporting of compliance with the respective sections of the Banking Ordinance.

July 2002

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SECRET

under the Banking Ordinance

Co. No. MM YY CAT

(For Official Use Only)

CERTIFICATE OF COMPLIANCE WITH THE BANKING ORDINANCE OF AN AUTHORIZED INSTITUTION INCORPORATED IN HONG KONG

Position of *Local Office(s)/Local Offices and Overseas Branches/Consolidated Return

for the quarter ended .....
(last day of the quarter)

* Delete where inapplicable

Name of Authorized Institution	Date of Submission

The Banking Ordinance

Information required under section 63(2) of the Banking Ordinance to be submitted to the Monetary Authority not later than 14 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.

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

We certify that this certificate 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*

(HK$'000)

I. *Capital base* of the institution as at

II. *Compliance with the Banking Ordinance*

Please state whether or not, during the reporting period, the institution was in contravention of the provisions of the following sections of the Banking Ordinance :

	Yes (Please put a "X")	*No*
1. section 80		
2. section 81		
3. section 83		
4. section 85		
5. section 87		
6. section 87A		
~~*6*~~***7***. section 88		
~~*7*~~***8***. section 90		
~~*8*~~***9***. section 98		
~~*9*~~***10***.section 102		
1~~*1*~~**0**.section 106		

III. *Maximum exposures* ~~*and assets under charge*~~

At the close of business on any day during the reporting period :

(HK$'000)

1. Maximum financial exposure to any one person etc., within the meaning of section 81, other than those exempted under sections 81(4), 81(5), 81(6) and 81(7), amounted to

Name of counterparty : _____

2. Maximum aggregate of unsecured facilities to directors and connected parties, within the meaning of section 83(1), other than those exempted under section 83(4A), amounted to
3. Maximum aggregate of unsecured facilities to directors and connected parties, within the meaning of section 83(2)(a), other than those exempted under section 83(4A), amounted to
4. Maximum unsecured facilities to any individual director and connected party, within the meaning of section 83(2)(b), other than those exempted under section 83(4A), amounted to
5. Maximum aggregate value of shareholdings, within the meaning of section 87(1), other than those exempted under section 87(2), amounted to
6. Maximum aggregate value of interests in land, within the meaning of section 88(1), excluding those occupied for conducting the institution's business as referred to in sections 88(2) and 88(3) and those exempted under section 88(5), amounted to
7. Maximum aggregate total, as referred to in section 90(1), of outstanding facilities to directors etc., and value of holdings of share capital, interests in land and business premises, within the meaning of sections 83(1), 87(1), 88(1), and 88(2) and, including those transactions exempted under sections 83(4A), 87(1), 87(2) and 88(5) as may be required by the Monetary Authority, amounted to

IV. Assets under charge

~~*8*~~***1***. ***At the close of business on any day during the reporting period,*** maximum ratio calculated on the basis of the aggregate value of all charges over the total assets of the institution and the value of such assets, within the meaning of section 106, other than those charges approved/exempted by the Monetary Authority, was

(a) Aggregate value of all charges

(b) Value of total assets ***after provisions*** (excluding contra items)

(c) Maximum ratio ((a) ÷ (b) x 100%) %

~~During the reporting period,~~

~~2.~~ ***During the reporting period,*** the following charges were created within the meaning of section 106 :

New charges created		At the close of business on the day when a charge was created		
Date	Value of charges (HK$'000)	Aggregate value of all charges (including those included in column (b)) other than those approved or exempted by the Monetary Authority (HK$'000)	Value of total assets ***after provisions*** (excluding contra items) (HK$'000)	Ratio of aggregate value of all charges to value of total assets (excluding contra items) (c) ÷ (d) x 100% (%)
(a)	(b)	(c)	(d)	(e)

~~I~~***V***. *Exempted/Approved Transactions*

1. During the reporting period, the maximum exposures in respect of the transactions that were excluded from sections 80, 81 and 83 as approved by the Monetary Authority under sections 80(2), 81(4), 81(5), 81(6)(b)&(i), 81(7), 83(4)(e)&(g) and 83(4A), amounted to

Relevant section	Name of customer	Type of facility	Limit approved by the Monetary Authority (HK$'000)	Maximum exposures (HK$'000)

2. At the end of the reporting period, the value of shareholdings or debt securities acquired under an underwriting contract or in satisfaction of debts, etc., and the value of interests in land acquired under mortgage to secure debts due to the institution as approved by the Monetary Authority under sections 81(6)(i), 81(7), 87(1), 87(2)(a) and 88(5) respectively, amounted to

Relevant section	Name of company/ Location of property	Date of acquisition	Expiry of approved period of holding	Value (HK$′000)

3. During the reporting period, the maximum aggregate value of all charges approved by the Monetary Authority under section 106(1), amounted to

Particulars of charges	Value of charges (HK$′000)	Limit of facility secured by charges (HK$′000)	Maximum amount utilized (HK$′000)

4. During the reporting period, the maximum aggregate value of all charges exempted by the Monetary Authority under section 106(2), amounted to

Particulars of charges	Value of charges (HK$′000)	Charge in favour of	Maximum amount utilized (HK$′000)

Completion Instructions

Certificate of Compliance with the Banking Ordinance of an authorized institution incorporated in Hong Kong Form MA(BS)1F(a)

Introduction

Section A : General Instructions

1. This Certificate is to be submitted by all authorized institutions incorporated in Hong Kong on a solo basis. Institutions with subsidiaries may additionally be required to submit the Certificate on a consolidated basis. In the case of a solo Certificate, report the positions of the institution's local and overseas branches (if any) in one Certificate; in the case of a consolidated Certificate, report the positions of the institution and its subsidiaries in a separate Certificate.

2. Unless otherwise specified by the Monetary Authority, institutions should submit the Certificate not later than 14 days after the end of each quarter ending on 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.

3. All 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 reporting date should be used for conversion purposes.

4. In completing this Certificate, reference should be made to the relevant sections of the Banking Ordinance regarding the scope of the statutory limits and restrictions.

5. For the purposes of Part XV (i.e. sections 81, 83, 87, ***87A***, 88 & 90) and Part XVII (i.e. section 98) of the Banking Ordinance, the Monetary Authority may require an institution to observe the limitations and restrictions on a consolidated basis and may specify different subsidiaries for consolidation under these two Parts. This may result in the use of different capital bases to determine compliance with these Parts. Institutions should therefore be careful in selecting the appropriate capital base for reporting under Part II of the Certificate.

6. For the purposes of this Certificate, the term "value of charges" means the book value of the assets which have been charged to another party.

7. Securities transactions should be reported on the "trade date" basis. For the purpose of this Certificate, securities transactions under sale and repurchase agreements ("repos") and reverse repos should be reported on a "economic substance" approach (i.e. they are treated as collateralised ~~loans~~ ***deposits*** and ~~deposits~~ ***loans respectively***). For ~~both~~ repos ~~and spot and forward purchases of securities~~, the reporting institution is exposed to the issuer of the securities. For ~~both~~ reverse repos ~~and spot and forward sales of securities~~, the reporting institution is, in the first instance, exposed to the

counterparty, only in the event of a failure of the counterparty would the reporting institution be exposed to the issuer of the securities acquired. ***The reporting treatment of unmatured spot and forward purchase of securities and of unmatured spot and forward sales of securities should be as for repos and reverse repos respectively.*** Where cash is not involved in these transactions (e.g. securities repos), the reporting institution is only exposed to the issuer of the securities delivered to the counterparty.

Where the terms of a repo transaction transfer substantially all the risks and rewards of the ownership of the securities to the buyer, the transaction should be regarded as an outright sale and the commitment to repurchase should be treated as an off-balance sheet exposure to the issuer of the securities. Where the commitment to repurchase has no pre-determined price, the fair value (e.g. current market value) as of the reporting date should be used. On the other hand, if the reporting institution is a buyer of such a repo, it should regard the transaction as an outright purchase and treat it as an on-balance sheet exposure to the issuer of the securities.

Section B : Specific Instructions

8. Part I - Capital Base

Unless otherwise advised by the Monetary Authority, report the capital base figure stood at the end of the previous quarter which is relevant to the determination of compliance with Part XV of the Banking Ordinance.

9. Part II - Compliance with the Banking Ordinance

9.1 Put a "x" in the appropriate column to indicate whether or not the institution has contravened each of the sections specified in this Part during the reporting period.

9.2 Items 2, 3, 5, ~~6,~~ 7 & ***8***

For the purposes of determining compliance with sections 81, 83(except 83(2)(b)), 87, 88 and 90 of the Banking Ordinance, institutions should calculate on a daily basis the relevant ratios by dividing the exposures or amounts of restricted assets under each of these sections by the capital base prevailing at the close of business on the same day. However, for the sake of convenience, institutions may use the capital base reported in Part I of this Certificate as the basis of calculation provided that there has been no significant reduction in the capital base during the quarter covered by the Certificate.

9.3 Item 6

For the purpose of determining compliance with section 87A of the Banking Ordinance, institutions which, during the reporting period, have acquired the share capital of a company (except those approved by the Monetary Authority under section 87A(2)(a) or exempted under section 87A(8)) should calculate the ratio by

dividing the value of the share capital (i.e. cost of acquisition or the accumulated value in the case of a series of acquisitions) by the capital base prevailing at the close of business on the date of acquisition. However, for the sake of convenience, institutions may use the capital base reported in Part I of this Certificate as the basis of calculation provided that there has been no significant reduction in the capital base during the period from the end of the previous quarter to the date of acquisition.

~~9.3~~ ***9.4*** Item ~~8~~ ***9***

For reasons already mentioned in paragraph 5 above, institutions which have been required by the Monetary Authority to observe section 98 of the Banking Ordinance on a consolidated basis should note that the consolidated capital base to be used for computation under this section may not be the same as the one used under Part XV of the Ordinance.

~~9.4~~ ***9.5*** Item ~~9~~ ***10***

For the purpose of determining compliance with section 102 of the Banking Ordinance, the average liquidity ratio for each calendar month during the reporting period in respect of the reporting institution's Hong Kong offices should normally be taken unless it has been notified by the Monetary Authority to observe the liquidity ratio requirement on a consolidated basis by including the positions of specific deposit-taking subsidiaries and overseas branches.

~~9.5~~ ***9.6*** Item ~~10~~ ***11***

For the purpose of determining compliance with section 106 of the Banking Ordinance, only the solo position should be taken into account. This is applicable to reporting under both the solo and the consolidated Certificates.

10. Part III - Maximum Exposures ~~and assets under charge~~

10.1 Items 1 - 6

For each of the sections specified under these items, report the maximum exposure incurred during the reporting period. In this connection, the daily closing exposures should be used for comparison and reporting purposes. The amount reported should include only those transactions which are subject to the limitations / restrictions prescribed under the relevant sections. Items and transactions which are exempted under sections 81(4), 81(5), 81(6), 81(7), 83(4A), 87(2), 88(2), 88(3) and 88(5) should not be included.

Where an exposure is supported by a letter of comfort, the amount to be reported in item 1 is the difference between the maximum exposure incurred in the reporting period and the limit exempted under s.81(6)(b)(ii) ("the exempt limit"), unless otherwise advised by the Monetary Authority. For the purpose of this return, the exempt limit is defined as the difference between the maximum lending limit as

specified in the comfort letter and the statutory limit under section 81 (i.e. that being 25% of an AI's capital base). An example is provided at Annex 1.

10.2 Item 7

Report the maximum aggregate exposure within the meaning of section 90(1) incurred during the reporting period. Daily closing exposures should again be used for comparison and reporting purposes. Transactions exempted from sections 83, 87 and 88 should not be included in the computation unless otherwise notified by the Monetary Authority.

11. Part IV – Assets under Charge

~~10.3~~ ***11.1*** Item ~~8~~ ***1***

Report in sub-item ~~8~~***1*** (c) the maximum ratio, expressed as a percentage, during the reporting period between the aggregate book value of all assets charged and the book value of the total assets ***after provisions*** (excluding contra items) of the institution. The book value of the numerator and denominator of such maximum ratio should then be reported under sub-items ~~8~~***1***(a) and ~~8~~***1***(b) respectively. For both the solo and consolidated Certificates, report only the solo position of the Hong Kong offices and overseas branches.

~~10.4~~ ***11.2*** Item ~~9~~ ***2***

Report in the table details of all charges created during the reporting period.

These include:

- Column (a) - Date

  State in chronological order all the dates on which new charges, except those approved or exempted by the Monetary Authority, were created.

- Column (b) - Value of charges

  Report the book value of the assets which were the subject of a new charge created on the date indicated in column (a).

- Column (c) - Aggregate value of all charges

  Report the aggregate book value of all the assets which have been charged to another party (including those reported under column (b) but exclude those approved or exempted by the Monetary Authority under sections 106(1) and 106(2)) at the close of business on the date indicated in column (a).

- Column (d) - Value of total assets

  Enter the book value of the total assets ***after provisions*** (excluding contra items) of the institution at the close of business on the date indicated in column (a).

~~11~~ *12* Part ~~IV~~ *V*- Exempted / Approved Transactions

~~11.1~~ *12.1* Item 1

Report the maximum exposures during the reporting period in respect of the transactions that were excluded from sections 80, 81 and 83 as approved by the Monetary Authority under sections 80(2), 81(4), 81(5), 81(6)(b)&(i), 81(7), 83(4)(e)&(g) and 83(4A).

- Relevant section:

  Enter the section under which exemption / approval has been given by the Monetary Authority.

- Name of customer:

  - in the case of section 80(2), enter the name of the company for which the institution has been approved by the Monetary Authority under this section to grant any advances, loans or credit facilities or give any financial guarantee or incur any other liability, against the security of the shares of the company; ~~or~~ ***and***

  - in the case of sections 81(4), 81(5) and 83(4A), enter the name of the customer to whom the relevant exposures were incurred. ***Where an exemption is granted by the Monetary Authority under section 83(4A) to a number of staff residential mortgage loans, the institution may report them in aggregate and under the term "unsecured staff mortgage loan".***

- Type of facility:

  Enter type of facility such as term loan, overdraft, financial guarantee, letters of credit etc. that has been granted by the institution.

- Limit approved by the Monetary Authority:

  Enter limit of facility approved by the Monetary Authority.

- Maximum exposures:

  Enter maximum exposures during the reporting period for each of the exempted / approved transactions. For the purpose of this item, the term "exposures" include all those exposures or facilities specified under section 80(2), 81(2) and 83(3) of the Banking Ordinance.

~~11.2~~ ***12.2*** Item 2

Report the book values of shareholdings, debt securities and interests in land etc. approved by the Monetary Authority under sections 81(6)(i), 81(7), 87(1), 87(2)(a) and 88(5) of the Banking Ordinance which were outstanding at the end of the reporting period.

- Relevant section:

  Enter the section under which the relevant approval was given by the Monetary Authority.

- Name of company/ location of property:

  - Enter the name of the company the share capital or debt securities of which were acquired by the institution in satisfaction of debts or under an underwriting contract, etc., or,

  - Enter the address of property which was acquired pursuant to entry into possession by the institution under mortgage.

- Date of acquisition:

  Enter the date on which the shares or debt securities of a company or a property were / was acquired by the institution.

- Expiry of approved period of holding:

  Enter the expiry date of the extended period of holding approved by the Monetary Authority.

- Value

  Enter the book values of the approved holding of shares, debt securities or properties which were outstanding at the end of the reporting period.

~~11.3~~ ***12.3*** Item 3

Report the maximum aggregate value of all charges during the reporting period which have been approved by the Monetary Authority under section 106(1) of the Banking Ordinance.

- Particulars of charges:

  Enter a description of the assets (e.g. properties, shares, debt securities, etc.) which have been charged to another party.

- Value of charges:

  Enter the book value of the assets charged.

- Limit of facility secured by charges:

  Enter the limit of facilities granted to the institution against the security of the charged assets.

- Maximum amount utilized:

  Report the maximum amount of the facility utilized by the institution during the reporting period. For example, in the case of an overdraft facility, report the maximum amount that had been overdrawn by the institution during the reporting period.

~~11.4~~ ***12.4*** Item 4

Report the maximum aggregate value of all charges exempted by the Monetary Authority under section 106(2) of the Banking Ordinance.

- Particulars of charges:

  Enter a description of the assets (e.g. properties, shares, debt securities, etc.) which have been charged to another party.

- Value of charges:

  Enter the book value of the assets charged.

- Charge in favour of:

  Enter the name of the party to whom the charge was created in favour of e.g. ~~Euroclear, Cedel~~, ***Euroclear Bank, Clearstream Banking*** etc.

- Maximum amount outstanding:

  Report the maximum amount utilized under the exempted charges during the reporting period.

Annex 1

Illustration of reporting a maximum exposure covered by a letter of comfort

	HK$'000
Maximum lending limit	*100,000*
25% of the reporting AI's capital base	*30,000*
Amount of the exempt limit	*70,000*

Maximum exposure during the quarter	*90,000*
Less : exempt limit	*70,000*
Amount to be reported	*20,000*

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Co. No. MM YY CAT

(For Official use Only)

under the Banking Ordinance

CERTIFICATE OF COMPLIANCE WITH THE BANKING ORDINANCE OF AN AUTHORIZED INSTITUTION INCORPORATED OUTSIDE HONG KONG

for the quarter ended .....
(last day of the quarter)

Name of Authorized Institution	Date of Submission

The Banking Ordinance

Information required under section 63(2) of the Banking Ordinance to be submitted to the Monetary Authority not later than 14 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.

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

~~We certify that~~:

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

2. ~~During the reporting period,~~***Please put a "X" in the "Yes" column if the institution has contravened the following respective sections of the Banking Ordinance during the reporting period. If not, please put a "X" in the "No" column.***

	Yes	***No***
	(Please put a "X")	
(a) No advance, etc., against security of own shares, etc., within the meaning of section 80, other than those exempted under section 80(2), was granted by the institution.		
(b) Outstanding unsecured facilities to employees, within the meaning of section 85, did not exceed the limit specified in that section.		
(c) The liquidity ratio, within the meaning of section 102, was not less than 25 percent in each calendar month.		

~~*Note:* References to sections are to sections of the Banking Ordinance~~.

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* _____

Completion Instructions

Certificate of compliance with the Banking Ordinance of an authorized institution incorporated outside Hong Kong Form MA(BS)1F(b)

This certificate should be submitted by all authorized institutions incorporated outside Hong Kong for the purpose of certifying their compliance with sections 80, 85, and 102 of the Banking Ordinance. The certificate is to be submitted not later than 14 days after the end of each quarter ending 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.

Hong Kong Monetary Authority
(MM/2003)