Completion Instructions

Return of Capital Adequacy Ratio
Forms MA(BS)3(I) to 3(VI)

Introduction

1. This return collects information on the capital adequacy position of authorized institutions incorporated in Hong Kong.

2. The return comprises 6 Parts, with Part III further divided into 6 sections for reporting institutions to report the risk-weighted amounts of their credit exposures under different approaches.

Part		Form
I	Summary certificate on capital adequacy ratios	MA(BS)3(I)
II	Capital base	MA(BS)3(II)
III	a Risk-weighted amount for credit risk – basic approach	MA(BS)3(IIIa)
	b Risk-weighted amount for credit risk – standardized (credit risk) approach	MA(BS)3(IIIb)
	c Risk-weighted amount for credit risk – internal ratings-based approach	MA(BS)3(IIIc)
	d Risk-weighted amount for credit risk – securitization exposures	MA(BS)3(IIId)
	e Risk-weighted amount for credit risk – central counterparties	MA(BS)3(IIIe)
	f Risk-weighted amount for credit risk – credit valuation adjustment	MA(BS)3(IIIf)
IV	Risk-weighted amount for market risk	MA(BS)3(IV)
V	Risk-weighted amount for operational risk	MA(BS)3(V)
VI	Risk-weighted amount for sovereign concentration risk	MA(BS)3(VI)

General Instructions

Layout and application

3. Instructions provided under this section apply to all forms contained in this Return. Specific instructions relating to individual forms are separately provided. Reporting institutions should complete the forms that are relevant to them in accordance with these instructions, having regard to the Banking (Capital) Rules (BCR), as well as other relevant supervisory policy/guidance related to the revised capital adequacy framework issued by the HKMA.

4. In completing Part VI of this Return, reporting institutions should additionally have regard to the Banking (Exposure Limits) Rules as well as other relevant supervisory policy guidance related to the large exposure framework issued by the HKMA.

5. Parts I, II and V are applicable to all reporting institutions. Part IV on Market Risk is applicable only to reporting institutions which are not exempted under the *de minimis criteria* as set out in section 22 of the BCR. For Parts IIIa to IIIc on Credit Risk, reporting institutions are required to submit form(s) for the approach(es) being used by them to risk-weight their non-securitization exposures. Parts IIId to IIIf and VI are applicable only if the institutions have exposures that are the subject of these Parts.

Combined / consolidated return

6. Where applicable, the forms should be completed both on a solo (or solo-consolidated) basis (i.e. the Combined Return) and on a consolidated basis (i.e. the Consolidated Return). Reporting institutions should make reference to the respective provisions of the BCR when reporting their solo, solo-consolidated or consolidated position (i.e. sections 29, 30 and 31 of the BCR respectively).

7. A reporting institution should include positions in the return as follows:

Solo basis	All positions of the institution and its local and overseas branches / offices.
Solo-consolidated basis	All positions of the institution, its local and overseas branches / offices and its solo-consolidated subsidiaries as defined in section 4 of the BCR.
Consolidated basis	All positions of the institution's consolidation group (including local and overseas branches) as defined in section 4 of BCR.

Reporting institutions should obtain the necessary approvals from the Monetary Authority (MA) and follow the requirements that are relevant to their choice of calculation approaches as set out in Part 2 of the BCR.

Instructions applicable to consolidated basis

8. If every member of a reporting institution's consolidation group uses the same approach in calculating the risk-weighted amount for a particular risk (i.e. credit, market, operational or sovereign concentration risk), the consolidation group should be treated as one single entity. The positions of individual members within the institution's consolidation group with respect to each of the risk types should be aggregated. The consolidated risk-weighted amounts for credit risk, market risk and operational risk should be calculated according to the approaches selected for these risks. The consolidated risk-weighted amount for sovereign concentration risk should be calculated according to Part 10 of the BCR.

9. With the prior consent of the MA, members of a reporting institution's consolidation group may use different approaches in calculating the risk-weighted amount for a

particular risk (i.e. credit, market or operational risk). Where different approaches are used, the consolidated risk-weighted amount should be calculated by aggregating the risk-weighted amounts for each of the members calculated separately (1) according to the approaches used by the member concerned for credit risk, market risk and operation risk and (2) according to Part 10 of the BCR in respect of sovereign concentration risk.

10. Any inter-company balances, transactions, income and expenses, as the case may be, among members of the consolidation group shall be eliminated in the calculation.

11. With the prior consent of the MA, a reporting institution may be allowed to calculate the capital charge for exposures of its one or more than one subsidiary incorporated in overseas countries in accordance with the capital adequacy standards adopted by the host supervisors of these subsidiaries.

Submission dates

12. The return should show the position as at the last calendar day of each quarter and should be submitted as follows:

    (a) combined return – within 1 month after the end of each quarter; and

    (b) consolidated return – within 1 month after the end of each quarter unless otherwise advised by the MA; and

    (c) If the submission deadline falls on a public holiday, it will be deferred to the next working day.

Definitions

13. Unless otherwise specified, terminology used in this return follows that of the BCR. For ease of reference, most of the main terms are printed in ***bold italics*** on their first appearance in these instructions. Reporting institutions should refer to the BCR for definitions of these terms.

Others

14. 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.

15. Securities transactions are to be reported on trade date basis.

Hong Kong Monetary Authority
March 2022