<u>Annex</u>

Settlement Facilities Collateral

Assets	Method	Haircut
Exchange Fund Bills and Notes	Repo	2% per year of remaining maturity

Standby Liquidity Facilities Collateral

Assets	Method	Haircut
Settlement Facilities Collateral (see above)	Repo	Minimum of 2.5%
Cash (USD, EUR, RMB, JPY or GBP)	FX Swap	n/a
Hong Kong Government Bonds	Repo	Minimum of 2.5%
High quality liquid securities denominated in HKD, USD, EUR, RMB, JPY or GBP issued by governments or supranationals[1] acceptable to the HKMA on a case-by-case basis	Repo	Minimum of 3%
Other investment grade securities (as rated by major rating agencies) denominated in HKD, USD, EUR, RMB, JPY or GBP, acceptable to the HKMA on a case-by-case basis	Repo	Minimum of 7%

[1] The HKMA may accept a wider scope of debt securities issued by supranationals as eligible collaterals on a case-by-case basis taking into account green considerations.

Contingent Term Facility Collateral and Resolution Facility Collateral

Assets	Method	Haircut
Standby Liquidity Facilities Collateral (see above)	See above	See above
Residential mortgages acceptable to the HKMA (preference given to mortgage loans under the Home Ownership Scheme or the Private Sector Participation Scheme (HOS/PSPS mortgages) [2] and mortgages satisfying the purchasing criteria of The Hong Kong Mortgage Corporation Limited (HKMC)).	Credit Facility	Minimum of 2.5%[3]
Other loans of acceptable credit quality which can be effectively charged or transferred to the HKMA (e.g. via portfolio securitisation).[4]	Credit Facility or other appropriate method	To be determined by HKMA on a case-by-case basis

[2] Eligibility of HOS/PSPS mortgages is subject to the Hong Kong Housing Authority's prior written consent to the transfer of the guaranteed loan.

[3] Haircut will be applied over the book value of the portfolio of mortgages provided by the bank as collateral: HOS/PSPS mortgages at least 2.5%; HKMC compliant mortgages at least 6%; other residential mortgages at least 8%.

[4] The HKMA will work with banks on a bilateral basis with a view to establishing information requirements and preparedness in respect of the use of other loan assets as collateral.