19. Rated issues include securities that are:

- rated investment-grade by at least two credit rating agencies specified by the HKMA; or
- rated investment grade by one of the rating agencies specified by the HKMA and not less than investment-grade by any such agencies.

The specified agencies and the respective minimum acceptable ratings for the time being are:

Moody's Investors Service, Inc.	Baa
Standard & Poor's Corporation	BBB
IBCA Ltd	BBB
Thomson BankWatch	BBB
The Japan Bond Research Institute	BBB

2. Debt securities, debt related derivatives and interest rate derivatives - general market risk

20. Report in this part the long and short <u>trading book</u> positions in debt securities and debt derivatives described above as well as interest rate derivatives. Report also interest rate exposures arising from futures contracts and forward positions in equities and commodities. This is described in more detail under Parts II and IV. A Maturity Method is adopted for the reporting of these positions as detailed below. Institutions that possess the necessary capability to calculate the duration and price sensitivity of each position separately and wish to adopt such a duration approach for reporting in this part may discuss with the HKMA.

21. Positions should be reported <u>separately</u> for **each currency, i.e. institutions should use separate sheets (Part I.2) to report positions of different currencies. The market risk capital charge is then calculated for each currency according to procedures set out in paragraphs 31 to 34 with no offsetting between different currencies.**

22. Under the Maturity Method, positions are slotted into the time bands of the maturity ladder (as shown in Part I.2) by remaining maturity if fixed rate and by the period to the next repricing date if floating rate. Derivatives should be treated as combinations of long and short positions. <u>The maturity of an interest rate future or a forward rate agreement will be the period until delivery or exercise of the contract, plus - where applicable - the life of the underlying instrument.</u> For example, a long position in a June 3-month interest rate future taken in December is to be reported at end of December as a long position in a zero coupon government security in that particular