Our Ref. : G10/1/2C

27 January 1998

The Chief Executive
All authorized institutions

Dear Sir / Madam,

The Recognition of Interest

The HKMA is proposing that the policy on recognition of interest by authorized institutions in Hong Kong should be standardised. As you may be aware, the amount of loans on which interest accrual has been suspended or on which interest accrual has ceased is a recommended disclosure item under the Best Practice Guide on Financial Disclosure by Authorized Institutions. However, the numbers have not been directly comparable because of the different interest recognition policies adopted by individual institutions. Given the fact that this information is generally acknowledged to be a good indicator to the quality of assets held by an institution, the HKMA believes that better comparability would enhance the quality of this disclosure made by institutions. Based on this, the HKMA has set out the proposals in the attached paper to standardise the practice with respect to interest recognition. I am now writing to seek your institution's comments on these proposals.

We are planning to finalise these proposals by mid-March to allow sufficient time for institutions to prepare for these new requirements which will come into effect on and from 30 June 1998. Accordingly, I would be grateful if your institution could provide its comments on the paper to us by 3 March 1998. Should you have any questions on this matter, please feel free to contact Mr Edmond Lau at 2878 8110 or Mr Peter Li at 2878 1651.

I look forward to hearing from you soon.

Yours faithfully,

(David T R Carse)
Deputy Chief Executive