Our Ref : G10/1/2C

1 December 1998

The Chief Executive
All overseas incorporated authorized institutions

Dear Sir/Madam,

Financial Disclosure by Overseas Incorporated Authorised Institutions

The HKMA has, in conjunction with the banking industry, other financial regulators and the accounting profession, made significant efforts to improve the standards of financial disclosure by authorized institutions in Hong Kong. As a further step to increase the transparency of the banking sector as a whole, the HKMA issued in October 1998 a consultation paper on financial disclosure by overseas incorporated authorized institutions. Taking into account the comments received and following extensive consultations with the Working Party on Financial Disclosure which comprises representatives from both local and foreign institutions as well as the Hong Kong Society of Accountants, the recommendations have been finalised and are contained in the paper attached.

The disclosure items to be included in the Key Financial Information Disclosure Statement ("Disclosure Statement") are included under two main sections. The first section of the Disclosure Statement ("Branch Information") deals with information concerning the operations of the local branch. This includes key on- and off-balance sheet items drawn from the Best Practice Guide on Financial Disclosure by Authorized Institutions ("BPG"), which aim to give an indication of the size and nature of an overseas incorporated institution's operation in Hong Kong and the quality of its assets. The BPG was used as a basis for determining the information to be disclosed by the branch as it would provide comparability between local and overseas incorporated institutions operating in Hong Kong.

The second section of the Disclosure Statement ("Bank Information") deals with disclosures concerning the financial strength of the institution as a whole and such information helps place the operations of the branch within the overall context of the whole institution.

The disclosure package is applicable to the larger authorized institutions incorporated outside Hong Kong with total assets of HK$10 billion or more or total customer deposits of HK$2 billion or more, in respect of their Disclosure Statements for financial years ending on or after 31 December 1998. The above size criteria have been set in response to the industry's comments and after careful consideration by the HKMA. Using these criteria, more than half of overseas incorporated institutions would be exempted. Those institutions to which the disclosure recommendations apply contribute to about 97% and 95% of all overseas incorporated institutions' loans for use in Hong Kong and customer deposits respectively. Applying the size criteria (the details of which are set out in paragraphs 15 and 16 of the attached paper), the disclosure recommendations are applicable to your institution.

If you have any enquiries on the paper, please contact Miss Jennifer Lee at 2878 1287 or Mr PM Koo at 2878 1536.

Yours sincerely,

D T R Carse
Deputy Chief Executive

Encl

c.c. Chairman, HKAB
Chairman, DTC Association
President, Hong Kong Society of Accountants
Auditors of Authorized Institutions
Secretary for Financial Services (Attn.: Ms. Clara Tang)