FINANCIAL DISCLOSURE BY OVERSEAS INCORPORATED AUTHORIZED INSTITUTIONS 1999

Introduction

1. This paper invites comments on the additional information recommended by the Hong Kong Monetary Authority's ("HKMA") to be disclosed by overseas incorporated authorized institutions.

Background

2. The Financial Disclosure Guidelines for overseas incorporated authorized institutions was issued by the HKMA in 1998. The information to be disclosed under the guidelines was divided into two parts. Part I covered financial information on an institution's local operations and selected information for the institution as a whole and was implemented in respect of the disclosure statements for financial periods ending on or after 31 December 1998. Part II covered information on an institution's overdue and rescheduled loans and was optional for the first year and subject to the review by the HKMA.

3. As of 31 October 1999, 75 overseas incorporated institutions had made financial disclosure according to the guidelines. About one-fourth of these institutions took the option to disclose their overdue and rescheduled loans. The HKMA proposes that Part II of the disclosure guidelines should apply to **all** overseas incorporated authorized institutions which are subject to the guidelines, in respect of the Disclosure Statements for financial periods ending on or after 31 December 1999.

4. The HKMA also proposes to update the disclosure information on non-accrual, overdue and rescheduled loans in line with the guideline on Interim Financial Disclosure by Locally Incorporated Authorized Institutions issued by the HKMA in June 1999.

5. The disclosure information on the Year 2000 problem has been deleted.

Recommendations

Additional information on non-accrual loans

6. The disclosure statements should disclose the amount of advances to customers and advances to banks and other financial institutions which are:

- overdue for more than three months and on which interest is still being accrued; and

- overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased.

Other recommendations

7. The existing disclosure recommendations for non-accrual, overdue, and rescheduled loans have been revised in accordance with the interim financial disclosure package for locally incorporated authorized institutions.

(The above recommendations are shown in bold italics in the revised financial disclosure guidelines for overseas incorporated institutions which are attached.)

Effective date

8. The above recommendations are intended to apply to relevant authorized institutions incorporated outside Hong Kong in respect of their Disclosure Statements for financial or interim financial periods ending on or after 31 December 1999.

Hong Kong Monetary Authority
November 1999