

Return Reporting relating to Reverse Mortgage Programme

Item	HKMA Return	Elaboration on the Reporting Arrangement
1	MA(BS)1 – Return of Assets and Liabilities of an Authorized Institution	The outstanding balance of RMP loan should be reported under item 15.3 “Other loans for use in Hong Kong” and item 15.7 “Total loans and advances to customer” according to its residual maturity in accordance with the Completion Instructions. Given that the residual maturity for a lifetime RMP loan is uncertain and would usually be more than 1 year, AI should report the outstanding balance of such loan under item 15.7(f) “Later than 1 year” unless the loan is to be early repaid. In such case, the residual maturity of the loan would be the time until the repayment date.
2	MA(BS)1D – Large Exposures	Both the outstanding balance and undrawn commitment of a RMP loan should be reported as “direct exposure” to the borrower as well as an “indirect exposure” to the HKMC. The aggregate amount of the outstanding balance and undrawn commitment of all RMP loans granted by an AI should be included as an “indirect exposure” to the HKMC.
3	MS(BS)1E – Liquidity Ratio	A RMP loan commitment with a known date of drawdown within 1 month, or any expenses payable for a RMP loan customer within 1 month, should be reported as “qualifying liabilities”. A RMP loan (including principal and accrued interest and expenses), which falls due within 1 month and meets the definition of “eligible loan repayment” and the associated eligibility criteria in the Fourth Schedule to the Banking Ordinance, can be regarded as “liquefiable assets”.

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4	MA(BS)1G – Maturity Profile Return	RMP loan commitments with known dates of drawdown should be reported in item 6(a) “Firm commitments” in the relevant time bands according to the expected drawdown dates. Other payments arising from the RMP should be reported under item 4 “Other liabilities” if they have been accrued, or in item 6(c) “Other payables” if they have not been accrued, in the relevant time bands according to the expected payment dates. RMP loan repayments (including principal and accrued interest and expenses) should be reported under item 11(b) “Other loans and advances to customers” in the relevant time bands according to the expected repayment dates. Receivables from RMP loan customers not included in the loan accounts can be reported under item 12 “Other assets” if they have been accrued, or in item 14(b) “Other receivables” if they have not been accrued, in the relevant time bands according to the expected receipt dates.
5	MA(BS)2A – Quarterly Analysis of Loans and Advances and Provisions	The outstanding balance of RMP loans should be reported under item H5(e) “Professional & private individuals for other private purpose”.
6	MA(BS)3 – Capital Adequacy Ratio of an Authorized Institution Incorporated in Hong Kong	The outstanding balance and undrawn commitment of RMP loans should be reported as follows: <u>STC approach</u>

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		• <i>(On-balance sheet exposures under Part IIIb Division A)</i> the outstanding loan balance should be reported in Class X Residential Mortgage Loans. The outstanding loan balance after CRM should be reported in Class II 4 Domestic PSEs in the row for the risk-weight applicable to the HKMC (currently 20%). • <i>(Off-balance sheet exposures under Part IIIb Division B)</i> the undrawn commitment should be reported under item 9c “Other commitments (CCF at 50%)”. <u>BSC approach</u> • <i>(On-balance sheet exposures under Part IIIa Division A)</i> the outstanding loan balance should be reported in Class II 13 “Exposures to PSEs of Tier 1 countries”. • <i>(Off-balance sheet exposures under Part IIIa Division B)</i> the undrawn commitment should be reported under item 9c “Other commitments (CCF at 50%)”.
7	MA(BS)12 – Interest Rate Risk Exposures (IRR)	<u>On-balance sheet exposures :</u> Since RMP loans are priced at prime, AIs should report the outstanding loan balance of a RMP loan under item 4, managed rate assets, of the IRR Return in accordance with paragraph 21 of the Completion Instructions. <u>Off-balance sheet exposures:</u> An AI is obliged under the RMP to pay to the borrower a specified sum on a specified date every month over an agreed period of time. These obligations of the AI (i.e. undrawn

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		commitments) can therefore be regarded as a series of forward loans committed by the AI in favour of the borrower, and reported as off-balance sheet positions under item 15 of the IRR Return in accordance with paragraph 38 of the Completion Instructions. More specifically, (a) the individual monthly payouts should be reported as short positions, slotted into the appropriate time bands in which the AI makes the monthly payouts; and (b) the aggregate repayable amount of such “forward loans” should be reported as one long position, and slotted into the time band in which the reverse mortgage is due and repayable, with the residual maturity of the RMP loan adjusted for the occurrence of a <i>Suspension Event</i>, <i>Maturity Event</i> or <i>Early Termination</i> as set out in the documentation of the RMP, where applicable. <u>Embedded option</u> Under the RMP documentation, a RMP loan is subject to <i>Early Termination</i>, which includes the borrower’s right to early redeem the loan in full at any time during the term of the loan. AIs should refer to paragraph 14 of the Completion Instructions for the treatment of embedded options arising from <i>Early Termination</i> as provided for in the RMP documentation.