

Completion Instructions

Return on Selected Data for Liquidity Stress-testing Form ~~MA~~(BS)18~~1~~

Introduction

1. This return collects information on the cash flow position of selected asset and liability items of reporting authorized institutions (AIs). The information will mainly be used by the HKMA for conducting its own stress tests on individual AIs' short-term liquidity positions.
2. The completion instructions comprise 2 sections. Section A gives instructions on the general reporting requirements. Section B explains the reporting requirements for each individual item in the return.

Section A: General Instructions

3. All licensed banks incorporated in Hong Kong are required to complete this return showing the position of their Hong Kong offices and overseas branches as at the ~~last calendar day of each quarter~~ end of June and December each year. The return should be submitted not later than 6 weeks after the end of ~~each quarter~~ June or December. If the submission ~~deadline~~ timeline falls on a public holiday, it will be deferred to the next working day.
4. Unless otherwise indicated, book value should be used for reporting purposes. Amounts should be shown to the nearest thousands, in HK\$ or HK\$ equivalent in the case of foreign currency items. The closing middle market T/T rates prevailing at the reporting date should be used for conversion purposes.
5. Apart from reporting all items in Part I of the return under the "Closing balance" column, the reporting AI is required to provide the maturity breakdown of some of the items according to the remaining period of maturity at the reporting date.
6. The following should also be noted in respect of the reporting of maturity under this return:
 - (a) "1st day - 7th day" means the next 7 ~~business~~ working days after the reporting date;
 - (b) any item payable on demand should be reported under the "1st day" column;

- (c) any item callable at notice should be reported according to the length of notification period required, i.e. an item callable at one day's notice should be reported in the "2nd day" column, unless notice has been received or given by the AI on the reporting date; and
 - (d) assets which are overdue or non-performing (defined as assets on which interest is being placed in suspense or interest accrual has ceased) should be included in the "Over 7 days" column.
7. For the purpose of this return, connected parties include :
- (a) any minority or majority shareholder controller (as defined in section 2 of the Banking Ordinance), subsidiary and associated company of the reporting AI; and
 - (b) any subsidiary and associated company belonging to the same business group of the parties mentioned in (a) above.
8. Some items in this return have the same definition as in the "Return of Assets and Liabilities - MA(BS)1" or where applicable the "Combined Return of Assets and Liabilities - MA(BS)1B". For those AIs which are required to report MA(BS)1B, reconciliation of such items in these returns will be made with MA(BS)1B. For the remaining AIs, reconciliation will be made with MA(BS)1.

Section B: Specific Instructions

Part I **Cash-flow information**

Item Ref **Item**

LIABILITY ITEMS

1. Deposits from customers

Same definition as item 6 of MA(BS)1 and MA(BS)1B.

1.1 Deposits from connected parties

Report total deposits taken from the reporting AI's non-bank connected parties (defined in paragraph 7 of Section A above) in the "Closing balance" column.

1.2 Pledged deposits

Report total deposits that are pledged to the reporting AI (e.g. for securing credit facilities granted to customers) in the "Closing balance" column. Exclude from reporting under this item any pledged deposits from connected parties reported under item 1.1 above.

1.3 Other deposits
Report deposits from customers other than those reported under items 1.1 and 1.2 in the “Closing balance” column.

1.4 Total
Report the total amount of items 1.1 to 1.3 in the “Closing balance” column.

2. Due to banks

Same definition as item 8 of MA(BS)1 and MA(BS)1B.

2.1 Bank vostro balances
Report vostro balances with other AIs and banks in the “Closing balance” column.

2.2 Due to banks - connected parties
Report borrowings from other AIs and banks that are connected to the reporting AI (refer definition under paragraph 7 of Section A above) in the “Closing balance” column.

2.3 Due to banks - pledged
Report borrowings from other AIs and banks that are under pledge in the “Closing balance” column. Exclude from reporting under this item any pledged interbank borrowings from connected parties reported under item 2.2 above.

2.4 Due to banks – other counterparties
Report borrowings from other AIs and banks other than those reported under items 2.1 to 2.3 in the “Closing balance” column, and slot this amount into different time bands according to their remaining maturity.

2.5 Total
Report the total amount of items 2.1 to 2.4 in the “Closing balance” column.

3. Negotiable debt instruments issued and outstanding

Same definition as item 9 of MA(BS)1 and MA(BS)1B. Report all negotiable debt instruments issued and outstanding in the “Closing balance” column, and slot this amount into different time bands according to their remaining maturity. All instruments which can be redeemed before maturity at the holder’s option should be reported in the appropriate time bands according to the earliest date of redemption. Perpetual instruments should be reported under the “Over 7 days” column.

ASSET ITEMS

4. Cash

Same definition as item 12 of MA(BS)1 and MA(BS)1B. Report all cash balances under the “Closing balance” column. In providing the maturity breakdown of this amount, holdings of all notes and coins should be reported in the “1st day” column. Where the cash is still in transit, report it in other time bands according to the expected date of receipt.

5. Due from banks

Same definition as item 17 of MA(BS)1 and MA(BS)1B.

5.1 Bank nostro balances

Report nostro balances with other AIs and banks in the “Closing balance” column.

5.2 Due from banks - connected parties

Report placements and advances to other AIs and banks that are connected to the reporting AI (refer definition under paragraph 7 of Section A above) in the “Closing balance” column.

5.3 Due from banks - pledged

Report placements and advances to other AIs and banks that are under pledge in the “Closing balance” column. Exclude from reporting under this item any pledged interbank placements and advances from connected parties reported under item 5.2 above.

5.4 Due from banks – other counterparties

Report placements and advances other than those reported under items 5.1 to 5.3 in the “Closing balance” column, and slot this amount into different time bands according to their remaining maturity.

5.5 Total

Report the total amount of items 5.1 to 5.4 in the “Closing balance” column.

6. Debt securities held

This item mainly includes negotiable debt instruments reported under items 18 & 19 of MA(BS)1 (or item 18 of MA(BS)1B where applicable) but with the exclusion of acceptances and bills of exchange.

Securities held by the reporting AI which are not free from encumbrances, e.g. which are under pledge, repo or reverse repo, should be excluded from reporting under items 6.1 to 6.6.

Securities held should be slotted into appropriate time bands according to their remaining maturity. Where the reporting AI has been notified that a particular security would be redeemed on any day other than the original maturity day, report the security according to that other day.

Report securities held using current market values. For securities without a secondary market, book value should be used. Any short positions in securities should be reported as negative and slotted into a time band based on the contractual maturity of that security. If both long and short positions exist within the same time band, report the net position.

6.1 Exchange Fund Bills and Notes (EFBN)

Report all holdings in EFBN in the “Closing balance” column.

6.2 Securities eligible for rediscount at the Discount Window (other than EFBN)

Report holdings in such securities (~~refer the list of eligible securities at Annex~~ if any) in the “Closing balance” column.

6.3 to 6.5 HKD and USD investment grade securities

Report holdings in HKD and USD investment grade securities in the “Closing balance” column of the respective items, and slot the respective amounts into different time bands according to their remaining maturity. A list of credit rating agencies currently recognised by the HKMA and the corresponding minimum acceptable rating for investment grade securities is attached at Annex 12.

6.6 Other securities

Report holdings in securities other than those reported under items 6.1 to 6.5 in the “Closing balance” column, and slot this amount into different time bands according to their remaining maturity.

7. Residential mortgage loans

This item refers to loans to private individuals for the purchase of residential properties situated in Hong Kong. These residential mortgage loans should not be subject to any right of set-off in favour of the relevant mortgagor (i.e. there should be an express prohibition in the mortgage documentation of any set-off by the mortgagor against his/her payments under the mortgage loan).

The total amount of residential mortgage loans reported under items 7.1 to 7.3 should not be greater than the total amount reported under items H5a and H5b

of Part I of the “Quarterly Analysis of Loans and Advances and Provisions – MA(BS)2A”.

7.1 HOS/PSPS mortgage loans

Report total loans for the purchase of flats under the Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) in the “Closing balance” column. Such loans should be covered by a valid guarantee issued by the Housing Authority and also secured by mortgages that comply with the criteria at Annex ~~23~~.

7.2 HKMC compliant mortgage loans

Report total loans that comply with the purchasing criteria set by The Hong Kong Mortgage Corporation Limited (HKMC) in its Mortgage Sale & Purchasing Manual in the “Closing balance” column. If the reporting AI has doubt about the compliance of its mortgage loans with the HKMC’s purchasing criteria, these mortgage loans should be reported under item 7.3 “Other mortgage loans”.

7.3 Other mortgage loans

Report loans secured by mortgages that comply with the criteria at Annex ~~3-2~~ (other than those reported under items 7.1 and 7.2) in the “Closing balance” column.

Part II **Supplementary Information**

1. Due to and due from the same counterparty bank

Provide details if the reporting AI has borrowings from and placements with the same counterparty bank (or AI) that is not a connected party. Such borrowings and placements should have already been included in items 2.4 and 5.4 of Part I respectively.

2. Residential mortgage loans

(a) Delinquent loans

Report the total amount of delinquent residential mortgage loans which are included in items 7.1 to 7.3 separately.

For the purpose of this item, a loan is delinquent if the mortgagor or borrower has been in default in making payment for more than 30 days from the due date for any payment under the respective loan during the preceding 6 months.

(b) Loans in negative equity

Report the total amount of residential mortgage loans in negative equity which are included in items 7.1 to 7.3 separately. Exclude any loans in negative equity already included in item (a) above.

Residential mortgage loans in negative equity are defined as those mortgage loans with an outstanding loan amount with the reporting AI that exceeds the current market value (CMV) of the mortgaged property. This definition does not take into account other loans which a borrower may have obtained from co-financiers such as property developers, Hong Kong SAR Government and money lenders to finance the purchase of the mortgaged property.

In determining the amount of residential mortgage loans in negative equity, the reporting AI may use a “best efforts” basis to derive the CMV of the mortgaged property, e.g. by application of available price indices. The frequency of revaluation should preferably be at least quarterly. This may need to be increased further (e.g. monthly) if the condition of the property market merits this.

Hong Kong Monetary Authority

| ~~June 2005~~ January 2017

Annex 1

List of securities eligible for rediscount at the Discount Window

No.	Issuer/ CMU No*.	Issue Size	Deposit Date	Maturity Date
1	International Bank for Reconstruction and Development HKNGFN97001	1bn	07.05.1997	07.05.2007

* stands for security number in Central Moneymarkets Unit

**List of recognised credit rating agencies and minimum acceptable rating
for investment grade securities**

<u>Credit rating agency</u>	<u>Minimum acceptable rating</u>
Moody's Investors Service, Inc.	Baa3
Standard & Poor's Corporation	BBB-
Fitch, Inc.	BBB-
Rating and Investment Information, Inc.	BBB+

Mortgage Criteria

The HOS/PSPS mortgages (7.1) and other mortgages (7.3) shall:-

1. be by way of first fixed legal charge over a residential property situated within Hong Kong;
2. be over property which is to the best of the knowledge, information and belief of the borrower owner-occupied or occupied by a tenant of the owner;
3. have had a loan to value ratio of not more than ~~90~~95%, in the case of mortgage loans secured by HOS/PSPS mortgages and 70%, in the case of mortgages loans secured by other mortgages at the date upon which the relevant mortgage loan was approved and at that date the relevant mortgage loan not to have exceeded HK\$~~128~~ million; ~~and~~
4. secure mortgage loans that are “current” and not “delinquent”, in the sense that none of the mortgagors shall have been in default in making payment for more than 30 days from the due date for any payment under their respective mortgage loans during the preceding 6 months; and
- 3.5. secure mortgage loans that are borrowed by (a) individual person(s); or (b) a company incorporated in Hong Kong which is maintained for the sole purpose of holding the property of which the company is the borrower under the related mortgage (i.e. the company shall not engage in any business activities), and each of the shareholders and directors of the company has provided a guarantee in respect of all the indebtedness owing under the related mortgage. ~~and not by any other legal entity.~~