

(For Official Use Only)

under the Banking Ordinance

RETURN OF INTEREST RATE RISK IN THE BANKING BOOK (SUPPLEMENTARY INFORMATION)

Position of *Local Office(s)/Local Offices and Overseas Branches

As at (last day of the month)

*Delete where inapplicable. Overseas incorporated institutions are required to report the position of their Hong Kong office(s) only.

Name of Authorized Institution	Date of Submission
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The Banking Ordinance

Information requested in this return is required under section 63(2) of the Banking Ordinance. The return should be submitted to the Monetary Authority not later than 14 days after the last day of each calendar month, unless otherwise advised by the Monetary Authority.

Note: This return is to be prepared in accordance with the completion instructions issued by the Monetary Authority.

We certify that this return is, to the best of our knowledge and belief, correct.

Chief Accountant

Chief Executive

Name

Name

Name and telephone number of responsible person who may be contacted by the Monetary Authority in case of any query.

Name

Telephone Number

Interest Rate Risk in the Banking Book (Supplementary Information)

Position of * Banking Book / Trading Book and Banking Book
Currency: Hong Kong Dollar

* Delete where inappropriate.

(In HK\$ Million)

INTEREST RATE-SENSITIVE LIABILITIES (Note (1))				
1. Total interest rate-sensitive liabilities				
TIME BAND	a. Total	b. Deposits	c. Total weighted average interest costs	d. Weighted average interest costs (Deposits)
Next day or less (A)			%	%
2 to 7 days (B)			%	%
8 days to 1 month (C)			%	%
1 to 3 months (D)			%	%
3 to 6 months (E)			%	%
6 to 12 months (F)			%	%
1 to 2 years (G)			%	%
2 to 3 years (H)			%	%
3 to 4 years (I)			%	%
4 to 5 years (J)			%	%
5 to 7 years (K)			%	%
7 to 10 years (L)			%	%
10 to 15 years (M)			%	%
15 to 20 years (N)			%	%
More than 20 years (O)			%	%
Total interest rate-sensitive liabilities Total (A to O)			%	%
Total interest rate-sensitive liabilities (book value) (P)				
Total non-interest rate-sensitive liabilities (book value) (Q)+(R)				
Equity capital (book value) (Q)				
Others (book value) (R)				
Total liabilities (book value) Total (P to R)				

Note:

- (1) Authorized institutions can choose to report either detailed statistics or the aggregate figures. Please refer to item 14 of Specific Instructions under Section C of the Completion Instructions for details.

Completion Instructions

Return of Interest Rate Risk in the Banking Book (IRRBB) (Supplementary Information) **(Form MA(BS)12B)**

Introduction

1. This return collects supplementary information on the weighted average interest costs of interest rate-sensitive liabilities denominated in Hong Kong dollars of authorized institutions on a monthly basis.
2. The information collected from this return will be used for the compilation of the monthly composite interest rate for Hong Kong, which aims to provide an overall picture of the average interest cost of funds in the banking sector, and its changes over time.
3. The Completion Instructions contain three sections. Section A describes the general reporting requirements. Section B provides definitions and clarification of certain items. Section C explains the specific reporting requirements for each item in the return form.

Section A : General Instructions

4. Selected Authorized Institutions (AIs)¹ are required to complete this return showing their positions as at the last calendar day of each month and submit the return to the HKMA not later than 14 days after the end of each month. If the submission deadline falls on a public holiday, it will be deferred to the next working day. Locally incorporated institutions should complete the return on a solo basis. They may choose to report, consistently, either the positions of their local offices or the combined positions of their local and overseas offices. Overseas incorporated institutions are required to report the positions of their Hong Kong operations only.
5. This return captures on-balance sheet liabilities. Locally incorporated institutions subject to the market risk capital adequacy regime² (“non-exempted institutions”) are required to report positions of the banking book only. Other institutions, i.e. those locally incorporated and exempted from the market risk capital adequacy regime (“exempted institutions”) and overseas incorporated AIs not exempted from the local IRRBB framework, should report aggregate positions of the banking book and trading book.
6. All the positions captured by this return should be slotted into the appropriate time bands according to the earliest interest repricing date (see paragraph 8 below).
7. Unless otherwise stated, notional values should be used for reporting purposes. Amounts are to be shown to the nearest million, in Hong Kong dollars.

¹ IRRBB-Reporting AIs (see paragraph 4.4.1 in SPM IR-1 “Interest Rate Risk in the Banking Book” Version 2 of 14 December 2018) that before June 2019 were required to report MA(BS)12(i) are automatically included. Other IRRBB-Reporting AIs may be included by notification.

² The details of the market risk capital adequacy regime, including the de-minimis exemption criteria and other requirements relevant to exempted institutions, are set out in the Banking (Capital) Rules.

Section B : Definitions and Clarification

8. In respect of different interest rate-sensitive liabilities, the earliest interest repricing date is used according to the instructions in paragraph 11 of the Completion Instructions of Form MA(BS)12A. The methodology for slotting of cash flows should be consistent between this return and Form MA(BS)12A.
9. For the purpose of this return, interest rate-sensitive liabilities include those which do not involve any formal payment of interest but the values of which are sensitive to interest rate movements. Typically, these include financial instruments which are sold at a discount such as Exchange Fund Bills and zero coupon bonds.
10. Institutions should report under item 1b the amount of deposits. Deposits are deposit liabilities due to non-bank customers, as defined under item 6 of the Return of Assets and Liabilities (Form MA(BS)1).
11. In respect of liabilities with embedded options, institutions should decompose them into embedded options and underlying liabilities according to the instructions in paragraph 14 of the Completion Instructions of Form MA(BS)12A. The underlying liabilities should be slotted into the appropriate time bands according to their earliest interest repricing date (see paragraph 8 above). The embedded options should not be reported.
12. Liabilities which are repayable by instalments rather than by one lump sum at maturity should be broken down into individual tranches and slotted into the appropriate time bands according to the repricing date of each tranche.
13. For the purpose of this return, internal deals are transactions between units within the relevant reporting scope (see paragraphs 4 and 5 above) of the institution. Internal deals within the banking book should not be reported. The reporting method for internal deals should be consistent between this return and Form MA(BS)12A.

Section C : Specific Instructions

14. Item 1 rows (A) to (O) and row Total (A to O) – Total interest rate-sensitive liabilities

Report items 1a and 1b for all time bands in row (A) to row (O) and row Total (A to O) under the respective items.

Report the weighted average costs of total interest rate-sensitive liabilities and deposits under items 1c and 1d respectively of the same row for rows (A) to (O). All the rates reported should be rounded to 2 decimal places. An example showing the method of calculation is given at Annex 1. Interest rates applicable at the reporting date should be used for the purpose of calculation. The institution does not need to report items 1c and 1d for row Total (A to O).

Alternatively, the institution may choose to report the total notional value of items 1a and 1b for row Total (A to O) and the total weighted average costs for all interest rate-sensitive liabilities and the weighted average costs of deposits of items 1c and 1d respectively for row Total (A to O), instead of reporting the figures of items 1a, 1b, 1c and 1d for rows (A) to (O).

15. Item 1 row (P) - Total interest rate-sensitive liabilities (book value)

Enter the aggregate book value of liabilities covered in item 1a rows (A) to (O).

16. Item 1 row (Q)+(R) – Total non-interest rate-sensitive liabilities (book value)

Report the sum of equity capital and other non-interest rate-sensitive liabilities in book value.

17. Item 1 row (Q) – Equity capital (book value)

These include the capital, reserves (including retained earnings) and profit and loss accounts of the reporting institution and should be reported in the same manner as the reporting of these items in Form MA(BS)12A. Interest rate-sensitive capital items (e.g. preference shares and subordinated debts) should be reported under interest rate-sensitive liabilities as appropriate.

18. Item 1 row (R) - Others (book value)

These include, for example, payables/liabilities which are non-interest rate-sensitive, and loan loss provisions etc. Non-remunerated deposits (e.g. deposits in some current accounts) should be reported as non-maturity deposits under interest rate-sensitive liabilities, in the same manner as the reporting of these items in Form MA(BS)12A.

General provisions and other provisions should be reported in the same manner as the reporting of these items in Form MA(BS)12A.

19. Item 1 Total (P to R) - Total liabilities (book value)

Report the sum of total interest rate-sensitive and non-interest rate-sensitive liabilities (book values). Locally incorporated and exempted institutions without overseas branches and overseas incorporated AIs not exempted from the local IRRBB framework should note that the amounts reported under this item, in respect of the positions for Hong Kong dollars, should be consistent with the sum of the amounts of “Total liabilities” and “Provisions” reported under the relevant columns of item 11 and item 24 of Form MA(BS)1 respectively.

Hong Kong Monetary Authority
December 2018

Computation of weighted average interest costs

The following is an example showing the method of calculating the weighted average interest costs: (Please note that the rates used are for illustration only. Reporting institutions should use the actual rates that are applicable to their interest rate-sensitive liabilities.)

<u>Items 1a, 1b</u>	<u>Amount reported</u>	<u>Of which</u>
Row (A)	100	20 are priced at 2% <u>per month</u> and 80 are priced at 8% per annum
Row (B)	350	200 are priced at 10% and 150 are priced at 9% per annum
Row (C)	50	50 are priced at 12% per annum
Row (D)	0	
Row (E)	0	
Row (F)	0	
Row (G)	0	
Row (H)	0	
Row (I)	500	200 are priced at 13% and 300 are priced at 14% per annum
Row (J)	0	
Row (K)	0	
Row (L)	0	
Row (M)	0	
Row (N)	0	
Row (O)	0	
Total (A to O)	1000	

Weighted average interest costs to be reported in items 1c and 1d are calculated as follows:

- (i) for row (A)

$$(20 \times ((1 + 2\%)^{12} - 1) + 80 \times 8\%) \div 100 \times 100\% = 11.76\%$$
- (ii) for row (B)

$$(200 \times 10\% + 150 \times 9\%) \div 350 \times 100\% = 9.57\%$$
- (iii) for row (C)

$$(50 \times 12\%) \div 50 \times 100\% = 12.00\%$$
- (iv) for row (I)

$$(200 \times 13\% + 300 \times 14\%) \div 500 \times 100\% = 13.60\%$$
- (v) for row Total (A to O)

$$(20 \times ((1 + 2\%)^{12} - 1) + 80 \times 8\% + 200 \times 10\% + 150 \times 9\% + 50 \times 12\% + 200 \times 13\% + 300 \times 14\%) \div 1000 \times 100\% = 11.93\%$$