HONG KONG MONETARY AUTHORITY
香港金融管理局

Supervisory Policy Manual

CA-D-1	Guideline on the Application of the Banking (Disclosure) Rules	V.43 – Consultation ~~16.08.19~~

This module should be read in conjunction with the Introduction and with the Glossary, which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on blue underlined headings to activate hyperlinks to the relevant module.

Purpose

To provide interpretative guidance to AIs on the application of the Banking (Disclosure) Rules (Cap. 155M).

Classification

A non-statutory guideline issued by the MA as a guidance note.

Previous guideline(s) superseded

CA-D-1 "Guideline on the Application of the Banking (Disclosure) Rules" (V.~~2~~3) dated ~~06.08.15~~16.08.19

Application

To all AIs to which the Banking (Disclosure) Rules (Cap.155M) apply.

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PART I - INTRODUCTION

1. Terminology

1.1 Unless otherwise specified,

1.1.1 abbreviations and terms used in this module have the same meaning as those used in the Banking (Disclosure) Rules (Cap.155M) ("BDR");~~.~~

1.1.2 a reference to a part or section as printed in *italics and underlined* in this module mean a part or section of the BDR respectively~~All references to parts and sections of the BDR are printed in *italics and underlined* in this module~~.

1.2 For the purposes of this module: -

1.2.1 "BCBS" means the Basel Committee on Banking Supervision;

1.2.2 "HKAS" means Hong Kong Accounting Standards;

1.2.3 "HKFRS" means Hong Kong Financial Reporting Standards;

1.2.4 "Hong Kong Financial Reporting Standards" means standards of accounting issued by the Council of the Hong Kong Institute of Certified Public Accountants pursuant to section 18A of the Professional Accountants Ordinance (Cap. 50); and

1.2.5 "IFRS" means International Financial Reporting Standards issued by the International Accounting Standards Board.

2. Purpose

2.1 The purpose of this module is to assist AIs in understanding the approach being taken by the MA to the implementation of certain sections of the BDR. The guidance given is general in its scope and does not take into account the particular circumstances of any individual AI. Certain sections of the BDR contain exceptions or qualifications which, although not covered by this module, may still apply to particular AIs. In the case of any conflict between this module and the BDR, the BDR prevail. As such, an AI must read this module in conjunction with the BDR and not in place of them. For disclosure requirements of an AI that must be met with the use of standard disclosure templates and tables specified by the MA under *sections 6(1)(ab) and 88(1)(b)* ~~of the BDR~~, the AI should also make reference to the associated explanatory notes for filling in the templates and tables.[1]

2.2 This guidance should not be regarded as, or be considered a substitute for obtaining, legal advice. An AI should consider obtaining independent legal and/or other professional advice before taking any action on matters covered by this guidance, particularly if it has any doubts as to how any aspect of the BDR might apply to it.

2.3 The MA will keep under review AIs' implementation of the BDR in practice and, where necessary, consider the need to enhance / update this module as circumstances require.

3. Background

3.1 The BDR have been made by the MA under section 60A of the Banking Ordinance (Cap. 155) ("BO") to set out the minimum standards for public disclosure which an AI must make in respect

[1] The standard disclosure templates and tables, together with the associated explanatory notes, can be accessed on the HKMA's website. See **Annex A**.

of its state of affairs, including its profit and loss and its financial resources (including capital resources and liquidity resources). It was principally through the BDR that the HKMA has implemented the Pillar 3 disclosure framework under the Basel Framework[2] (except that the disclosure requirements in relation to loss-absorbing capacity are set out in the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (Cap. 628B)). The BDR apply to AIs that are incorporated in Hong Kong (including those that are subsidiaries of banks incorporated outside Hong Kong) as well as AIs that are incorporated outside Hong Kong but operate a branch in Hong Kong, but do not apply to those (i) fulfilling the exemption criteria and exempted by the MA in writing pursuant to *section 3(7) and (8) or section 3(9)*, or (ii) not having commenced business yet and exempted by the MA in writing pursuant to *section 3(14A)* ~~of the BDR~~. More guidance in relation to such exemptions can be found in section 7 of this module.

3.2 As the disclosures required under the BDR are only minimum standards, the MA encourages AIs to make more extensive voluntary disclosures where it is practical for them to do so.

3.2.1 An AI which has been exempted from making disclosures under the BDR[3] is encouraged to adopt the disclosure standards set out in the BDR to the greatest extent possible.

3.2.2 An AI which makes its disclosures on a consolidated basis pursuant to *section 11(1)* ~~of the BDR~~ is encouraged to make additional disclosures on a solo or solo-consolidated basis regarding its state of affairs and risk profile, provided that such additional information will

[2] Please refer to the DIS chapters under the Basel Framework (as defined under section 2(1) of the Banking (Capital) Rules (Cap.155L) ("BCR")) for details of the Pillar 3 disclosure framework: https://www.bis.org/basel_framework/standard/DIS.htm.

[3] See section 7 below.

assist understanding of, and provide greater clarity in relation to, its risk profile (*section 11(3)* ~~of the BDR~~).

3.2.3 Disclosure of additional quantitative and qualitative information should provide market participants with a broader picture of an AI's risk position and promote market discipline.

3.2.4 Additional voluntary risk disclosures allow AIs to present information relevant to their business model that may not be adequately captured by the standardised requirements. Additional quantitative information that AIs choose to disclose must provide sufficient and~~,~~ meaningful information to enable market participants to understand and analyse any figures provided, accompanied by qualitative discussions where necessary. Any additional disclosure must comply with the five guiding principles as set out in section 8 of this module.

4. Penalties for non-compliance

4.1 An AI which fails to comply with the BDR, unless explicitly exempted by the MA[4], will face serious consequences. In particular:-

4.1.1 if an AI fails to comply with any requirement applicable to it in the BDR, every director, every chief executive and every manager of the AI commits an offence that may lead to conviction and the imposition of a financial penalty in accordance with section 60A(4) of the BO;

4.1.2 failure to comply with the requirements in the BDR may constitute a breach of the Seventh Schedule to the BO

[4] See section 7 below.

which requires an AI to make adequate disclosure of certain financial information as one of the criteria for continuing authorization, and could therefore be a ground for revocation of authorization; and

4.1.3 failure to comply with the requirements in the BDR may result in other supervisory action(s), that the MA considers appropriate according to the circumstances of each case, being taken including, but not limited to, requiring an AI by notice in writing under section 52(1)(A) of the BO to rectify any errors or omissions in the AI's disclosure statement(s).

5. Other disclosure requirements

5.1 The BDR are intended only to supplement, and not to replace, other disclosure requirements under relevant legislation or accounting and financial reporting standards. Where relevant, an AI should comply with such other disclosure requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and HKFRS as applicable.

PART II - APPLICATION OF THE BDR

6. Application in general

6.1 Unless otherwise specified therein, the following summarises the applicability of each part of the BDR:-

BDR Part	Description	Applicability
Part 1	Preliminary	All AIs
Part 2	General requirements for AIs incorporated in Hong Kong	AIs incorporated in Hong Kong

BDR Part	Description	Applicability
Part 2A	Specific disclosures to be made by AIs incorporated in Hong Kong	AIs incorporated in Hong Kong
Part 2B	Repealed (L.N. 77 of 2018)	-
Part 3	Additional semi-annual disclosures to be made by AIs incorporated in Hong Kong	AIs incorporated in Hong Kong
Part 3A	Interim disclosures to be made by AIs incorporated in Hong Kong	AIs incorporated in Hong Kong
Part 4	Additional annual disclosures to be made by AIs incorporated in Hong Kong	AIs incorporated in Hong Kong
Parts 5-7	Repealed (L.N.195 of 2016)	-
Part 8	Disclosures to be made by AIs incorporated outside Hong Kong	AIs incorporated outside Hong Kong

Commencement date of new or amended section of the BDR

6.2 Unless otherwise approved by the MA, an AI must comply with any new or amended section of the BDR that comes into operation during a reporting period in respect of the required disclosure for the reporting period (*section 2(3A)*).

6.3 Using a commencement date of 1 January 2025 as an example, the following table illustrates the application of paragraph 6.2 by specifying the first reporting period subject to the new or revised quarterly, semi-annual or annual disclosure requirements for AIs with different financial year end dates:

AI's financial year end date	First applicable quarterly reporting period	First applicable semi-annual reporting period	First applicable annual reporting period
31 Dec	1 Jan 2025 to 31 Mar 2025 (Q1)	1 Jan 2025 to 30 Jun 2025 (H1)	1 Jan 2025 to 31 Dec 2025
31 Mar	1 Jan 2025 to 31 Mar 2025 (Q4)	1 Oct 2024 to 31 Mar 2025 (H2)	1 Apr 2024 to 31 Mar 2025
30 Jun	1 Jan 2025 to 31 Mar 2025 (Q3)	1 Jan 2025 to 30 Jun 2025 (H2)	1 Jul 2024 to 30 Jun 2025
31 Oct	1 Nov 2024 to 31 Jan 2025 (Q1)	1 Nov 2024 to 30 Apr 2025 (H1)	1 Nov 2024 to 31 Oct 2025

7. Exemption from the application of the BDR

7.1 Overview

7.1.1 There are two grounds on which an AI may be exempted from the application of the BDR. They are: (i) the "de minimis" exemption (i.e. an AI meeting the criteria specified in *section 3(7), (8) or (9)* ~~of the BDR~~); and (ii) where the MA is satisfied that an AI has not commenced business pursuant to *section 3(14A)* ~~of the BDR~~.

7.1.2 If an AI wishes to be considered for an exemption from disclosure requirements under the BDR, it should write to the MA and provide sufficient justification as to how it meets the exemption criteria specified in the relevant section of the BDR.

7.2 **Assessment on whether the de minimis criteria are met**

7.2.1 For the purposes of determining whether an AI meets the de minimis criteria in *sections 3(7)(b) or (9)~~ of the BDR~~*, the MA will make reference to the relevant average of the relevant figures reported by the AI for the relevant period[5].

> ***Illustrative example~~:~~:***
>
> *Assume the 2024~~18~~ financial year of an AI ~~restricted licence bank ("RLB") or deposit-taking company ("DTC")~~ incorporated in Hong Kong ends on 31 December 2024~~18~~. For the purpose of determining whether an AI meets the de minimis criteria referred to in section 3(7)(b)~~ of the BDR~~, the MA will aggregate the relevant figures reported by the AI to the MA during the relevant period (which, being "each period of 12 calendar months ending on and including the fifth calendar month preceding the close of the institution's financial year" as defined in the BDR, means the 12-month period covering calendar month-ends of September 2023~~17~~ to August 2024~~18~~ inclusive) and then divide the aggregate amount by twelve to arrive at a "relevant average". The MA will make reference to this relevant average figure in determining whether the AI~~RLB or DTC~~ meets the de minimis criteria referred to in section 3(7)(b)~~ of the BDR~~.*

[5] The terms "relevant average", "relevant figures" and "relevant period" are defined under *section 3(17)~~ of the BDR~~*.

7.2.2 An AI in respect of which the MA has determined does not meet the de minimis criteria in *section 3(7)(b)* ~~of the BDR~~ and thus has not been exempted from the application of the BDR will be subject to the applicable disclosure requirements under the BDR unless at a later date and following a request from the AI, the MA makes a determination that the AI is exempted and notifies the AI of this decision in writing. The MA will not regard a temporary reduction in the AI's assets or deposits below the relevant amount specified in the de minimis criteria as grounds for exemption. An exemption will only be granted if the AI can provide the MA with a business plan adequately demonstrating that the reduction of its business to levels below the relevant amounts specified in the de minimis criteria is sustainable for an "appropriate period" of time in the future (*section 3(11)* ~~of the BDR~~).

7.2.3 In practice, what constitutes "an appropriate period" will be subject to the particular circumstances of the AI and be determined on a case-by-case basis, having regard to the nature, size, complexity and structure of the AI's business operations. However, in all circumstances the AI should demonstrate its intention to maintain a scale of operations which will enable it to meet the de minimis criteria for a period of at least several years.

7.2.4 Where the MA considers that the exemption criteria are no longer met by an AI, the MA will send the AI a notice in writing to withdraw its exemption and the AI will cease to be so exempted from the date specified by the MA in such notice (*section 3(12), (13) and (14)* ~~of the BDR~~). In any case, an AI which is exempted by the MA from the application of the BDR but subsequently ceases to meet the relevant exemption criteria is expected to inform the MA in writing as soon as possible.

7.3 **Business not yet commenced**

7.3.1 Once an AI is authorised under the BO by the MA to carry out banking business in Hong Kong, it is immediately subject to the BDR and should start making disclosures from its first reporting period. However, if an AI has not commenced business, it may not be able to produce meaningful disclosures. In such case, the AI may apply in writing for an exemption from the application of the BDR pursuant to *section 3(14A)* ~~of the BDR~~.

7.3.2 An AI intending to seek an exemption under *section 3(14A)* ~~of the BDR~~ should, at a minimum, submit together with its application:-

(a) the reason(s) for not commencing business immediately or shortly after its authorization;

(b) evidential proof that the AI's corporate activities do not constitute business activities (e.g. the latest financial information and board minutes that demonstrate its "not-in-business" status); and

(c) a proposed date by which it intends to commence business.

7.3.3 The MA will notify the AI in writing of the decision.

7.3.4 If in future the MA is satisfied that an exempted AI has subsequently commenced business, the MA will send the AI a notice in writing to withdraw its exemption, and the AI will be subject to the applicable disclosure requirements under the BDR, from the date specified in the notice (*section 3(14B)* ~~of the BDR~~).

7.3.5 An AI which has been exempted under *section 3(14A)* ~~of the BDR~~ is expected to inform the MA in writing the confirmed date of its business commencement as early

as possible, and prefe~~r~~rably at least 7 calendar days in advance.

8. Disclosure principles

8.1 General

8.1.1 The Pillar 3 disclosure framework is designed to promote market discipline by requiring banks to provide meaningful regulatory information to investors and other interested parties on a consistent and comparable basis. To this end, AIs should ensure that their disclosures adhere to the following guiding principles.

8.2 Principle 1: Disclosures should be clear

8.2.1 Disclosures should be presented in a form that is understandable to key stakeholders (i.e. investors, analysts, financial customers and others) and communicated through an accessible medium. Important messages should be highlighted and easy to find. Complex issues should be explained in simple language with important terms defined. Related risk information should be presented together.

8.3 Principle 2: Disclosures should be comprehensive

8.3.1 Disclosures should describe an AI's main activities and all significant risks, supported by relevant underlying data and information. Significant changes in risk exposures between reporting periods should be described, together with the appropriate response by the AI's management.

8.3.2 Disclosures should provide sufficient information in both qualitative and quantitative terms on an AI's processes and procedures for identifying, measuring and managing

those risks. The level of detail of such disclosure should be proportionate to an AI's complexity of operations.

8.3.3 Disclosures should reflect how senior management and the board of directors internally assess and manage risks and strategy, helping Pillar 3 data users to better understand an AI's risk tolerance and appetite.

8.4 **Principle 3: Disclosures should be meaningful to users**

8.4.1 Disclosures should highlight an AI's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention. Where meaningful, cross-references should be made to line items on the balance sheet or the income statement. Disclosures that do not add value to Pillar 3 data users' understanding or do not communicate useful information should be avoided. Furthermore, information which is no longer meaningful or relevant to the users should be removed.

8.5 **Principle 4: Disclosures should be consistent over time**

8.5.1 Disclosures should be consistent over time to enable key stakeholders to identify trends in an AI's risk profile across all significant aspects of its business. Additions, deletions and other important changes as compared to previous reports, including those arising from regulatory or market developments, or developments specific to the AI, should be highlighted and explained.

8.6 **Principle 5: Disclosures should be comparable across banks**

8.6.1 The level of detail and the presentation format of disclosures should enable key stakeholders to perform meaningful comparisons of business activities, prudential metrics, risks and risk management between banks and across jurisdictions.

PART III - GUIDANCE FOR AIs INCORPORATED IN HONG KONG

9. General requirements for AIs incorporated in Hong Kong (*Part 2*)

9.1 General

9.1.1 This section provides guidance for AIs incorporated in Hong Kong on the interpretation and practical application of certain provisions in *Part 2* ~~of the BDR~~.

9.2 Disclosure policy (*section 5*)

9.2.1 An AI must establish a clearly documented disclosure policy in accordance with *section 5* ~~of the BDR~~. The disclosure policy should be subject to regular and independent review and approval by the institution's senior management and board of directors pursuant to *section 5(b)*.

9.2.2 For an AI that is newly authorised, the disclosure policy is required to be in place by no later than **6 months** after the date of its authorization or such longer period as the MA may specify, having regard to the specific circumstances of the AI. For instance, a longer period may be required for an AI which has only commenced business not long before the lapse of the 6-month period. An AI which has practical difficulties in meeting the time limit should apply to the MA for an extension and the MA will consider each application based on its own merits.

9.2.3 The key elements of the disclosure policy must be described in the year-end Pillar 3 report or described in another location that is readily accessible by the general

public and cross-referenced to in the year-end Pillar 3 report (*section 6(3A)* ~~of the BDR~~).

9.3 **Medium, location and timing of disclosure (*sections 2(4) and 6*)**

9.3.1 *Section 6* ~~of the BDR~~ prescribes the manner in which the disclosures should be made, the timing of such disclosures, and the periods for which such information should remain disclosed.

Web-based disclosures

9.3.2 As an alternative to the traditional publication of hard-copy disclosure statements, an AI may publish its disclosure statements on an internet website to effectively discharge its obligations under the BDR (*section 2(4)* ~~of the BDR~~). Likewise, a disclosure statement published by an AI which contains a hyperlink to an internet website, where all the disclosures that the AI is required to make under the BDR for the reporting periods to which the statement relates can be found, would normally be considered acceptable.

9.3.3 The term "internet website" referred to above should be taken to mean either (i) an internet website ~~(or a section of an internet website)~~ owned and maintained by the AI itself (or a section of such internet website); or (ii) if approved by the MA under *section 2(4)(b)*, an internet website owned and maintained by the AI's holding company (or a section of ~~an~~ such internet website) ~~owned and maintained by the AI's parent bank~~. In order to ensure that an AI's disclosure statements are readily accessible by the general public of Hong Kong, a direct link to the section of the AI's or (if approved by the MA under *section 2(4)(b)*) its ~~parent bank~~holding company's internet website where an archive of the AI's disclosure statements can be found must be clearly and prominently

displayed (e.g. in a "Regulatory Disclosure" section) on the home page of the AI's ~~(~~or its~~ parent bank~~ holding company's~~)~~ internet website respectively.

Archive requirement

9.3.4 An AI is required to establish and maintain on its internet website an archive of all its disclosure statements relating to reporting periods ending on or after **30 June 2013** (*section 6(10A)*~~ of the BDR~~). An AI which does not have its own internet website for this purpose must establish and maintain the archive on the internet website of its ~~parent bank~~ holding company (if it has obtained the MA's approval under *section 2(4)(b)*~~ of the BDR~~) or at another location approved by the MA (*section 6(10A)(b)*~~ of the BDR~~). In considering an application for approval under *section 6(10A)(b)*, the MA will take into consideration whether the proposed alternative location is "readily accessible" by the general public of Hong Kong.

Specification of standard disclosure templates and tables

9.3.5 For the purpose of enhancing the transparency, comparability and user-relevance of AIs' disclosures, *section 6(1)(ab)*~~ of the BDR~~ empowers the MA to specify standard disclosure templates and tables for use by AIs for making their Pillar 3 disclosures. The standard disclosure templates and tables currently specified by the MA are based on those developed by the BCBS. More guidance on the use of specified templates and tables can be found in section 10 of this module.

Location of disclosure and signposting

9.3.6 An AI must publish its Pillar 3 disclosures in a standalone document or a discrete section of its financial statements that provides a readily accessible source of information

on prudential measures for users. Signposting of disclosures is permitted for templates/tables with a flexible format (see section 10.3 below) provided that the preconditions are met (see *section 6(1A) and (1B)* ~~of the BDR~~).

Timing of disclosure

9.3.7 *Sections 6(1C), (1D) and (1E)* ~~of the BDR~~ stipulate the periods within which disclosure statements of various disclosure frequencies should be published. The requirements are summarised in the following table for ease of reference:-

Where the disclosure statement relates to…	If the AI publishes a financial statement for the period, it should…	If the AI does not publish a financial statement for the period, it should…
(a) a **quarterly reporting period** that ends otherwise than at the close of an interim or annual reporting period	publish the disclosure statement concurrently with the publication of its quarterly financial statement and in any case no later than **8 weeks** after the period-end date (*section 6(1C)*).	publish the disclosure statement no later than **8 weeks** after the period-end date.
(b) an **interim reporting period** (including those	publish the disclosure statement concurrently with the publication of	N/A (AIs must publish interim financial disclosures pursuant to

Where the disclosure statement relates to…	If the AI publishes a financial statement for the period, it should…	If the AI does not publish a financial statement for the period, it should…
disclosures relating to quarterly and semi-annual reporting periods that end at the close of an interim reporting period)	its interim financial statement and in any case no later than **3 months** after the period-end date (*section 6(1D)*).	*section 29B* ~~of the BDR~~)
(c) an **annual reporting period** (including those disclosures relating to quarterly and semi-annual reporting periods that end at the close of an annual reporting period)	publish the disclosure statement concurrently with the publication of its annual financial statement and in any case no later than **4 months** after the period-end date (*section 6(1E)*).	N/A (AIs must publish annual financial disclosures pursuant to *section 35* ~~of the BDR~~)

Permission regarding non-concurrent publication of financial and disclosure statements

9.3.8 For interim disclosures where an AI also publishes its interim financial statement within 3 months after the interim reporting period, and for annual disclosures where an AI also publishes its annual financial statement within 4 months after the annual reporting period, the BDR require that the disclosure and financial statements be published concurrently unless prior permission from the MA has been sought (*sections 6(1D) and (1E)* ~~of the BDR~~). However, even if prior permission from the MA has been sought, the disclosure statement must in any case be published within 3 months (for interim disclosure statements) or 4 months (for annual disclosure statements) after the end of the relevant reporting period.

9.3.9 The MA may give permission for non-concurrent publication of financial and disclosure statements under *section 6(1F)* ~~of the BDR~~. However, this power is presently intended to be used only as temporary relief for AIs that are unable to comply with the concurrent publication requirement due to practical difficulties. An AI applying for this permission is expected to submit strong justification, together with a detailed plan on how it intends to eventually close the publication time gap. The MA will consider each case based on its own merits.

Lodging of disclosure statements for the MA's register

9.3.10 An AI must, pursuant to *section 6(5)* ~~of the BDR~~, lodge a copy of each of its disclosure statement with the MA *before* its publication.

9.3.11 Separately, with a view to facilitating a swift updating and maintenance process for the register maintained by the MA, AIs are required to submit their disclosure statements to the HKMA by e-mail to

register@hkma.iclnet.hk within **3 working days** after publication.[6]

9.4 **Verification (*section 8*)**

9.4.1 Disclosures made under the BDR are not required to be audited unless otherwise required by accounting or other statutory requirements. However, the senior management of an AI should ensure that the information being disclosed is subject to review before publication to ensure that the information is not false or misleading in any material respect (*section 8(1)*), and is adequate to facilitate users' understanding on the AI's ~~its~~ actual risk profile.

9.4.2 The review must be conducted by personnel who are adequately qualified and are independent of the AI's staff or management responsible for preparing the disclosures (*section 8(2)*). For instance, an AI's internal auditor could fulfil the requirement for conducting such an internal review.

9.4.3 It is not a mandatory requirement to disclose the written attestation required under *section 8(3)* ~~of the BDR~~ alongside the disclosure statement to be published. The attestation must, however, be retained by the AI as a record of compliance (for example, for future inspection by the HKMA or the AI's internal auditor).

9.5 **Proprietary and confidential information (*section 9*)**

9.5.1 The MA considers that the disclosure requirements in the BDR strike an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information. Accordingly, the MA

[6] Please refer to the HKMA circular on *Register of Authorized Institutions* dated 16 September 2010.

believes that AIs will be able to make all of the required disclosures without having to reveal proprietary and confidential information. However, it may be that in exceptional cases, disclosure of certain items of information required under the BDR would seriously prejudice an AI's competitive position. In such cases, an AI may, with the prior consent of the MA, decline to disclose such items (referred to in the BDR as "proprietary or confidential information") provided that the conditions specified in *section 9(1)(a) and (b)* ~~of the BDR~~ are met.

9.5.2 Proprietary or confidential information may include information on products or systems which, if shared publicly (including with an AI's competitors), would render the AI's investment in such items less valuable.

9.5.3 The MA expects AIs to apply for this exemption only in the most exceptional of circumstances and with good reason. However, such an exemption cannot be used to avoid any disclosure obligations an AI may have by virtue of other statutory requirements or requirements arising from accounting or financial reporting standards.

9.6 **Materiality (*section 10*)**

9.6.1 In applying the materiality test for determining what information should be included in a disclosure, an AI should, apart from having regard to the definition of "material information" in *section 10(2)*, also observe the materiality concept as set out in the HKFRS including the following at a minimum:

(a) materiality as defined in ~~both~~ paragraph 7 of HKAS 1 (Revised ~~January 2019~~June 2023) ~~and~~

~~paragraph 5 of HKAS 8 (Revised January 2019)~~[7], and the discussion on materiality in paragraphs 29 and 31 of HKAS 1 (Revised ~~January 2019~~June 2023); and

(b) additional guidance in respect of interpreting materiality in the context of financial statements prepared under HKFRS as set out in paragraphs 41 to 42 of HKAS 8 (Revised ~~January 2019~~August 2022).

Where appropriate, AIs may also take into account the additional guidance on making judgements on materiality in preparing financial statement in accordance with HKFRS as set out in HKFRS Practice Statement 2 "Making Materiality Judgements" (Revised June 2023).

9.7 Consolidated group level disclosures (*section 11*)

9.7.1 As a general rule, an AI must make the disclosures required by the BDR on a "consolidated ~~–~~basis" as defined in the ~~Banking (Capital) Rules (~~"BCR~~")~~ (i.e. on the basis of consolidation for regulatory purposes) except in relation to the following disclosure requirements:

~~[7] Both paragraph 7 of HKAS 1 (Revised January 2019) *Presentation of Financial Statements* and paragraph 5 of HKAS 8 (Revised January 2019) *Accounting Policies, Changes in Accounting Estimates and Errors* define "Material" as follows: "*Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.*"~~

(a) for disclosures required under *sections 23, 25, 26, 27, 29B, 35, 44, 46, 47 and 52*, an AI should use whichever basis of preparation it believes is most appropriate to provide Pillar 3 data users with clarity in understanding the AI's state of affairs, including its profit or loss and financial resources. This might include, for example, the basis used by the AI for financial reporting purposes for the period concerned. Thus, for disclosures made under these specific sections, an AI may use accounting consolidation instead of regulatory consolidation as the basis on which to make the disclosures, provided that the basis of consolidation used is clearly stated in the disclosure statement;

(b) for capital disclosures (*sections 16FB, 16FC, 16FD and 16FE* and the related ratios and components under *section 16AB*), an AI is required to disclose information adopting the same basis (i.e. consolidated, solo or solo-consolidated as the case requires) as that used for the purpose of preparing the Return on Capital Adequacy Ratio (MA(BS)3) submitted by the AI to the MA pursuant to section 63(2) of the BO;

(c) for leverage ratio disclosures (*sections 16FH and 16FI* and the related ratios and components under *section 16AB*), an AI is required to disclose information adopting the same basis (i.e. consolidated, solo or solo-consolidated as the case requires) as that used for the purpose of preparing the Return of Leverage Ratio (MA(BS)27) submitted by the AI to the MA pursuant to section 63(2) of the BO;

(d) for disclosures concerning its Mainland activities (*section 28*) and currency risk (*section 29*), an AI is

required to adopt the same basis as that used for the purpose of preparing the regulatory returns on Mainland activities (MA(BS)20) and on foreign currency position (MA(BS)6) respectively, submitted by the AI to the MA pursuant to section 63(2) of the BO; and

(e) for disclosures concerning its liquidity information (*sections 16FJ, 16FK and 16FL* and the related ratios and components under *section 16AB*), an AI should adopt the Hong Kong office basis (as defined in section 2(1) of the Banking (Liquidity) Rules ("BLR"))[8] in making the required disclosures unless:-

(i) the AI is required to calculate its LCR[9] (or LMR[10]) and, if applicable, NSFR[11] (or CFR[12]) on a consolidated basis pursuant to rule 11(1) of the BLR[13], in which case it should adopt the same consolidated basis in making the required disclosures; or

(ii) if paragraph 9.7.1(e)(i) above does not apply to the AI and the AI is required to calculate its LCR (or LMR) and, if applicable, NSFR (or CFR) on an unconsolidated basis pursuant to

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8 The Hong Kong office basis will apply for disclosure purposes, for example, in cases where the AI concerned is incorporated in Hong Kong and does not have any overseas branches or specified associated entities (as defined in the BLR).

9 Liquidity coverage ratio, as defined in rule 2(1) of the BLR.

10 Liquidity maintenance ratio, as defined in rule 2(1) of the BLR.

11 Net stable funding ratio, as defined in rule 2(1) of the BLR.

12 Core funding ratio, as defined in rule 2(1) of the BLR.

13 Under rule 11(1) of the BLR, the MA may, by notice in writing to an AI that is incorporated in Hong Kong and has one or more associated entities, require the AI to calculate its LCR, LMR, NSFR or CFR on a consolidated basis, which includes the business of the AI and one or more of its associated entities as specified in the notice.

rule 10(1)(b) of the BLR[14], in which case it should adopt the same unconsolidated basis in making the required disclosures.

9.7.2 Although as a general rule, AIs should use regulatory consolidation as the basis for their disclosures in relation to capital, credit risk, market risk, CVA risk, operational risk, equity exposures and interest rate exposures in the banking book, nothing in the BDR precludes an AI from also making disclosures on other bases (e.g. a solo basis or solo-consolidated basis) provided that such additional information will assist understanding of, and provide greater clarity concerning its risk profile (see *section 11(3)* ~~of the BDR~~). By way of further exception to the general rule that an AI should use regulatory consolidation as the basis for its disclosure, if an AI is only required to calculate its capital adequacy ratio on a solo basis, then the AI should make its disclosures on a solo basis (see *section 11(2)* ~~of the BDR~~).

9.7.3 Similarly for liquidity information disclosures, if an AI is required to make the disclosures on a consolidated basis as described in paragraph 9.7.1(e)(i) above, the AI may provide disclosures on additional bases (e.g. unconsolidated basis or Hong Kong office basis) if this will facilitate users' understanding of its liquidity profile.

9.8 Basis of disclosure (*section 12*)

9.8.1 Disclosures in relation to an AI's regulatory capital / capital charge for credit risk, market risk, CVA risk and operational risk are governed by the calculation approach the AI uses under the BCR. For example, an

[14] Under rule 10(1)(b) of the BLR, an AI that is incorporated in Hong Kong and has an overseas branch must calculate its LCR, LMR, NSFR or CFR on an unconsolidated basis, which includes the business of the AI in Hong Kong and, unless otherwise approved by the MA under rule 10(3)(a) of the BLR, all of its overseas branches, but not its associated entities.

AI that uses the BSC approach [15] to calculate its regulatory capital for credit risk exposures should make disclosures in accordance with the requirements of the relevant sections / parts of the standard disclosure templates that are applicable to that approach.

9.8.2 In some circumstances an AI might use different calculation approaches to calculate its regulatory capital / capital charge for exposures in different classes, business units, risk categories or parts of its business. In this situation, the disclosures the AI is required to make in respect of its exposures, should follow the particular calculation approach the AI uses to calculate its regulatory capital/ capital charge for those exposures.

9.8.3 For example, in relation to an AI which has applied to the MA under section 8(1) of the BCR to use the IRB approach[16] to calculate its regulatory capital for credit exposures in some IRB adoption classes[17] while using the STC approach[18] for all other credit exposures, ~~by reason of being granted an exemption under section 12(2)(a) of the BCR, an AI may calculate its regulatory capital for credit exposures falling within a particular class using the STC approach [19], but use the IRB approach[20] to calculate its regulatory capital for credit exposures in all the other classes. In this instance,~~ the disclosure requirements in respect of the credit exposures falling within~~in~~ the IRB adoption classes for which the AI uses the IRB approach, are those in

[15] ~~The b~~Basic approach, as defined in section 2(1) of the BCR.

[16] Internal ratings-based approach, as defined in section 2(1) of the BCR.

[17] IRB adoption class, as defined in section 2(1) of the BCR .

[18] Standardized (credit risk) approach, as defined in section 2(1) of the BCR.

~~[19] The standardized (credit risk) approach, as defined in section 2(1) of the BCR.~~

~~[20] The internal ratings-based approach, as defined in section 2(1) of the BCR.~~

sections 16P, 16Q, 16R, 16S, 16T, and 16U while in respect of all other credit exposures for which the AI uses the STC approach, are those in *sections 16M, 16N, and 16O* ~~of the BDR. The disclosure requirements in respect of the credit exposures in the classes for which it uses the IRB approach, are those in *sections 16P, 16Q, 16R, 16S, 16T, and 16U* of the BDR~~.

9.8.4 In rare circumstances, an AI might change the approach it uses to calculate its regulatory capital for credit risk, or capital charge for market risk, CVA risk or operational risk, in the course of a reporting period. For instance, an AI might migrate from the STC approach to the IRB approach to calculate its credit risk for its sovereign exposures during a financial year. In this case, the AI should make disclosures on the basis of the approach it is using on the reporting date, i.e. it should make credit risk disclosures for sovereign exposures on the basis of the IRB approach under *sections 16P, 16Q, 16R, 16S, 16T and 16U* ~~of the BDR~~. Meanwhile, the disclosure requirements under *Division 8B of Part 2A* "Comparison of Modelled and Standardized Risk-weighted Amounts" would also be applicable to the AI.

9.9 Comparative information

9.9.1 Comparative information, where required, will be stated in the standard disclosure templates and tables specified by the MA under *section 6(1)(ab)* ~~of the BDR~~. For example, Template KM1 for use with disclosures under *section 16AB* ~~of the BDR~~ requires, in addition to data relating to the current quarter (T), disclosure of data relating to the 4 immediately preceding quarters (T-1 to T-4).

9.10 Retrospective disclosures, disclosure of transitional metrics and reporting periods

9.10.1 In disclosure templates which require the input of data for current and previous reporting periods, the input of data for previous periods is not required when a metric for a new standard is reported for the first time, unless explicitly stated otherwise in a disclosure template.

9.10.2 Unless otherwise specified in a disclosure template, when an AI adopts a transitional arrangement permitted by the relevant policy standard, the transitional data should be reported unless the AI already complies with the final standards for which the transitional arrangement was established. AIs should clearly state whether the data disclosed is computed on the basis of the transitional arrangement or the final standards. Where applicable, AIs under a transitional arrangement may separately disclose data computed on the basis of the final standards in addition to data computed on the basis of the transitional arrangement.

9.10.3 Unless otherwise specified in a disclosure template, the data required for annual, semi-annual and quarterly disclosures should be for the corresponding 12-month, 6-month and 3-month period, respectively, in relation to an AI's financial year.

9.11 **Frequency (*section 14*)**

9.11.1 As some risk factors can change quite rapidly, an AI is encouraged to make more frequent disclosures than those required under the BDR, provided that such additional information would improve the transparency of the AI's risk profile and risk management.

9.12 **Compliance (*section 16*)**

9.12.1 Under exceptional circumstances an AI may seek the MA's consent under *section 16(2)* ~~of the BDR~~ to publish an alternative disclosure (to one required elsewhere in

the BDR) due to practical reasons other than those related to *section 9* (see paragraph 9.5). Exceptional circumstances in this regard generally refer to those that are largely beyond the AI's control.

10. Specific disclosures to be made by AIs incorporated in Hong Kong (*Part 2A*)

10.1 General

10.1.1 This section provides guidance for AIs incorporated in Hong Kong in relation to the making of specific disclosures pursuant to *Part 2A* ~~of the BDR~~.

10.1.2 *Part 2A* ~~of the BDR~~ sets out various disclosure obligations with which AIs are required to comply at specified frequencies by using the standard disclosure templates and tables specified by the MA under *section 6(1)(ab)* ~~of the BDR~~[21]. These specified templates and tables detail the information required in a tabular form, together with explanatory notes to facilitate consistency in interpretation and application. In general, templates are designed for the disclosure of quantitative information, whereas tables are designed for the disclosure of qualitative information but quantitative information is also required in some instances.

10.1.3 Each standard disclosure template and table has its own scope of application (i.e. some apply to all AIs whereas others only apply to certain AIs), format and disclosure frequency. These are summarised at **Annex A**.

[21] The disclosure requirements on scope of consolidation (*section 16FD* ~~of the BDR~~) are an exception where no standard disclosure template or table is specified~~used~~.

10.1.4 In line with Principle 3 set out in paragraph 8.4 above, the information provided in the templates and tables should be meaningful to users. In certain circumstances specified in the templates and tables, where an AI considers that the information required to be disclosed is not applicable or would not be meaningful to users (for example, because its exposures and risk-weighted amounts ("RWA") are deemed immaterial), it may choose not to disclose part or all of the information required. In such circumstances, however, the AI should explain in a narrative commentary why it considers such information not to be meaningful to users, and describe the portfolios it has excluded from the disclosure and the aggregate RWAs those portfolios represent.

10.2 Applicability of templates and tables

10.2.1 Standard disclosure templates and tables are generally applicable to all AIs incorporated in Hong Kong unless otherwise specified in the templates and tables. An AI should refer to the 'scope of application' section of the template / table, and ascertain whether it is subject to the relevant disclosure requirements.

10.2.2 For example, certain templates and tables are only applicable to AIs that use internal models for calculating RWAs and capital charges for credit risk (e.g. Templates CR6 to CR10 and Table CRE) and market risk (e.g. Template~~s~~ MR2 ~~to MR4~~ and Table MRB). These templates and tables are thus not applicable to an AI that only uses the STC approach for credit risk or the STM / SSTM approach[22] for market risk, as the case may be.

[22] ~~The s~~Standardized (market risk) approach and simplified standardized approach, as defined in section 2(1) of the BCR.

As such, the AI needs not issue a blank template or table in this regard.

10.3 **Format of templates and tables**

10.3.1 The format of a template can be either fixed or flexible, whilst the format of a table is always flexible. An AI should make reference to the 'format' section of a template to ascertain the format in which it is required to be completed.

Templates with a 'fixed' format

10.3.2 Where the format of a template is described as 'fixed', an AI must complete the rows and columns of the template in accordance with the instructions given.

10.3.3 If a row / column is not considered to be relevant to an AI's activities or the required information would not be meaningful to Pillar 3 data users (e.g. immaterial from a quantitative perspective), the AI may, unless the instructions of the template indicate otherwise, delete the specific row / column from the template, but the numbering of the subsequent rows and columns must not be altered. If an AI wishes to provide information additional to that required by a template with a fixed format, it may add sub-rows or sub-columns, but the numbering of prescribed rows and columns in the template must not be altered.

Templates / tables with a 'flexible' format

10.3.4 Where the format of a template is indicated as 'flexible', an AI may present the required information either in the format provided in the templates, or in one that better suits the AI. The format for the presentation of qualitative information in tables is not prescribed and hence always flexible.

10.3.5 However, where a customised presentation of the information is used, the information provided must be at a similar level of granularity as that required if the template / table were completed and presented in its original format.

10.4 **Disclosure frequency of templates and tables**

10.4.1 The disclosure frequencies of templates are either quarterly, semi-annual or annual. The disclosure frequency of tables is either annual or semi-annual. The required frequency of disclosure for each template / table is indicated in the relevant section in *Part 2A* ~~of the BDR~~ to which the template/table corresponds, and is also specified in the 'frequency' section of the template / table.

11. Additional semi-annual disclosures, interim disclosures and additional annual disclosures to be made by AIs incorporated in Hong Kong (*Parts 3, 3A and 4*)

11.1 **General**

11.1.1 This section provides guidance for AIs incorporated in Hong Kong in relation to the making of semi-annual, interim and annual disclosures pursuant to *Parts 3, 3A and 4* (i.e. other than those required under *Part 2A*) ~~of the BDR~~.

11.2 **General disclosures – International claims (*section 25*)**

11.2.1 In disclosing a breakdown of its international claims by the types of counterparties pursuant to *section 25(1)(b)* ~~of the BDR~~, an AI should make reference to the definitions of different counterparty sectors in Annex 6 to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B), in particular:

(a) for non-bank private sector counterparties, separately disclose claims to "non-bank financial institutions" and "non-financial private sector"~~, each as defined in Annex 6 to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B)~~; and

(b) take "others" as having the same meaning as "unallocated by sector"~~, as defined in Annex 6 to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B)~~.

11.2.2 An AI should make reference to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B) in the determination of international claims. An AI should however take note that the completion of the disclosure template for international claims may necessitate the collection of risk transfer information allocated by types of counterparties that is outside the scope of existing HKMA regulatory returns. In this regard, an AI should consider enhancing its internal management information systems to facilitate this information collection process.

11.2.3 An illustration of, and detailed guidance on, the disclosure required in respect of international claims is provided at **Annex B**.

11.3 Sector information (*sections 26 and 47*)

11.3.1 Guidance on how the various types of loans and advances should be included in the respective sectors set out in *section 26(1)* ~~of the BDR~~, as well as how the disclosures should be made, is provided at **Annex C**. An AI should make reference to the completion instructions for the Return of Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A).

11.3.2 The MA encourages AIs to disclose additional credit risk information for the various sectors set out in *section 26(1)*. For example, an AI could further break down the various sectors into more detailed sub-categories if it reasonably believes that providing such additional information will provide users with greater understanding and clarity in relation to the AI's risk profile. However, the AI has to ensure that the aggregate of such further breakdown is consistent with the relevant figure disclosed in the AI's balance sheet.

11.3.3 For the purpose of disclosing the extent to which the loans and advances to customers are covered by collateral or other security (*section 26(2)*), an AI should disclose either the value of the collateral or other security as a percentage of those loans and advances, or the absolute amounts of that part of the loans and advances which are covered by collateral or other security.

11.3.4 For the required disclosures under *section 26(3)* ~~of the BDR~~ where an AI's total amount of loans and advances to a counterparty type or industry sector constitutes not less than 10% of the AI's total amount of loans and advances, an AI should make the disclosures based on its internal management classifications rather than based on the sectors referred to in *section 26(1)* ~~-~~or any other supervisory definition of counterparty type or industry sector.

11.3.5 For ease of reference, the semi-annual disclosure in relation to sector information required under *section 26* for a semi-annual reporting period that ends at the close of an annual reporting period can be made alongside the annual disclosure of information required under *section 47*, where sector information regarding provisions charged to profit and loss and impaired loans and advances written off is presented.

11.4 **Overdue or rescheduled assets (*section 27*)**

11.4.1 The criteria to be applied in determining overdue and rescheduled assets for disclosure purposes are identical to those set out in Appendix 2.1 (Guidelines on overdue and rescheduled assets) to the completion instructions for the Return of Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A). An AI can make reference to the guidelines set out in that appendix in preparing its disclosures in relation to overdue and rescheduled assets pursuant to *section 27* ~~of the BDR~~.

11.4.2 Further guidance on the disclosure of the value of collateral held against overdue loans and advances is provided at **Annex D**.

11.5 **Mainland activities (*section 28*)**

11.5.1 For the purpose of disclosing a breakdown of its material Mainland exposures to non-bank counterparties, an AI should make reference to the completion instructions for the Return of Mainland Activities (MA(BS)20) for the categories of non-bank counterparties and the types of direct exposures to be reported.

11.5.2 An illustration of the disclosure required for Mainland activities is provided at **Annex E**.

11.6 **Currency risk (*section 29*)**

11.6.1 For the purpose of disclosing its foreign currency exposures arising from trading, non-trading and structural positions pursuant to *section 29*, an AI should make reference to the completion instructions for the Return of Foreign Currency Position (MA(BS)6) for the types of foreign currency positions and the amounts to be reported.

11.6.2 An illustration of the disclosure required in respect of currency risk is provided at **Annex F**.

11.7 **Interim and annual financial disclosures (*sections 29B and 35*)**

11.7.1 An AI must make interim and annual financial disclosures in compliance with the prevailing accounting standards applicable to it. This is so even if the applicable accounting standard (e.g. HKAS 34) does not mandate the publication of interim financial reports but only prescribes the minimum content of an interim financial report, and the accounting recognition and measurement principles to be applied in a complete or condensed set of financial statements for an interim period.

11.8 **General disclosures – Segmental reporting (*section 46*)**

11.8.1 Guidance on the general basis of segmental disclosure pursuant to the requirements of *section 46(1) to (6)* is provided at **Annex G**, and an illustration of the disclosure required for geographical segments is provided at **Annex H**.

11.8.2 For the purpose of disclosing the fees and commission income from a product line which constitutes not less than 10% of the total amount of its fees and commission income (*section 46(6)*), an AI is expected to classify its product lines on a basis which is consistent with the one used for internal management purposes and which meets the applicable accounting disclosure requirements. Examples of product lines include, but are not limited to, the following:-

(a) credit lines;

(b) corporate advisory;

(c) investment management and trustee services; and

(d) guarantees and indemnities.

PART IV - GUIDANCE FOR AIs INCORPORATED OUTSIDE HONG KONG

12. Disclosures to be made by AIs incorporated outside Hong Kong (*Part 8*)

12.1 General

12.1.1 This section provides guidance for AIs incorporated outside Hong Kong on the interpretation and practical application of specific provisions in *Part 8* ~~of the BDR~~. This section also provides guidance for such AIs in relation to the making of quarterly, interim and annual disclosures pursuant to *Part 8* ~~of the BDR~~.

12.2 Medium, location and timing of disclosure (*section 88*)

12.2.1 *Section 88* ~~of the BDR~~ prescribes the manner in which the disclosures should be made, the timing of such disclosures, and the periods for which such information should remain disclosed.

Timing of disclosure

12.2.2 *Section 88(1)(ba)* stipulates the periods within which disclosure statements of various disclosure frequencies should be published:

(a) if the statement relates to a quarterly reporting period that ends otherwise than at the close of an interim or annual reporting period—**8 weeks**;

(b) if the statement relates to a reporting period that is, or ends at the close of, an interim reporting period—**3 months**;

(c) if the statement relates to a reporting period that is, or ends at the close of, an annual reporting period—**4 months**.

12.2.3 For example, for the quarterly disclosures of its liquidity information (i.e. in relation to its LCR, NSFR, LMR and CFR positions) under *sections 103 to 103C* ~~of the BDR~~, an AI is required to disclose and publish the information (i) within 8 weeks after the end of the AI's first and third financial quarters; (ii) within 3 months after the end of its interim period (i.e. end of its second financial quarter); and (iii) within 4 months after the end of its financial year (i.e. end of its fourth financial quarter), respectively.

Specification of standard disclosure templates and tables

12.2.4 For certain disclosures required under the BDR concerning liquidity information, AIs are required to use the standard disclosure table and the two standard disclosure templates specified by the MA under *section 88(1)(b)* ~~of the BDR~~ to present the information. The use of the table and two templates specified by the MA will enhance the comparability of liquidity information disclosed by AIs. Specifically, the standard disclosure table specified by the MA relates to the requirement to make an annual disclosure on liquidity risk management (a requirement applicable to AIs incorporated in Hong Kong (*section 16FJ* ~~of the BDR~~) as well as AIs incorporated outside Hong Kong (*section 103(4A)* ~~of the BDR~~)). The two standard disclosure templates specified by the MA relate to the requirement on AIs that are designated as "category 1 institutions" under the BLR to make a quarterly disclosure on LCR (applicable to AIs incorporated in Hong Kong (*section 16FK* ~~of the BDR~~) as well as AIs incorporated outside Hong Kong (*section 103A* ~~of the BDR~~)) and the requirement on such AIs to make semi-annual disclosures on NSFR (applicable to

AIs incorporated in Hong Kong (*section 16FL* ~~of the BDR~~) as well as AIs incorporated outside Hong Kong (*section 103AB(b)* ~~of the BDR~~).

12.2.5 A summary of the required format, applicability and disclosure frequency of the specified table and templates can be found in Part IID of the table at **Annex A**.

12.2.6 A template should be completed with quantitative data in accordance with the definitions set out in the explanatory notes to the templates, and accompanied by narrative descriptions. A table relates to both qualitative explanations and quantitative information. An AI may choose the format it prefers when presenting the information required in tables.

Web-based disclosures

12.2.7 As an alternative to the traditional publication of hard-copy disclosure statements, an AI may publish its disclosure statements on an internet website to effectively discharge its obligations under the BDR (see *section 2(4)* ~~of the BDR~~). Likewise, a disclosure statement published by an AI which contains a hyperlink to an internet website, where all the disclosures that the AI is required to make under the BDR for the reporting periods to which the statement relates can be found, would normally be considered as acceptable.

12.2.8 The term “internet website” referred to above should be taken to mean an internet website maintained by the Hong Kong branch operation of an AI or by its head office, that is readily accessible by the general public of Hong Kong.

Prescribed summary

12.2.9 *Section 88(2)* provides an AI with the flexibility of either publishing a disclosure statement that contains all the disclosures required under the BDR, or a prescribed summary of the required disclosures.

12.2.10 If an AI issues a prescribed summary, it needs only specify in that summary, how and where the general public may readily access the complete disclosures. For example, the prescribed summary may:

(a) inform the general public that the complete disclosures can be accessed on the AI's internet website (in which case the relevant website address (and specific link) should be stated);

(b) inform the general public that the AI's consolidated group level financial disclosures can be found in its consolidated accounts (in which case the prescribed summary must make clear the precise location in the consolidated accounts where the required disclosures can be found); or

(c) refer to a combination of the AI's internet website and its consolidated accounts, as long as it specifies clearly which disclosures are to be found at which location.

12.2.11 Once an AI has issued a prescribed summary, it should not change the place where the complete disclosures are to be found (for example by moving them to a location on its website that is different from the link stated in the prescribed summary) unless it also amends the information contained in the prescribed summary.

Lodging of disclosure statements for the MA's register

12.2.12 An AI must, pursuant to *section 88(4)* ~~of the BDR~~, lodge a copy of each disclosure statement with the MA *before* its publication.

12.2.13 Separately, with a view to facilitating a swift updating and maintenance process for the register maintained by the MA, AIs are required to submit their disclosure statements to the HKMA by e-mail to register@hkma.iclnet.hk within **3 working days** after publication.[23]

Archive requirement

12.2.14 Unless otherwise approved by the MA, an AI is required to establish and maintain on its internet website an archive of all its published disclosure statements (*section 88(9A)* ~~of the BDR~~). The archive must cover all its disclosure statements made in respect of reporting periods ending on or after **30 June 2018** (i.e. the date on which the Banking (Disclosure) (Amendment) Rules 2018 came into operation), but for liquidity information disclosures made under the provisions referred to in *section 103(1)(a)*, the archive must cover all such disclosures made in respect of reporting periods ending after **31 December 2014** (*section 103(2)*).

12.2.15 A smaller AI which does not have its own internet website may make use of its head office's internet website to establish and maintain the required archive. Under exceptional circumstances where an AI is not able to adopt this approach to establishing and maintaining an archive due to practical difficulties that are beyond its control, it must seek the MA's approval to establish and maintain the archive at another location. In considering an application for approval under *section 88(9A)(b)*, the

[23] Please refer to the HKMA circular on *Register of Authorized Institutions* dated 16 September 2010.

MA will take into consideration whether the proposed alternative location is "readily accessible" by the general public of Hong Kong.

12.3 **Verification**

12.3.1 Disclosures made under the BDR are not required to be audited unless otherwise required by accounting or other statutory requirements. However, the MA encourages AIs to conduct before publication an internal review to ensure the adequacy and accuracy of the disclosures made under the BDR.

12.3.2 The internal review may be conducted by personnel of the AI who are adequately qualified and are independent of the AI's staff or management responsible for preparing the disclosures. For instance, an AI's internal auditor could assume this role of conducting such an internal review.

12.4 **Materiality (*section 89*)**

12.4.1 In considering what constitutes "material information" for required disclosures under the BDR, an AI which adopts IFRS or equivalent accounting standards in preparing its financial accounts should, at a minimum, observe the materiality concept as set out in the IFRS or equivalent accounting and financial reporting standards, in addition to the definition in *section 89(2)*.

12.5 **Comparative information (*section 90*)**

12.5.1 As a general rule, an AI is required to provide comparative information to accompany its quantitative disclosures. Except in the case of profit and loss information and liquidity information, the comparative information to be provided is the like quantitative information from the AI's immediately preceding reporting period. For branch profit and loss, and branch

liquidity, information disclosures under *Division 3, Part 8* ~~of the BDR~~ as well as the~~(and~~ consolidated group level pre-tax profit disclosures under *Division 4, Part 8* ~~of the BDR)~~, the comparative information should be as follows:

(a) if the relevant disclosure relates to an annual reporting period, the comparative information required is the like quantitative information from the AI's immediately preceding annual reporting period;

(b) if the relevant disclosure relates to a quarterly reporting period, the comparative information required is the like quantitative information from the AI's immediately preceding quarterly reporting period; and

(c) if the relevant disclosure relates to an interim reporting period, the comparative information required is the like quantitative information from the AI's immediately preceding interim reporting period.

12.5.2 An illustrative example (assuming a financial year begins on 1 January) on comparative information is as follows:

For AIs Incorporated outside Hong Kong	***P & L Information[a] & Liquidity Information[ab]***		***Disclosure items other than P & L Information & Liquidity Information***	
	Current Disclosure Position Date	***Comparative Information Position Date***	***Current Disclosure Position Date***	***Comparative Information Position Date[bc]***
Interim disclosure	*30/6/20241~~9~~*	*30/6/2023~~18~~*	*30/6/20241~~9~~*	*31/12/2023~~18~~*
Quarterly disclosure for Q3	*30/9/20241~~9~~*	*30/6/2024~~19~~*	*N/A*	*N/A*

Annual disclosure	*31/12/2024 ~~19~~*	*31/12/2023~~1 8~~*	*31/12/2024 ~~19~~*	*30/6/2024~~19~~*
Quarterly disclosure for Q1	*31/3/2025~~0~~*	*31/12/2024~~1 9~~*	*N/A*	*N/A*

[a] For P&L information, an AI is not required to make quarterly disclosure.

[~~a~~b] For liquidity information (except NSFR which is calculated based on quarter-end value), the figures to be reported should be calculated based on the 3 months' average of the last quarter of the relevant reporting period, for instance:

For interim disclosure (i.e. period of 1/1/2024~~19~~ to 30/6/2024~~19~~):

- *Figures to be disclosed for current disclosure position date should be calculated based on the 3 months' average of Q2 2024~~19~~*
- *Figures to be disclosed as comparative information should be calculated based on the 3 months' average of Q2 2023~~18~~*

For annual disclosure (i.e. period of 1/1/2024~~19~~ to 31/12/2024~~19~~):

- *Figures to be disclosed for current disclosure position date should be calculated based on the 3 months' average of Q4 2024~~19~~*
- *Figures to be disclosed as comparative information should be calculated based on the 3 months' average of Q4 2023~~18~~*

[c~~b~~] For disclosure items other than P & L information & Liquidity Information, this represents the end date of the immediately preceding reporting period.

12.5.3 There are some exceptions to the requirement to provide the comparative information referred to above. The first exception applies where interim consolidated information is not provided by the corporate group of which the AI is a part. In this case, the AI should disclose the annual figures as comparatives in place of interim figures.

12.5.4 Another exception applies where the AI cannot provide the comparative information required because the BDR did not previously apply to the AI (and hence it made no like quantitative disclosures in previous reporting periods which can be used as comparative information). This will be the case, for example, for an institution which is newly

authorised as an AI. In such case, the AI is only expected to ensure that a quantitative disclosure is accompanied by information which is equivalent to the comparative information referred to in paragraph 12.5.1 above, if it is practicable for the AI to provide such equivalent information.

12.5.5 Likewise, when new provisions in the BDR (e.g. those incorporated to implement disclosure requirements associated with the Basel III standards or local prudential requirements) are first applied to AIs, an AI is generally not required to disclose the comparative information in its first quarterly, interim or annual disclosures provided that the quarterly, interim or annual disclosures are accompanied by a statement explaining why comparative information has not been disclosed. However, where practicable, an AI should accompany the disclosures with information which is an appropriate substitute for the comparative information referred to in paragraph 12.5.1 above, in order to facilitate analysis by users.

12.5.6 An AI should notify the HKMA if it falls within one of the exceptions described in paragraphs 12.5.3 and 12.5.4 above.

12.6 **Frequency (*section 91*)**

12.6.1 Other than liquidity information required to be disclosed under *sections 103A, 103AB, 103B and 103C* ~~of the BDR~~, an AI must make disclosures under *Part 8* in respect of its annual and interim reporting periods in accordance with *section 91* ~~of the BDR~~.

12.6.2 For liquidity information required to be disclosed under *sections 103A, 103AB, 103B and 103C*, an AI must make disclosures in respect of its semi-annual or quarterly

reporting periods as specified under these sections (see paragraph 12.14 below).

12.7 **Compliance (*section 92*)**

12.7.1 Under exceptional circumstances, an AI may seek the MA's consent under *section 92(2)* ~~of the BDR~~ to publish an alternative disclosure (to one required elsewhere in the BDR) due to practical reasons. Exceptional circumstances in this regard generally refer to those that are largely beyond the AI's control.

12.8 **Income statement information (*section 93*); balance sheet information (*section 94*)**

12.8.1 Where an AI uses the HKFRS or IFRS for the purpose of preparing its financial report and accounts, it is expected to use the same accounting standards for the purpose of complying with the disclosure requirements set out in the BDR. However, the BDR do not mandate an AI to use the HKFRS or IFRS for disclosure purposes if it uses accounting standards other than the HKFRS or IFRS for preparing its financial report and accounts (for example, if the home jurisdiction of the AI is not yet on the IFRS financial reporting platform). If an AI uses accounting standards other than the HKFRS or IFRS for preparing its financial report and accounts, it may use the relevant accounting concepts in those other accounting standards for the purpose of preparing its disclosures under the BDR. The AI should, for this purpose, employ concepts in the accounting standards it uses that are most directly equivalent to the disclosure items required under the BDR.[24]

[24] By way of example, *section 94(a)(vii)(D)* ~~of the BDR~~ requires an AI that is incorporated outside Hong Kong to disclose provisions for impaired loans and receivables. If the accounting standards used by the AI have no concept of impaired loans and receivables, but instead have the concept of provisions

12.8.2 For the disclosure of income statement information under *section 93*, an AI may refer to the mapping of the income statement information to the Return of Current Year's Profit & Loss Account (MA(BS)1C) set out at **Annex I**.

"Placements with banks"

12.8.3 The term "bank" as defined in section 2(1) of the BCR does not include a central bank which now falls within the definition of "sovereign"[25] in section 2(1) of the BCR. Hence, if an AI has any placements with central banks or other non-bank financial institutions, the AI should make separate disclosures in respect of those placements (instead of including them in "placements with banks") if the AI reasonably believes that providing such separate disclosures would provide greater clarity and understanding of its risk profile.

"Value of collateral"

12.8.4 An AI should make reference to the illustration at **Annex D** for the determination of the value of collateral for disclosure purposes.

12.9 **General disclosures – international claims (*section 98*)**

12.9.1 In disclosing a breakdown of its international claims by the types of counterparties pursuant to *section 98(1)(b)* ~~of the BDR~~, an AI should make reference to the definitions of different counterparty sectors in Annex 6 to the completion instructions for the Return of International

for bad and doubtful debts, then the AI should disclose its provisions for bad and doubtful debts for the purpose of *section 94(a)(vii)(D)* .

[25] Although AIs that are incorporated outside Hong Kong are not subject to the BCR, the defined terms in section 2 of the BCR apply to the BDR by virtue of *section 2(2)* of the latter unless otherwise required.

Banking Statistics (MA(BS)21A and MA(BS)21B), in particular:

(a) for non-bank private sector counterparties, separately disclose claims to "non-bank financial institutions" and "non-financial private sector"~~, each as defined in Annex 6 to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B)~~; and

(b) take "others" as having the same meaning "unallocated by sector"~~, as defined in Annex 6 to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B)~~.

12.9.2 An AI should make reference to the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B) in the determination of international claims. An AI should however take note that the completion of the disclosure template for international claims may necessitate the collection of risk transfer information allocated by types of counterparties that is outside the scope of existing HKMA regulatory returns. In this regard, an AI should consider enhancing its internal management information systems to facilitate this information collection process.

12.9.3 An illustration of, and detailed guidance on, the disclosure required in respect of international claims is provided at **Annex B**.

12.10 **Sector information (*section 99*)**

12.10.1 Guidance on how the various types of loans and advances should be included in the respective sectors set out in *section 99(1)* ~~of the BDR~~, as well as how the disclosures should be made, is provided at **Annex C**. An

AI should make reference to the completion instructions for the Return of Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A).

12.10.2 The MA encourages AIs to disclose additional credit risk information for the various sectors set out in *section 99(1)*. For example, an AI could further break down the various sectors into more detailed sub-categories if it reasonably believes that providing such additional information will provide users with greater understanding and clarity in relation to the AI's risk profile. However, the AI has to ensure that the aggregate of such further breakdown is consistent with the relevant figure disclosed in the AI's balance sheet.

12.10.3 For the purpose of disclosing the extent to which the loans and advances to customers are covered by collateral or other security (*section 99(2)*), an AI should disclose either the value of the collateral or other security as a percentage of those loans and advances, or the absolute amounts of that part of the loans and advances which are covered by collateral or other security.

12.11 **Overdue or rescheduled assets (*section 100*)**

12.11.1 The criteria to be applied in determining overdue and rescheduled assets for disclosure purposes are identical to those set out in Appendix 2.1 (Guidelines on overdue and rescheduled assets) to the completion instructions for the Return of Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A). An AI can make reference to the guidelines set out in that appendix in preparing its disclosures in relation to overdue and rescheduled assets pursuant to *section 100*.

12.11.2 Further guidance on the disclosure of the value of collateral held against overdue loans and advances is provided at **Annex D**.

12.12 **Mainland activities (*section 101*)**

12.12.1 For the purpose of disclosing a breakdown of its material Mainland exposures to non-bank counterparties, an AI should make reference to the completion instructions for the Return of Mainland Activities (MA(BS)20) for the categories of non-bank counterparties and the types of direct exposures to be reported.

12.12.2 An illustration of the disclosure required for Mainland activities is provided at **Annex E**.

12.13 **Currency risk (*section 102*)**

12.13.1 For the purpose of disclosing its foreign currency exposures arising from trading, non-trading and structural positions pursuant to *section 102*, an AI should make reference to the completion instructions for the Return of Foreign Currency Position (MA(BS)6) for the types of foreign currency positions and the amounts to be reported.

12.13.2 An illustration of the disclosure required in respect of currency risk is provided at **Annex F**.

12.14 **Liquidity information disclosures (*sections 103, 103A, 103AB, 103B and 103C*)**

12.14.1 *Sections 103 to 103C* ~~of the BDR~~ set out disclosure requirements for AIs that are incorporated outside Hong Kong in respect of their liquidity information. As the statutory liquidity requirements are applicable to all AIs whether incorporated in or outside Hong Kong, the disclosure requirements for all AIs are the same in terms of frequency and format.

12.14.2 Below is a summary of the required liquidity information and the relevant frequency with which, and format in which, the required disclosures must be made:-

Information on…	Must be disclosed by…	On…	Using…
(a) liquidity risk management (*section 103(4A)*)	an AI	an annual basis	the standard disclosure table (i.e. Table LIQA).[1]
(b) LCR (*section 103A*)	an AI that is a category 1 institution	a quarterly basis	the standard disclosure template (i.e. Template LIQ1).[1]
(c) NSFR (*section 103AB(a)*)	an AI that is a category 1 institution	a quarterly basis	a free format.[2]
(d) NSFR (*section 103AB(b)*)		a semi-annual basis	the standard disclosure template (i.e. Template LIQ2).[1]
(e) LMR (*section 103B*)	an AI that is a category 2 institution	a quarterly basis	a free format.[2]
(f) CFR (*section 103C*)	an AI that is a category 2A institution	a quarterly basis	a free format.[2]

[1] specified by the MA under *section 88(1)(b)*.

[2] For "free format" an AI is free to use any format that it considers appropriate provided that it is clear and consistent over time.

Annex A : Summary of disclosure templates and tables

For ease of reference, t~~T~~he following table sets out the standard disclosure templates and tables specified by the MA under *section 6(1)(ab)* ~~of the BDR.~~(while the ~~The~~ table and two templates prefixed by "LIQ" for liquidity disclosure are also specified by the MA under *section 88(1)(b)* ~~of the BDR~~). However, it should be noted that t~~T~~he relevant templates and tables (together with the associated explanatory notes) may be revised by the MA from time to time (for example, as a result of changes and updates of the BCBS). AIs should refer to the latest versions available ~~in detail, together with the associated explanatory notes, are accessible~~ on the HKMA's website: http://www.hkma.gov.hk (via "Key Functions – Banking ~~Stability – Implementation of International Standards~~Banking Legislation, Policies and Standards Implementation – Disclosure" links).

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
Part I : Key prudential ratios, overview of risk management and RWA	Table OVA: Overview of risk management	Local	Flexible	Annual
	Template KM1: Key prudential ratios	Local	Fixed	Quarterly
	Template OV1: Overview of RWA	Local	Fixed	Quarterly
Part II : Linkages between financial statements and regulatory exposures	Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories	Local	Flexible	Annual
	Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements	Local	Flexible	Annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Table LIA: Explanations of differences between accounting and regulatory exposure amounts	Local	Flexible	Annual
	Template PV1: Prudent valuation adjustments	Local	Fixed	Annual
Part IIA : Composition of regulatory capital	Template CC1: Composition of regulatory capital	Local	Fixed	Semi-annual
	Template CC2: Reconciliation of regulatory capital to balance sheet	Local	Flexible	Semi-annual
	Table CCA: Main features of regulatory capital instruments	Local	Flexible	Semi-annual
Part IIB : Macro-prudential supervisory measures	Template GSIB1: G-SIB indicators	Local [G-SIBs, or AIs falling within *section 16FF(1)* ~~of the BDR~~]	Flexible	Annual
	Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer	Local	Flexible	Semi-annual
Part IIC : Leverage ratio	Template LR1: Summary comparison of accounting assets against leverage ratio exposure measure	Local	Fixed	Semi-annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Template LR2: Leverage ratio	Local	Fixed	Quarterly
Part IID : Liquidity	Table LIQA: Liquidity risk management	Local & Overseas	Flexible	Annual
	Template LIQ1: Liquidity Coverage Ratio – for category 1 institution	Local & Overseas	Fixed	Quarterly
	Template LIQ2: Net Stable Funding Ratio – for category 1 institution	Local & Overseas	Fixed	Semi-annual
Part III : Credit risk for non-securitization exposures	Table CRA: General information about credit risk	Local	Flexible	Annual
	Template CR1: Credit quality of exposures	Local	Fixed	Semi-annual
	Template CR2: Changes in defaulted loans and debt securities	Local	Fixed	Semi-annual
	Table CRB: Additional disclosure related to credit quality of exposures	Local	Flexible	Annual
	Table CRC: Qualitative disclosures related to credit risk mitigation	Local	Flexible	Annual
	Template CR3: Overview of recognized credit risk mitigation	Local	Fixed	Semi-annual
	Table CRD: Qualitative disclosures on use of ECAI ratings under STC approach	Local	Flexible	Annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Template CR4: Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach	Local	Fixed	Semi-annual
	Template CR5: Credit risk exposures by ~~asset~~ exposure classes and by risk weights – for STC approach or BSC approach	Local	Fixed	Semi-annual
	Table CRE: Qualitative disclosures related to internal models for measuring credit risk under IRB approach	Local	Flexible	Annual
	Template CR6: Credit risk exposures by portfolio and PD ranges – for IRB approach	Local	Fixed	Semi-annual
	Template CR7: Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation – for IRB approach	Local	Fixed	Semi-annual
	Template CR8: RWA flow statements of credit risk exposures under IRB approach	Local	Fixed	Quarterly
	Template CR9: Back-testing of PD per portfolio – for IRB approach	Local	Flexible	Annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Template CR10: Specialized lending under supervisory slotting criteria approach ~~and equities under simple risk-weight method~~ – for IRB approach	Local	Flexible	Semi-annual
Part IV : Counterparty Credit risk	Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)	Local	Flexible	Annual
	Template CCR1: Analysis of counterparty ~~default~~credit risk exposures (other than those to CCPs) by approaches	Local	Fixed	Semi-annual
	~~Template CCR2: CVA capital charge~~	~~Local~~	~~Fixed~~	~~Semi-annual~~
	Template CCR3: Counterparty ~~default~~ credit risk exposures (other than those to CCPs) by exposure~~asset~~ classes and by risk weights – for STC approach or BSC approach	Local	Fixed	Semi-annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Template CCR4: Counterparty ~~default~~credit risk exposures (other than those to CCPs) by portfolio and PD range – for IRB approach	Local	Fixed	Semi-annual
	Template CCR5: Composition of collateral for counterparty ~~default~~credit risk exposures (including those for contracts or transactions cleared through CCPs)	Local	Flexible [fixed columns, flexible rows]	Semi-annual
	Template CCR6: Credit-related derivatives contracts	Local	Flexible	Semi-annual
	Template CCR7: RWA flow statements of default risk exposures under IMM(CCR) approach	Local	Fixed	Quarterly
	Template CCR8: Exposures to CCPs	Local	Fixed	Semi-annual
Part IVA : Credit valuation adjustment risk	Table CVAA: Qualitative disclosures related to CVA risk	Local	Flexible	Annual
	Template CVA1: CVA risk under reduced basic CVA approach	Local	Fixed	Semi-annual
	Template CVA2: CVA risk under full basic CVA approach	Local	Fixed	Semi-annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Table CVAB: Additional qualitative disclosures for AI using standardized CVA approach	Local	Flexible	Annual
	Template CVA3: CVA risk under standardized CVA approach	Local	Fixed	Semi-annual
	Template CVA4: RWA flow statements of CVA risk exposures under standardized CVA approach	Local	Fixed	Quarterly
Part V : Securitization exposures	Table SECA: Qualitative disclosures related to securitization exposures	Local	Flexible	Annual
	Template SEC1: Securitization exposures in banking book	Local	Flexible	Semi-annual
	Template SEC2: Securitization exposures in trading book	Local	Flexible	Semi-annual
	Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator	Local	Fixed	Semi-annual
	Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor	Local	Fixed	Semi-annual

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
Part VI : Market risk	Table MRA: Qualitative disclosures related to market risk	Local [other than those exempted under section 22 of the BCR]	Flexible	Annual
	~~Table MRB: Additional qualitative disclosures for AI using IMM approach~~	~~Local~~	~~Flexible~~	~~Annual~~
	Template MR1: Market risk under STM approach	Local	Fixed	Semi-annual
	Table MRB: Additional qualitative disclosures for AI using IMA	Local	Flexible	Annual
	Template MR2: ~~RWA flow statements of market risk exposures under IMM approach~~ Market risk under IMA	Local	Fixed	Quarterly
	Template MR3: ~~IMM approach values for market risk exposures~~ Market risk under SSTM approach	Local	Fixed	Semi-annual
	~~Template MR4: Comparison of VaR estimates with gains or losses~~	~~Local~~	~~Flexible~~	~~Semi-annual~~
Part VII : Interest rate risk in banking book~~[Note 3]~~	~~Table IRRBB: Interest rate exposures in banking book (related to financial year end before 30 June 2019)~~	~~Local~~	~~Flexible~~	~~Annual~~

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
	Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies	Local	Flexible	Annual
	Template IRRBB1: Quantitative information on interest rate risk in banking book	Local	Fixed	Annual
Part VIII : Remuneration	Table REMA: Remuneration policy	Local	Flexible	Annual
	Template REM1: Remuneration awarded during financial year	Local	Flexible	Annual
	Template REM2: Special payments	Local	Flexible	Annual
	Template REM3: Deferred remuneration	Local	Flexible	Annual
Part IX : Operational risk	Table ORA: General information on operational risk framework	Local	Flexible	Annual
	Template OR1: Historical losses	Local	Fixed	Annual
	Template OR2: Business indicator and business indicator components breakdown	Local	Fixed	Annual
	Template OR3: Minimum operational risk capital requirement	Local	Fixed	Annual
Part X : Comparison of modelled and	Template CMS1: Comparison of modelled and standardized RWAs at risk level	Local	Fixed	Quarterly

Part number and heading	Tables and templates[Note 1]	Applicability [Note 2]	Format	Frequency of disclosure
standardized RWA	Template CMS2: Comparison of modelled and standardized RWAs for credit risk at exposure class level	Local	Fixed	Semi-annual
Part XI : Asset encumbrance	Template ENC: Asset encumbrance	Local	Fixed	Semi-annual

[Note 1] The shaded rows are tables (designed primarily for qualitative disclosures) and the unshaded rows are templates (designed primarily for quantitative disclosures).

[Note 2] 'Local' and 'Overseas' denote respectively that a template or table is applicable to AIs that are incorporated in Hong Kong and AIs that are incorporated outside Hong Kong.

~~[Note 3] An AI should use Table IRRBB to report its interest rate exposures that arise from its banking book positions in relation to financial years which end before 30 June 2019. For interest rate exposures that arise from its banking book positions in relation to financial years which end on or after 30 June 2019, an AI should use Table IRRBBA and Template IRRBB1 instead.~~

Annex B : International claims

The following illustrates the major country or geographical segment breakdown of international claims by types of counterparties which an AI is required to disclose:

	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
As at [reporting date]						
1. Developed economies~~countries~~	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction A	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
2. Offshore centres	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction B	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
3. Developing Europe	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction C	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
4. Developing Latin America and Caribbean	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction D	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
5. Developing Africa and Middle East	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction E	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
6. Developing Asia and~~-~~ Pacific	xx	xx	xx	xx	xx	xx
of which ~~Country~~ Jurisdiction F	*xx*	*xx*	*xx*	*xx*	*xx*	*xx*
7. International organisations	xx	xx	xx	xx	xx	xx
8. Unallocated by ~~country~~ Jurisdiction	xx	xx	xx	xx	xx	xx

Note: All figures reported in the above table (or whatever format used) should be on a net basis after taking into account the effect of any recognized risk transfer.

1. A major country or geographical segment should be reported if international claims attributable to the ~~country~~jurisdiction or segment (including Hong Kong) constitute not less than 10% of the AI's total international claims after taking into account any recognized risk transfer. The policy intention is that where the 10% threshold is met in respect of a particular ~~country~~jurisdiction or a geographical segment, as the case may be, that ~~country~~jurisdiction or that geographical segment must be singled out for disclosure.

2. Recognized risk transfer, for the purpose of disclosure on international claims, means the risk transfer described in paragraph 26 of the completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B), which refers to the reduction of the AI's exposure to a particular ~~country~~jurisdiction by an effective transfer of credit risk to a different ~~country~~jurisdiction with the use of credit risk mitigants (which include guarantees, collateral and credit derivatives).

3. An AI may use the composition of geographical segments set out in the table above or a different composition of geographical segments defined by its internal management classifications for internal reporting purposes.

4. "International claim" refers to the sum of an AI's cross-border claims in all currencies and local claims in foreign currencies determined in accordance with the calculation methodology specified in completion instructions for the Return of International Banking Statistics (MA(BS)21A and MA(BS)21B).

5. An AI should make the disclosure by types of counterparties, broken down into banks, official sector, non-bank private sector (of which non-bank financial institutions and non-financial private sector should be separately disclosed) and others (i.e. "unallocated by sector" referred to in the Return of International Banking Statistics), on a net basis after taking into account the effect of any recognized risk transfer, as shown in the table columns above.

6. AIs incorporated in Hong Kong as well as AIs incorporated outside Hong Kong may use the above suggested template for the purpose of international claims disclosures.

Annex C : Sector information

The following sets out guidance for the analysis of gross loans and advances to customers by major sectors:

Sector classification	Advances included in the following item(s) of the Return (Part I)
Loans and advances for use in Hong Kong	
Industrial, commercial and financial:	
▪ Property development	Item B1e
▪ Property investment	Item B2e
▪ Financial concerns	Item H2e
▪ Stockbrokers	Item H3c
▪ Wholesale and retail trade	Item F
▪ Manufacturing	Items A10
▪ Transport and transport equipment	Item G6
▪ Recreational activities	Item D
▪ Information technology	Item E3
▪ Others	Items B3, C, H1, H4c, H5d and H6
Individuals	
▪ Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	Item H5a
• Loans for the purchase of other residential properties	Item H5b
• Credit card advances	Item H5c
• Others	Item H5e
Trade financing	Item J
Loans and advances for use outside Hong Kong	Item K

1. An AI should disclose a breakdown of the gross amount of loans and advances to customers by major sectors in accordance with the categories as set out in

the table above. The allocation of loans and advances to customers and the types of loans and advances that should be included in the respective categories should be in accordance with the definitions and the detailed descriptions in the completion instructions for the Return of Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A) (being the Return referred to in the heading of the second column in the above table).

2. While Part I of MA(BS)2A deals only with the position of the Hong Kong office(s) of an AI, the analysis pursuant to the requirements of the BDR should cover all loans and advances to customers of the AI on a consolidated basis where applicable.

Annex D : Disclosure of value of collateral held against overdue loans and advances

The following illustrates how an AI should disclose the value of collateral held in respect of its overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion):

HK$ million

Overdue loans and advances	Outstanding amount of loans and advances	Current market value of collateral	Covered portion	Uncovered portion
A	10	15	10	-
B	10	7	7	3
C	10	-	-	10
Total	**30**	**22**	**17**	**13**

Minimum information to be disclosed by the AI:

Current market value of collateral held against the covered portion of overdue loans and advances	HK$ 22 million
Covered portion of overdue loans and advances	HK$ 17 million
Uncovered portion of overdue loans and advances	HK$ 13 million

1. The AI should provide a sufficient explanation on any material difference between the amounts of collateral value disclosed under the BDR and those disclosed under the applicable accounting standards, although a line by line reconciliation is not required.

2. Where multiple loans extended to one borrower are in aggregate secured partially by the same collateral and one of the loans has been overdue for more

than 3 months, the disclosure of the proportion of the value of the collateral held against the overdue loan, should be based on the proportion of the value of the collateral to the aggregate amount of the loans. For example, if a number of different loans to one borrower are in aggregate 80% secured by the same collateral, it can be assumed that each individual loan, including each individual overdue loan, is also 80% secured. The AI should therefore disclose, as the value of the collateral held against the overdue loan, 80% of the outstanding amount of the overdue loan. If, however, the current market value of the collateral has fallen below 80% of the aggregate outstanding amount of the loans, the value of the collateral held against the overdue loan should be adjusted accordingly.

Annex E : Mainland activities

The following illustrates the disclosure an AI is required to make under the prevailing Return of Mainland Activities (MA(BS)20) in respect of its Non-bank Mainland China exposures (being total direct exposures which are material):

Types of Counterparties	**Reference** – *items in the third table in Part 3 of MA(BS)20*	**[A] On-balance sheet exposure** HK$ million *(Note 1)*	**[B] Off-balance sheet exposure** HK$ million *(Note 2)*	**[A] + [B] Total** HK$ million
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	*Item (1)*			
2. Local governments, local government-owned entities and their subsidiaries and JVs	*Item (2)*			
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	*Item (3)*			
4. Other entities of central government not reported in item 1 above	*Item (4)*			
5. Other entities of local governments not reported in item 2 above	*Item (5)*			
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	*Item (6)*			

7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	*Item (7)*			
Total	*Item (8)*			
Total assets after provisions	*Item (9)*			
On-balance sheet exposures as percentage of total assets	*Item (10)*			

Note 1 – i.e. column 5 under the heading "1.4 Total" in the third table in Part 3 of the Return of Mainland Activities

Note 2 – i.e. column 9 under the heading "2.4 Total" in the third table in Part 3 of the Return of Mainland Activities

For the categories of non-bank counterparties and the types of direct exposures to be disclosed, an AI should make reference to the completion instructions for the Return of Mainland Activities (MA(BS)20).

Annex F : Currency risk

The following illustrates the disclosure an AI is required to make in respect of its foreign currency exposures which arise from trading, non-trading and structural positions:

Equivalent in millions of HK$	USD~~$~~	EUR~~uro~~	J~~apanese Yen~~PY	Total
a. Spot assets	200	150	500	850
b. Spot liabilities	(100)	(50)	(100)	(250)
c. Forward purchases	350	100	100	550
d. Forward sales	(550)	(400)	(350)	(1,300)
e. Net options position	(100)	(200)	(80)	(380)
f. Net long (short) position (i.e. sum of (a) to (e))	(200)	(400)	70	(530)
	USD~~$~~	CAD~~an$~~	EUR~~uro~~	Total
Net structural position	180	(15)	(40)	125

1. An individual currency should be disclosed if an AI's net position in that currency (in absolute terms) constitutes not less than 10% of the AI's total net position in all foreign currencies. Similarly, for an AI's disclosure requirement in respect of its net structural positions (assets less liabilities), an individual currency should be disclosed if the AI's net structural position in that currency (in absolute terms) constitutes not less than 10% of the AI's total net structural position in all foreign currencies.

2. An AI may calculate its net options position using either the delta-weighted position or the AI's internal reporting method, provided that in either case the basis of calculation is clearly stated.

3. For information on the types of foreign currency positions and the amounts to be disclosed, an AI should make reference to the completion instructions for

the Return of Foreign Currency Position (MA(BS)6).

Annex G : General basis of segmental reporting

The following sets out the general basis of reporting by segments:

Geographical segments

1. Depending on both an AI's activities and the nature of the markets concerned, reportable geographical segments may be based on continents, other regional areas, whether compatible for geographical or economic reasons, and/or individual ~~countries~~jurisdictions. An AI's operations within Hong Kong should be considered to be a separate geographical segment.

Intra-group items

2. AIs will need to determine, in the light of their individual circumstances, whether it would be more meaningful to include or exclude intra-group items when preparing segmental information. Where the individual segmental analysis is shown inclusive of intra-group transactions, it will be necessary to show separately the aggregate of intra-group items deducted in order to reconcile with the consolidated totals for profits and assets.

General

3. Where an AI operates predominantly in one geographical segment, the AI needs only indicate the geographical segment in which the AI predominantly operates.

4. Where an item of revenue, expense, or assets cannot reasonably be allocated to a segment, no allocation should be made. Instead the unallocated amount should be adjusted against the revenue, expense or assets of all segments. In addition, the unallocated amount should be disclosed separately. Where allocation of an item involves a material judgement, the basis of allocation should be clearly stated.

5. In the event that segments are redefined in subsequent years, an AI should disclose the nature, reason for and effects of such change, where the change has a material effect on the segment information.

6. When a particular segment is regarded as material and disclosed for the first time, it will be useful for an AI to also provide the corresponding figure(s) for the last reporting period even though the segment was not regarded as material

in ~~–~~that period. Conversely, where a segment falls below the materiality threshold in the current reporting period, the segmental information should still be disclosed if the segment in the last reporting period was material and disclosed in that period.

Annex H : Geographical concentrations of income, profit or loss, assets, liabilities and contingent liabilities and commitments

The following illustrates the disclosure an AI is required to make in respect of its geographical concentrations of income, profit or loss, assets, liabilities and contingent liabilities and commitments:

	Total operating income	Profit/loss before taxation	Total assets	Total liabilities	Contingent liabilities & commitments
As at [reporting date]					
1. Hong Kong	xx	xx	xx	xx	xx
2. Asia Pacific excluding Hong Kong	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction A	*xx*	*xx*	*xx*	*xx*	*xx*
3. North and Latin America	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction B	*xx*	*xx*	*xx*	*xx*	*xx*
4. Middle East and Africa	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction C	*xx*	*xx*	*xx*	*xx*	*xx*
5. Western and Eastern Europe	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction D	*xx*	*xx*	*xx*	*xx*	*xx*
As at [last reporting date]					
1. Hong Kong	xx	xx	xx	xx	xx
2. Asia Pacific excluding Hong Kong	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction A	*xx*	*xx*	*xx*	*xx*	*xx*
3. North and Latin America	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction B	*xx*	*xx*	*xx*	*xx*	*xx*
4. Middle East and Africa	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction C	*xx*	*xx*	*xx*	*xx*	*xx*
5. Western and Eastern Europe	xx	xx	xx	xx	xx
of which ~~country~~jurisdiction D	*xx*	*xx*	*xx*	*xx*	*xx*

Individual jurisdictions~~countries~~ or geographical segments should be shown if they constitute not less than 10% of any of the relevant disclosure items. An AI may use the composition of geographical segments set out above or a different composition of geographical segments defined by internal management classifications for internal

reporting purposes.

Annex I : Mapping the income statement information under *section 93* ~~of the BDR~~ to the return of current year's profit & loss account

The following illustrates the mapping of income statement information as required to be disclosed under *section 93* ~~of the BDR~~ to the Return of Current Year's Profit & Loss Account (MA(BS)1C):

Name of Return: Current Year's Profit & Loss Account

BDR		Return of Current Year's Profit & Loss Account	
Section No.	**Description**	**Item**	**Description**
93(1)(a)	Interest income	I.1.1	Interest income
93(1)(b)	Interest expense	I.1.2	Interest expenses
93(1)(c)	Other operating income		
(i)	- Gains less losses arising from trading in foreign currencies	I.2.1A	Gains less losses arising from trading in foreign currencies
		I.2.1B	Gains less losses arising from non-trading activities in foreign currencies
(ii)	- Gains less losses on securities held for trading purposes	I.3.1	Income from investments held for trading
(iii)	- Gains less losses from other trading activities	I.2.2	Gains less losses arising from trading in interest rate derivatives
		I.2.3	Gains less losses arising from trading in other derivatives
(iv)	- Net fees and commission income	I.4	Income from fees and commissions (item I.4) less fees and commission expenses

BDR		Return of Current Year's Profit & Loss Account	
Section No.	**Description**	**Item**	**Description**
(v)	- Others	I.3.2	Dividend from subsidiary/associated companies and other equity investments
		I.3.3	Income from non-trading investments
		I.6	Other income
93(1)(d)	Operating expenses	I.8	Staff and rental expenses
		I.9	Other expenses (excluding any fees and commission expenses which have been netted off in "net fees and commission income" under section 93(1)(c)(iv) above)
		I.11	Net charge for other provisions
93(1)(e)	Impairment losses and provisions for impaired loans and receivables	I.10	Net charge/(credit) for debt provision
93(1)(f)	Gains less losses from the disposal of property, plant and equipment and investment properties	I.5	Profit/(loss) on sale of fixed assets
93(1)(g)	Profit before taxation	I.13	Profit/(loss) before tax
93(1)(h)	Tax expense or tax income	I.14	Net charge for tax provision
93(1)(i)	Profit after taxation	I.17	Profit/(loss) for the period