SECRET

SURVEY ON SELECTED DEBT SECURITIES HELD

Position as at ________________________________

(please enter the relevant month and year)

Name of Authorized Institution	Date of Submission

Notes on completion:

1. Please read the completion instructions before filling in this form.
2. Please complete this form and return it to the HKMA through **STET** not later than 4 weeks after the end of June and December each year unless otherwise advised by the HKMA.

Name / Title and telephone number of the responsible person who may be contacted by the HKMA in case of any question

Name / Title	Telephone Number

Part 1 - Holdings in debt securities (in current market value)

(in HK$'000)

Types of instrument and issuer / Credit ratings		Credit Rating							Total	Accounting booking of exposures (as % of total of each category of securities)			Trading book (%)
	Long term	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ and below	Unrated		Held to maturity / Loans & receivables (%)	Available for sale (%)	Fair value through P&L (%)	
	Short term	A-1+	A-1	A-2	A-3	B or below							
I. Debt securities other than those reported in section II below													
(A) Sovereigns													
(B) Public sector entities													
(C) Banks													
(D) Non-bank financial institutions (e.g. securities firms, investment banks, fund houses, insurance companies)													
(E) Investment funds and highly leveraged institutions (e.g. hedge funds)													
(F) Corporates													
(G) Other entities not covered above													
(H) **Sub-total (i.e. (A)+(B)+(C)+(D)+(E)+(F)+(G))**													
- of which: (i) amount fully deducted from capital base													
(ii) exposures to sukuk													
II. Securitization and other structured products													
(I) Securities held by your institution as an investor													
(i) of which exposures with non-prime components													
(J) Securities held of which your institution is the originator													
(i) of which exposures with non-prime components													
(K) **Sub-total (i.e. (I) + (J))**													
(i) of which amount fully deducted from capital base													
Total (L) (i.e. (H) + (K))													

Part 1(a) - Holdings in debt securities booked in trading book (in current market value) (in HK$'000)

Types of instrument and issuer / Credit ratings		Credit Rating							Total
	Long term	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ and below	Unrated	
	Short term	A-1+	A-1	A-2	A-3	B or below			
I. Debt securities other than those reported in section II below									
(A)	Sovereigns								
(B)	Public sector entities								
(C)	Banks								
(D)	Non-bank financial institutions (e.g. securities firms, investment banks, fund houses, insurance companies)								
(E)	Investment funds and highly leveraged institutions (e.g. hedge funds)								
(F)	Corporates								
(G)	Other entities not covered above								
(H)	**Sub-total (i.e. (A)+(B)+(C)+(D)+(E)+(F)+(G))**								
	- of which: (i) amount fully deducted from capital base								
	(ii) exposures to sukuk								
II. Securitization and other structured products									
(I)	Securities held by your institution as an investor								
	(i) of which exposures with non-prime components								
(J)	Securities held of which your institution is the originator								
	(i) of which exposures with non-prime components								
(K)	**Sub-total (i.e. (I) + (J))**								
	(i) of which amount fully deducted from capital base								
Total (L) (i.e. (H) + (K))									

Part 2 - Supplementary Information

I. Analysis of products reported in Section II of Part 1

		Principal amount (HK$'000)	
		Traditional	**Synthetic**
(A)	**By type of underlying assets**		
(a)	Claims on sovereigns		
(b)	Claims on public sector entities		
(c)	Claims on banks		
(d)	Claims on non-bank financial institutions		
(e)	Claims on corporates		
(f)	Commercial mortgage loans		
(g)	Residential mortgage loans		
	(i) of which non-prime		
(h)	Credit card receivables		
	(i) of which non-prime		
(i)	Other personal lending (e.g. auto, student, etc.)		
	(i) of which non-prime		
(j)	Other		
(k)	**Total**		
(B)	**By type of products**		
(a)	Sukuk		
(b)	CDOs		
(c)	SIV notes		
(d)	ABCPs		
(e)	Other		
(f)	Resecuritization transactions		
(g)	**Total** (Amount should be same as item (A)(k))		

II. Securitization exposures incurred as originating institution not reported in Section II item (J) of Part 1

		Principal amount (HK$'000)
(A)	**Securitization exposures** (except drawn amount reported in Survey on Off-balance Sheet Exposures in Derivatives and Securitization Transactions)	

Completion Instructions
Survey on Selected Debt Securities Held

General Instructions

1. All licensed banks and restricted licence banks are required to complete the survey. Locally incorporated institutions should report their combined positions of Hong Kong and overseas offices. Institutions incorporated outside Hong Kong should report the positions of their Hong Kong offices only.

2. The survey should be submitted half yearly and not later than 4 weeks after 30 June and 31 December. If the submission deadline falls on a public holiday, it will be deferred to the next working day.

3. Amounts should be reported to the nearest thousand in HK$ or HK$ equivalents. The closing middle market T/T rates prevailing at the reporting date should be used for conversion purposes.

Definition

4. Definitions listed below are same as those in the Banking (Capital) Rules except for the terms that are printed in ***bold italic text.***

5. For the purpose of this survey:

   (a) **Credit-linked note** means a note with an embedded credit default swap which allows the issuer of the note to transfer credit risk to the buyer of the note.

   (b) ***Collateralised debt obligations*** include collateralised loan obligations, collateralised bond obligations and collateralised mortgage obligations.

   (c) ***Highly leveraged institution*** means a financial institution which has a combination of the following characteristics:

      (i) it is subject to very little or no direct regulatory oversight;

      (ii) it is generally subject to very limited disclosure requirements, compared with regulated financial institutions and/or publicly traded companies, and is not subject to rating by credit rating agencies; and

      (iii) it takes on significant leverage, where leverage is the ratio between risk, expressed in some common denominator, and capital.

   (d) **Originator** means a person who directly or indirectly originates the underlying assets in a securitization transaction, or serves as a sponsor of an asset-backed commercial paper programme or a programme with similar features.

(e) ***Public sector entity*** means

(i) any municipal, regional or local government of a country;

(ii) an entity specified by a banking supervisory authority outside Hong Kong to be a public sector entity for the purposes of implementing Basel capital accords;

(iii) a government-sponsored entity (e.g. Fannie Mae) which is not falling within (ii); or

(iv) a domestic public sector entity specified in Part 1 of Schedule 1 to the Banking (Capital) Rules. Domestic public sector entities currently are:

- MTR Corporation Limited
- Kowloon-Canton Railway Corporation
- Hong Kong Housing Authority
- Hospital Authority
- Airport Authority
- The Hong Kong Mortgage Corporation Limited
- Urban Renewal Authority
- Hong Kong Link 2004 Limited
- Hong Kong Trade Development Council
- Ocean Park Corporation

(f) **Sovereign** means the Government of the Hong Kong Special Administrative Region, the central government or central bank of a country, an authority of a country which performs in the country functions similar to the functions performed by the Monetary Authority of Hong Kong, or a relevant international organization specified in Part 10 of Schedule 1 to the Banking (Capital) Rules. Relevant international organizations currently are:

(i) Bank for International Settlements
(ii) International Monetary Fund
(iii) European Central Bank
(iv) European Community

(g) ***Securitization and other structured products*** include asset-backed securities (ABSs), mortgage-backed securities (MBSs), collateralised debt obligations (CDOs), notes issued by structured investment vehicles (SIVs), asset-backed commercial papers (ABCPs), and any other structured products. The securitization/structured product can be traditional or synthetic, and the reference pool of underlying assets of a synthetic transaction can be a purely synthetic portfolio (i.e. it does not exist as an actual portfolio held on an entity's books). For the avoidance of doubt, securitization transactions without a tranching of credit risk (e.g. mortgage-backed securities issued or guaranteed by the Hong Kong Mortgage Corporation) are also included.

(h) **Synthetic** means a securitization or structured transaction where the credit risk of a reference pool of underlying assets is transferred, in whole or in part, through the use of credit protection (e.g. credit derivatives) afforded to the underlying assets.

(i) **Trading book**, in relation to a locally incorporated reporting institution, means the institution's exposures in financial instruments and commodities where

(i) the financial instruments and commodities are held

- with the intention of trading; or
- for the purposes of hedging one or more of the exposures in other financial instruments and commodities which are held with the intention of trading;

(ii) the financial instruments are free of any restrictive covenants on tradability, or the exposures in the financial instruments and commodities are able to be completely hedged; and

(iii) the exposures are frequently and accurately valued and actively managed.

In the case of an overseas incorporated reporting institution, "trading book" means the institution's exposures falling within the definition of "trading book" as defined by its home banking supervisor for capital adequacy ratio purposes.

(j) **Traditional** means a securitization or structured transaction where a pool of underlying assets is sold by the originator in the transaction to a special purpose entity.

Specific Instructions

Parts 1 and 1(a)

6. The debt securities should be reported in <u>current market value</u>. For securities booked as "held-to-maturity", if there are practical difficulties in obtaining current market values, the reporting institution should report the best estimated market value, taking into account available information (e.g. book value) and/or valuation techniques (e.g. mark-to-model).

7. Report in **Part 1** <u>all</u> debt securities, including capital instruments issued in the form of debt securities (e.g. perpetual or term subordinated debts), held in banking book and trading book <u>except</u> Exchange Fund bills and notes, US Treasury bills, notes and bonds, and debt securities issued by multilateral development banks.

8. Report in **Part 1(a)** all holdings of debt securities booked in trading book <u>except</u> Exchange Fund bills and notes, US Treasury bills, notes and bonds, and debt securities issued by multilateral development banks. **Part 1(a)** should be completed <u>only if</u> the current market value of the debt securities booked in trading book is more than 10% of the total debt securities reported in **Part 1**.

9. A debt security should be reported according to the type of its issuer and its issue rating unless otherwise stated.

Use of credit ratings

10. Credit ratings assigned by Standard & Poor's (S&P), Moody's, Fitch and Rating and Investment Information, Inc. are used for the purposes of this survey. The credit rating notations used in the survey form are those of S&P. If the debt security is rated by a credit rating agency other than S&P, the reporting institution should map the rating of the security to the equivalent rating of S&P according to the relevant mapping table provided in the Annex.

11. If the debt security is unrated but its issuer has an issuer rating, the reporting institution can report the security according to such issuer rating, provided that the security is a senior obligation of the issuer.

Columns entitled "Accounting booking of exposures"

12. For each item of items (A) to (L) of **Part 1**, please report securities booked in each booking category as percentage of total securities falling within each item. In other words, the three percentages reported in each row should add up to 100%.

Column entitled "Trading book (%)"

13. For each item of items (A) to (L) of **Part 1**, report securities booked in trading book as percentage of total securities falling within each item.

<u>Section I items (A) to (G)</u>

14. For the purpose of this survey, securities to be reported in Section I include credit-linked notes (CLNs).

15. If the debt security is a CLN, or is hedged by a credit derivative contract, the reporting institution should report the security in the appropriate row based on the type of the reference entity of the respective credit derivative (see paragraph 16 for treatments of basket/index credit derivatives) and in the appropriate column based on the credit rating of the security. If the security is unrated, classification should be based on the lower of the issuer rating of the issuer of the security or the issuer rating of the reference entity (see paragraph 16 for treatments of basket/index credit derivatives).

16. The treatments for CLNs and credit derivative contracts linked to multiple-names or index are as follows:

    (a) where the CLN/credit derivative contract is a first-to-default contract,

    - the relevant credit rating is the lowest credit rating assigned to the reference entities;

- the relevant type of reference entity is the type to which the reference entity carrying such lowest rating belongs;

(b) where the CLN/credit derivative contract is a second-to-default contract,

- the relevant credit rating is the second lowest credit rating assigned to the reference entities;

- the relevant type of reference entity is the type to which the reference entity carrying such second lowest rating belongs;

(c) the same principles above apply to other subsequent-to-default CLNs/credit derivative contracts.

17. For CLNs/credit derivatives with structures other than those mentioned above, reporting institution should consult the HKMA on the reporting arrangements.

<u>Section II items (I) to (J)</u>

18. Item (J) includes holdings arising from the repurchase of securitization issues of which the reporting institution is the originator.

19. If an instrument consists of exposures, whether direct or indirect, in whole or in part, to non-prime assets (e.g. Alt-A and sub-prime, or their equivalents in the case of non-US markets), report the whole amount of the institution's holding in the instrument in item (I)(i) or (J)(i) whichever is applicable.

Part 2

20. Reporting in **Part 2** should be made in <u>principal amount</u>.

<u>Section I item (A)</u>

21. Item (A) is a breakdown of the securities reported in Section II of Part 1 by type of underlying assets of the securities.

22. If the underlying assets of a securitization/structured product are also securitization/structured products, the reporting institution should report its holding according to the underlying assets of the underlying securitization/structured products (i.e. taking a look-through approach) on a best-effort basis. For example, if the underlying assets of a MBS are residential mortgage loans, a structured product backed by such MBS should be reported in item (A)(g).

23. In addition, if the underlying assets of a securitization/structured product consist of a combination of different types of assets, say CDOs and residential mortgage loans on a 50/50 basis, then 50% of the product may be reported according to the principle mentioned in paragraph 22, and the other half of the product should be reported in item (A)(g).

Section I item (B)

24. Item (B) is a breakdown of the securities reported in Section II of Part 1 by product type of the securities.

25. Report in item (B)(f) the amount of holdings in products whose underlying assets are mainly (i.e. 50% or more) securitization/structured products. Examples of this type of products include CDO of ABS, CDO-squared, etc.

Section II item (A)

26. Report in item (A) on-balance sheet securitization exposures, which are not captured in Section II item (J) of Part 1, incurred by the reporting institution as an originator of the related securitization transactions. These exposures do not fall within Section II item (J) of Part 1 because they are not in the form of debt securities.

27. Examples of securitization exposures to be reported in item (A) include exposures arising from the retention of a subordinated tranche (e.g. equity tranche) and reserve accounts including cash collateral accounts recorded as an asset by the reporting institution. Drawn amount of off-balance sheet facilities (e.g. liquidity facilities) should have been reported in the Survey on Off-balance Sheet Exposures in Derivatives and Securitization Transactions and therefore should not be included in item (A).

Hong Kong Monetary Authority
November 2008

Annex

Long-term ratings

Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings	Rating and Investment Information, Inc.
AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-
A+ A A-	A1 A2 A3	A+ A A-	A+ A A-
BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-
BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-
B+ B B- CCC+ CCC CCC- CC C D	B1 B2 B3 Caa1 Caa2 Caa3 Ca C	B+ B B- CCC+ CCC CCC- CC C D	B+ B B- CCC+ CCC CCC- CC C

Short-term ratings

Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings	Rating and Investment Information, Inc
A-1+ A-1	P-1	F1+ F1	a-1+ a-1
A-2	P-2	F2	a-2
A-3	P-3	F3	a-3
B B-1 B-2 B-3 C D	NP	B C D	b c