Completion Instructions

Return on Liquidity Monitoring Tools
Form MA(BS)23

INTRODUCTION

1. This Return collects information from authorized institutions (AIs) on a set of liquidity monitoring tools to facilitate the Monetary Authority (MA[1])'s on-going supervision and monitoring of liquidity risk, both for individual AIs and the banking sector as a whole. AIs are also expected to make use of these liquidity monitoring tools, where appropriate, to complement their liquidity risk management.

2. The Completion Instructions (CIs) for this Return should be read in conjunction with the *Return of Liquidity Position of an Authorized Institution* (Form MA(BS)1E) and the associated CIs. Unless otherwise specified or the context otherwise requires, the terms used in these CIs have the meanings adopted in the CIs for MA(BS)1E.

3. This Return consists of 5 parts:

   (i) Part 1 collects information on the funding sources that are significant to an AI, and the level of concentration of such funding sources;

   (ii) Part 2 collects information on an AI's available unencumbered assets that can be, or have the potential to be, used for the purposes of secured borrowing or raising additional sources of liquidity for the AI where necessary;

   (iii) Part 3 collects information on committed facilities received or granted by an AI;

   (iv) Part 4 (consisting of Parts 4A, 4B and 4C) collects information on the maturity profile of an AI's on- and off- balance sheet assets and liabilities for defined time bands, including contractual cash flows and securities flows arising from such assets and liabilities and supplementary information (i.e. an AI's estimation of cash flows for selected items). Such information will be used for analysing the AI's maturity mismatch positions and assessing its potential liquidity needs under different scenarios. Parts 4A (all currencies) and 4B (by each significant currency) contain more granular items and should be reported by the following AIs:
   - all category 1 and category 2A institutions;
   - category 2 institutions that are locally incorporated licensed banks; and

[1] In this document, the term "MA" refers to "Monetary Authority" or "Hong Kong Monetary Authority", as the context so requires.

- other category 2 AIs that are specifically requested to report these parts by the HKMA.

All other AIs that are not required to report Parts 4A and 4B should report Part 4C; and

(i) Part 5 requires an AI (in the case of a category 1 institution) to report the key components of its Liquidity Coverage Ratio (LCR) by significant currency (i.e. denominated in individual currencies to which the AI has significant exposures). The key components are high quality liquid assets (HQLA), total expected cash outflows and total expected cash inflows (before and after the application of relevant ceilings). Such information will facilitate the MA's ongoing monitoring of the relevant AI's potential currency mismatch position under the LCR.

GENERAL INSTRUCTIONS

Bases of reporting

4. AIs should compile this Return on –

(v) Hong Kong office basis: for all AIs (whether incorporated in or outside Hong Kong); and

(vi) unconsolidated basis: only for AIs incorporated in Hong Kong that are subject to rule 10(1)(b), but not rule 11(1), of the Banking (Liquidity) Rules (BLR);
or
consolidated basis: only for AIs incorporated in Hong Kong that are subject to rule 11(1) of the BLR.

Reporting frequency and submission timeline

5. All AIs are required to submit this Return (i.e. a separate copy of this Return for each basis of reporting applicable to the AI) to the MA according to the frequencies and timelines specified below. If the submission date is not a working day, it will be deferred to the next working day.

- Parts 1 to 3: to be submitted monthly within 1 month after each month-end; and

- Parts 4A, 4B, 4C and 5 (where applicable): to be submitted quarterly within 1 month after each quarter-end.

6. Notwithstanding the above reporting arrangements, it is imperative for AIs to establish adequate systems and procedures which are capable of producing all of the information necessary for the compilation of the liquidity monitoring tools specified in this Return as and when necessary in order to facilitate their liquidity risk management. (In other words, AIs must be able to produce information for risk management purposes more frequently and swiftly than that required for regulatory reporting.)

Valuation of assets, liabilities, obligations, cash flows and securities flows

7. Unless otherwise specified, all assets, liabilities, obligations, cash-flow or securities-flow items reported in this Return should be measured on the basis of their "principal amount". In general, the "principal amount" of marketable assets should be measured at fair value irrespective of the applicable accounting standards. For other on-balance sheet assets, liabilities, obligations and cash-flow items, the "principal amount" means the book value (including, where applicable, any accrued interest up to the month-end reporting date) as determined according to the applicable accounting standards. For off-balance sheet items, the "principal amount" means the contracted amount or, in the case of an undrawn or partially drawn facility, the undrawn amount. Where the trade date of a transaction is different from the settlement date of the transaction, the relevant asset, liability, obligation, cash-flow or securities-flow item arising from the transaction should be reported based on the trade date.

Reporting currencies

8. Unless specified otherwise, the figures to be reported in this Return should be rounded up to the nearest thousand in Hong Kong dollars (HKD), or HKD equivalent in the case of foreign currency items. The closing middle market T/T rates prevailing at the close of business on the position date should be used for conversion purposes.

9. In Parts 4B and 5 of this Return, the relevant liquidity information is reported by "significant currencies". A currency is considered to be significant to an AI if the AI's liabilities denominated in that currency account for 5% or more of its total liabilities (including shareholders' funds).[2] (Although AIs are not required to report currency-

[2] In applying this 5% benchmark to assess whether an AI has significant exposures to individual currencies on the Hong Kong office basis, the AI should conduct the assessment by reference to the "total liabilities" figure reported by it in item 11 of the monthly *Return of Assets and Liabilities of an Authorized Institution* (Form MA(BS)1). This assessment should at least be conducted by the relevant AI monthly.

If a locally incorporated AI has any overseas branch and/or specified associated entity, the AI should also assess periodically whether it has significant exposures to individual currencies on an unconsolidated basis or consolidated basis (as the case may require under paragraph 4 of these CIs). This assessment on an unconsolidated basis should be based on the "total liabilities" figure reported by the AI in item 11 of the quarterly *Return of Assets and Liabilities of an Authorized Institution* (combined position) (Form MA(BS)1B). The frequency of assessment should therefore be at least quarterly. For the assessment on a consolidated basis, a locally incorporated AI may measure the benchmark by reference to its consolidated total liabilities (including shareholders' funds) published in its latest financial statements. This assessment on a consolidated basis should

specific information in other parts of this Return, it is still crucial for them to put in place adequate systems and procedures to ensure that they have the capacity to provide such information if requested by the MA.)

Determination of contractual maturity

10. In Parts 1 and 4, reporting institutions will need to report the relevant assets, liabilities, obligations or cash flows in specific time buckets. For the purposes of reporting under these Parts, a time bucket measured by "day" should be determined according to "calendar day". A time bucket measured by "week", "month" or "year" should be determined according to "7 consecutive calendar days", "calendar month" or "calendar year". In determining the contractual maturity date (or the remaining term to maturity) of an asset, liability, obligation or cash-flow item, reference should be made to its contractual terms unless otherwise specified. If there are options for prepayment or deferred payment embedded in the contractual terms that may alter the contractual maturity date of an asset, liability, obligation or cash-flow item, the relevant maturity date should be determined according to the following approach:

(i) If an AI's customer[3] has an option to defer payment to the AI in relation to an asset (or an inflow arising from the asset), the AI should assume that the customer will exercise the option. If however the AI has an option to advance the receipt of payment from its customer in relation to an asset (or an inflow arising from the asset), the AI should assume that the option will not be exercised, unless the AI has already notified its customer that it will exercise the option.

(ii) If an AI has an option to advance payment in relation to a liability or obligation (or the associated outflow) to a customer and there is market expectation that the AI will exercise the option, the AI should assume that the option will be exercised.[4] If however the AI has an option to defer payment in relation to a liability or obligation (or the associated outflow) to a customer, the AI should assume that the option will not be exercised, unless the AI has already notified its customer that it will exercise the option.

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be conducted at least semi-annually once the required consolidated "total liabilities" figure is available. To avoid doubt, it is not necessary for an AI to compile a figure for its consolidated total liabilities based on the regulatory scope of consolidation solely for the purpose of applying the 5% significance benchmark.

[3] For the purposes of this Return, a "customer" includes a counterparty.

[4] This treatment takes into account the possible interaction between an AI and its creditors. For example, if the liability or obligation of an AI (e.g. debt securities issued) is callable at its discretion and the market expects the AI to exercise the option, there may be a case for assuming that the AI will indeed exercise the option for reputation reasons (otherwise the market may perceive the AI as having liquidity problems).

SPECIFIC INSTRUCTIONS

Part 1 Concentration of funding sources

Table A – Significant funding providers

11. Table A of this Part collects information on the reporting institution's 10 largest bank customers[5], 10 largest non-bank customers[6], as well as any other bank or non-bank customer that has provided, on a group basis where applicable[7], funding to the institution exceeding 1% of the institution's total liabilities (including shareholders' funds) at the month-end reporting date[8]. Report the total amount[9] of funding raised from, and hence payable (or repayable, same below) to, these funding providers at book value (including any accrued interest, where applicable), and provide a breakdown of

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[5] In this Return, the term "bank" has the meaning given by section 2(1) of the Banking (Capital) Rules (BCR).

[6] In this Return, the term "non-bank customer" means a customer (which is not a bank) of an AI. A non-bank customer may be the HKSAR Government, the MA, any government or central bank (or monetary authority) of a jurisdiction outside Hong Kong, international organization, multilateral development bank, non-bank financial institution, corporate, or any other legal entity.

[7] If an AI has raised funding from two or more customers that are connected to the same group, the AI should report the aggregate amount of funding raised from these customers as if they were a single customer.

For reporting under Table A of Part 1, two or more customers that are "connected to the same group" means any of the following:

(a) a subsidiary and its holding company;
(b) companies which are subsidiaries of the same holding company;
(c) the headquarters and the branches (in the case of a bank customer group); and
(d) any persons (whether individuals or entities) which are regarded by the reporting institution as being affiliated to the same customer group in the course of the reporting institution's liquidity management.

If an AI has raised funds from banks and non-bank customers which are connected to the same group, where the aggregate amount of such funds raised from the group is one of the 10 largest amounts raised from banks or non-bank customers, or exceeds 1% of the AI's total liabilities, the AI should report the portion of funds raised from the banks in that customer group in item 1 (e.g. with annotation such as "ABC Group – banking entities"). The other portion of funds raised from the non-bank customers in that group should be reported in item 2 (e.g. with annotation such as "ABC Group – non-bank entities"). This treatment also applies in the case of funding raised from banks and non-bank customers belonging to the AI's own group.

[8] In this Return, unless otherwise specified, "funding" means money raised by, or lent to, an AI. Typical examples include, but are not limited to, deposits taken from customers, interbank loans or placements received from counterparties, proceeds from issuance of bonds or certificates of deposit, and money raised under securities financing transactions (e.g. repo transactions). "Funding" does not include reserves (e.g. retained earnings), current profit/loss and those liabilities (e.g. operating expenses) that are not incurred by money being raised by, or lent to, the AI, unless otherwise specified.

The 1% benchmark should be measured on the same basis as that described in footnote 2 of these CIs.

[9] "Total amount" means the sum of the principal amounts of those assets, liabilities, obligations or cash flows that need to be reported in a particular item in this Return. "Total amount" should be reported on a gross basis (i.e. without netting other assets, liabilities, obligations, cash flows, or collateral), unless otherwise specified. For all references to "total amount" in this Return, the valuation bases should follow the instructions set out in paragraph 7 of these CIs.

the total amount according to the remaining term to maturity of such funding.[10] Indicate in the second column of this Table whether any group of funding providers reported in item 1 or 2 are connected parties[11] of the institution. If the disclosure of customer names is restricted by any laws, the institution may complete this Table by assigning codes to represent the customers concerned, provided that such codes are used consistently.

Table B – Significant funding instruments

12. Table B of this Part collects information on significant funding instruments used by the reporting institution to obtain funding. Report the book value (including accrued interest where applicable) of the instruments. The first 4 items are deemed to be significant funding instruments and should be reported, irrespective of whether the 1% benchmark is exceeded.

(i) Report in item 1 the total amount of deposits taken by the institution from retail customers (i.e. individuals). These deposits should be slotted into sub-items (a) to (c) according to the amount of deposit taken from each such customer.[12] Report in sub-item (e) (as a memorandum item) the amount of deposits from retail customers

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[10] For example, funding raised from a bank should be reported in the column of "up to 1 month" if the funding will mature within 1 calendar month, or the funding is repayable on demand or subject to a notification period within 1 calendar month.

[11] For the purposes of this Return, a "connected party" of an AI can be a "connected bank" or a "connected non-bank customer", where –

- a "connected bank" of an AI may include –
  - (i) if the AI is incorporated in Hong Kong, its parent bank, associated entity (which is a bank), or "sister" bank (i.e. the bank is also a subsidiary of its parent bank);
  - (ii) if the AI is incorporated outside Hong Kong, its Head Office, associated entity (which is a bank), or overseas branch (i.e. a "sister" branch of its Hong Kong branch);
- a "connected non-bank customer" of an AI may include any non-bank person that is –
  - (i) an associated entity of the AI;
  - (ii) a controller or minority shareholder controller (as defined in section 2(1) of the Banking Ordinance (BO)) of the AI and any relative (as defined in rule 85(4) of the Banking (Exposure Limits) Rules) of such controller or minority shareholder controller (being an individual); or
  - (iii) any director, chief executive or manager (as defined in section 2(1) of the BO) of the AI, and any relative of such director, chief executive or manager.

[12] The total amount of deposits taken from a depositor should be determined on the basis of each single depositor (instead of a group of related depositors). For example, if a retail customer has placed HK$300,000 in total (or an equivalent amount in foreign currencies) with an AI, that total amount of deposit should be reported in item 1(a), irrespective of whether that amount is placed in one (or more than one) deposit account. There is no need to combine the customer's total deposit with any other depositor for reporting under item 1 (or item 2, in case of a non-retail customer).

For a deposit held in a joint account, each account holder is assumed to have an equal share of the deposit, unless there is evidence showing otherwise. Following the above example, if the customer concerned also has a joint-name deposit account (i.e. an account opened jointly with another person) at the AI, where that account has a deposit balance of HK$1,000,000, the AI should assume that the customer is entitled to a half of that deposit balance (i.e. HK$500,000). Taking into account this part of the deposit in the customer's joint-name account, the total amount of deposits taken by the AI from that customer should be HK$800,000, which should be included in the reporting under item 1(b).

in sub-item (d) that are fully insured by an effective deposit insurance scheme (EDIS).

(ii) Report in item 2 the total amount of deposits taken by the institution from other non-bank customers. These deposits should be slotted into sub-items (a) to (c) according to the amount of deposit taken from each such customer. Report in sub-item (e) (as a memorandum item) the total amount of deposits from other non-bank customers in sub-item (d) that are fully insured by an EDIS.

(iii) Report in item 3 the total amount of all types of funding raised from or provided by other banks. For example, this item includes all types of borrowing from other banks, vostro account balances maintained by other banks at the reporting institution, and the amount of money raised through any transactions conducted by the institution with other banks with the purpose of obtaining funding (this may include, but is not limited to, foreign exchange transactions, derivatives transactions, and securities financing transactions conducted for funding purposes).

(iv) Report in item 4 the total amount of specific types of capital and debt instruments issued by the institution that are still outstanding, as specified in the following sub-items:

- Sub-item (a): capital instruments[13] that are recognised as CET1 capital, Additional Tier 1 capital instruments or Tier 2 capital instruments under the BCR;

- Sub-item (b): negotiable debt instruments issued in the form of certificates of deposit;

- Sub-item (c): debt securities that are senior, unsecured, and not structured (e.g. plain vanilla bonds);

- Sub-item (d): securities that are convertible into equities (but which do not fall within sub-item (a));[14]

- Sub-item (e): asset-backed securities, the payments of which are secured by a pool of underlying assets or exposures (e.g. residential mortgage loans, credit card receivables, etc.); and

[13] Such instruments may be issued, for example, in the form of common equities, preference shares or subordinated debt securities.

[14] Such convertible securities may be issued in the form of bonds, preference shares or any other instrument.

- Sub-item (f): any other capital or debt instruments (which may or may not be structured instruments) not otherwise covered in sub-items (a) to (e).

(v) Report in item 5 the total amount of any other outstanding funding instrument (or a group of similar funding instruments) used by the institution to obtain funding, where the outstanding total amount exceeds 1% of the institution's total liabilities (including shareholders' funds). [15]

As in the case of Table A, the institution should provide in Table B a breakdown of the total amount of funding raised from the use of these significant funding instruments according to the remaining term to maturity of such instruments. For example, deposits (items 1 and 2) and funding raised from banks (item 3) without a definite term to maturity but repayable by the institution upon customer demand (or subject to a withdrawal notification period of not more than 1 calendar month) should be reported under the column of "up to 1 month". Debt or capital instruments issued by the institution without a definite term to maturity are regarded as "perpetual instruments", which should be reported under the column for "exceed 12 months" in item 4 or 5 (where applicable). However, any instrument with an embedded option that may alter its term to maturity should be reported in the appropriate time column taking into account the embedded option – please refer to paragraph 10 above.

To avoid doubt, liabilities not arising from funding instruments or funding transactions need not be included in the reporting under this Table. For example,

- reserves (e.g. retained earnings) and current profit/loss are not regarded as "funding instruments" and therefore need not be included in the reporting under this Table;

- other liabilities that do not arise from the raising of funds (such as operating expenses payable by the reporting institution) are not covered by this Table;

- an AI selling securities short for trading or hedging purposes does not need to consider such transactions in reporting under this Table. (However, if a short position in securities is held by the AI in order to obtain funding (e.g. re-hypothecating customer collateral to enter into a repo transaction for funding purposes), then the repo transaction should be included in the reporting under this Table).

[15] For example, item 5 may include (but are not limited to) –
- the sum of amounts payable by the reporting institution under securities financing transactions;
- the sum of amounts of securities and financial instruments issued by the institution, other than those securities and instruments specified in item 4; and
- the sum of amounts of funds raised from offering investment products (such as derivatives and structured deposit products) to customers.

Part 2 Unencumbered assets available for secured borrowing

13. This Part collects information on the reporting institution's unencumbered assets that are on the institution's balance sheet (whether in the trading book or banking book) as well as collateral received from customers that can be, and have not been, re-hypothecated, where these assets have the potential of being used by the institution as collateral to secure borrowing from the MA (for the account of the Exchange Fund), overseas central banks or governments, or wholesale funding markets. To the extent practicable, the institution should compile the required information taking into account the collateral policies of the MA or relevant overseas central banks (if applicable), as well as prevailing conditions in relevant secured funding markets. If an asset does not fall within the list of eligible types of collateral under the liquidity facilities or contingency funding mechanisms operated by the MA or other central banks, or if an asset is not reasonably expected (say, according to the institution's actual experience) to have the potential of being accepted as collateral in secured funding markets under prevailing market conditions, that asset should not be reported in this Part.

14. All assets reported in this Part should be free from encumbrances on the month-end reporting date. In particular, there must not be any regulatory, legal, contractual or other restrictions that inhibit the reporting institution from liquidating, selling, transferring or assigning any asset. To avoid doubt, an asset is not free from encumbrances if it is pledged, either explicitly or implicitly, to secure, collateralize or provide credit enhancement to a transaction; or is designated by the institution to cover specific expenses or short positions in that asset.[16]

15. To avoid double counting of assets reported in this Part, if an asset is eligible to be reported in more than one item, it should be reported in accordance with the order of items presented in this Part (i.e. the first item within which the asset falls).[17]

16. In this Part, the "location of assets" means the location of the custodian where an asset is kept, or, if the asset is not kept by a custodian, the location of the reporting institution's office where the asset is booked.

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[16] An AI should assess whether an asset acquired by it (or received from its customers as collateral) is readily available for use as collateral for secured borrowing purposes, taking into account all practical constraints that may limit its ability to use the asset in such a way. If, for example, an asset purchased by the AI is not available for use as collateral for secured borrowing purposes until the settlement is completed, the asset cannot be regarded as an "unencumbered" asset. Otherwise, the asset may be regarded as "free from encumbrances" even before the settlement is completed, so long as it is not encumbered due to any other factor. (If an asset has been sold by the AI and hence is no longer recognised on its balance sheet on the "trade date", that asset should not be reported in this Part.)

[17] For example, unencumbered EF debt securities (i.e. Exchange Fund Bills and Notes) held by the reporting institution should be reported in item 1(a), and not in any other item under this Part.

17. Apart from reporting the information required under this Part, the reporting institution should, to the extent practicable, maintain adequate records of other information associated with the unencumbered assets[18]. The MA may, where necessary, require the institution to provide such information in the course of its ongoing risk-based supervision.

Item 1: Assets which are, or may be, acceptable as collateral under the MA's liquidity facilities and other contingency funding mechanisms

18. Report the relevant information in respect of those assets which are, or may be, acceptable as collateral under the MA's liquidity facilities and other contingency funding mechanisms.[19]

It should be noted that the MA's liquidity facilities and other contingency funding mechanisms may in practice not be accessible by all AIs.[20] Notwithstanding this, the reporting institution should still complete item 1 primarily based on whether the type of asset held by it falls within the list of eligible collateral specified in this item, except that sub-items (g) (Interbank placements after deductions) and (h) (Residential mortgage loans) should be reported only if the institution is a locally incorporated licensed bank.

For reporting under sub-item (g), the reporting institution should exclude its interbank placements which may, as assessed by the institution, be subject to possible set-off claims. This means that if the institution's placement at a bank may be used to settle the institution's liability to that bank, hence making the placement potentially "encumbered", that placement should not be included in the reporting under sub-item (g).

For reporting under sub-item (h), the reporting institution should include only residential mortgage loans that are provided to private individuals or companies incorporated in Hong Kong for the purchase of residential properties situated in Hong Kong. These residential mortgage loans should not be subject to any right of set-off in favour of the relevant mortgagor (i.e. there should be an express prohibition in the

[18] For examples, AIs should maintain, and provide to the HKMA upon request, breakdowns of unencumbered assets by "significant currencies", details of the relevant custodians, expected monetized value taking into account the estimated haircuts on asset values that may be required by the relevant central bank or counterparties in secondary markets, and the internal policy documents specifying the responsible functions (and the required procedures) for monetizing the assets where necessary.

[19] A general introduction of liquidity facilities that may be provided by the MA to AIs is provided at: *https://www.hkma.gov.hk/eng/key-functions/money/liquidity-facility-framework/*

[20] For example, the Settlement Facilities may not be accessible by all AIs directly. Moreover, the Contingent Term Facility may be made available at the discretion of the HKMA, and the HKMA will consider each application on a case-by-case basis.

mortgage documentation of any set-off by the mortgagor against his/her payments under the mortgage loan). The following are more specific instructions for reporting under sub-items (h)(i) to h(iii):

- For sub-item (h)(i), report the total mortgage loans under the Home Ownership Scheme (HOS) or Private Sector Participation Scheme (PSPS) which are covered by a valid guarantee issued by the Housing Authority.

- For the purpose of sub-item (h)(ii), the reporting institution should, to the extent practicable, calibrate its residential mortgage loans taking into account the mortgage purchasing criteria, as updated by The Hong Kong Mortgage Corporation (HKMC) from time to time. If the institution is not certain whether any of its mortgage loans are in compliance with the HKMC's mortgage purchasing criteria, it should not report the relevant mortgage loans in sub-item h(ii).

- Report in sub-item h(iii), the other relevant residential mortgage loans

If the MA's collateral policy under a certain type of facility (e.g. the Contingent Term Facility) has specific requirements on the credit rating of the relevant collateral (e.g. debt securities), the reporting institution should firstly consider the long-term or short-term issue-specific rating of the collateral. If the collateral does not have an issue-specific rating, then the institution may, for reporting under item 1 of this Part, take into account the issuer / guarantor's long-term credit rating (or if not available, short-term credit rating).

Item 2: *Assets which may be used as collateral for borrowing from overseas central banks or governments*

19. If a reporting institution incorporated in Hong Kong (including its overseas operations) has access to any liquidity support that may be provided by a central bank or government in an overseas jurisdiction, the institution should report in sub-item (a) the assets held by the institution that can be used as collateral to borrow from the overseas central bank or government.

20. If a reporting institution incorporated outside Hong Kong has access to any liquidity facility offered by the central bank or government in its home jurisdiction, its Hong Kong branch should report in sub-item (b) any assets held by the branch which, if up-streamed to its Head Office, can be used by its Head Office as collateral to obtain funding from the central bank or government (where applicable) in its home jurisdiction.

Item 3: *Other assets not included elsewhere, but may be used as collateral for secured borrowing in wholesale funding markets*

21. This item captures any other asset that is not reported in item 1 or 2, but is considered by the reporting institution (on reasonable grounds, say having regard to actual experience) as having the potential of being used as collateral for secured borrowing in wholesale funding markets (in Hong Kong or elsewhere). To enable the MA's assessment of the institution's funding capacity, the institution is required to provide –

(i) in sub-items (a) and (b), a breakdown of the reported debt securities in terms of the risk-weights assigned to these securities by reference to the standardized (credit risk) approach (STC approach) in the BCR[21]; and

(ii) in sub-item (c), any other assets that are not reported in sub-item (a) or (b), but may have a reasonable potential of being used as collateral for secured borrowing purposes.[22]

Item 4: *Memorandum item: Assets reported in items 1 to 3, which are posted by customers to the reporting institution as collateral that can be re-hypothecated by the institution (but have not yet been re-hypothecated)*

22. The reporting institution should identify any assets reported in items 1 to 3 above which are posted by its customers as collateral for obtaining funding from the institution, whereby the institution has a contractual right to re-hypothecate[23] such assets for secured borrowing purposes (but have not yet exercised such right). The total amount and location of such assets should be reported in this item.

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[21] Although the STC approach does not apply to all AIs for regulatory capital purposes, the reporting institution (whether incorporated in or outside Hong Kong) should, for reporting under item 3 of this Part, calibrate their unencumbered assets required to be reported in sub-items (a) and (b) by reference to this approach.

[22] For example, unencumbered listed equities held by the reporting institution can be reported in this sub-item. Nonetheless, assets reported in this sub-item should not normally include loans, receivables, fixed assets or other similar types of assets, unless the reporting institution is originating or sponsoring a structured financing transaction (e.g. a securitization transaction) using such assets as underlying collateral.

[23] In this Return, the term "re-hypothecation" includes arrangements where the re-hypothecated asset may be (i) pledged as collateral or (ii) sold outright with a commitment to repurchase at a future date.

Part 3 Committed facilities

23. This Part collects information in respect of significant committed facilities[24] received or granted by the reporting institution to facilitate monitoring of the availability of funding sources to the institution and the institution's potential liquidity needs if the facilities granted by it are drawn. This Part covers only those committed facilities that are readily usable on the month-end reporting date. To avoid doubt, funding transactions conducted on a "deal-by-deal" basis (i.e. not under an established facility that remains usable within a specified facility period) should not be reported in this Part.

24. Report in Table A of this Part information relating to committed facilities received from the MA, central banks, governments, banks or non-bank financial institutions, or any Forward Commitment Facility received from the HKMC, that are significant, i.e. the 10 largest of such facilities and any exceeding 1% of the reporting institution's total liabilities (both as determined by the amount of undrawn credit limit under the facilities). Report information relating to the 10 largest committed facilities, as well as any committed facilities exceeding 1% of the institution's total liabilities, granted to banks or non-bank financial institutions in Table B of this Part. In respect of each reported facility, indicate whether the facility is received from (or granted to) a connected party of the institution[25]. If the disclosure of customer names is restricted legally, identity codes may be used to complete these two Tables provided that such codes are used consistently. Also report the total contractual facility limit (whether used or not), "irrevocable" undrawn commitments (as assessed by the institution), and the total amount drawn under the facility as of the month-end reporting date.

[24] For the purposes of this Return, "committed facilities" has the meaning as elaborated in footnotes 30 and 47 of Return MA(BS)1E, with reference to the revised FAQ issued by the HKMA in early July 2015. As clarified in the revised FAQ, an AI should assess whether its commitment under a facility granted to customer is genuinely cancellable, taking into account not only the contractual terms of the facility (such as a clause to the effect the facility is unconditionally cancellable) but also all other relevant factors (such as maintenance of customer relationships and franchise value, and signalling effects to the market).

[25] For the meaning of "connected party", please refer to footnote 11 of these CIs.

Part 4 Maturity profile and supplementary information

25. This Part (consisting of Parts 4A, 4B and 4C) collects information on the reporting institution's maturity profile covering its on- and off- balance sheet items, including (i) the total amounts (based on principal amounts as referred to in paragraph 7 above) of these items as of the month-end reporting date; (ii) the amounts of cash flows or securities flows arising from these items to be slotted into specific time bands based on contractual maturity (or the institution's estimation where specified); and (iii) the balancing amounts (as referred to below and if applicable to these items). For the purposes of reporting under this Part, the institution should adhere to the following general instructions, in addition to those provided in paragraphs 4 to 10 above, save to the extent that such following general instructions are superseded by a specific contractual arrangement in respect of a particular transaction, or specific instructions are otherwise provided in these CIs:

(i) In determining the remaining term to maturity of the institution's asset, liability, obligation, cash-flow or securities-flow items, it is to be generally assumed that such items will not be rolled over upon their contractual maturity, and the institution will not enter into any new transaction or contract in respect of such items, unless the institution has formally decided and completed all necessary contractual arrangements to roll over any such item, or to enter into any new transaction or contract.[26]

(ii) Unless otherwise specified, the institution should report an asset, liability, obligation, cash-flow or securities-flow item in the "Next day" column of the Tables under this Part (where applicable) if that item has no definite term to maturity but is receivable (or payable) on demand.[27] If an amount of cash or securities receivable (or payable) by the institution is subject to any advance notification requirement, that amount should be reported in the appropriate time bands according to –

- the length of the notification period if the institution has not issued the notice (or received the notice from the customer); or

[26] For example, a loan granted by an AI should be reported according to the earliest maturity date of the loan or, if the AI has agreed with the customer concerned to renew the loan, the maturity date of the loan after renewal. If the loan does not have a definite maturity date and is drawn under a credit facility with an expiry date (or the facility is subject to periodic review, such as an overdraft facility), the loan should be assumed to be repaid when the facility expires (or is due for periodic review).

[27] For example, such cash-flow items include demand, savings and current account deposits, vostro balances and nostro balances – please refer to the CIs for items 1, 6 and 21 in Section A of this Part.

- the expiry date of the notice if the institution has issued the notice (or received the notice from the customer).[28]

(iii) If the amounts receivable (or payable) by the institution involve lead time (say, for completing certain operational procedures), such lead time should be taken into account when the institution reports such amounts in this Part.

(iv) Any asset that has been overdue (but not rescheduled[29]) should be reported in the "Balancing amount" column of the Tables under this Part. If an asset generating a stream of payments (e.g. an instalment loan) is overdue in respect of the most recent instalment payment only, that overdue instalment should be reported in the "Balancing amount" column of the Tables under this Part, whilst the remaining instalments (that are not due for payment yet) should be reported in the appropriate time bands according to their respective contractual payment dates. If, however, the asset has been overdue for two or more instalments or classified by the institution as an asset under the "substandard", "doubtful" or "loss" grade,[30] or if there is any "material adverse event" providing objective evidence that the instalments will not likely be received[31], the entire amount of the asset should be regarded as overdue and reported in the "Balancing amount" column.

(v) If the institution has failed to fulfil a liability or payment obligation for any reason, report the entire amount of that liability or payment obligation in the "Next day" column of the Tables under this Part as soon as such a failure has occurred.

(vi) In line with the CIs provided in paragraph 7, assets, liabilities, obligations or cash-flows measured at book value should include accrued interest up to the month-end reporting period (if any). If the timing for the reporting institution to pay or receive such accrued interest is different from the term to maturity of the underlying assets, liabilities or obligations, report such interest in the same item as with the underlying assets, liabilities or obligations, but under the time columns according to the interest payment or receipt schedules. There is no need to consider unaccrued interest.

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[28] For example, an asset (or liability) that has no definite term to maturity and is callable at one day's notice should be reported under the "Next day" column if the notice has been issued (or received). If such a notice has not been issued (or received), the item should be reported in the "2 to 7 days" column.

[29] If an asset has been rescheduled, its contractual maturity should be determined according to its rescheduled term to maturity.

[30] Please refer to Part II of the *Return of Quarterly Analysis of Loans and Advances and Provisions* (Form MA(BS)2A)

[31] For example, the borrower of a loan has defaulted, or is found unable to honour its contractual obligations, or the lending AI has issued a notice to the borrower demanding full repayment of the loan but this demand has not been fulfilled by the borrower.

(vii) For the purposes of reporting under Part 4B, cash flows or securities flows across different currencies should not be offset when determining the values of a reporting institution's on- and off-balance sheet items, as well as cash-flow and securities-flow items. This principle is applied as follows:

(i) When reporting for a specific significant currency (e.g. "currency X"), only include items denominated in that currency. For example, if a transaction generates outflows and inflows denominated in different currencies (e.g. foreign exchange forwards and cross currency swaps to be settled by exchange of notional amounts on a gross basis), report only the cash flows denominated in currency X in Part 4B for currency X. Cash flows denominated in any other currency (e.g. "currency Y") should not be included in Part 4B for currency X, but should be reported under Part 4B for currency Y if the currency Y is also a significant currency for the reporting institution. However, if a cross-currency transaction can be settled on a net basis in a specific significant currency, report only the net cash flow amount in Part 4B for that significant currency.

(ii) In the case of a securities financing transaction, where the funding raised or provided by the reporting institution is denominated in a specific significant currency (e.g. "currency X") and the underlying securities are denominated in any other currency (e.g. "currency Y"), only the cash flows denominated in currency X should be included in Part 4B for currency X. The underlying securities denominated in currency Y are not reported in Part 4B for currency X, but should be reported under Part 4B for currency Y if currency Y is also a significant currency.

(iii) If the currency denomination of cash flows or securities flows arising from a transaction is uncertain, the institution should make a reasonable estimation of the likely currency denomination of the expected cash flows or securities flows, taking into account the contractual terms and prevailing market conditions.

Section A: Contractual maturity profile

On-balance sheet liabilities

26. Item 1 – *Deposits from non-bank customers*

Report in the appropriate time bands of sub-item (a) the total amount of pledged deposits according to the contractual maturity dates of the relevant pledge arrangements (except for situations in which the reporting institution has allowed its customer to withdraw the pledged deposit before expiry of the pledge arrangement).[32] If, however, the reporting institution has practical difficulties in ascertaining the contractual maturity date of the pledge arrangement, or that arrangement will expire before the contractual maturity date of the pledged deposit, that deposit can be reported in this sub-item according to its contractual maturity date.

Report in the "Next day" column of sub-item (b) the total amount of deposits withdrawable on demand (including, for example, deposits maintained in current accounts and savings accounts) by non-bank customers, supplemented by additional information to be reported in item 40 (i.e. the lowest month-end balance of such deposits recorded by the reporting institution in the past 12 months) under Table B3 in Section B of this Part.

Report in the appropriate time bands of sub-item (c) the total amount of term deposits (including call deposits and any other deposits which are withdrawable on notice) due to non-bank customers according to the contractual maturity dates of the term deposits (or, where applicable, any early withdrawal date agreed by the institution in respect of a term deposit).

Report in the appropriate time bands of sub-item (d) (as a memorandum item) the total amount of deposits from related parties reported in sub-items (b) and (c) above. For the purpose of Part 4, related parties include 1) any minority or majority shareholder

[32] In this Return, the term "pledged deposit" means a deposit placed with an AI by a customer (other than a bank) where the deposit is contractually pledged to the AI as collateral to secure the customer's liability or obligation to the AI.

The instructions for AIs to report a pledged deposit according to the contractual maturity date of the relevant pledge arrangement is based on the consideration that a pledged deposit is usually not withdrawable until expiry of the pledge arrangement. For example, if a deposit is pledged by a customer to the reporting institution to secure a loan or credit facility extended to the customer until a specific date (e.g. the repayment date of the loan, or the expiry date of the credit facility, as the case may be), the pledged deposit should be reported according to that specific date. If the reporting institution has allowed its customer to withdraw the pledged deposit before expiry of the pledge arrangement (for example, as a result of loan repayment, restructuring or collateral substitution), the amount of pledged deposit to be withdrawn should be reported in sub-item (a) according to the date of withdrawal ascertained by the institution.

If the pledge arrangement has expired (e.g. as a result of the full repayment of the loan or termination of the loan facility), the deposit should no longer be reported as "pledged deposit" under sub-item (a). It should be reported in sub-item (b) or (c) instead.

controller (as defined in section 2 of the Banking Ordinance), subsidiary and associated company of the reporting institution; and 2) any subsidiary and associated company belonging to the same business group of the parties mentioned in (1) above.

27. Item 2 – *Amount payable arising from securities financing transactions (other than securities swap transactions)*

Report in this item the total amount of funds payable by the reporting institution to all types of customers (including banks and non-bank customers)[33] arising from securities financing transactions[34] (other than securities swap transactions[35]) whereby the institution raises funds from its customers on a collateralized basis, if such funds payable are required to be shown as on-balance sheet liabilities under the applicable accounting standards. Such funds payable by the institution should be reported in the appropriate time bands according to the contractual maturity dates of the relevant securities financing transactions. Please refer to Annex 1 to these CIs for further guidance on the reporting of fund flows (and securities flows) arising from securities financing transactions in this Part.

28. Item 3 – *Amount payable arising from derivative contracts*

Report in the appropriate time bands of this item the total amount of funds payable by the reporting institution to all types of customers arising from derivative contracts according to the contractual payment dates, if the replacement costs of such contracts are required to be shown as on-balance sheet liabilities under the applicable accounting standards. Further guidance on the reporting of cash flows and securities flows arising from common types of derivative contracts (i.e. options, futures, forwards and swaps) for the purposes of this Part is set out in Annex 2 to these CIs.

29. Item 4 – *Due to MA for a/c of Exchange Fund*

Report in the appropriate time bands of this item the total amount of funds payable to the MA (for the account of the Exchange Fund) according to the contractual maturity dates of such funds payable, unless such funds payable are otherwise covered in item 2 or 3.

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[33] The meanings of "banks" and "non-bank customers" are provided in footnotes 5 and 6 of these CIs.

[34] In this Return, the terms "securities financing transaction", "secured funding transaction", "secured lending transaction" and "securities swap transaction" have the respective meanings given in rule 17 or 39 of the BLR (as the case may be), except that the relevant meanings are generally applicable to all AIs for the purposes of this Return.

[35] Usually, a securities swap transaction involves an exchange of securities instead of money. This type of transaction is therefore not covered by item 2 (and item 17) in Section A of this Part. However, securities flows arising from securities swap transactions, together with those arising from other types of securities financing transaction, should be included in the relevant items in Section A (items 12 and 28 where applicable) and Section B (Table B1) of this Part.

30. Item 5 – *Due to overseas central banks*

Report in the appropriate time bands of this item the total amount of funds payable to central banks in jurisdictions outside Hong Kong according to the contractual maturity dates of such funds payable, unless such funds payable are otherwise covered in item 2 or 3.

31. Item 6 – *Due to banks*

This item collects information relating to funds payable to other banks, which are not covered in item 2 or 3 above.

Report in the "Next day" column of sub-item (a) the total amount of vostro balances maintained by other banks at the reporting institution.

Report in the appropriate time bands of sub-item (b) the total amount of borrowings from other banks that are related parties of the reporting institution according to the contractual maturity dates of such borrowings. To avoid doubt, vostro balances with a bank which is a related party of the reporting institution should be reported under sub-item (a).

Report in the appropriate time bands of sub-item (c) the total amount of borrowings from other banks that are under pledge (i.e. by using lending to / deposit placed with the counterparty as collateral), according to the contractual maturity dates of such borrowings. Exclude from reporting under this item any pledged interbank borrowings from related parties reported under sub-item (b).

Report in the appropriate time bands of sub-item (d) the total amount of borrowings from other banks that are not captured in sub-items (a), (b), or (c), according to the contractual maturity dates of such borrowings.

32. Item 7 – *Debt securities, prescribed instruments and structured financial instruments issued and outstanding*

Report in the appropriate time bands of this item the total amount of debt securities, prescribed instruments and structured financial instruments issued by the reporting institution that are still outstanding according to the redemption dates of such securities and instruments. Such debt securities and instruments are to be reported based on their redemption value, regardless of whether they are marketable. Perpetual debt securities and instruments (other than those capital instruments being reported under item 9) should be reported in the "Balancing amount" column under this item.

33. Item 8 – *Other liabilities*

Report in the appropriate time bands of this item the total amount of other on-balance sheet liabilities not included elsewhere according to the maturity dates of such liabilities. These liabilities include, for example, liabilities or payables arising from forthcoming settlement of transactions, operating expenses, tax-related liabilities and any liabilities in transit or in suspense accounts[36].

If the reporting institution has passed a resolution to distribute dividends (or any of its shareholders' funds) and the distributable amount has been recognised as "dividends payable" (as a type of "other liabilities"), report the distributable amount in the appropriate time bands of this item according to the timing of distribution.

34. Item 9 – *Capital and reserves*

This item covers the reporting institution's capital and reserves, including paid-up capital, retained earnings and any other capital instruments[37] issued by the institution. Report the total amount of capital instruments with a definite term to maturity in the appropriate time bands according to the instruments' redemption dates. Other capital and reserves that are not expected to be distributed (or capital instruments of a perpetual nature which are not expected to be redeemed) should be reported in the "Balancing amount" column under this item.

If the institution has passed a resolution to distribute dividends (or any of its shareholders' funds) but the distributable amount has not yet been recognised as "dividends payable" (and hence not covered in item 8), report the distributable amount in the appropriate time bands of this item according to the estimated timing of distribution.

Off-balance sheet obligations

35. Item 11 – *Irrevocable loan commitments or facilities granted*

This item covers all irrevocable loan commitments or facilities[38] granted by the reporting institution (excluding any amount that has already been drawn). Report in the appropriate time bands of sub-item (a) the total amount of irrevocable loan commitments or facilities according to the dates and amounts of drawdown as

[36] Other liabilities of an AI that are maintained in suspense accounts include all credit balances relating to customers' funds but not held in their names, such as balances in accounts holding customers' funds awaiting investment or for the purpose of meeting acceptances or other payments, but exclude interest in suspense which has been netted off from corresponding accounts. Please refer to the CIs for item 10.2 of the *Return of Assets and Liabilities of an Authorized Institution* (Form MA(BS)1) for more details.

[37] Such capital instruments may include, for example, preference shares, subordinated debt securities and convertible securities.

[38] Please refer to footnote 24 of these CIs.

ascertained by the institution (for example, based on the dates and amounts of drawdown specified in customers' drawdown notices that have been accepted by the institution).

Report in the appropriate time bands of sub-item (b) the total amount of all other irrevocable loan commitments or facilities granted by the reporting institution[39] (excluding any amount that has already been drawn) according to relevant contractual terms and conditions (taking into account any contractual requirement on notification period – please refer to the general instructions provided in paragraphs 25(ii) and (iii) above). This item will be supplemented by additional information to be reported in item 41 under Table B3 in Section B of this Part (reflecting the estimated dates and amounts of drawdown of those commitments or facilities based on the institution's behavioural assumptions on customer drawdown adopted in its liquidity risk management process).

36. Item 12 – *Contractual obligations arising from securities financing transactions (not included in item 2)*

Report in the appropriate time bands of this item the total amount of off-balance sheet obligations (whether in terms of cash or securities) payable by the reporting institution to all types of customers arising from securities financing transactions (such as securities repurchase transactions (repos), securities reverse repurchase transactions (reverse repos), securities swaps and similar types of transactions not otherwise reported in item 2) according to the contractual maturity dates of such transactions. Such obligations include, for example, the institution's obligations to pay money for repurchase of securities sold (or obligations to deliver securities repurchased by customers) under securities financing transactions. Please refer to Annex 1 to these CIs for further guidance.

Report in the appropriate time bands of sub-item (a) (as a memorandum item) the total amount of off-balance sheet obligations reported in item 12 that are in terms of cash, according to the contractual maturity dates of such obligations.

37. Item 13 – *Contractual obligations arising from derivative contracts (not included in item 3)*

Report in the appropriate time bands of this item the total amount of off-balance sheet obligations of the reporting institution to all types of customers arising from derivative contracts (not otherwise reported in item 3) according to the contractual payment dates. Please refer to Annex 2 to these CIs for further guidance.

[39] Item 11(b) does not cover those loan commitments or facilities which are credibly cancellable as assessed reasonably by the reporting institution. See footnote 24 above. Institutions will be expected to have in place processes and procedures to assess the extent to which facilities are genuinely cancellable in practice, going beyond sole reliance on contractual clauses to the effect that a facility is unconditionally cancellable.

38. Item 14 – *Off-balance sheet obligations not included in items 11 to 13*

This item covers all other off-balance sheet obligations of the reporting institution (not otherwise reported in items 11 to 13), such as obligations arising from "direct credit substitutes", "transaction-related contingencies" and "trade-related contingencies" as defined in the BCR.

Report in the appropriate time bands of sub-item (a) the total amount of those off-balance sheet obligations that the reporting institution has been called upon to fulfil (and therefore the institution has ascertained the timing of payment and amount payable under the obligations) according to the expected dates and amounts of payment.[40] The institution's obligations arising from letters of credit issued and acceptances on trade bills should also be included in this item, to the extent that inward bills or trust receipt loans are expected to be granted under the relevant letters of credit or acceptances.

Report in sub-item (b) the total amount of those off-balance sheet obligations that the institution has not been called upon to fulfil. Break down the total amount into different time buckets according to the contractual notice periods specified for individual transactions if such obligations were to be called upon by the institution's customers.[41] To avoid doubt, off-balance sheet obligations under "uncommitted facilities" (which are credibly cancellable as assessed by the institution – see footnotes 24 and 39) need not be reported in this sub-item.

Additionally, report in item 42 under Table B3 in Section B of this Part the institution's estimation of the dates and amounts of payment under the off-balance sheet obligations reported in this sub-item, taking into account any relevant behavioural assumptions adopted by the institution for such obligations in its liquidity risk management process, and other relevant circumstances.

On-balance sheet assets

[40] Usually, if an AI has been called upon to fulfil an off-balance sheet obligation, the amount payable should be accounted for as an on-balance sheet liability. If however there are any circumstances that result in the amount payable not being recognised on balance sheet on the month-end reporting date, that amount should be reported in item 14(a).

Upon receipt of its customer's request for payment, an AI should normally have full knowledge of the timing of payment and amount payable by it. If, however, the exact timing or amount of payment is yet to be ascertained, the AI should report this obligation in this sub-item according to its reasonable estimation having regard to the relevant circumstances.

[41] For example, if an AI's customer is required to give the AI an advance notice of at least 7 days in order to request payment under an off-balance sheet obligation (but the AI has not received any such notice from the customer), the AI should report this obligation under the time band of ">7 days up to 2 weeks" (in case of Part 4A or 4B) or "8 days to 1 month" (in case of Part 4C) in item 14(b). If the AI has to fulfil an obligation on demand, or if there is no contractual specification of a notice period, that obligation should be reported in the "Next day" column under item 14(b).

39. Item 16 – *Currency notes and coins*

Report in this item the total amount of currency notes and coins held by the reporting institution. The amount readily usable by the institution should be reported in the "Next day" column under this item. If any portion of the currency notes and coins is in transit, report that amount in other time bands according to the expected time of receipt by the institution.

40. Item 17 – *Amount receivable arising from securities financing transactions (other than securities swap transactions)*

Report in this item the total amount of funds receivable by the reporting institution from all types of customers (including banks and non-bank customers) arising from securities financing transactions (other than securities swap transactions) whereby the institution lends funds to its customers on a collateralized basis, if such funds receivable are required to be shown as on-balance sheet assets under the applicable accounting standards. The funds receivable by the institution should be reported in the appropriate time bands according to the contractual maturity dates of the relevant securities financing transactions. Please refer to Annex 1 to these CIs for further guidance.

41. Item 18 – *Amount receivable arising from derivative contracts*

Report in the appropriate time bands of this item the total amount of funds receivable by the reporting institution from all types of customers arising from derivative contracts according to the contractual receivable dates, if the replacement costs of such contracts are required to be recognised as on-balance sheet assets under the applicable accounting standards. Further guidance on the reporting of common types of derivative contracts (i.e. options, futures and swaps) for the purposes of this item is set out in Annex 2 to these CIs.

42. Item 19 – *Due from MA for a/c of Exchange Fund*

Report in the appropriate time bands of this item the total amount of funds due from the MA (for the account of the Exchange Fund) according to the contractual maturity dates on which the funds are to be received by the reporting institution, unless such funds receivable are otherwise covered in item 17 or 18. This item includes, for example, the balance of funds maintained by the institution in its Hong Kong dollar Real Time Gross Settlement Account.

43. Item 20 – *Due from overseas central banks*

Report in the appropriate time bands of this item the total amount of funds due from central banks in jurisdictions outside Hong Kong according to the contractual maturity dates on which the funds are to be received by the reporting institution, unless such funds receivable are otherwise covered in item 17 or 18.[42]

Reserves placed with an overseas central bank to meet minimum reserve requirements (and hence not withdrawable) should be reported in the "Balancing amount" column under this item. Withdrawable reserves should be reported according to the CIs provided in paragraph 25 (particularly sub-paragraphs (ii) and (iii)) above.

Where applicable, the reporting institution's renminbi funds maintained in its Renminbi Fiduciary Account opened with the People's Bank of China through the Renminbi Clearing Bank should be reported in this item.

44. Item 21 – *Due from banks*

This item captures information relating to funds due from other banks that are to be received by the reporting institution, unless such funds receivable are otherwise covered in item 17 or 18.

Report in the "Next day" column of sub-item (a) the total amount of nostro balances maintained at other banks.

Report in the appropriate time bands of sub-item (b) the total amount of placements and advances to other banks that are related parties of the reporting institution, according to the contractual maturity dates of such placements and advances. To avoid doubt, nostro balances with a bank which is a related party of the reporting institution should be reported under sub-item (a).

Report in the appropriate time bands of sub-item (c) the total amount of placements and advances to other banks that are under pledge (i.e. with lending to / deposit placed with the reporting institution as collateral), according to the contractual maturity dates of such placements and advances. Exclude from reporting under this sub-item any pledged interbank placements and advances to related parties reported under sub-item (b).

Report in the appropriate time bands of sub-item (d) the total amount of placements and advances to other banks that are not captured in sub-items (a), (b), or (c), according to the contractual maturity dates of such placements and advances.

45. Item 22 – *Debt securities, prescribed instruments and structured financial instruments held (net of short positions)*

[42] This may be applicable if an AI has any banking operation in an overseas jurisdiction.

This item covers debt securities, prescribed instruments and structured financial instruments held by the reporting institution, net of the institution's short positions in such securities or instruments (if any).[43] Follow the general instructions provided in paragraph 7 above in determining whether the securities and instruments held should be reported based on fair value or book value (including any accrued interest) under this item.

Report in sub-item (a) the total amount of those debt securities and instruments held by the reporting institution that are "readily monetizable" under the "Next day" column of this sub-item. In this regard, sub-item (a) includes (i) the stock of unencumbered "high-quality readily liquefiable assets"[44] maintained by the institution as liquidity cushion pursuant to section 8 of module LM-2 "Sound Systems and Controls for Liquidity Risk Management" in the Supervisory Policy Manual[45]; and (ii) other debt securities and instruments that will be redeemed on "Next day".

Report in the appropriate time bands of sub-item (b)(i) the total amount of those debt securities and instruments held by the reporting institution that are not "readily monetizable" (because the assets concerned have been pledged to the institution's customers) according to the contractual maturity dates on which such debt securities and instruments can be released from the relevant pledge arrangements.[46]

Report in the appropriate time bands of sub-item (b)(ii) the total amount of those debt securities and instruments held by the reporting institution that are not "readily

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[43] If the reporting institution has any short positions in debt securities at the month-end reporting date, report those short positions (measured at fair value) in the "Next day" column (as a negative figure by deducting the short position from the amount of debt securities held reported in that column) under sub-item (a).

If the institution has entered into any transaction that will obligate it to take a short position in a debt security starting from a specific date (for example, starting from Day 7 from the month-end reporting date), that future short position should be reflected in sub-item (a) if the institution is also holding the underlying security to be shorted and that security held is reported in that sub-item. Otherwise, report that future short position in sub-item (b)(ii) under the appropriate time column according to the date of the future short position (i.e. under the "7th day" column (in case of Part 4A or 4B) or the "2 to 7 days" column (in case of Part 4C) in this example).

[44] The term "high-quality readily liquefiable assets" is referred to in the MA's circular letter of 25 September 2013 in the context of the liquidity cushion required to be maintained by AIs under LM-2.

[45] For the purposes of reporting under this Part, the liquidity cushion maintained by an AI under LM-2 can be regarded as "readily monetizable" on the premises that (i) the debt securities and instruments have an established and active secondary market (whether in Hong Kong or elsewhere); and (ii) the AI manages its liquidity cushion in accordance with the requirements set out in LM-2, hence providing assurance that the liquidity cushion can be readily monetized (whether by outright sale or entering into repo-style transactions collateralized by the assets concerned).

[46] This reporting approach is based on the assumption that debt securities and instruments that have been pledged as collateral under securities financing transactions entered into by an AI can be readily monetized when released from the relevant pledge arrangements (whether by outright sale or entering into another repo-style transaction collateralized by the assets concerned).

monetizable" due to other reasons (i.e. not reported in sub-item (a) or (b)(i))[47] according to the remaining term to maturity of the assets concerned, taking into account any embedded options that may alter their maturity profile (please refer to paragraph 10 above for general instructions on the treatment of embedded options). Perpetual debt securities and instruments (without prepayment options) should be reported under the "Balancing amount" column of sub-item (b)(ii).

In line with the trade-day reporting approach as required in paragraph 7 above, debt securities and instruments purchased by the reporting institution, but the settlement of which is yet to be completed, should also be reported in item 22. If the securities or instruments purchased are not monetizable until completion of the settlement, they should be reported in sub-item (b) according to the timing of settlement. If, however, the securities and instruments are readily monetizable (even before completion of the settlement), they can be reported under the "Next day" column in sub-item (a).

Report in the appropriate time bands of sub-item 22(c) (as a memorandum item) the total amount of cash inflow arising from the debt securities and instruments reported in sub-items 22(a) and 22(b) according to their contractual maturity dates.

46. Item 23 – *Acceptances and bills of exchange held*

Report in this item the total amount of acceptances and bills of exchange held by the reporting institution representing claims on other banks and non-bank customers. Usance bills should be reported in the appropriate time bands according to the contractual credit periods. Sight bills should be reported in the appropriate time bands according to the expected dates of receipt of payment, taking into account, for example, any lead time required to complete all necessary documentation and operating procedures for execution of the payment.

47. Item 24 – *Loans and advances to non-bank customers*

Report in the appropriate time bands of this item the total amount of loans and advances extended by the reporting institution to its non-bank customers according to their remaining term to maturity. In the cases of instalment loans, revolving loans, overdue loans and rescheduled loans, follow the general instructions provided in paragraph 25 above. Also provide supplementary information in item 43 under Table B3 in Section B of this Part based on the institution's estimation of the dates and amounts of repayment of the loans and advances concerned, taking into account behavioural

[47] These debt securities and instruments may not have an active secondary market for repo or outright sale, or their marketability may be inhibited by any legal or regulatory restrictions, or operational limitations within the AI concerned.

assumptions affecting the prepayment or rollover behaviour of its customers and other relevant circumstances.

48. Item 25 – *Other assets*

This item covers other on-balance sheet assets (not reported in items 16 to 24), including listed equities (report under sub-item (a)); and others (report under sub-item (b)) such as assets or receivables arising from forthcoming settlement of transactions, investments (other than those included in item 22) and associated interests or dividends receivable (if not reported elsewhere)[48], tax-related assets, and any assets in transit or in suspense accounts[49].Report in the "Next day" column of this item the total amount of investments or holdings in marketable assets (e.g. gold and listed equities) only if such assets are readily monetizable (e.g. by virtue of their being traded in established and active secondary markets, whether in or outside Hong Kong). Otherwise, report the total amount of other assets that are not marketable in the appropriate time bands according to their remaining terms to maturity. Report the total amount of other assets that do not have a definite term to maturity (such as shareholding interests in unconsolidated subsidiaries and associated companies, properties and fixed assets) in the "Balancing amount" column of this item.

In line with the general instructions provided in paragraph 7 above, marketable assets covered in this item should be reported based on fair value. Other assets that are not marketable should be reported based on book value (including any accrued interest).

Off-balance sheet claims

49. Item 27 – *Irrevocable loan commitments or facilities received*

This item covers only irrevocable loan commitments or facilities received by the reporting institution (excluding any amount that has already been drawn). Commitments or facilities received by the institution that are contractually revocable by the funding providers should not be included in this item (or elsewhere in this Part).

Report in the appropriate time bands of sub-item (a) the total amount of irrevocable loan commitments or facilities (that the institution has ascertained that it will, and is able to, draw) according to the dates and amounts of drawdown as ascertained by the institution,

[48] Such investments include those in listed equities, gold, commodities and other financial assets (and associated interest or dividends receivable on such investments).

[49] Other assets of an AI that are maintained in suspense accounts include all debit balances relating to customers' funds but not held in their names, such as balances awaiting transfer to customers' accounts. Please refer to the CIs for item 22.3 of the *Return of Assets and Liabilities of an Authorized Institution* (Form MA(BS)1) for more details.

taking into account any lead time required for completing any documentation or operational procedures for the drawdown (e.g. notice of drawdown).

Report in the appropriate time bands of sub-item (b) the total amount of all other irrevocable loan commitments or facilities received by the reporting institution that are not reported in sub-item (a) (excluding any amount that has already been drawn) according to the general instructions provided in paragraph 25 (particularly sub-paragraphs (ii) and (iii)) above.

If a contractually irrevocable loan commitment or facility received by the reporting institution is not readily usable or the institution has no intention to use the facility at any time, report the total amount of that loan commitment or facility under the "Balancing amount" column of this sub-item.

50. Item 28 – *Contractual claims arising from securities financing transactions (not included in item 17)*

Report in the appropriate time bands of this item the total amount of off-balance sheet claims (whether in terms of cash or securities) receivable by the reporting institution from all types of customers arising from securities financing transactions (such as reverse repos, securities swaps, and similar types of transactions not otherwise reported in item 17) according to the contractual maturity dates of such transactions. Such claims include, for example, the money receivable by the institution arising from a customer's repurchase of securities sold to the institution (and the securities receivable by the institution upon repurchase from its customer) under securities financing transactions. Please refer to Annex 1 to these CIs for further guidance.

Report in the appropriate time bands of sub-item (a) (as a memorandum item) the total amount of off-balance sheet claims reported under item 28 that are in terms of cash.

51. Item 29 – *Contractual claims arising from derivative contracts (not included in item 18)*

Report in the appropriate time bands of this item the total amount of off-balance sheet claims of the reporting institution on all types of customers arising from derivative contracts (not otherwise reported in item 18) according to the contractual dates of receiving such claims. Please refer to Annex 2 to these CIs for further guidance.

52. Item 30 – *Off-balance sheet claims not included in items 27 to 29* This item covers all other off-balance sheet claims of the reporting institution (i.e. not otherwise reported in items 27 to 29).[50]

Report in the appropriate time bands of sub-item (a) the total amount of those off-balance sheet claims according to the expected dates and amounts of payment of such claims as ascertained by the reporting institution. Such claims may, for example, arise from a situation in which the institution has requested its customer to fulfil a contractual obligation by payment to the institution on a specific date, and there is no indication that the customer will not fulfil the obligation.

Normally, the reporting institution should have full knowledge of the timing and amounts of payment to be received under its off-balance sheet claims. If, however, the exact dates and amounts of payment to be received have yet to be ascertained, such claims can be reported in the "Balancing amount" column of sub-item (b).

The institution may also report in the "Balancing amount" column of sub-item (b) the total amount of those off-balance sheet claims under which the reporting institution has not requested its customers to fulfil their obligations of payment to the institution.

[50] For example, if the reporting institution's customer (whether bank or non-bank) has a contingent obligation to the institution with a nature similar to a "direct credit substitute", "transaction-related contingency" or "trade-related contingency", the institution may include such a contingent claim on the customer in this item.

Section B: Supplementary information

53. Section B of this Part collects certain supplementary information to facilitate the MA's supervisory review of the reporting institution's maturity profile.

Table B1: Contractual maturity of securities flows arising from securities financing transactions

54. This Table captures maturity information on securities flows arising from all types of securities financing transactions (including securities swap transactions), which supplements maturity information collected under Section A of this Part in respect of cash flows arising from securities financing transactions (excluding securities swap transactions). Please refer to the CIs set out in paragraphs 55 to 58 below and the illustrative examples provided in Annex 1 to these CIs for the relevant reporting requirements.

55. Item 34 – *Securities pledged to the reporting institution as collateral under securities financing transactions (to be returned to customers)*

This item covers securities pledged to the reporting institution as collateral under securities financing transactions, which may be secured lending transactions, securities swap transactions and similar types of transactions.

Report in the "Next day" column of sub-item (a) the total amount of those pledged securities that the reporting institution can readily monetize through re-hypothecation.

Report in the appropriate time bands of sub-item (b)(i) the total amount of those pledged securities that have been re-hypothecated by the reporting institution (and hence cannot be readily monetized) according to the contractual maturity dates on which the securities will be released from the relevant re-hypothecation arrangements.

Report in sub-item (b)(ii) the total amount of those pledged securities that are not readily monetizable by the reporting institution for other reasons. For example, the securities may not have an active repo market, or cannot be re-hypothecated because of legal, regulatory or contractual restrictions, or operational limitations within the institution.

Report in the appropriate time bands of sub-item (c) (as a memorandum item) the total amount of pledged securities reported in sub-items (a), (b)(i) and (b)(ii)) according to the contractual dates of return of those securities by the reporting institution to its customers.

56. Item 35 – *Securities purchased by the reporting institution under securities financing transactions (to be repurchased by customers)*

This item covers securities purchased by the reporting institution under securities financing transactions, which may be reverse repos, securities swap transactions and similar types of transactions, where the securities will be repurchased by the institution's customers at a future date.

Report in the "Next day" column of sub-item (a) the total amount of those purchased securities that the reporting institution can readily monetize through re-hypothecation.

Report in the appropriate time bands of sub-item (b)(i) the total amount of those purchased securities that have been re-hypothecated by the reporting institution (and hence cannot be readily monetized) according to the contractual maturity dates on which the securities will be released from the relevant re-hypothecation arrangements.

Report in sub-item (b)(ii) the total amount of those purchased securities that are not readily monetizable by the reporting institution for other reasons. For example, the securities may not have an active repo market, or cannot be re-hypothecated because of legal, regulatory or contractual restrictions or operational limitations within the institution.

Report in the appropriate time bands of sub-item (c) (as a memorandum item) the total amount of purchased securities reported in sub-items (a), (b)(i) and (b)(ii)) according to the contractual dates of repurchase of those securities by the reporting institution's customers.

57. Item 36 – *Securities pledged to customers as collateral under securities financing transactions (to be returned to the reporting institution)*

This item covers securities owned by the reporting institution that have been pledged to its customers under securities financing transactions, which may be secured funding transactions, securities swap transactions and similar types of transactions.

Report in the appropriate time bands of this item the total amount of securities covered under this item according to the contractual dates of return of those securities to the reporting institution. To avoid doubt, securities received by the institution from customers under a securities financing transaction and re-hypothecated by the institution in another securities financing transaction need not be reported in this item, as the information on such "re-hypothecated securities" is captured in item 34(b)(i) or 35(b)(i) as the case may require.

58. Item 37 – *Securities sold to customers under securities financing transactions (to be repurchased by the reporting institution)*

This item covers securities owned by the reporting institution that have been sold to its customers under securities financing transactions, which may be repos, securities swap transactions and similar types of transactions, but which will be repurchased by the institution at a future date.

Report in the appropriate time bands of this item securities covered under this item according to the contractual dates of repurchase of those securities by the reporting institution. As in item 36, securities received by the institution from customers under a securities financing transaction (e.g. reverse repo) and sold by the institution under another securities financing transaction (e.g. repo) need not be reported in this item, as the information on such "re-hypothecated securities" is captured in item 34(b)(i) or 35(b)(i) as the case may require.

Table B2: Contractual maturity of securities flows arising from derivative contracts

59. This Table captures maturity information on securities flows arising from derivative contracts, which supplements maturity information collected under Section A of this Part in respect of cash flows arising from such contracts. In addition to the CIs provided in paragraphs 60 and 61 below, please refer to further guidance and illustrative examples provided in Annex 2 to these CIs.

60. Item 38 – *Securities pledged to the reporting institution as collateral under derivative contracts (to be returned to customers)*

This item covers securities pledged to the reporting institution as collateral under derivative contracts. The methodology for reporting under the sub-items is similar to that applicable to item 34.

61. Item 39 – *Securities pledged to customers as collateral under derivative contracts (to be returned to the reporting institution)*

This item covers securities owned by the reporting institution that have been pledged to customers under derivative contracts. Report in the appropriate time bands of this item the total amount of securities covered under this item according to the contractual dates of return of those securities to the institution. The methodology for reporting under this item is similar to that applicable to item 36.

Table B3: Estimated cash flows arising from selected assets, liabilities and off-balance sheet items (based on behavioural assumptions)

62. This Table collects information on the reporting institution's cash-flow estimations arising from certain assets, liabilities and off-balance sheet items, taking into account

behavioural assumptions relevant to such items. The institution's cash-flow estimations for the purposes of reporting under this Table should be in line with its internal methodologies and assumptions for conducting cash-flow projections as part of its liquidity risk management process. Such methodologies and assumptions should themselves be consistent with the relevant guidance specified by the MA[51], and be practically feasible having regard to the relevant circumstances faced by the institution.

63. Item 40 – *Demand, savings and current account deposits (referred to in item 1(b))*

Report in the "Balancing amount" column of sub-item (a) the lowest month-end aggregate balance of demand, savings and current account deposits (referred to in item 1(b) under Section A of this Part) as recorded by the reporting institution in the past 12 months (including the reporting month).

Report in the appropriate time bands of sub-item (b) (as a memorandum item) the total amount of demand, savings and current account deposits (referred to in item 1(b) under Section A of this Part) according to the reporting institution's own assumptions on the behavior of these deposits (i.e. estimated withdrawal dates and amounts based on historical data or other reasonable assumptions).

64. Item 41 – Irrevocable loan commitments or facilities granted (referred to in item 11(b)) – according to estimated dates and amounts of drawdown by customers

Report in the appropriate time bands of this item the total amount of irrevocable loan commitments or facilities granted by the reporting institution (referred to in item 11(b) under Section A of this Part) according to estimated dates and amounts of drawdown by customers of those commitments or facilities based on the institution's behavioural assumptions on liquidity needs arising from such commitments or facilities adopted in its liquidity risk management process.

65. Item 42 – *Off-balance sheet obligations (referred to in item 14(b)) – according to estimated dates and amounts of payment to customers*

Report in the appropriate time bands of this item the total amount of the reporting institution's off-balance sheet obligations (referred to in item 14(b) under Section A of this Part) according to the estimated dates of payment to customers and amounts payable under those obligations based on the institution's behavioural assumptions on liquidity needs arising from such obligations adopted in its liquidity risk management process.

66. Item 43 – *Loans and advances to non-bank customers (referred to in item 24) – according to estimated dates and amounts of repayment by customers*

[51] Please refer to LM-2 (particularly sections 4, 5 and Annex A).

Report in the appropriate time bands of this item the total amount of loans and advances to non-bank customers extended by the reporting institution (referred to in item 24 under Section A of this Part) according to the estimated dates and amounts of payment by customers based on the institution's assumptions adopted in its liquidity risk management regarding the prepayment or rollover behaviour of its customers and the relevant circumstances faced by the institution.

Additional information applicable only to Parts 4A and 4B

Table B4: Flows of unencumbered securities available to the reporting institution

67. This table captures detailed information on the securities flows of all unencumbered securities available to the reporting institution (including collateral received that can be, and have not been, rehypothecated). All securities flows should be measured at fair value, irrespective of the applicable accounting standards.

Securities inflows and outflows should be reported on a net basis within the same time buckets, with a positive value representing net securities inflows, and a negative value indicates net securities outflows.

Report in the "Beginning balance" column the amount of the securities held by the reporting institution that are readily monetizable. This include both on-balance sheet securities, and securities received as collaterals under financial transactions (e.g. reverse repo transactions) that can be readily monetized by the reporting institution through re-hypothecation. These securities should also be reported as securities outflows in the appropriate time buckets based on the contractual maturity dates of the securities or the contractual dates on which the collateral is to be returned to the counterparties (where applicable).

Securities which have been pledged to counterparties as collaterals under financing transactions (e.g. repo transactions) should be excluded from the "Beginning balance" column. Instead, report them in the appropriate time buckets as securities inflows based on the contractual maturity dates of the transactions on which the securities will be released back to the reporting institution.

Additional information applicable only to Part 4A

Table B5: Due to and due from the same counterparty bank

68. This table captures information on the amounts of fund due from and payable to the same counterparties.

Report in the table the total amount of borrowings from and placements with the same counterparty bank that is not a related party. Such borrowings and placements should have been included in sub-items A6(d) and A21(d) of Part 4A. To avoid doubt, pledged interbank borrowings and placements reported under items A6(c) and A21(c) should not be reported in this Table.

Table B6: Residential mortgage loans

69. This table is applicable only to AIs that have reported residential mortgage loans under any sub-item of item 1(h) of Part 2. Its purpose is to collect information on the amounts of those residential loans that are delinquent or in negative equity.

70. Report in item (a) the total amount of delinquent residential mortgage loans which are also included in sub-items 1(h)(i) to 1(h)(iii) of Part 2 separately.

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

71. Report in item (b) the total amount of residential mortgage loans in negative equity which are also included in sub-items 1(h)(i) to 1(h)(iii) of Part 2 separately. Exclude any loans in negative equity already included in item (a) above.

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

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

Part 5 LCR by significant currencies (to be reported by category 1 institutions only)

1. In this Part, a reporting institution that is a category 1 institution should report the specified information regarding the constitution of the institution's LCR in respect of HKD, USD, Renminbi (irrespective of whether these currencies are "significant" to the institution as measured by the 5% benchmark), and any other "significant currency" (as determined in accordance with paragraph 9 above) applicable to it. The specified information includes –

   Column A — Total HQLA (before adjustments for the 15% ceiling on level 2B assets and the 40% ceiling on the sum of level 2A assets and level 2B assets);

   Column B — Total HQLA (after adjustments for the 2 ceilings referred to in Column A;

   Column C — Total expected cash outflows;

   Column D — Total expected cash inflows (before application for the 75% ceiling calculated by reference to "total expected cash outflows"); and

   Column E — Total expected cash inflows (after application for the ceiling referred to in Column D).

2. In determining the values of the above components, the reporting institution should refer to the CIs provided in Part 2 of MA(BS)1E, except that the instructions associated with the treatment of Alternative Liquidity Approaches (as provided in Annex 1 to the CIs for MA(BS)1E) are not applicable for the purposes of reporting under Part 5 of this Return. Moreover, cash flows across different currencies should not be offset for the purposes of reporting under this Part. This means that –

   (i) If a transaction generates outflows and inflows denominated in different currencies (e.g. foreign exchange forwards and cross currency swaps to be settled by exchange of notional amounts on a gross basis), the cash flows denominated in a specific currency ("currency X") should be included in the calculation of the denominator of the LCR in that currency, while the cash flows denominated in any other currency should not be included in that calculation. If, however, it is a cross currency transaction that can be settled on a net basis in currency X, only the net amount of cash flow in currency X is to be included in the calculation.

   (ii) In the case of a securities financing transaction, where the funding raised or provided by the reporting institution is denominated in currency X and the underlying securities are denominated in any other currency, the treatment of

the outflows or inflows denominated in currency X remain the same as in the calculation of all-currency LCR. For example, if the institution has entered into a repo transaction whereby it has raised funding in currency X by posting level 1 qualifying securities denominated in another currency, it can still apply an outflow rate of 0% for calculating the expected cash outflow in currency X arising from that transaction, although the underlying securities are denominated in another currency.

(iii) In the case of a cash flow item denominated in currency X which can be calculated after deduction of collateral value, the collateral to be deducted must also be denominated in currency X. For example, in the calculation of expected cash outflows arising from potential drawdowns on committed facilities granted by a reporting institution, if the institution ascertains that the facility will be drawn in currency X, its loan commitment under that facility should be included in the calculation of LCR in currency X and only qualifying collateral denominated in currency X can be deducted.

(iv) If the currency denomination of cash flows arising from a transaction is uncertain, the institution should make a reasonable estimation of the likely currency denomination of the expected cash flows, taking into account the contractual terms and prevailing market conditions.

Hong Kong Monetary Authority
December 2025

Annex 1

Reporting of cash flows and securities flows arising from securities financing transactions (under Part 4 of this Return)

Introduction

1. This Annex provides illustrative examples on how cash flows and securities flows arising from securities financing transactions should be reported in Part 4 of this Return.[52]

Scenario 1 – Securities financing transaction under which securities are pledged by the reporting institution as collateral in exchange for a sum of money from the customer

2. On the reporting date, the reporting institution holds a stock of debt securities[53] with a fair value of $100, $20 of which have been pledged by the institution to its customer under a securities financing transaction with a remaining term to maturity of 1 month. The remaining stock of unencumbered debt securities ($80) is assumed to be readily monetizable. The final maturity date of the stock of debt securities is in 6 years. The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

[52] The examples presented in this Annex cover mainly securities financing transactions that involve an exchange of a sum of money in return for securities, whether by way of pledge, outright sale (and repurchase) or outright purchase (and resale). In the case of securities swap transactions (which involve an exchange of securities), the securities flows arising from such transactions should follow the relevant treatments associated with securities flows as demonstrated in the examples. For instance, AIs may refer to the illustrations in Scenarios 1 and 3 for the reporting of securities flows under a securities swap transaction.

[53] In the examples presented in this Annex, it is assumed that debt securities are used as the underlying assets to support securities financing transactions. In the event that the underlying assets in such transactions are not debt securities, the reporting methodologies demonstrated in this Annex are still applicable, except that the inflows arising from those assets are to be reported in other items (e.g. item 25 – other assets) instead of item 22. It is also assumed the underlying assets are marketable and are therefore measured on the basis of fair value. Otherwise, the underlying assets should be measured on the basis of book value (including any accrued interest).

A. **Contractual maturity profile**		Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items		
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
2	Amount payable arising from securities financing transactions (other than securities swap transactions)	20[54]		20	
21	Due from banks which are :-				
	(d) Due from other counterparties	20[55]	20		
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)				
	(a) Readily monetizable	80[56]	80		
	(b) Not readily monetizable				
	(i) Pledged to customers	20[57]		20	
	(ii) Others				
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	100			100

Table B1		Total amount	Contractual maturity of securities flows arising from securities financing transactions	
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
36	Securities pledged to customers as collateral under securities financing transactions (to be returned to the reporting institution)	20[58]		20

[54] This reflects the funds raised by the institution under the securities financing transaction, to be payable to the customer when the transaction is settled in 1 month's time.

[55] For simplicity's sake, all examples presented in this Annex disregard any possible haircuts that may be applied to the underlying securities in a real-life securities financing transaction. In addition, the funds raised by the institution under the transaction are assumed to be placed with other banks and usable on "next day", as reported in item 21(c). Notwithstanding these hypothetical assumptions, an AI should report real-life transactions under Part 4 taking into account the actual terms and conditions involved.

[56] As the remaining stock of debt securities ($80) is assumed to be "readily monetizable", this remaining stock should be reported in item 22(a) (under the "Next day" column). (If any portion of the remaining stock of debt securities, other than that already pledged to customers, is not readily monetizable for any other reasons, report that portion in item 22(b)(ii).)

[57] The portion of debt securities that has been pledged to customers should be reported in item 22(b)(i) according to the contractual dates on which the debt securities are released from the relevant pledge arrangements (i.e. no longer encumbered and readily monetizable).

[58] Table B1 in Section B of Part 4 is intended to specifically capture securities flows arising from securities financing transactions. The securities pledged by the institution in this scenario should also be reported in item 36.

(applicable to Parts 4A and 4B only)		Beginning balance	Flows of unencumbered securities available to the reporting institution	
			Next day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $100 debt securities are EF debt securities)	80[59]		20

[59] The debt securities ($20) pledged to customer should be excluded from the "Beginning balance", but included as securities inflows according to the contractual dates on which the debt securities are released from the relevant pledge arrangements.

Scenario 2 – Securities financing transaction under which securities are sold by the reporting institution to the customer for a sum of money (with a commitment to repurchase the securities at a future date)

3. This Scenario is similar to Scenario 1, except that the reporting institution has sold a portion of its stock of debt securities ($20) outright under a securities financing transaction (e.g. repo), with a commitment to repurchase those securities in 1 month's time. The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items		
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
2	Amount payable arising from securities financing transactions (other than securities swap transactions)				
12	Contractual obligations arising from securities financing transactions (not included in item 2)	20[60]		20	
	(a) Memorandum item: Contractual obligations reported in item 12 that are in terms of cash	20		20	
21	Due from banks of which:-				
	(d) Due from other counterparties	20	20		
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)				
	(a) Readily monetizable	80	80		
	(b) Not readily monetizable				
	(i) Pledged to customers				
	(ii) Others				
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	80			80
28	Contractual claims arising from securities financing transactions (not included in item 17)	20		20	
	(a) Memorandum item: Contractual claims reported in item 28 that are in terms of cash				

[60] Under Scenario 2, the institution does not have an on-balance sheet liability to repay the funds raised from the outright sale of securities under the transaction. However, the institution has a contractual obligation under the transaction to repurchase the securities sold, and repay the funds previously raised from the outright sale of securities (reportable in item 12), in 1 month's time.

Table B1		Total amount	Contractual maturity of securities flows arising from securities financing transactions	
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
37	Securities sold to customers under securities financing transactions (to be repurchased by the reporting institution)	20		20

Table B4 (applicable to Parts 4A and 4B only)		Beginning balance	Flows of unencumbered securities available to the reporting institution	
			Next day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $100 debt securities are EF debt securities)	80		20

Scenario 3 – Securities financing transaction under which securities are pledged by the customer to the reporting institution as collateral in exchange for a sum of money from the institution

4. Under this Scenario, assume that the reporting institution, apart from holding a stock of debt securities ($100), has received debt securities ($30) from its customer as collateral under a securities financing transaction with a remaining term to maturity of 1 month on the reporting date. All those securities held or received as collateral ($130) are assumed to be readily monetizable. It is also assumed that the institution has the right to re-hypothecate the pledged securities but has not exercised this right yet. The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items		
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
6	Due to banks of which:-				
	(d) Due to other counterparties	30[61]	30		
17	Amount receivable arising from securities financing transactions (other than securities swap transactions)	30[62]		30	
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)				
	(a) Readily monetizable	100[63]	100		
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	100			100

[61] For simplicity's sake, it is assumed that the institution has funded its lending under the transaction by interbank borrowing repayable by the institution on demand. The same assumption is adopted in the other examples that involve the institution providing funds to its customers.

[62] This reflects the funds provided by the institution to its customer, to be received when the transaction matures in 1 month's time.

[63] As the securities are pledged to the institution as collateral, these securities are not on-balance sheet assets reportable under item 22. Nonetheless, the pledged securities should be reported in item 34(a) as these securities are assumed under this scenario to be readily monetizable and the institution has the right of re-hypothecation which has not been exercised. The amount of pledged securities to be returned by the institution to its customer in 1 month's time should also be reported under item 34(c).

Table B1		Total amount	Contractual maturity of securities flows arising from securities financing transactions	
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
34	Securities pledged to the reporting institution as collateral under securities financing transactions (to be returned to customers)			
	(a) Readily monetizable through re-hypothecation	30	30	
	(c) Memorandum item: Securities reported in sub-items (a) and (b) – according to contractual dates of return to customers			30

Table B4		Beginning balance	Flows of unencumbered securities available to the reporting institution	
			Next day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $130 debt securities are EF debt securities)	130[64]		-30[65]

[64] Both the holding of debt securities ($100) and the debt securities received as collateral ($30) that are readily monetizable should be reported in the "Beginning balance" column.

[65] This reflects that the debt securities received have to be returned to its customer by the institution when the transaction matures in 1 month's time.

Scenario 4 – Securities financing transaction under which securities are purchased by the reporting institution from the customer for a sum of money (with a commitment to resell the securities at a future date)

5. This Scenario is similar to Scenario 3, except that the reporting institution has purchased debt securities ($30) outright under a securities financing transaction (e.g. reverse repo), with a commitment to resell the securities in 1 month's time. The final maturity date of the debt securities is in 6 years. The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items		
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
6	Due to banks of which:-				
	(d) Due to other counterparties	30	30		
12	Contractual obligations arising from securities financing transactions (not included in item 2)	30		30	
	(a) Memorandum item: Contractual obligations reported in item 12 that are in terms of cash				
17	Amount receivable arising from securities financing transactions (other than securities swap transactions)				
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)				
	(a) Readily monetizable	130[66]	130		
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	130			130
28	Contractual claims arising from securities financing transactions (not included in item 17)	30		30	
	(a) Memorandum item: Contractual claims reported in item 28 that are in terms of cash	30		30	

[66] Under Scenario 4, the institution's purchase of the securities should be reflected in item 22(a). The institution does not have an on-balance sheet amount receivable arising from the transaction (item 17). However, it has an off-balance sheet claim on its customer reportable under item 28 (representing the funds to be received when its customer repurchases the securities in 1 month's time). Simultaneously, the institution has an off-balance sheet obligation to return the securities to its customer (as reflected in item 12).

The amount of securities purchased (and to be resold) by the institution should also be reported in item 35(a) (and item 35(c)) under Table B1.

Table B1		Total amount	Contractual maturity of securities flows arising from securities financing transactions	
			Next day	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
35	Securities purchased by the reporting institution under securities financing transactions (to be repurchased by customers)			
	(a) Readily monetizable through re-hypothecation	30	30	
	(c) Memorandum item: Securities reported in sub-items (a) and (b) - according to contractual dates of repurchase by customers			30

Table B4		Beginning balance	Flows of unencumbered securities available to the reporting institution	
			Next day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $130 debt securities are EF debt securities)	130		-30[67]

[67] As the institution has a commitment to resell the debt securities in 1 month's time when the transaction matures, securities outflow of -$30 should be reported in the ">4 weeks up to 6 weeks" time bucket.

Scenario 5 (Extension of Scenario 3): Portion of securities pledged to the reporting institution under the securities financing transaction in Scenario 3 is re-hypothecated (as collateral) under another securities financing transaction

6. As an extension of Scenario 3, on the same reporting date, a portion of the debt securities ($25 out of $30) received by the reporting institution as collateral under the securities financing transaction in Scenario 3 (which has a remaining term to maturity of 1 month) is re-hypothecated by the institution as collateral in exchange for a sum of money from another customer under another securities financing transaction (which has a remaining term to maturity of 7 days). The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items			
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
2	Amount payable arising from securities financing transactions (other than securities swap transactions)	25[68]		25		
6	Due to banks of which:-					
	(d) Due to other counterparties	30	30			
17	Amount receivable arising from securities financing transactions (other than securities swap transactions)	30			30	
21	Due from banks of which:-					
	(d) Due from other counterparties	25	25			
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)					
	(a) Readily monetizable	100	100			
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	100				100

[68] This reflects the funds raised by the institution (for a period of 7 days) through re-hypothecating a portion of the securities pledged to the institution. The funds raised by the institution are assumed to be placed with other banks and usable on "next day" as reported in item 21 – please refer to footnote 55 of these CIs.

Table B1

		Total amount	Contractual maturity of securities flows arising from securities financing transactions		
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
34	Securities pledged to the reporting institution as collateral under securities financing transactions (to be returned to customers)				
	(a) Readily monetizable through re-hypothecation	5[69]	5		
	(b) Not readily monetizable				
	(i) Re-hypothecated	25		25	
	(c) Memorandum item: Securities reported in sub-items (a) and (b) - according to contractual dates of return to customers				30

Table B4

		Beginning balance	Flows of unencumbered securities available to the reporting institution		
			Next day	7th day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $130 debt securities are EF debt securities)	105[70]		25[71]	-30

[69] As a portion of the debt securities pledged to the institution has been re-hypothecated by the institution, the remaining portion ($5) of the securities is reported in item 34(a), given that this remaining portion is still readily monetizable. The re-hypothecated securities ($25) should be reported in item 34(b)(i), which will be released from re-hypothecation in 7 days' time.

[70] The portion of debt securities pledged to the institution that has been re-hypothecated by the institution ($25) should be excluded from the "Beginning balance", resulting in the amount of $105 (i.e. $100 + $30 - $25) reported in the "Beginning balance".

[71] The re-hypothecated securities ($25) should be reported as securities inflows in the "7th day" time bucket reflecting the securities will be released from re-hypothecation in 7 day's time.

Scenario 6 (Extension of Scenario 4): Portion of securities purchased by the reporting institution under the securities financing transaction in Scenario 4 is re-hypothecated (as collateral) under another securities financing transaction

7. As an extension of Scenario 4, on the same reporting date, a portion of the debt securities ($25 out of $30) purchased by the reporting institution under the securities financing transaction in Scenario 4 (e.g. reverse repo) (which has a remaining term to maturity of 1 month) is re-hypothecated by the institution as collateral in exchange for a sum of money from another customer under another securities financing transaction (which has a remaining term to maturity of 7 days). The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items			
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
2	Amount payable arising from securities financing transactions (other than securities swap transactions)	25[72]		25		
6	Due to banks of which:-					
	(d) Due to other counterparties	30	30			
12	Contractual obligations arising from securities financing transactions (not included in item 2)	30			30	
	(a) Memorandum item: Contractual obligations reported in item 12 that are in terms of cash					
17	Amount receivable arising from securities financing transactions (other than securities swap transactions)					
21	Due from banks of which:-					
	(d) Due from other counterparties	25	25			
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)					
	(a) Readily monetizable	105	105			
	(b) Not readily monetizable					
	(i) Pledged to customers	25		25		
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	130				130

[72] The funds ($25) raised by the institution through re-hypothecation of debt securities purchased under the securities financing transaction in Scenario 4 are repayable in 7 days' time, and hence should be reported in item 2. The funds raised are assumed to be placed with other banks and usable on demand (as reported in item 21). The re-hypothecated securities are still on the institution's balance sheet but pledged to customers for 7 days (as reported in item 22(b)(i)).

The securities financing transaction in Scenario 4 (in which debt securities of $30 are purchased) and the associated re-hypothecation of a portion of the securities purchased ($25 out of $30) should also be reported in item 35 under Table B1 as indicated.

A. **Contractual maturity profile**		Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items			
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
28	Contractual claims arising from securities financing transactions (not included in item 17)	30			30	
	(a) Memorandum item: Contractual claims reported in item 28 that are in terms of cash	30			30	

Table B1		Total amount	Contractual maturity of securities flows arising from securities financing transactions		
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
35	Securities purchased by the reporting institution under securities financing transactions (to be repurchased by customers)				
	(a) Readily monetizable through re-hypothecation	5	5		
	(b) Not readily monetizable				
	(i) Re-hypothecated	25		25	
	(c) Memorandum item: Securities reported in sub-items (a) and (b) - according to contractual dates of repurchase by customers				30

Table B4		Beginning balance	Flows of unencumbered securities available to the reporting institution		
			Next day	7th day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $130 debt securities are EF debt securities)	105		25	-30

Scenario 7 (Variation of Scenario 6) - Portion of securities purchased by the reporting institution under the securities financing transaction in Scenario 4 is sold by the institution under another securities financing transaction for a sum of money (with a commitment to repurchase the securities in 7 days' time)

8. This Scenario is similar to Scenario 6, except that the portion of debt securities ($25 out of $30) purchased by the reporting institution under the securities financing transaction in Scenario 4 (e.g. reverse repo) (which has a remaining term to maturity of 1 month) is sold by the institution (instead of being pledged as collateral under Scenario 6) in another securities financing transaction subject to a repurchase obligation (e.g. repo) (which has a remaining term to maturity of 7 days). The cash flows and securities flows under this Scenario should be reported in Part 4 of this Return as follows:

A.	**Contractual maturity profile**	Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items			
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)	Over 5 years
2	Amount payable arising from securities financing transactions (other than securities swap transactions)					
6	Due to banks of which:-					
	(d) Due to other counterparties	30	30			
12	Contractual obligations arising from securities financing transactions (not included in item 2)	55[73]		25	30	
	(a) Memorandum item: Contractual obligations reported in item 12 that are in terms of cash	25		25		
21	Due from banks of which:-					
	(d) Due from other counterparties	25	25			
22	Debt securities, prescribed instruments and structured financial instruments held (net of short positions)					
	(a) Readily monetizable	105	105			
	(c) Memorandum item: Cash inflow arising from the debt securities and instruments according to contractual maturity dates	105				105
28	Contractual claims arising from securities financing transactions (not included in item 17)	55		25	30	
	(a) Memorandum item: Contractual claims reported in item 28 that are in terms of cash	30			30	

[73] This represents the institution's cash and securities outflows arising from 2 irrevocable off-balance sheet obligations, i.e. (i) repurchasing that portion of "repo securities" ($25) in 7 days' time, and (ii) selling the whole portion of securities purchased under the reverse repo ($30) in 1 month's time. These obligations should be reflected in item 12. At the same time, the corresponding off-balance sheet claims, i.e. (i) securities ($25) to be received upon expiry of the repo in 7 days' time and (ii) the funds ($30) to be received upon expiry of the reverse repo in 1 month's time, should be reflected in item 28.

Table B1

		Total amount	Contractual maturity of securities flows arising from securities financing transactions		
			Next day	7th day (for Part 4A or 4B) or 2 to 7 days (for Part 4C)	> 4 weeks up to 6 weeks (for Part 4A or 4B) or 8 days to 1 month (for Part 4C)
35	Securities purchased by the reporting institution under securities financing transactions (to be repurchased by customers)				
	(a) Readily monetizable through re-hypothecation	5	5		
	(b) Not readily monetizable				
	(i) Re-hypothecated	25		25	
	(c) Memorandum item: Securities reported in sub-items (a) and (b) - according to contractual dates of repurchase by customers				30

Table B4

		Beginning balance	Flows of unencumbered securities available to the reporting institution		
			Next day	7th day	> 4 weeks up to 6 weeks
44	EF debt securities (Note: Assuming all the $130 debt securities are EF debt securities)	105		25	-30

Annex 2

Reporting methodologies for payables and receivables arising from derivative contracts (under Part 4 of this Return)

1. This Annex provides specific guidance for the reporting of contractual cash flows and securities flows (whether on- or off-balance sheet) arising from common types of derivative contracts (i.e. options, futures and swaps).

2. For the purposes of Part 4 of this Return, a derivative contract is assumed to be settled on a net basis (unless otherwise specified in certain types of swap contracts as presented in this Annex). It should however be noted that the netting of payables and receivables across derivative contracts are not allowed, irrespective of whether the reporting institution has established a valid bilateral netting agreement with its customer.[74]

Options

3. If an option is "in the money"[75] on the reporting date, it is assumed that the option will be exercised by the option holder on the earliest possible exercise date[76].

- If the option is held by the reporting institution, report the expected amount receivable by the institution under the appropriate time band in item 18 or 29, depending on whether the option position is recognised as an on-balance sheet item under the applicable accounting standards.

- If the option is written by the reporting institution (and held by its customer), report the expected amount payable by the institution under the appropriate time band in item 3 or 13, depending on the applicable accounting standards.

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[74] Whilst a bilateral netting agreement allows the contractual parties to offset the liabilities and claims between them in the case of any party going into default, the maturity profile is intended to reflect an AI's liquidity position under a "business as usual" situation, meaning that neither the AI nor its counterparty is assumed to go into default unless any such event has actually occurred.

[75] For options, "in the money", "at the money" and "out of the money" have the following meanings:

	"in the money"	"at the money"	"out of the money"
Call options	S > X	S = X	S < X
Put options	S < X	S = X	S > X

"S" means the spot price of the underlying asset, and "X" means the exercise price of the underlying asset.

[76] The earliest possible exercise date should be determined according to the terms and conditions of an option. For example, a "European option" can be exercised only on the final maturity date. In the case of an "American option", the earliest possible exercise date may be "next day", taking into account any contractual notice period for early exercise.

The expected amount receivable or payable by the institution under an option can be approximated by the replacement cost of the option (measured at fair value on the reporting date), only if the option will not generate periodic inflows or outflows by the institution before the option is settled ultimately. Otherwise, the institution should report such periodic inflows or outflows (estimated by reference to the current market prices or rates on the month-end reporting date) in the appropriate time buckets.

4. If an option contract is "at the money" or "out of the money" on the reporting date, it is assumed that the option will not be exercised by the holder and therefore can be disregarded for the purposes of Part 4 of this Return.

Futures and forwards

5. If the reporting institution has entered into a futures contract (or a forward contract), report the mark-to-market gain arising from the contract in item 18 or 29 (or report the mark-to-market loss arising from the contract in item 3 or 13), depending on whether the mark-to-market gain or loss of that contract is recognised as an on-balance sheet item according to the applicable accounting standards. The mark-to-market gain or loss should be reported in the "Next day" column if the institution can square its position in a contract readily in the market. Otherwise, report the mark-to-market gain or loss under the appropriate time period according to the earliest possible settlement date as specified contractually.

Swaps

6. If the reporting institution has entered into a swap contract[77] that will create a series of funds payable and receivable by the institution throughout the term of the contract, the replacement cost of the contract (as recognised under the applicable accounting standards) may not always be able to reflect the potential impacts of this contract on the institution's liquidity profile. The periodic payables and receivables arising from swap contracts should be treated on a "cash-flow basis" for the purposes of Part 4 of this Return. This means that the institution should report the amounts of periodic payables and receivables arising from a swap contract under the appropriate time bands of the relevant items (whether item 3, 13, 18 or 29). The payables and receivables should be calculated by reference to the prices or rates that are determined according to the contractual arrangements. If such prices or rates are not yet due for fixing, use the current market prices or rates applicable to that contract as of the month-end reporting date. Whether the payables and receivables are reported as on- or off-balance sheet items should be determined according to the applicable accounting standards.

[77] A swap contract includes, for example, an interest rate swap, a currency swap and any other similar swap contract, but not a securities swap which should be treated as a securities financing transaction.

7. For example, under a HKD-USD currency swap contract that has a remaining term to maturity of 1 year, the reporting institution is obliged to pay a fixed amount of HKD7.8 million to its customer quarterly in exchange for USD$1 million. (In other words, the amounts payable and receivable by the reporting institution periodically are exchanged on gross basis in this example). Assume that the exchange rate fixing date in respect of that contract is not yet due, whilst the HKD-USD market exchange rate on the month-end reporting date was 7.76. If the institution needs to recognise the replacement cost of the swap contract ("X") as an on-balance sheet item pursuant to the applicable accounting standards, the institution should report the periodic receivables and payables under this contract respectively in items 3 and 18 of Part 4 of this Return as demonstrated in the Table under paragraph 8 of this Annex.[78]

8. In addition to reporting the periodic payables and receivables under the appropriate time bands in items 3 and 18 respectively, the reporting institution should report the replacement cost of the swap contract ("X") under the "Total amount" column of item 3 if the institution is bearing a mark-to-market loss under the contract (as in this example), or the "Total amount" column of item 18 if the institution is bearing a mark-to-market gain under the contract. (To avoid doubt, the reporting of "X" is not intended to reconcile the amounts of periodic cash flows arising from a swap contract. This is intended to serve as an additional reference to enable supervisory assessment on the potential impact of the swap contract on the institution's earnings and capital.)

(HK$'000)

A. Contractual maturity profile		Total amount	Contractual maturity of cash flows and securities flows arising from the relevant items		
			> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year
3	Amount payable arising from derivative contracts	X	7,800	7,800	15,600
18	Amount receivable arising from derivative contracts		7,760	7,760	15,520

[78] Otherwise, if the reporting institution does not recognise the replacement cost of a swap contract as an on-balance sheet item (which may be possible pursuant to the applicable accounting standards adopted by some overseas incorporated AIs), the institution should report the periodic payables and receivables arising from that contract in items 13 and 29 of Part 4 respectively, whilst the replacement cost of that contract should be reported under the "Total amount" column of item 13 if the institution is bearing a mark-to-market loss under the contract, or under the "Total amount" column of item 29 if the institution is bearing a mark-to-market gain under the contract.

9. If the periodic payables and receivables arising from a swap contract are contractually allowed to be settled on a net basis, the reporting institution should report the net amount payable or receivable under the appropriate time band(s) according to the periodic settlement date(s). Following the example presented in paragraphs 7 and 8 of this Annex, the net amounts payable by the reporting institution periodically should be reported as follows:

(HK$'000)

	A. Contractual maturity profile	Total amount on reporting date	Contractual maturity of cash flows arising from the relevant items		
			> 1 month up to 3 months	> 3 months up to 6 months	> 6 months up to 1 year
3	Amount payable arising from derivative contracts	X	40	40	80
18	Amount receivable arising from derivative contracts		0	0	0

Securities pledged as collateral under derivative contracts

10. Securities flows arising from derivative contracts should be reported specifically in Table B2 under Section B of Part 4 of this Return.

- Any securities pledged to the reporting institution as collateral under derivative contracts should be reported (at fair value if marketable) in item 38. The reporting methodology for this item is similar to that for item 34.

- If the reporting institution has pledged its own securities to customers as collateral under derivative contracts (where these securities are still on the institution's balance sheet (in item 22(b)(i)), it should report these securities (at fair value if marketable) specifically in item 39. The reporting methodology for this item is similar to that for item 36.