

L.N. 89 of 2007**SPECIFICATION OF FACTORS (FINANCIAL
EXPOSURE OF AUTHORIZED
INSTITUTION) NOTICE 2007**

(Made by the Monetary Authority under section 81(3) of the
Banking Ordinance (Cap. 155))

1. Commencement

This Notice shall come into operation on 13 July 2007.

2. Interpretation

In this Notice—

“asset sale with recourse” (有追索權的資產出售) has the meaning assigned to it by section 2(1) of the Capital Rules;

“Capital Rules” (《資本規則》) means the Banking (Capital) Rules (L.N. 228 of 2006);

“direct credit substitute” (直接信貸替代項目) has the meaning assigned to it by section 2(1) of the Capital Rules;

“forward asset purchase” (遠期資產購買) has the meaning assigned to it by section 2(1) of the Capital Rules;

“forward deposits placed” (遠期有期存款) has the meaning assigned to it by section 2(1) of the Capital Rules;

“note issuance and revolving underwriting facilities” (票據發行及循環式包銷融通) has the meaning assigned to it by section 2(1) of the Capital Rules;

“original maturity” (原訂到期期限), in relation to a relevant off-balance sheet item of an authorized institution, means the period between the date on which the item is entered into by the institution and the earliest date on which the institution can, at its option, unconditionally cancel the item;

“partly paid-up shares and securities” (部分付款股份及證券) has the meaning assigned to it by section 2(1) of the Capital Rules;

“relevant off-balance sheet item” (有關資產負債表外項目) means an off-balance sheet item for the purpose of rules made under section 98A(1) of the Ordinance;

“trade-related contingency” (貿易關聯或有項目) has the meaning assigned to it by section 2(1) of the Capital Rules;

“transaction-related contingency” (交易關聯或有項目) has the meaning assigned to it by section 2(1) of the Capital Rules.

3. Specified factors

For the purposes of section 81(2)(c) of the Ordinance, the factor for a relevant off-balance sheet item set out in the second column of the Schedule is specified in the third column of that Schedule opposite to that item.

SCHEDULE

[s. 3]

FACTORS FOR RELEVANT OFF-BALANCE SHEET ITEMS

Item	Relevant off-balance sheet item	Factor
1.	Direct credit substitutes	100%
2.	Transaction-related contingencies	100%
3.	Trade-related contingencies	100%
4.	Asset sales with recourse	100%
5.	Forward asset purchases	100%
6.	Partly paid-up shares and securities	100%
7.	Forward deposits placed	100%
8.	Note issuance and revolving underwriting facilities	100%
9.	Commitments which do not fall within any of items 1, 2, 3, 4, 5, 6, 7 and 8 and—	
	(a) which have an original maturity of any duration;	100%
	(b) which may be cancelled at any time unconditionally by the authorized institution or which provide for automatic cancellation due to a deterioration in the creditworthiness of the persons to whom the institution has made the commitments;	100%
	(c) the drawdown of which will give rise to a relevant off-balance sheet item falling within any of items 1, 2, 3, 4, 5, 6, 7 and 8 or any item specified in section 120 of the Capital Rules.	100%

Joseph C. K. YAM
Monetary Authority

14 May 2007

Explanatory Note

Section 81 of the Banking Ordinance (Cap. 155) provides that the financial exposure of an authorized institution to any person, company or combination thereof shall not exceed a certain amount and specifies how such financial exposure is to be calculated. The purpose of this Notice is to specify, in relation to the calculation of such financial exposure, the factors for certain off-balance sheet items that are off-balance sheet exposures specified in Table 14 under section 118 of the Banking (Capital) Rules (L.N. 228 of 2006) for the purpose of calculating an authorized institution's capital adequacy ratio.