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Banking (Disclosure) (Amendment) Rules 2018

(Made by the Monetary Authority under section 60A of the Banking Ordinance (Cap. 155) after consultation with the Financial Secretary, the Banking Advisory Committee, the Deposit-taking Companies Advisory Committee, The Hong Kong Association of Banks and The Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies)

1. Commencement

These Rules come into operation on 30 June 2018.

2. Banking (Disclosure) Rules amended

The Banking (Disclosure) Rules (Cap. 155 sub. leg. M) are amended as set out in sections 3 to 40.

3. Section 2 amended (interpretation)

(1) Section 2(1)—

Repeal the definition of *exposure measure*

Substitute

“*exposure measure* (風險承擔計量) has the meaning given by section 3Y of the Capital Rules;”.

(2) Section 2(1)—

Repeal the definition of *leverage ratio*

Substitute

“*leverage ratio* (槓桿比率) has the meaning given by section 3Y of the Capital Rules;”.

(3) Section 2(1)—

Repeal the definition of *off-balance sheet exposures*

Substitute

“*off-balance sheet exposures* (資產負債表外風險承擔), in relation to the leverage ratio of an authorized institution, means the off-balance sheet exposures calculated by using the standard calculation methodology set out in the leverage ratio return;”.

- (4) Section 2(1)—

Repeal the definition of *on-balance sheet exposures*

Substitute

“*on-balance sheet exposures* (資產負債表內風險承擔), in relation to the leverage ratio of an authorized institution, means the on-balance sheet exposures calculated by using the standard calculation methodology set out in the leverage ratio return;”.

- (5) Section 2(1)—

Repeal the definition of *leverage ratio template*.

- (6) Section 2(1)—

Add in alphabetical order

“*CB ratio* (CB比率) has the meaning given by section 3E(1) of the Capital Rules;

CCyB ratio (CCyB比率) has the meaning given by section 3E(1) of the Capital Rules;

G-SIB has the meaning given by section 3E(1) of the Capital Rules;

HLA ratio (HLA比率) has the meaning given by section 3E(1) of the Capital Rules;

leverage ratio return (槓桿比率申報表) means the standard return template relating to leverage ratio referred to in section 3ZB(3) of the Capital Rules;

stable funding position return (穩定資金狀況申報表) means the return relating to stable funding position required to be submitted by an authorized institution to the Monetary Authority under section 63(2) of the Ordinance;”.

(7) Section 2—

Repeal subsection (2)

Substitute

“(2) Section 2 of the Capital Rules applies to the interpretation of these Rules as that section applies to the interpretation of the Capital Rules.

(2A) Rules 2, 17, 39, 54 and 59 of the Liquidity Rules, if applicable, apply to the interpretation of sections 12, 16AB, 16FJ, 16FK, 16FL, 103, 103A, 103AB, 103B and 103C of these Rules as those rules apply to the interpretation of the Liquidity Rules.

(2B) If a conflict arises from the operation of subsections (2) and (2A) in relation to the interpretation of these Rules, the rule that applies under subsection (2A) prevails.”.

(8) After section 2(3)—

Add

“(4) For the purposes of these Rules, a reference to an authorized institution making a disclosure to the general public includes the institution making the disclosure—

(a) on the institution’s internet website (or a section of the internet website); and

(b) if approved by the Monetary Authority—on the internet website of the institution’s parent bank (or a section of the internet website).”.

Section 4

4. Section 3 amended (application)

- (1) Section 3(1)(c)—
Repeal subparagraph (ii).
- (2) Section 3(2)(a)—
Repeal subparagraph (ii).
- (3) Section 3—
Repeal subsections (15) and (16).

5. Section 6 amended (medium, location and timing of disclosure and issue of press release)

- (1) Section 6, heading—
Repeal
“and issue of press release”.
- (2) Section 6(1)—
Repeal
“section 24(5) and (6)”
Substitute
“section 16FE(1)(b) and (2)”.
- (3) Section 6(1)(ab), after “templates”—
Add
“or tables (if applicable)”.
- (4) Section 6(1B)(a)(iii), after “institution’s”—
Add
“internet”.
- (5) Section 6(1C)—
Repeal
“or 2B”.

Section 5

(6) Section 6(1D)—

Repeal

“, 2B”.

(7) Section 6(1D)(a)—

Repeal

everything after “*period*”

Substitute

“__

- (i) concurrently with the publication of the interim financial statements; or
- (ii) if a permission is given under subsection (1F)— within the time permitted; or”.

(8) Section 6(1E)—

Repeal

“, 2B”.

(9) Section 6(1E)(a)—

Repeal

everything after “*period*”

Substitute

“__

- (i) concurrently with the publication of the annual financial statements; or
- (ii) if a permission is given under subsection (1F)— within the time permitted; or”.

(10) After section 6(1E)—

Add

“(1F) Subject to subsection (1G), the Monetary Authority may, by notice in writing given to an authorized institution, permit the publication of a disclosure statement under subsection (1D)(a) or (1E)(a) by the institution at a time later than the publication of the interim financial statements or annual financial statements (as the case requires) but within the following period after the end of the reporting period to which the disclosure statement relates—

- (a) if subsection (1D)(a) applies—3 months;
- (b) if subsection (1E)(a) applies—4 months.

(1G) The Monetary Authority may give a permission under subsection (1F) if the authorized institution demonstrates to the satisfaction of the Monetary Authority that—

- (a) concurrent publication under subsection (1D)(a)(i) or (1E)(a)(i) is not practicable or feasible, or will result in a delay in the publication of the relevant financial statements; and
- (b) the proposed difference in time between the publication of the relevant financial statements and the publication of the disclosure statement is reasonable in all the circumstances of the case.”.

(11) Section 6—

Repeal subsection (4).

(12) Section 6(7)—

Repeal paragraph (a)

Substitute

“(a) keep at least one copy of each of its disclosure statements (*relevant copy*) in its principal place of business in Hong Kong; and”.

(13) Section 6(7)(b)—

Repeal

“the place where the relevant copy is kept”

Substitute

“its principal place of business in Hong Kong”.

(14) Section 6(8)—

Repeal

“Subject to sections 24(4) and (5), 24A(5), 30(2) and 51(2), if”

Substitute

“If”.

(15) Section 6(10A)—

Repeal

“Subject to sections 24(4), 24A(5), 30(2) and 51(2), an”

Substitute

“An”.

(16) Section 6(10A)—

Repeal paragraph (b)

Substitute

“(b) unless otherwise approved by the Monetary Authority, must establish and maintain the archive—

- (i) on the institution’s internet website; or
- (ii) if an approval is given under section 2(4)(b)—
on the internet website of the institution’s parent bank.”.

6. Section 11 amended (consolidated group level disclosures)

(1) Section 11(4)—

Repeal

everything after “pursuant to”

Substitute

“section 16FJ, 16FK, 16FL, 23, 25, 26, 27, 28, 29, 29B, 35, 44, 46, 47 or 52.”.

(2) Section 11(5)—

Repeal

“subsection (4)(a), (b) and (c)”

Substitute

“subsection (4)”.

(3) Section 11(6)—

Repeal

“28, 29, 30, 30A, 30B, 51, 51A and 51B”

Substitute

“16FJ, 16FK, 16FL, 28 and 29”.

7. Section 12 amended (basis of disclosure)

(1) Section 12(2)(b)—

Repeal

“instead”.

(2) After section 12(2)—

Add

“(3) If an authorized institution is not required, under the Liquidity Rules, to calculate one or more of the LCR, LMR, NSFR or CFR (*excluded ratios*) for its liquidity risk, the institution—

- (a) is not required to make disclosures pertaining to the excluded ratios; but
- (b) must disclose that fact.”.

8. Section 14 amended (frequency)

(1) Section 14—

Repeal subsection (2).

(2) Section 14(3)—

Repeal

“Subject to section 24(6), an”

Substitute

“An”.

9. Section 15 amended (group-wide disclosures made by parent bank of authorized institution)

Section 15(f) and (g), English text—

Repeal

“Internet” (wherever appearing)

Substitute

“internet”.

10. Part 2A, Division 2 heading amended (overview of risk management and risk-weighted amount)

Part 2A, Division 2, heading—

Repeal

“Overview”

Substitute

“Key Prudential Ratios and Overview”.

11. Section 16AB added

Part 2A, Division 2, before section 16B—

Add

“16AB. Key prudential ratios—quarterly disclosures

An authorized institution must disclose, for each quarterly reporting period (*relevant reporting period*)—

- (a) each of the following ratios that it is required to calculate for the purposes of the Capital Rules or the Liquidity Rules (as applicable) (each referred to in this section as a *key prudential ratio*)—
 - (i) CET1 capital ratio;
 - (ii) Tier 1 capital ratio;
 - (iii) Total capital ratio;
 - (iv) leverage ratio;
 - (v) LCR;
 - (vi) LMR;
 - (vii) NSFR;
 - (viii) CFR;
 - (ix) CB ratio;
 - (x) CCyB ratio;
 - (xi) HLA ratio;
- (b) for each key prudential ratio other than the LMR, CFR, CB ratio, CCyB ratio and HLA ratio—the numerator and the denominator used for calculating the ratio;

- (c) for each key prudential ratio—comparative figures for each of the 4 quarterly reporting periods before the relevant reporting period; and
- (d) for each key prudential ratio—an explanation of any material changes during the relevant reporting period, including key drivers of those changes.”.

12. Section 16B amended (overview of risk management—annual disclosures)

Section 16B—

Repeal

“necessary and”

Substitute

“necessary or”.

13. Section 16C amended (overview of risk-weighted amount—quarterly disclosures)

Section 16C—

Repeal paragraph (a)

Substitute

- “(a) an overview of its capital requirements by providing a breakdown of its total risk-weighted amount forming the denominator of the capital requirements; and”.

14. Section 16D amended (differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories—annual disclosures)

Section 16D(1)—

Repeal

“necessary and”

Substitute

“necessary or”.

15. Section 16FA added

Part 2A, Division 3, after section 16F—

Add

“16FA. Prudent valuation adjustments—annual disclosures

An authorized institution must disclose, for each annual reporting period—

- (a) a breakdown of prudent valuation adjustments required by type of financial instruments, and allocation of these adjustments between the banking book and the trading book (if applicable); and
- (b) an explanation of any material changes in the amount of prudent valuation adjustments referred to in paragraph (a) during the reporting period, including key drivers of those changes.”.

16. Part 2A, Divisions 3A to 3D added

Part 2A, after Division 3—

Add

“Division 3A—Composition of Regulatory Capital**16FB. Composition of regulatory capital—semi-annual disclosures**

An authorized institution must disclose, for each semi-annual reporting period—

- (a) a breakdown of the constituent elements of its Total capital; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

16FC. Reconciliation of regulatory capital to balance sheet—semi-annual disclosures

An authorized institution must disclose, for each semi-annual reporting period—

- (a) a full reconciliation between—
 - (i) the composition of its regulatory capital; and
 - (ii) its balance sheet in its published financial statements; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

16FD. Scope of consolidation—semi-annual disclosures

An authorized institution must disclose, for each semi-annual reporting period—

- (a) the basis of consolidation including—

-
- (i) an outline of the differences between the accounting scope of consolidation and the regulatory scope of consolidation;
 - (ii) a list of—
 - (A) the institution's subsidiaries (if any) that are included in the accounting scope of consolidation but not included in the regulatory scope of consolidation;
 - (B) the institution's subsidiaries (if any) that are included in the regulatory scope of consolidation but not included in the accounting scope of consolidation; and
 - (C) the institution's subsidiaries (if any) that are included in both the accounting scope of consolidation and the regulatory scope of consolidation if the methods of consolidation differ between those 2 scopes, and an explanation of the differences in the 2 methods of consolidation;
 - (iii) if the institution's shareholdings in any of its subsidiaries are deducted from the institution's CET1 capital—a list of those subsidiaries; and

- (iv) a description of the principal activities of each of the subsidiaries mentioned in subparagraphs (ii)(A), (B) and (C) and (iii), including the amount of total assets and the amount of total equity reported in the financial statements of each subsidiary; and
- (b) any restrictions, or other major impediments, on the transfer of funds or regulatory capital between the members of the institution's consolidation group, including any relevant regulatory, legal or taxation constraints on the transfer of funds or capital.

16FE. Main features of regulatory capital instruments—semi-annual disclosures

- (1) An authorized institution must disclose, for each semi-annual reporting period—
 - (a) the main features of the CET1 capital instruments, Additional Tier 1 capital instruments and Tier 2 capital instruments issued by it, as applicable, that are included in its regulatory capital (each referred to in this section as a *relevant instrument*); and
 - (b) a direct link to the relevant section of its internet website where the full terms and conditions of all relevant instruments can be found.
- (2) Whenever—
 - (a) a relevant instrument—
 - (i) is issued and included in an authorized institution's capital base;

- (ii) is repaid; or
 - (iii) is excluded from an authorized institution's capital base; or
- (b) there is a redemption, conversion or write-down, or any other material change in the nature, of a relevant instrument included in an authorized institution's capital base,
the institution must, as soon as practicable, update the disclosures it has made under subsection (1) in order to reflect the changes arising from the event referred to in paragraph (a) or (b).

Division 3B—Macroprudential Supervisory Measures

16FF. G-SIB indicators—annual disclosures

- (1) This section applies to an authorized institution if—
 - (a) it is or has been designated under section 3S of the Capital Rules as a G-SIB either in—
 - (i) the current annual reporting period; or
 - (ii) the annual reporting period immediately preceding the current annual reporting period; or
 - (b) a direction is given to it under subsection (2).
- (2) The Monetary Authority may give a direction to an authorized institution for the purposes of subsection (1)(b) if—

-
- (a) the institution or, if applicable, its consolidation group had, as at 31 December immediately preceding the current annual reporting period, an exposure measure exceeding Euro 200 billion or equivalent (using the exchange rate for that day as prescribed by the Basel Committee); or
 - (b) the Monetary Authority, having regard to the characteristics of the institution, reasonably believes that the institution would be capable of having a significant impact on the effective working and stability of the global financial system were the institution to become non-viable.
- (3) An authorized institution must disclose an overview of the indicators regarding its systemic importance as specified in subsection (4) for—
- (a) the annual reporting period immediately preceding the current annual reporting period; or
 - (b) if permitted by the Monetary Authority—the current annual reporting period.
- (4) The indicators are, if applicable—
- (a) the authorized institution's cross-jurisdictional activities;
 - (b) its size;
 - (c) the interconnectedness between the institution and other financial institutions;
 - (d) its substitutability, including its role in the financial institution infrastructure; and
 - (e) its complexity.

- (5) An authorized institution must base its disclosures on the position as at—
 - (a) the end of the annual reporting period immediately preceding the current annual reporting period; or
 - (b) if permitted by the Monetary Authority—another date.
- (6) If an authorized institution, having made disclosures under subsection (3) for a reporting period, restates the figures for the indicators specified in subsection (4) on the Monetary Authority's direction or on its own volition, the institution—
 - (a) must make an additional disclosure to reflect the restated figures as soon as practicable; and
 - (b) must disclose, in the disclosure statement relating to the reporting period in which the restatement is made, the fact of the restatement and the restated figures.

16FG. Geographical distribution of credit exposures used in countercyclical capital buffer—semi-annual disclosures

- (1) An authorized institution must disclose, for each semi-annual reporting period, an overview of the geographical distribution of its private sector credit exposures that are relevant in the calculation of its CCyB ratio.
- (2) In subsection (1)—

private sector credit exposures (私人機構信用風險承擔) has the meaning given by section 3N of the Capital Rules.

Division 3C—Leverage Ratio

16FH. Summary comparison of accounting assets against leverage ratio exposure measure—semi-annual disclosures

An authorized institution must disclose, for each semi-annual reporting period—

- (a) a summary comparison reconciling the institution's balance sheet assets as stated in its financial statements with the exposure measure for the corresponding period disclosed under section 16FI; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

16FI. Leverage ratio—quarterly disclosures

An authorized institution must disclose, for each quarterly reporting period—

- (a) a breakdown of the components of the exposure measure determined in accordance with section 3ZB of the Capital Rules; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

Division 3D—Liquidity

16FJ. Liquidity risk management—annual disclosures

An authorized institution must disclose, for each annual reporting period, information relating to the institution's approach to liquidity risk management that is necessary or relevant for facilitating an understanding of the soundness of its liquidity risk management framework and liquidity position.

16FK. Liquidity coverage ratio—quarterly disclosures

An authorized institution that is a category 1 institution must disclose, for each quarterly reporting period—

- (a) the following as calculated based on the calculation methodology and instructions set out in the liquidity position return—
 - (i) the details of its LCR;
 - (ii) its HQLA;
 - (iii) a breakdown of the total net cash outflows; and
- (b) sufficient qualitative explanation for facilitating an understanding of its LCR calculation.

16FL. Net stable funding ratio—semi-annual disclosures

An authorized institution that is a category 1 institution must disclose, for each semi-annual reporting period—

- (a) the following as calculated based on the calculation methodology and instructions set out in the stable funding position return—
 - (i) the details of its NSFR;
 - (ii) a breakdown of its ASF and RSF; and

- (b) sufficient qualitative explanation for facilitating an understanding of its NSFR calculation.”.

17. Section 16ZDA added

Part 2A, Division 6, before section 16ZE—

Add

“16ZDA. Interpretation of Division 6

In this Division—

eligible securitization transaction (合資格證券化交易) has the meaning given by section 229 of the Capital Rules;

non-eligible securitization transaction (非合資格證券化交易) has the meaning given by section 229 of the Capital Rules.”.

18. Section 16ZF amended (securitization exposures in banking book—semi-annual disclosures)

Section 16ZF(a)—

Repeal

everything after “arise from”

Substitute

“an eligible securitization transaction or a non-eligible securitization transaction); and”.

19. Section 16ZG amended (securitization exposures in trading book—semi-annual disclosures)

Section 16ZG(a)—

Repeal

everything after “arise from”

Substitute

“an eligible securitization transaction or a non-eligible securitization transaction); and”.

- 20. Section 16ZH amended (securitization exposures in banking book and associated capital requirements, where authorized institution acts as originator—semi-annual disclosures)**

Section 16ZH(a)(i)—

Repeal sub-subparagraph (B)

Substitute

“(B) that are eligible securitization transactions; and”.

- 21. Part 2A, Divisions 8 and 9 added**

Part 2A, after Division 7—

Add

“Division 8—Interest Rate Risk in Banking Book

- 16ZP. Interest rate risk in banking book: risk management objectives and policies—annual disclosures**

An authorized institution must, in respect of its interest rate exposures that arise from its banking book positions, disclose for each annual reporting period, a description of its risk management objectives and policies.

16ZQ. Quantitative information on interest rate risk in banking book—annual disclosures

- (1) An authorized institution must disclose, for each annual reporting period, information on the impact of interest rate movements from an earnings perspective and an economic value perspective under each of the supervisory prescribed interest rate shock scenarios referred to in the standard disclosure template, in respect of its interest rate exposures that arise from—
 - (a) its banking book positions; or
 - (b) if the institution is exempted under section 22(1) of the Capital Rules—aggregate positions of its banking book and trading book.

- (2) In subsection (1)—

standard disclosure template (標準披露模版), in relation to an authorized institution, means a standard disclosure template or table specified under section 6(1)(ab) or 88(1)(b).

Division 9—Remuneration**16ZR. Interpretation of Division 9**

In this Division—

key personnel (主要人員), in relation to an authorized institution, means any employee whose duty or activity in the course of the employment involves the assumption of material risk or the taking on of material exposures on behalf of the institution.

16ZS. Remuneration policy—annual disclosures

An authorized institution must disclose, for each annual reporting period, a description of its remuneration policy and key features of its remuneration system that is sufficient for facilitating an understanding of its compensation practices.

16ZT. Remuneration awarded during financial year—annual disclosures

An authorized institution must disclose, for each annual reporting period—

- (a) quantitative information on the breakdown of fixed remuneration and variable remuneration to its senior management and key personnel; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

16ZU. Special payments—annual disclosures

An authorized institution must disclose, for each annual reporting period—

- (a) quantitative information on the breakdown of its special payments to its senior management and key personnel; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.

16ZV. Deferred remuneration—annual disclosures

An authorized institution must disclose, for each annual reporting period—

- (a) quantitative information on the breakdown of its deferred and retained remuneration to its senior management and key personnel; and
- (b) an explanation of any material changes in the matters referred to in paragraph (a) during the reporting period, including key drivers of those changes.”.

22. Part 2B repealed (additional quarterly disclosures to be made by authorized institutions incorporated in Hong Kong)

Part 2B—

Repeal the Part.

23. Sections repealed

Sections 18, 24, 24A and 24B—

Repeal the sections.

24. Section 25 amended (general disclosures)

Section 25(4)(a)—

Repeal

“which are individually determined to be impaired”.

25. Section 26 amended (sector information)

Section 26(3)(a)—

Repeal

“which are individually determined to be impaired”.

26. Section 29 amended (currency risk)

Section 29(1), Chinese text—

Repeal

“引起”

Substitute

“產生”.

27. Sections repealed

Sections 30, 30A, 30B, 45C, 51, 51A, 51B and 51D—

Repeal the sections.

28. Section 52 amended (corporate governance)

(1) Section 52(b), after the semicolon—

Add

“and”.

(2) Section 52—

Repeal paragraph (ba).

(3) Section 52(c)—

Repeal

“or the guideline mentioned in paragraph (ba)”.

29. Section 88 amended (medium and location of disclosure and issue of press release)

(1) Section 88, heading—

Repeal

“and location of disclosure and issue of press release”

Substitute

“, location and timing of disclosure”.

- (2) Section 88(1)—

Repeal

“, where”

Substitute

“and section 103(1), if”.

- (3) Section 88(1)—

Repeal paragraph (b)

Substitute

“(b) presenting the information required to be disclosed in the format, and using the standard disclosure templates or tables (if applicable), specified by the Monetary Authority;”.

- (4) Before section 88(1)(c)—

Add

“(ba) publishing the statement within the following period after the end of the reporting period to which the statement relates—

- (i) if the statement relates to a quarterly reporting period that ends otherwise than at the close of an interim or annual reporting period—8 weeks;
- (ii) if the statement relates to a reporting period that is, or ends at the close of, an interim reporting period—3 months;
- (iii) if the statement relates to a reporting period that is, or ends at the close of, an annual reporting period—4 months; and”.

- (5) Section 88—

Repeal subsection (3).

- (6) Section 88(6)—

Repeal paragraph (a)

Substitute

“(a) keep at least one copy of each of its disclosure statements (*relevant copy*) in its principal place of business in Hong Kong; and”.

- (7) Section 88(6)(b)—

Repeal

“the place where the relevant copy is kept”

Substitute

“its principal place of business in Hong Kong”.

- (8) Section 88—

Repeal subsection (7)

Substitute

“(7) If an authorized institution publishes a disclosure statement that contains the disclosures referred to in subsection (2)(a)(i), it must ensure that the statement is available for inspection under subsection (6) for at least 12 months beginning on the date of publication of the statement.”.

- (9) Section 88(8)—

Repeal paragraph (a)

Substitute

“(a) it must ensure that the statement is available for inspection under subsection (6) for at least 12 months beginning on the date of publication of the statement; and”.

- (10) After section 88(9)—

Add

- “(9A) Subject to section 103(2), an authorized institution—
- (a) must establish and maintain an archive of all disclosure statements published by it; and
 - (b) unless otherwise approved by the Monetary Authority—must establish and maintain the archive on the institution’s internet website.”.
- (11) Section 88(10), English text, definition of *prescribed summary*, paragraph (b)—

Repeal

“Internet”

Substitute

“internet”.

30. Section 90 amended (comparative information)

Section 90(1)—

Repeal paragraph (b)

Substitute

- “(b) for the profit and loss information disclosure under section 93 and the liquidity information disclosures under section 103—
- (i) if a disclosure statement relates to an annual reporting period—also disclose the figures for the institution’s immediately preceding annual reporting period;
 - (ii) if a disclosure statement relates to a quarterly reporting period—also disclose the figures for the institution’s immediately preceding quarterly reporting period; and

- (iii) if a disclosure statement relates to an interim reporting period—also disclose the figures for the institution’s immediately preceding interim reporting period;”.

31. Section 91 amended (frequency)

Section 91—

Repeal

“An authorized institution shall make a disclosure”

Substitute

“Subject to sections 103A, 103AB, 103B and 103C, an authorized institution must make disclosures”.

32. Section 93 amended (income statement information)

Section 93(1)(c)(i), Chinese text—

Repeal

“來自非港元貨幣交易”

Substitute

“由非港元貨幣交易產生”.

33. Section 95 amended (provisions supplementary to sections 93 and 94)

(1) Section 95(2)(a)—

Repeal

“which are individually determined to be impaired”.

(2) Section 95(3)(a)—

Repeal

“which are individually determined to be impaired”.

34. Section 98 amended (general disclosures)

Section 98(2)(b)(ii)—

Repeal

“which are individually determined to be impaired”.

35. Section 102 amended (currency risk)

Section 102(1), Chinese text—

Repeal

“引起”

Substitute

“產生”.

36. Section 103 amended (liquidity information disclosures: general)

(1) Section 103(1)—

Repeal paragraph (a)

Substitute

“(a) include in the financial statements or the disclosure statement relating to the reporting period published by it the disclosures under, as applicable—

(i) sections 103A and 103AB; or

(ii) sections 103B and 103C;”.

(2) Section 103(1)(b)—

Repeal

“relating to the reporting period a direct link to the relevant sections of its website”

Substitute

“or the disclosure statement relating to the reporting period a direct link to the relevant sections of its internet website”.

- (3) Section 103—

Repeal subsection (3)

Substitute

- “(3) An authorized institution must make the following disclosures on a Hong Kong office basis—
- (a) for a category 1 institution—disclosures under sections 103A and 103AB of the average value of its LCR and quarter-end value of its NSFR and the related information;
 - (b) for a category 2 institution that is designated as a category 2A institution—disclosures under sections 103B and 103C of the average values of its LMR and CFR and the related information;
 - (c) for a category 2 institution that is not designated as a category 2A institution—disclosures under section 103B of the average value of its LMR and the related information.”.
- (4) Section 103—

Repeal subsection (4)

Substitute

- “(4) Disclosures under this section and sections 103A, 103AB, 103B and 103C may be presented in Hong Kong dollars or the equivalent amount in Hong Kong dollars.”.
- (5) After section 103(4)—

Add

“(4A) An authorized institution must disclose, for each annual reporting period, information relating to the institution’s approach to liquidity risk management that is necessary or relevant for facilitating an understanding of the soundness of its liquidity risk management framework and liquidity position.”.

(6) Section 103—

Repeal subsections (5) and (6).

37. Section 103A substituted

Section 103A—

Repeal the section

Substitute

**“103A. Liquidity information disclosures: category 1 institution—
quarterly disclosures of LCR**

An authorized institution that is a category 1 institution must disclose, for each quarterly reporting period—

- (a) the following as calculated based on the calculation methodology and instructions set out in the liquidity position return—
 - (i) the details of its LCR;
 - (ii) its HQLA;
 - (iii) a breakdown of the total net cash outflows; and
- (b) sufficient qualitative explanation for facilitating an understanding of its LCR calculation.”.

38. Section 103AB added

After section 103A—

Add

**“103AB. Liquidity information disclosures: category 1 institution—
NSFR**

An authorized institution that is a category 1 institution must disclose—

- (a) for each quarterly reporting period—the quarter-end value of its NSFR including the numerator and the denominator for computing the ratio; and
- (b) for each semi-annual reporting period—
 - (i) the following as calculated based on the calculation methodology and instructions set out in the stable funding position return—
 - (A) the details of its NSFR;
 - (B) a breakdown of its ASF and RSF; and
 - (ii) sufficient qualitative explanation for facilitating an understanding of its NSFR calculation.”.

39. Section 103B amended (liquidity information disclosures: category 2 institution)

- (1) Section 103B, heading, after “**institution**”—

Add

“—quarterly disclosures of LMR”.

- (2) Section 103B(1)—

Repeal

“must disclose the average value of its LMR for a reporting period”

Substitute

“must disclose, for each quarterly reporting period, the average value of its LMR”.

- (3) Section 103B(2)—

Repeal

“For subsection (1), a category 2 institution must calculate the average value of its LMR for the reporting period, based on the arithmetic mean of the average value of its LMR for each calendar month as reported in its”

Substitute

“For the purposes of subsection (1), the authorized institution must calculate the average value of its LMR for the reporting period, based on the arithmetic mean of the average value of its LMR for each calendar month as reported in the”.

- (4) Section 103B—

Repeal subsection (3).

40. Section 103C added

Part 8, Division 3, after section 103B—

Add

**“103C. Liquidity information disclosures: category 2A institution—
quarterly disclosures of CFR**

- (1) An authorized institution that is a category 2A institution must disclose, for each quarterly reporting period, the average value of its CFR.
- (2) For the purposes of subsection (1), the authorized institution must calculate the average value of its CFR for the reporting period, based on the arithmetic mean of the average value of its CFR for each calendar month as reported in the liquidity position return submitted for the reporting period.”.

Norman CHAN
Monetary Authority

27 April 2018

Explanatory Note

These Rules amend the Banking (Disclosure) Rules (Cap. 155 sub. leg. M) (*principal Rules*).

2. The main purpose of these Rules is to implement some of the new requirements on format and frequency for disclosure as set out in the document entitled *Pillar 3 disclosure requirements—consolidated and enhanced framework* issued by the Basel Committee on Banking Supervision in March 2017 (**March 2017 Standard**) (see new Divisions 3A, 3B, 8 and 9 added to Part 2A of the principal Rules and the revised sections 103A and 103B). Certain existing disclosure requirements under Parts 3 and 4 of the principal Rules are consolidated into the new Divisions 3A, 3C and 3D of Part 2A.
3. Certain new disclosure requirements introduced by the March 2017 Standard are added to the principal Rules. New sections 16AB and 16FA require disclosure on an authorized institution's key prudential ratios and prudent valuation adjustments respectively. For certain authorized institutions incorporated outside Hong Kong, the new section 103AB requires disclosure on their net stable funding ratio while the new section 103C requires disclosure on their core funding ratio.
4. A new section 6(1F) is added to the principal Rules to empower the Monetary Authority to permit an authorized institution to publish the relevant disclosure statement at a time later than the publication of its financial statements.

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5. The existing requirements on issuing a press release concurrently with the publication of a disclosure statement (sections 6(4) and 88(3) of the principal Rules) and on keeping copies of disclosure statements in each local branch of an authorized institution (sections 6(7)(a)(ii) and 88(6)(a)(ii) of the principal Rules) are considered obsolete in view of web-based disclosures nowadays and are removed.
6. Sections 16ZF, 16ZG and 16ZH of the principal Rules are amended to align with the amendments made by the Banking (Capital) (Amendment) Rules 2017 (L.N. 175 of 2017).