

Notice no. 011/93-AMCM

In accordance with the provisions of Article 6, paragraph 3, sub-paragraph b) of the Financial System Act, approved by Decree-Law no. 32/93/M, of the 5th of July, and after consultation with the Finance Department, Autoridade Monetária e Cambial de Macau (Monetary and Foreign Exchange Authority of Macau), hereinafter referred to as AMCM, hereby determines the following to be observed by all credit institutions:

1. The criteria and methods to adopt in the valuation of assets and liabilities should be based on the following accounting principles and concepts:
 - 1.1. Going Concern - the assumption that the credit institution will continue in operation indefinitely;
 - 1.2. Consistency - the valuation policy may not be changed from one period to the next;
 - 1.3. Accruals - the costs and the revenue of operations should be included in the profit and loss of the period to which they relate independently of the date on which they are paid or received;
 - 1.4. Prudence - the accounts should take a degree of caution required for making the estimates realized under conditions of uncertainty. More specifically, the accounts should provide for foreseeable risks and eventual losses originating from previous periods;
 - 1.5. Substance over form - the accounts should take into consideration the substance of the operations and their financial reality and not merely their legal form;
 - 1.6. Materiality - the financial accounts should disclose all the relevant items which could affect the evaluation or decisions of third parties.
2. Specific norms for valuation

On the last day of each month, assets and liabilities subject to fluctuations should be adjusted according to the following criteria:

- 2.1. Operations in foreign currency:
 - 2.1.1. The revaluation of the exchange position should be done in the following manner:

- a) the revaluation of the spot exchange position with respect to those operations which mature in the next two working days and which are not swap operations, is based on the average exchange rate quoted by AMCM as reference for the banks;
 - b) the revaluation of the forward exchange position for those contracts which are held for settlement but which will not mature in the next two working days and which are not swaps is based on the market forward exchange rate, or in its absence, through the calculation based on the interest rate applicable to the residual maturity of the transaction.
- 2.1.2. In translating the balances in foreign currencies into patacas, all assets and liabilities denominated in foreign currencies shall be translated at the average exchange rate of reference set by AMCM for the banks on that day or, in its absence, at the cross exchange rate with the Hong Kong dollar or, lacking this, with the US dollar.
- 2.2. Gold and silver in coins or in bullion shall be revalued on the basis of the last quotation of the month in the Hong Kong, London or New York exchanges.
- 2.3. Unquoted fixed income securities shall be revalued at the acquisition cost adjusted by premiums or discounts over the period to redemption. Quoted fixed income securities shall be revalued at the market value if lower than the adjusted acquisition cost.
- 2.4. All remaining securities which are not financial holdings, when quoted, are revalued at the lower of cost or market value. When unquoted, they are valued at the acquisition cost.
- 2.5. For the purposes of this Notice, securities whose quotation is suspended for a period of over six months are considered unquoted.
- 2.6. All remaining fixed assets as well as numismatic and medal values and other movables are always valued at the acquisition cost.
- 2.7. Assets which are the objects of financial leasing contracts shall be valued at the net amount after deducting the rental received for amortization from the relevant cost.
- 2.8. Liabilities are valued at their nominal value.
3. If AMCM considers the realization value of any assets to be inappropriate then the bank should submit, within a set period, a revaluation report done by an independent valuer accepted by AMCM and make the adjustment if necessary.

4. In exceptional circumstances, with prior authorization from AMCM, credit institutions may revalue their financial holdings if there is an obvious divergence from the relevant realization value.
5. For the purposes of minimum liquidity requirements, the daily revaluation of assets and liabilities denominated in foreign currencies shall be carried out at the daily average exchange rate set by AMCM as reference for the banks or, lacking this, at the cross-rate of exchange with the Hong Kong dollar.
6. Credit institutions should obtain prior approval of AMCM for the application of any rules they intend for cases not covered by this Notice.
7. Notice no. 3/84-IEM issued on the 14th of November and published in the Boletim Oficial of the 19th of November is hereby repealed.
8. This Notice shall come into force with Decree-Law no. 32/93/M, of the 5th of July.

Autoridade Monetária e Cambial de Macau, 27th August 1993. - The Board of Directors - Executive Director, António dos Santos Ramos - Chairman, José Carlos Rodrigues Nunes.