

Notice no. 012/93-AMCM

Article 6, paragraph 3, sub-paragraph d) of the Financial System Act, approved by Decree-Law no. 32/93/M, of the 5th of July, provides Autoridade Monetária e Cambial de Macau (Monetary and Foreign Exchange Authority of Macau), hereinafter referred to as AMCM, with powers to determine the items to be included in own funds of credit institutions subject to supervision and the characteristics of the same.

In view of this, and taking into account the conditions of the regional financial market;

Taking into account international directives on this matter which are being implemented in the major financial markets;

Taking into account the necessity to establish identical rules and a uniform understanding on the concept of own funds for local credit institutions,

AMCM hereby determines the following to be observed by all credit institutions.

1. Core capital shall be constituted by the sum of the following items
 - a) paid-up share capital;
 - b) share premium;
 - c) legal, statutory and other reserves which are created from appropriation of retained profits;
 - d) retained profits;
 - e) current year net profits;
 - f) minority interest arising on consolidation;
 - g) losses brought forward;
 - h) current year losses;
 - i) goodwill.

The items in sub-paragraphs g), h) and i) must be compulsorily included with their negative value.

2. Supplementary capital shall be constituted by the sum of the following items:
 - a) reserves arising on the revaluation of own premises and accepted by AMCM;
 - b) latent reserves arising on revaluation of securities up to 45% of those reserves;
 - c) general provisions;
 - d) perpetual subordinated capital instruments;
 - e) non-perpetual subordinated capital instruments up to 50% of the core capital;

- f) minority interests arising on consolidation.
3. Supplementary capital shall only be considered up to a value equal to the core capital.
 4. Own funds of the credit institution shall be defined as the sum of core capital and supplementary capital, after deduction of the amount of financial holdings or other capital instruments so long as these are greater than 10% of the share capital of the relevant companies and if these are not included in the consolidation.
 5. The items in paragraph 2. sub-paragraph d) shall satisfy the following requirements:
 - a) be subordinated, unsecured and fully paid-up;
 - b) have prior authorization from AMCM;
 - c) be not redeemable at the initiative of the holder or without prior authorization from AMCM;
 - d) be available to participate in losses without the bank being in liquidation.
 6. The items in paragraph 2, sub-paragraph e) shall satisfy the following requirements:
 - a) be subordinated, unsecured and fully paid-up;
 - b) have prior authorization from AMCM;
 - c) have an original maturity of at least five years;
 - d) be discounted at 20% a year over the last five years of useful life prior to maturity.
 7. AMCM shall issue instructions deemed necessary to comply with the norms contained in this Notice.
 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.