

Example 1

<u>Assets</u>	(HK\$'000)
Fixed Assets	200
Listed shares (non-HSI HK listed shares)	100
Receivable from group companies	100
Advisory fees receivable (billed and past due for 1.5 month)	10
Accrued advisory fees (will be due for billing in 3.5 months)	10
Accrued advisory fees (will be due for billing in 2.5 months)	80
Cash in hand and cash at bank (1 month fixed deposit + savings)	<u>600</u>
Total	<u>1100</u>
<u>Liabilities</u>	
Bank overdraft	200
Payable to group companies	200
Accrued interests	100
Approved subordinated loan	<u>200</u>
Total	<u>700</u>
Shareholders funds	<u>400</u>

Item	Assets	section ref. (Note 3)		Amounts included in		
				Liquid capital computation (HK\$'000)	Balance sheet (HK\$'000)	
5	Bank balances - held in segregated accounts - held in other accounts and cash in hand (Note 4)	20	[1007]			[1008]
			[1009]	600	600	[1010]
6	Amounts receivable from margin clients (Note 5)	22(1) & (2)	[1011]			[1012]
7	Amounts receivable from clients for subscription of securities	21(5)	[1013]			[1014]
8	Amounts receivable from rolling balance cash clients	21(2), (3) & (6)	[1015]			[1016]
9	Other amounts receivable from clients arising from dealing in securities	21(1), (4) & (6)	[1017]			[1018]
10	Amounts receivable from licensed corporations licensed for securities margin financing	24(2) & 25	[1019]			[1020]
11	Proprietary positions in securities and specified investments	27	[1021]	70	100	[1022]
12	Proprietary positions in exchange traded options contracts	31	[1023]			[1024]
13	Amounts receivable from clients arising from dealing in exchange traded options contracts	30	[1025]			[1026]
14	Amounts receivable from securities dealers arising from dealing in securities	23 & 24(1)	[1027]			[1028]
15	Amounts receivable from securities/futures dealers or clearing participants arising from dealing in futures or options contracts	29	[1029]			[1030]
16	Amounts receivable from clearing houses - Hong Kong Securities Clearing Company Limited ("HKSCC") - The SEHK Options Clearing House Limited ("SEOCH") - HKFE Clearing Corporation Limited ("HKFECC") - Euroclear Bank S.A./N.V., Euroclear France S.A., Clearstream Banking S.A., Clearstream Banking AG or Korea Securities Finance Corporation - other clearing houses	28	[1031]			[1032]
			[1033]			[1034]
			[1035]			[1036]
			[1037]			[1038]
			[1039]			[1040]
17	Amounts receivable from recognized counterparties and floating profits in respect of open positions arising from leveraged foreign exchange trading	34	[1041]			[1042]
18	Other assets arising from - advising on securities and/or futures contracts - advising on corporate finance - asset management - amounts receivable from group companies or other related parties - others	26, 32, 33 & 35	[1043]	80	100	[1044]
			[1045]			[1046]
			[1047]			[1048]
			[1050]		100	[1049]
19	Total liquid assets (aggregate of amounts in items 5 to 18)		[1052]	750		[1051]
20	Fixed assets				200	[1053]
21	Total assets (aggregate of amounts in items 5 to 18 & 20)				1100	[1054]

Item	Liabilities	section ref.		Amounts included in		
				Liquid capital computation (HK\$'000)	Balance sheet (HK\$'000)	
22	Short positions in securities and specified investments held for own account	43(1)	[1055]			[1056]
23	Amounts payable to clients	37 & 38	[1057]			[1058]
24	Amounts payable to securities dealers arising from provision of securities margin financing to common clients	39(2)	[1059]			[1060]
25	Amounts payable to clearing houses	37				
	- HKSCC		[1061]			[1062]
	- SEOCH		[1063]			[1064]
	- HKFECC		[1065]			[1066]
	- Euroclear Bank S.A./N.V., Euroclear France S.A., Clearstream Banking S.A., Clearstream Banking AG or Korea Securities Finance Corporation		[1067]			[1068]
	- other clearing houses		[1069]			[1070]
26	Amounts payable to licensed corporations licensed for securities margin financing and other securities dealers in respect of dealing in securities	37 & 39(1)	[1071]			[1072]
27	Amounts payable to securities/futures dealers or clearing participants in respect of dealing in futures or options contracts	37	[1073]			[1074]
28	Other payables and liabilities	53(1)(a) – (e) & (h)				
	- loans and overdrafts from authorized financial institutions		[1075]	200	200	[1076]
	- loans and overdrafts from other financial institutions		[1077]			[1078]
	- amounts payable to group companies or other related parties		[1079]	200	200	[1080]
	- accruals, amounts payable and other liabilities other than approved subordinated loan		[1081]	100	100	[1082]
29	Provisions for contingent liabilities and floating losses	41(1)(b), 53(1)(f) & (g)	[1083]			[1084]
30	Approved subordinated loan	53(2)(a)			200	[1085]
31	Ranking liabilities relating to					
	- gearing adjustment in respect of securities margin financing	42(2)	[1086]			
	- short selling of securities on behalf of clients	43(10)	[1087]			
	- futures & options contracts	40	[1088]			
	- concentration of margin clients	42(1)	[1089]			
	- increase in amounts in respect of short positions held for own account	43(2) - (9)	[1090]			
	- concentrated proprietary positions	44	[1091]	10		
	- securities borrowing and lending and repurchase transactions	45 & 46	[1092]			
	- introduction of transactions to another person for execution or clearing	51	[1093]			
	- net underwriting commitments	47	[1094]			
	- off-exchange traded derivative contracts and interest rate swap agreements	48 & 49	[1095]			
	- guarantees and other financial commitments	52(1)(a)	[1096]			
	- foreign exchange agreements and foreign currency positions	50 & 52(1)(d)	[1097]			

Item	Liabilities	section ref.		Amounts included in	
				Liquid capital computation (HK\$'000)	Balance sheet (HK\$'000)
	- insufficient margin received for leveraged foreign exchange trading - miscellaneous ranking liabilities	41(1)(a) & 41(2) 52(1)(b) & (e)	[1098] [1099]		
32	Total liabilities (aggregate of amounts in items 22 to 30)				700 [1100]
33	Redeemable shares (other than approved redeemable shares)	52(1)(c)	[1101]		
34	Total ranking liabilities (aggregate of amounts in items 22 to 29, 31 & 33)		[1102]	510	
35	Liquid capital (amount in item 19 less amount in item 34)		[1103]	240	
36	Required liquid capital	2	[1104]	100	
37	Excess liquid capital/(Required liquid capital deficit) (amount in item 35 less amount in item 36)		[1105]	140	
38	Shareholders' funds (amount in item 21 less amount in item 32) (Note 6)				400 [1106]

Note 3: Unless specified otherwise, references to sections/subsections in the financial return are to sections/subsections of the Securities and Futures (Financial Resources) Rules and are made for the purpose of identifying the amounts to be included in the financial return.

Note 4: Amounts of "bank balances held in other accounts and cash in hand" included in liquid assets are comprised of:

Bank balances –	(HK\$'000)	
- Encumbered or pledged		[1107]
- Unencumbered		[1108]
Cash in hand		[1109]
Amounts included in cell 1009		[1110]

Note 5: Margin shortfall under section 22(2) is calculated on:

	(Select where appropriate)	
- Trade date basis	()	[1111]
- Settlement date basis	()	[1112]

Note 6: Analysis of shareholders' funds section ref.

	(HK\$'000)	
Paid-up share capital	5	[1113]
Retained profits/(accumulated losses)		[1114]
Other reserves		[1115]
Amounts included in cell 1106		[1116]

**FORM 2 REQUIRED LIQUID CAPITAL COMPUTATION
AS OF THE END OF THE REPORTING MONTH**

	section ref.	(HK\$'000)
(I) Floor requirement: HK\$100,000, HK\$500,000, HK\$3,000,000 or HK\$15,000,000 (A)	Table 2 in Schedule 1	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">100</div> [2000]
(II) Variable required liquid capital	2	(HK\$'000)
On-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities (B)	[2001]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">700</div>
Less: Accounts payable to clients for:		
- client money held in segregated account in accordance with Securities & Futures (Client Money) Rules (C)	[2002]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
- other client money held in segregated account with authorized financial institutions and/or with approved banks incorporated outside Hong Kong (D)	[2003]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
- client money held in segregated account with futures or options clearing house (E)	[2004]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
Client money held by clearing house other than futures or options clearing house, clearing participant, futures dealer or securities dealer as margin (F)	[2005]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
Approved subordinated loan (G)	[2006]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">200</div>
Adjusted liabilities (H) = (B) – (C) – (D) – (E) – (F) – (G)	2	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">500</div> [2007]
Add: Aggregate of initial margin requirements and amounts of margin required to be deposited in respect of outstanding futures and options contracts held on behalf of clients (I)	[2008]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
Aggregate of adjusted liabilities and clients' margin (J) = (H) + (I)	[2009]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">500</div>
Basic amount (K) = (J) x 5%	2	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">25</div> [2010]
Add: 1.5% of aggregate gross foreign currency position for licensed corporation licensed for leveraged foreign exchange trading (L)	[2011]	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block;"></div>
Variable required liquid capital (M) = (K) + (L)		<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">25</div> [2012]
(III) Required liquid capital (being the higher of (A) and (M))	2	<div style="border: 1px solid black; width: 100px; height: 20px; display: inline-block; text-align: center;">100</div> [2013]