

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

REGULATORY DISCLOSURE PREPARED UNDER THE BANKING (DISCLOSURE) RULES

31ST DECEMBER 2021

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

1 Key prudential ratios

Key prudential ratios disclosures as required by section 16AB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		31st December 2021	30th September 2021	30th June 2021	31st March 2021	31st December 2020
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	1,565,689	1,585,241	1,508,710	1,399,993	1,235,611
2	Tier 1	1,565,689	1,585,241	1,508,710	1,399,993	1,235,611
3	Total capital	1,565,689	1,585,241	1,508,710	1,399,993	1,235,611
	RWA (amount)					
4	Total RWA	3,007,603	2,771,641	2,678,961	2,585,093	2,467,647
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	51.9 %	57.2 %	56.3 %	54.2 %	50.1 %
6	Tier 1 ratio (%)	51.9 %	57.2 %	56.3 %	54.2 %	50.1 %
7	Total capital ratio (%)	51.9 %	57.2 %	56.3 %	54.2 %	50.1 %
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500 %	2.500 %	2.500 %	2.500 %	2.500 %
9	Countercyclical capital buffer requirement (%)	0.056 %	0.105 %	0.121 %	0.153 %	0.045 %
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	2.556 %	2.605 %	2.621 %	2.653 %	2.545 %
12	CET1 available after meeting the AI's minimum capital requirements (%)	43.9 %	49.2 %	48.3 %	46.2 %	42.1 %
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	2,483,439	2,550,510	3,237,810	2,092,178	1,870,875
14	LR (%)	62.8 %	62.2 %	46.6 %	66.9 %	66.1 %
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	407.6 %	389.9 %	558.1 %	322.1 %	367.8 %
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The decrease in capital ratios when compared to 30th September 2021 was due to increased RWA driven by intercompany balance.

The increase in LMR when compared to 30th September 2021 was due to decrease in qualified liabilities during the quarter.

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2 Overview of risk management

Risk is an inherent part of business activities of JPMorgan Chase & Co. (“JPMorgan Chase”, the “Group” or the “Firm”), the ultimate holding company of J.P. Morgan Securities (Asia Pacific) Limited (“JPMSAPL” or the “Company”). When the Firm extends a consumer or wholesale loan, advises customers and clients on their investment decisions, makes markets in securities or offers other products or services, the Firm takes on some degree of risk. The Firm’s overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients, customers and investors and protects the safety and soundness of the Firm.

The Firm believes that effective risk management requires, among other things:

- Acceptance of responsibility, including identification and escalation of risk by all individuals within the Firm;
- Ownership of risk identification, assessment, data and management within each of the lines of business (“LOBs”) and corporate functions; and
- Firmwide structures for risk governance.

The Firm follows a disciplined and balanced compensation framework with strong internal governance and independent Board oversight.

The independent status of the Risk Management organization is supported by a governance structure that provides for escalation of risk issues to senior management, the Firmwide Risk Committee, and the Board of Directors (“BODs”), as appropriate.

At the Company level, the BODs acts as a central governing committee and is the primary oversight and escalation point for the Company’s sub-committees including the:

- Review of business performance, progress of key initiatives, growth and cross LOB initiatives;
- Review of country performance, strategies and opportunities across LOBs and platforms;
- Review of significant Risk and Control issues and monitoring progress resolution plans;
- Review of significant Business support and Infrastructure matters; and
- Oversight for any business conducted or booked into the Company to ensure compliance with existing global and legal entity governance framework.

Hong Kong Risk Asset and Liability committee (“HK RALCO”) of the Company is delegated by the BODs to provide the oversight of risks inherent in the Company’s business in Hong Kong, including but not limited to:

- Risks: Market, credit, liquidity, structural interest rate, model and country risks, also operational, compliance and reputation risk framework
- Asset and Liability committee (“ALCO”): Funding, capital, liquidity management, financial statements and interest rate risk in banking book and relevant ALCO related regulatory/compliance matters

The HK RALCO is co-chaired by the Chief Risk Officer (“CRO”) and the Senior Financial Officer (“SFO”).

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2 Overview of risk management (continued)

Other key committee is the Hong Kong Location Operating Committee (“LOC”). LOC is responsible for the oversight and control of operating risk within the location. Hong Kong LOC meetings are held on a monthly basis to review all operating risk matters. The respective operation area managers are responsible to escalate to their line regional managers and the Hong Kong Senior Country Business Manager.

Stress testing is an integral part of the Firm’s risk management. The Firm regularly performs stress-tests on the principal risks where appropriate and enables the Firm to consider extreme situations in the internal and external business environment.

JPMorgan Chase Risk Appetite is a high level statement of the Firm’s appetite for risk. The Firm’s Risk Appetite framework is governed by a Quantitative Risk Appetite policy and a Qualitative Risk Appetite policy which outline the framework for establishing the Firm’s overall appetite for risk. They define quantitative parameters and qualitative risks which are used to monitor and measure the Firm’s Risk Appetite. The Risk Appetite framework integrates risk controls, earnings, capital management, liquidity management and return targets to set the Firm’s risk appetite in the context of its objectives for key stakeholders, including but not limited to shareholders, depositors, regulators and clients.

Risk appetite for quantitative parameters is set and evaluated in the context of the Firm’s business strategy and risk taking, as well as capital and liquidity planning as determined during the periodic assessment process. The Firm level quantitative risk appetite is expressed for quantitative parameters across the following risk types: profitability risk, capital risk, wholesale credit risk, consumer credit risk, market risk, structural interest rate risk, and liquidity risk.

Risk appetite for qualitative factors is set and assessed in the context of the risk and control frameworks in place throughout the Firm. These frameworks are governed by the Risk Governance policy, where each area of the Firm is responsible for assessing and managing the risks in its business, at a minimum to meet the Firm’s risk management standards and within management’s own chosen risk control standards. The Company places key reliance on LOB as the first line of defence in risk governance. Corporate functions are also responsible for the assessment of the risks they create including escalation of issues to the appropriate risk and control forum. While the Firm’s appetite for certain risks is not numerically quantified, Firm level risk appetite is set for the following risk types: (i) operational risk; (ii) compliance risk; (iii) conduct risk; and (iv) reputation risk.

The Company is subject to the Firmwide risk appetite policy and leverage the Firm’s risk appetite framework. The Company specific Risk appetite framework lay out any differences to the Firmwide framework. For the most part, these differences relate to the governance and quantitative parameters. With respect to the qualitative factors, the Company leverages the Firmwide framework, supported by its own assessment and monitoring protocols as required.

The Firm maintains risk management systems to measure and monitor exposures, identify areas of high risk, and ensure that the magnitude of risk is within the tolerance level.

Credit Risk measurement

Refer to note 14 - General information about Credit Risk for details.

Liquidity Risk measurement

Refer to note 13 - Liquidity Risk management for details.

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2 Overview of risk management (continued)

Market Risk measurement

Refer to note 31 - Qualitative disclosures related to Market Risk for details.

Interest rate risk in banking book (“IRRBB”) measurement

Refer to note 33 - Interest rate risk in banking book management for details.

Operational risk measurement

In addition to the level of actual operational risk losses, operational risk measurement includes operational risk based capital based on the Basic Indicator Approach (according to Basel III - Basic Indicator Approach). Scenario analysis is also used to assist in quantifying material operational risks. The primary objective of scenario analysis is to provide senior management with a forward-looking view of exceptional but plausible operational risk events and to assess their potential outcome. Scenario Analysis is also used to facilitate the assessment of operational risk capital adequacy. Scenarios reflect risks that could materialize within the foreseeable future and may or may not have previously impacted JPMSAPL.

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3 Overview of RWA

Overview of RWA disclosures as required by section 16C of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		RWA		Minimum capital requirements
		31st December 2021	30th September 2021	31st December 2021
1	Credit risk for non-securitization exposures	974,015	743,921	77,921
2	Of which STC approach	974,015	743,921	77,921
2a	Of which BSC approach	—	—	—
3	Of which foundation IRB approach	—	—	—
4	Of which supervisory slotting criteria approach	—	—	—
5	Of which advanced IRB approach	—	—	—
6	Counterparty default risk and default fund contributions	86	—	7
7	Of which SA-CCR approach	86	—	7
7a	Of which CEM	—	—	—
8	Of which IMM(CCR) approach	—	—	—
9	Of which others	—	—	—
10	CVA risk	79	—	6
11	Equity positions in banking book under the simple risk-weight method and internal models method	—	—	—
12	Collective investment scheme ("CIS") exposures – LTA	N/A	N/A	N/A
13	CIS exposures – MBA	N/A	N/A	N/A
14	CIS exposures – FBA	N/A	N/A	N/A
14a	CIS exposures – combination of approaches	N/A	N/A	N/A
15	Settlement risk	382	—	30
16	Securitization exposures in banking book	—	—	—
17	Of which SEC-IRBA	—	—	—
18	Of which SEC-ERBA (including IAA)	—	—	—
19	Of which SEC-SA	—	—	—
19a	Of which SEC-FBA	—	—	—
20	Market risk	12,099	13,955	968
21	Of which STM approach	12,099	13,955	968
22	Of which IMM approach	—	—	—
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A

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3 Overview of RWA (continued)

		RWA		Minimum capital requirements
		31st December 2021	30th September 2021	31st December 2021
24	Operational risk	2,020,942	2,013,765	161,675
24a	Sovereign concentration risk	—	—	—
25	Amounts below the thresholds for deduction (subject to 250% RW)	—	—	—
26	Capital floor adjustment	—	—	—
26a	Deduction to RWA	—	—	—
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	—	—	—
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	—	—	—
27	Total	3,007,603	2,771,641	240,607
N/A: Not applicable in the case of Hong Kong				

The increase in RWA of credit risk when compared to 30th September 2021 was driven by increase in intercompany receivable balance.

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4 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories as required by section 16D of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Balances with banks	2,196,675	2,196,675	2,196,675	—	—	—	—
Financial assets at fair value through profit or loss	17,331	17,331	—	—	—	17,331	—
Deferred tax assets	21,815	21,815	—	—	—	—	21,815
Other assets	268,804	268,804	228,150	7	—	97	40,550
Fixed assets	292	292	292	—	—	—	—
Right-of-use assets	76	76	76	—	—	—	—
Total assets	2,504,993	2,504,993	2,425,193	7	—	17,428	62,365
Liabilities							
Deposits and balances from banks	443,807	443,807	—	—	—	—	443,807
Other liabilities	470,291	470,291	—	—	—	—	470,291
Lease Liabilities	89	89	—	—	—	—	89
Taxation payable	3,302	3,302	—	—	—	—	3,302
Total liabilities	917,489	917,489	—	—	—	—	917,489

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5 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Main sources of differences between regulatory exposure amounts and carrying values in financial statements as required by section 16E of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Total	Items subject to:			
		credit risk framework	securitization framework	counterparty credit risk framework	market risk framework
1 Asset carrying value amount under scope of regulatory consolidation	2,442,628	2,425,193	—	7	17,428
2 Liabilities carrying value amount under regulatory scope of consolidation	—	—	—	—	—
3 Total net amount under regulatory scope of consolidation	2,442,628	2,425,193	—	7	17,428
4 Off-balance sheet amounts	372	372	—	—	—
5 <i>Differences due to non-positive current exposure</i>	(1,584)	(1,584)	—	—	—
6 <i>Differences due to consideration of provisions</i>	19,859	19,859	—	—	—
7 Exposure amounts considered for regulatory purposes	2,461,275	2,443,840	—	7	17,428

The difference between accounting and regulatory exposure amounts is due to non-positive current exposures included in carrying value of assets, whereas only positive current exposures is included in the calculation of regulatory exposure amount under Banking (Capital) Rules.

6 Prudent valuation adjustments

Prudent valuation adjustments as required by section 16FA of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1 Close-out uncertainty, of which:	—	—	—	—	—	—	—	—
2 <i>Mid-market value</i>	—	—	—	—	—	—	—	—
3 <i>Close-out costs</i>	—	—	—	—	—	—	—	—
4 <i>Concentration</i>	—	—	—	—	—	—	—	—
5 Early termination	—	—	—	—	—	—	—	—
6 Model risk	—	—	—	—	—	—	—	—
7 Operational risks	—	—	—	—	—	—	—	—
8 Investing and funding costs						—	—	—
9 Unearned credit spreads						—	—	—
10 Future administrative costs	—	—	—	—	—	—	—	—
11 Other adjustments	—	—	—	—	—	—	—	—
12 Total adjustments	—	—	—	—	—	—	—	—

As of 31st December 2021, no additional prudent valuation adjustment is deemed required as the Firm's valuation policy is materially consistent with prudential valuation requirements.

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7 Composition of regulatory capital

Composition of regulatory capital disclosures as required by section 16FB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	527,000	[a]
2	Retained earnings	991,131	[b]
3	Disclosed reserves	69,373	[c]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	Not applicable	
6	CET1 capital before regulatory adjustments	1,587,504	
CET1 capital: regulatory deductions			
7	Valuation adjustments	Not applicable	
8	Goodwill (net of associated deferred tax liabilities)	Not applicable	
9	Other intangible assets (net of associated deferred tax liabilities)	Not applicable	
10	Deferred tax assets (net of associated deferred tax liabilities)	21,815	[d]
11	Cash flow hedge reserve	Not applicable	
12	Excess of total EL amount over total eligible provisions under the IRB approach	Not applicable	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	Not applicable	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	Not applicable	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	Not applicable	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	Not applicable	
17	Reciprocal cross-holdings in CET1 capital instruments	Not applicable	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	Not applicable	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	Not applicable	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable

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7 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26	National specific regulatory adjustments applied to CET1 capital	Not applicable	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	Not applicable	
26b	Regulatory reserve for general banking risks	Not applicable	
26c	Securitization exposures specified in a notice given by the MA	Not applicable	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	Not applicable	
26e	Capital shortfall of regulated non-bank subsidiaries	Not applicable	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	Not applicable	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	Not applicable	
28	Total regulatory deductions to CET1 capital	21,815	
29	CET1 capital	1,565,689	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	Not applicable	
31	of which: classified as equity under applicable accounting standards	Not applicable	
32	of which: classified as liabilities under applicable accounting standards	Not applicable	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	Not applicable	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	Not applicable	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	Not applicable	
36	AT1 capital before regulatory deductions	Not applicable	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	Not applicable	
38	Reciprocal cross-holdings in AT1 capital instruments	Not applicable	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	Not applicable	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable	
41	National specific regulatory adjustments applied to AT1 capital	Not applicable	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	Not applicable	
43	Total regulatory deductions to AT1 capital	Not applicable	
44	AT1 capital	Not applicable	
45	Tier 1 capital (T1 = CET1 + AT1)	1,565,689	
	Tier 2 capital: instruments and provisions		

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7 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
46	Qualifying Tier 2 capital instruments plus any related share premium	Not applicable	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	Not applicable	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	Not applicable	
49	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	Not applicable	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	Not applicable	
51	Tier 2 capital before regulatory deductions	Not applicable	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	Not applicable	
53	Reciprocal cross-holdings in Tier 2 capital instruments	Not applicable	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	Not applicable	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	Not applicable	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	Not applicable	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	Not applicable	
56	National specific regulatory adjustments applied to Tier 2 capital	Not applicable	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	Not applicable	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	Not applicable	
57	Total regulatory adjustments to Tier 2 capital	Not applicable	
58	Tier 2 capital (T2)	Not applicable	
59	Total regulatory capital (TC = T1 + T2)	1,565,689	
60	Total RWA	3,007,603	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	51.9 %	
62	Tier 1 capital ratio	51.9 %	
63	Total capital ratio	51.9 %	

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7 Composition of regulatory capital (continued)

		Amount	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.556 %	
65	of which: capital conservation buffer requirement	2.500 %	
66	of which: bank specific countercyclical capital buffer requirement	0.056 %	
67	of which: higher loss absorbency requirement	N/A	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	43.9 %	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	Not applicable	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	Not applicable	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	Not applicable	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	Not applicable	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	Not applicable	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	Not applicable	Not applicable
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	Not applicable	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	Not applicable	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	

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7 Composition of regulatory capital (continued)

Notes to the template:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

	Description	Hong Kong basis	Basel III basis
10	Deferred tax assets (net of associated deferred tax liabilities)	21,815	—
	<p><u>Explanation</u> As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		

Remarks:

The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.

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8 Reconciliation of regulatory capital to balance sheet

Reconciliation of regulatory capital to balance sheet as required by section 16FC of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31st December 2021 US\$'000	As at 31st December 2021 US\$'000	
ASSETS			
Balances with banks	2,196,675	2,196,675	
Financial assets at fair value through profit or loss	17,331	17,331	
Deferred tax assets	21,815	21,815	[d]
Other assets	268,804	268,804	
Fixed assets	292	292	
Right-of-use assets	76	76	
Total assets	2,504,993	2,504,993	
EQUITY			
Share capital	527,000	527,000	[a]
Reserves	1,060,504	1,060,504	
<i>of which: retained earnings</i>		991,131	[b]
<i>disclosed reserves</i>		69,373	[c]
Total equity	1,587,504	1,587,504	
LIABILITIES			
Deposits and balances from banks	443,807	443,807	
Other liabilities	470,291	470,291	
Lease Liabilities	89	89	
Taxation payable	3,302	3,302	
Total liabilities	917,489	917,489	
Total equity and liabilities	2,504,993	2,504,993	

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9 Main features of regulatory capital instruments

Main features of regulatory capital instruments as required by section 16FE of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Share capital
1	Issuer	J.P. Morgan Securities (Asia Pacific) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Hong Kong Law
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1 capital
6	Eligible at solo / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	US\$527,000,000
9	Par value of instrument	NA
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Shares were issued in the following years: 1987, 2001, 2002, 2008, 2017
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend / coupon	Floating
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

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10 Geographical distribution of credit exposures used in countercyclical capital buffer (“CCyB”)

Geographical distribution of credit exposures used in countercyclical capital buffer as required by section 16FG of the Banking (Disclosure) Rules (expressed in US\$’000 unless otherwise stated).

		As at 31st December 2021			
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CcyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	1 %	4,987		
2	Sum		4,987		
3	Total		89,819	0.056 %	50

11 Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure

Summary comparison of accounting assets against leverage ratio (“LR”) exposure measure as required by section 16FH of the Banking (Disclosure) Rules (expressed in US\$’000 unless otherwise stated).

	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements	2,504,993
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	—
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	—
3a	Adjustments for eligible cash pooling transactions	—
4	Adjustments for derivative contracts	261
5	Adjustment for SFTs (i.e. repos and similar secured lending)	—
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS exposures)	—
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	—
7	Other adjustments	(21,815)
8	Leverage ratio exposure measure	2,483,439

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12 Leverage ratio (“LR”)

Leverage ratio as required by section 16FI of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		31st December 2021	30th September 2021
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	2,504,986	2,567,692
2	Less: Asset amounts deducted in determining Tier 1 capital	(21,815)	(17,182)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	2,483,171	2,550,510
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	7	—
5	Add-on amounts for PFE associated with all derivative contracts	261	—
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	—	—
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	—	—
8	Less: Exempted CCP leg of client-cleared trade exposures	—	—
9	Adjusted effective notional amount of written credit-related derivative contracts	—	—
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	—	—
11	Total exposures arising from derivative contracts	268	—
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	—	—
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	—	—
14	CCR exposure for SFT assets	—	—
15	Agent transaction exposures	—	—
16	Total exposures arising from SFTs	—	—
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	—	—
18	Less: Adjustments for conversion to credit equivalent amounts	—	—
19	Off-balance sheet items	—	—
Capital and total exposures			
20	Tier 1 capital	1,565,689	1,585,241
20a	Total exposures before adjustments for specific and collective provisions	2,483,439	2,550,510
20b	Adjustments for specific and collective provisions	—	—
21	Total exposures after adjustments for specific and collective provisions	2,483,439	2,550,510
Leverage ratio			
22	Leverage ratio	62.8 %	62.2 %

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13 Liquidity risk management

Liquidity risk is the risk that the Firm will be unable to meet its contractual and contingent obligations as they arise or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its asset and liabilities.

Liquidity Risk Oversight

The Liquidity Risk Oversight ("LRO") group is part of Chief Investment Office, Treasury and Corporate ("CTC") Risk, an Independent Risk Management function, reporting to the CTC CRO who also serves as the Firmwide Risk Executive of Liquidity Risk. LRO is responsible for the independent assessment, measuring, monitoring, and control of liquidity risk across the firm. LRO responsibilities include, but are not limited to:

- Defining, monitoring and reporting liquidity risk metrics;
- Independently establishing and monitoring limits and indicators, including liquidity risk appetite;
- Developing a process to classify, monitor and report limit breaches;
- Performing independent review of liquidity risk management processes;
- Monitoring and reporting internal firmwide and legal entity stress tests and regulatory defined stress tests;
- Approving or escalating for review new or updated liquidity stress assumptions; and
- Monitoring and reporting liquidity positions, balance sheet variances and funding activities;

Risk Governance and Measurement

Specific committees responsible for liquidity governance include firmwide ALCO as well as LOB and regional ALCOs, and the Chief Investment Office, Treasury and Corporate Risk Committee ("CTC RC"). In addition, the JPMSAPL Risk Committee reviews and recommends to the BOD, for formal approval, the Firm's liquidity risk tolerances, liquidity strategy and liquidity policy at least annually.

The BODs of JPMSAPL has delegated oversight of liquidity risk to HK RALCO. Liquidity risk oversight is governed by HK RALCO, co-chaired by the CRO and SFO.

As governed by the HK RALCO Terms of Reference, where required, matters will be escalated from HK RALCO to JPMSAPL Risk Committee, BOD, Asia Pacific Risk Committee ("APRC"), or Asia Pacific Capital and Liquidity Committee ("APCALC").

Internal Stress Testing

Liquidity stress tests are intended to ensure sufficient liquidity for JPMSAPL under a variety of adverse scenarios. Results of stress tests are therefore considered in the formulation of JPMSAPL's funding plan assessment of its liquidity position. Liquidity outflow assumptions are modelled across a range of time horizons and contemplate both market and idiosyncratic stress. Standard stress tests are performed on a regular basis and ad hoc stress tests are performed in response to specific market events or concerns.

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13 Liquidity risk management (continued)

Liquidity stress tests assume JPMSAPL's contractual obligations are met and then take into consideration:

- Varying levels of access to unsecured and secured funding markets,
- Estimated non-contractual and contingent outflows, and
- Potential impediments to the availability and transferability of liquidity between jurisdictions and legal entities such as regulatory, legal, or other restrictions.

Contingency Funding Plan ("CFP")

The Firm's CFP sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and incorporates liquidity risk limits, indicators and risk appetite tolerances that make up Liquidity Escalation Points. The CFP also identifies the alternative contingent funding and liquidity resources available to the Firm and its legal entities (including JPMSAPL) in a period of stress. JPMSAPL is an integral part of the firmwide CFP framework.

Treasury and Chief Investment Office ("TCIO") maintains a legal entity addendum to the firmwide CFP, which is reviewed and approved by the HK RALCO and the JPMSAPL BOD, at least annually.

Liquidity Management

The primary objectives of the Firm's liquidity management are to:

- Ensure that the Firm's core businesses and material legal entities are able to operate in support of client needs and meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and
- Manage an optimal funding mix and availability of liquidity sources.

As part of the Firm's overall liquidity management strategy, the Firm manages liquidity and funding using a centralized, global approach in order to:

- Optimize liquidity sources and uses;
- Monitor exposures;
- Identify constraints on the transfer of liquidity between the Firm's legal entities; and
- Maintain the appropriate amount of surplus liquidity at a firmwide and legal entity level, where relevant.

In the context of the Firm's liquidity management, TCIO is responsible for:

- Analyzing and understanding the liquidity characteristics of the assets and liabilities of the Firm, LOBs and legal entities, taking into account legal, regulatory, and operational restrictions;
- Developing internal liquidity stress testing assumptions;
- Defining and monitoring Firmwide and legal entity-specific liquidity strategies, policies, reporting and contingency funding plans;
- Managing liquidity within the Firm's approved liquidity risk appetite tolerances and limits;
- Managing compliance with regulatory requirements related to funding and liquidity risk; and
- Setting transfer pricing in accordance with underlying liquidity characteristics of balance sheet assets and liabilities as well as certain off-balance sheet items.

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13 Liquidity risk management (continued)

Liquidity ratio

31st December
2021

Average Liquidity Maintenance Ratio 419.45 %

The average LMR as of 31st December 2021 is calculated as the simple average of each calendar month's average LMR for the relevant period computed in accordance with the Banking (Liquidity) Rules.

Liquidity exposures and balance sheet items, broken down into maturity buckets are disclosed in note 21 "Maturity Analysis" in the Company's Financial Statements.

14 General information about credit risk

Credit Risk Organization and management framework

Credit risk management is an independent risk management function that monitors, measures, and manages credit risk throughout the J.P. Morgan Firm and defines credit risk policies and procedures. The credit risk function reports to the Firm's CRO.

The Firm's credit risk management governance includes the following activities:

- Maintaining a comprehensive credit risk policy framework;
- Monitoring, measuring, and managing credit risk across all portfolio segments, including transaction and exposure approval;
- Setting industry concentration limits and establishing underwriting guidelines;
- Assigning and managing credit authorities in connection with the approval of credit exposure;
- Managing criticised exposures and delinquent loans; and
- Estimating credit losses and supporting appropriate credit risk-based capital management.

The Credit Risk function is overseen in Hong Kong by the Credit Risk Officer for Greater China, Korea and Asia Funds/Hedge funds, who reports to the Head of Greater China Credit Risk or ultimately to the APAC Co-Head of Credit Risk. The Credit Risk Officers are responsible for analysing specific portfolios of clients, negotiating credit documentation and assisting in execution of credit transactions. One of the Credit Risk Officer is a member of the HK RALCO and provides key updates for the credit risk booked in the Hong Kong Legal Entities to the HK RALCO.

Credit risk is within the second line of defense where it sets and oversees the credit risk management structure and independently assesses and challenges the business (first line of defense) risk management practices. The risk management function cannot be guarantor of the Firm's operational performance and there are clear circumstances in which the Firm accepts that an important reliance is placed on the performance of individuals and groups within each of the LOBs and functions to identify, manage, control, and escalate issues which would not be separately captured or validated by the second line of defense.

14 General information about credit risk (continued)

Risk monitoring and management

The Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the LOBs.

Stress testing is important in measuring and managing credit risk in the Firm's credit portfolio. The process assesses the potential impact of alternative economic and business scenarios on estimated credit losses for the Firm. Economic scenarios and the underlying parameters are defined centrally, articulated in terms of macroeconomic factors, and applied across the businesses. The stress test results may indicate credit migration, changes in delinquency trends and potential losses in the credit portfolio. In addition to the periodic stress testing processes, management also considers additional stresses outside these scenarios, including industry and country-specific stress scenarios, as necessary. The Firm uses stress testing to inform decisions on setting risk appetite both at a Firm and LOB level, as well as to assess the impact of stress on individual counterparties.

Risk reporting

To enable monitoring of credit risk and effective decision making, aggregate credit exposure, credit quality forecasts, concentration levels and risk profile changes are reported regularly to senior members of Credit Risk Management. Detailed portfolio reporting of industry, customer, product and geographic concentrations occurs monthly, and the appropriateness of the allowance for credit losses is reviewed by senior management at least on a quarterly basis. Through the risk reporting and governance structure, credit risk trends and limit exceptions are provided regularly to, and discussed with, risk committees, senior management and the BOD as appropriate.

The firmwide approach to managing concentration risk and settlement risk is summarized below.

Concentration risk - Concentrations of credit risk arise when a number of clients, counterparties or customers are engaged in similar business activities or activities in the same geographic region, or when they have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions. The Firm regularly monitors various segments of its credit portfolios to assess potential credit risk concentrations and to obtain additional collateral when deemed necessary and permitted under the Firm's agreements. Senior management is significantly involved in the credit approval and review process, and risk levels are adjusted as needed to reflect the Firm's risk appetite. Credit risk concentrations are evaluated primarily by industry, geography and credit family, and monitored regularly on both an aggregate portfolio level and on an individual client or counterparty basis.

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14 General information about credit risk (continued)

Credit Family Thresholds - Credit Family Thresholds are used for the management of and reporting on credit family concentration risk, and are applied according to the internal rating of the credit family. The requirements established by Credit Family Thresholds help to confirm that client business strategies are developed and executed taking into consideration credit risk appetite and reputational risk tolerance. Concentrations under family thresholds are managed by the LOB which has primary client management responsibility. While Credit Officers are responsible for approving credit exposure, adherence to the guidelines for credit family thresholds is primarily the responsibility of the business. All exposures greater than or equal to 1.75x the family threshold are reported quarterly to the Firmwide Risk Committee. This report will also identify any of the above exposures which are designated Long Term Over Threshold exposures.

Industry Risk - Industry limits are used to manage the Firm's concentration to industries from wholesale credit exposures as detailed in Wholesale Credit Concentration Framework. Industry limits are established annually by the Firmwide Risk Executive Wholesale Credit Risk and LOB Chief Risk Officers in consultation with the wholesale businesses, and approved by the Firmwide Risk Committee. Limits are set and managed at both a consolidated wholesale level and individual LOB level. Industry risk management complements credit risk management and does not replace normal credit approval and review requirements. Presently there are no legal entity specific industry thresholds or limits applicable to JPMSAPL.

JPMSAPL specific risk management

JPMSAPL Large Exposures and Risk Concentrations - At a local level, JPMSAPL monitors large exposures on a stand-alone basis in accordance with the Banking (Exposure Limits) Rules ("BELR") and the HKMA Supervisory Policy Manual ("SPM") CR-G-8 Large Exposures and Risk Concentrations and Connected Lending (CR-G-9). The purpose of the large exposure regime is to ensure that JPMSAPL manages its exposure to connected and third-party counterparties within appropriate limits set in relation to its capital resources.

Settlement Risk and Delivery Risk - JPMSAPL engages in equity brokerage and is a client facing entity. It is a market-maker for Hong Kong Government Bills and Notes. JPMSAPL also places funds with, and borrows funds from, JPMorgan Chase Bank, N.A. ("JPMCB") and other banks.

The majority of securities trades are settled via recognized clearing houses and exchanges, within standard settlement periods, on a Delivery versus Payment ("DVP") basis.

Products not settled on Delivery After Payment ("DAP"), DVP or Payment vs. Payment ("PvP") terms require settlement exposure to be quantified, monitored and controlled. Settlement risk is calculated using the Duration Based Settlement Risk ("DBSE") metric. It measures the amount of purchased contracts which may be delivered on a single day to a particular counterparty (or eligible borrowers). The measure takes into account the duration of settlement risk resulting from settling different currencies locally and it incorporates settlement fail amounts in the exposure. Business units are required to obtain credit approval for Daily Settlement Limits ("DSLs") for clients trading products not settled on DAP or PvP. A DSL is a notional amount that limits the USD equivalent receivable value of non-DAP/non-DvP/non-PvP transactions contracted to settle on a particular date. DBSE is monitored against DSL.

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15 Credit quality of exposures

Credit quality of exposures as required by section 16H of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loan	—	—	—	—	—	—	—
2	Debt Securities	—	16,820	—	—	—	—	16,820
3	Off-balance sheet exposures	—	372	—	—	—	—	372
4	Total	—	17,192	—	—	—	—	17,192

16 Changes in defaulted loans and debt securities

Changes in defaulted loans and debt securities as required by section 16I of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Amount	
1	Defaulted loans and debt securities at end of the previous reporting period	—
2	Loans and debt securities that have defaulted since the last reporting period	—
3	Returned to non-defaulted status	—
4	Amounts written off	—
5	Other changes	—
6	Defaulted loans and debt securities at end of the current reporting period	—

17 Additional disclosure related to credit quality of exposures

The Company classifies the debt securities as fair value through profit or loss ("FVTPL") in accordance to applicable accounting standards and the Company's accounting policies.

Financial assets measured at FVTPL is measured at fair market value. The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants. Financial assets measured at FVTPL does not have past due or impaired exposure.

For determining impairments, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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17 Additional disclosure related to credit quality of exposures (continued)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Restructured exposure means the original terms of repayment of the exposure have been revised because of the inability of the obligor to meet the original repayment terms. It does not include an exposure where the exposure has subsequently been serviced by the obligor in accordance with the revised repayment terms continuously for (i) in the case of an exposure with monthly payments (including both interest and principal), a period of not less than 6 months; or (ii) in any other case, a period of not less than 12 months.

There were no exposures which are past due for more than 90 days but are not impaired.

There were no impaired exposures, accounting past due exposures and restructured exposures as at 31st December 2021.

a. Breakdown by geographical areas

	In US\$'000 Amount
Hong Kong	9,927
Asia Pacific excluding Hong Kong	7,265
Total	17,192

b. Breakdown by industry

	In US\$'000 Amount
Government	16,820
Financial institutions	372
Corporates	—
Total	17,192

c. Breakdown by residual maturity

	In US\$'000 Amount
Up to 3 months	1,940
Over 3 months - 1 year	4,010
Over 1 year - 5 years	9,476
Over 5 years	1,766
Total	17,192

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18 Qualitative disclosures related to credit risk mitigation

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Management of the Firm's wholesale credit risk exposure is accomplished through a number of means, including collateral and other risk-reduction techniques. There was no credit risk mitigation used by the Company.

19 Overview of recognized credit risk mitigation

Overview of recognized credit risk mitigation as required by section 16L of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	—	—	—	—	—
2	Debt securities	16,820	—	—	—	—
3	Total	16,820	—	—	—	—
4	Of which defaulted	—	—	—	—	—

20 Qualitative disclosures on use of ECAI ratings under STC approach

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings are the external credit assessment institutions ("ECAIs") that the Company has used to determine the risk weights of the exposures from banks, securities firms and other corporates.

The process it used to map ECAI issuer ratings to exposures booked in its banking book is a process as prescribed in Part 4 of the Banking (Capital) Rules.

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21 Credit risk exposures and effects of recognized credit risk mitigation - for STC approach

Credit risk exposures and effects of recognized credit risk mitigation - for STC approach as required by section 16N of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Exposure classes	Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—
4	Bank exposures	2,279,258	372	2,279,258	372	847,074	37.2 %
5	Securities firm exposures	74,475	—	74,475	—	37,237	50.0 %
6	Corporate exposures	52,071	—	52,071	—	52,071	100.0 %
7	CIS exposures	—	—	—	—	—	—
8	Cash items	1	—	1	—	—	—
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—
12	Other exposures which are not past due exposures	37,633	—	37,633	—	37,633	100.0 %
13	Past due exposures	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—
15	Total	2,443,438	372	2,443,438	372	974,015	39.9 %

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22 Credit risk exposures by asset classes and by risk weights - for STC approach

Credit risk exposures by asset classes and by risk weights - for STC approach as required by section 16O of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	975,518	—	1,304,112	—	—	—	—	—	2,279,630
5	Securities firm exposures	—	—	—	—	74,475	—	—	—	—	—	74,475
6	Corporate exposures	—	—	—	—	—	—	52,071	—	—	—	52,071
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Cash items	1	—	—	—	—	—	—	—	—	—	1
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	—	—	—	—	—	—	—	—	—	—	—
10	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
11	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
12	Other exposures which are not past due exposures	—	—	—	—	—	—	37,633	—	—	—	37,633
13	Past due exposures	—	—	—	—	—	—	—	—	—	—	—
14	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
15	Total	1	—	975,518	—	1,378,587	—	89,704	—	—	—	2,443,810

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

23 Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

The Company has adopted the Current Exposure Method for regulatory capital calculation of its counterparty credit risk (“CCR”) arising from its exposure in the banking and trading book.

As previously discussed, the Firm has developed policies and practices that are designed to preserve the independence and integrity of the approval and decision-making process of extending credit to ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio review parameters and guidelines for management of distressed exposures. In addition, certain models, assumptions and inputs used in evaluating and monitoring credit risk are independently validated by groups that are separate from the LOBs.

As at 31st December 2021, no recognised credit derivative contract is applied as credit risk mitigation and no valid bilateral netting agreement is taken into account in the calculation of regulatory capital. The Company does not use guarantees and other forms of credit risk mitigation.

Wrong-way risk - the risk that exposure to a counterparty is positively correlated with the impact of a default by the same counterparty, which could cause exposure to increase at the same time as the counterparty’s capacity to meet its obligations is decreasing - is actively monitored as this risk could result in greater exposure at default compared with a transaction with another counterparty that does not have this risk.

24 Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as required by section 16W of the Banking (Disclosure) Rules (expressed in US\$’000 unless otherwise stated).

		Replacement cost	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	7	259		1.4	372	86
1a	CEM (for derivative contracts)	—	—		1.4	—	—
2	IMM (CCR) approach			—	—	—	—
3	Simple approach (for SFTs)					—	—
4	Comprehensive approach (for SFTs)					—	—
5	VaR (for SFTs)					—	—
6	Total						86

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

25 CVA capital charge

CVA capital charge as required by section 16X of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	—	—
1	(i) VaR (after application of multiplication factor if applicable)		—
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		—
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	372	79
4	Total	372	79

26 Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach

Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights - for STC approach as required by section 16Y of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	—	—	—	—	—	—	—	—	—	—	—
2	PSE exposures	—	—	—	—	—	—	—	—	—	—	—
2a	Of which: domestic PSEs	—	—	—	—	—	—	—	—	—	—	—
2b	Of which: foreign PSEs	—	—	—	—	—	—	—	—	—	—	—
3	Multilateral development bank exposures	—	—	—	—	—	—	—	—	—	—	—
4	Bank exposures	—	—	334	—	38	—	—	—	—	—	372
5	Securities firm exposures	—	—	—	—	—	—	—	—	—	—	—
6	Corporate exposures	—	—	—	—	—	—	—	—	—	—	—
7	CIS exposures	—	—	—	—	—	—	—	—	—	—	—
8	Regulatory retail exposures	—	—	—	—	—	—	—	—	—	—	—
9	Residential mortgage loans	—	—	—	—	—	—	—	—	—	—	—
10	Other exposures which are not past due exposures	—	—	—	—	—	—	—	—	—	—	—
11	Significant exposures to commercial entities	—	—	—	—	—	—	—	—	—	—	—
12	Total	—	—	334	—	38	—	—	—	—	—	372

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

27 Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as required by section 16ZA of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	—	—	—	—	—	—
Cash - other currencies	—	—	—	—	—	—
Domestic sovereign debt	—	—	—	—	—	—
Other sovereign debt	—	—	—	—	—	—
Government agency debt	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Equity securities	—	—	—	—	—	—
Other collateral	—	—	—	—	—	—
Total	—	—	—	—	—	—

28 Credit-related derivatives contracts

Credit-related derivatives contracts as required by section 16ZB of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	—	—
Index credit default swaps	—	—
Total return swaps	—	—
Credit-related options	—	—
Other credit-related derivative contracts	—	—
Total notional amounts	—	—
Fair values		
Positive fair value (asset)	—	—
Negative fair value (liability)	—	—

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29 Exposures to CCPs

Credit-related derivatives contracts as required by section 16ZD of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		Exposure after CRM	RWA
1	Exposures of the AI as clearing member or client to qualifying CCPs (total)		—
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	—	—
3	(i) OTC derivative transactions	—	—
4	(ii) Exchange-traded derivative contracts	—	—
5	(iii) Securities financing transactions	—	—
6	(iv) Netting sets subject to valid cross-product netting agreements	—	—
7	Segregated initial margin	—	
8	Unsegregated initial margin	—	—
9	Funded default fund contributions	—	—
10	Unfunded default fund contributions	—	—
11	Exposures of the AI as clearing member or client to non-qualifying CCPs (total)		—
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	—	—
13	(i) OTC derivative transactions	—	—
14	(ii) Exchange-traded derivative contracts	—	—
15	(iii) Securities financing transactions	—	—
16	(iv) Netting sets subject to valid cross-product netting agreements	—	—
17	Segregated initial margin	—	
18	Unsegregated initial margin	—	—
19	Funded default fund contributions	—	—
20	Unfunded default fund contributions	—	—

30 Securitization Exposures

The Company has no securitization exposures as at 31st December 2021.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

31 Qualitative disclosures related to market risk

(a) Firmwide Market Risk Management

Market Risk Management Definition and Governance

Market risk is the risk associated with the effect of changes in market factors, such as interest and foreign exchange rates, equity and commodity prices, credit spreads or implied volatilities, on the value of assets and liabilities held for both the short and long term.

The Firm, through its LOBs, may be exposed to market risk as a result of various financial activities, including trading, funding, underwriting and investing. Market Risk Management monitors market risks throughout the Firm and defines market risk policies and procedures. The Market Risk Management function reports to the Firm's CRO, and seeks to manage risk, facilitate efficient risk/return decisions, reduce volatility in operating performance and provide transparency into the Firm's market risk profile.

The Firmwide Risk Executive ("FRE") Market Risk and LOB CROs are responsible for establishing an effective market risk organization. The FRE Market Risk and LOB Heads of Market Risk oversee the implementation of the framework to measure, monitor and control market risk.

Approach to Risk Management

Market Risk Measurement

There is no single measure to capture market risk and therefore the Firm uses various metrics both statistical and non-statistical to assess risk. The appropriate set of risk measures utilised for a given business activity is tailored based on business mandate, risk horizon, materiality, market volatility and other factors.

(i) Value-At-Risk ("VaR")

The Firm utilises VaR, a statistical risk measure, to estimate the potential loss from adverse market moves in the current market environment. The framework is employed across the Firm using historical simulation based on data for the previous 12 months.

VaR is calculated assuming a one-day holding period and an expected tail-loss methodology which approximates a 95% confidence level. These VaR results are reported to senior management and regulators.

(ii) Stress Testing

Along with VaR, stress testing is an important tool to assess risk. While VaR reflects the risk of loss due to adverse changes in markets using recent historical market behavior, stress testing reflects the risk of loss from hypothetical changes in the value of market risk sensitive positions applied simultaneously.

The Firm runs weekly stress tests on market-related risks across the LOB using multiple scenarios that assume significant changes in risk factors such as credit spreads, equity prices, interest rates, currency rates or commodity prices.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

31 Qualitative disclosures related to market risk (continued)

(a) Firmwide Market Risk Management (continued)

(ii) Stress Testing (continued)

The Firm uses a number of standard scenarios that capture different risk factors across asset classes including geographical factors, specific idiosyncratic factors and extreme tail events. The stress testing framework calculates multiple magnitudes of potential stress for both market rallies and market sell-offs for each risk factor and combines them in multiple ways to capture different market scenarios. The flexibility of the stress testing framework allows risk managers to construct new, specific scenarios that can be used to form decisions about future possible stress events.

Stress testing complements VaR by allowing risk managers to shock current market prices to more extreme levels relative to those historically realized, and to stress test the relationships between market prices under extreme scenarios.

Stress-test results, trends and qualitative explanations based on current market risk positions are reported to the respective LOBs and Firm's senior management to allow them to better understand the sensitivity of positions to certain defined events and to enable them to manage their risks with more transparency. In addition, results are reported to the senior management and regulators.

Stress scenarios are defined and reviewed by Market Risk, and significant changes are reviewed by the relevant LOB Risk Committees and may be redefined on a periodic basis to reflect current market conditions.

(iii) Non-statistical risk measures

Measures such as net open positions, basis point values are utilized within specific market context and aggregated across businesses.

Risk Monitoring and Control

Market risk limits are employed as the primary control to align the Firm's market risk with certain quantitative parameters within the Firm's Risk Appetite framework.

Market Risk sets limits and regularly reviews and updates them as appropriate, with any changes approved by Firm or LOB or Company management, as appropriate, and Market Risk. Limits that have not been reviewed within a specified time period by Market Risk Management are escalated to senior management.

Limit breaches are required to be reported in a timely manner to limit approvers, which include Market Risk and senior management. In the event of a limit breach, Market Risk consults with senior management to determine the course of action required to return to Compliance, which may include a reduction in risk in order to remedy the breach or the granting a temporary increase in limits to accommodate an expected increase in client activity and/or market volatility. Certain Firm, LOB or legal entity limits that have been breached are escalated to senior management, the LOB Risk Committee, Regional Risk Committee and/or the Firmwide Risk Committee, as appropriate.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

31 Qualitative disclosures related to market risk (continued)

(b) Legal Entity Market Risk Management: JPMSAPL

Risk Governance & Policy framework

JPMSAPL's approach to market risk governance mirrors the firmwide approach is outlined in the Market Risk Management, JPMSAPL Policy ('Policy'). The Policy outlines the following:

- Responsibilities of the Legal Entity Risk Manager ("LERM") and the Market Risk Officer ("MRO");
- Market risk measures utilized such as VaR, Stress and non-statistical measures; and
- Controls such as JPMSAPL's market risk limits framework (limit levels, limit signatories, limit reviews, limit breach reporting and limit breach escalation).

JPMSAPL's BOD approves substantive changes to the Policy annually.

Risk Appetite

Market risk limits are set in accordance with the Firm's Risk Appetite Framework.

Approach to Risk Management

Specific areas of how the broader market risk framework is applied at Legal Entity level are described below.

VaR

JPMSAPL applies the firmwide approach for Risk Management VaR as described in the Firmwide Market Risk Management section.

Stress Testing

JPMSAPL applies the firmwide stress testing approach, including applying stress scenarios assigned on account of local regulatory requirements.

JPMSAPL's market risk profile during 2021 was primarily driven by:

- 1) IR Basis Point Value ("BPV")
- 2) Credit Spread BPV

Non-Statistical

JPMSAPL utilizes non-statistical risk measures to measure and monitor risk e.g. FX Delta, IR BPV, Credit Spread BPV etc.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

31 Qualitative disclosures related to market risk (continued)

(b) Legal Entity Market Risk Management: JPMSAPL (continued)

Risk Monitoring and Control

Limits

LOBs and their Business Areas operating out of JPMSAPL are subject to two sets of limits, i.e. Enterprise wide market risk LOB/Business Area limits and the Company specific market risk limits.

The structure and framework of JPMSAPL-specific limits is based on the complexity of activities managed within the Company and the categories of related market risk exposures arising from these activities.

JPMSAPL's legal entity limits include:

- Legal Entity Wide - VaR and Stress L1 Limits

JPMSAPL Chief Executive Officer/Senior Country Officer, LERM and MRO are signatories to the limits on behalf of the HK RALCO. Aged and significant limit breaches are escalated to the HK RALCO as well as the APRC.

Market Risk reviews all market risk limits at least semi-annually. Limits are established in accordance with the minimum standards outlined in the firmwide Legal Entity Market Risk Framework. The limit structure applied depends on the category of limit control being applied within the Company and the risk tier of the Company.

Risk Reporting

JPMSAPL has its own set of regular market risk reports and where applicable, comprise of market risk metrics for management to review and action, as appropriate.

Positions booked Offshore

JPMorgan Chase is a global bank operating in multiple jurisdictions and has a global transfer pricing policy for derivative market making and related transactions. JPMSAPL follows this global transfer pricing policy. For positions booked in offshore entities (i.e. not in JPMSAPL) where risk managers are employed by JPMSAPL, profits and losses will be attributed from the booking entities to JPMSAPL under the global transfer pricing policy. Regulatory capital, if required, is held either in the offshore regulated entities or at the JPMCB consolidated level. As a parent bank, JPMCB is required under the New York capital rule to monitor and maintain the capital adequacy for the Firm on a consolidated basis (including bank branches and subsidiaries, regulated and non-regulated). It is our global model to maintain regulatory capital in the booking entities or at the JPMCB consolidated level. Local management will continuously re-assess if additional capital is needed due to changes in regulations or change in operating model.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

32 Market risk under STM approach

Market risk under STM approach as required by section 16ZL of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	4,247
2	Equity exposures (general and specific risk)	1,023
3	Foreign exchange (including gold) exposures	6,829
4	Commodity exposures	—
	Option exposures	
5	Simplified approach	—
6	Delta-plus approach	—
7	Other approach	—
8	Securitization exposures	—
9	Total	12,099

33 Interest rate risk in banking book - risk management objectives and policies

Interest rate risk in the banking book is defined as Interest Rate Risk resulting from the Firm's traditional banking activities as a result of movements in interest rates. IRRBB can occur due to a variety of factors, including but not limited to:

- Differences between the timing of rate changes and the timing of cash flows (repricing risk);
- Changing rate relationships among yield curves that affect bank activities (basis risk);
- Changing rate relationships across the spectrum of maturities (yield curve risk); and
- Interest-rate-related options embedded in banking products (option risk).

Risk Governance

Specific committees responsible for liquidity governance include firmwide ALCO as well as LOB and regional ALCOs, and the CIO, CTC RC. In addition, the JPMSAPL Risk Committee reviews and recommends to the BOD, for formal approval, the Firm's liquidity risk tolerances and liquidity policy at least annually.

The HK RALCO, co-chaired by the SFO and CRO, is responsible for providing interest rate risk ("IRR") oversight at LE level and ensuring appropriate governance, controls and limits (as applicable) are in place.

As governed by the HK RALCO Terms of Reference, where required, matters will be escalated from HK RALCO to JPMSAPL Risk Committee, BOD, APRC, or APCALC. As governed by JPMSAPL Risk Committee Terms of Reference, where required, matters will be escalated from JPMSAPL Risk Committee to the Hong Kong Location Management Committee or APRC.

Risk Measurement & Internal Stress Testing

TCIO manages IRRBB exposure on behalf of the Firm by identifying, measuring, modelling and monitoring IRR across the Firm's balance sheet. TCIO works with the LOBs in defining methodologies for measuring IRRBB. TCIO identifies and understands material balance sheet impacts of new initiatives and products and executes market transactions to manage IRRBB via placements/takings and through TCIO investment portfolio's positions wherever applicable.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

33 Interest rate risk in banking book - risk management objectives and policies (continued)

Risk Measurement & Internal Stress Testing (continued)

Execution by TCIO will be based on parameters established by senior management, per the TCIO Investment Policy. LOBs are responsible for developing and monitoring the appropriateness of LOB specific interest rate risk modelling assumptions.

IRRBB is evaluated using two primary metrics, impact to the Company's earnings through Earnings at Risk ("EaR") metric, and impact to the Company's equity through Economic Value Sensitivity ("EVS") metric:

- EaR measures the extent to which changes in interest rates will affect the Company's net interest income ("NII") over the following 12 months period under four parallel shift scenarios in interest rate curve.
- EVS determines changes in Economic Value of Equity ("EVE") due to changes in interest rates under two parallel and four non-parallel shift scenarios in interest rate curve.

In JPMSAPL, the business activities exposed to interest rate risk in the banking book are confined to the Company's non-trading portfolio ("the banking book"). These activities are minimal and short-dated, and largely involve inter-group takings and placings with JPMCB Hong Kong Branch or other JPMCB bank entities. These activities are risk captured according to their contractual characteristics. JPMSAPL does not engage in deposit and loan activities.

The IRRBB metrics are regularly monitored, reported on a regular basis and presented in the HK RALCO meeting on quarterly basis.

34 Quantitative information on interest rate risk in banking book

Quantitative information on interest rate risk in banking book as required by section 16ZQ of the Banking (Disclosure) Rules (expressed in US\$'000 unless otherwise stated).

Period	ΔEVE		ΔNII	
	31st December 2021	30th September 2021	31st December 2021	30th September 2021
1 Parallel up	3,969	2,988	(32,679)	(4,453)
2 Parallel down	145	70	—	—
3 Steepener	116	56		
4 Flattener	1,879	3,379		
5 Short rate up	3,368	4,292		
6 Short rate down	164	75		
7 Maximum	3,969	4,292		
Period	31st December 2021		30th September 2021	
8 Tier 1 capital	1,565,689		1,585,241	

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

35 Remuneration

Governance and Oversight

The Company is part of the JPMorgan Chase & Co. group of companies ("The Firm"). As part of the Firm, the Company is governed by the Firmwide compensation philosophy.

The Firm strongly believes that its Firmwide compensation philosophy and its implementation fosters proper governance and regulatory compliance. That philosophy is subject to independent oversight and control by the Compensation and Management Development Committee ("CMDC"), a committee of the board of J.P. Morgan Chase & Co, the ultimate parent company of the Firm.

The CMDC oversees the Firm's compensation programs throughout the year, which enables the programs to be proactive in addressing both current and emerging developments or challenges. The key committee responsibilities of the CMDC related to the Firm's compensation programs include but not limited to:

- Periodically reviewing and approving a statement of the Firm's compensation philosophy, principles and practices
- Reviewing the Firm's compensation practices and the relationship among risk, risk management and compensation (including safety and soundness and avoiding practices that could encourage excessive risk-taking)
- Adopting pay practices and approving any necessary formulas, performance metrics or pool calculations in compliance with applicable U.S. and global regulatory, statutory or governance requirements
- Reviewing and approving overall incentive compensation pools (including equity/cash mix)
- Reviewing and approving the design and terms of compensation awards, including recovery/clawback provisions

The Board of the Company is responsible for the remuneration policies and practices as they apply to the Company, while the Company's Remuneration Committee advises and assists the Board in discharging its responsibility for the design and operation of the Company's remuneration policies and system, including overseeing compliance of those policies with applicable remuneration guidelines. In discharging its primary purpose, the Committee will uphold the interests of the Firm. In so doing, the Committee recognizes that the Firm's Board CMDC defines the Firm's compensation philosophy, and reviews and approves its overall incentive compensation pools.

Senior Management & Key Personnel

The Company's remuneration policies set out the definition for Senior Management and Key Personnel. According to the remuneration policies, Senior Management are defined as those who are responsible for oversight of the Company's firm-wide strategy or activities or those of the Company's material business lines. Individuals designated as Senior Management in the Company include the Board of Directors (Executive Directors only), Chief Executive, Alternate Chief Executive, Chief Risk Officer, Head of Internal Audit and Managers appointed under Section 72B of the Banking Ordinance, and Principally Responsible Person regime and other senior executives as required by regulations. Key personnel comprises of all other designated material risk takers.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

35 Remuneration (continued)

Compensation philosophy

Our compensation philosophy provides the guiding principles that drive compensation-related decisions across all levels of the Firm. We believe our compensation philosophy promotes an equitable and well-governed approach to compensation, which includes pay-for-performance practices that attract and retain top talent in a competitive market, is responsive to and aligned with shareholders, reinforces our culture and Business Principles, and integrates risk, controls and conduct considerations.

Paying for performance and aligning with shareholders' interests	<ul style="list-style-type: none"> In making compensation-related decisions, the Firm focuses on risk-adjusted performance (the Firm's risk and control professionals help contextualize the risk taken to achieve the return) and rewards behaviors that generate sustained value for the Firm. This means that compensation should not be overly formulaic, rigid or focused on the short term.
Encouraging a shared success culture	<ul style="list-style-type: none"> Teamwork and leadership should be encouraged and rewarded to foster a culture that supports our Business Principles. Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance.
Attracting and retaining top talent	<ul style="list-style-type: none"> The Firm's long-term success depends on the talents of its employees. The Firm's compensation philosophy plays a significant role in its ability to attract, properly motivate and retain top talent. Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Firm's business.
Integrating risk management and compensation	<ul style="list-style-type: none"> Risk management, compensation recovery, and repayment policies should be robust and designed to encourage behaving with standards of integrity that are required by the Firm's culture and Business Principles. Excessive risk-taking should be deterred. Conduct matters should be reviewed following Firmwide frameworks. Recoupment policies should include recovery of cash and equity compensation. The Firm's pay practices must comply with applicable rules and regulations, both in the U.S. and globally.
No special perquisites and non-performance based compensation	<ul style="list-style-type: none"> Compensation should be straightforward and consist primarily of cash and equity incentives. The Firm does not have special supplemental retirement or other special benefits just for executives, nor does it have any change-in-control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.
Maintaining strong governance	<ul style="list-style-type: none"> Strong corporate governance is fostered by independent oversight by the board of J.P. Morgan Chase & Co. of the executive compensation program, including defining the Firm's compensation philosophy, reviewing and approving the Firm's overall incentive compensation pools, and approving compensation for the Operating Committee, including the terms of compensation awards. The Firm has a rigorous process in place to review risk, controls and conduct issues at the Firm, LOB, functional, and regional levels, which can impact compensation pools as well as reduce compensation at the individual level, in addition to other employee actions.
Transparency with shareholders	<ul style="list-style-type: none"> Transparency to shareholders regarding the Firm's executive compensation program is important. The Firm discloses all material terms of its executive pay program and any actions on the part of the Firm in response to significant events, as appropriate.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

35 Remuneration (continued)

Link between Pay and Performance

The Firm uses a disciplined pay-for-performance framework to make decisions about the compensation of our employees, so that their compensation is commensurate with the overall performance of the Firm, their respective businesses, and their individual performance.

In accordance with our compensation philosophy, the Firm uses a balanced discretionary approach to assess performance throughout the year against four broad dimensions:

- Business Results
- Risk, Controls and Conduct
- Client/Customer/Stakeholder
- Teamwork & Leadership

The Firm has specific expectations of performance under each dimension which differ depending on the employee's level and/or role. Demonstrating the expected behaviors consistent with the Firm's "How We Do Business" Principles is an important factor in the performance development process and these expectations are generally incorporated into these standard expectations which are available to employees in the Firm's performance development system. How We Do Business principles and practices should form a significant part of the overall assessment of employees each year. Qualitative performance considerations such as risk, control and conduct standards should be satisfactory overall for the role. For employees who have adverse performance in these principles and practices, managers should, where appropriate, override an employee's performance in business results, even where it is strong. Compensation should be reduced or eliminated, as appropriate.

These four performance categories appropriately consider short-, and medium-term goals that drive sustained shareholder value, while accounting for risk, controls and conduct outcomes. All of these performance categories are considered and there is no specific weighting assigned to any one factor, metric or component.

Remuneration for the Control Functions is determined by reference to independent objectives and the incentive compensation allocations for these groups are managed separately from the LOBs that the Control Functions cover.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

35 Remuneration (continued)

Compensation Structure

The Firm's disciplined pay-for-performance framework focuses on Total Compensation — base salary and incentive compensation.

The Firm's Annual Incentive Compensation Plan is a discretionary compensation program that aligns with the key tenets included in the Firm's compensation philosophy. The plan serves to motivate and reward employees for delivering sustained results.

Incentive compensation is awarded in cash and/or equity. Generally, as employees become more senior or the impact of their role increases, a greater portion of incentive compensation is awarded in equity.

Equity-based awards (i.e., deferred compensation) generally take the form of Restricted Stock Units ("RSUs") that vest over multiple years. The Firm believes equity-based awards are important to:

- Aligning employee compensation with shareholder value creation
- Supporting the long-term safety and soundness of the Firm with provisions allowing for cancellation or clawback of awards when warranted

While the Firm expects incentive compensation to be paid and to vest according to terms, the Firm believes strong provisions that reward long-term, sustained value while permitting the recovery of incentive compensation (both cash and equity) are important to managing the Firm's businesses.

Strong Accountability and Recovery Provisions

The Firm's compensation program is designed to hold employees accountable, when appropriate, for meaningful actions or issues that negatively impact business performance or the Firm's reputation in current or future years.

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behaviour, the Firm has policies and procedures that enable it to take prompt and proportionate actions with respect to accountable individuals, including:

- Reduce or altogether eliminate annual incentive compensation
- Cancel unvested awards (in full or in part)
- Clawback/Recover previously paid incentive compensation (cash and/or equity)
- Demotion, negative performance rating or other appropriate employment actions
- Termination of employment

The Firm has a framework in place that provides for recommended impacts to drive consistency. However, the precise actions the Firm may take with respect to accountable individuals, which may also include coaching and training in addition to the above, are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event, the impact on the Firm and local laws.

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED (UNAUDITED)

35 Remuneration (continued)

Remuneration awarded during financial year as required by section 16ZT of the Banking (Disclosure) Rules.

Remuneration amount and quantitative information			Senior Management	Key Personnel
1	Fixed remuneration	Number of employees	26	52
			US\$'000	US\$'000
2		Total fixed remuneration	12,739	23,946
3		Of which: cash-based	12,739	23,946
4		Of which: deferred	—	—
5		Of which: shares or other share-linked instruments	—	—
6		Of which: deferred	—	—
7		Of which: other forms	—	—
8	Of which: deferred	—	—	
9	Variable remuneration	Number of employees	26	43
			US\$'000	US\$'000
10		Total variable remuneration	57,228	59,359
11		Of which: cash-based	30,786	33,578
12		Of which: deferred	—	—
13		Of which: shares or other share-linked instruments	26,442	25,781
14		Of which: deferred	26,442	25,781
15		Of which: other forms	—	—
16	Of which: deferred	—	—	
17	Total remuneration		69,967	83,305

Special payments as required by section 16ZU of the Banking (Disclosure) Rules.

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount (US\$'000)	Number of employees	Total amount (US\$'000)	Number of employees	Total amount (US\$'000)
Senior management and Key personnel (Note 3)	—	—	—	—	5	1,630

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35 Remuneration (continued)

Deferred remuneration as required by section 16ZV of the Banking (Disclosure) Rules.

Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
1	Senior management	53,543	53,543	—	10,206	17,317
2	Cash	—	—	—	—	—
3	Shares	53,543	53,543	—	10,206	17,317
4	Cash-linked instruments	—	—	—	—	—
5	Other	—	—	—	—	—
6	Key personnel	64,426	64,426	—	12,698	23,537
7	Cash	—	—	—	—	—
8	Shares	64,426	64,426	—	12,698	23,537
9	Cash-linked instruments	—	—	—	—	—
10	Other	—	—	—	—	—
11	Total	117,969	117,969	—	22,904	40,854

Notes:

- (1) The amounts described above include remuneration in respect of senior management and key personnel (as defined in the CG-5 Guideline on a Sound Remuneration System issued by the HKMA). Definition of Senior Management and Key Personnel follows the description stated above.
- (2) Senior Management and Key Personnel may have responsibilities beyond Hong Kong and the Company, as a result, do not perform services exclusively for the Company.
- (3) The disclosure for Senior Management and Key Personnel has been combined in categories of "guaranteed bonus awarded", "sign-on awards made" and "severance payments awarded and/or made". If the number of beneficiaries is less than 4, the number will be separately disclosed to HKMA for confidentiality purposes.
- (4) Total amount of outstanding deferred remuneration refers to the outstanding value as of 31st December 2021.
- (5) Total amount of amendment during the year due to ex post implicit adjustments considers the Firm's stock price movement during the reporting period.

36 Off-balance sheet exposures other than derivative transactions

The Company has no off-balance sheet exposures other than derivative transactions as at 31st December 2021.

37 Assets used as security

There were no assets used by the Company as security as at 31st December 2021.

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38 Segmental information

(a) By class of business

The Company operates in the following classes of business:

31st December 2021	Corporate & Investment Bank US\$'000	Others US\$'000	Total US\$'000
Total assets	<u>618,877</u>	<u>1,886,116</u>	<u>2,504,993</u>
Total income	<u>1,262,408</u>	<u>40,949</u>	<u>1,303,357</u>
Profit before tax	<u>395,600</u>	<u>2,341</u>	<u>397,941</u>

Notes:

- Corporate & Investment Bank comprises mainly fixed income, foreign exchange, derivatives trading activities, securities agency, equity derivatives trading and equity capital markets activities.
- Others include Treasury Department and Corporate Sectors, and overhead expenses.

(b) Geographical concentrations of operating profit, profit before taxation, assets, liabilities and contingent liabilities and commitments

A majority of the Company's operating profit, profit before taxation, assets, liabilities and contingent liabilities and commitments are booked in Hong Kong.

(c) International claims

International claims are on-statement of financial position exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area. The Company's country risk exposures in the table below are prepared in accordance with the HKMA Return of International Banking Statistics - (MA(BS)21) guidelines. Claims on individual geographical areas, after risk transfer, amounting to 10% or more of aggregate cross-border claims are as follows:

	Banks US\$'000	Official sector US\$'000	Non-bank private sector		Others US\$'000	Total US\$'000
			Non-bank financial institutions US\$'000	Non-financial private sector US\$'000		
As at 31st December 2021						
Developed countries	<u>2,053,978</u>	<u>—</u>	<u>94,836</u>	<u>—</u>	<u>—</u>	<u>2,148,814</u>

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39 Loans and advances

There were no loans and advances to customers and banks, impaired assets, rescheduled advances, overdue or repossessed assets as at 31st December 2021.

40 Non-Bank Mainland exposures

Type of Counterparties	On statement of financial position exposures US\$'000	Off statement of financial position exposures US\$'000	Total US\$'000	Specific provisions US\$'000
As at 31st December 2021				
Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	7,269	—	7,269	—
Total	<u>7,269</u>	<u>—</u>	<u>7,269</u>	<u>—</u>
Total assets after provision	<u>2,504,993</u>			
On-statement of financial position exposures as percentage of total assets	<u>0.29 %</u>			

There were no off-statement of financial position exposures and specific provisions for 2021.

41 Currency concentrations

The currency concentrations which constitute 10% or more of the total net open positions in all foreign currencies are as follows:

	USD	CNY	NZD	JPY	PHP	Total
Equivalent in US\$'000						
Spot assets	2,093,532	38,891	14,553	43,766	957	2,191,699
Spot liabilities	(2,067,155)	(44,086)	(17,483)	(42,450)	(485)	(2,171,659)
Forward purchases	2,058	8,442	—	3	445	10,948
Forward sales	(41,065)	(1,612)	—	—	—	(42,677)
Net (short)/long position	<u>(12,630)</u>	<u>1,635</u>	<u>(2,930)</u>	<u>1,319</u>	<u>917</u>	<u>(11,689)</u>

The Company has no net structural position in any particular foreign currency.

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42 Corporate governance

The Company has adopted JPMorgan Chase's approach to Corporate Governance. The Board of JPMorgan Chase attaches great importance to maintaining a strong control environment and periodically reviews the Group's system of internal controls and risk management processes.

The BOD of JPMorgan Chase exercises oversight of JPMorgan Chase as a whole. In particular, the Audit Committee of the Board of JPMorgan Chase has oversight responsibility for the auditing and financial reporting processes of JPMorgan Chase and reviews with management JPMorgan Chase's systems of internal controls and financial reporting. The Risk Policy Committee of the BOD of JPMorgan Chase is responsible for oversight of the Chief Executive Officer's and senior management's responsibilities to assess and manage JPMorgan Chase's credit risk, market risk, interest rate risk, liquidity risk and reputation risk, and is also responsible for review of JPMorgan Chase's fiduciary and asset management activities.

To enable the Board and management of the Company to discharge their responsibilities effectively, the Board has delegated its daily management and oversight responsibilities to the location specific Committees in Hong Kong which review and as appropriate report on matters related to the Company, namely the HK RALCO and the Hong Kong LOC.

To the extent applicable, the Company has complied with the requirements set out in the guideline on "Corporate Governance of Locally Incorporated Authorized Institutions" issued by the Hong Kong Monetary Authority.

The Company's disclosures are governed by the disclosure policy, which has been approved by the BOD. The disclosure policy sets out the governance, control and assurance requirements for the information the Company discloses to the general public. The disclosures of the Company has been subject to independent review in accordance with the Company's policies on disclosure and its financial reporting and governance processes.