

Offshore RMB Market Developments - Compendium

1.	4 October 2010.....	3
	PBC issues interim measures on issuance of bonds in RMB by international development institutions	
2.	29 September 2010	4
	PBC issues measures on administration of RMB settlement accounts opened by offshore institutions	
3.	21 September 2010	5
	HKEx's Chief Executive discusses internationalisation of RMB	
4.	16 September 2010	5
	HKMA advises authorised institutions on selling of renminbi deposit, investment and insurance products	
5.	10 September 2010	6
	HKEx publishes amendments to operational procedures and clearing rules to facilitate trading and settlement of renminbi-denominated products	
6.	9 September 2010	6
	SFC issues circular on preparation for trading and settlement of listed renminbi-denominated products	
7.	7 September 2010	7
	HKMA revises reporting of RMB business data	
8.	3 September 2010	7
	HKMA reminds authorised institutions of SFC circular on listed RMB products	
9.	31 August 2010.....	8
	SFC reminds exchange participants to ensure operational readiness for business activities concerning listed renminbi-denominated products	
10.	17 August 2010.....	9
	HKMA issues guidance to authorised institutions in relation to pilot scheme for Renminbi clearing bank and other eligible institutions to invest in Mainland's interbank bond market	
11.	16 August 2010.....	9
	PBC published notice on issues concerning RMB investments in THE interBANK bond market in THE PRC	

12.	6 August 2010.....	10
	SFC authorises first renminbi-denominated fund	
13.	19 July 2010	
	HKMA publishes circular on RMB business in Hong Kong.....	11
14.	11 February 2010.....	12
	HKMA explains supervisory principles and operational arrangements regarding RMB business in Hong Kong	
15.	8 September 2009	13
	HKMA explains simplified arrangements for selling of renminbi sovereign bonds	
16.	29 July 2009	13
	HKMA clarifies treatment of RMB assets and liabilities generated from RMB cross-border trade settlement for calculation of liquidity ratio	
17.	6 July 2009	14
	HKMA issues circular to AIs providing guidance on RMB cross-border trade settlement	
18.	29 Jun 2009.....	14
	HKMA and PBC sign RMB supplementary pact	

NB:

AN ELECTRONIC COPY OF THIS COMPENDIUM AND LINKS TO THE ITEMS SET OUT IN THIS COMPENDIUM CAN BE ACCESSED AT:

<http://www.asifma.org/docs/Offshore-RMB-Market-Developments-Compendium.pdf>

1. **4 OCTOBER 2010**

PBC ISSUES INTERIM MEASURES ON ISSUANCE OF BONDS IN RMB BY INTERNATIONAL DEVELOPMENT INSTITUTIONS

The People's Bank of China (PBC) has promulgated the 'Interim Administrative Measures on Issuance of Bonds in RMB by International Development Institutions', which amend an earlier version dated 18 February 2005. Amongst other things, the definition of international development institution (IDI) has been expanded to include multi-lateral, bilateral and regional international development institutions providing development loans and investments. However, the definition of the bonds in RMB issued by an IDI (IDI RMB Bonds) remains the same i.e. they are bonds denominated in RMB issued by an IDI in the People's Republic of China, principals and interest of which are to be repaid within a certain period of time.

In recognition of the cross-border features of the IDI RMB Bonds, the State Administration of Foreign Exchange (SAFE) has been added to the original approval authorities (the PBC, the Ministry of Finance, the National Development and Reform Commission, and the China Securities Regulatory Commission). The issuance of IDI RMB Bonds must ultimately be approved by the State Council. Amongst other things, the eligibility criteria of an IDI under the new interim measures include that:

- the IDI RMB Bonds to be issued must be graded as 'AA' by two rating firms (one of which must be incorporated in China and has the capability to rate RMB bonds);
- the IDI has provided over USD 1 billion in loan or equity to Chinese domestic projects and enterprises, unless exempted by the State Council; and
- the proceeds should first be used to provide middle and long term fixed assets loans or equity to Chinese domestic enterprises.

The proceeds of IDI RMB Bonds can be directly remitted offshore pursuant to regulations of the PBC, or converted into foreign currency for offshore use with SAFE approval (in which case, the IDI must report the true purpose of the conversion for offshore use, and periodically file with SAFE as to the utilisation of the proceeds).

To repay the principal and interest of IDI RMB Bonds, the IDI may elect to remit RMB from offshore upon filing with PBC, or to remit foreign currency from offshore and convert it into RMB with SAFE approval.

After issuance, IDI RMB Bonds can be traded in China with approval. The issuance and default of IDI RMB Bonds shall be governed by Chinese law.

The Interim Measures (Chinese)

国际开发机构人民币债券发行管理暂行办法

http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2010/20100930144622583961548/20100930144622583961548_.html

2. **29 SEPTEMBER 2010**

PBC ISSUES MEASURES ON ADMINISTRATION OF RMB SETTLEMENT ACCOUNTS OPENED BY OFFSHORE INSTITUTIONS

The People's Bank of China (PBC) has promulgated the 'Measures on Administration of RMB Bank Settlement Accounts opened by Offshore Institutions'. The Measures apply to RMB bank settlement accounts opened by institutions duly incorporated outside China (including Hong Kong, Macau and Taiwan) (referred to as Offshore Institutions) with Chinese-funded banks or foreign-funded banks in China that are licensed to handle domestic and foreign settlements (referred to as Banks). The Measures do not apply to RMB bank settlement accounts opened by foreign central banks (monetary authorities), inter-bank accounts opened by foreign commercial banks for the purpose of providing RMB clearing and settlement services, RMB special accounts opened by QFIIs for the purpose of securities investment, or RMB special accounts opened by foreign institutions for the purpose of investing in onshore inter-bank bonds market.

Amongst other things, under the Measures:

- offshore Institutions are permitted to open RMB bank accounts with the Banks for the purpose of paying and receiving RMB funds, and using such accounts to carry on various cross-border RMB business;
- opening RMB bank settlement accounts shall be approved by local branches of the PBC, and an applicant shall submit the following documents to a local branch of the PBC through a Bank it designates:
 - an account opening application letter;
 - the relevant documents evidencing that the applicant is duly incorporated offshore; and
 - the laws, regulations or government approvals upon which it carries on relevant business in China;
- Offshore Institutions may not use their RMB bank settlement accounts to handle cash business without approval from the PBC; and
- the RMB funds in the RMB bank settlement accounts may not be converted into foreign exchange, unless explicitly permitted otherwise in the relevant regulations.

The Measures (Chinese)

境外机构人民币银行结算账户管理办法

<http://www.pbc.gov.cn/publish/zhifujiesuansi/1067/2010/20100929154441253564114/20100929154441253564114.html>

3. **21 SEPTEMBER 2010**

HKEX'S CHIEF EXECUTIVE DISCUSSES INTERNATIONALISATION OF RMB

The Chief Executive of Hong Kong Exchanges and Clearing Limited (HKEx), Charles Li, has given a speech covering six key questions about the internationalisation of the Renminbi (RMB). Internationalisation of the RMB has been one of the hottest topics in Hong Kong's financial markets recently, and is also a major component of HKEx's 2010-2012 Strategic Plan.

The six questions discussed by Mr. Li are:

- why there is a need to internationalise the RMB;
- whether RMB internationalisation is feasible and realistic in the current environment;
- what the likely roadmap of development is;
- why Hong Kong can be an offshore RMB centre in this development;
- what the commercial opportunities that are potentially available to Hong Kong are; and
- what Hong Kong needs to do to prepare itself.

Speech - Six Questions Regarding the Internationalisation of the Renminbi

<http://www.hkex.com.hk/eng/newsconsul/speech/2010/sp100920.htm>

4. **16 SEPTEMBER 2010**

HKMA ADVISES AUTHORISED INSTITUTIONS ON SELLING OF RENMINBI DEPOSIT, INVESTMENT AND INSURANCE PRODUCTS

While Hong Kong Monetary Authority (HKMA) has issued a circular advising authorised institutions (AIs) on the selling of renminbi (RMB) deposit, investment and insurance products. The circular reminds AIs to ensure that the specific nature and risks of such products are adequately taken into account in the product due diligence process and the suitability assessment of customers. It further notes that while a low risk rating may be assigned to sovereign RMB bonds given the specific product nature and lower risks involved, a higher risk rating may be required for RMB products involving more complex structures and higher risks.

While the circular focuses on the disclosure of the nature and risks of RMB products to customers, it also reminds AIs that it is important for them to take all reasonable steps to ensure that the proposed transaction is suitable for the customer, having regard to the customer's own personal circumstances together with the nature and risks of the product when making any solicitation, recommendation or advice.

Circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100916e1.pdf

5. **10 SEPTEMBER 2010**

HKEX PUBLISHES AMENDMENTS TO OPERATIONAL PROCEDURES AND CLEARING RULES TO FACILITATE TRADING AND SETTLEMENT OF RENMINBI-DENOMINATED PRODUCTS

Hong Kong Exchanges and Clearing Limited (HKEx) has published amendments to the Central Clearing and Settlement System (CCASS) operational procedures, which are intended to enable operational readiness for the clearing and settlement of renminbi (RMB)-denominated transactions in CCASS. HKEx has also published amendments to the Option Clearing Rules, which are designed to enable the clearing of RMB-denominated products by SEHK Options Clearing House Limited (SEOCH) to accept RMB as margin collateral for SEOCH transactions. The amendments became effective from 13 September 2010.

CCASS procedural amendments

http://www.hkex.com.hk/eng/rulesreg/clearrules/clrruleupdate_ccassop/Documents/29-10-CCASSOP-RMB_e.pdf

SEOCH rules amendments

http://www.hkex.com.hk/eng/rulesreg/clearrules/clrruleupdate_ocr/Documents/31-10-OCR-RMB_e.pdf

6. **9 SEPTEMBER 2010**

SFC ISSUES CIRCULAR ON PREPARATION FOR TRADING AND SETTLEMENT OF LISTED RENMINBI-DENOMINATED PRODUCTS

Further to its circular dated 31 August 2010 on the operational readiness for business activities concerning listed renminbi (RMB)-denominated products, Securities and Futures Commission (SFC) has reminded participants of Stock Exchange of Hong Kong (SEHK) of Hong Kong Monetary Authority (HKMA)'s circular dated 3 September 2010 on the preparation for the trading and settlement of listed RMB denominated products.

SFC has advised brokers to take note of the restrictions on RMB lending by banks as set out in HKMA's circular. In addition, SFC has reminded brokers to set up RMB credit facilities with their clearing banks as soon as possible if needed, so as to facilitate the trading and settlement of listed RMB-denominated products in the near future.

SFC circular

<http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H599>

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100903e1.pdf

7. **7 SEPTEMBER 2010**

HKMA REVISES REPORTING OF RMB BUSINESS DATA

Hong Kong Monetary Authority (HKMA) has revised the Return of Renminbi Business Activities (MA(BS)16) to take account of the latest development with regard to RMB business in Hong Kong, following consultations with two industry associations. The revised return and completion instructions are attached to the circular.

HKMA has indicated that all authorised institutions (AIs) are required to file the revised return starting from the position of September 2010 in accordance with the usual time table, i.e. within 21 days from the end of each calendar month. The HKMA will notify the AIs when the electronic version of the revised return is available on its website.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100907e1.pdf

8. **3 SEPTEMBER 2010**

HKMA REMINDS AUTHORISED INSTITUTIONS OF SFC CIRCULAR ON LISTED RMB PRODUCTS

Hong Kong Monetary Authority (HKMA) has issued a circular to draw the attention of authorised institutions (AIs) to a previous circular issued by Securities and Futures Commission (SFC Circular) on 31 August 2010. The SFC Circular advised intermediaries to ensure their readiness for the trading and settlement for future launches of listed renminbi (RMB) denominated products.

HKMA has indicated that AIs planning to engage in the trading and settlement of listed RMB products should implement proper controls and necessary operational and system changes. In addition, it reminded AIs (that plan to provide customers with RMB loan facilities in order to facilitate their investment in such products) that RMB lending to personal customers and designated business customers (DBC) is currently not permissible. HKMA has further indicated that while AIs are permitted to extend RMB loans to corporate customers including other financial intermediaries, they should take reasonable steps to ascertain that such loans will not in turn be lent by the corporate customers concerned to personal customers and DBCs.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100903e1.pdf

9. **31 AUGUST 2010**

SFC REMINDS EXCHANGE PARTICIPANTS TO ENSURE OPERATIONAL READINESS FOR BUSINESS ACTIVITIES CONCERNING LISTED RENMINBI-DENOMINATED PRODUCTS

Securities and Futures Commission (SFC) has issued a circular to remind participants of Stock Exchange of Hong Kong Limited (SEHK) to ensure operational readiness for business activities arising from potential listing of products denominated in renminbi (RMB).

Amongst other things, exchange participants are advised to:

- arrange with the SEHK and Hong Kong Securities Clearing Company Limited (HKSCC) to test the capability of their trading and clearing systems;
- review the readiness of their front office, back office and internet trading systems;
- arrange with their clearing banks to open RMB bank accounts as soon as possible; and
- establish effective operating and risk management controls to prudently manage liquidity and exchange rate risks when conducting RMB denominated business.

SFC circular

<http://www.sfc.hk/sfcRegulatoryHandbook/EN/displayFileServlet?docno=H597>

10. **17 AUGUST 2010**

HKMA ISSUES GUIDANCE TO AUTHORISED INSTITUTIONS IN RELATION TO PILOT SCHEME FOR RENMINBI CLEARING BANK AND OTHER ELIGIBLE INSTITUTIONS TO INVEST IN MAINLAND'S INTERBANK BOND MARKET

Hong Kong Monetary Authority (HKMA) has issued guidance to authorised institutions (AIs) in relation to the pilot scheme promulgated by the People's Bank of China (PBC) for the Renminbi (RMB) clearing bank and other eligible institutions outside the Mainland to make use of their RMB funds to invest in the Mainland's interbank bond market.

Under the pilot scheme and the HKMA guidelines, all AIs engaging in cross-border RMB trade settlement can, with approval from the PBC, participate in the interbank bond market in the Mainland through a settlement agent. HKMA has indicated that AIs engaging in this activity should apply to the PBC directly and comply with the applicable rules and regulations of the Mainland. It has further indicated that AIs should note that they cannot execute transactions in the Mainland interbank bond market with a counterparty which is a group company of the AI itself. HKMA expects AIs to put in place effective policies and procedures as well as proper internal control systems to ensure compliance with the relevant rules and regulations. HKMA also expects AIs that apply to the PBC to participate in the interbank bond market keep it informed of the progress of the applications.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100817e2.pdf

HKMA press release

http://www.info.gov.hk/hkma/eng/press/2010/20100817e4_index.htm

11. **16 AUGUST 2010**

PBC PUBLISHED NOTICE ON ISSUES CONCERNING RMB INVESTMENTS IN THE INTERBANK BOND MARKET IN THE PRC

The People's Bank of China (PBC) has published a notice on relevant issues in relation to RMB investments by three kinds of institutions in the interbank bond market in the PRC on a pilot basis. The Notice has been issued in conjunction with the pilot programme of using RMB to settle cross-border trades and is intended to further facilitate and widen the channels for the backflow of offshore RMB.

Amongst other things, the notice includes the following provisions:

- the three kinds of competent institutions are offshore central banks or currency authorities (referred to as Offshore Central Banks), RMB clearing banks in Hong Kong and Macau (referred to as RMB Clearing Banks), and offshore participating banks for RMB settlement of cross-border trades (referred to as Offshore Participating Banks) (referred to as collectively Offshore Institutions);

- RMB funds that are permitted to invest in the interbank bond market shall come from currency cooperation between central banks, cross-border trades and investment in RMB business;
- Offshore Central Banks and RMB Clearing Banks may entrust the interbank bond market settlement agents which have the capability of conducting international settlement business to trade and settle bonds. They may also apply to open a bonds account with China Central Depository & Clearing Co., Ltd. directly and complete the relevant procedures with the National Interbank Funding Center;
- Offshore Participating Banks shall entrust interbank bond market settlement agents which have the capability of conducting international settlement business to trade and settle bonds;
- Offshore institutions shall open RMB special accounts for the funds settlement of bond transactions – each institution is only permitted to open one RMB special account; and
- Offshore institutions can only make investments within their approved quota but are not permitted to trade bonds with their affiliate enterprises.

The Notice also applies to other offshore financial institutions that participate in cross-border services settled by RMB on a pilot basis and use RMB funds to invest in the interbank bond market.

The PBC notice (Chinese)

中国人民银行关于境外人民币清算行等三类机构运用人民币投资银行间债券市场试点有关事宜的通知

<http://www.pbc.gov.cn/publish/jinrongshichangsi/284/2010/20100910120504005429889/20100910120504005429889.html>

12. 6 AUGUST 2010

SFC AUTHORISES FIRST RENMINBI-DENOMINATED FUND

Securities and Futures Commission (SFC) has authorised the first fund denominated in renminbi (RMB) for sale to retail investors in Hong Kong under the enhanced product authorisation regime. SFC has indicated that it has been working closely with industry participants to enable the introduction of RMB-denominated investment products to support the initiative to develop Hong Kong into an offshore RMB centre. SFC anticipates that as the RMB becomes more popular and widely held outside the Mainland, the demand for RMB-denominated investment and financial products will grow. SFC believes that Hong Kong's role is to make these products available and to manage the corresponding risks.

SFC press release

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=10PR92>

13. **19 JULY 2010**

HKMA PUBLISHES CIRCULAR ON RMB BUSINESS IN HONG KONG

Hong Kong Monetary Authority (HKMA) and the People's Bank of China (PBC) have signed a Supplementary Memorandum of Co-operation on the expansion of the Renminbi (RMB) trade settlement scheme. The PBC and the RMB clearing bank have also signed a revised settlement agreement on the clearing of RMB businesses (referred to as the Clearing Agreement).

In this context, HKMA has issued a circular to draw the attention of authorised institutions (AIs) to the key amendments made by the revised Clearing Agreement and to set out supervisory guidance to AIs participating in RMB business. Amongst other things, the key changes to the Clearing Agreement include that:

- there will no longer be any restrictions on establishing RMB accounts and transferring RMB funds (including cheque payments in Hong Kong) between different accounts for personal customers and designated business customers, whether within the same AI or not; and
- AIs can open RMB deposit accounts for any corporate customers for general purposes subject to usual banking practices and requirements in Hong Kong.

HKMA expects participating AIs to have a clear understanding of the contractual terms in their agreements with the RMB clearing bank or Mainland China correspondent banks. AIs are also expected to establish internal guidelines on the new scope of RMB business to elaborate on the operating systems and procedures, or revise existing guidelines as appropriate. These should be submitted to HKMA within one month.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100719e1.pdf

14. **11 FEBRUARY 2010**

HKMA EXPLAINS SUPERVISORY PRINCIPLES AND OPERATIONAL ARRANGEMENTS REGARDING RMB BUSINESS IN HONG KONG

HKMA has issued a circular to explain the supervisory principles and operational arrangements regarding renminbi (RMB) business in Hong Kong. The supervisory principles for cross-border flows of RMB funds are:

- cross-border flows of RMB funds into and out of Mainland China should comply with the rules and requirements of the Mainland China; and
- with regard to the RMB funds that have flowed into Hong Kong, participating authorized institutions (AIs) can develop RMB businesses based on the regulatory requirements and market conditions in Hong Kong, as long as these businesses do not entail the flow of RMB funds back to Mainland China.

The supervisory principles should be applied to the day-to-day operations of participating AIs such as deposit-taking, RMB conversions, RMB remittances to and out of Mainland China, lending, RMB bonds and cheque and credit card services accordingly.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20100211e1_index.htm

15. **8 SEPTEMBER 2009**

HKMA EXPLAINS SIMPLIFIED ARRANGEMENTS FOR SELLING OF RENMINBI SOVEREIGN BONDS

Hong Kong Monetary Authority (HKMA) has issued a circular to explain the simplified arrangements for selling renminbi (RMB) sovereign bonds, which was launched in Hong Kong on 28 September 2009. The co-arrangers consider that the features and risks of RMB sovereign bonds are not difficult for an average investor to understand and have therefore proposed simplified arrangements for the sales of these bonds. The arrangements have been formulated in consultation with Hong Kong Securities and Futures Commission (SFC) to ensure consistency with the principles of the suitability requirements in the Code of Conduct for Persons Licensed by or Registered with SFC. In the circular, HKMA explains, amongst other things:

- the client risk profiling process;
- the simplified selling process;
- the arrangement of selling through non-designated areas in branches; and
- the arrangement of selling through other distribution channels.

In addition, the circular addresses the treatment of transactions involving vulnerable customers, tenor mismatch or high asset concentration.

[HKMA circular](#)

http://www.info.gov.hk/hkma/eng/guide/circu_date/20090907e1_index.htm

16. **29 JULY 2009**

HKMA CLARIFIES TREATMENT OF RMB ASSETS AND LIABILITIES GENERATED FROM RMB CROSS-BORDER TRADE SETTLEMENT FOR CALCULATION OF LIQUIDITY RATIO

Hong Kong Monetary Authority (HKMA) has issued a circular to clarify the treatment of Renmibi (RMB) assets and liabilities generated from RMB cross-border trade settlement for the purposes of calculating the liquidity ratio. Participating authorised institutions can, pursuant to the requirements set out in the Fourth Schedule to the Banking Ordinance, include these RMB assets and liabilities in the calculation of the liquidity ratio, provided the amount of RMB assets reported

as liquefiable assets in the Return of Liquidity Position (MA(BS)1E) is limited to 25% of the qualifying RMB liabilities in the Return.

[HKMA circular](#)

http://www.info.gov.hk/hkma/eng/guide/circu_date/20090729e1_index.htm

17. **6 JULY 2009**

HKMA ISSUES CIRCULAR TO AIS PROVIDING GUIDANCE ON RMB CROSS-BORDER TRADE SETTLEMENT

Following the promulgation of the administrative rules on Renminbi (RMB) cross-border trade settlement by the People's Bank of China (PBC) on 1 July 2009, Hong Kong Monetary Authority (HKMA) has issued a circular setting out its supervisory guidance to authorised institutions (AIs) participating in RMB cross-border trade settlement. The circular covers, amongst others, the following:

- eligibility of restricted licence banks and deposit-taking companies to become participating AIs;
- the two approaches to conduct RMB cross-border trade settlement business, ie through the clearing bank and through correspondent banks in the Mainland China;
- the participating AIs' scope of RMB business services and RMB funding;
- the importance for the participating AIs to set up internal control systems to ensure compliance with the relevant RMB clearing and settlement agreements; and
- the exchange rate and liquidity risks involved in RMB business.

HKMA circular

http://www.info.gov.hk/hkma/eng/guide/circu_date/20090706e1.htm

18. **29 JUN 2009**

HKMA AND PBC SIGN RMB SUPPLEMENTARY PACT

Hong Kong Monetary Authority (HKMA) and the People's Bank of China (PBC) have signed a supplementary Memorandum of Co-operation to prepare for the implementation of the pilot scheme for the use of renminbi (RMB) in settling cross-border trade transactions between Mainland China and Hong Kong. The PBC and HKMA have been working closely on the implementation of the pilot scheme, including the related arrangements for the cross-border settlement and clearing of RMB funds and amendments to the existing legal documents, eg the clearing agreement for RMB business in Hong Kong. Once the relevant administrative rules in Mainland China are promulgated, banks in Hong Kong will be able to provide services to enterprises using RMB to settle trade transactions with their counterparts on the Mainland.

HKMA press release

http://www.info.gov.hk/hkma/eng/press/2009/20090629e3_index.htm