



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref.: B1/15C

25 October 2010

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Liquidity Ratio - Renminbi (“RMB”) transactions**

The HKMA has since April 2004 required AIs participating in RMB banking business in Hong Kong (“Participating AIs”) to limit the amount of their eligible RMB liquefiable assets to 25% of their RMB qualifying liabilities for the purpose of calculating the statutory liquidity ratio<sup>1</sup>.

In the light of the continued expansion in the scope of RMB banking business in Hong Kong, we consider that there is scope for revising the existing restriction while maintaining the principle that the RMB assets of a Participating AI should only be used to support its RMB liabilities.

Therefore, with effect from 1 November 2010, Participating AIs will be allowed to include eligible RMB liquefiable assets in the calculation of the liquidity ratio subject to the following conditions:

- (i) the amount of RMB assets to be reported as liquefiable assets in the Return of Liquidity Position (MA(BS)1E) (“Return”) should not exceed the amount of RMB liabilities included as qualifying liabilities in the Return;

**and**

- (ii) the RMB liquidity ratio, which is the ratio of RMB liquefiable assets to RMB qualifying liabilities, should not be higher than the non-RMB liquidity ratio, which is the ratio of non-RMB liquefiable assets (i.e. total liquefiable assets for all currencies minus total RMB liquefiable assets) to non-RMB qualifying liabilities (i.e. total qualifying liabilities for all currencies minus total RMB qualifying liabilities), as calculated from the Return.

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<sup>1</sup> Please refer to circular letters issued by the HKMA on 13 April 2004, 23 July 2007 and 29 July 2009.

The above restriction will supersede the 25% limit for RMB liquefiable assets in the calculation of the liquidity ratio.

Should you have any question regarding this letter, please feel free to contact Ms Denise Tai at 2878 1589 or your usual supervisory contacts at the HKMA.

Yours faithfully,

Karen Kemp  
Executive Director (Banking Policy)