



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
G16/1C

18 February 2011

The Chief Executive  
All Authorized Institutions

Dear Sir / Madam,

**Preparation for Potential Listing of Products Denominated in Renminbi (RMB)**

In preparation for the listing of investment products denominated in RMB in Hong Kong, I am writing to alert authorized institutions (AIs) of the need to pay particular attention to the trading, clearing and settlement of RMB-denominated products to be listed on the Stock Exchange of Hong Kong Limited (SEHK) and to consider the implications of this on their RMB banking business.

AIs should clearly understand and define their roles and responsibilities in the initial public offering (IPO), trading, clearing and settlement processes (e.g. IPO receiving banks, custodians, RMB banking service providers, RMB securities dealing service providers, etc.), put in place proper internal controls, and implement the operational and system changes necessary. To ensure smooth operation and service for customers, AIs should thoroughly review and properly test the readiness of their relevant financial and operational infrastructures and procedures as soon as possible if they have not already done so, including but not limited to:

- a. system changes and adaptation to the trading, settlement, billing, accounting and record keeping systems and procedures;
- b. communication channels and interface with customers such as websites, interactive voice response systems, mobile phone application systems and messaging systems like SMS;
- c. mechanism for disclosure of material information about dealing in listed RMB securities to customers (e.g. disclosure of transaction details and related charges, levy and stamp duty payable by the customer on trade confirmation slips, contract notes, statements of accounts and receipts, etc.); and
- d. adequacy of training of front office and back office staff.

In addition, AIs should allocate proper resources and put in place adequate operational procedures and contingency measures to cope with the forthcoming IPOs of RMB-denominated products, including but not limited to the following:

- a. AIs should arrange adequate resources to handle possible increases in the demand from both personal and corporate customers for RMB banking services (e.g. RMB deposit account opening, RMB cashier orders and cheques, RMB credit facilities, etc.) arising from the IPOs. For instance, those SEHK or CCASS Participants that are prepared to trade or clear listed RMB denominated securities have to open RMB accounts with banks and secure appropriate RMB banking facilities for working capital purposes, and set up RMB Designated Bank Account at CCASS for clearing purposes. There will also be demand from investors for RMB cashier orders and cheques for IPO subscriptions as well as RMB deposit accounts for depositing IPO refund cheques.
- b. AIs that plan to provide customers with RMB loan facilities should ensure that they adhere to the prevailing restriction on RMB lending.
- c. AIs which are CCASS Participants should:
  - attend the briefing session on preparation for listed RMB securities business to be held jointly by the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEx)<sup>1</sup>; and
  - participate in the end-to-end testing session and the payment pilot run (collectively the “RMB Readiness Tests”) to be held by the HKEx<sup>2</sup>, in order to verify the operation readiness for dealing in RMB listed products, including IPO subscription, trading, clearing and money settlement.
- d. Before an AI may engage any SEHK participant or CCASS participant to be its listed RMB securities trading and/or clearing agent, the AI should ensure that such agent has confirmed to HKEx that it has successfully completed the RMB Readiness Tests and is ready to conduct listed RMB securities business.

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<sup>1</sup> For details of the briefing, please refer to the circular “SFC / HKEx Joint Briefing Session on Preparation for Listed Renminbi Securities Business” issued by the SFC on 11 February 2011.

<sup>2</sup> For details of the RMB Readiness Tests, please refer to the circulars “Test for Simulating Electronic Initial Public Offer Subscription, Trading, Clearing and Money Settlement of Listed Renminbi Products” issued by the SEHK and Hong Kong Securities Clearing Company Limited respectively on 11 February 2011.

- e. Receiving banks should establish and maintain good communication with the sponsors / listing agents. They should designate properly trained staff at receiving branches to handle customer enquiries in relation to matters arising from the IPOs.

Yours faithfully,

Meena Datwani  
Executive Director (Banking Conduct)

c.c. SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)