



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

9 February 2012

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Liquidity Ratio - Renminbi (“RMB”) transactions

At present, AIs participating in RMB banking business in Hong Kong are allowed to include RMB liquefiable assets¹ in the calculation of the statutory liquidity ratio subject to certain conditions stated in the circular letter issued by the HKMA on 25 October 2010.

Given that the offshore RMB market in Hong Kong has become more mature after years of development, the HKMA has come to the view that there is scope for revising the existing conditions.

With immediate effect, the inclusion of RMB liquefiable assets in the calculation of the statutory liquidity ratio is subject to the following conditions:

- (A) AIs that have RMB qualifying liabilities may include RMB liquefiable assets held by them in the calculation of the statutory liquidity ratio to the extent that –
- (i) if their non-RMB liquidity ratio² is not greater than 30%, their RMB liquidity ratio³ should not be greater than their non-RMB liquidity ratio; **or**
 - (ii) if their non-RMB liquidity ratio is greater than 30%, their RMB liquidity ratio should not be greater than (a) 30% plus the number of

¹ Such liquefiable assets should meet the requirements set out in paragraph 8 of the Fourth Schedule to the Banking Ordinance.

² The non-RMB liquidity ratio is the ratio of non-RMB liquefiable assets (i.e. total liquefiable assets denominated in currencies other than RMB) to non-RMB qualifying liabilities (i.e. total qualifying liabilities denominated in currencies other than RMB).

³ The RMB liquidity ratio is the ratio of RMB liquefiable assets to RMB qualifying liabilities.

percentage points⁴ by which their non-RMB liquidity ratio exceeds 30% multiplied by a factor of 5; and (b) 150%, whichever is lower.

Please refer to the Annex for some illustrative examples.

(B) AIs that do not have RMB qualifying liabilities may include RMB liquefiable assets held by them in the calculation of the statutory liquidity ratio on condition that –

- (i) their non-RMB liquidity ratio exceeds 30%; **and**
- (ii) the amount of RMB liquefiable assets to be included in the calculation should not be greater than 5% of their total non-RMB qualifying liabilities.

The above conditions supersede those set out in the circular letter of 25 October 2010.

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,

Rita Yeung
Acting Executive Director (Banking Policy)

Encl.

⁴ For this purpose, no fraction of a percentage point will be considered.

**Illustrative examples for inclusion of RMB liquefiable assets
in calculation of statutory liquidity ratio
(applicable to AIs with RMB qualifying liabilities)**

	Bank A	Bank B	Bank C	Bank D
RMB liquefiable assets	HK\$30m	HK\$30m	HK\$30m	HK\$4m
RMB qualifying liabilities	HK\$16m	HK\$16m	HK\$16m	HK\$16m
RMB liquidity ratio before adjustment	187.50%	187.50%	187.50%	25%
Non-RMB liquidity ratio	29.00%	36.50%	70.00%	36.5%
Allowable RMB liquidity ratio \leq the cap under Condition (i) or (ii), whichever is applicable:	29%	60%	150%	25%*
- Condition (i)	29.00%	N/A	N/A	N/A
- Condition (ii)	N/A	60.00%	150.00%	60%
		i.e. the lower of 60% (30%+6% x 5) & 150%	i.e. the lower of 230% (30% + 40% x 5) & 150%	i.e. the lower of 60% (30% + 6% x 5) & 150%
RMB liquefiable assets to be included in calculation of statutory liquidity ratio	HK\$4.64m (\$16m x 29%)	HK\$9.6m (\$16m x 60%)	HK\$24m (\$16m x 150%)	HK\$4m (\$16m x 25%)

Condition (i) : If non-RMB liquidity ratio \leq 30%, RMB liquidity ratio \leq non-RMB liquidity ratio

Condition (ii) : If non-RMB liquidity ratio $>$ 30%, RMB liquidity ratio \leq the lower of –
 (a) 30% + (no. of % points non-RMB liquidity ratio $>$ 30%) x 5; and
 (b) 150%

* Bank D's allowable RMB liquidity ratio is 25% given that its actual RMB liquidity ratio is lower than the 60% cap under Condition (ii).