

Monthly Return of Renminbi (RMB) Business Activities For Position of the Hong Kong Office(s) of an Authorized Institution

Completion Instructions

Introduction

1. This return collects information on RMB activities engaged by AIs as well as their RMB positions incurred in Hong Kong offices. In other words, RMB positions of AIs' branches located outside Hong Kong or their subsidiary banks incorporated outside Hong Kong should not be reported in this return.
2. For the purpose of this return, Participating AIs refers to AIs that have signed the clearing and settlement agreement with the RMB Clearing Bank in Hong Kong or AIs that have signed correspondent banking agreements with one or more Mainland Correspondent Banks for conducting RMB business. All AIs can provide RMB services to customers by signing up the relevant agreements with the RMB Clearing Bank in Hong Kong and/or Mainland Correspondent Banks as Participating AIs.

Section A: General Instructions

3. This return begins with the Standing Information, which enquires the reporting institution's status as a Participating AI. Following this part is the RMB balance sheet of the reporting institution (i.e. Part A) and detailed information on major RMB activities and positions of the reporting institution (Parts B to G). These activities and positions include money exchange, cross-border remittances, asset quality with details on the performance of credit card receivables, current account activities, and sales and purchases of negotiable debt instruments.
4. All AIs should complete all parts of this return unless otherwise specified.
5. Information reported in this return should be the outstanding position as at the last calendar day of the reporting month or the turnover position for the reporting month as the case may be.
6. RMB transactions embedded in activities or products involving other currencies should also be reported in this return. An example of this type of transaction is RMB conversion and cross-border remittance or local fund transfer conducted directly through a US dollar account.
7. Submission of this return should be made via STET not later than 21 days after the end of each calendar month. If the submission deadline falls on a public holiday, it will be deferred to the next working day.

8. Unless otherwise specified, amounts should be shown to the nearest thousands in RMB, or RMB equivalent in the case of amounts converted from HK\$ or other currencies.

Section B: Specific Instructions

Standing Information

9. All AIs are required to indicate under questions 1 and 2 whether they have entered into the relevant agreements with the RMB Clearing Bank in Hong Kong and Mainland Correspondent Banks for conducting RMB business.

Part A Balance Sheet

10. The reporting requirement for RMB balance sheet basically follows the Return of Assets and Liabilities MA(BS)1.
11. Report book value of the gross (i.e. not net) position on an accrual basis except where otherwise stated. However, if the accrued interest has been credited to the interest in suspense account¹ instead of the profit and loss account, it should be netted off against the corresponding accounts in suspense whether or not it has been capitalised.
12. Securities transactions should be reported on a trade date basis. Unmatured spot contracts, forward contracts and foreign exchange margin trading arrangements are regarded as forward transactions and should be reported as off-balance sheet items. Matured but unsettled spot or forward contracts are regarded as spot transactions, which should be reported on the balance sheet.
13. Items 1 and 2 – Deposits from individual and non-individual customers

For reporting purpose, “Hong Kong Residents” refers to Hong Kong identity card holders and “Non-Hong Kong Residents” refers to other individual customers. “Designated Merchants” refers to those “Designated Business Customers” defined in the settlement agreement of the RMB Clearing Bank in Hong Kong.

14. Items 3 and 11 – Amount payable/receivable under sale and repurchase arrangements (“repos”)/reverse repos

¹ Please refer to paragraph 12 of Section A General Instructions of the Completion Instructions of the Return of Assets and Liabilities MA(BS)1 for the reporting requirement of interest in suspense.

The reporting treatments of repos and reverse repos in this return follow those of the Return of Assets and Liabilities MA(BS)1.

15. Items 4 and 12 – Due to banks and Due from banks

Outstanding balance maintained in the Fiduciary Account with the People’s Bank of China through the RMB Clearing Bank in Hong Kong should be reported in item 12.1.

Item 12.2a should reflect the balance of RMB settlement account maintained by the reporting institution with the RMB Clearing Bank in Hong Kong, while item 12.5a should include the aggregate balance of RMB settlement accounts maintained by the reporting institution with Mainland Correspondent Banks.

Due to/from Mainland banks—and other banks outside Hong Kong should be reported according to the location of the banks. Following this reporting treatment, a UK bank’s Mainland branches should be reported as “banks in Mainland China” and the Tokyo branch of a Mainland bank should be reported as “other banks outside Hong Kong”. “Banks in Mainland China” includes positions with banks located in Mainland whether or not they are Mainland Correspondent Banks of the reporting institution.

Due to/from connected AIs or connected banks outside Hong Kong should also be reported as memorandum items although the relevant amounts have already been included in the counterparty breakdown for due to and due from banks under items 4.1 to 4.5 and items 12.1 to 12.6 respectively. Due to/from the reporting AI’s overseas offices should be reported separately. It should not be included in the amount of due to/from connected banks outside Hong Kong.

For the licensed bank appointed as the RMB Clearing Bank in Hong Kong, a separate return has to be submitted in relation to its RMB clearing activities. Therefore, it is not necessary for the RMB Clearing Bank in Hong Kong to include in this return any RMB amounts due to/from Participating AIs arising from its clearing activities. Nevertheless, where the RMB Clearing Bank in Hong Kong is also a Participating AI, it should report in item 4 or 12 as the case may be, any amount arising from its Participating AI operations due to/from the RMB Clearing Bank in Hong Kong as at the end of the reporting period.

16. Items 6 and 15 – RMB negotiable debt instruments (NDIs) issued and outstanding/held

The reporting treatments for these items follow those of the Return of Assets and Liabilities MA(BS)1.

The breakdown of holding of RMB NDIs into “amortised cost”, “fair value through other comprehensive income” and “others” (e.g. at fair value through

profit or loss) should be reported according to the accounting treatments under HKFRS9.

The reporting of memorandum items 15.6, 15.7 and 15.8 should not include bills of exchange receivables reported under item 15.2. Acceptance and bills of exchange denominated in RMB and discounted by the reporting institution in other currencies (e.g. HK\$ or US\$) should be reported under item 15.2.

17. Item 14 – Loans and advances to customers

Outstanding RMB credit card receivables should also be included.

Interest in suspense² should be netted off against the corresponding loan accounts where accrued interest has been capitalised. Do not deduct provisions for problem loans.

18. Item 16 – Investments

Holdings of RMB share capital of entities owned by the reporting institution, excluding those held as collateral for loans and advances, should be reported under “investments in shareholding”. This includes for instance investment in banks incorporated in Mainland China whether they are subsidiary banks of the reporting institution or not and shareholding investments in China UnionPay. Holdings of RMB capital instruments (e.g. perpetual subordinated debts) and unit trusts which are established specifically for investments in shares should also be covered.

Structural position should be reported as “investments in shareholdings”. Reporting institutions should make reference to section 2.1 in module TA-2 Foreign Exchange Risk Management of the Supervisor’s Policy Manual for the definition of structural position.

Report as “other investments” for all investments such as RMB-denominated debentures and other securities not included under item 16.1.

19. Items 7 and 17 – Other liabilities and Other assets

The balancing figure reported in item 7.2 or item 17.2 are the RMB net long position or RMB net short position on the balance sheet as the case may be. As such, reporting institutions should not report balancing figures on both assets and liabilities sides of the RMB balance sheet.

² Refer to footnote 1.

20. Items 9 and 21 – Off-balance sheet items

Positions of derivative contracts should be reported in nominal amount breaking down into forwards, RMB currency futures and “others”.

Deliverable forwards should include all RMB cash flows arising from the reporting institution's outstanding transactions including but not limited to exchange of principals in foreign exchange swap, foreign exchange forward and cross currency interest rate swap agreements.

Derivatives such as options and currency swaps not being reported as forwards and RMB currency futures should be reported as “others”. A reporting institution having long position in RMB put options or short position in RMB call options may have contingent payments in RMB. The institution should therefore include the aggregate contingent payable amount arising from such options in “others” under item 9.1 as off-balance sheet liabilities, being the nominal value of the options. Similarly, the aggregate nominal amount of RMB call options held or RMB put options written by the reporting institution should be included in “others” under item 21.1 as off-balance sheet assets.

Item 9.3 (other commitments) and item 21.3 (other claims) capture the amounts of any binding arrangements which, as the case may be, obligate/entitle the reporting institution to pay/receive RMB funds in the future. Examples of such commitments include irrevocable credit facilities, commitments for RMB bond underwriting, and commitments/claims caused by repos/reverse repos whereas all the risks and rewards of ownership have been transferred substantially to the counterparties.

Part B Money Exchange

21. Report the volume of money exchange activities from RMB into HK\$ or other currencies or vice versa from the customers’ perspective during the reporting month on value date basis according to the breakdown as shown in the return.
22. Outright forwards and forward leg of swap contracts that are not yet delivered need not be covered in this part. They should be reported in this part only upon the actual conversion being done, i.e. in the month of the forward settlement date.
23. Exchange with the RMB Clearing Bank in Hong Kong and Mainland Correspondent Banks for position squaring purpose should be reported as separate items.

24. RMB banknote exchange transactions should be reported as transactions “not through RMB accounts”.

Part C RMB Remittances

25. Report the volume of RMB cross-border remittances conducted during the reporting month according to the required breakdown as shown in the return. Unsuccessful remittance (e.g. remittance rejected by the RMB Clearing Bank in Hong Kong or Mainland Correspondent Banks) need not be reported. However, returned remittances (e.g. remittance accepted and processed by the RMB Clearing Bank in Hong Kong or Mainland Correspondent Banks but subsequently rejected by the receiving bank and routed back to the reporting institution) should be treated as two separate transactions (i.e. one outward remittance and one inward remittance). Local cross-bank fund transfer should not be reported in this part.
26. Remittances for charity purposes should be reported as “by other non-individuals not included in the above items”.

Part D RMB Credit Cards

27. RMB credit cards issued to both individual and corporate customers should be reported.
28. Accounts that fail to pay at least the required minimum payments by due dates should be reported as delinquent accounts. The number and aggregate outstanding balance of these delinquent accounts as at the last calendar day of the reporting month should be reported in this part.

Part E Quality of RMB Assets

29. The reporting criteria for this part basically follow the Return of Loans and Advances and Provisions (MA(BS)2A). Provisions include general provisions and specific provisions.
30. Report the information on the credit quality of RMB assets, including loans and advances to individual and non-individual customers and other assets, with the breakdown as indicated.
31. Other assets are balances due from banks, acceptances and bills of exchange held, investment debt instruments and accrued interest. Balances due from banks refers to placements with authorized institutions in Hong Kong and other banks abroad (excluding overseas head office and branches of the reporting institution).

Part F RMB Current Accounts

32. The aggregate number and value of RMB cheques received from Mainland China and from Participating AIs for clearing should be reported on a gross basis.

Part G RMB Negotiable Debt Instruments

33. The turnover of RMB negotiable debt instruments, including those issued offshore such as in Hong Kong, purchased or sold should be reported in nominal amount on a gross basis regardless whether the transactions were conducted in the primary or secondary markets. Initial issuance of RMB negotiable debt instruments by the reporting institution in the primary market should not be reported.
34. Acceptance, bills of exchange and synthetic negotiable debt instruments (e.g. RMB bonds with settlement in US dollar) should not be included in this part.
35. Repos and reverse repos in nominal amount should be reported separately under item 2 and hence should not be included in the positions reported under item 1.
36. Each repo or reverse repo transaction should be reported once only, i.e. no need to report both the sale and the purchase legs in the same transaction.
37. Below is an example of reporting.

During the reporting period the reporting institution conducted the following RMB NDI transactions:

- (i) In an initial offering, the reporting institution successfully subscribed for RMB bonds worth RMB 100 million for own account and RMB 50 million for customers.
- (ii) For own account, the reporting institution bought RMB bonds worth RMB 40 million from other Participating AIs and RMB 30 million from customers. Subsequently the reporting institution unloaded its position by selling RMB bonds worth RMB 20 million to other Participating AIs and RMB 10 million to customers.
- (iii) On behalf of customers, the reporting institution purchased RMB bonds worth RMB 5 million from other Participating AIs.

- (iv) The reporting institution's customers sold RMB bonds worth RMB 4 million, with (a) 50% (i.e. RMB 2 million) sold to the reporting institution and (b) 50% sold to other Participating AIs through the reporting institution.
- (v) The reporting institution conducted a repo transaction with RMB bonds of RMB 70 million in nominal value as the underlying asset. Separately, the reporting institution conducted a reverse repo transaction with RMB bonds of RMB 60 million in nominal value as the underlying asset.

The above transactions should be reported as follows:

		CNY '000
1.	Total amount of RMB NDIs bought/sold during the month	
1.1	Bought for own account	172,000
	a. Subscribed from RMB NDI Issuers	100,000(i)
	b. Bought from customers	30,000(ii) + 2,000(iv)a
	c. Bought from other Participating AIs	40,000(ii)
	d. Others	0
1.2	Sold for own account	30,000
	a. Sold to customers	10,000(ii)
	b. Sold to other Participating AIs	20,000(ii)
	c. Others	0
1.3	Bought for customers	50,000(i) + 10,000(ii)+5,000(iii)
1.4	Sold for customers	30,000(ii)+2,000(iv)a+ 2,000(iv)b
2.	Total amount of RMB NDI repos and reverse repos during the month	
2.1	Repos	70,000(v)
2.2	Reverse Repos	60,000(v)

Hong Kong Monetary Authority
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