

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 is primarily targeted at authorized institutions (AIs) that engage in RMB business. Currently, licensed banks can conduct RMB business targeting at personal customers (i.e. individuals) and Designated Business Merchants based on the Agreement for Clearing and Settlement of RMB Business (Settlement Agreement) signed with the RMB Clearing Bank, which is a licensed bank in Hong Kong authorized by the People's Bank of China for providing RMB clearing services. By signing the Settlement Agreement, all AIs can provide RMB services to non-individual customers. AIs may also sign correspondent banking agreement with one or more Mainland banks (i.e. Mainland Correspondent Banks) to conduct RMB business with non-individual customers. **All AIs are required to report all parts of this return.**
2. For the purpose of this return, "Participating AIs" refers to AIs that have signed the Settlement Agreement with the RMB Clearing Bank and AIs that have signed correspondent banking agreement with one or more Mainland Correspondent Banks for conducting RMB business.
3. All RMB business should be captured in this return. If a reporting institution offers "mixed products" with embedded RMB business, it should report the relevant data of the RMB business in this return. If the embedded RMB business is governed by the Settlement Agreement and/or correspondent banking agreements with their Mainland Correspondent Banks, the institution has to ensure that the operations of the embedded RMB business are in compliance with the terms and conditions of such agreements. Examples of such "mixed products" include multi-currency deposit accounts and multi-currency trade finance facilities, where the scope is extended to cover RMB deposits and RMB trade financing respectively.
4. This return is divided into 10 parts. All parts of this return must be completed. The part on Standing Information collects information on the signing of the Settlement Agreement and/or agreement with Mainland Correspondent Banks. Part A is the RMB balance sheet of the reporting institution and covers off-balance sheet items as well. Each reporting institution should report in this part all RMB-denominated on- and off-balance sheet items booked in its Hong Kong office. Part B captures money exchange activities between RMB and Hong Kong dollar (HK\$) or other currencies. Part C covers RMB remittances. Part D collects RMB credit card data. Part E captures the credit quality of RMB assets. Part F deals with RMB current account services. Part G covers activities relating to RMB negotiable debt instruments. Part H covers memorandum items while Part I is the certificate on compliance with relevant business requirements.
5. Reporting institutions are reminded that they need not incorporate the positions of their RMB-denominated activities undertaken outside Hong Kong (e.g. on the Mainland where the reporting institution may have operations).

Section A : General Instructions

6. Unless otherwise specified by the HKMA, all AIs should submit this return via STET not later than 21 days after the last day of each calendar month. If the submission deadline falls on a public holiday, it will be deferred to the next working day. Report the position as at the last calendar day of the reporting month or the position for the reporting month, as the case may be.
7. Reporting institutions have to indicate under questions 1 and 2 under Standing Information whether they have entered into the relevant agreements with the RMB Clearing Bank and Mainland Correspondent Banks for conducting RMB business.
8. Reporting institutions must indicate under Parts B to G whether they have offered the relevant RMB service to customers.
9. For Parts A to H, amounts should be shown to the nearest thousands in RMB, or RMB equivalent in the case of amounts converted from HK\$ or other currencies.
10. All RMB-denominated transactions are reported on a “trade date” basis. This means that such transactions should be accounted for in this return on the same day of entering into the transactions even if the actual settlement only takes place in the following day or later. Refer to specific instructions below for reporting requirements on forward foreign exchange or other relevant derivative transactions where these may feature in different parts of the return, notably Part B and Part H.

Section B : Specific Instructions

Part A Balance Sheet (as at the last day of the reporting month)

11. Item 1 – Deposits from individual customers

Report the RMB deposits taken from individual customers who are holders of Hong Kong identity cards under “Hong Kong Residents”, and those individual customers without Hong Kong identity cards, if any, under “Non-Hong Kong Residents”. Breakdown by “Current Account Deposits”, “Savings Deposits” and “Time Deposits” is required.

12. Item 2 – Deposits from non-individual customers

Report the RMB deposits taken from Designated Merchants and other non-individuals located in Hong Kong, in Mainland China and in other places respectively. The term “Designated Merchants” in this context refers to those “Designated Business Customers” defined in the Settlement Agreement. Breakdown by “Current Account Deposits”, “Savings Deposits” and “Time Deposits” is required.

13. Item 3 – Amount payable under sale and repurchase arrangements (“repos”)

Report the RMB amount payable to Exchange Fund, AIs, and other counterparties, if any, under repos. The reporting treatments of repos in this return follow those of the Return of Assets and Liabilities (MA(BS)1)

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

Report RMB amounts due to (item 4) and due from (item 12) banks as indicated. For the avoidance of doubt, item 12.1a should reflect the balance of RMB settlement account opened by the reporting institution with the RMB Clearing Bank, while item 12.4a should reflect the aggregate balance of RMB settlement accounts opened by the reporting institution with Mainland Correspondent Banks.

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 banks from items 4.1 to 4.5 and for due from banks from items 12.1 to 12.5.

For the licensed bank appointed as the RMB Clearing Bank for RMB business, a separate return will be submitted in relation to its RMB clearing activities. Therefore, it is not necessary for the RMB Clearing Bank to include in this return any RMB amounts due to/from Participating AIs arising from such clearing activities. Nevertheless, where the RMB Clearing Bank 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 as at the end of the reporting period.

Items 5 and 13 – Due to/from Exchange Fund

Report RMB balances due to/from the Exchange Fund if any.

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

The reporting treatments for these items follow those of MA(BS)1.

The breakdown of holding of RMB NDIs into different portfolios should be reported according to HKAS39: “Held-to-maturity”, “Available-for-sale” and “Others” (e.g. at fair value through profit or loss accounts).

The reporting of memorandum items 15.6, 15.7 and 15.8 should not include bills of exchange receivable reported under item 15.2. For item 15.8, NDIs approved by Mainland authorities for issue in Hong Kong should also be reported as a sub-item 15.8a.

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

Break down the amounts of other liabilities (item 7) and other assets (item 17) as indicated to facilitate the analysis of the actual exposures of and activities undertaken by the reporting institution.

16. Item 11 – Amount receivable under reverse repos

Report the RMB amount receivable from Exchange Fund, AIs and other counterparties, if any, under reverse repos. The reporting treatments of reverse repos in this return follow those of MA(BS)1.

17. Item 14 – Loans and advances to customers

Report all RMB-denominated loans and advances with breakdown as indicated. The reporting treatments follow those of MA(BS)1. In particular, interest in suspense should be netted off against the corresponding loan accounts where accrued interest has been capitalised. Do not deduct provisions for problem loans.

For the avoidance of doubt, outstanding RMB credit card receivables should be reported.

18. Item 16 – Investments

Report under “investment in shareholdings” all holdings of RMB-denominated share capital of other companies owned by the reporting institution, excluding those held as collateral for loans and advances. This includes for instance RMB-denominated investment in Mainland-incorporated banks, and also covers holdings of RMB-denominated capital instruments (e.g. perpetual subordinated debts) and unit trusts which are established specifically for investments in shares. Report as “other investments” all other investments not included under item 16.1.

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

Under both item 9.1 and item 21.1, break down the nominal amount of derivatives positions into “Forwards”, “Others”, and “Balancing figure” respectively. “Others” refer to any derivatives other than forwards, such as options, currency swaps, etc. For example, 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, being the nominal value of the options. On the other hand, 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.

Report contingent liabilities (items 9.2) and claims (item 21.2) generated from the provision of RMB trade settlement services. The reporting treatments follow those of MA(BS)1.

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 (See Completion Instructions for MA(BS)1.)

Part B Money Exchange

20. Report the statistics on money exchange activities from RMB into HK\$ or other currencies or vice versa from the customers' perspective during the reporting month according to the breakdown as shown in the return. For the avoidance of doubt, transactions "not through RMB accounts" means RMB banknote exchange transactions. 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.

Part C RMB Remittances

21. Report the statistics on RMB remittance activities 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 or Mainland Correspondent Banks) need not be reported. Local cross-bank fund transfer should not be reported in this part.
22. For the avoidance of doubt, if a reporting institution has engaged more than one Mainland Correspondent Bank for conducting RMB trade settlement, it should aggregate the transactions with all Mainland Correspondent Banks for reporting the relevant cells in Part C.

Part D RMB Credit Cards

23. Item 1

Report here the total number of RMB credit cards issued by the reporting institution to Hong Kong residents under the RMB business scheme and to corporate customers. The aggregate outstanding receivables in relation to these cards as at the end of the reporting month should also be provided.

24. Item 2

Report here the aggregate outstanding balance of those accounts that fail to pay at least the minimum required payments by due dates as at the last day of the reporting month.

Part E Quality of RMB Assets

25. Items 1 to 3

Report the information on the credit quality of RMB assets, including loans and advances to corporate customers and other assets, with the breakdown as indicated. The reporting criteria should be in line with the Completion Instructions for the Return of Loans and Advances and Provisions (MA(BS)2A).

Part F **RMB Current Accounts**

26. Item 1

Report the aggregate number and value of RMB cheques received for clearing from Mainland China during the reporting month.

27. Item 2

Report the aggregate number and value of RMB cheques received from Participating AIs in Hong Kong for clearing during the reporting month. Breakdown by cheque issuers (i.e. individuals and non-individuals) is necessary.

28. Item 3

Report the number of days during the reporting month on which the aggregate amount of RMB cheques received for clearing from Mainland China exceeds CNY80,000 in respect of any RMB current account of individuals. The number of accounts involved on the day having the largest number of such accounts having the aggregate amount of RMB cheques received for clearing from Mainland China exceeds CNY80,000 should also be reported.

Part G **RMB Negotiable Debt Instruments**

29. Item 1

Report the total amount of purchase and sale transactions in RMB NDIs and those issued in Hong Kong during the reporting period, whether in primary or secondary market, with breakdown into transactions for the reporting institution's own account and customers. The transactions for own account should be reported with further breakdown as shown in the return. Transactions in repos and reverse repos of such RMB NDIs should be reported in item 2 and excluded from item 1.

For the avoidance of doubt, NDIs do not include acceptance and bills of exchange in this part.

30. Item 2

Report the total amount of RMB NDI repos and reverse repos during the reporting month. 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. For simplicity, report the nominal value of the RMB NDIs concerned.

For example, 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)

Part H Memorandum Items

31. Item 1(a)

Report the largest day-end RMB open position arising from all RMB business during the reporting month, and the date on which the largest day-end RMB open position was

observed. This is the open position recorded by the reporting institution after all RMB position squaring during a business day. Any open position arising from transactions that a Participating AI enters into thereafter will be taken into account for calculating the open position for the next business day.

32. Reporting institutions are reminded that the HKMA framework for supervising foreign exchange risks as set out in Supervisory Policy Manual Module TA-2 “Foreign Exchange Risk Management” (version 2) dated 14 January 2009 also applies to the open position maintained in relation to RMB. For example, limits in terms of any one currency (RMB in this case) and aggregate overnight position are to be observed by the reporting institution by incorporating the relevant RMB transactions.

33. Item 1(b)

Report the gross aggregate amount of RMB bought from and sold to the RMB Clearing Bank and Mainland Correspondent Banks respectively during the reporting month. For RMB bought from and sold to the RMB Clearing Bank, provide further breakdown as indicated. 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.

34. Item 4

Report the following average day-end figures relating to the reporting institution:

- 4(a) RMB cash (referring to item 10 in Part A)
- 4(b) Balance of settlement account opened with RMB Clearing Bank (referring to item 12.1a in Part A)
- 4(c) RMB deposits (referring to the total of items 1 and 2 in Part A)

The average day-end figures should reflect the institution’s average position for all calendar days (not only business days) during the month.

Report in item 4(d) the daily average ratio as indicated, and report in item 4(d)(1) the lowest day-end ratio during the reporting month. Indicate under item 4(d)(2) the number of calendar days during the reporting month on which the day-end ratio is below 25%.

Reporting AIs should also report the average day-end aggregate balance of settlement accounts opened with Mainland Correspondent Banks during the reporting month and average day-end position of total interbank funding in RMB during the reporting month in items 4(e) and 4(f) respectively.

35. Note 5

This item needs to be reported only once, for the reporting period in which an AI starts its engagement in RMB business. In a situation where an AI signs the relevant agreements with the RMB Clearing Bank or Mainland Correspondent Banks during a reporting period but only begins to engage in RMB business in a subsequent reporting period, this item should be reported in the return for the latter period. Report here the amount of RMB cash held by the reporting institution on the first day of the immediate preceding month

prior to the commencement of the institution's RMB business activities. For example, if the institution begins to offer RMB services to customers in May 2004, it should indicate in the return for May 2004 the amount of RMB cash, if any, held on 1 April 2004. There is no need for this item to be reported in subsequent returns.

Part I Certificate

36. Items 1 to 4

Report here the exceptions as stipulated in the return. Items 1, 2 and 3 capture breaches relating to limits for exchange and remittance transactions conducted with individual customers. Item 4 aims to capture all other breaches of the provisions stipulated in the relevant agreements with the Clearing Bank or Mainland Correspondent Banks during the reporting period. This would include, for example, breaches relating to opening of RMB deposit accounts for non-Hong Kong residents, and breaches relating to RMB current account operations for personal customers. The details of the exceptions should be reported in chronological order starting from the beginning of the reporting period.

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