

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 and Designated Business Merchants based on the Agreement for the Settlement of RMB Business in Hong Kong (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. In addition, all AIs can conduct RMB trade settlement business targeting RMB Trade Settlement Enterprises based on the Agreement for Clearing and Settlement of Renminbi Trade Settlement Business signed with the RMB Clearing Bank, and/or correspondent banking agreement with one or more Mainland banks (Mainland Correspondent Banks). AIs that have signed any of the mentioned agreements are referred to as "Participating AIs". AIs that are not Participating AIs only need to answer questions 1 to 5 under Standing Information and complete Part A of this return.
2. All RMB business specified in the agreements with the RMB Clearing Bank and Mainland Correspondent Banks should be captured in this return. If a reporting institution offers "mixed products" with embedded RMB business as governed by these agreements, the institution has to ensure that the operations of the embedded RMB business are in compliance with the terms and conditions of such agreements. Based on this principle, the institution should include the relevant data of the RMB business embedded in the "mixed products" for the purpose of reporting this return. Typical examples of such "mixed products" include multi-currency deposit accounts and multi-currency trade finance facilities. If an institution extends the scope of such deposit accounts or trade finance facilities to include RMB business (e.g. the taking of RMB deposits or provision of RMB trade finance facilities), it should conduct such RMB transactions in compliance with the agreements with the RMB Clearing Bank and Mainland Correspondent Banks, as the case may be, and report the data of such RMB transactions in this return.
3. This return is divided into nine parts. Part A is an abridged RMB balance sheet of the reporting institution and covers off-balance sheet items as well. Each reporting institution (whether a Participating AI or not) should report in Part A all RMB-denominated on- and off-balance sheet items booked in its Hong Kong office. Part B to Part I should be reported by Participating AIs in respect of the business activities conducted under the agreements with the RMB Clearing Bank or Mainland Correspondent Banks. 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 trade finance assets. Part F deals with RMB current account services. Part G covers activities relating to RMB Bonds issued in Hong Kong. Part H covers memorandum items while Part I is the certificate on compliance with relevant business requirements.

4. 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

5. Unless otherwise specified by the HKMA, all AIs should submit this return via STET monthly 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.
6. Reporting institutions have to indicate under questions 1 to 3 under Standing Information whether they have executed the relevant agreements with the RMB Clearing Bank and Mainland Correspondent Banks for conducting RMB business, and if so, provide the relevant information where appropriate. They should also report under question 4 the types of RMB business activities which they engage in during the reporting period and complete the relevant parts of this return. For example, business activities in relation to RMB Bond issuance and/or secondary market operations include buying/selling of such bonds, underwriting upon issue and advising the RMB Bond issuers. Besides, RMB trade settlement services refer to the services (including trade financing) provided to RMB Trade Settlement Enterprises. Reporting institutions also have to indicate whether they have been offering any RMB banking products and services that are outside the RMB business scheme during the reporting period by indicating “Yes” or “No” in question 5. If the answer is “Yes”, please provide details about the nature of business offered to customers during the reporting period.
7. Where a reporting institution is engaged in a particular type of RMB business but there was no outstanding balance, position or activity for that type of business during the reporting period, please indicate by ticking the specified boxes at the top of Part B, C, D, E, F or G of this return and then leave the relevant part(s) of the return blank.
8. 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.
9. 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.

Section B : Specific Instructions

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

10. 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.

11. Item 2 – Deposits from non-individual customers

Report the RMB deposits taken from Designated Merchants, RMB Bond Issuers and Underwriters, RMB Trade Settlement Enterprises (TSE) located in Hong Kong, in Mainland China and in other places respectively, and other non-individual customers in and outside Hong Kong. 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.

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

Report the RMB amount payable to AIs in Hong Kong and other counterparties, if any, under the repos of RMB Bonds issued in Hong Kong. The reporting treatments of repos in this return follow those of the Return of Assets and Liabilities. (See Completion Instructions for MA(BS)1.)

13. Items 4 and 10 – Due to banks and Due from banks

Report RMB amounts due to (item 4) and due from (item 10) banks as indicated. For the avoidance of doubt, item 10.1a should reflect the balance of RMB settlement account opened by the reporting institution in the RMB Clearing Bank, while item 10.3a should reflect the aggregate balance of RMB settlement accounts opened by the reporting institution in Mainland Correspondent Banks.

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 10, 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.

14. Items 5 and 14 – Other liabilities and Other assets

Break down the amounts of other liabilities (item 5) and other assets (item 14) as indicated to facilitate the analysis of the actual exposures of and activities undertaken by the reporting institution. In particular, on-balance sheet liabilities generated from RMB

trade settlement activities (e.g. bills payable) should be reported under item 5.1. On-balance sheet assets generated from RMB trade settlement activities other than loans and advances to RMB Trade Settlement Enterprises (e.g. bills purchased or receivable) should be reported in item 14.1.

If a reporting institution holds RMB debt instruments other than those issued in Hong Kong, or engages in repos or reverse repos of such instruments, the relevant positions should be reported here under “Others” and not items 3, 9 or 12.

15. Item 9 – Amount receivable under securities reverse repos

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

16. Item 11 – Loans and advances to customers

Report all RMB-denominated loans and advances with breakdown as indicated. The reporting criteria are in line with the Completion Instructions of Return of Assets and Liabilities (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, the outstanding RMB credit card receivables should be reported in item 11.4. The latter should not include any loans or other assets generated from RMB trade settlement activities. Such loans should be reported in items 11.1 to 11.3, while such assets should be reported in item 14.1.

17. Item 12 – RMB Bonds held

Report all RMB Bonds issued in Hong Kong held by the reporting institution with breakdown into different portfolios according to HKAS39: “Held-to-maturity”, “Available-for-sale” and “Others” (i.e. RMB Bonds held at fair value through profit or loss accounts).

18. Item 13 – Investments

Report 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).

19. Items 7 and 18 – Off-balance sheet items

Under both item 7.1 and item 18.1, 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 7.1, 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 18.1.

Report contingent liabilities (items 7.2) and claims (item 18.2) generated from the provision of RMB trade settlement services. For reference, see Part VIII of the Completion Instructions of return MA(BS)1.

Item 7.3 (other commitments) and item 18.3 (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 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 return 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.
21. Under item 1 and item 3, the reporting institution is required to provide the amount of exchange transactions conducted for the customers specified in the return. Exchange transactions “with others” capture the reporting institution’s transactions, if any, with customers who are currently not entitled to the relevant services under the agreements with the RMB Clearing Bank or Mainland Correspondent Banks (e.g. business entities outside the scope of Designated Merchants, RMB Bond Issuers and RMB Trade Settlement Enterprises).

Part C RMB Remittances

22. Report the statistics on RMB remittance activities conducted during the reporting month according to the required breakdown as shown in the return. Item 1 covers breakdown by customers/beneficiaries while item 2 and item 3 require breakdown by transaction amount. Unsuccessful remittance (e.g. remittance rejected by the RMB Clearing Bank or Mainland Correspondent Banks) need not be reported.
23. 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. (The same approach should also be adopted for reporting Part H items 1a and 1c.)

Part D **RMB Credit Cards**

24. 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 the aggregate outstanding receivables in relation to these cards as at the end of the reporting month.

25. Item 2

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

Part E **Quality of RMB Trade Finance Assets**

26. Items 1 to 3

Report the information on the credit quality of RMB trade finance assets, including loans and advances to RMB Trade Settlement Enterprises (referring to items 11.1 to 11.3 in Part A) and other trade finance assets (referring to item 14.1 in Part A), 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**

27. Item 1

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

28. Item 2

Report the aggregate number and value of all RMB cheques out of those reported under Item 1 that have been bounced. These include, among others, cheques individually exceeding RMB80,000 and cheques bounced due to insufficient funds for settlement (notwithstanding fund transfer into the respective RMB current account, if any).

29. Item 3

Report the aggregate value of cheques under item 1 that have been cleared with fund transfers into the respective RMB current accounts due to the RMB80,000 daily limit being exceeded. Institutions are also required to provide the following figures:

- Number of counts of the said fund transfers executed during the reporting month, and
- Number of RMB current accounts involved in such fund transfers.

For example, if the reporting institution identifies a total of 3 RMB current accounts involved and each had 10 fund transfers during the reporting month to complete the cheque clearing process due to excess of the RMB80,000 daily limit, the number of counts of fund transfers should be 30 and the number of RMB current accounts involved should be 3.

The example below illustrates the reporting criteria:

Scenarios encountered:

	Day 1	Day 2	Day 3
Account A	8,000	50,000 *	30,000
No. of cheques involved	2 (Cheques of 2,000 and 6,000)	1	3 (3 cheques of 10,000 each)
Amount of funds transferred for clearing the above cheques	0	0	0
Account B	20,000	60,000	90,000
No. of cheques involved	1	2 (Cheques of 20,000 and 40,000)	2 (Cheques of 30,000 and 60,000)
Amount of funds transferred for clearing the above cheques	0	0	10,000
Account C	50,000	100,000	100,000
No. of cheques involved	1	2 (2 cheques of 50,000 each)	2 (Cheques of 90,000 and 10,000)
Amount of funds transferred for clearing the above cheques	0	20,000	0

* This example assumes that the balance of Account A at the end of Day 2 was below the settlement amount (i.e. RMB50,000) and the customer did not have sufficient funds to top up the account balance to settle the cheque. The cheque therefore had to be bounced.

Reporting under Part F:

Please tick the box on the right and leave the rest of the part blank if there was no position to report for this reporting period		
	No. of cheques / counts / accounts	CNY '000
1. Aggregate number and value of RMB cheques received for clearing from Mainland China during the month	16	508
2. Aggregate number and value of RMB cheques out of item 1 that have been bounced	2	140 [Account A (Day 2) and Account C (Day 3)]
3. Aggregate value of cheques under item 1 that have been cleared with fund transfers into the respective RMB current accounts due to the RMB80,000 daily limit being exceeded		190 [Account B (Day 3) and Account C (Day 2)]
3.1 Number of counts of fund transfers mentioned above :	2 [Account B (Day 3) and Account C (Day 2)]	
3.2. Number of RMB current accounts involved :	2 [Account B and C]	

30. Item 4

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 RMB Trade Settlement Enterprises) is necessary.

Part G RMB Bonds

31. Item 1

Report the total amount of purchase and sale transactions in RMB Bonds 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 into Subscribed from RMB Bond Issuers and Bought/Sold from/to other customers and Participating AIs. Transactions in repos and reverse repos of such RMB Bonds should be reported in item 2 and excluded from item 1.

32. Item 2

Report the total amount of RMB Bond 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 Bonds concerned.

For example, during the reporting period the reporting institution conducted the following RMB Bond transactions:

- (i) In an initial offering, the reporting institution successfully subscribed 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 customer 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:

Please tick the box on the right and leave the rest of the part blank if there was no position to report for the reporting period		
		CNY '000
1.	Total amount of RMB Bonds bought / sold during the month	
1.1	Bought for own account	172,000
a)	o/w Subscribed from RMB Bond Issuers	100,000(i)
b)	Bought from customers	30,000(ii) + 2,000(iv)a
c)	Bought from other Participating AIs	40,000(ii)
1.2	Sold for own account	30,000
a)	o/w Sold to customers	10,000(ii)
b)	Sold to other Participating AIs	20,000(ii)
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 Bond repos and reverse repos during the month	
	2.1 Repos:	70,000(v)
	2.2 Reverse Repos:	60,000(v)

Part H **Memorandum Items**

33. Note 1(a)

Report the open position limit for RMB in relation to your institution as at the end of the reporting month in which approval has been obtained from the People's Bank of China via RMB Clearing Bank and Mainland Correspondent Banks respectively.

34. Note 1(b)

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. "Open position" in this context is the difference between total RMB assets and total RMB liabilities arising from activities conducted under the RMB business scheme set out in paragraph 1 (subject to the exclusion of certain items explained below). It is the open position recorded by the reporting institution immediately after the cut-off time specified by the RMB Clearing Bank and Mainland Correspondent Banks respectively as the latest time during a business day for Participating AIs to square their RMB positions with the RMB Clearing Bank or Mainland Correspondent Banks, as the case may be. 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 cut-off time. The open position arising from RMB credit card business should be disregarded for the calculation of the RMB open position. This means that any RMB amount payable or receivable by the reporting institution in relation to RMB credit cards issued by it should not be included in the calculation of RMB open position for the purpose of this item.

35. Reporting institutions are also 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.

36. Note 1(c)

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.

37. Note 5

Report the highest credit limit granted for a RMB credit card during the reporting period. Also report the total number of credit cards with limit exceeding RMB100,000 as of the reporting date.

38. Note 6

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

- 6(a) RMB cash (referring to item 8 in Part A)
- 6(b) Balance of settlement account opened with RMB Clearing Bank (referring to item 10.1a in Part A)
- 6(c) Balance of settlement accounts opened with Mainland Correspondent Banks (referring to item 10.3a in Part A)
- 6(d) RMB deposits (referring to the total of items 1 and 2 in Part A)
- 6(e) Total interbank funding in RMB (referring to the total of items 4.1, 4.2 and 4.3 in Part A) and
- 6(f) Trade finance liabilities in RMB (referring to item 5.1 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 6(g) the daily average ratio as indicated, and report in item 6(g)(1) the lowest day-end ratio during the reporting month. Indicate under item 6(g)(2) the number of calendar days during the reporting month on which the day-end ratio is below 25%.

Also report in item 6(h) the daily average ratio as indicated, and report in item 6(h)(1) the lowest day-end ratio during the reporting month. Indicate under item 6(h)(2) the number of calendar days during the reporting month on which the day-end ratio is below 25%.

In item 6(i), report the number of calendar days during the reporting month on which the day-end aggregate balance of interbank funding in RMB obtained from the RMB Clearing Bank, Participating AIs in Hong Kong and Mainland Correspondent Banks exceeded the balance of total RMB deposits taken from all customers.

For the purpose of reporting of items 6(a) to 6(i), the relevant data should be reported on a gross basis. For example, the day-end balances of "due to" and "due from" the same counterparty should not be netted off unless otherwise agreed by the HKMA.

39. Note 7

This item needs to be reported only once and 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*

40. 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 or non-individuals that are not Designated Merchants or TSE, and breaches relating to RMB current account operations. The details of the exceptions should be reported in chronological order starting from the beginning of the reporting period.

Hong Kong Monetary Authority
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