



HONG KONG MONETARY AUTHORITY  
香港金融管理局

3 November 2014

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Introduction of Intraday Repo under the Renminbi Liquidity Facility**

The Hong Kong Monetary Authority (HKMA) will provide renminbi (RMB) intraday liquidity to Authorised Institutions participating in RMB business (Participating AIs) in Hong Kong with effect from 10 November 2014.

Under the existing RMB Liquidity Facility, the HKMA provides overnight funds on T+0 basis as well as one-day and one-week funds settled on T+1 basis. In light of the increased volume of payments alongside the growth of the offshore RMB market, the HKMA will provide intraday RMB funds of up to RMB10 billion to assist Participating AIs in managing their RMB liquidity and promote efficient payment flows in Hong Kong. This would also provide banks with greater flexibility in managing their payment flows upon the launch of the Shanghai-Hong Kong Stock Connect in the future.

Starting from 10 November 2014, participating AIs may initiate a sale and repurchase (repo) transaction with the HKMA to obtain intraday RMB funds. The HKMA will charge a fee, based on the actual time of usage, with reference to the prevailing overnight interest rate.

The existing list of securities eligible for the existing RMB liquidity facility will be expanded to include RMB bonds issued by China's policy banks in Hong Kong. This expanded list will be applicable for both the new intraday repo and the existing repo tenors. The terms and conditions of the repo for intraday and other tenors are set out at Annexes 1 and 2.

Participating AIs are welcome to use the intraday repo to meet RMB payments flows. The HKMA will review the terms and conditions of the facility in light of actual operating experience.

Yours faithfully,

Howard Lee  
Executive Director (Monetary Management)

Encl.

**Terms and Conditions of Intraday RMB Liquidity Facility**

Operating hours	8:30 am to 11:30 pm on each operating day of RMB RTGS
Banks eligible <sup>(1)</sup>	AIs participating in RMB business (Participating AIs)
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs may initiate intraday repo transactions with the HKMA via the CMU Member Terminal (CMT) (see details in operating procedures of the CMU<sup>(2)</sup>)</li> <li>• Intraday repo not repaid before the cut-off time of 11:30pm will be converted into overnight repo, and subject to overnight interest charge in addition to any interest charge payable on intraday repo during the day</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>• TMA overnight CNH HIBOR fixing as of 11:00 am (or the fixing on the nearest preceding day if it is not available on an operating day of RMB RTGS)</li> <li>• To be charged based on the actual time used during the day on a per minute basis</li> </ul>
Eligible collateral	<ul style="list-style-type: none"> <li>• Exchange Fund Bills and Notes (EFBN)</li> <li>• HKSAR Government bonds (HKGB)</li> <li>• RMB denominated bonds issued in Hong Kong by the Ministry of Finance of the People's Republic of China (CMOF)</li> <li>• RMB denominated bonds issued in Hong Kong by policy banks of the People's Republic of China, including Agricultural Development Bank of China, China Development Bank, and Export and Import Bank of China</li> </ul>
Haircut on eligible collateral	<ul style="list-style-type: none"> <li>• EFBN and HKGB: 2% per year of remaining maturity, plus 2% (for cross-currency haircut)</li> <li>• CMOF and China policy bank bonds: 2% per year of remaining maturity, minimum 2%</li> </ul>
Interest payment	<ul style="list-style-type: none"> <li>• HKMA to issue a statement to each Participating AI on a monthly basis</li> <li>• Clearing Bank will collect the interest amount on behalf of the HKMA once a month by debiting the accounts of Participating AIs</li> </ul>

Note:

- (1) Participating AIs are required to have signed a tripartite Master Sale and Repurchase Agreement with the HKMA and the RMB Clearing Bank.
- (2) CMU operating procedures include Exchange Fund Bills and Notes Clearing and Settlement System Reference Manual, CMU Service Reference Manual and relevant circulars issued by the HKMA from time to time.

**Terms and Conditions of the 1-day and 1-week RMB Liquidity Facility**

	<b>Tomorrow/1-Week (1-week funds available next day)</b>	<b>Tomorrow/Next (1-day funds available next day)</b>	<b>Overnight (1-day funds available same day)</b>
Tenor	One week	One day	One day
Interest rate	By reference to prevailing market interest rates		TMA overnight CNH HIBOR fixing plus 50 bps
Eligible collateral	<ul style="list-style-type: none"> <li>• Exchange Fund Bills and Notes (EFBN)</li> <li>• HKSAR Government bonds (HKGB)</li> <li>• RMB denominated bonds issued in Hong Kong by the Ministry of Finance of the People's Republic of China (CMOF)</li> <li>• RMB denominated bonds issued in Hong Kong by policy banks of the People's Republic of China, including Agricultural Development Bank of China, China Development Bank, and Export and Import Bank of China</li> </ul>		
Haircut on eligible collateral	<ul style="list-style-type: none"> <li>• EFBN and HKGB: 2% per year of remaining maturity, plus 2% (for cross-currency haircut)</li> <li>• CMOF and China policy bank bonds: 2% per year of remaining maturity, minimum 2%</li> </ul>		
Banks eligible <sup>(1)</sup>	AIs participating in RMB business (Participating AIs)		
Cut-off time for request <sup>(2)</sup>	12:00 noon on each Hong Kong business day (not available on mainland China holidays)		3:00 pm on each Hong Kong business day
Contact details	Participating AIs interested in borrowing RMB funds should contact the dealing room of the HKMA at 2878 8104 or Reuters dealing code EFHK		
Settlement	On T+1, RMB funds will be credited to the Participating AI's RMB RTGS account held with the Clearing Bank subject to the receipt of the securities by the HKMA before 4:00 pm		On T+0, RMB funds will be credited to the Participating AI's RMB RTGS account held with the Clearing Bank subject to the receipt of the securities by the HKMA before 4:00 pm
Holiday	If the value date or maturity date of the transaction falls on a Hong Kong or China holiday, it will be delayed to the next business day which is not a holiday in Hong Kong and China.		If the maturity date of the lending falls on a Hong Kong holiday, it will be delayed to the next Hong Kong business day.

## Notes:

- (1) Participating AIs are required to have signed with the HKMA the Master Sale and Repurchase Agreement for the provision of liquidity assistance including lender-of-last-resort support and RMB liquidity facility
- (2) Requests for overnight funds received after the cut-off time of 3pm will be considered on a case-by-case basis.