



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

12 November 2014

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Renminbi (RMB) Business

I am writing to inform you that, having regard to the development of the offshore RMB market in Hong Kong and the launch of the Shanghai-Hong Kong Stock Connect, and following discussions with the banking industry and consultation with relevant authorities, Authorized Institutions (AIs) may conduct RMB currency conversions with Hong Kong residents without applying limits with effect from 17 November 2014.

Henceforth, AIs should conduct position squaring for RMB conversions conducted with Hong Kong residents in the offshore market, instead of in the onshore market through the RMB Clearing Bank. The prevailing relevant restrictions, including the RMB 20,000 per person per day conversion limit, will no longer be applicable. In addition, the restrictions in relation to position squaring for RMB conversions conducted with Designated Business Customers will no longer be applicable. Such position squaring should also be conducted by AIs in the offshore market starting from the same time.

The guiding principles on the modus operandi of RMB business, as set out in our circular of 11 February 2010, shall continue to apply. In other words, RMB business that does not involve cross-border fund flows to and from the Mainland is subject to the usual banking practices and applicable regulatory requirements in Hong Kong. RMB business involving cross-border flow of RMB funds with the Mainland, including cross-border trade settlement or remittances, will continue to be subject to the rules and requirements promulgated by the Mainland authorities. For transactions involving overseas jurisdictions, AIs are reminded to follow the rules and requirements in those jurisdictions as appropriate.

A set of Q&As is provided in Annex for reference. If you have any question on this circular, please do not hesitate to contact Ms Denise Tai at 2878 1589 or your usual supervisory contacts at the HKMA.

Yours faithfully,

Norman T.L. Chan
Chief Executive

Annex

Q1. Do Hong Kong residents and Designated Business Customers (DBC) have to close their existing RMB deposit accounts, or exchange their balances into other currencies, before the new arrangement relating to personal RMB business takes effect?

A1. No, there is no requirement that Hong Kong residents and DBCs have to close their existing RMB deposit accounts or exchange their existing RMB balances into other currencies.

For avoidance of doubt, there will be no need for accounts opened previously by DBCs to be confined to handling of RMB cashnotes obtained in such customers' ordinary course of business as DBCs and RMB bond investments. In other words, such accounts can be operated in the same manner as other corporate accounts.

If AIs have to introduce any consequential variation of services (e.g. possible changes in pricing scheme and alternative limits based on commercial considerations of the individual AI concerned), AIs should give adequate advance notice to the affected customers, explaining the relevant implications for customers conducting RMB conversions. AIs should also offer convenient, efficient and cost-effective arrangements for customers during the transition as appropriate.

Q2. Will conversion of RMB banknotes remain subject to the limit of RMB20,000 per transaction per person?

A2. No, the limit on conversion of RMB banknotes will no longer be applicable. Nevertheless, AIs may apply appropriate limits based on their own commercial and other considerations.

Q3. Do the existing requirements for remittances conducted by Hong Kong residents to the Mainland and for using RMB cheques to make payments in Guangdong province continue to apply?

A3. These transactions involve cross-border fund flows with the Mainland, and therefore are subject to the relevant requirements as stipulated by the Mainland authorities. In other words, the existing requirements remain applicable unless there is any change promulgated by the Mainland authorities.

Q4. Can AIs provide RMB financing to Hong Kong residents?

A4. AIs can provide a full range of RMB services, including financing, to personal customers in accordance with the usual banking practices and regulatory requirements in Hong Kong. If such services involve cross-border fund flows (e.g. financing for use outside Hong Kong), AIs should take reasonable steps to ensure that relevant requirements in the other jurisdiction(s) are addressed as appropriate.

Q5. Are there any changes to the requirements for trade-related RMB conversions conducted by AIs for corporates?

A5. No. Generally speaking, RMB conversions are to be conducted in accordance with the applicable regulatory requirements and usual banking practices in Hong Kong.

For those RMB conversions that are to be squared in the onshore RMB market through the RMB Clearing Bank, such transactions involve cross-border fund flows with the Mainland and therefore are subject to the requirements as stipulated by the Mainland authorities. It is expected that AIs will put in place necessary control procedures to enable them to fulfil such requirements.