



HONG KONG MONETARY AUTHORITY  
香港金融管理局

27 November 2014

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Refinement of Overnight Repo under the Renminbi Liquidity Facility**

The Hong Kong Monetary Authority (HKMA) will introduce two refinements to the provision of the overnight funds under the RMB Liquidity Facility with effect from 8 December 2014. The two refinements are as follows:

1. The operating hours of the facility will be extended to 6pm from previously 3pm. Specifically, Authorized Institutions participating in renminbi business in Hong Kong (Participating AIs) may contact the HKMA Dealing Room before 6pm each business day to request for an overnight sale and repurchase (repo) transaction under the facility.
2. System enhancement has been made to provide for automated delivery-versus-payment (DvP) settlement of overnight repo transactions through the CMU system. In particular, Participating AIs, after having a deal confirmed with the HKMA Dealing Room in accordance with item 1 above, should input the overnight repo transaction via the CMU Member Terminal. The transactions will then be automatically processed, including the selection and transfer of securities and the corresponding settlement of funds. Participating AIs should also input a reverse repo transaction via the CMU Member Terminal the next day to repay the funds.

In order to obtain overnight RMB liquidity under the refined facility, Participating AIs must have signed with the HKMA and the RMB Clearing Bank a tripartite Master Sale and Repurchase Agreement. Those Participating AIs that have already signed the tripartite Agreement on the launch of the intraday repo facility do not need to sign another Agreement. For those which have not done so, they may continue to tap overnight funds following the existing operating hours and procedures until 31 December 2014. In the meantime, they should contact the RMB Clearing Bank to arrange for the signing of the Agreement (Mr. Samuel Lui at 3197 5495 or Ms. Queenie Lau at 3198 3152) as soon as possible.

The revised terms and conditions of the overnight RMB Liquidity Facility are set out in the Annex. Should you have any questions on the two refinements, please contact the HKMA at 2878 8104.

Yours faithfully,

Howard Lee  
Executive Director (Monetary Management)

Encl.

## Terms and Conditions of Overnight RMB Liquidity Facility

Banks eligible <sup>(1)</sup>	AIs participating in RMB business (Participating AIs)
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 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 rate	TMA overnight CNH HIBOR fixing plus 50 bps
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs interested in borrowing RMB overnight funds should contact the dealing room of the HKMA at 2878 8104 or Reuters dealing code EFHK</li> <li>• After confirming the deal with the HKMA, Participating AIs should input the repo transactions via the CMU Member Terminal (CMT) (see details in operating procedures of the CMU<sup>(2)</sup>)</li> <li>• Participating AIs should reverse the repo via CMT before 2:00pm the next operating day</li> </ul>
Operating hours	<ul style="list-style-type: none"> <li>• Request for repo should be made before 6:00pm on each Hong Kong business day</li> <li>• The input of the repo deal via CMT should be completed before 6:30pm</li> </ul>
Holiday	<ul style="list-style-type: none"> <li>• If the repurchase date of an overnight repo falls on a Hong Kong holiday and there are insufficient funds in the account of the Participating AI for the repurchase, the outstanding repo will be rolled over to the following operating day (see details in operating procedures of the CMU<sup>(2)</sup>)</li> </ul>
Interest payment	<ul style="list-style-type: none"> <li>• HKMA will issue a statement to each Participating AI on a monthly basis</li> <li>• The Clearing Bank will collect the interest amount on behalf of the HKMA once a month by debiting the accounts of Participating AIs</li> </ul>

### Notes:

- (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.