



HONG KONG MONETARY AUTHORITY  
香港金融管理局

26 February 2015

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Refinement of the Renminbi Liquidity Facility**

In the light of operating experience, the Hong Kong Monetary Authority (HKMA) will adjust the calculations for interest on the intraday and overnight funds provided under the RMB Liquidity Facility with effect from 2 March 2015. The refinements are as follows:

1. The repo rates to be applied on the overnight repo will be changed to the average of the most recent 3 TMA overnight CNH HIBOR fixings (inclusive of the fixing on the same day) plus 50 basis points.
2. The repo rates to be applied on the intraday repo will be changed to the average of the most recent 3 TMA overnight CNH HIBOR fixings (inclusive of the fixing on the same day).
3. Any intraday repo not repaid before 11:30pm each day will be automatically converted into an overnight repo. The overnight repo will be subject to a full overnight interest charge, based on the formula for overnight repo above, while interest charge on the relevant intraday repo will be waived.

The revised terms and conditions for the overnight and intraday funds provided under the RMB Liquidity Facility are set out in Annex 1 and 2. Should you have any questions on the above, 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	Average of the most recent 3 TMA overnight CNH HIBOR fixings, inclusive of the fixing on the same day (or the average of the nearest 3 preceding fixings if there is no fixing on the same day), 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.

**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 full overnight interest charge. Interest charge on the relevant intraday repo will be waived.</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>Average of the most recent 3 TMA overnight CNH HIBOR fixings, inclusive of the fixing on the same day (or the average of the nearest 3 preceding fixings if there is no fixing on the same day)</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.