

Key Parameters of US Dollar Liquidity Facility

Tender

1. The HKMA will publish a tender notice on its website at least two business days in advance of each tender. The tender notice will include information such as the amount, the tender date, settlement date and repayment date of the US dollar liquidity on offer, taking into account factors such as intervening general holidays in Hong Kong or the US. Normally a tender will be held on a Wednesday. If the tender cannot be carried out on a scheduled date, it will be held on the immediately succeeding business day. Term sheet of the tender is at Annex B.

Submission

2. All LBs may submit bids from 9:00 a.m. to 12:00 noon (both times inclusive) to the Central Moneymarkets Unit (CMU) of the HKMA on the day of a tender. Late submission will not be considered. In each tender each LB may submit only one valid bid. While it is acceptable for an LB to cancel a previously submitted bid and replace it with a new bid, in the case of an LB making multiple bids without cancelling the previously submitted bid(s), only the last bid received by the HKMA before the deadline will be considered whereas all the other previously bid(s) submitted by that LB will be voided.

3. Each submission must be made via a SWIFT message MT599 in a form similar to the sample shown in Annex C. As a fall back arrangement, submissions can be transmitted via tested facsimile if needed using the numbers shown in Annex C. LBs should inform CMU in advance if it is foreseen that the fall back arrangement will be triggered. Submitted bids, unless being subsequently cancelled before deadline, will be binding and will not be revocable after deadline (i.e. 12:00 noon on the day of the tender).

4. A valid bid must be at least US\$100 million or integral multiples of US\$100 million. The bid must state the amount of US dollars tendered for and the bidding interest rate, rounded to two decimal places. The bidding interest rate is

subject to a minimum rate equivalent to 25 basis points above the Interest Rate on Excess Reserves (IOER rate) set by the Federal Reserve from time to time. The prevailing IOER rate is 0.1%¹.

Allotment

5. Allotment will be based on competitiveness of the bids (i.e. in descending order from the highest to the lowest accepted interest rate). Accepted bids will be allotted at the corresponding bidding interest rates. If total tendered amount is less than or equal to the total amount on offer, all valid bids will be allotted in full.

6. If total tendered amount is larger than the total amount on offer, a special arrangement will be implemented *only in the first round* of allotment to ensure the allotted amounts to be widely distributed among the LBs. In the first round, allotment will be based on competitiveness of the bids, with allotment to each LB capped at 25% of the total amount on offer. If the total amount on offer has not been exhausted in the first round, the second round will proceed based on the competitiveness of the bids without any cap to be imposed on any LB. Accepted bids which are at the cut-off interest rate may be allotted in full or in part only. In the case of allotment in part, a calculation will be made of the *remaining amount on offer* at the cut-off interest rate as a percentage (the “pro-rata percent”) of the *total amount applied for* at that interest rate level. As far as possible the pro-rata per cent will be applied to the amount tendered for by each LB at the cut-off interest rate and the result rounded down to the nearest multiple of US\$1 million.

7. The HKMA reserves the right not to allot the entire amount on offer or to scale down the allotment to a successful bidder.

8. As soon as practicable after the allotment, the HKMA will notify LBs whose bids have been successful in whole or in part of their allotments and the required amounts of eligible assets as collateral to be transferred to the HKMA. Eligible assets are specified in the term sheet, while the HKMA will continue to review the need for expanding the scope of eligible assets taking into account experience accumulated going forward. Specifically, the HKMA will request each LB whose bid has been

¹ The current IOER rate can be found on the Federal Reserve’s website: <https://www.federalreserve.gov/monetarypolicy/reqresbalances.htm>.

successful to submit a list of available eligible assets. Upon receipt of the list, the HKMA will select specific items as collateral, and will inform the LB as soon as practicable. The LB shall make arrangements for transfer of the selected assets as collateral to the HKMA. Allotments are subject to successful transfer of collateral to the HKMA and successful transfer of US dollars from the Federal Reserve to the HKMA through the Federal Reserve's FIMA Repo Facility.

9. The HKMA will announce on its website the total amount of US dollar liquidity allotted in the tender and other related details such as the lowest and highest accepted bidding interest rates on the same day of the tender. The names of LBs participating in the tender or those allotted with funds, and individual allotted amounts will not be disclosed.

Settlement and repayment

10. US dollar liquidity allotted by tender will be for value on the business day following the tender day (the "settlement date"). On the settlement date, LBs whose bids have been successful will deliver the agreed nominal value of the selected collateral from their Securities Accounts maintained with the HKMA. The HKMA expects successful transfer of collateral not later than 2:00 p.m. on the settlement date. Upon confirmation of receipt of collateral, the HKMA will pay US dollars to the LBs' own bank accounts according to their instructions given to the HKMA. On the repayment date, the LBs shall repay US dollars to the HKMA according to instructions given to them. On the business day after the repayment date, upon confirmation of receipt of US dollars repaid by the LBs, the HKMA will return the collateral to the LBs.

Special arrangements

11. If for any reason the tender or the settlement cannot be carried out on a scheduled date, the affected process will be postponed to the immediately succeeding business day. However, notwithstanding any unforeseen postponement of a tender or its settlement, it is the HKMA's intention to keep the repayment date originally specified unchanged. If for any reason the repayment cannot be carried out on a scheduled date, the repayment shall be arranged on the immediately succeeding business day. Release of collateral by the HKMA is subject to confirmation of receipt of repayment.