



HONG KONG MONETARY AUTHORITY  
香港金融管理局

22 July 2022

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Enhancement of the Renminbi (RMB) Liquidity Facility**

The Hong Kong Monetary Authority (HKMA) will introduce the following enhancement to the RMB Liquidity Facility with effect from 27 July 2022:

- 1. Increase in size** – The intraday and overnight funds offered by the HKMA will each be increased to RMB20 billion from the previous RMB10 billion.
- 2. Extension of operating hours of the overnight repo** – The operating hours of the overnight repo will be extended from the previous 6:00 p.m. to the RMB Real Time Gross Settlement (RMB RTGS) system close at 5:00 a.m. the next day. Authorised Institutions participating in RMB business (Participating AIs) can input an overnight repo transaction via the CMU Member Terminal. There is no need to call the HKMA dealing room before inputting the deal. CMU will conduct automatic processing, including the selection and transfer of securities as well as the corresponding settlement of funds. Same as the current arrangement, Participating AIs should also input a reverse repo transaction via the CMU Member Terminal the next day to repay the funds.
- 3. Lowering of rates applicable to the overnight repo** – The rates will be the average of the most recent three TMA overnight CNH HIBOR fixings (inclusive of the fixing on the same day) plus 25 basis points, subject to a minimum at 0.25%. The previous rates, which will no longer be applicable, involved a spread of 50 basis point and were subject to a minimum of 0.50%.

The updated terms and conditions for the RMB Liquidity Facility are set out in the Annex. Should you have any questions on the above, please contact the HKMA at 2878 8104.

Yours faithfully,

Clara Chan  
Executive Director (Monetary Management)

Encl.

**RMB Liquidity Facility**  
**Terms and Conditions**

**1. Overnight Repo**

Eligible parties <sup>(1)</sup>	Authorized Institutions 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, USD and EUR denominated debt securities issued in offshore markets by (i) the People’s Bank of China (PBOC); (ii) the Ministry of Finance of the People’s Republic of China (CMOF); (iii) the Local People’s Governments at various levels of the People’s Republic of China (Local People’s Governments); and (iv) the policy banks of the People’s Republic of China (China Policy Banks), namely 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>• RMB denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks: 2% per year of remaining maturity, minimum 2%</li> <li>• USD and EUR denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks: 2% per year of remaining maturity, minimum 2%, plus 2% (for cross-currency haircut)</li> </ul>
Interest rate	Average of the most recent 3 TMA overnight CNH HIBORs , inclusive of the CNH HIBOR on the same day (or the average of the nearest 3 preceding CNH HIBORs if there is no CNH HIBOR on the same day), plus 25 bps, subject to a minimum at 0.25%
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs to initiate overnight repo transactions with the HKMA via the CMU Member Terminal (CMT)</li> <li>• Participating AIs should reverse the repo via CMT before 2:00pm the next operating day, except for Saturdays and Sundays (see details in operating procedures of the CMU <sup>(2)</sup>)</li> </ul>
Operating hours	On each operating day of RMB RTGS which spans from 8:30 am to 5:00 am the next calendar day, except for Saturdays and Sundays
Holiday	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> )
Interest payment	Interest will be debited from the Participating AIs’ RMB RTGS accounts held with the Clearing Bank after the end of an operating day on which the Participating AIs repurchase the securities

Notes:

- (1) Participating AIs are required to have signed a bilateral Master Sale and Repurchase Agreement for the purpose of providing intraday and overnight RMB liquidity with the HKMA.
- (2) CMU operating procedures include CMU Reference Manual and relevant circulars issued by the HKMA from time to time.

## 2. One-day and One-Week Repo (T+1 Settlement)

Eligible parties <sup>(1)</sup>	Authorized Institutions 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, USD and EUR denominated debt securities issued in offshore markets by (i) the People’s Bank of China (PBOC); (ii) the Ministry of Finance of the People’s Republic of China (CMOF); (iii) the Local People’s Governments at various levels of the People’s Republic of China (Local People’s Governments); and (iv) the policy banks of the People’s Republic of China (China Policy Banks), namely 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>• RMB denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks: 2% per year of remaining maturity, minimum 2%</li> <li>• USD and EUR denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks:: 2% per year of remaining maturity, minimum 2%, plus 2% (for cross-currency haircut)</li> </ul>
Interest rate	By reference to prevailing market interest rates
Mode of operation	<ul style="list-style-type: none"> <li>• Participating AIs interested in borrowing RMB funds should contact the dealing room of the HKMA at 2878 8104 or Reuters dealing code EFHK</li> <li>• 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</li> </ul>
Operating hours	Request for repo should be made before 12:00 noon on each Hong Kong business day (not available on mainland China holidays)
Holiday	If the value date or maturity date of the transaction falls on a Hong Kong or mainland China holiday, it will be delayed to the next business day which is not a holiday in Hong Kong and mainland China
Interest payment	Interest payment will be made by the Participating AIs as they repurchase the securities

### Notes:

- (1) Participating AIs are required to have signed a bilateral Master Sale and Repurchase Agreement for the provision of liquidity assistance including lender-of-last-resort support and RMB liquidity facility with the HKMA.

### 3. Intraday Repo

Eligible parties <sup>(1)</sup>	Authorized Institutions 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, USD and EUR denominated debt securities issued in offshore markets by (i) the People’s Bank of China (PBOC); (ii) the Ministry of Finance of the People’s Republic of China (CMOF); (iii) the Local People’s Governments at various levels of the People’s Republic of China (Local People’s Governments); and (iv) the policy banks of the People’s Republic of China (China Policy Banks), namely 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>• RMB denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks: 2% per year of remaining maturity, minimum 2%</li> <li>• USD and EUR denominated debt securities issued by PBOC, CMOF, Local People’s Governments and China Policy Banks: 2% per year of remaining maturity, minimum 2%, plus 2% (for cross-currency haircut)</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>• Average of the most recent 3 TMA overnight CNH HIBORs, inclusive of the CNH HIBOR on the same day (or the average of the nearest 3 preceding CNH HIBORs if there is no CNH HIBOR on the same day), subject to a minimum of 0%</li> <li>• To be charged based on the actual time used during the day on a per minute basis</li> </ul>
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)</li> <li>• Intraday repo not repaid before the end of an operating day (i.e. 5:00 am the next calendar day) will be converted into overnight repo, and subject to full overnight interest charge. Interest charge on the relevant intraday repo will be waived. The converted overnight repo should be repaid before 2:00 pm on the next operating day, except for Saturdays and Sundays (See details in operating procedures of the CMU <sup>(2)</sup>)</li> </ul>
Operating hours	On each operating day of RMB RTGS which spans from 8:30 am to 5:00 am the next calendar day, except for Saturdays and Sundays
Interest payment	Interest will be debited from the Participating AIs’ RMB RTGS accounts held with the Clearing Bank after the end of an operating day on which the Participating AIs repurchase the securities

Note:

- (1) Participating AIs are required to have signed a bilateral Master Sale and Repurchase Agreement for the purpose of providing intraday and overnight RMB liquidity with the HKMA.
- (2) CMU operating procedures include CMU Reference Manual and relevant circulars issued by the HKMA from time to time.