HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

31 March 2011

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Renminbi (RMB) Fiduciary Account

The RMB Clearing Bank has announced that authorized institutions participating in RMB business (Participating AIs) can place RMB funds in excess of their day-to-day business and settlement needs in a segregated Fiduciary Account with the People's Bank of China through the RMB Clearing Bank. While the operational details are set out in the RMB Clearing Bank's announcement, Participating AIs should take note of the following implications on various prudential requirements.

RMB risk management limit

As set out in the HKMA circular of 19 July 2010, a Participating AI should always maintain a total amount of RMB cash plus settlement account balance with the RMB Clearing Bank at no less than 25% of its RMB customer deposits. With the introduction of the Fiduciary Account, the outstanding balance maintained therein can also be included for the purpose of the RMB risk management limit. This means a Participating AI should always maintain a total amount of RMB cash, settlement account balance with the RMB Clearing Bank and balance maintained in the Fiduciary Account at no less than 25% of its RMB customer deposits.

Return reporting

Starting from the position of April 2011, any outstanding balance maintained in the Fiduciary Account should be included in the amount of settlement account balance with the RMB Clearing Bank reported in the Monthly Return of RMB Business Activities (MA(BS)16) under the following two items:

- A12.1a: Due from RMB Clearing Bank (payable on demand and money at call);

- H4(b): Average day-end balance of settlement account opened with RMB Clearing Bank during the reporting month.

If you have any question on this letter, please feel free to contact Ms Denise Tai at 2878 1589 or your usual supervisory contacts at the HKMA.

Yours faithfully,

Arthur Yuen
Deputy Chief Executive