HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

29 Dec 1999

Access to the Real Time Gross Settlement System

Our Ref.: G12/72C

29 December 1999

The Chief Executive
All Restricted Licence Banks

Dear Sir/Madam,

Access to the Real Time Gross Settlement System

I would like to inform you that an agreement in principle has been reached with the Hong Kong Association of Banks (HKAB) and the Hong Kong Interbank Clearing Ltd (HKICL) that RLBs can be granted access to the Real Time Gross Settlement System (RTGS). The HKICL is now working on the legal arrangements for admitting RLBs into the system. Subject to completion of the legal arrangements, admission of RLBs into the RTGS can take place in early 2000. We will inform you again once we are ready to accept applications for joining the RTGS.

This letter sets out the arrangements for future admission of RLBs to the RTGS. These include the application procedures for RLBs to join the RTGS, the types of transactions which can be processed, the types of repo facilities that will be offered to RLBs in connection with their participation in the RTGS, and the implications of RLBs' admission for the currency board system.

Application procedures

RLB applicants are required to demonstrate their business need to join the system to the HKMA. After the approval of the HKMA is obtained, they should submit an application along with the notification of approval from the HKMA to the HKICL and pay a one-off admission charge (which will be the same charge as for new licensed banks joining the clearing house) and a systems enhancement cost. The admission charge and the systems enhancement cost will be set at a reasonable level and will be determined and announced by the HKICL later. RLB participants in the RTGS will be subject to the same usage tariff chargeable to the existing users of the RTGS.

Transactions to be handled by RLBs

When access to the RTGS has been granted, RLBs will be able to handle CHATS payments and settlement for securities transactions settled through the Central Moneymarkets Unit

(CMU). The HKMA will discuss with the Hong Kong Securities Clearing Co Limited (HKSCC) on whether RLB participants in the RTGS can be approved by HKSCC to become *"Designated Banks"* and thus handle money settlement for equities transactions settled through the Central Clearing and Settlement System.

Repo facilities and Currency Board operation

To facilitate the smooth operation of the RTGS, RLBs will be offered intra-day repo facilities and access to the Discount Window in the same way as their licensed bank counterparts. The balances in the settlement accounts of RLBs will be treated as part of the Aggregate Balance and will be covered by the Convertibility Undertaking of the HKMA in the same way as balances held by licensed banks.

More details of the above arrangements can be found in the enclosed note for RLBs seeking to join the RTGS. Should you have further queries on this subject, please do not hesitate to contact Mr Kim Chong on 2878 1848 or Mr Raymond Chan on 2878 1846.

Yours faithfully

D T R Carse
Deputy Chief Executive

Encl.

c.c. Hong Kong Association of Banks
The DTC Association
Hong Kong Interbank Clearing Ltd

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