



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B1/15C

17 August 2010

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Renminbi Interbank Bond Market in Mainland China

The People's Bank of China (PBoC) promulgated today the Notice on Pilot Scheme for Renminbi Clearing Bank and Other Eligible Institutions outside the Mainland to invest in the Mainland's Interbank Bond Market 《關於境外人民幣清算行等三類機構運用人民幣投資銀行間債券市場試點有關事宜的通知》 (the Notice). The Notice can be found in the PBoC website at www.pbc.gov.cn/.

According to the Notice, subject to the approval of the PBoC all authorized institutions (AIs) engaging in cross-border RMB trade settlement can participate in the interbank bond market in Mainland China through a Settlement Agent (refer to the Notice for details). Cash and repo transactions are allowed, subject to a quota to be assigned to individual institutions. AIs that are interested in this should apply to the PBoC direct.

AIs engaging in this activity should comply with the applicable rules and regulations on the Mainland. In particular, AIs should note that they cannot execute transactions in the Mainland interbank bond market with a counterparty which is a group company of the AI itself. The HKMA expects AIs to put in place effective policies and procedures as well as proper internal control systems to ensure compliance with the relevant rules and regulations. Furthermore, AIs submitting their application to the PBoC in this regard should keep the HKMA closely informed of the progress of such application.

Should 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