



HONG KONG MONETARY AUTHORITY

香港金融管理局

Banking Conduct Department

銀行操守部

Our Ref: B1/15C
G16/1C

3 September 2010

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Circular Issued by the Securities and Futures Commission (SFC) Regarding Potential Listing of Products Denominated in Renminbi (RMB)

I am writing to draw your attention to a circular issued by the SFC on 31 August 2010 ("the SFC Circular"). The SFC Circular advises intermediaries to ensure their readiness for future launches of listed RMB denominated products. Intermediaries are reminded to make necessary preparations for trading and settlement of such products.

A copy of the SFC Circular is attached at Annex. Authorized institutions (AIs) that plan to engage in the trading and settlement of listed RMB denominated products should implement proper internal controls and necessary operational and system changes. In addition, AIs that plan to provide customers with RMB loan facilities to facilitate the latter's investment in such products are reminded that RMB lending to personal customers and Designated Business Customers (DBC's) is currently not permissible¹. While AIs are permitted to extend RMB loans to corporate customers including other financial intermediaries, they should take reasonable steps to ascertain that such loans will not in turn be lent by the corporate customers concerned to personal customers and DBC's, i.e. AIs should not knowingly lend to corporate customers in an arrangement to circumvent the said requirement.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

c.c. SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision)

¹ For more information on the restriction on RMB lending, refer to item 13 of the Frequently Asked Questions attached to the HKMA circular "Renminbi Business in Hong Kong" dated 19 July 2010. For the meaning of DBC's, refer to the HKMA circular "Personal Renminbi Business in Hong Kong" dated 13 December 2005.