



SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Circular

31 August 2010

Circular to SEHK Exchange Participants
Preparation for business activities arising from
potential listing of products denominated in renminbi (RMB)

Further to the recent circulars issued by the Hong Kong Monetary Authority (HKMA), the Stock Exchange of Hong Kong Limited (SEHK) and the Hong Kong Securities Clearing Company Limited (HKSCC) regarding RMB business in Hong Kong and operational readiness for trading and settlement of listed RMB denominated products respectively (Note), the Commission reminds exchange participants to ensure their readiness for future launches of listed RMB denominated products. In particular, exchange participants should pay particular attention to the following matters when making preparations for trading and settlement of listed RMB denominated products:

1. Arrange with SEHK and HKSCC to test the capability of your trading and clearing systems in handling listed RMB denominated product transactions with reference to the circulars issued by the SEHK and HKSCC;
2. Review the readiness of your front office, back office and internet trading systems to handle the trading and settlement of listed RMB denominated products, including keeping proper accounting records of transactions in such products, generating appropriate trading documentation (such as trade confirmations and contract notes) in respect of such transactions, and instructing system vendors to make any appropriate changes to your IT systems etc;
3. Arrange with your clearing banks as soon as possible to open RMB bank accounts (including a RMB trust bank account to segregate client money denominated in RMB) and, where applicable, to set up RMB credit facilities, taking into account the processing time required by banks and the HKSCC to complete the setup of a RMB designated bank account in CCASS; and
4. Establish effective operating and risk management controls to prudently manage liquidity and exchange rate risks when conducting RMB denominated business. In particular, brokers who intend to provide margin loans to clients for dealing in listed RMB denominated products should pay special attention to the risks of currency mismatch and exchange rate fluctuations on top of credit risk in designing their margin call systems.

Should you have any queries regarding the contents of this circular, please contact Ms Madonna Yip on 2842-7618.

Intermediaries Supervision Department
Securities and Futures Commission

Note:

The circulars refer to:

- Circular issued by the HKMA on 19 July 2010 entitled "RMB Business in Hong



Kong" (circular reference no. B1/15C)

- Circular issued by the SEHK on 19 August 2010 entitled "Operational readiness for Trading of Renminbi (RMB) Products" (circular reference no. CMD/TMO/034/10)
- Circular issued by the HKSCC on 19 August 2010 entitled "Operational readiness for CCASS Money Settlement in Renminbi (RMB)" (circular reference no. CD/CCO/CCASS/133/2010)

End

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