



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C

9 May 2011

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Renminbi (RMB) Fiduciary Account Arrangement**

Recently, the Hong Kong Association of Banks (HKAB) sought clarification of the HKMA's view as to whether, in the context of the clearing and settlement arrangements for RMB, a Participating Bank's exposure under the RMB fiduciary cash account ("Fiduciary Account") should be exempt from the "large exposures" limit in section 81 of the Banking Ordinance.

The HKMA has confirmed with the secretary of HKAB that the HKMA takes the view that the exposure under the Fiduciary Account should fall within the exemption in section 81(6)(f) of the Banking Ordinance viz "any financial exposure to any other government". This is on the bases that (i) the effect of the Fiduciary Account is that a Participating Bank takes the counterparty/credit risk of the People's Bank of China (PBoC) rather than that of Bank of China (Hong Kong) Limited and (ii) the PBoC is listed as a ministry/commission under the State Council of the Central People's Government.

If you have any questions with regard to this letter, please feel free to contact Ms Karen Kemp at 2878 1661 or your usual supervisory contacts at the HKMA.

Yours faithfully,

Arthur Yuen  
Deputy Chief Executive