

## **Norman T L Chan: Hong Kong – an offshore renminbi business centre**

Speaking points by Mr Norman T L Chan, Chief Executive of the Hong Kong Monetary Authority, on the Regulatory Requirements for the Adjustments to Renminbi Risk Management Limit and Net Open Position, Hong Kong, 17 January 2012.

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The development of Hong Kong as an offshore RMB business centre achieved encouraging results in the past year. Trade settlement using RMB reached RMB2 trillion; RMB deposits almost doubled; and total issuance of dim sum bonds exceeded RMB100 billion. I am very confident that the trend of solid development will continue in 2012.

With the continued growth in both turnover and depth of the offshore RMB (CNH) market in Hong Kong, the Hong Kong Monetary Authority (HKMA) considers that conditions are now ripe to appropriately relax certain regulatory requirements on the RMB business of banks in Hong Kong.

First, on the regulatory requirements of the RMB net open position, the HKMA has decided to raise the limit for RMB net open position, from not exceeding 10% to not exceeding 20% of the bank's total RMB assets or liabilities.

Second, currently the HKMA requires each Participating AI to maintain the sum of RMB cash or balances with the RMB Clearing Bank and the People's Bank of China, Shenzhen branch, at no less than 25% of its total RMB customer deposits (referred as RMB risk management limit). The HKMA has now decided that Participating AIs can include two more types of RMB assets, namely "RMB sovereign bonds issued in Hong Kong by the Ministry of Finance of China" and "RMB bond investment through the Mainland interbank bond market", in the calculation of this limit.

The above two relaxations take effect today. I believe they will help expand the scope of development for offshore RMB business in Hong Kong and provide banks with a greater flexibility in RMB asset management, which will be conducive to further development of the market.

Third, the HKMA has imposed some restrictive arrangements on the inclusion of RMB assets as liquid assets in calculating the statutory liquidity ratio of AIs. As the offshore RMB market in Hong Kong becomes more mature, I believe there is room for suitably relaxing these restrictions. Since the adjustments to be made in the calculation are more complicated and technical, we shall announce the details later.