

## **Norman T L Chan: Removal of RMB conversion limit for Hong Kong residents**

Speech by Mr Norman T L Chan, Chief Executive of the Hong Kong Monetary Authority, Hong Kong, 12 November 2014.

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I am glad to announce that the RMB conversion limit for Hong Kong residents of RMB20,000 per day will no longer be applicable with effect from 17 November 2014.

Under the new arrangement, banks will square their positions arising from RMB conversions conducted with Hong Kong residents in the offshore market instead of the onshore market. As a result, the prevailing conversion and other relevant restrictions for onshore conversion will hence be no longer applicable. The HKMA has just issued a circular to banks setting out the detailed arrangements.

The HKMA has had many rounds of discussions with the banking industry and Mainland authorities on relaxing the restrictions on RMB currency conversions by Hong Kong residents. We consider that the best option is for RMB conversions by Hong Kong residents to be done in the offshore market instead of the onshore market. With the size of the offshore RMB liquidity pool in Hong Kong exceeding RMB 1 trillion, and considering the scale and depth of the RMB foreign exchange market, we do not foresee any problem for banks to square their positions for Hong Kong residents' RMB conversions in the offshore market.

I believe that after the removal of the conversion limit, it will become more convenient for Hong Kong residents to participate in Shanghai-Hong Kong Stock Connect and other RMB financial transactions.

In addition, following the principle that offshore RMB businesses should be conducted according to the rules and practices in the offshore market, the prevailing restrictions on RMB cashnote conversions and banks' RMB lending to Hong Kong residents will no longer be applicable. This will facilitate the launch of RMB investment products by financial institutions in Hong Kong, and raise the position of Hong Kong as an offshore RMB business centre to new heights.