

FSG Circular No. BD 04/2013

23 May 2013

The Chief Executive Officers of All Banks
The Chief Executive Officers of All Merchant Banks

Dear Sir / Madam

CONDUCT OF RENMINBI (“RMB”) BUSINESS IN SINGAPORE

On 2 April 2013, the Monetary Authority of Singapore (“MAS”) and the People’s Bank of China (“PBC”) signed a Memorandum of Understanding on RMB Business Cooperation (the “MOU”). Under the MOU, MAS and PBC will cooperate closely to review the conduct of RMB businesses and RMB clearing and settlement arrangements, liquidity conditions and stability of the RMB market in Singapore.

2 As part of Singapore’s enhanced financial services cooperation under the China-Singapore Free Trade Agreement, the PBC appointed the Industrial & Commercial Bank of China Singapore Branch as the RMB clearing bank for Singapore (the “RMB Clearing Bank”). Under this arrangement, banks participating in RMB clearing and settlement services provided by the RMB Clearing Bank (the “Participating Banks”) will be able to access the payment systems and financial markets in China through the RMB Clearing Bank, to conduct RMB payments and financial market transactions. The RMB Clearing Bank will also be able to provide RMB liquidity support to Participating Banks.

3 The purpose of this circular is to provide information on the scope of RMB business that banks can conduct in Singapore under the terms of the agreement between MAS and the PBC.

Regulatory Principles

4 The applicable regulatory principles for any transaction conducted by a bank in Singapore involving the flow of RMB funds are as follows:

- i. Transactions involving cross-border flow of RMB funds with China: Such flow of funds will be regulated in accordance with requirements set out by the PBC regarding cross-border RMB transactions. Where applicable, banks should ensure that relevant approval is obtained from the PBC or other relevant regulatory bodies in China for such cross-border flows.
- ii. Transactions not involving cross-border flow of RMB funds with China: Such flow of funds will not be subjected to additional regulatory requirements from PBC or other relevant regulatory bodies in China.

RMB-denominated Financial Services

5 Banks in Singapore will be able to open RMB accounts for companies and individuals, subject to their licensing conditions and prevailing regulations.

6 Banks in Singapore will also be able to carry out RMB business in accordance with their licensing conditions and prevailing regulations in Singapore.

RMB Trade Settlement

7 Banks in Singapore will continue to be able to make and receive payments in RMB with counterparties in China for transactions arising from cross-border goods trade.

8 Through the RMB Clearing Bank, Participating Banks will also be able to access the foreign exchange market in China to buy or sell RMB to square RMB positions arising from goods trade with China. MAS will publish requirements for such foreign exchange transactions in RMB in an MAS Notice to be issued in June 2013.

Data Submission on RMB Business Activity

9 To enable MAS to monitor RMB business activities in Singapore, all banks in Singapore will be required to provide data on their RMB operations in Singapore on a monthly basis. Further details on data submission will be provided in a subsequent MAS Notice.

10 To provide further clarification on the conduct of RMB business activities in Singapore, a list of frequently asked questions and answers is provided in Annex A of this circular for your reference. For further queries regarding the conduct of RMB business in Singapore, please contact Mr Spencer Hsu (spencerhsu@mas.gov.sg), Ms Ng Hui Li (ng_hui_li@mas.gov.sg) or Ms Gina Kek (ginakek@mas.gov.sg).

Yours faithfully

(via MASNET)

LEE BOON NGIAP
ASSISTANT MANAGING DIRECTOR
BANKING AND INSURANCE GROUP

Annex A – Frequently Asked QuestionsRMB Market

- Q1 Will there be fungibility between RMB funds held in Singapore and that of other locations?
- A As there are no restrictions on the flow of RMB funds in and out of Singapore, RMB funds held in Singapore will be fungible with that in countries outside China, provided there are no restrictions on the flow of RMB funds in these countries as well.
- Q2 What types of RMB-denominated financial services are banks in Singapore able to provide to their customers?
- A Subject to their licensing conditions, banks in Singapore are able to open RMB accounts for all companies and individuals and can also provide RMB-denominated businesses including deposit-taking, currency exchange, remittance, trade settlement, financing, cash management, foreign exchange trading (including derivatives trading) and wealth management. Banks can also assist companies in the conduct of RMB-denominated capital market activities in Singapore.
- Q3 Are there market risk or liquidity risk requirements specific to RMB assets and liabilities held by banks?
- A There are no RMB-specific market and liquidity risk requirements imposed on RMB assets and liabilities held by banks in Singapore. MAS is reviewing the liquidity risk requirements to align them to the Basel III liquidity standards and looks to implement the revised standards in line with the timeframe stipulated under Basel III. For prudent market and liquidity risk management, banks are expected to put in place sound risk management systems and adequate internal controls, and to observe prudential standards, such as appropriate capitalisation, liquidity and exposure limits.
- Q4 What is the MAS RMB liquidity facility?
- A Arising from the bilateral currency swap arrangement between MAS and the PBC, MAS has established the MAS RMB liquidity facility to provide additional RMB liquidity to the Singapore market.
- The MAS RMB liquidity facility provides short-term liquidity for market stability on a reverse enquiry basis, and will be available to all Participating Banks that are also participants of the MAS Electronic Payment and Book-Entry System (MEPS+). At launch, only SGD cash will be accepted as collateral, but this collateral pool will be expanded in the future to include other securities such as SGS, MAS Bills and offshore RMB-denominated securities. The MAS RMB liquidity facility will be operational in 3rd Quarter 2013.
- Q5 Is there a Real Time Gross Settlement (RTGS) system available for RMB clearing and settlement in Singapore?
- A RMB will be included as an additional currency to Singapore's RTGS, the MAS Electronic Payment System ("MEPS+"), in 2014. In the interim, banks in Singapore will be able to settle RMB transactions through the RMB Clearing Bank.

Deposit-taking

- Q6 Can banks in Singapore open RMB deposit accounts for any customers?
A Banks in Singapore can open RMB deposit accounts for companies as well as individual customers, subject to its licensing conditions, prevailing regulations and relevant rules and conditions imposed on them.
- Q7 What types of companies and financial institutions can open an RMB account in Singapore?
A All companies and financial institutions (either in Singapore or overseas) are able to open RMB accounts with banks in Singapore, subject to prevailing regulations and the banks' internal policies and procedures.
- Q8 Are there any restrictions on the transfer of RMB funds in and out of accounts held with banks in Singapore?
A There are no restrictions on the transfer of RMB funds in and out of accounts held in Singapore. Banks will need to take into consideration relevant MAS regulations in facilitating RMB fund transfers.
- Q9 How can banks participate in RMB clearing and settlement in Singapore?
A Banks in Singapore can participate in RMB clearing and settlement in Singapore by becoming Participating Banks with the RMB Clearing Bank. Banks outside Singapore may also participate in RMB clearing and settlement in Singapore by i) becoming Participating Banks of the RMB Clearing Bank or ii) through their correspondent banks in Singapore which are Participating Banks.

Currency Conversion

- Q10 Is an individual able to buy or sell RMB with a Participating Bank at currency conversion rates quoted in China?
A An individual will be able to buy and sell RMB with any bank in Singapore based on rates quoted by the bank. Depending on market conditions, such rates may be similar to rates quoted in China. There is no arrangement for individuals in Singapore to exchange RMB at rates quoted in China.

Loans & Financing

- Q11 Is there any restriction on the extension of RMB loans by a bank to a company or an individual customer?
A There is no restriction to such RMB financing activity although such activity should be subjected to robust risk management standards expected of the bank.

A loan intended for use by a bank's customer in China is allowed, although the customer will need to ensure that the necessary approvals from the relevant Chinese government authorities are obtained for the transfer of the borrowed funds into China.

Debt Capital Market & Investments

- Q12 Can any bank or company issue RMB Bonds in Singapore?
A There are no restrictions on the issuance of RMB-denominated bond instruments in Singapore. Issuers will need to comply with the prevailing regulations regarding bond issuances in Singapore.

Q13 In the issuance of an RMB bond in Singapore, can the issuer remit the proceeds to China or convert to another currency?

A An issuer will need to seek approval from the relevant Chinese authorities in order to remit the proceeds from an RMB bond issuance into China. The issuer will also be able to convert the RMB proceeds into another currency.

Q14 What are the means of investing RMB funds in China?

A Singapore-based banks are eligible to apply for an investment quota from the PBC to invest in onshore interbank bonds under the scheme for investment in the interbank bond market.

Singapore-based companies (including foreign companies operating as branch or subsidiary in Singapore) will also be able to undertake RMB foreign direct investment into China, with expedited approval at the local provincial level for investments below RMB 300 million.