

Annex A – Frequently Asked Questions

RMB 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 present, only SGD cash is 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.

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 the interim, Participating Banks 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.

Others

Q15 What are the material changes in this circular from FSG Circular No. BD 04/2013 issued on 23 May 2013?

A Para 5(i) has been amended to provide greater clarity on the regulatory expectations of banks in Singapore with regard to their RMB business. The amendments clarify that there is no intention to impose a responsibility on banks to ensure that every cross-border transaction is compliant with the laws and regulations issued by the Chinese authorities. Banks in China will be responsible for verifying compliance of cross-border transactions with these regulations.

This Circular and the accompanying Frequently Asked Questions in Annex A have also been amended to reflect developments in recent months. For example, MAS had in July, issued MAS Notices 646 and 1116 to make clear the requirements that banks have to meet in conducting foreign exchange conversion in China via the RMB Clearing Bank for the settlement of eligible cross-border trade. The MAS RMB Facility was enhanced in June 2013.