

FSG Circular No. BD 08/2013

22 October 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

This circular replaces FSG Circular No. BD 04/2013 issued on 23 May 2013.

2 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.

3 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.

4 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

5 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 by the relevant regulatory authorities in China in accordance with their requirements regarding cross-border RMB transactions, and are imposed on banks operating in China. Banks in Singapore facilitating such transactions will continue to be subject to the regulatory requirements in Singapore.

- 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 the relevant regulatory authorities in China.

RMB-denominated Financial Services

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

7 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

8 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.

9 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 has issued Notices 646 and 1116 setting out the requirements for foreign exchange conversion in China via the RMB Clearing Bank for the settlement of eligible cross-border trade.

Data Submission on RMB Business Activity

10 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.

11 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