

## Renminbi Trade Settlement

Mr Zhou Xiaochuan, Governor of the People's Bank of China (PBoC), and Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority (HKMA), have today (Monday) signed a supplementary Memorandum of Co-operation, to prepare for the implementation of the pilot scheme for the use of renminbi in settling cross-border trade transactions between the Mainland and Hong Kong.

The PBoC and the HKMA have been working closely on the implementation of the pilot scheme, including the related arrangements for the cross-border settlement and clearing of renminbi funds and amendments to the existing legal documents such as the clearing agreement for renminbi business in Hong Kong. Once the relevant administrative rules on the Mainland are promulgated, banks in Hong Kong will be able to provide related services to enterprises using renminbi to settle trade transactions with their counterparts on the Mainland.

The Financial Secretary, Mr John Tsang, welcomed the implementation of the pilot scheme, and said, "Allowing trade transactions between the Mainland and Hong Kong to be settled in renminbi will not only strengthen the role of Hong Kong as a testing ground for the use of renminbi outside the Mainland, but is also conducive to trade activities and economic development in the two places. This will also provide Hong Kong enterprises with more flexibility in their operations, and is complementary to the policy initiatives of the Government to assist them in withstanding the impact of the international financial crisis."

The Chief Executive of the HKMA, Mr Joseph Yam, said, "With the implementation of the pilot scheme, there will be a further diversification of renminbi business in Hong Kong. This will help enhance the capability of Hong Kong's financial system in handling financial transactions that are denominated in renminbi. I hope that renminbi business in Hong Kong will continue to develop, consistent with the policy direction of further developing a mutually-assisting, complementary and interactive relationship between the financial systems of the Mainland and Hong Kong. This is of strategic importance to both the Mainland and Hong Kong."

For further enquiries, please contact:

Thomas Chan, Communications Chief, at 2878 1480 or

Peggy Lo, Manager (Communications), at 2878 1687

Hong Kong Monetary Authority

29 June 2009