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### Announcement No. 3 [2009] of the People`s Bank of China

People's Bank of China

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[Home](#) > [Regulations](#) > Others

## Announcement No. 3 [2009] of the People's Bank of China

For the purpose of improving the efficiency of payment and settlement between the Mainland and Hong Kong (referred to as the two economies hereinafter) and promoting their economic and financial ties, the People's Bank of China (PBC) decided to establish multi-currency payment arrangements between the two economies (referred to as the Payment Arrangements hereinafter) by capitalizing on China's Domestic Foreign Currency Payment System. The relevant issues are announced as follows:

1. The Payment Arrangements refer to the linkage between Domestic Foreign Currency Payment System in the Mainland and the respective Hong Kong real-time gross settlement (RTGS) systems or the network of their agent banks in Hong Kong via the Mainland Settlement Institutions and their agent banks (or branches, the same hereinafter) in Hong Kong. The arrangements will enable Mainland banks and Hong Kong banks to issue and receive multi-currency cross-border payment instructions through China's Domestic Foreign Currency Payment System and Hong Kong RTGS systems (or the network of the Mainland Settlement Institutions' agent banks in Hong Kong).

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2.The payment arrangements covering four currencies ?? the U.S. dollar, the euro, the Hong Kong dollar, and the British pound ?? becomes effective On March 16, 2009.

3.The scope of the Payment Arrangements will cover cross-border payment and settlement items of relevant foreign currencies in compliance with the requirements of the rules and regulations on foreign exchange administration of the Mainland.

Mainland banks using these arrangements to settle cross-border foreign currency payment instructions shall observe the rules and regulations on foreign exchange administration of the Mainland.

4.For Mainland banks that transfer the U.S. dollar, the Hong Kong dollar and the euro to Hong Kong banks under the Payment Arrangements, the route of payment is as follows:

(1)The Mainland paying bank (participating banks of China's Domestic Foreign Currency Payment System, the same hereinafter) sends a payment instruction to the Mainland Settlement Institution dealing with the relevant currency through China's Domestic Foreign Currency Payment System.

(2)The Mainland Settlement Institution forwards the payment instruction to its agent banks in Hong Kong through its intra-bank system

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RTGS system for the currency.

For Hong Kong banks transferring the U.S. dollar, the Hong Kong dollar and the euro to Mainland banks, the route of payment is in the reverse sequence.

5. For Mainland banks transferring the British pound to Hong Kong banks under the Payment Arrangements, the route of payment is as follows:

(1) The Mainland paying bank sends a payment instruction to the Mainland Settlement Institution dealing with the British pound through China's Domestic Foreign Currency Payment System.

(2) The Mainland Settlement Institution forwards the payment instruction to the beneficiary bank via its agent banks in Hong Kong.

For Hong Kong banks transferring the British pound to Mainland banks, the route of payment is in the reverse sequence.

6. For the purpose of facilitating fund transfer for Mainland banks, the Mainland Settlement Institutions should inform the participating banks of Domestic Foreign Currency Payment System of the name list of their agent banks in Hong Kong and the name list of Hong Kong banks that are covered by the Payment Arrangements.

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7. Mainland banks and Mainland Settlement Institutions shall observe the Administrative Measures on China's Domestic Foreign Currency Payment System (for trial implementation) (PBC Document No. 125 [2008]), Rules on Processing Transactions in the Domestic Foreign Currency Payment System (for trial implementation) (PBC Document No. 167 [2008]) when conducting cross-border fund transfer, refund and inquiry and inquiry reply businesses.

8. The format of cross-border fund transfer instructions issued by Mainland paying banks and the Mainland Settlement Institutions through China's Domestic Foreign Currency Payment System is as follows:

(1) For Mainland paying banks that issue fund transfer instructions to the Mainland Settlement Institutions upon customer's request for cross-border outgoing fund transfer, the format for domestic cross-bank credit transactions (outgoing fund transfer) MT103 (FMT101) applies.

(2) For Mainland paying banks that issue fund transfer instructions to the Mainland Settlement Institutions upon banks' request for cross-border outgoing fund transfer, the format for inter-bank fund transfers (outgoing fund transfer) MT202 (FMT201) applies.

(3) For Mainland Settlement Institutions that issue fund transfer instructions to Mainland beneficiary banks upon customer's request of receiving incoming cross-border fund transfer, the format for domestic cross-bank credit transactions (incoming fund transfer) MT103 (FMT102) applies.

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border fund transfer, the format for inter-bank fund transfer transactions (incoming fund transfer) MT202 (FMT202) applies.

9. The format of instructions for refund of cross-border foreign currency remittance issued by Mainland beneficiary banks and the Mainland Settlement Institutions banks through the Domestic Foreign Currency Payment System is as follows:

(1) For Mainland beneficiary banks that issue instructions for remittance refund to the concerning Mainland Settlement Institutions upon clients' request for cross-border remittance refund, the format for domestic cross-bank credit transfer (remittance refund) MT103 (FMT103) applies;

(2) For Mainland beneficiary banks that issue instructions for remittance refund to the concerning Mainland Settlement Institutions in order to make outgoing foreign currency transfers, the format for inter-bank funds transfer transaction MT202 (FMT204) applies;

(3) For the Mainland Settlement Institutions that issue instructions for remittance refund to their beneficiary banks upon clients' request for receiving incoming fund transfers, the format for domestic cross-bank credit transfer (remittance refund) MT103 (FMT103) applies;

(4) For the Mainland Settlement Institutions that issue instructions to their Mainland beneficiary banks for remittance refund in order to make incoming foreign currency

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10. The business hour of the Mainland Settlement Institutions to process fund transfers for Mainland paying banks is as follows (Beijing Time):

(1) 9:00-16:00 of the value date if the transaction is in the U.S. dollar, the euro or the British pound;

(2) 9:00-17:00 of the value date if the transaction is in the Hong Kong dollar.

From 9:00 to 16:00 of the value date, the Mainland Settlement Institutions for the U.S. dollar, the Hong Kong dollar, the euro and the British pound can receive instructions for incoming fund transfers from their agent banks in Hong Kong.

11. If a Mainland beneficiary bank receives from a Hong Kong bank an incoming funds transfer instruction that cannot be processed, the beneficiary bank should make timely inquiries and process the instruction according to inquiry results. Refund should be made if necessary.

When the paying bank in Hong Kong asks for refund, the Mainland beneficiary bank should act as instructed if the related amount has not been credited into the payee's account; or inform the payee immediately if the fund has been credited to the

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refund, the Mainland beneficiary bank should immediately notify the Hong Kong paying bank that shall advise the payer to directly contact the payee.

The Mainland beneficiary bank should immediately refund any remittance that violates rules and regulations of the foreign exchange administration of the Mainland.

12. The China National Clearing Center run by the PBC can charge Mainland banks or the Mainland Settlement Institutions for foreign currency clearing services provided to them in accordance with the Reply of the General Administration Office of the PBC to the Proposal on Foreign Currency Clearing Services Charge Concerning China's Domestic Foreign Currency Payment System (PBC General Administration Department Document No. 424 [2008]).

The Mainland Settlement Institutions may charge fund transfer fees, refund fees and inquiry fees according to the agreements they signed with related Mainland banks. The Mainland Settlement Institutions should formulate feeing plans, disclose the plans to banks in both the Mainland and Hong Kong, and report the plans to the PBC for record.

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