

Translation

State Administration of Foreign Exchange

Approval No. 254 of 2007

Approval of SAFE relating to the '2007 version of inter-bank forex market renminbi against foreign exchange derivatives master agreement' issued by the Foreign Exchange Trading Centre.

To: the Foreign Exchange Centre

We have received your 'submission relating to the publication of '2007 version of inter-bank forex market RMB against forex derivatives master agreement' (no. 167 of 2007) and we reply as below:

1. Approval is given to the publication of the '2007 version of inter-bank forex market RMB against forex derivatives master agreement'. For the purpose of consistency in derivatives product terminology, the description of the master agreement is renamed '2007 version of inter-bank forex market RMB forex derivatives master agreement' (hereinafter the 2007 version "**master agreement**")
2. Upon the publication of the master agreement, you should require all members of the inter-bank forex forward market to give an undertaking by 31 August 2007 to enter into the 2007 version master agreement before 31 October 2007 (between members which are market-making banks) or 31 December 2007 (between market-making banks and other banks who deal in RMB forex forwards and swaps).
3. Upon the publication of the master agreement, existing inter-bank forex market forward and swap rules should be amended accordingly. After 31 December 2007 (31 October 2007 for market-making banks), the inter-bank forex market forward and swap rules must be enforced strictly and banks which do not enter into the 2007 version master agreement shall be prohibited from entering RMB forex forward, swap or other RMB forex derivatives transactions in the inter-bank forex market.
4. To avoid documentation risk arising from multiple versions of master agreement, the 2005

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version of the 'inter-bank forex market RMB forex forward transaction master agreement' shall be abolished from 31 December 2007. Members who have entered into the 2006 version of 'inter-bank forex market RMB forex forward and swap transaction master agreement' will be deemed to have entered into the 2007 version master agreement but should discuss among themselves with a view to migrate to the 2007 version master agreement.

5. This approval should be conveyed to members of inter-bank forex market members, strictly implemented and the progress of implementation should be reported to SAFE

1 August 2007