

**Supplementary Note to
Disbursement, Accounting and Monitoring Arrangements
for Funding Schemes Administered by
the Research Grants Council**

This Supplementary Note should be read in conjunction with the “Disbursement, Accounting and Monitoring Arrangements for Funding Schemes Administered by the Research Grants Council” (DAMA).

2. University Grants Committee-funded institutions may be exempted from opening a separate interest-bearing bank account with a licensed bank registered under the Banking Ordinance (Cap. 155) solely for depositing receipts and making payments in relation to the project grants funded by the Research Endowment Fund provided that:

- (a) all the project funds would **not** be put in any investment instrument other than risk-free interest-bearing bank accounts with a licensed bank registered under the Banking Ordinance (Cap. 155); and
- (b) if the project funds are placed together with other funds of the institution, the interest income for the project funds shall be apportioned equitably from all ACTUAL monthly bank interest income generated from total bank deposits¹, from the date of receipt of the project funds² up to the date of returning the unspent balance to the Government, in accordance with the following formula:

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| <p>Average positive ledger balance (i.e. the simple average of the opening and closing balances) of all relevant projects for the month, adjusted for disallowed expenses, unrecorded income, if any, and accrued interest (<i>Notes 1&2</i>)</p> <hr style="width: 100%;"/> <p>Average bank balance (extracted from bank statements/bank passbooks) for the month of institution’s funds placed in bank deposits¹ (<i>Note 2</i>)</p> | X | <p>Total actual monthly interest income generated from total bank deposits¹ for the month included in the institution’s funds</p> |
|---|---|--|

¹ Total bank deposits include fixed deposits and savings accounts only.

² Applicable to new projects awarded from 2015/16 funding exercise. For projects awarded in previous exercises, interest on the remaining balances in the project ledger accounts should be apportioned with the UGC starting from 1 July 2015.

Important Notes:

*(1) Negative interest is **not** allowed to be charged on any negative projects' fund balances.*

(2) As the amount of unpresented cheques would have been transferred to the current account, therefore the effect of the unpresented cheques is contra with the current account. In other words, a proportionate share of the average bank balance of the institution's fund placed in the working capital (cash and current accounts) for the month is not provided for in the denominator. It is based on the assumption that all projects' fund balances are placed in bank deposits (fixed deposits and savings accounts only).

3. The above exemption and interest apportionment arrangements should take effect from 1 July 2015 and are applicable to both existing projects awarded before this date as well as new projects.

University Grants Committee Secretariat
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