

Circular of the People's Bank of China on Bond Repo Transactions by Overseas RMB Business Clearing Banks and Overseas Participating Banks in the Inter-bank Bond Market

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PBC Shanghai Head Office, all branches and operations offices, all central sub-branches in capital cities and all central sub-branches in sub-provincial cities; National Association of Financial Market Institutional Investors (NAFMII); National Inter-bank Funding Center (CFETS), China Central Depository & Clearing Co., Ltd.(CCDC), Shanghai Clearing House (SHCH), and settlement agents in the inter-bank bond market:

To further promote the opening up of the inter-bank bond market, it is now notifying relevant matters concerning the bond repo transactions carried out by foreign RMB clearing banks and foreign participating banks in the inter-bank bond market:

1. For the purpose of the Circular, foreign RMB clearing banks (hereinafter referred to as “clearing banks”), refer to institutions, under the authorization of the PBC, carrying out RMB clearing business in foreign regions (including Hong Kong, Macao, Taiwan) where overseas RMB clearing arrangement has been made available. Foreign participating banks (hereinafter referred to as “participating banks”) refer to foreign (including Hong Kong, Macao and Taiwan) commercial banks that carry out cross-border RMB settlement business according to the relevant provisions.

2. Clearing banks and participating banks that have been approved of entering the inter-bank bond market can carry out bond repo transactions (including pledged repo and outright repo). Meanwhile, the repo's financing balance shall not be 100% higher than that of the outstanding bonds held, and the repo funds can be transferred abroad.

3. To carry out repo transactions, clearing banks and participating banks shall entrust settlement agents in the inter-bank bond market to do the trading and settlement business for them, unless otherwise specified by the PBC.

4. The PBC shall, in accordance with the macro-prudential requirements, supervise the repo transactions carried out by clearing banks and participating banks. Clearing banks and participating banks are subject to the repo transaction provisions of the inter-bank bond market.

5. CFETS, CCDC, and SHCH shall conduct the first-line monitoring of relevant trading, clearing, custody and settlement work, deal with major issues and abnormal situations in a timely manner and report them to the PBC and then copy to NAFMII. NAFMII shall strengthen the self-disciplinary management of investors.

People's Bank of China
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