

Circular of the People's Bank of China on the Pilot Program of RMB Investment in Inter-bank Bond Market by Three Types of Institutions

PBC Document [2010] No. 217

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), Shanghai Clearing House, and China Central Depository & Clearing Co., Ltd.(CCDC):

To support the pilot program of RMB settlement in cross-border trade and broaden RMB inflow channels, it is hereby notifying matters related to RMB investment in the inter-bank bond market by the three types of institutions, including foreign RMB clearing banks, pursuant to the *Law of the People's Republic of China on the People's Bank of China* and other relevant laws and regulations.

1. For the purpose of the Circular, the three types of institutions including RMB clearing banks (hereinafter referred to as “foreign institutions”) refer to foreign central banks or monetary authorities (hereinafter referred to as “foreign central banks”), RMB clearing banks in Hong Kong and Macau (hereinafter referred to as HK & Macau RMB clearing banks), and foreign participating banks for RMB settlement in cross-border trade (hereinafter referred to “foreign participating banks”).

The relevant provisions herein are also applicable to other foreign financial institutions using RMB funds to invest in the inter-bank bond market and participating in the pilot program of cross-border trade in services.

2. RMB funds used by foreign institutions for investment in the inter-bank bond market shall be funds obtained by them from monetary

cooperation with central banks, cross-border trade and investment in RMB business pursuant to relevant provisions.

3. In order to access the inter-bank bond market, foreign central banks need to file a written application and submit the following materials to the PBC:

- (1) Statement on basic information of the institution;
- (2) Statement on source and scale of the RMB funds;
- (3) Proposed investment amount and investment plan;
- (4) Table containing basic information on persons-in-charge of bond investment; and
- (5) Other materials required by the PBC.

4. To access the inter-bank bond market, HK & Macau RMB clearing banks and overseas participating banks shall file a written application and submit the following materials to the PBC:

- (1) Materials listed in items (1) to (5) above;
- (2) RMB settlement agency agreement (if any) signed with domestic agency banks;
- (3) Incorporation and registration documents in countries or regions where they are located or incorporation approval certificates issued by regulatory authorities of their own countries or regions;
- (4) Valid ID documents (photocopy) of the legal representatives or authorized signatories;
- (5) Statement on whether significant penalties have been imposed by regulators within last three years; and

(6) Audited financial statements over past three years.

5. With the consent of the PBC, foreign institutions may engage in the bond investment business in the inter-bank bond market within the approved limits in following forms:

(1) Foreign central banks and HK & Macau RMB clearing banks may entrust settlement agents qualified for doing international settlement in the inter-bank bond market with their bond trading and settlement business; or file an account-opening application to CCDC directly and deal with the bond trading connection procedures in CFETS.

(2) Foreign participating banks shall entrust settlement agents who are qualified for doing international settlement in the inter-bank bond market with their bond trading and settlement business.

6. Foreign institutions shall, in accordance with the *Administrative Measures for RMB Bank Settlement Account* (PBC Decree [2003] No. 5), open RMB special account with domestic banks, which shall then be managed as RMB special deposit account for the purpose of doing bond settlement. Each foreign institution can only open one RMB special account, and approval documents for opening RMB special account issued by the PBC are required while certificates for opening basic deposit account are not required. Then the account-opening bank shall submit the case to local PBC branches for approval.

The bank shall, in accordance with relevant provisions, conduct statistics and monitoring work of foreign debt, and report the inbound and outbound remittances of foreign institutions to the PBC and the State Administration of Foreign Exchange in a timely and accurately manner.

7. Foreign institutions shall not engage in bond transactions with their parent companies or affiliated companies (subsidiaries) controlled by the same parent company or other related-party companies.

8. Foreign institutions engaged in bond investment business in the

inter-bank bond market shall abide by relevant laws and regulations of the PRC and of the inter-bank bond market as well as NAFMII's self-regulatory management provisions.

9. Settlement agents entrusted to do bond trading and settlement business for and on behalf of foreign institutions shall register with the PBC Shanghai Head Office in accordance with relevant provisions.

10. CFETS and CCDC shall make first-line monitoring of foreign institutions' bond trading and settlement activities in the inter-bank bond market, and report relevant situation to the PBC on a quarterly basis and send it to NAFMII. Any abnormal situations shall be reported timely.

11. NAFMII shall conduct self-regulatory management on foreign institutions' bond trading and settlement activities in the inter-bank bond market.

12. CFETS and CCDC shall draw up their own operational rules in accordance with this Circular and then report it to the PBC for approval before implementation.

13. Chinese texts are required for foreign institutions to access the inter-bank bond market in accordance with this Circular. If there are any discrepancies between Chinese texts and foreign texts, the Chinese texts shall prevail.

14. This Circular shall come into force as of the date of issuance.

PBC Shanghai Head Office, all branches and operations offices, all central sub-branches in capital cities shall send this Circular to the financial institutions qualified for doing bond settlement agency business within their jurisdictions.

August 16, 2010