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CIBM Opening-up: Expanded Bond Repo Access for Overseas Institutional Investors

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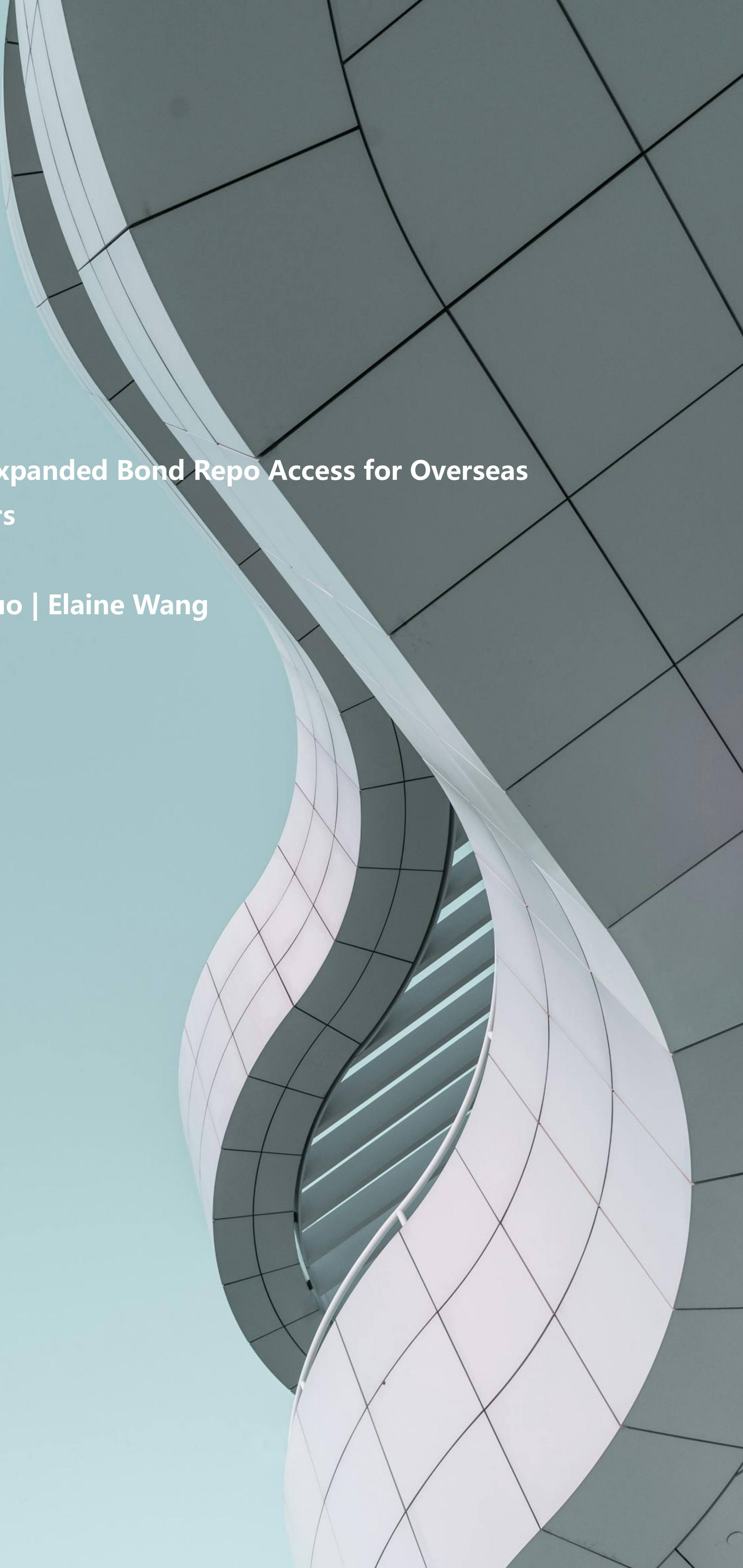

On September 26, 2025, the People's Bank of China ("**PBOC**"), the China Securities Regulatory Commission ("**CSRC**"), and the State Administration of Foreign Exchange ("**SAFE**") jointly issued the *Announcement on Further Supporting Overseas Institutional Investors in Conducting Bond Repurchase Business in China's Bond Market* ("**Announcement**"). This policy enables all overseas institutional investors ("**OII**") engaging in cash bond trading in the China Interbank Bond Market ("**CIBM**") to participate in bond repurchase (repo) transactions, representing a significant milestone in the continued opening-up of China's bond market (see the Review of the Opening-Up of CIBM in the appendix).

With the release of the Announcement, the China Foreign Exchange Trade System & National Interbank Funding Center ("**CFETS**"), China Central Depository & Clearing Co., Ltd. ("**CCDC**"), and Shanghai Clearing House ("**SHCH**") also simultaneously introduced relevant business rules and supporting mechanisms, providing comprehensive support for OIIs to participate in bond repo business in the CIBM. The key policy highlights and their implications are summarized below:

I. Expansion of Eligibility

According to the Announcement, all OIIs in the CIBM are eligible to engage in the bond repo business, including those entering the market through both the CIBM Direct and the Bond Connect. Specifically, the eligible types of investors are as follows: overseas central banks or monetary authorities, international financial organizations, and sovereign wealth funds (collectively, "**Overseas Central Banks and Similar Institutions**"); various types of overseas financial institutions including commercial banks, insurance companies, securities firms, fund management companies, futures companies, trust companies, and other asset management institutions; and medium- to long-term institutional investors including pension funds, charitable funds, and endowment funds (collectively, "**Overseas Commercial Institutional Investors**"). This expansion of eligibility extends participation beyond the previous limitation to only Overseas Central Banks and Similar Institutions, overseas RMB clearing banks and overseas RMB participating banks, now covering all Overseas Central Banks and Similar Institutions and Overseas Commercial Institutional Investors permitted to invest in the CIBM.

II. Bond Repo Transaction Methods

Bond repo business includes two forms: outright repo and pledged repo. According to the current regulations and practices of the CIBM bond repo business, the main differences are as follows:

	Outright Repo	Pledged Repo
Transaction Method	The bondholder (the repo seller) sells bonds to the buyer (the repo buyer), the two parties agree that the repo seller will buy back the same amount of bonds of the same kind from the repo buyer at the agreed price on a certain date in the future.	As a kind of short-term financing business in which participants pledge their bonds, pledged repo is a financing activity in which the fund receiver (the repo seller) receives the funds by pledging the bonds to the fund provider (the repo buyer), and both parties agree that the repo seller shall give back the funds to the repo buyer at the amount calculated based on the agreed interest rate for the repo on a certain date in the future, while the pledged bonds are released from the repo buyer back to the repo seller.
Transfer of Ownership	The bond ownership is transferred to the repo buyer.	The bond ownership is not transferred and the repo buyer only enjoys the right of pledge.
Use of Bonds During Repo Period	During the period of outright repo, the repo buyer may use the transferred bonds.	During the period of pledged repo, neither party can use the pledged bonds.

According to the *Officials from PBOC and SAFE Addressed Press Questions about the Announcement on Further Supporting Overseas Institutional Investors in Conducting Bond Repurchase Business*, currently, China's pledged repo differs from international operational practices. The underlying bonds of pledged repo will not be transferred from the repo seller to the repo buyer, and instead, they are frozen under the repo seller. However, in major global markets, the prevailing repo model is that underlying bonds are transferred to repo buyers and can be reused by the repo buyer. It is similar to the current outright repo in the CIBM.

To further align the bond repo mechanisms in the CIBM with international market practices, PBOC has clarified that after the issuance of the Announcement, OIIs participating in bond repo business in the CIBM will follow international practices, allowing for transfer and use of underlying bonds even for pledged repos. Meanwhile, according to the *Notice on Jointly Supporting Overseas Institutional Investors to Conduct Bond Repo Business in the CIBM* jointly issued by the CFETS, CCDC, and SHCH, the initial repo transactions available to OIIs will be outright repo. The subsequent rollout of pledged repo, where underlying bonds are transferred and usable, will be announced separately. Moreover, in order to enable a smooth transition for OIIs which have already conducted bond repo business in the CIBM, such investors may continue operating under the previous model during the transition period, which will be 12 months from the effective date of the Announcement.

III. Agreement Signing

OIIs participating in bond repo should sign the master repo agreement, and relevant self-regulatory organizations and industry associations shall file the standard version of the master agreement with the PBOC, CSRC, and other competent financial regulatory authorities.

According to previously released *Procedures for Overseas Central Banks and Similar Institutions to Enter China Interbank Bond Market* and *Procedures for Overseas Commercial Institutional Investors to Enter China Interbank Bond Market*, participation in bond repo transactions requires signing the Master Agreement for Bond Repurchase in China's Interbank Market (2013)[1] ("**NAFMII Bond Repurchase Master Agreement**") formulated by the National Association of Financial Market Institutional Investors ("**NAFMII**").

Currently, the main agreement applicable to international market repo transactions is the Global Master Repurchase Agreement ("**GMRA**"), jointly issued by the U.S. Securities Industry and Financial Markets Association (SIFMA) and the International Capital Market Association (ICMA). In the rules and practices for interbank OTC financial derivatives such as bond forwards, RMB interest rate swaps, and forward rate agreements, overseas investors may opt to sign the widely used ISDA Master Agreement with counterparties since 2020. As for bond repo transactions in the CIBM, whether OIIs will be permitted to adopt the internationally recognized GMRA remains uncertain and merits continued monitoring[2].

In October 2023, CCDC published the *Use of RMB-denominated Bonds as Collateral for Global Repo Transactions (A CCDC-ICMA Joint White Paper)*[3], which provides a detailed comparison of the NAFMII Bond Repurchase Master Agreement and the GMRA. OIIs may refer to this white paper for a deeper understanding of the NAFMII Bond Repurchase Master Agreement.

IV. Fund Settlement

In the OIIs' bond repo business, relevant fund payments and receipts shall meet the fund and account management regulations applicable to the corresponding investment channel through which the cash bond transactions are made, including the *Rules on Funds Invested by Overseas Institutional Investors in China's Bond Market* and the *Announcement No.4 [2022] of the People's Bank of China, the China Securities Regulatory Commission and the*

[1] Reference link: https://www.nafmii.org.cn/zlgl/bzxy/bzxywb/zqhgjyzxy

[2] To avoid ambiguity, OIIs conducting offshore RMB bond repo transactions under the Northbound Bond Connect may choose their own repo agreement template (e.g. the GMRA or the NAFMII Bond Repurchase Master Agreement).

[3] Reference link: https://www.icmagroup.org/News/news-in-brief/icma-and-ccdc-issue-joint-white-paper-on-the-use-of-rmb-bonds-in-global-repo-transactions

State Administration of Foreign Exchange. OIIs conducting repos via the Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors regime (collectively, "**QFIs**") shall abide by the regulations governing the domestic investment, accounts, capital remittance and currency exchange of QFIs.

V. Bond Repo Business Rules

1. Participation Channels and Counterparties

   OIIs may conduct bond repo business under the settlement agent model or the Northbound Bond Connect. OIIs entering the CIBM via the Northbound Bond Connect shall conduct bond repo transactions with market makers recognized by the PBOC, and the first batch of market makers has been published on the CFETS' website[4].

2. Trading Mechanism

   - Business Application: Prior to engaging in bond repo business, OIIs shall complete relevant procedures in accordance with the CFETS' Guidelines for Overseas Institutional Investors Conducting Bond Repo Business in CIBM[5].

   - Eligible Bonds: Repo-eligible bonds include those supported by the interbank bond repo market, including government bonds, central bank bills, local government bonds, financial bonds, corporate bonds, negotiable certificate of deposit, etc.

   - Trading Service Provision: CFETS provides bond repo trading services for OIIs. Approved overseas electronic trading platforms may access CFETS system and provide trading services for OIIs.

   - Trading Methods: Under the settlement agent model, where OIIs engage settlement agents to conduct transactions, the transactions shall be carried out in accordance with the current trading rules of CFETS. Under the Northbound Bond Connect, OIIs conduct bond repo transactions through RFQ (Request-for-Quote).

   - Trading Hours: Trading days are interbank bond market trading days; trading hours are 9:00-12:00 and 13:30-17:00 Beijing time.

   - Settlement and Depository: Registration, depository, and settlement services are provided by CCDC and SHCH. Under the Northbound Bond Connect, Hong Kong custodians provide registration, depository, and settlement services by connecting with onshore infrastructures.

   - Settlement and Clearing Method: Delivery-versus-payment (DVP), gross settlement.

[4] Reference link: https://www.chinamoney.com.cn/chinese/rdgz/20250926/3204353.html#cp=rdgz
[5] Reference link: https://www.chinamoney.com.cn/chinese/rszn2/20250928/3204789.html#cp=rszn2

- Settlement Cycle: Supports T+0, T+1, T+2, T+3 (Cutoff for T+0 settlement is 16:50).

- Repo Term: Up to 365 days.

CFETS may adjust the basic rules, eligible repo bonds, trading days/hours, and trading parameters as market conditions require, with separate market announcements.

VI. Risk Management

OIIs conducting bond repo business in the CIBM should manage their leverage ratios. According to the *Notice on Jointly Supporting Overseas Institutional Investors to Conduct Bond Repo Business in the CIBM*, for Overseas Central Banks and Similar Institutions, overseas RMB clearing banks and overseas RMB participating banks, the outstanding balance of repo financing shall not exceed 100% of their bond holdings. For other types of overseas institutions, the outstanding balance of repo financing at the initial stage shall not exceed 80% of their bond holdings, and adjustments may be made in the future as appropriate.

Market makers shall conduct repo transactions in accordance with PBOC's macro-prudential requirements for bond repo business. The net outbound balance of cross-border interbank financing by market makers shall not exceed 6% of their Tier 1 or core net capital, with future adjustments to follow PBOC's relevant rules for cross-border interbank financing business.

VII. Market Monitoring

According to the Announcement and supporting rules, onshore financial market infrastructures are responsible for monitoring bond repo transactions, depository, settlement, and clearing activities of onshore and offshore institutional investors, and report any major issues or abnormalities to the PBOC, CSRC, and other relevant financial regulators.

Looking ahead, we believe that the opening-up of CIBM will continue to advance steadily. With ongoing improvements in regulatory policies and the continual optimization of relevant mechanisms, the market's vitality and international influence are expected to further strengthen.

Review of the Opening-Up of CIBM

2016

February

With the release of the *Announcement No. 3 [2016] of the People's Bank of China*, CIBM entered a stage of full opening-up.

2017

February

Opened up the foreign exchange derivatives business.

July

Bond Connect was launched.

2018

June

Further facilitated OIIs' access to the CIBM and streamlined the relevant requirements regarding the proportion of investment principal to be remitted into China.

November

Tax policies were promulgated, temporarily exempting OIIs from corporate income tax and value-added tax on bond interest derived from investment in the CIBM.

2019

August

Extended the bond trading settlement cycle for OIIs.

October

Allowed OIIs to conduct two-way, non-trading transfers of the CIBM bond holdings between the bond accounts under the QFI and CIBM Direct.

2020

January

Further facilitated foreign exchange risk management for OIIs in the CIBM.

February

Allowed OIIs to enter into the ISDA Master Agreement in derivatives transactions.

March

Introduced services for settlement recycling and flexible arrangement on settlement cycles.

September

Extended the trading hours for cash bond trading in CIBM.

2021

March

Streamlined the filing process for OIIs to access the CIBM, building up the entity-based filing.

November

Extended the policy of exempting OIIs from corporate income tax and value-added tax on bond interest derived from investment in the CIBM.

2022

May

Coordinated efforts to enhance the interconnectivity and opening-up of the CIBM and the exchange bond market, allowing OIIs to invest in the exchange bond market.

July

Initiated the set-up of the Swap Connect.

November

Released the Rules on Funds Invested by OIIs in the Bond Market and relaxed the ratios for capital inflows and outflows.

2023

May

Swap Connect was officially launched.

2024

January

RMB government bonds and policy financial bonds under the Northbound Bond Connect were included in the list of eligible collateral for the HKMA's RMB liquidity arrangement.

May

Enhanced the Northbound Swap Connect, with the introduction of Interest Rate Swap (IRS) contracts using the International Monetary Market (IMM) settlement dates for their payment cycles, backdated IRS contracts, and contract compression services.

July

Supported OIIs in using Northbound Bond Connect bonds as margin collateral for the Northbound Swap Connect.

2025

February

Offshore bond repo business were launched for OIIs under the Northbound Bond Connect.

May

Product tenors and types under the Northbound Swap Connect were further enriched.

September

A new round of enhancements to the Northbound Swap Connect was launched, including expanding the list of Swap Connect dealers, optimizing dealer management, and raising the daily net quota from the current RMB 20 billion to RMB 45 billion.

Allowing OIIs through both the CIBM Direct and the Northbound Bond Connect to engage in the bond repo business in the CIBM.

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