

Announcement No.4 [2022] of the People's Bank of China, the China Securities Regulatory Commission and the State Administration of Foreign Exchange

To further facilitate investment in China's bond market by overseas institutional investors in compliance with laws and regulations, the People's Bank of China (PBC), the China Securities Regulatory Commission (CSRC) and the State Administration of Foreign Exchange (SAFE) hereby announce the following.

1. In this Announcement, "overseas institutional investors" refer to overseas central banks or monetary authorities, international financial organizations and sovereign wealth funds (collectively "sovereign institutions"), and all types of financial institutions lawfully registered and established outside the borders of the People's Republic of China, including commercial banks, insurance companies, securities companies, fund management companies, futures companies, trust companies and other asset management institutions, as well as medium and long-term institutional investors such as pension funds, charitable funds and endowment funds (collectively "commercial institutions").
2. To invest in China's bond market, a commercial institution shall meet the following conditions:
 - (1) it was established in accordance with the relevant laws of its home country or region;
 - (2) it has a sound governance structure and robust internal controls, complies with regulatory requirements, and has not been subject to any major punishment by regulatory agencies in the past three years for illegal or irregular conduct of bond investment;
 - (3) it has acquired its funds in compliance with laws and regulations;
 - (4) it is duly capable of identifying and bearing risks, and is informed of bond investment risks, which it is willing to bear on its own;
 - (5) other conditions laid down by the PBC and CSRC.
3. To enter the interbank bond market, a commercial institution shall submit materials to the PBC Shanghai Head Office electronically as required, and a sovereign institution shall submit materials to the PBC.
4. Overseas institutional investors that have been granted access to the interbank bond market may invest in the stock exchange bond market directly or through the mutual market access schemes.

Overseas institutional investors shall comply with the rules set by trading and

settlement financial infrastructures and financial institutions for overseas institutional investors on account opening, trading, custody and settlement.

5. Overseas institutional investors in China's bond market may engage in cash bond trading, bond lending, derivatives trading for risk management purposes, trading of open-end securities investment funds that track bond indices, and other tradings allowed by the PBC and CSRC.
6. Research shall be conducted to establish and improve inclusive institutional arrangements for multi-level custody. An overseas institutional investor in the interbank bond market may open bond accounts with bond depository and clearing institutions recognized by the PBC. It may also entrust custody of bonds directly or through its overseas custodian banks to eligible domestic custodian banks. The bonds it purchases via its domestic custodian banks shall be registered in the name of the domestic custodian banks, and it shall be entitled to rights and interests in the bonds according to the law.
7. To invest in China's bond market, overseas institutional investors shall comply with China's laws and regulations and the relevant rules on China's bond market, cross-border RMB businesses and foreign exchange administration.
8. The PBC Shanghai Head Office shall formulate the implementation rules in accordance with this Announcement, be responsible for the grant of market access to commercial institutions, and strengthen interim and ex-post supervision and regulation of commercial institutions and domestic custodian banks.
9. Based on its needs for portfolio management, an overseas institutional investor may conduct two-way non-trade transfers, or other two-way transfers recognized by regulatory agencies, between its bonds held under the Qualified Foreign Institutional Investor (QFII) scheme and its bonds invested in in accordance with this Announcement. It may also conduct two-way fund transfers domestically between its custodian account under the QFII scheme and its account opened in accordance with this Announcement and other relevant regulations.
10. Financial infrastructures and financial institutions that provide trading, registration, custody and settlement services to overseas institutional investors shall perform their respective responsibilities and abide by the relevant provisions of this Announcement to provide services and conduct monitoring in a timely manner.
11. To trade bonds, an overseas institutional investor shall enter into a written contract, which shall specify, among others, the date of trading, the direction of trading, the type, quantity and trading price or interest rate of bonds, the account and settlement method, as well as the volume and time of delivery. The written contract shall be in such form as a trading ticket from an electronic trading

platform recognized by the PBC and CSRC, a telegram, a telex, a fax, an agreement, or a letter.

12. Electronic trading platforms recognized by the PBC and CSRC, such as the China Foreign Exchange Trade System, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, domestic and overseas custodian banks, and bond depository and clearing institutions recognized by the PBC and CSRC shall record, in a timely, accurate and complete manner, the trading, custody and settlement data regarding overseas institutional investors and submit it to the PBC Shanghai Head Office on a regular basis in accordance with the transaction reporting requirements.

Where an overseas institutional investor trades with its counterparty via other means, they both shall report their respective trading data to the PBC Shanghai Head Office.

13. Domestic and overseas custodian banks that provide bond custody services to overseas institutional investors in the interbank bond market shall sign agreements on matters such as principal and interest payment and their respective responsibilities; and the principal and interest they receive shall be paid in full amounts to the overseas institutional investors as scheduled. Overseas custodian banks shall submit to domestic custodian banks as scheduled the information on overseas institutional investors and their custody and settlement data. Custodian banks shall be held responsible for the truthfulness, accuracy and completeness of their submissions.
14. To effectively perform their duties of essentially independent custody, domestic custodian banks shall establish and improve the mechanisms and arrangements needed to strictly separate the assets of overseas institutional investors under their custody from their own assets and all the other assets under their custody.
15. Domestic custodian banks shall comply with PBC regulations on cross-border RMB businesses by submitting to the RMB Cross-border Payment Management Information System (RCPMIS), in a timely, accurate and complete manner, the relevant account information and the information on cross-border payment and receipt of RMB funds.
16. The PBC Shanghai Head Office shall collect the relevant information and report it on a monthly basis to the PBC, CSRC and SAFE regarding the grant of market access to overseas institutional investors as well as their investment conduct and operational risks.
17. The PBC and CSRC encourage overseas institutional investors to invest in China's bond market as medium and long-term investors.

In accordance with the law, the PBC exercises macro-prudential management of investment by overseas institutional investors in China's bond market; the PBC and CSRC supervise and regulate investment conduct of overseas institutional investors; and the PBC and SAFE exercise supervision, regulation and inspection over the payment, receipt and remittance of funds invested in China's bond market by overseas institutional investors.

18. In regard to investment in China's bond market by institutions established in the Hong Kong Special Administrative Region, the Macao Special Administrative Region or Taiwan, this Announcement shall apply.

19. This Announcement shall take effect on June 30, 2022.