

FAQ for Foreign Central Banks and Similar Institutions to Enter China's Inter-bank Bond Market & Foreign Exchange Market

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1. Can the cash account originally opened at PBC for bond transactions be used for the clearing of FX transactions conducted through agent commercial banks?

No. The cash account opened at PBC for bond transactions is a special account designated for settlement of bond transactions. Commercial banks acting as the agent banks of FX transactions should open related accounts for the clearing, so as to make ensure obligations and rights are consistent.

2. For foreign central banks and similar institutions (hereinafter referred to as “the Relevant Institutions”) investing in the bond market with PBC as agent, if it intends to add a commercial bank as its agent, how can the bonds in custody be transferred from PBC account? How can bonds be transferred among different accounts in the future?

The Relevant Institutions may choose both PBC and commercial banks as their agents simultaneously. If bonds need to be transferred among different custody accounts, they may use non-transaction transfer.

3. When the Relevant Institutions choose commercial banks as

their agents to invest in the FX market, they are required to go through the registration and membership application procedures by their own, and their agent banks are forbidden from handling the process on their behalf. What is the rationale for this requirement?

This requirement is to ensure authenticity, that is, to make sure that the Relevant Institutions' application represent their own willingness. Therefore, the Relevant Institutions should submit related documents by their own. However, after initial contact with China Foreign Exchange Trade System, the Relevant Institutions may authorize and entrust their agents to handle subsequent procedures.

4. The account opening agreement with intermediary institutions (e.g. CFETS) is usually standardized, may carry some clauses contradicting with the existing rules and regulations of the Relevant Institutions. Can the two parties negotiate or sign a Supplementary Agreement to meet different demands?

The current format of the account opening agreement and related documents have been formulated through multilateral consultation

with all market participants and have been reviewed and approved by the authority. It is a standard template in China's interbank market, to improve the market efficiency and ensure fairness to all market participants. In the case that the Relevant Institutions have special requirements, they may negotiate with their intermediary institutions and sign a Supplementary Agreement.

5. What are the format and language requirements of China National Automatic Payment System (CNAPS)?

The CNAPS adopts ISO20022 message format with Unicode character set and is encoded in UTF8 mode. It supports multiple languages including Chinese and English.

6. Can the funds in RMB Settlement Accounts opened by the Relevant Institutions at domestic entrusted commercial banks in accordance with *Yin Ban Fa [2015] No.227* be managed as Inter-bank funds?

For RMB Settlement Accounts opened by the Relevant Institutions at domestic entrusted commercial banks in accordance with *Yin Ban Fa [2015] No.227*, the funds can be converted into time deposit and can also be treated as Inter-bank funds deposited by

financial institutions.

7. Under the commercial banks entrusting channel, is it necessary to open RMB Basic Deposit Accounts for the Relevant Institutions?

According to *Yin Ban Fa [2015] No.227*, entrusted commercial banks can open RMB special deposit accounts for the Relevant Institutions to invest in China's Inter-bank Bond Market. The opening permit of basic deposit accounts and other documentations are not required.

8. Is it required for derivative transactions such as interest rate swap made by the Relevant Institutions to be centrally cleared in the SHCH?

No. Derivative transactions such as interest rate swap made by the Relevant Institutions may be exempted from participating central clearing in the SHCH.