

**MEMO# 32946**

November 27, 2020

# **ICI Global's Submission to PBOC, CSRC, SAFE for Further Improving the Access of Foreign Institutional Investors to China's Bond Market**

[32946]

November 27, 2020 TO: Global Operations Advisory Committee

Global Operations Advisory Committee - Asia

ICI Global Pacific Chapter

ICI Global Regulated Funds Committee

ICI Global Regulated Funds Committee - Asia RE: ICI Global's Submission to PBOC, CSRC, SAFE for Further Improving the Access of Foreign Institutional Investors to China's Bond Market

ICI Global recently submitted the attached letter to the People's Bank of China ("PBOC"), State Administration of Foreign Exchange ("SAFE"), and China Securities Regulatory Commission ("CSRC") with recommendations for further improving foreign institutional investors' access to China's Bond Market. PBOC, SAFE and CSRC shall be referred to collectively as "Regulators" in this memo.

On 2 September, the Regulators jointly released for public consultation the *Circular on Matters Concerning Foreign Institutional Investors' Investments in China's Bond Market (Consultation Paper)* (Circular)[\[1\]](#) outlining the policy design for the opening up of China's onshore bond market. Pursuant to the policy dictate in the Circular, the Regulators are currently formulating detailed implementation rules to facilitate access to the onshore bond market with the aim to streamline access and standardize the requirements under the various access channels available for foreign institutional investors. This gives us an opportunity to recommend to the Regulators user-friendly and market-oriented implementation/operation rules.

In our letter, we recommended that the Regulators adopt procedures to facilitate settlement of failed trades and netting that are in line with global standards in order to bring China closer to global practice and facilitate further foreign investments into China's bond market. Foreign institutional investors can currently invest in China's bond market via three key channels, including direct investment in the interbank bond market (CIBM Direct), Bond Connect, and QFII/RQFII. Each channel has different account opening and operating

requirements. We suggested that the Regulators rationalize the three access schemes by consolidating the QFII/RQFII rules, further expediting and simplifying the repatriation of income and capital gains by QFIIs and allowing non-trade transfers across all the access schemes. We also provided suggestions to the Regulators to simplify the account opening requirements and subsequent management of CNY idle cash and calculation of hedge limits under the China Bond Connect scheme. As repos are a crucial component of global financial markets for better efficiency and liquidity, we also suggested to the Regulators to further open up the bond repo market in China and allow foreign institutional investors to engage in bond repos on both the interbank and exchange bond markets.

ICI Global very much appreciate all the feedback provided by our members. We also wish to thank JunHe LLP, counsel based in the People's Republic of China, who provided valuable advice to us and our members throughout our discussions and in the preparation of this paper.

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## [Attachment](#)

### **endnotes**

[\[1\]](#) The Consultation was closed on 1 October 2020. ICI Global's paper seeks to provide feedback and recommendations that have not yet been submitted to the Regulators for consideration.