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China Interbank Bond Market further opens to Foreign Institutional Investors for Repo transactions

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On 26 September 2025, the People's Bank of China ("**PBOC**"), the China Securities Regulatory Commission ("**CSRC**"), and the State Administration of Foreign Exchange ("**SAFE**") jointly launched the opening up of the onshore bond repurchase ("**repo**") market to overseas investors through the *Announcement on Further Supporting Foreign Institutional Investors in Conducting Bond Repo Transactions in China's Bond Market* (the "**Cross-Border Repo Announcement**")[1]. This marks another milestone in China's ongoing efforts to broaden international investors' access to the China interbank bond market (the "**CIBM**") and enhance the connectivity between onshore and offshore markets. It also forms part of a wider strategy by the Chinese Mainland central government, with support from the Hong Kong SAR[2] government, to create deeper and more liquid Renminbi ("**RMB**") fixed income and currency markets.

After much market anticipation, the Cross-Border Repo Announcement implements the consultation draft rules of the same name that were released by PBOC and SAFE in January 2024 ("**Cross-Border Repo Consultation Draft**"), with some welcomed changes after taking into account market feedback. It replaces the *PBOC Notice on Bond Repo Transactions Conducted by Offshore RMB Clearing Banks and Participating Banks in the Interbank Bond Market* (PBOC [2015] No. 170). On the same day as the release of the Cross-Border Repo Announcement, key market infrastructures including the China Foreign Exchange Trade System ("**CFETS**"), China Central Depository & Clearing Co., Ltd. ("**CCDC**"), and Shanghai Clearing House ("**SHCH**") jointly issued the Circular on *Jointly Supporting Overseas Institutional Investors to Conduct Bond Repurchase Business in the Interbank Bond Market* (the "**Cross-Border Repo Circular**")[3]. In parallel, CFETS[4], CCDC[5], and SHCH[6] each released their respective implementation rules, providing detailed operational and settlement guidance.

1 Please refer to: http://www.pbc.gov.cn/tiaofasi/144941/3581332/5853996/index.html.
2 In this alert, "Hong Kong SAR" means the Hong Kong Special Administrative Region of the People's Republic of China", and "PRC" or "Chinese Mainland" means the People's Republic of China, excluding Hong Kong, Macao Special Administrative Region and Taiwan.
3 Please refer to: https://www.chinamoney.com.cn/chinese/rdgz/20250926/3204344.html#cp=jygz.
4 CFETS issued the *Detailed Rules for Bond Repo Transactions in the Interbank Bond Market by Overseas Institutional Investors* (please refer to: https://www.chinamoney.com.cn/chinese/rdgz/20250926/3204353.html).
5 CCDC issued the *Operational Rules for Bond Repo Settlement Business in the Interbank Bond Market by Overseas Institutional Investors* (please refer to: https://www.chinabond.com.cn/xxwsy/sy_zdgz_ath/202509/t20250926_854776781.html).
6 SHCH issued the *Guidelines for the Clearing and Settlement of Bond Repo Transactions by Overseas Institutional Investors and the Rules for the Clearing and Settlement of Bond Repo Transactions by Overseas Institutional Investors* (Please refer to: https://www.shclearing.com.cn/cpyyw/ywgz/202509/t20250926_1653420.html).

Key Highlights

1. Expanded Investor Scope

Since 2015 and until the issuance of the Cross-Border Repo Announcement, only certain overseas sovereign institutions, offshore RMB clearing banks, and offshore participating banks had been permitted to conduct repo transactions in CIBM. Such limitation has restricted the ability of overseas investors to use their CIBM bond holdings for liquidity and funding purposes.

However, since the publication of the Cross-Border Repo Consultation Draft, the Chinese Mainland and Hong Kong SAR governments have developed a number of initiatives to gradually address such limitation. As discussed in our earlier client alert, PBOC and the Hong Kong Monetary Authority ("**HKMA**") jointly launched the offshore bond repo arrangement under the Bond Connect scheme in January 2025, allowing offshore investors to enter into offshore bond repurchase transactions denominated in RMB with one of 11 offshore primary liquidity providers using bonds held by such investors through Northbound Bond Connect ("**Bond Connect Offshore Repo**"). Since August 2025, Bond Connect Offshore Repo has been expanded to allow settlement in Hong Kong dollars, US dollars and Euros in addition to RMB and to remove initial restrictions on reuse of the repo bonds, but such arrangement applies to offshore repo transactions where liquidity is more limited.

Building on these earlier initiatives, the Cross-Border Repo Announcement now allows foreign institutional investors that are already eligible to trade cash bonds in CIBM through existing market access channels, such as Northbound Bond Connect, the CIBM Direct Access scheme and the (RMB) Qualified Foreign Institutional Investor ("**QFII**") scheme, to participate in repo transactions onshore as well. This significantly broadens the scope of eligible investors in onshore CIBM repo transactions to include commercial banks, insurers, securities firms, fund managers, futures companies, trust companies, and other asset management institutions, as well as long-term investors such as pension, endowment, and charitable funds, enabling offshore investors to tap into the much larger pool of liquidity onshore.

Key Highlights

2. Repo Structure

The Cross-Border Repo Announcement permits eligible offshore investors to conduct two types of repo transactions in the CIBM – title transfer repo and pledged repo[7], with further details set out in the Cross-Border Repo Circular.

Unlike mainstream international repo practices involve the transfer of title and the right of reuse of the underlying bonds, currently the underlying bonds in a pledged repo in Chinese Mainland are not transferred from the seller (repo party) to the buyer (reverse repo party). Instead, they are treated as collateral posted by the seller and remains under the seller's name. And although both title transfer repo and pledged repo have existed in the CIBM market, most onshore repo transactions have been conducted as pledged repos in the past. At the time of the Cross-Border Repo Consultation Draft, there was some uncertainty in the draft rules as to the exact type of repo transaction the foreign institutional investors can conduct in the CIBM market, and market participants have indicated a preference to adopt title transfer repo as the more internationally-aligned approach, enabling transfer of title and reuse of underlying bonds. The FAQ[8] to the Cross-Border Repo Announcement have acknowledged such market preference.

The Cross-Border Repo Circular further clarified that, at the initial stage, title transfer repo will be the only applicable structure for foreign institutional investors, including both multi-bond title transfer repos and single-bond title transfer repos[9]. The pledged repo involving the transfer of title and reuse of underlying bonds will be introduced at a later stage, with further details to be separately announced to the market[10]. To ensure a smooth transition, foreign institutions that have already been conducting repos in the interbank bond market may continue to trade under the previous framework during a 12-month transition period from the effective date of the Cross-Border Repo Announcement[11].

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7 Article 2, Cross-Border Repo Announcement.
8 Please refer to: http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5854055/index.html.
9 Article 2, Cross-Border Repo Circular; Article 8, Detailed Rules for Bond Repo Transactions in the Interbank Bond Market by Overseas Institutional Investors issued by CFETS.
10 Article 2, Cross-Border Repo Circular.
11 Question 3, the FAQ to the Cross-Border Repo Announcement; Article 14, Cross-Border Repo Circular.

Key Highlights

3. Trading and Settlement Arrangements

Eligible overseas investors can participate in repo transactions in the CIBM market through both the settlement agent model (QFII and CIBM Direct Access) and the Northbound Bond Connect channel: (i) investors accessing through settlement agents may transact with all interbank participants; while (ii) investors accessing through the Northbound Bond Connect channel may only transact with designated market makers, a list of which is published by CFETS[12].

CFETS provides trading services for foreign institutional investors conducting repo transactions in the onshore CIBM market. Overseas electronic trading platforms that have extensive experience in providing repo-related trading services and possess the necessary qualifications or licences, technical development capabilities, and risk management capacity may, upon approval by PBOC and execution of an agreement with CFETS, connect to CFETS trading system to offer trading services to foreign institutional investors.

The settlement method is delivery versus payment (DVP), and the clearing method is full settlement. Clearing supports T+0, T+1, T+2, and T+3 settlement cycles, with the cut-off time for T+0 transactions set at 16:50 of each trading day.

4. Master Agreement

Foreign investors are required to sign a master repo agreement with their counterparties. Importantly, the Cross-Border Repo Announcement does not restrict participants to the domestic NAFMII Master Repo Agreement, which leaves room for foreign investors to alternatively adopt the Global Master Repurchase Agreement (GMRA) commonly used in international markets. This is also consistent with the master agreement arrangement in offshore RMB repo business introduced by the regulators in this July, which allows participants to choose their own repo agreement template (e.g., GMRA or NAFMII). The relevant self-regulatory organisations or industry associations (expected to include ICMA) are required to file their standard versions with PBOC and CSRC, though specific filing procedures for the master agreement remain to be clarified.

12 Please refer to: https://www.chinamoney.com.cn/chinese/rdgz/20250926/3204353.html.

Key Highlights

5. Risk Management Framework

The Cross-Border Repo Announcement and the Cross-Border Repo Circular introduce limits to mitigate cross-border liquidity and leverage risks. Market makers must comply with unified limits on cross-border interbank RMB financing (net lending not exceeding 6% of net Tier 1 capital or CET1 capital). For sovereign investors and RMB clearing/participating banks, the repo financing balance must not exceed 100% of their bond holdings. For other types of foreign institutions, the initial cap is set at 80% of their bond holdings, subject to future adjustments.[13]

6. Legal Considerations

Market participants that are looking to take advantage of the opportunities from the Cross-Border Repo Announcement will need to consider whether any country-specific changes to their existing GMRA documentation is required. They will also need to consider the enforceability of title transfer and insolvency netting arrangements under PRC law. While repos are not covered by the PRC Futures and Derivatives Law that protect close-out netting of futures and derivatives trades in insolvency proceedings under PRC law, we note that there are currently proposed amendments to the PRC Enterprise Bankruptcy Law that, among other things, will expressly uphold the enforceability of close-out netting under certain qualified financial transactions to be designated by relevant financial regulators. When such amendments are implemented, the PRC financial regulators may be able to designate repos as qualified financial transactions that enjoy statutory protection for close-out netting in insolvency proceedings under PRC law.

13 Article 8, Cross-Border Repo Announcement; Articles 10 and 11, the Cross-Border Repo Circular.

Market Implications

This development substantially enhances liquidity management tools available to offshore investors, aligns the CIBM repo market with global standards, and promotes deeper integration between onshore and offshore RMB markets. Looking ahead, market participants will need to get up to speed on the various legal, regulatory and commercial issues prior to commencing their PRC cross-border repo business. The market will also watch with interest any further developments in pledged repos in Chinese Mainland, including how PRC laws and regulations will be implemented to enable title transfer and reuse of securities under pledged repos.

We at Simmons & Simmons and YaoWang are here to help you realise the opportunities that arise from the further expansion and opening up of the Chinese Mainland markets. Our fully bilingual team of partners and lawyers have in-depth experience advising various market infrastructures and financial institutions on the various Chinese Mainland market access schemes, and regularly assist international and PRC-based financial institutions in complex cross-border repo, securities lending, derivatives and collateral management transactions.

For further assistance, please contact one of our team members below.

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We have extensive experience in repo and bond collateral structures across Asia, Europe, and the United Kingdom. Our team of specialists is committed to delivering tailored support and strategic solutions that advance your business objectives in today's dynamic financial landscape.

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