

**Regulatory
Developments**

PBC Releases Announcement [2016] No.8

In order to regulate the bond market and improve market efficiency, the People's Bank of China (PBC) hereby makes an announcement on relevant matters concerning the entry of qualified institutional investors in the interbank bond market according to *Regulations on Bond Transaction in National Interbank Bond Market* (PBC Decree [2000] No.2) and *Regulations on Bond Registration, Custody and Settlement in the Interbank Bond Market* (PBC [2009] No.1). The Announcement specifies requirements on qualified institutional investors and stipulates that legal-person qualified institutional investors as well as managers and custodians of non-legal-person qualified institutional investors should observe relevant laws, regulations, regulatory provisions and other rules of the interbank bond market when they carry out bond transaction, clearing, custody, settlement and other businesses in the interbank bond market. They should also intensify system construction including internal control, optimize department and post setting, and improve the professional proficiency of relevant staff, so as to prevent relevant organizations and individuals from harming the investors' and clients' legal rights and interests by taking advantage of their position.

[PBC News](#)(Currently Only Available in Chinese)

Macro & Financial

Market News

PBC Releases China Monetary Policy Report Q1 2016

The Report notes that the People's Bank of China (PBC) will continue to implement prudent monetary policy and strengthen pro-cyclical fine-tuning to make regulatory measures more targeted and effective. First, it will make overall use of multiple instruments, including open market operation, medium-term lending facility (MLF) and general reduction of reserve requirement ratio (RRR) for financial institutions, to regulate the liquidity in the banking system and keep it reasonable and sufficient. Second, PBC will establish a mechanism whereby everyday open market operation will be a normal practice to enhance the guidance and regulation on money market rate with a focus on maintaining the stability of short-term interest rate, timely down regulate MLF interest rate, explore to use standing lending facility (SLF) rate as the upper limit of the interest rate corridor, and fully utilize the price leverage to stabilize market expectations and guide the reduction of financing cost. Going forward, PBC will keep the policy consistent and stable, continue to implement

prudent monetary policy with flexibility, make timely pro-cyclical fine-tuning and make it more targeted and effective, and carry out overall demand management that's consistent with the supply-side structural reform. PBC will make use of diversified monetary policies such as quantity and price to optimize the policy portfolio, so as to create an appropriate monetary and financial environment in quantity and price for restructuring, transformation and upgrading.

[PBC News](#)(Currently Only Available in Chinese)

RMB Exchange Rate Experienced Moderate

Statistics

On April 29, 2016, the CFETS RMB exchange rate index closed at 97.12, depreciating 1.04 percent from the end of March; the RMB exchange rate indices based on the BIS basket and the SDR basket closed at 98.06 and 97.04 respectively, losing 1.03 percent and 0.58 percent from the end of March. Meanwhile, the volatility of RMB exchange rate index further decreased. The average daily fluctuation of the CFETS RMB exchange rate index, the RMB exchange rate index based on the BIS basket and the RMB exchange rate index based on the SDR basket were 0.10%, 0.11% and 0.07% respectively, all of which were lower than those in March. Generally speaking, all three RMB exchange rate indices showed overall stable trends with moderate depreciation. Comprehensively, if the price factor was taken into consideration, RMB exchange rate against a basket of currencies still remained basically stable.

[PBC News](#)(Currently Available in English)

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