

**Regulatory  
Developments**

**PBC: No Preconditions for Foreign Institutional Investors investing in the inter-bank bond market**

On July 28, the People's Bank of China (PBC) interpreted on the recently announced Notice on Issues Concerning Investment of Foreign Central Banks, International Financial Institutions and Sovereign Wealth Funds with RMB Funds in the Inter-bank Market, the above-mentioned three types of foreign institutions can invest in the inter-bank market, and other official reserves regulatory agencies, in cases whereas Ministry of Finance that manages foreign exchange reserve in some countries, can also access the market in accordance with the Notice. With regards to the understanding of the content "Relevant overseas institutional investors shall act as long-term investors" in the Notice, the central bank said, to promote stable and healthy development of the bond market, the PBC encourages overseas institutional investors to make long-term investments based on their needs for preserving and increasing the value of their assets. However, this is not inconsistent with these institutions making short-term investments and positions adjustment based on their liquidity management needs. The Notice does not prohibit other investment needs. Internationally, central banks and monetary authorities, international financial institutions and sovereign wealth funds are basically long-term investors, and fall into the category of long-term investors on the inter-bank bond market as defined in China; therefore, there are no requirements on holding maturity or minimum holding amount. In addition, the "reciprocity principle" in the Notice does not mean that the PBC presets conditions for relevant overseas institutions.

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

**Floating band of the exchange rate of RMB against US dollar may be enlarged again**

On July 22, the State Council proposed to maintain the RMB exchange rate basically stable at a reasonable and balanced level; improve market formation mechanism of the RMB exchange rate; broaden the RMB daily trading range; further improve convenience of RMB settlement in cross-border trades to expand the size of settlement; work on more hedging products to help businesses avoid exchange rate risks and reduce foreign exchange losses. Ever since the RMB exchange rate reform started in July 2005, the floating band of the RMB exchange rate against the US dollar has been enlarged three times.

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

## Statistics

### **NBS: Industrial profits slump**

According to data released 27 July by the National Bureau of Statistics (NBS), during the first six months, industrial profit declined by 0.7 percent year-on-year, compared with a fall of 0.8 percent from January to May, mainly because of the sharp drop in factory gate prices and higher production costs. Profits at major industrial firms dropped 0.3 percent year on year in June.

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

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