

**Macro & Financial**

**PBC Deputy Governor Pan Gongsheng meets with Bloomberg Executive VP Jean-Paul Zammitt**

**Market News**

On February 23, 2017, PBC Deputy Governor Pan Gongsheng met with a delegation from Bloomberg headed by Executive VP Jean-Paul Zammitt in Beijing. The two sides exchanged views on matters concerning the opening up of China's bond market.

Pan Gongsheng introduced that as of the end of 2016, the Chinese bond market had an outstanding volume of RMB63.7 trillion, the third largest in the world and second largest in Asia, and the outstanding volume of corporate credit bonds stood at RMB16.5 trillion, the second largest in the world and largest in Asia. China's bond market is quite advanced in terms of market depth and breadth, featuring rich bond types, complete series of trading instruments and secure and efficient infrastructure. PBC has worked actively to open up the China's bond market in recent years and supported overseas institutions to issue bonds in China. To date international development organizations such as the World Bank, foreign governments including Poland and South Korea, and a number of international commercial banks and non-financial enterprises have issued RMB68.7 billion of RMB or SDR bonds accumulatively. PBC also encourages overseas investors to invest in Chinese bond market, and has continuously broadened market access, enriched trading instruments, simplified management procedure, cancelled investment quota, and abolished the limitation on capital remittance. As of today, 432 overseas investors have invested in Chinese bond market with the total outstanding volume of investment near RMB800 billion.

Mr. Jean-Paul Zammitt noted that having made overall considerations for the opinions of many overseas investors, Bloomberg will launch two Bloomberg Barclays Benchmark Fixed Income Indices on March 1, 2017 with China's bond market included in the index. This reflects overseas investors' confidence in Chinese economy and the importance they attach to it, China will attract more of them to pay attention to and understand the Chinese bond market. Bloomberg will continue to take positive steps to promote China's bond market to overseas investors.

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

**Regulatory  
Developments**

**SAFE releases notice on foreign exchange risk management of overseas institutional investors**

The State Administration of Foreign Exchange (SAFE) recently released the Notice on

Matters Concerning Foreign Exchange Risk Management of Overseas Institutional Investors in Interbank Bond Market (the Notice), which mainly includes the following contents:

First, overseas institutional investors in the interbank bond market can carry out RMB-foreign exchange derivative business at eligible financial institutions in China to further open up the foreign exchange market.

Second, foreign exchange derivative business by overseas institutional investors should observe the principle of "actual-need-based transaction". Its function is limited to hedging against the foreign exchange risk exposure arising from investing in the interbank bond market with capital from overseas in order to ensure the order of the foreign exchange market.

Third, a diversity of trading instruments and mechanisms will be provided for overseas institutional investors to engage in foreign exchange derivative business and improve foreign exchange risk management.

In a market environment where the flexible regime of two-way movement of RMB exchange rate is strengthening, overseas investors' possession of RMB bond requires foreign exchange risk management. A chief from SAFE said that the Notice is a reform measure aimed to facilitate overseas institutional investors in the interbank bond market to manage foreign exchange risks and to push the opening up of both the bond market and foreign exchange market.

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

---

**Disclaimer:** NAFMII does not guarantee the accuracy of the information contained in the newsletter. Materials and data provided here are intended for general informational purposes only, and are not intended to provide specific investing, tax, business or legal advice to any individual or entity. Certain contents of this newsletter are copyrighted by NAFMII. You agree that information provided on this newsletter will be used solely for your own personal, noncommercial use and benefit, and this information is not to be distributed, sold, transferred or otherwise made available to third parties. You may not copy, recompile or create derivative works from the information provided on this newsletter. Readers are urged to consult with their own advisors before taking action based on any information appearing on this newsletter.