

Macro & Financial

Market News

Joint Announcement of the People's Bank of China and the Hong Kong Monetary Authority

In order to promote the development of the bond markets in Hong Kong and Mainland China, the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have approved China Foreign Exchange Trade System & National Interbank Funding Centre, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House (together the "Mainland Financial Infrastructure Institutions"), together with Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit (together the "Hong Kong Financial Infrastructure Institutions"), to collaborate in establishing mutual bond market access between Hong Kong and Mainland China (Bond Connect). It is hereby announced that:

1. Bond Connect is an arrangement that will enable Mainland and overseas investors to trade bonds tradable in the Mainland and Hong Kong bond markets through connection between the Mainland and Hong Kong Financial Infrastructure Institutions. Northbound Trading will commence first in the initial phase, i.e. overseas investors from Hong Kong and other countries and areas (overseas investors) to invest in the China Interbank Bond Market through mutual access between the Hong Kong and Mainland Financial Infrastructure Institutions in respect of trading, custody, settlement etc. Southbound Trading will be explored in due course, i.e. Mainland investors to invest in the Hong Kong bond market through mutual access between the Financial Infrastructure Institutions of the two places.

2. Bond Connect is an important measure of the Central Government to support Hong Kong's development and deepen cooperation between Mainland and Hong Kong. It is conducive to the consolidation and enhancement of Hong Kong's status as an international financial centre, to the steady and progressive opening-up of the Mainland financial markets, to the diversification of investment channels for overseas investors and to the long-term prosperity and stability of Hong Kong.

3. Bond Connect will abide by the relevant laws and regulations of the bond markets of the two places. Northbound Trading will follow the current policy framework for overseas participation in the China Interbank Bond Market and at the same time respect international norms and practices. The scope of eligible investors and products under Northbound Trading will be consistent with the scope specified in the relevant notices promulgated by PBoC. Through the cooperation and connection between the Financial Infrastructure Institutions of the two places, overseas investors

can more conveniently invest in the Mainland bond market, allocate renminbi assets and manage associated risks. There will be no investment quota for Northbound Trading.

4.Regulators of the Hong Kong and Mainland bond markets will respectively take all necessary measures to establish, in the interest of investor protection, effective mechanisms under Bond Connect to respond to any misconduct in a timely manner. Regulators of the Hong Kong and Mainland bond markets will enter into a memorandum of understanding on supervisory cooperation to establish effective supervisory cooperation arrangements and liaison mechanisms in order to maintain financial market stability and fair trading.

5.The Hong Kong and Mainland Financial Infrastructure Institutions should actively take forward preparations for Bond Connect in an orderly manner and with prudent risk management. Bond Connect will be formally launched after relevant rules and system development have been finalised, market participants' practical needs have been suitably addressed, relevant regulatory approvals have been granted and all other necessary preparations have been completed.

The date of formal launch of Bond Connect will be separately announced.

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

Speech by PBC Governor Zhou Xiaochuan at the“Promoting Financial Integration”Parallel Meeting of the Belt and Road Forum (BRF) for International Cooperation

The theme of this parallel meeting is Financial Integration, which provides important support for the construction of Belt and Road Initiative. The core of the Belt and Road Initiative is to discuss, build and share cooperatively, which requires concerted efforts of countries along Belt and Road on investment and financing cooperation. Meanwhile, the sustainability of investment and financing requires division of responsibilities and coordination between the government and market players, with enterprises playing the leading role to ensure through market-based operation, due to the limitation of government resources.

First, we should apply the development financing to support the financial integration for the Belt and Road Initiative.

Second, we should encourage commercial banks to deploy networked layout, so as to provide better financial services for trade and investment. Notably, commercial banks in the countries along the Belt and Road have made active attempts to promote financial cooperation. The Asian Financial Cooperation Association, which was founded recently, will provide extensive support for the regional financial cooperation. The Industrial and Commercial Bank of China, together with the major banks in the countries along the Belt and Road, including Pakistan, Uzbekistan and Austria, launched the Belt and Road Banking Cooperation Initiative, and established regular banking cooperation and exchange mechanism. When conditions permit, we can further discuss ways to deepen cooperation in the future.

Third, we should strengthen connectivity of financial infrastructures, and boost the development of inclusive financial system, represented by community banks, and Internet/ telecom payment system.

Fourth, we should make active use of local currencies in the construction of Belt and Road Initiative.

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

Financial Statistics Report for April 2017

Broad money supply (M2) increased by 10.5%, and narrow money supply (M1) increased by 18.5%; Renminbi loan increased by RMB 1.1 trillion, and foreign currency loan decreased by 5.4 billion US dollars; Renminbi deposit increased by RMB 263.1 billion, and foreign currency deposit increased by 5.3 billion US dollars; monthly weighted average interest rate for interbank borrowing in Chinese Renminbi market was 2.65%, and monthly weighted average interest rate for bond pledge-style repo was 2.8%; cross-border Renminbi trade settlement amounted to RMB 336.9 billion, and RMB settlement for direct investment amounted to RMB 91.5 billion.

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

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