

Consultation Response from the International Capital Market Association (ICMA)

To: The People's Bank of China (PBoC)

Subject: Response to the Decision on Amending Certain Regulations (Draft for Comments)

Date: August 15, 2025

Dear Sir/Madam,

The International Capital Market Association (ICMA) welcomes the opportunity to respond to the People's Bank of China's *Decision on Amending Certain Regulations (Draft for Comments)*¹, published on 18 July 2025.

We are encouraged to see the PBoC's continued commitment to advancing the development of the China Interbank Bond Market (CIBM), particularly in relation to the internationalisation of China's onshore repo market. These efforts are crucial to enhancing the efficiency, accessibility, and global integration of China's financial markets.

ICMA notes with appreciation that the PBoC's proposed amendments follow closely on the back of the Hong Kong Monetary Authority's (HKMA) announcement² on 8 July 2025 regarding enhancements to the offshore RMB bond repurchase business. These enhancements, which include support for the rehypothecation of bond collateral during the repo period and the facilitation of cross-currency repo transactions (including HKD, USD, and EUR), represent a closer alignment with international market best practices. We believe these measures will deepen the offshore repo market, improve the market-based mechanism for offshore RMB liquidity management, and broaden the use of onshore RMB bonds as collateral in offshore markets.

Turning to the CIBM, ICMA welcomes the three key amendments proposed by the PBoC, as outlined in the explanatory notes³:

1. Clarification of the legal status of Shanghai Clearing House as a bond registration, custody, and settlement institution;
2. Abolition of the requirement to freeze pledged collateral in repo transactions, aimed at facilitating open market operations and promoting high-level opening-up of the bond market;
3. Updates to the disclosure requirements for financial bonds in line with current practices.

We particularly commend the second amendment, which we believe will enable more efficient use of collateral, reduce financing costs for market participants, and enhance liquidity management within the CIBM. We would add, however, that ideally we would welcome further legal reforms to implement and enable collateral to be transferred on an "absolute title transfer" basis whereby in repo transactions transferees receive all ownership and legal rights to the collateral, free of any claims or restrictions. This would conform onshore repo with the international market, enable the unencumbered re-use of collateral and maximise both market liquidity and interoperability.

As a leading association for the international capital markets, ICMA represents over 630 member firms active across all segments of the international debt capital markets in 71 jurisdictions. Very importantly,

¹ <http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5784671/2025071815160312109.pdf>

² <https://www.hkma.gov.hk/chi/news-and-media/press-releases/2025/07/20250708-4/>

³ <http://www.pbc.gov.cn/tiaofasi/144941/144979/3941920/5784671/2025071815161994080.pdf>

we publish the Global Master Repurchase Agreement (GMRA)⁴, the principal master agreement for cross-border repo transactions globally and for many domestic repo markets.

Earlier this year, following the HKMA's announcement⁵ regarding the use of bonds held under Northbound Bond Connect as collateral for offshore RMB repo transactions, ICMA was pleased to see the GMRA recognised as one of the two master agreement templates (alongside NAFMII's Bond Repurchase Master Agreement) for conducting such transactions.

In this context, ICMA views the proposed abolition of the freezing requirement on pledged repo collateral within China's onshore repo market as a positive step toward convergence with international practices. However, we respectfully suggest that further guidance and clarification from the PBoC would be beneficial on the exact mechanism as to how collaterals can be rehypothecated in pledge repos, and the ensuing legal and documentation implications of this under PRC law.

Looking ahead, ICMA is very keen to collaborate with the PBoC to support China's potential adoption of the GMRA for cross-border repo transactions, should the onshore repo market be opened to offshore investors fully. In the interim, ICMA would also be very keen to assist the PBoC and relevant financial regulators in promoting a clear market understanding of the validity and enforceability of close-out netting arrangements for securities repurchase and buy/sell-back transactions conducted onshore under PRC law.

We are aware that the Futures and Derivatives Law (FDL)⁶ expressly recognises the enforceability of close-out netting for derivatives transactions, while repos and other securities financing transactions (SFTs) fall outside the scope of the FDL's definition of derivatives. Nonetheless, ICMA's commissioned legal opinion on the GMRA for China⁷ drafted by JunZeJun Law Offices (JunZeJun) indicates that the validity and enforceability of close-out netting arrangements for financial transactions have been expressly recognised by the Supreme People's Court of the PRC (SPC) through the National Financial Regulatory Administration (NFRA) Reply⁸. As such, it is believed the FDL should be interpreted to consolidate and reinforce the SPC's position as expressed in the NFRA Reply. Practically speaking, JunZeJun opines that it is highly unlikely that PRC courts would uphold close-out netting for derivatives while denying the same for repo and buy/sell-back transactions in bankruptcy proceedings.

Finally, ICMA would like to thank the PBoC for the opportunity to provide this response and looks forward to continued collaboration in support of the internationalisation of the CIBM.

Yours faithfully,



Mushtaq Kapasi
Managing Director, Chief Representative
Asia-Pacific



Ricco Zhang
Senior Director
Asia-Pacific

International Capital Market Association (ICMA)

⁴ <https://www.icmagroup.org/market-practice-and-regulatory-policy/repo-and-collateral-markets/legal-documentation/global-master-repurchase-agreement-gmra/>

⁵ <https://www.hkma.gov.hk/chi/news-and-media/press-releases/2025/01/20250113-3/>

⁶ https://www.gov.cn/xinwen/2022-04/21/content_5686377.htm

⁷ China and PRC are used interchangeably

⁸ http://big5.www.gov.cn/gate/big5/www.gov.cn/zhengce/2021-11/27/content_5653744.htm