

空山新雨後，天氣晚來秋。

After fresh rain in mountains bare,
Autumn permeates evening air.

By WANG Wei
Chinese Poet, 701-761 AD

Rules and Regulations

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CFETS Releases *Notice on the Implementation of the Enhanced Arrangements of the Currency Conversion and FX Risk Management under the Bond Connect Scheme*

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Rules and Regulations

CFETS Issues *Implementation Rules of National Interbank Funding Center on X-Auction*

CFETS has issued *Implementation Rules of National Interbank Funding Center on X-Auction* to better regulate anonymous bond auctions (X-Auction) on X-Trader, CFETS' new trading platform for the interbank RMB market, and to ensure smooth market operations. According to the *Implementation Rules*, bonds tradeable through X-auction, including but not limited to bonds with low liquidity such as defaulted bonds, bonds affected by defaults, and subordinated classes of asset-backed securities, must meet the corresponding circulation standards of the interbank bond market. Steps in an X-auction include auction request, two-way quoting, call auction, and anonymous RFQ. The *Implementation Rules* contain specific provisions governing these steps, the prerequisites for market participants to use X-Auction services, and CFETS' day-to-day monitoring and handling of violations and defaults. For more details, please see: [🔗](#)

CFETS Releases *Notice on the Implementation of the Enhanced Arrangements of the Currency Conversion and FX Risk Management under the Bond Connect Scheme*

To facilitate currency conversion and strengthen the management of foreign exchange risks under the Bond Connect scheme, CFETS has released the *Notice on the Implementation of the Enhanced Arrangements of the Currency Conversion and FX Risk Management under the Bond Connect Scheme*. According to this *Notice*, a foreign institutional investor engaging in Northbound Trading ("Bond Connect investors") may access the foreign exchange services of up to three Hong Kong settlement banks (as their customer) for its Bond Connect transactions, after filing with CFETS by itself or through the banks. Each Bond Connect investor should designate one Primary Settlement Bank; the others (if any) are treated as General Settlement Banks. Each Bond Connect investor shall, through bondholders, open an RMB cash accounts in only one Primary Settlement Bank for the specific purpose of RMB fund transfer and settlement under the Bond Connect Scheme, but may exchange currency and hedge against foreign exchange risks at either the Primary Settlement Bank or any of the General Settlement Banks. For more information on the filing and information reporting requirements, please see: [🔗](#)

Products and Services

CFETS Extends Trading Hours of Cash Bonds in the Interbank Bond Market

To make it more convenient for foreign investors to take part in China's bond market, CFETS has extended the trading hours of cash bonds in the interbank bond market to cover more time zones. Effective from September 21, trading hours for T+1 trades and above have been extended to 20:00 Beijing time. During the extended hours, foreign institutional investors may trade cash bonds through RFQ under the Bond Connect scheme, or through agent trading or RFQ under CIBM Direct scheme. Domestic institutional investors may trade through dialogue quoting, one-click-trading, RFQ, X-Bond and other trading mechanisms that are available in China's interbank bond market.


On the first day that extension of trading hours came into place, 117 domestic and foreign institutional investors completed 253 cash bond transactions amounting to RMB 14.4 billion. Bond Connect investors were particularly active during the extended hours, concluding 52 cash bond trades totaling RMB 6.7 billion, accounting for 70% of the total turnover of institutional investors during that period.

CFETS will continue to improve trading mechanisms in the interbank bond market and strengthen cooperation with bond depositories and third-party trading platforms, in order to provide more convenient and efficient market services for domestic and foreign market participants.

CFETS Launches X-Auction on X-Trader

In September, CFETS launched anonymous bond auction services (X-Auction) on X-Trader. This launch has made X-Auction a fully electronic process from auction pre-request, two-way quoting to call auction and has supported multi-account management, significantly improving trading efficiency.

On September 10, CFETS organized the first X-Auction on X-Trader, which was also the seventh auction session this year since it was made a regular event. Following auction pre-request, dozens of trading members submitted quotes and took part in the call auction, concluding numerous trades. This auction was the most actively participated auction session since X-Auction was introduced in 2018.

According to the plan, CFETS will hold X-Auctions on the second Wednesday and Thursday of each month. Participants may submit their trading intentions through X-Trader in the first week of each month. For more information, please see: 

First G10 Currency Pairs CCS Trades Based on a New Set of FX Benchmark Rates Executed


On September 25, the interbank FX market saw its first GBP/USD cross currency swap based on the Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA) traded through CFETS FX2017. The trade is a cross-currency basis interest rate swap, which reflects the divergent expectations of different markets and helps market participants discover the expected fair value and hedge against risks.

In April this year, CFETS added a range of floating benchmark rates—including SOFR, USD CIROR (CFETS Interbank Reference Offered Rate), SONIA, Euro Short-Term Rate (ESTER), and Tokyo Overnight Average Rate (TONAR)—to the foreign-currency side of cross currency swaps and FX interest rate swaps in the interbank FX market. These additions enable market participants to more effectively manage interest rate risks associated with foreign currencies.

CFETS will continue to broaden the range of foreign-currency interest rate products and improve related trading services. The goal is to keep in line with global benchmark rate reforms and together with market participants, explore further applications of the new sets of benchmark rates.

CFETS Launches New IRS Benchmark Products and Adjusts Release Channels of Benchmarks

On September 21, CFETS launched two new interest rate swap (IRS) benchmark products, standard-tenor spot interest rate curves and all-tenor spot interest rate curves. Members of the interbank market may access them through three licensed channels: CFETS official website, CFETS Market Data Service (CMDS), and information vendors.

Starting from November 1, CFETS will adjust the release channels of forward rate benchmarks. Interbank market members can obtain data through the newly added “Licensed Channel” section on CFETS official website and other existing channels including CMDS and information vendors. The current public release channel on CFETS official website is accessible until October 31. For more information, please see: 

Market Information

Overview of Overseas Investment in Interbank Bond Market in September

By the end of September, in terms of incorporated entities, there were 870 overseas investors in the interbank bond market, with 460 through CIBM Direct scheme and 589 through Bond Connect scheme, among which 179 registered through both schemes. There was an increase of 12 new foreign investors this month.

In September, overseas investors traded RMB 820.37 billion of cash bonds, equaling a daily turnover of RMB 35.66 billion. The total monthly figure comprised RMB 500.03 billion of bond purchase and RMB 320.34 billion of bond sale, giving a net purchase volume of RMB 179.68 billion, up 24.5% from the previous month.

Operation of Bond Connect in September

In September, trading volume under Bond Connect reached RMB 419 billion, with a daily turnover of RMB 19 billion. By the end of September, as many as 2,171 overseas investors and unincorporated products have gained access to Chinese bonds through Bond Connect, including 74 of the world's top 100 asset management companies. Trading of policy bank financial bonds and treasury bonds was particularly active this month, accounting for 43% and 42% of the entire monthly turnover under Bond Connect scheme.

CFETS RMB Index by the End of September

CFETS published that CFETS RMB Index on Sept. 30, 2020 closed at 94.40, increasing 1.74% MoM.

In order to facilitate the market to observe the change of RMB effective exchange rate from different perspectives, CFETS also published CFETS RMB Index series based on BIS currency basket and SDR currency basket respectively. On Sept. 30, 2020, those two indices closed at 98.16 and 92.45 respectively, increasing 1.65% and 1.57% MoM respectively.

Key Data of the Interbank Market in September

Update: Sept. 30, 2020

Overview of Interbank Market Trading

(Unit: trillion RMB)

		Volume	YoY	MoM	YTD Volume
RMB Market	Money Market	104.6	35.4%	9.9%	849.7
	Bond Market	24.4	24.6%	3.7%	197.7
	Interest Rate Derivatives Market	1.5	-7.9%	-0.6%	14.9
	Subtotal	130.5	32.5%	8.6%	1,062.2
FX Market	FX Spot Market	16	11.9%	26.0%	40.9
	FX Lending Market	22.7	14.1%	21.7%	54.9
	FX Derivatives Market	34.9	19.6%	12.3%	90.3
	Subtotal	73.7	16.1%	17.9%	186

Money Market

(Unit: 100 million RMB)

	Volume	MoM
Credit Lending	130,531.51	13.51%
Pledged Repo	908,946.98	9.60%
Outright Repo	6,454.36	-8.66%
		-
Total	1,045,932.86	9.94%

Interest Rate Derivatives Market

(Unit: 100 million RMB)

Reference Rate	Volume	Percentage
Shibor O/N	11	0.07%
FR007	12,720.60	85.81%
Shibor 3M	1,664.00	11.23%
Others	428.3	2.89%
Total	14,824.00	100.00%

Cash Bond Market

(Unit: 100 million RMB)

Type	Volume	Ratio	Type	Volume	Ratio
Policy Bank Bond	82,762.2	33.9%	Medium-Term Note	9,275.6	3.8%
CGB	60,182.0	24.6%	SCPI	8,000.5	3.3%
NCD	44,982.5	18.4%	State-Backed Agency Bonds	2,742.7	1.1%
Local Govt. Bond	16,776.9	6.9%	Others	10,330.2	4.2%
Securities Lending	9,188.2	3.8%			
Total	244,240.9	100.0%			

FX Derivatives Market

(Unit: 100 million RMB)

	1D	1W	1M	3M	6M	1Y	Others	Total
Swap	8,743.10	1,023.70	888.9	622.7	543.6	894.4	2,255.80	14,972.10
Forward	21	25.3	6.3	21.2	1.2	1	32	108.1
Option	3.7	74.8	106.4	100.8	29.6	65	191.2	571.5
Total	8,767.70	1,123.80	1,001.60	744.8	574.5	960.4	2,479.00	15,651.80

Treasury Bond Real-time Yield Curve

(at 11:30)

	1Y	3Y	5Y	7Y	10Y
BOM	2.485	2.8936	2.9515	3.1384	3.0331
Month-end	2.5917	2.885	3.0213	3.2023	3.1321
Monthly Change (bps)	11	-1	7	6	10

FX Option Implied Volatility Rate

(USD.CNY, ATM, %)

	1D	1W	1M	3M	6M	1Y
BOM	4.6474	4.3	4.379	5.125	4.775	4.753
Month-end	4.661	4.75	5.59	5.4	4.954	4.784
Monthly Change (bps)	1.36	45	121.1	27.5	17.9	3.1

FX Market Members

Update: Sept. 30, 2020

No.	Products Types of Institutions	RMB/FX Members					G10 Currency Pairs	Foreign Currency Lending
		Spot	Forward	Swap	Cross Currency Swap	Option		
1	Large commercial banks	22	6	6	6	6	8	10
2	Policy banks	3	2	2	2	2	3	3
3	Joint stock commercial banks	14	11	11	11	11	13	17
4	Urban commercial banks	105	27	27	23	20	72	102
5	Foreign-funded banks	135	72	72	62	37	64	108
6	Foreign central banks and similar institutions	47	40	35	34	23	-	1
7	Foreign RMB clearing banks	22	18	18	7	6	-	6
8	Overseas participating banks	45	40	40	34	30	3	55
9	Rural commercial banks and cooperative banks	216	18	18	16	14	36	145
10	Rural credit co-operatives	12	-	-	-	-	-	6
11	Private banks	4	-	-	-	-	3	5
12	Rural banks	2	-	-	-	-	-	-
13	Financial companies	90	17	16	6	3	11	72
14	Corporate groups	2	-	-	-	-	-	-
15	Funds and securities companies	8	8	8	8	8	6	14
16	Free trade zone enterprises	-	-	-	-	-	1	4
17	Others (Leasing, trust, insurance, asset management, etc.)	-	-	-	-	-	-	40
Total		726	258	252	208	159	220	588

RMB Market Members

Update: Sept. 30, 2020

Types of Institutions	Latest No. of Members	Types of Institutions	Latest No. of Members
Large commercial banks	23	Joint stock commercial banks	41
Urban commercial banks	149	Policy banks	3
Foreign-funded banks	121	Rural commercial banks and cooperative banks	1333
Funds	5956	Fund management companies	74
Rural credit co-operatives	560	Trust & investment companies	69
Financial leasing companies	67	Bank financial companies	239
Insurance companies	159	Securities companies	120
Asset management companies	7	Auto financing companies	24
Social security funds	137	Corporate pensions	2148
Financial products of trust companies	1442	Insurance products of insurance companies	576
Other investment products	22	Rural banks	99
Asset management subsidiaries of insurance companies	24	Asset management businesses of particular customers of fund management companies	5759
Security asset management businesses of securities companies	6925	Foreign banks	282
Foreign insurance companies	45	Non-financial institutions	145
Asset management businesses of commercial banks	29	Financial products	2494
Asset management products of insurance asset management companies	950	Futures companies	34
Asset management companies of fund management companies	6	Private banks	19
Foreign central banks	67	Asset management products of futures companies	266
Private equity funds	315	Asset management products of other foreign institutions	1054
Foreign security companies	60	Non-legal person products of foreign fund management companies	1676
Non-legal person products of foreign insurance companies	6	Foreign RMB clearing banks	15

Non-legal person products of foreign security companies	32	Sovereign funds	11
International finance organizations	9	Other foreign medium and long-term institutional investors	14
Other foreign assets management institutions	30	Foreign pension fund companies	13
Foreign charity fund companies	1	Investment products of other foreign mid and long-term institutions	2
Foreign fund companies	16	Pension funds	76
Consuming financial companies	19	Asset management companies of securities companies	2
Non-legal person products of foreign banks	24	Foreign pension funds	2
Foreign charity funds	1	Occupational annuity	1227
Pension products	106	Wealth Management Subsidiary Companies of Commercial Banks	10
Others	16		
Total:	35151		

Note: The above statistics do not include: 1. market members that have left the market; 2. market members that have applied to enter the interbank market but have not completed network procedures.

About CFETS

As the leading organizer of China's interbank market, China Foreign Exchange Trade System (CFETS) is committed to market development over the past 26 years.

CFETS adheres to the business principle of “using multiple technical approaches and various trading methods to fulfill demands from multi-tiered markets”. Under the strategic goal of becoming the “major global trading platform and pricing center for RMB and related products”, CFETS provides services including trading, post-trade processing, information, benchmarks and technical support covering the RMB-denominated interest rate, the RMB exchange rate and related products in the cash and derivatives markets.

As the sub-institution of the People’s Bank of China (PBC), CFETS also undertakes daily market monitoring, hosts the secretariats of the Self-Regulatory Mechanism of Interest Rate Pricing and the China FX Market Self-Regulatory Framework, and supports the PBC’s monetary policy operation and transmission. Authorized by the PBC, CFETS publishes market benchmarks, namely RMB Central Parity Rate, Shanghai Interbank Offered Rate (Shibor), Loan Prime Rate (LPR) and RMB Reference Rate.

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