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Rules and Regulations

CFETS is to Let Qualified Overseas Banks to Participate in Interbank FX Market Regional Trading

In order to actively cooperate with the “Belt and Road Initiative”, promote development of Interbank FX Market regional trading and improve the efficiency of bilateral currency settlement, according to the Announcement No.402 [2017] of People's Bank of China(PBC) and related market entry rules released by China Foreign Exchange Trade System(CFETS). CFETS will introduce qualified overseas banks to participate in Interbank FX Market Regional Trading, and announces arrangements for the market access criteria, application procedure and monitoring and regulations on its official website.

For detailed information, please click here: 

New Products and Services

Trade Confirmation Service for Foreign Currency Lending Launched

To meet the market demands, CFETS launched the trade confirmation service for foreign currency lending on January 15. Over ten institutions have participated in the service. As of January 15, the new foreign currency lending transactions made between those participating institutions should be confirmed through the Post-trade Processing Platform.

All the foreign currency lending participants can apply to CFETS for this service. For more information, please call He Tianzi at 021-38585725 or mail to hetianzi@chinamoney.com.cn.

CFETS News

Executive Vice President Sun Jie Met with Carlos J. Leitão Finance Minister of Quebec of Canada

On January 10, 2018, Executive Vice President of CFETS, Mr. Sun Jie met with Mr. Carlos J. Leitão, the Finance Minister of Quebec of Canada.

During the meeting, Mr. Leitão introduced Quebec's plan to issue Panda bonds in China's interbank bond market and its discussions with Chinese regulators and bond underwriters. Mr. Sun and heads of relevant departments introduced to Mr. Carlos J. Leitão the development of CFETS, the current situation of China's interbank markets, entry channels and trade scale of offshore institutions. CFETS welcomed Quebec to issue Panda bonds and hoped it would encourage more Canadian institutions to enter the China's interbank market.

Market Information

Trade Volume of Interbank Foreign Currency Lending in a Day Exceeding 50 Billion USD

On January 19, the trade volume of interbank foreign currency lending in a day exceeded 50 billion USD. By the end of the day, 305 institutions, including 17 foreign banks, have participated in CFETS foreign currency lending. The CFETS foreign currency lending system has been continuously improved since its launch to develop the FX lending market with increasingly versatile market information. The system is well-received by more and more institutions at home and abroad.

Third-Batch Bridge Institutions Added to C-Trade Module

On January 24, CFETS approved the following banks as the third-batch C-Trade bridge institutions: China CITIC Bank, China Merchants Bank, Ping An Bank, Guangdong Development Bank, China Everbright Bank, Bank of Ningbo, and Bank of Nanjing. On December 19, 2016, CFETS added the potential orders auto-matching function into the C-Trade Module designed for standard FX trade in the interbank FX market. The function has been running smoothly since its launch, improving the liquidity of the FX market and alleviating the challenge of inadequate credit lines facing some market members. It has so far contributed about 6.5% of the total transactions made through the C-Trade Module, delivering favorable outcomes.

Repos Becoming an Important Tool for Foreign Banks to Manage RMB Liquidity

In recent years, as the interbank bond market gradually opens up, an increasing number of foreign institutions have been participating in the interbank bond

trading. Repos made by foreign clearing banks and participating banks since 2015 have concluded a total trade volume of over 600 billion RMB, largely sell repos. Policy financial bonds and treasury bonds make up of over 96% of all the pledged bonds. Pledged Repos are the mainly traded repos in the market. The repo trading facilitates short-term funds management and encourages more frequent participation of foreign clearing banks and participating banks in the interbank bond market.

The interbank bond market has further opened up with a rapidly increasing number and broader range of foreign institutional investors. These foreign institutions contributed a bond trade volume of over 2.2 trillion RMB in 2017. At the end of 2017, about 194 foreign commercial banks have entered the interbank bond market, accounting for 22% of all the foreign institutions in this market. Foreign banks are in a growing need of repos to manage RMB liquidity, thus further enhancing their motivation for investing in the interbank bond market.

Key Data of the Interbank Market in January 2018

Overview		(Unit: trillion RMB)			
		Volume	YoY	MoM	YTD Volume
RMB Market	Money Market	71.0	67.3%	2.9%	71.0
	Bond Market	9.4	70.0%	-13.4%	9.4
	Interest Rate Derivatives Market	2.3	249.0%	-0.2%	2.3
	Total	82.7	70.1%	0.7%	82.7
FX Market	(Unit: trillion USD)		46.3%	-15.6%	

Money Market			Interest Rate Derivatives Market		
Sub-market Name	Volume	Percentage	Reference Rate	Volume	Percentage
Credit Lending	106,282.90	14.98%	Shibor O/N	72.6	0.31%
Pledged Repo	578,128.94	81.48%	FR007	19,739.8	84.99%

Outright Repo	25,121.66	3.54%	Shibor 3M	3,309.8	14.25%
Total	709,533.50	100.00%	Others	103.4	0.45%
			Total	23,225.6	100.00%

Bond Market			(Unit: 100million RMB)		
Bond Type	Volume	Percentage	Bond Type	Volume	Percentage
Central Bank Bill	---	---	CP	1,137.6	1.2%
Treasury Bond	13,980.1	15.1%	Corporate Bond	1,831.8	2.0%
Policy Financial Bond	24,935.2	27.0%	SCP	4,286.3	4.6%
Medium-term Note	5,247.5	5.7%	Others	40,960.7	44.3%
Total	92,379.2	100.0%			

Money Market Data						
	Credit Lending (%)			Pledged Repo (%)		
	IBO001	IBO007	IBO014	R001	R007	R014
Weighted Rate	2.6937	3.1653	3.8868	2.7047	3.2338	4.1612
Monthly Change(bps)	-2	-29	-29	-2	-63	-119
Highest Dealt Rate	6.0000	7.9000	7.0000	6.5000	8.0000	6.2000
Lowest Dealt Rate	2.0000	2.4400	2.7000	1.6000	2.0000	2.6000

Bond Market Data						(%)
	YTM of Treasury Bond					
	1yr	3yr	5yr	7yr	10yr	
BOM	3.7862	3.7700	3.8300	3.8900	3.8700	
Month-end	3.5161	3.6403	3.8500	3.9100	3.9200	

FX Market Data			
	USD.CNY	EUR.CNY	HKD.CNY
Weighted Rate	6.4358	7.8337	0.8222
Monthly Change(pips)	-1,621	328	-211
Highest Rate	6.5385	7.8988	0.8352
Lowest Rate	6.2820	7.7648	0.8039

IRS				(%)
		1yr	2yr	5yr
FR007	BOM	3.6424	3.7554	4.0275

Shibor_3M	Month-end	3.5796	3.7343	4.0248
	BOM	4.6635	4.6600	4.7153
	Month-end	4.8054	---	4.8689

FX Swap Data						(USD.CNY)
Type	ON	1W	1M	3M	6M	1Y
Weighted Rate	6.4243	6.4330	6.4539	6.4601	6.5048	6.5426
Monthly Change(pips)	-1,754	-1,694	-1,522	-1,643	-1,495	-1,578

FX Option Implied Volatility Rate						(USD.CNY, ATM, %)
Name	1D	1W	1M	3M	6M	1Y
BOM	4.3480	4.1379	4.2057	4.2405	4.3261	4.5106
Month-end	4.7114	4.8873	4.9045	4.7602	4.7113	4.7939

Status of Offshore Institutions Entering the Interbank Market in January 2018

By the end of January 2018, the onshore interbank FX market members cover 20 offshore RMB clearing banks, 28 offshore RMB business participating banks, and 35 central banks and similar institutions, number of which increased 0, 0, and 2 respectively from last month. Among the offshore institutions that are admitted into the onshore interbank bond market, 65 foreign central banks and similar institutions, 201 offshore commercial banks, 95 offshore non-bank financial institutions, 21 offshore mid-long-term institutional investors, and 528 investment products issued by offshore financial institutions, number of which increased 0, 7, 2, 0 and 36 respectively from last month.

In January, trading volume from offshore institutions in the interbank FX market was up 36.9% from last month. To subdivide, FX spot trading volume from offshore institutions was up 293.9% MoM. FX derivatives trading volume from offshore institutions was up 13.6% MoM. Trading volume from offshore

institutions in the interbank money market was up 14.5% MoM. Trading volume from offshore institutions in the interbank bond market was up 107.8% MoM. To subdivide, cash bond trading volume traded by foreign central banks and similar institutions was up 133.7%; cash bond trading volume traded by offshore commercial banks was up 92.6%; cash bond trading volume traded by offshore non-bank financial institutions was up 20.3%; cash bond trading volume traded by investment products issued by offshore financial institutions was up 152.2%. The trading volume traded by offshore mid-long-term institutional investors was up 214.6%.

January 2018 FX Market Members

Update: January 31st, 2018

No.	Products	RMB/FX Members					Foreign Currency Pairs	Foreign Currency Lending
		Spot	Forward	Swap	Cross Currency Swap	Option		
	Types of Institutions							
1	Large commercial banks	25	6	6	6	6	6	7
2	Policy banks	3	2	2	2	2	1	3
3	Joint stock commercial banks	15	11	11	11	11	13	15
4	Urban commercial banks	100	19	19	17	13	63	89
5	Foreign-funded banks	134	65	64	59	32	51	97
6	Foreign central banks and similar institutions	35	29	28	28	19	-	-
7	Foreign RMB clearing banks	20	14	14	4	3	-	3
8	Overseas participating banks	28	28	28	26	25	-	21

9	Rural commercial banks and cooperative banks	198	5	5	4	3	28	122
10	Rural credit co-operatives	8	-	-	-	-	1	6
11	Private banks	2	-	-	-	-	1	2
12	Rural banks	2	-	-	-	-	-	-
13	Financial companies	78	14	14	5	2	13	55
14	Corporate groups	2	-	-	-	-	-	-
15	Funds and securities companies	2	2	2	2	2	-	13
16	Others (Leasing, trust, insurance, asset management, etc.)	-	-	-	-	-	-	37
Total		652	195	193	164	118	177	470

January 2018 RMB Market Members

Update: January 31st, 2018

Types of Institutions	Latest Number of Members	Types of Institutions	Latest Number of Members
Large commercial banks	25	Joint stock commercial banks	42
Urban commercial banks	152	Policy banks	3
Foreign-funded banks	111	Rural commercial banks and cooperative banks	882
Funds	4013	Fund management companies	69
Rural credit co-operatives	547	Trust & investment companies	69
Financial leasing companies	43	Financial companies	217
Insurance companies	144	Securities companies	118
Asset management companies	4	Auto financing companies	20
Social security funds	113	Corporate pensions	1973

Financial products of trust companies	1132	Insurance products of insurance companies	389
Other investment products	19	Rural banks	54
Asset management subsidiaries of insurance companies	25	Asset management businesses of particular customers of fund management companies	4621
Security asset management businesses of securities companies	4298	Foreign banks	188
Foreign insurance companies	33	Non-financial institutions	147
Asset management businesses of commercial banks	32	Bank financial products	659
Asset management products of insurance asset management companies	616	Futures companies	29
Asset management companies of fund management companies	2	Private banks	12
Foreign central banks	53	Asset management products of futures companies	106
Private equity funds	129	Asset management products of other foreign institutions	239
Foreign security companies	31	Non-legal person products of foreign fund management companies	249
Non-legal person products of foreign insurance companies	3	Foreign RMB clearing banks	13
Non-legal person products of foreign security companies	35	Sovereign funds	5

International finance organizations	7	Other foreign medium and long-term institutional investors	16
Other foreign assets management institutions	24	Foreign pension fund companies	4
Foreign charity fund companies	1	Investment products of other foreign mid and long-term institutions	2
Foreign Fund Company	7	Pension funds	58
Consuming Financial Company	4	Asset management companies of securities companies	1
Others	9		
Total:	21797		

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.

CFETS RMB Index by the End of January 2018

CFETS published that CFETS RMB Index on January 31st, 2018 closed at 95.82, increasing 1.0% from last month.

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 January 31st, 2018, the above two indexes closed at 96.75 and 96.94 respectively, increasing 0.9% 1.0% from last month.

About CFETS

The China Foreign Exchange Trade System (CFETS), also known as the National Interbank Funding Center, was founded in 1994. CFETS adheres to the principles of "multiple technical approaches, varied trading mechanisms and integrated demands from multi-tiered markets," and is committed to developing infrastructure and providing innovative products and mechanisms for the China interbank market. Its goal is to become "a major global trading platform and pricing center for RMB and related products."

By applying advanced information technology, dedicated lines and the Internet, CFETS provides a range of services covering issuance, trading, information and post-trade activities for the RMB-denominated interest rate, the RMB exchange rate and related products in the cash and derivatives markets. Every business day, it publishes market benchmarks including the RMB Central Parity Rate, the Shanghai Interbank Offered Rate (Shibor), the Loan Prime Rate (LPR), the CFETS RMB Index series, the Fixing Repo Rate, Bond Indices, yield curves, etc. It has over 21,000 market participants as its customers. By the end of 2017, CFETS total trading volume reached RMB 997 trillion.

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