

# **To Enter China's Inter-bank Bond Market & Foreign Exchange Market**

**FAQ for Foreign Central Banks and Similar Institutions**

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**1. Can the cash account originally opened at PBC for bond transactions be used for the clearing of FX transactions conducted through agent commercial banks?**

No. The cash account opened at PBC for bond transactions is a special account designated for settlement of bond transactions. Those commercial banks, acting as the agent banks of FX transactions, should perform the obligation of settlement and clearing by setting up related accounts within their banks, so as to make sure obligations and rights are consistent.

**2. For a foreign central bank investing in the bond market with PBC as agent, if it intends to add a commercial bank as its agent, how can the custody bonds be transferred from PBC account? How can bonds be transferred among different accounts in the future?**

Foreign central banks and similar institutions may choose both PBC and commercial banks as their agents simultaneously. If bonds need to be transferred among different custody accounts, they may use non-transaction transfer method.

**3. When foreign central banks and similar institutions choose commercial banks as their agents to invest in the FX market, they are required to go through the registration and membership application procedure by their own, and their agent banks are forbidden from handling the process on their behalf. Could you explain this?**

This arrangement is from the perspective of authenticity, and to make sure that the foreign central banks' application is according to their own willingness. Therefore, foreign central banks and similar institutions should submit related documents by their own. However, after initial contact with China Foreign Exchange Trade System, foreign central banks may authorize and entrust their agents to handle subsequent procedures.

**4. The account opening agreement with intermediary institutions (e.g. CFETS) are usually standardized, probably with some clauses contradicted with the existing rules and regulations of the foreign central banks. Can the two parties negotiate or sign a Supplementary agreement to meet different demands?**

The current format of the account opening agreement and related documents has been reached through multilateral consultation with all market participants and has been reviewed and approved by the authority. It is a mature template in China interbank market. Standardized agreement improves the market efficiency and ensures fairness to all market participants. In the case that foreign central banks have special requirements, they may negotiate with their intermediary institutions and sign a supplementary agreement.

**5. What are the format and language requirements of China National Automatic Payment System (CNAPS)?**

The CNAPS adopts ISO20022 message format with Unicode character set and is encoded in UTF8 mode. It supports multiple languages including Chinese and English.