Deutsche Bank

Investing in China’s Bond Market

An Overview for Global Investors

July 2016

Contents

Section 1

Accessing China’s Interbank Bond Market (CIBM)

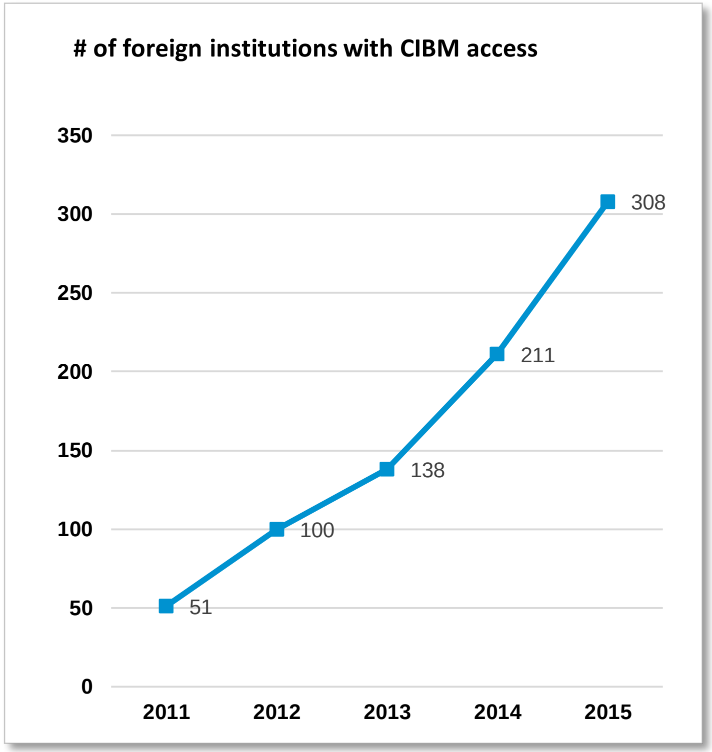
CIBM Market Access: A Brief Background

I. Early Opening to Foreign Investors (2005 – 2010)

- In 2005 the Pan Asia Fund and Asia Debt China Fund became the first foreign institutions approved to invest in the China Interbank Bond Market (CIBM).
- In August 2010, the People's Bank of China (PBOC) launched a pilot scheme allowing (i) foreign central banks or monetary authorities, (ii) RMB settlement banks in Hong Kong (HK) and Macau; and (iii) cross-border RMB settlement participating banks in HK and Macau to trade and settle bonds in the CIBM.

II. QFII and RQFII Liberalization (2011 – 2015)

- In December 2011, HK-based subsidiaries of Chinese fund management and securities companies, which had been granted RQFII status during the first phase of the scheme (then limited to Hong Kong) were allowed to apply for approval and quota to invest in the CIBM via a bond settlement agent.
- In 2012, the PBoC's pilot CIBM scheme was extended to insurance companies in Hong Kong, Singapore and Taiwan
- From March 2013, QFIIs were permitted, subject to PBOC approval, to invest in the CIBM within an approved quota.
- Subsequently all RQFIIs across jurisdictions were also allowed to invest in the CIBM, subject to PBoC approval.



III. Broad Opening to Medium and Long-term Investors (2015 – Present)

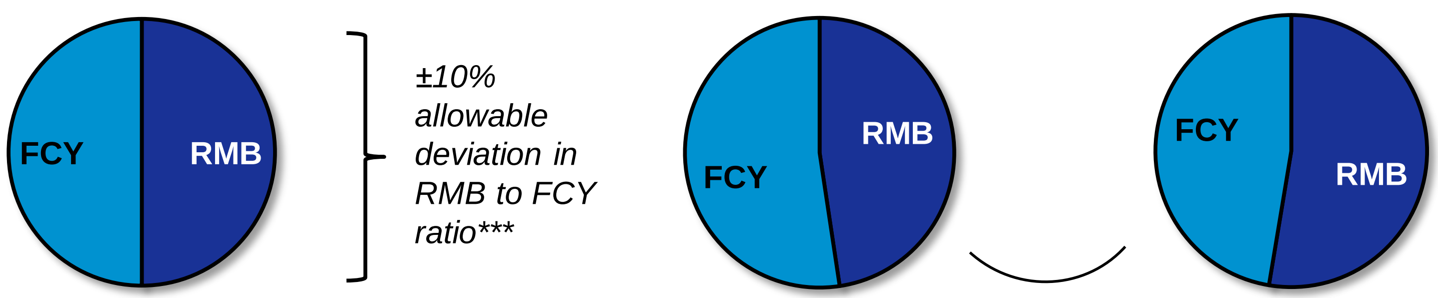
- PBoC released a notice in July 2015 allowing foreign central banks, monetary authorities, international financial organizations and SWFs to invest in the CIBM without approval requirements and quota limits. Institutions in these categories were permitted to invest without limit in the CIBM through an onshore bond settlement agent, subject to a filing with the PBoC.
- A Feb 2016 announcement (implementation rules released in May) expanded the scope of foreign institutions permitted to invest through the new filing approach. The announcement permitted most types of foreign institutional investors to invest in the CIBM, including "commercial banks, insurance companies, securities firms, fund management companies and other asset management institutions", their investment products, "pension funds, charity funds, endowment funds" and "other mid-term or long-term institution investors recognized by PBOC."
- In specifying that foreign institutional investors must be "mid-term or long-term" in their investment orientation, the February 2016 Announcement allows the PBoC flexibility to restrict investors that it considers short-term or speculative in terms of orientation.

Highlights of the 2016 Announcement

- Removal of prior approval and quota restrictions
- Simple investment filing process
- Self-specified anticipated investment size*
- Ability to trade certain OTC derivatives for hedging purposes**
- No lock-up period to repatriate investment principal
- Daily repatriation possible***
- Possible scope for long-oriented hedge funds to participate***
- Eligibility assessed by settlement agent

Funds Remitted into China

Funds Remitted Out of China

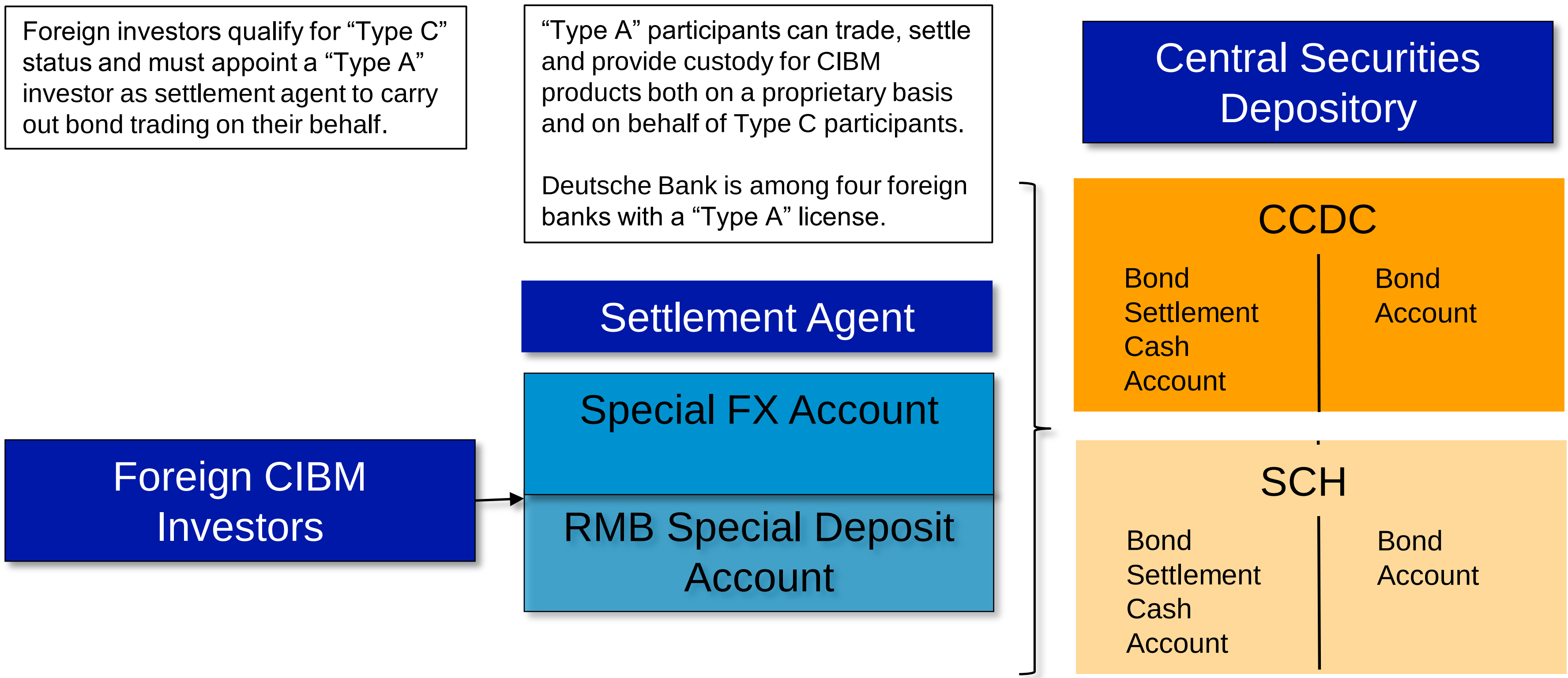


* Investors indicate anticipated investment size (should update filing if unable to remit principal matching at least 50% within nine months)

** Ability to engage in other types of trading, such as bond lending, bond forwards, or interest rate swap for hedging purposes

*** Ratio of RMB to FCY should be maintained within ±10% when capital remitted out of the market. The first such remittance does not need to follow this requirement, however it may not exceed 110% of the cumulative inward remittance in RMB or foreign currency.

Foreign institutional investors can trade bonds directly through onshore agents holding a Type A or B License



- Foreign Institutional Investors have individually segregated bond accounts with the CCDC / SCH, which are in the name of the asset manager/name of the product.
- Multiple products under the same asset manager should be filed with PBoC Shanghai separately to allow the beneficial ownership of investors to be identified.

**Type B participants can trade and settle CIBM products on a proprietary basis*

Market Access Channels in Comparison

Item	QFII		RQFII		PBOC Scheme	
	Publicly-raised Open-ended Fund	Other Products/Funds	Publicly-raised Open-ended Fund	Other Products/Funds	Foreign Reserve Managers (“FRM”)	Non-FRM Foreign Institutional Investors
Appointment of Settlement Agent	Custodian bank has to be the settlement agent. Deutsche Bank can provide these services to clients				PBOC or an approved settlement agent bank like Deutsche Bank	An approved settlement agent bank such as Deutsche Bank
Regulatory Approvals	CSRC: QFII/RQFII license (4-5 months) SAFE: RQFII quota (within 1 month) PBOC: Pre-filing for CIBM access (10-20 days)				Pre-filing with PBOC (10 working days for FRM and 20 working days for others)	
Investment Quota	QFII: only needs to pre-file with SAFE if requested quota is within the base quota or obtain pre-approval if the requested quota exceeds base quota. RQFII: Subject to SAFE’s pre-approval – separate quota for "open-ended funds" and "other product/fund "				• Nil, applicant may specify the Anticipated Investment Volume in the registration form based on actual business needs • The accumulative net remit-in capital cannot exceed the Anticipated Investment Volume. Investor is required to update the registration if a higher investment volume is anticipated,	
FX Management	QFII: FX onshore with the local custodian		✓ RQFII has to remit in quota in CNY (FX offshore); ✓ Optional FX for repatriation		FX onshore/offshore *(also see Note 1)*	FX onshore/offshore *(also see Note 2)*
Available Fixed Income Products *(Note 3)*	• **Exchange Market:** Government Bonds, Enterprise Bonds, ABS, Corporate Bonds, Convertible Bonds • **CIBM:** Cash bonds only, including Government Bonds, Enterprise Bonds, ABS, PBOC Bills, Financial Bonds, Commercial Paper, Mid-term Notes, Panda Bonds. For FRM, including all cash bonds, (reverse) Repos, Bond Borrowing and Lending, Bond Forwards, IRS, FRA, etc.				All cash bonds, Repos, Bond Borrowing and Lending, Bond Forwards, IRS, FRA, etc.	- All cash bonds, based on hedging needs, can trade in bond lending, bond forward, IRS, FRA and etc. - Offshore RMB clearing / trade settlement banks: Can also trade Repos
Lock-up period on principal repatriation	✓ 3 months		×	✓ 1 yr	Nil. FIIs who fail to remit in 50% of its registered investment volume within 9 months are required to re-register the anticipated investment volume with PBOC Shanghai.	
Frequency of repatriation and restrictions	Daily with monthly cap		Daily	Monthly	Daily	
Revolving quota is allowed	✓		✓	×	✓	
Taxation	a. 10% WHT on coupon interest except for Government Bond (issued by MOF) which is tax exempted, but there is no standard WHT practice b. Cash Deposit Interest is subject to 10% income tax c. CGT is not collected as the State Administration of Taxation has not confirmed the collection.					
Regulatory Reporting	Various reports prepared by settlement agent. Deutsche Bank can manage this for clients in China					

Note 1: Foreign Reserve Managers can directly enter into China’s Interbank FX market via three channels: 1) entrusting the PBOC as their agent; 2) using inter-bank FX market members as their agent(s), and 3) directly participating in the inter-bank FX market as foreign members.
Note 2: The accumulative outward remittance ratio in terms of FCY vs RMB needs to remain consistent with the accumulative inward remittance ratio, where difference of +/-10% is allowed
Note 3: Primary market subscription is allowed for all types of foreign investors.
Note 4: Investors can access CIBM via QFII/RQFII/PBOC Scheme simultaneously. In other words, the same FII (including foreign financial institutions and products issued by them) that has already been investing in CIBM via QFII/RQFII scheme, can make registration with PBOC Shanghai separately.

The Interbank FX Market is Open to Public Sector Institutions*

Spot Trading

- Anonymous centralized bidding
- Bilateral RFQ

Currency Pairs

- Direct trading against:
  USD, EUR, JPY, HKD, GBP, SGD, AUD, NZD, CHF, CAD, MYR, RUP, ZAR, KRW
- Centralized bidding/RFQ

Derivatives

- Forwards, swaps, options, CCS
- Central clearing, bilateral settlement

FX Lending

- USD / EUR / HKD
- RFQ system

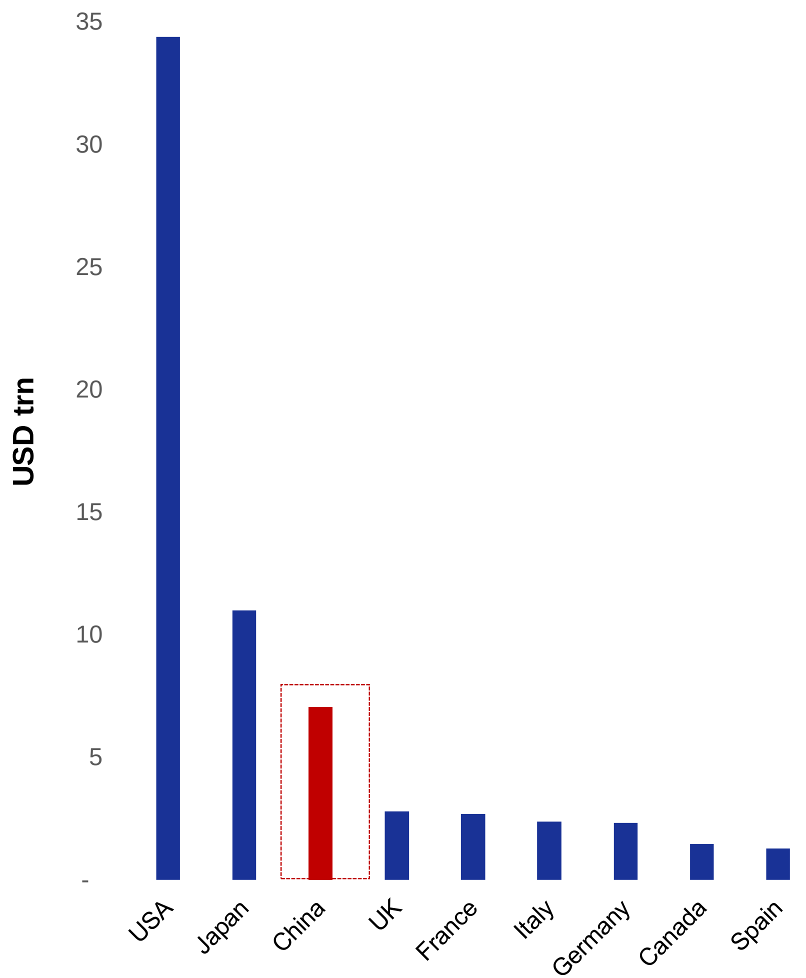
**Including foreign central banks or monetary authorities, international financial organisations and sovereign wealth funds*

Section 2 | China Bond Market Overview

China Bond Market Overview

Supportive policies have made China's bond market the world's 3rd largest

China Bond Market Size in Global Comparison
Q3 2015



Source: Wind, DB Research, BIS

Recent Developments

- Bond market development is a key pillar of China's financial reforms. In 2015, the total outstanding notional amount of China's domestic bond market rose by 35% YoY to RMB48tn.
- The authorities have adopted an approach known as "closing the backdoor while opening the front door", i.e. tightening shadow banking regulation while widening access to bond issuance. Notably, policymakers have allowed local governments to issue municipal bonds, relaxed restrictions on the issuance of corporate bonds, and relaxed administrative controls on refinancing by property developers.
- Social Security Funds and Basic Pension Funds now have wider scope to invest in the bond market, while the growing domestic asset management industry is further boosting demand.
- China's bond market is also taking on an international dimension. Policymakers have expanded interbank bond market access to all foreign medium and long-term investors, while relaxing QFII control with the introduction of a filing procedure for "base quota". Meanwhile, the revival of the Panda bond market is opening a new funding channel for foreign issuers.
- Instances of credit bond defaults and the introduction of a deposit insurance scheme in 2015 will help to foster greater credit risk differentiation.
- Deutsche Bank expects the size of the onshore RMB bond market to grow by 20% YoY in 2016

Overview of Chinese onshore bond markets and regulators

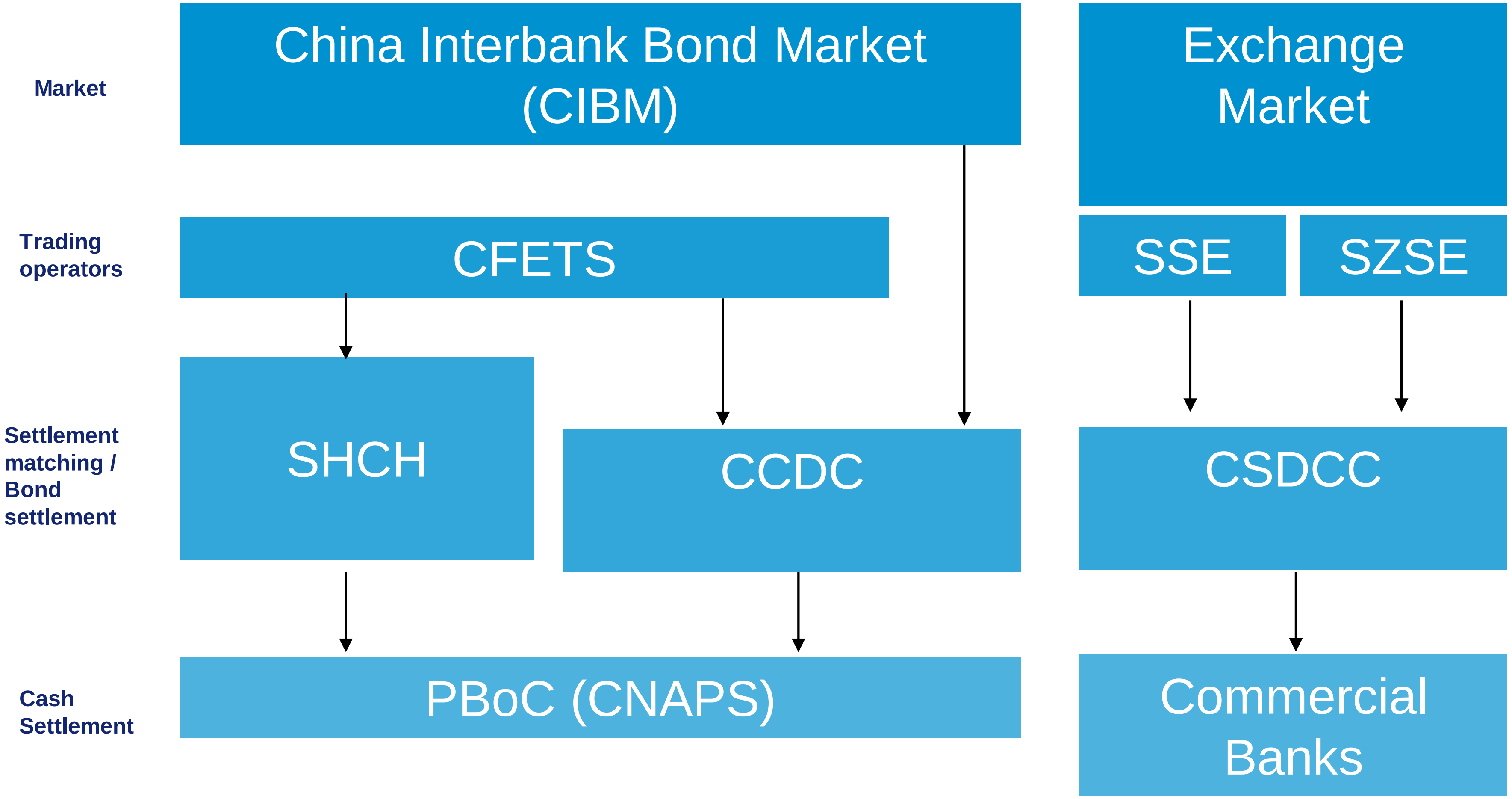
The CIBM represents more than 90% of the total onshore market

	Interbank Bond Market	Exchange Bond Market	Commercial Bank Counter Market*
Regulator	National Association of Financial Market Institutional Investors (NAFMII)	CSRC	PBoC
Trading/Transaction	China Foreign Exchange Trade System (CFETS)	Shanghai / Shenzhen Stock Exchanges	Banks
Central Securities Depository	China Central Depository & Clearing (CCDC) / Shanghai Clearing House (SCH)	China Securities Depository and Clearing Corporation (CSDCC)	Commercial banks
Available instruments	Central government bond, local government bond, policy bank bond, central bank bill, enterprise bond, MTN, CP, commercial bank bond, financial institution bond, interbank negotiable certificates of deposit, asset-backed security (ABS), Repo, Bond Lending, Bond Forward, IRS, Forward Rate Agreement etc.	Central government bond, local government bond, policy bank bond, enterprise bond, corporate bond, convertible bond, private placement bond issued by small and medium-sized enterprise	Book-entry treasury bond, certificated bond, Chinese government bond, local government bond, policy bank bond
Key investors	Institutional investors (banks, rural credit cooperatives, securities companies, insurance companies, funds, financial companies, enterprises, offshore institutions, etc.)	Small and medium-sized institutional investors (securities companies, insurance companies, funds, financial companies, individual investors, enterprises, QFII) and individuals	Individual investors
Contribution to primary issuance in 2015	**96.8%**	1.3%	1.9%
Share of outstanding bond market value at end-2015	**93.4%**	4.1%	1.9%

Source: CCDC, Moody's

* The commercial bank counter market is considered an extension of the interbank market

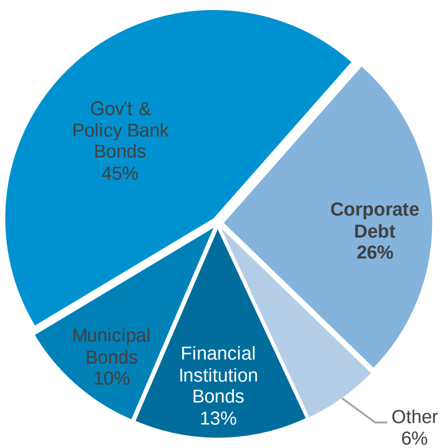
Bond Market Structure Overview



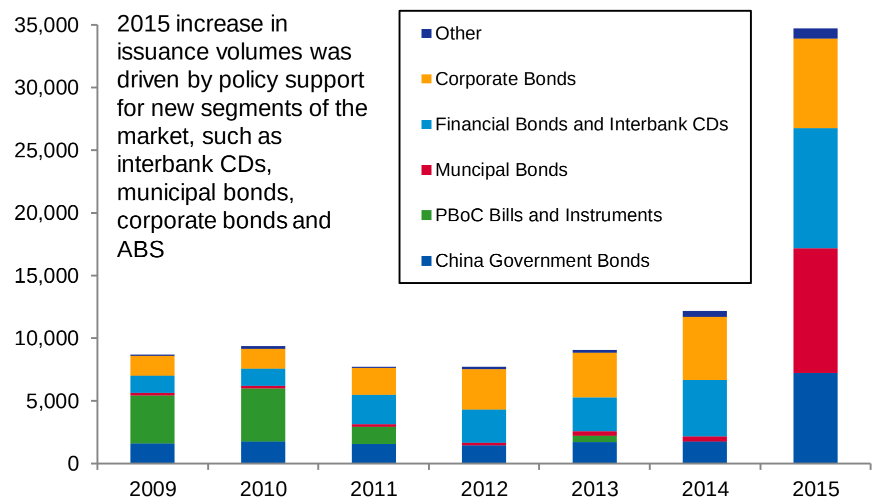
Source: NAFMII, ADB

Government-related issuers account for the bulk of the total bond market

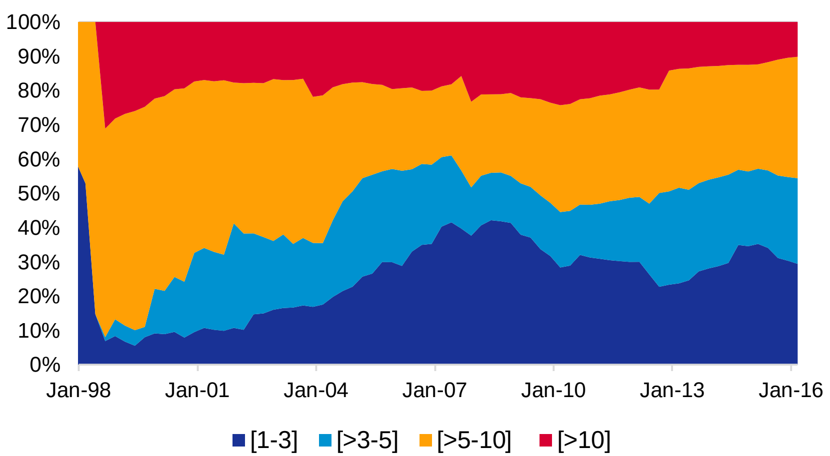
Composition of outstanding bonds (RMB48.5trn at end-2015)



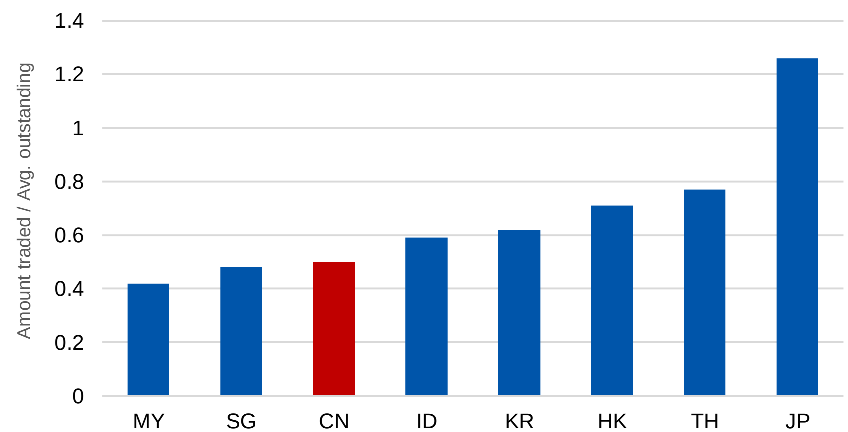
Domestic issuance volumes surged in 2015 (RMB bn)



Government Bonds Maturity Profile



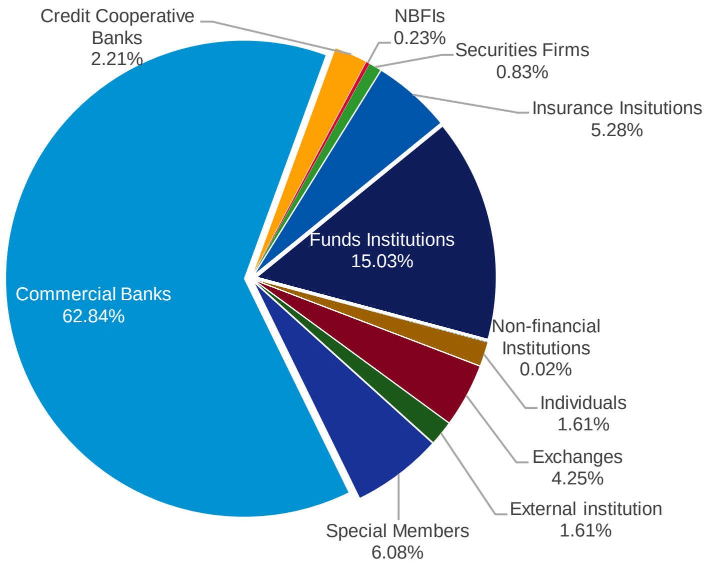
Gov't Bond Turnover Ratio: Regional Comparison (Q1 2016)



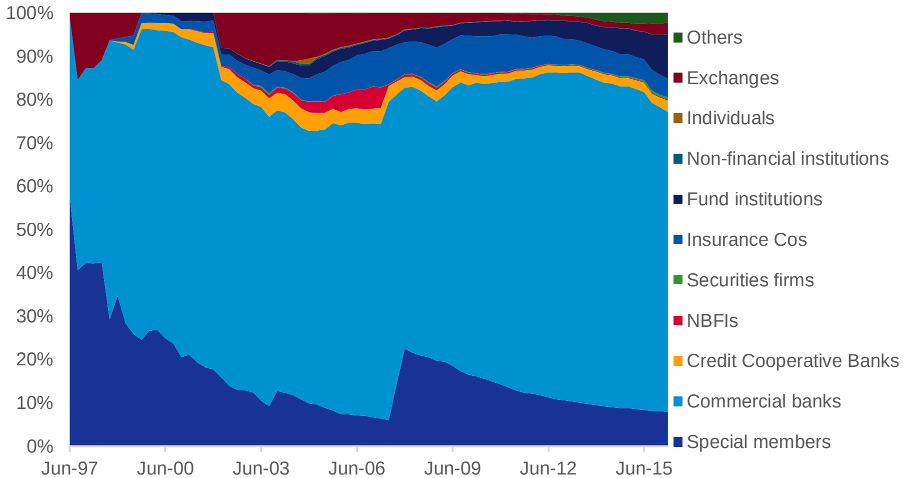
Source: CCDC, ADB, Deutsche Bank Research

Although gradually diversifying, bond market investment remains highly concentrated with commercial banks

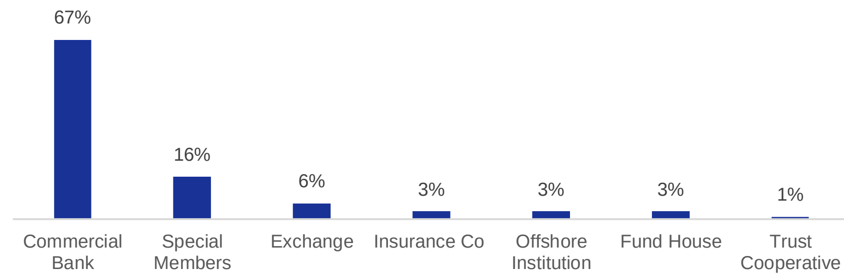
Bond Depository Balance by Holder Type (May 2016)



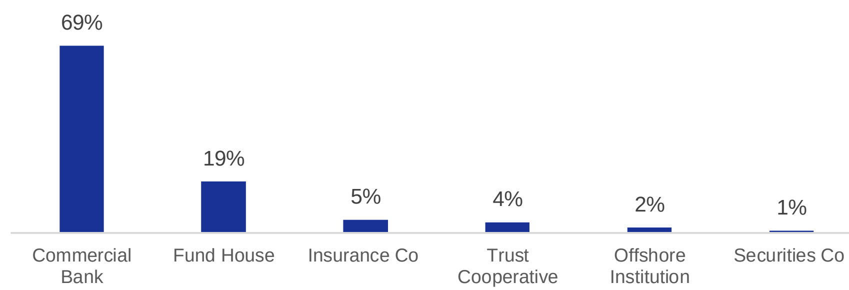
Investor Profile: Government Bonds



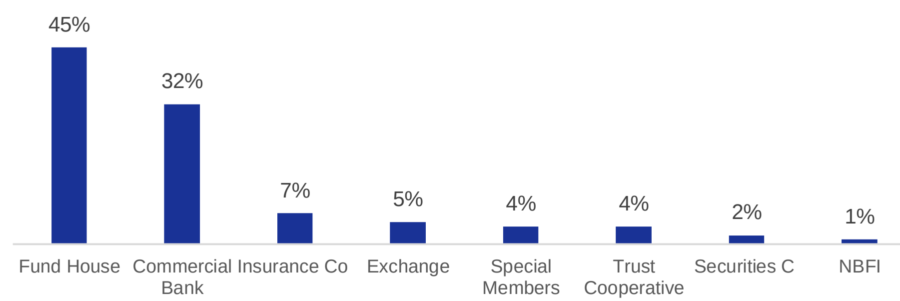
Holders of CGBs (May 2016)



Holders of Policy Bank Bonds (May 2016)



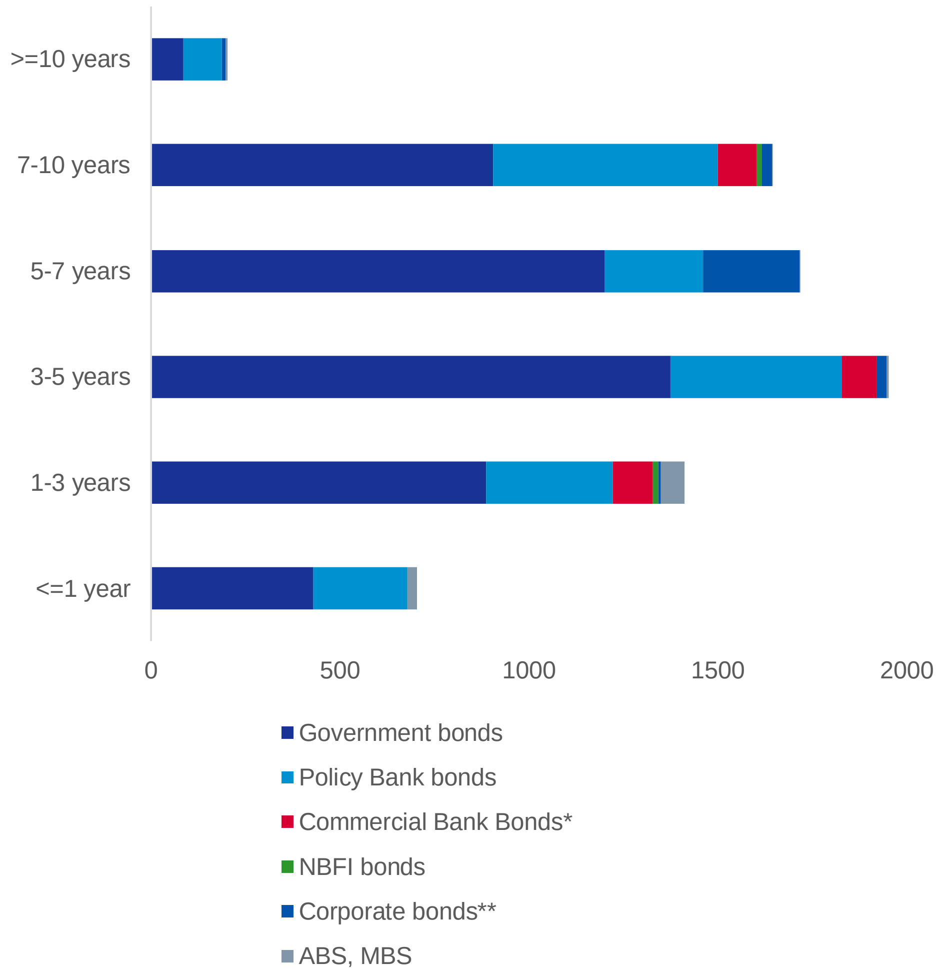
Holders of Credit Bonds (May 2016)



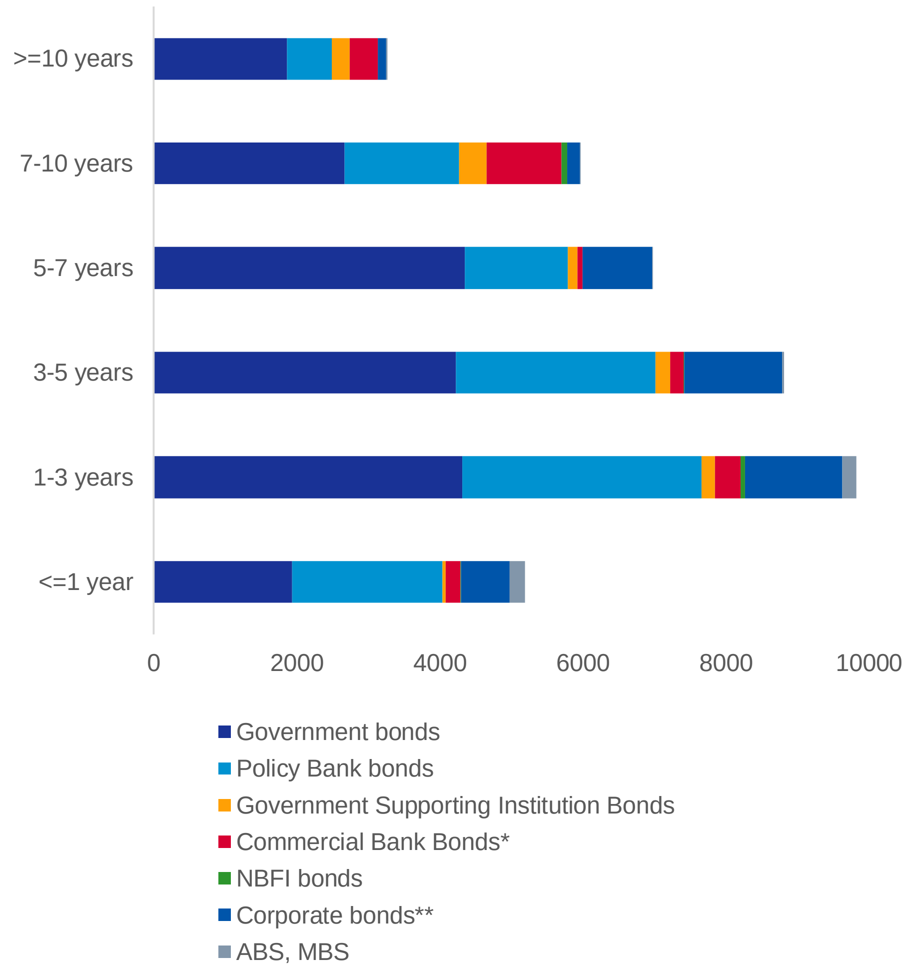
Source: Thomson Reuters, Deutsche Bank Research

Chinese state and development banks represent a considerable share of the market at all maturities

Onshore bond issuance by term type, Jan-June 2016 (RMB bns)



Onshore bond depository balance by term type (RMB bns)

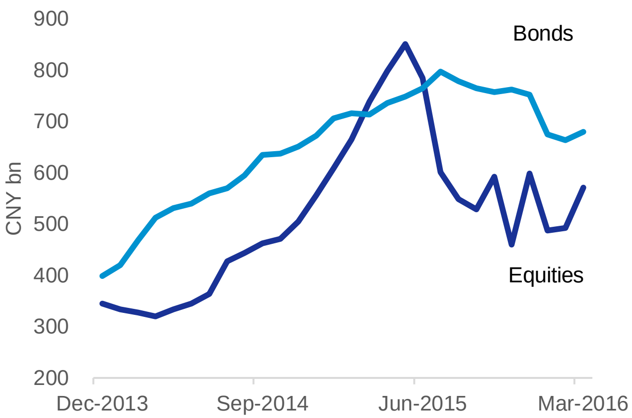


Source: Data from CCDD

Index membership in due course

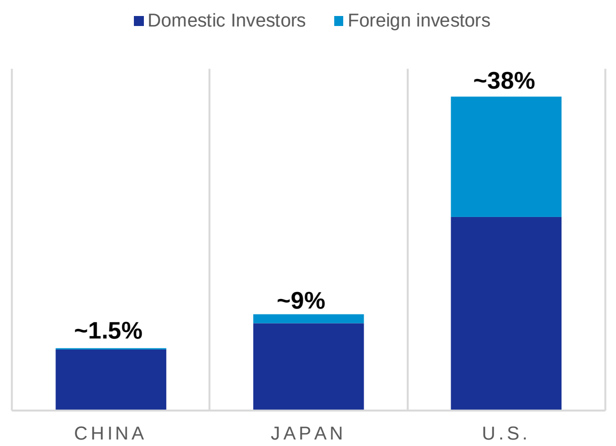
Improvements in access support the case for inclusion in fixed income benchmarks

Domestic RMB assets held by overseas entities



- Despite relaxations in CIBM market access, expectations of currency weakness have been a factor limiting foreigners' holdings of onshore RMB bonds.
- Deutsche Bank's China FIC Strategist forecasts c.RMB500bn in bond market inflows from foreign investors in 2016.
- Over time, China's market access programs are shifting from approval to registration-based mechanisms.

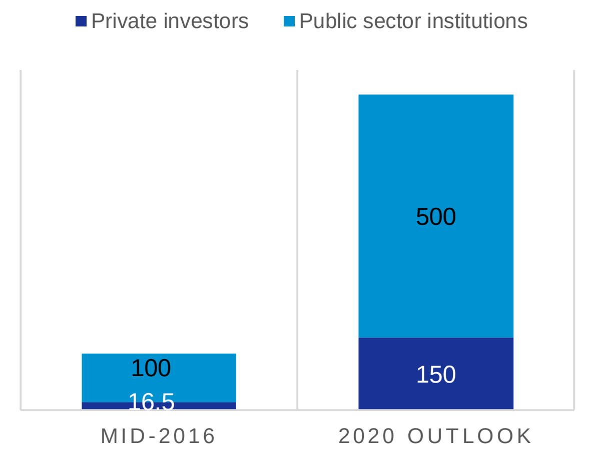
Ownership levels in global bond markets



- China remains underweight in international bond portfolios – less than 2% of outstanding CNY bonds (vs. >30% for the US)
- JPM's index research division has placed the onshore CGB market under review for possible inclusion into its EM local bond index family. The GBI EM Global Diversified Index is tracked by ~$180bn of AUM (the maximum weight allowed by a single market is 10%).
- Citigroup Index LLC stated in March that it "welcomes the regulatory changes geared toward opening markets and will continue to assess China's eligibility"

SDR Inclusion has placed RMB bonds in spotlight

Chinese debt owned by foreign investors, in USD bn

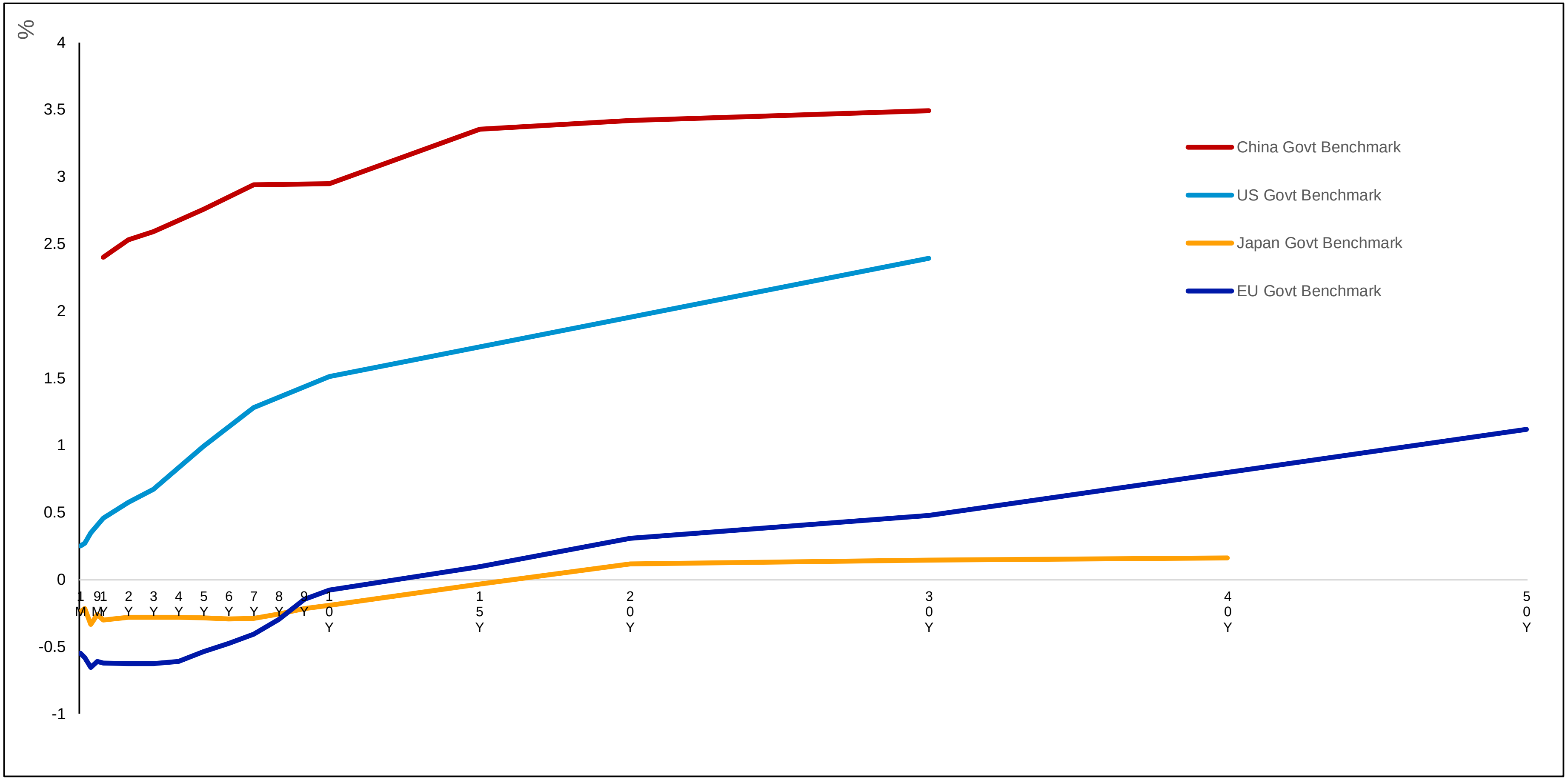


- RMB inclusion in the IMF's SDR basket, effective October 2016, is expected to promote greater use of the RMB as a reserve currency and drive demand for government debt, as well as higher overall interest in corporate credit.
- From Q4 2016, the IMF will separately identify the RMB in its official Currency Composition of Official Foreign Exchange Reserves (COFER) database.
- Beyond EM indices, eventual inclusion in Global benchmarks could bring significant inflows – e.g. 1-2% of index weight in the JPM Global IG Aggregate Bond Index could result in total bond flow of USD40-60bn into China.

Source: SAFE, CEIC, Standard & Poor, DB Research by Linan Liu

Global sovereign market yield curves

Sovereign Yield Curves



Source: Thomson Reuters (as of 25-6-2016)

CIBM Characteristics

Instrument	CGB	Policy Bank Bond	Enterprise Bond	Gov't Support Inst.	Tier 2 capital instrument
Currency/Index	CNY	CNY	CNY	CNY	CNY
Tenor	3M to 50Y	3M to 30Y	3Y to 30Y	1Y to 30Y	2Y to 10Y
Outstanding (CNY Bn)	8417	10716	3062	1178	Authorized Corp
Share (%)	22.8%	27.4%	7.8%	3.0%	457
Issuer	MoF	3 Policy Banks	Authorized Corp	Authorized Corp	1.17%
Type	Discount, Bullet	Discount, Bullet, FRN, Option	Bullet, FRN, Option	Bullet	Bullet, FRN
Coupon	Various	Various	Various	Various	Various
Auction Frequency	Weekly	Variable	Variable	Variable	Variable
Settlement	T+1/T+0	T+1/T+0	T+1/T+0	T+1/T+0	T+1/T+0
Day/Count	Act/Act	Act/Act	Act/Act	Act/Act	Act/Act
Bid/offer Spread	3bps up to 10yrs, and 6-8bps for 10y+	4bps up to 5yr and 4-5bps for longer	5-15bps	4-5bps	Wide/generally no liquidity

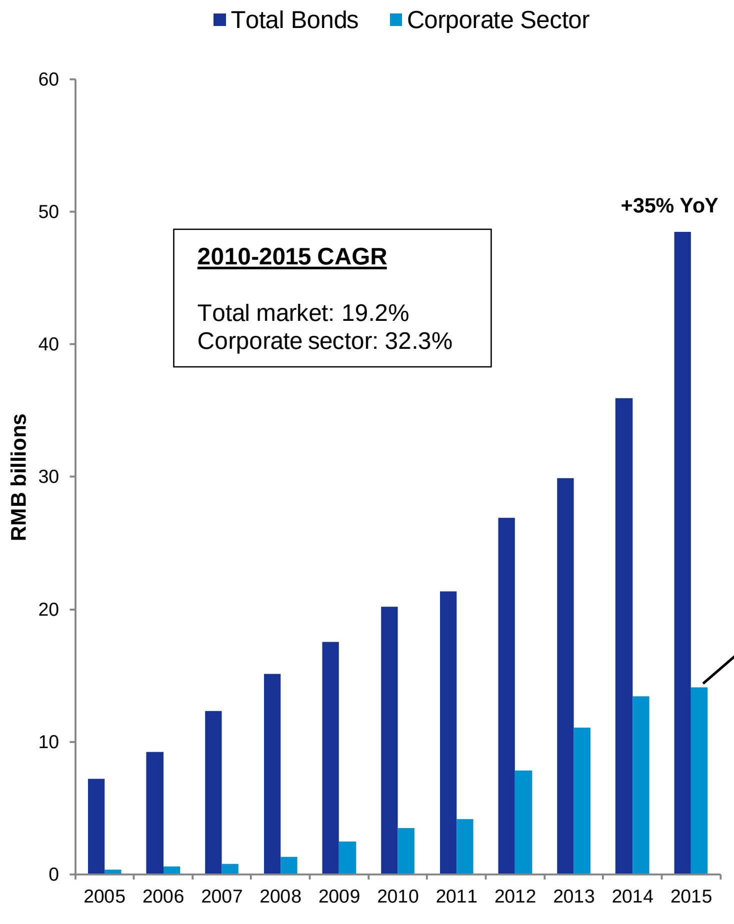
Instrument	MTN	CP	ABS	Panda
Currency/Index	CNY	CNY	CNY	CNY
Tenor	2Y to 10Y	< 1Y	9M to 32Y	7Y and 10Y
Issuer	Authorized Corp	Authorized Corp	Trusts	Foreigners
Outstanding	1752	904	336	3.13
Share (%)	4.5%	2.3%	0.9%	0.01%
Type	Bullet, FRN, Option	Discount, Bullet, FRN	Discount, Bullet, FRN	Bullet
Coupon	Various	Various	Various	Various
Auction Frequency	Variable	Variable	Variable	Variable
Settlement	T+1/T+0	T+1/T+0	T+1/T+0	T+1/T+0
Day/Count	Act/Act	Act/Act	Act/Act	Act/Act
Bid/offer Spread	5 to 10bps for high grade	3-5bps	Wide/generally no liquidity	Wide/generally no liquidity

Sources: DB Global Markets Research, ChinaBond (July 2015)

Corporate sector represents a growing share of China's bond market

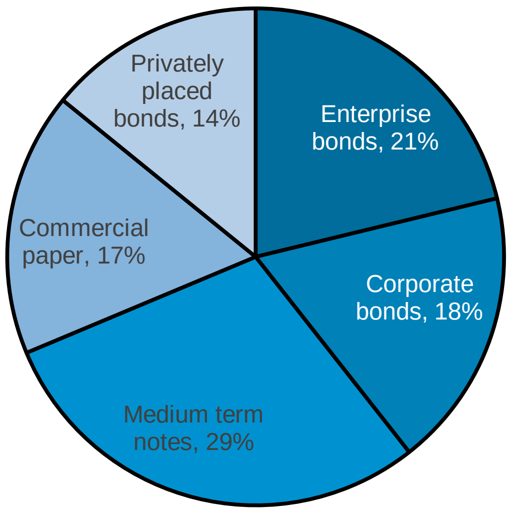
Exchange issuance surged in 2015, but the interbank market remains the primary venue for corporate sector bonds

Total Bonds Outstanding
2005-15



The corporate credit market had RMB12.45trn in outstanding bonds at end-Jan, or 30% of China's bond market.

Breakdown of Corporate Sector Bonds Outstanding
May 2016



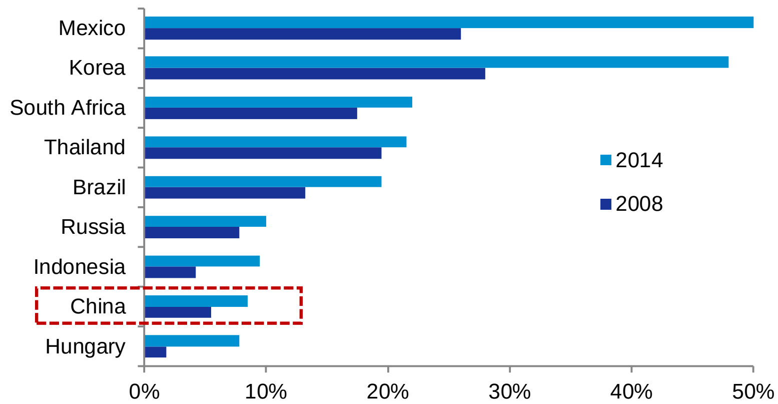
Terminology

- **Enterprise bonds**: Most established segment of the corporate bond market. – issuers are usually large SOEs with bonds typically issued in the CIBM
- **MTNs/CP and other corporate instruments:** a range of different issuers utilize this market. NAFMII serves as the interbank bond market regulator
- **Corporate bonds:** Issuers are mostly listed companies with bonds issued on the exchange (CSRC-regulated)

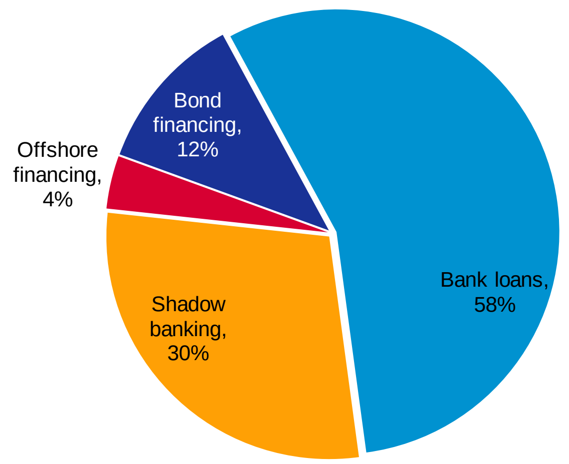
Source: Wind, Moody's, DB Research

Significant potential for further expansion in China's credit market
Bond financing accounts for only ~12% of China's corporate debt

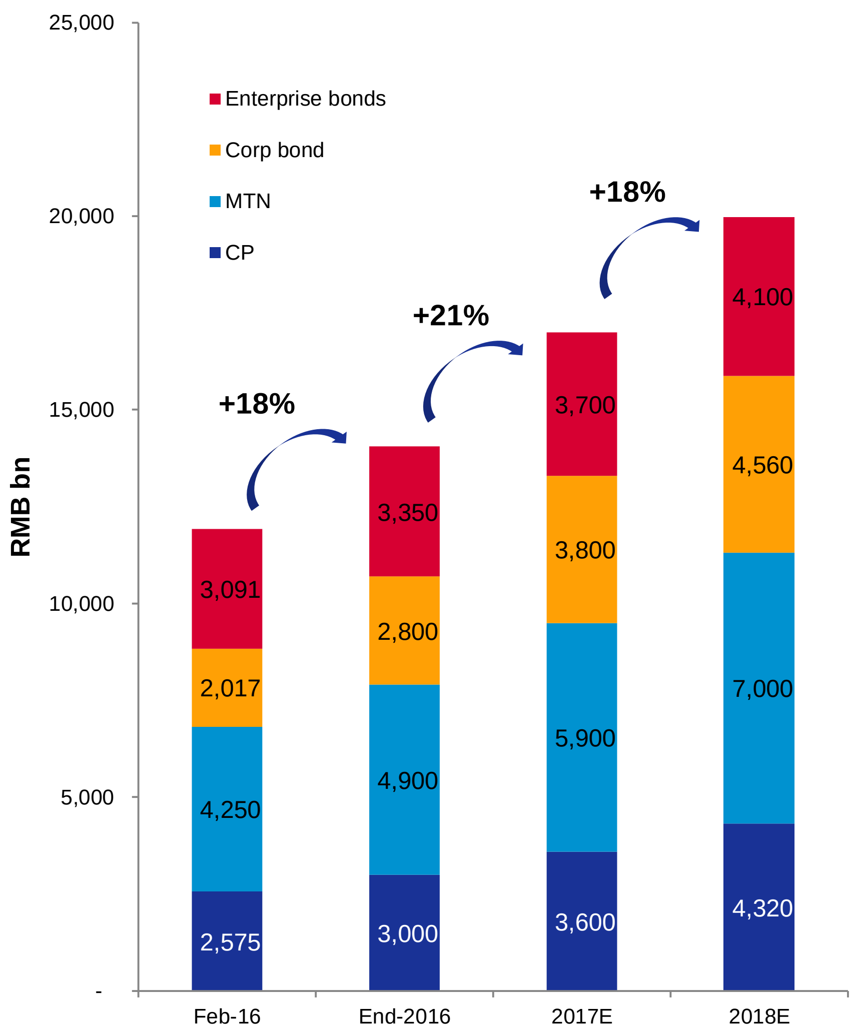
EM Comparison: bond financing as % of total corporate debt



China's corporate sector debt at end-2015



DB growth forecast for China's credit market



Source: IMF, Deutsche Bank Research

The panda bond market is emerging from dormancy

Panda bonds represent only ~0.05% of China's domestic bond market

- A Panda bond is a RMB-denominated bond from a non-China registered issuer, sold in the PRC.

- After a pilot program with international development banks in 2005 and the first corporate Panda bond issued in 2014, PBOC began another push to launch the Panda bond market in 2015 by sharing draft regulations with banks and allowing the Hong Kong subsidiaries of two commercial banks to issue.

- To date, non-Chinese issuers have included sovereigns/quasi-sovereigns and high quality Fis and corporates.

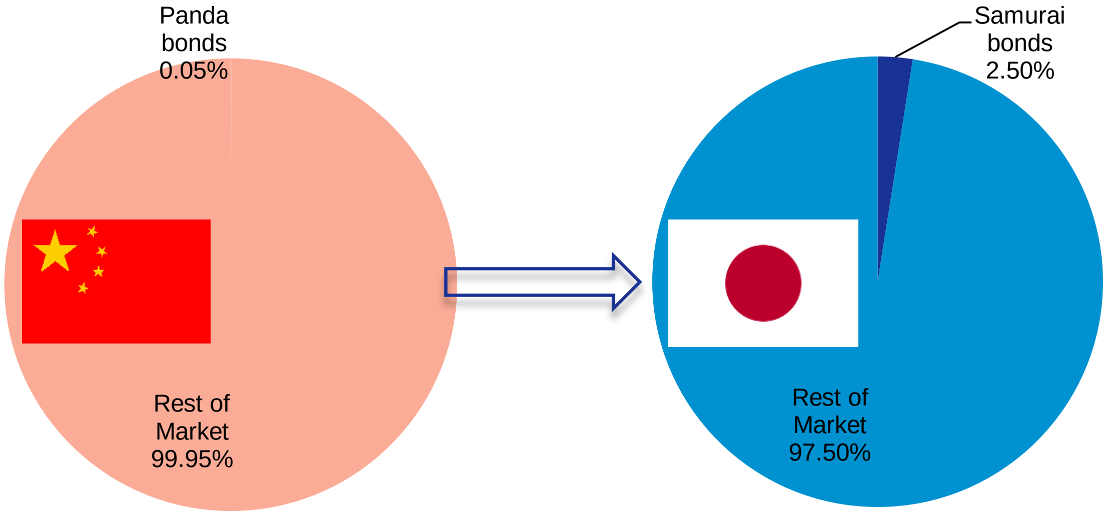
- The IFC has projected that outstanding Panda bonds will exceed USD50bn by 2020…

- Deutsche Bank's China FIC Research analyst forecasts USD20bn in issuance in 2016 alone

Regulatory uncertainty aside, several conditions are supportive of further market development

- Continued easing cycle in China
- Declining yield environment in China will increase mark-to-market gains in RMB for Panda bond investors, while offering lowering funding costs and refinancing risk for issuers
- As offshore funding costs remain higher, Dim Sum bond issuers may be motivated to refinance via Panda bonds: RMB364bn and RMB176bn of Dim Sum bonds due to mature in 2016 and 2017, of which 28% and 65%, respectively of maturing notional amount from issuers incorporated outside China.
- China is home to the world's biggest pool of savings (USD21tn at mid-2015), which cannot be easily deployed outside of China. Panda bonds offer onshore investors no currency risk, an opportunity for portfolio diversification and capital gain opportunities on the easing cycle.
- International issuers may be drawn by opportunity to make political gesture in support of CNY internationalization, as well as the opportunity to diversify accounting/reporting currency

The Panda bond market would be RMB1.18tn (USD181bn) in size if it accounted for a comparable share of the domestic market as Japanese Samurai bonds



Source: CCDC, Thomson Reuters, Dagong Credit Research

Section 3 | Deutsche Bank Capabilities

Deutsche Bank's CIBM capabilities

- **DB China has been an active player in China interbank bond market (CIBM)**
  - Dedicated onshore CNY sales team, presenting both local perspectives and global visions
  - Strong trading house covering full range of CNY products, including rates and credit, cash, derivatives and others
  - Top five market maker among foreign banks
  - First class fixed income research
  - Frequently trade with various foreign institutions, including central banks/monetary authorities/RMB trade settlement banks

- **Obtained settlement agency license from PBOC in October 2013**
  - Offer "one-stop" solution from bond trading to settlement and custody
  - Joint services by Global Markets (as the execution broker and/or counterparty) and Investor Services (as the settlement agent and custodian)
  - Ensure a seamless operational process from trading to settlement

- **A full licensed provider in China for foreign investor's access to China securities market**
  - One of four foreign banks equipped with local custody & bond settlement agency capabilities to support client's investment in both the exchange and inter-bank bond market

- **Custody team with extensive experience**
  - Adhere to international standards in relation to asset protection and client data segregation
  - Continued expansion in terms of number of clients, product offering and team size
  - Abundant experience in serving foreign investors: offer full suite of SWIFT reporting, understand client's requirements, first-hand market info, quick turnaround time, etc.
  - Award winning services

Best Service Provider – Liquidity Management, Asia-Pacific

The Asset Triple A Treasury, Trade and Risk Management Awards 2016

Rank No. 1 (Unweighted)
Rank No. 4 (Weighted)

ISF Sub-Custody Survey 2016, China

Best Subcustodian, China - Rising Star

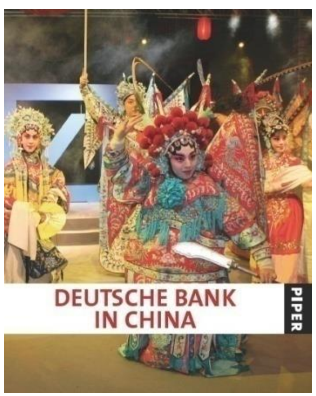
The Asset Triple A Asset Servicing, Investor and Fund Management Awards 2015

Deutsche Bank in China

In 1872, Deutsche Bank opened its first overseas branch in Shanghai, just two years after its founding

An end-to-end solutions provider for investments in China

- Over 600 employees in Mainland China
- 1,500 employees based in Hong Kong – one of the bank's four hubs in APAC
- A comprehensive suite of cross-border RMB solutions
- Licensed settlement agent for the China Interbank Bond Market since 2013
- Full suite of custody solutions from pre-trade to post-trade
- The No. 1 provider of liquidity to Asian FX markets (*Euromoney, 2014*)
- One of the first banks to execute onshore RMB FX option trades, CNH cross-currency swaps and CNH forwards
- Leading Asian equities franchise (first day participant in the Shanghai-Hong Kong Stock Connect)
- One of the largest China A-shares ETF providers in Europe and the U.S

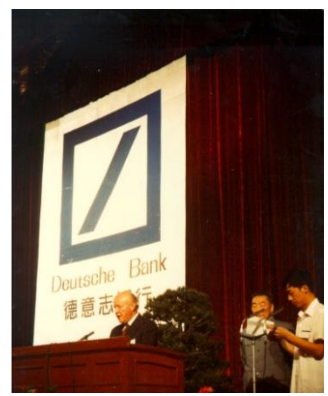


In China since 1872

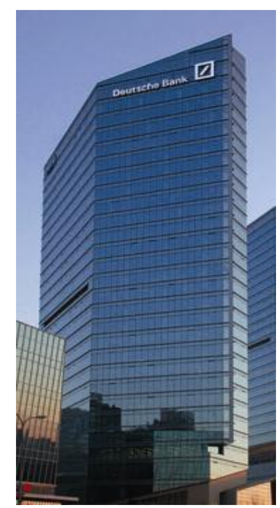
China Restructured gold loans, 1913

Deutsche Bank offices in Shanghai (1890)

DB China issued Bank notes,1907



Beijing, 1981



Deutsche Bank China Headquarters in Beijing

Section 4 | Supplementary material

Pre-Filing and Account Opening Process

Bond Settlement Agent – DB China ← Appoint ← **Applicants**

PBOC Shanghai

Market Entry (pre-filing)

Cash Account opening with DB and Filing with PBOC SHH

2-3 working days

CCDC

SCH

CFETS

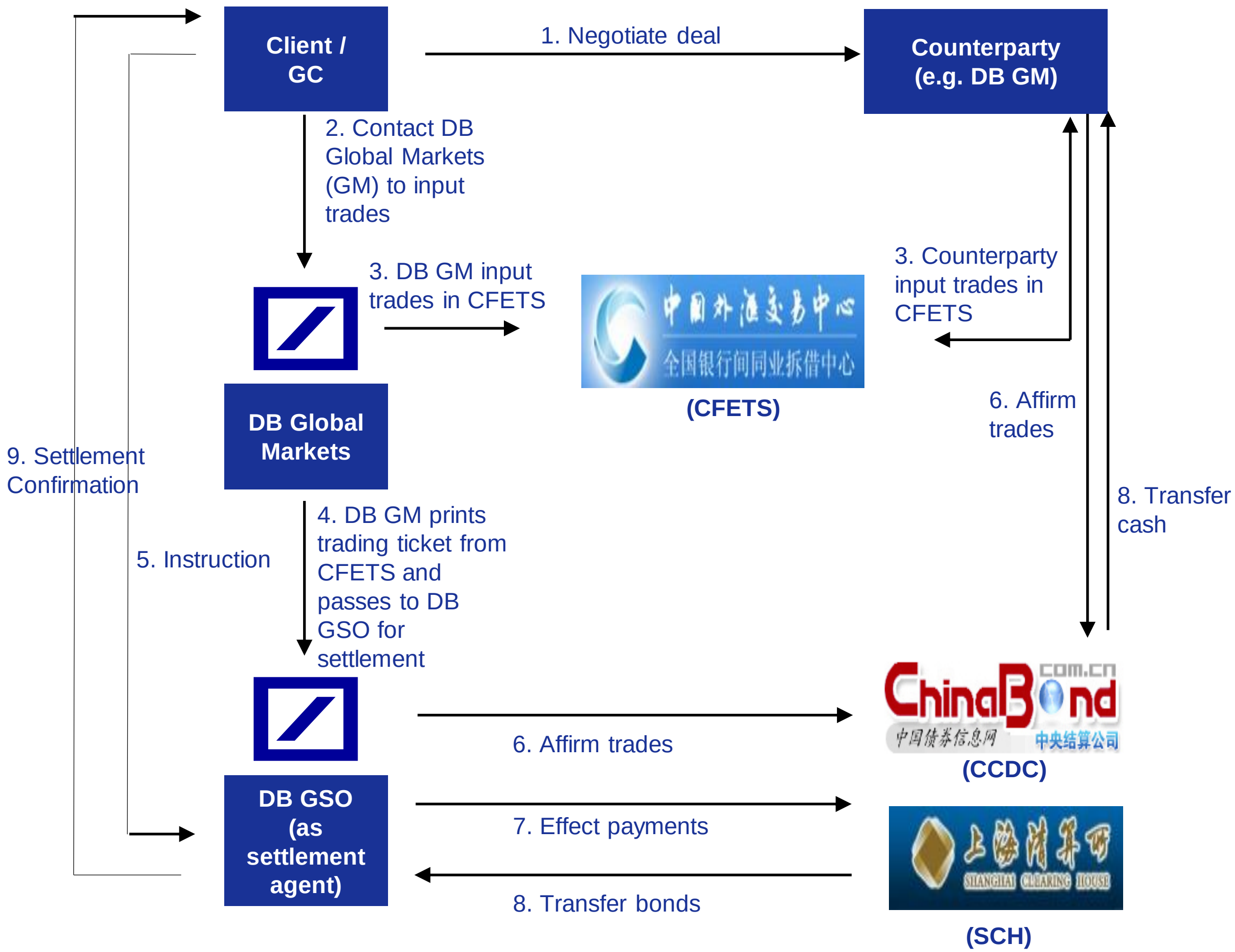
After obtaining PBOC acknowledgment letter, open bond a/c with CCDC & SCH, and trading code with CFETS: 3-5 working days

Notes:

1) Foreign reserve managers: PBOC will provide email confirmation within 10 working days upon receipt of registration form.

2) Others: PBOC SHH will provide registration acknowledgment within 20 working days upon receipt of registration form. The acknowledgment is valid for 3 months(i.e. account opening shall be completed within this period of time).

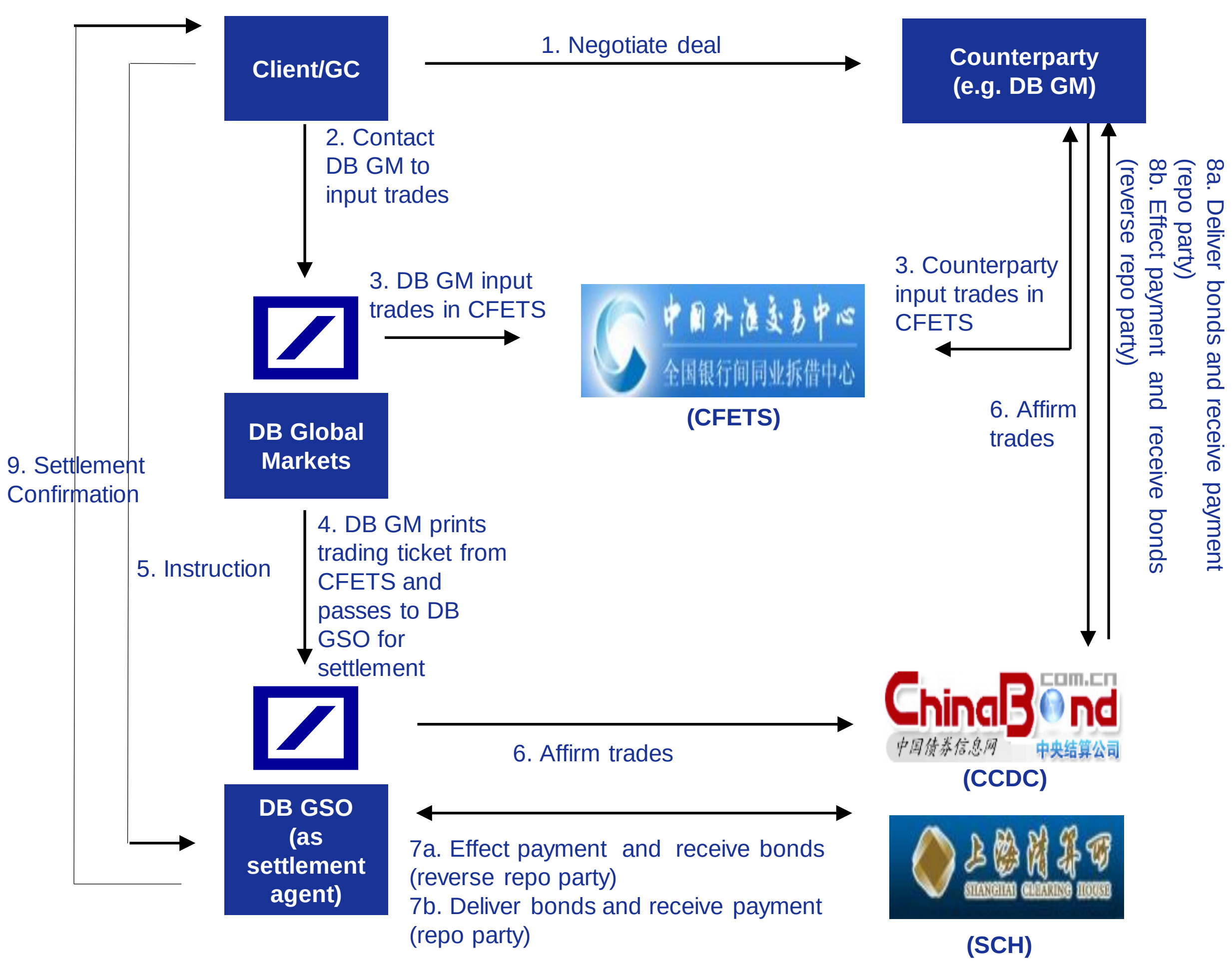
CIBM Cash Bond Trading & Settlement Process



Trading	
TD	Client executes order with trade counterparty (could be DB GM or other counterparties)
TD	Client contacts DB GM (as broker) to input trades in CFETS *Trading sessions (9:00 am to 12 noon and 1:30 pm to 4:30 pm).*
TD by 4:30pm	Both DB Global Markets (GM) and counterparty input trades in CFETS (by 4:30pm). Once the trade is input in CFETS, the transaction details will be automatically mirrored to the CCDC/SCH system.
Settlement	
SD	Client/Global Custodian sends settlement instruction via MT54X to DB GSO before deadlines DB GSO reconciles trading ticket with settlement instruction and advises DB GM and client/GC via email/call if any discrepancy. Though failed trade is allowed, client should provide an explanation letter to regulators.
SD by 4:30pm	Both DB GSO and counterparty check the trade details and affirm in CCDC/SCH system.
SD by 4:30pm	DB GSO effects payment to client's designated DVP cash account via CNAPS.
SD	CCDC/SCH transfer bond from seller's account to buyer's account if there is sufficient cash in buyer's designated DVP cash account and there are sufficient bonds in seller's bond account.

Note 1: Settlement is on a trade-by-trade basis – DVP (on T+0 or T+1)
Note 2: We pay purchase amount to CCDC/SCH at client level by batch.
Note 3: At 4:30pm, CCDC/SCH would return any residual balance in client's DVP cash account in one lump sum.

Repo/Reverse Repo Trading & Settlement Flowchart



Note 1: Settlement is on a trade by trade basis – DVP (on T+0 or T+1).
Note 2: We pay purchase amount to CCDC/SCH at client level by batch.
Note 3: At 4:30pm, CCDC/SCH would return any residual balance in client's DVP cash account in one lump sum.

Trading	
TD	Client executes order with trade counterparty (could be DB GM or other counterparties)
TD	Client contacts DB GM (as broker) to input trades in CFETS *Trading sessions (9:00 am to 12 noon and 1:30 pm to 4:30 pm).*
TD by 4:30pm	Both DB GM and counterparty input trades in CFETS (by 4:30pm). Once the trade is input in CFETS, the transaction details will be automatically mirrored to the CCDC/SCH system.
Settlement	
SD	Client/GC sends settlement instruction via MT54X to DB GSO before deadlines DB GSO reconcile trading ticket with settlement instruction and advise DB GM and client via email/call if any discrepancy. Though failed trade is allowed, client shall provide an explanation letter to regulators.
SD by 4:30pm	Both DB GSO and counterparty check the trade details and affirm in CCDC/SCH system.
SD by 4:30pm	If client is a reverse repo party, DB GSO effects payment to client's designated DVP cash account via CNAPS.
SD	CCDC/SCH transfer bond from repo party's account to reverse repo party's account if there is sufficient cash in reverse repo party's designated DVP cash account and there are sufficient bonds in repo party's bond account.
Maturity Day	
MD by 4:30pm	If client is a repo party, DB GSO effects payment to client's designated DVP cash account via CNAPS.
MD	CCDC/SCH transfer bond from reverse repo party's account to repo party's account if there is sufficient cash in repo party's designated DVP cash account and there are sufficient bonds in reverse repo party's bond account.

Timeline of Developments

2010

PBOC rolled out Pilot Scheme to allow foreign CBs/Monetary Authorities, RMB clearing banks, and RMB trade settlement banks to invest in CIBM (limited to cash bonds only)

2011

Debut of RQFII scheme. RQFIIs allowed to access CIBM (limited to cash bonds only)

2012

CIBM opened to foreign insurance companies in HK/SG/TW

2013

- ❑ QFIIs allowed to access CIBM (limited to cash bonds only)
- ❑ Change of settlement mechanism to DVP in CIBM
- ❑ All CIBM trades must be done via CFETS

2014

Foreign investors allowed to participate in primary market subscription

2015

- ❑ Investors able to trade with parent company or other subsidiaries/branches under the same parent company
- ❑ RMB clearing banks & trade settlement banks allowed to do Repos/Reverse Repos
- ❑ Market entry for foreign reserve managers changed to pre-filing approach and investment scope expanded to include Repos/Reverse Repos, Bond Borrowing and Lending, Bond Forwards, Interest Rate Swaps, Forward Rate Agreement

2016 and Beyond

- ❑ CIBM opened up to more types of foreign institutions, including commercial banks, insurance companies, securities firms, fund management companies, other asset management companies and products issued by those FIs, as well as other medium-long term investors recognized by PBOC (i.e. pension fund, charity fund, and endowment fund)
- ❑ PBOC rolled out 'Pre-filing' approach to all types of foreign investors and removed quota limitation
- ❑ Foreign investors allowed to remit in/out RMB or foreign currency for CIBM investments
- ❑ Bond settlement agent may also provide custodian services in CIBM
- ❑ Further expansion of investment scope for QFII/RQFII/PBOC Pilot Scheme participants.
- ❑ Clarification of foreign investor's tax practices in CIBM

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