

ALL YOU NEED TO KNOW: MARKET ENTRY FOR CIBM DIRECT

July 2021

Hi. My name is Shirley Chieu. I am a Global Network Consultant at BNY Mellon who is responsible for providing clients with market intelligence and support.

China's rapid market reforms have made it easier for global investors to access its equity and bond markets, but there is still an extensive web of applications, documentation and approvals that require a significant amount of your time and dedication.

As your dedicated service provider, BNY Mellon is here to help you expedite your account-opening process.

In this session, we will focus on the China Interbank Bond Market Direct route (also known as CIBM Direct). As the name suggests, this is an onshore scheme that allows foreign investors to access the China Interbank Bond Market directly.

We will zoom into the market entry and onboarding process for CIBM Direct. In addition, we will highlight the service model offered by BNY Mellon, the account framework, as well as address some of the frequently asked questions that you may come across.

Without further ado, let's look at the market entry process for CIBM Direct.

Before clients can commence trading via CIBM Direct, you need to go through CIBM application, account opening and trading account activation.

This three-stage process will take approximately 57 business days if all documents are in good order.

However, based on our experience and depending on your internal policies, the completion of the application form and supporting documentation may take up to several months.

Let's now take a closer look at the first stage — CIBM application process.

BNY Mellon will provide you with two sets of documents for review. They are the BNY Mellon Legal Addendum, and the Service Level Description (SLD).

In parallel, you need to contract directly with the broker of the settlement agency bank or the local custodian for the brokerage services. The market practice is for the settlement agency bank to act in a dual role — that is trading agent and a settlement agent. As such, the local custodian's Bond Settlement Agent Agreement (BSAA) with the client covers both trading and settlement. BNY Mellon is not a party to this agreement.

The local custodian will provide you with the CIBM registration form for completion. The registration documents will be submitted to PBOC (The People's Bank of China) once the BSAA is fully executed and finalized by all parties. PBOC will take about 20 business days to process and approve the registration.

The next stage is account opening. Upon your submission of the application form, PBOC will review the application and undergo eligibility assessment. You will then need to instruct BNY Mellon to open securities and cash accounts with BNY Mellon, the local custodian, and the Central Depository. The time frame to open these accounts can take about 30 business working days.

The third stage is trading account activation. After the registration is approved by PBOC, the application for trading code with CFETS will take about 7 business days.

You can start trading via CIBM Direct when all the above steps are completed, including the execution of the Legal Addendum and the Service-Level Description.

With regards to the account framework, clients must ensure that a new custody account is established for CIBM Direct and the corresponding security accounts set up at the local custodians. Segregated accounts must be set up at the beneficial owner level. As per market practice, each beneficial owner will have a master account established at the local custodian for regulatory reporting purposes. There are no transaction activities that occur through the master account. They are transparent to BNY Mellon and are not mapped to the custody system.

Next, we have listed out some frequently asked questions that clients may come across. For example, scenario one, are there any annual reporting requirement? Scenario two, who execute the BSA Agreement with the local custodian?

In scenario three, it will give you an idea of the inward and outward FX remittance in RMB and foreign currency in China.

Please review scenario four and five on the CIFXM route as well as trade input via TradeWeb.

Should you have any questions, feel free to contact your local BNY Mellon representatives. You can also visit our website for further market information about China inbound schemes.

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