

Joint Announcement of People's Bank of China and Hong Kong Monetary Authority

The following is issued on behalf of the Hong Kong Monetary Authority:

In order to promote the development of the bond markets in Mainland China and Hong Kong, the People's Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA) have approved China Foreign Exchange Trade System (National Interbank Funding Center), China Central Depository & Clearing Co., Ltd., Shanghai Clearing House, eligible custodian banks of Mainland institutional investors, CIPS Co., Ltd. (hereafter collectively referred to as "Mainland financial infrastructure services institutions"), together with Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit of the HKMA and custodian banks of Hong Kong (hereafter collectively referred to as "Hong Kong financial infrastructure services institutions"), to collaborate in establishing Southbound Trading under mutual bond market access between Hong Kong and Mainland China (Southbound Trading under Bond Connect). Southbound Trading under Bond Connect will be launched on September 24, 2021. It is hereby announced that:

(1) Southbound Trading under Bond Connect is an arrangement that will enable Mainland institutional investors to invest in the Hong Kong bond market through connection between the Mainland and Hong Kong financial infrastructure services institutions.

(2) Southbound Trading under Bond Connect is an important measure of the Central Government to support Hong Kong's development and deepen cooperation between the Mainland and Hong Kong. It is conducive to the diversification of investment channels for Mainland institutional investors, to the steady and progressive two-way opening up of the Mainland financial markets, to the enhancement of Hong Kong's competitive advantages, consolidation of Hong Kong's status as an international financial centre and to the upholding of long-term prosperity and stability of Hong Kong.

(3) Southbound Trading under Bond Connect will abide by the relevant laws and regulations of the bond markets of the Mainland and Hong Kong. It will follow the current policy framework of the Hong Kong bond market and at the same time will not alter the "going out" policy arrangements for Mainland institutional investors to invest in Hong Kong as well as global bond markets. The implementation rules for Southbound Trading under Bond Connect will be separately specified.

(4) Regulators of the Mainland and Hong Kong bond markets will respectively take all necessary measures to establish, in the interest of investor protection, effective mechanisms under Southbound Trading under Bond Connect to respond to any misconduct in a timely manner. Regulators of the Mainland and Hong Kong bond markets will amend the memorandum of understanding on supervisory cooperation to enhance supervisory cooperation arrangements and liaison mechanisms in order to maintain the stability of financial markets

and fair trading.

(5) Financial infrastructure services institutions of the Mainland and Hong Kong should provide financial infrastructure services to Southbound Trading under Bond Connect market participants in an orderly manner and with prudent risk management, and assist Mainland institutional investors to fully understand the laws, regulations and operational rules of the Hong Kong bond market as well as prudently assess investment risks and make preparations for entering the Hong Kong bond market.