

# Swap Connect enhancements to advance high-quality opening-up of China's financial markets

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

To implement the national strategy to steadily advance the opening-up of China's financial markets, the mutual access between the Mainland and Hong Kong interest rate swap markets (Swap Connect) was launched on May 15, 2023. Since the launch, the trading and clearing arrangements of Swap Connect have been operating smoothly and its trading volume has been on the rise with active participation of Mainland and overseas investors. As of the end of April 2024, 20 Mainland dealers and 58 overseas investors had conducted more than 3 600 interest rate swap transactions with an aggregate notional amount of approximately RMB1.77 trillion, representing an average daily turnover of RMB7.6 billion or thereabouts in notional amount. The average daily turnover calculated on a monthly basis had increased by around three times from approximately RMB3 billion in the first month after the launch to over RMB12 billion in April 2024, providing Mainland and overseas investors with a convenient and efficient risk management tool to manage their RMB asset allocation.

To further promote the co-ordinated development of financial derivatives markets in the Mainland and Hong Kong and establish a framework to facilitate high-quality opening-up in the realm of finance, the People's Bank of China, the Securities and Futures Commission and the Hong Kong Monetary Authority have resolved to support the following further enhancements of Swap Connect, after thoroughly reviewing the operational experiences of Swap Connect and carefully considering comments and suggestions from Mainland and overseas investors. First, to enrich the product types, interest rate swap contracts with payment cycles based on the International Monetary Market dates will be accepted for clearing to align with mainstream products traded globally and meet the diverse risk management needs of Mainland and overseas investors. Second, to improve the ancillary services, compression service and the clearing of backdated swap contracts as the associated supporting arrangement will be introduced to facilitate participating institutions to manage the notional amount outstanding, lower capital costs, and foster active trading. In addition, the China Foreign Exchange Trade System (National Interbank Funding Center), the Shanghai Clearing House, and OTC Clearing Hong Kong Limited will roll out other system enhancements and incentive programmes simultaneously to reduce the participation costs of Mainland and overseas investors.

For the next step, the Mainland and Hong Kong regulators will guide the financial market infrastructure institutions in both markets to extend the business collaboration under Swap Connect in a steady and orderly manner and further enhance the operational arrangements of the scheme, with a view to

facilitating the steady opening-up of China's financial markets and strengthening Hong Kong's status as an international financial centre.