

The People's Bank of China Announcement [2012] No. 17

(Bond Repo)

To safeguard the legitimate rights and interests of market participants and promote the standardized and healthy development of China's bond repo market, the People's Bank of China ("PBC") agrees the National Association of Financial Market Institutional Investors (hereinafter referred to as the "NAFMII") to issue the *Master Agreement on Bond Repo in China's Inter-bank Market* (hereinafter referred to as the "Master Agreement"), the relevant matters are hereby announced as follows:

1. Market participants shall sign the Master Agreement for bond repo and timely submit the signed Master Agreement and its supplementary agreement to the NAFMII for registration. The NAFMII shall inform the National Inter-bank Funding Center, China Central Depository & Clearing Co., Ltd. and Inter-bank Market Clearing House Co., Ltd. of relevant signing information in writing on the date of registration.

For the purpose of the Announcement, bond repo means the repo transaction based on the fixed-income securities conducted between market participants on a one-by-one basis, including bond pledged repo and bond outright repo.

2. The Master Agreement shall apply to the bond repo transactions reached after the signing of Master Agreement; for those conducted before the signing, the signed original agreement or the Master Agreement may apply as agreed between the two parties.

3. In order to ensure a smooth transition between the old and new agreements, the transitional period for the implementation of the Master Agreement shall be 12 months after the issuance date of the Master Agreement. And market participants shall sign the Master Agreement as soon as possible during the transitional period.

During the transitional period, the market participants who have not signed the Master Agreement can still carry out bond repo transactions under the original master agreement; and the bond repo transactions between the market participants

who have signed the Master Agreement shall be subject to the new agreement. After the end of the transitional period, the market participants who have not signed the Master Agreement will not be allowed to conduct any new bond repo transactions.

4. The NAFMII shall issue the Master Agreement to market participants in the form of announcement and organize market participants to sign the agreement, provide registration service for the Master Agreement and its supplementary agreement.

5. The NAFMII shall strengthen the market self-discipline management, organize trainings on the Master Agreement, intensify the education for investors, guide market participants to establish a sound internal control and risk management system for bond repo transactions, and maintain the market order and the legitimate rights and interests of market participants.

6. The National Inter-bank Funding Center, China Central Depository & Clearing Co., Ltd. and Inter-bank Market Clearing House Co., Ltd. shall strengthen coordination and support, update corresponding business systems pursuant to the Announcement, and revise relevant business rules, to ensure the safe and smooth operation of bond repo transaction and settlement before and after the execution of the Master Agreement.

7. The announcement concerning the issuance of *Master Agreement on Bond Repo in the China's Inter-bank Bond Market* issued by the Monetary Policy Department of the PBC in 2000 and the *Circular of PBC on Issuing the Master Agreement on Bond Outright Repo in the China's Inter-bank Bond Market* (PBC Document [2004] No. 107) will be annulled after the end of the transitional period.

8. The Announcement shall take effect from the date of issuance.

The People's Bank of China
December 3, 2012