

**CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD. “BOND  
CONNECT” NORTHBOUND LINK REGISTRATION, DEPOSITORY AND  
SETTLEMENT BUSINESS RULES**

**ZHONGZHAIZI [2017] NO. 102**

**Article 1.** To regulate the registration, depository and settlement business for mutual access and cooperation between Mainland China and Hong Kong bond markets (hereby known as “**Bond Connect**”), these Rules are formulated in accordance with the *Administrative Measures for Bond Registration, Depository and Settlement in the Interbank Bond Market (the People’s Bank of China Order [2009] No. 1)*, the *Interim Measures for Administration of Mutual Access between Hong Kong and Mainland China Bond Markets (the People’s Bank of China Order [2017] No. 1)*, the *Joint Announcement of the People’s Bank of China and the Hong Kong Monetary Authority*, the *Notice of the People’s Bank of China General Office on the Clarification of Issues relating to Registration and Depository Arrangements for Bond Connect (Yinbanfa [2017] No. 112)* and other legal and regulatory regimes, and the relevant business rules of the China Central Depository & Clearing Co., Ltd. (hereby known as “**CCDC**”).

**Article 2.** Northbound Link of Bond Connect means the institutional arrangements in relation to trading, depository, settlement and other related activities between the market infrastructures of bond markets in Mainland China and Hong Kong that enable offshore investors in Hong Kong and other countries and regions (hereby known as the “**Offshore Investors**”) to invest in the Mainland China Interbank Bond Market. These Rules apply to the registration, depository, settlement and other relevant business under Northbound Link between the investors in the Interbank Bond Market who have opened accounts at CCDC and the Central Moneymarkets Unit under the Hong Kong Monetary Authority (hereby known as “**HKMA CMU**”).

**Article 3.** Offshore Investors shall satisfy the requirements of the People’s Bank of China on the scope of Offshore Investors, permitted product types and permitted subject bonds when investing in the Mainland China Interbank Bond Market through “Northbound Link”.

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**Article 4.** CCDC is appointed by the People's Bank of China to be a bond registration, depository and settlement institution for the Interbank Bond Market, and it shall exercise its function of central registration, depository and settlement for the Interbank Bond Market.

HKMA CMU is a registration, depository and settlement system that is directly operated by the Hong Kong Monetary Authority and provides bond registration, depository, settlement and other services for its members.

"Northbound Link" shall implement a multi-layer depository system. CCDC shall assume the function of primary depository, and HKMA CMU shall assume the function of secondary depository.

**Article 5.** CCDC shall open a nominee holder bond account (hereby known as the "**Bond Account**") for HKMA CMU to record the aggregate outstanding amount of bonds held by HKMA CMU as a nominee, and shall use the bonds in such account to conduct bond settlement under Northbound Link.

HKMA CMU shall assume relevant obligations and liabilities for the bonds in the Bond Account.

**Article 6.** CCDC and HKMA CMU shall execute a client service agreement, and shall handle the bond issuance, subscription, registration, depository, clearing, settlement, interest payment, principal redemption, corporate actions and other relevant business under Northbound Link in accordance with the service agreement, and other relevant CCDC business rules.

**Article 7.** HKMA CMU shall submit the following documents to CCDC for account opening:

- (1) CCDC account business application form; and
- (2) An executed *China Central Depository & Clearing Co., Ltd. Client Service Agreement (Bond Connect version)*.

**Article 8.** CCDC shall handle the bond registration and depository for HKMA CMU. HKMA CMU shall manage the bond registration and depository for Offshore Investors who have opened bond accounts with it.

The aggregate amount of bonds as registered by HKMA CMU for the bondholders who have opened bond accounts with it shall equal to the outstanding amount of bonds registered in the Bond Account opened by CCDC for HKMA CMU.

**Article 9.** Bonds purchased by Offshore Investors through Northbound Link shall be registered under the Bond Account of HKMA CMU opened at CCDC, and Offshore Investors shall be entitled to enjoy the rights and interests of the securities according to law. Based on the registration and confirmation by CCDC of the bonds held by HKMA CMU as a nominee, HKMA CMU shall exercise its rights against the bond issuer.

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**Article 10.** For the process of settlement under Bond Connect, HKMA CMU shall be a settlement party, and the participant in the Interbank Bond Market who has opened a bond account at CCDC shall be the other settlement party. Bond transfer shall be conducted through the CCDC bond business system, and payment shall be conducted through the RMB Cross-border Interbank Payment System.

HKMA CMU shall provide settlement service to the Offshore Investors participating in Northbound Link.

**Article 11.** Where there is a sufficient amount of bonds in the bond seller's account, CCDC shall lock up the relevant bonds. After completion of payment by the bond buyer, and upon the delivery of a confirmation slip that has been stamped by both settlement parties to CCDC by facsimile, CCDC shall deliver the bonds to the bond buyer's account after it has examined such confirmation slip and is satisfied that it is correct.

Bonds that are readied for settlement, and collateral involved in this settlement, shall only be used for such settlement. The settlement process is irrevocable once completed.

**Article 12.** On the designated settlement date, the bond seller shall ensure the sufficiency of bonds in the bond account opened with CCDC for settlement. Under the mode of gross clearing and transaction-by-transaction settlement, in the event that settlement failure is due to the insufficiency of bonds of the bond seller, the bond seller shall be liable to its trade counterparty for the breach of contract.

**Article 13.** Northbound Link shall follow the prescribed operating hours of the Interbank Bond Market.

**Article 14.** CCDC shall provide bond interest payment and principal redemption payment, remittance services, and other corporate action services, to HKMA CMU in accordance with the method as agreed with HKMA CMU.

On a creditor's right registration date for interest payment and principal redemption, CCDC shall determine the register of bondholders who have opened bond accounts with it and calculate the bond interest payment and principal redemption amount receivable based on the outstanding bond balance of the HKMA CMU Bond Account.

On an interest payment and principal redemption date (as appropriately postponed upon a holiday), in the event that funds of the issuer are credited to the relevant account in a timely and sufficient manner, CCDC will remit the bond interest payment and principal redemption amount receivable to the interest payment and principal redemption receivable account opened by HKMA CMU.

By remitting the bond interest payment and principal redemption amount to the HKMA CMU interest payment and principal redemption receivable account, CCDC is discharged from its obligations for the remittance service.

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**Article 15.** In the event of an inability to process the relevant businesses due to, for instance, the failure of communications or systems, the urgent businesses shall be processed in accordance with *the China Central Depository & Clearing Co., Ltd. Emergency Operation Guidance for System Failure (Tentative) (Zhongzhaizi (2012) No. 1)*.

**Article 16.** CCDC shall be responsible for the truthfulness, accuracy and completeness of the registration, depository and settlement data of the participants of the Interbank Bond Market who have opened accounts with CCDC (which includes HKMA CMU).

HKMA CMU shall report the registration, depository, settlement and other relevant business data of Offshore Investors who are participating in Northbound Link to CCDC in accordance with the requirements of the People's Bank of China on the implementation of higher intensity see-through information collection arrangements and HKMA CMU shall also ensure the truthfulness, accuracy and completeness of such data. CCDC shall ensure that the relevant data shall be appropriately protected and shall only be used for the purposes of risk prevention, market service and regulatory supervision.

CCDC shall submit information of the holders of treasury bonds and local government bonds, and other information to the Ministry of Finance in a timely manner.

**Article 17.** CCDC business fees under Northbound Link shall be charged in accordance with *the China Central Depository & Clearing Co., Ltd. Measures on the Business Fees (Zhongzhaizi [2005] No. 56)*.

**Article 18.** Issues that are not covered by these Rules will be handled in accordance with the existing CCDC business rules and procedures.

**Article 19.** The Rules shall be interpreted by CCDC and shall be effective as of the date of publication.

China Central Depository & Clearing Co., Ltd.

26 June 2017

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