ASIAN BOND MARKETS INITIATIVE BRIEF No. 16

BOND CONNECT AND RECENT CHINA INTER-BANK BOND MARKET DEVELOPMENTS

JULY 2026

About This Brief

The ASEAN+3 Bond Market Forum (ABMF), convened under the Asian Bond Markets Initiative (ABMI), is a platform for public and private sector institutions to support the development of local currency bond markets; analyze and discuss market trends; facilitate policy dialogue and recommendations, including on digitalization and data transformation; and address challenges common to all market stakeholders. The Asian Development Bank acts as secretariat to both ABMF and the ABMI.[1]

As part of its mandate, ABMF compiles the *ASEAN+3 Bond Market Guides* and offers knowledge sharing through other publications, including the ABMI Brief series.

The ABMI Brief series provides insights into bond markets, their development, and necessary or desirable components to issuers, investors, market intermediaries, regulatory authorities and policymakers, academia, and other interested parties. Individual briefs are dedicated to specific subjects discussed in ABMF given their relevance for domestic bond markets.

Central to the work of ABMF and its publications has been explaining regional market features and functions, highlighting the use of standards, and addressing the misperceptions that continue to exist in relation to ASEAN+3 bond or capital markets, such as on investor protection or market access. Bond Connect is a good example of practical market access and, increasingly,

KEY TAKEAWAYS

- Bond Connect represents a link between the established bond market infrastructures of the China Inter-Bank Bond Market and the Hong Kong bond market.
- Participating investors can conduct bond trades and foreign exchange transactions with their existing trading platforms and use their existing custody structure and service arrangements, settling trades through the Hong Kong bond market's infrastructure and custodians. Concurrently, it satisfies the look-through management requirements of the People's Republic of China's onshore regulatory authorities.
- Since its inception in 2017, Bond Connect has developed into a comprehensive cross-border ecosystem, offering risk management tools via Swap Connect and FX Services.
- Significantly, Bond Connect now also allows regional and other international investors to participate in the People's Republic of China's onshore RMB repo business under international practices, as well as conduct offshore repo in RMB and also EUR, HKD, and USD in the Hong Kong bond market using bonds held by participating institutions under Northbound Bond Connect.
- By providing regional and other international investors with easier access from one jurisdiction to another through the connection of financial infrastructures and a streamlined onboarding and registration process, Bond Connect represents an example of regional financial integration within ASEAN+3.

[1] ASEAN+3 refers to the members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea. ABMI publications are available for download from the *AsianBondsOnline* website; https://asianbondsonline.adb.org/.

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the adoption of international standards and best practices. At the same time, Bond Connect, by allowing easy cross-border access to eligible investors, represents a practical form of regional financial integration within ASEAN+3.

This brief explains the Bond Connect model, which seeks to link the investors, participants, and infrastructure of the China Inter-Bank Bond Market (CIBM) with the Hong Kong bond market.

Introduction

The bond market in the People's Republic of China (PRC) is divided into three market segments:
(i) CIBM,
(ii) exchange bond market, and
(iii) commercial banks' counter market.

Considering the scale of these market segments, the CIBM and the exchange bond market are the dominant segments; some of their key characteristics are described in **Table 1.**

Table 1: Major Bond Market Segments in the People's Republic of China

Characteristic	Inter-Bank Bond Market (over-the-counter market)	Exchange Bond Market
Market share	88%	12%
Main regulator	People's Bank of China	China Securities Regulatory Commission
Available debt securities or Debt financing instruments	CCDC only: government bonds, local government bonds, central bank bills, enterprise bonds, collective bonds, financial bonds (commercial bank bonds) SHCH only: medium-term notes, commercial paper, super-short-term commercial paper, private placement notes, SME collective notes, asset-backed notes, project revenue notes; Panda bonds, green debt financing tools, project income notes, SDR-denominated bonds; negotiable certificates of deposit CCDC and SHCH: policy bank financial bonds, financial bonds (non-bank financial institution bonds), government-backed (agency) bonds; asset-backed securities; repurchase agreements	Government bonds, local government bonds, policy bank financial bonds, government-backed (agency) bonds (e.g., railway bonds), enterprise bonds, securities company bonds and short-term notes, corporate bonds and exchangeable corporate bonds, convertible bonds, asset-backed securities, repurchase agreements
Key investors	Institutional investors (e.g., international central banks, international financial organizations, sovereign wealth funds, banks, funds, insurance companies, rural credit cooperatives, securities companies, financial companies, enterprises, international institutions, QFII, RQFII, and QOII)	Small and medium-sized institutional investors (e.g., securities companies, insurance companies, funds, financial companies, qualified individual investors, enterprises); banks (only auction trading is permitted); QFII and RQFII; individuals (very limited)

CCDC = China Central Depository & Clearing Co., Ltd.; QFII = Qualified Foreign Institutional Investor; QOII = Qualified Overseas Institutional Investor; RQFII = Renminbi Qualified Foreign Institutional Investor; SME = small and medium-sized enterprise; SHCH = Shanghai Clearing House; SDR = Special Drawing Rights.
Note: Market share data as of February 2026.
Sources: People's Bank of China. Bond Connect Company Limited.
https://www.pbc.gov.cn/goutongjiaoliu/113456/113469/2026021010061536132/index.html.

The CIBM and, particularly, access to it through Bond Connect is the focus of this brief.[2]

China Inter-Bank Bond Market

The CIBM represents the over-the-counter (OTC) market and is the largest of the three market segments. The CIBM is mainly regulated by the People's Bank of China (PBOC) and offers distinct features and practices, including the use of dedicated terminology. As of December 2025, the CIBM's outstanding balance of all debt financial instruments—the summary term used to describe eligible instruments—stood at CNY3.46 trillion (equivalent to approximately USD492 billion).[3]

Comprehensive descriptions of the CIBM as well as of the PRC's exchange bond market are available in the respective *ASEAN+3 Bond Market Guides*, while this brief also discusses the latest updates for investors accessing the CIBM via Bond Connect (Northbound).[4]

Bond Connect

Bond Connect is an access method to the CIBM in addition, or as an alternative, to the Qualified Foreign Institutional Investor (QFII) and CIBM Direct investment avenues. A comparison of these access methods is provided in the Appendix.

Bond Connect was established in July 2017. As part of the opening-up policy of the PRC, the PBOC issued the interim measures for the administration of mutual bond market access between the PRC and Hong Kong, China (formally 内地与香港债券市场互联互通合作管理暂行办法) (中国人民銀行令 [2017] 第 1 号). It allows overseas investors to access the CIBM without quota restrictions and through their established offshore operational protocols for trading and settlement, rather than requiring adaptation to domestic procedures.

Bond Connect is available for investment in the CIBM, a pathway officially known as Northbound Bond Connect, while Bond Connect Southbound enables institutional investors in the PRC to access the Hong Kong bond market through a direct link between financial infrastructure institutions. Bond Connect Southbound officially commenced operation in 2021.

Northbound Bond Connect investors can trade all cash bonds in the CIBM, the same as with onshore investors, as well as foreign exchange (FX) and some hedging products; they can also conduct repurchase agreement (repo) transactions in line with international standards. Details about these transactions are explained in later sections.

ASEAN+3 Bond Market Forum

The ASEAN+3 Bond Market Forum (ABMF) was established in 2010 under the Asian Bond Markets Initiative by the ASEAN+3 Finance Ministers, with a mandate to support the development of regional local currency bond markets. Since then, ABMF has acted as a platform for dialogue among public and private sector stakeholders in regional bond markets and promoted the exchange and evaluation of ideas among finance ministries, central banks, securities regulators, securities exchanges, depositories, custodian banks, underwriters, and other market intermediary organizations. ABMF discussion outcomes have helped to address common issues and formulate policy recommendations.

The Asian Development Bank publishes the *ASEAN+3 Bond Market Guide* series, which ABMF created and updates for interested parties. The economy-level bond market guides serve as reference materials to learn more about the development of individual regional markets, help address misperceptions, and disseminate regional bond market information to a broader audience. ABMF has proposed, agreed on, and helped implement the ASEAN+3 Multi-Currency Bond Issuance Framework as a practical initiative to harmonize the professional bond markets in ASEAN+3 member economies.

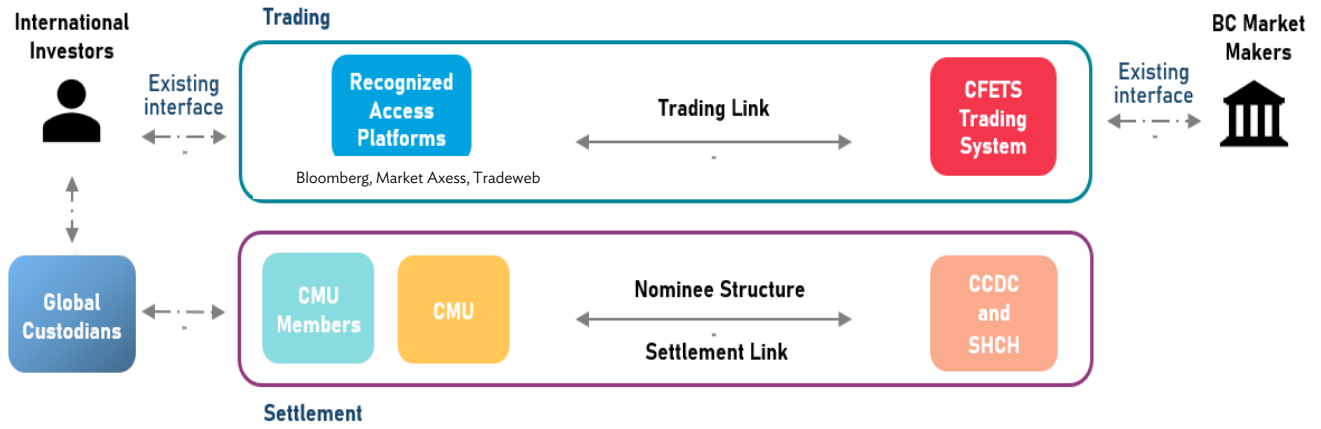
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[2] This brief was co-authored by the ABMF Secretariat at the Asian Development Bank: Yuji Yamashita, principal economist in the Economic Research and Development Impact Department; Satoru Yamadera and Matthias Schmidt, Asian Development Bank consultants; and the Bond Connect Company Limited team.

[3] The United States dollar value is based on the China State Administration of Foreign Exchange reference rate on 31 December 2025: USD1 = CNY7.0288.

[4] *The Inter-Bank Bond Market in the People's Republic of China: An ASEAN+3 Bond Market Guide* (published August 2020) and the *ASEAN+3 Bond Market Guide: Exchange Bond Market in the People's Republic of China* (published October 2019) are available from *AsianBondsOnline* at https://asianbondsonline.adb.org/abmf/publications/.

Figure 1: Structure of Northbound Bond Connect



BC = Bond Connect; CCDC = China Central Depository & Clearing Co., Ltd.; CFETS = China Foreign Exchange Trade System; CMU = Central Moneymarkets Unit; SHCH = Shanghai Clearing House.
Source: Bond Connect Company Limited.

The focus of this brief is how the Bond Connect scheme enables international investors to participate in the CIBM using the Northbound path.

Bond Connect Company Limited

Bond Connect Company Limited (BCCL) is a joint venture between China Foreign Exchange Trade System (CFETS) and Hong Kong Exchanges and Clearing; it is an authorized Automated Trading Services provider supervised by the Securities and Futures Commission of the Hong Kong Special Administrative Region of the PRC.

BCCL was established in Hong Kong, China to support investment in the China bond market via established Hong Kong bond market infrastructures and market intermediaries. BCCL acts as a service provider to eligible international investors who utilize Northbound Bond Connect, facilitating easier access to the China bond market.

How Does Northbound Bond Connect Work?

Northbound Bond Connect allows international investors with an account in the Hong Kong bond market to invest in the CIBM and use its market features without the need to appoint domestic intermediaries. Concurrently, it satisfies the look-through disclosure requirements of the PRC's regulatory authorities.

Figure 1 illustrates the trading and settlement workflow of Northbound Bond Connect, which is characterized by the four main features described below.

Investor Access

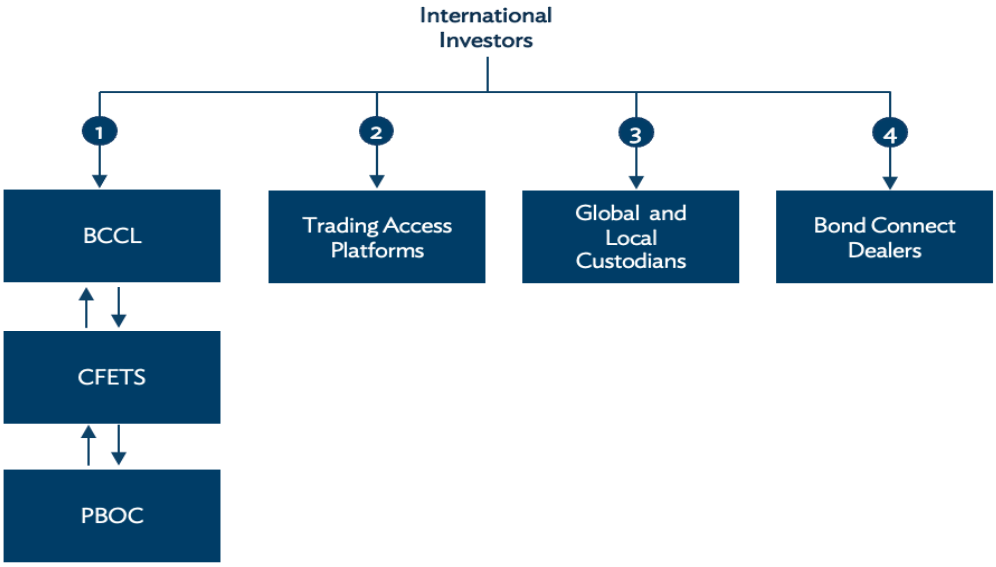
Northbound Bond Connect provides access to all CIBM cash bonds—including government bonds, policy financial bonds, and credit bonds—thereby satisfying most global institutional investors. There is no quota restriction on both the overall investment amount through Bond Connect and the individual transaction size. Eligible investors include central banks, sovereign wealth funds, international asset managers, pension funds, commercial banks, insurance companies, hedge funds, and other investors recognized by the PBOC.

Use of Existing Trading Platforms

International investors can trade bonds in the CIBM through familiar interfaces using one or a combination of three established global trading platforms: Bloomberg, MarketAxess, and Tradeweb. These platforms connect directly to the CFETS system, the official trading venue for the CIBM designated by the PBOC. On CFETS, 60 onshore market makers, including branches or subsidiaries of foreign commercial banks and securities firms, are available to execute transactions.[5]

[5] Onshore market-makers data provided by BCCL.

Figure 2: Northbound Bond Connect Onboarding Process



BCCL = Bond Connect Company Limited, CFETS = China Foreign Exchange Trade System, PBOC = People's Bank of China.
Source: Bond Connect Company Limited.

Familiar Settlement and Safekeeping

At the same time, Bond Connect allows investors to appoint their habitual service providers—a global custodian or a domestic custodian based in Hong Kong, China—to facilitate settlement. Trades routed through Bond Connect are settled using the real-time delivery-versus-payment method with cash settlement in Chinese renminbi through the Cross-Border Interbank Payment System. Overseas participants have the flexibility to determine their settlement cycle, with options ranging from T+0 to T+N.[6]

Transfers of bonds are processed through the registration systems of the central securities depositories servicing the CIBM, the China Central Depository (CCDC), and Shanghai Clearing House (SHCH), which each cover specific market segments, products, and instrument types. The Central Moneymarkets Unit (CMU) maintains nominee accounts with both CCDC and SHCH, and bonds acquired by international investors via Bond Connect are registered under these accounts. In turn, the CMU maintains records of individual ownership of the bonds through participant accounts.

BCCL as a One-Stop Service Provider

BCCL acts as the one-stop service provider within the cross-border ecosystem, supporting the onboarding process to Bond Connect and providing centralized information regarding the operational requirements for overseas investors in the CIBM.

Its key functions are (i) providing support to Northbound investors for admission to and registration with Bond Connect, Swap Connect, and relevant repo business; (ii) marketing and providing information on Bond Connect for both Northbound and Southbound participants; and (iii) liaising with the international trading platforms that are connected to CFETS.

BCCL offers investors a streamlined onboarding experience, as a conduit, guiding them through the onboarding process or the registration of onshore products. At the same time, BCCL regularly gathers feedback and opinions from the international investment community for potential mechanism enhancement.

[6] For operational details, see BCCL. Trading and Settlement—Trading Mechanism. https://www.chinabondconnect.com/en/Northbound/Trading-And-Settlement/Trading-Mechanism.html.

How to Participate in Bond Connect?

Looking at the practical aspects, gaining access to the CIBM via Bond Connect can be achieved through following the streamlined steps detailed in **Figure 2**.

1. **Obtaining regulatory approval**. Investors submit applications to BCCL, which assists in obtaining the filing notice from the PBOC at the entity level and then proceeds to process trading account applications with CFETS.
2. **Enabling trading relationship**. Investors sign up with one or more recognized trading access platforms—Tradeweb, Bloomberg, or MarketAxess—if not already connected.
3. **Appoint a custodian**. If not already in a service arrangement, investors approach a global custodian or a domestic custodian in Hong Kong, China to open a securities subaccount within the CMU system.
4. **Establish a counterparty relationship**. Investors need to establish a counterparty relationship with at least one of the CIBM market makers to enable trading.

For large and experienced international investors with existing global custody service arrangements or an established network of direct custody relationships that include the Hong Kong bond market, investing in the CIBM through Bond Connect will appear as merely "switching on" a new market.[7]

While the timeframe may vary on a case-by-case basis, it generally takes 2–6 weeks for an international investor to be ready for trading.

Key Market Features and Recent Market Developments

Table 2 provides an overview of the different access paths for international investors to the CIBM and some

Table 2: Overview of Access Paths to the China Inter-Bank Bond Market and Their Available Features

	(Northbound) Bond Connect	CIBM Direct
CIBM cash bonds	√	√
FX Services (Enhanced Currency Conversion Arrangement under Northbound Bond Connect)	√	NA
Swap Connect	√	√
Bond lending, bond forwards, and forward rate agreements	NA	√
Offshore RMB Bond Repo	√	NA
Cross-Boundary Bond Repo	√	√
Primary Market Subscription (ePrime Northbound)	√	√
Use of CIBM Bonds as Collateral at OTC Clear	√	NA
Treasury Bond Futures (on China Financial Futures Exchange)	NA	NA

CIBM = China Inter-Bank Bond Market, FX = foreign exchange, NA = not applicable, OTC = over-the-counter, QFII = Qualified Foreign Institutional Investor, RMB = Chinese renminbi (domestic designation), RQFII = Renminbi Qualified Foreign Institutional Investor.
Source: Bond Connect Company Limited.

[7] For step-by-step guidance, application materials, and a list of available custodians, please refer to the Northbound Onboarding Guidance page on the BCCL website at https://www.chinabondconnect.com/en/Northbound/Onboarding/Guidance.html.

of their inherent key features; the different paths are illustrated in detail in the Appendix.[8]

Since inception, the strong commitment of regulators in the PRC and Hong Kong, China has helped develop Bond Connect into a comprehensive cross-border ecosystem. From a straightforward market access option in 2017, Bond Connect now offers, among other features, access to hedging or risk management tools via Swap Connect and FX Services and, since 2025, has allowed overseas investors to participate in the onshore repo business in the CIBM, albeit under international standard repo practices; details are explained below.

FX Services

FX Services allow Bond Connect investors to access CNY-denominated FX products—including spot, forwards, swaps, cross-currency swaps, and options—through up to three designated FX settlement banks based in Hong Kong, China.[9]

Investors may appoint one primary and up to two general settlement banks. While all provide pricing and execution, only the primary settlement bank is authorized to settle Northbound transactions within the CMU system. To utilize these services, investors must either have in place or open CNY-denominated cash accounts with their selected FX settlement banks in Hong Kong, China. BCCL supports the necessary registration with CFETS for the service.

Swap Connect

Swap Connect enables international investors to contract onshore CNY interest rate swaps by directly participating in the PRC derivatives market.

Swap Connect allows international investors (including Northbound Bond Connect investors and CIBM Direct Investors) to follow familiar trading and settlement practices. The International Swaps and Derivatives Association (ISDA) has provided a Swap Connect Appendix to the ISDA–FIA Client Cleared OTC Derivatives Addendum.

The scheme grants investors direct access to onshore dealers via international platforms, while eliminating the need for onshore account opening in the PRC. Bond Connect investors can execute an ISDA agreement or the standard agreement of the National Association of Financial Market Institutional Investors, or they can trade without an agreement with PRC counterparties.

As the world's first derivatives access scheme linking two central counterparties—OTC Clearing Hong Kong Limited (OTC Clear) and SHCH—Swap Connect enables international investors to face a Qualified Central Counterparty in Hong Kong, China (OTC Clear) instead of adopting SHCH counterparty procedures onshore.

Bond Connect investors can utilize Chinese Government Bonds (CGBs) and policy bank financial bonds held through Bond Connect as eligible collateral for initial margining under Northbound Swap Connect, allowing for flexible margin management by investors.[10]

Repurchase Agreement (Repo)

The repo business under Bond Connect was launched in 2025 and consists of two complementary arrangements:[11] (i) the Offshore RMB Bond Repo Business, and (ii) the Cross-Boundary Bond Repo Business.[12] In contrast to the traditional onshore repo business in the CIBM, which is conducted in the form of pledge repo, both repo schemes under Bond Connect are conducted on a title transfer basis; therefore, an overseas investor can effect title-transfer repo transactions under either arrangement Investors may participate in both schemes by submitting only one application form through BCCL and can utilize

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[8] In addition, offshore Five-Year China Government Bond Futures will be available for overseas investors in the Hong Kong market from August 2026. See Securities and Futures Commission. News. https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=26PR94. 18 June 2026.

[9] FX Services are formally known as the Enhanced Currency Conversion Arrangement under Northbound Bond Connect. Details on the settlement banks concept are available at https://www.chinabondconnect.com/en/Northbound/Trading-And-Settlement/Fx-Settlement-Banks.html.

[10] In the CIBM, financial bonds are defined as bonds issued by regulated financial institutions, which include policy banks, commercial banks, insurance institutions, and non-bank financial institutions. For Northbound Bond Connect investors placing collateral, only policy bank financial bonds may be used.

[11] The launch followed a joint announcement by the PBOC, China Securities Regulatory Commission, and State Administration of Foreign Exchange on 26 September 2025; see https://www.safe.gov.cn/en/2025/0926/2391.html.

[12] While ABMF supports the use of standards, including International Organization for Standardization codes for currencies, some market features and descriptions in the CIBM use the designation RMB for renminbi, instead of CNY. This constitutes official market practice and, hence, will be embraced in this brief accordingly.

internationally accepted standard documentation such as the Global Master Repo Agreement or the domestic agreement issued by the National Association of Financial Market Institutional Investors.[13]

Both the Global Master Repo Agreement and the relevant provisions of the National Association of Financial Market Institutional Investors agreement clarify the rights and obligations of the contracting parties under these two title-transfer repo schemes, particularly in the event of a default regarding the transfer of legal title to collateral and the operation of close-out netting. Investors are advised to seek independent legal advice if they are in any doubt about the contents of these documents.[14]

Offshore RMB Bond Repo. The Offshore RMB Bond Repo was launched in February 2025, allowing Northbound Bond Connect participants to use eligible onshore bonds held under Northbound Bond Connect as collateral for repo transactions in the Hong Kong bond market. This scheme involves the Hong Kong Monetary Authority, the CMU, and Hong Kong market makers. Subsequent enhancements were introduced in August 2025, including the rehypothecation of collateral and cross-currency repo in other currencies (e.g., the Hong Kong dollar, United States dollar, and euro), aligning the framework with international market practices and broadening the use of onshore CNY-denominated bonds in offshore markets.

Cross-Boundary Bond Repo. Cross-Boundary Bond Repo was launched in September 2025, enabling Northbound Bond Connect participants as well as CIBM Direct investors to conduct onshore repo transactions and remit the RMB liquidity obtained for offshore use. This scheme involves CMU, CCDC, SHCH, and China bond market makers.

The establishment of these repo schemes not only allows international investors to tap into onshore market makers' liquidity but may also serve as a valuable reference for other monetary authorities regarding the macroprudential management of cross-border financing.

In addition to allowing international investors to participate in the PRC repo market and utilize their own CIBM bonds for collateral or funding purposes, the two repo arrangements provide more stable liquidity support for Hong Kong, China's offshore RMB market. **Table 3** offers a comparison of the characteristics of the two repo arrangements accessible to Bond Connect investors.

Detailed information on the policy and rules for both Offshore RMB Bond Repo and Cross-Boundary Bond Repo can be found on the BCCL website.[15]

Primary Market Subscription

ePrime Northbound, integrated with CFETS' iDeal, enables international investors to connect with onshore underwriters, participate in bidding, and receive allocation confirmation via a seamless interface designed for both investors and underwriters.

More information about ePrime Northbound is available from the BCCL website.[16]

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[13] A pledged repo refers to a debt financing instrument or bond trade in which, at the time the debt financing instrument or bond holder pledges its bonds as collateral in exchange for a cash loan, the two parties agree to return the cash and release the bonds pledged as collateral at the maturity of the repo. In contrast, an outright repo refers to a bond trade in which, at the time the bondholder sells its bonds to the buyer, the two parties agree that the seller will buy back the same quantity of the same bonds at a specified price on a predetermined date. One significant distinction between these two repo types is that the collateral pledged in a pledged repo transaction may not be sold or otherwise used during the term. ADB. 2020. *The Inter-Bank Bond Market in The People's Republic of China: An Asean+3 Bond Market Guide*. https://dx.doi.org/10.22617/TCS200235-2.

[14] International Capital Market Association. 2026. The International Capital Market Association Welcomes the People's Bank of China's Recognition of the Global Master Agreement for Repurchase Transactions Involving CIBM Bonds. *News*. 30 January. https://www.icmagroup.org/News/news-in-brief/the-international-capital-market-association-icma-welcomes-the-peoples-bank-of-chinas-pboc-recognition-of-the-gmra-for-bond-repo-transactions-involving-cibm-bonds-icmapbocgmra/.

[15] For policies and rules on Offshore RMB Bond Repo, see https://www.chinabondconnect.com/en/Repo/Offshore-Rmb-Bond-Repo/Rules-And-Policy.html, for Cross-Boundary Bond Repo see https://www.chinabondconnect.com/en/Repo/Cross-Boundary-Bond-Repo/Rules-And-Policy.html.

[16] Please see https://www.chinabondconnect.com/en/Eprime/Eprime-Northbound/About-Eprime-Northbound.html.

Table 3: Comparison of Repo Business Schemes in the China Inter-Bank Bond Market

Scheme	Cross-Boundary Bond Repo	Offshore RMB Bond Repo
Eligibility	Northbound Bond Connect and CIBM Direct Investors	Only Northbound Bond Connect Investors
Master Agreement	GMRA or NAFMII	GMRA, NAFMII, others
Trading Mode	Northbound linkage (similar to Bond Connect trading pattern)	OTC, Northbound linkage, others
Collateral Utilization	Investors can withdraw CNY and convert in Hong Kong, China if needed: • Sovereign institutions, RMB clearing banks, participating banks: up to 100% of bond value • Other types of international institutional investors: up to 80% of bond value For PRC market makers, the net outstanding balance is capped at 6% of the institution's net Tier-1 capital or core net capital	Rehypothecation of bond collateral is supported during the repo period under four use cases: (i) for re-use in offshore repo transactions, (ii) as collateral for the HKMA's RMB Liquidity Facility, (iii) as margin collateral at OTC Clearing Hong Kong Limited, and (iv) for cash bond trading through Northbound Bond Connect.
Settlement Currency	CNY (RMB) only (convertible offshore after withdrawal)	CNY (RMB), EUR, HKD, USD
Liquidity Pool	Onshore	Offshore
Number of Market Makers	13 PRC onshore market makers	11 Hong Kong market makers

CCDC = China Central Depository & Clearing Co., Ltd.; CIBM = China Inter-Bank Bond Market; CMUOC = CMU OmniClear Limited; CNY = Chinese yuan (ISO code); EUR = euro; GMRA = Global Master Repurchase Agreement; HKD = Hong Kong dollar; HKMA = Hong Kong Monetary Authority; NAFMII = National Association of Financial Market Institutional Investors; OTC = over-the-counter; PRC = People's Republic of China; repo = repurchase agreement, RMB = Chinese renminbi (domestic designation); SHCH = Shanghai Clearing House; USD = United States dollar.
Source: Bond Connect Company Limited.

Use of CIBM Bonds as Collateral

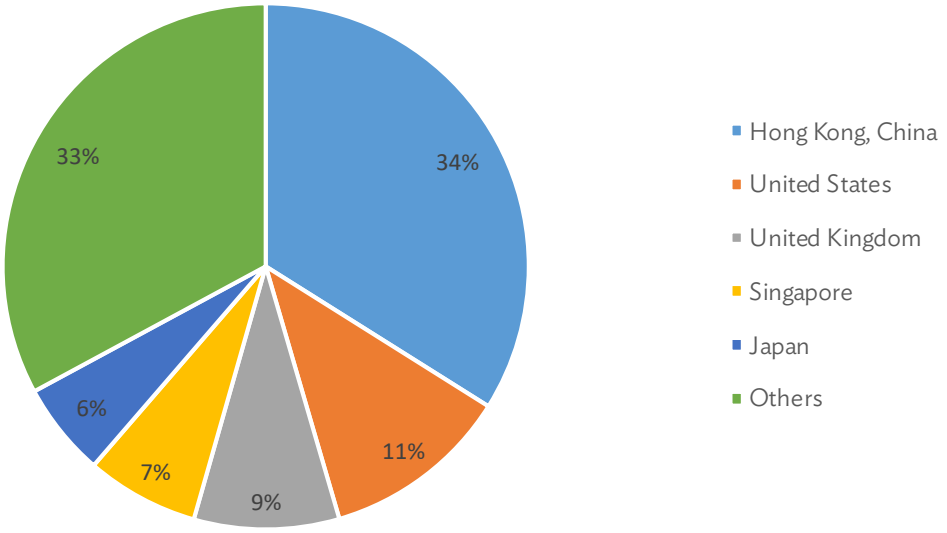
International investors can use onshore bonds issued by the PRC's Ministry of Finance and policy banks, and held under Northbound Bond Connect, as eligible margin collateral at OTC Clear for derivative transactions in the market in Hong Kong, China. This initiative provides even greater flexibility for the use of collateral by Bond Connect investors.

Treasury Bond Futures

Qualified Foreign Institutional Investors (QFIIs) and Renminbi Qualified Foreign Institutional Investors have been allowed to participate in Treasury bond futures trading on the China Financial Futures Exchange since April 2026, with trading activities limited to hedging purposes.

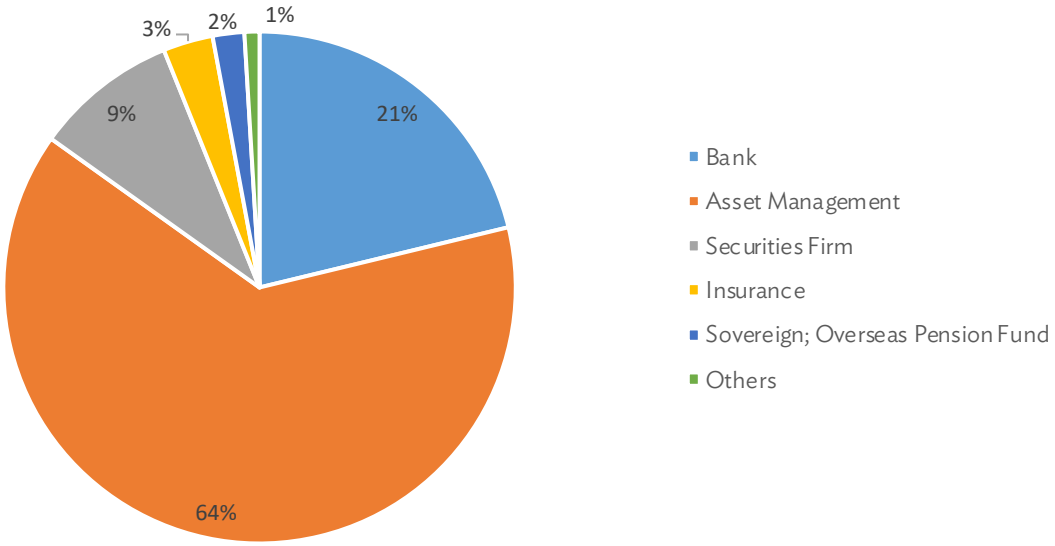
The move is part of the efforts to broaden the investment scope for QFIIs and Renminbi Qualified Foreign Institutional Investors, enrich interest rate risk management tools, enhance the appeal of CNY-denominated bond assets, improve the stability of foreign institutional investment behaviors, and push forward the high-quality development of both spot and futures markets for bonds.

Figure 3: Breakdown of Northbound Bond Connect Investors by Jurisdiction



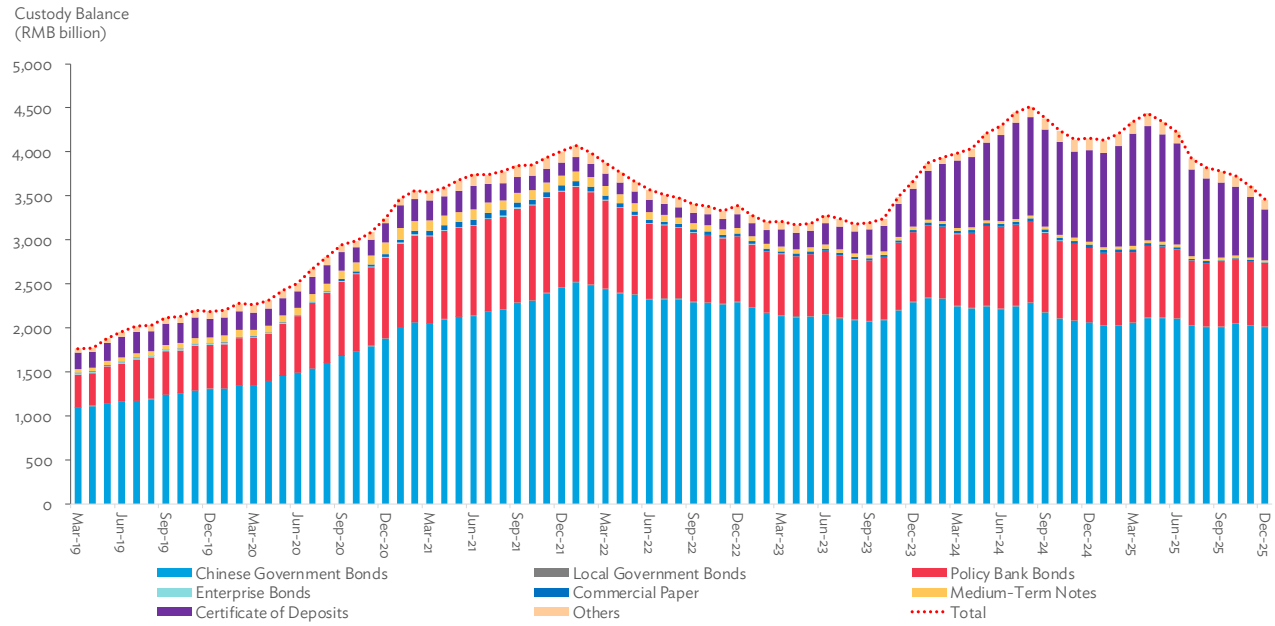
Notes: Percentages are based on investors that have received the People's Bank of China's filing notice. Data as of 1 June 2026.
Source: Bond Connect Company Limited.

Figure 4: Breakdown of Northbound Bond Connect Investors by Investor Type



Notes: Percentages are based on investors that have received the People's Bank of China's filing notice. Data as of 1 June 2026.
Source: Bond Connect Company Limited.

Figure 5: Assets Under Custody by International Institutional Investors in the CIBM



CIBM = China Inter-Bank Bond Market, RMB = Chinese renminbi.
Note: Data as of December 2025.
Sources: Bond Connect Company Limited; China Central Depository & Clearing Co., Ltd.; and Shanghai Clearing House.

Conclusion

Guided by the declared policy objective of opening up of the Chinese bond market and adhering to market-oriented principles, regulatory authorities in the PRC and Hong Kong, China have established a comprehensive Bond Connect ecosystem that facilitates the integration of financial resources—including cash bonds, FX, derivatives, and repo—with BCCL acting as a conduit to this ecosystem.

The introduction of Bond Connect has seen sustained growth in investor access, holding balances, and trading volume since inception. As of December 2025, BCCL had registered 839 investors from 40 jurisdictions.[17] A breakdown of these investors is provided: by jurisdiction in **Figure 3** and by type in **Figure 4**.

Since the launch of Bond Connect, the holding balances of international investors have increased nearly fourfold, with total foreign holdings in the CIBM standing at approximately RMB3.45 trillion in December 2025 **(Figure 5)**.

Bond Connect enables the trading of all CIBM cash bonds through familiar global interfaces (via an integrated link to the CFETS) and supports a flexible settlement cycle (from T+0 to T+N). The ability to use existing custody arrangements, allowing for operational compatibility, is complemented by safekeeping of the CIBM bonds through an account with CMU, which reduces settlement and counterparty risk.

Recent developments such as the ability for foreign investors in the CIBM to participate in repo business—specifically, the title-transfer type repo in contrast to the pledge repo type traded among onshore investors—and utilize hedging instruments, coupled with the adoption of international standards and practices, make the access to the CIBM via Bond Connect more attractive.

Inclusion into Major Bond Indices

The accessibility of the CIBM through Bond Connect, using established trading and settlement arrangements in line with international expectations, supported the inclusion of CGBs into three major global indices, which in turn contributed to passive capital inflows.

[17] BCCL's data are as of December 2025. A list of approved financial institutions and investment managers is available on the Bond Connect website at https://www.chinabondconnect.com/en/Northbound/Onboarding/Approved-Investors.html.

Specifically, the Bloomberg Barclays Global Aggregate Index began phasing in CGBs and policy bank bonds in April 2019. Subsequently, the J.P. Morgan GBI-EM Global Diversified Index added CGBs to its basket starting in February 2020, followed by the FTSE World Government Bond Index, which commenced the inclusion of CGBs in October 2021.

The Road Ahead

BCCL activities are closely aligned with the policy direction set by the PBOC in promoting the high-level opening-up of the China bond market. In 2025, the PBOC identified four priorities:[18]

1. advancing RMB bonds as High-Quality Liquid Assets,
2. enhancing cross-border connectivity between onshore and offshore infrastructures,
3. enriching risk management tools for international investors, and
4. further facilitating the investment and financing environment in the RMB bond market.

To support these goals, BCCL will continue to implement regulatory initiatives with execution details that reflect market practice and investor needs, provide clear and accurate guidance to investors accessing the China bond market, and maintain effective communication channels to keep stakeholders informed of policy developments.

Ongoing dialogue with investors will remain central, ensuring their feedback informs proposals to regulators and continues to provide potential reference cases for regional financial integration.

Appendix

Access Schemes to the China Inter-Bank Bond Market

Characteristic	QFII and RQFII	CIBM Direct	Northbound Bond Connect
Market	Exchange Market and CIBM	CIBM	CIBM
Commenced	2002 and 2011	2016	2017
Currency	CNY (RMB)	CNY (RMB), FCY	CNY (RMB), FCY
Approving Authorities	CSRC, SAFE; CSRC, SAFE, PBOC	PBOC and SAFE	PBOC
Description	Allows eligible international institutional investors to invest directly (using either foreign currency or CNY) in equities, bonds, and other products in domestic markets	International investors sign agency agreements and complete registration with onshore regulators. They can open onshore cash accounts and trade and clear through intermediaries in the CIBM.	International investors can participate in the CIBM with electronic trading platforms, multi-level custody, and one-stop access.
Holding Structure	Direct custody	Direct custody	Nominee account via CMU
Custody structure	Onshore and Offshore	Onshore	Offshore

CIBM = China Inter-Bank Bond Market, CMU = Central Moneymarkets Unit, CNY = Chinese renminbi (ISO code), CSRC = China Securities Regulatory Commission, FCY = foreign currency, PBOC = People's Bank of China, QFII = Qualified Foreign Institutional Investor, RMB = Chinese renminbi (domestic designation), RQFII = Renminbi Qualified Foreign Institutional Investor, SAFE = State Administration of Foreign Exchange.
Sources: Asian Development Bank. 2020. *The Inter-Bank Bond Market in the People's Republic of China: An ASEAN+3 Bond Market Guide*. Manila; People's Bank of China; Bond Connect Company Limited; and CSRC.

[18] The information is sourced from the relevant speeches of PBOC officials at the 2025 International Capital Market Association China Debt Capital Markets Annual Conference in Beijing.

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ISBN 978-92-9277-875-0 (print)
ISBN 978-92-9277-876-7 (PDF)
Publication Stock No. BRF260318-2
DOI: http://dx.doi.org/10.22617/BRF260318-2

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