

High-level summary notes

2026 interview series on China repo market

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Market Practice and Regulatory Policy

Market Observations - Summary

Market opening is progressing

- Market access continues to expand, although foreign participation remains relatively limited but interest is growing.

Implementation remains the key challenge

- Policy direction is generally viewed positively, but a number of building blocks still need to mature.

Transparency as the biggest gap

- Engagement with the onshore market on international practices, but more importantly as well, international participants need greater clarity on onshore practices and operational constraints.

Onshore market structure

- Pledge repo dominates; title-transfer remains the policy direction, but likely to embrace both structure.
- Repo usage is less developed with greater familiarity and comfort historically associated with outright cash bonds transactions and money market products.

Documentation

- NAFMII is default for CGB repo, even with title-transfer economics; GMRA is mainly used for non-RMB instruments.
- Market standard China Annex provisions could be helpful with some already been developed and used on bespoke basis.

Participation constraints

- Bond Connect flow is concentrated, but designated counterparty frameworks restrict participation, where existing GMRA relationships cannot be leveraged. CIBM Direct may be more liquid through onshore integration, although activity remains largely pledge-based.
- Liquidity remains limited, resulting in less competitive pricing. Greater onshore engagement are needed to deepen quotes and market-making.
- Onshore counterparties operate under internal cash limits when with offshore counterparties, constraining deal size.

Market Observations – cont.

Legal enforceability

- Views on legal enforceability were mixed. Some expressed reservations on existing legal opinions, others considered the legal framework to be sufficient, with the PBoC's recognition of GMRA.
- Pledge repo requires security enforcement before proceeds can be netted.

Infrastructure & operations

- Lack of net settlement creates significant intraday liquidity strain.
- Infrastructure's ability to support title-transfer margin securities for repo purposes remains unconfirmed.
- Far-leg settlement / close-out may require defaulting-party cooperation, creating execution risk.

Counterparty

- Counterparty credit assessment is a key challenge, especially when establishing relationships with new offshore counterparties.

Market conventions & transparency

- No standardised methodology exists for exposure calculation, pricing or applying haircuts. Often determined on a case-by-case basis and can deviate significantly from market standards.
- Lack of transparency and understanding of market conventions, particularly regarding bespoke structures proposed by onshore counterparties

CCP repos

- Feedback on CCP clearing appears exploratory; potential benefits through multilateral netting, standardised margining and default management, although successful adoption will depend on access, legal certainty, market liquidity and settlement workflow.

Other uncertainties: tax treatment, CGB future hedging route, language barrier