



Collateral Management Service

Collateral Management Service Center,
China Central Depository & Clearing Co., Ltd

BAI Yang (Barry)

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Contents

01

China Inter-Bank Bond Market

02

CCDC's Collateral Management Service

03

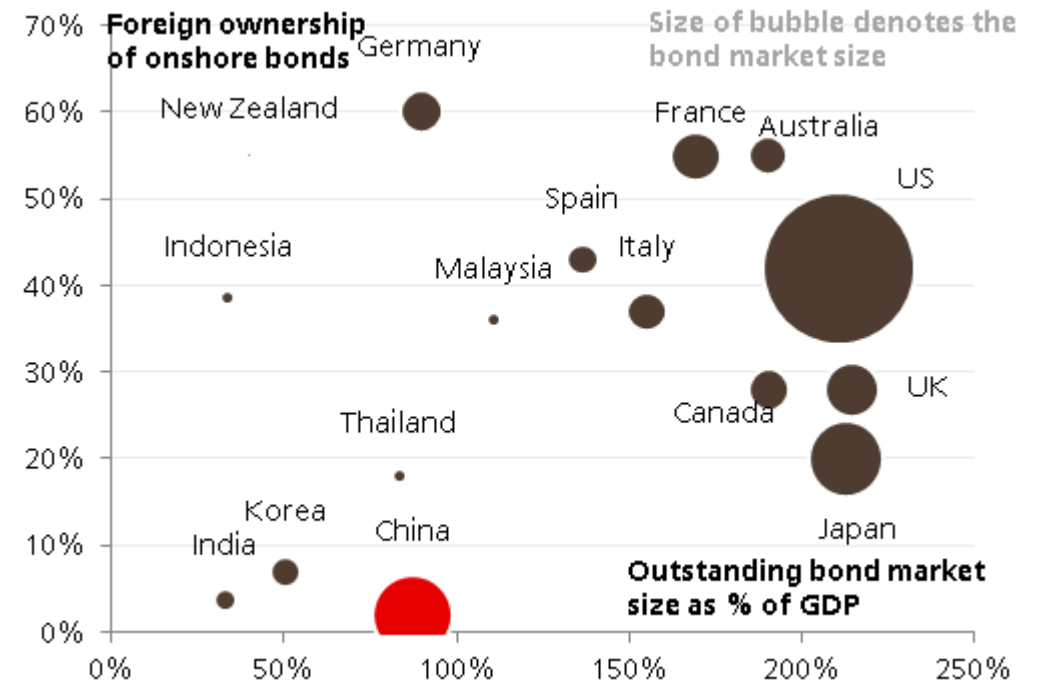
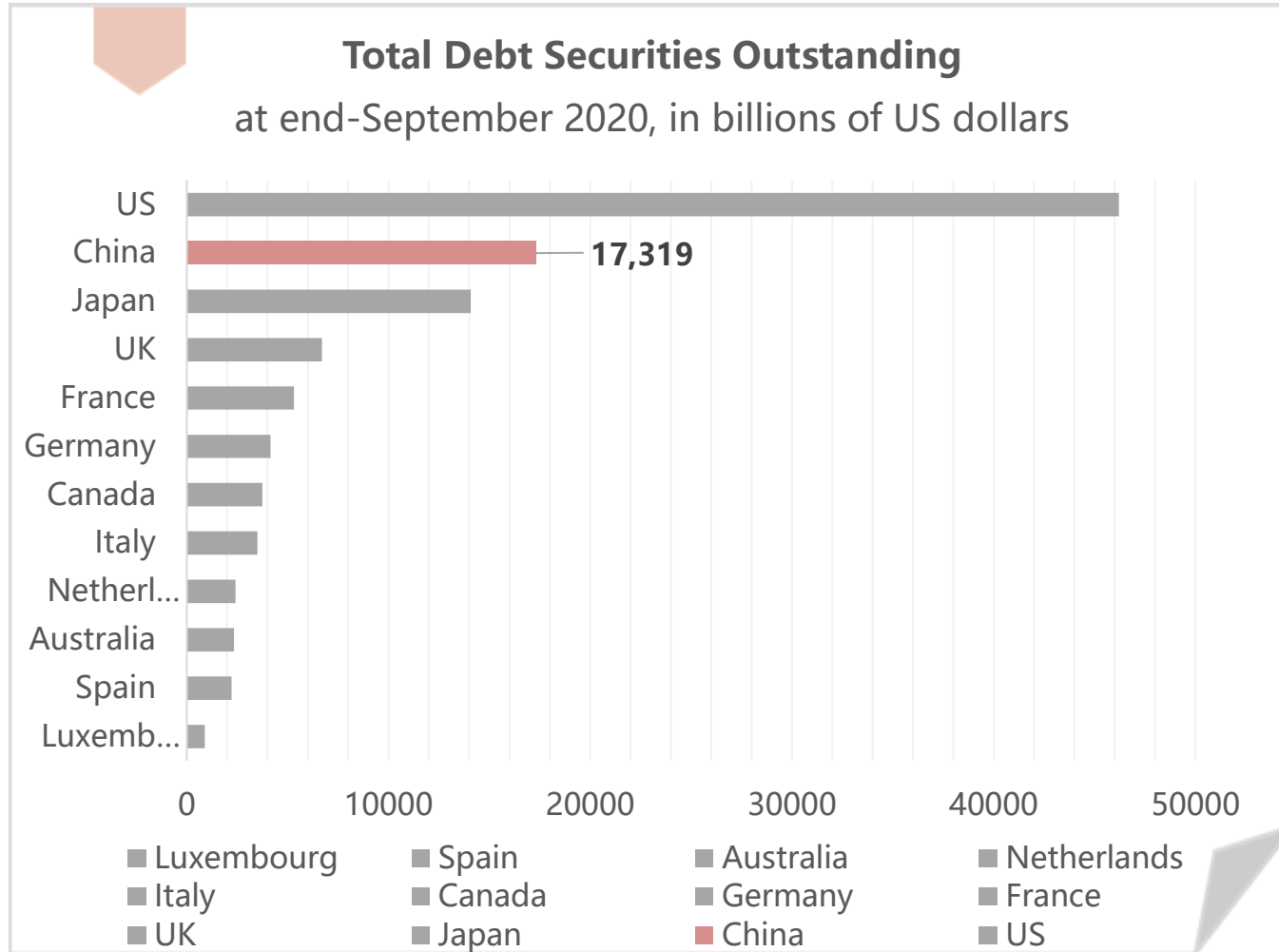
Innovative Mechanism of Collateral Management

01.

China Inter-Bank Bond Market



A Large and Growing Market

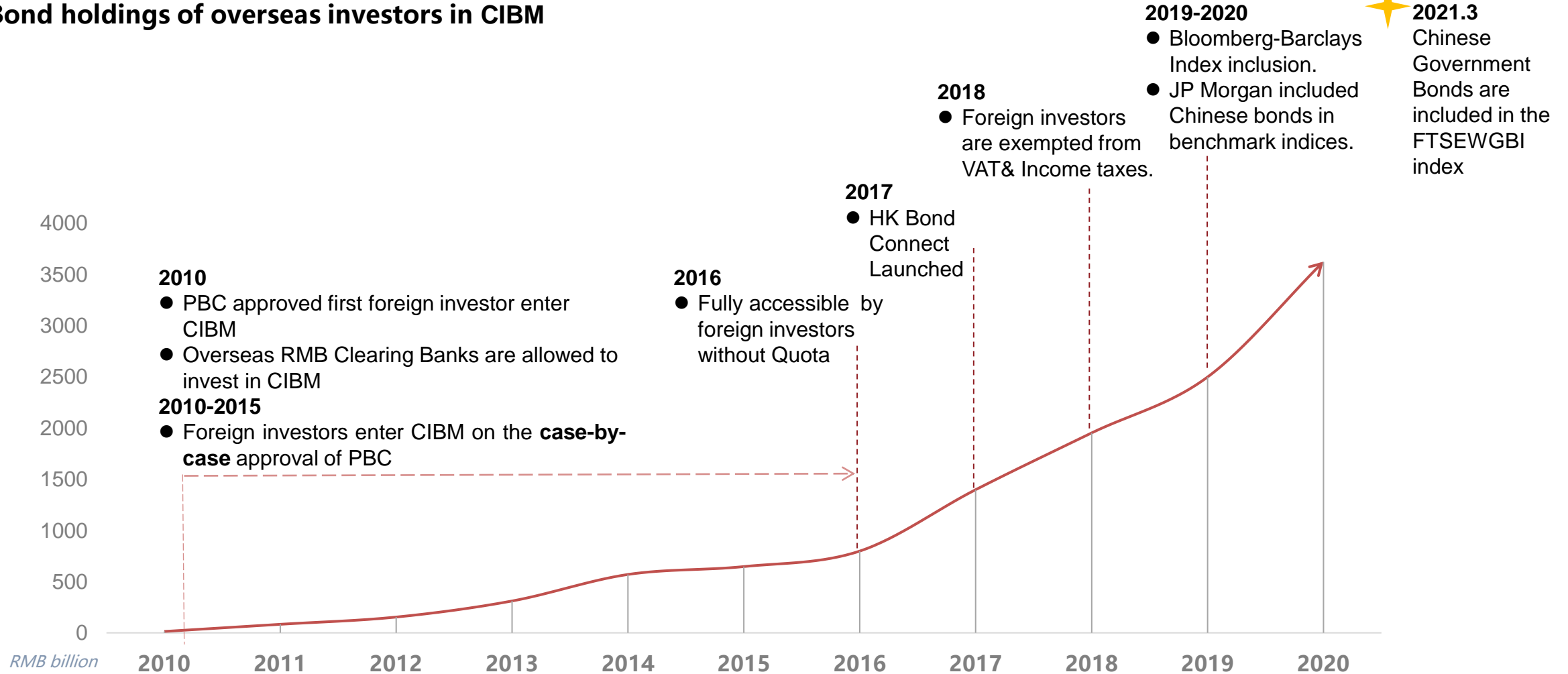


Data source: BIS

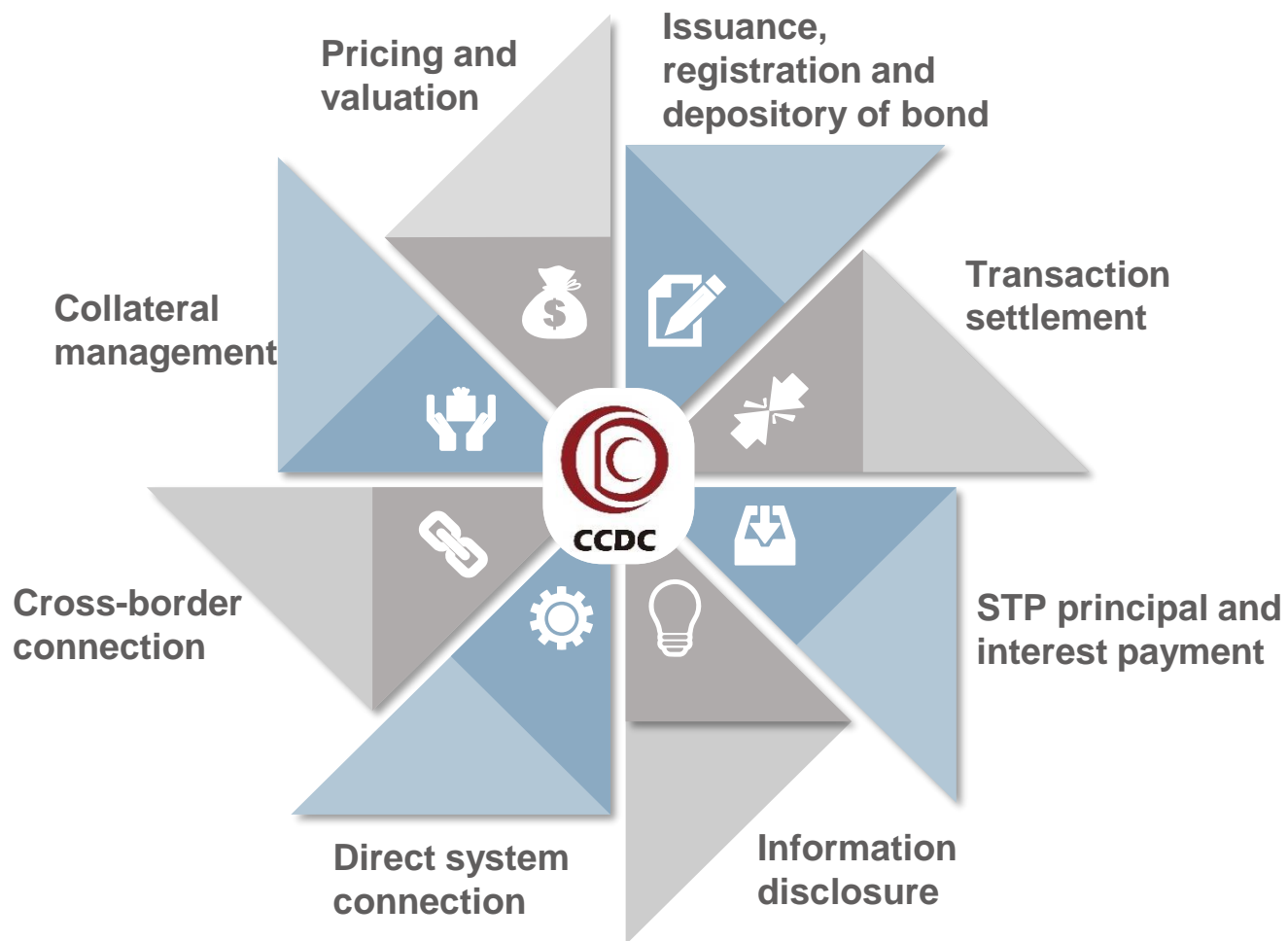
Q-Series, UBS Evidence Lab

Foreign Capital Flow into China Inter-Bank Bond Market (CIBM)

Bond holdings of overseas investors in CIBM



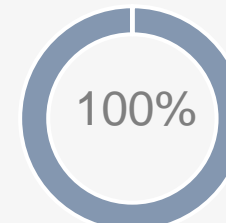
CCDC Overview



Data source: CCDC

29,000+

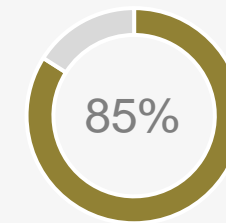
Total accounts of investors



All CGB/LGB/PBB are deposited in CCDC

78.8 Trillion+

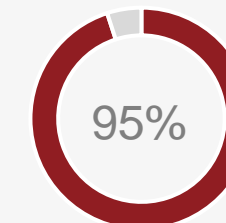
Total RMB bond deposit volume in CCDC



Accounting for 88% volume of the CIBM

3.16 Trillion+

RMB bond held by overseas investors in CCDC



Accounting for 95% of total overseas investors' holding in CIBM (NCD not included)



CCDC PFMI Information Disclosure and Self-Assessment

This report is based on the CPSS-IOSCO Principles for Financial Market Infrastructures, and adopts approaches recommended in the corresponding PFMI: Disclosure Framework and Assessment Methodology to complete self assessment and information disclosure

Ratings summary

Assessment category	Principles
Observed	2, 3, 4, 5, 7, 8, 9, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23
Broadly observed	1
Partly observed	
Not observed	
Not applicable	6, 10, 14, 24

<https://www.chinabond.com.cn/cb/eng/yjfx/zzfx/nb/20200409/154062995.shtml>

02.

CCDC's Collateral Management Service



The CCDC's Collateral Management

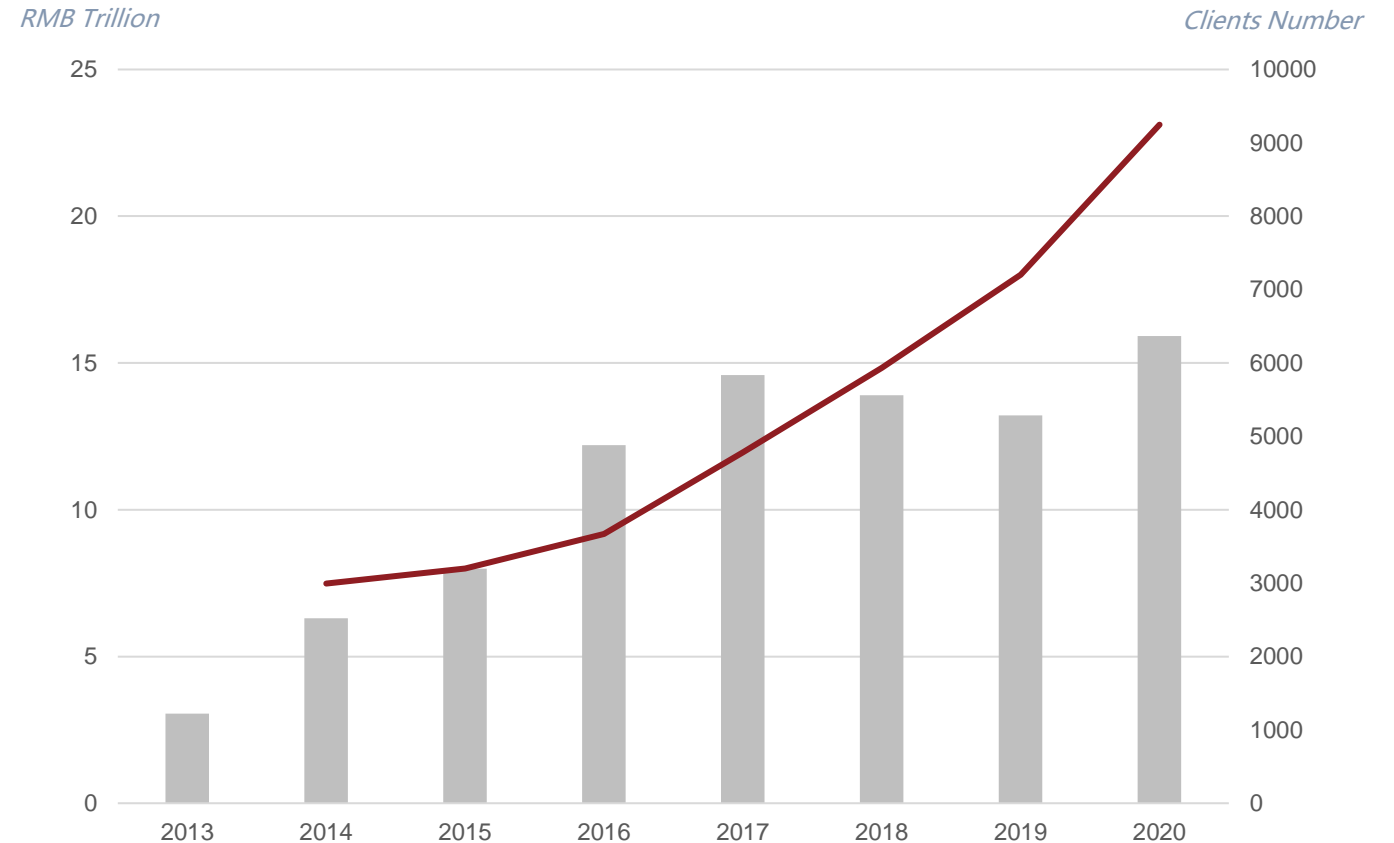
The largest bond collateral management institution across the globe.



16 Trillion

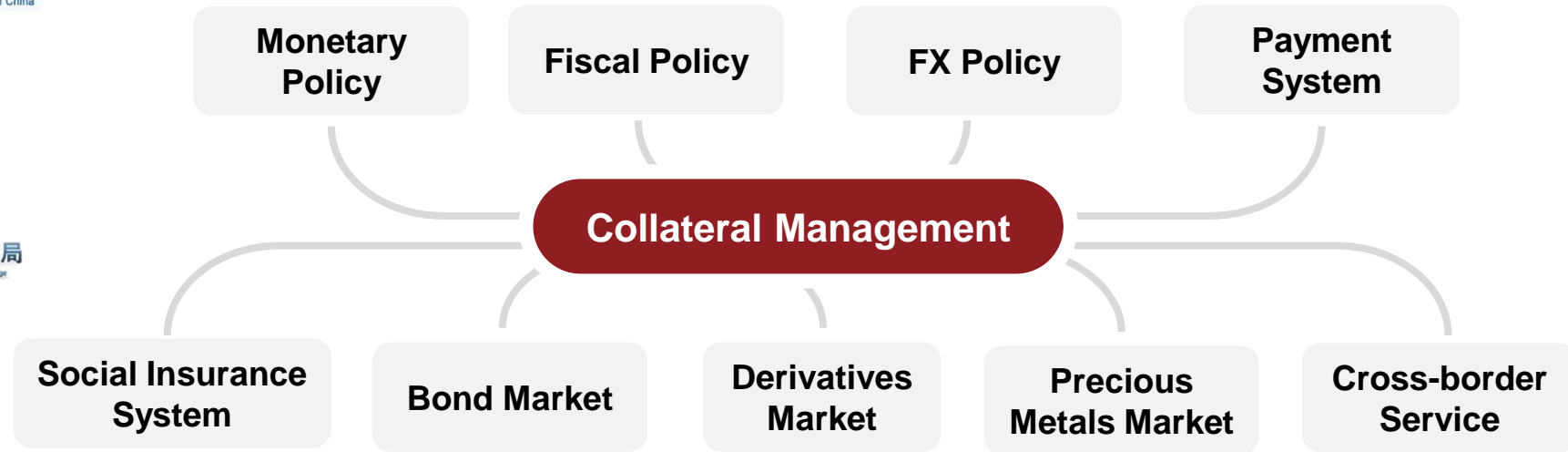


9000 + Clients

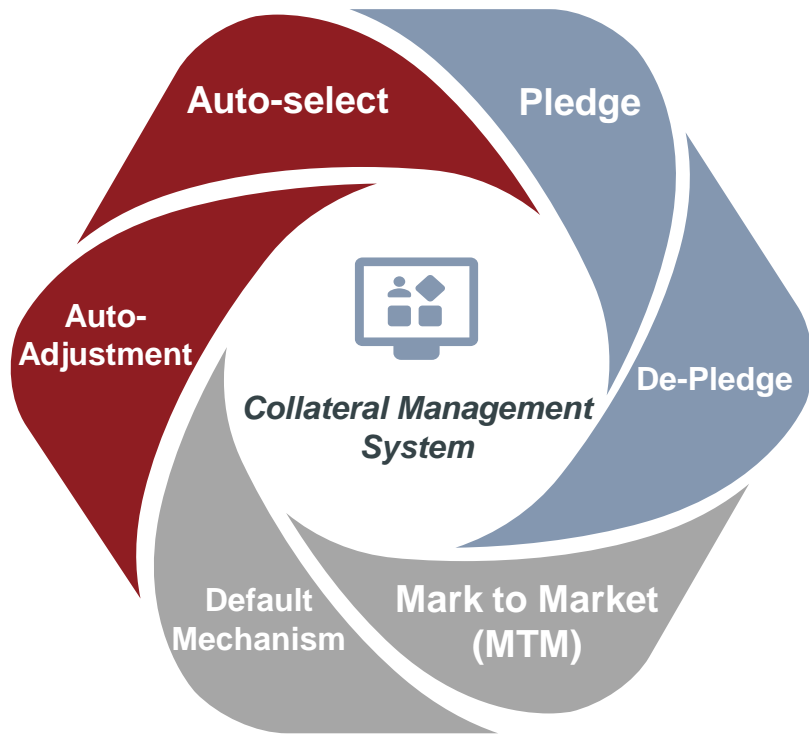


Data source: CCDC

The CCDC's Collateral Management



The CCDC's Collateral Management



03. Innovative Mechanism of Collateral Management

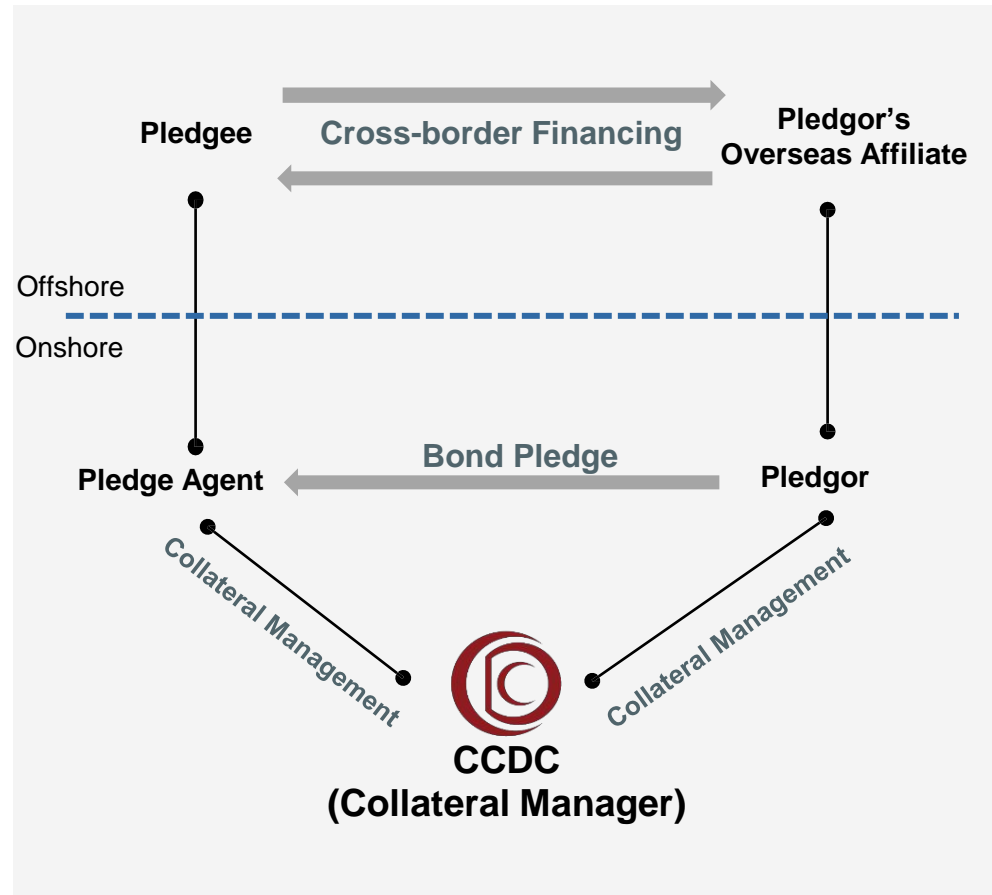


Application of RMB Bonds in Cross-Border Business



Cross-border collateral services support offshore financing

Continue to provide efficient, safe and professional collateral management services for financial institutions' cross-border financing.



"Free Trade Zone (FTZ) foreign currency financing collateral management business" was selected as "China (Shanghai) Pilot FTZ Financial Innovation Case"

- The first introduction of a collateral management mechanism in the FTZ.
- For the first time, the collateral rapid default settlement service was extended to the FTZ
- Support financial leasing companies to participate in collateral business for the first time



Business volume

- Support cross-border currency swaps of **17.02 billion RMB**.
- Support cross-border issuance of credit enhancement of **6.16 billion RMB**.
- Support cross-border financing guarantees of **31.72 billion RMB**.

Integration of collateral management and derivatives

In the **on-exchange derivatives market**,
bonds have been fully applied as a margin mechanism.

In November 2019, CCDC signed a memorandum of cooperation with **Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange, China Financial Futures Exchange and Shanghai International Energy Exchange** to introduce bonds as a futures margin mechanism into the futures market.



91 Participating Institutions



The scale of collateral exceeds
14 billion RMB.



Each year, it can reduce the costs for
the market by approximately 7.7 billion
RMB.

Resource: CCDC

Integration of collateral management and derivatives

In the international market, the implementation of the mandatory margin system for OTC derivatives has a broad impact on market participants.

Qualified Collateral

In June 2019, CCDC's proposal of "Both sides agree to promote RMB bonds as qualified collateral generally accepted in the UK market" was formally included in the results of **the 10th China-UK Economic Dialogue**.

Policy Outcomes of the 10th UK-China Economic and Financial Dialogue

The UK's Chancellor of the Exchequer and Chinese Vice-Premier Hu Chunhua concluded the 10th UK-China Economic and Financial Dialogue on 17 June 2019, in London. They welcomed the 65th anniversary of the exchanging of Chargés d'Affaires and reiterated their commitment to foster a global comprehensive strategic partnership for the 21st Century. Both sides attach great importance to the "Golden Era" of UK-China relations, agree to deepen strategic economic collaboration, boost bilateral trade and investment, and deepen financial links, and are committed to work together towards the UN sustainable development goals, actively promoting equality and diversity, and creating a prosperous society for all. Both sides are committed to supporting multilateralism, respect international law and fundamental norms governing international relations with

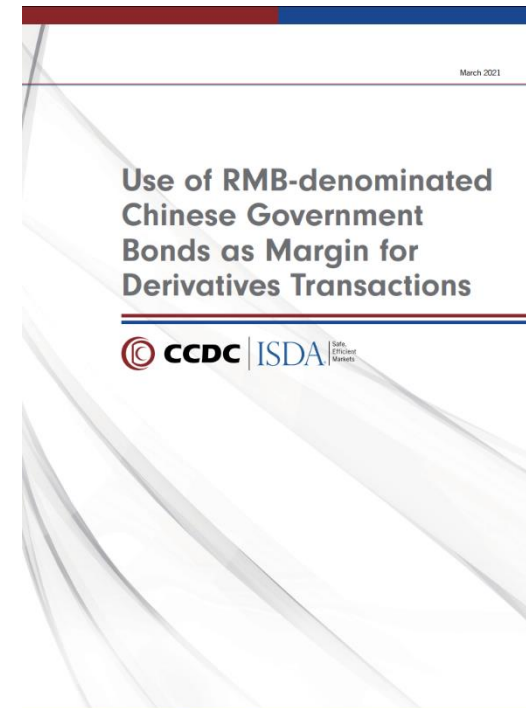
and encourage innovation of RMB-denominated financial products. Both sides agree to promote RMB bonds as common qualified collateral accepted by the UK market. China welcomes more qualified British commercial banks

agree to enhance cooperation on capital market connection, financial market infrastructure and regulation and cross-border use of RMB. Both sides agree to continue to promote the China-UK cross-border RMB business and support the use of RMB as the settlement currency in bilateral trade and investment.

Both sides commit to support UK RMB clearing banks to expand business, continue to promote development of the off-shore RMB market in London, and encourage innovation of RMB-denominated financial products. Both sides agree to promote RMB bonds as common qualified collateral accepted by the UK market. China welcomes more qualified British commercial banks and market infrastructure companies to join Cross-border Interbank Payment System.

CCDC-ISDA White Paper

In 2020, in close cooperation with ISDA, with the strong support of ICBC and BOC, a **joint white paper on the theme of using RMB bonds as margin for OTC derivatives transactions** is also officially finalized.



Default Disposal Service


CCDC Offerings of Collateral Enforcement

Auction

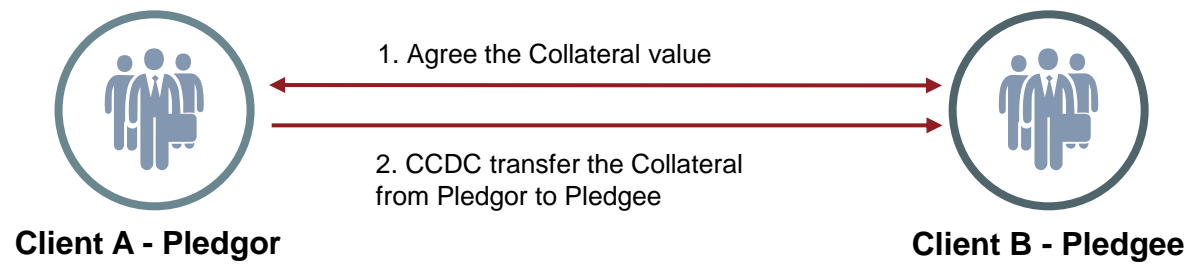
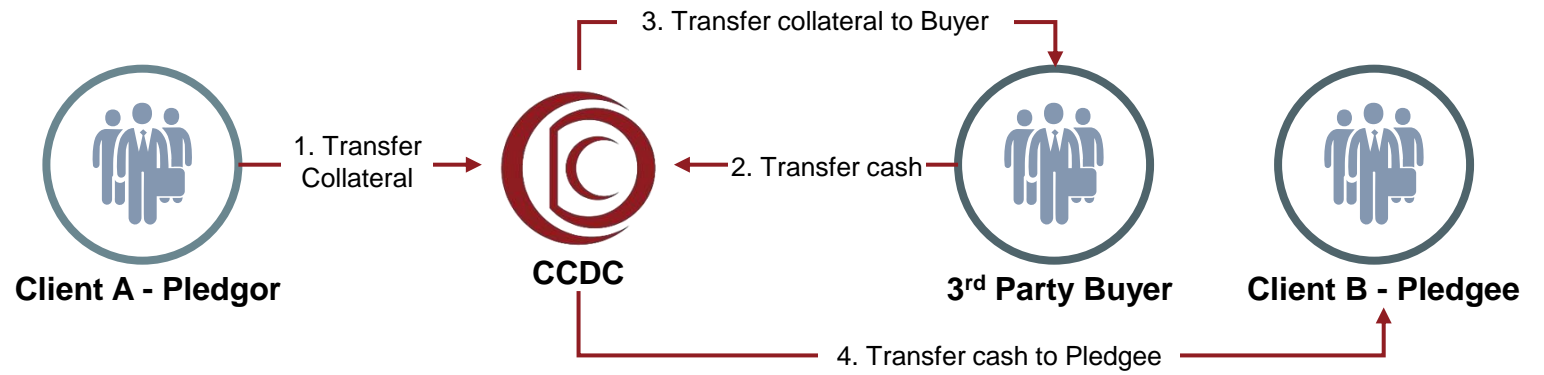
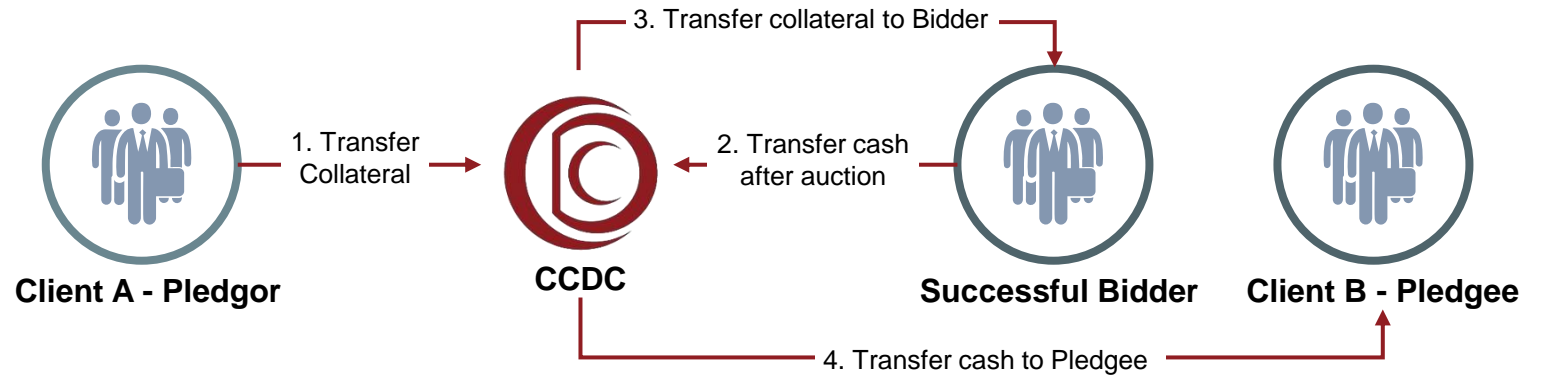
- Raised by Pledgee
- Floor price announced by CCDC
- Surplus cash or collateral will be transferred back to Pledgor

Private sale / transfer

- Raised by Pledgee
- Sale price shall not be less than fair value, except from Pledgor's confirmation
- 3rd party buyer can be Pledgee as well
- Surplus cash or collateral will be transferred back to Pledgor

Conversion into value

- Raised by both parties
- Sale price shall be not less than fair value, except from Pledgor's confirmation
- Surplus collateral will be de-pledged



Thanks.

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2021. 06



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Note: The data related to bonds in the slides are sourced from CCDC, which reflect relevant business of overseas institutions that have opened an account with CCDC

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