China’s Interbank FX Market and China FX Committee

November, 2018
PART/ 1

Developments in China’s Interbank FX Market
CFETS founded in 1994, providing an integrated e-trading platform

Continuous Growth of Market Size

Expanding of Market Participants

Diversification of Products

Improvement of Trading Mechanisms

Opening Up of the Market
Continuous Growth of Market Size

- Average annual growth rate of over 30% since 1994.
- Trading volume reaches 20.4 trillion USD in 2017 and 17.4 trillion USD, in the first three quarters of 2018.
- Daily average turnover: 100 billion USD.
Expanding of Market Participants

### China’s Interbank FX Market

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Number</th>
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<tbody>
<tr>
<td>Rural Commercial Banks and Cooperative Banks</td>
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<td>Foreign-Funded Banks</td>
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<td>Urban Commercial Banks</td>
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<td>Rural Credit Cooperatives</td>
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<td>Policy Banks</td>
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<td>Village Banks</td>
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<td>Fund &amp; Securities companies</td>
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<td>Private Banks</td>
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<tr>
<td>Enterprise Groups</td>
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<tr>
<td><strong>Total: 673 members</strong></td>
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</tbody>
</table>

By Sep. 30th, 2018
Diversification of Products

**RMB/FX Market**
Trading Instrument
Spot/Forward/Swap/Currency Swap/Option

27 Currency Pairs
USD/CNY, EUR/CNY, JPY/CNY, etc.

Trading hours:
9:30 – 23:30

**Interbank FX Market**

**G10 Currency Pair Market**
Trading Instrument
Spot/Forward/Swap/CCS/IRS

11 Currency Pairs
EUR/JPY, EUR/USD, GBP/USD, etc.

Trading hours:
7:00 – 23:30

**Foreign Currency Lending Market**
- 7 Currencies:
  USD; EUR; HKD; JPY; AUD; CAD; GBP
- Trading hours:
  7:00 – 23:30
China’s Interbank FX Market

FX Derivatives Market

Data sources: BIS 2016 Triennial Report, CFETS
Currency Pairs in RMB/FX Market

- USD.CNY 99%
- Non-USD 1%
  - EUR.CNY 48%
  - HKD.CNY 18%
  - JPY.CNY 17%

Currency Pairs in G10 Market

- EUR.USD 43%
- USD.HKD 27%
- AUD.USD 3%
- USD.CHF 1%
- USD.CAD 3%
- USD.JPY 19%
- GBP.USD 4%
Improvement of Trading Mechanisms

CFETS

QDM
- Anonymous
- Bilateral
- Matching

ODM

RFQ

ESP
Opening up of China’s FX Market

**Sep, 2015**
Foreign central banks, sovereign wealth funds and international financial institutions could trade all listing CNY related products without any limitation.

**Dec, 2015**
Qualified offshore banks participating in RMB purchases and sales business could trade all listing CNY related products with a trade background.

**July, 2017**
The scope of RMB purchases and sales expanded to cover cross bond investment to support Bond Connect.
Overseas Participation

- **Number**: 93 offshore members,
  - 39 foreign central banks and similar institutions
  - 21 offshore RMB clearing banks
  - 33 offshore Participating banks

- **Turnover**: ¥ 992 bn in the first three quarters of 2018, ↑ 209.5% YoY
PART/  2

China FX Committee
A Double-Layered Structure

China FX Committee (Individual Based)
- Representatives from Public Authorities
- Senior Practitioners from Key Market Participants
- Senior Experts in the FX Market

FX Market Self-Disciplinary Mechanism (Institution Based)
- Key Members
- General Members
- Associate Members
  - Exchange Rate Working Group
  - Interbank FX (Wholesale) Market Code of Conduct
  - Retail FX and Cross-Border RMB Business Working Group

Guidance
Implementation & Feedback
CFXC – Objectives and Functions

Channel of Communication

01. Key Issue Discussion
02. Code of Conduct
03. International Communication

Self-Disciplinary Mechanism

04. CFXC and Self-Disciplinary Mechanism
PART 3
Promoting Code Adherence
Adherence demonstrated via the Statement of Commitment

- The double-layered structure is leveraged to promote Code adherence among a broad range of wholesale FX market participants in China.

- 42 market participants have signed a Statement of Commitment, covering all of the institutions of CFXC members.

- CFETS Public Register
More Detailed China FX Code to Further Implement the Code

- Local annex to the Global Code, more detailed
- “Not contradictory and not substandard”
- Global Code and the China Code are two parts that form a whole, to be promoted in China
Mechanisms to Promote Adherence

- Education and training
- Illustrative examples, Q&A and Experiences sharing
- Publicity
- Assessment on Code implementation
- Dispute resolution mechanism
- Regulatory Incentives
Thanks
A Better FX Market for All.