Acceptance of China Government Bonds ("CGBs") as Eligible Non-cash Collateral

Briefing Session

Updated on 25 September

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New initiatives for HKCC & SEOCH

Background

Following the announcement by the People's Bank of China on 7 July 2026 to support offshore investors' use of Bond Connect Securities ("CGBs") and MOF Bonds as margin collateral for HKCC and SEOCH, HKCC, SEOCH and CMU OmniClear are progressing the implementation work for this new measure, with a target launch in **early November 2026**, subject to regulatory approval.

New account structure will also be introduced to address market feedback and support the posting of CGBs as collateral for clients.

Existing Eligible Non-cash collateral

Acceptable Non-cash collateral for HKCC

- HKEF Bills/Notes; and
- US Treasuries

Acceptable Non-cash collateral for SEOCH

- HKEF Bills/Notes; and
- Stock Collateral[1]

Expansion of New Non-cash Collateral

- **China Government Bonds** or **Policy Bank Bonds**

in the China Interbank Bond Market traded via **Bond Connect**. ("CGBs")

Focus of today

- Offshore Bonds issued by the MOF of the PRC denominated in CNH

New Account Structure Offering

- **Segregated Individual Client Account** *Focus of today*
- **Segregated Client Market Maker Account**

1. All Hang Seng Index Constituent stocks and Tracker Fund of Hong Kong

Why use CGBs as Collateral?

Unlock Value from Existing CGB Holdings

Support hedging of RMB fixed income exposures

Improve capital and collateral efficiency

Reduce funding and financing cost

Enhance asset diversification

Benefit from individual client segregation protections

Key Steps to Post CGBs as Collateral

Three Core Steps# for Clearing Participants ("CP") or its Client to Enable the Use of CGBs as Collateral for HKCC and SEOCH

1. **Bond Connect Investor Status & Related Market Access Requirements**

2. **Account Structure & Client Clearing Requirements**

3. **Onboarding Preparations**

The applicable onboarding requirements depend on the party providing the collateral. Where a client posts CGBs as collateral through a CP, the relevant Bond Connect investor and account requirements apply to the client.

Bond Connect Investor Application
(Presented by BCCL)

Bond Connect Overview

A Joint Venture of

中国外汇交易中心 全国银行间同业拆借中心

HKEX 香港交易所

債券通 BOND CONNECT

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Bond Connect – The Momentum

Core Milestones in 8 years
ROBUST Momentum from Launch to PRESENT

ENTITES APPROVED	ADT	TICKETS	FOREIGN HOLDINGS	JURISDICTION COVERAGE
4x	28x	20x	4x	5x
Then: 200 NOW 841[1]	Then: RMB 1.48bn (USD 0.21bn) [3] NOW: RMB 41.19bn (USD 6.04bn) [3]	Then: 20 daily NOW 407+	Then: RMB 0.88tn[2] (USD 0.13tn) [3] NOW: RMB 3.2tn[1] (USD 0.47tn) [3]	NOW ~40 Globally

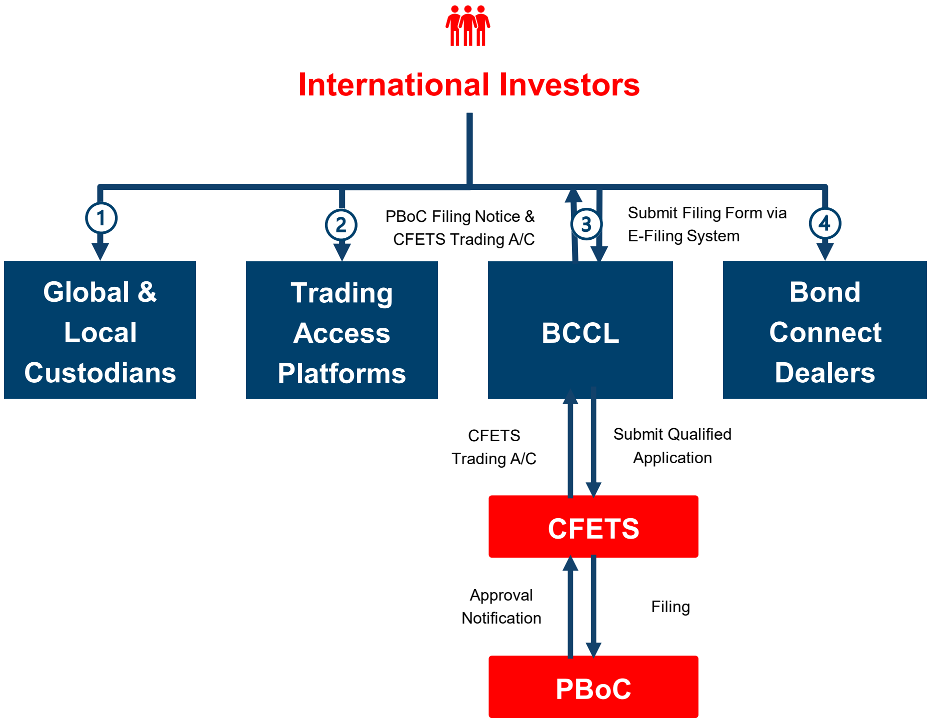
The Core History of Bond Connect

- Bond Connect is the most innovative mutual market access scheme that allows investors from Mainland China & overseas to trade in each other's bond markets through connection between the Mainland & HK financial infrastructure. Northbound Trading has been live since 2017, allowing international investors to invest in the CIBM through mutual access arrangements for trading, custody & settlement. Southbound Trading was launched in September 2021 to complete the two-way opening up of the Mainland financial markets.

Source: PBOC and BCCL as of end of June 2026
1 as of end of June 2026
2 As of end of June 2017
3 USD/CNY =6.81 as of end of June 2026

Application Flow Chart

BCCL offers tailored solutions for applicants, conducts review and submits qualified applications to CFETS.



Watch the video[1] for a quick visual guide to the 4 key elements of the application process.

1 https://www.chinabondconnect.com/en/Resource/Videos/Welcome-To-Northbound-Bond-Connect-A-Guide-To-Onboarding-Procedures-1.html

How to Apply for Bond Connect?

Entity Filing

- Conduct Entity Filing on E-Filing System. For application guidance, please reference our admission handbook[1] on BCCL website
- **Official Filing Notices** will be sent to investors via E-Filing after PBOC's approval

Trading Account Opening

- Proceed to open trading account(s) on E-Filing System
- For opening trading account(s), you will need:

Get in touch with a Global/Local Custodian

CMU Account

Trading Access Platform

Contact Recognized Trading Access Platform(s)

Tradeweb Bloomberg MarketAxess

Get Onboarded For Trading

- CFETS allocates CFETS ID on individual trading account(s), and conducts account mapping against CMU & E-trading Platforms
- Receive **CFETS ID** from E-trading platforms in 3-4 weeks to begin trading

Meanwhile, perform bilateral KYC process with at least one of the participating onshore dealers

債券通 BOND CONNECT

Bond Connect E-Filing System—
The official online application portal

E-Filing System

- Launched Q4 2019, global roll out in May 2020
- A more efficient application mechanism with:
  - ✓ Simplified application fields
  - ✓ Additional transparency of application status
  - ✓ Closer communication with BCCL designated account manager
  - ✓ Streamlined filing for batch accounts
  - ✓ Entity-level Onboarding
- Start now: https://efiling.chinabondconnect.com/index.html

1 https://www.chinabondconnect.com/en/Northbound/Onboarding/Filing-And-Other-Forms.html

For More Information

- **A Dedicated Website for Bond Connect**
  https://www.chinabondconnect.com

  ✓ Rules and regulations
  ✓ Filing procedures for international investors
  ✓ Reference materials for trading & settlement of Bond Connect
  ✓ List of participating entities of Bond Connect
  ✓ Latest updates of Bond Connect scheme

- **Contact Us**

  BCCL Sales & Marketing
  Unit 1906-1908, 19/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong
  Tel: (+852) 2327 0033
  Email: info@chinabondconnect.com

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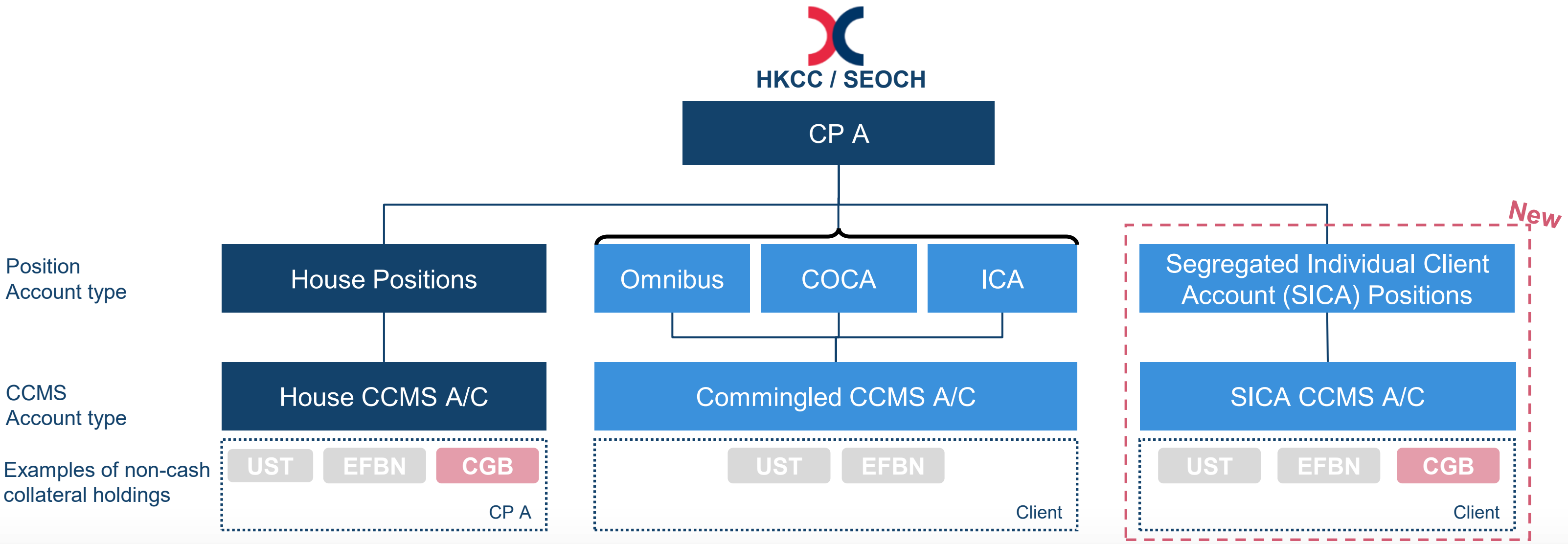
BOND CONNECT
Admission Handbook

Account Structure & Client Clearing Requirements

Client Account Structure for CGB Collateral



Benefits to the Market

CPs

Support Client Business

facilitate more effective cost allocation to clients

Increased Scalability and Flexibility

allow multiple accounts with different combinations

Clients

Enhanced Client Protection

Increase the certainty of client porting and achieve segregation of client's collateral

COCA: Client Offset Claim Account
ICA : Individual Client Account

Client Clearing Agreement Requirements

Before clearing trades for a Client, the CP must ensure that the Client Clearing Agreement includes provisions that:

Provide Option for Client's segregated arrangement

- Client clearing agreement must be in place to offer client clearing services
- Client contracts, collateral, and entitlements may be recorded in a Segregated Individual Client Account, subject to the arrangements agreed between the Client and the CP.

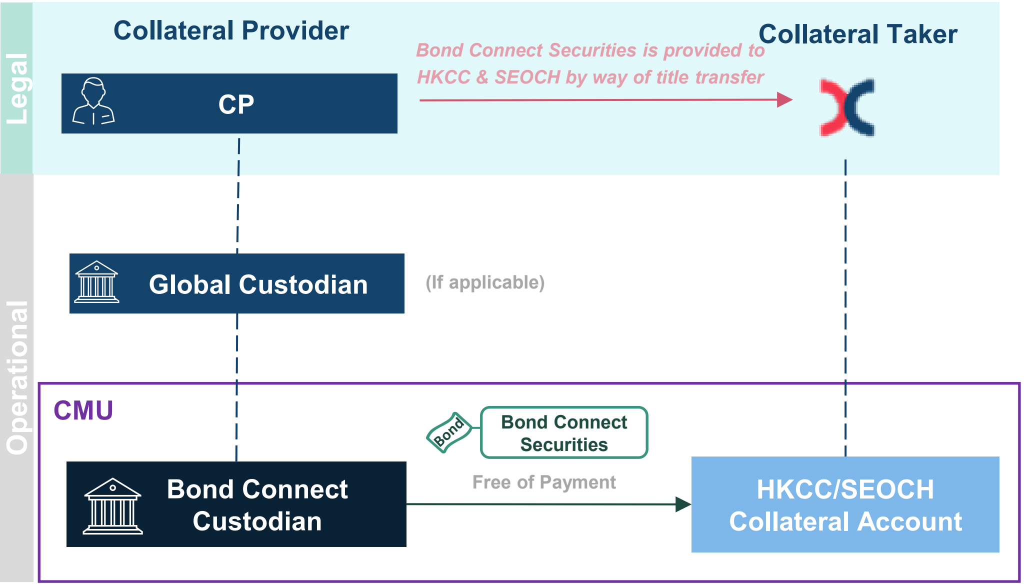
Outright transfer of collateral securities

- Any Bond Connect securities provided by the Client as collateral for margin purposes will be outright transferred through CP to HKCC / SEOCH and be lodged through CMU.

Onboarding Preparations

Collateral Arrangement (House Account)

Deposit Flow illustration

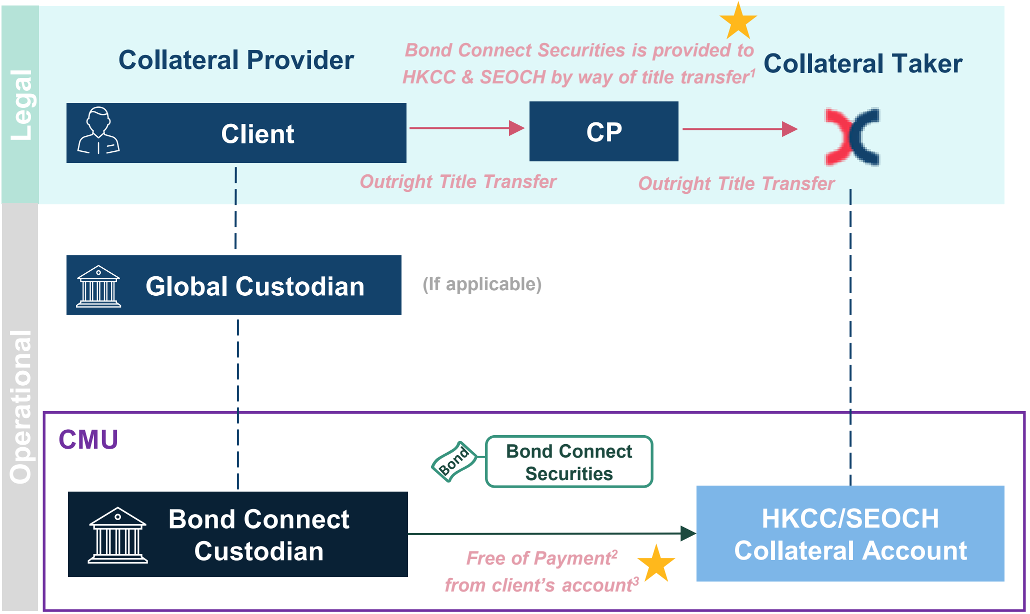


Roles & Responsibilities

CP	• Instructs its custodian, or acts directly, to deliver or receive Eligible Bond Connect Securities to or from HKCC/SEOCH.
Custodians	• Global Custodian: Receives collateral instructions and coordinates collateral posting/withdrawal • Bond Connect Custodian: Execute collateral transfer and facilitates Bond Connect securities settlement in CMU.
CMU	• Designated offshore Central Securities Depository (CSD) for Eligible Bond Connect Securities
HKCC/SEOCH	• Hold Eligible Bond Connect Securities through title transfer, as margin collateral

Collateral Arrangement (Client Account)

Deposit Flow illustration



Roles & Responsibilities

Client	• Instructs its custodian, or acts directly, to deliver or receive Eligible Bond Connect Securities to or from HKCC/SEOCH.
CP	• China Bond collateral shall be treated as having been transferred outright from the Client to its CP, and then delivered by the CP to HKCC/SEOCH. CP is required to reflect the relevant provision in the Client Clearing Agreement
Custodians	• Global Custodian: Receives collateral instructions and coordinates collateral posting/withdrawal • Bond Connect Custodian: Executes collateral transfers and facilitates the settlement of Bond Connect securities in CMU through accounts opened by the Bond Connect custodian on behalf of the client
CMU	• Designated offshore Central Securities Depository (CSD) for Eligible Bond Connect Securities
HKCC/SEOCH	• Hold Eligible Bond Connect Securities through title transfer, as margin collateral • The CGB posting would be reflected under SICA in CCMS

1. *Client's eligible Bond Connect Securities shall be directly transferred from the client to HKCC/SEOCH and such eligible Bond Connect Securities shall be deemed as having been transferred outright to its CP. CP is required to reflect the relevant provision in the Client Clearing Agreement*
2. *Non-trade transfers of CGBs are permitted only between the Client's CMU account and the relevant HKCC/SEOCH account. Upon withdrawal from HKCC/SEOCH, the collateral must be returned to the originating Client CMU account.*
3. *The account opened by the Bond Connect custodian for holding the Bond Connect securities on behalf of the client*

Collateral Account Opening Flow – CP (House Account)

CP Requirement (where the CP posts its own Bond Connect Securities)

- Bond Connect Investor status obtained under the **same legal entity** as the CP
- Relevant CFETS ID established for operational and settlement purposes

	Eligible Bond connect Securities Collateral's Account Opening Process	Operational Form	Involved Parties
1	CP submits a request to HKCC/SEOCH for enabling Bond Connect Securities as Margin Collateral for HKCC/ SEOCH	Bond Connect Securities as Margin Collateral for HKCC/ SEOCH[1]	CP → HKCC/SEOCH
2a	Upon receiving a CP request, HKCC/SEOCH will submit the required application form to CMU to register its acceptance of a Bond Connect investor's securities as margin collateral and authorize the related collateral transfers	CMU Form[2]	HKCC/SEOCH → HKMA CMU
2b	CP via Bond Connect Custodian to submit form to CMU for authorising the use of a Bond Connect account for posting Bond Connect securities as margin collateral to HKCC/SEOCH	CMU Form[2]	CP via Bond Connect Custodian → HKMA CMU
3	CMU to process application upon receipt of two CMU forms from HKCC/SEOCH and CP's Bond Connect custodian CMU to confirm HKCC/SEOCH, CP's Bond Connect Custodian on the account configuration completion in CMU	/	HKMA CMU
4	CP can start to deposit Eligible Bond Connect Securities upon the provision of Standing Settlement Instruction (SSI) to HKCC/SEOCH	/	CP → HKCC/SEOCH

1. Subject to finalisation of the operational forms

2. Subject to announcement and circulars published by CMU, details on the forms will be provided upon the revisions of the CMU reference manual

Collateral Account Opening Flow – Client of CP (Client Account)

Client Requirement

- Bond Connect Investor status obtained from BCCL
- Relevant CFETS ID established for operational purposes
- Appointment of a Hong Kong-incorporated CP
- A SICA must be established for holding CGB collateral and the related positions

	Eligible Bond connect Securities Collateral's Account Opening Process	Operational Form	Involved Parties
1	Client instructs CP: CP submits a request to HKCC/SEOCH for enabling Bond Connect Securities as Margin Collateral for HKCC/ SEOCH	Bond Connect Securities as Margin Collateral for HKCC/ SEOCH[1]	CP → HKCC/SEOCH
2	Client instructs CP: CP submits a request to HKCC/SEOCH for SICA set up	Client Connect[1] (DCASS Account Maintenance Request)	CP → HKCC/SEOCH
3a	Upon receiving a CP request, HKCC/SEOCH will submit the required application form to CMU to register its acceptance of a Bond Connect investor's securities as margin collateral and authorize the related collateral transfers	CMU Form[2]	HKCC/SEOCH → HKMA CMU
3b	Client via Bond Connect Custodian to submit form to CMU for authorising the use of a Bond Connect account for posting Bond Connect securities as margin collateral to HKCC/SEOCH	CMU Form[2]	Client via Bond Connect Custodian → HKMA CMU
4	CMU to process application upon receipt of two CMU forms from HKCC/SEOCH and Client's Bond Connect custodian CMU to confirm HKCC/SEOCH, Client's Bond Connect Custodian on the account configuration completion in CMU	/	HKMA CMU
5	Client can start to deposit Eligible Bond Connect Securities upon the provision of Standing Settlement Instruction (SSI) to HKCC/SEOCH	/	Client via Bond Connect Custodian → HKCC/SEOCH

1. Subject to finalisation of the operational forms

2. Subject to announcement and circulars published by CMU, details on the forms will be provided upon the revisions of the CMU reference manual

Note: CPs supporting a client's posting of CGB collateral are not required to obtain Bond Connect Investor status or a CFETS ID solely for this purpose. The applicable Bond Connect onboarding requirements remain with the client providing the collateral.

Next Steps

Three Core Steps to Post CGBs as Collateral

Interested participants should start understanding the relevant requirements.
Should you wish to participate in or offer the service, please refer to the information below and contact the relevant parties for further details.

1 Bond Connect Investor Status & Related Market Access Requirements

債券通 BOND CONNECT

- BCCL Sales & Marketing
  Tel: (+852) 2327 0033
  Email: info@chinabondconnect.com

2 Account Structure & Client Clearing Requirements

HKEX 香港交易所

- Corresponding HKEX Account Manager
- HKEX DCASS Hotline
  Tel: (+852) 2979 7222
  Email: ClearingPSD@hkex.com.hk

3 Onboarding Preparations

HKEX 香港交易所 CMU迅清結算 OmniClear

- Corresponding HKEX Account Manager
- HKEX DCASS Hotline
  Tel: (+852) 2979 7222
  Email: ClearingPSD@hkex.com.hk

- CMU Enquiry
  Email: cmuenquiry@hkma.gov.hk

Note: The applicable onboarding requirements depend on the party providing the collateral. Where a client posts CGBs as collateral through a CP, the relevant Bond Connect investor and account requirements apply to the client.

Thank you