NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

ISSUED TO CHINA FOREIGN EXCHANGE TRADE SYSTEM (NATIONAL INTERBANK FUNDING CENTER)

《中國外匯交易中心 (全國銀行間同業拆借中心)》

UNDER SECTION 95 OF THE SECURITIES AND FUTURES ORDINANCE

INTRODUCTION

Background

1. On 16 May 2017, the People's Bank of China (**PBoC**) and the Hong Kong Monetary Authority (**HKMA**) issued a joint announcement noting that they had approved China Foreign Exchange Trade System (National Interbank Funding Center) (**CFETS**), China Central Depository & Clearing Co., Ltd (**Chinabond**) and Shanghai Clearing House (collectively, **the Mainland Financial Infrastructure Institutions**), together with Hong Kong Exchanges and Clearing Limited (**HKEX**) and Central Moneymarkets Unit (**CMU**) (collectively, **the Hong Kong Financial Infrastructure Institutions**), to collaborate in establishing mutual bond market access between Hong Kong and Mainland China (**Bond Connect, 內地與香港債券市場互聯互通合作**).

2. Among other things, the joint announcement states Bond Connect is an arrangement that will enable Mainland and overseas investors to trade bonds tradable in the Mainland and Hong Kong bond markets through connection between the Mainland and Hong Kong Financial Infrastructure Institutions.

   (1) Northbound Trading commenced on 3 July 2017, i.e. overseas investors from Hong Kong and other countries and areas (overseas investors) to invest in the China Interbank Bond Market through mutual access between the Hong Kong and Mainland Financial Infrastructure Institutions in respect of trading, custody, settlement, etc. On 15 September 2021, PBoC and HKMA jointly announced that Southbound Trading will commence on 24 September 2021, i.e. Mainland investors to invest in the Hong Kong bond market through mutual access between the Financial Infrastructure Institutions of the two places in respect of trading, custody, settlement, etc.

   (2) Bond Connect will abide by the relevant laws and regulations of the bond markets of the two places.

   Northbound Trading follows the current policy framework for overseas participation in the China Interbank Bond Market and at the same time respect international norms and practices. Southbound Trading is governed by all applicable laws and regulations, including but not limited to the laws and regulations of Mainland, Hong Kong and/or other applicable jurisdictions, regulatory requirements, and the rules that may be issued by CFETS from time to time.

   The scope of eligible investors and products under Northbound and Southbound Trading will be consistent with the scope specified in the relevant notices promulgated by PBoC.

Bond Connect

3. Bond Connect will entail the following.

   (1) A northbound trading link (**Northbound Trading Link**) is established between CFETS and selected platform operators (**Access Platforms**). This enables eligible investors outside the Mainland (**eligible offshore investors**), who are participants of an Access Platform, to –

      (a) trade certain bonds and other interest rate products on the onshore interbank bond market operated by CFETS (**onshore bond market**), and

      (b) do so directly, using electronic trade execution facilities.

   (2) A southbound trading link (**Southbound Trading Link**) is established between (i) CFETS and Access Platforms, and (ii) CFETS and selected market makers (**Designated Market Makers**). This enables eligible investors in the Mainland (**eligible onshore investors**), who are participants of CFETS, to –

      (a) trade certain bonds and other interest rate products on the offshore bond market in Hong Kong (**offshore bond market**), and

      (b) do so directly, using electronic trade execution facilities.

   (3) A settlement link (**Settlement Link**) will be established between the CMU and each of Chinabond and the Shanghai Clearing House. This will facilitate the settlement and custody of bonds and other interest rate products traded by eligible offshore investors on the onshore bond market and eligible onshore investors on the offshore bond market via Bond Connect. The CMU will also provide services to facilitate cross-border payment for trades executed via Bond Connect.

Application submitted

4. The services to be provided by CFETS in connection with Bond Connect constitute the provision of automated trading services (as defined in the SFO, **ATS**). CFETS has accordingly applied, under section 95(2) of the SFO, to be authorized to provide ATS.

AUTHORIZATION

5. In view of the matters described in paragraphs 1 to 4 above, and pursuant to section 95(2) of the SFO, the SFC hereby authorizes CFETS to provide ATS for the purposes of facilitating the conduct of trading under Bond Connect, and subject to the conditions set out in paragraphs 6 to 14.

CONDITIONS

General

6. In providing ATS, CFETS must conduct its business, operations and affairs in a manner that is honest, fair and consistent with the principles, procedures and standards reflected in the SFC's Guidelines on the Regulation of Automated Trading Services.

Operations

7. CFETS shall provide ATS for the purposes of facilitating the conduct of trading under Bond Connect as described in paragraph 3(1) (Northbound Trading Link) as well as acting as an Access Platform described in paragraph 3(1), i.e., CFETS Access Platform.

8. CFETS shall not enter into any agreement with another platform operator to provide services as an Access Platform or a market maker to provide quotes as a Designated Market Maker under the direct trading access arrangement (直連) unless it has first given sufficient prior notification or (if it is not reasonably practicable to give prior notification) as soon as practicable, in writing, to the SFC of its intention to do so.

Reporting and disclosure requirements

9. CFETS must inform the SFC of the following as soon as practicable after becoming aware of the same –

   (1) any material change to information provided in connection with its ATS application,

   (2) any material change to the status or access rights of any Access Platform or any Designated Market Maker under the direct trading access arrangement,

   (3) any failures or defects arising in connection with the provision of trading services or facilities under Bond Connect, and remedial steps taken, and

   (4) any breach, or potential breach, of any of the conditions of CFETS's authorization to provide ATS.

10. CFETS must provide to the SFC quarterly reports relating to its business and operations, and to any trading conducted through Bond Connect. Such reports should be provided within three weeks after the end of the relevant quarter, and should include such information as the SFC may from time to time specify.

11. CFETS must provide to the SFC, within the time and in the manner specified, such information and documents relating to its business and operations, or to any trading conducted through Bond Connect, as the SFC may at any time, and from time to time, reasonably request.

12. CFETS must provide the Commission with the following monthly statistics on a quarterly basis:

    In respect of trading via the CFETS Access Platform under Bond Connect,

    (1) The total volume of all trades (in terms of their aggregate notional amount) conducted during that calendar month via the CFETS Access Platform, with a breakdown in respect of each product or product type (as agreed by the Commission in writing); and

    (2) The total volume of all trades (in terms of their aggregate notional amount) conducted during that calendar month via the CFETS Access Platform by each CFETS's Hong Kong Participant, with a breakdown in respect of each product or product type (as agreed by the Commission in writing).

    Such statistics must be provided within three weeks after the end of the relevant calendar quarter or within such other period as the Commission may agree in writing. A nil return is required if no trade was conducted in the relevant month.

13. CFETS must provide monthly reports of the identity and location of its Hong Kong Participants as at the end of the relevant quarter, and such reports must be provided to the Commission within three weeks after the end of the relevant quarter or within such other period as the Commission may agree in writing.

Service

14. Any notice or other document issued or served by the SFC on CFETS in connection with this authorization shall be regarded as duly served in any of the following ways –

(1) delivered by hand to, and sent by post to, CFETS's last known address as notified to the SFC in writing,

(2) sent by facsimile transmissions to its last known facsimile number as notified to the SFC in writing, or

(3) sent by electronic mail transmission to its last known electronic mail address as notified to the SFC in writing.

SECURITIES AND FUTURES COMMISSION
DATED: 12 August 2026