**Understanding China Bond Markets and Linkages:**

**Mainland China Bond Market:**

**China Interbank Bond Market (CIBM):** This is the largest segment of China's bond market, primarily for institutional investors. It includes government bonds, central bank bills, and other debt instruments.

**China Securities Depository and Clearing Corporation Ltd (CCDC):** The central securities depository for the CIBM, responsible for clearing and settlement of trades.

**Shanghai Clearing House (SHCH):** A clearing house for interbank bond transactions, similar to CCDC but focused on the Shanghai market.

**Linkages and Programs:**

**Bond Connect:** This program facilitates access to the CIBM for overseas investors. It has two components:

**Northbound Trading:** Allows overseas investors to trade and hold CIBM bonds through nominee accounts held by the CMU at CCDC and SHCH. This is the focus of Part IV, clauses 6 & 7 of the provided document.

**Southbound Trading:** Allows mainland investors to invest in Hong Kong's bond market through accounts held by Mainland CSDs at the CMU. This is covered in Part II, clause 6 of the document.

**CMU-Euroclear/Clearstream Linkages:** These linkages allow CMU Members to settle and hold international debt securities through Euroclear and Clearstream, two major global securities depositories.

**CMU Fund Order Routing and Settlement Service (FORS):** This service facilitates the processing of investment fund transactions for CMU Members, including those related to the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme.

Key Points to Remember:

**Settlement of Northbound Bond Connect transactions:**

Securities settlement happens in the respective Mainland CSD (CCDC or SHCH).

Money settlement happens in the Cross-Border Interbank Payment System (CIPS).

CMU Members need to have sufficient funds in their mirror cash accounts at CMU for purchase transactions.

**Settlement of Southbound Bond Connect transactions:**

Securities settlement happens in the CMU system.

Money settlement happens in CIPS.

CMU Participants need to engage a settlement bank in CIPS for money settlement.

CMU acts as a nominee holder for Northbound Bond Connect transactions:

CMU holds CIBM bonds on behalf of CMU Members, who in turn serve overseas investors.

CMU does not have proprietary interest in the bonds.

CMU Members need to open segregated sub-accounts for each Eligible Investor:

This is necessary for proper record-keeping and compliance with information see-through requirements.

CMU Members are responsible for arranging their own funding for settlement:

CMU does not provide daylight overdraft facilities for cross-border transactions.

**Additional Notes:**

Different linkages and programs may have different operational details and timetables.

CMU Members should carefully review the relevant sections of the CMU Reference Manual and other applicable guidelines for specific instructions and requirements.

CMU Members are responsible for ensuring compliance with all relevant laws and regulations in both Mainland China and Hong Kong.

I hope this explanation helps clarify the different linkages and programs within China's bond market. If you have any further questions or require more specific information, please feel free to ask.