**2022 Implementation Plan for Financial Markets Business Access Reauthorization and Market Risk Limits for London Branch**

Version 1 in 2022

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| **Version Description** | | |
| **Version No.** | **Version** | **Description** |
| 1 | Version 1 in 2022 | * Created. |

**2022 Implementation Plan for Financial Markets Business Access Reauthorization and Market Risk Limits for London Branch**

**I. Reauthorization**

i. Businesses available for access

1. Specific businesses involved

(1) Foreign currency-denominated interest rate transactions

| **Products available for access** | |
| --- | --- |
| Closing of foreign currency-denominated interest rate derivatives on behalf of customers | * Interest rate swaps; currencies available include USD, EUR, JPY, HKD, GBP, and offshore RMB. |

(2) Exchange rate transactions

|  |  |  |
| --- | --- | --- |
| **S/N** | **Business type** | **Products available for access** |
| 1 | Foreign exchange (FX) settlement and sale[[1]](#footnote-1) | * RMB spot, forward, and swap transactions |
| 2 | FX trading | * FX spot, forward, and swap transactions |
| 3 | Currency swaps | * Currency swaps (including offshore RMB swaps) |

(3) RMB bond investments

|  |
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| **Products available for access** |
| * Chinese government bonds (CGBs), local government bonds (LGBs), central bank bills, and financial bonds issued by policy banks * Interbank certificates of deposit (CDs) * Ordinary financial bonds * Short-term commercial papers, medium-term notes, enterprise bonds, corporate bonds, private placement notes (PPNs), and large-amount negotiable CDs * Interest rate swaps and forward interest rate agreements |

(4) Foreign currency bond investments

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| **Products available for access** |
| * CGBs, government-backed agency bonds, and international multilateral agency bonds * Commercial papers, interbank CDs, and corporate bonds * Forward interest rate agreements, interest rate swaps, and currency swaps |

(5) Foreign currency treasury services

| **Products available for access** |
| --- |
| * Internal transactions of interbank lending * Interbank lending as well as FX spot, forward and swap transactions within the scope of credit extension * Bond repurchase (repo), US Treasuries of less than one year, CD/commercial paper investment, short-term corporate bonds, UK Gilts, and German Bunds * Issuance of interbank CDs in foreign currencies * Forward interest rate agreements, interest rate swaps, and cross-currency swaps |

2. Authorized persons: Leader of London Branch in charge of financial markets business and head of the financial markets department at London Branch

ii. Detailed management provisions

To conduct the aforesaid businesses available for access, London Branch shall formulate a complete set of sound management policies, which include business management mechanisms, operational procedures, and risk control measures, in a bid to keep a tight grip on various risks.

**II. Implementation Plan**

i. Market risk limits

1. Foreign currency-denominated interest rate transactions

| **Business type** | **Portfolio name** | **Specific limits** | |
| --- | --- | --- | --- |
| **Exposure** | **Loss** |
| **Closing of foreign currency-denominated interest rate derivatives on behalf of customers** | LDFX | * Open exposures of more than one year ≤ USD2 million * PVBP ≤ USD20,000 | * Monthly loss early warning threshold value ≤ USD100,000 |

2. FX transactions

| **Business type** | **Portfolio name** | **Specific limits** | | |
| --- | --- | --- | --- | --- |
| **Exposure** | **Loss** | **Term** |
| **Spot, forward, and swap transactions[[2]](#footnote-2)** | LDFX | * FX exposures ≤ USD5 million; combined exposures of major currencies other than USD[[3]](#footnote-3) ≤ USD2 million * Unilateral PVBP ≤ RMB50,000 | * Monthly loss early warning threshold value ≤ RMB1.5 million | * Term ≤ 5 years |

3. RMB bond investments

| **Business type** | **Portfolio name** | **Specific limits** | | | |
| --- | --- | --- | --- | --- | --- |
| **Size** | **Duration** | **Concentration** | **Others** |
| **Overall limits** | * LCNV (onshore interbank RMB bond investments) * LINV (offshore RMB bond investments) | * Combined investments in domestic and foreign currency-denominated unsecured enterprise bonds (excluding LGBs, international multilateral agency bonds, financial bonds, and interbank CDs) ≤ USD300 million | * Overall duration ≤ 4 years: * RMB duration ≤ 4 years; FVOCI duration ≤ 4.2 years | * Proportion of RMB unsecured bonds ≤ 30%: proportion of RMB unsecured bonds rated at AA or below (including those unrated) ≤ 5%[[4]](#footnote-4) |  |
| **Public directional bonds** | * Bonds ≤ RMB100 million |  | * Proportion of a single bond issued ≤ 50%[[5]](#footnote-5) | * Issuer rating ≥ AA+ * Term ≤ 5 years |
| * The aforesaid durations and concentration limits shall be calculated with those of the Financial Markets Department of the Head Office on an aggregate basis. * An investment in a single unsecured enterprise bond (excluding LGBs, international multilateral agency bonds, financial bonds, and interbank CDs) shall be submitted to the Financial Markets Department of the Head Office for approval if it exceeds USD30 million. | | | | | |

4. Foreign currency bond investments

| **Business type** | **Portfolio name** | **Specific limits** | | |
| --- | --- | --- | --- | --- |
| **Size** | **Duration** | **Concentration** |
| **Overall limits** | LINV | * Combined investments in domestic and foreign currency-denominated unsecured enterprise bonds (excluding LGBs, international multilateral agency bonds, financial bonds, and interbank CDs) ≤ USD300 million | * Overall duration ≤ 4 years:   Foreign currency duration ≤ 2.5 years; FVOCI duration ≤ 2.5 years | * Proportion of shares held in the total issued by a single foreign currency-denominated unsecured bond ≤ 30%[[6]](#footnote-6) * Average rating of foreign currency bonds ≥ BBB-[[7]](#footnote-7) * Specifically, proportion of foreign currency-denominated unsecured bonds rated at BB or below (including those unrated) ≤ 5%; proportion of foreign currency bonds issued with keepwell agreements in outstanding foreign currency bonds invested ≤ 10% |
| * The aforesaid durations and concentration limits shall be calculated with those of the Financial Markets Department of the Head Office on an aggregate basis. * An investment in a single unsecured enterprise bond (excluding LGBs, international multilateral agency bonds, financial bonds, and interbank CDs) shall be submitted to the Financial Markets Department of the Head Office for approval if it exceeds USD30 million. | | | | |

ii. Person in charge of implementation: Head of the financial markets department at London Branch

**III. Management Requirements**

i. London Branch shall establish a sound internal control mechanism, comply with business access rules and market risk limits, and implement relevant management requirements stringently.

ii. Authorized persons at all levels shall approve business applications within the established scope of authority and carry out businesses through the prescribed procedures. Those responsible for implementing market risk limits shall meet related indicators and act on relevant management rules and requirements. It is strictly prohibited to overstep business access restrictions and market risk limits.

iii. The risk management department of London Branch shall monitor the implementation of the reauthorization and market risk limit plan on a daily basis, and report to the financial markets department of the branch and the Risk Management Department of the Head Office every day.

iv. Consolidated calculations of indicators, if any, shall be closely tracked, and effective control measures be taken when necessary.

1. FX settlement and sale consists of spot FX settlement & sale and forward/swap FX settlement & sale. [↑](#footnote-ref-1)
2. Including FX transactions, as well as spot settlement & sale, forward/swap settlement & sale, currency swaps, and FX trading of precious metals and commodities. [↑](#footnote-ref-2)
3. EUR, JPY, GBP, AUD, CAD, CHF, HKD, and NZD [↑](#footnote-ref-3)
4. The bonds related to the return of the existing wealth management businesses to the balance sheet are excluded from the calculation scope. If there is a debt rating, the debt rating shall prevail. If not, the issuer rating shall prevail. The same calculation rules also apply to the rating of foreign currency bonds. [↑](#footnote-ref-4)
5. As to the bonds for which the Bank serves as the lead underwriter, the proportion may not exceed 20%. [↑](#footnote-ref-5)
6. Calculated with the foreign currency bond transactions on an aggregate basis. If the concentrations of private bonds, structured bonds, or CDs are higher than the above-mentioned limits, the internal approval procedures of related departments shall be performed and the approval result shall be copied to the Risk Management Department. [↑](#footnote-ref-6)
7. For the proportions of shares held in the bonds with the average rating and rated at BB or below, the indicator excludes the issuers who are the subsidiaries within the China CITIC Bank Group. For the unrated bonds, if their issuer or guarantor, keepwell provider, or standby letter of credit (LC) provider has a domestic rating, the domestic AA+ (inclusive) rated bonds shall be exempted. The financial institution bonds where their keepwell provider has a domestic rating of AAA or higher are not applicable. [↑](#footnote-ref-7)