

Legal Commentary

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Spring Breeze on the Shore: New rules on RMB Cross-Border Interbank Financing and Banks' Suggested Responses

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Background

On February 26, 2026, the People's Bank of China ("PBoC") promulgated the *Notice on Relevant Matters Concerning Cross-border RMB Interbank Financing Business of Banking Financial Institutions* (Yin Fa [2026] No. 51, the "**Notice**"). Previously, on September 12, 2025, the PBoC issued the *Notice of the PBoC on Relevant Matters Concerning Cross-border RMB Interbank Financing Business of Banking Financial Institutions (Draft for Comments)* (the "**Draft**"). The Notice further optimizes and relaxes the relevant conditions on the basis of the Draft, including: expanding the business quota for foreign-funded banks; removing the universal restriction that financing tenor shall be within one(1) year; adding several circumstances which are excluded from the calculation of net lending balance; and expanding the scope of application to a wider range of financial institutions.

It is worth noting that, before the Notice was issued, the PBoC had already successively introduced and established a macro-prudential management framework for full-caliber cross-border financing through multiple policy documents, including but not limited to, the *Notice on Relevant Matters Concerning Macro-prudential Framework for Full-Caliber Cross-Border Financing* ("**Circular 9**"), the *Notice of the PBoC and the State Administration of Foreign Exchange on Matters Relating to Overseas Loan Business of Banking Financial Institutions* ("**Circular 27**"), and the *Notice of the People's Bank of China on Further Clarifying Relevant Matters on Overseas RMB Lending Business by Domestic Enterprises*. The Notice also adopts a dynamic macro-prudential coefficient to adjust and regulate the cross-border capital inflows and outflows, so as to establish a unified, full-caliber management framework.

Review of major policies on cross-border RMB financing

On July 3, 2009, the PBoC promulgated the *Implementation Rules of the Administrative Measures for Pilot RMB Settlement of Cross-border Trade*, marking the formal launch of cross-border RMB financing business. At this stage, the core objective of the policy is to inject liquidity into the offshore RMB market to support cross-border trade settlement. Specifically, the PBoC permitted onshore correspondent banks to provide RMB account financing ("**Account Financing**") for offshore participant banks, which have RMB interbank current accounts with the PBoC, in order to solve the problem of insufficient RMB positions in

the offshore market.

On July 5, 2013, to further support the real economy, the PBoC promulgated the *Notice on Simplifying Cross-border RMB Business Processes and Improving Related Policies* (Yin Fa [2013] No. 168) (“**Circular 168**”). The policy significantly relaxes the restrictions on Account Financing, where the financing limit is raised from 1% of the balance of various RMB deposits of a domestic agent bank to 3%, and the financing term is extended from one (1) month to one (1) year. This has significantly increased the depth of liquidity in the offshore RMB market.

On January 12, 2017, PBOC issued Circular 9, namely the *Notice on Relevant Matters Concerning Macro-prudential Framework for Full-Caliber Cross-Border Financing*, pursuant to which the cross-border RMB financing policies of financial institutions have entered the stage of “full-caliber macro-prudential management”. However, Circular 9 only applies to capital financing and does not restrict capital lending.

In January 2018, in order to further facilitate cross-border trade and investment, support the healthy development of cross-border RMB business, and improve the cross-border financing services provided by commercial banks, the PBoC made counter-cyclical adjustments to the cross-border RMB Account Financing business of commercial banks, i.e. the upper limit of cross-border RMB Account Financing was determined by the balance of RMB deposits of commercial banks and the counter-cyclical coefficient, which was initially set at 3%. This coefficient can serve as an adjustment tool to guide the two-way cross-border capital flows when the foreign exchange situation stabilizes or the RMB faces upward pressure.

On February 26, 2026, the PBoC issued the Notice, which indicates that the administration of cross-border RMB financing has entered a new stage of more systematization and standardization. The Notice aims to cover various types of RMB cross-border interbank financing business under the scope of supervision in accordance with the principle of “substance over form”. It also specifies that relevant existing provisions will apply to business entry, term of funds, scope of use of funds lent out, business implementation procedures and scope of applicable institutions.

Interpretation of the key points of the Notice

I. Clarifying business scope and adhering to the principle of “substance over form”

The Notice specifies that RMB cross-border interbank financing refers to borrowing and lending business between domestic banks and offshore institutions with RMB financing as the core, including Account Financing, bond repurchase and other funding arrangements in which there is a substantive creditor-debtor relationship. According to the Q&A of the relevant PBoC officers on the Notice (the “**Q&A**”)¹, the Notice does not create any new business. Instead, it aims to streamline and standardize all types of existing RMB cross-border interbank financing business under a unified framework, with the aim to solve the problems of unclear boundaries and scattered supervision over the existing business, and to reserve management space for the same kind of new business that may possibly appear in the future. Accordingly, Article 1 of the Notice specifies that domestic banks conducting cross-border RMB interbank

¹ A relevant officer of the People’s Bank of China answers questions on the Notice of Financial Institutions on RMB Cross-border Inter-bank Financing Business (the “Q&A”).

financing shall comply with the business rules specified in relevant policies and capital inflow business are be subject to the relevant provisions on macro-prudential management of full-caliber cross-border financing. Therefore, after the promulgation of the Notice, banks still need to conduct RMB cross-border interbank financing business in accordance with the relevant provisions in Circular 168, and conduct capital inflow business in accordance with the relevant provisions on full-caliber macro-prudential management of cross-border financing in Circular 9.

It is worth noting that investments or purchases of negotiable certificates of deposit, bonds, and other debt instruments between domestic banks and overseas institutions, as they constitute spot transactions and securities investments, do not fall within the scope of cross-border interbank financing regulated under this Notice.

II. Applicable entities

Domestic banks with the capacity to conduct business: the Notice and its Q&A clearly specify that the Notice applies to banks that are legally established in China and have the capacity to conduct international settlement business, including Chinese-funded banks, wholly foreign-owned banks, sino-foreign joint venture banks and domestic branches of foreign banks. The Notice applies *mutatis mutandis* to the banking institutions established in mainland China by financial institutions from Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region that carry out cross-border interbank financing business.

Overseas institutions refer to various financial institutions such as foreign central banks or monetary authorities, international financial organizations, sovereign wealth funds, commercial banks established overseas in accordance with the law (including branches and subsidiaries established overseas by domestic banks), insurance companies, securities companies, fund management companies, futures companies, trust companies and other asset management institutions, as well as medium and long-term institutional investors such as pension funds, charity funds and endowment funds. Compared with the Draft, which excluded overseas RMB clearing banks from the definition of “overseas institutions”, the Notice does not provide for such an exclusion. Instead, it expressly stipulates that the lending business carried out with overseas RMB clearing banks shall not be included in the calculation of net lending balance, and it specifies some exceptional circumstances where such balance shall be included in the calculation.

Entities subject to business restrictions: Rural financial institutions such as rural commercial banks, rural cooperative banks, rural credit cooperatives, and village and township banks (excluding the open market primary dealers of the PBoC, which means that currently seven (7) rural commercial banks are permitted²) may not carry out RMB cross-border interbank lending business; existing lending businesses shall expire naturally upon maturity.

² The list of open market operations primary dealers for 2025 is available as per the PBC.GOV.CN/ZHENGCEHUOBISI/125207/125213/125431/125469/2025100917195864077/INDEX.HTML. Among them, Shanghai Rural Commercial Bank, Ltd., Guangdong Shunde Rural Commercial Bank, Ltd., Guangzhou Rural Commercial Bank Co., Ltd., Chongqing Rural Commercial Bank, Ltd., Beijing Rural Commercial Bank, Ltd., Chengdu Rural Commercial Bank Co., Ltd., and Qingdao Rural Commercial Bank Co., Ltd.

Alignment with existing policies: The *Circular on Regulating the Interbank Business of Financial Institutions* (Yin Fa [2014] No. 127, “**Circular 127**”) regulates the interbank business of financial institutions legally incorporated within China, including interbank lending, interbank borrowing and other funds lending and borrowing business. Circular 127, however, is not applicable to the financing business between financial institutions established within China and financial institutions established outside China. In addition, Article 6 of Circular 168 sets forth the financing tenor of the RMB Account Financing provided by a domestic agent bank to an offshore participant bank, but Circular 168 is not applicable to cross-border financing business among financial institutions other than banks. The Notice supplements and expands the interbank financing business on the basis of these aforementioned existing policies. By bringing cross-border financing activities under a unified regulatory framework, it effectively fills the gaps in the original policies in the area of cross-border interbank financing and achieves comprehensive policy coverage and effective regulatory coordination.

III. Management of the quota of cross-border interbank financing business

Management of the upper limit of the net lending balance: Article 17 of the Notice expressly abolishes the provision under Article 6 of Circular 168 concerning the upper limit on the RMB Account Financing ratio. It introduces the concept of net lending balance to impose restrictions on RMB cross-border financing rules, while no longer setting any limits on one-way lending balances. The upper limit of the net lending balance is linked to a bank’s capital level and financial strength. Under the counter-cyclical management of the macro-prudential adjustment parameters, the net lending balance is subject to the specified upper limit at any time. The specific calculation formula is as follows:

	Calculation formula of the upper limit of the net lending balance of RMB cross-border interbank financing	Initial value of the cross-border business adjustment parameters	Initial value of the macro-prudential adjustment parameters	Remarks
Chinese-funded banks within mainland China	Tier 1 net capital × cross-border business adjustment parameters × macro-prudential adjustment parameters	0.06	1	Tier 1 net capital shall be determined based on the audited financial reports at the end of the previous year
Wholly foreign-owned banks and Sino-foreign joint venture banks in China	Tier 1 net capital or balance of various RMB deposits at the end of the previous year × cross-border business adjustment parameters × macro-prudential adjustment parameters, whichever is higher	0.18	1	
Domestic branches of a	Working capital or balance of various RMB deposits at	0.18	1	Working capital shall be determined

	Calculation formula of the upper limit of the net lending balance of RMB cross-border interbank financing	Initial value of the cross-border business adjustment parameters	Initial value of the macro-prudential adjustment parameters	Remarks
foreign bank	the end of the previous year × cross-border business adjustment parameters × macro-prudential adjustment parameters, whichever is higher			based on the audited financial reports at the end of the previous year

Compared with the Draft, which set the initial value of the risk management factor (now the cross-border business adjustment parameter) for all domestic banks at 0.06, the Notice appropriately increases the cross-border business adjustment parameter for foreign-funded banks based on comprehensively considering international settlement capacity, overseas business networks, risk control capacity of cross-border business and other factors with respect to foreign-funded banks.

In addition, according to Article 10 of the Notice, the PBoC may appropriately adjust the cross-border business adjustment parameters, macro-prudential adjustment parameters and the calculation method of the net lending balance, based on the development of the RMB offshore market, cross-border capital flow and operations of domestic banks. These adjustments may be made for part or all of the banks.

Internal warning mechanism: pursuant to Article 5 of the Notice, domestic banks are required to establish an internal warning and reminder mechanism. An internal warning should be given to the relevant business department when the net lending balance of RMB cross-border interbank financing reaches 80% of the upper limit.

Business scope not included in the net lending balance: Compared with the Draft, the Notice adds a new Article 7, which clarifies that the following RMB cross-border interbank financing businesses that are excluded from the calculation the net lending balance: (1) borrowing and lending businesses based on genuine trade financing background; (2) lending businesses conducted with offshore RMB clearing banks (however, according to the Q&A, cross-border interbank lending funds will be remitted into the interbank account opened by clearing banks in China specifically for centralized handling of the RMB business of clearing banks, and if remitted into the account opened by clearing banks in name of participating banks, such funds shall be included in the net lending balance of RMB cross-border interbank financing); (3) businesses where domestic banks indirectly grant RMB loans to offshore enterprises by lending funds to offshore banks (such as the indirect offshore loans regulated by Circular 27); (4) passively formed liabilities; and (5) other businesses recognized by the PBoC.

The excluded scope set out above largely draws reference from the excluded items applicable to the risk-weighted balance of cross-border financing under the full-caliber macro-prudential financing framework in Circular 9, as well as the excluded items applicable to the overseas loan balance under Circular 27, thereby maintaining the consistency of the overall regulatory framework.

Full-caliber macro-prudential financing quota still applicable for fund raising: For example, according to Article 1 of the Notice, the upper limit of the net lending balance of RMB cross-border interbank set forth in the Notice may not affect the application of full-caliber macro-prudential cross-border financing quota under Circular 9. In other words, financial institutions, when borrowing funds, shall comply with the quota limits under both Circular 9 and the Notice simultaneously.

IV. Free trade account (“FT Account”) separate accounting unit business management

Based on the Draft, the Notice adds a new Article 8, which clarifies that RMB cross-border interbank financing businesses under the FT Account separate accounting unit, in principle, shall continue to be governed by the existing regulatory framework for FT Accounts and is not automatically included within the scope of the new rules. However, if the business funds originate from allocations by the head office of a domestic bank and in substance constitute a cross-border outflow of domestic funds, they shall be included in the net lending balance of RMB cross-border interbank financing and be subject to macro-prudential management based on capital constraints. This arrangement, based on the source of funds and risk attribution, respects the “risk isolation” system design of the separate accounting unit and prevents regulatory arbitrage through the account structure, which is consistent with the management logic of offshore loans under Circular 27.

V. Information submission and statistics management

To ensure the accuracy of statistics, Article 12 of the Notice requires domestic banks conducting business to submit the information of RMB cross-border interbank financing to the RMB Cross-border Payment & Receipt Management Information System (“**RCPMIS**”). The head office of a domestic bank or a domestic branch of a foreign bank (domestic managing bank) is required to consolidate the statistics, and report the statistical information, including but not limited to, details on the previous month’s RMB cross-border interbank financing activities and changes in balances to the PBoC within five (5) business days at the beginning of each month. The materials submitted shall be kept for five (5) years. It is worth noting that the information to be submitted includes the businesses, that are excluded from the calculation of the net lending balance of RMB cross-border interbank financing as stipulated by the Notice.

In addition, 27 domestic banks (including three (3) foreign-funded banks: HSBC Bank (China) Company Limited, Citibank (China) Co., Ltd., and Standard Chartered Bank (China) Limited) will submit the information directly to the PBoC; other banks will submit the information to the PBoC’s local offices at or above the municipal level specifically designated in the state plan.

VI. Financing term limitations

The Draft originally provides that the financing term for RMB cross-border interbank financings shall not exceed one (1) year. According to the public feedback on the Notice³, the PBoC adopted the suggestion that no additional tenor requirement should be imposed on RMB cross-border interbank financing. Taking into account that Circular 127 and Circular 168 already contain provisions on the

³ <https://www.pbc.gov.cn/tiaofasi/144941/144979/3941928/2026022621071546594/index.html>.

tenor of interbank financing⁴, the Notice no longer sets out any new tenor requirements. Article 4 of the Notice provides that the tenor of RMB cross-border interbank financing shall follow the relevant rules governing such business. Article 17 further explicitly repeals the provisions in Article 6 of Circular 168 concerning the cap on the proportion of RMB Account Financing. However, it retains the restriction that RMB Account Financing provided by domestic agent banks to overseas participating banks shall be subject to a maximum tenor of one(1) year.

For repurchase transactions, the longest repurchase term for overseas institutional investors to conduct bond repurchase business in the inter-bank bond market is 365 days, according to Article 7 of the *Circular of the National Interbank Funding Center, China Central Depository & Clearing Co., Ltd., and the Clearing House Financial Market Co., Ltd. on Jointly Supporting Overseas Institutional Investors to Conduct Bond Repurchase Business in the Inter-bank Bond Market*. Therefore, financial institutions shall still handle RMB cross-border financing business in accordance with the financing term under Circular 168, the aforementioned Notice, and other applicable rules currently in force.

VII. Punishment and rectification

Based on the Draft, the Notice further specifies that the PBoC may order domestic banks to rectify within a time limit and impose punishment in accordance with the *Law of the People's Republic of China on the People's Bank of China* if: (1) the net lending balance of RMB cross-border interbank financing exceeds the upper limit (excluding situations caused by changes in net tier 1 capital (working capital) and balances of all RMB deposits, adjustments to cross-border business adjustment parameters or adjustments to macro-prudential adjustment parameters, or situations where the existing RMB cross-border interbank financing exceeds the upper limit on the day of implementation of the Notice); (2) the bank fails to submit relevant information to RCPMIS or the PBoC in accordance with the relevant provisions; and (3) other behaviors in violation of the Notice.

Outlook

Financial institutions are required to improve their business systems according to the Notice, including setting up systems for the calculation, monitoring and early warning of net lending balances, and streamlining and implementing the procedures for statistical reporting as required by the Notice. We will continue to monitor market developments and share relevant observations and experiences with the market in a timely manner.

⁴ Article 13 of the Circular on Regulating the Interbank Business of Financial Institutions A financial institution shall reasonably and prudently determine the financing term when conducting interbank business. The longest term for interbank loans shall not exceed three (3) years, and that for other interbank financing businesses shall not exceed one (1) year, and may not be extended upon maturity.

Article 6 of the Circular on Simplifying the Cross-border RMB Business Processes and Improving the Relevant Policies A domestic correspondent bank may extend the financing term of RMB accounts to one (1) year for an overseas participating bank, and the financing proportion in the account shall not exceed 3% of the balance of all RMB deposits of the domestic correspondent bank at the end of the previous year.

Important Announcement

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