

CIO PERSPECTIVES

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What you need to know about China’s Six New Financial Policy Measures

At the opening of the 2026 Lujiazui Forum in Shanghai on Wednesday, 17 June, People’s Bank of China (PBoC) Governor Pan Gongsheng unveiled six new financial policy measures spanning monetary policy framework reform, yuan internationalisation, and financial stability.

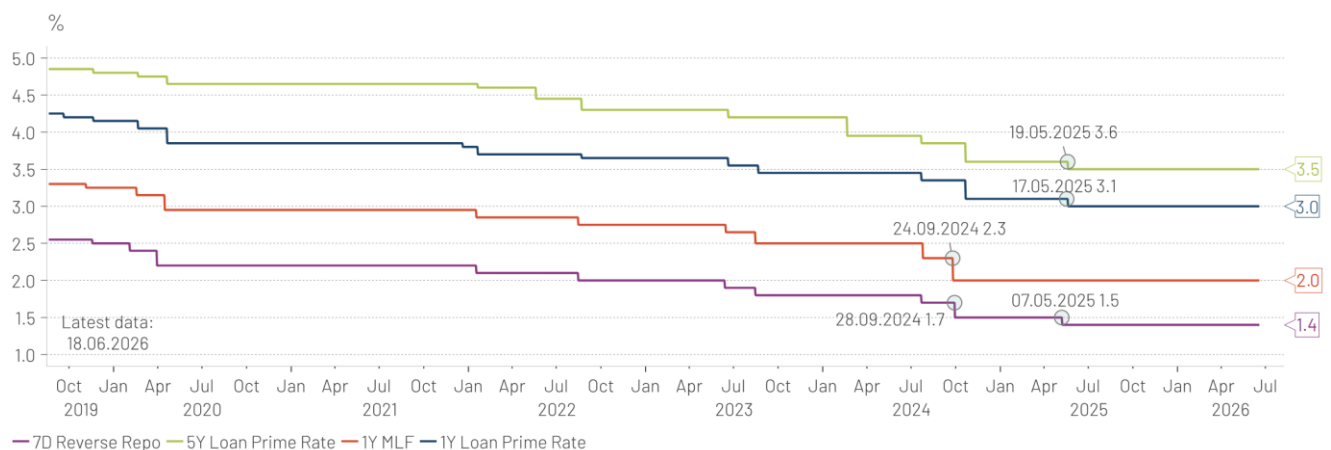
This development on the financial front serves as an important complement for China’s 15th five-year plan ([CIO Perspectives – China’s Vision 2030: Priorities of the 15th five-year plan, 17 October 2025](#)).

We view that the announcements signalled a historic structural shift in China’s financing mix and its approach to global currency management. We highlight the six measures as follows.

1. OVERNIGHT REPO RATE CORRIDOR REFORM

The PBoC announced improvements to its short-term interest rate regulation mechanism, narrowing the interest rate corridor to a symmetric **approximately 25 basis points (bps)** around the 7-day reverse repo rate (7DRRP) – tightening the band from the previous 70 bps to 50 bps.

Chart 1: China key policy rates



Source: Macrobond, People’s Bank of China (PBoC), Indosuez Wealth Management.

The PBoC will expand its suite of overnight reverse repurchase operations at an appropriate time, with overnight repo and reverse repo rates set at the 7-day reverse repo rate minus and plus 25 bps respectively. Operations will be conducted between 15:00–15:30 on business days based on primary dealer demand.

The move aims to **reduce volatility in short-term funding costs** and enhance the central bank's control over money market conditions, promoting a transition toward a more price-based monetary policy framework.

Governor Pan Gongsheng signalled a potential longer-term shift toward an overnight policy rate, which would bring the PBoC closer to global peers such as the US Federal Reserve (Fed) and give policymakers greater influence over short-term funding costs.

The overnight repo could likely be the new *de facto* policy rate, with the interest rate corridor expected to narrow further over time. Meanwhile, the lower limit of 1.15% signals greater PBoC tolerance for low rates going forward, although reinforcing the 7-day reverse repo rate as the official policy benchmark, especially with deep derivatives markets still being linked to it, making an immediate full shift to an overnight benchmark impractical.

2. FIMA RENMINBI REPO FACILITY FOR FOREIGN CENTRAL BANKS

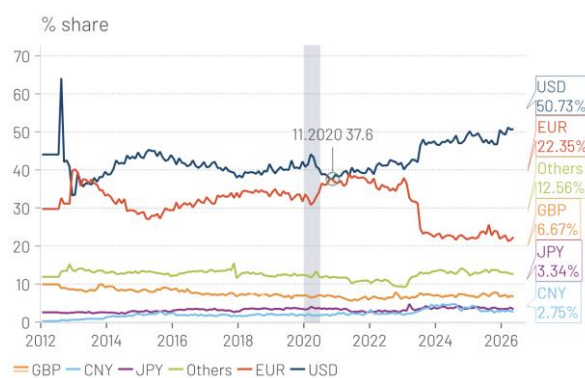
The PBoC launched a new **Foreign and International Monetary Authorities (FIMA) renminbi Repo Facility**, providing yuan liquidity directly to overseas central bank-type institutions against collateral.

Eligible institutions include foreign central banks, monetary authorities, international financial organisations, and sovereign wealth funds. Operations are available via pledged and outright repo transactions, with terms of **7 days, 1 month, and 3 months**.

The facility aims to facilitate renminbi liquidity management and asset allocation for overseas institutions, supporting renminbi internationalisation as part of **China's 15th five-year plan (2026–2030)** to expand renminbi use in international trade, investment, and financing.

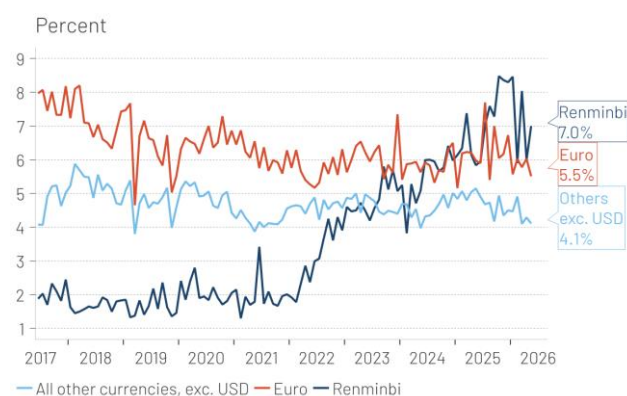
This is another step closer to one of our ten big surprises at the start of the year regarding progress of renminbi internationalisation. Based on SWIFT data, the share of renminbi as a global payment currency is only 3% compared to dollar's 51% share. The gap is also large in global trade finance despite China's dominance in global trade. Nonetheless, renminbi's share has risen to 6%-8% from around 2% prior to 2022 but this is still well-below dollar's share at around 83%.

Chart 2: Currency used for global payments through SWIFT systems



Source: Macrobond, SWIFT, Indosuez Wealth Management.

Chart 3: Renminbi's share as global currency in trade finance market



Source: Macrobond, SWIFT, Indosuez Wealth Management.

3. PILOT FOR OFFSHORE RENMINBI FOREIGN EXCHANGE TRADING IN SHANGHAI FTZ

The PBoC announced a pilot program for offshore yuan foreign exchange trading within the **Shanghai Free Trade Zone**, a measure aimed at deepening renminbi internationalisation and expanding the currency's role in global markets.

This initiative aligns with broader efforts to develop Shanghai as a **global offshore finance hub**, with Vice Premier He Lifeng reaffirming at the forum that China will continue to advance financial opening and support companies expanding overseas.

4. MACRO-PRUDENTIAL LIQUIDITY SUPPORT TOOL FOR NON-BANK FINANCIAL INSTITUTIONS

The PBoC indicated it will study the establishment of a **macro-prudential liquidity support tool for non-bank financial institutions (NBFIs)** to be deployed under specific stress circumstances, aimed at safeguarding financial stability during periods of funding pressure.

This measure reflects the PBoC's ongoing focus on systemic risk management and its intent to extend its lender-of-last-resort toolkit beyond the traditional banking sector.

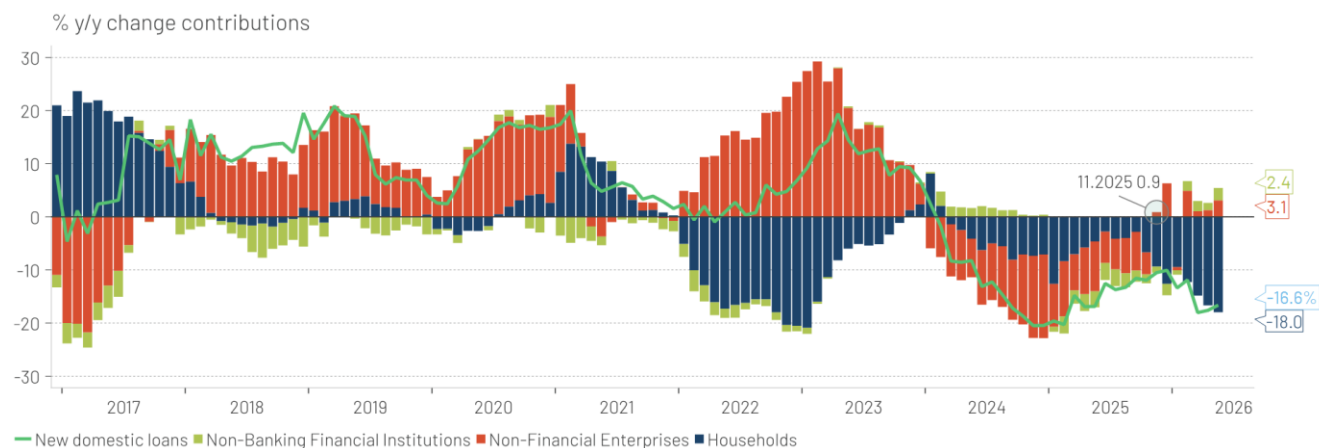
5. DEVELOPMENT OF OFFSHORE FINANCE IN SHANGHAI

Pan Gongsheng outlined plans to further develop **offshore finance capabilities in Shanghai**, reinforcing the city's ambition to become a leading global financial centre. This measure complements the FTZ offshore renminbi trading pilot and the FIMA repo facility, forming a cohesive push to internationalise China's financial markets.

6. STRUCTURAL SHIFT TOWARD DIRECT FINANCING

Pan Gongsheng signalled a **historic shift in China's financing mix** – away from traditional bank loans and toward bonds and equities – driven by economic upgrades, government financing needs, and fintech development.

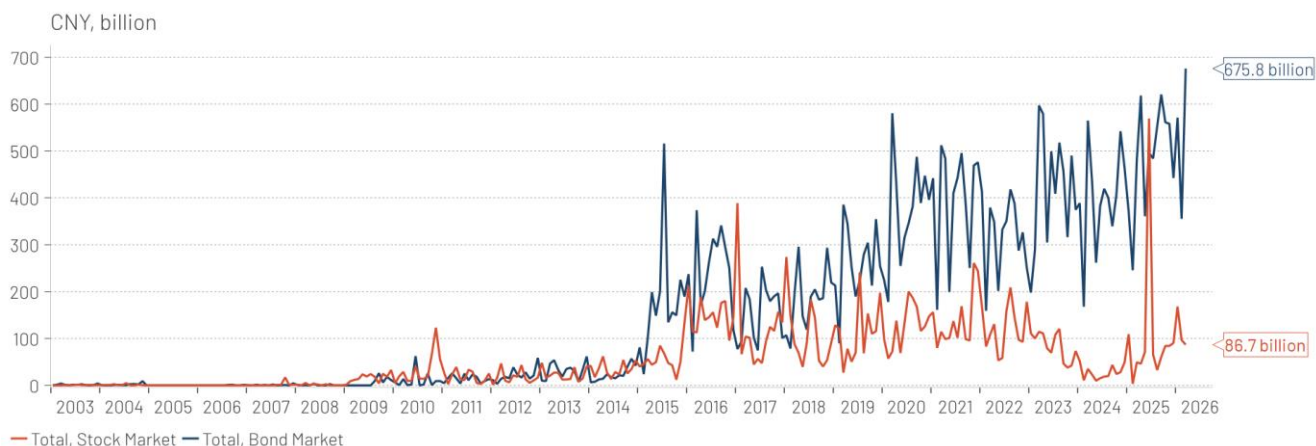
Chart 4: Chinese new loans growth has been painfully slow



Source: Macrobond, People's Bank of China (PBoC), Indosuez Wealth Management.

The broader policy framework is designed to align the financial sector with China's high-quality economic and industrial transition, with the PBoC positioning capital markets as a more central pillar of corporate and government funding.

Chart 5: China capital raised via stocks and bonds



Source: Macrobond, China Economic Monitoring & Analysis Centre (CEMAC), Indosuez Wealth Management.

BROADER CONTEXT

The six measures collectively represent a multi-pronged policy push across three themes:

Monetary framework modernisation	Renminbi internationalisation	Financial stability and structural reform
Moving toward a narrower, more transparent interest rate corridor and potentially an overnight policy rate benchmark.	Expanding renminbi liquidity access for foreign institutions and piloting offshore trading infrastructure.	Extending macro-prudential tools to NBFIs and reorienting the financing mix toward capital markets.

We believe that the announcements are indicative of a gradual shift toward a more market-based monetary policy framework and a strengthening of the renminbi's role in global liquidity management.



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