

# Guide for Serving CIPS Indirect Participants<sup>1</sup>

## Chapter 1 General Provisions

**Article 1** Based on the "CIPS Business Rules" and "Interim Measures for Administration of CIPS Participants" (hereinafter referred to as "Measures"), this Guide is drafted to guide and regulate the development, and management of, and services for indirect participants by direct participants of CIPS.

**Article 2** The Guide is applicable to direct participants of CIPS.

**Article 3** CIPS Co., Ltd. (referred to as "CIPS") shall provide immediate management and services for direct participants, and propose framework requirements for the general principles, access requirements, risk assessment, and other mechanisms of developing indirect participants, guiding direct participants in managing and serving indirect participants. According to the principle of "whoever acts as correspondent bank, whoever is responsible", direct participants should directly manage and serve indirect participants and other settlement customers, and are directly responsible for the management of their indirect participants.

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<sup>1</sup> Note: In the event of any discrepancy between the English and Chinese version, the Chinese version shall prevail

## **Chapter 2 Development of Indirect Participants**

**Article 4** Direct participants shall develop indirect participants based on the principles of "know-your-business, know-your-customer, and due diligence" and risk-based approaches. Before establishing a business relationship with the applying institution, direct participants shall evaluate the institution (hereinafter referred to as the applying institution) that intends to become a CIPS indirect participant in accordance with this Guide and the relevant business rules of CIPS, and establish a business relationship only if the applying institution meets the relevant conditions according to the evaluation results.

**Article 5** Direct participants are encouraged to develop applying institutions that have established agency clearing relationships with them into indirect participants.

Direct participants are encouraged to develop applying institutions in their countries and regions that have demands for RMB settlement services or are engaged in international settlement services into indirect participants. Direct participants with regional or global service networks are encouraged to develop applying institutions in neighboring countries or regions, or on a global scale, into indirect participants.

For direct participants with significant achievements in developing indirect participants, CIPS will consider their

performance during the service efficacy assessment.

**Article 6** Institutions with the following circumstances shall not be developed into indirect participants:

(1) Entities subject to sanctions for violating anti-money laundering, counter-terrorism financing, or sanction requirements issued by the United Nations Security Council or relevant countries or regions. Relevant countries or regions refer to the countries or regions where the applying institution is registered or has business presence.

(2) Shell banks. Banks that have no physical presence in the country or region where they are established and licensed, and are not affiliated with a regulated financial institution.

(3) With effective measures taken, the applying institution's identity still cannot be verified, or the applying institution is unable or unwilling to provide the necessary information for identity verification, making it impossible to effectively identify the applying institution.

(4) There is reliable information indicating that the applying institution engaged in or is engaging in money laundering, financial fraud, corruption, tax evasion, drug trafficking, or other major criminal activities, or there are sources suggesting that it is involved in terrorism, suspected of engaging in terrorist activities and financing. Or is involved in the financing of the proliferation

of weapons of mass destruction.

(5) Other circumstances that direct participants consider that the applying institutions shall be prohibited from developed into indirect participants.

**Article 7** Before establishing a business relationship with the applying institution, direct participants shall notify the applying institution of the rights and obligations, business scope, business processing flow and timeliness, as well as business, risk, and compliance requirements of carrying out business through CIPS.

**Article 8** Direct participants shall conduct qualification review for indirect participants in accordance with Article 15 of the *Measures*.

**Article 9** Direct participants shall establish and implement a sound customer identification system in accordance with applicable laws, regulations, and regulatory requirements of the relevant country or region, and shall understand customers and the purpose and nature of the business relationship they establish and maintain. During the period of the business relationship, direct participants shall take continuous measures to verify the customer's identity.

**Article 10** Direct participants shall understand the business risk conditions in the country or region where the applying institution is registered or has business presence, and assess whether there

have been any circumstances in the past two years that could pose significant risks or hidden dangers to CIPS or other participants, including but not limited to: whether there are laws and regulations in the relevant countries or regions that prohibit or restrict the applying institution from complying with this Guide and relevant business rules; whether the applying institution or its settlement customers as well as their business are involved in money laundering and terrorist financing, or subject to domestic or international sanctions, or other circumstances that may pose significant risks and hazards to CIPS or other participants.

**Article 11** Direct participants shall understand the scale of RMB settlement business that the applying institution has already operated or plans to operate.

**Article 12** Direct participants shall understand the credit status of the applying institution.

**Article 13** After direct participants complete qualification review for institutions applying to be indirect participants, they shall submit a registration form to CIPS, ensuring that the information provided is true, accurate, and complete. They shall also promptly inform the applying institution of the registration results and any requirements for supplementary materials from CIPS. CIPS allows direct participants to submit registration materials in batch.

**Article 14** If direct participants intend to develop overseas central bank institutions, international financial organizations, and other types of institutions into indirect participants, they shall contact CIPS in advance to obtain the specific requirements for supplementary materials.

**Article 15** Upon receiving complete registration materials, CIPS shall process them in accordance with Article 17 of the *Measures*.

For applying institutions approved for registration, CIPS shall accurately complete system settings for new indirect participants, including establishing CIPS identification numbers and setting effective dates, and notify all direct participants through system broadcasting before the effective date. Direct participants shall promptly notify indirect participants of relevant information such as the effective date.

For those not approved for registration or with supplementary materials requirement, CIPS shall cause direct participants to inform applying institution of the reasons.

**Article 16** CIPS identification number is the unique identifier of CIPS participants in the system. It is recommended to use CIPS Identifier (CIPS ID) or Bank Identifier Code (BIC) as the identification number, and the identification of the applying institution through the Legal Entity Identifier (LEI) and other identifiers is also supported.

## **Chapter 3 Management of and Services for Indirect Participants**

**Article 17** Direct participants shall take the following measures to manage and serve indirect participants, to ensure that the business of indirect participants comply with the provisions of Article 27 and Article 28 of the *Measures*:

(1) Through business contracts, business announcements, etc., direct participants shall clarify the rights and obligations, business scope, business processing flow and timeliness, as well as business, risk, and compliance management requirements for indirect participants to handle business through CIPS.

If the agreements signed between direct participants and indirect participants are applicable to business handled through CIPS and do not conflict with this Guide and relevant business rules, they are deemed to comply with the above provisions.

If the agreements signed between direct participants and indirect participants do not comply with the above provisions, relevant matters can be clarified through business announcements, supplementary agreements or clauses.

Direct participants are encouraged to supplement relevant clauses in the business agreements with applying institutions, such as correspondent banking account agreement, to register them as indirect participants.

(2) Direct participants shall act as agents for the transmission of payment instructions according to the agreements with indirect participants, to prevent agent clearing risks.

(3) Direct participants shall provide timely services to indirect participants, including business inquiries, error handling, complaints and dispute resolution, and respond promptly to the demands for RMB cross-border payment products and services from indirect participants, while continuously improving their own service levels.

(4) Direct participants shall understand the indirect participants' business, compliance, risk, emergency, and system management systems applicable to CIPS.

**Article 18** Direct participants shall continuously and closely monitor the following situations. If the following situations occur, they shall report, notify, and submit to CIPS in accordance with Article 30, Article 31, and Article 32 of the *Measures*:

(1) If direct participants identify risk events related to CIPS or significant risk hazards involving indirect participants that may or have already affected the normal business processing through CIPS or the safe and stable operation of CIPS, they shall immediately report to CIPS. The report shall include the causes and analysis of the events, status of progress, and follow-up plans.

(2) Direct participants shall summarize the management and

service situation of indirect participants, such as the use and management of clearing accounts of indirect participants, business risk monitoring profile, etc., and submit them to CIPS within 40 business days after the end of each fiscal year.

(3) Other reports, notifications, and submissions related to indirect participants.

**Article 19** Direct participants shall establish and improve risk management mechanisms for payment clearing business, and conduct regular risk assessments to effectively identify, measure, monitor, and control credit risks, liquidity risks, business continuity risks, data security risks, network security risks, and other risks that may affect the normal operation of the payment clearing business.

Direct participants shall establish effective risk identification and isolation mechanisms, and prevent the risk transmission from individual indirect participants to CIPS or other participants.

**Article 20** When establishing business relationships with indirect participants, direct participants shall determine the frequency and methods of regular review of customer identity and business risks during the contract period, and make timely adjustments according to changes in customer risk profile.

**Article 21** Direct participants shall follow regulatory requirements to strengthen the penetrating monitoring and management of indirect participants.

Direct participants shall monitor the use of clearing funds by indirect participants, and timely provide information on the clearing funds of indirect participants in accordance with the requirements of CIPS. If any potential risk that may affect the performance of payment obligations of indirect participants is detected, they shall assess the risk profile and potential impact on them, take timely measures, and report the risks of agency payment clearing business to CIPS as required, and handle emergencies properly.

**Article 22** If there are potential risks in indirect participants, direct participants may take appropriate measures according to their own risk management needs and offer cooperation to CIPS' corresponding measures.

**Article 23** If indirect participants violate this Guide and relevant business rules, causing complaints from other participants or customers and affecting the business order, direct participants shall take effective measures according to the situation to supervise indirect participants to correct the violation.

**Article 24** Direct participants shall enhance the business continuity management of the payment clearing system. Based on a solid governance framework, they shall ensure the effective integration of business management, compliance management, information security, and other systems and mechanisms, and improve operational resilience and service quality, enabling them to continuously provide key business and services to indirect participants.

**Article 25** Direct participants shall monitor the business operations of indirect participants. For indirect participants who have not conducted business through direct participants for 12 consecutive months, they shall contact the indirect participants to understand the specific reasons.

#### **Chapter 4 Withdrawal of Indirect Participants**

**Article 26** Indirect participants can apply to cancel their business relationship with direct participants based on their own needs.

After the indirect participants cancel their business relationship with all direct participants, it is considered as withdrawal from CIPS.

**Article 27** In the event of any of the following circumstances, direct participants shall cancel their business relationship with indirect participants:

- (1) Indirect participants no longer meet the requirements of

Article 15 of the *Measures*.

(2) Indirect participants face significant risks that may affect the safe and stable operation of CIPS.

(3) Indirect participants violate the CIPS Business Rules, *Measures*, and related requirements, causing serious impact on business order, and the impact or risks cannot be eliminated even after measures have been taken.

(4) CIPS considers the withdrawal meets the provision of Article 37 or Article 41 of the *Measures*.

**Article 28** For indirect participants who apply to cancel their business relationship with direct participants, direct participants shall ensure that indirect participants fulfill their payment obligations, and complete the business relationship cancellation in a stable and orderly manner, including business termination, data retention, and information confidentiality.

**Article 29** After reaching a mutual agreement, the direct participants shall submit the application form for cancelling the business relationship to CIPS.

If CIPS requires the indirect participants to withdraw according to the provisions of the *Measures*, the direct participants do not need to submit the application form for cancelling the business relationship.

For the case where the indirect participants change to direct

participants, the direct participants do not need to submit the application form for cancelling the business relationship. It is because when the indirect participants access the system as direct participants, the original business relationship between the direct and indirect participants is automatically cancelled.

**Article 30** CIPS shall process the application form for cancelling the business relationship within 20 business days after receiving it. If the application materials are complete and compliant, CIPS will complete the system settings for cancelling the business relationship between the direct participants and the indirect participants, and notify the direct participants of the effective date and other related information. Direct participants shall promptly notify indirect participants of relevant information such as the effective date.

If CIPS requires the indirect participants to withdraw according to the provisions of the *Measures*, CIPS will complete the system settings for cancelling the business relationship between the direct and indirect participants, and notify the direct participants of the effective date and other related information. The direct participants shall offer assistance and timely notify the indirect participants of the effective date and other related information, and communicate and explain with the indirect participants.

## **Chapter 5 Supplementary Provisions**

**Article 31** CIPS has the right to interpret this Guide.

**Article 32** This Guide shall come into effect from the date of release. The original "CIPS Indirect Participant Access Guide" (Kua Jing Ye Guan Wei [2022] No. 1) is hereby abolished.