

History, Status and Outlook of the China's Bond Market Openness



联合信用评级有限公司
United Credit Ratings Co., Ltd.



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Internationalization of the China's Bond Market

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Development of onshore and offshore RMB Bond Markets

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Foreign Currency Bonds Issued offshore by Chinese Issuers

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Development of Panda Bond Market

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United Ratings's Expertise in Chinese Capital Market



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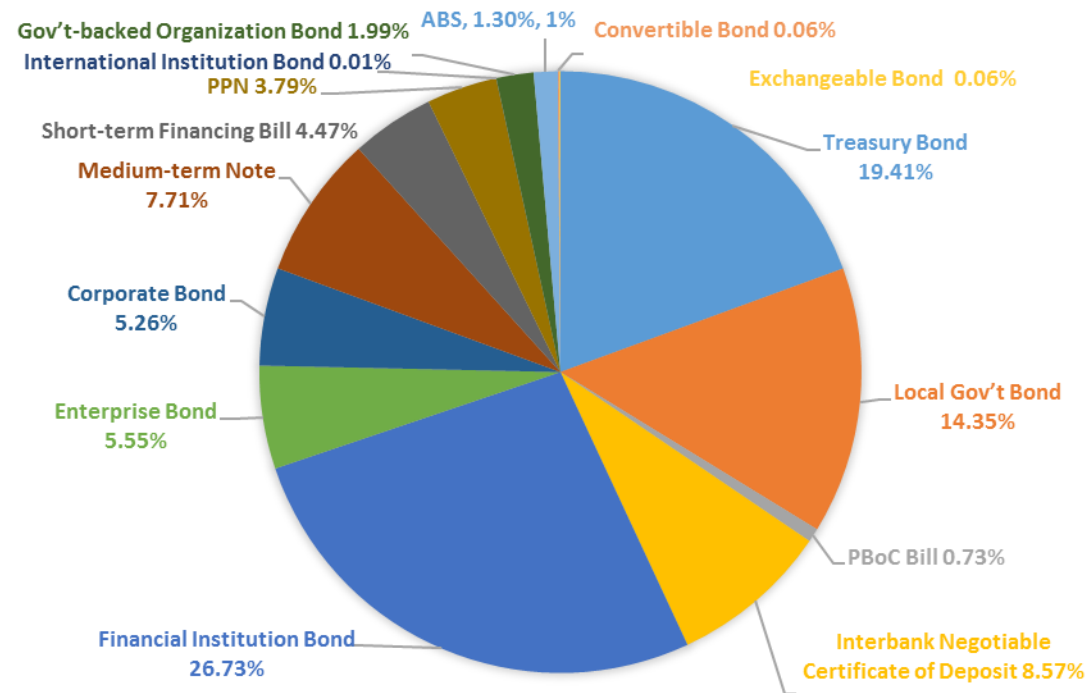
Internationalization of the China's Bond Market

Part I: Internationalization of the China's Bond Market (1)

□ Overview of the China's Bond Market

China's Bond Market is the third largest one in the world, after the USA and Japan.

As of June 2016, total outstanding bonds amounted to RMB 57.6 trillion, indicating a 43% year-on-year growth.



Structure of Outstanding Bonds

Outstanding Bonds in the China's Bond Market as of June 2016

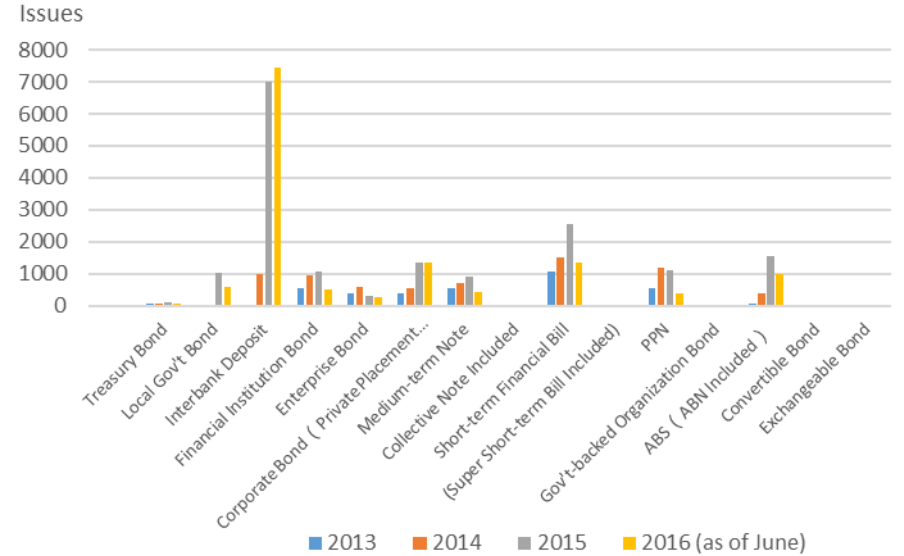
Category	Bond Number	Proportion (%)	Outstanding (RMB bn)	Proportion (%)
Treasury Bond	271	1.05	111,736.10	19.41
Local Gov't Bond	1,714	6.66	82,654.41	14.35
PBoC Bill	9	0.03	4,222.00	0.73
Interbank Negotiable Certificate of deposit	6,345	24.66	49,364.70	8.57
Financial Institution Bond	1,303	5.06	153,934.12	26.73
Enterprise Bond	2,567	9.98	31,939.87	5.55
Corporate Bond	3,513	13.65	30,269.49	5.26
Medium-term Note	2,984	11.60	44,370.21	7.71
Short-term Financing Bill	2,149	8.35	25,736.55	4.47
PPN	2,296	8.92	21,818.56	3.79
International Institution Bond	3	0.01	70.00	0.01
Gov't-backed Organization Bond	103	0.40	11,475.00	1.99
ABS	2,410	9.37	7,458.99	1.30
Convertible Bond	15	0.06	333.17	0.06
Warrant Bond	1	0.00	68.00	0.01
Exchangeable Bond	44	0.17	349.93	0.06
Total	25,727	100.00	575,801.11	100.00

Part I: Internationalization of the China's Bond Market (2)

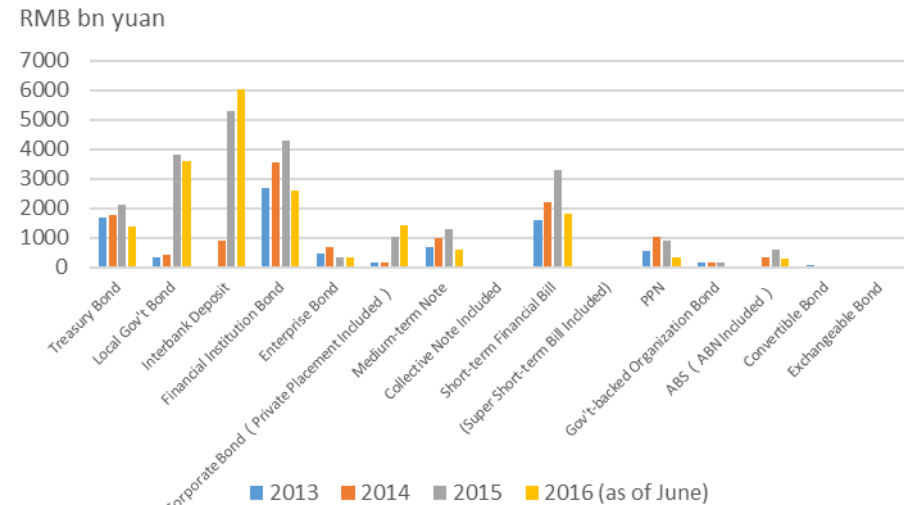
□ Bond Issuances in Recent Years

Category	2013		2014		2015		2016 (as of June)	
	Number of Issue	Amount of Issue (RMB bn)	Number of Issue	Amount of Issue (RMB bn)	Number of Issue	Amount of Issue (RMB bn)	Number of Issue	Amount of Issue (RMB bn)
Treasury Bond	70	16,944.01	78	17,745.01	99	21,216.20	70	13,677.60
Local Gov't Bond	24	3,500.00	43	4,000.00	1,035	38,350.62	599	35,755.00
Interbank Negotiable Certificate of deposit	10	340.00	998	8,985.60	6,987	53,064.90	7,423	60,493.00
Financial Institution Bond	561	26,813.58	951	35,707.78	1,057	42,846.88	525	25,849.80
Enterprise Bond	374	4,752.30	584	6,971.98	302	3,421.02	268	3,256.50
Corporate Bond (Private Placement Included)	384	1,722.49	564	1,438.11	1,362	10,334.15	1359	14,281.51
Medium-term Note (Collective Note Included)	539	6,978.59	720	9,780.70	924	12,759.46	444	5,848.40
Short-term Financial Bill (Super Short-term Bills Included)	1,077	16,134.80	1,521	21,849.53	2,544	32,806.30	1,351	18,040.55
PPN	534	5,648.08	1,203	10,097.66	1,118	8,852.95	392	3,171.25
Gov't-backed Organization Bond	12	1,500.00	11	1,500.00	21	1,800.00	1	30
ABS (ABN Included)	63	279.70	389	3,309.84	1,536	6,130.81	978	2,969.38
Convertible Bond	8	544.81	13	320.99	3	98.00	10	200.5158
Exchangeable Bond	1	2.57	5	59.76	26	205.03	12	78.73
Total	3,677	90,522.92	7,080	121,766.95	17,015	231,916.30	13,432	183,652.23

数据来源: Wind资讯



Statistics of Bond Issues



Statistics of Issued Bonds' Scale

Part I: Internationalization of the China's Bond Market (3)

□ Status of the China's Bond Market's Openness

Products for foreign investors enriched

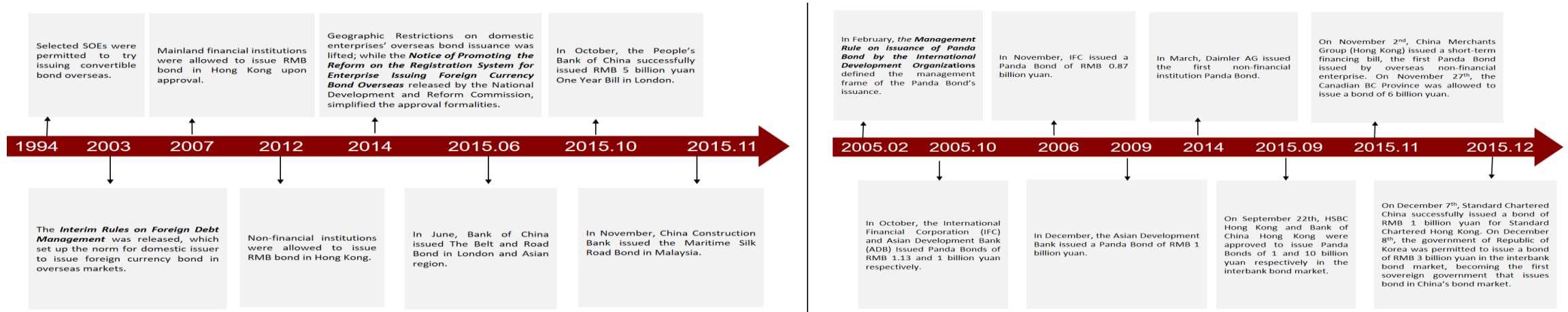
Investment quota for Foreign investors enlarged

Bond's Proportion in the portfolio of foreign investors is low

Demand of the foreign institutions in bond investment is decreasing

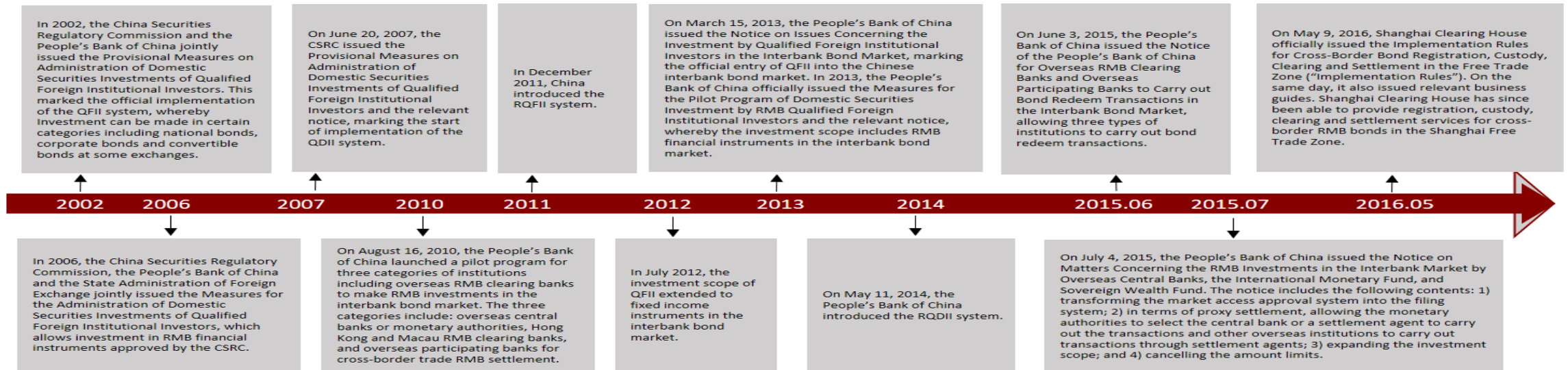
Part I: Internationalization of the China's Bond Market (4)

□ Institutional Evolution of the China's Bond Market



History of Domestic Organizations Issuing Bond Overseas

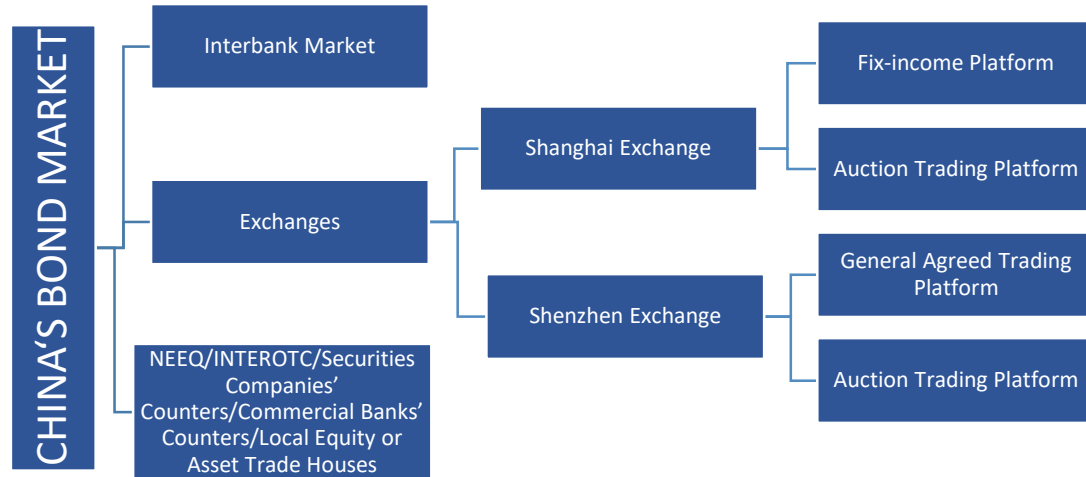
History of Foreign Organizations Issuing Bond in China



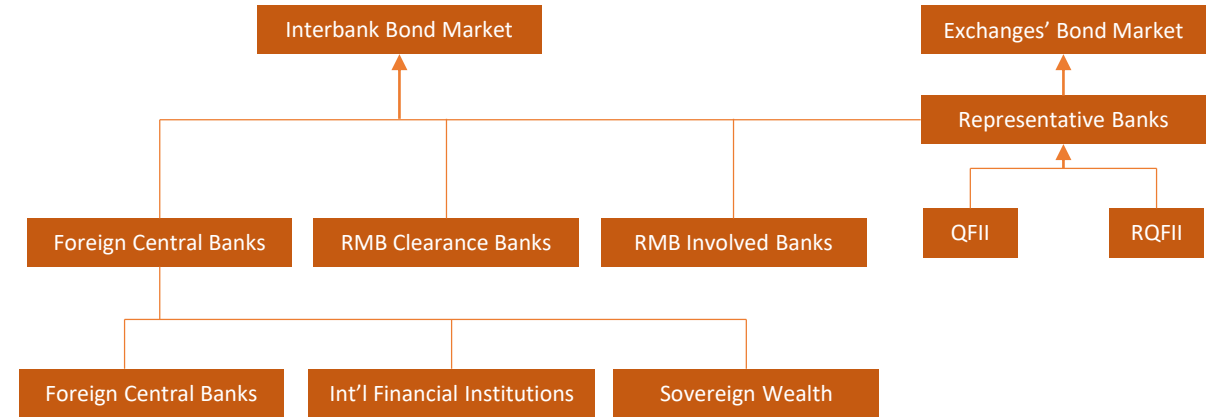
History of China's Bond Market Opening to Foreign Investors

Part I: Internationalization of the China Bond Market (5)

❑ Composition of China's Bond Market



❑ Market access for Foreign Investors



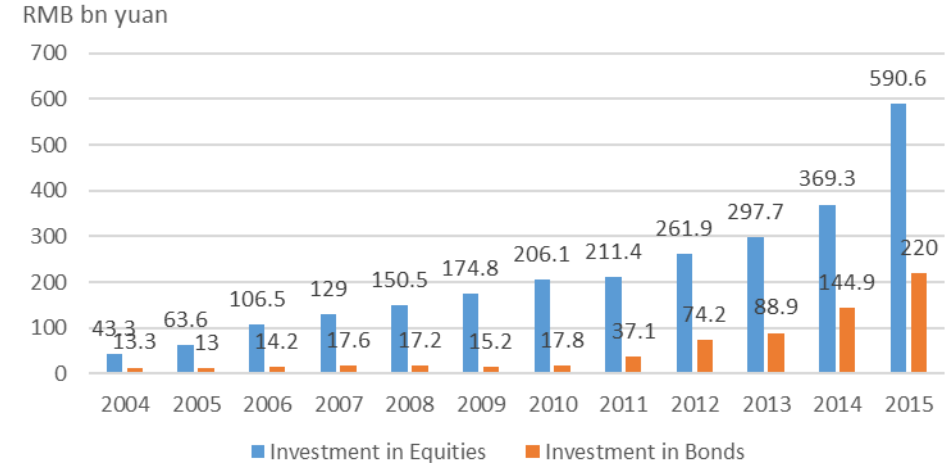
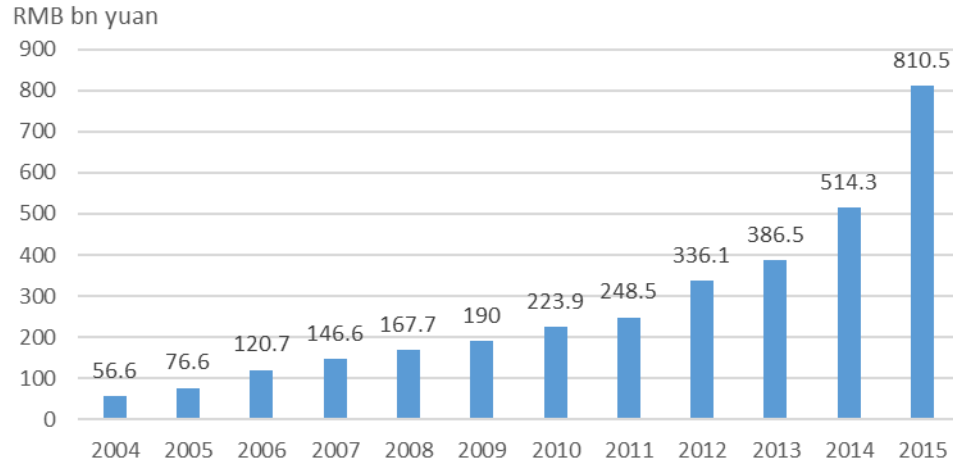
A decorative blue curved line that starts from the top left, curves around a central white circle, and continues down to the bottom left.

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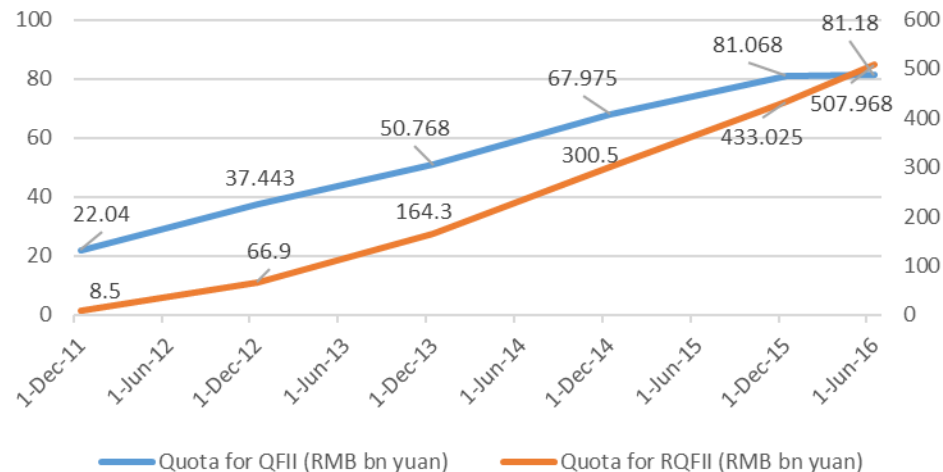
Development of onshore and offshore RMB Bond Markets

Part 2: Development of Onshore and Offshore RMB Bond Markets (1)

Onshore RMB Bond Market Development: Foreign Institutions' Investment in Onshore Market

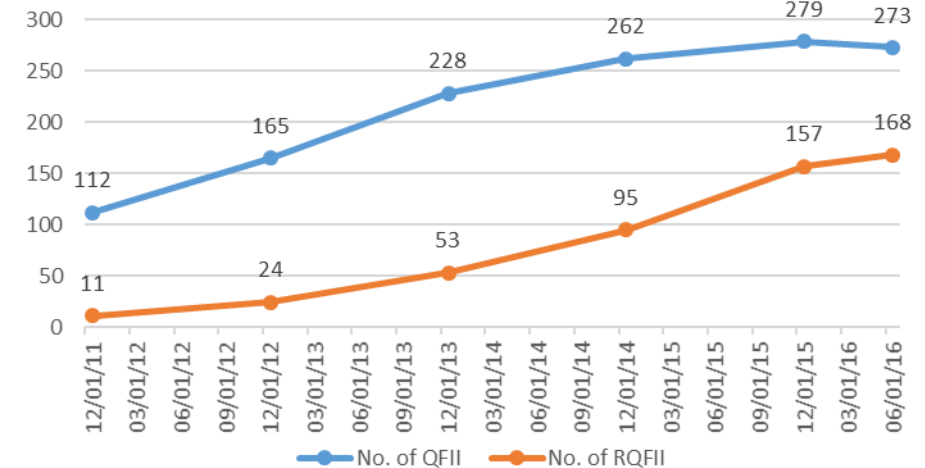


Foreign Institutions' Total Investment in Chinese Securities



Investment Quota for QFIIs & RQFIIs

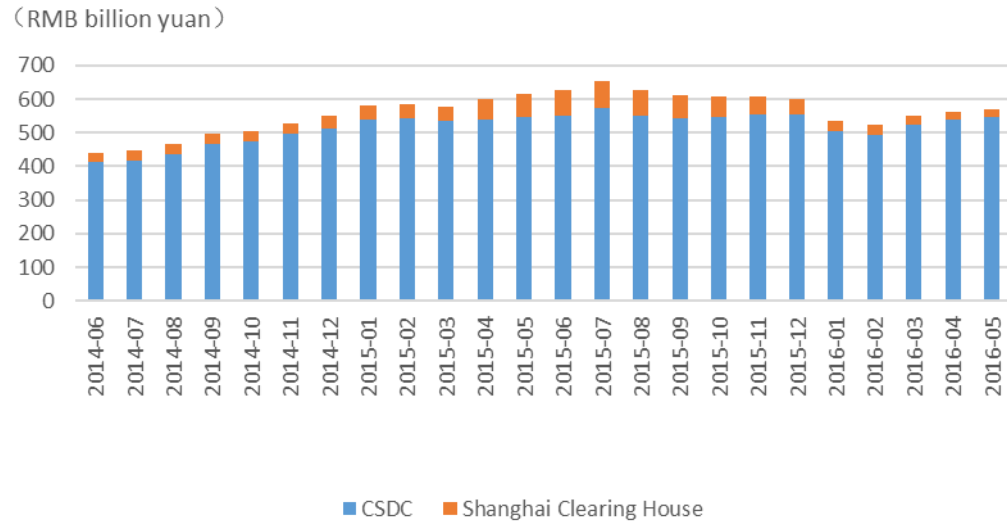
Foreign Institutions' Investment in Chinese Equities and Bonds



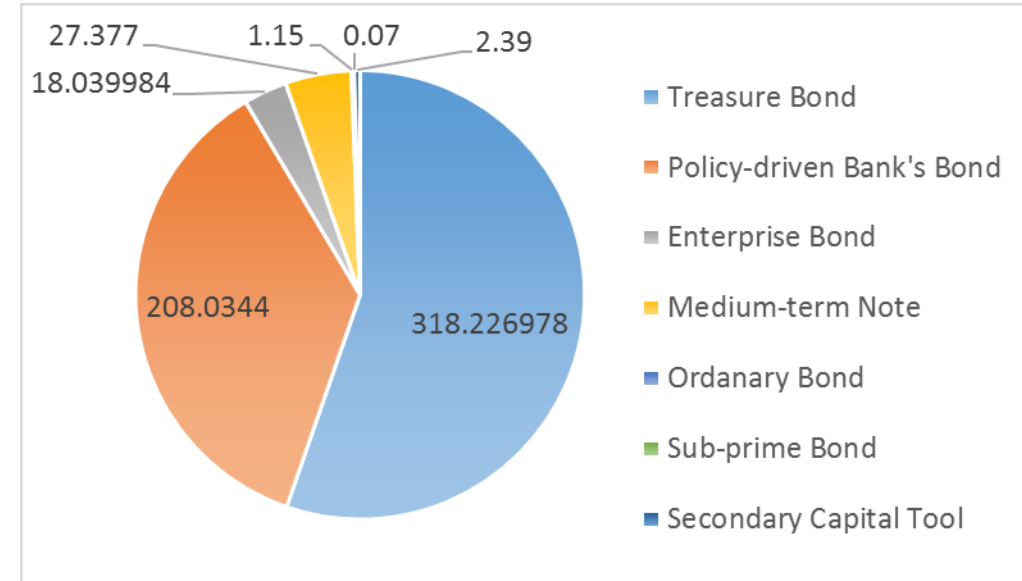
Number of QFII & RQFII

Part 2: Development of Onshore and Offshore RMB Bond Markets (2)

Onshore RMB Bond Market Development: Foreign Institutions' Investment in Onshore Market



Scale of Bond Custody

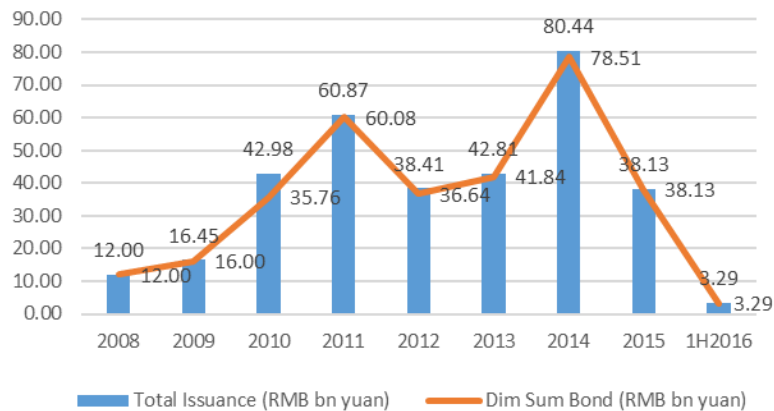


Types of Bonds Held by Foreign Investors (RMB bn yuan)
(As of June 2016)

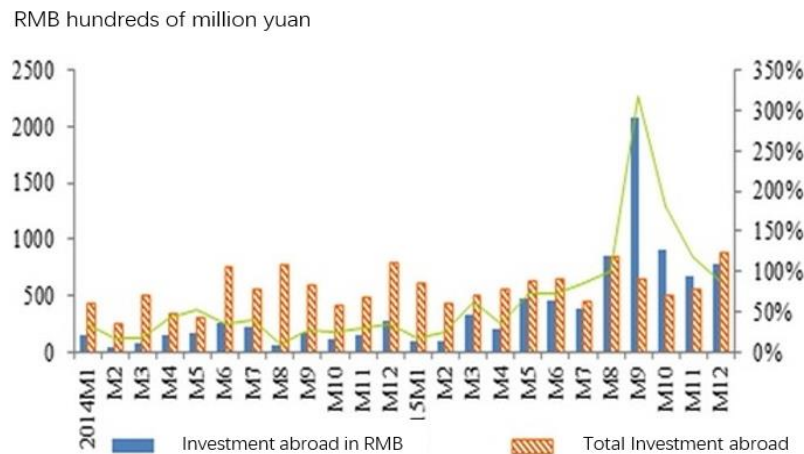
Onshore RMB Bond Market Development: Onshore RMB Bond Issues by Foreign Organization (Panda Bond)

Part 2: Development of Onshore and Offshore RMB Bond Markets (3)

Offshore RMB Bond Market Development: Taking Hong Kong as an Example (Dim Sum Bonds)



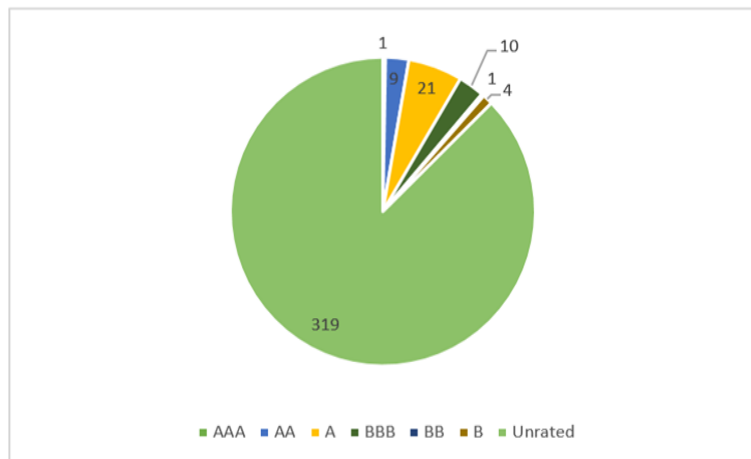
Total Issuance of RMB Bond & Dim Sum Bond



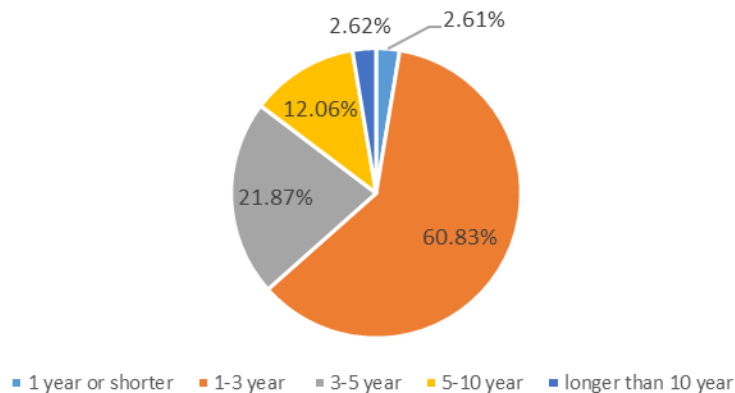
China's Investment Abroad in RMB vs Total Investment Abroad

Total Outstanding Bonds in Hong Kong (As of June 2016)

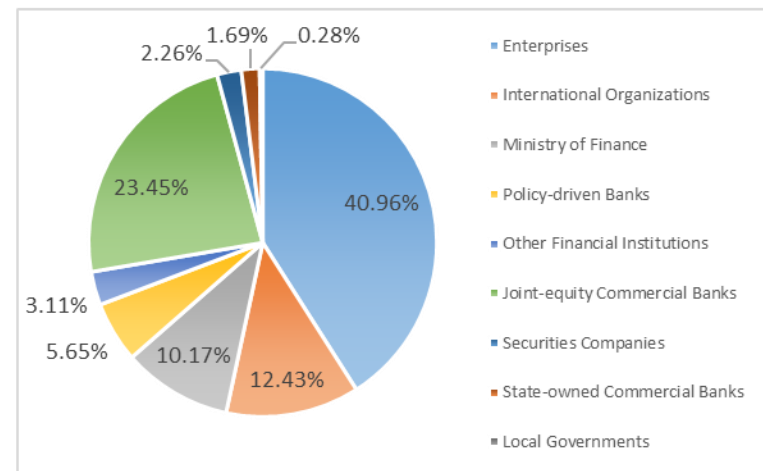
Category	Total Outstanding Bonds (RMB bn yuan)	%	Number of Bonds	%
Corporate Bond	148.12	42.12	139.0000	39.27
Financial Institution Bond	109.84	31.24	171.0000	48.31
Treasury Bond	87.40	24.85	37.0000	10.45
Convertible Bond	6.29	1.79	7.0000	1.98
Total	351.65	100.00	354.0000	100.00



Offshore Bond Credit Quality



Offshore Bond Maturity



Structure of Offshore Bond Issuers

Part 2: Development of Onshore and Offshore RMB Bond Markets (4)

□ Development of Offshore RMB Bond Markets: Outlook

More Bond Issuance Markets

Diversified Issuers

Repurchase Scheme Improved

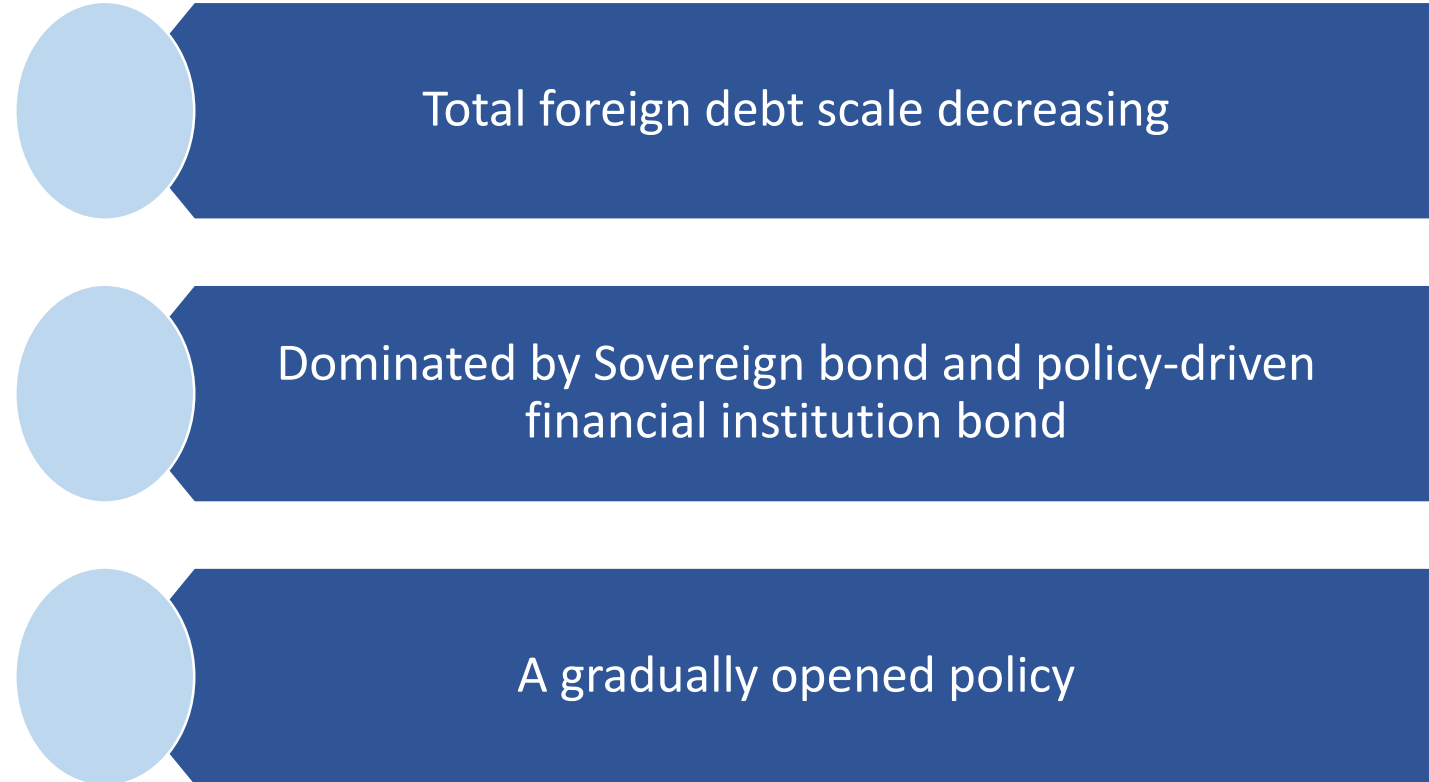


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Foreign Currency Bonds Issued offshore by Chinese Issuers

Part 3: Foreign Currency Bonds Issued offshore by Chinese Issuers (1)

□ Foreign Currency Bonds Issued Offshore by Chinese Issuers



Part 3: Foreign Currency Bonds Issued offshore by Chinese Issuers (2)

□ Current Regulations on Cross-border Financing/Offshore Bond Issuance

Category	Institution		Applicable mode	Regulatory body	Filing	Remark
Cross-border financing	27 pilot banks	Domestically funded	Full caliber	People's Bank of China	Post-filing	The undue balance of cross-border financing under the original administration mode has been included in full-caliber administration
		Foreign funded	Alternative (full caliber/short-term external debt balance indicator) No matter which one is selected, short-term external debt shall be calculated as per the balance in full caliber			
	Non-bank financial institutions except the 27 pilot banks	Domestically funded	Full caliber	State Administration of Foreign Exchange		
		Foreign funded	Alternative (full caliber/short-term external debt balance indicator) No matter which one is selected, short-term external debt shall be calculated as per the balance in full caliber			
	Enterprise	Domestically funded	Full caliber		Pre-filing by contract	
		Foreign funded	Alternative (full caliber/short-term external debt balance indicator) No matter which one is selected, short-term external debt shall be calculated as per the balance in full caliber			
Overseas bond issue	96 foreign-funded banks	The verified scale of medium- and long-term external debt shall be calculated as per the balance in full caliber	National Development and Reform Commission	Pre-filing	Between the upper limit of full-caliber cross-border financing and the NDRC verified scale, the lesser shall apply. Where the scale is approved case by case, the approved amount shall apply.	
	21 pilot enterprises			Post-filing		
	Entities other than the 21 pilot enterprises			Pre-filing		



4

Development of Panda Bond Market

Part 4: Development of Panda Bond Market (1)

□ Panda Bond: Definition

Issuer	Types of Issuance	Country of Issuance	
		Onshore Markets	Offshore Markets
Domestic issuer	Issuing Local Currency Bond	Local Currency Bond	Offshore Bond
	Issuing Foreign Currency Bond	Foreign Currency Bond	Foreign Bond (Yankee Bond)
	Issuing a Third Country's Currency Bond	-	Euro Bond
Foreign Issuer	Issuing Bond in the Issuer's Currency	Foreign Bond (Panda Bond)	Foreign Currency Bond
	Issuing Bond in the Currency of the Country of Issuance	Offshore Bond	Local Currency Bond
	Issuing Bond in a Third Country's Currency	Euro Bond	-

Part 4: Development of Panda Bond Market (2)

☐ Examples of Panda Bond Issues

Bond's Short Name	Issuer	Date of Issuance	Date of Redemption	Amount (RMB bn)	Maturity (Year)	Coupon Rate (%)	Location of Issuer	Int'l Rating Agency	Rating on Issuer
05 IFC Bond	International Finance Corp.	2005/10/1	2015/10/1	1.13	10	3.4	USA	S&P: AAA	-
05 ADB Bond	Asian Development Bank	2005/10/1	2015/10/1	1	10	3.34	Philippines	Moody's: Aaa	-
06 IFC Bond	International Finance Corp.	2006/11/1	2013/11/1	0.87	7	3.2	USA	S&P: AAA	-
09 ADB Bond	Asian Development Bank	2009/12/1	2019/12/1	1	10	4.2	Philippines	Moody's: Aaa	-
10 BTMU China 01	Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	2010/5/20	2012/5/21	11	2	5.8	Japan	S&P: A+	AAA(LC) AAA(FC)
14 Daimler PPN 001	Daimler AG	2014/3/1	2015/3/1	0.5	1	5.2	Germany	S&P: A-	AAA(LC)
14 Daimler PPN 002		2014/11/1	2015/11/1	1.5	1	4.6	Germany		AAA(FC)
15 Daimler PPN 001		2015/4/1	2016/4/1	3	1	4.8	Germany		
15 HSBC 01	HSBC	2015/9/1	2018/10/1	1	3	3.5	Hong Kong	Moody's: Aa2	-
15 BOC HK 01	BOC (Hong Kong)	2015/9/1	2018/9/1	1	3	3.5	Hong Kong	S&P: A+ Moody's: Aa3	AAA(LC) AAA(FC)
15 CMG HK CP001	China Merchants Group (Hong Kong)	2015/11/1	2016/11/1	0.5	1	3.03	Hong Kong	-	AAA(LC) AAA(FC)
15 Standard Chartered HK 01	Standard Chartered Bank (Hong Kong) Limited	2015-12-07	2018-12-09	1	3	3.5	Hong Kong	S&P: A Fitch: A+	AAA(LC) AAA(FC)
15 ROK RMB Bond01	Republic of Korea	2015/12/1	2018/12/1	3	3	3	Republic of Korea	S&P: AA- Moody's: Aa3	AAA(LC)
16 Canadian BC Province RMB Bond 01	BC Province, Canada	2016/1/1	2019/1/1	3	3	2.95	Canada	S&P: AAA Moody's: Aaa	-
16 Yuexiu 01	Yuexiu Transport infrastructure Limited	2016/3/22	2021/3/21	0.3	3	2.85	Hong Kong	S&P: BBB Moody's: Baa3	AAA(LC) AAA(FC)
				0.7	7	3.35	Hong Kong	S&P: BBB Moody's: Baa3	AAA(LC) AAA(FC)

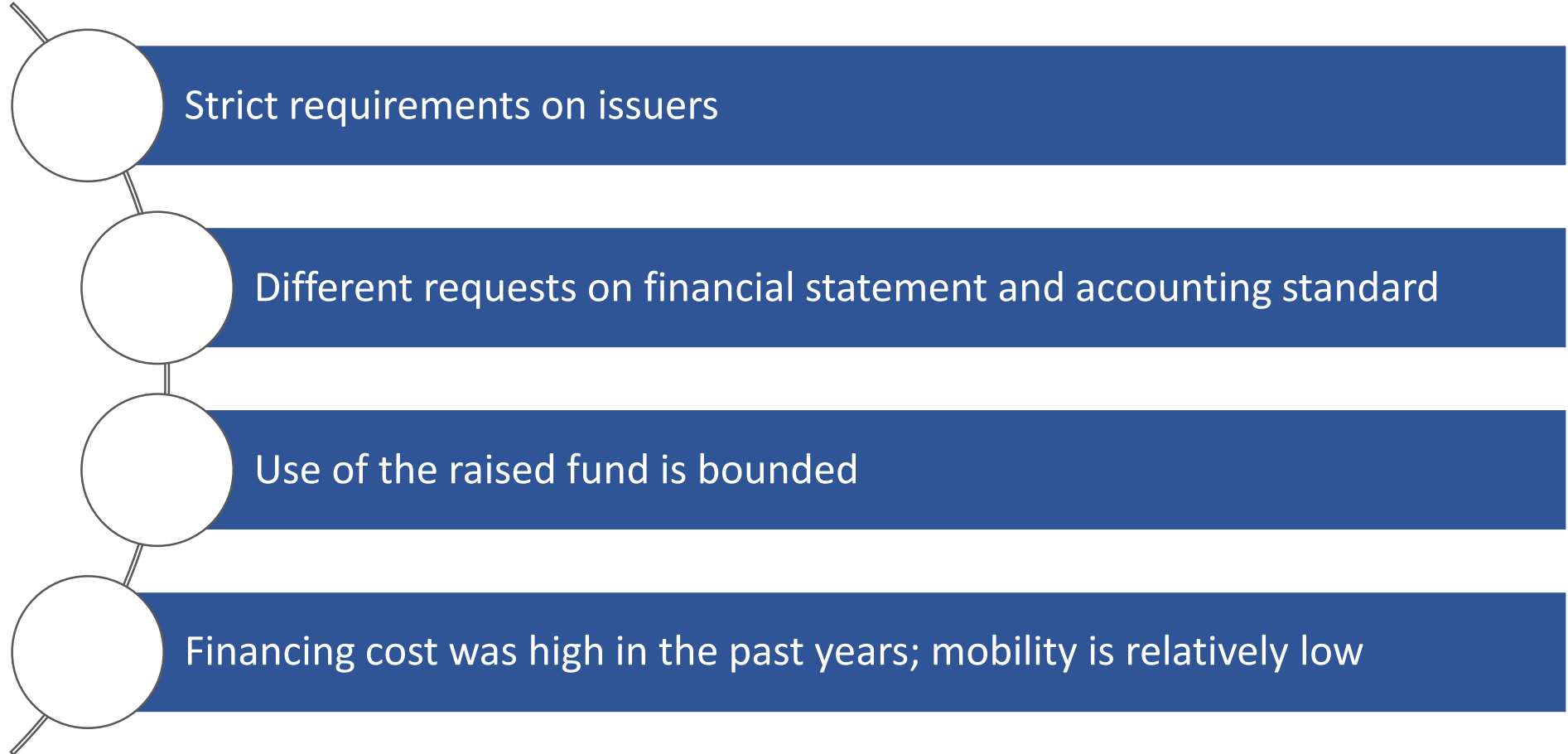
Part 4: Development of Panda Bond Market (3)

☐ Examples of Panda Bonds Rated by United Ratings

Company	Location	Quota of Issuance	Rating
China Aoyuan Property Group	Hong Kong	To be issued	United Ratings
Shanghai Industrial Urban Development Group Limited	The Cayman Islands	To be issued	United Ratings
Powerlong Real Estate Holdings Ltd	Hong Kong	Private placement/4 billion approved, 2.7 billion issued/coupon rate 6.2%	United Ratings: AA+
China Overseas Holdings Limited	Hong Kong	2 billion expected; rating report accomplished	United Ratings: AAA
CHINA PRECIOUS METAL RESOURCES HOLDINGS CO., LTD.	The Cayman Islands	2 billion expected; rating report to be finished	United Ratings
China Resources (Holdings) Company Limited MTN001 (3 years)	Hong Kong	2 billion/3 years/coupon rate 3.2%	Lianhe Ratings: AAA
China Resources (Holdings) Company Limited MTN002 (5 years)	Hong Kong	3 billion/5 years/coupon rate 3.6%	Lianhe Ratings: AAA

Part 4: Development of Panda Bond Market (4)

❑ Panda Bond Market: Current Problems



Part 4: Development of Panda Bond Market (5)

❑ Panda Bond Market: Existing Risks

Country Risks (Politics, Legal System, Macro-economic Environment)

Globalized Industry Risks (Industry Structure, Competition, Industry Policy)

Exchange Risks (Restrains on Cross-border Capital Flow and Foreign Exchanges)

Part 4: Development of Panda Bond Market (6)

□ Panda Market: Outlook and Suggestion



To standardize market regulation and strengthen information disclosure of issuers

To perfect structure of investors in market and ameliorate protection system for investors

To upgrade Panda Bond rating market and promote the development of China's bond market



5

United Ratings's Expertise in Chinese Capital Market

Part 5: United Ratings's Expertise in Chinese Capital Market

Growing analyst team, of a number over 400

Market shares around 30%

Over 3,000 rating service clients, covering various sectors

Sovereign ratings on 24+ countries, to be extended to 70+

Thank You All!



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United Credit Ratings Co.,Ltd.

