PRESS RELEASE

ASIFMA AND PARTNERS RELEASE RESULTS OF LARGEST GLOBAL INVESTOR SURVEY ON CHINA'S ONSHORE BOND MARKET

China has many interrelated factors to address before the opening of the bond market is successful
Foreign investors say that technical barriers outweigh macroeconomic concerns

Hong Kong, 9 November 2016 - ASIFMA, the financial industry's leading regional trade association, today released the results of a global survey on investor interest in China's onshore bond market. The survey is the largest of its kind to date, with responses from over 100 investors representing total estimated global assets under management (AUM) of over USD 21 trillion. In September and October of 2016, ASIFMA jointly conducted this survey with AFME[1], AIMA[2], ALFI[3], Irish Funds[4], KOFIA[5] and SIFMA AMG[6] to ask investors and potential investors globally for their views on accessing China's onshore bond markets, their primary concerns and what they would like to see changed and developed from a policy perspective.

Participants were asked questions about the importance of a number of areas that they consider when investing in China's onshore bond market, covering macro-economics, capital market development, credit information, and legal and operational issues. 32% of the respondents have their headquarters in Asia, 39% in Europe and 25% in North America.

Key Findings

The survey revealed a number of important findings, including:

- Despite the fact that the Chinese government has accelerated efforts to attract more foreign investment, the market still lacks depth and there are a large number of remaining impediments for foreign investors that the government may wish to consider in order to fully open its capital markets.
- Of the 32 factors that were examined in the survey, almost all of them are considered of significant importance.
- As China has many interrelated factors to address before the opening of the bond market is successful, Chinese authorities should consider taking a holistic view when developing policy priorities.

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[1] AFME, Association for Financial Markets in Europe, http://www.afme.eu/
[2] AIMA, Alternative Investment Management Association, https://www.aima.org/
[3] ALFI, Association of the Luxembourg Fund Industry, http://www.alfi.lu/
[4] Irish Funds, Irish Funds Industry Association, http://www.irishfunds.ie/
[5] KOFIA, Korea Financial Investment Association, http://eng.kofia.or.kr/index.do
[6] SIFMA, Securities Industry and Financial Markets Association, http://www.sifma.org/

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- Technical barriers to participation (i.e., legal and operational) are more important than macroeconomic in spite of the current economic climate in China.
- When comparing the responses from investors around the world, there is no substantial difference between investors based on their location, AUM, or investor type; overall, they share the same concerns.
- In terms of investment preferences, international investors generally want to access the highest-rated investments or instruments with a high credit quality.

Commenting on the survey results, Mark Austen, CEO of ASIFMA said, "One of our key areas of focus at ASIFMA is the Chinese bond market and the results of this survey are very valuable in helping us better understand the various interrelated concerns of investors, all of which are important to address in order to ensure a successful opening of the market. Clearly there is much work still to be done, but we are very optimistic that with the right focus on areas for development, it will develop to its full potential as a crucial part of China's capital markets. As a next step, ASIFMA is creating a white paper on the development of China's capital markets which will incorporate recommendations based on the findings of this survey."

"AFME recognises the importance of the growing investment market in China and this data gathering exercise will provide helpful insights for further developing China's capital markets," added Simon Lewis, CEO of AFME.

"This survey underlines what we have been hearing from our members this year, which is a growing interest among alternative investment fund managers in China's onshore bond market," commented Kher Sheng Lee, Managing Director, Co-Head of APAC and Deputy Global Head of Government Affairs, AIMA. "We look forward to continuing to engage closely with the Chinese authorities as they move to open up the legal, regulatory and market environment in the country and build on the progress in the bond market that we have seen this year."

"With the first Luxembourg RQFII UCITS fund authorized in November 2013, Luxembourg has paved the way for channeling investments from Europe into China. While the initial focus was rather equity-driven, the sheer size of Mainland China interbank bond markets has attracted the interest of asset managers of fixed income funds, in particular given the level of interest rates in Western economies. Not surprisingly, the survey evidences that despite the opening of the Chinese bond market and progress made so far, greater transparency, legal certainty and predictability remain a key concern of foreign investors. Questions such as beneficial ownership, quality of credit information and ratings, and availability of laws and regulations in the English language are evidence of this need for more transparency and legal certainty," said Marc-Andre Bechet, Director Legal & Tax at the Association of the Luxembourg Fund Industry (ALFI).

Pat Lardner, Chief Executive of Irish Funds, stated, "A stable regulatory environment, with clear rules and guidance is a key requirement for investor confidence and decision-making. This report comes as a timely confirmation of the importance of these principles as we see the continued and increasing interest that investors around the world have in gaining access to onshore Chinese bond markets. Furthermore, it highlights the key areas where global fund domiciles like Ireland can continue to support the development of asset managers accessing Chinese securities markets."

Hwang Young-Key, Chairman of KOFIA, commented, "The yuan's inclusion in the Special Drawing Rights (SDR) basket from November will trigger even greater interest in the yuan. Korea and other major trading partners of China in the region are witnessing an increase in the settlement volume of the yuan, yet are experiencing difficulties in finding promising yuan investment products or markets to which they can channel such capital. As of now, there are over 50 QFIIs and RQFIIs in Korea[7] which are authorized to make securities investments in China. With a combined authorized volume surpassing USD 15 billion, investors are seeking out other types of assets, including bonds. I strongly anticipate higher transparency and legal certainty in the Chinese bond market, and a more efficient cross-border transaction process."

"The survey provides valuable investor insight on key considerations for the developing Chinese bond market," concluded Kenneth E. Bentsen, Jr., SIFMA president and CEO. "Robust capital markets serve as critical sources of capital that help spur economic growth and opportunity."

The full survey report can be found here.

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About ASIFMA

ASIFMA is an independent, regional trade association with over 90 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: www.asifma.org.

[7] QFII: 296 authorized institutions, authorized volume USD 80.951bn/Korea: 18 institutions, USD 4.658bn(March 2016); RQFII 196 authorized institutions, authorized volume CNY 471.425bn/Korea: 35 institutions, CNY 74bn(March 2016)