

PRESS RELEASE

ASIFMA Launches First-of-its-Kind Report on China's Capital Markets

Comprehensive new report provides industry insights on how China can shape its capital markets to address slowing growth and the challenge of attracting foreign investors

Hong Kong, 22 March 2017 – [ASIFMA](#), the financial industry's leading regional trade association, today released its report "[China's Capital Markets: Navigating the Road Ahead](#)". The report is the most comprehensive analysis to date on the current state of and the outlook for China's capital markets and provides detailed recommendations on major asset classes on how to enable China's continued strong growth. The report was developed with the help of ASIFMA's member firms who provided expertise across equities, fixed income, FX, asset management and cross-market regulatory matters to form recommendations on how the financial industry believes China's capital markets can adapt to accommodate the needs of an economy increasingly driven by global competition, innovation, and the needs of its consumers.

"As China faces slowing growth and the challenge of attracting foreign investors, we believe that our new report provides timely recommendations on how China can further develop its capital markets," said Mark Austen, CEO of ASIFMA.

This is the first report of its kind that provides a compressed yet comprehensive analysis of China's capital markets across all asset classes -- and recommendations on how to further develop them. The report represents the collective views of many of the largest and most active participants in the financial industry and forms an important part of ASIFMA's ongoing collaborative efforts to provide Chinese regulators – and the broader financial community – insights on how China can shape its capital markets to fit the needs of a changing economy.

"China's capital markets have developed at a pace that has few parallels in history. In fact, in some sectors of the financial industry, such as digital payments, China today sets an example for the rest of the world," continued Mr Austen.

"There are numerous recent examples of this impressive progress such as the opening of the Chinese Interbank Bond Market (CIBM) to a wide range of international investors in early 2016 and the introduction of quota registration system for the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) programs, replacing the slow and less transparent quota application system," said Mr Austen.

However, consistent with ASIFMA's mission, the objective of this report is not to enumerate past successes but to identify those core issues, policies, or capital market structures that could be tweaked, modified, or reformed in ways that the association believes will be essential to sustaining the continued strong economic growth on which China's future prosperity depends.

DEVELOPING ASIAN CAPITAL MARKETS

“We believe that with the right reforms, China has an opportunity to learn from the experience of developed markets, avoid their mistakes and leapfrog their successes,” said Mr Austen. “However, for reform to truly work, technical cooperation across multiple agencies is required. Taskforces should be formed -- and some have already been formed -- to address particular problems by analysing them in a holistic and interconnected manner. Seeking wide industry input during the analytical stage would be helpful to ensure understanding of operational and implementation aspects.”

China has long relied on a successful approach of utilising limited experiments and pilot programs as test cases for reform, and only after assessing the record of such pilots expanding them to bring about broader and deeper opening.

“Whether such a cautious approach will continue to work is now debatable,” said Mr Austen. “While the report is not calling for a ‘big bang’ approach, an accelerated reform program for capital market development is now likely needed. On one hand, the likely end to a low-interest rate environment globally may well see global capital -- including Chinese capital -- seek higher yields in the US, and likely other developed economies as yields rise, leading to a more capital-constrained environment for developing markets including China. On the other hand, the greater complexity of China’s economy and sophistication of its market participants calls for a financial infrastructure that is both flexible and robust.”

The report advocates a broader reform agenda that encourages the development of a deeper, more liquid capital market with greater choice of investment products as the best counterweight to the exchange rate driven concerns that are resulting in greater outflows of capital. While Renminbi (RMB) internationalisation appears to have reversed at least temporarily, the choice between financial stability and the freedom and flexibility of a global currency demanded by international investors will increasingly become a challenge if capital markets are to be developed to ease the transition to a consumption-led economy.

“We believe that our report is also timely as it addresses an important theme of the 12th National People's Congress, during which Premier Li Keqiang specifically emphasized the importance of opening up the Chinese interbank bond market, highlighting that China will encourage foreign-invested firms to be listed and issue bonds in China. Furthermore, Premier Li announced that the bond market connect program between China’s mainland and Hong Kong will kick off within the year, facilitating foreign investment into China’s bond market. ASIFMA has been very active in the development of the China interbank bond market and, as a key area of focus, our report lays out the various ways in which it can continue to develop and strengthen,” added Mr. Austen.

“There is really no single easy solution ahead but rather a series of inter-related actions and initiatives which will ultimately lead to the larger goal for China’s capital markets. We believe the recommendations in this report help to chart the path forward for China,” concluded Mr Austen.

Link to fact sheet: [here](#)

Link to report: Please access [here](#)

For media queries, please contact:

Corliss Ruggles, Head of Communications, ASIFMA

Tel: +852 2537 3029 / +852 9359 6996

Email: cruggles@asifma.org

About ASIFMA

[ASIFMA](#) is an independent, regional trade association with over 100 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.