

## PRESS RELEASE

### PANDA BOND MARKET ON THE CUSP, A FEW CHALLENGES YET TO BE RESOLVED SAYS NEW REPORT

**Hong Kong, 8 June 2016** – ASIFMA, Standard Chartered, King & Wood Mallesons and China Chengxin International Credit Rating today jointly launched the “[RMB Series: Panda Bonds – On the Cusp](#)”, a new report which lays out the substantive benefits of opening up the Panda bond market and addresses some of the challenges that international issuers are facing for their entry into this burgeoning market.

China’s bond market is now the third largest in the world, making it the ideal candidate to be at the forefront of the Chinese authorities’ market opening initiatives. As the renminbi (RMB) internationalizes, international investors will seek to buy assets denominated in RMB, while at the same time seeking re-assurance and safety in bonds and other instruments issued by corporations and entities with which these investors are familiar, as a means of minimizing credit and other risks.

Patrick Pang, Managing Director and Head of Fixed Income and Compliance at ASIFMA, said, “While Panda bonds are still at an early stage of development in China, we see huge amounts of interest from both issuers offshore and investors onshore, with substantive benefits the market brings such as providing issuers with lower costs than the dim sum bond market and helping onshore investors who are interested in accessing international names to avoid exchange rate risk and other factors. There are certainly challenges and hurdles in the market which are highlighted by our report, but once the uncertainties pertaining to a number of issues have been resolved, we believe this market will really take off.”

Panda bonds are more than just onshore RMB-denominated debt. They will play an integral part in building out China’s onshore bond market and liberalization of RMB.

Carmen Ling, Global Head of RMB Solutions at Standard Chartered Bank, commented, “A well-developed Panda bond market can offer entities long-term financing and an effective capital-raising platform that supports China’s real economic growth. More Panda issuances of different tenors and structures will help contribute to the development of a yield curve. Diverse geographies and sectors are integral in deepening and growing the Panda bond market, bridging the gap between international issuers and domestic investors.”

However, the growth of the Panda bond market has been inhibited by technical challenges, from the difference as well as discrepancies of accounting standard and audit requirement to ratings by Chinese versus international credit agencies, and regulatory hurdles remain such as the amount of time required for approval. There are also uncertainties in the regulatory regime such as repatriation of fund proceeds offshore amid the current strict capital controls in China. Since 2015, there have been only eleven Panda bonds issued by nine issuers in the China interbank bond market (CIBM).

“The industry is working with the PRC regulators to address the technical issues affecting foreigners

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issuing bonds in China. The Chinese market would be more attractive to foreign issuers if domestic practice will align with international practice. There are domestic factors that need to be taken into account and we remain hopeful that these issues will be solved,” said Christine Chen, Partner at King & Wood Mallesons.

Ariel Yang, General Manager of Overseas Business Department at China Chengxin, commented, “The healthy development of the Panda bond market relies upon a sound rating framework. With more diversified issuing entities and an improved infrastructure of the Chinese bond market, domestic risk rankings will better help market participants explore the onshore market.”

There are positive signs that regulators are looking at addressing these issues in hope of making conditions more favourable for issuers.

“Given the unwavering commitment of the Chinese regulatory authorities to totally liberalize the RMB capital markets and internationalize the renminbi, it is reasonable to expect that the many obstacles and technical hurdles that have stood in the way of progressively higher levels of Panda bond issuance will soon be overcome. It is in the interest of the mainland’s regulatory authorities to gradually ease the regulations and restrictions that stand in the way of the market’s rapid growth and development,” concluded Patrick Pang of ASIFMA.

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More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org)

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China Chengxin ("CCX") was founded in 1992 as the country's first nation-wide credit rating agency. It is qualified to provide full range rating services in China, i.e. in the inter-bank, stock exchange and credit loan markets. Its subsidiary CCXAP received the Type 10 License from Hong Kong Securities and Futures Commission in 2012 to provide credit rating services in Hong Kong and Asia-Pacific region. Dedicated to providing independent and quality credit rating services, CCX has been the industry leader for more than two decades and has been voted as top rating agency in various industry evaluations organized by regulators and bond market participants. CCX has undertaken almost all the first ratings of different financing instruments in the Chinese capital market.

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