

Research Report

The Renminbi bond primary market: Access channels and new initiatives



CONTENTS

Page

Summary	1
1. Introduction	2
2. US domestic bond market — Foreign investors' participation and primary market bond issuance.....	3
3. Mainland bond market — Opening-up and bond issuance in the primary market.....	8
4. Major China-related offshore bond segments — Chinese-issued USD bonds and dim-sum bonds.....	9
4.1 USD-denominated bonds issued by Chinese domestic institutions	10
4.2 Dim-sum bonds.....	13
5. New financial infrastructure to support Hong Kong fixed income market	15
5.1 Offshore issuance of Chinese bonds: Preparation and procedures.....	16
5.2 ePrime at a glance	17
6. Conclusion	18

SUMMARY

Primary and secondary bond markets in the Mainland have been opened to international investors in recent years. As onshore access has improved, the offshore market has also become a main venue for overseas investors to trade or invest in bonds issued by Chinese institutions. As the Chinese-issued USD bond market has thrived in recent years, the market has gradually turned its focus onto how to increase overseas investors' participation in the Chinese bond market, especially in the primary market of RMB bonds in the onshore and offshore market.

This report will firstly introduce briefly the USD-denominated bond market, which provides a reference point for the internationalisation of the RMB bond market. The report will then give an overview of the liberalisation of bond offerings in the Mainland and the recent development of the Chinese-issued USD bond market. Finally, the report will outline recent developments of Hong Kong's financial infrastructure to enhance the fixed income market.

Bond markets in Asia are gaining momentum, with a number of fixed income financial infrastructure under development. Accelerating the development of such infrastructure can enhance information transparency and efficiency. Moreover, given how Chinese financial institutions are increasingly active in offshore bond markets, the provision of appropriate financial infrastructure to Chinese bond issuers and related participants may facilitate international investors' access to fixed income products connected with Chinese assets.

1. INTRODUCTION

Over the past decade, international investors' search for returns amid a low-yield environment has driven a steady flow of capital into Asia's bond markets, and particularly those within emerging economies in the region.

At the same time, international investors' demand for Renminbi (RMB) assets has been on the rise, particularly after the inclusion of the RMB in the currency basket of the International Monetary Fund (IMF)'s Special Drawing Rights (SDR) in 2016. For sovereign-level investment entities such as central banks, RMB assets can help diversify their foreign exchange reserve assets, and current data shows that overseas investors have raised their holdings of RMB assets after the currency was included in the SDR basket. More than 70 central banks and monetary authorities have included the RMB in their foreign exchange reserves¹. By the second quarter of 2021, the share of the RMB in global official foreign exchange reserves had risen to 2.61%².

At the end of November 2021, the domestic bond market of Mainland China reached a value of RMB 128 trillion³. Currently, there are a number of channels for foreign investors to participate in the Mainland RMB bond market, including allowing foreign central banks, international financial organisations, sovereign wealth funds, etc. to directly invest in the China Interbank Bond Market (CIBM), the Qualified Foreign Institutional Investor (QFII) Scheme, the RMB Qualified Foreign Institutional Investor (RQFII)⁴ Scheme and Northbound trading of Bond Connect scheme launched in July 2017. These channels have greatly facilitated the flow of overseas capital into the Mainland bond market. On the other hand, the offshore market has also become a main venue for overseas investors to trade or invest in bonds issued by Chinese institutions.

Bond markets in Asia are also gaining momentum but, in many cases, fixed income financial infrastructure is still in the development phase. The issuance of bonds, which are a major financing tool in the market, entails many aspects, from preparation of prospectuses to ratings, marketing, book building, pricing, distribution, settlement and delivery, etc., involving many participants in the process.

Accelerating the development of relevant infrastructure can enhance information transparency and efficiency. Moreover, given how Chinese financial enterprises are increasingly active in offshore bond markets, the provision of appropriate financial infrastructure to Chinese bond issuers and related participants would help facilitate international investors' access to fixed income products connected with Chinese assets.

The opening-up of the RMB bond market in the Mainland to foreign investors is applicable to both primary and secondary markets. The market has gradually turned its focus onto how to facilitate international investors' participation in the Mainland RMB bond market or the issuance of China-related bonds, particularly in the primary market of RMB bonds in the onshore and offshore market.

This report will firstly introduce the USD domestic bond market, which provides the reference basis for the internationalisation of the RMB bond market, and perhaps also a signpost for the opening-up of the Mainland bond market to foreign investors. The report will then give an overview of the liberalisation of bond offering in Mainland China and the recent development

¹ Source: People's Bank of China, *RMB Internationalisation Report 2021*.

² Source: Database of the IMF's Currency Composition of Official Foreign Exchange Reserves.

³ Source: Wind.

⁴ The regulatory regimes for QFII and RQFII have been unified on 1 November 2020.

of the offshore Chinese-issued USD bond market. Last but not least, it will outline Hong Kong's progress in developing financial infrastructure for the offshore fixed income market.

2. US DOMESTIC BOND MARKET — FOREIGN INVESTORS' PARTICIPATION AND PRIMARY MARKET BOND ISSUANCE

The US bond market is the world's largest, measured at US\$47.94 trillion at the end of the first quarter of 2021 and accounting for 39% of the global bond market (see Figure 1).

The US bond market offers a wide array of products, including treasuries, municipal bonds, agency bonds⁵, money market instruments, repurchase agreements, corporate bonds, Secured Overnight Financing Rate, etc., serving a wide range of participants such as central banks, depository institutions, brokers and dealers, investment funds, pensions and retirement funds, insurance companies, local and foreign investors, retail and institutional investors.

Figure 1. US bond market size (2010 – 2021Q1)



Note: Q1=first quarter; Q2=second quarter; Q3=third quarter; Q4=fourth quarter (same hereinafter).

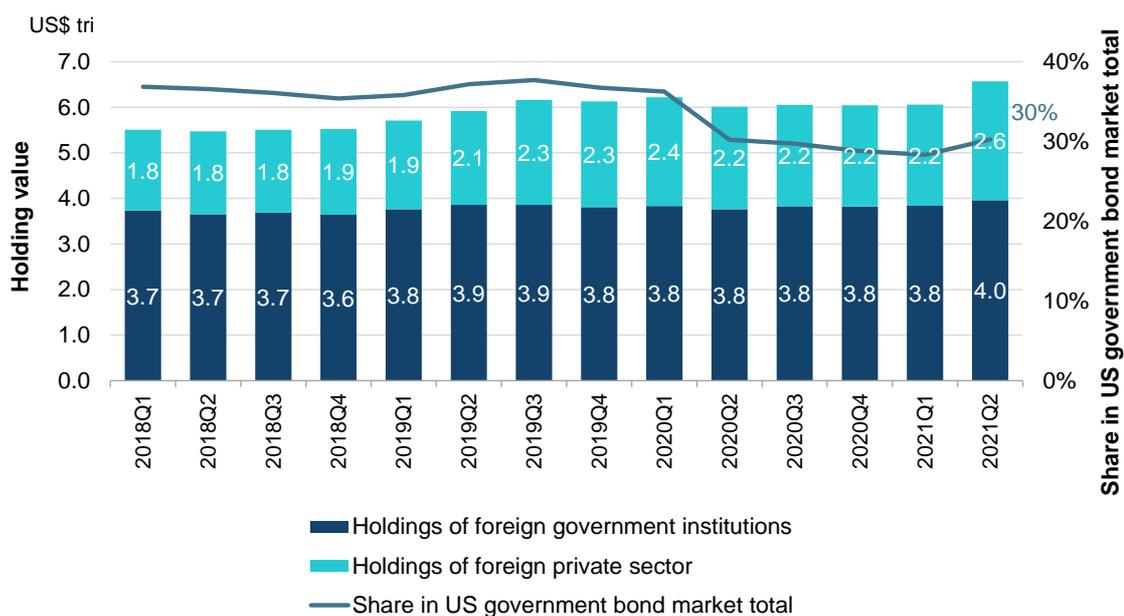
Source: Bank for International Settlements.

Foreign investors are important participants in the US bond market, especially in the mid- to long-term bond market. They hold a significant proportion of US treasuries and agency bonds, and are also active in trading corporate bonds.

At the end of the second quarter of 2021, US mid- to long-term treasuries held by foreign investors amounted to US\$6.57 trillion, of which USD3.96 trillion was held by foreign government institutions and US\$2.61 trillion by the private sector, together making up 30.24% of the US bond market (see Figure 2).

⁵ US agency bonds generally refer to securities issued by a government-sponsored enterprise or by a federal government department other than the US Treasury.

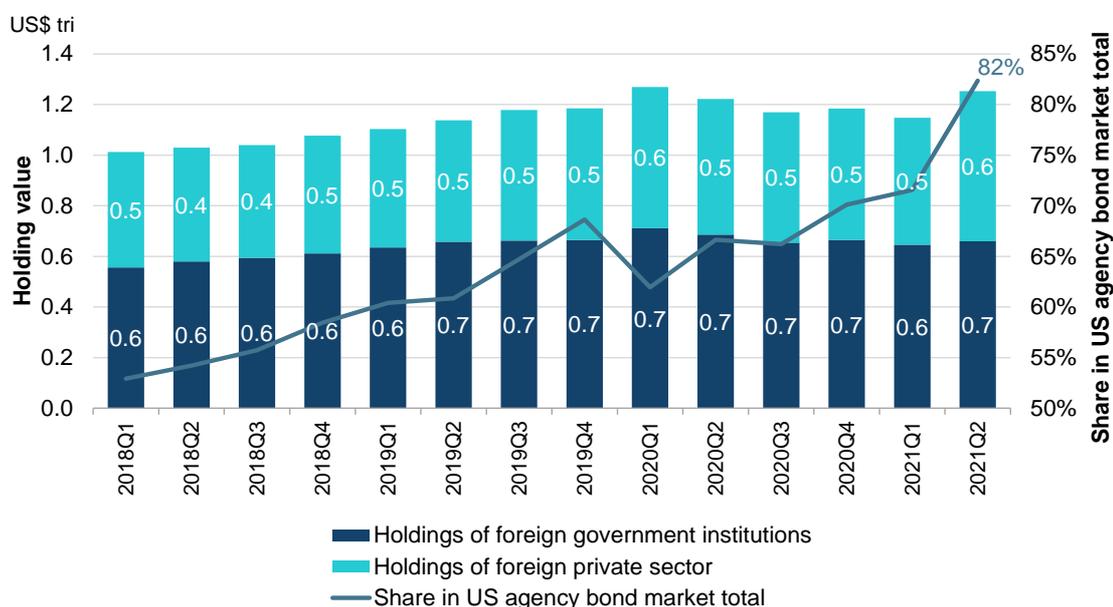
Figure 2. US mid- to long-term government bonds held by foreign investors (2018 – 2021Q2)



Source: US Department of the Treasury and US Securities Industry and Financial Markets Association.

At the end of the second quarter of 2021, foreign government institutions and private sector held US\$659.44 billion and US\$593.18 billion of long-term agency bonds, respectively, which in aggregate accounted for 82% of the total agency bond market (see Figure 3).

Figure 3. Long-term US agency bonds held by foreign investors (2018 – 2021Q2)



Source: US Department of the Treasury and US Securities Industry and Financial Markets Association.

In the corporate bond market, long-term corporate bonds held by foreign government institutions and the private sector totalled US\$4.66 trillion, accounting for 47% of the total corporate bond market.

In particular, holdings by the foreign private sector in the entire US corporate bond market ballooned from US\$3.78 trillion in the first quarter of 2018 to US\$4.47 trillion in the second quarter of 2021 (see Figure 4).

Figure 4. Long-term US corporate bonds held by foreign investors (2018 – 2021Q2)

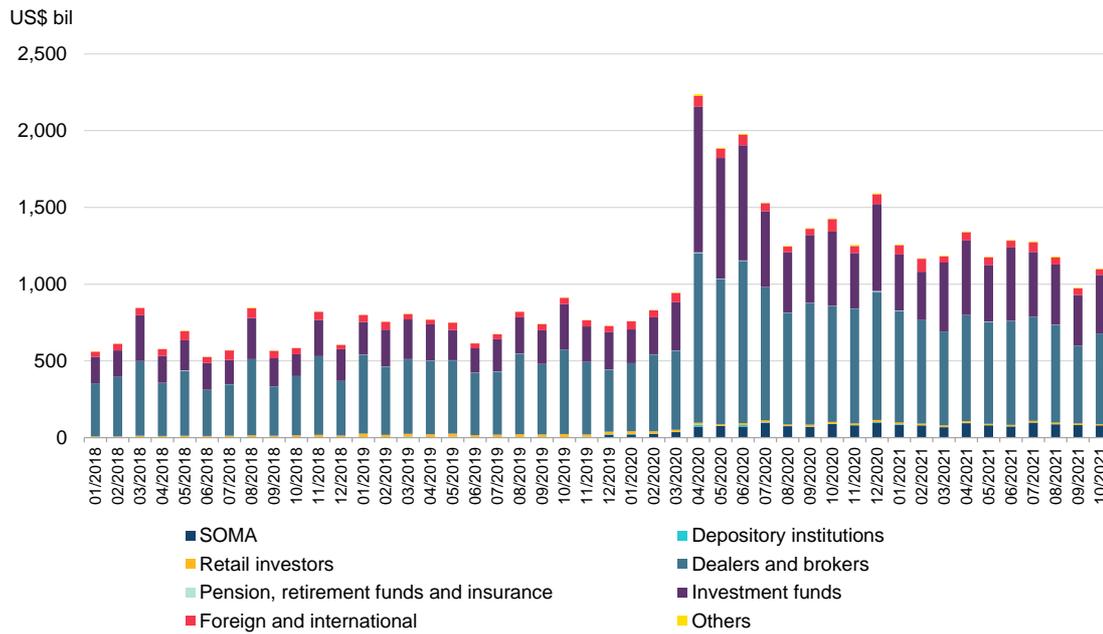
Source: US Department of the Treasury and US Securities Industry and Financial Markets Association.

Foreign investors may also participate in the issuance of US treasuries in the primary market. At the time of the issuance of US treasuries, the US Federal Reserve System, acting on behalf of the US Department of the Treasury (the Treasury), will conduct regular auctions at the primary market that are open to the public, including retail investors and different types of foreign participants. In such auctions, authorised financial institutions acting for foreign participants will submit their bids to the Treasury.

On issue day, the Treasury delivers securities to bidders who were awarded securities in a particular auction. In exchange, the Treasury charges the accounts of those bidders for payment of the securities. After each auction, the auction results, including the auction rate, maximum yield, bidding amount, issue amount, bid-to-cover ratio, etc. as well as the auction allocation amount, will be announced.

According to the historical allocation results of US treasuries, foreign investors are one of the major participants in the primary market for US treasuries. From 2018 to October 2021, the monthly average amount of US treasury bills allocated to foreign investors in primary auctions is US\$48.47 billion, representing 5.3% of the total auction allocation during the period (see Figures 5 and 6). The monthly average amount of US treasury notes and bonds allocated to foreign investors during primary auctions was US\$39.08 billion, accounting for 13.2% of the total amount allocated during the period (see Figures 7 and 8).

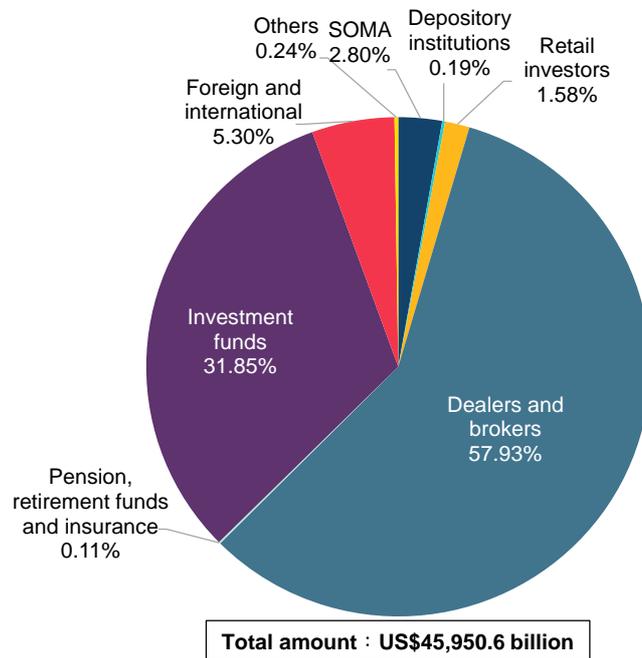
Figure 5. Monthly average amount of US treasury bills allocated at primary auctions (Jan 2018 – Oct 2021)



Note: SOMA refers to System Open Market Account of the US Federal Reserve used for open market operations.

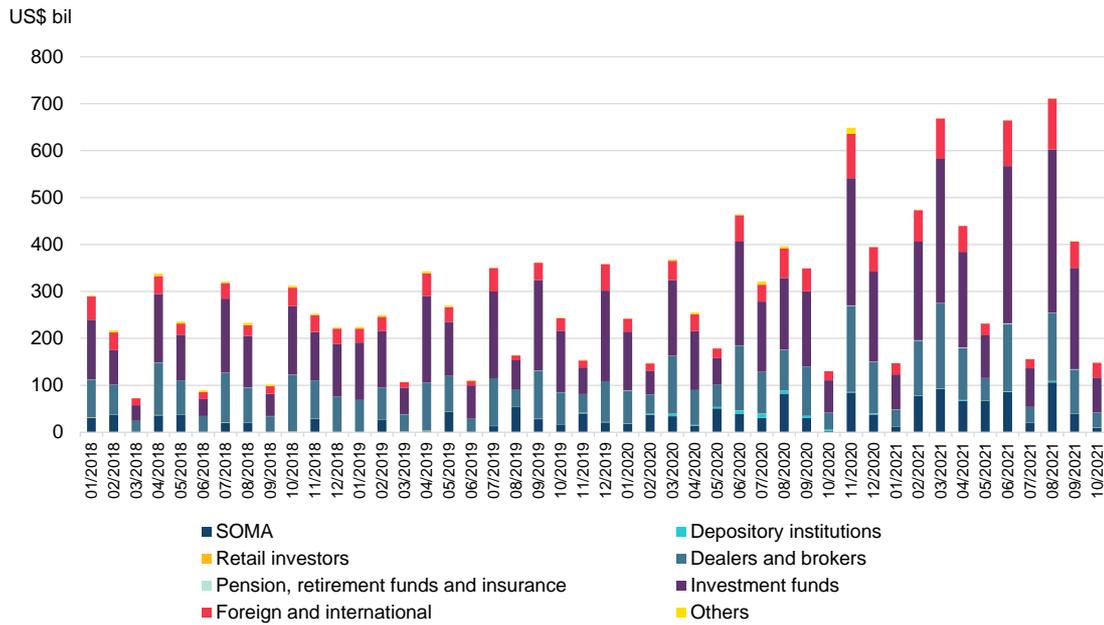
Source: US Department of the Treasury.

Figure 6. Distribution of US treasury bills allocated at primary auctions (Jan 2018 – Oct 2021)



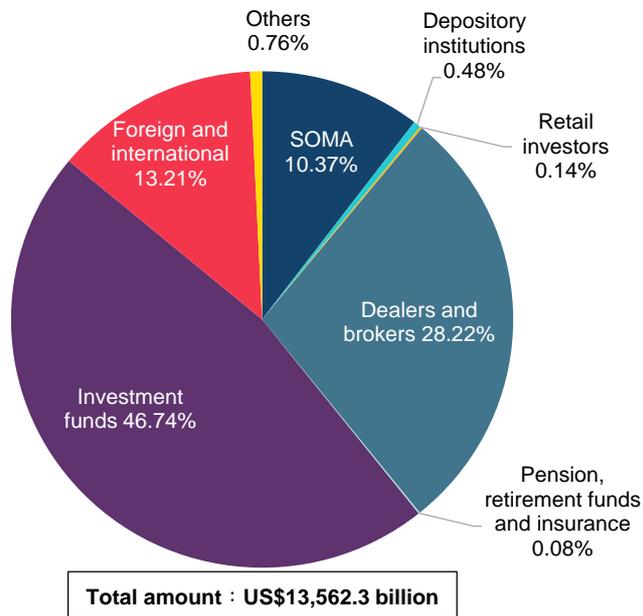
Source: US Department of the Treasury.

Figure 7. Monthly average amount of US treasury notes and bonds allocated at primary auctions (Jan 2018 – Oct 2021)



Source: US Department of the Treasury.

Figure 8. Distribution of US treasury notes and bonds allocated at primary auctions (Jan 2018 – Oct 2021)



Source: US Department of the Treasury.

3. MAINLAND BOND MARKET — OPENING-UP AND BOND ISSUANCE IN THE PRIMARY MARKET

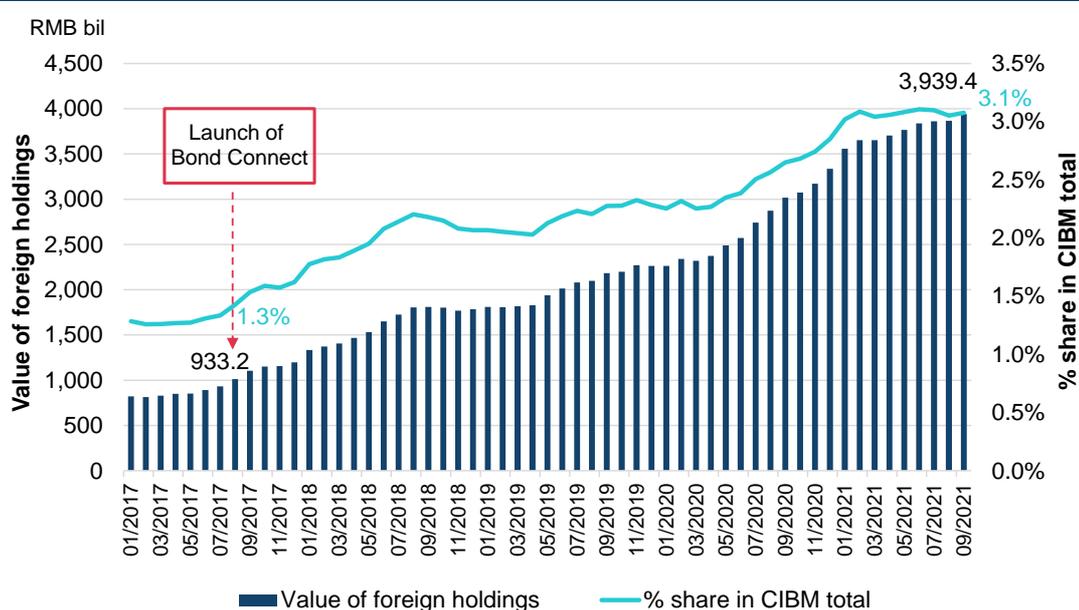
The Mainland bond market has grown rapidly, reaching RMB128 trillion by the end of September 2021⁶. Since 2010, China has introduced a number of measures to encourage foreign participation and investor diversification in the onshore bond market. These measures include: allowing qualified institutions to invest in the CIBM with offshore RMB since 2010, launching the RQFII scheme in 2011, easing QFII investment restrictions in 2013, and relaxing rules governing institutional investors' participation in the CIBM in 2015.

The launch of Northbound trading under Bond Connect in July 2017 has provided new channels for offshore investors to invest in the Mainland bond market and has quickened the pace of internationalisation.

In September 2020, the People's Bank of China (PBOC), the China Securities Regulatory Commission (CSRC) and the State Administration of Foreign Exchange (SAFE) jointly issued the *Announcement on Matters Concerning the Investment of Foreign Institutional Investors in China's Bond Market (Draft for Comments)* to standardise entry requirements and streamline the entry process, making it easier for offshore investors to invest in the Mainland bond market.

At the end of September 2021, foreign holdings of RMB bonds reached RMB 3.94 trillion, a big jump of 322% compared with the level before the launch of Bond Connect, and the percentage of foreign holdings has increased from 1.3% to 3.1% over the same period (see Figure 9).

Figure 9. Foreign holdings and percentage share in the CIBM (Jan 2017 – Sep 2021)



Source: Wind.

Through Bond Connect, offshore investors are able to not only take part in the trading of Mainland bonds in the secondary market, but also in bond issuance in the primary market.

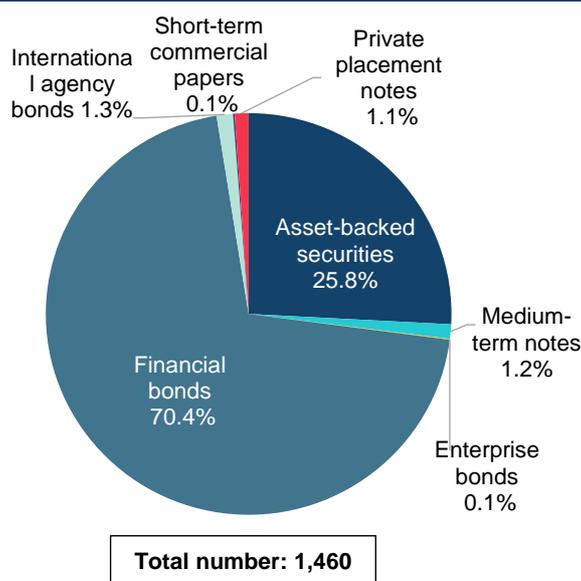
For example, on the first day of the launch of Bond Connect in July 2017, the Agricultural Development Bank of China (ADBC) issued financial bonds worth of RMB16 billion through

⁶ Source: Wind.

public tender under Bond Connect, raising funds from both onshore and offshore investors in the primary market under Bond Connect⁷.

According to Wind database, at the end of October 2021, there were 1,460 RMB bonds marked as being issued under Bond Connect, i.e. foreign participants authorised to participate in CIBM were allowed to subscribe to these bonds through Bond Connect. Figure 10 shows the distribution of bonds issued through Bond Connect.

Figure 10. Distribution of bonds issued under Bond Connect by type (in terms of number) (up to 19 November 2021)



Source: Wind.

Referring to the experience of bond market development in the US, foreign investors can participate in the primary market for US bonds and have a considerable share of subscriptions in bond issuance. It is believed that, with the continuous expansion of China's bond market, offshore investor demand (including retail investors) for Chinese bonds will also escalate, making them important participants in the Mainland bond market.

It is therefore important to develop financial infrastructure and subscription systems and provide overseas subscribers with more convenient services that are in line with international practices, so as to expedite the opening-up of the primary market in Mainland bonds.

4. MAJOR CHINA-RELATED OFFSHORE BOND SEGMENTS — CHINESE-ISSUED USD BONDS AND DIM-SUM BONDS

Alongside the further progress in the two-way opening-up of the Mainland bond market, the interaction between the onshore and offshore markets has also increased in both depth and breath.

The offshore market has gradually become a key financing channel for domestic institutions and enterprises in the Mainland, with offshore Chinese-issued USD bonds and dim-sum bonds

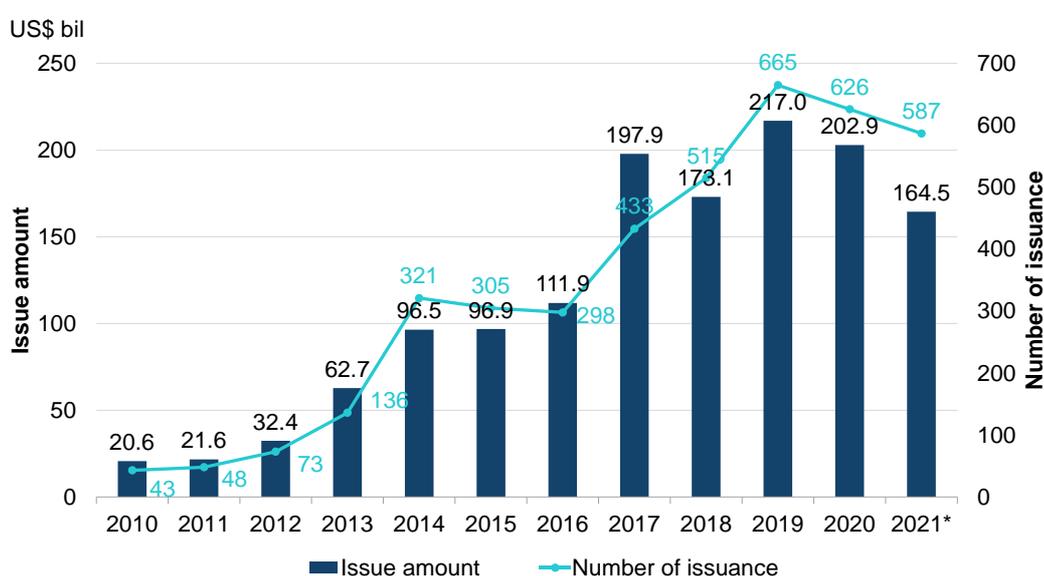
⁷ For the bidding process of ADBC's financial bonds issuance, see the bank's paper (2019), "Bond Connect and opening of China's primary bond market" (〈債券通與中國債券一級市場開放〉), in *Bond Connect Scheme: New Strategy for Internationalisation of China's Bond Market*. Hong Kong: The Commercial Press (H.K.) Ltd.

(i.e. RMB bonds issued overseas) becoming important China-related bond segments which offshore investors could take up at ease in their portfolio allocations.

4.1 USD-denominated bonds issued by Chinese domestic institutions

Chinese-issued USD bonds refer to USD-denominated bonds issued to overseas investors by Mainland domestic institutions or their overseas branches or subsidiaries. Since 2010, the issuance momentum of Chinese-issued USD bonds has picked up. The market size of these bonds continued to expand, with total issuance value reaching almost US\$200 billion in 2017. After that, the market continued to maintain momentum, thanks to the demand for refinancing and investment portfolio allocations. Chinese-issued USD bonds have thus become an important channel for foreign investors to get China exposure. From 2010 to the end of October 2021, a total of 4,335 Chinese-issued USD bonds were issued, with a total issue amount of US\$1.47 trillion⁸ (see Figure 11).

Figure 11. Issue amount and number of Chinese-issued USD bonds (2010 - Oct 2021)



* Up to 31 October 2021.

Source: Bloomberg.

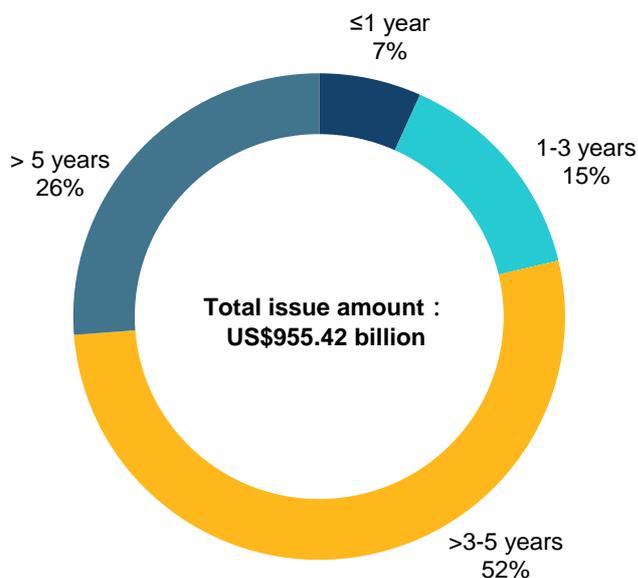
Below is a review of the 2,826 Chinese-issued USD bonds issued during January 2017 to October 2021, with a focus on their features of maturity, rating, industry and listing status.

(1) Maturity

Figure 12 shows the maturity structure of Chinese-issued USD bonds issued during the period from January 2017 to October 2021. The majority of Chinese-issued USD bonds (in terms of issue amount) were in the range of three to five years, reflecting the demand of Chinese issuers for mid- to long-term financing.

⁸ Source: Bloomberg.

Figure 12. Distribution of Chinese-issued USD bonds by maturity (in terms of issue amount) (2017 – Oct 2021)

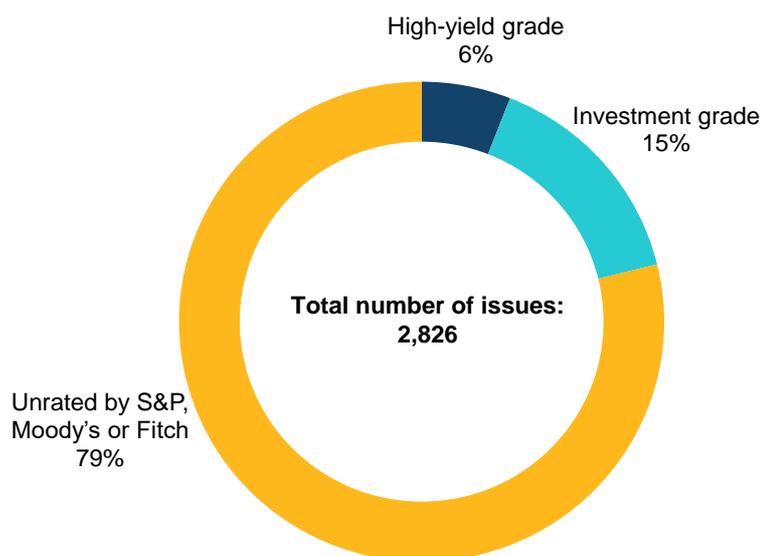


Source: Bloomberg.

(2) Rating

The absence of ratings is common in Chinese-issued USD bonds. Among the 2,826 Chinese-issued USD bonds issued between January 2017 and October 2021, 79% were unrated by S&P, Moody's or Fitch, while 15% were of investment grade and 6% high-yield grade (see Figure 13).

Figure 13. Distribution of Chinese-issued USD bonds by rating (in terms of number of issues) (2017 – Oct 2021)

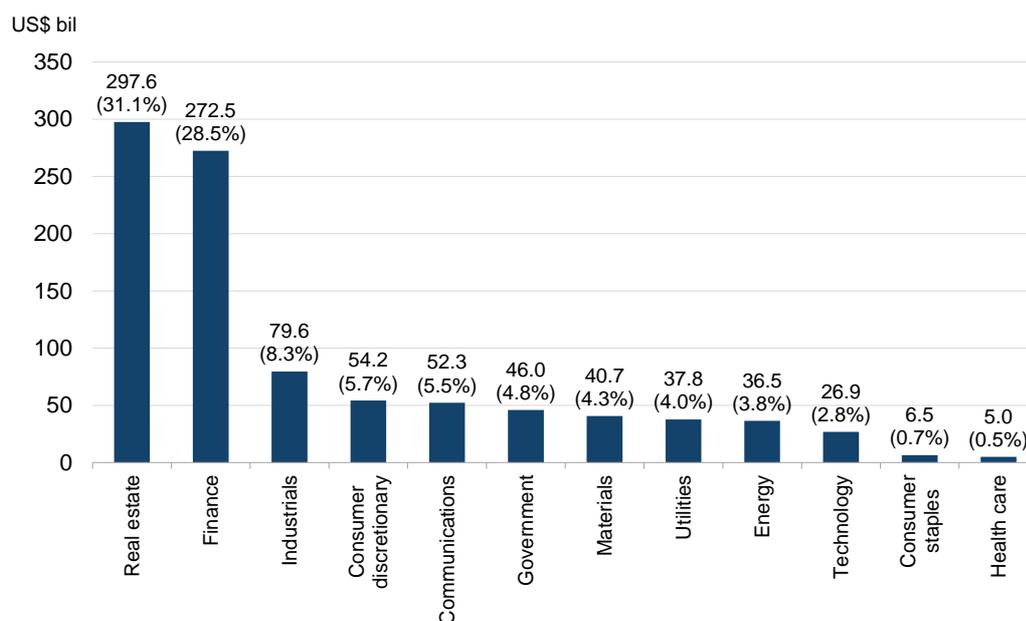


Source: Bloomberg

(3) Industry

Chinese-issued USD bonds issued during January 2017 to October 2021 cover a wide range of industries. Those in the real estate, financial services and industrials sectors constituted the biggest share of issuance (see Figure 14), while sectors including consumer goods, communications, materials and energy accounted for a smaller percentage.

Figure 14. Distribution of Chinese-issued USD bonds by industry (in terms of issue size) (2017 – Oct 2021)



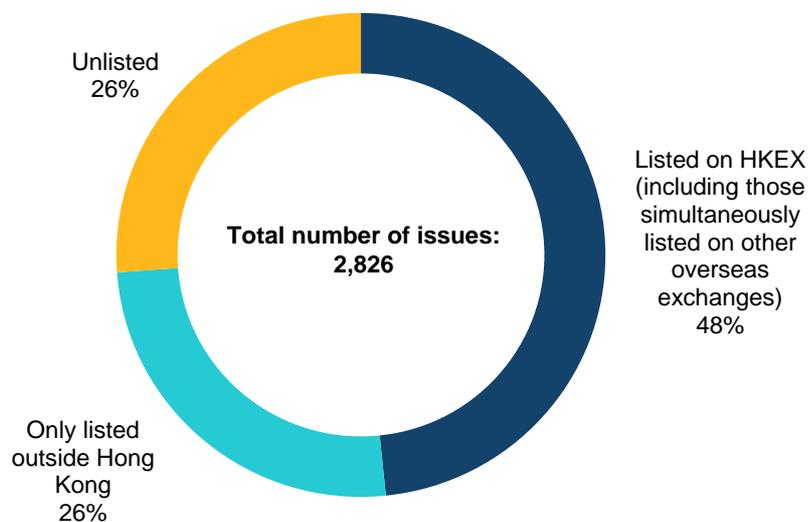
Note: The percentage in bracket is the share in the total issue amount; percentages may not add up to 100% due to rounding.

Source: Bloomberg.

(4) Listing status

The majority of Chinese-issued USD bonds issued between January 2017 and October 2021 were listed on overseas exchanges. Many of the bond issues were listed simultaneously on multiple overseas exchanges. In terms of the number of issues, 48% were listed on HKEX (including 1,367 bonds that were listed on HKEX only or simultaneously listed on HKEX and other exchanges), 26% were listed outside Hong Kong and 26% were unlisted (see Figure 15).

Figure 15. Distribution of Chinese-issued USD bonds by listing status (in terms of number of issues) (2017 – Oct 2021)

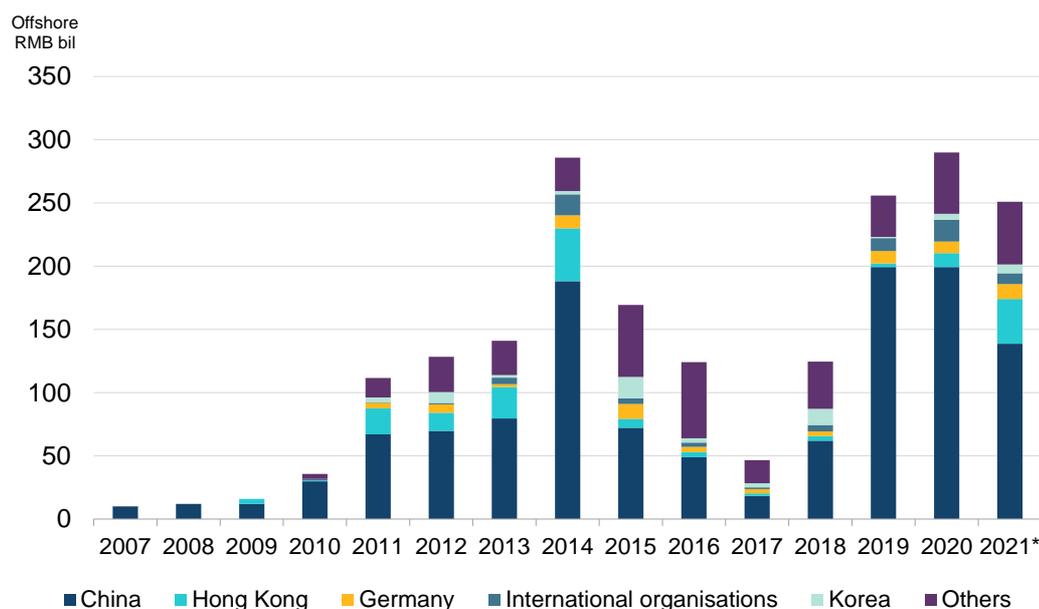


Source: Bloomberg.

4.2 Dim-sum bonds

The dim-sum bond market started in 2007, peaked in 2014, then saw a downturn in 2017, before rebounding in 2019 (see Figure 16). Dim-sum bonds are mostly issued by Chinese issuers in the Mainland and Hong Kong. Large international organisations such as Bank for International Settlements and Asian Development Bank have also issued dim-sum bonds of a certain size. The analyses below are based on dim-sum bonds issued during January 2017 to October 2021, with a focus on maturity, rating and industry.

Figure 16. Annual issue amount of dim-sum bonds by issuer origin (2007 – Oct 2021)



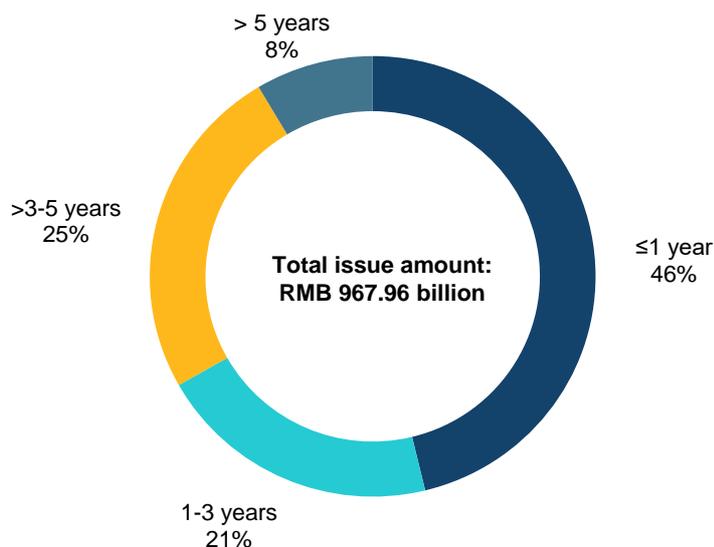
* Up to 31 October 2021.

Source: Bloomberg.

(1) Maturity

Unlike Chinese-issued USD bonds, dim-sum bonds usually come with a short- or medium-term maturity. For the period from January 2017 to October 2021, dim-sum bonds with a maturity of one year or less accounted for nearly half of the total amount issued, while those of a maturity of over 5 years represented only 8% (see Figure 17). With such short-term maturity, many of them will expire between 2022 and 2024.

Figure 17. Distribution of dim-sum bonds by maturity (in terms of issue amount) (2017 – Oct 2021)

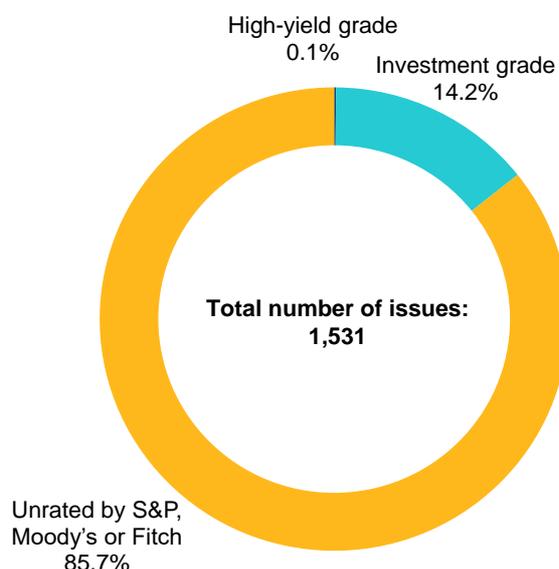


Source: Bloomberg.

(2) Rating

Most dim-sum bonds (by issue size) issued between January 2017 and October 2021 were unrated by international rating agencies. The rated ones accounted for less than 15% (see Figure 18).

Figure 18. Distribution of dim-sum bonds by rating (in terms of number of issues) (2017 – Oct 2021)



Source: Bloomberg.

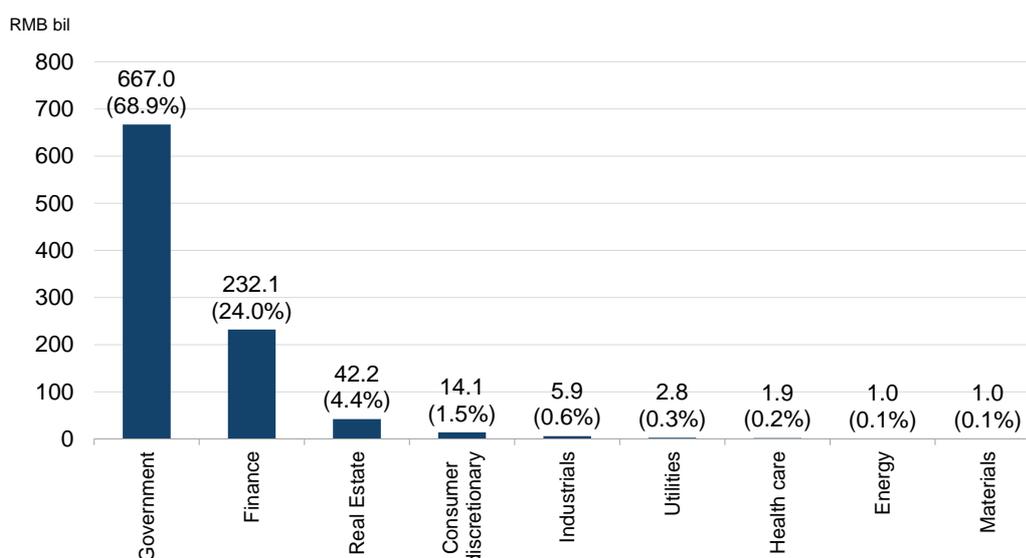
(3) Industry

For dim-sum bonds issued between January 2017 and October 2021, the issuers were mainly government bodies, including government agencies and policy banks (accounting in aggregate for 68.9% in terms of issue amount). They were followed by those in financial services and real estate sectors (see Figure 19).

It is worth noting that the Shenzhen Municipal People's Government issued RMB 5 billion of offshore RMB local government bonds in Hong Kong on 11 October 2021, with tenors of 2 years, 3 years and 5 years and the respective issue sizes of RMB 1.1 billion, RMB 1.5 billion and RMB 2.4 billion, of which the 3-year and 5-year ones were green bonds.

These bonds drew the attention of international investors and enjoyed high subscription rates. Among the subscribers, 6% were from Europe and the Middle East, including globally well-known institutional investors. Subscriptions from institutions like asset managers, funds and insurers reached RMB 1.71 billion, or 34% of the total⁹.

Figure 19. Distribution of dim-sum bonds by industry (in terms of issue size) (2017 – Oct 2021)



Note: The percentage in bracket is the share in the total issue amount; percentages may not add up to 100% due to rounding.

Source: Bloomberg.

5. NEW FINANCIAL INFRASTRUCTURE TO SUPPORT HONG KONG FIXED INCOME MARKET

To help offshore investors better understand market information for Mainland bonds, Bond Connect Company Limited (BCCL) launched the Primary Market Information Platform (PMIP) in February 2019.

⁹ Source: "Shenzhen issued offshore RMB municipal government bonds in Hong Kong" (深圳市在港發行離岸人民幣地方政府債券), Shenzhen Government Online (深圳政府在線) website, 13 October 2021.

Through PMIP, Mainland issuers and underwriters can publish issuance information for Mainland bonds in English. Up to January 2022, a total of 26 issuers and underwriters have joined PMIP and published information on more than 4,000 bonds¹⁰.

In the offshore bond market, some Chinese issuers have issued bonds to retail investors through HKEX's securities settlement system, offering another channel for retail investors to tap into more fixed income assets¹¹.

The new ePrime system that BCCL launched in October 2020 is an electronic bond issuance system developed and operated by China Foreign Exchange Trade System (CFETS).

ePrime offers a one-stop solution for issuing, bookbuilding, and pricing offshore bonds, including Chinese-issued USD bonds and dim-sum bonds. So far, ePrime has supported bond issuances for a number of policy and commercial banks.

5.1 Offshore issuance of Chinese bonds: Preparation and procedures¹²

The issuance of bonds, as a major financing tool in the market, entails many aspects, from the preparation of prospectuses to ratings, marketing, bookbuilding, pricing, distribution, settlement and delivery, etc., involving many participants in the process.

For an onshore Chinese issuer, the offshore issuance of bonds is subject to regulatory requirements imposed by the Mainland authorities, including the National Development and Reform Commission and SAFE, with regard to filing and registration, offshore bond registration and information submission. The issuer may adopt different issuance structures, including direct issuance, cross-border guarantee, keepwell deed, etc.

To prepare for issuance, the issuer will need to appoint major intermediaries such as global coordinators, legal advisors, trustees and paying agents. Offshore bond issuance involves a great deal of due diligence and documentation preparation work, including legal, financial and business due diligence, drafting and preparing offering circulars and transaction documents, etc.

If the issuer needs to obtain an international rating for the first time, it will need to contact the rating agencies, prepare the financial model and rating materials and get ready for the rating meeting to do rating analysis and questions-and-answers (Q&A).

It will then receive the rating result and need to report and publish an announcement of the rating result. If the issuer wishes to list the bond, it will need to submit the offering circular to the relevant bond listing exchange and obtain its approval in principle.

Along with the above preparation work, the issuer will proceed to the marketing stage where it will need to prepare presentation materials for roadshow and investor Q&A, determine the roadshow itinerary and arrange investor meetings. The global roadshow will start after the bond issuance is announced to the market. Offshore bond issuance is generally conducted in the form of book building, with final pricing and allocation to investors to be done on the pricing date and settlement and delivery of bonds on the closing date.

The parties involved in a bond issue require various effective systems and convenient financial infrastructure at different stages in order to complete the whole process efficiently. Given that Chinese financial institutions have become increasingly active in offshore bond markets, more

¹⁰ Source: the website of BCCL, viewed on 26 January 2022.

¹¹ See HKEX research report, "Retail bond offering on the exchange market", published on the HKEX website, February 2020.

¹² The preparation work for offshore bond issuance described in this section is a simplified version of the issuance procedures in accordance with general market practice and is for reference only.

financial infrastructure platforms can be introduced, even for more mature ones like the offshore market, to enhance the information transparency of bond issuance and the efficiency of the issuance process.

5.2 ePrime at a glance

The ePrime system serves underwriters in offshore issuance of Chinese bonds by providing them with system services, performing bookbuilding, pricing, allocation and other functions. It also offers order book review, archiving and other issuer services.

When it comes to offshore issuance, ePrime is flexible in terms of the issuance currency. It supports multiple currencies such as USD, offshore RMB, euro (EUR) and Hong Kong dollar (HKD).

Various types of bond, including government bonds, financial bonds and enterprise bonds, can be issued on bookbuilding through ePrime. ePrime also supports different types of offering such as public offering and private placement, as well as multi-tenor issuance, including perpetual bonds.

The ePrime system mainly serves the underwriting syndicate and sales teams of underwriters and book runners by providing bookbuilding, pricing and allocation services on the issue date. It also provides issuers with access to order books and the allocation results.

The underwriting syndicate of the global coordinator can publish the bond's basic information, offering documents, rating information, pricing guidance, etc. through ePrime and may as well update the pricing guidance during the issuance process. With ePrime, individual underwriters in the syndicate can also carry out centralised management and archive procedures for the issuances they participate in.

The bond issuance and bookbuilding system is an integral part of the financial infrastructure. As a neutral infrastructure provider, BCCL's timely launch of ePrime in the offshore market is conducive to enriching the offshore market system services and improving service quality, which is beneficial to exploring and enhancing cross-border bond issuance.

On the basis of offshore issuance service, ePrime also explores the extension of services to the primary market of Bond Connect, supporting cross-border issuance and subscription.

In Northbound Bond Connect, offshore investors are allowed to participate in the primary issuance of Chinese government bonds, policy financial bonds, and various credit bonds in the CIBM and subscribe to bonds through onshore underwriters. However, the workflow of Northbound primary market subscription had been mainly completed offline, where both parties to the transaction need to sign a distribution agreement repeatedly for each issuance. There is room for improvement in terms of optimising the subscription process and streamlining the procedure of documents signing.

In order to provide offshore investors with a more convenient subscription process and to boost synergy between the primary and secondary markets, ePrime has made innovations in technology and operational procedures.

ePrime digitalises the subscription process in the primary market of Northbound Bond Connect through its linkage with the iDeal underwriting and distribution service, which is widely adopted by onshore market participants.

Offshore investors can log onto the ePrime system and place orders directly to the onshore underwriter's orderbook, enjoying one-stop subscription services for various newly issued bonds. This can provide convenience to bond investment, especially the sizable ones. The

ePrime system also offers a standard cross-border allocation confirmation ticket, which eliminates steps for both parties to repeatedly sign a distribution agreement for each issuance. The entire transaction subscription process is electronically recorded, which not only facilitates compliance monitoring, but also facilitates cross-border settlement.

iDeal is a compliant instant messaging tool launched by CFETS for the Chinese interbank market. It provides market participants with trading-related services such as quotations and pricing data via chats. iDeal brings the whole process of bonds' primary market underwriting and distribution online by launching these primary market services in 2022. More than 300 onshore market institutions, including nearly 120 onshore underwriters, have signed up for iDeal's underwriting and distribution services. The connectivity initiative of ePrime and iDeal may further promote market development.

6. CONCLUSION

Market opening and RMB internationalisation have boosted overseas investors' demand for Chinese bonds. At the same time, overseas capital has helped meet Mainland institutions' need to finance the Belt and Road initiative. All these factors will give impetus to the issuance of Chinese bonds in the offshore primary markets and trading in the secondary market. Further, this has created more demands for financial infrastructure with functionalities serving the issuance and custody of bonds in the offshore market. The launch of innovative infrastructure like PMIP and ePrime is a milestone in the journey to build and develop fixed income infrastructure in line with international standards, as well as an important step in reinforcing Hong Kong's role as an international financial centre.

Disclaimer

The views expressed in this article do not necessarily represent the position of HKEX. All information and views contained in this article are for information only and not for reliance. Nothing in this article constitutes or should be regarded as investment or professional advice. Past performance is not an indicator of future performance. While care has been taken to ensure the accuracy of information contained in this article, neither HKEX nor any of its subsidiaries, directors or employees shall be responsible for any loss or damage arising from any inaccuracy in or omission of any information from this article.

Hong Kong Exchanges and Clearing Limited

8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

hkexgroup.com | hkex.com.hk

info@hkex.com.hk
T +852 2522 1122
F +852 2295 3106