



# CNH Workshop



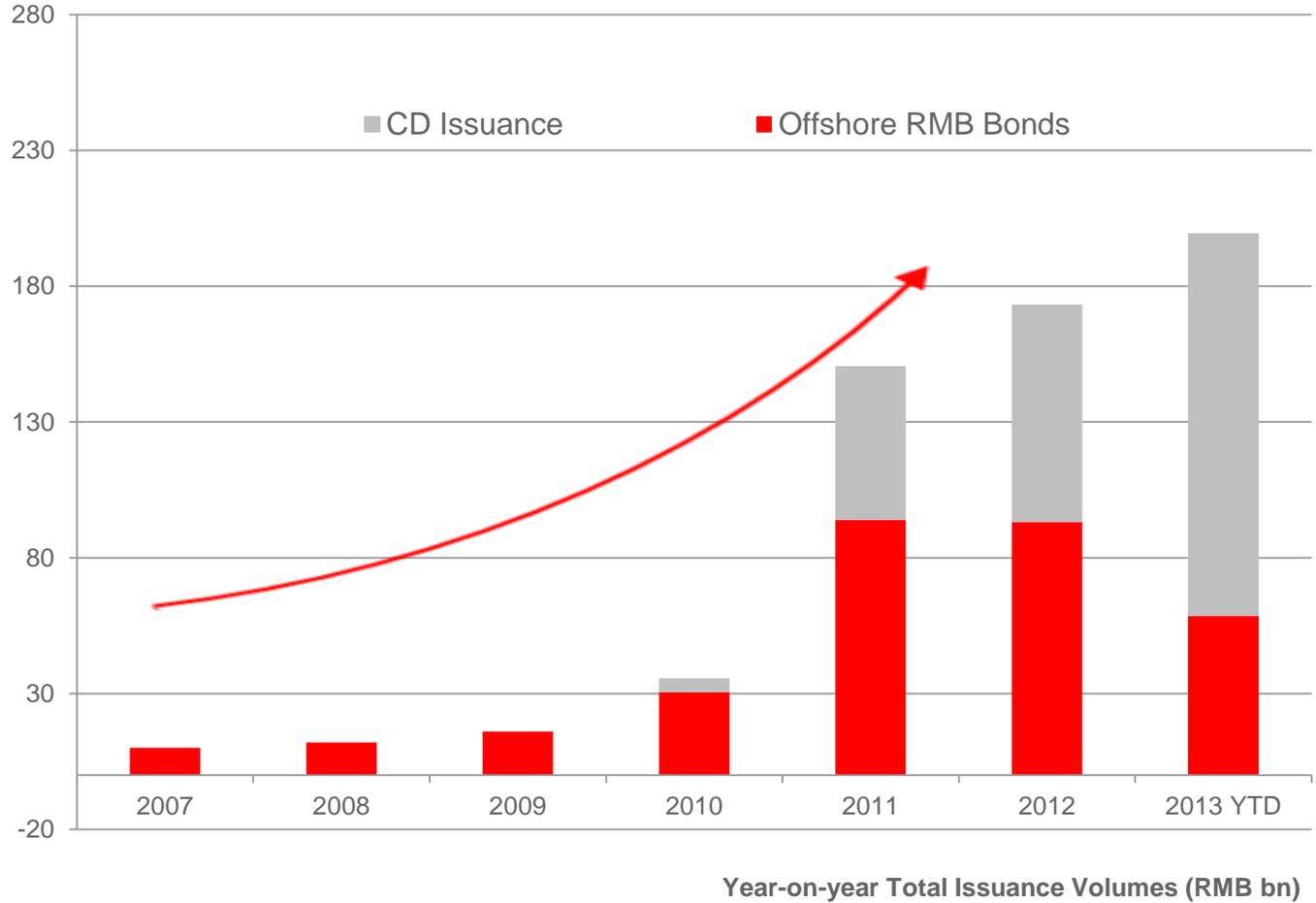
HONG KONG MONETARY AUTHORITY  
香港金融管理局

27<sup>th</sup> September 2013

HSBC 

# Recent Developments in the Offshore RMB Markets

Offshore RMB issuance volumes have reached record levels in 2013. Year-to-date, gross issuance has reached RMB199bn, approximately 115% of total issuance in the whole of 2012.

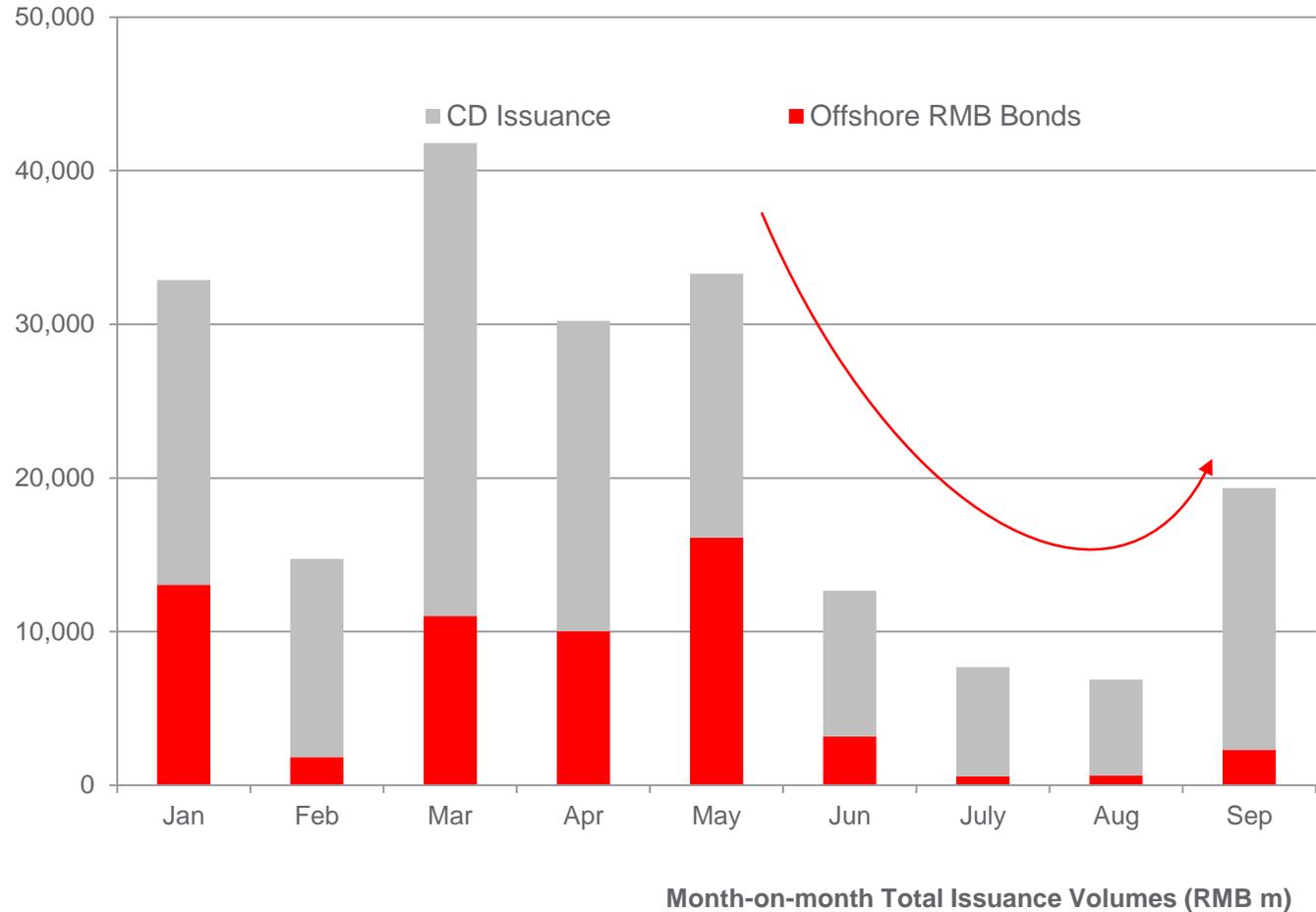


# Recent Developments in the Offshore RMB Markets (Continued)

Recent months have seen investors remain reluctant to enter the market due to weak sentiment on QE uncertainty, EM bond sell-off and geopolitical tension in Syria as the main deferring reasons

From June to August, bond issuance volumes remained relatively stagnant; limited to private placements

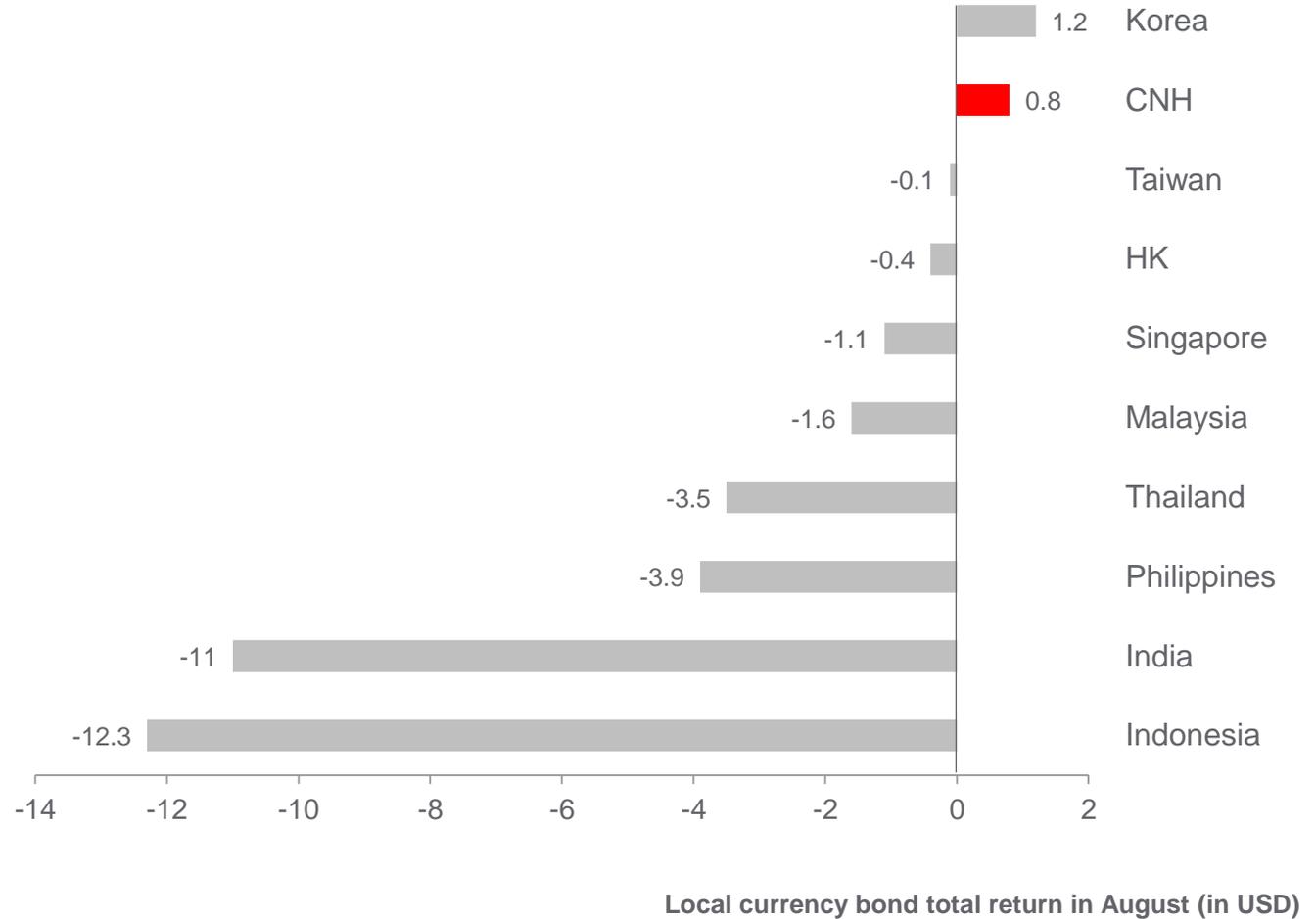
There have been hints of recovery in September, where total issuance this month has already surpassed the total volume of the prior month by a multiple of 3



# Resilience of the Offshore RMB bonds against Other Local Currencies

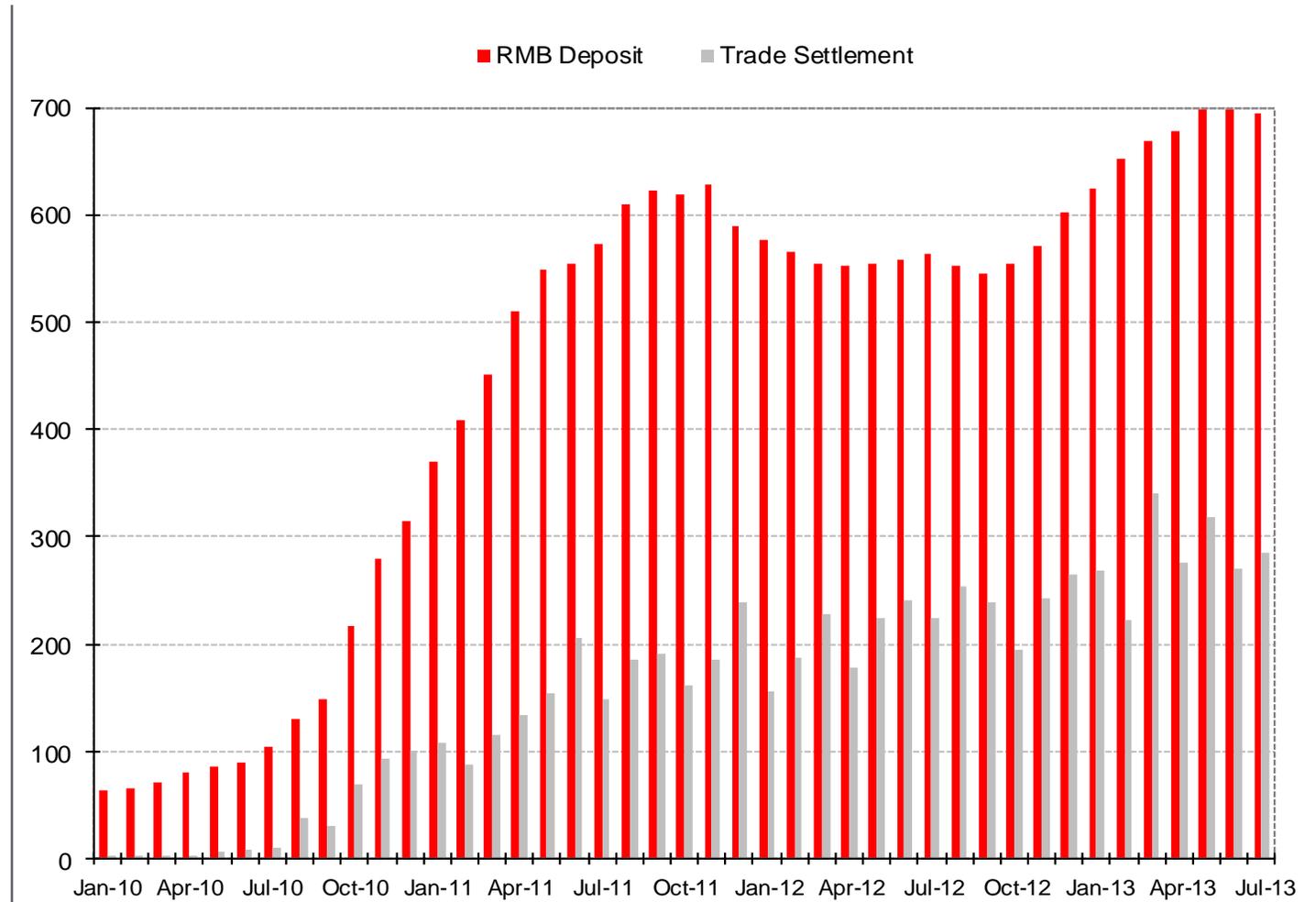
Offshore RMB bonds were resilient in August this year, thanks to RMB stability

CNH bonds returned 0.8% last month, outperforming other local currencies in Asia (e.g. India and Indonesia sovereign bonds lost 11-12%)



# Hong Kong RMB Deposit and Trade Settlement

Offshore RMB deposits amounted to RMB695bn by the end of July 2013, while total remittance of RMB for cross-border trade settlement was at RMB285.4bn, compared with RMB270.8bn in the previous month



Note: Those in red are deals lead by HSBC

# Offshore RMB Bond Market – Recent Issuance List

A growing list of international corporations and SSA names are accessing the CNH market, including SK (Korea), Total (France), ICICI Bank (India), Rabobank (Netherlands), Axiata (Malaysia), Shinhan Bank (Korea), Societe Generale (France), KfW (Germany), Chailease (Taiwan), Raiffeisen Bank International (Austria), Hitachi (Japan), Caterpillar (US), Emirates NBD (Middle East), and SEK (Sweden)

Use of proceeds have been repatriated onshore to finance the issuer's Chinese operations or swapped into Euro/US\$

Pricing		Rating		Amount	Coupon	Maturity		
Date	Issuer	Moody's	S&P	(RMB m)	(%)	Date	Tenor	Format
9/16/2013	SK Global Chemical	Baa2	BBB	950	4.125	9/26/2016	3yr	Sr. Unsec.
9/12/2013	Total Capital SA	Aa1	AA-	1,065	3.750	9/24/2018	5yr	Sr. Unsec.
8/16/2013	Export-Import Bank of Korea	Aa3	A+	120	4.550	8/23/2023	10yr	Sr. Unsec.
8/12/2013	Flying Financial Service Holdings	-	-	50	10.500	8/12/2015	2yr	Sr. Unsec.
8/12/2013	Swire Pacific	A3	A-	150	4.000	8/21/2023	10yr	Sr. Unsec.
8/2/2013	Far East Horizon	-	-	300 (Tap)	4.500	3/26/2016	3yr	Sr. Unsec.
7/30/2013	China XLX Fertiliser	-	-	250	8.500	2/6/2015	1.5yr	Sr. Unsec.
7/12/2013	Swire Pacific	A3	A-	300	3.900	7/22/2023	10yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	7,000	2.870	6/27/2016	3yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	2,700	3.020	6/27/2018	5yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	1,200	3.090	6/29/2020	7yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	1,100	3.160	6/27/2023	10yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	500	3.600	6/27/2028	15yr	Sr. Unsec.
6/26/2013	MoF of the People's Republic of China	Aa3	AA-	500	3.950	6/29/2043	30yr	Sr. Unsec.
6/19/2013	Export Development Canada	Aaa	AAA	100	2.100	7/7/2014	1yr	Sr. Unsec.
6/18/2013	ICICI Bank, Dubai Branch	Baa2	BBB-	650	4.000	6/25/2016	3yr	Sr. Unsec.
6/17/2013	Caterpillar	A2	A	1,800	3.250	6/26/2015	2yr	Sr. Unsec.
6/10/2013	United Overseas Bank	Aa1	AA-	500	2.500	6/24/2016	3yr	Sr. Unsec.
6/7/2013	Export-Import Bank of Korea	Aa3	A+	130	2.650	6/20/2014	1yr	Sr. Unsec.
5/31/2013	National Australia Bank	Aa2	AA-	400	2.400	6/18/2015	2yr	Sr. Unsec.
5/31/2013	World Bank	Aaa	AAA	2,000	2.000	6/17/2014	1yr	Sr. Unsec.
5/30/2013	Wharf	-	-	200	3.750	6/11/2023	10yr	Sr. Unsec.
5/30/2013	Qatar National Bank	Aa3	A+	600	2.490	6/6/2016	1yr	Sr. Unsec.
5/30/2013	Uni-President China Holdings	-	-	1,000	3.500	6/6/2016	3yr	Sr. Unsec.
5/29/2013	China Eastern Airline	-	-	2,200	3.875	6/5/2016	3yr	Sr. Unsec.
5/29/2013	DBS	Aa1	AA-	500	2.500	6/7/2016	3yr	Sr. Unsec.
5/27/2013	Standard Chartered	A2	A+	1,000	2.625	5/31/2016	3yr	Sr. Unsec.
5/24/2013	HSBC (Singapore)	Aa2	AA-	500	2.250	6/5/2015	2yr	Sr. Unsec.
5/20/2013	Fantasia Holdings	B2*	B+*	1,000	7.875	5/27/2016	3yr	Sr. Unsec.
5/20/2013	Pow erlong	B3	B	800	9.500	5/27/2016	3yr	Sr. Unsec.
5/15/2013	Yanlord Land	Ba3	BB-	2,000	5.375	5/23/2016	3yr	Sr. Unsec.
5/8/2013	I.T.	-	-	1,000	6.250	5/15/2018	5yr	Sr. Unsec.
5/6/2013	Greentown n China	B2	B	2,500	5.625	5/13/2016	3yr	Sr. Unsec.
5/2/2013	Korea Development Bank	Aa3	A	75	2.700	11/8/2014	2.5yr	Sr. Unsec.
4/24/2013	United Asia Finance	-	-	500	6.900	5/2/2018	5yr	Sr. Unsec.
4/18/2013	Golden Wheel	B2	B	600	11.250	4/25/2016	3yr	Sr. Secured
4/18/2013	Lai Fung	B1	B+	1,800	6.875	4/25/2018	5yr	Sr.Unsec.

Note: Those in red are deals lead by HSBC

# HSBC – Undisputed Leader in the Offshore RMB Bond Market

## CNH Bond League Table (2013YTD)

CNH Bonds				
Rank	Name	CNY(m)	Issues	%
1	HSBC	42,784	124	21.6
2	BNP Paribas	21,969	67	11.1
3	Standard Chartered	21,809	68	11.0
4	ABC	17,827	18	9.0
5	Credit Agricole	12,370	32	6.2
6	Barclays	10,476	40	5.3
7	RBS	7,915	30	4.0
8	CCB	7,367	6	3.7
9	DBS	6,334	15	3.2
10	BOC	5,528	11	2.8
<b>Total</b>		<b>198,498</b>	<b>483</b>	

Source: Bloomberg as of 26 September 2013

## HSBC Executed Ground-breaking Transactions

 Total RMB1.065bn Fixed Rate 3.75% due 2018 Sole Lead Manager and Bookrunner September 2013	 SK Global Chemical RMB950m Fixed Rate Notes due 2016 Joint Lead Manager and Bookrunner September 2013	 ICICI, Dubai Branch RMB650m Fixed Rate Notes due 2016 Joint Lead Manager and Bookrunner June 2013	 Caterpillar RMB1.8bn Fixed Rate Notes due 2015 Joint Lead Manager and Bookrunner June 2013
 World Bank RMB2bn Fixed Rate Notes due 2014 Sole Lead Manager and Bookrunner May 2013	 Renault RMB750m Fixed Rate Note due 2016 Joint Lead Manager and Bookrunner March 2013	 Svenska Handelsbanken RMB400m Fixed Rate Notes due 2016 Sole Lead Manager and Bookrunner January 2013	 CORPORACIÓN ANDINA DE FOMENTO RMB600m Fixed Rate Notes due 2015 Joint Lead Manager and Bookrunner December 2012
 Volkswagen RMB1bn Fixed Rate Notes due 2017 Joint Lead Manager and Bookrunner November 2012	 Volvo RMB1bn Fixed Rate Note due 2015 Joint Lead Manager and Bookrunner November 2012	 Renault S.A. RMB750m 5.625% due 2014 RMB500m tap Sole Lead Manager and Bookrunner September 2012	 Axiata RMB1bn Fixed Rate Notes due 2014 Joint Lead Manager and Bookrunner September 2012
 Kreditanstalt für Wiederaufbau RMB1bn Fixed Rate Notes due 2015 Sole Lead Manager and Bookrunner May 2012	 Ford Motor Company RMB1bn Fixed Rate Notes due 2015 Joint Lead Manager and Bookrunner Mar 2012	 Alstom RMB500m Fixed Rate Notes due 2015 Sole Lead Manager and Bookrunner Mar 2012	 Mitsui & Co., Ltd. RMB500m Fixed Rate Notes due 2017 Sole Lead Manager and Bookrunner Feb 2012

# Regulatory Developments & Outlook

## Regulatory Developments

- Regulatory changes to promote cross-border flows and offshore RMB liquidity:
  - i. Expansion of the RQFII programme in mid-July this year to become open to investors in Singapore and London
  - ii. Mainland non-financial entities are now allowed to provide cross-border RMB loans to affiliated companies located overseas
  - iii. HKMA to offer overnight and 1-day RMB funds to participating banks on prevailing market rates
- Expected approval of negotiable certificates of deposit (NCDs) for China's top five state-owned banks
- Simplified rules on DQII scheme and more flexibility in designing new QDII products

## Outlook

- Expected recovery in the primary market as sentiment eases over QE-tapering worries
- Offshore RMB market to remain resilient as underlying conditions continue to favour growth
  - Relaxing regulatory environment to remove barriers for potential issuances
  - Sustained growth in Offshore RMB Deposits in Hong Kong (RMB695 billion by end of July) and cross-border trade settlement (RMB285 billion by end of July)

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