

**Discussion on**  
**Why do firms issue bonds in the**  
**offshore market? Evidence from China**  
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# Main Objectives

- This paper investigates the bonding /signaling effect
- The effects of improvement of information disclosure and creditability via offshore financing on domestic bond issuance

# Main Research Findings

- Using a unique database of domestic bond issuances by Chinese firms over the period of 2010-2015, they find that
- The offshore bond issuance has a positive bonding/signaling effect on firm's subsequent debt-raising in the domestic market associated with longer maturity of corporate issuance and lower funding cost.
- The identification channel is that if the offshore issuance occurs with stringent public disclosure, or an international investment-grade rating, it will have a positive influence on firm's subsequent debt-raising domestically.
- Offshore debt financing improves the long-term firm performance, especially for financially-constrained companies.

# Comments/suggestions 1

- A rigorous, robust research framework based on a carefully thought identification strategy

## Comments/suggestions 2

- However, given the well-known different capacity of access to finance by Chinese *state-owned* versus *private* firms, it might be also interesting to consider the alternative competing hypothesis:
- The differential motivations of offshore financing due to financing cost reduction (SOEs) versus access to finance (non-SOEs)

## Comments/suggestions 3

- There is also a related concern about their results indicating that the offshore bonds issued in Hong Kong have a stronger signaling effects on the maturity and yield than those in US locations.
- This seems inconsistent with traditional literature that argues the offshore financing in U.S. should send a clearer signaling effect than any other countries
- Is this evidence more related to access-to-finance story?

# Comments/suggestions 4

- Finally, I think a differences-in-differences matching estimation would provide more convincing evidence to support the main findings
- Furthermore, policy implications to address the financial stability/crisis and international risk management should be explored in details

# Summary

- This is an interesting paper with very important policy implications, esp. for Chinese monetary authorities that have a preference on state-owned banks
- I would further explore the policy implications as more Chinese private firms will engage more offshore finance
- In general, I enjoyed reading the paper and learnt a lot from it!



Thank you