



鵬元國際  
PENGYUAN

## The Latest of Panda Bond

Terry Zhang  
Head of Global Strategy and Business Management  
Pengyuan International

[terry.zhang@pyrating.com](mailto:terry.zhang@pyrating.com)

## About Pengyuan International

# Who is Pengyuan International?

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Pengyuan International is a Hong Kong-based credit rating agency. Licensed by the Hong Kong Securities and Futures Commission, we are providing credit ratings of global scale, which is familiar to the market participants.

We are well-positioned to play an active role in the opening-up and upgrade of China's capital market.

We are an international arm of CSCI Pengyuan, a 29 years old Chinese domestic credit rating agency.

# Group Shareholder

Our Group shareholder is China Securities Credit Investment ('CSCI').

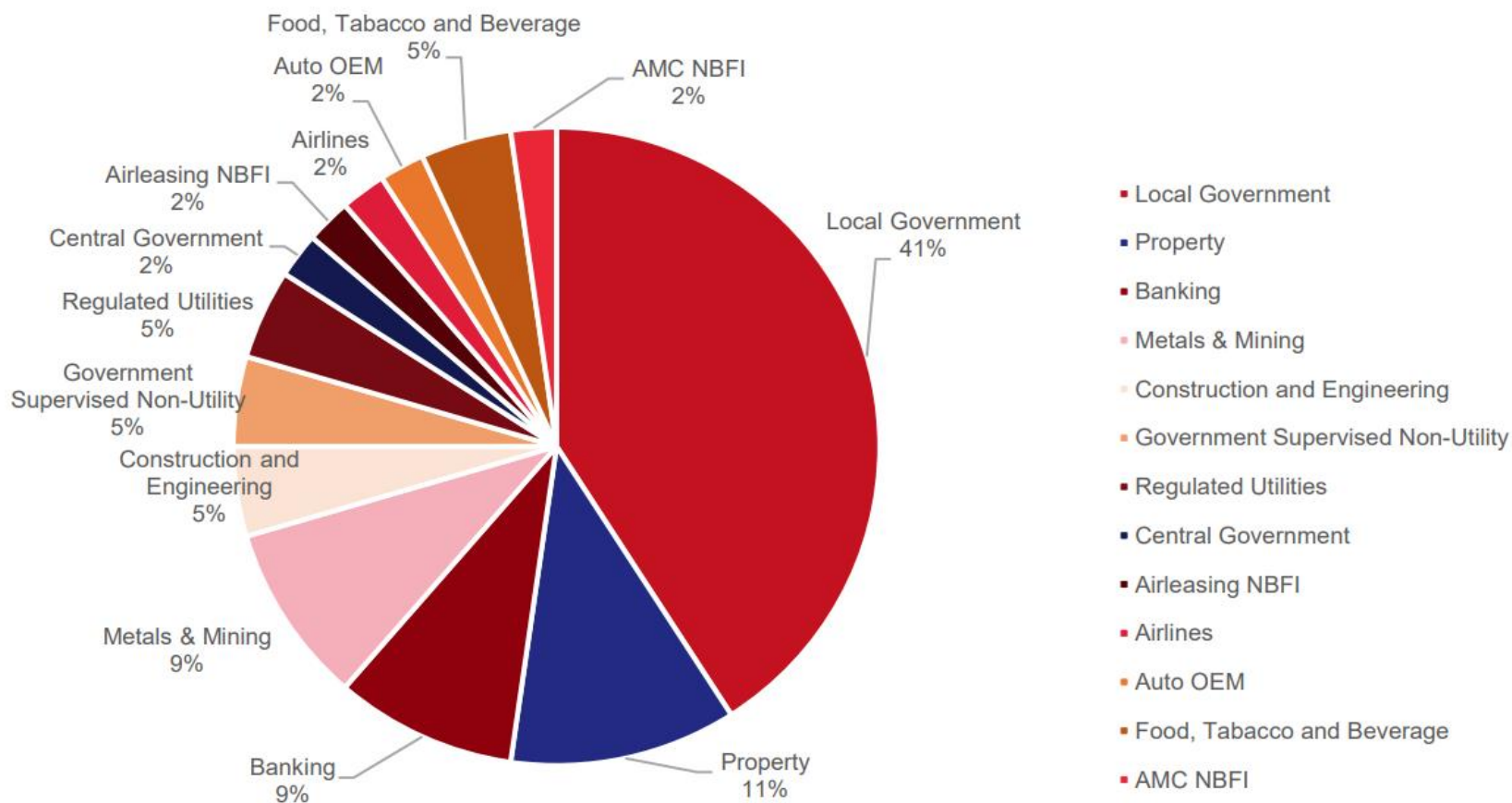
CSCI is commissioned by China Securities Regulatory Commission, the securities regulator of China and backed by 35 Chinese finance companies, e.g. insurances companies and securities firms.

## Shareholders of CSCI



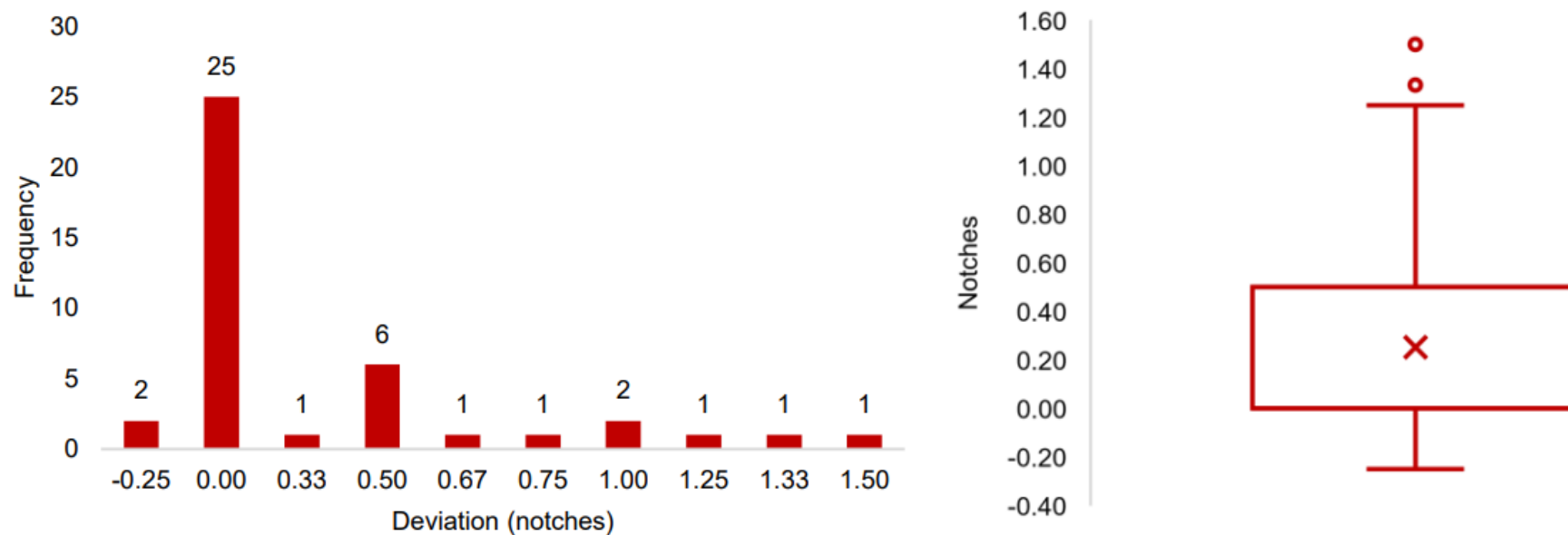
# Our Coverage

Figure 1: Sector distribution of rated issuers (2018-2020)



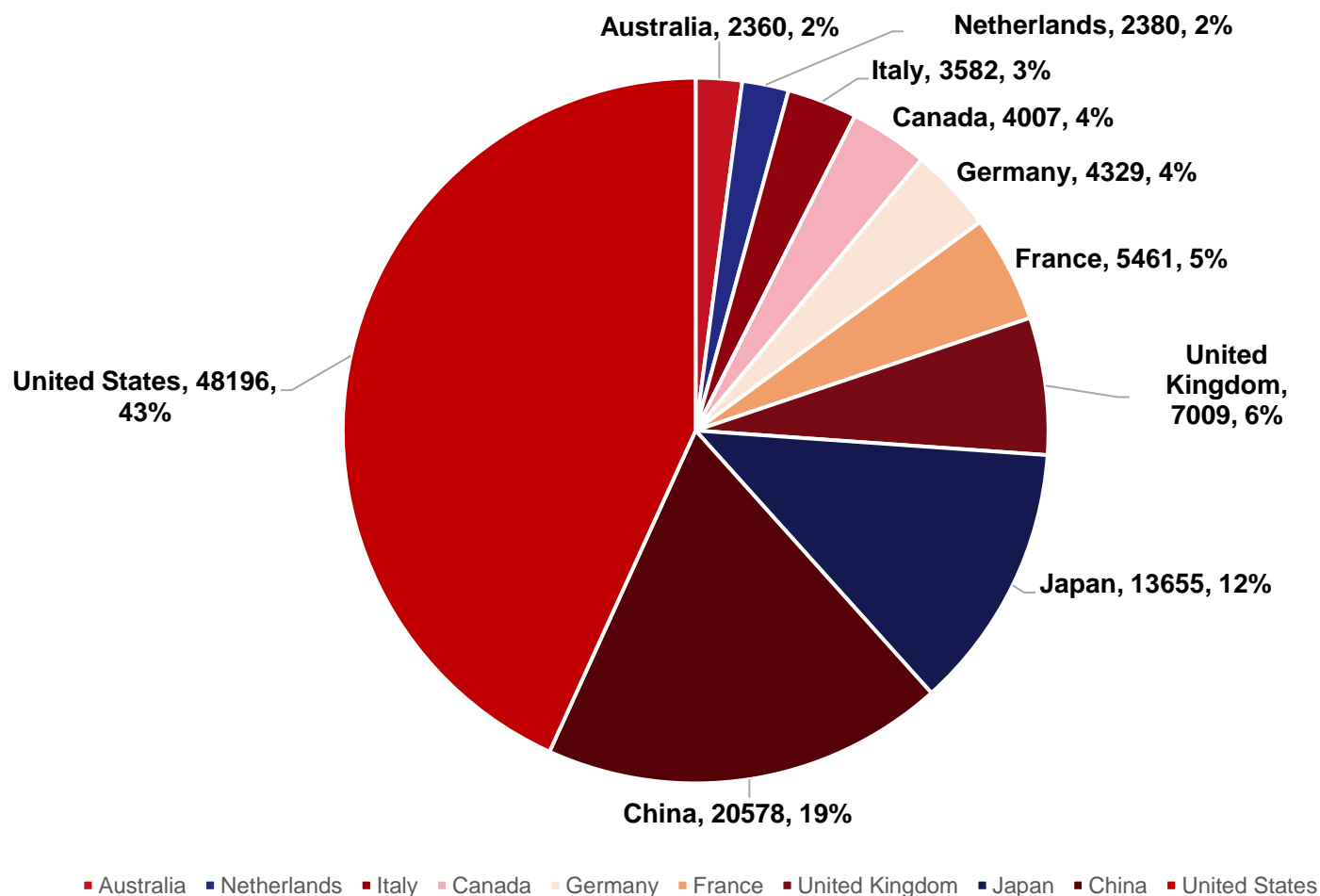
# Our Coverage

Figure 2: Rating (issuer FC LTICR) deviation of Pengyuan based on the average of all CRAs as the benchmark



## Snap Shots: China's Capital Market

# Share of Global Capital Markets (bn USD, %)

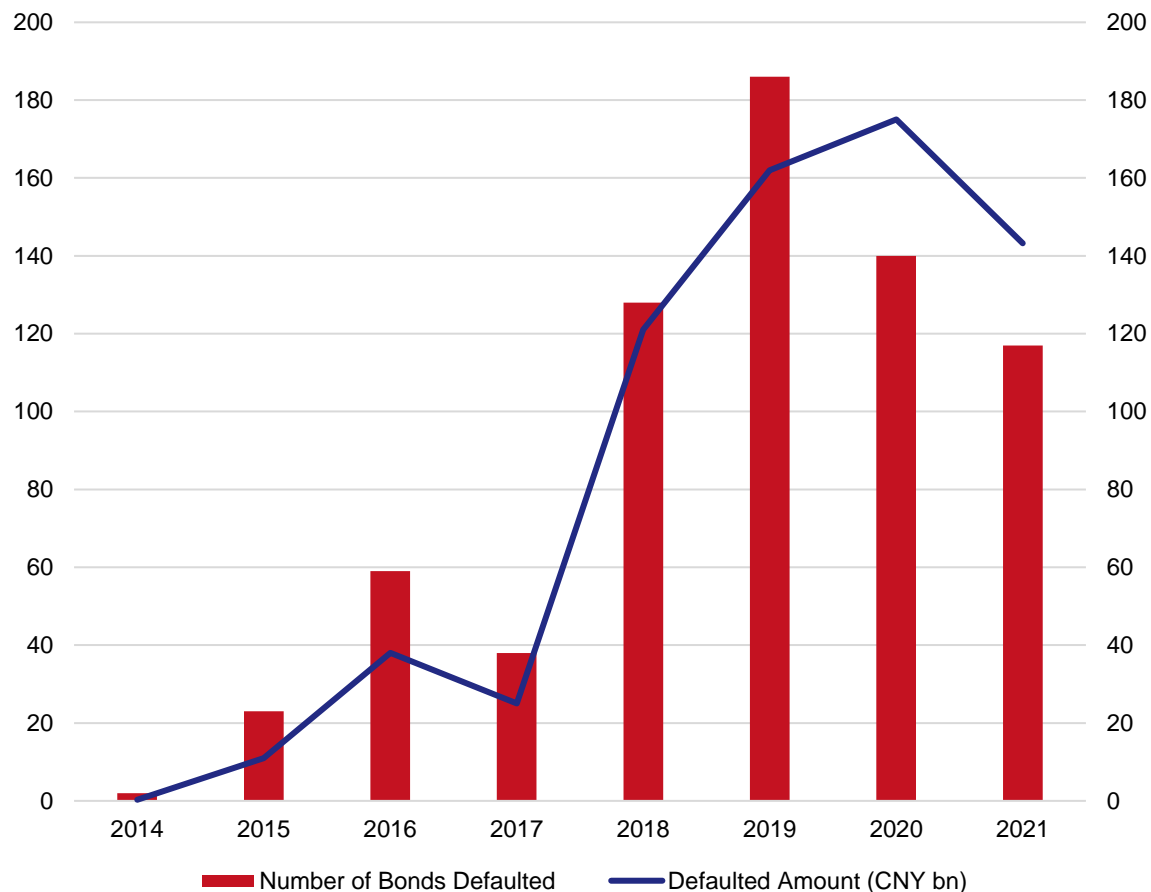


- By amount outstanding, China is ranked the 2<sup>nd</sup> place globally
- Looking forward, we don't expect the market growth to accelerate, as it may be of the regulator's priority to optimize the structure and develop the infrastructure.



# Rise of Defaults

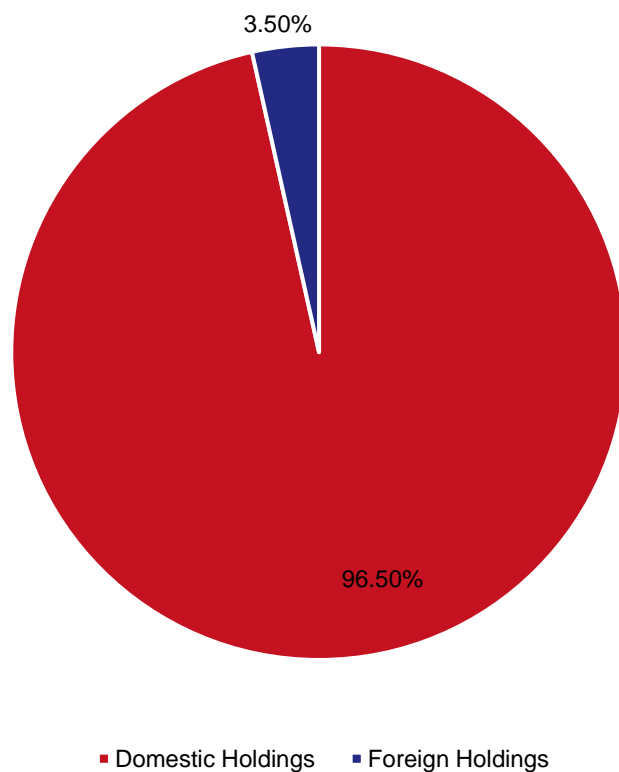
Bond Defaults in China (2014-2021)



- For the onshore market, the default rate has been going up during 2014-2021 period.
- Defaults came down a bit in 2021, this maybe in contrary to market perception and credit performance onshore
- The regulatory and business mentality is shifting gear
- Overall market sentiment is still sound

# Foreign Holdings

Domestic VS International Holdings in CIBM



- Over 4 trillion CNY international holdings by January 2022
- Still relatively small but growing quickly, it's now more than double compare to the end of 2018
- Key drivers:
  - Indices inclusion
  - Favorable FX movements
  - Diversification benefits
  - Rate gap between China and the U.S.

## Panda Bond

# Terms of Chinese Cross-border Bonds

## Panda Bond



Issuer: offshore  
China/international

Denomination: CNY

Issuing venue: onshore China  
(interbank market and exchanges  
market)

## Dim-Sum Bond



Issuer: onshore China/offshore  
China/ International

Denomination: CNH

Issuing venue: offshore  
China/international

## Kung-Fu Bond



Issuer: onshore China

Denomination: USD

Issuing venue: offshore  
China/international

## Yulan Bond

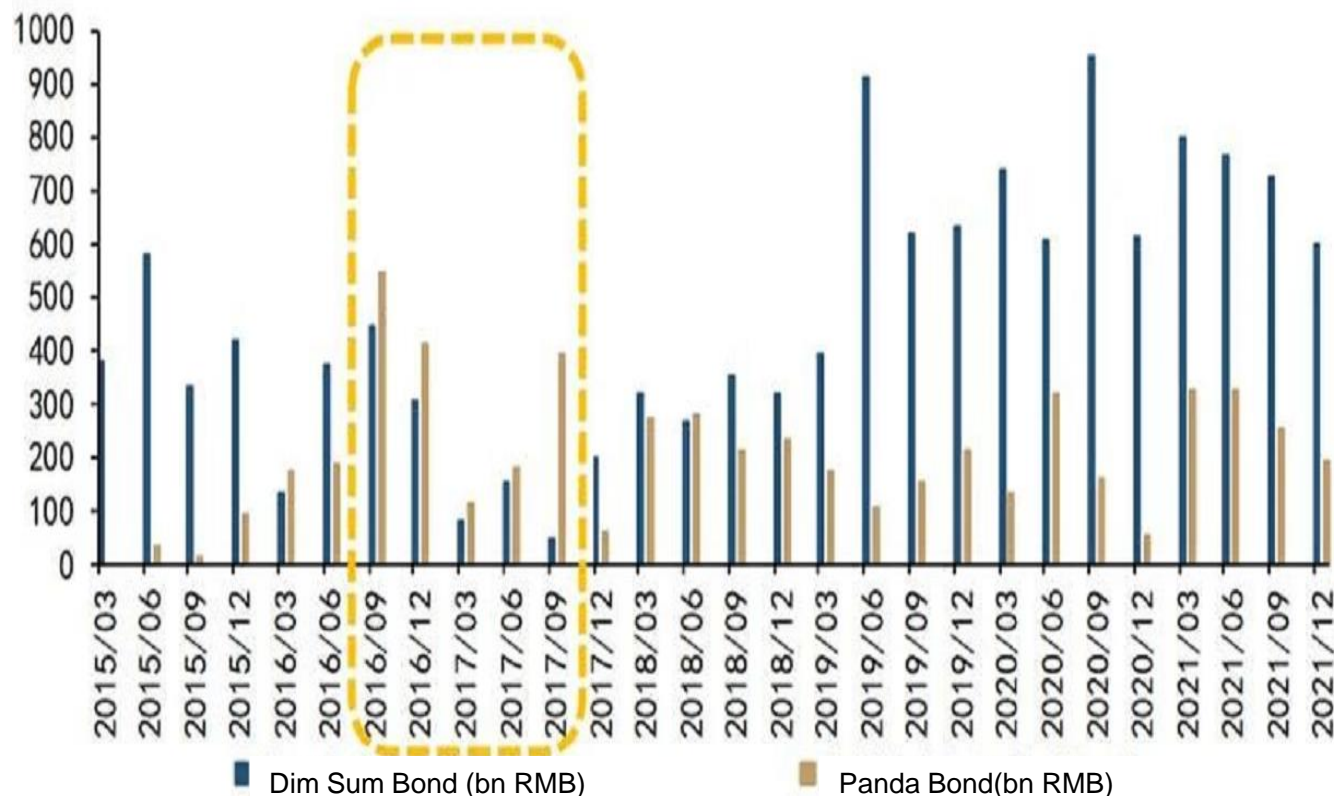


Issuer: onshore China

Denomination: USD/EUR

Issuing venue: onshore China  
(Shanghai Clearing House)

# Trends of Issuance Dynamics between Panda and Dim-Sum

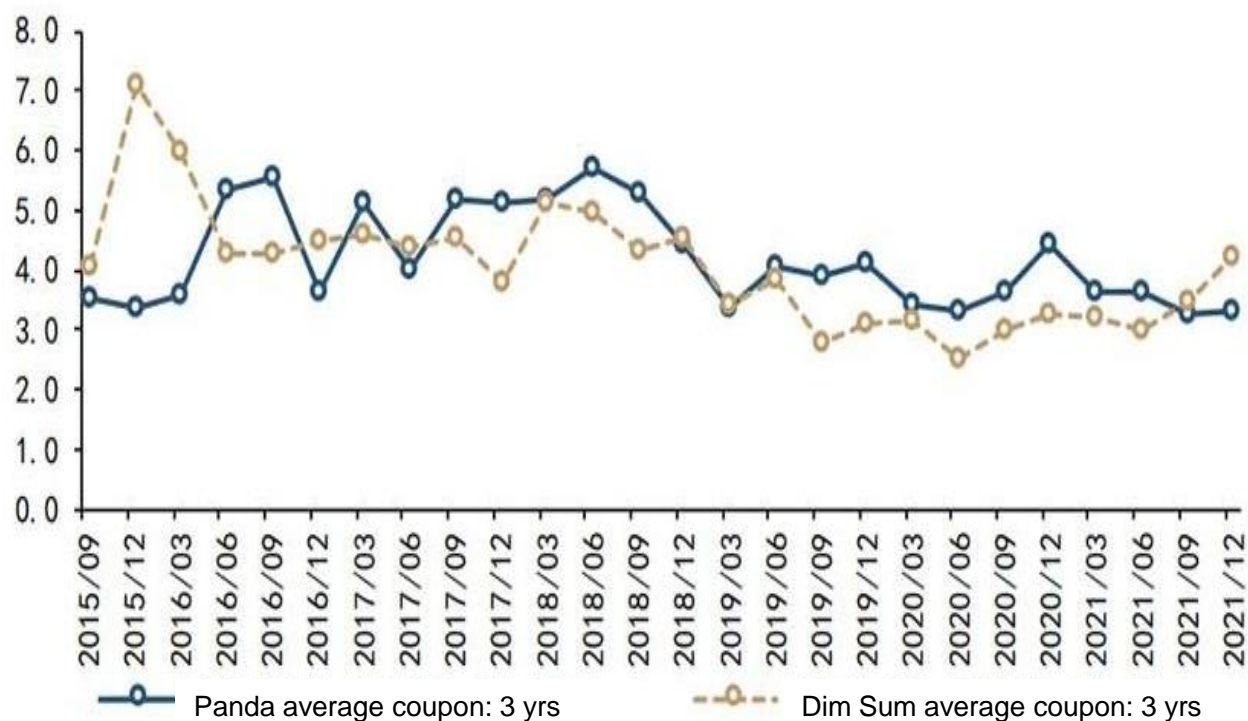


By the end of 2021, the accumulative issuance of panda bond has reached 566 billion RMB, with 216.5 billion RMB outstanding.

In 2016 to 2017, panda bond issuance exceeded Dim-Sum Bond issuance, this is corresponding to a period of cost advantage of it.

Both Dim-Sum and Panda hasn't been sky-rocketing over a 10-years horizon

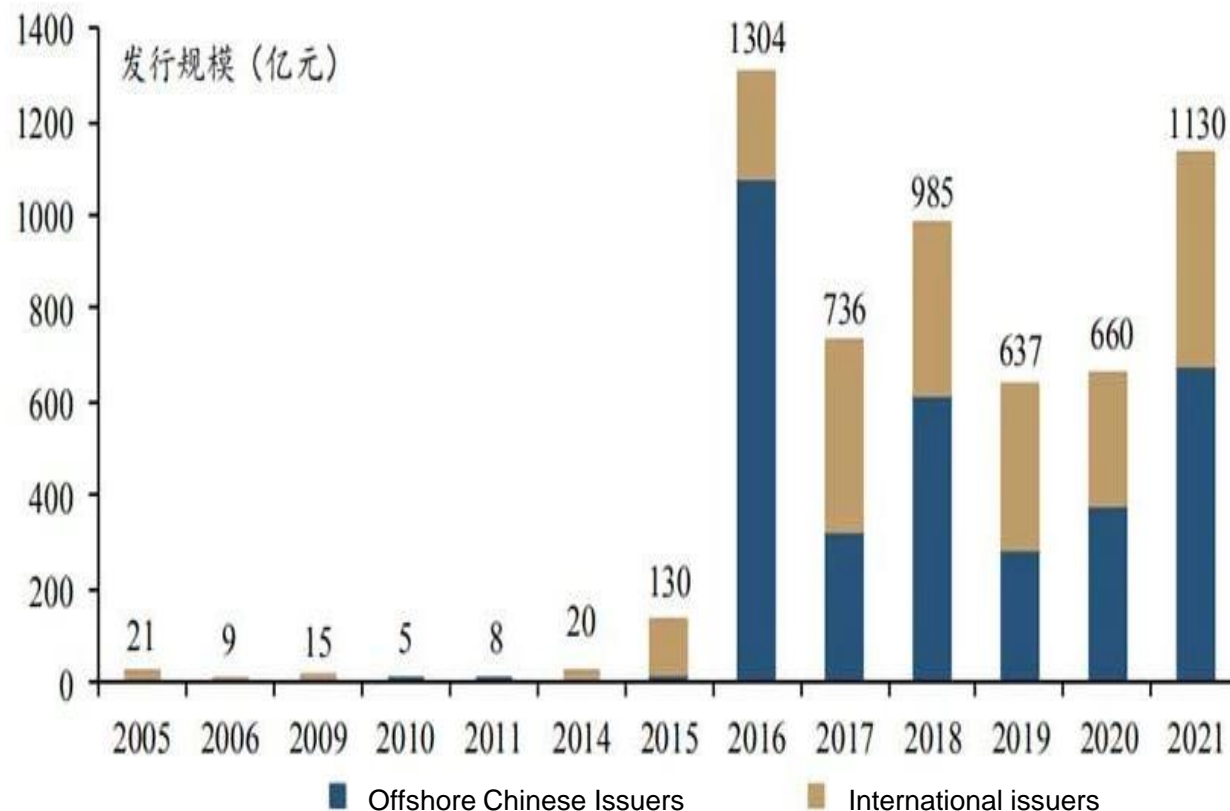
# Cost Comparison between Panda and Dim-Sum



In 2015-2017, we observed Dim Sum bond are higher than Panda bond.

In late 2021, we observed the similar trend again.

# Panda Bond Issuers Profile (International versus Chinese)



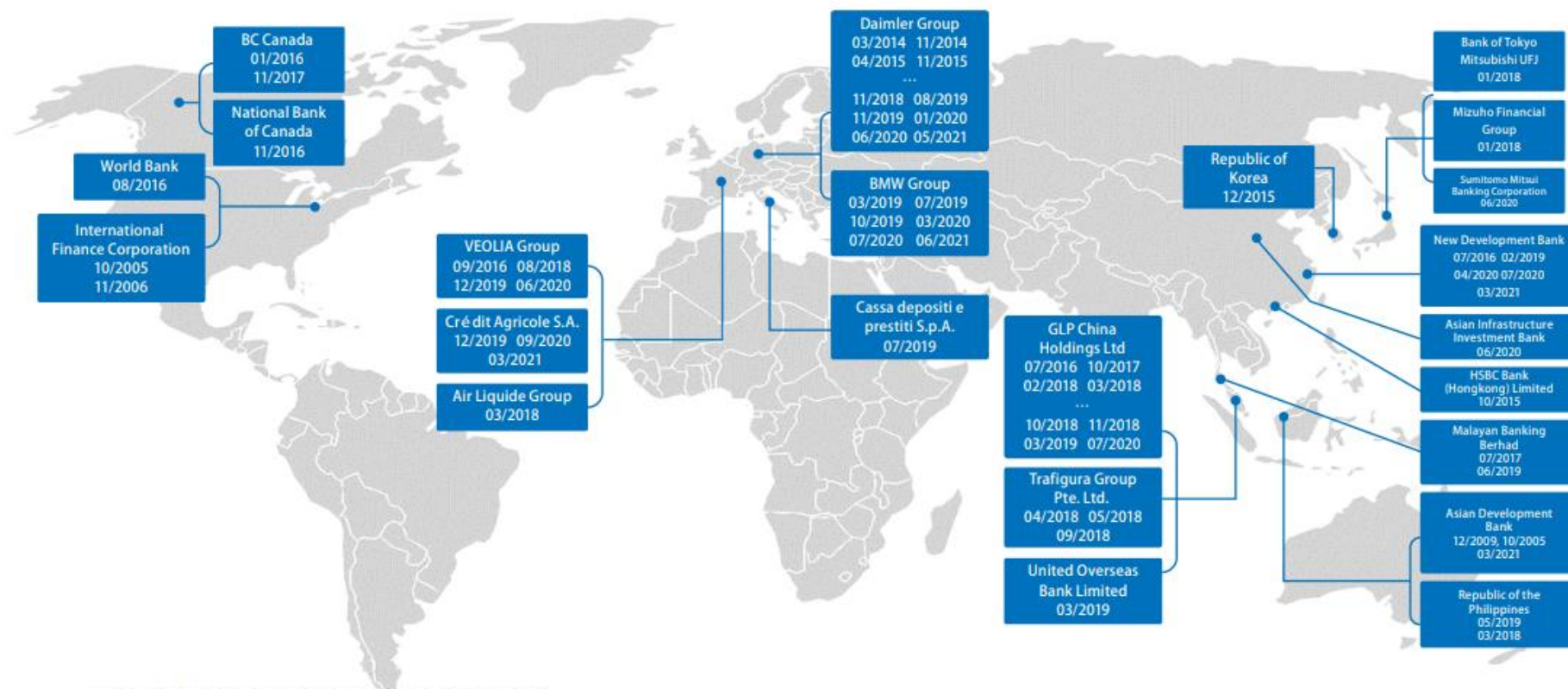
Offshore Chinese issuers are also a major contributor to the Panda Bond.

Its participation is meaningful in a way to iron out the issuance and trading process for Panda Bond over time.



# Panda Bond Issuers Profile (Geographic Distribution)

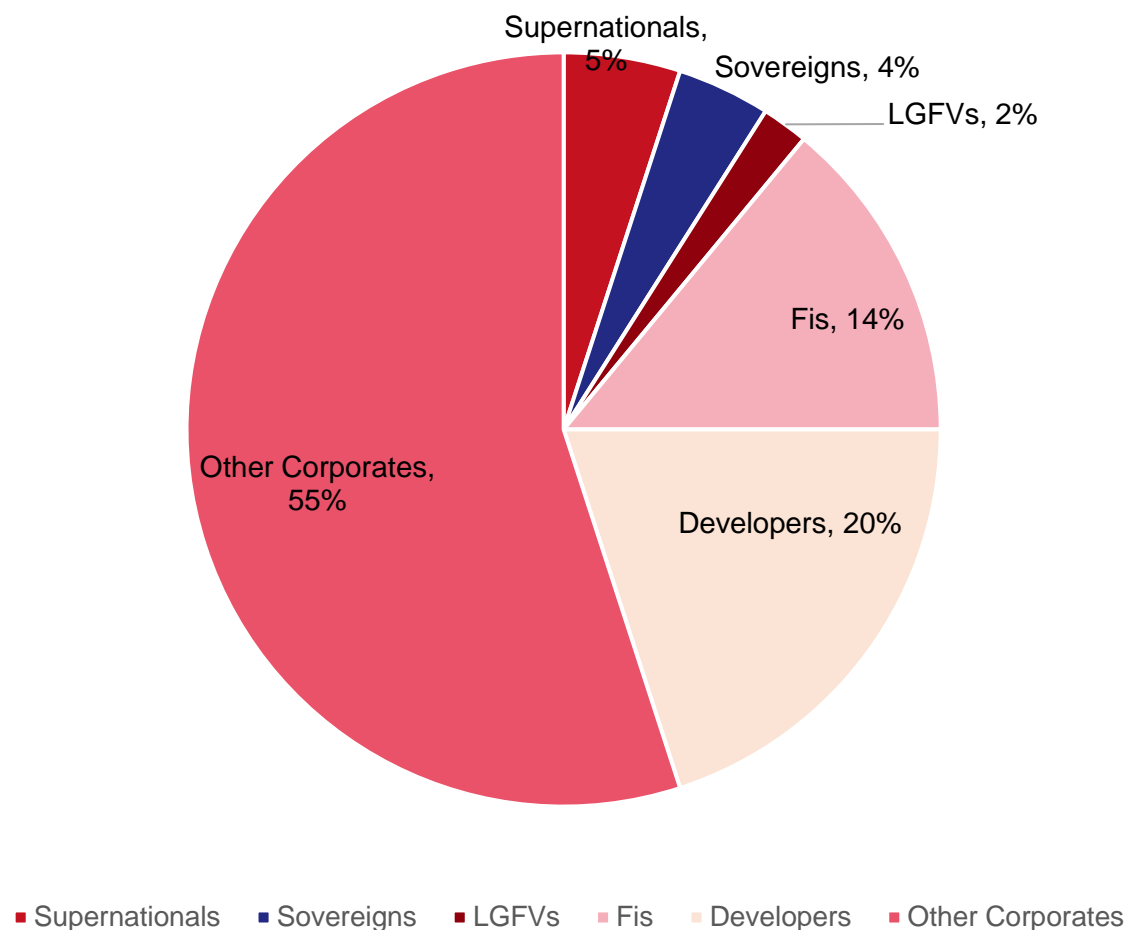
## Geographical Distribution of Panda Bond Issuers



Note: not all panda bond issuers are included in this graphic



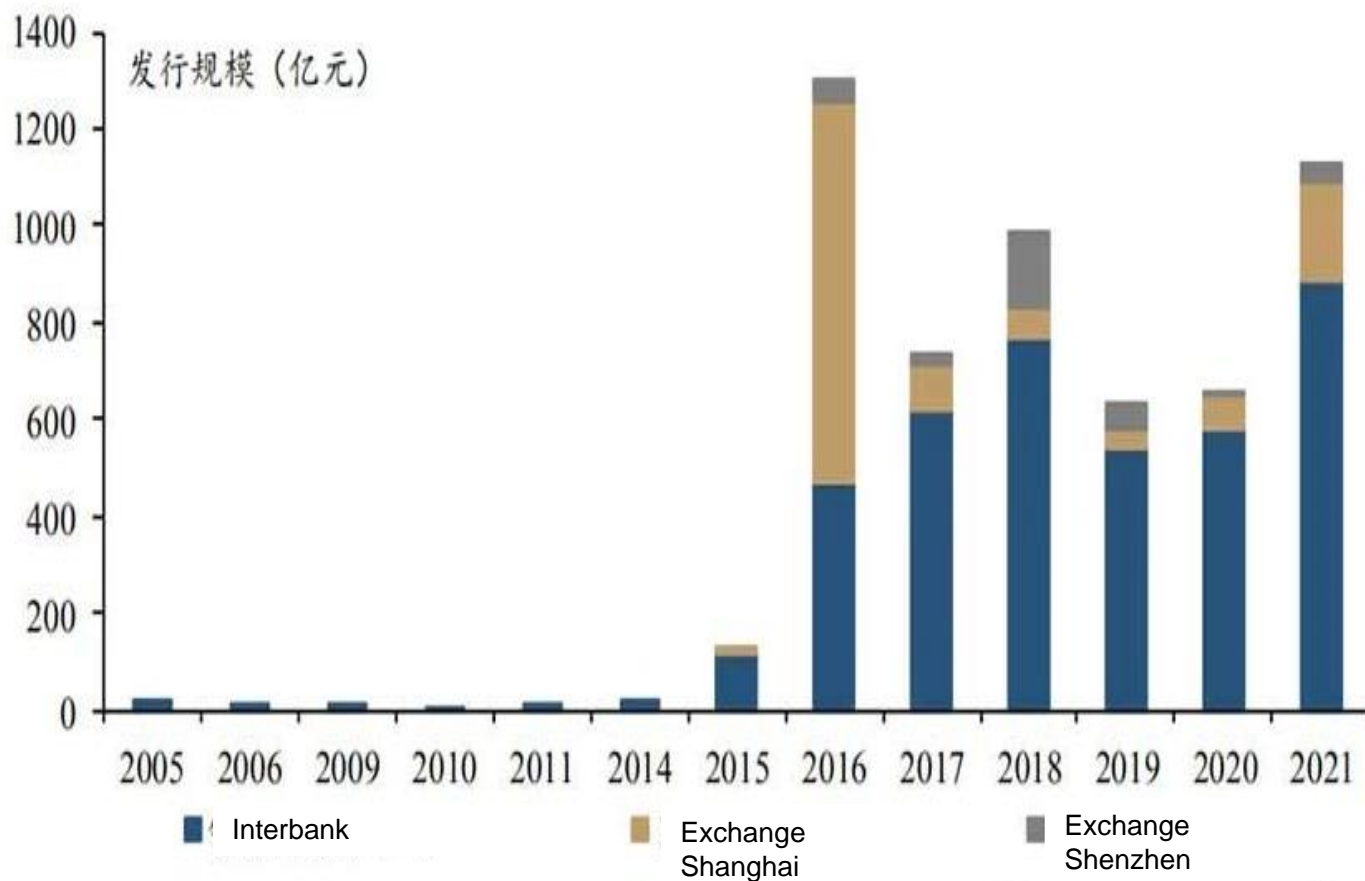
# Panda Bond Issuers Profile (By Sector)



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# Panda Bond Issuers Profile (By Sector)



Interbank market of China is still the dominating issuing venue of Panda Bond.

Exchange markets are still in the process of optimizing the issuance regulation.

On the side, China has been working on connecting the Interbank market and the exchange market, and gradually unify or merge the two.

# Regulatory Updates

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## State Council Financial Stability Committee

“Bond transaction guideline for Foreign Government-related entity and international development institutions”

May 2020

Optimize disclosure and transactional details



## PBoC and SAFE

Request for Comments: Rules of Proceed Management of Foreign Entities Issuing Bond in China

Dec 2021

Standardizing proceed management, registration-based free proceed repatriation.

Promote use of RMB and currency risk hedging



## China Securities Regulatory Commission

Feedback to a proposal from the 13<sup>th</sup> CPPCC, item 1664.

Feb 2022

Working on rules for Panda Bond issuance in the exchange markets (issuer criteria, registration requirement, accounting standard, Intermediary management, FX management, etc)



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PENGYUAN



TZ

中国香港 中西区

# Contact Us

**Terry Zhang**  
Head of Global Strategy and  
Business Management

**Mobile/WhatsApp:** +852 68955763

**Email:** [terry.zhang@pyrating.com](mailto:terry.zhang@pyrating.com)



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