



# AMBIF Bond and Note Issuance Process in Hong Kong, China

## Overview of Regulatory Processes

Bond or note issuances by corporate issuers aimed at professional investors in the Hong Kong, China bond market do not require any approval from or notice to regulatory authorities. In consequence, there is no significance attached to the type of corporate issuer.

At the same time, in order to make the issuance processes by issuer type more comparable across ASEAN+3 markets, Table 2 features common issuer type distinctions that are evident in regional markets. Not all markets will distinguish all such issuer types. Sovereign issuers may be subject to different regulatory processes.

In the absence of regulatory processes mandated by authorities, the overview and descriptions of the bonds and notes issuance process in Hong Kong, China focus on the admission of bonds and notes aimed at Institutional Investors into the CMU platform for OTC-traded bonds and notes, in conjunction with the listing for profiling aimed at professional investors on the Professional Bonds market at HKEx (Debt Issues to Professional Investors Only).

**Table 2: Regulatory Processes by Corporate Issuer Type**

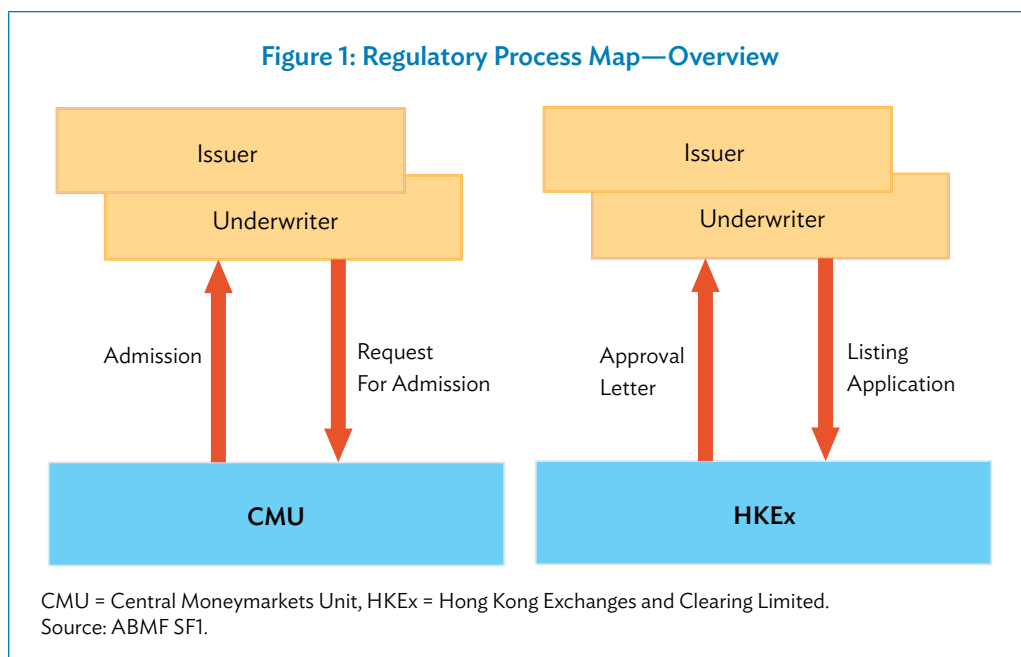
Type of Corporate Issuer	CMU	HKEx
Resident issuer	No specific admission criteria is required by CMU	Listing for profiling eligibility follows criteria in HKEx Listing Rules
Resident nonfinancial institution		
Resident financial institution		
Resident issuing FCY-denominated bonds and notes		
Nonresident issuer		
Nonresident nonfinancial institution		
Nonresident financial institution		
Nonresident issuing FCY-denominated bonds and notes		

CMU = Central Moneymarkets Unit, FCY = foreign currency, HKEx = Hong Kong Exchanges and Clearing Limited.  
Source: ABMF SF1.

### Regulatory Process Map: Overview

In the absence of specific regulatory process requirements on the issuance of bonds and notes to professional investors in the Hong Kong, China bond market, the regulatory process map in Figure 1 is limited to the admission of bonds and notes in CMU and the listing for profiling on HKEx.

Both issuance-related processes are further explained below.



Domestic bonds and notes, the focus of AMBIF, are distinguished by the ISIN prefix HK when issued. In contrast, bonds and notes with the ISIN prefix XS are aimed at the international market. About 80% of bonds and notes issued in the Hong Kong, China market remain unlisted.

The technical terms used for the principal agent of an issuer in the Hong Kong, China market may range from underwriter and arranger to listing agent. For reasons of compatibility with the Implementation Guidelines for other ASEAN+3 markets, the term underwriter is used in this document.

### Issuance Process in Local Currency or Foreign Currency

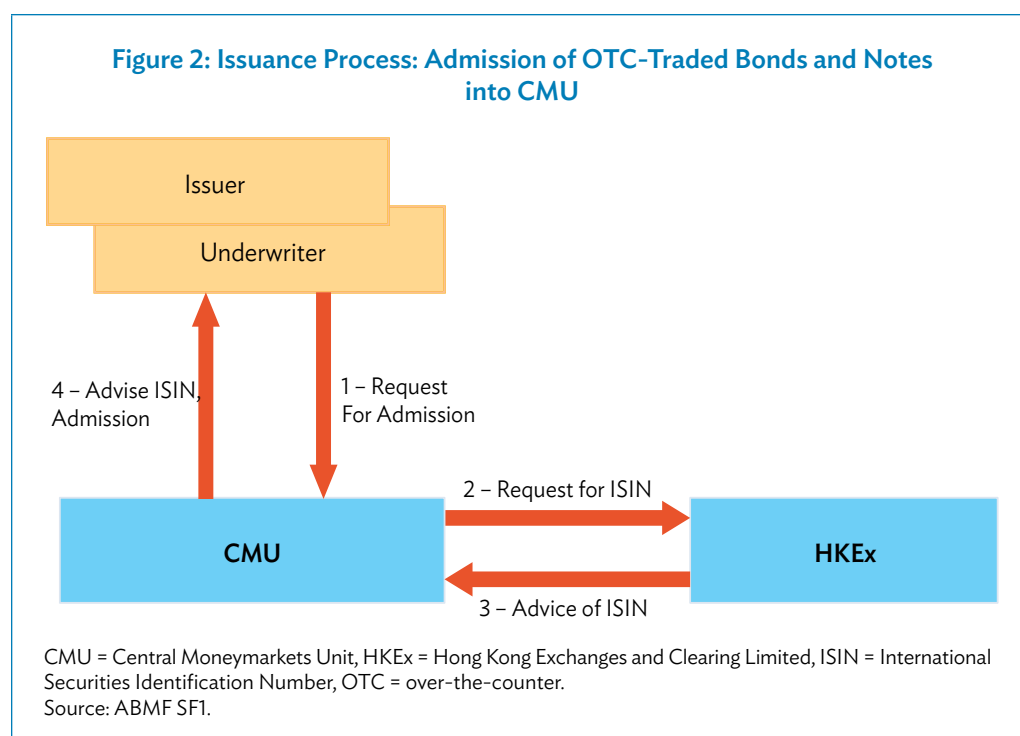
There is no distinction in Hong Kong, China between the issuance and listing process for bonds and notes denominated in Hong Kong dollars, offshore Chinese renminbi, or foreign currencies.

CMU can also clear and settle euros and US dollars via CHATS in Hong Kong, China.

Typically, the issuer is represented by an underwriter who will file or submit the necessary application for admission into CMU and required documentation for the profile listing to HKEx as the listing authority.

### Admission of OTC-Traded Bonds and Notes into CMU

Bonds and notes aimed at Institutional Investors are typically admitted into CMU, which serves as the issuing, clearing, and settlement platform for all OTC-traded bonds and notes in the domestic market in Hong Kong, China (Figure 2).



In order to admit bonds and notes aimed at Institutional Investors into CMU, an issuer or underwriter will need to apply for a CMU Instrument Number and an ISIN for a bond or note issuance.

#### Step 1: Apply for ISIN and Admission into CMU

The issuer (or their agent) is required to submit the request for a CMU Instrument Number and an ISIN to CMU at least 2 business days before the planned issue date. Upon receipt of the request, CMU will submit a form to HKEx—which is the issuing authority (national numbering agency) of ISIN in Hong Kong, China—to obtain the ISIN.

#### Step 2: HKEx Allocates ISIN and Advises ISIN to CMU

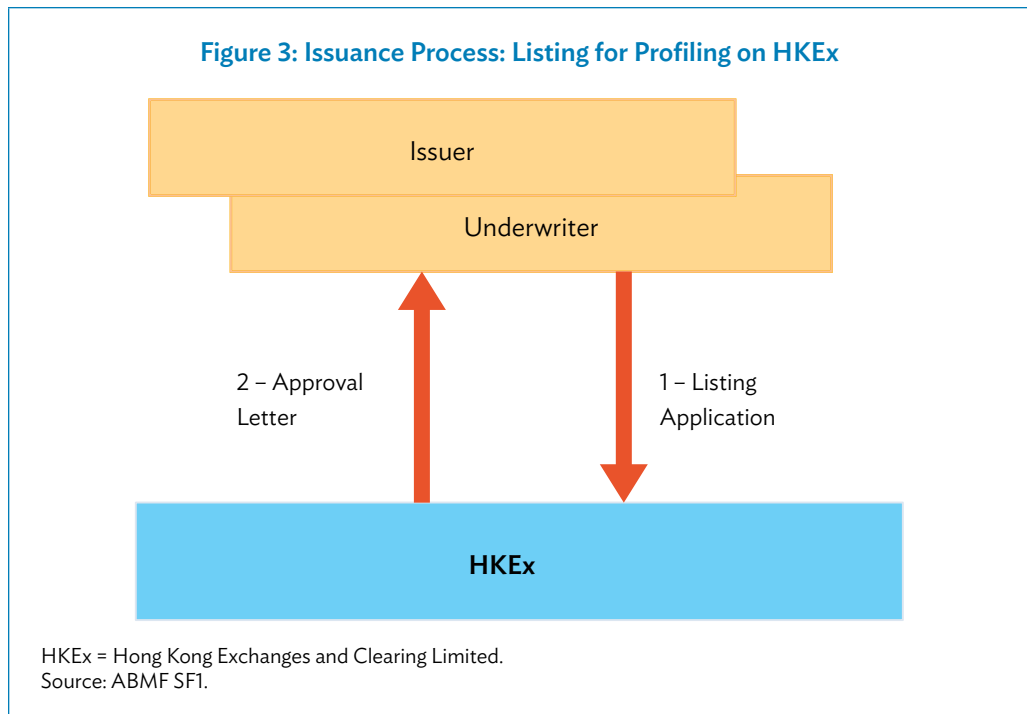
Typically within 24 hours, while also following local business hours, HKEx will allocate an ISIN for the respective bond or note, and advise the ISIN to CMU for further communication to the issuer and set-up in CMU.

### Step 3: CMU Advises ISIN to Issuer

Upon receipt of the ISIN, CMU will advise the issuer of the bond or note, or its agent.

### Listing for Profiling on HKEx

To be listed under Debt Issues to Professional Investors Only or the Professional Bonds market on HKEx, the steps outlined in Figure 3 need to be taken by either the issuer or the issuer's agent.



### Step 1: Submit Application for Listing to HKEx or Application for Confirmation of Eligibility

Any issuer (or their agent) intending to list on HKEx will need to submit an Application for Listing, accompanied by the required documentation and disclosure items for the type of listing selected.

At the same time, issuers may choose to first obtain confirmation on the eligibility of their bonds or notes to be listed for profiling prior to applying for a formal listing. For such determination of eligibility, an issuer needs to submit the supporting documents in draft form, as specified in Listing Rule 37.35.

For full listing approval, an issuer or their agent needs to submit the complete set of supporting documents including the final Offering Circular, as stipulated in Listing Rule 37.29.

The listing criteria for issuers on the Professional Bonds market have been determined as follows:

1. An issuer needs to be incorporated (an issuer must be a state, supranational, body corporate, or trust; if the issuer is a body corporate it must be validly incorporated or established in its place of incorporation or establishment).
2. An issuer (entity) needs to have a net asset value of at least HKD100 million.<sup>2</sup>
3. An issuer needs to be able to provide a minimum of 2 years of audited accounts.<sup>3</sup>

In addition, the following listing criteria for debt securities have to be met:

1. The bonds and notes must have been authorized through the issuer's governing bodies.
2. The minimum denomination of bonds and notes must be HKD500,000 or the equivalent amount in foreign currency.

Chapter 37 of the HKEx Listing Rules allows issuers to tailor their documentation to professional investors who are sufficiently sophisticated to make their own judgment on whether the listing document provides them with the necessary information. In consequence, Rule 37.29 prescribes for the listing application to contain documents and simplified disclosure items that professional investors would customarily expect.

As part of the listing application process, the issuer will have to specify their intended listing date for the bonds and notes in the listing application.

#### Step 2: HKEx Checks Application for Listing and Issues Letter of Eligibility or Approval

HKEx will review the request for eligibility or the application, as the case may be, following the submission of the relevant and complete information in documentation and disclosure items, as required under the respective Listing Rules (Step 1). At the same time, HKEx may, at its discretion under the Listing Rules, request supplementary information from the issuer, or arranger or underwriter, if so required for the review process.

In cases of an issuer seeking a confirmation of eligibility to list a bond or note for profiling, HKEx will advise an issuer whether the issuer and its bonds and notes are eligible for listing within 5 business days after receipt of the issuer's application, as per Listing Rule 37.36; HKEx will issue a Letter of Eligibility for this.

Provided that an Application for Listing is in order and the necessary information has been provided, HKEx will issue an approval letter to the issuer or underwriter.

In practice, for applications that do not involve unusual features, HKEx will, under normal circumstances, issue the listing approval letter or eligibility letter within 1 business day for issuers that are already listed in Hong Kong, China, or within 2 business days for other issuers.

The listing for profiling of professional bonds and notes on the HKEx Professional Bonds market carries a one-off listing fee of between HKD7,000 and HKD90,000, depending on issue size and tenor. There is no recurring listing fee.

<sup>2</sup> This criterion does not apply for issuers already listed on HKEx or another exchange, state corporations, or supranational issuers.

<sup>3</sup> This criterion does not apply for issuers already listed on HKEx, state corporations, or supranational issuers.

### Step 3: Actual (Effective) Listing for Profiling

The issuance process for a profile listing is completed with the actual listing on the HKEx Professional Bonds market. The listing of a bond or note is effective upon the listing date stipulated in the listing approval letter, based on the original request by the issuer. There is no defined cooling-off period between listing approval and actual listing.

Should an issuer not fulfill any of the conditions set in the listing approval letter by the expected (stated) listing date, the issuer or their agent would have to submit a new listing application.