



32nd ASEAN+3 Bond Market Forum (ABMF) Meeting

China Capital Market Institute (CCMI), Shenzhen, People's Republic of China

17-18 October 2019

The ASEAN+3 Bond Market Forum (ABMF) was established in May 2010 by the finance ministers of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea—collectively known as ASEAN+3—under the Asian Bond Markets Initiative (ABMI). The Forum is the only regional platform of which actions and recommendations are reported to the ASEAN+3 policy discussion. It functions to integrate the ASEAN+3 markets through standardization and harmonization of regulations and market practices as well as market infrastructures relating to cross-border bond transactions.

Since its establishment, the ABMF has produced various outputs and created impacts. In 2012, the ABMF released the ASEAN+3 Bond Market Guide, the first officially recognized publication of bond market regulations and settlement procedures in ASEAN+3 economies. The market guide helped narrow information gaps and increase market transparency, which was often regarded as the biggest barrier to market entry. In 2014, to provide policy recommendations to standardize securities transaction flows in the region, ABMF published the Sub-Forum 1 (SF1) Phase 2 Report: Proposal on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) as a regionally standardized bond issuance framework, and the Sub-Forum 2 (SF2) Phase 2 Report: ASEAN+3 Information on Transaction Flows and Settlement Infrastructures. After the endorsement of both reports by the ASEAN+3 finance ministers in 2015, ABMF released two Phase 3 reports: Implementation of the AMBIF: ABMF SF1 Phase 3 Report, and Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3: ABMF SF2 Phase 3 Report. The SF1 Phase 3 report contained the Single Submission Form (SSF) to be utilized in the markets participating in AMBIF and explained the procedures for issuing an AMBIF bond. The SF2 Phase 3 report (i) identified and agreed upon key transactional financial messages to be harmonized and standardized to facilitate cross-border bond transactions, and (ii) successfully demonstrated the readiness of the region to implement key international standards such as ISO 20022 by 2025. As a result, implementation of ISO 20022 was included as one of the strategic measures for financial integration in the ASEAN Economic Community Blueprint 2025.

ABMF meetings are held three times a year, bringing together more than 100 experts from the ministries of finance, central banks, securities market regulators, central securities depositories, securities exchanges and market operators, financial market associations as well as major financial institutions and IT vendors in the region. The forum is open to experts who are interested in bond market developments and regional financial cooperation.

The 32nd ABMF will be organized jointly by the Shenzhen Stock Exchange. The Forum plans to discuss:

- Recent development of Chinese Exchange Bond Market
- Green bond: how can we develop the ASEAN+3 market practices?
- ABMI updates

The 19th Cross-Border Settlement Infrastructure Forum will be co-organized by Asia Prime Collateral Forum. Thus, it will be an open forum to ABMF participants. The Forum plans to discuss cross-border collateral and repo in Asia.

DAY 1 – 17 October 2019

China Capital Market Institute(CCMI)
Shenzhen, People's Republic of China

ABMF Sub Forum 1 Meeting

TIME	PROGRAM
VENUE: Auditorium Hall, 2nd Floor, Buiding B, CCMI, Xili Qinyang 2nd Road, Nanshan District, Shenzhen (Building next to Building A)	
08:30 – 09:00	Registration
09:00 – 09:15	Photo Session
09:15 – 09:20	Opening Speech by Mr. LI Chao, Vice Chairman of China Securities Regulatory Commission
09:20 – 09:25	Welcome Remarks by Mr. WANG Lixin, Vice Mayor of the Shenzhen Municipal People's Government
09:25 – 09:30	Welcome Remarks by Mr. WANG Jianjun, President and CEO of Shenzhen Stock Exchange
09:30 – 09:35	Welcome Remarks by Mr. Satoru Yamadera, Principal Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank
09:40 – 09:50	<i>Coffee Break</i>
ABMF Sub Forum 1 (SF1) Meeting	
09:50 – 09:55	Opening Remarks by Mr. Koji Ito, ABMF Sub Forum 1 (SF1) Chairman
China Bond Market Overview	
09:55 – 10:20	Keynote Speech 1: The Recent Development of China's Economy by Mr. SONG Guoqing, Professor of Economics at the National School of Development of Peking University
10:20 – 10:45	Keynote Speech 2: Exchange Bond Market Development by Mr. CHEN Fei, Director of Corporate Bond Supervision Department, China Securities Regulatory Commission
10:45 – 10:55	Keynote Speech 3: Launch of China's Exchange Bond Market Guide and role of exchange in developing a bond market by Mr. Satoru Yamadera, Principal Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank (ADB)
10:55 – 11:30	<p>Panel 1: The Role of the Bond Market in supporting the Development of the Guangdong-Hong Kong-Macao Greater Bay Area</p> <p>Moderator: Mr. LIU Fuzhong, Director of International Department, Shenzhen Stock Exchange (SZSE)</p> <p>Panelist:</p> <ol style="list-style-type: none"> Ms. CAO Jiajia, Deputy Division Director, Government Bonds Division, Budget Department of Ministry of Finance of China Mr. WEN Ping, Deputy Director-General, Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen

	<p>3. Ms. TAN Yonghui, Director of Fixed Income Department, Shenzhen Stock Exchange</p> <p>4. Ms. SHU Chang, Chief Asia Economist, Bloomberg</p>
11:30 – 12:05	<p>Panel 2: Latest Development in the Exchange Bond Market (Factor Flow and Opening up)</p> <p>Moderator: Ms. NI Gaiqin, Division Director, Corporate Bond Supervision Department, China Securities Regulatory Commission</p> <p>Panelist:</p> <ol style="list-style-type: none"> 1. Mr. ZONG Jun, Director of R&D Department, China Central Depository & Clearing Company 2. Mr. Satoru Yamadera, Principal Financial Sector Specialist of Asian Development Bank 3. Mr. WANG Jianguo, Deputy Director, Fixed Income Center, Shanghai Stock Exchange 4. Mr. ZHU Liyuan, Deputy Director, Bond Business Department, China Securities Depository and Clearing Corporation Limited
12:05 – 12:10	Wrap-up by Mr. Satoru Yamadera, Asian Development Bank
12:10 – 13:00	<i>Lunch (Dining Hall B)</i>
Venue: A317 Conference Room, Building A, China Capital Market Institute Shenzhen, People's Republic of China	
How to develop a regional green bond market under the ABMI	
13:30 – 14:00	Session 1: State of the Market – Recent Developments of Global Green Bond Market and its implication on Asian Markets by Mr. Cedric Rimaud, ASEAN Program Manager, Climate Bonds Initiative
14:00 – 14:30	Session 2: Overview of the Green Bond Market in China by Ms. Judy Li - Partner, Climate Change & Sustainability Services, Financial Services, Ernst and Young (Beijing)
14:30 – 15:00	Session 3: Green Bond Market Development in ASEAN countries by Mr. Kosintr Puongsophol, Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank
15:00 – 15:15	<i>Coffee Break</i>
15:15 – 16:15	<p>Panel 3: Experience Sharing on China Onshore Green Bond Issuance</p> <p>Moderator: Ms. Chan Ka Yi, Head of International Business, Fixed Income Department, Shenzhen Stock Exchange</p> <p>Panelist:</p> <ol style="list-style-type: none"> 1. Mr. Cheng Daming, Executive Director, China International Capital Corporation Limited 2. Ms. Gan Luying, Head of Sustainable Bonds, Debt Capital Markets, Asia Pacific, HSBC 3. Mr. Zhang Han, CEO of iGreen Bank 4. Ms. Liu Chubai, Head of Innovative Business, Fixed Income Department, Shenzhen Stock Exchange

16:15 – 16:25	Session 4: Outline of the New Technical Assistance to Create Necessary Ecosystems for Green Bond Market Development in ASEAN+3 by Mr. Kosintr Puongsophol, Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank
16:25 – 16:30	Closing Remarks by Mr. Satoru Yamadera, ADB and Mr. Koji Ito, ABMF SF1 Chairman
Meet the market in PRC Chinese market players are invited to join	
16:35 – 17:45	Session 5: What is ABMI, ABMF, and AMBIF? by Mr. Satoru Yamadera, ADB <ul style="list-style-type: none"> - ADB will explain various initiatives under the Asian Bond Markets Initiatives. In addition, ADB will explain how these initiatives will be linked with the Chinese bond market development such as Panda bond, local currency funding by the Chinese corporates, and cross-border collateral. - Q&A
18:00 – 19:00	Welcome dinner hosted by SZSE (<i>Dining B Hall, CCMI</i>)

DAY 2 – 18 October 2019

Venue: A317 Conference Room, China Capital Market Institute
Shenzhen, People's Republic of China

ABMF Sub Forum 2 Meeting - (Morning)	
TIME	PROGRAM
08:30 – 09:00	Registration
09:00 – 09:05	Opening Remarks by Mr. Seung-Kwon Lee, ABMF Sub Forum 2 (SF2) Chairman
Update of ABMI	
09:05 – 09:30	Session 6: Update of Bond Market Guide Drafting and Recent Developments in ASEAN+3 Bond Markets by ADB Secretariat <ul style="list-style-type: none"> • Mr. Matthias Schidmt, Lead Bond Business and Financial Operation Specialist, ADB Consultant (ABMF SF1) • Prof. Shigehito Inukai, ADB Consultant for ABMF SF1
09:30 – 10:00	Session 7: Recent ASEAN+3 market developments by Ms. Shu Tian, Economist (AsianBondsOnline), Asian Development Bank
10:00 – 10:30	Session 8: Update by Credit Guarantee and Investment Facility activities by Mr. Dong Woo Rhee, Chief Financial Officer, Credit Guarantee & Investment Facility (CGIF)
10:30 – 10:45	<i>Coffee break</i>
10:45 – 11:55	Session 9: Account Structure and KYC Process by ADB and ABMF International expert <ul style="list-style-type: none"> • Mr. Satoru Yamadera, Principal Financial Sector Specialist, ADB • Mr. Shinya Kim, Manager, NTTDATA Systems Technologies Inc.
11:55 – 12:00	Wrap-up by Mr. Satoru Yamadera, ADB and Mr. Seung-Kwon Lee, ABMF SF2 Chairman
12:00 – 13:00	<i>Lunch (Dining Hall B)</i>

(Afternoon) 19th Cross-Border Settlement Infrastructure Forum (CSIF) Venue: A317 Conference Room, China Capital Market Institute, Shenzhen, PRC -open session together with ABMF members	
13:00 – 13:05	Opening Remarks by Mr. Seung-Kwon Lee CSIF Vice Chairman
Cross-Border Collateral and Repo in Asia	
13:05 – 13:30	Building a culture of repo collateral for bond market development by Mr. Josh Galper, Managing Principal, Finadium LLC – Asian Prime Collateral Forum (APCF)
13:30 – 14:45	Possible models in Asia by Mr. Satoru Yamadera, Principal Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank (15 min)

	<p>Cross-border tri-party repo in Asia: Impediments and challenges</p> <ul style="list-style-type: none"> • Clearstream Banking S. A. by Mr. Davin Cheung, APAC Head, Banking, Funding & Financing (15 min) • Euroclear Bank by Mr. Danny Missotten, Deputy Head of Global Capital Markets & Funds, Hong Kong Branch (15 min) • JP Morgan by Mr. O'Delle Fitzromeo Burke, Head of Collateral Services – APAC, Collateral Services, Securities Services (15 min) • China Central Depository & Clearing Co., LTD. (CCDC) by Mr. Fei Tao, Business Manager, Collateral Management Center, Shanghai HQ (15 min) <ul style="list-style-type: none"> - Current market transactions - Most observed currencies and securities
14:45 – 15:00	<i>Coffee Break</i>
15:00 – 15:20	Central Bank Collateral Frameworks for ABMI by Dr. Gongpil Choi, Director of Asian Prime Collateral Forum (APCF) and Korea Institute of Finance (KIF) Center for Finance and Technology
15:20 – 16:35	<p>How Asia can increase more cross-border collateral and Repo transactions?</p> <p>Panel discussion</p> <ul style="list-style-type: none"> • Mr. Davin Cheung, APAC Head, Banking, Funding & Financing, Clearstream Banking S.A. • Mr. Danny Missotten, Deputy Head of Global Capital Markets & Funds, Euroclear Bank (Hong Kong Branch) • Mr. O'Delle Fitzromeo Burke, Head of Collateral Services – APAC, Collateral Services, Securities Services, JP Morgan • Mr. Yulu Pu, Senior Manager, ChinaBond Collateral Management Center, Shanghai HQ, China Central Depository & Clearing Co., LTD. (CCDC) • Mr. Joon Hwan Im, Senior Research Fellow, Korea Insurance Research Institute (KIRI) - Asian Prime Collateral Forum (APCF) <p>Moderator: Mr. Satoru Yamadera, Principal Financial Sector Specialist, Economic Research and Regional Cooperation Department, Asian Development Bank</p>
16:35 – 16:55	Closing Remarks by Prof. Kim Kyung-Soo, Former President of the Bank of Korea research institute and ex-chairman of the Korean Economic Association



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全面深化资本市场改革
建设高质量的交易所债券市场
China Exchange Bond Market

公司债券监管部 陈飞
Corporate Bond Supervision Dept.
Mr. CHEN Fei
2019年10月17日
17 Oct. 2019

目录 Table of Contents

第一部分 交易所债券市场改革发展总体情况
Part I Overview of China Exchange Bond Market

第二部分 植根金融本源，服务实体经济
Part II Serve the Real Economy

第三部分 推进交易所债券市场高质量发展
Part III Further Development in the Exchange Bond Market



第一部分 Part I

交易所债券市场改革发展总体情况 Overview of China Exchange Bond Market





我国债券市场发展概况

Overview of China Onshore Bond Market

债券市场余额
Outstanding Volume

RMB
91.1 trn

债券存量GDP占比
GDP Ratio

95% of
GDP in
2018

近年我国债券市场存量规模

Total Outstanding Bonds in China Onshore Market



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交易所债券市场改革发展总体情况 China Exchange Bond Market

公司债券发行与 交易管理办法

2015年1月

In 2015, China Securities Regulatory Commission (CSRC) released the **Measures for the Administration of Corporate Bond Offering and Trading** to promote reform in corporate bond market.

扩大发行主体范围
至所有公司制法人

Issuers from only listed companies to all the limited corporations

取消保荐制、发审会，私募不设行政许可，“小公募”由交易所预审核

Vetting process for Quasi-public offering and private placement is taken place in the exchanges

丰富发行方式

扩大发行主体

简化审核流程

加强投资者保护

将公开发发行分为“大公募”、“小公募”，全面建立非公开发行方式

Introduced new issuance method-Quasi public offering

强化投资者适当性管理，建立健全受托管理人制度

Enhance investor suitability management and enforce bond trustee system



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交易所债券市场改革发展总体情况 China Exchange Bond Market

取消行政审批

CSRC cancelled administrative approval process

实行自律组织事后备案和基础资产负面清单管理

Registration Process and Negative list for underlying assets

基础资产范围扩展

Expand the types of underlying assets

加强事中事后监管，加强投资者保护

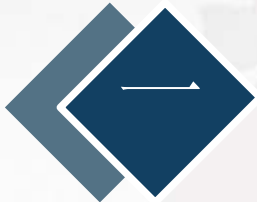
Enhance supervision and investors protection

证券公司及基金
管理公司子公司
资产证券化业务
管理规定

(2014年11月)

Provisions for the
Administration of
Asset Securitization
Business of Securities
Firms and Subsidiaries
of Fund Management
Firms and supporting
rules (2014.11)





我国债券市场发展概况

Overview of China Onshore Bond Market

债券品种丰富化 Array of Products

国债、地方政府债、公司债券、金融债券、次级债券、国际开发机构债券、中期票据、资产证券化产品等

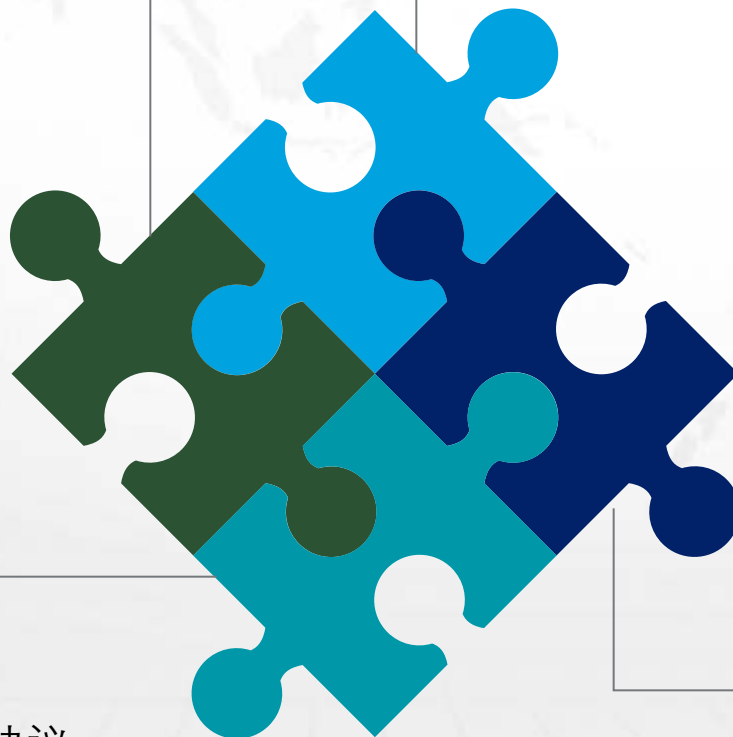
Treasury, Local Government Bond, Corporate Bonds, Financial Bonds, Subordinated Bonds, MTNs, ABS etc

交易方式多元化 Variety of Trading Mechanisms

现券交易、质押式回购、买断式回购、协议回购、三方回购、远期交易、债券借贷
Cash transaction, pledged repo, Private Negotiated Repurchase, third-party repo, forwards, bonds borrowing



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市场发行量、托管量和交易量迅速增长 Rapid growth in the onshore bond market

2019年9月底，债券市场余额93.2万亿元，债券市场融资总额33.8万亿元。
As of 2019 Sep, the total exchange bonds outstanding volume was RMB 93.2 trillion; issuance amount was RMB 33.8 trillion.

投融资主体日益扩大 Expanding issuers and investors base

发行人：财政部、政策性银行、商业银行、证券公司、非金融企业、开发机构

Issuers: MOF, policy banks, commercial banks, securities firms, corporates, international development banks

投资者：银行、基金公司、证券公司、财务公司、非金融企业及个人

Investors: banks, funds, securities firms, companies and retail investors



我国债券市场发展概况

Overview of China Onshore Bond Market

证监会：CSRC

拟定监管规则、审核自律规则，实施行政许可，监管协调

Promulgate Rules and Regulations; Administrative licensing; regulatory coordination.

派出机构：CSRC Branches

日常行政监管执法

Daily Supervision and Enforcement



证监会
CSRC

派出机构
CSRC Branches

五位一体
Supervision
System

登记机构
CSDC

交易所
Exchanges

协会
SAC

证券业协会：SAC

对债券承销（包括业务规范和负面清单）、尽职调查、信用评级、受托管理等履行自律管理等职能

Self-regulatory in bond underwriting, due diligences, credit rating, bond trustee management and etc.

交易场所：Exchanges

信息披露监管、上市预审核、私募债挂牌审核，持续风险监测等

Information disclosure supervision, preliminary vetting process, listing and on-going supervision

中国结算：CSDC

对登记业务实施自律监管

Self-regulatory registration, depository clearing and settlement businesses.



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第二部分 Part II

植根金融本源，服务实体经济
Serve the Real Economy





植根金融本源，服务实体经济 Serve the Real Economy

 市场深度广度得到拓展，有力促进直接融资比重提升
Bond financing through capital market increased significantly.

 成为民营企业债券融资“主战场”
Non-state owned corporates are the major issuers in the exchange market.

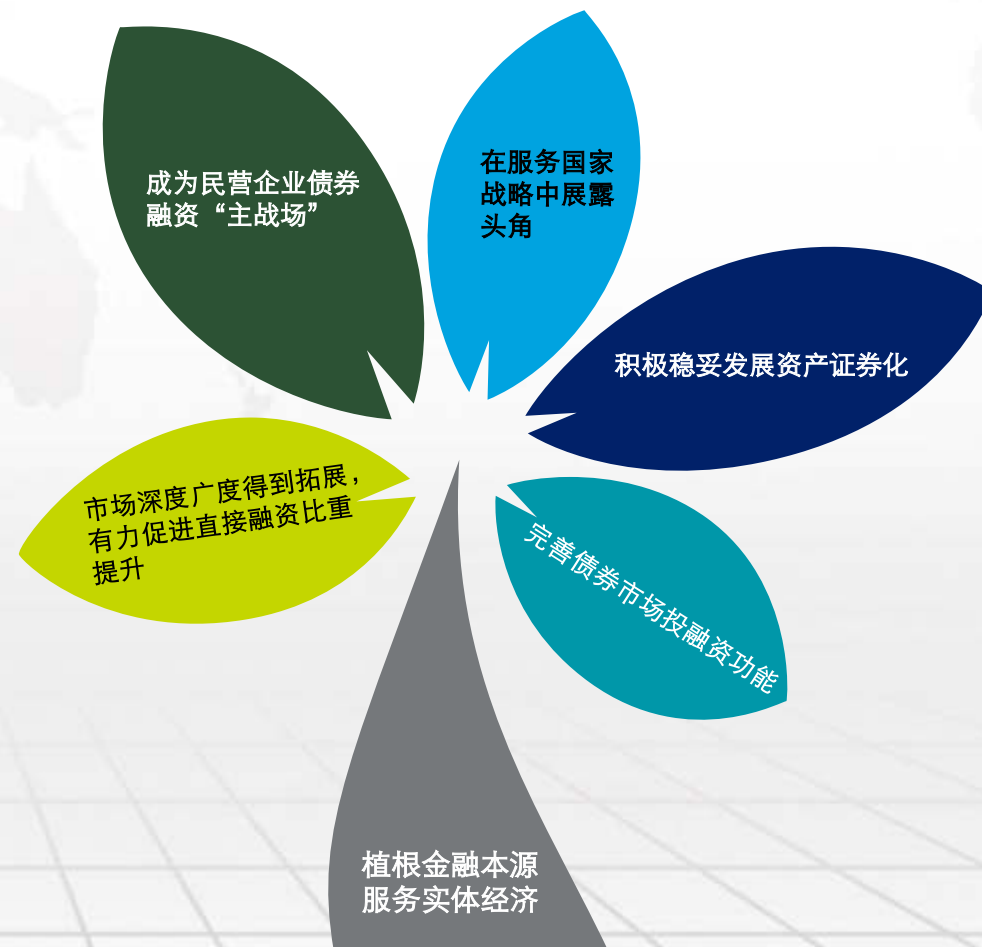
 在服务国家战略中展露头角
Exchange Market is serving the national strategies.

 积极稳妥发展资产证券化
Steady Development in the Exchange ABS products

 完善债券市场投融资功能
Improve Exchange Bond Market Investment and Financing Functions



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植根金融本源，服务实体经济 Serve the Real Economy



成为民营企业债券融资“主战场”

Non-state owned corporates are the major issuers in the exchange market.

A

交易所存量公司债中，民营企业债券存量占比21%。

In the Exchange Bond Market, Non-state owned Corporate Bonds occupied 21% of the whole exchange market.

B

全国民营企业债券存量1.8万亿元的总盘子中，交易所市场的公司债占1.2万亿元，占比65%。

The outstanding volume of non-state owned corporate bonds in the exchange market is RMB 1.2 trn, counts for 65% of the total non-state owned corporate bonds volume.

民营企业存量债券 Non-State owned Corporate Bond Products

	金额（亿元） Amount (0.1 bn)	在各类民营企业债券中占比 Ratio to Total Non-State owned Corporate Bonds	在本品种总存量中占比 Ratio to total Non- financial corporate bonds
公司债券(非金融) Non-Financial Corporate Bonds	11,624	64.55%	20.95%
非金融企业债券融资工具 Non-Financial Corporate MTNs	5,870	32.6%	6.46%
企业债券 Enterprise Bonds (NDRC approved)	513	2.85%	1.66%
合计 Total	18007	100%	9.16%

交易所市场“以12%的托管量贡献了65%的民企债券融资”！
Although the outstanding volume of exchange bonds is only 12%, counts for 65% of the total non-state owned corporate bonds volume.



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植根金融本源，服务实体经济 Serve the Real Economy

住房租赁专项债及ABS Rental Housing Bonds & ABS

租购并举，478.4亿元
Promoting rental housing
market by issuing special
purpose bonds and
securitization of rental
housing assets
RMB 47.84 bn

扶贫债券 Poverty Alleviation Bond

精准扶贫 407亿元
Poverty Alleviation
RMB 40.7 bn

创新创业债 Innovative Bond

创新驱动，59单，87.3亿元
Innovation Driven
Issued 59 products
RMB 8.73 bn

绿色债券 Green Bond

服务绿色发展，140单，
1658.7亿元
Encourage ESG
Development
Issued 140 products
RMB 165.87 bn

对外开放

Exchange Bond Market
Opening Up

熊猫债

Panda Bond

74只、金额1237亿元
74 products, RMB 123.7 bn

“一带一路” 债券

Belt and Road Bond

20只、金额303亿元
20 Products, RMB 30.3 bn

可交换债券 Exchangeable Bond

股债结合
Hybrid Products
约3000亿元
About RMB 300 bn

可续期债券 Renewable Bond

降杠杆 Deleverage
4432.1亿元
About RMB 443.21 bn



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数据截至2019年8月底
As of 31st of Aug. 2019

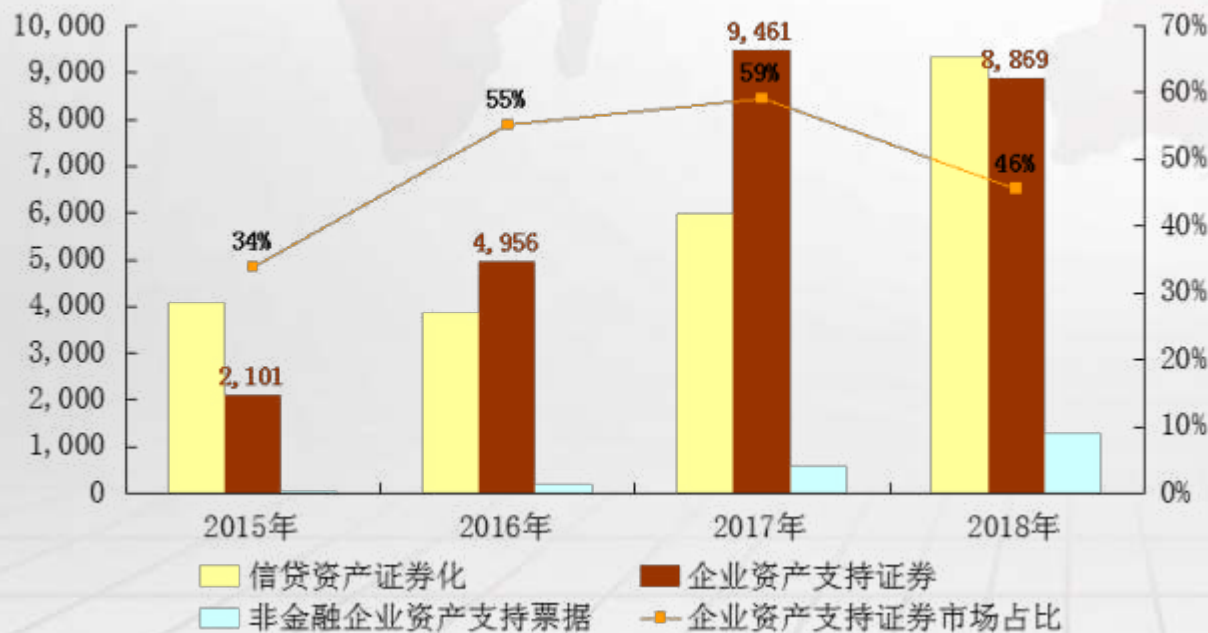


植根金融本源，服务实体经济 Serve the Real Economy

积极稳妥发展资产证券化

Steady Development in the Exchange ABS products

近年资产证券化发行情况



基础资产类型不断丰富

涵盖企业应收款、信托受益权、融资租赁资产、小额贷款、基础设施收益权、住房租赁、类REITS 等大类资产

Expand the underlying assets.

基础建设

政府与社会资本合作 (PPP) 项目资产证券化 (11只、100亿元)

11 PPP products: RMB 10 bn
Financing infrastructure constructions

资产证券化稳步发展

企业资产支持证券发行2018年发行8869亿元，而试点前十年仅700亿元。

The annual ABS issuance volume increased rapidly since 2015. In the pilot phase (2004-2014), the cumulative issuance volume was RMB 70 billion. And last year (2018), the issuance volume was nearly RMB 900 bn.

租购并举

住房租赁资产证券化 (22只、220亿元)

Rental Housing (22 ABS, 22 billion) Promoting rental housing market



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植根金融本源，服务实体经济 Serve the Real Economy

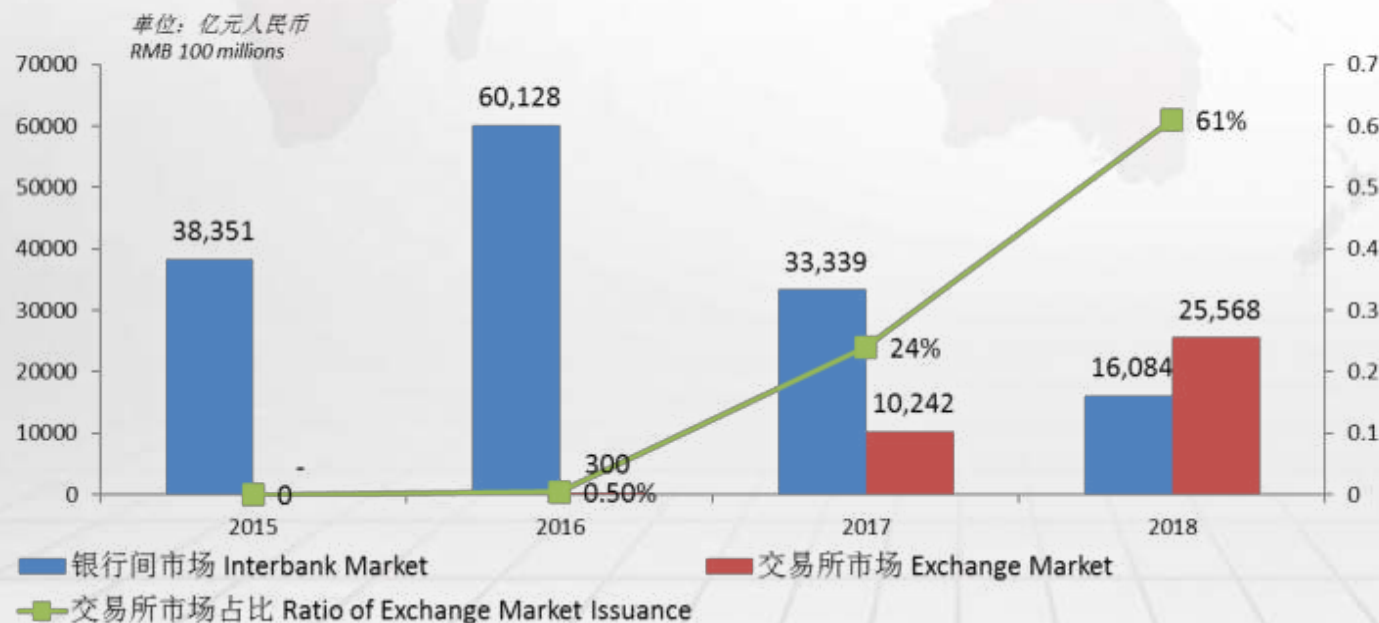


完善债券市场投融资功能

Improve Exchange Bond Market Investment and Financing Functions

近年地方债分市场发行情况

Issuance Amount of Local Government Bonds in recent years



数据来源：中证监测
Data Source: CMSMC

交易所成为地方政府债发行的重要平台

Exchange market has become one of the major issuance place for local government bonds.

2018年在交易所发行2.56万亿元，在全市场地方债发行总量中占61%，在公开发行地方债中占68%。

In 2018, the total amount of local government bonds in the exchange market was RMB 2.56 trillions which counts for 61% of the whole market issuance.

政策性金融债券 Policy Bank Bonds

2017年在交易所发行800亿元，2018年发行240亿元。

In 2017, the total amount of policy bank bonds issuance was RMB 80 billions in the exchange market and RMB 24 billions in 2018.



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第三部分 Part III

推进交易所债券市场高质量发展 Further Development in the Exchange Bond Market





推进交易所债券市场高质量发展

Further Development in the Exchange Bond Market

01



回归监管本位，强化监管效能
Enhance Supervision Efficiency

02



按照债券市场规律完善市场结构与基础设施
Further improve Exchange Bond Market
Infrastructure and Mechanisms

03



加强监管协调
Enhance collaborations between
regulators





推进交易所债券市场高质量发展

Further Development in the Exchange Bond Market

3

培育创新创业债、
绿色债等专业投资者
Cultivate
innovative
bonds and
green bonds
institutional
investors.

4

强化投资者保护
Enhance
investor
protection

2

积极引导商业银
行等长期资金参
与交易所市场
Encourage
long term
investment
participate in
the exchange
market.

1

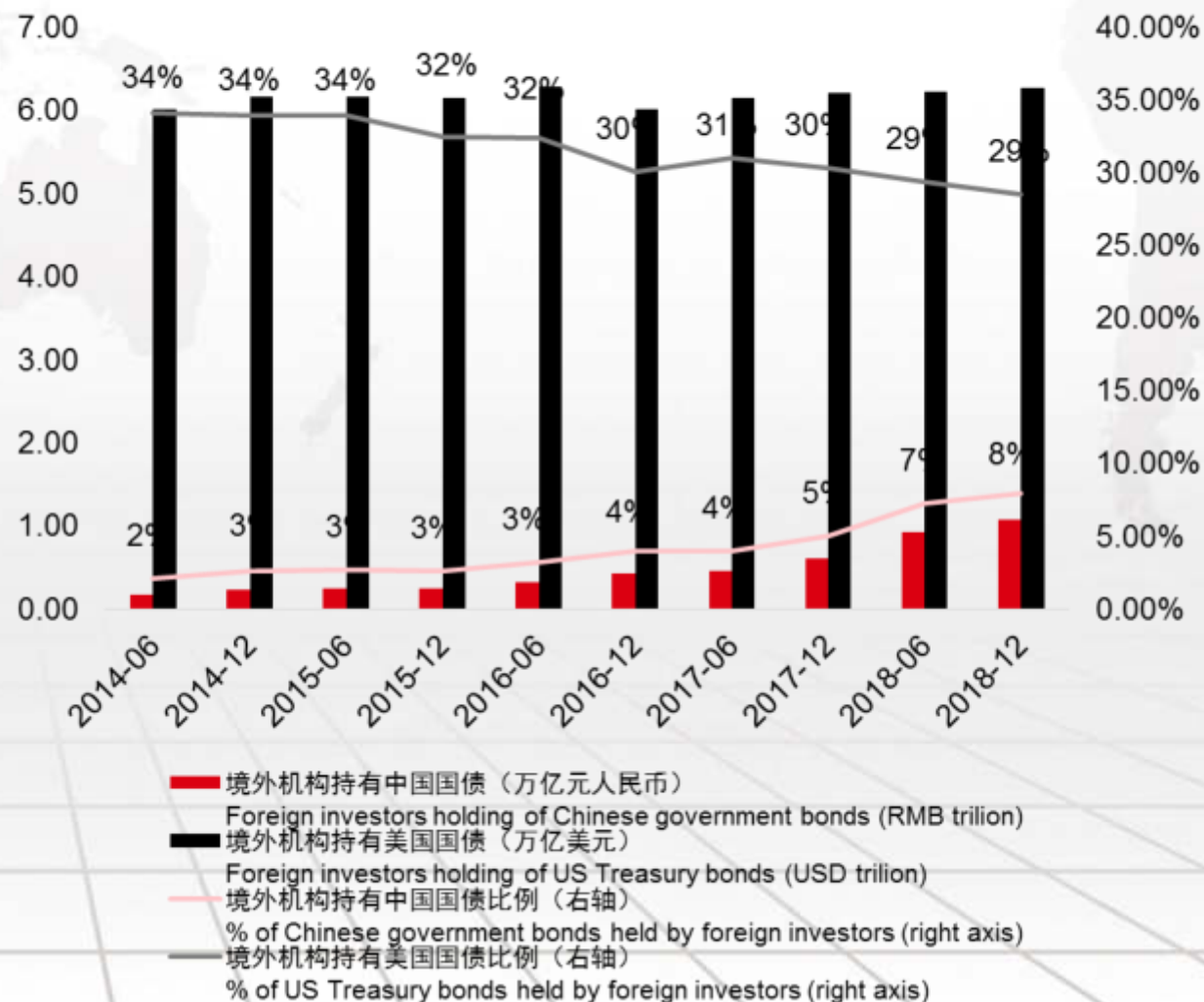
推动境外投资者
更加便利参与
Promote multiple
channels for
foreign investors
to participate in
the exchange
bond market
more
conveniently



中国证券监督管理委员会
CHINA SECURITIES REGULATORY COMMISSION

境外机构持有中国国债和美国国债情况

Foreign Investors Holding of US and Chinese Government Bonds





推进交易所债券市场高质量发展

Further Development in the Exchange Bond Market





感谢对债券改革监管工作的关心支持！
Thank You!



Role of the Exchange as a Self-Regulatory Organization Indispensable in the Asian Regional Bond Market Development

Organized and Prepared by ADB Secretariat

17 October 2019

At the 32nd ABMF Meeting, Shenzhen

Table of Contents:

1. “Trading Place” - Functions and Roles of the Exchange
2. “Exchange Market” and “OTC Market”: Segmentation of the Market
3. “Listing” as One Way to Meet the Requirements being an “Organized Market”
4. Objective of the Bond Listing: To “Ensure Investor Protection” and to “Ensure Investors’ Visibility”
5. Two Listings as Functions of the Exchange – “Listing for Trading” and “Profile Listing”
6. Notes to Bond Market related Regulators/Policy Makers in the Region

Appendix 1-5: SRO Structure and Securities Market SRO Related Information

1. “Trading Place” - Function and Role of the Exchange

Many of you may think that the functions and roles of the exchanges will be: first of all, **providing the trading place function** of the securities. It is called **the exchange market**.

By consolidating supply and demand by concentrating the trading orders for listed securities such as stocks and bonds in the exchange market, then to increase liquidity and at the same time to create fair prices. This is an important function as a trading place.

In order to be eligible for trading on an exchange, the securities must be listed on that exchange. It is called **listing for trading**.

2. “Exchange Market” and “OTC Market” : Segmentation of the Market

In case using exchange for trading, that segment is called **exchange market**. However, especially in the case of bonds, many of the securities transactions do not always take place on the exchange. In case not using exchange for trading, that segment is called **OTC (over-the-counter) market**.

In this case, with using telephone and/or certain trading system, on a primary (issuing) market, securities companies and other financial institutions act as underwriters for issuers to conduct transactions for issuance of bonds to investors, and on secondary market, securities companies and other financial institutions also act as dealers and brokers.

3. “Listing” as One Way to Meet the Requirements being an “Organized Market”

Any of the exchange market or OTC market may be called an **“organized market,”** if it meets certain market requirements and standards.

An “organized market” is a place or system in which buyers and sellers trade according to agreed rules and procedures, using common conventions and communication protocols. In this market, the definition and eligibility requirements for traded securities, available investors and other market participants must be clearly determined.

In other words, it can be considered that **the market is an “organized market,” if the relevant laws, regulations, SRO rules, and market practices are working effectively with the necessary system infrastructure and certain operational mechanisms.**

Therefore, in order to be an organized market, **the authority that regulates and supervises the market must be clearly defined.** Otherwise, transactions may occur in an unregulated market which may cause various problems.

In order to meet specific requirements or standards for being an **“organized market,”** methods such as **“exchange listing”** or **“registration to the authority”** are used.

4. Objective of the Bond Listing: To “Ensure Investor Protection” and to “Ensure Investors’ Visibility”

In a number of markets in ASEAN+3, whether it is an exchange market or an OTC market, bonds issued via a public offering and the bonds traded in the professional investor market may be required to be listed on the exchange or to be registered with the authority.

This follows the express intention of the securities market regulator—as part of its primary mandate **to ensure investor protection—to achieve visibility, price finding or valuation, and the continuous availability of information disclosure on bonds and the issuer during the lifetime of the bonds.**

Where a listing of bonds is optional, issuers may list their **to the widest possible distribution of the bonds** and/or **to ensure the visibility of their issuances across many investor universes.**

In case of listing of bonds by issuers who are already listed companies, since these issuers already must be complying with the listing and disclosure rules of the exchange, the listing of their bonds requires only limited extra efforts and costs.

5. Two Listings as Functions of the Exchange – “Listing for Trading” and “Profile Listing”

And whether it is an exchange market or an off-exchange OTC market, **“listing”** is the important functions to be an **“organized market.”** For instance, **bonds are listed on an exchange pursuant to the related law and/or regulations and exchange’s SRO rules, for fulfilling the specific objectives for the issuer and investors.**

It’s important to understand **“two different listings”** here.

- (1) In exchange market, listing is a necessary condition for trading bonds on the exchange.**
- (2) In OTC market, for non-publicly offered bonds to professional investors, several exchanges have established the professional investors bond market systems for listing. (e.g. TSE: TPBM, etc.) This is referred to as profile listing.**

In those, the listing eligibility requirements are clearly indicated, and the information disclosure procedures are streamlined compared to a public offering, making the procedures more efficient and enabling flexible bond issuance.

In the exchange market, it is also possible to open a dedicated bond market segment for professional investors.

6. Notes to Bond Market related Regulators/Policy Makers in the Region

When an exchange is the main subject of a listing, it basically needs to be an SRO.

In the case of public offerings of bonds for general investors including individuals, countries in the region often incorporate “registrations to the authority” or “exchange listings” into the regulatory mechanism on the premise of full disclosure of information.

Within the region, regarding the new bond market (segment) for professional investors (including AMBIF bonds), it will be common to be clearly separated/distinguished from the existing traditional private placement framework (to small numbers of investors such as close relatives or acquaintances). Also, it is getting common to install specific bond market regulation/measures for this professional investors market (segment), and at the same time to create related SRO rules by exchanges to regulate this new market segment with listing or profile listing.

In developing bond market regulations and SRO rules for professional investors in the region, consideration must be given to the introduction of bond sales restrictions and bond transfer restrictions to protect non-professional investors.

In addition, in the case of AMBIF bonds, in the future, consideration will be necessary to enable participation in the transactions among regional professional investors and regional dealers/brokers in an intra-regional professional investors market (AMBIF Market).

Appendix 1. SROs General Structure

Self-regulatory organizations (SROs) are non-governmental organizations that have the power to create and enforce certain rules (SRO rules), standards, and guidelines for participating members.

All SROs are subject to government regulatory oversight and gain their status from national regulators. Government oversight, with no exceptions, is an essential element in the self-regulatory structure.

Depending on the statutory delegation, authorization, and recognition by the regulators, the roles and responsibilities of SROs in ASEAN+3 differ from economy to economy.

Even among bond market or securities dealer associations, delegated powers and functions can differ.

Appendix 2. Securities Market SRO

Securities Market SROs can:

- i. establish eligible self-regulatory rules (SRO rules) that must be satisfied by participating members in any significant securities market activity;
- ii. establish and enforce binding rules of trading, business conduct, and qualification for institutions engaging in certain securities activities; and
- iii. establish disciplinary rules and/or conduct disciplinary proceedings, which would enable the SRO to impose appropriate sanctions for noncompliance with its rules.
- iv. In addition, SROs can and are expected to facilitate communication between their members, nonmember market participants, and regulators to develop and improve the market.

Appendix 3. SRO Rules

SRO rules can encompass the authority to create, amend, implement, and enforce rules of listing, trading, and business conduct and/or qualification regimes with respect to the persons (i.e., legal and natural persons) subject to the SRO's jurisdiction.

Some SROs resolve disputes through mediation, arbitration, or other appropriate dispute resolution mechanisms.

This authority may be derived from a statutory delegation of power to an SRO or through a contract between an SRO and its members as authorized or recognized by the regulator.

Appendix 4. Exchange as SRO for the Bond Market

Since bonds can be listed on exchanges, many of the exchanges in ASEAN+3 have the status of an SRO for bond markets as well.

An exchange's role as the listing authority is important for bond and other securities markets because its function is essential for maintaining market confidence in the listed securities and the quality of available disclosure information.

Necessary regulations and SRO rules may require a listing on the exchange to offer bonds to the public (public offering) and offer bonds to professional investors (including AMBIF bonds).

Also, some CSDs act as SRO to administer or govern participation and activities in depository and settlement infrastructure.

Appendix 5. Examples of Bond Markets SROs in the Region

For instance;

- * The National Association of Financial Market Institutional Investors (NAFMII) in the PRC acts as an SRO in regulating the China Inter-Bank Bond Market (CIBM) including registration, issuances and trading of bonds and debt financing instruments .
- * Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) set and implement standards and conventions for bond listing, bond issuances and bond trading on the SSE and SZSE by their SRO rules and Guidelines.
- * The Korea Financial Investment Association (KOFIA) manages and administers the OTC bond market in the Republic of Korea.
- * The Thai Bond Market Association (ThaiBMA) set and implement standards and conventions for bond registration, bond issuances and trading in Thailand.
- * The Tokyo Stock Exchange (TSE) set and implement standards and conventions for bond listing and bond issuances on/in the TOKYO PRO-Bond Market (TPBM).
- * The Japan Securities Dealers Association (JSDA) set and implement standards and conventions for bond secondary market trading in Japan.
- * The Financial Market Association of Malaysia is not recognized as an SRO, but it has developed and maintains a code of conduct and defines trading conventions for the industry, which are also recognized by the Securities Commission Malaysia.

China's Passage to A Mature Creditor

**Presentation at 32nd ASEAN+3 Bond Market Forum
17 October, 2019**

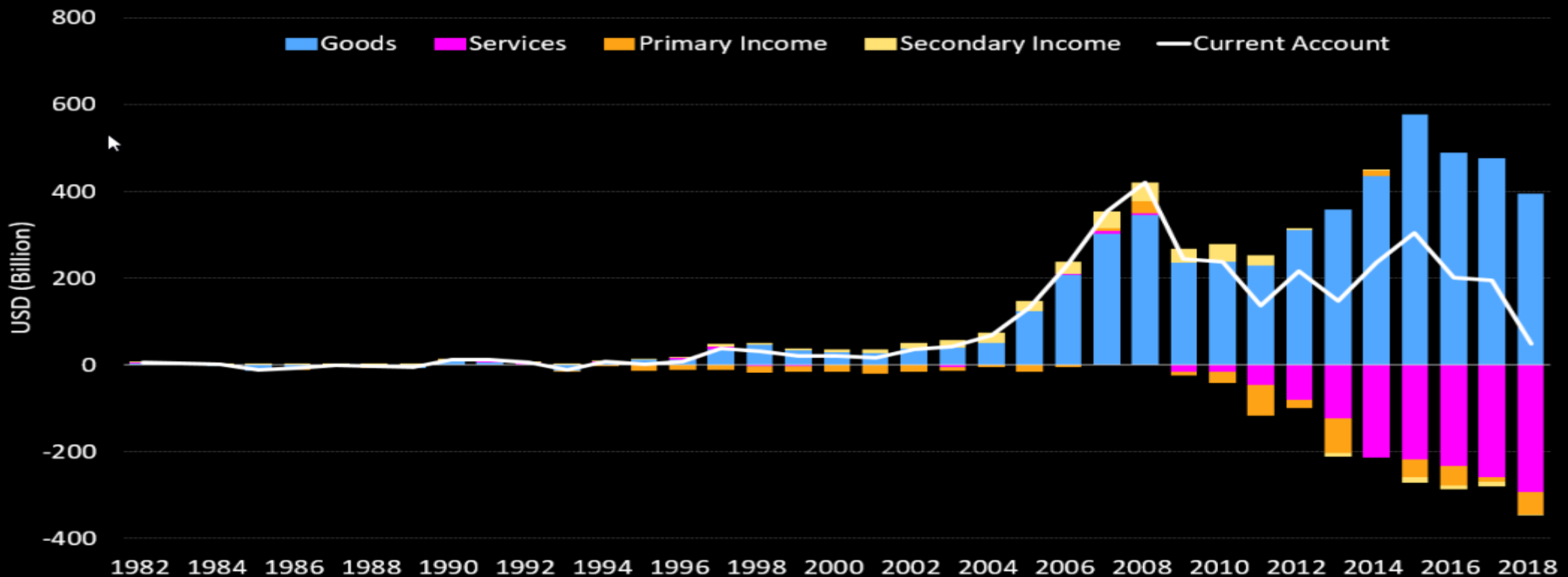
Chang Shu, Asia Chief Economist, Bloomberg Economics
舒畅， 亚洲首席经济学家， 彭博经济研究

BECO <GO> - BLOOMBERG RESEARCH

Actions ▾		Directory	Export	Settings	Page 1 Bloomberg Economics				
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Insights		Customize Search More »							
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Week Ahead		1) ✓ HONG KONG INSIGHT: Sliding Toward Recession - Key Gauges (1)					BI	10/14	
Macro Conf Call		2) ✓ CHINA REACT: Trade Slumps, Mini-Deal Yet to Lift Outlook (1)					BI	10/14	
Primers		3) ✓ HONG KONG INSIGHT: Sliding Toward Recession - Key Gauges					BI	10/14	
Eco Outlooks		4) GLOBAL INSIGHT: In Search of Growth – Frontier Economy Scorecard					BI	10/14	
Eco Briefs		5) ✓ HONG KONG INSIGHT: Sliding Toward Recession - Key Gauges (1)					BI	10/14	
Monthly Review		6) ✓ CHINA REACT: Trade Slumps, Mini-Deal Yet to Lift Outlook (1)					BI	10/14	
Data Library		7) GLOBAL INSIGHT: Dollar at Record High? Real Measures Say No (1)					BI	10/14	
Forecasts		8) CHINA PREVIEW: PPI Inflation Likely Extended Drop in September					BFW	10/14	
BE Data		9) CHINA PREVIEW: CPI Inflation Likely Supported by Pork Prices					BFW	10/14	
Macro Data		10) ✓ CHINA REACT: ‘Phase One’ Deal Helps Define Trade War Boundary					BI	10/14	
Trade/External		11) ✓ China’s Early Gauges Signal Continuing Weakening					BI	10/14	
Markets Data		12) ✓ GLOBAL INSIGHT: How Trump Trade ‘Love Fest’ Could End GDP Swoon					BI	10/12	
Monitor		13) ✓ CHINA PREVIEW: Exports Likely Extended Declines in September					BFW	10/11	
Economic News		14) China Sept. PPI Tracker -1.12%; Aug. -0.71%: BE					BI	10/11	
Eco Day Review		15) ✓ ASIA WEEK AHEAD: Sub-6% China GDP Growth, Singapore to Ease (1)					BI	10/11	
Country Risk		16) ✓ CHINA REACT: FX Pact - Substance-Lite Way Ahead in Trade Talks?					BI	10/10	
Eco Calendars		17) ✓ GLOBAL PREVIEW: At Stake in Trade Talks – Giant Pigs, Global GDP					BI	10/10	

INVESTMENT INCOME: DRAGS CURRENT ACCOUNT

- Trade in merchandise trade continued to post surplus, despite some narrowing
- Other items: services trade, income items posted deficits

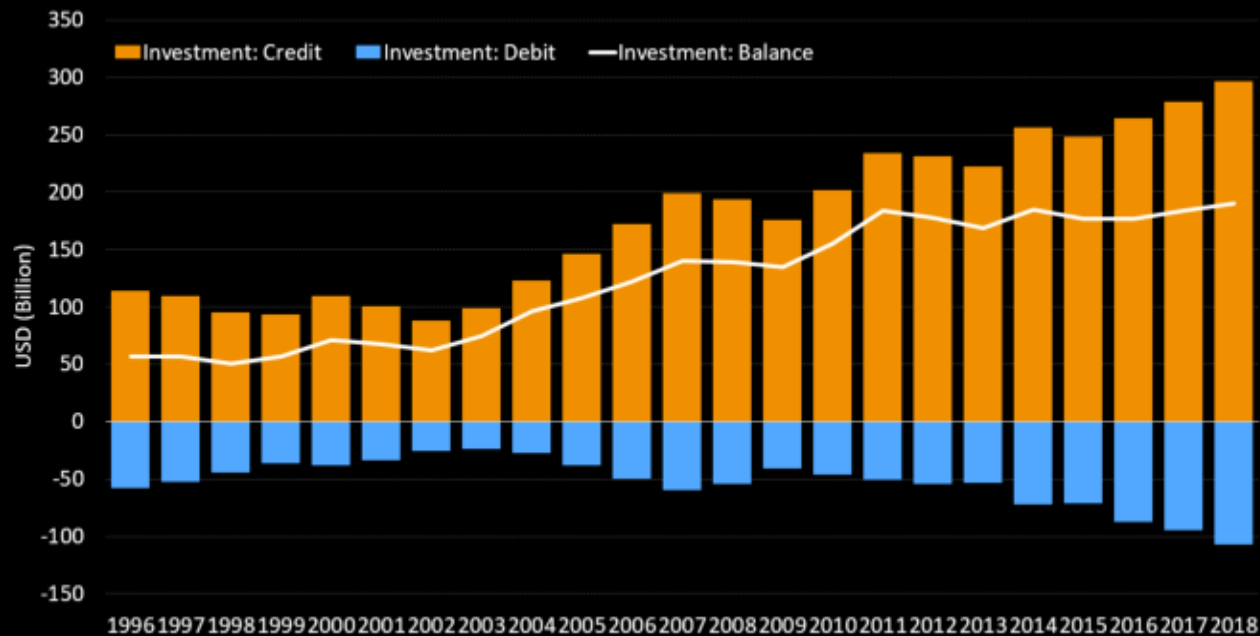


Source: State Foreign Exchange Administration of the People's Republic of China

MAKE MONEY WORK

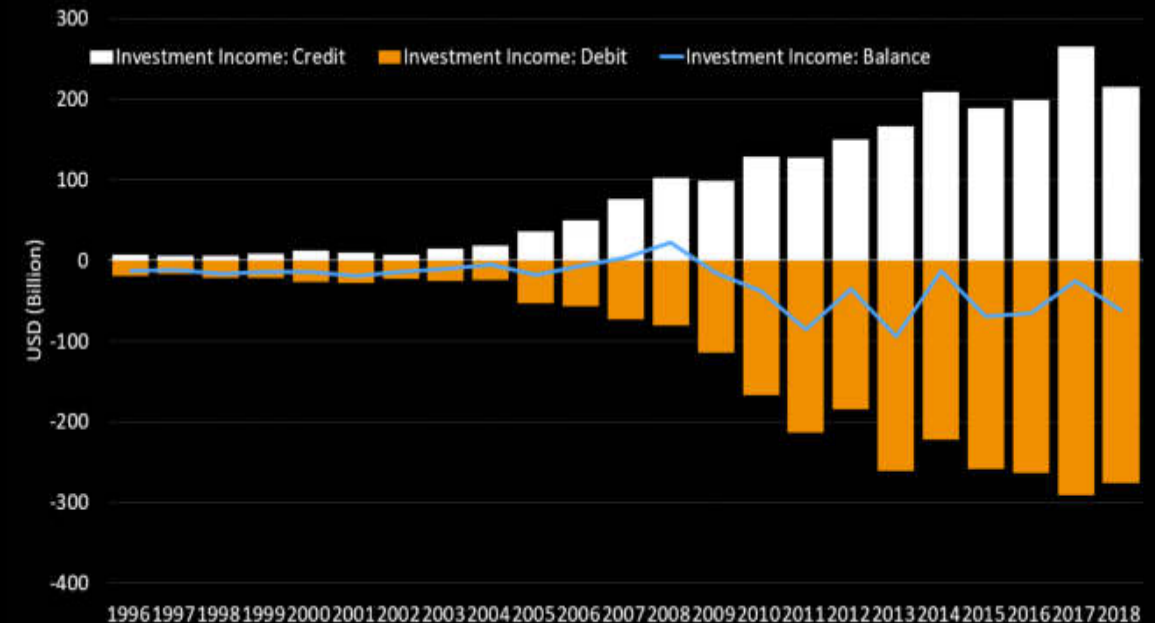
- Japan's investment income has long been in surplus, and increased rapidly in 2010s
- China has not been able to earn positive net investment income

Japan



Source: Bloomberg

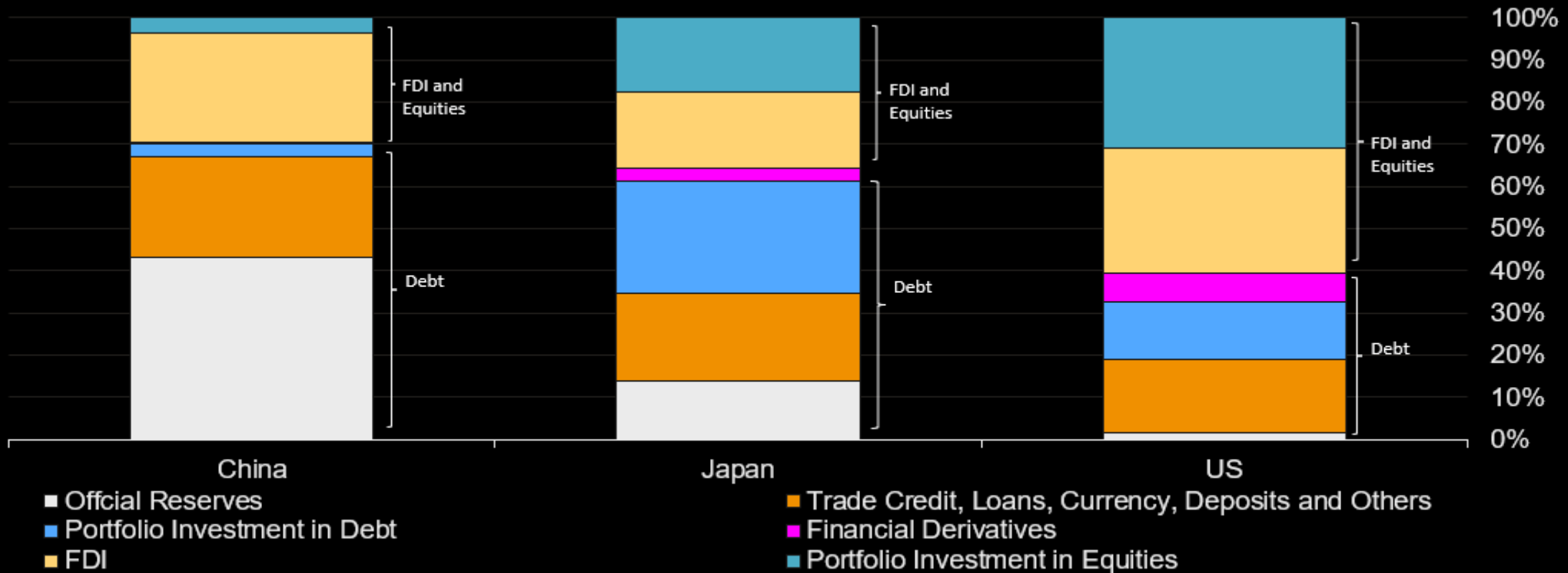
China



Source: State Foreign Exchange Administration of the People's Republic of China

ASSET STRUCTURE: INTERNATIONAL COMPARISON

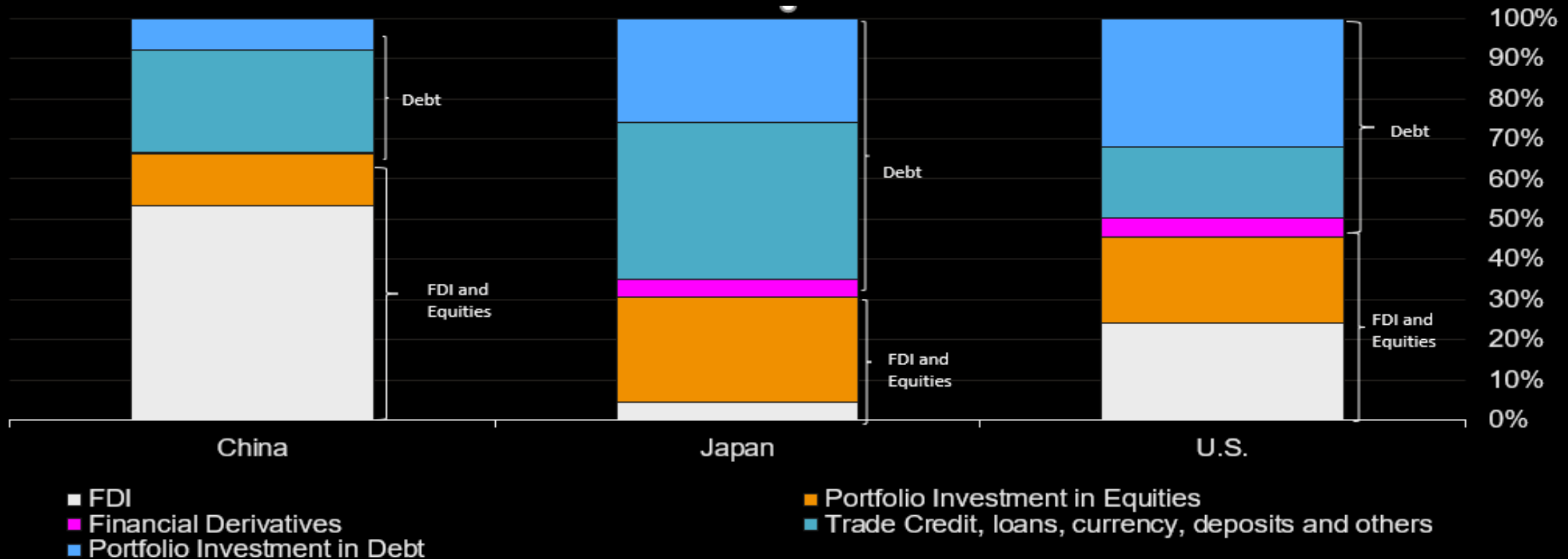
- China's and Japan's assets are dominated by debt instruments; US's assets are dominated by equities
- China's debt investment is dominated by safe assets invested by the official sector



Source: SAFE, Bloomberg Economics

LIABILITY STRUCTURE: INTERNATIONAL COMPARISON

- Japan's liabilities are dominated by debt instruments
- US's liabilities also have a smaller equity portion than China's



Source: SAFE, Bloomberg Economics

GIVE VS TAKE: CHINA'S LOW INVESTMENT RETURNS

- US has the highest return on its assets, China has the lowest
- China's liabilities provide the highest returns to foreign investors
- China has a negative carry on its IIP

	Investment Income Receipts/Gross Foreign Assets	Investment Income payments/Gross Foreign Liabilities	Gap in Returns
China	2.9%	5.3%	-2.4%
Japan	3.2%	1.8%	1.5%
U.S.	4.1%	2.3%	1.9%

Source: SAFE, Bloomberg Economics

RAISE CHINA'S INVESTMENT RETURNS

- Two-way financial opening is needed.
- Building up multi-layered capital market with an international appeal is important.
- Bond market development is an component of this multilayered capital market
- Greater Bay Area has an important role to play

BLOOMBERG AS PART OF CHINA BOND MARKET INFRASTRUCTURE

Bloomberg Launches New Access Channels for China Bond Market

January 16, 2019



Global investors to access China's interbank bond market via the Bloomberg Terminal

Beijing, 17 January, 2019 – At the China Bond Market International Forum today, jointly with China Foreign Exchange Trade System (National Interbank Funding Center) ("CFETS"), Bloomberg announced that it and its global affiliates will start to provide qualified investors with channels to access China's interbank bond market ("CIBM"). Global investors can now begin to trade onshore Chinese bonds via the Bloomberg Terminal. Bloomberg is the first global trading platform connected to CFETS that will offer access to both CIBM Direct and Bond Connect, the two most popular schemes used by offshore China investors.

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An aerial photograph of the Hong Kong-Zhuhai-Macau Bridge, a long suspension bridge spanning a vast blue sea. The bridge features two prominent white pylons with a distinctive 'X' shape. A small boat is visible on the water to the right of the bridge. The sky is a clear, pale blue.

债券融资 助力粤港澳大湾区发展

债券支持湾区企业融资发展

Corporate Bond Issuance in Greater Bay Area



广东省在深市发行规模全国居首

Leading Outstanding Volume in SZSE

- 近1000只债券 Nearly 1000 bonds
- 规模1.3万亿 Outstanding volume is RMB 1.3 trillion
- 深市三分之一 About 1/3 of SZSE's bond market

湾区专项债

Greater Bay Bond

- 已成功发行2单
2 issuances of Greater Bay Bond
- 深港科技创新特别合作区建设
SZ-HK technology innovation zone
- 东莞粤海银瓶合作创新区
Dongguan silver bottle innovation zone

服务湾区

GBA Development

知识产权ABS示范先行

The assets securitization of IP

- 广州开发区专利许可资产支持专项计划
- Pilot Product : Guangzhou Development District patent licensing ABS , 300 million

助力民企融资发展

Support non-state owned corporates

- 纾困债对接深穗莞珠
- Liquidity enhancement bonds issued from Shenzhen/Guangzhou/Dongguan/Zhuhai
- CDS达成交易8笔
reached 8 agreements of CDS
- 广东核心企业供应链应付账款ABS规模2000亿元
more than 200 billion ABS based on Accounts payable by Guangdong core enterprises

地方政府债券创新助力湾区建设

Local Government Bond Issuance in Greater Bay Area



截至2019年9月底，广东省在深交所累计成功发行2707亿元（含深圳343.4亿），支持湾区内地方政府债券创新发行。

As of Sept. 2019, Guangdong Province issued RMB 270.7 billion local government bonds in SZSE, who greatly supports local government bond innovation within Greater Bay

- ❑ 全国首单轨道交通专项债券
First Railway Project Bond
- ❑ 全国首单创新期限结构本金分期偿还债券
First Amortizing Bond
- ❑ 全国首单含权地方债券
First Callable Bond
- ❑ 2019年首批粤港澳大湾区建设专项债券
First batch of Greater Bay Project Bonds from 2019
- ❑ 首单区域型地方政府债券ETF获批
First regional local gov. bond (Guangdong)ETF approved



深圳固定收益市场概况

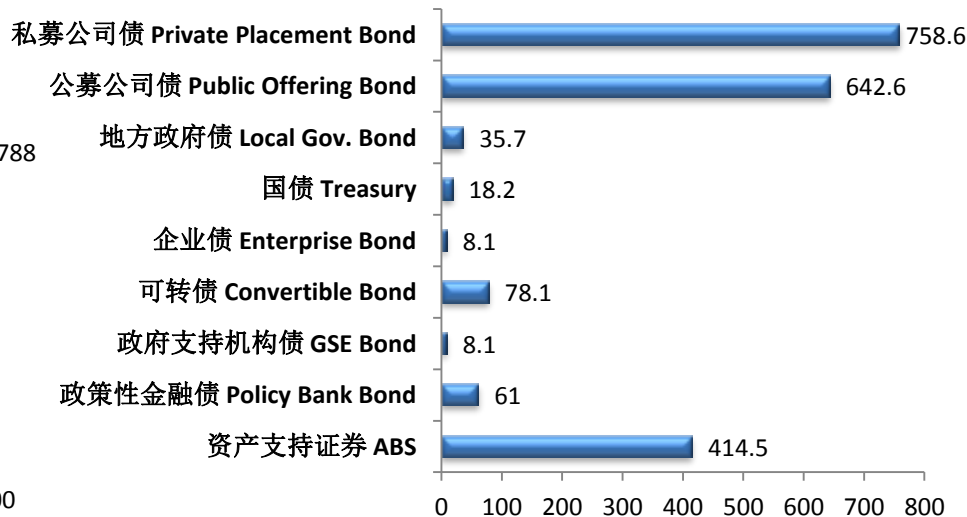
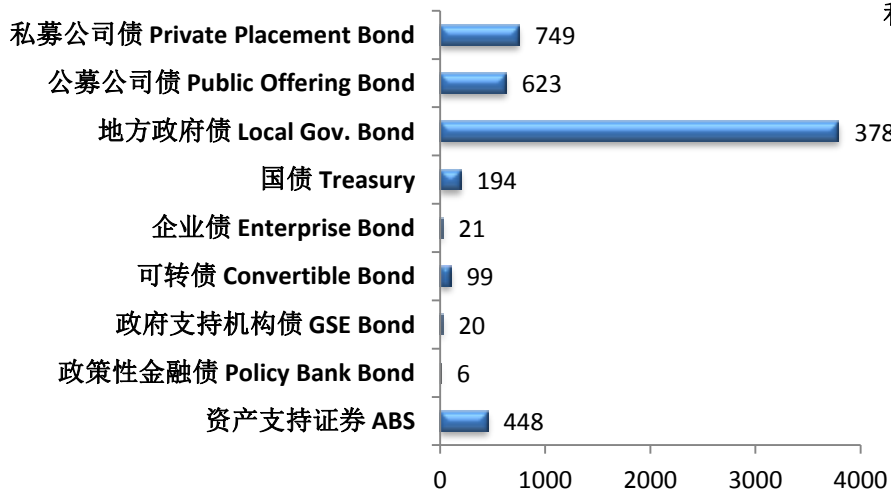
A Glance at SZSE's Fixed Income Market

截至2019年9月底，深市挂牌上市固定收益产品5948只，挂牌总面值20249亿元，是2015年底3.4倍。2018年固定收益产品成交20.43万亿元，其中现券成交1.2万亿元，回购19.23万亿元。

As of Sept. 2019, 5,948 fixed income products were listed in SZSE with a total outstanding value of RMB 2,025bn (USD 290bn). The trading volume reached RMB 20.43trn (USD 2.9 trn) in 2018, including RMB 1.2trn (USD 0.17trn) in cash transaction and RMB 19.23trn (USD 2.8trn) in repo transaction.

上市/挂牌数量 No. of Listed Bonds: 5,948

托管规模 Outstanding Amount: 2,025 (RMB bn)



服务实体经济

Serve Real Economy

SZSE is committed to build a multi-tiered capital and bond market by introducing more diversified issuers.

交易机制优化

Increase market liquidity

Building trading platform to suit both negotiated based trading and centralized quotation trading which further improve trading mechanism in the exchange market and effectively increase the liquidity.

推动债券品种创新

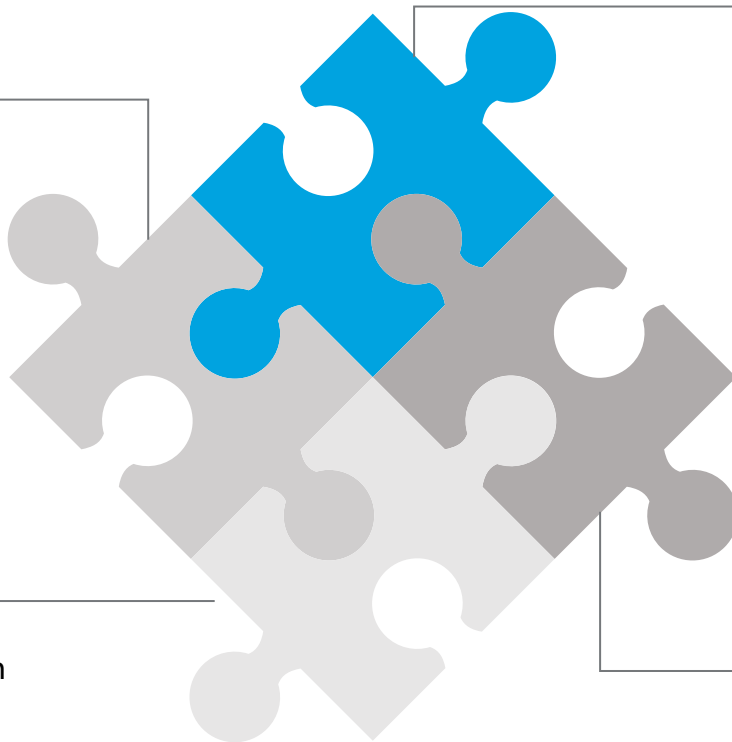
Widen the Array of Products

With the vision to offer investors and issuers a broad-spectrum of products, SZSE enriches the fixed income market by providing diversified fixed income products .

扩大对外开放

Further Opening Up

SZSE aims at providing supports to foreign issuers by mobilizing China' s large investor base as well as enhancing foreign investors participation by building exchange market bond connect facilities.



交易所债券市场最新发展： 要素流动与对外开放

Latest Development in the Exchange Bond Market: Factor Flow and Opening up

朱立元
债券业务部

中国证券登记结算
有限责任公司

ZHU Liyuan
Bond Business Department

China Securities Depository and
Clearing Corporation Limited

2019. 10. 17

目录 | Contents

市场发展现状

1

Overview of the market

要素流动与对外开放取得的最新进展

2

Latest development of the market in factor flow and opening up

对未来的展望

3

Prospects



“近年来，交易所债券市场取得长足发展，已成为中国债券市场*不可或缺的重要组成部分。截至8月底，交易所债券市场托管规模达到**11.4万亿元**，占全市场的**12.5%**。”

“After decades of rapid development, the Exchange Bond Market (EBM) has made itself an indispensable part of China's bond market*. By the end of August, the size of EBM reached RMB **11.4 Trillion Yuan**, accounting for **12.5%** of the whole China market.”

债券基金产品：
债券ETF
债券指数基金

Bond funds:
bond ETFs, bond
index funds, etc.



股债联动产品：
可转债
可交换债

Equity-debt
connected products:
convertible bonds,
exchangeable bonds,
etc.

主要固收品种：利率债、信用债、ABS

Traditional fixed-income instruments:
treasuries, municipal bonds, financial bonds, credit
debt securities, ABS, etc.

一般法人机构
Non-financial
institutional
investors



个人投资者
Individual
investors

金融机构及产品

Financial institutions and instruments

*交易所市场和银行间市场是中国债券市场的两大主要组成部分。

The Exchange Bond Market (EBM) and China Interbank Market (CIBM) are two major segments of China's bond market.

“交易所债券市场呈现“**协同、融合、开放**”的发展趋势。”

“Latest development of the exchange bond market presents characteristics of “**Synergy, Integration and Openness**”.”

1、跨市场债券品种有所发展

More products can be traded in both EBM and CIBM

国债、地方政府债、铁道债等可跨市场交易债券托管量持续增加。

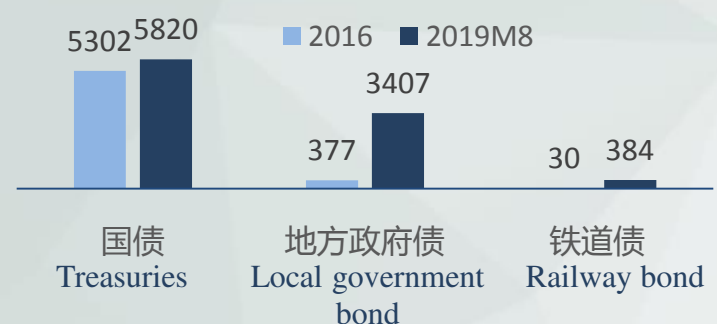
Total volume in EBM of bonds tradable across the markets like treasuries, local government bonds and railway bonds has been increasing.

跨市场债券ETF准备工作正在进行中。

Cross-market ETFs are in the preparation stage.

跨市场债券品种交易所市场托管规模（亿元）

Volume under custody in the EBM of bonds tradable across the markets (RMB 100million yuan)



2、可跨市场交易的机构投资者成为交易所市场的主流

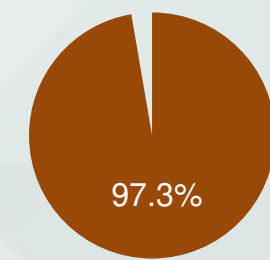
Institutional investors who can trade across markets are mainstream EBM participants

交易所市场参与者主要以金融机构类投资者为主，他们中绝大部分可同时参与银行间市场。

Currently, financial institutions and instruments are the mainstream participants in EBM, and most of them also have access to CIBM.

跨市场
要素流动

Cross-market
Factor Flow



■ 交易所市场金融机构类投资者持债占比
Percentage of bonds held by financial institutions and instruments in EBM

3、基础设施互联互通水平进一步提升

Connectivity among infrastructures has been enhanced

中国结算与中央结算就国债、地方政府债和企业债提供跨市场转托管服务。

CSDC and CCDC cooperate to facilitate cross-market custody transfer of treasuries, local government bonds and enterprise bonds.

中国结算积极与上交所探索建立互联互通机制。

CSDC actively explores establishing connectivity mechanism with SCH.

1、积极支持发行熊猫债、“一带一路”债

Improve Panda bond and Belt-and-road bond issuance framework

	熊猫债 Panda bond	“一带一路”债 Belt-and-road bond
发行人 Issuers	24	13
只数 Number	74	21
规模 Volume	¥ 123.7 billion	¥ 29.3 billion

跨市场
要素流动

Cross-market
Factor Flow

对外开放

Opening up

4、市场间价格走势联通趋势明显，市场价差日益缩小

Price linkage between EBM and CIBM leads to narrowing market spread

▲ 一级市场发行利差下降

Primary market: narrowing issuance spread

▲ 二级市场价格联动趋势增强

Secondary market: strengthened price linkage

▲ 回购市场利率波动相关性增强

Repo market: more correlated interest volatility

2、深化跨境联通交流，助力资本市场双向开放

Deepen cross-border connectivity, escort China capital market's bidirectional open-up

截至8月，合格境外投资合计持有债券502亿元，占比0.5%。
By the end of August, QFIIs and RQFIIs collectively hold bonds of RMB 50.2 billion-yuan, accounting for 0.5% of total EBM size.

跨境联通经验
Experience in Cross-border connectivity

- ▶ 沪港通 Shanghai-Hong Kong Stock Connect
- ▶ 深港通 Shenzhen-Hong Kong Stock Connect
- ▶ 沪伦通 Shanghai-London Stock Connect



产品要素自由流动

Cross-market flow of product factor



更多债券逐步实现跨市场交易，产品要素双向流动。
More bonds can be traded in both markets, product factor
bidirectional flow can be achieved.



更多跨市场交叉产品得到发展。
Cross-market innovative products face opportunities of
evolution and prosperity.

1

2

基础设施互联互通

Connectivity among infrastructures



与中债登和上清所实现全面联通。
Full scale connectivity: CSDC, CCDC and SCH.



联通方式更丰富和高级：跨市场交易结算桥联接、跨市场担保
品联接等。
Advanced connectivity: "Bridge" connection, cross-market
collateral management, etc.

3

4

参与者要素自由流动

Cross-market flow of participant factor



交易所市场投资者种类不断拓展，银行参与程度逐渐加深。
The EBM participants will be further diversified, banks will play
more important roles as investors.



我们将推进改革交易结算机制，完善交易所债券市场功能。
Bespoke transaction and settlement system for bond market will
be established to provide better experience for EBM participants.

对外开放

Open-up of EBM



更多境外发行人在交易所市场完成债券发行。
Improved cross-border issuance framework will provide
more opportunities for foreign issuers .



境外投资者参与交易所债券市场的便利度将不断提升。
Broadened cross-border channels will make EBM accessible to
more investors worldwide.

谢谢！

Thanks !

创新开放，推进交易所债券市场国际化 Embracing International Business with Continued Innovation -SSE and its Fixed Income Market

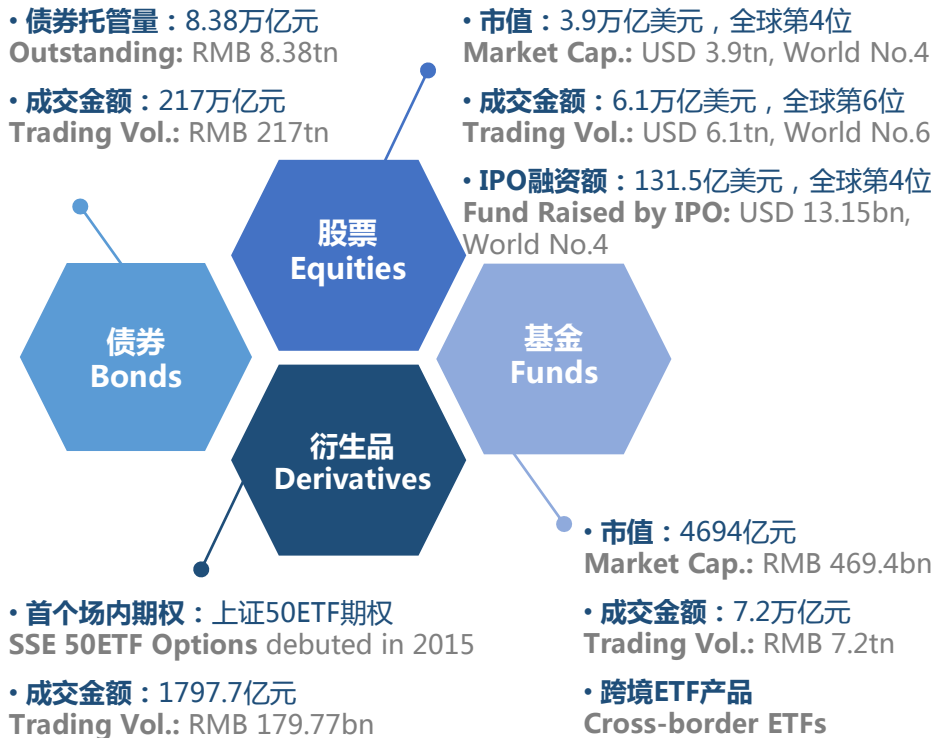
上海证券交易所 债券业务中心
Fixed Income Center, Shanghai Stock Exchange
2019年10月
Oct., 2019

上交所市场总体情况

Overview of SSE Market

产品结构完善

Multi Assets Classes



改革创新步履不停

Continued Reform and Innovation Endeavors

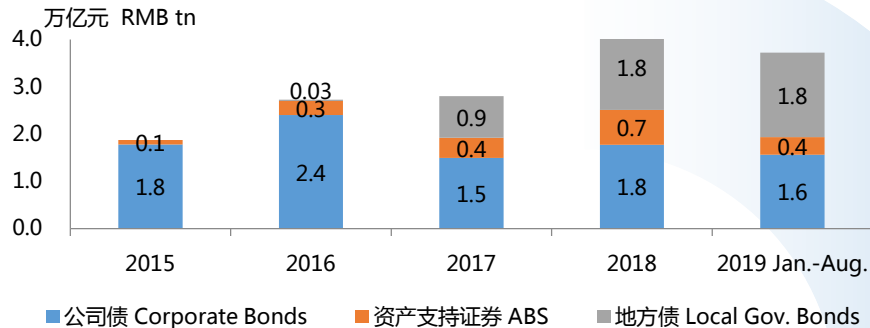
- 
- 推出科创板，实施注册制
Launching the SSE STAR Market and piloting the registration-based IPO system
 - 境外交易所互联互通：沪港通、沪伦通、中日ETF互通
Interconnection with overseas exchanges:
 - ✓ SH-HK Stock Connect (2014)
 - ✓ SH-London Stock Connect (2018)
 - ✓ ETF Connectivity (2019)
 - 主动参与国际交易所行业治理，推动起草发布《可持续交易所原则》
Actively taking part in the international exchange governance and cooperation
Taking the lead in formulating the 'Principles for Sustainable Exchanges' at the WFE Board of Directors Meeting
- 

上交所债券市场发展概况

Development Updates of SSE Bond Market

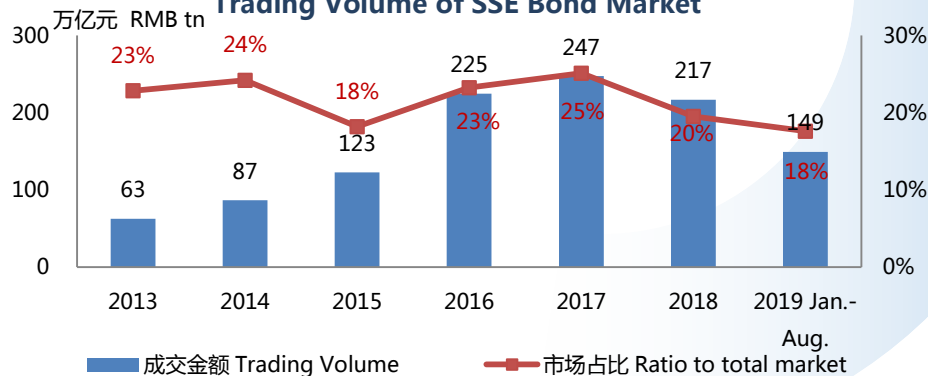
上交所债券发行情况

Issuance Amount of SSE Bond Market



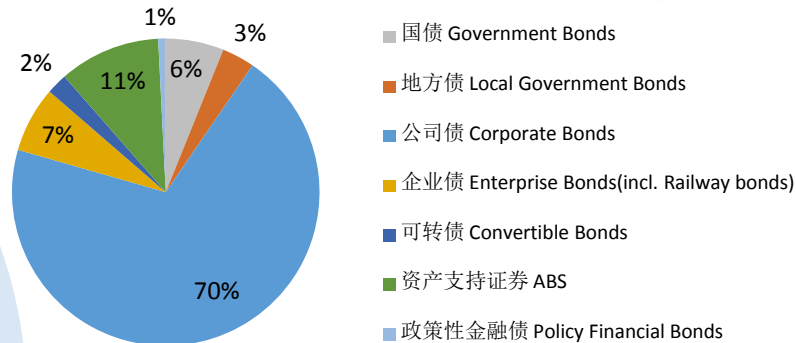
上交所债券交易情况

Trading Volume of SSE Bond Market



上交所债券产品结构

Products of SSE Bond Market (by Outstanding)



交易所和银行间债券市场互联互通

Interconnection within the China Bond Market

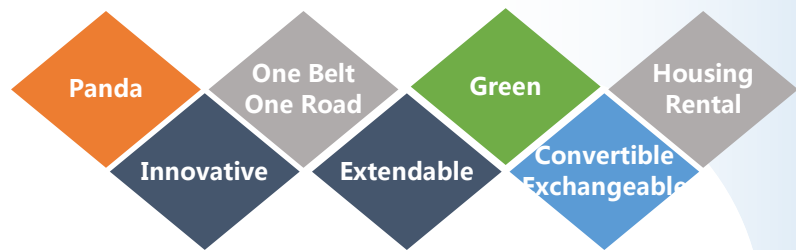
- **公司债发行制度改革, 企业自行选择发行场所**
Issuers: New Administrative Measures for the Issuance and Trading of Corporate Bonds in 2015
- **商业银行参与交易所市场, 投资者自由选择交易场所**
Investors: Extended range of the banks participating in the exchange bond market
- **政府债券、政策性金融债等产品跨市场发行、转托管**
Products: Cross-market listing, transfer and custody of government bonds, policy-based financial bonds, etc.

上交所债券市场对外开放

Opening-up of SSE Bond Market

融资工具创新

Innovate the Financing Tools

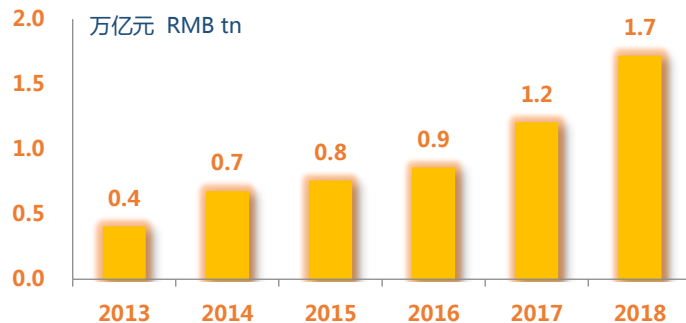


- 截至19年8月，上交所**熊猫债**发行967亿元，合计59单；**一带一路债**发行173亿元，合计13单
By Aug. 2019, SSE **59 Panda Bonds** raised **RMB 96.7bn**;
13 B&R Bond raised **RMB 17.3bn**.
- 优化**绿色投资品种**：截至19年9月，已发行绿色公司债101只、绿色ABS184只，发行规模逾1592亿元；绿色ETF产品9只，市值逾18亿元，绿色指数43只
By Sept. 2019, SSE **101 Green Bonds** and **184 Green ABS** raised **RMB 159.2bn**;
• **9 Green ETFs** market value: **RMB 1.8bn**, **43 Green Indices**
- 上交所已加入了**联合国可持续证券交易所倡议**，与卢森堡证券交易所共同推出绿色债券指数、启动绿色债券信息通
SSE became China's first exchange to join the **UN's Sustainable Stock Exchanges** initiative, and launched the **Green Bond Channel** with **LuxSE**.

境外投资者持债规模不断上升

Foreign Investors Debt Holdings in China

- 取消QFII和RQFII投资额度限制，进一步便利跨境证券投资
Removed QFII/RQFII quota limits, for full access to the market



- 截至19年8月，上交所QFII/RQFII投资者持债规模525亿元，占市场总托管量的0.6%
By Aug. 2019, QFII/RQFII investors hold **RMB 52.5bn**. (0.6% of the outstanding balance in SSE)
- **境外投资者的资产配置**：国债(占53.7%)、公司债(占23.3%)、可转债(占6.5%)和资产支持证券(占7.0%)等
Portfolios of foreign investors in SSE:
 - Treasury Bonds (53.7%), Corporate Bonds (23.3%), ABS (7.0%)
 - Hybrid products-Convertible Bonds (6.5%), etc.

境内要素自由流动

Improve Cross-market Factor Flow within Domestic Bond market

- 跨市场发行品种增加

More bonds cross-market listing in the CIBM and exchange markets

- 银行机构参与交易所债券市场便利性提升

Improve the convenience of banks' participation in the exchange bond market

- 境内基础设施互联互通

Interconnection among infrastructures

进一步推动上交所债券市场国际化

Deepen the Internationalization of Bond Market

- 拓展境外机构投资者进入交易所债券市场的渠道

More channels for FI to enter SSE bond market

- 上交所与境外交易所互联互通

Interconnection and cooperation between SSE and overseas exchanges

- 积极支持更多熊猫债发行

Encourage the issuance of panda bonds

- 推动国内债券包括公司债逐步纳入主流债券指数

Promote progressively the index inclusion of China onshore bonds, incl. corporate bonds



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Keynote Speaker:

主讲嘉宾

Dr. Daming CHENG

程达明 博士

Executive Director, CICC IB

中金公司投行部执行总经理

Experience Sharing on China Onshore ESG/Green Bond Issuance

中国在岸ESG/绿色债券发行经验分享

October, 2019

China's Bond Market At A Glance

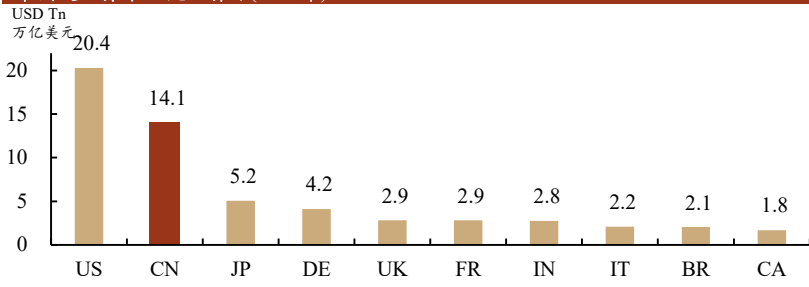
中国债券市场概览

The World's 2nd Largest Economy and 2nd Largest Bond Market

世界第二大经济体和第二大债券市场

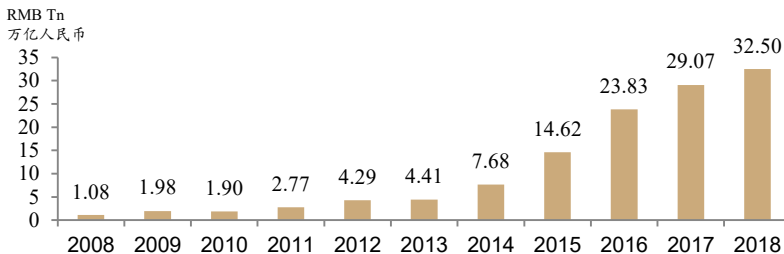
China Is The Second Largest Economy In The World (2018)

中国是世界第二大经济体(2018年)



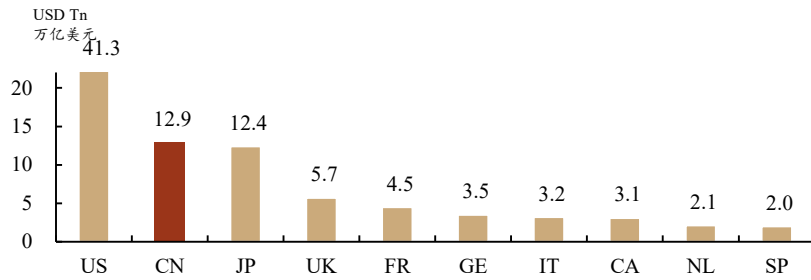
Rapid Growth In Chinese Credit Bond Volume (2008 - 2018)

中国信用债券规模快速增长(2008 - 2018)



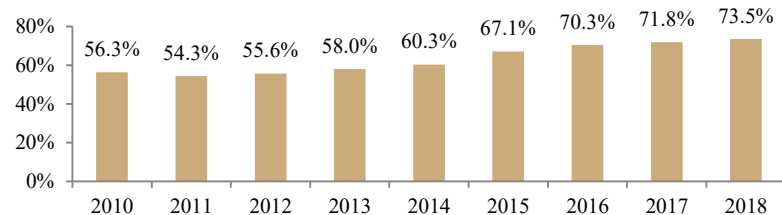
China's Bond Market Is The Second Largest In The World By The Amount Outstanding (Q4 2018)

中国债券市场规模位居世界第二(2018年第四季度)



The Share Of China's Bond Market In Asia Pacific Ex-Japan Has Been Increasing

(2010 - 2018)中国债券市场在亚太(除日本)份额不断上升(2010 - 2018年)



Source: IMF, BIS, CICC Research

The Increasing Opening-up of China's Bond

中国债券市场日益开放

Milestone Events

里程碑事件

允许三类境外机构利用人民币
寸寸进入中国银行间债券市
场：外国中央银行或货币当局
（境外央行）香港、澳门地区
人民币业务清算行跨境贸易人
民币结算境外参加银行。

取消投资额度的限制，回
购资金可调出境外使用。
三类机构投资范围拓展至
债券现券、债券回购、债
券借贷、债券远期、一级
利率互换、远期利率协议
等交易；可自主决定投资
规模。

Allow three types of overseas institutions to invest in the China interbank bond market: (i) Foreign central banks and monetary authorities, (ii) RMB settlement banks in Hong Kong and Macau; and (iii) cross-border RMB settlement participating banks.

QFII, RQFII with certain quota
一定配额的QFII、RQFII

Remove quota, investment scope was extended to spot and repurchase transactions of bonds, bond lending, bond forward, interest rate swaps and forward rate agreements.

2010

Allow offshore central banks to enter the interbank foreign exchange market

2015

Allow various types of foreign financial institutions and their investment products to enter the interbank bond market
允许各类境外金融机构及其向客户发行的投资产品、以及养老金、慈善基金、捐献基金等投资银行间债市

2016

2017

Allow various types of foreign investors to enter the domestic foreign exchange derivative market
各类境外投资者可以参与境内外汇衍生品市场

2017.7

Launch of mutual bond market access between Mainland China and Hong Kong SAR ("Bond Connect")
中国内地与香港特别行政区债券市场互通("债券通")启动

2018.3

Officially accepted the registration of overseas rating agencies.
境外评级机构获许在境内开展债券信用评级业务

2018.8

Bond Connect fully realized RDVP (RDVP: Real-time delivery-versus-payment)
债券通全面实现了实时券款对付

2018.11

Enterprise income tax and value-added tax on interest income of domestic bond market invested by overseas institutions would be temporarily exempted for 3 years.
对境外机构投资境内债券市场取得的债券利息收入，暂免征收企业所得税和增值税，政策期限暂定三年

2019.1

Bond Connect Launches Bloomberg Access

债券通接入彭博交易平台

2019.4

Chinese Bonds included into Bloomberg Barclays Global Aggregate Index

中国债券纳入彭博巴克莱全球债券指数

SAFE cancels investment quota limitation of QFII, RQFII

外汇局取消QFII、RQFII投资额度限制

2019.9

Chinese government bonds are included into JPM's GBI-EM Global Diversified index
摩根大通宣布将开始分阶段将中国政府债券纳入其GBI-EM全球多元化指数



Foreign institutions have invested more actively in the Chinese bond market this year

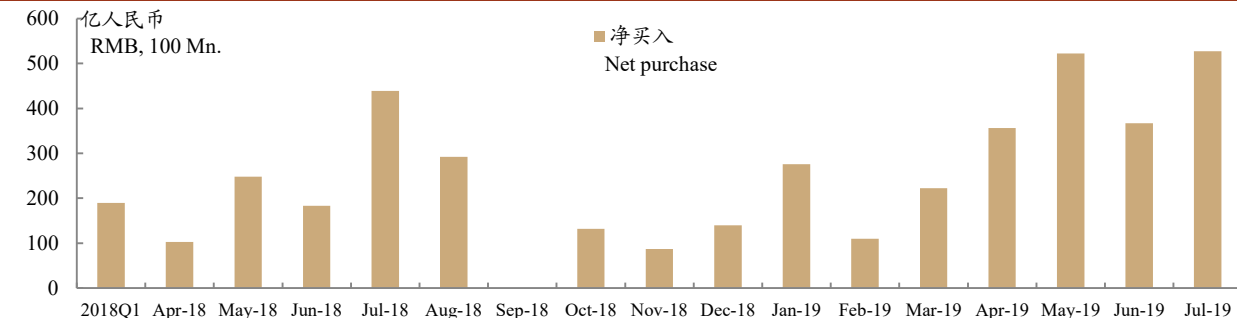
今年境外机构进入中国债市更加积极

- On Sept. 4th 2019, JP Morgan GBI-EM Global Diversified Index announced the inclusion of Chinese government bonds in its Index, which is the second major international bond Index to include Chinese bonds after the Bloomberg Barclays Index in April.
- 2019年9月4日摩根大通全球新兴市场多元化债券指数（JP Morgan GBI-EM Global Diversified Index）宣布将中国国债纳入到指数中，这个是继今年4月份纳入彭博巴克莱将指数后，第二个将中国债券纳入的重要国际债券指数。
- Next up is FTSE Russell, which is scheduled to announce its decisions to add Chinese corporate credit to its World Broad Investment-Grade Bond Index.
- 下一个考虑纳入人民币债券的是富时罗素指数，该指数表示正在考虑将中国企业债券纳入。

Trading Volume of Bond Connect
债券通项下交易量



The Inflow of Foreign Institutions Increased Significantly After Entering the Bloomberg Barclays Index
4月份纳入彭博巴克莱将指数后，境外机构流入量明显上升



Source: Wind, CICC Research 资料来源：万得资讯，中金固收研究

China's Green Bond Market At A Glance (1/2)

中国绿色债券市场一览(1/2)

- China was relatively late to join the burgeoning green bond market, with the People's Bank of China (PBoC) and the National Development and Reform Commission (NDRC) each published its green bond guidelines in December 2015, and China's first green bond deal took place in 2015. Since its first such deal, China's domestic entities have issued nearly USD 120bn green bonds in total, second only to the US.
- 中国加入绿色债券市场相对较晚，中国人民银行(PBoC)和国家发展和改革委员会(NDRC)于2015年12月发布了其绿色债券指引，中国的首笔绿色债券交易于2015年发行。自第一笔绿色债券发行以来，中国国内企业共发行了总计近1200亿美元的绿色债券，位列世界第二、仅次于美国。

China's Green Bond Market Is The 2nd Largest In The World By The Amount Issued in 2018

按照2018年的发行量计算，中国绿色债券市场规模位居全球第二

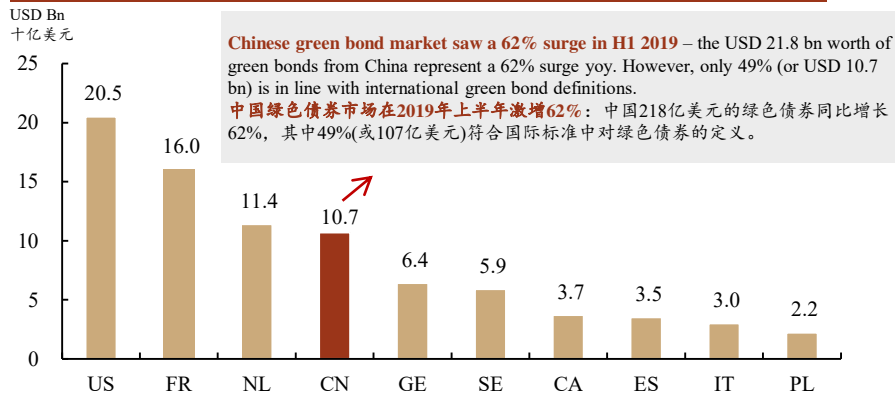


Source: CBI. China Green Bond Market 2018.

Note 1: The total amount of green bonds from China reached USD42.8bn in 2018. However, USD11.6bn has been excluded in accordance with CBI Green Bond Database Methodology. Internationally-aligned green bond issuance from China is USD31.2bn. This figure includes USD30.9bn issued by Chinese issuers on both domestic and overseas markets, and USD208m green panda bonds issued by Hong Kong issuers.

China's Green Bond Market Is The 4th Largest In The World By The Amount Issued in H1 2019

按2019年上半年的发行量计算，中国的绿色债券市场规模位居全球第四



Source: CBI. China Green Bond Market Newsletter H1 2019.

Note 2: The total amount of green bonds from China reached USD21.8bn in H1 2019. However, USD10.1bn has been excluded in accordance with CBI Green Bond Database Methodology. Internationally-aligned green bond issuance from China is USD10.7bn.

China's Green Bond Market At A Glance (2/2)

中国绿色债券市场一览(2/2)

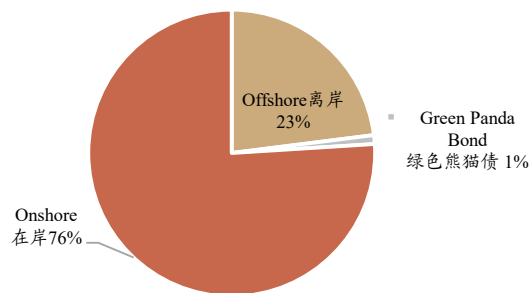
- Chinese green bonds are used primarily to finance infrastructure projects and energy;
中国绿色债主要用于基础设施建设项目和能源相关项目;
- Financial corporates remained the largest issuer type with 41% (USD 8.9bn) of the overall issuance in H1 2019. Non-financial corporate is the 2nd largest issuer type with 34% of the total issued amount in H1 2019, up 6% from H1 2018. Issuance from policy banks, government-backed entities and ABS totaled 25% of the overall issuance in H1 2019. 金融企业仍然是最大的发行人类型，占2019年上半年发行总量的41%（89亿美元）。非金融企业是第二大发行人类型，占总发行量的34%，比去年同期增长6%。政策性银行、政府支持机构和绿色ABS发行量占2019年上半年发行总量的25%
- Most Chinese green bonds are issued domestically. Specifically, 48% were placed on the China Interbank Bond Market, followed by listing on the Exchange Market with 37% of the H1 2019 total.
大多数中国绿色债券在境内市场发行。具体来说，2019年上半年发行总量的48%在中国银行间债券市场发行，37%在交易所发行。

Listing Market of China's Green Bonds & Use of Proceeds of China's Green Bonds in 2018 2018年度中国绿色债券市场及募集资金用途

Listing Market of China's Green Bond

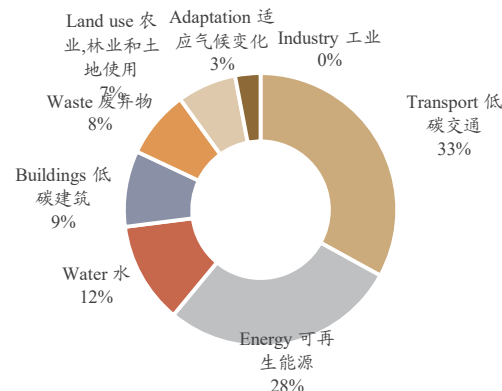
Issuances, 2018

2018年度中国绿色债券市场



Use of Proceeds 2018- CBI definition

2018年度绿色债募集资金用途-CBI定义



China's Green Bond Innovation and Recent Policy Development

中国绿色债券创新与近期政策发展

China's First Green Muni Bond was issued by Jiangxi Province in June 2019 (*bond abbr.* “19 Jiangxi 14”), which raised ¥ 1.25bn and funding is planned to be used in utility tunnel project.

中国首支绿色市政专项债券 江西省于2019年6月发行（债券简称“19江西14”），募集12.5亿元人民币用于市政隧道工程。

Term Sheet of “19 Jiangxi 14”, China's First Green Municipal Bond 中国首支绿色市政专项债券 “19江西14” 基本条款

Bond Name 债券名称	19 Jiangxi 14 2019年江西省赣江新区绿色市政专项债券（一期）-- 2019年江西省政府专项债券（七期）
Issuance Size 发行规模	RMB 300 mn. 3亿元人民币
Tenor 期限	30 Years 30年
Coupon Type 利率类型	Fixed-rate 固定利率

Closer international collaboration to promote green initiatives更紧密的国际合作以促进绿色倡议:

- In November 2018, the China Green Finance Committee (GFC) and the City of London jointly issued the Green Investment Principles for the Belt and Road in London, calling upon all signatories – large financial institutions and companies in many countries – to adopt them; 2018年年11月，中国金融学会绿色金融专业委员会（中国绿金委）与伦敦金融城牵头多家机构共同起草并发起了《“一带一路”绿色投资原则》，供参与“一带一路”的全球金融机构和企业自愿采纳和实施。
- PBoC Shanghai supported the launch of the “Green Panda Bond Handbook” to support and facilitate international issuers’ entry into the Chinese green bond market. 中国人民银行支持《绿色熊猫债指南》发布，为境外发行人在境内发行人民币计价绿色债券提供分步指南。

PBoC Released Notice to Support Green Financial Reform and Innovation Pilot Zones to Launch Green Debt Financing in the interbank market, based on the green bond endorsed project catalogue. The notice supports enterprises operating in urban infrastructure development sectors to use green debt financing tools such as green bonds and green ABS. The NAFMII will open a green channel to facilitate the service.

中国人民银行发布《关于支持绿色金融改革创新试验区发行绿色债务融资工具的通知》面向在银行间市场发行的，符合《绿色债券支持项目目录》的债券。鼓励试验区内城市基础设施建设类企业绿色债务融资工具、绿色资产支持票据等。交易商协会为试验区内企业发行绿色债务融资工具开辟绿色通道，加强注册服务。



Thank You

China Green Bond Market H1 2019

Total H1 Chinese issuance: USD21.8bn/RMB143.9bn

Onshore issuance: USD18.6bn/RMB125.2bn

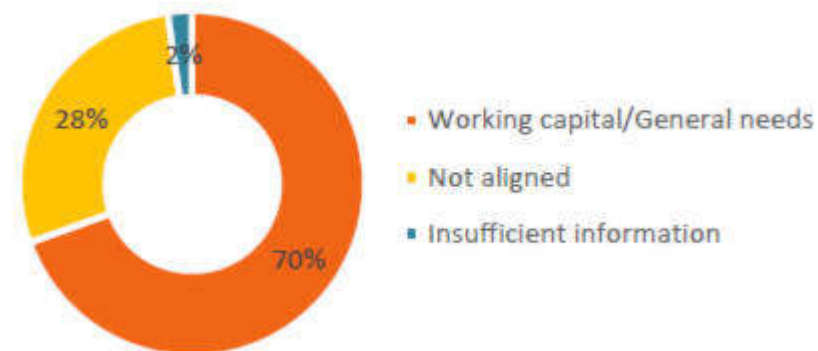
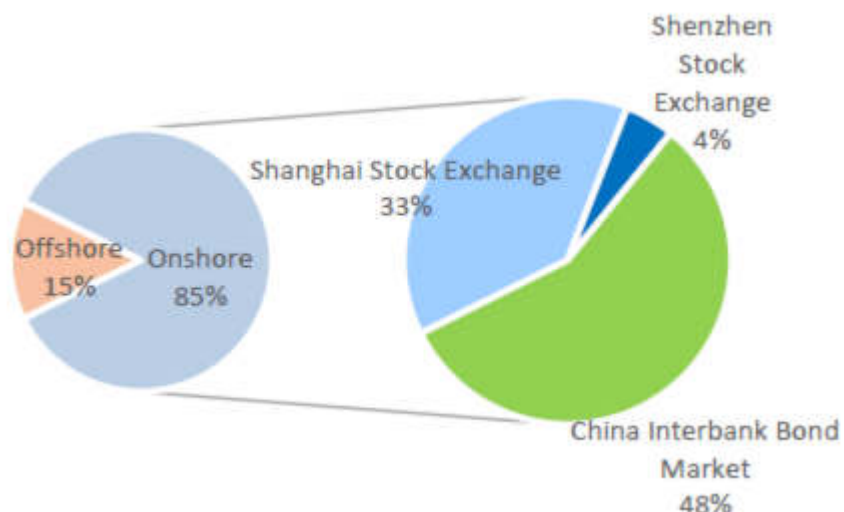
Offshore issuance: USD3.2bn/RMB18.7bn

Issuance that meets international definitions:
USD10.7bn/CNY71.8bn

Largest issuer: ICBC at USD2.7bn

Certified Climate Bond: Jiangsu Financial Leasing

Largest issuing sector: Low Carbon Transport



Working capital/General needs

- From “pureplay” issuers
- Chinese regulation allows a certain percentage for general corporate purposes

Not aligned

- Clean coal
- Energy efficiency improvement on fossil fuel assets

Green, Social and Sustainability Bonds / Loan Market

Green Bonds

- Used for environmental benefits, aligned with Green Bond Principles (GBP)

Social Bonds

- Used for social benefits and aligned Social Bond Principles (SBP)

Sustainability Bonds

- Used for environmental benefits and aligned with both the GBP and SBP

Green Loans

- Used for environmental benefits and aligned with Green Loan Principles (GLP)

Social Loan

(may happen in future, but not available as of now)

Sustainability Loan

(may happen in future, but not available as of now)

Transition Financing options

Transition Bonds

- Used for financing projects that show significant improvement in environmental impact but are not 2 degree compliant

Transition Loans

- Used for financing projects that show significant improvement in environmental impact but are not 2 degree compliant

Sustainability/ESG Linked options

Sustainability Linked Loans

- Margin of loan is linked to the ESG/Sustainability score of the company

Green, Social and Sustainability Bond Framework and External Review

I. Use of Proceeds categories

Eligible Green Projects:

1	Renewable energy the production and transmission of renewable energy, and the infrastructure construction related to renewable energy	5	Sustainable Water and Wastewater Management water saving and the use of unconventional water, and construction and maintenance of sustainable clean water and/or drinking water infrastructure, and sewage treatment and recycling
2	Energy efficiency energy saving and emission reduction	6	Green building new construction and major renovation of old or new buildings that have or will receive a international standards certification
3	Pollution prevention and control pollution prevention and environmental restoration projects	7	Environmentally Sustainable Management of Living Natural Resource natural ecological protection, ecological restoration, ecological agriculture and animal husbandry, sustainable forestry development, disaster emergency prevention and control
4	Clean transportation rolling stocks and public transport vehicles, public and associated rail infrastructure		

Eligible Social Projects:

1	Employment generation providing social finance solution to enterprises and individual
2	Affordable Basic Infrastructure indemnificatory housing programme, and basic rural living facilities
3	Access to Essential Services education, medical infrastructure construction and career training loan

III. Management of Proceeds

The proceeds of each GSS bond will be deposited in the general funding accounts. CCB will maintain a register to keep track of the use of proceeds for each GSS bond. The register will contain the following information including:

Type of Funding Transaction

Key information includes issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortisation profile, maturity date, interest or coupon, and the ISIN number in case of bond transaction

Allocation of Use of Proceeds

- Name and description of Eligible Projects to which the proceeds of GSS bonds have been allocated in accordance with GSSBF
- Allocation of the proceeds of GSS bonds to Eligible Projects
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

IV. Reporting

CCB will publish a Green, Social and Sustainability Bond Report ("GSSBR") on an annual basis. GSSBR will contain information on allocation and impacts:

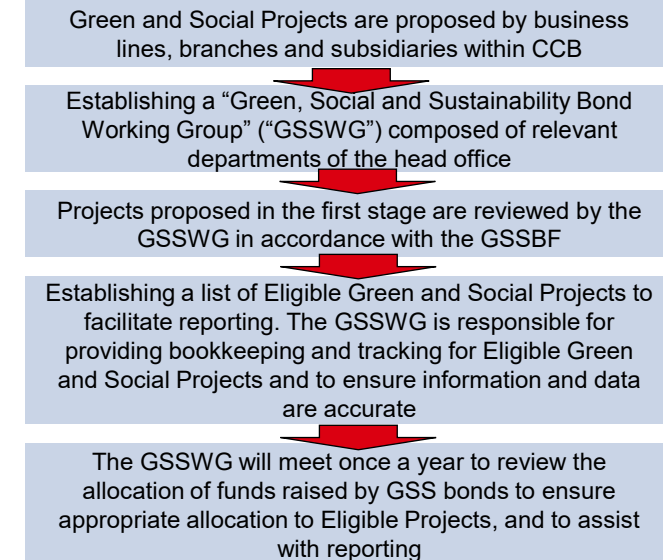
Allocation Reporting

The aggregate amount allocated to various Eligible Projects
The remaining balance of funds which have not yet been allocated and type of temporary investment
Examples of Eligible Projects

Impact Reporting

Where possible, CCB will report on the environmental and social impacts of the Eligible Projects. Impact indicators include but not limited to: KWh of power saved per year, amount of water saved.

II. Project Evaluation and Selection

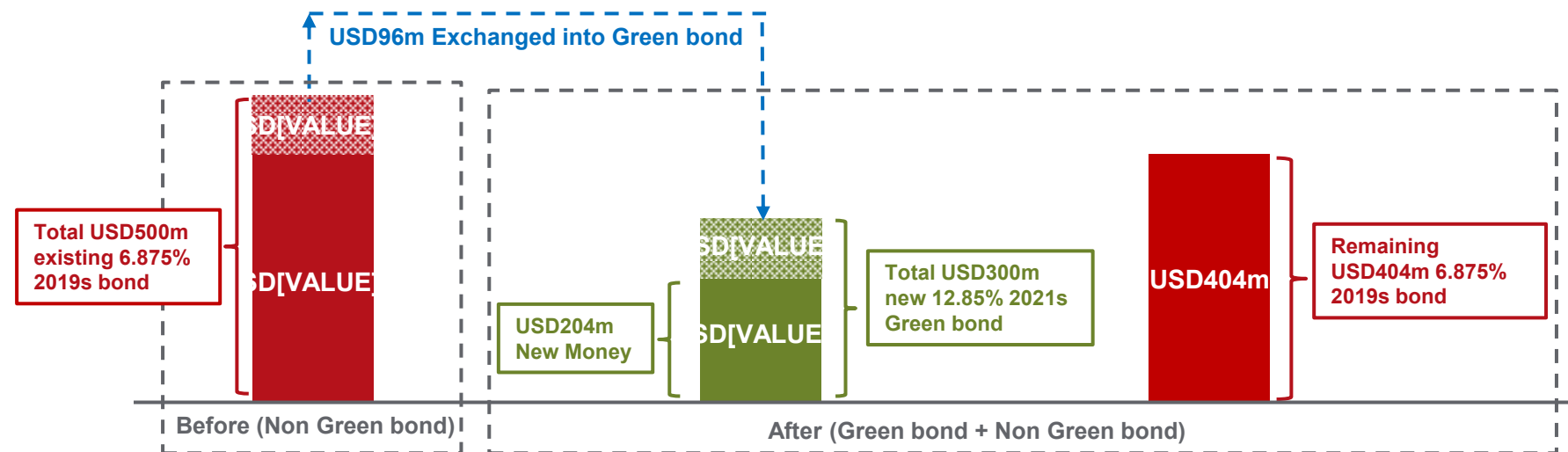


External Review by EY

"Nothing has come to our attention that causes us to believe that the assertions in the Description on the use and management of proceeds, project evaluation and selection and information disclosure and reporting of the bond issuance process of the China Construction Bank's 2018 Sustainability Bond are concerned, in all material respects, does not meet the criteria as set out in the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018's pre-issuance requirement"

Modern Land (China) Company Limited

USD300 million Reg S 12.850% 2.5-year New Green Notes and Exchange Offer

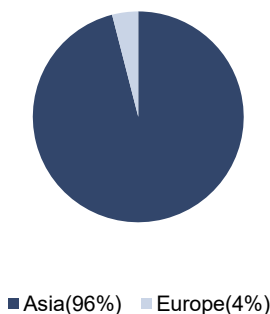


Summary of Terms and Conditions

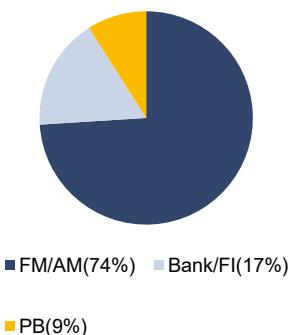
Issuer:	Modern Land (China) Co., Limited (1107.HK)
Subsidiary Guarantors:	Certain non-PRC Restricted Subsidiaries of the Issuer
Issuer Ratings:	B2 (Stable) / B (Stable) (Moody's / Fitch)
Expected Issue Rating:	B3 / B (Moody's / Fitch)
Format:	Reg S only, Registered Form, Category 1 (to be consolidated immediately and form a single series with the Exchange New Notes)
Status:	Fixed Rate Senior Notes
New Money Size:	US\$ 203,797,000
Total Notes Size:	US\$ 300,000,000
Tenor:	2.5-year
Coupon:	12.85%, S/A, 30/360
Reoffer Yield:	12.70%
Reoffer Price:	100.313
Green Bonds:	The Notes are being issued as "Green Bonds" under a Green Bond Framework
Second Opinion Provider:	CICERO, 3E Institute of Tsinghua University
HSBC Role:	JGCs, JBRs & JLMs

Investor Distribution (%)

By geography



By type





Use of Proceeds

Second Party Opinion Provider

The proceeds of Green Bond will be used exclusively for the financing or the re-financing of “Eligible Projects”, including without limitation, the refinancing of existing debt in relation to such projects. “Eligible Projects” refer to projects funded, in whole or in part, by Modern Land that promotes the transition to low-carbon and climate resilient growth as determined by Modern Land. Eligible Projects target climate mitigation and include investment in the development of sustainable properties. Eligible Projects are any project that fulfils criteria 1 and 2 below: (1) Environmental certification; (2) Energy performance data.



Green Eligible Projects:

1 Environmental certification:

Commercial and residential buildings new construction and renovation projects that are environmentally certified in accordance with any one of the following selected certification systems:

- ✓ New construction or renovation of existing buildings
 - ◆ Chinese Green Building Label (minimum certification “2 Star” for Green Building Design Label or Green Building Operation Label)
 - ◆ LEED (minimum certification “Gold”)

2 Energy performance data:

Such data shall be anticipated by the management team before project completion. Data should be evidenced through 3rd party energy reports as soon as practicable following the completion of the relevant project. Such energy saving / performance data shall provide at least:

- ✓ For new construction of buildings
 - ◆ the project needs to have at least a 15% energy performance improvement
- ✓ For renovation of existing buildings
 - ◆ 30% energy performance improvement, depending on location and other justifiable building benefits

Governance

Process for project evaluation and selection and Management of proceeds

Process for project evaluation and selection :

- 1) Eligible Projects are selected by the Modern Land Treasury department together with the Green Building Research and Development department
- 2) Modern Land will review Green Building certification and energy performance data for its projects.
- 3) Modern Land may commission a qualified third party to determine eligibility for Modern Land Green Bond

Management of Proceeds:

- Modern Land will establish a Green Bond eligible investment Register for the Green Bond(s) issued, which contain information including:
 1. Green Bond details: such as ISIN, issue date, maturity date, principal amount and coupon.
 2. Eligible green investment project list: information including:
 - Confirmation that earmarked projects conform to Modern Land Green Bond Framework
 - Member within Modern Land (China) Co Ltd group that owns the project
 - Environmental certification (including source and date)
 - Energy Performance data (including source and date)
 - Project location
 - Amount of investment (state currency)
 - Date of investment
 - Progress / construction status

Reporting

Modern Land will provide an annual update report including (if applicable):

1. Details of the Green Bonds issued including details such as ISIN, issue date, maturity date, principal amount and coupon.
2. Confirmation of aggregate amount of proceeds earmarked to Eligible Projects;
3. The remaining balance of Green Bond proceeds yet to be earmarked;
4. A list of Eligible Projects earmarked to be funded by the proceeds of the Green Bonds; and
5. A selection of more detailed project examples (where competition and confidentiality considerations allow)

Green bond reporting

FUND ALLOCATION REPORT (AS AT 31 DECEMBER 2018)

Types of eligible green projects and breakdown of fund allocation:

			Project Cost	Allocated Amount
Project Classification	Project Name	Project Green Label	(US\$)	(US\$)
			US\$1 = RMB6.8632	
New Development	Man Ting Chun MOMA (Nanchang) – Phase I Residential	Three Star Green Building Label – Design	62,338,778	62,338,778
New Development	Modern Wan Guo Cheng MOMA (Beijing) – North Residential	Three Star Green Building Label – Operation	257,016,042	257,016,042
New Development	Man Ting Chun MOMA (Jiujiang) – Building No. 5	Three Star Green Building Label – Design	12,257,649	12,257,649
New Development	Shangdi MOMA (Beijing)	Two Star Green Building Label – Operation	68,273,488	68,273,488
New Development	Modern Park MOMA (Hefei)	Three Star Green Building Label – Design	165,217,289	165,217,289
New Development	Wan Guo Cheng MOMA (Changsha) – Phase III	Two Star Green Building Label – Operation	152,290,477	152,290,477
New Development	Wan Guo Cheng MOMA (Taiyuan)	Two Star Green Building Label – Design	152,086,723	132,606,277
Total			869,480,446	850,000,000

SELECTED CASES

Project Name Modern Man Ting Chun MOMA (Jiujiang) – Building No. 5

Details Three Star Green Building Label – Design

Energy-saving Technology

- Geothermal pump system
- Ceiling cooling and heating system
- External walling system
- Recovery and processing of waste water and use of reclaimed water
- Collection and use of rain water
- Exterior window system
- Displacement ventilation system
- Acoustic insulation
- Intelligent system

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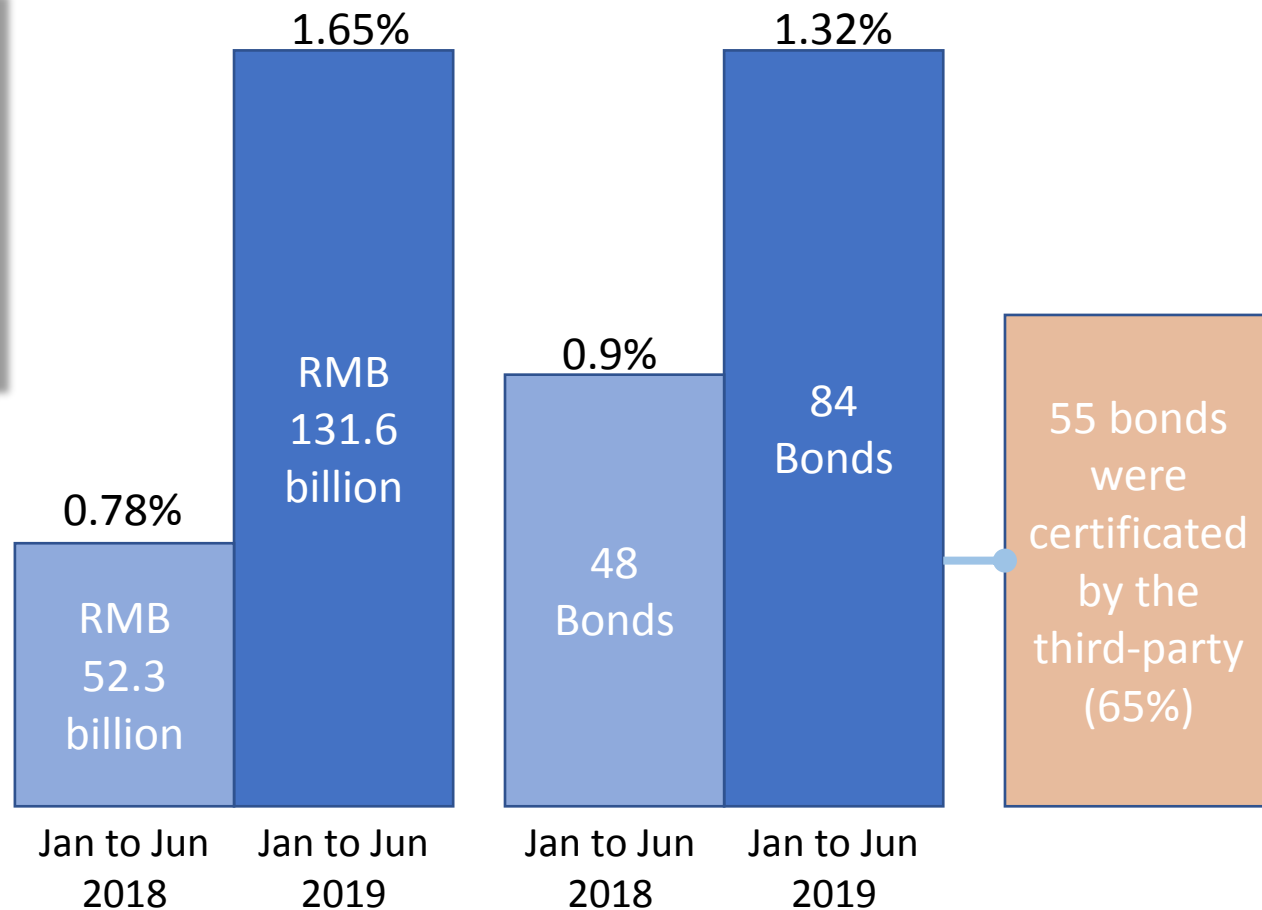
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持续增长
Keeping
Growing



有效管理 Effective Management

Follow-up Evaluation & Report

- Use of funds
- Projects
- Environmental Benefits
- Environmental Risk

Bond

Green Finance Bond of Shanghai Pudong Development Bank Co., Ltd. (SPD Bank) in 2016
(RMB 50 billion)

Projects

- Energy conservation
- Pollution prevention and control
- Resource conservation and recycling
- Clean transportation
- Clean energy
- Ecological protection and adaptation to climate change

Environ mental Benefits

- Coal Saving : 1,000,000t+
- GHGs Reducing: 2,500,000tCO₂e+
- COD Reducing: 100,000t+
- NH₃-N Reducing: 15,000t+
- SO₂ Reducing: 10,000t+
- No_x Reducing: 3,500t+

积极创新 Positive Innovation

- Higher efficiency
- Lower cost
- More green bond issuance
- Better management

Green Bond Issuer Certification

- High green income
- Strong corporate governance
- Significant environmental benefits
- Excellent environmental risk management



1 Certification
N Issuances

Green Fintech

- Fund management
- Project identification and classification
- Environmental benefit accounting
- Environmental risk management
- Statistics and reports



扩大市场
**Expanding
the market**

Set up
unified standard

- Green Industry Guidance Catalogue 2019 (NDRC & PBoC)
- Green Investment Guidelines (for trial implementation)
- Green Bond Support Project Catalogue

Incentive Policy

- MLF
- Guangzhou City (one of the National Green Finance Pilots)
- Jiangsu Province

Connect

Open

Green Bond Development in SZSE



In April 2016, SZSE took first step in green fixed income products and continuously improved the green bond rules. These efforts promoted the construction of the green products sector and provided an effective channel of direct financing for issuers from green environmental protection industries.

Use of Proceeds

- Green Bond issuers need to deploy the entire proceeds on Green projects, repayment of the Green project loans or develop Green business.
- Green projects definitions refer to Green Project Catalogue released by Green Finance Committee, China Society for Finance & Banking

Information Disclosure

- Letter of commitment for raising funds for green projects should be included in application materials
- The relevant content of the green project should be included in the prospectus
- Green identification by third-party professional organizations is encouraged

Vetting Process

- Dedicated staff is responsible for the vetting process which offers a fast passage to Green Bond issuers.
- All the green bonds will be specially labelled as “G” in the bond code.
- Further tax incentives or subsidies may be granted in the future.

Size of Green Bond Market



Green Government Bond

Issuers:


- Local Government

Number of Issuance:

- 44 bonds have been issued for green projects such as environmental protection

Offering Size:

- 22.03 bn in total



Green Corporate Bond

Issuers:

- Companies invested in green projects or belong to green industries

Number of Issuance:

- Approved: 23 bonds
- Issued: 19 bonds

Offering Size:

- Approved: 39.15 bn
- Issued: 14 bn



Green ABS

Securitized Assets:

- Waste incineration power generation
- Wind Power, etc

Number of Issuance:

- 19 ABS products

Offering Size:

- 22.97 bn in total

Green Finance Cooperation

Join UN Sustainable Stock Exchange Initiative

On 3rd December 2017, Jianjun WANG, General manager of SZSE, announced that SZSE formally became the 67th Exchange of *UN Sustainable Stock Exchange Initiative*.

Be a member of GFC

SZSE is a member of the Green Finance Committee, and has participated in the establishment of the Shenzhen Special Economic Zone Green Finance Committee as a member of the Board of Directors.



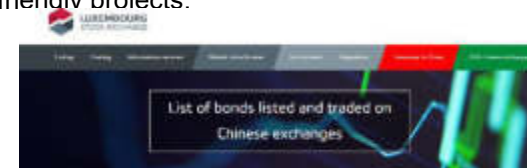
Be a Member of AFCA

SZSE is a member of the Asia Financial Cooperation Association Green Finance Cooperation Committee



green bond index

Luxembourg Stock Exchange(LuxSE) and the Shenzhen Stock Exchange (SZSE) partnered in 2017 to launch the first green bond index that synchronously displays quotes in China and Europe. The new index series track the performance of labelled and unlabeled Chinese green bonds used to finance environmentally-friendly projects.



Green Fixed Income Product Information Link

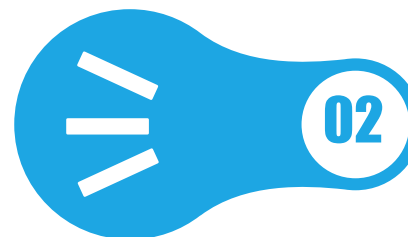
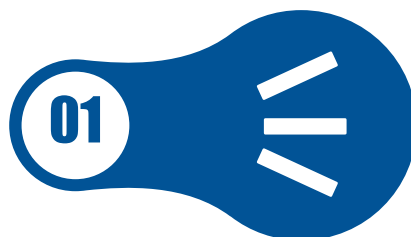
On 27th March 2019, Shenzhen Stock Exchange and the Luxembourg Stock Exchange officially launched the “Green Fixed Income Product Information Link” to display information of green corporate bonds and green ABS listed on SZSE through the official website of the LuxSE.

	HunanPrExprGr 4,9% 24/01/2021 CND10001Q781 CNY 26/03/2019	-	-	105,598 i % Volume :- 26/09/2019 18:33:12	>
	HunanPrExprGr 5% 26/10/2021 CND100022P80 CNY 26/03/2019	-	-	105,058 i % Volume :- 26/09/2019 18:33:06	>

Information Platform	Attract International Investors	Lower the Cost
<ul style="list-style-type: none"> Official website of LuxSE shows simplified information and closing prices of the green bonds listed in SZSE 	<ul style="list-style-type: none"> Providing efficient and transparent channels for international investors to obtain green security information in SZSE, attracting them to enter Chinese bond market 	<ul style="list-style-type: none"> These efforts will improve the international reputation of Chinese green bond issuers and reduce the issuing costs

Lower the cost of green bond

- Appeal for lower cost of financing by fiscal discounts, income tax incentives, etc.

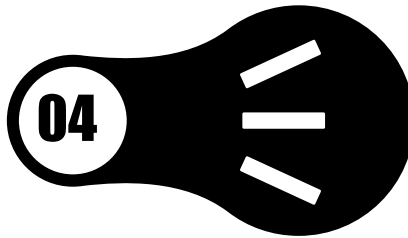
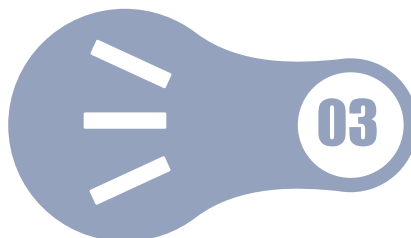


Improve business rules

- Optimize the issuance documents
- improve the quality of information disclosure
- Adjust relevant rules timely according to market changes

Promote the linkage and integration

- Continue to open the exchange bond market
- Promote consistency with foreign green bond standards
- Reduce the threshold of crossborder identification



Push forward product innovation

- Research on corporate bond or ABS based on environmental rights
- Combing and screening qualified projects to expand the scale of green “Panda Bond”

State of the Market

*Recent development of Global Green Bond Markets
and implications for Asian markets*

ASEAN+3 - 32nd meeting - Shenzhen

Shenzhen, 17th October 2019

Cedric Rimaud, CFA

ASEAN Program Manager

Climate Bonds Initiative

The Climate Bonds Initiative

We are an investor-focused NGO mobilising debt capital markets for climate solutions.

Policy advisory

- Policy models and government advice
- Efforts in emerging markets to grow issuance
- Green innovations e.g. securitization, covered bonds, Islamic Finance

Climate Bonds Standard & Certification

- Definitions for investors and guidelines for bond issuers
- Assurance through certification

Market intelligence

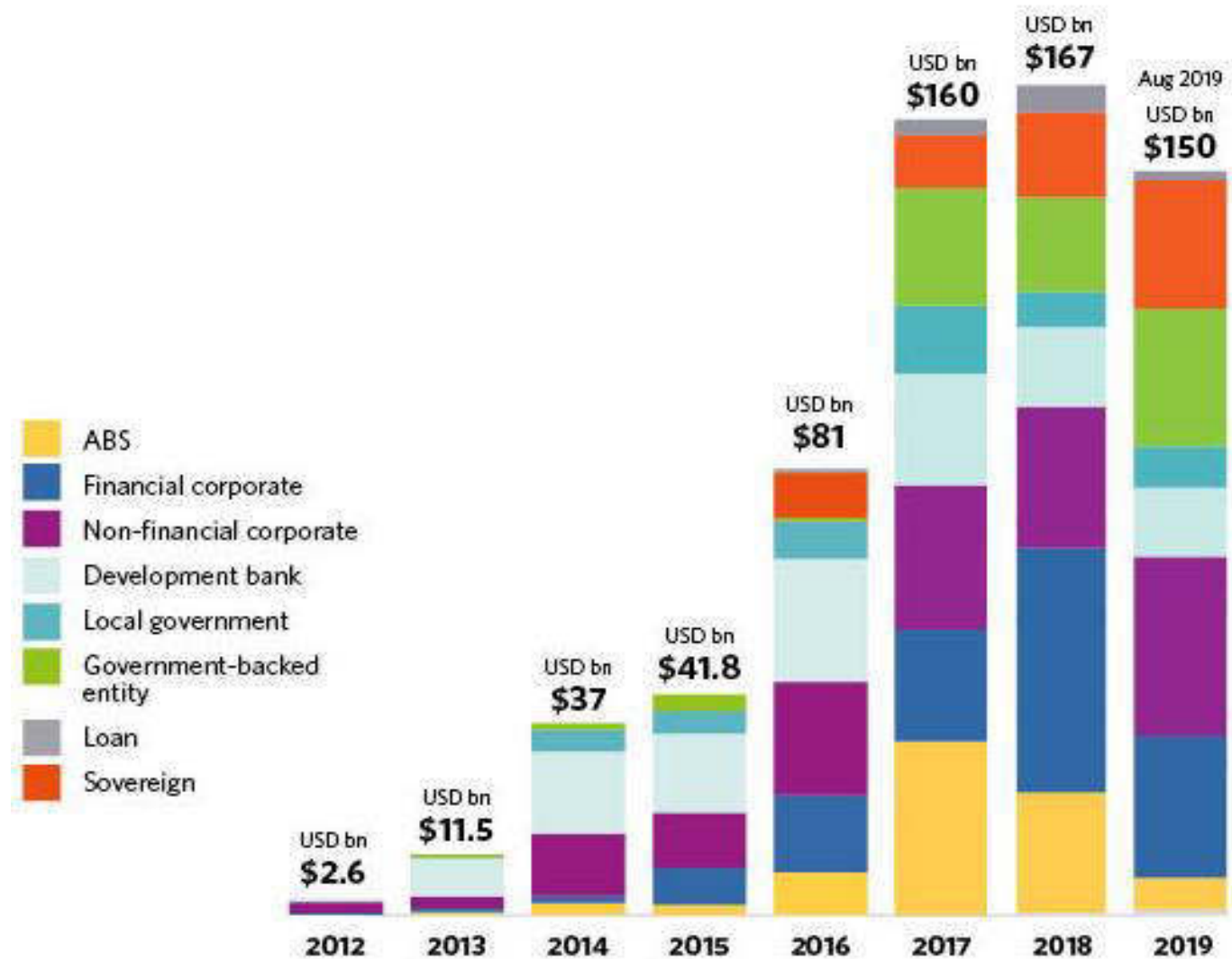
- Green bonds data base, feeding indices
- State of the market report, global and regional

Capacity building

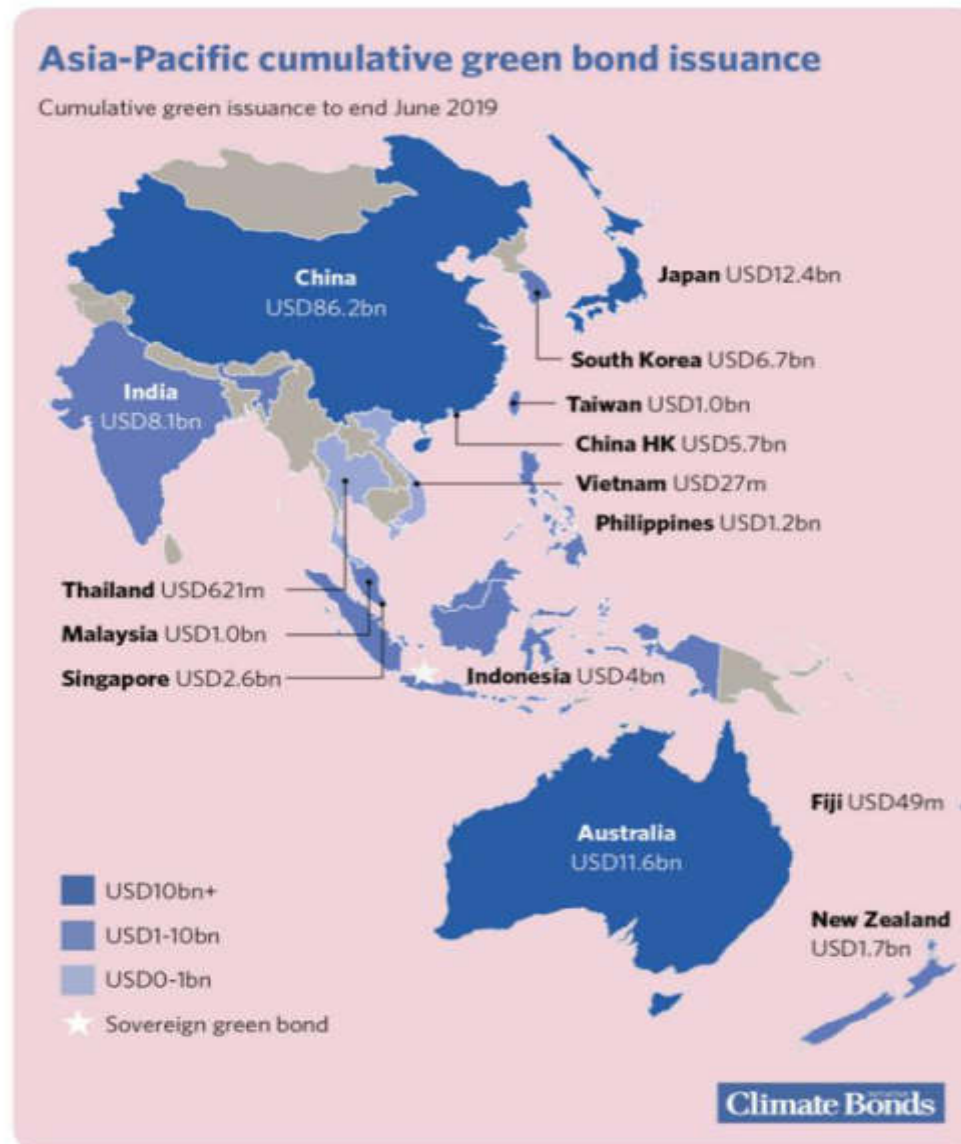
- Developing expertise to issue, invest in and underwrite green bonds



Green Bonds are growing fast globally



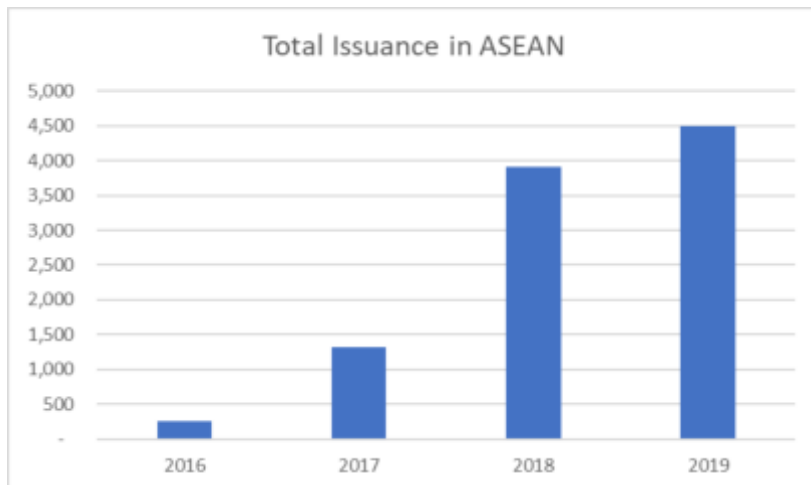
Green Bonds are growing everywhere in Asia



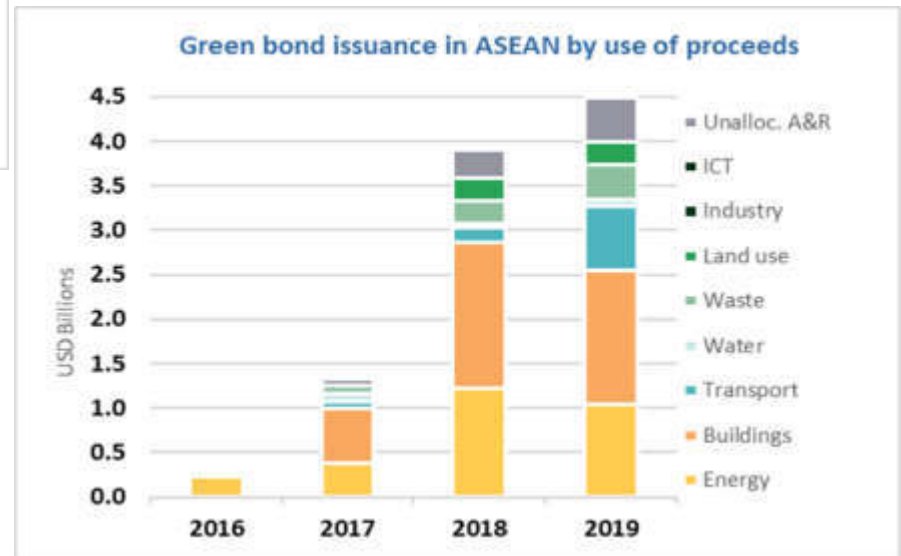
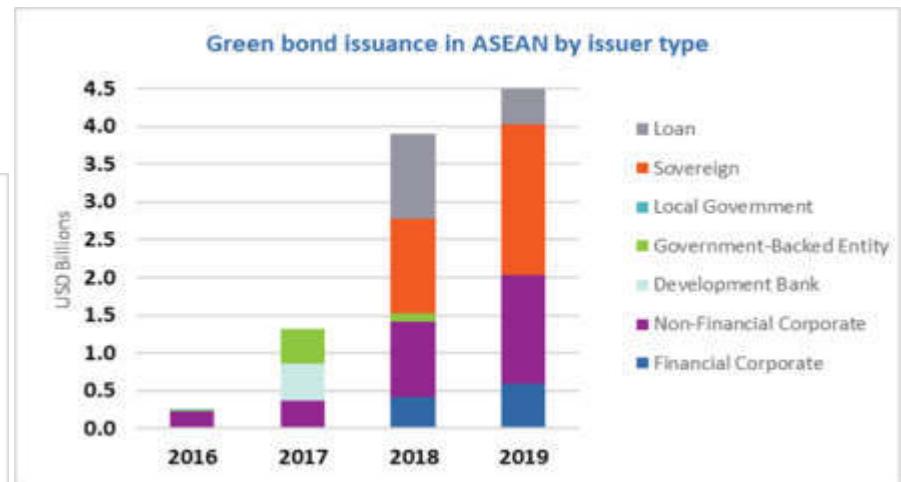
Source: Climate Bonds Initiative



Green Bonds in ASEAN



Source: Climate Bonds Initiative



Who gets involved with green bonds?

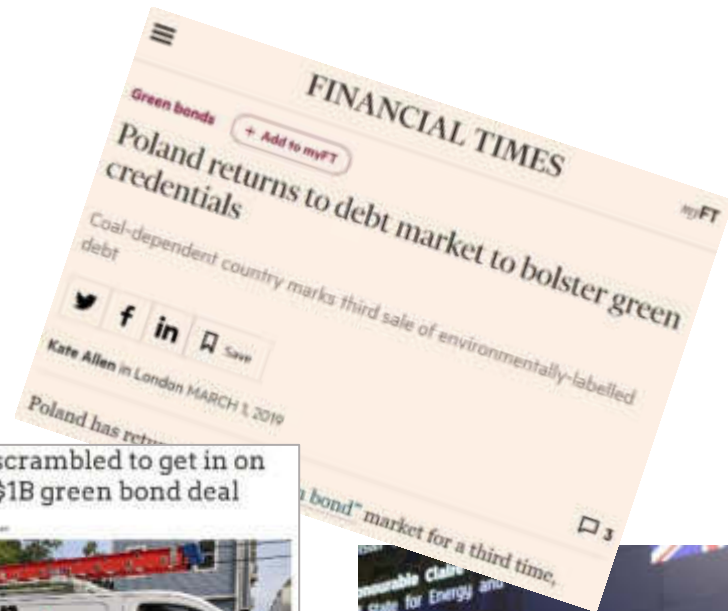
- **The issuer, its clients and its suppliers**
 - Greening the supply chain
 - Using green as a differentiating marketing tool to increase available market
- **The issuer and its advisors**
 - Auditors
 - Third Party advisor: CBI-approved verifiers
 - Board & Regulator approval
 - Rating Agency
- **The investment bank as arranger and underwriter**
 - Access to investors
 - Rating advice
 - Book-building and Pricing
 - Secondary Trading
- **The investors**
 - Non-deal roadshow: an opportunity to gauge investment appetite
 - Multilaterals (ADB, IFC, AIIB, etc.) can be anchor investors

How to issue green bonds?

Extra steps for issuing a green labelled bond

- **Define Green/Social/Sustainable Bond Framework**
- **Identify projects and assets to be associated with the bond**
- **Put in place project selection process and select eligible projects**
- **Set up accounts and process to earmark and allocate proceeds**
- **Get pre-issuance external review**
- **Prepare roadshow materials and bond documents for green label**

The world is watching



Climate Bonds INITIATIVE



What are the benefits for issuers?

- **Investor diversification** – low-carbon integrity of the bond attracts a much broader base of investors
- **Lower cost of capital** – green bonds enable issuers to raise large amounts of capital to support environmental investments that may not otherwise be available or may have been funded using expensive capital
- **High oversubscription** – strong demand for green bonds generally outstrip supply
- **Stickier Pool of Investors** – Green Bond Investors invest to the long term, matching maturity with project life
- **Tighter yields** – there is a view that stronger pricing will be achieved for future green bond issuance
- **Green flavor** – enhances issuer reputation

Underwriters play a very important role

- **Introduce:** “Educate investors on the green bond product and how it could fit into their investment policies”, including green bonds concept, benefits & mechanics to issuers
- **Strategy:** Help issuers clarify sustainable financing proposition and links with strategy
- **GB Framework:** Help issuers design overall Green Bond Framework e.g. procedures to select projects and manage proceeds
- **Green alignment:** Help issuers define scope of eligible green projects
- **Deal execution:** Match issuers with differing green & mainstream investors, advice on green pricing
- **Emergence of green structuring advisers**

Globally accepted principles for labelling in the green bond markets were established in 2014



Green Bond Principles have four core components:

1. Use of proceeds
2. Process for Project Selection
3. Management of Proceeds
4. Reporting

Plus various options for External Review



Climate Bonds Taxonomy



The process starts with climate science and has several stages of stakeholder engagement. Resulting criteria is aligned with Paris Agreement goals, as well as being practical and widely accepted by industry and market stakeholders

Technical &
industry working
groups convened

Working groups
draft Criteria

Draft Criteria
go for public
consultation

Climate Bonds
Standard Board
approval






































Final Criteria are
published ready for
Certification use




Ongoing
review of criteria

Climate Bonds Taxonomy

The Climate Bonds Taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP 21 Paris Agreement. More information is available at <https://standard.climatebonds.net/taxonomy>.



ENERGY	TRANSPORT	WATER	BUILDINGS	LAND USE & MARINE RESOURCES	INDUSTRY	WASTE	ICT
Solar 	Private transport 	Water monitoring 	Residential 	Agriculture 	Cement production 	Preparation 	Broadband networks
Wind 	Public passenger transport 	Water storage 	Commercial 	Commercial Forestry 	Steel, iron & aluminium production 	Reuse 	Telecommuting software and service
Geothermal 	Freight rail 	Water treatment 	Products & systems for efficiency 	Ecosystem conservation & restoration 	Glass production 	Recycling 	Data hubs
Bioenergy 	Aviation	Water distribution 	Urban development 	Fisheries & aquaculture 	Chemical production 	Biological treatment 	Power management
Hydropower 	Water-borne 	Flood defence 		Supply chain management 	Fuel production 	Waste to energy 	
Marine Renewables 		Nature-based solutions 				Landfill 	
Transmission & distribution 						Radioactive waste management	
Storage							

 Certification Criteria approved
 Criteria under development
 Due to commence

The steps to issuance



The benefits of certifying green bonds

What does the Certification mark mean?

Certification under the Climate Bonds Standard confirms that the bond, loan or other debt instrument is:



1

**Fully aligned with the
Green Bond Principles
and/or the Green Loan
Principles**



2

**Using best practices for
internal controls,
tracking, reporting and
verification**

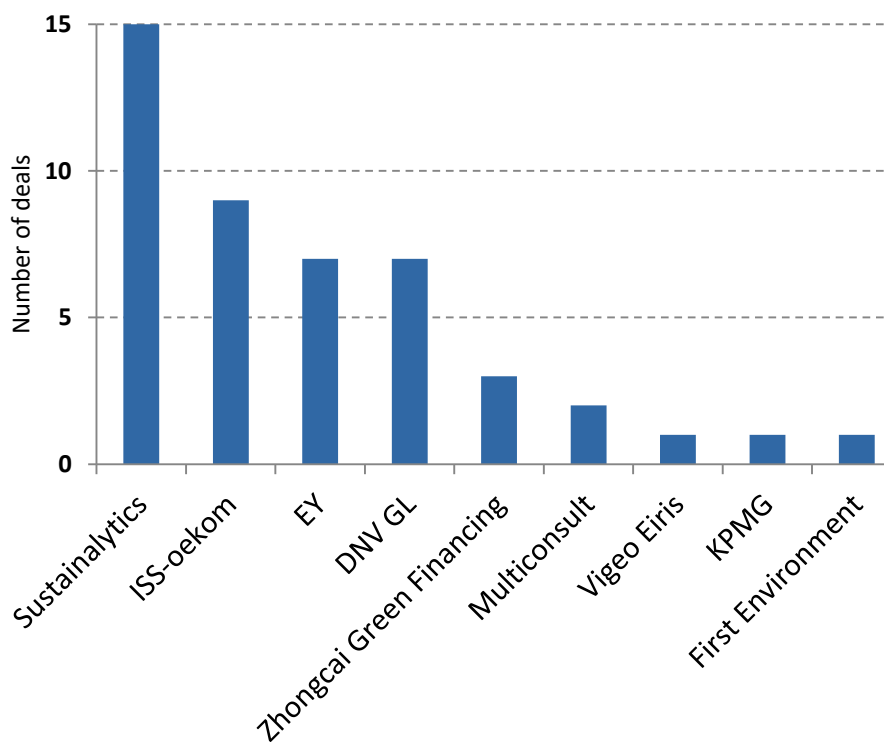


3

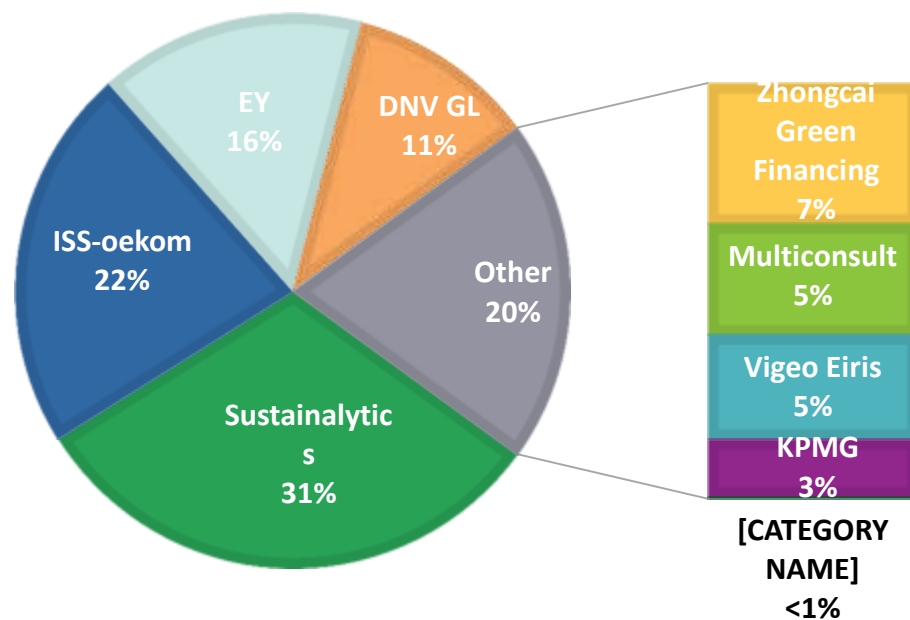
**Financing assets
consistent
with achieving the
goals of the Paris
Climate Agreement.**

Independent Verifiers

2018 Certified Bonds Sorted by Verifier



2018 Certified Bonds Total Dollar Value Sorted by Verifier



Sovereign Bonds

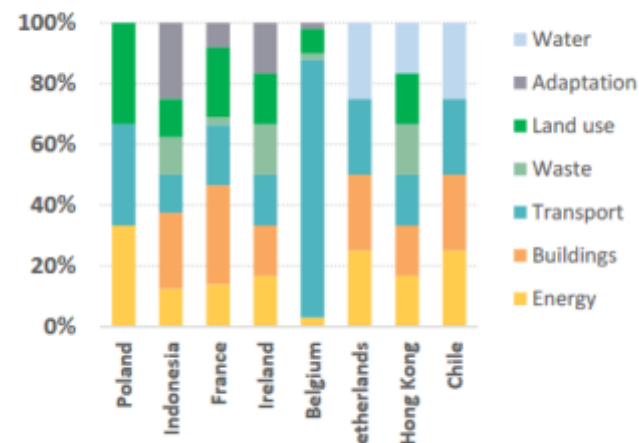
NDC Financing, market signaling, increased funding

USD18.4bn of sovereign green bonds were issued in H1 2019. Sovereign bonds can fund climate-resilient infrastructure and bring much needed liquidity to the green bond market.

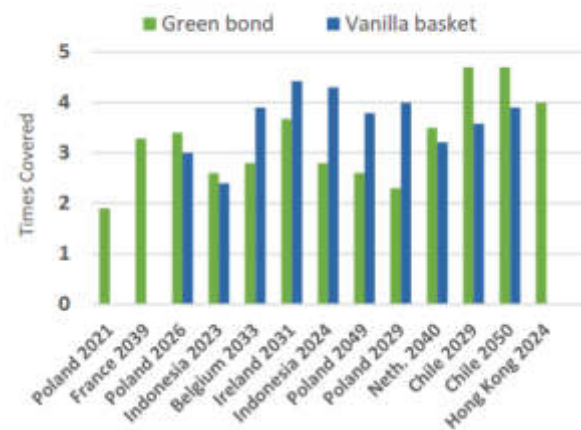
The sovereign green bond universe

Twelve governments have now issued 23 green bonds, totalling USD47.5bn. Almost 40% of that amount (USD18.4bn) was printed in the first half of 2019. The Netherlands, Hong Kong, and Chile issued debut green bonds, Poland, Indonesia and Nigeria returned to the market, and the French green bond was tapped twice.

Sovereign green bonds allocations



5 of 13 sovereigns GB attracted higher book cover than vanilla equivalents



Indonesia – Sovereign Green Issuance

- World's first issuance of a Sovereign Green Sukuk
- Attractive financing terms
- 29% more investors participated than normal Sukuk issuance
- Various types of projects will be financed

	2018 issuance	2019 issuance
Tenor	5 years (March 2023)	5.5 years (Aug 2024)
Size	USD 1.25 billion	USD 750 million
Coupon	3.75%	3.90%
Reviewer	CICERO	CICERO
% of Green Investors	29%	29%
% of Islamic Investors	32%	29%
% of Europe	15%	22%
% of US	18%	23%
% of Asia	25%	16%

Source: Ministry of Finance, Indonesia

Capturing global flows

New ETFs allow global investors to easily access Green Bonds

The green label is critical for ETFs

The four currently available ETFs use indices which adhere to CBI definition of green bonds

The Lyxor fund has grown by almost 13 times in just over 2 years. Van Eck fund is 5 times larger in just over 2 years.

More large green bonds will present more opportunities to launch green ETFs.

ETFs could increase the scale of demand for green bonds.

	Van Eck Vectors Green Bond ETF	Lyxor Green Bond ETF	iShares Global Green Bond ETF	Franklin Liberty Euro Green Bond ETF
Currency	USD	EUR	USD	EUR
Index	S&P Green Bond Select Index	Solactive Green Bond Index	Bloomberg Barclays MSCI Global Green Bond Select	Bloomberg Barclays MSCI Euro Green Bond Index
Launch Date	March 2017	February 2017	November 2018	April 2019
Size at launch	USD5m	EUR5m	USD25m	EUR10m
Mkt Cap June 2019	USD26.3m	EUR63.5m	USD26.85m	EUR10.17m

Capturing global flows

**The \$616bn
labelled green
bond market**

Outstanding, 12/6/19

**\$1.06tn other
climate-aligned
bonds**

Outstanding, end June 2018

**\$1tr labelled green
bonds by 2020**
(Christiana Figueres)

The \$90tr global bond market

Capture global capital flows

Green Bond Funds are looking to deploy capital

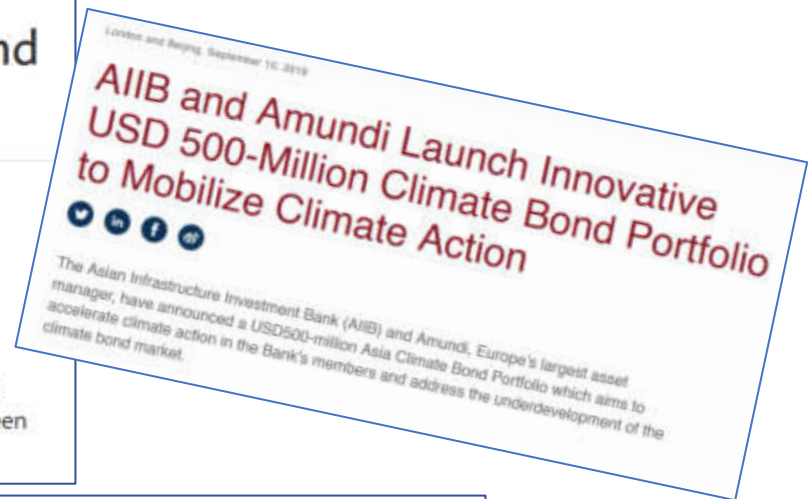
News and Events > News Releases >

Japan's Government Pension Investment Fund to Support ADB's Green Projects

News Release | 6 August 2019 日本語



MANILA, PHILIPPINES (6 August 2019) — The Asian Development Bank (ADB) and Japan's Government Pension Investment Fund (GPIF) recently formed a partnership to support green project financing through investments in ADB's green bonds.



Amundi's one-year-old green bond fund 'ahead of schedule'

Channels: Green Bonds

Companies: Amundi, International Finance Corporation, Proparco, European Investment Bank, European Bank for Reconstruction and Development, Alecta, AP3, AP4, ERAFP, Crédit Agricole Assurances

People: Frédéric Samama

04 March 2019

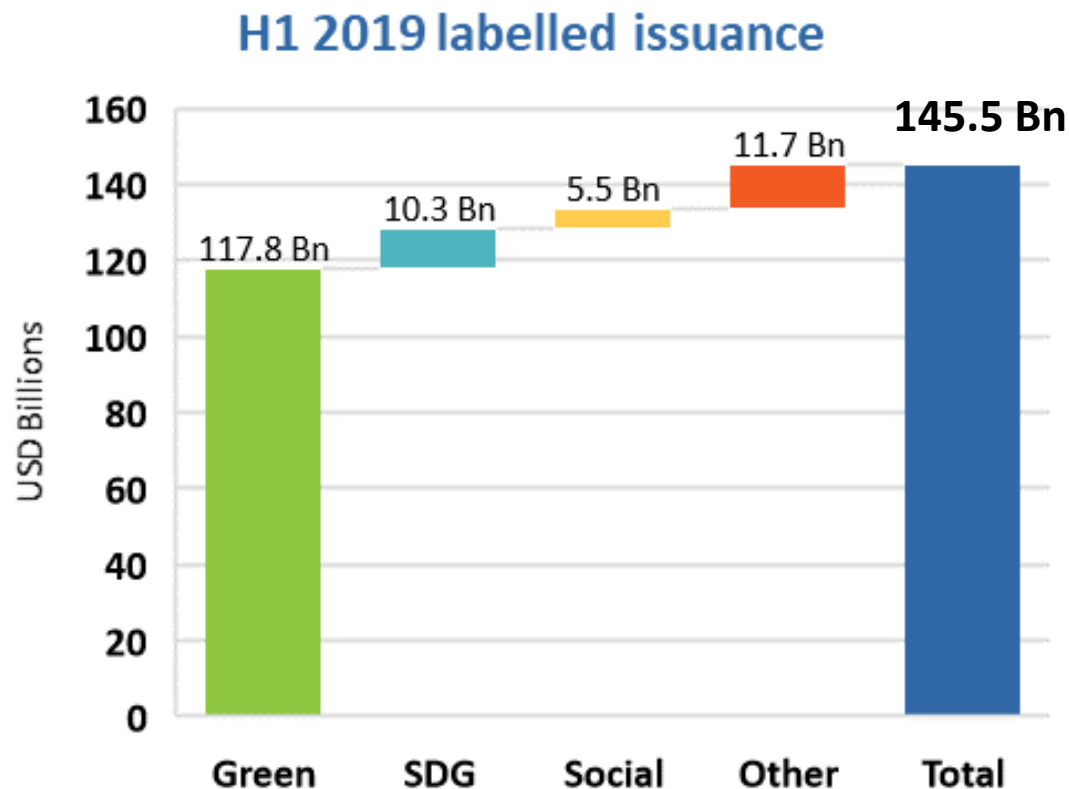


The world's largest green bond fund bought more green-labelled issuance in its first year than originally anticipated, **Frédéric Samama** tells **Michael Hurley**



From Green Bonds to SDGs, Social & Others

- Green Bonds, Social Bonds, Sustainable Bonds
- Capturing the demand from global investors to invest in ESG products
- Standards already exist, issuance can grow from here



Source: Climate Bonds Initiative

Examples of Green Finance in ASEAN

Thailand

BTS Group THB13 billion 2, 3, 5, 7, 10yrs (8 times oversubscribed)

B. Grimm THB5 billion 5 years & 7 years (ADB anchor investor)

Malaysia

Telekosang Hydro One Sdn Bhd MYR470m 18 years (first mini-hydro sukuk)

Indonesia

PT SMI IDR3 trillion sukuk green bond (renewable energy, energy efficiency, low emission transport, water management)

Philippines

Bank of the Philippines Islands CHF100 million @ yield of -0.02%

AC Energy USD225 million 5 years (onshore wind, solar, geothermal)

Singapore

ICBC S\$2.2 billion green bond in three currencies

CDL 2yr & 3yr S\$500m green loans from two banks (HSBC & DBS)

Reach Out!

Cedric RIMAUD, CFA
Climate Bonds Initiative

ASEAN Program Manager

cedric.rimaud@climatebonds.net

An aerial photograph of a ship sailing on a dark blue ocean. The ship is viewed from above, showing its hull, masts, and deck. A small red inflatable boat is visible in the water near the ship's stern. The ship is leaving a white wake behind it.

China Green Bond Market Development Experience and Future Development Priorities

Judy Li

October 17, 2019



**Building a better
working world**

Contents

01	Why Green Bond	3
02	Green Bond Policy Basis in China	7
03	China Green Bond Market Overview	12
04	Future Priorities of Chinese Government on Green Bond Market	19
05	Suggestions on Developing Green Bond Markets in ASEAN Countries	25
06	EY Experiences	28



1. Why Green Bond



WHY GREEN BOND-Financing a Sustainable Future

"Climate change is not just an environmental challenge. It is a fundamental threat to economic development."

- Jim Yong Kim – President, The World Bank

Transitioning communities away from carbon-reliance is a serious challenge; in order to achieve the target of **\$53 trillion** in clean energy investment needed by 2035 to keep global warming under two degrees, the International Energy Agency suggests using several tools, including **Green Bonds**. Green Bonds can advance adoption of innovative new technologies, finance projects that provide green jobs, and promote economic and climate resiliency across regions.



WHY GREEN BOND-What Is a Green Bond

A green bond is like any other bond where a debt instrument is issued by an entity for raising funds from investors. However what differentiates a Green bond from other bonds is that the proceeds of a Green Bond offering are 'ear-marked' for use towards financing **'green' projects.**



WHY GREEN BOND-Benefits

Enabling Projects at a Lower Cost of Capital

Green bonds are an excellent way to secure large amounts of capital to support environmental investments that may not otherwise be available, or that may be uneconomic using more expensive capital. Green bonds are well suited for large-scale sustainability projects such as wind and solar development, which often require capital investment ahead of revenues, and which generate modest revenue over a longer investment horizon.

Press Coverage & Brand Value

Green Bonds provide governments with a chance to brand themselves as forward thinking, innovative, and sustainable.

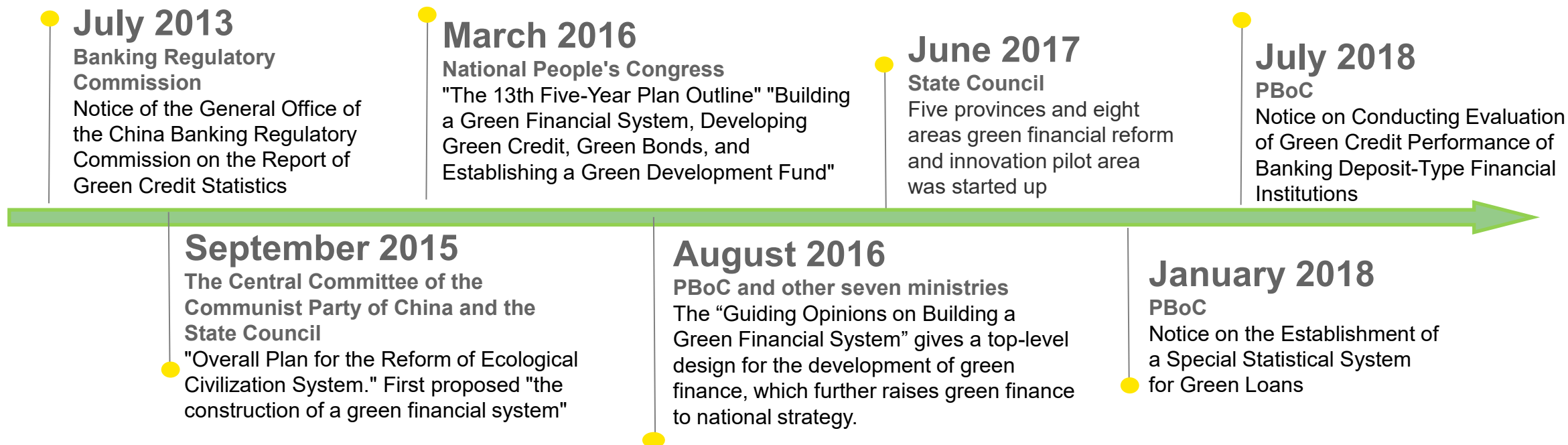


2. Green Bond Policy Basis in China

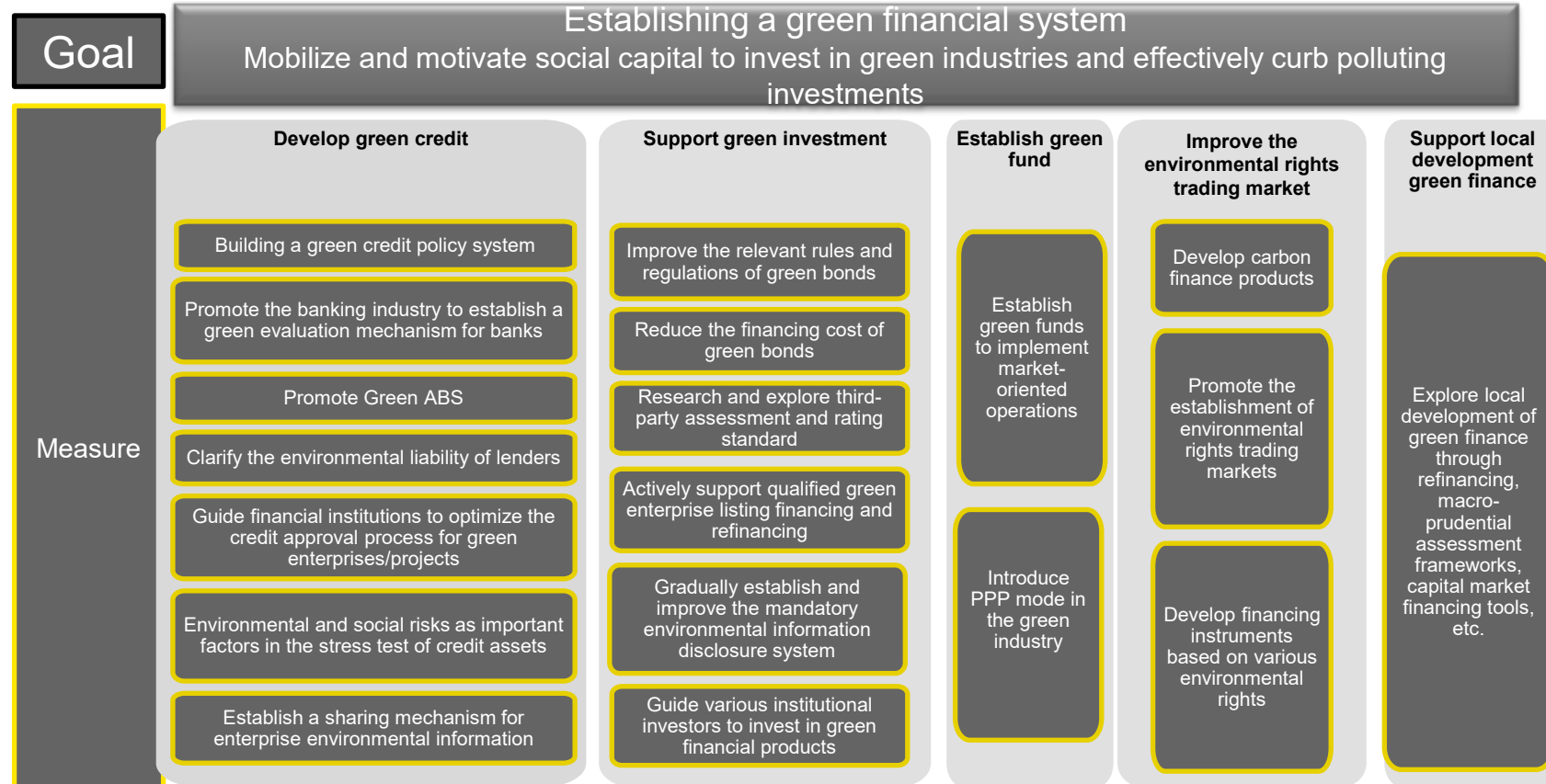


Policy Basis--Top-Level Green Finance Infrastructure Constructions in China

- ▶ Since 2013, China has continuously promulgated green finance related policies, strengthened top-level green finance infrastructure establishing, and effectively underpinned and promoted the progress of green financial markets in China.



Policy Basis--“Establishing the Green Financial System” , a National Strategy to Support the Green Transformation of China



The green financial system refers to the institutional arrangement that utilizes financial instruments such as green credit, green bonds, green stock indices and related products, green development funds, green insurance, and carbon finance, as well as relevant policy incentives to support the green transformation and sustainable development in China.

Policy Basis-- China Initiated Pilot Zones for Green Finance Reform and Innovation

- On June 23, 2017, with the approval of the State Council, the People's Bank of China and other seven ministries jointly issued “The Overall Plan for the Green Financial Reform and Innovation Pilot Zone” of the **five provinces and autonomous regions** and **each pilot zone issued specific rules according to the overall plan to develop green finance.**

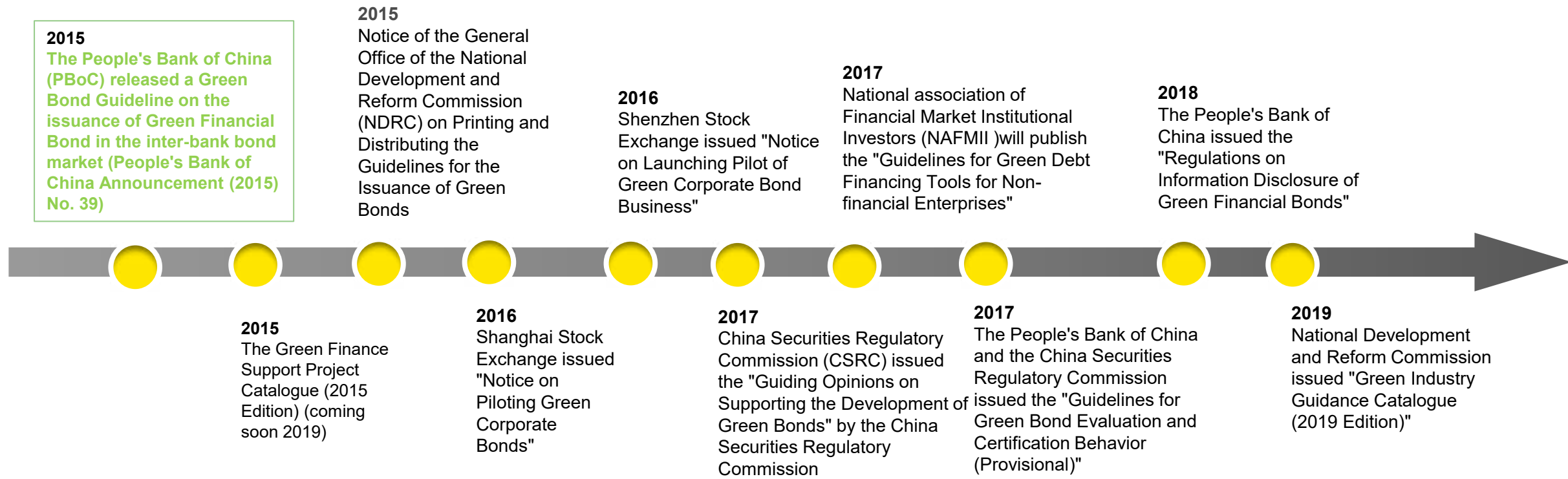


Xinjiang	Kumui Changji Karamay
Guizhou	Gui'An New Area
Zhejiang	Huzhou City Quzhou City
Jiangxi	Ganjiang New Area
Guangdong	Huadu District, Guangzhou

Policy Basis-- Key Regulatory Requirements/Guidelines for Issuance of Green Bonds in China

At the end of 2015, the People's Bank of China (PBoC) released its **Green Financial Bond Guidelines**—making China **the first country in the world** to publish official rules for the issuance of green bonds.

Since 2015, The different regulatory authorities has continuously issued relevant requirements/guidelines on issuing green bonds. These green bond guidelines build on best practice in the international green bond market such as the GBP and the CBS.



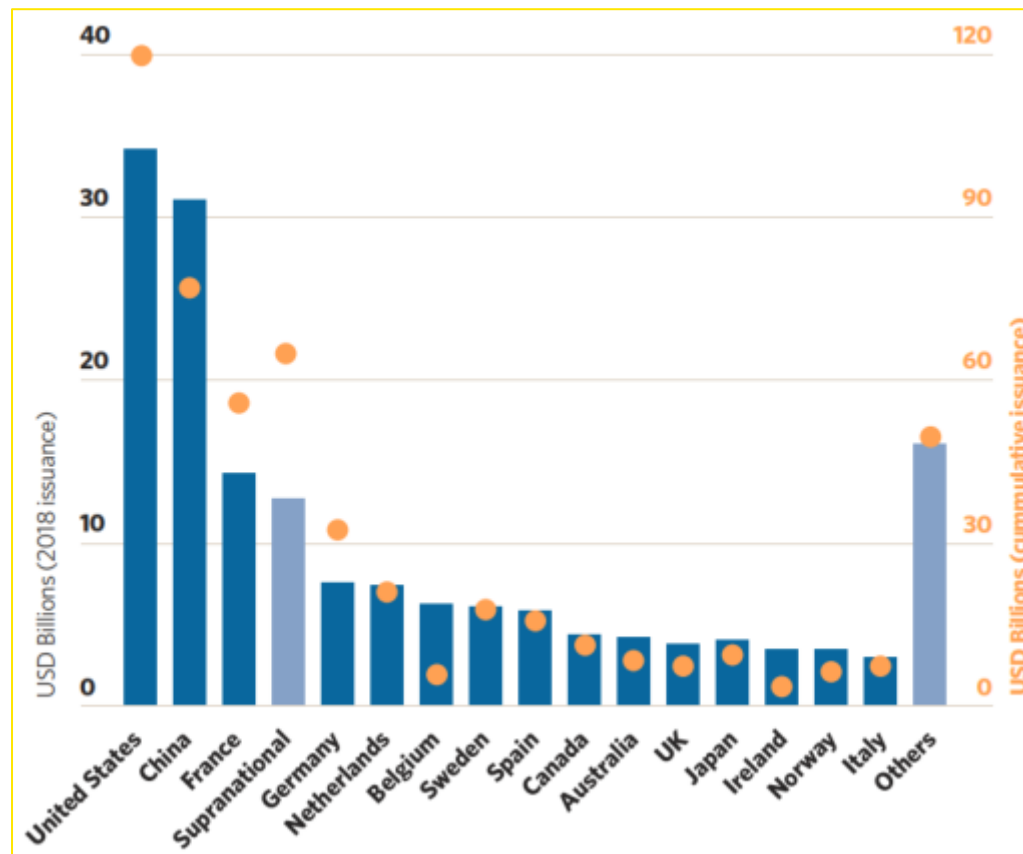
3. China Green Bond Market Overview



China Emerges as Key Player in Green Bonds Market

Chinese Green Bond Market has gradually developed into one of the most important green bond markets in the world.

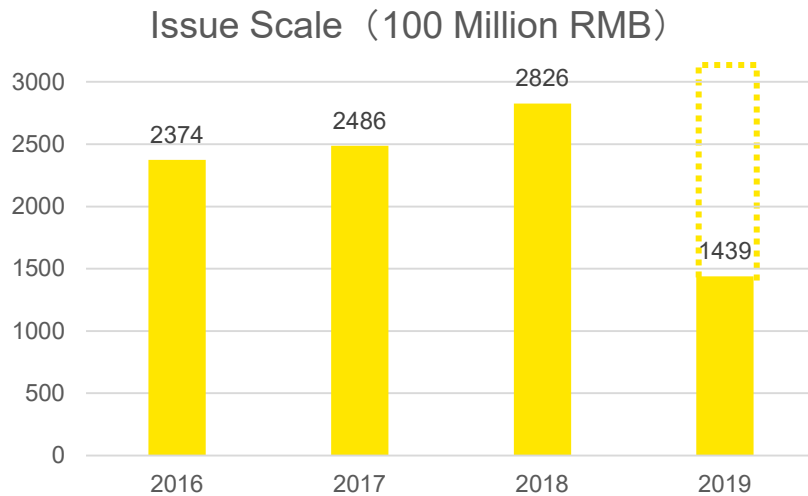
As of the end of 2018, under international bond definition Chinese issuer has issued US\$31.2 billion (210.3 billion RMB) green bond, making it **the second largest** source of global green bond markets.



Source : CBI

Latest Statistics on China's Green Bond Market

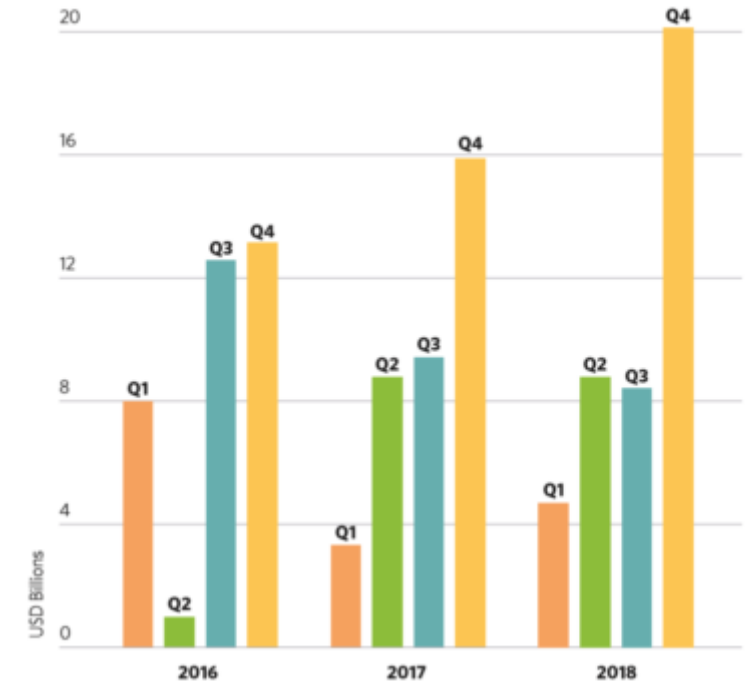
In the first half of 2019, Chinese issuers issued 143.9 billion yuan of green bonds, achieving a year-on-year growth of 62%. Chinese issuers are expected to issue more than **300 billion** RMB of green bonds in 2019.



Green bonds from Chinese issuers account for **18%** of global issuance.



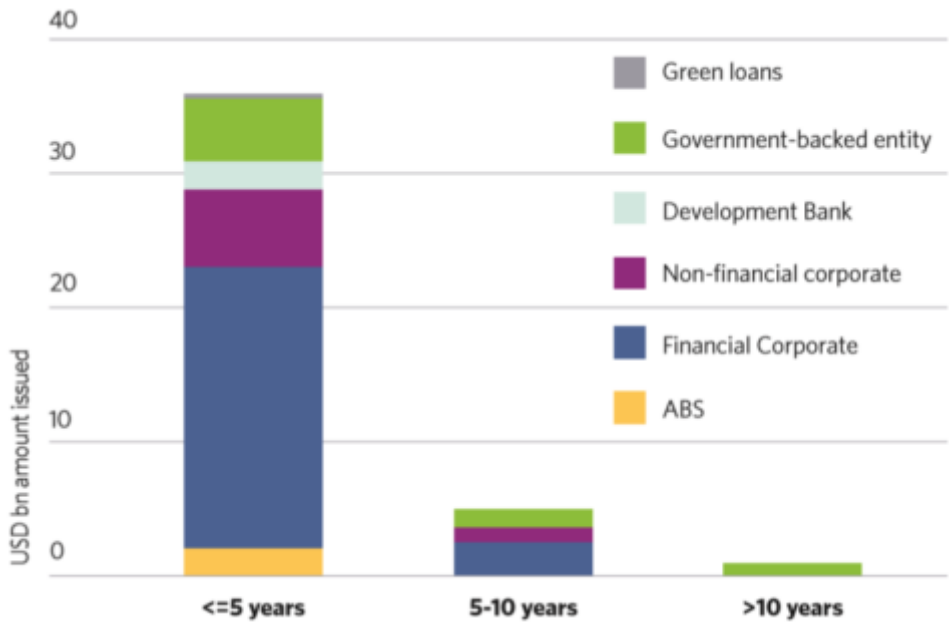
Quarterly issuance volumes tend to pick up in **Q4**



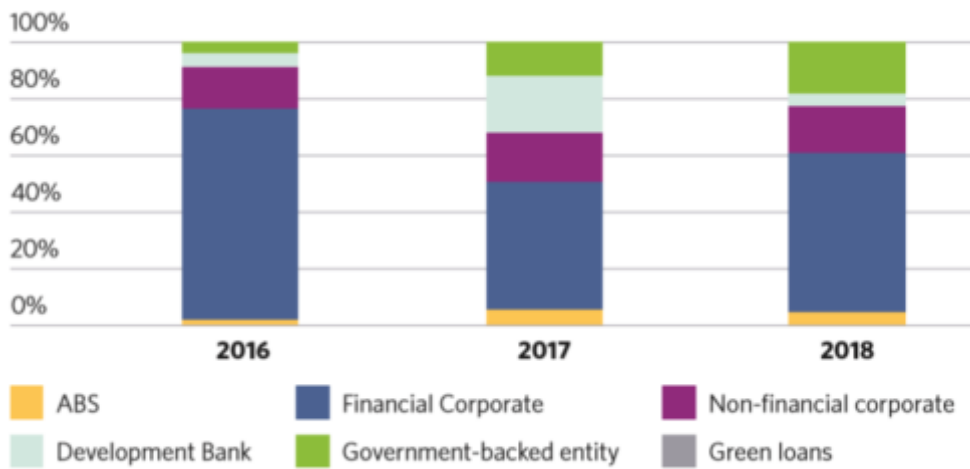
Source : CBI

Latest Statistics on China's Green Bond Market

Shorter-dated bonds with a term of up to 5 years are primarily issued by financial corporates (59%). China's biggest banks are increasingly using short-term financing to meet demand for loans. Bonds with shorter tenors dominate the market.



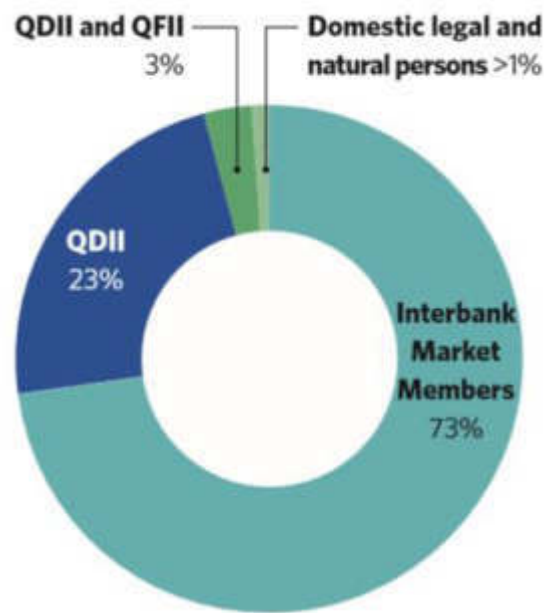
2018 volume by issuer types below and 2018 issuance is dominated by financial corporates.



Source : CBI

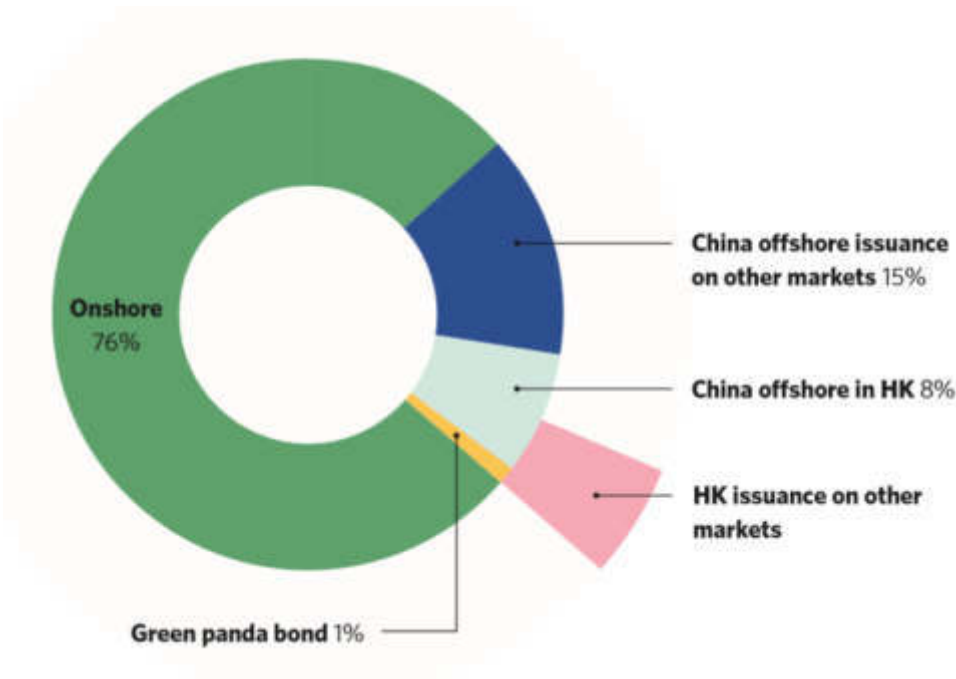
Latest Statistics on China's Green Bond Market

China's opening up capital market allows eligible overseas QDII and QFII to enter the domestic capital market for securities investment within the approved investment quota.



Investor types on domestic market

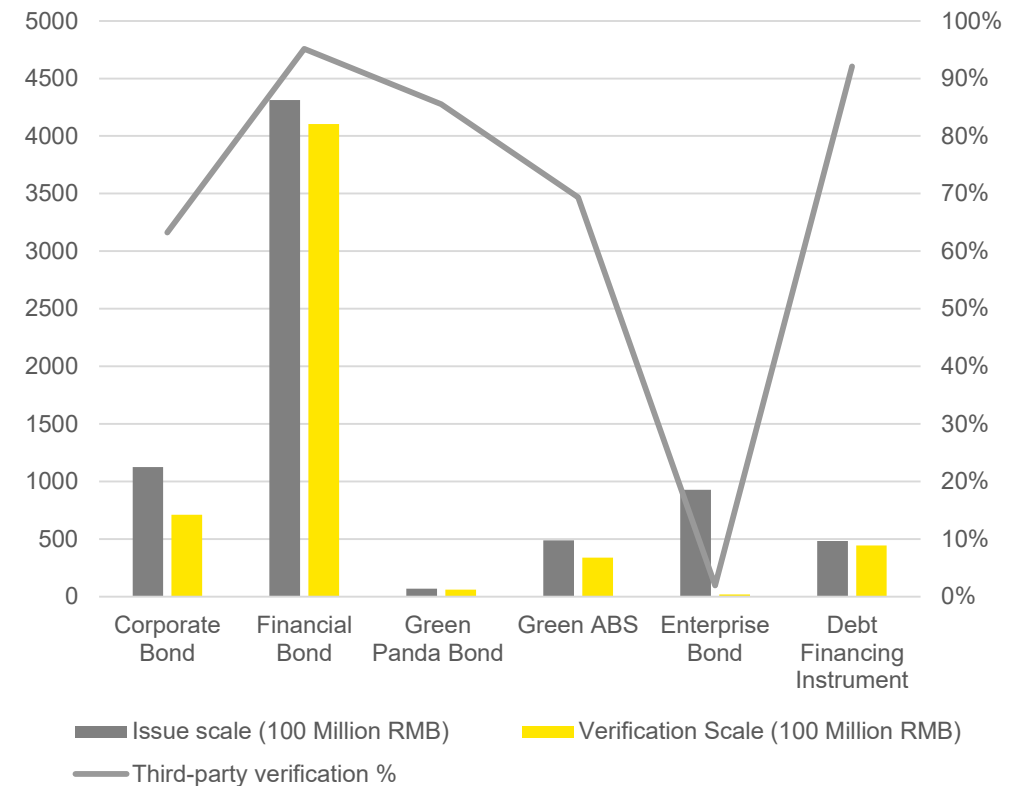
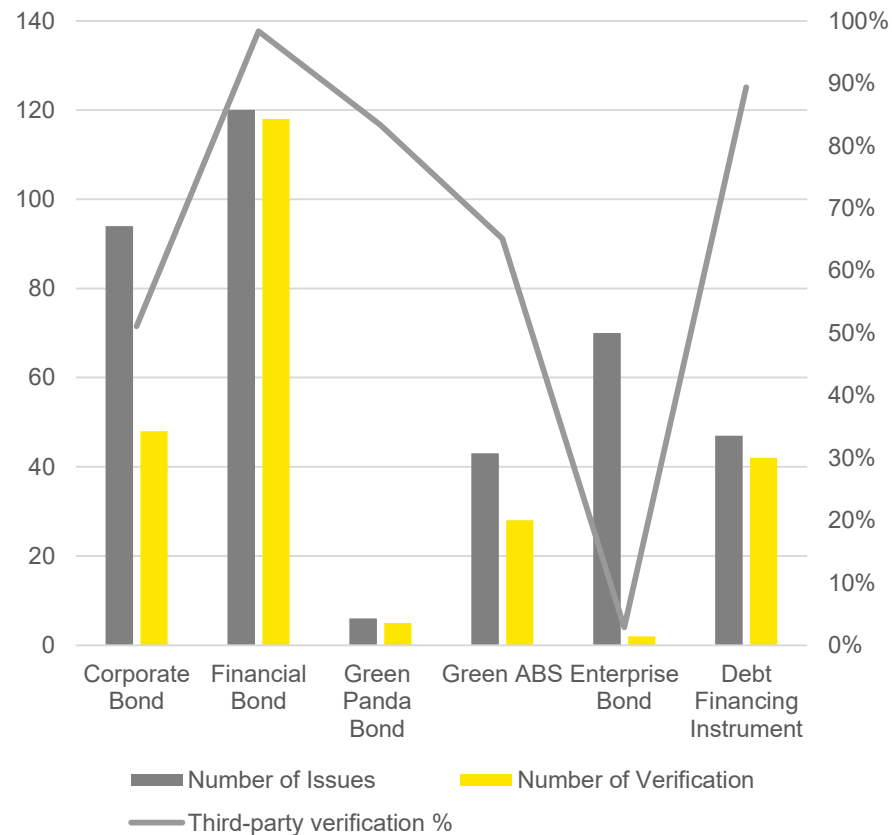
China's offshore issuance, green panda bonds and the Hong Kong market account for **23%** of the total issuance by the end of 2018.



Source : CBI

Features of China's Green Bond Market

As of June 30, 2019, the number of green bond issued, the number of green bond verified and the verification percentage of different type of green bonds in Chinese green bond market.



Data source : GFC's Green finance database

Green Bond Innovations Continue to Emerge in China's Market

Green Exchangeable Corporate Bond

China Yangtze River Three Gorges Group Co., Ltd. issued 20 billion RMB of green exchangeable bonds on April 3, 2019 with a coupon rate of 0.50%, creating a new low interest rate for publicly traded exchangeable bonds. It is the first large publicly-received green exchangeable corporate bond in the domestic market. Since 2019, the market can only exchange debt records.

Green “Belt and Road” Interbank Normalization Cooperative Bond

On April 16th, ICBC Singapore Branch successfully issued the world's first green “Belt and Road” inter-bank normalization cooperation bond (“BRBR debt”). The issue covers RMB, USD and EUR, etc. The value is US\$2.2 billion with a term of 3 years and 5 years. The funds raised will be used to support the “One Belt, One Road” green project construction.

Green + Poverty Alleviation Bond

On September 26, 2019, Longyuan Power Company issued the first Green + Poverty Alleviation Debt Financing Tool. 100% of the funds raised will be used for clean energy wind power projects, and some special projects will be invested in the project construction of Weining Yi and Hui and Miao Autonomous County in Guizhou Province, a national poverty-stricken county.

Green Municipal Special Debt

On June 18, 2019, the Jiangxi Provincial People's Government issued the 2019 Green River Special Bond of Jiangxi Province on the Shanghai Stock Exchange. The issue amount was 300 million yuan, the term was 30 years, the issuance rate was 4.11%, and the subscription multiple was over 12 Times, this is the country's first single green municipal special debt.

Hong Kong Government Green Bond

The Hong Kong SAR Government successfully launched the first batch of green bonds under the “Government Green Bond Program” on May 22, with a scale of US\$1 billion and a term of 5 years. The first batch of government green bonds will be settled on May 28 and will be in Hong Kong. Listed on the exchange and the London Stock Exchange.

Perpetual Debt + Green Bond

On May 24, 2016, Xinjiang Goldwind Technology Co., Ltd. issued the country's first Green Perpetual Bond with a scale of 1 billion yuan, the maturity of 5+N years and coupon rate of 5%.

Future Priorities of Chinese Government on Green Bond Market



1. China's Green Standards Gradually Converge with International Standards

ICMA Green Bond Principle

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity conservation
- clean transportation
- sustainable water and wastewater management
- climate change adaptation
- eco-efficient and/or circular economy adapted products, production technologies and processes
- green buildings

CBI Climate Bonds Standard

- Solar energy
- Wind energy
- Bus rapid transit system
- Low carbon buildings
- Low carbon transport
- Biomass energy
- Water infrastructure
- Agriculture and forestry
- Geothermal Energy
- Infrastructure adaptation & resilience.
- Waste management
- Industrial energy efficiency

2019 Green Industry Guiding Catalogue

- Energy-saving and environmental protection industry
- Cleaner production industry
- Clean energy industry
- Eco-environmental industry
- Green upgrading of infrastructure
- Green service

Note: Under the 6 major classifications, it is subdivided into 30 secondary classifications and 211 tertiary classifications.



China has been working on the convergence of green definitions and standards with international market.

2. Opening Up Green Bond Market and Enhancing the Level of Internationalization

In the issuance process, China not only attracts and encourages high-quality issuers to issue **green panda bonds** to the Chinese inter-bank market, but also supports Chinese financial institutions and enterprises to issue **green bonds overseas**.

The openness of China's bond market provides **better products and liquidity management tools** for international investors. With the unification of verification standards and better information disclosure, China's green bond market will be very attractive.



The green bond market continues to open up and enhance the level of internationalization



Deeply participate in the reform and development of international green finance innovation

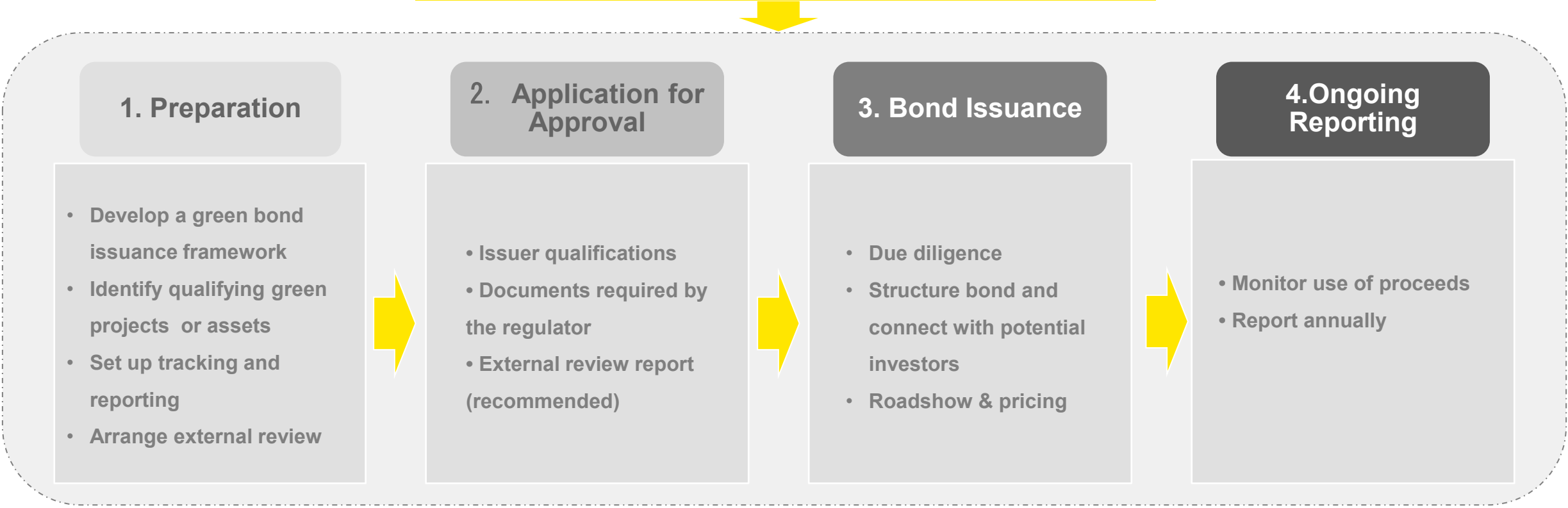


Advocating Green investment in the “One Belt and One Road” initiative

How to Issue a Green Panda Bond (Panda Bond + Green Feature) in China

China is now the world’s second largest green bond market. China’s green bond market, with clear rules, active market players, and supportive investors and policymakers, offers a **great opportunity** for foreign green bond issuers. A green panda bond is a RMB-denominated bond issued in mainland China by a foreign entity, with proceeds earmarked for green assets or projects. The issuance of a green panda bond needs to follow both the guidelines for panda bonds and for green bonds.

The procedure for issuing a green panda bond



3. Advocating “One Belt and One Road” Green Investment Principle



The Belt and Road Initiative (BRI) aims to substantially enhance the level of infrastructure and economic development across BRI countries.

“

In December 2018, at the third meeting of the Sino-British Green Finance Working Group, the China Finance Association Green Finance Professional Committee and the City of London jointly issued the **“One Belt, One Road” Green Investment Principle (GIP)** drafted by the Sino-British Organization.

3. Advocating “One Belt and One Road” Green Investment Principle

Principle 1	Embedding sustainability into corporate governance
Principle 2	Understanding Environmental, Social and Governance Risks
Principle 3	Disclosing environmental information
Principle 4	Enhancing communication with stakeholders
Principle 5	Utilizing green financial instruments
Principle 6	Adopting green supply chain management
Principle 7	Building capacity through collective action

Over **30 large financial institutions** that have signed the principle, including major Chinese financial institutions involved in the “Belt and Road” investment, as well as large banks and other financial institutions from the United Kingdom, France, Germany, Luxembourg, Japan, Hong Kong, Singapore, United Arab Emirates, Pakistan, Kazakhstan and Mongolia.



These GIPs are designed to align capital with the **Paris Agreement** on Climate Change and the **Sustainable Development Goals**, to deliver the shared vision of inclusive, sustainable, resilient prosperity. **GIP is expected to become an important platform to promote green development.**

Suggestions on Developing Green Bond Markets in ASEAN Countries



Regional and Domestic Measures Across ASEAN in Support of Green Bond Issuance

2014

Securities Commission **Malaysia** launched the Sustainable & Responsible Investment (SRI) Sukuk framework.



Indonesia Financial Services Authority (OJK) launched the Roadmap for Sustainable Finance.



2015

The State Bank of **Vietnam** issued Directive on Promoting Green Credit and Managing Environmental and Social Risk in Lending Activities.



2017

Monetary Authority of **Singapore** (MAS) Green Bond Grant scheme was launched with the aim to offset the cost of obtaining an external review for green bonds, up to SGD100,000 per issuance.



ASEAN Green Bond Standards (GBS) introduced by the ASEAN Capital Markets Forum (**ACMF**). GBS are aligned to the Green Bond Principles.



Malaysia Financial Services Authority enacted green bond requirements Regulation.



2018

Securities and Exchange Commission **Philippines** approved guidelines on the issuance of Green Bonds under the ASEAN Green Bonds Standards.



Securities Commission **Malaysia** introduced a tax exemption for recipients under the Green SRI Sukuk Grant Scheme.



ACMF published **ASEAN Social Bond Standards** and the **ASEAN Sustainability Bond Standards**.



Demonstration issuance of a Sovereign Green Sukuk by the Republic of **Indonesia**

Regulatory Bodies Have An Instrumental Role to Play

“

A recent report by the UNEP and Singaporean bank DBS forecast that demand for additional green investment in ASEAN between 2016 and 2030 will reach **\$2 trillion** to **\$3 trillion**. The scale of the investment requirement clearly demonstrates the huge potential for green finance in ASEAN.

FOUR suggestions on Developing Green Bond Markets in ASEAN Countries.

I

The ASEAN Green Bond Standards is a major initiative, but national incentive schemes, sustainability roadmaps and green bond issuance guidelines all contribute to local market evolution. Further **policies, incentives and guidelines** around green finance should be introduced in ASEAN by the regulatory bodies.

II

The screening and selection of compliant green projects is important. The regulatory bodies can take the lead to establish a **green projects pool** to facilitate the docking of green bond issuers and green project investors.

III

Labelled green bonds from climate-aligned issuers present an opportunity to bring visibility to the wider ASEAN green finance market. Future development will benefit from issuers' best practice across the region on the use of **external reviews** to showcase their green credentials.

IV

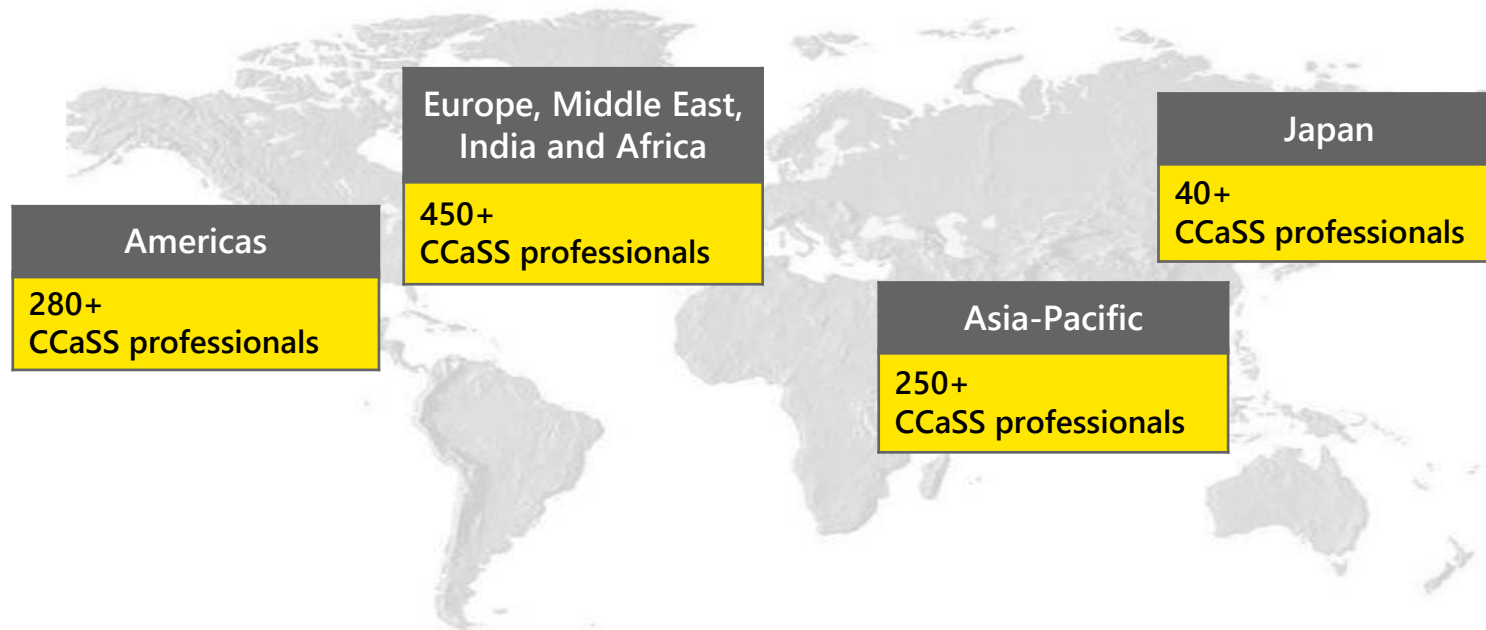
ASEAN governments can also encourage market growth by setting out clear **investment guidelines** for public pension funds and other state funds, development banks and state agencies. Channeling public money into green bonds would increase the liquidity of these instruments, and in turn, their appeal to investors and issuers alike.

EY Experiences



EY CCaSS Team Around the World

- ▶ EY's CCaSS team has more than 1,000 consultants in 103 cities around the world. With an international network, we can provide our clients with more leading professional services.
- ▶ In China, EY CCaSS team relies on global network resources and a deep understanding of China's sustainable development and climate change background to provide customized services to help your company explore sustainable development goals.



EY is Widely Involved in Green Finance Policy Making and Providing Research Support



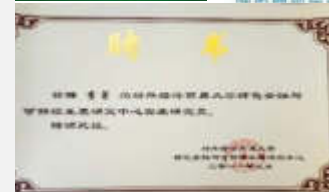
中国金融学会绿色金融专业委员会
Green Finance Committee, China Society for Finance and Banking



EY has provided professional advice and support to the Green Finance Committee of the Chinese Finance Association (CFA) in formulating green bond policies, and maintained good communication with many branches of the People's Bank of China.

Ms. Judy Li, partner of FSO CCaSS, holds an important position in several organizations:

- Member of the Green Finance Commission
- Member of Securities Association of China Green Securities Specialized Committee
- Executive director of Lujiazui Green Finance Development Center
- BRICs industry and Commerce Council green finance expert
- Green finance expert in China and London Square Mile
- Member of Zhejiang Huzhou Green Finance Reform and Innovation Committee
- Global Think Tank Expert of Sino Research Institute of Green Finance.
- Director of Beijing Green Finance Association.



As of July 2019, Ernst & Young ranked first in the market for China's green bond verification for three consecutive years.



Asiamoney China
Green Finance
Awards: 2017



Asiamoney China
Green Finance
Awards: 2018



Asiamoney China
Green Finance
Awards: 2019

EY was awarded the China Green Finance Awards **"Best Green Finance Verifier"** by Asia Money in **2017, 2018, 2019**.

EY's Credentials on Green Bond Issuance Assurance from Domestic Market

 浦发银行 SPD BANK	50bn RMB	 兴业银行 INDUSTRIAL BANK CO.,LTD.	60bn RMB
 北京银行 BANK OF BEIJING	30bn RMB	 南京银行 BANK OF NANJING	5bn RMB
 New Development Bank	3bn RMB	 青岛银行	8bn RMB
 江西银行 JIANGXI BANK	8bn RMB	 东莞银行 BANK OF DONGGUAN CO.,LTD.	4bn RMB
 乌鲁木齐银行 BANK OF URUMQI	500m RMB	 华融湘江银行 HUARONG XIANGJIANG BANK	3.5bn RMB
 南通农商银行	500 RMB	 昆仑银行 Bank of Kunlun	100m RMB
 河北省金融租赁有限公司 HEBEI FINANCIAL LEASING CO., LTD.	2bn RMB	 华融金融租赁股份有限公司 CHINA HUARONG FINANCIAL LEASING CO., LTD.	2bn RMB
 浙江稠州商业银行 ZHEJIANG CHOUZHOU COMMERCIAL BANK	1.5bn RMB	 哈尔滨银行 HarbinBank	5bn RMB
 徽商银行 HUI SHANG BANK	5bn RMB	 CZBANK 浙商银行	5bn RMB





(Unit : RMB)

EY's Credentials on Green Bond Issuance Assurance from Domestic Market

 长沙银行 BANK OF CHANGSHA	5bn RMB	 郑州银行 BANK OF ZHENGZHOU	6bn RMB
 重庆银行 BANK OF CHONGQING	6bn RMB	 宁波银行 BANK OF NINGBO	3bn RMB
 河北银行 BANK OF HEBEI	5bn RMB	 齐鲁银行 QILU BANK	6bn RMB
 九江银行 BANK OF JIUJIANG	4bn RMB	 青海银行 BANK OF QINGHAI	1.5bn RMB
 湖州银行 BANK OF HUZHOU	500M RMB	 中国大唐集团新能源股份有限公司 China Datang Corporation Renewable Power Co., Limited	4bn RMB
 大连银行 BANK OF DALIAN	2bn RMB	 中国华电集团公司 CHINA HUADIAN CORPORATION	5bn RMB
 东莞农村商业银行 DRC Bank	2bn RMB	 博天环境 Poten Enviro	300 RMB
 上饶银行 BANK OF SHANGQIAO	3bn RMB	 中国节能 CHINA ENERGY CONSERVATION AND ENVIRONMENTAL PROTECTION GROUP	5bn RMB
 江苏银行 BANK OF JIANGSU	10bn RMB	 中国长江三峡集团公司 China Three Gorges Corporation	11.5bn RMB

(Unit : RMB)

EY's Credentials on Green/Climate/Sustainability Bond Issuance from Off-Shore

 	500m USD	+1bn EURO	 	600m AUD
 	10亿+5亿 USD	EURO	 	30bn+1bn HKB USD
 	650m EURO		 	500m +700m+1bn USD EURO RMB
  	500m AUD		 	2.25bn +500m+1.5bn USD EURO RMB
	500m EURO		 	500m USD
 	1.5bn USD			1bn EURO

(Unit : RMB)

For more information about Ernst & Young's
Climate Change and Sustainability Services,
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EY 安永 | Assurance 审计 | Tax 税务 | Transactions 交易 | Advisory 咨询

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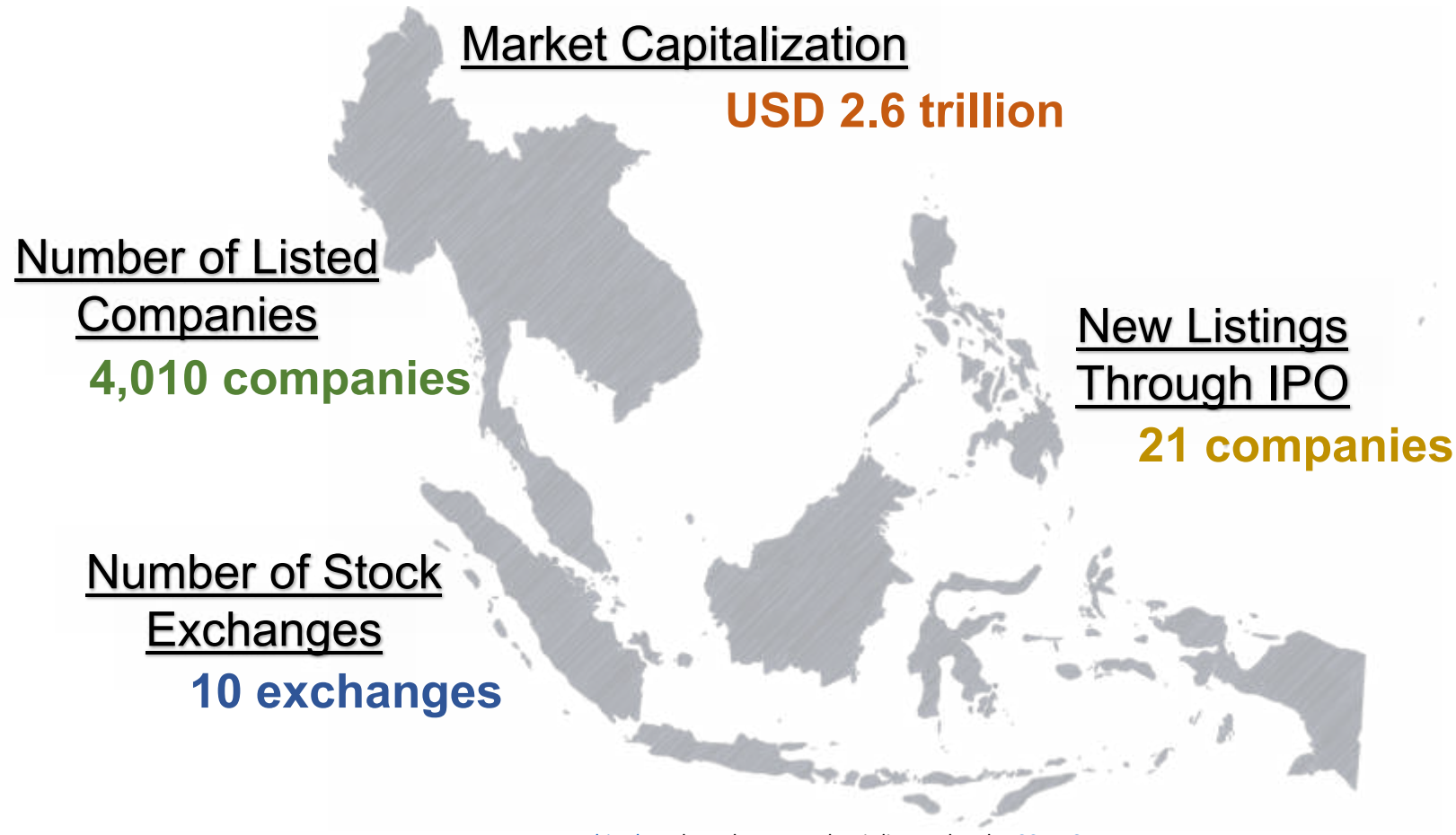
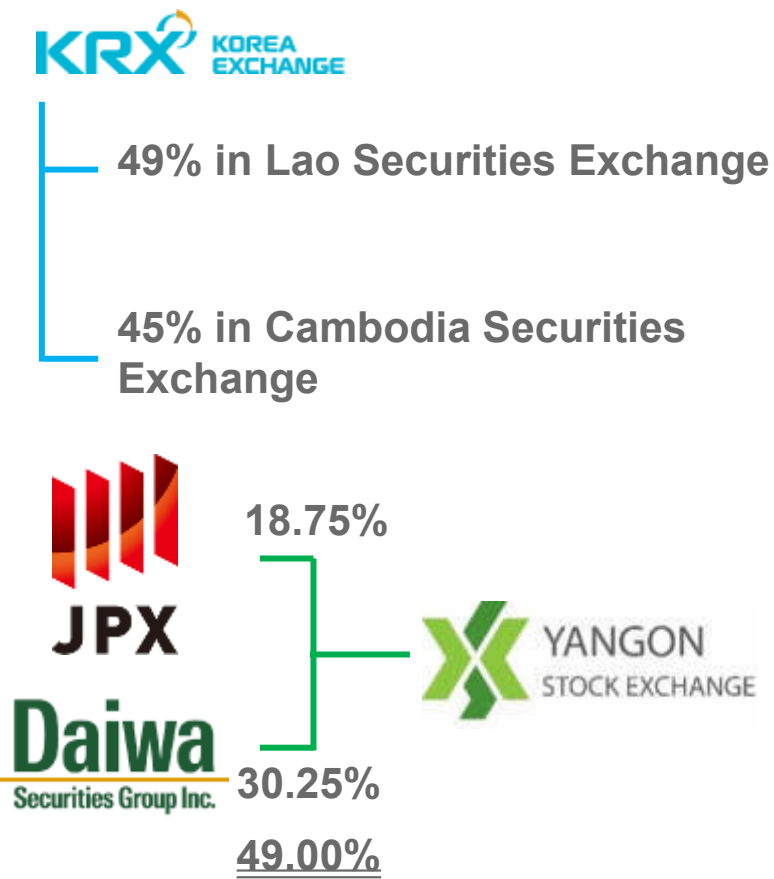
GREEN BOND MARKET IN ASEAN

Kosintr Puongsophol

Financial Sector Specialist
Asian Development Bank
Email: kpuongsophol@adb.org



ASEAN CAPITAL MARKETS LANDSCAPE

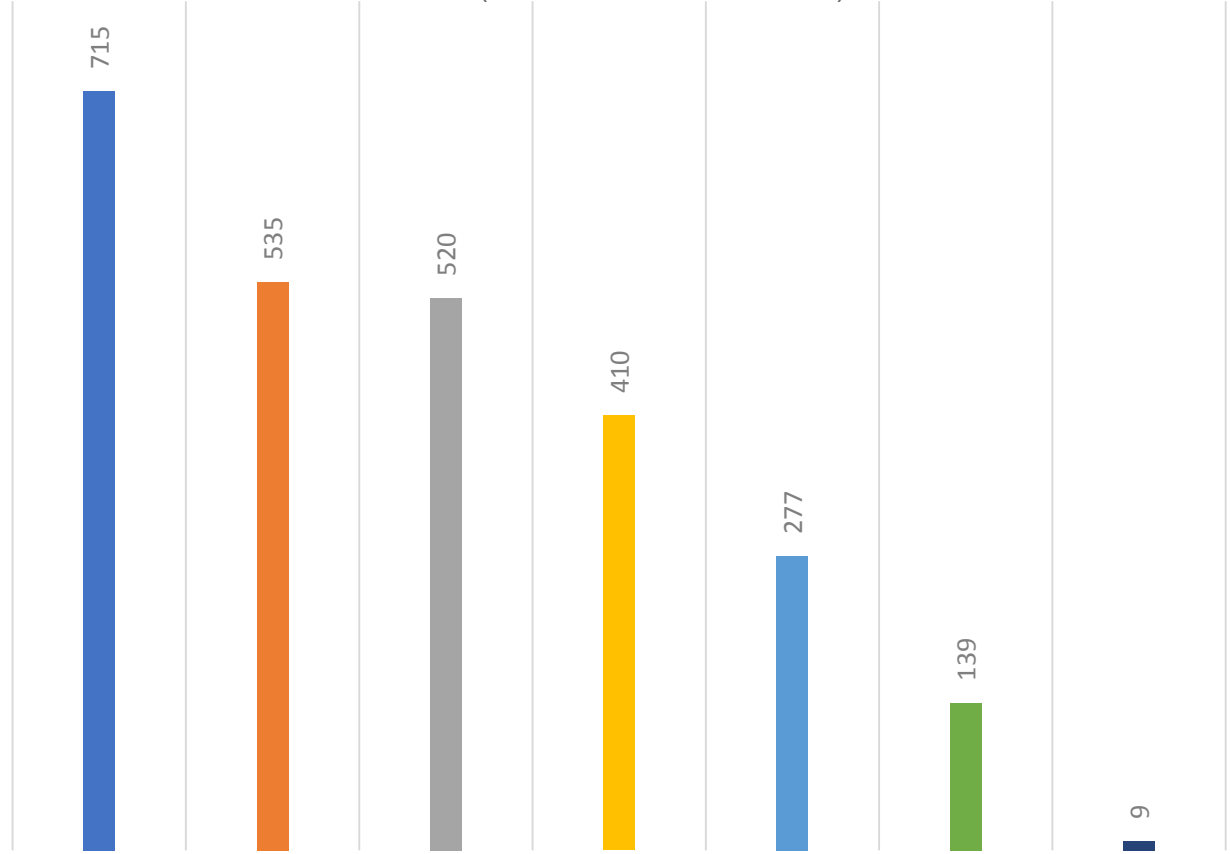


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ASEAN CAPITAL MARKETS LANDSCAPE

MARKET CAPITALIZATION

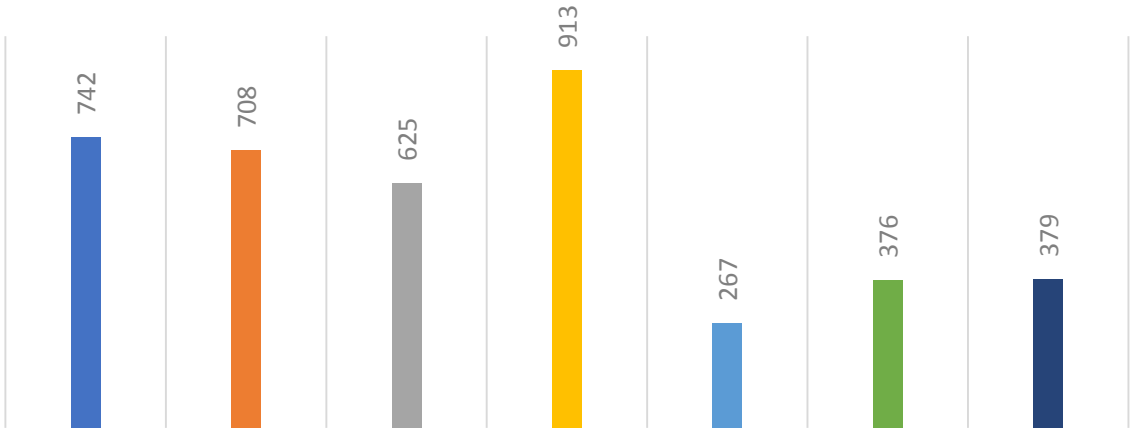
■ SGX ■ SET ■ IDX ■ BM ■ PSE ■ HOSE ■ Hanoi SE
(Billion USD, March 2019)



NUMBER OF LISTED COMPANIES

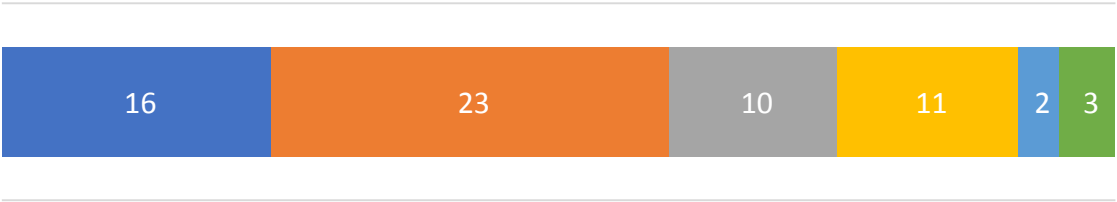
(March 2019)

■ SGX ■ SET ■ IDX ■ BM ■ PSE ■ HOSE ■ Hanoi SE



VALUE OF TRADING

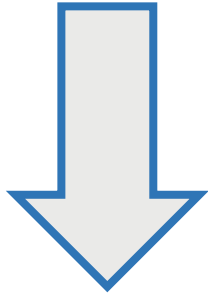
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(Billion USD, March 2019)

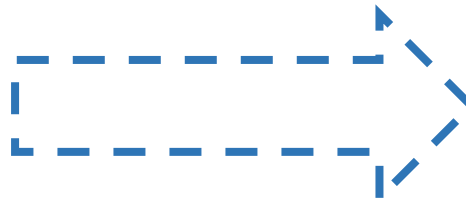
BACKGROUND OF ASEAN CAPITAL MARKETS FORUM

ACMF is a high-level forum comprising of top executives from ASEAN capital market regulators established in 2004 with key objectives to promote greater integration, connectivity and freer flow of capital in the region



Post 2015 vision:

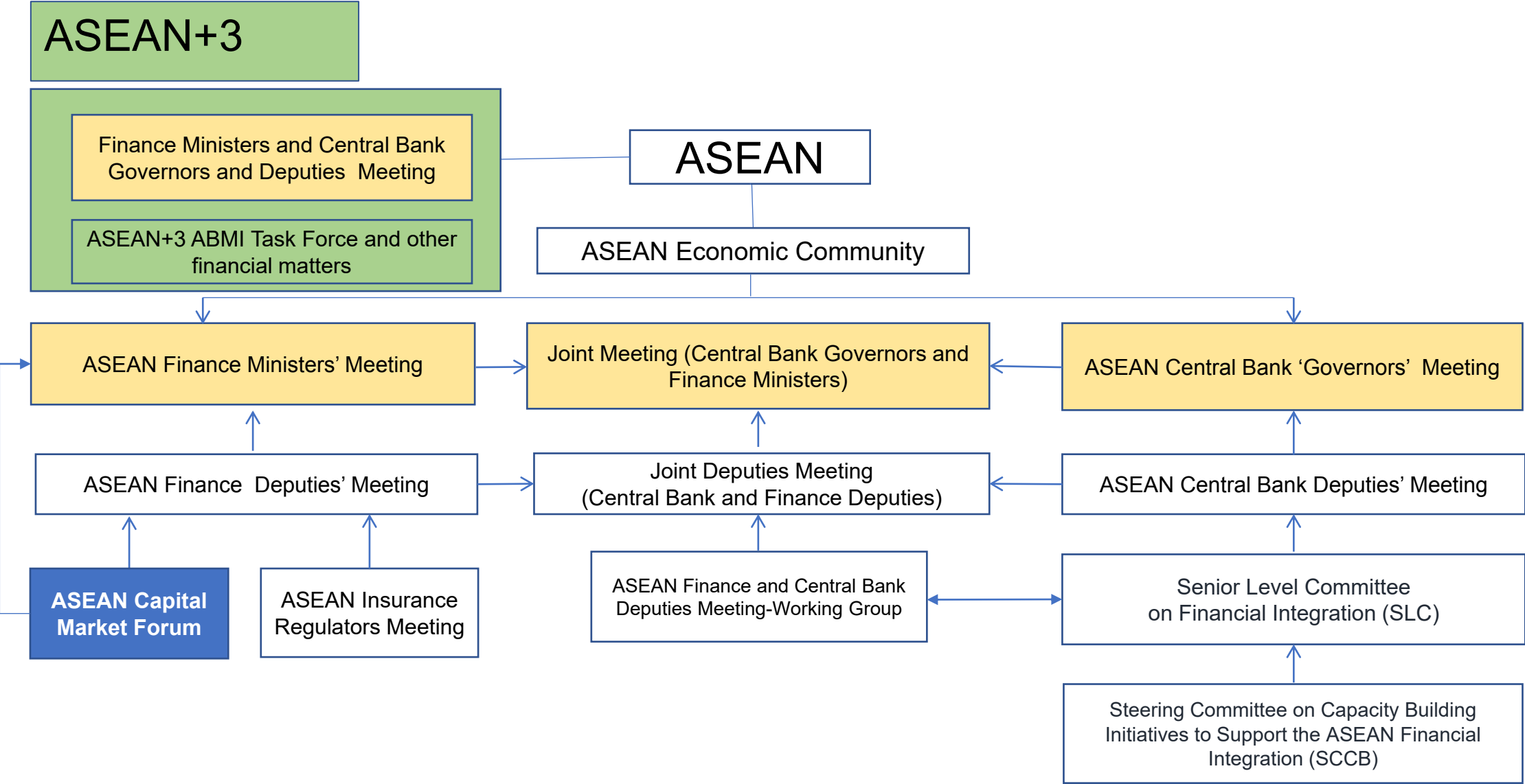
To achieve an **inter-connected**, **inclusive** and **resilient** ASEAN capital market for supporting AEC Vision 2025



ACMF 2016-2020 Action Plan sets out strategic objectives and key priorities as follows:

1. Promote ASEAN **sustainable capital market**
2. Improve regional **market infrastructure** and connectivity
3. Drive more cohesiveness in **regulations** and **practices**
4. Foster better **mobility for professionals**
5. Attract greater **investor participation**
6. Promote greater **stakeholder interaction**, co-operation and co-ordination

OVERVIEW OF ASEAN FINANCE MINISTERS PROCESS



GREEN BONDS FRAMEWORKS



GREEN BOND
PRINCIPLES



CLIMATE BOND
STANDARDS



ASEAN GREEN
BOND STANDARDS



NATIONAL
STANDARDS



ASEAN GREEN BOND STANDARDS

- Based on the International Capital Market Association (ICMA)'s Green Bond Principles
- Issuers must have a geographical or economic connection to the ASEAN region
- Specific exclusions of certain projects:
 - Fossil fuel power generation projects
- External reviewer must have the relevant expertise and experience in the area. The external reviewer's credentials and scope of review must also be publicly disclosed
- Annual report must be publicly accessible from a website designated by the Issuer

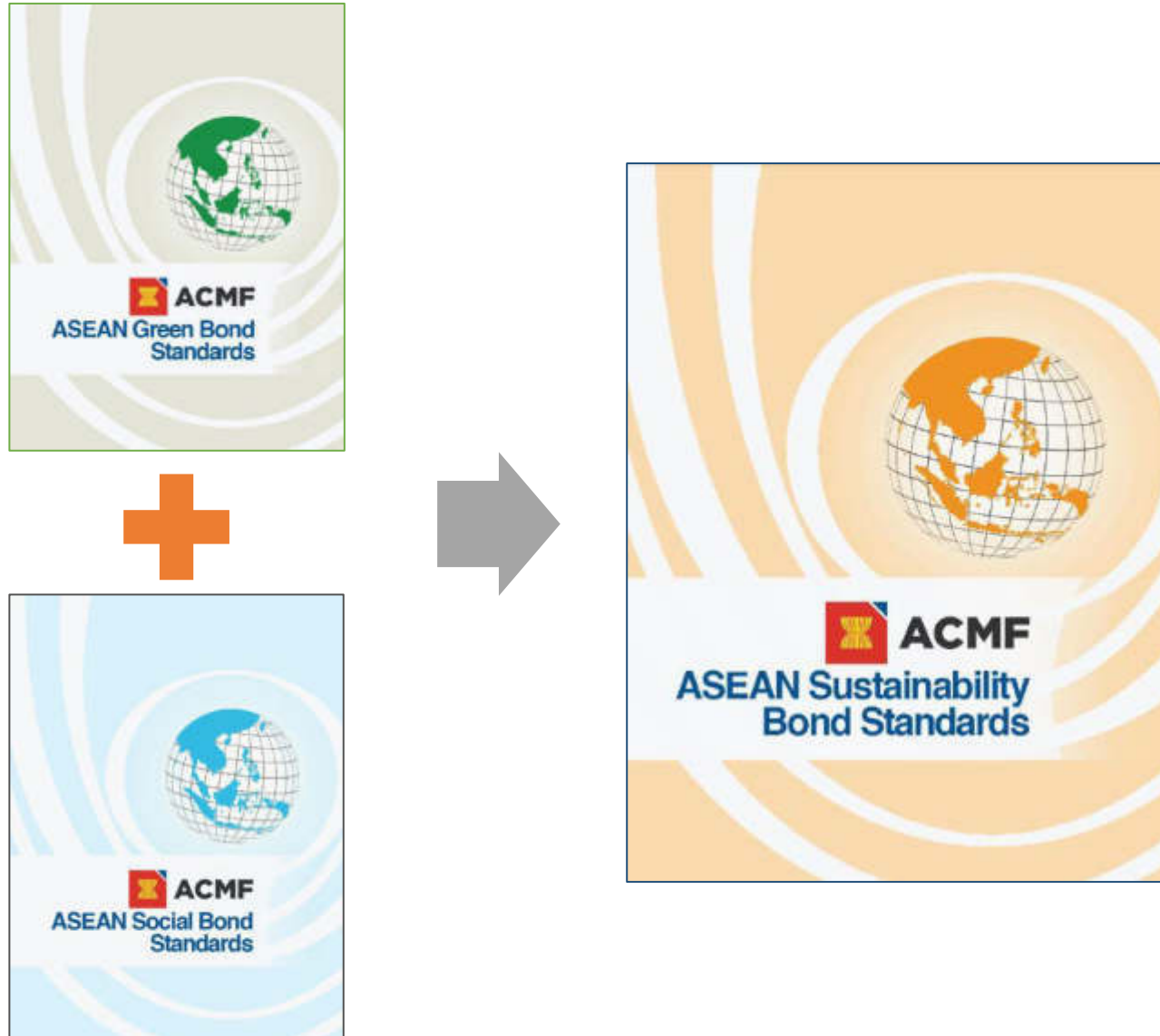


ASEAN SOCIAL BOND STANDARDS

- Based on ICMA's Social Bond Principles
- Issuers must have a geographical or economic connection to the ASEAN region
- Specific exclusions of certain projects:
 - Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry
- External reviewer must have the relevant expertise and experience in the area. The external reviewer's credentials and scope of review must also be publicly disclosed
- Annual report must be publicly accessible from a website designated by the Issuer



ASEAN SUSTAINABILITY BOND STANDARDS






Combined application of the ASEAN GBS and the ASEAN SBS

The Issuer of an ASEAN Sustainability Bond must comply with both the ASEAN GBS and the ASEAN SBS. The proceeds allocated for the Project must not be used for Ineligible Projects specified by the ASEAN GBS (i.e. fossil fuel power generation projects) as well as the ASEAN SBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry).

Source: ASEAN Capital Markets Forum (ACMF)

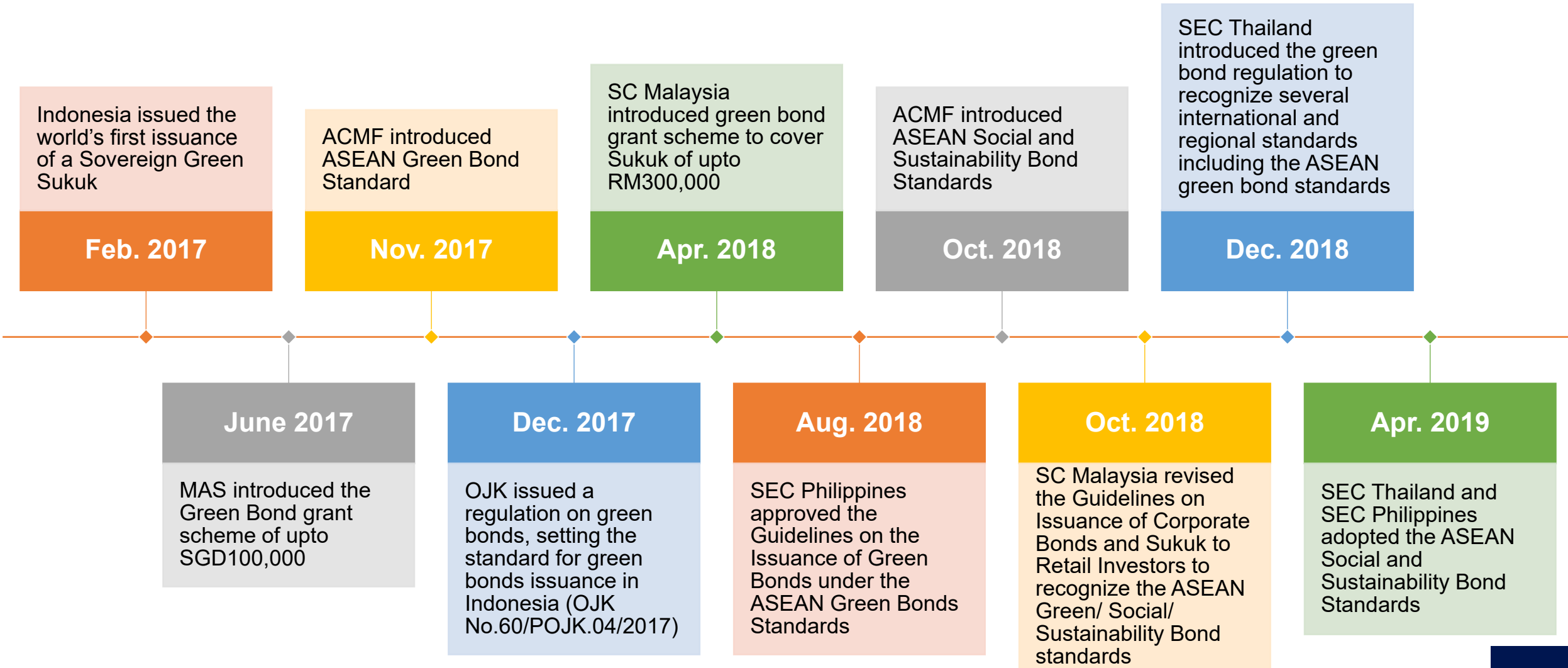
ISSUANCES UNDER ASEAN SUSTAINABILITY BOND FRAMEWORK

NUMBER OF ISSUANCES UNDER ASEAN STANDARDS

Country	 Green Bonds	 Sustainability Bonds	 Social Bonds
Thailand	2	1	-
Malaysia	6	-	-
Singapore	2	-	-
Philippines	3	1	-

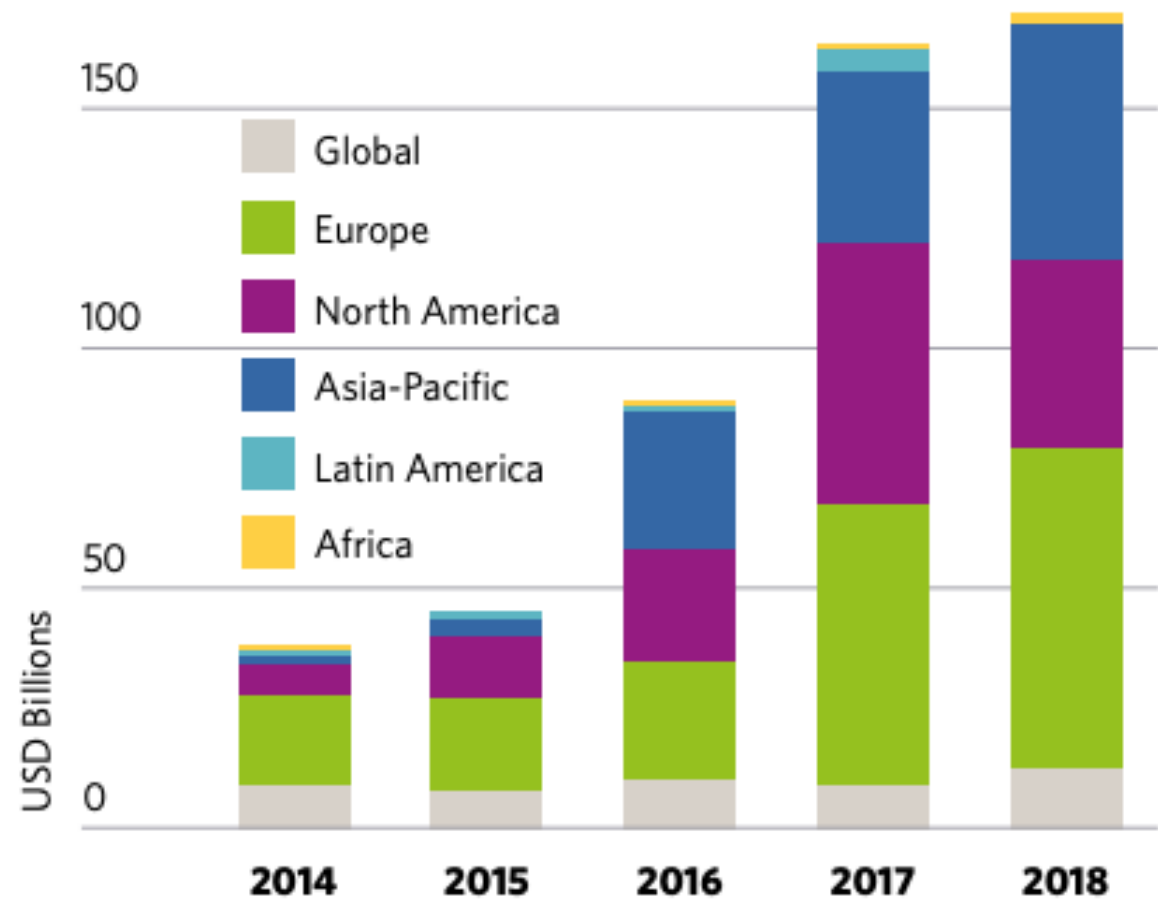
Source: ACMF and SEC Thailand

NATIONAL EFFORTS TO PROMOTE GREEN BOND IN ASEAN

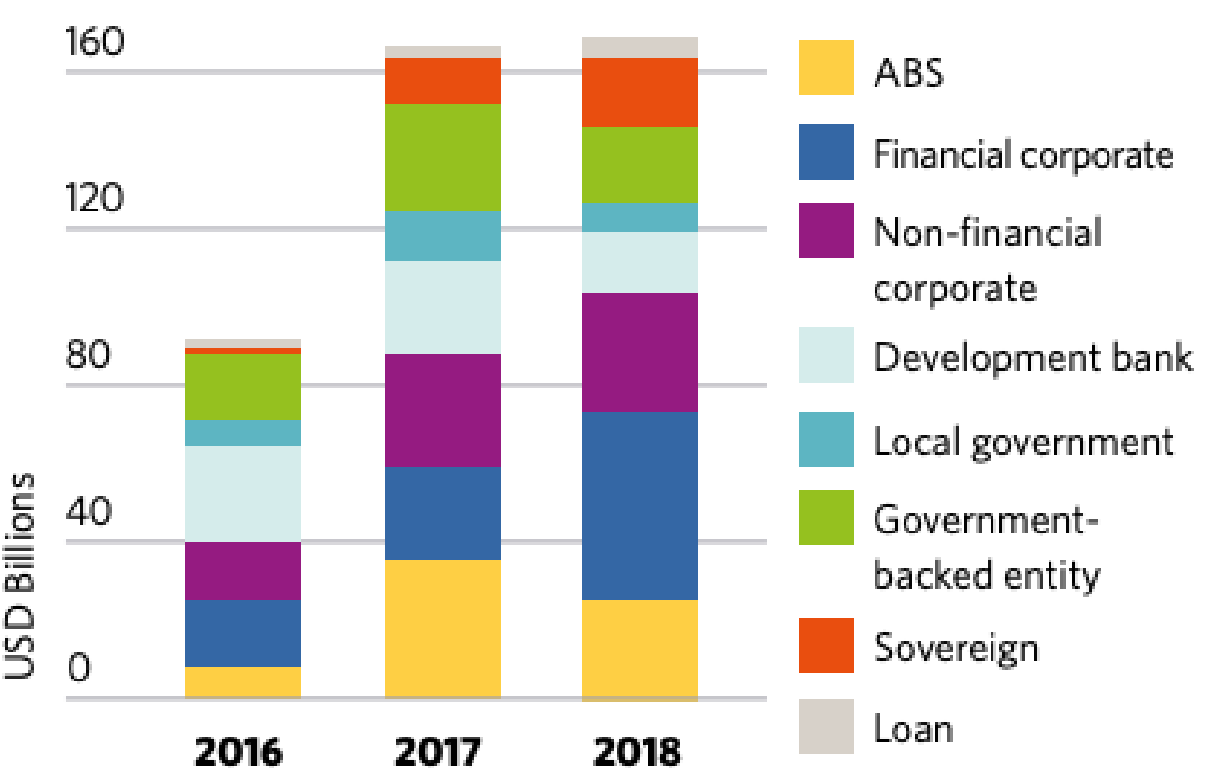


STATE OF GREEN BONDS MARKET

Highest growth rate: Asia-Pacific region



Financial institutions fuelled 2018 market growth



Source: Climate Bonds Initiative– State of the Market 2018

GREEN FINANCE FRAMEWORK

1. Financial institutions are development framework to manage use of proceeds that are in line with relevant green bond principles/standards
2. Central banks, together with bankers association can jointly develop responsible lending / green financing framework
3. Financial institutions can develop in-house framework



GREEN FINANCE FRAMEWORK



Bank of the Philippine Islands Green Finance Framework

May 2019

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

Source: Bank of the Philippine Islands
https://www.bpiexpressonline.com/media/uploads/5d24332e21bee_BPI_Green_Finance_Framework.pdf

STATE BANK OF VIET NAM – REGULATORY GOALS

Striving to 2025:

1. 100% of the banks will have developed their internal regulations on environmental and social risk management in their lending activities
2. 100% of the banks will have conducted the assessment of social and environmental risks in their lending activities; the environmental standards will have been applied for all projects receiving loans from the banks; the environmental risk assessment will be integrated as part of the banks' credit risk assessment
3. At least 10 to 12 banks will have established specialized units/agencies for the social and environmental risk management.
4. 60% of the banks will have got access to the green capital resources, and will have provided green credits

Source: State Bank of Viet Nam/ Decision No.1604/QD-NHNN

ROLES OF ADB IN SUPPORTING GREEN BOND MARKET DEVELOPMENT



TRUSTED KNOWLEDGE PARTNER

“Promoting Green Local Currency Bonds for Infrastructure Development in ASEAN+3 was submitted to AFMGM+3 in May 2018



ISSUER

ADB has issued approximately \$6.1 billion equivalent in green bonds since 2015.



FACILITATOR

- Credit enhancement
- External review and certification
- Capacity Building



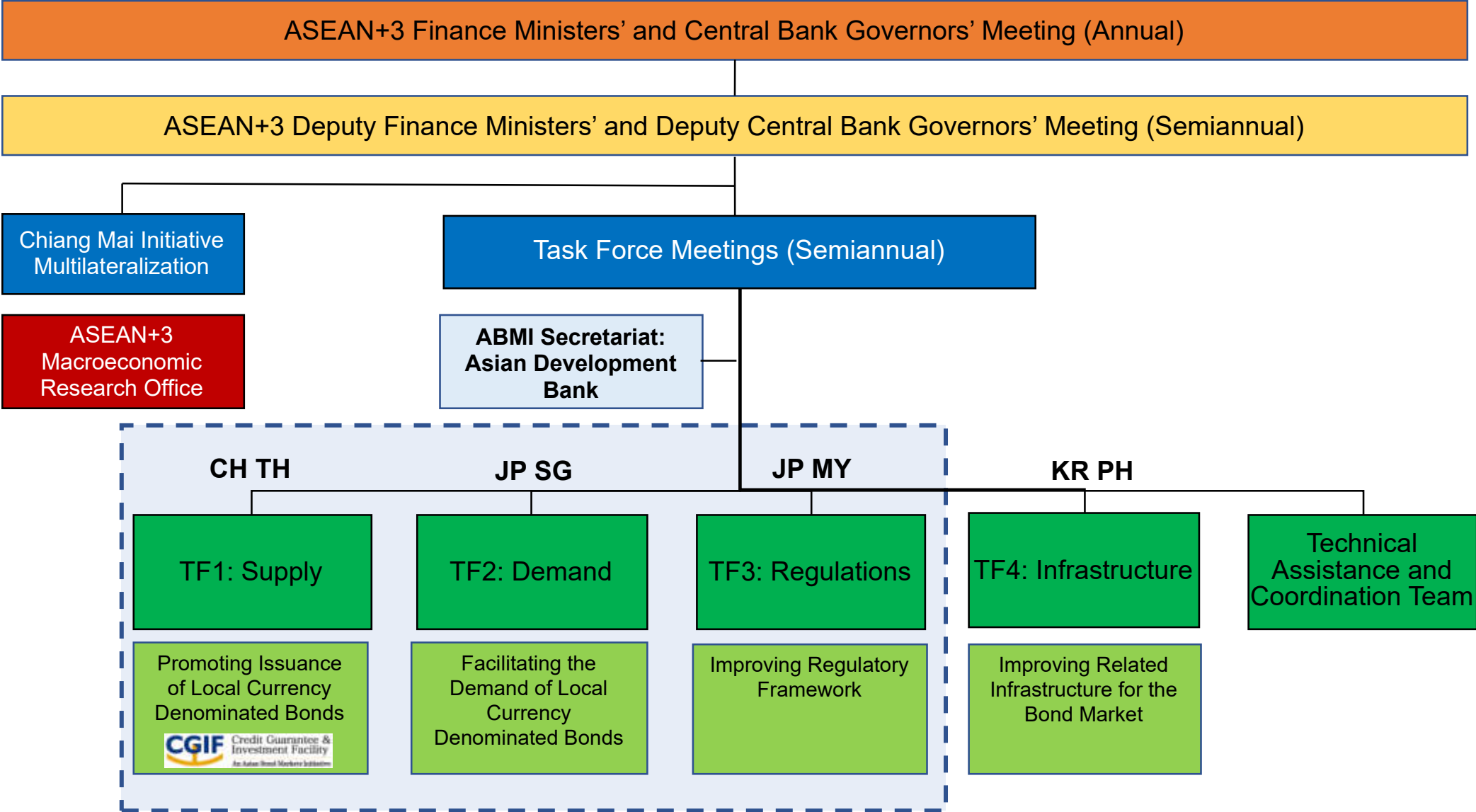
INVESTOR

Anchor investor to support market development



Financed by PRC Regional Cooperation and Poverty Reduction Fund

ASEAN+3 FINANCE PROCESS



UPCOMING TECHNICAL ASSISTANCE PROGRAMS

1. PROMOTING AN INTER-CONNECTED, INCLUSIVE AND RESILIENT ASEAN CAPITAL MARKET

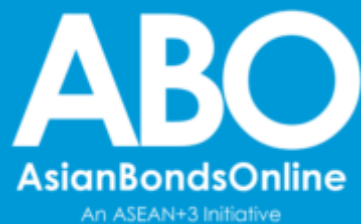
- Promote ASEAN green, social and sustainability bond standards to create ASEAN asset class
- Analyze and compile green project pipelines, and register of potential investors
- Capacity building activities

2. CREATING ECOSYSTEMS FOR GREEN LOCAL CURRENCY BONDS FOR INFRASTRUCTURE DEVELOPMENT IN ASEAN+3

- Advisory services to potential issuers
- Grants to partially offset issuance costs
- Promote ASEAN+3 green finance markets to global investors through the AsianBondsOnline portal
- Synchronize activities with WC-CMD and ACMF



THANK YOU



asianbonds_info@adb.org
asianbonds_feedback@adb.org



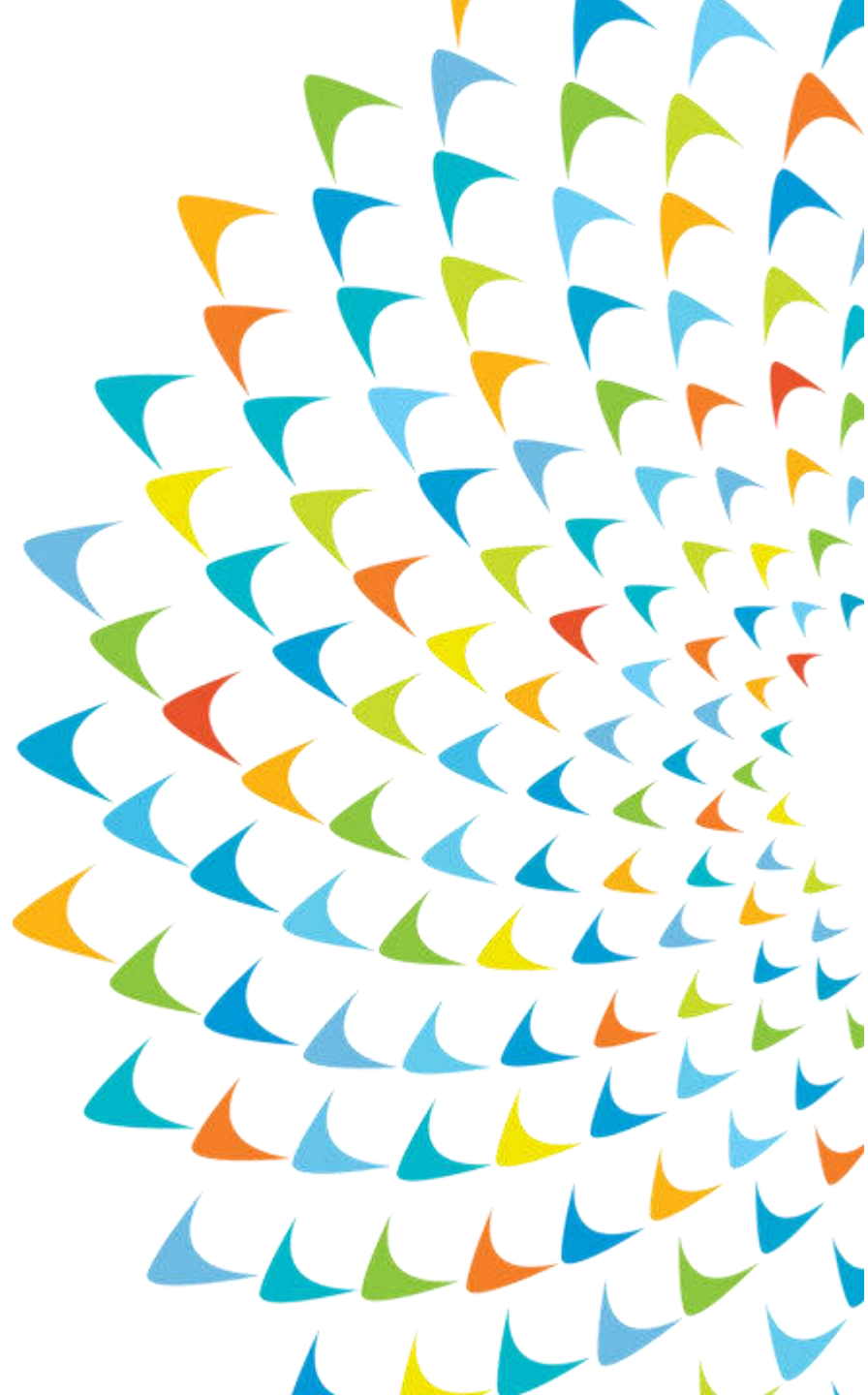
asianbondsonline.adb.org





ASEAN+3 MULTI-CURRENCY BOND ISSUANCE FRAMEWORK (AMBIF)

SATORU YAMADERA
PRINCIPAL FINANCIAL SECTOR SPECIALIST
syamadera@adb.org





BACKGROUND

(Chairman's Press Release on the Asian Bond Markets Initiative, 1 August 2003)

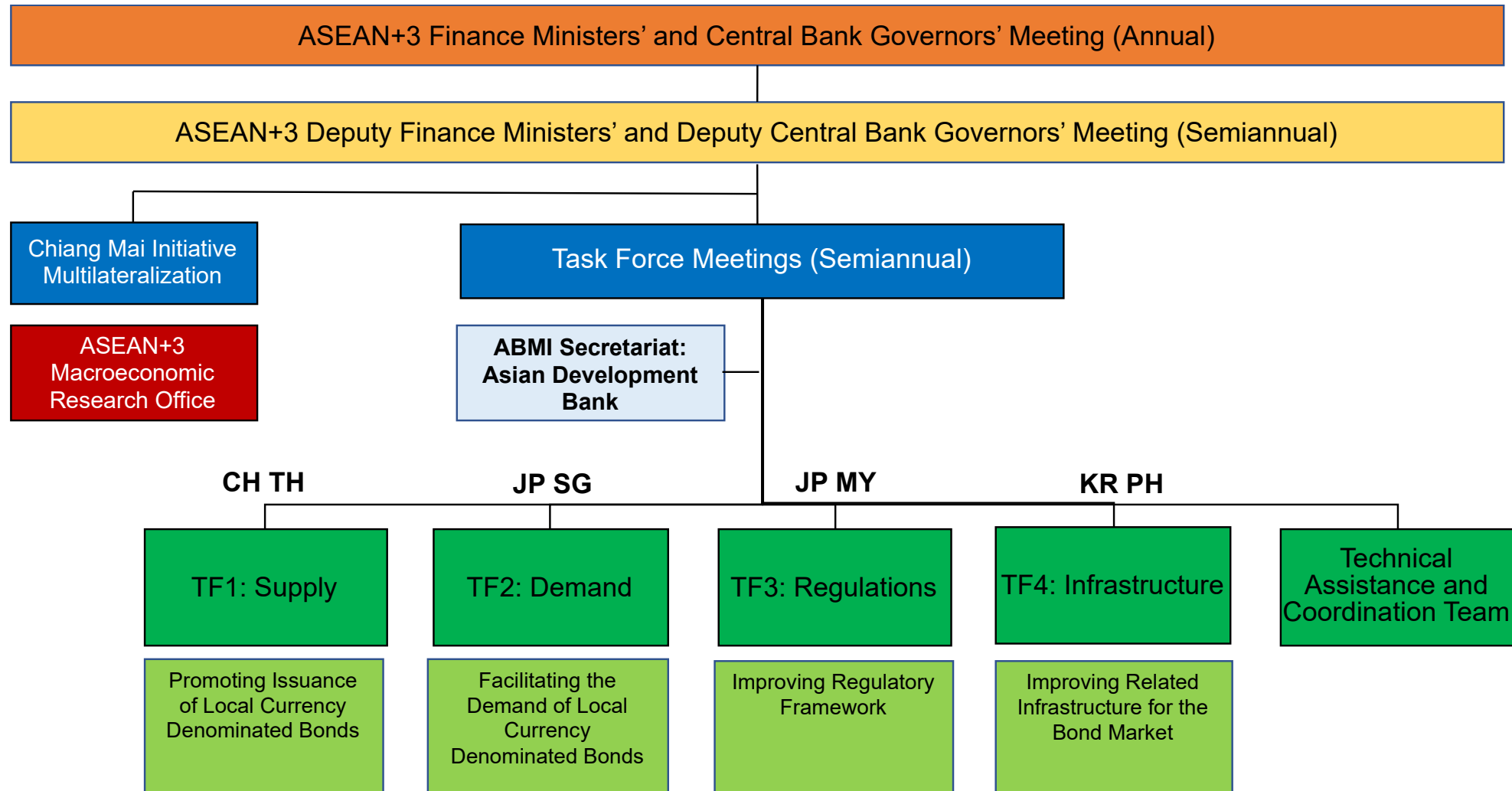
“ABMI aims to develop efficient and liquid bond markets in Asia, which would enable **better utilization of Asian savings for Asian investments.**”

“The ABMI would also contribute to the **mitigation of currency and maturity mismatches** in financing. “

ABMI contributes to financial stability by creating multiple channels of financing

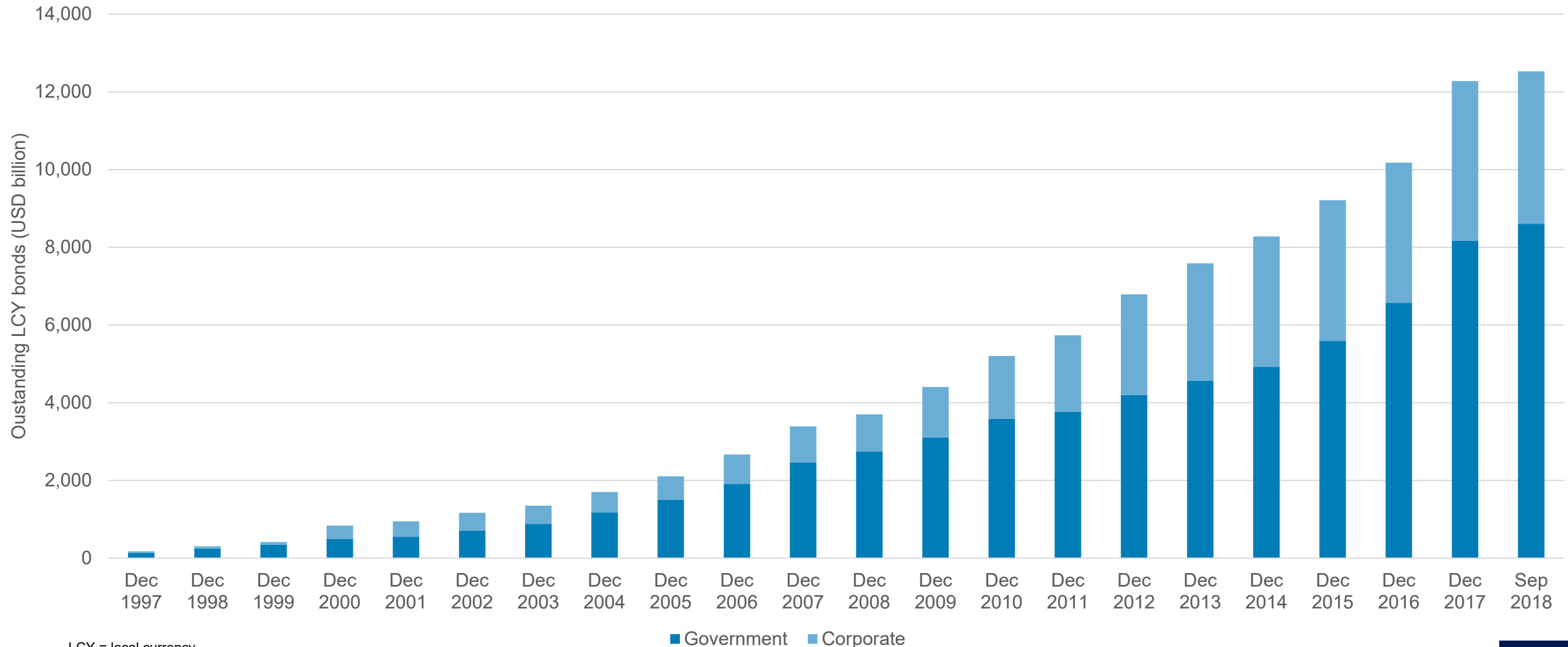


BACKGROUND





EMERGING EAST ASIAN LOCAL CURRENCY BOND MARKETS ARE GROWING



LCY = local currency.

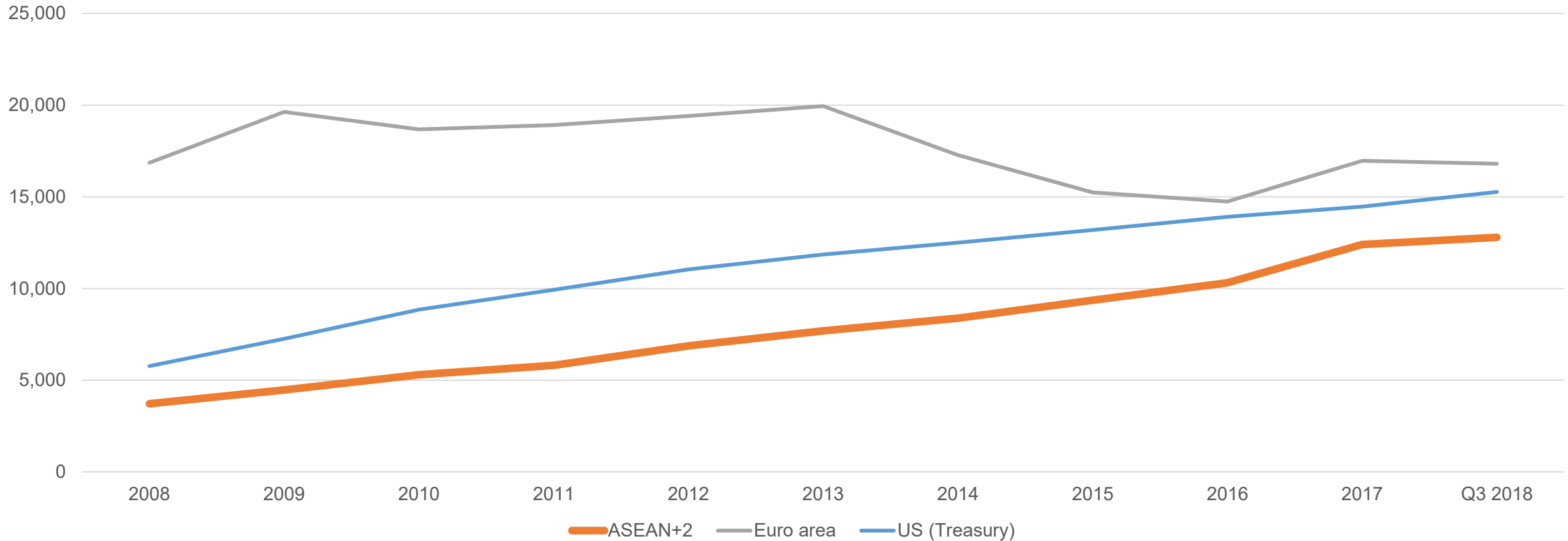
Note: This figure contains bond market data for the five original members of ASEAN (Indonesia, Malaysia, Singapore, Thailand, and the Philippines) plus the People's Republic of China; Hong Kong, China; the Republic of Korea; and Viet Nam.

Source: AsianBondsOnline.



AND IS NOW COMPARABLE TO THE EURO AREA

SIZE OF LOCAL CURRENCY BOND MARKETS



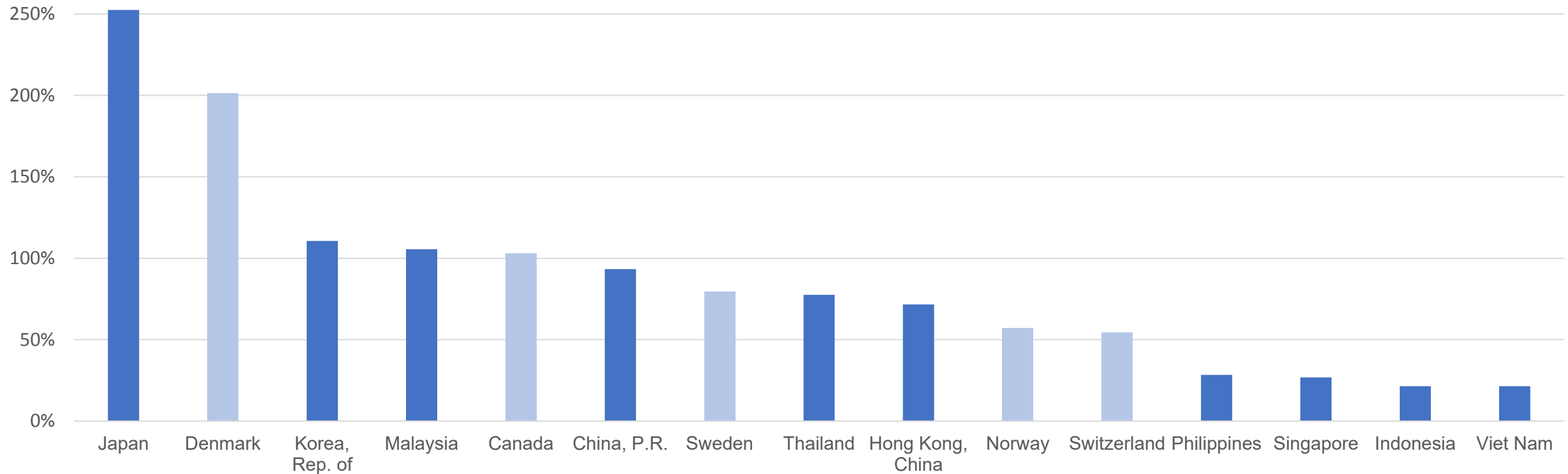
Notes: ASEAN+2 refers to ASEAN plus the Republic of Korea; Hong Kong, China; and People's Republic of China. Euro area refers to Euro-denominated debt securities issued by Euro area residents. US (Total) includes the following types of bonds: Municipal, Treasury, Mortgage Related, Corporate Debt, Federal Agency Securities, Money Markets, and Asset-Backed. US (Treasury only) includes Bills, Notes, Bonds, TIPS, and FRN.

Sources: AsianBondsOnline, CEIC, European Central Bank, International Monetary Fund, and Securities Industry and Financial Markets Association.



SOME OF THE ASIAN LCY BOND MARKETS HAVE DEVELOPED AND HAVE BECOME MUCH DEEPER

SIZE OF DOMESTIC BONDS OUTSTANDING AS A SHARE OF GDP FOR ASEAN+3, CANADA AND SELECTED EUROPEAN ECONOMIES

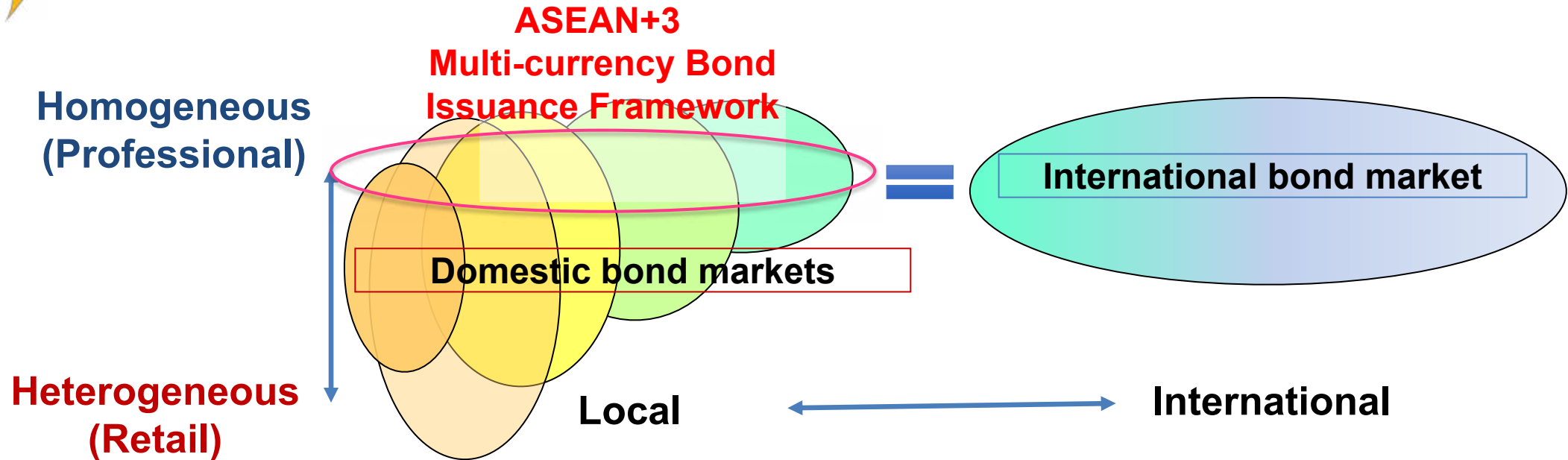


ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; GDP = gross domestic product. Data as of end-2017.

Sources: Bank for International Settlements, AsianBondsOnline, CEIC, World Bank



AMBIF AS A REGIONAL NEXUS



- AMBIF was proposed as a regionally standardized bond issuance framework.
- Due to different degrees of market developments, different legal and regulatory frameworks, and different market practices, it is not practical to have a fully standardized bond issuance framework.
- Having said, a number of common elements may allow opportunities for connecting the domestic bond markets across the region. AMBIF is designed to capture the common elements by focusing on the professional markets.
- AMBIF will seek to have economies agree on only the minimum standards that are still essential for launching it, while accepting other related regulations for the time being. But the practices should be comparable to the international market.



WHAT AMBIF CAN ACHIEVE?

Public Offering Market
Including Retail and General Investors

Professional Investors Market

Market practice and issue process will be harmonized and standardized within the professional markets in the region.

Pro

Pro

Pro

AMBIF
Market

Pro

Issuers can tap in all markets with harmonized documents for submission.

Investors can invest in all markets without knowing their regulations closely.

Pro



AMBIF ELEMENTS

AMBIF Elements (AMBIF Core Components)	Brief Description
Domestic Settlement	Bonds/notes are settled at a National CSD in ASEAN+3
Harmonized Submission Documents (Single Submission Form)	Common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information along with ADRB recommendation needs to be included.
Registration or profile listing at ASEAN+3 (Place of continuous disclosure)	Information on bonds/notes and issuer needs to be disclosed continuously in ASEAN+3. Registration or listing authority function is required to ensure continuous and quality disclosure.
Currency	Bonds/notes are denominated in currencies normally issued in domestic bond markets of ASEAN+3
Scope of Issuer	Resident of ASEAN+3
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations or market practice in each market in ASEAN+3



ADDITIONAL AMBIF FEATURES

☐ **Language of documentation:**

- English

☐ **Governing law and jurisdiction:**

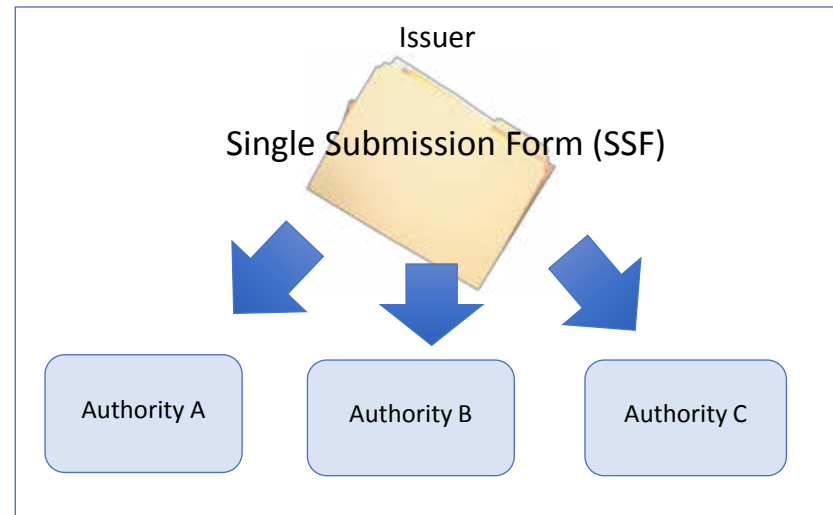
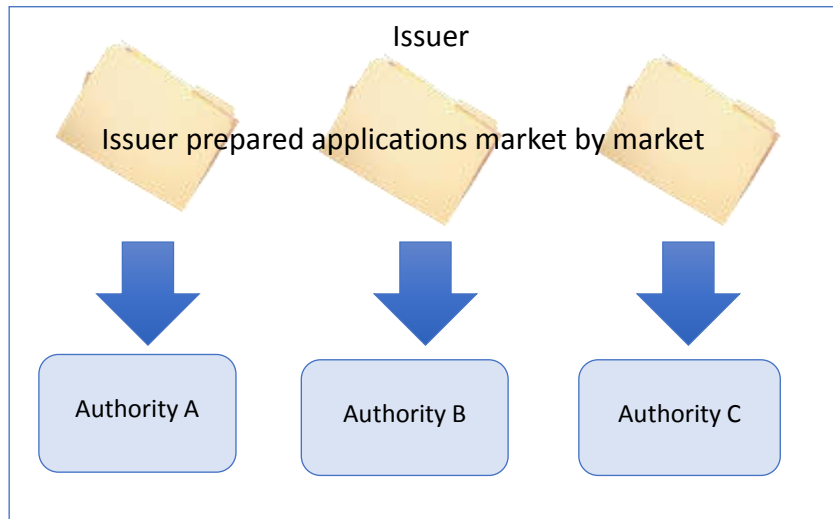
- Governing law related to settlement needs to be local;
- However, the governing law and jurisdiction for specific service provisions may be negotiated and agreed between the parties involved in the issuance.

☐ **Other consideration:**

- note issuance program
- credit rating, etc.



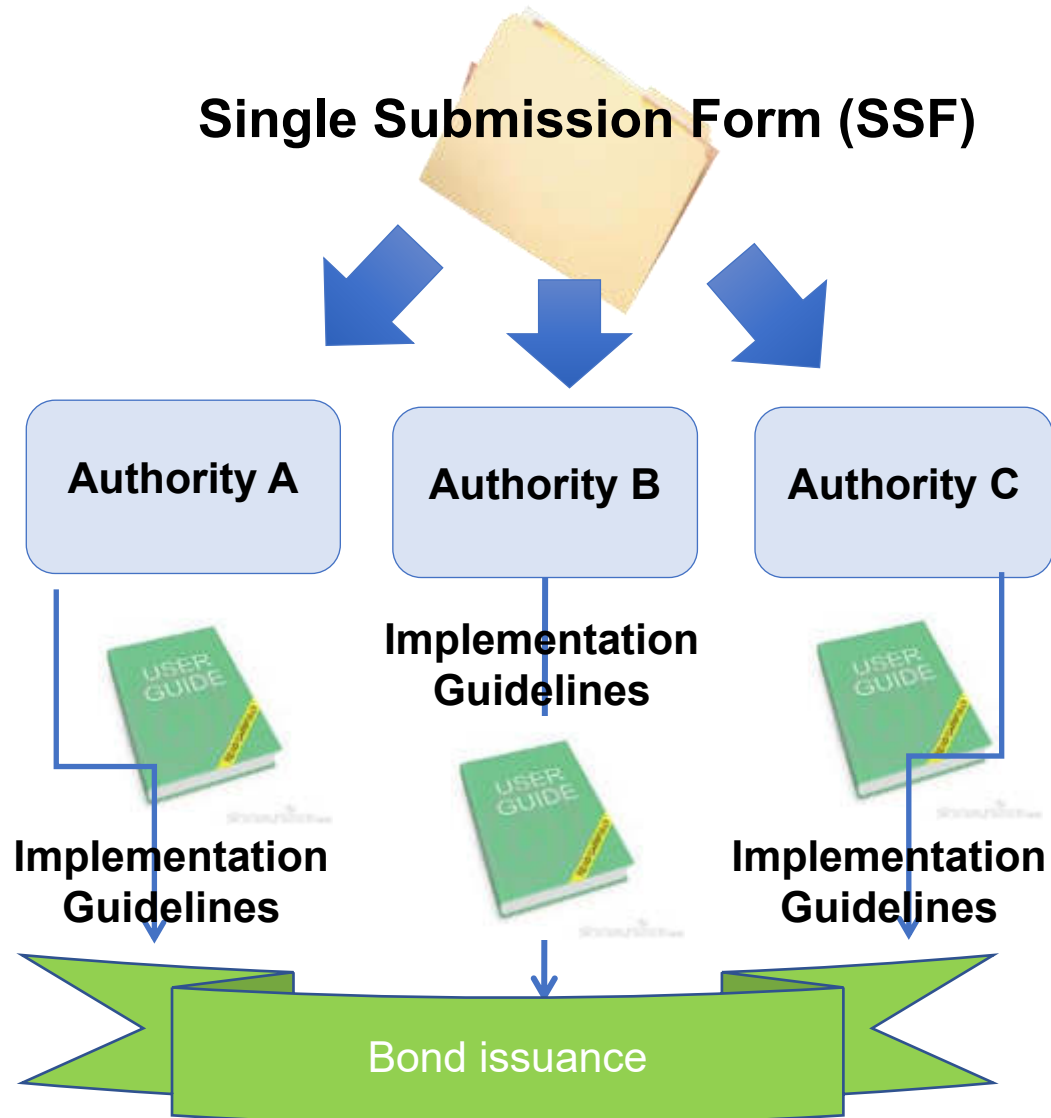
OBJECTIVE OF THE SSF



- The **Single Submission Form (SSF)** is aimed to facilitate an AMBIF bonds/notes issuance application to regulatory, listing and registration authorities in each participating market.
- SSF is prepared for the benefit of issuers aiming to issue bonds/notes to Professional Investors in ASEAN+3.
- SFF should be looked at together with **the AMBIF Implementation Guidelines**, which explain specific issuance processes in respective markets.



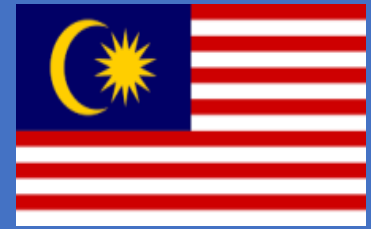
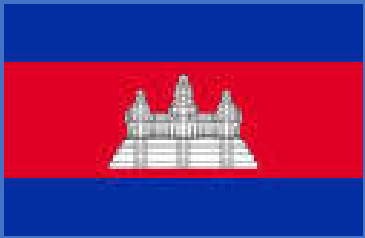
AMBIF IMPLEMENTATION GUIDELINES



- SFF should be referenced to [the AMBIF Implementation Guidelines](#), which explain specific issuance processes in each market.
- The Implementation Guidelines increase market transparency.
 - The Implementation Guidelines should minimize or reduce legal uncertainty.
 - Where a market does not, or no longer, requires the physical submission of documentation, the SSF can serve as a checklist or a guiding template while the Implementation Guidelines should always be able to support issuance application in any form.



AMBIF-PARTICIPATING MARKETS





PILOT AMBIF ISSUANCE

- Pilot issue by Mizuho Bank, Ltd. In Thailand in September 2015
- Offering size was 3 billion Baht (\approx 85 million USD)
- Proceeds were used for general corporate purpose, including, lending to borrowers in Thailand
- Registered with ThaiBMA and cross-listed on TOKYO PRO-BOND Market



THANK YOU

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AsianBondsOnline is a one-stop source of information on bond markets in emerging East Asia

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