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HSBC FACILITATES FIRST IRS TRADE FOR OVERSEAS INVESTORS IN CIBM UNDER CENTRAL COUNTER PARTY CLEARING MODEL

HSBC China successfully facilitated the first Interest Rate Swap (IRS) trade by overseas institutional investor (OII) through the central counter party clearing model in the China Interbank Market (CIBM). This new IRS channel allows HSBC's international clients to tap into the world's second largest bond market while also adding to their risk mitigation capabilities.

The Bank has acted as the counterparty and bond settlement agent for the IRS conducted by Dymon Asia Capital (Singapore) Pte. Ltd ("Dymon Asia"), a leading investment management firm in Asia, for and on behalf of the funds it manages.

Across China and Singapore, HSBC has worked closely with Dymon Asia and actively engaged regulators including Shanghai Clearing House (SCH) to design and implement the product through a new process, which allows OIIs to use the onshore interest rate derivatives for hedging purpose to enhance their portfolio and risk management. Bank of Communications has provided clearing service to Dymon Asia as one of the central counterparty clearing members appointed by the clearing house.

Sophia Chung, Head of HSBC Securities Services in China, said, "China's bond market, now the second largest in the world, is opening its doors ever wider to international investors. While foreign investment is growing, investor demand for risk hedging is on the rise, too. The trade by Dymon Asia showcases that foreign investors are tapping deeper into the Chinese market and we believe it will lead to more similar trades in future by investors to mitigate their investment risks. With the potential inclusion of Chinese bonds into more global indices, we expect the momentum of foreign entry to further continue and diversified derivatives will make it easier and safer for them to invest."

Mark Wong, Chief Operating Officer, Dymon Asia, said, "Dymon Asia is proud to be a part of a milestone – the first successful IRS trade under central counter party clearing model by an OII in the CIBM. This reiterates our commitment and focus in the Asia region, giving us opportunities to further our growth as well as deepen our insights and participation in local onshore markets."

"Through our continued efforts to facilitate the opening up of the bond market, and vis-à-vis our Dymon Asia China Absolute Return Bond Fund, Dymon Asia is pleased to be able to help overseas investors access the China bond market," Shawn Yuan, Chief Investment Officer - Dymon Asia China Absolute Return Bond Fund, Dymon Asia, added.

Commenting from Singapore, Tony Cripps, Chief Executive Officer, HSBC Singapore, said: "Global asset managers will be ready to dive into the Chinese bond market, yet this is also a significant marker in the development of the Singapore asset

management industry. With its established ecosystem of issuers and market making capabilities, Singapore has grown to become a key asset management hub, connecting global investors to the region and facilitating financing opportunities in Asian investible asset classes. This trade sets the bar for an accelerated trend of foreign investors based in Singapore to tap the deep pool of opportunity in the Chinese bond market.”

Foreign investors have been increasing their holding of Chinese bonds for 13 consecutive months since December 2018. They held about RMB2.19 trillion of Chinese bonds by the end of 2019, according to China Foreign Exchange Trade System (CFETS)¹. Total turnover of bonds traded by foreign investors jumped 66% year-on-year to RMB5.3 trillion in 2019 per CFETS. This reflects the strong and expanding interest among foreign investors in investing in China’s government bonds and derivatives including IRS, bond lending and borrowing, as well as repos.

HSBC remains at the forefront of China’s capital markets opening and has been a leading international bank in servicing overseas investors. It ranks top in terms of the number of overseas institutional investors it’s serving in CIBM among all settlement agent banks.

¹ Source: http://www.xinhuanet.com/finance/2020-01/13/c_1125456202.htm

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