



# Successful together

**Dialogue of Continents**  
**Exploration Session 1: Going Global With Real Assets**  
**Belt & Road (Panda) Bonds**  
September 4<sup>th</sup>, 2018

# Agenda

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# The Belt & Road (Panda) Bonds

## Introduction

The Belt & Road Bond is a new form of Panda Bond.



Panda Bond is a RMB-denominated bond, issued by a non-Chinese issuer, sold and traded mainly in the P.R.China (in exchanges or interbank market).

Fundamentally, Panda Bond is a kind of Foreign currency convertible bonds (FCCBs) which is similar to Yankee Bond in USA and Samurai Bond in Japan.

# The Belt & Road (Panda) Bonds

## Introduction

In accordance with the *Circular on Launching the Pilot Program of Bonds for the Belt and Road Initiative* (hereinafter referred as “the Circular”) by Shanghai Stock Exchange, the Belt and Road Bond means:

1. Government bonds issued on the Shanghai Stock Exchange by **government agencies** of countries or regions along the Belt and Road;
2. Corporate bonds issued on the Shanghai Stock Exchange by **enterprises and financial institutions** of countries or regions along the Belt and Road; and
3. Corporate bonds issued via Shanghai Stock Exchange by **domestic and foreign enterprises** for the purpose of raising funds for the Belt and Road Initiative.



# The Belt & Road (Panda) Bonds

## Main Goal

Generally, the Belt & Road Bonds shall be used **to invest in, construct or operate** the Belt and Road Initiative projects, **repay** special interest-bearing **debts** incurred from the projects or **carry out the business** in the countries or regions along the Belt and Road.

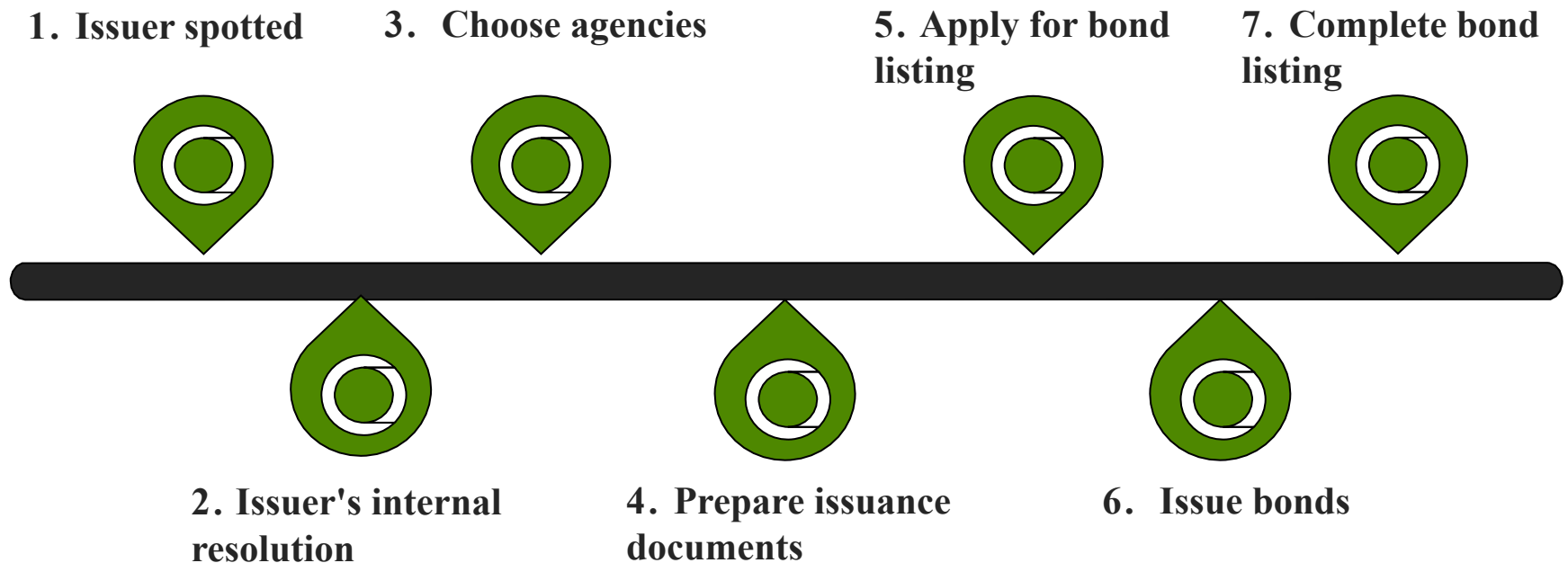


# The Belt & Road (Panda) Bonds

## Key Elements

Bond Factor	Type	Private issuing of corporate bonds
	Scale	No more than 3 Billion RMB (suggest to choose multi-tranche offering)
	Maturity	Suggestion: 3+2. At the end of third year, issuer can opt to change interest rate, and investors can opt for redemption)
	Rate	Progressive interest rate
	Rating	By rating agency
	Listing Arrangement	After issuing, issuers will apply Shanghai/Shenzhen Stock Exchange for the listing of bond.
Usage of fund	Fees for issuing	The raised fund shall be used to pay the fees of issuing first.
	Issuer	The fund can be used for repayment of debts, coverage of operating cost etc. both in & out of China.
Source of fund	Main underwriter	Chinese domestic securities/investment banks
	Buyer	Qualified investors (banks, asset management companies, hedge funds)
Credit	External Credit	A guarantee as local government (optional) or parent company.

# The Belt & Road (Panda) Bonds Issuing Procedure



# The Belt & Road (Panda) Bonds

## Necessary Agencies

### Main Underwriter

Main underwriter is responsible for coordinating the agencies, and assisting the issuer in the whole process.

### Auditor

Auditor is generally an accounting firm which responsible for checking the issuer's financial status and issuing audit reports.



### Rating Agency

A rating agency is required to rate the principal issuer's credit and debt, issuing a follow-up rating report.

### Legal Service

Generally, a law firm from the place of issuer and a law firm from China shall issue legal opinions jointly.



# The Belt & Road (Panda) Bonds

## Usage of Funds

### Domestic Use

The issuer can use funds of panda bonds to:

1. Business operations in China;
2. Project development for subsidiaries of issuer in China;
3. Pay the remuneration of Chinese supplier or the constructor.

### Overseas Use

According to the current regulatory policy, the panda bonds **funds** raised by the overseas institutions can be **retained in China** or **directly exported** overseas, but the supervision is relatively strict. After obtaining the approval or registration documents of the panda bonds and related bond issuance documents, The issuer can go to the relevant bank to handle the procedures for remitting funds overseas.

# The Belt & Road (Panda) Bonds

## Add “F” to “EPC”

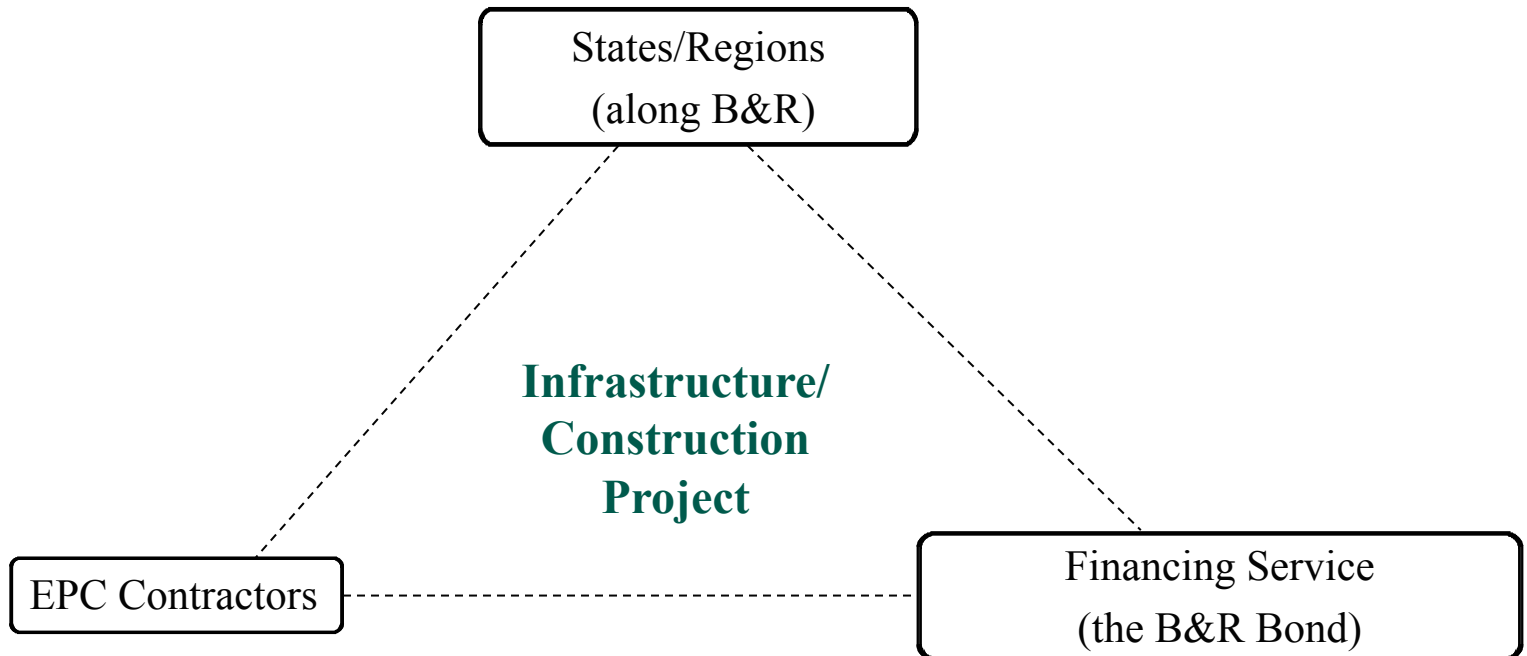
**EPC (Engineering, Procurement, Construction)** is a particular form of contracting arrangement used in some industries where the EPC Contractor is made responsible for all the activities from design, procurement, construction, to commissioning, and handover of the project to the End-User or Owner.

With the continuously increasing demand of EPC investing , also considering the need to manage the life cycle of any large-scale construction project, “**EPC+F**” model is becoming more and more welcomed and is deemed much more profitable.



# The Belt & Road (Panda) Bonds

## Add “F” to “EPC”



States / EPC contractors, as issuer, raising funds from Chinese investors in Shanghai/Shenzhen Exchange.

## The Belt & Road (Panda) Bonds Current Issuance

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- Till Feb. 28<sup>th</sup> 2018, the number of total issued Panda Bonds is 20 and the total raised amount is 98.94 billion RMB.
- Coupon rate of issued Panda Bonds: lowest 2.85% (Rating AAA), highest 7.6% (Rating AA).
- Maturity period of all issued Panda Bonds: between 2 to 9 years. Most of them are between 3 to 7 years.
- Most of the Panda Bonds were issued in Shanghai Stock Exchange.

# The Belt & Road (Panda) Bonds

## Recent Cases

Issuers		Fund Raised (Billion RMB)	Industry
Government (Central/Local)	Republic of Poland	3	
	Republic of Hungary	1	
	Republic of the Philippines	1.46	
Financial institution	HSBC(Bank)	1	
	Standard Chartered(HK)	1	
	Malayan Banking Berhad	1	
Non-financial Enterprise	Daimler AG	27	Automotive
	China Resources Land	10	Real Estate
	China Power New Energy Development	0.8	Electricity
	Veolia Environment	1	Environmental services

# The Belt & Road (Panda) Bonds

## Are you in?



Singapore · Malaysia · Indonesia · Myanmar · Thailand · Laos · Cambodia · Vietnam · Brunei · Philippines · Iran · Iraq · Turkey · Syria · Jordan · Lebanon · Israel · Palestine · Saudi Arabia · Yemen · Oman · United Arab Emirates · Qatar · Kuwait · Bahrain · Greece · Cyprus · Egypt · Pakistan · Bangladesh · Afghanistan · Sri Lanka · Maldives · Nepal · Bhutan · Kazakhstan · Uzbekistan · Turkmenistan · Tajikistan · Kyrgyzstan · Russia · Ukraine · Belarus · Georgia · Azerbaijan · Armenia · Moldova · Poland · Lithuania · Estonia · Latvia · Czech · Slovakia · Hungary · Slovenia · Croatia · Bosnia and Herzegovina · Montenegro · Serbia · Albania · Romania · Bulgaria · Macedonia

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