
Enter to the next phase of market liberation and integration to global markets

China Financial Market



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China Capital Market Overview

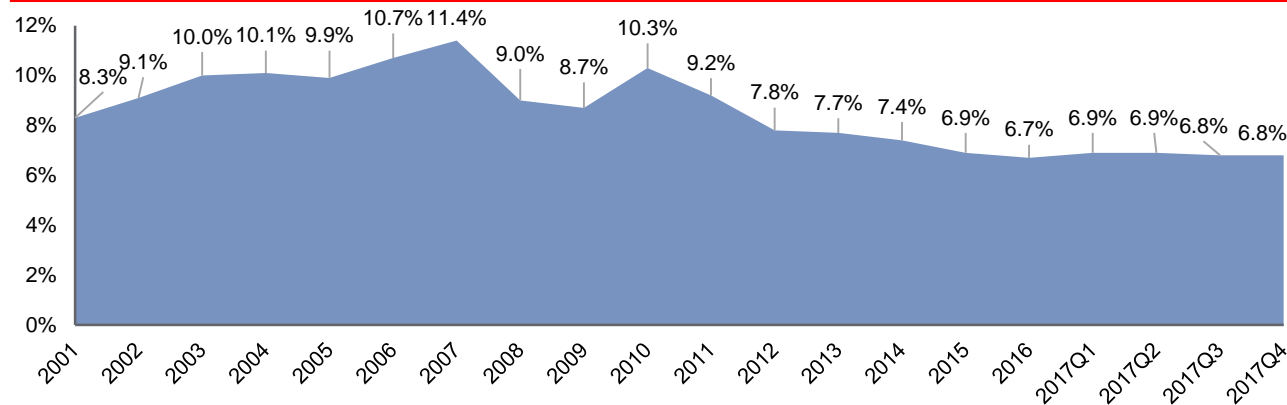
China Economic Overview

China economy in a resilient mode in terms of GDP growth...

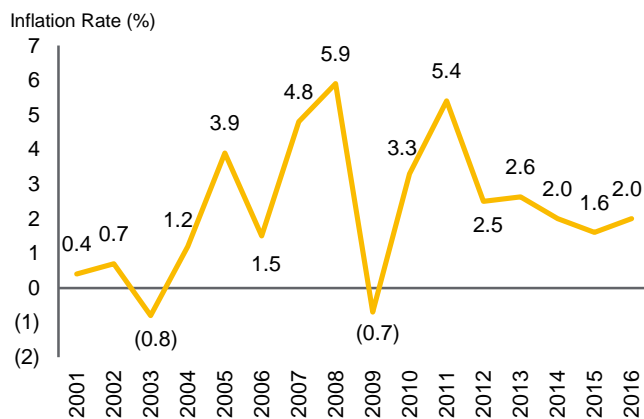
...along with increasing pressure on CPI

...along with rising forex reserves

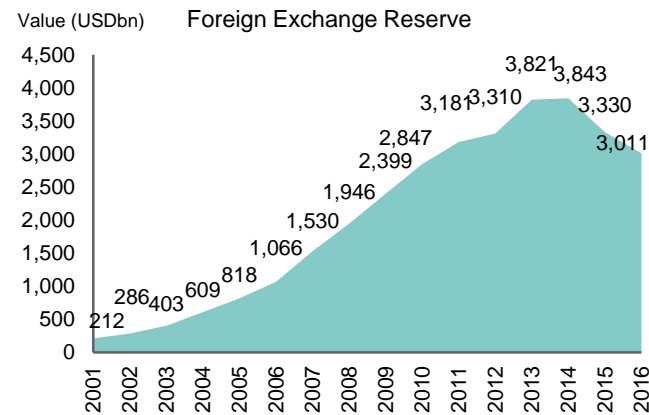
Sustainable GDP Growth



CPI



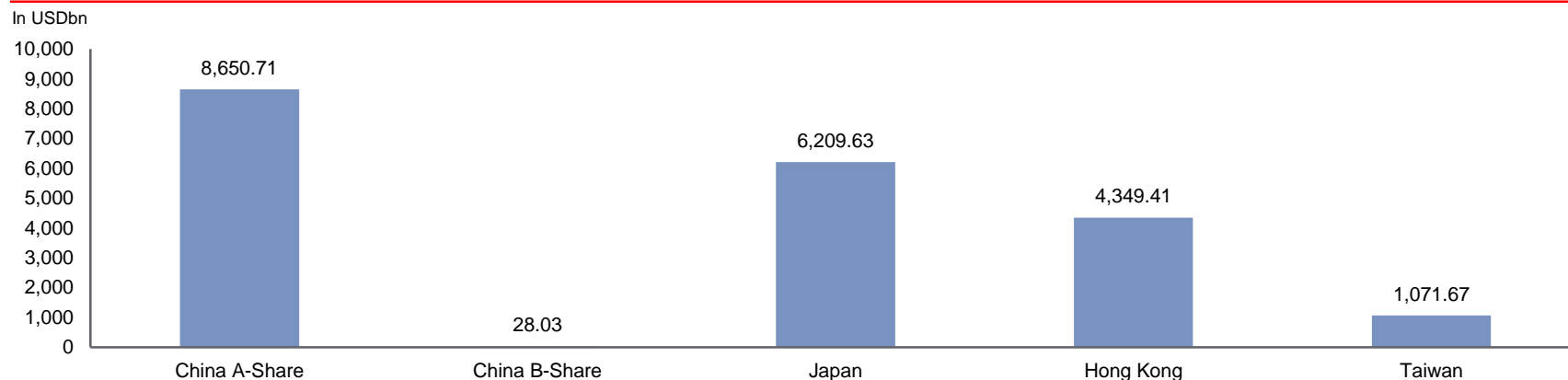
Strong Forex Reserves



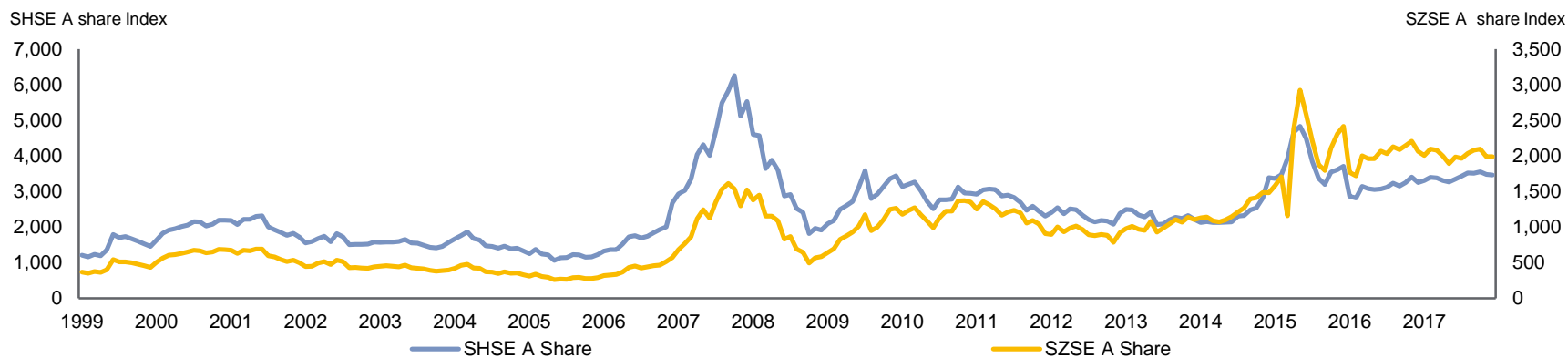
Source: National Bureau of Statistics of China, State Administration of Foreign Exchange

China Securities Markets

Market Cap (as of December 2017)



A-share Market Performance (as of December 2017)



Source: Shanghai/Shenzhen Stock Exchange, Japan Stock Exchange, Hong Kong Exchange and Clearing Limited, Taiwan Stock Exchange

China Bond Markets – Third Largest in the World

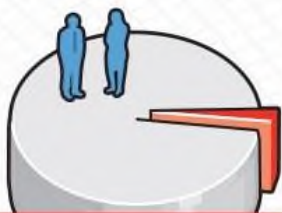
▶ CHINA'S ONSHORE BOND MARKET



3RD
LARGEST IN
THE WORLD



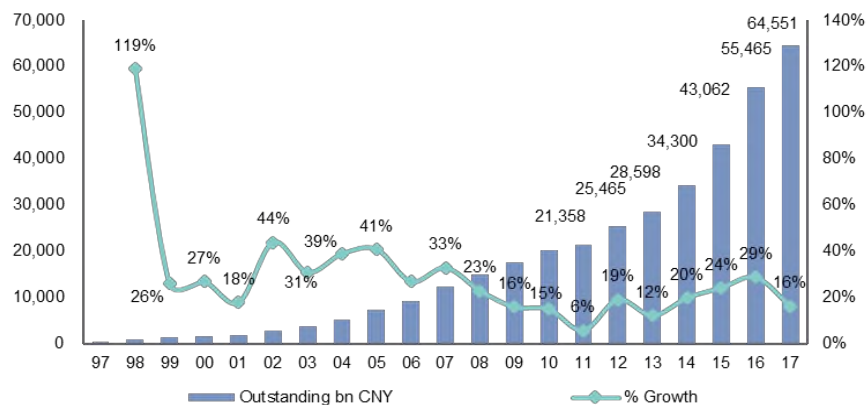
USD 9.4
TRILLION BONDS
OUTSTANDING



< 2%
FOREIGN INVESTORS'
PARTICIPATION

Source: HSBC, Bloomberg

China bond market development (1997-2017)



Source: CCDC and SCH website, end 2017

Share of Different Bond Markets

Market Type	Outstanding (RMBbn)	Percentage
Interbank	64,551	85.39%
Exchange	101,65	13.45%
OTC	731	0.97%
Others	151	0.20%

Source: CCDC, SCH and CSDC website, end December 2017

Recent China Market Developments

Index Inclusion

MSCI

- Last June, MSCI announced a 0.73% China A-share inclusion by two phases in May and August of 2018. This will include 222 Large Cap companies which are *accessible through the two stock connect* programmes.
- The MSCI Emerging Market Index is currently being tracked by cUSD1.6trn of global assets, about 15% of which are passive funds. (initial fund inflow c. USD 17.5bn).

FTSE

- Included China A-shares in its global benchmarks by launching two new transitional EM indices in May 2015.

Market estimated once 100% of A-shares are included over the next 5-10 years, foreign fund inflows to top cUSD500bn (cRMB3.5trn).

Bloomberg-Barclays
Fixed Income Indices

- Starting April 2019, to include Chinese RMB-denominated government and policy bank securities to the Bloomberg Barclays Global Aggregate Index with a weight of 5.49% in 20 month phase.
- Tracking AUM ~USD 2.5 trillion; potential flow seeking China bonds ~ USD 140 billion

Citi Fixed Income
Indices

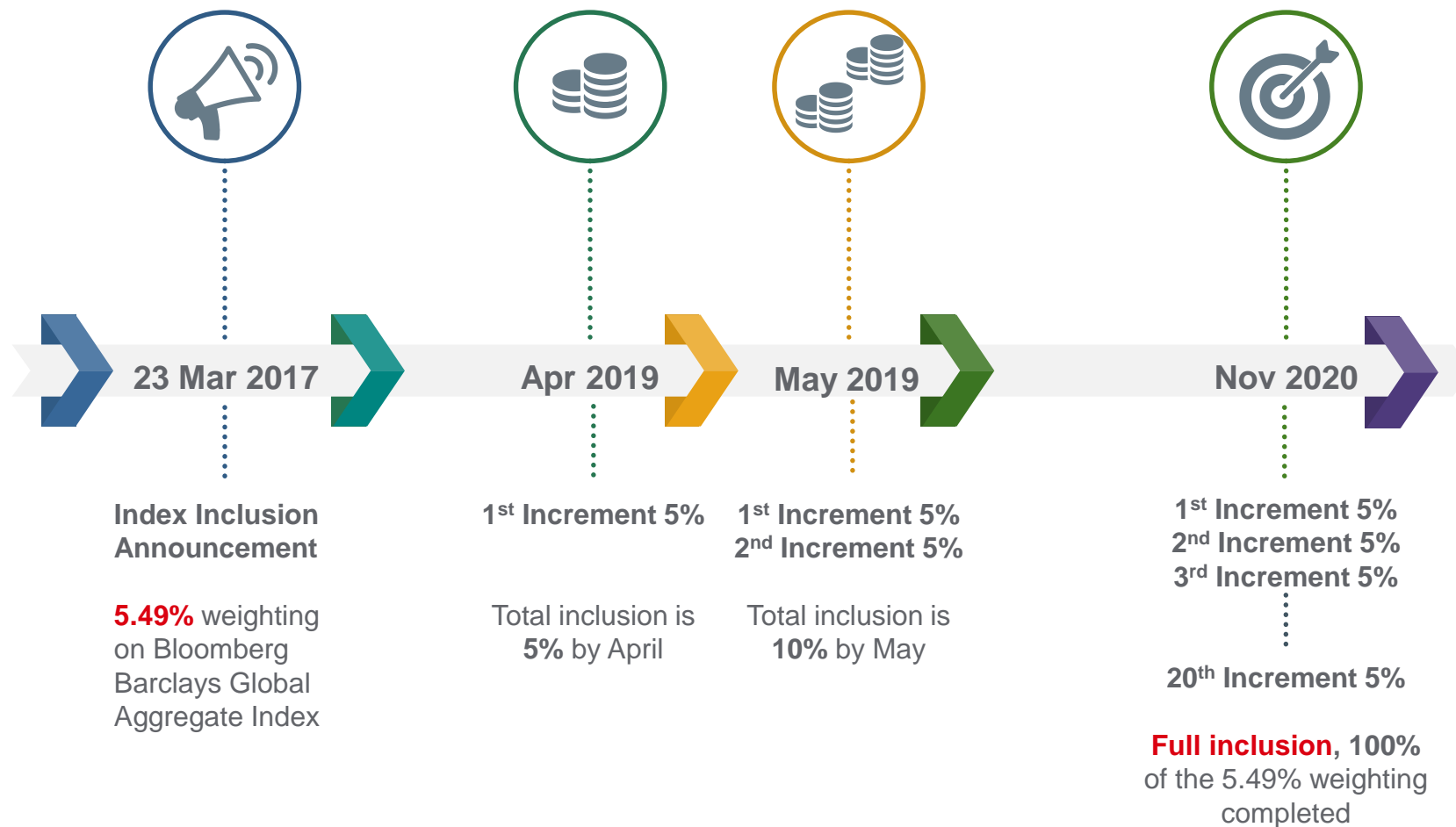
- Effective in Feb 2018, China onshore bonds are included to existing and newly created indices
- Tracking AUM ~USD 2 trillion
- Potential to include CIBM into the World Government Bond Index (WGBI)

JP Morgan Fixed
Income Indices

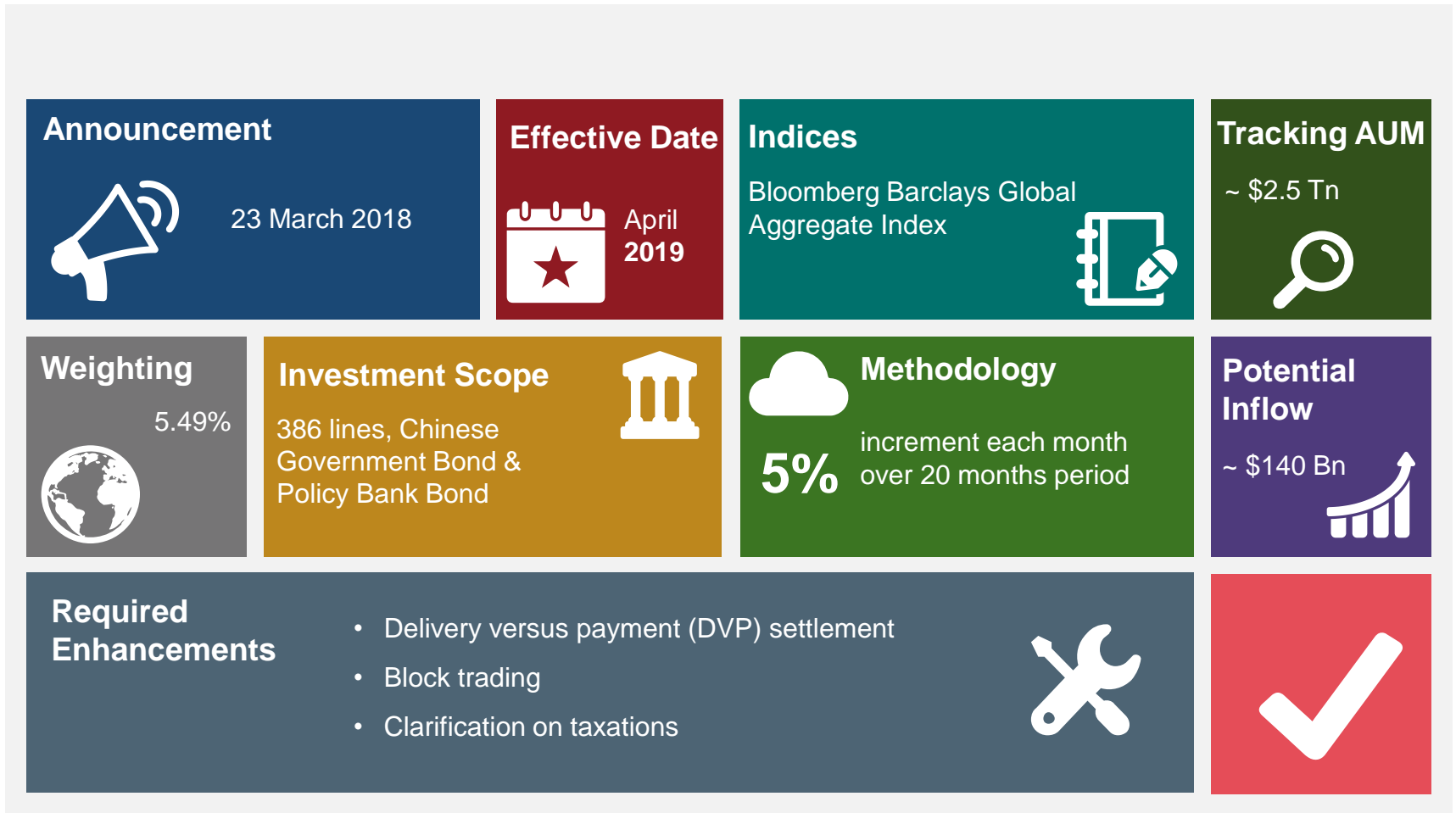
- China onshore bonds placed under review for inclusion in JPM's fixed income indices
- Possible inclusion in JPM Government Bond Index – Emerging Markets (GBI-EM) and other investment grade bond indices such as Emerging Market Bond Index (EMBI)
- Tracking AUM ~USD 200 billion

Market estimated USD250+ billion of offshore deployment to China onshore bonds catalysed by index inclusion

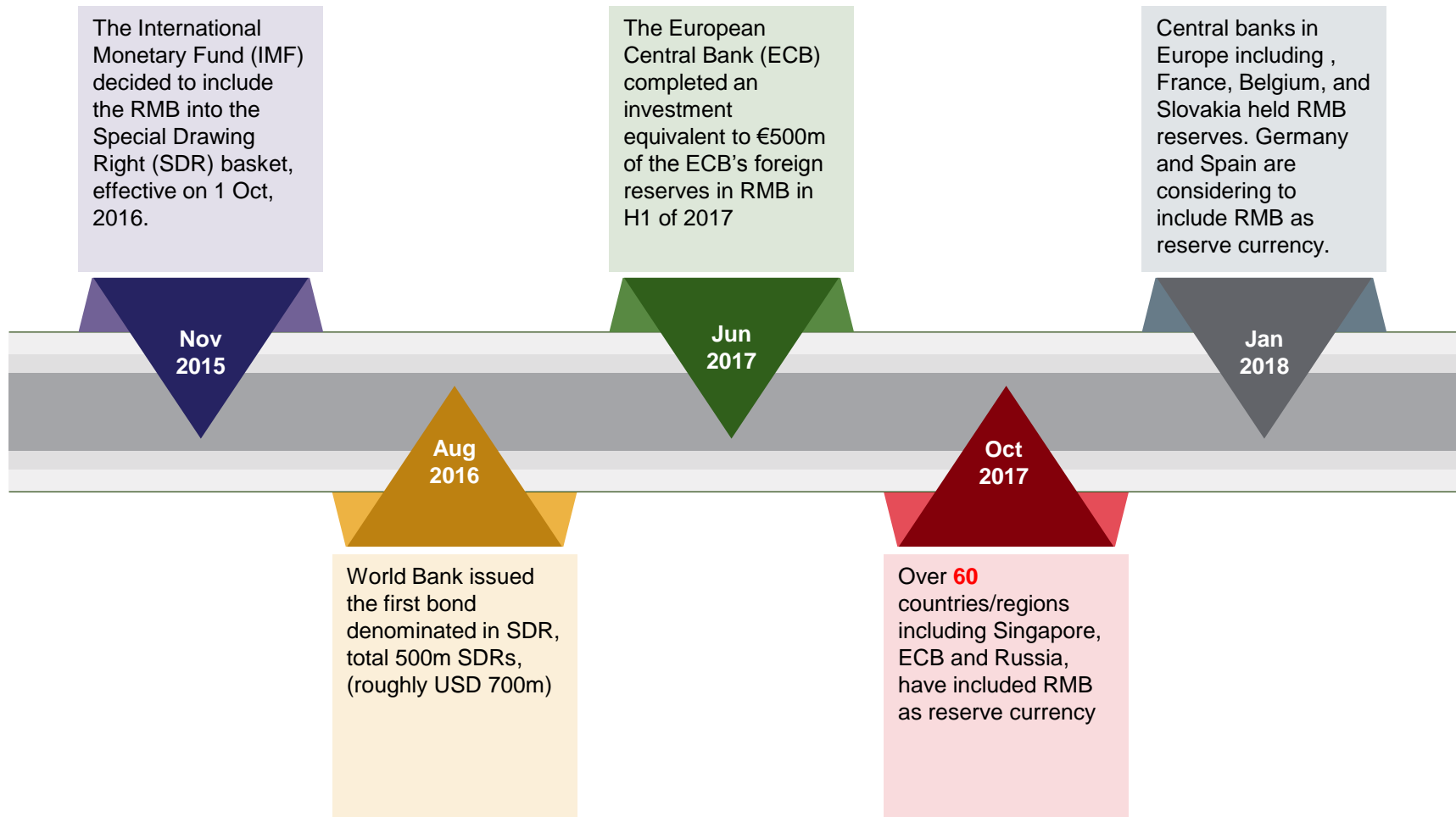
Bloomberg Barclays Index Inclusion - Timeline



Bloomberg Barclays Index Inclusion - Fact Sheet



Inclusion of RMB into the Special Drawing Right (SDR) basket



Financial Market Liberalisation



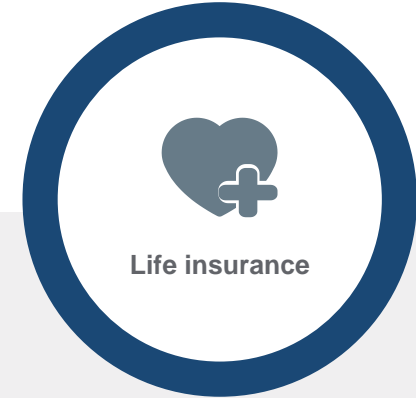
Financial companies

- Raise the cap on foreign ownership of securities investment companies, fund management companies (FCMs) and futures companies via direct or indirect investment to 51%.
- Completely remove the cap in three years after the implementation of aforementioned measures.



Banks and AMs

- Ease the 20% cap on a single foreign investors' stakes and 25% cap on aggregated foreign ownerships of any Chinese banks and asset management companies.



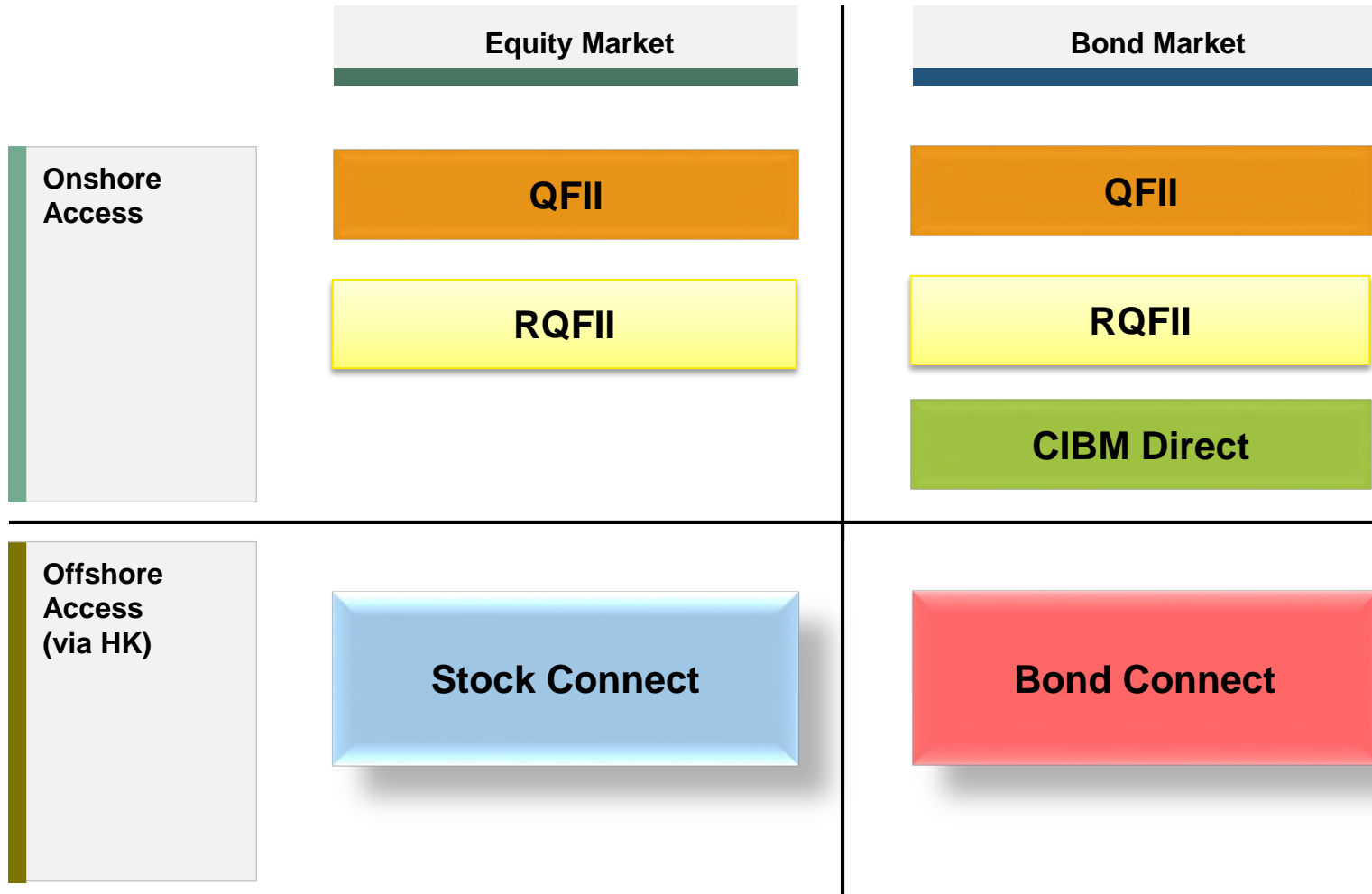
Life insurance

- Ease the cap on single or aggregated foreign investors' stakes in life insurance companies to 51% in three years.
- Completely remove the cap in five years.

Accessing China Market



Multiple Direct Access Routes into China



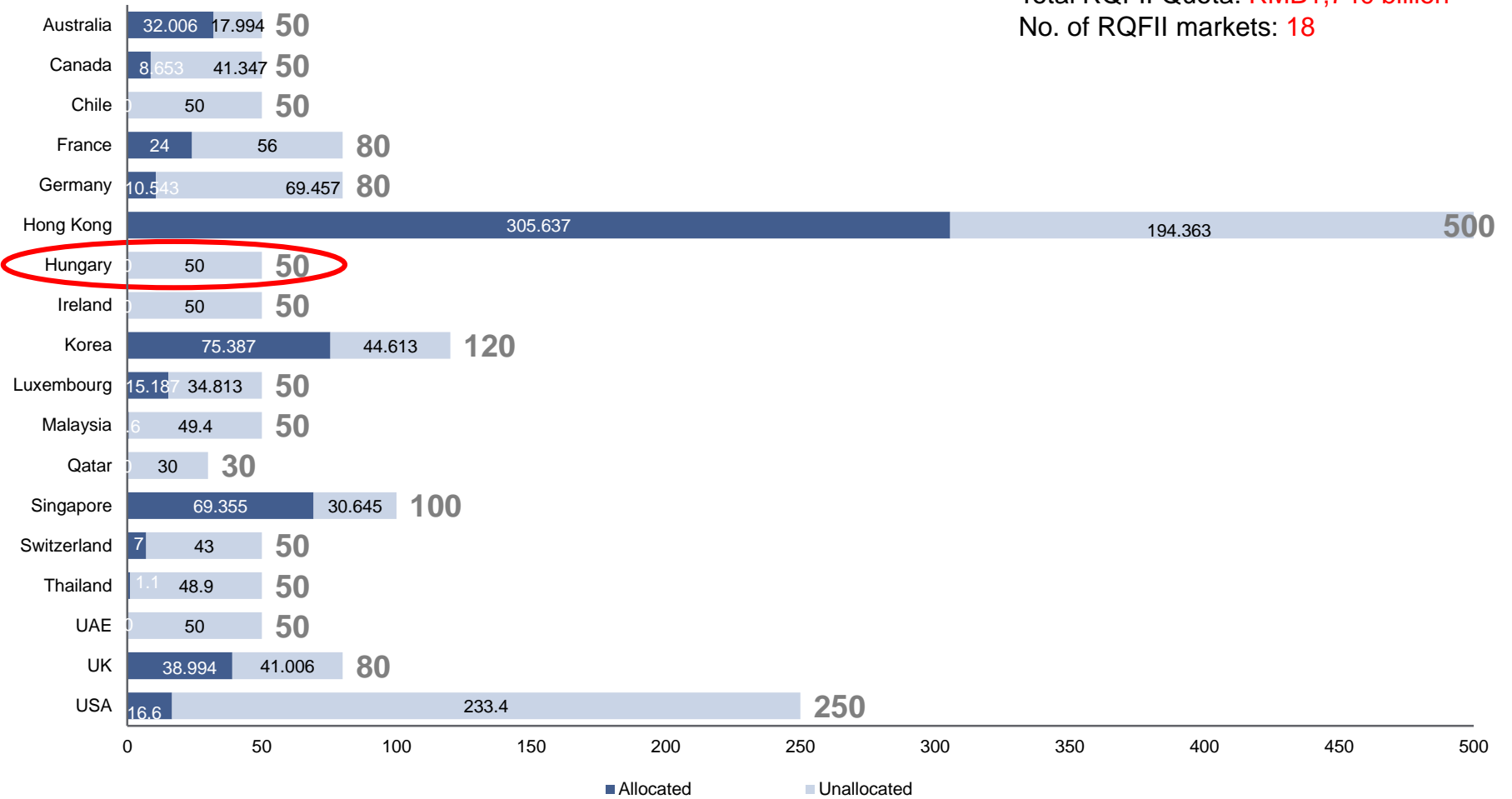
QFII - Qualified Foreign Institutional Investor

RQFII - RMB Qualified Foreign Institutional Investor

RQFII Markets Development

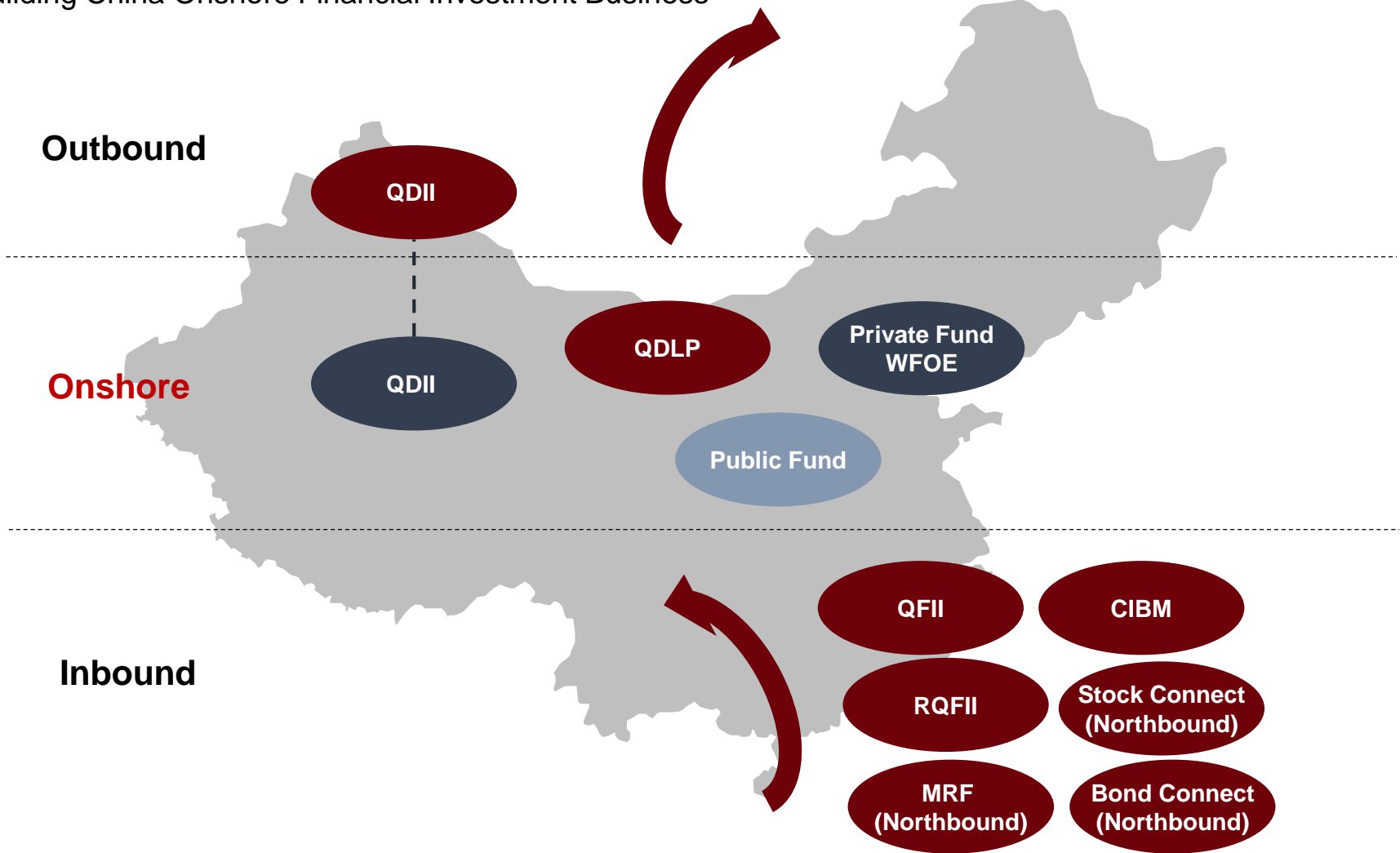
Allocated RQFII Quota in RMB (billion), as of 27 Dec 2017

Total RQFII Quota: **RMB1,740 billion**
 No. of RQFII markets: **18**



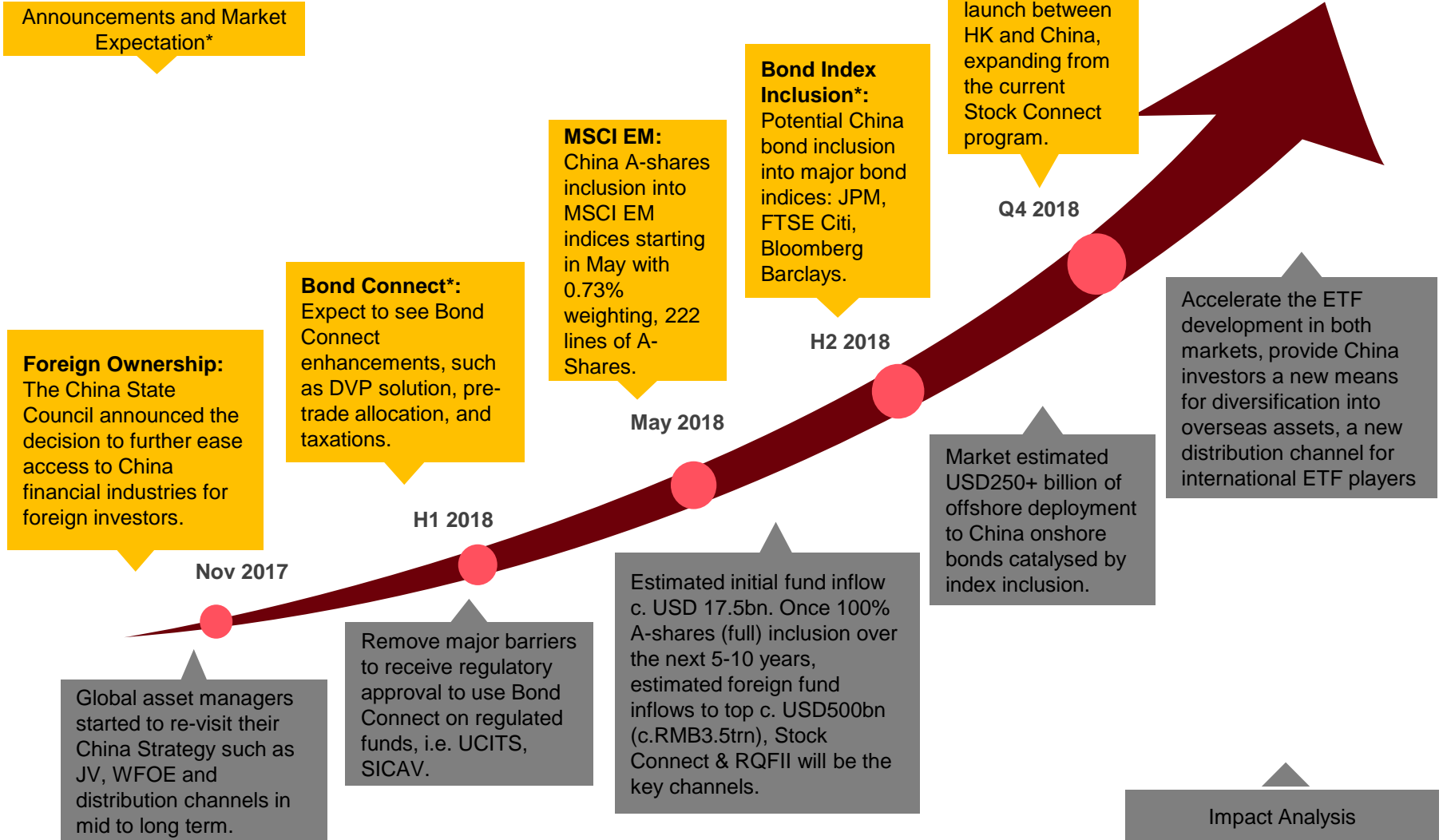
Source: PBOC, CSRC and SAFE website

Building China Onshore Financial Investment Business



Future Development

China - Capital Market Developments Impact to International Asset Managers



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