

**Box 4.1****Renminbi (RMB) bond market in Hong Kong**

Since its introduction in 2004, RMB business in Hong Kong has reached various milestones over the years, one of which was the issuance of RMB bonds in 2007. In January 2007 the People's Bank of China (PBoC) announced that qualified Mainland financial institutions could issue RMB bonds in Hong Kong, and the first batch of RMB bonds was issued subsequently in July. This marked Hong Kong as the first place outside the Mainland that has an RMB bond market.

A series of policy breakthroughs and supportive measures announced in 2011 have helped the development of RMB bond market in Hong Kong. These included the expansion of class of bond issuers (including financial institutions and enterprises in the Mainland), and the promulgation of the administrative rules under which enterprises are allowed to finance foreign direct investments in the Mainland by RMB raised in Hong Kong.

Separately, in June 2013 the Ministry of Finance announced to issue two batches of RMB sovereign bonds in Hong Kong this year, to regularise the issuance programme. This demonstrates the Central Government's determination to make the issuance of RMB sovereign bonds in Hong Kong a long-term and institutional arrangement.

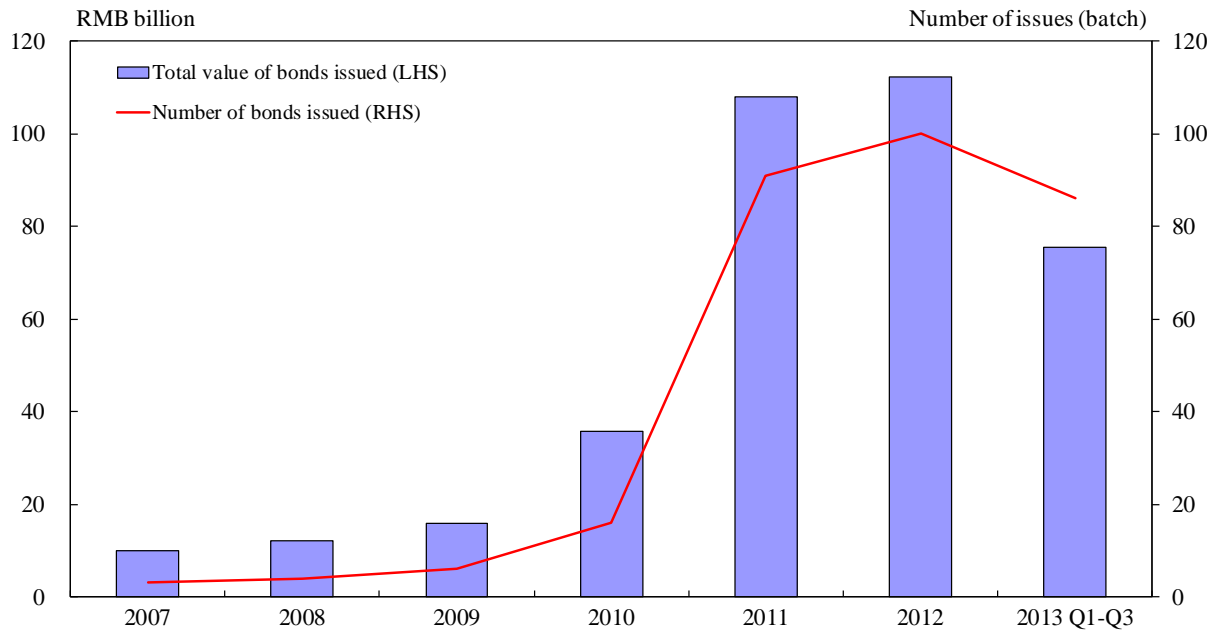
**Important milestones in the development of RMB bond market in Hong Kong**

January 2007	The PBoC announced that qualified Mainland financial institutions can issue RMB bonds in Hong Kong
July 2007	The first issuance of RMB bonds in Hong Kong
September 2009	The first issuance of RMB sovereign bonds in Hong Kong by the Ministry of Finance
July 2010	The first issuance of RMB bonds by a Hong Kong enterprise
September 2010	The first issuance of RMB bonds by a foreign enterprise
August 2011	Then Vice Premier Li Keqiang announced, among others, the expansion of class of issuers (i.e. financial institutions and enterprises in the Mainland)
October 2011	The PBoC and the Ministry of Commerce promulgated the administrative rules under which enterprises are allowed to finance foreign direct investments in the Mainland by RMB raised in Hong Kong
December 2011	The first issuance of RMB bonds by a Mainland enterprise
May 2012	The National Development and Reform Commission issued the Circular on Matters Relating to the Issuance of RMB bonds in the Hong Kong Special Administrative Region by Domestic Non-financial Institutions
June 2013	The Ministry of Finance announced to issue two batches of RMB sovereign bonds in 2013

As a result, the amount of RMB bond issuance has soared since 2011. From 2011 to the third quarter of 2013, there were a total of 277 RMB bonds issued in Hong Kong, raising a total of RMB295 billion. This is equivalent to an average of RMB26.9 billion per quarter, around five times the average of RMB5.3 billion per quarter from the third quarter of 2007 (when RMB bonds were first issued in Hong Kong) to 2010 (*Chart 1*).

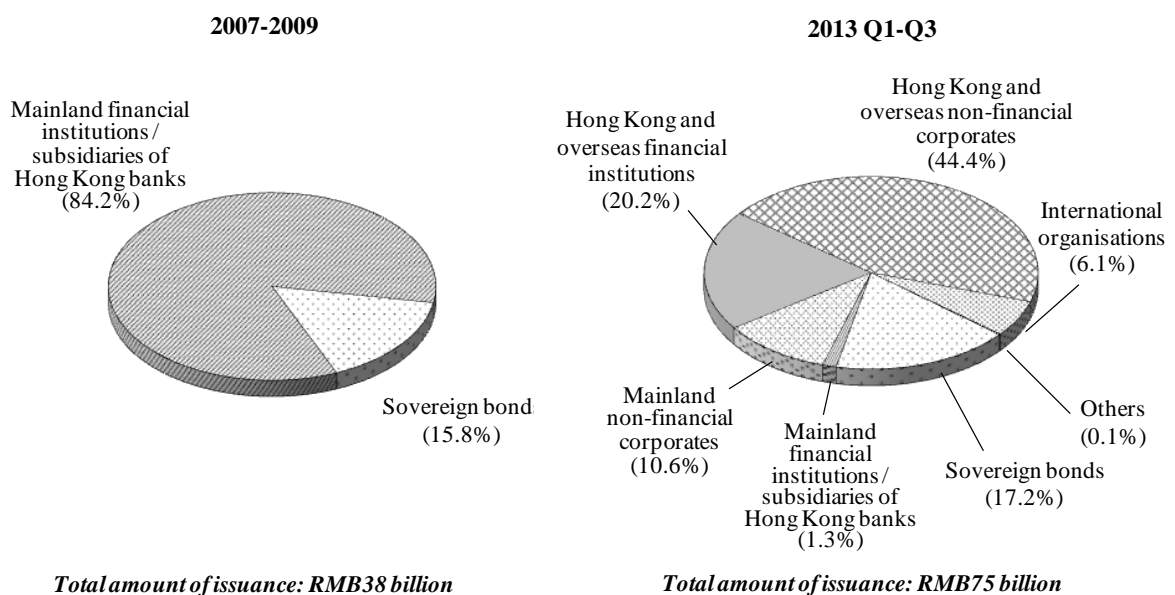
**Box 4.1 (Cont'd)**

**Chart 1 : Issuance of RMB bonds in Hong Kong  
(2007 - 2013 Q3)**



The class of RMB bond issuers also became more diverse over time. In 2007 and 2008, all RMB bonds were issued by Mainland financial institutions. In September 2009, RMB sovereign bonds were first issued by the Ministry of Finance in Hong Kong. Subsequently, various types of issuers, including Hong Kong enterprises, foreign enterprises and international financial institutions also issued RMB bonds. In the first three quarters of 2013, the majority of RMB bonds were issued by Hong Kong and overseas enterprises from a wide mix of economies (e.g. Europe, the United States, Australia, India and Brazil) (*Chart 2*).

**Chart 2 : Amount of RMB bond issuance in Hong Kong by different types of issuers**



**Total amount of issuance: RMB38 billion**

**Total amount of issuance: RMB75 billion**

Note : Figures might not add up to the total due to rounding.