Clearstream Spotlight

Internationalising Chinese Fixed Income: Clearstream’s China Bond Link

Both developments are expected to fuel considerable demand for exposure to Chinese RMB assets in the next two to three years.

Clearstream’s China Bond Link builds on these factors to provide international investors with a unique ICSD access for the domestic Chinese interbank bond market, brought with our standard custody and connectivity infrastructure.

In Luxembourg, the CSSF has granted UCITS Fund Managers permission to treat the Chinese interbank bond market as a regulated market. Clients can therefore now use our China Bond Link to invest in RMB fixed income securities dealt on the Chinese interbank bond market.

Key features of the Chinese capital market
The Chinese fixed income market is the third largest in the world after the US and Japan, with considerable room to grow.

The inclusion of Chinese securities into global indices is also expected imminently, which will boost foreign investment.

Statistics from August 2016 show that the RMB is the fifth largest world payments currency by value on the SWIFT network.

Clearstream launched its China Bond Link on 17 October 2016.

This launch coincided with the inclusion of the RMB in the IMF’s Special Drawing Rights (SDR) reserve currency basket. Clearstream’s China Bond Link provides eligible international investors with individual quota-free access to the onshore Chinese interbank bond market, leveraging simplifications recently brought in by Chinese regulators.

The IMF’s decision to include the RMB in its SDR basket with a weighting of 10.92% (the third largest weighting after USD and EUR) is a clear indication of the growing international importance of the Chinese currency. Likewise, the anticipated addition of Chinese securities to global indices is another important milestone in the liberalisation of Chinese capital markets.

Reasons to choose Clearstream

Customers choosing to use Clearstream’s China Bond Link will benefit from the following advantages:

– Partnership with licensed settlement agent with proven China track record
– Straight through DVP/RVP settlement processing using SWIFT
– Comprehensive ICSD value added services, including corporate action processing and reporting
– Only ICSD to have a link to the Chinese Interbank Bond Market

Unique services
As a major International Central Securities Depository, Clearstream’s offering to its customers is unparalleled in terms of safety and security:

– Experience in serving over 75 central banks, supranationals and agencies
– Subject to some of the most sophisticated supervision in the financial industry
– Adherence to principles of asset safety, transparency and neutrality as an ICSD and as laid out by international organisations
– Segregation and high protection of customers’ assets from Clearstream’s proprietary assets
– Registered in Luxembourg and consistently awarded AA credit ratings
– Assured service continuity including fundamental risk management and mitigation, business continuity management and around-the-clock service availability and support

More information
For more information on this topic, please visit the China Strategy pages of our website at bitly.com/ChinaFixedIncome. Alternatively, you can contact your Relationship Manager. If you would prefer not to receive our email news, please ask your RM to remove you from the mailing list.