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HSBC COMPLETES MAIDEN TRADES WITH INVESTORS UNDER OFFSHORE RMB BOND REPURCHASE BUSINESS USING NORTHBOUND BOND CONNECT BONDS AS COLLATERAL

(Hong Kong) – HSBC has today completed among the first trades under the new offshore renminbi (RMB) bond repurchase (repo) business using onshore China bonds as collateral.

These trades were carried out for several overseas and Hong Kong institutional investors including banks, securities firms and hedge funds. The new arrangement, launched today, allows international investors who have purchased bonds through Northbound Bond Connect to engage in repos in the offshore market for the first time.

HSBC has concluded trades for several global clients including Dymon Asia and Guotai Junan International acting as a designated liquidity provider and custodian bank.

William Shek, Head of Markets & Securities Services, Hong Kong at HSBC, said: “Using onshore bonds as collateral in offshore repo financing marks a significant milestone, unlocking a range of financing and liquidity management solutions for offshore investors in the world’s second-largest fixed income market. The strong interest from investors in today’s launch highlights Hong Kong’s pivotal role in both deepening mainland China’s capital markets and making them more accessible to global participants.”

Shawn Yuan, Co-Chief Investment Officer (CIO) of the Dymon Asia Multi-Strategy Investment Fund and CIO of the Dymon Asia China Absolute Return Bond Fund at Dymon Asia Capital, a leading alternative investment management firm in Asia, said: “Dymon is very proud to have executed CNH repo transactions using onshore China bonds as collateral, thanks to strong support from HSBC as the market maker and custodian. The rollout of the Bond Connect Repo scheme allows investors to optimize cash management and enhance collateral efficiencies. We are pleased to be among the first investors to participate in this important development of the China bond market.”

In a statement, Guotai Junan International said: “Today’s official launch of offshore RMB repo using Northbound Bond Connect bonds as collateral is an important milestone for China’s capital market opening-up. Allowing overseas investors an important financing tool by increasing the usage of these bonds in the collateral markets. We are very pleased to be able to execute trade on the first day with strong support from HSBC as a market maker counterpart as well as our custodian bank to set up the infrastructure swiftly.”

Acknowledging the maiden trades, HSBC's Shek added, "We view today's debut as just the beginning of broader adoption of China bonds in offshore financing and collateral applications. The industry and investors alike are eager to see further enhancements and new features under this arrangement in the future."

Since the launch of the Bond Connect scheme in July 2017, foreign investors' holdings of onshore Chinese bonds surged 4.7 times to 4.16 trillion yuan (US\$568 billion) as of 2024.

HSBC continues to stay at the forefront of China's capital market liberalisation and will continue to evolve our solutions and offerings to provide a full-fledged cross boundary experience to our clients.

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Note to editors:

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 60 countries and territories. With assets of US\$3,099bn at 30 September 2024, HSBC is one of the world's largest banking and financial services organisations.

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