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HSBC and MEAG execute first trade from Germany in Chinese Bond Market via Bond Connect

MEAG, Asset Manager for Munich RE and ERGO, is the first German investor to execute a bond trade in the Chinese capital market via Bond Connect. HSBC Germany enabled the settlement of the underlying transaction as well as the related FX through the global Network of HSBC Group. Tradeweb was used as the electronic trading system to execute the transaction between MEAG and HSBC China.

Bond Connect is an offshore trading and settlement platform enabling international institutional investors to invest into the Chinese onshore bond market. Bond Connect facilitates the market access to the China Interbank Bond Market (CIBM) for international investors by easing regulatory documentation requirements and introducing more standardized settlement processes. In addition to Bond Connect international investors can also utilize the (RMB) Qualified Foreign Institutional Investors (RQFII / QFII) or CIBM direct access scheme to enter the Chinese onshore bond market.

“We are very excited to have implemented a first-access to the Chinese bond and FX market with MEAG. We expect that significant investments will be made in the coming months via Bond Connect“, states Gerald Noltsch responsible for the securities services division at HSBC Germany.

“China is an important market for us with an attractive return risk profile. In collaboration with HSBC we chose Bond Connect as a direct access path. The key factor for us was simpler and more flexible market access with only minimal investment restrictions“, explains Thomas Kurtz, Managing Director at MEAG.

Since the inclusion of CIBM into the Bloomberg Barclays Global Aggregated Index in March 2019 net inflows from foreign investors have increased. Investment flows into China government bonds and policy bank bonds from foreign investors rose from USD 600m in the first quarter of 2019 to USD 18bn in the second quarter of 2019.

The Chinese capital market is one of the largest in the world trailing only the US bond market world wide. Medium term high inflows are expected due to the fact that the market share of foreign investors in Chinese government bonds is comparatively low at 8.3%.

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About HSBC Germany

HSBC Germany is part of the HSBC Group, one of the world's leading international banks, with a network across 65 countries and territories worldwide which account for more than 90% of global economic output. HSBC Germany's clients are companies, institutional clients, the public sector and high net worth private clients. The bank stands for internationality, comprehensive advisory expertise, major placement power, first-class infrastructure and capital strength. With its AA- (Rating Watch Negative) rating, it has the highest Fitch rating of all private commercial banks in Germany. HSBC Germany, which operates as HSBC Trinkaus & Burkhardt AG, was founded in 1785 and has more than 3,000 employees in Düsseldorf and at a further 11 locations.

About HSBC Securities Services

HSBC Securities Services Germany is the securities services division of HSBC Germany. It is part of the HSBC Group and belongs to the largest Securities Services provider's world wide with USD 7,9 bn Assets under Custody. In Germany, HSBC recently ranked among the top three in all relevant markets for securities services in 2018. HSBC ranked third in assets under custody as well as assets under administration (master KGV business) in Germany. In terms of the number of transactions, the company expanded its market leadership in securities settlement in 2018.

About MEAG

MEAG stands for the asset management of Munich Re and ERGO. MEAG is present in Europe, Asia and North America and also offers its extensive know-how to institutional investors and private clients. In total, MEAG manages investments worth EUR 270 billion.