



Z-BEN | *ADVISORS*

China Dashboard
Monthly Update

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Dashboard: Quick hits

May highlights

An overview of the major China news during the month

Cross-border: Bridgewater establishes WFOE **Page 6**

Bridgewater Associates received approval to establish the third investment management WFOE in China, becoming just the third global manager with such an entity. The timing of the license indicates an application was lodged prior to the registration suspension in April. Bridgewater's inclusion suggests domestic regulators are receptive to more than just traditional asset managers.

Capital markets: Access rules for bond market **Page 7**

PBoC, SAFE and CFETS announced long-awaited execution details for foreign institutional investors to access China's USD7.4tr onshore credit market. Quota-less investment to China's interbank bond market (CIBM) is effective immediately and is more liberal than anticipated.

Mutual funds: FMC subsidiary capital rules **Page 9**

Some FMCs may make cash calls later this year as a consequence of aggressive growth in subsidiaries' lending business. Subsidiary segregated account business – better known as shadow banking in the western press – has boomed over the past two years. Many FMC subsidiaries are now running large books of pooled debt with little capital.

Mutual funds: Institutional demand increases **Page 9**

Institutional demand for fixed- and multi-asset investment has led to increased allocation to mutual funds as well as FMC segregated accounts, particularly among small banks. ICBC Credit Suisse raised RMB30bn for a new pure bond fund in two days, largely from institutional investors. The continuing trend presents FMCs with an opportunity to raise stickier capital.

Cross-border: MRF fundraising, Connect usage **Page 6,7**

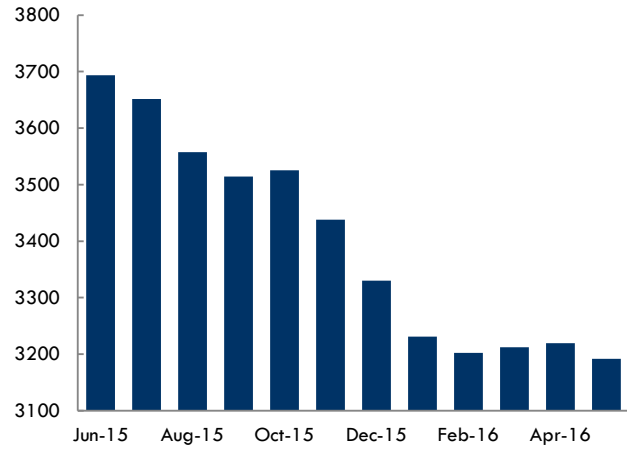
Northbound MRF fundraising crossed the billion RMB mark, while Southbound Connect usage exceeded 60% of allotted quota. Both indicate increasing demand for offshore exposure among Chinese retail investors, albeit for different reasons.

Trusts: Restructuring underway **Page 11**

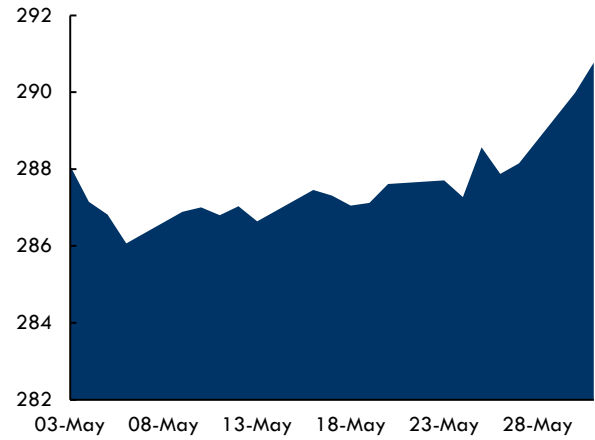
A number of trusts are restructuring in order to gain access to public market funding. Some, like Jiangsu Trust, are attempting this through backdoor listings. Others, such as Minmetal Trust, are being restructured by their parent groups with the aim of injecting them into a listed subsidiary. The current challenge for many is CSRC's tightening of backdoor listing.

May in a nutshell

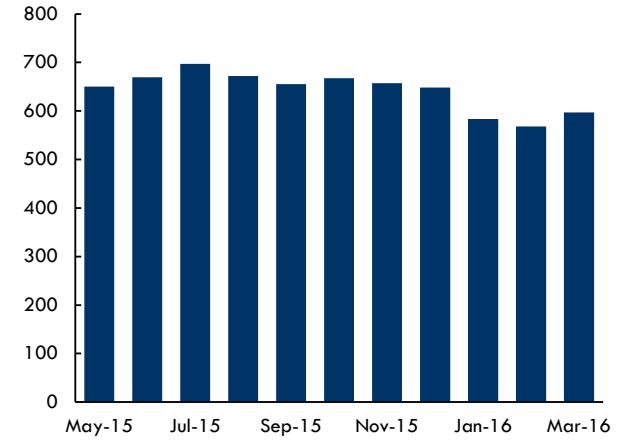
Total foreign exchange reserves (USD bn)



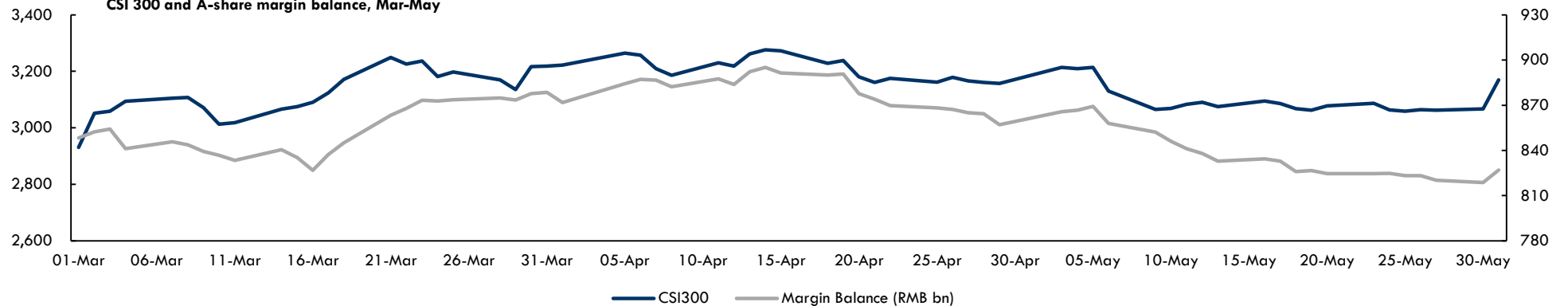
Northbound Connect daily aggregate usage (RMB bn)



Total foreign investment in CIBM (RMB bn)



CSI 300 and A-share margin balance, Mar-May



Source: Z-Ben Advisors, WIND

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