



中信嘉華銀行  
CITIC  
KA WAH  
BANK

# Financial Services

CITIC Ka Wah Bank

Philip Lau

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# Financial Center is the Place for

## Capital Raising

- Equity market – tier 1 capital
- Bond market – tier 2 capital and senior debt
- Loan Market – origination, syndication, bilateral

## Financial Hedging

- FX – spot, forward, options and other derivatives
- Interest rate – spot, forward, options, interest rate swap, cross currencies swap and other derivatives
- Equity and index – futures, option, swap
- Credit derivatives

# Financial Center is the Place for

## Commodity Hedging

- Agricultural futures and options – wheat, soybeans etc
- Metal futures and options – copper, nickel etc
- Precious metal futures and options – gold, silver etc
- Energy futures and options – crude oil, heating gas etc

## Secondary Market Trading

- Intermediaries provide liquidities for all major financial products
- Reduce transaction costs and increase marketability of issues and products
- Good liquidity attracts speculators, which further increase liquidity

# Financial Center is the Place for

## Investment

- Fund Managers for traditional investment – equity and bond
- Alternative Investment Fund Managers – Hedged Funds, Real estate, commodities
- Pension Fund, endowment, institutional investors

## Structuring and Financial Engineering

- Sophisticated wealth management products – notes linked to equity, interest rates, commodities, index or their combinations
- Highly structured deals for specific purposes, such as tax, organizational structure, capital structuring etc

# Major Attributes of Financial center

## Market Size

- Hong Kong is too small – Mainland's size is a strong support

## Infrastructure

- Tax, legal structure, market efficiency, clearing and settlement

## Talents

- The more talents you have, the better the market will be, and in turn attract even more talents

# RMB Offshore Center

## Current Situation

- Only cash transactions
- No RMB clearing outside the Mainland – no delivery of RMB in inter-bank trades outside the Mainland
- Only non-deliverable forward (NDF) exists
- Though improved, the NDF market is not very liquid and does not reflect true supply and demand

# RMB Offshore Center

## Issues to consider

- RMB clearing and settlement in HK
- Who can buy and sell RMB?
- Any limits on transaction?
- What are interest rates for RMB in HK?
- Can banks lend out the RMB deposit – offshore RMB loan market?

# RMB Offshore Center

## Implications

- Develop a RMB interest rate market that is more driven by supply and demand
- Accumulation of RMB deposit outside the Mainland
- Condition for developing bond market – Euro RMB bond market
- Corporations access to capital through RMB bond and loan
- Onshore and offshore RMB markets – drive the liberalization of financial markets in the Mainland



# RMB Offshore Bond Market

## Issues to consider

- RMB currency and bond clearing and settlement in HK
- Who can buy the RMB bond?
- Any limits on transaction?
- What are the interest rates?
- What should be the benchmark yield curve?
- Can international investors participate?
- Domestic or international offering?
- Retail or institutional?

# Commodity Exchange / Contracts

## Issues to consider

- Three exchanges in the Mainland already
- Corporations in the Mainland are target users
- Currency denomination of contracts
  - If RMB – hedgers will use exchanges in the Mainland, and there are offshore RMB issues
  - If USD or other major currencies – Why hedgers should use exchange in HK instead of London or US?
- No natural demand in HK
- Expertise in HK



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# Thank You

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