

## Our specialist RMB panel



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# RMB Bond Checklist for Corporates

Basic RMB funding considerations

What are your funding needs in the PRC?	If your RMB availability would be larger could you get discounts from PRC companies?	Would you be able to deal with companies you haven't been able to do business before?	Consider also paying raw material suppliers or other counterparties outside the PRC in RMB.	Could you reduce hedging and financial costs by natural hedging through an offshore RMB bond issuance?	Are there arbitrage opportunities, i.e. cheaper funding even if swapping proceeds into another currency, or could you increase market awareness for your company.	Is your treasury set-up to deal with RMB? Include RMB liquidity planning in overall liquidity plans.	Do you intend to broaden your investor base into Asia or give existing investors, e.g. in London, opportunity to invest in a debt curve in another currency? Consider also other tranches like US Dollar, Singapore Dollar and/or Hong Kong Dollar in addition to RMB.	Consider if an offshore RMB bond would be seen as a positive first step by equity investors in case of an intended dual listing in the PRC in the future.
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PRC regulatory analysis for offshore RMB bond issuance

Is it intended to repatriate the issue proceeds into China?	<p>If so, consider:</p> <ul style="list-style-type: none"> <li>identifying the persons to assist with the pre-application consultation (with the regulators) and application processes (banks, lawyers);</li> <li>engaging experts and consider what is the best way to repatriate the proceeds (by way of current account trade settlement, capital account equity injection or capital account shareholder loans);</li> <li>depending on the intended way of repatriation, arranging application process, PRC regulatory approvals or registrations (e.g., PBOC, SAFE and/ or MOFCOM) that will be required and bear in mind timing (can be time-consuming);</li> <li>checking if you are not acting in a restricted sector;</li> </ul>					<p>If not, consider:</p> <ul style="list-style-type: none"> <li>strengthening / expanding representations and conditions precedent in subscription agreement / engagement letter / equivalent;</li> <li>if it is necessary to engage PRC counsel;</li> <li>whether proceeds can be used as intended.</li> </ul>		<p>If not, consider:</p> <ul style="list-style-type: none"> <li>identifying currency to swap into and check feasibility;</li> <li>identifying swap counterparty.</li> </ul>
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Terms and Conditions of offshore RMB Bonds

Do the terms and conditions of the bonds contain specific fall-back provisions to address the risk of the issuer not being able to access RMB to meet its payment obligations?	These fall-back provisions typically cover inconvertibility, illiquidity and non-transferability or, as an alternative, unavailability. Consider also a "postponement of payment" option.	If settlement is to be in another currency, how is the FX rate to be determined? Has the calculation agent been involved?	Is there to be a related hedge? If so, consider: <ul style="list-style-type: none"> <li>if the fall-back provisions in the hedge and the terms and conditions of the bond match exactly, in particular definition of disruptions, timing of payments, business day definition and screen rates?</li> </ul> If not, consider: <ul style="list-style-type: none"> <li>what is the resulting basis risk?</li> </ul>	Follow any development regarding new payment systems and new clearing banks for offshore RMB via <a href="#">elexica</a> .	Think carefully about the relevant financial centres for payment days.	In case of a floating rate bond, consider the applicable underlying reference rate (e.g. HIBOR, SHIBOR).
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Offering document / disclosure

Which risk factors have been disclosed?	Consider that note sales to PRC residents are generally prohibited.	Consider that selling restriction disclosures for Hong Kong, Singapore and Taiwan are generally required as per market practices.	Do investors require a specific Hong Kong tax disclosure?
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Listing / Public offer

If the bonds are to be issued under a programme, and listed or the subject of a public offer, does the programme contemplate RMB issuance and/or the fall-back provisions?	If not, consider: <ul style="list-style-type: none"> <li>supplementing or updating the programme as a listing or public offer by way of final terms is not possible anymore (this might not be applicable to HK or SG listed programmes).</li> </ul>
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Settlement

Through which clearing system are the bonds to be cleared? If CMU in Hong Kong, specific paying and lodging agent provisions will be required and certain TEFRA provisions might not work (CMU does not provide tax certification services unlike Euroclear). This is typically investor driven.	Prepare pre-closing if necessary from a timing perspective and consider different market standards in Asia and Europe, e.g. need for comfort letters and/or legal opinions.	Consider timing of payment streams as well as opening hours of clearing and central banks. Choose correct Swift message format.	Will the calculation agent have a certain discretion if fixing rates or similar. If so, check whether this is acceptable for the paying agent.
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