ETF NO. 15 ON CEINEX MARKS EUROPE’S FIRST CHINA SMART BETA ETF LAUNCHED BY CHINA POST GLOBAL

Source: CEINEX, June 18, 2018

Frankfurt/Main, Germany, June 18, 2018 – China Europe International Exchange AG (CEINEX) welcomes the launch of Europe’s first China smart beta ETF, issued by China Post Global, on its marketplace in Frankfurt, which is a part of the regulated market of the Frankfurt Stock Exchange. China Post Global is the international asset management arm of China Post Fund, one of the largest asset managers in China that also operates offices in Hong Kong and London. The Market Access STOXX® China A Minimum Variance Index UCITS ETF marks the 15th ETF on CEINEX, further strengthening its lead role as the China financial markets platform in Europe.

The fund aims to replicate the performance of the STOXX® China A 900 Minimum Variance Unconstrained AM index which selects and weights stocks listed on the Shanghai and Shenzhen stock exchanges based on their volatility and how heavily they are traded on exchange, with the aim of reducing overall index volatility.

- ETF Name: Market Access STOXX® China A Minimum Variance Index UCITS ETF
- Asset Class: Equity Index ETF
- ISIN: LU1750178011
- Total Expense Ratio: 0.65% p.a.
- Distribution Policy: accumulating
- Currency: EUR
- Reference Index: STOXX® China A Minimum Variance Unconstrained AM index

The underlying index was developed together with STOXX Ltd. and currently consists of 135 constituents, with the maximum weight per constituent being capped at 8%. The new ETF makes use of China’s Stock Connect programs, which enable equities listed in Shanghai and Shenzhen to be traded internationally via the Hong Kong stock exchange. This avoids trading restrictions associated with the QFII and RQFII quota programs for investing in mainland Chinese stocks.

CHINA SECURITIES REGULATORY COMMISSION APPROVES HAIER’S APPLICATION FOR OFF-SHORE-LISTING ON CEINEX D-SHARE MARKET

Source: CEINEX, June 12, 2018

Frankfurt/Main, Germany, June 12, 2018 – On June 12, Qingdao Hai-er Co., Ltd announced the approval of their application for an offshore-listing on the CEINEX D-Share Market in Frankfurt/Main, Germany, by the China Securities Regulatory Commission (CSRC) in Beijing. The China Europe International Exchange (CEINEX) welcomes this approval as an important step underlining the quality in the construction of the CEINEX D-Share Market, which is part of the EU-regulated market of the Frankfurt Stock Exchange (Prime Standard).
CHINA OVERVIEW

CHINA TO PUSH OPENING-UP IN CAPITAL MARKETS

Source: Xinhua. June 14, 2018

SHANGHAI, June 14 (Xinhua) -- China will continue to push opening-up in the capital market to better serve the country’s economic development and broader opening-up strategy, a central bank official said Thursday.

“China will further open up some non-convertible items under the capital account, and those already convertible will see trades more liberalized,” said Pan Gongsheng, deputy head of the People’s Bank of China, at a forum in Shanghai.

Two-way openness will be promoted in the financial market, with increasing product supplies such as China Depositary Receipts, Panda bonds and commodity futures, according to Pan, who also heads the State Administration of Foreign Exchange.

Rules on qualified institutional investors will be further improved and the scope of connectivity programs will be widened, Pan said, adding China would support domestic financial institutions to better engage in the international market.

Regulators will debate whether to allow Chinese institutions to enter offshore RMB markets as well as whether to permit securities and futures firms to conduct cross-border businesses.

The remarks followed a central bank announcement Tuesday to ease restrictions on foreign institutional investors in a step to further open its financial market.

Regulators decided to scrap a rule that limited the amount of funds a Qualified Foreign Institutional Investor (QFII) could take out of the mainland every month at 20 percent of its mainland assets as of the end of the previous year.

The requirements for a three-month capital lock-up period for QFII and RMB Qualified Foreign Institutional Investor (RQFII) redemptions will be removed, according to the new rules effective immediately.

At the forum, Pan also promised to allow the market to play a decisive role in the exchange rate formation mechanism and push for global use of the RMB.

CHINA EASES RESTRICTIONS ON INSTITUTIONAL INVESTOR PROGRAMS

Source: Xinhua, June 12 2018

BEIJING, June 12 (Xinhua) -- China said Tuesday that it would ease restrictions on foreign institutional investors in a step to open its financial market wider.

New rules for the Qualified Foreign Institutional Investor (QFII) and the RMB Qualified Foreign Institutional Investor (RQFII) programs will make it easier for investors to move funds out of the Chinese mainland, according to the People’s Bank of China and the State Administration of Foreign Exchange.

Regulators will scrap a rule that limits the amount of funds that QFIIs can take out of the mainland every month at 20 percent of its mainland assets as of the end of the previous year.

The requirements for a three-month capital lock-up period for QFII and RQFII redemptions will be removed, according to the new rules unveiled with immediate effect.

QFIIs and RQFIIs will also be allowed to make forex hedges on their investments in the mainland to offset risk from forex movements.

The QFII program allows licensed overseas investors to invest in the mainland’s yuan-denominated capital market, while the RQFII program allows foreign institutional investors to invest in the mainland’s onshore market with offshore RMB deposits.

As of the end of May, 287 overseas institutions had received quotas amounting to a total of 99.46 billion U.S. dollars under the QFII program, while the quotas in the RQFII program came in at 615.85 billion yuan (about 96.2 billion U.S. dollars) for 196 institutional investors from abroad.
CHINA'S TRUST SECTOR REPORTS SLOW-DOWN AMID RISK PREVENTION

Source: Xinhua, June 20, 2018

BEIJING, June 20 (Xinhua) -- Total assets managed by Chinese trust companies reported the first quarterly drop in two years as the government has placed increasing emphasis on financial risk prevention, data from the China Trustee Association showed Wednesday.

The asset scale of the country’s 68 trust companies came in at 25.61 trillion yuan (6.46 trillion U.S. dollars) at the end of first quarter this year, down 2.41 percent from the volume at the end of 2017.

On a year-on-year basis, the expansion of 16.6 percent also slowed from the 29.8-percent rise at the end of the fourth quarter last year, the data showed.

Zhou Ping, researcher with the China Trustee Association, attributed the slower expansion to companies’ self-initiated downsizing amid government’s deleveraging efforts to prevent financial risks.

With the implementation of new regulations on capital management, the industry’s asset scale may shrink further, Zhou said.

Wednesday’s data also showed total business revenues for the trust sector stood at 24.3 billion yuan in the first quarter, with profits reaching 16.8 billion yuan.

China’s asset management businesses have experienced rapid growth in recent years, but their expansion has also caused high leveraging and shadow banking, which authorities have attempted to rein in.

CHINA CONTINUES TO INJECT FUNDS INTO MARKET

Source: Xinhua, June 19, 2018

BEIJING, June 19 (Xinhua) -- China’s central bank continued to inject liquidity into the financial system through open market operations on Tuesday to offset liquidity pressure.

The People’s Bank of China pumped 100 billion yuan (about 15.5 billion U.S. dollars) into the market through reverse repos, with 50 billion yuan of contracts maturing, leading to a net injection of 50 billion yuan.

A reverse repo is a process by which the central bank bids and buys securities from commercial banks, with an agreement to sell them back in the future.

The central bank also injected 200 billion yuan via the medium-term lending facility (MLF). The interest rate for the one-year MLF stood at 3.3 percent.

First introduced in 2014 to help commercial and policy banks maintain liquidity, the MLF tool allows lenders to borrow from the central bank by using securities as collateral.

The moves are aimed at offsetting impacts from factors including taxation peaks to ease liquidity pressure, according to the central bank.

The central bank increasingly relies on open-market operations, rather than changes in interest rates or reserve requirement ratios, to manage liquidity in a more flexible and targeted manner.

China has decided to maintain a prudent and neutral monetary policy in 2018 as it strives to balance growth and risk prevention.
ECONOMIC WATCH: MSCI NOD GIVES FOREIGN INVESTORS CHANCE TO SHARE CHINA’S MARKET DIVIDENDS

Source: Xinhua, June 1, 2018

BEIJING, June 1 (Xinhua) -- With the inclusion of China A-shares on a key global index, a step has been made for more foreign investors to increase exposure to China's capital market and share its growth dividends.

Global index compiler MSCI included 226 China large-cap A shares on its MSCI Emerging Markets Index at the close of trading Thursday.

These stocks, at a partial inclusion factor of 2.5 percent, have an aggregate weight of 0.4 percent in the index. In the second step of the inclusion in September, the factor and weighting will increase to 5 percent and 0.79 percent.

MSCI indices are tracked by global funds at an estimated amount of 3.7 trillion U.S. dollars.

"International institutional investors are devoting more time and resources to learning how to navigate Chinese markets," said Chin Ping Chia, head of research for Asia Pacific at MSCI.

From the beginning of May until market close Wednesday, net inflows of funds from Hong Kong to the Shanghai and Shenzhen stock exchanges reached 45.1 billion yuan (about 7 billion dollars), the highest month since December 2016.

While A shares are now only partially included, increased weighting in the future will bring much more foreign investment to the market.

"If the Chinese market continues to liberalize to the point of warranting full inclusion in the future, Chinese stocks -- A shares and other share classes -- could comprise more than 40 percent of the MSCI Emerging Markets Index," Chia said.

"Additionally, should China mid-cap A shares ever be added to the index, Chinese companies would represent nearly one out of every two investment opportunities available to emerging-market investors," he said.

A steady Chinese economy with a positive outlook means the attraction of the mainland stock market will only become stronger in future.

"Global institutional investors are currently underweighted in Chinese assets. As the importance of China's economy and the yuan increases, adding positions on these assets will become the norm for foreign funds," said Fang Xinghai, vice chairman of the China Securities Regulatory Commission.

Sun Yu, a researcher from securities joint venture HSBC Qianhai, estimates the two-step inclusion will lead to inflows of over 22 billion. In the coming five to 10 years, the amount will exceed 600 billion dollars.

LAUNCH CEREMONY FOR A-SHARES INCLUDED IN MSCI HELD AT SSE

Source: SSE, May 31, 2018

Good news has come after 5 years of efforts: A-shares have been officially included in the MSCI (Morgan Stanley Capital International) Emerging Markets Index as of the market closing on May 31, 2018. It marks the official inclusion of A-shares after the MSCI started to solicit opinions on including A-shares in its Emerging Market Index in June 2013. After the market closing of today, a brief and grand launch ceremony has been held in the trading hall of the Shanghai Stock Exchange (SSE), and relevant officials of Shanghai Government, MSCI, the SSE, Shenzhen Stock Exchange (SZSE), as well as representatives from about 80 domestic and foreign financial institutions have witnessed another iconic moment of the opening-up of the Chinese capital market. SSE President Jiang Feng, SZSE Vice President Li Hui, and Board Chairman and CEO Henry Fernandez of MSCI delivered a speech, respectively.

More
Fostering an Internationalized Derivatives Market and a Robust Equity Index Futures & Options Market

Source: CFFEX, June 22, 2018

The 15th Shanghai Derivatives Market Forum (SDMF), co-hosted by Shanghai Futures Exchange (SHFE) and China Financial Futures Exchange (CFFEX), took place in Shanghai on May 29th and 30th. HU Zheng, Board Chairman of CFFEX, gave speech on the sub-forum called “Fostering an Internationalized Derivatives Market and a Robust Equity Index Futures & Options Market”. He emphasized that the year 2018 marks the 40th anniversary of China’s Reform and Opening-up. As pointed out in the report of the 19th National Congress of the CPC, the nation is “on its way to building a modern economic system”, and “promoting a market fully-open to the world”. This is in line with the fundamental demand of China’s current economic and financial growth, and requires the financial futures market to make further progress. At present the financial futures market is actively exploring international development. It is developing diverse equity index risk management tools, with an aim to better serve the opening-up of the financial sector and improve China’s global competitiveness.