

Lianhe Global Participated in “2nd China Fixed Income Summit” held by FinanceAsia

On 21 October 2020, Lianhe Global participated in the “2nd China Fixed Income Summit” organized by FinanceAsia. FinanceAsia created this fully virtual 5-day event to enable as wide a range of key market players as possible from APAC to speak and participate. In the third day of this 5-day event, Dr. Stan Ho, the Chief Executive Officer of Lianhe Global, participated in the one-on-one Q&A session with Mr. Iain Bell, Head of Events Programming of FinanceAsia, on “Raising Ratings Standards in China”.

As the representative of the largest Chinese offshore credit rating agency, Dr. Stan Ho shared his views on “Raising Ratings Standards in China”. The recent trends of rating Chinese issuers include the increasingly importance of financial projections in rating Chinese corporates including property developers, and direct management meeting with the shareholders of the rated entities in order to give credit to the shareholder support in rating Chinese local government financing vehicles (LGFVs) and certain state-owned enterprises (SOEs).

International and Chinese rating agencies use similar factors and scorecards in their credit rating. The former focus more on the credit metrics while the latter focus more on the operating scale and market position in the industry. The major issue with the onshore credit rating is the limited availability of credit rating scales including AAA, AA+ and AA only.

In addition, listed corporates and auditors with good track records are important factors for bond investors to pay attention to. Last, but not least, it will take time for the international rating agencies, currently with ratings on financial institutions and securitization, to have impacts on the onshore bond market.

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