Panda Bonds or Dim Sum Bonds?
A Comparative Analysis of Onshore and Offshore RMB Financing by Foreign Issuers

Executive Summary

Against the backdrop of RMB internationalization and diverging China-US monetary policy cycles, the cross-border RMB bond market FACES a historic opportunity. As the two pillars of the cross-border RMB bond market, Panda bonds (RMB-denominated bonds issued in Mainland China by overseas entities) and Dim Sum bonds (RMB-denominated bonds issued in offshore markets such as Hong Kong) have grown rapidly in recent years. Cumulative Panda bond issuance has exceeded RMB1 trillion, while annual issuance of Dim Sum bonds has surpassed RMB1 trillion for two successive years.

Although Panda bonds and Dim Sum bonds are both RMB-denominated bonds, they are issued in China's onshore and offshore markets separately. Panda bonds and Dim Sum bonds differ systematically in regulatory frameworks, investor bases and market liquidity, even as the gap between their financing costs continues to narrow. For foreign issuers, choosing between Panda bonds and Dim Sum bonds is a strategic decision subject to multiple considerations, including financing costs, regulatory compliance and ease of fund utilisation. The optimal strategy may not be an either-or choice, but to establish an RMB financing framework in which one market serves as the primary venue and the two markets work in tandem, tailored to the issuer's business footprint, investor relationships, compliance capabilities and tenor requirements. This approach may maximize their financing efficiency as RMB internationalization advances.

A) Overview of the Panda Bond and Dim Sum Bond Markets

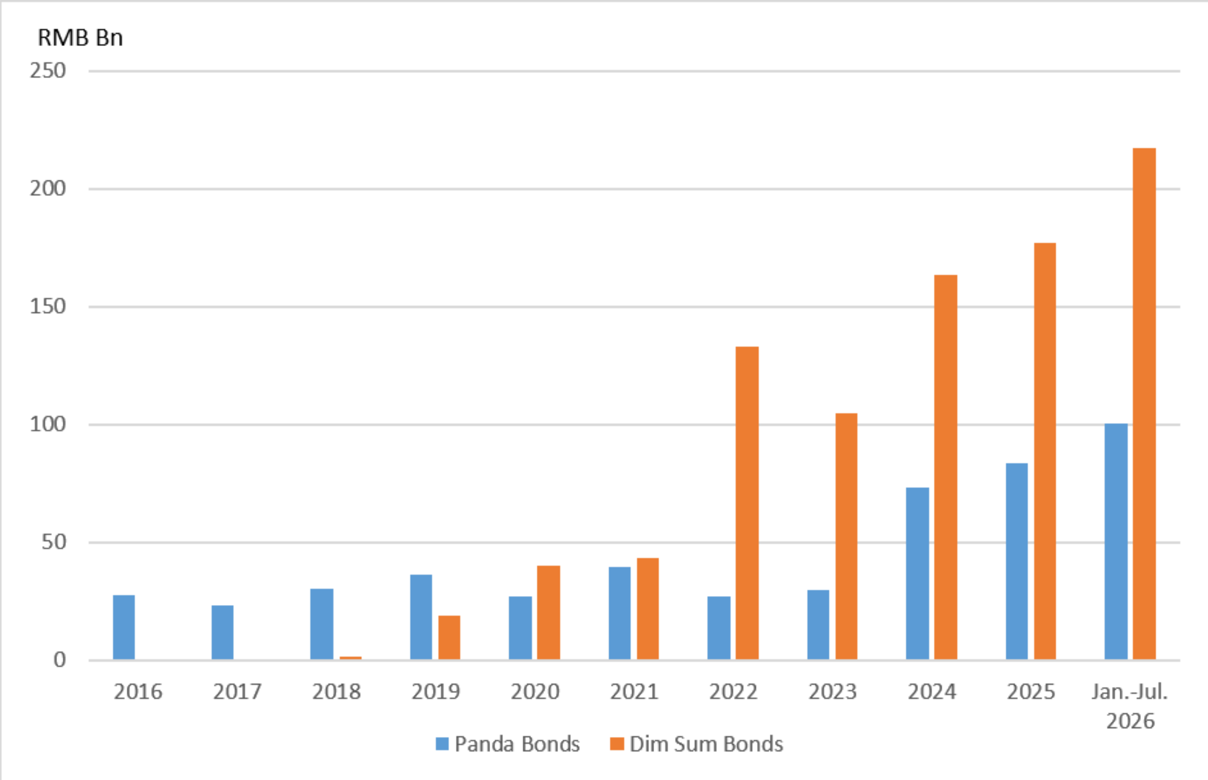
Relatively low RMB financing costs have attracted more foreign issuers to the Panda and Dim Sum bond markets in recent years

The issuances of RMB bonds in China's onshore bond market by the International Finance Corporation and the Asian Development Bank in 2005 marked the inception of the Panda bond market. However, stringent restrictions on issuer eligibility, credit ratings and the use of proceeds limited the growth of the Panda bond market in early stages. Since 2010, Chinese regulators have gradually eased issuer eligibility and permitted uses of proceeds. Along with the RMB's inclusion in the SDR basket in 2016 and the launch of Northbound Bond Connect in 2017, these changes increased overseas investors’ interests in Panda bonds and the Panda bond market ushered in a period of expansion. Since 2022, lower onshore RMB interest rates, widening China-US interest rate spread, RMB internationalization and ongoing improvements to the Panda bond regulations have significantly strengthened foreign issuers’ incentives to issue Panda bonds. Total Panda bond issuance exceeded RMB160 billion in 2025, and cumulative issuance has surpassed RMB1.3 trillion by the end of June 2026. In the early years of Panda bond market, Chinese overseas issuers, particularly red-chip companies, played an important role, while annual issuance by foreign issuers stayed around RMB30 billion for many years until 2024, after which new issuers from more countries and regions emerged and contributed to the boom of the Panda bond market.

China Development Bank’s inaugural Dim Sum bond issuance in 2007 marked the beginning of the Dim Sum bond market. Issuers were initially limited to the Chinese government, policy banks and commercial banks. After regulators expanded issuer eligibility to all domestic non-financial institutions, Dim Sum bond issuance peaked at approximately RMB400 billion in 2014. The Federal Reserve’s withdrawal from quantitative easing marked a turning point for the market, and increasing exchange rate volatility triggered by China’s exchange rate reform on 11 August 2015 subsequently pushed the Dim Sum bond market into a downturn. Since 2021, the launch of Southbound Bond Connect and the increasing cost advantage of RMB financing have driven a strong recovery of the Dim Sum bond market. Annual issuance exceeded RMB1 trillion for two consecutive years in 2024 and 2025. Before 2020, foreign issuers rarely issued Dim Sum bonds and were mainly multilateral development banks (MDBs) and multinational banks. As the Federal Reserve’s rate increases drove up US dollar financing costs after 2022, a broader range of foreign issuers from more countries began to explore RMB financing options through Dim Sum bonds. Issuance by foreign issuers reached nearly RMB180 billion in 2025.

Overall, the principal driver of Panda bond and Dim Sum bond issuances by foreign issuers is the relatively low cost of RMB financing. This is the fundamental reason for the rapid expansion of both markets since 2022.

Figure 1: Panda and Dim Sum Bond Issuance by Foreign Issuers Since 2016



Source: DMI; compiled by Lianhe Global

B) Comparative Analysis of Panda Bonds and Dim Sum Bonds

Panda bonds and Dim Sum bonds differ significantly and systematically

Although Panda bonds and Dim Sum bonds are both RMB-denominated bonds, they are issued in China's onshore and offshore markets separately. Panda bonds and Dim Sum bonds differ systematically in regulatory frameworks, investor bases and market liquidity.

Panda bonds are, in essence, an important channel for opening China's domestic bond market to the outside world. Overseas issuers entering the domestic market must comply with onshore issuance rules, registration and custody arrangements, disclosure requirements and the investor-protection framework. Dim Sum bonds, by contrast, are a natural extension of the offshore RMB market. They rely on the RMB deposit, clearing, asset-management and banking infrastructure of offshore markets, particularly the Hong Kong market, and follow Hong Kong and international bond issuance practices.

In terms of investor base and market liquidity, Panda bond investors are mainly domestic banks, insurers and funds in China, while overseas investors may also invest in Panda bonds through compliant channels. The Panda bond market benefits from a deep RMB cash pool, established yield curves and substantial underlying asset capacity, although its secondary market liquidity might be influenced by the broader ecosystem of the onshore bond market. The investor base for Dim Sum bonds is more international and includes Chinese overseas entities, Hong Kong's local banks and asset managers, international funds, central banks and sovereign investors. Chinese onshore investors may also participate the market through channels such as Southbound Bond Connect. However, as the offshore RMB cash pool is not deep enough, the Dim Sum bond market is more susceptible to shocks from offshore RMB liquidity and exchange rate volatility expectations.

Overall, the primary advantage of Panda bond issuance is access to the deep cash pool in China's onshore market, although issuers must adapt to local rules. Dim Sum bond issuance is easier to integrate with US dollar and euro bond issuance procedures, but depends more heavily on primary market demand and secondary market liquidity.

Table 1: Key Differences Between Panda Bonds and Dim Sum Bonds

Comparison Dimension	Panda Bonds	Dim Sum Bonds
Place of Issuance	China's onshore market (primarily the China interbank bond market, supplemented by exchange markets)	Offshore markets such as Hong Kong
Issuer Type	Overseas entities, including MDBs, sovereign governments, financial institutions and non-financial enterprises (including some Chinese overseas companies)	Mainly Chinese entities (domestic enterprises, financial institutions, the Ministry of Finance and local governments), as well as overseas issuers
Regulatory Framework	Registration administered by the People's Bank of China and the National Association of Financial Market Institutional Investors	Market-based local regulations; Chinese domestic issuers must also file with the National Development and Reform Commission
Investor Base	Primarily domestic commercial banks, insurers and funds in China; overseas investors may participate through channels such as Northbound Bond Connect	Primarily overseas institutional investors; Chinese onshore investors may participate through channels such as Southbound Bond Connect
Use of Proceeds	May be used onshore or freely remitted offshore (under the new rules announced in 2022)	Freely convertible and usable in offshore markets
Market Liquidity	Relatively good liquidity, supported by the depth of the onshore bond market	Liquidity has improved significantly in recent years but remains weaker overall than in the onshore market

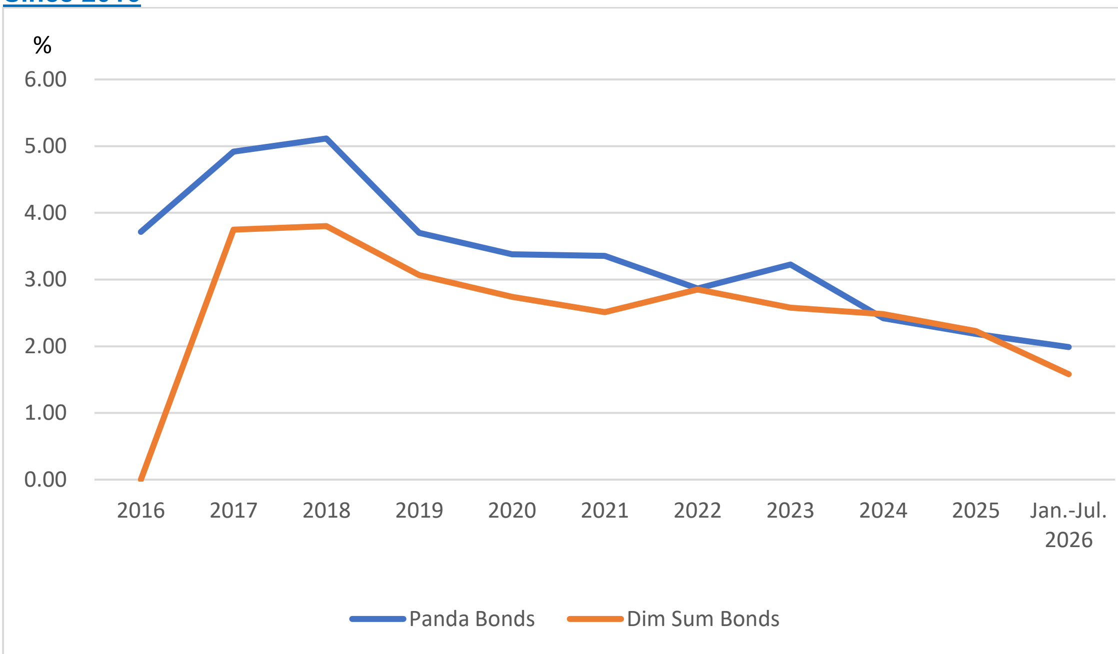
Source: Compiled by Lianhe Global

The financing-cost gap between Panda bonds and Dim Sum bonds issued by foreign entities continues to narrow

In terms of the financing costs of Panda bonds and Dim Sum bonds issued by foreign issuers, average coupons in both markets have declined over the past decade, falling from approximately 5% and 4%, respectively, to around 2%. Between 2016 and 2021, the average cost of Panda bond issuance by foreign issuers was about 100 basis points (bps) higher than that of Dim Sum bond issuance. This may reflect a higher premium required by Chinese domestic investors as they are not familiar with foreign issuers during the early stage of the Panda bond market. The cost gap has continued to narrow and gradually converged since 2022.

We selected ten foreign issuers that had issued both Panda bonds and Dim Sum bonds in recent years, covering MDBs, sovereign governments and sovereign wealth funds, financial institutions and others. When tenors are the same and issuance dates are close, Panda bonds generally showed a modest cost advantage, possibly because of the deeper RMB liquidity in the onshore market. For some foreign issuers, however, Dim Sum bonds were cheaper. For example, the coupon on the five-year Dim Sum bonds issued by Kazakhstan's Sovereign Wealth Fund Samruk-Kazyna was even lower than that on its three-year Panda bonds. This was mainly because the Dim Sum bond was issued and listed on Kazakhstan's domestic exchange, where local investors required a lower premium. Overall, the difference between the financing costs of Panda and Dim Sum bonds issued by foreign issuers is limited.

Figure 2: Average Coupons on Panda Bond and Dim Sum Bonds Issued by Foreign Issuers Since 2016



Source: DMI; compiled by Lianhe Global

Table 2: Cost Comparison of Panda Bond and Dim Sum Bond Issuances by Selected Foreign Issuers

Issuer	Panda Bonds			Dim Sum Bonds		
	Issue Date	Tenor (Years)	Coupon (%)	Issue Date	Tenor (Years)	Coupon (%)
Asian Infrastructure Investment Bank	2024/10/22	5	2.05	2024/8/6	10	2.90
Asian Development Bank	2025/3/18	3	1.81	2025/4/14	3	**1.55**
Republic of Indonesia	2026/7/31	3	**1.90**	2026/3/4	3	2.45

Issuer	Panda Bonds			Dim Sum Bonds		
	Issue Date	Tenor (Years)	Coupon (%)	Issue Date	Tenor (Years)	Coupon (%)
Republic of Indonesia	2026/7/31	5	**2.19**	2026/3/4	5	2.65
Joint Stock Company Sovereign Wealth Fund Samruk-Kazyna	2026/4/14	3	2.18	2026/7/10	5	**2.09**
Barclays Bank PLC	2026/6/23	5	**1.98**	2026/7/28	5	2.40
United Overseas Bank Limited	2026/3/23	3	1.83	2025/7/23	2	1.85
Deutsche Bank Aktiengesellschaft	2026/6/2	5	**1.94**	2026/7/23	5	2.07
BNP Paribas	2026/3/19	3	1.85	2026/4/29	3	**1.78**
BNP Paribas	2026/3/19	5	**2.05**	2026/3/25	5	2.33
Natixis	2026/6/18	3	1.74	2026/4/23	10	2.40
Mercedes-Benz International Finance B.V.	2025/1/15	3	1.90	2025/1/14	3	1.90

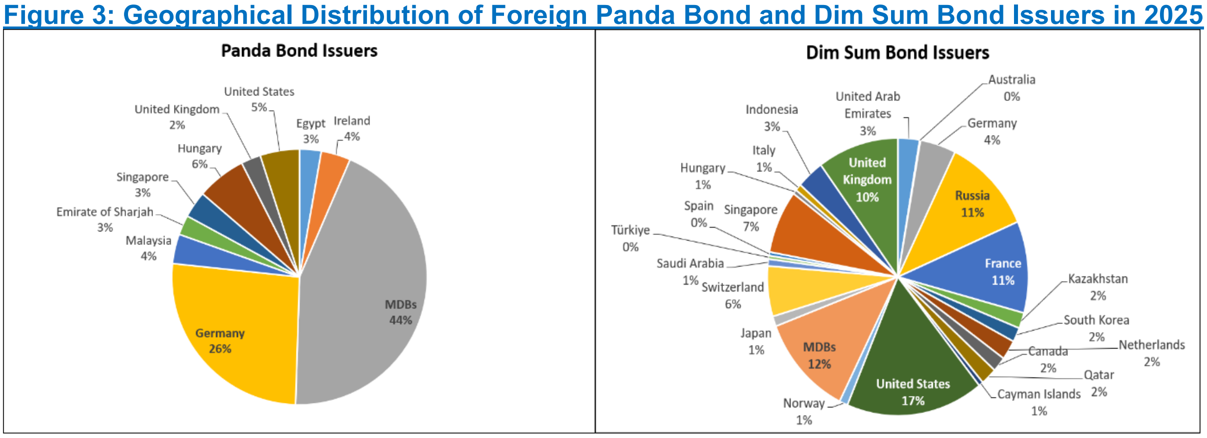
Note: Samples with different tenors are provided for reference only
Source: DMI; compiled by Lianhe Global

Foreign issuers of Dim Sum bonds are more geographically diverse than foreign issuers of Panda bonds

In terms of geographical distribution, foreign Panda bond issuers in 2025 came from approximately ten countries and regions and were predominantly European. Germany alone accounted for around 26% of issuance. Nevertheless, issuers from Africa and South America also tapped into the Panda bond market for the first time, increasing the diversity of the issuer base.

Foreign Dim Sum bond issuers, by contrast, came from more than twenty countries and regions worldwide, spanning Asia, Europe, North America and Oceania. Even the United States, the largest source by issuance volume, accounted for only about 17%. Overall, foreign Dim Sum bond issuers are more geographically diverse and less concentrated than foreign Panda bond issuers.

Figure 3: Geographical Distribution of Foreign Panda Bond and Dim Sum Bond Issuers in 2025



Source: DMI; compiled by Lianhe Global

MDBs dominate foreign Panda bond issuance, while multinational banks dominate foreign Dim Sum bond issuance

In terms of issuer type, MDBs play a major role in the Panda bond market, accounting for approximately 45% of foreign Panda bond issuance in 2025. Financial institutions ranked second at around 35%, while non-financial corporates and sovereign governments accounted for approximately 10% and 9%, respectively.

The Dim Sum bond market is dominated by financial institutions, particularly large multinational institutions such as Goldman Sachs, Morgan Stanley, Merrill Lynch, Barclays, Deutsche Bank and BNP Paribas. Financial institutions accounted for approximately 68% of foreign Dim Sum issuance in 2025, followed by sovereign governments at around 15% and MDBs at around 12%. Non-financial corporates represented only about 5%.

Figure 4: Distribution of Foreign Panda and Dim Sum Bond Issuers by Type in 2025

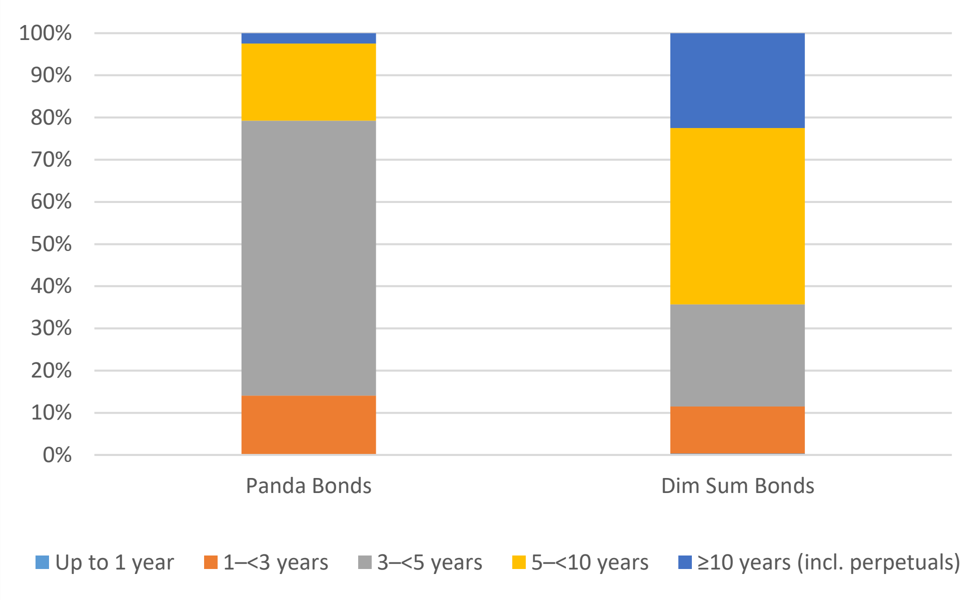
Source: DMI; compiled by Lianhe Global

Most Panda bonds issued by foreign issuers have tenors of 3-5 years, while the tenors of Dim Sum bonds by foreign issuers are more diverse and longer

Most Panda bonds issued by foreign issuers had tenors of 3-5 years, which accounted for approximately 65% of Panda bond issuance in 2025. This is mainly because Chinese domestic investors are predominantly commercial banks, whose short liability duration creates a natural preference for short- and medium-term bonds. Most foreign issuers also favour short- and medium-term bonds to reduce exchange rate volatility risk. However, as interest rates in China have fallen sharply in recent years, some foreign issuers seized the window to lock in low RMB financing costs by issuing 7-year or 10-year Panda bonds.

Dim Sum bonds issued by foreign issuers span a broader range of tenors and have longer maturities. Dim Sum bonds with tenors of 5-10 years accounted for approximately 42% of total issuance in 2025, while bonds with tenors of 10 years or longer, including perpetual bonds, accounted for approximately 22%. This reflects the global reach of the investor base, which includes central banks, sovereign wealth funds, international asset managers, insurers and private banks. Many are buy-and-hold investors with long-duration liabilities and can absorb bonds with tenors of 10 years or longer. On the other hand, many Dim Sum bond issuers, such as MDBs, also have long-term funding needs met through long-term bonds.

Figure 5: Tenor Distribution of Panda and Dim Sum Bonds Issued by Foreign Issuers in 2025



Source: DMI; compiled by Lianhe Global

C) Strategies for Onshore and Offshore RMB Financing by Foreign Issuers

As the cost differences between Panda bonds and Dim Sum bonds have narrowed substantially, making a choice based solely on cost advantage is no longer appropriate. For foreign issuers, the two markets are complementary rather than mutually exclusive.

Prioritize the use of proceeds and currency transfer and conversion, and select the issuing market based on target investors

Under the new rules introduced in 2022, proceeds from Panda bond issuance may be freely remitted offshore. However, proceeds used onshore can be settled directly in RMB, avoiding foreign exchange risk. Panda bonds therefore offer a natural advantage to foreign issuers with business needs in China where proceeds will primarily support their domestic operations, project investment or supply-chain payments. If the proceeds will be repatriated to the issuer's home country or used to supplement multi-currency liquidity, Dim Sum bonds are a better choice because offshore funds are freely convertible and transferable.

At present, Panda bond investors are less interested in medium- and long-term debt instruments than Dim Sum bond investors, and demand for bonds with tenors exceeding 10 years is very limited for Panda bond investors. Therefore, foreign issuers seeking short- or medium-term financing and access to the deep onshore cash pool may give priority to Panda bond issuances, while issuers with long-term funding needs, or those seeking global investors, should give priority to Dim Sum bonds.

First-time issuers may use Dim Sum bonds as a first step into RMB financing

As Panda bond issuance requires compliance with China's onshore registration rules, disclosure requirements and investor-protection framework, foreign issuers entering the onshore market for the first time may face certain learning and integration costs. On the other hand, Dim Sum bonds follow Hong Kong and international market practices and can be integrated more smoothly with US dollar and euro bond issuance procedures. A foreign issuer trying to tap into the RMB bond market for the first time may therefore begin with a Dim Sum bond issuance on a trial basis and build relationships with offshore RMB investors. If the issuer has stable investor relationships in its home country or a regional financing center, it could list its inaugural Dim Sum bond on its domestic exchange, or seek a dual listing on that exchange and the Hong Kong Stock Exchange, to reduce the premium. The issuer may then issue a Panda bond when conditions are appropriate to reach the broader onshore investor base.

High-quality foreign issuers capable of coordinating cross-border issuance can use both markets to optimise financing costs and establish regular RMB financing programs

The data above indicate that issuing both Panda bonds and Dim Sum bonds is feasible for issuers with high credit quality and international recognition, and that comparing pricing across the two markets can secure the optimal financing cost. In particular, MDBs, sovereign governments, multinational banks and corporations capable of coordinating cross-border issuance can engage onshore lead underwriters and offshore global coordinators simultaneously before issuance. They can then dynamically select the initial issuance market or issue concurrently in both markets based on real-time supply and demand, investor feedback and foreign-exchange hedging costs.

Considering that the monetary policy divergence and interest rate spreads between China and the United States are unlikely to reverse in the short term, and that RMB internationalisation continues to advance, high-quality foreign issuers can incorporate RMB bonds into their global multi-currency financing frameworks and establish regular RMB bond issuance programmes. They should maintain ongoing market monitoring and regular engagement in both the Panda bond and Dim Sum bond markets. At the same time, issuers should establish robust foreign exchange hedging mechanisms and compare the all-in hedged cost of RMB financing with that of US dollar, euro and other currencies to avoid unhedged exchange rate exposure.

Overall, as two complementary pillars of RMB internationalisation, Panda bonds and Dim Sum bonds provide foreign issuers with complementary financing options. Panda bonds offer access to the deep onshore funding pool and a potential financing-cost advantage, while Dim Sum bonds align with international market practices, and offer a diverse investor base and the convenience of using offshore funds. For most foreign issuers, the optimal strategy is not an either-or choice, but an RMB financing framework in which the two markets work in tandem with one market serving as the primary venue, tailored to the issuer's business footprint, investor relationships, compliance capabilities and tenor requirements. This approach can maximise financing efficiency as RMB internationalisation advances.

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