

Bloomberg: Ex-China Central Banker Joins Rating Firm for Offshore Push

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- Pengyuan Credit Rating hired 11 credit analysts since October
- CEO aims to rate Chinese dollar bond issuers as first step

Pengyuan Credit Rating (Hong Kong) Co., Ltd. is building out a new team to analyse the credit worthiness of companies looking to sell offshore bonds, the latest Chinese ratings firm to expand overseas to take advantage of the booming Asian dollar bond market.

The Hong Kong-based unit of Shenzhen's Pengyuan Credit Rating Co. has hired 11 people since the start of October, according to Jonathan Hu, Chief Executive Officer at Pengyuan. The team comprises of four sector heads, that includes a former People's Bank of China official, six junior analysts and one chief analytical officer.

Among them is Liang Zhong, a former section head at China's central bank's international department, who is heading up Pengyuan's sovereign and public finance ratings team. Three other senior analysts who joined from international rating agencies are leading Pengyuan's financial institutions, corporate and structured finance ratings, respectively.

Pengyuan joins Dagong Global Credit Rating Co. in broadening the scope of its research offering, targeting mainland Chinese companies issuing dollar bonds in the first step of its expansion. A record \$322 billion was issued in Asia's dollar bond market last year and many expect an even greater value of sales in 2018, leaving strong appetite for quality research on the borrowers. Chinese companies comprised more than half of the issuers since 2015.

Opening Up

China's central bank last year allowed foreign companies access to its domestic interbank bond market to compile and issue ratings, the latest step in a series of measures to open up its financial system that included the Bond Connect program. While international peers are still reviewing the regulator's new rules of conducting business onshore, Pengyuan expects any gain in market share to take time.

"Gaining investors' vote of confidence is the main goal for us this year," said Hu. "We don't want to set a timeline on publishing the first rating report." You can't build a credit rating agency in a day, he added.

Pengyuan aims to rate around 10 dollar bond issuers this year. The firm will also look to rate yuan-denominated dim sum and Panda bond issuers and may eventually expand globally, said Hu.

Chinese rating firms were criticized by the nation's biggest bond clearing house last year for giving scores on some onshore corporate notes that were "overrated," adding that local firms were seriously late in adjusting ratings.

"We will develop our own global scale rating methodologies that will adopt the global rating standard, aiming to align the onshore ratings and offshore ratings to close the gap," said Hu. "Our wealth of data, analytics, and most importantly the expertise on China, will help foreign investors to understand Chinese local credits."

