

FA at 30: How dim sum bonds unlocked liquidity without opening China's capital account

Issuances for offshore Rmb bonds now exceed Rmb1 trillion -- transitioning from a policy ambition to a commercial solution in less than two decades. Christopher Chu examines the trend, which started in 2007, as part of FA's 30th anniversary coverage.



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It has been nearly 20 years since China Development Bank (CDB) launched its first Rmb-denominated bond in Hong Kong. At the time, neither the size nor the yield was particularly remarkable. What was noticeable was not the underlying asset being sold, but rather where the deal was taking place.

Valued at Rmb5 billion (\$720 million), the offer represented the world's first dim sum bond, an offshore Rmb-denominated note issued outside mainland China. Prior to the CDB placement in July 2007, yuan-related services were limited, primarily focused on individual accounts for deposit taking, remittance, and currency exchange in Hong Kong.

However, by January 2007, the People's Bank of China (PBOC) approved qualified mainland Chinese financial institutions to float bonds abroad, establishing a regulatory pathway that opened the CDB deal to foreign investors in July of that year.

Market forces

"Because dim sum bonds were underpinned by well-defined tenors and clearing infrastructure, market forces were broadening their appeal instead of abstract policy ambitions," comments Steve Alain Lawrence, chief investment officer for Balfour Capital Group, speaking to *FinanceAsia*.

Offshore Rmb holdings grew as a result. By the end of 2013, Hong Kong banks held over Rmb1.1 trillion in offshore deposits while processing more than Rmb3.8 trillion in trade settlements, a tenfold increase from just three years earlier.

Demand for dim sum bonds moved in lockstep with Rmb-denominated investments. In the decade up to 2015, the yuan strengthened by nearly a third against the US dollar where returns were amplified when foreign capital moved east in the aftermath of the global financial crisis.

As Rmb internationalisation deepens, greater participation by foreign issuers is expected to expand the secondary market by drawing in outside capital.

However, when the Federal Reserve signalled its intentions to end its quantitative easing programme, liquidity flows reversed, prompting the PBOC to tighten capital controls in a response that was interpreted as a policy shift. [Rmb](#) expectations would no longer follow a linear appreciation path, but one where capital preservation would be prioritised, Lawrence explained, noting outflow restrictions were viewed as a stabilisation mechanism within a managed currency framework to rebuild investor confidence.

The [payoff](#) of that approach became visible over time. After the White House introduced reciprocal tariffs back in April, it was initially believed that China would allow the yuan to depreciate to negate the levy impact, mirroring a strategy deployed in 2016. Instead, the opposite unfolded, with the Rmb appreciating four percent against the dollar in 2025 and reinforcing demand for dim sum bonds as funding costs had become more competitive by late 2021.

Hong Kong and beyond

Offshore yuan deposits have risen alongside the Rmb's increasing use in cross-border financing. Beyond Hong Kong, dim sum bond markets have not only emerged in traditional financial centres such as London, Singapore, and Luxembourg where strong capital ties to China exist, but also in less conventional places like [Macau](#), which is better known as a gaming and [tourism](#) hub.

Within the neighbouring Special Administrative Region's trillion [pataca](#) bond market, 45% of its value is denominated in Rmb, up from a 33% share in 2023. However, Hong Kong is better positioned as the primary centre for post-issuance trading and pricing.

Jacqueline Zhang, partner at HOPU Investments, foresees Macau cultivating a differentiated supply of themed offshore Rmb bonds, leveraging its institutional role and networks as a service platform for economic and trade cooperation between China and Portuguese-speaking countries (PSC).

"Those capabilities should not only be viewed through the lens of complementary functions, but also in supporting Beijing's Belt and Road initiatives for the Global South," commented Eduardo Buisson Loureiro, a Macau-based lawyer and international arbitrator.

Macau's historical affiliation with PSCs offers a recognisable model for lusophone clients. "This is particularly valuable for contracts and financing structures where a bilingual legal system rooted in Portuguese civil law and Chinese statutes offers a familiar framework for major PSC economies like Brazil, which are deepening vital partnerships with China," he added.

The next step

The future of dim sum bonds lies in their liquidity, where offshore Rmb credit remains only a fraction of the USD-denominated debt sector. Non-financial Chinese issuers are seen to be the largest incremental supply driver going forward, notably among tech companies with Rmb-linked revenues looking to enhance their balance sheet management.

However, as Rmb internationalisation deepens, greater participation by foreign issuers is expected to expand the secondary market by drawing in outside capital. Rmb funding costs have fallen significantly since 2021 while comparable yen-denominated debt costs have risen, making yuan financing an increasingly attractive option.

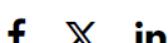
Inside the trillion yuan dim sum bond market, foreigners account for about 40%, two and a half times their 2019 levels, according to Morgan Stanley Research.

With the PBOC maintaining an easing monetary stance, Rmb funding costs should remain competitive for institutional investors seeking investment-grade credit, enabling portfolio managers to treat the yuan as a strategic, quasi-reserve currency rather than merely a tactical one. This in turn should match the expanding appetite for dim sum bonds, providing the necessary liquidity for the market to grow.

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