Book review for Xin Zhang, *Law and Practice of Debt Finance in Modern China: Cross-border Perspectives* (Springer 2022) , ISSN 2364-8317, 314pp

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With the rapid development of the Belt and Road Initiative (BRI), which has greatly boosted cross-border financing activities of Chinese financial institutions, how China's regulations and legislations over debt financing works in the global capital market has been a mystery. Dr. Zhang's book, *The Law and Practice of Debt Financing in Modern China: A Cross-border Perspective* (Springer 2022), successfully provides a full picture of cross-border debt financing in the context of Chinese law, reflecting the growing importance of China's role in attracting and providing capital to international markets.

In this monograph, the author purports to adopt a "bi-direction" framework to examine the legal issues of cross-border debt finance in relation to China and its regulatory approaches. One way from the inbound perspective and the other from the outbound perspective. Debt finance comprises loans and bonds, which are also the subject of this book. Cross-border debt finance implies a cross-border element in borrowing loans or issuing bonds. From an inbound perspective, Chinese borrowers lend to international lenders, or Chinese issuers issue bonds to international investors. On the other hand, from the perspective of outbound financing activities, Chinese lenders issue loans to international borrowers, or international issuers issue bonds in the Chinese bond market.

Following an introduction, the Chapter 2 of the book is not only to introduce who can borrow foreign debts but also to show how foreign debts are regulated from the perspective of borrowing entities in the PRC. Firstly, the Foreign Debts Interim Measures define "foreign debts" as "the debts denominated in foreign exchanges as assumed by domestic institutions to non-residents". There are several key elements to understand the definition and scope of foreign debts: (1) debts; (2) denomination; (3) domestic institutions; and (4) non-residents. At the same time, the State Administration of Foreign Exchange of the PRC ("SAFE"), the regulatory authority for foreign exchange in China, divides 'foreign debts' into five categories: loans; trade credit and prepayment; currency and deposit; debt securities; and intercompany loans under foreign direct Investment.

More importantly, the author emphasizes some Chinese-characterized regimes in relation to foreign debt finance, for instance, the regime of 'foreign debt quota' which is the key to properly understand the definition of 'foreign debts' and 'eligible borrowers' in the Chinese context. The author also discusses the origin, framework and potential reform of the cross-border loan in China. And the author also correctly pointed out the fact that there were multiple Chinese regulators responsible for foreign debts, has essentially increased transaction costs in cross-border loan practice in China, which should be harmonized in the future regulatory reform of the country.

The Chapter 3 of the book discusses measures for Chinese organizations to provide credit to non-Chinese creditors. Credit enhancement measures mainly include guarantees provided by third parties (e.g. parent borrowers, key subsidiaries or affiliates) and collateral of tangible and non-tangible assets provided by the borrower or third parties in favour of the creditor. Chinese legislation will be particularly important if treasury bonds or security documents are regulated by Chinese law. Accordingly, the author in first briefly describes the current legal basis in China and then discusses safeguarding and developing and improving security interests. Following that the author analyses some China-specific concepts: such as foreign guarantees and security interests and the requirement to register with the Foreign Exchange Bureau. This registration requirement applies not only to guarantees and security documents under Chinese law, but also to guarantees and security documents under foreign law, provided that they are enforced.

As mentioned above, Chinese banks are playing an increasingly important role in funding international projects, with the aim of supporting Chinese companies' overseas investment and trade. The Chapter 4 particularly discusses the financing mechanisms and products offered by Chinese banks to non-PRC borrowers in the context of the BRI. Following a brief introduction to cross-border financing by Chinese banks in general, the author examines two typical financing products provided by Chinese banks to support infrastructure projects invested or commissioned by Chinese companies, namely export credit and international project financing, illustrated by some case studies.

In the recent years, the international issuance of bonds is also increasingly favored by Chinese enterprises. The chapter 5 of this book discusses bond issuances by Chinese entities in the international market. There are four main structures of issuing international bonds by Chinese issuers in the market: the direct issuance structure; the outbound guarantee structure; the SBLC structure (standby letter of credit); and the keep-well structure. According to the author's analysis, readers can easily understand how the state control over the economy may restructure its capital markets.

Chapter 6 of this book describes access to the Chinese bond market through the issuance of Panda bonds, which refers to the primary market, i.e. the access of foreign issuers to the Chinese bond market through the issuance of Panda bonds. The issuance of Panda bonds in the Chinese bond market represents access to the primary market, and investments in existing bonds in the Chinese bond market represent access to the secondary market. Firstly, the author provides an overview of the Chinese bond market, and then discusses the development of the Panda bond market. Particularly, the author analyzes the legal framework for issuing panda bonds in the Chinese interbank bond market, as well as the related legal and regulatory issues. Panda bonds are RMB-denominated bonds issued by foreign issuers (including those registered in Hong Kong, Macau and Taiwan) in the Chinese bond market. Like components of the Chinese bond market, Panda bonds can be issued on commercial banks and stock exchanges in China. Panda bonds are regulated by the People's Bank of China, which is responsible for approving Panda bonds issued by foreign financial institutions. The People's Bank of China also authorizes NAFMII to regulate Panda bonds issued by foreign non-financial institutions and sovereign borrowers. The latter is regulated by the China Securities Regulatory Commission and operates through two stock exchanges.

Following this topic, the author then explores the secondary the mechanisms that may be used by international investors for the purpose of investing in the Chinese bond market. investment in existing bonds (including domestic bonds issued by Chinese issuers and Panda Bonds issued by international issuers in the Chinese bond market). After an analysis on the evolution of Chinese rules and policies that allow international investors to enter into the secondary market of the Chinese bond market, the author also analyzes three main mechanisms that offer international investors access to the Chinese bond market: QFII/RQFII, CIBM and Bond Connect.

The author points out that, roughly speaking, there are three stages for international investors to enter the Chinese bond market. The first phase was from 2002 to 2009. In 2002, the Qualified Foreign Institutional Investor Scheme (QFII) was officially released. That opened the door first for international investors to buy Chinese stocks and then Chinese bonds. In its early stages, however, the QFII scheme was heavily regulated. The second phase is from 2010 to 2016. During this period, investment channels and types of investment activities have increased. The third phase is from 2017 to the present. The notable development was the design of Bond Connect in 2017. It connects the bond investment infrastructure between the Chinese mainland and Hong Kong, greatly improving the investment efficiency of the Chinese bond market. So far, there are three investment mechanisms for international investors to enter China's bond market, QFII/RQFII, CIBM and Bond Connect. All these mechanisms can be used to invest in the Chinese interbank bond market, while QFII/RQFII can also be used to invest in the Chinese stock exchange bond market. Among these investment mechanisms, CIBM and Bond Connect have become more popular.

In the next chapter of the book, the author examines Chinese cross-border debt financing from two perspectives, borrowing and bonds, respectively, and draws some brief conclusions. The paper also offers some ideas for the future of this topic. In particular, it is argued that in order to improve the efficiency of China's cross-border debt financing practices, the Chinese government should 1) increase the liberalization and simplification of foreign debt regulation; 2) unify the foreign debt regulatory regime; and 3) another important development is that Chinese financial markets (both loan and bond markets) are beginning to play the role of suppliers of funds in international markets. This is due to the promotion of the "going out" strategy and the acceleration of the BRI.

In summary, the cross-border debt finance in China will continue the functions of attracting international capital into the PRC, either in the form of loan and bond proceeds or in the form of investment in the secondary market, and supplying the Chinese capital stably to the international market by supporting Chinese exports and investments (which will, gradually, be extended to other international business transactions with few or even no China elements, purely on the basis of commercial decisions of Chinese banks and companies). Overall, I believe that the author’s book has very timely provided international lawyers a ‘tool-box’ to assess the risk and benefit of accessing the cross-border debt finance of China and for scholars in international finance law, this book is also a very solid and valuable literature which draw a whole picture of the area of knowledge.