[Summary] The put option of bond is one of the special terms of the bond and it is currently the largest special clause. Credit bonds have entered the peak of put in 2017. In the context of tight overall financing, the huge amount of “Back Sell” may make the company's cashflow situation worse. Most of the credit defaults that occurred during the year of 2018 were caused by the liquidity crisis in the exercise session of bond put option, and the rise in the size had to cause us to pay attention to the exercise rate of put option, behaviors of different companies takes in the case and final effects of the exercise game, which helps warn against the default risk of bond and strengthen the early warning mechanism.

There have been rich researches on the design pricing and the motivation of terms on put option, and the exercise of bonds’ special covenants by the investors. The differences in exercised rate between different corporate bonds with different characteristics have also been studied. However, the influence of the behavior of covenants game during put period are still rarely noticed. Most of the research studies link the choice of bond additional treaties with the bond issuance motive, the issuance cost, the bond default rate, etc.; On the one hand, the research on the impact of credit rating and bond back-sale rate is still very few, only a small amount of researches focus on the relationship between credit rating and issuing covenants setting preference of issuers and exercise preference of two parties. As China's bond market has developed in recent years, there has been relatively little research on the terms of bond covenants in academia. Few scholars have studied the exercise value and impact of different issuer bond terms. Some special covenants, such as the terms with protective options and restrictive covenants, appear mainly to resolve the proxy conflicts between shareholders and creditors and protect the rights and interests of investors. Among the companies with different credit ratings, whether there are differences in the preference and performance of these special clauses, and to what extent can the outcome of the game between the investor and the issuer be reached, and the difference in the degree of the game are all need to do in-depth discussion and analysis.

This study stands in the perspective of the decision-making behavior of investors and issuers, we select the “stipulation of put option” (the “characteristic covenant” of the Chinese bond market) and bond credit rating as key variables of Put Exercise Rate
of Bonds, and conduct the empirical model. Our research results are as follows: First, the issuer's back-sell period game behavior on terms has a significant impact on the exercise rate of put option. When the issuer uses the “vote rate adjustment right” and the higher the coupon rate is adjusted, the back-sell rate will decrease on average, that is, the game of “vote rate adjust right” can promote the issuer's motive to prevent big resale. Second, the credit rating has a significant impact on the corporate bond back-sell rate. Compared with lower credit rating, higher credit rating bonds’ back-sell rate can be significantly reduced. Third, the credit rating has a significant impact on the issuer's game behavior of term and coupon rate adjust margin. The credit rating is inversely proportional to the issuer's increase in the coupon rate. The lower the qualification of the bond, the more the issuer has a tendency to substantially exercise the “coupon rate adjust right” as well as the increasing margin. At the same time, when the issuer does not take action to adjust the coupon rate (ie, when the coupon rate is unchanged), the credit rating has the most significant impact on the bond resale rate; while the coupon rate is raised, the reduction of the single interpretation of the credit rating on the bond put rate means that the investor's consideration of the credit rating as a factor when they decide whether to put or not is weakened; when the issuer lowers the coupon rate, that is, when there is an abnormal game, regardless of the credit rating, the impact on the rate of back-sell is no longer significant.

Further, the sensitivity analysis of groupings with different credit ratings shows that the medium and high-credit rating bonds’ issuers can raise the coupon rate to effectively attract investors to continue to hold bonds, further reducing the bond back-sell rate; and issuers with low credit bonds have a higher coupon rate floating, but they are not able to reduce bond back-sell rate effectively.

Based on the conclusions, this paper proposes practical countermeasures and measures for strengthening the risk of back-selling and risk warning from the issuer, investors and finance market system.

This paper makes up for the gaps and deficiencies of previous researches in the selection of research objects and the influence mechanism of key variables about bond back sell. At present, there is no empirical research related to the influencing factors of the back-sell rate of credit bonds in China, and in the next two to three years there will be a peak of China's credit bonds entering put option exercise period. Combined with the latest development of the credit bond market, under the new changes of the financial regulatory ecological environment, this paper is close to the financial market based on the bond back sell and its perspective has practical significance.