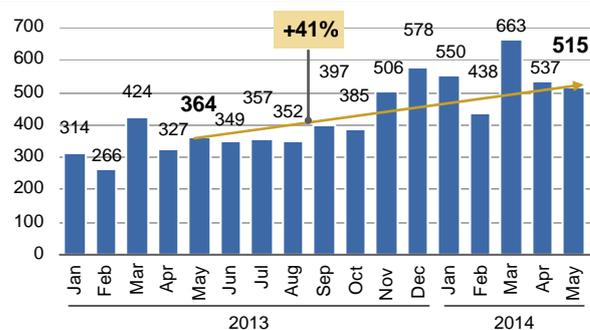


## Global RMB Development

### Strong growth for RMB trade settlements continues

In May 2014, the total amount of cross-border RMB trade settlement resulted in RMB 515bn, which grew by 41% year-on-year, from RMB 364bn. Trade settlement in RMB accounted for 23% of China's total trade in May.

### Cross-border RMB Trade Settlement Amount (RMB Bn)

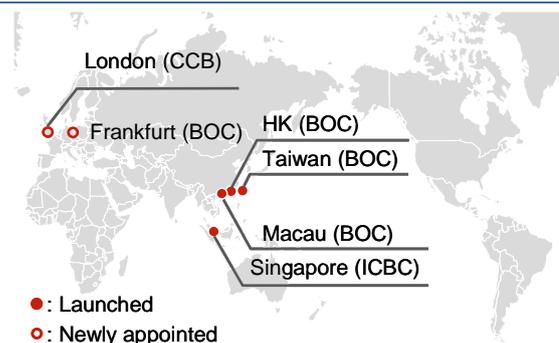


(Source) CEIC

### London and Frankfurt appoints RMB clearing bank

In March, the People's Bank of China (PBOC) signed a Memorandum of Understanding on RMB clearing and settlement with the central banks of UK and Germany respectively. On June 18th, China Construction Bank (CCB), China's second largest lender, won the mandate in London. CCB was the first Chinese financial institution to launch dim sum bonds in the London market in November 2012, and since then, the bank has been keen to develop the offshore RMB business in the region. The following day, June 19th, Bank of China (BOC), China's fourth largest lender and main foreign exchange bank, won the mandate as RMB clearing bank in Frankfurt. BOC has built a solid position as the RMB clearing bank in Hong Kong, Taiwan, and Macau.

### Offshore RMB Clearing Centres (clearing bank)



(Source) Central banks

### BTMU ranks fourth place in the Asiamoney's offshore RMB poll

BTMU successfully retained the fourth position in the 2014 Asiamoney's offshore RMB poll "Best overall offshore RMB products/services" which was conducted from March 7th to April 14th. For the "Best for offshore RMB research", BTMU achieved 3rd position, matching last year's results. Asiamoney began the annual offshore RMB poll in 2012, and this being now the third time in which such poll was conducted. With 963 corporates, financial institutions and investors participating in this year's poll (an increase of 250 votes compared to the previous year), it thus demonstrates strong growing needs for offshore RMB services.

Best Overall Offshore RMB Products/Services					
2014	2013	Bank Name	2014	2013	Change
1	1	HSBC	36.09%	39.78%	-3.69
2	2	Citi	23.92%	22.53%	+1.39
3	3	Bank of China	8.31%	8.11%	+0.20
4	4	Bank of Tokyo-Mitsubishi UFJ	7.98%	7.58%	+0.40
5	5	Standard Chartered	5.72%	4.75%	+0.97
6	9	BNP Paribas	2.59%	1.49%	+1.10
7	-	China Construction Bank	1.96%	-	-
8	7	Hang Seng	1.93%	2.03%	-0.10
9	6	Mizuho	1.53%	2.26%	-0.73
10	-	J.P. Morgan	1.52%	-	-

(Source) Asiamoney

BTMU offers various RMB products globally, and in Hong Kong is appointed as one of the CNH HIBOR reference banks. BTMU (China), BTMU's wholly owned subsidiary in China now operates 18 offices. The bank was the first foreign bank to issue RMB denominated domestic bonds in May 2010. This May, it launched an offshore RMB bond amount of RMB1bn in Hong Kong.

## Shanghai Pilot Free Trade Zone

### Opportunities for multinational corporations

After the People's Bank of China (PBOC) clarified the details for cross-border RMB business in the Shanghai Pilot Free Trade Zone (PFTZ) this February 2014, more companies are considering financing options from offshore as the restrictions of RMB foreign debt in terms of quota and balance management have been eased. BTMU has recently successfully executed a CNH loan to a US multinational corporation's subsidiary incorporated in the PFTZ. This CNH loan has significance from the perspective of diversifying the company's financing options at a relatively low cost. For the policy comparison between general area RMB foreign debt and PFTZ RMB foreign debt, please refer to the below chart.

### Policy Comparison

- RMB offshore debt for PFTZ company: please refer to the table on the right.

	Outside of the PFTZ (RMB foreign debt)	In the PFTZ (RMB foreign debt)
<b>1 Lender</b>	Overseas institutions (including financial institutions)	Overseas institutions (including financial institutions)
<b>2 Borrower</b>	Domestic foreign invested company	Domestic PFTZ company (both domestic and foreign invested)
<b>3 Definition</b>	RMB borrowed from offshore (except trade credit)	RMB borrowed from offshore (except trade credit and RMB financing through pooling arrangements)
<b>4 Account</b>	RMB special account (In principle, opening an account in an area outside the borrower's jurisdiction is forbidden)	RMB special account (The account must be opened in Shanghai by a financial institution in Shanghai)
<b>5 Usage</b>	Within business scope <sup>1</sup>	Operation activities in the PFTZ and construction projects in the PFTZ/offshore, etc. <sup>2</sup>
<b>6 Interest Rate</b>	Based on commercial principle	Based on commercial principal
<b>7 Tenor</b>	Based on commercial principle	One year or above
<b>8 Quota</b>	Within investment gap	"Paid-in capital x 1 x policy parameter" <sup>3</sup> or "investment gap" <sup>4</sup>
<b>9 Balance Management</b>	Managed by occurrence (unrecoverable)	Calculated by balance (recoverable after return)

- (Note) 1. Cannot be used for investments in securities, investment products, financial derivatives or entrusted loans  
2. Cannot be used for investments in securities, financial derivatives or entrusted loans  
3. Currently the policy parameter is "1". For non-banking financial institutions in the PFTZ, "paid-in capital x 1.5 x policy parameter" is applied  
4. For newly established PFTZ companies, the "investment gap" method is not applicable

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