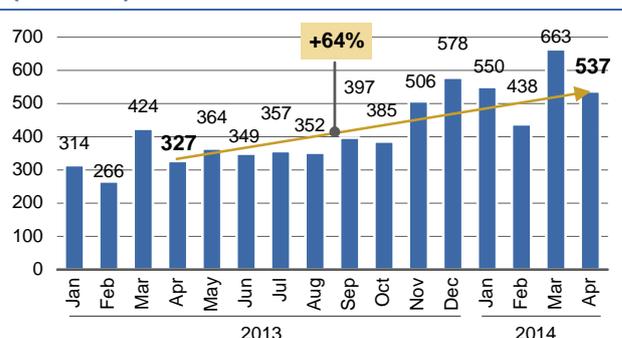


Global RMB Development

Strong growth for RMB trade settlements continues

In April 2014, the total amount of cross-border RMB trade settlement resulted in RMB 537bn, which grew by 64% year-on-year, from RMB 327bn. Trade settlement in RMB accounted for 24% of China's total trade in April. Comparing the offshore RMB centres, according to SWIFT, Hong Kong represents 72.4% of global RMB payments, followed by Singapore 6.8% and London 5.9%.

Cross-border RMB Trade Settlement Amount (RMB Bn)



(Source) CEIC

It has been one year since Singapore launched its RMB clearing service in May 2013. Recently, the Monetary Authority of Singapore indicated that in the trade financing area, they have seen strong growth in the discounting of RMB letters of credit in the past year. International commodity traders in the region are adopting RMB as their trade finance currency.

In Europe, we are also starting to see the usage of RMB among commodity related transactions between European countries and China.

Active issuance of dim sum bonds

The total issuance of dim sum bonds in the first 4 months of 2014 amounted to RMB 76bn, a record-high, more than double the figure from the same period in the previous year.

RMB Bond Issuance (RMB Bn)



(Source) Dealogic

Moreover, we have seen some milestones in the new offshore RMB centres. On May 15, Bank of China's Luxemburg branch issued an RMB 1.5bn dim sum bond which was the first dim sum deal to be listed in Luxemburg by a Mainland China issuer. Subsequently, on May 19, China Construction Bank Frankfurt branch announced the first dim sum bond to be issued in Frankfurt by a Mainland China issuer and raise RMB 1.5bn. In Singapore, the first corporate dim sum bond, in the amount of RMB 1.7bn, was issued by Hainan Airlines on May 22 and is expected to encourage more "Lion City" bonds.

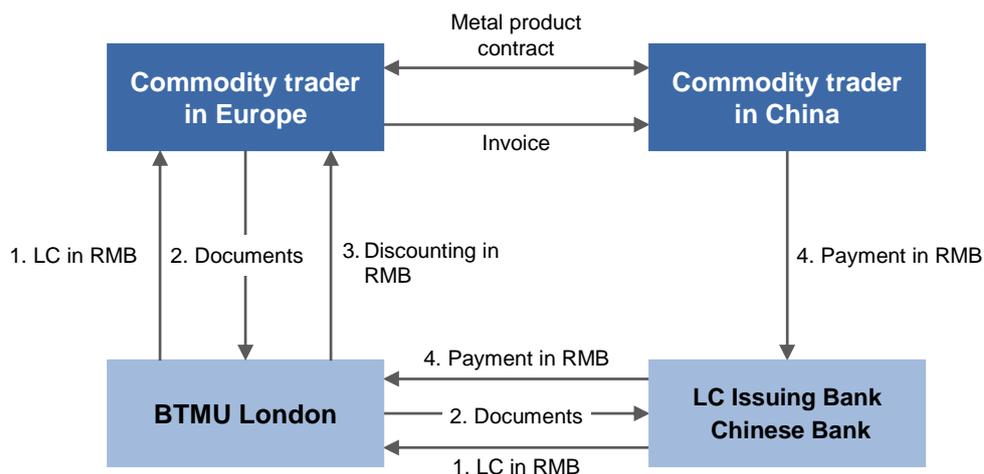
BTMU (China) issued the first Japanese financial dim sum bond

On May 19, BTMU (China) launched a RMB 1bn, 3year dim sum bond at 3.05%. The bookrunners for this deal were BOC (HK), Mitsubishi UFJ Securities International, and Morgan Stanley. The deal particularly attracted institutional investors in Asia, and the order book closed at RMB 3.1bn from 65 investors. The fund will be used for onshore lending activities.

RMB financing activities based on trade flow into Asia

RMB forfeiting in the EMEA region

RMB is now the second most used currency in trade finance. As the usage of RMB increases, more customers are considering basing their financing activities on RMB transactions. BTMU London recently captured an RMB LC forfeiting transaction with a European commodity trader as shown in the diagram below. Forfeiting is the purchase of LC at a discount on a non-recourse basis. The exporter immediately receives the fund when the bank purchases LC based receivable and thus can remove the credit and country risk of the LC issuing bank and the importer. The importer will be able to enjoy a deferred payment tenor (mostly 180 to 360days) and diversify its financing source.



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Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances.

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