

## Global RMB Development

### Strong growth for RMB trade settlements

In 2014 1Q, the total amount of cross-border RMB trade settlement resulted in RMB 1.7tn, which grew by 64% compared to the same period in the previous year which was RMB 1.0tn. Trade settlement in RMB accounted for 28% of China's total trade in 1Q.

According to SWIFT, RMB is now the 7<sup>th</sup> most used global payment currency, gaining position from 13<sup>th</sup> one year ago. Additionally, RMB is the 2<sup>nd</sup> most used currency for issuance of Letters of Credit since overtaking the Euro in July 2013.

**Cross Border RMB Settlement Amount (RMB Bn)**

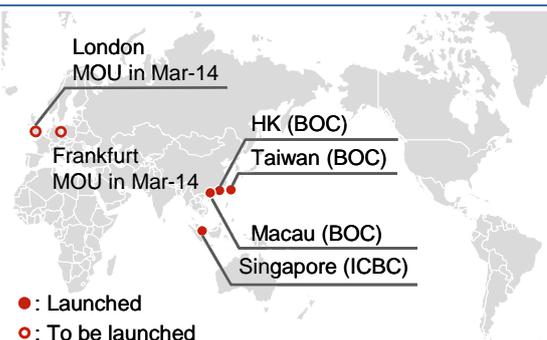


(Source) CEIC

### RMB clearing and settlement to be launched in Europe

In late 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. This will enable RMB transactions to be settled in London and Frankfurt rather than settled through agent banks in Hong Kong. Currently, RMB settlement is concentrated in HK with activity share of more than 70%. After the launch of clearing services in Europe, it is likely that we will see more RMB transactions in the offshore centres globally, and further adoption of RMB payments as a global currency is expected. The clearing banks for London and Frankfurt will be decided accordingly. One of the three Chinese banks (Bank of China, ICBC, and China Construction Bank) that have issued dim sum bond in London is anticipated to be the clearing bank.

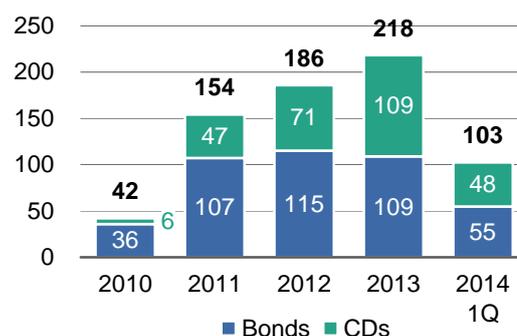
**Offshore RMB Clearing Centres (clearing bank)**



### Dim sum bond market continues to expand

The total issuance of dim sum bonds for 2014 1Q amounted RMB 103bn, a record-high on a quarterly basis and reaching almost half of the full year of 2013. It is expected that this strong growth trend will continue in the environment marked by heavy redemptions of the outstanding dim sum bonds, and high onshore funding costs. The total amount of dim sum bonds maturing by the end of 2014 is RMB 83 bn.

**New RMB Issuance Volumes (RMB Bn)**



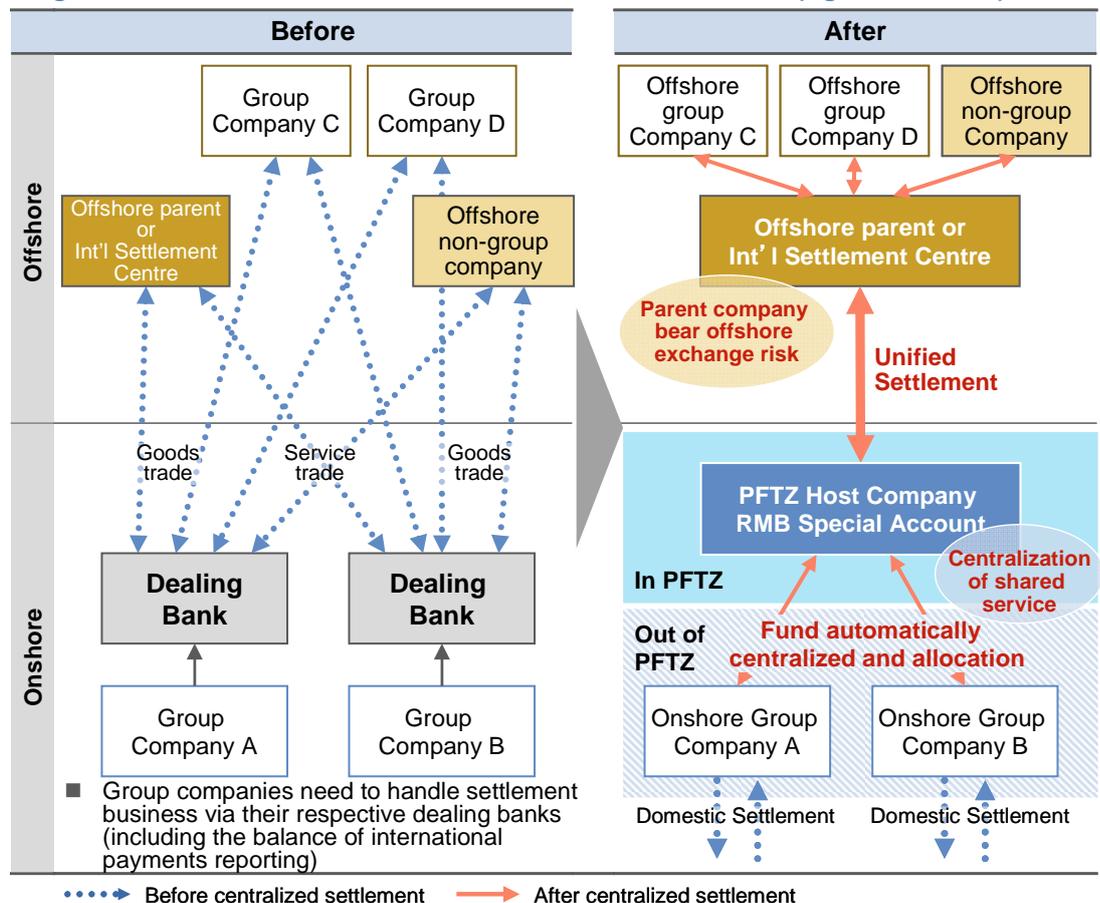
(Source) Dealogic

## Shanghai Free Trade Zone

### Opportunities for multinational companies

Subsequent to the last month's issue in which we introduced RMB cross-border pooling within the China (Shanghai) Pilot Free Trade Zone (PFTZ), we would like to cover the cross-border centralized settlement scheme clarified in the PBoC's circular No.22 (Circular to Support the Expanding Usage of Cross-border RMB in China (Shanghai) Pilot Free Trade Zone). Based on this circular, companies registered in the PFTZ are now allowed to carry out centralized settlement (including payment and collection) and netting settlement from domestic group companies in Mainland China. In parallel, offshore parent company or an international settlement centre will act as a host company overseas to unify overseas group company fund. Settlement between onshore and offshore will be conducted through the PFTZ host company and the offshore host company. Taking this development into consideration, BTMU has already started active discussions with multinational corporations with needs for optimizing cash management.

### Diagram of RMB cross-border centralized settlement scheme (right-hand side)



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