

## Global RMB Development

### Rapid growth of RMB trade settlements

In 2014 H1, the total amount of cross-border RMB trade settlement resulted in RMB 3.3tn, with a growth of 60% year-on-year. Trade settlement in RMB accounted for 26% of China's total trade in H1, which was 17% in the same period of last year, clearly showing rapid market growth.

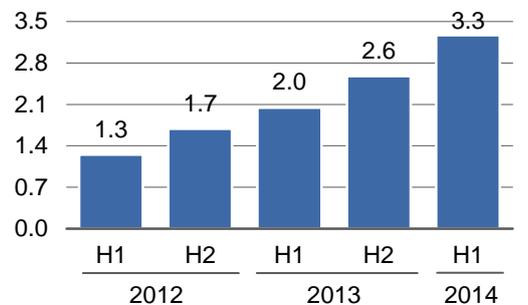
The presence of RMB is evidently increasing, not only in Asia but in EMEA and the Americas as well. According to SWIFT, RMB is now the 2nd most used currency for cross border payments with China/Hong Kong.

### Dim sum bond market continues to expand

The total issuance of dim sum bonds in 2014 H1 amounted to RMB 137bn, reaching a record-high, far surpassing the total amount issued in the previous year.

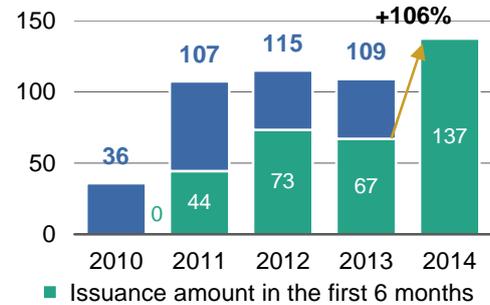
What strongly holds our attention is that we have seen numerous milestones surmounted in the new offshore RMB centers. In May, the first dim sum bond in Luxemburg and Frankfurt were issued by Bank of China (BoC) Luxemburg branch and China Construction Bank Frankfurt branch respectively. Most recently, BoC Paris branch issued the first dim sum bond in Paris on July 15<sup>th</sup>, amounting to RMB 2bn. In addition, we are seeing strong interest from investors not only in Asia but from other regions. For the previously mentioned deals, around one third of the investors were non-Asia investors. In May, Mitsubishi UFJ Securities, our affiliate, acted as an active book runner for the Export-Import Bank of China's three-tranche bond, totaling to RMB 3bn. This was one of the top five deals in terms of issuance amount in the 2014 H1. This deal generated strong investor interest with orderbook from both Asian and European investors accounting for 51% and 49% respectively for the two-year tranche. We expect to see more investors from non-Asian countries, as the offshore RMB markets continue to grow.

Cross Border RMB Settlement Amount (RMB Tn)



(Source) CEIC

Dim Sum Bond Issuance Volumes (RMB Bn)



(Source) Dealogic

## BTMU's RMB Intelligence

### Launch of our new portal site

BTMU launched "The Gateway to Global RMB" (URL: <http://rmb.bk.mufg.jp/en>). This new portal offers up-to-date articles related to RMB including market trends, deregulation, and case studies. Please visit our new RMB intelligence site.

The Gateway to Global RMB



(Source) BTMU HP

## Opportunities for Companies Trading with China

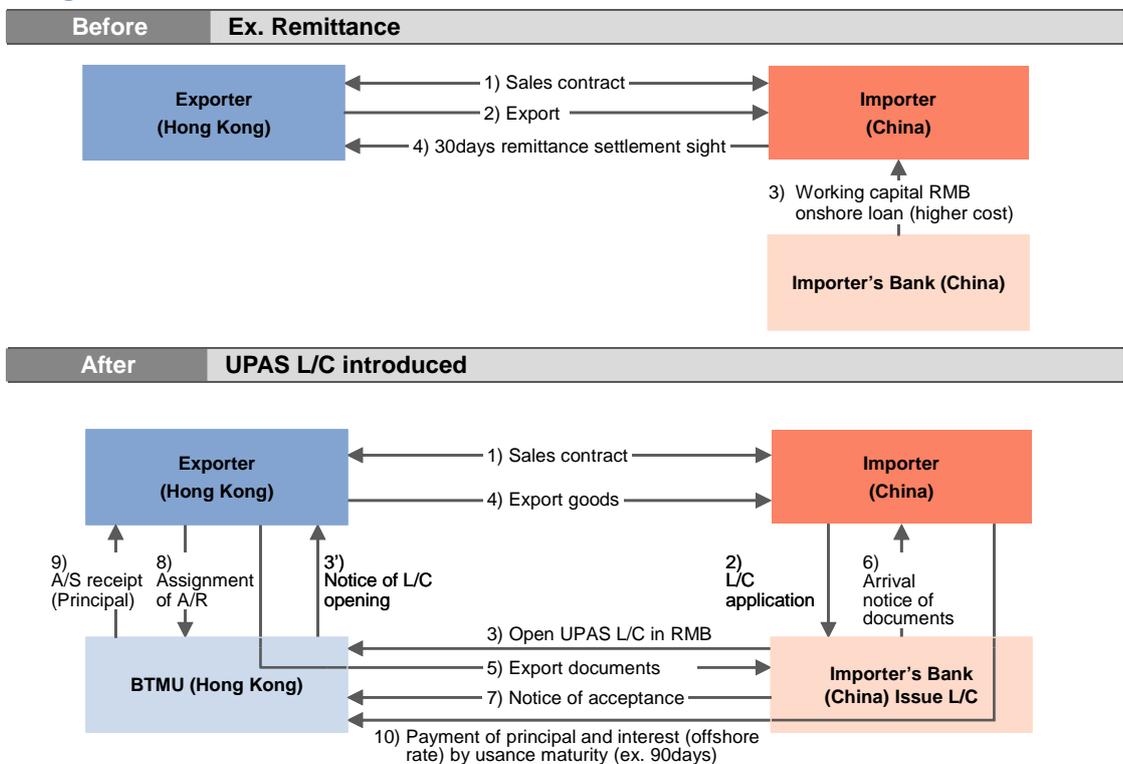
### Usance Payable At Sight (UPAS) LC

As differentiation of borrowing cost exists between Hong Kong and China, more companies are looking at this offshore low cost advantage for RMB financing solutions when trading with China by utilizing the UPAS LC issued by Chinese banks.

UPAS (non-recourse type) is a finance scheme in which the bank purchases "UPAS LC" export bills at sight without recourse to the seller under condition that the usance interest rate is borne by the importer with a deferred usance period.

The below diagram shows the changes of RMB financing solution under UPAS LC. The importer can reduce the higher funding costs by repayment of loan and enjoy low funding costs in Hong Kong. The exporter can hedge the credit risk of both the importer and the LC issuing bank, while at the same time strengthening the relationship between importers in China by offering more favorable trade terms. This scheme is expected to draw more attention to the expansion of RMB settlements.

### Diagram of UPAS LC Utilization



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RMB products are subject to exchange rate fluctuations, which may provide both opportunities and risks. The value of RMB against other foreign currencies fluctuates, which may result in losses in the event that customers convert the RMB funds into Hong Kong dollars or other foreign currencies. RMB is currently not freely convertible and conversion of RMB in Hong Kong is subject to certain restrictions. Customers should consider and understand the possible impact on their liquidity of RMB funds in advance.

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