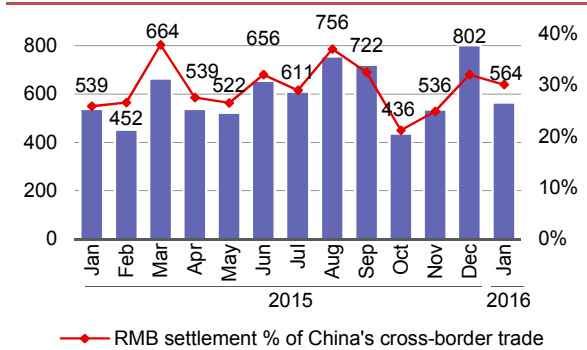


Global RMB Development

RMB settlements accounted for a high percentage of total trade volume in the first month of 2016

At the start of 2016, the total cross-border RMB trade settlements amounted to RMB564bn in January, a decrease of 30% from December, but increased by 5% from RMB539bn in January 2015. The total cross-border RMB trade settlements accounted for 30% of the total of China's trade volume. In terms of global payments by value, RMB steadily remained the fifth most active payment currency with a total market share of 2.45% in January, an increase from 2.31% in December. According

Cross-border RMB settlements (RMB Bn)



(Source) PBOC, CEIC

to SWIFT, enhancement by South East Asian markets, including Singapore, Thailand, and Malaysia, of RMB payment capabilities has been continuous, even during the volatilizing market in China. Notably, Malaysia increased the use of RMB for payments with China and Hong Kong by 68% from January 2015 and 214% from January 2013, causing RMB to be ranked ahead of its national currency, the Malaysian ringgit, as the payment currency.

Development of the RMB bond market

In the past, only the investors with the granted RQFII or QFII quotas could invest in China's onshore bond market. However, as of January 2016, RQFII quotas of RMB1.2tn were granted, with quotas of RMB469.8bn being allocated to 157firms. On February 24, People's Bank of China (PBOC) implemented another big step by opening up China's onshore interbank bond market to foreign investors, including banks, insurance companies, securities firms, asset managers, pension funds and charity funds, without any pre-granted quotas. Such liberalization will let China further internationalize RMB through capital markets in terms of the inclusion of RMB in IMF's SDR basket and may correspondingly lead the dim sum bond market to become less attractive. When investors will have easier to access to China's onshore interbank bond market, consequently it may foster the panda bond market. Since China reopened up its panda bond market to overseas issuers in September 2015, the total volume of issued panda bonds already reached RMB22bn in five months (as of March 2).

Issuances of panda bonds in China's onshore bond market

Parent Nationality	Issuer	Amount (CNY M)	Date
Canada	Province of British Columbia	3,000	Jan 2016
South Korea	Republic of Korea	3,000	Dec 2015
Germany	Daimler AG	2,000	Nov 2015
UK	SCB HK	1,000	Dec 2015
	HSBC HK	1,000	Sep 2015
China	Country Garden Holdings	4,000	Mar 2016
	Shimao Property	4,000	Jan 2016
	China Gas	1,000	Jan 2016
	Country Garden Holdings	1,000	Dec 2015
	Powerlong Real Estate	500	Dec 2015
	China Merchants Group HK	500	Oct 2015
	BOC HK	1,000	Sep 2015
Total		22,000	

(Source) Dealogic, MUSHK

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