

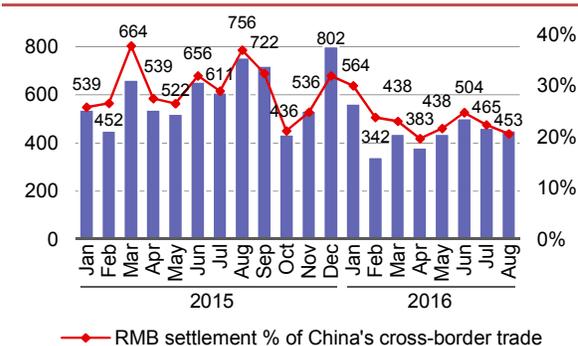
Global RMB Development

RMB trade settlements in August remained stable at the average of 2016

In August, the total cross-border RMB trade settlements reached RMB453bn to remain stable at the average of 2016 accounting for 21% of China's total trade volume. In comparison to the first eight months of 2015 and 2016, the average amount of cross-border RMB trade settlements dropped by 24% due to the depreciation of RMB and the decrease of China's trade volume in a slowdown of China's economy.

Despite all that, RMB returned to fifth from sixth position for the most active global payment currency by value with the market share of 1.9% in July according to SWIFT. Particularly, South Africa increased its RMB payments in July 2016 by 65% from July 2015 and even 112% from July 2014. Over one year, RMB payments between the institutions of South Africa and other countries (excluding China and Hong Kong) even accounted for around 40% in July 2016 and increased from 16% in July 2015.

Cross-border RMB Trade Settlements (RMB Bn)



(Source) PBOC, CEIC

Internationalization of RMB through various channels

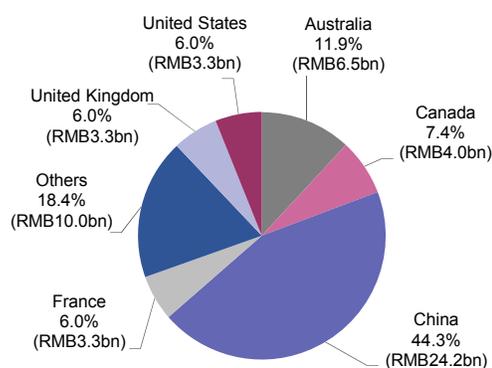
On October 1, the inclusion of RMB in IMF's Special Drawing Right (SDR) will mark a historic landmark and create a new chapter for the internationalization of RMB. The RMB is being included along with the U.S. dollar, euro, Japanese yen, and pound sterling. The central banks in Eastern and Southern Africa have also started considering RMB as a reserve, investment, and settlement currency.

Furthermore, as of August 22, a total of 23 foreign central banks and similar institutions had acquired memberships to access and participate in China's Interbank FX market. These 23 members across five continents include eleven from Asia, six from North America, three from Europe, two from Africa and one from the Oceania.

Development of the RMB bond markets

On August 12, People's Bank of China (PBOC) announced its approval for the SDR-denominated bonds of SDR2bn that will be settled in RMB in China's interbank bond market to the International Bank for Reconstruction and Development (IBRD) of the World Bank Group. Subsequently, this World Bank issued its first tranche of SDR bond of SDR500m on August 31.

Offshore RMB Bond Issuances by Deal Nationality YTD2016 (as of September 6)



Total Volume (as of September 6): RMB54.6bn

(Source) Dealogic, MUSHK

In the offshore RMB markets, the total volume of the issued offshore RMB bonds (including privately placed RMB bonds) was RMB54.6bn YTD2016. By deal nationality, in total, Chinese accounted for 44.3% of the total offshore RMB bonds while non-Chinese accounted for 55.7%. Particularly, the biggest portion of the non-Chinese issuers was Australian, taking up 11.9% of the global issuers.

Issuances of Panda Bonds in China's Onshore Bond Market (Over the Past One Month)

Parent Country	Issuer	Amount (CNY M)	Date
Cayman Islands	China Resources Cement Holdings	3,000	Sept 2016
	Hengan International Group	2,000	Sept 2016
	Country Garden Holdings	10,000	Sept 2016
France	Veolia Environnement	1,000	Sept 2016
Poland	Republic of Poland	3,000	Aug 2016
Total		19,000	

(Source) GlobalRMB

Meanwhile, China's Panda Bond market continued gaining attraction over the offshore RMB bond markets. As of September 6, the total volumes of issued Panda Bonds reached RMB73bn YTD2016 and RMB19bn over the past one month. Notably, two Europeans issued Panda Bonds within 1 week when Republic of Poland as the first European issuer and Veolia Environnement as the second European issuer individually issued Panda Bonds of RMB3bn on August 25 and RMB1bn on September 1.

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