

## Global RMB Updates

RMB Internationalization  
Business Promotion Office  
(Hong Kong)

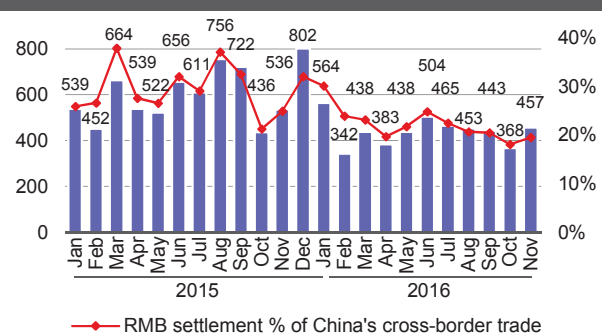
29 DEC 2016

### Monthly RMB trade settlements rebounded in November

In November, the total cross-border RMB trade settlements increased by 24% to RMB457bn compared to the previous month. We believe that the drop in October was likely result of the seasonal effect of the Chinese Golden Week holidays, therefore the RMB settlements volume rebounded in November. That being said, it is still below the 2015 and 2014 levels, and we expect that it will take some time for RMB settlements to gain momentum again. The percentage of RMB used for cross-border trade settlement with China accounted for 19% of the total, similar to the 2013 level, in which the average of 2013 was 18%.

According to SWIFT, RMB gained one position to 5<sup>th</sup> in the currency ranking for payments compared to the previous month, with a share of 2.00%.

Cross-border RMB Trade Settlements (RMB Bn)



(Source) PBOC, CEIC

### RMB Internationalization through various channels

On December 9, the China Foreign Exchange Trade System (CFETS) announced the launch of the direct RMB trading against 7 new currencies, which are Mexican Peso, Turkish Lira, Norwegian Krone, Swedish Krona, Danish Krone, Polish Zloty, and Hungarian Forint. After this, the total of directly traded currencies are 23. According to CFETS, any institution with an interbank RMB / FX market membership can conduct spot, forward, and swap between the currency pairs.

Furthermore, The People's Bank of China (PBoC) announced the appointment of Agricultural Bank of China Dubai Branch as the official RMB clearing bank in the United Arab Emirates. This is the second RMB clearing centre in the Middle East. Back in November 2014, Industrial and Commercial Bank of China (ICBC) Doha Branch was appointed as the RMB clearing bank in Qatar. Although most of the trade settlement between China and GCC countries are still denominated in U.S. dollar, going forward, these RMB clearing centres will provide liquidity to the local companies and investors in the region to trade and invest in RMB.

On December 21, PBoC announced that it will grant Renminbi Qualified Foreign Institutional Investor (RQFII) quota to Ireland in the amount of RMB50bn. Irish funds will be able to invest in China's onshore capital markets upon approval of the RQFII license and individual investment quota by the Chinese authorities. Total of 19 countries or regions have received RQFII quota.

### Development of the RMB bond markets

China's Panda bond market continued growing this year attracting international issuers such as Province of British Columbia, Republic of Poland, Veolia Environnement, and National Bank of Canada.

As of December 23, the total volume of Panda Bonds issuance reached RMB117.1bn. We expect to see more international issuers in 2017 as the Panda bond framework becomes more clear and flexible.

Issuances of Panda Bonds in China's Onshore Bond Market (Recent Issuances)

Parent Country	Date	Issuer	Amount (RMB Bn)
China	Nov 24	Powerlong Real Estate Holdings	3.5
	Nov 23	China Everbright Limited	4.0
	Nov 14	China Traditional Chinese Medicine Holdings	2.5
Canada	Nov 2	National Bank of Canada	3.5
<b>Total</b>			<b>13.5</b>

(Source) GlobalRMB

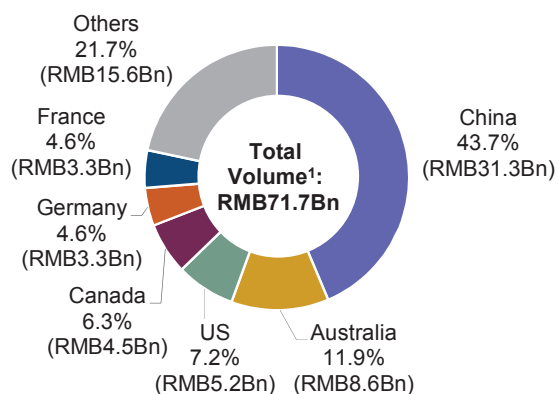
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In the offshore RMB bond market, the total volume of offshore RMB bonds was RMB71.7bn YTD2016 (including private placements). As the offshore rate increases, subsidiaries of the mainland corporates tend to look into onshore cheaper funding. For the investors, RMB devaluation has put pressures on the returns.

The graph on the right shows that non-Chinese accounted for 56.3% of the total offshore RMB bonds, and the biggest portion of these issuers was still Australian, taking up 11.9%. On the other hand, Chinese accounted for 43.7% of the total offshore RMB bonds.

### Offshore RMB Bond Issuances by Deal Nationality YTD2016



(Source) MUFG Securities  
(Note) 1. As of December 19

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