

Global RMB Updates

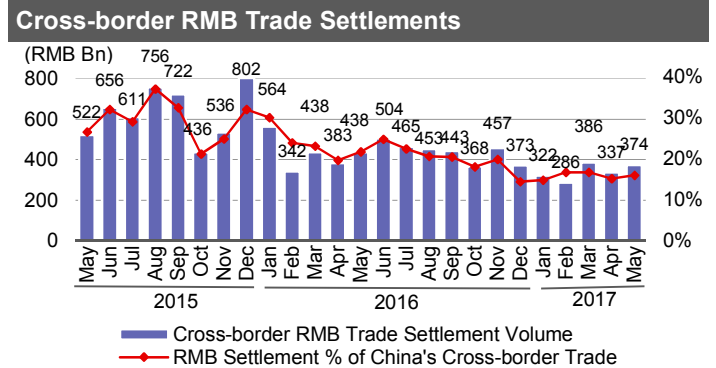
RMB Internationalization
Business Promotion Office
(Hong Kong)

11 JULY 2017

Monthly RMB trade settlements in May 2017

Cross-border RMB trade settlement volume in May amounted to RMB374bn, increasing by 11% from April but 13% lower YOY. Chinese regulators announced a new RMB fix formula in late May for RMB rate stabilization aiming to prevent RMB depreciation. As the calculation method remains undisclosed, market players continue to be skeptical towards RMB Internationalization, possibly leading to merchant avoidance of RMB settlements.

According to SWIFT, in May RMB settlements accounted for 1.61%, ranking 6th in a head-to-head race with CHF at 1.60%.



(Source) PBOC, CEIC

Bond Connect makes Hong Kong important as a major gateway to the Mainland

On 3rd July, Bond Connect began, enabling Mainland and overseas investors to trade through Hong Kong in either of the bond markets. The "Northbound Trading" was implemented first, allowing overseas investors from Hong Kong or other countries and areas to invest in the China Interbank Bond Market.

Bond Connect is expected to accelerate in-coming investment flow to the Mainland. Foreign investors' ownership ratio of Chinese bond is less than 2% despite China having the 3rd largest bond market size of USD9trillion, followed by U.S and Japan.

Bond Connect is characterized by settlement through Hong Kong's CMU, no requirements to open settlement accounts in the Mainland, etc. It may ease overseas investors' wariness of investing in the Mainland as the fund is less influenced by strict onshore regulations compared to other existing bond investment schemes. Agricultural Development Bank of China, China Development Bank, and other corporates are also issuing their bonds through Bond Connect.

President Xi Jinping expressed great expectations at the Hong Kong 20th anniversary of Hong Kong's handover back to China as Hong Kong is increasingly important as a major financial gateway to the Mainland.

Asiamoney's offshore RMB poll 2017

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2017 Rank	2016 Rank	Bank	%
1	1	HSBC	45.46
2	2	Standard Chartered	12.37
3	3	Bank of Tokyo-Mitsubishi UFJ	12.18
4	4	Bank of China (Hong Kong)	5.67
5	5	Bank of China	4.89
6	=8	Citi	1.98
7	10	ICBC	1.52
8	=8	Hang Seng	1.47
9	-	China Construction Bank	1.3
10	6	Mizuho	1.19

(Source) Asiamoney

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