



THE PEOPLE'S BANK OF CHINA  
REPRESENTATIVE OFFICE FOR EUROPE

# London RMB Business Quarterly

Issue 9: June 2021



### With thanks to

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ICBC London Branch

London Stock Exchange Group

National Association of Financial Market Institutional Investors (NAFMII)

SWIFT

The People's Bank of China Representative Office for Europe

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## Foreword



**Catherine McGuinness**  
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The world is coming to terms with the unprecedented challenge posed by the spread of COVID-19. Now more than ever, the UK's global outlook and reach, and understanding of major markets, has significant value in connecting markets and supporting resilience. As we look ahead to global recovery, the depth and breadth of UK financial and professional services (FPS) expertise mean we will have a key role to play in supporting rebuilding and growth worldwide.

The London RMB Business Quarterly report aims to help us maintain the UK's position as a leading RMB hub outside Greater China, providing an overview of the market for the Chinese currency in the UK. Whilst there has been a slowing of activity in the London RMB offshore market during this turbulent period, the report demonstrates the UK's FPS sector's resilience, showing that the UK retains its position as the leading RMB trading hub outside Greater China.



**Giles French**  
External Affairs Director,  
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Chief Representative, Representative Office for Europe,  
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We are very pleased with the partnership between the City of London Corporation and the People's Bank of China Representative Office for Europe on the London RMB Business Quarterly report. It highlights the UK's influence as a leader in RMB offshore business and the PBoC's efforts to develop and sustain the RMB at home and abroad.

The City of London is home to 40 Chinese financial and professional services firms which joined the UK's financial market to build their international presence. The RMB is an important global currency and it is natural, as home to the world's largest FX market, that the UK monitors its use and innovations closely.

With access to onshore RMB investments in China rapidly increasing, opportunities for new products and ways to manage currency exposure are also growing. This makes for exciting times for the City of London and international investors. In the ninth issue of the London RMB Business Quarterly we see the UK's offshore RMB market has experienced a boom

as China's economy began to pick up. The report discusses China's RMB market infrastructure with contributions from NAFMII, CFETS, CCDC and key learnings from the development of Hong Kong RMB business market, contributed by Bank of China (UK).

The London RMB Business Quarterly report serves to contribute to the understanding of the UK's offshore market, providing the most recent data, policies and commentaries from market participants. In addition, it aims to promote the healthy and sustainable development of the UK's offshore RMB market by monitoring and providing feedback to policy makers.

We would like to thank all our valued partners who have contributed to the ninth issue of the London RMB Business report. Your contributions play a major part in the success of this quarterly report.

## Market Overview

China's economy saw an increase from Q2 2020 while London experienced a booming offshore RMB market between August to December 2020. The value of new dim sum bonds issued, RMB FX trading, Sino-Britain cross-border RMB transactions and RMB deposits balance grew rapidly, outperforming the same period in the prior year. However, the RMB loans balance and volume of RMB Clearing dropped. According to SWIFT, the UK maintained its position as the biggest RMB FX hub and payments centre outside of Greater China, with its share of offshore RMB foreign exchange transactions hitting 37.49%, up from 34.4% in last July.



London Skyline

### London RMB Foreign Exchange Market

About 35% of all CNH spot trading on EBS took place during EMEA trading hours in December 2020, up 2% from August. In Q4 2020, the average daily CNH FX trading volume in London climbed to GBP88.76 billion, up 14% QoQ and 34% YoY.

### London RMB Bond Market

Between August and December 2020, 19 newly issued Dim Sum bonds were listed on the London Stock Exchange, with the value of RMB17.5 billion, an increase of 51.7% YoY. By the end of 2020, there were 141 Dim Sum bonds listed on the London Stock Exchange with the outstanding value of RMB59.2 billion and an average coupon rate of 3.7%.

### London RMB Credit Market

The outstanding RMB deposits and RMB loans in London decreased considerably QoQ in Q4 2020, however RMB deposits still had a big rise over the same period of 2019. By the end of 2020, the amount of RMB deposits reached RMB64.56 billion, down 14.92% QoQ but up 17.47% YoY. The outstanding amount of RMB loans were RMB45.39 billion, down 25.39% QoQ and 15.71% YoY.

### London RMB Clearing

Between August and December 2020, the cumulative volume of RMB clearing in the UK was RMB3.73 trillion, down 25.5% YoY. The average daily clearing volume was RMB36.23 billion. By the end of 2020, the total accumulative RMB clearing volume exceeded RMB52 trillion.

### China-UK RMB Cross-Border Settlement

From August to December 2020, cross-border RMB transactions between China and the UK rocketed to RMB768.51 billion, up 101.42% YoY. Among them, cross-border RMB receipts and payments were RMB403.24 billion and RMB365.27 billion, representing a net outflow of RMB37.97 billion from the UK to China, while there was an inflow of RMB30.61 billion in the same period of 2019. Cross-border RMB receipts and payments of Sino-British bilateral goods trade stood at RMB35.49 billion, accounting for 4.6% of the total amount of receipts and payments during the same period, keeping a downward trend. Meanwhile, the share of RMB receipts and payments under capital account continued to increase in line with the further opening-up of China's financial market.

### UK's Rank as Offshore RMB Centre

The UK maintained its position as the biggest RMB FX and payments centre outside of Greater China. In December 2020, offshore RMB foreign exchange transactions in the UK accounted for 37.49%, up 3.09% from last August.

### RMB in Global Currency Reserves

According to IMF, RMB accounted for 2.25% of global currency reserves as of Q4 2020, up 0.11% from Q3 2020. When it was included in the SDR basket, the share registered at 1.07% in Q4 2016.

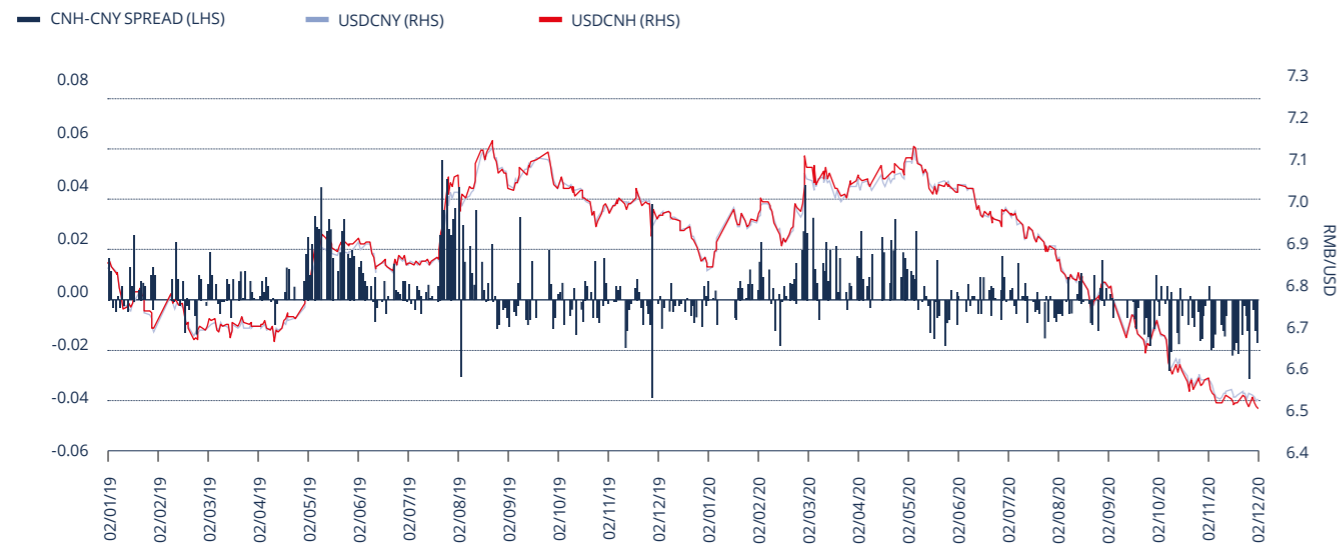
### RMB Exchange Rate

From August to December 2020, CNY strengthened from 6.85 to 6.50 against the USD. The RMB FX rate continued appreciation and the spread between CNH and CNY turned from positive to negative, which meant offshore market investors were more bullish on CNY even more than China's onshore market. China was the only major economy to see a positive GDP growth of 2.3% in 2020. The trade surplus of 2020 in China was also bigger than that in 2019.

From 1<sup>st</sup> August 2020 to 31<sup>st</sup> December 2020, the average FX spot rate of USD/CNH in the offshore market was 6.7094, with the USD/CNY onshore FX spot rate 6.7159. The spread between offshore and onshore in this period was -65 basis points, while the spread of February to July 2020 was +71 basis points.

### The Onshore-Offshore Exchange Rate Differential as of December 2020

USDCNH-USDCNY FX Spot Rate



Source: Bloomberg, ABC

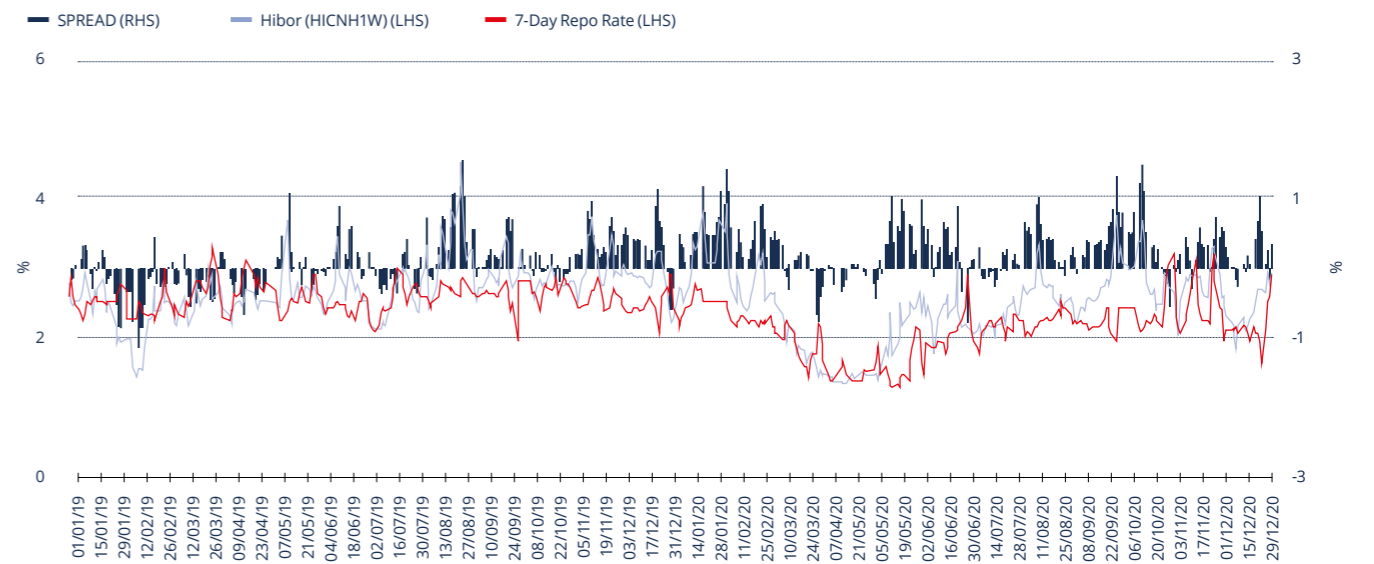
### RMB Interest Rate

China's economy advanced 6.5% YoY in Q4 2020, after a 4.9% growth in Q3, higher than the market expectation of 6.1%. As the one-year Loan Prime Rate (LPR) remained low at 3.85% and over 5 Year at 4.65%, unchanged for eight months, providing reasonable and abundant liquidity to promote economic recovery, while avoiding "overflowing" from pushing up asset prices. The yield of Chinese government bonds fluctuated upward, and the spread between China and the US gradually widened, the spread for short term bonds outperformed long term bonds. By the end of 2020, the bond yields of major developed countries were close to zero or negative. The spread of 10 Year government bonds between China and the US fluctuated at a high level at around 240 basis points through

August to December. During this period, despite the strengthening of the RMB exchange rate, the swap price did not fall with the appreciation of the RMB, but increased with the spread, indicating that the supply and demand of the swap market was mainly driven by financing demand, thus more reflecting the changes in the interest spread between China and the major developed countries. The spread between 6M Shibor and Libor fluctuated above 2.5%. In the context of banks' reduction of structured deposits and low cash reserve ratio, the rate of increase in interest rates exceeded market expectations. As a result of the continuous expansion of China's capital market, the spread between USD/CNY and USD/CNH swap curve narrowed, especially, the price trend of 1 Year CNH and CNY swaps were almost synchronized, and the price difference between the two mainly fluctuated in a narrow range of 100-300 pips.

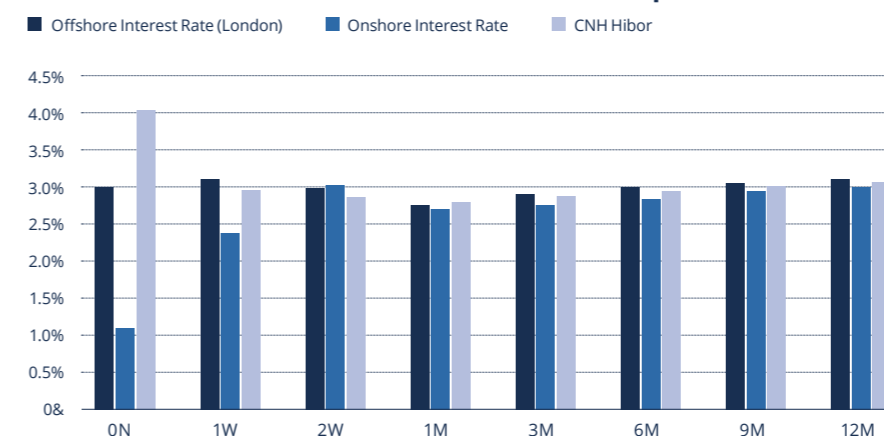
### The Onshore-Offshore Interest Rate Spreads as of December 2020

CNH Hibor and 7-Day Repo Rate Spreads



Source: Bloomberg, CCB

### Term Structure of RMB Offshore Interest Rate Spreads in December 2020



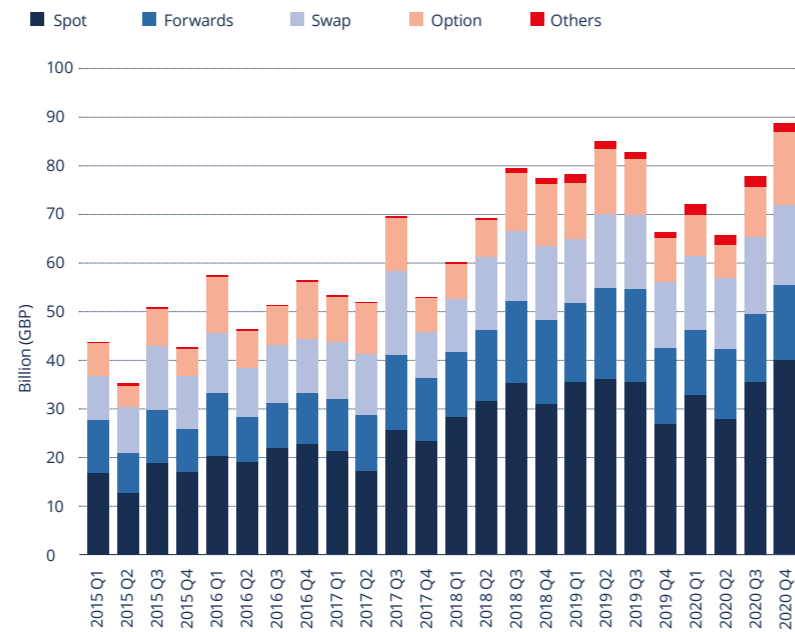
Source: Bloomberg, CCB

### London RMB Foreign Exchange Market

London RMB FX turnover grew significantly during Q4 2020. The average daily turnover volume of RMB FX in London market jumped to GBP88.76 billion, the highest since 2015, up 33.8% YoY and 14% QoQ. The distribution of RMB FX turnover by counterparty sectors remained stable: RMB FX turnover with other sectors took the greatest share of 43.3%; followed by RMB FX turnover with non-resident deposit-taking corporations, accounting 33.2%; RMB FX turnover with UK deposit-taking corporations had the smallest proportion of 23.5%.

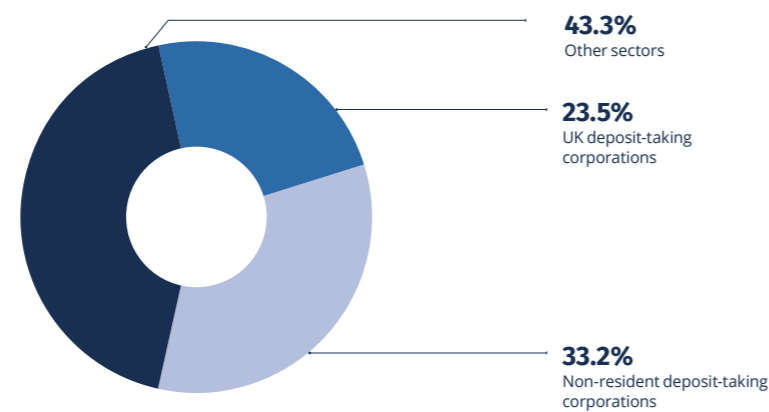
In December 2020, the proportion of the offshore RMB FX trading in London market experienced a slight rise from July. Trading data from EBS revealed that the proportion of spot CNH trading volume in EMEA trading hours was 35%, up 2% than that in July. Specifically, Asia, EMEA and Americas trading hours registered 57%, 35% and 8% of total CNH spot trading volumes, compared with a distribution of 60%, 33% and 7% in July, and 51%, 40% and 9% a year ago.

### Average Daily Turnover of RMB FX in London as of December 2020



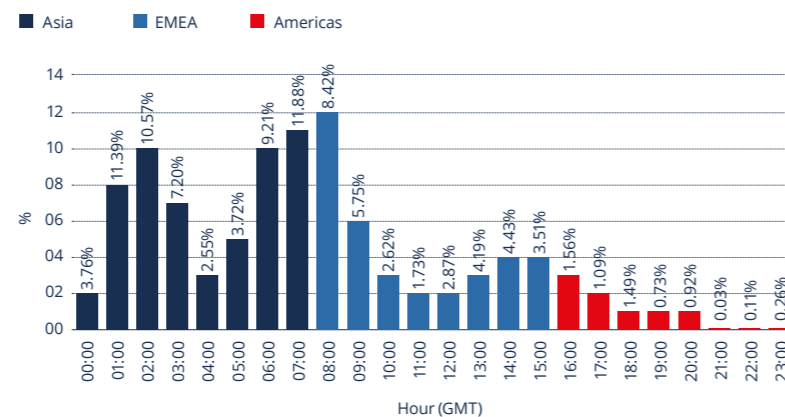
Source: Bank of England (BoE)

### RMB FX Turnover by Counterparty Sector in Q4 2020



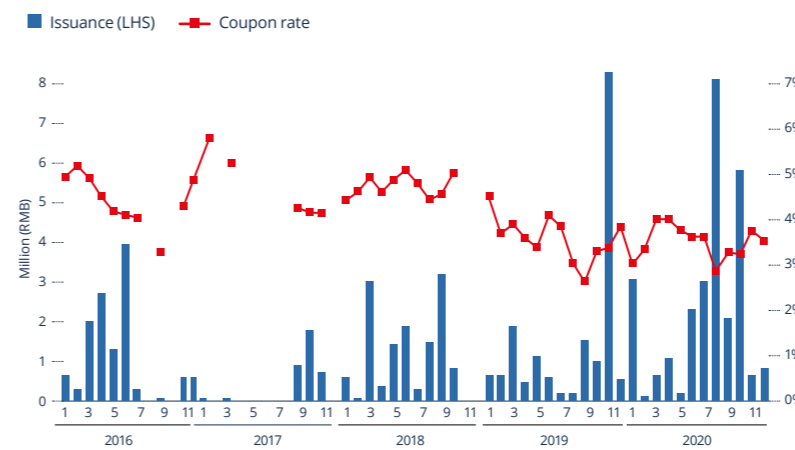
Source: Bank of England (BoE)

### Spot CNY Volume Distribution by Hour on EBS in December 2020



Source: EBS

### Dim Sum Bond Issuance and Average Coupon Rate as of December 2020 on LSE



Source: LSE

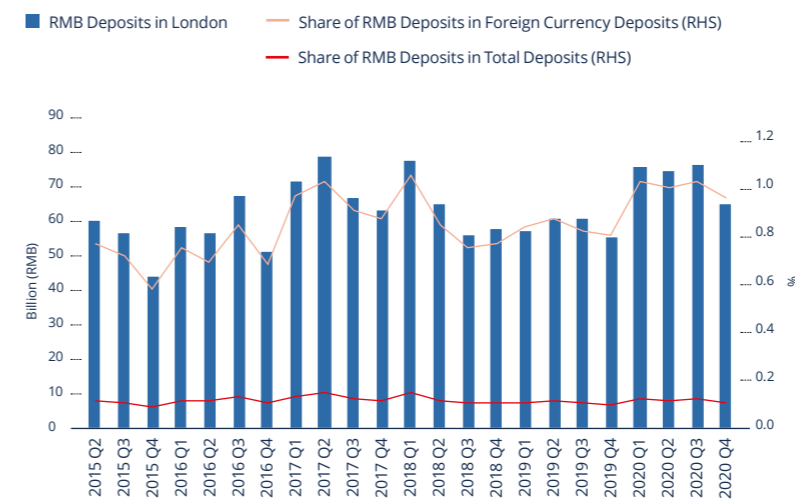
### London RMB Bond Market

As reported above, between August and December 2020, 19 Dim Sum bonds were newly listed on the London Stock Exchange, with a total issuance size of RMB17.5 billion, and weighted average coupon rate of 3.2%. The value of new Dim Sum bonds issued during the same period increased by RMB6 billion compared with the same period of 2019, an increase of 51.7%. At the end of 2020, there were 141 Dim Sum bonds listed on the London Stock Exchange with an outstanding value of RMB59.2 billion and weighted average coupon rate of 3.7%.

### London RMB Credit Market

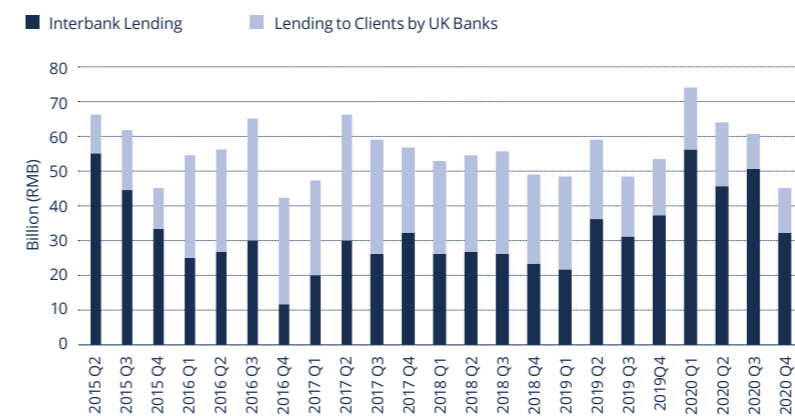
The outstanding RMB deposits and RMB loans in London decreased considerably QoQ in Q4 2020, however there was a divergence compared with those in the same period of 2019. The total London offshore RMB deposits balance fell to RMB64.56 billion at Q4 2020, down 14.92% QoQ and up 17.47% YoY, as the share of RMB deposits in total UK deposits and total foreign currencies slightly shrunk from the previous quarter but increased from Q4 2019. The total London offshore RMB loans balance reduced to RMB45.39 billion at Q4, down 25.39% QoQ and 15.71% YoY, as the decrease of interbank lending played the major role.

### RMB Deposits in London as of Q4 2020



Source: Bank of England (BoE)

### RMB Lending in London as of Q4 2020

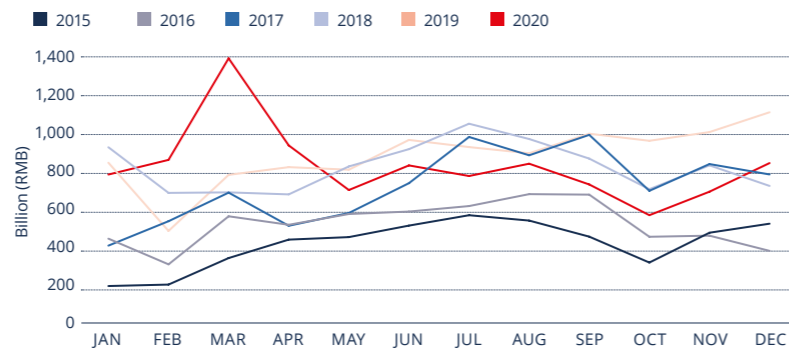


Source: Bank of England (BoE)

### London RMB Clearing

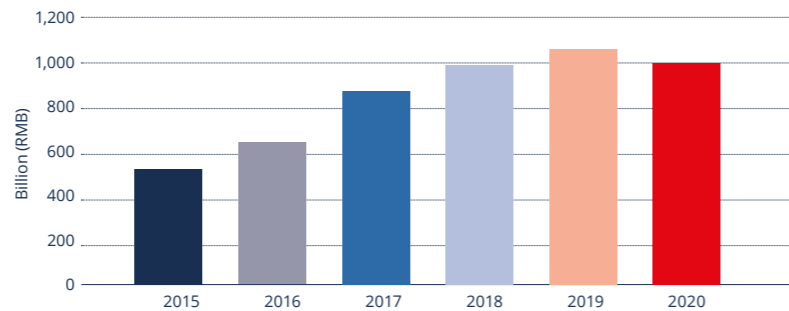
Between August and December 2020, total clearing volume was RMB3.73 trillion, down 25.5% YoY, with daily average clearing volume of RMB36.23 billion. Accumulated transaction counts stood at 35,459. By the end of 2020, the accumulative total RMB clearing volume reached RMB52.03 trillion since China Construction Bank (CCB) London Branch obtained its authorisation to become the RMB clearing bank in the UK in June 2014, and it remains the largest clearing bank outside Asia.

### RMB Clearing Volume of the Designated UK Clearing Bank as of December 2020



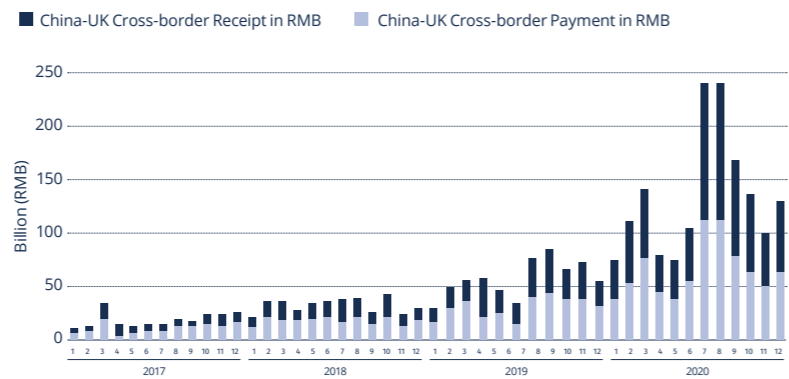
Source: CCB London Branch

### RMB Clearing Volume of the Designated UK Clearing Bank as of December 2020 (Yearly)



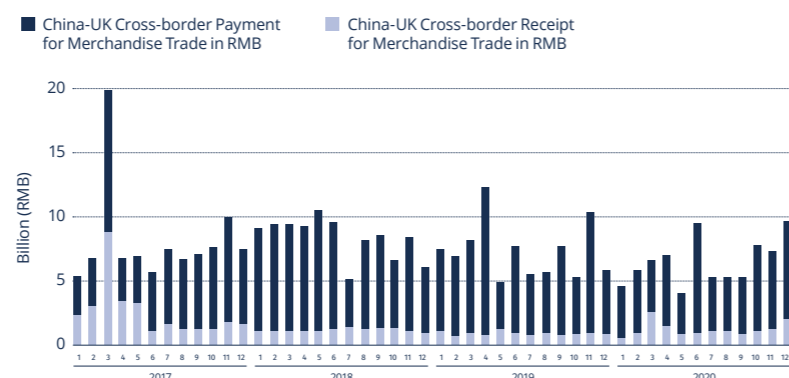
Source: CCB London Branch

### China-UK Cross Border RMB Payment and Receipt as of December 2020



Source: PBoC

### China-UK Cross Border RMB Payment and Receipt Under Merchandise Trade as of December 2020



Source: PBoC

### China-UK RMB Cross-Border Settlement

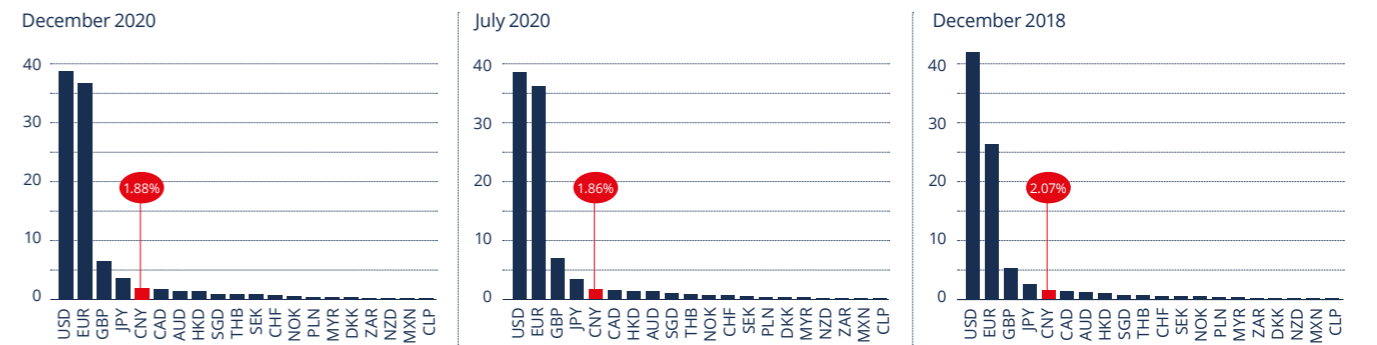
Between August to December 2020, a sharp rise was seen in the cross-border RMB transactions between China and the UK amounting to RMB768.51 billion, up 101.42% YoY. Within this, cross-border RMB receipts were about RMB403.24 billion while payments reached RMB365.27 billion, representing a net outflow of RMB37.97 billion from the UK to China, while there was an inflow of RMB30.61 billion in the same period of 2019. Cross-border RMB receipts and payments of Sino-British bilateral goods trade totalled at RMB35.49 billion, accounting for 4.6% of the total amount of receipts and payments during the same period from August to December 2020, representing a falling trend.

### The International Status of the London Offshore RMB Market

According to SWIFT, the RMB's share of domestic and international payments currency (customer initiated and institutional payments) in December 2020 was 1.88%, up 0.02% from July 2020. The RMB remained as the fifth biggest global payment currency and the third largest global currency in trade finance market with the share of 2.05%. The UK kept its

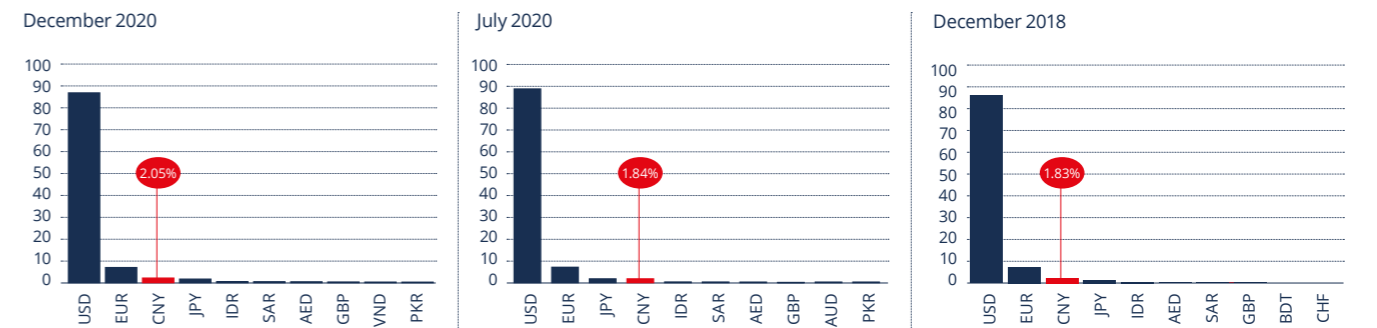
position managing the largest share of RMB payments outside greater China. The top three countries or regions doing FX transactions in RMB in December 2020 were the United Kingdom, the United States and China. The United Kingdom accounted for 37.49% of the total, slightly higher from July 2020 of 34.40%. The United States kept an upswing momentum and outperformed China with a share of 16.51%.

### RMB's share as a global payments currency (%)



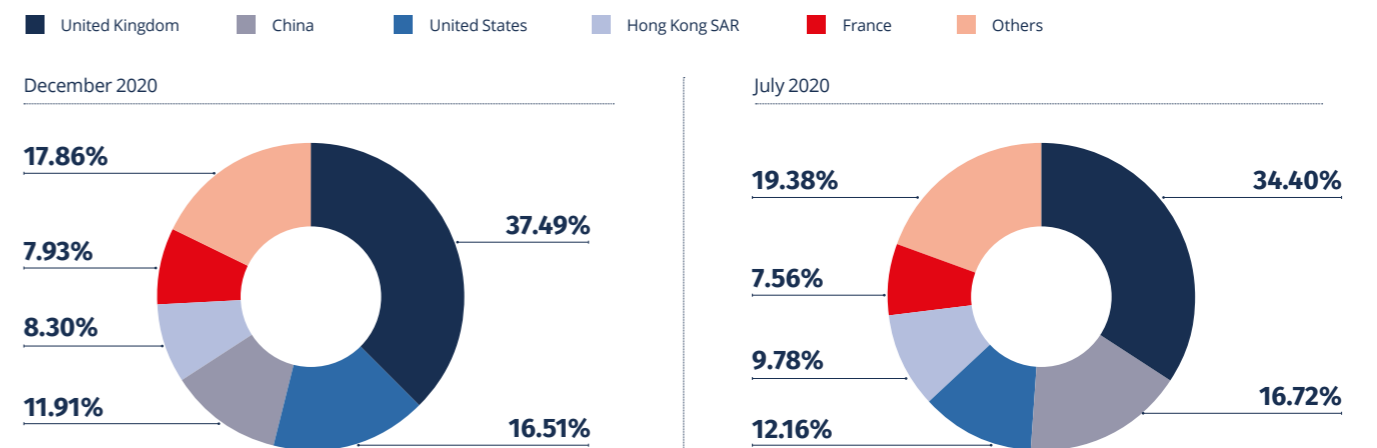
Source: SWIFT, watch

### RMB's share as a global currency in trade finance market (%)



Source: SWIFT, watch

### Top Countries (Regions) FX Transaction in RMB



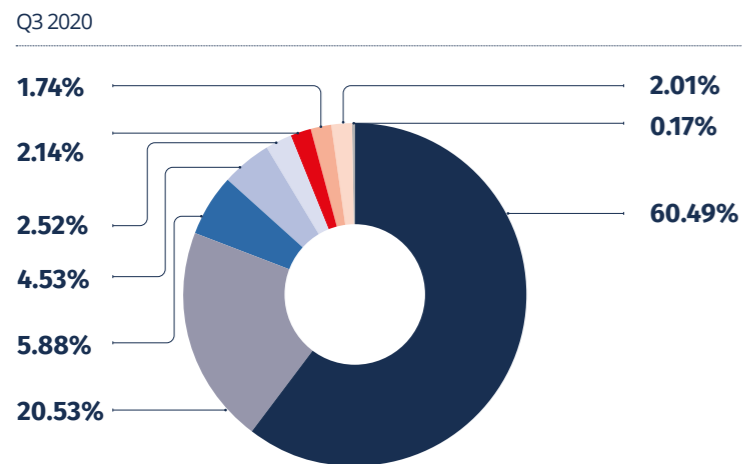
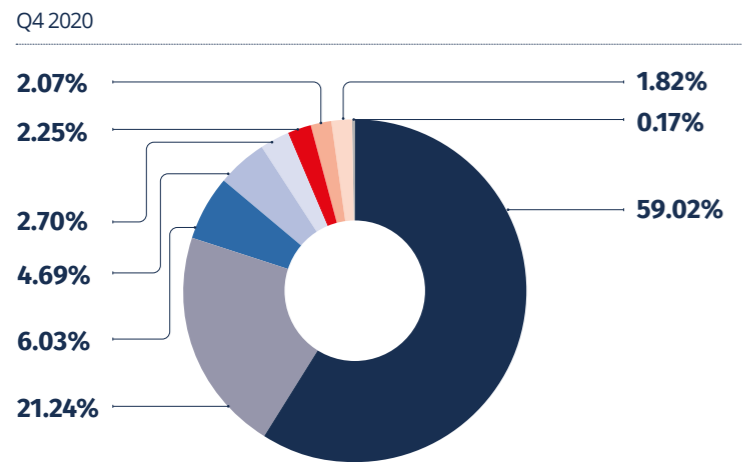
Source: SWIFT, watch

### RMB in Global Currency Reserves

According to IMF, RMB accounted for 2.25% of global currency reserves as of Q4 2020, up 0.11% from Q3 2020. When it was included SDR basket, the share registered at 1.07% in Q4 2016. In Q4 2020, USD's share of global reserves witnessed a slight drop from 60.49% in Q3 2020 to 59.02%. The share of Euro, JPY and GBP increased from 20.53%, 5.88% and 4.53% in the quarter before, to 21.24%, 6.03%, 4.69%.

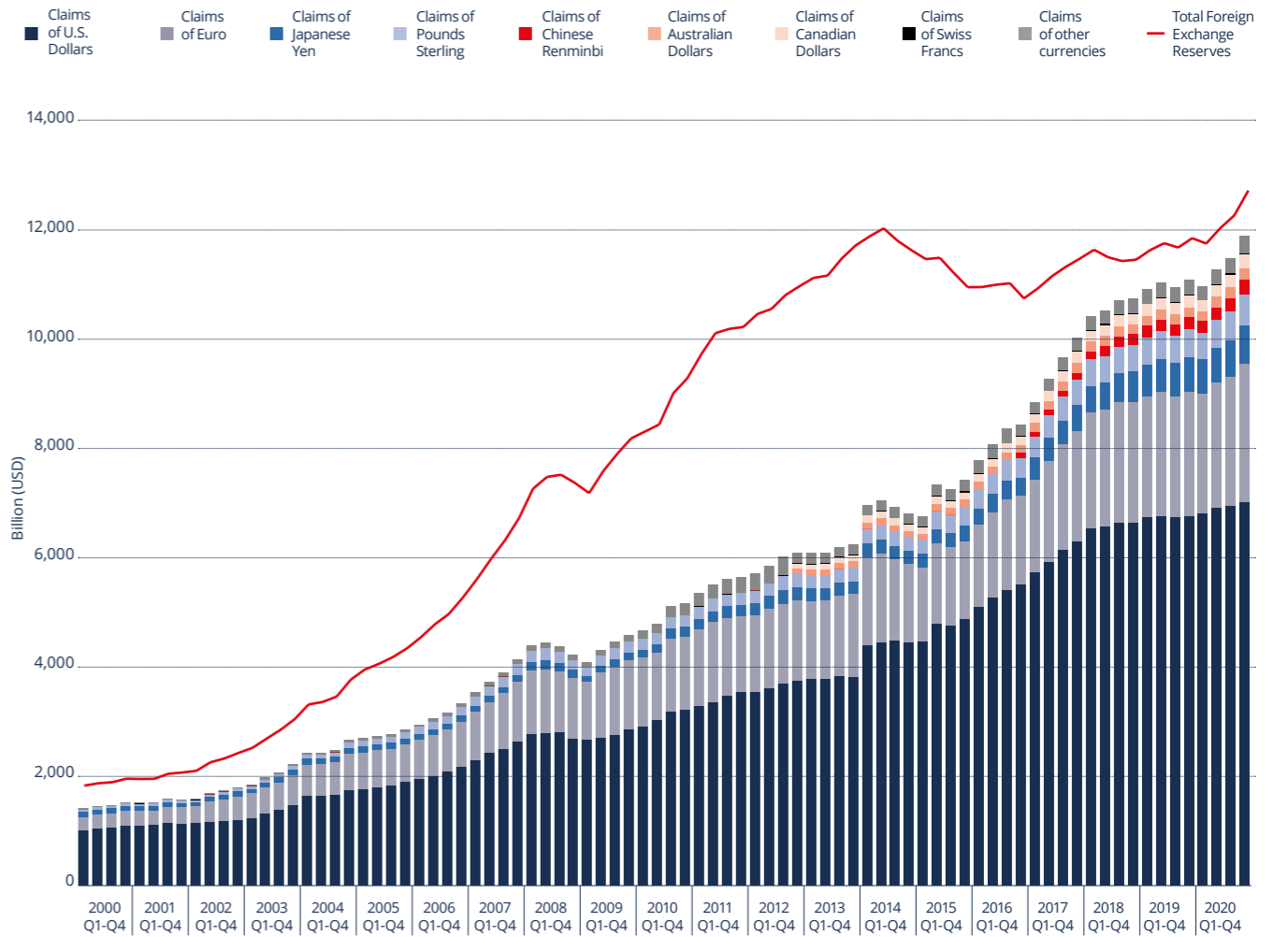
#### Allocated Reserves by Currency

- Shares of U.S. Dollars
- Shares of Euro
- Shares of Japanese Yen
- Shares of Pounds Sterling
- Shares of others currencies
- Shares of Chinese Renminbi
- Shares of Canadian Dollars
- Shares of Australian Dollars
- Shares of Swiss Francs



Source: International Monetary Fund

### Official Foreign Exchange Reserves by Currency (USD billion) as of Q4 2020



Source: International Monetary Fund



# Industry update

## The Opening Up of China's Interbank Market (CIBM)

China Foreign Exchange Trade System (CFETS)

### Key Highlights

- By the end of 2020, there are 468 foreign institutions under CIBM Direct and 625 under Bond Connect which have gained access to the interbank RMB market.
- By the end of 2020, there are 158 foreign institutions which have become members of the interbank FX market, accounting for 21% of the market's participant base.
- The trading volume of foreign institutions in the interbank FX market and in the interbank bond market accounted for 6.5% and 4% of the overall turnover in 2020, respectively.

Remarkable progress has been made in recent years in the opening-up of China's interbank market. China Foreign Exchange Trade System (CFETS) reported that, by the end of 2020, in terms of incorporated entities, 468 foreign institutions under CIBM Direct and 625 under Bond Connect have gained access to the interbank RMB market, trading cash bonds, credit lending instruments, pledged repos, outright repos, and interest rate swaps. Meanwhile, a total of 158 foreign institutions have become members of the interbank FX market, accounting for 21% of the market's participant base. Those foreign institutions have taken part in FX spot, swap, forward, cross currency swap, and foreign-currency lending transactions, and the trading currencies included USD, EUR, JPY, HKD, GBP, and those listed in the interbank FX market.

As there was a steady increase of foreign institutions in China's interbank market, CFETS witnessed a rapid growth of trading activities by foreign institutions. Following the inclusion of Chinese bonds in the Bloomberg Barclays Global Aggregate Index on April, 2019, there was a significant growth in the number of foreign institutions and a surge in their trading volume. In 2020, the trading volume of foreign institutions in the interbank FX market amounted to RMB32.7 trillion, up 91% year-on-year and accounting for 6.5% of the overall turnover in the interbank FX market; in the interbank bond market, the trading volume of foreign institutions amounted to RMB9.2 trillion, up 72% year-on-year and accounting for 4% of the overall turnover in the interbank bond market. The access of global investors has diversified the types of market participants, and their increasing participation has enhanced market liquidity and promoted integration of domestic and overseas markets.

While attracting overseas participants, the interbank RMB market continues to improve the trading functions of the system to make it easier for foreign institutions to invest in China's bond market. In 2016, CFETS launched the Agent Trading System (ATS), a trading system tailored for international participants that is in line with the international practices. In July 2017, Bond Connect was launched, a connectivity that links Hong Kong with mainland bond market, providing another high-speed pathway—after the Shanghai/Shenzhen-Hong Kong Stock Connect—for foreign institutions to access China's financial market, and CFETS collaborated with Tradeweb, enabling overseas investors to trade through the established international interface. In August and October 2018, under Bond Connect scheme, pre-trade and post-trade allocation were unveiled respectively to facilitate global asset management companies to manage trading of their product accounts.

Later in February 2019, CFETS collaborated with Bloomberg, enabling foreign institutions to access to China's interbank bond market by submitting orders to CFETS X-Trader through Bloomberg terminals under either CIBM Direct or Bond Connect. In April, the Bond Connect scheme was upgraded to allow the direct issuance of interbank negotiable certificates of deposit to foreign investors. In July, CFETS partnered with Tradeweb and Bloomberg to provide live streaming of indicative prices under Bond Connect. In August, the settlement cycle for Bond Connect was extended to T+3 to facilitate trading and settlement for foreign investors. In September, the indicative price function of Bond Connect was further enhanced to provide full range of quotations, increasing market transparency and improving price discovery for foreign investors. In December, list trading service went live so that foreign investors may track index investments more conveniently.

Furthermore, in March 2020, special settlement cycles were launched in the interbank bond market; through collaboration with third-party e-trading platforms, CFETS upgraded system functions so that foreign investors may choose T+N settlement cycle online, without the need to apply separately. In September, CFETS launched CIBM Direct RFQ services, offering request-for-quote trading to overseas investors to trade onshore bonds directly with more convenience; trading hours for cash bonds were extended to 8:00 p.m. Beijing time for all cash bonds with T+1

settlement cycle or above, making it more convenient for foreign investors. By the end of 2020, foreign investors from over 30 jurisdictions including the UK, Germany, Singapore, and the US have executed nearly RMB200 billion of trades during the extended hours, which accounted for 7% of trading volume of foreign investors over the same period. In October, Bond Connect launched ePrime, a bond issuance system that offers one-stop solution for the book building, pricing, and allocation of offshore bonds denominated in various currencies, facilitating offshore bond issuance and subscription with more convenience and transparency. In December, China CITIC Bank International Limited became the first overseas incorporate entity in the interbank bond market to complete a centrally cleared trade in RMB interest rate swap through a settlement agent under CIBM Direct, marking yet another milestone in the opening-up of China's interbank bond market.

As China's FX market develops and the business of RMB purchase and sale expands in scope and market influence, CFETS offers foreign investors with various solutions in managing FX risks of their bond investments, further advancing the opening-up of China's financial market. Since December 2015 when overseas participating banks of RMB purchase and sale business were first admitted into the interbank FX market, the coverage of RMB purchase and sale business has expanded from current account transactions at initial stage to securities investment under Bond Connect and Shanghai/Shenzhen-Hong Kong Stock Connect, and the progress is accompanied by an increasing participation of overseas banks. In 2018, to further align with global practices and enable large banks to achieve consistent internal operations among its groups, CFETS announced the updated rules and arrangements for overseas participating banks and foreign RMB clearing banks to enter into the interbank FX market, so that they can adopt centralized management on their RMB purchase and sale business. In January 2020, the State Administration of Foreign Exchange announced that foreign investors under CIBM Direct scheme are allowed to directly access the interbank FX market and for the specific purpose of hedging they are permitted to manage their FX exposures arising from interbank bond market investments, offering more channels for FX hedging. In September, CFETS permitted each Bond Connect investor to select up to three Hong

Kong settlement banks as providers of FX conversion and hedging services, fulfilling the investors' needs of receiving more competitive price and implementing more active strategies for risk management. Currently, foreign institutions are allowed to access the interbank FX market either directly or through Prime Brokerage; the latter option offers overseas investors a larger pool of counterparties and internationally aligned trading solutions, and helps them obtain better prices and lower hedging costs.

Committed to aligning with international practices, CFETS has been strengthening the domestic G10 currency pairs market and foreign-currency money market, playing a crucial role in raising the liquidity of foreign currencies in China and enhancing interconnectivity with global markets. Currently, CFETS' G10 currency pairs market has eight overseas market makers; in January 2020, the London-based XTX Markets became the first foreign non-bank market maker; a total of 67 foreign institutions are trading in CFETS' foreign-currency money market, which provides a new venue for capital management in the context of expansionary monetary policies globally. In May 2020, direct links with overseas custodians were made available for foreign-currency repos; connectivity was built between cross-border financial infrastructures under the cooperation of CFETS with Clearstream and Euroclear Bank.

CFETS, well positioned as a market infrastructure with the unique advantage of connecting the interbank RMB and FX markets, will continuously improve trading functions of its systems, bring more convenience to manage FX risks, and provide better market services, so as to further facilitate foreign institutions to invest in China's interbank market.

## Issuing Panda Bonds in China Interbank Bond Markets: Development and Opportunities

National Association of Financial Market Institutional Investors (NAFMII)

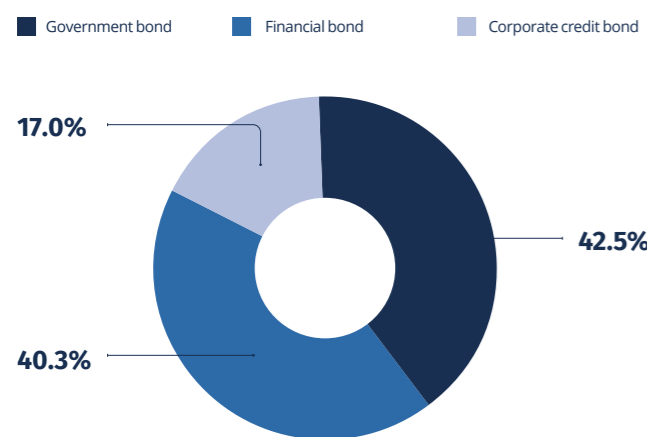
### China's interbank bond market update

China's bond markets comprise of over-the-counter (OTC) markets and exchange markets. The China Interbank Bond Market (CIBM) and commercial bank counters are OTC market, while the Exchange markets include Shanghai Exchange and Shenzhen Exchange. The CIBM is the major OTC market for institutional investors. It is the core of China's bond market accounting for 80% of trading volume. Since its formation in 1997, the CIBM has grown to dominate bond issuance and trading in China. As the world's second largest bond market, at the end of 2020, China's bond market outstanding volume stood at RMB117 trillion, of which RMB100.7 trillion was in CIBM, accounting for over 86% of that total, according to PBoC statistics.

### Types of Bond and Issuance Structure in CIBM

After over two decades of development, the bond products in China's interbank bond market are now quite similar to those in the U.S. and European markets. In 2020, total issuance in CIBM reached RMB48.5 trillion; a 26.5% year-on-year increase. At the end of 2020, the outstanding government bond was RMB45.7 trillion (42.5% of total CIBM outstanding volume), financial bond RMB41 trillion (40.3%), corporate credit bond RMB18.2 trillion (17%) (See Pie Chart 1).

### Types of bond and proportion to the total outstanding balance in CIBM (by end 2020)



Source: NAFMII

### Overseas investing is increasing and simplifying

Over the past five years, China has significantly progressed with the opening up of its bond market - opening-up to overseas investors. Not only has access for foreign investors improved, overseas credit rating agencies are allowed to operate in China's domestic market, foreign financial institutions can get full underwriting licenses and foreign investor quota restrictions have been removed. The overseas credit rating agencies S&P Global and Fitch Ratings have already been rating Chinese entities through their respective wholly owned Chinese subsidiaries. These measures have made the Chinese onshore bond market not only accessible but more convenient to participate in.

To further advance foreign investment, major steps have been taken in harmonising regulatory rules, removing quota restrictions and facilitating settlement over the past few years. In September 2020, the Chinese regulatory authorities jointly released the Announcement on Overseas Institutional Investors Investing China's Bond Market (consultation version) (the Announcement). The Announcement established an overall framework for overseas institutional investors to invest in China. For foreign investors who already entered CIBM, the Announcement allows them to invest directly into the exchange bond market or they can invest through a mechanism connecting the two markets. In terms of aligning the three existing routes into CIBM, measures such as simplifying investors pre-filing work, enabling capital transfer between custodian account under QFII/RQFII regime and the same investor's CIBM Direct account are already in place.

For overseas central bank investors, China announced last year that they will allow settlement agent banks or account banks to provide liquidity management services such as intraday or overnight account overdraft for overseas central bank investors, a move aimed at facilitating capital turnover. RMB bonds held by foreign investors in CIBM rose to record high of RMB3.25 trillion by 2020 year-end (3.2% of total), reflecting that in the low-growth world, China's bond market provided stable and attractive yield for international investors and brought investors' confidence and opportunities.

### Main work of NAFMII

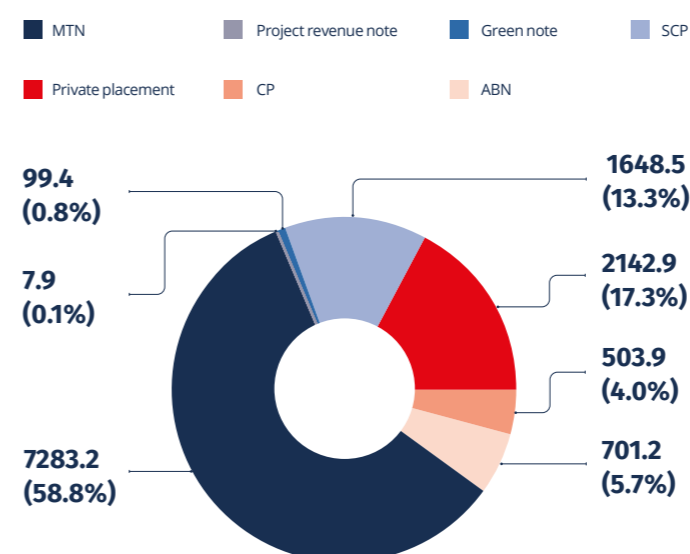
In 2007, NAFMII was approved to be the self-regulatory body in the interbank market, subject to PBoC oversight. With its foundation, the bond registration-based system was first introduced into CIBM. Through membership, NAFMII pulled together market forces to promote sound and sustainable development of the CIBM. Its members include commercial banks, non-financial enterprises, financial infrastructures, security firms and so on, the number of which exceeds 8,000 in total.

One of the primary roles of NAFMII is operating the registration and issuance of non-financial enterprise debt financing instruments. Lots of improvements have been made over the years in the standardisation and efficiency of registration and issuance as well as the information disclosure of issuers and intermediary agencies. With the exception of popular products like super-short commercial paper (SCP), commercial paper (CP), medium term note (MTN), NAFMII continues to innovate and expand the debt financing instrument product pool to meet market demand. Green notes and asset-backed notes (ABN) are two of those examples. By the end of 2020, the outstanding balance of various types of debt financing instruments totalled over RMB12 trillion (See Pie Chart 2).

Investor protection is another key focus area for NAFMII. On one side, through leveraging the expertise of its members, NAFMII launched measures covering the bond lifetime to protect investors, including releasing model investor protection covenants for reference and inclusion in the prospectus, optimizing rules to enhancing accuracy, completeness of bond information disclosure, improving efficacy of bondholders meeting and exploring the introduction of a bond trustee mechanism in CIBM.

On the other, in light of increasing bond defaults in the market since 2014, NAFMII was directed by PBoC to provide guidelines on possible ways to deal with the default for market participants as well as on outlining the roles and responsibilities of parties involved in a default. At the same time, regulations and rules on debt financing instrument are enforced by NAFMII's Self-disciplinary Office, violation of which usually subject to penalties including warnings, suspension of business and public condemnation. For major breaches of law that are beyond its disciplinary jurisdiction, NAFMII will refer the case to the regulatory authorities. Though bond default is rising in recent years, credit risk of the market is overall controllable.

### Types of NAFMII debt financing instrument and amount under custody by end of 2020 (bn RMB, %)



Note:

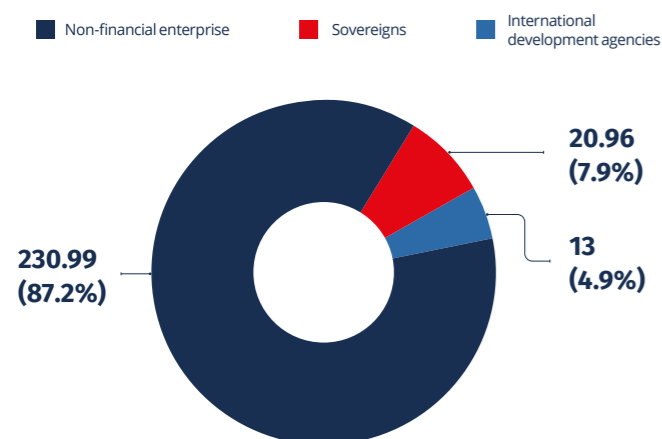
1. SCP is short for super-short term commercial paper
2. CP is short for commercial paper
3. ABN is short for asset-backed notes
4. MTN is short for medium-term notes

Source: NAFMII

### Panda bond market progress

Panda bonds are RMB-denominated bonds issued by non-Chinese issuers in the Chinese onshore market. The first panda bonds were issued by International Finance Corporation and Asia Development Bank in 2005, after which the market has kept welcoming more types of issuers from different sectors, including sovereigns like Hungary and Philippines, international development agencies like the World Bank and New Development Bank, non-financial enterprises like leading car-makers Daimler and BMW. China's panda bond market continues to develop and internationalise. As of the end of 2020, panda bond issuance in CIBM stood at RMB305.45 billion, with RMB264.95 billion of non-financial debt financing registered with NAFMII and issued in CIBM (See Pie Chart 3).

#### Panda Bond issuer type and accumulative issuing amounts by end-2020 (Bn RMB, %)



Source: NAFMII

Over the past year, with a view to improving the efficiency of its registration-based system and to further strengthening market transparency, NAFMII introduced a series of new rules regarding the panda bond market. Consistent with international practices, NAFMII formulated the Detailed Rules for the Administration of Tiered Management of Debt Financing Instruments of Overseas Non-Financial Enterprises (the "Detailed Rules") to categorize panda bond issuers as either seasoned issuers or general issuers. Registration and issuance of non-financial enterprise debt by seasoned issuer can prepare one set of registration documents covering multiple types of debt financing instruments (include but not limited to CP, SCP, MTN) and apply for universal registration (referred as "DFI Registration"). In respect of different issuer profiles of sovereigns, supranational and agencies (SSAs) and non-financial enterprises, NAFMII made respective guidelines for these two types of issuers.

In 2020, agencies and non-financial enterprises both have issued Covid-19 bonds. The Asia Infrastructure Investment Bank raised a RMB3 billion sustainable development bond in June 2020. The proceeds were used to fund AIIB's financings, including those under AIIB's COVID-19 Crisis Recovery Facility (CRF) according to AIIB website. China has committed to peak its carbon emission in 2030 and also be carbon neutral in 2060. Overseas issuers are encouraged to issue sustainability-themed bonds, green bonds and other types of bonds to meet diversified funding demand.

China, and the world at large, are standing at a historical juncture after the pandemic. Quick rebound from the pandemic and maintaining normal life and work for its people have demonstrated the resilience of Chinese economy. 2021 is the starting year of China's 14<sup>th</sup> Five-year Plan, as two way financial opening up continues its momentum, further development of China's bond market and financial sector will surely draw more attention around the globe.

<sup>1</sup>The CRF was created by AIIB as part of a coordinated international response to counter the COVID-19 pandemic and to respond flexibly and efficiently to client demands.

### The Leading Benchmark of China's Bond Market: ChinaBond Pricing Data Updates

China Central Depository & Clearing Co., Ltd. (CCDC)

#### Summary

In recent years, China's bond market has grown to the second largest bond market in the world and become attractive to international investors due to the opening-up of the economy. By the end of 2020, overseas investors' holding of RMB bonds in China interbank market had reached RMB3.25 trillion, or USD500 billion, up 50% year-over-year. The substantial increase has spurred the demand for risk management tools and benchmarks in the bond market.

The ChinaBond Pricing Center Co., Ltd. (hereinafter referred to as "CBPC"), which firstly published China's Government Bond Yield Curve in 1999, is a wholly owned subsidiary of China Central Depository & Clearing Co., Ltd. (hereinafter referred to as "CCDC"). CBPC is the benchmark pricing platform of CCDC leveraging its neutral status and advantages of being the central securities depository.

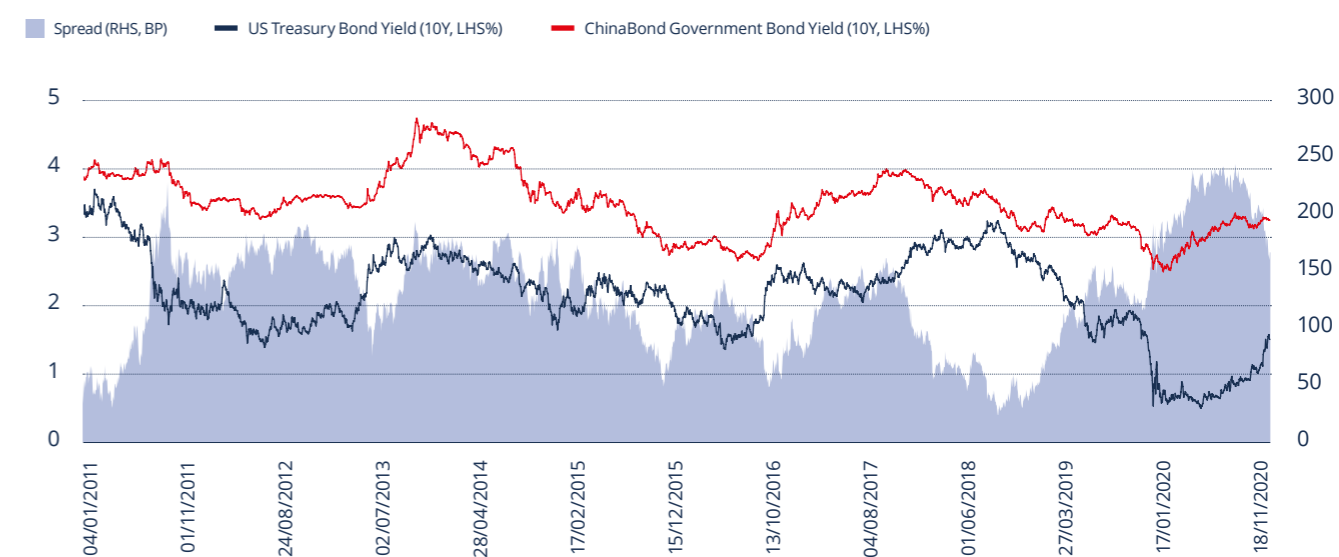
Over the past 20 years, CBPC has reviewed international benchmarking industry standards to compile ChinaBond Pricing Data. This includes ChinaBond Yield Curves, ChinaBond Valuation, and

ChinaBond Indices, and it has become the leading pricing benchmark of China's bond market that reflects the prices and risks of RMB bond market. While facilitating the opening-up of China's bond market and contributing high-quality development of green finance, ChinaBond Pricing Data becomes a valuable guide for overseas investors as it offers reliable reference indicators and risk management tools to help them understand the market mechanism thoroughly, update development trend clearly, and increase their operational efficiency.

#### Well recognised and highly valued in Chinese financial market

CBPC issues yield curves covering sovereign bonds, policy bank bonds, local government bonds, commercial paper & notes, corporate bonds, and commercial bank bonds etc. More than 80,000 bond valuations and more than 900 indices are published every day. ChinaBond Pricing Data has become the leading benchmark of RMB bond for bond issuance pricing, fair value measurement, investment management, and risk management.

Figure 1: The Trend of 10Y US Treasury Bond Yield and ChinaBond Government Bond Yield



Source: CBPC, FINCHINA

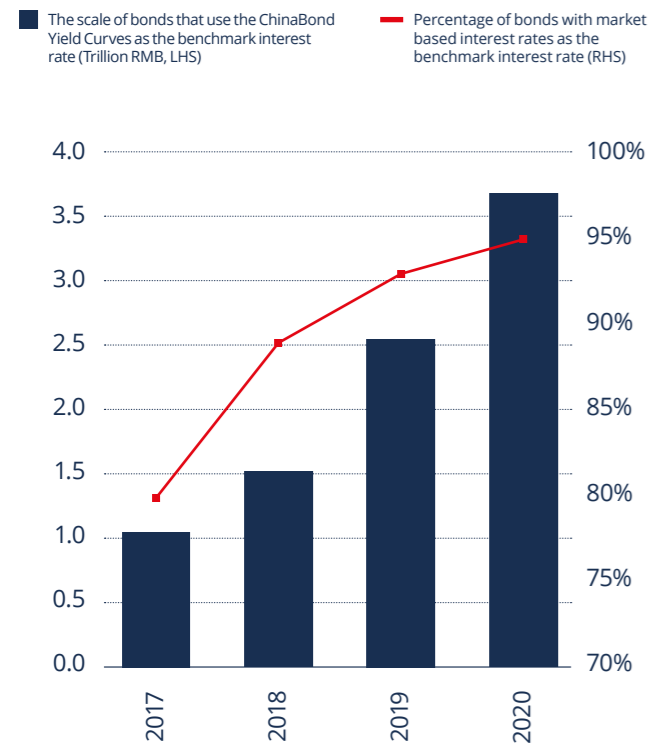
By the end of 2020, the scale of bonds that use the ChinaBond Yield Curves as the benchmark interest rate in China exceeded RMB3.7 trillion, accounting for 95% of the universe. The total scale of bonds with ChinaBond Valuation as the benchmark for prepayment pricing exceeded RMB250 billion, accounting for 85% of the universe. The total AUM of bond funds using ChinaBond Indices as the performance benchmark exceeded RMB3 trillion, an 83% market share. The total AUM of bond funds tracking ChinaBond Indices exceeded RMB350 billion, accounting for 85% market share. At present, there are more than 1,000 ChinaBond Pricing Data

institutional users in China, including China's major banking financial institutions and almost all mutual fund companies, insurance companies, and securities companies. It is widely used by financial institutions for transaction pricing, risk control, accounting measurement, performance evaluation, and other business aspects.

In addition, ChinaBond Yield Curves have also been widely adopted as the benchmark for internal fund transfer pricing and have become an important tool to promote the development of interest rate liberalisation.

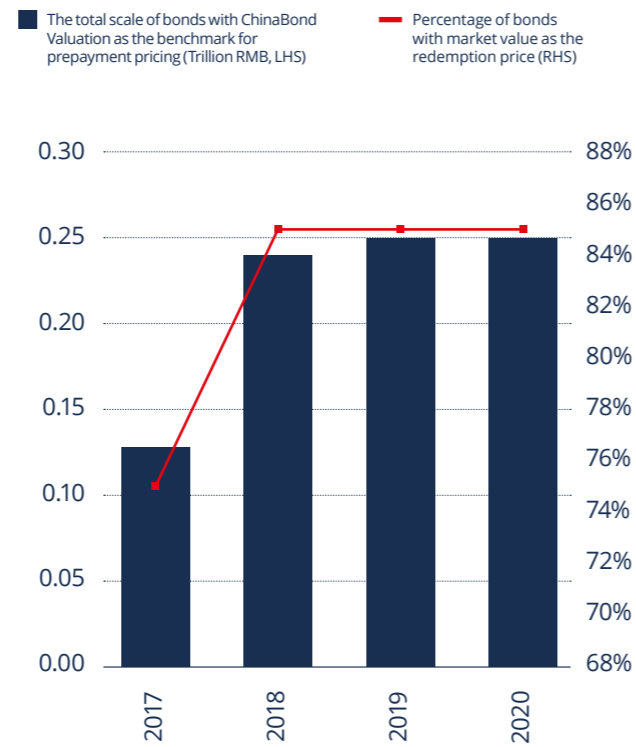
**Figure 2: Benchmark Application of ChinaBond Pricing Data in Chinese Financial Market**

**Benchmark Interest Rate**

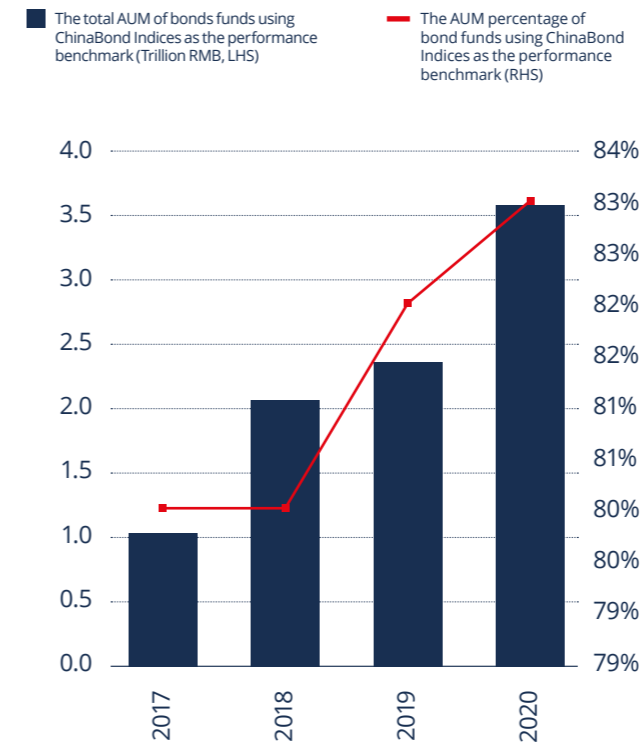


Source: CBPC, Wind

**Prepayment Pricing Benchmark**

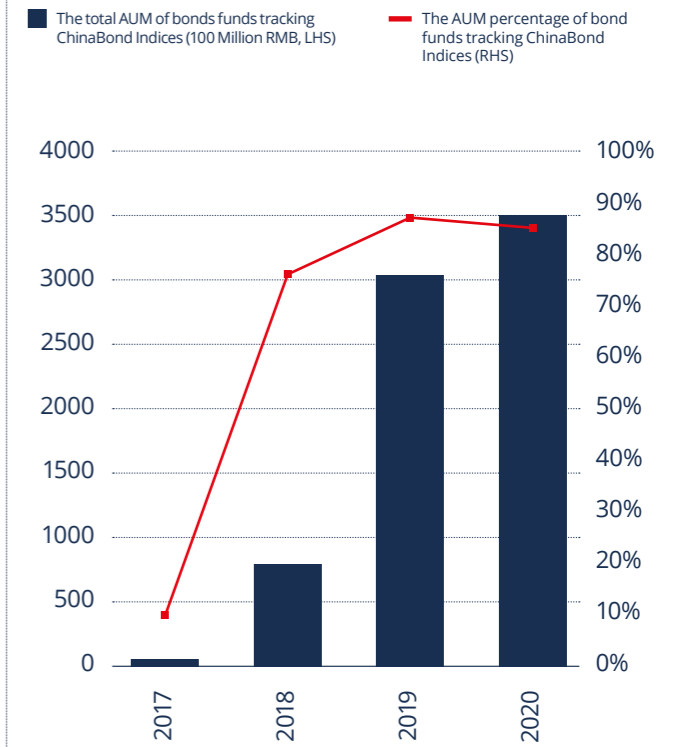


**Performance Benchmark**



Source: CBPC, Wind

**Tracking Target**



**Facilitates overseas investors investing efficiently in China's bond market.**

Over the past years, the ChinaBond Pricing Data has provided overseas investors, including those in the UK, with powerful multi-dimensional tools to follow market updates and the underlying indicator for their investment in China's bond market. At present, ChinaBond Pricing Data is distributed to global investors through Bloomberg, Refinitiv, MSCI, and other vendors on a daily basis. More than 150 central banks, sovereign funds, and well-known institutions outside China use ChinaBond Pricing Data as a benchmark for measuring the fair value of RMB bond assets.

In 2014, the world's first RQFII Chinese Government Bond ETF was successfully listed on the Hong Kong Stock Exchange. In the same year, the first RMB bond ETF tracking ChinaBond Index was listed and launched on the New York Stock Exchange.

In 2018, CBPC cooperated with IHS Markit to release iBoxx ChinaBond Government and Policy Banks Bond Index, the first international bond index using domestic benchmark price of China's bond market as the index price source. In 2019, the "ChinaBond-ICBC RMB Bond Index" was released on the Singapore Exchange, and the ETF tracking this index was successfully listed on the Singapore Exchange in 2020 - this is aimed at meeting the diversified RMB asset allocation needs of overseas investors. In 2020, CBPC won the "Best Index Provider, Fixed Income, China" award from The Asset. In the same year, five indices, including ChinaBond Green Bond Indices and ChinaBond China Sovereign and Policy Bank Offshore Bond Index, were successfully listed on the Macao MOX Exchange, providing investors with diversified bond price references.

Figure 3: ChinaBond Yield Curves Family

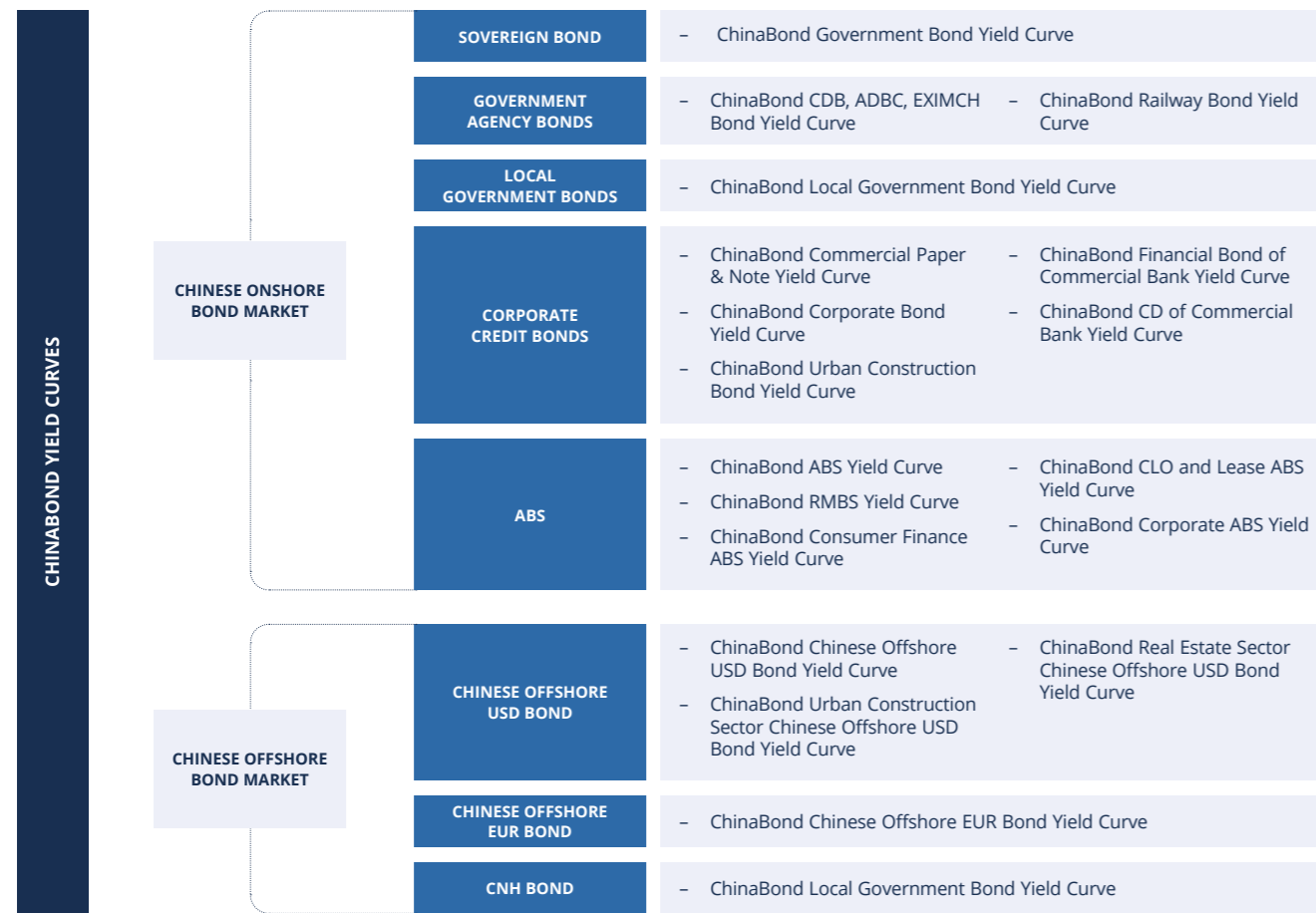
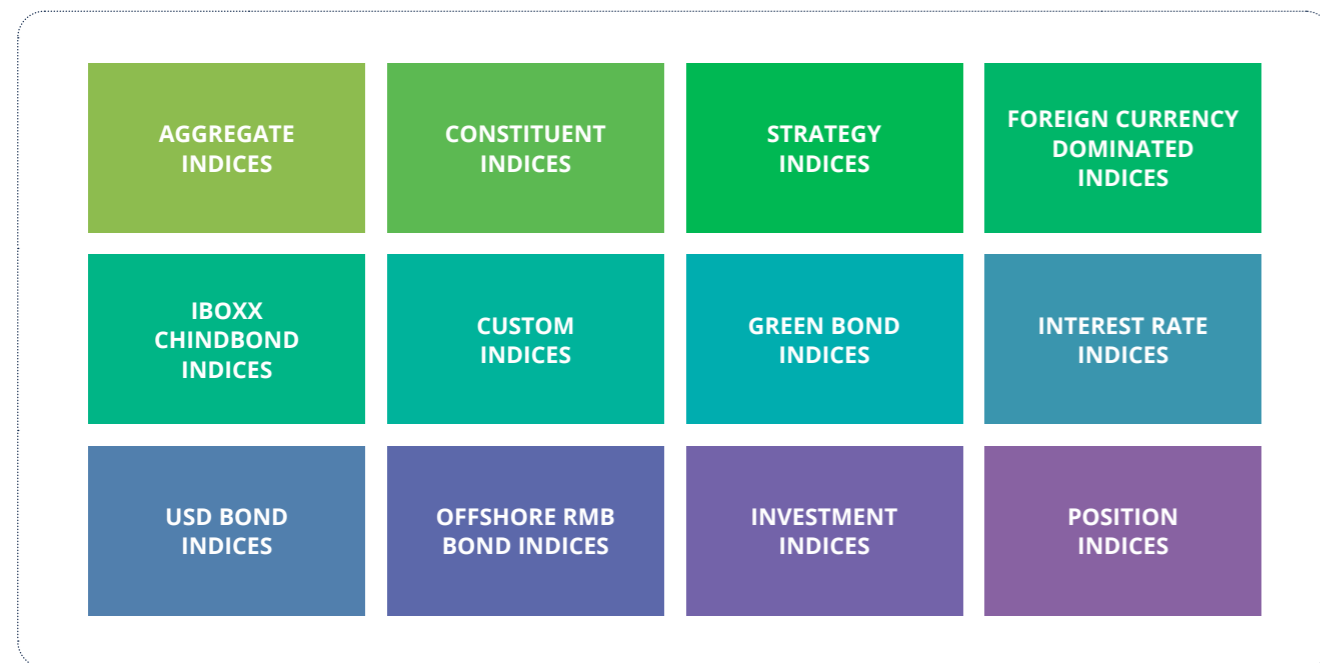


Figure 4: ChinaBond Indices Family



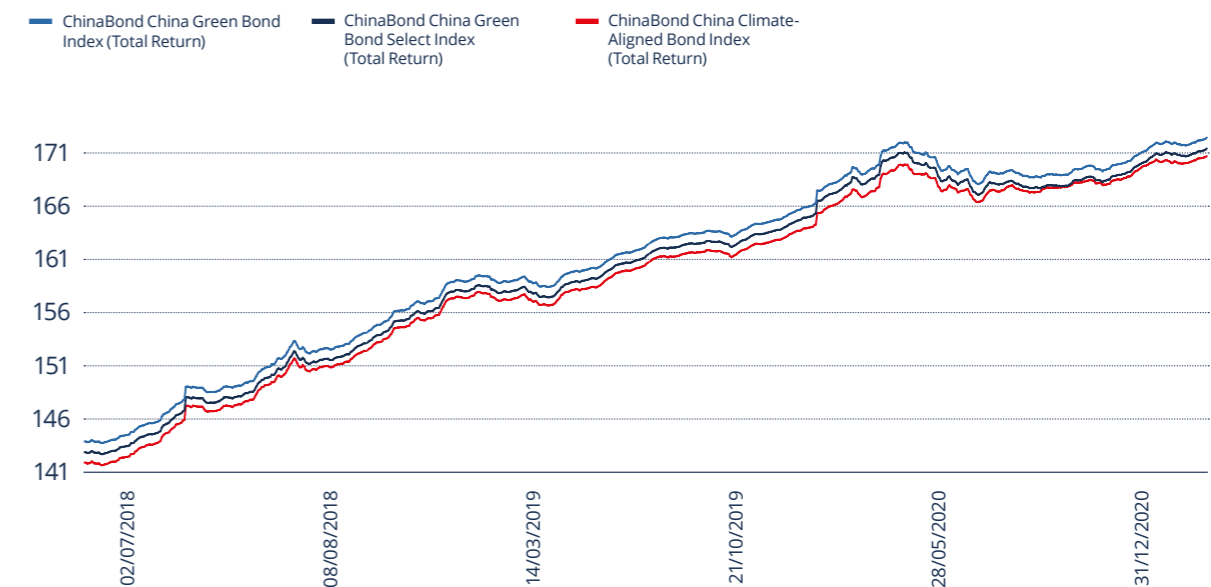
**Supports the development of Green Finance and Sustainable Investment.**

CBPC remains committed to the concept of green development in the international community and to meet the needs of international investors for green and sustainable investment. In 2016, CBPC cooperated with the Climate Bond Initiative (CBI) to launch the first batch of domestic green bond indices, followed by the launch of world's first climate bond index in 2017. CBPC won the Climate Bond Initiative's Award "The First Unlabeled Green Bond Index" and this index becomes an effective tool for global investors to invest China's green bond market.

In 2018, ChinaBond Green Bond Index was successfully listed on the Luxembourg Stock Exchange. This landmark development paved the way for creating an efficient and transparent index that attracted international investors to identify and invest in China's green and environmental industry. In 2019, the "Green Concept" RMB Bond Index ETF, with the ChinaBond Index as the underlying index, was successfully launched in Taiwan Province, with more than RMB6 billion by the end of 2019.

In 2020, CBPC developed and launched the world's first ESG evaluation system in China's bond market, covering more than 5,000 issuers of publicly offered credit bonds. CBPC introduced the ChinaBond ESG Select Credit Bond Index based on this system. This offered high-quality and diverse green and ESG bond investment targets for responsible investors in the international market.

Figure 5: ChinaBond Green Bond Indices



Source: CBPC

**Widely used by government agencies and organisations to macro-policy implementation and financial market management**

Since 2014, the People's Bank of China (PBOC), the Ministry of Finance (MOF), the China Banking and Insurance Regulatory Commission (CBIRC), and the Asian Development Bank have successively cited and displayed the ChinaBond Yield Curves on their respective websites as benchmark to measure and characterize the interest rate level and trend of China's bond market. At present, CBIRC recommends banking financial institutions to use ChinaBond Yield Curves as the benchmark for fair value measurement and market risk management in order to help commercial banks to meet the requirements of fair value measurement of accounting standards and risk control laid down under the Basel Accords. It also recommends insurance institutions to adopt ChinaBond Government Bond Yield Curve as the measurement benchmark for insurance reserve to support the steady development of interest rate liberalisation.

Since 2009, the MOF has continued to designate the ChinaBond Government Bond Yield Curve as the issuance and pricing benchmark of local government bonds and long-term sovereign bonds. By the end of 2020, the ChinaBond Government Bond Yield Curve was supported the tendering and issuance of more than RMB33 trillion sovereign bonds and local government bonds.

The China Securities Regulatory Commission (CSRC) recommends mutual fund companies to adopt ChinaBond Valuation as the benchmark for calculation of net asset value of bonds. This effectively prevents the redemption risk caused by the deviation of net asset value calculation in the fund industry, and thus plays a key role in the stable development of the fund industry.

International Monetary Fund (IMF) adopted the three-month ChinaBond government bond yield in the SDR interest rate basket as the representative interest rate for RMB, which is the only risk-free interest rate in the SDR interest rate basket issued by a third-party institution.

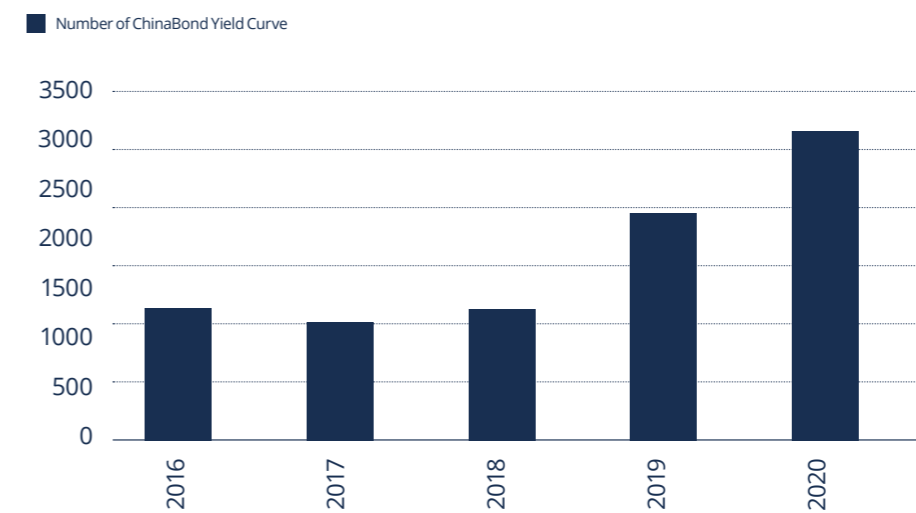
**To ensure the integrity and reliability of ChinaBond Pricing Data, CBPC has continuously aligned with IOSCO Principles of Financial Benchmark since 2019.** It has continuously emphasized the quality management of ChinaBond Pricing Data by encouraging data management, production determination, methodology and transparency and quality control. CBPC will continue to strengthen the quality management of ChinaBond Pricing Data and build the benchmark for RMB bonds that meets international standards.

**ChinaBond Yield Curves**

ChinaBond Yield Curve is a family of curves compiled by China Bond Pricing Center (CBPC), a subsidiary of China Central Depository and Clearing Co (CCDC). They reflect the interest rate level of bonds with the same credit rating but different terms of maturity in the current market.

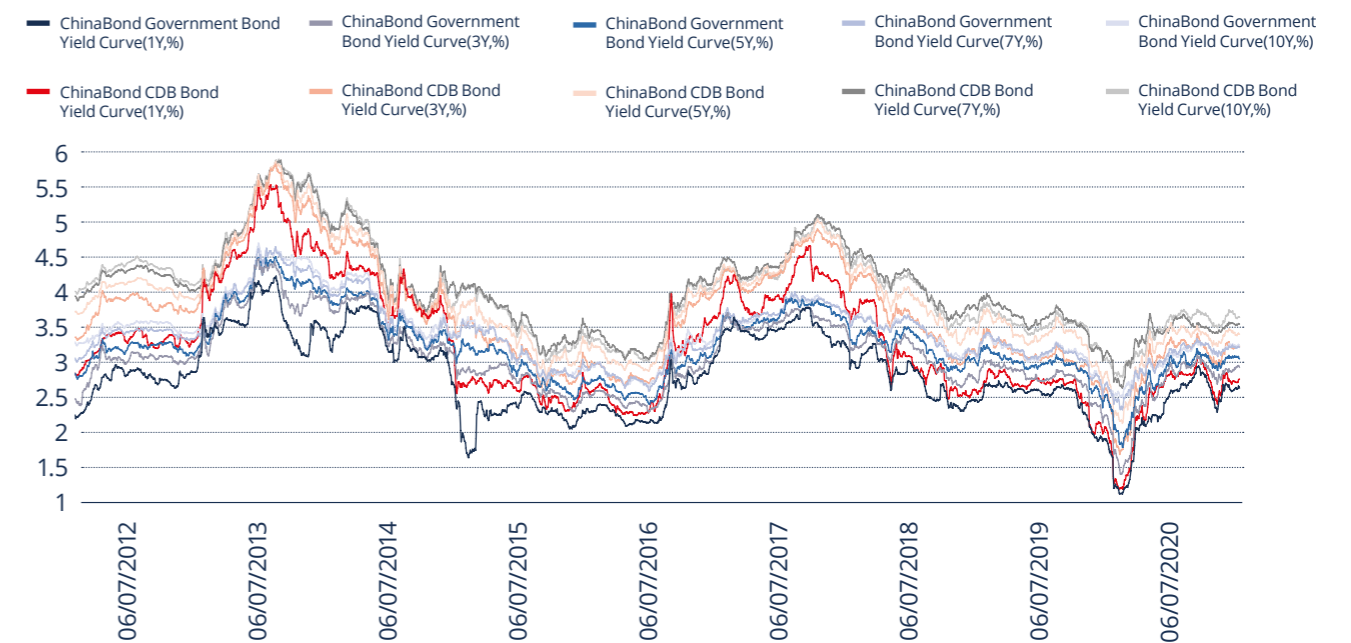
ChinaBond Yield Curves currently cover more than 3,100 curves including sovereign bonds, policy bank bonds, local government bonds, commercial paper & notes, corporate bonds, commercial bank bonds, asset-backed securities, Chinese offshore bonds etc. The types of curves include yield-to-maturity curves, spot curves and forward curves.

**Figure 6: Number of ChinaBond Yield Curve**



Source: CBPC

**Figure 7: The Key Maturity of ChinaBond Government Bond Yield Curve and ChinaBond CDB Bond Yield Curve Trend**

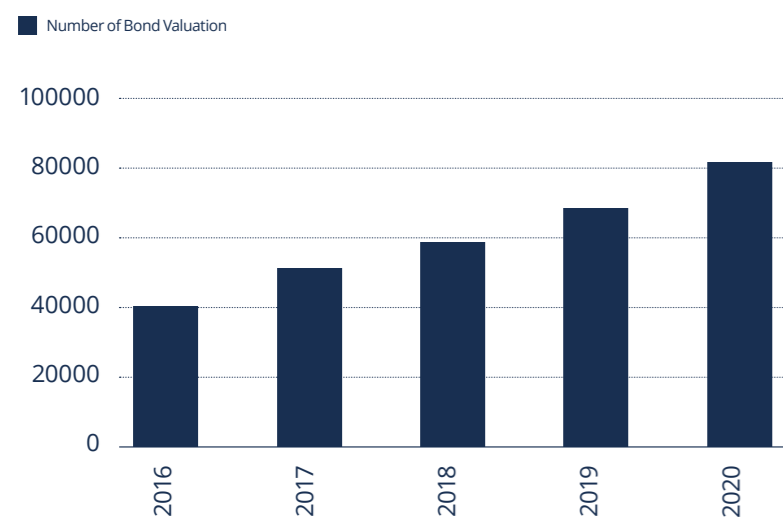


Source: CBPC

### ChinaBond Valuations

The ChinaBond Valuations is the most comprehensive and widely used fair value reference of bonds in China. Currently, ChinaBond Valuations cover valuations of bonds, preferred shares, restricted shares, credit risk mitigation tools, wealth management direct financing vehicle, non-standardised asset for wealth management, credit assets registered in CCRE, insurance asset management products and asset-backed securities. Bond Valuation refers to the valuation and a series of related indicators generated through processing based on market price information, reflecting the realisable reference price at a specific time point in the arms-length transaction. Every CIBM working day, more than 110,000 valuations in total are released, including more than 80,000 valuations of bond with complete coverage for bonds of various currencies in the Chinese onshore market.

Figure 8: Number of ChinaBond Valuation (Bond Valuation)



Source: CBPC

### ChinaBond Indices

The ChinaBond Indices aim to objectively reflect the behaviours of the RMB bond market from different angles and provides diversified target indices for investors. At present, CBPC publishes more than 900 daily indices. The product system of ChinaBond Indices are divided into twelve series according to the difference of compilation methods, including ChinaBond Indices Family include Aggregate Indices, Constituent Indices, Strategy Indices, Foreign Currency Denominated Indices, Custom Indices, Green Indices, Interest Rate Indices, USD Bond Indices, Offshore RMB Bond Indices, China Sovereign and Policy Bank Offshore RMB Bond (CNH) Index, Investment Indices, iBoxx ChinaBond Indices.

**ChinaBond Aggregate Indices** measure the overall performance of the domestic bond market or of a particular type of bonds.

**ChinaBond Constituent Indices** are similar to ChinaBond Aggregate Indices in terms of the measurement of certain market and constituent selection.

**ChinaBond Strategy Indices** incorporate investment strategy into indices by setting certain criteria to simulate investment performance.

**ChinaBond Foreign Currency Denominated Indices** convert returns of RMB denominated indices into returns in other currencies by calculating currency returns.

**ChinaBond Custom Indices** are constructed according to clients' individual and diversified demands.

**ChinaBond Green Indices** are representative indices that comprehensively reflect the development of Chinese green bond market and its overall price fluctuation characteristics.

**ChinaBond Interest Rate Indices** calculate the return of investing in interest rates of certain types of CNY assets.

**ChinaBond USD Bond Indices** measure the overall return on investments and price fluctuations of the overseas USD Bond market.

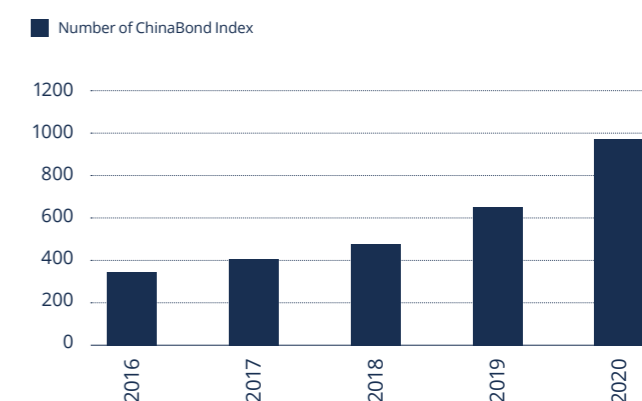
**Offshore RMB Bond Indices** measure the overall return on investments and price fluctuations of the offshore RMB denominated bond market including ChinaBond China Sovereign and Policy Bank Offshore RMB Bond (CNH) Index.

**ChinaBond Investment Indices** take all accounts opened in CCDIC (excluding the dollar bonds and asset-backed securities) of particular type of institutions, such as banks, funds and securities companies, as constituents, weighted according to their market capitalization of positions.

**ChinaBond Position Indices** take each institution's bond account opened in CCDIC to form an individual aggregate index, containing all bonds (excluding the dollar bonds and asset-backed securities) in each account.

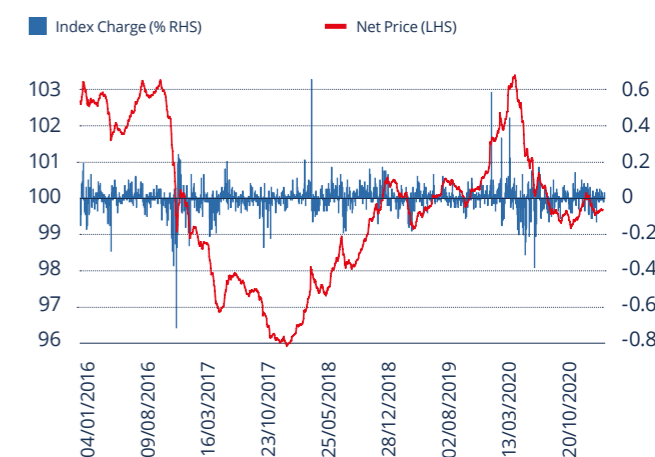
**iBoxx ChinaBond Indices** were created as part of the partnership between CBPC and IHS Markit (Markit), in accordance with the Principles for Financial Benchmarks of IOSCO and EU Benchmark Regulations.

Figure 9: Number of ChinaBond Index



Source: CBPC

Figure 10 : ChinaBond New Composite Index (Net Price)



Source: CBPC

## The Latest Development of Hong Kong Offshore RMB Market

Bank of China, London Branch

### Key highlights:

- The PBOC bills Repo Business Market-making Mechanism was established.
- The Cross-Border Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area will be launched.
- The Foreign Exchange Risk Management Information Service of Bond Connect was launched to facilitate the exchange of funds and foreign exchange management services.

### Measures were implemented to increase liquidity and maintain the stability of Hong Kong offshore RMB market.

First, on 27 January 2021, Bank of China (Hong Kong) (“BOCHK”) launched the Hong Kong PBOC Bills Repo Business Market-making Mechanism. BOCHK, with its own RMB funding, will offer overseas investors repo and reverse repo for PBOC bills at market prices. This will help promote the orderly development of the offshore RMB bond repo market, expand the use of PBOC bills and increase the liquidity of the secondary market. Second, PBOC and Hong Kong Monetary Authority (HKMA) announced that the currency swap agreement had been renewed for a term of five years, with its size expanded to RMB500 billion/HKD590 billion from RMB400 billion/HKD470 billion. This renewal agreement will further support liquidity of offshore RMB in the Hong Kong market.

### The Cross-Border Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area will be launched.

The Wealth Connect Scheme was first introduced in June 2020. It is aimed at providing individual retail investors with cross-boundary investment accounts. Progress on this Scheme is ongoing, and it is expected to be launched by the end of the year.

On 5 February 2021, the HKMA, PBOC, China Banking and Insurance Regulatory Commission (CBIRC), China Securities Regulatory Commission (CSRC), State Administration of Foreign Exchange (SAFE), Securities and Futures Commission (SFC) of Hong Kong and Monetary Authority of Macao (AMCM) agreed on the principles of supervisory cooperation under the cross-boundary Wealth Management Connect, and signed the “Memorandum of Understanding

(MoU) on the Launch of the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area”. By signing this MoU, authorities in the three places aim to establish sound supervisory cooperation arrangements and a liaison mechanism. This is a major breakthrough in promoting Hong Kong’s RMB business development. With the easing of capital account on China’s Mainland, Hong Kong can actively explore the opportunity of providing asset management services for residents across the boundary.

### The mechanism of Bond Connect has further improved.

On 12 March 2021, the China Foreign Exchange Trading Centre launched its Foreign Exchange Risk Management Information Service of Bond Connect. This facilitates the exchange of funds and foreign exchange risk management services by the Hong Kong Clearing Bank to foreign institutional investors under the Northbound Trading of the Bond Connect. The Hong Kong Clearing Bank may, based on the authorization of “Bond Connect” investors, use the foreign exchange trading system of the Exchange Centre to inquire about the exchange of funds, foreign exchange risk hedging and bond investment under “Bond Connect”. Northbound Trading on Bond Connect has attracted the participation of over 2,400 institutional investors worldwide and led to the inclusion of Chinese bonds in a range of major global bond indices. Meanwhile, the Southbound Trading of Bond Connect is also expected to be launched this year.

### Hong Kong maintained its position as the world’s largest offshore RMB payment centre.

According to SWIFT, the Hong Kong SAR of China (hereinafter referred to as “Hong Kong”) remains the world’s largest offshore RMB payment centre by the end of 2020, with RMB payment of 74.9%. The UK remains the second largest offshore RMB payment centre with around 6% of market share. The pool of RMB liquidity continued to expand. By the end of 2020, total RMB deposits in the Hong Kong market stood at RMB721.7 billion (c. USD110.4 billion), an increase of 0.5% from the end of November 2020. The spot exchange rate of the onshore and offshore RMB against the U.S. dollar stabilised in the context of factors such as China-US tension, Covid-19 and Fed’s loosening of monetary policy. China’s central bank, the PBOC, issued RMB-denominated central bank bills with maturities of three month, six month and

one year, in Hong Kong on a regular basis, which is conducive to enriching the lines of RMB investment products and RMB liquidity management tools in Hong Kong, and to promoting offshore issuances of RMB bonds by domestic financial institution and enterprises. 2020 saw 12 batches of RMB155 billion central bank bills issued, a total of RMB 70 billion for three-month maturity, a total of RMB40 billion for six month maturity, and a total of RMB45 billion for one year maturity. Such as on 23 December 2020, the PBOC issued RMB10 billion (about USD1.53 billion). The bills carried a six-month maturity, and an interest rate of 2.7%. They were well-received by investors, with the total bid of around RMB30 billion, three times the amount issued.

### The Hong Kong market is the main hub for China’s inward and outward investment.

There are many channels facilitating investment between Hong Kong and China’s Mainland, including Qualified Foreign Institutional Investor (QFII), RMB Qualified Foreign Institutional Investor (RQFII), Mutual Recognition of Funds, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Bond Connect. For example, Bond Connect is the interconnection of the financial infrastructure between Hong Kong and China’s Mainland, with one-stop connectivity. Overseas institutional investors can continue to keep the settlement and custody (of international bond trading) in Hong Kong. The Hong Kong market also provides participants a safe and efficient platform for RMB settlement. The Hong Kong Renminbi RTGS (Real Time Gross Settlement) system provides offshore RMB instant payment and settlement system, facilitating RMB cross-border payment.

**Hong Kong can use its advantages to increase RMB innovation and service capabilities in the future.** Hong Kong, as a free port of global capital, has the ability to interact with other offshore markets, thereby enhancing cooperation between China and the rest of world. The Hong Kong market can also play a role for China’s domestic enterprises entering international markets and multinational corporations setting up in China. In the next phase, Hong Kong can accelerate the innovation of RMB products and improve service capabilities to attract more customers and promote RMB development. In addition, Hong Kong can build up an offshore RMB risk management centre, providing investors various hedging products. RMB-denominated financial investment instruments are still insufficient in the off-shore markets. Hong Kong can develop RMB products under the capital account, expanding customers’ RMB trading and holding capacity.

**Factors such as China-U.S. relationship and the opening up of China’s capital market will affect the use of RMB in Hong Kong.** The relationship between China and the U.S. under Biden’s administration remains uncertain. The U.S. continues to loosen its fiscal policy to counter the negative impact of the pandemic, a priority for Biden’s administration. This may increase the pressure for RMB appreciation. The further opening-up of China’s capital markets is also essential to encourage the use of RMB in Hong Kong.



## Latest Policies and Major Events

On 10<sup>th</sup> October 2020, the PBoC decided to lower the risk reserve ratio for forward FX sales from 20% to zero. In the statement, the PBoC said the RMB exchange rate had moved in both directions based on market supply and demand with more flexibility since the beginning of 2020 amid stable market expectations, orderly cross-border capital flows, smooth FX market performance, and balanced market supply and demand.

On 12<sup>th</sup> October 2020, China Foreign Exchange Trade System (CFETS) and Shanghai Clearing House (SHCH) witnessed the first sterling repo with domestic bonds as collateral in the China Interbank Bond Market.

On 16<sup>th</sup> October 2020, Governor Yi Gang of the PBoC and Executive Vice President Valdis Dombrovskis of the European Commission jointly announced the launch of the China-EU co-led IPSF Working Group on Taxonomy, a venue for IPSF members to promote green finance and support the transition to green and sustainable development.

Since 19<sup>th</sup> October 2020, Chinese government bonds have been accepted by Shanghai Futures Exchange (SHFE) as margin collaterals.

On 20<sup>th</sup> October 2020, the Bond Connect Company launched ePrime, a new international electronic bond issuance system, and welcomed the first bond issuance from the Agricultural Development Bank of China. The system, operated offshore in Hong Kong, offers a one-stop solution for book building, pricing, and allocation of offshore securities including: US dollar denominated bonds issued by Chinese institutions, known as Kungfu bonds; and bonds denominated in RMB issued in Hong Kong, known as Dim sum bonds, etc.

On 21<sup>st</sup> October 2020, Guo Shuqing, Chairman of China Banking and Insurance Regulatory Commission (CBIRC), delivered a speech at the Annual Conference of Financial Street Forum 2020. He stressed that China would unswervingly push forward the opening-up of the financial service sector while resolutely safeguarding financial security and stability, continuously optimise institutional arrangements for the financial market, deepen international economic and financial cooperation, and steadily improve the competitiveness of the financial system while further opening up. China welcomes foreign institutions with sound market reputation and



Shanghai Skyline

credit records, especially those with specialties and expertise to enter China and vitalise the market. It also encourages Chinese financial institutions to “go global” and do business in host countries in accordance with local laws and regulations.

On 24<sup>th</sup> October 2020, Governor Yi Gang of the PBoC addressed a keynote speech at the 2<sup>nd</sup> Bund Summit. He shared about financial opening-up in the new development pattern and the progress of China’s financial opening-up in recent years. China will continue to promote opening-up of its financial sector and create a financial business environment that is market-oriented, law-based and international.

On 28<sup>th</sup> October 2020, the secretariat of the China FX Market Self-Regulatory Framework announced that some Chinese banks had phased counter-cyclical factor in yuan pricing against dollar, and had made the move on their own initiative based on their judgment of economic fundamentals and market situations.

On 12<sup>th</sup> November 2020, the PBoC issued RMB25 billion RMB-denominated central bank bills in Hong Kong, including RMB10 billion with a term of three months and a rate of 2.85%, and RMB15 billion with a term of one year and a rate of 2.90%. The issuance

was well received by overseas investors, with the total bid amount exceeding RMB68.5 billion, more than 2.7 times the issued amount. Subscribers included commercial banks, central banks, funds and other institutions from America, Europe and Asia as well as international financial organisations, demonstrating the strong attraction of RMB assets to overseas investors and reflecting the confidence of global investors in China’s economy.

In November 2020, the PBoC and the Hong Kong Monetary Authority (HKMA) renewed a five-year currency swap agreement, with its size expanding from RMB400 billion (HKD470 billion) to RMB500 billion (HKD590 billion).

In December 2020, CFETS added CHF, RUB, and KRW to Foreign Currency Lending and FX Interbank Deposits. Currently, USD, EUR, HKD, JPY, AUD, GBP, CAD, NZD, SGD, CHF, RUB, and KRW are available in CFETS foreign currency money market.

On 8<sup>th</sup> December 2020, Shanghai Clearing House and Euroclear Bank launched Yulan Bond, a new asset class, aiming at linking Chinese issuers with global investors. Yulan bonds are issued through Shanghai Clearing House.

On 9<sup>th</sup> December 2020, Governor Yi Gang of the PBoC made a video speech at the Singapore FinTech Festival (SFF) 2020 on supporting low carbon development with green finance. He shared the progress that China has made in supporting green finance. As of June 2020, outstanding green lending in China was ranked first globally, while the stock of green bonds was second largest in the world. He outlined the next steps including improving green finance standards to support the carbon neutrality objective, considering mandatory environmental disclosure for financial institutions, enhancing capacity for analysing/managing environment, climate risks and providing easier access for international investors to China’s green finance market. Fintech will be used to promote China’s green finance development as well.

On 12<sup>th</sup> December 2020, the PBoC and State Administration of Foreign Exchange (SAFE) agreed to lower the macro-prudential adjustment parameter for cross-border financing of financial institutions from 1.25 to 1. The policy helps to further improve the macro-prudential management of cross-border financing and guide financial institutions to adjust their forex asset and liability structure in a market-based way.

On 23<sup>rd</sup> December 2020, the PBoC issued RMB10 billion central bank bills in Hong Kong, with a term of six months and a rate of 2.70%. The total bid amount to around RMB30 billion, or three times the issued amount.

On 30<sup>th</sup> December 2020, China and EU leaders concluded the negotiations for the China-EU Comprehensive Agreement on Investments. The deal could expand European companies' access to the world's second-largest economy. According to Eurostat, China was a main trading partner of the European Union (EU) in 2020, with exports and imports both increasing despite the COVID-19 pandemic.

On 31<sup>st</sup> December 2020, the PBoC, the National Development and Reform Commission, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, CBIRC and SAFE announced to further optimise cross-border RMB policies and stabilise foreign trade and investment. Measures included promoting the facilitation of RMB settlement, simplifying the cross-border RMB settlement process, optimising the management of cross-border RMB investment and financing, and facilitating overseas institutions' use of RMB settlement accounts.

On 31<sup>st</sup> December 2020, CBIRC sought public opinions on the revised Implementation Rules of the Regulations on Foreign-funded Insurance Companies. The revised rules for foreign insurance firms are intended to help China to further open up its insurance sector to foreign player, while maintaining good control and advancing risk management for the sector. Both Chinese and foreign insurance firms will be regulated under the same set of regulations for their operation in China.

On 4<sup>th</sup> January 2021, the PBoC held its 2021 Work Conference. The Conference reviewed PBoC's key works in 2020, analysed China's current economic and financial status, and outlined PBoC's key tasks for 2021 in areas including green finance, opening up of China's financial sector and RMB internationalisation. The PBoC seeks to implement key decisions and arrangements to meet China's carbon dioxide emissions peak before 2060 and carbon neutrality before 2060 through efforts on improving the relevant policy framework and incentive mechanism for green finance. The central bank would also steadily expand two-way financial opening up and adopt a steady and prudent approach to advance RMB internalisation.

In January 2021, the PBoC and SAFE raised the macro-prudential adjustment coefficient for domestic companies making overseas loans from 0.3 to 0.5, aligning with corporate demands. After the adjustment, the upper limit of overseas loans made by domestic companies would increase accordingly.

On 7<sup>th</sup> January 2021, the PBoC and SAFE agreed to lower the macro-prudential adjustment parameter for cross-border financing of companies from 1.24 to 1.

On 18<sup>th</sup> January 2021, Guo Shuqing, Chairman of CBIRC addressed on China's new development stage and Hong Kong SAR's new opportunities at the 14<sup>th</sup> Asian Financial Forum. Hong Kong is significant in growing offshore renminbi business. As an offshore financial center, Hong Kong can better participate in China's opening up, and can also steadily promote RMB internationalisation.

On 22<sup>nd</sup> January 2021, CSRC announced the approval of Guangzhou Futures Exchange, the fifth futures exchange in the country. On 8<sup>th</sup> February, the Exchange was established.

On 4<sup>th</sup> February 2021, Bank of China became the first issuer of the new Yulan bond. The issuance was priced at USD500 million, with a tenor of three years and was four times oversubscribed.

On 19<sup>th</sup> February 2021, the PBoC issued two batches of RMB-denominated central bank bills in Hong Kong, including RMB10 billion with a term of three months and a rate of 2.70%, and RMB15 billion with a term of one year and a rate of 2.74%. The total bid amount of about RMB76 billion, or over three times the issued amount.

On 22<sup>nd</sup> February 2021, the State Council issued a circular urging effort to build an economic system featuring green, low-carbon and circular development, and to promote an overall green transformation within the economy and society. The circular calls for developing green financing, including loans, direct financing and insurance. It requires unified standards for green bonds and the establishment of rating standards for green bonds. It also supports qualified green companies like environmental protection firms to raise money via the stock market and advocate financial institutions to obtain green financing through the international markets. It would promote the convergence of international green finance standards and the two-way opening of the green finance markets.

On 24<sup>th</sup> February 2021, HKMA, the Bank of Thailand, the Central Bank of the United Arab Emirates and the Digital Currency Institute of the People's Bank of China (PBC DCI) jointly announced the launch of the Multiple Central Bank Digital Currency Bridge Project (m-CBDC Bridge) to test the use of CBDC in cross-border payments.

On 12<sup>th</sup> March 2021, the PBoC and the SAFE announced to implement the first pilot programme of integrated RMB and foreign currency cross-border cash pooling for multinational corporations (MNCs) in Shenzhen and Beijing. The pilot programme is open to large MNC groups with high credit ratings, it enable the MNC groups to enjoy unified RMB and foreign currency policies, more convenient transfer and use of funds, to purchase foreign exchange within a certain quota on a voluntary basis. The PBoC and the SAFE will implement two-way macro-prudential management and strengthen interim as well as ex-post oversight.

On 21<sup>st</sup> March 2021, Governor Yi Gang of the PBoC talked about green finance at his address at the Roundtable of China Development Forum. By the end of 2020, the outstanding green loans in China were about RMB12 trillion, or USD2 trillion, ranking them first in the world. Outstanding green bonds in China registered about RMB800 billion or about USD120 billion, ranking them second largest in the world. The rapid development in green finance is offering strong support to China's green transition. He also listed the PBoC's tasks on green finance including improving the taxonomy of green finance and information disclosure, incorporating climate change into the relevant policy framework, encouraging financial institutions to tackle the climate change risk and deepening international cooperation.

On 23<sup>rd</sup> March 2021, the PBoC announced the establishment of Finance Gateway Information Services Co, a joint venture set up by SWIFT and four Chinese payments market participants and infrastructure providers. The joint venture will provide stable, sustainable, safe and compliant gateway service for users.

On 31<sup>st</sup> March 2021, the PBoC released an announcement on its website to optimise trading and circulation mechanism for bonds. Market infrastructure providers will implement electronic transmission requirements through direct connection of systems; the bond issuers and the main underwriters are no longer required to provide the list of initial holders and their holdings to the National Interbank Funding Center, and the intermediary role of market infrastructure providers will be enhanced.

On 11<sup>th</sup> April 2021, Haitong International Securities Group, a Chinese security company based in Hong Kong, cooperated with the UK-China Climate and Environmental Disclosure Pilot initiative to provide a guideline for Chinese financial institutions on how to achieve carbon neutrality.

# Appendix I

## List of Dim Sum Bond (RMB Bond) Issuance in London (as of December 2020)

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
QNB FINANCE LIMITED	240	3.73%	23/12/2020	23/12/2025
QNB FINANCE LIMITED	200	3.97%	11/12/2020	11/12/2030
QNB FINANCE LIMITED	240	3.10%	04/12/2020	04/12/2023
QNB FINANCE LIMITED	150	4.00%	02/12/2020	02/12/2030
INTERNATIONAL FINANCE CORPORATION	20	2.35%	27/11/2020	27/11/2027
QNB FINANCE LIMITED	500	3.95%	17/11/2020	17/11/2027
QNB FINANCE LIMITED	150	3.67%	06/11/2020	04/11/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2200	3.05%	28/10/2020	27/10/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1500	3.25%	28/10/2020	27/10/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2000	3.80%	28/10/2020	27/10/2030
QNB FINANCE LIMITED	140	3.00%	16/10/2020	16/10/2025
QNB FINANCE LIMITED	138	3.63%	24/09/2020	24/09/2023
INTERNATIONAL FINANCE CORPORATION	450	2.55%	16/09/2020	18/09/2023
QNB FINANCE LIMITED	750	3.80%	15/09/2020	15/09/2025
QNB FINANCE LIMITED	750	3.50%	09/09/2020	09/03/2026
QNB FINANCE LIMITED	140	3.40%	18/08/2020	18/08/2025
FIRST ABU DHABI BANK P.J.S.C.	3600	3.40%	18/08/2020	18/08/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2500	2.60%	12/08/2020	11/08/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1800	2.85%	12/08/2020	11/08/2025
FIRST ABU DHABI BANK P.J.S.C.	189	3.50%	15/07/2020	15/07/2025
QNB FINANCE LIMITED	1200	3.85%	10/07/2020	10/07/2025
FIRST ABU DHABI BANK P.J.S.C.	200	3.30%	02/07/2020	02/07/2025
FIRST ABU DHABI BANK P.J.S.C.	1400	3.50%	02/07/2020	02/07/2025
QNB FINANCE LIMITED	1200	3.80%	17/06/2020	17/06/2025
QNB FINANCE LIMITED	235	3.90%	17/06/2020	17/06/2025
FIRST ABU DHABI BANK P.J.S.C.	350	3.10%	12/06/2020	12/06/2020
QNB FINANCE LIMITED	445	3.60%	05/06/2020	05/06/2025
NATWEST MARKETS PLC	40	3.50%	04/06/2020	04/06/2023
NATWEST MARKETS PLC	75	3.46%	27/05/2020	27/05/2023
QNB FINANCE LIMITED	130	4.00%	06/05/2020	05/05/2025
QNB FINANCE LIMITED	250	4.08%	24/04/2020	24/04/2025
WELLS FARGO FINANCE LLC	100	4.05%	07/04/2020	07/04/2025
WELLS FARGO FINANCE LLC	70	4.00%	07/04/2020	06/04/2025
WELLS FARGO BANK N.A.	100	3.95%	07/04/2020	06/04/2025

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
WELLS FARGO FINANCE LLC	70	4.35%	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	260	4.22%	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	200	4.30%	02/04/2020	01/04/2025
WELLS FARGO FINANCE LLC	100	3.15%	25/03/2020	25/03/2023
WELLS FARGO & COMPANY	145	2.72%	13/03/2020	12/03/2027
QNB FINANCE LIMITED	200	3.32%	11/03/2020	11/03/2025
QNB FINANCE LIMITED	200	3.35%	11/03/2020	11/03/2027
FIRST ABU DHABI BANK P.J.S.C.	139	3.35%	13/02/2020	13/02/2025
COMMONWEALTH BANK OF AUSTRALIA	200	3.26%	22/01/2020	22/01/2025
QNB FINANCE LIMITED	500	4.00%	21/01/2020	21/01/2030
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1000	2.60%	15/01/2020	15/01/2023
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1210	2.60%	15/01/2020	15/01/2023
QNB FINANCE LIMITED	135	3.91%	14/01/2020	14/01/2025
QNB FINANCE LIMITED	219	3.89%	10/01/2020	10/01/2025
NATWEST MARKETS PLC	35	3.48%	31/12/2019	31/12/2024
FIRST ABU DHABI BANK P.J.S.C.	150	3.50%	12/12/2019	12/12/2024
QNB FINANCE LIMITED	350	4.05%	04/12/2019	04/12/2026
FIRST ABU DHABI BANK P.J.S.C.	240	3.50%	29/11/2019	29/11/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	200	3.21%	21/11/2019	21/11/2024
FIRST ABU DHABI BANK P.J.S.C.	458	3.42%	20/11/2019	20/11/2024
QNB FINANCE LIMITED	140	3.57%	13/11/2019	13/11/2021
AGRICULTURAL DEVELOPMENT BANK OF CHINA	4500	3.40%	07/11/2019	06/11/2024
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2500	3.18%	07/11/2019	06/11/2022
NATWEST MARKETS PLC	200	3.69%	05/11/2019	05/11/2024
FIRST ABU DHABI BANK P.J.S.C.	845	3.22%	23/10/2019	23/10/2024
QNB FINANCE LIMITED	165	3.60%	22/10/2019	22/10/2024
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	490	2.44%	19/09/2019	19/09/2022
FIRST ABU DHABI BANK P.J.S.C.	140	3.44%	19/09/2019	19/09/2024
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	700	2.32%	03/09/2019	03/09/2022
LLOYDS BANK PLC	200	3.31%	03/09/2019	03/09/2024
COMMONWEALTH BANK OF AUSTRALIA	200	3.05%	01/08/2019	01/08/2022
QNB FINANCE LIMITED	155	3.82%	03/07/2019	03/07/2024
QNB FINANCE LIMITED	140	4.30%	20/06/2019	20/06/2024
LLOYDS BANK PLC	70	3.45%	19/06/2019	19/06/2022
WESTPAC BANKING CORPORATION	140	3.60%	18/06/2019	18/06/2026
NATWEST MARKETS PLC	108	4.35%	10/06/2019	10/06/2024
NATWEST MARKETS PLC	105	4.39%	10/06/2019	10/06/2024

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1000	3.23%	30/05/2019	29/05/2022
HITACHI CAPITAL (UK) PLC	100	3.65%	08/05/2019	08/05/2023
QNB FINANCE LIMITED	200	3.80%	25/04/2019	25/04/2022
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	150	3.54%	24/04/2019	24/04/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140	3.47%	23/04/2019	23/04/2022
QNB FINANCE LIMITED	100	4.18%	29/03/2019	28/03/2024
WESTPAC BANKING CORPORATION	150	3.68%	27/03/2019	27/03/2024
FIRST ABU DHABI BANK P.J.S.C.	140	3.96%	26/03/2019	26/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	135	3.68%	25/03/2019	25/03/2024
WESTPAC BANKING CORPORATION	150	3.67%	22/03/2019	22/03/2024
NATWEST MARKETS PLC	40	4.62%	20/03/2019	20/03/2024
FIRST ABU DHABI BANK P.J.S.C.	300	4.00%	19/03/2019	19/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	300	3.70%	18/03/2019	18/03/2024
COMMONWEALTH BANK OF AUSTRALIA	250	3.81%	11/03/2019	11/03/2024
COMMONWEALTH BANK OF AUSTRALIA	150	3.81%	05/03/2019	05/03/2024
WESTPAC BANKING CORPORATION	150	3.76%	04/03/2019	04/03/2024
QNB FINANCE LIMITED	135	3.93%	28/02/2019	28/02/2021
FIRST ABU DHABI BANK P.J.S.C.	200	4.12%	11/02/2019	11/02/2024
QNB FINANCE LIMITED	500	4.35%	29/01/2019	29/01/2022
QNB FINANCE LIMITED	135	4.60%	23/01/2019	23/01/2024
HITACHI CAPITAL (UK) PLC	200	4.75%	29/10/2018	29/04/2022
WESTPAC BANKING CORPORATION	200	4.70%	12/10/2018	12/10/2022
HITACHI CAPITAL (UK) PLC	600	4.60%	27/09/2018	27/09/2021
BANK OF MONTREAL	200	4.53%	19/09/2018	19/09/2021
BANK OF MONTREAL	155	4.72%	19/09/2018	19/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	270	4.80%	14/09/2018	14/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140	4.61%	13/09/2018	13/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	145	4.62%	11/09/2018	11/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	137	4.60%	11/09/2018	11/09/2023
FIRST ABU DHABI BANK P.J.S.C.	650	4.50%	10/09/2018	10/09/2021
ROYAL BANK OF CANADA	160	4.48%	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	190	4.60%	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	160	4.62%	07/09/2018	07/09/2023
COMMONWEALTH BANK OF AUSTRALIA	80	4.52%	07/09/2018	07/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140	4.60%	04/09/2018	04/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140	4.30%	24/08/2018	24/08/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	138	4.63%	24/08/2018	24/08/2023
WESTPAC BANKING CORPORATION	270	4.65%	23/08/2018	23/08/2023
WESTPAC BANKING CORPORATION	140	4.35%	15/08/2018	15/08/2023

Type of issuer	Registration Amount (bn)	Issued Amount (bn)	Issue Date	Maturity
WESTPAC BANKING CORPORATION	627	4.42%	14/08/2018	14/08/2023
WESTPAC BANKING CORPORATION	140	4.51%	01/08/2018	01/08/2028
ROYAL BANK OF CANADA	135	4.30%	17/07/2018	17/07/2023
QNB FINANCE LIMITED	142	5.32%	05/07/2018	06/07/2021
QNB FINANCE LIMITED	1250	5.25%	21/06/2018	21/06/2021
QNB FINANCE LIMITED	600	5.20%	07/06/2018	07/06/2021
FIRST ABU DHABI BANK P.J.S.C.	1100	4.80%	01/06/2018	01/06/2021
WESTPAC BANKING CORPORATION	200	4.77%	30/05/2018	30/05/2023
CREDIT AGRICOLE CORP & INV BANK	200	4.72%	29/05/2018	29/05/2023
QNB FINANCE LIMITED	1000	5.10%	14/05/2018	14/05/2021
COMMONWEALTH BANK OF AUSTRALIA	340	4.62%	26/04/2018	26/04/2023
FIRST ABU DHABI BANK P.J.S.C.	900	4.80%	29/03/2018	29/03/2021
QNB FINANCE LIMITED	200	5.50%	20/03/2018	20/03/2021
HITACHI CAPITAL (UK) PLC	80	4.78%	16/03/2018	16/04/2021
QNB FINANCE LIMITED	750	5.10%	09/03/2018	08/03/2021
HITACHI CAPITAL (UK) PLC	50	4.60%	27/02/2018	22/02/2022
COMMONWEALTH BANK OF AUSTRALIA	64	4.39%	30/01/2018	30/01/2021
CREDIT AGRICOLE CORP & INV BANK	50	4.55%	29/01/2018	29/01/2021
WESTPAC BANKING CORPORATION	500	4.35%	19/01/2018	19/01/2021
INTERNATIONAL FINANCE CORPORATION	75	3.91%	11/10/2017	11/10/2022
LLOYDS BANK PLC	30	5.23%	31/03/2017	31/03/2022
COMMONWEALTH BANK OF AUSTRALIA	70	5.81%	18/01/2017	18/01/2022
COMMONWEALTH BANK OF AUSTRALIA	120	4.65%	07/12/2016	07/12/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	130	4.35%	23/11/2016	23/11/2021
COMMONWEALTH BANK OF AUSTRALIA	90	4.06%	02/11/2016	02/11/2021
WESTPAC BANKING CORPORATION	130	4.19%	12/05/2016	12/05/2021
COMMONWEALTH BANK OF AUSTRALIA	180	5.07%	07/03/2016	07/03/2021
LLOYDS BANK PLC	54	4.53%	24/07/2015	24/07/2025
CHINA DEVELOPMENT BANK	900	4.35%	10/10/2014	19/09/2024
LLOYDS BANK PLC	200	4.62%	17/01/2014	17/01/2024
LLOYDS BANK PLC	100	4.61%	24/09/2012	24/09/2022

Source: London Stock Exchange

## Appendix II

### Summary of Bond Issuance by Oversea Issuers in China Interbank Bond Market (as of December 2020)

Issuer	Amount Issued (RMB100M)	Coupon (%)	Issue Date	Maturity
Huarong International	30	3.6	26/05/2016	30/05/2021
New Development Bank	30	3.07	18/07/2016	19/07/2021
Hengan International	30	3.5	05/09/2016	06/09/2021
COSCO	20	5.05	21/03/2017	23/03/2022
CHINA MERCHANT PORT	25	4.89	19/04/2017	21/04/2022
Longfor Properties	3	5	19/07/2017	21/07/2022
Huarong International	12	4.7	21/07/2017	25/07/2022
GLP	10	4.99	12/10/2017	16/10/2022
Daimler	40	5.45	15/11/2017	17/11/2020
BC, Canada	10	4.8	22/11/2017	23/11/2020
Daimler	30	5.6	10/01/2018	12/01/2021
Bank of Tokyo-Mitsubishi UFJ	10	5.3	12/01/2018	16/01/2021
Mizuho Bank	5	5.3	12/01/2018	16/01/2021
COSCO	30	5.87	23/01/2018	25/01/2021
UAE	20	5.8	01/02/2018	02/02/2021
COSCO	30	5.95	07/02/2018	09/02/2021
Air Liquide S.A	14	5.95	05/03/2018	07/03/2021
Air Liquide S.A	8	6.4	05/03/2018	07/03/2023
Huarong International	60	5.38	07/03/2018	09/03/2021
Philippine	14.6	5	20/03/2018	23/03/2021
GLP	12	5.29	26/03/2018	28/03/2021
Huarong International	5	4.98	02/04/2018	04/04/2021
Huarong International	35	5.23	02/04/2018	04/04/2023
China Jinmao	30	4.99	10/04/2018	12/04/2021
GLP	12	5.15	11/04/2018	13/04/2021
Trafigura Group	5	6.5	26/04/2018	27/04/2021
Daimler	30	5.18	09/05/2018	11/05/2021
Trafigura Group	5	6.5	22/05/2018	24/05/2021
BEWG	20	4.92	23/05/2018	25/05/2023
BEWG	10	5.1	23/05/2018	25/05/2025
China Water Affairs Group Limited	2	7	28/06/2018	29/06/2021
Hang Lung Properties	10	5	13/07/2018	16/07/2021
GLP	15	5.24	18/07/2018	20/07/2021
BEWG	10	4.45	18/07/2018	20/07/2023
BEWG	20	4.72	18/07/2018	20/07/2025
Daimler	10	4.5	16/08/2018	20/08/2021
ABC International	30	4.7	17/08/2018	21/08/2021
Trafigura Group	7	6.2	28/09/2018	28/09/2021
GLP	12	4.83	10/10/2018	12/10/2021
China Power	20	4.15	11/10/2018	15/10/2021
China Gas	20	4.38	22/10/2018	24/10/2023
GLP	15	4.64	09/11/2018	13/11/2021

Issuer	Amount Issued (RMB100M)	Coupon (%)	Issue Date	Maturity
Sun Hung Kai Properties	12	3.94	15/11/2018	19/11/2020
Daimler	10	4.2	22/11/2018	27/11/2020
China Gas	13	4.15	05/12/2018	07/12/2023
Hungary	20	4.3	17/12/2018	19/12/2021
BOCGI	20	4.13	18/12/2018	19/12/2021
BEWG	10	3.95	09/01/2019	11/01/2026
BEWG	10	4.49	09/01/2019	11/01/2029
New Development Bank	20	3	22/02/2019	26/02/2022
New Development Bank	10	3.32	22/02/2019	26/02/2024
SMIC	15	3.57	28/02/2019	04/03/2022
BMW Finance	30	4	06/03/2019	08/03/2022
United Overseas Bank	20	3.49	12/03/2019	14/03/2022
Philippine	25	3.58	15/05/2019	20/05/2022
Trafigura Group	5.4	5.49	17/05/2019	20/05/2022
Portugal	20	4.09	30/05/2019	03/06/2022
Malayan Banking Berhad	10	3.58	19/06/2019	21/06/2022
BMW Finance	20	3.98	10/07/2019	12/07/2022
CDP	10	4.5	31/07/2019	01/08/2022
Daimler	20	3.53	07/08/2019	12/08/2021
Daimler	30	3.84	07/08/2019	12/08/2022
China Power	20	3.55	03/09/2019	05/09/2022
BMW Finance	10	3.57	17/10/2019	21/10/2021
Daimler	20	3.68	08/11/2019	13/11/2021
Daimler	30	4.04	08/11/2019	13/11/2022
China Mengniu	10	3.67	20/11/2019	22/11/2022
Yuexiu Transport	10	3.58	28/11/2019	02/12/2022
Crédit Agricole	10	3.4	04/12/2019	05/12/2022
Veolia Environment	7.5	3.7	13/12/2019	17/12/2020
Veolia Environment	7.5	3.7	13/12/2019	17/12/2020
Daimler International Finance	30	3.5	07/01/2020	09/01/2022
Yuexiu Transport	10	3.47	08/01/2020	10/01/2023
Hengan International	10	2.85	26/02/2020	24/11/2020
BMW Finance	15	2.9	02/03/2020	04/03/2021
BMW Finance	20	3.35	02/03/2020	04/03/2023
China Gas	10	3.38	06/03/2020	10/03/2025
Hengan International	10	2.65	12/03/2020	11/12/2020
Hengan International	5	2.6	17/03/2020	14/12/2020
Hengan International	5	2.6	18/03/2020	14/12/2020
New Development Bank	50	2.43	01/04/2020	03/04/2023
Xiaomi	10	2.78	02/04/2020	03/04/2021
China Mengniu	15	1.8	22/04/2020	20/11/2020
BOCGI	15	2.7	06/05/2020	08/05/2023
BEWG	10	4	11/05/2020	13/05/2025
China Mengniu	15	1.61	27/05/2020	25/11/2020
China Power	5	1.61	28/05/2020	25/11/2020
China Mengniu	5	2	28/05/2020	23/02/2021
Daimler International Finance	30	3.25	03/06/2020	05/06/2023
China TCM	22	3.28	03/06/2020	05/06/2023

Issuer	Amount Issued (RMB100M)	Coupon (%)	Issue Date	Maturity
Sumitomo Mitsui Banking Corporation	10	3.2	04/06/2020	08/06/2023
CEB Greentech	10	3.68	10/06/2020	12/06/2025
AIIB	30	2.4	11/06/2020	15/06/2023
Veolia Environment	7.5	3.85	22/06/2020	24/06/2023
Veolia Environment	7.5	3.85	22/06/2020	24/06/2023
New Development Bank	20	3	06/07/2020	07/07/2025
BMW Finance	25	3.19	14/07/2020	16/07/2021
GLP	20	3.9	21/07/2020	23/07/2023
Everbright Water	10	3.6	03/08/2020	05/08/2023
Yuexiu Transport	5	3.54	12/08/2020	14/08/2023
Anta Sports	10	3.95	20/08/2020	24/08/2023
China TCM	10	2.6	10/09/2020	11/06/2021
Crédit Agricole	10	3.5	10/09/2020	11/09/2023
China Power	15	4.35	03/11/2020	05/11/2023
China Power	15	4.6	16/11/2020	18/11/2023
Veolia Environment	7.5	4.45	14/12/2020	16/12/2023
Veolia Environment	7.5	4.45	14/12/2020	16/12/2023

Source: Wind (compiled by NAFMII)

## Appendix III

### Currency swap between China and the UK

In June 2013, the PBoC and BoE signed a bilateral currency swap agreement of RMB200 billion/GBP20 billion. In October 2015, the PBoC and BoE renewed the swap agreement and increased the size to RMB350 billion/GBP35 billion, effective for three years. In November 2018, the PBoC and BoE renewed the swap agreement again and the scale remained unchanged, effective for three years.

#### Clearing bank

In March 2014, the PBoC and BoE signed a Memorandum of Understanding to establish RMB clearing arrangements in London. In June 2014, the PBoC authorized China Construction Bank (London) to serve as the RMB clearing bank in London. In July 2016, the PBoC approved the transfer of clearing functions from China Construction Bank (London) to China Construction Bank, London Branch. By the end of July 2020, Cross-Border Inter-Bank Payments System (CIPS) had 1092 direct participating banks, 15 participating banks were from the UK, accounting for 1.37% of the total. In March 2020, CCB London Branch became the first direct CIPS participant in the UK and in the Europe.

#### RQFII

In October 2013 China announced the RQFII program for UK with a quota of RMB80 billion.

On 10<sup>th</sup> September 2019, PBOC & SAFE removed QFII / RQFII Investment Quotas to promote further opening-up of China's financial market.

# London RMB Business Monitoring Group

The London RMB Business Monitoring Group is an industry-led working group co-chaired by City of London Corporation and the People's Bank of China Representative Office for Europe. This working group acts as a platform for financial institutions in the UK to discuss how to drive the London RMB business and encourage further innovation and diversification for offshore RMB products.

The working group members consists of the leading financial institutions, with HM Treasury, UK Department for International Trade and Bank of England joining as observer:

Agricultural Bank of China (UK)	KPMG
Bank of China (UK)	Legal and General Investment Management
Bank of Communications Co Ltd. (London Office)	London Clearing House
Bloomberg	London Metal Exchange
China Central Depository & Clearing Co., Ltd (London Representative Office)	London Stock Exchange Group
China Construction Bank (London Branch), UK RMB Clearing Bank	National Association of Financial Market Institutional Investors (NAFMII)
China Development Bank (London Branch)	Ninety One
ChinaFICC	People's Bank of China Representative Office for Europe
China Financial Futures Exchange (CFFEX)	PwC
China Foreign Exchange Trade System (CFETS)	R5FX
China International Capital Corporation (UK)	Refinitiv
China Minsheng Banking Corporation (London Representative Office)	Shanghai Clearing House (London Representative Office)
Cross-Border Inter-Bank Payments System (CIPS)	Shanghai Pudong Development Bank (London Branch)
EBS	Shanghai Stock Exchange London Office
EVIA	Standard Chartered Bank
HSBC	SWIFT
ICBC London Branch	TheCity UK
ICBC Standard Bank	Tradeweb
IHS Markit	Wind Financial
International Swaps and Derivatives Association (ISDA)	



THE PEOPLE'S BANK OF CHINA  
REPRESENTATIVE OFFICE FOR EUROPE

<https://www.cityoflondon.gov.uk/supporting-businesses/global-programme/asia-programme/china-publications/the-london-rmb-business-quarterly-report>