



London RMB Business Quarterly

Issue 8: October 2020



With thanks to

Chief Editors:

Jin Mei, Chief Representative, Representative Office for Europe,
The People's Bank of China

Giles French, External Affairs Director,
City of London Corporation

List of Contributors:

Agricultural Bank of China (London branch)

Bank of China (London branch)

Bank of Communications (London branch)

Bank of England

Bloomberg

China Construction Bank (London branch), UK RMB Clearing Bank

EBS

HSBC

ICBC Standard Bank (London branch)

London Stock Exchange Group

National Association of Financial Market Institutional Investors (NAFMII)

PwC

SWIFT

The People's Bank of China Representative Office for Europe

This report is jointly produced by the City of London Corporation and The People's Bank of China Representative Office for Europe. The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice.

No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, the authors and distributors do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the monitoring group.
Contact: Sisi MU (+44 20 7601 6651 / london@pbc.gov.cn).

Foreword



Catherine McGuinness
Chair of Policy and Resources
City of London Corporation

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 partner 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 UK RMB offshore market during this turbulent period, the report demonstrates the UK's FPS sector's resilience, showing that UK retains its position as the leading RMB trading hub outside Greater China.



Giles French
External Affairs Director,
City of London Corporation



Jin Mei
Chief Representative, Representative Office for Europe,
The People's Bank of China

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 internationalisation outside Greater China and the PBoC's efforts to develop and sustain the RMB at home and abroad.

The City of London is home to over 30 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 eighth issue of the London RMB Business Quarterly we see that there has been slow activity in the UK RMB

offshore market which is correlated to the COVID-19 pandemic. The report also discusses the recent developments of blockchain in the RMB market, and new opportunities for the RMB to support the development of the UK as a Regional Corporate Treasury Centre, as well as, the opportunities for the UK offshore RMB market to support the green recovery and economy.

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 regulatory bodies in both countries.

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

Market Overview



The Lloyd's Building, London

Since the May report, London RMB offshore market has remained stable despite the ongoing pandemic. Between March and July, new Dim Sum bonds issued, RMB deposit, RMB loan, and RMB Clearing, were all significantly ahead of the prior year period. RMB cross-border settlement between China and UK rocketed by 169% YoY, with a net inflow of RMB12.2 billion from China to UK. However, the average daily turnover volume of RMB FX in London market declined to GBP65.6 billion in Q2, down 22.85% YoY. According to SWIFT, the UK maintained its position of having the largest share of RMB FX spot transaction in the world, although its share dropped from 43.43% July, 2019 to 34.40% July this year.

London RMB Foreign Exchange Market

About 33% of all CNH spot trading on EBS took place during EMEA trading hours in July, the same percentage from February 2020. In Q2, 2020, the average daily CNH FX trading volume in London decreased to GBP65.6 billion, down 22.85% YoY.

London RMB Bond Market

Between March and July 2020, 22 new Dim Sum bonds were listed on the London Stock Exchange, with a value of RMB7.2 billion, a significant increase of 71.8% YoY. At the end of July 2020, a total of 130 Dim Sum bonds were listed on the London Stock Exchange with an outstanding value of RMB45 billion, and an average coupon rate of 3.9%.

London RMB Credit Market

In the first half year of 2020, RMB deposits and RMB loans in London were both ahead of the same period of the last year. By the end of Q2, 2020, the amount

value of RMB deposits reached RMB74.23 billion, down 1.9% QoQ and up 22.69% YoY. The outstanding amount of RMB loans were RMB64.26 billion, down 13.24% QoQ and up 8.31% YoY.

London RMB Clearing

Between March to July 2020, the cumulative clearing volume reached RMB4.68 trillion, up 7.59% YoY, and the average daily clearing volume was RMB45.87 billion. By the end of July 2020, the total accumulative RMB clearing volume climbed to RMB48.45 trillion.

China-UK RMB Cross-Border Settlement

From March to July 2020, cross-border RMB transactions between China and the UK registered at RMB633.6 billion, up 169% YoY. Among them, cross border RMB receipts and payments were RMB310.7 billion and RMB322.9 billion respectively, indicating a net flow of RMB12.2 billion from China into the UK.

UK's Rank as Offshore RMB Centre

The UK remained the biggest RMB FX centre globally and payments centre outside of Greater China. In July 2020, offshore RMB FX spot transactions in the UK represented 34.40% of the total of offshore transactions, slightly down 2.92% from this February.

RMB in Global Currency Reserves

According to International Monetary Fund (IMF), RMB accounted for 2.05% of global currency reserves as of Q2 2020, up 0.11% from Q4 2019. When the currency was first included in the special drawing right (SDR) basket, the share registered at 1.07% in Q4 2016.

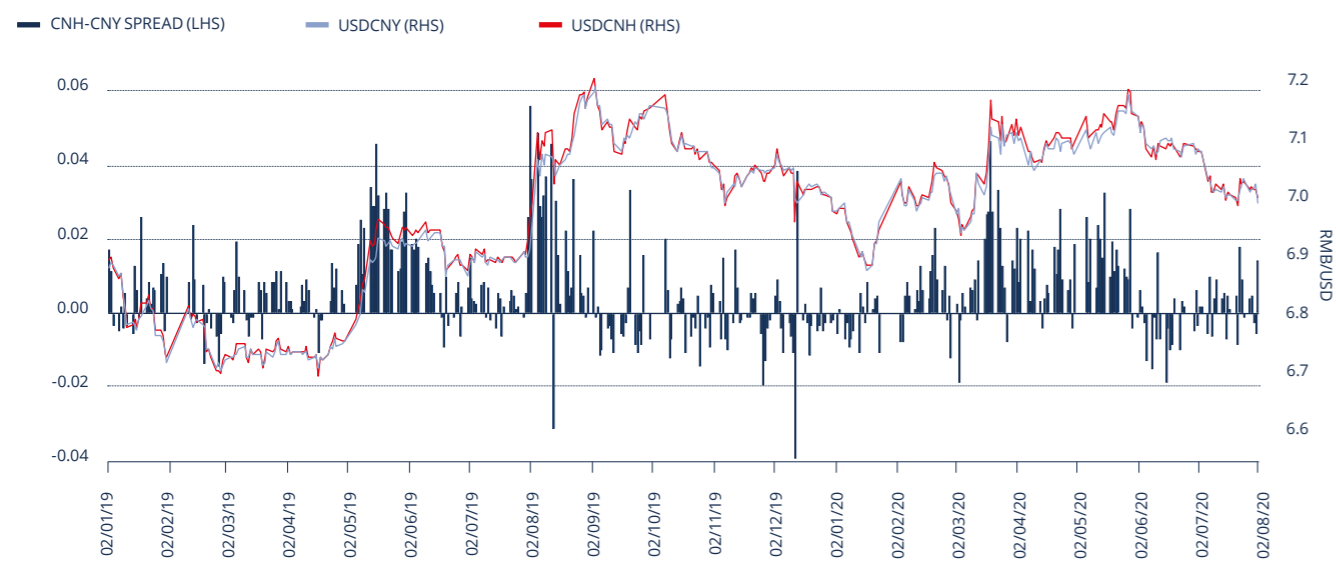
RMB Exchange Rate

The RMB appreciated against USD, and the spread between CNH and CNY tended to narrow. Since March 2020, Covid-19 has dragged the global economy into a downtrend and there is still a second wave happening and impacting some parts of the world. Impacted by the insufficient global demand and the tensions between the United States and China, the offshore RMB FX rate was a bit weaker than the onshore price. Since June 2020, the stabilised A-share and widening CGB-UST yield spread was expected to continue encouraging capital inflow to RMB assets. China's export and import have picked up since June 2020, with

export volume exceeding import's. FX reserves for Q2 shown an upward trend due to favourable FX valuation against the weaker USD. CNY strengthened from 7.15 to 6.98 against the dollar from May to July 2020. From March to July 2020, the average FX spot rate of USD/CNH in the offshore market was 7.0634, with the USD/CNY onshore FX spot rate 7.0563. The spread between offshore and onshore in this period was +71 basis points, while the spread of the same period last year was +82 basis points.

The Onshore-Offshore Exchange Rate Differential

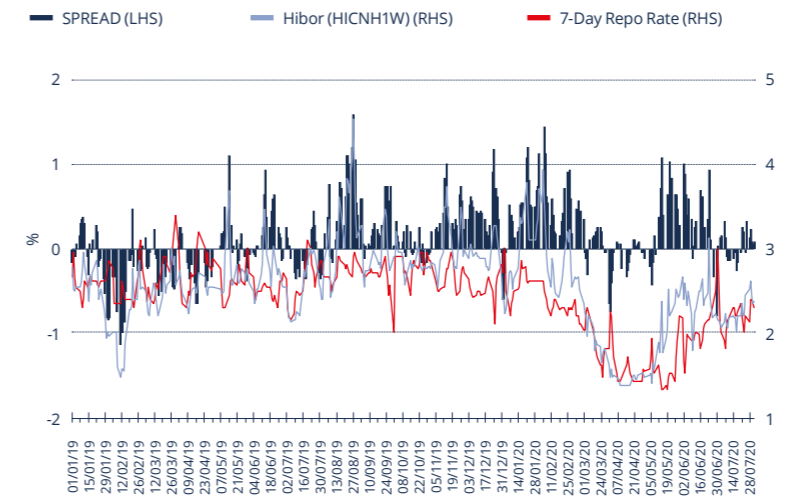
USDCNH-USDCNY FX Spot Rate



Source: Bloomberg, ABC

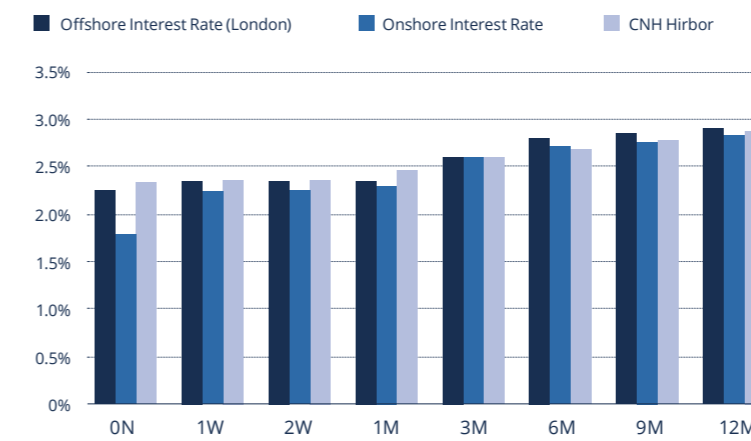
The Onshore-Offshore Interest Rate Spreads

CNH Hibor and 7-Day Repo Rate Spreads



Source: Bloomberg, CCB

Term Structure of RMB-Offshore Interest Rate Spreads



Source: Bloomberg, CCB

RMB Interest Rate

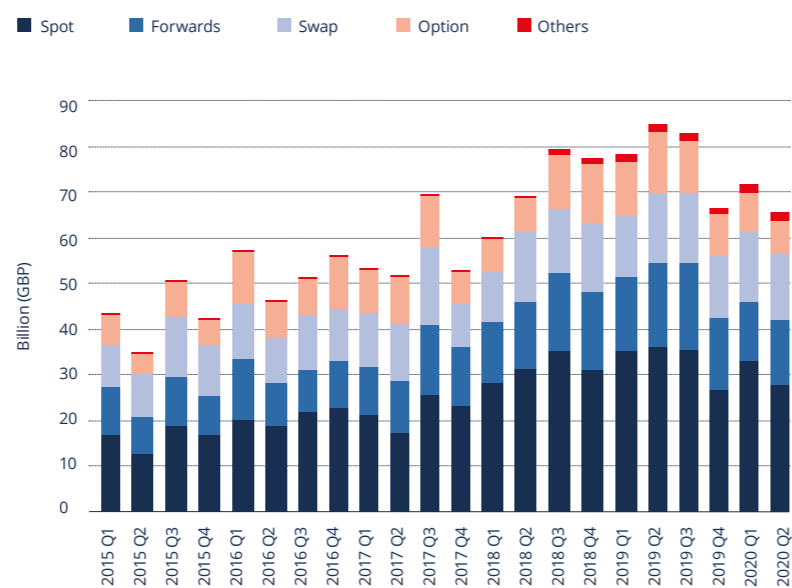
Interest rate differentials between US and China increased, and the gap between CNH rate and CNY rate narrowed. In Q2 2020, the Chinese economy outperformed market expectations, GDP grew by 3.2% YoY, beating analysts' expectations and rebounding from the first quarter's contraction. The PBoC continued to conduct sound monetary policy in a more flexible and appropriate manner to support the real economy. The PBoC promoted the Loan Prime Rate (LPR) reform, guided the market rates to move downward and kept liquidity adequate maintaining a reasonable level. The offshore and onshore interest rate curves experienced a modest spike in March 2020. As USD liquidity improved significantly and China quickly recovered from covid-19 pandemic, these curves saw a significant turning point since April 2020. Meanwhile, central banks in major economies maintained interest rates around zero-bound and scaled up asset purchases. Interest rate differentials increased, the USD/CNH futures swap premium also increased, and 3M Shibor stayed uptrend. The gap between CNH rate and CNY rate narrowed. In July 2020, the 1Week and 2Weeks of the onshore interest rate were 2.236% and 2.247%, the spread with offshore interest rate were +114 basis points and +103 basis points in contrast to the spread for the same period last year which were -323 and -179 basis points.

London RMB Foreign Exchange Market

In the first half of 2020, the volume of London RMB FX turnover showed a downward trend as opposed its upward trend of last year. The average daily turnover volume of RMB FX in London market was GBP72.1 billion in Q1, up 8.68% QoQ and down 7.76% YoY. In the second quarter, it fell to GBP65.6 billion, down 8.98% QoQ and down 22.85% YoY. The distribution of RMB FX turnover by counterparty sectors was unchanged: RMB FX turnover with other sectors took the greatest share, accounting 41.9% in Q1 and 44.6% in Q2; followed by RMB FX turnover with non-resident deposit-taking corporations, making up 38.6% in Q1 and 35.4% in Q2; RMB FX turnover with UK deposit-taking corporations accounted for the smallest proportion at 19.5% and 20% in Q1 and Q2, respectively.

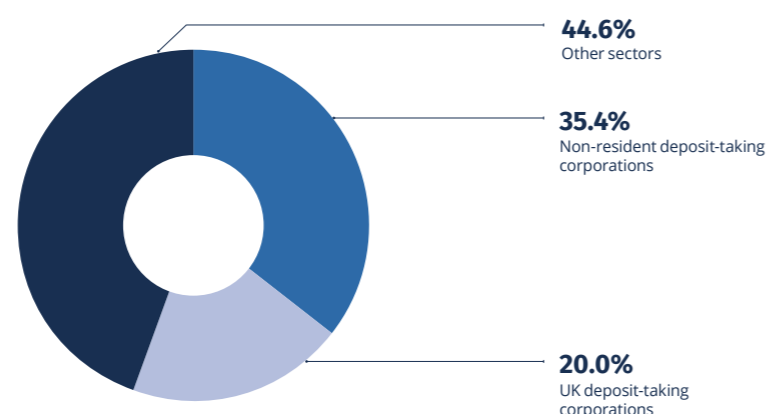
In July 2020, the proportion of the offshore RMB FX trading in London market remained the same from February 2020. Trading data from EBS revealed that the proportion of spot CNH trading volume in EMEA trading hours was 33% in July, the same percentage as that in February. Specifically, Asia, EMEA and Americas trading hours registered 60%, 33% and 7% of total CNH spot trading volumes, compared with a distribution of 60%, 33% and 7% in February 2020, and 59%, 34% and 7% a year ago.

Average Daily Turnover of RMB FX in London



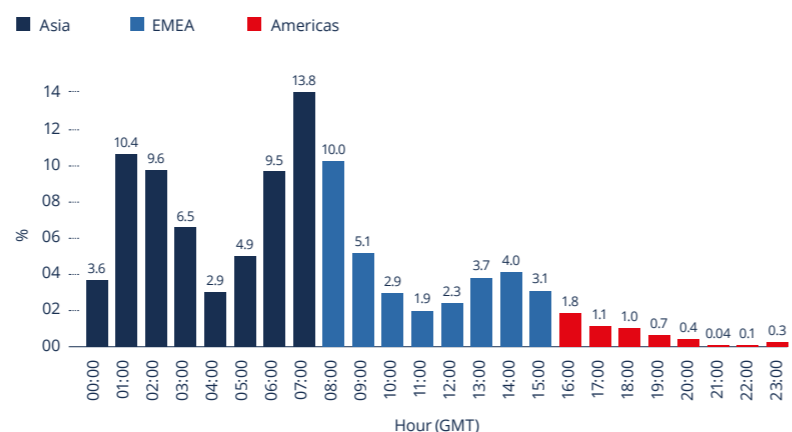
Source: Bank of England (BoE)

RMB FX Turnover by Counterpart Sector



Source: Bank of England (BoE)

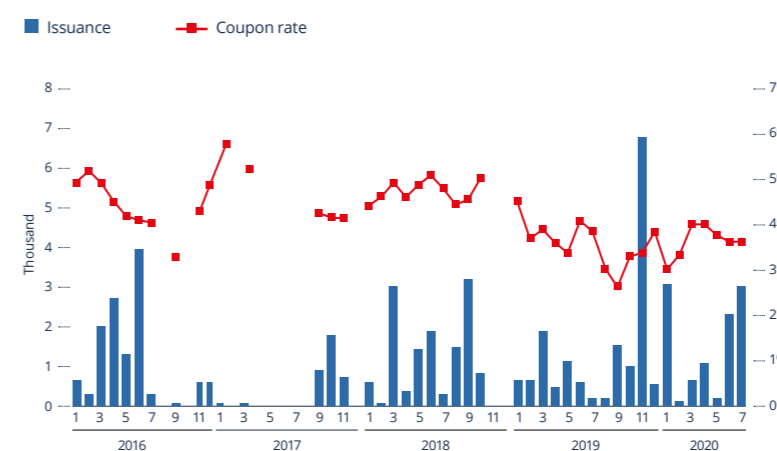
Spot CNH Volume Distribution by Hour on EBS



Source: EBS

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

LHS: issuance mIn RMB



Source: LSE

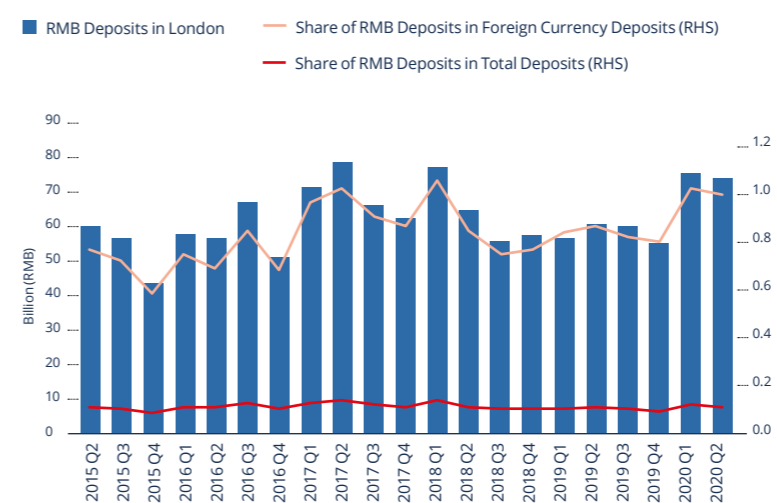
London RMB Bond Market

Between March and July 2020, 22 Dim Sum bonds were newly listed on the London Stock Exchange, with a total issuance size of RMB7.2 billion, and weighted average coupon rate of 3.7%. The value of new Dim Sum bonds issued from March to July 2020 increased by RMB3 billion compared to the same period last year, an increase of 71.8%. At the end of July 2020, a total of 130 Dim Sum bonds were listed on the London Stock Exchange with an outstanding value of RMB45 billion, and weighted average coupon rate of 3.9%.

London RMB Credit Market

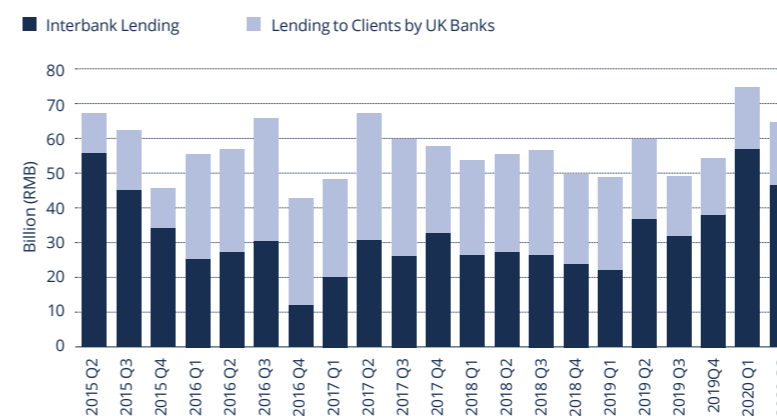
In the first half year of 2020, both RMB deposits and RMB loans in London saw a rise from the same period last year. Total London offshore RMB deposits balance reached RMB74.23 billion in Q2, down 1.9% QoQ and up 22.69% YoY. The proportion of RMB deposits of UK's total deposits balance and of UK's total foreign currency deposits balance remained stable. The total of London offshore RMB loans balance hit RMB64.26 billion at Q2, down 13.24% QoQ and up 8.31% YoY, mainly due to the changes of interbank lending.

RMB Deposits in London



Source: Bank of England (BoE)

RMB Lending in London

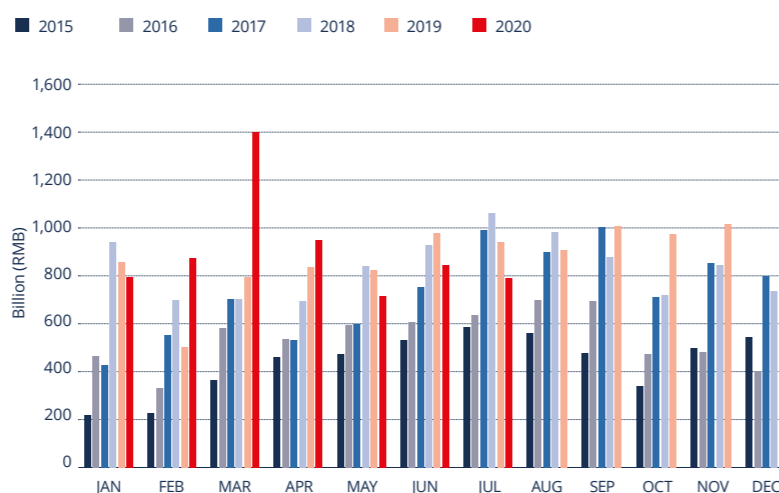


Source: Bank of England (BoE)

London RMB Clearing

Between March 2020 to July 2020, the accumulative RMB clearing volume was RMB4.68 trillion, up 7.59% YoY, while average daily clearing volume was RMB45.87 billion. Accumulated transaction number counts stood at 35,680. By the end of July 2020, the total accumulative RMB clearing volume reached RMB48.45 trillion since China Construction Bank (CCB) London Branch obtained its authorization to become the RMB clearing bank in the UK in June 2014. The Bank remained the largest clearing bank outside Asia.

RMB Clearing Volume of the Designated UK Clearing Bank

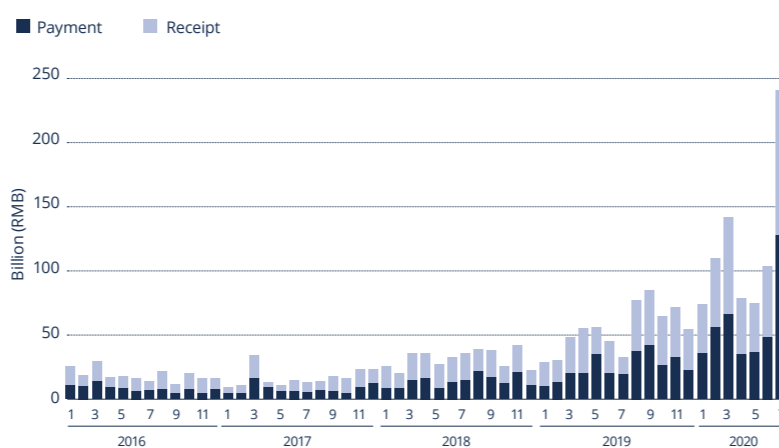


Source: CCB London Branch

China-UK RMB Cross-Border Settlement

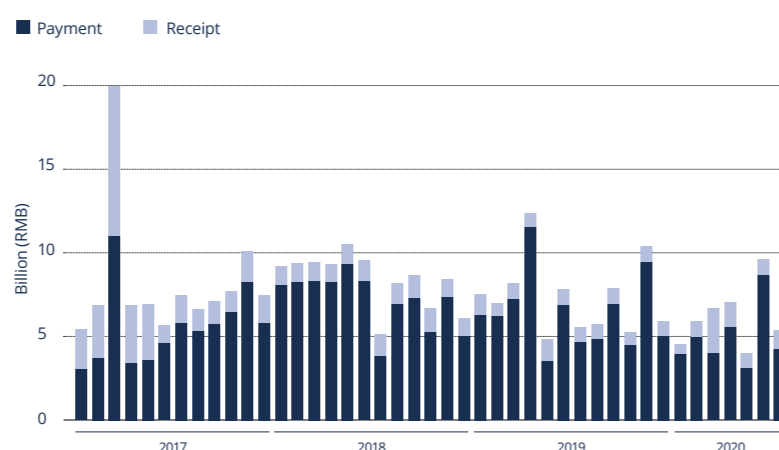
From March to July 2020, cross-border RMB transactions between China and the UK surged to RMB633.6 billion, up 169% YoY. Among them, cross-border RMB receipts were about RMB310.7 billion while payments reached RMB322.9 billion, representing a net inflow of RMB12.2 billion from China to UK, up RMB1.8 billion from the same period last year. Cross-border RMB receipts and payments of Sino-British bilateral goods trade totalled at RMB32.7 billion, accounting for 5.2% of the total amount of receipts and payments during the same period, indicating a declining trend. Meanwhile, the share of RMB receipts and payments under capital accounts continued to increase in line with the further opening-up of China's financial market.

China-UK Cross-Border RMB Payment and Receipt



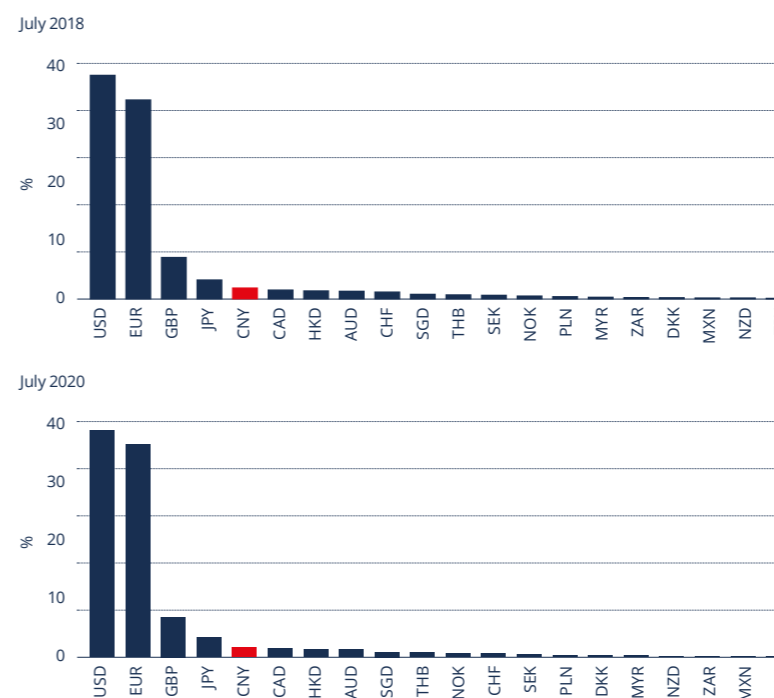
Source: PBoC

China-UK Cross-Border RMB Payment and Receipt Under Merchandise Trade



Source: PBoC

RMB's share as a global payments currency

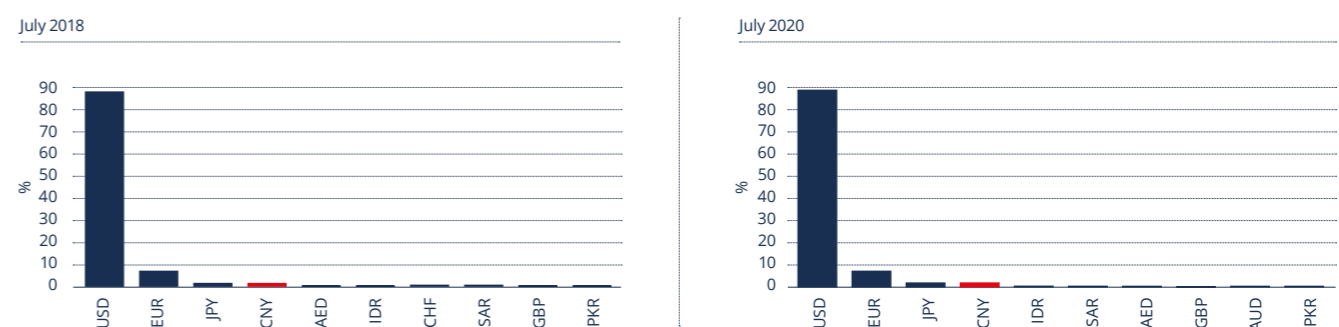


Source: Watch - Powered by SWIFT BI

The International Status of the London Offshore RMB Market

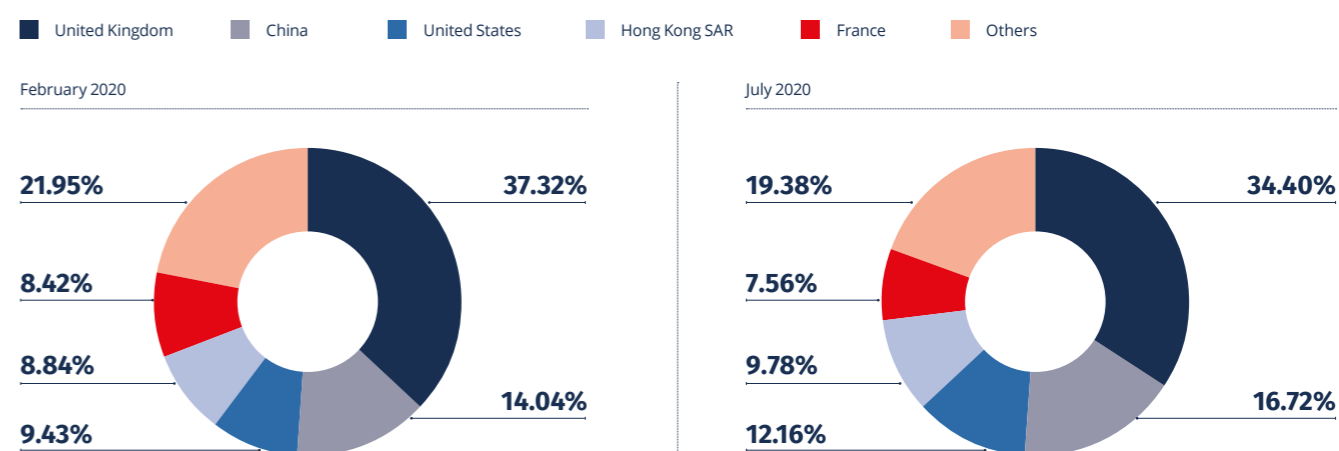
According to SWIFT, RMB share as a domestic and international payments currency (customer initiated and institutional payments) in July 2020 was 1.86%, down from 2.21% in February 2020. RMB share as a global currency in trade finance market was 1.84% in July, up 0.01% from February 2020. The RMB remained as the fifth biggest global payment currency, and the UK retained its position of having the largest share of RMB FX in the world and largest payments outside greater China. The top three countries or regions executing RMB FX transactions in July 2020 were the United Kingdom, China and the United States. The United Kingdom accounted for 34.40% of the total in July, a slight decline from February (37.32%). China, the US and Hong Kong SAR's share of FX transactions in RMB all saw an increase from February to July 2020, and registered at 16.72%, 12.16% and 9.87%, respectively.

RMB's share as a global currency in trade finance market



Source: Watch - Powered by SWIFT BI

Top Countries (Regions) FX Transaction in RMB

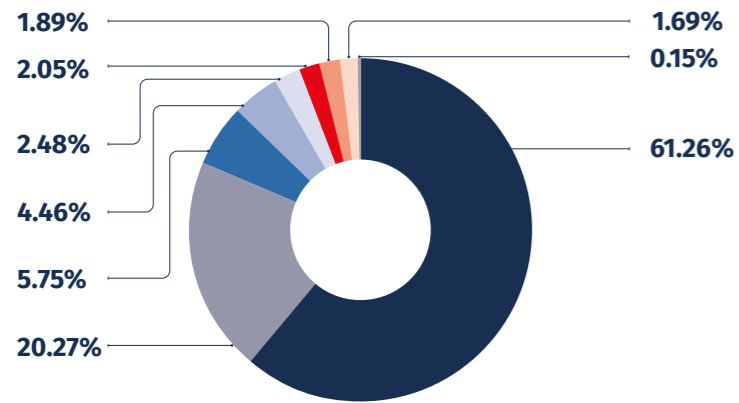


Source: Watch - Powered by SWIFT BI

RMB in Global Currency Reserves

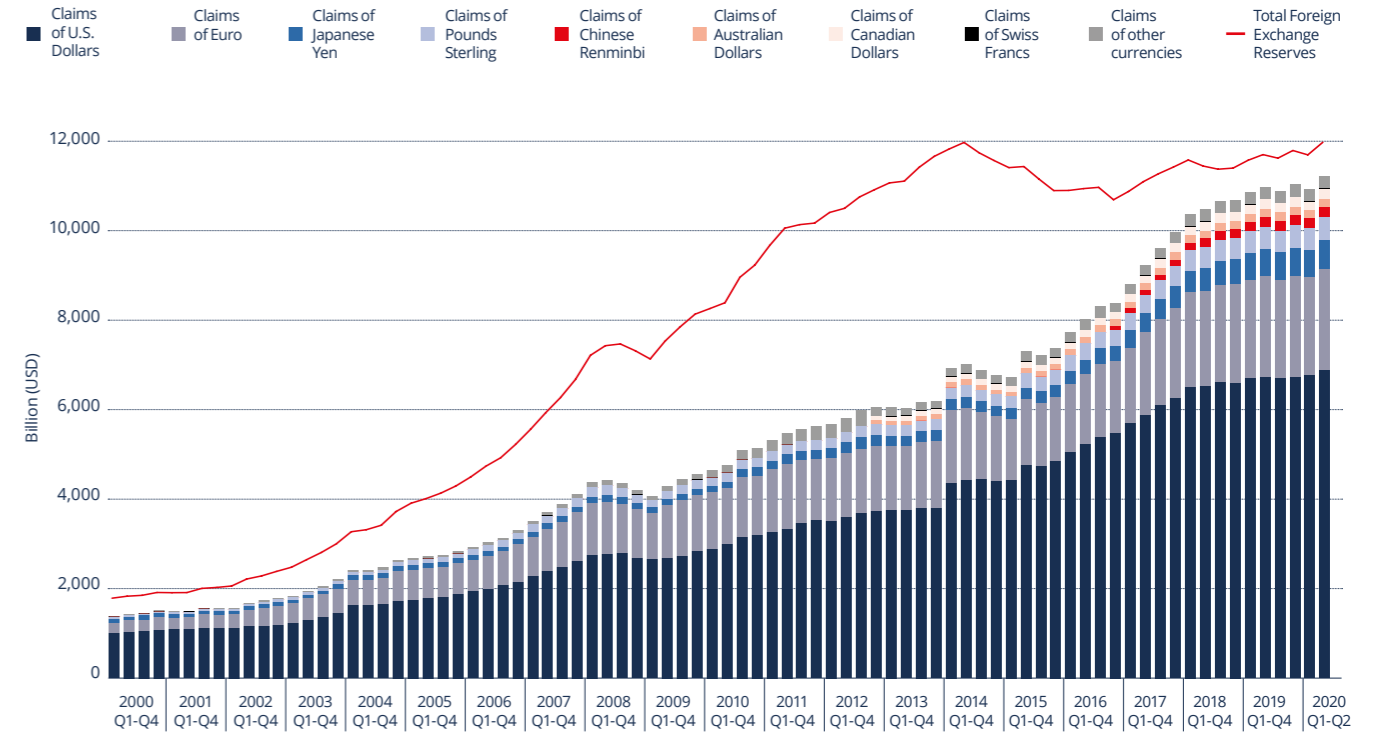
According to IMF, RMB took up 2.05% of global currency reserves as of Q2 2020, up 0.11% from Q4 2019. When it was included SDR basket, the share registered at 1.07% in Q4 2016. USD's share of global reserves saw a slight increase of 0.54% in Q2 2020 from Q4 2019, reaching 61.26%. The share of Euro, JPY and GBP fell from 20.58%, 5.89% and 4.64% in Q4 2019, to 20.27%, 5.75% and 4.46% in Q2 2020.

Allocated Reserves by Currency for 2020Q2



Source: International Monetary Fund

Official Foreign Exchange Reserves by Currency



Source: International Monetary Fund

Industry update

Blockchain, Trade and RMB internationalisation

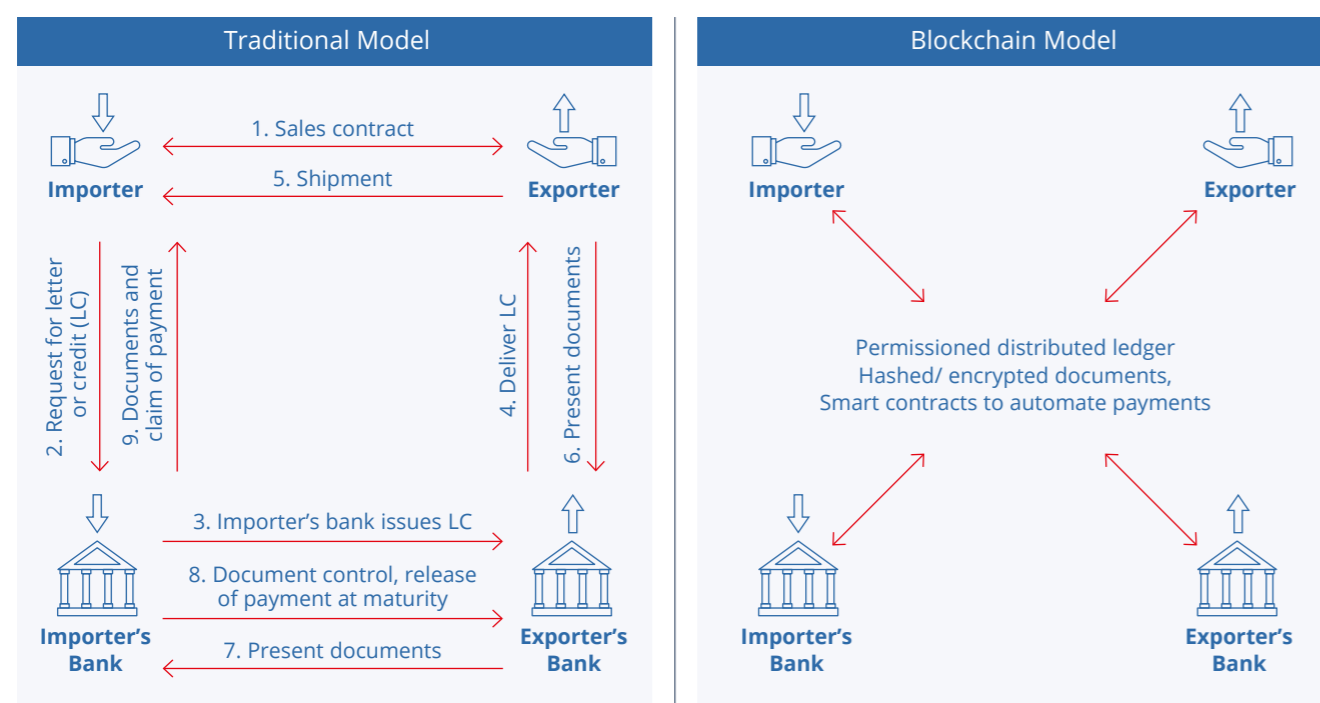
HSBC

Development of Blockchain technology

Blockchain is a technology that features a decentralized, distributed ledger of transactions on which the transactions are stored in a permanent and near immutable way. Authentication of transactions is achieved through cryptographic means and a mathematical “consensus protocol” that determines the rules by which the ledger is updated, which allows participants with no particular trust in each other to collaborate without having to rely on a single trusted third party.

Blockchain first appeared in 2008 within the cryptography community and was quickly implemented in 2009 as a core component of the development of cryptocurrency (Bitcoin). Until the last few years, various consortia were formed to develop bespoke solutions to satisfy the needs of businesses including applications in trade finance, cross-border payments, insurance and e-commerce.

The adoption of blockchain technology in international trade finance will help digitalise conventional documentary trade as demonstrated in the below diagram.



HSBC world's first cross-border RMB-denominated Blockchain Letter of Credit

HSBC has taken a lead on promoting the application of blockchain-based documentary trade technology; and pioneered the world's first cross-border RMB-denominated blockchain Letter of Credit (LC).

The transaction involved MTC Electronic Co Limited (MTC) based in Hong Kong, who exported a shipment of raw materials to its Shenzhen parent company. HSBC Hong Kong and HSBC China were the nominated bank of the seller and the issuing bank of the buyer respectively.

If the transaction were conducted by conventional paper-based LC, it would have required multiple documentation exchanges between buyer/seller and their processing banks. The main points being:

- a) time-consuming and labour intensive processes in amendments, discrepancy management, authentication and presentation/ document exchange;
- b) potential of damage or loss of documents in the courier process;

- c) no 'instant messaging system' to give buyer/seller a real time update of LC progress; and

- d) No common platform for the various involved parties (i.e. banks and corporates) to manage the workflow of the overall transaction and the presentation of digital documents.

Just the presentation of supporting documents process usually takes 5 to 10 working days through traditional channels or even longer if discrepancies are identified.

The transaction was conducted on Contour, a blockchain-based, bank-agnostic network with a LC application designed to improve the issuance, advise, amendments, and presentations of documents for all parties. HSBC China used Contour to issue this digitised LC on behalf of Shenzhen MTC to HSBC Hong Kong. MTC then reviewed, verified and uploaded their own trade documents to the platform to complete the transaction. This exchange of fully electronic documents was completed in under 24 hours.

The Contour platform successfully eliminates aforementioned pain points by:

- a) removing paper documents to speed up the presentation leg of the transaction;
- b) connecting all relevant parties in a secured and decentralised network where relevant documents can be issued, reviewed, exchanged and approved instantly; and
- c) minimizing unnecessary operational/human error in paper-based document handling.

The Contour network (platform) was initiated by seven founding member banks, including Bangkok Bank, BNP Paribas, CTBC, HSBC, ING, SEB and Standard Chartered, in partnership with Bain, CryptoBLK and R3. Citi, HD Bank and DBS subsequently joined Contour and the network continues to grow. The platform is designed to improve the trade finance process by connecting both bank and corporate participants on one network to simplify various trade finance processes, delivering improved user experiences, shorter settlement times, quicker discrepancy resolution and a fully paperless

transaction, which has become even more important during a pandemic like COVID-19.

The platform is currently operated by an independent legal entity, incorporated in Singapore and jointly owned by its bank members and delivery partners. By early 2020, Contour had conducted 16 pilot transactions through its client centric development process with geographical coverage over 10 countries in Asia, Middle East and Europe and wide range of industries coverage including soybean meal, petrochemicals, retail goods, textiles and metals.

The blockchain platform and RMB Internationalisation

Going forward, with further scaling up of the blockchain platform involving various important trade stakeholders including banks, technology partners, and corporates joining the network to become an eco-system, it is anticipated that it will drive significant efficiency improvement, reduce costs and further promote international trade.

In particular, given China's significant position in global commodities trade, there are strong incentives for Chinese buyers to choose RMB-denominated trade finance and the blockchain platform is well-positioned to facilitate such needs.

Besides, it is anticipated that trade related services can be integrated, innovated and delivered digitally. For example, trade payments on the blockchain platform are currently settled through SWIFT. Going forward, it could potentially be settled in other payment systems, such as the Cross-border Interbank Payment System (CIPS) for RMB-denominated trade given both issuing bank and nominated bank are CIPS participants. The blockchain platform can even expand to cover RMB recycling opportunities for its users, including trade account netting-off, liquidity management, FX risk management and so on.

For London, as a key RMB offshore centre, an active promotion and a wider adoption of the blockchain platform will boost the regional trade with China with more RMB-denominated trade and settlement opportunities and it will in turn further strengthen its position as the second largest RMB offshore payment centre in the world and further pave the way for development of RMB internationalisation.

Renminbi and The Rise of Regional Treasury Centres in London

PwC

The treasury functions of non-financial corporations have always been attracted to the London market. The market's position as a leading location for clearing non-local currency is a key ingredient to this. In particular, Renminbi is part of that narrative.

Since the 1980s, as treasury and treasury management became recognised as a distinct discipline and business function, and currency controls in European and American markets were gradually eased, large corporations based in the UK, Europe and the US set up specific functions to manage cash globally. As London's banking and cash market developed, these functions often were based in the UK or other territories in North West Europe, and dealt with banks based in London. Waves of product innovation (such as the various forms of international cash pooling products offered by some banks) and technological innovation (bespoke Treasury Management Systems which enable a single centralised function to oversee and manage cash across a large number of entities and territories) have increased the ability of these functions to manage risks, and optimise cash use, across a wide area.

More recently, this trend has continued, as Chinese corporations have expanded their European operations. International corporations based in China have always needed to manage their non-Chinese cash from outside mainland China; Hong Kong has for many years been the natural location for that activity.

However, geographic distance, time zone difference and other practical factors tend to make it more difficult for a treasury centre in the Asia Pacific region to be effective and efficient in managing cash in Europe, Middle East and Africa ("EMEA"). Having a permanent presence on the ground in the UK or Europe also may make sense for legal, tax and regulatory reasons, offering greater access to financial products in the region.

Coupled with this, the internationalisation of the RMB, and the introduction of RMB clearing in key international locations made it possible for Chinese corporates to manage RMB effectively in locations other than China.

Consequently, over recent years there has been a clear trend for Chinese corporations to set up a separate treasury function in the EMEA region itself to manage cash and other treasury activity for such operations: these are typically designated Regional Treasury Centres ("RTC"). London is a natural hub for this generally, and its pre-eminence in international RMB clearing makes it particularly relevant to Chinese corporations

The scale and functions of an RTC varies significantly, depending on the needs of the group in question. However they tend to have some core common features:

Management and oversight: the key individuals in the RTC have visibility of cash and treasury transactions for the region. Typically, they have real time information regarding all bank balances, payments, receipts and derivative positions across the region. In addition, there may be processes and controls over matters such as payments, particularly large or unusual ones, so that the RTC management acts as a control function for operating units within the region.

Cash pooling: taking the oversight of cash a step further, for many groups it makes sense to formally pool cash through an RTC. The cash in the operating units is combined, so that excess cash in operating units is sent to the RTC, and overdrafts in operating units can be financed from the RTC. The consequence is that cash is deployed effectively and the cost (in terms of finance charges and other bank fees) is minimised.

Such arrangements can be single currency, or multi currency. They can be provided as automated solutions by the leading banks, or can be operated manually by the RTC's treasury team. In either case, the pool benefits from the depth of liquidity, range of currencies, and ease of access which London's cash markets provide. RMB in particular is well supported by London's infrastructure, and this is evidenced by the size and depth of the market. As a consequence, London's role as a centre for international cash management enables is particularly attractive to RTCs where Chinese cash flows are significant. Depending on the company's situation, the reason for cash concentration including RMB may vary. In some cases the company may be pooling cash remitted from Chinese business operations with that from other operations worldwide; in other cases, the focus may be on taking excess cashflow from European operations, and making it available to the parent in China, or a global treasury centre in Hong Kong, to be deployed in other markets.

Hedging and risk management: Some RTCs expand their operations further, and take responsibility for hedging and risk management, entering into fx hedges or interest rate swaps, to reflect the needs of their regional operating units. Typically the RTC has the mandate and legal status to enter into derivatives with market counterparties, and then enters into "back to back" positions to pass the exposure to the relevant operating business. A few RTCs have wider responsibility for risk, and take on regional management of matters such as group insurance or pensions.

An RTC with sufficient remit and expertise can also take a wider role within the group, and move from being a support function to being a profit centre in its own right. For example, a natural consequence of cash management and concentration is that over time, cash representing the region's accumulated profits may accumulate in the RTC. Alternatively,

funds from the group head office may be sent to the RTC as a holding location before they are invested. In such cases, it may be strategically appropriate for the RTC to invest these funds on behalf of the group, so that the RTC's objectives become obtaining yield as well as preserving liquidity. This represents a further expansion of an RTC's role. Not all companies would want to do this, but in cases where it makes strategic sense, it enables the RTC's financial and human resources to be used for maximum impact.

As noted above, these functions can in theory be conducted from almost anywhere in the world. Groups have generally started by carrying out such functions in their head office. However, the trend for a RTC in a different region is clear. It enables the company's treasury to operate in a similar region and time zone to the operating units it supports, which facilitates cash transactions via banks and payment authorisations, and it gives the group's worldwide finance function easy access to the local market for other matters, such as derivatives, insurance or investment. The availability and ease of clearing of non-local currencies such as RMB is an intrinsic part of this ecosystem, and is a key ingredient to the efficiency of the RTCs. It forms part of the clear package of incentives for non-European companies to locate in cities such as London for this purpose. The infrastructure is there - in terms of the availability of banks and other service providers, as well as the practical matters such as a good environment for key staff to live and work. Consequently, the trend is set to continue.

Sustaining Green Shoots of Recovery

ICBC Standard Bank

The COVID-19 pandemic has accelerated acceptance of the relationship between economic stimulus and sustainable growth, challenging public and private sectors globally to reassess their priorities. For many, realising Environmental Social and Governance (ESG) standards is a new pathway towards sustainable recovery.

China's economic recovery gained firmer footing in the second quarter. But beyond the headlines, Beijing's policy emphasis has remained maintaining stability while keeping in step with the longer-term economic structural shift towards a more sustainable growth model.

In line with the four other countries and monetary union with currencies in the IMF's Special Drawing Right (SDR) basket (US, Euro area, Japan and UK), China is accelerating reforms in its domestic capital and financial markets with ESG capacity in mind. To help build this capacity, further opening up markets and encouraging internationally recognised standards to facilitate corporate disclosure on ESG impacts is crucial. As such, Beijing's continued collaboration with London will be mutually beneficial.

Closely correlated to China's macro fundamentals, the offshore RMB market is likely to mirror the structural shift towards sustainable growth. London – as a leading financial innovation centre and home to some of the largest asset managers – will play an important role in directing offshore RMB liquidity towards sustainable financing and investments.

The ESG in China's economic policies

Beijing is focused on directing credit towards industries that further efforts to either counter the impact of climate change or building resilience to it. Monetary policy aims to lower the cost of financing for industries compliant with ESG standards. China's Green Finance Committee has encouraged improvements in the financial sector's ESG disclosure. A significant indicator is that A-share market performance has been found to be positively correlated to ESG ratings.¹

To guide the flow of domestic green bond issuances in China, the People's Bank of China (PBoC), National Development and Reform Commission (NDRC) and China Securities Regulatory Commission (CSRC) jointly issued the Green Bond Endorsed Project Catalogue (2020 edition). The Catalogue seeks to guide both domestic and international investors on green performance at a project level, as well as the ESG performance of the issuer. The initiative not only seeks to further boost China's green bond market but also global green bonds, as more Chinese corporates issue offshore.

In late September 2020, during the UN assembly, China announced aims to have CO2 emissions peak before 2030 and to achieve carbon neutrality before 2060. This endeavour to bring forward a strengthened national plan is a major boost to China's ESG efforts, bringing a significant contribution towards the transition towards a low-carbon global economy.

Demand-side recovery requires industry-led innovation

Domestic policies may be unique to countries' domestic needs. But international cooperation is crucial to align global efforts. As part of the TCFD pilot², ICBC has made progress in its ESG-based credit rating framework which encompasses banking, insurance and asset managers. Partnerships with London-based financial institutions form internationally recognised ESG-standards, which is crucial to the further development in greening the RMB bond market.

With the continued opening up of CIBM (China Interbank Bond Market) access channels, and familiarity with CIBM – including assets with recognised ESG credentials, offshore RMB hedging demand will likely pick up. London continues to play an important role in transacting these FX volumes.

In Q2 2020, China green bond issuance began to show signs of revival after falling to its lowest level in over 3 years in Q1, as China regains control over the COVID-19 outbreak. In July, China Development Bank (CDB) issued the first globally certified green bonds and made them available for interbank and exchange markets investors. Being the first of its kind, the CNY 10 billion CDB green bond was simultaneously displayed on CIBM (through the Shanghai Clearing House) and the Shanghai Stock Exchange for investors with direct accessing channels, and on Luxembourg Green Exchange (LGX) for overseas investors.

Emerging Market Focused Green Finance Investment Index

ICBC is in the process of launching the Belt and Road Green Finance (BRGF) Investment Index³ as a proposed international framework towards recognising and building green and sustainable financial capacity in emerging markets (EMs). London will likely remain a key financial transaction centre for EM assets.

Data across 79 countries along the Belt and Road were compiled, with more to add over time. According to the World Bank's classification by per capita GNP, 19 are high-income countries, 29 are middle- and high-income countries, and 31 are low- and middle-income or low-income.

The BRGF Index has two dimensions. The first – Green economy performance (GEP) – aims to give an indication of the current green development of BRI countries. The second – Green Growth Capacity (GGC) – assesses the policy, technological landscape and financial depth of countries in the sample. These two dimensions in aggregate give a comprehensive perspective on the future demand on the environment and resources. See Figure 1 for a summary of the overall Index structure.

Emerging Markets are increasingly issuers of Green Bonds. According to data compiled by Climate Bonds Initiative (CBI) and Moody's, in 2018, there were USD167.6 billion green bonds in the world (Figure 2), a continuous increase compared with those in 2017. In 2019, green bonds issuance hit a new global record of USD 250 billion. While China and the US remained the most active issuers, the issuance of green bonds by countries along the Belt and Road has grown rapidly in recent years. For example, Indonesia, Thailand, Seychelles and Lebanon, issued green bonds for the first time in 2018.

Recognising the green financing and investment opportunity and capacity in EMs is important for both policymakers looking to build domestic financial depth and investors seeking yield.

² The Task Force on Climate-related Financial Disclosures (TCFD) was established the Financial Stability Board (FSB) supported by G20 Finance Ministers and Central Bank Governors. The TCFD programme develops recommendations for more effective climate-related disclosures that could "promote more informed investment, credit, and insurance underwriting decisions", and in turn, "would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks."

³ <https://v.icbc.com.cn/userfiles/Resources/ICBC/haiwai/StandardBank/Download/2020/2020AugustICBCBRI.pdf>

¹ An Evolving Process: Analysis of China a-share ESG Ratings 2020, SynTao Green Finance, 2020

London has an important role to play

Recognised as one of the most international, open and innovative financial centres with an established and transparent institutional framework valued across the world, London will witness growth in both demand and supply of green or ESG-based financial capacity.

In the recent 2020 RMB Internationalisation Report published by the PBoC, London is still recognised as the largest RMB offshore clearing centre outside of Asia. With the increasing attractiveness of the RMB for financing⁴ it would be a fair assumption that RMB would also play an important role in ESG based financing.

The London Stock Exchange (LSE) was the first major global exchange to launch a Green Bond segment in 2015 and further extended the platform as the dedicated Sustainable Bond Market (SBM) in late 2019. Since then, London has hosted many landmark green issuances from China, including the largest ever green bond listing on the LSE, the first sustainability bond, the first international green bond and the first green covered bond. Over the past five years, seven different Chinese issuers have already chosen the LSE as their global partner to maximise the profile and extend the global reach of their green and sustainable bonds.

With a preferential time-zone and hosting the headquarters of many top global asset managers, EM multi-assets are both domiciled and transacted in London. It would only be natural that the same applies for green and ESG-compliant EM assets.

As a centre of excellence for setting and monitoring global standards, it seems appropriate that the seven guiding principles behind greening investments along the Belt and Road – Green Investment Principles (GIP)⁵ – were born in London.

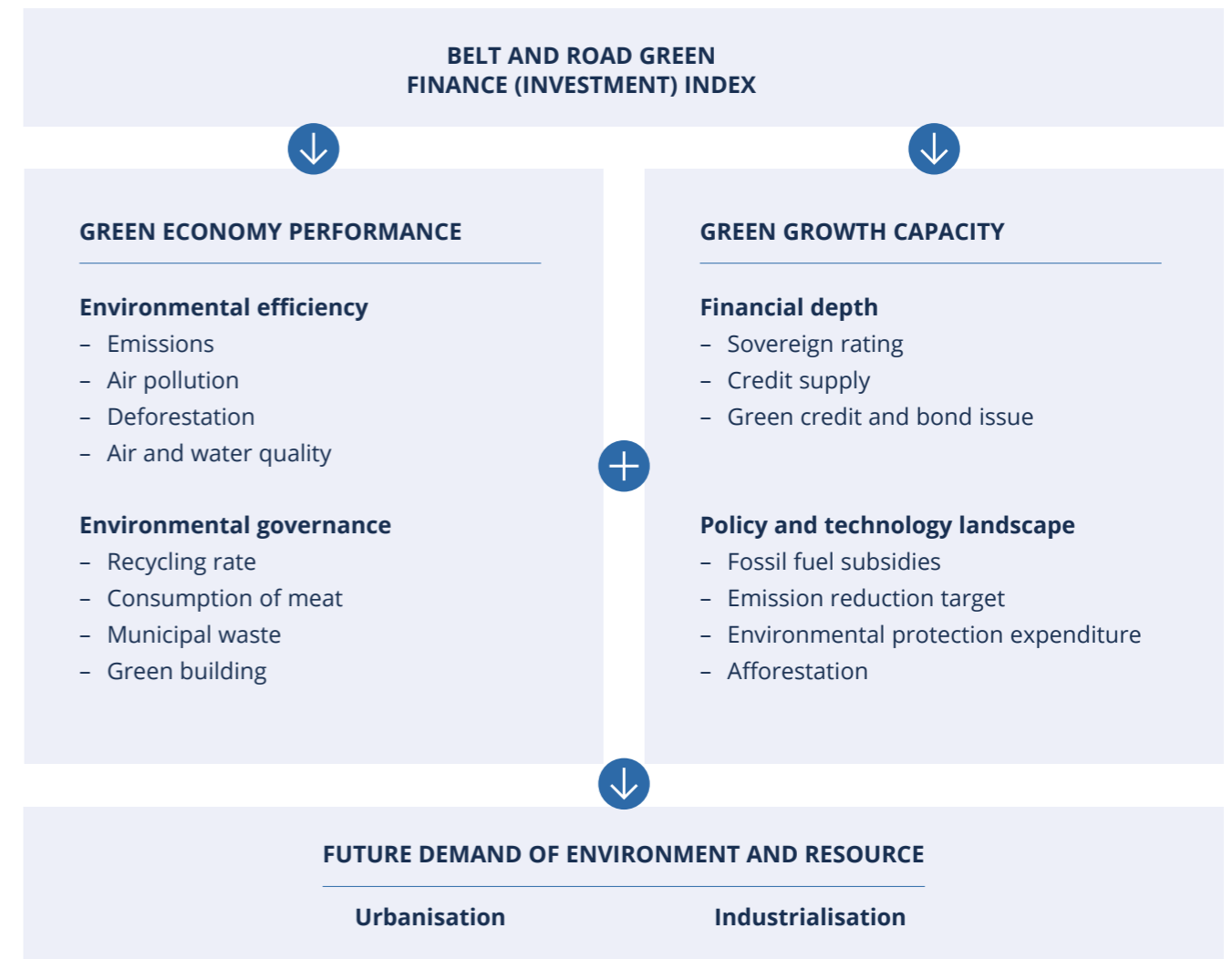
Integrating sustainability and ESG-standards will become the new normal for monetary and fiscal policy making. In turn, ESG-themed financing or investments will ultimately cease to be alternative solutions. Conversely, mainstream asset allocation will conform towards globally recognised ESG standards.

Looking ahead to a post-pandemic world, while emerging economies have an opportunity to lead the world towards an economic recovery, mature international financial centres will need to prove themselves worthy of their leading positions. Thus, collaboration and engagement between emerging and mature financial centres will be key to a green and sustainable global recovery.

⁴ PBoC report cited a survey showing that 82% of foreign industrial and commercial enterprise respondents said that they would consider using the RMB for financing while encountering tight liquidity of international currencies such as the USD and the EUR. This ratio has come to a new high since 2016, indicating that the attractiveness of the RMB for international financing has gradually emerged.

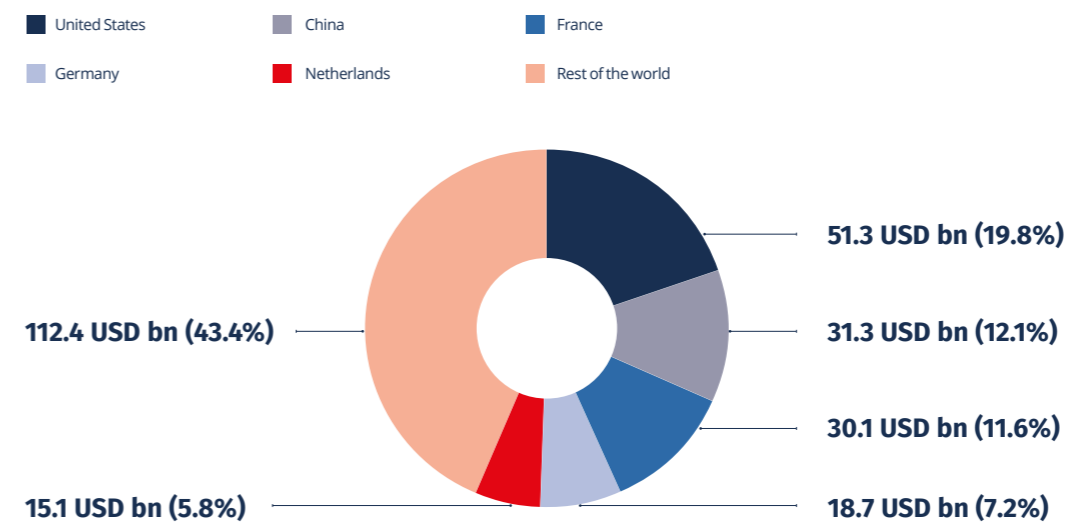
⁵ <https://www.ukchinagreen.org/green-finance/green-belt-and-road/text-of-the-gip/>

Figure 1: Overall framework of the Belt and Road Green Finance (BRGF) Index



Source: ICBC

Figure 2: Issuance of green bonds by country in 2019 (USD bn)



Source: Climate Bonds Initiative

Latest Policies and Major Events



Shanghai Tower, Shanghai

On 13th June, the People's Bank of China (PBoC) announced the approval of the Express (Hangzhou) Technology Services Company application to set up a bank card clearing business and granted a bank card clearing license to the company. Express Hangzhou is a joint venture established in China by American Express. American Express could increase its membership, authorize the issuance and processing of its branded bank cards in China after obtaining the license. They are expected to start their bank card clearing business within six months after obtaining the license.

On 18th June, Liu He, China's Vice Premier addressed a written speech to the 12th Lujiazui Forum in Shanghai. In the speech, he highlighted Five Key Work Points for the Financial System which included deepening reform and opening-up. He stressed that China would firmly and unswervingly deepen reform

and expand opening, accelerate the unveiling and implementation of financial reform and opening-up measures, and protect the lawful rights and interests of foreign invested enterprises. China will create conditions and environments, expunge interference, jointly implement the Sino-US Phase-1 Trade Deal.

On 18th June, Yigang, PBoC governor; Pan Gongsheng, PBoC Deputy Governor and State Administration of Foreign Exchange (SAFE) Administrator also addressed at the 12th Lujiazui Forum. Yi elaborated on the "Five Centres" to focus on building Shanghai as an international financial centre, this included RMB-denominated asset allocation centre, risk management of RMB-denominated financial assets centre, financial opening-up, high-quality business environment centre and Fintech centre. Pan said "Shanghai has become an important hub of RMB internationalisation, always at the forefront of

financial opening-up." He suggested continued efforts should be made to promote opening-up through multiple channels while work should be sped up to advance higher-level opening-up of onshore markets.

In June, Yi Huiman, chairman of the China Securities Regulatory Commission (CSRC) said, "CSRC would continue to improve the basic system of China's capital markets, including the reform of the capital markets, the cross-border investment and financing, transaction settlement and other systems." CSRC would also continue to deepen all-level international cooperation, including improving the Shanghai and Shenzhen-Hong Kong Stock Connect mechanism, the Shanghai-London Stock Connect mechanism, the cross-border Exchange-Traded Fund (ETF) exchange mechanism, and China-Europe financial cooperation.

On 18th June, CSRC announced the approval of JPMorgan's application to operate the first fully foreign-owned futures business in China.

On 23rd June, the PBoC issued RMB10 billion RMB-denominated central bank bills in Hong Kong, with a term of six months and a rate of 2.21%. The issuance was well received by overseas investors, with the total bid amount exceeding RMB34 billion, or 3.4 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.

On 29th June, the PBoC, the Hong Kong Monetary Authority and the Monetary Authority of Macao implemented the cross-border wealth management connect pilot scheme in the Greater Bay Area (GBA).

On 16th July, the PBoC governor Yi Gang wrote an opinion piece in the Financial Times stating that an issuance of SDRs – the IMF's internal monetary unit – is needed to help countries to contend with the COVID-19 pandemic.

On 19th July, the PBoC and CSRC approved interconnectivity cooperation between relevant infrastructure institutions in the interbank bond market and the exchange-traded bond market. Infrastructure institutions, such as bond registration, custody and settlement institutions in the interbank bond market and the exchange-traded bond market, may jointly provide issuers and investors with bond issuance, registration, custody, clearing, settlement, interest payment and redemption services.

Up to July 2020, 4,325 companies have benefited from a cross-border financial blockchain platform launched by SAFE, among them 75% were SMEs. Specialising in blockchain technology to deal with cross-border financing issues, mainly for banks and SMEs, the platform can reduce heavy work of printing documents and manual submissions for enterprises and the risk of financing for banks. It was launched in 2019 as pilot and then was expanded nationwide. By the end of July 2020, more than 250 banks had joined the platform. They handled 41,679 loans totalling to USD38.78 billion.

On 3rd August, the PBoC held the video conference on work in H2 2020. It was stressed during the conference that the financial opening-up will be advanced in a prudent and orderly manner in H2 2020. The PBoC would continue to implement existing financial opening-up policies and fully implement the pre-establishment national treatment and negative list management systems. They would promote RMB internationalisation and capital account convertibility in an active and prudent way and unify foreign exchange administration policies for the opening-up of the bond market.

On 13th August, the PBoC issued two sets of RMB-denominated central bank bills in Hong Kong, including RMB20 billion three-month bills and RMB10 billion one-year bills, both with a rate of 2.70%. The issuance was well received by overseas investors, with a total bid amount around RMB62.4 billion, nearly 2.1 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.

On 13th August, the PBoC released 2020 RMB Internationalisation Report. The report covers a wide range involved in the performance of international use of the RMB from all aspects, relevant policies and reform progress, the status of global major economies, trend outlook and some other main ideas, which contains detailed data and elaborated columns on key issues.

On 26th August, the PBoC held a symposium on facilitating corporate trade and investment with cross-border use of the RMB. Participants of the symposium gave credit to PBoC's cross-border RMB policies and pandemic containment and work resumption measures implemented. The participants including enterprises and banks also shared feedback and suggestions concerning how to improve the use of cross-border RMB; such as, further optimising of cross-border RMB business policies, strengthening the infrastructure for cross-border RMB use, and supporting the growth of offshore RMB markets.

On 28th August, CSRC and the Hong Kong Monetary Authority approved four Exchange-Traded Funds (ETFs) to be listed in Shenzhen and Hong Kong under a new ETF connectivity scheme, which provides Hong Kong and mainland investors with more investment opportunities and product choices through access to each other's market.

On 31st August, the PBoC published the White Paper Participating in International Benchmark Interest Rate Reform and Improving China's Benchmark Interest Rate System. The White Paper gives a comprehensive introduction to China's progress and plan to participate in international benchmark interest rate reform, to summarise the current development of China's benchmark interest rate system, and to study and further promote the soundness of the benchmark interest rate system.

On 2nd September, the PBoC, CSRC, SAFE sought public opinion on the Investment of Overseas Institutional Investors in China's Bond Market.

On 2nd September, Citigroup Inc., announced it received a domestic fund custody license from the CSRC — becoming the first U.S. bank and the first of the top five global custodians to do so. This license allows Citibank (China) to provide custody-related services to both mutual funds and private funds domiciled in China.

On 6th September, President Xi Jinping said "China would remain steadfast in opening its door wider to the world" at China International Finance Annual Forum 2020. China's financial authorities also sent further opening-up signal, and measures like revised rules on qualified foreign institutional investors, expanding the scope of investments allowed in the Stock Connect program link with Hong Kong.

On 14th September, the National Interbank Funding Centre, China Central Depository & Clearing Co and Shanghai Clearing House announced the extension of bond trading until 8:00 p.m. (1200 GMT) by three hours from 21st September, helping foreign investors and boosting further opening China's capital markets.

On 21st September, the PBoC and SAFE sought the public's opinion on the Fund Management Regulations of investment of Overseas Institutional Investors in China's Bond Market (Draft). It will relax the limits on cross-border capital flows and further open up the onshore bond market to foreign institutions.

On 21st September, Hong Kong's CSOP Asset Management and ICBC Wealth Management listed the ICBC CSOP FTSE Chinese Government Bond Index ETF on the Singapore Exchange. The ETF has gathered subscribers' interest with nearly USD700 million in assets under management (AUM) drawn from both institutional and retail investors.

On 23rd September, SAFE released the latest data showed that it had granted USD3.36 billion quotas to 18 institutions under its outbound Qualified Domestic Institutional Investor (QDII) scheme since April 2019.

On 24th September, global index provider FTSE Russell announced to add Chinese government bonds (CGBs) to its flagship World Government Bond Index (WGBI) next year. The inclusion is scheduled for October 2021.

On 24th September, the PBoC issued RMB10 billion RMB-denominated central bank bills in Hong Kong, with a term of six months and a rate of 2.68%. The issuance was well received by overseas investors, with a total bid amount exceeding RMB35 billion, about 3.6 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.

On 25th September, CSRC, PBoC and SAFE release the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors. The policy, which will take effect on 1st November, 2020, combines the QFII and RQFII into a single 'qualified foreign investor' regime, aiming to further ease foreign access to China's capital markets.

Appendix I

List of Dim Sum Bond (RMB Bond) Issuance in London

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
FIRST ABU DHABI BANK P.J.S.C.	189,000,000	3.50	15/07/2020	15/07/2025
QNB FINANCE LIMITED	1,200,000,000	3.85	10/07/2020	10/07/2025
FIRST ABU DHABI BANK P.J.S.C.	200,000,000	3.30	02/07/2020	02/07/2025
FIRST ABU DHABI BANK P.J.S.C.	1,400,000,000	3.50	02/07/2020	02/07/2025
QNB FINANCE LIMITED	1,200,000,000	3.80	17/06/2020	17/06/2025
QNB FINANCE LIMITED	235,000,000	3.90	17/06/2020	17/06/2025
FIRST ABU DHABI BANK P.J.S.C.	350,000,000	3.10	12/06/2020	12/06/2023
QNB FINANCE LIMITED	445,000,000	3.60	05/06/2020	05/06/2025
NATWEST MARKETS PLC	40,000,000	3.50	04/06/2020	04/06/2023
NATWEST MARKETS PLC	75,000,000	3.46	27/05/2020	27/05/2023
QNB FINANCE LIMITED	130,000,000	4.00	06/05/2020	05/05/2025
QNB FINANCE LIMITED	250,000,000	4.08	24/04/2020	24/04/2025
WELLS FARGO FINANCE LLC	100,000,000	4.05	07/04/2020	07/04/2025
WELLS FARGO FINANCE LLC	70,000,000	4.00	07/04/2020	06/04/2025
WELLS FARGO BANK N.A.	100,000,000	3.95	07/04/2020	06/04/2025
WELLS FARGO FINANCE LLC	70,000,000	4.35	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	260,000,000	4.22	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	200,000,000	4.30	02/04/2020	01/04/2025
WELLS FARGO FINANCE LLC	100,000,000	3.15	25/03/2020	25/03/2023
WELLS FARGO & COMPANY	145,000,000	2.72	13/03/2020	12/03/2027
QNB FINANCE LIMITED	200,000,000	3.32	11/03/2020	11/03/2025
QNB FINANCE LIMITED	200,000,000	3.35	11/03/2020	11/03/2027
FIRST ABU DHABI BANK P.J.S.C.	139,000,000	3.35	13/02/2020	13/02/2025
COMMONWEALTH BANK OF AUSTRALIA	200,000,000	3.26	22/01/2020	22/01/2025
QNB FINANCE LIMITED	500,000,000	4.00	21/01/2020	21/01/2030
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1,000,000,000	2.60	15/01/2020	15/01/2023
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1,110,000,000	2.60	15/01/2020	15/01/2023
QNB FINANCE LIMITED	135,000,000	3.91	14/01/2020	14/01/2025
QNB FINANCE LIMITED	219,000,000	3.89	10/01/2020	10/01/2025
NATWEST MARKETS PLC	35,000,000	3.48	31/12/2019	31/12/2024
FIRST ABU DHABI BANK P.J.S.C.	150,000,000	3.50	12/12/2019	12/12/2024
QNB FINANCE LIMITED	350,000,000	4.05	04/12/2019	04/12/2026
FIRST ABU DHABI BANK P.J.S.C.	240,000,000	3.50	29/11/2019	29/11/2024

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	200,000,000	3.21	21/11/2019	21/11/2024
FIRST ABU DHABI BANK P.J.S.C.	458,000,000	3.42	20/11/2019	20/11/2024
QNB FINANCE LIMITED	140,000,000	3.57	13/11/2019	13/11/2021
AGRICULTURAL DEVELOPMENT BANK OF CHINA	4,500,000,000	3.40	07/11/2019	06/11/2024
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2,500,000,000	3.18	07/11/2019	06/11/2022
NATWEST MARKETS PLC	200,000,000	3.69	05/11/2019	05/11/2024
FIRST ABU DHABI BANK P.J.S.C.	845,000,000	3.22	23/10/2019	23/10/2024
QNB FINANCE LIMITED	165,000,000	3.60	22/10/2019	22/10/2024
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	490,000,000	2.44	19/09/2019	19/09/2022
FIRST ABU DHABI BANK P.J.S.C.	140,000,000	3.44	19/09/2019	19/09/2024
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	700,000,000	2.32	03/09/2019	03/09/2022
LLOYDS BANK PLC	200,000,000	3.31	03/09/2019	03/09/2024
COMMONWEALTH BANK OF AUSTRALIA	200,000,000	3.05	01/08/2019	01/08/2022
QNB FINANCE LIMITED	155,000,000	3.82	03/07/2019	03/07/2024
QNB FINANCE LIMITED	140,000,000	4.30	20/06/2019	20/06/2024
LLOYDS BANK PLC	70,000,000	3.45	19/06/2019	19/06/2022
WESTPAC BANKING CORPORATION	140,000,000	3.60	18/06/2019	18/06/2026
NATWEST MARKETS PLC	108,000,000	4.35	10/06/2019	10/06/2024
NATWEST MARKETS PLC	105,000,000	4.39	10/06/2019	10/06/2024
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1,000,000,000	3.23	30/05/2019	29/05/2022
HITACHI CAPITAL (UK) PLC	100,000,000	3.65	08/05/2019	08/05/2023
QNB FINANCE LIMITED	200,000,000	3.80	25/04/2019	25/04/2022
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	150,000,000	3.54	24/04/2019	24/04/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140,000,000	3.47	23/04/2019	23/04/2022
QNB FINANCE LIMITED	100,000,000	4.18	29/03/2019	28/03/2024
WESTPAC BANKING CORPORATION	150,000,000	3.68	27/03/2019	27/03/2024
FIRST ABU DHABI BANK P.J.S.C.	140,000,000	3.96	26/03/2019	26/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	135,000,000	3.68	25/03/2019	25/03/2024
WESTPAC BANKING CORPORATION	150,000,000	3.67	22/03/2019	22/03/2024
NATWEST MARKETS PLC	40,000,000	4.62	20/03/2019	20/03/2024
FIRST ABU DHABI BANK P.J.S.C.	300,000,000	4.00	19/03/2019	19/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	300,000,000	3.70	18/03/2019	18/03/2024
COMMONWEALTH BANK OF AUSTRALIA	250,000,000	3.81	11/03/2019	11/03/2024
COMMONWEALTH BANK OF AUSTRALIA	150,000,000	3.81	05/03/2019	05/03/2024
WESTPAC BANKING CORPORATION	150,000,000	3.76	04/03/2019	04/03/2024
QNB FINANCE LIMITED	135,000,000	3.93	28/02/2019	28/02/2021
FIRST ABU DHABI BANK P.J.S.C.	200,000,000	4.12	11/02/2019	11/02/2024
QNB FINANCE LIMITED	500,000,000	4.35	29/01/2019	29/01/2022

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
QNB FINANCE LIMITED	135,000,000	4.60	23/01/2019	23/01/2024
HITACHI CAPITAL (UK) PLC	200,000,000	4.75	29/10/2018	29/04/2022
WESTPAC BANKING CORPORATION	200,000,000	4.70	12/10/2018	12/10/2022
HITACHI CAPITAL (UK) PLC	600,000,000	4.60	27/09/2018	27/09/2021
ROYAL BANK OF CANADA	140,000,000	4.30	20/09/2018	20/09/2020
BANK OF MONTREAL	200,000,000	4.53	19/09/2018	19/09/2021
BANK OF MONTREAL	155,000,000	4.72	19/09/2018	19/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	270,000,000	4.80	14/09/2018	14/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140,000,000	4.61	13/09/2018	13/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	145,000,000	4.62	11/09/2018	11/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	137,000,000	4.60	11/09/2018	11/09/2023
FIRST ABU DHABI BANK P.J.S.C.	650,000,000	4.50	10/09/2018	10/09/2021
ROYAL BANK OF CANADA	160,000,000	4.48	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	190,000,000	4.60	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	160,000,000	4.62	07/09/2018	07/09/2023
COMMONWEALTH BANK OF AUSTRALIA	80,000,000	4.52	07/09/2018	07/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140,000,000	4.60	04/09/2018	04/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140,000,000	4.30	24/08/2018	24/08/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	138,000,000	4.63	24/08/2018	24/08/2023
WESTPAC BANKING CORPORATION	270,000,000	4.65	23/08/2018	23/08/2023
WESTPAC BANKING CORPORATION	140,000,000	4.35	15/08/2018	15/08/2023
WESTPAC BANKING CORPORATION	627,000,000	4.42	14/08/2018	14/08/2023
WESTPAC BANKING CORPORATION	140,000,000	4.51	01/08/2018	01/08/2028
ROYAL BANK OF CANADA	135,000,000	4.30	17/07/2018	17/07/2023
QNB FINANCE LIMITED	142,000,000	5.32	05/07/2018	06/07/2021
QNB FINANCE LIMITED	1,250,000,000	5.25	21/06/2018	21/06/2021
QNB FINANCE LIMITED	600,000,000	5.20	07/06/2018	07/06/2021
FIRST ABU DHABI BANK P.J.S.C.	1,100,000,000	4.80	01/06/2018	01/06/2021
WESTPAC BANKING CORPORATION	200,000,000	4.77	30/05/2018	30/05/2023
CREDIT AGRICOLE CORP & INV BANK	200,000,000	4.72	29/05/2018	29/05/2023
QNB FINANCE LIMITED	1,000,000,000	5.10	14/05/2018	14/05/2021
COMMONWEALTH BANK OF AUSTRALIA	340,000,000	4.62	26/04/2018	26/04/2023
FIRST ABU DHABI BANK P.J.S.C.	900,000,000	4.80	29/03/2018	29/03/2021
QNB FINANCE LIMITED	200,000,000	5.50	20/03/2018	20/03/2021
HITACHI CAPITAL (UK) PLC	80,000,000	4.78	16/03/2018	16/04/2021
QNB FINANCE LIMITED	750,000,000	5.10	09/03/2018	08/03/2021
HITACHI CAPITAL (UK) PLC	50,000,000	4.60	27/02/2018	22/02/2022
COMMONWEALTH BANK OF AUSTRALIA	64,000,000	4.39	30/01/2018	30/01/2021
CREDIT AGRICOLE CORP & INV BANK	50,000,000	4.55	29/01/2018	29/01/2021

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
WESTPAC BANKING CORPORATION	500,000,000	4.35	19/01/2018	19/01/2021
FIRST ABU DHABI BANK P.J.S.C.	110,000,000	4.60	30/11/2017	30/11/2020
INTERNATIONAL FINANCE CORPORATION	19,000,000	3.90	13/11/2017	13/11/2020
HITACHI CAPITAL (UK) PLC	500,000,000	4.50	09/11/2017	09/10/2020
COMMONWEALTH BANK OF AUSTRALIA	1,500,000,000	4.20	26/10/2017	26/10/2020
HITACHI CAPITAL (UK) PLC	184,000,000	4.40	13/10/2017	13/10/2020
INTERNATIONAL FINANCE CORPORATION	75,000,000	3.91	11/10/2017	11/10/2022
ROYAL BANK OF CANADA	900,000,000	4.25	29/09/2017	29/09/2020
LLOYDS BANK PLC	30,000,000	5.23	31/03/2017	31/03/2022
COMMONWEALTH BANK OF AUSTRALIA	70,000,000	5.81	18/01/2017	18/01/2022
COMMONWEALTH BANK OF AUSTRALIA	120,000,000	4.65	07/12/2016	07/12/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	130,000,000	4.35	23/11/2016	23/11/2021
COMMONWEALTH BANK OF AUSTRALIA	90,000,000	4.06	02/11/2016	02/11/2021
WESTPAC BANKING CORPORATION	130,000,000	4.19	12/05/2016	12/05/2021
COMMONWEALTH BANK OF AUSTRALIA	180,000,000	5.07	07/03/2016	07/03/2021
CREDIT AGRICOLE CORP & INV BANK	50,000,000	4.20	05/08/2015	05/08/2020
LLOYDS BANK PLC	54,000,000	4.53	24/07/2015	24/07/2025
CHINA DEVELOPMENT BANK	900,000,000	4.35	10/10/2014	19/09/2024
LLOYDS BANK PLC	200,000,000	4.62	17/01/2014	17/01/2024
LLOYDS BANK PLC	100,000,000	4.61	24/09/2012	24/09/2022

Appendix II

Summary of Bond Issuance by Oversea Issuers in China Interbank Bond Market

Type of issuer		Registration Amount (bn)	Issued Amount (bn)	Outstanding Amount (bn)	Issue Number	
International Development Organization	ADB	12	2	0	2	
	AIIB	10	3	3	1	
	IFC	2	2	0	2	
	NDB	13	13	13	5	
	EURASIAN DEVELOPMENT BANK	3	-	-	-	
Governments	ROK	3	3	0	1	
	BC, CANADA	6	4	1	2	
	POLAND	6	3	0	1	
	HUNGARY	3	3	3	2	
	UAE	3	2	2	1	
	SAXONY GERMANY	6	-	0	0	
	PHILIPPINE	7.46	3.96	3.96	2	
	PORTUGAL	5	2	2	1	
	AUSTRIA	7	-	-	-	
	Financial Institutions	HSBC HK	1	1	0	1
BOC HK		10	10	0	2	
STANDARD CHARTERED HK		2	1	0	1	
CHONG HING BANK		3	1.5	0	1	
NATIONAL BANK OF CANADA		5	3.5	0	1	
CITIC BANK INTERNATIONAL		3	3	0	1	
BANK OF MALAYA		6	3	3	3	
MIZUHO BANK		0.5	0.5	0.5	1	
BANK OF TOKYO-MITSUBISI UFJ		3	1	1	1	
ABC INTERNATIONAL		3	3	3	1	
CCB ASIA		6	-	-	-	
WING LUNG BANK		10	-	-	-	
ICBC ASIA		3	-	-	-	
UNITED OVERSEAS BANK		2	2	2	1	
CASSA DEPOSITI E PRESTITI S.P.A		5	1	1	1	
CRÉDIT AGRICOLE		5	1	1	1	
SUMITOMO MITSUI BANKING CORPORATION		2	1	1	1	
STANDARD BANK		5	-	-	-	
Non-financial Institutions		DAIMLER	95	63	33	26
		CHINA MERCHANTS HK	3	0.5	0	1
	CHINA RESOURCES LAND	30	20	18	7	
	SMIC	14	11.6	3	9	
	VEOLIA ENVIRONMENT	25	5	3	6	
	CHINA RESOURCES CEMENT	13.5	3.5	3	2	

Type of issuer	Registration Amount (bn)	Issued Amount (bn)	Outstanding Amount (bn)	Issue Number	
Non-financial Institutions	HENGAN INTERNATIONAL	8	5	3	5
	SINOTEC	12	7	4.5	5
	WHARF	20	6	2	2
	CNTHM	9.5	9.5	5	4
	CHINA MERCHANT PORT	10	4	2.5	2
	GLP	25	9.6	9.6	7
	JOY CITY	10	1	1	1
	CPCED	5	0.8	0	1
	CHINA JINMAO	16	8	5.5	3
	CHINA GAS	14.4	5.8	5.8	4
	HUARONG INTERNATIONAL	3	3	0	1
	COSCO	10	10	8	4
	BOC GROUP INVESTMENT	16	5	5	3
	KUNLUN ENERGY	10	-	-	-
	SHIMAO PROPERTIES	8	-	-	-
	LONGFOR PROPERTIES	8	2	2	2
	SUN HUNG KAI PROPERTIES	10	1.2	1.2	1
	COUNTRY GARDEN	9.5	-	0	0
	CHINA MENGNIU	30	6.5	4.5	6
	CHINA ORIENT INTERNATIONAL ASSET MANAGEMENT LIMITED	2.8	-	0	0
	CHINA WATER AFFAIRS GROUP LIMITED	6	0.2	0.2	1
	HANG LUNG PROPERTIES	10	1	1	1
	AIR LIQUIDE S.A	10	2.2	2.2	2
	YUEXIU TRANSPORT	4.5	2	2	2
	TRAFIGURA GROUP	2.35	2.24	2.24	4
	BEWG	16.5	9	9	7
	WANT WANT CHINA	8	0.5	0	1
	BMW	20	15.5	15.5	8
	CAPITAL ENVIRONMENT	2	0	0	0
	XIAOMI	8	1	1	1
CHINA EVERBRIGHT WATER	3	-	-	-	
CEB GREENTECH	3.5	1	1	1	
Total (RMB Bond)	672.51	296.1	194.2	167	
International Bank for Reconstruction and Development (IBRD)	18.63	4.65	0	1	
	(2 bn SDR)	(0.5 bn SDR)	(0.5 bn SDR)		
Standard Chartered HK	0.93	0.93	0	1	
	(100 M SDR)	(100 M SDR)	(100 M SDR)		
Total (RMB Equivalent)	692.07	301.68	194.2	169	

Appendix II

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, the Cross-Border Inter-Bank Payments System (CIPS) has 984 direct participating banks. Among them, 15 participating banks were from the UK, accounting for 1.52% 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 the UK with a quota of RMB80 billion.

On 10th September, 2019, the 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 Department for International Trade and HM Treasury joining as observer:

Agricultural Bank of China (London branch)
 Bank of China (London branch)
 Bank of Communications (London branch)
 Bank of England
 Bloomberg
 China Central Depository & Clearing Co. (London Representative Office)
 China Construction Bank (London branch), UK RMB Clearing Bank
 China Development Bank (London branch)
 EBS
 EVIA
 HSBC
 IHS Markit
 ICBC Standard Bank
 London Stock Exchange Group
 Martin Brokers
 Ninety One
 PwC
 R5FX
 Shanghai Clearing House (London Representative Office)
 Shanghai Pudong Development Bank (London branch)
 Standard Chartered
 SWIFT
 TheCity UK
 TP ICAP



THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

