



London RMB Business Quarterly

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THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

With thanks to

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R5FX

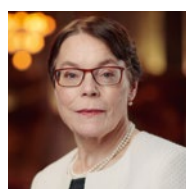
SWIFT

The People's Bank of China (PBoC) Representative Office for Europe

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Foreword

The City of London Corporation is pleased to be working in partnership with the People's Bank of China Representative Office for Europe to present the *London RMB Business Quarterly*. London is the leading offshore RMB trading hub outside of Asia, and this report aims to help us maintain this position, providing an overview of the market for Chinese currency in the City.



Catherine McGuinness

Chair of Policy and Resources
City of London Corporation

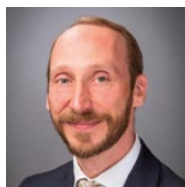
We are very proud of the partnership between the City of London Corporation and the People's Bank of China Representative Office for Europe on the *London RMB Business Quarterly* report. It highlights London's influence as a leader in the RMB offshore market and the PBoC's efforts to develop and sustain the RMB market at home and abroad.

The City of London is home to over 35 Chinese financial and professional services firms which joined the London 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 London 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. The fourth issue of the London RMB Business Quarterly, explore the opportunities for RMB investments along the Belt and Road Initiative.

The London RMB Business Quarterly report serves to contribute to the understanding of the London offshore RMB market, providing most recent data, policies and commentaries from market participants. As well as, promote the healthy and sustainable development of the London offshore RMB market by monitoring and providing feedback to regulatory bodies in both countries for policies improvement.

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



Giles French

External Relations Director,
City of London Corporation



Jin Mei

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

Market Overview



Since the April report, London RMB offshore market has been quite stable, with a slight increase of RMB FX turnover and rapid growth of RMB cross-border settlement.

London RMB Foreign Exchange Market

About 33% of all CNH spot trading on EBS took place during EMEA trading hours in May, 2 percentage point down from previous month. The daily CNH FX trading volume in London averaged GBP78.13 billion in Q1 2019, up 1% from the previous quarter and 30% from Q1 2018.

London RMB Bond Market

By the end of May 2019, there are 101 Dim Sum bonds listed on the London Stock Exchange with an outstanding value of RMB27.63 billion, an average coupon rate of 4.38%.

London RMB Credit Market

In Q1 2019, both RMB deposits and loans in London offshore market continued a downward trend. The balance of RMB deposits at the end of the Q1 2019 totalled 56.66 billion, down 1.15% from the previous quarter and 26.63% from the same period of 2018. At the end of Q1 2019,

the balance of RMB loans was 48.37 billion, down 1.73% and 9.20% from previous quarter and Q1 2018.

London RMB Clearing

From February to May 2019, total clearing volume was RMB2.9 trillion with daily average clearing volume RMB37.13 billion, and accumulated transaction counts stood at 34,633.

RMB Cross-Border Settlement between China and UK

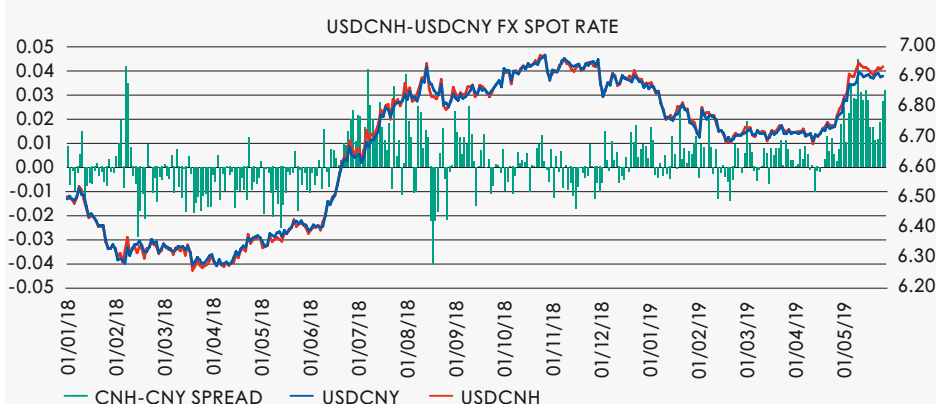
In May, cross-border RMB receipts and payments between China and the UK resumed rapid growth. The total amount of cross-border RMB receipts and payments between China and the UK was approximately RMB55.7 billion, an increase of 86% from the previous report and a YoY increase of 107%.

UK's Rank as Offshore RMB Centre

The UK retained its position of having the largest share of RMB payments outside of greater China. In terms of offshore RMB foreign exchange transactions, the UK ranked No. 1 in May, accounting for 44.46% of the total, more than 8 percentage points higher than last month.

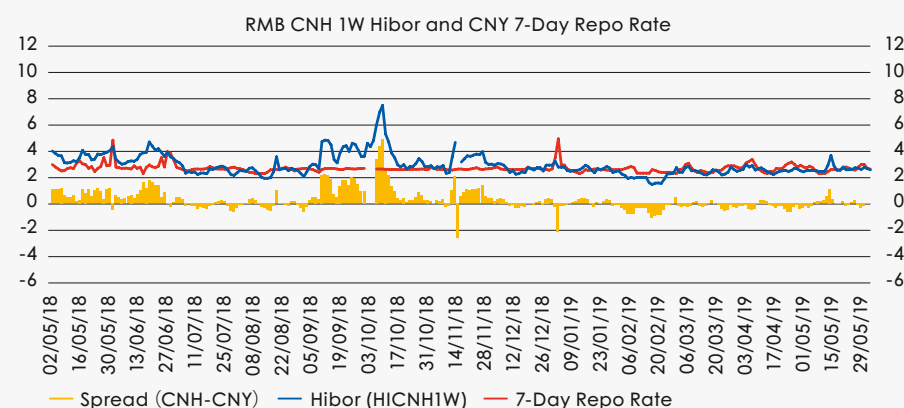
RMB Exchange Rate

The Onshore-Offshore Exchange Rate Differential



RMB Interest Rate

The Onshore-Offshore Interest Rate Spreads



The Term Structure of RMB Offshore and Onshore Interest Rate

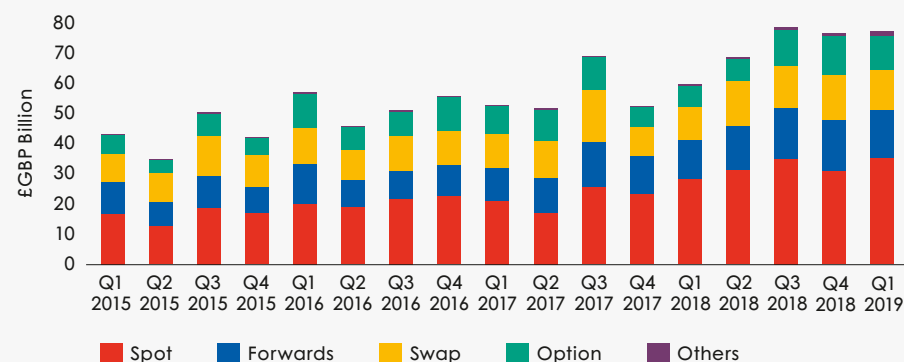


From 1st March to 31st May 2019, the average FX spot rate of USD/CNH in the offshore market was 6.7764, with the USD/CNY onshore rate 6.7663. The spread between the two increased to +101 basis points, while the spread of our last report was +14 basis points. In May, the US government announced an increase in tariffs for Chinese goods and China retaliated accordingly. CNH became weaker against USD since some foreign investors were hedging RMB depreciating risk which brought by the deterioration of trade tension. Chinese authorities reiterate that it is not in China's interest to see RMB depreciation and a trade war will hurt both countries. The RMB FX rate in onshore market is more stable than offshore market.

In Q2 2019, the onshore interest rate is stable with good liquidity condition, while the offshore rate shows an upward trend with tighter liquidity. On 15th May, PBoC issued 20 billion yuan of bills with rate of 3% for 3-months and 3.1% for 1 year in Hong Kong and another 30 billion yuan of bills in June. In addition, Ministry of Finance also issued CNH government bond of RMB5 billion in Hong Kong on 20th June. To compare the interest rate of CNH and CNY, the spread fluctuated between -65.6bps and 110.4bps during Q2 2019, due to the liquidity movement and compressed room of arbitrage.

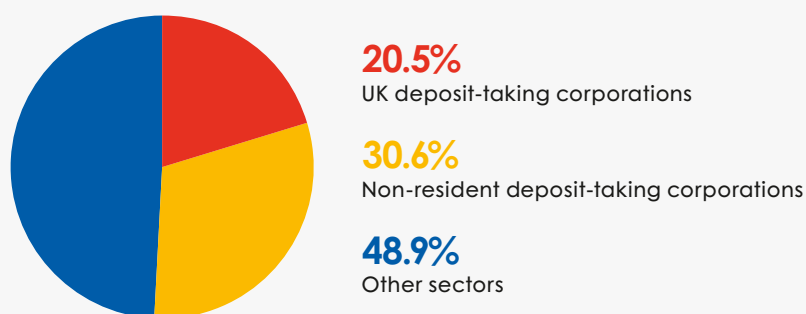
London RMB Foreign Exchange Market

Average Daily Turnover of RMB FX in London



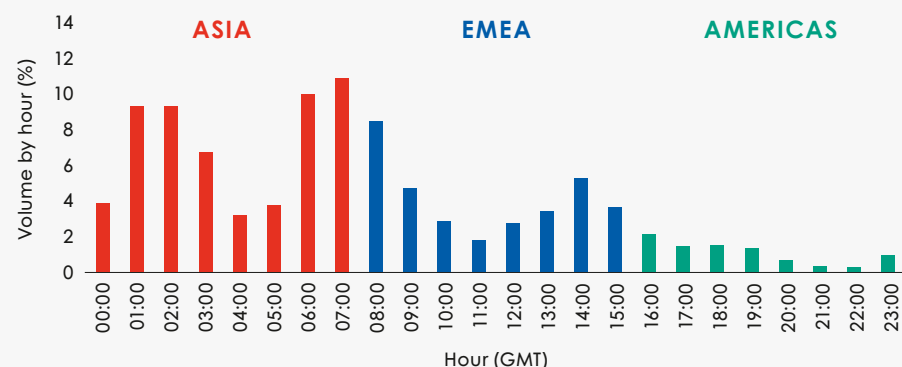
Source: Bank of England (BoE)

RMB FX Turnover by Counterpart Sector



Source: BoE

Spot CNH Volume Distributions by Hour on EBS



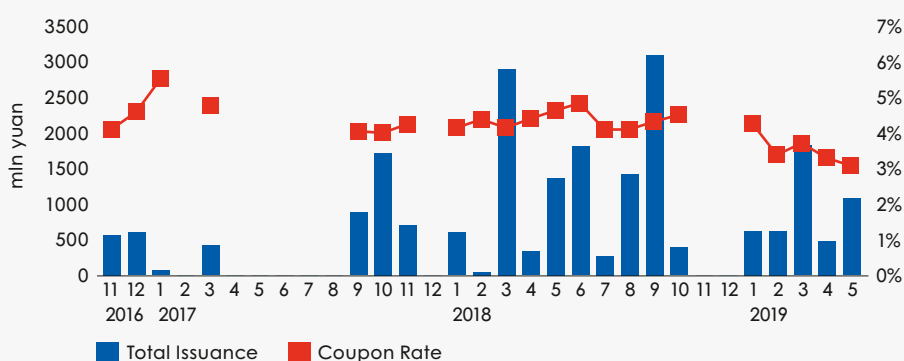
Source: EBS

Average daily trading volume of London's offshore RMB was GBP78.13 billion in Q1 2019, up 1% from the previous quarter and 30% from Q1 2018. From the perspective of counterparty distribution, the average daily trading volume of UK deposit-taking corporations was GBP16 billion, accounting for 20.5%; the average daily trading volume of non-resident deposit taking corporations was GBP23.89 billion, accounting for 30.6%; other financial institutions traded GBP38.22 billion, accounting for 48.9%.

In May, the proportion of the offshore RMB FX trading in London market decreased slightly from last month. Trading data from EBS revealed that the proportion of spot CNH trading volume in EMEA trading hours was 33% in May, 2% down from previous month. Specifically, Asia, EMEA and Americas trading hours registered 58%, 33% and 9% respectively of total CNH spot trading volumes, compared with a distribution of 59%, 35% and 5% in the previous month, and 50%, 38% and 12% a year ago.

London RMB Bond Market

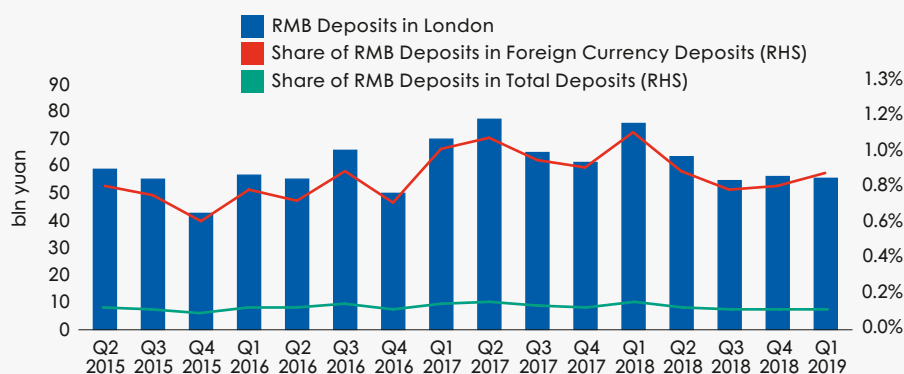
Dim Sum Bond Issuance and Coupon Rate



Source: LSE

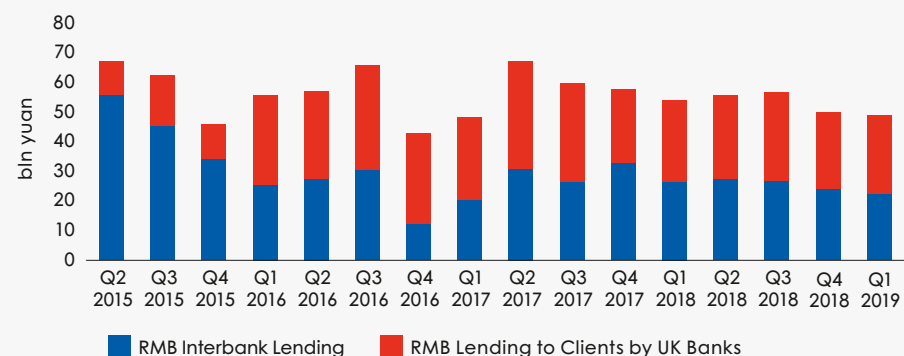
London RMB Credit Market

RMB Deposits in London



Source: BoE

RMB Lending in London



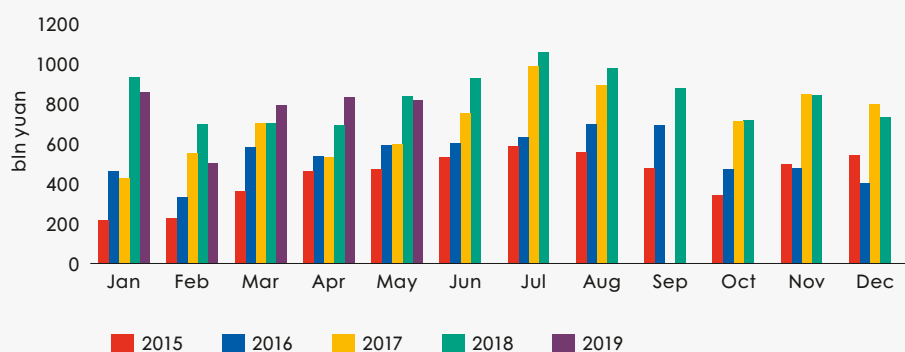
Source: BoE

In May, two Dim Sum bonds were newly listed on the London Stock Exchange, with a total issuance size of RMB1.1 billion and an average coupon rate of 3.44%. At the end of May 2019, there are 101 Dim Sum bonds listed on the London Stock Exchange with an outstanding value of RMB27.63 billion, an average coupon rate of 4.38%. The London Dim Sum bond market has been more active in 2019, than over the same period in 2018. There were eight more Dim Sum bonds issued in the first five months of this year than last year. The value of new Dim Sum bonds issued in the first five months of 2019 increased by RMB1.26 billion from the same period of 2018, a rise of 36.4%.

In Q1 2019, both RMB deposits and loans in London offshore market continued a downward trend. The balance of RMB deposits at the end of the Q1 2019 totalled 56.66 billion, down 1.15% from the previous quarter and 26.63% from Q1 2018. As of the end of Q1 2019, the balance of RMB loans was 48.37 billion, down 1.73% from the previous quarter and 9.20% from Q1 2018.

London RMB Clearing

Clearing Volume of UK Clearing Bank

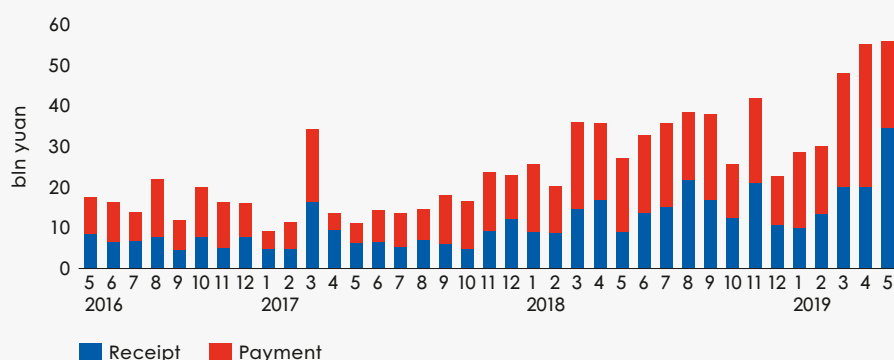


Source: CCB London Branch

Between February to May 2019, total clearing volume was RMB2.9 trillion with daily average clearing volume RMB37.13 billion, and accumulated transaction counts stood at 34,633. By the end of May 2019, the cumulative total RMB clearing volume reached RMB35.03 trillion since China Construction Bank London Branch obtained its authorization to become the RMB clearing bank in the UK in June 2014, and the Bank remains the largest clearing bank outside Asia.

China-UK RMB Cross-Border Settlement

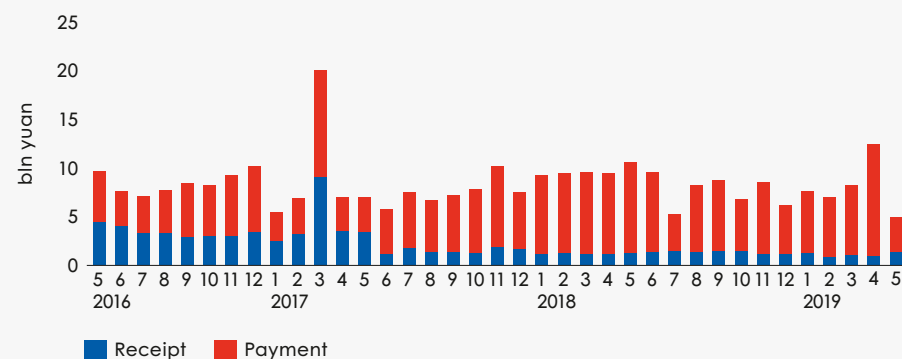
China-UK Cross-Border RMB Payment and Receipt



Source: PBoC

In May, cross-border RMB receipts and payments between China and the UK resumed rapid growth. The total amount of cross-border RMB receipts and payments between China and the UK was approximately RMB55.7 billion, an increase of 86% from the previous report and a YoY increase of 107%.

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

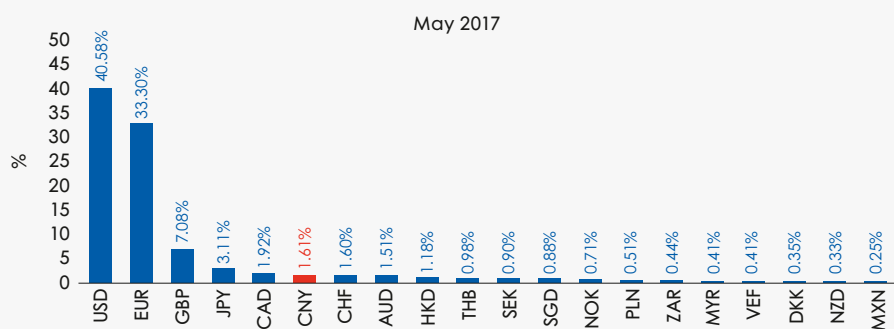


Source: PBoC

By the end of May, the total amount of cross-border RMB transactions between China and the UK in 2019 amounted to RMB216.6 billion, an increase of 51% YoY. Among them, cross-border RMB receipts were about RMB96.6 billion, and payments RMB120 billion. The payments were higher than receipts, and RMB23.4 billion flowed into the UK. Cross-border RMB settlement of Sino-British bilateral goods trade was about RMB39.8 billion, accounting for 18% of the total amount of receipts and payments, and 17.8% of the total import and export volume between China and the UK during the same period.

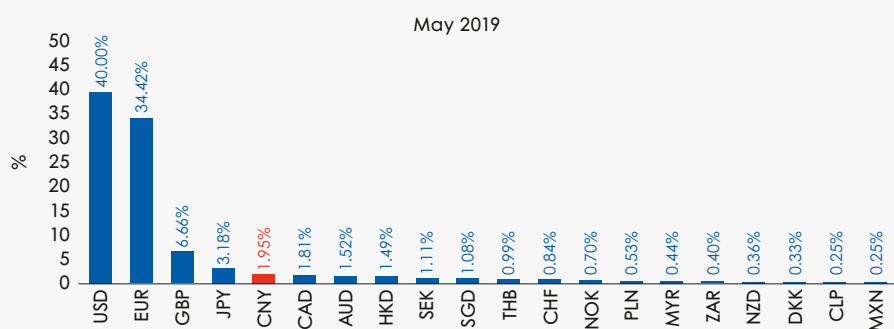
The International Status of the London Offshore RMB Market

RMB's share as a domestic and international payments currency



Source: Watch – Powered by SWIFT BI

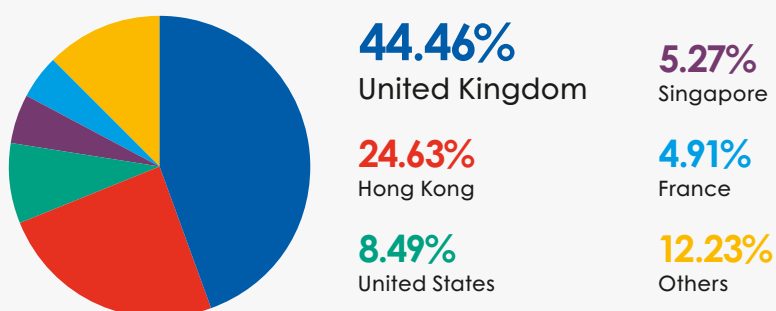
RMB's share as a domestic and international payments currency



Source: Watch – Powered by SWIFT BI

According to SWIFT, RMB's share as a domestic and international payments currency (customer initiated and institutional payments) in May 2019 was 1.95%, slightly up from April. The RMB ranks fifth as a global payment currency, up one place compared to May 2017. The UK retained its position of having the largest share of RMB payments outside greater China. The top three countries or regions conducting FX transactions in RMB in May 2019 were the United Kingdom, Hong Kong and the United States. The United Kingdom accounted for 44.46% of the total, more than 8 percentage points higher than last month.

Top Countries (Regions) FX Transaction in RMB



Source: Watch – Powered by SWIFT BI

Industry Update

London, the most international financial centre in the world,
is on hand to facilitate Belt and Road Initiative
Catherine McGuinness – Chair of Policy and Resources,
City of London Corporation

Belt and Road: UK on the Map

Since it was announced back in 2013, the Belt and Road Initiative (BRI) has moved from a concept on the drawing board, to the reality of roads, rail tracks and ports. There is a growing awareness of deals and opportunities in China and across BRI countries, as well as the potential rewards available for private sector players across the globe.

While the BRI may be a Chinese concept, it's clear the success of the initiative is dependent on the participation of international players, but more importantly, the inclusion of international standards in projects.

As a world leading international financial centre, the UK is well placed to become the natural western hub of the BRI, thanks to the depth and breadth of our financial services sector and our hundreds of years of expertise. Whether in green finance, rule of law, construction or consultancy the UK has the skills and expertise to ensure the BRI truly becomes a sustainable success and the project of the 21st century. We also have the capital to help make it a reality, owing to our position as a centre for innovative financing products and foreign exchange, with 40% of all currency traded flowing through London.

“As a world leading international financial centre, the UK is well placed to become the natural western hub of the BRI, thanks to the depth and breadth of our financial services sector and our hundreds of years of expertise.”

London and the UK: A Global Marketplace for Belt and Road Financing Solutions

The City of London Corporation, alongside many of our partners here in the City and across the UK, is supportive of the aspirations of the BRI.

The UK, with a concentration of 250 foreign banks, is a natural financing hub for BRI investments¹. At the 10th UK-China Economic and Financial Dialogue (EFD) held recently, both sides recognised the unrivalled depth and liquidity of London's market will help supporting RMB internationalisation. They also acknowledged the City Corporation's effort to establish a set of Green Investment Principles (GIP) through the UK's Green Finance Institute (GFI) and China's Green Finance Committee (GFC). The GIP, backed by 28 global firms, is a step in a journey to encourage green investment along the Belt and Road. Its operational guidelines are being developed so we can carry on this journey.

The London ecosystem is the home to green investors as well as international standard setters like the Climate Bonds Initiative, who are working to mobilise the USD100 trillion bond market for climate change solutions. The sustainable standards and solutions offered by the London environment have resulted in a global bank like Agricultural Bank of China becoming the first Chinese bank to issue and list a green bond in London, in 2015.

¹ <https://www.theglobalcity.uk/PositiveWebsite/media/Research-reports/uk-banking-factsheet.pdf>

The issuance of RMB-dominated bonds is closely related to London's offer for sustainable financing for BRI projects. London's role as the leading RMB clearing centre outside of Greater China provides a comprehensive eco-system that supports potential issuers to its bond market. This is evident through landmark issuance such as being the destination for the first ever Chinese sovereign RMB bond outside China in 2016, when the Chinese government issued an RMB bond worth RMB3 billion here in London.

Currently, there are 104 Dim Sum bonds listed on London Stock Exchange's markets with a combined amount of over RMB38.9 billion². Notable issuers of renminbi-denominated bonds on London Stock Exchange include HSBC, Lloyds Bank, Morgan Stanley, First Gulf Bank P.J.S.C and Royal Bank of Canada.

London Stock Exchange, which provides listing infrastructure for issuers on Belt and Road, has USD1.4 trillion market valuation in total. There are about 290 companies from 41 sectors and 38 countries on Belt and Road represented on the Exchange. With 11 Renminbi Qualified Foreign Institutional Investor Exchange-Traded Funds (ETFs) on the Exchange, it gives direct exposure to China's equity and debt markets³. With the infrastructure and connectivity in place, the City of London Corporation hopes there will be an increasingly wider range of companies looking at London in particular to issue RMB denominated debt securities, with a steadily growing pool of capital ready to absorb a higher level of dim sum bond issuance.

Our Commitment to Support RMB Internationalisation

At the City Corporation, we want to see London remain as the leading RMB clearing centre outside of Greater China and promoting international cooperation with third country for BRI projects. Our London RMB Market Monitoring Group, coupled with the work delivered by GFI-GFC taskforce, help encouraging RMB internationalisation effort through BRI projects. London has played a major role helping companies on the Belt and Road to access international capital and this will continue. The successes that London has achieved show that international investors have great confidence in London's role as the gateway to global capital markets as well a leading centre for RMB clearing.

² <https://www.lseg.com/sites/default/files/content/documents/20170105%20RMB%20bonds%20factsheet.pdf>

³ <https://www.lseg.com/markets-products-and-services/our-markets/london-stock-exchange/belt-and-road-initiative-bri>

Industry Update

A Changing Nation: The Effects of Globalisation on China

Laetitia Moncarz – Director Payments Markets, ASEAN Region, SWIFT

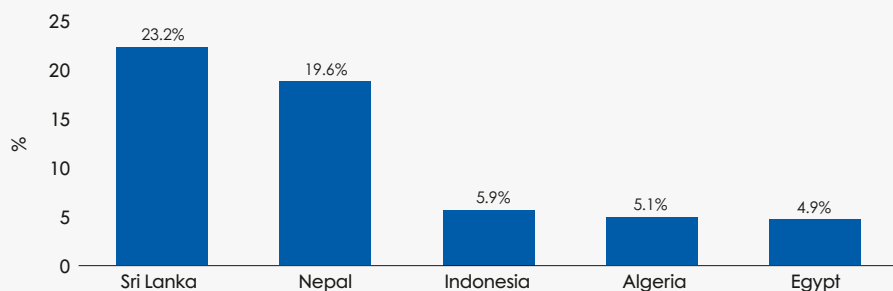
China's Belt and Road Initiative (BRI) is an ambitious project designed to improve trade routes between Asia, Africa, and Europe, involves multiple infrastructure projects and bilateral trade arrangements. Payment flows have been bolstered by the BRI and the modernisation of payment systems.

While the increase has been uneven across the regions, there has been a surge in the growth of payments along the "Silk Road Economic Belt" between 2012 and 2018. For instance, Hungary, Turkey and Uzbekistan have enjoyed increases of 242%, 35% and 170% respectively, according to SWIFT data. In South East Asia, Singapore has experienced payment traffic growth with China of 231% and Thailand, Vietnam and Indonesia continue to reap benefits from the BRI.

Import letter of credit grew rapidly due to huge increase of import and export within the region. Chinese import and exports to these countries achieved an unparalleled RMB16.8 trillion in the first three quarters of 2018⁴, while the Import Letter of Credit growth in these regions (notably in Sri Lanka, Nepal, and Indonesia) were also the highest in the same year.

Top countries with the Highest Growth for Import Letter of Credit

FY 2018 Live, delivered international MT 700s sent

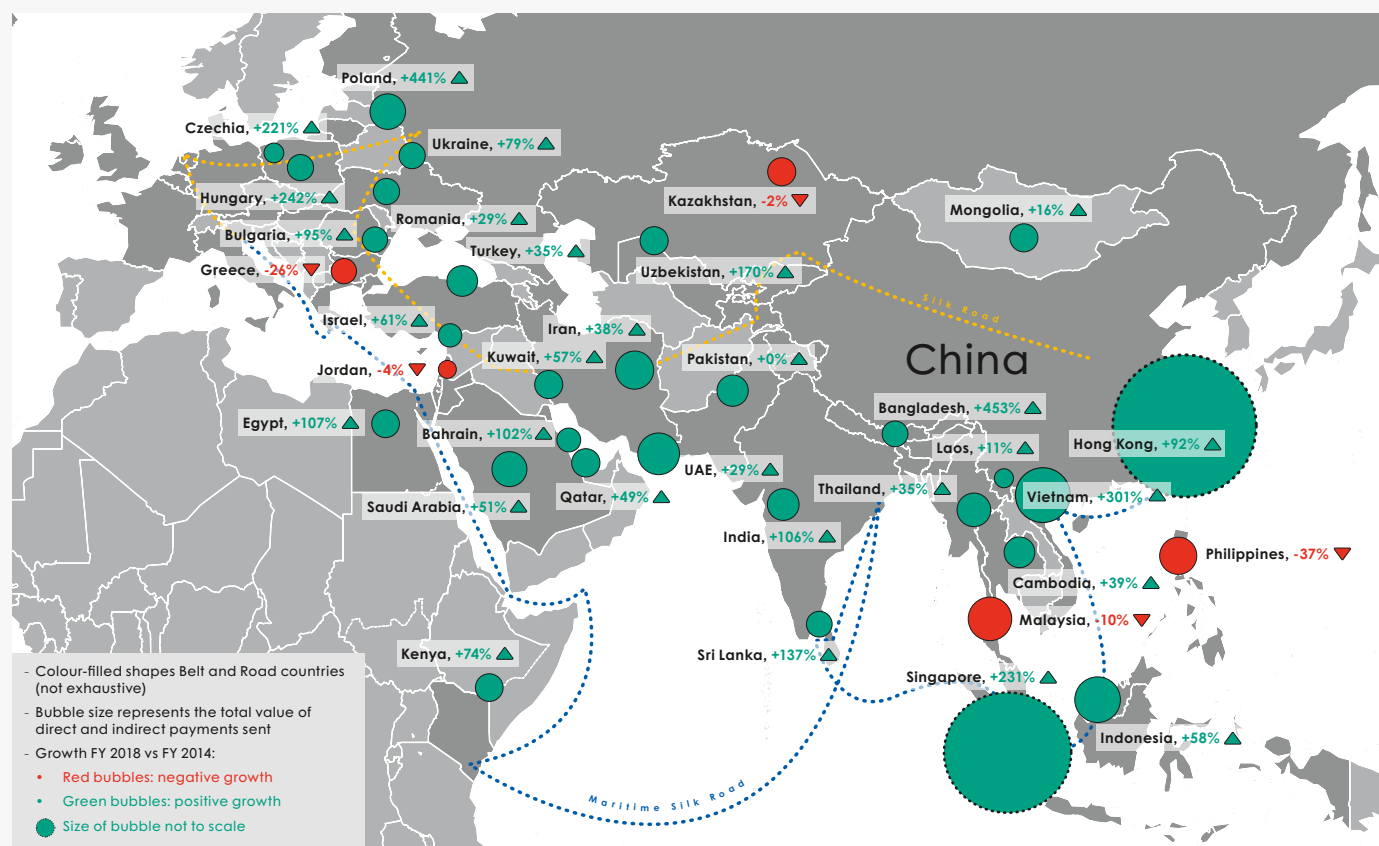


Source: Watch – Powered by SWIFT BI

⁴<https://markets.businessinsider.com/news/stocks/chinese-exports-to-bri-countries-reach-us-9-63-billion-at-124th-canton-fair-1027750176>

Payments flows along the Belt & Road countries

Live and delivered, international MT 103 and 202, by value between China and Belt and road countries. All currencies, excluding central banks traffic.



Source: Watch – Powered by SWIFT BI

While the BRI has been instrumental in linking economies, China has also been launching local infrastructure projects. One example is the Greater Bay Area (GBA) which unites the special administrative regions of Hong Kong and Macau with nine mainland Chinese mega-cities, transforming the GBA into an integrated economic and business hub that is expected to rival Silicon Valley by 2035.

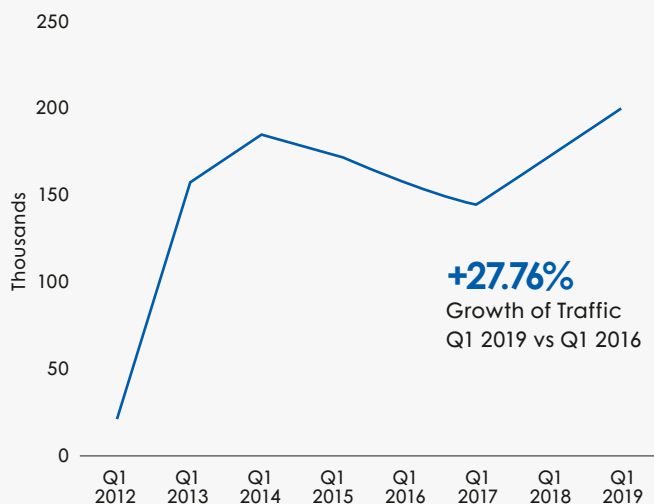
Another potential growth area is Africa. China is currently Africa's largest trading partner and the top investor in its markets. The pace of this investment has accelerated in recent years with investments from China mainly covering loans for infrastructure developments. These developments have improved trade between Africa and China by about 30% over the last 10 years according to some experts⁵. Moreover, analysis of Q1 2019 SWIFT transaction showed that commercial payments between Africa and China enjoyed a healthy growth of 27.76% and 67.05% respectively.

⁵ <https://asia.nikkei.com/Economy/Trade-war/China-turns-to-Africa-to-mitigate-impact-of-US-trade-war>

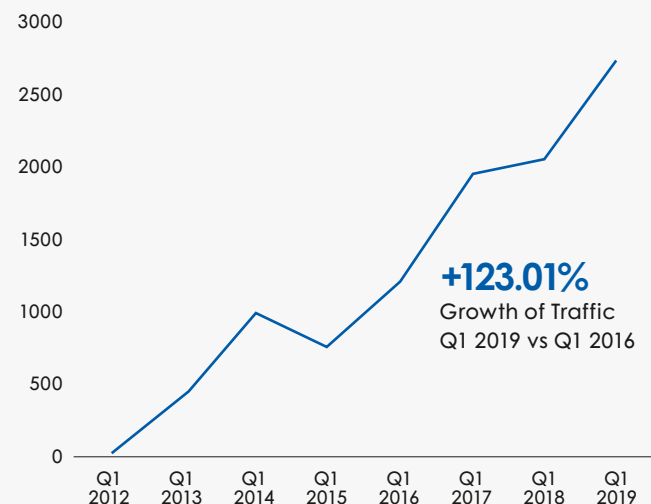
Commercial payments from Africa ending in China

Live and delivered, international MT 103 sent from Africa

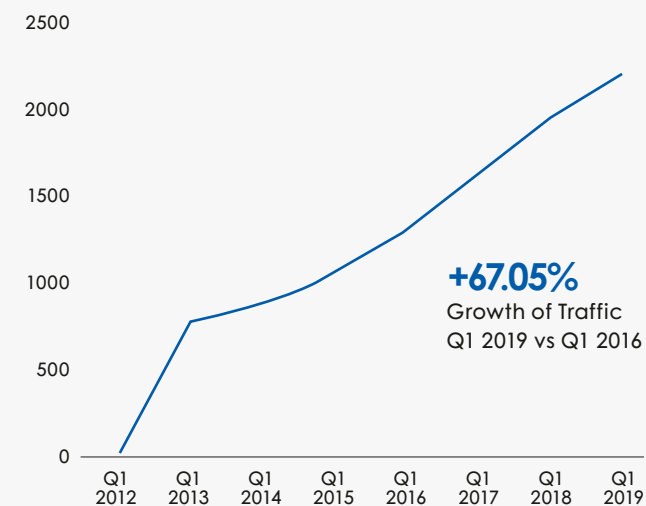
Traffic sent from Africa (all currencies)



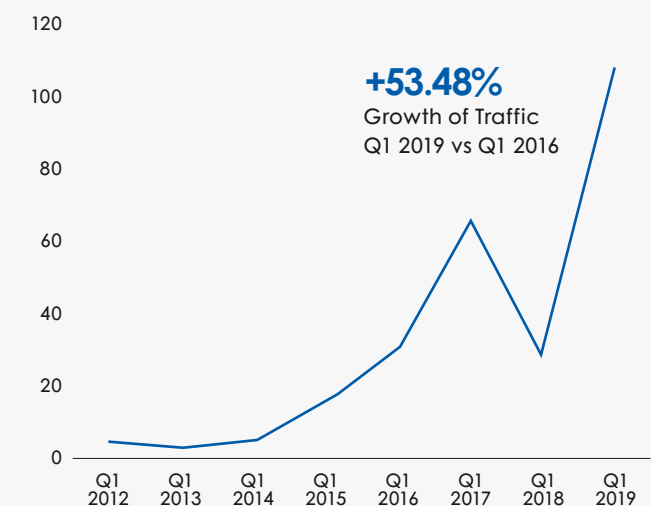
Traffic sent from Africa (in RMB)



Traffic sent from China (all currencies)



Traffic sent from China (in RMB)



Source: Watch – Powered by SWIFT BI

SWIFT is pivotal in supporting this growth by providing the connectivity, reach and value-added services that financial institutions need to thrive in these areas. SWIFT's community engagement and standardisation has helped these institutions to operate efficiently and grow their businesses. Further investments into these regions are expected to continue over the next few years as economic benefits are reaped by both China and the participating countries on the BRI.

Industry Update

RMB Payment and Clearing Along the Belt and Road Countries

China Construction Bank London Branch

China's Belt and Road Initiative (BRI) links the Asia-Pacific economic circle with the European economic circle, aiming to promote economic development by expanding trade links.

As at 30th April 2019 China signed a total of 187 cooperation documents with the 131 countries and 30 international organisations to build the BRI. The "Five-Pronged Approach" initiated by the Chinese government to realise the BRI are policy coordination, connectivity of infrastructure, unimpeded trade, financial integration and closer people-to-people ties. Financial integration is a crucial one, where RMB payment and clearing channel has been established and improved along the BRI countries to lay a solid foundation for financial infrastructure, for BRI.

The countries along the BRI have a strong desire to promote economic development and are in need of huge financing to deliver these ambitions.

According to the State Council Development Research Center, the national infrastructure investment demand along the BRI will be at least USD10.6 trillion between 2016 and 2020. The Asian Development Bank estimates that by 2030 Asian infrastructure investment demand will reach USD26 trillion. Meanwhile, the average annual trade volume between China and the countries along the BRI in the next decade is expected to exceed RMB16.85 trillion (USD2.5 trillion).

"As at 30th April 2019 China signed a total of 187 cooperation documents with the 131 countries and 30 international organisations to build the BRI"

The use of RMB is an important support to the construction of BRI, which in return helps to drive RMB internationalisation. BRI and RMB internationalisation are two initiatives that complement each other. In 2017, China and the countries along the BRI handled cross-border RMB settlements over RMB1.36 trillion, accounting for 14.7% of the total cross-border RMB settlements during the same period.

In 2019, China Construction Bank CCB surveyed 402 Chinese companies, 117 overseas corporations and 43 financial institutions. The survey results showed that 80% of Chinese companies and 69% of overseas companies believe that the BRI promotes use of cross-border RMB products and services. Among them, 37% of Chinese and overseas companies said that the BRI has significantly increased the use of the RMB in the international market (See Appendix I).

Since the launch of the BRI, the international status of the RMB has been significantly improved. In October 2016, RMB joined the special drawing rights (SDR) currency basket, which is a key milestone to reflect RMB global status. In 2018, more than 60 countries and regions have included RMB in foreign exchange reserves, and 1,186 foreign institutional investors have entered the Chinese inter-bank bond market with an investment scale of RMB1.73 trillion. In March 2018, crude oil denominated in RMB Futures were listed on the Shanghai Futures Exchange and introduced to foreign traders. The RMB pricing function of commodities made a breakthrough. According to statistics from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), RMB remains the fifth largest payment currency in the world as of May 2019.

There has been continuous improvement of RMB clearing and payment channels along the BRI countries and regions. The BRI projects participated by international community to provide financing support and establish economic and trade cooperation will form a large amount of currency circulation.

With the advancement of RMB internationalisation, RMB cross-border payment models have been largely diversified including clearing bank model, agency model, and non-resident bank account (NRA) with cross-border interbank payment system (CIPS) being a key financial infrastructure and RMB clearing bank being important offshore networks.

RMB payment clearing channel, being the foundation of financial integration along the BRI, is constantly being improved. By the end of 2018, China had signed bilateral local currency swap agreements with 21 countries along the Belt and Road, and five countries along the line had obtained RMB Qualified Foreign Institutional Investor quotas (RQFII). RMB had direct transactions with eight national currencies along the BRI, with three national currencies had regional transactions along the route.

The establishment of CIPS is an important milestone in the development of China's RMB internationalisation. It is an independent fund clearing and settlement system that provides a fast and secure information channel between overseas and domestic banks, which can operate and cover the major time zones of the world and facilitate the development of RMB business around the world.

It further enhances the level of convenience of the use of the RMB along the BRI countries. Up to end of the first quarter of 2019, CIPS participants are in 89 countries and regions on six continents. There are 661 banking financial institutions along the BRI as CIPS participants, covering 41 countries (not including mainland China and Hong Kong, Macao and Taiwan). The CIPS business covers 63 countries along the BRI, involving more than 5,300 branches of more than 1,500 financial institutions (including mainland China, Hong Kong, Macao and Taiwan). (See Appendix I- sheet 1)

RMB overseas clearing banks also play an imperative role as a bridgehead in organizing the construction of the offshore RMB market; marketing customers on the "first line", developing RMB products, managing foreign exchange risks, promoting the use of RMB overseas and continuously improving the depth and breadth of the offshore RMB market. It facilitates the use of RMB for cross-border settlement by market entities in the BRI countries, further promoting bilateral trade and investment. Up to now, the People's Bank of China has designated RMB business clearing banks in 10 BRI countries including Russia, South Korea, Qatar, Malaysia, Thailand, Singapore, South Africa, United Arab Emirates and Hungary etc. (See Appendix I- sheet 2)

As a state-owned bank and a global systemic important bank, CCB views the BRI and RMB internationalisation strategy as the two main drivers for enhancing international competitiveness.

CCB has continuously improved the service network and layout of the Belt and Road countries and regions. Up to now, overseas institutions have covered 30 countries and regions around the world, and eight institutions along the BRI have been established, including CCB Kazakhstan Astana branch and launch of BRI themed financial products in the Swiss market.

Since the start of RMB business in 2009, CCB has processed a total of RMB17.8 trillion of cross-border RMB business for 27,000 customers in nearly 200 countries and regions. In the offshore market, CCB actively promoted the innovation of RMB products, continuously improved the ability of RMB to make quotes in major offshore markets and continued to improve the level of RMB integrated operation.

As the sole clearing bank for RMB business in the UK, clearing total volume exceeded RMB35 trillion by the end of May 2019, continuing to maintain. CCB continue to maintain the largest RMB clearing bank outside Asia.

As a renowned world financial center, London brings together the world's major financial institutions and financial infrastructure. It is an ideal place to build an RMB clearing network. Being the largest clearing centre outside of Greater China, it is foreseeable that London's financial advantages and offshore RMB centre position will play an even more important role in the BRI financial integration. With London's strong clearing and payment capability, all the RMB products and activities can be cleared and settled centrally in London.

Industry Update

FX Risk Hedging along the Belt and Road

Jon Vollemaere, Chief Executive Officer, R5FX

Much has already been said on the topic of Belt and Road Initiative (BRI) and its effect on the global economy moving forward. London, as a global financial services centre, do have a role to play in BRI financing.

For all of the various projects that are under way or planned across the BRI they all need to be funded, collateralised, insured, indexed, re-insured, hedged and sold on to say nothing of the need for a home for the various disputes which will inevitably arise... London is the financial city which offers all the services needed mentioned above....

London's true and real value to this massive sprawling global project is to be its home outside of China. In a location, language and legal construct which the world is already more than comfortable with. Especially as the BRI is moving more global. That said. There are some very real gaps yet to be addressed. For the purposes of this report we will focus merely on discussing the hedging of BRI FX risk.

“London's true and real value to this massive sprawling global project is to be its home outside of China. In a location, language and legal construct which the world is already more than comfortable with. Especially as the BRI is moving more global”

Currently the developers of BRI infrastructure potentially face underlying frontier market FX risk. As HSBC pointed out, currency regulations and control are a major consideration in many countries along the BRI. Rigid regulations around conversion of local currency, be it documentary evidence requirements or outright restrictions on buying/selling currency, particularly in relation to hedging products such as forwards and options, can make managing currency risk both onerous and practically difficult.³ Finding reliable hedging tools for BRI countries Central and South-east Asia, Africa and Latin America can be a challenge.

Take Africa as examples, for organisations doing business with Africa, the ability to source emerging- and frontier-market currencies – from the Ethiopian birr to the Zambian kwacha – is essential but risky. In Mozambique where the country reached an all-time high against the dollar in October 2016, the Metical retreated over 30% by the end of that year – before rebounding by another 20% to become one of the best currencies of 2017.

In Sierra Leone, meanwhile, the Leone weakened by a considerable 27% over 2016. But its value climbed significantly throughout 2017, almost doubling in value against the dollar and reached record highs by April 2018.

The Zambian kwacha has also experienced a wide trading range over the past few years. In 2015 it depreciated by over 40%, it then rallied by nearly a fifth in the first half of 2016 and a further 13% in the second – to become among the world's best-performing currencies of that year.

³ Belt and Road Initiative – Huge Opportunities, New Risks - <https://www.gbm.hsbc.com/insights/markets/belt-and-road-initiative-huge-opportunities-new-risks>

Many of these African countries are enjoying new rail, road and shipping infrastructure.

However, the smiling family on the train in Kenya is not paying for the ride in USD, they're paying in Kenyan Shilling. This creates an exposure to the Shilling exchange rate when it comes to being repaid or covering the coupon. Let alone protecting the asset.

While North America remains the main payment route of financial flows from Africa, its dominance is declining. Swift data shows banks in North America (mainly the United States) now receive 39.5% of all payments sent by Africa, down from 41.7% in 2013. Use of the US dollar has also decreased as a share of payments originating in Africa from more than 50% in 2013 to 45.1% in 2017.⁴

The use of local currencies such as the West African franc and South African rand is increasing. Use of the franc for cross-border payments has overtaken the rand and the British pound, accounting for 7.3% of payments in 2017, up from 4.4% in 2013. The rand has seen a smaller increase in cross-border payments from 6.3% to 7.2%.

But even the rand three-month implied volatility rose to 17.67% in mid-February, the highest of about 34 currencies tracked by Bloomberg, and was down 6.9% by mid-February, the worst performance among emerging-market peers.

Whilst this only forms a small part of the wider BRI financial agenda it does give an easy method to follow for the larger infrastructure funding discussion where some of the downside risks are addressed and a gateway to the larger agenda. The underlying political, market and settlement risks approach basic mitigation with the use of USD based Non-Deliverable Forwards (NDF) in London.

Bank of England figures show the NDF market is up 24% in London and turnover has increased to USD139 billion per day, its highest absolute turnover to date, and has seen steady growth of over 200% over the last 4 years.

To allow larger representation of frontier BRI currencies in the NDF market, electronification of the market will help. By bringing technology into the picture, this will help to increase its size, number of participants, regulatory oversight and most importantly London's role as the BRI FX Hedging centre.

One question that does get raised – is will more and more of the belt and road be denominated in RMB rather than USD? This is a relevant but misleading question. Like it or not the global capital market is built, measured and sustained in US dollars. That isn't to say it will always be that way as one could argue the world was based on GBP during the nineteenth century, USD for the twentieth and could well be RMB in the twenty first.

But the local market risk remains. Whether it is an airport in Sri Lanka, a port in Malaysia, a train in Kenya or a dam in Pakistan. These projects are all in country, at risk to local market factors, and their ability to be repaid is dependent in part of the FX rate of that nation. Leaving that unhedged will create far more than a mere pothole in the road and subsequent belt tightening on the pay back. Steps need to be taken and there is really only one place in which to do it.

⁴ <https://www.swift.com/news-events/press-releases/swift-data-shows-intra-africa-payments-clearing-and-trade-is-increasing>

Latest Policies and Major Events

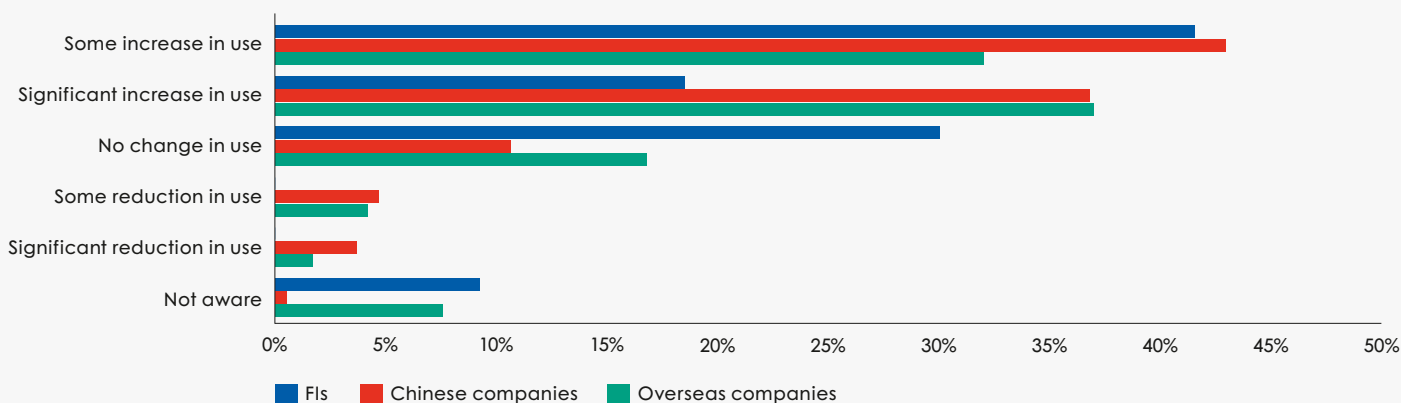
- On 14th January, in order to meet the needs of foreign investors to expand investment in China's capital market, the total amount of qualified foreign institutional investors (QFII) increased from USD150 billion to USD300 billion with the approval of the State Council.
- On 16th January, the Beijing Municipal Government and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) signed a memorandum of cooperation in Beijing. SWIFT will establish a wholly foreign-owned enterprise in Beijing and will join the China Payment and Clearing Association, which will be supervised and managed by the People's Bank of China. In addition, SWIFT has signed a letter of intent with the Cross-border Clearing Corporation (CIPS Operator) to further deepen the cooperation between the two parties in the development of cross-border payment services.
- On 28th January, the People's Bank of China issued an announcement to record the S&P Credit Rating (China) Co., Ltd., a wholly-owned subsidiary of S&P Global Inc. in Beijing. On the same day, the National Association of Financial Market Institutional Investors (NAFMII) also announced that it would accept the registration of the S&P Credit Rating (China) Co., Ltd. into the inter-bank bond market to conduct bond rating business. The opening-up of the credit rating industry is an important part of the steady expansion of the financial market to the outside world.
- On 31st January, Bloomberg officially confirmed that it will include Chinese bonds in the Bloomberg Barclays Bond Index from April this year. In recent years, the opening-up of Chinese bond market has continued to accelerate. As of the end of 2018, the total amount of China's bond market reached RMB86 trillion, of which international investors held nearly RMB1.8 trillion, a YoY increase of 46%.

- On 31st January, the CSRC publicly solicited opinions on the revision and integration of “the Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors”, “the Pilot Measures for Domestic Securities Investment of Qualified Foreign Institutional Investors and Relevant Supporting Rules.” The main amendments include firstly, the two systems of QFII and RQFII to be combined into one, and the relevant supporting regulations are integrated to form a unified “Administrative Measures” and “Implementation Regulations”. The second is to relax the access conditions. Cancellation of quantitative indicator requirements; retention of institutional categories and compliance conditions. At the same time, simplify the application documents and shorten the time required for approval. The third is to expand the scope of investment. In addition to the original varieties, QFII, RQFII can also invest: stocks listed in the national SME share transfer system (New Third Board); bond repurchase; private equity investment funds; financial futures; commodity futures; options etc. The fourth is to optimize the management of the custodian: clarify that the QFII custodian qualification examination and approval items are changed to post filing record management requirements; the number of QFII custodians is no longer restricted. The fifth is to strengthen continuous supervision, improve account management, improve the monitoring and analysis mechanism, increase the requirements for providing relevant cross-border transaction information, and increase the punishment of violations.
- On 28th February, MSCI Inc. announced that it will increase the weight of China A shares in the MSCI Indices by increasing the inclusion factor from 5% to 20% in three steps. Step 1: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indices from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor coinciding with the May 2019 Semi Annual Index Review. Step 2: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indices from 10% to 15% coinciding with the August 2019 Quarterly Index Review. Step 3: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indices from 15% to 20%, and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor to the MSCI indices coinciding with the November 2019 Semi-Annual Index Review.
- On 24th March, the People’s Bank of China Governor Yi Gang revealed that the People’s Bank of China launched five measures to expand the financial market to the outside world by the end of this year: 1) Encourage foreign capital to invest in Trust, Leveraged leasing, Auto finance, Currency brokerage and Consumer finance etc. financial sector in banking industry; 2) Remove upper limit on the proportion of foreign companies can own in domestic asset management companies and wealth management companies that are newly established by commercial banks; 3) Substantial expansion of the business scope of foreign bank; 4) no longer unilaterally set limits on business scope of foreign joint-venture securities companies, domestic and foreign investment to be treated fairly and consistently; 5) Removed the requirement of a two-year representative office before the establishment of a foreign-owned insurance company.

- On 15th May, the People's Bank of China successfully issued two issues of RMB central bank bills in Hong Kong, including three-month and one-year central bank bills of RMB10 billion each, with a winning bid rate of 3.00% and 3.10% respectively. This is the third time that the People's Bank of China has issued RMB central bank bills through the Hong Kong Monetary Authority's Debt Tools Central Clearing System (CMU) bond tendering platform since November last year and February this year.
- On 25th May, in order to standardize the management of cross-border funds in depositary receipts, the People's Bank of China and the State Administration of Foreign Exchange formulated the "Measures for the Administration of Cross-border Funds of Depositary Receipts (Trial)" to encourage the depositary receipt business to use RMB for cross-border collection. Pay and complete cross-border RMB fund settlement through the RMB Cross-border Payment System (CIPS). The depositary receipts referred to in the Measures include the depositary receipts issued by the issuers of overseas basic securities in China and the depositary receipts issued by domestic enterprises abroad.
- On 17th June, the Shanghai-London Stock Connect (the Stock Connect) was officially launched. The China Securities Regulatory Commission (CSRC) and the UK Financial Conduct Authority (FCA) released the Joint Announcement and approved, in principle, the establishment of stock connect regime between Shanghai Stock Exchange (SSE) and London Stock Exchange (LSE), allowing listed companies on each exchange to list DRs on the other exchange. The two regulatory authorities have agreed to closely collaborate on cross-border supervision and enforcement under the Stock Connect by entering into the Memorandum of Understanding concerning Supervisory and Enforcement Cooperation under Shanghai-London Stock Connect. The first Global Depositary Receipt (GDR) under the Stock Connect, issued by SSE-listed Huatai Securities Co., Ltd., has also been listed for trading on the LSE on the same day.

Appendix I

Impact of Belt and Road Initiative on use of RMB based cross-border products



Source: CCB internationalization Report 2019

Sheet 1

Signed bilateral local currency swap agreement with PBC among BRI countries and regions

	Country	Quota	Time Sign/Renew
1	Singapore	RMB 300 billion yuan/SGD 64 billion	March 7, 2016
2	Qatar	RMB 35 billion/QAR 20.8 billion	November 2, 2017
3	Malaysia	RMB 180 billion yuan/MYR 90 billion	February 8, 2012
4	Thailand	RMB 70 billion/THB 370 billion	December 22, 2017
5	Indonesia	RMB 100 billion yuan/IDR 175 trillion	October 1, 2013
6	Kazakhstan	RMB 7 billion/KZT 350 billion.	May 28, 2018
7	Hungary	RMB 10 billion yuan/ HUF 416 billion	September 12, 2016
8	Russia	RMB 150 billion/RUB 1,325 billion	November 22, 2017
9	Serbia	RMB 1.5 billion yuan/RSD 27 billion	June 17, 2016
10	Albania	RMB 2 billion yuan/ALL 35.8 billion	September 23, 2013
11	Turkey	RMB 12 billion yuan/Lira 5 billion	September 26, 2015
12	Belarus	RMB 7 billion yuan/ BYR 16 trillion	May 10, 2015
13	Mongolia	RMB 15 billion yuan/MNT 5.4 trillion	July 6, 2017
14	Pakistan	RMB 10 billion yuan/PKR 165 billion	December 23, 2014
15	Egypt	RMB 18 billion yuan/EGP 47 billion	December 6, 2016
16	Ukraine	RMB 15 billion yuan/UAH 54 billion	May 15, 2015
17	United Arab Emirates	To be renewed	December 14, 2015
18	Uzbekistan	To be renewed	April 19, 2011
19	Sri Lanka	To be renewed	September 16, 2014
20	Tajikistan	To be renewed	September 3, 2015
21	Armenia	To be renewed	March 25, 2015
	Total	RMB 932.5 billion yuan	

Source: CCB, PBOC

Sheet 2

RQFII authorised Quota among BRI countries and regions

	Country	Quota	Time
1	Singapore	RMB100 billion yuan	October 22, 2013
2	Qatar	RMB 30 billion yuan	November 3, 2014
3	Hungary	RMB 50 billion yuan	June 27, 2015
4	Malaysia	RMB 50 billion yuan	November 23, 2015
5	Thailand	RMB 50 billion yuan	December 17, 2015
6	United Arab Emirates	RMB 50 billion yuan	December 14, 2015
	Total	RMB330 billion yuan	

Source: CCB, PBOC

Sheet 3

Clearing banks among BRI countries and regions

	Country	Quota	Time
1	Russia	Industrial and Commercial Bank of China (Moscow)Co., Ltd	September, 2016
2	South Korea	Bank of Communications Seoul Branch	July, 2014
3	Qatar	Industrial and Commercial Bank of China Doha Branch	November, 2014
4	Malaysia	Bank of China (Malaysia)Co., Ltd	January, 2015
5	Thailand	Industrial and Commercial Bank of China (Thailand)Co., Ltd	January, 2015
6	Singapore	Industrial and Commercial Bank of China Singapore Branch	February, 2013
7	South Africa	Bank of China Johannesburg Branch	July, 2015
8	United Arab Emirates	Agricultural Bank of China Dubai Branch	December, 2016
9	Hungary	Bank of China Limited Hungarian Branch	June, 2015
10	Philippines	To be announced	2019

Source: CCB, PBOC

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

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
Agricultural Development Bank of China	1.00MMM	3.23	30/05/2019	29/05/2022
Hitachi Capital UK PLC	100.00MM	3.65	08/05/2019	08/05/2023
QNB Finance Ltd	200.00MM	3.8	25/04/2019	25/04/2022
Australia & New Zealand Banking Group Ltd	150.00MM	3.54	24/04/2019	24/04/2023
Australia & New Zealand Banking Group Ltd	140.00MM	3.47	23/04/2019	23/04/2022
QNB Finance Ltd	100.00MM	4.18	29/03/2019	28/03/2024
Westpac Banking Corp	150.00MM	3.68	27/03/2019	27/03/2024
First Abu Dhabi Bank PJSC	140.00MM	3.96	26/03/2019	26/03/2024
Australia & New Zealand Banking Group Ltd	135.00MM	3.68	25/03/2019	25/03/2024
Westpac Banking Corp	150.00MM	3.67	22/03/2019	22/03/2024
Natwest Markets PLC	40.00MM	4.62	20/03/2019	20/03/2024
First Abu Dhabi Bank PJSC	300.00MM	4	19/03/2019	19/03/2024
Australia & New Zealand Banking Group Ltd	300.00MM	3.7	18/03/2019	18/03/2024
Commonwealth Bank of Australia	250.00MM	3.81	11/03/2019	11/03/2024
Commonwealth Bank of Australia	150.00MM	3.81	05/03/2019	05/03/2024
Westpac Banking Corp	150.00MM	3.76	04/03/2019	04/03/2024
European Bank For Reconstruction & Development	300.00MM	2.6	28/02/2019	28/02/2020
QNB Finance Ltd	135.00MM	3.93	28/02/2019	28/02/2021
First Abu Dhabi Bank PJSC	200.00MM	4.12	11/02/2019	11/02/2024
QNB Finance Ltd	500.00MM	4.35	29/01/2019	29/01/2022
QNB Finance Ltd	135.00MM	4.6	23/01/2019	23/01/2024
Hitachi Capital UK PLC	200.00MM	4.75	29/10/2018	29/04/2022
Westpac Banking Corp	200.00MM	4.7	12/10/2018	12/10/2022
Hitachi Capital UK PLC	600.00MM	4.6	27/09/2018	27/09/2021
Royal Bank of Canada	140.00MM	4.3	20/09/2018	20/09/2020
Bank of Montreal	200.00MM	4.53	19/09/2018	19/09/2021
Bank of Montreal	155.00MM	4.72	19/09/2018	19/09/2023
Australia & New Zealand Banking Group Ltd	270.00MM	4.795	14/09/2018	14/09/2023
Australia & New Zealand Banking Group Ltd	140.00MM	4.61	13/09/2018	13/09/2023
Australia & New Zealand Banking Group Ltd	145.00MM	4.62	11/09/2018	11/09/2023
Australia & New Zealand Banking Group Ltd	137.00MM	4.6	11/09/2018	11/09/2023
First Abu Dhabi Bank PJSC	650.00MM	4.5	10/09/2018	10/09/2021
Royal Bank of Canada	160.00MM	4.48	07/09/2018	07/09/2023
Westpac Banking Corp	190.00MM	4.6	07/09/2018	07/09/2023
Westpac Banking Corp	160.00MM	4.621	07/09/2018	07/09/2023
Commonwealth Bank of Australia	80.00MM	4.52	07/09/2018	07/09/2023
Australia & New Zealand Banking Group Ltd	140.00MM	4.6	04/09/2018	04/09/2023
Australia & New Zealand Banking Group Ltd	140.00MM	4.3	24/08/2018	24/08/2021
Australia & New Zealand Banking Group Ltd	138.00MM	4.63	24/08/2018	24/08/2023
Westpac Banking Corp	270.00MM	4.65	23/08/2018	23/08/2023
Westpac Banking Corp	140.00MM	4.35	15/08/2018	15/08/2023
Westpac Banking Corp	627.00MM	4.42	14/08/2018	14/08/2023
Westpac Banking Corp	140.00MM	4.51	01/08/2018	01/08/2028

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
Royal Bank of Canada	135.00MM	4.3	17/07/2018	17/07/2023
QNB Finance Ltd	142.00MM	5.32	05/07/2018	06/07/2021
QNB Finance Ltd	1.25MMM	5.25	21/06/2018	21/06/2021
QNB Finance Ltd	600.00MM	5.2	07/06/2018	07/06/2021
First Abu Dhabi Bank PJSC	1.10MM	4.8	01/06/2018	01/06/2021
Westpac Banking Corp	200.00MM	4.77	30/05/2018	30/05/2023
Credit Agricole Corporate & Investment Bank SA	200.00MM	4.72	29/05/2018	29/05/2023
QNB Finance Ltd	1.00MMM	5.1	14/05/2018	14/05/2021
Commonwealth Bank of Australia	340.MM	4.615	26/04/2018	26/04/2023
First Abu Dhabi Bank PJSC	900.00MM	4.8	29/03/2018	29/03/2021
QNB Finance Ltd	200.00MM	5.5	20/03/2018	20/03/2021
Hitachi Capital UK PLC	80.00MM	4.78	16/03/2018	16/03/2021
QNB Finance Ltd	130.00MM	5.465	09/03/2018	09/03/2020
QNB Finance Ltd	750.00MM	5.1	08/03/2018	08/03/2021
Hitachi Capital UK PLC	50.00MM	4.6	27/02/2018	22/02/2022
Commonwealth Bank of Australia	64.00MM	4.39	30/01/2018	30/01/2021
Credit Agricole Corporate & Investment Bank SA	50.00MM	4.55	29/01/2018	29/01/2021
Westpac Banking Corp	500.00MM	4.35	19/01/2018	19/01/2021
First Abu Dhabi Bank PJSC	110.00MM	4.6	30/11/2017	30/11/2020
Hitachi Capital UK PLC	300.00MM	4.67	19/12/2016	19/12/2019
International Finance Corp	19.00MM	3.9	13/11/2017	13/11/2020
Hitachi Capital UK PLC	500.00MM	4.5	09/11/2017	09/10/2020
Commonwealth Bank of Australia	1.50MMM	4.2	26/10/2017	26/10/2020
Hitachi Capital UK PLC	184.00MM	4.4	13/10/2017	13/10/2020
International Finance Corp	75.00MM	3.91	11/10/2017	11/10/2022
Royal Bank of Canada	900.00MM	4.25	29/09/2017	29/09/2020
Lloyds Bank PLC	30.00MM	5.23	31/03/2017	31/03/2022
Commonwealth Bank of Australia	70.00MM	5.81	18/01/2017	18/01/2022
QNB Finance Ltd	130.00MM	5.33	15/12/2016	15/12/2019
Commonwealth Bank of Australia	70.00MM	4.41	29/11/2016	29/11/2019
Westpac Banking Corp	65.00MM	4.8	15/12/2016	15/05/2020
Commonwealth Bank of Australia	120.00MM	4.65	07/12/2016	07/12/2021
QNB Finance Ltd	130.00MM	4.4	18/11/2016	18/11/2019
Australia & New Zealand Banking Gro	130.00MM	4.35	23/11/2016	23/11/2021
QNB Finance Ltd	160.00MM	4.3	17/11/2016	17/11/2019
International Finance Corp	47.00MM	3.92	13/11/2017	13/11/2019
Commonwealth Bank of Australia	90.00MM	4.06	02/11/2016	02/11/2021
Commonwealth Bank of Australia	100.00MM	3.85	27/07/2016	27/07/2020
International Finance Corp	1.55MMM	3.1	24/09/2014	24/09/2019
China Development Bank Corp	500.00MM	3.6	19/09/2014	19/09/2019
Credit Agricole SA	60.00MM	4	22/07/2016	22/07/2019
QNB Finance Ltd	130.00MM	4.35	21/07/2016	21/07/2019
Australia & New Zealand Banking Gro	280.00MM	4.35	08/06/2016	08/06/2019

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
Australia & New Zealand Banking Gro	140.00MM	4.31	07/06/2016	07/06/2019
First Gulf Bank PJSC	516.00MM	4.55	03/06/2016	03/06/2019
China Government Bond	3.00MMM	3.28	02/06/2016	02/06/2019
Westpac Banking Corp	130.00MM	4.19	12/05/2016	12/05/2021
Westpac Banking Corp	190.00MM	4.39	20/04/2016	20/04/2020
Commonwealth Bank of Australia	180.00MM	5.07	07/03/2016	07/03/2021
Credit Agricole Corporate & Investme	50.00MM	4.2	05/08/2015	05/08/2020
Australia & New Zealand Banking Gro	405.00MM	4	28/07/2015	28/07/2020
Lloyds Bank PLC	100.00MM	4.4	24/07/2015	24/07/2020
Lloyds Bank PLC	54.00MM	4.53	24/07/2015	24/07/2025
Credit Agricole Corporate & Investme	125.00MM	4.1	23/07/2015	23/07/2020
First Abu Dhabi Bank PJSC	200.00MM	4.79	17/03/2015	17/03/2020
China Development Bank Corp	900.00MM	4.35	19/09/2014	19/09/2024
Lloyds Bank PLC	200.00MM	4.62	17/01/2014	17/01/2024
Lloyds Bank PLC	100.00MM	4.61	24/09/2012	24/09/2022

Source: London Stock Exchange

Appendix III 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 Organisation	ADB	2	2	1	2
	IFC	2	2	0	2
	NDB	13	6	6	3
Governments	ROK	3	3	0	1
	BC, Canada	6	4	4	2
	Poland	6	3	3	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
Financial Institutions	HSBC HK	1	1	1	1
	BOC HK	10	10	10	2
	Standard Chartered HK	2	1	1	1
	Chong Hing Bank	3	1.5	1.5	1
	National Bank of Canada	5	3.5	0	1
	Citic Bank International	3	3	3	1
	Bank of Malaya	6	1	1	0
	Mizuho Bank	0.5	0.5	0.5	0
	Bank of Tokyo-Mitsubishi UFJ	3	1	1	0
	ABC International	3	3	3	1
	CCB Asia	6	-	-	1
	Wing Lung Bank	10	-	-	1
	ICBC Asia	3	-	-	1
	United Overseas Bank	2	2	2	1
Non-financial Institutions	Daimler	55	47	27	20
	China Merchants HK	3	0.5	0	1
	China Resources Land	30	20	20	7
	SMIC	14	5.1	4.5	5
	Veolia Environment	15	2	2	2
	China Resources Cement	13.5	3.5	3	2
	Hengan International	5	2	2	1
	SINOTEC	7	4	2	2
	Wharf	20	6	6	2
	CNTHM	4.5	4.5	4.5	2
	China Merchant Port	10	4	2.5	2
	GLP	10	7.6	7.6	6
	Joy City	10	1	1	1
	CPCED	5	0.8	0.8	1
	China Jinmao	16	8	8	3
	China Gas	9.6	4.8	4.8	3
	Huarong International	3	3	3	1
	COSCO	10	10	10	4
	BOC Group Investment	8	3.5	3.5	2
	Kunlun Energy	10	-	0	0

Type of issuer		Registration Amount (bn)	Issued Amount (bn)	Outstanding Amount (bn)	Issue Number
Non-financial Institutions	Shimao Properties	8	-	0	0
	Longfor Properties	8	2	2	2
	Sun Hung Kai Properties	10	1.2	1.2	1
	Country Garden	9.5	-	0	0
	China Mengniu	15	1	1	1
	China Orient International Asset Management Limited	2.8	-	0	0
	China Water Affairs Group Limited	3	0.2	0.2	1
	Hang Lung Properties	10	1	1	1
	Air Liquide S.A	10	2.2	2.2	2
	Yuexiu Transport	2	-	0	0
	Trafigura Group	2.35	2.24	2.24	4
	BEWG	8	8	8	6
	Want Want China	8	0.5	0.5	1
	BMW	20	3	3	1
Total (RMB Bond)		489.21	217.1	182.5	116
International Bank for Reconstruction and Development (IBRD)		18.63	4.65	4.65	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)		508.77	222.68	187.15	118

Source: National Association of Financial Market Institutional Investors

Appendix IV Agreements on RMB Business Between China and the UK

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 May 2019, CIPS had 964 direct or indirect participating banks, increasing 82 since our last report. Among them, 15 participating banks were from the UK, accounting for 1.56% of the total.

RQFII

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

