THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

London RMB Business Quarterly

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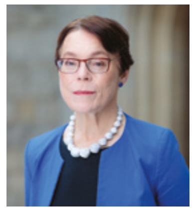
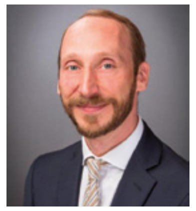
Foreword



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 markets, has significant value in connecting markets and supporting resilience. As we look ahead to global recovery, the depth and breadth of UK financial and professional services (FPS) expertise mean we will have a key role to play in supporting rebuilding and growth worldwide.

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



Giles French
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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 offshore business and the PBoC's efforts to develop and sustain the RMB at home and abroad.

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

With access to onshore RMB investments in China rapidly increasing, opportunities for new products and ways to manage currency exposure are also growing. This makes for exciting times for the City of London and international investors. In the tenth issue of the London RMB Business Quarterly we see the UK's offshore RMB market has experienced a boom as China's economy began to pick up. The report highlights the green opportunities for the onshore and offshore RMB market as the world look towards ESG and sustainable finance to meet net – zero targets.

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 tenth issue of the London RMB Business Quarterly report. Your contributions play a major part in the success of this quarterly report.

Market Overview

In Q1 2021, China's GDP grew by 18.3% YoY, contributing to growth averaging 5.0%, over the past two years. London's offshore RMB market also grew rapidly. The value of new dim sum bonds issued, RMB FX trading and Sino-Britain cross-border RMB transactions, saw a significant YoY increase, however, the volume of RMB clearing fell. According to SWIFT, the UK maintained its position as the largest RMB FX hub in the world and the second largest offshore RMB payments centre, in the world which amounted to 38.18% of RMB foreign exchange transactions and 7.13% of offshore RMB payments, up 0.69% and 0.99% from last December.

London Skyline

London RMB Foreign Exchange Market

In March 2021, about 39% of all CNH spot trading on EBS took place during EMEA trading hours, up 4% from December 2020. In Q4 2020, the average daily CNH FX trading volume in London jumped to GBP 96.76 billion, up 9.01% QoQ and 34.26% YoY.

London RMB Bond Market

Between January and March 2021, there were 12 new Dim Sum bonds listed on the London Stock Exchange, with a value of RMB5.58 billion, up 45.1% YoY. At the end of March 2021, there were 145 Dim Sum bonds listed on the London Stock Exchange with an outstanding value of RMB62.8 billion, and a weighted average coupon rate of 3.6%.

London RMB Credit Market

In Q1 2021, the outstanding RMB deposits and RMB loans in London recovered QoQ considerably, but still could not catch up with those in the same period of 2020. By the end of 2020, the amount of RMB deposits reached RMB71.8 billion, up 11.21% QoQ and down 5.12% YoY. The outstanding amount of RMB loans were RMB69.61 billion, up 53.34% QoQ and down 6.02% YoY.

London RMB Clearing

Between January and March 2021, the cumulative volume of RMB clearing in the UK stood at RMB2.58 trillion, down 15.8% YoY. The average daily clearing volume was RMB44.40 billion. By the end of March 2021, the total accumulative RMB clearing volume for the calendar year was over RMB54.76 trillion.

China-UK RMB Cross-Border Settlement

From January to March 2021, total cross-border RMB transactions between China and the UK rose to RMB493.71 billion, up 53.18% YoY. Within this, cross-border RMB receipts and payments were RMB240.37 billion and RMB253.34 billion respectively, representing a net inflow of RMB12.97 billion from China to the UK. This was RMB3.57 billion higher than the same period of 2020. Cross-border RMB receipts and payments of Sino-British bilateral goods trade stood at RMB22.28 billion, accounting 4.51% of the total amount of receipts and payments during the same period, keeping a downward trend. Meanwhile, the share of RMB receipts and payments under capital account continued to increase in line with the further opening-up of China's financial market.

UK's Rank as Offshore RMB Centre

The UK maintained its position as the largest RMB FX centre and the second largest offshore RMB payments centre in the world. In March 2021, the UK accounted for 38.18% of RMB foreign exchange transactions and 7.13% of offshore RMB payments, up 0.69% and 0.99% from last December.

RMB in Global Currency Reserves

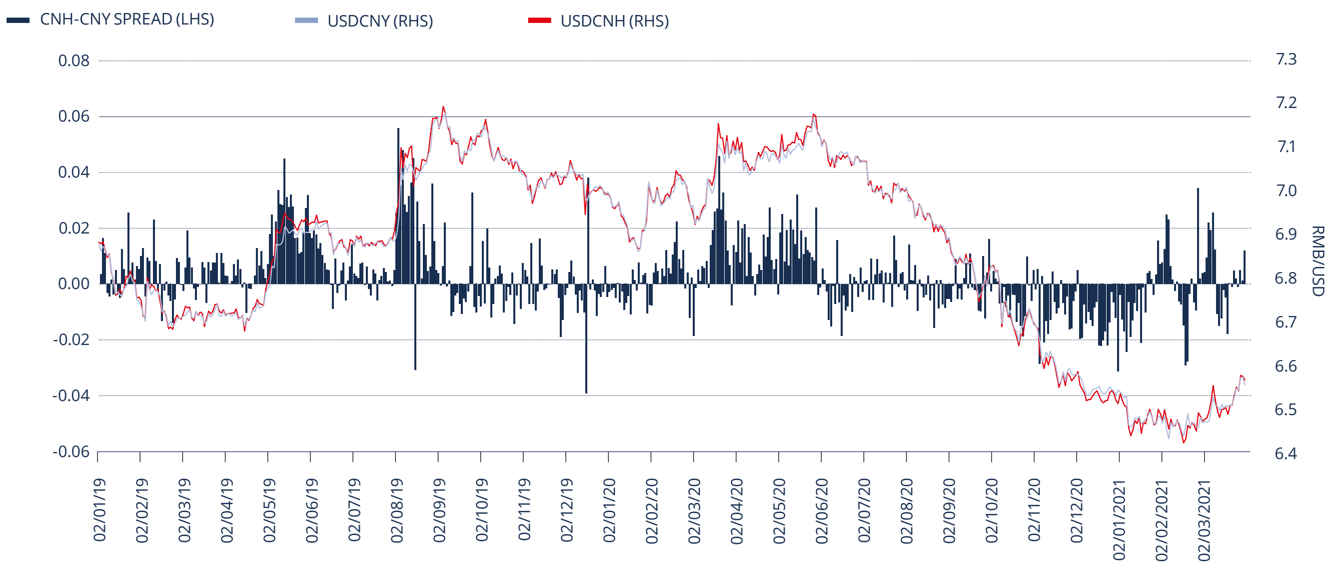
According to IMF, RMB accounted for 2.45% of global currency reserves as of Q1 2021, up 0.18% from Q4 2020, keeping an upswing trend. When it was included in the SDR basket, the share registered at 1.07% in Q4 2016.

RMB Exchange Rate

From the start of 2021, cross-border capital flows, and foreign exchange supply and demand have been in equilibrium, with market expectations generally stable. From January to March 2021, the RMB strengthened from 6.54 to 6.44 against USD but then settled back at 6.57. The onshore and offshore markets were driven by supply and demand. The RMB FX rate continued to fluctuate on both sides and the spread between CNH and CNY also fluctuated between positive and negative. China maintained its economic recovery and US/UK/EU economies also improved as vaccination rollouts were well executed. From 1st January to 31st March 2021, the average FX spot rate of USD/CNH in the offshore market was 6.4835, with the USD/CNY onshore FX spot rate at 6.4834. The spread between offshore and onshore in this period was +1 basis points, while the spread of our last review period was -65 basis points.

The Onshore-Offshore Exchange Rate Differential as of March 2021

USDCNH-USDCNY FX Spot Rate



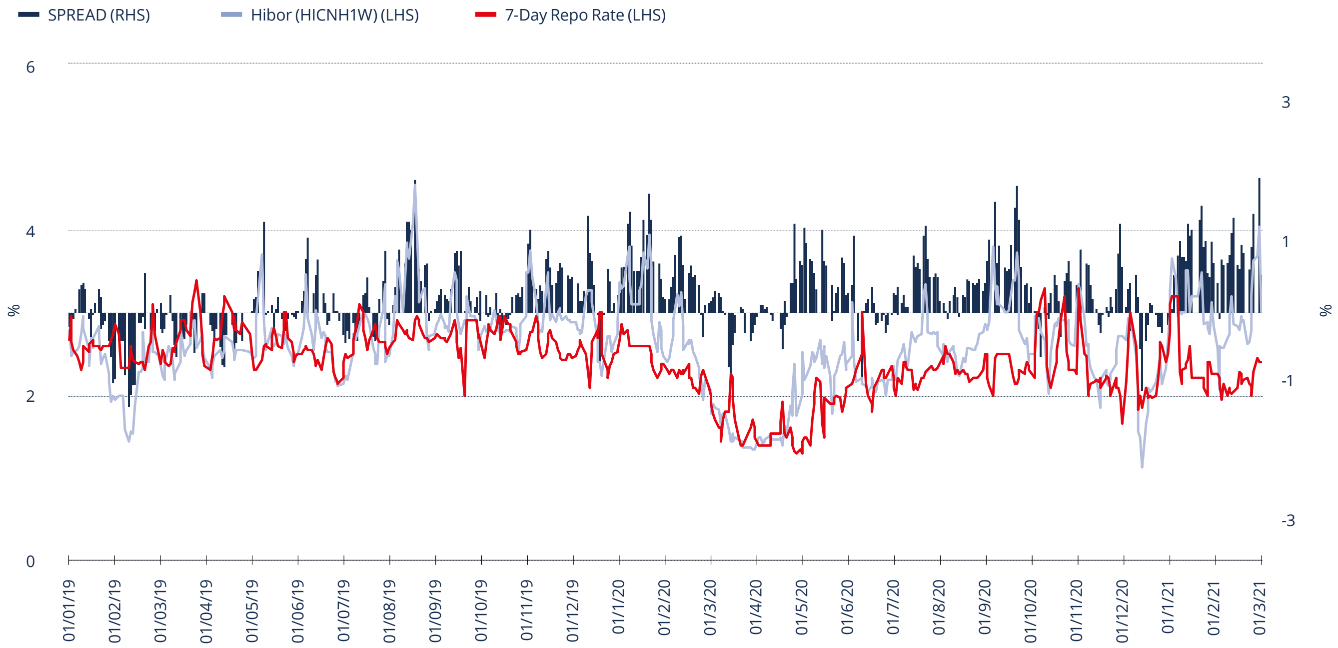
Source: Bloomberg, ABC

RMB Interest Rate

In January 2021, RMB interest rates picked up quickly as China's economic performance in 2020 demonstrated its resilient domestic demand and its contribution to the world economy. Many uncertainties, particularly the considerable disruptions brought about by the Spring Festival, affected liquidity supply and demand in the banking system. Considering the traditional holiday factors, the PBoC launched a medium-term lending facility (MLF) operation on 15th January, albeit this was smaller than the previous one. The PBoC's open market operation turned from net liquidity injection to substantial net withdrawal in late January. The average 7-day repo rate rose to 2.62% in January, up 28 bps from December 2020. Going into February and March, the PBoC injected (net) liquidity into money markets through open market operations and resumed 14-day reverse repos, which lowered the interest rate to normal level. Secondly, the yield curve of government bonds continued trending downward as the liquidity eased. The RMB interest rate also remained steady within its range from January to March.

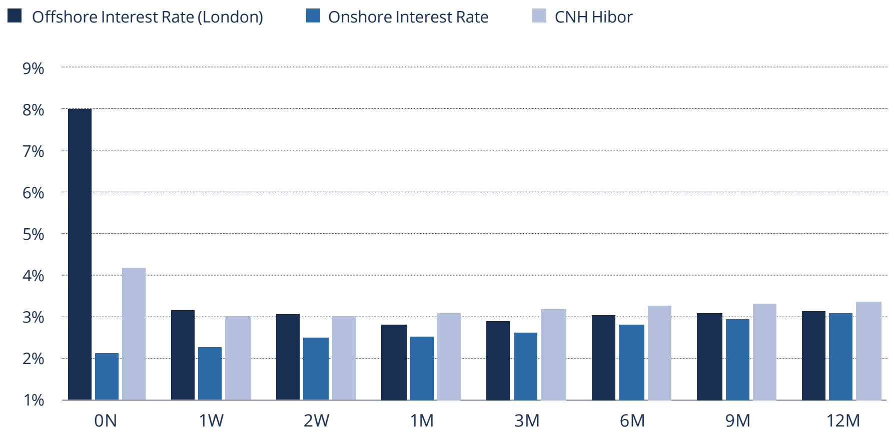
The Onshore-Offshore Interest Rate Spreads as of March 2021

CNH Hibor and 7-Day Repo Rate Spreads



Source: Bloomberg, CCB

Term Structure of RMB Offshore Interest Rate Spreads in March 2021



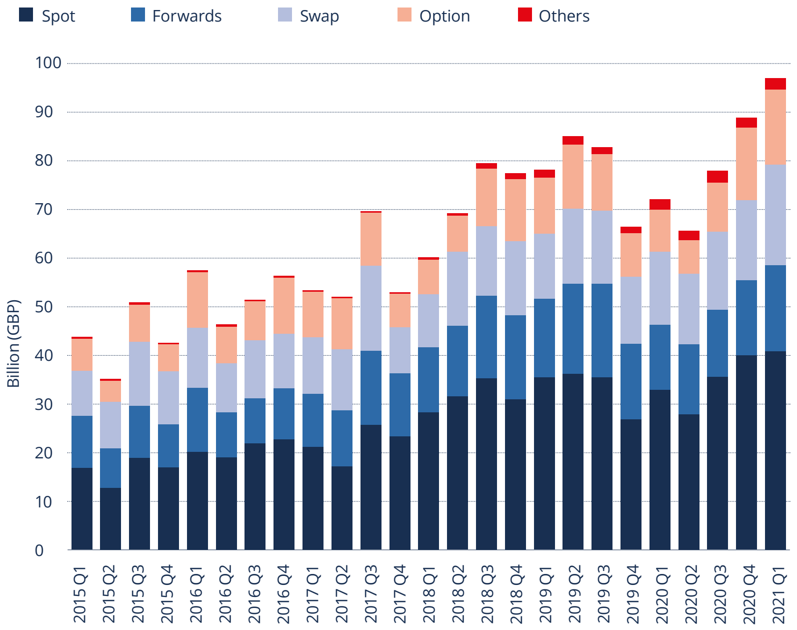
Source: Bloomberg, CCB

London RMB Foreign Exchange Market

Since Q2 2020, the RMB FX in the London market has been on a steady rise. In Q1 2021, the average daily turnover volume rose to GBP 96.76 billion, up 9.01% QoQ and 34.26% YoY. The distribution of RMB FX turnover by counterparty sectors remained almost unchanged with the greatest share being taken by RMB FX turnover with 'other sectors', which was 43.5%; followed by RMB FX turnover with non-resident deposit-taking corporations, taking 34.4%; the smallest share belonged to RMB FX turnover with UK deposit-taking corporations, accounting for 22.1%.

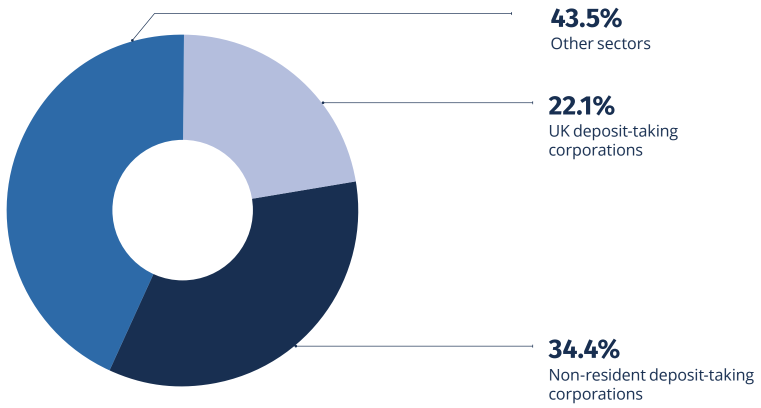
In March 2021, the percentage of the offshore RMB FX trading in London market was higher than of the previous quarter. Trading data from EBS revealed that the proportion of spot CNH trading volume in EMEA trading hours was 39%, up 4% from December 2020. Asia, EMEA and Americas trading hours stood at 52%, 39% and 9% of total CNH spot trading volumes, compared with a distribution of 57%, 35% and 8% last December, and 58%, 36% and 6% a year ago.

Average Daily Turnover of RMB FX in London as of March 2021



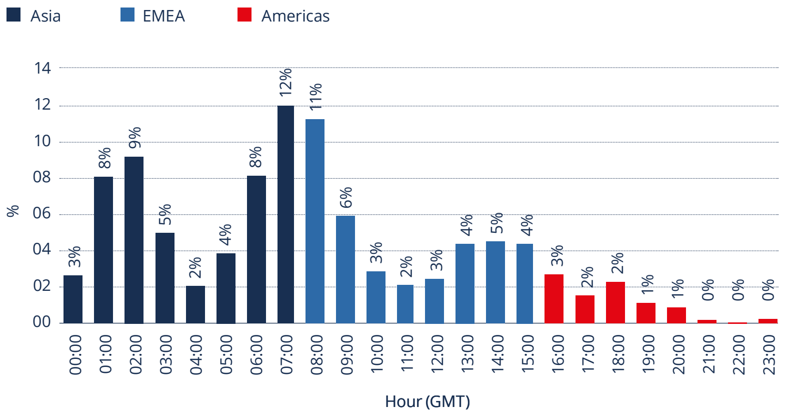
Source: Bank of England (BoE)

RMB FX Turnover by Counterpart Sector in Q1 2021



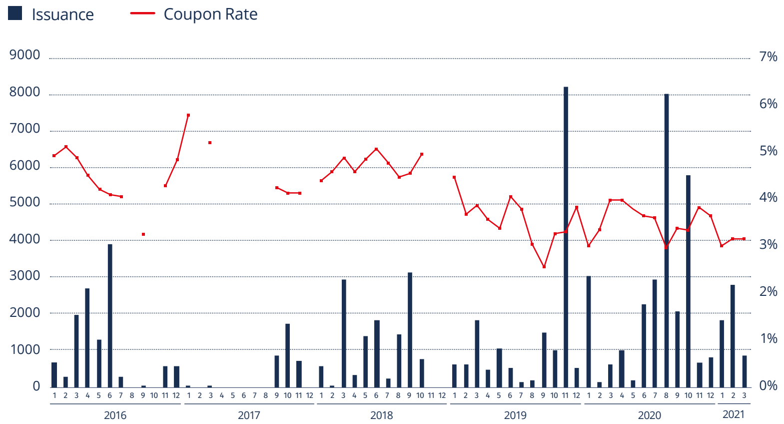
Source: Bank of England (BoE)

Spot CNY Volume Distribution by Hour on EBS in March 2021



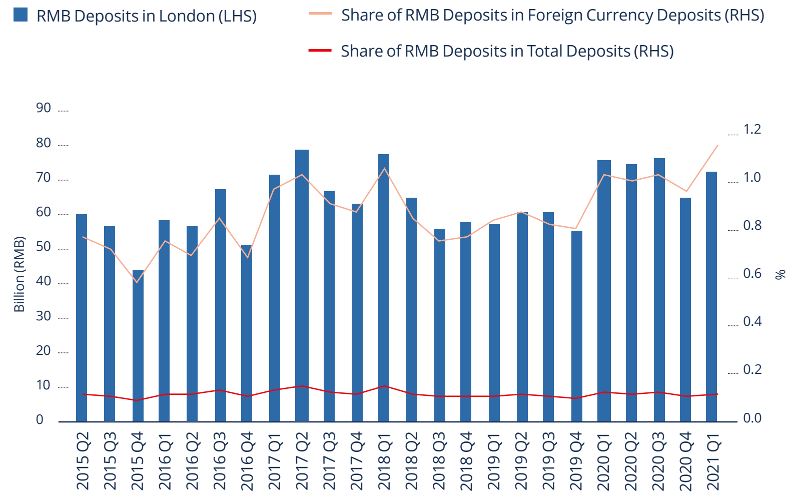
Source: EBS

Dim Sum Bond Issuance and Average Coupon Rate as of March 2021 on LSE

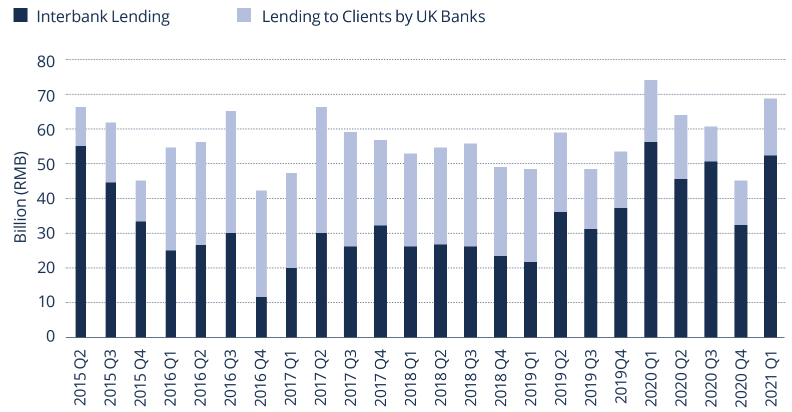


Source: LSE

RMB Deposits in London as of Q1 2021



RMB Lending in London as of Q1 2021



Source: Bank of England (BoE)

London RMB Bond Market

Between January and March 2021, 12 Dim Sum bonds were newly listed on the London Stock Exchange (see appendix 1 for the list), with a total issuance size of RMB5.58 billion, and weighted average coupon rate of 3.2%. The value of new Dim Sum bonds issued in this period grew by RMB1.73 billion YoY, an increase of 45.1%. At the end of March 2021, there were 145 Dim Sum bonds listed on the London Stock Exchange with an outstanding value of RMB62.8 billion, and a weighted average coupon rate of 3.6%.

London RMB Credit Market

The outstanding RMB deposits and RMB loans in London increased remarkably QoQ in Q1 2021. However, the amount were just below those in the same period of 2020. The total London offshore RMB deposits balance rose to RMB71.8 billion at Q1 2021, up 11.21% QoQ and down 5.12% YoY, while the share of RMB deposits in total UK foreign currency deposits grew slightly from the previous quarter. The total London offshore RMB loans balance increased to RMB69.61 billion at Q1, up 53.34% QoQ and down 6.02% YoY, a noticeable growth of interbank lending was the main contributor to the growth in this quarter.

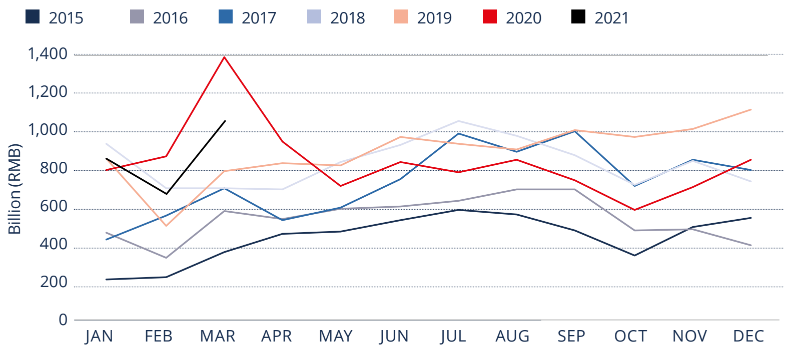
London RMB Clearing

As reported above, between January to March 2021, total clearing volume was RMB2.58 trillion, down 15.8% YoY, with a daily average clearing volume RMB44.40 billion. Accumulative transaction counts stood at 17,020. By the end of March 2021, the accumulative total RMB clearing volume reached RMB54.76 trillion since China Construction Bank (CCB) London Branch obtained its authorization to become the RMB clearing bank in the UK in June 2014, and the Bank stayed as the largest clearing bank outside Asia.

China-UK RMB Cross-Border Settlement

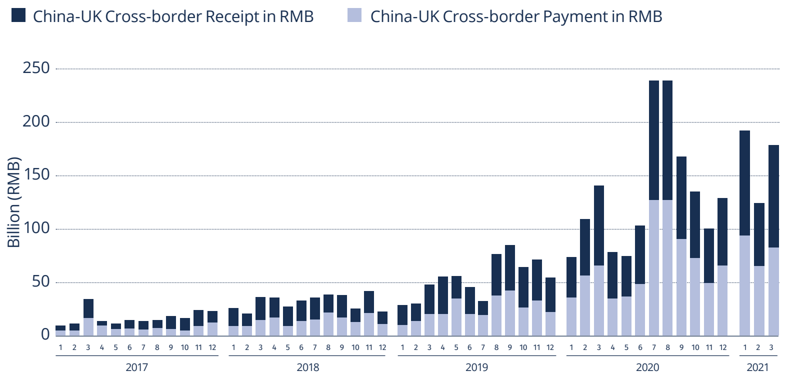
In Q1 2021, China replaced Germany to become Britain's biggest source of imports for the first time since Brexit. Cross-border RMB transactions between China and the UK soared to RMB493.71 billion, up 53.18% YoY. Within this, cross-border RMB receipts were approximately RMB240.37 billion while payments reached RMB253.34 billion, indicating a net inflow of RMB12.97 billion from China to the UK, increased by RMB3.57 billion in the same period of 2020. Cross-border RMB receipts and payments of Sino-British bilateral goods trade totalled at RMB22.28 billion, accounting 4.51% of the total amount of receipts and payments during the same period, while capital accounts continued to increase in line with the further opening-up of China's financial market.

RMB Clearing Volume of the Designated UK Clearing Bank as of March 2021



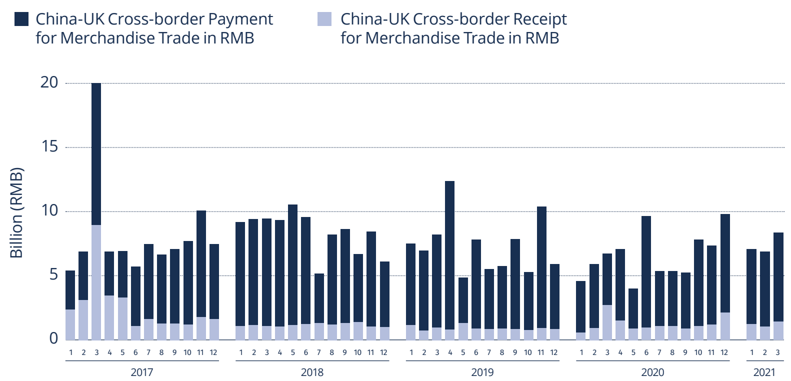
Source: CCB London Branch

China-UK Cross Border RMB Payment and Receipt as of March 2021



Source: PBoC

China-UK Cross Border RMB Payment and Receipt Under Merchandise Trade as of March 2021

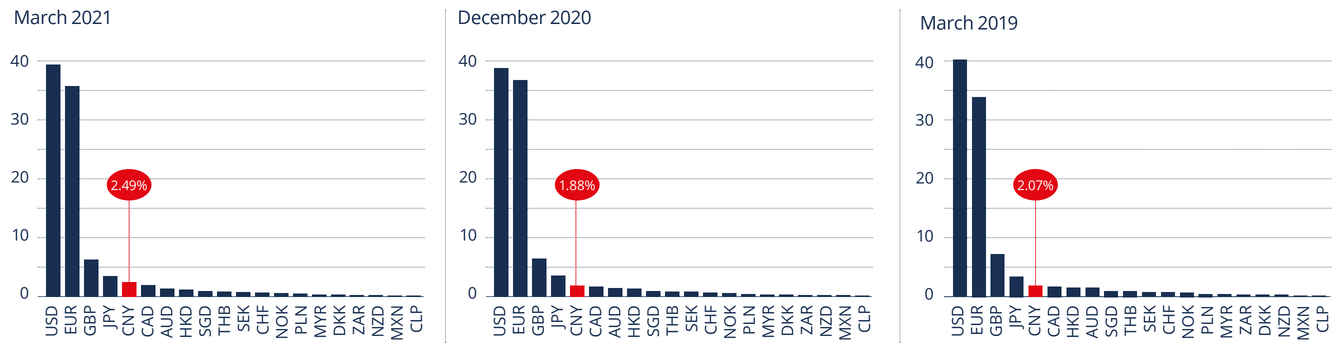


Source: PBoC

The International Status of the London Offshore RMB Market

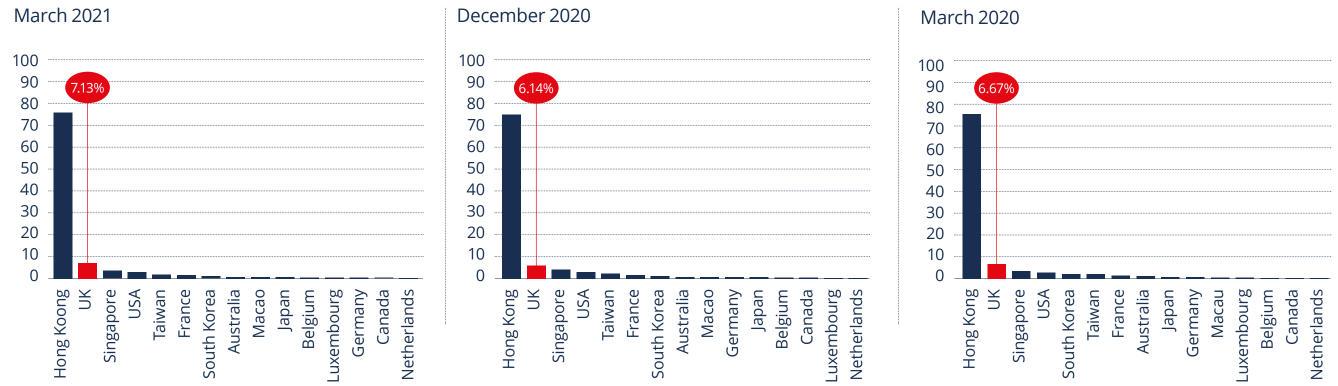
According to SWIFT, the RMB was the fifth largest global payment currency (customer initiated and institutional payments) in March 2021. Its share grew to 2.49%, up 0.61% from December 2020. The UK remained the second largest offshore centre for RMB payments in the world, after Hong Kong SAR, contributing 7.13% of the global share, up 0.99% from last December. The RMB share as a global currency in the trade finance market stood at 1.94% in March 2021, down 0.11% from December 2020. Up to March 2021, the UK ranked as the largest RMB FX hub in the world, accounting for 38.18% of the total, slightly higher (up 0.69% from December 2020). The top three countries/ regions doing FX transactions in RMB in March 2021 were the United Kingdom, the United States of America and China, and the portion of each country did not see a big change from last December.

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



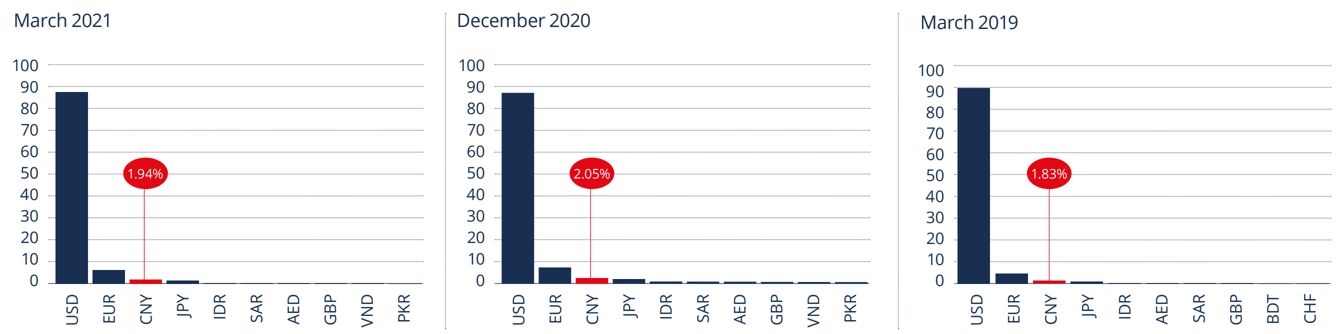
Source: SWIFT, watch

Offshore centre for RMB payments by weight (%)



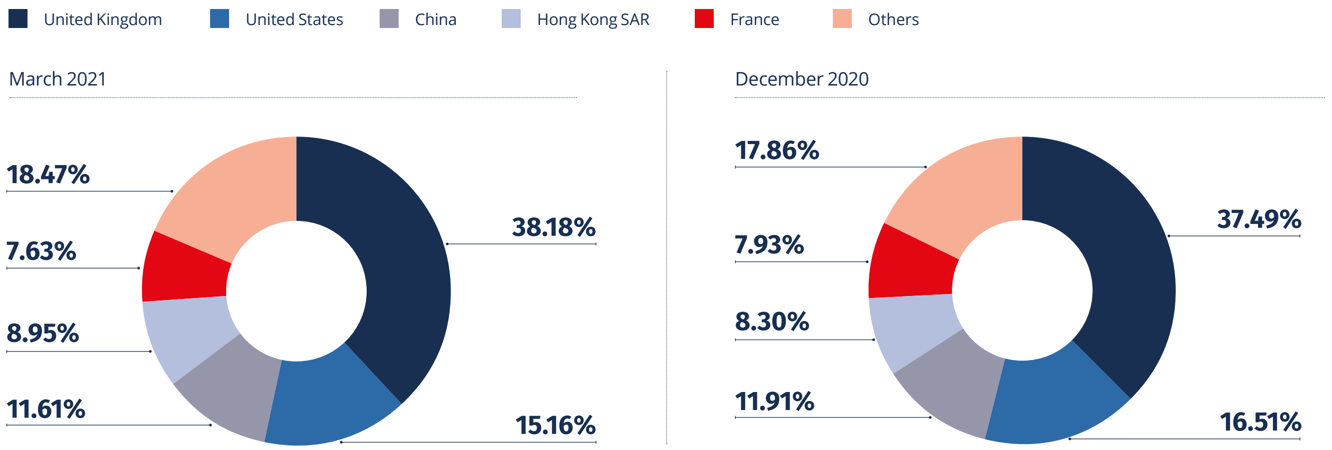
Source: SWIFT

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



Source: SWIFT, watch

Top Countries (Regions) FX Transaction in RMB (March 2021)

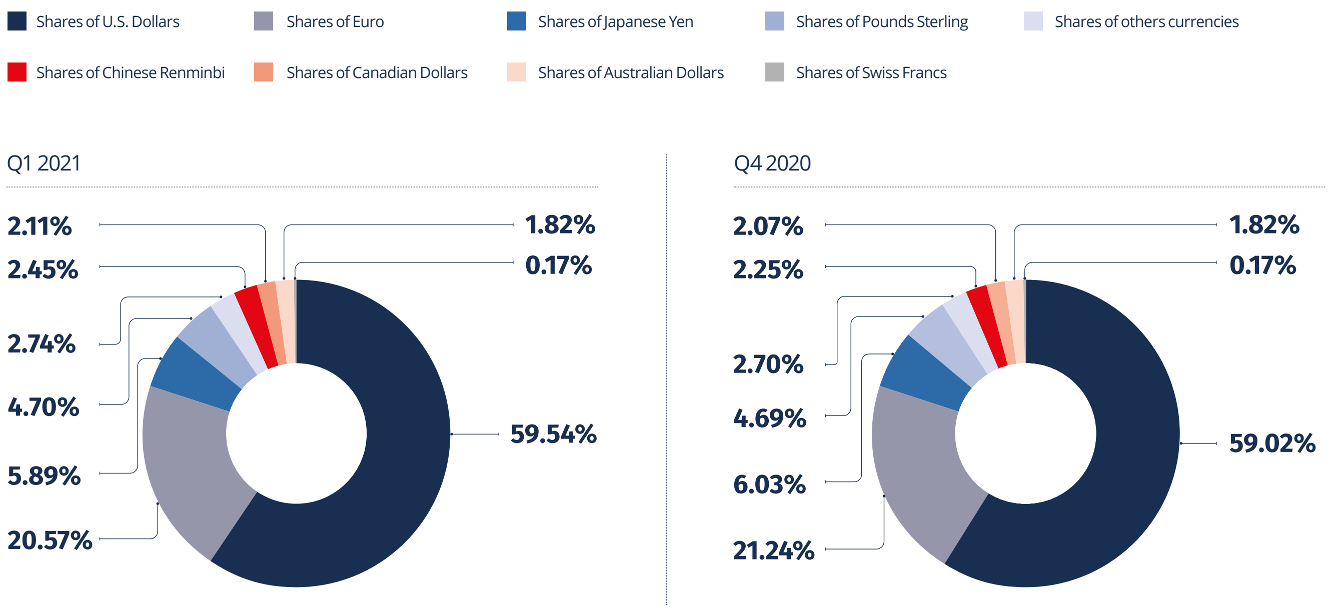


Source: SWIFT, watch

RMB in Global Currency Reserves

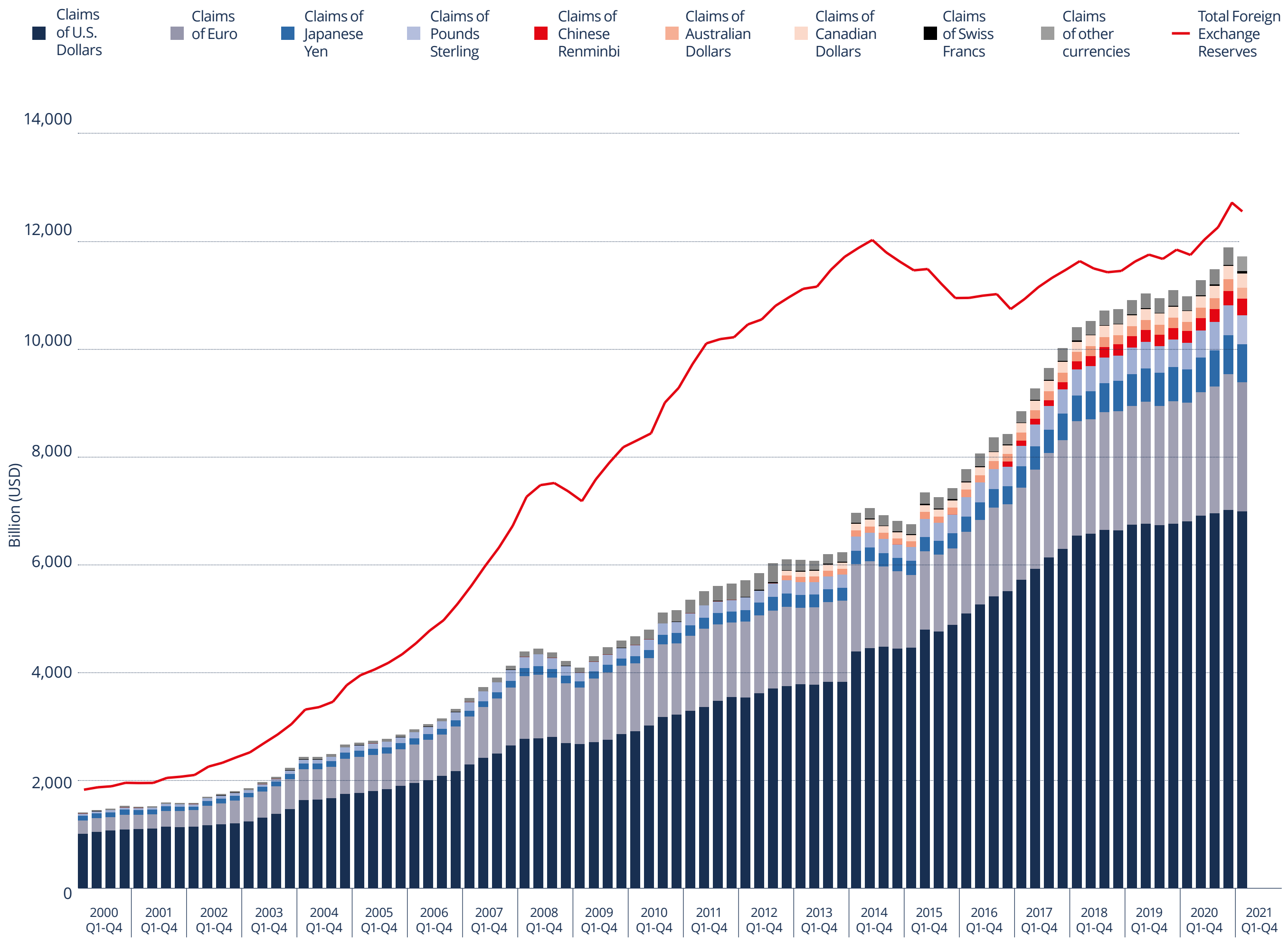
According to the IMF, the RMB represented 2.45% of global currency reserves as of Q1 2021, up 0.18% from Q4 2021. When it was first included in the SDR basket, its initial share was 1.07% in Q4 2016. In Q1 2021, USD's share of global reserves witnessed a slight increase from 58.94% to 59.54%; The share of Euro, JPY and GBP declined from 21.29%, 6.05% and 4.73% in the quarter before, to 20.57%, 5.89%, 4.70%.

Allocated Reserves by Currency



Source: International Monetary Fund

Official Foreign Exchange Reserves by Currency (USD billion) as of Q1 2021



Source: International Monetary Fund

Industry update

Unleash The Market Potential: Binding RMB Internationalisation and Sustainable Finance Product Innovation Together

HSBC

Executive Summary

The development of sustainable finance has catalysed the exponential growth of ESG assets worldwide. London, as an international financial centre, has been a long-term advocate and is well positioned as the leading innovator for mainstreaming sustainable finance and ESG asset development. Coupled with the consistent growth of London's offshore RMB market, London is expected to see more CNH denominated ESG assets going forward. The UK can capitalise on this position post-Brexit and play an instrumental role in facilitating the mutual understanding between western investors and listed companies in China, in terms of ESG product development and investment scope.

Background

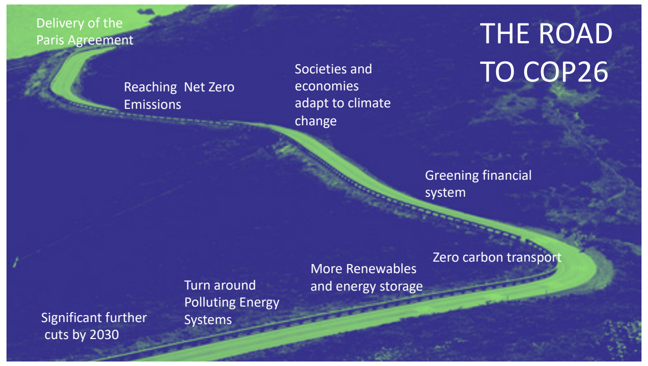
Sustainable finance has been gaining prominence and market momentum largely as a result of the Paris Agreement for Climate Change. Sustainable finance refers to the integration of environmental, social and governance (ESG) criteria by financial institutions into business or investment decisions.

Supranational organisations, national governments, regulators and market practitioners all participate to the development of sustainable finance in terms of forming initiatives, recommendations, international platforms, regulations and voluntary market guidelines.

Global initiatives and platforms include the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations under FSB/G20, the Principles for Responsible Banking (PRB) and the Principles for Responsible Investment (PRI) under the United Nations Environment Programme Financial Initiative (UNEP FI), the sustainable Banking Network (SBN), the Network for Greening the Financial System and the International Platform on Sustainable Finance.

The European Commission's Action Plan on Sustainable Finance, adopted in March 2018, introduced an ambitious policy agenda for the EU's sustainable finance; it effectively embed ESG considerations into the EU's economic and financial systems, underpinned by comprehensive EU directives and regulations.

In the UK, with the run-up to COP26 there has been an acceleration of activities from the UK government to enhance its climate commitment; introducing green taxonomy, disclosure regulations and plans to launch a sovereign green bond and a national infrastructure bank to support ESG investment in the UK.



In China, the People's Bank of China (PBoC) has been leading the charge to develop China's climate related disclosure standard, which will closely align to TCFD recommendations. They are also leading to harmonize the Green Bond taxonomy in collaboration with FSB, the EU and the US. Chinese commercial banks are also being encouraged by the regulator to perform climate-related stress test. The upcoming UN Biodiversity Conference (COP15) in Kunming, China will provide further opportunities for China to enhance its green credential and for the global community to galvanize efforts at all levels to build a better future in harmony with nature.

Financial Market Development

In tandem, the sustainable financial market has been seeing the creation, and mainstreaming of a suite of innovative green products, which are based on market-driven voluntary guidelines, including the Equator Principles, the Green Bond Principles (ICAM), the Green Loan Principles (LMA), the Sustainability-Linked Loan Principles (LMA, APLMA), the Sustainability-Linked Bond Principles (ICMA) and the Climate Transition Finance Handbook (ICMA). Green bonds – the most significant green financial products so far, are bond issuances whereby the proceeds are ring-fenced and exclusively applied to finance or re-finance in part or in full new and/or existing projects that will promote progress on environmentally sustainable activities.

Multilateral lenders such as the World Bank, the African Development Bank and the European Investment Bank are pioneers of green bonds issuance. However, corporates have increasingly began to issue green bonds to increase market appeal to a broader investor class. Sovereign issuances of green bonds have also taken off with the first sovereign green bond being issued by Poland in December 2016.

Due to the nature of green bonds, issuers are limited to those with significant capital expenditure requirements in green areas. Those who do not have readily available green expenditures may find it challenging to tap into the green bond market. Most recently, the Sustainability-linked Bonds (SLBs) and transition bonds are market innovations filling this gap.

SLBs are bonds whereby the proceeds from the issuance are not ring-fenced for green or sustainable purposes and may be used for general corporate purposes or other purposes. Instead, SLBs are linked to the issuers' performance of pre-defined ESG key performance indicators (the "KPIs") targets, which are codified as part of bond covenants with linked events (e.g. coupon ratchet). Therefore, issuers are committing explicitly to future improvements in ESG outcomes with a pre-defined timeline.

Transition bonds are for issuers who seek to utilise green bonds, sustainability bonds or sustainability-linked bonds towards the achievement of their climate transition strategy. When raising funds for climate transition-related purposes, issuers are encouraged to reference the recommendations outlined in the Climate Transition Finance Handbook in their reporting.

Both SLBs and transition bonds are innovative, forward-looking, performance-based instruments, which by nature will complement green bonds, and should enable more issuers to access the sustainable financing market. HSBC, as the leading bank for sustainable finance, is supporting our customers to capitalize on the new sustainable financing opportunities through SLBs and transition bonds.

Case Study on Product Innovation

In April 2021, HSBC acted as joint global coordinator, bookrunner, lead manager and sustainability-linked bond advisor for China Construction Bank Corporation (CCB) to successfully issue USD1.15 billion 3-year and 5-year Reg S senior unsecured sustainability-linked bond; as joint global coordinator, joint bookrunner and joint lead manager to issue CNH2 billion 2-year fixed rate transition bond.

April 2021 — Transition	April 2021 — SLBs
中国建设银行 China Construction Bank	中国建设银行 China Construction Bank
CCB Singapore Branch	CCB Hong Kong Branch
CNH 2bn, 2y fixed	USD600m, 3y and USD550m, 5y Reg S senior unsecured
HSBC as Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager	HSBC as Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager and Sustainability-Linked Bond Adviser

The CCB SLB2021 is governed by CCB green, social, sustainability and Sustainability-Linked Bond Framework with the part of SLBs referred to the Sustainability-Linked Bond Principles 2020 published by ICMA, which defines the selection of key performance indicators (KPIs), calibration of sustainability performance targets, bond characteristics, reporting as well as verification.

The selected KPI for CCB SLB2021 is the percentage of the Balance of Green Loans to Adjusted Gross Loans and Advances to Customers, which is disclosed annually in CCB's corporate social responsibility report. The baseline value is set at 8.52 % (as at 31 December 2017).

For the 3-year SLB, the sustainability performance target (SPT) is set at an amount equal to or higher than 9.5% by 31 December 2022, 0.98% increase above the baseline value. For the 5-year SLB, the SPT is set at an amount equal to or higher than 10% by 31 December 2023, 1.48% increase above the baseline value. In both cases, if the selected KPI has not been reached the predefined SPT, the coupon of the SLB will step up by 25 bps.

CCB is also committed to publish a Sustainability-Linked Bonds Report annually on its official website; CCB will engage an independent third party to verify its performance level against each SPT for each KPI, at least once a year, throughout the duration of the SLB, with verification results available on its official website.

The CCB transition bond 2021 is guided by the Climate Transition Finance Handbook (2020), with full alignment to the four pillars of ICMA principles in Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting. The activities associated with those projects financed by the CCB transition bond 2021 are in line with the definitions in the TEG Final Report on the EU Taxonomy, the principles of 'Avoidance of Carbon Lock-in' and 'Do No Significant Harm'.

The eligible project list published for the CCB transition bond 2021, states that the proceeds will be allocated mainly to natural gas based distributed energy station projects in mainland China and a waste heat recovery and power generation project in an existing steel plant in Chongqing municipality.

Looking Forward

The UK, as an international financial centre, has the ambition and potential to be the centre of international sustainable finance. With dedicated policies, regulations, promotions and stakeholders' engagements, the UK is positioned to drive global sustainable finance and investment. This will bring sustainable financial products to more issuers (entities), investors with wider jurisdiction and currencies coverage.

As the London offshore RMB market consistently grows, it can expect to see more sustainable financial products denominated in RMB. The SLBs and transition bonds will be perfect instruments to unleash the potential in the primary market, creating ever-growing CNH denominated ESG assets. As of June 2021, there were 159 ESG mutual funds and exchange traded funds (ETFs) in China with RMB184.27 billion (USD28.39 billion) in AUM. Both Chinese regulators (PBoC and CSRC) and asset managers (domestic and foreign) are actively engaging and encouraging mainland China-listed companies to further improve their ESG related disclosure. It is estimated that the ESG fund in Asia will grow exponentially if China continues to improve disclosure standards. The ESG fund size in Asia ex-Japan was USD33.2 billion in Q1 2021. The current allocation of 4.9% weighting to mainland-listed equities in the MSCI emerging market equity benchmark, could also be boosted to 24.5% with better ESG disclosure.

To conclude, the UK, as a leading voice of the adoption of sustainable finance standards and international collaboration, can act as a bridge to facilitate the mutual understanding between western investors and listed companies in China in terms of their ESG disclosure and investment scope. The future is bright for the UK to be a centre of ESG investment and wealth management with a growing portion of RMB denominated ESG assets.

Transition Finance: Significance and Practice

Standard Chartered Bank

Transition finance is defined as 'capital provided to economic agents to achieve a minimum rate of carbon emissions reduction'. In its broadest form, this involves providing financial support to enable the largest carbon-emitting industries and companies —to reduce their emissions and move towards a net zero emissions model.

At present, the most significant net zero transition capital shortfall is in carbon-intensive sectors in emerging markets. How do we make sure those most in need get the finance that they need to transition to net-zero?

The recent report from Standard Chartered, Zeronomics, reveals that multinational companies, crucial for the transition to net zero, are set to miss the Paris targets. The study, which investigates the financing of a net zero world, reveals that 55% of business leaders believe their company is not transitioning fast enough to reach net zero by 2050.

A financial challenge

Worryingly, rather than accelerating their efforts, companies are delaying action. More than a third of business leaders said their companies will make the most progress between 2030 and 2040, while 37% said they will take most action between 2040 and 2050.

The main reason? Money. Some 85% of companies require medium or high levels of investment to transition to net zero, 67% said that the lack of capital is a significant barrier to net zero transition and 52% said net zero transition will be the most expensive project they have ever undertaken.

The transition to net zero and the financing that is required will differ greatly country by country, with emerging markets across Africa, Asia and the Middle East facing the toughest challenge despite being the most vulnerable. According to Verisk Maplecroft, around 95% of the cities most affected by climate change are in Africa and Asia.

Where it's needed most

Providing funding for these countries will be a challenge. According to Zeronomics, 78% of senior executives and 71% of investors expect the most significant net zero transition capital shortfall to occur in carbon-intensive sectors in emerging markets.

Our USD50 trillion Question study, which focuses on UN Sustainable Development Goal funding, underlines just how difficult it can be for emerging markets to get the funding they need for sustainability projects.

The research, which surveyed a panel of the world's top 300 investment firms, found that while two thirds of their investments are in the developed markets of Europe and North America, less than 10% are invested in the Middle East, Africa and South America collectively.

Not only do investors tend to stick to markets they are familiar with, but they tend to consider emerging markets to be high risk. More than two thirds of investors believe emerging markets to be high risk, citing bribery and corruption, government interference in business and political risk among the reasons for their thinking.

A transition imperative

The big question is how this problem can be solved. How do we make sure those most in need get the finance that they need to transition to net-zero? While the world is waking up to the importance of net zero, we want to help businesses that might not know where to start. We can provide the support and advice that clients need to make good progress on their net zero journey.

Standard Chartered's Practice

In May, we launched the Transition Finance Imperative, our commitment to helping make the net zero transition a reality. As part of the imperative, our aim is to reduce our financed emissions while helping our client's transition.

Our focus is on eight of the most carbon-intensive sectors (oil and gas, metals and mining, power, manufacturing, commercial real estate, chemicals, shipping and aviation) we currently finance, in the regions of the world that need this most. We want to ensure capital flows to clients serious about the climate transition, even if they are in carbon-intensive sectors.

Meanwhile, we like to innovate when it comes to transition finance. We created the first Blue Bond with the Republic of Seychelles, the first Women's Livelihood Bond with the Impact Exchange and the first transition sukuk with Etihad Airways.

We also created the first Sustainability Deposit, with funds raised used to finance projects such as the creation of a solar plant in Bangladesh and the building of a wind power plant in Rajasthan, both of which will play their part in reducing carbon emissions.

However, we expect our clients to play their part too. We only work with responsible clients and, as part of our funding, we expect those in carbon intensive sectors to have a strategy to transition to net zero. We also expect them to report their current greenhouse gas emissions, preferably in line with the Task Force on Climate-related Financial Disclosures.

For carbon intensive companies, other large corporates and the public at large the road to net zero will be long and bumpy. However, there are reasons to be optimistic. Technological advancements and a focus from governments are among them but perhaps the most important is transition finance and its growing importance and popularity.

Transition finance is far from perfect. A standard set of principles, including effective disclosure, and reporting on science-based targets, will only increase its influence among financiers and investors and help guard against 'transition washing'.

Importantly, the timing and growth of transition finance couldn't be better. There is no time to lose and, if we are to avoid at least the worst impacts of global warming, strong potential must translate into sustainable and lasting change.

China's Green Bonds to Boost Global Sustainable Development: A Brief Introduction of China's Green Bond Market.

China International Capital Corporation Limited (CICC)

Summary

With unified standards and supporting policies introduced into the market, China's green bonds market has expanded rapidly. The outstanding amount for these bonds has exceeded RMB1 trillion with more products, maturities, and ratings available. However, challenges such as a lack of information on disclosure requirements and investment habits need to be improved.

In recent years, China's green bond market has developed fast. Since President Xi announced to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060 in September 2020, unified standards and new products have been introduced into the market. The following content gives a brief introduction of China's green bond market, including standards, recent developments, carbon-neutral bonds and remaining issues.

I. Setting standards: A welter of standards to unify

In China, a green bond is a type of fixed-income instrument specifically earmarked to raise money for green industries or green projects. Definitions of green bonds may vary among different regulatory authorities, yet they are all related to whether the proceeds go to green industries or green projects. The guidelines or project catalogues released by regulatory authorities are often used to designate whether the subject qualifies as a green industry or a green project. In April 2021, there was the release of the latest Green Bond Endorsed Project Catalogue. The Catalogue outline clearer definitions and standards for green bonds, which is conducive to a more standardized green bond market in China. The Catalogue which took effect on 1st July2021, cover the following aspects.

- Unified definition of a green bond. The Catalogue clarifies that "a green bond is an investment security that is issued in accordance with legal procedures, with the requirement of principal and interest repayment, including but not limited to green financial bonds, green enterprise bonds, green corporate bonds, green debt financing instruments, and green ABS, that is specifically earmarked to raise funds for green industries, green projects, or green economic activities."
- Unified standards for green bonds. Before the Catalogue (2021) was released, the Green Bond Endorsed Project Catalogue (2015) and Guidelines on the Issuance of Green Bonds, were both referred to when deciding whether a project qualifies for the issuance as green bonds. However, these two differ in the scope of application, resulting in different standards for various green bond products. The Catalogue released recently will be the only standard for all green bonds.
- Project classification improved. By referencing both the Green Bond Endorsed Project Catalogue (2015) and the Green Industry Guidance Catalogue (2019), the Catalogue (2021) has improved the classification of green industries and divided the category into 4 tiers. Tier-1 and tier-4 are largely in line with those in the Green Industry Guidance Catalogue (2019), whereas tier-2 and tier-3 align with the global standards, similar to those in the Green Bond Endorsed Project Catalogue (2015).
- Fossil fuel projects removed to meet global standards. Fossil fuel projects are not applicable for green bonds in global practice. However, given China's condition, "fossil fuel projects" were included in the Green Bond Endorsed Project Catalogue (2015). The latest Catalogue removes fossil fuel projects to meet global standards.
- Many supporting industries and projects added to align with social and economic progress. National key programs such as green agriculture, green building, sustainable building, water conservation, and unconventional water resources are added to the taxonomy. Meanwhile, China has strengthened its support for green equipment manufacturing from production to relevant trade activities. Specifically, green projects related to carbon capture, utilization, storage, and clean heating projects in rural areas have been added.

Meanwhile, China Central Depository & Clearing Co., Ltd. (CCDC) also released the ChinaBond Green Bond Environmental Benefit Disclosure Indicator System, setting clearer rules and standards for information disclosure.

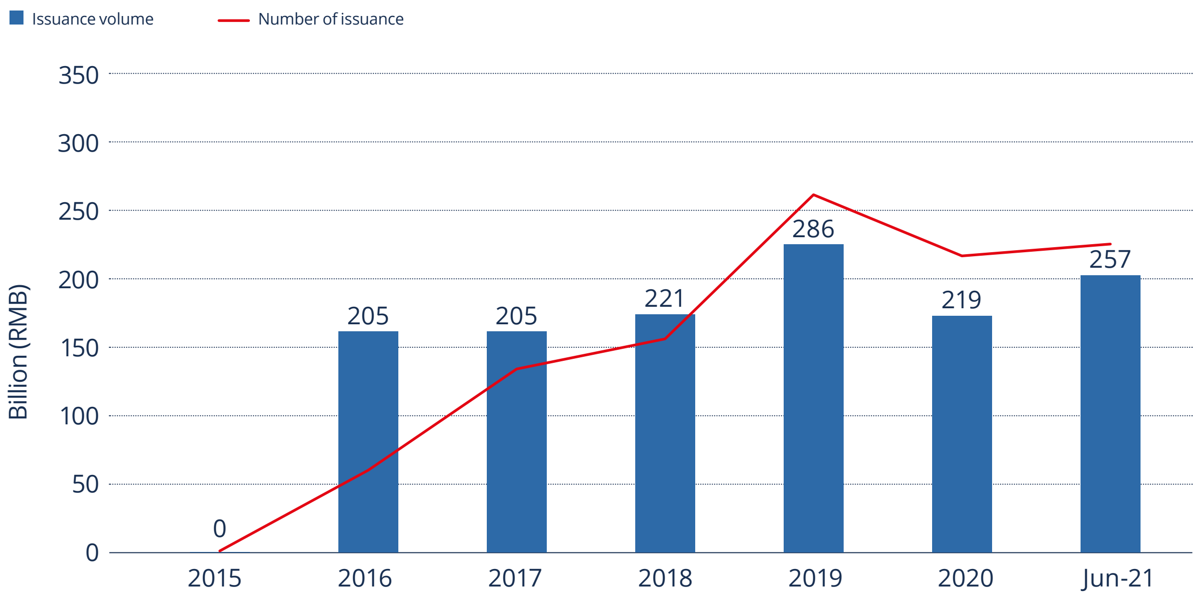
II. Current development: Issuance registers, rapid growth with more products, maturities, and ratings available

After catching up quickly with other countries, China became the world's second-largest green bond market in 2018. In China's green bond market today, products are more evenly distributed, maturities are longer, issuers with lower ratings have become eligible for issuance, the proportion of bonds issued in the exchange market has increased, and issuers are from a broader range of industries.

As of the end of June, China's outstanding green bonds total RMB1041.2 billion (RMB944 billion after excluding ABS), and are mostly financial bonds, corporate bonds, and enterprise bonds. The maturities mainly range from 1–5 years. About 70% of issuers are AAA rated. Most issuers are from the financial, industrial, and public utility industries. A total of 95 ABS worth of RMB117.35 billion have been issued, and more than half of the issuance has been issued in the exchange market.

Some Chinese enterprises also choose to issue green bonds overseas. These issuers vary considerably in ratings, industries, and shareholder structures. Most bonds are US dollar-denominated, some are euro-denominated, and a few are Singapore dollar, Japanese yen, or Hong Kong dollar-denominated. Most issuers were investment-grade and non-investment grade, whereas speculative-grade issuers saw rapid growth in 2020. Banks used to be the leading issuers before 2020, yet property developers ranked first in 2020, and the proportion of issuers from industrial industries and other industries also increased. Most of the funds raised went to green projects, while others were used for refinancing and project financing, among others.

Figure 1: Green bond issuance since 2015



Source: Wind info, CICC Research

III. Carbon-neutral bonds: A subtype of green bonds pioneered in China

The "carbon-neutral bonds" first put forth by the National Association of Financial Market Institutional Investors (NAFMII) have attracted considerable market attention. Its selection of projects, green standards, and disclosure rules do not fully match those of previously issued green bonds. Carbon-neutral bonds as debt financing instruments specifically earmarked to raise funds for green projects that can reduce carbon emissions. The exchange market also launched relevant products later. There are differences between the interbank bond market and the exchange market. The interbank bond market was initially established for banks and the exchange market for non-bank financial participants. The volume of the interbank bond market is much larger than that of the exchange market.

The Interbank bond market: carbon-neutral bonds include credit bonds, interest rate bonds, and ABS. For credit bonds, we found the following characteristics.

1) Issuers and bonds: Issuers were mainly electric power companies at first and then expanded to the local government financing vehicles (LGFV) sector. The overall credit quality was solid, and most bond maturities were 3 years. The coupon rate of the first batch of carbon-neutral bonds was lower than the China Bond yield curve with the same maturity, attributable to the sound credit quality of these issuers, in our opinion. We did observed some carbon-neutral bonds with higher coupon rates in other cases.

2) Most investment projects initially were electricity generation from renewable energy. Third-party institutions were introduced to issue evaluation and verification reports, including calculations and disclosure of environmental benefits and carbon emissions of these projects, in line with the international standards. Green building and clean transportation projects also became investment projects.

The Exchange market: most carbon-neutral bonds issued in the exchange market have been credit bonds. We observed the following characteristics compared with the interbank bond market.

1) Issuers and bonds: Apart from electric power companies and the LGFV sector, some issuers were from the finance leasing industry, and a select number were rated AA+. The maturities extended to 5 years. We noted there were more bonds with higher coupon rates than in the interbank bond market, all with weaker credit quality.

2) No less than 30% of raised funds can be used as supplemental liquidity. Only one-third of bond issuers provided third-party evaluation and verification reports.

IV. Current issues in China's green bond market

Some issues exist as China develops its green bond market. Firstly, China's standards differ from global standards, such as supporting industry and disclosure requirements. Efforts have been made to eliminate these gaps. Coal and other fossil energy projects were excluded from financial support in the new catalogue, and the PBoC plans to advance the establishment of a mandatory disclosure system by stages. Before 2020, only over half of China's green bonds were in line with global standards. Secondly, China's regulatory authorities have announced some incentive policies, such as to streamline the registration process for carbon-neutral bonds, encourage intermediaries to participate, and encourage local governments to grant loan discounts. However, we fail to see an advantage in the financing cost of green bonds compared with ordinary bonds, and issuers are therefore less motivated to issue green bonds. Recently, with the introduction of more supporting policies, the issuance of green bonds has grown quickly. In the future, we believe the development of the green bonds market need supports not only from regulating authorities, but also from the private sector. Thirdly, many policies have been released to encourage green bond investment. However, most are for guidance and lack concrete preferential policy. Investing in China's green bonds is still at an early stage.

We believe the mechanisms related to green bonds and carbon-neutral bonds will improve further with the support of regulatory authorities. The recent public remarks by regulatory authorities also show support for green industry and green finance. We expect green bond issuance to top RMB600 billion in 2021 with the policy implementation strengthened. We think the outstandings in green bonds and carbon-neutral bonds will also rise rapidly, providing another financing channel for companies meeting issuance requirements of carbon-neutral bonds.

ICBC London's Transition towards Green Banking

ICBC London

Summary

ICBC London has developed a strategy to support Green Finance and ESG, by way of prioritizing financing which facilitates customers in all sectors to transition to sustainable growth. With a growing focus on Project and Infrastructure Finance, ICBC London has supported a number of important UK based projects in eco-friendly sectors such as renewable energy and waste management. It is also worth noting that the Bank is proactively engaged with clients in the conventional power sector to support their goal of de-carbonization and sustainability where ICBC will be looking to support financing initiatives in the area of energy transition. Finally, ICBC London has taken a proactive approach towards fund raising through green financing products as a borrower/issuer by closing both a green bond and a green loan to further boost its capacity within the green finance market. This article outlines the practice as a Chinese bank in London in terms of how ICBC London has successfully raise its profile in green banking.

1. Green Finance and ESG

Finance is key to building a sustainable world. Green finance and ESG (environmental, social, governance) has risen to the top of the financial institutions' agenda as they seek to re-focus efforts on supporting deals and clients in this specific financing segment. For banks, the financial risks of climate change are in sharp focus as regulators also set out expectations for stress testing and climate risk management.

Green Finance primarily translates into green loans and green bonds, which are different types of debt instruments specifically earmarked to raise financing for eligible climate and environmental projects.

With regard to Environmental, Social and Governance ("ESG"), the key criteria is establishing a set of targets and standards for a company's operations in order to attract support from investors and lenders toward potential investments and financing opportunities.

From a ESG perspective, transactions are structured as sustainability-linked loans which are tied to specific performance targets known as key performance indicators (KPIs). These sustainability-linked loans are being executed by both corporate and financial institution borrowers and include a margin adjustment ratchet which moves upwards or downwards based on the borrower's fulfilment of these KPI targets. The majority of the KPIs are directly linked to the United Nations Sustainable Development Goals covering environmental, social and governance indicators across 17 different targets. Key ESG themes are progressively being incorporated into financing documentation incorporating financial covenants and pricing levels

2. Green finance and ESG market at a glance

In 2020, according to Refinitiv, the EMEA market retained its position as the most active and mature Green and ESG region. Total volumes reached USD431 billion across both bonds and loans compared to USD242 billion in 2019. Loans amounted to USD132 billion with the top borrower category being from the Utilities sector which accounted for 35% of total volumes.

It is expected that the number of green and ESG facilities will develop across a broader range of sectors, with the regulator's increasing pressure for banks to analyze the social and environmental impact of transactions by the end of 2021.

With this in mind, global green and ESG loan volumes amounted to USD316 billion for the first half of 2021. This represents a 400% increase on the loan volumes for the same period of 2020. A significant share of the global loan volumes are from the EMEA region which is continuing to drive the development of green and ESG related financing.

3. How ICBC London devises and implements its Green Strategy

As a group, ICBC has been an active advocate of green finance both nationally and internationally as a social and environmental commitment. ICBC was the first Chinese commercial bank to join the UN Global Compact in 2012 and joined the United Nations Environment Programme Finance Initiative ("UNEP FI") in 2014. In China, ICBC is a member of the standing council of Green Finance Committee established under China Financial Forum.

In the UK and EMEA markets, ICBC London has closely followed Group strategy, playing a significant role as an active Green Finance/ESG lender and issuer. It has also received widespread recognition for the support provided to clients.

In its business strategy, ICBC London has committed to support environmentally friendly projects and supporting clients with their key financing needs. This is clearly defined in the sectorial policy and risk appetite framework. As a recent development, ICBC London has convened a Climate Risk Working Group to better identify and manage climate change's impact on its portfolio and client selection.

These approaches have enabled ICBC London to implement the green strategy by expanding its presence in various sectors including renewable energy, energy from waste, as well as increasing the portfolio of green assets on a steady basis.

In 2016, ICBC London established its Project and Infrastructure Finance team. Since its inception, it has played an active role in sustainable infrastructure projects, particularly in the offshore wind farm and energy from waste sectors.

ICBC London has also supported clients in the conventional power sector in order to support their own strategic goals in the key area of sustainability. These clients range from multinational companies such as Shell, Trafigura, and UK based companies National Grid, Anglian Water, to Chinese corporates and financial institutions. For example, ICBC London has led as a Senior Mandated Lead Arrangers in COFCO International's USD2.3 billion sustainability-linked loan facility. This facility was the largest sustainability-linked loan arranged by a commodity trader and the first ever arranged by a Chinese corporate. It was awarded by APMA in April 2020 the Best Green Deal.

As a borrower/issuer, ICBC London is also using a green loan and a green bond to boost its capabilities of supporting sustainable finance.

4. Case Study

Case 1: ICBC London's Inaugural Green Bond and Green Loan

ICBC London issued the inaugural green bond on behalf of ICBC Group of USD1.58 billion in June 2018. The proceeds of the bond were used to fund eligible Green Asset categories as set out in the ICBC's Green Bond Framework, which include renewable energy, low carbon and low emission transportation, energy efficiency, sustainable water and waste water management. An offshore wind farm located in the UK and financed by ICBC London was selected as an eligible green asset for the offering, which reaffirms ICBC London's efforts and commitment to green financing. This green bond has been approved for Climate Bonds Standard Certification by Climate Bonds Initiative (CBI).

It is the largest ever green bond listed on the London Stock Exchange. In March 2019, this bond received a Green Bond Pioneer Award (GBPA) for "Largest Emerging Market Certified Climate Bond" of 2018, awarded by the Climate Bonds Initiative (CBI).

In September 2019, ICBC London announced the closing of an inaugural green loan. It's a dual currency term loan facility (USD and GBP), to raise up to USD370 million equivalent to fund green projects of ICBC London. This loan made ICBC the first bank in the EMEA region to secure a green loan that complies with the Green Loan Principles. ICBC London appointed an external firm to independently audit and verify the eligibility of related green assets and use of proceeds.

Case 2: Dogger Bank Offshore Wind Farm Financings

The Dogger Bank offshore wind farm is expected to have a total capacity of 3.6GW and will become the world's largest project of its kind when operational. It is being developed as a 50:50 joint venture between Equinor ASA and SSE Plc, located 130 km off the Yorkshire coast.

In November 2020, its sponsors SSE and Equinor announced the landmark GBP5.5 bn financing deal for the offshore wind farm in the UK.

ICBC London acted as one of the Mandated Lead Arrangers in this transaction providing senior debt facilities of GBP4.8 billion and ancillary facilities of GBP0.7 billion.

To date, this is the largest ever project in the renewable energy sector globally. In total, it will produce enough clean, renewable energy to supply 5% of the UK's demand, equivalent to powering six million UK homes each year. This transaction has demonstrated ICBC London's contribution to the UK's transition to a low carbon economy and the target of net zero by 2050.This transaction was named by PFI as the Global Green Deal of the Year in January 2021.

Case 3: Support the acquisition of Energy From Waste asset

On the 8th July 2020, Viridor's GBP2.5 billion senior secured acquisition debt financing reached a successful financial close. This transaction involves PE fund KKR's acquisition of 100% shareholding in Viridor Limited, a UK leading waste management company which owns 11 Energy Recovery Facilities and handles c. 6.8m tons of waste (including recycling and landfill).

ICBC London acted as one of the Mandated Lead Arrangers supporting KKR's GBP4.2 billion purchase of this strategically important waste management asset.

As a sector leader, Viridor is aiming to develop and deliver innovative ways to reduce, reuse, recycle or recover energy from waste. In 2020, this company has had 2.6 million tons of recycled, and 1,807GWh of low-carbon energy generated – enough for 500,000 homes. It is crucial for the UK to create a more circular, low-carbon economy and improved resource efficiency.

This transaction was the largest and most high-profile transaction announced in the infrastructure sector in 2020 in Europe. To fund the transaction, ICBC London has demonstrated its commitment to help achieve a zero waste and eco-friendly society.

Latest Policies and Major Events

Shanghai Skyline

On 2nd April 2021, the People's Bank of China (PBoC), the National Development and Reform Commission (NDRC), and China Securities Regulatory Commission (CSRC) jointly released the Notice on Issuing the Green Bond Endorsed Projects Catalogue (2021 Edition) attached with the Green Bond Endorsed Projects Catalogue (2021 Edition).The Catalogue 2021 introduces a more scientific and precise definition on green projects and improves the mode of bond issuance and management. It also provides a stable framework and room for flexibility for domestic green bond development. It will come into force on 1st July this year.

On 2nd April 2021, the China Banking and Insurance Regulatory Commission (CBIRC) decided to waive the large exposure limit requirement of foreign bank subsidiaries to their parent groups. Since 2018, CBIRC has announced 34 new measures for financial opening-up, including scrapping or relaxing caps on foreign ownership, relaxing restrictions on overseas investors establishing new business entities and applying for business licenses, broadening the business scope of foreign institutions, improving regulatory rules, and simplifying administrative licensing processes, etc.

On 8th April 2021, the National Association of Financial Market Institutional Investors (NAFMII) released the Notice on Compilation and Transaction of Interbank Market Credit Default Swap Index and Relevant Matters in an effort to establish the basic norms of the CDS index and protect the interests and rights of investors.

On 16th April 2021, the Shanghai Stock Exchange released the Interim Regulation on Application and Recommendation for Issuance and Listing of Enterprises on SSE STAR Market. The Regulation specified the standards and requirements for facilitating the application and recommendation of issuers and sponsors, as well as the listing of quality sci-tech innovation enterprises.

On 15-16th April 2021, the PBoC and the International Monetary Fund (IMF) co-hosted a High-Level Seminar on Green Finance and Climate Policy. The seminar focused on "Green Finance and the Role of Central Banks and Financial Regulators", "Role of Financial Institutions and Investors" and " Policy Mix for Climate Change Mitigation". Governor Yi Gang and IMF Managing Director Georgieva delivered the opening remarks. Around 150 participants from international organisations, foreign central banks, domestic and international financial institutions as well as domestic regulatory authorities attended the seminar.

On 28th April 2021, NAFMII launched the sustainability-linked bond (SLB). This product refers to a debt financing instrument that links the terms with the issuer's sustainable development goals. Through the design of the bond structure, it encourages the issuer to set and realize sustainable development goals and meet the financing needs of various enterprises committed to achieving their sustainable development goals.

On 24th May 2021, Governor Yi Gang of the PBoC had a discussion with the delegation of foreign banks from the China Banking Association. Governor Yi exchanged views with the delegation on the development of foreign banks in China.

On 31st May 2021, the PBoC decided to raise the foreign exchange required reserve ratio by 2 percentage points from 5% to 7%, which would be effective from 15th June 2021.

On 10th June 2021, Governor Yi Gang and Deputy Governor Li Guiping of the PBoC attended the 13th Lujiazui Forum. Yi noted that green finance would be one of the two focuses of monetary and credit policies. He also stressed that Shanghai, as an international financial centre, is bound to gain its edge based on RMB-denominated assets. Growing global appetite for RMB assets will derive new demand for RMB asset risk management, legal environment improvement and better talent support. In this process, Shanghai will become an RMB asset allocation centre, a risk management centre, a Fintech centre, centre of business excellence and financial talents thus making the city a more competitive financial centre internationally. Liu shared his view on leveraging the financial market to achieve the goal of Carbon Peaking and Carbon Neutrality and updated the process the PBoC had made in this field.

China Onshore RMB Market Events

On 17th March 2021, Central Clearing & Depository Corporation (CCDC) launched the ChinaBond Carbon-Neutral Green Bond Index. On 24th May 2021, Shanghai Pudong Development Bank successfully launched the first "carbon neutral" themed structured product based on the index for individual investors. It was a pioneering exploration of green finance by financial institutions adhering to the goal of "carbon neutral".

On 8th April 2021, the National Interbank Funding Centre and Shanghai Clearing House jointly announced the launch of their credit default swap index trading and clearing services, to further develop the credit derivatives market and better play the role of credit derivatives in risk management.

On 28th April 2021, CCDC supported China Development Bank (CDB) to issue 12 billion of 5-year term RMB financial bonds through direct bidding, with wining rates of 3.28%. It was the first-time global investors were able to directly participate in the bidding and subscription of the primary issuance of CDB bonds, providing a new channel for them to participate in the primary bond market of China. The members of the direct bidding group include more than 100 overseas sovereign institutions, as well as domestic and foreign commercial banks, securities, insurance, funds and other types of institutions.

On 29th April 2021, CCDC supported the first RQFII investor to carry out bonds as a futures margin business. QFII participation in the margin business began in 2019, the first RQFII joining is another important breakthrough in the internationalisation development of bonds as a futures margin product, and also an innovative result of optimizing overseas investor service and supporting the opening up of the futures market.

On 7th May 2021, the bell ringing ceremony of the EUR800 million green bond listing of China Construction Bank Luxembourg Branch was held simultaneously in Luxembourg and Beijing. The funds raised will be used for sustainable water resources projects in the Yangtze and Yellow rivers, including sewage treatment and river management.

On 10th May 2021, the first seven sustainability-linked bonds from Chinese issuers were successfully issued. It is reported that the first batch of bonds are medium and long-term bonds of two years or more, with a total issuance amount of RMB7.3 billion, and there will be other enterprises to continue to issue. All seven projects in the first batch have significant carbon emission reduction or pollutant emission reduction effects.

On 11th May 2021, the Shanghai Stock Exchange (SSE) and the Korea Exchange (KRX) signed a Memorandum of Understanding (MoU) on closer cooperation by video. SSE President Cai Jianchun and KRX Chairman Sohn Byungdoo signed the MOU on behalf of the two exchanges. According to the MOU, the SSE and the KRX will discuss the establishment of an ETF connectivity mechanism between China and South Korea and strengthening cooperation in the fields of index and bond markets.

On 14th May 2021, CFETS launched its Bond and Repo Trading Services for foreign-currency interbank Negotiable Certificates of Deposit (NCDs) on X-Trader and FX 2017. These trading services promise greater liquidity for foreign-currency assets and enable more efficient FX asset-liability management.

On 27th May 2021, CCDC Collateral Management Centre successfully supported the loan project of the New Development Bank (NDB) for China's post-epidemic economic recovery. The project is supported by the NDB with a loan fund of RMB7 billion and the face value of pledged bonds is RMB7.93 billion. CCDC provides the whole process collateral management service support.

On 3rd June 2021, CCDC successfully supported China Development Bank (CDB) in issuing one-year domestic US dollar bonds with a size of USD2 billion and a coupon rate of 0.38%. The issuance is for all financial institutions with foreign currency business qualification in the CIBM, and the underwriters include foreign banks such as HSBC, Standard Chartered Bank etc.

On 21st June 2021, China's first batch of infrastructure real estate investment trusts (REITs) began to trade, with five on the Shanghai Stock Exchange and four on the Shenzhen Stock Exchange. The nine REITs have raised over RMB30 billion (USD4.68 billion) in total, the data showed. They are expected to channel investment into infrastructure projects such as highways, industrial parks, storage and logistics, and sewage treatment, among others.

On 29th June 2021, CCDC and China Life Asset Management Co., Ltd. jointly compiled the ChinaBond CLAMC ESG Credit Bond Select Index, which was the first ESG bond index compiled by the domestic insurance asset management industry.

On 30th June 2021, CCDC and Guolian Securities Co., Ltd. jointly launched the ChinaBond GLSC Yangtze River Delta Selected Short Term Bond Balanced Index. The index was conducive to promoting the innovative application of the integration strategy of the Yangtze River Delta in the bond market. The potential contributions of the index included actively supporting the national core financial integration strategy of the Yangtze River Delta and strengthening the function of the financial market to serve the real economy of the region.

In the second quarter of 2021, trading activity on Tradeweb CIBM Direct Link rose by over 6%, while the number of transactions was up by over 27% compared to the previous quarter. Since the launch of Tradeweb CIBM Direct Link in August 2020, Tradeweb continues to see a growing number of clients and dealers trading through this access channel. The number of dealers supporting CIBM Direct RFQ activity increased to 32 from 15 at launch.

On 1st July 2021, the National Interbank Funding Centre officially released the CFETS Interbank Green Bond Index and the CFETS Interbank Carbon Neutral Bond Index. These two indexes comprehensively reflect the bond market trends and enriches the performance comparison benchmark and investment targets for investors.

On 16th July 2021, China's national carbon market started online trading, a significant step to help the country reduce its carbon footprint and meet emission targets. Trading began at 9:30 a.m. at the Shanghai Environment and Energy Exchange with the opening price for the carbon quota at 48 yuan (7.4 U.S. dollars) per ton. The market would become the world's largest in terms of the amount of greenhouse gas emissions covered.

London Offshore Market Events

On 12th April 2021, the London RMB Business Monitoring Working group conducted their first quarterly meeting for the year. Strong focus was placed on the RMB Market infrastructure with key points on the FTSE Russell index inclusion of Chinese government bonds in the FTSE world Government bond index and the Hong Kong RMB Offshore Market Development.

On 30th April 2021, the City of London Corporation launched the Green Horizon Perspectives, a new series of live digital magazine focusing on the issues that matter to accelerating the mobilisation of climate- and nature-positive finance. The first episode held in April set the stage for COP26 and outlined the priorities for the finance stream on the road to Net Zero. The second episode aired on 30th June 2021, focused on the pivotal role of finance in unlocking the transition to net-zero by mobilizing private capital into the real economy. This exclusive event was hosted together with the Glasgow Financial Alliance for Net Zero (GFANZ) -- a coalition that brings together existing and new net zero finance initiatives into one sector wide strategic forum.

On 3rd June 2021, the London RMB Market Infrastructure Sub Working Group, held an online workshop to discuss the Cross-border use of RMB bonds collateral. The Sub Working Group, launched in December 2020, is part of The London RMB Business Monitoring Group, co-chaired by the City of London Corporation and the PBoC Representative Office for Europe, aiming to create a platform for exchanges, technical support and a sounding board for policy and product innovation. Members are from the major Chinese and British financial infrastructure providers such as NAFMII, Cross-Border Interbank Payment System (CIPS), Shanghai Clearing House, CCDC, Shanghai Stock Exchange, China Financial Futures Exchange (CFFEX), London Stock Exchange, ISDA, London Metal Exchange, EBS, London Clearing House, and so on.

On 29th June 2021, the London RMB Market Infrastructure Sub Working Group held a meeting to discuss expanding RMB-denominated green/ESG products in the UK's Market and CNH liquidity in London.

HK Offshore RMB Market Update

Renminbi deposits in Hong Kong grew slightly. According to Hong Kong Monetary Authority (HKMA), renminbi deposits in Hong Kong increased by 1.2% to RMB782.0 billion at the end of April. The total renminbi for cross-border trade settlement was RMB561.8 billion in April, which is RMB114.6 billion less than that in March. The HKMA suggested that the changes in renminbi deposits were due to a wide range of factors, such as interest rate movements and fund-raising activities. The market is more appropriate by observing the longer-term trends, but not to over-interpret the fluctuations in a single month.

On 6th May 2021, financial regulators from the Chinese Mainland including the PBOC, CBIRC, CSRC branches in Guangzhou and Shenzhen, jointly issued a consultation paper on the Implementation Rules for the Cross-border Wealth Management Connect Pilot Business in the Guangdong-Hong Kong-Macau the Greater Bay Area. The rules stipulated what is the individual investor qualification, how much money the individual investors can invest and so on. At present, the total initial aggregate quota for the pilot is set at RMB150 billion. The quota for individual investors shall not exceed RMB1 million. The Cross-border Wealth Management Connect will broaden the asset allocation of residents and high-net-worth individuals and provided them more diversified products.

On 21st May 2021, the PBoC issued two batches of RMB-denominated central bank bills in Hong Kong, including RMB10 billion with a term of three months and a rate of 2.48%, and RMB15 billion with a term of one year and a rate of 2.63%. The issuance was well received by overseas investors, with a total bid amount around RMB68.2 billion, or over 2.7 times the issued amount. Subscribers included commercial banks, central banks, funds and other institutional investors from America, Europe and Asia as well as international financial organizations, demonstrating the strong attraction of RMB assets to overseas investors and the confidence of global investors in China's economy.

On 1st June 2021, the first pair of Shanghai-Hongkong ETF products were approved by the China Securities Regulatory Commission and the Securities and Futures Commission of Hong Kong. The products were listed concurrently on the SSE and the Hong Kong Exchanges and Clearing Limited (HKEX). Based on the mature ETF connectivity mechanism, the Huatai-PineBridge CSOP Hang Seng TECH ETF was listed on the SSE, and the CSOP Huatai-Pine Bridge CSI Photovoltaic Industry ETF was listed on the HKEX.

On 24th June 2021, the PBoC issued RMB5 billion six-month RMB-denominated central bank bills in Hong Kong, with a rate of 2.54%. The issuance was well received by overseas investors. Subscribers included commercial banks, funds and other institutional investors from America, Europe and Asia as well as international financial organizations. The bids totalled around RMB27.2 billion, more than 5.4 times the issued amount, demonstrating the strong attraction of RMB assets to overseas investors and the confidence of global investors in China's economy.

Appendix I

List of Dim Sum Bond (RMB Bond) Issuance in London (as of March 2021)

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
QNB FINANCE LIMITED	220MM	3.50%	31/03/2021	31/03/2026
QNB FINANCE LIMITED	150MM	3.20%	12/03/2021	12/03/2023
QNB FINANCE LIMITED	500MM	3.28%	11/03/2021	11/03/2023
QNB FINANCE LIMITED	150MM	3.30%	26/02/2021	25/02/2026
QNB FINANCE LIMITED	130MM	2.80%	24/02/2021	24/02/2028
QNB FINANCE LIMITED	150MM	3.28%	23/02/2021	23/02/2024
QNB FINANCE LIMITED	500MM	3.28%	18/02/2021	18/02/2024
QNB FINANCE LIMITED	405MM	3.30%	05/02/2021	05/02/2026
QNB FINANCE LIMITED	1500MM	3.15%	04/02/2021	04/02/2026
FIRST ABU DHABI BANK P.J.S.C.	1500MM	3.15%	29/01/2021	29/01/2026
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	200MM	2.00%	21/01/2021	21/01/2025
QNB FINANCE LIMITED	176MM	3.30%	13/01/2021	13/01/2026
QNB FINANCE LIMITED	240MM	3.73%	23/12/2020	23/12/2025
QNB FINANCE LIMITED	200MM	3.97%	11/12/2020	11/12/2030
QNB FINANCE LIMITED	240MM	3.10%	04/12/2020	04/12/2023
QNB FINANCE LIMITED	150MM	4.00%	02/12/2020	02/12/2030
INTERNATIONAL FINANCE CORPORATION	20MM	2.35%	27/11/2020	27/11/2027
QNB FINANCE LIMITED	500MM	3.95%	17/11/2020	17/11/2027
QNB FINANCE LIMITED	150MM	3.67%	06/11/2020	04/11/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2200MM	3.05%	28/10/2020	27/10/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1500MM	3.25%	28/10/2020	27/10/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2000MM	3.80%	28/10/2020	27/10/2030
QNB FINANCE LIMITED	140MM	3.00%	16/10/2020	16/10/2025
QNB FINANCE LIMITED	138MM	3.63%	24/09/2020	24/09/2023
INTERNATIONAL FINANCE CORPORATION	1280MM	2.55%	16/09/2020	18/09/2023
QNB FINANCE LIMITED	750MM	3.80%	15/09/2020	15/09/2025
QNB FINANCE LIMITED	750MM	3.50%	09/09/2020	09/03/2026
QNB FINANCE LIMITED	140MM	3.40%	18/08/2020	18/08/2025
FIRST ABU DHABI BANK P.J.S.C.	3600MM	3.40%	18/08/2020	18/08/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2500MM	2.60%	12/08/2020	11/08/2023
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1800MM	2.85%	12/08/2020	11/08/2025
FIRST ABU DHABI BANK P.J.S.C.	189MM	3.50%	15/07/2020	15/07/2025
QNB FINANCE LIMITED	1200MM	3.85%	10/07/2020	10/07/2025
FIRST ABU DHABI BANK P.J.S.C.	200MM	3.30%	02/07/2020	02/07/2025

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
FIRST ABU DHABI BANK P.J.S.C.	1400MM	3.50%	02/07/2020	02/07/2025
QNB FINANCE LIMITED	1200MM	3.80%	17/06/2020	17/06/2025
QNB FINANCE LIMITED	235MM	3.90%	17/06/2020	17/06/2025
FIRST ABU DHABI BANK P.J.S.C.	350MM	3.10%	12/06/2020	12/06/2023
QNB FINANCE LIMITED	445MM	3.60%	05/06/2020	05/06/2025
NATWEST MARKETS PLC	40MM	3.50%	04/06/2020	04/06/2023
NATWEST MARKETS PLC	75MM	3.46%	27/05/2020	27/05/2023
QNB FINANCE LIMITED	130MM	4.00%	06/05/2020	05/05/2025
QNB FINANCE LIMITED	250MM	4.08%	24/04/2020	24/04/2025
WELLS FARGO FINANCE LLC	100MM	4.05%	07/04/2020	07/04/2025
WELLS FARGO FINANCE LLC	70MM	4.00%	07/04/2020	06/04/2025
WELLS FARGO BANK N.A.	100MM	3.95%	07/04/2020	06/04/2025
WELLS FARGO FINANCE LLC	70MM	4.35%	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	260MM	4.22%	02/04/2020	01/04/2025
WELLS FARGO BANK N.A.	200MM	4.30%	02/04/2020	01/04/2025
WELLS FARGO FINANCE LLC	100MM	3.15%	25/03/2020	25/03/2023
WELLS FARGO & COMPANY	145MM	2.72%	13/03/2020	12/03/2027
QNB FINANCE LIMITED	200MM	3.32%	11/03/2020	11/03/2025
QNB FINANCE LIMITED	200MM	3.35%	11/03/2020	11/03/2027
FIRST ABU DHABI BANK P.J.S.C.	139MM	3.35%	13/02/2020	13/02/2025
COMMONWEALTH BANK OF AUSTRALIA	200MM	3.26%	22/01/2020	22/01/2025
QNB FINANCE LIMITED	500MM	4.00%	21/01/2020	21/01/2030
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1000MM	2.60%	15/01/2020	15/01/2023
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	1210MM	2.60%	15/01/2020	15/01/2023
QNB FINANCE LIMITED	135MM	3.91%	14/01/2020	14/01/2025
QNB FINANCE LIMITED	219MM	3.89%	10/01/2020	10/01/2025
NATWEST MARKETS PLC	35MM	3.48%	31/12/2019	31/12/2024
FIRST ABU DHABI BANK P.J.S.C.	150MM	3.50%	12/12/2019	12/12/2024
QNB FINANCE LIMITED	350MM	4.05%	04/12/2019	04/12/2026
FIRST ABU DHABI BANK P.J.S.C.	240MM	3.50%	29/11/2019	29/11/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	200MM	3.21%	21/11/2019	21/11/2024
FIRST ABU DHABI BANK P.J.S.C.	458MM	3.42%	20/11/2019	20/11/2024
QNB FINANCE LIMITED	140MM	3.57%	13/11/2019	13/11/2021
AGRICULTURAL DEVELOPMENT BANK OF CHINA	4500MM	3.40%	07/11/2019	06/11/2024
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2500MM	3.18%	07/11/2019	06/11/2022
NATWEST MARKETS PLC	200MM	3.69%	05/11/2019	05/11/2024
FIRST ABU DHABI BANK P.J.S.C.	845MM	3.22%	23/10/2019	23/10/2024
QNB FINANCE LIMITED	165MM	3.60%	22/10/2019	22/10/2024

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	490MM	2.44%	19/09/2019	19/09/2022
FIRST ABU DHABI BANK P.J.S.C.	140MM	3.44%	19/09/2019	19/09/2024
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	700MM	2.32%	03/09/2019	03/09/2022
LLOYDS BANK PLC	200MM	3.31%	03/09/2019	03/09/2024
COMMONWEALTH BANK OF AUSTRALIA	200MM	3.05%	01/08/2019	01/08/2022
QNB FINANCE LIMITED	155MM	3.82%	03/07/2019	03/07/2024
QNB FINANCE LIMITED	140MM	4.30%	20/06/2019	20/06/2024
LLOYDS BANK PLC	70MM	3.45%	19/06/2019	19/06/2022
WESTPAC BANKING CORPORATION	140MM	3.60%	18/06/2019	18/06/2026
NATWEST MARKETS PLC	108MM	4.35%	10/06/2019	10/06/2024
NATWEST MARKETS PLC	105MM	4.39%	10/06/2019	10/06/2024
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1000MM	3.23%	30/05/2019	29/05/2022
HITACHI CAPITAL (UK) PLC	100MM	3.65%	08/05/2019	08/05/2023
QNB FINANCE LIMITED	200MM	3.80%	25/04/2019	25/04/2022
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	150MM	3.54%	24/04/2019	24/04/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140MM	3.47%	23/04/2019	23/04/2022
QNB FINANCE LIMITED	100MM	4.18%	29/03/2019	28/03/2024
WESTPAC BANKING CORPORATION	150MM	3.68%	27/03/2019	27/03/2024
FIRST ABU DHABI BANK P.J.S.C.	140MM	3.96%	26/03/2019	26/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	135MM	3.68%	25/03/2019	25/03/2024
WESTPAC BANKING CORPORATION	150MM	3.67%	22/03/2019	22/03/2024
NATWEST MARKETS PLC	40MM	4.62%	20/03/2019	20/03/2024
FIRST ABU DHABI BANK P.J.S.C.	300MM	4.00%	19/03/2019	19/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	300MM	3.70%	18/03/2019	18/03/2024
COMMONWEALTH BANK OF AUSTRALIA	250MM	3.81%	11/03/2019	11/03/2024
COMMONWEALTH BANK OF AUSTRALIA	150MM	3.81%	05/03/2019	05/03/2024
WESTPAC BANKING CORPORATION	150MM	3.76%	04/03/2019	04/03/2024
FIRST ABU DHABI BANK P.J.S.C.	200MM	4.12%	11/02/2019	11/02/2024
QNB FINANCE LIMITED	500MM	4.35%	29/01/2019	29/01/2022
QNB FINANCE LIMITED	135MM	4.60%	23/01/2019	23/01/2024
HITACHI CAPITAL (UK) PLC	200MM	4.75%	29/10/2018	29/04/2022
WESTPAC BANKING CORPORATION	200MM	4.70%	12/10/2018	12/10/2022
HITACHI CAPITAL (UK) PLC	600MM	4.60%	27/09/2018	27/09/2021
BANK OF MONTREAL	200MM	4.53%	19/09/2018	19/09/2021
BANK OF MONTREAL	155MM	4.72%	19/09/2018	19/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	270MM	4.80%	14/09/2018	14/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140MM	4.61%	13/09/2018	13/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	145MM	4.62%	11/09/2018	11/09/2023

Issuer	Amount Issued (RMB)	Coupon (%)	Issue Date	Maturity
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	137MM	4.60%	11/09/2018	11/09/2023
FIRST ABU DHABI BANK P.J.S.C.	650MM	4.50%	10/09/2018	10/09/2021
ROYAL BANK OF CANADA	160MM	4.48%	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	190MM	4.60%	07/09/2018	07/09/2023
WESTPAC BANKING CORPORATION	160MM	4.62%	07/09/2018	07/09/2023
COMMONWEALTH BANK OF AUSTRALIA	80MM	4.52%	07/09/2018	07/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140MM	4.60%	04/09/2018	04/09/2023
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	140MM	4.30%	24/08/2018	24/08/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	138MM	4.63%	24/08/2018	24/08/2023
WESTPAC BANKING CORPORATION	270MM	4.65%	23/08/2018	23/08/2023
WESTPAC BANKING CORPORATION	140MM	4.35%	15/08/2018	15/08/2023
WESTPAC BANKING CORPORATION	627MM	4.42%	14/08/2018	14/08/2023
WESTPAC BANKING CORPORATION	140MM	4.51%	01/08/2018	01/08/2028
ROYAL BANK OF CANADA	135MM	4.30%	17/07/2018	17/07/2023
QNB FINANCE LIMITED	142MM	5.32%	05/07/2018	06/07/2021
QNB FINANCE LIMITED	1250MM	5.25%	21/06/2018	21/06/2021
QNB FINANCE LIMITED	600MM	5.20%	07/06/2018	07/06/2021
FIRST ABU DHABI BANK P.J.S.C.	1100MM	4.80%	01/06/2018	01/06/2021
WESTPAC BANKING CORPORATION	200MM	4.77%	30/05/2018	30/05/2023
CREDIT AGRICOLE CORP & INV BANK	200MM	4.72%	29/05/2018	29/05/2023
QNB FINANCE LIMITED	1000MM	5.10%	14/05/2018	14/05/2021
COMMONWEALTH BANK OF AUSTRALIA	340MM	4.62%	26/04/2018	26/04/2023
HITACHI CAPITAL (UK) PLC	80MM	4.78%	16/03/2018	16/04/2021
HITACHI CAPITAL (UK) PLC	50MM	4.60%	27/02/2018	22/02/2022
INTERNATIONAL FINANCE CORPORATION	75MM	3.91%	11/10/2017	11/10/2022
LLOYDS BANK PLC	30MM	5.23%	31/03/2017	31/03/2022
COMMONWEALTH BANK OF AUSTRALIA	70MM	5.81%	18/01/2017	18/01/2022
COMMONWEALTH BANK OF AUSTRALIA	120MM	4.65%	07/12/2016	07/12/2021
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	130MM	4.35%	23/11/2016	23/11/2021
COMMONWEALTH BANK OF AUSTRALIA	90MM	4.06%	02/11/2016	02/11/2021
WESTPAC BANKING CORPORATION	130MM	4.19%	12/05/2016	12/05/2021
LLOYDS BANK PLC	54MM	4.53%	24/07/2015	24/07/2025
CHINA DEVELOPMENT BANK	900MM	4.35%	10/10/2014	19/09/2024
LLOYDS BANK PLC	200MM	4.62%	17/01/2014	17/01/2024
LLOYDS BANK PLC	100MM	4.61%	24/09/2012	24/09/2022

Source: London Stock Exchange

Appendix II

Summary of Bond Issuance by Oversea Issuers in China Interbank Bond Market (as of March 2021)

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

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

Issuer	Amount Issued (RMB100M)	Coupon (%)	Issue Date	Maturity
Sumitomo Mitsui Banking Corporation	10	3.2	04/06/2020	08/06/2023
CEB Greentech	10	3.68	10/06/2020	12/06/2025
AIIB	30	2.4	11/06/2020	15/06/2023
Veolia Environment	7.5	3.85	22/06/2020	24/06/2023
Veolia Environment	7.5	3.85	22/06/2020	24/06/2023
New Development Bank	20	3	06/07/2020	07/07/2025
BMW Finance	25	3.19	14/07/2020	16/07/2021
GLP	20	3.9	21/07/2020	23/07/2023
Everbright Water	10	3.6	03/08/2020	05/08/2023
Yuexiu Transport	5	3.54	12/08/2020	14/08/2023
Anta Sports	10	3.95	20/08/2020	24/08/2023
China TCM	10	2.6	10/09/2020	11/06/2021
Crédit Agricole	10	3.5	10/09/2020	11/09/2023
China Power	15	4.35	03/11/2020	05/11/2023
China Power	15	4.6	16/11/2020	18/11/2023
Veolia Environment	7.5	4.45	14/12/2020	16/12/2023
Veolia Environment	7.5	4.45	14/12/2020	16/12/2023
Everbright Water	10	3.75	13/01/2021	15/01/2024
Yuexiu Transport	10	3.78	26/01/2021	28/01/2026
China Power	5	3.2	05/02/2021	06/08/2021
ADB	20	3.2	09/03/2021	11/03/2026
Daimler	20	3.7	16/03/2021	19/03/2023
Daimler	20	3.8	16/03/2021	19/03/2024
Crédit Agricole	10	3.5	17/03/2021	18/03/2024
GLP	15	4.4	18/03/2021	18/03/2024
NDB	50	3.22	23/03/2021	25/03/2024
Hengan International	10	3.08	24/03/2021	23/09/2021
China Mengniu	20	2.5	25/03/2021	24/06/2021

Source: Wind (compiled by NAFMII)

Appendix III

Currency swap between China and the UK

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

Clearing bank

In March 2014, the PBoC and BoE signed a Memorandum of Understanding to establish RMB clearing arrangements in London. In June 2014, the PBoC authorized China Construction Bank (London) to serve as the RMB clearing bank in London. In July 2016, the PBoC approved the transfer of clearing functions from China Construction Bank (London) to China Construction Bank, London Branch. By the end of March 2021, Cross-Border Inter-Bank Payments System (CIPS) had 1162 direct participating banks, 18 participating banks were from the UK, accounting for 1.54% of the total. In March 2020, CCB London Branch became the first direct CIPS participant in the UK and in the Europe.

RQFII

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

On 10th September 2019, PBOC & SAFE removed QFII / RQFII Investment Quotas to promote Further opening-up of China’s Financial Market.

London RMB Business Monitoring Group

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

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

Agricultural Bank of China Ltd London

Bank of China (UK)

Bank of Communications Co Ltd. (London Office)

Bloomberg

China Central Depository & Clearing Co., Ltd (London Representative Office)

China Construction Bank London Branch, UK RMB Clearing Bank

China Development Bank (London Branch)

ChinaFICC

China Financial Futures Exchange (CFFEX)

China Foreign Exchange Trade System (CFETS)

China International Capital Corporation (UK)

China Minsheng Banking Corporation (London Representative Office)

Cross-Border Inter-Bank Payments System (CIPS)

EBS

EVIA

HSBC

ICBC London Branch

ICBC Standard Bank

IHS Markit

International Swaps and Derivatives Association (ISDA)

KPMG

Legal and General Investment Management

London Clearing House

London Metal Exchange

London Stock Exchange Group

National Association of Financial Market Institutional Investors (NAFMII)

Ninety One

People's Bank of China Representative Office for Europe

PwC

R5FX

Refinitiv

Shanghai Clearing House (London Representative Office)

Shanghai Pudong Development Bank (London Branch)

Shanghai Stock Exchange London Office

Standard Chartered Bank

SWIFT

TheCity UK

Tradeweb

Wind Financial

DOMINE DIRIGE NOS
CITY OF LONDON

THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

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