



THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

London RMB business bi-annual report

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Foreword



Chris Hayward
 Policy Chairman
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The London RMB Business Report reinforces the UK's standing as a primary RMB hub beyond China, offering a comprehensive view of the market for the Chinese currency within the UK, and showcasing the UK's dynamic and resilient financial and professional services sector.

Despite current global economic challenges, the sector is implementing inventive new approaches to interact with the Chinese currency. The UK's offshore RMB market continues to grow – particularly in new Dim Sum bond issuance, RMB deposits and loans, increased trading and clearing volumes, and China-UK cross-border RMB transactions.

Developments highlighted in this edition – including cross-border collateral cooperation and the growth of China's carbon trading market – demonstrate the critical importance of financial cooperation and infrastructure connectivity for a robust and sustainable global economy.

In line with British Government policy of a 'robust but constructive relationship', and guided by the Foreign, Commonwealth and Development Office, we must work together with China to advance climate action.



Ms Li Hui
 Chief Representative, The People's Bank of China
 Representative Office for Europe
 Co-chair of London RMB Business Monitoring Group

With the increasing accessibility to onshore RMB investments in China, there are growing opportunities for new products and methods to manage currency exposure. These developments bring excitement to the City of London and international investors. In the 17th edition of the London RMB Business Report, it is evident that the UK's offshore RMB market has shown strong resilience and continued growth.

The London RMB Business Report, accompanied by Subgroups' work covering RMB-dominated products, RMB market infrastructures, and sustainable RMB market, aims to contribute to a better understanding of the UK's offshore RMB market. This publication provides data, policies, and commentaries from market participants. Furthermore, they strive to foster the healthy and sustainable development of the UK's offshore RMB market by monitoring and providing feedback to regulatory bodies in both countries. We extend our sincere gratitude to all our esteemed partners who have made valuable contributions to the 17th edition of the London RMB Business Report. Your support and collaboration have been instrumental in the success of this report.

Executive summary

In 2023, London's offshore RMB market remained resilient. The average daily CNH FX trading volume, the value of new dim sum bonds issuance, the amount of RMB deposits and loans, the total value of China-UK cross-border RMB transactions and the RMB clearing volume all increased YoY. According to SWIFT, the UK retained its position as the largest RMB FX spot transaction hub and the second largest offshore RMB payments centre in the world.

In addition to the data, this edition of the report features three columns on significant topics for anyone working in the sector: the new measures promoting the high-level opening-up of China's bond market, China-UK cross-border collateral cooperation, and the rise of the carbon trading market in China.

On page 16, Bank of China (Hong Kong) Limited highlights increased financial cooperation between Mainland China and Hong Kong. Their column discusses the Hong Kong Monetary Authority (HKMA)'s pilot of the RMB liquidity facility to accept onshore RMB bonds issued by China's Ministry of Finance and policy banks. Additionally, the People's Bank of China (PBoC) will further open up the onshore repurchase agreement (repo) market to all foreign institutional investors already accessing the China Interbank Bond Market. These measures aim to activate the function of RMB assets as collateral and increase the possibilities for cross-border RMB use, thereby using high quality RMB bonds to connect offshore RMB markets.

The article on China-UK cross-border collateral cooperation (page 18), presented by China Central Depository & Clearing Co (CCDC), tracks recent progress in the opening-up of China's bond market and includes the introduction of an eligible collateral framework in the UK. The article highlights the significance of cross-border cooperation on collateral between China and the UK with a particular emphasis on the need to strengthen infrastructure connectivity.

Lastly, the article provided by China Construction Bank (CCB) London Branch discusses the rise of China's carbon trading market (page 22). It covers background information, trading arrangements, products, market size and trading volume, potential and limitations, as well as the role of financial institutions in carbon trading.



Hong Kong skyline

2023 data highlights:

London RMB foreign exchange market

The average daily CNH FX trading volume in London was GBP£120.58bn, up 13.80% YoY.

London RMB bond market

26 dim sum bonds were listed on London Stock Exchange, with a total issuance size of RMB¥31.21bn, an increase of 56.46% YoY. By the end of December 2023, there were a total of 170 dim sum bonds on the London Stock Exchange with an outstanding value of RMB¥102.63bn, weighted average coupon rate of 3.32% and maturity of 4.41 years.

London RMB credit market

By the end of December 2023, the amount of RMB deposits reached RMB¥89.63bn, up 2.6% YoY. The outstanding amount of RMB loans reached RMB¥91.15bn, up 27.9% YoY.

London RMB clearing

The total cumulative clearing volume in 2023 was RMB¥12.37tn, and the average daily clearing volume was RMB¥51.55bn, up 9.45% YoY. By the end of December 2023, the accumulative total RMB clearing volume had climbed to RMB¥87.58tn.

China-UK RMB cross-border settlement

In 2023, the total value of cross-border RMB business transactions between China and the UK totalled approximately RMB¥3.07tn, up 22.4% YoY. This comprised cross-border RMB receipts of approximately RMB¥1.44tn, and payments of approximately RMB¥1.63tn, resulting in a net inflow into the UK of RMB¥0.19tn. Cross-border RMB payments for the settlement of goods traded was approximately RMB¥309.24bn, accounting for 44.8% of the total value of goods traded between China and the UK across the year.

The UK's status as an offshore RMB centre

According to SWIFT, in December 2023, RMB FX spot transactions in the UK accounted for 37.30% of the total, down 0.83% from December 2022. RMB's share of domestic and international payments currency in December 2023 was 4.14%, up 1.99% from December 2022. The UK remained the largest RMB FX spot transaction hub and the second largest offshore RMB payments centre in the world.

RMB in global currency reserves

According to the IMF, RMB represented 2.29% of global currency reserves as of Q4 2023, down 0.32% from Q4 2022. When it was first included in the SDR basket, the share registered at 1.07% (Q4 2016).

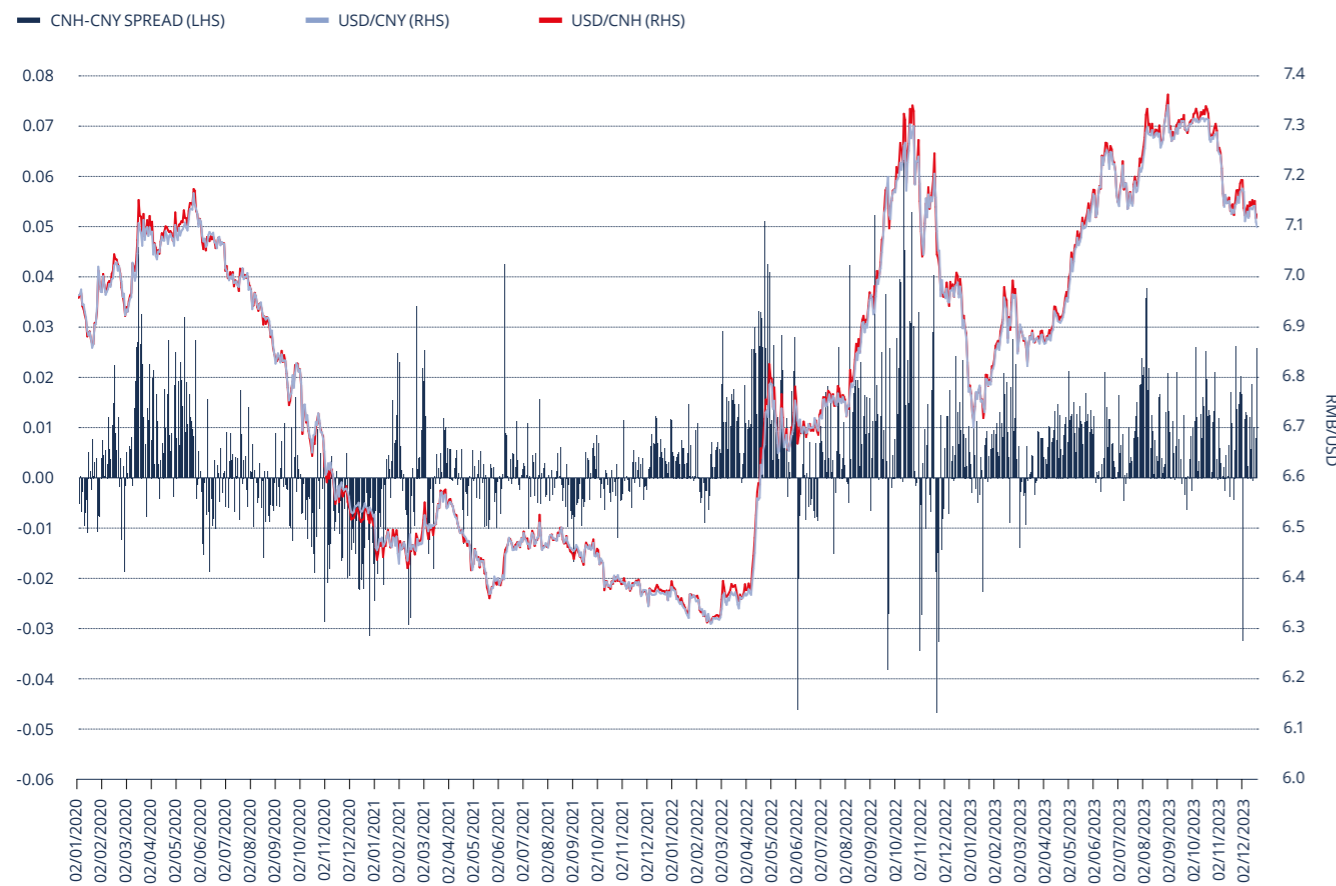
RMB exchange rate

The RMB exchange rate showed a wide-range two-way fluctuation throughout 2023, weakening overall. The annual depreciation against the USD was about 2.94% and the CFETS RMB Index fell by 1.27%. The spreads between CNH and CNY were positive, with CNH weaker than CNY on most days of the year. The strong performance of the US dollar, resulting from the interest rate hikes by the Federal Reserve and the weaker-than-expected economic recovery in China, led to RMB depreciation in the first three quarters. Unsynchronised monetary policy cycles between

China and the US led to a widened spread of interest rates which also contributed to the depreciation. In the last quarter, the USD index fell after the Federal Reserve turned dovish and the RMB exchange rate rebounded. In 2023, the average FX spot rate of USD/CNH in the offshore market was 7.0939, and the average USD/CNY onshore FX spot rate was 7.0861. The average spread between offshore and onshore in this period was +78 basis points, while the average spread of last year was +89 basis points.

The onshore-offshore exchange rate differential (December 2023)

USD/CNH-USD/CNY FX Spot Rate



Source: Bloomberg, ABC

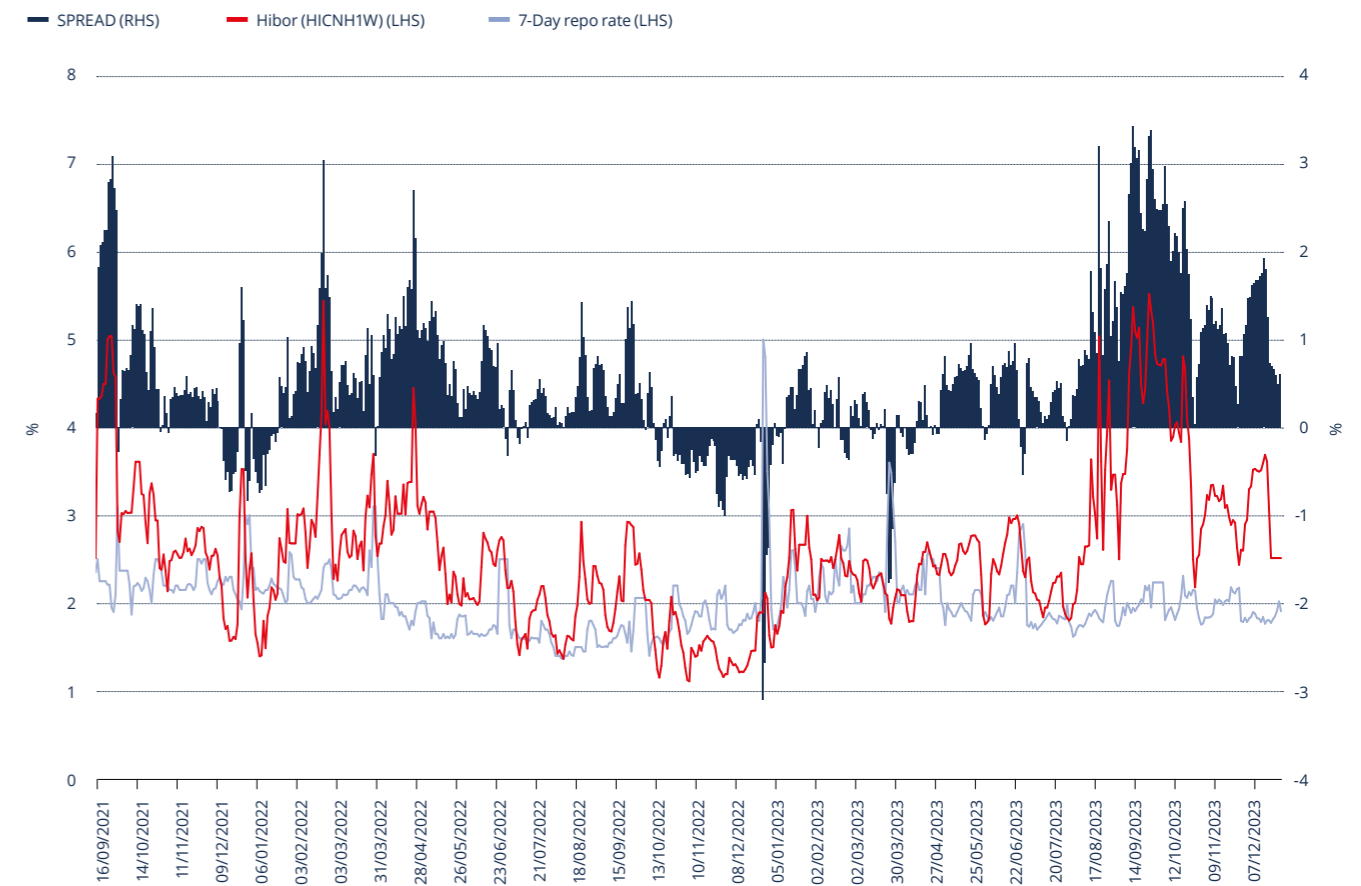
RMB interest rate

In 2023, the PBoC pursued a sound monetary policy, maintaining a stance that leaned towards stability with a slight inclination towards loosening. In January and February of 2023, the PBoC issued record-high amounts of reverse repurchasing agreements (repo) through its Open Market Operations (OMO), reaching RMB¥3.55tn in January and RMB¥6.05tn in February. In October and November, these figures surpassed previous records, reaching RMB¥6.21tn and RMB¥7.82tn respectively. Additionally, the PBoC implemented multiple reserve requirement ratio (RRR) cuts and interest rate reductions throughout the year. RRR cuts were implemented in March and September, lowering the reserve ratio for financial institutions by

0.25 percentage points each time and releasing over RMB¥1tn of medium- to long-term liquidity. The PBoC also lowered the 7-day reverse repo rate and the Medium-term Lending Facility (MLF) twice. These rate adjustments resulted in cumulative decreases of 20 basis points and 25 basis points, bringing the rates to 1.8% and 2.5% respectively. They also guided the 1-year and 5-year Loan Price Rate (LPR) down by 20 basis points and 10 basis points to 3.45% and 4.2%. The reduction in the 1-year LPR is expected to lower financing costs for businesses, better meet the financing needs of the real economy, boost market confidence, and provide stronger credit support for stable economic growth.

The onshore-offshore interest rate spreads (December 2023)

CNH Hibor and 7-Day Repo Rate Spreads



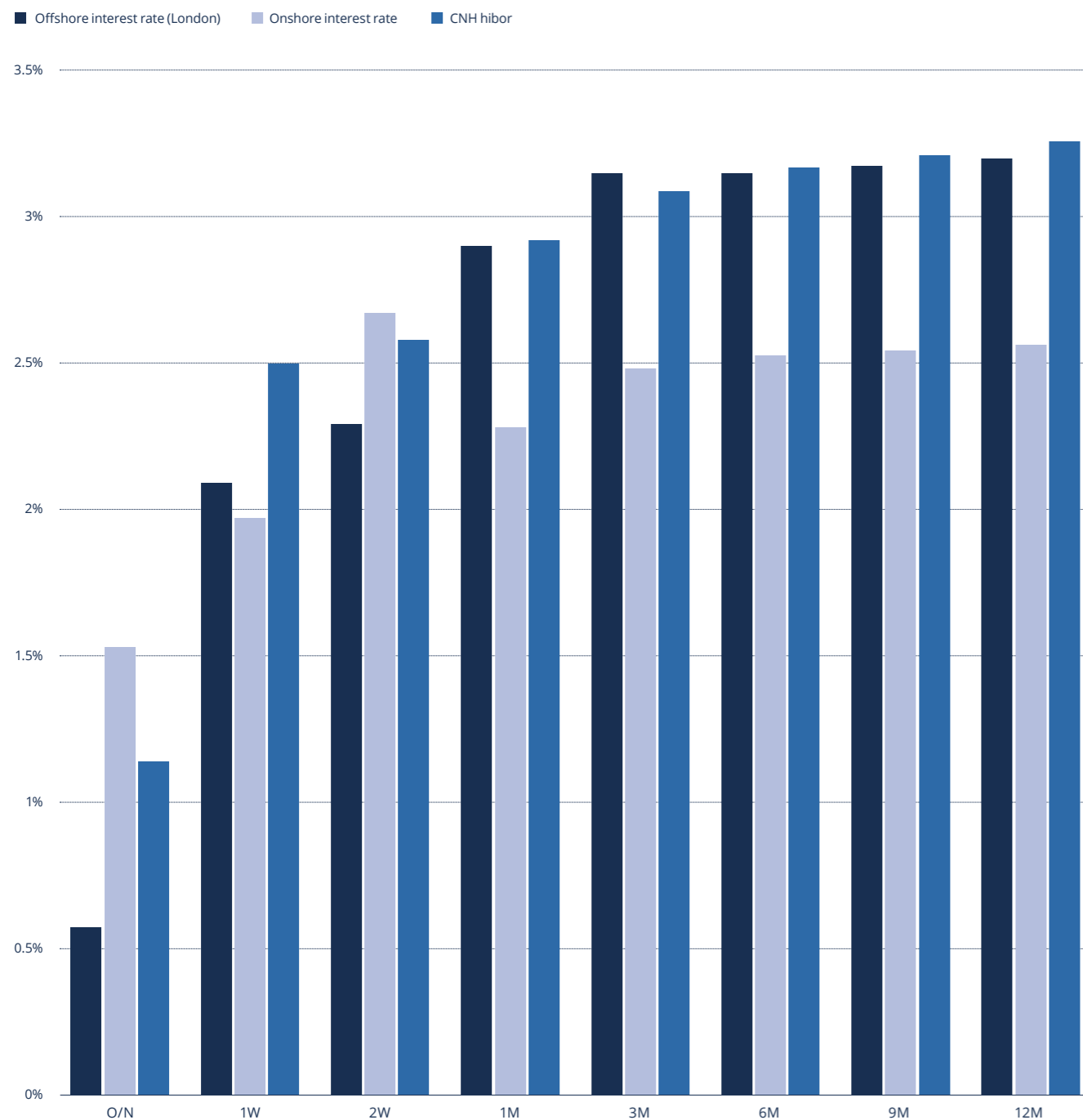
Source: Bloomberg, CCB

There was reasonable liquidity in the banking system and the central range of funding rates showed a downward trend across the year. As economic and social activities returned to normal, credit expanded significantly. Short-term funding rates fluctuated around policy rates, with overnight and 7-day rates briefly inverting at key times such as tax periods and the end of months. The average DR001 and DR007 rates in 2023 were 1.60% and 1.94%, respectively, up 14.81 basis points and 17.66 basis points compared to the 2022 average. The average R001 and R007 rates were 1.75% and 2.23%, up 19.99 basis points and

28.35 basis points from 2022. The GC001 rate for the one-day reverse repurchase of government bonds averaged 2.23% in 2023, up by 25.90 basis points from 2022. The GC007 rate averaged 2.41% in 2023, up by 35 basis points from 2022.

The SHIBOR overnight rate averaged 1.61% in 2023, while CNH Hibor's overnight rate was 2.36%. The average of the 3-month SHIBOR rate and the 3-month CNH Hibor rate were 2.32% and 3.07% respectively. The average of the 1-year SHIBOR rate and the 1-year CNH Hibor rate were 2.51% and 3.24%.

The term structure of RMB offshore and onshore interest rate (December 2023)

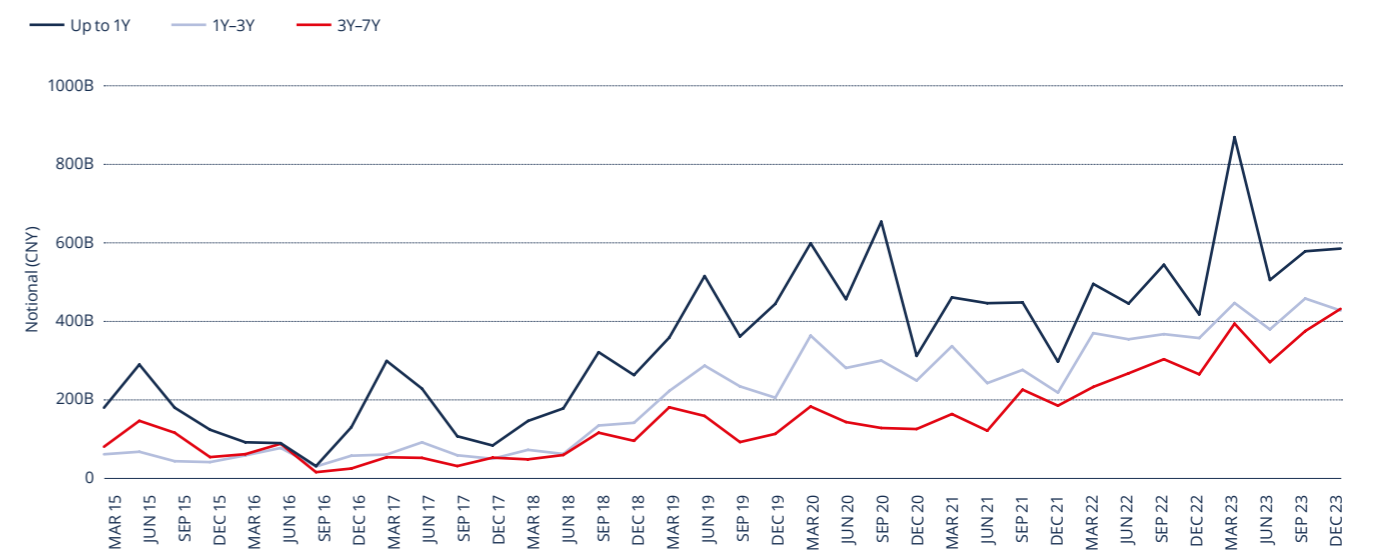


Source: Bloomberg, CCB

The offshore RMB interest rate swap (IRS) transaction activity in 2023 increased by 30% relative to 2022. Maturities up to 1Y continue to show the largest volume by notional value, with RMB2.54 trillion traded in 2023; this was a considerable increase of 33% compared to 2022. The short duration maturities (1Y to 3Y) which are more sensitive to changes in liquidity preferences exhibited a strong 40% increase in volume in 2023 with total notional traded amounting to RMB1.51 trillion. Similarly, intermediate tenor (3Y-7Y) volumes went up by 18%. 2023 was the most liquid year in all history of RMB IRS trading with RMB5.7 trillion of notional transacted.

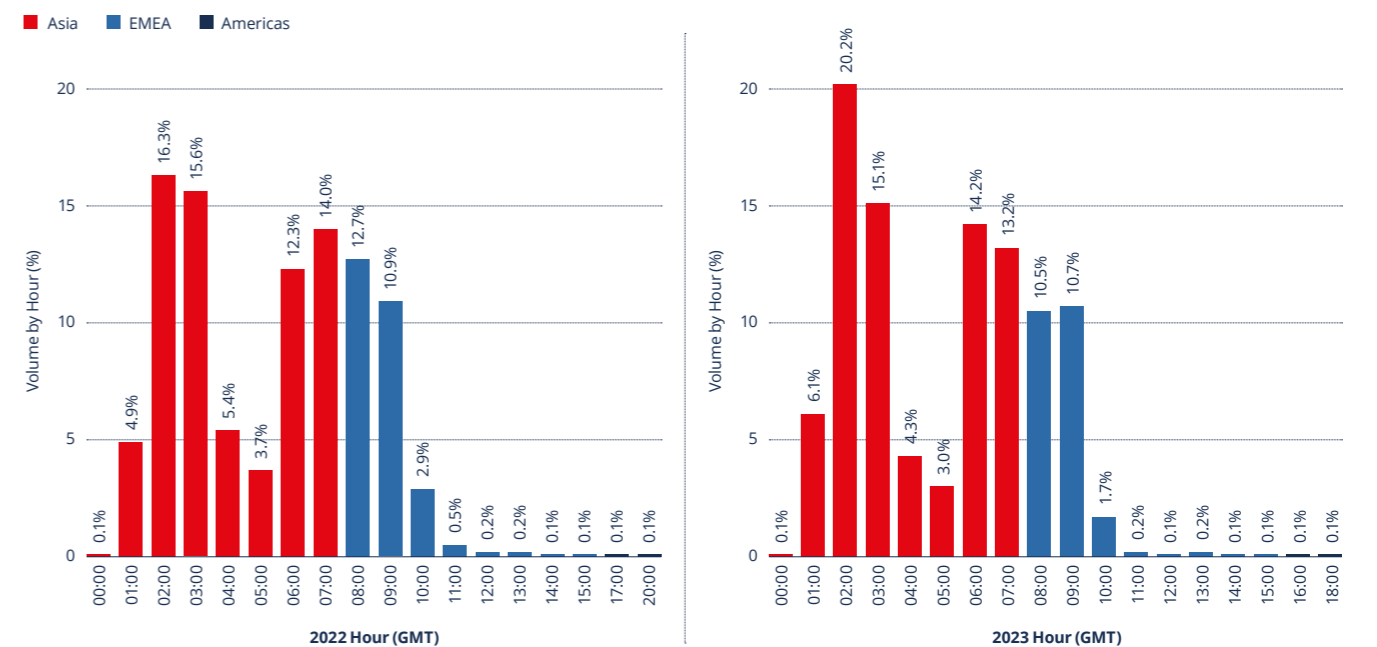
The offshore RMB IRS trading in the London morning time has seen a slight decrease from 27% to nearly 23% of the global daily total, between 8-10am GMT. Early morning share of volume in Asia has respectively increased, particularly between 1-3am GMT, while insignificant trading in American business time has been registered during both 2022 and 2023. The most liquid trading times for RMB IRS remain 2-4am GMT with over 35% of the total daily volume being transacted this time window.

CNY OTC IRS volume by tenor range



Source: Enterprai Data & Analytics, DTCC SDR

CNY OTC IRS volume distribution by hour

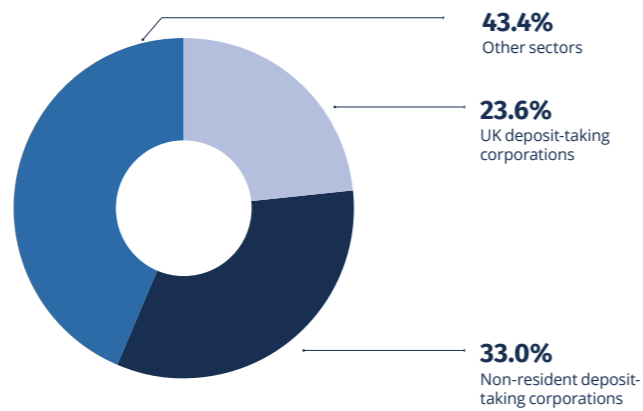


Source: Enterprai Data & Analytics, DTCC SDR

London RMB foreign exchange market

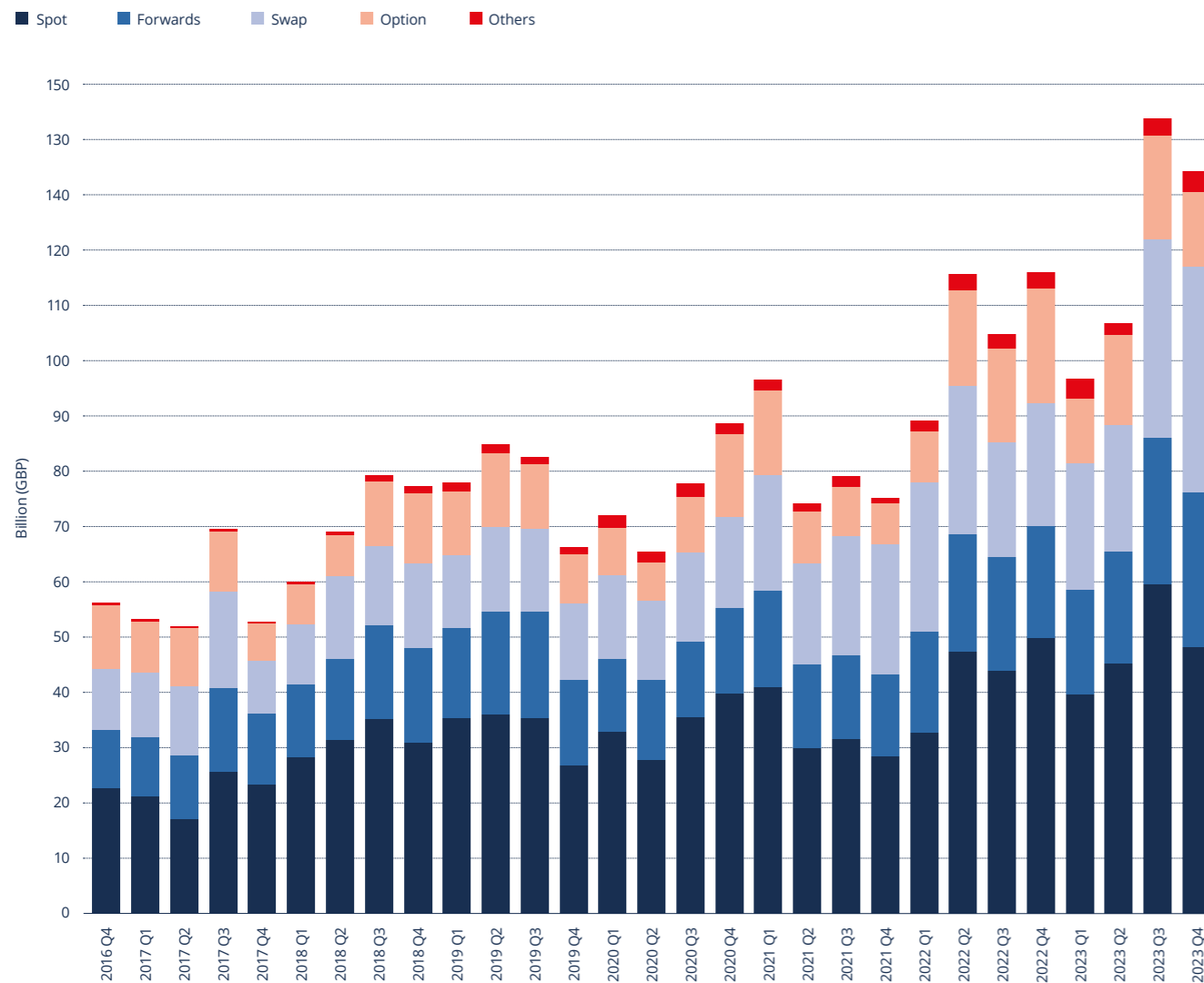
In 2023, the average daily CNH FX trading volume in London stood at GBP£120.58bn, up 13.80% YoY. The distribution of RMB FX turnover by counterpart sectors remained almost unchanged. "Other sectors" accounted for the greatest share (43.46%) followed by non-resident deposit-taking corporations (32.75%). The smallest share belonged to RMB FX turnover with UK deposit-taking corporations, accounting for 23.79%.

RMB FX turnover by counterpart (Q4 2023)



Source: Bank of England (BoE)

Average daily turnover of RMB FX in London (Q4 2023)

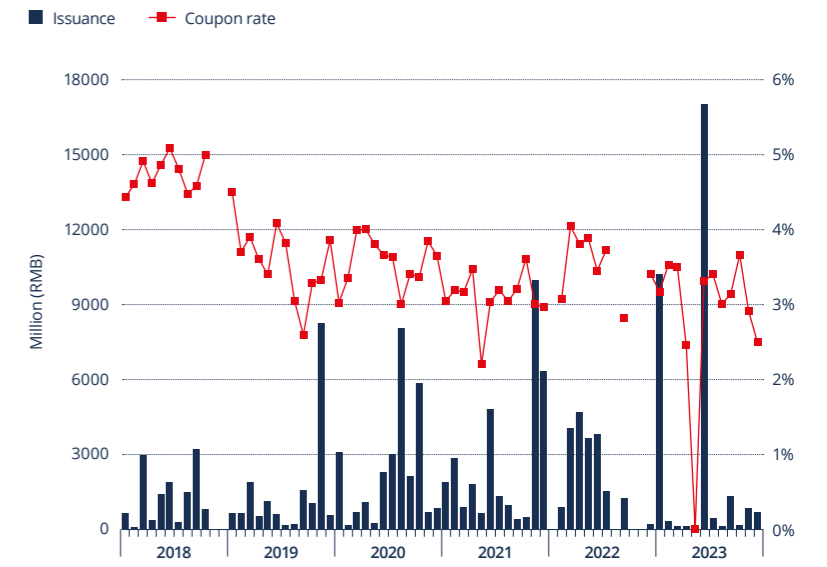


Source: Bank of England (BoE)

London RMB bond market

A total of 26 dim sum bonds were issued in 2023, 20 issues less than in 2022. The number of issuances from Q1 to Q4 was 5, 6, 9 and 6 respectively. The total scale of dim sum bonds reached RMB¥31.21bn in 2023, an increase of 56.46% YoY. There were 11 issuing entities in total. The top three issuers by issuance size are the Hong Kong SAR Government (RMB¥25bn), CCB London Branch (RMB¥2 bn) and the International Finance Corporation (RMB¥1.19bn). The top three issuers by number of issuances are Citigroup Global Markets Funding Luxembourg S.C.A. (8 issues), the Hong Kong SAR Government (5 issues) and Westpac Bank of Australia (3 issues). As at the end of December 2023, the LSE had a total of 170 outstanding dim sum bonds, with a weighted average coupon rate of 3.32% and an average maturity of 4.41 years. The total stock size was RMB¥102.63bn.

Dim sum Bond issuance and average coupon rate on LSE (December 2023)

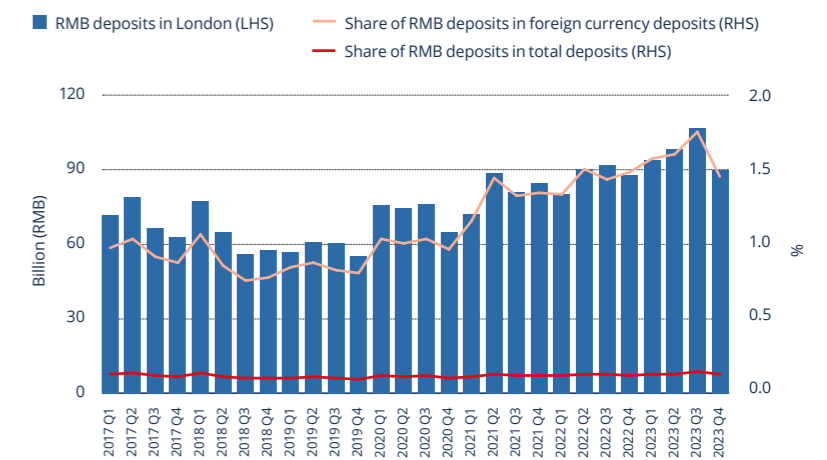


Source: LSE

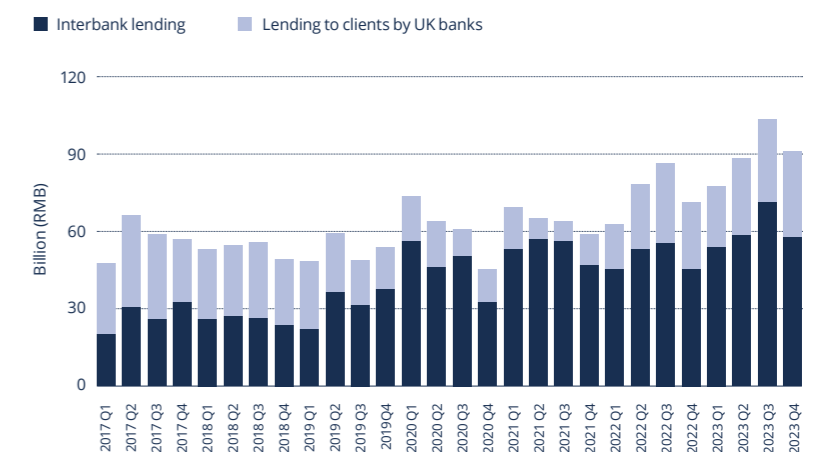
London RMB credit market

The outstanding RMB deposits and loans in London's offshore market both saw a YoY increase. By the end of December 2023, the amount of RMB deposits reached RMB¥89.63bn, up 2.6% YoY. The outstanding amount of RMB loans reached RMB¥91.15bn, increasing 27.9% YoY.

RMB deposits in London (December 2023)



RMB lending in London (December 2023)

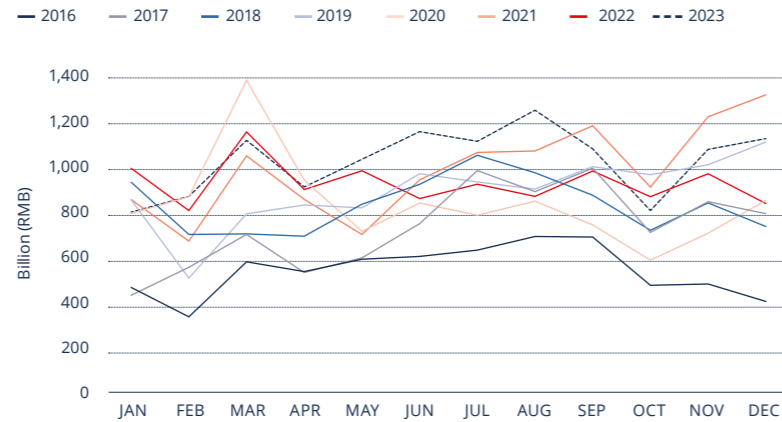


Source: Bank of England (BoE)

London RMB clearing

In 2023, the total cumulative clearing volume was RMB¥12.37tn, with a daily average clearing volume of RMB¥51.55bn, up 9.45% YoY. Accumulated transaction counts stood at 122,815. By the end of December 2023, the accumulative total RMB clearing volume had reached RMB¥87.58tn. CCB London Branch's authorization to become the RMB clearing bank in the UK in June 2014, and remains the largest clearing bank outside Asia.

RMB clearing volume of the designated UK clearing bank (December 2023)

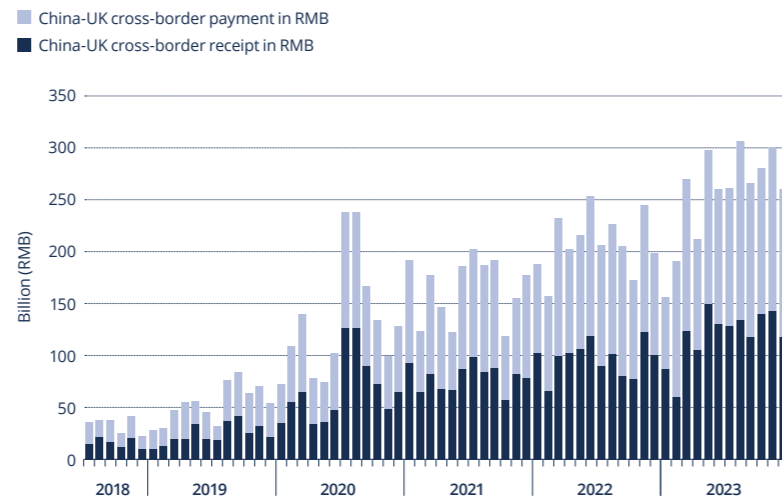


Source: CCB London Branch

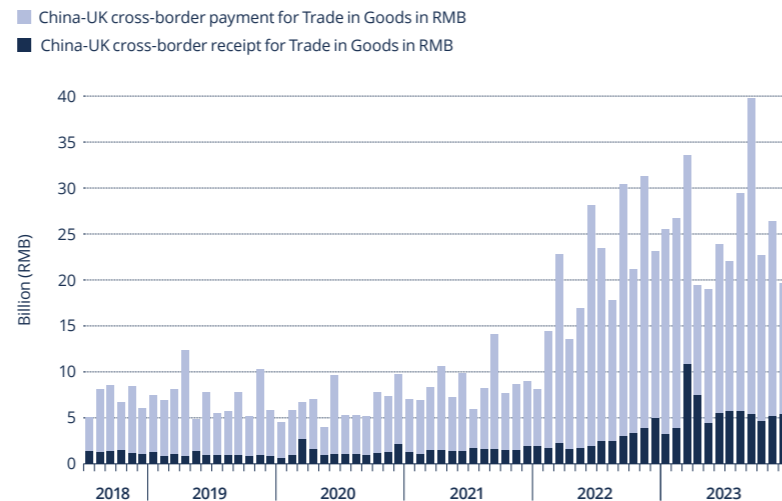
China-UK RMB cross-border settlement

In 2023, the total value of cross-border RMB business transactions between China and the UK totalled approximately RMB¥3.07tn, a 22.4% YoY increase. This comprised cross-border RMB receipts of approximately RMB¥1.44tn, and payments of approximately RMB¥1.63tn, resulting in a net inflow into the UK of RMB¥0.19tn. During this period, cross-border RMB payments for the settlement of goods traded was approximately RMB¥309.24bn (accounting for 44.8% of the total value of goods traded between China and the UK during the same period). Of this, receipts were approximately RMB¥67.49bn and payments approximately RMB¥241.75bn.

China-UK cross-border RMB payment and receipt (December 2023)



China-UK cross-border RMB payment and receipt for trade in goods (December 2023)



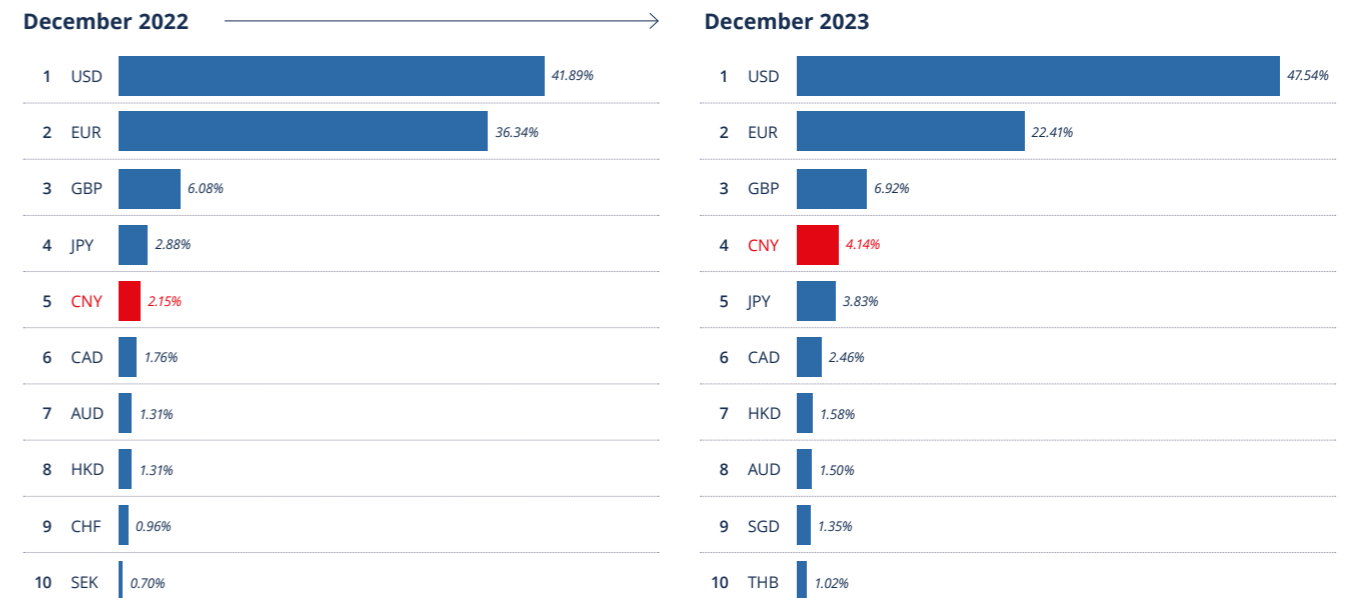
Source: PBC

The international status of the London offshore RMB market

According to SWIFT, the percentage of domestic and international payments made in RMB (customer initiated and institutional payments) was 4.14% in December 2023, up 1.99% from December 2022. RMB's share of the global currency market (trade finance) was 5.07% in December 2023, up 1.16% from December 2022. The RMB remained the fourth biggest global

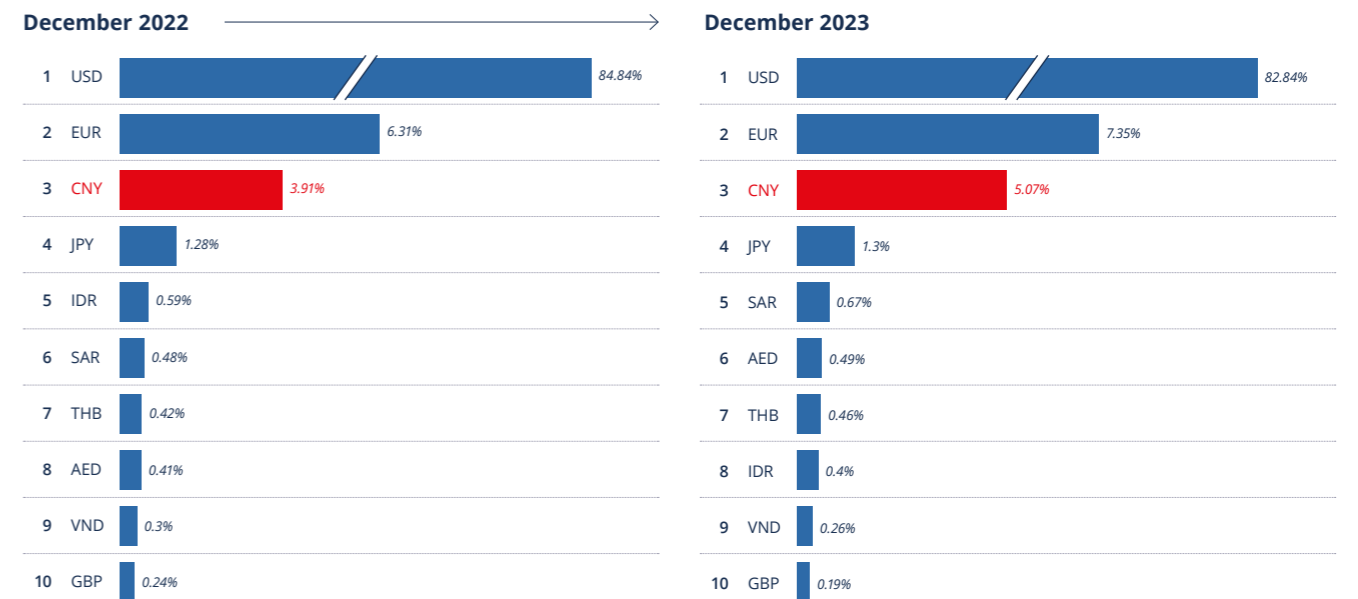
payment currency, and the UK retained the largest share of RMB payments outside greater China. The top three countries or regions doing FX RMB transactions in December 2023 were the United Kingdom, the United States and Hong Kong SAR. The United Kingdom accounted for 37.30% of the total, down 0.83% from December 2022.

RMB's share of global payments (%)



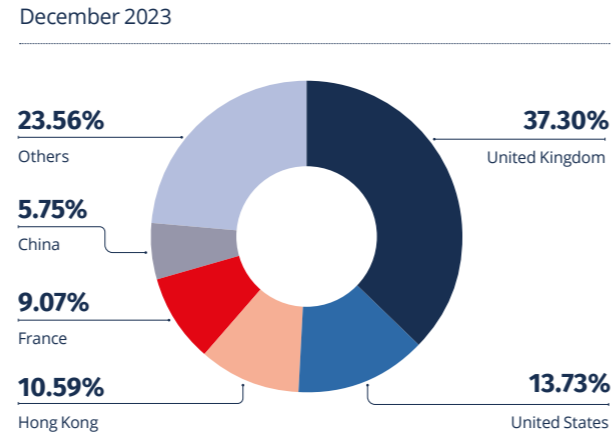
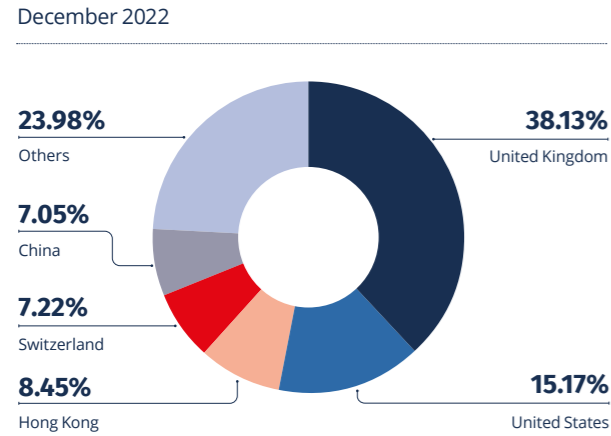
Source: SWIFT

RMB's share of global trade finance (%)



Source: SWIFT

Top economies doing FX spot transactions in RMB



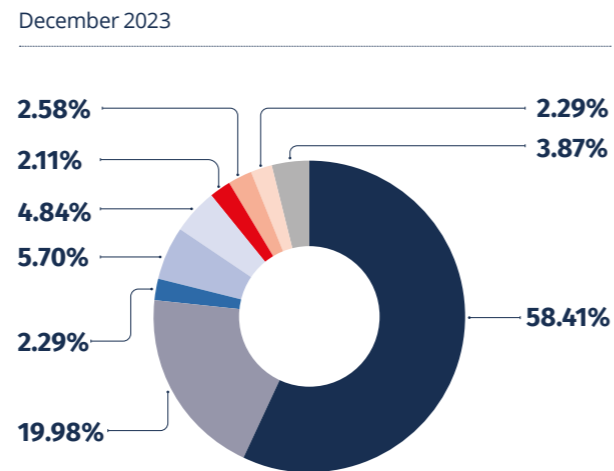
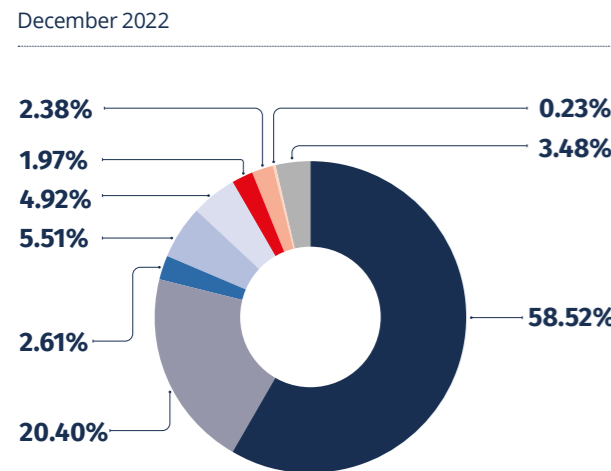
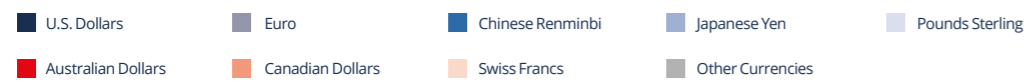
Source: SWIFT, watch

RMB in global currency reserves

According to the IMF, RMB represented 2.29% of global currency reserves as of Q4 2023, down 0.32% from Q4 2022. When it was first included in the SDR basket, its initial share was 1.07% (Q4 2016). The USD's share

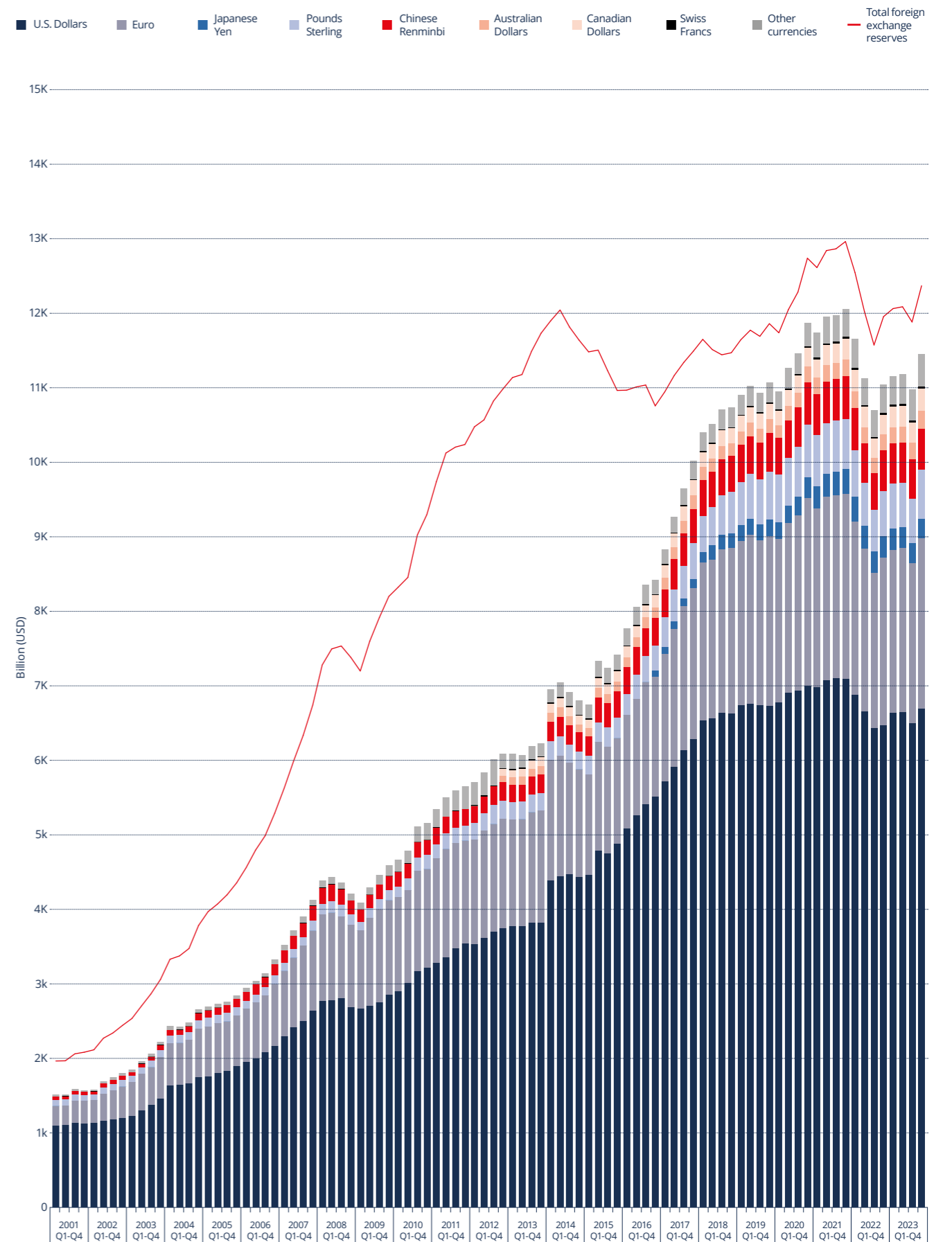
of global reserves decreased from 58.52% in Q4 2022 to 58.41% in Q4 2023. Over the same time period, the share of Euro decreased from 20.40% to 19.98% and the share of JPY increased from 5.51% to 5.70%.

World currency composition of official foreign exchange reserves



Source: International Monetary Fund

Official foreign exchange reserves by currency (USD billion) (December 2023) (as claims)



Source: International Monetary Fund



Buildings in Shanghai

New measures to promote high-level opening-up of China's bond market

Bank of China (Hong Kong) Limited

On 24 January 2024, the People's Bank of China (PBoC) released a series of measures for greater economic cooperation between the mainland and Hong Kong (also referred as "three connect schemes and three facilitative measures"). These six measures cover cross-border investment, credit referencing, wealth management, real estate and digital finance. Two of the measures relate to the development of Bond Connect and improving the openness of onshore financial markets. The new measures are expected to consolidate Hong Kong's status as an international financial centre and offshore RMB business hub.

First, the PBoC and the Hong Kong Monetary Authority (HKMA) decided to pilot an RMB liquidity Facility in which the HKMA would accept RMB bonds issued onshore by the Ministry of Finance and China's policy banks. The new measure came into effect on 26 February 2024, allowing overseas investors investing in the domestic bond market to use their holdings of government bonds and policy bank bonds under Northbound Bond Connect as collateral to the HKMA for intraday, overnight and other types of RMB short-term liquidity. Offshore China government bonds and policy financial bonds were already on HKMA's list of eligible collateral.

Since Bond Connect launched in 2017, it has been continuously optimized and upgraded, promoting mainland bonds as an important part of international investors' asset allocation. The trading volume

of Northbound Bond Connect rose to more than RMB¥1tn in March this year, from RMB31¥bn in the first month of operations in 2017: an increase of over 30X. Northbound Bond Connect trading bond volumes now account for 70% of total foreign investments in the mainland interbank bond market. These figures reflect the continuous development of the mainland bond market and international investor interest in these opportunities, as well as Hong Kong's unique role in linking the mainland to international bond markets and investors. The next step is to continue to promote overseas investment in the domestic bond market, developing the collateral function of onshore bonds to help foreign investors manage their portfolio allocation and liquidity needs more flexibly. The new measure marks the formal establishment of using onshore bonds as collateral in the offshore market. This is a milestone in the development of the mainland and Hong Kong bond markets, as well as the offshore RMB market in Hong Kong.

The PBoC and the HKMA will continue to broaden the scope of the pilot program in order to expand the usage scenarios of onshore bond holdings by foreign investors. For example, onshore bonds can be used as trading collateral under Northbound Swap Connect and the upcoming offshore China government bond future transaction. This reflects their gradual transition to commonly accepted collateral in the international market.

Second, the PBoC will further open up the onshore repurchase agreement (repo) market to all foreign institutional investors (including Bond Connect investors) that already have access to the China Interbank Bond Market (CIBM). As the onshore bond market has opened up in recent years, it has attracted a growing number of foreign institutions and investors who are increasingly wanting to participate in the Chinese mainland bond repo market to help manage liquidity. At present, only overseas central banks/monetary authorities, international financial organizations, sovereign wealth funds, overseas RMB clearing banks and participating banks (collectively, "Sovereign Institutions") can participate in Chinese mainland bond repos through the Direct Market Access channel (CIBM Direct).

On 24 January 2024, the PBoC together with the State Administration of Foreign Exchange (SAFE), released the *Circular Concerning Further Support for Foreign Institutional Investors to Engage in Bond Repurchase Business in the Interbank Bond Market (Consultation Paper) (the Draft)* and the corresponding Drafting Notes. The Draft permits all qualified foreign institutional investors who have already carried out bond trading in the CIBM through direct investment, Northbound Bond Connect, or the QFII/RQFII regime, to carry out bond repos in the market. Other than Sovereign Institutions, it includes all types of financial institutions such as foreign commercial banks, insurance companies, securities firms, fund management companies, futures companies, trust companies, and other asset management companies, as well as other medium- and long-term institutional investors such as pension funds and charity funds (collectively, "Commercial Institutions"). Specifically, the Draft clarifies that in order to facilitate the disposal of bond collateral by the reverse repurchase party, ownership will be transferred in either pledged or outright repos transactions by qualified foreign institutional investors in the CIBM. Currently, there is no timetable for implementation.

At the end of March 2024, a total of 1,129 foreign institutional entities had entered China's onshore bond markets, representing more than 70 countries and regions. 560 entered the market through CIBM Direct, 823 through Bond Connect, and 254 accessed both channels simultaneously. Previously, some foreign investors had access to the onshore interbank repo market through CIBM Direct, but overseas investors in Bond Connect hadn't yet been able to participate. The new measure is an important improvement to the current scheme, which will encourage foreign investors to actively participate in the onshore bond market, enhance the attractiveness of the Bond Connect scheme, and further consolidate Hong Kong's unique role in connecting onshore and offshore bond markets.

The offshore RMB market in Hong Kong continues to grow in step with the currency's internationalization. However, there are some shortcomings compared to the developed offshore US Dollar and Euro

markets. For instance, collateralized bond repos and swaps are two equally important tools for US dollar liquidity management, with similar trading volume. Conversely, offshore RMB liquidity is more dependent on swaps and the bond repos business is just starting out, with limited trading volume. The key to the development of an offshore RMB repo business is to have sufficient choice of collateral, particularly highly rated RMB bonds or bills. In recent years, Hong Kong has benefited from regularly issued RMB central bank bills by the PBoC, and a larger issuance of RMB government bonds by China's Ministry of Finance. But overall, the offshore RMB bond market is still relatively small, and there is a lack of collateral to develop the repo business.

In recent years, foreign institutional investors have steadily increased their holdings of China's onshore RMB bond. By the end of March 2024, foreign institutional investors held RMB¥4tn of RMB bonds in the onshore interbank market, accounting for about 2.9% of the total amount of outstanding onshore bonds. In terms of bond type, the majority of onshore bond holdings by foreign institutions are government bonds, worth RMB ¥2.24tn and accounting for 56% of the total. This is followed by policy bank bonds, the outstanding balance of which is roughly RMB¥0.84tn, or 21% of the total. There is a huge pool of collateral that could potentially support the development of the bond repos business in the offshore market, however it is mainly located on the mainland.

The two new measures mentioned above are aiming at activating the function of RMB assets as collateral, creating more scenarios for cross-border RMB use which leverage high quality RMB bonds to connect onshore and offshore RMB markets. Continuing to open up the domestic financial market and optimise Hong Kong's bond market will, on the one hand, enable foreign institutional investors to meet liquidity needs through bond repurchasing in the onshore interbank bond market. They will also be able to carry out bond repurchase transactions in the offshore market using domestic bonds as collateral. Each optimisation measure will promote the circulation and usage of RMB in the offshore market, and gradually build a comprehensive offshore RMB ecosystem where swaps and bond repos businesses complement each other. This will greatly improve liquidity management in the offshore market and satisfy the demand for funding to support further offshore RMB business.

This is an opportunity for the financial sector in Hong Kong to give full play to its advantages in financial service and jointly promote the implementation of the above-mentioned measures, further consolidating Hong Kong's position as an international financial centre and offshore RMB business hub. This would also contribute to the steady and prudent advancement of RMB internationalization.

Promoting China-UK cross-border collateral cooperation and bond market connectivity

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

Cooperation between China and the UK's bond markets is promising, with consensus around the need to boost connectivity. The cross-border use of RMB bonds as collateral will be a particular area of cooperation and is receiving increasing attention from regulators and market participants in both countries.

I. The bond market is the frontier of China-UK cross-border financial cooperation

1. The opening-up of China's bond market is productive

Cooperation between financial market infrastructures (FMIs) forms the foundation of market opening-up. Cross-border infrastructure connectivity makes it possible to align different markets in a secure, orderly manner, connecting domestic and international markets more effectively. As China continues to open up its market, its cross-border financial infrastructure service network is gradually falling into place. China and the UK are also making joint efforts to explore and build the channels for bond markets.

China's bond market has become much more open in recent years, supported by three key shifts. First, the diversity and the number of overseas investors has grown steadily. By the end of February 2024, a total of 1,128 overseas institutions had entered the market, representing more than 70 countries and regions around the world. Overseas investors held RMB ¥3.95tn of onshore RMB bonds. Second, the

global influence of China's bond market has increased significantly. Since 2018, China's bond market has been included in three major global bond indexes, reflecting the confidence of global investors in China's economic and financial outlook. Third, more domestic rules and regulations are gradually coming in line with international standards, and the convenience of cross-border investment and financing continues to improve.

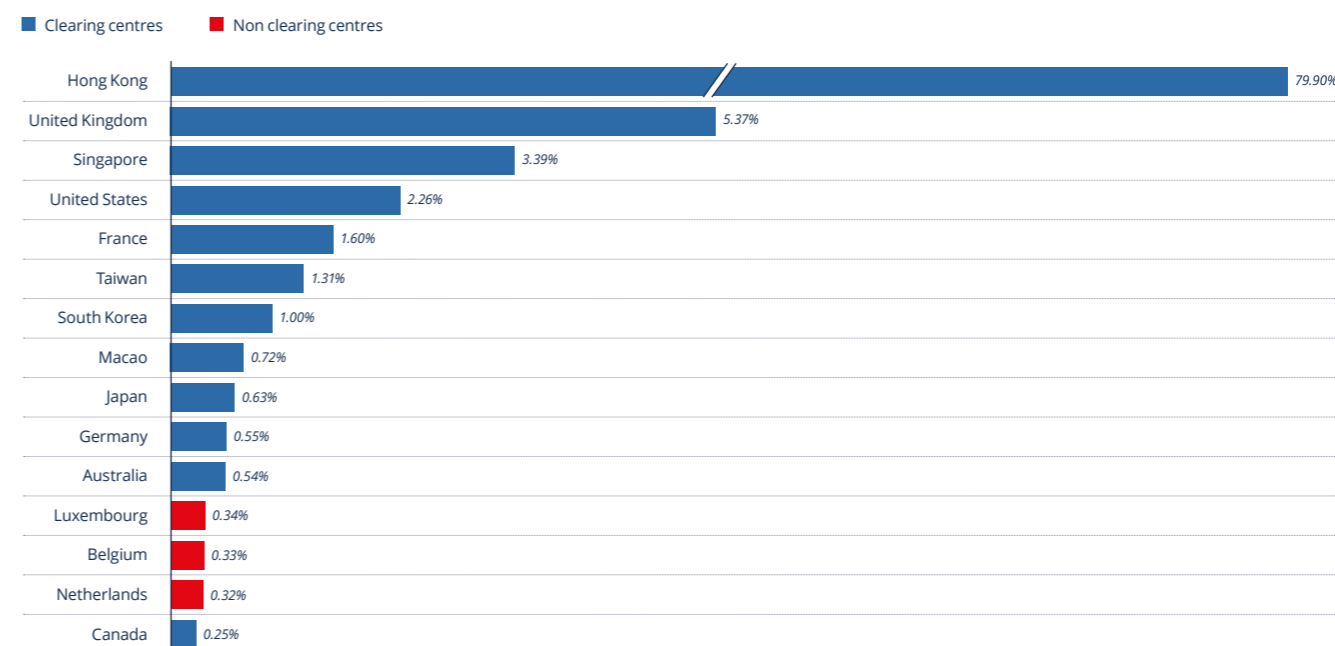
2. Promoting the cross-border use of onshore RMB bond collateral is essential for opening up China's bond market

Overseas investors pay close attention to their growing onshore RMB bond holdings and are calling for the global mobility of RMB bond collateral. From a FMI perspective, collateral management can effectively promote the circulation and allocation of financial resources at home and abroad, serving as the hub of a cross-border financial system. Therefore, in recent years, regulators globally have placed great emphasis on cross-border collateral cooperation. For example, the EU Central Securities Depositories Regulations (CSDR) sets standards and requirements for the connecting EU securities depositories, providing a foundation for cross-border collateral use. In addition, the PBoC has proposed "promoting onshore RMB bonds to become widely accepted as qualified collateral globally". Moreover, the Ministry of Finance of China and HM Treasury jointly promoted cross-border collateral cooperation in policy outcomes of the China-UK Economic and Financial Dialogues.



Buildings in Beijing

Figure 1: Offshore RMB global share (February 2024)



Source: SWIFT

In response to the requirements of market opening-up and the demand from global investors, CCDC has carefully crafted the collateral management service system and built one of the largest bond collateral management platforms in the world. CCDC has also established cooperative relationships with UK government agencies, industry associations, FMIs, and others to actively promote the cross-border use of onshore RMB bond collateral and jointly build a Multi-tier, open, cross-border financial services system.

II. Cross-border cooperation on collateral is the highlight of the next phase of financial cooperation between China and the UK

1. The UK has a highly open financial market environment

The UK is also one of financial industry with a long history, and has significant advantages in terms of institutional environment, market depth, market structure and regulatory experience. It provides a rich testing environment for the cross-border application of RMB bond collateral.

The UK is one of the world's leading international hubs for financial and related professional services. It has abundant financial resources and is the largest offshore RMB centre outside of Asia. The share of the UK's offshore RMB trading volume reached 5.37% in February 2024 (Figure 1). London is the global leader in offshore RMB trading, and the largest RMB spot currency transaction centre.

The UK market needs to interact with emerging markets to create new growth. In the post-Brexit era, it also has a more flexible business environment.

Cross-border connectivity with China's bond market will help the UK further innovate its financial products and services, which can attract more financial resources and consolidate its position as an international financial centre.

As a result, the Chinese and the UK governments have repeatedly stated that they will work together to strengthen financial cooperation. The following statements were officially included in the policy outcomes of the China-UK Economic and Financial Dialogue:

- "Both sides agree to promote RMB bonds as common qualified collateral accepted by the UK market"
- "The UK welcomes China to consider issuing sovereign bonds and RMB PBoC bills in London...the Bank of England will consider their inclusion into its eligible collateral list"

Cooperation around cross-border collateral between the two countries is expected to be the first breakthrough.

2. The UK market has a highly inclusive eligible collateral framework

The UK has a diverse and innovative financial system and requirements for eligible collateral can vary by market, business or institution. The Bank of England's eligible collateral framework is the most representative and diversified, and other eligible collateral frameworks in the UK market. Almost all bonds issued by the world's major developed economies are integrated into the Bank of England's collateral framework.

Eligible collateral has a number of common features in terms of asset quality, operational mechanism and legal system. Firstly, in terms of quality, eligible collateral is highly liquid and stable in value. It is also denominated mainly in international reserve currencies or currencies within the region. Highly rated sovereign or supra-sovereign bonds are regarded as higher quality collateral assets. Secondly, in terms of operation, eligible collateral needs to have the convenience of cross-border flow. In practice, eligible collateral needs to be put in custody with major international custodians (e.g. Euroclear, Clearstream) or a connected local custodian that can support its flow to different markets. Thirdly, at a legal level, there is a clear path for disposing of eligible collateral after default with legal certainty. Statutory safeguards for collateral assets and segregation protection at the account level are generally emphasized. Also important are the availability of collateral assets in the event of default and channels for disposal, to defend against exceptional circumstances and losses.

III. Strengthening FMI connectivity is key to China-UK cross-border collateral cooperation

The liquidity of China's bond market and the efficiency of market operation continues to improve, infrastructure is stable and effective, and onshore RMB bonds have the basic conditions to become qualified collateral in the UK market.

High quality RMB bond assets such as Chinese government bonds (CGB) meet UK requirements for qualified collateral. In terms of credit rating, the sovereign rating of the Chinese government is relatively high among developing countries (Figure 2). In terms of price volatility, CGB yield is generally stable (Figure 3). In terms of asset liquidity, the turnover rate and bid-ask spreads in the CGB secondary market are approaching the highest levels (Figures 4 and 5).

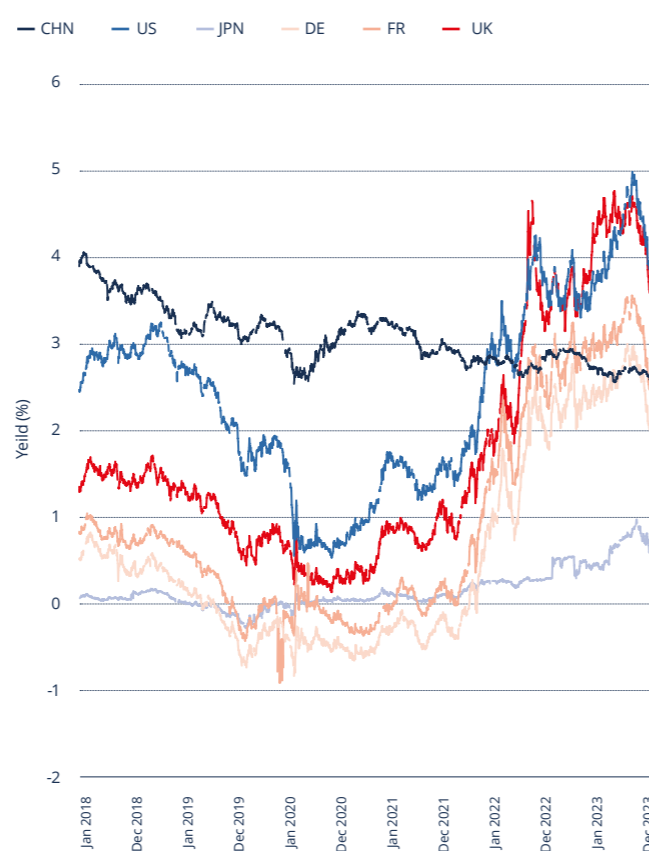
However, the onshore RMB bond market still needs to be strengthened in several ways. Firstly, liquidity between central banks is a key aspect of cross-border collateral cooperation. For example, the Bank of England has coordinated with the European Central

Figure 2: Sovereign credit ratings of major economies

Country	S&P	Moody's	DBRS
Canada	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
United States	AA+	Aaa	AAA
France	AA	Aa2	AA (high)
United Kingdom	AA	Aa3	AA
Japan	A+	A1	A (high)
China	A+	A1	A
Spain	A	Baa1	A
Thailand	BBB+	Baa1	-
Italy	BBB	Baa3	BBB (high)
India	BBB-	Baa3	BBB (low)
South Africa	BB-	Ba2	-
Brazil	BB	Ba2	BB

Source: S&P, Moody's, DBRS, iFind, CCDC, SIFMA, ADB, UKDMO, Deutsche Finanzagentur, Bloomberg

Figure 3: Yields of sovereign bonds (10 yr)



Source: S&P, Moody's, DBRS, iFind, CCDC, SIFMA, ADB, UKDMO, Deutsche Finanzagentur, Bloomberg

Bank to launch the Liquidity Facility in Euros (LiFE) where market participants can use Level A, B, and C collateral to obtain EUR liquidity. Thus, in addition to the current bilateral currency swap agreement between China and the UK, establishing cross-border liquidity arrangements is a way to promote the inclusion of RMB bond collateral into the Bank of England's monetary policy framework. It is also necessary to improve FMI connectivity between the two markets.

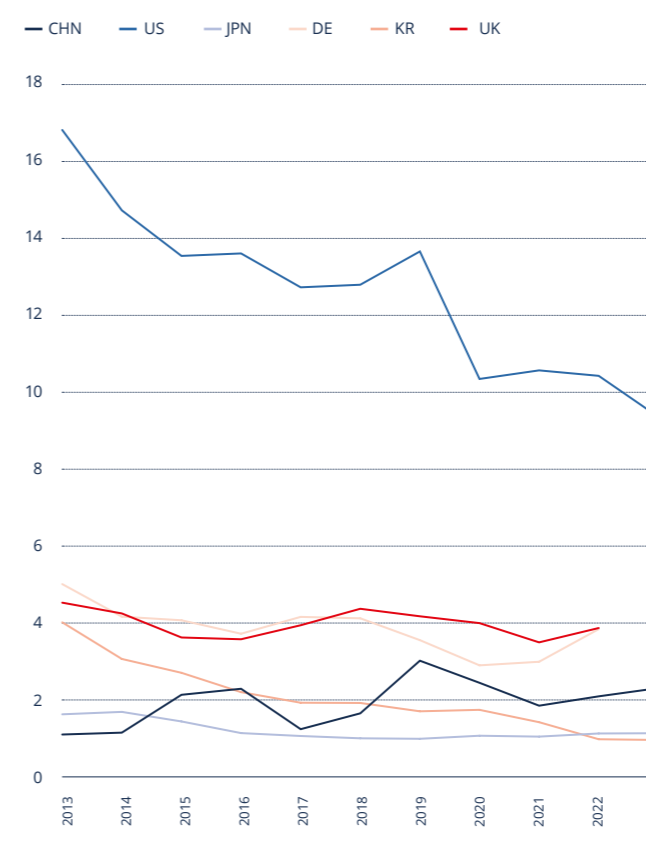
International experience shows that connecting central securities depositories (CSD) is a prerequisite for cross-border collateral mobilization. For instance, it is the link between Euroclear and Japan's CSD, JASDEC, that makes using Japanese government bonds as collateral in the UK market possible. Therefore, boosting connectivity between China's and the UK's CSDs will be an important step to help RMB bonds become eligible collateral in the UK market. Finally, there is room for improvement at the legislative level.

With the introduction of laws such as the *Civil Code of the People's Republic of China and the Futures and*

Derivatives Law of the People's Republic of China, the legal certainty of collateral business has been greatly enhanced. However, the procedures for collateral disposal in the event of default, and cross-border remittance of disposal proceeds are still challenging issues for overseas investors.

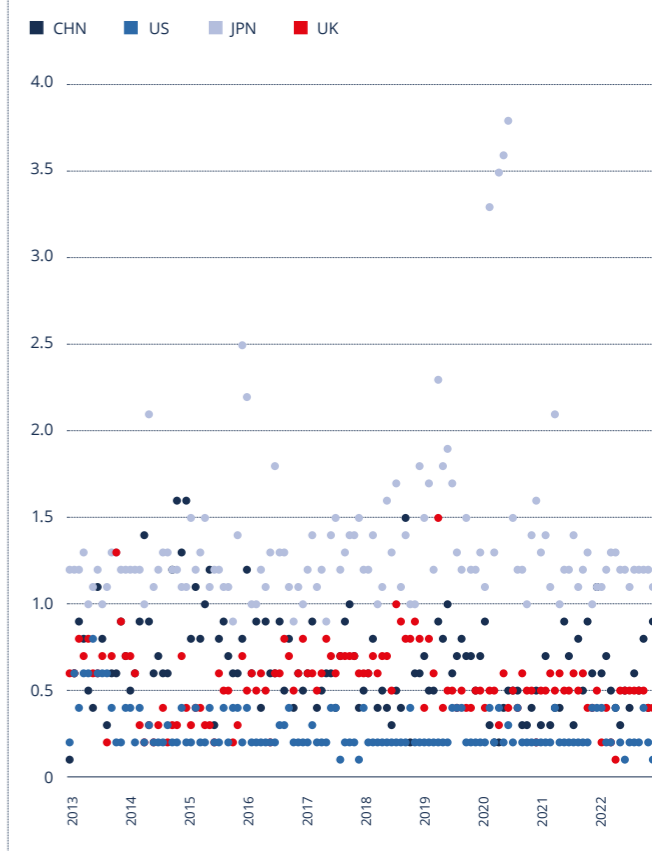
The UK is one of the world's leading financial hubs, with a highly open business environment, a sound financial market system, and well-developed financial infrastructure. There is ample opportunity for cooperation between China and the UK. Promoting onshore RMB bonds to become qualified collateral in the UK market is one significant area that will require joint efforts from both countries in terms of regulatory systems, market rules, and technical specifications. As a leading collateral manager in China's bond market, CCDC, within the framework of China-UK financial cooperation, focuses on mutual recognition of cross-border collateral at the FMI level. CCDC is willing to work with all parties to build a multi-level, multi-market and multi-platform cross-border model to strengthen the connectivity between China and the UK's bond markets.

Figure 4: Turnover rates of sovereign bonds (10 yr)



Source: S&P, Moody's, DBRS, iFind, CCDC, SIFMA, ADB, UKDMO, Deutsche Finanzagentur, Bloomberg

Figure 5: Bid-ask spreads of sovereign bonds (10 yr)



Source: S&P, Moody's, DBRS, iFind, CCDC, SIFMA, ADB, UKDMO, Deutsche Finanzagentur, Bloomberg

The rise of China's carbon trading market

China Construction Bank (CCB) London Branch

Background and drivers

China's carbon trading market emerged in response to global commitments aimed at combating climate change and curbing greenhouse gas emissions, alongside domestic initiatives promoting environmentally sustainable development and the transition to a low-carbon economy. The country's thriving renewable energy sector also contributed to favorable conditions, with renewable energy firms serving as significant providers of carbon credits. As outlined in the International Energy Agency's 2023 Energy Technology Perspectives report, China is a leading global supplier of clean energy technologies, boasting a minimum of 60% of the world's clean energy manufacturing capacity, encompassing solar, wind, and battery technologies. Consequently, the supply side of the carbon trading market enjoys robust support.

The evolution of China's carbon market

China launched regional pilot carbon emission trading schemes in 2011. Currently, there are eight pilot carbon markets located in Beijing, Shanghai, Tianjin, Chongqing, Shenzhen, Guangdong, Fujian, and Hubei. The national carbon emission trading market has been operational since 2021, and the national integration of carbon markets is expected by 2025.

The Ministry of Ecology and Environment is the authority for carbon trading. The provincial ecology and environment authorities are responsible for organizing the allocation and settlement of carbon emission quotas, verifying greenhouse gas emission reports, and conducting supervision and management within their respective administrative regions.

Trading products and participants

China's carbon market trades carbon allowances and Chinese Certified Emission Reductions (CCERs) as carbon assets. Trading is primarily spot-based, with limited futures trading in Shanghai and Hubei. Participating companies represent eight key industries, including agriculture, forestry, waste recovery, aviation, transportation, construction, manufacturing, and power. Power companies are the major trading participants.

Market size and trading volume

China's carbon market is one of the world's major carbon emission trading systems. In 2023, the total annual trading volume of national and regional carbon emission allowances reached 266 million tonnes, with an annual turnover of RMB¥16.6bn. Of this, the national carbon emissions market accounted for RMB¥14.4bn while regional carbon emissions trading amounted to RMB¥2.2bn. In 2021, the market's inaugural year, total trading volume once surpassed 228 million tonnes, with an annual turnover

approaching RMB¥10bn. From 2012 to the end of 2023, China's carbon market accumulated a total trading volume of 927 million tonnes, with a turnover of approximately RMB¥38.5bn.

Potential internationalization of China's carbon market

The internationalization of the RMB facilitates cross-border carbon trading. In 2018, the PBoC, in its *Policies for Further Improving Cross-border Business and Facilitating Trade and Investment* clarified several cross-border business facilitation measures, including RMB cross-border settlement for carbon trading, supporting the direct participation of overseas institutions in China's carbon trading market.

Furthermore, China's carbon market adheres to international norms and standards. Policy-wise, China's regional carbon markets draw inspiration from the EU Emissions Trading System. Presently, China is advancing towards the establishment of a nationwide carbon market. Leveraging the insights gained from regional market development, China is poised to transition from regional initiatives to a cohesive national framework, aiming to achieve a unified national carbon market by 2025.

China is also enhancing its carbon market infrastructure to align with global norms. In December 2022, the country signed a memorandum with the International Sustainability Standards Board (ISSB), signaling China's involvement in shaping global Environmental, Social, and Governance

(ESG) standards. Despite the current absence of international connectivity in carbon markets, China is taking proactive institutional measures and sustaining international collaboration, establishing the groundwork for global market integration.

Limitations of the market

China's carbon market is in its early developmental phase, distinct from the established European model rooted in the electricity spot market. In Europe, carbon pricing has a direct impact on electricity rates and consumer behavior, facilitated by a diverse participant base ensuring robust price discovery and transmission mechanisms. Conversely, China's carbon market is marked by modest trading volume and some price volatility. Presently, domestic carbon prices are significantly influenced by both domestic and international climate policies, with short-term weather also having notable impacts.

Eligible participants include enterprises in a few industries and select financial institutions. Only spot carbon quotas are exchangeable, while financial instruments such as bonds, futures, and financial services (like pledge financing) are in an experimental phase. These need to develop further before derivative products are introduced.

Financial institutions' role in carbon trading

Presently, major securities firms are able to participate directly in the carbon trading market as proprietary traders. Commercial banks can engage indirectly in carbon trading activities through lending and bond underwriting, and they can actively pursue green finance opportunities within the scope of prevailing policies.

CCB has spearheaded innovative initiatives such as underwriting carbon neutrality bonds, offering loans collateralized by forestry carbon sinks, and providing consulting services for carbon neutrality infrastructure Real Estate Investment Trusts (REITs) projects. Leveraging London's pronounced strengths in green finance, CCB London branch has acted on behalf of the group, issuing nearly RMB¥10bn of green bonds for two consecutive years in 2022 and 2023. This expands the bank's avenues for green finance endeavors and attracts global capital to China's clean energy sector.



Shanghai International Financial Centre



RMB-dominated products Subgroup meeting

Subgroup review

RMB-denominated Products Subgroup

In 2023, CCB London and Standard Chartered hosted the RMB Subgroup meeting several times, inviting PBoC Representative Office for Europe, Deutsche Bank, CLSA, ICBC Standard Bank, Bank of China London, ICBC London, CITIC Securities, CICC and many other financial institutions to a roundtable discussion.

The focus in the meeting was on RMB foreign exchange trading, debt instruments, and derivatives, and the group invited ideas for expanding the RMB ecosystem. Participants explored the construction of the offshore RMB market in terms of liquidity, products, tenor and infrastructure, aiming to further promote the use of RMB overseas. Participants discussed hot topics such as policy changes by the Federal Reserve and PBoC, economic situation assessments, and energy prices, and analysed the RMB foreign exchange market and onshore market.

These gatherings were dedicated to boosting RMB-denominated financial products and services, fostering Sino-UK trade and investment, advocating for RMB clearing and settlement operations, and solidifying London's standing as a premier offshore RMB hub.

The group will continue to provide various product services such as RMB loans, interbank lending, and foreign exchange, ensuring sufficient liquidity for the offshore RMB market and striving to promote the internationalization of the currency.

Sustainable RMB Market Subgroup

The Subgroup gathers market information in the public domain and stakeholders' views to drive and support recommendations for the development of a sustainable RMB market in London, with a particular focus on:

1. Developing green RMB products
2. Increasing the number of green RMB bond listings in the UK
3. Developing carbon market links

It includes seven member institutions (HSBC, CICC, CITIC CLSA, ICBC Standard, LSE, SSE, and S&P Global), and four observer institutions (CoLC, PBoC, His Majesty's Treasury (HMT) and Shanghai Clearing House (SHCH)). It is co-chaired by HSBC and CICC. Below, we set out each member institution's material contributions to date.

There were two meetings held, in November 2023 and February 2024. February's meeting included a special roundtable discussion on the offshore RMB debt capital market, with a particular focus on the development of a sustainable RMB market in London.

Our summary of recommendations from the meetings are as follows:

1. Standardize disclosure to facilitate consistent climate performance and energy transition with global investors.
2. Encourage the wider adoption of ESG investments.
3. Promote the offshore RMB bond market for issuers in London and related market infrastructure.
4. Develop carbon market collaboration between China and the UK.

1. HSBC

HSBC participated in the Shenzhen, Guangdong, and Hainan governments' dim sum bond issuance in HK. A significant portion of those issues were under internationally-recognized green, sustainable, social, blue frameworks and standards. Other local Chinese governments, such as Shanghai and Beijing, have great potential to issue ESG dim sum bonds in offshore markets.

The new category of local government dim sum bonds will attract international investors for its sovereign credit rating, eligibility as collateral for the RMB liquidity facility and diversified RMB and ESG assets in offshore markets. Meanwhile, the issuance will help China's local governments establish green, blue, social, and sustainable frameworks in line with international standards, promote internationally-recognized disclosure practices and improve ESG credentials in front of international investors and business communities.

As a leading centre for RMB and sustainable finance, London has great potential to be a centre for local government dim sum bond issuances. It can build this capacity through a) promoting the development and enhancing liquidity for offshore RMB products; b) improving financial market infrastructure and c) attracting Middle East investors. UK corporates can take advantage of low CNH funding costs by issuing dim sum bonds for their operations and investments in China, or for general investment purposes outside China. "Belt and Road Initiative" (BRI)-themed green bonds are also being issued.

HSBC has witnessed a significant increase in onshore Chinese investors purchasing offshore bonds or certificates of deposit (CDs) from Chinese banks, enhancing liquidity in the offshore RMB market. Bank treasuries in Hong Kong and fund managers in Singapore are actively engaged in RMB activities. HSBC sees significant participation from real money investors and global fund managers in RMB-denominated

products from SSA (Sovereigns, Supranational, and Agencies) issuers in London.

2. CICC

CICC shared policy and market updates in the sustainable finance and carbon trading market.

The China-UK Task Force held a conference focused on strengthening the integration of disclosure guidelines, carrying out more research and expanding its influence. The Centre for Climate and Environmental Resilience (CCER) trading system is ready to be used. The trial of CCER trading management measures has been rolled out. More can be done to explore cooperating on product innovation around cross-border CCER trading.

China and the EU collaborate closely on carbon and ESG. There are further opportunities in a) an EUA-linked product for Carbon Border Adjustment Mechanism (CBAM)/ETS cost hedging; b) greater cross-border CCERw trade; c) sustainable information disclosure between China and the UK; and d) project-level collaboration under COP28. On September 18, 2023, the UK Government announced plans to implement a CBAM by 2027. This measure will cover industrial goods imported into the UK, prompting Chinese companies to strategize and prepare for the UK's carbon tax.

The primary market in China saw an increase in new ESG bond issuances, fuelled in part by the participation of smaller entities and the broadening scope of sustainable bond issuance. Green bonds continue to dominate the Chinese market, followed by social and sustainable bonds. These trends highlight the growing importance of ESG considerations and the increasing commitment to sustainability in China's financial industry. The secondary market for ESG bonds in China has experienced increased trading activity, driven by the inclusion of green business in the scope of financial institutions' assessments.

CICC observed an increase in the monthly average carbon trading price over the last year, which peaked at the end of 2023. This surge was influenced by the September 2023 compliance deadline for the Chinese national carbon market. On February 4, 2024, Chinese Premier signed interim regulations to manage carbon emissions trading. These regulations establish a legal framework for China's carbon emissions trading market and ensure the effectiveness of related policies.

COP28 revealed that previous commitments may not suffice to meet the 1.5-degree target, with biodiversity emerging as another significant theme. The key achievements of COP28 can be summarized as 'Two Points + Five Aspects'. The Two Points are: 'Global Stocktake (GST)' and 'Loss and Damage Fund'. And the Five Aspects are: 'Energy Transition', 'Transforming Climate Finance', 'Agriculture and Health', 'Climate and Nature' and 'China's Participation'.

CICC identifies several opportunities for London's offshore RMB debt market, of which a sustainable RMB market is an increasingly important component, supported by the following:

1. The total value of trade between the UK and China has nearly doubled since 2013, reaching GBP£112.8bn. This growth underscores the demand for funding offshore investment activities, presenting a significant opportunity for the market.
2. The extended currency swap deal between the PBoC and the Bank of England, which provides promising momentum and will further address RMB liquidity needs in London.
3. As Chinese investors increasingly diversify into wealth management products, the success of the Wealth Management Connect Scheme in the Great Bay Area could be replicated for London and other regions.

3. CITIC CLSA

CLSA shared updates on ESG disclosure practices in China and the trend towards global harmonization.

The key policies shaping ESG disclosure in China are 'The Guidance for Enterprise ESG Disclosure' and 'China Green Bond Principles', issued by the China Green Bond Standards Committee.

China's disclosure regulations for financial institutions are voluntary, focusing on the institutions' environmental risk management and the possible impact of invested assets on the environment. Disclosure metrics focus on factors including internal control systems related to an enterprise's environmental management, pollution prevention, performance of directors and supervisors, and related transactions.

A joint initiative of the PBoC and the European Commission, the Common Ground Taxonomy (CGT) is an in-depth comparison of the green classification systems (taxonomies) of China and the European Union (EU). It maps out the commonalities and differences between them and represents an important piece of policy infrastructure. Overall, China's Green Bond Principles (GBP) are based on and aligned with the ICMA GBP. There are some additional requirements and some minor, context-specific differences in the detailed requirements.

Recommendations are to a) further align on policy; b) encourage companies to seek international accreditations; and c) encourage wider adoption of ESG investments to drive changes.

It was also suggested to invite mega-sized and sovereign-level issuers like PBoC and China's Ministry of Finance as well as BRI countries to become issuers in London's bond market and promote the offshore RMB bond market further.

4. ICBC Standard

ICBC Standard discussed their activity around ESG bond issuance and market insights regarding increased appetite for RMB-denominated assets in both onshore and offshore markets. Apart from RMB settlement for trade and investment purposes, Chinese corporates with increasing FX exposure are making use of widely-available instruments as a means of risk hedging against market volatility.

ICBC Standard see an increasingly important role for RMB as a hedging currency against rising market volatility, particularly for participants with exposure across asset classes and across G10 and emerging markets. ICBC Standard also continues to observe issuers across markets attempting to capitalize on the peak demand for ESG products. Many Asian issuers, including those from China, are entering this market before potential market volatility, and taking a prominent position.

ICBC Standard also mentioned that they are keen to bring in more non-Chinese potential investors / liquidity to RMB-related products. Issuers can now promote panda bonds as most of the regulatory hurdles have been lifted in recent years.

5. London Stock Exchange Group (LSEG)

LSEG shared on voluntary carbon market (VCM) designation, which requires issuers to produce additional disclosures relating to the projects they are directly or indirectly financing. There are different standards around the projects, including project types, expected carbon credit yield and the extent to which they are expecting to meet the United Nations Sustainable Development Goals (UN SDGs).

VCM designation leverages LSEG's existing market infrastructure together with the regulatory oversight and transparency inherent in public markets. Foresight Sustainable Forestry (FSF) is the first fund to be eligible based on its forestry and afforestation portfolio that will follow the UK Woodland Carbon Code certification. The LSEG is the first exchange in the world to apply a public equity market framework to facilitate financing in climate change mitigation projects that generate carbon credits. It also provides access for investors and corporates seeking exposure to carbon credits, which may be issued in the form of a dividend in specie. There are 7 VCM designation funds in the pipeline, looking to be listed in the next 12 months.

LSEG sees great interest from investors who raise funds and want to deploy into China-focused carbon assets, and from corporates who want to get access to carbon credits via emerging carbon market frameworks.

LSEG shared the current state of China issuers listing on LSE and potential future listings. They saw 30 RMB bonds issued last year, including January 2024. Among these, six were from Chinese issuers, while the rest originated from international banks, supranational

entities, and various entities from the Middle East and elsewhere, often domiciled in Luxembourg. LSEG has noted that these issuers require substantial funding, with a potential focus on green financing for future market development. Dual listing on the London Stock Exchange and in Asia (e.g., Hong Kong Stock Exchange) could potentially facilitate issuer recognition and enrich RMB products in the London market.

6. S&P Global

S&P Global introduced its company sustainability assessment product which assesses how green a company's activities are and may help investors to track companies' transition efforts. The assessment analyzes the extent to which revenue streams, operational expenditures, and investments contribute to the transition to a low-carbon and climate-resilient future. It also analyzes exposure to climate risks.

S&P Global also discussed convergence around standards for sustainable policy and market practice with a focus on disclosure, including energy transition. It is expected that by 2025, one-third of global investments and more than 50% of European investments will be allocated to ESG funds.

In terms of regional disclosure trends, Europe leads in disclosure practices compared to North America or the Asia Pacific region. Sectors with high energy intensity and those related to commodities tend to have higher disclosure rates, reflecting their exposure to climate-related risks and increased investor scrutiny. The finance sector has approximately 30% climate disclosure rates.

S&P policy recommendations are for a) Chinese exchanges to develop a green equity offering in line with World Federation of Exchanges (WFE) guidelines; and b) Chinese companies to communicate climate performance and energy transition with global investors.

RMB Market Infrastructures Subgroup

The RMB Market Infrastructure Subgroup held its first group meeting at the Beijing headquarters of the China Central Depository & Clearing (CCDC) in April 2023. Members from London Clearing House (LCH), CLSA, Standard Chartered Bank and other institutions participated both in person and remotely. Group members carried out candid exchanges focusing on the application of cross-border use of RMB bonds collateral, opening up China's bond market, and brainstormed great ideas on how to deepen the application of RMB internationalization.

As of the end of 2023, the outstanding balance of China's bond market was RMB¥157.9tn, an increase of 9.1% YoY, while overseas institutions held RMB¥3.72tn, accounting for 2.4% of the market. In recent years, China has introduced many opening-up policies to

make it easier for foreign investors to participate in China's bond market and promote high-quality opening up.

As one of the world's largest bond collateral management institutions, CCDC managed a collateral balance of RMB¥28.31tn as of 2023, an increase of 35.2% YoY. CCDC also followed the guidance of RMB Working Group and conducted several discussions with LCH on the cross-border use of RMB bond collateral. A delegation group also visited London to promote the international development of RMB bonds.

The RMB Market Infrastructure Subgroup will continue to organise members to explore opportunities for international cooperation around market infrastructure, strengthened ties between Chinese and British institutions, and the promotion of market development on both sides.

Latest policies and major events

Q1 2023

On 5 January 2023, the National Development and Reform Commission (NDRC) issued the *Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debt of Enterprises*. These provide further clarity around the procedures and requirements for registering and reporting medium- and long-term foreign debt.

On 11 January 2023, the Ministry of Commerce (MOFCOM) and the PBoC jointly issued the *Notice on Further Supporting Foreign Economic and Trade Enterprises in Expanding the Cross-border Use of RMB to Facilitate Trade and Investment*. It aims to create a favorable environment for the use of RMB in cross-border trade and investment.

On 7 February 2023, the PBoC signed a Memorandum of Understanding (MOU) with Banco Central do Brazil (BCB) on establishing Renminbi (RMB) clearing arrangements.

On 20 February 2023, the PBoC and the Central Bank of Egypt (CBE) renewed the bilateral currency swap agreement. The size of the agreement is RMB¥18bn/EGP80.7bn.

On 21 February 2023, the PBoC successfully issued one RMB¥10bn three-month central bank bill and one RMB¥15bn one-year central bank bill in Hong Kong. The bid-winning interest rates were 2.40% and 2.75% respectively.

Q2 2023

On 15 May 2023, Swap Connect was officially launched, enabling mutual access between the Mainland and Hong Kong interest rate swap markets.

On 19 May 2023, the PBoC and the State Administration of Foreign Exchange (SAFE) decided to launch pilot programs in Beijing, Guangdong, and



London skyline

Shenzhen to optimize and upgrade the policies on the centralized operation and management of cross-border RMB and foreign currency funds of multinational corporations (MNCs).

On 9 June 2023, the PBoC and the Central Bank of Argentina (BCRA) renewed the bilateral currency swap agreement. The size of the agreement is RMB¥130bn or ARS\$4.5tn, valid for three years.

On 12 July 2023, the PBoC and Bank of the Lao renewed the bilateral currency swap agreement. The size of the agreement is RMB¥6bn or LAK15.8tn.

Q3 2023

On 20 July 2023, the PBoC and the SAFE raised the macro-prudential adjustment parameter for cross-border financing for enterprises and financial institutions from 1.25 to 1.5.

On 31 July 2023, the PBoC and Bank of Mongolia (BOM) renewed the bilateral currency swap agreement at RMB¥15bn or MNT7.25tn. The arrangement is valid for three years.

On 1 September 2023, the PBoC decided to cut the reserve requirement ratio for financial institutions' foreign exchange deposits by 2 percentage points to 4%, effective as of September 15, 2023.

On 11 September 2023, the PBoC, the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao (AMCM) jointly signed the *Memorandum of Understanding on Deepening Regulatory Cooperation on Fintech Innovation in the GBA*.

On 22 September 2023, China and the US decided to establish the Economic Working Group and the Financial Working Group.

On 27 September 2023, the PBoC and Bank Indonesia signed the *Memorandum of Understanding on Cooperation between People's Bank of China and Bank Indonesia*.

On 28 September 2023, the PBoC, the National Administration of Financial Regulation, the China Securities Regulatory Commission, the SAFE, the HKMA, the Securities and Futures Commission of Hong

Kong and the Monetary Authority of Macao decided to enhance the Cross-boundary Wealth Management Connect Pilot Scheme in the GBA.

Q4 2023

On 9 November 2023, the PBoC, HKMA and Monetary Authority of Macao signed the *Memorandum of Understanding on Deepening Fintech Innovation Supervisory Cooperation in the Guangdong-Hong Kong-Macao Greater Bay Area*.

On 20 November 2023, the PBoC and the SAFE issued *Notice of Improving the Level of Digital Services of Banks in Handling Capital Account Business*, effective 20 December 2023. The Notice facilitates the compliant and efficient handling of capital account business by business entities and improves banks' level of digital services.

On 20 November 2023, the PBoC and the Saudi Arabian Monetary Authority (SAMA) signed a bilateral currency swap agreement. The agreement of RMB¥50bn (SAR26bn) is valid for three years, renewable upon mutual consent.

On 21 November 2023, the PBoC and the National Bank of Cambodia signed the *Memorandum of Understanding on Establishing Renminbi (RMB) Clearing Arrangements in Cambodia* and *Memorandum of Understanding Between the People's Bank of China and the National Bank of Cambodia on Cooperation in the Area of Financial Innovation and Payment Systems*.

On 28 November 2023, the PBoC and the Central Bank of the United Arab Emirates (CBUAE) renewed the Bilateral Local Currency Swap Agreement for another five years with the size of RMB¥35bn (AED18bn) and signed a Memorandum of Understanding on Enhanced Collaboration on CBDC between the PBC and the CBUAE.

On 8 December 2023, the SAFE issued the *Notice on Further Deepening Reforms and Promoting the Facilitation of Cross-Border Trade and Investment*. It includes nine policy measures to improve the management of foreign exchange receipts and payments for special trade, expand capital account facilitation policies, and update and optimize the foreign exchange management of some capital accounts.

On 11 December 2023, the PBoC and the National Bank of Serbia (NBS) signed a Memorandum of Understanding on establishing RMB clearing arrangements.

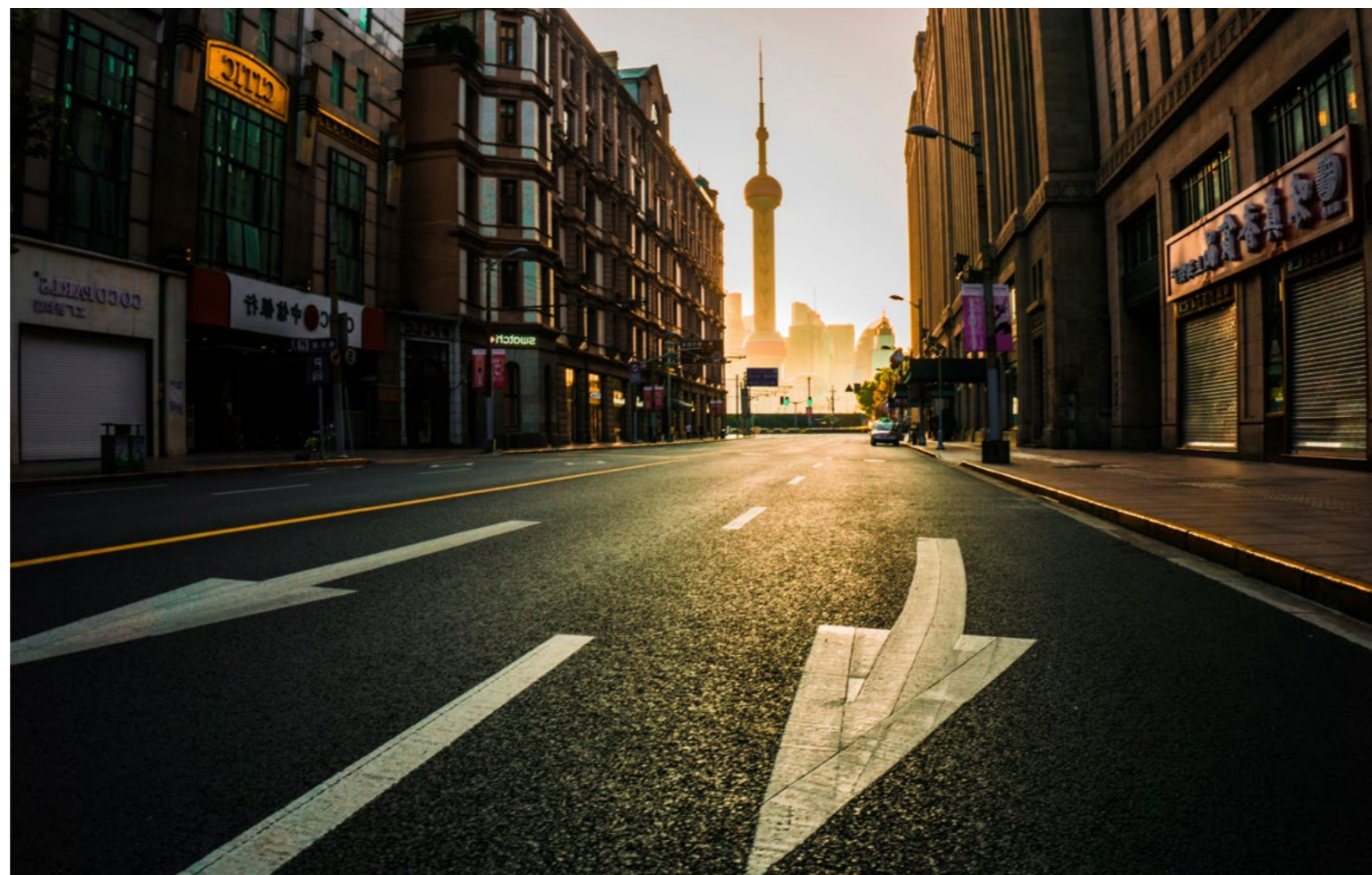
On 15 December 2023, the SAFE issued *Notice of Expanding the Pilot Program of High-Level Opening-up of Cross-Border Trade and Investment*, to expand the pilot policy program in Shanghai Municipality, Jiangsu Province, Guangdong Province (including Shenzhen City), Beijing Municipality, Zhejiang Province (including Ningbo City), and Hainan Province. Its aim is to facilitate the handling of cross-border trade and investment for more businesses in compliance with regulations, and promote high-quality development with high-level opening-up.

Q1 2024

On 24 January 2024, the HKMA announced that RMB government bonds and policy financial bonds under the Northbound Bond Connect (Northbound Trading) were included in the list of eligible collateral for its RMB Liquidity Arrangement (RMBLA).

On 24 January 2024, the PBoC and the SAFE released the *Announcement on Further Supporting Bond Repos by Overseas Institutional Investors in the Interbank Bond Market (Consultation Draft)* for public comments.

On 22 March 2024, the SAFE issued the *Circular of the General Affairs Department of the State Administration of Foreign Exchange on Updating the Merchant Category Codes for the Use of Domestic Bank Cards Outside China* to improve foreign exchange administration for bank cards.



Shanghai

China onshore RMB market events

Q1 2023

From 3 January 2023, China Foreign Exchange Trade System (CFETS) extended the trading hours of the interbank RMB/FX market to 3:00a.m. next day (Beijing time). The market boasted orderly quoting and trading on the first day. During the extended trading hours (23:30-3:00), market makers continued to perform their mandates for executive streaming quotes. The bid-ask spread of spots registered some 30bps and that of O/N swaps was 0.01bps. The total turnover of transactions executed by 16 member institutions hit US\$128m dollars, covering spots, forwards, swaps etc. in bilateral trading and matching modes.

On 17 January 2023, Deutsche Bank issued its first panda bond in China's interbank bond market that year, using CFETS bond issuance services. It raised RMB¥1bn via 3-year maturity with a coupon rate of 3.21%. It was subscribed by different types of investors including banks, securities companies, foreign banks, and overseas investors.

On 19 January 2023, the Shanghai Stock Exchange (SSE) officially issued the *Notice on Matters Related to New Trading Day of Hong Kong Stock Connect* (hereinafter

On 16 March 2023, the China Development Bank (CDB) issued an RMB¥3bn 20-year network infrastructure financial bond, with a 3.29% coupon rate and an oversubscription multiple of 10.33.

On 20 March 2023, CFETS and Shanghai Clearing House launched central counterparty clearing of foreign currency pairs with the approval of the SAFE, in a bid to boost the interbank FX market, prevent clearing risks, and improve clearing efficiency. Transactions eligible for central counterparty clearing include foreign currency bilateral trades (covering RFQ, ESP, and negotiation trading) and foreign currency matching trades concluded through CFETS. The service currently supports spot, forward, and swap transactions of five currency pairs: EUR/USD, USD/JPY, USD/HKD, AUD/USD, and GBP/USD. As of market close on launch day, 18 institutions concluded US\$1.05bn foreign currency pairs trades with the central counterparty clearing service, composed of US\$483m of spot trades and USD\$574m of swap trades.

On 20 March 2023, in accordance with the *Notice of Relevant Measures to Further Promote the Foreign Exchange Market to Serve the Real Economy* issued by the SAFE, CFETS upgraded its CFETS 2017 and iDeal FX platforms. This included the following changes:

- For American options, trading parties can now set an exercise cutoff time for the exercise date, and the buyer can exercise the option on any trading day between the transaction date (T+0) and the expiration date.
- For Asian options, the observation period setting now supports user-defined observation dates and the lookup of selected observation dates, which enable more granular setting of trade terms and conditions.
- G10 barrier options and digital options now support system-automated exercise in alignment with the international market. To prevent market risks, the same time can be set for the reference exchange rate and exercise cutoff time.
- iDeal FX smart assistant will send exercise/abandonment notifications to options sellers to keep them informed.

On 22 March 2023, the Wanjia CFETS 0-3 Year Policy Financial Bond Index Investment Fund was launched, which tracks the CFETS 0-3 Year Policy Financial Bond Index. Raising RMB¥4.8bn at launch, it is the first public fund linked to a CFETS rate bond index. This fund provides bond market participants with a new investment choice and expands the application of CFETS' bond index products.

On 24 March 2023, the Shanghai Stock Exchange (SSE) and the Stock Exchange of Thailand (SET) successfully entered a cooperation on mutual display of index quotations. On the same day, the first 5 index quotations of the SSE and CSI indices (SSE Composite Index, SSE 50 Index, CSI 300 Index, SSE Science and Technology Innovation Board 50 Index

referred to as the Notice). The Notice followed the Joint Announcement issued by the China Securities Regulatory Commission (CSRC) and the Securities and Futures Commission (SFC) of Hong Kong on August 12, 2022 to optimize the trading calendar of Shanghai-Hong Kong Stock Connect. The Notice defines the new trading day of the Hong Kong Stock Connect, trades-related business arrangements, and risk control measures, explicitly requiring members and other institutions using trading units to make advance arrangements for the settlement of funds in accordance with the provisions. Individual investors participating in the trading of Hong Kong Stock Connect benefit from increased trading days but are not affected in terms of fund settlement and so on.

In February, CFETS RMB trading platform launched a new trading API for negotiation quoting in bond lending transactions and upgraded the API for post-trade allocation in X-Bond transactions. These system improvements enable greater trading efficiency and better market services.

On 3 March 2023, the Shanghai Stock Exchange (SSE) released the *Implementation Measures of the Shanghai Stock Exchange for Shanghai-Hong Kong Stock Connect Business (2023 Revision)* and implemented it on 13 March.

and CSI Small Cap 500 Index) were officially displayed on the SET's SETTRADE website. Meanwhile, 3 core index quotations of SET (SET Index, SET 50 Index and Thailand Sustainability Investment Index (THIS)) were simultaneously launched on the official website of China Securities Index Co., Ltd.

Q2 2023

On 8 April 2023, CFETS rolled out upgrades for bond lending and credit default swap (CDS) transactions on the RMB trading platform to deliver improved functionality, trading efficiency, and market services. The APIs for the bond lending market now support adjustment of collaterals, and those for CSTP now support the transmission of cross-depository account information.

On 17 April 2023, to facilitate direct investment in China's bond market by overseas institutional investors, CFETS issued the Notice on the *Enhanced Administrative Arrangements for Funds Invested by Overseas Institutional Investors in China's Bond Market*.

On 24 April 2023 the optimized trading calendar of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect was officially launched. The calendar further improves the efficiency of cross-border investment under stock connect, guarantees the continuity and convenience of investors' trading, and better meets the needs of domestic and foreign investors participating in asset allocation in Mainland and Hong Kong capital markets. After its implementation, 27 and 28 April were included as new trading days for Hong Kong Stock Connect in 2023, and 25 May became a new trading day of Shanghai Stock Connect.

On 28 April 2023, CFETS released the *CFETS Trading Rules for Interest Rate Swaps under Northbound Swap Connect* to promote the development of a compliant and orderly Northbound Swap Connect market. Contents include investor management, general rules, quote-based trading, trading of centrally cleared products, risk management, and market monitoring.

On 15 May 2023, CFETS officially launched Northbound Swap Connect, allowing overseas investors from Hong Kong SAR and beyond to trade in the Mainland interest rate swap (IRS) market by connecting Chinese Mainland and Hong Kong infrastructures.

On 16 May 2023, Hengfeng Bank successfully issued Series I of its green bond for 2023 through the CFETS bond issuance system. At 2.6 times oversubscribed, the bond had an issue size of RMB¥7.5bn, a maturity of 3 years, and a coupon rate of 2.83%. The proceeds will be directed toward green projects listed in the *Green Bond Endorsed Projects Catalogue (2021 Edition)* in accordance with applicable laws and the approval of regulators.

On 19 May 2023, the SSE and the Singapore Exchange (SGX Group) officially signed a Memorandum of

Understanding (MOU) on ETF product connectivity, marking a new step in product cooperation between China and Singapore capital markets and a new level for the cross-border product connectivity business. According to the MOU, the two exchanges will focus on strengthening cooperation in ETF product connectivity to provide diversified cross-border investment choices for investors in both countries.

On 30 June 2023, USD LIBOR ended and CFETS issued the *Notice on Adjustments in the Interbank FX Market after LIBOR Cessation*. This involved making certain changes to the interbank FX market, effective from 3 July, to ensure a smooth transition to the new benchmark rates.

On 30 June 2023, the Online One-stop Settlement Failure Reporting Service for the Northbound Trading of Bond Connect (the Service) was officially launched, jointly provided by CFETS, the China Central Depository & Clearing Co., Ltd. (CCDC), the Shanghai Clearing House (SHCH) and the Bond Connect Company Limited (BCCL). The Service responds to PBoC guidance to meet offshore investors' needs and facilitate their activities in China's interbank bond market. Parties of the Northbound Trading of Bond Connect are no longer required to submit the settlement failure reporting forms to CFETS, CCDC or SHCH if they use the Service, which will significantly enhance the efficiency and convenience of settlement failure reporting. On the same day, CFETS, CCDC, SHCH and BCCL jointly issued the *Notice on the Joint Launch of the Online One-Stop Settlement Failure Reporting Service for the Northbound Trading of Bond Connect*, which specifies the service arrangements, requirements for onboarding the Service, reporting procedures, etc.

Q3 2023

On 4 July 2023, there were 59 dealers under the Bond Connect scheme, with the addition of SMBC China, Societe Generale China, and Fubon Bank (China). In the first half of 2023, 802 overseas institutional investors from nearly 40 countries and regions traded in China's interbank bond market through Bond Connect, contributing RMB¥4.8tn in turnover, up 26% from H1 2022.

On 12 July 2023, Crédit Agricole successfully issued its 3-year panda bond using CFETS cross-border subscription services, raising RMB¥1bn with a 2.95% interest rate. The bond was underwritten and distributed to domestic and overseas investors through the interconnected iDeal-ePrime system.

On 17 July 2023, Shanghai Rural Commercial Bank issued its 2023 Green Finance Bond (Series I) through CFETS bond issuance system. At 5.2 times oversubscribed, the bond had an issue size of RMB¥3bn, a maturity of 3 years, and a fixed coupon rate of 2.67%. The proceeds will be directed toward the green projects listed in the *Green Bond Endorsed Projects Catalogue (2021 Edition)* in accordance with applicable laws and regulatory approvals. This green



Hong Kong skyline

bond, issued through online bookkeeping, received an enthusiastic response from all types of investors, with non-bank institutions accounting for more than 30% of subscribers.

On 17 July 2023, CFETS launched negotiation trading for spot bilateral transactions in the interbank FX market. Within it, a transaction is concluded as soon as the counterparty confirms the terms and conditions proposed by the initiating party. This trading mode, available to all spot members, supports spot RMB/FX and G10 currency pair transactions; emergency confirmation service is also expanded to cover spot products accordingly. Parties may use CFETS FX2017 to directly conclude a transaction through negotiation trading, or first agree on the terms of the spot transaction within iDeal FX and then confirm them within FX2017. Current arrangements for spot bilateral transactions regarding trading hours, trade confirmation, clearing method, and fees still apply.

From 1 August 2023, to support the high-quality development of the Belt and Road Initiative and to align the financial sector with the real economy, CFETS will exempt the transaction fees for anonymous and bilateral trading in the following currency pairs for three years: SGD/CNY, CNY/RUB, CNY/MYR, NZD/CNY,

CNY/ZAR, CNY/SAR, CNY/AED, CNY/PLN, CNY/HUF, CNY/TRY, CNY/KRW, and CNY/THB.

On 1 August 2023, CFETS established a direct link to the China Foreign Exchange Payment System (CFXPS). This link enables straight-through processing of FX trades and settlement, ensuring that an FX trade from execution through post-trade processing to foreign-currency settlement can be completed in just a few minutes. This arrangement has greatly improved the interconnectivity of China's FX market infrastructures. It also helps promote a safer and more efficient market and mitigate the risks associated with FX trading and settlement. Thirteen members were the first to use the direct link, concluding 36 foreign currency lending and RMB/FX spot and swap deals for a total of US\$1.03bn, with CFXPS successfully processing 63 transaction-related settlement instructions.

On 11 August 2023, the China Securities Regulatory Commission (CSRC) and the Hong Kong Securities and Futures Commission (SFC) issued a joint announcement promoting the inclusion of block trading (manual trades) in the Stock Connect program. The intention is to further improve the Mainland-Hong Kong Stock Connect program, and promote the joint development of capital markets in both regions.

On 28 August 2023, to better reflect the conditions of the interbank bond market and address the needs for more bond curves and valuations, CFETS introduced three major changes to bond yield curves:

- **Consolidation of short- and medium-term note curves.** The original yield curves for medium term notes, commercial papers, and short-term commercial papers are combined into “CP and MTN” curves for the AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, and A- rating grades. Three standard maturities—0.019Y (7D), 0.038Y (14D), and 0.167Y (2M)—were also added.
- **Release of “private placement note (PPN)” curves.** The newly added curves encompass bonds such as private placement notes and private project revenue notes for the AAA, AAA-, AA+, AA, and AA- rating grades, with standard maturities of 0.083Y (1M), 0.25Y (3M), 0.5Y (6M), 0.75Y (9M), 1Y, 3Y, 5Y, 7Y, and 10Y.
- **Retirement of the international development organizations SDR bond curves.** After a prudent evaluation of the components, these curves were discontinued to better reflect market conditions.

Q4 2023

On 10 October 2023, CFETS released the *Supplementary Notes on Guidelines for Trial Market Makers in the Interbank FX Market*. Article 9 states that “any market member demonstrating outstanding performance in a product, as per the Performance Evaluation Method for RMB/FX Markets, during a single selection cycle, may qualify as a trial market maker for that product.” The Supplementary Notes have outlined the specific

criteria for “outstanding performance” and clarified the evaluation indicators for the trial market makers for spots, forwards, swaps, and options, as well as the respective meaning and score of those indicators.

In October 2023, two asset management products of Dymon Asia Capital (Singapore) Pte. Ltd. became the first overseas investors to trade standard bond forwards in China’s interbank market under China Interbank Bond Market (CIBM) Direct. Their settlement agent was HSBC Bank (China) and the general clearing member in the central clearing of the standard bond forwards was Bank of Communications (Hong Kong). CFETS and SCH facilitated the execution of the first trades. As a result, overseas investors now have access to additional tools for risk management.

On 16 October 2023, *China OTC Financial Derivatives Market Development Report (2022)* was published by the National Association of Financial Market Institutional Investors (NAFMII), CFETS and SCH, along with market experts from the Financial Derivatives Professional Committee.

On 24 October 2023, to promote the high-quality development of the panda bond market and promote the high-level opening of the bond market, NAFMII revised certain statements in the *Guidelines on Debt Financing Instruments of Overseas Non-Financial Enterprises (2020)*, which have now been implemented.

On 27 October 2023, the PBoC released the *RMB Internationalization Report 2023*. The report reviews



Beijing buildings

the international use of RMB in 2022, including cross-border use and updates on onshore RMB/FX trading. It also summarizes the latest policies on streamlining cross-border RMB transactions and promoting the two-way opening-up of China’s financial market, and analyzes the development of the offshore RMB market. The report’s special columns cover topics including Swap Connect and the opening-up of the interbank FX market.

On 10 November 2023, CFETS offered optimized trading services for overseas institutional investors in CIBM Direct. Direct trading services (hereinafter “CIBM Direct RFQ”) for overseas institutional investors under CIBM Direct mode are available to all overseas institutional investors who have bond accounts in the interbank market according to Yinfa No.220 [2015], PBoC Announcement No.3 [2016] and other provisions, Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII). When requesting quotations under the CIBM Direct RFQ, overseas institutional investors can trade in protocols of pre/post-allocation, list trading, closing order trading, and bond-basket trading as needed. They can also participate in the subscriptions of interbank bonds’ new issuance online with onshore underwriters.

On 24 November 2023, CFETS released the *Rules on Trading for Standard Interest Rate Swap in the National Interbank Funding Center*, which is designed to help market participants manage their interest rate risk, empower the interbank interest rate swap (IRS) market, and promote the high-quality development of the interbank interest rate derivatives market. Optimized services for standard IRS transactions were officially launched on 28 November.

On 18 December 2023, trading hours for the interbank G10 currency pairs market and FX money market were extended until 3:00 a.m. the next day (Beijing time).

Q1 2024

On 1 January 2024, CFETS adjusted the weights in the currency basket of the CFETS RMB Index as well as the composition and weights in the BIS Currency Basket RMB Index, pursuant to the adjusting rule for the CFETS RMB Index currency basket.

On 1 January 2024, CFETS continued to exempt transaction fees related to FX derivative trades for micro-, small-, and medium-sized enterprises (MSMEs) in the interbank FX market. The provisional fee exemption extends for two years from this date.

On 2 January 2024, with the approval of the SAFE, CNY/MOP, USD/MOP, and HKD/MOP are available for trading in the interbank FX market.

On 12 January 2024, the NAFMII organized its members to revise the *Guidelines on Bond Issuance by Foreign Governmental Agency and International Development Institution Issuers (for Trial Implementation)* in accordance with the *Interim Measures for Administration of the Bond Issuance by Overseas Institutions in the*

National Inter-bank Bond Market (PBC and MOF Notice [2018] No.16) and NAFMII’s related self-regulatory rules. The revised version has been adopted by the Eleventh Conference of the Fourth Council of NAFMII and approved by the PBoC.

London offshore RMB market events

On 26 May 2023, the London RMB Business Monitoring Working Group conducted the first bi-annual meeting for the year. The meeting focused on policy updates, market developments and policy recommendations regarding RMB-denominated products, sustainable RMB market and RMB infrastructures.

On 31 May 2023, the *London RMB Business Bi-annual Report Iss.1/Vol.15* was released. This report, jointly produced by the PBoC Representative Office for Europe and the City of London Corporation, revealed that London’s offshore RMB market remained attractive in 2022.

On 12 December 2023, the London RMB Business Monitoring Working Group held its second meeting. The meeting focused on policy updates, market developments and policy recommendations regarding RMB-denominated products, sustainable RMB market and RMB infrastructures.

On 20 December 2023, the *London RMB Business Bi-annual Report Iss.2/Vol.16* was released. This report, jointly produced by the PBoC Representative Office for Europe and the City of London Corporation, revealed that London’s offshore RMB market remained resilient in H1 2023.

RMB-Dominated Products Subgroup

On 29 March 2023, China Construction Bank (CCB) London branch and Standard Chartered Bank held the first quarterly meeting of the RMB-Dominated Products Subgroup. Attending Group Members included CICC UK, CLSA and HSBC Bank. Other Guests were BoC London, ICBC London. Observers included the PBoC Representative Office for Europe, HM Treasury, and the City of London.

On 20 June 2023, CCB London branch and Standard Chartered Bank held the second quarterly meeting of the RMB-Dominated Products Subgroup. In the meeting, participants shared key offshore market development and updates, cross-border repo using Chinese Government Bonds (CGB) as collateral, China Free Trade Zone Bonds, and other items.

On 10 October 2023, CCB London branch and Standard Chartered Bank held the third quarterly meeting of the RMB-Dominated Products Subgroup, attended by 22 guests from 10 major financial institutions. Discussions were held on RMB money market, FX trading, debt instruments and derivatives according to the market view. The main theme of the meeting is to promote trading activity with RMB-denominated financial instruments, thereby promoting London’s position as an offshore RMB centre.

Sustainable RMB Market Subgroup

On 30 March 2023, China International Capital Corporation (CICC) UK and HSBC held the first quarterly meeting of the Sustainable RMB Subgroup. Attending Group Members included ICBC Standard, CITIC CLSA and S&P Global Sustainable. Observers included the PBoC Representative Office for Europe and the City of London. All meeting attendees confirmed on the terms of reference and the progress paper. They also discussed and exchanged views on Sustainable RMB product development, CNY green bond standards and disclosure, China GDR, etc.

On 26 July 2023, CICC UK and HSBC held the second quarterly meeting of the Sustainable RMB Subgroup. In the meeting, participants shared updates on China-EU collaboration on carbon and ESG policies, sustainable RMB product development and new GDR Regulation for SSE issuers.

On 1 November 2023, CICC UK and HSBC held the third quarterly meeting of the Sustainable RMB Subgroup. In the meeting, participants shared updates on a sustainable RMB bond, emerging market and commodities, voluntary carbon market, company assessment tool for greenness of corporate activities, etc.

On 21 February 2024, CICC UK and HSBC held the first quarterly meeting of the Sustainable RMB Subgroup in 2024. Participants shared updates on green bond markets and relevant domestic and foreign initiatives, discussed investor appetite and the liquidity pool in London, the development of offshore RMB debt capital markets, and ESG disclosure standard convergence on policy and market practice, etc.

RMB Market Infrastructures Subgroup

On 17 April 2023, China Central Depository & Clearing Co. Ltd. (CCDC) Beijing office held the kick-off meeting of the RMB Infrastructure Subgroup online. Participants from financial institutions, market associations and market infrastructures discussed the potential focus point and outcome of the Subgroup. The group has come to agreement that market infrastructures are crucial for enhancing the liquidity of RMB-denominated assets in London, as Chinese banks are interested in using Chinese government bonds as initial margin in OTC derivative transactions. Cooperation and information exchange between Chinese and UK financial market regulators are an important component of developing better RMB-denominated assets. Moreover, financial innovation, collaboration on cross-border clearing services, and qualification of Chinese financial market infrastructure by the Bank of England also play an important role.

Hong Kong offshore RMB market update

Hong Kong Monetary Authority (HKMA) statistics show that RMB deposits in Hong Kong decreased by 4.1% in December to RMB¥939.2bn at the end of December 2023, mainly reflecting fund flows of corporates. The total remittance of RMB for cross-border trade settlement amounted to RMB¥1,270.2bn in December, compared with RMB¥1,169.7bn in November. According to SWIFT, RMB climbed one place in December 2023 to the fourth most active currency for global payments by value, accounting for 4.14%, up from 3.71% in September 2023. Overall, RMB payments value decreased by 11.94% compared to November 2023, whilst in general all payments currencies decreased by 1.94%. Hong Kong remained the dominant offshore RMB market, with a share of 79.61%, up from 75.26% in September.



Hong Kong waterfront

As noted in the fourth quarter monetary implementation report by PBoC, the position for Hong Kong offshore RMB business hub is further reinforced. PBoC has started to issue RMB bills in Hong Kong on a regular basis, providing high credit-rated assets for global investors. Financial institutions and non-financial enterprises issued bonds in the Hong Kong market, improving RMB yield curve. In addition, the RMB cross-border settlement in Hong Kong ranked first in the world, with around 75% of offshore RMB payment. It's also the top market by size of RMB deposits, RMB bond issuance and RMB foreign exchange.

Hong Kong improved collaboration with central government in promoting the use of RMB. In September 2020, the Greater Bay Area Green Finance Alliance was established, providing a platform for deepening green finance cooperation

between the two markets. In July 2022, the PBoC promoted the release of the mainland's first process reference for enterprises issuing green bonds in Hong Kong, supporting local governments and corporate entities. Shenzhen has issued green and sustainable development bonds in Hong Kong for three consecutive years. Hong Kong has become an important market for green investment and financing in Asia.

In addition, both regions are cooperating in areas such as central bank digital currencies and financial technology regulation. Since 2020, the PBoC and the HKMA have had a pilot project for cross-border payments using digital RMB, and in early 2024, this was extended, bringing more convenience to residents and enterprises in Hong Kong and mainland China. In November 2023, PBoC signed a memorandum of cooperation with the HKMA and the Monetary Authority of Macau. The memorandum facilitates the interconnection of regulatory tools for fintech innovation by the PBoC, the HKMA's fintech regulatory sandbox of HKMA, and the innovative fintech trial projects of the Monetary Authority of Macau.

Hong Kong Offshore RMB Events

On 26 July 2023, The Saudi Central Bank (SAMA) and the Hong Kong Monetary Authority (HKMA) held a bilateral meeting in Riyadh and signed an MOU to promote joint deliberations in financial innovation.

On 19 September 2023, PBoC announced that a tender worth RMB¥15bn in six-month Bills, appointed Bank of China (Hong Kong) Limited as the Issuing and Lodging Agent to administer the tender on its behalf.

On 25 October 2023, China's finance ministry issued RMB¥16bn of treasury bonds in Hong Kong.

On 22 November 2023, fintech co-operation between the HKMA and the Financial Services Regulatory Authority of Abu Dhabi Global Market was strengthened to facilitate cross-border trading and enhance financing opportunities.

On 7 February 2024, the Government of the Hong Kong Special Administrative Region of the People's Republic of China announced the successful offering of around HK\$6bn worth of digital green bonds (Digital Green Bonds) denominated in HK dollars (HKD), Renminbi (RMB), US dollars (USD) and euro (EUR) under the Government Green Bond Programme. The RMB share came to RMB¥1.5bn and 2.90%.

On 7 March 2024, China's Ministry of Finance issues RMB Sovereign Bonds through the Central Moneymarkets Unit of HKMA.

Appendix I

List of dim sum bond (RMB¥ bond) issuance in London (December 2023)

Issuer	Amount issued (RMB¥ million)	Coupon (%)	Issue date	Maturity
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	660	2.50	29/12/2023	03/01/2025
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	2	0.00	11/12/2023	13/12/2024
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	2	0.00	24/11/2023	27/11/2024
INTERNATIONAL FINANCE CORPORATION	537	2.45	14/11/2023	12/11/2024
BANK OF NOVA SCOTIA	300	3.75	3/11/2023	03/11/2025
SNB FUNDING LIMITED	150	3.66	24/10/2023	24/10/2028
INTERNATIONAL FINANCE CORPORATION	652	3.00	22/9/2023	15/10/2024
BANK OF MONTREAL	650	3.30	21/9/2023	20/09/2024
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	2	0.00	14/9/2023	17/09/2025
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	2	0.00	14/9/2023	17/09/2025
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	5	0.00	21/8/2023	23/08/2024
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	5	0.00	21/8/2023	23/08/2024
WESTPAC BANKING CORPORATION	105	3.00	18/8/2023	18/08/2026
ROYAL BANK OF CANADA	425	3.40	7/7/2023	07/07/2026
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	5	0.00	3/7/2023	03/07/2025
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	6,000	2.95	8/6/2023	07/06/2028
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	6,000	2.70	8/6/2023	07/06/2025
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	3,000	3.30	8/6/2023	07/06/2033
CHINA CONSTRUCTION BANK CORPORATION, LONDON BRANCH	2,000	2.80	1/6/2023	31/05/2025
CITIGROUP GLOBAL MARKETS FUNDING LUXEMBOURG S.C.A.	3	0.00	31/5/2023	05/06/2025
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	100	2.45	13/4/2023	13/04/2025
WESTPAC BANKING CORPORATION	110	3.50	10/3/2023	10/03/2026
WESTPAC BANKING CORPORATION	300	3.53	9/2/2023	09/02/2026
QNB FINANCE LIMITED	190	3.97	18/1/2023	18/01/2026
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	5,000	3.30	12/1/2023	11/01/2028

Issuer	Amount issued (RMB¥ million)	Coupon (%)	Issue date	Maturity
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	5,000	3.00	12/1/2023	11/01/2025
WESTPAC BANKING CORPORATION	200	3.40	29/12/2022	29/12/2025
COMMONWEALTH BANK OF AUSTRALIA	100	3.30	30/9/2022	30/09/2025
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	500	2.65	23/9/2022	23/09/2025
COMMONWEALTH BANK OF AUSTRALIA	130	3.46	23/9/2022	23/09/2025
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	490	2.72	20/9/2022	19/09/2025
WESTPAC BANKING CORPORATION	159	3.57	25/7/2022	25/07/2025
SNB FUNDING LIMITED	200	4.07	21/7/2022	21/07/2025
QNB FINANCE LIMITED	132	4.30	20/7/2022	20/07/2027
COMMONWEALTH BANK OF AUSTRALIA	630	3.78	14/7/2022	14/07/2025
FIRST ABU DHABI BANK P.J.S.C.	600	4.05	28/6/2022	28/06/2025
BANK OF MONTREAL	512	3.85	17/6/2022	17/06/2025
STANDARD CHARTERED BANK	350	3.40	9/6/2022	09/06/2024
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED	2,000	3.20	6/6/2022	01/06/2024
COMMONWEALTH BANK OF AUSTRALIA	400	3.71	31/5/2022	02/06/2025
QNB FINANCE LIMITED	150	4.25	27/5/2022	27/05/2025
QNB FINANCE LIMITED	250	4.35	27/5/2022	27/05/2025
COMMONWEALTH BANK OF AUSTRALIA	70	3.72	26/5/2022	26/05/2025
STANDARD CHARTERED BANK	300	3.65	25/5/2022	25/05/2024
QNB FINANCE LIMITED	300	4.30	25/5/2022	25/05/2025
QNB FINANCE LIMITED	500	4.00	24/5/2022	23/05/2024
QNB FINANCE LIMITED	300	4.30	20/5/2022	20/05/2025
QNB FINANCE LIMITED	220	4.25	20/5/2022	20/05/2025
CHINA CONSTRUCTION BANK CORPORATION, LONDON BRANCH	1,000	3.40	18/5/2022	17/05/2024
QNB FINANCE LIMITED	150	4.35	11/5/2022	10/05/2025
FIRST ABU DHABI BANK P.J.S.C.	133	4.00	27/4/2022	27/04/2025
COMMONWEALTH BANK OF AUSTRALIA	202	3.92	21/4/2022	21/04/2025
STANDARD CHARTERED BANK	600	4.15	19/4/2022	19/04/2025
COMMONWEALTH BANK OF AUSTRALIA	156	3.68	1/4/2022	01/04/2025
STANDARD CHARTERED BANK	1,000	4.18	1/4/2022	01/04/2025
STANDARD CHARTERED BANK	500	4.00	31/3/2022	31/03/2024
QNB FINANCE LIMITED	600	4.10	31/3/2022	31/03/2025
FIRST ABU DHABI BANK P.J.S.C.	150	3.80	22/3/2022	21/03/2027
STANDARD CHARTERED PLC	1,100	4.35	18/3/2022	18/03/2026
NORDIC INVESTMENT BANK	300	3.15	18/3/2022	18/03/2024
QNB FINANCE LIMITED	1,250	4.00	17/3/2022	14/03/2027
QNB FINANCE LIMITED	141	3.91	11/3/2022	09/03/2025
WESTPAC BANKING CORPORATION	250	3.07	25/2/2022	23/02/2029

Issuer	Amount issued (RMB¥ million)	Coupon (%)	Issue date	Maturity
QNB FINANCE LIMITED	125	3.64	24/2/2022	23/02/2027
QNB FINANCE LIMITED	147	3.40	22/2/2022	22/02/2025
NORDIC INVESTMENT BANK	350	2.72	21/2/2022	21/02/2024
QNB FINANCE LIMITED	380	3.53	30/12/2021	30/12/2024
QNB FINANCE LIMITED	300	3.60	23/12/2021	23/12/2026
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	2,500	3.00	1/12/2021	30/11/2026
THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA	2,500	2.80	1/12/2021	30/11/2024
BANK OF CHINA LIMITED, MACAU BRANCH	1,000	2.75	11/11/2021	29/09/2023
FIRST ABU DHABI BANK P.J.S.C.	150	3.40	10/11/2021	10/11/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1,700	3.05	3/11/2021	02/11/2026
AGRICULTURAL DEVELOPMENT BANK OF CHINA	550	3.35	3/11/2021	02/11/2031
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1,750	2.90	3/11/2021	02/11/2024
QNB FINANCE LIMITED	312	3.62	29/10/2021	30/10/2025
QNB FINANCE LIMITED	130	3.58	13/10/2021	13/10/2026
QNB FINANCE LIMITED	130	3.42	30/9/2021	30/09/2024
FIRST ABU DHABI BANK P.J.S.C.	128	3.10	14/9/2021	14/09/2026
FIRST ABU DHABI BANK P.J.S.C.	128	3.10	10/9/2021	10/09/2026
QNB FINANCE LIMITED	500	3.30	12/8/2021	12/08/2026
QNB FINANCE LIMITED	170	3.30	14/7/2021	14/07/2024
QNB FINANCE LIMITED	130	3.35	14/7/2021	14/07/2026
HSBC HOLDINGS PLC	2,750	3.40	29/6/2021	29/06/2027
NORDIC INVESTMENT BANK	500	2.30	18/6/2021	18/06/2024
STANDARD CHARTERED BANK	750	2.80	11/6/2021	11/06/2024
QNB FINANCE LIMITED	150	3.41	2/6/2021	01/06/2026
QNB FINANCE LIMITED	130	3.42	28/4/2021	27/04/2024
QNB FINANCE LIMITED	1,100	3.50	22/4/2021	22/04/2024
QNB FINANCE LIMITED	140	3.18	9/4/2021	09/04/2026
QNB FINANCE LIMITED	220	3.50	31/3/2021	31/03/2026
QNB FINANCE LIMITED	150	3.30	26/2/2021	25/02/2026
QNB FINANCE LIMITED	260	2.80	24/2/2021	24/02/2028
QNB FINANCE LIMITED	150	3.28	23/2/2021	23/02/2024
QNB FINANCE LIMITED	500	3.28	18/2/2021	18/02/2024
QNB FINANCE LIMITED	405	3.30	5/2/2021	05/02/2026
QNB FINANCE LIMITED	1,500	3.15	4/2/2021	04/02/2026
FIRST ABU DHABI BANK P.J.S.C.	1,500	3.15	29/1/2021	29/01/2026
EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT	740	2.00	21/1/2021	21/01/2025
QNB FINANCE LIMITED	176	3.30	13/1/2021	13/01/2026
QNB FINANCE LIMITED	240	3.73	23/12/2020	23/12/2025

Issuer	Amount issued (RMB¥ million)	Coupon (%)	Issue date	Maturity
QNB FINANCE LIMITED	200	3.97	11/12/2020	11/12/2030
QNB FINANCE LIMITED	150	4.00	2/12/2020	02/12/2030
INTERNATIONAL FINANCE CORPORATION	20	2.35	27/11/2020	27/11/2027
QNB FINANCE LIMITED	500	3.95	17/11/2020	17/11/2027
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1,500	3.25	28/10/2020	27/10/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	2,000	3.80	28/10/2020	27/10/2030
QNB FINANCE LIMITED	140	3.00	16/10/2020	16/10/2025
QNB FINANCE LIMITED	750	3.80	15/9/2020	15/09/2025
QNB FINANCE LIMITED	750	3.50	9/9/2020	09/03/2026
QNB FINANCE LIMITED	140	3.40	18/8/2020	18/08/2025
FIRST ABU DHABI BANK P.J.S.C.	3,600	3.40	18/8/2020	18/08/2025
AGRICULTURAL DEVELOPMENT BANK OF CHINA	1,800	2.85	12/8/2020	11/08/2025
FIRST ABU DHABI BANK P.J.S.C.	189	3.50	15/7/2020	15/07/2025
QNB FINANCE LIMITED	1,200	3.85	10/7/2020	10/07/2025
FIRST ABU DHABI BANK P.J.S.C.	200	3.30	2/7/2020	02/07/2025
FIRST ABU DHABI BANK P.J.S.C.	1,400	3.50	2/7/2020	02/07/2025
QNB FINANCE LIMITED	1,200	3.80	17/6/2020	17/06/2025
QNB FINANCE LIMITED	235	3.90	17/6/2020	17/06/2025
QNB FINANCE LIMITED	445	3.60	5/6/2020	05/06/2025
QNB FINANCE LIMITED	130	4.00	6/5/2020	05/05/2025
QNB FINANCE LIMITED	250	4.08	24/4/2020	24/04/2025
WELLS FARGO FINANCE LLC	100	4.05	7/4/2020	07/04/2025
WELLS FARGO FINANCE LLC	70	4.00	7/4/2020	06/04/2025
WELLS FARGO BANK N.A.	100	3.95	7/4/2020	06/04/2025
WELLS FARGO FINANCE LLC	70	4.35	2/4/2020	01/04/2025
WELLS FARGO BANK N.A.	260	4.22	2/4/2020	01/04/2025
WELLS FARGO BANK N.A.	200	4.30	2/4/2020	01/04/2025
WELLS FARGO & COMPANY	145	2.72	13/3/2020	12/03/2027
QNB FINANCE LIMITED	200	3.32	11/3/2020	11/03/2025
QNB FINANCE LIMITED	200	3.35	11/3/2020	11/03/2027
FIRST ABU DHABI BANK P.J.S.C.	139	3.35	13/2/2020	13/02/2025
COMMONWEALTH BANK OF AUSTRALIA	200	3.26	22/1/2020	22/01/2025
QNB FINANCE LIMITED	500	4.00	21/1/2020	21/01/2030
QNB FINANCE LIMITED	135	3.91	14/1/2020	14/01/2025
QNB FINANCE LIMITED	219	3.89	10/1/2020	10/01/2025
NATWEST MARKETS PLC	35	3.48	31/12/2019	31/12/2024
FIRST ABU DHABI BANK P.J.S.C.	150	3.50	12/12/2019	12/12/2024
QNB FINANCE LIMITED	350	4.05	4/12/2019	04/12/2026
FIRST ABU DHABI BANK P.J.S.C.	240	3.50	29/11/2019	29/11/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	200	3.21	21/11/2019	21/11/2024
FIRST ABU DHABI BANK P.J.S.C.	458	3.42	20/11/2019	20/11/2024

Issuer	Amount issued (RMB¥ million)	Coupon (%)	Issue date	Maturity
AGRICULTURAL DEVELOPMENT BANK OF CHINA	4,500	3.40	7/11/2019	06/11/2024
NATWEST MARKETS PLC	200	3.69	5/11/2019	05/11/2024
FIRST ABU DHABI BANK P.J.S.C.	845	3.22	23/10/2019	23/10/2024
QNB FINANCE LIMITED	165	3.60	22/10/2019	22/10/2024
FIRST ABU DHABI BANK P.J.S.C.	140	3.44	19/9/2019	19/09/2024
LLOYDS BANK PLC	200	3.31	3/9/2019	03/09/2024
QNB FINANCE LIMITED	155	3.82	3/7/2019	03/07/2024
QNB FINANCE LIMITED	140	4.30	20/6/2019	20/06/2024
WESTPAC BANKING CORPORATION	140	3.60	18/6/2019	18/06/2026
NATWEST MARKETS PLC	108	4.35	10/6/2019	10/06/2024
NATWEST MARKETS PLC	105	4.39	10/6/2019	10/06/2024
QNB FINANCE LIMITED	100	4.18	29/3/2019	28/03/2024
WESTPAC BANKING CORPORATION	150	3.68	27/3/2019	27/03/2024
FIRST ABU DHABI BANK P.J.S.C.	140	3.96	26/3/2019	26/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	135	3.68	25/3/2019	25/03/2024
WESTPAC BANKING CORPORATION	150	3.67	22/3/2019	22/03/2024
NATWEST MARKETS PLC	40	4.62	20/3/2019	20/03/2024
FIRST ABU DHABI BANK P.J.S.C.	300	4.00	19/3/2019	19/03/2024
AUSTRALIA & NEW ZEALAND BANKING GROUP LD	300	3.70	18/3/2019	18/03/2024
COMMONWEALTH BANK OF AUSTRALIA	250	3.81	11/3/2019	11/03/2024
COMMONWEALTH BANK OF AUSTRALIA	150	3.81	5/3/2019	05/03/2024
WESTPAC BANKING CORPORATION	150	3.76	4/3/2019	04/03/2024
FIRST ABU DHABI BANK P.J.S.C.	200	4.12	11/2/2019	11/02/2024
QNB FINANCE LIMITED	135	4.60	23/1/2019	23/01/2024
WESTPAC BANKING CORPORATION	140	4.51	1/8/2018	01/08/2028
LLOYDS BANK PLC	54	4.53	24/7/2015	24/07/2025
CHINA DEVELOPMENT BANK	900	4.35	10/10/2014	19/09/2024
LLOYDS BANK PLC	200	4.62	17/1/2014	17/01/2024

Source: London Stock Exchange

Appendix II

List of bond issuance by overseas issuers in China Interbank Bond Market (December 2023)

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
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
Air Liquide S.A	8	6.4	05/03/2018	07/03/2023
Huarong International	35	5.23	02/04/2018	04/04/2023
BEWG	10	5.1	23/05/2018	25/05/2023
BEWG	20	4.92	23/05/2018	25/05/2025
BEWG	20	4.72	18/07/2018	20/07/2023
BEWG	10	4.45	18/07/2018	20/07/2025
China Gas	20	4.38	22/10/2018	24/10/2023
GLP	15	4.64	09/11/2018	13/11/2021
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	4.49	09/01/2019	11/01/2026
BEWG	10	3.95	09/01/2019	11/01/2029
New Development Bank	10	3.32	22/02/2019	26/02/2022
New Development Bank	20	3	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	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	30	4.04	08/11/2019	13/11/2021
Daimler	20	3.68	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

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
Daimler International Finance	30	3.5	07/01/2020	09/01/2022
Yuexiu Transport	10	3.47	08/01/2020	10/01/2023
BMW Finance	20	3.35	02/03/2020	04/03/2021
BMW Finance	15	2.9	02/03/2020	04/03/2023
China Gas	10	3.38	06/03/2020	10/03/2025
New Development Bank	50	2.43	01/04/2020	03/04/2023
BOCGI	15	2.7	06/05/2020	08/05/2023
BEWG	10	4	11/05/2020	13/05/2025
Daimler International Finance	22	3.28	03/06/2020	05/06/2023
China TCM	30	3.25	03/06/2020	05/06/2023
Sumitomo Mitsui Banking Corporation	10	3.2	04/06/2020	08/06/2023
CEB Greentech	10	3.68	10/06/2020	12/06/2025
AIB	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
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
ADB	20	3.8	09/03/2021	11/03/2026
Daimler	15	4.4	16/03/2021	19/03/2023
Daimler	10	3.5	16/03/2021	19/03/2024
Crédit Agricole	50	3.22	17/03/2021	18/03/2024
GLP	15	3.98	18/03/2021	18/03/2024
NDB	20	3.54	23/03/2021	25/03/2024
BEWG	20	3.77	21/04/2021	23/04/2026
China Power	20	3.6	21/04/2021	23/04/2023
Daimler	20	3.6	18/05/2021	21/05/2023
Daimler	10	2.65	18/05/2021	21/05/2024
Hengan International	10	2.9	21/05/2021	23/11/2021
China TCM	15	3.03	28/05/2021	25/02/2022
Everbright Environment	8	2.65	10/06/2021	15/06/2024
BMW Finance	40	3.7	10/06/2021	15/06/2022

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
BMW Finance	20	3.44	10/06/2021	15/06/2024
China Everbright	25	3.64	16/06/2021	18/06/2024
China Mengniu	5	3.98	21/06/2021	16/12/2021
BOCGI	15	3.28	22/06/2021	24/06/2024
Far East Horizon	20	2.6	08/07/2021	12/07/2023
Luso Bank	10	3.5	22/07/2021	27/07/2024
China Mengniu	5	2.5	26/07/2021	09/12/2021
CEB Greentech	5	2.63	26/07/2021	28/07/2026
SPIC	5	2.63	02/08/2021	01/03/2022
China Mengniu	5	2.5	03/08/2021	29/10/2021
Everbright Water	25	2.55	09/08/2021	12/08/2021
Far East Horizon	8	2.4	26/08/2021	30/08/2023
China Mengniu	25	2.55	27/08/2021	19/11/2021
China Mengniu	7	3.78	27/08/2021	26/11/2021
BMW Finance	20	3.15	14/09/2021	16/09/2023
BMW Finance	15	3.1	14/09/2021	16/09/2024
Crédit Agricole	10	3.14	15/09/2021	17/09/2024
NDB	20	3.02	16/09/2021	17/09/2026
Daimler	20	3.3	23/09/2021	27/09/2023
Daimler	20	3.1	23/09/2021	27/09/2023
China Mengniu	15	2.55	27/09/2021	22/12/2021
SPIC	20	3.47	11/10/2021	13/10/2024
Republic of Poland	30	3.2	13/10/2021	15/10/2024
SPIC	10	3.39	20/10/2021	22/10/2024
Far East Horizon	3	4.06	25/10/2021	27/10/2023
SPIC	10	2.88	01/11/2021	29/07/2022
Far East Horizon	1.5	4.04	16/11/2021	18/11/2023
BMW Finance	10	2.78	23/11/2021	25/11/2024
BMW Finance	10	2.9	23/11/2021	25/11/2022
ADB	15	3.28	23/11/2021	25/11/2026
BOCGI	20	3.19	06/12/2021	08/12/2024
Trafigura Group	7	5	08/12/2021	13/12/2024
Hungary	10	3.28	14/12/2021	16/12/2024
Everbright Water	10	2.5	12/01/2022	12/06/2022
BEWG	10	3.38	20/01/2022	21/01/2025
BEWG	10	2.97	20/01/2022	21/01/2027
China Mengniu	25	2.35	21/01/2022	22/04/2022
NDB	30	2.45	26/01/2022	27/01/2025
China TCM	10	2.4	16/02/2022	22/04/2022
BMW Finance	25	3.1	17/02/2022	21/01/2025
BMW Finance	15	2.89	17/02/2022	21/01/2027
China Mengniu	25	2.33	23/02/2022	12/06/2022

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
Hengan International	10	2.5	01/03/2022	30/08/2022
Hengan International	10	2.5	01/03/2022	30/08/2022
Hengan International	10	3.29	16/03/2022	14/09/2022
Yuexiu Transport	15	2.4	16/03/2022	18/03/2027
China TCM	10	2.32	18/03/2022	17/10/2022
China Mengniu	25	2.2	21/03/2022	10/06/2022
CEB Greentech	12	3.27	06/04/2022	08/04/2027
Everbright Water	10	3.1	14/04/2022	18/04/2025
Everbright Environment	15	3.47	18/04/2022	20/04/2025
NDB	70	2.7	18/05/2022	20/05/2025
Yuexiu Transport	5	2.1	19/05/2022	17/02/2023
AIIB	15	2.4	24/05/2022	26/05/2025
CEB Greentech	7	3.35	25/05/2022	27/05/2025
Hengan International	10	2.1	08/06/2022	07/12/2022
Everbright Water	7	3.3	09/06/2022	13/06/2025
SPIC	20	3	10/06/2022	14/06/2025
SPIC	10	2.1	14/06/2022	12/03/2023
China Everbright	30	3.25	15/06/2022	17/06/2025
Daimler	10	2.98	15/06/2022	20/06/2024
Daimler	30	3.09	15/06/2022	20/06/2025
SPIC	20	2.99	16/06/2022	20/06/2025
Anta Sports	5	2.8	11/07/2022	13/07/2025
China Power	20	2.87	18/07/2022	20/07/2025
China Power	10	1.75	25/07/2022	22/01/2023
China Mengniu	25	1.75	03/08/2022	02/11/2022
China Mengniu	25	1.75	04/08/2022	07/12/2022
Yuexiu Transport	5	1.77	05/08/2022	28/04/2023
China Mengniu	29	1.6	16/08/2022	09/12/2022
Daimler	20	2.55	23/08/2022	26/08/2024
ICBC (Macau)	20	2.58	25/08/2022	29/08/2024
China Power	20	2.71	30/08/2022	01/09/2025
Everbright Water	10	1.72	22/09/2022	18/03/2023
China Mengniu	25	1.56	28/09/2022	22/12/2022
China Mengniu	29	1.6	28/09/2022	08/12/2022
NDB	30	2.53	25/10/2022	26/10/2025
China TCM	10	1.88	26/10/2022	24/07/2023
Yuexiu Transport	5	1.81	28/10/2022	28/07/2023
Hungary	20	3.75	16/11/2022	17/11/2025
Daimler	5	2.9	24/11/2022	29/11/2024
China Shengmu	1	3.95	23/12/2022	27/03/2023
Deutsche Bank AG	10	3.21	17/01/2023	18/01/2026
Yuexiu Transport	5	2.3	06/02/2023	05/11/2023

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
BMW Finance	30	3.69	08/02/2023	10/02/2026
Hengan International	15	2.4	27/02/2023	27/08/2023
Everbright Environment	20	3.1	02/03/2023	03/03/2026
CSSC (Hong Kong) Shipping	10	3.3	03/03/2023	06/03/2026
Everbright Water	10	2.6	08/03/2023	05/09/2023
Conch Venture	12	2.99	16/03/2023	20/03/2026
BEWG	10	3.5	22/03/2023	23/03/2028
BEWG	5	2.98	22/03/2023	23/03/2028
Beijing Enterprises	40	2.95	23/03/2023	24/03/2026
China Mengniu	29	2.1	27/03/2023	28/06/2023
Hengan International	20	2.4	31/03/2023	28/09/2023
China Mengniu	25	2.26	04/04/2023	28/06/2023
China Mengniu	29	2.26	04/04/2023	29/06/2023
Everbright Water	10	3.2	13/04/2023	17/04/2026
Yuexiu Transport	30	3.09	19/04/2023	17/10/2023
ICBC (Macau)	8	2.36	19/04/2023	21/04/2026
China Mengniu	25	2.23	23/04/2023	29/06/2023
China Mengniu	25	2.23	23/04/2023	30/06/2023
AIIB	15	2.93	24/04/2023	26/04/2028
BOCGI	15	3.1	26/04/2023	28/04/2026
China Mengniu	25	2.14	09/05/2023	30/06/2023
China Mengniu	22	2.14	09/05/2023	27/06/2023
Hengan International	10	2.39	10/05/2023	08/11/2023
□□□□	10	3.2	12/05/2023	15/05/2026
China TCM	12	3.04	18/05/2023	22/05/2026
China TCM	10	2.3	18/05/2023	05/12/2023
Hengan International	5	2.39	19/05/2023	17/11/2023
BEWG	10	3.03	22/05/2023	24/05/2025
Everbright Environment	20	3.5	24/05/2023	26/05/2026
NWS Holdings	15	3.9	25/05/2023	29/05/2026
NDB	85	2.86	29/05/2023	30/05/2026
BEWG	10	3.06	31/05/2023	02/06/2026
Conch Venture	15	3.1	02/06/2023	06/06/2026
Daimler	10	2.78	07/06/2023	12/06/2025
Towngas China	10	3.1	08/06/2023	12/06/2024
Towngas China	5	3.6	12/06/2023	12/06/2026
AIIB	25	2.7	12/06/2023	14/06/2028
3SBio Inc.	12	4.2	20/06/2023	26/06/2025
BEWG	30	2.89	12/07/2023	12/07/2026
Crédit Agricole	10	2.95	14/07/2023	14/07/2026
BEWG	15	2.97	17/07/2023	17/07/2026

Issuer	Amount issued (RMB¥ 100M)	Coupon (%)	Issue date	Maturity
China TCM	8	2.32	19/07/2023	14/04/2024
China Mengniu	25	2.14	19/07/2023	22/09/2023
China Mengniu	25	2.13	24/07/2023	20/10/2023
China Mengniu	29	2.23	26/07/2023	23/11/2023
China Mengniu	29	2.23	26/07/2023	24/11/2023
Yuexiu Transport	5	2.87	07/08/2023	07/08/2026
China Mengniu	25	2.16	09/08/2023	28/11/2023
China Mengniu	25	2.16	09/08/2023	29/11/2023
BEWG	5	2.93	11/08/2023	11/08/2025
BEWG	5	3.25	11/08/2023	11/08/2026
China Everbright	40	2.9	16/08/2023	16/08/2026
China Mengniu	25	2.1	16/08/2023	13/12/2023
Geely Auto	15	3.25	17/08/2023	17/08/2026
Everbright Water	10	2.82	23/08/2023	23/08/2025
China Mengniu	25	2.08	23/08/2023	14/12/2023
China Gas	15	3.15	06/09/2023	06/09/2028
China Everbright	20	3.6	08/09/2023	08/09/2026
CSSC (Hong Kong) Shipping	12	3.1	15/09/2023	15/09/2026
Beijing Energy International	10	3.68	21/09/2023	21/09/2025
CEB Greentech	10	2.83	22/09/2023	22/09/2025
Volkswagen	15	3.05	25/09/2023	25/09/2025
China Mengniu	25	2.3	26/09/2023	19/12/2023
Chong Hing Bank	15	4.2	28/09/2023	28/09/2028
Yuexiu Transport	13	2.5	11/10/2023	08/07/2024
Egypt	35	3.51	17/10/2023	19/10/2026
China Gas	15	3.2	18/10/2023	19/10/2026
State Grid Overseas Investment	10	2.87	18/10/2023	19/10/2026
Yuexiu Transport	5	2.51	19/10/2023	15/07/2024
Beijing Energy International	15	3.77	23/10/2023	23/10/2025
National Bank of Canada	10	3.2	30/10/2023	30/10/2026
China Power	15	3.58	02/11/2023	02/11/2026
NWS Holdings	20	3.9	08/11/2023	08/11/2026
China Power	15	3.3	16/11/2023	16/11/2026
Beijing Energy International	10	3.65	17/11/2023	17/11/2025
CGN Energy International	20	3.11	23/11/2023	23/11/2028
Everbright Environment	20	3.21	23/11/2023	23/11/2026
Crédit Agricole	10	3.2	28/11/2023	28/11/2026
Deutsche Bank AG	10	3.3	05/12/2023	05/12/2026
Yuexiu Transport	5	2.75	15/12/2023	10/09/2024
China Power	20	2.75	18/12/2023	17/03/2024

Source: London Stock Exchange

Appendix III

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 RMB¥200bn/GBP£20bn. In October 2015, the PBoC and BoE renewed the agreement, increasing it to RMB¥350bn/GBP£35bn, effective for three years. This was renewed again in November 2018 with the same terms. In November 2021, the PBoC and BoE renewed the swap agreement at RMB¥350 billion/GBP£40bn, effective for five 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 CCB (London) to serve as the RMB

clearing bank in London. In July 2016, the PBoC approved the transfer of clearing functions from CCB (London) to CCB, London Branch. By the end of December 2023, the Cross-Border Inter-Bank Payments System (CIPS) had 1344 indirect participating banks, 61 more since the last report. Among them, UK banks accounted for 1.19% of the total (16 banks).

RQFII

In October 2013 China announced the RQFII program for the UK with a quota of RMB¥80bn.

On 10th September 2019, the PBoC and SAFE removed QFII / RQFII investment quotas to promote further opening-up of China's financial market.

Appendix IV

UK RMB business in CIPS

In 2023, CIPS cleared and settled a cumulative volume of RMB¥10.61tn in the UK, among which RMB¥6.16tn was paid and RMB¥4.45tn was received by the UK.^{1,2}

As of December 2023, CIPS had 21 participants from the UK: 5 direct participants and 16 indirect ones.

No.	Name of Institution*
Direct Participant	
1	China Construction Bank Corporation London Branch
2	Bank of China Limited London Branch
3	Bank of Communications Co., Ltd. London Branch
4	Agricultural Bank of China Limited, London Branch
5	Industrial and Commercial Bank of China, London Branch
Indirect Participant	
1	ICBC (London) PLC
2	China Construction Bank (London) Limited
3	The Bank of East Asia Limited, London Branch
4	Standard Chartered Bank London
5	China Merchants Bank Co., Ltd, London Branch
6	HSBC Bank plc, United Kingdom
7	Shanghai Pudong Development Bank Co., Ltd., London Branch
8	FBN Bank (UK) Ltd
9	The Access Bank UK Limited
10	ICBC Standard Bank PLC
11	Zenith Bank (UK) Ltd.
12	Barclays Bank PLC
13	Crown Agents Bank Limited
14	Oversea-Chinese Banking Corporation Ltd, UK Branch
15	MUFG Bank, Ltd., London Branch
16	Commonwealth Bank of Australia, London Branch

*The name of the institution is the name registered when the CIPS participant joined the system.

¹The CIPS RMB clearing volume is different from China-UK RMB cross-border settlement volume in terms of statistic scale. The calculation of CIPS RMB clearing volume encompasses all types of payments cleared through the CIPS system, including interbank position transfer, foreign exchange transactions, etc. The calculation of China-UK RMB cross-border settlement volume encompasses payments under current and capital account while excluding interbank position transfer, foreign exchange transactions etc. The China-UK RMB cross-border settlement data comes from RMB CrossBorder Payment&Receipt Management Information System (RCPMIS).

²The CIPS RMB clearing volume is different from CCB London clearing volume in terms of statistic scale. The calculation of CIPS RMB clearing volume encompasses all types of payments cleared through the CIPS system but doesn't encompass payments cleared outside the CIPS system. The calculation of CCB London clearing volume encompasses all payments cleared by CCB London, with clearing channels including CIPS, CCB London book-transfer(for UK local business), CCB head office book-transfer, etc.

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 consist of the leading financial institutions, with HM Treasury, UK Department for Business and Trade and Bank of England joining as observer:

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



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