London RMB Business Quarterly

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CITY OF LONDON

THE PEOPLE'S BANK OF CHINA
REPRESENTATIVE OFFICE FOR EUROPE

With thanks to

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Foreword

Catherine McGuinness
Chairman of Policy and Resources
City of London Corporation

China is a market of immense value to the UK and there exists a deep and meaningful relationship between the two countries across many sectors, in particular foreign exchange. Back in 2012 the City of London Corporation was at the forefront of helping make London the number one offshore renminbi clearing centre outside of Asia, and through these new quarterly reports I hope we can further increase awareness of the currency and its role in London's financial ecosystem.

This year the City Corporation is celebrating the 10th anniversary of our representative offices in Shanghai and Beijing. Over the next decade I look forward to building on the already strong foundations of the relationship between London and China.

Sherry Madera

Special Adviser for Asia
City of London Corporation

At the City, our global future includes a growing link with China. The City is the home to over 30 Chinese financial services firms which have joined the London market to build their international presence.

London's position as a leading international financial centre perfectly complements the growth and opening-up of China's markets, as well as the efforts of the Chinese government to internationalise the renminbi. We are committed to maintain London as the largest renminbi offshore clearing centre outside of Greater China through working closely with our international partners.

2018 marks the 40th anniversary of China's reforms and opening-up is an important time to look ahead to the future. The usage of RMB as a trade settlement currency has risen to 5th globally and its inclusion in the IMF SDR basket recognises its current and future importance.
It is an excellent time for us to be working closely with the PBoC on this report and considering how London can expand further RMB products, volumes and innovation.

Jin Mei

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

The London RMB Business Quarterly presents a concise overview of developments in the London offshore RMB market, including the London RMB foreign-exchange market, bond market, credit market, payment and clearing market, as well as cross-border use of the RMB between China and the UK. This quarterly report serves two purposes. First, it contributes to an understanding of the London offshore RMB market by providing the most recent data, the latest policies, and related commentaries by market participants. Second, it promotes the healthy and sustainable development of the London offshore RMB market by continuously monitoring and providing feedback to regulatory bodies in both countries for the purpose of policies improvement.

In recent years, London has made great strides in becoming a leading Western hub for the RMB. By far, London ranks first for offshore RMB foreign-exchange transactions; it receives the largest share of RMB payments outside of greater China; and it maintains the biggest offshore RMB clearing center out of Asia. China's further opening-up will create more trade, investment, and finance business opportunities. In the future, London will likely play a vital role in supporting global use of the RMB and facilitating international access to China's domestic capital market.

Market Overview

In Q2 of 2018, the offshore RMB market in London remained stable and the overall trend of offshore FX and interest was moving in line with the onshore rate.

London RMB Foreign Exchange Market

About 37% of all CNH spot trading on EBS took place during EMEA trading hours in June, 2% down from March.

London RMB Bond Market

Seven Dim Sum bonds were newly listed on the London Stock Exchange, with the total size of RMB3.59 billion and the average coupon rate of 4.85%.

London RMB Credit Market

The outstanding amount of RMB deposits registered a decline of 11% QoQ, while the outstanding RMB loan increased of 10.63% from the previous quarter.

London RMB Clearing

Total cumulative clearing volume was RMB4.79 trillion in the first half year of 2018, up 34.6% YoY. The daily average volume was RMB38.8 billion.

RMB Cross-Border Settlement between China and UK

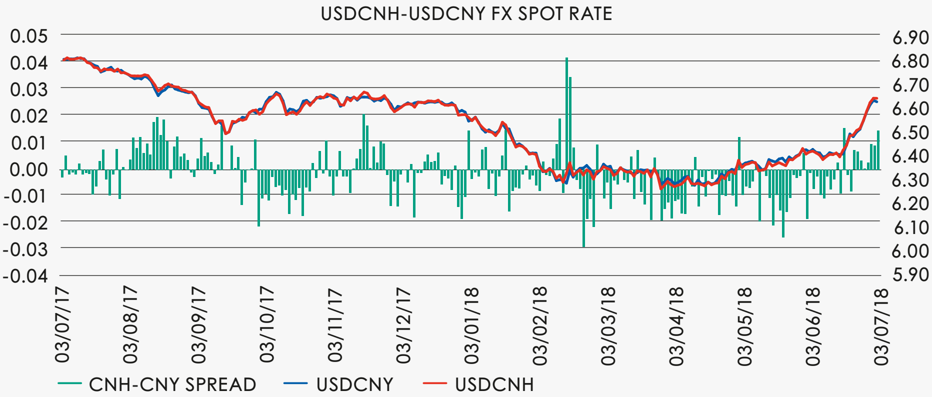
By the end of June 2018, the total actual cross-border RMB settlement between China and the UK amounted to RMB176.2 billion, an increase of 143% YoY.

UK's Rank as Offshore RMB Centre

The SWIFT report showed UK remains the country with the largest share of RMB payments outside of greater China. The London's share of total global RMB cleared volume edged up to 5.94% in Q1 2018 from 5.91% in Q1 2017.

RMB Exchange Rate

The Onshore-Offshore Exchange Rate Differential

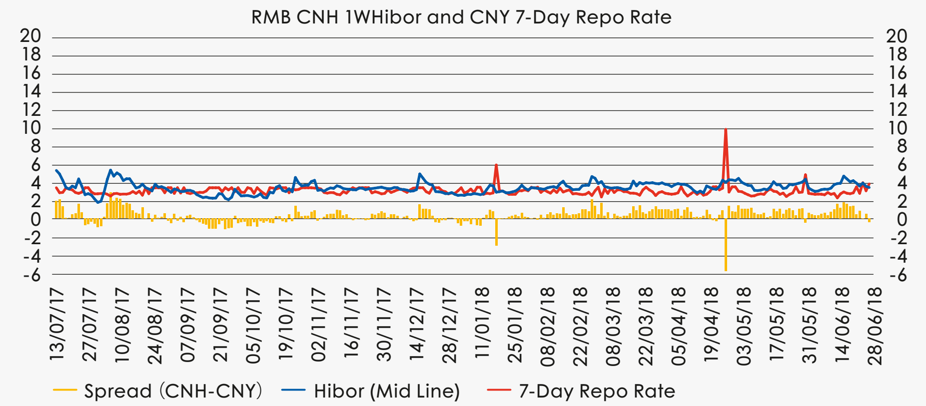


Source: Bloomberg, ABC

In Q2 2018, the average USD/RMB spot exchange rate in the offshore market was 6.3685 compared to the onshore rate of 6.3726. The spread was -41 basis points as compared to the Q1 2018 spread of -32 basis points. The offshore market has shown slightly higher volatility than the onshore market attributable to the differences in opening times between the offshore and onshore markets (offshore operates 21/24 hours per day with the 3 closed hours being between 3am and 7am Beijing time, compared to the 9.30am-11.30pm onshore market opening times). RMB in the offshore market was marginally stronger than the onshore market during this period.

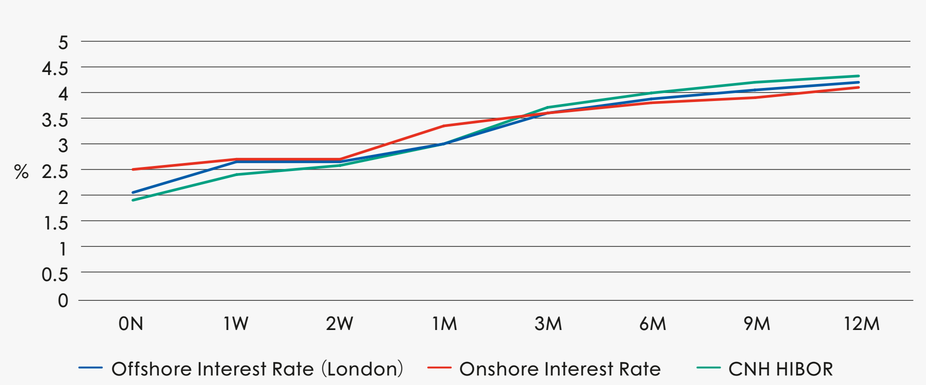
RMB Interest Rate

The Onshore-Offshore Interest Rate Spreads



Source: Bloomberg, CCB

The Term Structure of RMB Offshore and Onshore Interest Rate in June



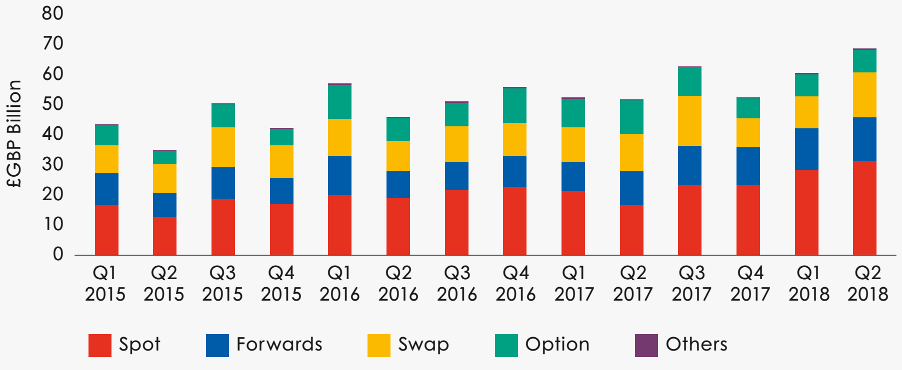
Source: CCB

In Q2 2018, **the overall trend of offshore rate was moving in line with onshore rate and quite stable in general**. The onshore market offers much better liquidity; therefore, the offshore rate is often slightly higher than the onshore rate (see graph).

At the beginning of the quarter, spreads fell. This coincides with PBoC raising the 7-day repo rate by a further 5 basis points at the end of March following on from the latest FOMC 25 basis point hike.

London RMB Foreign Exchange Market

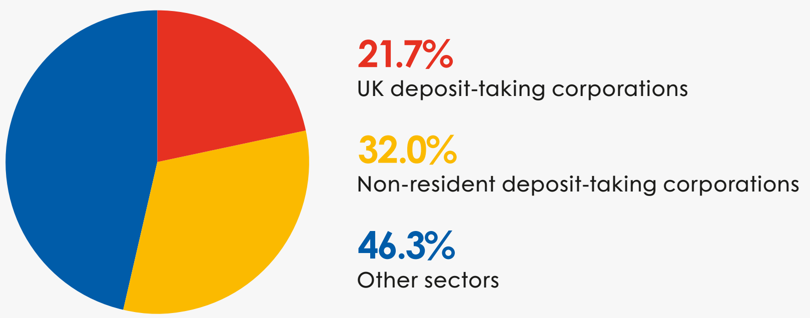
Average Daily Turnover of RMB FX in London



Source: Bank of England (BoE)

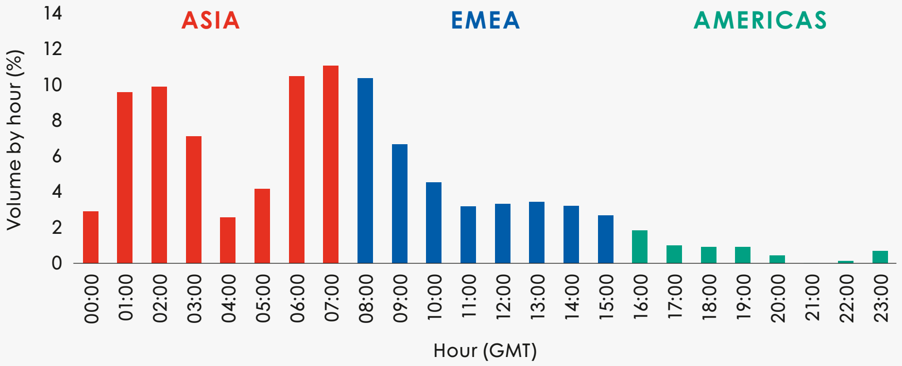
In Q2 2018, the RMB foreign exchange market transactions increased significantly. The daily CNH trading volume in London averaged GBP69 billion, up 13.54% QoQ and 32.85% YoY respectively, of which: British banks 21.7%, non-British banks 32.0%, other financial institutions 46.3%.

RMB FX Turnover by Counterpart Sector



Source: BoE

Spot CNH Volume Distributions by Hour on EBS

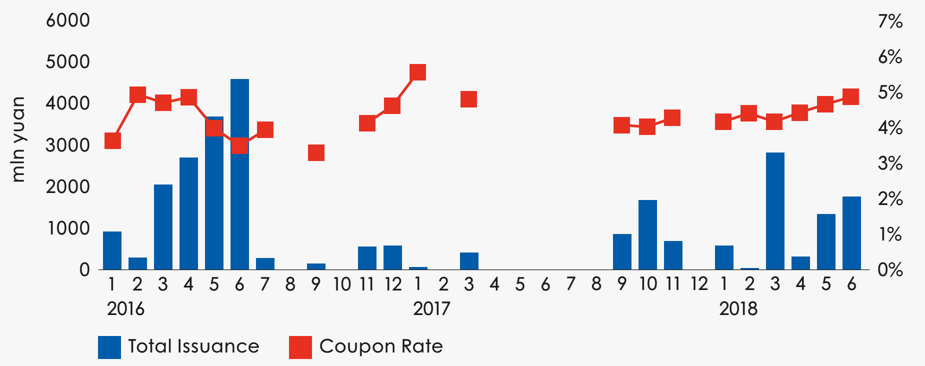


Source: EBS

In June, **the proportion of the offshore RMB FX trading in the London market decreased by 2% from March 2018.** Trading data from EBS revealed that Asia, EMEA and America trading hours registered 57%, 37% and 6% respectively of total CNH spot trading volumes, compared with the distribution of 52%, 39% and 9% in March 2018, and 58%, 34% and 8% for the month of March 2017.

London RMB Bond Market

Dim Sum Bond Issuance and Coupon Rate

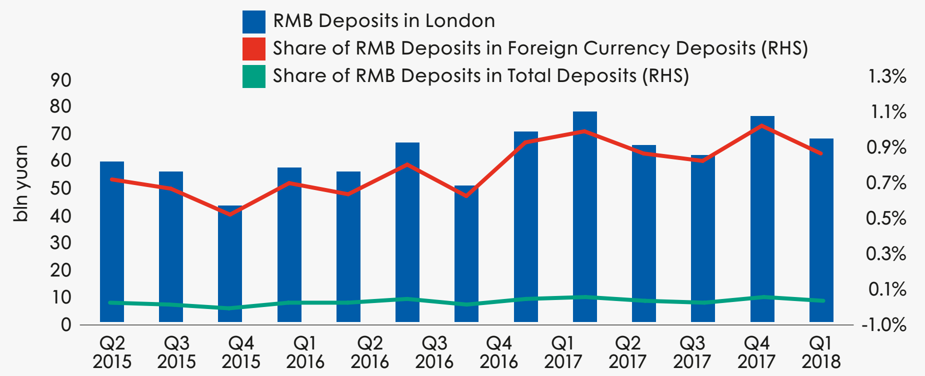


Source: LSE

In Q2 2018, seven Dim Sum bonds were newly listed on the London Stock Exchange, with the total size of RMB3.59 billion and the average coupon rate of 4.85%. Three of them were issued by QNB Finance Ltd, with the total scale of RMB2.8 billion, accounting for 78% of the total new issuance in Q2. As of Q2 2018, **there are 102 Dim Sum bonds listed on the London Stock Exchange with a total size of RMB31.11 billion**, the average coupon rate is 4.50%.

London RMB Credit Market

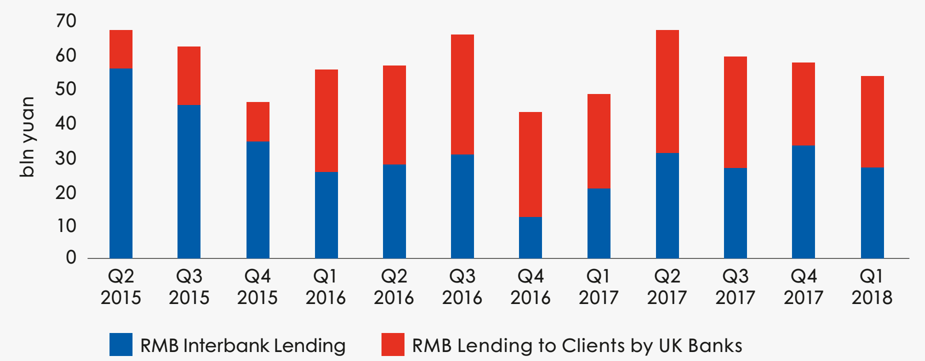
RMB Deposits in London



Source: BoE

By the end of Q2 2018, **the balance of RMB deposits in London totalled RMB68.7 billion**, a decline of 11% QoQ and 12.75% YoY.

RMB Lending in London

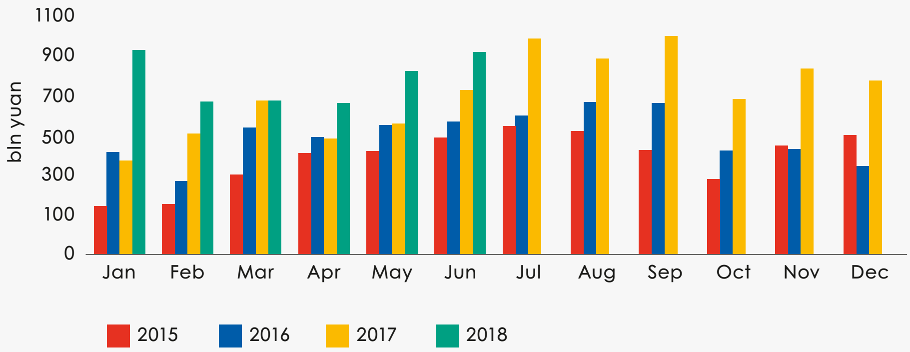


Source: BoE

By the end of Q2 2018, **the outstanding RMB loans in the London offshore market were RMB58.93 billion, an increase of 10.63% from the previous quarter**, but a decrease of 11.42% YoY.

London RMB Clearing

Clearing Volume of UK Clearing Bank

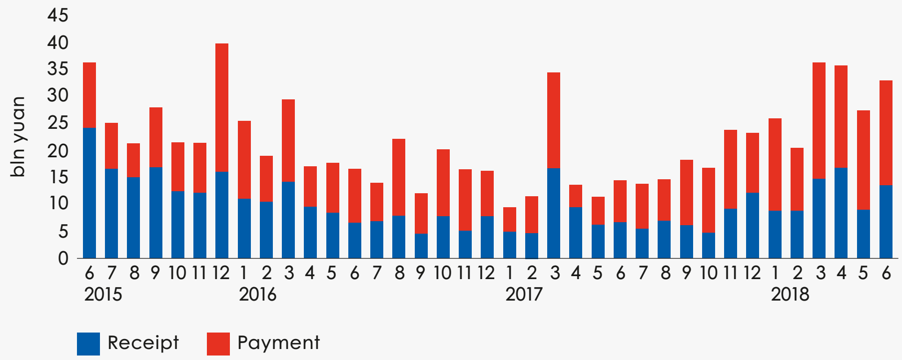


Source: CCB London Branch

In June, the total clearing volume was RMB925.48 billion, up 23.43% YoY. The daily average volume was RMB46.27 billion, and an accumulated transaction count was 4,856 with an average straight through processing rate of 90.00%. **Total cumulative clearing volume was RMB4.79 trillion in the first half year of 2018, up 34.6% YoY,** and China Construction Bank, London Branch remained the largest clearing bank outside of Asia.

China-UK RMB Cross-Border Settlement

China-UK Cross-Border RMB Payment and Receipt

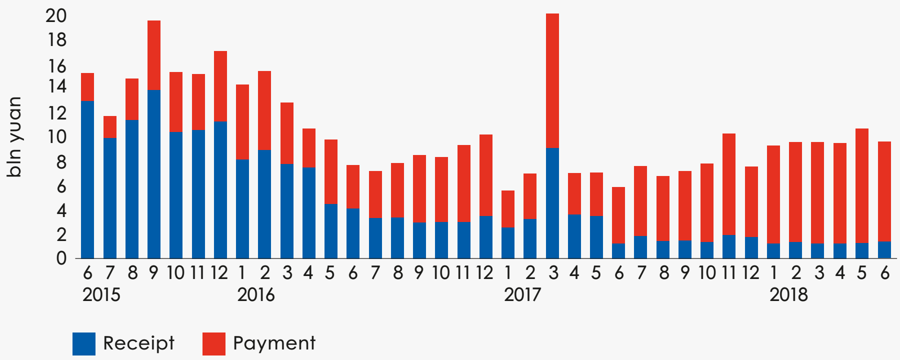


Source: PBoC

In June, **the total actual RMB payments and receipts between China and the UK amounted to RMB32.5 billion**, down 9.2% from March, and also represented **an increase of 129% YoY.**

By June 2018, **the total actual cross-border RMB settlement between China and the UK amounted to RMB176.2 billion, an increase of 143% YoY.** Within the cross-border RMB settlement, payments were higher than receipts, with total receipts standing at approximately RMB69.8 billion and total payments at approximately RMB106.4 billion.

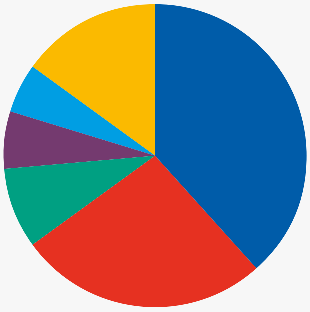
China-UK Cross-Border RMB Payment and Receipt Under Merchandise Trade



Source: PBoC

By the end of June, the cross-border RMB settlement under merchandise trade was RMB57.3 billion, accounting for 32.5% of total settlement volume, and 24.7% of total import and export volume between China and UK in the same period.

Top Countries (Regions) FX Transaction in RMB



Source: SWIFT

SWIFT data shows that **London has retained its position as the largest RMB clearing center outside of Greater China. The share acquired by London in total global RMB cleared volume edged up to 5.94% in Q1 2018 from 5.91% in Q1 2017**. The SWIFT report also shows that London was the largest FX trading center worldwide, with its share reaching 36.8% of the daily transaction volume (approximately USD2 trillion). The offshore RMB FX trading conducted with London accounted for 38.63% of all global RMB FX trading volume.

Industry Update – Standard Chartered Bank Plc, RMB Solutions Europe

Bond Connect First Year Anniversary

Bond Connect celebrated its successful first year anniversary on 3 July 2018. Bond Connect is a mutual access scheme that allows institutional investors in both mainland China and overseas to trade in each other's bond markets through China and HK based infrastructure institutions. In the first phase of implementation, foreign investors can invest into the China Interbank Bond Market (CIBM) in what is called 'northbound' trading. 'Southbound' trading where mainland Chinese investors invests abroad, is yet to be implemented. Eligible foreign investors may trade in both the primary and secondary markets. To date, eligible foreign investors have subscribed for a number of primary issuances under the Bond Connect scheme. Bond Connect complements QFII (Qualified Foreign Institutional Investor), RQFII (RMB Qualified Foreign Institutional Investor), and CIBM (China Interbank Bond Market) Direct access schemes as another step towards further opening China's capital markets to overseas investors.

The launch of Bond Connect is a welcomed development for foreign investors. **Notable benefits of Bond Connect over other access schemes include: streamlined application, quicker approval, no quota restrictions, and access to both onshore/ offshore FX markets and the availability of electronic trading platform via Tradeweb*.** Investors domiciled in Europe, the US and Japan who wish to hedge their bond portfolio using over-the-counter (OTC) derivatives will also need to consider Margin Rules**" in their choice of China access program. Application of Margin Rules is straightforward under Bond Connect because Hong Kong is a netting jurisdiction. In contrast, as China is a non-netting jurisdiction, foreign investors who invest and hedge directly in China may face complexities in complying with Margin Rules. In practice, Bond Connect investors are primarily using the offshore CNH market, like London, for conversion and hedging as many global custodians are not ready to support access to onshore FX conversions and monitoring onshore/ offshore RMB FX positions can be complicated under the 'one-account' structure offered by local and/or global custodians. Nevertheless, **we expect more investors to be more active in tapping the onshore FX market as bond trading volume goes up**.

China's bond market is now the third largest in the world, behind the US and Japan. China's bond market is currently valued at RMB78 trillion (USD11.5 trillion) but foreign ownership remains low at 2%, compared to 11% in Japan and 30% in the US. **As at June 2018, foreign investment in CIBM reached RMB403 billion, exceeding the 2017 full year inflow CNY +346bn. Overall, foreign investments in CIBM soared 70% from levels seen before Bond Connect was launched a year ago.**

Index inclusion will speed up growth in foreign ownership in CIBM via Bond Connect. **On 23 March 2018, Bloomberg Barclays announced that China government bonds (CGBs) and policy financial bonds (PFBs) will be added into their Global Aggregate Index over 20-month period, starting April 2019.** However, three technical "enhancements" on Bond Connect are required for index inclusion to happen:

1. **Elimination of settlement risk**

   Currently, settlement with China Central Depositary Company (CCDC) is not on true Delivery vs Payment (DvP) basis. Majority of the UCITS funds are awaiting approval from CSSF in Luxembourg and CBI in Ireland to adopt Bond Connect access, which are conditional on the availability of DvP issue.

2. **Enable Block Trade allocation on Tradeweb**
3. **Clarification on Tax collection mechanism for foreign investors**

*Tradeweb – the only official bond trading platform on Bond Connect.

**Margin Rules – Investors who trade in certain over-the-counter derivatives, such as FX forward and option, are required to post initial and variation margins.

At the recent Bond Connect Summit, deputy governor of PBoC, Pan Gong Sheng, revealed exciting development plans for Bond Connect and they include the following:

1. DvP settlement for CCDS expected to be ready by August
2. Block trade allocation on Tradeweb will be ready in July
3. Tax collection arrangement to be clarified by PBoC very soon
4. Repo and derivatives products will be made available to foreign investors
5. Reduction in transaction fees by 50%
6. Additional (international) trading platforms will be introduced
7. Increase the number of bond market makers from 24 to 34

Inclusion of CGB and PFBs, valued at USD3 trillion, into Bloomberg Barclays Global Aggregate bond index will be a milestone for CIBM as it is one of the most widely tracked bond indices. **Standard Chartered Bank estimates that foreign ownership in China onshore bonds will be 4-7% by end-2020.**

As of June, there were 225 entities have signed up for Bond Connect and 112 are foreign entities. Majority of these investors have Asia background due to proximity and familiarity with the China Bond market. **There are 11 leading investors from the UK, accounting for 5% of the total number.** Schroders and Symmetry are among the pioneers under the Bond Connect access scheme from UK perspective.

Although Bond Connect is only one year old and still in infancy stage, it has already made a significant impact in helping overseas investors to access CIBM under a simpler, more efficient, and transparent cost framework. **We welcome future developments in Bond connect, which will allow UK and global institutional investors to achieve improved returns and diversification benefits.** And we also look forward to the future development of Bond Connect to link up investors from London and China in a closer manner.

> “The launch of Bond Connect is a welcomed development for foreign investors. Notable benefits of Bond Connect over other access schemes include: streamlined application, quicker approval, no quota restrictions, and access to both onshore/offshore FX markets and the availability of electronic trading platform via Tradeweb. Investors domiciled in Europe, the US and Japan who wish to hedge their bond portfolio using over-the-counter (OTC) derivatives will also need to consider Margin Rules.”
>
> Standard Chartered Bank Plc, RMB Solutions Europe

Industry Update – Steven Sun, Head of Research, HSBC Qianhai Securities

MSCI A Share Inclusion to Bring Over USD600 billion into China's Stock Market, Opportunities for London

By the end of August, the two-step inclusion of more than 230 large-cap A-shares in MSCI's equity indexes will be completed. MSCI is implementing an initial inclusion factor of 5% and a weighting of 0.78% in its Emerging Markets Index (EMI), which is currently tracked by around USD1.94 trillion of assets under management globally.

The list excludes mid-caps, shares which cannot be traded through Stock Connect schemes, and stocks with over 50 days of trading suspension in the most recent 12 months or any record of suspension during the index review period. We believe this is only the start. **Future steps towards further inclusion will be marked by much higher inclusion factors and may include mid-cap A-shares as well.**

The Chinese government also promises to open its financial markets wider with more liberalization policies. Its financial system is running smoothly as the RMB exchange rate stabilizes and forex reserves start to rebound. Restrictions on investments via the Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) schemes have been lifted. Foreign ownership caps on the financial sector have been eased. **All the signs indicate that China's financial system and capital markets are prepared to open up further and allow more foreign ownership, which bodes well for the acceleration of A-share internationalisation.**

The Shanghai-London Stock Connect Scheme is scheduled to be rolled out in 2018, part of continuing efforts to liberalise access to China's capital markets. Fang Xinghai, Vice-Chairman of the China Securities Regulatory Commission, told a forum in Shanghai at the end of May: "We are taking the first step in connecting the largest emerging market in the world with the oldest mature international market."

The inclusion of A-shares in MSCI EM has clear implications for the UK as a global asset management and capital markets centre. London is the biggest offshore Renminbi clearing centre other than Hong Kong, while trade and investment links between the UK and China are thriving: Chinese foreign direct investment into Britain more than doubled year-on-year in 2017.[1&2] Furthermore, the UK is the second biggest asset management centre worldwide after the US, with GBP2.6 trillion managed in the UK on behalf of overseas investors.

There is plenty of room for foreign investment in A shares to grow. Although foreign holdings in A-shares exceeded RMB1 trillion at the end of 2017, they still represent only around 2% of China's total market capitalisation, far below the average level of foreign ownership in other emerging markets (25%) and that of the US stock market (15%). The opening up of the financial sector should usher in a new era for domestic capital markets and strengthen inter-connections through the launch of securities, funds and fixed income connect schemes.

Based on the experience of the Korean and Taiwan markets, **we expect the weightings of A-shares to increase in the emerging markets indices of MSCI and FTSE to c20% in the next five to 10 years, under the scenario of full MSCI inclusion**. Considering assets benchmarked to emerging markets indices published by MSCI and other index providers such as FTSE, **we expect foreign fund inflows of over USD600 billion to go into the A-share market in the next five to 10 years**.

However, this amounts to only around 1% of the current total investments made by the world's largest 500 institutional investors and only 2% of their equity investments. We attribute the low weighting of A-shares in global stock market indices to two technical reasons: the 30% cap on foreign ownership and the emerging market classification and its limitations on China. A more open financial sector should allow these technical limitations to be removed and attract larger foreign fund inflows.

[1] https://www.swift.com/our-solutions/compliance-and-shared-services/business-intelligence/renminbi/rmb-tracker/document-centre

[2] http://europe.chinadaily.com.cn/a/201801/17/WS5a5f671da310e4ebf433e600.html

In the short term, foreign fund inflows will not inevitably lead to a rising A-share market. But, **in the medium and long term, what we see is a change in trading strategy**. A less volatile A-share market with greater institutional participation will require a more diversified investment strategy and a more rational and fundamental-based investment style.

This will become apparent as institutional investors raise their offshore A-share holdings to as much as 10% of total A-share market capitalization over the next five to 10 years. It also means that, sooner or later, offshore investors will need to have access to a wider range of investment options. For example, they will want to have the opportunity to make profits when the A-share market turns bearish.

For this to happen, **regulators in mainland China and Hong Kong may need to further ease controls on stock borrowing and lending schemes in the Shanghai and Shenzhen Hong Kong Stock Connect programmes**. We believe this would provide a number of benefits, including: discouraging non-transparent short-selling activities; avoiding unwanted short open positions or loss of control over trading volumes; and enhancing overall control by the regulator. For example, it could forbid short-selling activities in extreme market conditions, as happened in the US, UK and EU during the global financial crisis.

The expansion of derivatives trading is another option. A series of MSCI index-linked futures contracts already exist in major global exchanges such as the Eurex Exchange and Intercontinental Exchange. Short-selling these futures contracts – beyond the control of domestic regulators – could create a short-selling market in the onshore A-share market.

The Chinese regulator is considering whether to encourage the listing and trading of MSCI China A-share futures in markets like Hong Kong. In our view, this would be the ideal choice as the Hong Kong market offers many advantages, including the ability to attract futures transactions from other offshore markets and being able to ensure effective control, regulatory supervision and greater transparency.

Meanwhile, **we expect the Hong Kong Stock Exchange to launch new futures contracts linked to A-share indices, including SSE A50, CSI 300, SME Composite and ChiNext**. This would help offshore investors diversify their A-share investment portfolio, minimise investment risks and increase their exposure to the A-share market.

> “The inclusion of A-shares in MSCI EM has clear implications for the UK as a global asset management and capital markets centre. London is the biggest offshore Renminbi clearing centre other than Hong Kong, while trade and investment links between the UK and China are thriving: Chinese foreign direct investment into Britain more than doubled year-on-year in 2017.[1&2] Furthermore, the UK is the second biggest asset management centre worldwide after the US, with GBP2.6 trillion managed in the UK on behalf of overseas investors.”
>
> Steven Sun, Head of Research, HSBC Qianhai

Latest Policies and Major Events

- On 5 January, the People's Bank of China (PBoC) **improved policies for cross-border RMB business**. Major policies included: 1) encouraging enterprises to settle cross-border trade deals in the RMB; 2) supporting foreigners' use of the RMB for direct investments in the country; 3) encouraging foreign investors to participate in carbon emission trading in China with the RMB; 4) authorizing Chinese firms to transfer RMB funds raised through issuing bonds or equities overseas back home; 5) allowing individuals to remit funds from overseas, and vice versa.
- On 23 March, **Bloomberg announced that it will add Chinese RMB-denominated government and policy bank securities to the Bloomberg Barclays Global Aggregate Index**. The addition of these securities will be phased in over a 20-month period starting April 2019. Meanwhile, several planned operational enhancements will be implemented by the PBoC and the Ministry of Finance.
- On 26 March, **China's crude oil futures was listed on the Shanghai International Energy Exchange. The futures contract is denominated in the RMB** with trading unit of 1,000 barrels per contract. It would be available to foreign investors, exchanges and petroleum companies.
- On 11 April, Yi Gang, the Governor of the PBoC , made an announcement in the Boao Forum for Asia Annual Conference that the **PBoC will implement the following measures in the next few months to further open financial sector:** 1) remove the foreign ownership cap for banks and asset management companies; 2) lift the foreign ownership cap to 51% for securities companies, fund managers, futures companies, and life insurers, and remove the cap in three years; 3) abolish the requirement for joint-venture securities firms to have at least one local security firm as a shareholder; 4) the daily quotas under Stock Connect increased by four times.

- On 24 April, the **State Administration of Foreign Exchange (SAFE) announced that quotas for Qualified Domestic Limited Partnership (QDLP) program in Shanghai and Qualified Domestic Investment Enterprise (QDIE) program in Shenzhen would be expanded** to USD5 billion respectively. In order to support domestic enterprises to make outbound investments, SAFE introduced QDLP program in Shanghai in October 2013 and QDIE program in Shenzhen in December 2014.
- On 18 May, PBoC further improved cross-border fund flow management. Major measures covered: 1) the existing policy framework under which offshore RMB business clearing banks and participating banks can tap RMB liquidity from the onshore market to support offshore RMB business development; 2) duly implementing Hong Kong Monetary Authority's bilateral currency swap agreements; 3) adjusting the required reserve ratio of RMB deposits placed by Hong Kong's RMB business clearing bank in the settlement account in the PBoC's Shenzhen sub-branch to zero percent; 4) further enhancing the currency conversion mechanism for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.
- On 1 June, **234 A-shares are included in the MSCI indexes**. In the first step of inclusion, there would be 234 A-shares added at 2.5% of Foreign Inclusion Factor (FIF)-adjusted market capitalization, representing aggregate weights of 1.26% and 0.39%, respectively, in the MSCI China Index and the MSCI Emerging Market Index.
- On 12 June, **State Administration of Foreign Exchange eased restrictions on QFII**. Major policies included: 1) Lifting 20% cap on the funds that investors have been allowed to take out of China; 2) removing lockup periods for investment principal; 3) allowing investors under QFII and RQFII schemes to make foreign exchange hedging on their investments onshore.
- On 12 June, in order to prevent macro financial risks, **the PBoC decided to raise reserve requirement on foreign exchange forwards trading to 20% from 6 August**. The PBoC introduced a 20% reserve requirement on foreign exchange trading in September 2015. It was once removed in September 2017 following market conditions had stabilized.
- On 24 August, **the PBoC reintroduced the counter-cyclical factor in RMB fixing mechanism** which is expected to effectively mitigate the pro-cyclical market behaviors and stabilize market expectation. Counter-cyclical factor will play active role in keeping yuan exchange rate stable.
- On 31 August, **China Securities Regulatory Commission (CSRC) publicly solicited opinions on the "Rules for Regulation of the Depositary Receipt Business for the Market Connectivity of Shanghai Stock Exchange and London Stock Exchange"**, indicating that the Shanghai-London Stock Connect program will be implemented soon, and the preparations have entered the last stage before the official launch. Shanghai-London Stock Connect will see Shanghai-traded Chinese companies issuing Global Depository Receipts (GDR) in London, while reciprocally allowing London-traded firms to issue Chinese Depository Receipts(CDR) to go public in Shanghai. The "Rules for Regulation (Draft for Comment)" provides important principles on the eastbound and westbound businesses of the Shanghai-London Stock Connect, including issuance and listing, cross-border conversion, continuous regulatory requirements, regulatory enforcement, investor protection and other matters.

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

Issuer	Amount Issued (yuan)	Coupon (%)	Issue Date	Maturity
QNB Finance Ltd	1,250,000,000	5.25	21/06/2018	21/06/2021
QNB Finance Ltd	600,000,000	5.2	07/06/2018	07/06/2021
First Abu Dhabi Bank PJSC	1,100,000	4.8	01/06/2018	01/06/2021
Westpac Banking Corp	200,000,000	4.77	30/05/2018	30/05/2023
Credit Agricole Corporate & Investment Bank SA	200,000,000	4.72	29/05/2018	29/05/2023
QNB Finance Ltd	1,000,000,000	5.1	14/05/2018	14/05/2021
Commonwealth Bank of Australia	340,000,000	4.615	26/04/2018	26/04/2023
Westpac Banking Corp	400,000,000	4.35	29/03/2018	29/03/2019
First Abu Dhabi Bank PJSC	900,000,000	4.8	29/03/2018	29/03/2021
QNB Finance Ltd	200,000,000	5.5	20/03/2018	20/03/2021
Hitachi Capital UK PLC	80,000,000	4.78	16/03/2018	16/03/2021
Commonwealth Bank of Australia	500,000,000	4.375	13/03/2018	13/03/2019
QNB Finance Ltd	130,000,000	5.465	09/03/2019	09/03/2020
QNB Finance Ltd	750,000,000	5.1	08/03/2018	08/03/2021
Hitachi Capital UK PLC	50,000,000	4.6	27/02/2018	22/02/2022
Commenwealth Bank of Australia	64,000,000	4.39	30/01/2018	30/01/2021
Credit Agricole Corporate & Investment Bank SA	50,000,000	4.55	29/01/2018	29/01/2021
Westpac Banking Corp	500,000,000	4.35	19/01/2018	19/01/2021
First Abu Dhabi Bank PJSC	110,000,000	4.6	30/11/2017	30/11/2020
International Finance Corp	47,000,000	3.92	13/11/2017	13/11/2019
International Finance Corp	19,000,000	3.9	13/11/2017	13/11/2020
International Finance Corp	47,000,000	3.77	13/11/2017	13/11/2018
Hitachi Capital UK PLC	500,000,000	4.5	09/11/2017	09/10/2020
Commonwealth Bank of Australia	1,500,000,000	4.2	26/10/2017	26/10/2020
Hitachi Capital UK PLC	184,000,000	4.4	13/10/2017	13/10/2020
International Finance Corp	75,000,000	3.91	11/10/2017	11/10/2022
Royal Bank of Canada	900,000,000	4.25	29/09/2017	29/09/2020
Lloyds Bank PLC	30,000,000	5.23	31/03/2017	31/03/2022
Commonwealth Bank of Australia	70,000,000	5.81	18/01/2017	18/01/2022
Hitachi Capital UK PLC	300,000,000	4.67	19/12/2016	19/12/2019
QNB Finance Ltd	130,000,000	5.33	15/12/2016	15/12/2019
Westpac Banking Corp	65,000,000	4.8	15/12/2016	15/05/2020
Commonwealth Bank of Australia	120,000,000	4.65	07/12/2016	07/12/2021
Commonwealth Bank of Australia	70,000,000	4.41	29/11/2016	29/11/2019
Australia & New Zealand Banking Gro	130,000,000	4.35	23/11/2016	23/11/2021
QNB Finance Ltd	130,000,000	4.4	18/11/2016	18/11/2019
QNB Finance Ltd	160,000,000	4.3	17/11/2016	17/11/2019
Commonwealth Bank of Australia	90,000,000	4.06	02/11/2016	02/11/2021
Commonwealth Bank of Australia	25,000,000	3.3	09/09/2016	12/10/2018
Commonwealth Bank of Australia	100,000,000	3.85	27/07/2016	27/07/2020
Credit Agricole SA	60,000,000	4	22/07/2016	22/07/2019

Issuer	Amount Issued (yuan)	Coupon (%)	Issue Date	Maturity
QNB Finance Ltd	130,000,000	4.35	21/07/2016	21/07/2019
Australia & New Zealand Banking Gro	206,000,000	3.62	28/06/2016	28/06/2018
Australia & New Zealand Banking Gro	280,000,000	4.35	08/06/2016	08/06/2019
Australia & New Zealand Banking Gro	140,000,000	4.31	07/06/2016	07/06/2019
First Gulf Bank PJSC	516,000,000	4.55	03/06/2016	03/06/2019
China Government Bond	3,000,000,000	3.28	02/06/2016	02/06/2019
Australia & New Zealand Banking Gro	410,000,000	4.15	27/05/2016	27/05/2019
Australia & New Zealand Banking Gro	330,000,000	4.293	27/05/2016	27/05/2019
Australia & New Zealand Banking Gro	215,000,000	4.07	24/05/2016	24/05/2019
First Gulf Bank PJSC	65,000,000	4.6	12/05/2016	13/05/2019
Westpac Banking Corp	130,000,000	4.19	12/05/2016	12/05/2021
Royal Bank of Canada	150,000,000	4	06/05/2016	06/05/2019
Royal Bank of Canada/Toronto	200,000,000	4.12	29/04/2016	29/04/2019
Commonwealth Bank of Australia	100,000,000	4.15	28/04/2016	28/04/2019
Hungary Government International B	1,000,000,000	6.25	25/04/2016	25/04/2019
Commonwealth Bank of Australia	100,000,000	4.25	21/04/2016	21/04/2019
Royal Bank of Canada	130,000,000	4.23	21/04/2016	21/04/2019
Westpac Banking Corp	190,000,000	4.39	20/04/2016	20/04/2020
Commonwealth Bank of Australia	90,000,000	4.23	19/04/2016	19/04/2019
Standard Chartered Bank	432,000,000	4.52	15/04/2016	15/04/2019
Standard Chartered Bank	470,000,000	4.56	15/04/2016	15/04/2019
Westpac Banking Corp	135,000,000	4.8	29/03/2016	29/03/2019
Westpac Banking Corp	130,000,000	4.75	22/03/2016	22/03/2019
Commonwealth Bank of Australia	150,000,000	4.685	21/03/2016	21/03/2019
Royal Bank of Canada	150,000,000	5	18/03/2016	18/03/2019
Westpac Banking Corp	131,000,000	5.02	18/03/2016	18/03/2019
First Abu Dhabi Bank PJSC	130,000,000	4.75	15/03/2016	15/03/2019
Commonwealth Bank of Australia	131,000,000	4.85	14/03/2016	14/03/2019
Royal Bank of Canada	230,000,000	4.85	11/03/2016	11/03/2019
Commonwealth Bank of Australia	100,000,000	4.85	11/03/2016	11/03/2019
Commonwealth Bank of Australia	135,000,000	4.95	10/03/2016	10/03/2019
Commonwealth Bank of Australia	180,000,000	5.07	07/03/2016	07/03/2021
Royal Bank of Canada	200,000,000	5.08	04/03/2016	04/03/2019
Commonwealth Bank of Australia	65,000,000	5.08	04/03/2016	04/03/2019
Commonwealth Bank of Australia	150,000,000	5.095	02/03/2016	02/03/2019
Commonwealth Bank of Australia	310,000,000	5.15	25/02/2016	25/02/2019
Royal Bank of Canada	195,000,000	5.15	25/01/2016	25/01/2019
Australia & New Zealand Banking Gro	200,000,000	5.1	25/01/2016	25/01/2019
Australia & New Zealand Banking Gro	65,000,000	4.96	22/01/2016	22/01/2019
Commonwealth Bank of Australia	210,000,000	4.5	12/01/2016	12/01/2019
Australia & New Zealand Banking Gro	260,000,000	4.4	24/12/2015	24/12/2018

Issuer	Amount Issued (yuan)	Coupon (%)	Issue Date	Maturity
Westpac Banking Corp	130,000,000	4.2	16/12/2015	16/12/2018
Commonwealth Bank of Australia	80,000,000	4	27/11/2015	27/11/2018
First Gulf Bank PJSC	230,000,000	4.5	18/08/2015	18/08/2018
Credit Agricole Corporate & Investment	50,000,000	4.2	05/08/2015	05/08/2020
Australia & New Zealand Banking Gro	405,000,000	4	28/07/2015	28/07/2020
Lloyds Bank PLC	100,000,000	4.4	24/07/2015	24/07/2020
Lloyds Bank PLC	54,000,000	4.53	24/07/2015	24/07/2025
Credit Agricole Corporate & Investment	125,000,000	4.1	23/07/2015	23/07/2020
First Abu Dhabi Bank PJSC	200,000,000	4.79	17/03/2015	17/03/2020
International Finance Corp	1,550,000,000	3.1	24/09/2014	24/09/2019
China Development Bank Corp	500,000,000	3.6	19/09/2014	19/09/2019
China Development Bank Corp	900,000,000	4.35	19/09/2014	19/09/2024
BP Capital Markets PLC	1,000,000,000	3.65	28/02/2014	28/02/2019
Lloyds Bank PLC	200,000,000	4.62	17/01/2014	17/01/2024
BP Capital Markets PLC	1,200,000,000	3.95	08/10/2013	08/10/2018
Lloyds Bank PLC	100,000,000	4.61	24/09/2012	24/09/2022

Source: London Stock Exchange

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

Type of issuer	Registration Amount (bn, yuan)	Issued Amount (bn, yuan)	Outstanding Amount (bn, yuan)	Issue Number
International Development Organisation	7	7	4	5
Governments	28.46	14.46	14.46	7
Financial Institutions	55.5	22.5	19	10
Non-financial Enterprises	342.75	120.5	95.4	60
Total (RMB Bond)	433.71	164.46	132.86	82
International Bank for Reconstruction and Development (IBRD)	18.63	4.65	4.65	1
	2bn SDR	(0.5bn SDR)	(0.5bn SDR)	
Standard Chartered HK	0.93	0.93	0	1
	0.1bn SDR	(0.1bn SDR)	(0.1bn SDR)	
Total (RMB Equivalent)	453.27	170.04	137.51	84

Source: National Association of Financial Market Institutional Investors

Appendix III Agreements on RMB Business Between China and the UK

Currency swap between China and the UK

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

Clearing bank

In March 2014, the PBoC and the BoE signed a Memorandum of Understanding to establish RMB clearing arrangements in London. In June 2014, the PBoC authorized China Construction Bank (London) to serve as the RMB clearing bank in London. In July 2016 the PBoC approved the transfer of clearing functions from China Construction Bank (London) to China Construction Bank, London Branch. By July 2018, CIPS had 807 indirect participating banks, seven more than the previous month. Among them, 11 indirect participating banks were from the UK, accounting for 1.36% of the total.

RQFII

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