



# London RMB Business Quarterly

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THE PEOPLE'S BANK OF CHINA  
REPRESENTATIVE OFFICE FOR EUROPE

## With thanks to

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## Foreword

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



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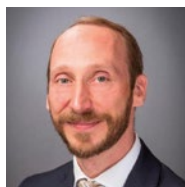
We are very proud of the partnership between the City of London Corporation and the People's Bank of China Representative Office for Europe on the London RMB Business Quarterly report. It highlights London's influence as a leader in the RMB internationalisation market outside of Asia and the PBoC's efforts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

The City of London is home to over 30 Chinese financial and professional services firms which joined the London market to build their international presence. The RMB is an important global currency and it is natural, as home to the world's largest FX market, that London monitors its use and innovations closely.

With access to onshore RMB investments in China rapidly increasing, opportunities for new products and ways to manage currency exposure are also growing. This makes for exciting times for the City of London and international investors. The third issue of the London RMB Business Quarterly, explore the opportunities for offshore and onshore RMB investments, as well as perspectives on the offshore and onshore bond markets.

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

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



**Giles French**

Regulatory Strategy and  
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The People's Bank of China

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# Market Overview



**Since the December report, RMB exchange rate has been strong against major currencies. Market expectation for RMB exchange rate is stable.**

## **London RMB Foreign Exchange Market**

About 29% of all CNH spot trading on EBS took place during EMEA trading hours in February, 1 percentage point down from previous month. The daily CNH FX trading volume in London averaged GBP76.7billion in Q4 2018, slightly down 1.75% from previous quarter, up 44.8% YoY.

## **London RMB Bond Market**

The London dim sum bond market was more active in 2018 than previous year. As of February 2019, there are 113 Dim Sum bonds listed on the London Stock Exchange with a total size of RMB32.85 billion, an average coupon rate of 4.53%.

## **London RMB Credit Market**

By the end of Q4 2018, the amount of RMB deposits totalled RMB56.2billion, up 0.72% from the previous quarter and down 10.24% YoY. The outstanding

amount of RMB loans in London was RMB49.2billion, down 12.25% and 13.83% from previous quarter and Q4 2018 respectively.

## **London RMB Clearing**

The total cumulative clearing volume exceeded RMB10trillion in 2018, an increase of 13.77% over the previous year. The average daily clearing volume was RMB31.37billion in February.

## **RMB Cross-Border Settlement between China and UK**

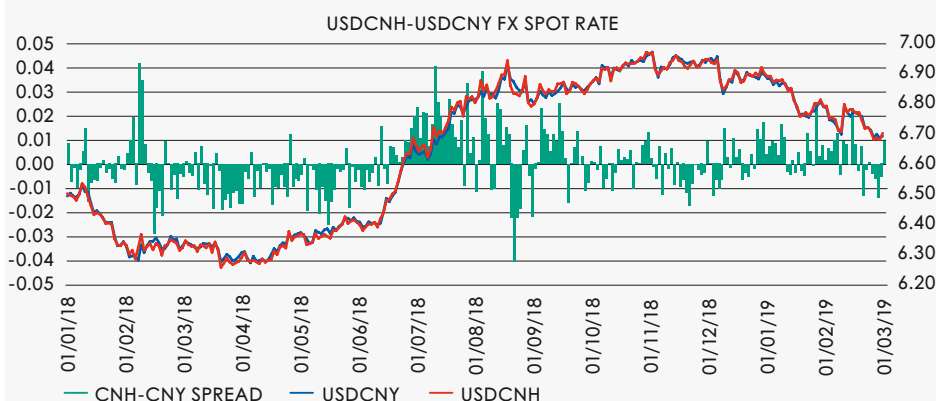
The total RMB cross-border settlement between China and the UK amounted to RMB377billion in 2018, an increase of 109% over 2017.

## **UK's Rank as Offshore RMB Centre**

The UK retained its position of having the largest share of RMB payments outside of greater China. In terms of offshore RMB foreign exchange transactions, the UK ranked No 1 in January, accounting for 36.68% of total, slightly higher than last month.

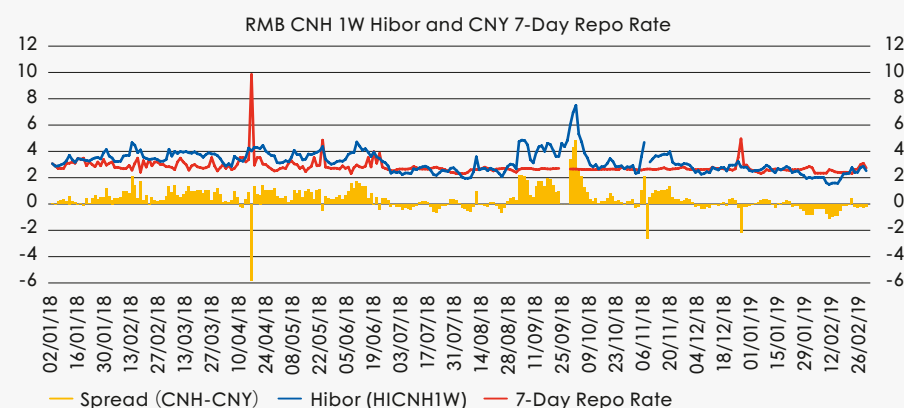
## RMB Exchange Rate

### The Onshore-Offshore Exchange Rate Differential

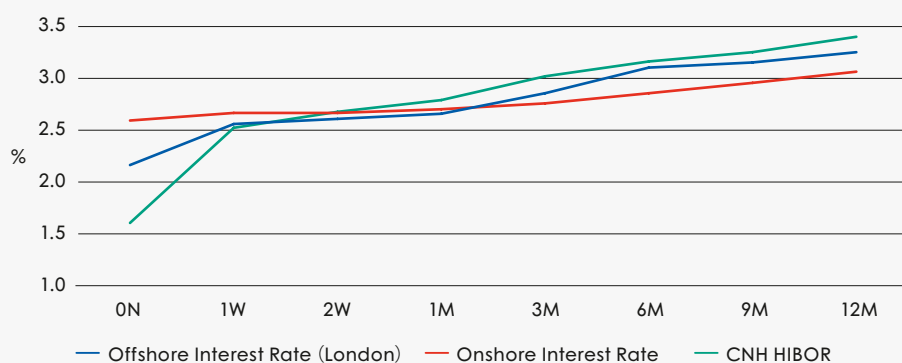


## RMB Interest Rate

### The Onshore-Offshore Interest Rate Spreads



### The Term Structure of RMB Offshore and Onshore Interest Rate

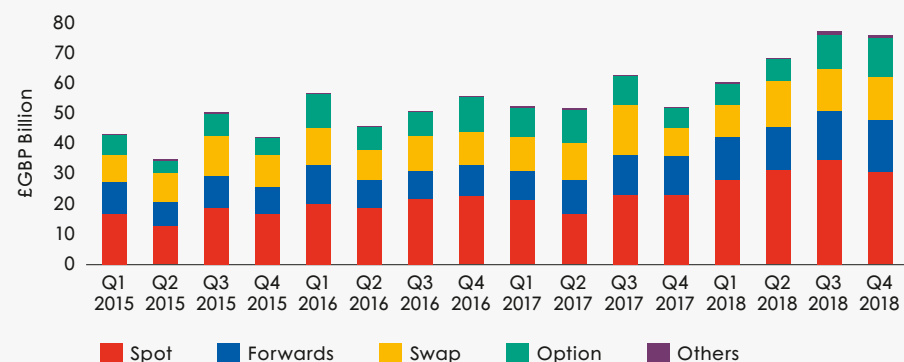


From November 2018 to the end of February 2019, the average FX spot rate of USD/CNH in the offshore market was 6.8481, with the USD/CNY onshore rate 6.8467. The spread between the two narrowed to only +14 basis points, while the spread of our last report was +59 basis points. Both CNH and CNY were strong in this reporting period, especially from the beginning of 2019. China onshore assets, including stock shares and bonds, were attractive to the investors, especially to the foreign investors as Chinese government promised to further opening-up of onshore capital market and boost the real economy through supporting small-and-medium size firms by tax reduction and financial policies.

From Nov 2018 to Feb 2019, the onshore interest rate was quite stable with relatively volatile offshore rate. The off-shore RMB 1-week interest rate showed a downward trend. The easing of offshore liquidity was mainly affected by the on-shore monetary policy, driven by the cut of RMB reserve requirement rate in October 2018. On 13 Feb 2019, the USD/CNH forward points were negative for all tenors less than one year, even lower than on-shore forward points, which means the offshore RMB liquidity was more loosened than onshore.

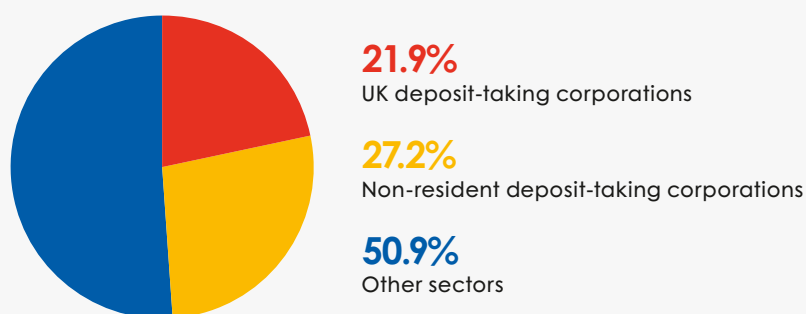
## London RMB Foreign Exchange Market

### Average Daily Turnover of RMB FX in London



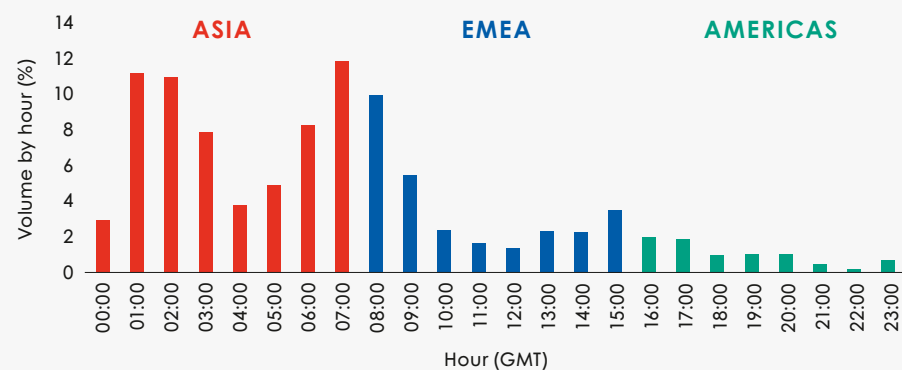
Source: Bank of England (BoE)

### RMB FX Turnover by Counterpart Sector



Source: BoE

### Spot CNH Volume Distributions by Hour on EBS



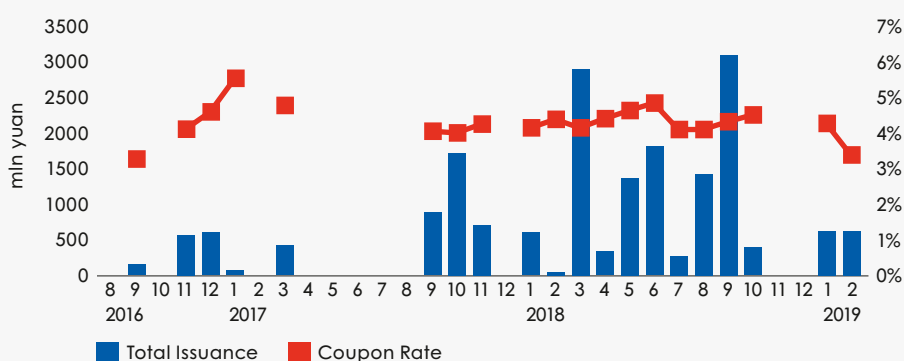
Source: EBS

Average daily trading volume of London's offshore RMB was GBP76.6 billion in Q4, slightly down 1.75% from last quarter, up 44.8% YoY. From the perspective of counterparty distribution, the average daily trading volume of UK deposit-taking corporations was GBP16.8 billion, accounting for 21.9%; the average daily trading volume of non-resident deposit taking corporations was GBP20.9 billion, accounting for 27.2%; other financial institutions traded GBP39 billion, accounting for 50.9%.

In February, the proportion of the offshore RMB FX trading in London market increased slightly from last month. Trading data from EBS revealed that the proportion of spot CNH trading volume in EMEA trading hours was 29% in February, 1 percent up from previous month. Specifically, in February, Asia, EMEA and Americas trading hours registered 63%, 29% and 8% respectively of total CNH spot trading volumes, compared with a distribution of 64%, 28% and 8% in the previous month, and 55%, 34% and 10% a year ago.

## London RMB Bond Market

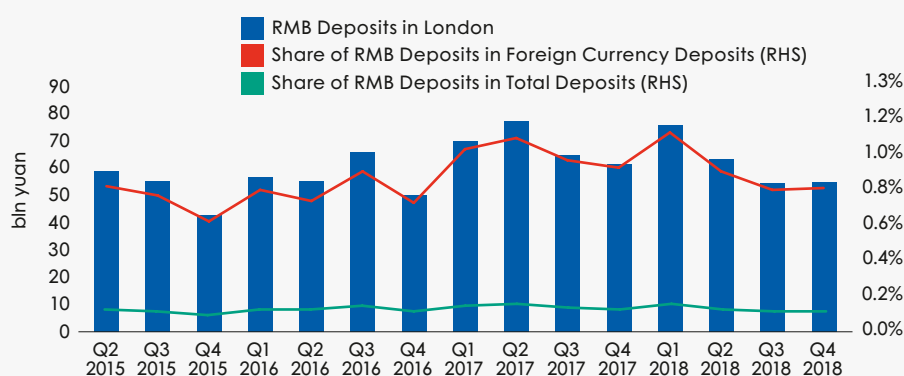
### Dim Sum Bond Issuance and Coupon Rate



Source: LSE

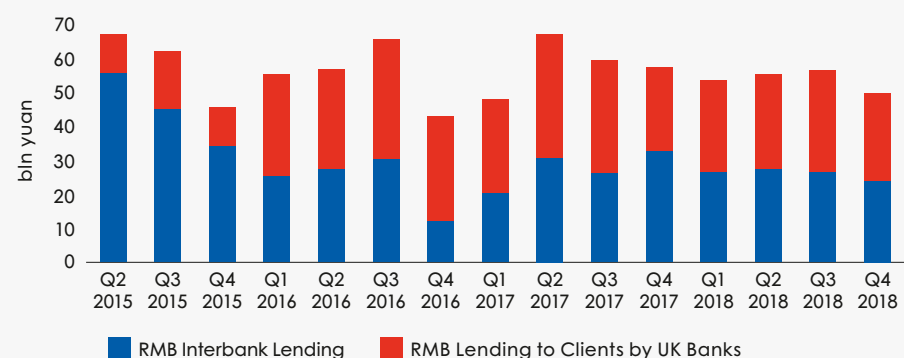
## London RMB Credit Market

### RMB Deposits in London



Source: BoE

### RMB Lending in London



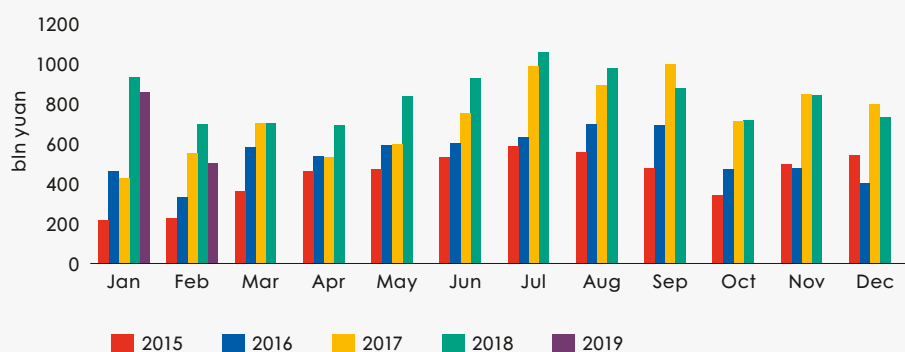
Source: BoE

In February, three Dim Sum bonds were newly listed on the London Stock Exchange, with the total issuance size of RMB640million and an average coupon rate of 3.55%. As of February 2019, there are 113 Dim Sum bonds listed on the London Stock Exchange with a total size of RMB32.85 billion, an average coupon rate of 4.53%. The London dim sum bond market was more active in 2018 than previous year. The number of new dim sum bonds in 2018 was 32 more than in 2017, the size of new dim sum bonds in 2018 increased by about RMB9.1 billion from 2017, an increase of more than 260%.

In Q4 2018, RMB deposits in the London offshore market stabilized and the scale of loans declined. The balance of RMB deposits at the end of the Q4 2018 totalled RMB56.2 billion, up 0.72% from the previous quarter and down 10.24% YoY. As of the end of Q4 2018, the balance of RMB loans was RMB49.22 billion, down 12.25% and 13.83% from previous quarter and last quarter of 2017 respectively.

## London RMB Clearing

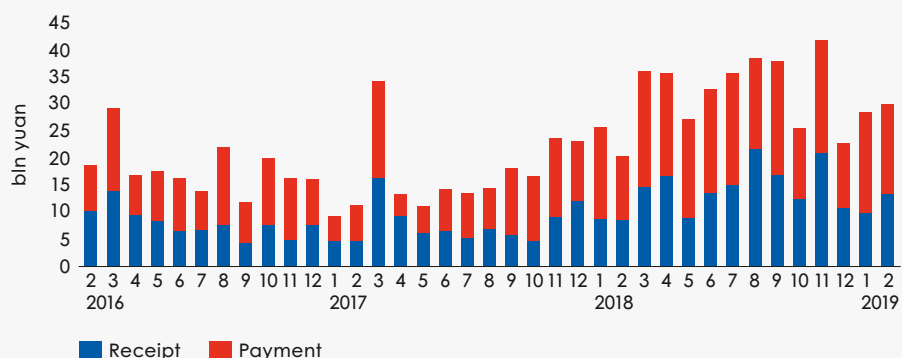
### Clearing Volume of UK Clearing Bank



Source: CCB London Branch

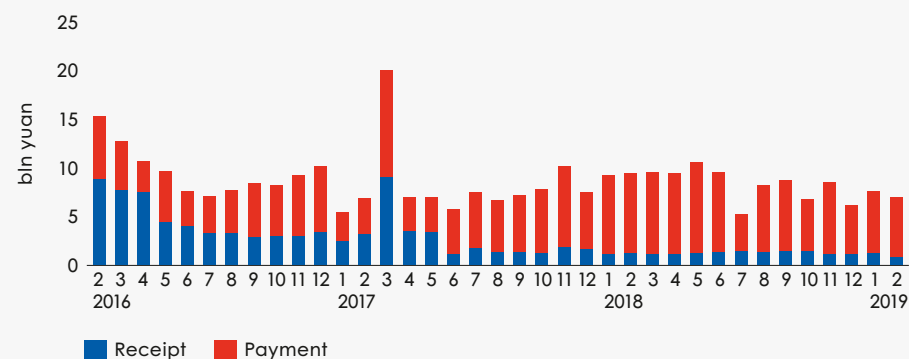
## China-UK RMB Cross-Border Settlement

### China-UK Cross-Border RMB Payment and Receipt



Source: PBoC

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



Source: PBoC

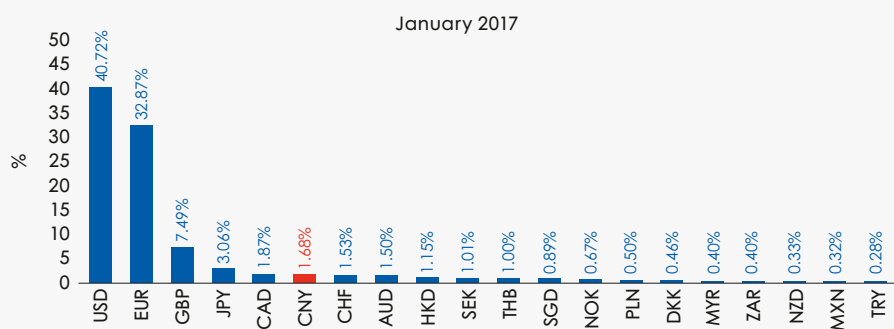
In February, the cumulative clearing volume was RMB502billion with daily average clearing volume RMB31.37billion, and accumulated transaction counts in February stood at 6,722. In 2018, the total amount of clearing volume exceeded RMB10 trillion, an increase of 13.77% over the previous year. By the end of February 2019, the accumulative total RMB clearing volume reached RMB32.59trillion since China Construction Bank London Branch obtained its authorization to become the RMB clearing bank in the UK in June 2014, and China Construction Bank London Branch remained the largest clearing bank out of Asia.

In February, cross-border RMB receipts and payments between China and the UK resumed growth, despite the effects of Chinese lunar new year. The total amount of cross-border RMB receipts and payments between China and the UK was approximately RMB29.9billion, an increase of 5.2% from the previous month and a YoY increase of 48.3%.

In 2018, the total amount of cross-border RMB transactions between China and the UK was approximately RMB377 billion, an increase of 109% over 2017. Among them, cross-border RMB receipts were about RMB166.2 billion, and payments RMB201.8 billion. The payments were higher than receipts, and RMB35.6 billion flowed into the UK. Cross-border RMB receipts and payments of Sino-British bilateral goods trade was about RMB100.5 billion, accounting for 27% of the total amount of receipts and payments during the same period.

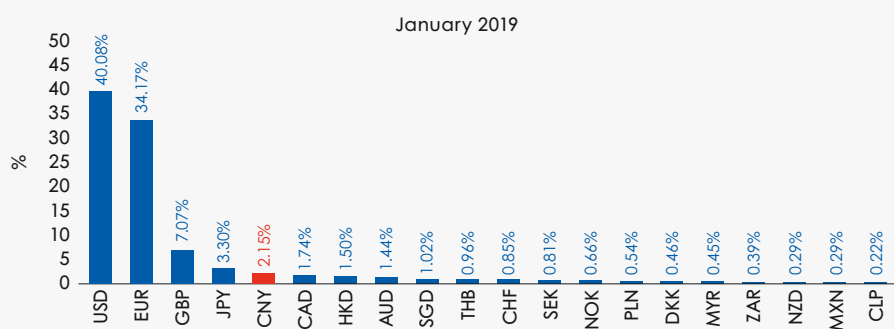
## The International Status of the London Offshore RMB Market

### RMB's share as a domestic and international payments currency



Source: Swift

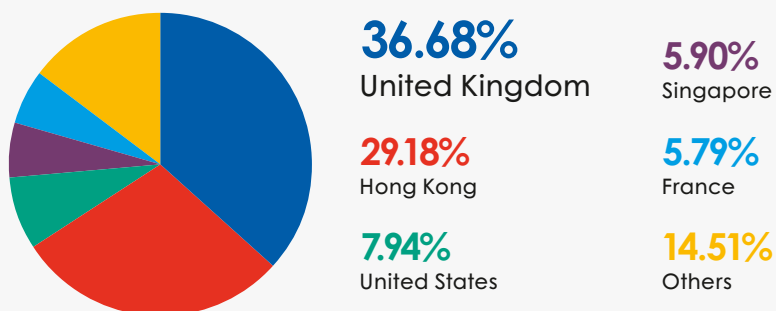
### RMB's share as a domestic and international payments currency



Source: Swift

According to SWIFT, RMB's share as a domestic and international payments currency (customer initiated and institutional payments) in January 2019 was 2.15%, up slightly from last month. The RMB ranks fifth as a global payment currency, same as December 2018, up one place compared to January 2017. The UK retained its position of having the largest share of RMB payments outside greater China. The top three countries or regions doing FX transactions in RMB in January 2019 were the United Kingdom, Hong Kong and the United States. The United Kingdom accounted for 36.68% of the total, slightly higher than last month.

### Top Countries (Regions) FX Transaction in RMB



Source: Swift

## Industry Update

Qian Jiang, International Markets Manager,  
London Stock Exchange Group  
Sarah Ellena, Manager, Fixed Income and Funds,  
London Stock Exchange Group

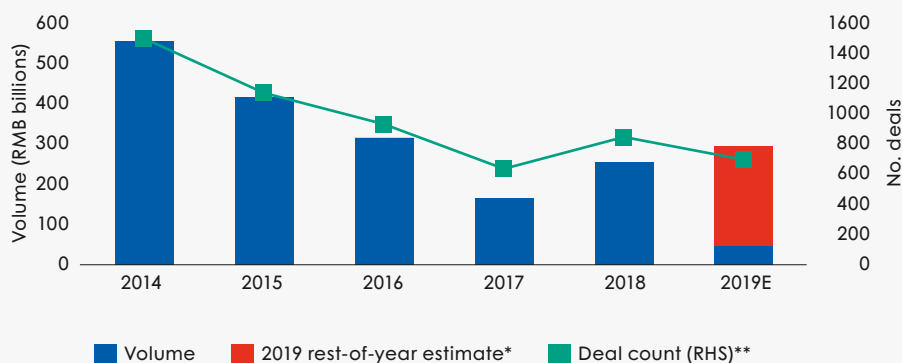
### Dim Sum Bond Market: Recent Developments and Future Outlook

The Dim Sum bond market, which many had considered on the brink of extinction and unable to compete with China's thriving and increasing accessible onshore market, may now be on course for a revival.

The issuance of dim sum bonds, yuan-denominated notes issued outside mainland China, reached close to 260 billion yuan (\$39 billion) in 2018 according to Bloomberg data. Although still lower than its peak in 2014, this represents a 54% increase in issuance volumes compared to 2017.

This indicates that International issuers still find the market an attractive funding option, and investors rely on the ease to access dim sum bond deals through a robust, well connected financial infrastructure, underpinned by international standards.

**Figure 1. Dim Sum Bond Issuance Volume (RMB bn)**



<sup>1</sup>2019 YTD periods ends at 27 February 2019;

\*2019E estimates assume same activity levels from 1 January to 27 February 2019 continuing for rest of year;

\*\* 2019E deal count is extrapolated from 2019 YTD activity.

Source: Bloomberg

### Drivers of Dim Sum Market

Since 2014, dim sum issuance has experienced a pronounced downward trend, with issuance in 2017 bottoming at around 30% of the peak.

The general consensus has been to attribute this change to the depreciation expectations RMB was subject to since late 2014. As shown in Figure 1, dim sum bond issuance reached its lowest level in 2017 - when the currency was actually recovering from a period of record lows.

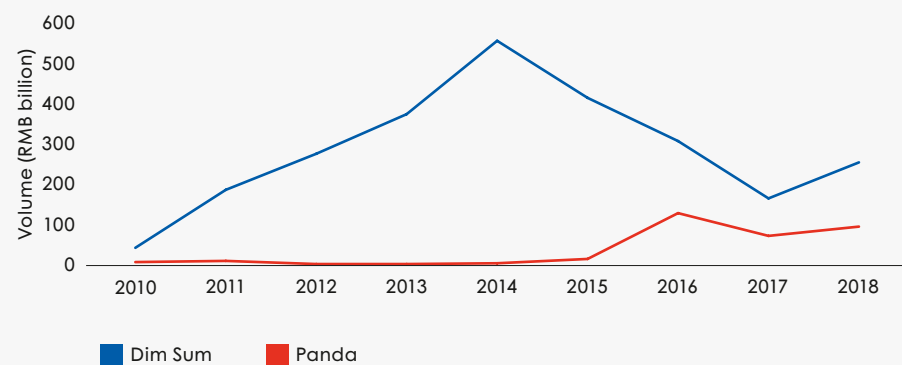
**Figure 2. CNY/USD exchange rate 2010-18**



Source: Bloomberg

The other popular view is that dim sum would gradually disappear as the panda bond market - onshore RMB bond issuance by foreign companies - grew. Panda bonds have long been considered as direct competitors with dim sum but, as shown in Figure 3, the trend of issuance doesn't reveal a substitution effect but rather a high degree of alignment.

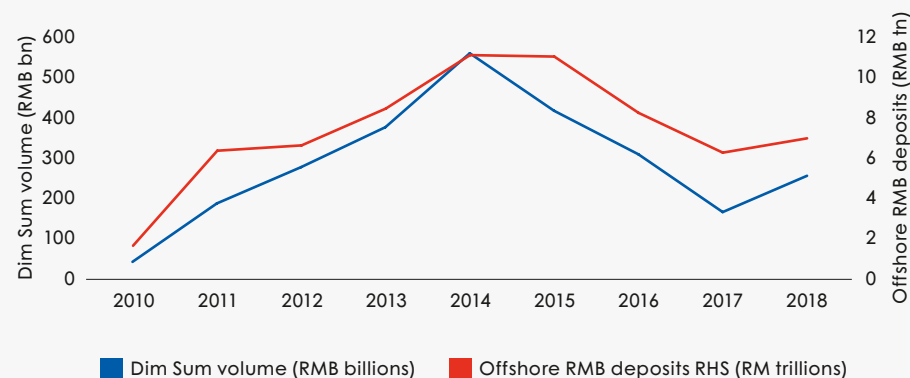
**Figure 3. Dim Sum Vs Panda Bond Activity by volume (RMB bn)**



Source: Bloomberg, Wind

When it comes to bond placement, the key decision driver is investor demand. Anecdotal evidence indicates that issuers are much more flexible in their choice of currency than investors and tend to tailor deals to specific group of investors who wish to invest in certain currency, for instance CNH, and swap the proceeds back to home currency afterwards. Investors find this risk diversification beneficial by being able to hold RMB assets in non-China credit.

**Figure 4. Dim Sum Bond Issuance Volume vs Offshore RMB Deposits**



Source: Bloomberg, Hong Kong Monetary Authority

The size of offshore RMB liquidity pool, therefore, plays a significant role in determining dim sum bond market volume. Figure 4 demonstrates a clear correlation of these two markets. Offshore RMB deposits peaked in 2014 and reached the landmark of 1 trillion, coinciding perfectly with the all time high of dim sum bond issuance.

### What is the future for the Dim Sum market?

London Stock Exchange Group believes that dim sum bonds and China's domestic markets are intrinsically interconnected. As complementary funding sources, they offer international issuers and investors the choice and flexibility to suit the individual needs of each transaction. We anticipate these two markets will continue growing together, as the RMB internationalisation process continues and RMB becomes a true global currency.

China has stepped up its efforts to further open its onshore bond market. Since the landmark launch of Bond Connect in June 2017, the level of Chinese bonds held by foreign investors has more than doubled, reaching 1.75 trillion yuan by end of January 2019<sup>2</sup>. Foreign ownership remains small compared with other developed economies, but it is expected to continue to rapidly grow. Full inclusion into global aggregate indices is expected to attract a further passive investment of 1,919 billion yuan (\$286 billion)<sup>3</sup>, and we expect China's onshore markets to become increasingly attractive for RMB offshore holders seeking further exposure to China's credit as well as for issuers requiring access to deep pools of RMB liquidity.

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**We expect the dim sum and China's domestic markets to continue growing together, as the RMB internationalisation process continues and RMB becomes a true global currency.**

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But we also expect the dim sum market to continue to support the internationalisation of RMB. The Belt and Road Initiative, for example, is expected to significantly increase the use of RMB as a payment and trading currency and lead to a sustained increase of RMB offshore deposits. In addition, RMB financing needs for Belt and Road infrastructure projects are estimated to be extensive and beyond the support expected from China. International capital markets – including the dim sum bond market – are a potential source that could help bridge this gap. London, traditionally seen by issuers from Belt and Road countries as the destination of choice for capital raising, is well positioned to benefit from this opportunity.

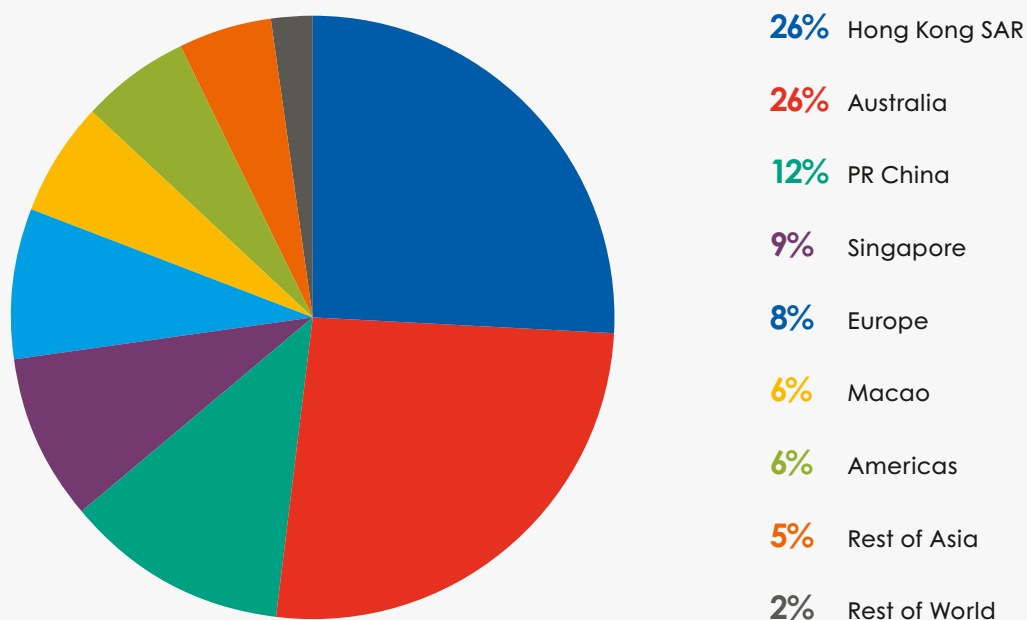
As the eco-system of listing, trading and investing in Chinese assets continue to develop in London with the introduction of Shanghai-London Stock Connect and other exciting financial industry initiatives, one can expect London – already world's largest RMB clearing centre outside Greater China – and the RMB clearing banks in London to play a more and more important role.

In the long term, dim sum might follow the path of the Eurodollar market, which originated in London in the 1960s to facilitate the use of the dollar in international trade and investment across different time zones and geographies. It allows USD denominated bonds to be issued outside the US by non-US entities and held by foreign investors and has proven to be very attractive due to its high level of flexibility plus a well understood tax, legal and regulatory framework.

<sup>2</sup><http://www.chinabondconnect.com/sc/market-data.htm>

<sup>3</sup>Standard Chartered <https://www.reuters.com/article/china-bonds-index/china-bonds-to-join-bloomberg-barclays-global-aggregate-index-idUSL3N1R54JW>

**Figure 5. Breakdown of Dim Sum issuers by domicile for bonds volume issued 2017-18**



Source: Bloomberg

### Dim Sum Bonds and London Stock Exchange Group

Globally, the universe of dim sum bond issuers is very diverse. Only 12 % of the amount raised in 2017-18 was issued by PRC domiciled issuers while both Australia and Hong Kong domiciled issuers have been particularly active in our market.

Dim sum growth in London has been mainly driven by international issuers, as depicted by the list of issuance in the Appendix at the end of the report. In 2018, 42 offshore renminbi deals were listed on London Stock Exchange (250% increase vs 2017), all from investment grade corporate issuers.

Dim sum issuers mainly chose to raise capital through London's markets to broaden the appeal of the issue among the largest sophisticated, and global fixed income investors. LSEG supports companies wishing to attract the most diversified investor base from different geographies across different time zones, backed by the city's recognized status as a trading hub for bonds, futures, and foreign exchange with one of the world's deepest liquidity pool. In light of this, we expect London to remain a leading destination for dim sum bond issuers from all over the world and a centre of excellence in supporting RMB internationalization.

## Industry Update

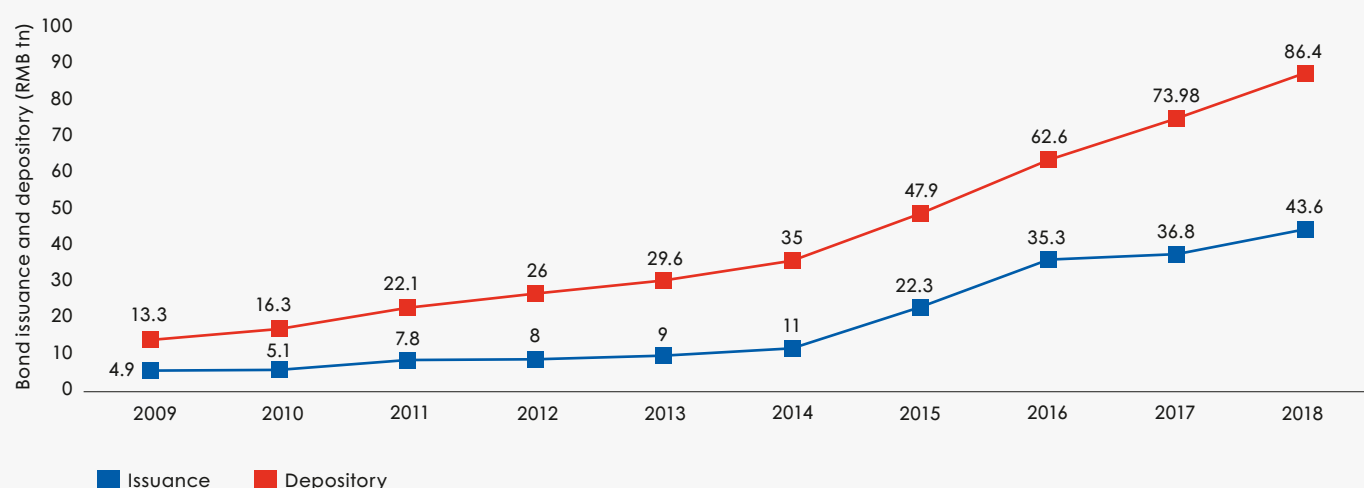
China Foreign Exchange Trade System (CFETS),  
National Association of Financial Market Institutional Investors (NAFMII),  
China Central Depository & Clearing (CCDC),  
Shanghai Clearing House (SHCH),  
Standard Chartered Bank

### China's Bond Market

**Market size:** The outstanding bond had reached CNY 86.4tn by 2018. According to the BIS statistics of Q3 2018, China's bond market is the third-largest bond market in the world (USD 12.42tn), following those of the US (USD 40.72tn) and Japan (USD 12.62tn).

**Trading venue:** About 79.72% of the bonds (CNY 908.95tn) are traded in the interbank bond market (CIBM) in 2018, 20.27% (CNY 231.07tn) are traded on the Shanghai and Shenzhen exchanges, and the remaining 0.01% (CNY 132.02bn) are traded elsewhere, such as commercial bank counters for retail bonds.

Figure 1. Market Size of China's Bond Market



Source: PBoC

### I. Brief introduction to China's Bond Market

China's bond markets comprise of OTC markets and exchange markets. The China Interbank Bond Market (CIBM) and commercial bank counters are OTC market, while the Exchange markets include Shanghai Exchange and Shenzhen Exchange. The CIBM is the major OTC market for institutional investors, and it is the core part of China's bond market accounting for 80% of trading volume.

The China Foreign Exchange Trade System (CFETS) is the electronic platform for the CIBM, providing issuing service, trading, post-trade, disclosure, benchmarking and training services for various interbank venues including

interbank money market, interbank bond market, interbank foreign exchange market and derivative markets. CFETS is also responsible for monitoring trading activities daily and publishing various benchmark indices including the CNY central parity rate, Shanghai Interbank Offered Rate (SHIBOR), Loan Prime Rate (LPR), CNY reference exchange rate, CFETS RMB Exchange Rate Index, etc.

There are two depositories for registration, custody and settlement activities of interbank bond market. One is China Central Depository & Clearing Co., Ltd (CCDC), which is mainly responsible for rate bonds and some of the credit bonds, including central government bond,

local government bond, central bank bill, policy bank bond, commercial bank bond, non-bank financial institution bond, enterprise bond, ABS, international institution bonds etc.

The other depository is Shanghai Clearing House (SHCH), which is mainly responsible for credit bonds, some of the rate bonds, negotiable certificates of deposit, policy bank bonds, panda bonds, SDR denominated bonds, debt financing instruments of non-financial enterprises such as Super & Short-term Commercial Paper (SCP), Commercial Paper (CP), Medium-term Notes (MTN) and Private Placement Notes (PPN). Primary depository model is adopted in the CIBM currently for domestic investors and foreign investors entering the market under CIBM Direct Access Scheme.

For those foreign investors entering the market through Bond Connect, multi-layer depository model is applied. Under both depository models, the participants, mainly institutional investors, transact with each other on bilateral basis. Transactions through CCDC are mainly settled on a real-time, gross, trade-by-trade and DVP basis, while the transactions under SHCH could be

either settled on a net basis with SHCH's role as a Central Counterparty, or on a real-time, gross, trade-by-trade and DVP basis according to the request of the investors. The ultimate regulator of the Interbank Bond Market is People's Bank of China (PBoC).

Commercial bank counters are other OTC markets to trade China bonds, where individual and small to medium size investors can trade central government bonds, local government bonds and policy bank bonds via branch networks. These qualified commercial banks also provide custody and settlement services.

Exchange markets include Shanghai exchange and Shenzhen exchange. Participants in the exchange markets include local brokers, asset management companies, insurance companies, corporations and individual investors. The designated depository is China Securities Depository and Clearing Co., Ltd (CSDC), which covers mainly corporate bonds and other bonds traded in the exchange markets. The exchange bond markets are open to the retail investors and hence it adopts the secondary depository model. Transactions are settled on a net basis.

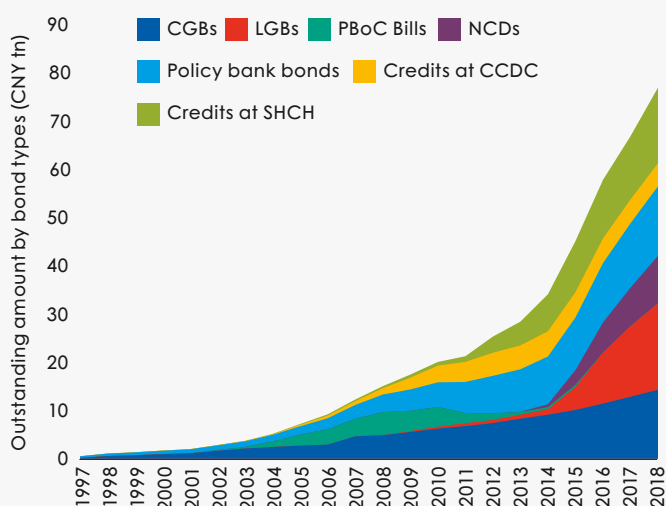
**Figure 2. Overview of China's onshore bond markets and regulators**

|  | Interbank Bond Market (CIBM)   | Exchange Bond Market  | Commercial Bank Counter Market  |
|--|--|---|---|
| Regulator  | PBoC   | CSRC  | PBoC  |
| Trading/Transaction                                | China Foreign Exchange Trade System (CFETS)  | Shanghai/Shenzhen Stock Exchanges   | Banks   |
| Central Securities Depository                      | CCDC/SHCH  | CSDC  | Commercial banks  |
| Available instruments                              | Central government bond, local government bond, policy bank bond, central bank bill, enterprise bond, MTN, CP, commercial bank bond, financial institution bond, interbank negotiable certificates of deposit, ABS, Repo, Bond Lending, Bond Forward, IRS, Forward Rate Agreement etc. | Central government bond, local government bond, policy bank bond, enterprise bond, corporate bond, convertible bond, private placement bond issued by small and medium-sized enterprise | Book-entry treasury bond, certificated bond, Central government bond, local government bond, policy bank bond |
| Key investors                                      | Institutional investors (banks, rural credit cooperatives, securities companies, insurance companies, funds, financial companies, offshore institutions, etc.)   | Small and medium-sized institutional investors (securities companies, insurance companies, funds, financial companies, individual investors, enterprises, QFII) and individuals         | Individual investors  |
| Contribution to primary issuance in 2018           | 78.21%   | 14.24%  | 7.55%   |
| Share of outstanding bond market value at end-2018 | 87.21%   | 11.77%  | 1.02%   |

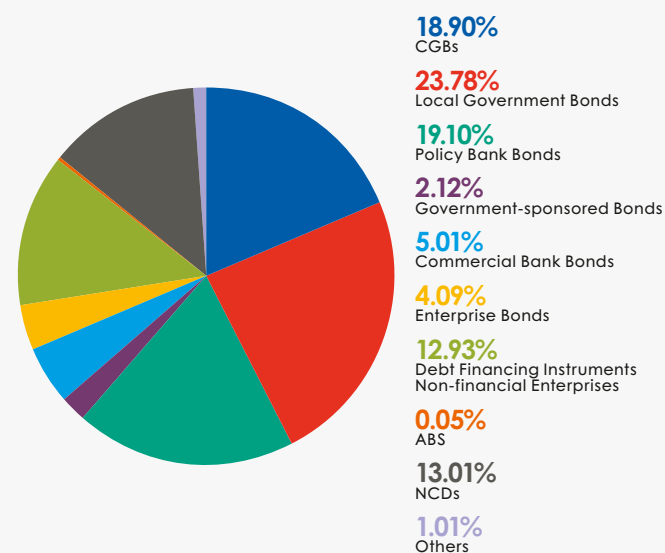
\*The commercial bank counter market is considered an extension of the interbank market  
Source: CCDC, Wind

**Figure 3. Composition of CIBM**

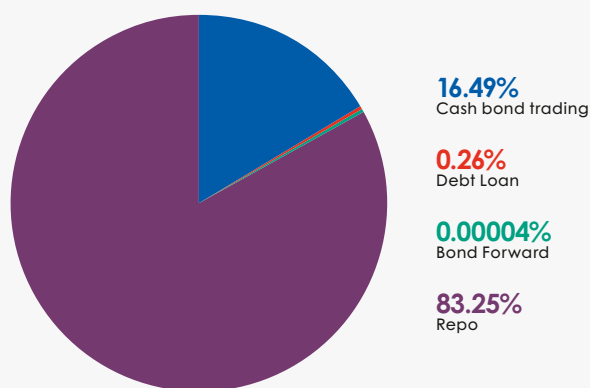
### Outstanding amount by bond types



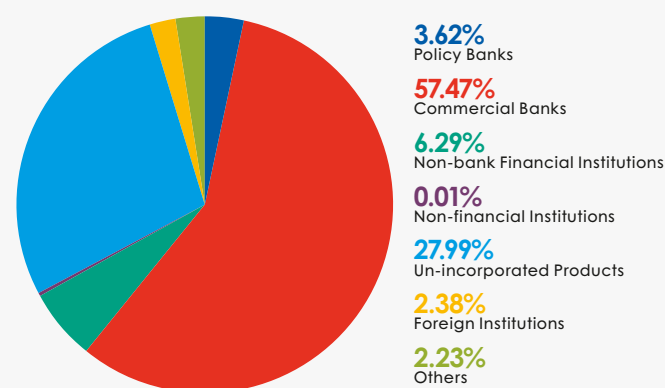
### Composition of outstanding bonds (% , Dec. 2018)



### Instrument types (by amount, %, Dec. 2018)



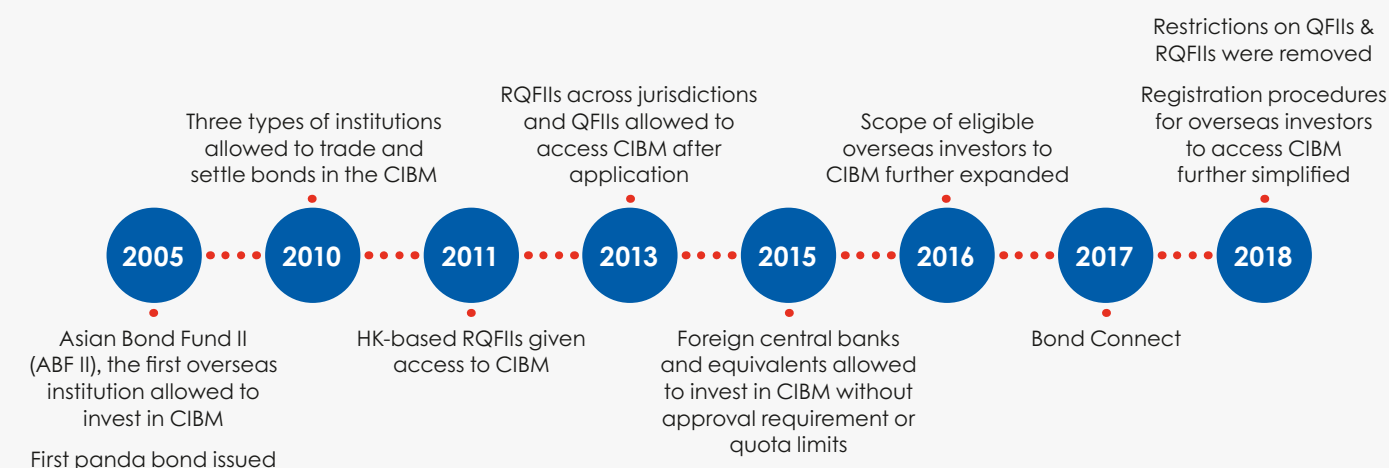
### Participants Structure (% , Dec. 2018)



Source: CCDC, SHCH

Note: CGBs — Central Government Bonds, LGBs — Local Government Bonds, PBoC Bills — Bills issued by the People's Bank of China, NCDs — Negotiable certificate of deposits

**Figure 4. Opening-up of CIBM**



Source: PBoC, SAFE, CSRC

In CIBM, Bond types can be broadly classified into rates bonds and credit bonds. Rates bonds in China include securities issued by the central government, the central bank and policy banks. Credit bonds are securities issued by commercial banks, non-bank financial institutions (NBFIs), and non-financial corporates.

## II. How to invest in CIBM as overseas participants

The opening up of China Interbank Bond Market (CIBM) to overseas participants is in line with the RMB internationalisation journey. As of today, almost all types of offshore financial institutions are eligible to participate in CIBM, and majority of the financial instrument of the CIBM become available to overseas participants. There is no quotas limitation for overseas participants and the application and administrative procedures have been simplified greatly.

### Access channels to CIBM

There are two main channels to invest into CIBM:

- 1) CIBM Direct Access, including QFII and RQFII;
- 2) Bond Connect. In 2018, CFETS has successfully connected with Bloomberg platform, which enables overseas investors to trade onshore Chinese bonds via the Bloomberg Terminal and offers access to both CIBM Direct Access and Bond Connect. According to the current statistics data, many of the large institutional investors and sovereign wealth funds participate (accounting for 80% of existing foreign CIBM investors) in the market through CIBM Direct Access, while a lot of private side investors choose to go with Bond Connect.

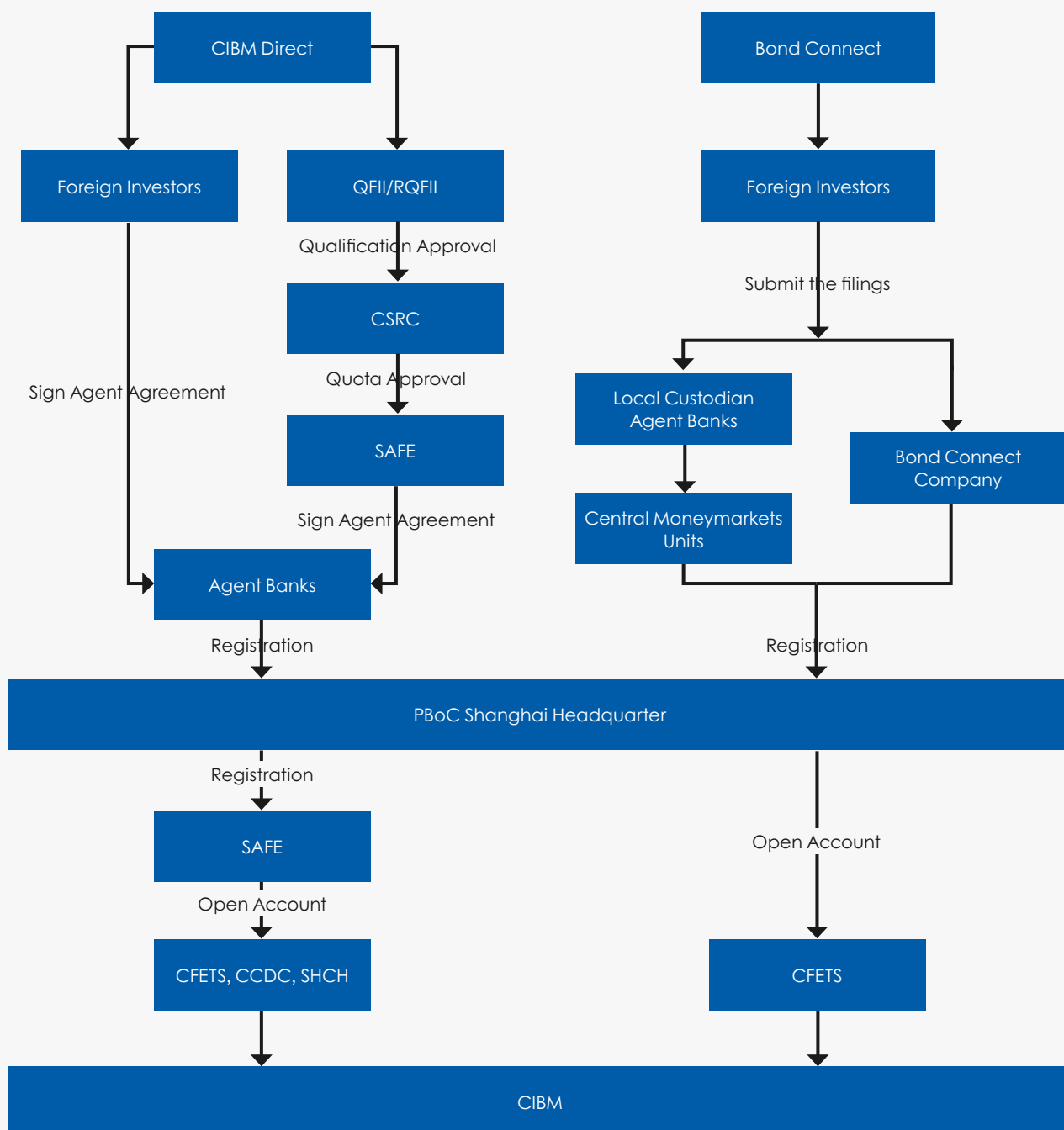
### Latest development on Tax

On 22 November 2018, the Ministry of Finance of the People's Republic of China (MoF) published the Notice No.108 [2018] on tax treatment for Overseas Institutional Investors investing in China bond market. The interest income of the bonds acquired by Overseas Institutional Investors in the China bond market is exempted from Withholding Tax (WHT) and Value-added-Tax (VAT) for three years effective from 7 November 2018 to 6 November 2021. This exemption is not applicable to those onshore entities established by overseas organisations.

## Cross-border Remittance

The ratio of cumulative inflow in RMB and FCY should be roughly the same as the ratio of cumulative outflow in RMB and FCY (within a deviation of 10%). First outbound remittance can be in CNY or FCY and is not subject to the same currency composition ratio restriction, but the amount cannot exceed 110% of cumulative inflows of corresponding RMB or FCY amount.

**Figure 5. CIBM: Registration and Investment Process**



Source: CFETS

**Figure 6. Comparison between Direct Accesses and Bond Connect**

|                                       | Direct Access   | Bond Connect   |
|---------------------------------------|---|--|
| Investment quota                      | No quota limit*   | No quota limit   |
| Available transaction types           | <ul style="list-style-type: none"> <li>- Foreign central banks and equivalents, offshore RMB clearing banks and participating banks: all transaction types</li> <li>- Commercial institutions: all transaction types except for repo</li> </ul> | Cash bond only   |
| Counterparties                        | 20,000+ CIBM participants   | 34 onshore market makers   |
| Trading venues                        | CFETS/Bloomberg + CFETS   | Foreign trade platforms, e.g. Tradeweb + CFETS , Bloomberg + CFETS   |
| Account structure                     | Direct-holding  | Indirect-holding (omnibus)   |
| Settlement cycle                      | T+0/T+1/T+2   | T+0/T+1/T+2  |
| Settlement form                       | DVP   | DVP  |
| Restrictions on repatriation of funds | The ratio of cumulative inflow in RMB and FCY should be roughly the same as the ratio of cumulative outflow in RMB and FCY (within a deviation of 10%)  |  |
| Tax policy                            | Exemption of income tax and VAT for overseas investors' bond interests in CIBM for 3 years.   |  |
| Overseas Investors                    | CFETS: transaction fees<br>CSDs: service fees   | CFETS: transaction fees<br>CMU: transaction fees<br>Tradeweb: service fees<br>Bloomberg: terminal fee only |

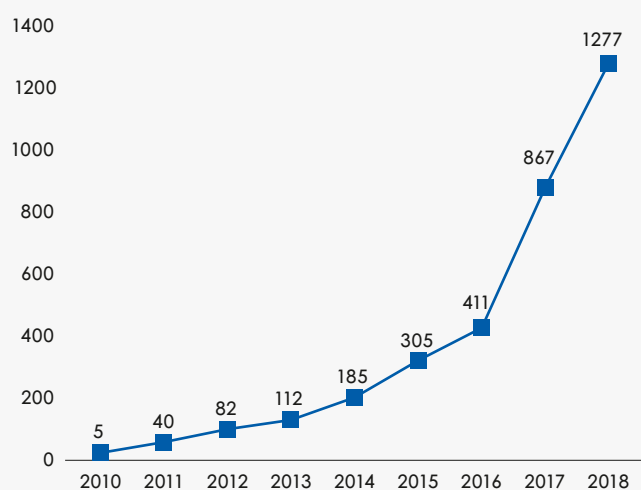
– except for QFIs and RQFIs, who need to obtain pre-approval from SAFE if the requested quota exceeds the base quota

– CMU: Central Moneymarkets Unit, CSD: Central Security Depository

Source: CCDC

**Figure 7. Overseas Investors Participation in CIBM**

**Increasing participation of overseas investors in CIBM**



**Geographic distribution of overseas investors (number of countries)**

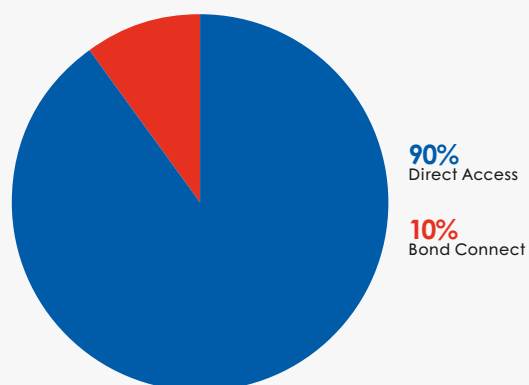
|         |    |
|---------|----|
| Oceania | 2  |
| Africa  | 3  |
| America | 5  |
| Asia    | 14 |
| Europe  | 20 |

Source: CFETS

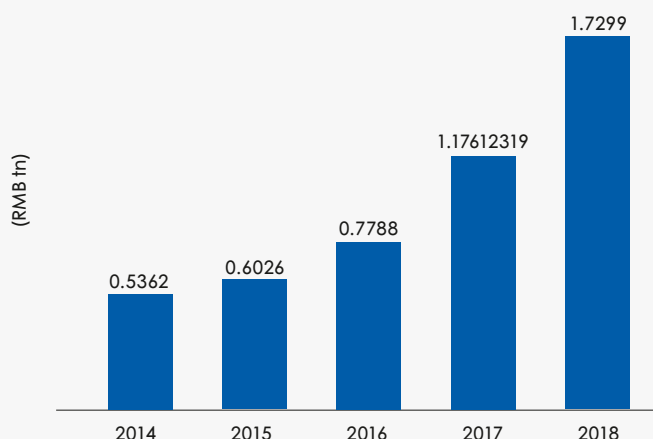
**Numbers of accounts of overseas investors (by the end of 2018)**

| Type             | CIBM Direct Access | Bond Connect |
|------------------|--------------------|--------------|
| Sovereign        | 70                 | -            |
| Commercial Banks | 125                | 93           |
| Financial Funds  | 503                | 330          |
| Insurance        | 27                 | 10           |
| Securities       | 12                 | 32           |
| Others           | 37                 | 38           |
| Total            | 774                | 503          |

**Bond holdings of overseas investors (by access channels, %, the end of 2018)**

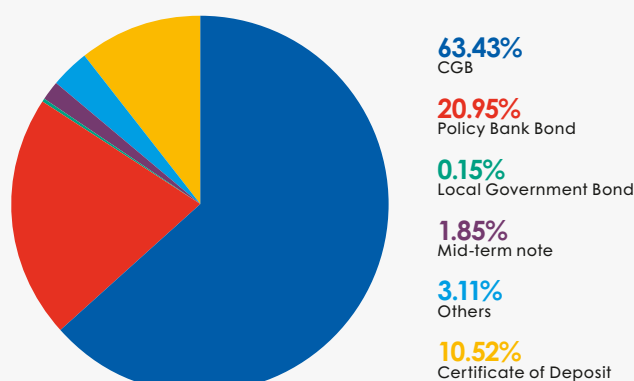


### Bond holdings of overseas investors



Source: CCDC

### Bond holdings of overseas investors (by bond types, the end of 2018)



In recent years, China's bond market gets a lot of attention in the global market. One of the key reasons is the attractive yield. Another reason is the relatively low default rate. At the end of 2018, the overall default rate of China bond market is 0.8%, much lower than the non-performing loan ratio of commercial banks, which is 1.89%. This default rate is also lower than the international average default rate. By the end of 2018, 1186 foreign investors coming from 44 countries have been approved to access CIBM, an increase of 380 compared to 2017. CIBM remains the major channel for foreign investors to enter the market. They mainly invest into china government bonds and policy bank bonds, with an outstanding holding of RMB1.8trillion, which is 46% increase from 2017.

### III. How to raise debt in CIBM as overseas issuers

Besides investment opportunities, CIBM also offer financing opportunities for overseas institutions - issuing Panda Bonds.

A Panda Bond is an RMB-denominated bond issued by overseas institutions in Mainland China. In China interbank market, different types of panda bond issuers include international development organizations, sovereign governments, financial institutions and non-financial enterprises, and investors include domestic institutional investors and overseas institutional investors with the investment qualification of CIBM. Products issued by overseas non-financial enterprise issuers include Super Short-term Commercial Paper (SCP), Commercial Paper (CP), Medium Term Note (MTN), Private Placement Note (PPN), etc. The Panda Bonds can be issued with tenor from 270 days to 10 years. By the end of 2018, there are 47 issuers in China's interbank market that have issued in total 103 panda bonds of 198.06 billion RMB. There are 81 panda bonds outstanding, totalling 154.96 billion RMB, 97% of which are deposited in the Shanghai Clearing House (SHCH).

## Panda Bond Issuance

Since the Asian Development Bank and the International Finance Corporation were first approved to issue Panda Bonds in the CIBM in 2005, foreign non-financial companies, international development organizations and foreign government agencies have begun issuing Panda bonds in the CIBM. In 2018, the People's Bank of China (PBoC) and the Ministry of Finance (MOF) issued Administrative Measures for Foreign Institutions to Issue Bonds in China Interbank Bond Market, further clarifying relevant requirements for the issuance of Panda Bonds. At present, the issuance of bonds by overseas banks and financial institutions should be approved by the PBoC; foreign government agencies, international development organizations and overseas non-financial companies issuing bonds in the CIBM should go through the registration process with National Association of Financial Market Institutional Investors (NAFMII).

**Figure 8. Interbank Panda Bond: Registration and Issuance Process**

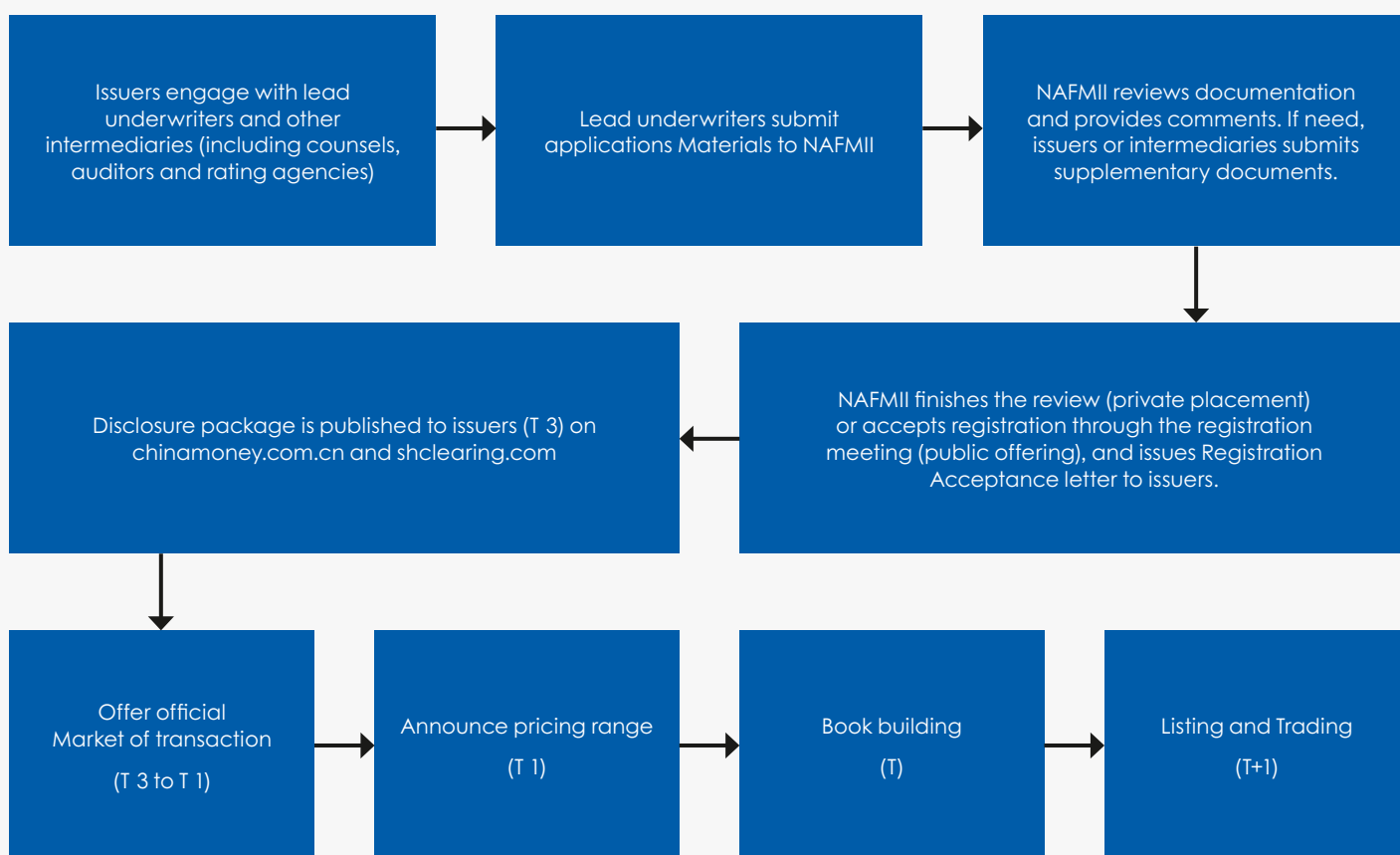
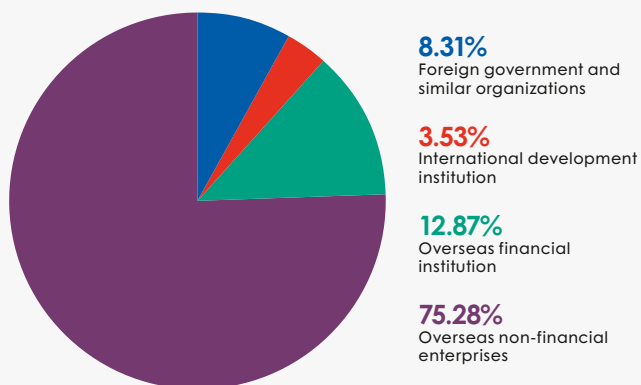
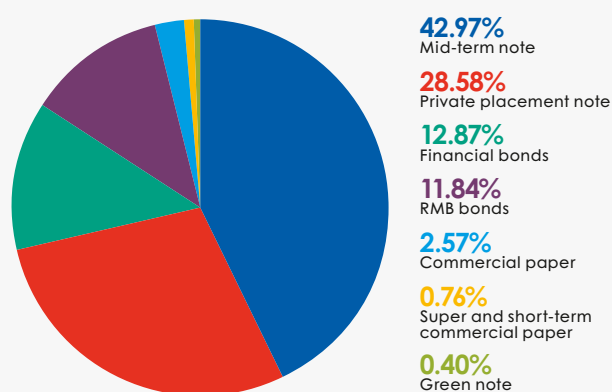


Figure 9. The New Development of China Panda Bond Market

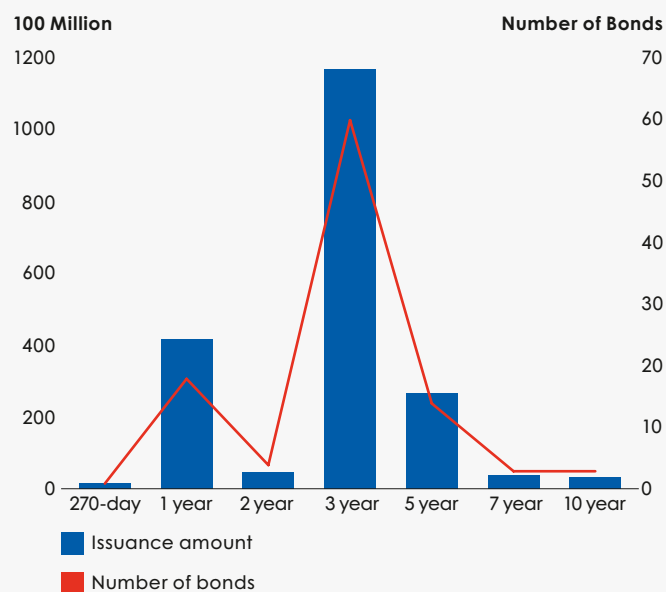
#### Major Panda bond issuers in CIBM (the end of 2018)



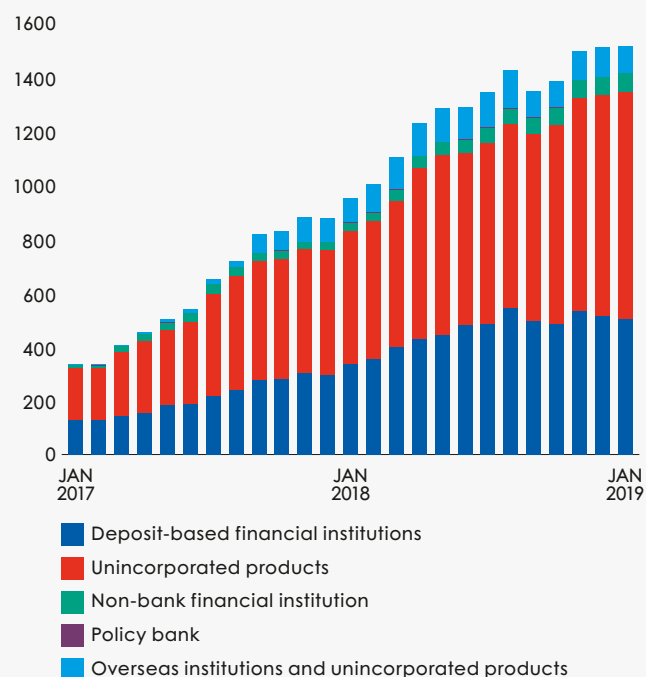
#### Products of the interbank Panda Bonds (the end of 2018)



#### Duration of the interbank Panda Bonds (the end of 2018)



#### Holders of the panda bonds deposited in SHCH



Source: SHCH

### **How to Issue a Green Panda Bond?**

A green panda bond is fundamentally the same as a panda bond except with proceeds earmarked for green assets or projects. The issuance of a green panda bond needs to follow both the guidelines for panda bonds and for green bonds. China's green bond issuance began in late 2015 with the Agricultural Bank of China issuing a green bond in London. In July 2016, the first green panda bond was issued by the New Development Bank (NDB). To support and facilitate international issuers entrance into the Chinese green bond market, the Climate Bonds Initiative in partnership with the Inter-American Development Bank (IDB) published the 'Green Panda Bond Handbook', which provides a step-by-step guide for prospective issuers and an overview of Chinese regulators and actors. The Handbook launch was supported by the Shanghai Head Office of the People's Bank of China in November 2018. More details and useful information about green panda bonds can be found in the website of Climate Bonds Initiative.

### **IV. Forward looking of China's Bond Market**

In the past two years, PBoC has been actively learning and drawing reference from international market and overseas institutional investors. Based on the requirement of the overseas participants, PBoC has issued a number of new measures to make improvement in investment access channels, tax clarification, accounting standard, capital remittance, risk hedging, credit rating and other various areas. Also, Bloomberg has announced that the Bloomberg Barclay Global Aggregate Index started to include China Government Bonds and Policy Financial Bonds from 1st April 2019. FTSE and other major bond index providers are also planning to review their index composition. Overall, the opening up of China bond market has taken quite a big step forward and significant progress made. Next, PBoC will continue the efforts to improve investment and trading mechanism, to accelerate the opening of credit rating industry, and to provide a user-friendly market environment for overseas participants.

#### **Reference:**

**PBoC:** Guidance for overseas participants

<http://www.pbc.gov.cn/en/3688235/3688609/3777454/3778692/index.html>

**CFETS:** <http://www.chinamoney.com.cn/english/>

**CCDC:** <https://www.chinabond.com.cn/d2s/engindex.html>

**SHCH:** <http://english.shclearing.com>

**NAFMII:** <http://www.nafmii.org.cn/english/>

# Latest Policies and Major Events

- On 14th January, in order to meet the needs of foreign investors to expand investment in China's capital market, the total amount of qualified foreign institutional investors (QFII) increased from USD150 billion to USD300 billion with the approval of the State Council.
- On 16th January, the Beijing Municipal Government and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) signed a memorandum of cooperation in Beijing. SWIFT will establish a wholly foreign-owned enterprise in Beijing and will join the China Payment and Clearing Association, which will be supervised and managed by the People's Bank of China. In addition, SWIFT has signed a letter of intent with the Cross-border Clearing Corporation (CIPS Operator) to further deepen the cooperation between the two parties in the development of cross-border payment services.
- On 28th January, the People's Bank of China issued an announcement to record the S&P Credit Rating (China) Co., Ltd., a wholly-owned subsidiary of S&P Global Inc. in Beijing. On the same day, the National Association of Financial Market Institutional Investors (NAFMII) also announced that it would accept the registration of the S&P Credit Rating (China) Co., Ltd. into the inter-bank bond market to conduct bond rating business. The opening-up of the credit rating industry is an important part of the steady expansion of the financial market to the outside world.
- On 31st January, Bloomberg officially confirmed that it will include Chinese bonds in the Bloomberg Barclays Bond Index from April 2019.
- On 31st January, the CSRC publicly solicited opinions on the revision and integration of "the Measures for the Administration of Domestic Securities Investment by Qualified Foreign Institutional Investors",

“the Pilot Measures for Domestic Securities Investment of Qualified Foreign Institutional Investors and Relevant Supporting Rules.” The main amendments include firstly, the two systems of QFII and RQFII to be combined into one, and the relevant supporting regulations are integrated to form a unified “Administrative Measures” and “Implementation Regulations”.

The second is to relax the access conditions. Cancellation of quantitative indicator requirements; retention of institutional categories and compliance conditions. At the same time, simplify the application documents and shorten the time required for approval.

The third is to expand the scope of investment. In addition to the original varieties, QFII, RQFII can also invest: stocks listed in the national SME share transfer system (New Third Board); bond repurchase; private equity investment funds; financial futures; commodity futures; options etc.

The fourth is to optimize the management of the custodian: clarify that the QFII custodian qualification examination and approval items are changed to post filing record management requirements; the number of QFII custodians is no longer restricted.

The fifth is to strengthen continuous supervision, improve account management, improve the monitoring and analysis mechanism, increase the requirements for providing relevant cross-border transaction information, and increase the punishment of violations.

- On 28th February, MSCI Inc. announced that it will increase the weight of China A shares in the MSCI Indices by increasing the inclusion factor from 5% to 20% in three steps. Step 1: MSCI will increase the index inclusion factor of all China A Large Cap shares in the MSCI Indices from 5% to 10% and add ChiNext Large Cap shares with a 10% inclusion factor coinciding with the May 2019 Semi Annual Index Review. Step 2: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indices from 10% to 15% coinciding with the August 2019 Quarterly Index Review. Step 3: MSCI will increase the inclusion factor of all China A Large Cap shares in the MSCI Indices from 15% to 20%, and add China A Mid Cap shares, including eligible ChiNext shares, with a 20% inclusion factor to the MSCI indices coinciding with the November 2019 Semi-Annual Index Review.

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

| Issuer   | Amount Issued (RMB) | Coupon (%) | Issue Date | Maturity   |
|--|---------------------|------------|------------|------------|
| European Bank For Reconstruction & Development | 300.00MM            | 2.6        | 28/02/2019 | 28/02/2020 |
| QNB Finance Ltd                                | 135.00MM            | 3.93       | 28/02/2019 | 28/02/2021 |
| First Abu Dhabi Bank PJSC                      | 200.00MM            | 4.12       | 11/02/2019 | 11/02/2024 |
| QNB Finance Ltd                                | 500.00MM            | 4.35       | 29/01/2019 | 29/01/2022 |
| QNB Finance Ltd                                | 135.00MM            | 4.6        | 23/01/2019 | 23/01/2024 |
| Hitachi Capital UK PLC                         | 200.00MM            | 4.75       | 29/10/2018 | 29/04/2022 |
| Westpac Banking Corp                           | 200.00MM            | 4.7        | 12/10/2018 | 12/10/2022 |
| Hitachi Capital UK PLC                         | 600.00MM            | 4.6        | 27/09/2018 | 27/09/2021 |
| Royal Bank of Canada                           | 140.00MM            | 4.3        | 20/09/2018 | 20/09/2020 |
| Bank of Montreal                               | 200.00MM            | 4.53       | 19/09/2018 | 19/09/2021 |
| Bank of Montreal                               | 155.00MM            | 4.72       | 19/09/2018 | 19/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 270.00MM            | 4.795      | 14/09/2018 | 14/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 140.00MM            | 4.61       | 13/09/2018 | 13/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 145.00MM            | 4.62       | 11/09/2018 | 11/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 137.00MM            | 4.6        | 11/09/2018 | 11/09/2023 |
| First Abu Dhabi Bank PJSC                      | 650.00MM            | 4.5        | 10/09/2018 | 10/09/2021 |
| Royal Bank of Canada                           | 160.00MM            | 4.48       | 07/09/2018 | 07/09/2023 |
| Westpac Banking Corp                           | 190.00MM            | 4.6        | 07/09/2018 | 07/09/2023 |
| Westpac Banking Corp                           | 160.00MM            | 4.621      | 07/09/2018 | 07/09/2023 |
| Commonwealth Bank of Australia                 | 80.00MM             | 4.52       | 07/09/2018 | 07/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 140.00MM            | 4.6        | 04/09/2018 | 04/09/2023 |
| Australia & New Zealand Banking Group Ltd      | 140.00MM            | 4.3        | 24/08/2018 | 24/08/2021 |
| Australia & New Zealand Banking Group Ltd      | 138.00MM            | 4.63       | 24/08/2018 | 24/08/2023 |
| Westpac Banking Corp                           | 270.00MM            | 4.65       | 23/08/2018 | 23/08/2023 |
| Westpac Banking Corp                           | 140.00MM            | 4.35       | 15/08/2018 | 15/08/2023 |
| Westpac Banking Corp                           | 627.00MM            | 4.42       | 14/08/2018 | 14/08/2023 |
| Westpac Banking Corp                           | 140.00MM            | 4.51       | 01/08/2018 | 01/08/2028 |
| Royal Bank of Canada                           | 135.00MM            | 4.3        | 17/07/2018 | 17/07/2023 |
| QNB Finance Ltd                                | 142.00MM            | 5.32       | 05/07/2018 | 06/07/2021 |
| QNB Finance Ltd                                | 1.25MMM             | 5.25       | 21/06/2018 | 21/06/2021 |
| QNB Finance Ltd                                | 600.00MM            | 5.2        | 07/06/2018 | 07/06/2021 |
| First Abu Dhabi Bank PJSC                      | 1.10MM              | 4.8        | 01/06/2018 | 01/06/2021 |
| Westpac Banking Corp                           | 200.00MM            | 4.77       | 30/05/2018 | 30/05/2023 |
| Credit Agricole Corporate & Investment Bank SA | 200.00MM            | 4.72       | 29/05/2018 | 29/05/2023 |
| QNB Finance Ltd                                | 1.00MMM             | 5.1        | 14/05/2018 | 14/05/2021 |
| Commonwealth Bank of Australia                 | 340.MM              | 4.615      | 26/04/2018 | 26/04/2023 |
| Westpac Banking Corp                           | 400.00MM            | 4.35       | 29/03/2018 | 29/03/2019 |
| First Abu Dhabi Bank PJSC                      | 900.00MM            | 4.8        | 29/03/2018 | 29/03/2021 |
| QNB Finance Ltd                                | 200.00MM            | 5.5        | 20/03/2018 | 20/03/2021 |
| Hitachi Capital UK PLC                         | 80.00MM             | 4.78       | 16/03/2018 | 16/03/2021 |
| Commonwealth Bank of Australia                 | 500.00MM            | 4.375      | 13/03/2018 | 13/03/2019 |

| Issuer   | Amount Issued (RMB) | Coupon (%) | Issue Date | Maturity   |
|--|---------------------|------------|------------|------------|
| QNB Finance Ltd                                | 130.00MM            | 5.465      | 09/03/2018 | 09/03/2020 |
| QNB Finance Ltd                                | 750.00MM            | 5.1        | 08/03/2018 | 08/03/2021 |
| Hitachi Capital UK PLC                         | 50.00MM             | 4.6        | 27/02/2018 | 22/02/2022 |
| Commonwealth Bank of Australia                 | 64.00MM             | 4.39       | 30/01/2018 | 30/01/2021 |
| Credit Agricole Corporate & Investment Bank SA | 50.00MM             | 4.55       | 29/01/2018 | 29/01/2021 |
| Westpac Banking Corp                           | 500.00MM            | 4.35       | 19/01/2018 | 19/01/2021 |
| First Abu Dhabi Bank PJSC                      | 110.00MM            | 4.6        | 30/11/2017 | 30/11/2020 |
| International Finance Corp                     | 47.00MM             | 3.92       | 13/11/2017 | 13/11/2019 |
| International Finance Corp                     | 19.00MM             | 3.9        | 13/11/2017 | 13/11/2020 |
| Hitachi Capital UK PLC                         | 500.00MM            | 4.5        | 09/11/2017 | 09/10/2020 |
| Commonwealth Bank of Australia                 | 1.50MM              | 4.2        | 26/10/2017 | 26/10/2020 |
| Hitachi Capital UK PLC                         | 184.00MM            | 4.4        | 13/10/2017 | 13/10/2020 |
| International Finance Corp                     | 75.00MM             | 3.91       | 11/10/2017 | 11/10/2022 |
| Royal Bank of Canada                           | 900.00MM            | 4.25       | 29/09/2017 | 29/09/2020 |
| Lloyds Bank PLC                                | 30.00MM             | 5.23       | 31/03/2017 | 31/03/2022 |
| Commonwealth Bank of Australia                 | 70.00MM             | 5.81       | 18/01/2017 | 18/01/2022 |
| Hitachi Capital UK PLC                         | 300.00MM            | 4.67       | 19/12/2016 | 19/12/2019 |
| QNB Finance Ltd                                | 130.00MM            | 5.33       | 15/12/2016 | 15/12/2019 |
| Westpac Banking Corp                           | 65.00MM             | 4.8        | 15/12/2016 | 15/05/2020 |
| Commonwealth Bank of Australia                 | 120.00MM            | 4.65       | 07/12/2016 | 07/12/2021 |
| Commonwealth Bank of Australia                 | 70.00MM             | 4.41       | 29/11/2016 | 29/11/2019 |
| Australia & New Zealand Banking Gro            | 130.00MM            | 4.35       | 23/11/2016 | 23/11/2021 |
| QNB Finance Ltd                                | 130.00MM            | 4.4        | 18/11/2016 | 18/11/2019 |
| QNB Finance Ltd                                | 160.00MM            | 4.3        | 17/11/2016 | 17/11/2019 |
| Commonwealth Bank of Australia                 | 90.00MM             | 4.06       | 02/11/2016 | 02/11/2021 |
| Commonwealth Bank of Australia                 | 100.00MM            | 3.85       | 27/07/2016 | 27/07/2020 |
| Credit Agricole SA                             | 60.00MM             | 4          | 22/07/2016 | 22/07/2019 |
| QNB Finance Ltd                                | 130.00MM            | 4.35       | 21/07/2016 | 21/07/2019 |
| Australia & New Zealand Banking Gro            | 280.00MM            | 4.35       | 08/06/2016 | 08/06/2019 |
| Australia & New Zealand Banking Gro            | 140.00MM            | 4.31       | 07/06/2016 | 07/06/2019 |
| First Gulf Bank PJSC                           | 516.00MM            | 4.55       | 03/06/2016 | 03/06/2019 |
| China Government Bond                          | 3.00MM              | 3.28       | 02/06/2016 | 02/06/2019 |
| Australia & New Zealand Banking Gro            | 410.00MM            | 4.15       | 27/05/2016 | 27/05/2019 |
| Australia & New Zealand Banking Gro            | 330.00MM            | 4.293      | 27/05/2016 | 27/05/2019 |
| Australia & New Zealand Banking Gro            | 215.00MM            | 4.07       | 24/05/2016 | 24/05/2019 |
| First Gulf Bank PJSC                           | 65.00MM             | 4.6        | 12/05/2016 | 13/05/2019 |
| Westpac Banking Corp                           | 130.00MM            | 4.19       | 12/05/2016 | 12/05/2021 |
| Royal Bank of Canada                           | 150.00MM            | 4          | 06/05/2016 | 06/05/2019 |
| Royal Bank of Canada/Toronto                   | 200.00MM            | 4.12       | 29/04/2016 | 29/04/2019 |
| Commonwealth Bank of Australia                 | 100.00MM            | 4.15       | 28/04/2016 | 28/04/2019 |
| Hungary Government International B             | 1.00MM              | 6.25       | 25/04/2016 | 25/04/2019 |

| Issuer                                 | Amount Issued (RMB) | Coupon (%) | Issue Date | Maturity   |
|--|---------------------|------------|------------|------------|
| Commonwealth Bank of Australia         | 100.00MM            | 4.25       | 21/04/2016 | 21/04/2019 |
| Royal Bank of Canada                   | 130.00MM            | 4.23       | 21/04/2016 | 21/04/2019 |
| Westpac Banking Corp                   | 190.00MM            | 4.39       | 20/04/2016 | 20/04/2020 |
| Commonwealth Bank of Australia         | 90.00MM             | 4.23       | 19/04/2016 | 19/04/2019 |
| Standard Chartered Bank                | 432.00MM            | 4.52       | 15/04/2016 | 15/04/2019 |
| Standard Chartered Bank                | 470.00MM            | 4.56       | 15/04/2016 | 15/04/2019 |
| Westpac Banking Corp                   | 135.00MM            | 4.8        | 29/03/2016 | 29/03/2019 |
| Westpac Banking Corp                   | 130.00MM            | 4.75       | 22/03/2016 | 22/03/2019 |
| Commonwealth Bank of Australia         | 150.00MM            | 4.685      | 21/03/2016 | 21/03/2019 |
| Royal Bank of Canada                   | 150.00MM            | 5          | 18/03/2016 | 18/03/2019 |
| Westpac Banking Corp                   | 131.00MM            | 5.02       | 18/03/2016 | 18/03/2019 |
| First Abu Dhabi Bank PJSC              | 130.00MM            | 4.75       | 15/03/2016 | 15/03/2019 |
| Commonwealth Bank of Australia         | 131.00MM            | 4.85       | 14/03/2016 | 14/03/2019 |
| Royal Bank of Canada                   | 230.00MM            | 4.85       | 11/03/2016 | 11/03/2019 |
| Commonwealth Bank of Australia         | 100.00MM            | 4.85       | 11/03/2016 | 11/03/2019 |
| Commonwealth Bank of Australia         | 135.00MM            | 4.95       | 10/03/2016 | 10/03/2019 |
| Commonwealth Bank of Australia         | 180.00MM            | 5.07       | 07/03/2016 | 07/03/2021 |
| Royal Bank of Canada                   | 200.00MM            | 5.08       | 04/03/2016 | 04/03/2019 |
| Commonwealth Bank of Australia         | 65.00MM             | 5.08       | 04/03/2016 | 04/03/2019 |
| Commonwealth Bank of Australia         | 150.00MM            | 5.095      | 02/03/2016 | 02/03/2019 |
| Credit Agricole Corporate & Investment | 50.00MM             | 4.2        | 05/08/2015 | 05/08/2020 |
| Australia & New Zealand Banking Gro    | 405.00MM            | 4          | 28/07/2015 | 28/07/2020 |
| Lloyds Bank PLC                        | 100.00MM            | 4.4        | 24/07/2015 | 24/07/2020 |
| Lloyds Bank PLC                        | 54.00MM             | 4.53       | 24/07/2015 | 24/07/2025 |
| Credit Agricole Corporate & Investment | 125.00MM            | 4.1        | 23/07/2015 | 23/07/2020 |
| First Abu Dhabi Bank PJSC              | 200.00MM            | 4.79       | 17/03/2015 | 17/03/2020 |
| International Finance Corp             | 1.55MMM             | 3.1        | 24/09/2014 | 24/09/2019 |
| China Development Bank Corp            | 500.00MM            | 3.6        | 19/09/2014 | 19/09/2019 |
| China Development Bank Corp            | 900.00MM            | 4.35       | 19/09/2014 | 19/09/2024 |
| Lloyds Bank PLC                        | 200.00MM            | 4.62       | 17/01/2014 | 17/01/2024 |
| Lloyds Bank PLC                        | 100.00MM            | 4.61       | 24/09/2012 | 24/09/2022 |

Source: London Stock Exchange

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

| Type of issuer                         |                             | Registration Amount (bn) | Issued Amount (bn) | Outstanding Amount (bn) | Issue Number |
|--|-----------------------------|--------------------------|--------------------|-------------------------|--------------|
| International Development Organisation | ADB                         | 2                        | 2                  | 1                       | 2            |
|  | IFC                         | 2                        | 2                  | 0                       | 2            |
|  | NDB                         | 13                       | 3                  | 3                       | 1            |
| Governments                            | ROK                         | 3                        | 3                  | 0                       | 1            |
|  | BC, Canada                  | 6                        | 4                  | 4                       | 2            |
|  | Poland                      | 6                        | 3                  | 3                       | 1            |
|  | Hungary                     | 3                        | 3                  | 3                       | 2            |
|  | UAE                         | 3                        | 2                  | 2                       | 1            |
|  | Saxony Germany              | 6                        | 0                  | 0                       | 0            |
|  | Philippine                  | 1.46                     | 1.46               | 1.46                    | 1            |
| Financial Institutions                 | HSBC HK                     | 1                        | 1                  | 1                       | 1            |
|  | BOC HK                      |                          |                    |                         |              |
|  | Standard Chartered HK       | 10                       | 10                 | 10                      | 2            |
|  | Chong Hing Bank             | 2                        | 1                  | 1                       | 1            |
|  | National Bank of Canada     | 3                        | 1.5                | 1.5                     | 1            |
|  | ABC International           | 5                        | 3.5                | 0                       | 1            |
|  | CBC Asia                    | 3                        | 3                  | 3                       | 1            |
|  | Wing Lung Bank              | 6                        | 0                  | 0                       | 0            |
|  | ICBC Asia                   | 10                       | 0                  | 0                       | 0            |
|  | Citic Bank International    | 3                        | 0                  | 0                       | 0            |
|  | Bank of Malaya              | 3                        | 3                  | 3                       | 1            |
|  | Mizuho Bank                 | 6                        | 1                  | 1                       | 1            |
|  | Bank of Tokyo-Mitsubisi UFJ | 0.5                      | 0.5                | 0.5                     | 1            |
| Non-financial Institutions             | Daimler                     | 55                       | 47                 | 27                      | 20           |
|  | China Merchants HK          | 3                        | 0.5                | 0                       | 1            |
|  | China Resources Land        | 30                       | 20                 | 20                      | 7            |
|  | SMIC                        | 6                        | 2.1                | 1.5                     | 2            |
|  | Veolia Environment          | 15                       | 2                  | 2                       | 2            |
|  | China Resources Cement      | 13.5                     | 3.5                | 3                       | 2            |
|  | Hengan International        | 5                        | 2                  | 2                       | 1            |
|  | SINOTEC                     | 7                        | 4                  | 2                       | 2            |
|  | Wharf                       | 20                       | 6                  | 6                       | 2            |
|  | CNTHM                       | 4.5                      | 4.5                | 4.5                     | 2            |
|  | China Merchant Port         | 10                       | 4                  | 2.5                     | 2            |
|  | GLP                         | 10                       | 7.6                | 7.6                     | 6            |
|  | Joy City                    | 10                       | 1                  | 1                       | 1            |
|  | CPCED                       | 2.5                      | 0.8                | 0.8                     | 1            |
|  | China Jinmao                | 16                       | 8                  | 8                       | 3            |
|  | China Gas                   | 9.6                      | 4.8                | 4.8                     | 3            |
|  | Huarong International       | 3                        | 3                  | 3                       | 1            |
|  | COSCO                       | 10                       | 10                 | 10                      | 4            |
|  | BOC Group Investment        | 8                        | 3.5                | 3.5                     | 2            |
|  | Kunlun Energy               | 10                       | 0                  | 0                       | 0            |

| Type of issuer   |   | Registration Amount (bn) | Issued Amount (bn) | Outstanding Amount (bn) | Issue Number |
|--|---|--------------------------|--------------------|-------------------------|--------------|
| Non-financial Institutions                                   | Shimao Properties                                   | 8                        | 0                  | 0                       | 0            |
|  | Longfor Properties                                  | 8                        | 2                  | 2                       | 2            |
|  | Sun Hung Kai Properties                             | 10                       | 1.2                | 1.2                     | 1            |
|  | Country Garden                                      | 9.5                      | 0                  | 0                       | 0            |
|  | China Mengniu                                       | 15                       | 0                  | 0                       | 0            |
|  | China Orient International Asset Management Limited | 2.8                      | 0                  | 0                       | 0            |
|  | China Water Affairs Group Limited                   | 3                        | 0.2                | 0.2                     | 1            |
|  | Hang Lung Properties                                | 10                       | 1                  | 1                       | 1            |
|  | Air Liquide S.A                                     | 10                       | 2.2                | 2.2                     | 2            |
|  | Yuexiu Transport                                    | 2                        | 0                  | 0                       | 0            |
|  | Trafigura Group                                     | 2.35                     | 1.7                | 1.7                     | 3            |
|  | BEWG  | 8                        | 8                  | 8                       | 6            |
|  | Want Want China                                     | 8                        | 0.5                | 0.5                     | 1            |
| Total (RMB Bond)   |   | 445.71                   | 200.06             | 165.46                  | 105          |
| International Bank for Reconstruction and Development (IBRD) |   | 18.63                    | 4.65               | 4.65                    | 1            |
|  |   | 2 bn SDR                 | (0.5 bn SDR)       | (0.5 bn SDR)            |              |
| Standard Chartered HK  |   | 0.93                     | 0.93               | 0                       | 1            |
|  |   | 100 M SDR                | (100 M SDR)        | (100 M SDR)             |              |
| Total (RMB Equivalent)                                       |   | 465.27                   | 205.64             | 170.11                  | 107          |

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

### Clearing bank

In March 2014, the PBoC and BoE signed a Memorandum of Understanding to establish RMB clearing arrangements in London. In June 2014, the PBoC authorized China Construction Bank (London) to serve as the RMB clearing bank in London. In July 2016, the PBoC approved the transfer of clearing functions from China Construction Bank (London) to China Construction Bank, London Branch. By the end of January 2019, CIPS had 882 indirect participating banks, increasing 46 since our last report. Among them, 14 participating banks were from the UK, accounting for 1.59% of the total.

### RQFII

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

