



Introduction of BOC's white paper on RMB Internationalization and BOC cross-border/offshore RMB Index

Global Trade Services dept.
Bank of China
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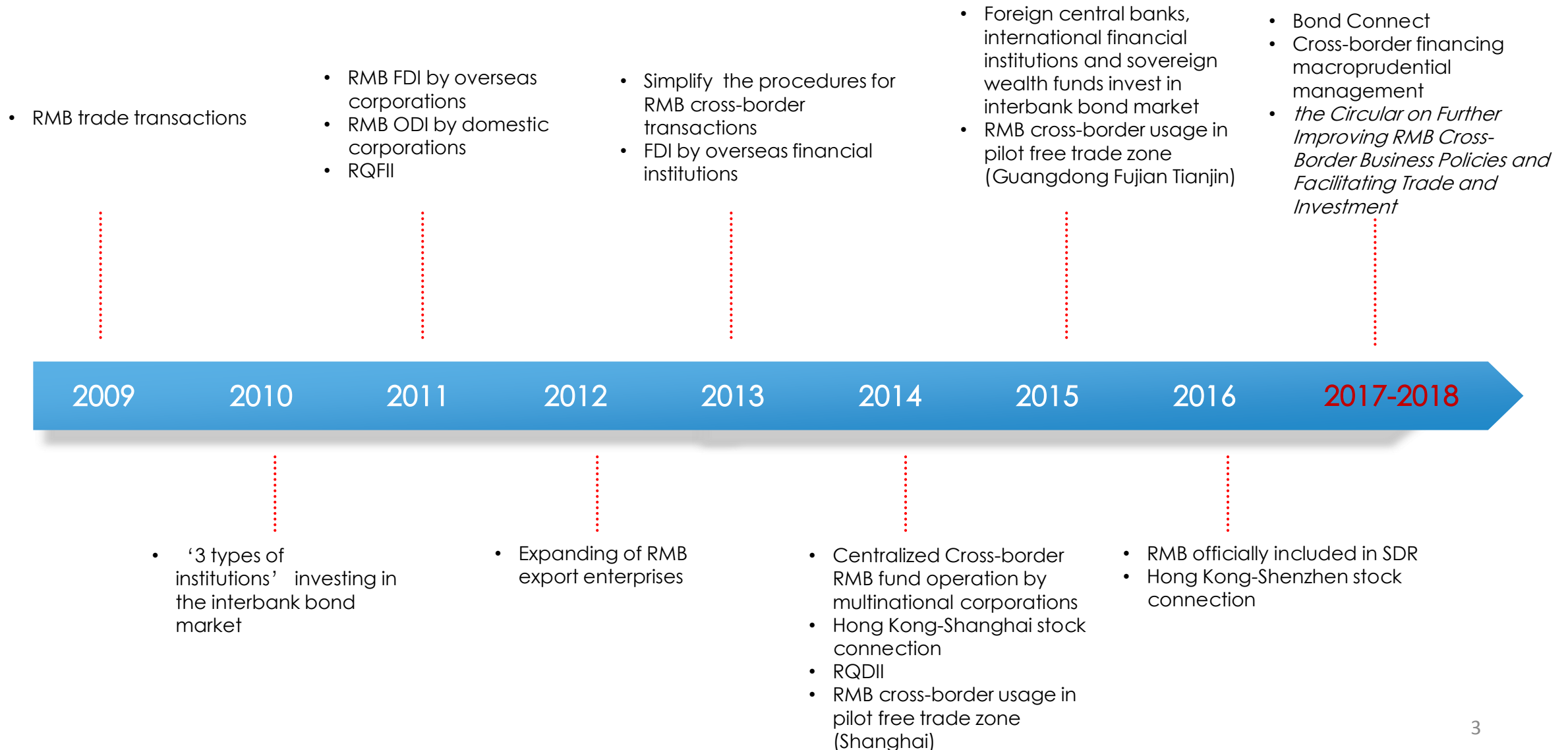
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Policies & Market Prospects

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BOC Products & Services

1. RMB Internationalization Policy framework



2. Present Situation of RMB

1

No. **2** most frequently used currency in China' s Cross-border Transaction (SAFE)

2

No. **5** most frequently used currency in global payment (SWIFT)

3

No. **7** most frequently used currency in foreign reserve (IMF)

4

No. **8** most frequently used currency in global FX trading (BIS)

5

China had signed Currency Swap Agreement with **36** countries or regions

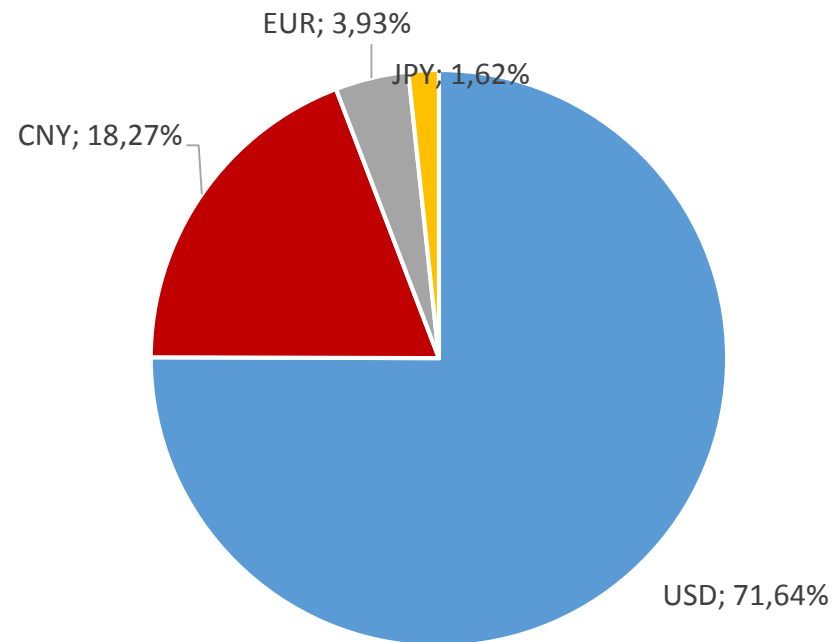
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RMB had accessed to almost **200** countries

2. Present Situation of RMB

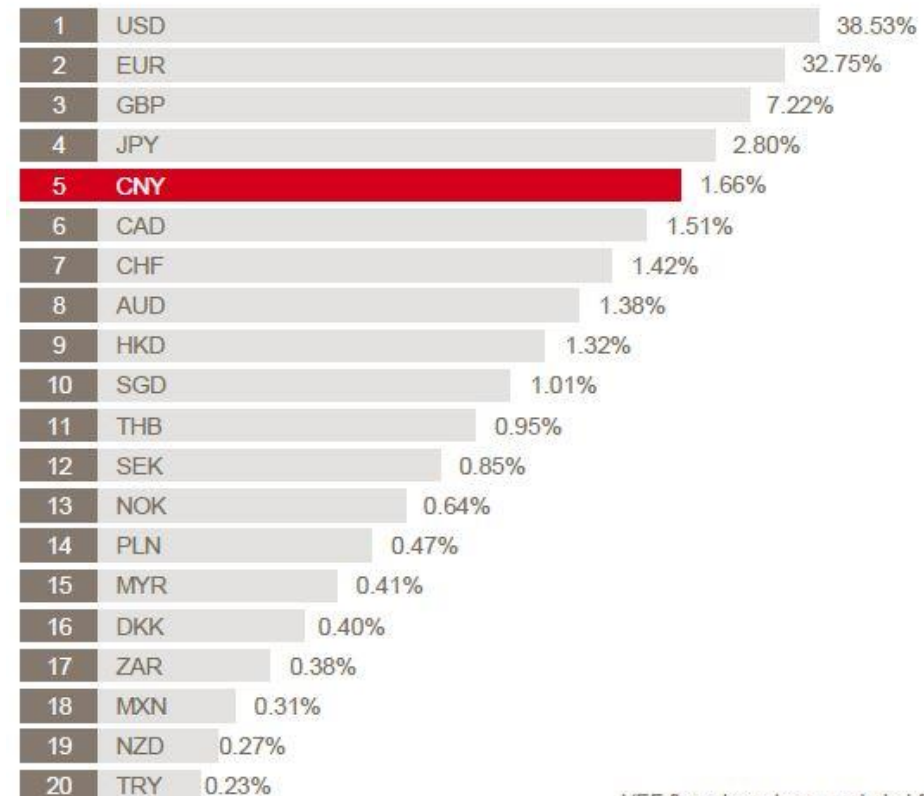
- RMB has functioned as the international payment currency.

The currency allocation of China's cross-border payment and receipt (2017)



The shares of international payment currency (2018.1)

January 2018



VEF share has been excluded for

2. Present Situation of RMB

- IMF releases quarterly data on the currency composition of official foreign exchange reserves (COFER), separately identifying holdings in RMB for the first time in 2017. RMB ranked 7th in the global reserve currencies.
- BIS released the triennial survey on the central banks in 2016, which identified RMB as the 8th most frequently used foreign exchange currency.

World (US Dollars, Billions)

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
▼ Total Foreign Exchange Reserves	10,995.50	10,715.72	10,902.09	11,121.52	11,296.61
▼ Allocated Reserves	8,357.14	8,421.80	8,838.82	9,262.65	9,646.05
Claims in U.S. dollars	5,406.05	5,502.86	5,715.64	5,912.25	6,125.63
Claims in euros	1,643.39	1,611.11	1,703.51	1,845.98	1,932.84
Claims in Chinese renminbi		90.78	95.42	99.65	107.94
Claims in Japanese yen	349.94	332.86	399.91	428.54	435.98
Claims in pounds sterling	368.10	365.83	377.89	409.01	433.47
Claims in Australian dollars	150.20	142.30	156.28	162.27	171.13
Claims in Canadian dollars	159.86	163.14	167.50	178.73	192.81
Claims in Swiss francs	14.79	13.69	14.45	15.58	16.29
Claims in other currencies	264.82	199.22	208.22	210.65	229.98
Unallocated Reserves	2,638.36	2,293.92	2,063.27	1,858.87	1,650.56

Turnover of OTC foreign exchange instruments, by currency

"Net-net" basis, April 1995-2016 daily averages, in billions of US dollars

Currency	1995		1998		2001		2004		2007		2010		2013		2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
USD	981	83	1,325	87	1,114	90	1,702	88	2,845	86	3,371	85	4,662	87	4,438	88
EUR	...	...	...	...	470	38	724	37	1,231	37	1,551	39	1,790	33	1,591	31
JPY	291	25	332	22	292	24	403	21	573	17	754	19	1,235	23	1,096	22
GBP	110	9	168	11	162	13	319	16	494	15	512	13	633	12	649	13
AUD	31	3	46	3	54	4	116	6	220	7	301	8	463	9	348	7
CAD	40	3	54	4	56	4	81	4	143	4	210	5	244	5	260	5
CHF	85	7	108	7	74	6	117	6	227	7	250	6	276	5	243	5
CNY	...	...	0	0	0	0	2	0	15	0	34	1	120	2	202	4
SEK	7	1	5	0	31	2	42	2	90	3	87	2	94	2	112	2
MXN	...	...	7	0	10	1	21	1	44	1	50	1	135	3	97	2
NZD	3	0	3	0	7	1	21	1	63	2	63	2	105	2	104	2
SGD	5	0	17	1	13	1	18	1	39	1	56	1	75	1	91	2
HKD	13	1	15	1	28	2	34	2	90	3	94	2	77	1	88	2

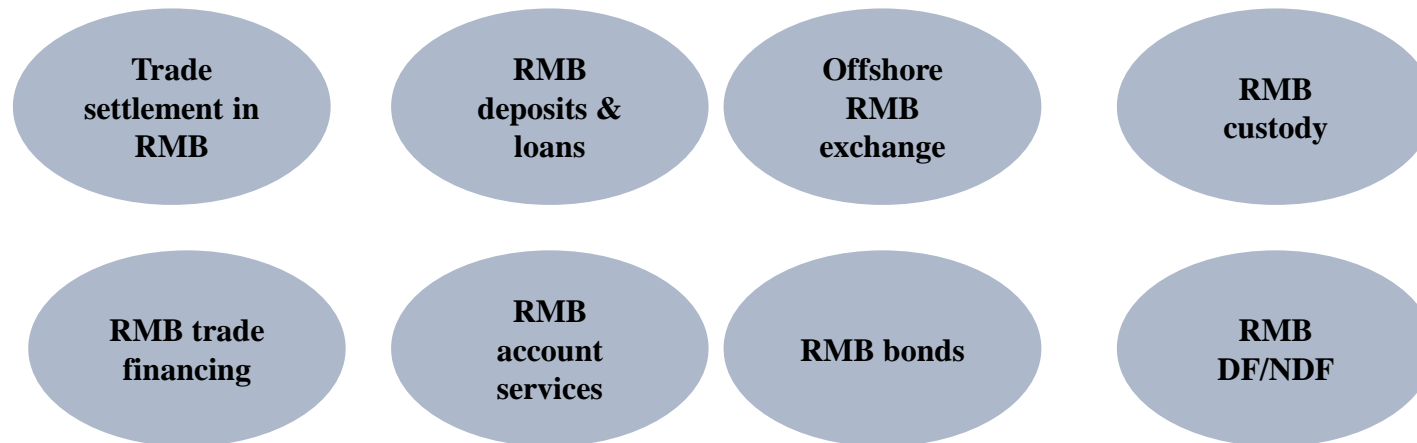
Ordering of the currencies follows SDR basket weights (SDR currencies) and alphabetical order (non-SDR currencies).

3. Enterprises' Practical Demands

	Schemes
RMB Trade Settlement	<ul style="list-style-type: none">• Cross-border goods and service trade settlement in RMB are effectively unrestricted
RMB Direct Investment	<ul style="list-style-type: none">• The process of inward and outward direct investment in RMB is also allowed
RMB lending / borrowing	<ul style="list-style-type: none">• Onshore entities extend an intra-group loan in RMB to their offshore associated companies
RMB liquidity management	<ul style="list-style-type: none">• Chinese and foreign multinationals can sweep RMB funds in and out of China through a cross-border cash pooling structure, subject to prior PBOC registration
Alternative sources of financing	<ul style="list-style-type: none">• Chinese and foreign enterprises can issue RMB denominated bond both in Chinese domestic market ('Panda bond') and in offshore RMB market ('Dim Sum bond')

4. Financial Institution' s Opportunity

- **Explore business in China:** investing in the Chinese market in RMB, and share China's economic growth yield.
- **Expand business areas:** providing customers with a broad range of products such as cross-border settlement, clearing, exchange, bond issuance & underwriting, investment and wealth management in RMB, extending the service scope and gaining profits.
- **Extend customer base:** Delivering RMB settlement, investment and financing services to Chinese enterprises and their overseas counterparties, and extending customer base.
- **Improve global strategic deployment:** with the wider acceptance of RMB worldwide and faster development of offshore RMB market, financial institutions will provide services in more extensive regions and seek global operation.



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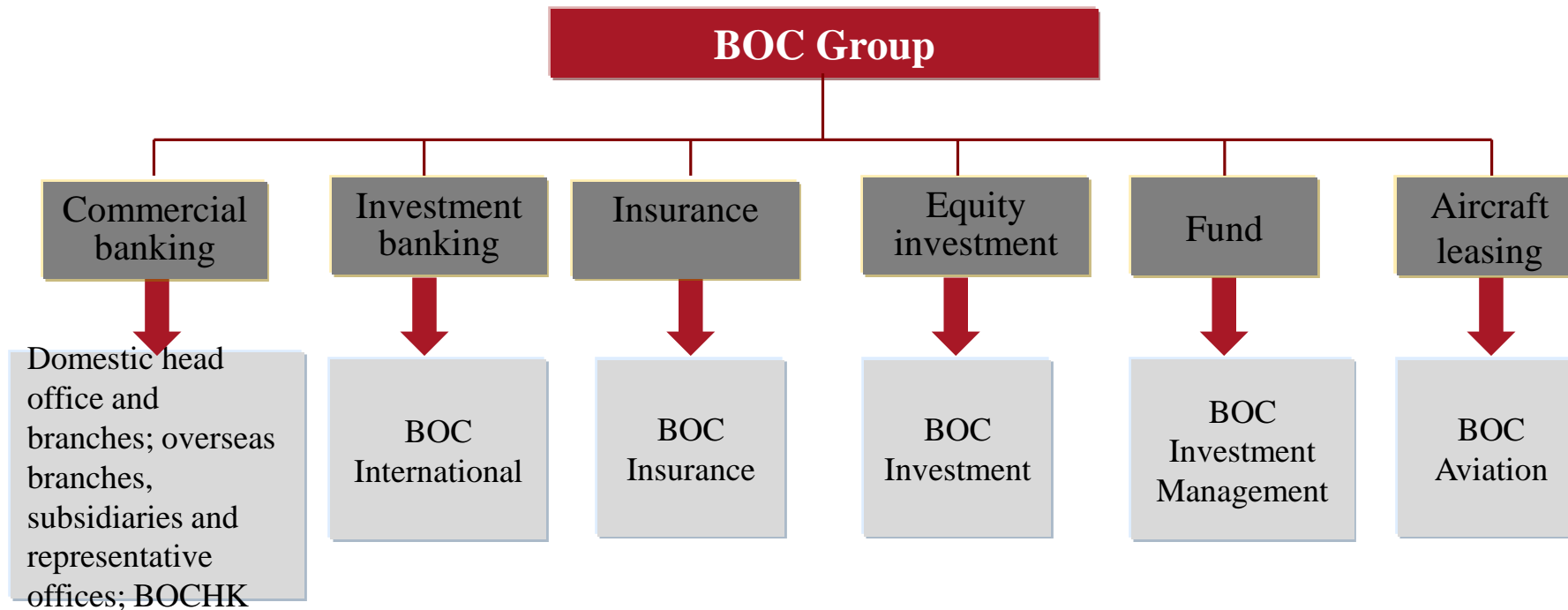
Policies & Market Prospects

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BOC Products & Services

1. A brief Introduction of BOC

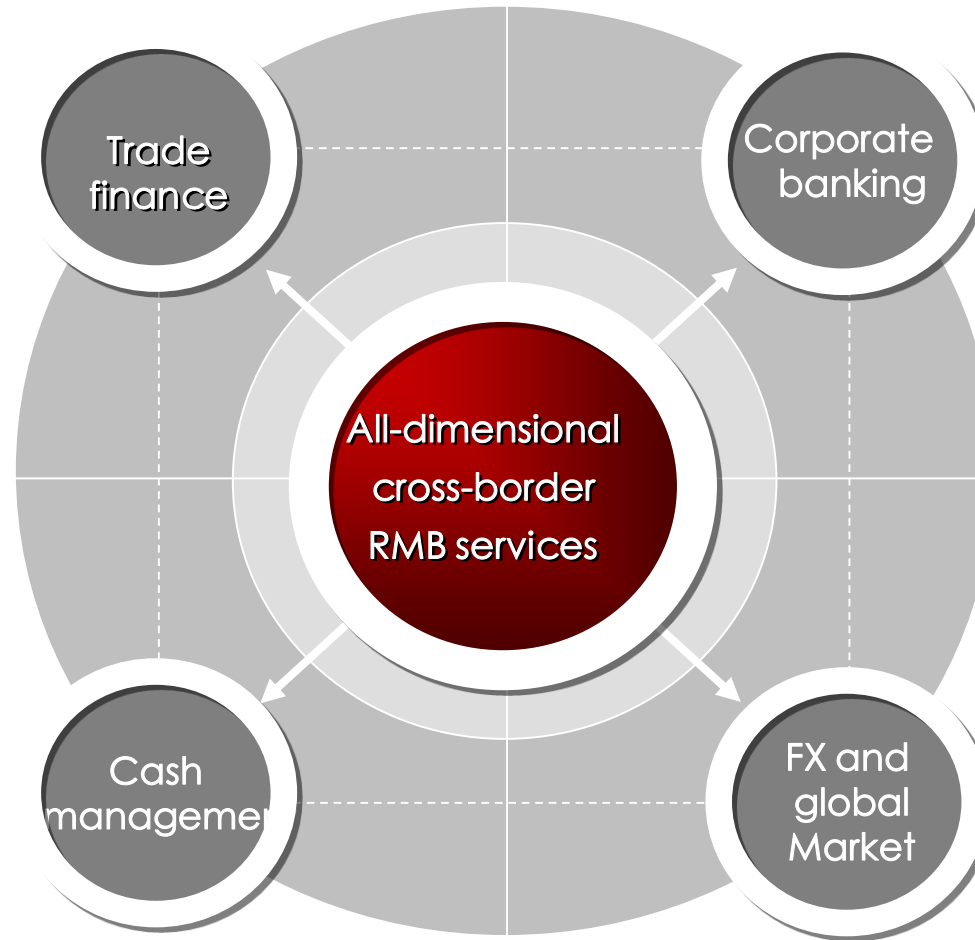
- BOC has a unique integrated financial service platform that provides a full range of financial services, including commercial banking, investment banking, insurance, asset management, aircraft leasing and other financial products, in order to meet the complicated business needs of different customers.



2. RMB Products overview

- ✓Cross-border RMB settlement
- ✓RMB import/export financing
- ✓Cross-border RMB guarantee
- ✓Cross-border RMB refinancing
- ✓RMB supply chain financing
- ✓Cross-border RMB factoring
- ✓Cross-border RMB forfaiting
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- ✓Account opening
- ✓Cross-border RMB cash management
- ✓Overseas institutional account services
- ✓RMB wealth management
- ✓RMB notes
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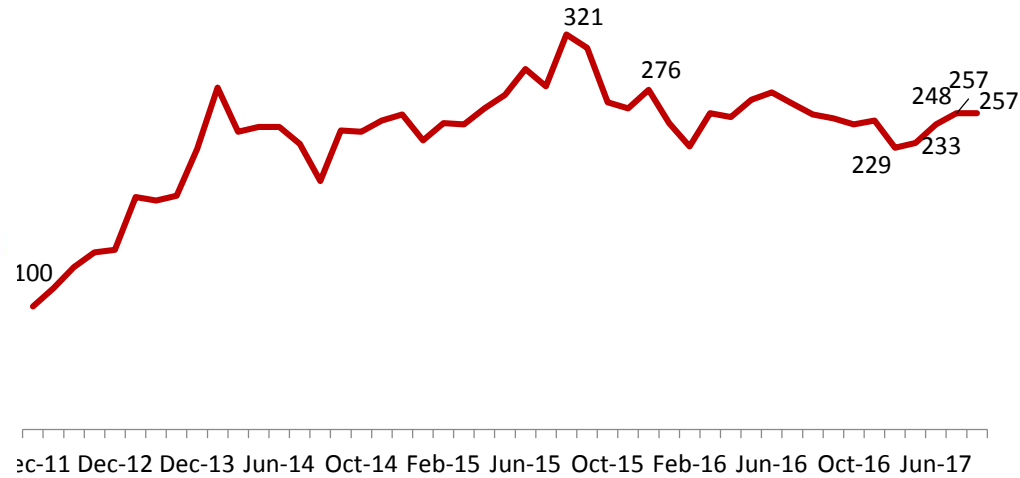
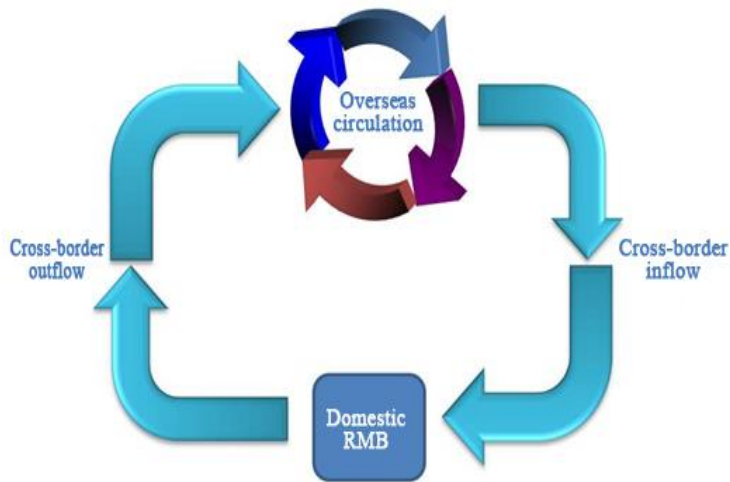


- ✓RMB deposits
- ✓Cross-border RMB loan from domestic banks to overseas project
- ✓Cross-border RMB loan from overseas banks to domestic companies
- ✓Cross-border RMB advisory service
-

- ✓RMB spot trading
- ✓RMB forward trading
- ✓RMB swaps
- ✓Overseas RMB bond issuance
- ✓Panda
- ✓RMB agency investment

3. Market Research - Cross-border RMB Index (CRI)

- CRI is a comprehensive index which reflects the degree of RMB activity in cross-border transactions and the development situation of RMB internationalization.
- The index is composed of three well-knit parts to reflect the degree of RMB activity in cross-border outflow, overseas circulation and cross-border inflow.

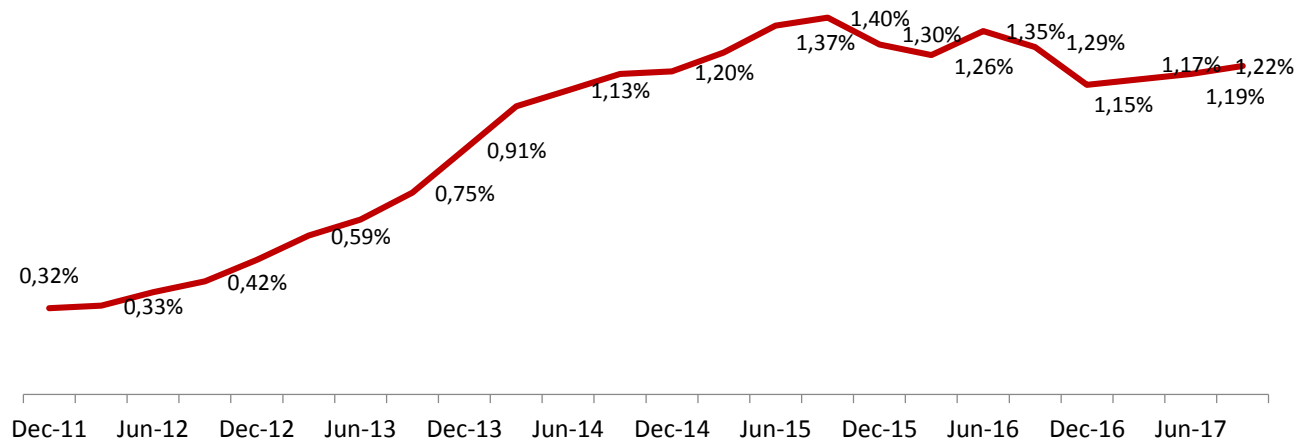


CRI for the 4th quarter 2017

- The activity of cross border use of RMB stabilized at the highest level of the year.
- The expectations on the international status of RMB is optimistic and the role of RMB as an international currency further enhanced.

3. Market Research - Overseas RMB Index (ORI)

- ORI tracks the RMB's offshore indicators, including the amount of deposits , loans and trading volume, to reflect the currency's level of involvement in global trade and investment.
- The index illustrated the RMB's rapid rise in global trade and investment, which is to continue over the next years.
- The 1.22 percent reading for the RMB grew from 0.07 percent at the end of 2016, and 0.9 percent at the end of 2011.



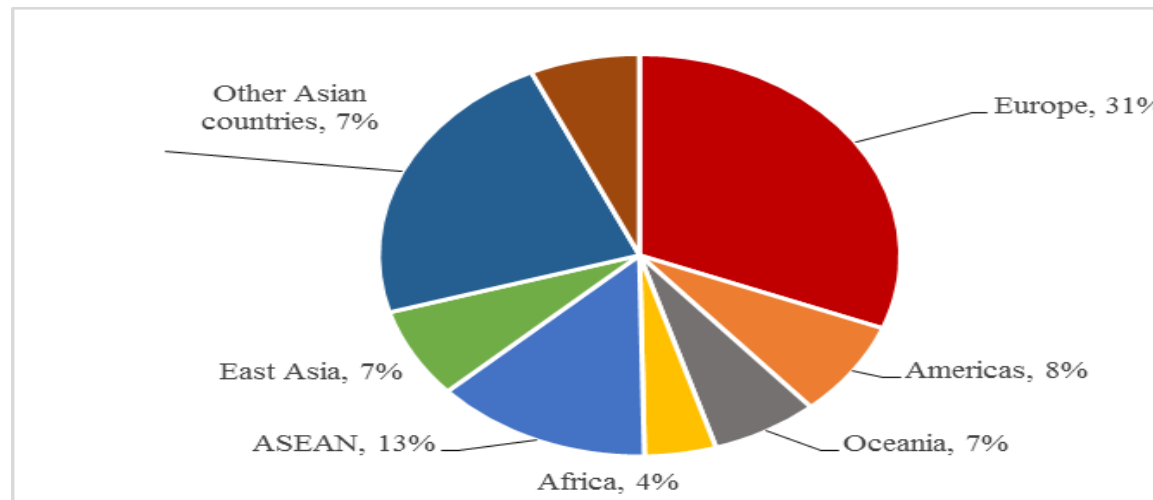
3. Market Research – White Paper on RMB Internationalization

Introductions

- BOC has compiled the White Paper on RMB Internationalization exclusively for five consecutive years since 2013
- This year's market survey includes 3,134 industrial and commercial enterprises and 118 financial institutions, covering 25 foreign countries and regions



Distribution of Overseas Respondents by Region

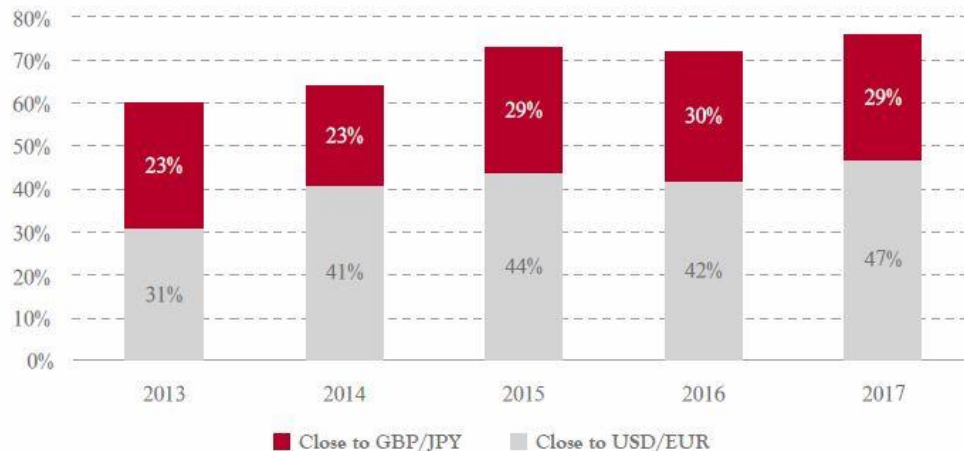


2017 White Paper
on RMB Internationalization
RMB amid the Two-way Opening Up of the Financial Market

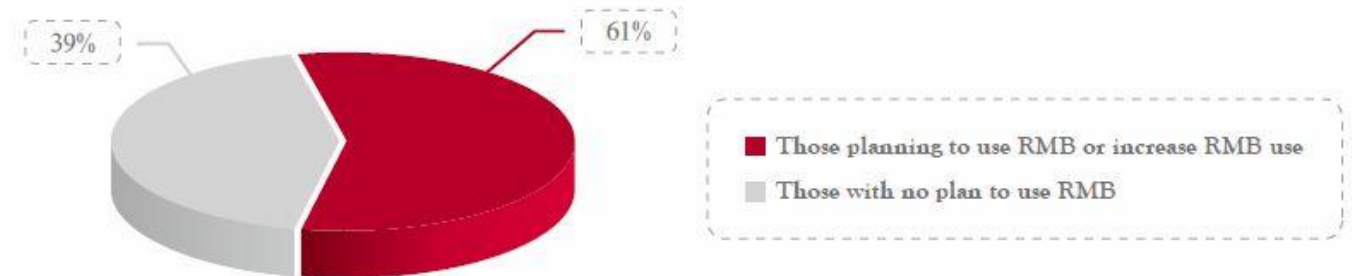
3. Market Research – White Paper on RMB Internationalization

- Both domestic and overseas market entities have higher expectations for the international currency status of RMB
- Over 60% of surveyed market entities will use RMB or increase RMB use

Expectations of Surveyed Commercial Enterprises for the International Currency Status of RMB



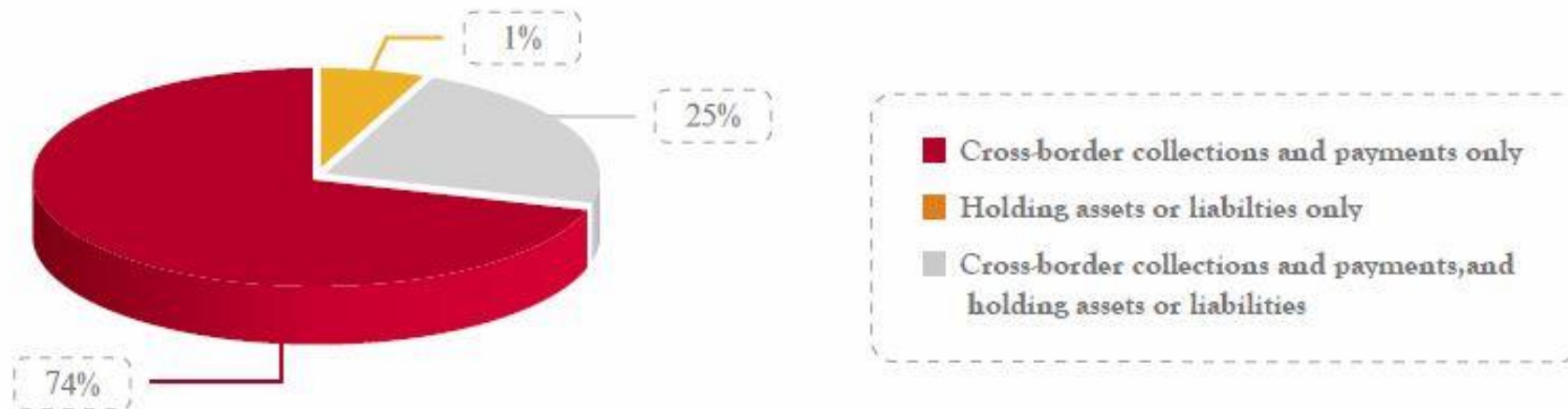
Percentage of Overseas Commercial Enterprises Planning to Use RMB or Increase RMB Use



3. Market Research – White Paper on RMB Internationalization

- **RMB use by market entities remained concentrated on cross-border payment**
- 74% of the surveyed overseas enterprises use RMB for cross-border payment
- 25% hold RMB-denominated assets or liabilities in addition to using the currency for cross-border payment

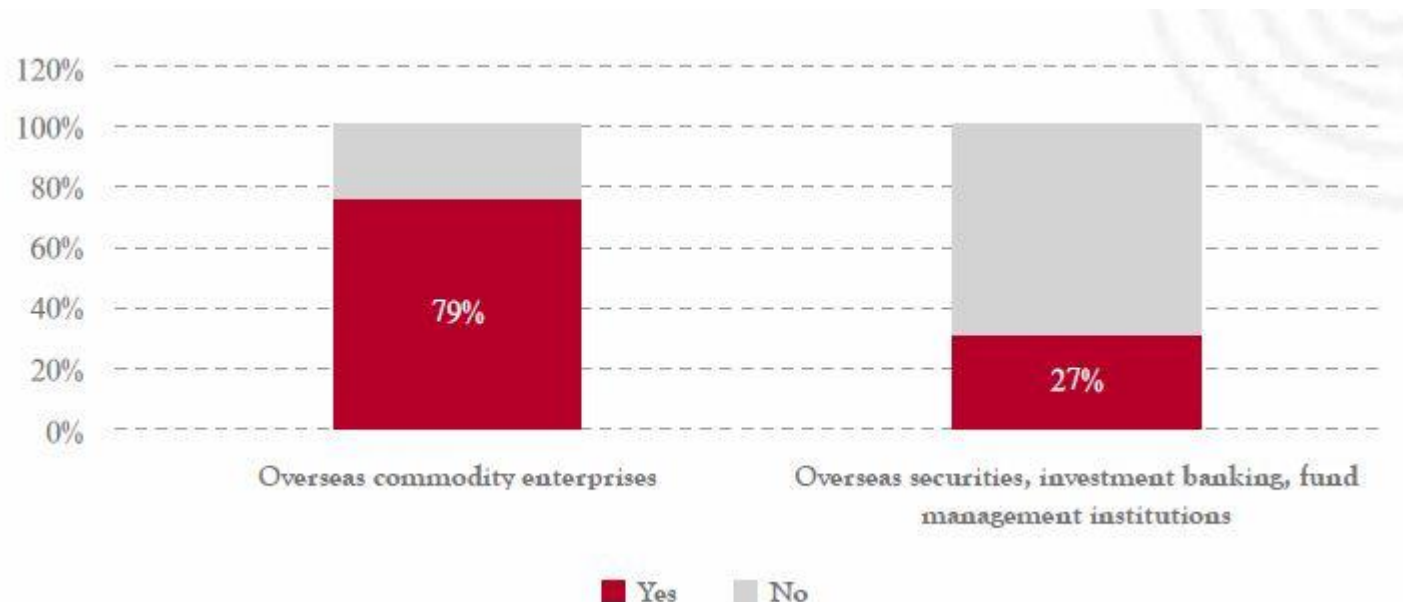
Areas of RMB Use by Overseas Enterprises



3. Market Research – White Paper on RMB Internationalization

- **participating will in commodity trading is relatively strong**
- Around 80% of the surveyed overseas enterprises are interested in participating in China's domestic commodity trading and joining commodity trading platforms.
- This is of positive significance to reinforcing RMB's function of pricing commodities.

Interested in Participating in Commodity Trading in China or Not



3. Market Research – White Paper on RMB Internationalization

- **RMB is an important alternative option as financing currency**
- 73% overseas surveyed commercial enterprises, 59% overseas banking institutions, 68% overseas securities, investment banking and insurance institutions will consider RMB as an important alternative option in the case of a liquidity squeeze.

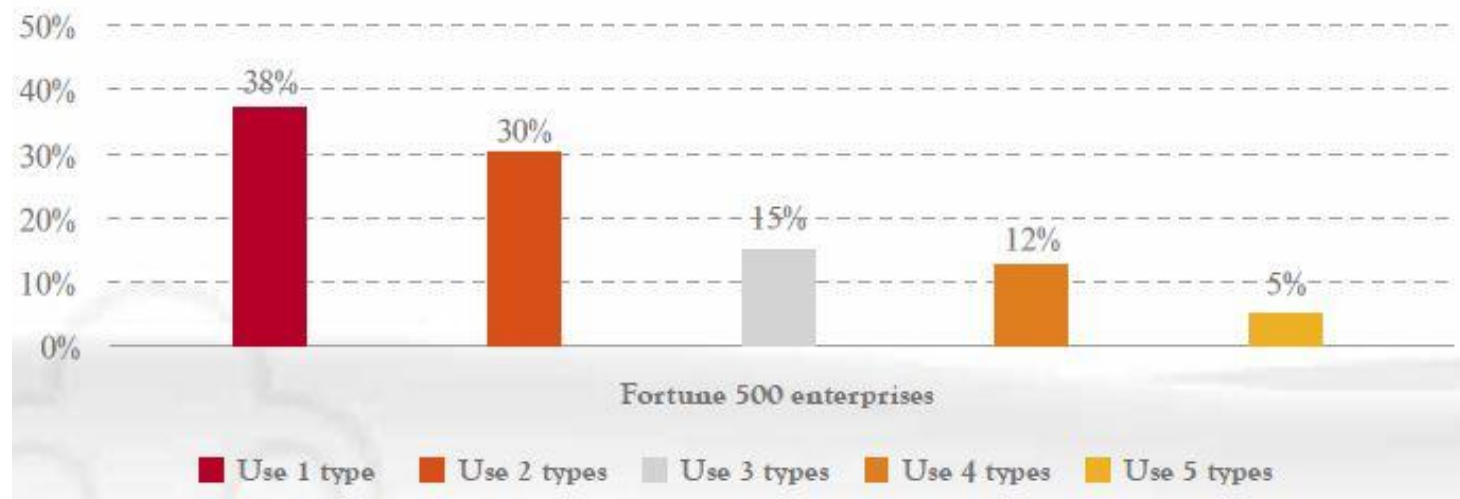
Different Market Entities Considering RMB as a Key Financing Currency



3. Market Research – White Paper on RMB Internationalization

- **RMB use of Fortune 500 enterprises is more extensive than of other entities**
- more than 62% of the surveyed Fortune 500 enterprises have used at least two types of cross-border RMB products and services, 30 percentage points higher than the proportion of small and medium-sized enterprises (SMEs) doing the same.
- 32% have used at least 3 types of cross-border RMB products and services, 29 percentage points higher than the proportion of SMEs doing so.

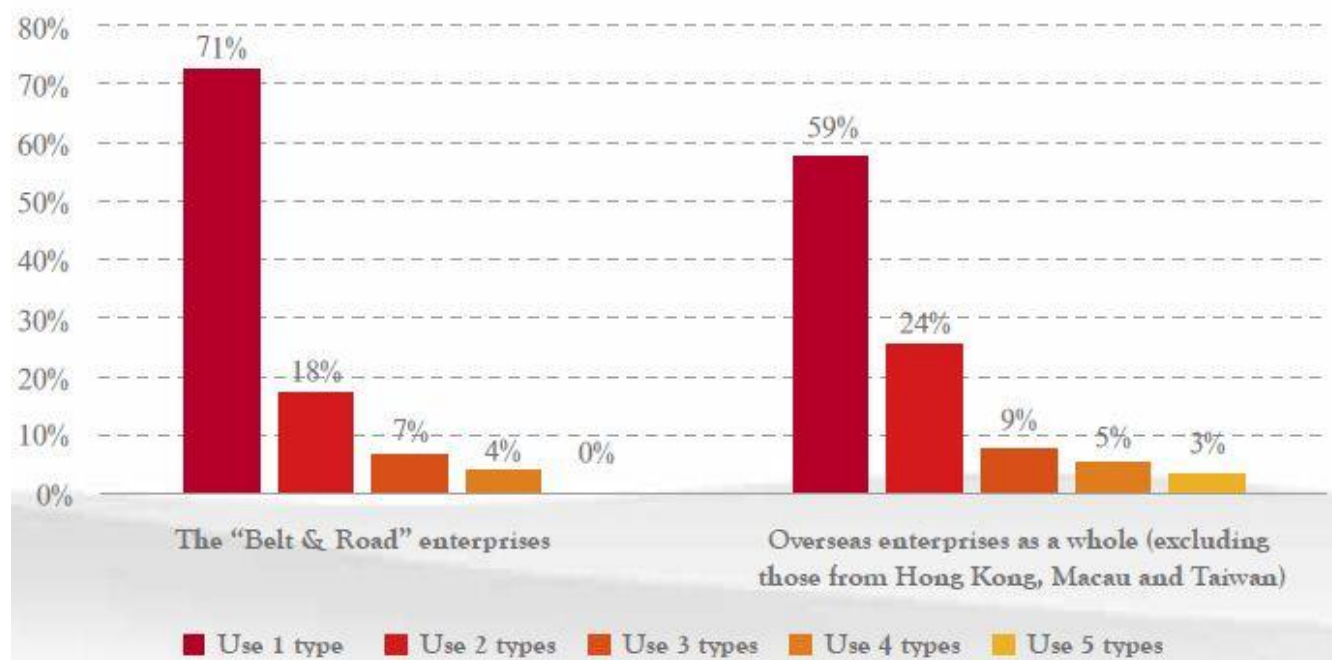
**Distribution of Cross-border RMB Product Types and Quantities Used by
Different Types of Enterprises**



3. Market Research – White Paper on RMB Internationalization

- The “Belt & Road” hold great potential for expanding RMB use
- 71% surveyed enterprises from countries along the “Belt & Road” have used at least one type of cross-border RMB products and services, whereas 29% have used at least two types.

Distribution of Cross-border RMB Product Types and Quantities Used by Enterprises along the “Belt & Road”

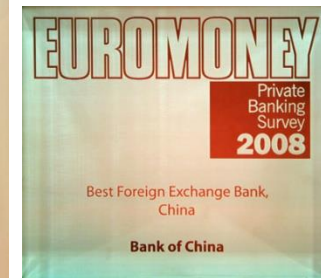
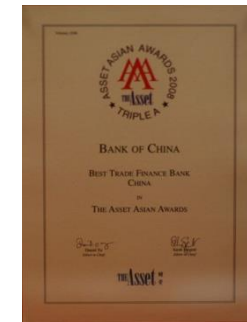


4. BOC Superiorities

- ❖ The only bank with a century-long operating history in China.
- ❖ The first "global systemically important financial institution" in emerging economies
- ❖ The first bank engaged in trade finance in mainland China .
- ❖ Most internationalized and diversified bank in China.
 - 600 overseas branches, subsidiaries and representative offices in 54 countries and regions;
 - Over 1,600 correspondent banks across the world;
- ❖ The world's largest bank in terms of international settlement volume and cross-border RMB settlement.



中國銀行
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Thank You