

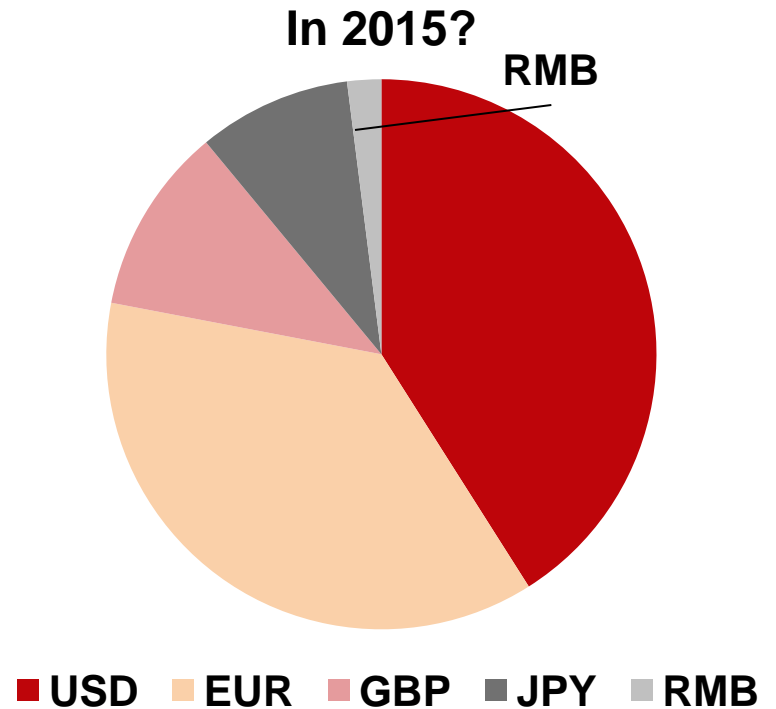
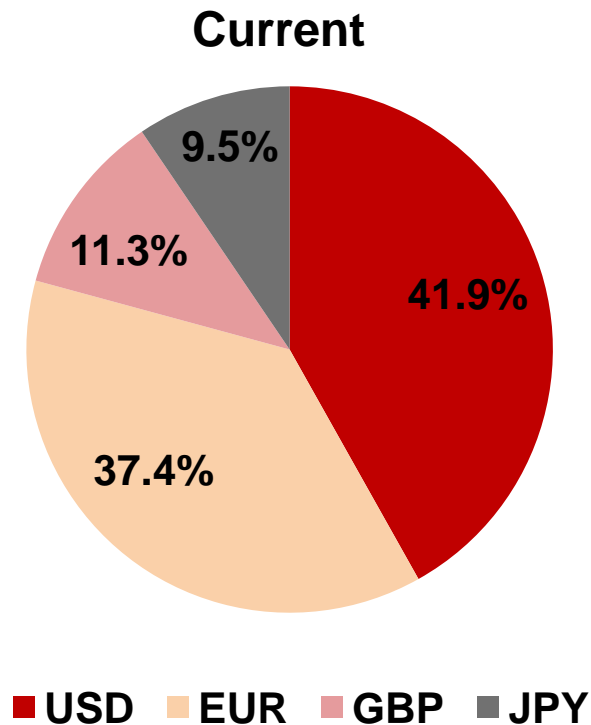
Chinese yuan

Nathan Chow
Economist

The role of RMB as a reserve currency is set to increase

- Will RMB be able to join IMF SDR, a foreign exchange reserve asset defined and maintained by IMF in 2015?

SDR Basket



What criteria do RMB need to meet to join IMF SDR basket?

IMF consideration for SDR

SDR criteria

- Value of exports of goods and services during the past 5-year period
- Freely usable currencies, whether it is:
 - i. widely used to make payments for international transactions
 - ii. widely traded in the principal exchange markets

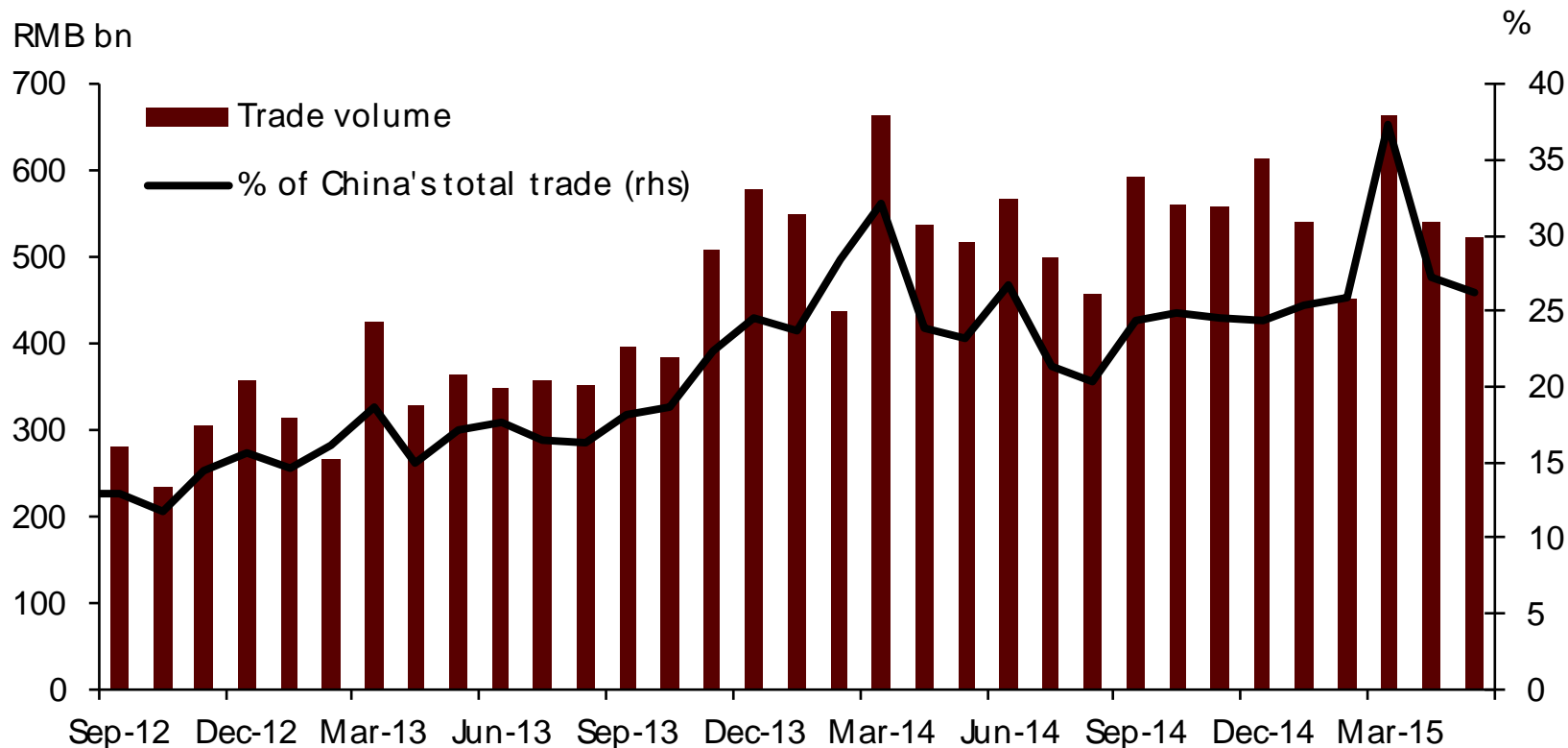
SDR weights

- Based on the value of the exports of goods and services and the amount of reserves denominated in the respective currencies that were held by other IMF members
- Potential SDR weight for the RMB: >10%
- US opposition?

The growth in RMB trade

- The proportion of China's trade settled in RMB has surged to 25% in 2014 from 3% in 2010

Yuan cross-border trade settlement

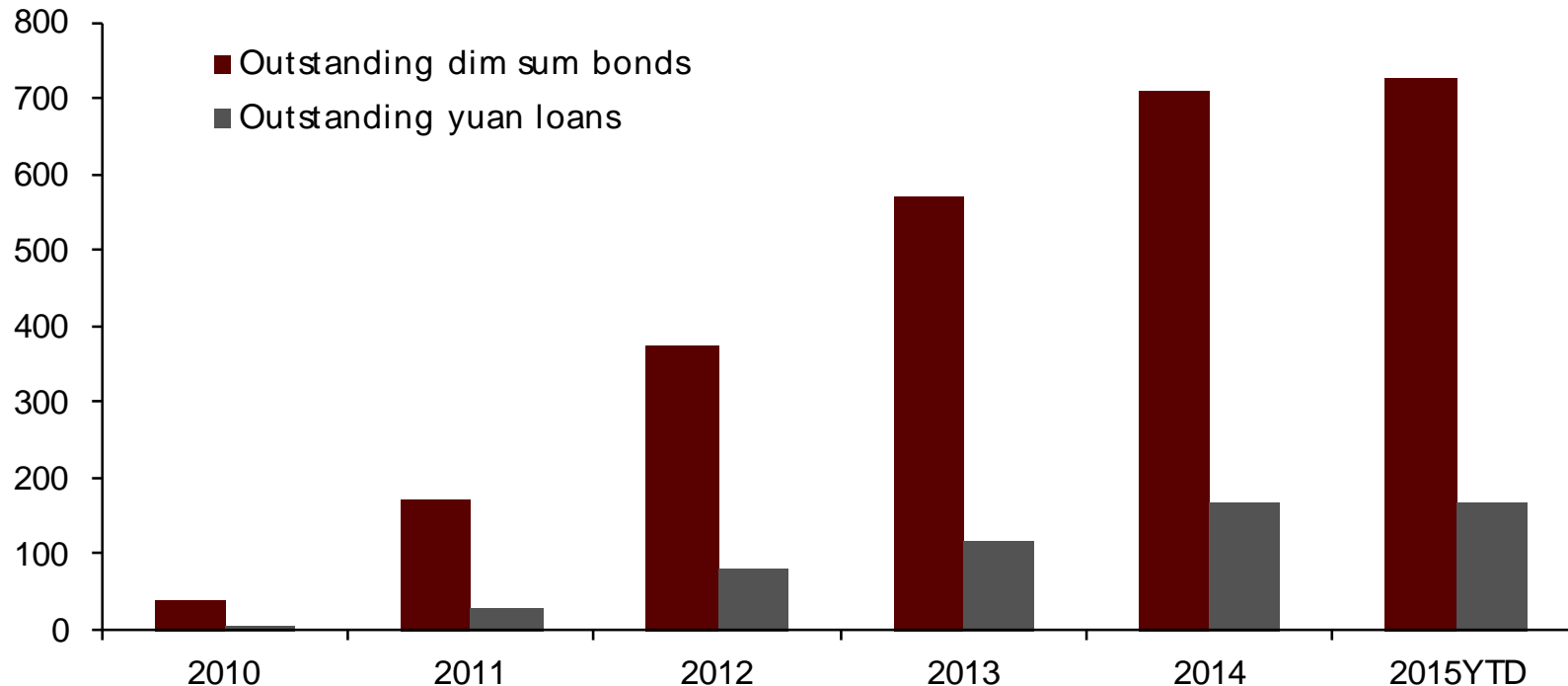


The growth in RMB capital markets: Dim Sum bond

- A record amount of Dim Sum bonds was issued in 2014 (RMB 530bn)
- The range of investors has widened from institutional and private wealth investors to sovereigns, as well as banks, corporates, and retail investors

Offshore yuan financing

RMB bn

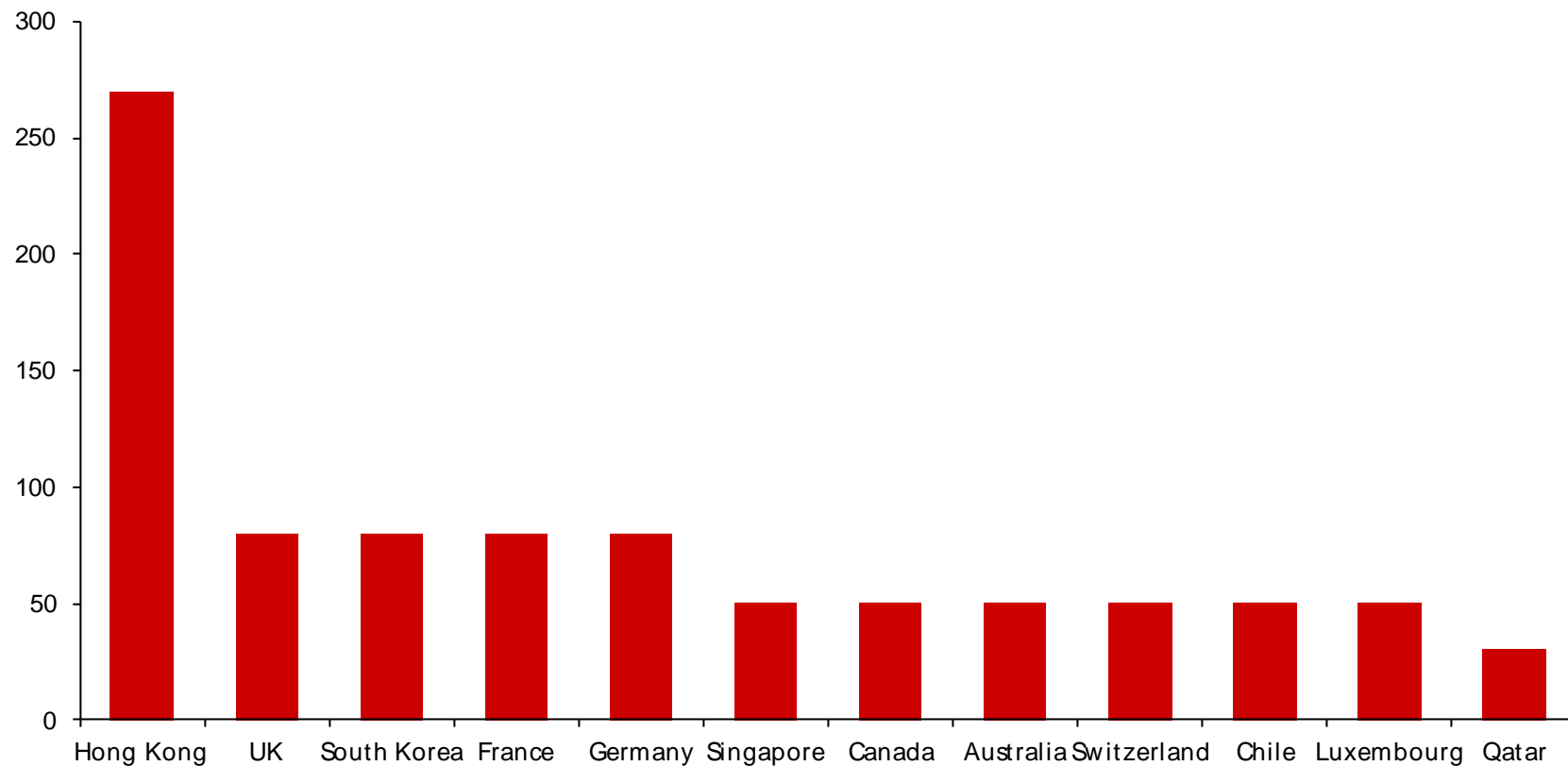


The growth in RMB capital markets: RQFII

- RQFII is now available in 12 countries/regions

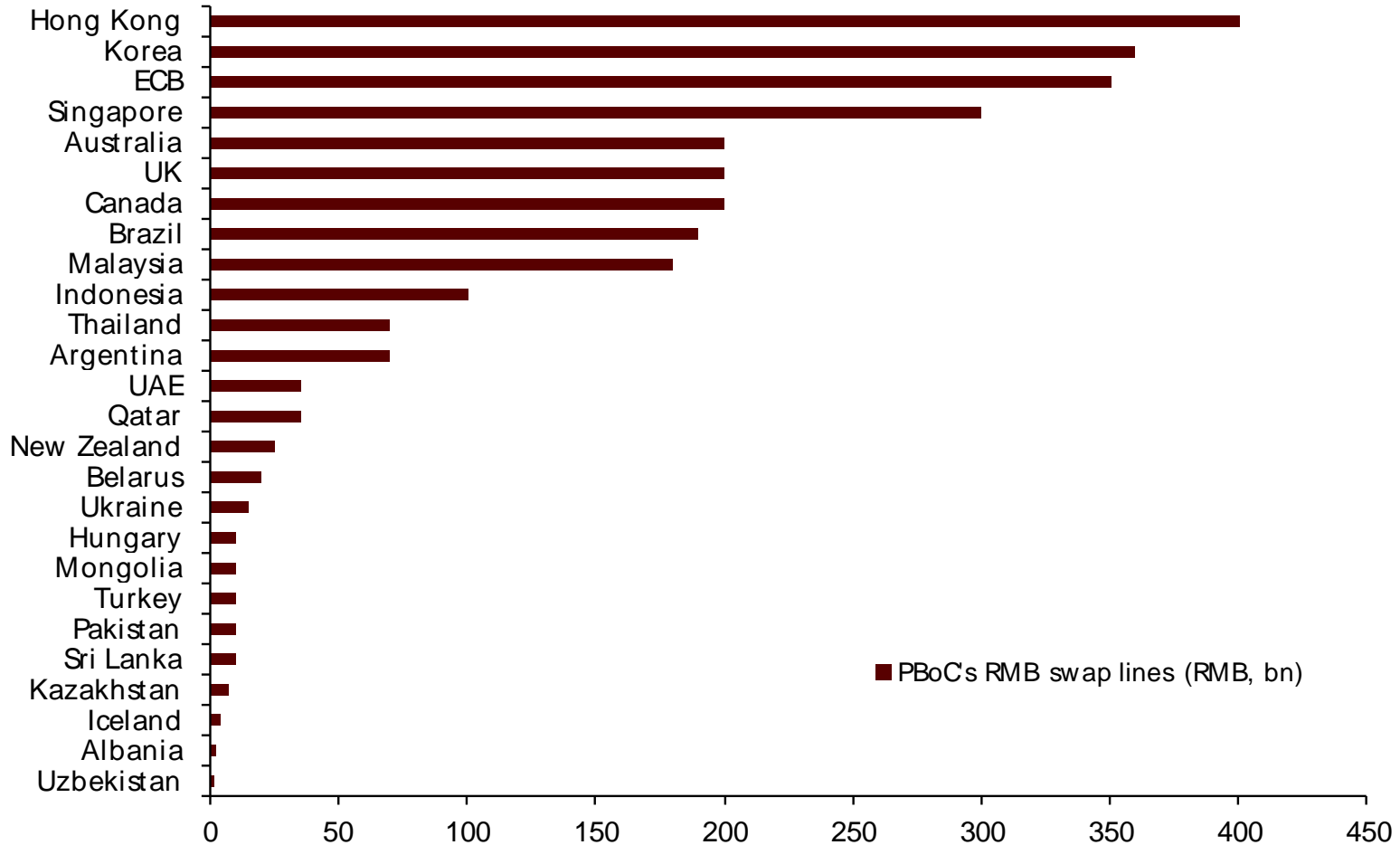
Total RQFII quota

RMB bn



To facilitate offshore liquidity, China signed 26 bilateral currency swap agreements with other central banks

PBoC's RMB swap lines



Rise of RMB as global payments currency

*“China is not far from meeting the IMF’s qualification for capital account convertibility
PBoC Chairman Zhou Xiaochuan”*

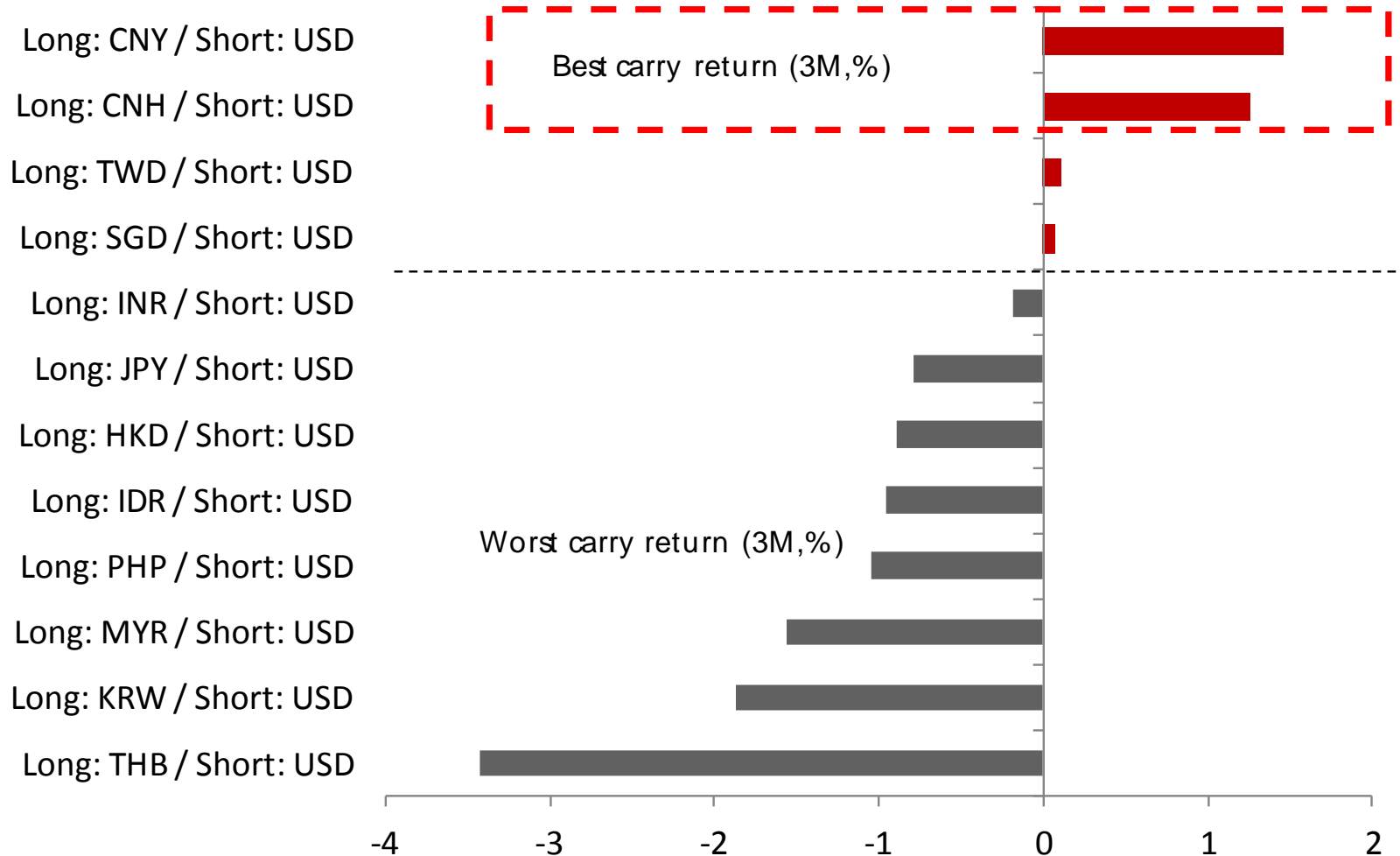
SWIFT world payments currencies

Customer initiated & institutional payments. Inbound + Outbound traffic. Based on value

Jan 2012		Rank	Jan 2013		Rank	Jan 2014		Dec 2014		
EUR	44.04	1	EUR	40.17	1	USD	38.75	USD	44.54	
USD	29.73	2	USD	33.48	2	EUR	33.51	EUR	28.30	
GBP	9.00	3	GBP	8.55	3	GBP	9.38	GBP	7.92	
JPY	2.48	4	JPY	2.56	4	JPY	2.49	JPY	2.59	
AUD	2.08	5	AUD	1.85	5	CAD	1.80	5	CNY	2.17
CAD	1.81	6	CHF	1.83	6	AUD	1.75	6	CAD	1.92
CHF	1.36	7	CAD	1.80	7	CNY	1.39	7	AUD	1.79
SEK	1.05	8	SGD	1.05	8	CHF	1.38		CHF	1.39
SGD	1.03	9	HKD	1.02	9	HKD	1.09		HKD	1.27
HKD	0.95	10	THB	0.97	10	THB	0.98		SGD	0.90
NOK	0.93	11	SEK	0.96	11	SEK	0.97		THB	0.88
THB	0.82	12	NOK	0.80	12	SGD	0.88		SEK	0.78
DKK	0.54	13	CNY	0.63	13	NOK	0.80		NOK	0.72
RUB	0.52	14	DKK	0.58	14	DKK	0.60		PLN	0.56
ZAR	0.48	15	RUB	0.56	15	PLN	0.59		ZAR	0.45
HUF	0.34	16	ZAR	0.42	16	ZAR	0.41		DKK	0.40
NZD	0.33	17	NZD	0.33	17	RUB	0.40		NZD	0.39
MXN	0.31	18	MXN	0.34	18	MXN	0.39		MXN	0.38
TRY	0.27	19	TRY	0.29	19	NZD	0.35		RUB	0.36
CNY	0.25	20	HUF	0.25	20	TRY	0.34		TRY	0.32

Keeping the RMB steady

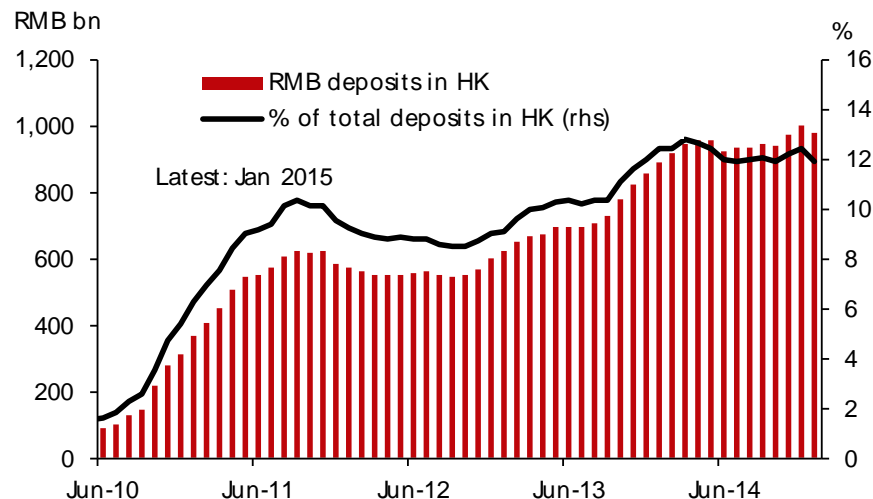
Yuan becomes the hottest carry trade



The growth in CNH markets

- Hong Kong's RMB deposit reached RMB972 bn in May 2015
- That equals to 12% of total HK deposits

HK's RMB deposits



- CNH daily trading volume surged more than seven-fold between 2012 - 2014

CNH daily transaction volume

