

Renminbi Internationalisation Report 2018: Optimism Towards “Belt and Road” Raises Cross-border Use of RMB



In partnership with



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Preface

In 2017, the internationalisation of the Renminbi (RMB) continued to move forward and its status as an emerging international currency was further consolidated. China Construction Bank (CCB) worked with The Asian Banker to carry out a survey on the internationalisation of RMB, which covered 398 domestic and overseas enterprises and financial institutions. The survey found an increase in the confidence of RMB internationalisation owing to the launch of the Belt and Road Initiative, the inclusion of RMB into Special Drawing Rights (SDR) currency basket, and policies on further opening the market released by regulators in China. The engagement of Chinese and overseas companies in RMB products has increased remarkably and the markets are more optimistic about the prospect of RMB internationalisation.

Since 2017, People's Bank of China has intensified the management of exchange rate expectation and released policies to improve the cross-border use of RMB and facilitate trade and settlement; the inter-bank bond market in China has been further opened, and the RMB internationalisation in the financial market has gained new opportunities and drivers, making international investors more interested in the allocation of RMB assets. At the end of 2017, total RMB-denominated financial assets held by foreign institutions and individuals amounted to RMB4.28 trillion (\$630 billion), an increase of 41.3% compared to last year. In 2017, foreign institutions increased RMB bonds holding by RMB347.7 billion (\$51.6 billion), and the total outstanding RMB bonds held by foreign institutions at the year-end reached a record high level of RMB1.15 trillion (\$170 billion).

On April 11th 2018, at the Boao Forum for Asia Annual Conference, president Xi Jinping announced that China will significantly broaden market access, and PBOC Governor Yi Gang announced the specific measures and timeframes of the further opening-up of the financial industry. Looking forward, China is expected to continue with capital account convertibility reform, and deepen the reform of RMB exchange rate formation mechanism. Market players are expected to be more involved and active in the RMB market. Financial institutions, especially commercial banks, will need to provide better services in RMB clearing and settlement, investment and financing, trading and asset management, and facilitate the use of RMB in payment, settlement, investment and reserve, so that the breadth and depth of RMB internationalisation will be constantly enhanced.

The international status of a currency is dependent on the country's economic status and influence in the world. China is now the world's second largest economy with its GDP accounting for more than 15% of the global total. Besides this, it is the number one trading country in the world with its imports and exports accounting for 11% of the total. According to the statistics of SWIFT, cross-border RMB payment only occupied 0.98% of international payment as of December 2017. There will be great potential and space for RMB internationalisation.

CCB is a leading bank in RMB internationalization business. Since the business was launched in 2009, the bank has conducted cross-border RMB business for 23,000 customers from nearly 200 countries and regions with the total amount reaching RMB15 trillion (\$2.22 trillion), registering an average annual growth of 158%.

In the offshore market, the bank actively promotes innovation in RMB products, constantly enhances its ability of market-making in major RMB offshore markets, and improves its comprehensive operation of RMB business. By the end of 2017, CCB, as the RMB clearing bank in the UK, Switzerland and Chile, saw sound operation and increasing market influence, and CCB's RMB clearing bank in the UK maintained its position as the largest RMB clearing bank outside Asia with the accumulated clearing amount exceeding RMB20 trillion (\$3 trillion).

In the future, the bank will continue with its missions and responsibilities to advance and lead the RMB internationalisation, and actively respond to the new trend and seize the new opportunities in the process. Moreover, it will focus on serving the real economy, vigorously support the Belt and Road Initiative, boost innovation and promote safe and sound development of cross-border business.



Zhang Lilin
Executive Vice President
China Construction Bank

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Executive Summary

There is a growing interest amongst global corporations and financial institutions (FIs) to expand their Renminbi (RMB) usage and deepen their transactional capabilities in the currency. Growth in RMB products in the last few years shows that it is emerging as a major international currency. The Asian Banker in partnership with China Construction Bank launched a global RMB Internationalisation Survey (the survey) to evaluate the progress in RMB usage and development of cross-border RMB denominated products and businesses.

The global study aimed to gauge the level of acceptance of RMB in cross-border trading and financing activities amongst China-based and international corporations and FIs based in Asia Pacific, Europe and Latin America. Altogether 346 companies (230 in China and 116 overseas) and 52 FIs participated in the survey conducted in January 2018.

Growing optimism in RMB internationalisation in 2017, especially with Belt and Road initiative

Overall sentiment indicated an increase in the pace of RMB internationalisation as more than 40% of Chinese and overseas corporates and FIs believe that the pace of RMB internationalisation increased in 2017.

The Belt and Road initiative emerged as the most significant driver of RMB internationalisation as cited by a significant 72% of all respondents. This is followed by the 'inclusion of RMB in the IMF SDR', mentioned by 60% of respondents. Indicating its potential to drive new opportunities, 70% of overseas and 90% of Chinese companies believed that the Belt and Road initiative will boost 'RMB usage in trade internationally' while 50% of FIs believe that it will boost 'RMB use in investments internationally'.

A notable increase in RMB engagement amongst respondents in 2017, with a greater push towards the use of RMB in cross-border settlement by Chinese companies

There is growing activity in RMB cross-border settlement where about half of the respondents comprising 56% of Chinese companies, 50% of overseas companies and 42% of FIs indicated an increase in their engagement last year.

Notably, 76% Chinese companies and 36% overseas corporates cited themselves as 'proactive' towards RMB usage in cross border settlement. Among overseas companies that were 'reactive' in their approach, whereby they could use RMB only when required by counterparties, Chinese corporates could emerge as a key driver in enabling greater use of RMB in international settlement.

There was a notable increase in RMB-based foreign exchange (forex) transactions

The impact of a more stable RMB is clearly visible as 46% of Chinese companies, 43% of overseas companies and 48% of FIs increased their engagement in RMB-based forex transactions in 2017.

There emerged a strong focus on hedging RMB exposure as 96% of overseas businesses and 99% of Chinese corporates engaged in it in 2017. This could indicate a stronger interest and growth in risk management products among the market participants.

There was a modest increase in RMB cross-border financing

Despite a drop in overall overseas bond issuance in the macro trends, in an encouraging sign the survey shows that the 35% overseas corporates increased their engagement in offshore financing and 32% increased their activity in onshore Panda bonds. Recent targeted programmes by the Chinese government towards facilitating market access could be one of the contributing factors for this.

Great interest in China onshore bond market among financial institutions and the China Interbank Bond Market (CIBM) emerged as the favourite channel

63% of the FIs surveyed were interested in China onshore bond market. Out of the channels used by FIs to access China onshore bond market, 52% of FI respondents preferred CIBM, followed by RQFII. The use of free trade zones (FTZ) in China is still picking up as only one third of companies indicated that they currently use it however in an indication of potential future growth, a large number of companies said that they are willing to consider it in future.

Greater engagement is expected in RMB cross-border settlement in 2018 as compared to a year ago

Looking forward, the survey showed that the increased level of RMB engagement will continue in 2018.

A relatively higher 63% of Chinese companies, 47% of overseas corporates and 57% of FIs indicated that they will increase their activity in RMB cross border settlement in 2018.

40% of overseas companies and 54% of FIs indicated that they will increase RMB deposits in 2018, while 60% of Chinese companies and FIs plan to increase their engagement in RMB-based payments.

Besides this, a notable growth is expected in RMB-based forex transactions as 47% of Chinese companies and 40% of overseas companies plan to increase activity in 2018.

This growth trend is visible in other RMB products too. Some 38% of overseas companies and 42% of FIs mentioned that they will increase engagement in offshore financing. A significant 83% of overseas companies also cited that they are interested in issuing Panda bonds in 2018, highlighting expansion of investor base as a key advantage, yet cost of funding will remain a key determinant of future growth as 40% of these were interested only if they can lower their costs.

The responses indicated a strong interest among institutions to work with onshore Chinese service providers. Some 54% of FIs said 'yes' and 42% said 'possibly' to working with onshore Chinese service providers.

While RMB engagement is increasing certain challenges will still need to be addressed. A majority of Chinese companies (66%) cited "slowdown of capital account convertibility" as the biggest challenge to RMB internationalisation. Overseas companies on the other hand mentioned 'challenges to capital outflow from China' followed by 'depreciating trend of RMB'.

The survey responses show that engagement in RMB-based product has been gaining momentum in 2017 and the outlook in 2018 is promising. The Chinese authorities have been at the heart of the global rise of the RMB. Development of RMB hubs across the world along with long-term enablers such as the Belt and Road initiative, and clearer policy directions could further strengthen the RMB's position in international financial markets in the foreseeable future.

1. Macro trends

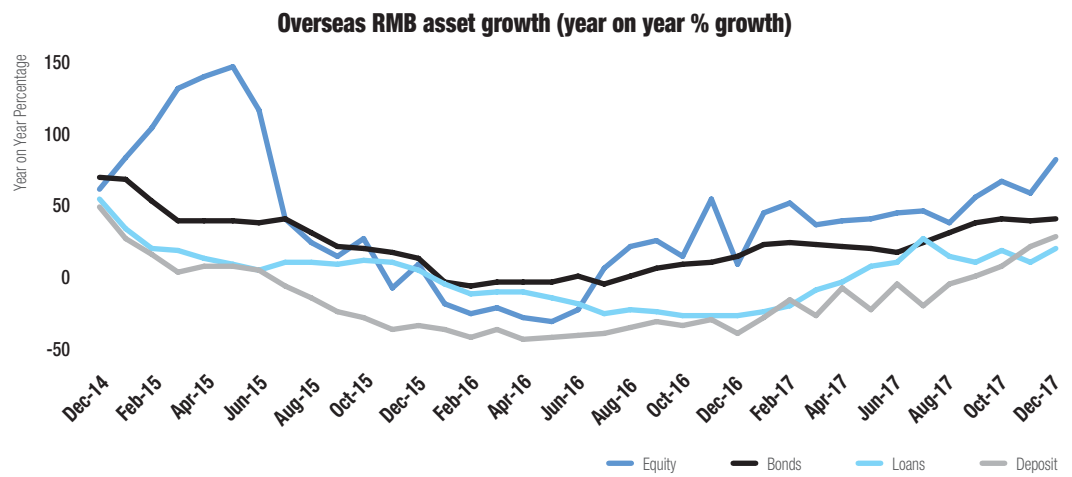
1.1. Overseas Renminbi (RMB) assets growth

RMB overseas assets showed signs of a rebound in 2017 after plummeting in mid-2016. The scale of total RMB financial assets held by overseas en-

tities increased to RMB4.3 trillion (\$0.64 trillion) as of December 2017 from RMB3.1 trillion (\$0.5 trillion) in the beginning of 2017.

Figure 1

Renminbi overseas assets growth rebounded in 2017



Source: Asian Banker Research, CEIC China Premium Database, People's Bank of China

Confidence in RMB strengthened in the latter half of 2017, improving the yield and growth of RMB denominated assets. In particular, equity asset investments surged 80.9% year on year in December 2017, its fastest pace since July 2015 while bond related investments rose 40.6% year on year in December, the fastest increase since March 2015.

Loan asset growth was positive for the fifth straight month in September, edging up 10.2% year on year after contracting for 15 months consecutively until April 2017. Stronger lending by development banks and state-funded institutions on Belt and Road initiative related infrastructure funds, contributed to this upturn.

1.2. RMB offshore deposits growth

Average annual RMB deposits as a whole dropped in most offshore centres last year compared to 2015, whereby the only outlier was London, where deposits have increased steadily. Growth of

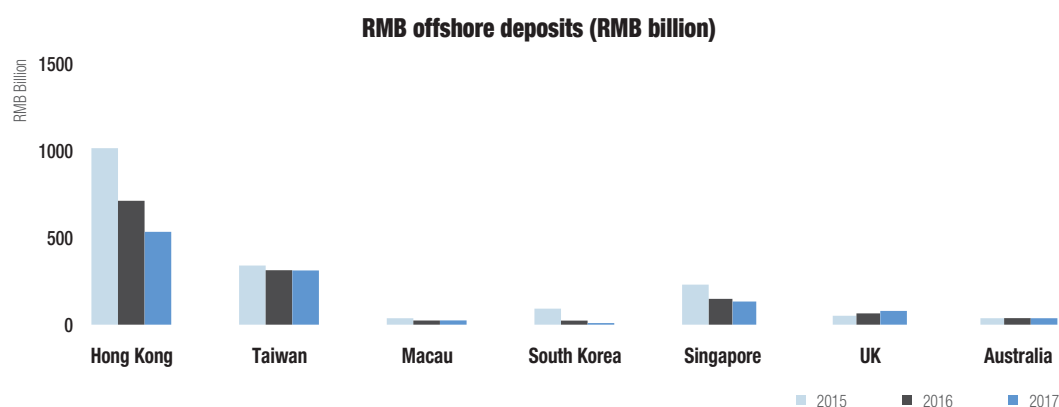
RMB deposits will continue to be driven by expectations of the onshore and offshore RMB, whereby US interest rate hikes in 2018 could create some downward pressure on the Chinese currency.

Figure 2

RMB overseas deposits have trended downwards largely

Source: Asian Banker Research, HKMA, CBC, Bank of Korea, Monetary Authority of Macau, MAS, RBA, Bank of England

Please Note: Data on RMB Deposits are annual averages each year. For 2017, averages are captured till November and Quarter 3, 2017. For Taiwan, the annual average for 2015 is based on data from August



Average annual RMB deposits in Hong Kong fell to RMB527.4 billion (\$78.2 billion) in 2017 from RMB1.1 trillion (\$149.5 billion) in 2015. On a positive note, however, deposits climbed to RMB563 billion (\$83.5 billion) in November, the highest in a year. Average annual RMB deposits in Taiwan were largely stable at RMB309.7 billion (\$45.9 billion) in 2017 through to 2015. Cross-cooperation in trade with the Mainland, and acceptability of RMB deposits by Taiwanese Domestic Banking Units (DBUs) have brightened current prospects.

Average annual RMB deposits in Singapore stood at RMB133.5 billion (\$19.8 billion) in 2017, a tad lower relative to 2015. RMB deposits in South

Korea ebbed to RMB7.9 billion (\$1.2 billion) from RMB93.3 billion (\$13.8 billion) in 2015.

While there has been volume decline in traditional clearing centres, there has been an uptick in London's RMB deposit activity despite concerns regarding BREXIT. Average deposits in London increased through the last two years to RMB75.5 billion (\$11.2 billion) in the third quarter of 2017 compared to RMB51.4 billion (\$7.6 billion) in 2015. Meanwhile, Shanghai clearing house launched China's first cross-border foreign exchange platform with London-based R5FX, a clearing partner for emerging markets' FX trade in December.

1.3. RMB offshore bond issuance

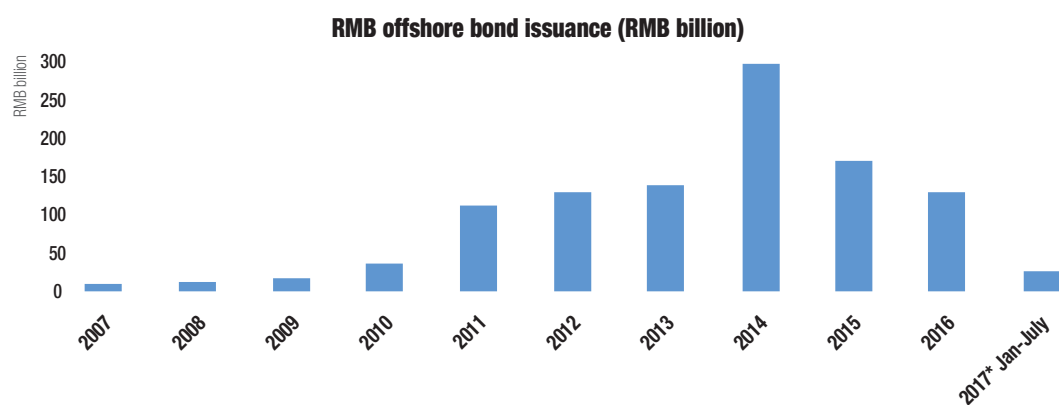
The development of the offshore RMB market has been a key factor in China's push to RMB internationalisation. However, sales of offshore CNH

bonds, otherwise known as dim sum bonds, has dropped so dramatically that even the RMB's 6% surge in 2017 failed to resurrect interest.

Figure 3

RMB offshore bond issuance has weakened

Source: Bloomberg, Asian Banker Research



Offshore bond issuance reached a peak of RMB297 billion (\$44.05 billion) in 2014 but dipped to RMB130 billion (\$19.3 billion) in 2016 and amounted to just RMB27 billion (\$4 billion) in the first seven months of 2017. Meanwhile, issuance of Panda bonds, or onshore debts sold by foreign issuers in China, reached RMB194 billion (\$29.4 billion) in the same period. The slump in the offshore CNH bond market is a mirror of the

shrinking pool of offshore RMB deposits in Hong Kong and elsewhere.

With regards to the onshore bond market, foreign investors started flocking to the market, especially after the Bond connect scheme kicked off in July 2017. As of December 2017, 247 overseas investors from 18 countries were approved under the scheme.

1.4. RMB forex trading volume

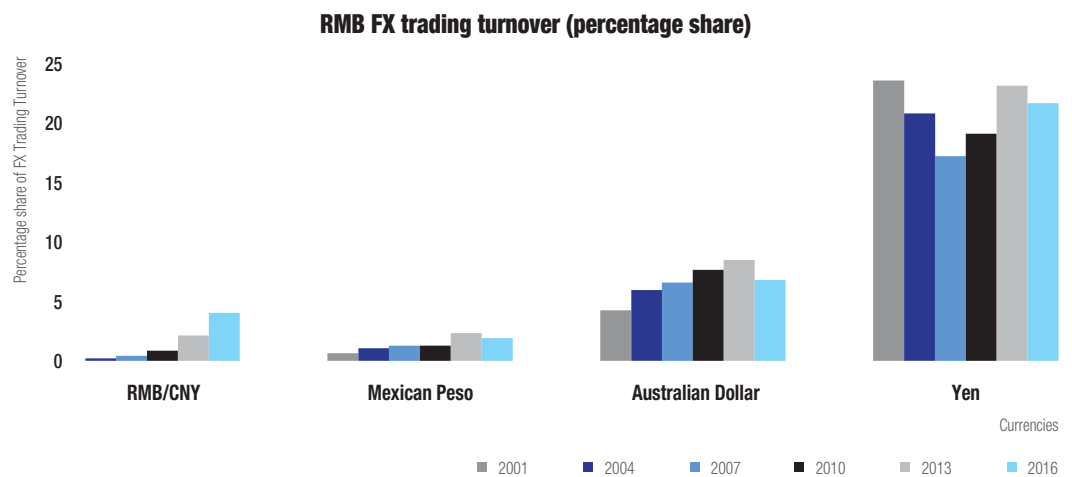
The International Monetary Fund's (IMF) inclusion of RMB into the Special Drawing Right (SDR) basket effective October 2016 meant that countries can include RMB denominated assets in official FX reserves, elevating RMB's status as an international emerging currency for forex trading.

Trends from the Bank of International Settlements' (BIS) Triennial Survey in 2016 reflected RMB's emer-

gence as the most actively traded emerging market currency. While the US dollar remained the dominant trading currency constituting 88% of all trades as of April 2016, the RMB doubled its share of over the counter (OTC) currency trading turnover to 4.0% in 2016 from 2.2% in 2013. Notably, major currencies including the euro, Japanese yen, Australian dollar and Swiss franc reported a decline in their average daily turnover volumes on a net-net basis.

Figure 4.1

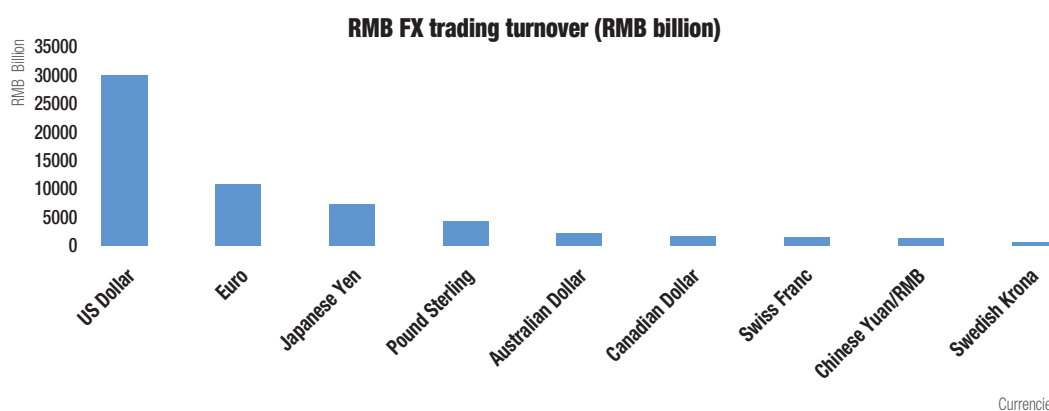
RMB share remains low but growth was positive



Source: Asian Banker Research, Bank of International Settlements, Triennial Survey 2016

Figure 4.2

RMB FX trading turnover remains low



Source: Asian Banker Research, Bank of International Settlements, Triennial Survey 2016

About 95% of Renminbi turnover is due to trading against the US dollar. On a global basis, however, its contribution in volume terms per day remains low at RMB13.61 billion (\$2.02 billion), against a global total of RMB34.4 trillion (\$5.1 trillion) transacted daily.

According to data from Society for Worldwide Interbank Financial Telecommunication's (SWIFT)

RMB tracker in January, Hong Kong remains the largest offshore RMB clearing centre with a 75.68% share followed by United Kingdom at 5.59%. The UK is the most important trading centre for RMB globally, outside of China, by volume and by value. Some 25.89% of RMB FX transactions (excluding China) by value were conducted in the UK, with Hong Kong at second place with a 19.7% share.

1.5. RMB cross border payments

SWIFT's RMB tracker placed RMB as the 5th most widely used currency for international and domestic payment in December 2017. In terms of percentages, the RMB made up 1.61% of international payments in December 2017, when looking at domestic and cross-border payments.

Looking forward, as depreciation expectations clear, a string of measures including China's Belt and Road Initiative, the possibility of using RMB to settle oil transactions and the establishment of trading facilities of RMB denominated gold contracts in Hong Kong or Dubai exchanges, could pave the way for the RMB's ascendancy.

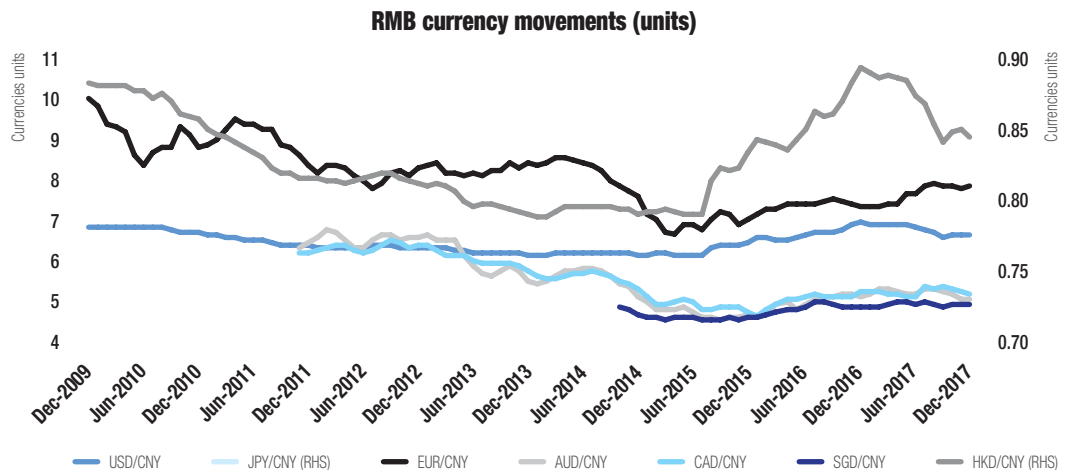
1.6. RMB currency movements

In October 2017, China renewed its goal of maintaining exchange rate stability at a "reasonable and balanced level". The RMB was stable against a basket of major currencies last year and even showed an appreciating trend in the second half. On a spot-monthly average basis, USD/CNY rose by 4.32% to 6.594 in December 2017 against 6.892 in January last year.

Over the same period, RMB appreciation against the Hong Kong Dollar (HK\$) and Japanese Yen amounted to 5.02% and 2.61% in December. The only outlier was the euro, against which the RMB depreciated by 6.61%. Notably, the euro has been trending stronger against major currencies including the US dollar on strong euro-zone economic data and expectations regarding winding down of the bond purchase programme.

Figure 5

RMB largely appreciated against major currencies in 2017



Source: China Foreign Exchange Trading Center

However, a few tail risks remain such as China's credit and debt trajectory over the medium term. Even though deleveraging has been a focus for

the PBC, bank lending continues to rise and more needs to be done.

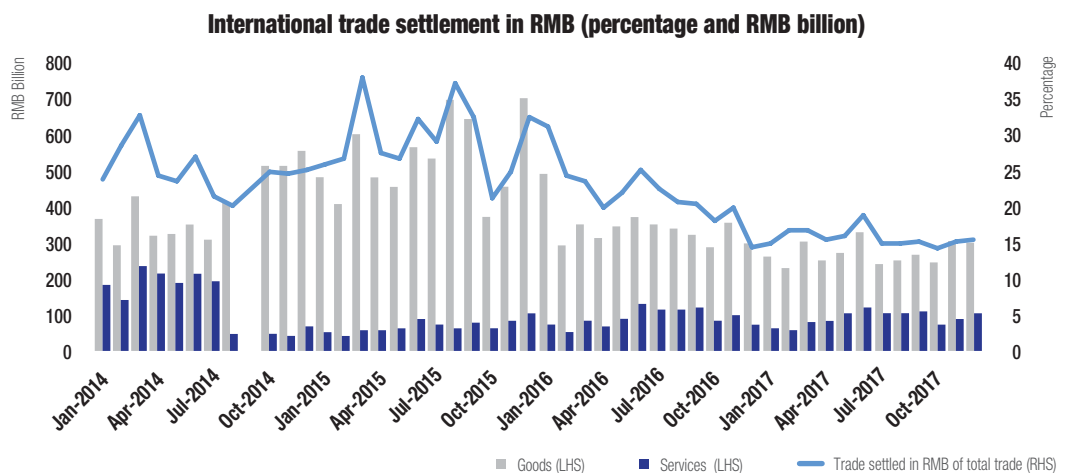
1.7. International trade settlement in RMB

Trade settlement in RMB as a percentage of China's total trade has underperformed relative to previous years. While China's total trade reached a record RMB2,756.8 billion (\$408.9 billion) in December 2017, the average monthly percentage of trade settled in RMB out of China's total trade stood at 15.7% last year, compared to 21.4% in 2016 and 29% in 2015. In value terms, RMB trade settlement cumulatively

amounted to RMB4354.7 billion (\$645.9 billion) in 2017, down from a total RMB5310.7 billion (\$787.7 billion) in 2016 and RMB7.4 trillion (\$1.2 trillion) in 2015. In a bid to revive trade in RMB, the PBC stated that it would allow foreign investors to freely remit their RMB-denominated profits and dividends and pledged to remove barriers in cross-border trade and investment in January 2018.

Figure 6

Trade momentum picked up in 2017, but RMB trade settlement remained weak



Source: Asian Banker Research, CEIC China Premium Database, IMF World Economic Outlook Database

2. Recent initiatives and their impact

2.1. Liberalisation, capital account convertibility – initiatives and impact in 2017

PBC had announced several market oriented initiatives during the second half of 2017 enabling greater use of RMB for transaction and payment purposes. In September, the PBC eliminated requirements for banks to hold reserves against offshore RMB deposits, scrapped the rule requiring banks to reserve a 20% deposit on forward sales of foreign exchange and reduced the foreign

exchange risk reserve ratio to zero. Furthermore, in January 2018, the PBC effectively removed the “counter-cyclical” factor in its fixing mechanism it had imposed in 2017 to counter the trading volatility. Now that the outflows have abated and the RMB has started to appreciate, policy makers see a window of opportunity to let the market play a bigger role in determining the rate.

2.2. Improving investor access – Stock connect, Bond connect, opening of derivatives market

Several channels have been developed to aid investor access to China’s markets. The key ones include the Stock Connect scheme, the Bond Connect scheme, the China Interbank Bond Market (CIBM) Direct, as well as the Qualified Foreign Institutional Investor (QFII) program and the Renminbi Qualified Foreign Institutional Investor (RQFII) Scheme.

Stock Connect: The Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect

The Shanghai-Hong Kong Stock Connect launched in November 2014, and the Shenzhen-Hong Kong Connect in December 2016, have eased trading rules between the cities. Limitations for the schemes such as a daily quota of RMB13 billion for Northbound investments into Shenzhen and Shanghai stocks do pose concerns for passive fund managers that have difficulty entering the market due to the daily halts. However, with RQFII quota for Hong Kong being expanded to RMB500 billion (\$76.9 billion) in July, this limit is expected to be relaxed.

CIBM and CIBM Direct

The China Interbank Bond Market (CIBM) Direct announced in February 2016 created a more straightforward scheme to invest in China’s bond market based on a registration-based application process free from quota limits.

After relaxing quota for transactions involving larger international FIs, foreign central banks and sovereign wealth funds in 2015 and 2016, in 2017 State Administration of Foreign Exchange (SAFE) allowed FII’s in CIBM to trade onshore foreign exchange derivatives through existing settlement agents. The relaxation granted FII’s full access to CIBM through one-stop solution from bond trading to offshore FX hedging, settlement, and custody. The new measures to open up access are expected to generate capital inflows from market participants.

Bond Connect

The Bond Connect, launched in July 2017, allows overseas investors from Hong Kong and other regions more simplified access to invest in the CIBM, setting the tone for continued progress towards expanding market access to the CIBM and removing the need to open custody and bank accounts in China with a one-week application time. Bond trading so far is only one way with Southbound trading expected to be explored later. China has so far approved 247 investors from 18 countries to use the system as of December 31, according to the China Foreign Exchange Trade System.

QFII and RQFII

The Qualified Foreign Institutional Investor (QFII) program, permits the use of foreign currency in the investment of onshore equities and bonds by qualified foreign institutional investors. In recent years, the quota limit was raised, with a streamlined quota application process put in place. Furthermore, repatriation of QFII funds was made easier through relaxed restrictions and a shortened lock-up period (from 12 to three months). Accumulated investments under QFII increased by 11.3% to RMB655.0 billion (\$97.15 billion) at the end of 2017 from a year ago.

The RQFII Scheme, an extension of QFII, permits the use of the RMB in the investment of onshore equities and bonds by qualified foreign institutional investors. Demand for RQFII has grown strongly, whereby the number of approved institutions jumped 10.7% in a year to 196 in December 2017, and accumulated investment value increased by 14.5% to RMB605.1 billion (\$89.8 billion).

2.3. Belt and Road initiative and potential impact

The Belt and Road initiative has placed the RMB on a stable path towards internationalisation. With the initiative encompassing 68 countries, this strategic project comprises an overland route and a maritime path spanning from Asia to Europe to promote economic development through the expansion of trade links.

RMB internationalisation goes hand in hand with the Belt and Road initiative. With the establishment of the world's largest economic corridor, this initiative is expected to expedite the use of the RMB for trade, financing and investment.

As more domestic Chinese enterprises are going "global", this will promote RMB circulation

through the two-way trade of the currency - foreign investments made in the RMB flow back to China and secondly, when overseas enterprises make purchases of goods and services in RMB.

From a liquidity perspective, as US authorities constantly tighten their monetary policy, the RMB would play a pivotal role as a trade financing alternative. China expects its annual trade with countries along the Belt and Road route to surpass \$2.5 trillion in the next decade. Plus, some of the fundraising required for the project is denominated in RMB, which will widen the range of RMB products and encourage companies to use RMB for cross-border trade, cash management, financing and investment purposes, in line with the RMB internationalisation goal.

2.4. RMB inclusion in the Special Drawing Right Basket

Efforts to internationalise the Renminbi and improve access for foreign investors culminated in the currency's inclusion in the Special Drawing Right (SDR) basket of the IMF. The move marks the RMB as a currency of quality that is liquid and stable enough to be used as one of the IMF's official lending currencies in emergency bailouts. The IMF's inclusion of the RMB as the 5th currency next to the USD, Euro, Pound and Yen in the SDR basket took effect from October 1, 2016. This essential "landmark moment" provided not only the vote of confidence in RMB as an international currency but also solidified China's commitment to financial liberalisation.

Some critics have pointed out that the RMB's inclusion is more symbolic than a "market shaping" reform. But the announcement by Germany's central bank, the Deutsche Bundesbank, to include RMB in its currency reserves in January 2018, one of the major central bank outside the Asian region to hold RMB as a part of its reserves, shows the rising importance of the currency. What remains to be seen is whether SDR inclusion will provide the needed impetus to push China into opening its capital accounts and further financial liberalisation.

3. Key trends and business developments in RMB internationalisation – survey findings

3.1. Key RMB product segment in 2017

The survey conducted by The Asian Banker across 346 companies and 52 FIs brings insights into growing RMB engagement and internationalisation.

The findings show that in 2017 a significant number of corporates and FIs increased their activities across all RMB products. While as expected, the growth in RMB engagement was higher amongst Chinese corporates but there was a notable increase in engagement among overseas companies’ indicating growing RMB acceptance internationally.

The strongest increase in RMB engagement was seen in RMB payments as 58% Chinese corporates, over 40% of overseas companies, and FIs increased RMB-denominated payments last year.

A significant number of respondents said that they increased their RMB cross-border trade settlement

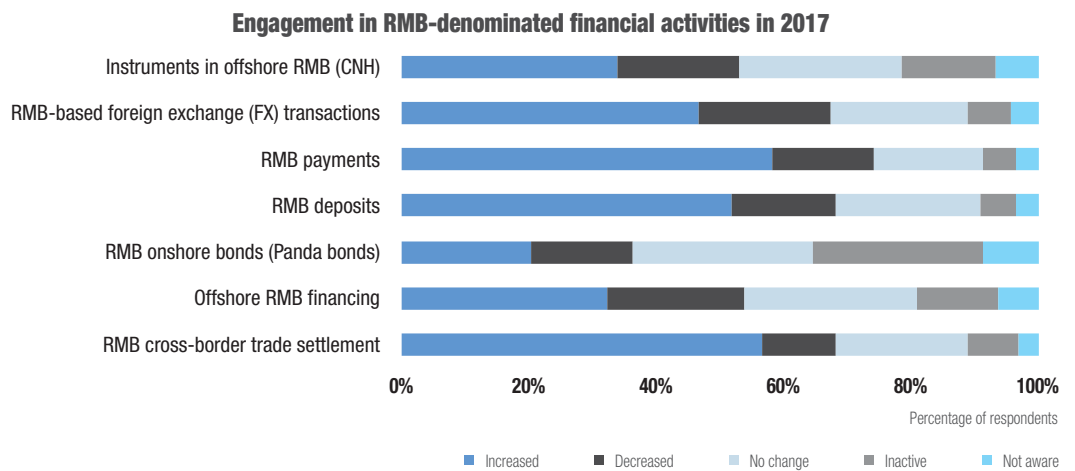
in 2017. The survey showed that 56% of Chinese companies and 50% of overseas companies increased RMB cross-border trade activities last year.

In another encouraging trend, despite the overall macro trend of drop in overall RMB offshore financing for industry as a whole, the corporates surveyed indicated a growth in their engagement in 2017, as 35% of overseas businesses increased RMB offshore engagement versus 30% of Chinese companies. RMB onshore bonds (Panda bonds) witnessed an increase among overseas companies at 32%.

The impact of stable RMB could also be seen as 46% of Chinese corporates, 43% overseas firms and 48% of FIs increased RMB forex transactions in 2017, which was the highest increase in engagement for FIs across all RMB products, followed by RMB payments at 46%.

Figure 7.1

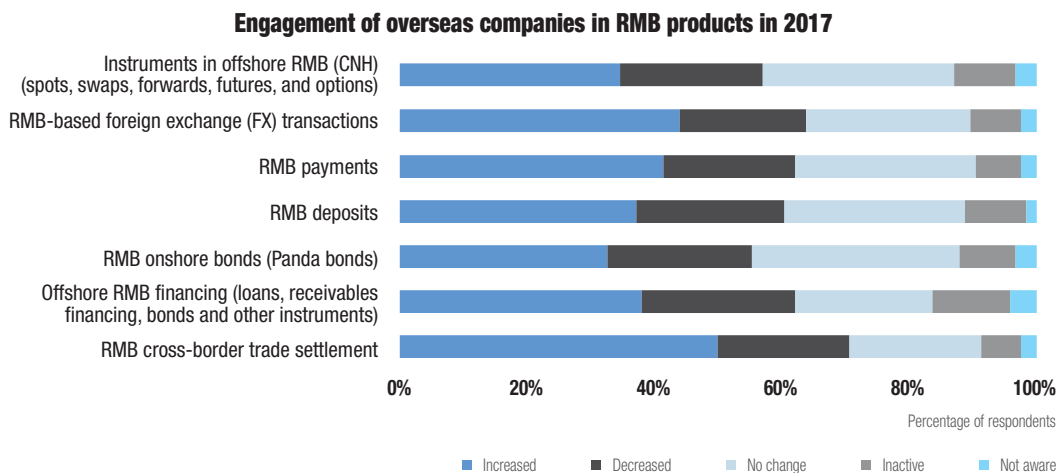
RMB cross-border trade settlement and payments grew notably among Chinese corporates in 2017



Source: Asian Banker Research

Figure 7.2

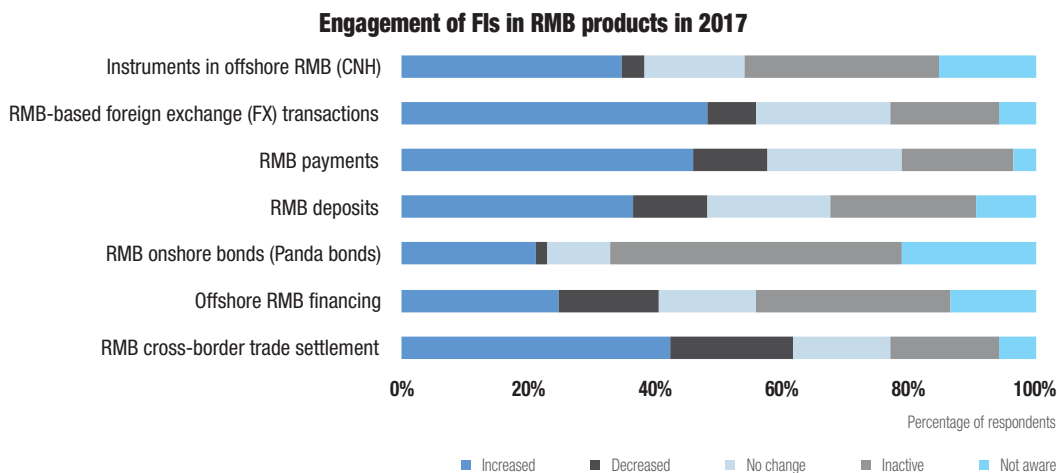
RMB cross-border trade settlement and FX transactions witnessed highest increase in activity among overseas companies



Source: Asian Banker Research

Figure 7.3

FI's engagement on FX and cross-border trade settlement improved in 2017



Source: Asian Banker Research

3.2. The expected change in RMB products in 2018

The survey indicated that the overall growth trend in RMB engagement is expected to continue in 2018. Across all RMB product segments, a higher number of Chinese companies plan to increase their engagement in 2018 while amongst overseas corporates, at least 30% plan to increase their engagement in all RMB products this year. Among FIs, a significant majority plan to increase activity across all RMB product categories in 2018, with the highest increase expected to be seen in cross-border trade, payments and deposits.

Some 40% of companies intend to increase RMB deposit, payments and forex transactions. Greater engagement is expected in RMB cross-border settlement in 2018 as compared to a year ago. The bigger push towards RMB cross-border trade settlement is expected to come from Chinese companies as 63% of these plan to increase their engagement, along with 47% of overseas companies and about 57% of FIs.

Comparatively, a moderate growth is expected in offshore RMB financing, with only 35% of Chinese companies planning to increase engagement while 31% expect no changes. Akin to last year's trend, some 38% of companies outside of China plan to increase RMB offshore financing, compared to 42% of FIs.

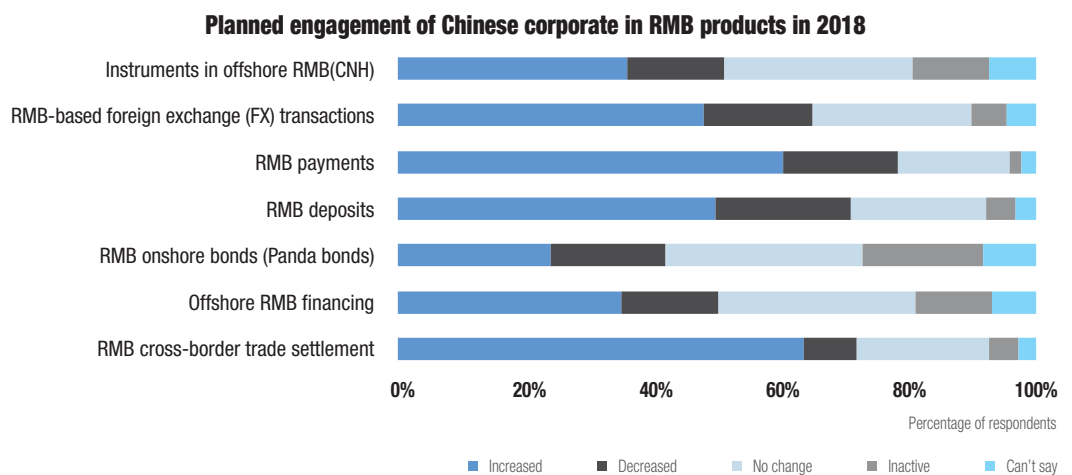
Stronger growth is expected to continue in RMB payments in 2018 facilitated by 60% of FIs and Chinese corporates that plan to increase payments. For overseas companies, the trend will continue as previous year as 40% plan to increase engagement.

There is expected to be a continued growth in RMB deposits in 2018 as 54% of FIs and 40% of overseas respondents plan to increase their RMB deposits.

Instruments in offshore RMB will see a growth trend similar to 2017 with one third of firms planning to increase activity. Some 42% of FIs will increase their operations in offshore RMB (CNH) instruments but a significant 23% will still not be active in this product segment.

Figure 8.1

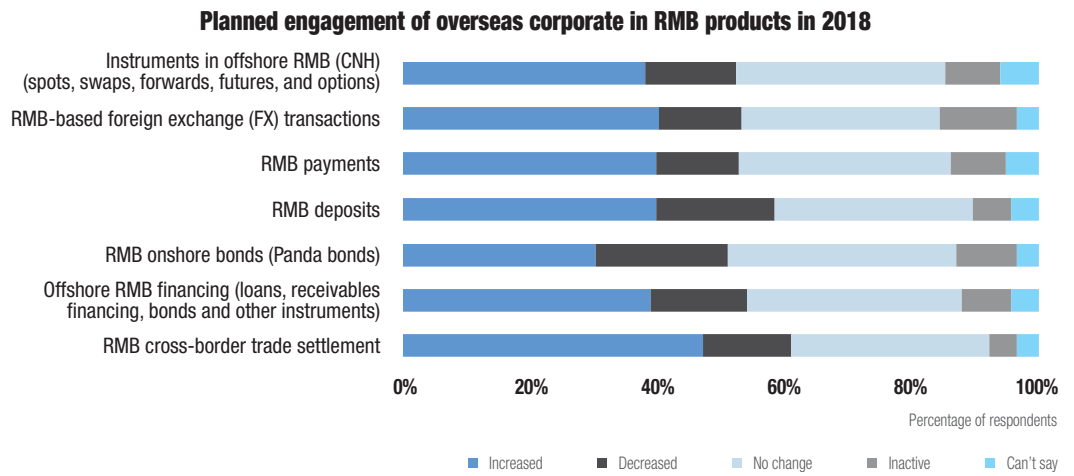
Chinese corporates plan to increase RMB cross-border trade and payments related engagements highest in 2018



Source: Asian Banker Research

Figure 8.2

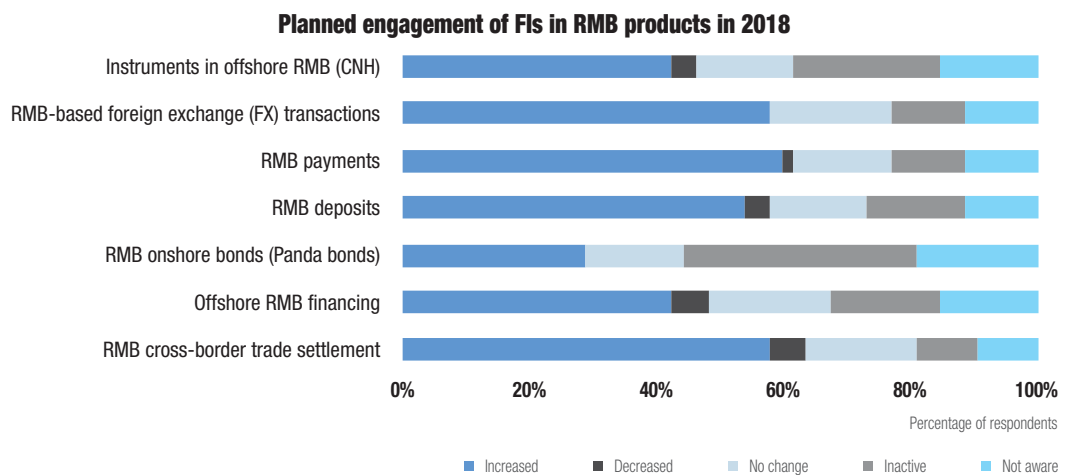
The growth trend in engagement similar to previous year is expected to continue in 2018 for overseas companies



Source: Asian Banker Research

Figure 8.3

FIs expect stronger increase in activity across all RMB product categories in 2018



Source: Asian Banker Research

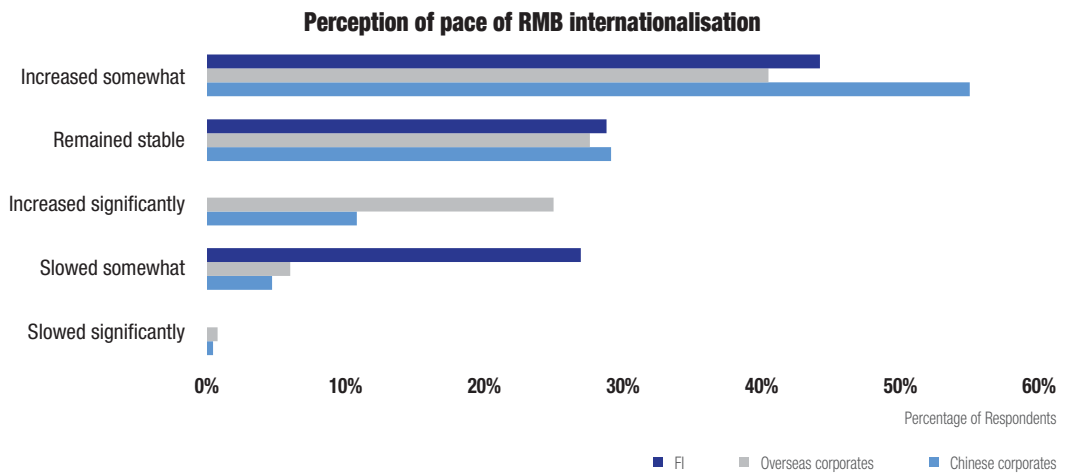
3.3. Perception of pace of RMB internationalisation

Overall sentiment indicated an increase in pace of RMB internationalisation. At least 40% of offshore and onshore businesses and FIs believe that the pace of RMB internationalisation increased in 2017. 55% of Chinese companies believe that pace of RMB internationalisation has increased

somewhat. Meanwhile, significant 65% of overseas businesses believe that the pace of RMB internationalisation increased in 2017, including 25% saying it has increased significantly. Amongst FIs, 44% believe that the pace of RMB internationalisation increased in 2017.

Figure 9

Pace of RMB internationalisation edged up in 2017, albeit moderately



Source: Asian Banker Research

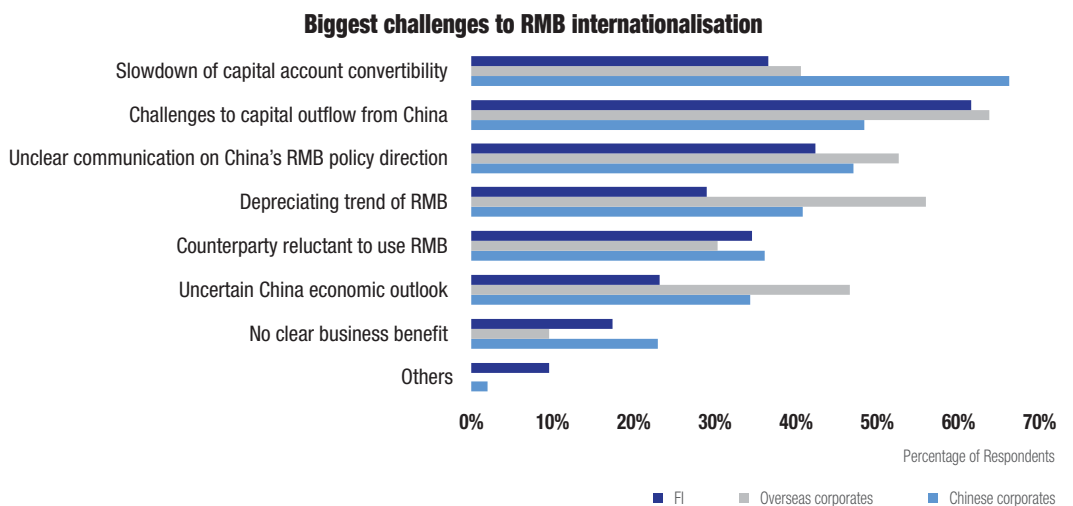
3.4. Challenges to RMB Internationalisation

Macroeconomic factors and government policies play a significant role in RMB internationalisation. Slowdown of capital account convertibility is seen as the biggest challenge to RMB internationalisation among Chinese companies (66% respondents). But

over 60% overseas companies and FIs, and 48% of Chinese companies rated “challenges to capital outflow from China” as the largest obstacle. 42% FI respondents also believed that there should be more clarity in China’s RMB policy direction.

Figure 10

Slowdown of capital account convertibility and challenges to capital outflow emerged as top challenges



Source: Asian Banker Research

3.5. Key drivers of RMB internationalisation

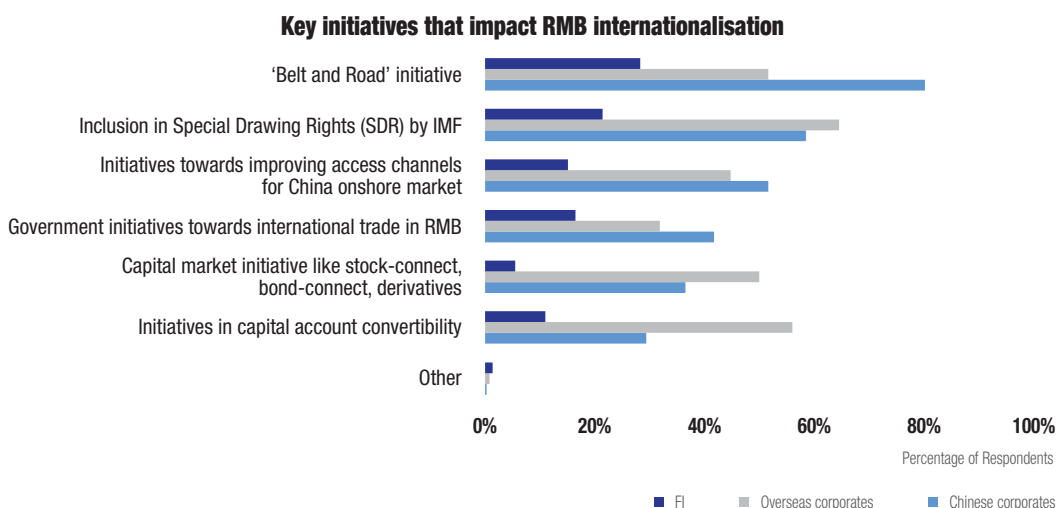
3.5.1. Key initiatives impacting RMB internationalisation

The Belt and Road is bringing positive response and optimism in the industry towards extending RMB’s global reach. When asked what initiatives have had the maximum impact on RMB internationalisation, 72% of all respondents including a whopping 80% of Chinese corporates rated that the Belt and Road initiative as the most significant.

This was closely followed by the “inclusion of RMB in the IMF SDR” as mentioned by 60% respondents. Amongst overseas corporates, inclusion SDR and initiatives towards capital account convertibility were rated as top drivers impacting RMB internationalisation. FIs also consider the “Belt and Road” initiative, followed by “inclusion in SDR” as the most significant measures.

Figure 11

Respondents believe that ‘Belt and Road’ related investments would strengthen RMB’s global reach



Source: Asian Banker Research

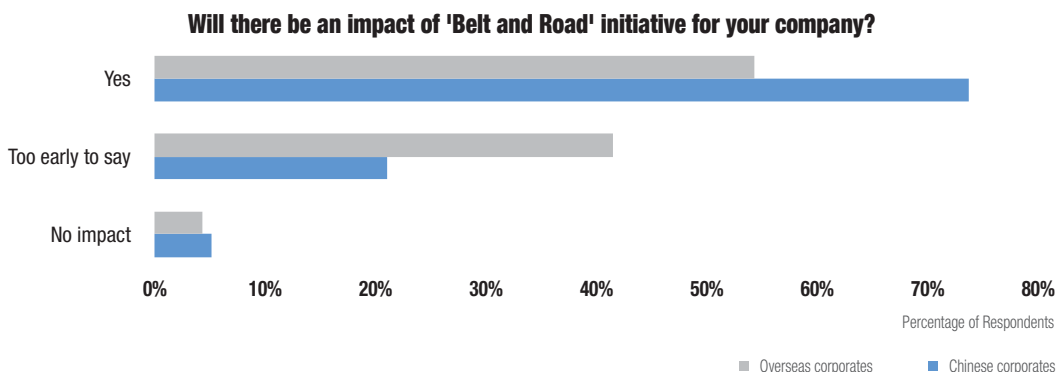
3.5.2. Impact of Belt and Road initiative

74% of Chinese companies are more optimistic about the Belt and Road initiative’s impact on RMB internationalisation compared to 54% of foreign companies. Among those who are optimistic, 70% of overseas and 90% of Chinese

companies, believe that the Belt and Road initiative will boost “RMB usage in trade internationally”. Among FIs optimistic about Belt and Road, 50% believe that it will boost RMB use in investments internationally.

Figure 12.1

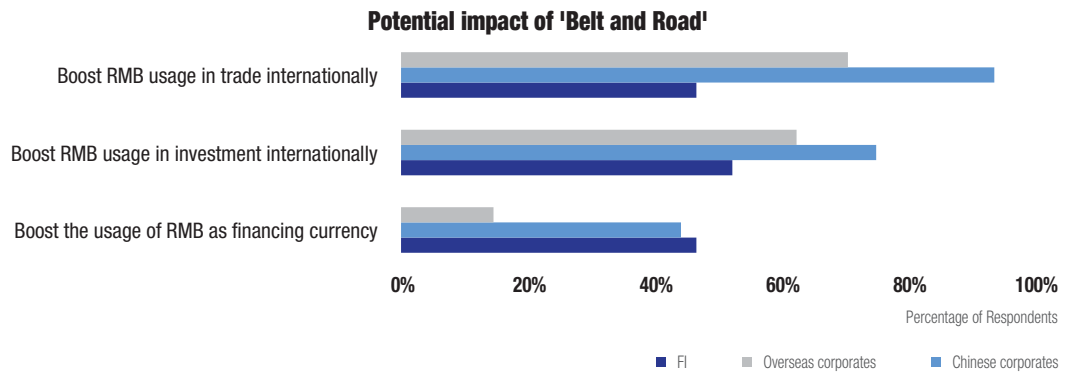
Most companies are optimistic on the impact of the Belt and Road initiative



Source: Asian Banker Research

Figure 12.2

Corporates are more optimistic of Belt and Road impact on international trade while FIs are more optimistic on impact on investment



Source: Asian Banker Research

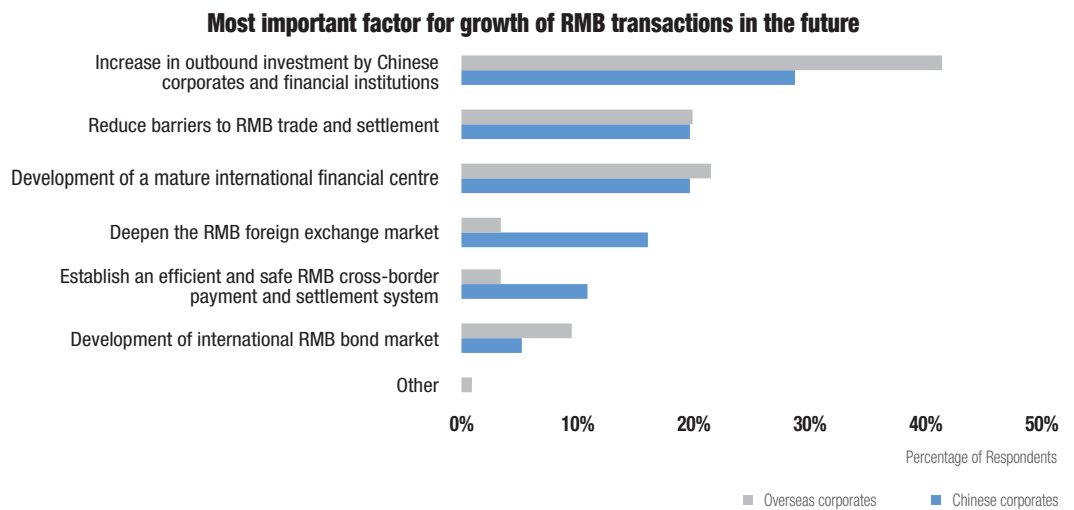
3.6. RMB Transactions

Some 41% of Chinese companies and 28% of offshore companies believe that Chinese firms and FIs need to increase outbound investment to facilitate greater future RMB transaction growth.

Companies also rated the need to reduce barriers to RMB trade and settlement and development of a mature international financial centre as two other requirements for RMB transaction growth.

Figure 13

Chinese and overseas companies feel that increase in outbound investment is most important factors for growth in RMB transactions



Source: Asian Banker Research

3.7. Trends in RMB product growth in different geographic markets

3.7.1. Key markets for RMB products

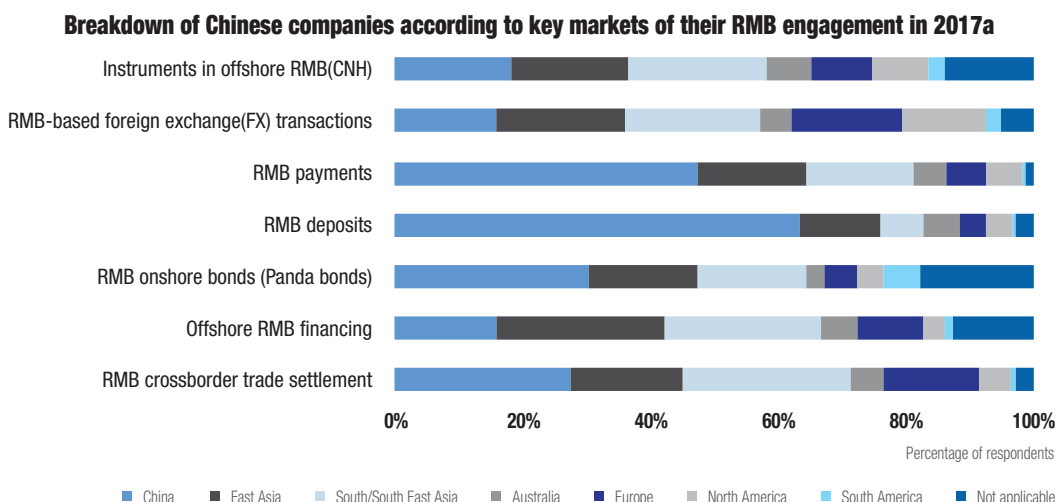
Respondents were asked about the key markets where their company managed most of its RMB related transaction or business. As expected, the responses show that China dominates RMB payments and deposits for Chinese companies, however notably other Asian countries lead after China. For overseas respondents, after China, North America and South America emerged as key markets for most RMB products in 2017.

In terms of RMB cross-border settlement, two key markets for Chinese companies are China and South/South-East Asia at 27% and 26% respectively.

For offshore financing, East Asia (26%) followed by South/South-east Asia (24%) emerged as key markets amongst Chinese corporates. Among overseas companies, China and South America emerged as key markets for offshore financing.

Figure 14.1

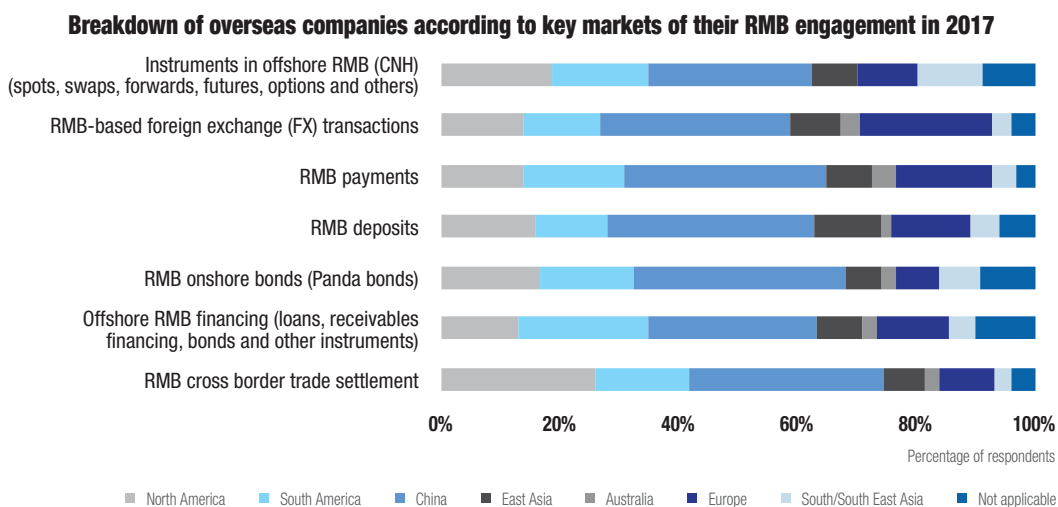
Asia was a major hub for all RMB related engagements for Chinese companies



Source: Asian Banker Research

Figure 14.2

Overseas companies represented more geographically diversified engagements in RMB



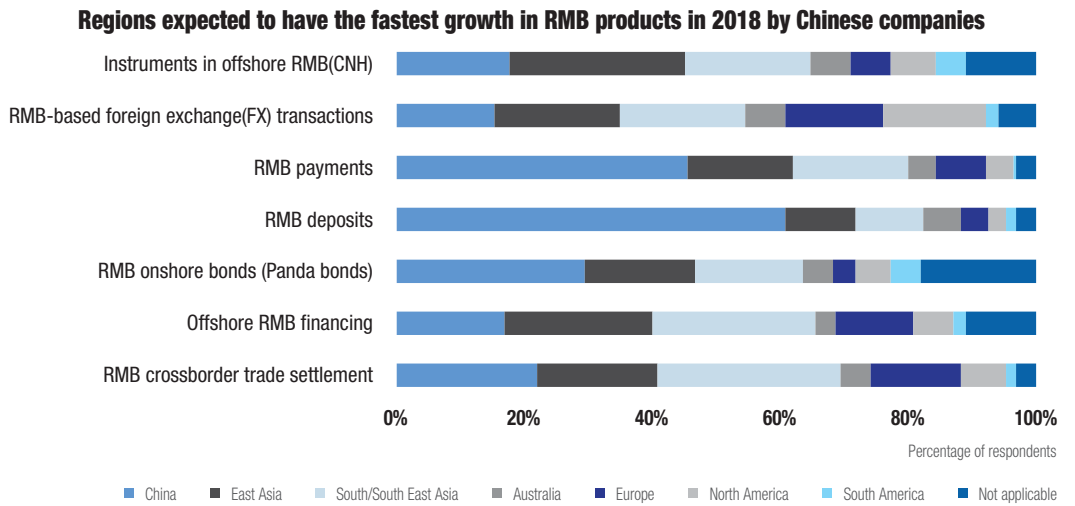
Source: Asian Banker Research

3.7.2. Regions expected to see fastest RMB product growth in 2018

For cross-border trade settlement, 28% of Chinese businesses expect fastest growth in South/South-East Asia, followed by 22% in China. In terms of offshore financing, South/South-East Asia is expected to see the fastest growth by 29% of Chinese firms.

Figure 15

For cross-border trade settlement Chinese companies expect fastest growth in South/South-East Asia



Source: Asian Banker Research

3.8. RMB cross-border trade developments

3.8.1. Developments in 2017

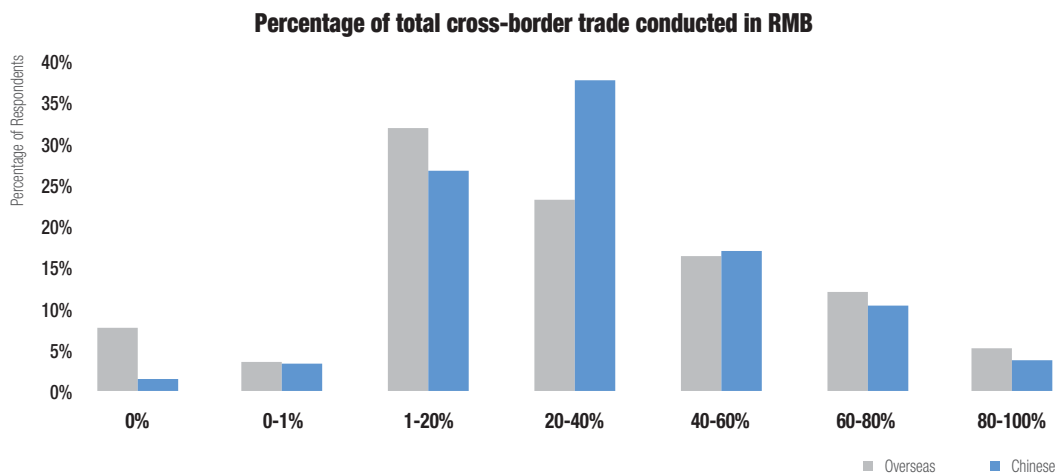
A significant increase in RMB cross-border trade has been reported by Chinese respondents in 2017 with 68% of Chinese companies conducting at least 20% of cross-border trade in RMB, a trend that should indicate greater push towards use of RMB in international trade. 40% of overseas corporates have <20% share of cross-border trade in RMB, in-

cluding over 7% with no cross-border trade in RMB, there is significant scope for increase in use of RMB in international trade by overseas companies.

In 2018, 63% of Chinese companies, 47% of overseas corporates and 57% of FIs plan to increase their RMB cross-border engagement.

Figure 16

Cross-border trade conducted in RMB remains low among overseas corporates



Source: Asian Banker Research

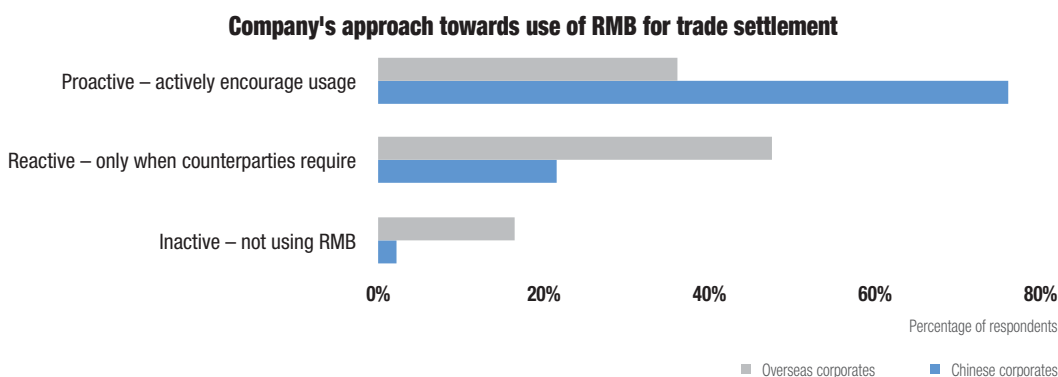
3.8.2. Attitude towards RMB trade settlement

A greater push to the use of RMB in cross-border trade by Chinese companies was reflected through their approach. Some 76% of Chinese companies said that they are more “proactive” towards the use of RMB for trade settlement and actively encourage its usage. Interestingly,

36% of overseas companies also said that they are “proactive” in their approach. A majority of overseas companies, about 47%, said that they were “reactive” in their approach and use RMB for trade settlement only when counterparty requires it.

Figure 17

Chinese companies are more “proactive” compared to overseas corporates



Source: Asian Banker Research

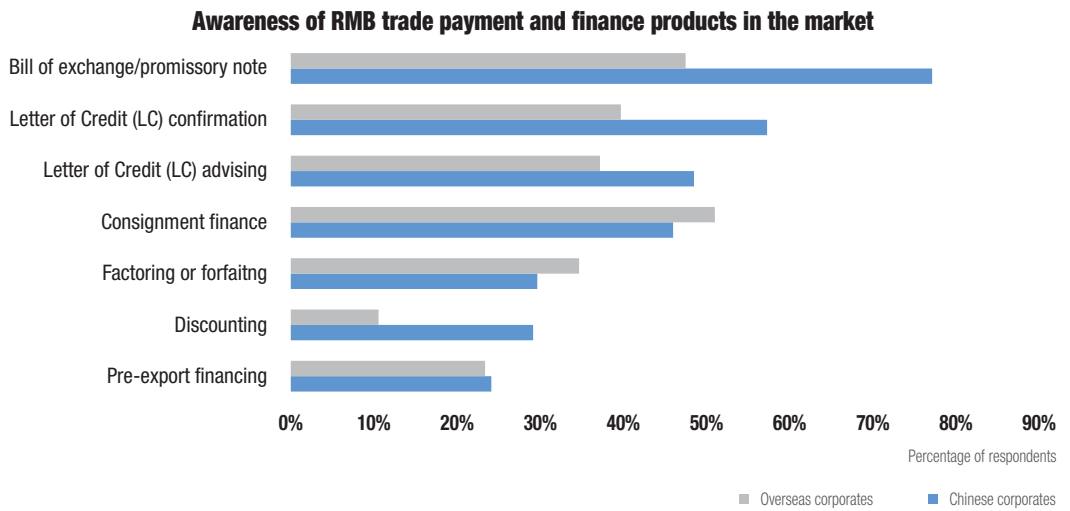
3.8.3. Awareness of RMB denominated trade payment and finance products

The awareness of RMB trade payment and finance products outside China still remains low and institutions can play a greater role to facilitate knowledge and market these in the future. Among RMB trade finance products, Chinese respondents

(77%) are most aware of bills of exchange and LC confirmation (57%). However, the awareness of RMB trade products amongst overseas respondents is low with less than 50% cognisant of major products.

Figure 18

Awareness of RMB trade payment and finance products amongst Chinese companies



Source: Asian Banker Research

3.9. RMB Offshore Financing

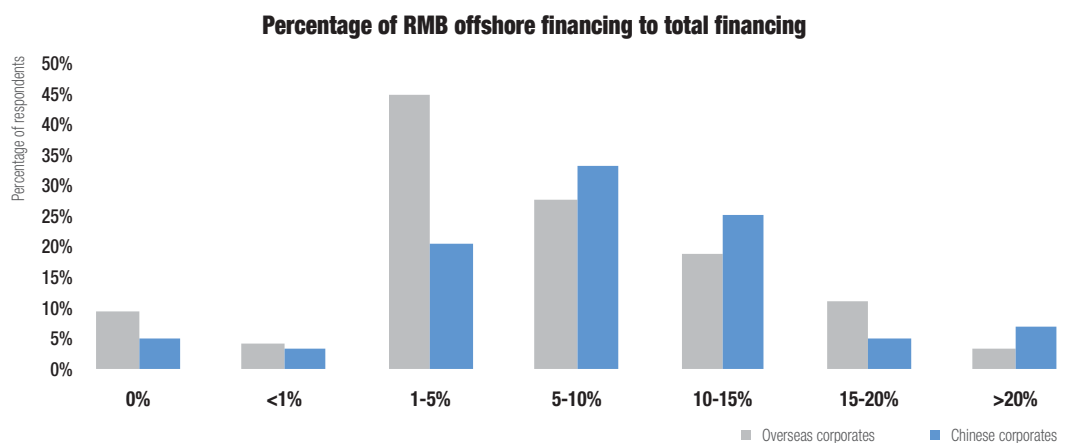
3.9.1. Share of offshore RMB financing in total financing in 2017

Share of offshore RMB financing in total financing of companies continues to remain low. Only 3% of overseas firms and 7% of Chinese companies hold greater than a 20% share of RMB financing. Among overseas companies, 58% have less than a 5% share and 9% have no RMB offshore financ-

ing; a majority of overseas companies at 45% maintain between 1% to 5% of their total offshore financing in RMB. Chinese firms maintain a relatively higher share in RMB offshore financing share in their total financing with only 28% having less than 5% share and 33% having a 5%-10% share.

Figure 19

Share of RMB offshore financing in total financing for companies in 2017



Source: Asian Banker Research

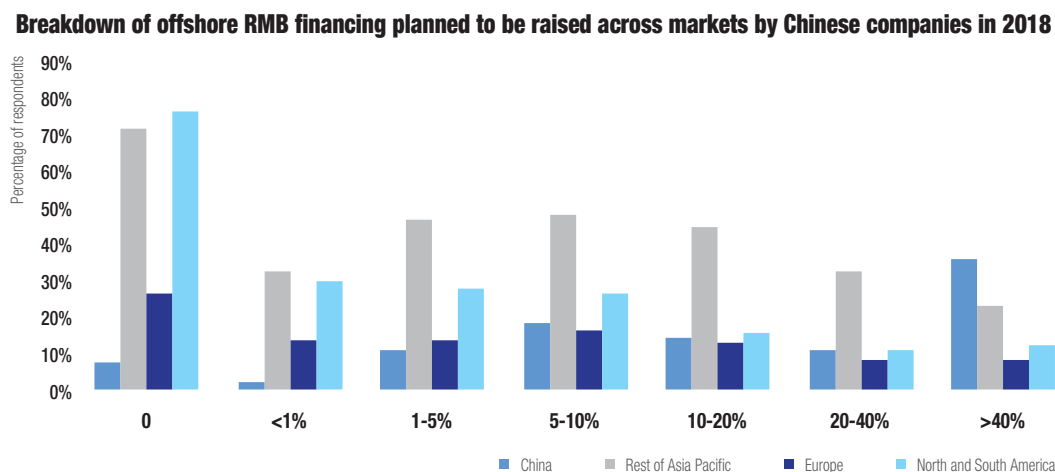
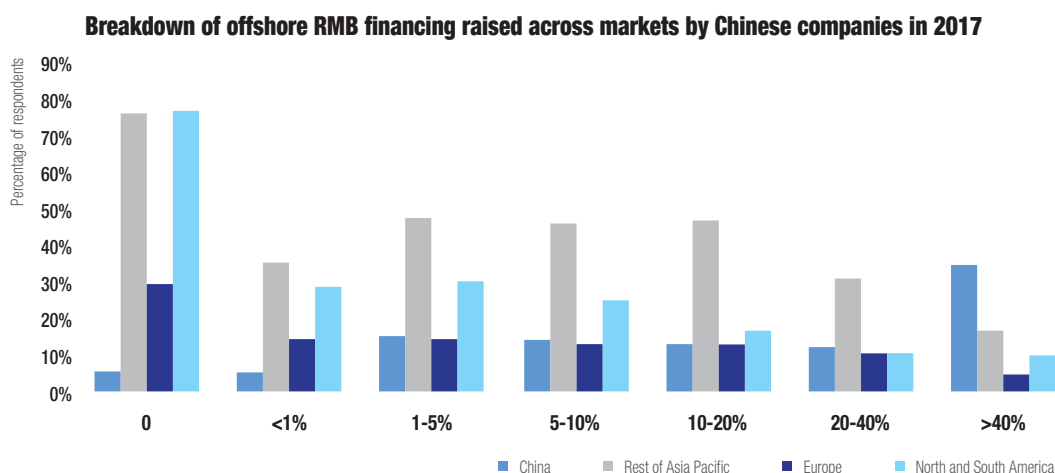
3.9.2. Geographical breakdown of offshore RMB financing in 2017 and expected breakdown in 2018

Respondents were asked to share the geographical breakdown of their offshore financing and the planned or expected breakdown in 2018. Asia Pacific emerged as the key market for the offshore financing among Chinese companies. Among over-

seas companies, Asia followed by North and South America emerged as more prominent markets. The responses show that Chinese companies do not expect any significant change in regional distribution of offshore financing in 2018 compared to 2017.

Figure 20.1

Asia Pacific countries remain the biggest offshore finance markets for Chinese companies



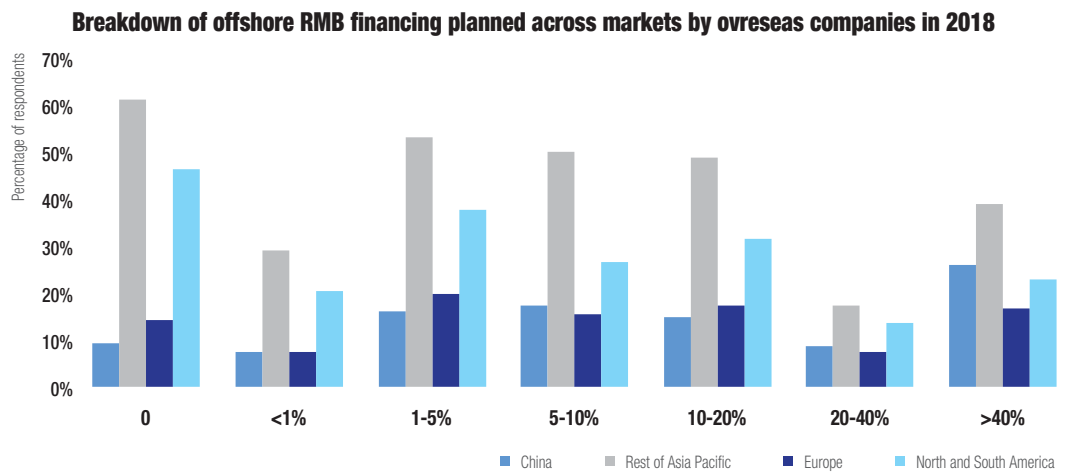
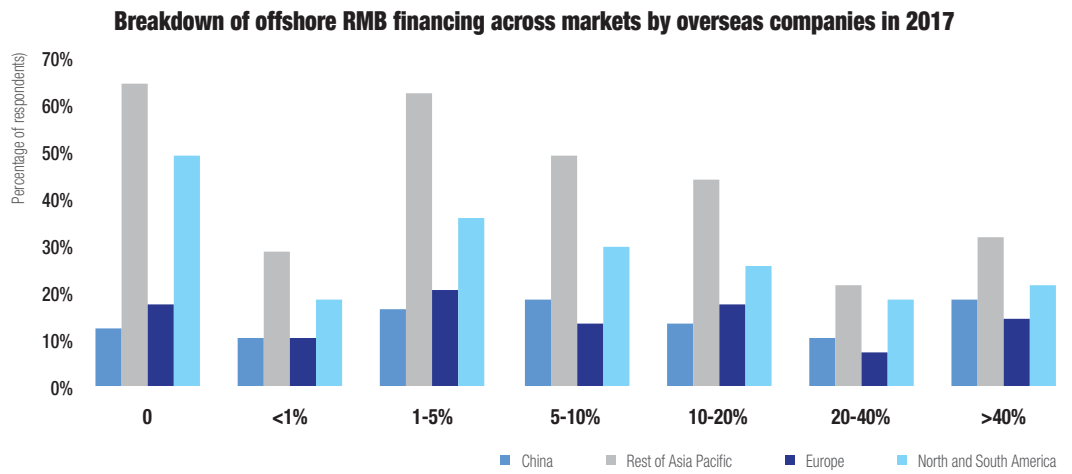
Source: Asian Banker Research

Meanwhile, a marginal number of overseas corporate respondents expect to increase their share

of offshore RMB financing in 2018, reducing the share of those with no RMB financing at all.

Figure 20.2

Asia Pacific is the biggest market for overseas companies



Source: Asian Banker Research

3.10. RMB Onshore Financing

3.10.1. Interest of overseas companies in using Panda bonds in 2018

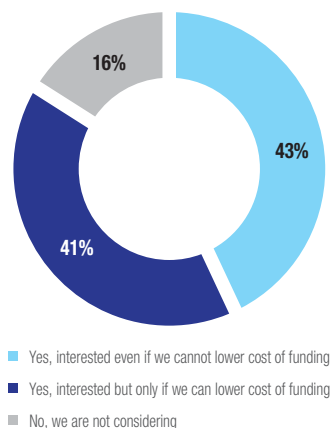
In a positive trend, there remains a strong interest among overseas companies in selling Panda bonds. A significant 83% of overseas companies were interested in issuing Panda bonds in 2018 though of these 40% of companies are only

interested if they can lower their cost of funding. Among the companies that are interested in Panda bonds, the ability to extend their investor base remains a key motivation behind the use of this instrument.

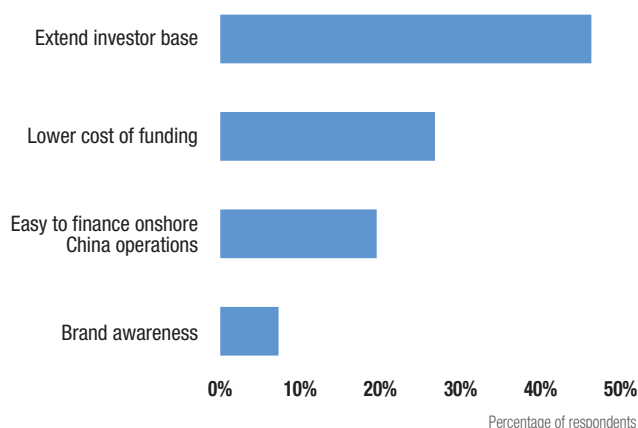
Figure 21

There remains a strong interest in Panda bonds, yet cost of funding will remain a key determinant of future growth

Interest in using Panda bonds in 2018



Biggest perceived advantage seen in Panda bonds



Source: Asian Banker Research

3.10.2. Use of free trade zone (FTZ) in China for financing activity

China set up its first FTZ in Shanghai in 2013, and thereafter opened them in Guangdong, Fujian and Tianjin in 2014. More FTZ are in the pipeline to improve investor access by easing regulations inside these areas.

The survey showed that only one-third of Chinese and overseas corporates are using free trade zones in China for financial activities. Yet many Chinese respondents are positive with some 46% of Chinese companies willing to explore the use of FTZ in the next six months compared to 38% of overseas companies.

Figure 22

More companies are willing to use FTZ in next six months



Source: Asian Banker Research

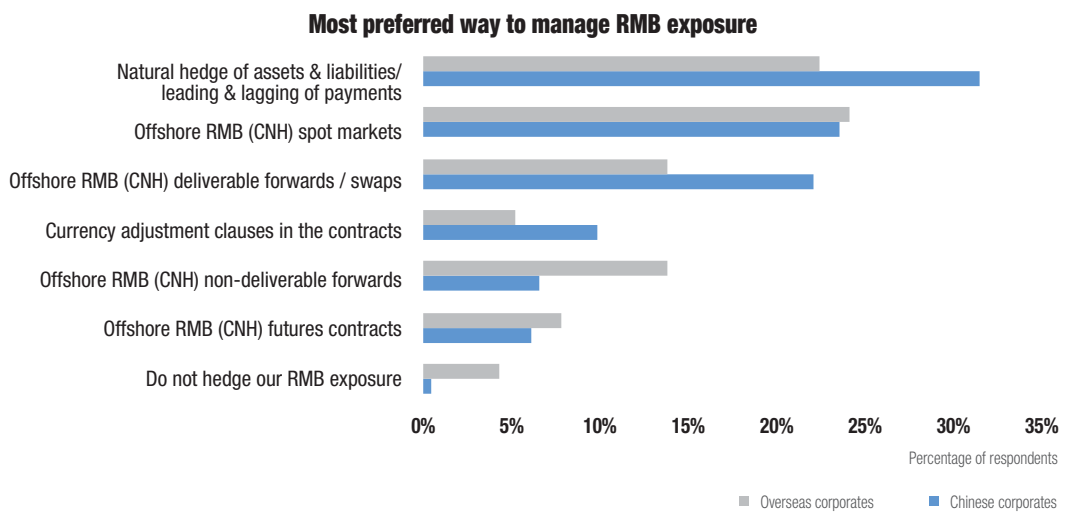
3.11. RMB risk management

Notably, there emerged a strong focus on hedging RMB exposure as 96% of overseas businesses and 99% of Chinese corporates engaged in it in 2017. This could indicate a stronger interest and growth in risk management products among market participants. Some 31% of Chinese companies prefer

a natural hedge of assets & liabilities/leading and lagging of payments to manage RMB exposure. Meanwhile, the offshore RMB spot market is the most preferred route by 24% overseas companies and 23% of Chinese companies to hedge their RMB exposure.

Figure 23

Chinese companies prefer natural hedge of assets and liabilities to manage RMB exposure



Source: Asian Banker Research

3.12. RMB Treasury

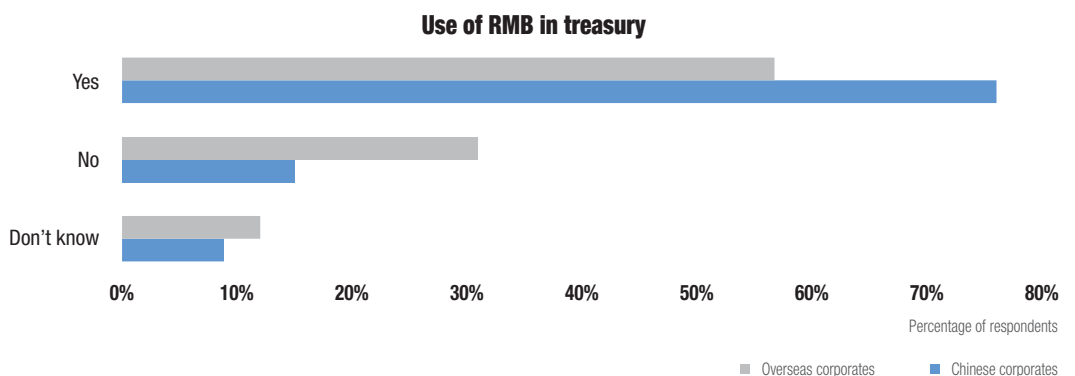
3.12.1. Use of RMB in treasury operations in 2017

There responses indicate a strong focus on use of RMB in treasury operations among corporates. Respondents were asked if they included RMB in their treasury operations in 2017 and

76% of Chinese companies and 56% of overseas businesses said yes. Comparatively, 31% of overseas companies do not use RMB in treasury operations.

Figure 24

Chinese and overseas companies include RMB in treasury operation in 2017



Source: Asian Banker Research

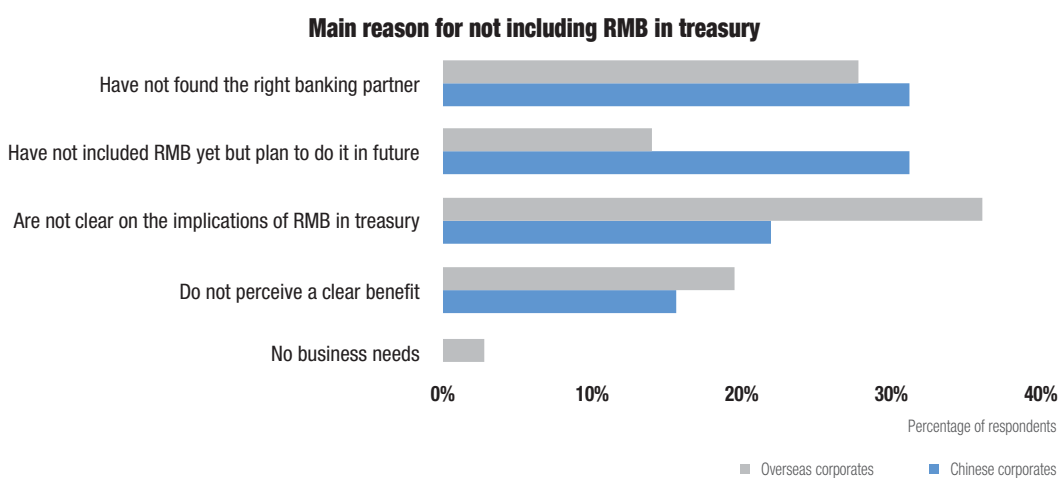
3.12.2. Key reasons for not using RMB in treasury operations in 2017

Companies offshore and onshore differ in their reasons for not using RMB in treasury operations. The majority of Chinese companies say “that they have not found the right banking partner” or “they have not included RMB yet but they plan to do it in future”. This indicates the need for financial institutions to bring greater awareness and improve marketing of treasury products to Chinese corporate.

Over one-third of overseas firms are not clear of the implications of RMB in treasury and therefore prefer not to include it. Meanwhile, 14% of overseas companies that do not include RMB in treasury, plan to include it in the future.

Figure 25

Chinese and overseas companies differ in their reasons for not including RMB in treasury operations



Source: Asian Banker Research

3.12.3. Use of RMB cash pool structure in 2017

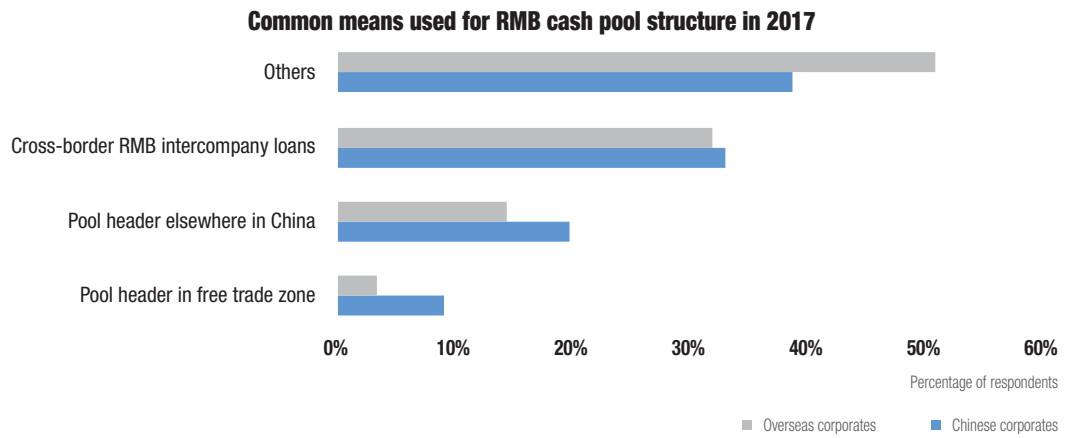
Cash pooling emerged as a popular method for liquidity management with over 60% of corporate (both Chinese and overseas) using the RMB cash pool structure. Companies can look for different strategies for cash sweeping and creating cash pool structures to manage their RMB needs such as having pool header

accounts in different regions based on their requirements, intercompany loans and dividend sharing as strategies.

Among the companies that use the RMB cash pool, about 32% of companies opt to use cross-border RMB intercompany loans.

Figure 26

Over 60% companies used cash pool structure



Others include cross-border RMB dividend payments
Source: Asian Banker Research

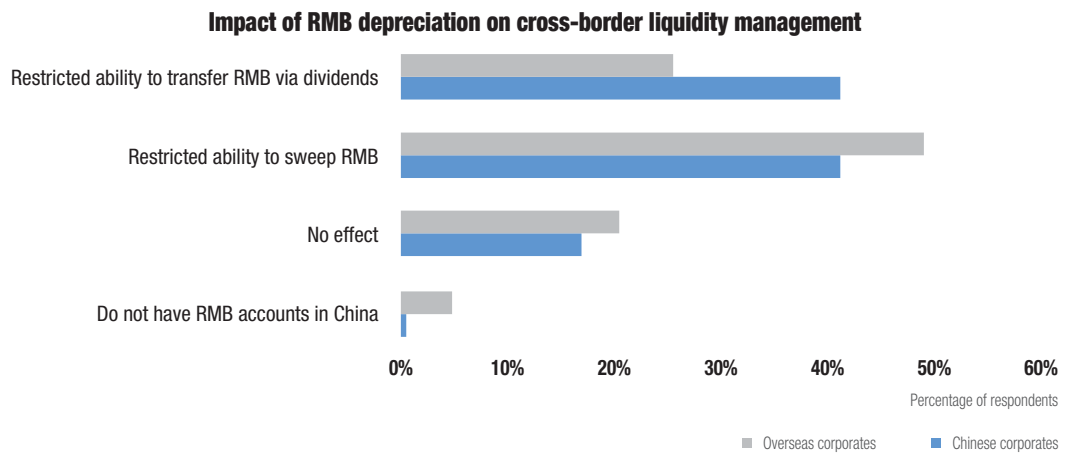
3.12.4. Impact of RMB depreciation on cross-border liquidity management

Stability of RMB is one key factor in cross-border liquidity management as indicated by the survey. Only 17% of Chinese respondents and 20% of overseas respondents feel that RMB depreciation has not had an impact on cross-border liquidity management.

Among those who feel that there has been an impact, restricted ability to sweep RMB is considered the biggest impact by 49% of overseas corporates and 41% of Chinese corporates.

Figure 27

RMB depreciation has resulted in restricted ability to sweep RMB



Source: Asian Banker Research

3.13. Working with Chinese banks

3.13.1. Best banks considered for cross-border RMB product

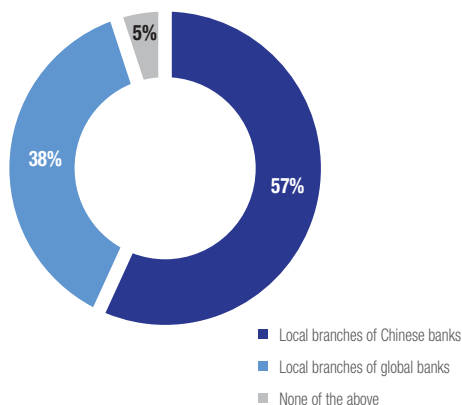
There are varying preferences for banks among Chinese and overseas corporates. Some 57% of Chinese companies indicated preference for local branches of Chinese banks for cross-border RMB products. Meanwhile, a majority of overseas companies (53%) said that they prefer local branches

of global banks. Among overseas companies, only 34% prefer local branches of Chinese banks and 11% prefer domestic banks. These findings indicate an opportunity for Chinese banks to market their services to both overseas companies as well as Chinese corporates.

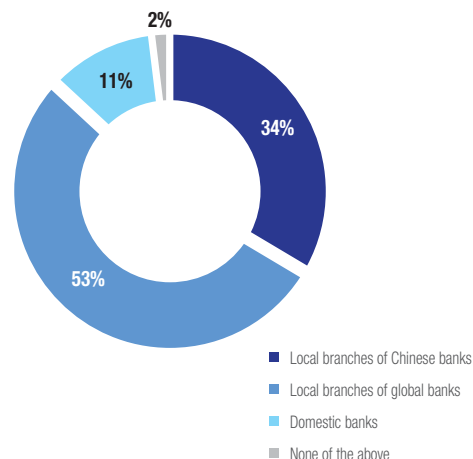
Figure 28

Chinese companies prefer local branches of Chinese banks while overseas companies prefer local branches of global banks for cross-border RMB products

Best banks for cross-border RMB products by Chinese companies



Best bank considered for cross-border RMB products by overseas companies



Source: Asian Banker Research

3.13.2. Sharing of information by banks

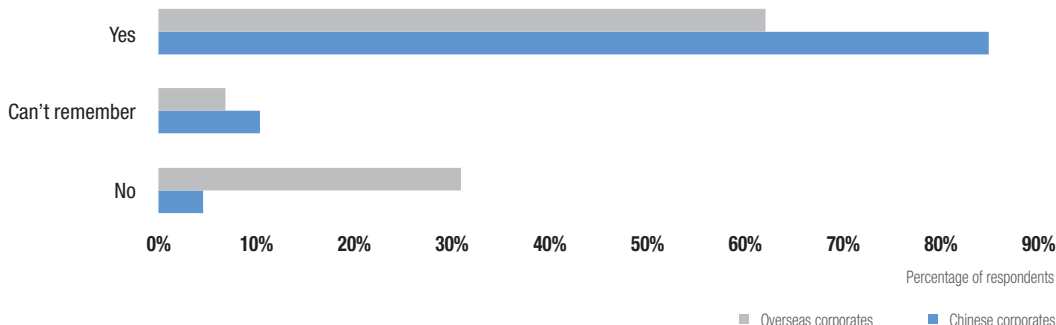
Respondents were asked if they were contacted by their house banks regarding RMB developments in 2017 and 85% of Chinese companies said that they were. However, among overseas

corporates, only 62% were contacted, indicating a greater need for contact and relationship building by banks to overseas companies.

Figure 29

More Chinese corporates (85%) were informed of RMB developments by their house banks compared to 62% overseas corporates

Contacted by house bank regarding RMB developments in the last 12 months



Source: Asian Banker Research

4. Developments among FIs – Survey findings

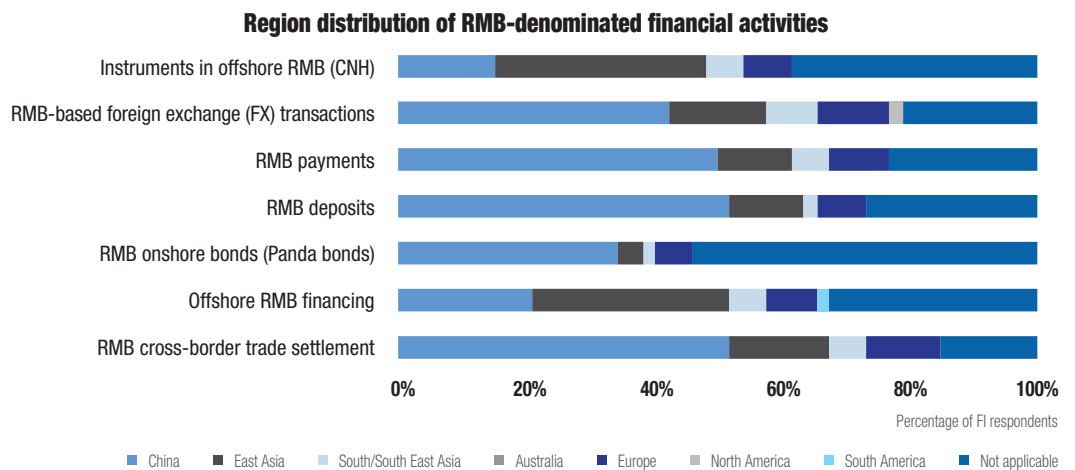
4.1. Key markets for RMB products in 2017

The institutions were asked about their key markets for different RMB products. East Asia emerged as the biggest market in 2017 for offshore RMB instruments and offshore financing, followed by China. For cross-border trade settlement after Chi-

na (52%), other parts of Asia (21%) and Europe (12%) emerged as the leading markets. A similar breakdown was seen for RMB deposits and payments. North America and South America were not rated as leading markets for any RMB product.

Figure 30

China followed by East Asia emerged as the main regions where FIs conducted most of their RMB-denominated financial activity in 2017



Source: Asian Banker Research

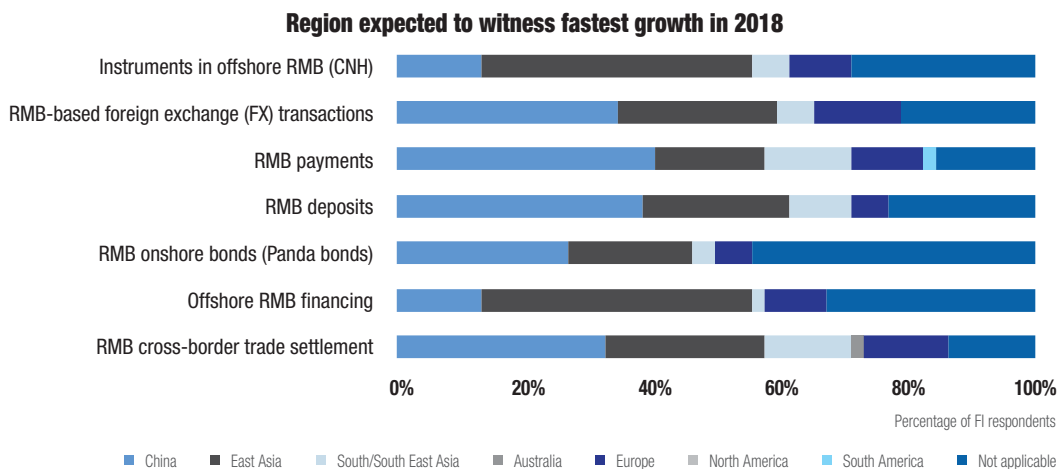
4.1.1. Expected growth across market segments in 2018

In 2018, FIs expect to see highest growth in RMB products in China followed by East Asia. For cross-border trade, FIs expect China to grow by 33% followed by 25% East Asia and 13% in Eu-

rope and South East Asia. For RMB offshore financing and instruments, East Asia is expected to see the fastest growth at 42% higher than any other market.

Figure 31

FIs expect to see fastest growth in RMB offshore financing in 2018 in East Asia



Source: Asian Banker Research

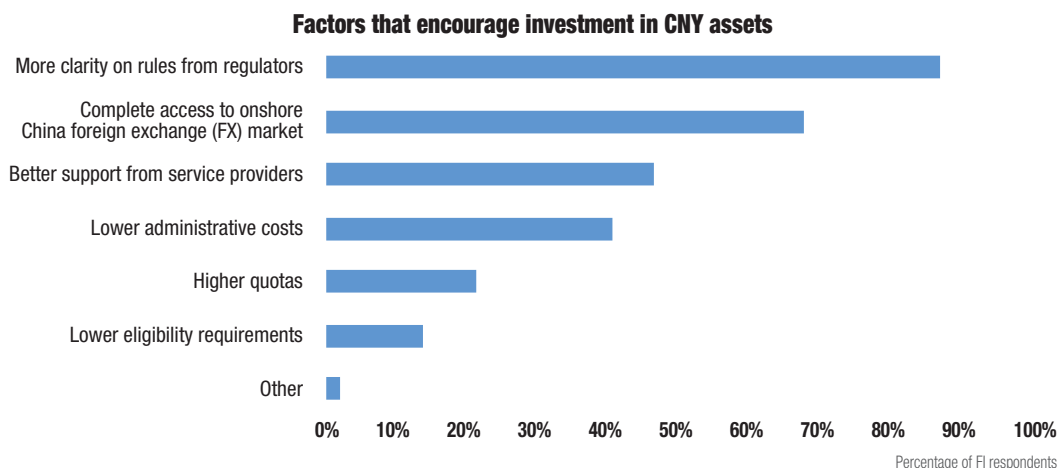
4.2. Key drivers for investment in RMB assets

FIs were asked to rate the top factors that encourage their investments in onshore and offshore assets to identify the key pain points that need to be addressed.

Clarity of rules from regulators emerged as the biggest factor that can encourage investment in onshore CNY assets. Over 60% of FIs also seek complete access to onshore China forex market.

Figure 32

FIs seek clarity on rules from regulators and better access to onshore FX market

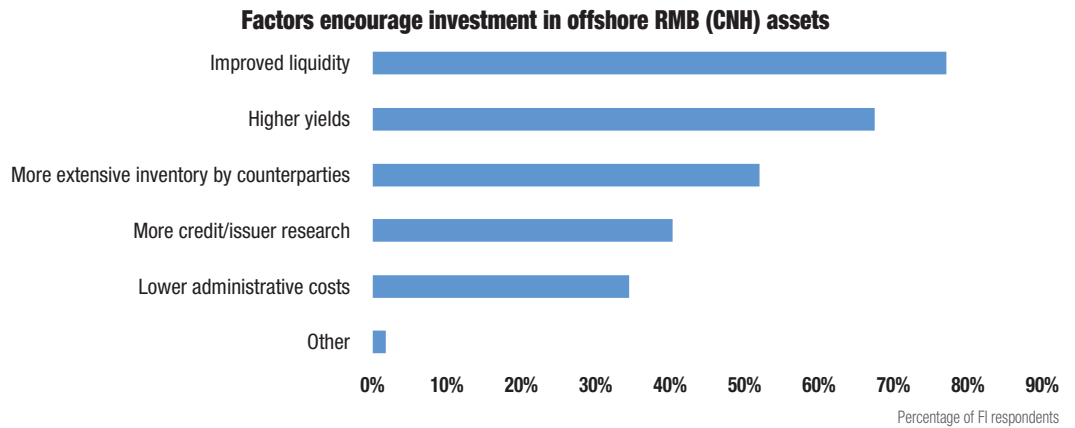


Source: Asian Banker Research

Offshore RMB assets face different challenges and FIs say improved liquidity followed by higher yields are the top factors that can encourage institutional investment in offshore RMB (CNH) assets.

Figure 33

FIs seek greater liquidity and higher yields in offshore RMB (CNH) assets



Source: Asian Banker Research

4.3. Channels to access China onshore bond market

Addition of several channels aids access to markets in China. 63% of FIs said that they were interested in China onshore bond market, indicating a strong interest. Out of the channels used by FIs to access China onshore bond market, CIBM emerged as the most common channel used by FIs (44%), followed by QFII (27% respondents) and RQFII (23%

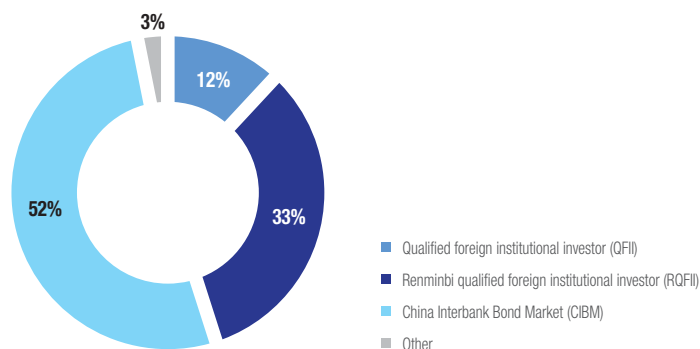
respondents). Among other channels, FI cited Bond Connect as one of the channels that they are using.

When asked about the channel that is preferred by FIs, CIBM emerged as the most preferred channel with 52% respondents preferring it, followed by RQFII (33%).

Figure 34

CIBM is the most preferred channel by FIs

Preferred channel for accessing China onshore bond market



Source: Asian Banker Research

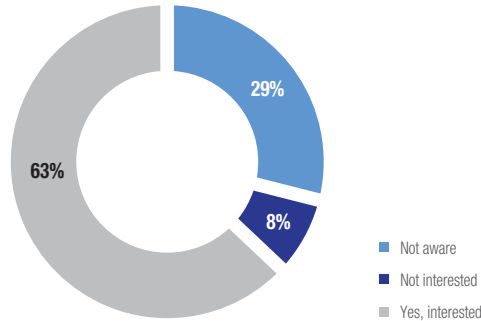
There is significant awareness about CIBM among institutions with 63% saying that they were aware and interested in CIBM while about 29%

respondents lacked knowledge about this channel. There is scope for greater knowledge building about this channel.

Figure 35

There is significant interest and awareness of CIBM

Interest in China Interbank Bond Market (CIBM)



Source: Asian Banker Research

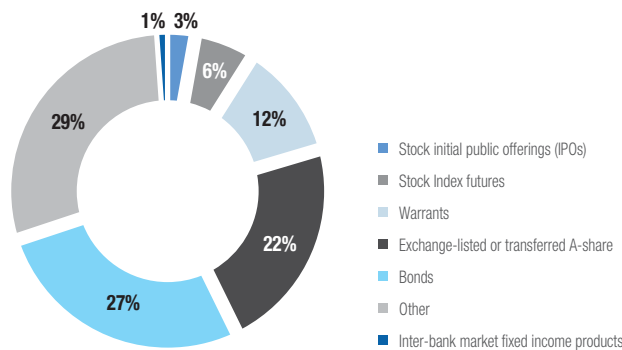
4.3.1. Investment in RQFII products by institution in 2017

Responses show that investments are spread across RQFII products but inter-bank market fixed income products emerged as the most popular, followed by bonds.

Figure 36

Investment in RQFII products was well distributed in 2017

RQFII investment products



Source: Asian Banker Research

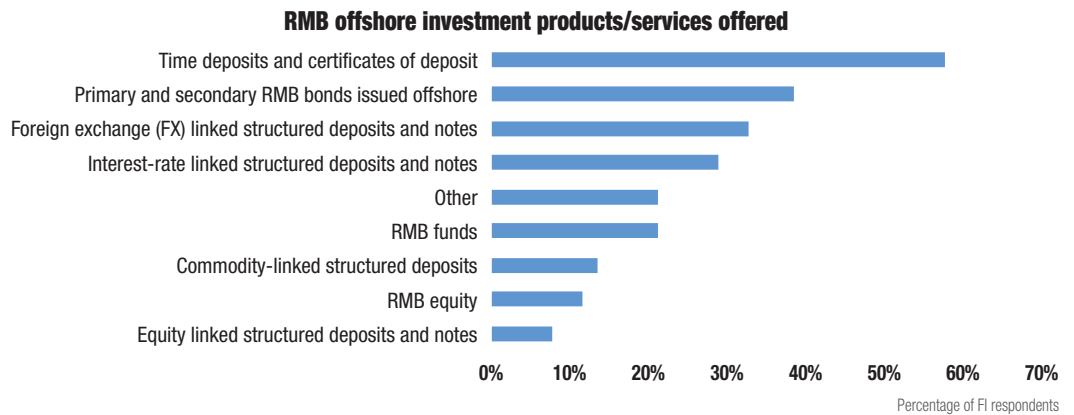
4.4. RMB Investment and Treasury

4.4.1. RMB offshore investment products offered by institutions

The survey shows that FIs offer a good mix of RMB offshore products with time deposits and certificate of deposits being the most commonly offered products (57% respondents), followed by primary and secondary RMB bonds issued offshore.

Figure 37

FIs offer a good mix of RMB offshore investment products and services with time deposits and certificate of deposit as the most popular



Source: Asian Banker Research

4.4.2. Allocation of RMB bonds in FIs' investment portfolio in 2017

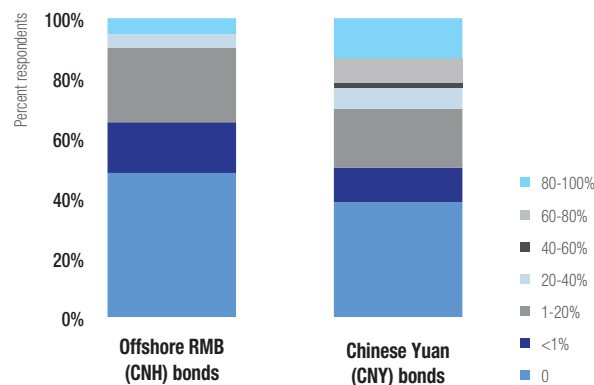
The survey shows that the allocation of RMB bonds remained low in FIs investment portfolio. Some 48% of FIs did not allocate for any offshore RMB (CNH) bonds in their portfolios while 38% did not allocate for any Chinese Yuan (CNY) bonds. Some 17% of FIs allocated less than 1% towards CNH

bonds while 11% allocated less than 1% towards CNY bonds. The survey shows that there is a greater allocation of CNY assets among FIs as 9% FIs allocated more than 20% of their investment portfolio to CNH assets compared to 29% of FIs who allocated for CNY assets.

Figure 38

Allocation of RMB bonds remained low in 2017, with greater allocation for CNY bonds versus CNH bonds

Percentage allocation of RMB bonds in total investment portfolio by FIs



Source: Asian Banker Research

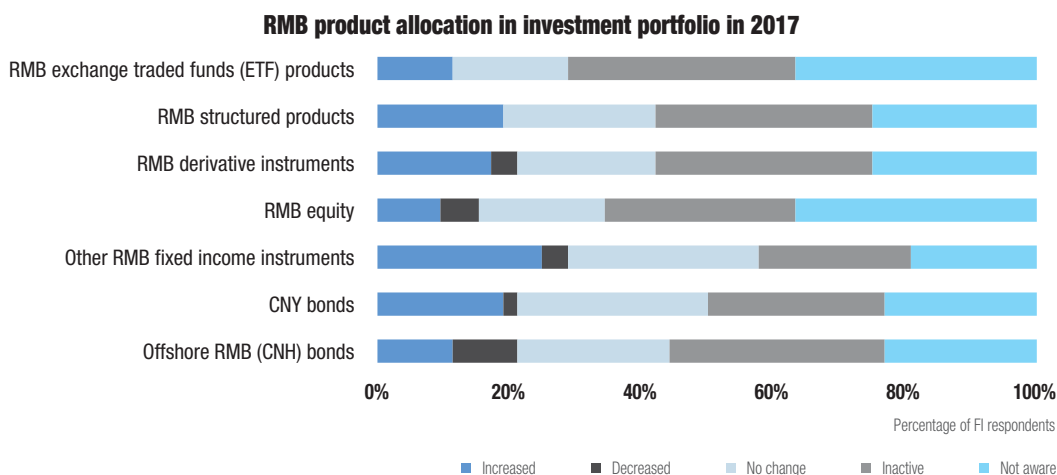
4.4.3. Change in RMB allocation investment portfolio in 2017

While majority of institutions did not change their allocations to RMB products in their investment portfolio in 2017. However, the number that increased their allocation was higher than the ones that decreased it which indicates a positive trend. In offshore RMB (CNH) bonds, 11% FIs increased allocation while 9% decreased it. Greater increase was seen in CNY

bonds with 19% increasing allocation. Among other products, 25% increased their allocation in fixed income instruments, 19% in structured products, 17% in derivatives, and 11% in ETF products. A significant number of FIs were also inactive in RMB products, indicating the need to promote these products among international financial institutions.

Figure 39

Majority of FIs did not change RMB product allocations in their investment portfolio



Source: Asian Banker Research

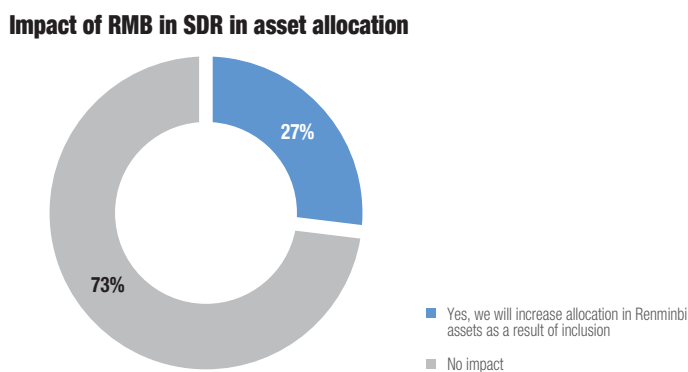
4.4.4. Change in RMB asset allocation after the inclusion of RMB in IMF SDR

While SDR inclusion has led to greater positive sentiment with regards to RMB internationalisation, a whopping 73% FIs said that SDR-inclusion has not impacted their asset allocation in favour of RMB

assets. Among those who said they will increase RMB asset allocations, a majority indicated that the increase in their allocation will be by less than 10%, indicating a cautious approach by most institutions.

Figure 40.1

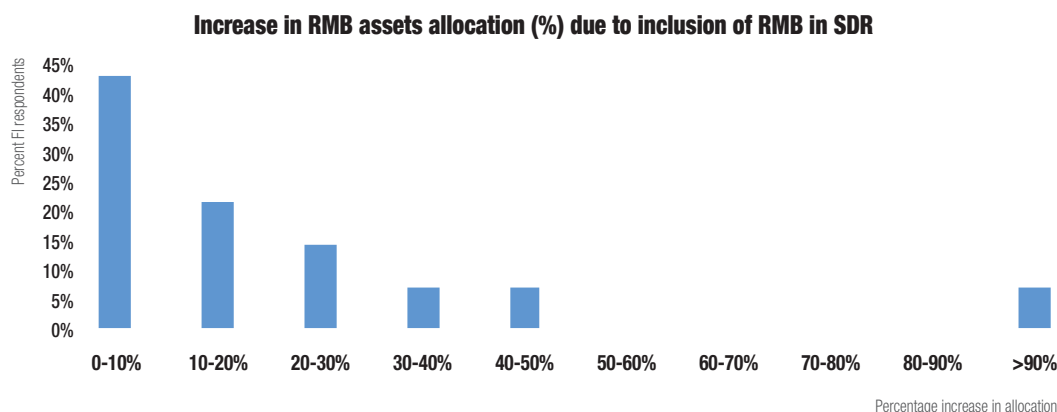
Inclusion of RMB in SDR did not impact majority of institutions' asset allocations



Source: Asian Banker Research

Figure 40.2

Inclusion of RMB in SDR has not had a significant impact on RMB asset allocations



Source: Asian Banker Research

4.5. RMB risk management

4.5.1. Most preferred way to manage RMB exposure

With currency fluctuations in the market, almost all FI respondents with RMB exposure said they hedge their exposure, indicating a strong interest in risk management products.

Offshore RMB (CNH) deliverable forwards/swaps are the most popular way to manage RMB exposure, followed by offshore RMB (CNH) spot market.

Figure 41

Most preferred way to manage RMB exposure among FIs is offshore CNH forwards/swaps

Most preferred way to manage RMB exposure by FIs



Source: Asian Banker Research

4.6. Working with Chinese service provider

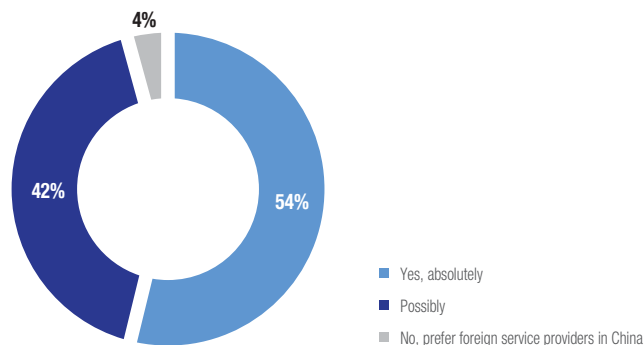
The survey shows a strong interest among institutions to work with onshore Chinese service providers for custodial, counterparty services and transaction services with 54% saying

“yes” and 42% saying “possibly”, highlighting the fact that there are significant opportunities among the FIs and onshore Chinese service providers.

Figure 42

Majority FIs are keen to work with onshore Chinese service providers

Interest to work with onshore Chinese service providers



Source: Asian Banker Research

5. Conclusions

Post the asset market gyrations in 2016, the offshore RMB market continued to gradually stabilise in 2017. The PBC's enhanced management of exchange rate expectations, successful commencement of the bond connect schemes, reinforcement of the Belt and Road initiative, and announcements by major central banks to include RMB as a part of their reserve assets are all positive signs that recognised RMB's role in global markets.

The performance of RMB overseas assets showed renewed signs of stability in 2017 after shrinking in the previous year but still lacked the vigour that was achieved in 2015. The rebound comes with good near term growth prospects and an upswing in economic growth momentum.

The pace of RMB internationalisation seems to have picked up in 2017 along with Belt and Road initiative's promising potential. The industry, especially Chinese corporates, are eyeing the market with optimism with plans for increased RMB engagement in 2018, particularly in the areas of trade settlement, offshore deposits, payments and forex transactions. Initiatives such as CIBM and FTZ have witnessed significant acceptance.

With greater maturity and stability in currency markets, next steps in RMB internationalisation could involve greater support of Chinese capital markets in international financial transactions.

6. Appendix - Survey respondents' profile

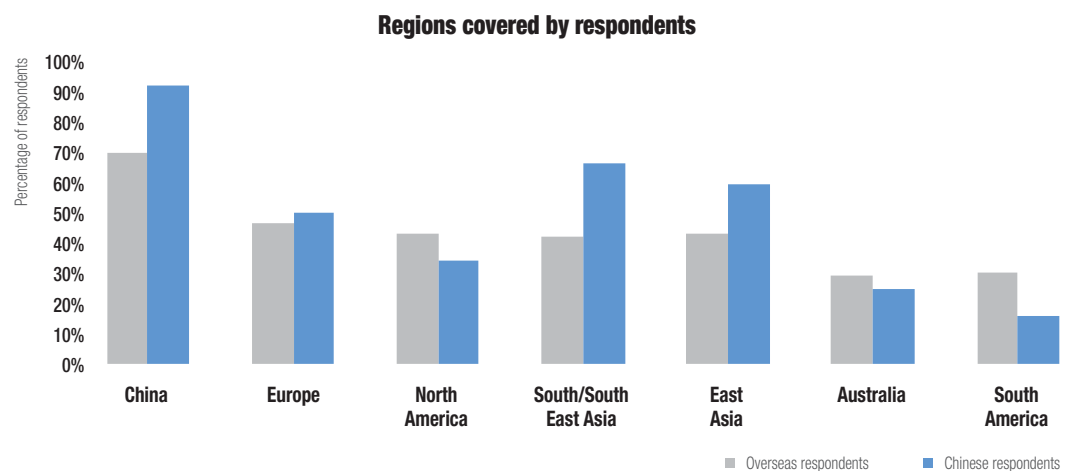
The survey includes responses from 230 companies in China, 116 responses from overseas firms and 52 responses from FIs. Overseas respondents are spread across the globe (USA, UK, Germany, Switzerland, Chile, Australia, Japan, other countries in Europe and Asia).

6.1. Regions covered by respondents

A majority of Chinese respondents cover China and the South/Southeast Asia region, followed by East Asia (consists of Hong Kong, Macao, Taiwan, Japan, and South Korea) and Europe. Comparatively, overseas respondents are more evenly spread across different geographical regions, besides China.

Figure 43

Respondents cover regions across the globe



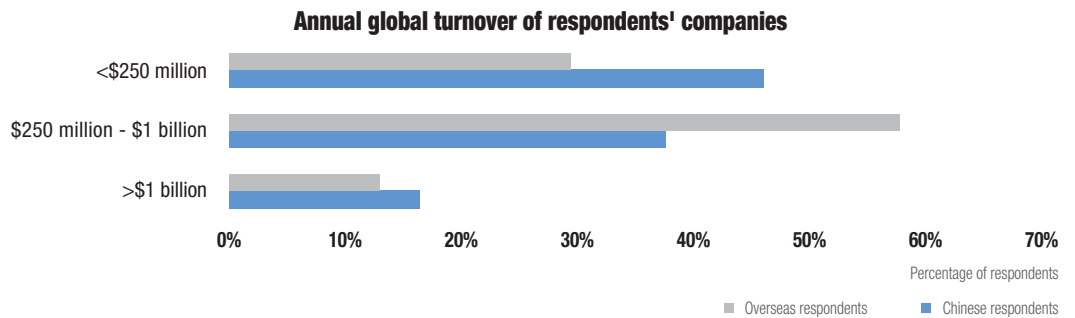
Source: Asian Banker Research

6.2. Size (global annual turnover) of the respondents' companies

Among Chinese respondents, most of the respondents were smaller enterprises with a turnover of less than \$250 million. Overseas respondents comprised largely of mid-level companies with a turnover between \$250 million and \$1 billion (56%).

Figure 44

Majority of respondents' companies are mid-sized



Source: Asian Banker Research

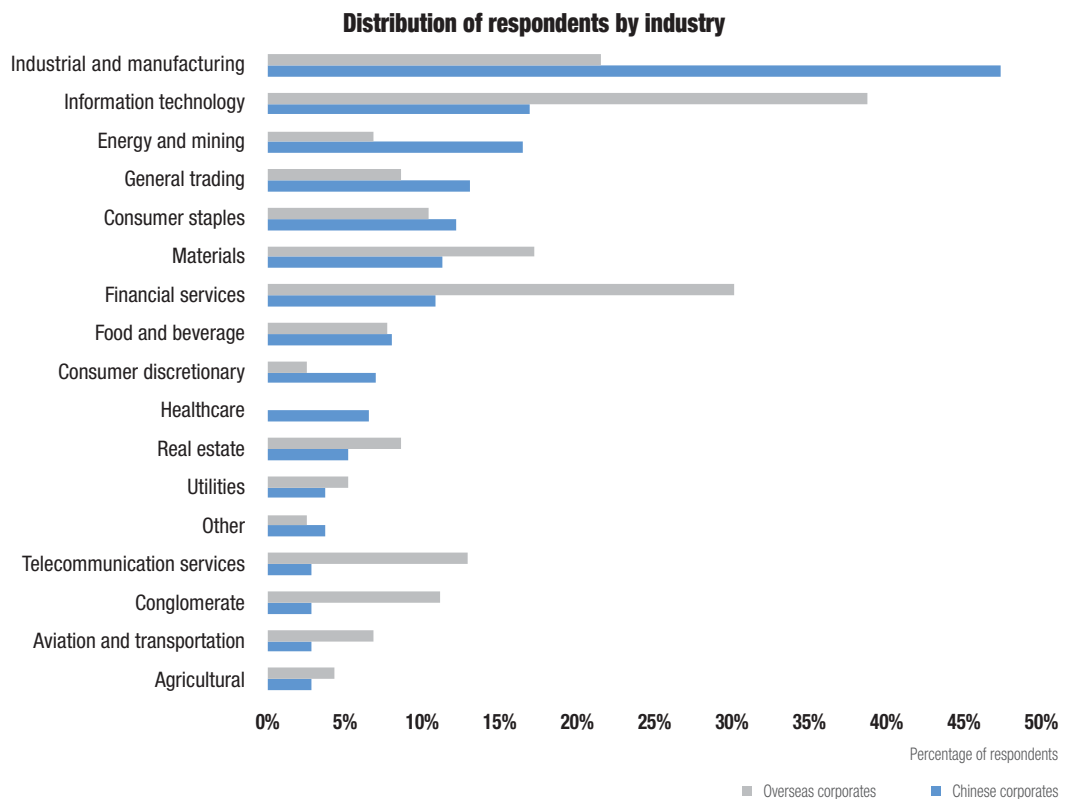
6.3. Industry

The industrial and manufacturing sector is the most broadly represented among the survey participants from China (47%) followed by information technology (17%) and energy and mining

(17%). The largest number of overseas respondents belonged to the information technology industry at 38%, 30% are within financial services and 21% in industrial and manufacturing.

Figure 45

Significant number of respondents are from the industrial and IT industry



Source: Asian Banker Research

6.4. Type of cross border engagement

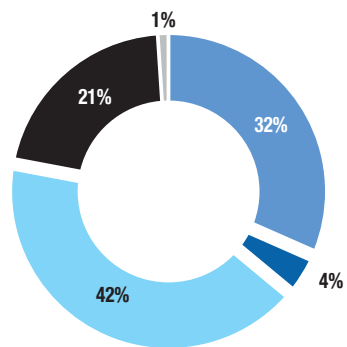
Among China-based firms, 79% of the participants export or import from overseas, or do both. Among overseas respondents, 60% import or ex-

port to China. And some 21% of Chinese respondents and 40% of overseas respondents buy and sell to overseas associates or customers.

Figure 46

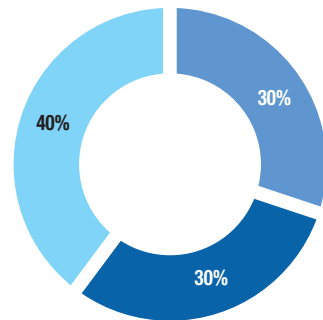
Engagement in cross-border activities is well distributed

Engagement in cross-border activities of Chinese companies



- Export to overseas
- Import from overseas
- Both import and export
- Buy and sell to overseas associates or customers
- No cross-border activity
- Other

Engagement in cross-border activities of Overseas companies



- Export to China
- Import from China
- Buy and Sell to associates or customers in China

Source: Asian Banker Research

6.5. FIs' profile

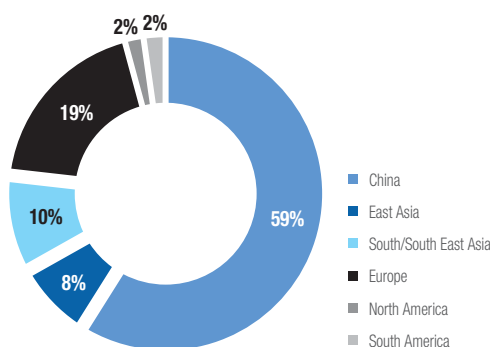
The FIs surveyed included 59% from China, 19% from Europe and 10% from South/South East Asia.

Geographical regions covered by respondents as part of their businesses indicate that besides China (90%), they also covered East Asia (67%) followed by Europe and South/South East Asia.

Figure 47

Majority of respondents are from China

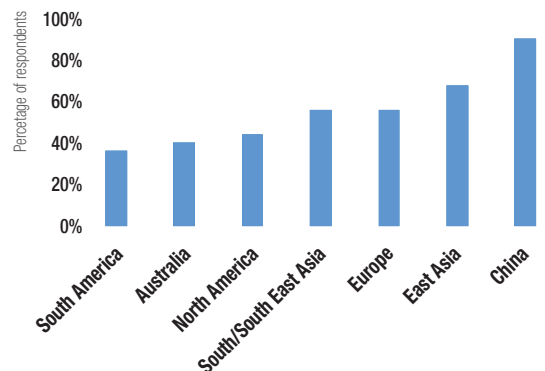
Distribution of FI respondents by location



- China
- East Asia
- South/South East Asia
- Europe
- North America
- South America

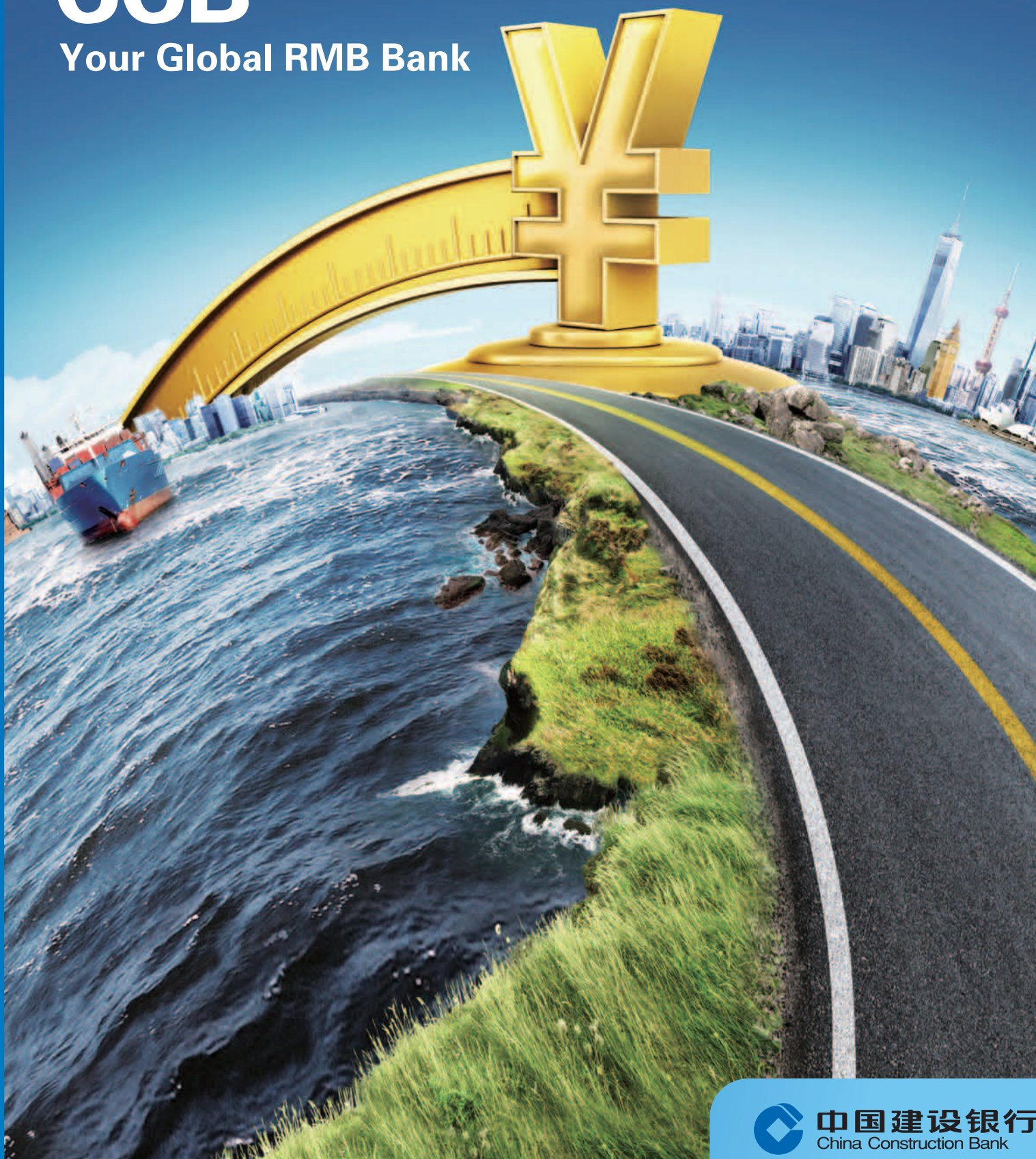
Source: Asian Banker Research

Business regions covered by respondents



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