

2020年 人民币国际化报告

2020 RMB INTERNATIONALIZATION REPORT



中国人民银行
THE PEOPLE'S BANK OF CHINA

KEY ABBREVIATIONS

B&R	The Belt and Road
BBGA	Bloomberg Barclays Global Aggregate Index
BIS	Bank for International Settlements
BMI	Broad Market Index
CDs	Certificates of Deposits
CFETS	China Foreign Exchange Trade System
CIBM	China's Interbank Bond Market
CIPS	Cross-border Interbank Payment System
CMU	Central Moneymarkets Unit
COFER	Currency Composition of Official Foreign Exchange Reserves
ETF	Exchange Trade Fund
FAB	First Abu Dhabi Bank
FTSE	Financial Times Stock Exchange Group
FX	Foreign Exchange
HIBOR	Hong Kong Interbank Offered Rate
HKEX	Hong Kong Exchange and Clearing
HKMA	Hong Kong Monetary Authority
IMF	International Monetary Fund
MOU	Memorandum of Understanding
MSCI	Morgan Stanley Capital International
NDFs	Non-Deliverable Forwards
NEER	Nominal Effective Exchange Rate
ODI	Outward Direct Investment
OTC	Over-the-counter
PBC	People's Bank of China
PTA	Pure Terephthalic Acid
QFII	Qualified Foreign Institutional Investors
REER	Real Effective Exchange Rate

REITs	Real Estate Investment Trusts
RMB	Renminbi
RQDII	Renminbi Qualified Domestic Institutional Investors
RQFII	Renminbi Qualified Foreign Institutional Investors
RTGS	Real Time Gross Settlement
SAFE	State Administration of Foreign Exchange
SAR	Special Administrative Region
SDR	Special Drawing Right
SGX	Singapore Exchange
SHIBOR	Shanghai Interbank Offered Rate
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TSR	Technically Specified Rubber
UAE	United Arab Emirates

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PART ONE

Executive Summary

The Renminbi (RMB) internationalization was further developed as the RMB was increasingly used in cross-border payment and financing worldwide in 2019. More foreign central banks held RMB-denominated assets as reserves and the RMB as an invoicing currency witnessed remarkable progress. The RMB played a positive role in the international monetary system.

In 2019, the cross-border use of the RMB grew rapidly despite of severe external circumstances. The total amount of cross-border RMB payments and receipts by banks on behalf of their clients in 2019 was RMB 19.67 trillion yuan, with a year-on-year(yoy) increase of 24.1%, maintaining a rapid growth and reaching a record high in terms of volume. The cross-border receipts and payments were basically balanced, with a net inflow of RMB 360.6 billion yuan. The size of the RMB reserves was the 5th largest in the International Monetary Fund (IMF)'s Currency Composition of the Official Foreign Exchange Reserves (COFER), with a market share of 1.95%, 0.88 percentage point higher than that of 2016 when the RMB officially joined the Special Drawing Right (SDR) currency basket. The market share of the RMB in the foreign exchange trading was 4.3%, 0.3 percentage point higher than that of 2016. According to the latest statistics, the RMB ranked 5th as a payment currency globally, with a market share of 1.76%.

In 2019, the RMB internationalization development presented the following characteristics. Firstly, the RMB settlement in terms of cross-border trade and direct investment increased steadily despite of economic slowdown; secondly, the portfolio investment grew substantially which had become the main force to promote the cross-border use of the RMB; thirdly, the policies of the RMB cross-border payment improved constantly and a series of high-level pilot programs were launched successively to facilitate the trade and investment; fourthly, the infrastructure of the cross-border use of the RMB was further improved and the RMB clearing banks continued to expand, with the RMB Cross-border Interbank Payment System (CIPS)

becoming the main channel of the cross-border RMB clearing and settlement; finally, the bilateral currency cooperation deepened continuously, with the barriers on the use of the RMB abroad gradually removed.



The International Use of the RMB in 2019

In 2019, the economic and financial situations at home and abroad were complicated and volatile. Capital outflow was under pressure and the RMB exchange rate fluctuated in both directions. Under this backdrop, the RMB cross-border settlement maintained a relatively rapid growth, with the share of the cross-border RMB settlement in total cross-border settlement reaching a record high. The cross-border receipts and payments were basically balanced with a small net inflow.

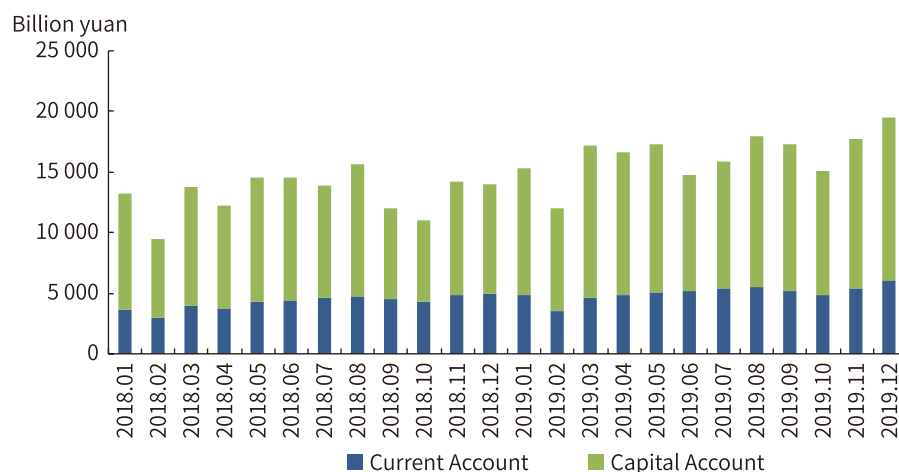
The main features of the international use of the RMB in 2019 were as follows. Firstly, the amount of current account settlement climbed yoy, the settlement in goods trade demonstrated net inflows in contrast to net outflows last year, and the settlement of the service trade increased significantly, while the net outflows of the service trade and proceeds remittance increased. Secondly, the opening-up of financial markets was comprehensive. The share of capital account settlement in the total cross-border RMB transactions continued to increase, among which the portfolio investments increased significantly, and the investments channeled to China's Interbank Bond Market (CIBM) gained the highest net inflow. Thirdly, the flexibility of the RMB exchange rate was strengthened significantly. Based on the market supply and demand, the exchange rate of the RMB experienced both depreciation and appreciation, floating in both directions, and kept basically stable at a reasonable and equilibrium level.

I. The Cross-border Use of the RMB

Remarkably in 2019, the cross-border RMB settlement amounted to RMB 19.67 trillion yuan, increasing by 24.1% on a yearly basis. The total receipts reached RMB 10.02 trillion yuan, with a notable increase of 25.1% yoy while the total payments were RMB 9.65 trillion yuan, growing by 23% on a yearly basis. Furthermore, with a receipt to payment ratio of 1:0.96, the cross-border RMB settlement demonstrated a net inflow of RMB 360.6 billion yuan in contrast with a net inflow of RMB 154.4 billion yuan in 2018. The cross-border RMB settlement accounted for 38.1% of the total cross-border settlement, recording a new height in history during the same period, with 5.5

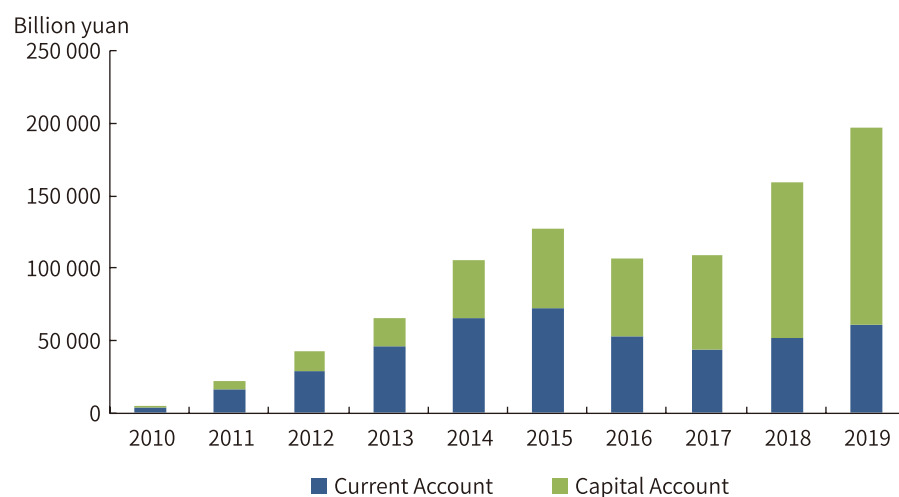
percentage points higher than that of the last year.

Figure 2-1 The Monthly RMB Settlement during 2018-2019



Source: People's Bank of China (PBC).

Figure 2-2 The RMB Cross-border Receipts and Payments during 2010-2019



Source: PBC.

In 2019, Shanghai, Beijing and Shenzhen ranked the top 3 in terms of the annual cross-border RMB settlement volume, with a share of 50.1%, 14.3% and 8.6% correspondingly. Nationwide 7 regions enjoyed a cross-border RMB settlement volume over RMB 200 billion yuan. Meanwhile, the 8 border provinces (autonomous regions included) reached

an aggregate amount of RMB 483.3 billion yuan, up 2.5% yoy.

Table 2-1 The Cross-border RMB Settlement by Province in 2019

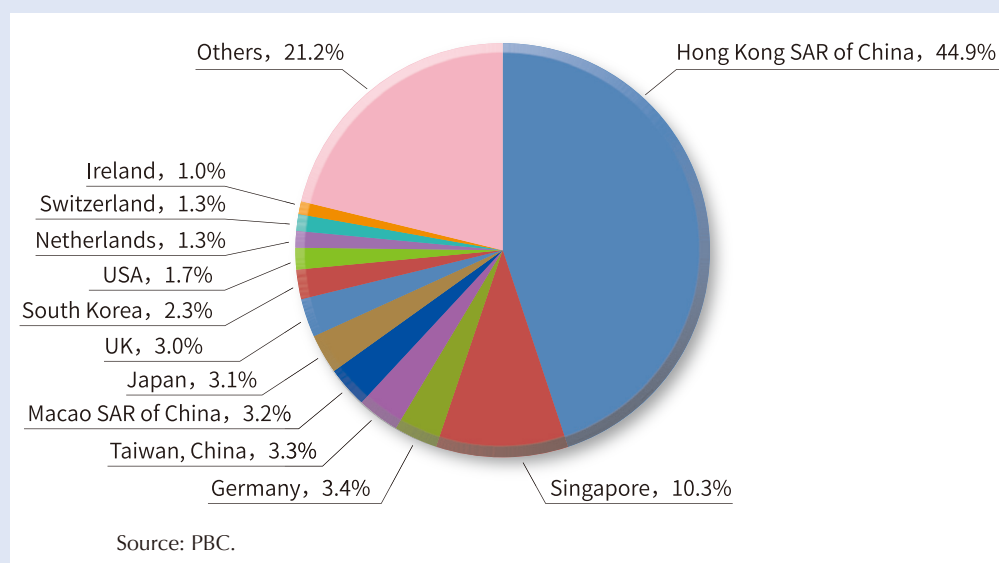
Unit: billion yuan

Ranking	Region	Current account	Capital and financial account	Total	Share (%)
1	Shanghai	1353.22	8504.45	9857.67	50.1%
2	Beijing	701.09	2113.22	2814.31	14.3%
3	Shenzhen	915.96	769.55	1685.51	8.6%
4	Guangdong	967.27	609.16	1576.43	8.0%
5	Jiangsu	463.38	270.39	733.77	3.7%
6	Zhejiang	405.19	280.48	685.67	3.5%
7	Shandong	143.76	135.75	279.52	1.4%
8	Others	1087.58	949.77	2037.34	10.4%
9	Total	6037.45	13632.77	19670.22	100.0%

Source: PBC.

In 2019, the proportion of the cross-border RMB settlement with Hong Kong SAR of China was 44.9%, followed by Singapore(10.3%), Germany(3.4%), and Taiwan province of China(3.3%). Among them, the shares of Hong Kong SAR of China, Singapore, Macao SAR of China, the UK, Netherlands and Ireland witnessed an increase compared with 2018.

Figure 2-3 Distribution of the Cross-border RMB Receipts and Payments by Country and Region in 2019



In 2019, between China and the countries along the Belt and Road (B&R), the cross-border RMB settlement registered over RMB 2.73 trillion yuan, accounting for 13.9% of the total during the same period, among which the trade in goods amounted to RMB 732.5 billion yuan, the direct investment to RMB 252.4 billion yuan, and the cross-border financing to RMB 213.5 billion yuan. By the end of 2019, China has signed the bilateral local currency swap agreements with 21 countries along the B&R, and has established the RMB clearing arrangements in 8 countries along the route.

Box 1 The Use of the RMB in Neighboring Countries and the Countries along the B&R

In recent years, spurred by the market demand, the use of RMB has acquired active progress in neighboring countries and the countries along the B&R. In 2019, the cross-border RMB settlement between China and the neighboring countries registered RMB 3.6 trillion yuan, with a yoy increase of 18.5%, among which the trade in goods amounted to RMB 994.5 billion yuan, increasing 15% yoy; the direct investment amounted to RMB 351.2 billion yuan, increasing 24% on a yearly basis. Furthermore, the total cross-border RMB payments and receipts between China and the countries along the B&R reached over RMB 2.73 trillion yuan, with a yoy increase of 32%, among which the trade in goods amounted to RMB 732.5 billion yuan, growing by 19% yoy, the direct investment to RMB 252.4 billion yuan, growing by 12.5% yoy. RMB has been directly traded with 9 currencies of neighboring countries and the countries along the B&R, including Malaysian Ringgit, Singapore Dollar and Thai Baht. In addition, RMB has been traded regionally with 3 currencies, such as Cambodian Riel.

The opening up of China's financial market has provided diversified types of investment and financing channels for investors in neighboring countries and the countries along the B&R. Those investors could access China's financial market through multiple investment channels, including the Renminbi Qualified Foreign Institutional Investors (RQFII), Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, direct investment, and the Bond Connect. Domestic institutional investors can also invest in the RMB-denominated financial products in the financial markets of neighboring countries and the countries along the B&R via the Renminbi Qualified Domestic Institutional Investors (RQDII). In 2019, the Panda Bonds issued by such foreign institutions of neighboring countries and the countries along the B&R as the Philippine

government, Portuguese government, the New Development Bank and Cassa Depositi e Prestiti, reached over RMB 40 billion yuan, accounting for 68% of the total in 2019. An increasing number of investors in neighboring countries and the countries along the B&R invested in China's financial market in a bid to gain high returns on investments in the RMB financial assets, and shared the benefits of China's economic growth.

The bilateral currency and financial cooperation between China and neighboring countries and the countries along the B&R was constantly deepened. Since 2008, China has signed the bilateral local currency settlement agreements with 9 neighboring countries and the countries along the B&R such as Vietnam, Laos, Russia and Kazakhstan, and has signed the bilateral local currency swap agreements with the central banks or monetary authorities of 23 neighboring countries and the countries along the B&R such as Russia, Indonesia, the United Arab Emirates (the UAE), Egypt and Turkey. Along with the RMB's inclusion into the SDR, RMB asset has become an option of diversification of foreign exchange reserves for neighboring countries and the countries along the B&R gradually. The foreign central banks or monetary authorities of such countries as Korea, Singapore, Thailand, the Philippines and Indonesia have already included the RMB in their foreign exchange reserves.

With further development of economic and trade exchanges between China and neighboring countries and the countries along the B&R, the interdependence of China and neighboring countries as well as the countries along the B&R has deepened. The RMB settlement and local currency settlement of neighboring countries and the countries along the B&R will embrace new opportunities.

II. Current Account

In 2019, the total amount of the cross-border RMB settlement under the current account was RMB 6.04 trillion yuan with a yoy increase of 18.2%, among which the receipts amounted to RMB 2.66 trillion yuan, increasing 28.6% yoy, the payments to RMB 3.38 trillion yuan, increasing 10.8% on a yearly basis, and the net payments to 0.72 trillion yuan, decreasing 26.3% yoy. It accounted for 16.1% of the total cross-border settlement under the current account, 2.1 percentage points higher compared with 2018.

Figure 2-4 The Monthly RMB Settlement under the Current Account

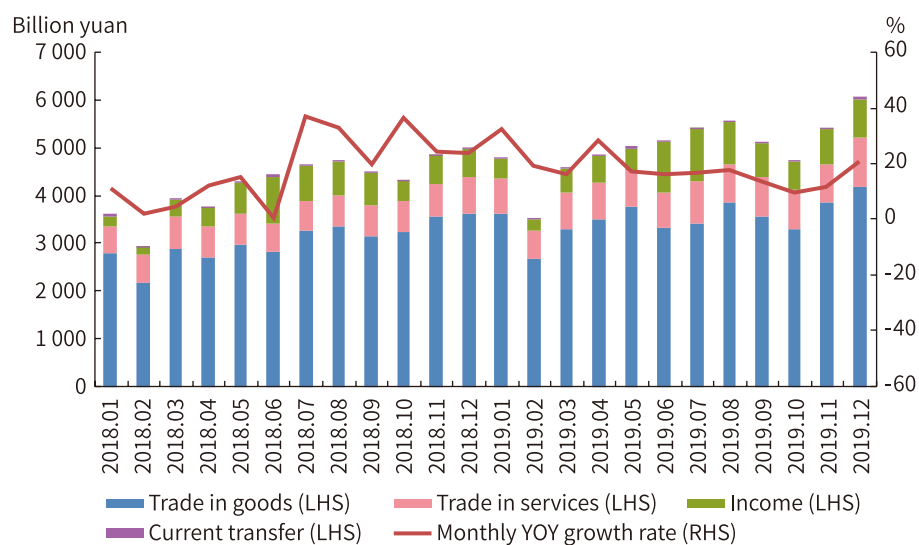
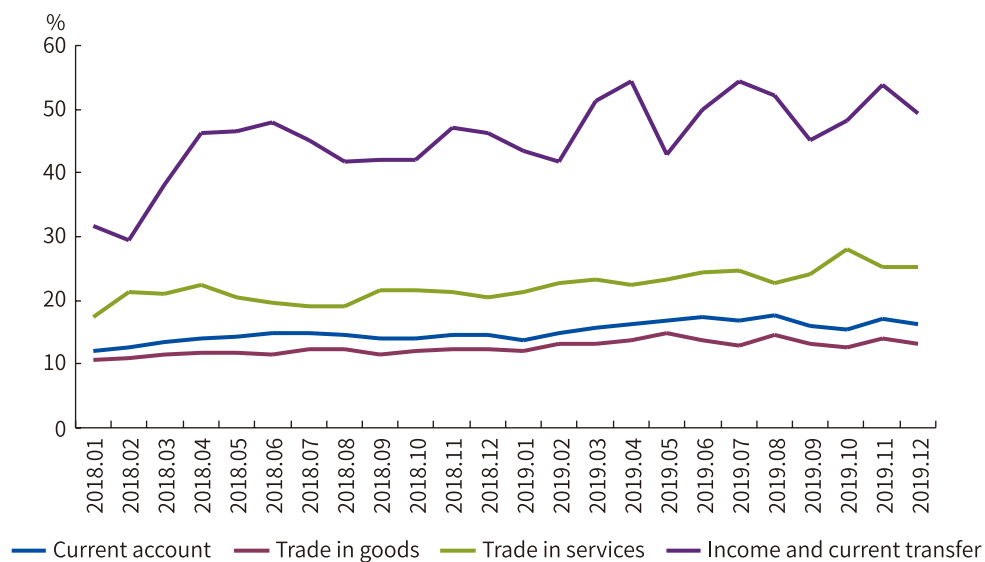


Figure 2-5 The Share of the RMB Settlement under the Current Account in the Total Cross-border Settlement during 2018-2019



1. Trade in Goods

In 2019, the total amount of the cross-border RMB settlement of the trade in goods reached RMB 4.24 trillion yuan, increasing 16% yoy with a share of 13.4% of the total cross-border settlement under goods trade, 1.7 percentage points higher than in 2018. The RMB funds under the trade in goods showed a net inflow of RMB 46.9 billion yuan in contrast with a net outflow of RMB 396.2 billion yuan in 2018. Among them, the cross-border RMB settlement under the general trade totaled RMB 2.66 trillion yuan, increasing 20.2% yoy, and that of the imported materials processing trade totaled RMB 746.88 billion yuan, increasing 19.6% yoy.

2. Trade in Services

In 2019, the cross-border RMB settlement of the trade in services summed up to RMB 951.5 billion yuan, increasing 23.8% yoy and accounting for 23.8% of total cross-border settlement during the same period, increasing 3.4% yoy. The net outflow of the RMB funds under the trade in services was RMB 163.1 billion yuan, growing by enormously 74.9% yoy. Service trade settled in RMB was relatively concentrated, covering travel-related payments, tuition fees, and computer services fees.

3. Income and Current Transfer

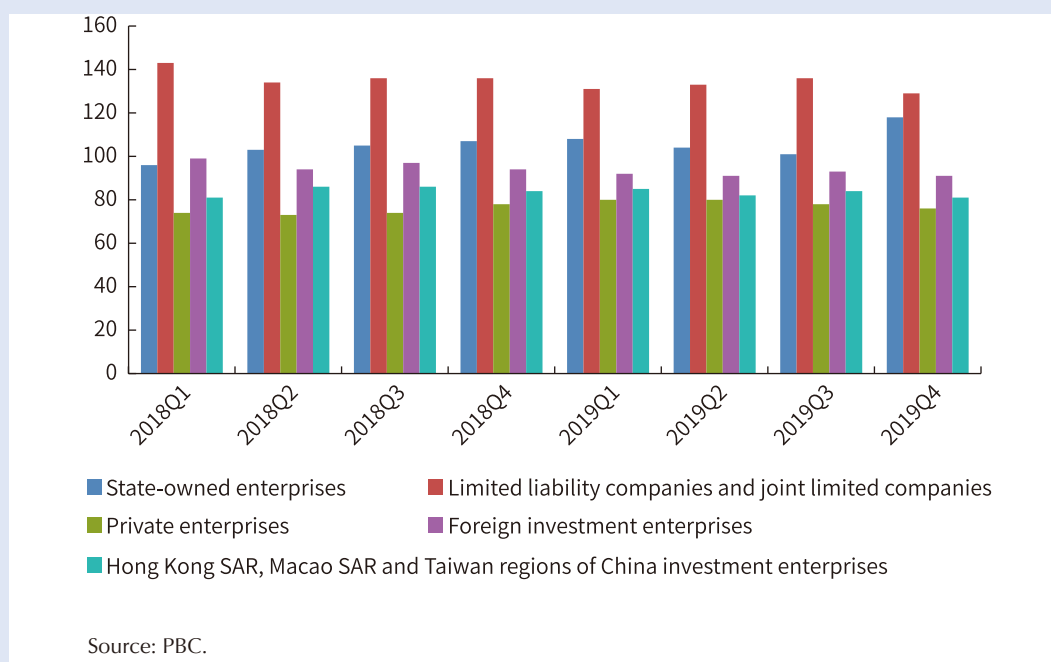
In 2019, the income payments settled in RMB totaled RMB 804.8 billion yuan, increasing 23.5% yoy, while that under the current transfer aggregated RMB 37.2 billion yuan, increasing 26.6% yoy. Under the income and current transfer, the share of the cross-border RMB settlement accounted for 49.8%, increasing 6.4% yoy. The net outflow of income transfer hit RMB 638.8 billion yuan, increasing 24.1% yoy, while the net inflow of the RMB settlement under current transfer was RMB 24 billion yuan, decreasing 1.6% yoy.

Box 2 More Foreign Trade Enterprises Choosing the RMB in Cross-border Settlement

According to the questionnaires^① of the PBC on foreign trade enterprises, since 2019, the foreign trade enterprises have been highly motivated to participate in the cross-border RMB businesses. As of the end 2019, 84.6% of those enterprises have chosen RMB as their major currency in cross-border settlement.

As for the types of the enterprises, 88% of the FDI enterprises and 89% of the enterprises invested by HK, Macao and Taiwan have conducted the cross-border RMB settlement. Large-scale enterprises were more inclined to use the RMB for the settlement on the cross-border trades and investments with a proportion of 89%.

Figure 2-6 Types of Enterprises Conducting the Cross-border RMB Settlement

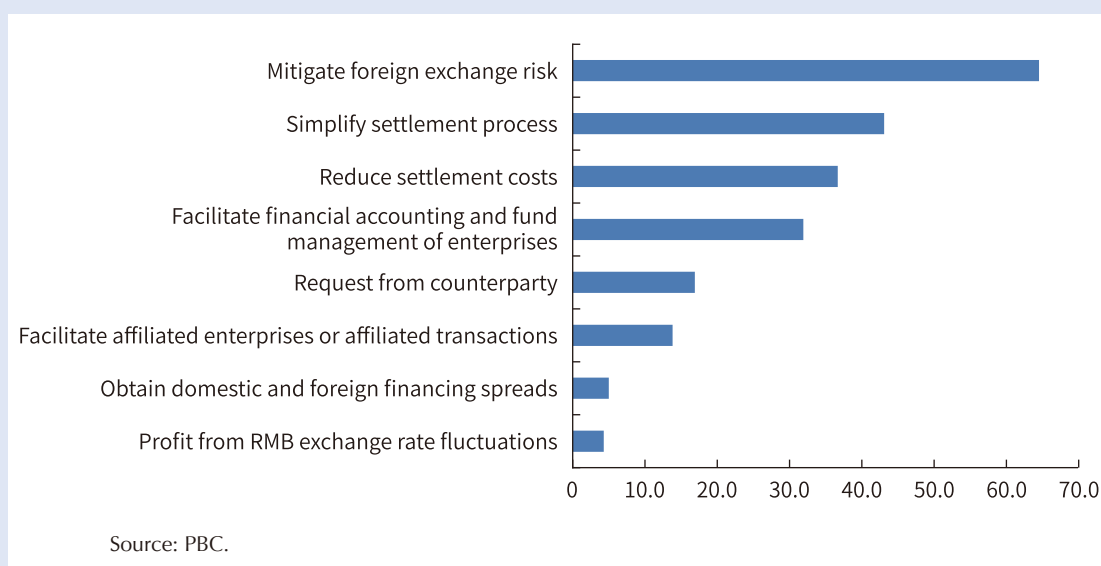


① Since 2018, the People's Bank of China (PBC) has carried out nationwide questionnaires on the cross-border use of the RMB. The enterprises surveyed 500 enterprises from 31 provinces all over the country, involved in 16 industries such as agriculture, forestry, animal husbandry, fishery, mining, and manufacturing, as well as 5 economic types such as the state-owned, private and foreign invested enterprises.

Due to the influence of Sino-US trade frictions and other external factors, since 2019, the volatility of the RMB exchange rate has deteriorated. For reasons driving enterprises to use the RMB, a proportion of 64.7% enterprises chose the cross-border RMB businesses to mitigate foreign exchange risk. Besides, streamlining the settlement process, reducing settlement costs and facilitating financial accounting and funds management for enterprises were also the main reasons for enterprises to conduct the cross-border RMB businesses with the proportion of 43.2%, 36.8% and 32% respectively.

The survey demonstrated that the foreign-related enterprises expected the policymaker to maintain stability and continuity of the policies on the cross-border RMB settlement, accelerate the opening up of the capital market, further update the infrastructure for the RMB internationalization, optimize the cross-border RMB business processes, and enhance the policy publicity and training.

Figure 2-7 Driving Factors for Enterprises to Choose the Cross-border RMB settlement

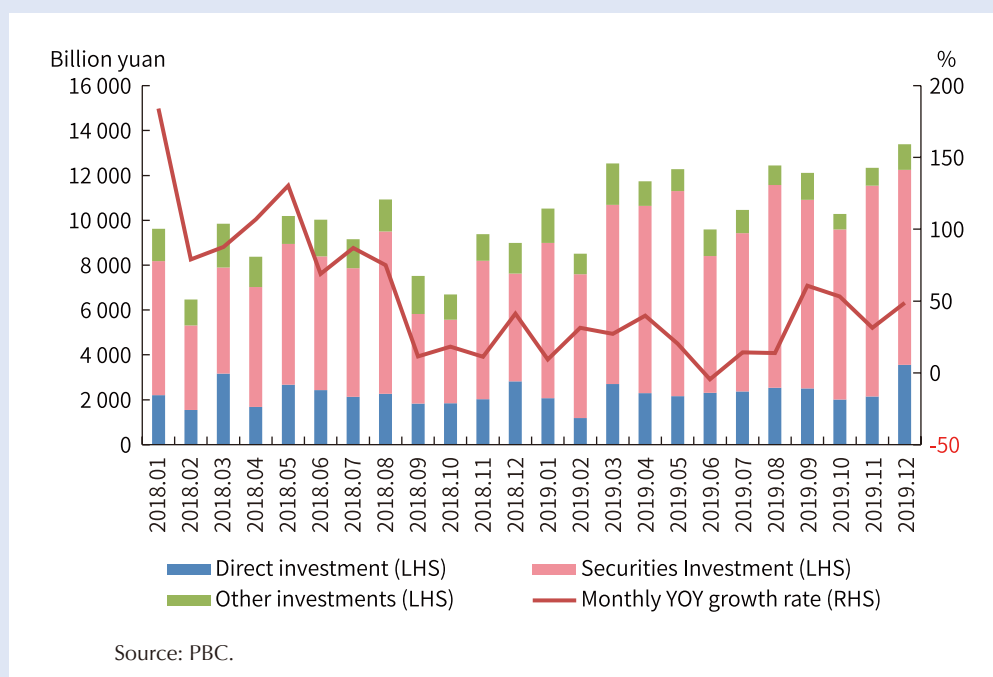


III. Capital Account

In 2019, the cross-border RMB settlement under the capital account totaled RMB 13.62 trillion yuan with a yoy increase of 26.7%, of which receipts and payments stood at RMB 7.35 trillion yuan and RMB 6.27 trillion yuan respectively. The direct

investments, securities investments and cross-border funding accounted for 20%, 70% and 7% of the total settlement under the capital accounts respectively.

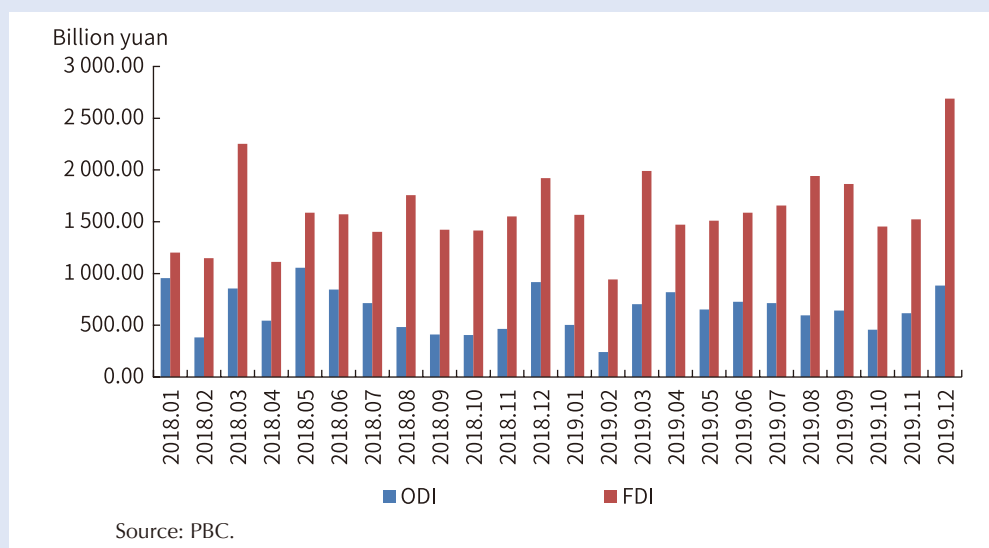
Figure 2-8 The Cross-border RMB Settlement under the Capital Accounts during 2018-2019



1. Direct Investment

In 2019, the cross-border RMB settlement under the direct investment item totaled RMB 2.78 trillion yuan, up 4.5% yoy, while net inflows totaled 244.8 billion yuan, decreasing 0.6% yoy. The amount of the RMB settlement in the Outward Direct Investment (ODI) transactions stood at RMB 755.5 billion yuan, decreasing 6.1% yoy. In 2019, the amount of RMB settlement in the Foreign Direct Investment (FDI) transactions hit RMB 2.02 trillion yuan, increasing 8.6% yoy.

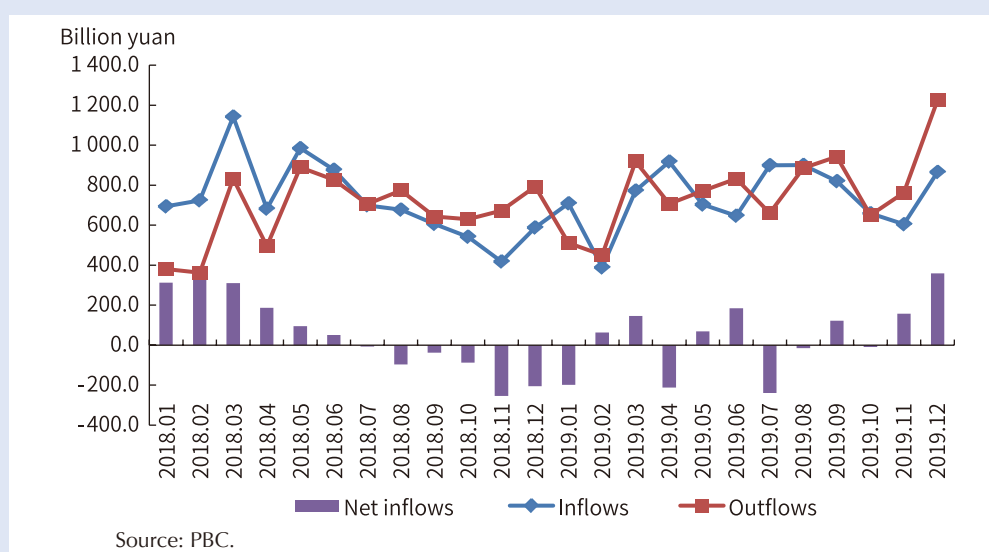
Figure 2-9 The Monthly Cross-border RMB Settlement for the Direct Investment during 2018-2019



2. The Cross-border RMB Cash Pooling Business

By the end of 2019, 2,341 cross-border RMB cash pools have been established nationwide. In 2019, cross-border RMB capital pools had outflows of RMB 931.5 billion yuan and inflows of RMB 889 billion yuan, totaling RMB 1.82 trillion yuan, an increase of 8.3% yoy.

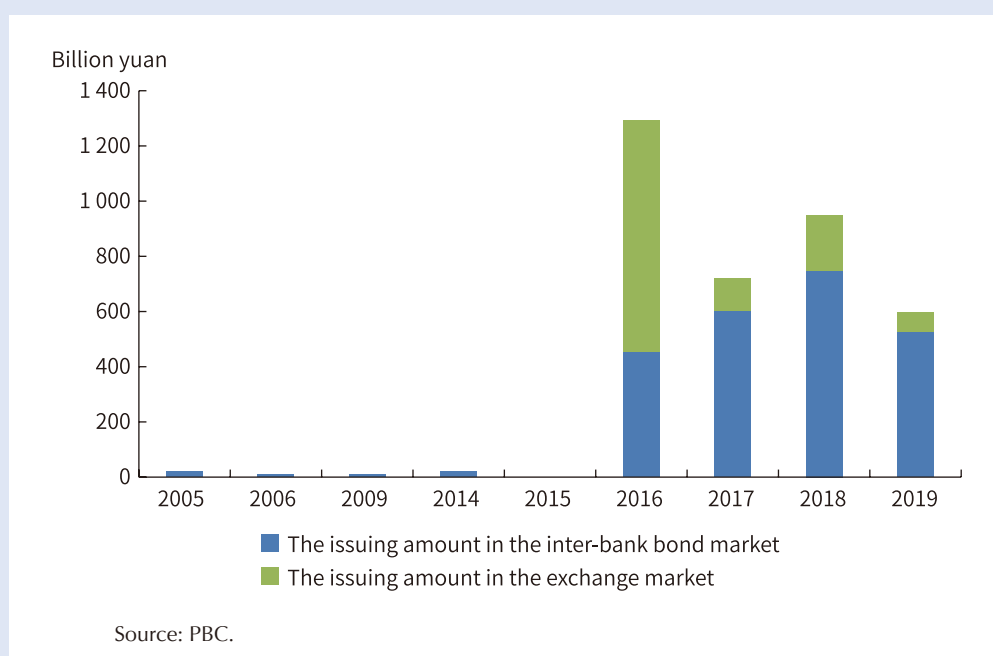
Figure 2-10 The Monthly Settlement of the Cross-border RMB Cash Pooling Business during 2018-2019



3. Panda Bonds

By the end of 2019, the issuers of the Panda Bonds were more diversified, including government institutions, international development institutions, financial institutions and non-financial enterprises. The cumulative registration or approval (filed) quota of the Panda Bonds reached RMB 797.6 billion yuan, with the issuance amount totaling RMB 375.1 billion yuan. In 2019, a total of the 40 Panda Bonds were issued in both the CIBM and exchange markets, reaching RMB 59.8 billion yuan, both of which were lower than 2018.

Figure 2-11 The Issuance Amount of Panda Bonds in Interbank Bond Market and Exchange Market



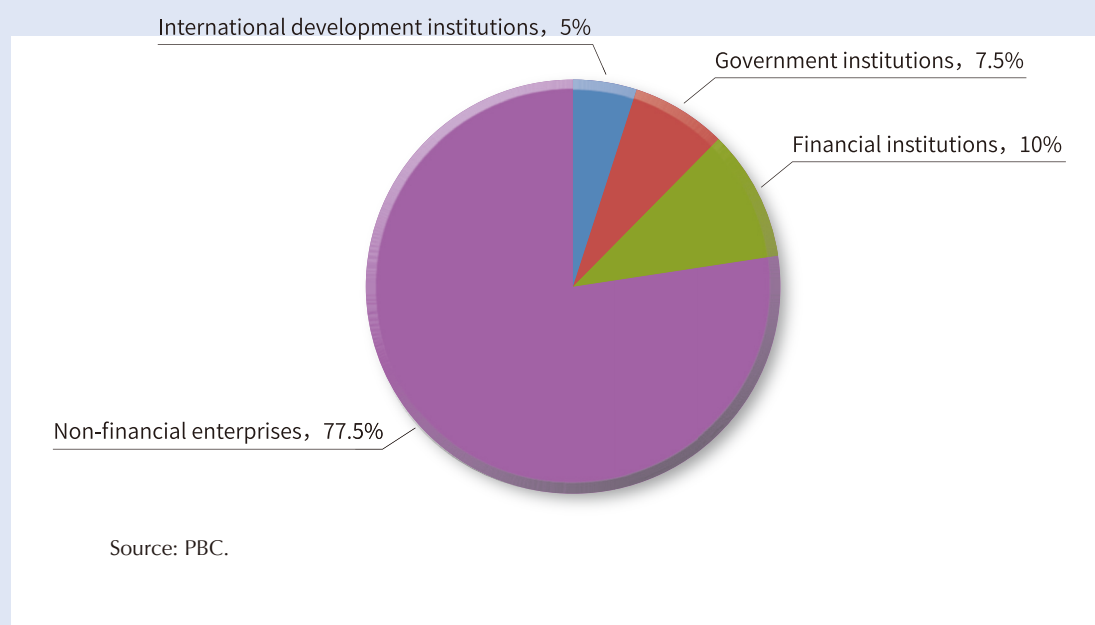
Box 3 Panda Bonds Promoted the Development of the RMB International Bond Markets

With the continuous improvement (namely the account opening, funds custody, cross-border remittance and data reporting) in the Panda Bonds management, the issuance process of the Panda Bonds has been streamlined, the transparency of the issuance regime has been constantly improved, the convenience and standardization of the bond

issuance by foreign entities have been steadily enhanced, and foreign institutions are more attached to the Panda Bonds. Since 2019, the issuers of the Panda Bonds have been increasingly diversified, and the market participation of the non-Chinese-owned foreign entities has increased continuously. More and more foreign entities chose to issue the Panda Bonds as an important financing channel.

As for the bond issuers, the market participation of the non-Chinese-owned foreign entities has increased with a variety of categories. In 2019, 12 non-Chinese-owned foreign entities issued 23 Panda Bonds, accounting for 54% of the total new bond issuers, with a yoy increase of 7%. The market participation of the non-Chinese-owned foreign issuers has continuously improved, which has changed compared with the previous situation dominated by Chinese background issuers. As for categories, the foreign bond issuers of the Panda Bonds expanded constantly, covering various types of institutions, such as government institutions, international development institutions, financial institutions and non-financial enterprises, among which the non-financial enterprises accounted for the largest share. In 2019, the proportion of the foreign issuers for foreign government institutions, international development institutions, foreign financial institutions and non-financial enterprises was 7.5%, 5%, 10% and 77.5% respectively.

Figure 2-12 The Composition of Issuers of Panda Bonds in 2019



The Panda Bonds, as the onshore RMB bonds, feature low risk and stable returns, which can not only provide new channels for foreign issuers to expand financing and optimize debt structure, but also offer more options for domestic and foreign investors to allocate funds properly and diversify the RMB-denominated asset portfolios. In addition, for multinational enterprise groups that have a business foundation and demand for the use of the RMB in China, funding by issuing the Panda Bonds can reduce the risks from currency mismatch, cut exchange costs and mitigate foreign exchange risk.

Along with the accelerating development of two-way opening up of China's bond markets, the development of the Panda Bonds market has further enriched the foreign issuers and investors in China's bond markets, increased the scale and proportion of the RMB bond in the international bond issues, made the China's bond markets to be more attractive, enhanced the resilience and risk aversion of the financial markets, and promoted the comprehensive integration of China's financial market and the international bond markets.

4. Cross-border Securities Investment

In 2019, the cross-border settlement under the securities investment item totaled RMB 9.51 trillion yuan with a yoy increase of 49.1%, and the net inflow reached RMB 621.9 billion yuan.

Bond Investment. In 2019, 796 foreign institutions entered the interbank bond market, with 435 of them entering directly, 491 via the Bond Connect, and 130 via both channels mentioned above. In 2019, the total amount of the inflow hit RMB 3.97 trillion yuan in contrast to the outflow of RMB 3.52 trillion yuan, with a net inflow of RMB 450.1 billion yuan. Among them, the net inflow that directly entered the market hit RMB 312.3 billion yuan, while those via the Bond Connect stood at RMB 137.8 billion yuan.

Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect Business. In 2019, the cross-border settlement via both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect totaled RMB 1.03 trillion yuan with a yoy increase of 22% and the net inflow stood at RMB 57.4 billion yuan with the net inflow being RMB 209.3 billion yuan in 2018. The net inflow via Shanghai Stock

Connect and Shenzhen Stock Connect reached RMB 277 billion yuan, and the total market value of Hong Kong stocks held by mainland investors via Hong Kong Stock Connect reached RMB 768.7 billion yuan, with a net outflow of RMB 219.6 billion yuan.

RQFII. By the end of 2019, a total of 21 countries or regions have been granted with RQFII quotas of RMB 1.99 trillion yuan. 223 foreign institutions have registered or applied for investment quotas of RMB 694.1 billion yuan. In 2019, the amount of receipts via the RQFII reached RMB 129.3 billion yuan, and that of payments registered RMB 155.3 billion yuan, leading to a net inflow of RMB 26 billion yuan. In September 2019, the restrictions for investment quotas as well as pilot countries or regions for the RQFII were removed.

Box 4 A Shares and RMB Bonds were Included in More Main International Indexes

In April 2019, Bloomberg included the Chinese government bonds and policy bank bonds denominated in the RMB into the Bloomberg Barclays Global Aggregate Index (BBGA). In September 2019, JP Morgan Chase & Co. has included the Chinese government bonds into the Government Bond Index-Emerging Markets (GBI-EM), which started from February 28, 2020, and was scheduled to be phased in within a 10-month period.

In March 2019, Morgan Stanley Capital International (MSCI) announced that it would increase the weight of Chinese A-shares in the MSCI Indexes significantly by raising the inclusion factor from 5% to 20% in 3 steps, and then included China's A-shares mid-cap stocks into the MSCI Indexes in November 2019. In June 2019, the FTSE Russell officially included Chinese A-shares into the FTSE Global Equity Index Series. In September 2019, S&P Dow Jones Indices added the A-shares mid-cap stocks to the S&P Emerging Broad Market Index (BMI). Up to this point, three major global equity index providers have taken Chinese A-shares as part of their global benchmarks.

In recent years, the opening-up of China's financial market has progressed steadily. By the end of 2019, the scale of China's bond market has reached RMB 99 trillion yuan, of which the holdings by foreign entities were RMB 2.3 trillion yuan, increasing 26.7% yoy; the scale of China's stock market has reached RMB 59.3 trillion yuan,

of which the holdings by foreign entities were RMB 2.1 trillion yuan, increasing 82% yoy. The inclusion of A-shares and RMB bond by main international financial indexes fully embodied the confidence of the international investors in the long-term sound development of China's economy, as well as the recognition of the effectiveness of the opening up of China's financial market, which will better promote the win-win cooperation of international investors and China. The PBC will continue to optimize the fundamental system of Chinese financial market and provide a more friendly and convenient investment environment for international investors.

5. Other Investments

In 2019, the total cross-border settlement amount under other investments such as the cross-border financing and project loans reached RMB 1.3 trillion yuan, decreasing 23.5% yoy, with a net inflow of RMB 214.6 billion yuan, increasing 106.3% yoy.

Box 5 The Domestic RMB Financial Assets Held by Foreign Entities

By the end of 2019, the amount of the financial assets including domestic RMB stocks, bonds, loans, and deposits held by foreign entities has reached RMB 6.41 trillion yuan, increasing 30.3% yoy. Among them, the market capitalization of stocks was RMB 2.1 trillion yuan, the balance of the bond custody was RMB 2.26 trillion yuan, the balance of deposits was RMB 1.21 trillion yuan (including deposits from interbank accounts), and the balance of loan was RMB 833.2 billion yuan.

Stocks and bonds in the domestic financial market have become the prominent options of RMB assets allocated by overseas investors. By the end of 2019, the scale of the domestic RMB stocks and bonds held by foreign investors has increased significantly by 48.6% yoy, among which the amount of the bond custody accounted for 2.3% of the total in the CIBM, and the market value of the stocks accounted for 3.6% of the total outstanding market value of the A-shares. In 2019, stocks comprised 66.6% of the domestic RMB assets increment held by foreign entities.

Table 2-2 Domestic RMB Financial Assets Held by Non-residents

Unit: billion yuan

Instruments	Dec. 2018	Mar. 2019	Jun. 2019	Sep. 2019	Dec. 2019
Stocks	1,151.74	1,683.89	1,647.30	1,768.55	2,101.88
Bonds	1,785.36	1,818.76	2,013.98	2,184.08	2,262.93
Loans	924.65	853.47	834.01	818.07	833.16
Deposits	1,059.16	1,117.57	1,111.28	1,093.45	1,214.87
Total	4,920.90	5,473.69	5,606.58	5,864.15	6,412.84

Source: PBC.

IV. Domestic RMB in Foreign Exchange Trading

By the end of 2019, the interbank foreign exchange market in China continued to enrich its trading entities, with a total of 711 RMB foreign exchange spot trading members, 245, 239, 197 and 146 forward, foreign exchange swap, currency swap and option trading members respectively, 30 RMB foreign exchange spot market makers and 27 market makers in the forward swap market.

China's domestic interbank foreign exchange market operated smoothly, and product structure was further improved, with annual RMB foreign exchange turnover equivalent of USD 25.0 trillion, up 0.7% yoy, and an average daily turnover of USD 102.5 billion. Among them, RMB foreign exchange spot transactions amounted to equivalent of USD 7.9 trillion, up 4.0% yoy; RMB foreign exchange market swap transactions amounted to equivalent of USD 16.4 trillion, down 0.5% yoy, with overnight dollar swaps trading equivalent of USD 9.5 trillion, accounting for 57.9% of total swaps turnover; USD 51.2 billion in currency swaps, down 22.2% yoy; equivalent of USD 76.0 billion in forward transactions, down 13.2% yoy; trading volume of RMB options amounted to USD 581.2 billion, down 4.9% yoy.

In 2019, RMB transactions against non-USD foreign currencies developed steadily, with spot transactions amounting to RMB 2.3 trillion yuan. The share of spot trading in the interbank foreign exchange market was 4.2%, up 1% compared with 2018.

Table 2-3 The Trading Volume of the RMB against Currencies in the Interbank Foreign Exchange Spot Market in 2019

Unit: billion yuan

Currency	USD	EUR	JPY	HKD	GBP	AUD	NZD
Trading Volume	52,515.706	1,363.807	354.957	191.977	77.678	65.873	14.004
Currency	SGD	CHF	CAD	MYR	RUB	ZAR	KRW
Trading Volume	133.204	7.328	29.032	2.640	13.413	0.061	11.474
Currency	AED	SAR	HUF	PLN	DKK	SEK	NOK
Trading Volume	1.088	2.642	0.066	0.079	1.480	3.653	0.903
Currency	TRL	MXN	THB	KZT (regional trade)	KHR (regional trade)	MNT (regional trade)	
Trading Volume	0.128	0.072	28.226	0.006	0	0.001	

Source: China Foreign Exchange Trade System (CFETS).

V. RMB-denominated Commodities

On August 12, 2019, TSR20 futures were listed on the Shanghai Futures Exchange International Energy Trading Center as specific instrument trading futures. The TSR20 futures trading follows the rule of “international platform, net price trading, bonded delivery and RMB denomination”, overseas traders were warmly welcomed. The access for overseas traders was consistent with that of crude oil futures. Natural rubber is an important strategic material, among which, TSR20 is of the most representative species, an important basic raw material for the tire industry. China is not only the largest tire manufacturer in the world, but also the largest consumer and importer of TSR20 in the world. The listing of TSR20 and the introduction of overseas traders will help implement the national “Belt and Road” initiative and enhance China’s influence on global natural rubber pricing, which is conducive to steadily advancing the internationalization of the RMB.

So far, China has listed four specific varieties of crude oil, iron ore, PTA and TSR20 futures. Overseas traders who invest in specific varieties of futures in China can use RMB or USD as margin. Until May 15, 2020, foreign traders have totally remitted inward equivalent of 3.713 billion yuan as margin and outward equivalent of 3.809 billion yuan, accounting for 70.87% and 82.59% of the total respectively.

Box 6 RMB-denominated Settlement of Iron Ore Trading

In recent years, China has been the world's largest importer and consumer of iron ore trading, with iron ore imports and consumption respectively taking up 70% and 50% of the global total, but has little saying on pricing. Similar to crude oil, iron ore is mainly subject to long-term agreements, supplemented by a small number of spot transactions. The current pricing benchmark is primarily the Platts^① Index (hereinafter referred to as "Platts"). The Platts is an inquiry index denominated in US dollars. Due to its own mechanism defects, the Platts tends to rise other than to fall, which squeezes the profit of domestic steel mills and is unfavorable to the development of the domestic steel industry.

In October 2013, China's RMB-denominated iron ore futures were listed on the Dalian Commodity Futures Exchange. The listing of iron ore futures accelerated the return of the true value of iron ore. In order to further promote the opening up of the futures market to better serve the real economy, on May 4, 2018, iron ore, as a specific variety of Futures, was formally introduced to overseas traders. The trading mechanism for overseas traders basically refers to crude oil futures. As of March 31, 2020, overseas traders' accounts for iron ore futures have covered 18 countries and regions, including the UK, France, Switzerland, Japan, Singapore, HK and Taiwan. In March 2020, overseas traders in iron ore futures traded an average of 254,000 lots a day, with an average daily position of 46,000 lots, an increase of 103% and 5% compared with the previous month.

Domestic steel enterprises also make continuous progress in the use of RMB settlement for iron ore imports. In early May 2020, China's Baoshan Iron & Steel Co., Ltd., a subsidiary of China Baowu Steel Group Corporation Limited completed the first cross-border RMB settlement with Rio Tinto (Australia) by using block chain technology, which was a new step forward after first RMB cross-border settlement between Baoshan Iron & Steel Co., Ltd. and Vale (Brazil) and BHP Billiton (Australia) in January and April this year respectively. So far, China's Baowu and the world's three largest iron ore suppliers have achieved cross-border settlement in RMB, totaling more than 500 million yuan.

^① Platts was launched by the S&P Global Platts in 2008, owning to McGraw Hill Group like the Standard & Poor's. Platts is valued primarily on the highest buyer's inquiry and the lowest seller's offer of the day, regardless of whether the actual transaction took place. In 2010, Platts was selected as the benchmark of iron ore pricing by the world's three largest mines.

VI. RMB as an International Reserve Currency

Based on IMF COFER data, the scale of RMB reserves has reached USD 217.67 billion, accounting for 1.95% of the total foreign exchange reserves of designated currencies by the end of the fourth quarter of 2019, ranking 5th and surpassing 1.88% of CAD, the highest level since the IMF published the RMB reserve assets in 2016. According to incomplete statistics, more than 70 central banks or monetary authorities incorporated the RMB into their foreign exchange reserves.

VII. Cross-border Circulation of RMB Banknotes

In 2019, cross-border circulation of RMB banknotes operated smoothly. The total volume of cross-border RMB banknotes transportation by banks was 104.03 billion yuan, down 11.1% yoy, of which outbound volume was 6.866 billion yuan, and inbound volume was 97.164 billion yuan, resulting in a net inward volume of 90.298 billion yuan. the total amount of RMB banknotes supply and withdrawal in the depository vault Bank of China (Hong Kong) Co. Ltd by overseas participating banks outside Hong Kong, Macao and Taiwan was 55 million yuan, down 77.1% yoy, of which the volume of RMB banknotes supply was 28 million yuan and that of RMB banknotes withdrawal was 27 million yuan.

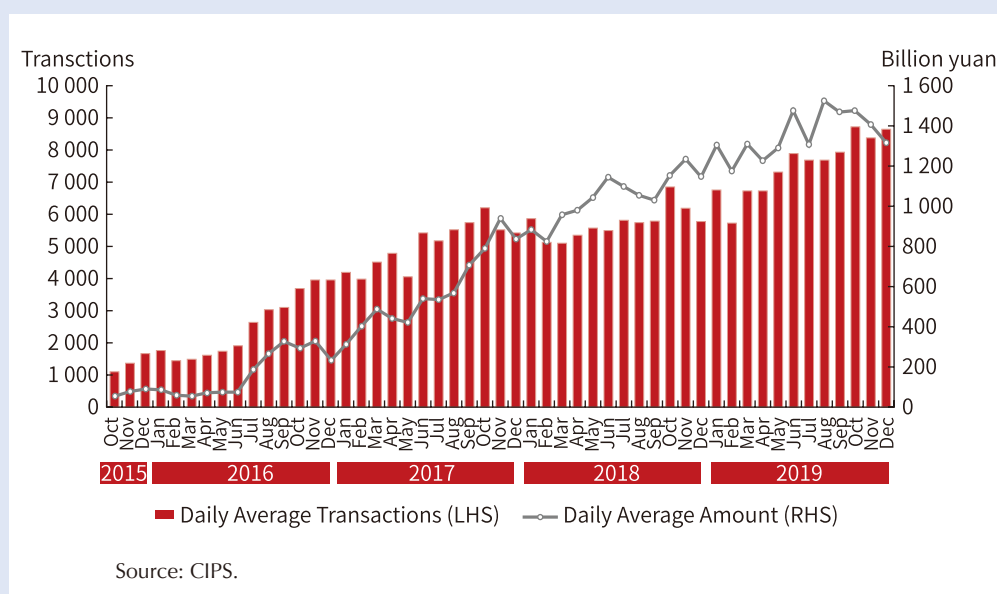
The reasons for the decline in cross-border RMB cash business were as follows. Firstly, with the development of the modern payment system, the expansion of the scope of overseas use of UnionPay cards, the expansion of the cross-border use of third-party payment tools has, to some extent, reduced the necessity for individuals to carry RMB cash abroad, so that the sources of RMB cash in the banking channel decreased accordingly. Secondly, with the gradual improvement of the overseas RMB clearing mechanism and the continuous optimization of the environment for the transfer and withdrawal of RMB cash, the secondary market for overseas RMB cash has become more stable. RMB cash is actively traded, with some large wholesale cash banks trading with other commercial banks and non-banking institutions around the world, which serves customers such as merchants and tourists who have exchange needs, resulting in a decrease in cash transfer business.

VIII. Cross-border Interbank Payment System

In 2019, the CIPS operated steadily for 250 working days, handling a total of 1.884

million cross-border RMB transactions with an overall amount of 33.9 trillion yuan, up 31% and 28% respectively yoy, and an average daily processing of 7.537 transactions, amounting to 135.7 billion. Of those there were 1.404 million customer remittances, with the amount of 5.6 trillion yuan; 428,000 financial institutions remittances, with the amount of 25.7 trillion yuan; 26,000 bulk customer remittances, with the amount of 110 million yuan; 27,000 bilateral transactions, with the amount of 2.7 trillion yuan; 59 clearing agency lending transactions, with the amount of 30 million yuan.

Figure 2-13 The Daily Average RMB Cross-border Business in the CIPS during 2015-2019



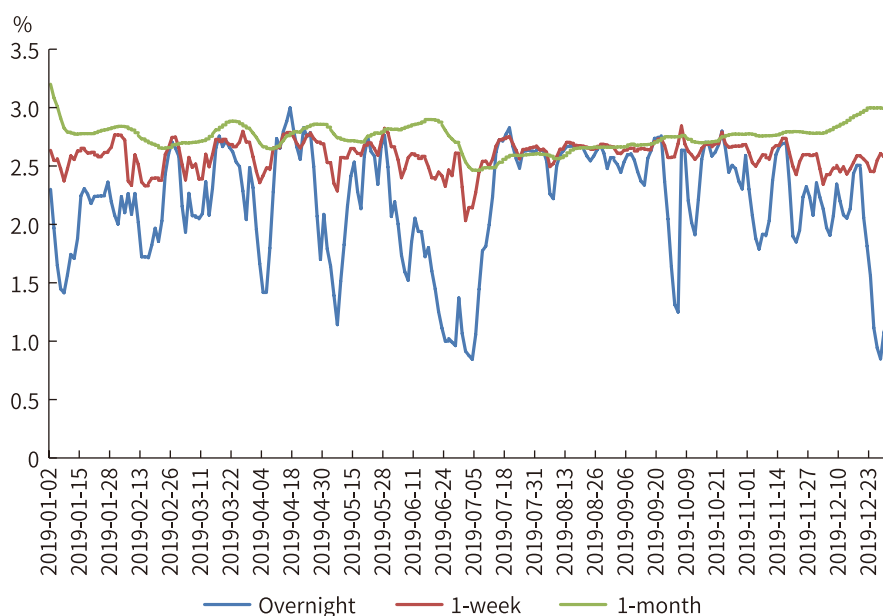
As the only clearing channel for the northbound funds of the “Bond Connect”, in 2019 the CIPS handled 27,000 transactions of the funds of the “Bond Connect” with 2.7 trillion yuan in value, up 2.6 times and twice respectively yoy, involving 1.47 trillion yuan in overseas bonds purchased, 1.19 trillion yuan of bonds sold, with a net inflow of 0.28 trillion yuan. In terms of domestic custodian institutions, the China Central Depository & Clearing Co., Ltd. processed 22,000 transactions of bond funds for a total amount of 2.1 trillion yuan, and Shanghai Clearing House escrowed 4,314 bond fund transactions, totaling 609.1 billion yuan.

IX. RMB Interest Rates and Exchange Rates

1. RMB interest rates

In 2019, the overall RMB interest rate pivot in domestic money market was downward, with a slight rebound at the end of the year. At the end of the year, the overnight, 1-month, 3-month, 6-month and 1-year Shanghai Interbank Offered Rate (SHIBOR) respectively dropped 61, 22, 27, 25, 41 basis points from the beginning of the year to close at 1.69%, 2.98%, 3.02%, 3.05%, and 3.10%; 7-day SHIBOR rose slightly by 10 basis points from the beginning of the year to close at 2.74%.

Figure 2-14 The Tendency of Shanghai Interbank Offered Rate (1)



Source: www.chinamoney.com.cn

Figure 2-15 The Tendency of Shanghai Interbank Offered Rate (2)



2. RMB exchange rates

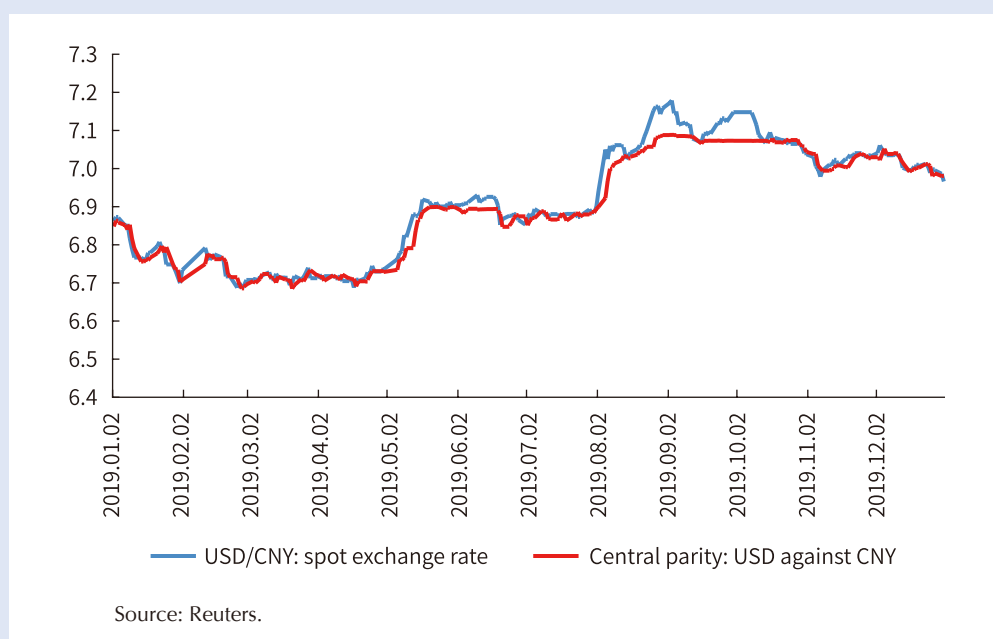
In 2019, RMB featured first appreciating and then depreciating against a basket of currencies. At the end of the year, the China Foreign Exchange Trade System (CFETS) RMB exchange rate index was 91.39, down 2.03% from the end of 2018. According to the Bank for International Settlements (BIS), since the reform of the RMB exchange rate formation regime in 2005, as of the end of 2019, the nominal and real effective exchange rate of RMB appreciated by 32.3% and 46.7%, respectively.

In 2019, the domestic RMB exchange rates fluctuated in both directions with significantly greater flexibility. The RMB has appreciated and depreciated against the US dollar and other major global currencies, with the central parity rate of the RMB depreciating 1.62%, 3.43% and 5.18% against the US dollar, the Japanese yen and the British pound respectively, and appreciating 0.41% against EUR at the end of 2018.

Throughout the year, the central parity rate of the RMB/USD was as high as 6.6850 and as low as 7.0884, with a fluctuation range of 4034 basis points and an annualized

volatility of 4%. During 244 trading days, RMB appreciated in 113 days, depreciated in 130 days, and unchanged for 1 trading day. The maximum one-day appreciation was 0.70% (469 points) and the maximum one-day depreciation was 0.66% (458 points). At the end of the year, the central parity rate of the RMB/USD exchange rate was 6.9762, a depreciation of 1.62% compared with the end of the last year, and the closing rate against the USD at 6.9662, a depreciation of 1.44% compared with the previous year-end.

Figure 2-16 The Tendency of the Domestic RMB Exchange Rate against the USD



X. Central Banks Cooperation

1. Bilateral Local Currency Settlement

In January 2020, the PBC signed the Bilateral Local Currency Cooperation Agreement with the Bank of Lao P. D. R, expanding the scope of local currency settlement from border trade to all current and capital transactions that have been liberalized by the two countries.

2. Bilateral Local Currency Swap

In 2019, the PBC signed a new bilateral currency swap agreement with the Macao Monetary Authority, totaling RMB 30 billion yuan, and renewed the bilateral local

currency swap agreements with the Centrale Bank van Suriname, Singapore Monetary Authority, Turkey Central Bank, European Central Bank and Hungary Central Bank, totaling RMB 683 billion yuan. By the end of 2019, the PBC has signed bilateral currency swap agreements with the central banks or monetary authorities of 39 countries and regions, covering major developed and emerging economies in the world, as well as the major offshore RMB markets, totaling more than RMB 3.7 trillion yuan.

3. Overseas Clearing Mechanism Arrangement

In June 2019, the PBC authorized the Mitsubishi UFJ Bank as the RMB clearing bank in Japan. In September, the PBC authorized the Manila Branch of the Bank of China as the RMB clearing bank in Philippines. By the end of 2019, the clearing arrangements have covered 25 countries and regions.



Policies and Relevant Reforms

In 2019, the cross-border RMB business policy continued to be optimized, the financial market was further opened, the macro-prudential management was improved continuously, and the market-oriented reform of the RMB exchange rate continued to be steadily deepened.

I. Optimization of Policies on the Cross-border RMB Business

In September 2019, the Macro-prudential Policy Bureau of the PBC issued *the Notice on Launching Pilot Business of Higher Level Trade and Investment Facilitation* (the PBC Macro-prudential Policy Bureau Document [2019] No. 10), taking 18 free trade zones, including Shanghai, Guangdong, Tianjin, Fujian, Liaoning, Zhejiang, Henan, Chongqing, Sichuan, Hubei, Shaanxi, Hainan, Shandong, Jiangsu, Guangxi, Hebei, Yunnan, Heilongjiang, as pilot areas, to carry out higher-level trade and investment facilitation pilot businesses. On the basis of the principles of knowing your customer, knowing your business and due diligence, banks in free trade zones can directly handle the cross-border RMB settlement business for goods trade, service trade (except entrepot trade and refund) and the payment and use of the RMB income funds of capital projects in China for high-quality enterprises, based on the *Notes on the Cross-border Business RMB Settlement Receipt/Payment* or Receipt/Payment instructions submitted by high-quality enterprises. High-quality enterprises do not need to submit authenticity verification materials one by one in advance, and the convenience and effectiveness of the cross-border RMB payment were greatly improved.

Box 7 The RMB Cross-border Settlement Policy Promoting Higher Level of Trade and Investment Facilitation

In December 2019, the Operations Office (Beijing) of the PBC released the Facilitation Plan for Cross-border RMB Settlement Business of High-quality and Honest Enterprises in Foreign Contracted Projects in Beijing (hereinafter referred to as the Plan), and the first pilot project for facilitating the cross-border RMB settlement business of foreign contracted projects enterprises in China officially landed in Beijing.

The Plan proposed a series of facilitation measures. Firstly, pilot banks can directly handle relevant business based on the receipt/payment instructions submitted by high-quality and honest enterprises, without submitting authenticity verification materials one by one in advance, to facilitate enterprises to handle the cross-border RMB business for trade in goods and services. Secondly, pilot banks can directly handle the domestic payments of the RMB cross-border income funds under capital account under the premise of complying with the current management regulations, without submitting authenticity certification materials in advance. Thirdly, when advance payment is required to ensure the start-up and operation of the project, pilot banks can handle the remittance of funds for overseas contracted projects for high-quality and honest enterprises based on relevant authentic materials. Fourthly, pilot banks can handle the cross-border payment services such as wages and salaries paid by the enterprises for overseas employees after reviewing the authenticity certification materials based on the receipt/payment instructions or payment information lists submitted by high-quality and trustful enterprises. Fifthly, member banks in the self-discipline mechanism of Beijing area are encouraged to promote domestic and overseas cooperation, and provide full-process services such as account opening and liquidity management for overseas engineering projects of high-quality and trustful enterprises.

This pilot program helps enterprises save exchange costs, mitigate foreign exchange risk, simplify settlement procedures, speed up capital turnover in cross-border trade and settlement, and expand the cross-border use of the RMB while enterprises go global. It's of positive significance to promote the financing along the B&R and RMB internationalization.

II. Promotion of the Two-way Opening up of the Capital Market

1. Shanghai-London Stock Connection was Launched

In May 2019, the PBC and SAFE jointly issued *the Measures for the Administration of Cross-border Funds of Depository Receipts (Trial)* (PBC, SAFE Public Announcement [2019] No. 8). Serving as an important supporting policy arrangement for Shanghai-London Stock Connection and depository receipts business, it regulated cross-border fund management in the process of issuance, conversion and depository of depository receipts.

On June 17, 2019, the Shanghai-London Stock Connection was officially launched.

2. Regulation of Qualified Foreign Investors' inward Investment was Streamlined

In September 2019, the QFII/RQFII investment quotas and restrictions on the RQFII pilot countries and regions were removed so as to further facilitate foreign qualified investors to invest in domestic market.

In October 2019, the PBC and SAFE issued *the Circular on Further Facilitating Investments by Foreign Institutional Investors in Interbank Bond Markets* (PBC Document [2019] No. 240). According to the circular, non-trading transfers will be allowed between bonds invested directly and bonds invested through the QFII or RQFII program by the same foreign investor, with direct transfers also allowed between corresponding capital accounts.

III. The RMB Exchange Rate Formation Regime

In 2019, the PBC continued to deepen the market-oriented reform of the RMB exchange rates, improve the managed floating exchange rate system based on market supply and demand with reference to a basket of currencies. It enhanced the flexibility of the RMB exchange rates, and effectively played the role of an automatic stabilizer for exchange rate adjustment of macro-economy and balance of payments. In early August, affected by the further escalation of trade frictions, the RMB exchange rate broke 7 under the impetus of market forces, while it was expected to remain stable overall. Since then, affected by changes in the international economic and financial situation and trade frictions, the RMB exchange rate has broken 7 several times. Overall in 2019, the cross-border capital flows and foreign exchange supply and

demand were basically balanced, the exchange rate expectations remained anchored, and the RMB exchange rate remained basically stable at a reasonable and equilibrium level.



Development of the Offshore RMB Market

In 2019, the offshore RMB market maintained a healthy and steady development with its width and depth constantly improved and the interaction between onshore and offshore market further strengthened. The offshore market for RMB-denominated financial products was more developed and the investment behavior became more rational. With the constant enhancement of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, the Bond Connect mechanism and mutual fund recognition mechanism, and the continuously improving of the two-way circulation mechanism of the offshore and onshore RMB, more funds have been invested in China.

I. Offshore RMB Interest Rate and Exchange Rate

1. The Interest Rate

In 2019, the offshore RMB interest rate fell overall with less volatility compared with 2018, and different maturities showed divergence: the fluctuation of short-term interest rates remained stable while that of longer-term interest rates fell overall. At the end of 2019, Hong Kong Interbank Offered Rate (HIBOR) for overnight lending fixing rate of the RMB was 1.92%, 20 basis points higher than that of the end of 2018, and the 7-day, 3-month and 1-year HIBOR were 2.40%, 3.26% and 3.35% respectively, dropping 40, 32 and 48 basis points from the end of 2018 respectively.

Figure 4-1 Movement of Hong Kong SAR of China's Offshore RMB Lending Rate in 2019(1)

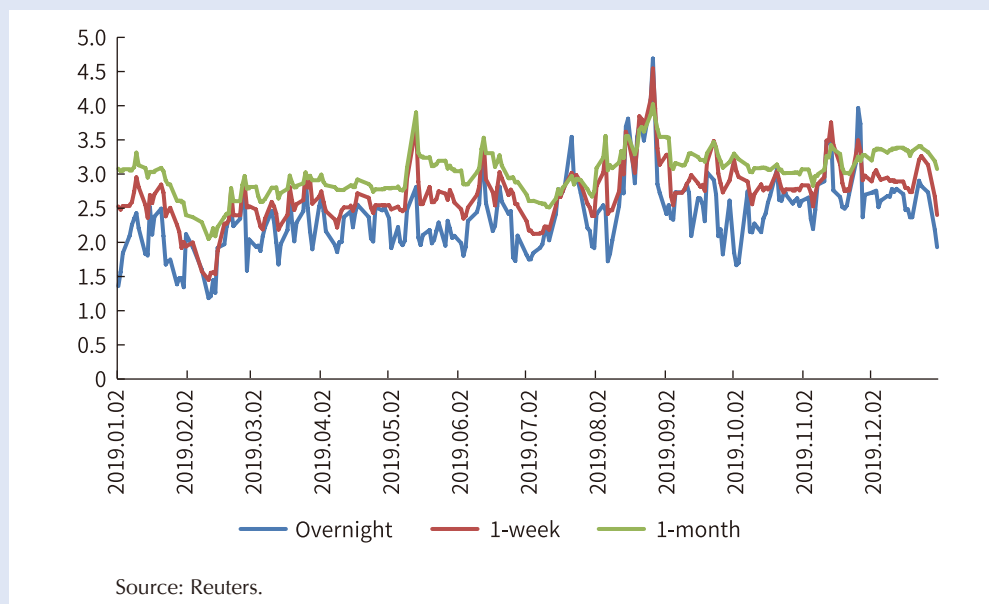


Figure 4-2 Movement of Hong Kong SAR of China's Offshore RMB Lending Rate in 2019 (2)



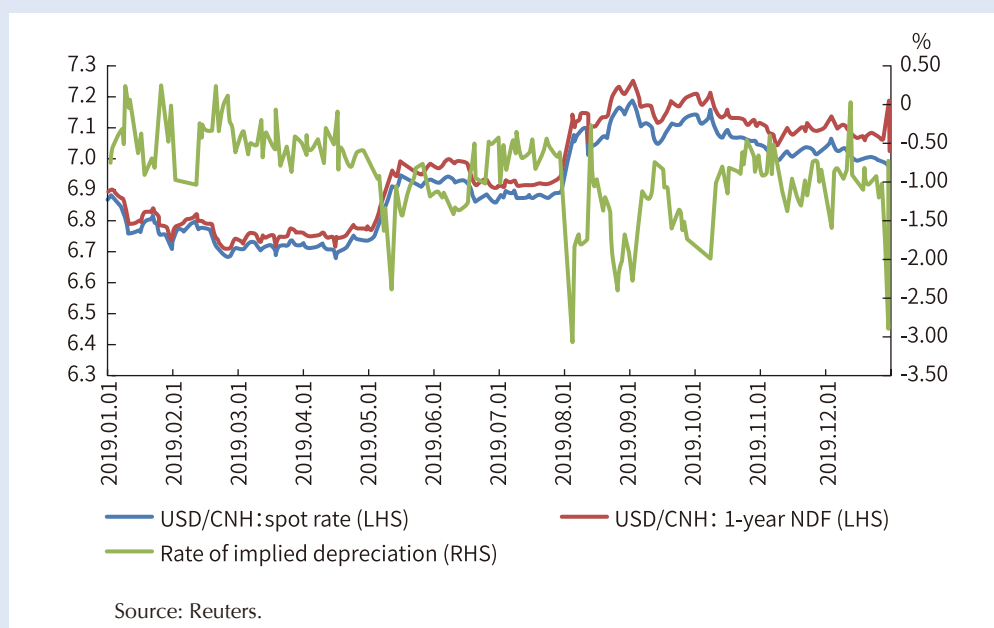
In 2019, the interest rate of offshore market was overall higher than that of the onshore market, while the gap expanded during the year, with the HIBOR 0.02% higher than the SHIBOR on average. The spread between the HIBOR and the SHIBOR for 1-month

and 3-month periods increased from 22 and 19 basis points in the first half of the year to 44 and 36 basis points in the second half of the year respectively.

2. The Exchange Rate

In 2019, the exchange rate of the offshore RMB featured significant two-way fluctuations, generally remaining consistent with the exchange rate of the onshore RMB, the exchange rate spread between the onshore and offshore RMB slightly narrowed and the depreciation expectation anchored stable overall. In the first 4 months of 2019, the offshore RMB appreciated generally, closing at a maximum of 6.6795. After that, trade disputes escalated and the offshore RMB depreciated, closing at 6.9591 at the end of the year, depreciating by 1.14% from the end of the previous year. The one-year NDF quotation generally declined, with a devaluation of 1.90% for the whole year, and the rate of implied devaluation fluctuated in two ways during the year, reaching 0.72% at the end of the year, roughly the same as at the beginning of the year. The offshore RMB was generally weaker than onshore RMB. The trading days that offshore RMB was weaker than onshore RMB during the year were more than twice as that of stronger. The average exchange rate spread between offshore and onshore RMB of the year was 96 basis points, narrowed by 32 basis points from 2018.

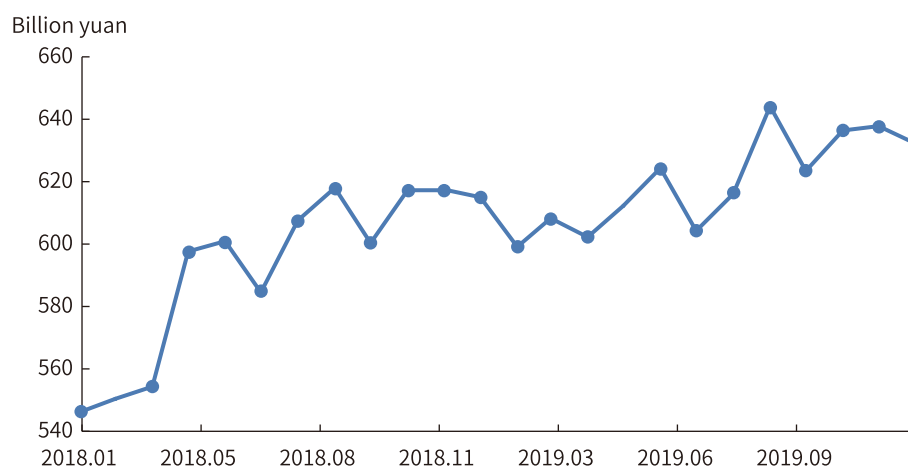
Figure 4-3 Movement of Hong Kong SAR of China's Offshore RMB Exchange Rate against the USD



II. Offshore RMB Deposits and Loans

By the end of 2019, the RMB deposits in Hong Kong SAR of China was RMB 632.2 billion yuan, ranking first in offshore RMB markets, with a yoy increase of 2.8%, accounting for 5.1% of the total amount of deposits and 10.3% of foreign currencies deposits in Hong Kong SAR of China. The RMB deposits in Taiwan, China was RMB 261 billion yuan, with a yoy decrease of 12.5%, accounting for 3.2% of the total deposits and 18.6% of foreign currencies deposits in Taiwan, China.

Figure 4-4 RMB Deposits of Hong Kong SAR of China



Source: Hong Kong Monetary Authority (HKMA).

III. Offshore RMB Securities Financing

In 2019, the offshore RMB-denominated bonds market rebounded. Incomplete statistics showed the total issuing scale of the RMB-denominated bonds in countries and regions where RMB clearing banks had already been established amounted to RMB 396.8 billion yuan in 2019, with a yoy increase of 35.4%. The RMB-denominated bonds issued in Hong Kong SAR of China amounted to RMB 166.7 billion yuan over the year, increasing by 230.4% yoy. By the end of 2019, the outstanding balance of the RMB-denominated bonds in countries and regions where RMB clearing banks had already been established amounted to RMB 457.2 billion yuan, with a yoy increase of 10.2%. The balance of the RMB-denominated Certificates of Deposits (CDs) amounted to RMB 85.7 billion yuan, with a yoy decrease of 21.7%.

Box 8 Regularity of the RMB-Denominated Central-Bank Bills Issuance in Hong Kong SAR of China

In September 2018, the PBC signed a Memorandum of Understanding (MOU) with the Hong Kong Monetary Authority (HKMA), to facilitate the issuance of central-bank bills, enrich high credit rating RMB-denominated financial products, and improve the yield curve of the RMB-denominated bonds in Hong Kong SAR of China. Since November 2018, the PBC has established a regulatory mechanism to issue RMB-denominated central-bank bills in Hong Kong SAR of China. By the end of March 2020, the balance of the RMB-denominated central-bank bills in Hong Kong SAR of China was RMB 80 billion yuan, including 3-month bills, 6-month bills, and 1-year bills. The RMB-denominated central-bank bills in Hong Kong SAR of China are auctioned in the HKMA's Central Moneymarkets Unit (CMU) to offshore investors. At present, the RMB-denominated central-bank bills are issued around every one and a half months in Hong Kong SAR of China, and the amount is mainly determined by market demand. Past experiences demonstrated that all the issuance was welcome and actively subscribed by international investors, even in March 2020 when there were relatively large international financial market fluctuations, the bid-to-cover ratio exceeded 3, showing that foreign investors had confidence in both the RMB and the Chinese economy.

The steady and constant issuance of the RMB-denominated central-bank bills in Hong Kong SAR of China contributed to enriching high credit rating RMB-denominated products in Hong Kong SAR of China, diversifying the tools for the RMB liquidity management, meeting the demand of offshore investors, improving the offshore RMB-denominated bonds yield curve, accelerating the development of the offshore RMB currency markets, encouraging other issuers to issue the RMB-denominated bonds in offshore markets, and promoting the RMB internationalization.

IV. Global RMB Foreign Exchange Trading

In 2019, the global RMB trading increased steadily. According to statistics released by the BIS on a triennial basis in April 2019, the RMB ranked 8th among the most active currencies for global trading, and ranked first among emerging markets currencies. The average daily trading amount of the RMB globally increased from USD 202

billion in 2016 to USD 284 billion, while the share of the RMB trading volume in the global foreign exchange market rose from 4% in 2016 to 4.3% in 2019. Growth of the RMB trading was primarily due to growth of trading of the RMB against the USD, which accounted for 95% of the total trading amount of the RMB against all foreign currencies. The total trading amount of the RMB against the USD ranked 6th of the world, the same as 2016, and the average daily trading amount increased from USD 192 billion in 2016 to USD 269 billion. According to the SWIFT, the RMB was one of the most active currencies in foreign exchange markets globally. At present, the RMB trading amount in the United Kingdom, Hong Kong SAR of China, the United States and Singapore ranked top four in the offshore markets, accounting for over 80% of the offshore RMB trading volume in total.

At present, a relatively mature product system in the offshore RMB market has been established. The RMB-denominated products of the offshore over-the-counter (OTC) market include spot, forward, swap, currency swap, the Non-Deliverable Forwards (NDFs) and options. Varieties of the RMB-denominated investment products are provided in the offshore exchange market, such as the RMB-denominated futures, the Exchange Trade Fund (ETF) and the REITs. In 2019, the trading volume of USD/CNH FX Futures in Singapore Exchange (SGX) was 9,069 thousand contracts (36,710 contracts in daily average), with a yoy increase of over 70%. At the end of 2019, the turnover of open interest for futures amounted to 53,288 contracts, with a yoy increase of 76%, accounting for around 68% of the total turnover of open interest for similar products in exchanges globally. The trading volume of USD/CNH FX Futures in Hong Kong Exchange and Clearing (HKEX) was 1.939 million contracts (7,882 contracts in daily average), with a yoy increase of 10%; the average daily trading volume of USD/CNH Options in HKEX was 63 contracts, decreasing by 48% yoy. At the end of 2019, the turnover of open interest for RMB-denominated futures was 24,636 contracts and for RMB-denominated options was 1,643 contracts. The trading volume of USD/CNH FX Futures in Taiwan Futures Exchange was 75 thousand contracts (311 contracts in daily average), with a yoy increase of 13%; the trading volume of USD/CNT FX Futures was 289 thousand contracts (1196 contracts in daily average), with a yoy increase of 2%. The trading volume of USD/CNH FX Options was 13 thousand contracts (55 contracts in daily average), with a yoy decrease of 17%. The trading volume of USD/CNT FX Options was 109 thousand contracts (449 contracts in daily

average), with a yoy decrease of 9%.

V. Offshore RMB Clearing Business

By the end of 2019, the RMB clearing amount of foreign clearing bank had totaled in RMB 348.17 trillion yuan with a yoy increase of 10%, among which the clearing amount on behalf of clients and for the interbank had respectively been RMB 32.71 and RMB 315.46 trillion yuan, with each yoy increase respectively at 11.2% and 9.8%. By the end of 2019, 912 participating banks and other institutions had opened clearing accounts in foreign clearing banks, increasing by 2.9% yoy. In 2019, the RMB clearing amount conducted by the Real Time Gross Settlement (RTGS) added up to RMB 266 trillion yuan and continued its highly growth with a yoy increase of 13.6%.

Box 9 Development of the Major Offshore RMB Markets outside Hong Kong SAR of China

United Kingdom. In 2019, the UK offshore RMB market kept steady development and remained the largest offshore RMB clearing center outside Asia. In 2019, the daily trading volume of London offshore RMB averaged GBP 82 billion, increasing by 7.0% yoy. By the end of 2019, there were 110 undue RMB-denominated bonds left in London Stock Exchange with total stock amounts of RMB 34.7 billion yuan and increasing 3% yoy. At the end of 2019, the outstanding deposits of London offshore RMB market reached 54.96 billion yuan, declining 4.1% yoy while the outstanding RMB loans went up 9.4% yoy with total amounts of RMB 53.85 billion yuan.

Singapore. In 2019, the trading volume of RMB in Singapore accounted for 4.66% of global RMB trading volume in total. The trading volume of USD/CNH FX Futures in SGX for the whole year exceeded USD 907 billion with a yoy growth of 76%, and daily trading volume averaged USD 3.67 billion with a yoy growth of 69%. By the end of 2019, there were 66 undue RMB-denominated bonds with total amounts of RMB 36 billion yuan in SGX. In 2019, 10 RMB-denominated bonds have been issued in Singapore with total amounts of RMB 4.2 billion yuan.

United States. In 2019, the trading volume of RMB in US remained as the 3rd among global major offshore markets, and its market share declined slightly to 7.8% from 8.5%

in 2018, following UK and Hong Kong SAR of China. The infrastructure for US offshore RMB market continued to improve, as well as the RMB recognition by the capital market.

Germany. In 2019, more and more German enterprises used the RMB for settlement in international trade, and German financial institutions actively participated in RMB business. By the end of 2019, 45 RMB participating banks in Germany have conducted RMB business via clearing banks. By the end of May 2020, 6 German banks have become the indirect participants of the CIPS via local clearing banks. In January 2019, the joint statement of the 2nd China-Germany High Level Financial Dialogue reaffirmed that both sides welcomed and supported the development for the offshore RMB market in Frankfurt, and would promote RMB cross-border use between China and Germany.

South Korea. In 2019, the interbank trading volume of the RMB/KRW reached RMB 3.94 trillion yuan, with total transactions of 560 thousand and daily average trading volume of 16.025 billion yuan, about 33.6% more than the previous year. By the end of 2019, RMB clearing banks in South Korea had opened 74 RMB clearing and settlement accounts for 71 financial institutions, covering all the local Korean banks, and the participating banks included variety of institutions such as commercial banks, central banks, securities firms and non-banking institutions.

United Arab Emirates. Since the establishment of the RMB clearing arrangements in 2016, the RMB business in the UAE has realized sound development with RMB business lines increasingly enriched. In 2019, the clearing amounts of RMB clearing banks in UAE reached RMB 53.02 billion yuan in total, with a yoy increase of 8.1%. ABU Dhabi Investment Authority, the sovereign wealth fund of the UAE, and First Abu Dhabi Bank (FAB), the largest bank in the UAE, have invested in the CIBM. In 2019, the FAB issued 9 offshore RMB-denominated bonds with total amounts over RMB 2.5 billion yuan.



PART FIVE

Prospect

The RMB internationalization is a market-driven process fundamentally. In recent years, the cross-border use of the RMB has sustained rapid growth and has maintained robust growth this year even under the impact of the COVID-19 that has severely hit global trade, finance and economy. In the future, RMB internationalization will steadily progress with the orientation on market force and serving the real economy.

Firstly, the PBC will insist on market-orientation, explore on promoting higher level pilot program to facilitate trades and investments, and constantly remove restrictions on the cross-border use of the RMB home and abroad, with the purpose of creating a fair environment for RMB to compete with other major convertible currencies. Secondly, the PBC will continuously promote the opening-up of domestic financial markets and the interconnection of infrastructures, and further facilitate foreign investors to use RMB in investing domestic bonds and stocks. Thirdly, the PBC will promote the development for RMB offshore markets, including enhancing RMB convertibility and promoting interactions and deep integration of both offshore and onshore markets. Fourthly, the PBC will improve macro-prudential management by strengthening mechanism of monitoring, analysis and early warning for cross-border capital flows, as well as dedicating in counter-cyclical regulation for risk prevention of cross-border capital flows.

I. The Payment Function Continuously Enhanced

Under the current transfer of production capacity from domestic enterprises to neighboring countries, with further improvement of RMB cross-border policies, reforms from all aspects have been continuously pushed forward, and we expect more market participants will accept RMB as settlement and payment currency, especially for those located either in neighboring countries or along the B&R. The Free Trade Zone and the Guangdong-Hong Kong-Macao Greater Bay Area will become the

driving force of the RMB cross-border payment.

II. The Investment and Financing Function Constantly Deepened

With increasing width and depth of China's financial market for two-way opening-up, further integration of different investment channels, and the continuously improvement of financial market infrastructure for interconnection with foreign countries, the allocation of the RMB assets by foreign investors will be further facilitated, and domestic financial market transactions by foreign investors will be expected to keep growing rapidly.

III. The Reserve Function Further Highlighted

Since being included in the SDR, RMB has maintained a stable status in the international monetary system. China has constantly strengthened bilateral currency cooperation with other jurisdictions. The investment channels for foreign institutions to invest in domestic financial markets kept widening, investment agency services were continuously facilitated, the market entry process were greatly streamlined, and we expect more foreign central banks and monetary authorities to hold RMB as reserve assets.

IV. The Denomination Function to Develop Better

The function of RMB as a denominating currency for governments to publicize foreign-related statistics, accounting and administration has been further enhanced. We expect more foreign traders to join the crude oil, iron ores and other commodities futures and uses the RMB more frequently in real commodity tradings. More varieties of RMB-denominated financial products will be provided.

V. The Bilateral Monetary Cooperation to Proceed Steadily

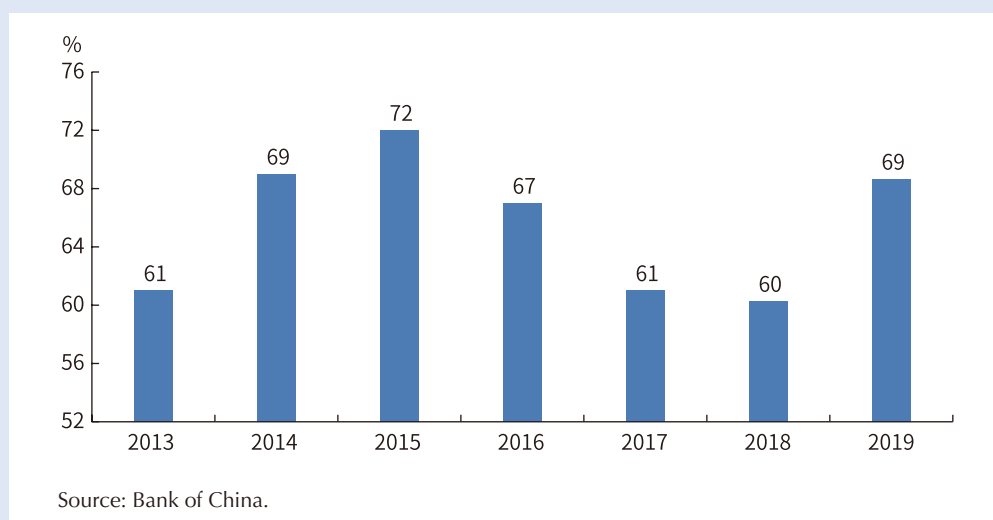
The PBC will continue to steadily push forward monetary cooperation with other central banks and monetary authorities globally, optimize the framework of currency cooperation, and make the bilateral currency cooperation play a more active role in facilitating bilateral trade and investment as well as in maintaining financial stability.

Box 10 Annually Market Survey on the RMB International Use

In 2019, the Bank of China conducted a market survey on RMB use by commercial enterprises and financial institutions from home and abroad with more than 3300 samples. The main conclusions included:

Firstly, RMB function as settlement currency has been consolidated. The survey showed that the proportion of foreign respondents using the RMB for settlement has increased significantly. About 69% of the foreign industrial and commercial enterprise respondents planned to use the RMB or further increase frequency of using RMB. This proportion has peaked since 2016, close to its best shot historically.

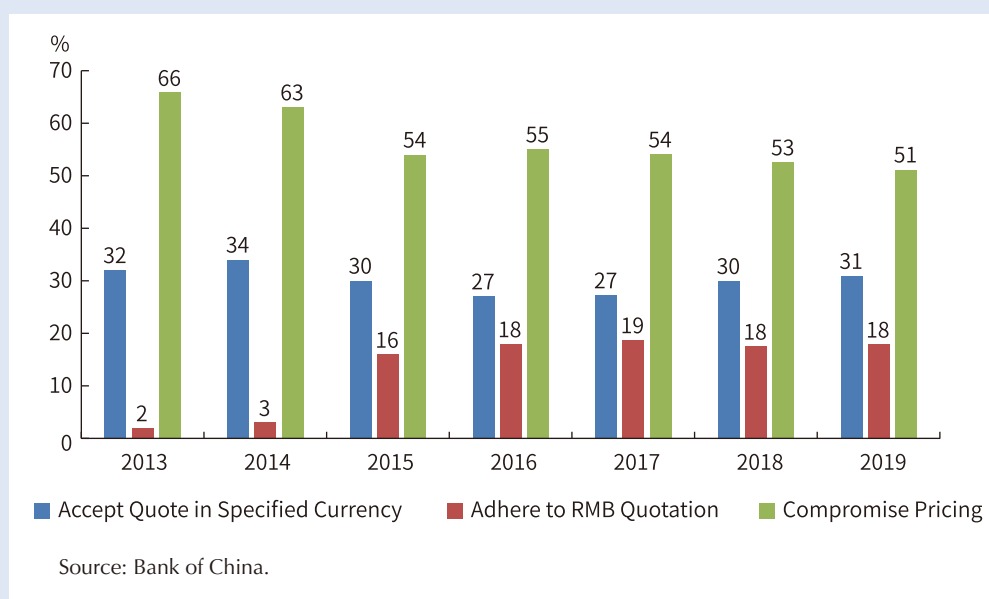
Figure 5-1 Proportion of Foreign Industrial and Commercial Enterprises to Increase RMB Use



Secondly, the RMB's function for denominating has been brought into play. The survey results showed that the RMB's function for denominating has remained generally stable in recent years. Nearly 20% of domestic respondents stuck to using RMB for denominating while RMB exchange rate fluctuated and were able to avoid risk completely. The proportion of domestic enterprises using the RMB for denominating has remained stable for four consecutive years, indicating this function of the RMB improved relatively slowly. Due to various factors including trading habits, currency choices in

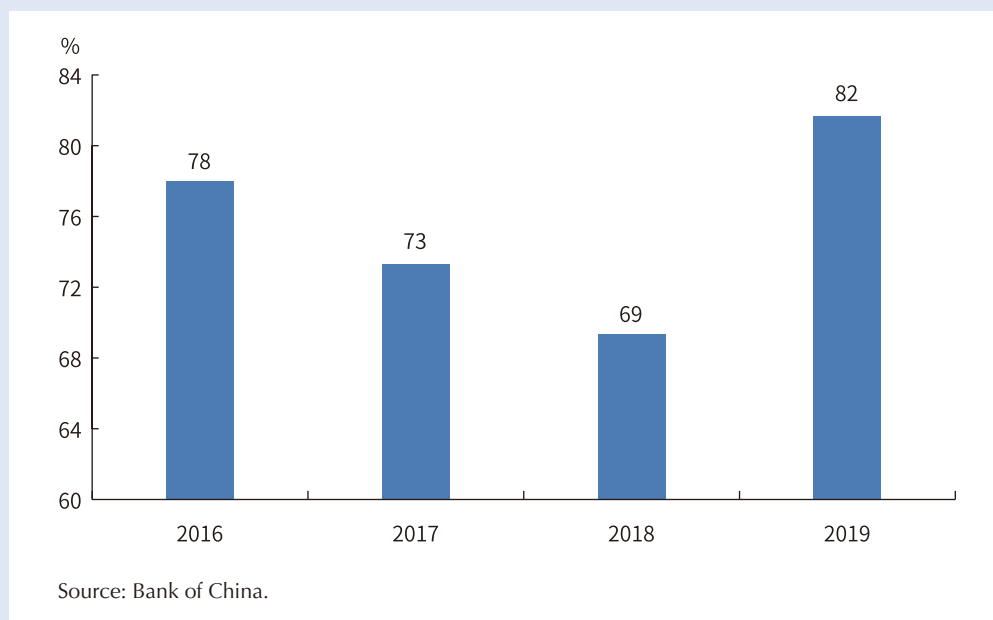
settlement across the supply chain and supports from financial market, RMB function for denominating will inevitably experience the process from quantitative to qualitative change with long-term accumulation.

Figure 5-2 Proportion of Domestic Industrial and Commercial Enterprises Sticking to using RMB for denominating during FX fluctuation



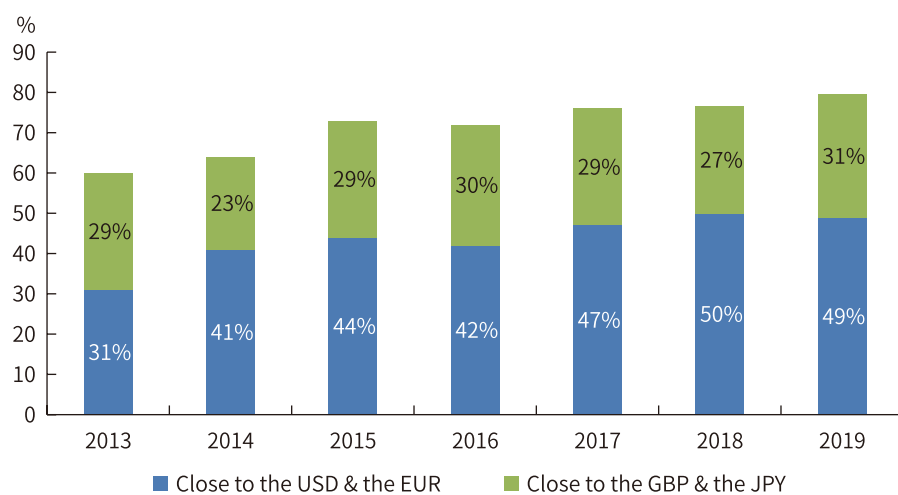
Thirdly, the attractiveness of the RMB for financing gradually emerged. The survey revealed that about 82% of foreign industrial and commercial enterprise respondents said that they would consider using the RMB for financing while encountering tight liquidity of international currencies such as the USD and the EUR. This ratio has come to a new high since 2016, indicating that the attractiveness of the RMB for international financing has gradually emerged. 75% of foreign industrial and commercial enterprise respondents will consider using RMB for trade financing in commercial intercourses with China. This indicated that the RMB function for international financing has been vigorously promoting trade facilitation and has played an active role in serving the real economy.

Figure 5-3 Proportion of Foreign Industrial and Commercial Enterprise Respondents Considering Using RMB for Financing in case of Tight Liquidity of International Currency such as USD and EUR



Fourthly, anticipation on the international currency status of the RMB reached a new high. The survey showed that the anticipation of domestic and foreign industrial and commercial enterprise respondents on the international status of the RMB has been further improved compared with 2018. Furthermore, 80% of domestic and foreign industrial and commercial enterprise respondents anticipated the international status of RMB not inferior to that of JPY and GBP in the next decade, with three percentage points higher than the survey results in 2018, and continued to rise for fourth consecutive year since 2016 with a new high record since the first market survey conducted in 2013.

Figure 5-4 Anticipation of Domestic and Foreign Industrial and Commercial Enterprises on the International Status of the RMB



Source: Bank of China.



Highlights of RMB Internationalization

2009

On January 20, The PBC and the Monetary Authority of Hong Kong (HKMA) signed a bilateral local currency swap agreement of RMB 200 billion yuan/HKD 227 billion.

On February 8, The PBC and the Bank Negara Malaysia signed a bilateral local currency swap agreement of RMB 80 billion yuan/MYR 40 billion.

On March 11, The PBC and the National Bank of the Republic of Belarus signed a bilateral local currency swap agreement of RMB 20 billion yuan/BYR 8 trillion.

On March 23, The PBC and Bank Indonesia signed a bilateral local currency swap agreement of RMB 100 billion yuan/IDR 175 trillion.

On April 2, The PBC and the Central Bank of Argentina signed a bilateral local currency swap agreement of RMB 70 billion yuan/ARS 38 billion.

On April 20, The PBC and the Bank of Korea signed a bilateral local currency swap agreement of RMB 180 billion yuan/KRW 38 trillion.

On June 29, The PBC and the HKMA signed *the Supplementary Memorandum III* of Cooperation on the Pilot Program of RMB Settlement of Cross-border Trade Transactions between Mainland and Hong Kong.

On July 1, Upon the approval of the State Council, the PBC, Ministry of Finance (MOF), Ministry of Commerce (MOFCOM), General Administration of Customs (GAC),

State Administration of Taxation (SAT) and China Banking Regulatory Commission (CBRC) jointly issued the *Administrative Rules on the Pilot Program of RMB Settlement of Cross-border Trade Transactions* (PBC, MOF, MOFCOM, GAC, SAT, CBRC Public Announcement [2009] No.10).

On July 3, The PBC and the Bank of China (Hong Kong) Ltd. signed the revised *RMB Clearing Agreement*, to support pilot program of RMB settlement of cross-border trade transactions.

On July 3, The PBC issued the *Regulations for Implementing the Administrative Rules of the Pilot Program of RMB Settlement of Cross-border Trade Transactions* (PBC Document [2009] No.212).

On July 6, The first transaction of RMB cross-border trade settlement was conducted in Shanghai. And the RMB Cross-border Payment Information Management System (RCPMIS) was put into operation.

On July 7, The pilot program of RMB settlement of cross-border trade transactions was launched in four cities of Guangdong.

On July 14, The PBC, MOF, MOFCOM, GAC, SAT and CBRC jointly issued the notice to the Shanghai municipal government and Guangdong provincial government the approval of Enterprises list for the *Pilot Program of RMB Settlement of Cross-border Trade Transactions* (PBC General Administration Reply letter [2009] No.472). The first batch of 365 enterprises was officially approved to conduct RMB Settlement of export transactions.

On September 10, The PBC and the SAT signed the *Memorandum on data and information transmission on the RMB settlement of cross-border trade transactions*.

On September 15, The MOF issued the first sovereign RMB-denominated bond in Hong Kong with the amount of RMB 6 billion yuan.

On December 22, The PBC issued *Questions & Answers on relevant policies of the pilot*

program of RMB settlement of cross-border trade transactions.

2010

On February 11, The HKMA issued *Elucidation of Supervisory Principles and Operational Arrangements Regarding the RMB Business in Hong Kong*.

On March 8, The PBC issued the *Interim Administrative Rules for the RMB Cross-border Payment Management Information System* (PBC Document〔2010〕No.79).

On March 19, The PBC and the GAC signed the *Memorandum of Cooperation on the RMB Settlement of Cross-border Trade Transactions*.

On March 24, The PBC and the National Bank of the Republic of Belarus signed a bilateral local currency settlement arrangement.

On June 9, The PBC and the Central bank of Iceland signed a bilateral local currency swap agreement of RMB 3.5 billion yuan/ISK 66 billion.

On June 17, The PBC, MOF, MOFCOM, GAC, SAT and CBRC jointly issued the *Notice on Expanding the Pilot Program of RMB Settlement of Cross-border Trade Transactions*, to expand the scope of the pilot program (PBC Document〔2010〕No.186).

On July 19, The PBC and the HKMA signed the *Supplementary Memorandum IV of Cooperation on the Pilot Program of RMB Settlement of Cross-border Trade Transactions*. The PBC and BOC (Hong Kong) Ltd. signed the revised *RMB Clearing Agreement*.

On July 23, The PBC and the Monetary Authority of Singapore (MAS) signed a bilateral local currency swap agreement of RMB 150 billion yuan/SGD 30 billion.

On August 17, The PBC issued the *Notice Concerning the Pilot Program on Investment in the Interbank Bond Market with RMB Funds by Three Types of Institutions Including Overseas RMB Clearing Banks* (PBC Document〔2010〕No.217).

On August 19, With the authorization of the PBC, China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode of RMB against Malaysian ringgit and launch direct trading between the two currencies in the interbank foreign-exchange market.

On August 31, The PBC issued the *Administrative Rules for RMB Bank Settlement Accounts of Overseas Institutions* (PBC Document [2010] No.249).

On November 22, With the authorization of the PBC, China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode of yuan against Russian ruble and launch direct trading between the two currencies in interbank foreign-exchange market.

2011

On January 6, The PBC issued the *Administrative Rules for the Pilot Program of Settlement for RMB-denominated Outward Direct Investment* (PBC Public Announcement [2011] No.1), allowing banking institutions and enterprises in the pilot areas to conduct the RMB settlement of foreign direct investment transactions, and banking institutions to grant loans to overseas projects based on relative regulations.

On April 18, The PBC and the Reserve Bank of New Zealand signed a bilateral local currency swap agreement of RMB 25 billion yuan/NZD 5 billion.

On April 19, The PBC and the Central Bank of Republic of Uzbekistan signed a bilateral local currency swap agreement of RMB 700 million yuan/UZS 167 billion.

On May 6, The PBC and the Bank of Mongolia signed a bilateral local currency swap agreement of RMB 5 billion yuan/MNT 1 trillion.

On June 3, The PBC issued the *Notice on Specifying the Issues Relating to Cross-border RMB Business* (PBC Document [2011] No.145).

On June 9, Fudian Bank of Kunming and the Public Bank of Laos jointly launched the over-the-counter trading between RMB and LAK.

On June 13, The PBC and the National Bank of Kazakhstan signed a bilateral local currency swap agreement of RMB 7 billion yuan/KZT 150 billion.

On June 23, The PBC and the Central Bank of Russian Federation renewed the agreement on Payment and Settlement, which extended the coverage of local currency settlement from transactions in the border areas to general trade transactions between the two countries.

On June 28, ICBC Guangxi Branch launched the trading of RMB against Vietnamese Dong, while BOC Xinjiang Branch launched the trading of RMB against Kazakhstan Tenge on the same day.

On June 30, Bank of Communications Qingdao Branch and Industrial Bank of Korea Qingdao Branch launched the over-the-counter (OTC) trading of RMB against Korea won.

On July 27, The PBC, MOF, MOFCOM, GAC, SAT and CBRC jointly issued the *Circular on Geographical Expansion of the RMB Settlement of Cross-border Trade Transactions* (PBC Document〔2011〕No.203). It expanded the program to the entire mainland China.

On October 13, The PBC issued the *Administrative Rules on Settlement of RMB-denominated Foreign Direct Investment* (PBC Public Announcement〔2011〕No.23).

On October 24, The PBC issued the *Guidelines on RMB Loans of Domestic Banking Institutions for Overseas Projects* (PBC Document〔2011〕No.255).

On October 26, PBC and the Bank of Korea renewed the bilateral local currency swap arrangement, increasing its size from RMB 180 billion yuan/KRW 38 trillion to RMB 360 billion yuan/KRW 64 trillion.

On November 4, According to the principles and standards for RMB clearing bank

in Hong Kong set by PBC Public Announcement〔2003〕No.16, the PBC authorized BOC (Hong Kong) Ltd. to resume the role of the RMB clearing bank in Hong Kong (PBC Public Announcement〔2011〕No.25).

On November 22, The PBC and HKMA renewed the bilateral local currency swap agreement, increasing its size from RMB 200 billion yuan/HKD 227 billion to RMB 400 billion yuan/HKD 490 billion.

On December 16, The CSRC, PBC and SAFE jointly issued the *Measures on the Pilot Program for RQFII-licensed Fund Management Companies and Securities Companies' Domestic Securities Investments* (CSRC Decree No.76).

On December 22, The PBC and the Bank of Thailand signed a bilateral local currency swap agreement of RMB 70 billion yuan/THB 320 billion.

On December 23, The PBC and the State Bank of Pakistan signed a bilateral local currency swap agreement of RMB 10 billion yuan/PKR 140 billion.

On December 29, The direct trading of RMB against THB in the local interbank foreign-exchange market was launched in Yunnan Province, which was the first case of direct trading of RMB against regional currencies.

On December 31, The PBC issued the *Notice on the Implementation of the Measures for the Pilot Program Allowing Fund Management Companies and Securities Companies Approved as RMB Qualified Foreign Institutional Investors (RQFII) to Invest in the Domestic Securities Market* (PBC Document〔2011〕No.321).

2012

On January 17, The PBC and the Central Bank of the United Arab Emirates signed a bilateral local currency swap agreement of RMB 35 billion yuan/AED 20 billion.

On February 6, The PBC, MOF, MOFCOM, GAC, SAT and CBRC jointly issued the

Notice on Issues Concerning RMB Settlement of Goods Export by Domestic Enterprises (PBC Document〔2012〕No.23).

On February 8, The PBC and the Bank Negara Malaysia renewed the bilateral local currency swap agreement, increasing its size from RMB 80 billion yuan/MYR 40 billion to RMB 180 billion yuan/MYR 90 billion.

On February 21, The PBC and the Central Bank of the Republic of Turkey signed a bilateral currency swap agreement of RMB 10 billion/TRY 3 billion.

On March 20, The PBC and the Bank of Mongolia signed a supplemental bilateral local currency swap agreement, increasing its size from RMB 5 billion yuan/MNT 1 trillion to RMB 10 billion yuan/MNT 2 trillion.

On March 22, The PBC and the Reserve Bank of Australia signed a bilateral local currency swap agreement of RMB 200 billion yuan/AUD 30 billion.

On April 3, With the approval of the State Council, the RQFII quota for Hong Kong was increased by RMB 50 billion yuan.

On June 1, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB against JPY and launch the direct trading between the two currencies in the Chinese interbank foreign-exchange market.

On June 26, The PBC and the National Bank of Ukraine signed a bilateral local currency swap agreement of RMB 15 billion yuan/UAH 19 billion.

On June 29, The PBC issued the *Circular of Specifying the Operational Rules for RMB Settlement in Foreign Direct Investments* (PBC Document〔2012〕No.165).

On July 31, The PBC issued the *Notice on the Issues Concerning the Opening and Using of RMB Settlement Account by Overseas Institutions* (PBC Document〔2012〕No.183).

On August 31, The PBC and the monetary authority of Taiwan signed the *Memorandum of Understanding on the Currency Clearing Cooperation across the Taiwan Straits*.

On September 24, The PBC and BOC Macau Branch renewed the *RMB Clearing Agreement*.

On November 13, With the approval of the State Council, the pilot quota for RQFII in Hong Kong was increased by RMB 200 billion yuan.

On December 11, The PBC authorized BOC Taipei Branch to serve as the RMB clearing bank in Taiwan.

2013

On January 25, The PBC and Taipei Branch of BOC signed the *RMB Clearing Agreement*.

On February 8, The PBC authorized the Singapore Branch of ICBC to serve as the RMB clearing bank in Singapore, and the two parties signed the *RMB Clearing Agreement* in April.

On March 1, The CSRC, PBC and SAFE jointly issued the *Measures on the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors* (CSRC Decree No.90).

On March 7, The PBC and the Monetary Authority of Singapore (MAS) renewed the bilateral local currency swap agreement of RMB 300 billion yuan/SGD 60 billion.

On March 13, The PBC issued the *Notice on the Issues Regarding Investment in the Interbank Bond Market by Qualified Foreign Institutional Investors* (PBC Document [2013] No.69).

On March 26, The PBC and the Central Bank of Brazil signed a bilateral local currency

swap agreement of RMB 190 billion yuan/BRL 60 billion.

On April 10, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB against Australian dollar and launch direct trading between the two currencies in the interbank foreign-exchange market.

On April 25, The PBC issued the *Notice on the Issues Concerning the Implementation of the Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors* (PBC Document [2013] No.105).

On June 21, The *Cross-Strait Service Trade Agreement* (the Agreement) was signed by both sides of the Taiwan Strait. According to the Agreement, Taiwan-funded financial institutions would be allowed to invest in Mainland capital market with an investment quota of RMB 100 billion yuan.

On June 22, The PBC and the Bank of England signed a bilateral local currency swap agreement of RMB 200 billion yuan/GBP 20 billion.

On July 9, The PBC issued the *Notice on Simplifying the Procedures for Cross-border RMB Services and Improving Relevant Policies* (PBC Document [2013] No.168).

On August 23, The General Administration Department of the PBC issued the *Notice on Improving the Information Reporting Procedures of the RMB Cross-border Payment Management Information System (RCPMIS)* (PBC General Administration Department Document [2013] No.188).

On September 9, The PBC and the Magyar Nemzeti Bank (Hungarian National Bank) signed a bilateral local currency swap agreement of RMB 10 billion yuan/HUF 375 billion .

On September 11, The PBC and the Central Bank of Iceland renewed the bilateral local currency swap agreement of RMB 3.5 billion yuan/ISK 66 billion.

On September 12, The PBC and the Bank of Albania signed a bilateral local currency swap agreement of RMB 2 billion yuan/ALL 35.8 billion.

On September 23, The PBC issued the *Notice on the Issues Concerning the RMB Settlement for Investment in Domestic Financial Institutions by Overseas Investors* (PBC Document [2013] No.225).

On October 1, The PBC and Bank of Indonesia renewed the bilateral local currency swap agreement of RMB 100 billion yuan/IDR 175 trillion.

On October 8, The PBC and the European Central Bank signed a bilateral local currency swap agreement of RMB 350 billion yuan/EUR 45 billion.

On October 15, At the 5th China-UK Economic and Financial Dialogues, China announced the RQFII program for UK with the quota of RMB 80 billion yuan.

On October 22, At the 10th meeting of the Sino-Singapore Joint Council for Bilateral Cooperation, China announced the RQFII program for Singapore with the quota of RMB 50 billion yuan.

On December 31, The PBC released the *Notice on Adjusting the Administration of RMB Sales and Purchases* (PBC Document [2013] No.321).

2014

On March 14, The PBC, MOF, MOFCOM, GAC, SAT and CBRC jointly issued the *Notice on Simplifying the Procedures Concerning the RMB Settlement of Goods Export by Domestic Enterprises* (PBC Document [2014] No.80).

On March 19, With the authorization of PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB and New Zealand dollar and launch direct exchange between the two currencies in the interbank foreign-exchange market.

On March 26, China and France jointly announced that China would extend its RQFII program to France with the quota of RMB 80 billion yuan.

On March 28, The PBC and Deutsche Bundesbank signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Frankfurt.

On March 31, The PBC and Bank of England signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in London.

On April 25, The PBC and Reserve Bank of New Zealand renewed the bilateral local currency swap agreement of RMB 25 billion yuan/NZD 5 billion.

On June 11, The PBC issued the *Guidelines on Implementation of Opinions of the State Council General Office on Supporting the Stable Growth of Foreign Trade* (PBC Document [2014] No.168).

On June 17, The PBC authorized China Construction Bank (London) Ltd. to serve as the RMB clearing bank in London.

On June 18, The PBC authorized the Frankfurt Branch of BOC to serve as the RMB clearing bank in Frankfurt.

On June 19, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB and GBP and launch direct exchange between the two currencies in the interbank foreign-exchange market.

On June 28, The PBC and the central bank of France signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Paris. The PBC and Central Bank of Luxembourg signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Luxembourg.

On July 3, The PBC and Bank of Korea signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Seoul. China declared to grant the

Republic of Korea an RQFII investment quota of RMB 80 billion yuan.

On July 4, The PBC authorized the Seoul Branch of Bank of Communications to serve as the RMB clearing bank in Seoul.

On July 7, During German Chancellor Merkel's visit to China, Premier Li Keqiang announced that China would extend its RQFII program to Germany, with the quota of RMB 80 billion yuan.

On July 18, The PBC and the Central Bank of Argentina renewed the bilateral local currency swap agreement of RMB 70 billion yuan/ARS 90 billion.

On July 21, The PBC and Swiss National Bank signed a bilateral local currency swap agreement of RMB 150 billion yuan/CHF 21 billion.

On August 21, The PBC and Bank of Mongolia renewed the bilateral local currency swap agreement of RMB 15 billion yuan/MNT 4.5 trillion.

On September 5, The PBC authorized the Paris Branch of BOC to serve as the RMB clearing bank in Paris, and the Luxembourg Branch of ICBC to serve as the RMB clearing bank in Luxembourg.

On September 16, The PBC and the Central Bank of Sri Lanka signed a bilateral local currency swap agreement of RMB 10 billion yuan/LKR 225 billion.

On September 28, The PBC issued the *Notice on Cross-border RMB Settlement of RMB-denominated Debt Financing Instruments issued by Overseas Institutions in China* (PBC General Administration Document [2014] No.221).

On September 30, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB and Euro and launch direct trading between the two currencies on the interbank foreign-exchange market.

On October 11, The PBC and Bank of Korea renewed the bilateral local currency swap agreement of RMB 360 billion yuan/KRW 64 trillion.

On October 13, The PBC and the Central Bank of Russia signed a bilateral local currency swap agreement of RMB 150 billion yuan/RUB 815 billion.

On November 1, The PBC issued the *Notice Concerning Centralized Cross-border RMB Fund Operation Conducted by Multinational Corporations* (PBC Document [2014] No.324).

On November 3, The PBC and Qatar Central Bank signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Doha, and signed a bilateral local currency swap agreement of RMB 35 billion yuan/QAR 20.8 billion. China announced the RQFII program for Qatar with a quota of RMB 30 billion yuan.

On November 4, the PBC authorized the Doha Branch of ICBC to serve as the RMB clearing bank in Doha.

On November 4, The PBC and CSRC jointly issued the *Notice on the Pilot Program of the Shanghai-Hong Kong Stock Connecting Scheme* (PBC Document [2014] No.336).

On November 5, The PBC issued the *Notice on the Issues Concerning the Overseas Securities Investment by RMB Qualified Domestic Institutional Investors* (PBC Document [2014] No.331).

On November 8, The PBC and Bank of Canada signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Canada, and signed a bilateral local currency swap agreement of RMB 200 billion yuan/CAD 30 billion. China announced the RQFII program for Canada with a quota of RMB 50 billion yuan. On November 9, the PBC authorized ICBC (Canada) Ltd. to serve as the RMB clearing bank in Toronto.

On November 10, The PBC and Central Bank of Malaysia signed the *Memorandum of Understanding* on establishing the RMB clearing arrangements in Kuala Lumpur.

On November 17, The PBC and Reserve Bank of Australia signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Australia. China declared to grant Australia an RQFII investment quota of RMB 50 billion yuan. On November 18, the PBC authorized the Sydney Branch of BOC to serve as the RMB clearing bank in Sydney.

On November 22, The PBC and HKMA renewed the bilateral local currency swap agreement of RMB 400 billion yuan/HKD 505 billion.

On December 14, The PBC and the National Bank of Kazakhstan renewed the bilateral local currency swap agreement of RMB 7 billion yuan/KZT 200 billion.

On December 15, with the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would launch direct trading between RMB and KZT in the local interbank foreign-exchange market.

On December 22, The PBC and Bank of Thailand signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Thailand. PBC and Bank of Thailand renewed the bilateral local currency swap agreement of RMB 70 billion yuan/THB 370 billion.

On December 23, The PBC and State Bank of Pakistan renewed the bilateral local currency swap agreement of RMB 10 billion yuan/PKR 165 billion.

2015

On January 5, The PBC authorized BOC (Malaysia) Ltd. and ICBC(Thailand) Ltd. to serve as the RMB clearing bank in Kuala Lumpur and Bangkok respectively.

On January 21, The PBC and Swiss National Bank signed the Memorandum of Understanding on establishing RMB clearing arrangements in Switzerland, granting Switzerland an RQFII investment quota of RMB 50 billion yuan.

On March 18, The PBC and the Central Bank of Suriname signed a bilateral local currency swap agreement of RMB 1 billion yuan/SRD 520 million.

On March 25, The PBC and the Central Bank of Armenia signed a bilateral local currency swap agreement of RMB 1 billion yuan/AMD 77 billion.

On March 30, The PBC and the Reserve Bank of Australia renewed the bilateral local currency swap agreement of RMB 200 billion yuan/AUD 40 billion.

On April 10, The PBC and the South African Reserve Bank signed a bilateral local currency swap agreement of RMB 30 billion yuan/ZAR 54 billion.

On April 17, The PBC and the Bank Negara Malaysia renewed the bilateral local currency swap agreement of RMB 180 billion yuan/MYR 90 billion.

On April 29, The pilot area of RQFII was expanded to Luxembourg with an investment quota of RMB 50 billion yuan.

On May 10, The PBC and the National Bank of the Republic of Belarus renewed the bilateral local currency swap agreement of RMB 7 billion yuan/ BYR 16 trillion.

On May 15, The PBC and the National Bank of Ukraine renewed the bilateral local currency swap agreement of RMB 15 billion yuan/UAH 54 billion.

On May 25, The PBC and the Central Bank of Chile signed a Memorandum of Understanding on establishing RMB clearing arrangements in Chile and a bilateral local currency swap agreement of RMB 22 billion yuan/CLP 2.2 trillion. China declared to grant Chile an RQFII investment quota of RMB 50 billion yuan. On the same day, the PBC authorized the China Construction Bank's Chile Branch to serve as the RMB clearing bank in Chile.

On June 1, The PBC issued the *Notice of the People's Bank of China on Issues Concerning the Repo Operation of Foreign RMB Clearing Banks and Foreign RMB Participant Banks in the Interbank bond Market* (PBC Document [2015] No.170).

On June 11, The PBC released *RMB Internationalization Report (2015)*.

On June 27, The PBC and the Central Bank of Hungary signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Hungary and the *Agency Agreement of Investment for the PBC to Manage the MNB's Investment in China Interbank Bond Market*. On the same day, the two parties also agreed to include Hungary in the pilot RQFII program with an investment quota of RMB 50 billion yuan.

On June 28, The PBC authorized Hungary branch of BOC to serve as the RMB clearing bank in Hungary.

On July 7, The PBC and the South African Reserve Bank signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in South Africa.

On July 8, the PBC authorized the Johannesburg Branch of BOC to serve as the RMB clearing bank in South Africa.

On July 14, The PBC issued the *Notice of the People's bank of China on Issues Concerning Investment of Foreign Central Banks, International Financial Institutions and Sovereign Wealth Funds with RMB Funds in the Interbank Market* (PBC Document [2015] No.220). The regulation simplified the procedures of foreign central banks, international financial institutions and sovereign wealth funds' access to the interbank market and the investment quota limit on these entities was removed. These entities could freely choose the PBC or settlement agent of the interbank market to serve as their agents for trading and settlement and more instruments were available for them to invest.

On July 24, The PBC released an announcement on *Issues Concerning RMB Cross-border Settlement of Crude Oil Futures Trading on Onshore Market* (PBC Public Announcement [2015] No.19). It regarded RMB as the invoicing and settlement currency for domestic crude oil futures, overseas traders and brokers were allowed to participate in Chinese crude oil futures trading.

On August 11, The PBC released a statement on *Improving the Quotation Mechanism of Central Parity between the RMB against the USD*. Since August 11 2015, before the

opening quotation of the Interbank foreign-exchange market, market makers make offers to China Foreign Exchange Trading Center referencing the closing exchange rate in the Interbank foreign-exchange market on the previous day, the condition of foreign exchange supply and demand along with changes in the exchange rate of major international currencies comprehensively.

On September 3, The PBC and the Central Bank of Tajikistan signed a bilateral local currency swap agreement of RMB 3 billion yuan/Somoni 3 billion.

On September 7, The PBC issued the *Notice on Further Facilitating Multinational Conglomerates in Conducting Two-way Cross-border RMB Cash Pooling Business* (PBC Document [2015] No.279).

On September 17, The PBC and the Central Bank of Argentina signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Argentina.

On September 18, The PBC authorized ICBC(Argentina) Ltd to serve as the RMB clearing bank in Argentina.

On September 21, The PBC approved HSBC (Hong Kong and Shanghai Banking Corporation) and BOC (Hong Kong) Ltd. to issue financial bonds in the interbank bond market. This was the first time that the international commercial banks were permitted to issue RMB-denominated bonds in interbank bond market.

On September 26, The PBC and the Central Bank of the Republic of Turkey renewed the bilateral local currency swap agreement of RMB 12 billion yuan/Lira 5 billion.

On September 27, The PBC and the National Bank of Georgia signed the bilateral local currency swap framework agreement.

On September 29, The PBC and the Central Bank of Zambia signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in Zambia. On September 30, The PBC authorized the Bank of China (Zambia) Limited to serve as the RMB clearing bank in Zambia.

On September 29, The PBC and the National Bank of the Kyrgyz Republic signed an agreement of intention on strengthening cooperation.

On September 30, The PBC released the PBC Public Announcement〔2015〕No.31. Foreign central banks (monetary authorities), other official reserve management organizations, international financial institutions and sovereign wealth fund were allowed to trade in the Chinese interbank foreign-exchange market.

On October 8, The CIPS (Phase one) was launched successfully.

On October 20, the PBC issued RMB 5 billion yuan of 1-year central bank bills in London in way of book-building, with a 3.1% coupon rate. This was the first time for PBC issuing RMB-denominated central bank bills outside mainland China.

On October 20, The PBC and the Bank of England renewed the bilateral local currency swap agreement of RMB 350 billion yuan/Pound 35 billion.

On November 2, The General Administration Department of the PBC issued the *Notice on Foreign Central Bank-Type Institutions to open the RMB Settlement Account in Domestic Banking Financial Institutions* (PBC General Administration Department Document〔2015〕No.227). It facilitated foreign central banks(monetary authorities), other official reserve management organizations, international financial institutions, and sovereign wealth funds to conduct relative business onshore.

On November 6, The PBC and SAFE released the *Operational Guideline for Funds Management in Cross-border Issuance and Sales of Mainland and Hong Kong Securities Investment Funds* (The PBC SAFE Public Announcement〔2015〕No.36).

On November 9, The PBC authorized the CFETS to conduct direct trading between RMB and Swiss franc in the interbank foreign-exchange market.

On November 18, China-Europe International Exchange Co.,Ltd. held its establishment ceremony, and launched the first batch of RMB-denominated spot security products.

On November 23, The pilot program of RQFII was extended to Malaysia with an investment quota of RMB 50 billion yuan.

On November 25, The first batch of foreign central banks finished filing with CFETS and accessed the Chinese interbank foreign-exchange market.

On November 27, NAFMII accepted the registration of the Province of British Columbia of Canada to issue RMB 6 billion yuan RMB-denominated sovereign bonds in the Chinese interbank bond market.

On November 30, The Executive Board of IMF decided to include RMB into the currency basket of the SDR as a fifth currency along with the U.S. dollar, the euro, the Japanese yen, and the British pound. The weight of the RMB in the SDR basket is 10.92%. The new basket will become effective on October 1, 2016. On the same day, the PBC authorized the Zurich branch of CCB to serve as the RMB clearing bank in Swiss.

On December 7, NAFMII accepted the registration of the Republic of Korea to issue RMB 3 billion yuan RMB-denominated sovereign bonds on the Chinese Interbank bond market.

On December 14, The PBC and the Central Bank of United Arab Emirates signed a bilateral local currency swap agreement of RMB 35 billion yuan/UAE Dirham 20 billion. On the same day, the two parties signed the *Memorandum of Understanding* on establishing RMB clearing arrangements in UAE. The PBC agreed to expand the pilot program of RQFII to UAE, with an investment quota of RMB 50 billion yuan.

On December 17, the pilot program of RQFII was expanded to Thailand, with an investment quota of RMB 50 billion yuan.

2016

On January 20, The General Administration Department of the PBC issued the *Notice on usage of funds on Overseas Institutions' RMB Bank Settlement Accounts* (PBC General

Administration Department Document〔2016〕No.15).

On January 22, The PBC issued the Notice on Expanding the *Pilot Program of Cross-border Financing Macprudential Management* (PBC Document〔2016〕No.18).

On February 24, The PBC released an announcement on *Issues Regarding Investment in the interbank Bond Market by Overseas Institutional Investors* (PBC Public Announcement〔2016〕No.3).

On March 7, The PBC and the Monetary Authority of Singapore(MAS) renewed the bilateral local currency swap agreement of RMB 300 billion yuan/SGD 64 billion, and the period of validity is 3 years.

On April 29, The PBC issued the *Notice on Implementing Nationally the Macprudential Management of Cross-border Financing* (PBC Document〔2016〕No.132).

On May 11, The PBC and the Central Bank of Morocco signed a bilateral local currency swap agreement of RMB 10 billion yuan/MAD 15 billion.

On June 7, The PBC and the Federal Reserve Board signed the Memorandum of Understanding on establishing RMB clearing arrangements in the United States. China declared to grant the U.S. an RQFII investment quota of RMB 250 billion yuan.

On June 17, The PBC and the Central Bank of the Republic of Serbia signed a bilateral local currency swap agreement of RMB 1.5 billion yuan/RSD 27 billion, and the period of validity is 3 years.

On June 20, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB and South African Rand and launch direct trading between the two currencies on the interbank foreign-exchange market.

On June 25, The PBC and the Central Bank of the Russian Federation signed the Memorandum of Understanding on establishing RMB clearing arrangements in the

Russian Federation.

On June 27, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) announced that it would improve the trading mode between RMB and South-Korean Won and launch direct trading between the two currencies on the interbank foreign-exchange market.

On July 11, The Bank of China (Hong Kong) linked to CIPS as a direct participant, becoming the first overseas direct participant. On the same day, the China Citic Bank, Bank of Shanghai, China Guangfa Bank, Bank of Jiangsu, Bank of Tokyo-Mitsubishi UFJ (China), Mizuho Bank (China), Hang Seng Bank (China) linked to CIPS as direct participants. The number of direct participants of CIPS has increased to 27.

On August 10, The General Administration Department of the PBC issued *the Reply Letter on Issues Concerning the Republic of Poland Issues RMB-denominated Bonds of RMB on the Interbank Bond Market*, approved the Republic of Poland's application on issuing RMB-denominated bonds on the inter-bank bond market (PBC General Administration Department Letter [2016] No.378).

On August 30, The PBC and SAFE issued *the Notice on Issues Concerning the Domestic Security Investment and Management by Renminbi Qualified Foreign Institutional Investors* (PBC Document [2016] No.227).

On September 12, The PBC and the Central Bank of Hungary renewed the bilateral local currency swap agreement of RMB 10 billion yuan/ HUF 416 billion, and the period of validity is 3 years.

On September 20, The PBC issued an announcement, which authorized the Bank of China (New York) Limited to serve as the RMB clearing bank in America (PBC Public Announcement [2016] No.23).

On September 23, The PBC issued an announcement, which authorized the Industrial and Commercial Bank of China (Moscow) Limited to serve as the RMB clearing bank in Russia (PBC Public Announcement [2016] No.24).

On September 26, The PBC authorized the CFETS to conduct direct trading between RMB and Saudi Riyal in the interbank foreign-exchange market.

On September 26, The PBC authorized the CFETS to conduct direct trading between RMB and UAE Dirham in the interbank foreign-exchange market.

On September 27, The PBC and the European Central Bank signed a supplemental agreement, which extending the validity of bilateral local currency swap agreement for 3 years to Oct.8, 2019. The size is remain RMB 350 billion yuan/EUR 45 billion.

On November 4, The PBC and CSRC issued *the Notice on the Program of the Shanghai, Shenzhen and Hong Kong Stock Connect Scheme* (PBC Document [2016] No. 282).

On December 5, the Shenzhen-Hong Kong Stock Connect Scheme officially launched.

On November 14, With the authorization of the PBC, CFETS announced that it would improve the trading mode between RMB and Canadian Dollar and launch direct trading between the two currencies in the interbank foreign-exchange market.

On November 29, The PBC issued the *Notice on Further Clarifying Relevant Issues Concerning the Overseas Renminbi Lending Business of Domestic Enterprises* (PBC Document [2016] No.306).

On December 6, The PBC and the Central Bank of Egypt signed a bilateral local currency swap agreement of RMB 18 billion yuan/EGP 47 billion, the period of validity is 3 years.

On December 9, The PBC issued an announcement, which authorized the Agriculture Bank of China (Dubai) Limited to serve as the RMB clearing bank in UAE (PBC Public Announcement [2016] No.30).

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Mexican Peso in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Turkish Lira in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Polish Zloty in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Danish Krone in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Hungary Forint in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Norwegian Krone in the interbank foreign-exchange market.

On December 12, The PBC authorized the CFETS to conduct direct trading between RMB and Swedish Krone in the interbank foreign-exchange market.

On December 21, The PBC and the Central Bank of Iceland renewed the bilateral local currency swap agreement of RMB 3.5 billion yuan/ISK 66 billion, and the period of validity is 3 years.

On December 26, The General Administration Department of the PBC issued *the Notice on Cross-border Renminbi Settlement of Renminbi-denominated Debt Financing Instruments issued by Overseas Institutions in China* (PBC General Administration Department Document [2016] No.258).

2017

On January 13, The PBC issued the *Notice on Issues Concerning the Macroprudential Management of Overall Cross-Border Financing* (PBC Document [2017] No. 9).

On March 20, The PBC and Bank of China New York Branch signed *the RMB Clearing*

Agreement.

On March 20, The PBC and Industrial and Commercial Bank of China (Moscow) Limited signed *the RMB Clearing Agreement*.

On March 20, The PBC and Agriculture Bank of China Dubai Branch signed *the RMB Clearing Agreement*.

On May 19, The PBC and the Central Bank of New Zealand renewed the bilateral local currency swap agreement of RMB 25 billion yuan/NZD 5 billion, and the period of validity is 3 years.

On May 23, The PBC issued *the Notice on Issuing the Regulation Related on RMB Cross-border Payment Management Information System (RCPMIS)* (PBC Document〔2017〕 No. 126).

On May 27, The General Administration Department of the PBC issued *the Notice on Improving the Interbank Transaction Information Reporting Procedures of the Renminbi Cross-border Payment Management Information System* (PBC General Administration Department Document〔2017〕 No.118).

On June 29, The PBC and Bank of China (Hong Kong) Limited renewed *the RMB Clearing Agreement*.

On July 4, With the approval of the State Council, the quota of Hong Kong's RQFII will be expanded to RMB 500 billion yuan.

On July 6, The PBC and the Bank of Mongolia renewed the bilateral local currency swap agreement of RMB 15 billion yuan/MNT 5.4 trillion, and the period of validity is 3 years.

On July 18, The PBC and the Central Bank of Argentina renewed the bilateral local currency swap agreement of RMB 70 billion/ARS 175 billion, and the period of validity is 3 years.

On July 21, The PBC and the Swiss National Bank renewed the bilateral local currency swap agreement of RMB 150 billion yuan/CHF 21 billion, and the period of validity is 3 years.

On August 11, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) may conduct direct trading between RMB and Mongolia MNT in the interbank foreign-exchange market.

On September 13, With the authorization of the PBC, the China Foreign Exchange Trade System (CFETS) may conduct direct trading between RMB and Cambodia KHR in the interbank foreign-exchange market.

On September 21, The PBC and Bank of China Macau branch renewed *the RMB Clearing Agreement*.

On October 11, The PBC and the Bank of Korea renewed the bilateral local currency swap agreement of RMB 360 billion/KRW 64 trillion, and the period of validity is 3 years.

On November 2, The PBC and the Qatar Central Bank renewed the bilateral local currency swap agreement of RMB 35 billion/QAR 20.8 billion, and the period of validity is 3 years.

On November 8, The PBC and the Bank of Canada renewed the bilateral local currency swap agreement of RMB 200 billion/CAD 30 billion , and the period of validity is 3 years.

On November 22, The PBC and the Monetary Authority of Hong Kong renewed the bilateral local currency swap agreement of RMB 400 billion/HKD 470 billion , and the period of validity is 3 years.

On November 22, The PBC and the Central Bank of Russian Federation renewed the bilateral local currency swap agreement of RMB 150 billion/RUB 1,325 billion, and the period of validity is 3 years.

On December 22, The PBC and the Bank of Thailand renewed the bilateral local currency swap agreement of RMB 70 billion/THB 370 billion, and the period of validity is 3 years.

2018

On January 4, the PBC and Taipei Branch of Bank of China renewed the RMB clearing agreement.

On January 5, the PBC issued the *Notice on Further Improving Policies for Cross-border RMB Business to Facilitate Trade and Investment* (PBC Document [2018] No. 3), clarifying that all cross-border business allowed by law to be settled with foreign exchange could also be settled with RMB by enterprises.

On January 5, CFETS issued the *Notice on the Arrangements for Overseas Banks to Participate in Interbank FX Market Regional Trading*, allowing qualified overseas banks to participate in interbank FX market regional trading.

On February 9, the PBC authorized the J.P. Morgan Chase & Co. to serve as the RMB clearing bank in USA.

On March 26, the RMB Cross-border Interbank Payment (CIPS) phase II was launched for pilot operation.

On March 26, the Crude Oil Futures Contract denominated in RMB was listed for trading on Shanghai International Energy Exchange.

On March 30, the PBC and the Reserve Bank of Australia renewed the bilateral local currency swap agreement of RMB 200 billion yuan/AUD 40 billion.

On April 3, the PBC and the Central Bank of Albania renewed the bilateral local currency swap agreement of RMB 2 billion yuan/ALL 34.2 billion.

On April 11, the PBC and the South African Reserve Bank renewed the bilateral local currency swap agreement of RMB 30 billion yuan/ZAR 54 billion.

On April 20, to further regulate overseas security investment by RMB qualified domestic institutional investors, the General Administration Department of the PBC issued the *Notice on Further Clarifying the Rules on Overseas Security Investment by RMB Qualified Domestic Institutional Investors* (PBC General Administration Department Document [2018] No.81).

On April 27, the PBC and the Central Bank of Nigeria signed a bilateral local currency swap agreement of RMB 15 billion yuan/NGN 720 billion.

On May 1, the daily quotas under both Shanghai-Hongkong Stock Connect and Shenzhen-Hongkong Stock Connect were expanded four times, in which the daily quota for each of the northbound trading links were adjusted to RMB 52 billion yuan from RMB 13 billion yuan, the daily quota for each of the southbound trading links were adjusted to RMB 42 billion yuan from RMB 10.5 billion yuan.

On May 2, CIPS phase II was fully launched, with eligible direct participants engaged online simultaneously.

On May 4, the foreign investors were formally introduced into domestic RMB-denominated iron ore futures trading in Dalian Commodity Exchange.

On May 9, the pilot area of RMB qualified foreign institutional investors expanded to Japan, with a quota of RMB 200 billion yuan.

On May 10, the PBC and the National Bank of the Republic of Belarus renewed the bilateral local currency swap agreement of RMB 7 billion yuan/ BYR 2.22 billion.

On May 16, in order to further improve cross-border capital flow, and advance the opening-up of China's financial market, the General Administration Department of the PBC issued the *Notice on Further Perfecting the Management of Cross-border Capital Flow to Support the Opening-up in Financial Market* (PBC General Administration

Department Document [2018] No.96).

On May 23, the PBC and the State Bank of Pakistan renewed the bilateral local currency swap agreement of RMB 20 billion yuan/ PKR 351 billion.

On May 25, the PBC and the Central Bank of Chile renewed the bilateral local currency swap agreement of RMB 22 billion yuan/CLP 2200 billion.

On May 28, the PBC and the National Bank of Kazakhstan renewed the bilateral local currency swap agreement of RMB 7 billion yuan/KZT 350 billion.

On June 1, the Chinese A-share was formally included in MSCI Emerging Markets Index and Global Standard Index, which was conducive to attracting overseas investors to allocate assets on RMB share .

On June 11, in order to regulate the investment in domestic security market by RMB qualified foreign institutional investors, The PBC and SAFE jointly issued the *Notice on the Rules of Domestic Security Investment by RMB Qualified Foreign Institutional Investors* (PBC Document [2018] No.157).

On June 13, to perfect the management of RMB purchases and sales businesses, the PBC issued the *Notice on Improving the Management of RMB Purchases and Sales Businesses* (PBC Document [2018] No.159), expanding the scope of purchases and sales businesses to securities investment.

On August 20, the PBC and the Bank Negara Malaysia renewed the bilateral local currency swap agreement of RMB 180 billion yuan/MYR 110 billion.

On September 3, CFETS formally introduced the Industrial and Commercial Bank of China (Almaty) and ICBC Standard Bank Plc. to participate in domestic interbank FX market for the regional trading of RMB against KZT, and extended trading hour for RMB against KZT regional trading from 10:30-16:30 to 10:30-19:00 (Beijing time, GMT+8).

On September 8, in order to promote the opening up of domestic interbank bond market, regulate foreign institutional bond issuance, and protect legitimate interests of bond market investors, the PBC and MOF jointly issued the *Interim Rules for the Administration of Bond Issuances by Overseas Institutions on China's Interbank Bond Market* (PBC, MOF Public Announcement [2018] No.16).

On October 13, the PBC and the Bank of England renewed the bilateral local currency swap agreement of RMB 350 billion yuan/GBP 40 billion.

On October 22, the PBC and the Bank of Japan signed the memorandum of understanding on the currency clearing cooperation across Japan. On October 26, the PBC authorized Tokyo Branch of Bank of China to serve as the RMB clearing bank in Japan.

On October 26, the PBC and the Bank of Japan signed a bilateral local currency swap agreement of RMB 200 billion yuan/JPY 3,400 billion.

On November 16, The PBC and Bank Indonesia renewed bilateral local currency swap agreement of RMB 200 billion yuan/IDR 440 trillion.

On November 20, the PBC and the Central Bank of Philippine signed the memorandum of understanding on the currency clearing cooperation across the Philippines.

On November 30, Pure Terephthalic Acid (PTA) futures which denominated in RMB were formally introduced to overseas traders.

On December 10, the PBC and the National Bank of Ukraine renewed the bilateral local currency swap agreement of RMB 15 billion yuan/UAH 62 billion.

2019

On January 31, Bloomberg formally confirmed that Chinese bonds would be added to

the Bloomberg Barclays Global Aggregate Index starting April 2019.

On February 11, the PBC and the Centrale Bank van Suriname renewed the bilateral local currency swap agreement of RMB 1 billion yuan/ SRD 1.1 billion.

On February 28, the MSCI announced that it would significantly increase the weight of Chinese A-shares in the MSCI Indexes by raising the inclusion factor from 5% to 20% in three steps.

On May 10, the PBC and the Monetary Authority of Singapore renewed the bilateral local currency swap agreement of RMB 300 billion yuan/ SGD 61 billion.

On May 30, the PBC and the Central Bank of Turkey renewed the bilateral local currency swap agreement of RMB 12 billion yuan/ TRY 10.9 billion.

On May 30, the PBC issued an announcement, designating the MUFG Bank to serve as the RMB clearing bank in Japan. (PBC Public Announcement [2019] No. 11)

On June 5, the pilot area of the RMB Qualified Foreign Institutional Investors (RQFII) expanded to the Netherlands, with a quota of RMB 50 billion yuan.

On August 23, the PBC released the *RMB Internationalization Report (2019)*.

On August 27, a symposium on the use of the RMB in neighboring countries and regions in 2019 was held in Harbin to study and deploy tasks related to further deepening and expanding the RMB cross-border use in neighboring countries and regions.

On September 10, the SAFE announced to remove limitations on investment quotas of the QFII and RQFII.

On September 12, the PBC issued an announcement, designating the Manila Branch of Bank of China to serve as the RMB clearing bank in Philippines. (PBC Public Announcement [2019] No. 18)

On October 8, the PBC and the European Central Bank renewed the bilateral local currency swap agreement of RMB 350 billion yuan/ EUR 45 billion.

On October 15, the PBC and SAFE jointly issued the *Notice on the Issues Regarding Further Facilitating Investment in the Interbank Bond Market by Foreign Institutional Investors* (PBC Document [2019] No. 240).

On December 5, the PBC and the Monetary Authority of Macao SAR of China signed a bilateral local currency swap agreement of RMB 30 billion yuan/ MOP 35 billion.

On December 10, the PBC and the Central Bank of Hungary renewed the bilateral local currency swap agreement of RMB 20 billion yuan/ HUF 864 billion.

On December 18, the PBC issued an announcement to further facilitate individual RMB cross-border remittances in Macao SAR of China (PBC Public Announcement [2019] No. 29).

On December 20, the PBC held a symposium on the RMB internationalization.

On December 21, the professional committee on the cross-border RMB business of China Society for Finance and Banking was established.

2020

On January 6, the PBC and the Central Bank of Laos signed a bilateral local currency cooperation agreement, allowing directly using local currency for settlement under all the opened current and capital accounts in both countries.



Afterword

To better study the RMB internationalization, starting from 2015 the Macroprudential Policy Bureau (formerly the Monetary Policy Department II) of the PBC has organized to write and publish annual reports on the RMB internationalization in both Chinese and English for the reference of market participants and researchers home and abroad. The report covers a wide range involved in the performance of international use of the RMB from all aspects, relevant policies and reform progress, the status of global major economies, trend outlook and some other main ideas, which contains detailed data and elaborated columns on key issues.

The Macroprudential Policy Bureau wrote and translated the 2020 RMB Internationalization Report together with Monetary Policy Department, Payment System Department, Currency Gold and Silver Bureau, China Foreign Exchange Trade System, as well as the Cross-Border RMB Offices from Tianjin Branch, Wuhan Branch, Chengdu Branch, Chongqing Operations Office, Nanning Central Sub-Branch, and Haikou Central Sub-Branch within PBC. During this period, we have received great support from the Bank of China, the Agricultural Bank of China, the Industrial and Commercial Bank of China, China Construction Bank, the Bank of Communications and China Financial Publishing House. Hereby, we sincerely appreciated for all that have supported for the report.

Due to our limited knowledge, there might inevitably be some inappropriateness in the report. We earnestly invite any readers to comment and correct.

The Editor
August 2020