



Topic: Hong Kong as RMB Offshore Center-- - What's next?

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Annual Conference 2011

- **Market Overview**
- **Opportunities in the Growth & Development of the Off-shore RMB Market**
- **What's next?**

- **Market Overview**

- Opportunities in the Growth & Development of the Off-shore RMB Market

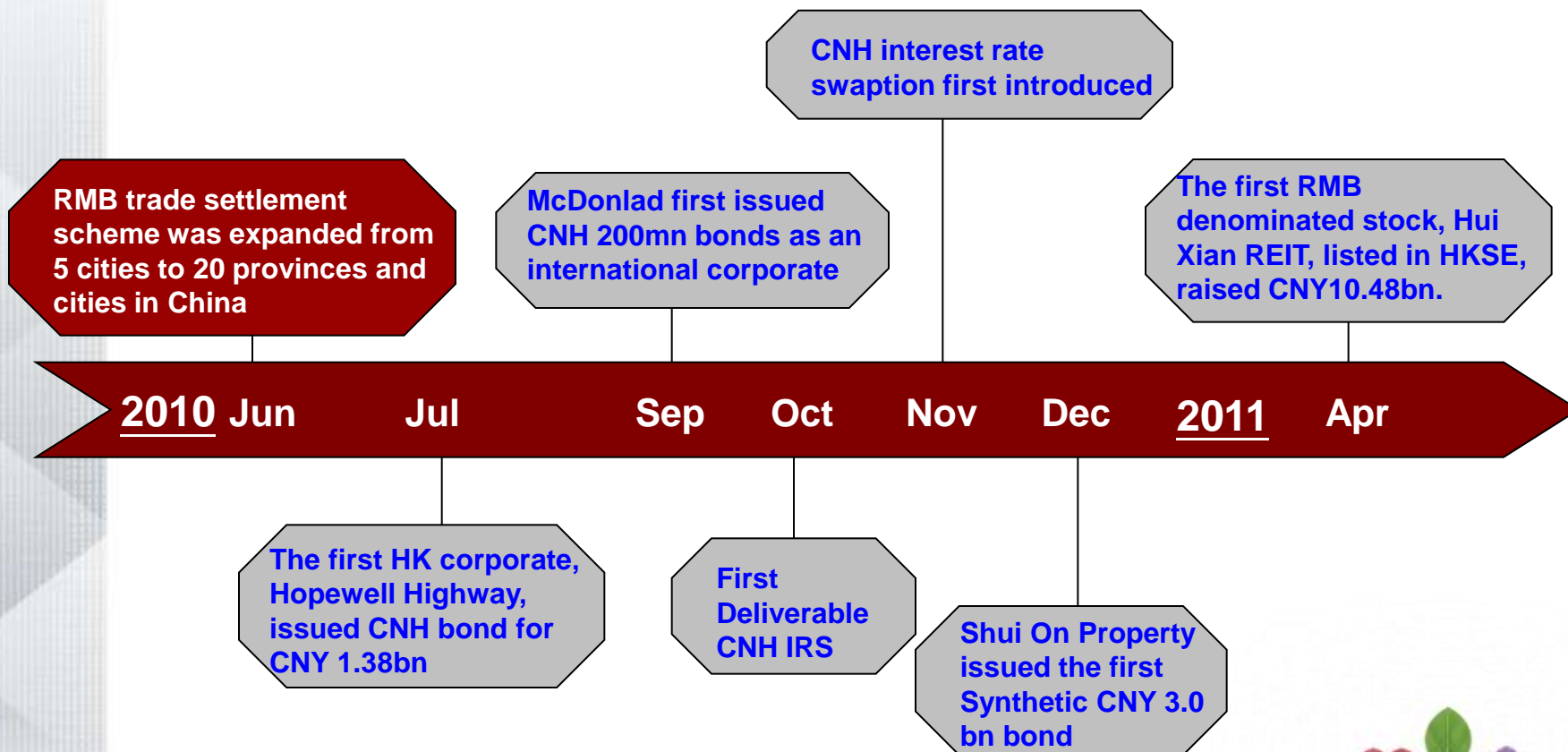
- What's next step?



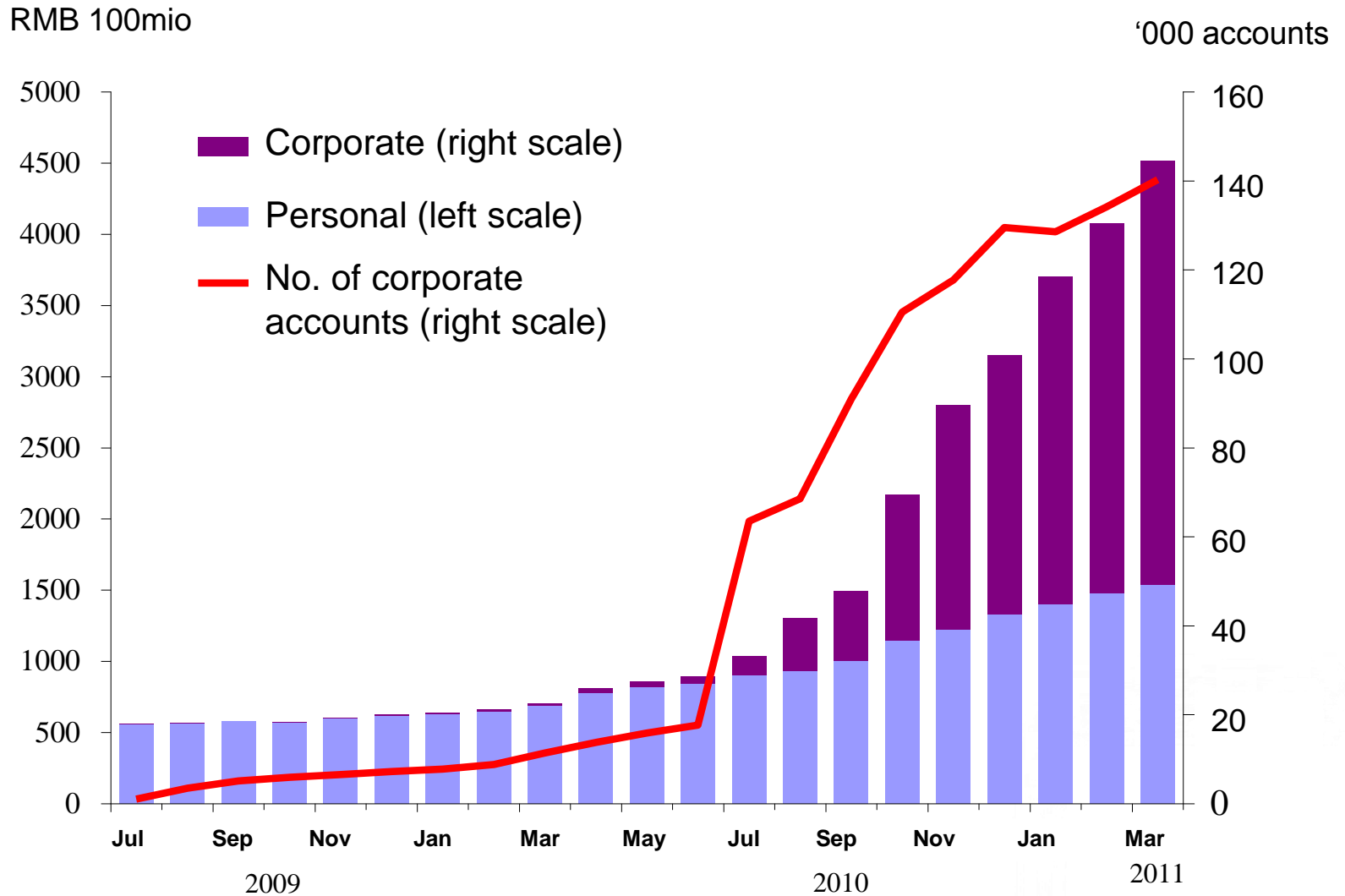
Policy development of RMB business in HK

- 2004.2 ○ RMB business with defined scope was first introduced in HK
- 2007.1 ○ FIs in the Mainland could issue RMB Bonds in HK
- 2009.7 ○ Administrative Rules for the Pilot Scheme for Settlement of Cross-Border Trade in RMB and the implementation regulations were announced by PBoC
- 2010.2 ○ HKMA released an elucidation on the supervisory principles and the operational arrangements regarding RMB business
- 2010.6 ○ PBoC announced the expanded Pilot Program of Cross-border RMB Trade Settlement Services
- 2010.7 ○ PBoC and BOCHK signed the revised “Settlement Agreement on the Clearing of RMB Businesses”
- 2010.8 ○ PBoC announced a scheme which allows 3 kinds of overseas entities to invest overseas RMB to the Mainland bond markets
- 2010.12 ○ HKMA announced certain refinements to the conversions of RMB conducted by Participating Banks with their customers for RMB cross-border trade settlement transactions
- 2011.1 ○ PBoC announced the Pilot Scheme on Overseas Direct Investment
- 2011.3 ○ Launch of RMB Fiduciary Account Service

Milestones of RMB Product



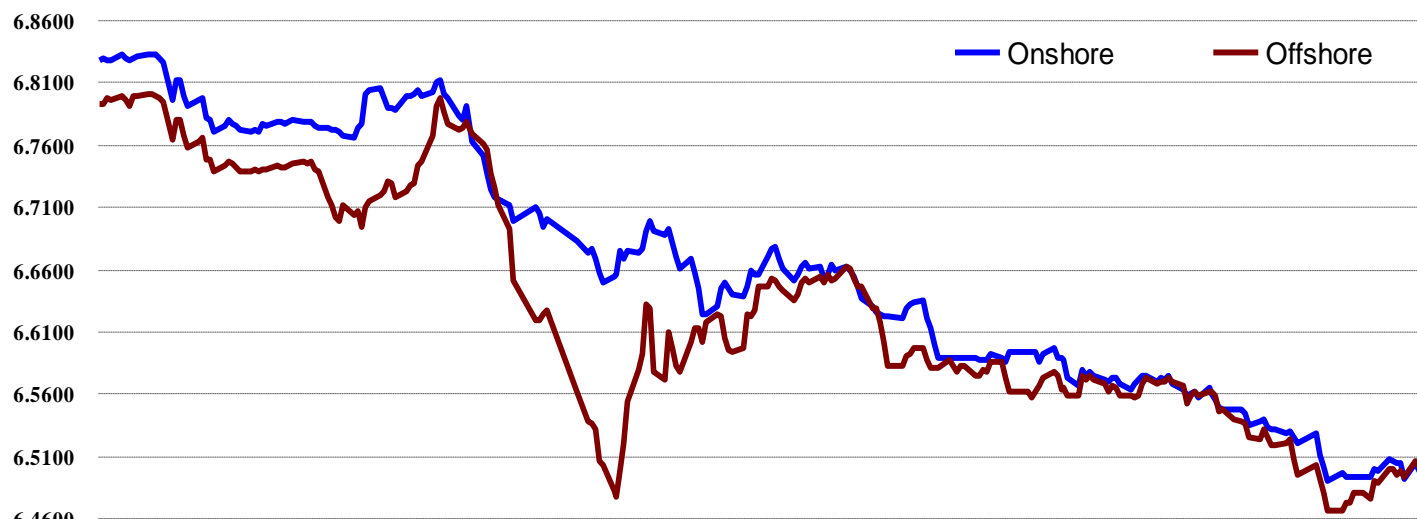
RMB deposit in Hong Kong



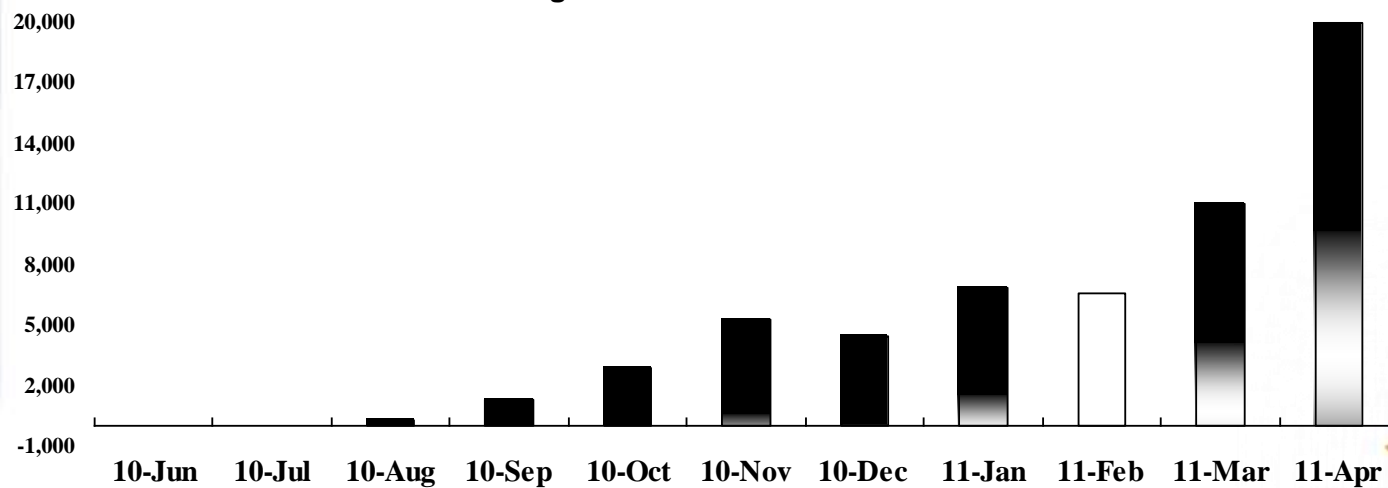
Remark: RMB deposit includes designated business customer deposits

Source: HKMA

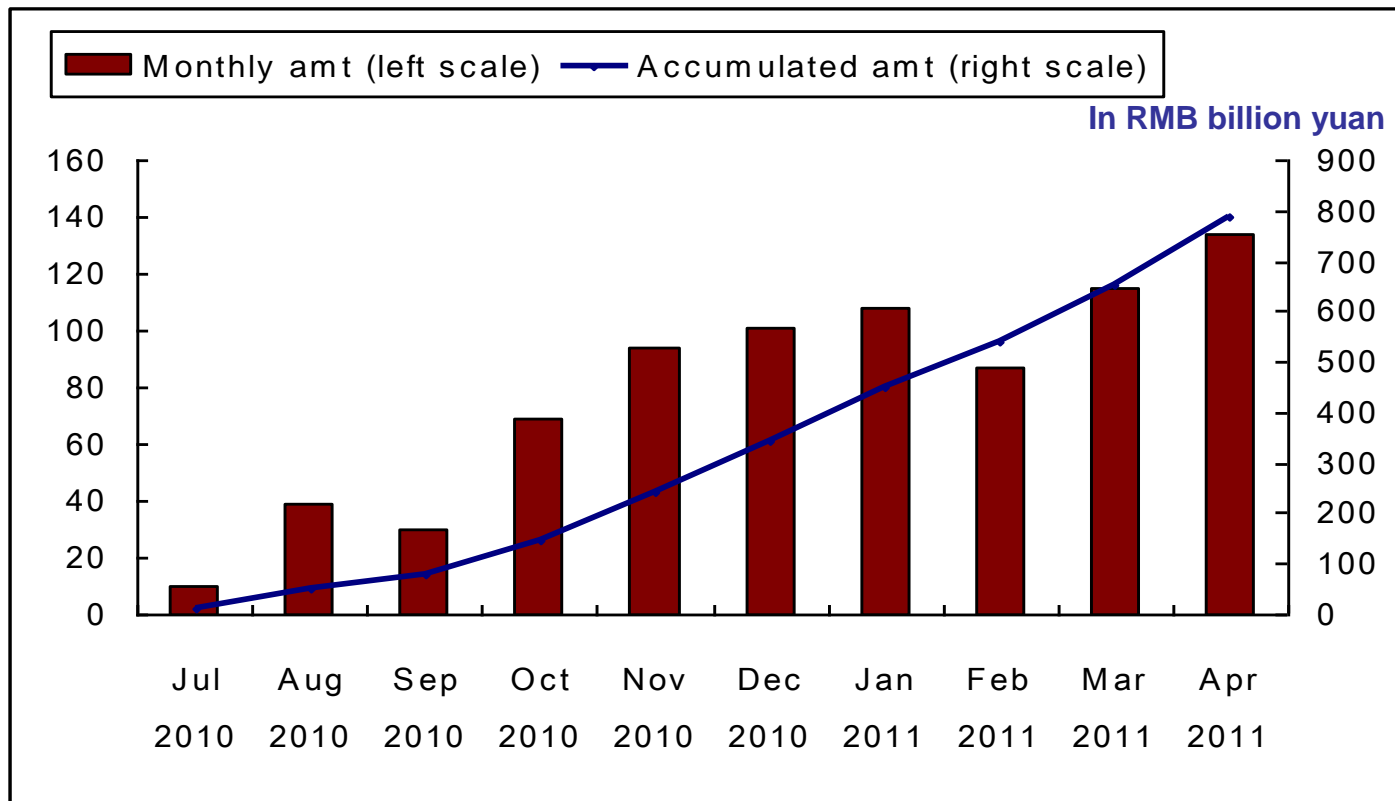
CNY vs CNH Spot Rate



Trading Volume of Offshore RMB Market



Cross-border RMB Trade Settlement



Source: HKMA

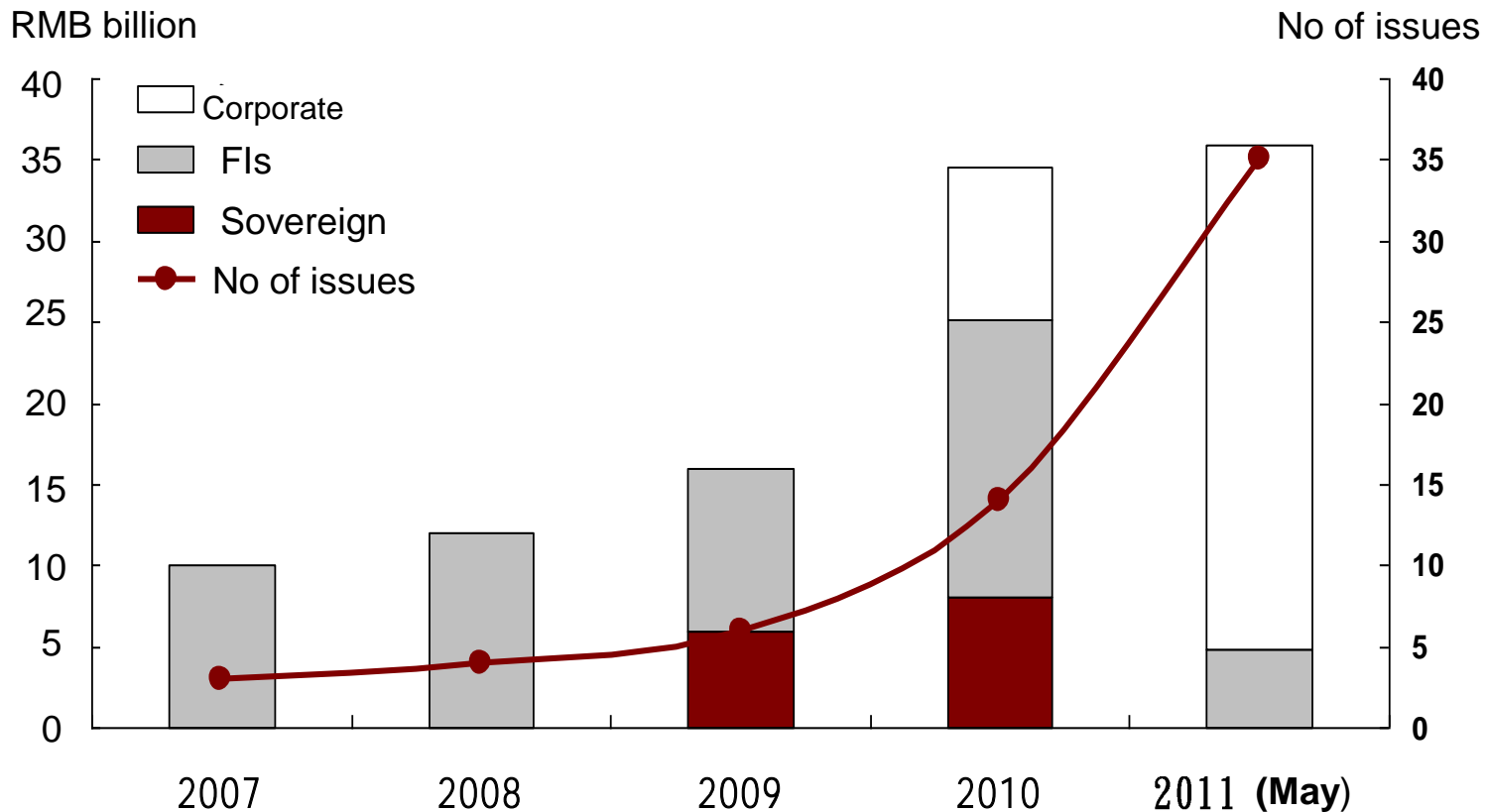
RMB offshore bond market

	Dim sum bond	Dim sum bond (ex Synthetic)
Market outstanding issue amount (RMB bn)	136.42	115.50
Number of issues	142	137
Number of issuers	66	61
Average Yield	2.95%	1.88%
Average Maturity	2.66	2.20

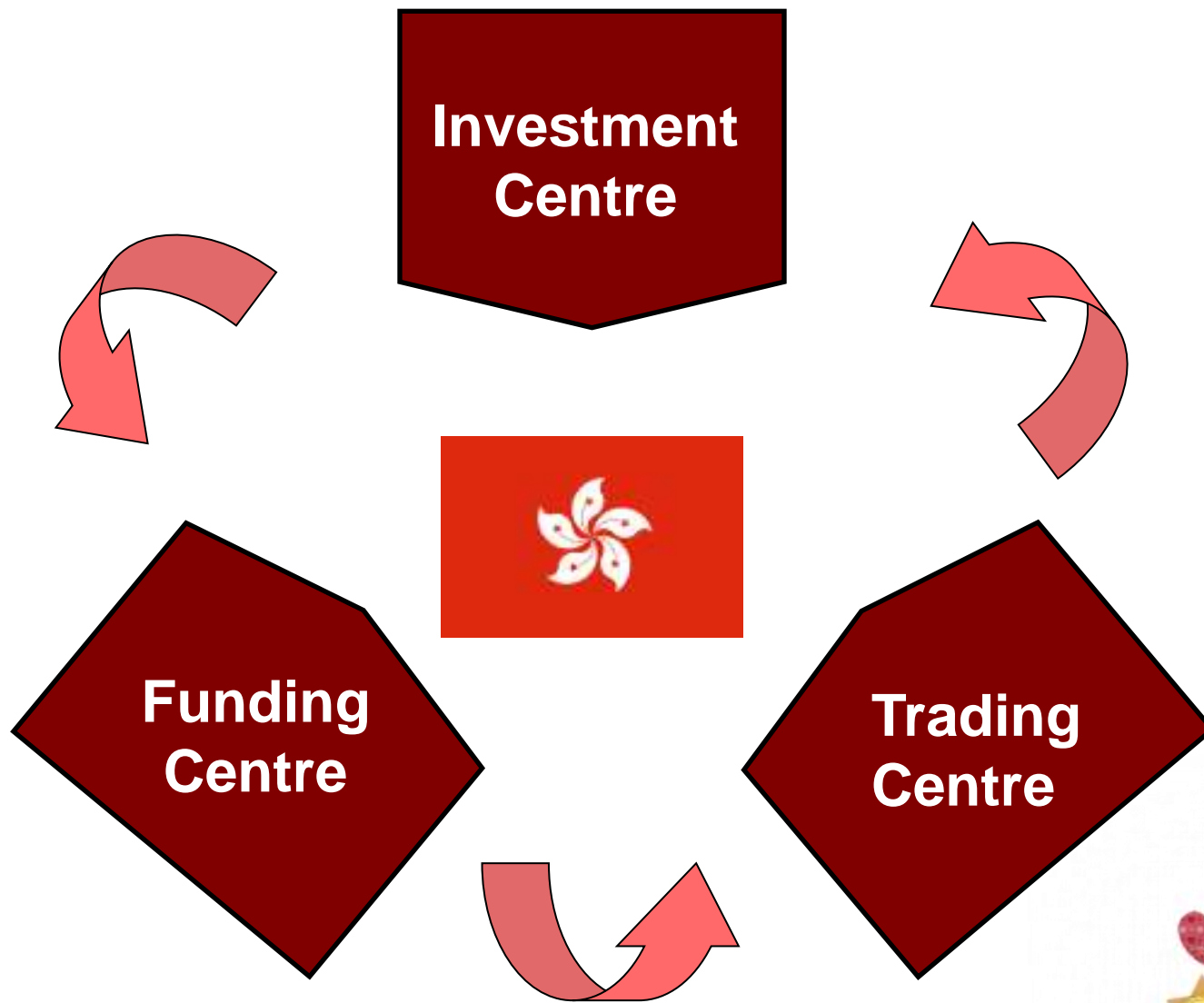
Source: Bloomberg

RMB offshore bond market

Offshore RMB Bond Issue Size & Deals



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Hong Kong as a “FIT” centre

Funding Centre	Investment Centre	Trading Centre
<ul style="list-style-type: none">• Bond issuance / underwriting• Syndicated Loan• IPO equity• REIT	<ul style="list-style-type: none">• Unit trust / fund custodian services• Insurance policies• Structured products	<ul style="list-style-type: none">• Trade finance• Remittance• Foreign exchange• Risk management products

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What's Next ?

Potential Opportunities

1. Overseas Direct Investment (ODI)

2. Qualified Foreign Institutional Investors (mini-QFII)

3. Investment in onshore bond market

What's Next ?

Challenges

1. Standardization of FDI Process

2. Improvement of market infrastructure

3. Full convertibility of RMB

Hong Kong as an International Financial Centre

- Hong Kong as an offshore RMB centre and an important financial hub in Asia-Pacific region
- In the 12th Five Years Plan for China, with HK as the offshore RMB centre, we need to continue to innovate and remain relevant for our clients and investors

Thank you!