



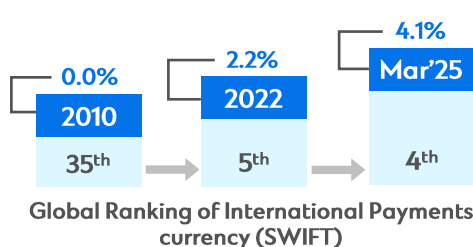
RMB Internationalisation

May 2025

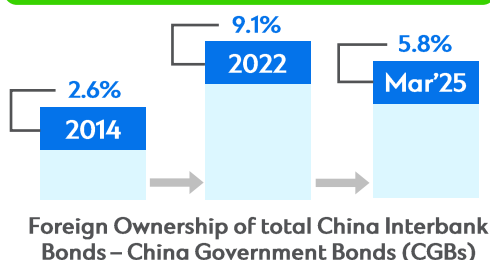
RMB Opportunities at a Glance

RMB in the past two decades has made significant progress in international usage

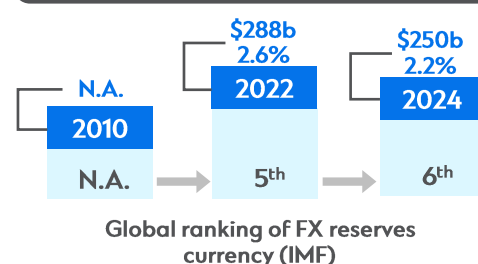
Trade / Payment Currency



Investment Currency



Reserve Currency



RMB Opportunities for Financial Institutions

1 Attractive Financing Cost in RMB

- With US interest rates rising in recent years, funding cost in RMB is much lower than USD or local currency (LCY). Thus, more corporate clients are switching to RMB for financing. Some are borrowing directly from Standard Chartered (SC) China, while others are borrowing from local SC entities. Based on SWIFT RMB tracker, RMB surpassed EUR to become the 2nd largest global currency in trade finance market for 8 out of 10 months since Jun'24, capturing market share of over 7%.
- Gross issuance of CNH bonds surged by 37% to a new record high of CNY 830bn in 2024. Apart from the lower financing cost, the investors flow from China via Southbound Bond Connect was another key driver. The funding cost of Panda bonds (onshore CNY bonds) is currently even lower than the offshore CNY bonds and with the policy relaxation on Panda Bond issuance in December 2022, Panda Bond issuance could be an attractive financing choice.

2 Rising Trend to Settle Trades in RMB

- More markets are exploring to settle trades in other currencies as alternatives to USD. Among all, RMB is one of the popular choices given their strong bilateral trade flows with China.
- For instance, Brazil and China reached a deal to trade in their own currencies¹. Iraq settled imports from China directly in RMB apart from commodities and oil trade². Argentina also started to pay for Chinese imports in yuan instead of USD³. Vietnam and China signed memorandum of understanding to facilitate bilateral cooperation in areas such as local currency settlement, currency swaps and cross-border payment connectivity⁴.
- We can expect more overseas corporates who have business relations with China to start implementing trade settlement in RMB. As such, Standard Chartered (SC) can support Financial Institutions clients with RMB clearing, RMB nostro accounts services and other additional services to facilitate the increased RMB flows from their clients. Cross-Border Interbank Payment System (CIPS) is a RMB clearing infrastructure in Mainland China for cross-border payments. Both SC China and SC HK are direct participants of CIPS who can provide seamless cross-border RMB settlement services.

3 Enhanced Infrastructure for Flexible RMB FX Hedging

- As the current market trend indicates more adoption of RMB in trade financing and settlement, there is increased demand for RMB FX conversion and risk management.
- There are 2 RMB FX markets – onshore and offshore.
 - i. Offshore RMB (CNH) is a freely tradable currency with no restriction.
 - ii. Onshore RMB (CNY) is mainly used within Mainland China. It is also accessible by offshore corporates for specified trade purposes with the need of proof of underlying transactions or Financial Institutions that are investing into China Bond or Equities Markets.
- SC can offer both CNY and CNH FX to our FI clients. By appointing SC China as the FX agent, our Banking segment clients would also be able to offer onshore CNY FX to their corporate clients.

Arising Investment Opportunities in RMB

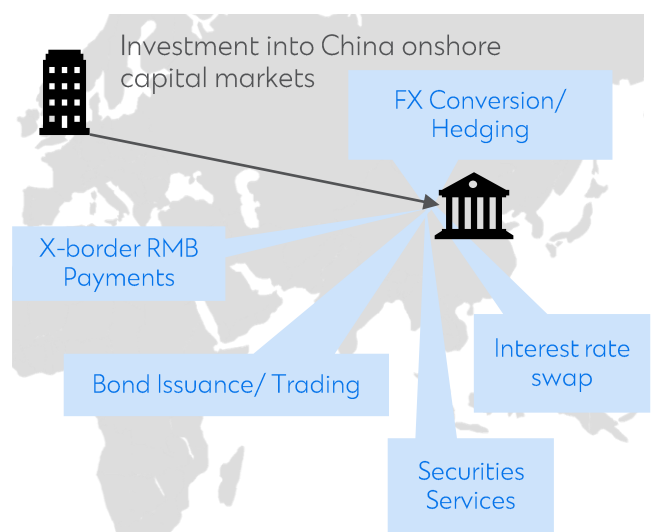
- Accumulation of RMB in more offshore markets will start when more trade flows are re-dominating into RMB. Local banks will have to find better solution to re-deploy their excess RMB liquidity if more retail or corporates are holding RMB in their accounts.
- Currently the offshore RMB financial products are quite limited; therefore, investing into China's bond and equity markets, which are the 2nd largest in the world, would be a better option. China bonds are also included in major global bond indices. The Chinese government continues to roll out measures to improve the schemes (Bond Connect, CIBM direct, QFI, Stock Connect) that allow foreign investors to invest into the China Bond, equities and commodities markets in recent years.
- For instance, in 2023, Swap Connect was launched to provide an efficient way for foreign investors to access onshore CNY IRS to manage their exposures. In 1Q'2025, the offshore RMB bond repo was launched where Northbound Bond Connect participants can use eligible onshore bond as collateral to raise CNH funding in Hong Kong. From custodian services to trading, SC is well positioned to facilitate our clients' investment needs in RMB.

Case Study

Our client, who's one of the largest financial institutions with headquarter in the UK, has gained access to China A shares market but would like to engage in securities lending and borrowing activities to enhance return and manage risks more actively.

As a custodian, Standard Chartered actively engage with our client and market participants to iron out execution plan and operational detail to enable our client to fully enjoy the benefits of opening up of domestic equity market including securities lending and borrowing by gaining long term exposure of domestic equity market but also enjoy enhanced return and diversified risk management tools.

This also marks the first stock borrowing deal by QFII in the market, following the release of the "Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors" by regulators.



Standard Chartered Bank – Your partner for RMB Internationalisation Journey



Market Pioneer in RMB Solutions



RMB Capabilities in 34 Markets



Strong Regulators' Engagement



Top Custodian for China Markets

Source:

1: China says it will set up yuan clearing arrangements in Brazil | Reuters

2: Iraq to allow trade with China in yuan - state media | Reuters

3: Argentina to pay for Chinese imports in yuan rather than dollars | Reuters

4: Chinese, Vietnamese central banks sign MOU to enhance bilateral cooperation

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