

press release

Standard Chartered Renminbi Globalisation Index Passes 2,000-mark

Stock Connect may weigh on CNH liquidity; Sees Taiwan 2015 deposit at CNY400B

8 Dec 2014, Hong Kong – Standard Chartered today announced that the Standard Chartered Renminbi Globalisation Index (Bloomberg: SCGRRGI <index>), or the RGI, passed the 2,000-mark, rising 1.25% to 2,016 in October from the previous month mainly driven by Renminbi deposit growth as FX turnover and Dim Sum bond performances remained lacklustre. On a year-on-year comparison, the 64.5% growth rate is the slowest in 13 months.

Offshore Renminbi deposits in the seven RGI centres stands at a cumulative CNY1,659 billion as of October. But there could be further headwinds to offshore Renminbi accumulation in Hong Kong in the near term, particularly on the persistent CNH discount to CNY and likely strong northbound flows under the Shanghai-Hong Kong Stock Connect programme. Although Taiwan's Renminbi deposit growth slowed in October, its rapid accumulation so far has surprised many in the market. Standard Chartered expects overall Renminbi deposit in Taiwan is likely to rise further to CNY400 billion in 2015, from CNY300.5 billion end-October, driven by the relatively higher yields and strength of the CNY against the TWD.

More UCITS funds could receive approval in the weeks ahead, leading to steeper liquidity drain under the Stock Connect programme. On an aggregate basis, over 18% of the Northbound quota has been utilised whilst less than 3% of the Southbound quota has been utilised. As a result, there has been a net drain of over CNH40 billion from the offshore liquidity pool, representing about 5% of the total RMB deposit pool in Hong Kong. Liquidity drain under the Stock Connect could reach close to 10% of total Hong Kong Renminbi deposits in weeks.

Going forward, growth in the RGI is expected to remain slow but steady in the medium term. Offshore Renminbi developments in Taiwan and Korea are likely to gather momentum further on increased deposit creation and favourable policy initiatives respectively. For instance, won-yuan direct trading was launched on 1 December. Standard Chartered expects this will help reduce overall exchange costs by 0.06-0.1ppt via KRW-CNH trading from the previous KRW-USD-CNH trading.

Standard Chartered launched the RGI in November 2012. The Index covered seven markets in offshore RMB business: Hong Kong, London, Singapore, Taiwan, New York, Seoul and Paris. It measures business growth in four key areas: deposits (denoting store of wealth), Dim Sum bonds and Certificate of Deposits (as vehicles for capital raising), trade settlement and other international payments (unit of international commerce) and foreign exchange (unit of exchange). As the Renminbi further internationalises, there is capacity to include additional parameters and markets.

Standard Chartered Renminbi Globalisation Index

Objective	The first industry benchmark that effectively tracks the progress of RMB business activity. Offers corporates and investors a quantifiable view of the latest trends, size and levels of offshore activity that are driving RMB adoption
Index Parameters	Deposits Dim Sum Bonds and Certificate of Deposits Trade Settlement & Other International Payments Foreign Exchange Turnover
Markets	Hong Kong London Singapore Taiwan New York Paris Seoul
Investability	Non-tradable
Frequency	Monthly
Base value and date	100 at 31 December 2010
Inception Date	14 November 2012
Methodology	Weight of each of the four parameters are inversely proportional to their respective variances

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Note to editors:

Standard Chartered

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Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

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