

2021年 人民币国际化报告

2021 RMB INTERNATIONALIZATION REPORT



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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



PART ONE

Executive Summary

In the face of a complicated and grim economic environment at home and abroad in 2020, especially the serious impact of COVID-19 pandemic, the People's Bank of China (the PBC) adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council. The PBC responded proactively to ensure stability on six fronts and maintain security in six areas, thereby contributing to the establishment of a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The PBC steadily and prudently promoted the international use of the RMB, with the aim to advance the facilitation of cross-border trade and investment and serve the real economy with adequate cross-border settlement policies and infrastructure. The RMB has been well used in cross-border trade and investment transactions. More foreign central banks held RMB-denominated assets as reserves, and the RMB as an invoicing currency witnessed new progress.

In 2020, there was a relatively rapid growth in the cross-border use of the RMB. The total amount of cross-border payments and receipts settled in RMB was RMB 28.39 trillion yuan, with a year-on-year (yoy) increase of 44.3% and a net outflow of RMB 185.79 billion yuan, reaching a record high in terms of volume. In the first half of 2021, the amount of cross-border payments and receipts settled in RMB totaled RMB 17.57 trillion yuan, with a yoy increase of 38.7%. The statistics from SWIFT (Society for Worldwide Interbank Financial Telecomm) showed that RMB ranked 5th among the main international payment currencies with a share of 2.5% in June 2021, 0.7 percentage point higher than that in June 2020. By the end of the first quarter of 2021, the share of the RMB in globally disclosed holdings of foreign exchange reserves remained a slightly upward trend, ranking 5th with a share of 2.5%, 1.4 percentage points higher than that of 2016 when the RMB was officially included in the Special Drawing Right (SDR) currency basket.

The growth in the cross-border use of the RMB was partly due to the facilitation of cross-border RMB settlement under the current account and direct investment, and progress was made in such real economy sectors as commodities trade and surrounding areas such as ASEAN. The RMB exchange rate moved in both directions with enhanced flexibility based on market supply and demand and remained basically stable at an adaptive and equilibrium level. More market entities chose to use RMB in cross-border trade and investment with respect to avoid exchange rate risk. The streamlined policies for cross-border RMB settlement was also a major concern for businesses regarding international trade and direct investment.

Another important factor promoting the international use of the RMB upward was the increasing foreign demand for RMB-denominated assets. The rapid growth of cross-border RMB use in portfolio investment suggested that foreign investors actively allocated RMB assets. With its economy recovering steadily, China was the only major economy to register positive growth in 2020 and one of the few major economies staying on a normal path. Considering the interest rate spread between the RMB and the major convertible currencies, the attraction of the RMB financial assets for global investors has been expected to persist. By the end of June 2021, the amount of RMB-denominated financial assets such as stocks, bonds, loans, and deposits held by overseas entities totaled RMB 10.26 trillion yuan, with a yoy increase of 42.8%.

In the next stage, the PBC will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and firmly implement the decisions and arrangements of the CPC Central Committee and the State Council. Adhering to the general principle of pursuing progress while ensuring stability, the PBC will conform to market-driven principles and respect the choices of market entities while further improving the policies and infrastructure for the cross-border use of the RMB, namely, promoting the two-way opening-up of financial markets, supporting the offshore RMB market development, thereby contributing to a conducive environment for more convenient use of the RMB and managing to strike a balance between development and security. Meanwhile, the PBC will further improve the macro-prudential management framework for the cross-border capital flows, and firmly safeguard the bottom line that no systemic risk should occur.



International Use of the RMB in 2020

In 2020, the cross-border use of the RMB increased steadily with its share in the total cross-border settlement reaching a record high. The cross-border receipts and payments were generally balanced with a small net outflow.

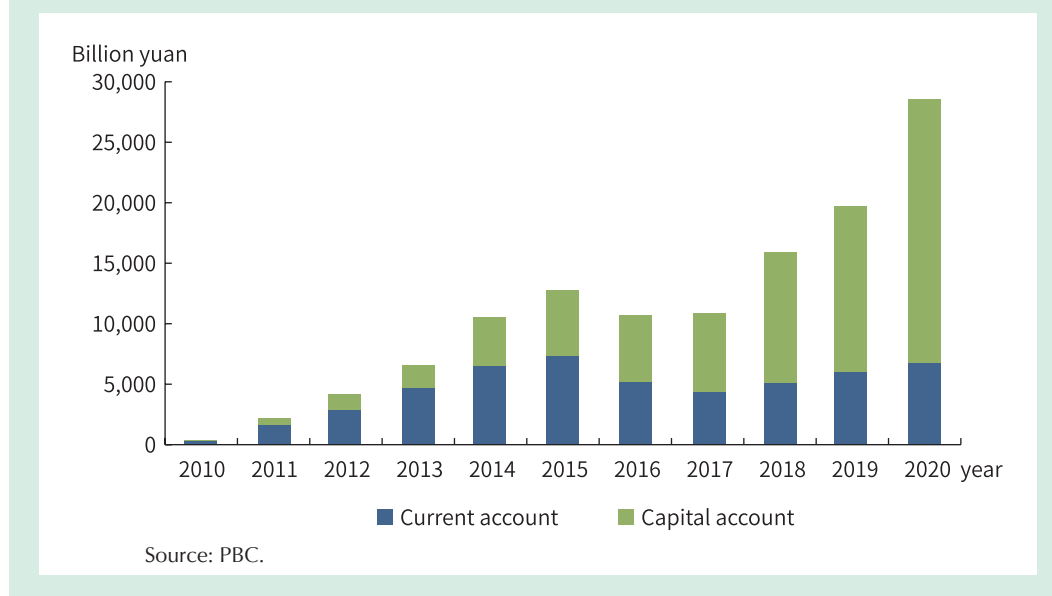
I. Cross-border Use of the RMB

In 2020, cross-border RMB settlement totaled RMB 28.39 trillion yuan, increasing by 44.3% on a yearly basis. The total receipt reached RMB 14.10 trillion yuan, with an increase of 40.8% yoy while the total payment was RMB 14.29 trillion yuan, increasing by 48.0% on a yearly basis. With a receipt to payment ratio of 1 : 1.01, the cross-border RMB settlement demonstrated a net outflow of RMB 185.79 billion yuan compared with a net inflow of RMB 360.53 billion yuan in 2019. In 2020, the cross-border RMB settlement accounted for 46.2% of the total cross-border settlement, reaching a record high in history, which was 8 percentage points higher than that of 2019. In the first half of 2021, the cross-border RMB settlement was 17.57 trillion yuan, accounting for 48.2% of the total cross-border settlement in the same period, which was 2.4 percentage points higher yoy.

Figure 2-1 Monthly Cross-border RMB Settlement during 2019-2020



Figure 2-2 Yearly Cross-border RMB Settlement during 2010-2020



In 2020, Shanghai, Beijing and Shenzhen continued to rank the top 3 in terms of the provincial or regional cross-border RMB settlement volume, with a share of 51.5%, 18.2% and 8.7% respectively of the total cross-border RMB settlement. Nation-widely, 9 provinces (autonomous regions and municipalities directly under the central government) 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 552.56 billion yuan, up 14.3% yoy.

Table 2-1 Cross-border RMB Settlement by Province in 2020

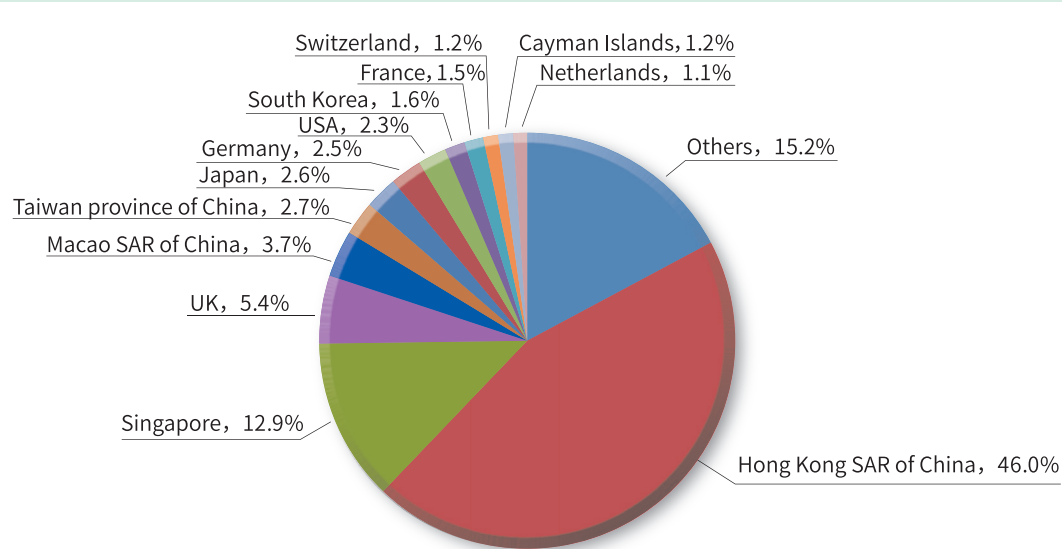
Unit: billion yuan, %

Ranking	Region	Current Account	Capital Account	Total	Share
1	Shanghai	1,542.79	13,087.99	14,630.77	51.5
2	Beijing	837.72	4,339.70	5,177.41	18.2
3	Shenzhen	1,062.59	1,398.47	2,461.06	8.7
4	Guangdong (excluding Shenzhen)	915.80	739.10	1,654.89	5.8
5	Jiangsu	581.58	364.08	945.66	3.3
6	Zhejiang	431.41	357.32	788.73	2.8
7	Shandong	152.64	154.58	307.22	1.1
8	Fujian	65.87	227.37	293.24	1.0
9	Tianjin	129.56	85.30	214.86	0.8
	Others	1,047.44	866.12	1,913.59	6.8
	Total	6,767.4	21,620.03	28,387.43	100.0

Source: PBC.

In 2020, the amount of cross-border RMB settlement between Chinese Mainland and Hong Kong accounted for 46.0% of the total cross-border RMB settlement, which was the highest. Singapore (12.9%), United Kingdom (5.4%) and Macao (3.7%) ranked 2nd, 3rd and 4th respectively. The shares of Hong Kong SAR of China, Singapore, the United Kingdom, Macao SAR of China, Taiwan province of China all witnessed an increase compared with 2019.

Figure 2-3 Geographical Distribution of the Cross-border RMB Settlement in 2020



Source: PBC.

In 2020, the amount of cross-border RMB settlement between mainland China and countries along the Belt and Road (B&R) exceeded RMB 4.53 trillion yuan, a yoy increase of 65.9%, accounting for 16.0% of the total cross-border RMB settlement during the same period. Among them, the settlement in goods trade was RMB 870.10 billion yuan, a yoy increase of 18.8%, and the settlement in direct investment was RMB 434.12 billion yuan, a yoy increase of 72.0%. By the end of 2020, the PBC has signed bilateral local currency swap agreements with 22 central banks or monetary authorities along the B&R, and established the RMB clearing arrangements in 8 countries along the B&R.

Box 1 Use of the RMB in ASEAN Countries

In recent years, the economic and trade cooperation between China and ASEAN has been continuously deepening and their bond have been increasingly strong. For most ASEAN countries, China is the largest trading partner and the important source of investment fund. In 2020, China's total imports and exports with ASEAN countries increased by 7% yoy. ASEAN has become China's first largest trading partner.

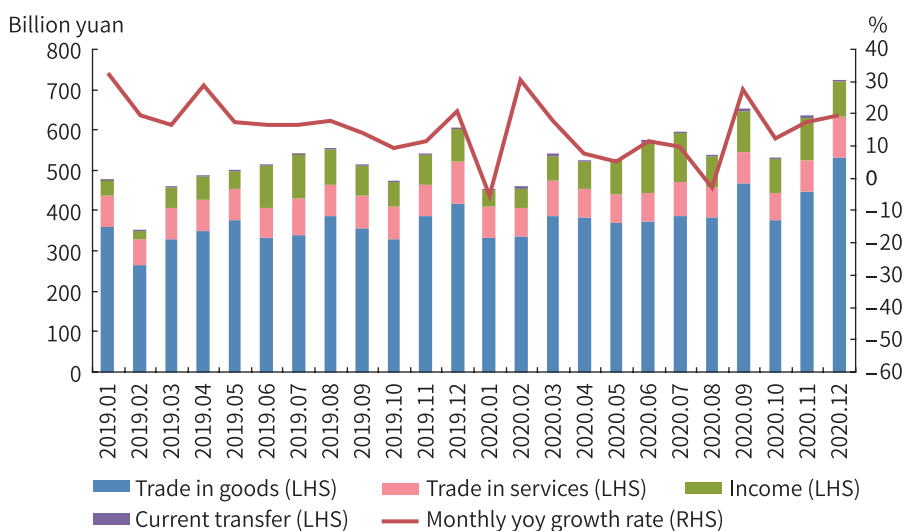
China's monetary and financial cooperation with ASEAN has been deepening incessantly. In recent years, China and ASEAN have initially established a multi-level monetary and financial cooperation framework in a broad range of areas, thereby contributing to multiple occasions for the cross-border use of RMB. The PBC signed bilateral local currency swap agreements with the central banks of Indonesia, Malaysia, Thailand, Singapore and Laos, and signed a local currency cooperation agreement with Bank of the Lao P.D.R.. The PBC and Bank Indonesia signed the Memorandum of Understanding on the Framework for Cooperation to Promote the Settlement of Current Account Transactions and Direct Investment in Local currencies, so as to meet the market and economic development need and advance bilateral cooperation under the Local Currency Settlement Framework (LCS), and promote convenience for the use of local currency with respect to the settlement of bilateral trade and direct investment. RMB clearing arrangements have been established in Malaysia, Thailand, Singapore and the Philippines, and Cross-border Interbank Payment System (CIPS) as well as Chinese banks have been operating in all the 10 ASEAN countries. Direct trading between RMB against Singapore dollar, Thai baht, Malaysian ringgit and Cambodian riel has been realized. The Bank of the Lao P.D.R launched RMB/Kip direct trading in Laos.

Driven by the above favorable factors, use of the RMB in ASEAN has gained positive progress in 2020, the total amount of RMB cross-border settlement between China and ASEAN was RMB 4.15 trillion yuan, with a yoy increase of 72.2%, which accounted for 14.6% of the total amount of cross-border RMB settlement, 2.4 percentage points higher than that of 2019. Between China and ASEAN, the cross-border RMB settlement of goods trade totaled RMB 745.90 billion yuan, a yoy increase of 20.2%, and direct investment was RMB 425.10 billion yuan, a yoy increase of 70.8%.

II. Use of the RMB in Current Account Transactions

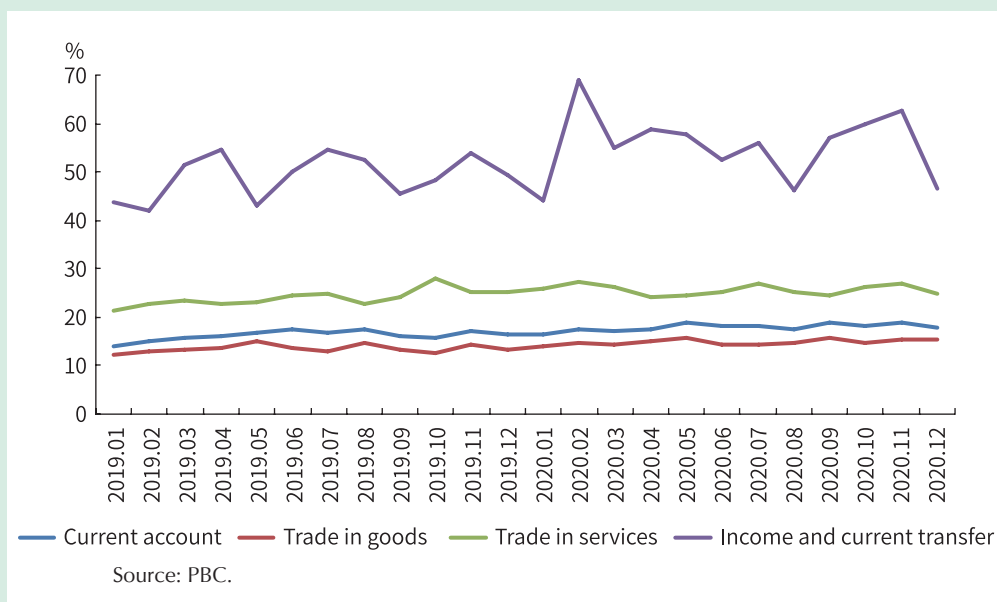
In 2020, the total amount of the cross-border RMB settlement under the current account was RMB 6.77 trillion yuan with a yoy increase of 12.1%, among which the receipts amounted to RMB 2.91 trillion yuan, increasing by 9.8% yoy, the payments amounted to RMB 3.86 trillion yuan, increasing by 14.2% yoy, and the net payments amounted to 0.95 trillion yuan, increasing by 31.5% yoy. The total amount of the cross-border RMB settlement under the current account accounted for 17.8% of the total cross-border settlement, 1.7 percentage points higher compared with 2019.

Figure 2-4 Monthly RMB Settlement under the Current Account



Source: PBC.

Figure 2-5 Share of RMB Settlement under the Current Account



1. Trade in Goods

In 2020, the total amount of the cross-border RMB settlement of trade in goods reached RMB 4.78 trillion yuan, increasing by 12.7% yoy with a share of 14.8% of the total cross-border settlement in goods trade, 1.4 percentage points higher than that in 2019. Among them, the cross-border RMB settlement under the general trade totaled RMB 3.02 trillion yuan, increasing by 13.5% yoy, and that of the imported materials processing trade totaled RMB 762.54 billion yuan, increasing by 2.1% yoy.

2. Trade in Services

In 2020, the cross-border RMB settlement of trade in services summed up to RMB 923.86 billion yuan, decreasing by 2.9% yoy and accounting for 25.5% of total cross-border settlement in service trade during the same period, 1.7 percentage points higher compared with the last year.

3. Income and Current Transfers

In 2020, the income payments settled in RMB totaled RMB 1,004.57 billion yuan, increasing by 24.8% yoy, while the current transfer settled in RMB aggregated RMB 53.99 billion yuan, increasing by 45.0% yoy. The share of the cross-border RMB settlement accounted for 54.8% in the cross-border income and current transfers, 5

percentage points higher compared with the last year.

Box 2 Trade in Goods Settled in RMB (2012–2020)

In 2009, starting from the perspective of serving the real economy, China launched the cross-border RMB settlement of the trade in goods based on the economic ties with neighboring countries and regions. In 2012, the access of the cross-border RMB settlement of the trade in goods was extended to the whole nation. The total amount of cross-border RMB settlement of trade in goods hit another RMB 4 trillion yuan in 2020, second only to the early highs of 2014 and 2015.

Since 2012, the cross-border RMB settlement of the trade in goods has been characterized by the following features: First, the general trade is the main stay, the imported materials processing trade settled in RMB fluctuates a bit more, and the cross-border e-commerce business settled in RMB sees a rapid growth. The RMB settlement volume in general trade has grown steadily since 2012. It registered RMB 3.02 trillion yuan in 2020, accounting for 63.2% of the RMB settlement of the trade in goods. From 2012 to 2020, the ratio of receipts to payments in RMB settlement of imported materials processing trade was 2.91 : 1, and the net RMB cross-border settlement volume was significantly correlated with the RMB exchange rate and relatively volatile. Among which, it registered RMB 762.54 billion yuan in 2020. Meanwhile, the RMB settlement in cross-border e-commerce amounted to RMB 258.41 billion yuan, increasing by 50.0% yoy.

Second, the cross-border RMB settlement of the trade in goods is highly concentrated in the wholesale industry^① and manufacture of computers, communication and other electronic equipment. From 2012 to 2020, it involved a total of 96 industries with wholesale industry and manufacture of computers, communication and other electronic equipment consistently ranking the top two. In 2020, the cross-border RMB settlement in the wholesale industry amounted to RMB 1,273.73 billion yuan with a yoy increase of 11.6%; RMB settlement in the manufacture of computers, communication and other electronic equipment amounted to RMB 997.27 billion yuan with a yoy increase of 8.4%.

① Wholesale industry here refers to: (1) activities of selling household goods and production materials in bulk to other wholesale or retail units (including self-employed individuals) and other enterprises, institutions and organizations, etc; (2) activities of engaging in import and export trade, trade brokerage and agency; (3) wholesale activities at fixed stalls in various wholesale markets, and acquisition activities for the purpose of sales.

Third, the cross-border RMB settlement of the trade in goods in the eastern regions accounts for 90%. From 2012 to 2020, it amounted to RMB 31.57 trillion yuan, 2.03 trillion yuan and 1.58 trillion yuan in the eastern, central and western regions respectively, of which the eastern region accounted for a share of 89.7%. In 2020, its proportion in the settlement both in domestic and foreign currencies reached 15.6%, 9.3% and 9.6% for the eastern, central and western regions respectively, 5.1, 2.7 and 0.8 percentage points higher compared with 2012.

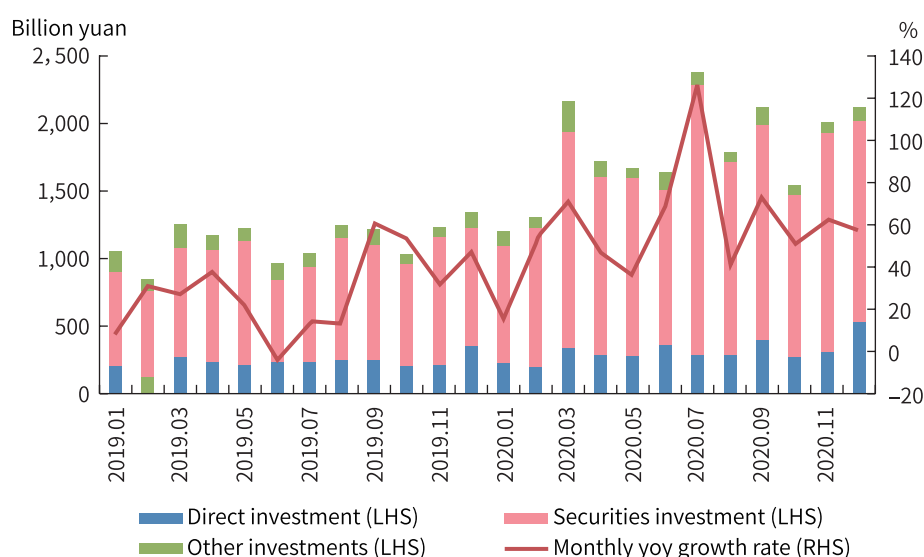
Fourth, Hong Kong has always been the largest overseas counterparty of RMB settlement of the trade in goods, While the use of the RMB in goods trade between China and European Union (EU) as well as other places has increased significantly. The proportion of RMB settlement with Hong Kong SAR of China in the total RMB settlement of goods trade was 42.2% in 2020, and Hong Kong maintained the largest counterparty among overseas regions. In 2020, the proportions of the goods trade settled in RMB with EU and ASEAN were 18.1% and 15.3% respectively, which made them rank the 2nd and 3rd in terms of the cross-border RMB settlement of the trade in goods.

The cross-border RMB settlement of the trade in goods has increased substantially from a low base. It has played a role in helping businesses avoid foreign exchange rate risks and reduce financial costs. In recent years, business areas such as commodities and cross-border e-commerce have become a new pillar of growth. In the future, the PBC will adhere to the orientation of serving the real economy, further enhance the facilitation of the cross-border RMB settlement of the trade in goods, and ensure a high-quality development of international use of the RMB.

III. Use of the RMB in Capital Account Transactions

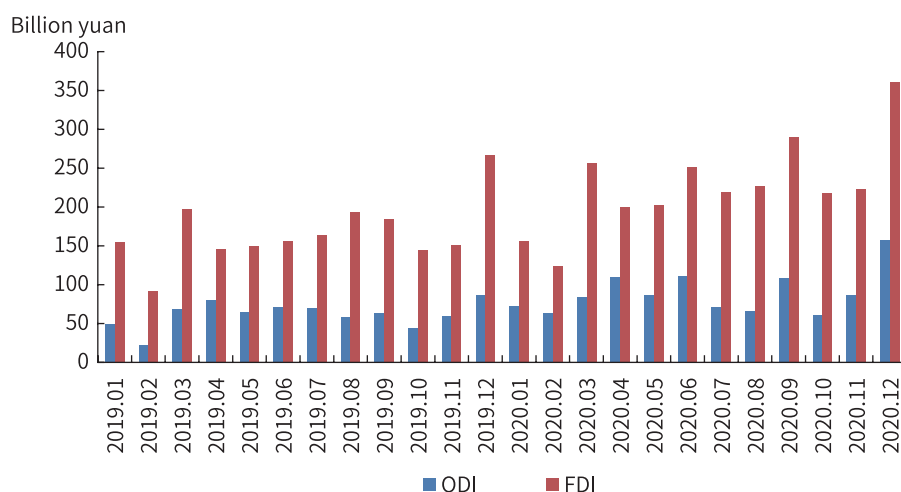
In 2020, the cross-border RMB settlement under the capital account totaled RMB 21.61 trillion yuan with a yoy increase of 58.7%, of which receipts and payments stood at RMB 11.19 trillion yuan and RMB 10.42 trillion yuan respectively. The direct investments, portfolio investments and cross-border financing accounted for 17.7%, 76.4% and 4.3% of the total settlement under the capital account respectively.

Figure 2-6 Monthly RMB Settlement under the Capital Account



Source: PBC.

Figure 2-7 Direct Investment Settled in RMB



Source: PBC.

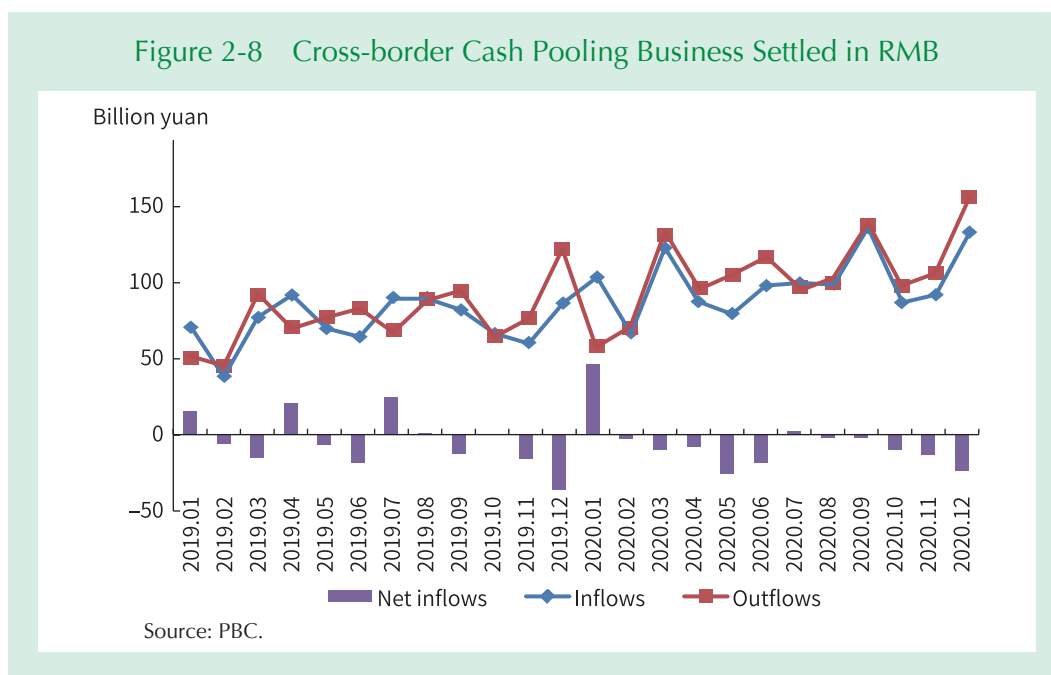
1. Direct Investment

In 2020, the amount of cross-border direct investment settled in RMB totaled RMB 3.81 trillion yuan, up 37.1% yoy. Among them, the amount of the Outward Direct Investment (ODI) transactions settled in RMB stood at RMB 1.05 trillion yuan, increasing by 39.1% yoy. In 2020, the amount of RMB settlement in the Foreign Direct

Investment (FDI) transactions hit RMB 2.76 trillion yuan, increasing by 36.3% yoy.

2. The Cross-border RMB Cash Pooling Business

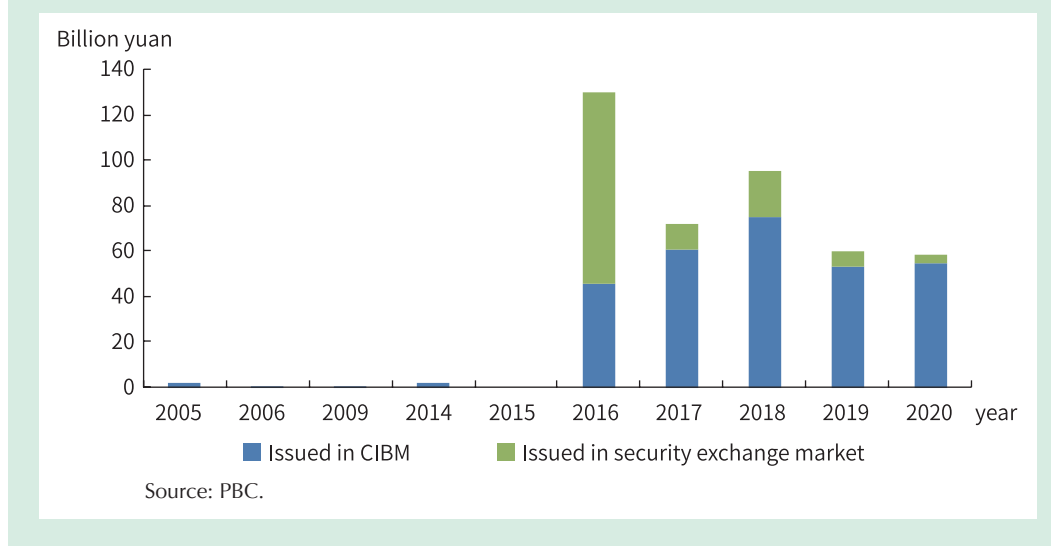
By the end of 2020, 2611 cross-border RMB cash pools had been established nationwide. In 2020, cross-border RMB cash pools had outflows of RMB 1.30 trillion yuan and inflows of RMB 1.24 trillion yuan, totaling RMB 2.54 trillion yuan, with an increase of 39.6% yoy.



3. Panda Bonds

The issuers of the Panda Bonds comprise government institutions, international development institutions, financial institutions and non-financial enterprises. By the end of 2020, the cumulative registration or approval (filed) quota of the Panda Bonds reached RMB 1 trillion yuan, with the issuance amount totaling RMB 433.72 billion yuan. In 2020, there were a total of 42 Panda Bonds issued in both CIBM and security exchange markets, reaching the amount of RMB 58.65 billion yuan.

Figure 2-9 The Issuance of Panda Bonds



4. Portfolio Investment

In 2020, the cross-border portfolio investment settled in RMB totaled RMB 16.50 trillion yuan with a yoy increase of 73.6%, and the net inflow reached RMB 578.39 billion yuan.

Bond Investment. In 2020, 905 foreign institutions entered the interbank bond market, 468 of which entered directly, 625 accessed through the Bond Connect, and 188 used both channels mentioned above. In 2020, the total amount of the inflow hit RMB 6.44 trillion yuan in contrast to the outflow of RMB 5.48 trillion yuan, making a net inflow of RMB 963.02 billion yuan. The net inflow that directly entered the bond market hit RMB 472.37 billion yuan, while that via the Bond Connect stood at RMB 490.65 billion yuan.

Stock Investment. In 2020, the cross-border settlement via both of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect totaled RMB 1.70 trillion yuan with a yoy increase of 65.3%, making a net outflow of RMB 413.29 billion yuan in contrast to the net inflow of RMB 122.17 billion yuan in 2019. The net inflow via Shanghai Stock Connect and Shenzhen Stock Connect reached RMB 178.05 billion yuan, while the net outflow via Hong Kong Stock Connect reached RMB 591.34 billion yuan.

RQFII. In 2020, the amount of receipts and payments via the RQFII reached RMB 1.29 trillion yuan and 1.24 trillion yuan respectively, with a net inflow of RMB 52.63 billion yuan.

Box 3 Foreign Demand for RMB-denominated Financial Assets

By the end of 2020, the amount of the financial assets held by foreign entities such as domestic RMB stocks, bonds, loans, and deposits reached RMB 8.98 trillion yuan, increasing by 40.1% yoy. Among them, the financial market value of stocks was RMB 3.41 trillion yuan, the outstanding amount of bonds under custody, RMB-denominated deposits and loans were RMB 3.33 trillion yuan, RMB 1.28 trillion yuan, and RMB 0.96 trillion yuan respectively.

Stocks and bonds traded in domestic financial market have become the prominent options of RMB assets allocated by overseas investors. By the end of 2020, the outstanding amount of domestically traded RMB stocks and bonds held by foreign investors has increased significantly by 54.5% yoy, among which bonds under custody accounted for 2.8% of the total bond custody in the CIBM, increasing by 47.4% yoy, and the market value of stocks accounted for 4.3% of the total market value of A-shares in circulation, increasing by 62.1% yoy. In 2020, stocks accounted for 54.9% of the amount increment of the domestic RMB assets held by foreign entities.

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

Unit: billion yuan

Instruments	Dec.2019	Mar.2020	Jun.2020	Sep.2020	Dec.2020
Stocks	2,101.88	1,887.38	2,456.76	2,750.91	3,406.56
Bonds	2,262.93	2,319.90	2,572.42	3,015.92	3,335.08
Loans	833.16	887.17	972.05	983.08	963.02
Deposits	1,214.87	1,285.05	1,182.45	1,193.43	1,280.33
Total	6,412.84	6,379.49	7,183.68	7,943.34	8,984.99

Source: PBC.

5. Other Investments

In 2020, the total cross-border settlement amount under other investments such as the cross-border financing and RMB loans for overseas projects reached RMB 1.30 trillion yuan, which was basically the same as last year, with a net outflow of 86 million yuan.

IV. RMB-denominated Commodity Trading and Transactions

On June 22, 2020, low-sulfur fuel oil futures were listed on the Shanghai Futures Exchange International Energy Trading Center. On November 19, 2020, international copper futures were listed on the Shanghai Futures Exchange International Energy Trading Center. On December 22, 2020, palm oil futures were officially introduced to overseas traders. So far, seven specific varieties of futures—crude oil, iron ore, purified terephthalic acid (PTA), TSR20, low-sulfur fuel oil, international copper and palm oil—have been listed in China. Oversea traders who could access specific varieties of futures in China can use RMB or USD as margin. By the end of 2020, foreign traders had totally remitted fund inward equivalent of RMB 71.14 billion yuan as margin and outward equivalent of RMB 78.00 billion yuan, in which the RMB settlement accounted for 73.3% and 84.3% respectively.

Box 4 Use of the RMB in the Commodities Sector Grows Steadily

In 2020, the RMB was used in cross-border commodities trade. The cross-border RMB payments and receipts in crude oil, iron ore, copper, soybean and other commodities trade during the whole year amounted to 252.57 billion yuan, up 16.4% yoy. In the iron ore trade, China Baowu Steel Group Co., Ltd made the first cross-border RMB settlement with the world's top three iron ore supplier at the beginning of the year, amounting to more than 500 million yuan in aggregate. In August 2020, An steel Group and Rio Tinto Group of Australia, one of the three largest iron ore suppliers in the world, made RMB settlement of imported iron ore with an amount of RMB 100 million yuan. It is a sign showing that the RMB is gradually being accepted by commodity traders, although the amount settled in RMB is still at a low base.

V. Use of the RMB in Foreign Exchange Market

More and more trading entities got access to China's interbank foreign exchange market, with a total of 735 RMB foreign exchange spot trading members, 266 forward trading members, 259 foreign exchange swap trading members, 213 currency swap trading members, 163 option trading member, 30 RMB foreign exchange spot market makers, and 27 forward swap market makers.

The domestic interbank foreign exchange market operated smoothly, and the product structure was generally stable, with annual RMB foreign exchange transaction volume equivalent of USD 25.40 trillion, up 1.6% yoy, and an average daily transaction volume of USD 104.53 billion. Among them, the CNY spot transaction volume was equivalent of USD 8.38 trillion, up 5.6% yoy, and the CNY swap transaction volume was equivalent of USD 16.32 trillion, down 0.2% yoy, among which the overnight dollar swap trading volume was equivalent of USD 9.45 trillion, accounting for 57.9% of total swap turnover. The currency swap transaction volume amounted to USD 20.20 billion, down 60.6% yoy; RMB forward transaction volume was equivalent of USD 104.36 billion, up 37.4% yoy. The CNY foreign exchange option transaction volume amounted to USD 566.66 billion, down 2.5% yoy.

In 2020, FX transactions against non-USD foreign currencies fell slightly, and spot transaction volume against non-USD foreign currencies amounted to RMB 2.18 trillion yuan, accounting for 3.8% of spot trading in the interbank foreign exchange market, down 0.4% compared with last year.

Table 2-3 Trading Volume of the RMB against Foreign Currencies in Interbank Foreign Exchange Spot Market in 2020

Unit: billion yuan

Currency	USD	EUR	JPY	HKD	GBP	AUD	NZD
Trading Volume	55,320.522	1,419.495	273.376	145.662	58.677	58.875	21.439
Currency	SGD	CHF	CAD	MYR	RUB	ZAR	KRW
Trading Volume	84.000	13.480	33.700	0.504	14.369	0.175	6.152
Currency	AED	SAR	HUF	PLN	DKK	SEK	NOK
Trading Volume	0.892	2.168	1.583	1.597	5.466	2.811	1.125
Currency	TRL	MXN	THB	KZT (regional trade)	KHR (regional trade)	MNT (regional trade)	—
Trading Volume	0.950	0.911	35.888	0.002	0.006	0	—

Source: China Foreign Exchange Trade System (CFETS).

VI. RMB as an International Reserve Currency

According to the quarterly data on the Currency Composition of Official Foreign Exchange Reserves (COFER) released by the International Monetary Fund (IMF), RMB-denominated reserves held by reporting entities reached USD 287.46 billion, accounting for 2.5% of the total amount of official foreign exchange reserves which had indicated currency composition by the end of the first quarter of 2021 and ranked 5th, which is the highest level since the RMB-denominated reserve was listed by the COFER survey in 2016. According to incomplete statistics, more than 70 central banks or monetary authorities incorporated RMB-denominated assets into their foreign exchange reserves.

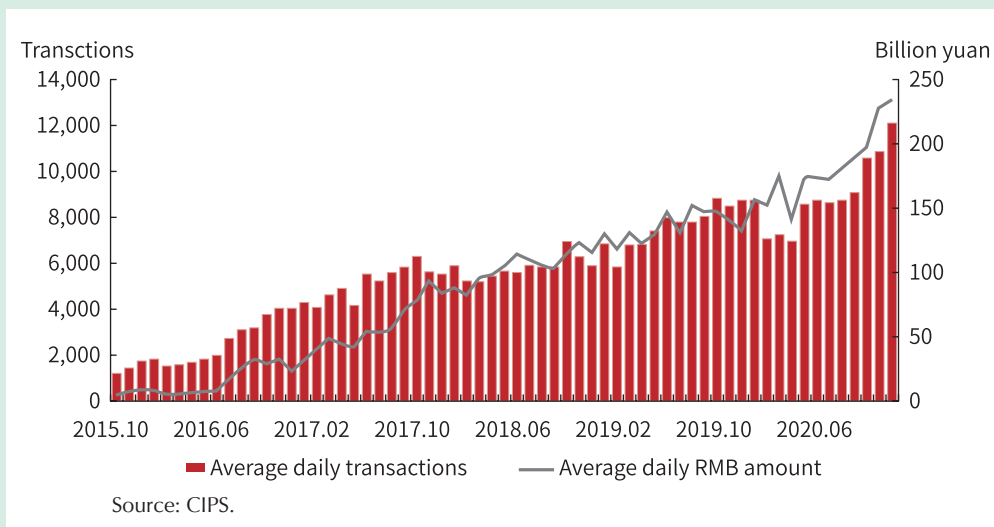
VII. Cross-border Circulation of RMB Banknotes

In 2020, the cross-border circulation of RMB banknotes declined significantly due to the impact of the Covid-19 pandemic as well as some other factors. The total volume of cross-border RMB banknotes transported by banks was RMB 13.63 billion yuan, down 87.0% yoy, of which outbound volume was RMB 2.32 billion yuan, and inbound volume was RMB 11.31 billion yuan, resulting in a net inward volume of RMB 8.99 billion yuan.

VIII. Cross-border Interbank Payment System

In 2020, the Cross-border Interbank Payment System (CIPS) operated steadily, handling a total of 2.21 million cross-border RMB transactions with an overall volume of RMB 45.27 trillion yuan, up 17.0% and 33.4% respectively yoy, and an average daily processing of 8,855 transactions and volume of RMB 181.82 billion yuan. In 2020, there were 1.67 million customer remittances, with the amount of RMB 7.81 trillion yuan; 451,900 financial institutions remittances, with the amount of RMB 32.66 trillion yuan; 26,800 bulk customer remittances, with the amount of RMB 125 million yuan; 57,700 bilateral settlement transactions, with the amount of RMB 4.80 trillion yuan; 250 clearing agency lending transactions, with the amount of RMB 109 million yuan.

Figure 2-10 Average Daily Cross-border RMB Clearing Statistics



Box 5 Cross-border Interbank Payment System (CIPS) Participants and RMB Clearing Services

Since its launch in 2015, the Cross-border Interbank Payment System (CIPS) has maintained a safe and stable operation with an increasing number of domestic and oversea participants of more diversifying types. The coverage of the CIPS' network has continued to expand and its business volume has increased gradually. It has provided safe, convenient, efficient and low-cost services to participants in the field of cross-border RMB payment, settlement and clearing.

In 2020, 9 new direct participants (4 of which were overseas RMB clearing banks) and 147 new indirect participants joined the CIPS. By the end of 2020, a total of 1,092 domestic and foreign institutions had linked to the CIPS through direct or indirect means, including 42 direct participants 23 more compared to the number at the initial launch in October 2015, and 1,050 indirect participants whose number increased by about five times from the initial launch in 2015.

By the end of 2020, direct participants in the CIPS consisted of 37 domestic and foreign banks (5 of which are overseas RMB clearing banks) and 5 financial market infrastructures. Besides, there had been 1,050 indirect participants in CIPS covering 99 countries and regions worldwide, about half of which were foreign participants. By

the end of 2020, the RMB clearing business of CIPS reached out to more than 3,300 corporate bodies of banks in 171 countries and regions around the world through direct and indirect participation, with more than 1,000 institutions from countries along the B&R (excluding Mainland China, Hong Kong SAR of China, Macao SAR of China and Taiwan Region). From its launch to the end of 2020, the CIPS had processed a total of 7,513,500 transactions, amounting to RMB 125.04 trillion yuan.

IX. Central Bank Cooperations

1. Bilateral Local Currency Settlement

On January 6, 2020, the PBC signed the Bilateral Local Currency Cooperation Agreement with the Bank of Lao P.D.R. On March 1, 2021, the PBC signed the Bilateral Local Currency Cooperation Agreement with the National Bank of Cambodia. The agreements expanded the covering business of local currency settlement to all current and capital transactions that had been allowed by the two countries, which was conducive to the fully application of bilateral local currencies and promoting trade and investment facilitation.

On September 6, 2021, the PBC and Bank Indonesia formally launched cooperation framework for Local Currency Settlement (LCS), so as to promote the facilitation of local currencies used in settlement of bilateral trade and direct investment.

2. Bilateral Local Currency Swap

In 2020, the PBC signed a new bilateral currency swap agreement with the Bank of Lao P.D.R, renewed the bilateral local currency swap agreements with the central banks or monetary authorities in Egypt, Switzerland, Mongolia, Argentina, New Zealand, the Republic of Korea, Iceland, Russia, Hong Kong SAR of China and other countries and regions, and lifted the amount of bilateral local currency swap agreements with the central banks of Pakistan, Chile, Hungary and other countries. By the end of 2020, the PBC has signed bilateral currency swap agreements with the central banks or monetary authorities of 40 countries and regions, totaling more than RMB 3.99 trillion yuan.

3. Overseas Clearing Arrangements of the RMB

By the end of 2020, the PBC has designated 27 overseas RMB clearing banks in 25 countries or regions.

Box 6 Overseas RMB Clearing Banks

In recent years, the RMB clearing business of overseas clearing banks has steadily increased, with an average RMB clearing amount of 344.76 trillion yuan and an average annual growth rate of 8.2% in the past three years. By the end of December 2020, altogether 907 participating banks and other institutions opened clearing accounts in overseas RMB clearing banks. In 2020, the RMB clearing amount of overseas RMB clearing banks totaled RMB 369.49 trillion yuan, increasing by 6.1% yoy.

The overseas RMB clearing banks are mainly concentrated in the Asia-Pacific region, followed by Europe. At present, 13 of the total 27 RMB clearing banks are located in the Asia-Pacific region, which have opened clearing accounts for a total of 612 participating banks and other institutions, accounting for 67.5% of the total number of clearing accounts at the clearing banks. In 2020, the RMB clearing amount of these 13 banks totaled RMB 354.29 trillion yuan, accounting for 95.9% of the clearing amount of all clearing banks. Among them, Hong Kong SAR of China and Singapore took the dominant place, with a total RMB clearing amount of RMB 336.42 trillion yuan in 2020, accounting for 95.0% of the total RMB clearing amount of the clearing banks in the Asia-Pacific region. The second was Europe, where currently 7 RMB clearing banks were located and had opened clearing accounts for 225 participating banks and other institutions, with a total RMB clearing amount of RMB 15.02 trillion yuan in 2020.

The RMB clearing banks have played an active role in the process of RMB internationalization. The RMB clearing banks connect the onshore and offshore RMB markets, and mostly took the initiative to provide RMB clearing services in international market. In terms of RMB clearing, the RMB clearing banks have greatly improved the efficiency of RMB clearing through continuing system construction. The RMB clearing banks of Hong Kong SAR of China can provide 7×20.5 hours of RMB clearing services for global customers. Besides, clearing banks have the responsibility to let more foreign entities know the convenience of using the RMB when conduct business with Chinese partners, such as Bolstering China-Japan Financial Cooperation Forum organized by the RMB Clearing bank in Tokyo, RMB/RRW Drived Exchange Marbet Seminar organized by the RMB clearing bank in Seoul. The cross-border RMB settlement volume between the countries (regions) where overseas RMB clearing banks are located with mainland

China accounted for 86.4% of the total in 2020. In terms of nurturing the offshore market, the RMB clearing banks provide adequate RMB liquidity support for the offshore market, relying on the policy advantages of obtaining RMB liquidity from China.

X. Interest Rates and Exchange Rates

1. Interest rates

In 2020, the overall RMB interest rate pivot in domestic money market depreciated first and then appreciated, which reached a low point in May and then rebounded, with a slight decline at the end of the year. By the end of 2020, the overnight, 7-day, 1-month, 3-month, 6-month and 1-year Shanghai Interbank Offered Rate (SHIBOR) dropped by 35, 5, 20, 24, 18 and 9 basis points respectively from the beginning of the year to close at 1.09%, 2.38%, 2.70%, 2.76%, 2.84% and 3.00%.

Figure 2-11 Shanghai Interbank Offered Rate (1)

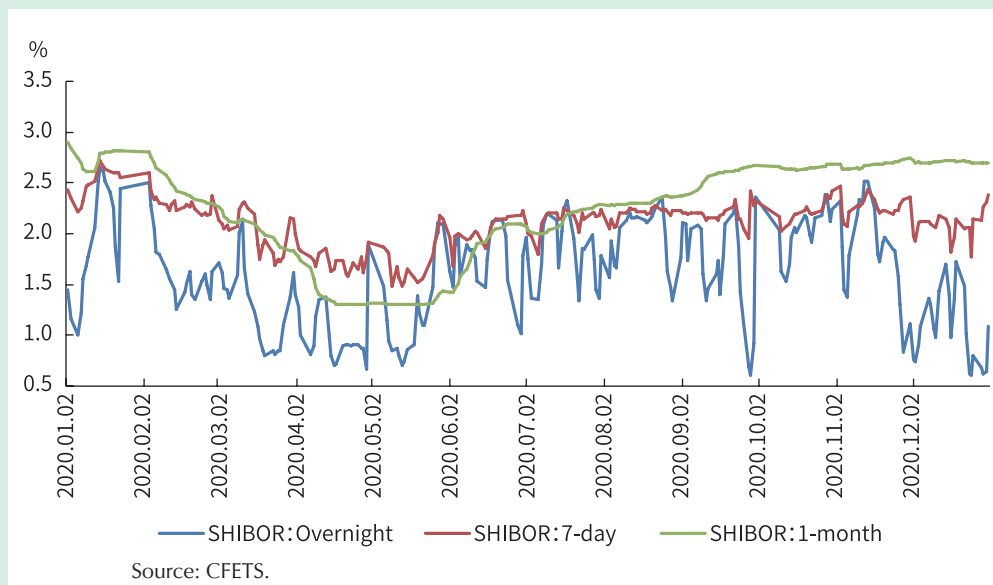
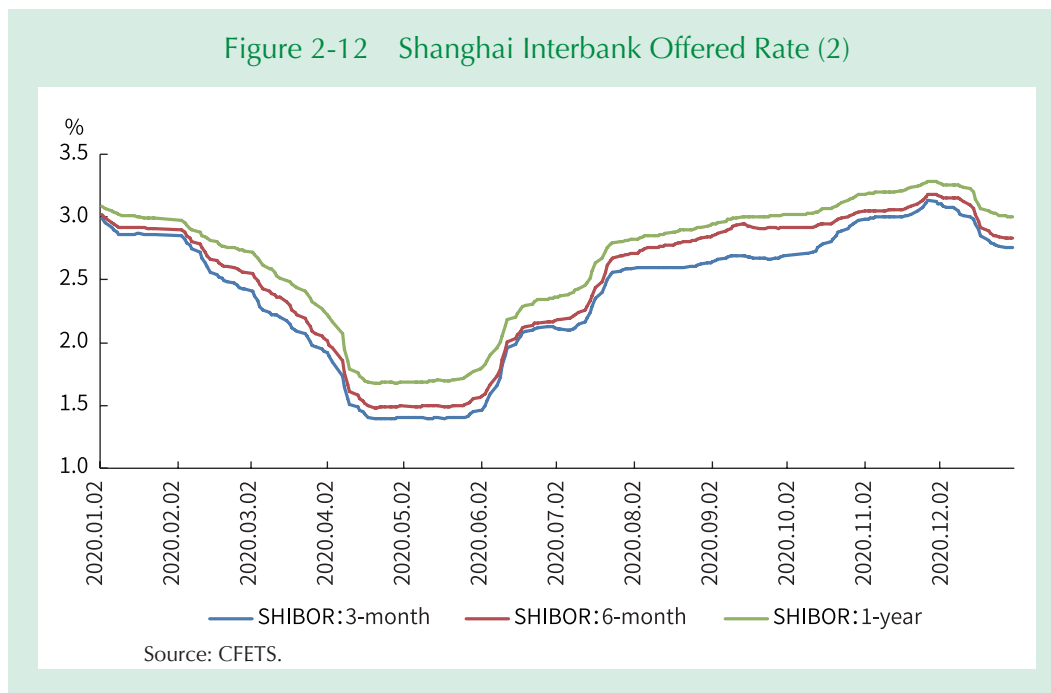


Figure 2-12 Shanghai Interbank Offered Rate (2)



2. Exchange rates

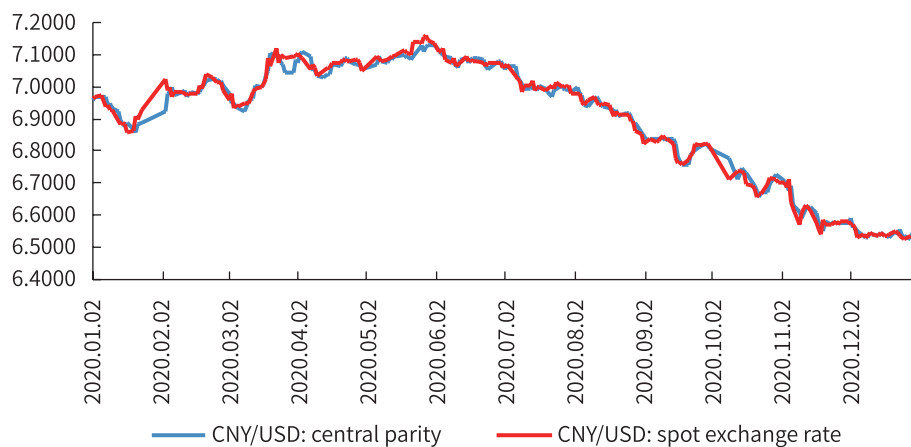
In 2020, RMB experienced both appreciation and depreciation based on market supply and demand with enhanced resilience, and remained basically stable at a reasonable level of equilibrium. At the end of the year, the China Foreign Exchange Trade System (CFETS) RMB exchange rate index was 94.84, up 3.8% from the end of 2019.

In 2020, the domestic RMB exchange rates fluctuated in both directions with significantly greater flexibility. The RMB had appreciated and depreciated against the US dollar and other major global currencies, with the central parity rate of the RMB appreciating 6.9%, 1.3% and 2.9% against the US dollar, the Japanese yen and the British pound respectively, and depreciating 2.6% against EUR at the end of 2019.

In 2020, the central parity rate of the RMB/USD was as high as 6.52 and as low as 7.13, with a fluctuation range of 6,080 basis points and an annualized volatility of 4.5%. During 243 trading days, RMB appreciated on 140 days and depreciated on 103 days. The biggest intraday appreciation was 1.0% (670 bps) and the biggest intraday depreciation was 0.8% (530 bps). At the end of the year, the central parity rate of the RMB/USD exchange rate was 6.52, an appreciation of 6.9% compared with the end of

the last year, and the closing rate against the USD stood at 6.54, an appreciation of 6.5% compared with the previous year-end.

Figure 2-13 Movements in Exchange Rate of CNY/USD



Source: PBC, CFETS.



Policies and Relevant Reforms

In 2020, new policies to enhance the facilitation of the cross-border RMB use were launched, and the opening-up of financial market continued to progress and the RMB exchange rate formation regime was further improved.

I. New Policies on the Cross-border RMB Settlements

In February 2020, the PBC together with MOF, CBIRC, CSRC and SAFE jointly issued *the Notice on Further Strengthening Financial Support for Containing COVID-19 Outbreak* (PBC Document [2020]No.29), which streamlined the procedures of cross-border RMB businesses related to pandemic containment, and supported the financial services for more efficient cross-border RMB businesses.

In December 2020, the PBC together with NDRC, MOFCOM, SASAC, CBIRC and SAFE jointly issued *the Notice on Further Optimizing the Cross-border RMB Policies to Stabilize Foreign Trade and Investment* (PBC Document [2020] No.330), further improving the fundamental operational policies to solve the problems market entities met when using the RMB to settle the international trade and investment.

Box 7 New Cross-border RMB Settlement Policies to Preserve Foreign Trade and Investment

In December 2020, the PBC together with NDRC, MOFCOM, SASAC, CBIRC and SAFE jointly issued the Notice on Further Optimizing the Cross-border RMB Policies to Stabilize of Foreign Trade and Investment (PBC Document [2020] No.330, hereinafter referred to as the Notice). The Notice closely focused on the needs of the real economy and proposed a series of facilitation measures.

Firstly, it promoted a higher level of RMB settlement facilitation in trade and investment, including expanding the pilot program of a higher level of trade and investment facilitation to nationwide, supporting cross-border RMB settlement for

e-commerce trade, and requiring banks timely to adjust business processing and review request in line with the latest reform.

Secondly, it simplified the cross-border RMB settlement process, including improving the creation of the supervisory watch list for cross-border RMB transactions, supporting electronic review of documentation, optimizing the centralized cross-border RMB payments and receipts under current account for multinational enterprise groups, and piloting cross-border RMB settlement facilitation nationwide for qualified contractors engaged in international engineering services.

Thirdly, it optimized the management of cross-border RMB investment and financing, including relaxing restrictions on the use of certain RMB capital-account receipts, facilitating domestic reinvestment by foreign-invested enterprises, canceling the requirement of special account management for foreign direct investment, improving and simplifying the management of overseas RMB borrowing and lending by domestic enterprises.

Fourthly, it facilitated the use of RMB remittances from Hong Kong and Macao. Hong Kong and Macao residents could enjoy a more convenient payment and employment of the funds when traveling or living in mainland China.

Fifthly, it facilitated the use of RMB funds channeled from overseas for foreign entities who have open non-resident RMB account onshore.

II. Further Opening-up of the Capital Market

In May 2020, the PBC and SAFE jointly issued the *Regulations on Funds of Securities and Futures Investment by Foreign Institutional Investors* (PBC, SAFE Public Announcement [2020] No.2), to standardize and simplify administrative requirements on domestic funds of securities and futures investment by foreign institutional investors, aiming to better facilitate foreign investors' participation in financial market of China.

In September 2020, the PBC, China Banking and Insurance Regulatory Commission (CBIRC) and State Administration of Foreign Exchange (SAFE) jointly released the *Measures for the Administration of Domestic Securities and Futures Investment by Qualified*

Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (CSRC, PBC, and SAFE Decree No.176), which integrated relative institutions and supporting rules for QFII and RQFII, expanded market access and investing scope, and improved custodians management.

Box 8 The Launch of the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area

The Cross-Boundary Wealth management Connect Scheme (Cross-boundary WMC) refers to individual residents in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) investing in eligible investment products distributed by banks in each other's market through a closed-loop funds flow channel established between their respective banking systems. The Cross-boundary WMC consists of the Southbound Scheme and the Northbound Scheme, depending on the identity of the investors. The Southbound Scheme refers to residents in the Mainland GBA cities investing in eligible investment products distributed by banks in Hong Kong and Macao via designated channels; the Northbound Scheme refers to residents in Hong Kong and Macao investing in eligible investment products distributed by Mainland banks in the GBA cities via designated channels.

In June 2020, the People's Bank of China, the Hong Kong Monetary Authority, and the Monetary Authority of Macao jointly announced The Launch of the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. In February 2021, the People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission, State Administration of Foreign Exchange, Hong Kong Monetary Authority, Securities and Futures Commission of Hong Kong, and Monetary Authority of Macao jointly signed the Memorandum of Understanding on the Launch of the Cross-Boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. The authorities had agreed on the principles of supervisory cooperation under the cross-boundary Wealth Management Connect. In September 2021, the authorities in Guangdong, Hong Kong and Macao simultaneously promulgated Implementation Arrangements for the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, marking the formal launch of the Cross-Boundary WMC.

The Cross-Boundary WMC is an important measure to implement the strategic deployment of the CPC Central Committee and the State Council to support the development of Guangdong-Hong Kong-Macao Greater Bay Area, as well as the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area. It is conducive to a quality living environment within the Greater Bay Area, the advancement of the interconnectivity of financial markets in the Greater Bay Area, the promotion of the two-way opening-up of the Mainland's financial markets, and the development of Hong Kong as the international financial center.

III. Exchange Rate Formation Regime

In 2020, the PBC continued to deepen the market-based reform of the RMB exchange rates and to improve the managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. It maintained the flexibility of the RMB exchange rates and gave play to the role of the exchange rate as an automatic stabilizer in adjusting the macro-economy and the balance of payments. In the first 5 months of 2020, affected by the COVID-19 pandemic, the international foreign exchange market volatility increased. The RMB exchange rate showed strong resilience, depreciated against the US dollar, and appreciated slightly against a basket of currencies. As China among the first to contain the virus, and Chinese economic fundamentals continued to improve, the RMB exchange rate appreciated against the US dollar and a basket of currencies after June. In October, the counter-cyclical factor faded out of the central parity quotation model of the RMB against the US dollar. The improvement in the transparency, benchmark and effectiveness of the central parity formation regime after its adjustment was also the embodiment of the role of market participants in the Foreign Exchange Self-disciplinary Mechanism. Overall, in 2020, the cross-border capital flows and foreign exchange supply and demand were basically balanced, and the market expectations remained generally stable. Based on market supply and demand, the RMB exchange rate experienced both depreciation and appreciation, and remained basically stable at a reasonable and equilibrium level.



PART FOUR

Offshore RMB Market

In 2020, the offshore RMB market maintained a healthy and steady development. The interest rate spread of RMB between the onshore and offshore markets narrowed, and the exchange rates of onshore and offshore RMB steadily appreciated with a generally consistent trend. The offshore RMB-denominated financial products were increasingly enriched with a constantly widened and deepened offshore RMB market. The interaction between onshore and offshore market further strengthened.

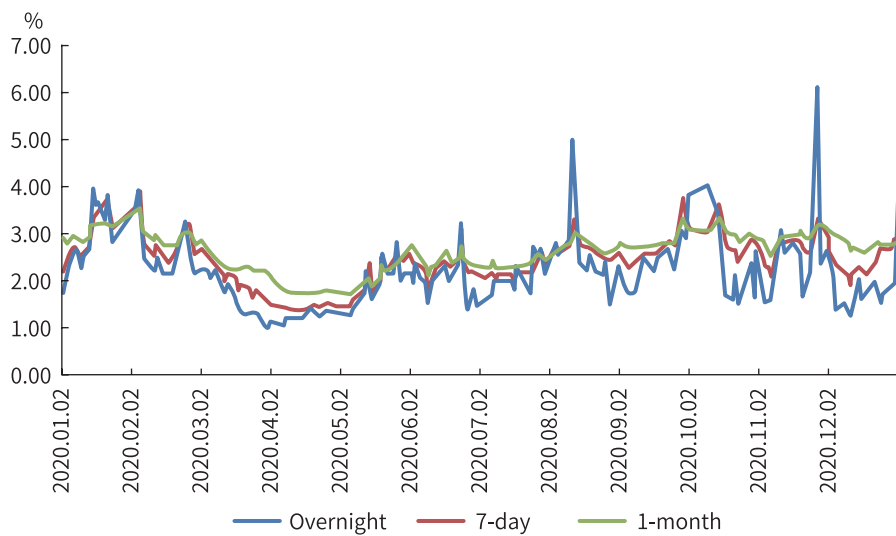
I. Interest Rate and Exchange Rate

1. Interest Rate

In 2020, the offshore RMB interest rate remained generally stable, and the differentials of different maturities tended to be obvious: the fluctuation of short-term interest rates increased while that of long-term interest rates fell overall. At the end of 2020, Hong Kong Interbank Offered Rate (HIBOR) for overnight and 7-day lending fixing rate of RMB were 4.03% and 2.96% respectively, 210 and 56 basis points higher than those at the end of 2019 respectively, and the 3-month, 6-month and 1-year HIBOR were 2.88%, 2.94% and 3.07% respectively, dropping 38, 34 and 28 basis points from the end of 2019 respectively.

In 2020, the interest rate of offshore market was overall higher than that of the onshore market with the HIBOR 0.39% higher than the SHIBOR on average. The spread between the HIBOR and the SHIBOR for 1-month and 3-month periods narrowed from 48 and 61 basis points in the first half of the year to 27 and 20 basis points in the second half of the year respectively.

Figure 4-1 Movements in HK Offshore RMB Lending Rate in 2020 (1)



Source: Hong Kong Association of Banks.

Figure 4-2 Movements in HK Offshore RMB Lending Rate in 2020(2)

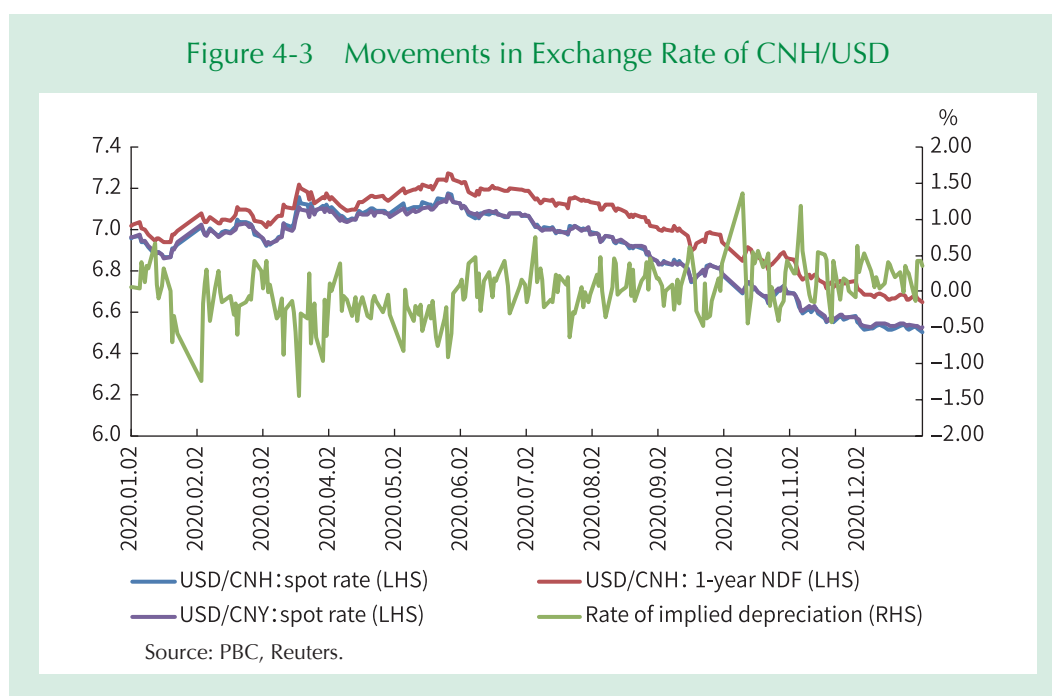


Source: Hong Kong Association of Banks.

2. Exchange Rate

In 2020, 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 was stable overall. In the first half of 2020, the offshore RMB generally depreciated with the

minimum of 7.17. In the second half of the year, the offshore RMB appreciated gradually, closing at 6.50 at the end of the year, appreciating by 7.1% from the end of the last year. The 1-year Non-deliverable Forward (NDF) quotation generally appreciated, with an appreciation of 5.6% for the whole year, and the rate of implied devaluation fluctuated in two ways during the year, reaching 0.4% at the end of the year, 30 basis points higher than that at the beginning of the year. The trading days that the exchange rate of offshore RMB was stronger or weaker than that of onshore RMB during the year were roughly the same. The average daily exchange rate spread between offshore and onshore RMB of the year was 114 basis points, increased by 11 basis points from 2019.

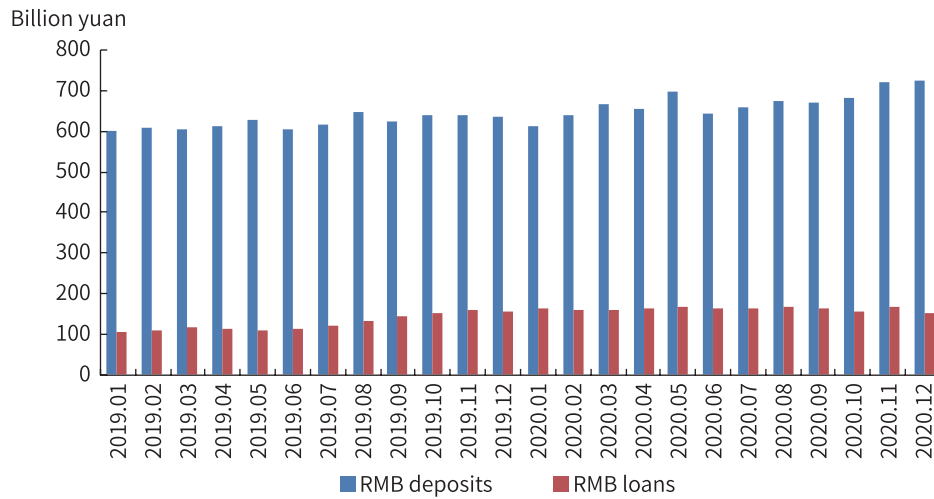


II. Offshore RMB Deposits

In 2020, the offshore RMB deposits steadily increased. By the end of 2020, the RMB deposits in major offshore RMB markets exceeded 1.27 trillion yuan. Among them, the RMB deposits in Hong Kong SAR of China was RMB 720.90 billion yuan, ranking 1st in offshore RMB markets, with a yoy increase of 14.2%, accounting for 5.9% of the total amount of deposits and 11.9% of foreign currencies deposits in Hong Kong SAR of China. The RMB deposits in Taiwan province of China was RMB 244.09 billion yuan, ranking 2nd in offshore RMB markets, with a yoy decrease of 6.5%, accounting for 2.7%

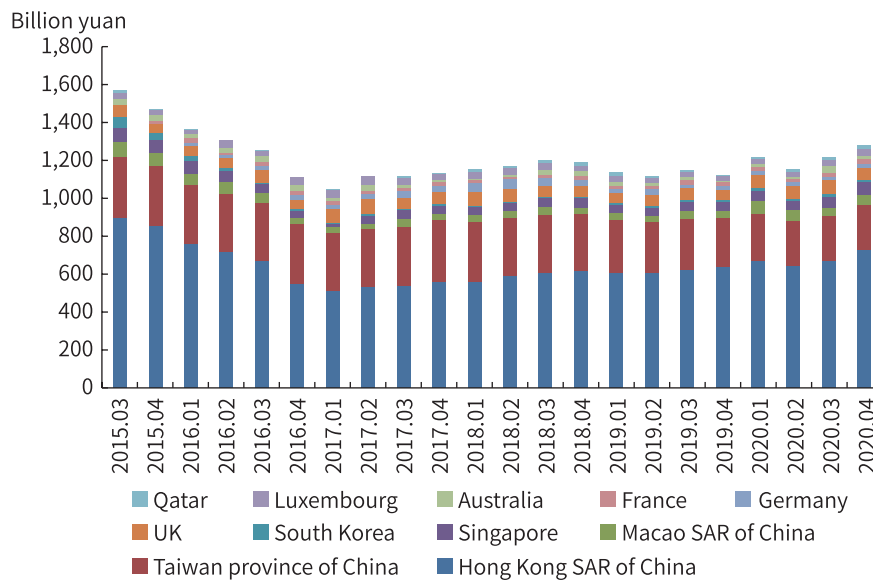
of the total deposits and 9.8% of foreign currencies deposits in Taiwan province of China. The RMB deposits in the United Kingdom was RMB 64.56 billion yuan, ranking 3rd in offshore RMB markets.

Figure 4-4 RMB-denominated Deposits and Loans in HK



Source: Hong Kong Monetary Authority (HKMA).

Figure 4-5 Offshore RMB-denominated Deposits



Source: PBC.

III. Offshore RMB-denominated Financing

In 2020, the overall scale of offshore RMB loans remained generally stable, and the amount of outstanding RMB loans in major offshore markets was RMB 528.55 billion yuan. Among them, the amount of outstanding RMB loans in Hong Kong SAR of China was RMB 152.00 billion yuan, ranking 1st in all offshore markets. Singapore ranked 2nd with the amount of RMB 118.90 billion yuan and Macao SAR of China ranked 3rd with the amount of 105.36 billion yuan.

In 2020, the offshore RMB-denominated bond market developed steadily. Incomplete statistics showed that the total issuance of the RMB-denominated bonds in countries and regions, where overseas RMB clearing arrangements established, amounted to RMB 331.96 billion yuan in 2020, with a yoy increase of 14.2%. The RMB-denominated bonds issued in Hong Kong SAR of China amounted to RMB 270.74 billion yuan, increasing 11.1% yoy. By the end of 2020, the outstanding amount of the RMB-denominated bonds in countries and regions with RMB clearing arrangements was RMB 264.87 billion yuan, with a yoy decrease of 11.9%. The balance of the RMB-denominated Certificates of Deposits (CDs) amounted to RMB 122.15 billion yuan, with a yoy increase of 38.2%.

IV. Issuance of RMB-Denominated Central-Bank Bills

In 2020, the PBC issued RMB-denominated central-bank bills in Hong Kong SAR of China markets regularly, further optimized the issuance structure of central-bank bills of different maturities, and improved the market vigorousness of offshore RMB-denominated central-bank bills. The PBC issued 12 batches of RMB-denominated central-bank bills including maturities of 3-month bills, 6-month bills and 1-year bills, with total amounts of 155.00 billion yuan in Hong Kong SAR of China. The RMB-denominated central-bank bills issued in Hong Kong SAR of China were welcomed by offshore investors, and the total bid-to-cover ratio of each issue tender exceeded 2.1 with the peak of 3.6 in 2020. Foreign investors comprise international financial organizations, central banks, sovereign funds, commercial banks, funds, insurance companies and other overseas investors, with geographical distribution covering Hong Kong SAR of China, Macao SAR of China, Taiwan province of China, Asia-Pacific, Europe, Africa and other regions.

On January 27, 2021, Bank of China (Hong Kong) launched the market-making mechanism for the repurchase of RMB-denominated central-bank bills in Hong Kong SAR of China, providing quotations for overnight, one-week, two-week, one-month, two-month and three-month repurchase and reverse repurchase of RMB-denominated central-bank bills. As of July 2021, Bank of China (Hong Kong) had conducted 284 transactions with a total amount of RMB 73.40 billion yuan. The repurchase market-making mechanism provides convenience for investors to use RMB-denominated central-bank bills issued in Hong Kong SAR of China for liquidity management, and facilitates the development of the offshore RMB currency market in Hong Kong SAR of China.

The issuance of the RMB-denominated central-bank bills in Hong Kong SAR of China provides overseas investors with sovereign credit rating of high quality RMB-denominated investment products. It enriches the liquidity management tools of the RMB-denominated market in Hong Kong SAR of China, improves the yield curve of the RMB-denominated bonds in Hong Kong SAR of China, and encourages domestic and overseas market participants to issue the RMB-denominated bonds and conduct RMB business in offshore markets, thereby facilitating the sustainable and healthy development of the offshore RMB market.

V. The RMB in Global FX Market

The RMB ranked fifth in terms of foreign exchange spot transactions, according to a report released by Society for Worldwide Interbank Financial Telecommunications (SWIFT) in June 2021, following the US dollar, the Euro, the British pound and the Japanese yen. The main countries and regions for foreign exchange spot transactions in RMB included the United Kingdom (with a settlement proportion of 36.7%), the United States (with a settlement proportion of 14.4%), and China (excluding Hong Kong SAR of China, Macao SAR of China, Taiwan province of China) (with a settlement proportion of 11.0%) respectively.^① According to the SWIFT statistics, RMB was one of the most active currencies in foreign exchange markets globally. At present, the RMB trading amount in the United Kingdom, the United States, Hong Kong SAR

^① Most of the transactions in the Chinese market (excluding Hong Kong SAR of China, Macan SAR of China, Taiwan province of China) use the confirmation service of China Foreign Exchange Trading System, and only a few of them use SWIFT MT300 message.

of China and France ranked top four in the offshore markets, accounting for over 80% of the offshore RMB trading volume in total.

VI. Offshore RMB Clearing

In 2020, the RMB clearing amount of overseas RMB clearing banks had totaled in RMB 369.49 trillion yuan with a yoy increase of 6.1%, among which the clearing amount on behalf of clients and for the interbank had been RMB 37.63 trillion yuan and RMB 331.86 trillion yuan respectively, with each yoy increase respectively at 15.0% and 5.2%. By the end of 2020, 907 participating banks and other institutions had opened clearing accounts in overseas clearing banks. In 2020, the RMB clearing amount conducted by Hong Kong Real Time Gross Settlement (RTGS) added up to RMB 282.48 trillion yuan and continued its rapid growth with a yoy increase of 6.3%.



PART FIVE
Prospect

In the next phase, the PBC will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and resolutely implement the decisions and arrangements of the CPC Central Committee and the State Council. The PBC will advance the opening-up reform to facilitate the international use of the RMB in a steady and prudent manner, and strike a balance well between development and security. The PBC will conform to market-driven principles and respect the choices of market entities while further improving the policies and infrastructures for the cross-border use of the RMB. Work will be done to streamline the procedures of cross-border RMB settlement, to promote the two-way opening-up of financial markets and to develop the offshore RMB market, thereby creating a more convenient environment for market entities to use the RMB. Meanwhile, the PBC will further improve the macro-prudential management framework for cross-border capital flows, strengthen the work on monitoring, analysis and early-warning of the cross-border capital flows, and ensure that no systemic risk would be triggered by regulatory misconduct, so as to better serve the establishment of a new development paradigm.

I. The cross-border Use of the RMB in Current Account Transactions Will Be Further Expanded

The cross-border use of the RMB in current account transactions is an important foundation for the RMB internationalization. The signing of the Regional Comprehensive Economic Partnership (RCEP) will further enhance the development of trade in the Asia-Pacific region, and enlarge the room for the use of the RMB in trade and investment activities. The use of the RMB in commodity trade already had a good start and is expected to be a growth pillar for the cross-border use of the RMB. New trade modes such as the cross-border e-commerce will enrich the scenarios of the use of the RMB and promote the use in foreign trade.

II. The Channels of the RMB Cross-border Investment and Financing Will Be Further Facilitated

The PBC will continue to promote the two-way opening of the financial market and enrich FX risk hedging tools, thus facilitating foreign entities to allocate the RMB financial assets. Work will be done to support foreign central banks, monetary authorities and reserve management departments to allocate the RMB reserve assets. Focusing on the construction of the pilot free trade zone (free trade port), the Guangdong-Hong Kong-Macao Greater Bay Area and the Shanghai International Financial Center, the PBC will further promote pilot initiatives to use the RMB in cross-border investment and financing business.

III. The Bilateral Monetary Cooperation Will Proceed Steadily

The PBC will steadily promote bilateral local currency swap, optimize the framework of local currency swap, and make the swap play its role in supporting the development of the offshore RMB market and promoting trade and investment facilitation. The PBC will strengthen local currency settlement cooperation with other central banks, especially central banks in the neighboring countries and countries along the B&R, so as to create a better environment for the use of the RMB abroad. The PBC will continue to facilitate the direct trading of the RMB against the currencies of relevant countries when the time is right and support foreign countries to use the RMB in local foreign exchange markets.

IV. The RMB Internationalization Infrastructure Will Be Further Improved

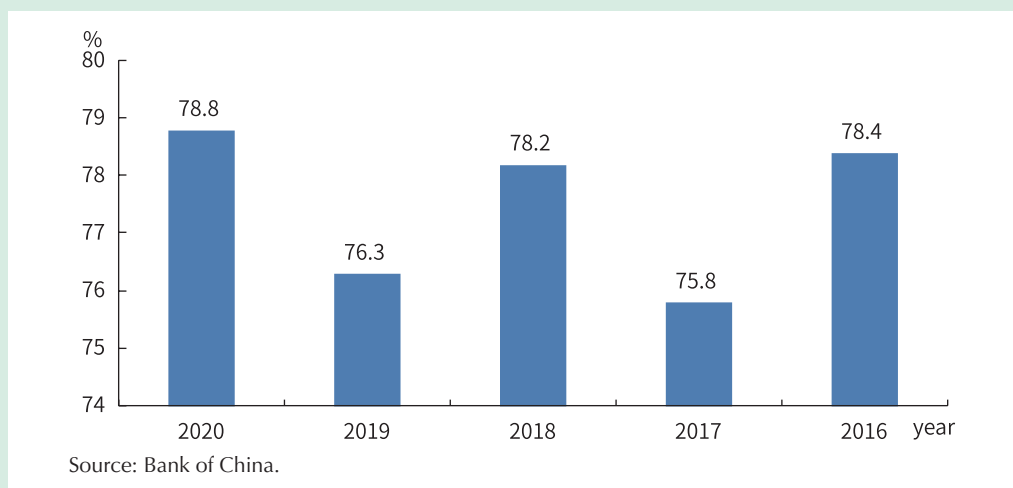
The PBC plans to make overseas RMB clearing banks fully play the role of facilitating RMB investment and financing, cultivating offshore RMB markets and offering adequate RMB liquidity. The PBC will put more strength on the construction of the CIPS, enhancing the security and efficiency of the RMB clearing and settlement, as well as the building of the RMB Cross-border Payment and the Receipt Information Management System (RCPMIS) , so as to do better on the statistics collection and analysis.

Box 9 Market Survey on the International Use of the RMB

In 2020, the Bank of China conducted a market survey on the current status, inclination and future expectations about the use of the RMB by the industrial and commercial businesses and financial institutions from home and abroad, with nearly 3,300 participants engaged, of which about 2,500 participants were at home and 800 foreign participants were from 32 countries and regions abroad. The survey shows that:

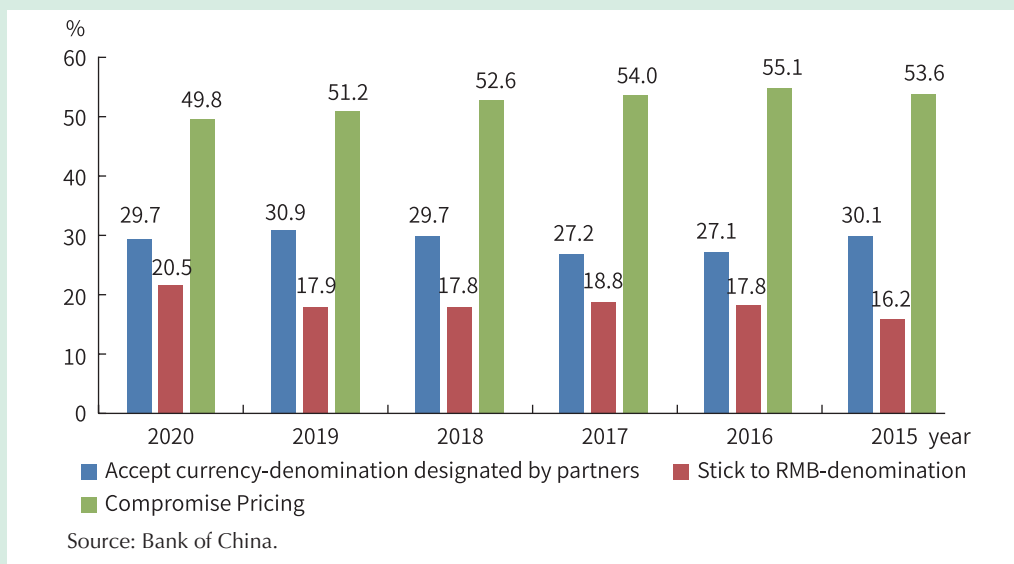
Firstly, the role of the RMB as the settlement currency had been further consolidated. There were about 78.8% of the respondents considering using the RMB in cross-border transactions or increasing the frequency of the use, and that proportion increased compared with recent years.

Figure 5-1 Share of Respondents Considering Increasing Use of the RMB



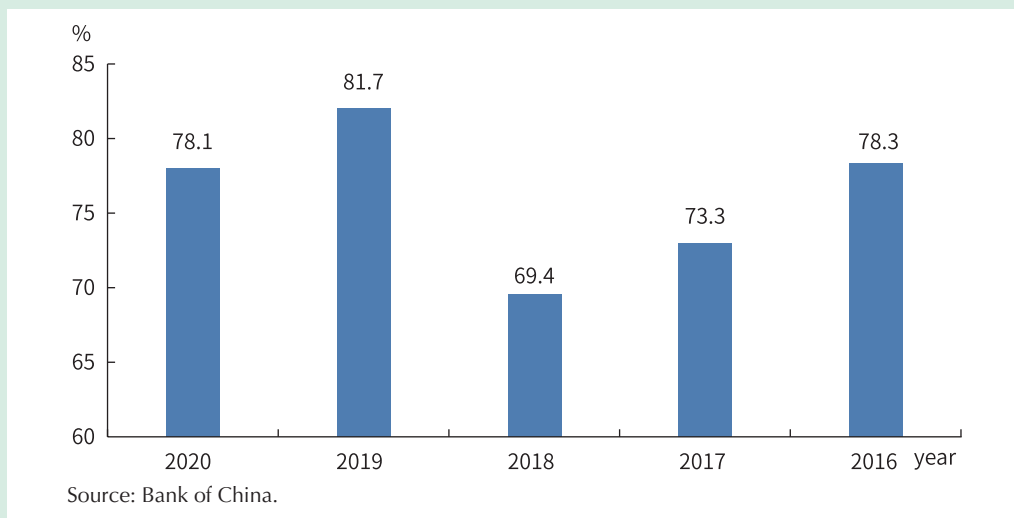
Secondly, the role of the RMB as a denominating currency had been brought into play at a preliminary level. The survey results showed that 20.5% of domestic respondents expressed their insistence on using the RMB to denominate in cross-border transactions, indicating a proportion that had increased slightly from 2019. The share of respondents that stuck to using the RMB for dominating has increased by 4 percentage point compared to 2015, while the share of those using compromise pricing to mitigate exchange rate risk had decreased by 4 percentage point.

Figure 5-2 Share of Respondents Using RMB-denomination during FX Fluctuation



Thirdly, the role of the RMB in financing also played a part in international business, especially under certain tight circumstances. The results of 2020 survey showed that about 78.1% of the foreign industrial and commercial respondents indicated that they would consider using the RMB for financing while encountering tight liquidity of international currencies such as the USD and the EUR. Although this ratio had fallen slightly according to the 2019 survey, it was still maintained at a relatively high level in the past 5 years. The results of both the 2020 and 2019 surveys demonstrated that the level of interest rates and the cost of controlling the exchange rate risk of the RMB against domestic currency were the two main factors that foreign industrial and commercial enterprises most concerned about when considering whether to use the RMB for trade financing.

Figure 5-3 Share of Respondents Considering RMB-denominated Financing





Highlights of RMB Internationalization

2009

On January 20, the PBC and the Hong Kong Monetary Authority 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 Hong Kong Monetary Authority signed *the Supplementary Memorandum III* of Cooperation on the Pilot Program of RMB Settlement of Cross-border Trade Transactions between Mainland and Hong Kong SAR of China.

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 SAR of China 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 Hong Kong Monetary Authority issued the *Elucidation of Supervisory Principles and Operational Arrangements Regarding the RMB Business in Hong Kong SAR of China*.

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 Hong Kong Monetary Authority signed the *Supplementary Memorandum IV of Co-operation 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 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, the 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 SAR of China 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 SAR of China (PBC Public Announcement [2011] No.25).

On November 22, the PBC and Hong Kong Monetary Authority 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 SAR of China 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 Province of China signed the *Memorandum of Understanding on the Currency Clearing Cooperation across the Taiwan Straits*.

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

On November 13, with the approval of the State Council, the pilot quota for RQFII in Hong Kong SAR of China 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 Province of China.

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 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 Russian Federation 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 Hong Kong Monetary Authority 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 National 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/GBP 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 would 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 Diram 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 Macropudential 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 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 Macroprudential Management of Cross-border Financing* (PBC Document [2016] No.132).

On May 11, the PBC and the Bank AI-Maghrib 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 remains 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 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 Agricultural Bank of China (Dubai) Limited to serve as the RMB clearing bank in United Arab Emirates (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 Agricultural Bank of China Dubai Branch signed *the RMB Clearing Agreement*.

On May 19, the PBC and the Reserve 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 SAR of China'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 Macao 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 Hong Kong Monetary Authority 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-Hong Kong Stock Connect and Shenzhen-Hong Kong 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 2,200 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 September 20, the PBC and Hong Kong Monetary Authority signed the *Memorandum of Cooperation on The Issuance of PBC Bills through the Central Money Markets Unit*.

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 7, the PBC issued RMB central bank bills by tender through bond bidding platform of the Hong Kong Monetary Authority's Central Money Markets Unit (CMU) for the first time.

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 from 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 the Republic 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 *2019 RMB Internationalization Report*.

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 Bank of the Lao P.D.R signed a bilateral local currency cooperation agreement, allowing the direct use of local currency for settlement under all the opened current and capital accounts in both countries.

On January 31, the PBC, MOF, CBIRC, CSRC and SAFE jointly issued *the Notice on Further Strengthening Financial Support for Prevention and Control of the Novel Coronavirus Pneumonia(NCP) Epidemic* (PBC Document [2020] No.29), to simplify the procedures for the cross-border RMB business related to prevention and control of the epidemic, support the establishment of a “Green Channel” and effectively improve the efficiency of the cross-border RMB business.

On February 10, the PBC and the Central Bank of Egypt renewed the bilateral local currency swap agreement of RMB 18 billion yuan/EGP 41 billion.

On March 11, the PBC and SAFE issued *the Notice on Adjusting the Macroprudential*

Adjustment Parameter of Overall Cross-Border Financing (PBC Document [2020] No.64), raising the macroprudential adjustment coefficient of the overall cross-border financing from 1 to 1.25.

On May 7, the PBC and SAFE jointly issued the *Regulations on Funds of Securities and Futures Investment by Foreign Institutional Investors* (PBC, SAFE Public Announcement [2020] No.2).

On May 20, the PBC and the Bank of the Lao P.D.R signed a bilateral local currency swap agreement of RMB 6 billion yuan/LAK 7.6 trillion.

On July 31, the PBC and the National Bank of Pakistan signed a revised bilateral local currency swap agreement to expand the swap scale to RMB 30 billion yuan/PKR 720 billion.

On July 31, the PBC and the Central Bank of Chile signed a revised bilateral local currency swap agreement to expand the swap scale to RMB 50 billion yuan/CLP 5.6 trillion.

On July 31, the PBC and the Bank of Mongolia renewed the bilateral local currency swap agreement of RMB 15 billion yuan/MNT 6 trillion.

On August 6, the PBC and the Central Bank of Argentina renewed the bilateral local currency swap agreement of RMB 70 billion yuan/ARS 730 billion, and signed a supplementary bilateral local currency swap agreement of RMB 60 billion yuan.

On August 22, the PBC and the Reserve Bank of New Zealand renewed the bilateral local currency swap agreement of RMB 25 billion yuan (NZD swap scale is calculated at the spot exchange rate).

On September 17, the PBC and the Central Bank of Hungary signed a supplementary bilateral local currency swap agreement of RMB 40 billion yuan.

On September 25, the CSRC, PBC and SAFE jointly released *the Measures for the*

Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (CSRC, PBC, and SAFE Decree No.176).

On September 30, the PBC and the Bank of Indonesia signed *the Memorandum of Understanding on the Establishment of a Cooperative Framework for Facilitating Local Currency Settlement of Current Account Transactions and Direct Investment.*

On October 11, the PBC and the Bank of Korea signed a bilateral local currency swap extension and revision agreement to expand the swap scale to RMB 400 billion yuan/KRW 70 trillion.

On October 19, the PBC and the Central Bank of Iceland renewed the bilateral local currency swap agreement of RMB 3.5 billion yuan/ISK 70 billion.

On November 23, the PBC and the Central Bank of Russian Federation renewed a bilateral local currency swap agreement of RMB 150 billion yuan/RUB 1.75 trillion.

On November 23, the PBC and Hong Kong Monetary Authority signed a revised bilateral local currency swap agreement to expand the swap scale to RMB 500 billion yuan/HKD 590 billion.

On December 11, the PBC and SAFE adjusted the macroprudential adjustment parameter for cross-border financing, lowering the macroprudential adjustment parameter for financial institutions from 1.25 to 1.

On December 22, the PBC and Bank of Thailand renewed the bilateral local currency swap agreement of RMB 70 billion yuan/THB 370 billion.

2021

On January 4, the PBC, NDRC, MOFCOM, SASAC, CBIRC and SAFE jointly issued *the Notice on Further Optimizing the Cross-border RMB Policies to Support Stable Foreign Trade and Investment (PBC Document [2020] No.330).*

On January 5, the PBC and SAFE issued *the Notice on Adjusting the Macroprudential Adjustment Coefficient of Overseas Renminbi Lending Business of Domestic Enterprises* (PBC Document [2021] No.2), which adjusted the macroprudential adjustment coefficient of overseas Renminbi lending business of domestic enterprises from 0.3 to 0.5.

On January 6, the PBC and the Central Bank of Qatar renewed the bilateral local currency swap agreement of RMB 35 billion yuan/QAR 20.8 billion.

On January 7, the PBC and the Bank of Canada renewed the bilateral local currency swap agreement of RMB 200 billion yuan (the swap amount of CAD was calculated at the spot exchange rate).

On January 7, the PBC and SAFE issued *the Notice on Adjusting the Macroprudential Adjustment Parameter of Cross-Border Financing of Enterprises* (PBC Document [2021] No.5), lowering the macroprudential adjustment parameter of cross-border financing of enterprises from 1.25 to 1.

On January 27, the Bank of China (Hong Kong) Ltd. launched the market making mechanism for central-bank bills repurchase in Hong Kong SAR of China.

On March 1, the PBC and the Central Bank of Cambodia signed a bilateral local currency cooperation agreement, extending the local currency settlement to all opened current and capital accounts in both countries.

On March 19, the PBC and the Central Bank of Sri Lanka renewed the bilateral local currency swap agreement of RMB 10 billion yuan/LKR 300 billion.

On June 2, the PBC and the Central Bank of the Republic of Turkey signed a bilateral currency swap revision agreement to expand the swap scale to RMB 35 billion yuan/TRY 46 billion.

On June 9, the PBC and the Central Bank of Nigeria renewed a bilateral local currency swap agreement of RMB 15 billion yuan/NGN 967 billion.

On July 6, the PBC and the Reserve Bank of Australia renewed the bilateral local currency swap agreement of RMB 200 billion yuan/AUD 41 billion.

On July 12, the PBC and the Bank Negara Malaysia renewed the bilateral local currency swap agreement of RMB 180 billion yuan/MYR 110 billion.

On July 13, the PBC and the State Bank of Pakistan renewed the bilateral local currency swap agreement of RMB 30 billion yuan/PKR 730 billion.

On August 20, the PBC and the Central Bank of Chile renewed the bilateral local currency swap agreement of RMB 50 billion yuan/CLP 6 trillion.

On September 6, the PBC and the Bank of Indonesia formally launched cooperation framework for Local Currency Settlement (LCS).

On September 10, Guangdong, Hong Kong and Macao simultaneously promulgated *the Implementation Arrangements for the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area*.

Afterword

To better observe and analyze the trend of the international use of the RMB, from the year of 2015, the Macroprudential Policy Bureau (formerly the Monetary Policy Department Ⅱ) of the PBC has organized staff to write and publish the 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 the international use of the RMB from all aspects, relevant policies and reform progress, the status of the global major offshore RMB markets, the prospect and other main contents, which contains detailed database and elaborated columns on key issues.

The Macroprudential Policy Bureau wrote and translated the *2021 RMB Internationalization Report* together with the Monetary Policy Department, the Payment System Department, the Currency Gold and Silver Bureau, as well as the Cross-border RMB Offices from Tianjin Branch, Nanjing Branch, Wuhan Branch, Chengdu Branch, Xi'an Branch, Chongqing Operations Office and Changsha Central Sub-branch within PBC. During this period, we have received great support from the Bank of China, Cross-border Interbank Payment and Clearing Co. Ltd., Shanghai Futures Exchange and China Financial Publishing House. Hereby, we sincerely extend our gratitude for all that have supported our work.

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

The Editor
September 2021