



2022年 人民币国际化报告

2022 RMB INTERNATIONALIZATION REPORT

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KEY ABBREVIATIONS

ACCD	Appointed Cross Currency Dealer
BIS	Bank for International Settlements
CBIRC	China Banking and Insurance Regulatory Commission
CFETS	China's Foreign Exchange Trade System
CIBM	China Inter-bank Bond Market
CIPS	Cross-border Interbank Payment System
CPC	Communist Party of China
COFER	Currency Composition of Official Foreign Exchange Reserves
CSRC	China Securities Regulatory Commission
FTSE	Financial Times Stock Exchange Group
FX	Foreign Exchange
HIBOR	Hong Kong Interbank Offered Rate
HKMA	Hong Kong Monetary Authority
IMF	International Monetary Fund
LCS	Local Currency Settlement
MOFCOM	Ministry of Commerce
NDRC	National Development and Reform Commission
NDF	Non-Deliverable Forward
PBC	People's Bank of China
RCPMIS II	Second-generation RMB Cross-border Payment and Receipt Management Information System
RQDII	RMB Qualified Domestic Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
SAFE	State Administration of Foreign Exchange
SAR	Special Administrative Region

SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SDR	Special Drawing Right
SHIBOR	Shanghai Interbank Offered Rate
SWIF	Society for Worldwide Interbank Financial Telecommunication



PART ONE

Executive Summary

Since 2021, following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the People's Bank of China (the PBC) has resolutely implemented the decisions and arrangements of the Communist Party of China (CPC) Central Committee and the State Council, and applied the new development philosophy fully, faithfully and comprehensively. The PBC has committed to reform and opening-up for mutual benefit and promoted RMB internationalization steadily and prudently with a market oriented approach and leaving choices to enterprises, so as to provide strong support for the smooth running of the real economy. Indicators of RMB's function as an international payment, investment and financing, reserve and pricing currency have generally demonstrated improved performance.

Since 2021, cross-border RMB settlement has continued to grow from an already high base in the prior year. In 2021, the total amount of cross-border RMB settlement by banks on behalf of their customers was RMB 36.61 trillion yuan, a year-on-year (yoy) increase of 29.0%, reaching a record high in terms of value. Cross-border RMB flows were generally balanced, with a cumulative net inflow of RMB 404.47 billion yuan. According to the statistics of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the share of the RMB use in international payments increased to 2.7% in December 2021, overtaking the JPY as the 4th most active payment currency in the world, and increased further during January 2022 to a record high of 3.2%. Currency Composition of Official Foreign Exchange Reserves (COFER) data released by the International Monetary Fund (IMF) showed that the RMB reserve share reached 2.88% in the first quarter of 2022, up by 1.8 percentage points from 2016, when the RMB was officially included in the Special Drawing Right (SDR) currency basket. The RMB now ranks the 5th among the major reserve currencies in the world. In May 2022, IMF raised the weight of the RMB in the SDR basket from 10.92% to 12.28%, reflecting a more freely usable RMB.

The cross-border RMB settlement related to the real economy maintained a rapid

growth, with commodities and cross-border e-commerce as new drivers and cross-border two-way investment activities remaining dynamic. The RMB exchange rate moved in both directions, and the market participants' endogenous demand for using the RMB to reduce exchange rate risks increased gradually. The fundamental policy framework of cross-border RMB investment, financing and settlement continued to improve, enhancing its ability to serve the real economy.

The opening-up of China's financial market continued to advance and RMB assets remained highly attractive to global investors, with an overall net inflow of RMB funds into portfolio investments. By the end of 2021, the total amount of domestic RMB financial assets including stocks, bonds, loans and deposits etc. held by overseas entities was RMB 10.83 trillion yuan, a yoy increase of 20.5%. Trading volumes in offshore RMB markets have increased. By the end of 2021, RMB deposit balance in major offshore markets was around RMB 1.50 trillion yuan.

In the next stage, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBC will resolutely implement the decisions and arrangements of the CPC Central Committee and the State Council, coordinate development and security, and promote RMB internationalization steadily and prudently with a market oriented approach and leaving choices to enterprises. The PBC will further consolidate the basic policy framework for cross-border use of the RMB, meet the needs of the real economy, promote a higher level of two-way opening-up of financial market, and facilitate a virtuous cycle of RMB usage between onshore and offshore markets. Meanwhile, the PBC will continue to improve the macro-prudential management framework for cross-border capital flows integrating the RMB and foreign currencies, establish a sound system for monitoring, assessing and providing early warnings in relation to cross-border capital flows, and firmly defend the bottom line whereby no systemic risks will occur.

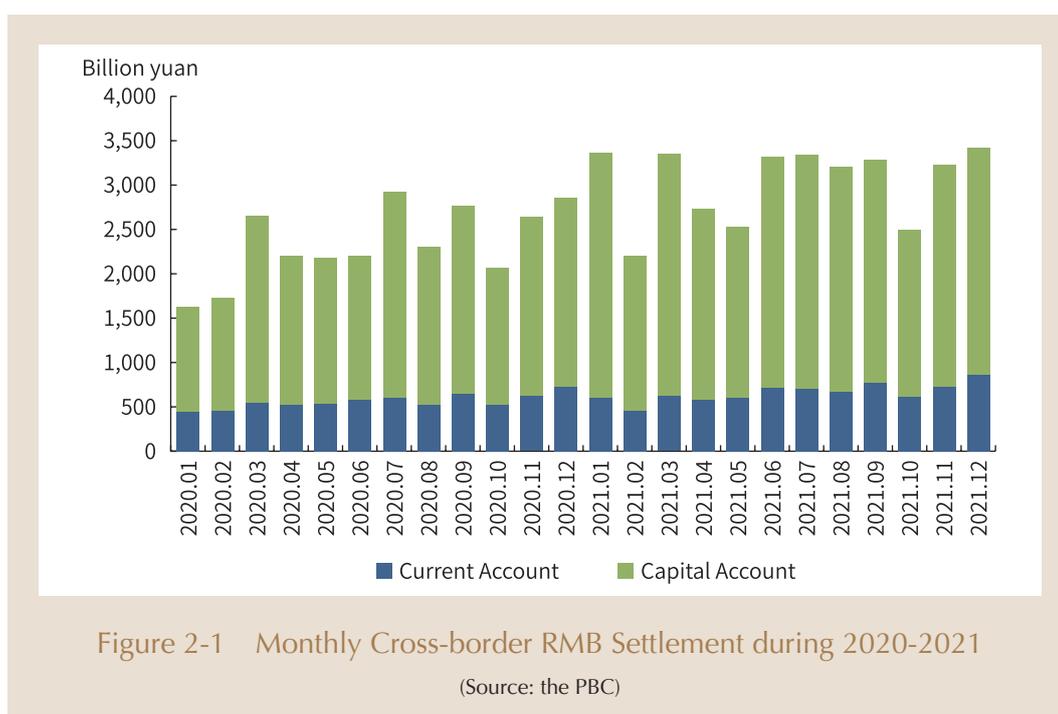
PART TWO

International Use of the RMB in 2021

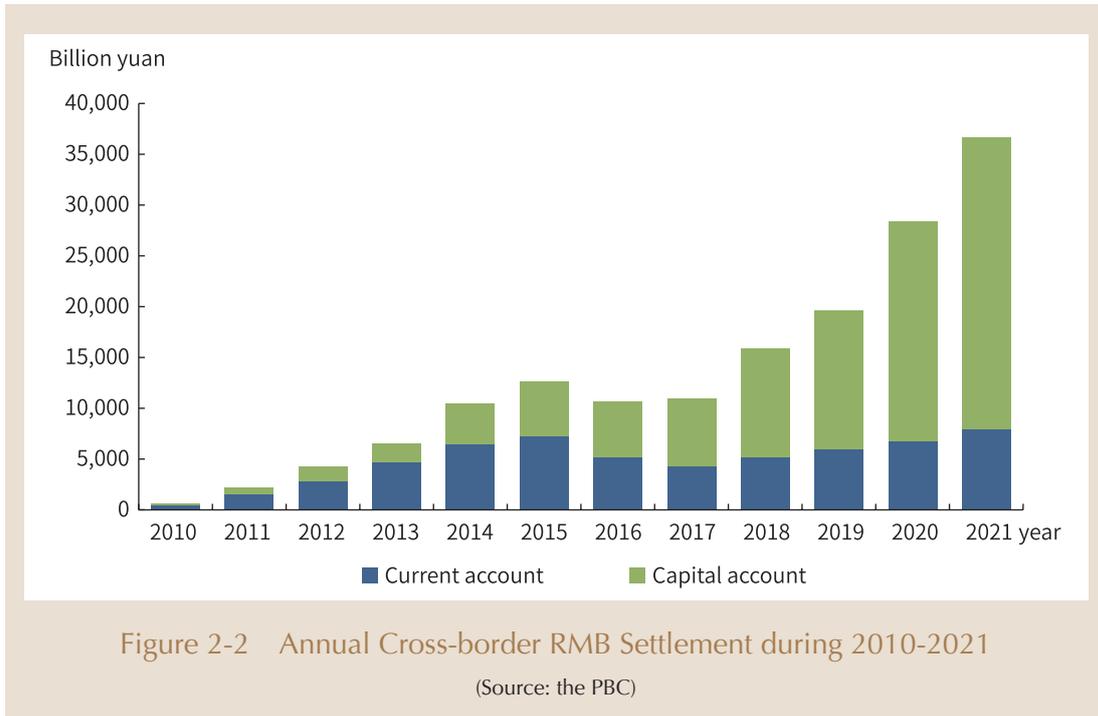
In 2021, the cross-border use of the RMB grew steadily and reached a new high in terms of its share in total cross-border settlement in domestic and foreign currencies. Cross-border RMB receipts and payments were generally balanced with a cumulative net inflow over the course of the year.

I. Cross-border Use of the RMB

In 2021, the total amount of cross-border RMB settlement was RMB 36.61 trillion yuan, a yoy increase of 29.0%. Receipts totaled RMB 18.51 trillion yuan, a yoy increase of 31.3%, while the value of payments was RMB 18.10 trillion yuan, a yoy increase of 26.7%. The ratio of receipt-to-payment was 1 : 0.98 with a net inflow of RMB 404.47 billion yuan, compared to a net outflow of RMB 185.79 billion yuan a year earlier. In 2021, the share of cross-border transactions settled in RMB accounted for 47.4%, 1.2 percentage points higher than that in 2020. In the first half of 2022, the amount of cross-border RMB settlement was RMB 20.32 trillion yuan, a yoy increase of 15.7%.



Over the same period, the proportion of cross-border RMB transactions settled in RMB increased to 49.1%.



Box 1 Currency Internationalization Composite Index

Currency internationalization refers to a currency issued by a country or region becoming a unit of pricing, a medium of exchange and a store of value outside its border. In order to assess the internationalization status of a country's currency, some key indicators related to the international use of currency in payment, investment, financing and reserve holding are selected for quantitative assessment. Therefore, we set up a composite index for assessing the status of currency internationalization by referencing other currency internationalization indices and indicators used in the SDR review.

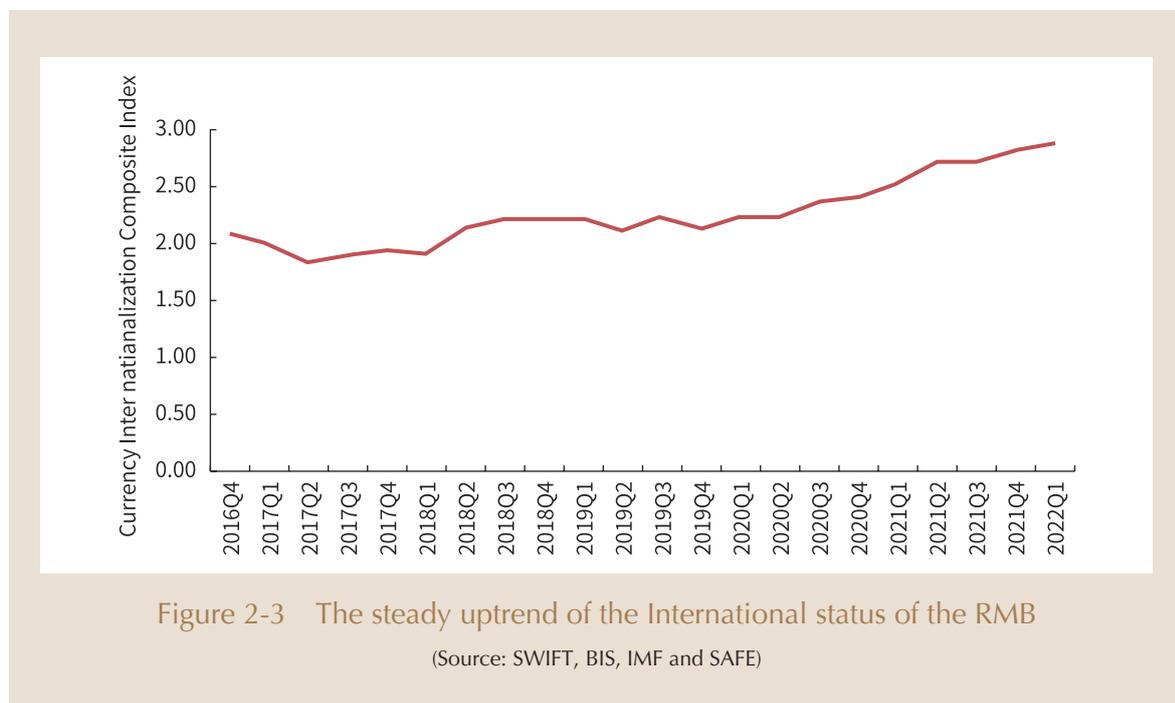
The composite index we set up consists of 4 primary indicators, reflecting the international use of currency in payment, investment, financing and reserve holding. Within the secondary indicators, the currency's share in global payment reflects the international

payment function; indicators including the international banking sector's external liabilities and the share in global foreign exchange turnover, foreign exchange spot trading and interest rate derivatives market are used to reflect the investment function; indicators including the share in global trade financing, international banking sector's external claims and denomination of international bond issuances are chosen to reflect the financing function; and the indicator of global foreign exchange reserve currency composition is used to reflect the reserve currency function (see Table 2-1).

The results show the uptrend of RMB internationalization composite index in recent years (see Figure 2-3). At the end of 2021, the RMB internationalization composite index was 2.80, a yoy increase of 17%. During the same period, the index of major international currencies, namely the USD, the EUR, the GBP and the JPY was 58.13, 21.81, 8.77 and 4.93 respectively. In the first quarter of 2022, the RMB internationalization composite index was 2.86, a yoy increase of 14%. During the same period, the index of major international currencies, namely the USD, the EUR, the GBP and the JPY was 58.13, 21.56, 8.87 and 4.96 respectively.

Table 2-1 The Currency Internationalization Composite Index Indicators

Primary Indicators	Secondary Indicators	Data Source
Payment	Share in Global Payment	SWIFT
Investment	Share in International Banking Sector's External Liabilities	Bank for International Settlement (BIS), State Administration of Foreign Exchange(SAFE)
	Share in Global Foreign Exchange Turnover	BIS
	Share in Foreign Exchange Spot Trading	SWIFT
	Share in Interest Rate Derivatives Market	BIS
Financing	Share in Global Trade Financing	SWIFT
	Share in International Banking Sector's External Claims	BIS, SAFE
	Share in International Bond Issuances	BIS
Reserve	Global Foreign Exchange Reserve Currency Composition	IMF



Shanghai, Beijing and Shenzhen continued to rank in the top 3 in terms of cross-border RMB settlement. In 2021, they each accounted for 49.1%, 21.1% and 8.5% of the total cross-border RMB settlement nationwide. In 2021, there were 11 provinces (autonomous regions and municipalities directly under the central government) each having cross-border RMB settlement over RMB 200 billion yuan. 8 border provinces and autonomous regions shared aggregated RMB settlement of 629.41 billion yuan, a yoy increase of 13.9%. In the first half of 2022, Shanghai, Beijing and Shenzhen accounted for 48.3%, 20.2% and 7.7% of the total RMB cross-border settlement nationwide, respectively.

Table 2-2 Cross-border RMB Settlement by Region in 2021

Unit: billion yuan, %

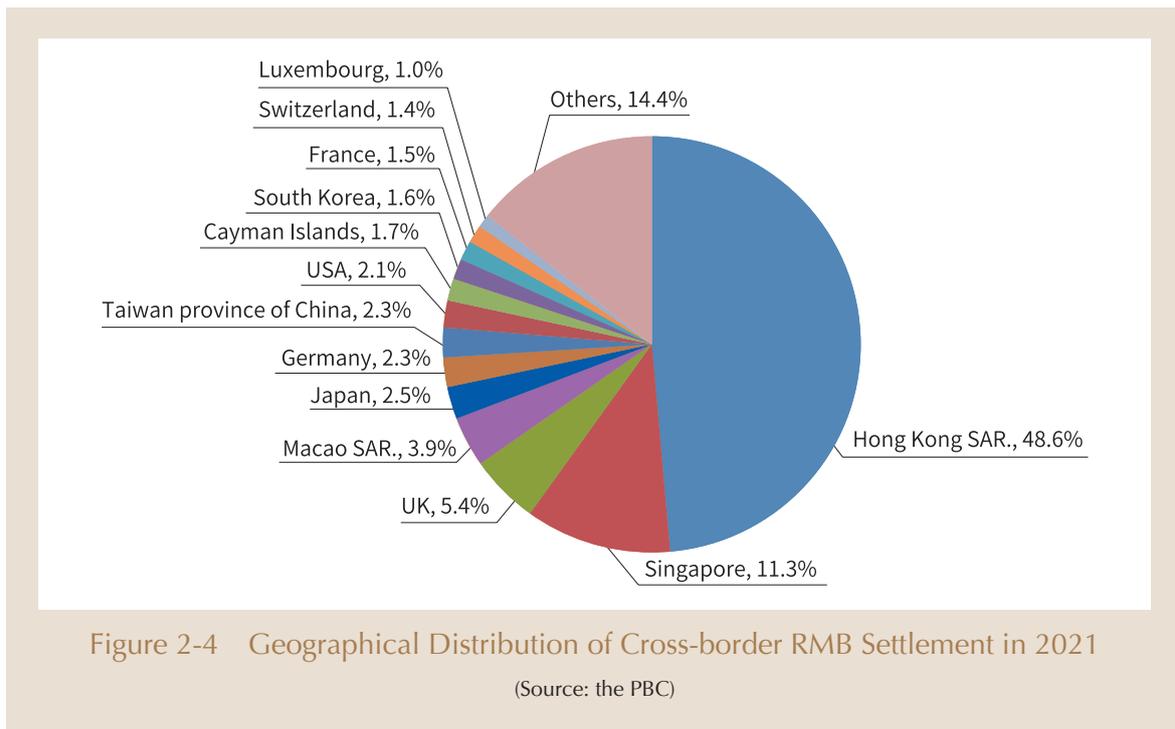
Ranking	Region	Current Account	Capital Account	Total	Share
1	Shanghai	1,963.83	16,012.16	17,975.99	49.10
2	Beijing	1,048.22	6,664.66	7,712.88	21.10
3	Shenzhen	920.77	2,172.71	3,093.48	8.50
4	Guangdong	1,023.88	1,183.23	2,207.11	6.00
5	Jiangsu	689.45	479.09	1,168.54	3.20
6	Zhejiang	519.51	490.11	1,009.62	2.80
7	Shandong	205.66	152.62	358.28	1.00

continued

Ranking	Region	Current Account	Capital Account	Total	Share
8	Tianjin	167.08	145.9	312.98	0.90
9	Fujian	90.43	160.96	251.39	0.70
10	Hubei	50.85	172.74	223.59	0.60
	Others	1,268.01	1,024.96	2,292.97	6.30
	Total	7,947.69	28,659.14	36,606.83	100.00

Source: the PBC.

In 2021, cross-border RMB settlement between mainland China and the Hong Kong Special Administrative Region (SAR) accounted for 48.6% of the total amount, ranking the 1st. Singapore (11.3%), the United Kingdom (5.4%) and the Macao Special Administrative Region (3.9%) ranked from the 2nd to the 4th. The settlement of the top 10 countries and regions accounted for 77.8% of the total cross-border RMB settlement, down from 80.9% in 2020, and the cross-border RMB settlement funds flowed into more diversified areas.



In 2021, cross-border RMB settlement between China and countries along the Belt and Road (B&R) registered RMB 5.42 trillion yuan, a yoy increase of 19.6%, accounting for 14.8% of the total cross-border RMB settlement. Among them, RMB 998.27 billion yuan

related to trade in goods, a yoy increase of 14.7%, and RMB 622.56 billion yuan was for direct investment, a yoy increase of 43.4%. By the end of 2021, China 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.

II. Use of the RMB in Current Account Transactions

In 2021, cross-border RMB settlement under the current account grew by 17.4% yoy to RMB 7.95 trillion yuan, of which the receipts amounted to RMB 3.61 trillion yuan, increasing by 24.3% yoy, and the payments reached RMB 4.34 trillion yuan, increasing by 12.3% yoy, indicating a net payment position of RMB 723.54 billion yuan. In 2021, cross-border RMB settlement under the current account comprised 17.3% of the total cross-border settlement. In the first half of 2022, the cross-border RMB settlement volume under the current account increased by 27.2% yoy to RMB 4.58 trillion yuan.

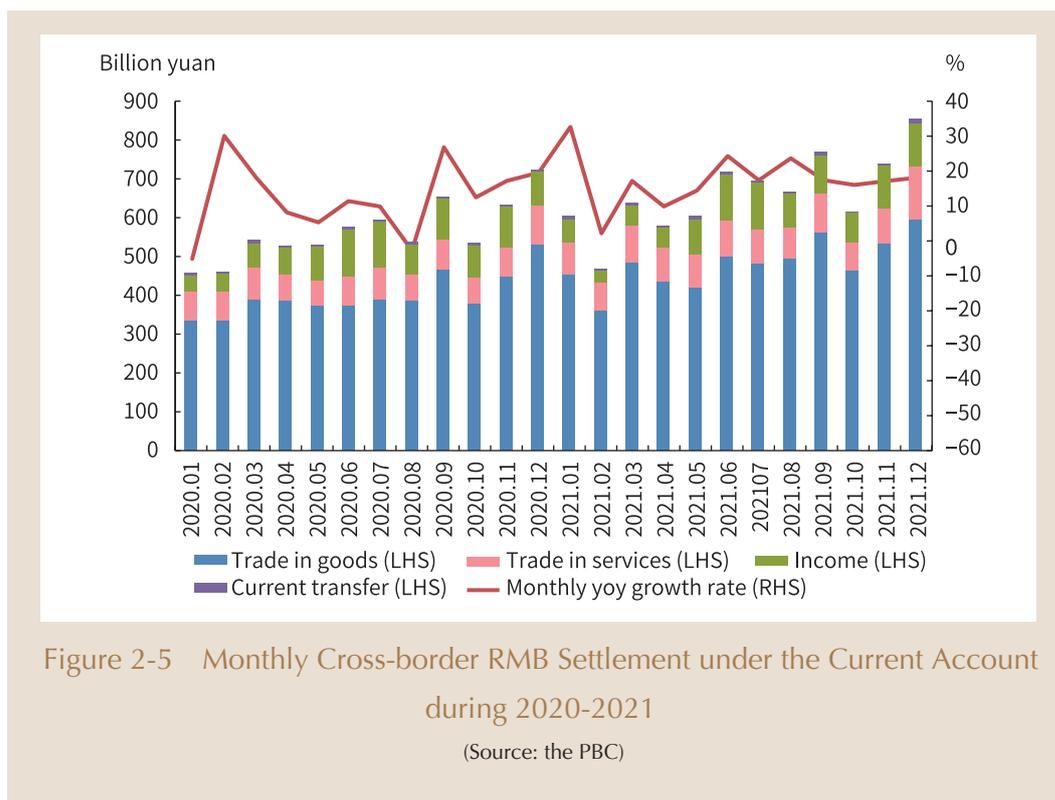
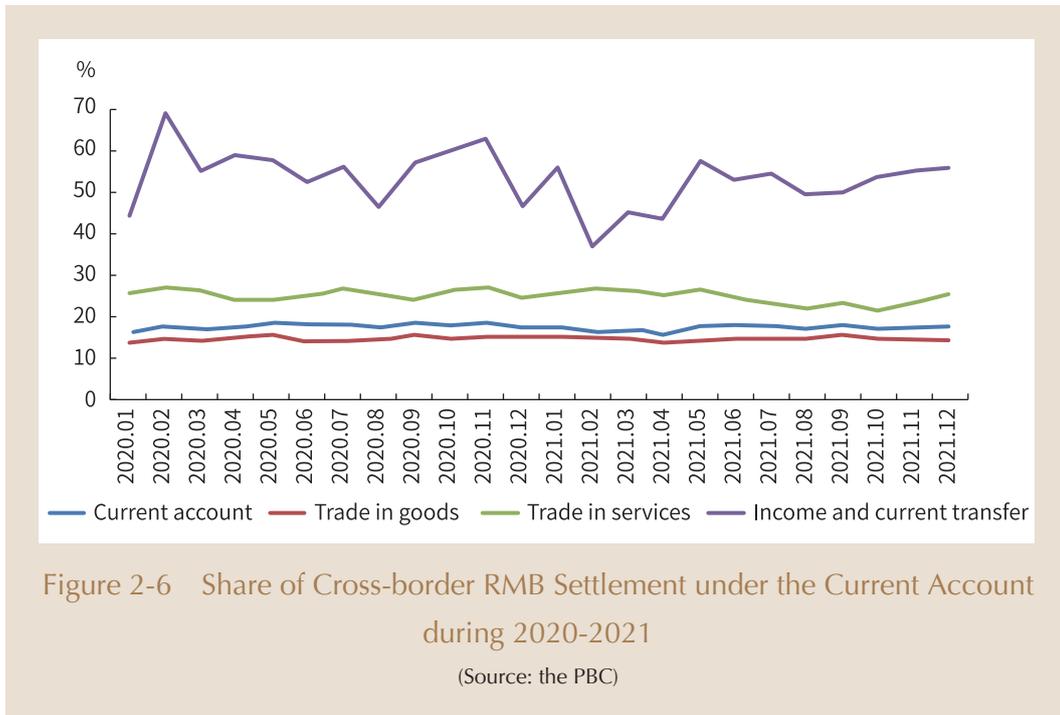


Figure 2-5 Monthly Cross-border RMB Settlement under the Current Account during 2020-2021

(Source: the PBC)



1. Trade in Goods

In 2021, the total amount of the cross-border RMB settlement of trade in goods reached RMB 5.77 trillion yuan, a yoy increase of 20.7%, accounting for 14.7% of the total cross-border settlement in goods trade during the same period, down 0.1 percentage points from the previous year. Among them, the cross-border RMB settlement of general trade reached a value of RMB 3.40 trillion yuan, a yoy increase of 12.2%, while that of the imported materials processing trade reached RMB 0.96 trillion yuan, a yoy increase of 25.9%. In the first half of 2022, the cross-border RMB settlement of trade in goods amounted to RMB 3.48 trillion yuan, a yoy increase of 31.2%, accounting for 16.6% of the total cross-border settlement of trade in goods during the same period, 1.9 percentage points higher than 2021 level.

2. Trade in Services

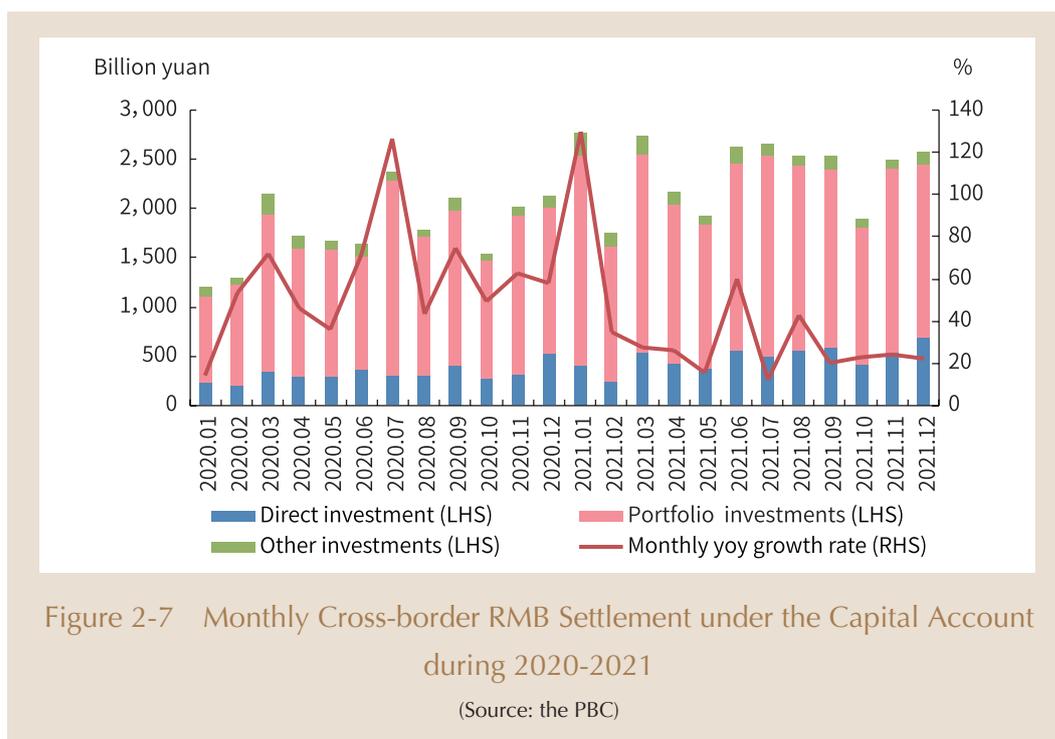
In 2021, cross-border RMB settlement of trade in services totaled RMB 1.09 trillion yuan, a yoy increase of 17.8%, accounting for 24.3% of total cross-border trade in services, a drop of 1.2 percentage points from the previous year. In the first half of 2022, cross-border RMB settlement of trade in services registered RMB 0.60 trillion yuan, a yoy increase of 16.2%, accounting for 25.1% of total cross-border trade in services and an increase of 0.8 percentage points over 2021 level.

3. Income and Current Transfers

In 2021, cross-border RMB settlement of income amounted to RMB 1.01 trillion yuan, a yoy increase of 0.35%, while that of current transfers amounted to RMB 76.75 billion yuan, a yoy increase of 42.2%. Cross-border RMB settlement of income and current transfers accounted for 51.8% of the total settlement amount in this category, down 3 percentage points from the previous year. In the first half of 2022, cross-border RMB settlement of income and current transfers totaled RMB 0.51 trillion yuan, a yoy increase of 16.4%, accounting for 52.2% of the total settlement amount in this category, an increase of 0.4 percentage points over 2021 level.

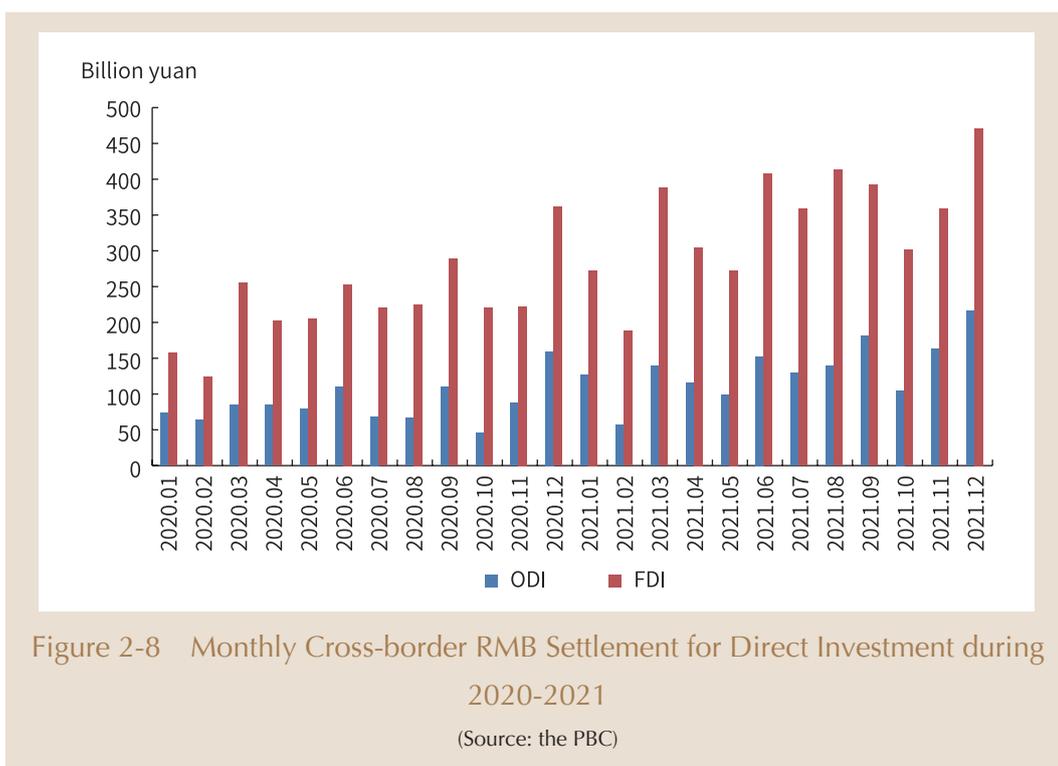
III. Use of the RMB in Capital Account Transactions

In 2021, cross-border RMB settlement under the capital account totaled RMB 28.66 trillion yuan, a yoy increase of 32.8%. Receipts amounted to RMB 14.89 trillion yuan, a yoy increase of 32.9%, while payments totaled RMB 13.77 trillion yuan, a yoy increase of 32.1%, with a net inflow of RMB 1.13 trillion yuan. Cross-border RMB settlement of direct investment, portfolio investment and cross-border financing, accounted for 20.2%, 74.1% and 5.6% of the total amount of settlement under the capital account, respectively. In the first half of 2022, cross-border RMB settlement under the capital account totaled RMB 15.73 trillion yuan, a yoy increase of 12.7%.



1. Direct Investment

In 2021, cross-border RMB settlement for direct investments amounted to RMB 5.8 trillion yuan, a yoy increase of 52.3%. Among them, the amount of outbound direct investment settlement was RMB 1.64 trillion yuan, a yoy increase of 56.2%, and the amount of the foreign direct investment settlement reached RMB 4.16 trillion yuan, a yoy increase of 50.7%. In the first half of 2022, cross-border RMB settlement for direct investment totaled RMB 3.01 trillion yuan, a yoy increase of 18.2%.



Box 2 Cross-border RMB Business has Advanced to Serve the Real Economy

In recent years, in order to resolutely implement the decisions and arrangements of the CPC Central Committee and the State Council, with an orientation to serve the building of a new development paradigm and to promote trade and investment facilitation, the PBC has kept improving the policies for RMB settlement of cross-border trade, investment and financing, encouraging market participants to more proactively use the RMB in cross-border settlements.

Firstly, the PBC has focused on enhancing convenience and efficiency of cross-border RMB settlement services. To tackle the difficulties and obstacles associated with policy implementation, the PBC has been implementing measures to enhance facilitation of RMB settlement in trade and investment nationwide, including supporting the paperless trade, streamlining verifying procedures of the cross-border RMB settlement for overseas contractors and account opening for direct investment, and facilitate foreign trade enterprises conducting their exchange rate risk management. These measures have improved the effectiveness and efficiency of cross-border RMB business and reduced the time and financial costs for enterprises. In the first half of 2022, cross-border RMB settlement under current account and direct investment was RMB 6 trillion yuan, a yoy increase of 23%; the proportion of cross-border RMB settlement for trade in goods increased to 16.6%, up 1.9 percentage points from a year earlier.

Secondly, the PBC has strengthened support to the new modes of foreign trade. The recent development of the new modes of foreign trade is an important step in promoting high-quality trade development and identifying new opportunities for growth by participating in international economic cooperation and competition. To encourage the offering of relevant financial services, the PBC, working with relevant departments, has launched a number of policies and measures to support the development of new modes of foreign trade like offshore international trade, cross-border e-commerce and overseas warehouses, and guided banks and relevant institutions to create favorable business environment to stimulate the motives of market participants, especially the micro, small and medium-sized foreign trade enterprises by providing financial service tailored to the characteristics of the new modes and helping them navigate in digital economy. In the first half of 2022, the RMB settlement amount related to cross-border e-commerce was RMB 431.7 billion yuan, a yoy increase of 20.7%.

Thirdly, the PBC has expanded cross-border financing business and helped enterprises reduce financing costs. In order to meet the operational financing needs of multinational enterprises and enterprises in either the upstream or the downstream of China's industrial and supply chains, and to facilitate enterprises to make better use of domestic and international markets and resources, the PBC, together with SAFE, has introduced a policy allowing banks to conduct overseas financing in both RMB and foreign

currencies. And the PBC also launched a new pilot cash pooling program, which allows integrating RMB and foreign currency in the same pool for multinational corporations. These measures have further enhanced the convenience for enterprises to get financing from domestic and overseas markets, and are conducive for enterprises to reducing their financing costs and enhancing their financial management flexibilities.

In the next stage, the PBC will continue to strengthen the policy support for the cross-border use of the RMB with a market oriented approach and leaving choices to enterprises, optimize the business environment, continuously advance the cross-border RMB business to serve the real economy and help to stabilize the macro economy.

2. The Cross-border RMB Cash Pooling Business

By the end of 2021, a total of 3,173 cross-border RMB cash pools were established nationwide. In 2021, cross-border RMB cash pools had outflows of RMB 1.86 trillion yuan and inflows of RMB 1.95 trillion yuan, totaling RMB 3.81 trillion yuan, a yoy increase of 49.9%.

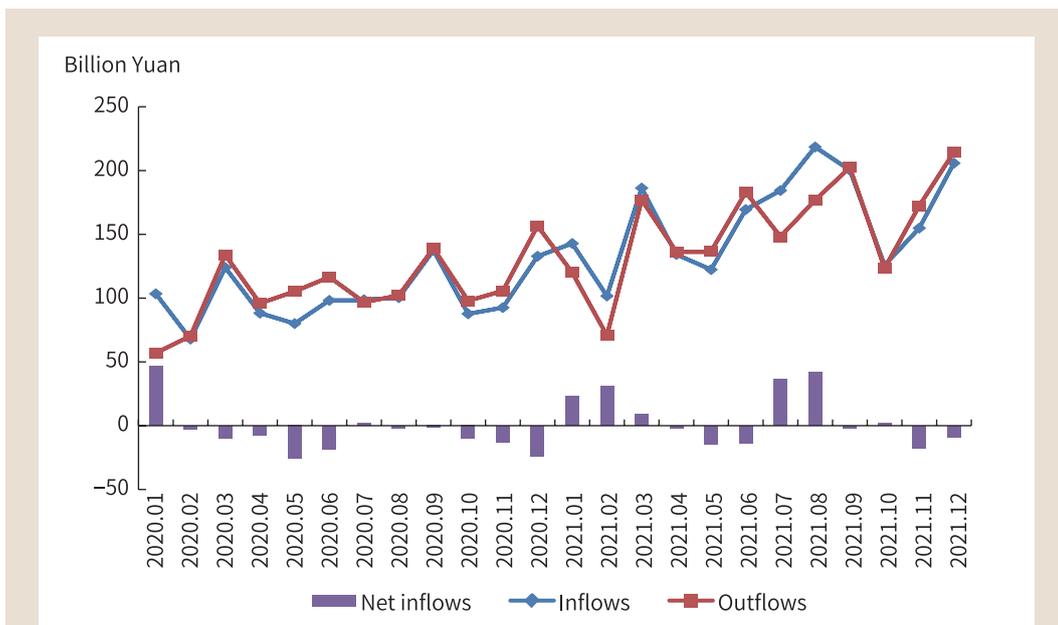
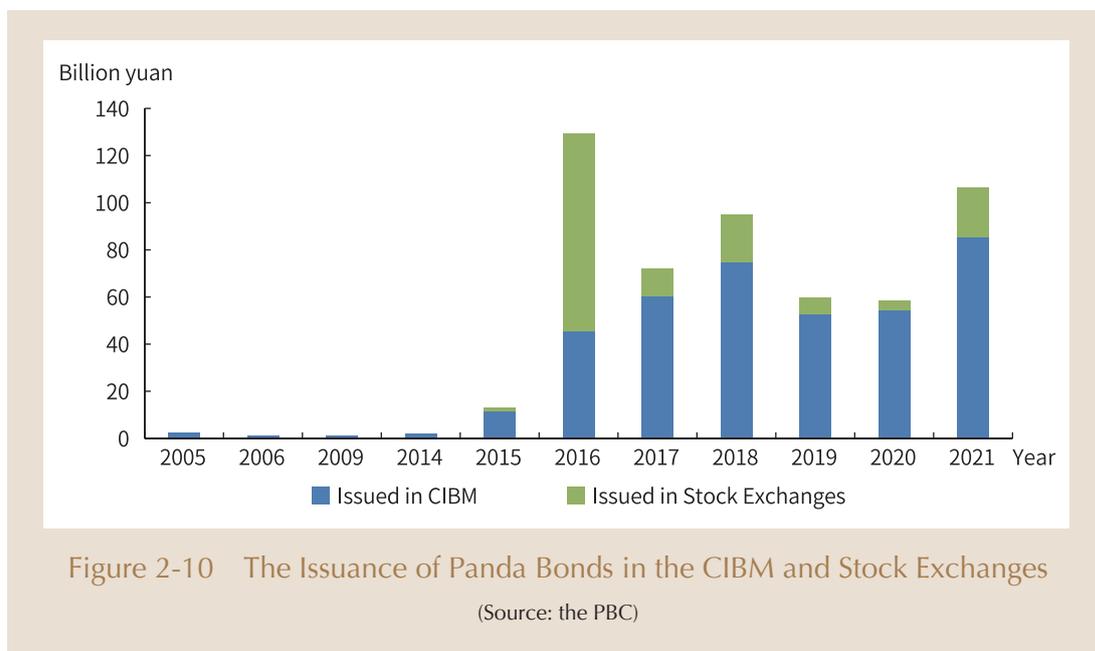


Figure 2-9 Monthly Cross-border RMB Settlement under the Cash Pooling Business during 2020-2021

(Source: the PBC)

3. Panda Bonds

By the end of 2021, the issuers of Panda Bonds included government-linked organizations, international development agencies, financial institutions and non-financial enterprises, with cumulative issuances of RMB 540.17 billion yuan. In 2021, 72 Panda Bonds were issued through China Inter-bank Bond Market (CIBM) and stock exchanges, with total issuances of RMB 106.45 billion yuan.



4. Portfolio Investment

In 2021, cross-border RMB settlement of portfolio investment totaled RMB 21.24 trillion yuan, a yoy increase of 28.7%. In the first half of 2022, cross-border RMB settlement of portfolio investment totaled RMB 11.83 trillion yuan, a yoy increase of 13.0%.

Bond Investment. By the end of 2021, a total of 1,016 foreign institutions invested in CIBM, of which 507 via the direct access, 728 via the Bond Connect, and 219 via both channels. In 2021, the total inflow reached RMB 8.11 trillion yuan and the outflow was RMB 7.42 trillion yuan, resulting in a net inflow of RMB 687.64 billion yuan. The net inflow via the direct access hit RMB 431.77 billion yuan, and the net inflow via the Bond Connect registered RMB 255.88 billion yuan.

Stock Investment. In 2021, cross-border RMB settlement via both the Shanghai-Hong

Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect totaled RMB 1.93 trillion yuan, a yoy increase of 13.5% and the inflow and outflow were basically in equilibrium. The net inflow via Shanghai Stock Connect and Shenzhen Stock Connect reached RMB 409.85 billion yuan, while the net outflow via Hong Kong Stock Connect reached RMB 409.49 billion yuan.

Qualified Foreign Institutional/. RMB Qualified Foreign Institutional Investors (QFII/RQFII). In 2021, the inflow via the QFII/RQFII reached RMB 1.59 trillion yuan and the outflow was RMB 1.59 trillion yuan, in equilibrium.

Cross-boundary Wealth Management Connect. By the end of 2021, more than twenty thousand residents in the Greater Bay Area and 68 banks participated in the Cross-boundary Wealth Management Connect pilot scheme, with cross-border RMB settlement reaching RMB 486 million yuan. The cumulative net inward remittances via Northbound reached RMB 176 million yuan, and the cumulative net outward remittance via Southbound was RMB 106 million yuan.

Table 2-3 Domestic RMB Financial Assets Held by Overseas Entities

Unit: billion yuan

Instruments	Dec.2020	Mar. 2021	Jun.2021	Sep.2021	Dec.2021
Stocks	3,406.56	3,361.37	3,763.43	3,560.74	3,941.99
Bonds	3,335.08	3,652.10	3,837.68	3,939.39	4,090.45
Loans	963.02	1,098.91	1,164.81	1,161.09	1,137.23
Deposit	1,280.33	1,281.61	1,489.57	1,518.35	1,660.02
Total	8,984.99	9,393.98	10,255.49	10,179.57	10,829.69

Source: the PBC.

5. Other Investments

In 2021, cross-border RMB settlement under other investment categories, such as cross-border financing and RMB loans for overseas projects, reached RMB 1.61 trillion yuan, a yoy increase of 23.9%, a net inflow of RMB 66.61 billion yuan.

IV. RMB-denominated Commodity Trading and Transactions

In 2021, cross-border RMB settlement in the field of commodities trading maintained

a relatively rapid growth from a low basis. Cross-border RMB settlement for trade in major commodities such as crude oil, iron ore, copper and soybeans reached RMB 405.47 billion yuan, a yoy increase of 42.8%. And cross-border RMB settlement for trade in new energy metals such as lithium, cobalt and rare earth totaled RMB 100.56 billion RMB, a yoy increase of 27.7%.

In 2021, trading of the 7 specified varieties of futures listed in China, namely crude oil, iron ore, purified terephthalic acid (PTA), TSR 20, low-sulfur fuel oil, international copper, and palm oil, developed steadily and played a role in providing benchmarks for pricing and settlement of commodity trading in RMB. By the end of 2021, overseas players remitted total fund inward equivalent to RMB 124.50 billion yuan as margin and outward equivalent to RMB 125.31 billion yuan, of which the RMB accounted for 69.1% and 81.3%, respectively.

V. Use of the RMB in Domestic Foreign Exchange Market

By the end of 2021, there were 764 RMB foreign exchange spot trading members, 282 forward trading members, 275 foreign exchange swap trading members, 227 currency swap trading members, 167 option trading members, and 25 RMB foreign exchange market makers in China's interbank foreign exchange market.

The product structure of China's domestic interbank foreign exchange market was further improved. The annual volume of RMB foreign exchange trading was equivalent to USD 31.35 trillion, a yoy increase of 23.4% and the average daily volume was equivalent to USD 129.00 billion. Among them, RMB foreign exchange spot transactions amounted to an equivalent of USD 10.00 trillion, a yoy increase of 19.4%. RMB foreign exchange swap transactions saw a volume equivalent to USD 20.31 trillion, a yoy increase of 24.4%, among which the volume of overnight dollar swaps amounted to an equivalent of USD 13.57 trillion, 66.8% of the total swap volume; currency swap equivalent to USD 30.46 billion, a yoy increase of 50.7%; RMB forward transactions equivalent to USD 108.89 billion, a yoy increase of 4.3%; and RMB option transactions equivalent to USD 893.45 billion, a yoy increase of 57.7%.

In 2021, RMB transactions against non-USD foreign currencies grew steadily, with spot transactions amounting to RMB 2.62 trillion yuan, accounting for 4.1% of spot

transactions in the interbank foreign exchange market, basically unchanged from the previous year.

Table 2-4 Trading Volume of the RMB against Currencies in the Interbank Foreign Exchange Spot Market in 2021

Unit: 100 million yuan

Currency	USD	EUR	JPY	HKD	GBP	AUD	NZD
Trading Volume	618,899.66	17,629.67	2,735.76	1,519.23	866.21	769.75	341.26
Currency	SGD	CHF	CAD	MYR	RUB	ZAR	KRW
Trading Volume	552.60	365.95	734.85	3.78	97.91	1.41	76.83
Currency	AED	SAR	HUF	PLN	DKK	SEK	NOK
Trading Volume	9.17	27.40	11.92	12.10	66.08	46.92	28.39
Currency	TRL	MXN	THB	IDR (Regional Trade)			
Trading Volume	0.29	1.02	335.73	10.44			

Source: China Foreign Exchange Trade System (CFETS).

VI. RMB as an International Reserve Currency

According to the IMF statistics, as of the first quarter of 2022, the volume of RMB reserves held by global central banks amounted to USD 336.39 billion, accounting for 2.88% of global foreign exchange reserve, up 1.80 percentage points from 2016 when the RMB was first included in the SDR currency basket, and ranking the 5th among major reserve currencies. According to incomplete statistics, more than 80 foreign central banks or monetary authorities have held the RMB reserves.

VII. Cross-border Circulation of RMB Banknotes

In 2021, due to the persistence of Covid-19 pandemic, which led to the closure of crossings at some borders and a significant decrease in the number of people crossing the borders, the demands of overseas RMB clearing banks and participating banks for cross-border shipments of RMB banknotes shrank dramatically and so did the volume of cross-border transportation of RMB banknotes. The cross-border transportation of RMB banknotes by RMB clearing banks in Hong Kong, Macao, Chinese Taipei and Singapore totaled RMB 8.46 billion yuan, a yoy decrease of 36.2%. Among them, the outbound transportation amounted to RMB 753 million yuan, and the inbound

transportation registered RMB 7.70 billion yuan, a yoy decrease of 62.1% and 31.6% respectively. The total cross-border transportation of RMB banknotes by the RMB participating banks in neighboring countries was RMB1 80 million yuan, a yoy decrease of 51.7%.

VIII. RMB Cross-border Interbank Payment System

In 2021, the RMB Cross-border Interbank Payment System (CIPS) operated smoothly, handling a total of 3.34 million cross-border RMB transactions with overall value of RMB 79.60 trillion yuan, a yoy increase of 51.6% and 75.8% respectively. It processed an average of 13,367 transactions with the value of RMB 318.4 billion yuan on a daily basis. In 2021, there were 33 new direct participants (17 of which were overseas RMB clearing banks) and 134 new indirect participants with CIPS. By the end of 2021, a total of 1,259 domestic and foreign institutions linked with CIPS directly or indirectly, of which 75 institutions were direct participants (an increase of 56 institutions from the initial launch of CIPS in October 2015), and 1,184 institutions were indirect participants (an increase of nearly sixfold from the initial launch of CIPS in 2015).

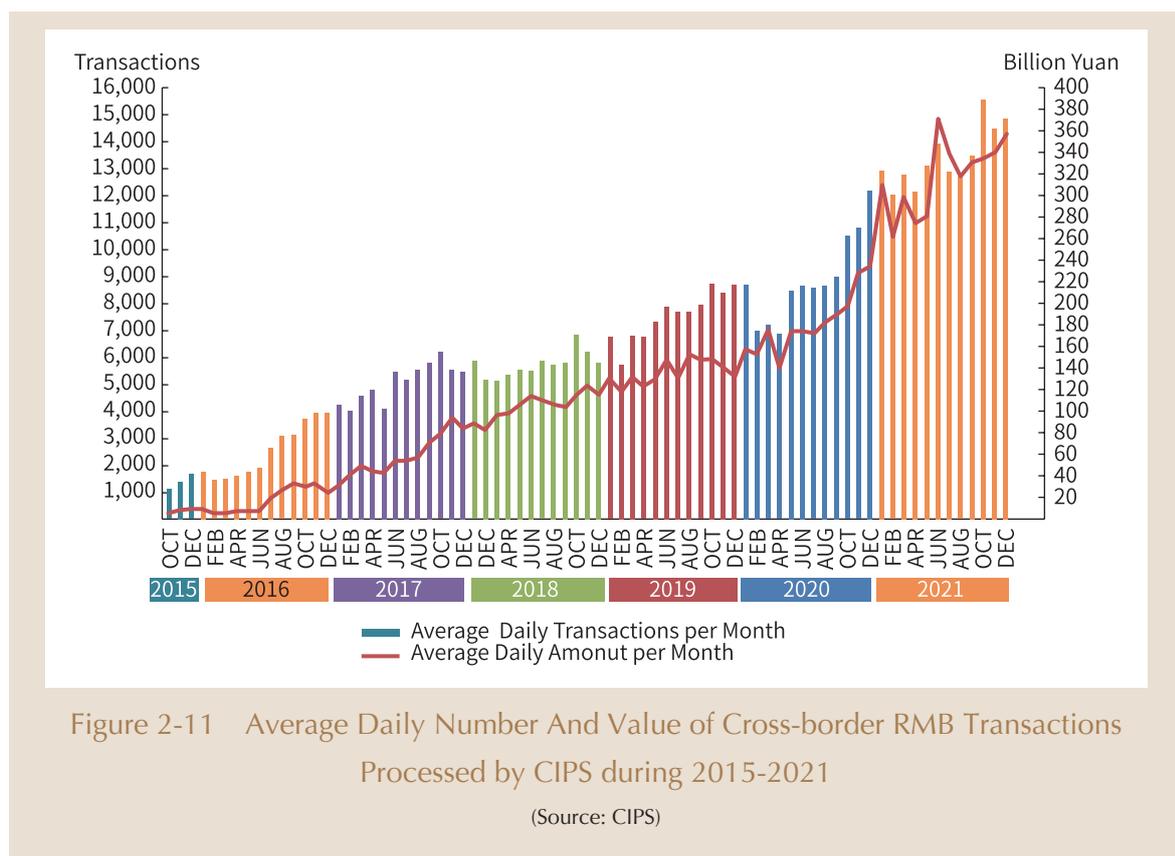


Figure 2-11 Average Daily Number And Value of Cross-border RMB Transactions Processed by CIPS during 2015-2021

(Source: CIPS)

Box 3 The Launch of the Second-generation RMB Cross-border Payment and Receipt Management Information System

In order to serve the RMB internationalization and support the needs of macro-prudential management, the construction of the second-generation RMB Cross-border Payment and Receipt Management Information System (hereinafter referred to as the RCPMIS II) was initiated in early 2020. In the past two years, preparatory works of the RCPMIS II requirements design, system development, business testing, and the direct linkage acceptance inspection have been completed. The RCPMIS II was successfully launched for trial operation in December 2021.

Compared with the first generation, the RCPMIS II has the following features. Firstly, it has a more open system architecture. The RCPMIS II adopts a micro-service architecture design, which allows the system to respond to business needs quickly. It has a browser interface to facilitate users' operations. Secondly, it has a more flexible field structure. RCPMIS II proactively takes into account the policy framework and management need for cross-border capital flows, with additional reserved fields which can be activated at any time according to business needs. Thirdly, its data collection becomes more efficient through direct linkage. The RCPMIS II realizes the direct linkage automatic collection of key field information in cables of cross-border receipts and payments. The information is directly collected from the bank's core business system, which improves data quality and timeliness while reducing the bank's workload. Fourthly, it provides flexible statistical monitoring. Compared with the first generation, the RCPMIS II provides more statistical dimensions, which is conducive to satisfying the demands of ad hoc and customized statistical monitoring in addition to those general ones. Fifthly, it is a management platform with more comprehensive functions. The RCPMIS II further strengthens its business management functions, which can realize paperless filing online for business such as the cash pooling and the Wealth Management Connect, standardize filing processes, reduce banks' operational cost and retain regulatory traces.

In the next step, the PBC will continue the construction of the RCPMIS II steadily, and constantly improve its monitoring and warning functions to provide stronger support for the macro-prudential management of cross-border capital flows.

IX. Central Banks Cooperation

1. Bilateral Local Currency Settlement

In March 2021, the PBC signed the Bilateral Local Currency Cooperation Agreement with National Bank of Cambodia, expanding the scope of local currency settlements to all the current and capital transactions that had been liberalized by both countries. In September 2021, the PBC and Bank Indonesia formally embarked on the cooperation framework for the China-Indonesia Local Currency Settlement (LCS), and launched the regional trading of Chinese yuan (CNY) against Indonesian rupiah (IDR) in the interbank market.

Box 4 Remarkable Results of the China-Indonesia LCS Cooperation

In September 2021, the PBC and the Bank Indonesia officially introduced the LCS cooperation framework and simultaneously launched the regional trading of CNY against IDR in the interbank market in Zhejiang Province. Since the launch of China-Indonesia LCS, it has been running well with active market transactions and positive economic and social results.

The LCS was first proposed by the Bank Indonesia as a local currency settlement mechanism in the context when free capital flow was not available, and was mainly used for cross-border settlement for current accounts and direct investment. Under this mechanism, central banks of the two countries designate a number of commercial banks as Appointed Cross Currency Dealer (ACCD). ACCD banks of both countries open accounts in their counterpart's currencies and enterprises open sub-accounts in their counterpart's currencies at their domestic ACCD banks. The design of China-Indonesia LCS framework achieved multiple business innovations. Firstly, it adopts an asymmetric cooperation model. The use of the Indonesian rupiah is strictly limited to trade and investment transactions between the two countries, and Chinese enterprises should not use the Indonesian rupiah for settlements with third-country entities, while Indonesian enterprises are free to use the RMB for settlements with third-country entities. Secondly, several Indonesian local banks are introduced in the regional trading of CNY/IDR (12 Indonesian local banks out of 20 participating banks) to better match the supply

and demand, smooth the clearing and closing channels, and bolster trading activities. Thirdly, the regional trading market participating banks are allowed to close out their passively held CNY or IDR positions in the market and conduct derivatives trading of forwards and swaps, which covers diversified foreign exchange products, and thus meets the liquidity and exchange rate risk management needs.

China-Indonesia LCS cooperation has bolstered the activities of regional market transactions and promoted the facilitation of trade and investment between the two countries. Currently, CNY/IDR is the most active currency pair in the regional currency trading market. After the formal launch of China-Indonesia LCS cooperation, relevant parties like authorities and commercial banks have held a number of promotional sessions, improving the recognition and acceptance of the RMB in the Indonesian market. In the first half of 2022, China-Indonesia cross-border RMB settlement of trade and direct investment amounted to RMB 32.21 billion yuan, a yoy increase of 56.7%, of which RMB 2.77 billion yuan, or 8.6% was settled under the LCS mechanism. In the next step, the PBC will continue to improve the China-Indonesia LCS cooperation mechanism and deepen monetary and financial cooperation with ASEAN countries and neighboring countries leveraging on LSC cooperation experience, to facilitate trade and investment and expand the use of local currencies.

2. Bilateral Local Currency Swap

In 2021, the PBC renewed bilateral local currency swap agreements with central banks or monetary authorities of 11 countries and regions including Canada, Australia, Japan, and the United Kingdom. By the end of 2021, the PBC signed bilateral currency swap agreements with central banks or monetary authorities of 40 countries and regions, with the total amount of over RMB 4.02 trillion yuan and an effective amount of RMB 3.54 trillion yuan.

In July 2022, the PBC signed a standing currency swap arrangement with the Hong Kong Monetary Authority (HKMA). It was the first standing currency swap agreement signed by the PBC. The two sides upgraded the currency swap arrangement established since 2009 to a long standing one with no pre-set expiration date. The size of the swap was also expanded from RMB 500 billion/HKD 590 billion to RMB 800 billion/HKD 940 billion. It will provide more stable and longer-term liquidity

support for Hong Kong market, better supporting the development of Hong Kong as an international financial center and fostering the development of the offshore RMB market in Hong Kong.

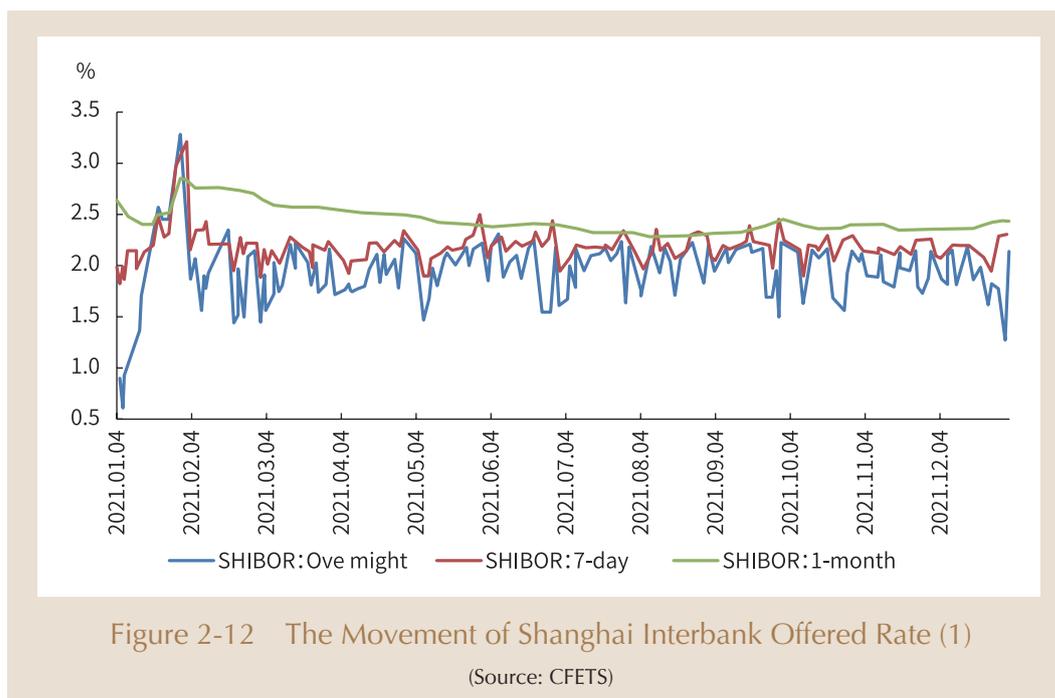
3. Overseas Clearing Arrangements of the RMB

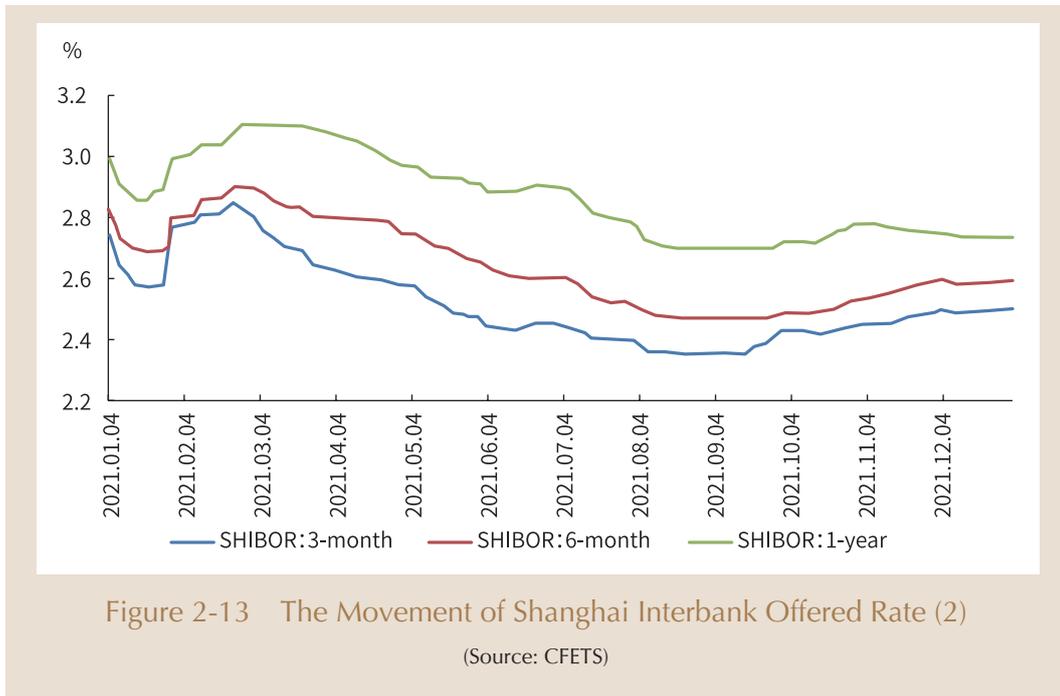
By the end of 2021, the PBC designated 27 overseas RMB clearing banks in 25 countries and regions.

X. The RMB Interest Rate and Exchange Rate

1. The RMB Interest Rate

In 2021, the pivotal RMB interest rate in the domestic money market generally rose and then fell, reaching a high point in the first quarter and then falling back before rebounding slightly by the end of 2021. By the end of 2021, the overnight and 7-day Shanghai Interbank Offered Rate (SHIBOR) rose by 104 basis points (bps) and 28 bps from the beginning of the year, closing at 2.13% and 2.27%, respectively; the 1-month, 3-month, 6-month and 1-year SHIBOR dropped by 21 bps, 25 bps, 24 bps and 26 bps, closing at 2.43%, 2.50%, 2.59% and 2.74%, respectively.





2. The RMB Exchange Rate

In 2021, the RMB exchange rate moved in both directions based on market supply and demand with enhanced resilience. The RMB appreciated against a basket of currencies throughout the year. At the end of 2021, the CFETS RMB exchange rate index was 102.47, up 8.1% from the end of 2020. The RMB appreciated against the major global currencies, with the central parity rate of the RMB appreciating 2.3%, 11.2%, 3.3% and 14.1% against the USD, the EUR, the GBP and the JPY respectively, compared with the end of 2020.

In 2021, the central parity of the RMB against the USD ranged from a high of 6.3498 to a low of 6.5713, with an annualized volatility of 3.0%. During the 243 trading days, RMB appreciated in 128 days and depreciated in 115 days. The biggest intra-day appreciation and depreciation were 0.99% (648 bps) and 0.83% (543 bps) respectively. At the end of 2021, the central parity of the RMB against the USD was 6.3757, an appreciation of 2.3% from the end of 2020, and the closing rate against the USD was 6.3730, an appreciation of 2.6% from the end of 2020.

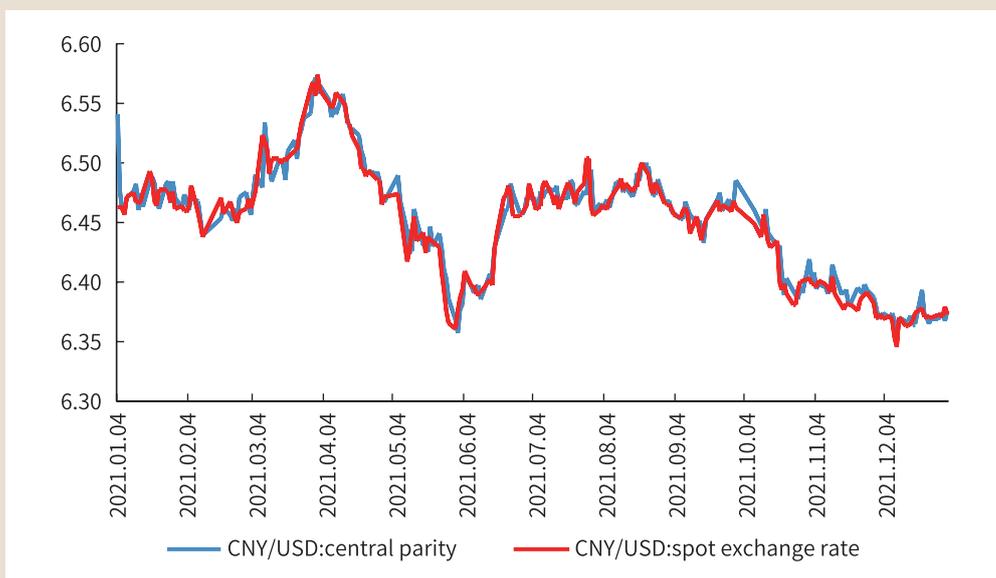


Figure 2-14 The Movement of the Domestic RMB Exchange Rate against the USD

(Source: the PBC, CFETS)



PART THREE

Updates of Policies and Relevant Reforms

In 2021, the policy framework of cross-border RMB business was further improved. Cross-border RMB business better served the real economy and trade and investment were further facilitated. The two-way opening-up of financial market continued to be enhanced and the RMB exchange rate formation mechanism was further improved, which played a better role as an automatic stabilizer in adjusting the macro economy and the balance of payments.

I. Optimizing Policies on Cross-border RMB Settlement

In January 2021, the PBC, together with National Development and Reform Commission (NDRC), Ministry of Commerce (MOFCOM), State-owned Assets Supervision and Administration Commission of the State Council (SASAC), China Banking and Insurance Regulatory Commission (CBIRC), and SAFE, issued *the Notice on Further Optimizing the Cross-border RMB Policies to Stabilize Foreign Trade and Investment*, to improve the fundamental policies for cross-border investment, financing, and settlement, etc.

In December 2021, the PBC, together with SAFE, issued *the Notice on Issues Concerning Supporting New Forms of Offshore International Trade*, to support the new offshore international trade business motivated by the innovation and development of the real economy, covering both the RMB and foreign settlement.

In January 2022, the PBC, together with SAFE, issued *the Notice on Overseas Lending by Banking Institutions*, expanded the scope of banks' overseas RMB loan business, and further supported and specified the requirements of domestic banking institutions conducting overseas loan business denominated in both RMB and foreign currencies.

In May 2022, the PBC, together with MOFCOM and SAFE, issued *the Notice on Supporting Foreign Economic and Trade Enterprises to Enhance Their Ability to Cope with Exchange Rate Fluctuations*, to encourage a more proactive use of the RMB in cross-

border transaction , thus reducing exchange rate risks by local currency use.

In June 2022, the PBC issued *the Notice on Supporting Cross-border RMB Settlements for New Modes of Foreign Trade*, to improve policies related to cross-border RMB business for new modes of foreign trade such as cross-border paperless e-commerce and support the development of new foreign trade modes in a sound, sustainable and innovative way.

In July 2022, the PBC, together with SAFE, expanded the pilot cash pooling program, which allows integrating the RMB and foreign currencies in the same pool for multinational corporations, and rolled out the second round of the pilot scheme in Shanghai, Guangdong, Shaanxi, Beijing, Zhejiang, Shenzhen, Qingdao and Ningbo, to further facilitate the coordinated use of funds domestically and overseas by multinational corporations.

Box 5 Consistent Efforts to Strengthen the Coordinated Management of RMB and Foreign Currency Policies

In recent years, the PBC and SAFE have continued strengthening the coordination of cross-border RMB and foreign currency settlement policies, further facilitating trade and investment. Previously, cross-border RMB and foreign currency settlement policies were designed separately because the RMB was not allowed in cross-border settlement. Currently, more policies are designed in way that covers both RMB and foreign currency settlement, including enterprises' offshore lending, banks' offshore lending, full-caliber cross-border financing and multinational corporations' cash pooling.

Since 2021, the PBC and SAFE have continued to strengthen the coordination and issued the Notice on Issues Concerning Supporting New Forms of Offshore International Trade and the Notice on Overseas Lending by Banking Institutions in succession to achieve the integrated management of the RMB and foreign currencies in cross-border settlements with regard to new offshore international trade businesses and established an integrated policy framework for banks' overseas lending in both the RMB and foreign currencies.

The coordinated cross-border settlement policies covering both RMB and foreign currencies can make it more convenient for market entities to handle cross-border business and save financial costs, which is conducive to promoting trade and investment facilitation and better serving the real economy. In the next step, the PBC will continue to strengthen the coordination of RMB and foreign currency policies and optimize the policy support system for cross-border use of the RMB.

II. Promoting the Two-way Opening-up of Financial Market

In February 2021, the PBC, together with CBIRC, China Securities Regulatory Commission (CSRC), SAFE, HKMA, Securities & Futures Commission of Hong Kong, and Monetary Authority of Macao, signed *the Memorandum of Understanding on the Launch of the Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area*. The authorities agreed to supervise the scheme within the scope of their respective responsibilities and cooperate with each other.

In September 2021, *the Implementation Details for Cross-Boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area* was released, and the Cross-Boundary Wealth Management Connect pilot scheme was officially launched. This was a significant step to promote the interconnection of financial markets in the Greater Bay Area, enhance the level of two-way opening-up of China's financial market, and boost the development of Hong Kong as an international financial center.

In September 2021, the PBC announced the official launch of the Bond Connect (Southbound Connect) business, marking the two-way opening of the Bond Connect. It was conducive to improving the policy framework of the two-way opening-up of China's bond market and further enabling domestic investors to allocate assets in international financial market.

III. Improving the RMB Exchange Rate Formation Mechanism

In 2021, the PBC continued to advance the market-based reform of the RMB exchange rate and improve the managed floating exchange rate regime based on market

supply and demand with reference to a basket of currencies. The PBC maintained the flexibility of RMB exchange rate, which played the role of an automatic stabilizer in adjusting the macro economy and the balance of payments. In the whole year of 2021, the RMB exchange rate appreciated against a basket of currencies with enhanced flexibility and enterprises increased the awareness of reducing exchange rate risk. Overall speaking, in 2021, the cross-border capital flows and foreign exchange supply and demand were basically balanced, and market expectations remained generally stable. Based on market supply and demand, the RMB exchange rate witnessed both an appreciation and a depreciation, and remained basically stable at an adaptive and equilibrium level.



PART FOUR

Development of the Offshore RMB Markets

In 2021, offshore RMB markets developed in a sound and orderly manner. The interest rate spread between offshore and onshore RMB markets slightly widened, and the movement of offshore and onshore exchange rates was generally consistent and remained basically stable. The interconnection and cooperation among domestic and overseas financial markets continued to deepen, offshore RMB products became more abundant, and the level of cross-border investment facilitation and liberalization was increased.

I. The Offshore RMB Interest Rate and Exchange Rate

1. Interest Rate

Since 2021, offshore RMB interest rate remained generally stable while divergence became obvious among different tenors. Overnight rate became more volatile while long term rates remained generally stable. At the end of 2021, the RMB overnight and 7-day fixing rates of Hong Kong Interbank Offered Rate (HIBOR) were 6.93% and 2.57% respectively, up 290 bps and down 39 bps from a year earlier respectively. The 3-month, 6-month and 1-year HIBOR were 2.99%, 3.07% and 3.16% respectively, up 10 bps, 13 bps and 9 bps respectively from a year earlier.

In 2021, the interest rate in the offshore market was overall higher than the onshore market with the HIBOR 0.45 percentage points higher than the SHIBOR on average. The spread between the HIBOR and the SHIBOR for 1-month and 3-month periods widened from 30 bps and 31 bps in the first half of the year to 70 bps and 71 bps in the second half of the year respectively.

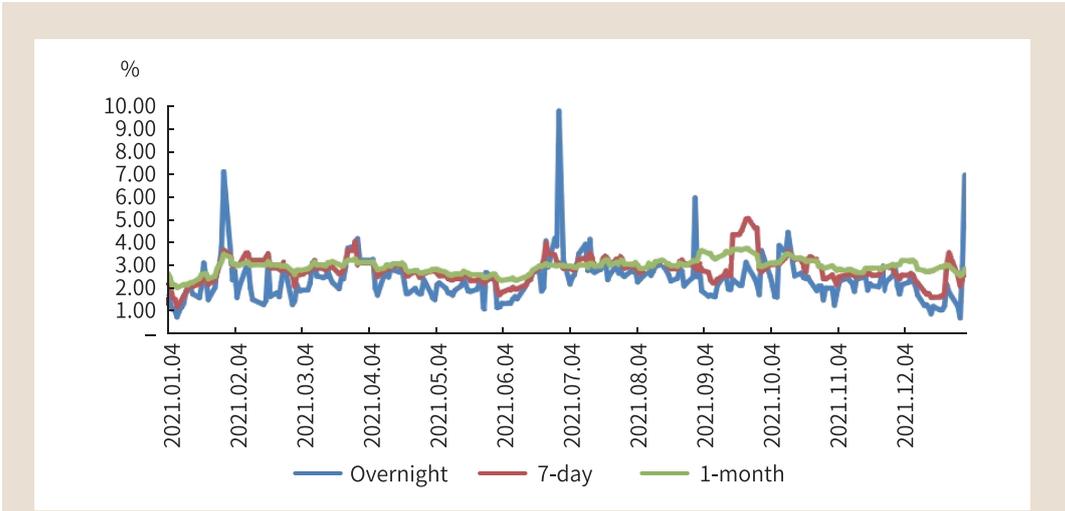


Figure 4-1 Movements of Hong Kong Offshore RMB Offering Rates in 2021 (1)
 (Source: Hong Kong Association of Banks)

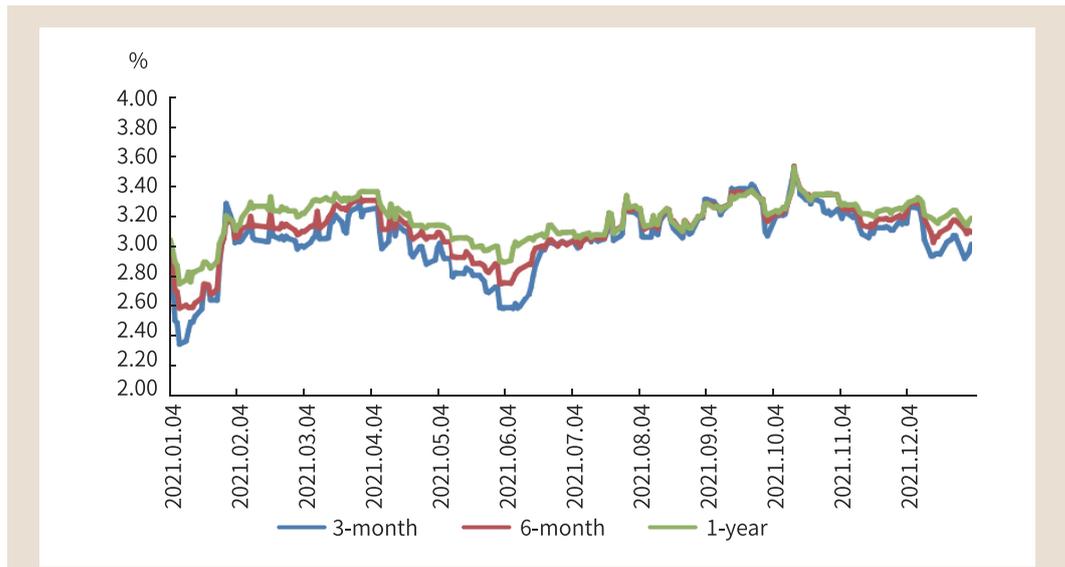
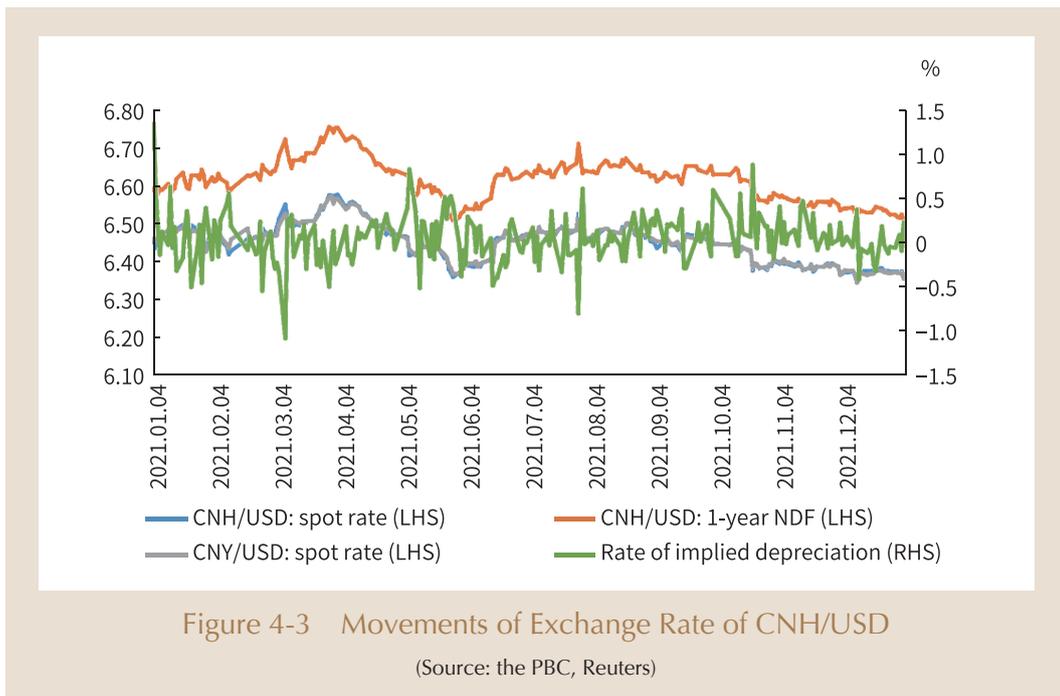


Figure 4-2 Movements of Hong Kong Offshore RMB Offering Rates in 2021 (2)
 (Source: Hong Kong Association of Banks)

2. Exchange Rate

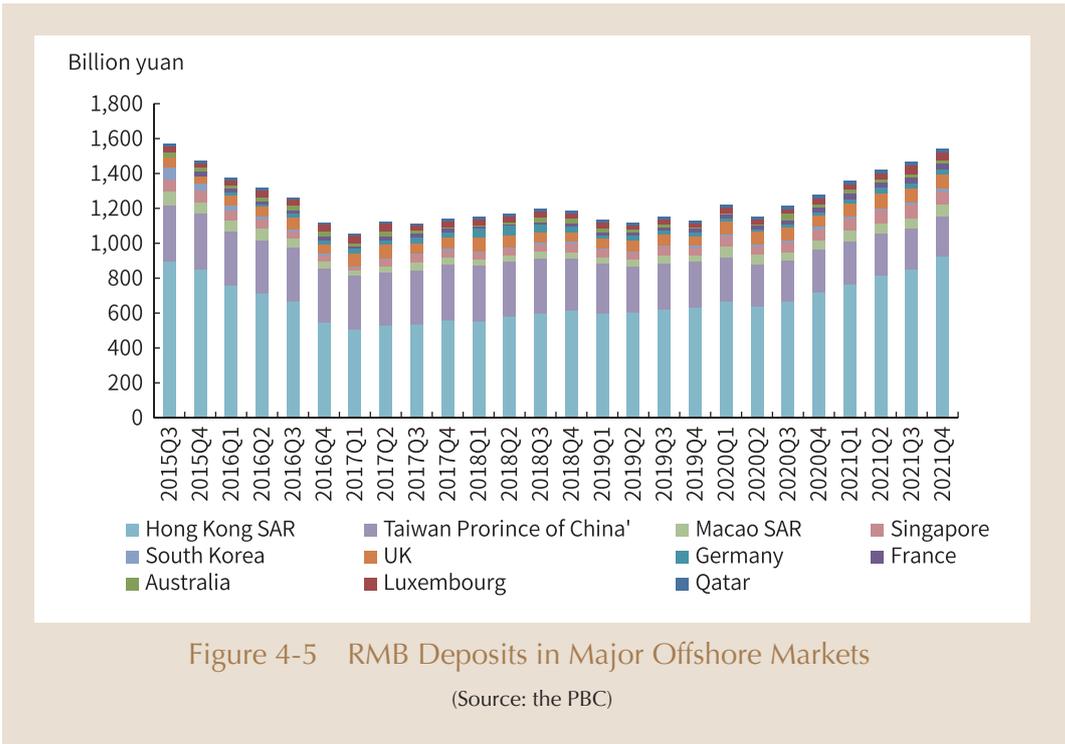
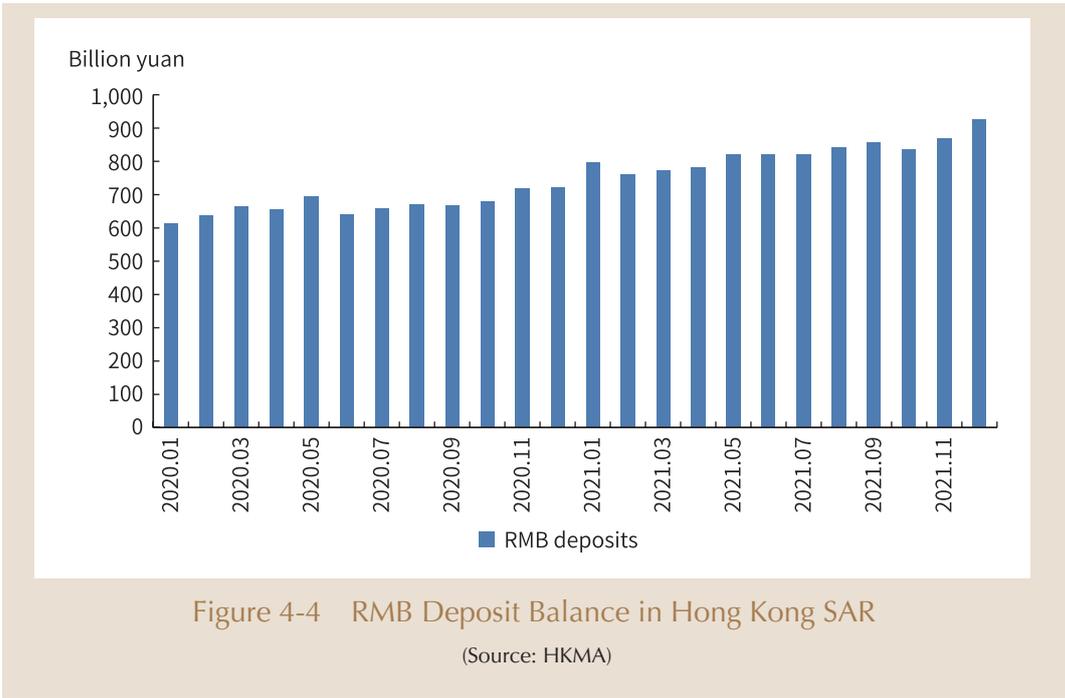
In 2021, the offshore RMB exchange rate moved in both directions, generally consistent with the movement of the onshore RMB, and the exchange rate spread between offshore and onshore markets was stable overall. The first half of 2021 witnessed an overall rise in the offshore RMB exchange rate that peaked at 6.36. In the second half of the year, the offshore RMB exchange rate was generally stable, closing at 6.36 at the end of the year, appreciating by 2.2% from the end of the last year. Quotation for

1-year Non-Deliverable Forward (NDF) was generally stable, with an appreciation of 2.2% in the whole year. The implied depreciation rate moved in both directions during the year, ending at 0.2%, down 111 bps from the beginning of the year. In 2021, the number of trading days when the offshore RMB exchange rate was stronger than the onshore almost equaled to the number of trading days when it was weaker. The average daily exchange rate spread between offshore and onshore RMB was 64 bps, 50 bps narrower than 2020.



II. Offshore RMB Deposits

In 2021, offshore RMB deposits kept growing. By the end of 2021, the RMB deposit balance in major offshore markets exceeded RMB 1.54 trillion yuan, a yoy increase of 21.3%. Among them, the RMB deposit balance in Hong Kong SAR was RMB 926.8 billion yuan, a yoy increase of 28.4%, ranking the 1st among offshore RMB markets and accounting for 7.5% of all the deposit balance in Hong Kong SAR and 14.6% of its foreign currency deposit balance. The RMB deposit balance in Taiwan Province of China was RMB 231.9 billion yuan, a yoy decrease of 5.0%, ranking the 2nd among offshore RMB markets. The RMB deposit balance in the United Kingdom was RMB 81.3 billion yuan, ranking the 3rd in offshore RMB markets.



III. Offshore RMB Financing

In 2021, the overall scale of offshore RMB loans remained stable and the amount of outstanding RMB loans in major offshore markets reached RMB 527.1 billion yuan.

Among them, the amount of outstanding RMB loans in Hong Kong SAR was RMB 163.6 billion yuan, ranking the 1st.

In 2021, the offshore RMB bond market developed steadily. According to incomplete statistics, RMB 353.10 billion yuan of the RMB-denominated bonds were issued in countries and regions with overseas RMB clearing arrangements in 2021, a yoy increase of 6.4%. Among them, the RMB-denominated bonds issued in Hong Kong SAR amounted to RMB 297.3 billion yuan, a yoy increase of 9.8%. In terms of bond issuers, the Ministry of Finance issued RMB 20 billion yuan of treasury bond in Hong Kong SAR in 2021, the Shenzhen municipal government issued RMB 5.0 billion yuan of local government bond in Hong Kong SAR and Guangdong provincial government issued RMB 2.2 billion yuan of local government bond in Macao SAR. By the end of 2021, the outstanding amount of RMB-denominated bonds in countries and regions with RMB clearing arrangements was RMB 271.35 billion yuan, a yoy increase of 2.4%. The balance of the RMB-denominated Certificates of Deposits (CDs) amounted to RMB 120.77 billion yuan, a yoy decrease of 1.1%.

IV. Issuance of RMB-denominated Central Bank Bills in Hong Kong SAR

In 2021, the PBC regularly issued 12 batches of RMB-denominated central bank bills in Hong Kong SAR in a market-based form, with an amount of RMB 120 billion yuan in total. Taking into account of the market demands and previous issuance experience, the PBC further optimized the maturity structure by appropriately reducing the issuances of 3-month and 6-month bills while increasing the issuances of 1-year central bank bills. In 2021, 3-month, 6-month and 1-year RMB-denominated central bank bills were issued at RMB 40 billion yuan, RMB 20 billion yuan and RMB 60 billion yuan respectively, which better met the needs of offshore investors and also helped to improve the offshore RMB short-end yield curve. In 2021, RMB-denominated central bank bills issued in Hong Kong SAR were sought after by offshore investors, the oversubscription rate of every issuance exceeded 2.7 times with a peak of 5.5 times. Major investors include international financial organizations, central banks, commercial banks, funds, insurance companies and other overseas investors, with a geographical distribution covering Hong Kong, Macao, Taiwan, Asia-Pacific, Europe, Africa, etc.

In 2021, the PBC actively promoted the development of the secondary market for RMB-denominated central bank bills in Hong Kong SAR to spur market activities. In January 2021, Bank of China (Hong Kong) launched the market-making mechanism for the RMB-denominated central bank bill repos to provide quotations for repos and reverse repos, which facilitated investors to use RMB-denominated central bank bills in Hong Kong SAR for liquidity management.

V. The RMB in Global FX Market

According to the SWIFT statistics, the RMB ranked the 6th in terms of foreign exchange spot transactions by the end of 2021, after the USD, the EUR, the GBP, the JPY and the CAD. The main countries and regions of RMB foreign exchange spot transactions included the United Kingdom (35.8%), the United States (14.3%), Hong Kong SAR of China (9.4%) and France (7.5%).

VI. Offshore RMB Clearing

In 2021, the volume of RMB clearing made by overseas clearing banks totaled RMB 468.03 trillion yuan, a yoy increase of 26.7%, among which the total amount of agent clearing was RMB 49.96 trillion yuan, a yoy increase of 32.8% and the total amount for the interbank clearing was RMB 418.07 trillion yuan, a yoy increase of 26.0%. By the end of 2021, 950 participating banks and other institutions opened clearing accounts in overseas clearing banks. In 2021, the RMB clearing amount processed by Hong Kong Real Time Gross Settlement was RMB 357.7 trillion yuan, maintaining a rapid growth of 26.7% yoy.

Box 6 Cross-border RMB Fund Flow and its Feature in Different Stages

Since 2009, policies for cross-border use of the RMB have been continuously improved, with the broadened channels of RMB fund flows, and the enriched scenarios for use of the RMB in cross-border economic activities. The major channels for RMB cross-border flow are as follows: Firstly, the current account and direct investment channel, where the RMB is used for current account and direct investment settlement to promote trade and investment facilitation and support the development of the real economy. Secondly, the financing channel, which includes cross-border trade financing, loans and other RMB financing provided by domestic and foreign banks to non-bank institutions, as well as

direct financing through the issuances of Panda Bonds and Dim-Sum Bonds. Thirdly, the financial market channel. At present, the opening-up of China's financial market is mainly based on the "pipeline" model. Domestic and overseas investors can use RMB to invest in domestic and overseas financial market through CIBM, RMB Qualified Foreign Institutional Investors (RQFII), RMB Qualified Domestic Institutional Investors (RQDII), Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, the Bond Connect and so forth. Fourthly, the foreign exchange trading channel. Domestic and overseas market entities can buy or sell the RMB through foreign exchange transactions.

With the continuous expansion of cross-border flow channels, the structure of RMB cross-border capital flow also showed different features in different stages. The first stage was roughly between 2009 and 2016, when the RMB cross-border capital flows were mainly through current account and direct investment channels. During this period, the RMB was gradually accepted by overseas entities, and policies facilitating RMB settlements for cross-border trade and investment released the potential demand from market participants. Use of the RMB as a financing currency, especially in trade financing, was also active. Cross-border RMB settlement grew from less than RMB 10 billion yuan in 2009 to RMB 12.7 trillion yuan in 2015, 80% of which was under current account and direct investment. The second stage started from 2017, when the two-way opening-up of financial market has become an important force to promote the cross-border use of the RMB. With the official inclusion of RMB into the SDR currency basket and the inclusion of RMB bonds in three major international bond indices in a row, RMB assets became more attractive to overseas investors and the share of portfolio investment in cross-border RMB settlement has increased from 30% in 2017 to about 60% in 2021.

Overall, the expansion of channels for RMB cross-border flow was in line with the process of China's capital account convertibility, basically following the sequence of from current account to capital account, from direct investment to financial transactions, and from institutions to individuals. The function of the RMB as an international currency has been expanded from payment and settlement to reserves, investment and financing accordingly. Currently, the RMB cross-border flows are mainly under

the current account, direct investment and financial market channels, and the size of fund flow through financing and foreign exchange channels is relatively small. To further smooth the cross-border circulation of the RMB, it is necessary to continuously improve the convenience of cross-border trade and direct investment, expand RMB financing business, further facilitate RMB trading and exchange, and promote the better functioning of financing and foreign exchange trading channels. Meanwhile, it is also necessary to support offshore RMB markets to gradually expand their use of the RMB in trading, clearing, investment and financing, so that the RMB can “flow out” and also “sink down”.



PART FIVE

Prospect

In the next stage, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBC will resolutely implement the decisions and arrangements of the CPC Central Committee and the State Council, commit to reform and opening-up for mutual benefit, strike a balance between development and security and promote the RMB internationalization steadily, with a market-oriented approach and leaving choices to enterprises. The PBC will always pursue high-level opening-up, further improve the policy support system for cross-border use of the RMB and the infrastructure for RMB internationalization, and better serve the real economy with a view to serving the building of a new “dual circulation” development paradigm and continuously promoting trade and investment facilitation. The PBC will promote a higher level of the two-way opening-up of financial market and foster a virtuous cycle between the onshore and offshore RMB markets. Also, the PBC will further improve the integrated macro-prudential management of cross-border capital flows in both the RMB and foreign currencies, and firmly defend the bottom line whereby no systemic risks will occur.

I. Expanding the Use of the RMB in Foreign Trade and Investment

In recent years, the endogenous demand from market entities for the use of the RMB in cross-border trade and investment has been rising, mainly to reduce the risk of currency mismatch. To better meet market demands, it is necessary to continuously focus on policy design, policy support, and market cultivation to strengthen coordination between local and foreign currencies, and support market entities to use more RMB in foreign trade and investment. The PBC will further promote the pilot cash pooling program integrating both RMB and foreign currency management for multinational corporations. Leveraging on the construction of pilot zones for free trade (free trade ports), the Guangdong-Hong Kong-Macao Greater Bay Area and the Shanghai International Financial Center, the PBC will encourage the innovation in cross-border RMB investment and financing and keep enhancing the willingness of domestic and overseas market entities to use the RMB for trade and investment.

II. Steadily Promoting the Two-way Opening-up of Financial Market

The PBC will promote the comprehensive and institutional opening-up of the financial market and improve the liquidity of RMB financial assets. The PBC will further facilitate foreign investors' entry into China market, enriching the types of assets available for investment, and facilitate foreign investors, especially central bank institutions, to hold more RMB assets. The PBC will support overseas entities to issue Panda Bond and continue the pilot scheme of Cross-boundary Wealth Management Connect in the Guangdong-Hong Kong-Macao Greater Bay Area.

III. Continuing to Deepen Central Bank Monetary and Financial Cooperation

The PBC will continue to steadily promote cooperation with other central banks on bilateral currency swap and local currency settlement, give full play to the role of currency swap in supporting the development of the offshore RMB markets and promoting trade and investment facilitation, and explore LCS cooperation with other ASEAN countries and neighboring countries. The PBC will promote the direct trading of the RMB with currencies of relevant countries and support the development of overseas RMB foreign exchange markets.

IV. Supporting Sound and Orderly Development of Offshore RMB Markets

The PBC will give full play to the role of standing currency swap arrangement with Hong Kong SAR to provide long-term and consecutively stable RMB liquidity for the Hong Kong RMB market. The PBC will keep improving the offshore RMB liquidity supply mechanism, inspiring market entities to initiate and develop products and services in offshore RMB markets, enriching the offshore RMB products system, and promoting a virtuous cycle between onshore and offshore RMB markets. The PBC will optimize the layout of RMB clearing banks, strengthen policy support to clearing banks, and enable clearing banks to play an active role in nurturing offshore RMB markets.

Box 7 Market Survey on the International Use of the RMB in 2021

In 2021, Bank of China conducted a market survey on the use of the RMB by domestic and overseas industrial and commercial enterprises, with a sample of over 3,300

enterprises, including about 2,400 domestic enterprises and 900 overseas enterprises. The survey shows as follows:

Firstly, the role of the RMB as a settlement currency has been consolidated. About 78.8% of the respondents considered using or increasing the use of the RMB in cross-border transactions, essentially the same as that in 2020.

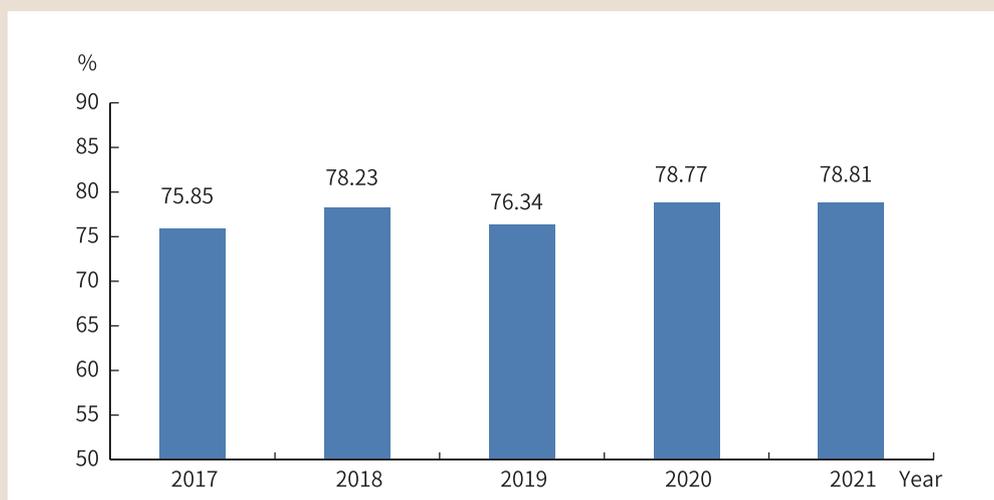


Figure 5-1 Proportion of Respondents Considering Increasing the Use of the RMB

(Source: Bank of China)

Secondly, the role of the RMB as a pricing currency has been improved. The survey results showed that 20.9% of domestic respondents used RMB for pricing in cross-border transactions, a slight increase from 2020.

Thirdly, the role of the RMB as a financing currency was basically stable. The survey revealed that about 71.2% of overseas enterprises would consider the RMB financing when there was a tight liquidity of the USD, the EUR and other international currencies. The result of 2020 and 2021 revealed the two key concerns of overseas industrial and commercial enterprises: the RMB exchange rate against their home currencies and the cost of hedging, and level of RMB interest rate, when it comes to using RMB for trade financing.

Figure 5-2 Proportion of Domestic Enterprises Using RMB for Pricing during Foreign Exchange Rate Fluctuation

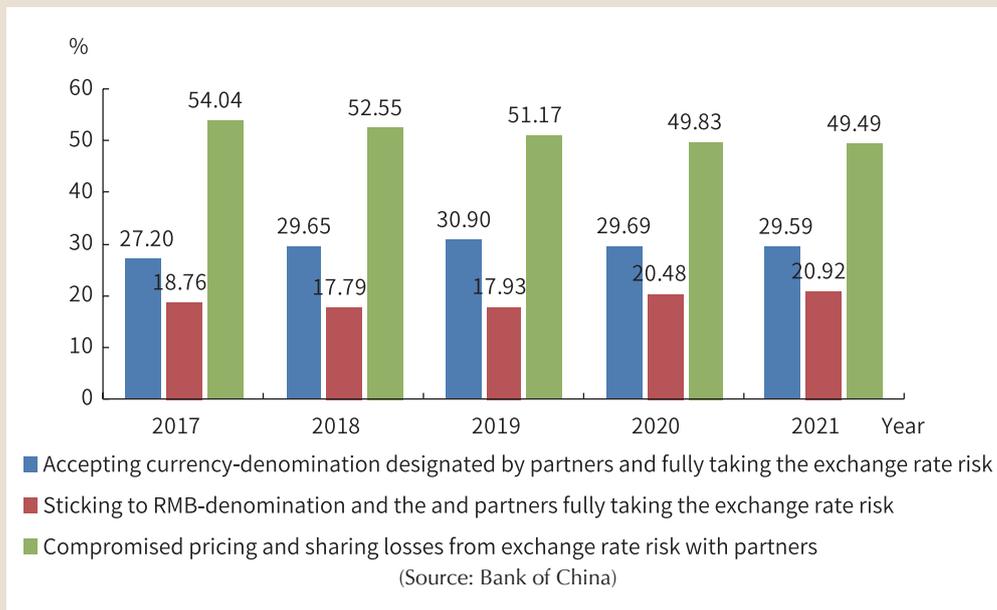


Figure 5-3 Proportion of Overseas Enterprises Considering Using the RMB for Financing

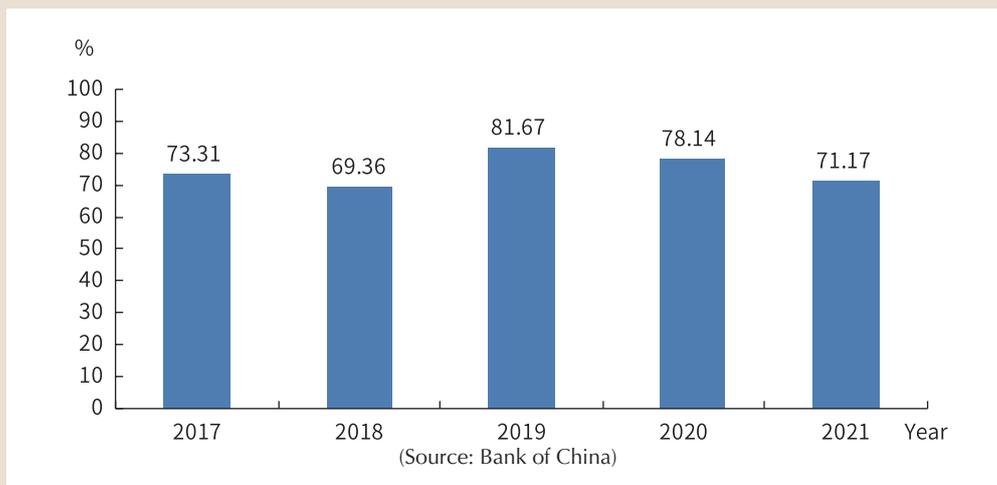
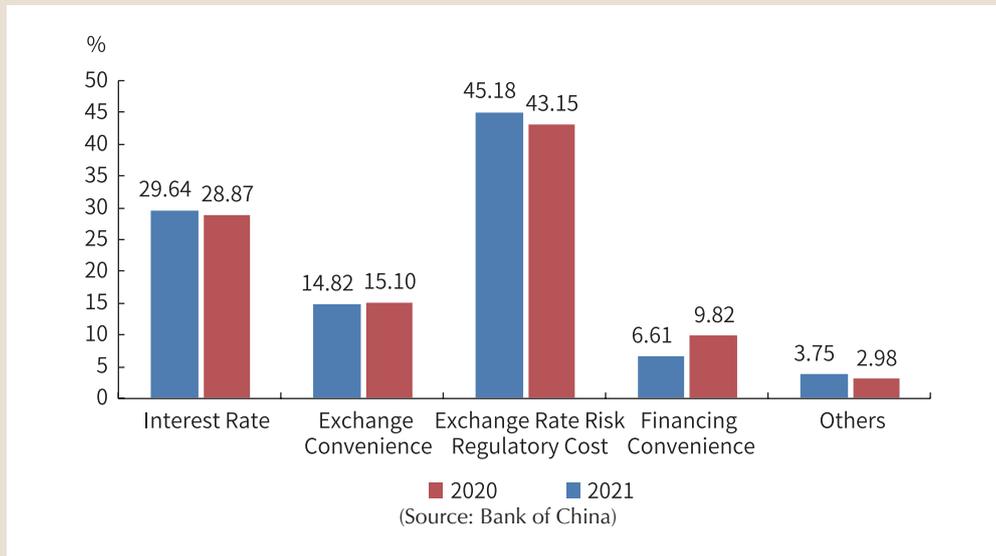


Figure 5-4 Concerns of Overseas Industrial and Commercial Enterprises for Using RMB for Financing





PART SIX

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 Macroprudential 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 Cross-border RMB Policies to Stabilize Foreign Trade and Foreign Investment* (PBC Document [2021] No. 330).

On January 5, the PBC and SAFE issued the *Notice on Adjusting the Macro-prudential Adjustment Coefficient of Overseas Renminbi Lending business of Domestic Enterprises*, raising the macro-prudential adjustment coefficient for overseas lending by domestic

companies from 0.3 to 0.5.

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

On January 7, the PBC and 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 Macro-prudential Adjustment Parameters of Cross-border Financing of Enterprises* (PBC Document [2021] No. 5), lowering the macro-prudential adjustment parameter for cross-border financing of enterprises from 1.25 to 1.

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

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

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

On June 4, the PBC and Central Bank of the Republic of Turkey signed a bilateral currency swap amendment agreement to expand the swap scale to RMB 35 billion/TRY 46 billion.

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

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

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

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

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

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

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

On September 13, the PBC and Reserve Bank of South Africa renewed the bilateral local currency swap agreement of RMB 30 billion/ZAR 68 billion.

On September 15, the PBC and HKMA issued a joint announcement to roll out Southbound Trading under mutual bond market access between Hong Kong and Mainland China. The PBC issued the *Notice on Launching Southbound Trading under Mutual Bond Market Access between the Mainland and Hong Kong*.

On October 25, the PBC and Bank of Japan renewed the bilateral local currency swap agreement of RMB 200 billion/JPY 3.4 trillion.

On October 29, FTSE Russell officially announced that Chinese government bonds were added to the FTSE World Government Bond Index (WGBI).

On November 12, the PBC and Bank of England renewed the bilateral local currency swap agreement of RMB 350 billion/GBP 40 billion.

On December 10, the RMB Cross-border Payment and Receipt Management Information

System II was put into trial operation.

On December 23, the PBC and SAFE issued the *Notice on Issues Concerning Supporting New Forms of Offshore International Trade* to encourage banks to optimize financial services and provide cross-border settlements facilitation for honest and law-abiding enterprises to carry out authentic and compliant new offshore international trade.

2022

On January 21, the PBC and Bank Indonesia renewed the bilateral local currency swap agreement of RMB 250 billion/IDR 550 trillion.

On January 29, the PBC and SAFE issued the *Notice on Overseas Lending by Banking Institutions* to further support and regulate domestic banks to carry out overseas lending business.

On May 11, the Executive Board of the IMF completed its quinquennial review of the SDR valuation and it decided to raise the weight of the RMB from 10.92% to 12.28%, still ranking 3rd. The Executive Board decided that the new SDR currency basket would come into effect on August 1, 2022.

On June 20, the PBC issued the *Notice on Supporting Cross-border RMB Settlements for New Business Forms of Foreign Trade*.

On July 4, the PBC and HKMA signed a standing swap agreement. The two sides upgraded the currency swap arrangement established since 2009 to a standing one with no need for renewal. And the swap scale has been expanded from RMB 500 billion/HKD 590 billion to RMB 800 billion/HKD 940 billion.

Afterword

To deepen understanding of the development process of RMB internationalization, since 2015, the Macro-prudential Policy Bureau (formerly the Monetary Policy Department II) of the PBC has produced and published annual reports on the RMB internationalization in both Chinese and English, for the reference of market participants and researchers at home and abroad. The report covers the international use of the RMB, relevant policies and reform progress, the status of the major offshore RMB markets worldwide, and the prospect, etc., with various feature columns.

The *2022 RMB Internationalization Report* was compiled by Macro-prudential Policy Bureau, together with General Administration Department, Monetary Policy Department, Payment and Settlement Department, Currency Gold and Silver Bureau, as well as the staff of Cross-border RMB Offices from Xi'an Branch, Beijing Operations Office, Changchun Central Sub-branch, Harbin Central Sub-branch, Hangzhou Central Sub-branch, and Changsha Central Sub-branch. It has also been supported by Bank of China, HSBC, CIPS Co., Ltd., Shanghai Futures Exchange, and China Financial Publishing House. Hereby, we sincerely thank all those who have supported the publication of this report.

There is room for improvement in the writing and translation of this report. We earnestly welcome comments and corrections.

The Editor
September 2022