



2022 RMB Internationalisation Report

Bullish prospect marks new opportunities

China Construction Bank

No.25 Finance Street,
Xicheng District
Beijing, China, 100032
Tel: +86 10 95533

China Construction Bank Corporation (CCB) is a leading large-scale joint stock commercial bank in Mainland China. The bank ranked second in the “Top 1000 World Banks” in 2022 in terms of total tier-one capital according to the UK magazine The Banker. By the end of June 2022, the bank has nearly 200 overseas commercial banking institutions at all levels, covering 31 countries and regions.

亚洲银行家 THE ASIAN BANKER®

The Asian Banker

150 Cecil Street,
#08-01,
Singapore 089315
Tel: +65 6236 6500

The Asian Banker (TAB) is a leading provider of strategic intelligence on the financial services industry headquartered in Singapore. Established in 1996, it serves globally from offices in Singapore, Kuala Lumpur, Beijing, Manila and Dubai, and also from representative offices in London and New York. Through its three business sectors, publication, research and forums, the Asian Banker is in the business of helping decision makers develop creative solutions around research and intelligence to achieve tangible business goals.

IMPORTANT NOTICE

The Asian Banker and China Construction Bank are the intellectual property owners of all content in this report, except for those that are specifically stated as sourced from a third party. This includes all data, content as well as methodology and assessments that are used or written into this report. NO part of this document may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the written permission of the publisher and the copyright owner.

All forward-looking assessments are made based on a combination of interviews with institutions, aggregation of third party assessments and our own assessments. We are not party to any insider information in any of the institutions we write about, and any information arising from special access that compromises our neutrality is specifically excluded, regardless of source.

Preface

In 2022, China Construction Bank (CCB) worked with The Asian Banker to carry out a survey on the internationalisation of the renminbi (RMB), covering 2,546 domestic and overseas enterprises, and financial institutions (FIs). The survey indicated the stable use of the RMB in cross-border economic and trade activities in spite of the swiftly changing global circumstances. Specifically, 45% of the surveyed foreign enterprises increased the proportion of off-shore RMB deposits by 17 percentage points compared with last year; the respondents remained optimistic about the prospects of RMB internationalisation; and over 80% of the surveyed enterprises at home and abroad thought that the implementation of the Regional Comprehensive Economic Partnership (RCEP) would do good to the RMB internationalisation. This year, we especially surveyed the use of RMB by the respondents from ASEAN and RCEP member states, finding that their participation in trade settlement, offshore RMB financing, and capital market outperformed the average level. In terms of their future attitude towards RMB products, more than 60% of foreign enterprises said they would issue RMB bonds.

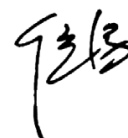
It is a genuine wish and imperative need of all countries in the world to reach a consensus for global peace and development, ensure smooth and stable supply chains and industrial chains, and maintain free and convenient international trade and investment. China has always advocated inclusive cooperation, unswervingly promoted economic globalization, upheld the multilateral trading system, and sought common development through mutually beneficial collaboration. In recent years, the increasingly enhanced connection and integration between the Chinese economy and the world economy have created conditions for expanding the cross-border use of RMB and diversifying the international currency functions of RMB.

Focusing on two major missions: supporting the real economy and opening the capital market, RMB internationalisation has made steady headway in serving the diverse needs of various parties. Since 2021, the cross-border RMB policies have been further optimized, making cross-border trade and investment much more convenient. The launch of the Southbound Bond Connect and the Swap Connect, the inclusion of ETF products in the SH/SZ-HK Stock Connect, and the availability of commodity futures for qualified foreign investors (QFIs) altogether opened the Chinese capital market wider to the outside world. These policies and initiatives have made the cross-border use of RMB more extensive and convenient, while introducing more diverse application scenarios. The International Monetary Fund (IMF) has lifted the RMB weight from 10.92% to 12.28% in the latest SDR valuation review in May 2022, which justifies the further boosted market confidence in RMB.

As a global systemically important bank (G-SIB), CCB has deeply integrated the concepts of inclusive finance, green finance, and technology finance into its group-wide development, made solid progress towards digital transformation, and received the MSCI ESG rating of “A” for two consecutive years. As part of its efforts to create ecosystems and build business scenarios, the Bank launched many platforms such as “CCB Lifestyle” and “CCB Match Plus”, continuously building up its ability to serve customers at home and abroad. At present, CCB has set up nearly 200 overseas institutions of all levels in 31 countries and regions, providing cross-border RMB products and services for more than 30,000 customers. CCB's three RMB clearing banks in the UK, Switzerland, and Chile keep contributing to the formation of an RMB offshore market, with the UK clearing bank remaining the largest one of its kind outside Asia.

The complicated political and economic landscapes in the world now present the RMB internationalisation with new opportunities and challenges. As an oft-cited proverb goes, people of worth show their morality during hardship. Looking ahead, CCB will continue to write a new chapter of cross-border RMB business.

Cui Yong
Executive Vice President
China Construction Bank



CONTENTS

04 Executive Summary

1. Emerging opportunities to promote the use of RMB in 2022

- 07** 1.1 The significant increase in the international use of RMB
- 08** Special Column1: IMF increases RMB's weight in SDR
- 09** 1.2 The impact of macro policies related to RMB internationalisation in 2021-2022

2. Use of RMB in cross-border trade and investment

- 10** 2.1 Use of RMB-based cross-border products
- 11** 2.2 Use and status of RMB in cross-border trade
- 13** 2.3 Use and status of RMB in cross-border direct investments
- 16** 2.4 Overseas RMB assets holdings
- 19** 2.5 RMB cross-border payment and settlement

3. Status, impacts and changes of onshore RMB capital market

- 21** 3.1 Further opening of China's financial markets
- 22** Special Column 2: New developments in the capital market connects
- 23** 3.2 Key channels to access China's capital market
- 24** 3.3 Developments in RMB currency exchange transactions
- 25** 3.4 Developments in RMB-denominated derivative market

4. Development of RMB in ASEAN countries and RCEP member countries

- 26** 4.1 Use of RMB cross-border products in ASEAN countries and RCEP member countries
- 28** 4.2 The use of RMB in transactions with ASEAN and RCEP regions
- 30** 4.3 The entry of ASEAN and RCEP financial institutions into the Chinese market
- 31** Special Column 3: Use of RMB in ASEAN and RCEP member countries

5. Development of offshore RMB centres

- 32** 5.1 Use and change of RMB offshore deposits
- 33** 5.2 Developments in RMB financing in offshore market
- 34** 5.3 Development of offshore RMB wealth management market
- 35** 5.4 Use and change of primary offshore RMB centres
- 37** 5.5 Consideration when choosing a partner bank for RMB transactions
- 38** Special Column 4: Development of three offshore RMB centres: Hong Kong, London and Singapore

6. Emerging opportunities, challenges and prospects of RMB internationalisation

- 39** 6.1 Main factors affecting the use of RMB
- 41** Special Column 5: Potential of RMB as a safe haven currency
- 41** 6.2 Impact of the pandemic
- 42** 6.3 Development of RMB-denominated green finance

Conclusion

Appendix - Description of research samples

Executive Summary

In 2022, China Construction Bank (CCB) in partnership with The Asian Banker launched the annual survey to assess the international usage of the renminbi (RMB). This year's survey is the seventh for CCB and the fifth for CCB and The Asian Banker, which joined hands to assess the demand and usage of RMB in cross-border trade, payment, investment and financing. This year's survey further expanded to 2,546 executives from three groups of institutions, which comprise of companies and enterprises based in China (Chinese companies), companies and enterprises based outside of China (overseas companies), and financial institutions (FIs) around the globe.

RMB-based cross-border trade settlement continues to be the most widely-used product, with increased usage of RMB settlement by overseas companies

The proportion of RMB cross-border trade settlement for Chinese companies remained at 70% in recent years. In 2021, it reached 71%. About 53% of overseas companies stated that they used RMB cross-border trade settlement in 2021, compared to 28% in 2017. Around 63% of Chinese companies, 88% of overseas companies and 73% of FIs surveyed indicated that they maintained or increased the use of RMB in trade settlement in 2021. In particular, the number of overseas companies that have increased the use of RMB for cross-border trade settlement has increased significantly from 50% in 2020 to 61% in 2021.

The use of RMB in cross-border direct investment activities by the respondents further subsided compared to last year

The proportion across all three respondent groups who indicated they would increase usage of RMB for cross-border direct investment has risen significantly compared with last year. Some 54% of overseas companies, 34% of Chinese companies, and 33% of FIs said they increased the use of RMB for cross-border direct investment in 2021, compared to 27%, 24% and 31% respectively in 2020.

Overseas companies demonstrated the highest enthusiasm among the three. Chinese companies are relatively conservative in their overseas investment. In this year's survey, 34% of Chinese companies said they have reduced cross-border RMB direct investment. The expectation for 2022 of the three types of respondents showed divergence. Chinese companies have the largest proportion to reduce the usage, accounting for 32% while overseas companies and FIs choosing to increase the usage, accounted for the largest proportion, reaching 46% and 36% respectively.



The main channel for overseas institutional investors to enter China's capital market remained stable, with share of RMB assets expected to continue to increase

For accessing China's bond market, Qualified Foreign Investor (QFI) remained the most popular way, with 74% of FIs choosing this channel, followed by China Interbank Bond Market (CIBM) Direct, chosen by 71% and Bond Connect, by 40% of respondents. For stock market, 80% of the FIs chose QFI channel, and the Stock Connect programme is also attractive (63%). The survey result showed that 57% and 49% of FIs are looking to increase the RMB-based bond holding and equity exposure in their portfolio to over 20% in 2022.

Offshore RMB deposits have increased significantly, while offshore RMB financing seen slowing down

Offshore RMB deposits of the surveyed institutions have increased significantly compared with last year, with overseas companies increasing the most. About 45% of overseas companies said they increased offshore RMB deposits, up 17 percentage points from 28% in 2020. As the scale of offshore RMB assets grows, the demand for asset value preservation and appreciation is increasing, overseas companies demonstrated the highest demand among the three, 45% of the overseas companies said they increased the scale of RMB wealth management in the offshore market in 2021, an increase of 15 percentage points over 2020.

The usage of offshore RMB financing has decreased, according to the respondents in 2021. The proportions of Chinese and overseas companies and FIs who say they have not used and are not aware are 27%, 32% and 27% respectively compared with 21%, 19% and 18% last year. Only 18%, 16% and 21% of the Chinese and overseas companies and FIs using offshore RMB financing said they increased the use of offshore RMB financing, down by 4, 14 and 12 percentage points from last year.

ASEAN and RCEP regions are generally more proactive in RMB usage

For a long time, China and the Association of Southeast Asian Nations (ASEAN) have maintained close economic and trade relationship. This year's report specifically investigates the use of RMB for institutions in ASEAN and Regional Comprehensive Economic Partnership (RCEP) member countries or with business relationships within the region.

According to this year's survey, the ASEAN and RCEP-related institutions are more interested in RMB cross-border trade settlement, offshore RMB financing products and participating in China's capital market than other countries. They are relatively consistent with the overall survey results in cross-border direct investment, and channel selection to enter the capital market, etc. However, there are differences from the overall survey results in their future choice of RMB products and the key reasons to the use of RMB. In terms of attitudes towards the use of RMB, the survey results show that the three groups of respondents are generally optimistic about the use of RMB in ASEAN and RCEP regions.



There are differences in the aspects that Chinese and overseas companies pay attention to when choosing banks for RMB business

When the surveyed companies were asked why they chose a partner bank for RMB transactions, 36% of overseas companies believed that "maintaining a long-term and good relationship with the institution" was the most important, and the timeliness of transaction processing was also one of the factors to consider (34%). Chinese companies have the highest requirements for customer experience. Those who chose "very convenient to use" "maintaining a good long-term cooperative relationship" and "meeting all RMB transaction needs", as the most important reason got 45%, 40% and 39% respectively. It is worth mentioning that both Chinese and overseas companies have relatively little consideration for fees when they choose partner banks.

Although trade frictions still exist and the impact of COVID-19 has lingered, respondents still have optimistic expectations on the future international use of RMB

The ongoing trade friction remains one of the biggest challenges for RMB internationalisation, and the repeated outbreak of the COVID in many cities in China has brought new uncertainties to China's economy. Looking forward, both Chinese and overseas companies stated that the implementation of RCEP will be conducive to promoting the international use of RMB. Besides, they are also positive to see the potential for international bulk commodities to be quoted, traded and settled in RMB.



1.

Emerging opportunities to promote the use of RMB in 2022

1.1 The significant increase in the international use of RMB

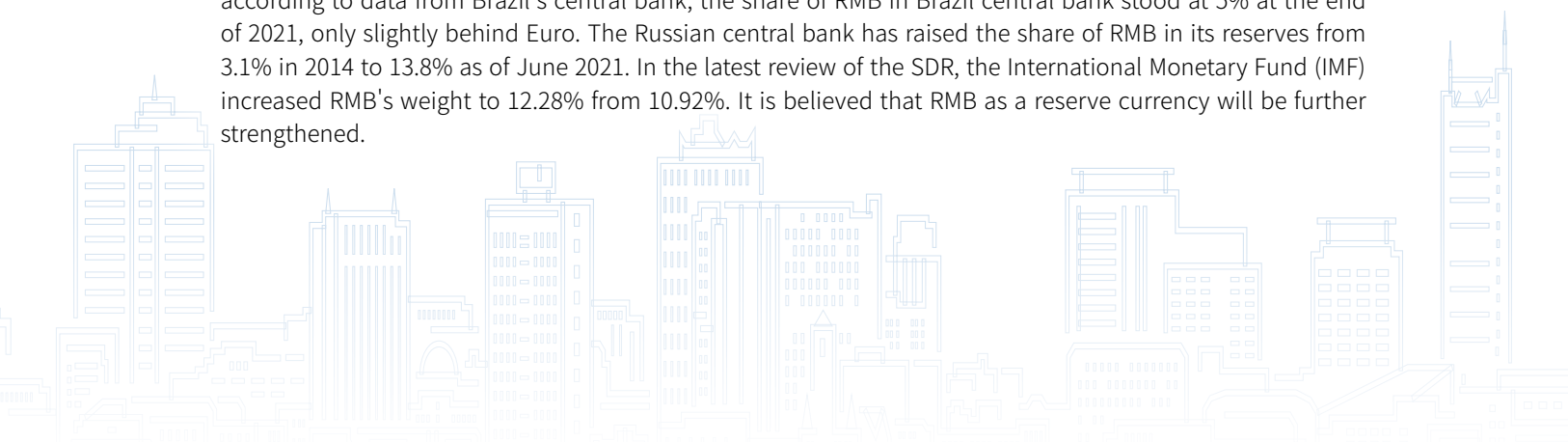
In 2021, China continued to open its financial market, including the renewal of currency swap line arrangements with central banks of key trading partners, and strengthening trade partnership with ASEAN, as well as the signoff of the RCEP agreement. All these initiatives have promulgated the wider use of the RMB internationally.

With regards to payment and settlement, data from the Society of Worldwide Interbank Financial Telecommunications (SWIFT) shows that while the RMB has remained at the fifth spot among major international payment currencies since March 2020, its share in global payments was 2.20% as of March 2022, 0.35 percentage points higher than the share in March 2020. According to the General Administration of Customs, the total trade volume of import and export of China in 2021 amounted to \$6 trillion (RMB 39.1 trillion), a YoY growth of 21.4%. The People's Bank of China (PBOC) data showed that total RMB cross-border trade settlement increased by 17% to \$1.2 trillion (RMB 7.9 trillion) in 2021. The proportion of trade settlement in RMB as a percentage of China's total trade increased to 21% in 2021 from 18% in 2020, along with the increase of China's share in global trade. The development of cross-border trade strongly supports the cross-border settlement in RMB.

As for the capital market, the share of overseas investors in China's bond and stock market further expanded. The latest data from the PBOC showed, as of end-March 2022, overseas institutions held RMB 4 trillion (\$615.4 billion) or 2.9% of the outstanding amount of bonds under custody in China's bond market. This has significantly increased from RMB3.5 trillion (\$520 billion) at the end of March 2021. Overseas institutions and individuals held RMB3.19 trillion (\$490 billion) of Chinese stocks, an increase of nearly 90% from RMB1.68 trillion (\$258 billion), at the end of March 2019.

RMB's share as a reserve currency continued to increase. Claims in RMB rose to a five-year high of \$336.1 billion (RMB 2.2 trillion) in the fourth quarter of 2021, accounting for 2.8% of the composition of world reserve currencies, the highest since RMB's inclusion in special drawing rights (SDR) in 2016.

Share of RMB holdings in central banks' foreign exchange (forex) reserves have steadily risen. For instance, according to data from Brazil's central bank, the share of RMB in Brazil central bank stood at 5% at the end of 2021, only slightly behind Euro. The Russian central bank has raised the share of RMB in its reserves from 3.1% in 2014 to 13.8% as of June 2021. In the latest review of the SDR, the International Monetary Fund (IMF) increased RMB's weight to 12.28% from 10.92%. It is believed that RMB as a reserve currency will be further strengthened.



Special Column1: IMF increases RMB's weight in SDR

On November 2015, IMF decided to include the RMB in the SDR basket, which took effect on 1 October 2016. For the first time, the RMB officially joined the US dollar, Euro, Japanese yen, and the British pound sterling in the SDR basket. At the time, RMB's share in the SDR basket was set at 10.92%, compared to 41.73% for the US dollar and 30.93% for the Euro. The Japanese yen and the British pound each held just over 8% respectively. The three-month benchmark yield for China's treasury bonds was also used in the SDR interest rate basket calculation.

The IMF mandates a general review of the SDR basket within every five years, allowing the IMF to assess the adequacy of the total SDR quota based on member countries' balance of payments financing needs and the IMF's ability to meet those needs. At the same time, the review also allows the IMF to readjust members' SDR basket shares to reflect changes in their relative positions in the world economy. The general review was guided by a methodology hinging on two criteria. The level of export and the level of free usage of currency. The former reflects the relative position of the respective economy in global trade activities, and the latter reflects the degree to which a currency is used in international payments and international financial activities. In 2015, the IMF re-examined the method for determining the weight of the SDR currency basket, by reducing the weight of exports, and added supplementary financial variables on top of official foreign exchange reserves, which includes foreign exchange trading volume and total international debt securities. The latest calculation formula is: $\text{SDR weight} = 1/2 \text{ export ratio} + 1/2 (1/3 \text{ foreign exchange reserve} + 1/3 \text{ foreign exchange trading volume} + 1/3 \text{ total international banking liabilities and international debt securities})$.

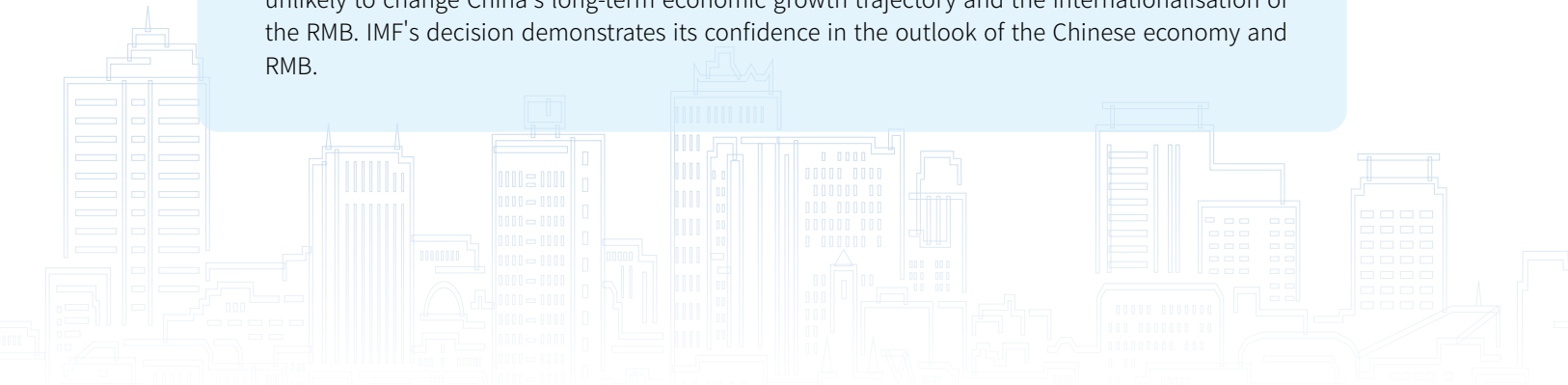
Due to the COVID-19 pandemic, IMF decided to postpone the 2021 review to May 2022, and then, concluded the new currency weights for the SDR valuation basket.

Compared to the previous basket in 2016, the US dollar increased to 43.38%, and RMB's share went up to 12.28%, a quite significant 1.36 percentage points jump over its 2016's level. The new basket portfolio took effect on 1 August 2022.

The IMF executive board said in a press release that it maintains the existing methodology with respect to the SDR basket and the corresponding interest rate. As per this methodology, the 'quite significant' increase in the RMB's share in the SDR basket is a reflection of China continuous expansion of its role in the global trade, as well as the opening-up of financial markets.

The SDR operation mechanism was designed to back a country's balance of payment efforts by joining the IMF. Dependent on a continuously expanding Chinese economy and trade surplus, RMB remains resilient and as a major part of SDR basket, it now carries additional responsibilities to function.

Although the resurgence of COVID-19 has impacted the economy since the second quarter, it is unlikely to change China's long-term economic growth trajectory and the internationalisation of the RMB. IMF's decision demonstrates its confidence in the outlook of the Chinese economy and RMB.



1.2 The impact of macro policies related to RMB internationalisation in 2021-2022

Sign off of RCEP trade pact

The Regional Comprehensive Economic Partnership (RCEP) trade pact, signed by 15 Asia-Pacific countries – China, Japan, South Korea, New Zealand, Australia, and 10 ASEAN member states – took effect on 1 January 2022. Even before the pact came into force, ASEAN has already become China's largest trading partner, reflecting the deep integration of manufacturing supply chains between them.

According to the General Administration of Customs, China's trade with ASEAN totalled RMB 1.35 trillion (\$212 billion) in the first quarter of 2022, an annual increase of 8.4%. Including RCEP signatories, China's trade expanded 6.9% to RMB 2.86 trillion (\$449.6 billion) in the first quarter of 2022, accounting for 30.4% of total foreign trade in value terms. Encompassing this, is the significant role that RMB settlement can play under RCEP to support trade and investment and strengthen cooperation in high-end industrial supply chains and manufacturing projects.

Further facilitating various connects for capital market

On December 2021, Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange, China Securities Depository and Clearing Corporation Limited and Hong Kong Securities Clearing Company Limited have reached a consensus on the inclusion of exchange-traded funds (ETFs) in the overall stock connect plan. On the same day, the PBOC, the China Securities Regulatory Commission and the State Administration of Foreign Exchange jointly issued the announcement on "Further Facilitating Foreign Institutional Investors Investing in China's Bond Market", which enabled qualified foreign institutional investors to enter the exchange bond market. On 27 May 2022, the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission jointly announced an agreement in principle to include eligible OETFs into the interconnection mechanism. On 4 July 2022, the mechanism was officially implemented. This series of measures will further attract long-term overseas funds into China's capital market, which will be beneficial to RMB internationalisation in the long run.

Transition to a green and sustainable future

The global transition to a green and sustainable future, and the development of green finance required for the transition underpins new development opportunities for future RMB internationalisation. Although China is the world's leading importer of coal, it is concurrently the world leader in the adoption and production of green technologies like solar panels, wind turbines, and electric vehicles. China manufactures about one-third of the world's wind turbines, over two-thirds of solar photovoltaic (PV) systems, and close to three-quarters of lithium-ion battery cells, which are essential for electric vehicles.

The 14th five-year plan further promulgates the reduction of foreign investment requirements in new energy businesses. Steps such as gradual phasing out of subsidies and reforming the green bond market are also in progress. According to the PBOC data, the total scale of green bonds issued by China exceeded RMB 600 billion (\$92.3 billion) in 2021, and the balance of green loans reached RMB 15.9 trillion (\$2.4 trillion), ranking first in the world. As more green bonds are issued in RMB and foreign capital is invested into China's green industries, the international use of RMB will be further promoted in the future.

2.

Use of RMB in cross-border trade and investment

Please note that across the report, unless explicitly mentioned, 'Mainland China' is shortened to China in this report while the Greater China reference includes Hong Kong, Macao and Taiwan. 'Offshore' and 'overseas' refers to Hong Kong, Macao, Taiwan and the rest of the world while 'onshore' refers to Mainland China.

In the past five years, despite challenges such as Sino-US trade frictions and the COVID-19 pandemic, the cross-border use of RMB has shown rapid growth. Data from the PBOC showed that the scale of cross-border trade settled in RMB has increased from RMB 4.36 trillion (\$ 667.2 billion) in 2017 to RMB 7.94 trillion (\$1.25 trillion) in 2021, and its proportion of total import and export trade grew from 13.4% in 2017 to 21% in 2021. At the same time, the scale of cross-border RMB direct investment has expanded from RMB 1.64 trillion (\$250.5 billion) in 2017 to RMB 5.8 trillion (\$909.7 billion) in 2021, with an average annual growth rate of over 70%.

Consistent with macro trends, the survey results of Chinese and overseas companies, and FIs over the past five years showed that the use of RMB cross-border products has maintained a steady growth. For the three groups of respondents, the most widely-used product is RMB cross-border trade settlement. The proportion of Chinese companies using RMB cross-border settlement has remained stable at over 70%. The proportion of overseas companies using RMB in cross-border transactions is increasing, which reached 53% in 2021, compared to 28% in 2017.

With the development of companies' cross-border business, the cross-border RMB products have also become more diversified. The products address the needs of companies such as cross-border RMB liquidity management, investment and financing. Particularly in the past two years, the demands for offshore RMB cash management, offshore RMB wealth management and other products have increased significantly.

2.1 Use of RMB-based cross-border products

In 2021, overseas companies and FIs were more active in the use of cross-border RMB products than Chinese companies. The use of cross-border RMB products by Chinese companies has remained stable. The proportion of RMB cross-border trade settlement remained the highest, reaching 71%, but it has decreased from 75% in 2020, followed by RMB forex transactions and RMB trade finance, both accounting for 41%. The demand of overseas companies for RMB cross-border trade settlement has increased significantly compared with last year, reaching 53%, an increase of 17 percentage points compared with 2020. RMB trade financing is the same as last year, accounting for 42%.

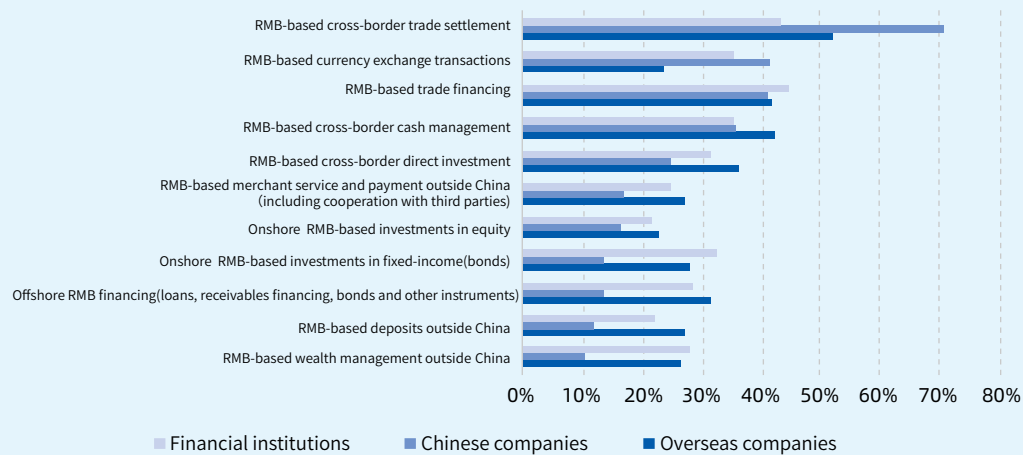
In the survey of FIs, RMB trade financing accounted for 44%, the highest among all RMB products. This result is consistent with last year. The proportion of RMB cross-border trade settlement and RMB forex transactions has increased significantly compared with last year, from 38% and 25% to 43% and 35% respectively this year. The proportion of offshore RMB financing has declined for two consecutive years, from 31% last year to 28% this year.

This year's survey results show that overseas companies continue to have a high demand for cross-border RMB cash management and offshore RMB-based merchant service and payment (including cooperation with third party payment institutions), accounting for 42% and 27% respectively. However, Chinese companies and FIs failed to continue this trend, and their proportions declined to varying degrees.

The demand for offshore RMB wealth management among the surveyed companies and FIs has also diverged. The proportions of FIs and overseas companies that chose offshore RMB wealth management are 28% and 26% respectively, an increase of five percentage points and six percentage points respectively compared with last year. The proportion of Chinese companies in this category has dropped from 25% last year to 10% this year.

Overseas companies and FIs are more active in the use of cross-border RMB products than Chinese companies

Figure 2.1 Use of RMB cross-border products and services



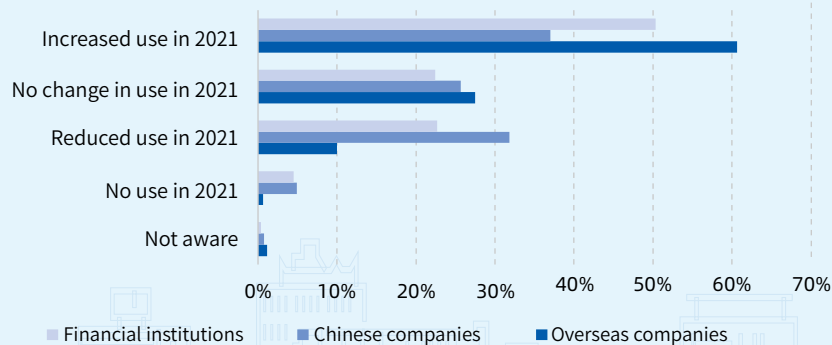
Source: TABInsights

2.2 Use and status of RMB in cross-border trade

Continuing the trend of last year, the percentage of domestic and overseas companies, and FIs using RMB for cross-border trade settlement has further increased. About 88% of the overseas companies, 63% of Chinese companies and 73% of FIs said that they either maintained or increased the use of RMB in trade settlement in 2021, compared with 74%, 62% and 78% last year. In particular, the number of overseas companies that increased the use of RMB for cross-border trade settlement increased significantly from 50% in 2020 to 61% in 2021.

Overseas companies have significantly increased the use of RMB in cross-border trade settlement

Figure 2.2 Change in use of RMB-based cross-border trade settlement in 2021

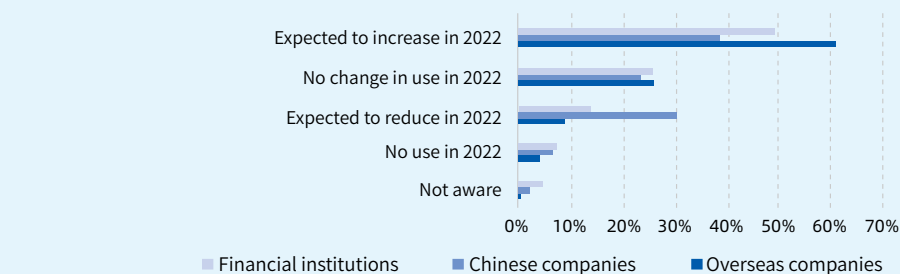


Source: TABInsights

This trend is expected to continue further in 2022. About 87% of the overseas companies, 75% of FIs and 62% of Chinese companies said they would further increase or maintain the use of RMB for cross-border trade settlement.

62% of the overseas companies surveyed expect to increase the scale of RMB cross-border trade settlement in 2022

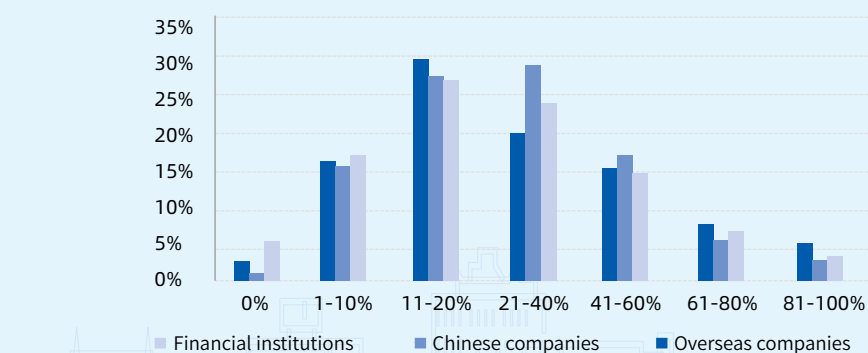
Figure 2.3 Expected change in use of RMB-based cross-border trade settlement in 2022



It is worth noting that although the surveyed institutions have increased the use of RMB in cross-border trade settlement, their relative proportion has decreased compared to 2020. When the surveyed companies were asked about the proportion of RMB trade settlement in their total trade settlement, 29% of Chinese companies and 20% of overseas companies said that the ratio reached about 30%, a decrease of six percentage points and seven percentage points respectively compared with last year's survey. Some 82% of overseas companies and 83% of Chinese companies stated that the proportion of using RMB in their total trade settlement was over 10%, which saw a decrease of two percentage points and five percentage points compared with last year. The feedback from the surveyed FIs is the same as that of the companies, there is still a lot of room for improvement in the proportion of RMB trade settlement in their total trade settlement.

Proportion of RMB in the total cross-border trade settlement of companies decreased in 2021

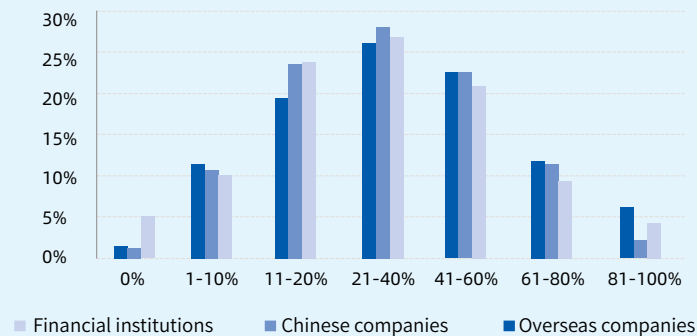
Figure 2.4 . Percentage of total cross-border trade settlement done by companies in RMB in 2021



This trend is expected to change in 2022, as Chinese and overseas companies and FIs expect that the proportion of RMB trade settlements of over 10% will recover to 88%, 87% and 85% in 2022.

Proportion of RMB in the total cross-border trade settlement of companies is expected to increase in 2022

Figure 2.5 Expected percentage of total cross-border trade settlement done by companies in RMB in 2022

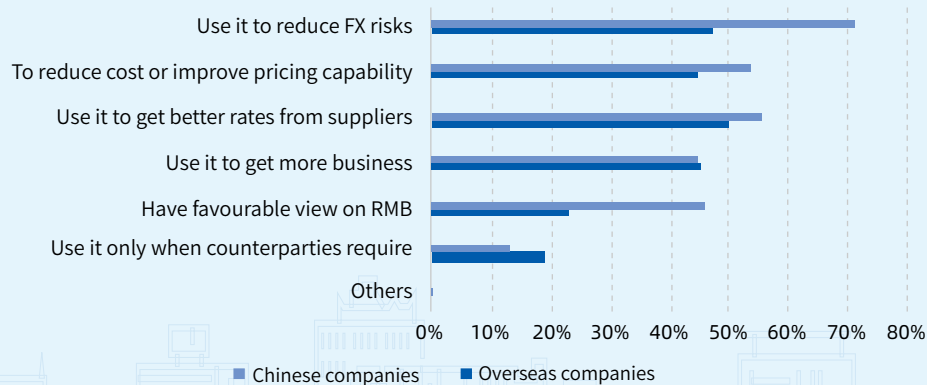


Source: TABInsights

Consistent with last year's survey results, when asked about the reasons for using RMB, Chinese companies said that the main reason is to reduce forex risks. This proportion rose by two percentage points from 69% last year. The other two important reasons are to obtain more favourable prices from suppliers, as cited by 55% of respondents and to reduce costs and improve pricing power, by 53%. For overseas companies, 50% of the respondents said that the main reason for using RMB is to obtain more favourable prices from suppliers. As many as 44% of overseas companies chose to use RMB to reduce costs or improve their pricing power this year, an increase of 10 percentage points from last year.

50% of overseas companies use RMB to get better rates from suppliers

Figure 2.6. Key reasons for using RMB in cross-border trade



Source: TABInsights

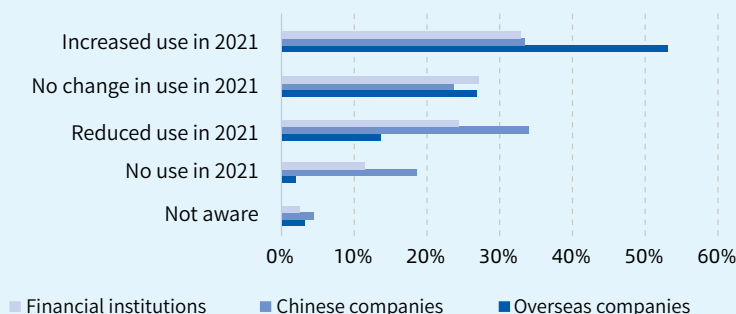
2.3 Use and status of RMB in cross-border direct investments

The most significant change in this year's survey results compared to last year is about the use of RMB for cross-border direct investment in 2021, the proportion across all three respondent groups who indicated they would increase usage has risen significantly compared with last year. The proportion for overseas companies reached 54%, the highest in the past five years, while the proportion for Chinese companies and FIs increased from 24% and 31% last year to 34% and 33% respectively this year.

It is worth mentioning that compared with the enthusiasm of overseas companies to invest in China, Chinese companies are relatively conservative in their overseas investment. In this year's survey, 34% of Chinese companies said they have reduced cross-border RMB direct investment, an increase of six percentage points compared with last year, while the proportion indicating they have not used RMB for overseas investment has also increased. FIs have a similar picture, with the proportion indicating they reduced or have not invested, increased from 17% and 9% last year to 25% and 12% this year, respectively.

In 2021, the proportion of increased use of cross-border RMB direct investment by overseas companies reached 54%, the highest in the past five years

Figure 2.7 Change in use of RMB-based cross-border direct investments in 2021

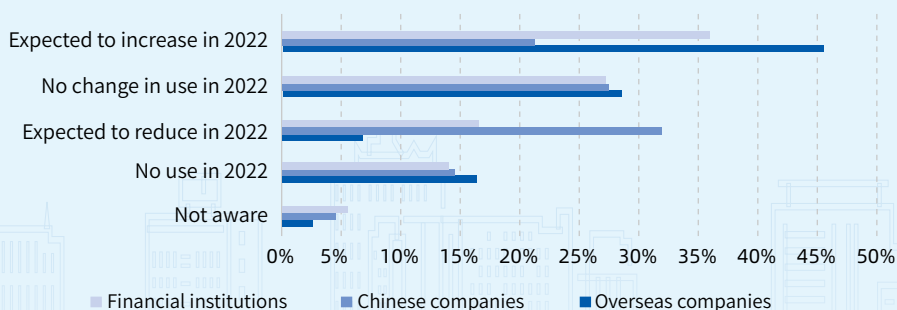


Source: TABInsights

The trend is expected to be differentiated between the three types of surveyed companies. Chinese companies have the largest proportion to reduce the usage, accounting for 32%; while overseas companies and FIs choosing to increase the usage accounted for the largest proportion, reaching 46% and 36% respectively.

The expectation for 2022 of the three types of respondents showed divergence in RMB-based cross-border direct investments

Figure 2.8 Expected change in use of RMB-based cross-border direct investments in 2022

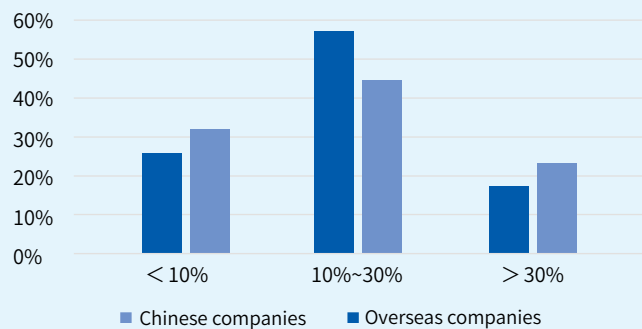


Source: TABInsights

Some 75% of overseas companies said that the proportion was higher than 10%, which decrease by two percentage points from last year. The proportion of Chinese companies is 68%, which is six percentage points lower than last year.

The proportion of overseas companies using RMB for cross-border direct investment increased in 2021

Figure 2.9 Percentage of RMB used in cross-border direct investment in 2021

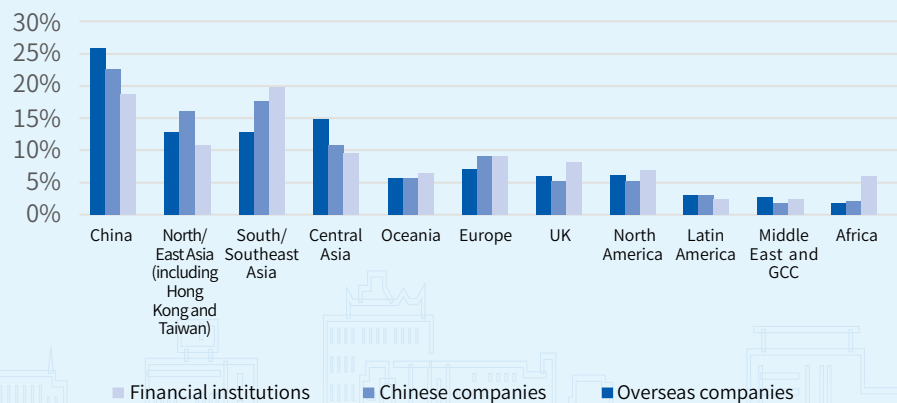


Source: TABInsights

When asked about the main destination for cross-border RMB direct investment, 26% of overseas companies indicated China. Central Asia and South Asia/Southeast Asia ranked second and third respectively. For FIs, South/Southeast Asia and China are their main investment destination, with 20% and 19% responding so. It is worth mentioning that South Asia/Southeast Asia is the most important investment destination for Chinese companies, surpassing Northeast Asia (including Hong Kong and Taiwan) and accounting for 18%.

In 2021, China was the most important investment destination for RMB direct investment for overseas companies

Figure 2.10 Key destinations for RMB based cross-border direct investments in 2021

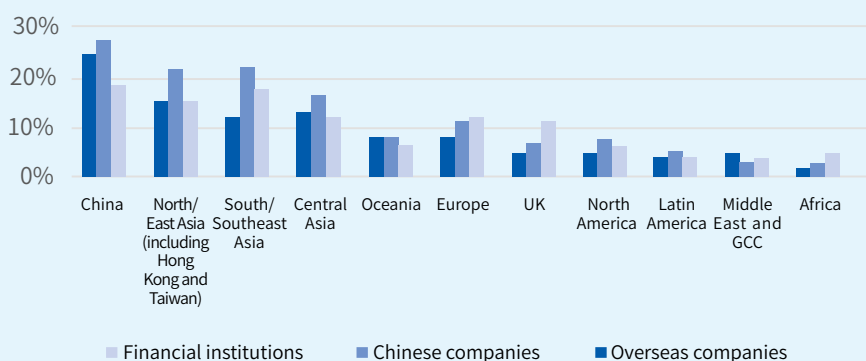


Source: TABInsights

It is expected that the fastest growing destination for RMB cross-border investment in 2022 will be Northeast Asia (including Hong Kong and Taiwan), with 22%, 15% and 14% of Chinese and overseas companies and FIs choosing this region. Compared with 2021, it has increased by six, two and three percentage points respectively. In 2022, South Asia/Southeast Asia will still be one of the popular destinations for RMB cross-border investment. The proportion of Chinese companies choosing this region is expected to further increase from 18% to 21% from 2021.

Northeast Asia (including Hong Kong and Taiwan) is expected to be the fastest growing destination market for RMB cross-border investment in 2022

Figure 2.11 Expected key destinations for RMB based cross-border direct investments in 2022



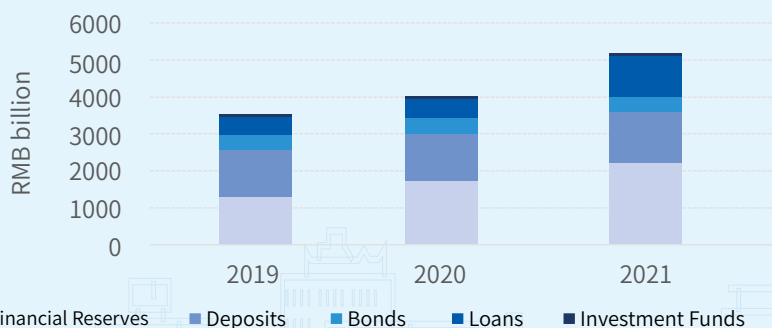
Source: TABInsights

2.4 Overseas RMB assets holdings

As of 2021, RMB-denominated assets outside China reached RMB 5.24 trillion (\$805.7 billion), an increase of 30.2% from the end of 2020, of which forex reserves and deposits accounted for as much as 71% of the total, followed by loans, bonds and investment funds.

RMB assets outside China reached RMB 5.24 trillion (\$805.7 billion)

Figure 2.12 RMB-based assets outside China



TABInsights, major central banks, Bloomberg

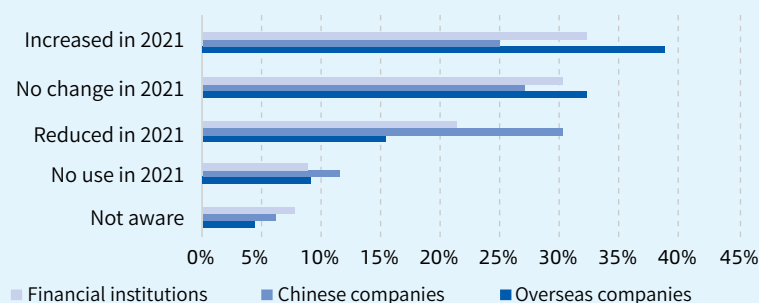
From this year's survey results, the FIs continue to pay more attention to overseas RMB assets, and the proportion who said they do not understand or do not use them dropped from 44% in 2019, 20% in 2020 to 17% in 2021. In addition, 32% indicated that their holdings of overseas RMB assets have increased, up by three percentage points from last year.

The surveyed overseas companies has become more willing to hold offshore RMB assets. About 39% of overseas companies indicated that they have increased their overseas RMB asset holdings, a significant increase of 11 percentage points over last year. Only 15% of overseas companies said they reduced their holdings of overseas RMB assets, a decrease of eight percentage points from last year.

The surveyed Chinese companies showed little change in their willingness of holding offshore RMB assets. Around 25% of Chinese companies increased their holdings, down by two percentage points from last year. At the same time, 30% of Chinese companies decreased their holdings, a decline by two percentage points from last year. About 27% said their offshore RMB asset holdings remained unchanged.

The willingness of surveyed FIs and overseas companies to hold overseas RMB assets is increasing

Figure 2.13 Change in RMB-based holdings outside China in 2021

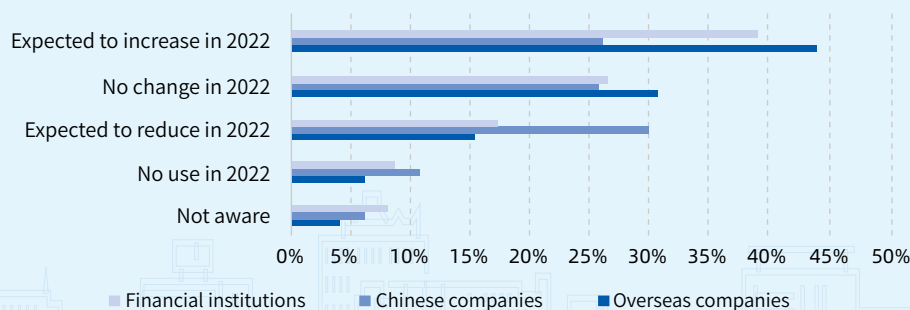


Source: TABInsights

Offshore RMB assets is expected to expand in 2022. The attractiveness of offshore RMB assets is expected to grow in 2022, with 66% of FIs saying they will increase or maintain their current holdings in 2022, four percentage points higher than the proportion in 2021. About 44% of overseas companies, and 27% of Chinese corporations said they would increase their offshore RMB asset holdings in 2022. The proportion of respondents who said they would maintain and reduce their holdings remained stable.

44% of overseas companies and 27% of Chinese companies expect to hold more overseas RMB assets in 2022

Figure 2.14 Expected change in RMB-based holdings outside China in 2022

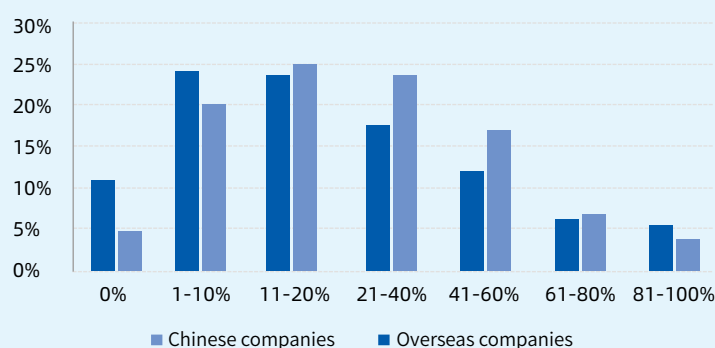


Source: TABInsights

Judging from the short-term liquid assets held by Chinese and overseas companies surveyed, the proportion of RMB holdings has decreased compared to 2020. About 75% of Chinese companies and 65% of the overseas companies surveyed indicated that RMB accounted for over 10% of their liquid assets, while the proportions were 86% and 82% respectively last year; and the number of Chinese and overseas companies that do not hold RMB as a short-term liquid asset has increased compared with 2020.

75% of Chinese companies and 65% of overseas companies held more than 10% of their liquidity assets in RMB in 2021

Figure 2.15 Percentage of total liquidity asset holdings in RMB held by corporates in 2021

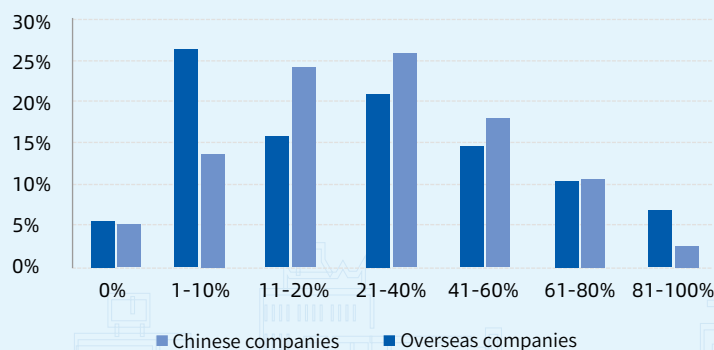


Source: TABInsights

It is expected that the proportion of Chinese and overseas companies' holdings of RMB as short-term liquid assets will increase in 2022. Among them, the number of Chinese and overseas companies that maintain a proportion of short-term liquid assets in RMB above 10% will increase from this year's level to 82% and 68% respectively.

The proportion of liquidity assets in RMB for Chinese companies and overseas companies is expected to increase in 2022

Figure 2.16 Expected percentage of total liquidity asset holdings in RMB held by corporates in 2022



Source: TABInsights

2.5 RMB cross-border payment and settlement

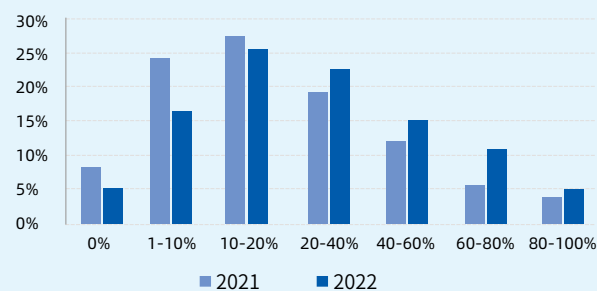
The data from SWIFT shows that as of March 2022, the RMB accounted for 2.2% of the total amount of global currency payments, ranking firmly as the fifth largest payment currency in the world. From December 2021 to January 2022, the proportion of RMB in global payments was once up to 3.2%, surpassing the Japanese yen and reaching fourth place in the world. In 2021, the clearing scale of the RMB Cross-border Payment System (CIPS) also ushered in rapid growth. In 2021, the CIPS system processed a total of RMB 204.6 trillion (\$31.5 trillion) in cross-border RMB transactions, and the number of transactions will reach 10.8 million, a year-on-year increase of 75.8% and 51.6% respectively. By the end of 2021, the CIPS system has a total of 75 direct and 1,184 indirect participations, and its actual business has covered more than 3,600 corporate banking institutions in 178 countries and regions around the world.

In addition to the growth in scale, we must also see that the share of RMB in the global payment is still low. This year's survey results show that the proportion of cross-border RMB clearing using CIPS has decreased compared with last year. Some 40% of FIs said that the proportion of cross-border RMB clearing through CIPS was larger than 20%, compared with 53% last year. It is expected that the proportion of using CIPS for cross-border RMB clearing will rebound in 2022. More than 30% of the FIs surveyed expect that their use of CIPS will account for more than 40% in 2022, compared with 21% this year.

This year's survey results show that the proportion of FIs conducting cross-border RMB transactions through SWIFT is slightly higher than that of CIPS, but the proportion is still relatively low. About 23% of the FIs surveyed indicated that over 40% of their cross-border RMB transactions were conducted through SWIFT. This proportion is expected to further increase to 31% and 40% in 2022 and 2023, respectively. SWIFT is expected to remain one of the most important RMB clearing channels.

The proportion of cross-border RMB transactions using CIPS is expected to rise in 2022

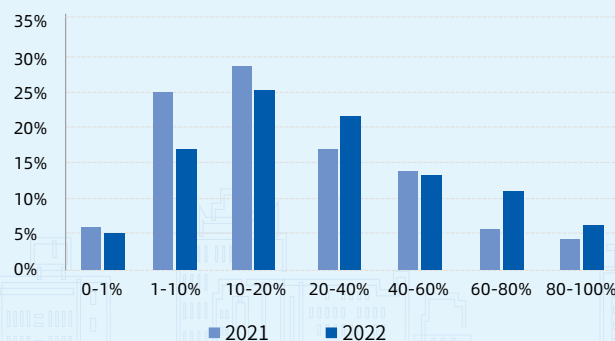
Figure 2.17 Percentage of RMB cross-border transaction done through CIPS by FIs



Source: TABInsights

The proportion of cross-border RMB transactions using SWIFT is expected to further increase

Figure 2.18 Percentage of RMB cross-border transaction done through SWIFT by FIs

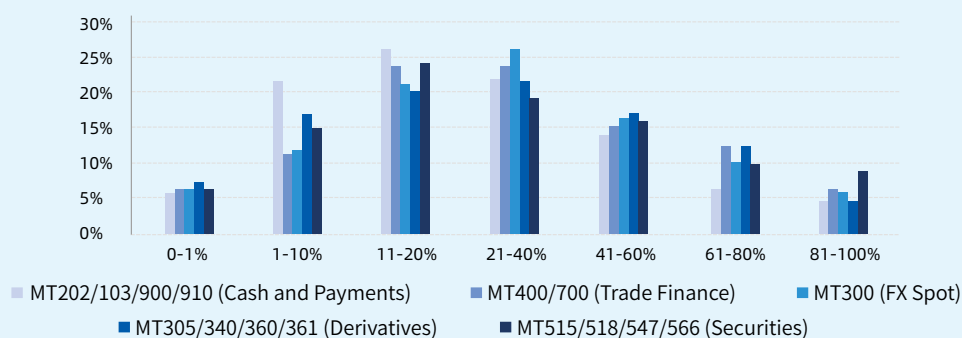


Source: TABInsights

Judging from the types of SWIFT messages used by FIs, the most widely used cross-border RMB transaction in 2021 is RMB forex spot transactions (MT300), with 59% of the FIs surveyed said their MT300 messages accounted for more than 30%, followed by RMB trade finance (MT400/700), with 57%. It is worth mentioning that the percentage of cross-border RMB payment and settlement (MT202/103/900/910) is low, nearly half (48%) of the respondent FIs said the percentage is under 20%.

In 2021, the most widely used cross-border RMB transaction is RMB forex spot transactions

Figure 2.19 SWIFT message used by FI in RMB based cross-border transactions

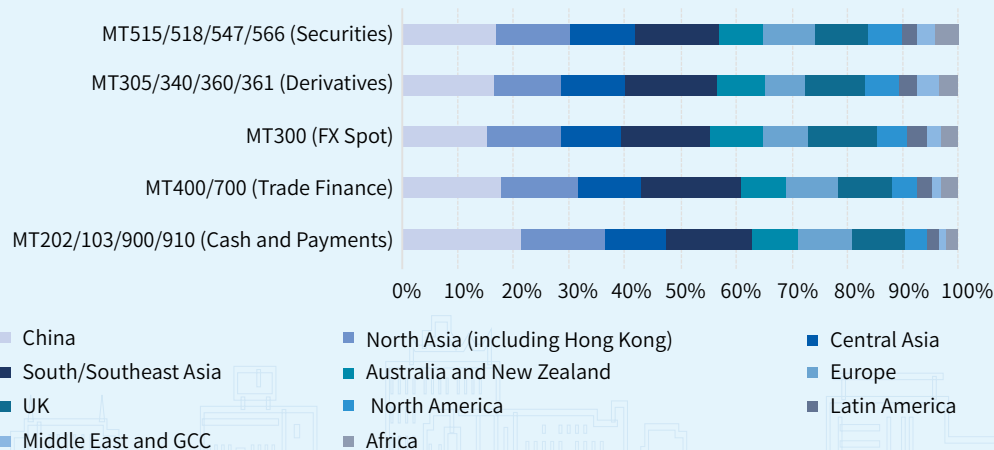


Source: TABInsights

From the perspective of the market of message exchanges, South/Southeast Asia is the most active market for cross-border RMB transactions outside of China, followed by East Asia and Northeast Asia. In terms of transaction types, 37% of cross-border RMB payments and 32% of cross-border RMB trade finance messages are sent to and from China; 31% of cross-border RMB trade finance, 30% of RMB forex transactions and 30% of RMB derivatives messages are sent to and from South/Southeast Asia. In particular, the United Kingdom (UK) is also a relatively active market for RMB forex transactions, with 21% of the incoming and outgoing messages coming from here.

South and Southeast Asia are the most active markets for cross-border RMB transactions outside China

Figure 2.20 RMB-based cross-border transaction SWIFT message geographic distribution in 2021



Source: TABInsights

3.

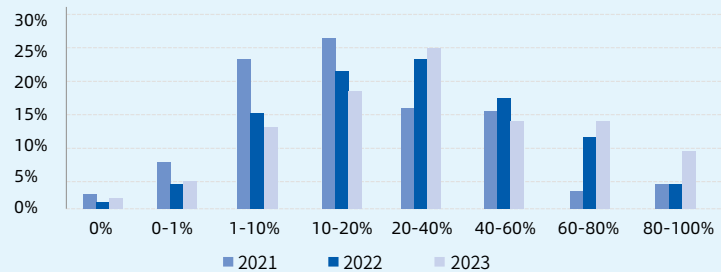
Status, impacts and changes of onshore RMB capital market

3.1 Further opening of China's financial markets

From 2021, China has continued to demonstrate its commitment to deepen market integration with global capital markets that will further drive the demand and use of RMB, as well as related asset classes. The China Securities Regulatory Commission (CSRC) has indicated expanding the scope of both the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Stock Connect Schemes, while improving the existing Shanghai-London Stock Connect programme framework. Given the existing interlinkages between international financial markets, China is looking to source further foreign investment in various RMB-denominated Chinese asset classes by widening the channels available to foreign institutional investors. Likewise, an enhancement to China's domestic bond market is a reflection of the investor appetite for greater exposure to Chinese RMB-denominated assets.

Increased allocation by FIs to RMB-denominated bonds expected in 2022

Figure 3.1 Percentage of RMB denominated bond to total holdings of bond portfolio by FIs

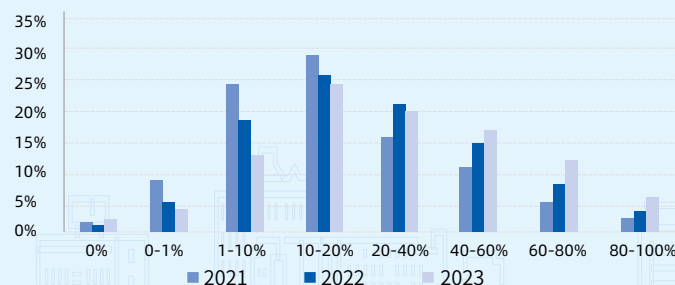


Source: TABInsights

This year's survey results showed that FIs continue to expand their investments in both RMB-denominated bonds and equities, with 57% and 62% of institutional respondents looking to increase the RMB-based bond holding in their portfolio to over 20% in 2022 and 2023, while 49% and 57% of respondents will enhance their equity exposure to over 20% in the next two years, signalling a greater confidence in, and resilience of, the Chinese economy.

FIs expected to increase their positions in China's A-Shares in 2022

Figure 3.2 Percentage of Chinese A share to total holdings of stock portfolio by FIs

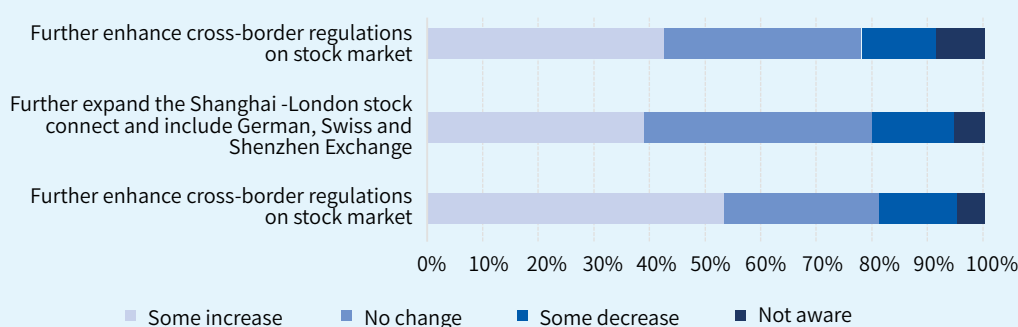


Source: TABInsights

Certainly, having the requisite market infrastructure in place is essential to cater to this increased investor demand for quality RMB-denominated assets. The draft of policy initiatives that have helped liberalise China's financial markets now include cooperation between the US-China on audit supervision, upgrading the various stock-connect and wealth connect programmes in Greater Bay Area (GBA). It is perhaps the latter that has emerged as most significant and resonating most with 53% of FI responded, it will increase the usage of RMB owing to this programme.

53% of FI respondents consider the launch of wealth connect within the Greater Bay Area will drive further RMB usage

Figure 3.3 Impact on RMB usage of China's capital market integration initiatives



Source: TABInsights

Special Column 2: New developments in the capital market connects

In recent years, the two-way opening of China's capital market has achieved many substantial results. Major international index companies like MSCI, FTSE Russell and S&P Dow Jones have included Chinese A shares in their indexes and gradually increased the inclusion factor; foreign ownership restrictions in securities, securities investment fund management, futures and life insurance companies have been removed. Palm oil options at Dalian Commodity Exchange (DCE) became the first RMB-denominated option contracts listed in China, which is open to overseas investors.

Regarding the capital market interconnection mechanisms, 2021 also witnessed several key developments. Shanghai-London Stock Connect has been expanded internally to the Shenzhen Stock Exchange and externally to Germany and Switzerland. A50 stock index futures have been launched in the Hong Kong market. Eligible A-shares listed on the Shanghai Stock Exchange's (SSE) Sci-Tech Innovation Board (STAR Market) were included into Stock Connect so that STAR Market-listed shares will be accessible via Northbound Stock Connect trading by institutional professional investors. Eligible ETFs were also added to the Stock Connect, which will provide investors with more options by broadening the existing Connect product ecosystem.

Another key initiative under the mutual market access schemes between the capital markets of Hong Kong, Macao and the Mainland is the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area ("Cross-boundary WMC"). Launched on September 2021, it allows eligible Mainland, Hong Kong and Macao residents in the Guangdong-

Hong Kong-Macao Greater Bay Area (“GBA”) to invest in wealth management products distributed by banks in each other's market through a closed-loop fund flow channel established between their respective banking systems.

Multiple funding channels that connect the Chinese mainland and offshore capital markets will further promote the international use of the RMB, while strengthening Mainland China's capital markets. The programmes also promote the development of offshore RMB business centres by enabling Mainland investors to directly participate in the Hong Kong stock market using RMB. They also expand investment channels for offshore RMB funds and facilitate an orderly flow of RMB funds between the markets.

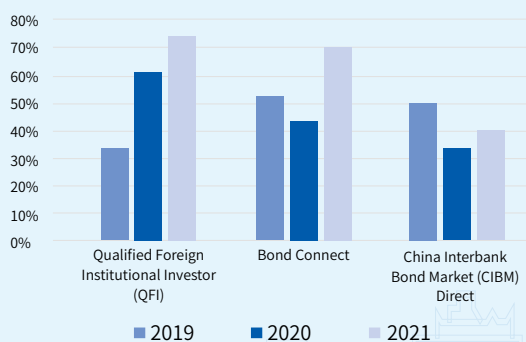
3.2 Key channels to access China's capital market

In terms of the main channels through which FIs choose to enter the China bond market, participating as a QFI is still the most popular way, with 74% of FIs choosing this channel, followed by CIBM Direct, chosen by 71% and Bond Connect, by 40% of respondents. It is worth mentioning that in 2021, the responded FIs who chose CIBM Direct and Bond Connect channels have rebounded significantly, an increase of 27 and six percentage points respectively compared with 2020.

Likewise, FIs prioritised their preference for using the QFI to access China's A Shares, 80% of the FIs surveyed chose this channel, and the Stock Connect programme is also attractive to foreign institutional investors (63%). The QFI remains an exciting proposition, as it allows foreign investors access to all securities listed on the Shanghai and Shenzhen Stock Exchanges while under the Stock-Connect regime only a subset of the equity market is accessible to investors.

74% of surveyed FIs used the QFI to access China's onshore bond market

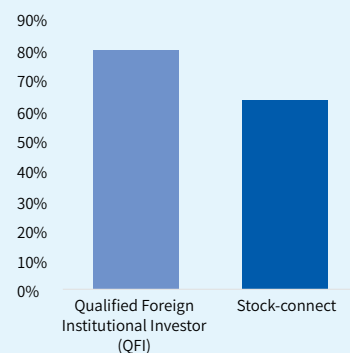
Figure 3.4a Channels used by financial institutions to access China's onshore bond market



Source: TABInsights

80% of FI respondents used QFI to access China's onshore equity markets in 2021 while stock-connect schemes remain equally attractive to foreign asset managers

Figure 3.4b Channels to access China's onshore stock market by FIs in 2021



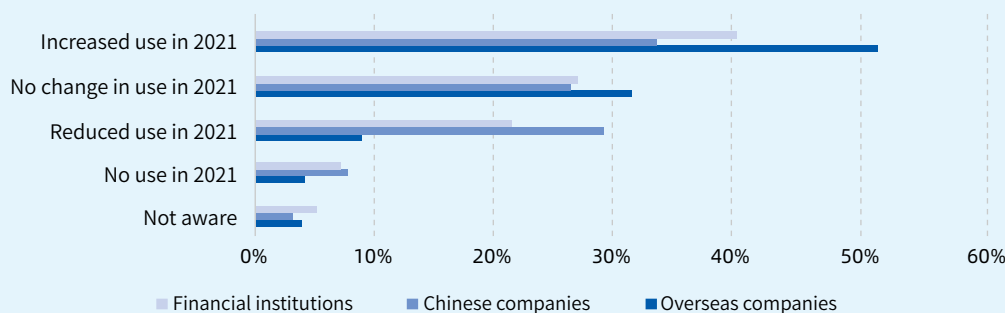
Source: TABInsights

3.3 Developments in RMB currency exchange transactions

RMB-based currency exchange transactions registered sustained upward momentum, despite prevailing market uncertainty in 2021. Overseas companies lead the usage of RMB from a transaction flow perspective, with 52% of respondents indicating enhanced use in 2021, 20 percentage points higher than 2020. While, 32% of overseas companies registered no change for RMB-based currency transactions in 2021. On the contrary, Chinese companies' RMB-based foreign exchange trading activities decreased, with the proportion indicating an increase falling from 38% in 2020 to 34% this year, while the proportion indicating a decrease in transactions increased by four percentage points from 26% last year. Some 40% of FIs said they increased the volume of RMB-based currency transactions in 2021.

52% of overseas companies increased their use of RMB-based currency exchange in 2021

Figure 3.5 Change in RMB-based currency transactions in 2021

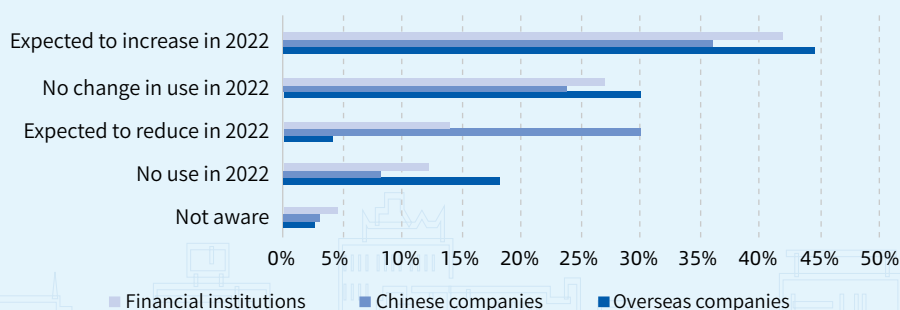


Source: TABInsights

This trend is expected to continue in 2022 with 45% of overseas companies likely to increase their RMB currency-based positions for economic transactions followed by 42% of FIs. Meanwhile, 30% of Chinese companies have indicated that they expect to reduce RMB-based currency exchange transactions in 2022.

45% of overseas companies and 42% of FIs expect to increase RMB currency transactions in 2022

Figure 3.6 Expected change in RMB-based currency transactions in 2022



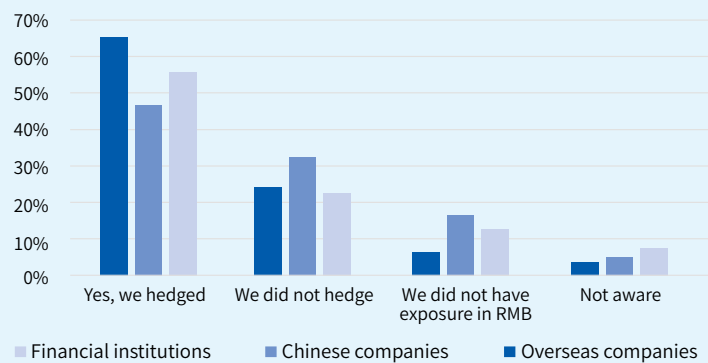
Source: TABInsights

3.4 Developments in RMB-denominated derivative market

It has become critical on the need for institutional investors to mitigate their various currency exposures as inflationary pressures, rising commodity prices and global supply chain dislocation continued to dramatically impact currency movements. A significant 66% of overseas companies and 56% of FIs hedged their currency risk exposure in 2021. Chinese companies were equally cautious with 46% utilising various hedging instruments to manage the volatility risk in currency markets.

Both companies and FIs sought to manage volatility risk in global forex markets through various hedging instruments

Figure 3.7 Hedge RMB exposure

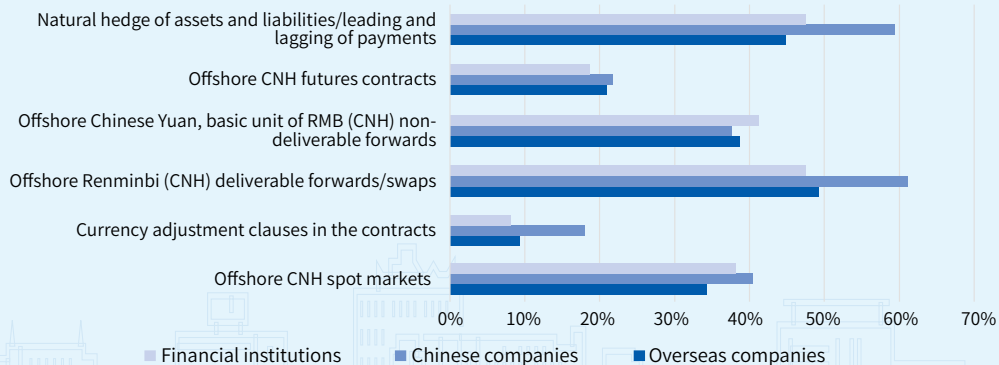


Source: TABInsights

The preferred tools to hedge RMB exposure continue to evolve among respondent groups in 2021 compared with 2020. Among Chinese companies, 61% indicated that their most preferred method is using offshore RMB (CNH) deliverable forwards/swaps; overseas companies have also been actively pursuing this approach. Around 48% and 47% of FIs registered natural hedge of assets and liabilities and offshore RMB (CNH) deliverable forwards/swaps as a critical component of their currency risk mitigation strategy in 2021. Other than that, overseas companies and FIs saw increased use of offshore CNH futures contracts, with 21% and 18% chose so, respectively.

Offshore RMB (CNH) deliverable forwards/swaps are principal hedging instrument among Chinese and overseas companies

Figure 3.8 Preferred ways to hedge RMB exposure



Source: TABInsights

4.

Development of RMB in ASEAN countries and RCEP member countries

For a long time, China and ASEAN have maintained close economic and trade relationships. China has been ASEAN's largest trading partner for 13 consecutive years, and ASEAN has become China's largest trading partner for the second consecutive year. The signing of the RCEP will undoubtedly further promote cross-border transactions between China and related countries. Latest data showed, in the first quarter of 2022, China's imports and exports to the other 14 RCEP member countries amounted to RMB 2.86 trillion (\$440 billion), a YoY increase of 6.9%, accounting for 30.4% of China's total foreign trade.

Under this background, this year's report specifically investigates the use of RMB for institutions in ASEAN and RCEP member countries or with business relationships within the region (collectively "ASEAN and RCEP-related institutions/respondents").

According to this year's survey, the ASEAN and RCEP-related institutions are more interested in RMB cross-border trade settlement, offshore RMB financing products and participating in China's capital market than other countries. They are relatively consistent with the overall survey results in cross-border direct investment, channel selection to enter the capital market, etc. However, there are differences from the overall survey results in their future choice of RMB products and the key reasons to use RMB. In terms of attitudes towards the use of RMB, the survey results show that the three types of respondents are generally optimistic about the use of RMB in ASEAN and RCEP regions.

4.1 Use of RMB cross-border products in ASEAN countries and RCEP member countries

RMB cross-border trade settlement is the most widely used by the ASEAN and RCEP-related institutions and their usage is higher than the overall survey results. For cross-border RMB products, 79% of Chinese companies, 64% of overseas companies and 64% of FIs said they used RMB for cross-border trade settlement in 2021, which is higher than the overall (71%, 53% and 43%) respectively by 8, 11 and 21 percentage points.

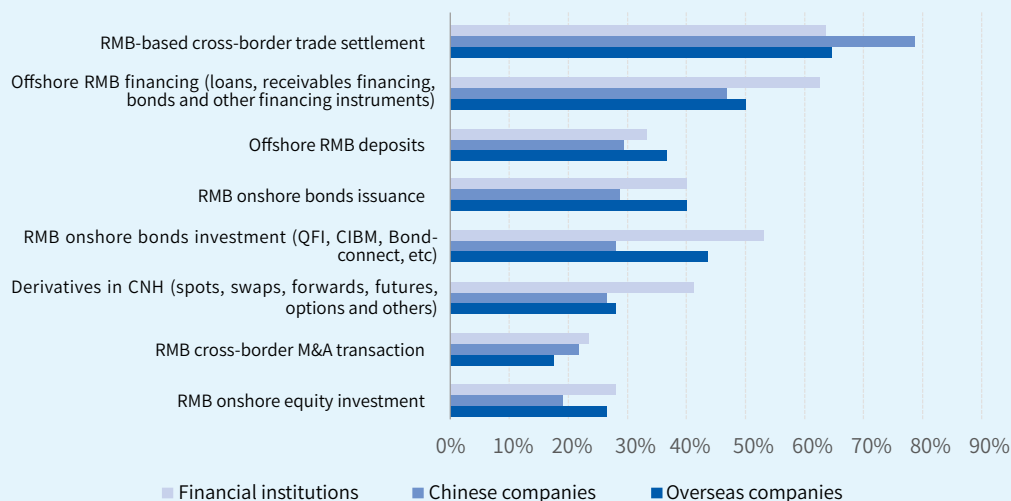
Compared with the overall survey results, the ASEAN and RCEP-related respondents have significantly higher demand for offshore RMB financing. In 2021, 47% of Chinese companies, 50% of overseas companies and 62% of FIs have used, and the overall proportion is only 14, 31% and 28% respectively.

Compared with the overall survey results, the ASEAN and RCEP-related respondents use relatively same level of RMB in cross-border direct investment and security investment with China. In 2021, the proportion of Chinese and overseas companies using RMB for cross-border direct investment exceeding 10% has been 69% and 76% respectively, one percentage point higher than the overall.

The use of RMB for cross-border securities investment is similar to direct investment, with Chinese and overseas companies accounting for more than 10%, being 64% and 74%, respectively, higher than the overall 63% and 73%.

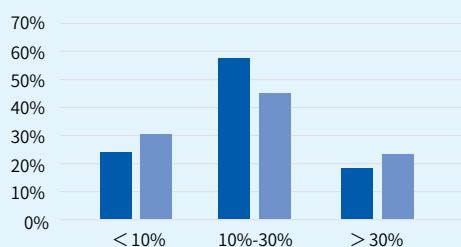
Among ASEAN and RCEP related respondents, 79% of Chinese companies, 64% of overseas companies and 64% of FIs said they have used RMB for cross-border trade settlement in 2021

Figure 4.1 Use of RMB cross-border products and services (ASEAN and RCEP related institutions/respondents)



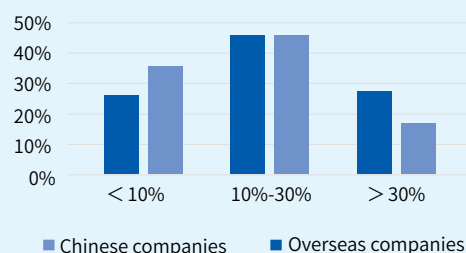
Source: TABInsights

Figure 4.2 Percentage of RMB used in cross-border direct investment in 2021 (ASEAN and RCEP related respondents)



Source: TABInsights

Figure 4.3 Percentage of RMB used in cross-border security investment in 2021 ((ASEAN and RCEP related respondents))

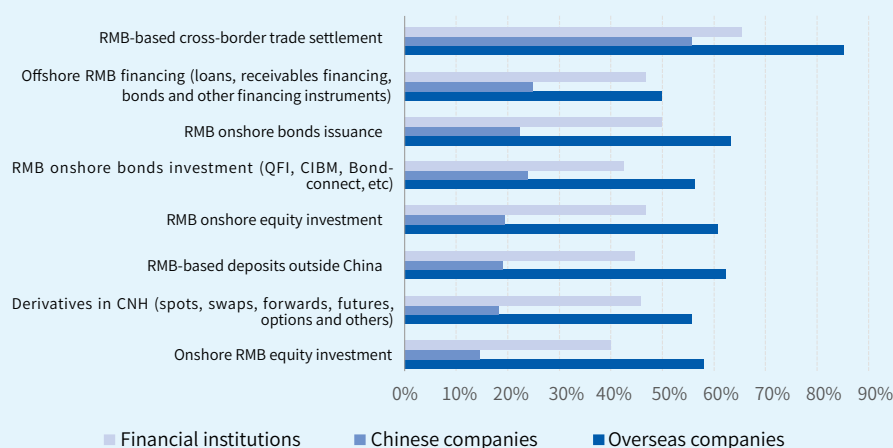


Source: TABInsights

When asked which products will see the fastest growth in transactions with ASEAN and RCEP countries in 2022, RMB cross-border trade settlement remains the top choice for all three types of institutions surveyed. Around 63% of overseas companies expressed their willingness to issue bonds in China, 61% expected to increase offshore RMB deposits, and a large number of overseas companies are also optimistic about the development of cross-border RMB investment such as RMB onshore equity investment (60%) and RMB cross-border merger and acquisition (M&A) transactions (58%).

RMB cross-border trade settlement remains the top choice for respondents in 2022

Figure 4.4 Expected use of RMB cross-border products and services in 2022 (ASEAN and RCEP related institutions/respondents)



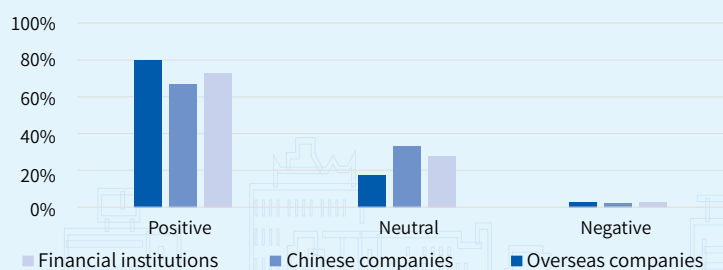
Source: TABInsights

4.2 The use of RMB in transactions with ASEAN and RCEP regions

The three types of respondents have a very positive attitude towards the use of RMB in cross-border transactions with ASEAN and RCEP member countries. The 67%, 80% and 71% of Chinese and overseas companies and FIs respectively, are optimistic and 32%, 19% and 28% of Chinese and overseas companies and FIs hold a neutral view, and those who hold a negative attitude is only 1% in the response of various institutions.

Majority of ASEAN and RCEP related respondents held positive views on the usage of RMB

Figure 4.5 Opinions on use of RMB in cross-border transactions with ASEAN countries or RECP members

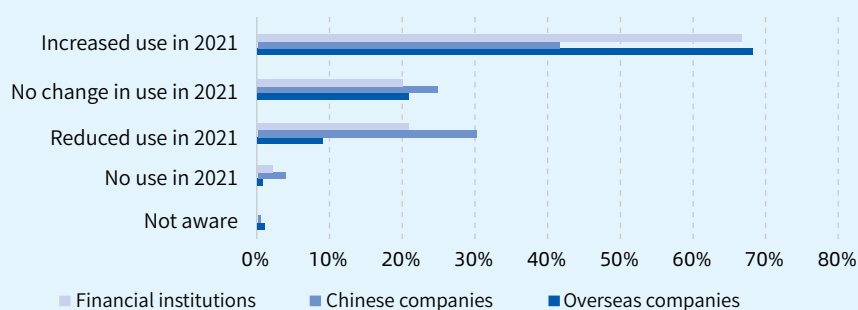


Source: TABInsights

It is particularly worth pointing out that in 2021, the proportion of the three types of respondents who increased RMB usage in cross-border trade settlement with ASEAN and RCEP is also significantly higher than the overall level. Some 69% of the surveyed overseas companies, 41% of Chinese companies and 67% of FIs said they have increased the use of RMB, which is higher than the overall figures of 61%, 37% and 50%.

The ASEAN and RCEP-related respondents are more willing to use RMB in cross-border trade settlement

Figure 4.6 Change in use of RMB-based cross-border trade settlement in 2021 (ASEAN and RCEP related institutions/respondents)

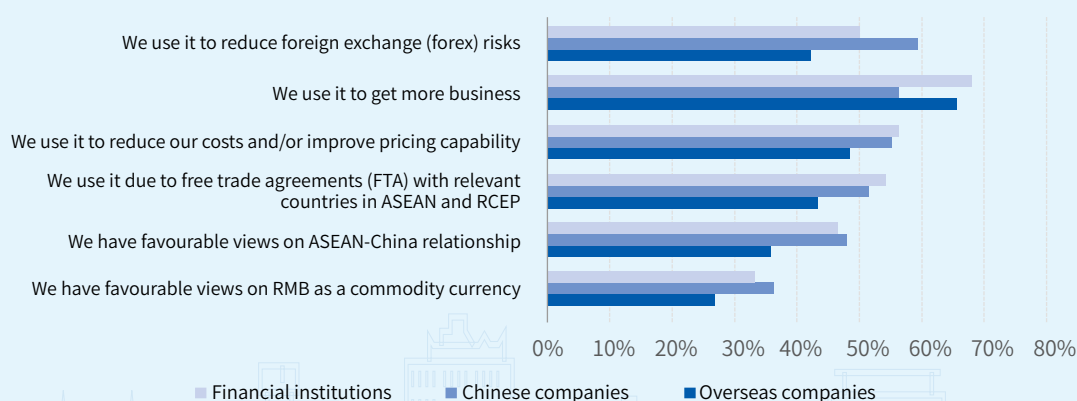


Source: TABInsights

When asked about the reasons for using RMB in cross-border transactions with ASEAN and RCEP members, 59% of Chinese companies said that the main reason for using RMB is to reduce foreign exchange risks. Respectively, they can obtain more business opportunities (57%), reduce costs and improve pricing power (56%); for overseas companies, 66% of the respondents said that the main purpose of RMB is to obtain more business opportunities. It can be seen that ASEAN and RCEP have been widely integrated into China and the global supply chain system. To reduce costs and/or improve pricing power is another reason to use RMB, accounting for 48%. About 68% of FIs said that using RMB can bring more business opportunities to them.

More business opportunities and less costs or forex risks are cited as important reasons for using RMB in cross-border transactions for the ASEAN and RCEP-related respondents

Figure 4.7 Most important reasons for using RMB in cross-border transactions (ASEAN and RCEP-related institutions/respondents)



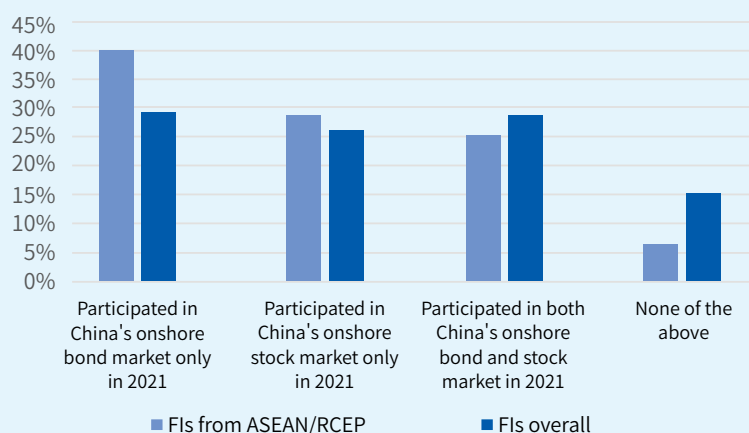
Source: TABInsights

4.3 The entry of ASEAN and RCEP financial institutions into the Chinese market

According to the survey results, ASEAN and RCEP FIs are more actively involved in China's onshore financial market than other FIs. Only 6% said they did not participate, which was nine percentage points lower than the overall level.

In terms of participated market, ASEAN and RCEP FIs participated in China's onshore bond market more actively than the stock market, accounting for more than 65%, which is 7 percentage points higher than overall. The proportion of participating in onshore stock market investment was 53%, slightly lower than the overall level (56%).

Figure 4.8 ASEAN and RCEP FIs' participation in China's onshore capital market

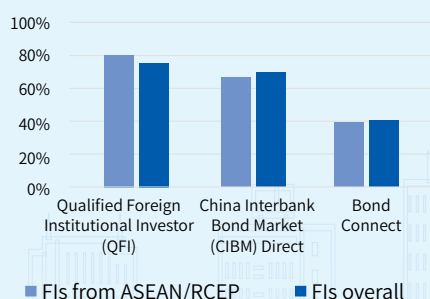


Source: TABInsights

The main channels for ASEAN and RCEP FIs to participate in China's onshore capital market are similar to other FIs, with slightly different preferences. The main channel of its participation in China's onshore bond market is QFI, accounting for 79%, slightly higher than the overall 74%; followed by direct investment in the inter-bank bond market (68%), slightly lower than the overall 71%, and the last channel is Bond Connect, accounting for 39%, which is the same as the overall.

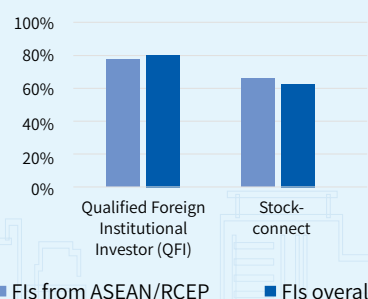
From the perspective of the stock market, the main channel for ASEAN and RCEP FIs to participate is also QFI, accounting for 78%, followed by Stock Connect, accounting for 66%, both proportions are comparable to the overall situation (80% and 63%).

Figure 4.9 Channels to access China's onshore bond market by ASEAN and RCEP FIs



Source: TABInsights

Figure 4.10 Channels to access China's onshore stock market by ASEAN and RCEP FIs



Source: TABInsights

Special Column 3: Use of RMB in ASEAN and RCEP member countries

On 1 January, 2010, the China-ASEAN Free Trade Zone was formally established, laying the foundation for the development of bilateral economic and trade exchanges. In the past five years, China's trade with ASEAN members increased by 14% on an annual basis and reached RMB 5.7 trillion (\$878.2 billion) in 2021. In the first quarter of 2022, this number increased to a record-setting RMB 1.31 trillion (\$201.5 billion).

With deepening trade ties, China has also become one of ASEAN's major sources of foreign direct investment (FDI). According to the Statistical Bulletin of China's Outward FDI, at the end of 2015 and of the top 20 countries in China's outward FDI stock, four were ASEAN members. This number rose to six by the end of 2020 with Singapore in the fifth position, Indonesia (8th), Malaysia (16th), Laos (17th), Thailand (19th) and Vietnam (20th). China's FDI flow to the region amounted to RMB 51 billion (\$7.62 billion) in 2020. In the first quarter of 2021, Chinese companies have made non-financial direct investments in Belt and Road Initiative (BRI) countries, which amounted to RMB 20.08 billion (\$3.7 billion), accounting for 20% in total overseas investment for the first time. The investment went to Singapore, Indonesia, Malaysia, Vietnam, and other ASEAN countries.

The expansion of the scale of cross-border trade and investment between China and the ASEAN region has laid the foundation for the use of RMB, and more market players choose RMB for transactions. According to Xinhua News Agency, as of 2020, 10% of Indonesia's global trade used RMB. On 30 September 2020, Bank Indonesia and the PBOC signed a memorandum of understanding, announcing the official launch of the Indonesia-China Local Currency Settlement Cooperation Framework from 6 September 2021 to promote the use of local currencies in the settlement of trade and investment and mitigate currency risk.

RMB cross-border trade settlement is at an attractive proposition for corporates in ASEAN that wish to settle transactions with business partners in China and expand the Chinese market. With the effectiveness of RCEP in 2022, using RMB for cross-border trade settlement will provide more opportunities for regional companies in ASEAN and RCEP to expand the business into China's networks.



5.

Development of offshore RMB centres

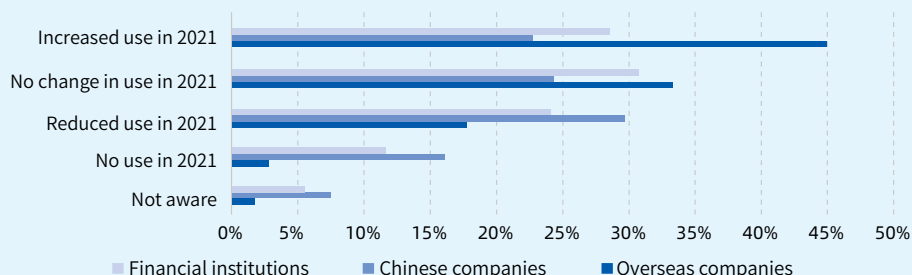
5.1 Use and change of RMB offshore deposits

From the data released by the central banks or monetary authorities in the major offshore RMB markets, the scale of offshore RMB deposits in these markets in 2021 increased to varying degrees. Hong Kong still has the largest offshore RMB deposit, according to data from the Hong Kong Monetary Authority (HKMA). At the end of 2021, the scale of offshore RMB deposits in Hong Kong reached RMB 927 billion (\$145.39 billion), an increase of 28.4% from the end of 2020. The market with the highest growth rate of offshore RMB deposits in 2021 is the UK, followed by Singapore, the offshore RMB deposits for these two markets are RMB 84 billion (\$12.9 billion) and RMB 175 billion (\$26.9 billion), with growth rates of 35.5% and 30.6% respectively.

From the survey results this year, the offshore RMB deposits of the surveyed institutions have increased significantly compared with last year. Among the overseas companies surveyed, the proportion of increasing offshore RMB deposits is as high as 45%, an increase of 17 percentage points from 28% last year. The proportion of Chinese companies and FIs who said they have increased offshore RMB deposits increased by one and two percentage points respectively compared with last year. Only 17% of overseas companies said they reduced offshore RMB deposits, down by six percentage points from 23% last year. The proportion of Chinese companies remained the same as last year, while the proportion of FIs increased slightly.

All three groups indicated that their offshore RMB deposits in 2021 increased compared with 2020, and overseas companies increased by 17 percentage points

Figure 5.1 Change in use of RMB-based deposits outside China in 2021

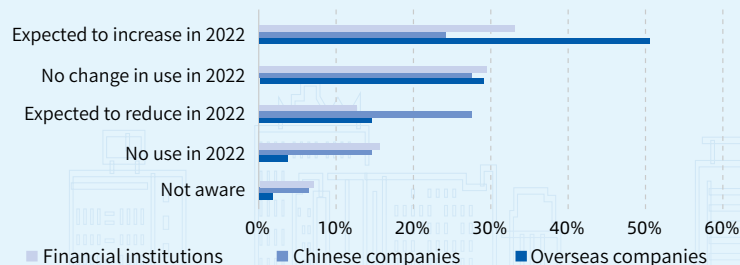


Source: TABInsights

Respondents are optimistic about the growth of offshore RMB deposits in 2022. Among them, the proportion of overseas companies that said they would increase their offshore RMB deposits was as high as 51%. The proportions of Chinese and overseas companies and FIs that said they would continue to maintain or increase their existing offshore RMB deposits are 52%, 80% and 64% respectively.

80% of the overseas companies plan to increase offshore RMB deposits in 2022

Figure 5.2 Expected change in use of RMB-based deposits outside China in 2022



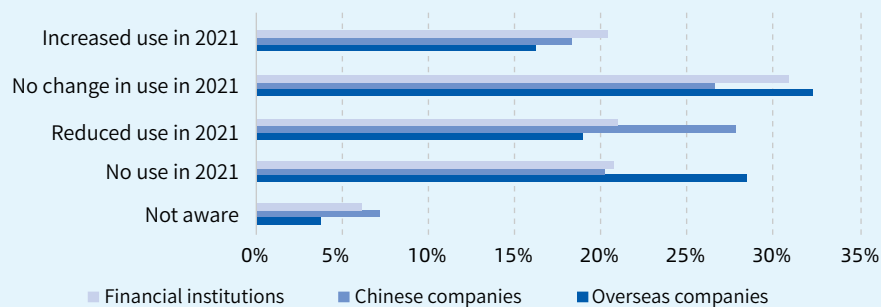
Source: TABInsights

5.2 Developments in RMB financing in offshore market

The use of offshore RMB financing by the three groups in 2021 was lower than in 2020, and the proportions of Chinese and overseas companies and FIs who say they have not used or are not aware are 27%, 32% and 27% respectively, compared with 21%, 19% and 18% last year. Only 18%, 16% and 21% of the Chinese and overseas companies and FIs using offshore RMB financing said they increased the use of offshore RMB financing, down by 4, 14 and 12 percentage points from last year. The percentage of FIs who said they reduced usage rose from 14% last year to 21% this year.

In 2021, about 30% of the surveyed institutions said they did not use or were not aware of offshore RMB financing products

Figure 5.3 Change in use of RMB-based offshore financing in 2021

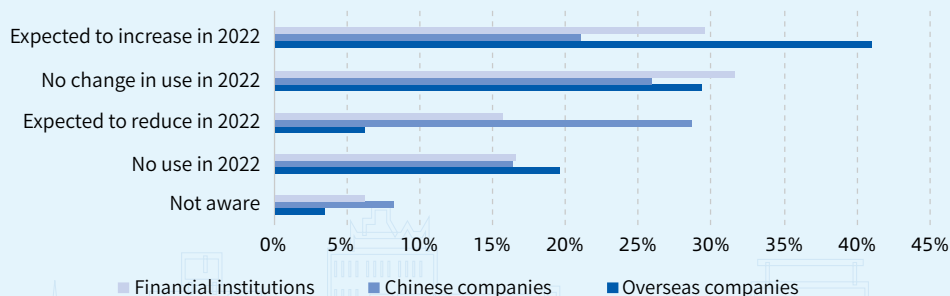


Source: TABInsights

It is expected that this trend will improve in 2022, and the proportion of respondents who expect offshore RMB financing to increase in 2022, grew significantly compared with the current status. The proportions of Chinese and overseas companies and FIs are 21%, 41% and 29% respectively. The number of overseas companies and FIs that have indicated they will reduce the use of RMB financing has also dropped.

41% of the surveyed foreign companies and 29% of the FIs plan to increase their use of offshore RMB financing in 2022

Figure 5.4 Expected change in RMB-based offshore financing in 2022



Source: TABInsights

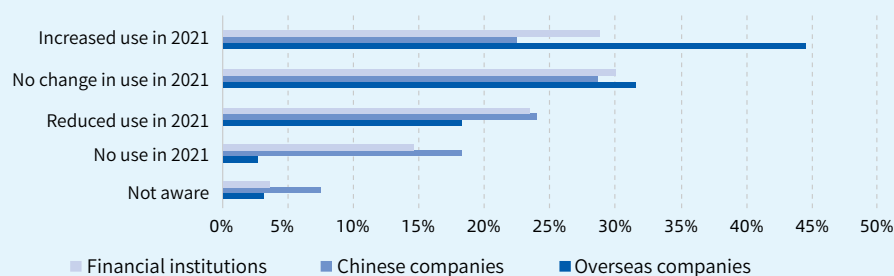
5.3 Development of offshore RMB wealth management market

As the scale of RMB assets outside China grows, the demand for asset value preservation and appreciation is increasing. Judging from this year's survey results, overseas companies' demand for RMB wealth management in the offshore market has grown significantly. About 45% of the overseas companies surveyed said they increased the scale of RMB wealth management in the offshore market in 2021, an increase of 15 percentage points over 2020. At the same time, 32% said that the proportion remained unchanged; the situation of the Chinese companies remained the same as last year. Half of the Chinese companies indicated that they increased or maintained the scale of RMB wealth management in the offshore market.

It is worth noting that FIs are relatively cautious. The survey results show that the proportion of FIs that increased the scale of RMB wealth management in the offshore market in 2021 is 29%, down by four percentage points from 2020. The proportion indicating a decrease in wealth management scale increased by nine percentage points to 23%.

45% of the foreign companies said they increased the use of RMB wealth management in the offshore market in 2021

Figure 5.5 Change in use of RMB-based offshore wealth management in 2021

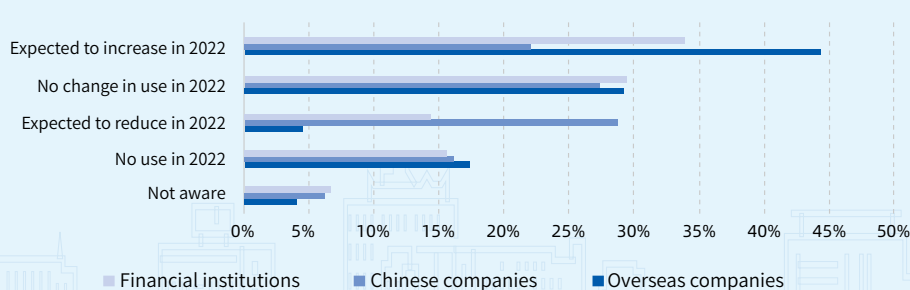


Source: TABInsights

It is expected that the RMB wealth management in the offshore market in 2022 will continue the basic trend of this year, and the proportion of the Chinese and overseas companies that have increased, maintained or decreased is the same as the current situation. The expectation of FIs is more positive than the current situation. The proportion of FIs that said that they will increase the scale of RMB wealth management in the offshore market in 2022, increased by five percentage points compared with this year, while the proportion saying they will reduce the scale significantly decreased.

FIs will have a more positive expectation toward RMB wealth management in the offshore market in 2022 than present

Figure 5.6 Expected change in RMB-based offshore wealth management in 2022



Source: TABInsights

5.4 Use and change of primary offshore RMB centres

According to SWIFT's RMB Tracker data, Hong Kong remained the largest offshore RMB centre as of March 2022, accounting for about 75% of RMB activity outside China, on par with the same period last year. Followed by the UK and Singapore, accounting for 6.4% and 4% respectively. The UK's share fell slightly compared to March 2021, while Singapore's share increased during this period.

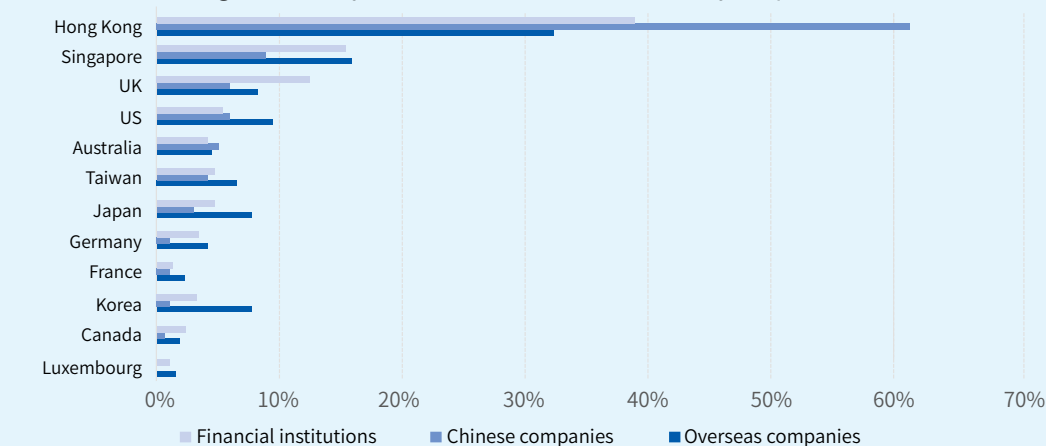
When respondents were asked which offshore RMB centre their transactions were mainly concentrated in, 61% of Chinese companies, 32% of overseas companies and 39% of FIs indicated Hong Kong, with the number of overseas companies and FIs increasing by 7 and 25 percentage points respectively, while that of Chinese companies decreased by three percentage points compared with last year's results.

In offshore markets other than Hong Kong, the growth of Singapore is relatively obvious. The number of overseas companies and FIs choosing Singapore as the main offshore RMB centre has increased from 14% and 12% last year to 16% and 15% this year. The proportion of the UK and the US has decreased, and the US has the most obvious decline. Overseas companies and FIs who chose the US have dropped by 9 and 19 percentage points respectively compared with last year.

About 64% of FIs surveyed, 56% of Chinese companies, and 75% of overseas companies said they increased their transactions in major offshore RMB centres in 2021. Among them, overseas companies have increased the most for two consecutive years, increasing by 19 percentage points compared with last year. FIs also increased by 14 percentage points compared with last year, while Chinese companies decreased.

The number of overseas companies and FIs choosing Hong Kong as their main offshore RMB trading centre has risen sharply

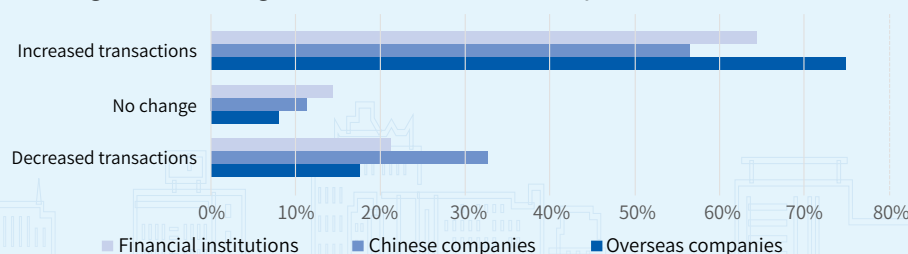
Figure 5.7 Key RMB offshore centres used by respondents



Source: TABInsights

64% of FIs and 75% of overseas companies have increased their transactions in major offshore RMB centres in 2021

Figure 5.8 Change in transactions at the key RMB centres in 2021

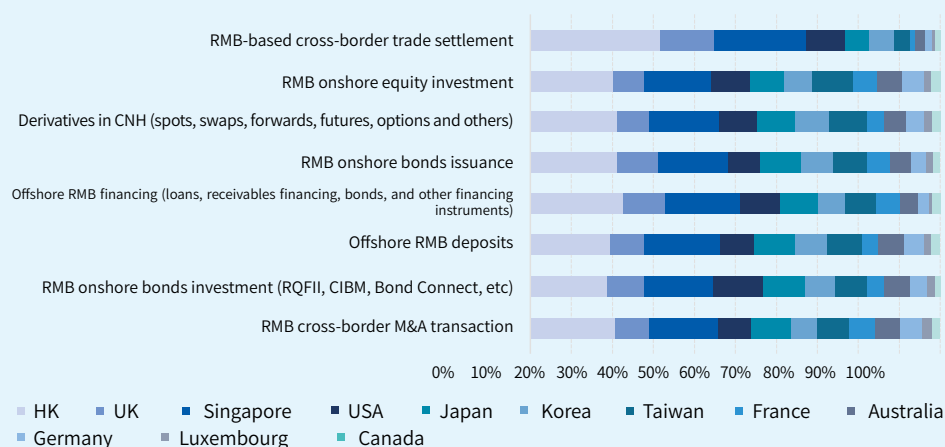


Source: TABInsights

In specific RMB products, there are big differences between Chinese and overseas companies in choosing major offshore RMB centres. In addition to Hong Kong, the proportion of overseas companies choosing Singapore for cross-border trade settlement in RMB is as high as 21%, and the proportion of overseas companies owning offshore RMB deposits in Singapore (19%) has already been on par with Hong Kong (20%). The proportion of offshore RMB financing in Singapore is 18%, which is also higher than that of other regions. The overseas companies also maintained a high level of activity in RMB transactions in the UK, with 13% and 11% of overseas companies choosing the UK for cross-border trade settlement and offshore RMB financing, accounting for the highest outside Hong Kong and Singapore.

Singapore and the UK are the most important offshore RMB centres for overseas companies outside Hong Kong to conduct RMB business

Figure 5.9 Key RMB centres of RMB-based products for overseas companies in 2021

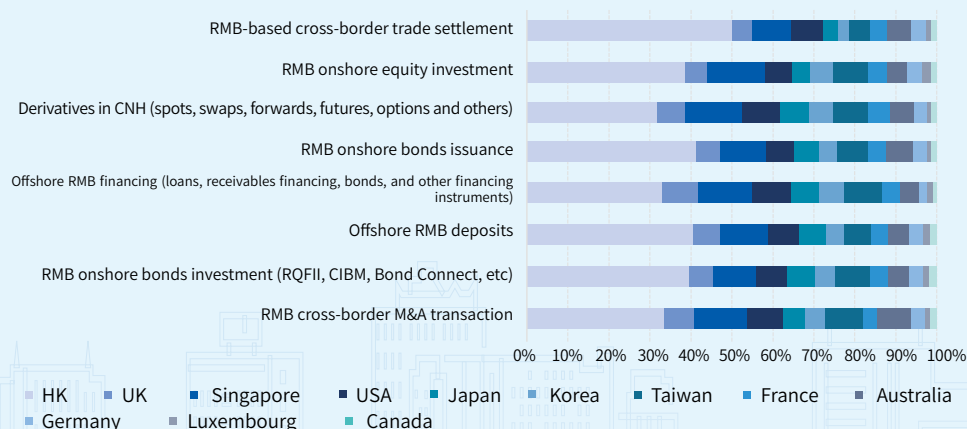


Source: TABInsights

Unlike overseas companies, more Chinese companies chose Hong Kong for various RMB transactions than other offshore RMB centres. The proportions of offshore RMB trade settlement and offshore RMB deposits in Hong Kong are respectively 50% and 40%. Except Hong Kong, 14% of Chinese companies chose to conduct cross-border mergers and acquisitions and forex derivatives transactions through Singapore, the highest proportion after Hong Kong. At the same time, Chinese companies also chose the UK for some offshore RMB financing and forex derivatives transactions, accounting for 8% and 7% respectively. It should be pointed out that Taiwan, as the offshore RMB centre with the second largest offshore RMB deposits, 10% of Chinese companies chose it as the market for offshore RMB financing.

Hong Kong is still the most important offshore RMB centre for Chinese companies to conduct RMB business

Figure 5.10 Key RMB centre for RMB-based products for Chinese companies in 2021



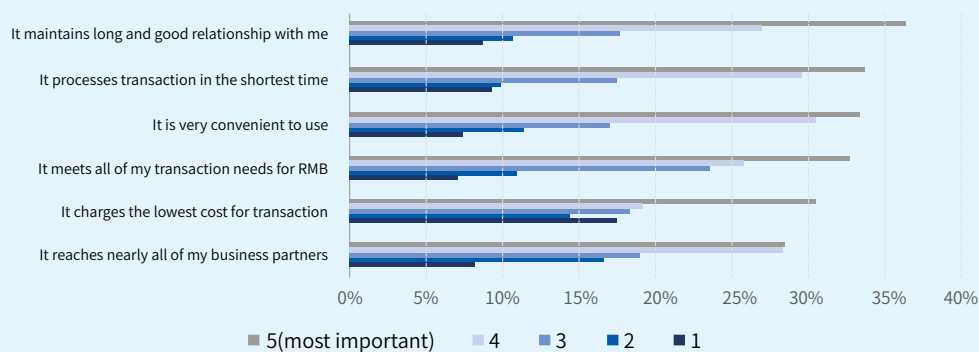
Source: TABInsights

5.5 Consideration when choosing a partner bank for RMB transactions

There are differences in the aspects that Chinese and overseas companies pay attention to when choosing banks for RMB business. When the surveyed companies were asked why they chose a partner bank for RMB transactions, 36% of overseas companies believed that "maintaining a long-term and good relationship with the institution" was the most important. The timeliness of transaction processing was also one of the factors to consider, scores of 5 (5 is the most important) and 4 accounted for 33% and 29%. Followed by customer experience, with 33% and 31% giving "very easy to use" scores of 5 and 4. Fees are the least factor that overseas companies consider when choosing a cooperative bank, and respondents companies that give this score 1 (least important) and 2 account for one-third.

A good cooperative relationship is the primary consideration for overseas companies when choosing a cooperative bank for RMB transactions

Figure 5.11 Key reasons for overseas companies to choose a bank for RMB transaction

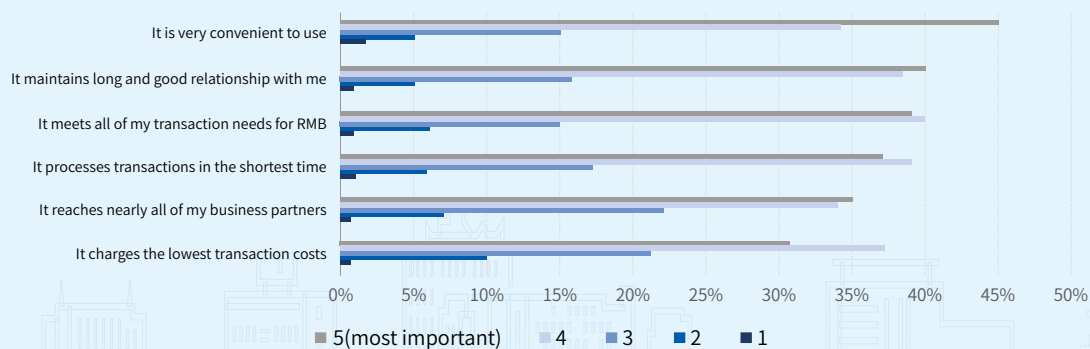


Source: TABInsights

Unlike overseas companies, Chinese companies have the highest requirements for customer experience, 45% and 34% give 5 and 4 points respectively to the item of "very convenient to use", followed by maintaining a good long-term cooperative relationship, with 40% and 39% giving 5 and 4 points respectively. Chinese companies also hope that cooperative banks can provide a one-stop RMB business solution, 38% and 40% of them scored 5 and 4 points for "meeting all RMB transaction needs". Similar to overseas companies, Chinese companies also have relatively little consideration for fees, the proportion of companies rating 1 (least important) and 2 is 11%.

Good customer experience is the primary consideration for Chinese companies when choosing a partner bank for RMB transactions

Figure 5.12 Key reasons for Chinese companies to choose a bank for RMB transaction



Source: TABInsights

Special Column 4: Development of three offshore RMB centres: Hong Kong, London and Singapore

During the RMB internationalisation process over the last few years, vibrant overseas offshore RMB markets have emerged in a few international financial centres, notably Hong Kong, London and Singapore, among others. These offshore centres play a vital role in establishing RMB as an international currency around the world.

The existence of sizable offshore markets is a defining feature of leading currencies such as the US dollar and Euro. In fact, more currency transactions take place in offshore markets than in onshore markets, and their exchange rates are also driven more by the demand and supply dynamics in offshore markets.

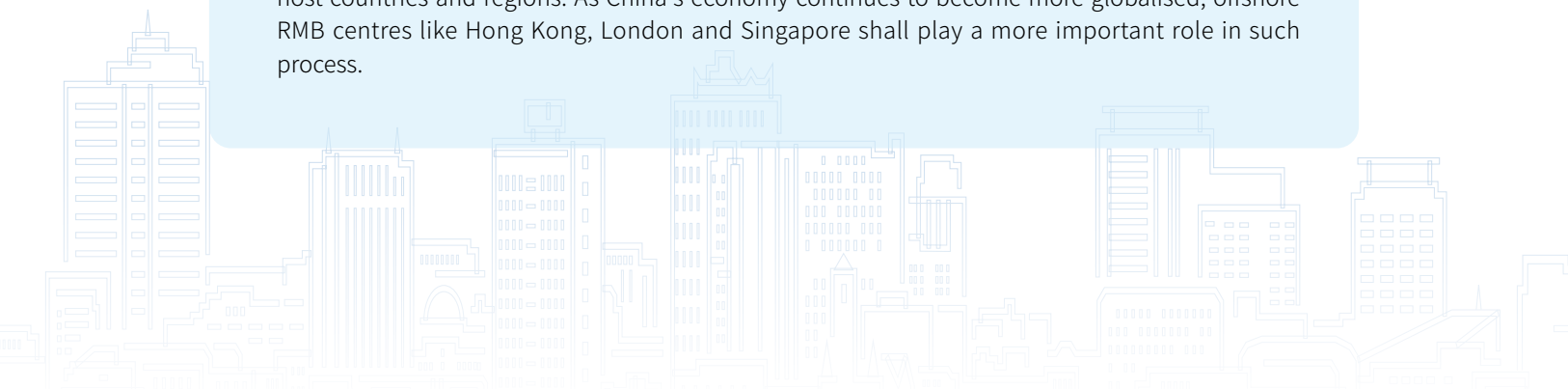
The Hong Kong market is understandably the largest among the three RMB offshore markets, with RMB 927 billion of deposits in total and RMB 163.6 billion of outstanding loans. The Hong Kong market also sees the largest offshore currency transactions involving RMB, according to the Bank of International Settlement (BIS) report in 2019, Hong Kong accounted for about 41% of all offshore RMB-related currency transactions and trading activities, higher than London's 22% and Singapore's 16%. Hong Kong represents the closest and deepest economic ties with the mainland, which provides a strong foundation for Hong Kong's role in RMB transactions and settlements.

The London RMB offshore market sees a rapid increase in RMB-related currency transactions, due to the city's unique role as a leading financial centre in the world. Many of these activities are expectedly coming from banks and other financial institutions based in London. The RMB clearing volume in London is the highest outside Asia. According to the Bank of England, the average daily transaction volume of RMB foreign exchange in the London market reached GBP 81.43 billion (\$95.5 billion) in 2021. At the same time, London has also maintained good interaction with the Chinese capital market. About 32 British institutions have obtained CIBM qualifications, and 52 have obtained QFI qualifications, ranking the first in Europe in terms of number of institutions.

Singapore is another largest RMB offshore market, the offshore RMB deposit in Singapore is twice the size of London, but as for offshore RMB forex transaction, it is about one third the size of the London market according to SWIFT data. As the ASEAN region has increasingly become one of the epicentres of the global economy, Singapore, being the economic hub of the ASEAN region, stands to see robust future growth for RMB-related activities.

The three important offshore RMB markets have their own strengths - the connection between mainland China and Hong Kong, Singapore's location in ASEAN and RCEP regions, and London's focus on transactions. Other than that, Hong Kong and London have now established channels of direct RMB-denominated investment in the mainland stock and bond markets for global investors to enter China's capital market.

The growth of RMB offshore markets is a two-way street, as it generates economic benefits for both host countries and regions. As China's economy continues to become more globalised, offshore RMB centres like Hong Kong, London and Singapore shall play a more important role in such process.



6.

Emerging opportunities, challenges and prospects of RMB internationalisation

6.1 Main factors affecting the use of RMB

Compared with last year's survey results, the respondents' selection of important factors affecting RMB internationalisation focused on the ongoing Sino-US trade frictions, uncertain economic prospects, and RMB exchange rate fluctuations. Since the second half of last year, the repeated outbreak of COVID-19 in many cities in China has brought new uncertainties to the international use of the RMB.

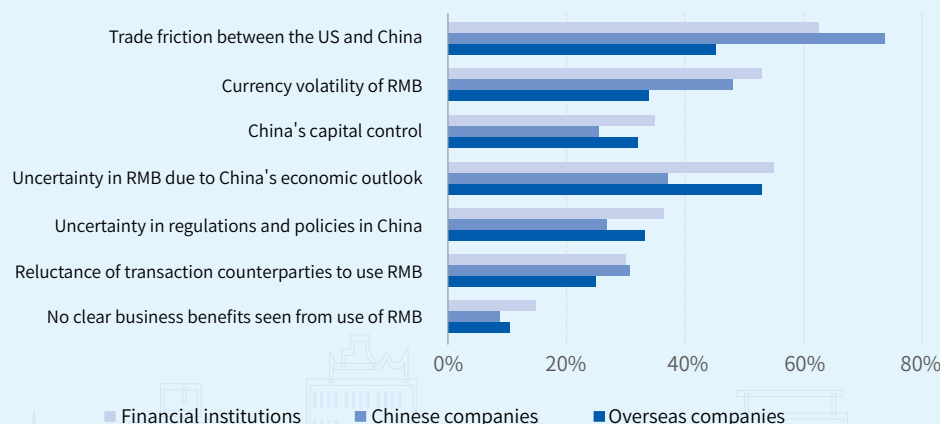
The results of this year's survey show that the ongoing trade friction between China and the US remains one of the biggest challenges for 74% of Chinese companies to use RMB for international transactions, slightly down from 77% last year. For FIs, trade friction is the biggest challenge they face. This year, 62% of them chose this option, an increase of 11 percentage points from last year. On the contrary, the proportion of overseas companies who considered Sino-US trade frictions to be the main challenge further dropped from 50% last year to 45%, which has been a downward trend for two consecutive years.

The uncertainty of China's economic outlook and the volatility of the RMB exchange rate has repeatedly brought challenges to the internationalisation of the RMB. About 53% of overseas companies and 54% of FIs surveyed cited uncertainty about China's economic outlook as a major challenge, up from 40% and 38% respectively last year. Chinese companies and FIs citing fluctuations in the RMB exchange rate as a major challenge have risen sharply from 42% and 36% last year to 48% and 53% this year.

For the Chinese companies, the reluctance of counterparties to use RMB has always been a relatively big challenge. This year, the proportion of choosing this option was 31%, same with last year.

Uncertainty about China's economic outlook and fluctuations in the exchange rate of the RMB have brought repeated challenges to the internationalisation of RMB

Figure 6.1 Key challenges faced in RMB internationalisation



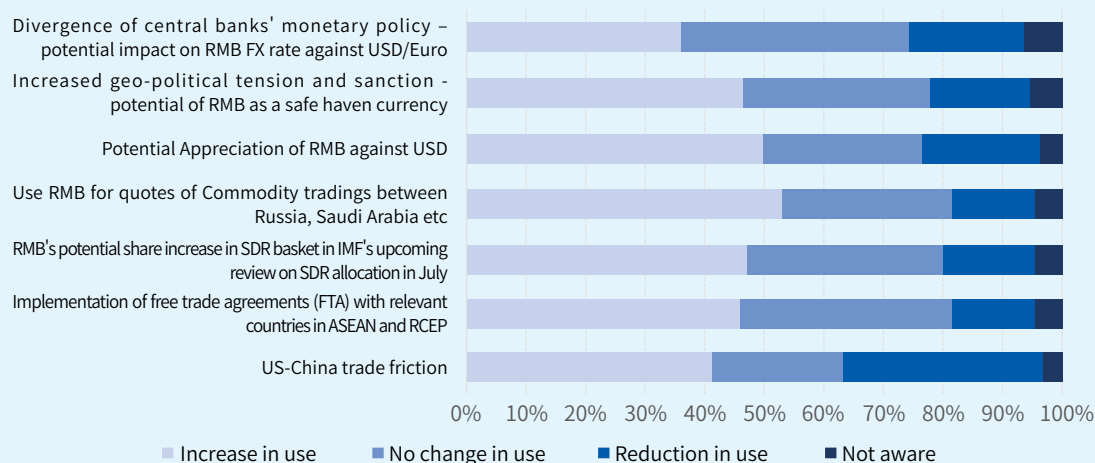
Source: TABInsights

When surveyed institutions were asked about their prospects for the international use of the RMB, the three groups of institutions showed different attitudes towards several important factors.

For the Chinese companies, the potential for international bulk commodities to be quoted, traded and settled in RMB, and the implementation of free trade agreements with ASEAN and RCEP countries will be conducive to promoting the international use of RMB. The proportions of Chinese companies that increase or maintain the use of RMB due to these factors are both 81% respectively.

81% of Chinese companies indicate RMB-denominated commodity trading and RCEP will promote the international use of RMB

Figure 6.2 Key issues that impact use of RMB by Chinese companies

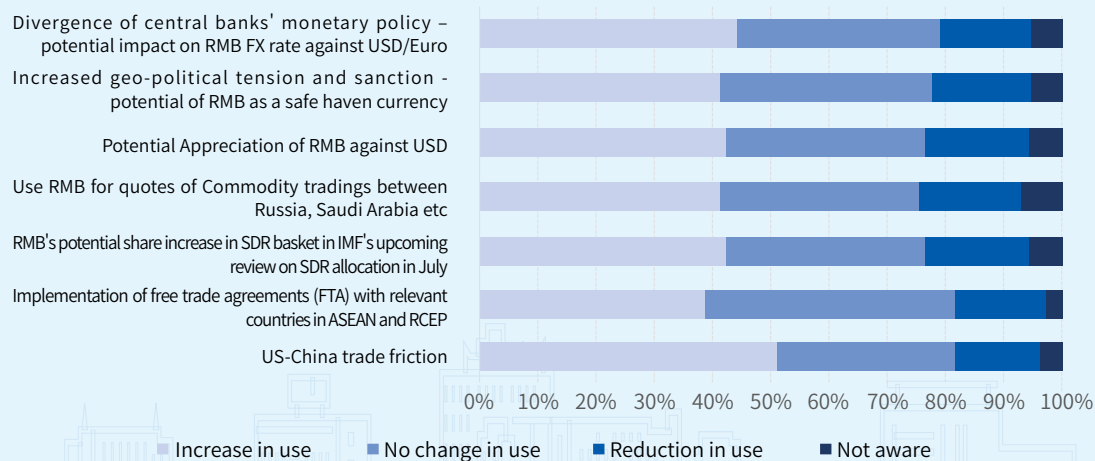


Source: TABInsights

The overseas companies also have a positive attitude towards RCEP, 82% of them believe that it will promote or maintain the international use of the RMB. Also, 82% of foreign companies believe that Sino-US trade friction will positively affect the international use of the RMB.

82% of overseas companies believe RCEP will promote or maintain the international use of the RMB

Figure 6.3 Key issues that impact use of RMB by overseas companies



Source: TABInsights

Special Column 5: Potential of RMB as a safe haven currency

The ultimate litmus test of a safe haven currency is its share in a central bank's foreign exchange reserve holdings. This is the amount of wealth a foreign government entrusts to that currency, and consequently the extent of confidence it places on it.

The US dollar is the most commonly held reserve currency and makes up more than 58% of global foreign exchange reserves, according to the latest data from IMF. Next, is the Euro with about 20% share, the Japanese yen at 5.3%, and the British pound sterling at around 5%. RMB comes in at number five with 2.88%. The RMB's share in the world's total foreign exchange reserves is still minute, albeit steadily increasing. There may still be a long stretch to call it a "safe haven".

A currency becomes popular because of several reasons. First, the currency has to function in some capacity as a major trade settlement instrument. China's share of global trade is steadily increasing, which lay a solid ground for RMB's role, as a settlement currency in major trade relations. RMB is standing at about 15% now of world trade settlement and has a large potential to grow.

The second important condition for a popular currency is the size and the stability of the economy backing its currency. No country would like to hold a currency from a country, whose economy doesn't carry much weight and is highly susceptible to fluctuations. China's growth prospect still looks good in the long run, although it is facing challenges in the short run due to the COVID-19 pandemic.

The third important condition is a large, stable and open capital market. Although shares held by foreign capital in both the equity and the bond market in China are increasing - take the bond market as an example, foreign holdings as a percentage of China's total treasury bonds in the China Interbank Bond market increased to 12% early this year - the percentage is still low compared to about 30% of the US treasury bonds held by foreign capital.

Besides, RMB is still not freely convertible under some capital accounts. These are the aspects that need to be further promoted in the RMB internationalisation going forward.

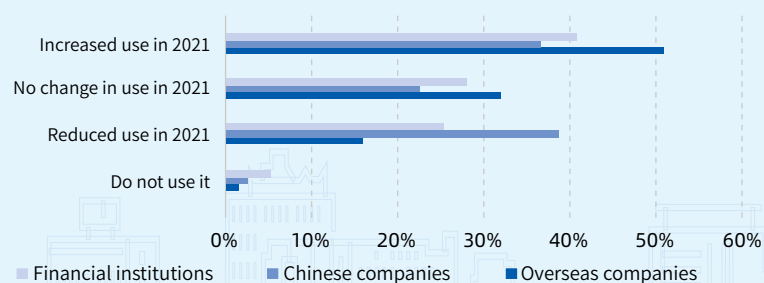
6.2 Impacts of the pandemic

The COVID-19 pandemic has forced Chinese and overseas companies to make significant adjustments to their supply chains, but the impact on cross-border payment and settlement of RMB has been limited.

Some 51% of overseas companies surveyed said that they increased cross-border payments in RMB in 2021, compared with 42% last year. About 58% of Chinese companies and 69% of FIs said their cross-border payments in RMB increased or remained unchanged in 2021, compared with 62% and 69% last year.

51% of the overseas companies surveyed said they increased cross-border payments in RMB in 2021

Figure 6.4 COVID-19's impact on RMB cross-border payments in 2021

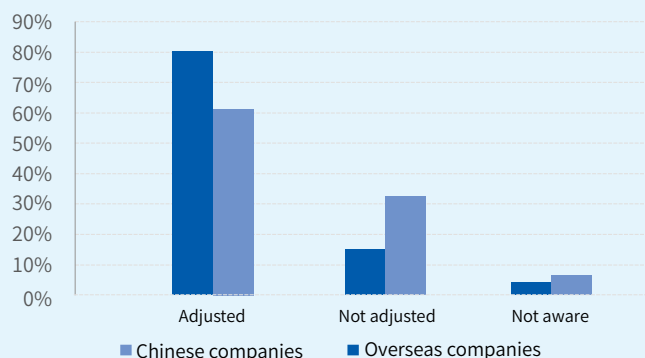


Source: TABInsights

The impact on supply chain of Chinese and overseas companies is also surveyed. Following the COVID-19 outbreak, 61% of Chinese companies and 80% of overseas companies said they have realigned their supply chains. The percentages fell by three and two percentage points from last year, indicating that the impact on supply chains is waning.

The impact of the pandemic on the supply chain adjustment of Chinese and overseas companies is weakening

Figure 6.5 Supply chain adjustments amid the COVID-19 pandemic in 2021



Source: TABInsights

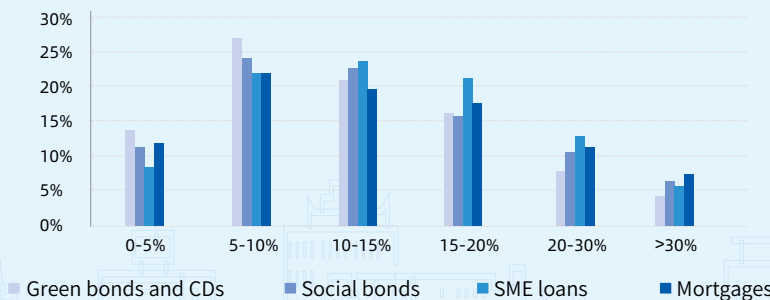
6.3 Development of RMB-denominated green finance

In the past year, China's green finance industry has achieved rapid development in global cooperation and established a complete set of green finance standards. On 4 November 2021, the International Platform on Sustainable Finance (IPSF) taxonomy working group unveiled the “EU-China Common Ground Taxonomy - Climate Change Mitigation (CGT), which further unifies the international and domestic standards for the identification of green finance. As of the end of 2021, the outstanding balance of green loans in domestic and foreign currencies in China reached nearly RMB 16 trillion (\$2.5 trillion), a YoY increase of 33%, ranking first in the world.

The results of this year's survey show that less than 10% of the FIs have not launched green finance business, a further drop from last year. In terms of asset classes, in 2021, RMB-denominated green bonds and SME loans grew the fastest. Some 49% and 63% of FIs hold over 10% of these two categories of assets respectively, both an increase of seven percentage points over last year.

Among the surveyed FIs, less than 10% said they have not carried out green financial business, a further decrease from last year

Figure 6.6 Percentage of RMB-denominated green finance assets by financial institutions

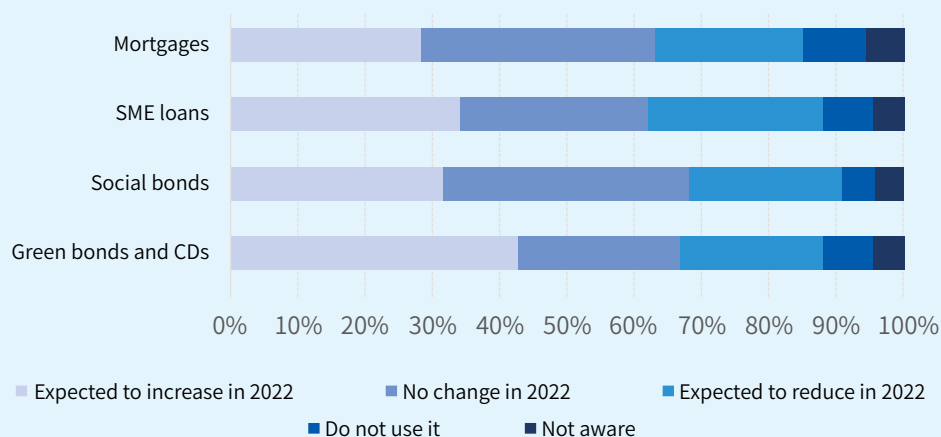


Source: TABInsights

As FIs pay more attention to RMB-denominated green financial products, it is expected that the scale of RMB-denominated green financial assets will further increase in 2022, with 43% and 33% of FIs indicating their holdings of RMB-denominated green bond and depositary receipts and SME loans will increase in 2022.

43% and 33% of the FIs indicated that their holdings of RMB-denominated green bonds and depositary receipts and loans to SMEs will increase in 2022

Figure 6.7 Expected change in holding of RMB-denominated green finance products in 2022



Source: TABInsights

Conclusion

China demonstrated solid steps in recent years to open up its financial markets, and the international use of RMB has also developed rapidly in the process. By facilitating cross-border trade and investment, strengthening the offshore RMB market, furthering the two-way interconnection of the capital market, and expanding the scale of bilateral local currency swaps, roles of RMB as the payment, settlement, investment, and reserves currency have been gradually strengthened. The situation has also been fully reflected in this year's survey results. RMB cross-border trade settlement is still the most widely used product, among which the increase in RMB settlement by overseas companies is significant, and RMB direct investment has also increased by a large proportion; in the offshore market, deposits have increased with financing needs declined.

With the effectivity of the RCEP agreement in 2022, this year's survey also conducted an in-depth analysis of the use of RMB in the ASEAN and RCEP regions. According to the survey results, ASEAN and RCEP-related institutions see more active participation than overall results in trade settlement, offshore RMB financing and capital markets. It is relatively consistent with the overall survey results in cross-border direct investment, choice of channels to enter China's capital market, etc. The three types of respondents are generally more optimistic about the use of RMB in ASEAN and RCEP member countries.

Recently, the global political and economic situation has been complicated and changeable, and the COVID-19 epidemic has continued to recur, which has brought uncertainty to the prospects of China's economic growth. Continued trade frictions and the RMB exchange rate volatility have also brought challenges to the internationalisation of the RMB. However, China will continue opening up. The weight of the RMB in the SDR basket has been further increased recently, which reflects the recognition of the RMB by the international community. A large proportion of the surveyed institutions also indicated that they will increase the use of RMB in the future. It is believed that RMB internationalisation will continue stepping forward firmly and soundly in a complex future.



Appendix - Description of research samples

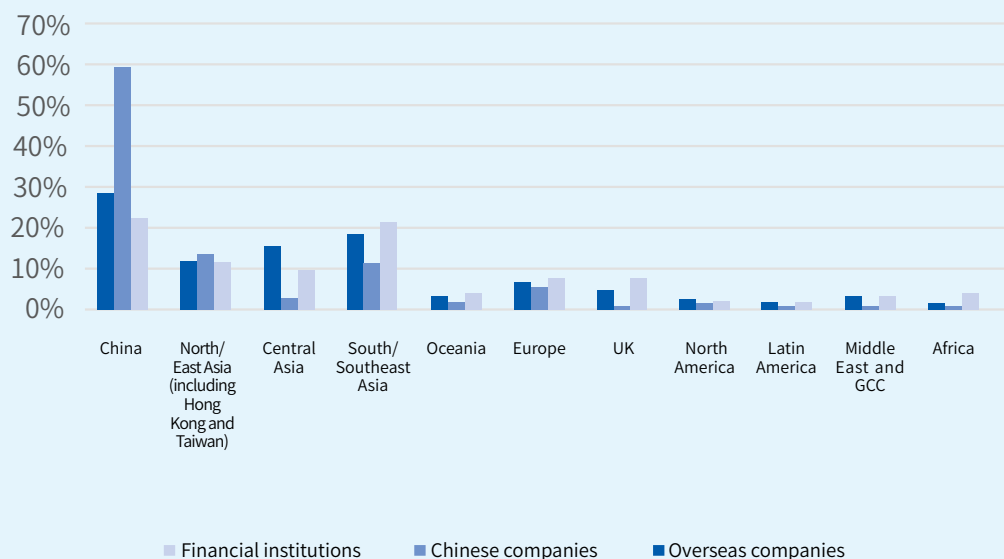
The RMB internationalisation research conducted by The Asian Banker in 2022 covers a total of 1,112 Chinese companies, 1,000 overseas companies (including North America, South America, Europe and Asia Pacific), and 434 Chinese and overseas FIs. All the companies participating in the survey have cross-border business dealings with China. In this report, "Mainland China" simply refers to "China", excluding Hong Kong, China, Macau, and Taiwan, while "Greater China" includes Hong Kong, Macau, and Taiwan.

The survey respondents were senior financial personnel of enterprises participating in RMB products or financing projects, including chief financial officers, corporate treasurers and senior managers of the finance department.

The Chinese interviewed companies mainly cover China, Northeast Asia (including Hong Kong), South and Southeast Asia, while the overseas interviewed companies evenly cover the whole world.

Respondents' location covers all continents.

Figure 7.1 Main geographical regions covered

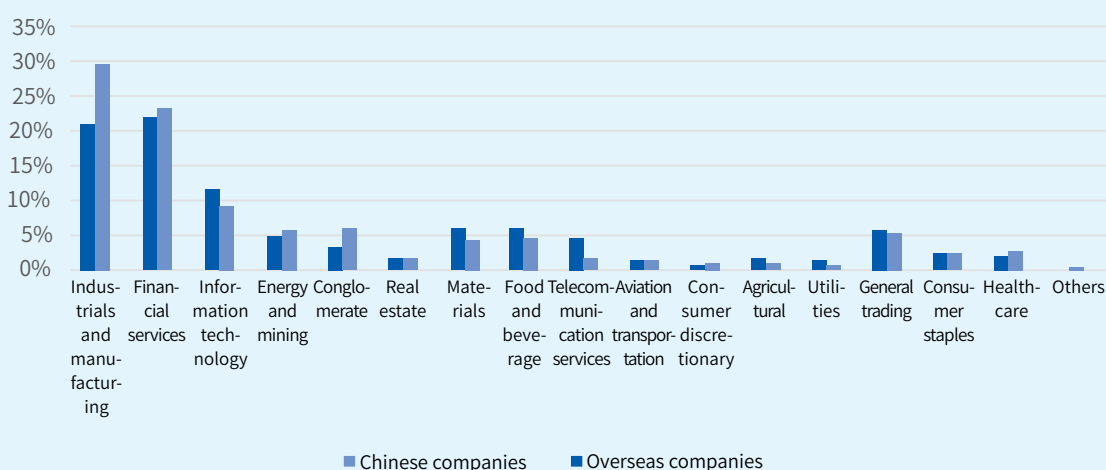


Source: TABInsights

The industrial and manufacturing sector has the highest proportion of companies in the surveyed industry (29% of Chinese companies and 21% of overseas companies). Some 22% of overseas companies are from the financial services industry, and 9% of Chinese companies are from the information industry.

Most respondents are from industrial and manufacturing, finance and information technology sectors.

Figure 7.2 Respondents' industry coverage



Source: TABInsights

About 33% of Chinese companies and 36% of overseas companies operate both import and export cross-border transactions. This is followed by 35% of Chinese companies exporting to overseas partners or customers. Some 17% of overseas companies only import goods and services from China.

Most surveyed companies export and import products and services from China

Figure 7.3 Main cross-border operations of companies

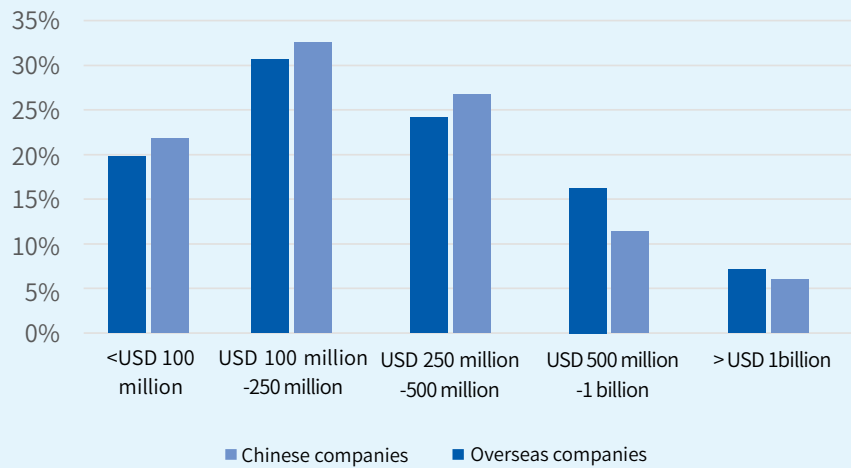


Source: TABInsights

The size of the surveyed enterprises includes small, medium and large enterprises. Among them, 31% of overseas companies and 33% of Chinese companies have a global turnover between 100 million and 250 million US dollars.

Most surveyed companies are medium-sized

Figure 7.4 Size of respondents' companies



Source: TABInsights

China Construction Bank
Builds a better future



中国建设银行
China Construction Bank

www.ccb.com

