

# **The RMB market in France Becoming a global currency** ✓

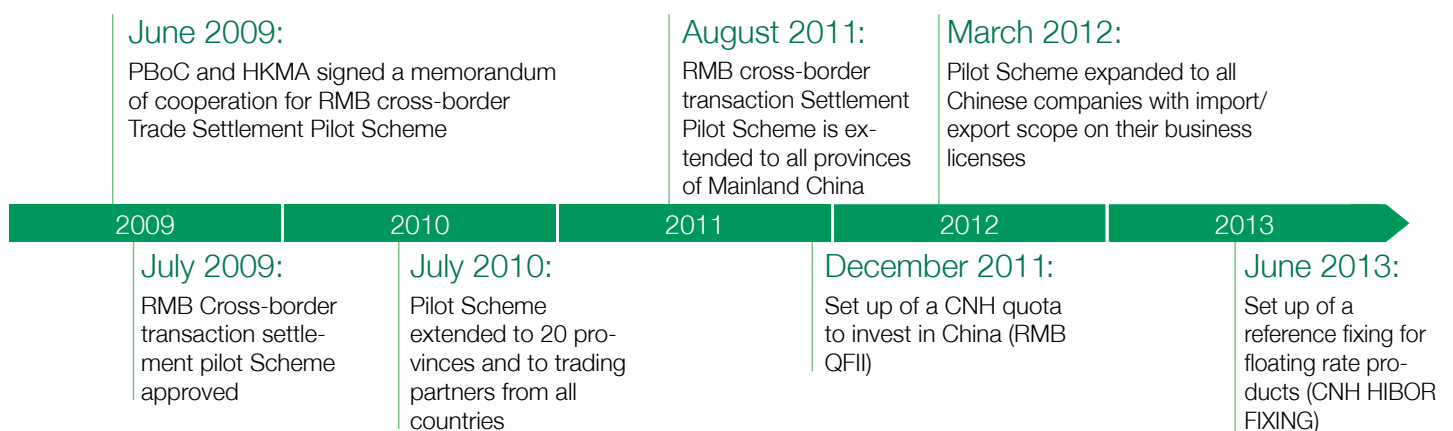


# 元 (Renminbi): BECOMING A GLOBAL CURRENCY

Over the last few years, the Renminbi (RMB) internationalization has been growing steadily. Measures have been taken by the Chinese authorities to propose an alternative to the dollar as reference currency for trade:

- Several RMB bilateral swap agreements between the People's Bank of China (PBoC) and other central banks have been signed
- A clear push and signal sent to increase the use of RMB for cross-border transactions
- A strong increase of RMB dealing and clearing centers worldwide

## KEY MILESTONES IN RMB INTERNATIONALIZATION



These measures, which aim at promoting the use of RMB as a reference currency for the international trade and financial transactions, led to the creation of a new and fully functioning RMB market: the offshore RMB known as "CNH". This market is growing continuously not only in Asia but also in Europe.

This new market has been developing quite fast, driven by a strong demand from commercial counterparties and investors, each in search of diversified and efficient products and services.

# New opportunities to trade in 元

The rise of the RMB is set to redefine the global currency landscape. Corporates and Financial Institutions around the world are seeking to capitalize on the currency's move onto the international stage. According to many experts, the RMB could become one of the G4 currencies - joining the existing G3 panel (USD, EUR, JPY) in the future.

Therefore, a growing number of Chinese companies are being encouraged by the PBoC to transact and settle in RMB. For Corporates and Financial Institutions doing trade business with Mainland China, the opportunities are considerable.

## Your benefits

- **Improving supplier access, purchasing power and domestic client base:** with a growing number of Chinese buyers and suppliers preferring to trade in local currency, companies can invoice and pay in RMB, in order to simplify the negotiation process, expand their network and strengthen their market position.
- **Reducing FX exposure:** for Companies that buy and sell goods in China, using RMB provides a natural FX hedge. Furthermore, currency risk can be neutralised by raising capital in the offshore RMB bond market to fund onshore subsidiaries.
- **Managing currency risk:** billing in RMB between the head office and the local subsidiary allows more efficient currency risk management by the mother company.
- **Reducing financing costs:** CNH bonds offer a relatively competitive source of financing and the potential to tap a new investor base.
- **Reducing costs:** invoicing goods in RMB for Chinese sellers may provide a competitive edge and the potential for significant savings. The transfer of the currency risk from the Chinese partner to the foreign trading partner gives a better negotiating position.

### PBoC

The People's Bank of China, the central bank of the People's Republic of China, has the power to control monetary policy and regulate financial institutions in Mainland China

### HKMA

The Hong Kong Monetary Authority is responsible for maintaining monetary and banking stability

### RMB (元)

Renminbi is the official and legal currency in Mainland China. The primary unit of RMB is the Chinese Yuan. The currency symbol is «¥»

### CNY, Onshore RMB

CNY is the only ISO code to stand for the Chinese currency. CNY also refers to the only Exchange rate used in Mainland China (supervised by the PBoC)

### CNH, Offshore RMB

CNH refers to RMB exchange rate applied to RMB outside Mainland China; deliverable in Hong Kong



# Crédit Agricole CIB: A sound partnership to take advantage of a world of opportunities

## Making the most of the Renminbi opportunity

Corporates and Financial Institutions can conduct their RMB business with China via Crédit Agricole CIB France.

Crédit Agricole CIB offers you to benefit from the mix of both our deep knowledge of the RMB Market and our cross-border payment processing capabilities.

## A long lasting established presence in China and Hong Kong

With over 100 years' experience of banking in China and Hong Kong, Crédit Agricole CIB understands and has an expertise in all the specificities of the RMB market.

Crédit Agricole CIB's global network, combined with our local expertise, makes us an effective strategic advisor for any client that wants to take advantage of RMB Internationalisation related opportunities.

## Supporting our clients

Crédit Agricole CIB has always helped its clients navigate the complex and evolving world of major and new emerging currencies, such as the RMB.

With a global set up and local trading hubs in Paris, London, New York, Hong Kong and Tokyo, our Bank is well equipped to actively participate in the internationalization of the Renminbi and assist our European clients by providing them with a full range of products, services and capabilities, combined with the added value of our know-how, our experienced teams and their advice, in order to suit your banking needs.

## Relying on our recognized expertise

With our award-winning research team at the forefront of development on this currency and a strong set up in Dept Capital Markets, we advise issuers on current market conditions and the best strategy to access the CNH bond market.

Crédit Agricole CIB's derivative capabilities allow our clients to benefit from any arbitrage opportunity in CNH, or manage currency flows in EUR or USD.

The bank's trading set up has been adapted to follow the internationalization of this market, and with active trading hubs in Hong Kong, Paris and London, we are closer to serve a growing investor base in CNH bond products.

Following the strong momentum of CNH products, CACIB has significantly increased its market share in the market. CACIB is in the top 5 of dealers in CNH (source: Bloomberg May 2013).

**Crédit Agricole CIB** teams are available to provide you with more information regarding the RMB market. Please contact your usual relationship manager.

# Crédit Agricole CIB's range of RMB services in France

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CACIB offers its customers a full range of RMB services from France.

- **Current account and cross-border transfers:** Possibility to open accounts in RMB in our books and to carry out financial or trade-related cross-border transactions.  
Commercial payments outside China (CNH) do not generate particular constraints, however our teams are available to assist our customers to initiate payments to Mainland China (CNY) that are subject to regulatory administrative constraints (please refer to CACIB International payments brochure).
- **FX offer:**
  - Spot
  - Forwards
  - FX Swaps
  - Options
  - Other derivatives products
    - Hedging: Target Redemption, Bonus & Capped Forwards
    - Investments: Digital, Performance Notes
- **Investment products:**
  - Fixed rate Bonds
  - Certificates of Deposit (CD's)
  - Structured products
- **Interest Rate Hedging products:** Cross Currency Swap (CCS), that allows to convert cashflows (principal and interest) on a loan/ or an investment denominated in CNH in any other liquid currency (EUR, USD, etc.). Today, the CNH rate market is active only with fixed rates, but is growing very fast and floating rate hedging instruments are likely to emerge soon.
- **Debt Capital Markets:** CNH bond issuance (Dim Sum Bonds)

## Focus on CNH structured, indexed or issued notes

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Facing a growing demand for investment products denominated in CNH, CA-CIB has recently issued 4 digital notes in CNH, for a total nominal amount of CNH 100M.

- Notes with guaranteed capital and 1-2 years maturity
- Payment of a boosted coupon if CNH appreciates against USD at maturity

## Focus on bond market (CNH)

This market meets the financing needs of issuers by using funds raised in RMB in several ways:

- For Corporates who trade with Chinese counterparts, they can keep the RMB raised offshore to settle trade payments directly
- For Corporates operating in Mainland China, the ability to repatriate these funds to finance their business needs
- For banks and other financial institutions with offshore clients who have RMB needs, they can use the RMB raised to fund their RMB loan book and satisfy their clients' requirements

This market also allows for Corporates who tap arbitrage opportunities with CNH bonds to swap RMB raised into EUR or any other currency through CNH CCS Market.

International borrowers can have easy access to the bond market (CNH) using existing MTN programs subject to make some modifications:

- Ensuring that the RMB is a designated currency in the program
- Including the settlement capability with the Central Monetary Unit (CMU) in Hong Kong into the program

CACIB teams advise our French and international clients on the ins and outs of the offshore Renminbi market in order to assist them in the issuance of bond financing at the lowest cost with a distribution to the widest possible investor base. Thanks to a network of specialists consisting of experienced originators and distributors, and helped by a well respected Research department and recognized swap and distribution capacities, we have already participated in numerous bond issuances (private placement or public syndicated).

### CACIB part of the main dealers in CNH

Our position in the quartet of leading dealers in CNH illustrates our bond issuance distribution capacities to Asian, but also international investors.

Rank	Underwriter	Market share (%)	CNY Amount (M)
1	HSBC Bank PLC	23.2	30.412
2	Standard Chartered Bank	13.0	17.088
3	BNP Paribas Group	12.1	15.900
4	Crédit Agricole CIB	6.4	8.433
5	Barclays	5.8	7.661
6	Agricultural Bank of China Ltd	3.7	4.910
7	RBS	3.6	4.719
8	National Australia Bank Ltd	3.5	4.627
9	Industrial & Comm Bank of China	3.1	4.119
10	CITIC Securities Co Ltd	3.0	3.995

## CACIB part of the research team leaders in Asia

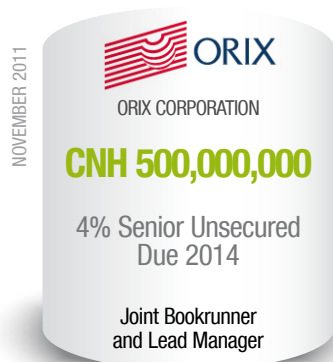
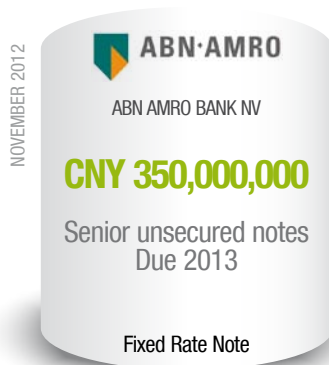
In the Asiamoney Fixed Income Poll 2012 survey published in October 2012, Crédit Agricole CIB was named:

- ✓ No. 1 in the category of “Best Interest Rates Research and Market Coverage (Local Currency Interest Rates)” for its coverage of CNH currency, HKD and KRW
- ✓ No.3 in « Best Regional Teams for Asian Macroeconomic Research »
- ✓ Frances Cheung was elected No.1 in the « Best for Overall Interest-Rate Research Analyst » category

We have also been recognized by Asiamoney FX Poll 2012, when Crédit Agricole CIB was voted 5th in the “Best for FX Research and Market Coverage.” Frances Cheung was named 3rd in the “Best Overall FX Research Analyst” Mitul Kotecha and 4<sup>th</sup>.



## Recent transactions executed by CACIB



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