



**White Paper on RMB  
Internationalization Business of  
Bank of China**

**--RMB Step into Fortune Global 500**

**2014**

**Nov 2014**

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## Foreword

In July 2013, the *White Paper on Cross-border RMB Business of Bank of China* was released for the first time, arising wide public attention. By virtue of global business network and extensive customer base, the survey on RMB internationalization business organized by Bank of China covered more than 3000 customers at home and abroad, with a large sample size and wide coverage of regions. The *White Paper* was just prepared based on the survey, whose authoritativeness and reference value were highly recognized.

In 2014, Bank of China improved the questionnaire method to compile a new version of White Paper. First, the survey sample was further expanded. 3,162 pieces of effective questionnaires were collected from customers, increasing by over 200 pieces compared with the previous year, including 807 pieces from overseas customers in 22 countries and regions, up 105 over last year. Second, some questions in the questionnaire were updated, to timely describe the reflection of customers on the new trend, new market and new products concerning RMB internationalization business. Third, the survey on special topic was added. This year, the survey titled “RMB Step Into Fortune Global 500” was designed, so as to help people understand the general situation about RMB products and services used by large-scale multinationals. 384 multinationals among Fortune Global 500 are non-financial companies<sup>1</sup>. In this survey, we received the reflection and support of 147 companies, which takes up approximately 38% of the 384 non-financial companies.

By adhering to the strategic objective of “assuming social responsibility and becoming an excellent bank”, Bank of China is a large multinational banking group with the largest scale of RMB internationalization business, the most active participation in such business and the most prominent professional capability in RMB internationalization. The *White Paper on RMB Internationalization Business of Bank of China (2014)* prepared and released by Bank of China aims to reflect the development status of RMB internationalization business, attract more enterprises and individuals to pay attention to and participate in the RMB internationalization process, help them select and use RMB internationalization products and services, and commonly push forward the better and faster development of RMB internationalization process.

<sup>1</sup> Financial companies and other large scale local enterprise were eliminated from this survey.

## Highlights

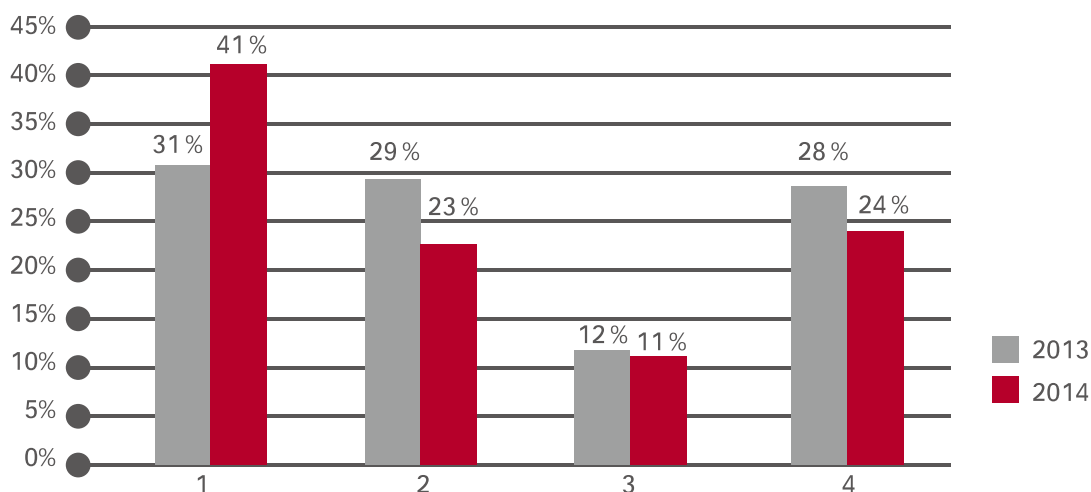
- ▶ More positive expectation on the international currency status of RMB by domestic and overseas companies. Stronger customer demands for cross-border use of RMB.
- ▶ Significant improvement in the RMB payment and use between overseas third parties, further strengthening the function of RMB as international pricing currency.
- ▶ More popular overseas RMB products and services, and more abundant product varieties. Settlement products are the most popular cross-border RMB products; convenience of settlements is a primary factor affecting the convenience of cross-border RMB use.
- ▶ Fortune Global 500 companies take an active part in the use of RMB internationalization products and services. They are more experienced in managing RMB exchange rate fluctuation, and the extent of utilizing RMB settlement products could be improved.
- ▶ BOC's products and services of RMB internationalization business are positively recognized by customers. Among all the services, integrated services of BOC at home and abroad receive most applause.

## Expectations on RMB Internationalization

### More positive expectations of overseas customers on the international status of RMB

Compared with the survey results of 2013, 41% of whom hold that "RMB might become a very important international currency, and its position and role might be close to USD and EUR", up 10 percentage over last year. While the proportion of customers who consider that "it is hard to assess the international position and role of RMB" decreases by 4 percentage. More and more overseas customers hold positive expectations on the international status of RMB.

Expectations of overseas Customers on the International Status of RMB



1.RMB might become a very important international currency,and its role might be close to USD and EUR

2.RMB might become an important international currency,and its role might be close to JPY and GBP

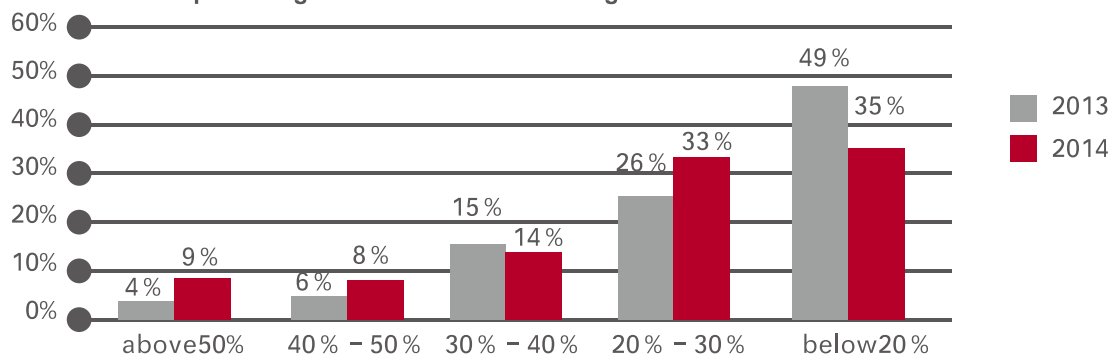
3.RMB would become one of the important international currencies,and its role might be inferior to JPY and GBP

4.RMB would become an international currency,but it is hard to access its international role

### More positive assessment of domestic customers on the use of RMB in cross-border transactions

Domestic customers have more positive expectations on the percentage of RMB used in China's foreign trade settlement in the next five years. 17% of the domestic customers interviewed believe that the percentage of RMB used in China's foreign trade settlement would exceed 40%, an increase of 7 percentage over last year. While 33% customers hold that such percentage would stay between 20% and 30%, also an increase of 7% over last year.

In the next five years, which section is RMB likely to stay at, by the percentage of RMB used in the foreign trade settlement in China?

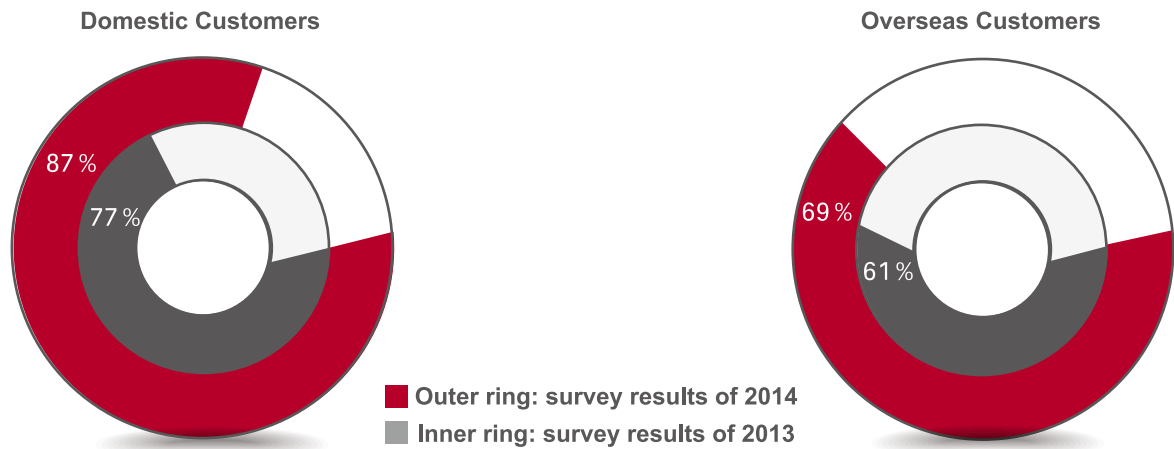




### Further enhanced intention of cross-border use of RMB

About 87% domestic customers and 69% overseas customers plan to use RMB or enhance the usage level of RMB in the cross-border transactions, up 10 and 8 percentage respectively compared with the survey results of last year.

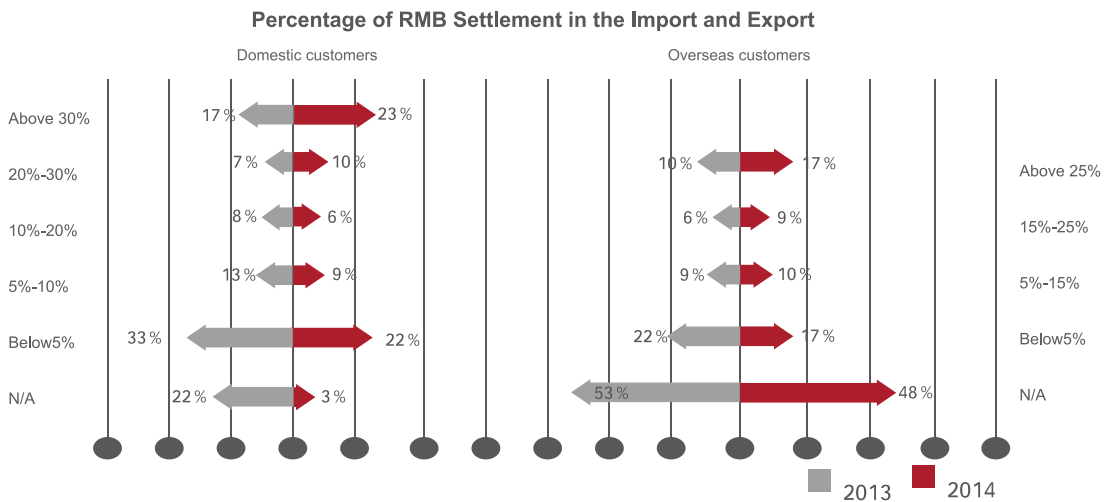
Percentage of Customers Who Plan to Use RMB or Enhance RMB Use in the Cross-border Settlement in Future



## Development of Cross-border Use of RMB

### Significantly enhanced use of RMB in the cross-border transactions

The interviewed customers have significantly enhanced the use of RMB in the cross-border transactions relative to previous year. In the cross-border receipt and payment with China, overseas customers who report over 15% RMB settlement percentage account for 26% of total overseas customers, up 10 percentage over last year. 17% of the overseas customer report 5% or less RMB settlement percentage in the import and export business with China, down 5 percentage points compared with last year. The feedbacks from domestic customers also demonstrate the similar results.

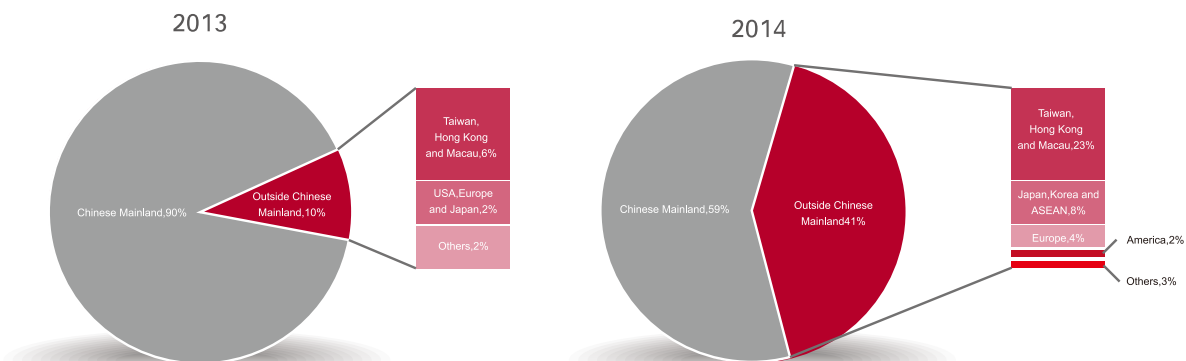


### Positive progress achieved in terms of overseas circulation

The regional distribution of counterparties of overseas customers in the cross-border settlement presents a trend of decentralization. In the survey of 2013, only 10% customers reported cross-border RMB receipts and payments with the third parties located in the regions other than Chinese Mainland; while in 2014, 41% customers reported so, among which, customers reported cross-border RMB receipts and payments with Japan and Korea, ASEAN, Europe and America take up the share of 8%, 4%, and 2% respectively in the total interviewed overseas customers.

The survey result shows that, regional distribution of companies outside china mainland who reported cross-border RMB receipts and payments expanded. RMB receipts and payments taking place outside China mainland enhanced the overseas circulation level of RMB, and it is also an important indicator of RMB internationalization.

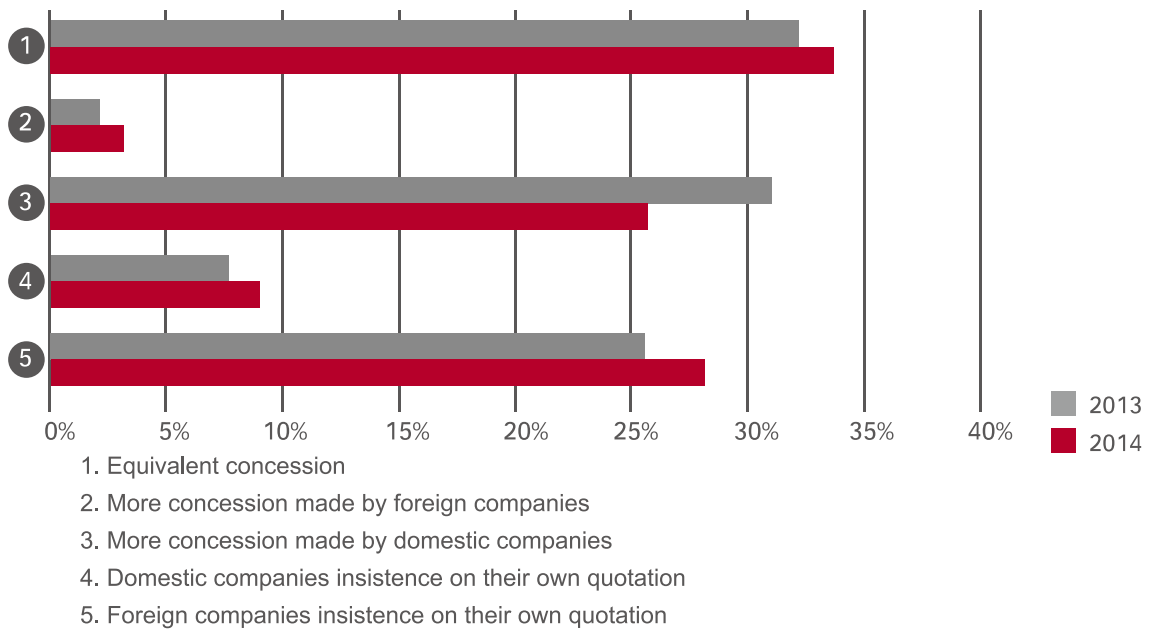
Regional Distribution of Cross-border RMB Settlement by Overseas Customers



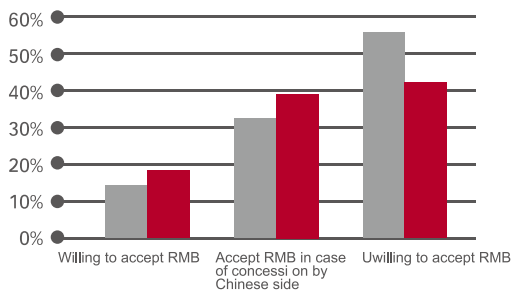
### Improved initiative for RMB settlement

An important indicator of initiative for RMB settlement is, in time of exchange rate fluctuating adversely, whether domestic companies can hold on to their own quotation so as to eliminate or reduce the adverse impact of exchange rate fluctuation. According to the survey results, the percentage of customers reporting the insistence on own quotation, more concession made by foreign companies, and equivalent concession goes up in a certain extent, and the percentage of domestic customers reporting more concession made by themselves drop obviously, manifesting the significantly improved initiative of domestic customers for quotation in domestic currency. Generally, their initiative for RMB settlement is still weak, as represented by the fact that still 26% of the total interviewed customers totally accepting the quotations of foreign companies in time of exchange rate fluctuating adversely.

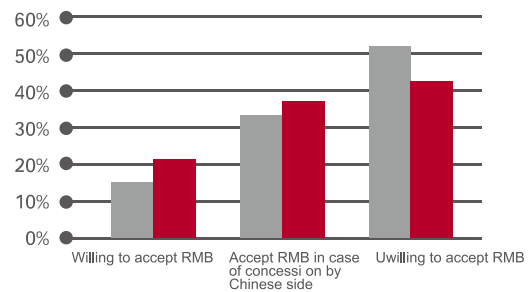
Bargaining Result in Case of Adverse change of Exchange Rate



Acceptance of RMB by Foreign Companies in the Import Business



Acceptance of RMB by Foreign Companies in the Export Business





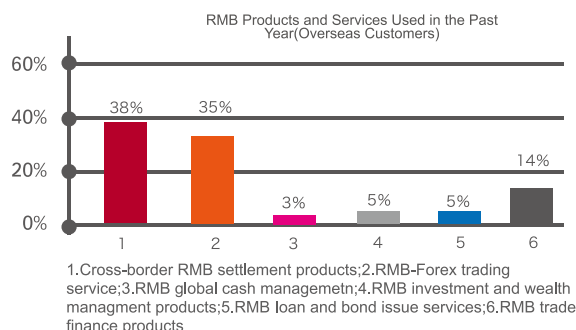
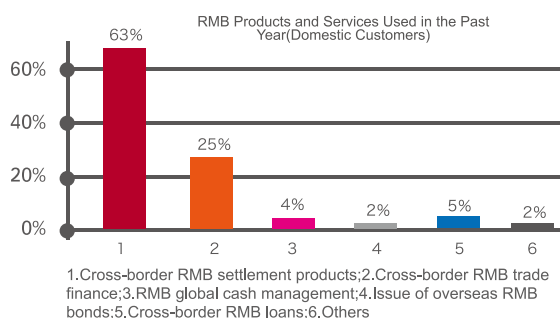


Argentina	14.17	3.21	0.80	2.04	0.91
Australia	3.01	4.03	0.12	5.06	0.28
Bahrain	8.09	3.51	0.15	3.06	0.81
Bolivia	4.85	7.17	0.21	2.06	1.90
Brazil	16.87	2.15	0.80	3.06	0.56
Canada	8.49	16.70	0.15	2.06	0.33
Chile	2.28	8.45	0.33	3.06	0.76
China	1.00	2.15	0.33	2.06	0.33
Colombia	1.97	6.66	0.33	3.06	0.33
Costa Rica	8.50	3.51	0.33	2.06	0.33
Cuba	2.01	8.36	0.33	3.06	0.33
India	14.17	3.21	0.80	2.04	0.91

## Cross-border RMB settlement and trade finance are the most popular RMB internationalization products

According to the distribution of cross-border RMB products and services used by domestic and overseas customers in the past year, 63% interviewed domestic customers and 38% overseas customers used cross-border RMB settlement products; and the domestic and overseas customers who used trade finance products accounted for 25% and 14% respectively, which shows that cross-border RMB settlement and trade finance are the most commonly used RMB internationalization products. The usage of RMB cash management products and RMB loan and bond issue products generally stayed at a low level.

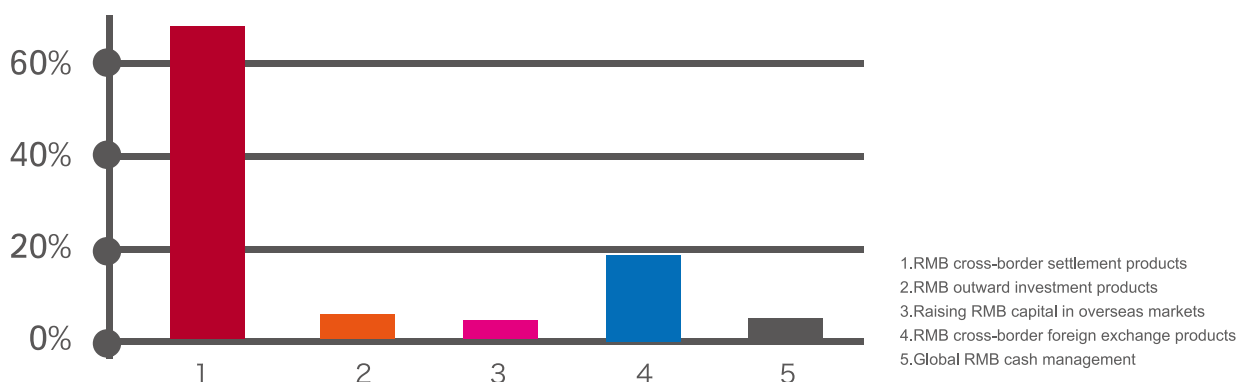
The survey also shows that the usage of RMB trade finance products of overseas customers is lower than that of domestic customers, reflecting that the former ones prefer local currency-denominated trade finance products. The difference in the usage of foreign exchange trading services is mainly arising from the fact that RMB is a foreign currency for those overseas companies and the foreign exchange trading services are frequently used by them.



## Diversified demand for RMB internationalization products

As showed in the survey result, a comparatively high proportion of domestic companies plan to increase the usage level of RMB cross-border settlement products, which is expected to improve the proportion of RMB used in cross-border settlement among all currencies. Nearly 20% companies plan to increase the usage level of RMB foreign exchange products, which manifested the fact that companies are more and more aware of the foreign exchange risk management. About 7% companies plan to increase the usage level of RMB in outward direct investment. This is a positive trend to show that Chinese companies 'going global' is an important impetus for RMB 'going global'. In addition, certain proportion of companies is planning to use the global RMB cash management products and raise RMB capital in overseas markets, which are signs of the diversification of RMB internationalization products demanded by domestic companies.

which product(s) is to be used more by interviewed companies



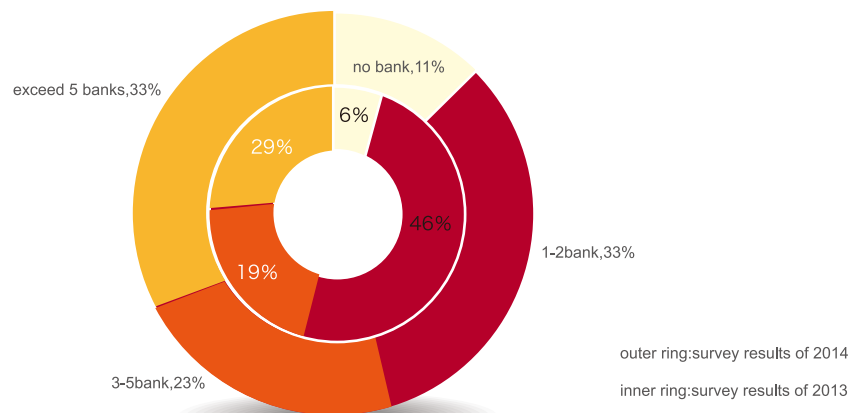




### Further expanded coverage of overseas cross-border RMB products and more abundant products and services provided by overseas banks

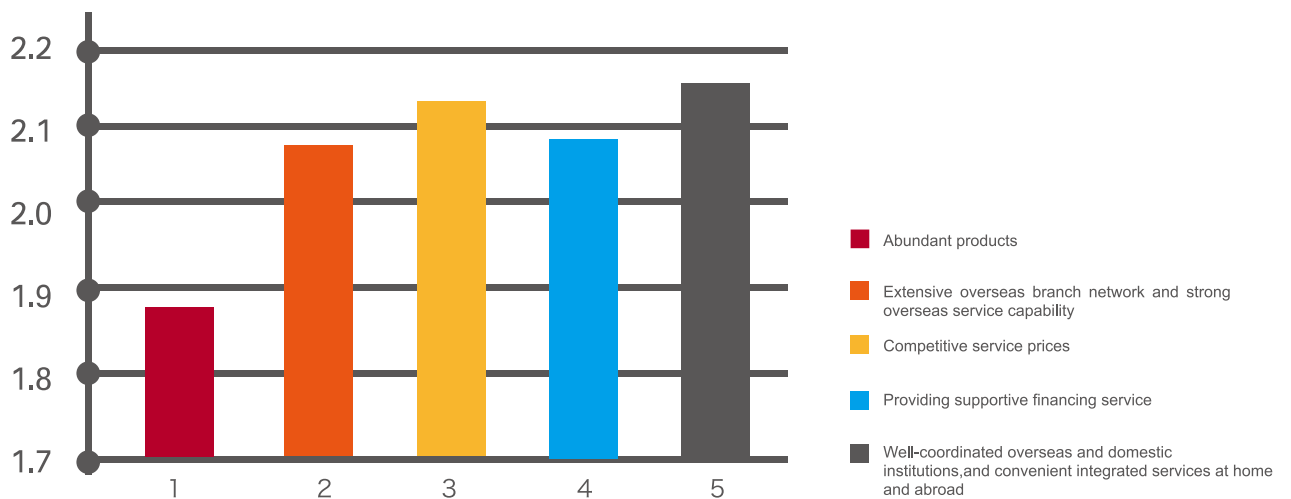
Compared with the survey results of 2013, the proportion of interviewed overseas customers who state more than 3 local banks provide RMB services raised by 8 percent, while the proportion of customers reporting that only 1-2 banks provide RMB services declines by 13 percentage. It suggests that more and more banks start to provide RMB products and services which are now more popular in foreign countries, and further improve the wideness and deepness of RMB offshore market and enhance the overall RMB internationalization services level.

Number of Banks Providing Overseas RMB Products and Services



### Overseas and domestic integrated services of BOC, most satisfactory to customers

Among the most satisfactory factors of BOC, "Well-coordinated overseas and domestic institutions and convenient integrated services at home and abroad" receives most reorganization. Besides, factors like "competitive service prices", "strong overseas service capability" and "rendering of supportive financing service" also well commented by customers. All these factors show the comprehensive competitiveness of BOC's RMB internationalization business. By making use of the advantages in overseas branch network and benign coordination and cooperation between overseas and domestic institutions, and providing competitive service prices, BOC can provide customers with satisfactory experience in cross-border RMB products and services.



## RMB step into the “Fortune Global 500”

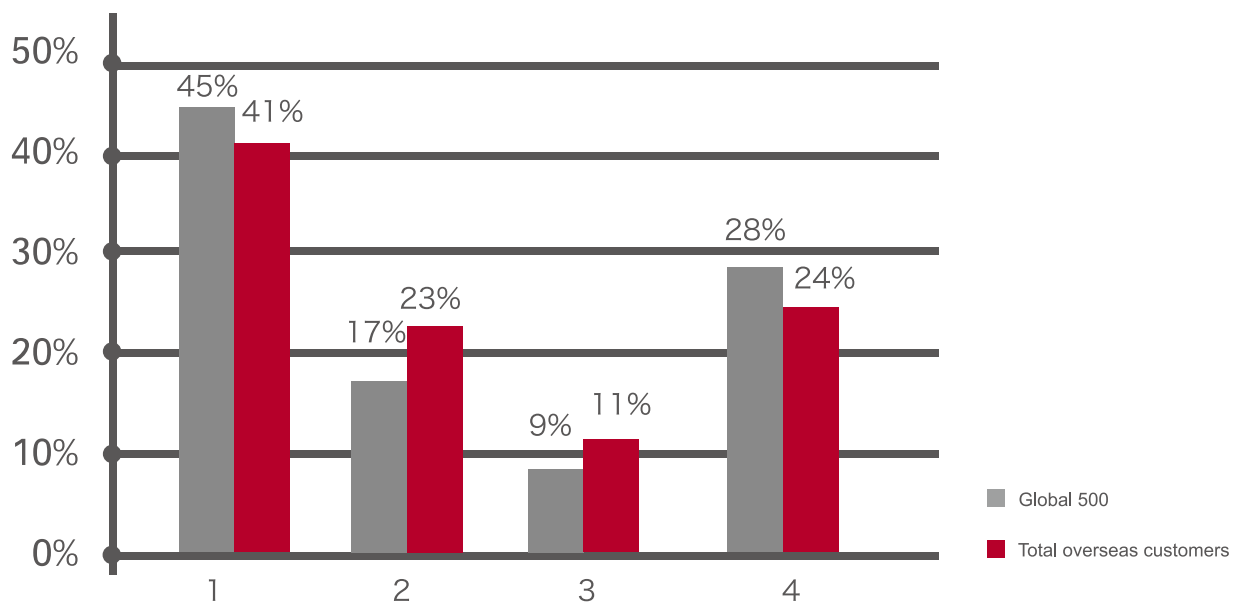
“Fortune Global 500” (or “Global 500”) is playing a more and more important role in global financial capital circulation, technology transferring, supply-chain management and international payment balance in economic globalization process. As an important customer group in international market, “Global 500” widely participate in cross-border and multi-currency receipts and payments and capital operations to play a vital part in promoting currency internationalization. To know to what extent RMB is used by “Global 500” provides us with an important viewpoint for learning the internationalization level of RMB. Considering this, we treat “Global 500” as a unique customer group in this survey and sort out the information received to compare it with the overall survey results to reflect the unique characteristic of how “Global 500” use RMB services and discover the RMB internationalization situation.

### More optimistic expectations on RMB internationalization

Overseas customers among “Global 500” show more optimistic expectations on the international status of RMB relative to total overseas customer samples. 45% of interviewed overseas “Global 500” customers reckon that “RMB might become a very important international currency, and its position and role might be close to USD and EUR”, higher than the proportion of overseas interviewed customers holding the same point of view.

However, 28% of such customers temporarily express no definite comments on the position of RMB as an international currency, also higher than the proportion of overall overseas interviewed customers holding the same point of view. It signifies certain uncertainty in terms of the expectations of overseas “Global 500” customers on RMB internationalization.

Comparison of Expectations between overseas “Global 500” and Overseas Customer Samples on RMB Internationalization



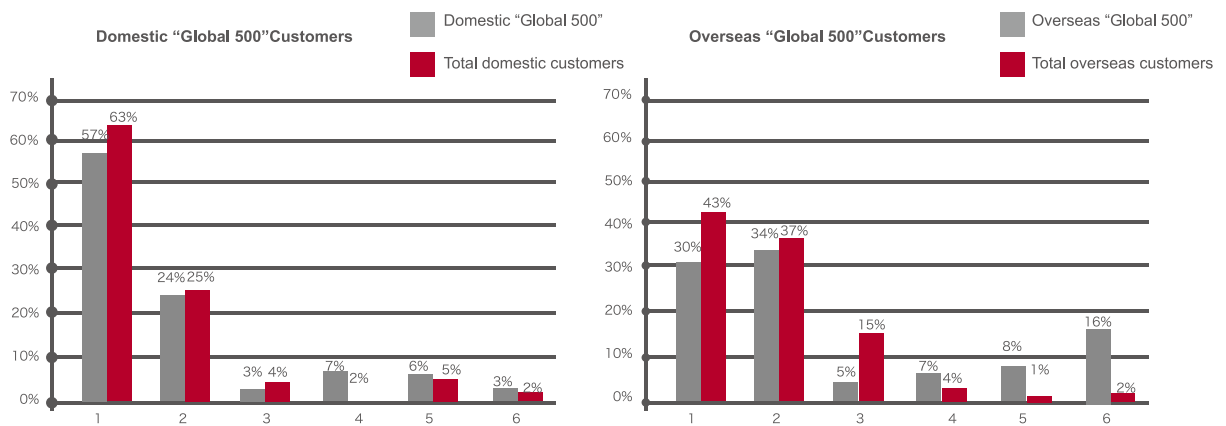
1. RMB might become a very important international currency, and its role might be close to USD and EUR.
2. RMB might become an important international currency, and its role might be close to JPY and GBP
3. RMB would become one of the important international currencies, and its role might be inferior to JPY and GBP
4. RMB would become an important international currencies, but it is hard to assess its international role.



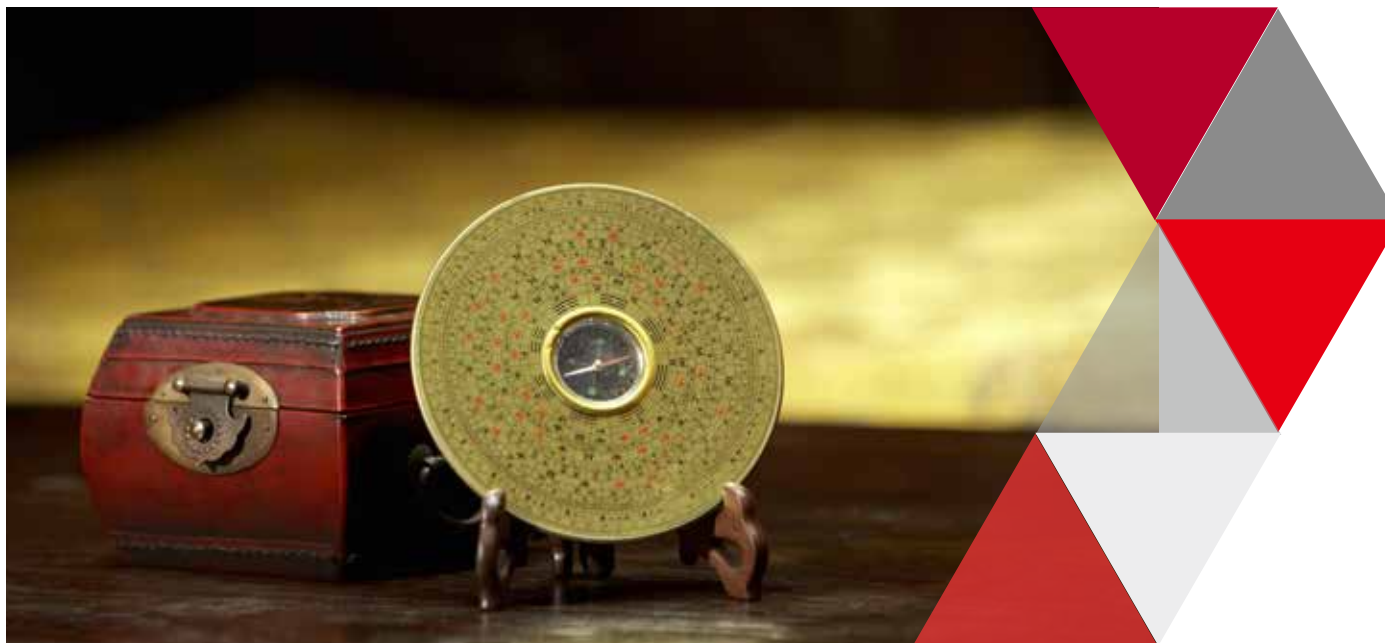
### More extensive areas involving RMB internationalization business

The survey shows that, “Global 500” use RMB internationalization services in much extensive areas and pay more attention to the abundance of RMB internationalization products banks provide compared with other customers. What is worth to learn is, the proportion of customers among “Global 500” who had issued offshore RMB bond and used RMB loan and trade finance is much higher than other overseas customers, indicating that “Global 500” is more actively in participating in RMB offshore market and is able to carry out RMB borrow and lend, bond issuing and assets allocating globally.

**Cross-border RMB Products and Services Used by “Fortune Global 500” Customers**



1. Cross-border RMB settlement 2. Cross-border RMB trade finance 3. RMB cash management 4. RMB bond issuing in offshore markets 5. Cross-border RMB loan 6. Other products

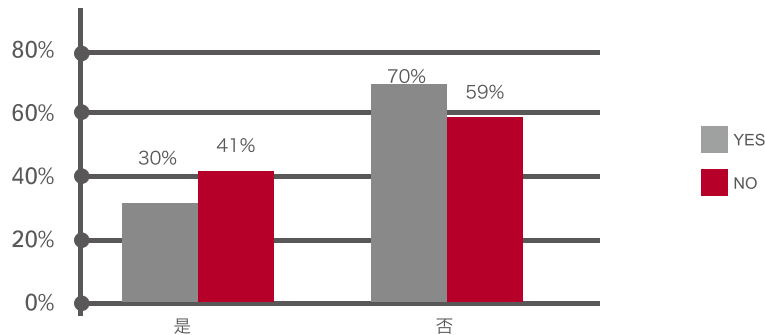


### Less impacted by the RMB exchange rate fluctuation

70% overseas “Global 500” interviewed hold that, the willingness of using RMB was not adversely impacted by RMB depreciation in the first quarter of 2014, which is 11 percent higher than average overseas customers.

The survey also shows that, the proportion of the “Global 500” interviewed who do not hold RMB exchange rate risk exposure or effectively manage the exchange rate risk is 6% higher than that of the total overseas companies interviewed. This is an evidence to show that overseas “Global 500” pay more attention to the hedging of the exchange rate risk and the willingness of using RMB is less effected by the short-term fluctuation of RMB exchange rate, and is more confident on the stability of RMB currency value.

whether the willingness of Using RMB be Adversely Impacted  
by RMB Depreciation in the First Quarter of 2014

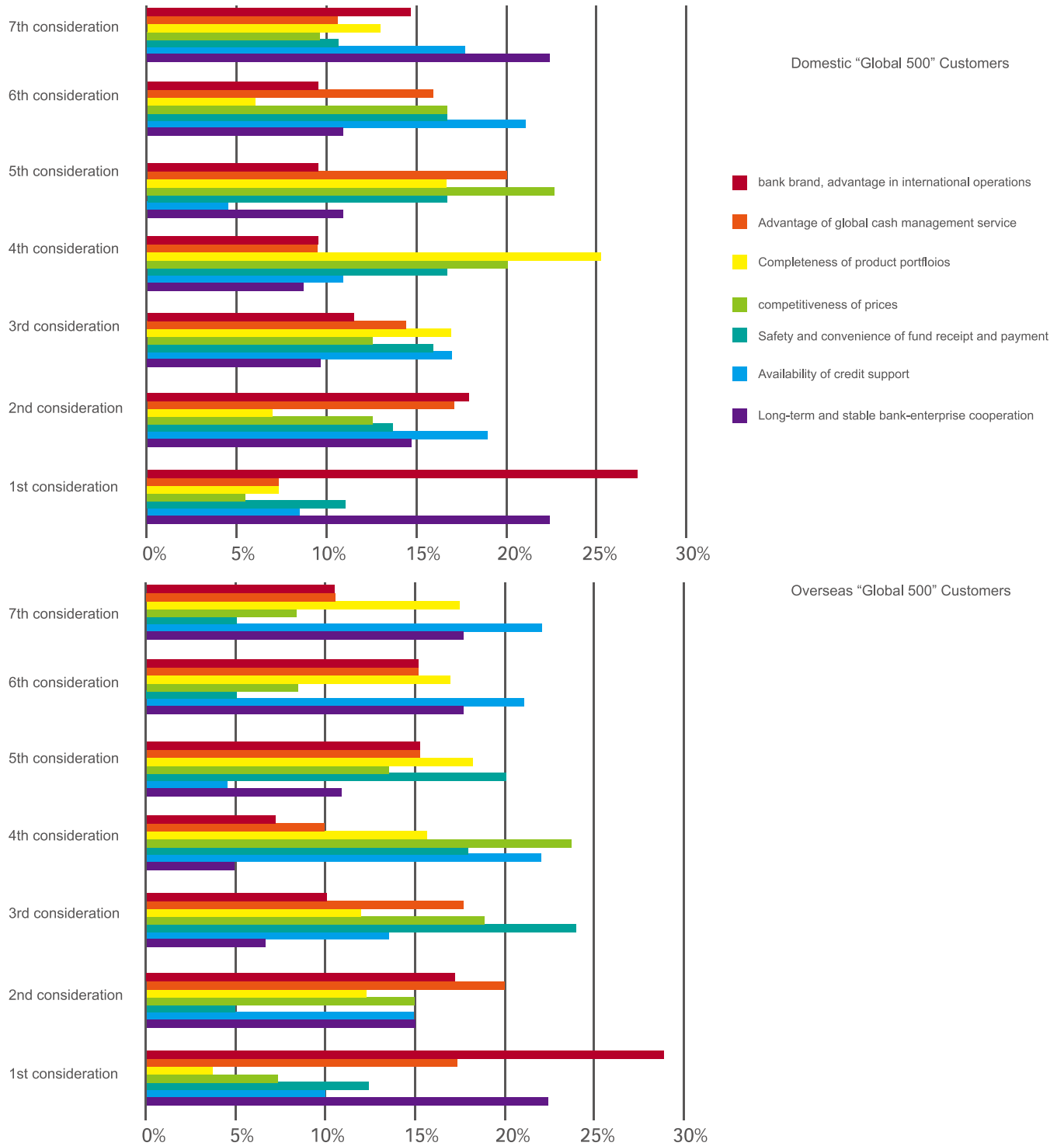


### Bank brand and advantages in international operations, primary considerations for selection of cooperative bank

Among the considerations in the selection of cooperative banks for cross-border RMB business, including long-term and stable bank-enterprise cooperation, availability of credit support, price competitiveness, completeness of product portfolios, bank brand and advantages in international operations, the customers who primarily lay emphasis on the last factor represent the biggest proportion, and long-term and stable bank-enterprise cooperation is put in the second place.



Considerations of "Fortune Global 500" Customers in the Selection of Cooperative Bank for Cross-border RMB Trade Settlement







New York  
HUNGARY  
CUSAKA  
Seoul

JOHANNESBURG  
Barcelona  
Cape Town  
Birmingham

GRAND CAYMAN  
Sao Paulo  
Kolkata  
Birmingham

Hong Kong  
New York  
Rio de Janeiro  
Cape Town  
KUALA LUMPUR

Milan  
DUBAI  
PHNOM PENH  
Moscow  
Sydney  
Tokyo

London  
KUALA LUMPUR  
Seoul  
Paris

SINGAPORE  
Birmingham  
Los Angeles  
HAMBURG  
LA LUMPUR

MALAYSIA  
Kolkata  
Los Angeles  
New York  
KUALA LUMPUR

SINGAPORE  
Santiago  
Cape Town  
Los Angeles  
Birmingham  
Auckland  
KUALA LUMPUR

New York  
KUALA LUMPUR  
Birmingham  
Los Angeles  
Santiago  
Auckland  
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### **Gradually taking shape of internal impetus for RMB internationalization**

Customer demands constitute the foundation for cross-border use of RMB. Compared with the survey results of 2013, customers have higher expectations on the international position of RMB and use of RMB in the cross-border transactions. The actual percentage of cross-border RMB settlement is steadily rising, and the willingness of using RMB by companies is keeping on improving. The internal impetus for RMB internationalization gradually manifested itself. In the future, a series of new policies facilitating RMB cross-border use will further strengthen this internal impetus and help to form network-effect of RMB cross-border use. In another word, more customers use RMB as a cross-border settlement currency, which will further cut the cost of RMB settlement and in return attract more customers accept and use RMB. This is a self-reinforce process.

### **Further enhanced functions of pricing and settlement**

As demonstrated by the survey results, the proportion of domestic customers reporting the insistence on their own quotations or more concession made by foreign companies in case of adverse change of exchange rate is going up. At the same time, the proportion of customers who report great concession made by themselves and assuming of more losses resulting from change of exchange rate has significantly declined, indicating that domestic customers have gained more initiative for RMB pricing, and RMB, as a valuation currency, is playing an increasingly significant role in the avoidance of exchange rate risk in the foreign trade.

### **Improving basic products and promoting the innovation of key products for expanding cross-border use of RMB**

According to the survey results, more than half of overseas companies regard convenient transaction settlement as a primary factor affecting the convenience of cross-border use of RMB, and traditional products including cross-border RMB settlement and financing are the most popular products among the interviewed companies, showing that the promotion of cross-border use of RMB should still focus on the continuous improvement of basic products such as cross-border RMB settlement, further streamlining of business processes, and enhancement of safety, fastness and convenience in the capital settlement.

Meanwhile, portfolio products including foreign exchange trading product and global cash management service are often adopted by domestic and overseas companies interviewed in the cross-border transactions. In which, foreign exchange trading product, as an important tool for exchange rate risk management, links RMB to other currencies; while global cash management service is treated as a significant product for facilitating fund collection and use as well as enhancing the effectiveness and efficiency of fund use for those multinational enterprises. The promoted innovation of these key products, such as development of more direct RMB trading products and expansion of fund collection and use channels, can also substantially drive the cross-border use of RMB.

### **Paying attention to multinationals and serving “going global” enterprises for expanding cross-border use of RMB**

As indicated by the survey results, the cross-border RMB businesses of “Global 500” companies are more comprehensive. They not only have RMB receipts and payments, but also conduct RMB asset and liability businesses, thus playing an important role in activating the supply and demand in the off-shore RMB market. According to the survey, Chinese-funded enterprises incorporated abroad, the customer group with the greatest potential for the promotion of cross-border RMB settlement, make up the largest proportion in overseas customer groups in terms of such business. Multinationals and “going global” enterprises will push forward the cross-border use of RMB, while the increasingly enhanced international status of RMB will greatly facilitate the financing and settlement for these enterprises, hence reliably guaranteeing cross-border operation.

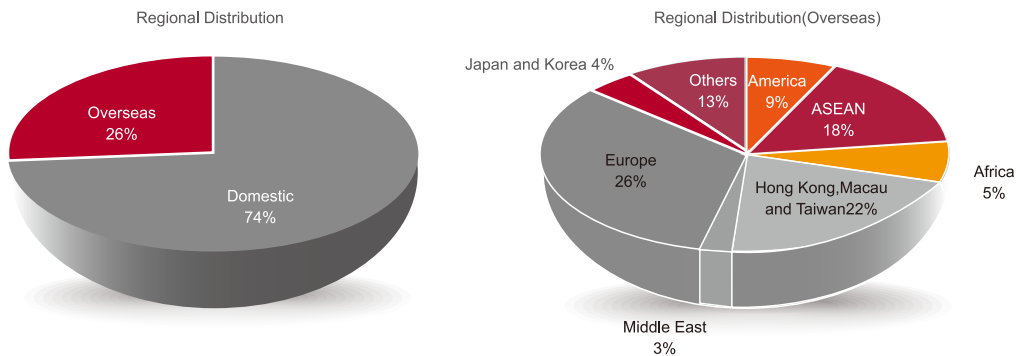


## Appendix: Survey Sample and Methodology

Effective feedback from 3,162 companies were received in the 2014 customer survey of Bank of China, including 2,355 domestic companies (representing 74%) and 807 overseas companies (representing 26%).

### Regional distribution

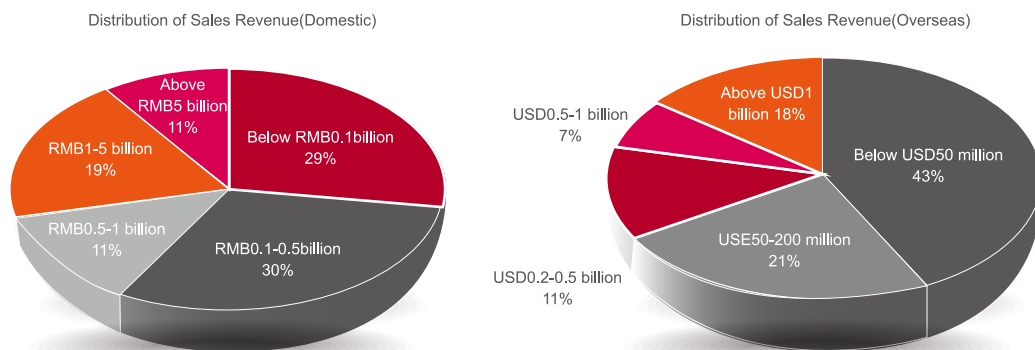
The regional distribution of overseas and domestic company samples is generally close to the global distribution of China's cross-border RMB settlement amount, which meets the proportional requirement on stratified sampling. Customers from Europe, Hong Kong, Macau, Taiwan and ASEAN account for the largest proportion in overseas customers, i.e. 66%; and customers located in other regions are relatively decentralized.



### Distribution of sales revenue

Among 2,355 domestic companies, 549 companies have the sales revenue of RMB100 million below, accounting for 29%; companies with the sales revenue of RMB100-500 million accounting for 30%; 212 companies have the sales revenue of RMB500-1000 million representing 11%; the number of companies with the sales revenue of RMB1000-5000 million reaches 362, making up 19%, and 205 companies have the sales revenue of above RMB5000 million, with a proportion of 11%. In addition, the proportion of SMEs in domestic customer samples is slightly higher, and the customers of different sizes are covered evenly on the whole.

Among 807 overseas corporate customers, the sales revenue of 288 companies is reported at below USD50 million, accounting for 43%; 141 companies with the sales revenue of USD50-200 million represent 21%; 74 companies have the sales revenue of USD200-500 million, making up 11%; the number of companies with the sales revenue of USD500-1000 million stands at 48, accounting for 7%; and the number of companies with the sales revenue of above USD1000 million is 121, representing 18%. Domestic customer samples also cover the corporate customers of different sizes, which are evenly distributed.

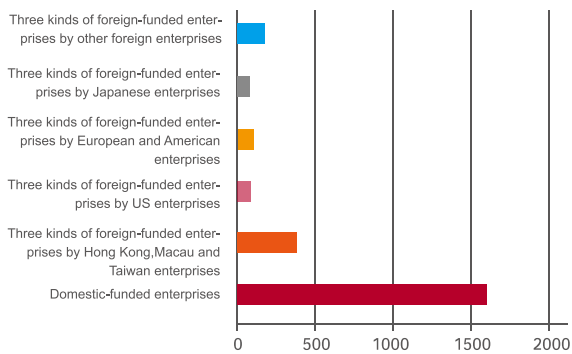


### Distribution of corporate properties

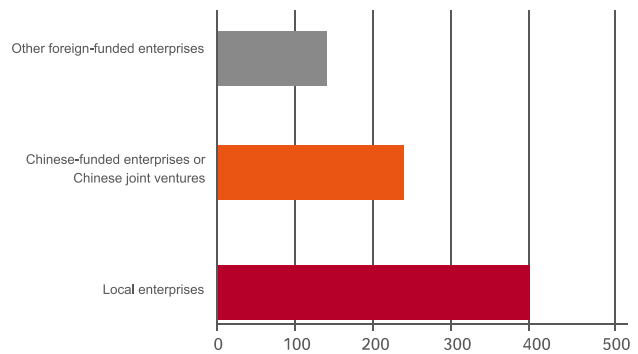
There are six types of domestic corporate customers were surveyed: domestic-funded enterprises, enterprises funded by Hong Kong, Macau and Taiwan enterprises, European-funded enterprises, American-funded enterprises, Japanese-funded enterprises, and other foreign-funded enterprises. Among which, the samples include 1,589 domestic-funded enterprises (68%) and 391 enterprises funded by Hong Kong, Macau and Taiwan (17%); the proportion of enterprises funded by American, European, Japanese enterprises and other areas is relatively small, i.e. around 15%.

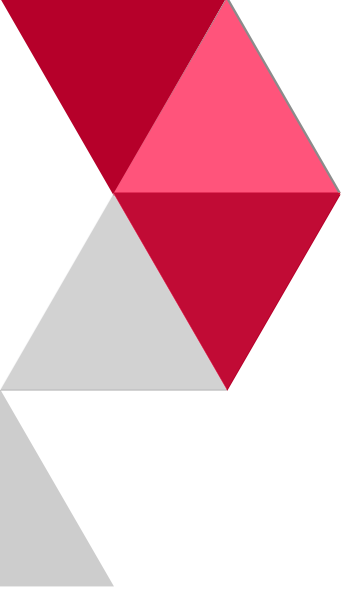
Among the customers of overseas branches, local enterprises account for the largest proportion, i.e. 50%; Chinese-funded enterprises or Chinese joint ventures represent 31%; and other types of foreign-funded enterprises account for about 19%.

Distribution of Corporate Nature(Domestic)



Distribution of Corporate Nature(Overseas)





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中國銀行

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