

SME Banking – RMB Needs

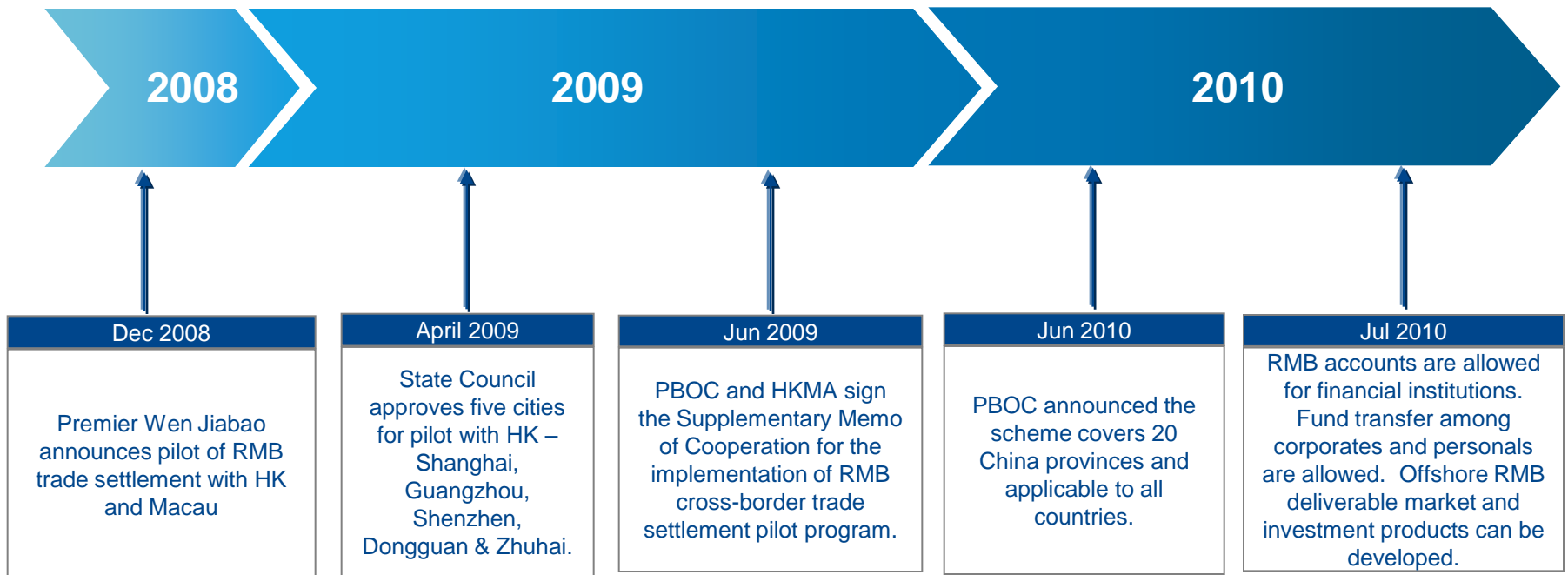
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SME Banking

2 Dec 2010

RMB Cross-Border Settlement Milestones



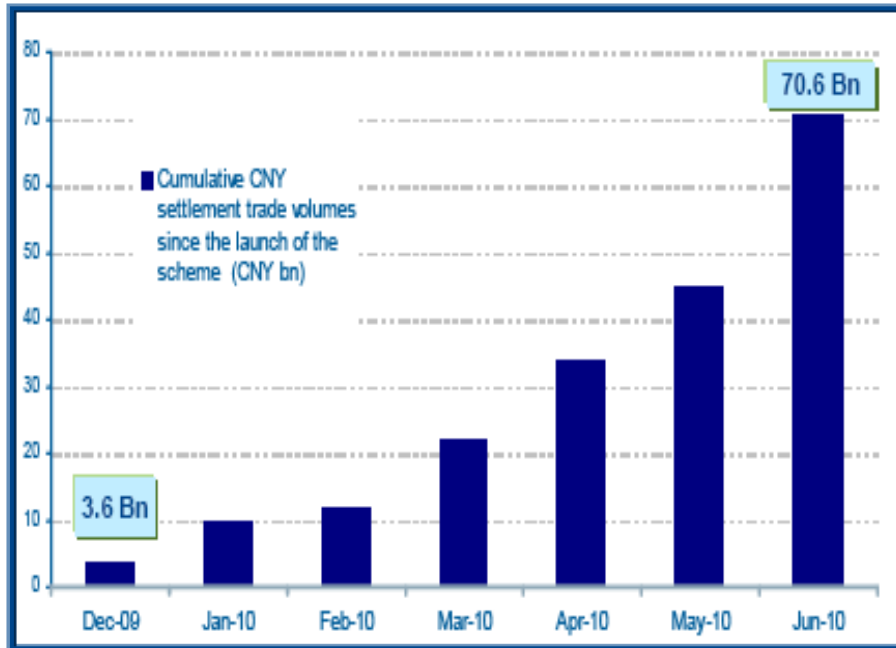
Development of RMB Cross-Border Trade Settlement

- Scheme covers 20 provinces in China and applies to all countries
- Scheme extended to both mercantile and service trade
- Any company can now open RMB deposit accounts for business purpose
- Two-way exchange between RMB and any other currencies allowed for both trade and non-trade purpose
- RMB fund transfer between different accounts, whether within the same bank or across banks in Hong Kong permitted

Growing Trend of RMB Settlement

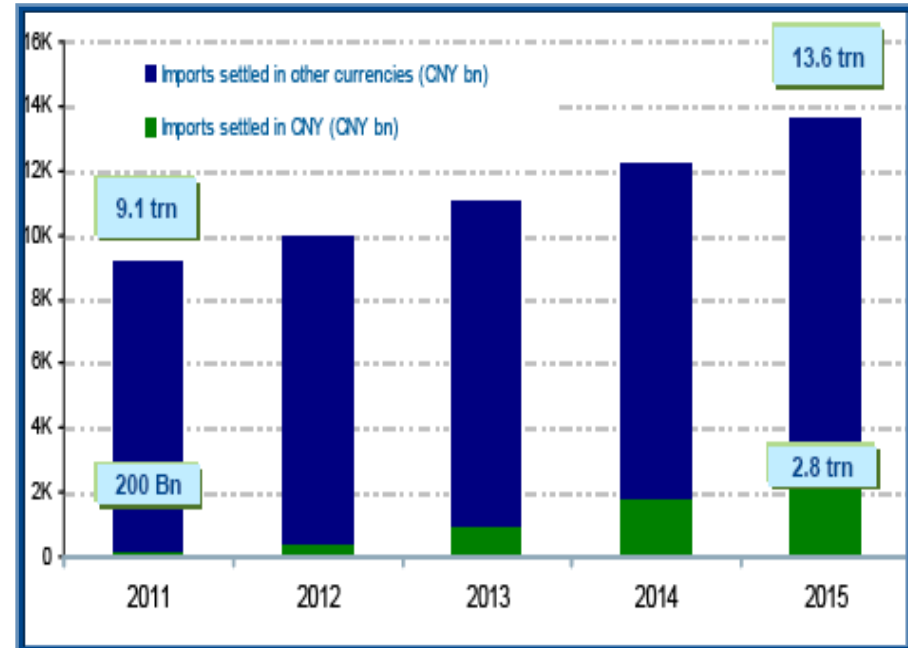
Cumulative RMB settlement has risen from RMB 3.6bn to RMB 70bn in 6 months!

Existing



Currency: RMB

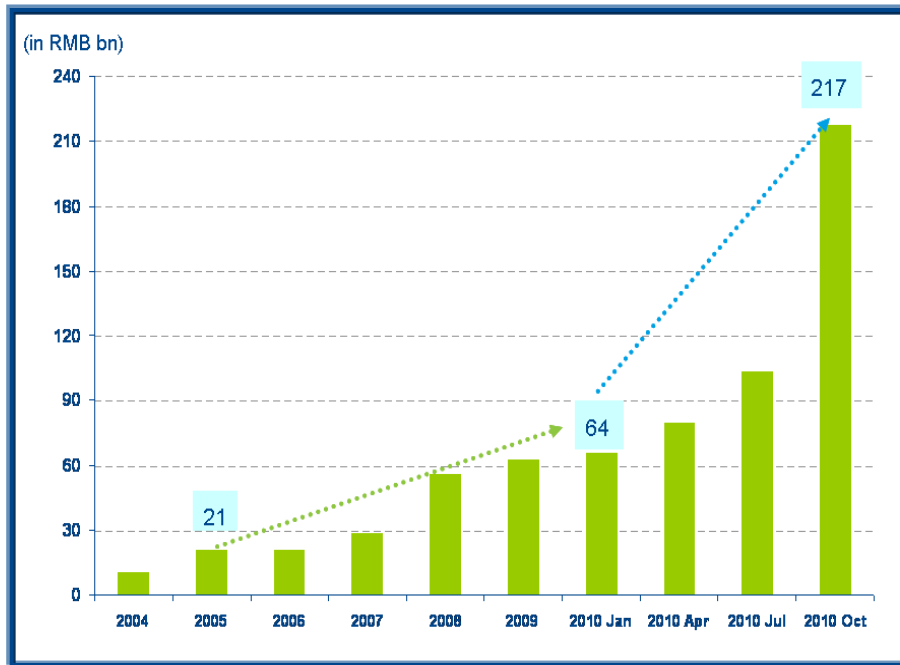
Projection



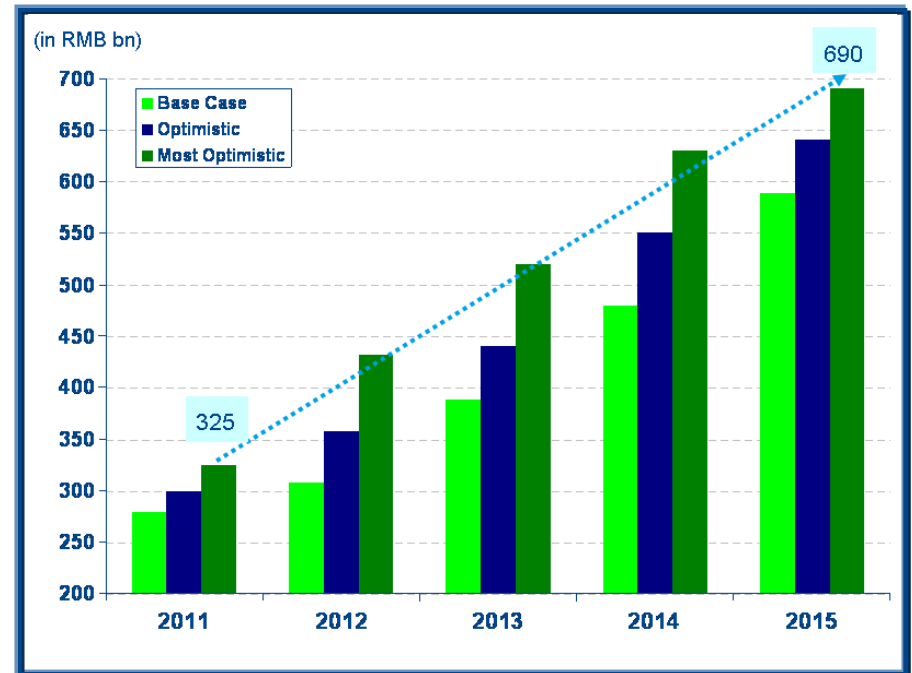
Growing Trend of RMB Deposit

RMB deposits have tripled in the last 12 months!

Existing



Projection



Benefits for RMB Settlement

- Goods can be priced and settled in RMB, increasing pricing transparency and avoiding potential mark up as a result of FX volatility.
- Facilitating China counterparties with simpler process and shorter turnaround time by settling in RMB
- Enjoy competitive advantage with higher interest yield on RMB receipt .
(Eg: RMB savings 1.05%pa vs. USD savings 0.1%pa)
- Holding a RMB cash position is a natural hedge for trading on RMB terms with China counterparties.

Factors to Consider When Choosing Your Bank

- Extensive network in China
- Best-in-class local knowledge and expertise in RMB trade finance to capture business opportunities
- Advanced currency exchange, deliverable forwards or non-deliverable forwards to mitigate your RMB exchange risk
- Comprehensive electronic platform as a convenient medium for dealing RMB business

Examples of RMB Solutions



- RMB Savings Deposit
 - RMB Time Deposit
 - RMB Current Account
 - CNH Account Opening
- SME**

Banking

- Same-day Inward Remittance
- Same-day Outward Remittance
- Interbank Account Transfer

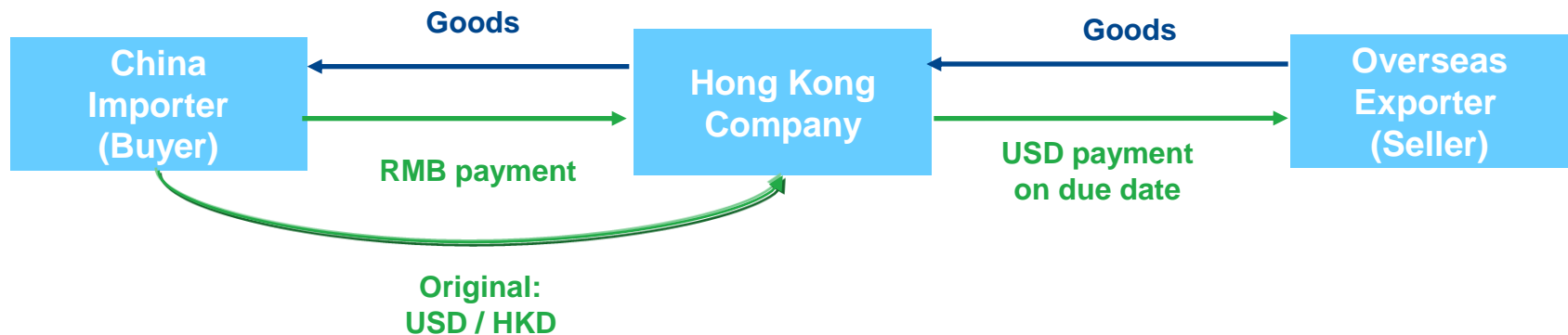
- Spot/Forward
- Non-Deliverable Forward (NDF)
- Non-Deliverable Option (NDO)

- RMB Bond
- RMB Structured Investment
 - Currency Linked
 - Interest Rate Linked
 - Commodities Linked
 - Credit Linked
- RMB Premium Deposit
- Mutual Funds

- Documentary Trade
- Collection & Advising
- Trade Finance
- Offshore Lending Backed by NRA Pledge

Standard
Chartered 

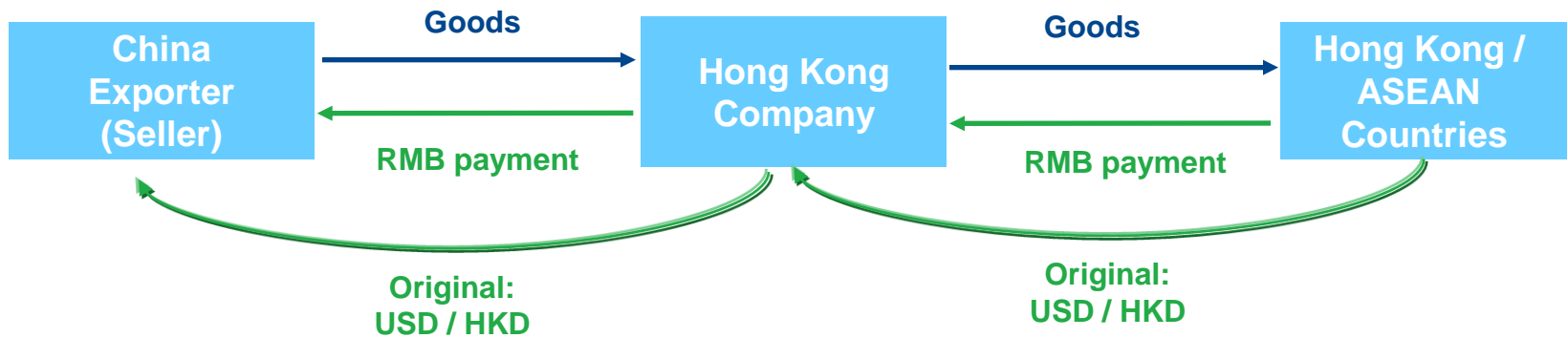
Case Study 1



Benefits:

- ✓ No longer need to settle in foreign currency with China importer
- ✓ FX risks hedged via NDF
- ✓ Lower FX cost for buyer → Lower pricing with RMB as settlement currency

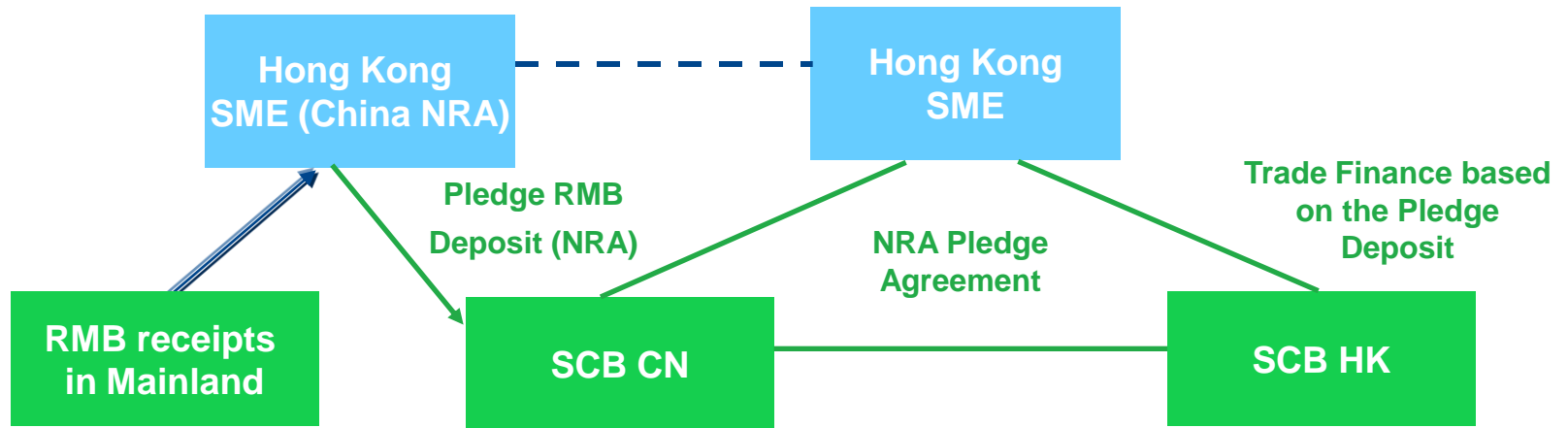
Case Study 2



Benefit:

- ✓ No longer need to settle in foreign currency with China exporter
- ✓ FX costs are eliminated → Lower pricing with RMB as settlement currency
- ✓ No mismatch of currency in payables and receivables

Case Study 3



Benefits:

- ✓ Higher RMB deposit rate in China
- ✓ Lower financing cost in HK
- ✓ Gain from RMB appreciation
- ✓ Potential higher net return to client

Future Expansion of CNH Market

- **Increasing offshore demand on RMB**
- **RMB as one of the major settlement currencies in Hong Kong**
- **More RMB denominated investment options to enhance yield for offshore RMB balances**
- **RMB hedging tools available offshore**
 - Newly developed RMB offshore deliverable market (e.g. deliverable forward)
 - Development of RMB risk-management tools (e.g. RMB interest rate swaps)