



LEADING TREASURY
PROFESSIONALS

Welcome to this ACT webinar

Cross border RMB – embracing the new norm

3 February 2015 | 12.30-13.15 GMT

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Introduction

Michelle Price

Associate Policy and Technical Director

ACT







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Agenda

Presentation from HSBC China

Lewis Sun

Head of Sales, Global Payments and Cash
Management, **HSBC China**

Presentation from Johnson Matthey

Julian Tasker

Group Treasurer, **Johnson Matthey**

Panel Discussion and Q & A



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Presentation from HSBC China

Lewis Sun

Head of Sales, Global Payments
and Cash Management

HSBC China

A curved wall with illuminated text and silhouettes of people. The text is in Chinese and English, and the silhouettes are of various people walking. The background is dark with some blue light filtering through circular openings.

中国 (上海) 自由贸易试验区
China (Shanghai) Pilot Free Trade Zone

RMB Internationalisation: Embracing the New Norm

Lewis Sun Head of Sales, Global Payments and Cash Management, HSBC China (Company) Limited

February 2015

HSBC  汇丰

China's Approach to Regulatory Reform



“Crossing the river by feeling the stones”

- Deng Xiaoping (Chinese political leader, 20th century, China)



“The journey of a thousand miles begins with a single step.”

- Lao Tzu (Chinese philosopher, 6th century BC, China)



“We should plant these seeds in more land so that flowers will blossom and fruits will be harvested as quickly as possible.”

- President Xi Jinping

Trend of deregulation

Liberalization has accelerated

People's Bank Of China (PBOC) – Moving toward further opening up

Exchange / Interest Rate Liberalisation

- | | | | |
|---|----------|---|---|
| • Further widening the RMB FX trading range | Feb 2014 | ▶ | Exchange and interest rate liberalization |
| • Removing loan interest rate control | Jul 2013 | | |
| • Lifting the cap deposit rates to PBOC+20% | Nov 2014 | | |

Driving RMB Internationalization

- | | | | |
|---|----------|---|--------------------------------------|
| • Simplified transactional workflow for current account | Jul 2013 | ▶ | Accelerating cross-border use of RMB |
| • Nation wide RMB outbound lending liberalization (Article 168) | Jul 2013 | | |

Shanghai Free Trade Zone (SFTZ) policies

- | | | | |
|--|----------|---|--|
| • RMB two-way cross-border cash concentration | Feb 2014 | ▶ | Pushing the edge of RMB internationalization |
| • RMB netting and centralized payments & collections | | | |

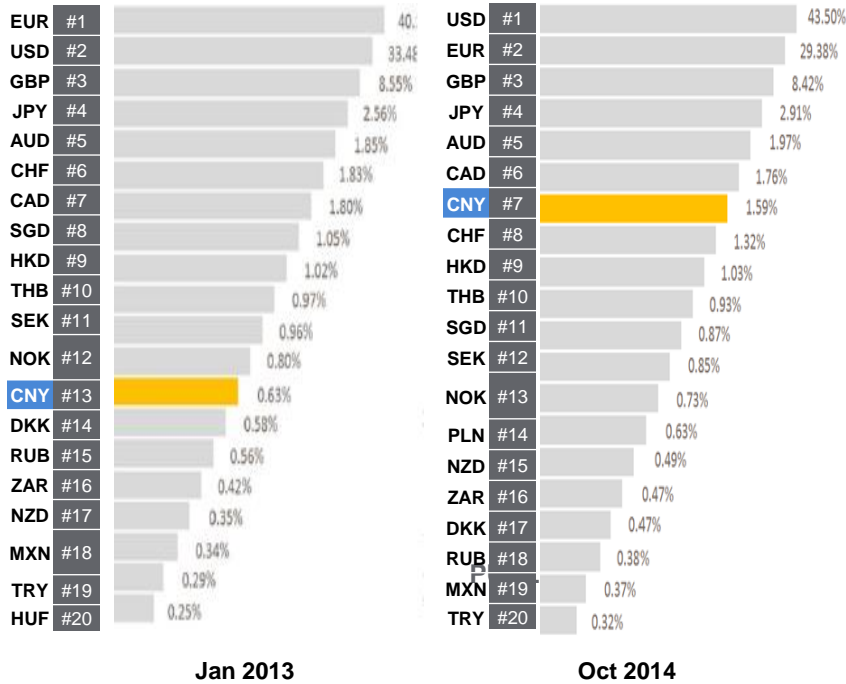
Expanding the FTZ policies

- | | | | |
|---|----------|---|---|
| • Extending the SFTZ policies to nationwide | Jun 2014 | ▶ | Broadening and deepening RMB internationalization |
| • Detailed procedures for x-border cash pooling announced | Nov 2014 | | |
| • Expanding Shanghai FTZ and establishing more FTZs | Dec 2014 | | |

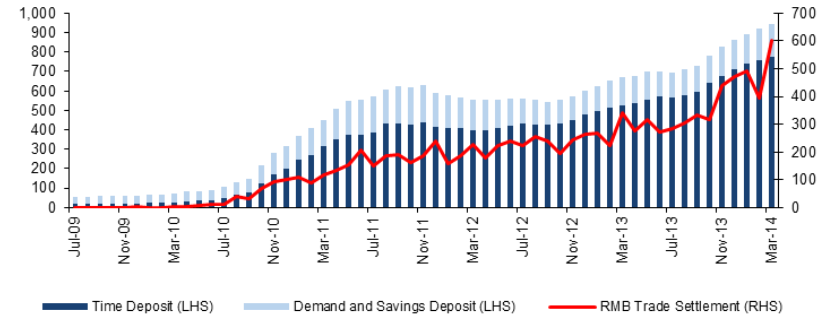
The unstoppable RMB

Rapid progress made by RMB internationalisation

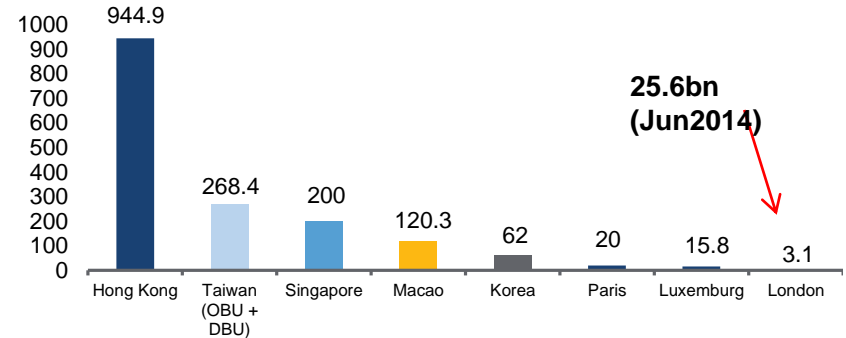
SWIFT Payment Currency rankings



Offshore Liquidity in Hong Kong (RMBbn)



International RMB Liquidity (RMBbn)



Note: RMB deposits in Korea in Apr 2014, Taiwan and Hong Kong in Mar 2014, Macau in Feb 2014, Singapore and Luxemburg in Dec 2013, Paris in Nov 2013 and London in June 2013. There may be an overlap between offshore RMB deposits held by Taiwan overseas business units and the offshore RMB deposit pools in HK, Singapore or London.

Evolution of the New Norm

Treasury without boundaries

Key asks

Old Norm

New Norm

Free cross border funds movement

- Limited options for 'Excess Liquidity'
- Domestic cash pooling
- Regulated options of offshore financing

- ✓ Cross-border RMB lending
- ✓ Cross-border RMB one-way outward sweeping
- ✓ Cross-border RMB two-way sweeping

Flexible cross border settlement

- 'Money flow follows good flow'
- Supporting documents required

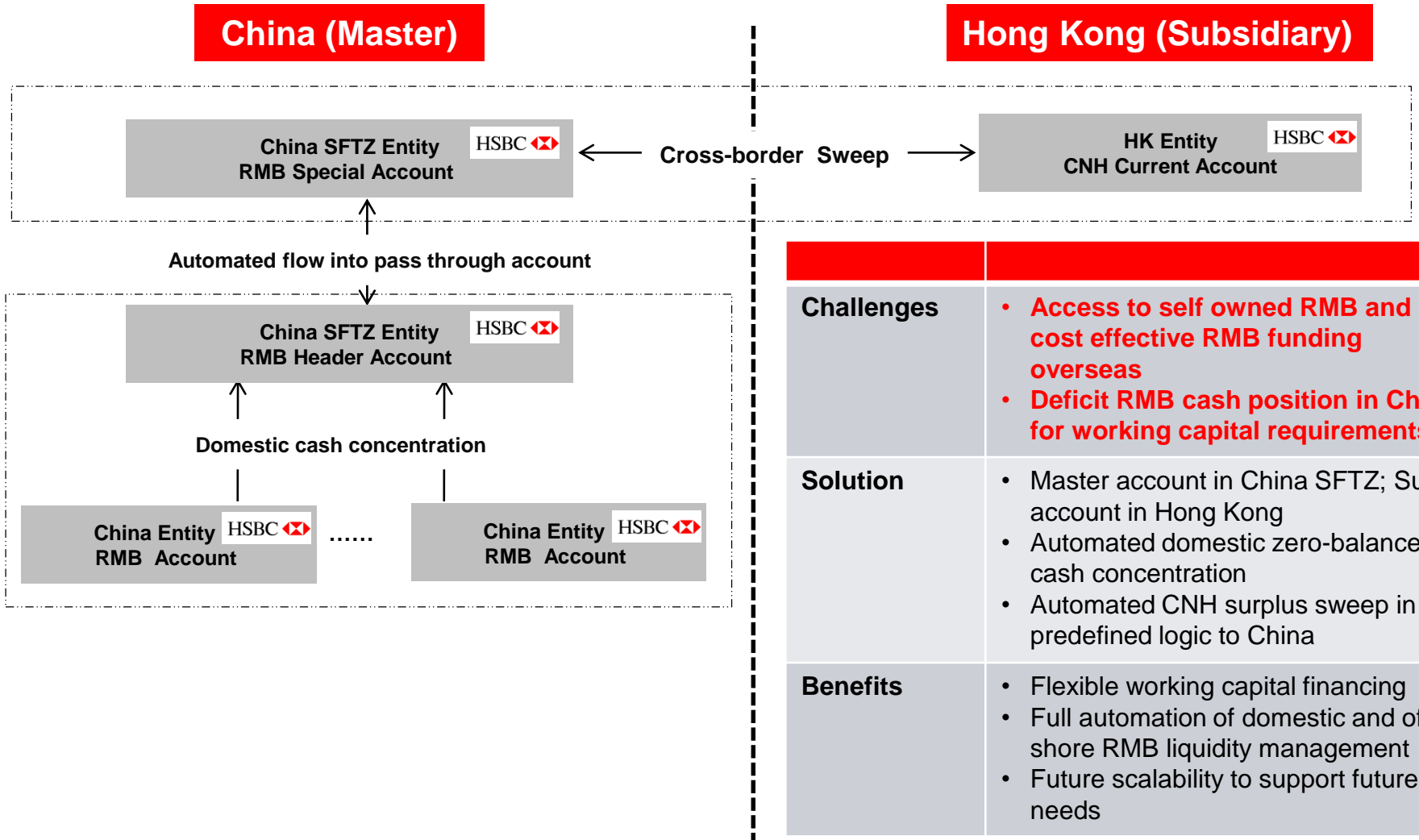
- ✓ POBO / ROBO / Netting enabled
- ✓ Paperless / Automation in cross-border txns

Free FX trading

- RMB trading primarily onshore
- Limited hedging options and derivative products
- Conversion on "need" basis

- ✓ Onshore and offshore RMB
- ✓ Developments of FX options and derivatives
- ? Conversion on "willingness" basis

Case study: RMB x-border sweep via SFTZ



Nationwide Rollout of RMB Two-way sweeping

A prudential approach to be further expanded

	Nationwide Policy	SFTZ Policy
Eligibility	<ul style="list-style-type: none"> • Belongs to the same group • Total turnover for domestic participants above CNY5bn • Total turnover for overseas participants above CNY 1bn • Participant must have been established for at least 3 years 	<ul style="list-style-type: none"> • Belong to the same group • Presence in SFTZ to serve as the leading company
Cross-border funds movement	<ul style="list-style-type: none"> • Outgoing: cash generated from operating and investing activities • Incoming: Total equity * 0.1 	<ul style="list-style-type: none"> • Outgoing: same • Incoming: no hard quota but subject to real working capital needs
Filing processes	<ul style="list-style-type: none"> • Required for the banks that want to offer this services, a one-off filing • Required for the corporate before implementing such a structure 	<ul style="list-style-type: none"> • Not required
Partner bank	<ul style="list-style-type: none"> • Only one bank allowed unless specially approved 	<ul style="list-style-type: none"> • No special requirements

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Presentation from Johnson Matthey

Julian Tasker

Group Treasurer

Johnson Matthey





ACT Webinar

Julian Tasker, Group Treasurer

3rd February 2015



Johnson Matthey

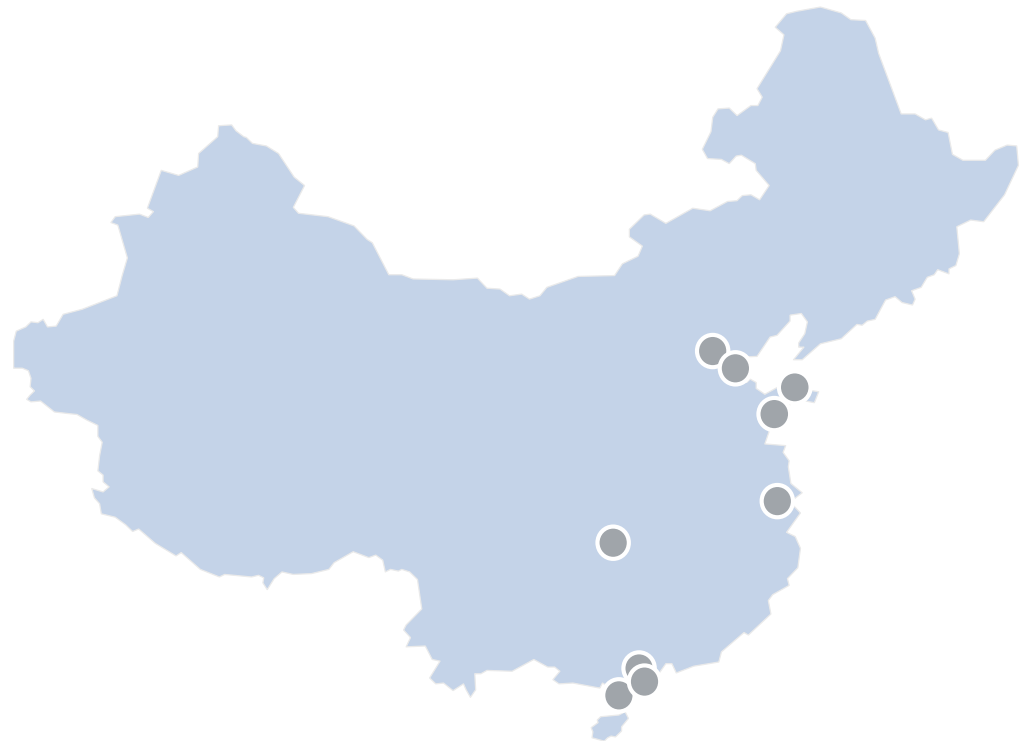
Overview of Johnson Matthey

- A speciality chemicals company and a world leader in sustainable technologies
- Origins date back to 1817, floated 1942, FTSE 100 company since June 2002
- Market capitalisation of over £7 billion
- £11.2 billion revenue and underlying profit before tax* of £427.3 million for year ended 31st March 2014
- Operations in over 30 countries with around 12,000 employees
- Leading global market positions in all its major businesses

* Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses, significant tax rate changes and, where relevant, related tax effects

Johnson Matthey in China

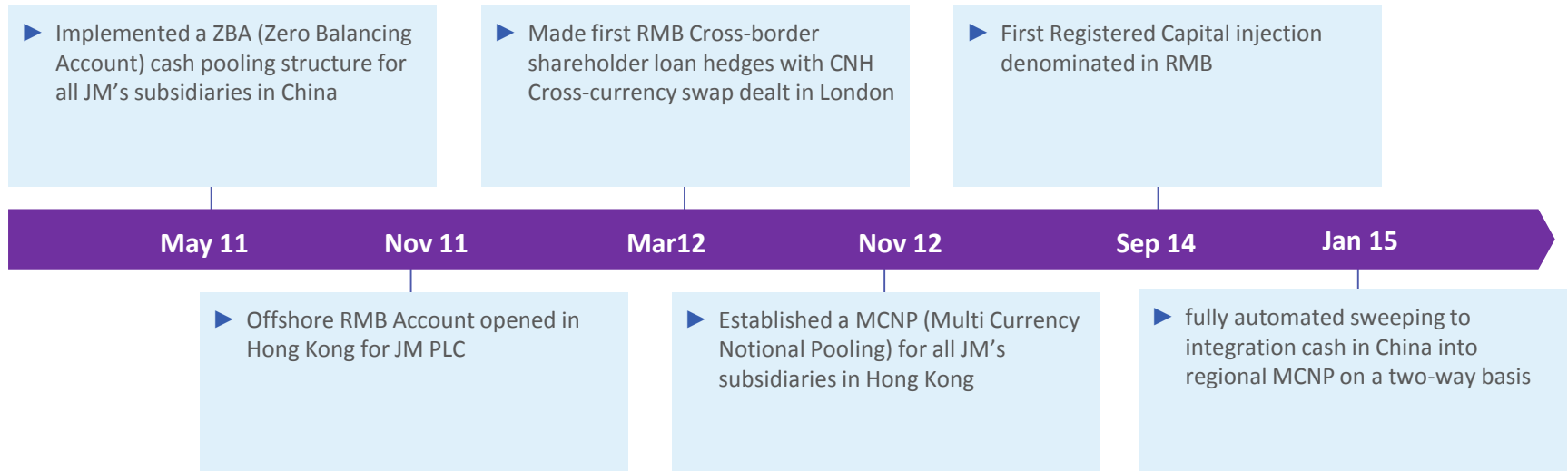
- Initial investment in 2000;
- Now have 17 legal entities and 24 business units;
- Revenue of c.£540m p.a.;
- Net Assets of c.£250m, and
- Around 833 employees.



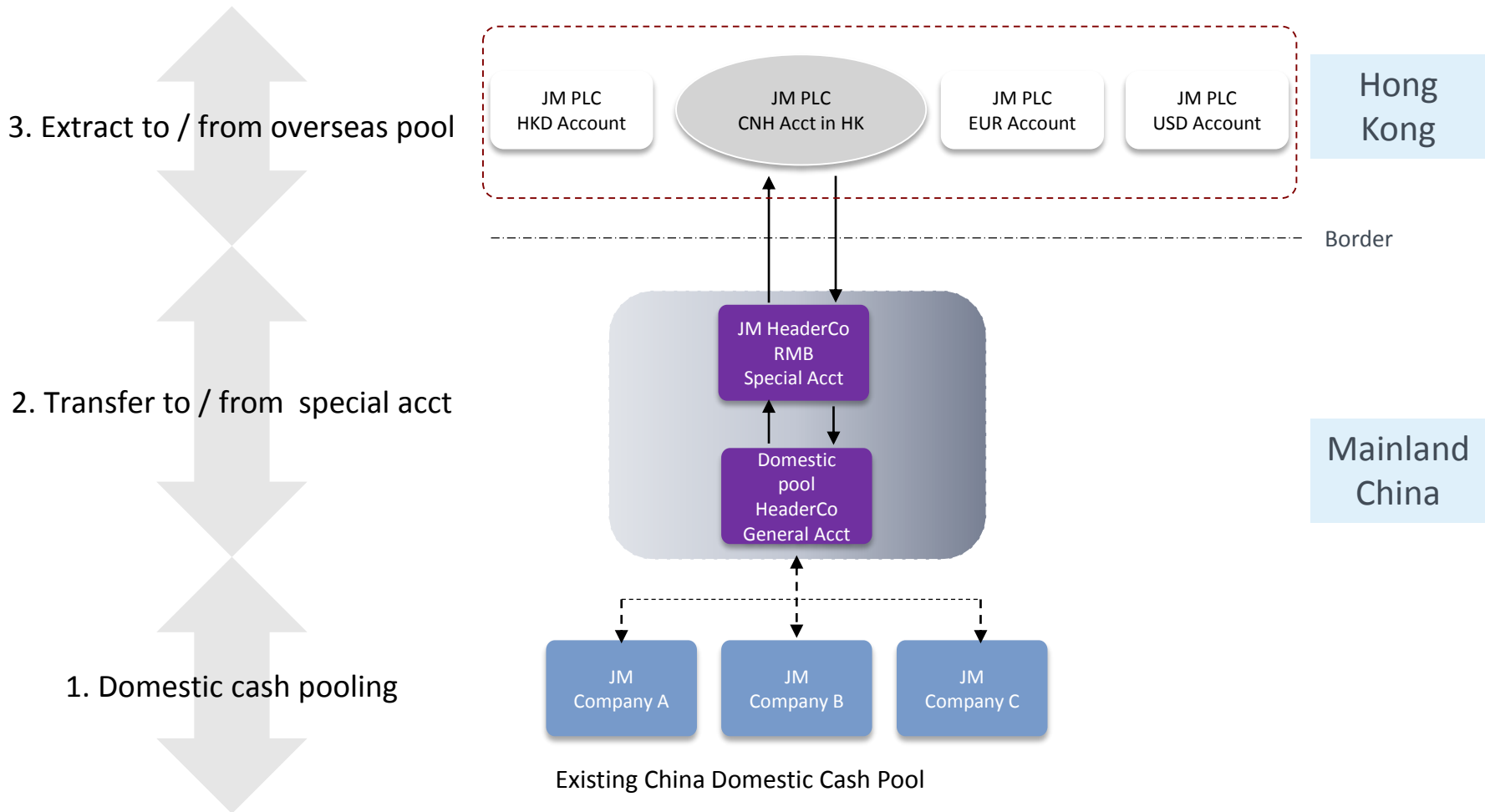
Johnson Matthey Treasury Approach

- A centralised, service centre approach, focused on managing risk;
- Utilise the Group's scale to borrow centrally and lend on an inter-company basis to operating units;
- Minimise complexity at operating units e.g. FX;
- Use relationship banks on a regional/currency basis;
- Utilise automated cash concentration structures where possible;
- Arrange local overdrafts to deal with short-term fluctuations where daily funding not possible;
- Supported by a strong control and reporting framework.

Evolution of JM Treasury Management in China



JM RMB Cross-border Two-Way Sweeping





Johnson Matthey



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Chair's closing remarks

Michelle Price

Associate Policy and Technical Director

ACT





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11-12 February 2015 | London

**ACT webinar: banking relationships and
operational efficiency**
17 February 2015 | 12.30-13.15 GMT


ACT Europe Conference
5 March 2015 | Düsseldorf

ACT Annual Conference 2015
20-22 May 2015 | Manchester



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