

The background of the entire page is a photograph of three large, red, spherical Chinese lanterns hanging from above. The lanterns have gold-colored decorative patterns and tassels. They are positioned in front of a multi-story, light-colored building with many windows, some of which are lit. The scene is captured from a low angle, looking up at the lanterns and the building.

RMB INTERNATIONALISATION SURVEY

2015 RESULTS

HSBC 

CHINA'S OFFICIAL CURRENCY THE RENMINBI (RMB) IS SET TO JOIN THE US DOLLAR AND THE EURO AS ONE OF THE WORLD'S TOP THREE GLOBAL CURRENCIES

As the Chinese government internationalise the RMB to match their status as the second largest economy in the world, the scope for growth is enormous for both onshore and offshore markets.

Continued liberalisation means that RMB is highly market-oriented and already used widely for global payments, financial investment and reserve management. The offshore RMB is now one of the fastest growing currency markets in the world for cross-border trade, finance and direct investment. As RMB moves to full convertibility over the next few years, a vast range of new opportunities will emerge for businesses across the world.

In 2014, we commissioned a comprehensive study of RMB internationalisation worldwide – and this report sets out our findings. To bring you the very latest opinions, in January and February 2015 we interviewed a total of 1,610 businesses and corporates across 14 markets, who currently have international business with mainland China. Every respondent

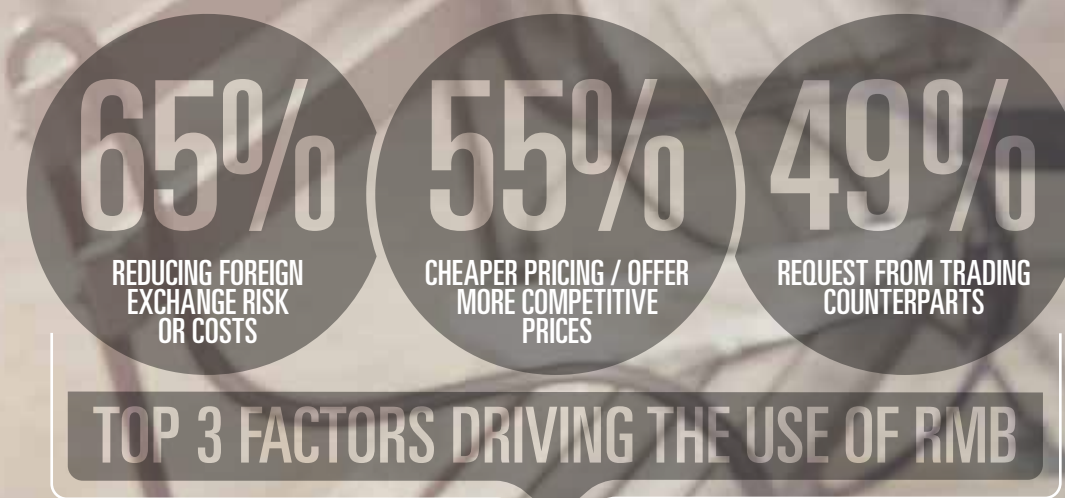
was a financial decision maker with influence over the selection of service providers for their business.

In the following pages you will find key insights on what businesses are saying worldwide. We examine the latest developments and explore major issues, helping you to build your knowledge, plan and accelerate your strategy, and navigate the RMB markets. We also explain the role of the Shanghai Free Trade Zone, established in 2013.

For HSBC, RMB is a strategic imperative and we believe it's vital to consider the potential that RMB already represents for your business. The benefits are already significant for those who have switched their trade currency to RMB, including streamlining cross-border payments, reducing foreign exchange and interest rate risk, and improved liquidity and cash management.

If you're doing business in or with China, it's crucial to start accessing those benefits – and as the leading international bank for RMB business, we are ideally placed to support you.

**HSBC IS NOW THE
PRIMARY
SERVICE
PROVIDER
FOR RMB
CROSS-BORDER
TRANSACTIONS
IN HONG KONG**



USE OF RMB IS ACCELERATING WORLDWIDE

Use of RMB for cross-border business with Mainland China remains primarily driven by the Asia Pacific markets, specifically the Greater China region, with levels broadly on a par with last year. However, it's widely anticipated that RMB cross-border business will increase over the course of the next 12 months, particularly in Hong Kong and China.

We found that multinationals, large corporates and middle market enterprises in the Asia Pacific markets generally tend to have a higher level of

RMB usage. Across non-Asian markets, levels are broadly on a par across businesses of all sizes and comparatively low in all markets, with the exception of the Business Banking segment in the UK.

Overall, anticipated growth remains strong, with just over half of all businesses expecting to see an increase in activity. A third of non-users plan to use RMB in the future, with intent geographically highest in Taiwan.

HOW RMB USE IS EXPECTED TO EVOLVE OVER THE NEXT 12 MONTHS

Among those businesses intending to use RMB in the near future, import/export trading continues to be the most common driver for RMB transactions in the next 12 months. Businesses in Hong Kong and Taiwan are also more likely to use RMB for investments, letters of credit, and liquidity management solutions.

Although Mainland China remains a key trade partner, the slow down in economic growth in China in conjunction with the FX variation over time, as well as the economic headwinds in this market, mean that overall positivity towards growth is weaker than seen in previously.

Over a quarter of non-users intend to start using RMB for cross-border business in the future, particularly among Asia Pacific markets, Mainland China and Taiwan.

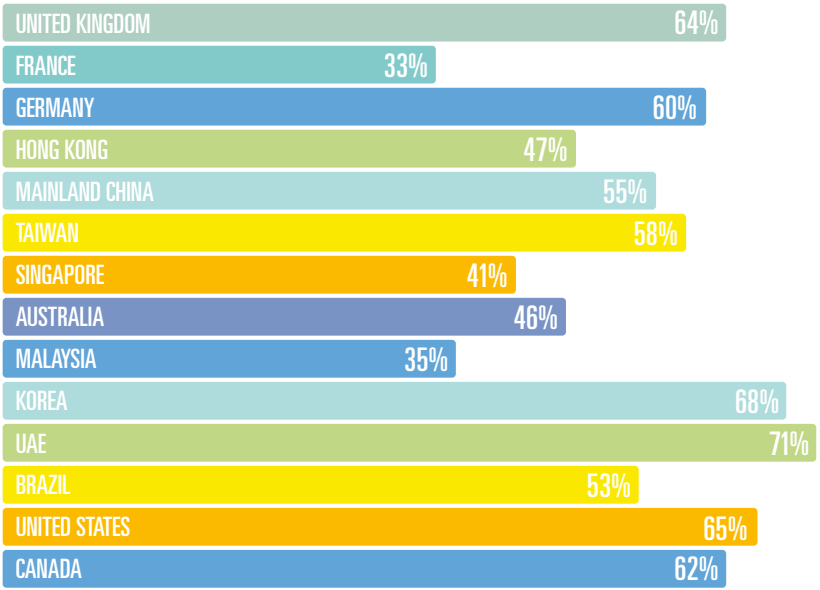
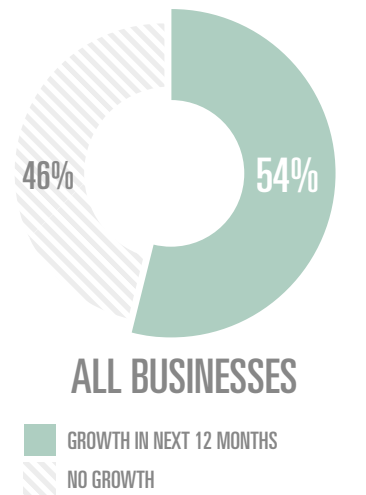
However, outside of Asia Pacific, there is a slight weakening in intent across all markets with the exception of Germany, which has marginally strengthened. Here, expected use was boosted by the launch of direct trading between the RMB and Euro on the inter-bank foreign exchange market in September 2014. Bank of China's decision to establish Germany's Frankfurt branch as the first RMB clearing bank in the Euro area was undoubtedly a hugely positive development, creating easier and more flexible RMB access.

The impact of exchange rate fluctuations worldwide

There are inevitably concerns around the volatility of the RMB exchange rate and the US dollar still remains stronger in comparison. Despite the fact that there was a focus on RMB in 2014, fluctuations in exchange rates can affect the yield of RMB business significantly.

With the US Federal Reserve announcing the withdrawal from Quantitative Easing (QE) at the end of October last year, while Japan strengthened its QE, we saw a fast rise of the US dollar FX rate and a fast depreciation of the Japanese Yen, as well as other non-dollar currencies (such as the Euro and other Asian currencies). The RMB was the only currency

that appreciated when the US dollar gained strength – other non-dollar currencies depreciated. In the Eurozone, the Euro has depreciated 16% vs the RMB over the last six months and this is a likely reason for the subdued usage in Germany during the survey period last year.



% of businesses who expect an increase in international cross-border business with China in the next 12 months



86% OF USERS SAID THAT IMPORT/EXPORT IS THE MOST COMMON RMB TRANSACTION

RMB – THE NEW INTERNATIONAL TRADING CURRENCY

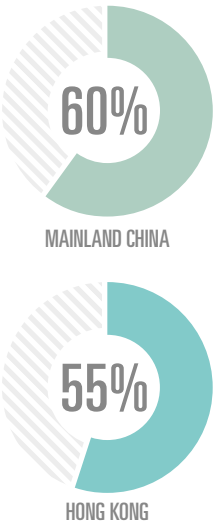
Around one third of businesses support forecasts that the RMB will become an international trading currency used for settling trade deals with no connection to China within the next five years.

We discovered that businesses within Greater China have a much stronger confidence in the RMB than their European counterparts. However, European markets are more enthusiastic in 2015 compared to 2014, with greatest optimism coming from the UK.

Types of current cross-border transactions

This year's SWIFT data tells us that RMB is now the second most used currency in trade finance, overtaking the Euro in December 2013. Import / export activities remain the most common RMB transactions, attractive to businesses because of the expansion of the trade settlement program. A motivating factor, this facilitates greater cooperation with the import/export scope on business licenses to settle in RMB. Offshore loans also have greater use amongst large corporations.

Among Asia Pacific markets, trade financing remain crucial. However, results show that investments gain a more strategically important role in Hong Kong in particular. Overall, China is the second largest Foreign Direct Investment (FDI) recipient in the world, with most FDI into China coming from Hong Kong and Taiwan.



It is anticipated that RMB cross-border business will increase over the course of the next 12 months, particularly in Hong Kong and China

KEY DRIVERS FOR RMB USAGE IN CROSS-BORDER TRADE

Alongside general optimism that international/cross-border trade with China may increase, around a quarter of all businesses told us they have initiated management discussions about the RMB as a potential opportunity or business enabler.

While requests from trading counterparts are one of the primary drivers of current usage, those who intend to use the RMB in the future are fully aware of its most compelling benefits: reduced FX risk and cost management. There's also recognition that, on a practical basis, using RMB may help gain more competitive pricing from Chinese suppliers.

Convenience is the most relevant factor for Mainland Chinese businesses using RMB for cross-border business. While this remains an important factor in Hong Kong, the primary driver in this market requests from trading counterparts. In Taiwan, there continues to be a focus on reducing FX risks or costs.

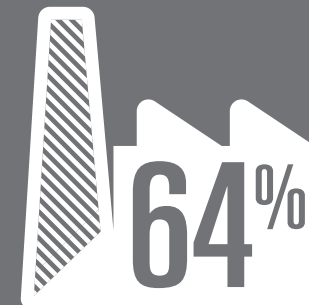
When selecting a financial institution to conduct RMB business with, we found that companies in Hong Kong pay attention not only to price but also to seamless solutions, the China network, and regulatory knowledge. In China however, competitive pricing is the primary consideration, while in Taiwan, the ability to provide seamless solutions is again key.

Competitive pricing and seamless solutions are key considerations for any business choosing a cross-border transaction partner. However among non-users, the benefits of RMB are not widely understood, so they lack the confidence to take action even with a financial provider in mind.

It seems that information is hard to access, so many businesses are not prepared to consider the issue more widely and take the time to change existing contracts. This is where with our help, you can stay one step ahead and start to formulate your RMB strategy.

What businesses need from their bank

When it comes to RMB, there is interest in banks taking a definitive and proactive supporting role. Businesses are looking to their banks to step up and provide detailed, up-to-the-minute information and comprehensive guidance on both RMB and the Shanghai Free-Trade Zone (SFTZ). They are also keen to be provided with online information libraries, as well as enhancing their cross-border product range and solutions.



SAY BANKS ARE THEIR
**TRUSTED
PARTNER**
WHEN SEARCHING FOR
MORE INFORMATION
ON THE SHANGHAI
FREE-TRADE ZONE





THE SHANGHAI FREE-TRADE ZONE

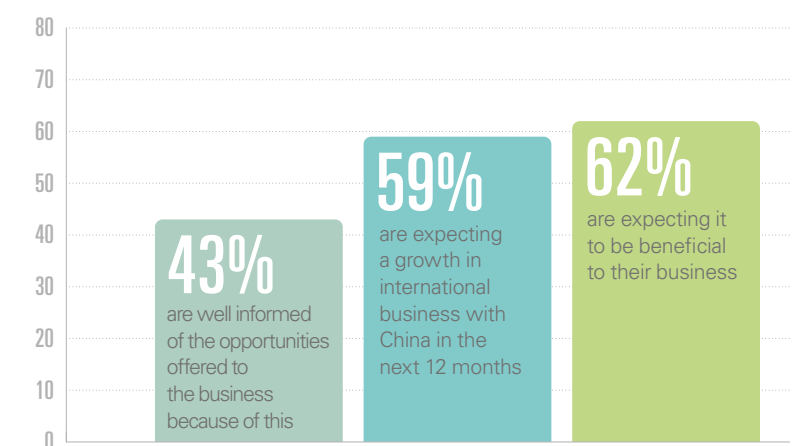
The Shanghai Free-Trade Zone (SFTZ) was established in 2013 to speed up the development of domestic financial markets and act as a testing ground for new initiatives. It's vital that companies follow these developments, but we found that awareness, especially outside of Asia Pacific, is now lower than it was immediately after launch. This isn't surprising with global media coverage gradually falling off through 2014.

In addition, Western media in particular has offered caution around the potential benefits that the SFTZ can deliver. As

one of the first foreign banks approved to establish a presence in the SFTZ, we're at the heart of China's financial reform and in the strongest possible position to guide and inform you.

An experienced partner can help businesses in the SFTZ

The HSBC Group has already established RMB capabilities in over 50 markets worldwide. In Mainland China, we provide a RMB cross-border settlement service across its entire branch network – the largest geographic coverage among all foreign banks in China.



UNDERSTANDING OF THE SHANGHAI FREE TRADE ZONE

BE PART OF HISTORY

RMB is now one of the top five currencies in the world* and on course to become the third most traded currency on the globe, superseding the British pound and the Japanese yen. As the opportunities unfold, this could be the time to explore switching your trade currency to RMB

International reform on this scale is rare and the financial landscape is changing. Make sure you and your business are part of history.

Whatever stage you're at with your RMB strategy, we are here to help you.

To find out more about how your business can access all the benefits of using RMB, please contact your Relationship Manager or an HSBC representative. You can also visit rmb.hsbc.com

*SWIFT 2015



RMB.HSBC.COM

About the RMB Survey

HSBC commissioned Nielsen to conduct a market survey of 1,610 international companies that currently do business with Mainland China or are a business in Mainland China that imports/exports outside of the region. The survey was in field between 7 January and 12 February 2015 and was undertaken to understand the international companies' preference about using RMB for cross-border business, reasons of using / not using RMB for trade activities, as well as other insights they can offer about the RMB. The research surveyed international businesses in Australia (n=100), China (n=200), Germany (n=100), Hong Kong (n=200), Singapore (n=100), the UK (n=100), the USA (n=106), Canada (n=100), Taiwan (n=100), France (n=101), the UAE (n=100), Brazil (n=100), Malaysia (n=103) and South Korea (n=100). Of the companies surveyed, approximately 50% had an annual sales turnover between of US\$3M-50M, 40% had a turnover of US\$50M-500M and 10% had an annual sales turnover above US\$500M. (Copyright © 2015, The Nielsen Company)"

About Nielsen

Nielsen N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence and mobile measurement. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands. For more information, visit www.nielsen.com

