

Renminbi Payments: A Global Perspective



*A Special Report Presenting the Findings on the Execution
and Marketing of Renminbi from the FImetrix Regional
Bank-to-Bank Services Studies: 2012-2013*

FImetrix

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Introduction

In February 2012, Flmetrix published a white paper titled Trade Payments with China. This paper, co-authored with Richard Ernst, included some of our first findings from our regional transaction banking studies where we assessed the growth of the Renminbi (RMB) as a trade settlement currency. Now, two years later, we have collected data regarding the use and marketing of the RMB in all six of our regional studies.

This report presents our first compilation of these findings into a global perspective report specific to the RMB market. As we do in our Annual Global Perspective Report on transaction banking services in USD/Euro/Sterling, we have calculated an average score across all regions (global average) on most of the measures evaluated.

In addition, where applicable, we are including updates to SWIFT data reported in our original white paper.

We hope you find this report useful as you assess the role of the RMB as a settlement currency in the future. As always, we welcome your thoughts and comments.

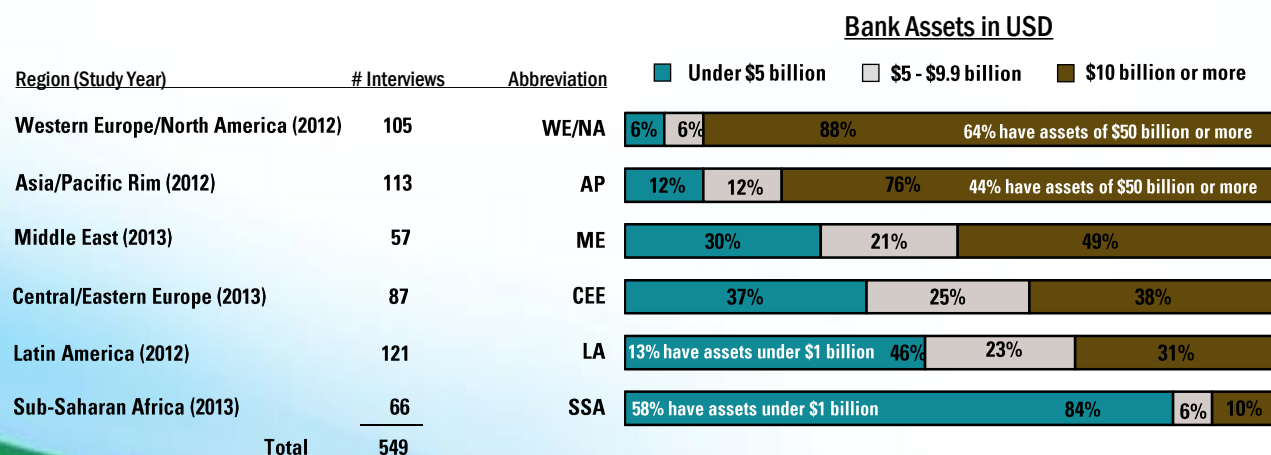


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Study Overview

Flmetrix conducts ongoing research in the global bank-to-bank transaction services market. Research is conducted with senior bank executives in six major geographic regions: Asia/Pacific Rim, Central/Eastern Europe, Latin America, Middle East, Western Europe/North America, and Sub-Saharan Africa. Executives interviewed are typically Head of International FI Relations or Head of International. This report presents key research findings from our assessment of the RMB in these regions in 2012 and 2013 – the result of in-person interviews with over 500 banking executives.

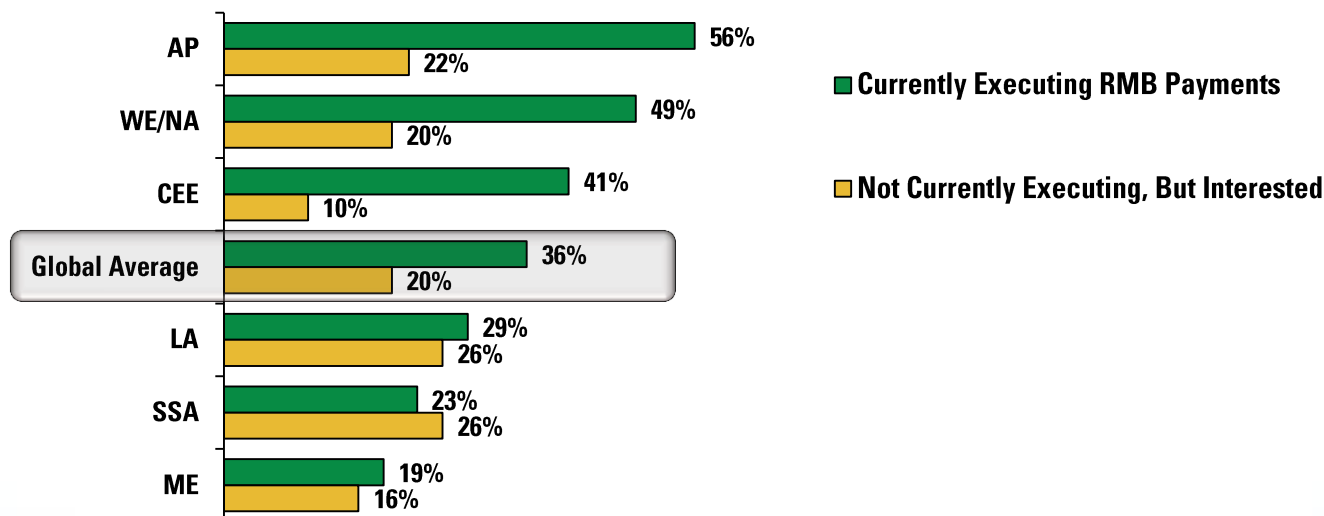


Current & Future Execution of RMB Payments to China

According to the most recent SWIFT RMB Tracker report (March 2014), the RMB now ranks in the top ten most-used currencies for payments worldwide. Its rank has moved from 13th at the start of 2013 to 8th in this most recent analysis, and, according to SWIFT, has more than doubled in value over the course of the past year.

Across each of our six regional studies, approximately a third of banks interviewed are executing RMB payments on behalf of their customers. Not surprisingly, banks in the Asia/Pacific Rim region are more likely to have executed RMB payments, followed by banks in Western Europe and North America. Even in regions where the RMB is not used by many banks there have been noticeable shifts in usage. For instance, in Sub-Saharan Africa, the use of the RMB by banks grew significantly between 2011-2013 from 8% in 2011 to 23% in 2013, a nearly three-fold increase in two short years.

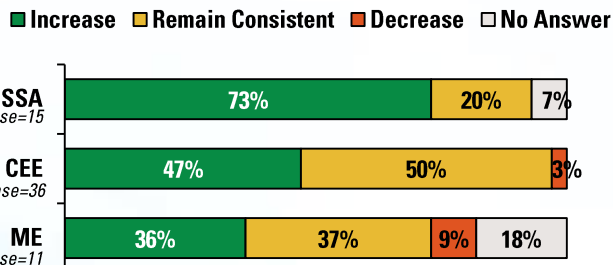
The increasing use of the RMB is expected to continue to grow, with one in five banks not currently executing RMB transactions expressing an interest in doing so.



Not only is the number of banks executing RMB transactions expected to increase, but the volume of transactions executed by these banks is expected to either stay the same or increase in the coming year. This is especially true in Sub-Saharan Africa, where nearly three-quarters of the banks expect to have an increase in RMB flows in the coming year (albeit from a small base).

Volume Change Expectations in the Next Year

Based on those currently executing RMB payments.



Factors Driving the Execution of RMB Payments

In all regions, executing RMB payments to China is driven by the needs of the banks' corporate clients and/or to meet customer demand. As the chart at the bottom of this page indicates, much of the demand is being driven by an increase in paying for imports from/or exports to China. This is particularly true for trade to Western Europe and North America, as well as in support of intra-Asian trade.

Just as customer demand drives RMB use, the lack of demand is a leading reason for not executing payments in RMB. Other reasons mentioned across the regions for not executing RMB payments are that commodities are typically priced in USD, and that a bank's counterparties do not wish to use RMB.

Top Reasons for Executing RMB Payments to China

*Based on 211 globally currently executing RMB payments.
Average percent across all regions.*

Offering services to meet corporate clients' needs	63%
Customer demand	60%

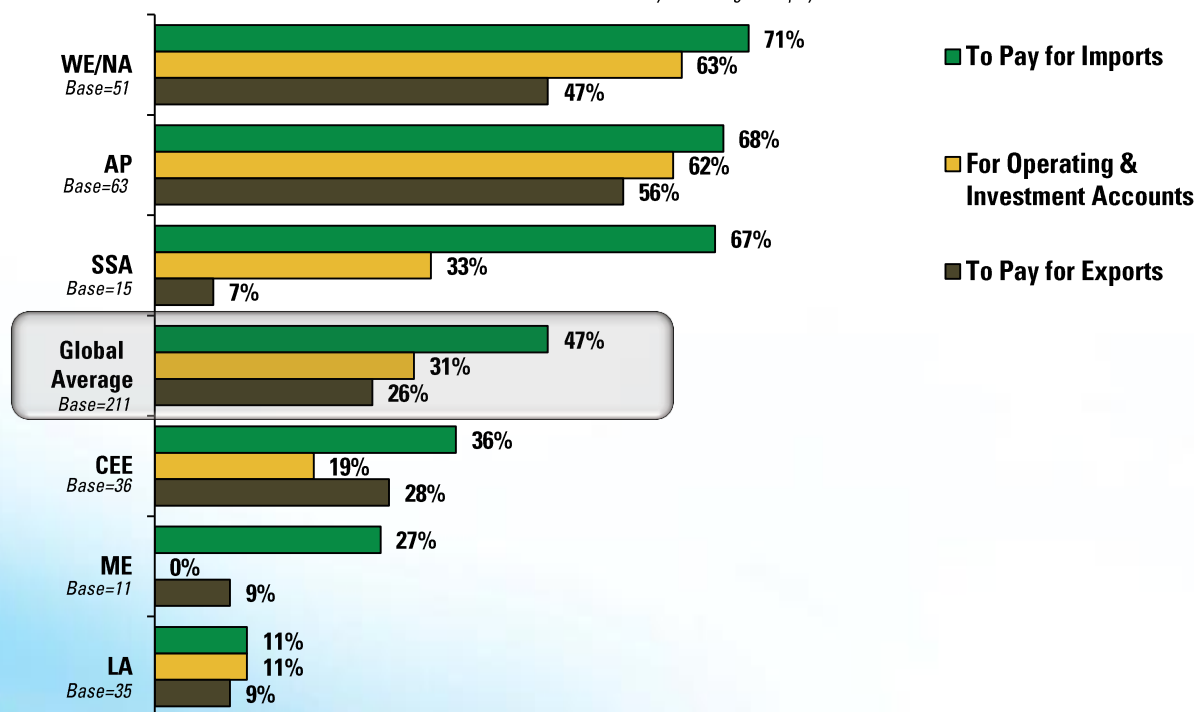
Top Reasons for Not Executing RMB Payments to China

*Based on 185 globally not executing RMB payments and not interested.
Average percent across all regions.*

No customer demand	40%
Commodities typically priced in USD	40%
Counterparties do not wish to use RMB	38%

Percent Who Have Seen an Increased Interest or Demand in Using the RMB

Based on those currently executing RMB payments.



Current Providers of RMB Services

A number of banks, both Chinese and non-Chinese, are active in offering RMB services to the market. Globally, Bank of China and Standard Chartered are the leading banks cited as current providers of RMB services at approximately 30%. Both of these providers have a measureable customer base across each of the six geographic regions. Beyond the two leaders, there are several providers that appear to have had more success at a regional level; ICBC in Asia, Central & Eastern Europe, and Western Europe/North America; Commerzbank in Latin America and the Middle East; and HSBC in Western Europe/North America, and Sub-Saharan Africa.

Banks such as Citi, Deutsche Bank, and J.P. Morgan (not listed) have had marginal success to date in establishing RMB accounts, particularly in Asia and throughout all of Europe.

<div> <div>Top Mention</div> <div> Leading Banks Currently Being Used for RMB Services <i>Based on those currently executing RMB payments.</i> </div> </div>							
	Global Average	AP	WE/NA	LA	ME	SSA	CEE
<i>Base</i>	211	63	51	35	11	15	36
Bank of China	30%	52%	28%	9%	18%	47%	25%
SCB	30%	8%	26%	49%	55%	20%	19%
ICBC	11%	22%	14%	6%	0%	7%	17%
Commerz	10%	0%	2%	34%	18%	0%	8%
HSBC	9%	5%	20%	3%	0%	20%	8%
Own Bank	8%	6%	8%	9%	9%	0%	14%

When asked which bank has the most positive brand image in RMB services, Bank of China (14%) and SCB (13%) are again the top mentions globally. More important on this measure is the large percent – over half globally (56%) – who do not name a bank for having the most positive image. The inability to name a bank with the most positive brand image for RMB services likely reflects the inexperience with customers and providers alike in executing transactions in this currency.

At present there is no uniformly accepted location for settling RMB transactions. While Hong Kong is the preferred location by many banks, Shanghai also receives consideration by over a quarter of the banks surveyed (29%).

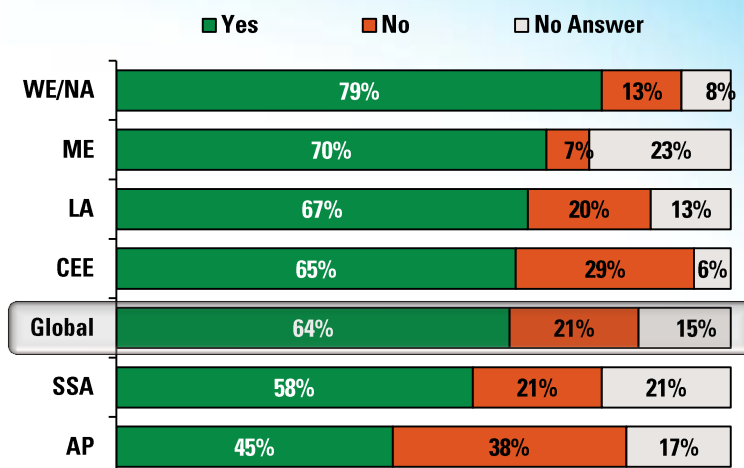
Preferred Location to Settle RMB Transactions							
	Global Average	AP	WE/NA	LA	ME	SSA	CEE
<i>Base</i>	549	113	105	121	57	66	87
Hong Kong	44%	49%	63%	41%	28%	46%	37%
Shanghai	29%	35%	30%	24%	25%	29%	28%
London	6%	0%	10%	0%	0%	14%	9%

Considering Non-Chinese Banks for RMB Services

The majority of banks globally said they would consider using a non-Chinese bank to process their RMB transactions.

Standard Chartered Bank is the bank most often considered among non-Chinese banks to offer RMB services. Only in Sub-Saharan Africa is SCB not the top mention; in this region, Citi is the top bank respondents would consider, followed by HSBC. Outside of Latin America, HSBC is widely considered as a provider of RMB services; whereas Commerzbank is widely considered by a majority of the banks in Latin America (along with SCB).

Would Consider a Non-Chinese Bank to Process RMB Services



Non-Chinese Banks Considered for RMB Payment Services							
Based on those who would consider a non-Chinese bank.							
	Global	AP	WE/NA	LA	ME	SSA	CEE
Base	350	51	83	81	40	38	57
SCB	36%	43%	40%	51%	40%	18%	21%
Commerz	17%	0%	4%	51%	20%	11%	18%
HSBC	17%	22%	29%	5%	10%	21%	12%
DB	9%	8%	8%	1%	8%	16%	12%
Citi	8%	12%	1%	4%	5%	26%	0%
JPM	8%	10%	13%	1%	8%	8%	5%
Own Bank	5%	0%	2%	1%	8%	3%	18%
Wells	3%	14%	1%	5%	0%	0%	0%

Other banks cited by a few respondents (less than 3% globally) include RBS, RBI, UniCredit, Société Générale, BNP Paribas, BNY Mellon, Danske, Intesa Sanpaolo, SEB, KBC, Bank of America Merrill Lynch, and Scotiabank.

Visits by Banks Regarding RMB Services

All respondents were asked if they have been visited by Chinese as well as non-Chinese banks with regard to RMB services. Except in the Asia/Pacific Rim region, non-Chinese banks are calling on respondent banks with much greater frequency than Chinese banks. Outside of Asia, it appears that the calling efforts of Chinese banks is concentrated on just specific countries rather than across an entire region. The strong calling effort globally by non-Chinese banks may be impacting the high percent in these regions who say they would consider a non-Chinese bank for RMB services.

Percent Visited by Chinese & Non-Chinese Banks Regarding RMB Services

	Visited by Chinese Banks	Visited by Non-Chinese Banks	Percent Who Would Consider a Non-Chinese Bank
AP	66%	61%	45%
WE/NA	44%	87%	79%
Global Average	33%	68%	64%
CEE	25%	63%	65%
LA	23%	79%	67%
SSA	21%	45%	58%
ME	16%	72%	70%

Bank of China and, to a lesser degree, ICBC are the leading Chinese banks marketing RMB services. Agricultural Bank of China is also active across each of the six regions, whereas the other Chinese banks appear to be more selective in terms of their marketing efforts.

☐ Top Mention

Leading Chinese Banks Visiting

Based on those who have been visited by Chinese banks.

	Global Average	AP	WE/NA	LA	ME	SSA	CEE
<i>Base</i>	193	74	46	28	9	14	22
Bank of China	77%	82%	89%	71%	67%	71%	82%
ICBC	46%	64%	61%	36%	44%	21%	50%
China Construction Bank	18%	27%	22%	0%	0%	43%	18%
Agricultural Bank of China	18%	20%	24%	14%	11%	14%	23%
Bank of Communications	13%	19%	17%	14%	0%	7%	18%
Shanghai Pudong Development Bank	5%	4%	11%	0%	0%	7%	5%
China Merchants Bank	4%	11%	13%	0%	0%	0%	0%
China Citic Bank	3%	11%	2%	7%	0%	0%	0%

Visits by Banks Regarding RMB Services

(continued)

As previously mentioned, except in the Asia/Pacific Rim region, non-Chinese banks are much more active in marketing and selling RMB services than Chinese banks. A number of non-Chinese banks are taking a global view in their marketing of RMB services by calling on respondent banks across each of the six geographic regions. Standard Chartered Bank is the most active in their marketing efforts, calling on a third or more of the banks in each region. Commerz and HSBC are also very active, with Commerz very focused on their efforts in Latin America and the Middle East.

Leading Non-Chinese Banks Visiting

Based on those who have been visited by non-Chinese banks.

<input type="checkbox"/> Top Mention	Global Average	AP	WE/NA	LA	ME	SSA	CEE
<i>Base</i>	382	69	91	96	41	30	55
SCB	54%	70%	34%	73%	56%	30%	60%
Commerz	32%	3%	3%	74%	63%	23%	24%
HSBC	27%	32%	26%	12%	42%	37%	15%
JPM	19%	30%	11%	4%	32%	13%	26%
DB	16%	10%	7%	12%	22%	23%	22%
Citi	9%	9%	1%	12%	12%	20%	2%
Wells	9%	13%	1%	21%	5%	0%	15%
RBS	7%	4%	2%	0%	5%	7%	24%
BNY Mellon	2%	4%	1%	3%	0%	0%	2%

Other banks cited by a few respondents (1% globally) include Bank of America Merrill Lynch, Standard Bank, Barclays, KBC, UniCredit, and BNP Paribas.

As the role of the RMB as a settlement currency continues to grow, we will look to increase the level of inquiry among providers and customers. The data collected and presented in this report, in combination with consultation from the providers of RMB services, will serve as the foundation for our future research on the RMB.

Contact Information

You may address any inquiries about this study, or other studies conducted by FImetrix, using the contact information below or scanning the QR code.



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Additional Syndicated Studies Available

Bank-to-Bank Services

- Asia/Pacific Rim (USD, Euro, Sterling)
- Latin America (USD, Euro, Sterling)
- Middle East (USD, Euro, Sterling)
- Sub-Saharan Africa (USD, Euro, Sterling, Rand)
- Central/Eastern Europe (USD, Euro, Sterling)
- Western Europe/North America (Euro, Sterling)
- Western Europe (USD)

Other Global Currencies

- Australian Dollar
- Canadian Dollar
- Nordic & Baltic Currencies
- Swiss Franc

Corporate Trade

- US Middle Market Corporate Trade
- Canadian Middle Market Corporate Trade
- International Commodity Traders

Sibos Conference Follow-Up