

RMB Internationalization

The Birth of a Global Currency

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- Based in Hong Kong, Philippe heads the team responsible for delivering an integrated suite of global liquidity and investment products and client consulting support in Asia-Pacific. Philippe joined Citi eight years ago, in Singapore. Prior to that, he was Regional Assistant Treasurer for Cargill in Asia-Pacific. He started his career with Cargill in the wintry city of Minneapolis and holds an MBA in Finance from the University of Chicago



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- Based in Hong Kong, E-May has been part of regional team since 2005 and is currently a regional solutions manager for liquidity and investments products. Besides structuring solutions for our regional and global clients, she is also managing the liquidity and investments team for Hong Kong and Macau. E-May started her career with Citibank Malaysia as a Management Associate and hold a Bachelor of Engineering degree from University of Bristol, UK.

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Today's Discussion Topics

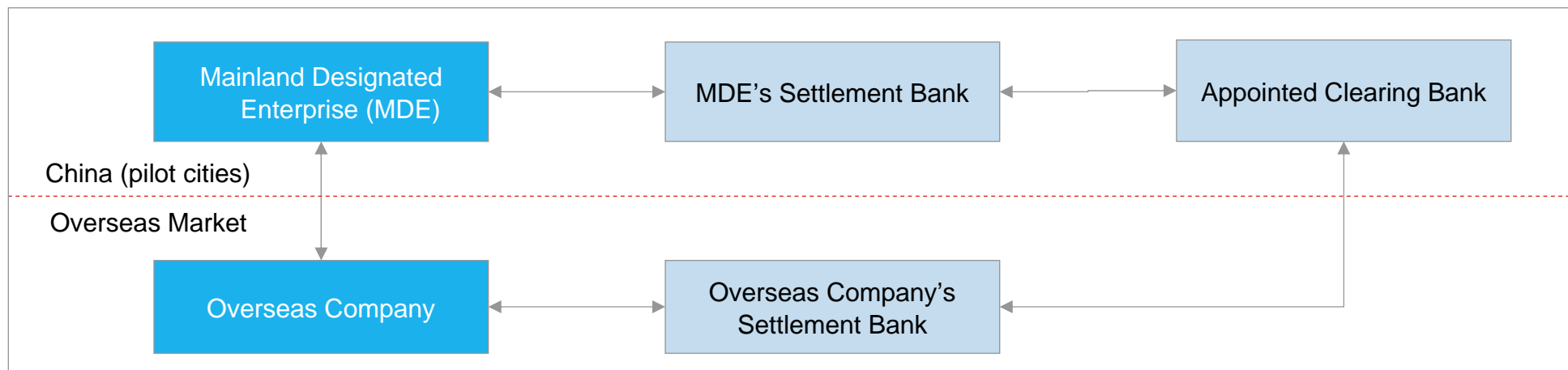
1. First Step toward RMB Internationalization – RMB Cross Border Settlement Pilot Scheme
2. Background of the RMB Cross Border Settlement Scheme
3. RMB Offshore Services and Implications
4. Appendices
 - Shanghai MDE Application Process
 - Shenzhen MDE Application Process
 - Citi Products and Services Offerings

Background

On July 2009, authorities in China announced that banks in HK, Macau and ASEAN (i.e. ID, MY, PH, SG, TH & VN) can participate in China's pilot scheme for RMB Cross Border Settlement.

| | Past | Present |
|----------------------------|--|---|
| RMB Deposits | <ul style="list-style-type: none"> • Offshore: <ul style="list-style-type: none"> - Limited offering in Hong Kong only. | <ul style="list-style-type: none"> • Offshore: <ul style="list-style-type: none"> - <i>Available in any countries where foreign currency account opening is allowed.</i> - Mainland Designated Enterprise (MDE) can open offshore RMB account. • Onshore: <ul style="list-style-type: none"> - <i>Non Residents can now open RMB account onshore in China for the purpose of RMB settlement with MDEs, subject to provincial PBOC's approvals.</i> |
| Offshore Currency Exchange | <ul style="list-style-type: none"> • Limited offering in Hong Kong only. | <ul style="list-style-type: none"> • Offshore conversion permitted, subject to local regulations. |
| Cross Border Flows | <ul style="list-style-type: none"> • Not Available. | <ul style="list-style-type: none"> • Transact with MDEs in the 5 pilot cities (Shanghai, Dongguan, Guangzhou, Shenzhen & Zhuhai). • <i>Company registered in Guangdong province are eligible to join the scheme.</i> • Transaction Purpose: <ul style="list-style-type: none"> - Settlement of import/export of trade goods. - <i>Settlement of service related transactions i.e. logistic fees, outsourcing fees, consulting fees, licensing fee, etc.</i> - <i>Capital flows allowed but pre-approval is required.</i> |
| Financing | <ul style="list-style-type: none"> • Onshore only. | <ul style="list-style-type: none"> • Offshore financing allowed. |

RMB Cross Border Flows



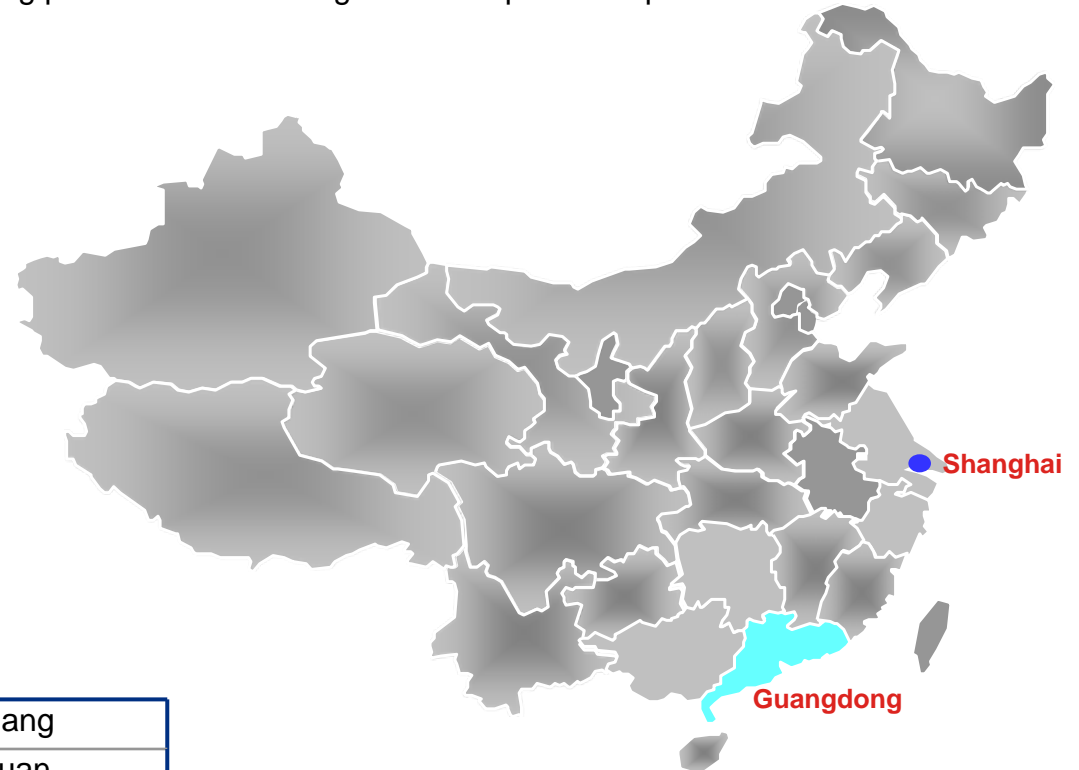
| | CHINA (Onshore) | OVERSEAS MARKET (Offshore) |
|--------------------------|--|---|
| Qualified Enterprise | <ul style="list-style-type: none"> Mainland Designated Enterprise (MDE) - Approved by local provincial PBOC and relevant authorities (i.e. SAFE and Tax Bureau). Non-MDE can be included now BUT it is recommended to become MDE especially if it is an Exporter of goods. | <ul style="list-style-type: none"> Any company subject to local regulations. |
| Pilot Cities / Countries | <ul style="list-style-type: none"> In 5 approved cities: Shanghai, Guangzhou, Shenzhen, Dongguan & Zhuhai. 14 additional provinces/cities pending: Beijing, Fujian, Sichuan, Tianjin, etc. | <ul style="list-style-type: none"> July 2009: HK, Macau and ASEAN (ID, MY, PH, SG, TH & VN). Expanded to other countries. |
| Transaction Purpose | <ul style="list-style-type: none"> Settlement of import/export of trade goods and services. Capital flows allowed but pre-approval is required. | <ul style="list-style-type: none"> Subject to China's permissible scope and local regulations. |

Pilot Areas in China

5 live pilot cities to-date, 14 provinces/cities pending approval.

- 5 LIVE Pilot Cities: Shanghai and 4 cities in Guangdong Province (Dongguan, Guangzhou, Shenzhen and Zhuhai)
 - Companies registered in any of the cities in Guangdong province with banking relationship in the 4 pilot cities can be MDEs.

| Guangdong: 21 Prefecture Level Cities | |
|---------------------------------------|-------------|
| – Dongguan | – Chaozhou |
| – Foshan | – Chenghai |
| – Guangzhou | – Kaiping |
| – Huizhou | – Nanhai |
| – Jiangmen | – Shantou |
| – Shenzhen | – Shaoguan |
| – Shunde | – Xinhui |
| – Taishan | – Zhanjiang |
| – Zhongshan | – Zhaoqing |
| – Zhuhai | – Yangjiang |
| | – Yunfu |



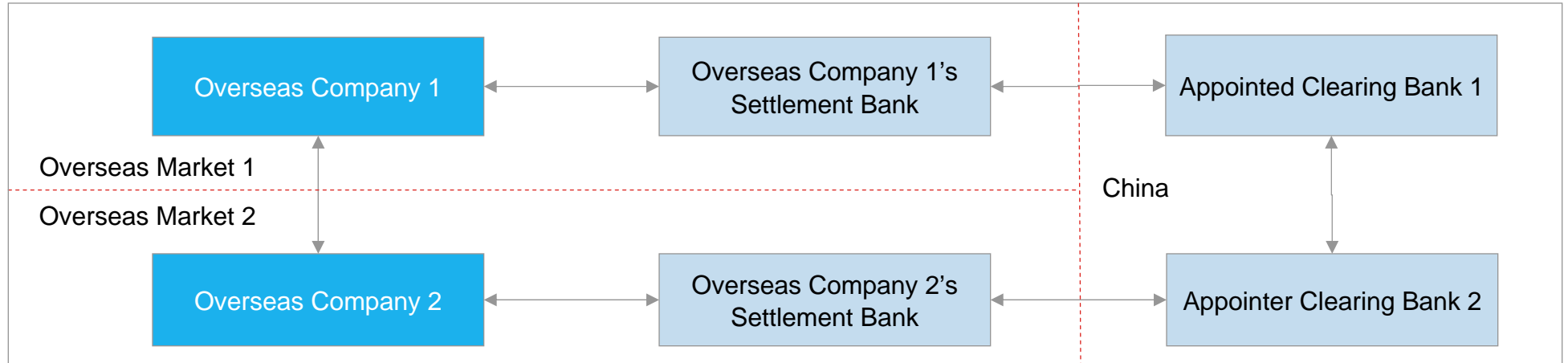
- 14 provinces / cities pending approval:

| | | |
|---------|-----------|----------------|
| Beijing | Guangxi | Zhejiang |
| Tianjin | Yunnan | Sichuan |
| Fujian | Chongqing | Liaoning |
| Hubei | Shandong | Inner Mongolia |
| Hainan | Jiangsu | |

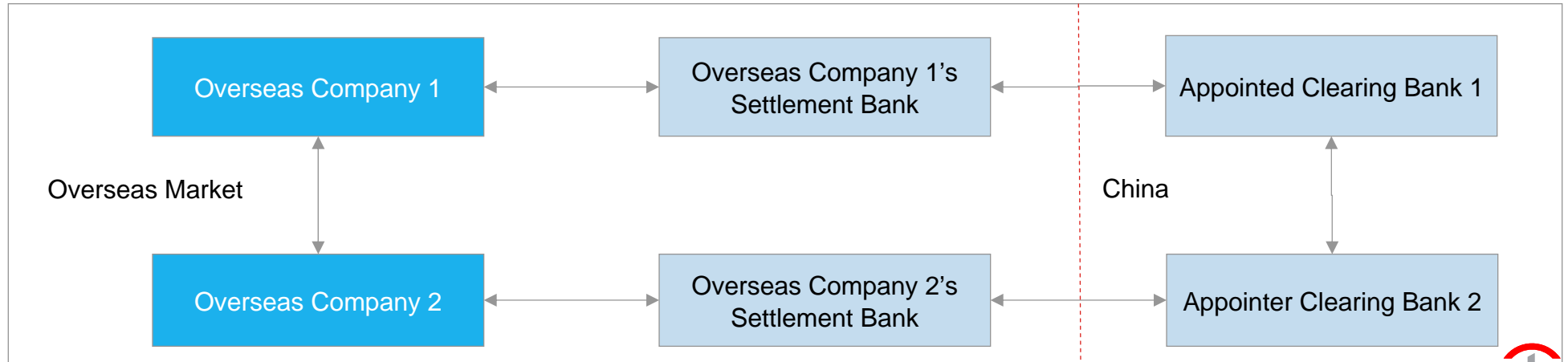
Offshore Settlement Flows

Offshore settlement flows in RMB are allowed as long as the transaction flow does not contravene with the local regulations of the countries involved. China authorities do not govern offshore CNY. CNY will be treated like any other foreign currencies in the country.

- Cross Border Settlement between 2 Overseas Markets



- Domestic Settlement within a Country



Practical implications for Treasury

Opportunity for you to effectively manage your RMB Liquidity.

- Opening RMB accounts outside of China in Asia and in other major financial centers.
- Converting RMB in/out of other major currencies
- Applying for RMB short-term financing using trade financing terms
- Managing overnight and excess RMB cash using
 - Automated RMB cash sweeps and liquidity pools
 - Investment options like RMB time deposits

Note: The availability of any of the above services will depend on the local regulations of the country(-ies) involved.

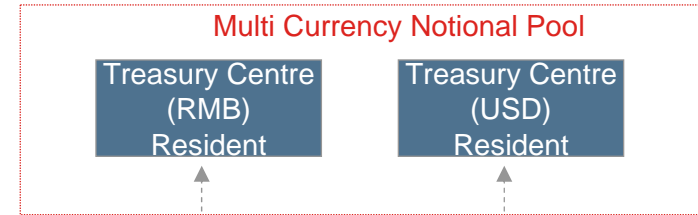
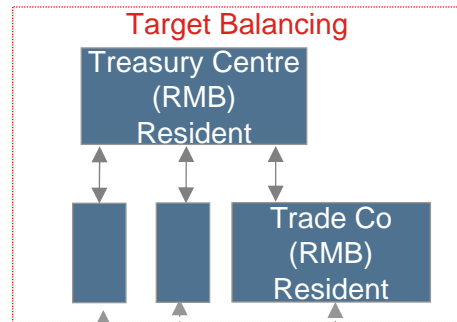
Product Roadmap

Citi is rapidly adapting its suite of products and services starting with liquidity management services and expanding with trade financing and services.

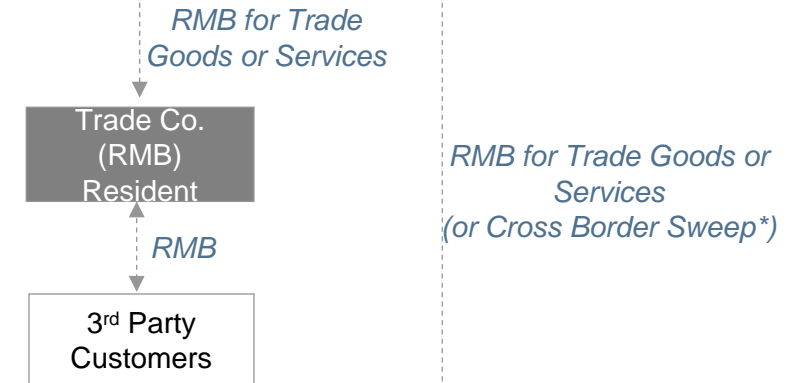
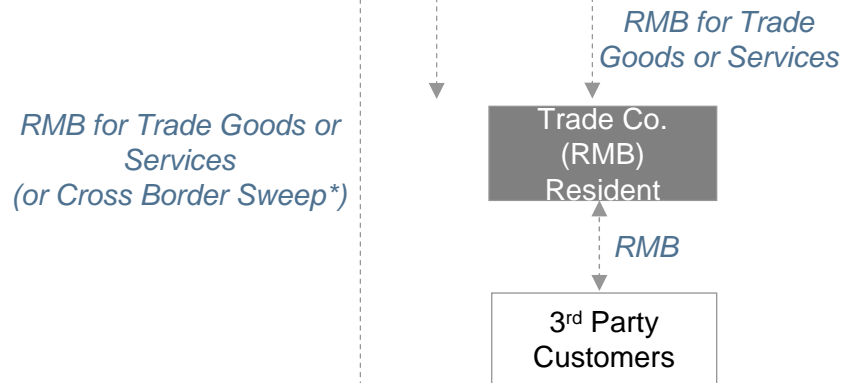
| Liquidity Management | Cash, Trade Financing and Services | Availability |
|---|---|--|
| <ul style="list-style-type: none">• Account Services including Overdrafts• Interest Enhancement for Offshore deposits• Fixed Deposits• Domestic and Cross Border Target Balancing• Single and Multi-currency Notional Pooling | <ul style="list-style-type: none">• Funds Transfers• Foreign Exchange• All LC based services• Invoice Financing• Supplier Finance | <ul style="list-style-type: none">• Immediate: Hong Kong, Malaysia, Macau, Philippines and Singapore• June: Indonesia and Japan.• 3Q: Other Asia countries such as Australia, Korea and Thailand.• 4Q: UK, Russia, Brazil and Mexico• 2011: Dubai, Nigeria |

Potential Liquidity Management Structures

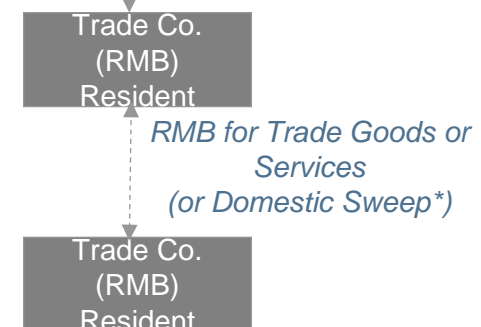
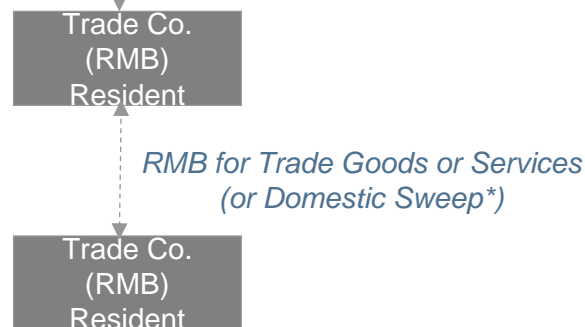
Concentration Centre



China Structure



Other In-Country Structure



* Where local jurisdiction allowed.

Steps toward Internationalization Renminbi (RMB)

China is aggressively promoting CNY as a global currency, which provides new and significant business opportunities for the bank and our clients; this is the birth of a global currency.

Step 1: Peripheralization

- Hard cash circulation around neighbouring countries (Hong Kong, Macau, Myanmar, Nepal, etc.)
- In 2004, banks in Hong Kong can offer RMB deposit taking, currency exchange and remittances services.

Step 2: Regionalization

- On July 2009, authorities in China announced that banks in HK, Macau and ASEAN countries (ID, MY, PH, SG, TH and VN) can participate in China's pilot scheme of RMB Cross Border Settlement.

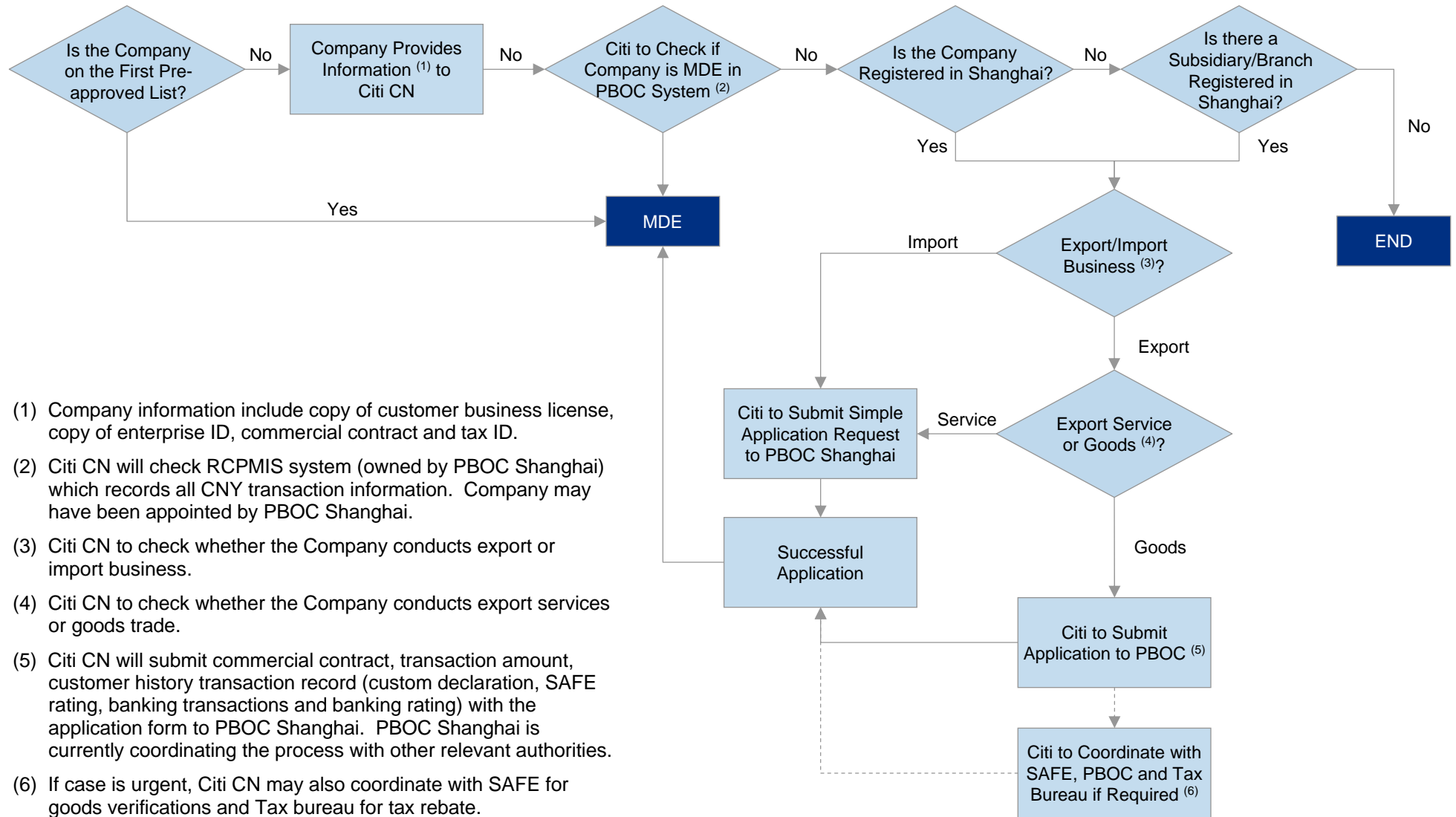
Step 3: Globalization

- Expansion of the pilot program.
- Fully convertible RMB.
- Offshore investments.

Q & A

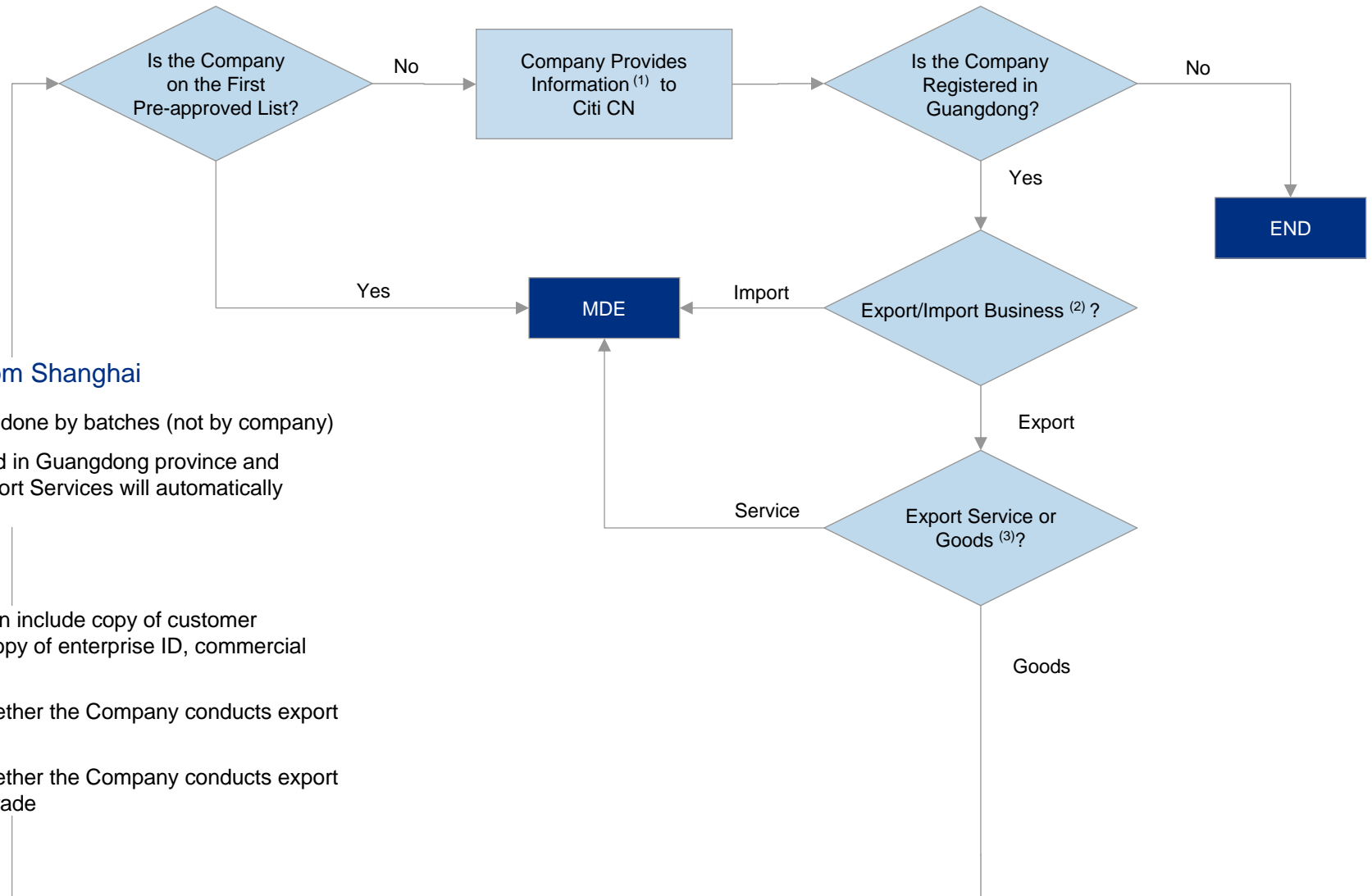
Annex

Shanghai MDE Application Process



- (1) Company information include copy of customer business license, copy of enterprise ID, commercial contract and tax ID.
- (2) Citi CN will check RCPMIS system (owned by PBOC Shanghai) which records all CNY transaction information. Company may have been appointed by PBOC Shanghai.
- (3) Citi CN to check whether the Company conducts export or import business.
- (4) Citi CN to check whether the Company conducts export services or goods trade.
- (5) Citi CN will submit commercial contract, transaction amount, customer history transaction record (custom declaration, SAFE rating, banking transactions and banking rating) with the application form to PBOC Shanghai. PBOC Shanghai is currently coordinating the process with other relevant authorities.
- (6) If case is urgent, Citi CN may also coordinate with SAFE for goods verifications and Tax bureau for tax rebate.

Shenzhen MDE Status Application Process



Key Differences from Shanghai

- MDE registration is done by batches (not by company)
- Company registered in Guangdong province and conduct Import/Export Services will automatically become MDE

(1) Company information include copy of customer business license, copy of enterprise ID, commercial contract and tax ID

(2) Citi CN to check whether the Company conducts export or import business

(3) Citi CN to check whether the Company conducts export services or goods trade

Citi Products and Services Offering

| | HK | MO | MY | SG |
|---|---|---|---|---|
| Account Services | | | | |
| Account Availability | | | | |
| Both Resident and Non-resident | Y | Y | Y | Y |
| Interest Capability | | | | |
| Credit Interest | | | | |
| Both Resident and Non-resident | Y | Y | Y | Y |
| Overdraft | Y | Y | Y | Y |
| Time Deposit | | | | |
| Availability | Y | N | N | Y |
| Channel | CitiService | NA | NA | CitiService |
| Others | | | | |
| Standard A/C Opening Process | Y | Y | Y | Y |
| If No for Above/If Additional Dox Required, Pls Provide Details | Customer required to complete additional CNY consent to info disclosure form. | Customer required to complete additional CNY consent to info disclosure form. | Customer required to complete additional CNY consent to info disclosure form. | Customer required to complete additional CNY consent to info disclosure form. |
| Checking Facility | N | N | N | N |

Citi Products and Services Offering (Cont'd)

| | HK | MO | MY | SG |
|---|---|---|---|---|
| Cross-border Remittance (SWIFT) | | | | |
| Outward Remittance | | | | |
| Delivery Channel via CitiDirect | Y | Y | Y | Y |
| Supporting Document (Invoices) Required | N | N | N | N |
| Cut-off Time | 2 p.m. | 2 p.m. | 2 p.m. | 2 p.m. |
| Others | Require advanced notice for large payment | Require advanced notice for large payment | Require advanced notice for large payment | Require advanced notice for large payment |
| Inward Remittance | | | | |
| Supporting Document (Invoices) Required | N | N | N | N |
| Cut-off Time | 4 p.m. | 4 p.m. | 4 pm | 4 p.m. |
| Domestic Funds Transfers | | | | |
| CNY Domestic Clearing Available | Y | N | N | N |
| Follow the Process as Cross-border Txn | Y | NA | NA | NA |
| Foreign Exchange | | | | |
| Sell CNY Cap | Y | Y | Y | Y |
| Buy CNY | Y | Y | Y | Y |
| Standard Offering | T + 2 | T + 2 | T + 2 | T + 2 |

Citi Products and Services Offering (Cont'd)

| | HK | MO | MY | SG |
|---|---|----|--|----|
| Domestic CNY Target Balancing | | | | |
| Single Entity | Y | Y | Y | Y |
| Multi-entity | N | Y | Y | Y |
| Remarks | HKMA Guideline—Allows same name transfers only. | | Subject to ECM guideline on any inter-company positions. | |
| Single/Multi-currency Notional Pooling | | | | |
| Single Entity | Y | N | N | Y |
| Multi-entity | Y | N | N | Y |
| Citibank Interest Optimization | | | | |
| Account to be Included | Y | Y | Y | Y |
| Interest Improvement | Y | Y | Y | Y |

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Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation