



Access the China Interbank Market

Opportunities and Implementation

China has been making significant progress on RMB internationalization and the opening up of its capital markets. For investors worldwide, the liberalization of the China Interbank Bond Market (“CIBM”) presents ample opportunities. Accessing the CIBM requires both a winning strategy and a trusted banking partner. **Citibank (China) Co., Ltd. is the first and currently the only American bank to be granted the Type A Bond Settlement Agent license by the People’s Bank of China (“PBOC”).** Having been an established and active market maker in both China Interbank FX Market (“CIFM”) and CIBM for over ten years, we are committed to bringing world-class integrated China Interbank Market solutions to institutional investors across the world.

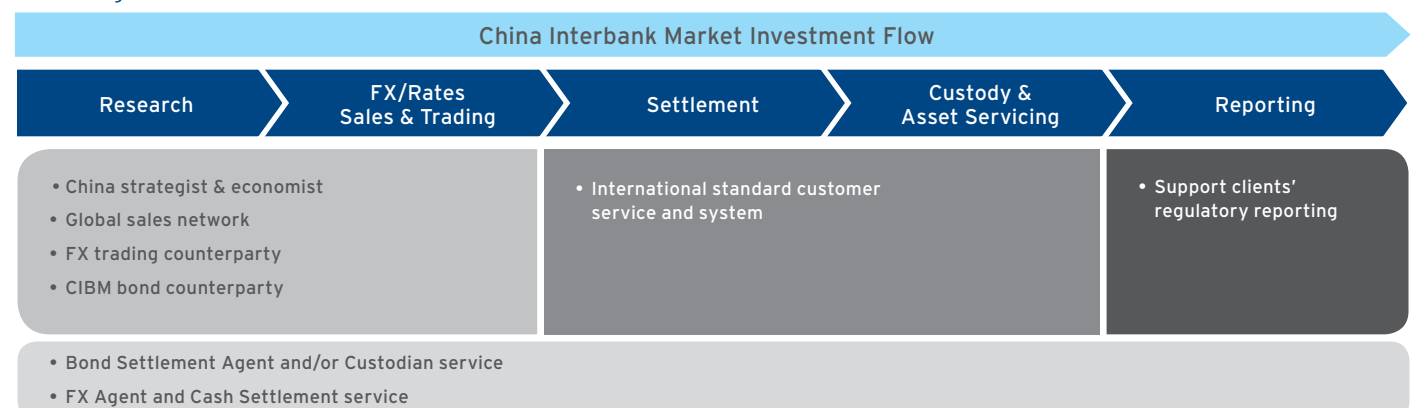
Citi’s Integrated Interbank Market Solution

Citi is a leading global bank that embodies experience, breadth of services, global reach and local expertise. From market research to sales and trading, from custody to regulatory reporting, **Citi offers an end-to-end integrated solution to facilitate your access into the CIFM* and CIBM.** Below are the roles that Citi can play in the China Interbank Market investment flow.

RMB Internationalization

SDR Basket Inclusion – RMB was included as the third largest currency in the IMF SDR currency basket with 10.92% weighting with effect from 1st October 2016. This is significant and positive for long-term capital flows into RMB holdings as it encourages an increase in global asset diversification into RMB-denominated assets.

Citi’s Integrated End-to-End China Interbank Market Solutions



*From 30 September 2015, the CIFM was opened to foreign Central Banks, international financial institutions and Sovereign Wealth Funds (defined as Relevant Overseas Institutional Investors or ROIIIs).

Capital Markets Highlights

Third Largest Bond Market – The China bond market has grown more than six times in size since 2005, making China the third largest in the world by issuance, only after the US and Japan. As of December 2016, total bond outstanding reached RMB62.27 trillion.

Attractive Bond Yields – China's sovereign credit quality is strong (AA-), and China's government bond yields are significantly above most of its A-rated peers. From a mid- to long-term perspective, China is an attractive market from both an allocation and investment perspective.

Global Index Inclusion – There is heightened market anticipation of Chinese bonds being eventually included in global bond benchmark indices. Global index inclusion will draw a material wave of investment money into China from portfolios globally managed against these benchmarks.

Government Support – The simplification of inbound investment schemes (QFII, RQFII, CIBM) lowers market entrance barriers to encourage capital inflow. Channels such as Stock Connect and Mutual Fund Recognition further promote cross-border financial interaction. Over time, we expect China to achieve a free market economy.

Market Access Key Considerations

Citi China has a long history of being entrusted by institutional investors across the world to help them navigate the China market. The following considerations are subject to updates as the market continues to develop.

- **Regulations** – CIFM and CIBM transactions are governed by PRC Law as the transactions take place in China. The key regulators are the People's Bank of China (PBOC) and State Administration of Foreign Exchange (SAFE).
- **Capital Control & Funding** – No capital injection or repatriation control on CIFM and CIBM for ROII. Other foreign institutional investors should maintain the ratio of RMB to foreign currency (currency ratio) for inflow and outflow within a maximum of 10% deviation.

- **Investment Instruments** – Cash bond, bond IPO, bond repurchase, bond lending, bond forward, interest rate swap, forward rate agreement, FX spots, forwards, swaps, options, CCS. NAFMII or ISDA are required for FX derivatives. Allowed instruments vary by investor types.
- **Tax** – For offshore investors, interest income is subject to withholding tax. Capital gains derived from trading of bonds is not subject to income tax. In terms of VAT, CIBM investors' trading gains from local currency markets is VAT exempted. There is no clear rule on VAT treatment on coupon income and FX transactions.

For the latest information regarding the above, please contact your Citi representatives.

The Strength of Citi in China

- **Over 110 years** of presence in China
- **First** batch of approved QFII custodian banks
- **First** batch of foreign banks to launch QDII services
- **First** foreign bank granted an FX license to serve Chinese customers
- **First** American bank granted a CIBM Bond Settlement Agent license
- **Over ten years** of experience as an active CIFM and CIBM Market Maker
- **Top Rated** Custodian in China for eight years
- **Over 160,000** settlements per year with 100% settlement rate

Global FX and Securities Services Recognitions

- *Euromoney FX Survey* – Winner of Overall Market Share 2016
- *Risk Magazine* – Best Single Dealer Platform & Best Derivatives House 2016
- *FX Week* – Best FX Bank Overall 2015
- *Global Finance* – Best FX Bank Globally 2015
- *Financial News* – Best Single Dealer Platform 2015

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