

Clearstream – your gateway to China

Clearstream's vision is to leverage its capacity and infrastructure, drawing on its global linkages, partners and client base, to bring together both supply and demand on a global level.

In doing so, we can facilitate greater liquidity in the amount of available Renminbi, both onshore and offshore.

By leveraging our international infrastructure, we have the ability to act as a reciprocal gateway between Chinese and non-Chinese investors and issuers.

At the same time we continue to develop our network of global partners in order to maximise liquidity.

Our well-established partnerships with the global banks, domestic infrastructures and local agents will boost offshore Renminbi cash management capabilities by ensuring there are sufficient cash reserves available to participants both during the Asian business day and extending into European trading hours.

Our customers value our approach. This can be seen in the rapid increase of RMB assets we hold under custody for our clients, which witnessed a tenfold increase between 2011 and 2016, and also in settlement volumes, where there has been an annual compound growth rate in 2016 of circa 130%.



Clearstream Banking
42, Avenue JF Kennedy
L-1855 Luxembourg
Phone +352-243-0
www.clearstream.com

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Clearstream Connecting to RMB

China – a global market

China's equity market is the second largest in the world, with a market capitalisation of over USD 7.3 trillion by end 2016.

China's fixed income market is also gargantuan – the third biggest in the world, with around USD 9.2 trillion outstanding by end 2016.

Coupled with the size of the market, we are currently witnessing a rare convergence of both internal reform of Chinese capital markets and international recognition of the importance of the RMB.

There has been a flurry of progress in liberalisation reforms over the last twelve months. We have witnessed a gradual simplification and easing of controls on use of the RMB internationally for some time now, with full capital convertibility expected by the 2020s.

Turning to the international environment, there is growing recognition of the importance of the Chinese capital markets and the RMB as a global currency.

Trends towards RMB liberalisation

Domestic initiatives

- QFII/RQFII quota increases and liberalisation
- Shanghai-Hong Kong Stock Connect, and Shenzhen-Hong Kong Stock Connect in 2016
- Chinese Interbank Bond Market liberalisation
- Expansion of domestic Free Trade Zones in specific geographies in China

International recognition

- Rapid increase in usage of RMB via SWIFT
- Inclusion in IMF Special Drawing Rights (SDR) reserve currency basket as of October 2016
- Both China A-Shares and bonds are in consideration for inclusion in global indices, such as MSCI, FTSE Global and JPMorgan

Empowering RMB globally

Clearstream is keen to make sure that you can fully leverage your offshore RMB business around the world.

RMB liquidity around the clock

Offshore RMB is a full settlement currency at Clearstream, which allows customers to benefit from issuance and settlement services in RMB.

Clearstream's Cash Correspondent Bank (CCB) network of offshore RMB now covers five different locations in Asia and Europe. This means customers can benefit from access to liquidity to support their issuance, settlement and collateral management activities in both Asian and European time zones.

Trade and settle RMB-related instruments internationally

Founded in 2015 as a joint venture between our parent company, Deutsche Börse Group, the Shanghai Stock Exchange (SSE) and China Financial Futures Exchange, CEINEX is the

first dedicated trading venue for China- and RMB-related investment products in international markets.

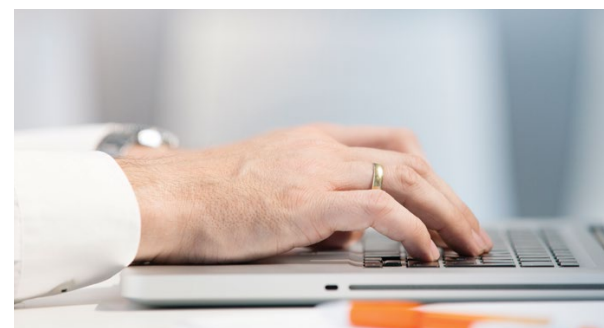
Clearstream's services dovetail with CEINEX, allowing customers to benefit from a full suite of issuance, settlement, safekeeping and asset services for the venue through their existing channels, with no connectivity or account changes.

Access China's Free Trade Zone market

The opening of the Shanghai Free Trade Zone creates another major "offshore" RMB market, uniquely located within China's borders. As such, it marks a further step in the liberalisation of the Chinese financial sector.

In 2016, Clearstream signed a Memorandum of Understanding with the Shanghai Clearing House (SCH) to explore cooperation on interest rate derivatives, foreign exchange CCP services and bond custody.

Streamlining your Stock Connect access



Stock Connect is a securities trading and clearing link programme by Hong Kong Exchanges and Clearing Limited (HKEx), Shanghai Stock Exchange (SSE) and China Securities Depository and Clearing Corporation Limited (ChinaClear) allowing mutual market access between Mainland China and Hong Kong. In December 2016 the scheme was extended to provide a linkage between HKEx and the Shenzhen Stock Exchange (SZSE) – Clearstream's link to this extended setup went live immediately.

Stock Connect is one of the main avenues for accessing China A-Shares, allowing Chinese firms to raise money from a broader pool of international investors. At the same time, the quota restricting the maximum

Clearstream is currently the only ICSD to offer settlement and custody services of China A-shares via the Stock Connect scheme.

trading volume via the Stock Connect allows the Chinese government to open up the market in a step-by-step manner.

Clearstream's enhanced service offers customers the possibility to segregate their positions via the Special Segregated Account (SPSA) model. This allows customers to conduct DVP/RVP settlement via this linkage without a requirement to pre-deliver securities.

Moving Onshore

Clearstream launched its China Bond Link on 17 October 2016 to coincide with the inclusion of the RMB in the IMF's Special Drawing Rights (SDR) reserve currency basket.

A unique ICSD access path to the domestic Chinese interbank bond market.

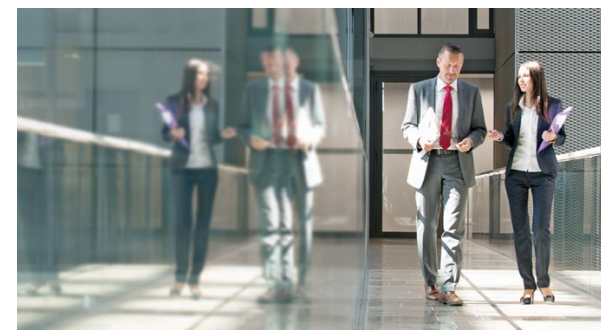
Clearstream's China Bond Link provides eligible international investors with individual quota-free access to the onshore Chinese interbank bond market, leveraging simplifications recently brought in by Chinese regulators.

Our offer is presented without the limitations and quota restrictions that

confine other schemes harnessing domestic Chinese assets such as QFII or RQFII.

Clearstream will work with customers to facilitate the setup of the operational and legal structures necessary to access, settle and hold onshore assets, and will support daily processing with our standard suite of ICSD value-added services, including corporate actions processing and reporting.

In Luxembourg, the CSSF has granted UCITS Fund Managers permission to treat the Chinese interbank bond market as a regulated market. Combined with our Stock Connect offering, which provides easy access to Chinese equities, clients can therefore now use our China Bond Link to invest in RMB fixed income securities dealt on the CIBM.



Specialised value-added services



Collateral management for RMB assets

Through Clearstream's Global Liquidity Hub, customers can also benefit from triparty repo services for the offshore Renminbi market in Hong Kong.

Based on bilateral repo agreements between the Hong Kong-based cash provider in offshore Renminbi and the international cash taker, Clearstream acts as the central collateral manager for the HKMA in managing the collateral.

The Global Liquidity Hub also provides customers with securities lending and borrowing services for offshore RMB bonds.

Mutual recognition of funds

A linkage between the HKMA's Central Money Markets Unit (CMU) and Vestima facilitates the processing of cross-border investment fund transactions under the Mutual Recognition for Funds (MRF) programme. Clearstream customers are now able to directly send orders for mainland Chinese funds under the MRF scheme.

The new linkage between Vestima and CMU enables foreign investors also to invest in MRF-eligible China-domiciled funds. The link will enable China-based asset managers to reach global investors while the relevant transaction orders will be processed in a streamlined, automated and efficient manner.