

Chinese Capital Market and Investment Opportunities for RQFIIs

(April 2014, Singapore)

Honorable Guests, Ladies and Gentlemen,

Good Morning!

Thank you all for attending today's RQFII Investor Forum, I am Yueqiu Zhou, the general manager of ICBC Custody Service Department. The reason why we sponsor this forum is because ICBC is willing to share our perspective about the future development of the Chinese capital market and the potential investment opportunities under the RQFII scheme.

Last year, Singapore and London became the newest RQFII pilot markets after HongKong and Taiwan and obtained 50 billion RMB and 80 billion RMB investment quota respectively. It is observed that the Chinese capital market is gradually speeding up the process of opening to the outside world and so is the RMB internationalization process. I mutually feel that since there are more and more foreign financial institutions coming to us and expressing their willingness to cooperate with ICBC in the field of Chinese capital market in terms of QFII and RQFII.

We think, the RMB internationalization and the Chinese capital market opening are the dual significances endowed to the RQFII scheme when it was first introduced in 2011. Regarding the RMB internationalization, RQFII provides offshore CNH the direct counter-flow channel for reinvesting RMB backward to the Chinese capital market. The return of RMB investment is increasing by expanding the investment approaches as RMB is becoming more active and competitive at the overseas market. In comparison with QFII scheme, RQFII is much more flexible in terms of product design, product category, ultimate investment scope, and cross-boarder capital flow. We now can see all kind of RQFII products such as RQFII private funds, RQFII mutual funds, A share funds, and government bond ETFs are enriching RMB offshore investment instruments and boosting the CNH activity at the overseas market. As the end of this January, there were 65 institutions granted RQFII licenses and 59 of them got 180.4 billion RMB investment quota. The injection of overseas professional investment institutions and the tremendous amount of offshore RMB capital is adding more vigors to the Chinese capital market.

In terms of promoting the market opening, 2014 is defined as "The Year of Revolution" for the Chinese capital market, and to accelerate the RMB globalization process is also one of the primary missions. This year, Chinese government will try to urge the opening of the capital market from two aspects. Firstly, The amount of QFII and RQFII investment quota will be further expanded. Chinese government is trying to renovate the investment environment and attempting to formulate the related taxation policy by the end of the year. RQFII and QFII currently only hold 1.6% of the A share market value which is relatively small compare to the amount held by the foreign investors in other emerging countries such as Korea, India, Brazil and etc which is about 20% to 30%. Besides that, the scope of RMB usage is expanding dramatically and covering more markets. Far as we know, countries like Paris, Luxembourg, and United States are actively facilitating the preparation of the RMB settlement and the establishment of the offshore RMB centre with the Chinese government. It is foreseeable that the RQFII scheme will extend to more countries and areas in the near future.

There are all kind of professional investment institutions gathering around here in this city since Singapore is one of the world most important financial centre, and the RMB offshore centre here is developing very quickly. The RMB deposit in Singapore in 2013 exceeded 160 billion and the bilateral currency exchange between Singapore and China was doubled to 300 billion RMB and 2.6 trillion RMB was cleared in Singapore offshore market as well. And in last July, the first RMB stock launched in Singapore stock exchange. I believe that the RQFII scheme will definitely help Singapore to become the next remarkable market for RMB investment products creations and trades.

In January, China Securities notified all local custodian banks in China that they are now officially accepting Singapore RQFII application and there are quite a few institutions from Singapore are contacting with us and extending their willingness to apply for RQFII license. As the first Chinese custodian bank who is offering custody service to foreign institutions, ICBC is sophisticated with many successful experiences of qualification license applications and investment quota applications for both QFII and RQFII. And we can provide one stop customized service for our clients from the earlier stage of the application to account opening and flow path design, then the ultimate investment operations. We are also providing the cross-boarder custody service to more than 60 foreign clients from 15 countries and areas and helping them to earn a considerable investment return.

ICBC is the largest local custody service provider. The asset under custody at our bank as the end of the previous year exceeded 4000 billion RMB which was about 750 billion USD approximately. We are smoothly constituting the global custody service networks. Our Hong Kong subsidiary ICBC Asia has already started offering all kind of professional custody services and our Singapore sub-branch is enhancing its custody service capability. In the meantime, we have been building up remarkable long term partnership with different prestigious custodian banks all around world such as BNY Mellon, BBH, States Street Bank, Northern Trust, JP Morgan, CitiBank, HSBC and BNP Paribas and our standard service has been mutually recognized by our international peers.

Currently, the overall China A shares are undervalued at the historical low point, and the investment of outstanding blue-chip stocks will definitely bring opportunities to RQFIIs and other foreign institutions undoubtedly. I sincerely hope that all of you will be very successful in the Chinese capital market and earn a profitable return in the end. And I also believe that ICBC, as the only RMB clearing bank in Singapore and the largest local custodian bank in China is fully capable of providing efficient, secured and outstanding services. Last but not least, I want appreciate your time and thanks again for coming. We would love to talk with you after the session if you have more questions and concerns.

Thank You!