

RMB GAINS SDR STATUS

Commencing 1 October 2016, the Renminbi (RMB) has been included in the Special Drawing Rights (SDR) of the International Monetary Fund (IMF). According to the statement released on the IMF’s website, “The RMB’s inclusion is an important milestone in the integration of the Chinese economy into the global financial system. The IMF’s determination that the RMB is freely usable reflects China’s expanding role in global trade and the substantial increase in the international use and trading of the renminbi. It also recognizes the progress made in reforms to China’s monetary, foreign exchange, and financial systems and acknowledges the advances made in liberalizing, integrating, and improving the infrastructure of its financial markets.”

This is the first time that a new currency has been added to the SDR basket since 1999 when the Euro replaced the French Franc and the Deutsche Mark. The RMB has become the fifth currency in the basket with the assigned weight of 10.92%, following the US dollar (41.73%) and the Euro (30.93%).

Chart 1. The SDR basket (weights as of 1 October 2016)

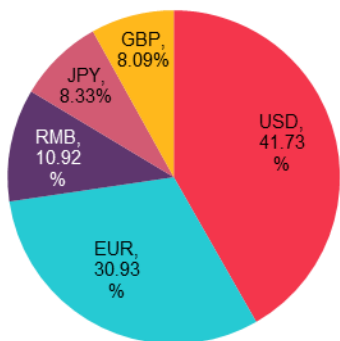
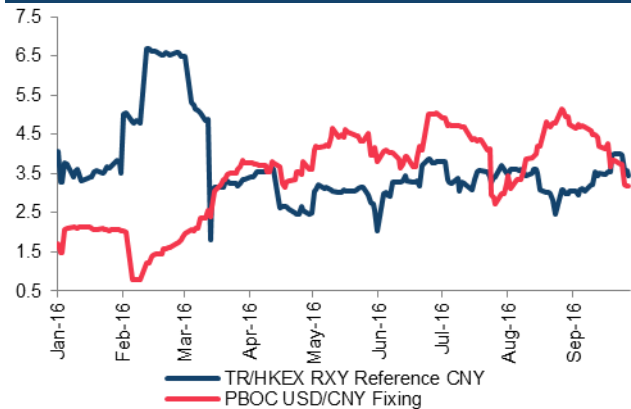


Chart 2. 30-day realised volatility (%) of PBOC USD/CNY Fixing and the TR/HKEX RXY Reference CNY Index



THE PBOC’S FOREIGN EXCHANGE REFORMS

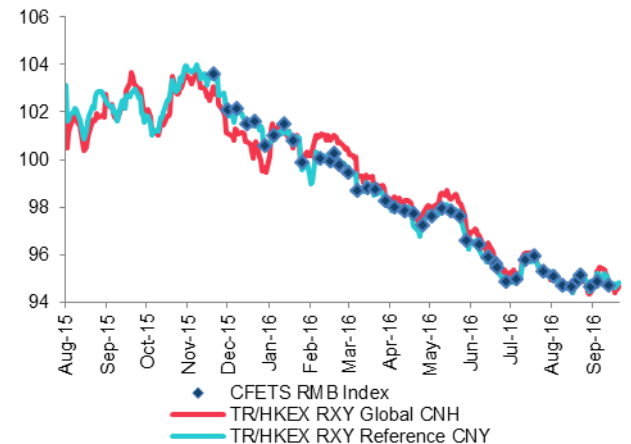
The major achievements for the RMB to become a global currency were the foreign exchange regime reform, which was conducted by the People’s Bank of China (PBOC) in August 2015, and referencing USD/CNY Fixing to the currency baskets, implemented at the end of last year. On 11 December 2015, the PBOC introduced three RMB Indices based on the China Foreign Exchange Trade System (CFETS) Currency Basket (CFETS RMB Index), which included 13 currencies of China’s key trading partners, on the BIS Currency Basket, and on the SDR Currency Basket. Referencing the RMB to the baskets of currencies aims to increase a market-driven element in its fixing, as well as to reduce its volatility.

THE TR/HKEX RMB CURRENCY INDICES

The importance of using the baskets of currencies as a price discovery mechanism for identifying the true value of the RMB has been repeatedly stressed by the Chinese authorities in communications regarding the RMB exchange rate regime.

Against this background, the RXY Indices launched by HKEX and Thomson Reuters on 23 June 2016, aim to play the role of market-driven RMB benchmarks. The RXY Indices are transparent and hourly calculated instruments for monitoring intraday RMB movements, and they are also highly correlated with the CFETS RMB Index. Such properties could give the RXY indices the advantage of becoming reliable proxies for the CFETS RMB Index and convenient tools for the market to analyse the Chinese authorities’ FX policy.

Chart 3. The CFETS RMB Index and the two TR/HKEX RXY Indices



Note: The CFETS RMB Index is rebased on 30 November 2015 to the same level as the TR/HKEX RXY Reference CNY Index

TR/HKEX RMB CURRENCY INDICES (RXY)

PRODUCT HIGHLIGHTS

- The RXY indices offer independent, transparent and timely benchmarks for RMB against Mainland China's most important trade partners' currencies.
- The indices are calculated based on WM/Reuters foreign exchange rates (WM/Reuters FX Rates) and managed in accordance with the International Organisation of Securities Commissions (IOSCO) principles for financial benchmarks.
- The RXY indices are designed to be the basis for investment and trading products such as futures, options and exchange traded funds.

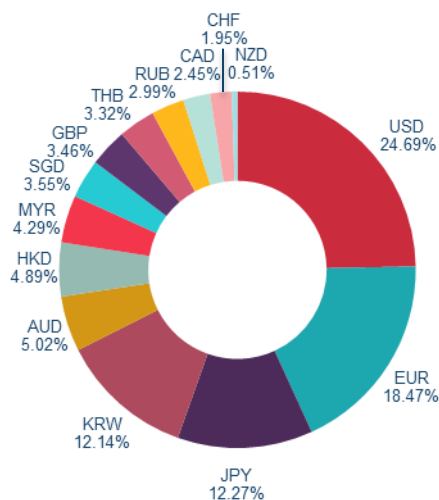
METHODOLOGY

Calculation Method:	Geometric Average
Weighting Method:	Bilateral trade weighted with adjustment for Hong Kong re-exports
Trade Data Source:	UN Comtrade, Hong Kong Census and Statistics Department
Weighting Rebalance:	Annual review. Announcement in June, implementation first business day of Q4
Index Calculation Frequency:	Hourly
FX Rate Data Source:	WM/Reuters FX Rates
Base Date:	100 as of 31 December 2014

For more details, a complete methodology document is available at: financial.thomsonreuters.com/fxindices.

PRIMARY INDEX: TR/HKEX RXY GLOBAL CNH INDEX

Index Weights: Valid Until 29 September 2017



INDEX WEIGHTS

Currency	RXY Global Currency Indices	RXY Reference Currency Indices	CFETS RMB Index
USD	24.69%	28.09%	26.40%
EUR	18.47%	21.03%	21.39%
JPY	12.27%	13.97%	14.68%
KRW	12.14%	0.00%	0.00%
AUD	5.02%	5.72%	6.27%
HKD	4.89%	5.56%	6.55%
MYR	4.29%	4.88%	4.67%
SGD	3.55%	4.04%	3.82%
GBP	3.46%	3.93%	3.86%
THB	3.32%	3.78%	3.33%
RUB	2.99%	3.41%	4.36%
CAD	2.45%	2.79%	2.53%
CHF	1.95%	2.22%	1.51%
NZD	0.51%	0.58%	0.65%

For more information about the RXY indices,

Please visit: <https://www.hkex.com.hk/eng/prod/drprod/rmb/rxy.htm>

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