



**Bank of China (Hong Kong)
Jakarta Branch**

August 5th, 2021

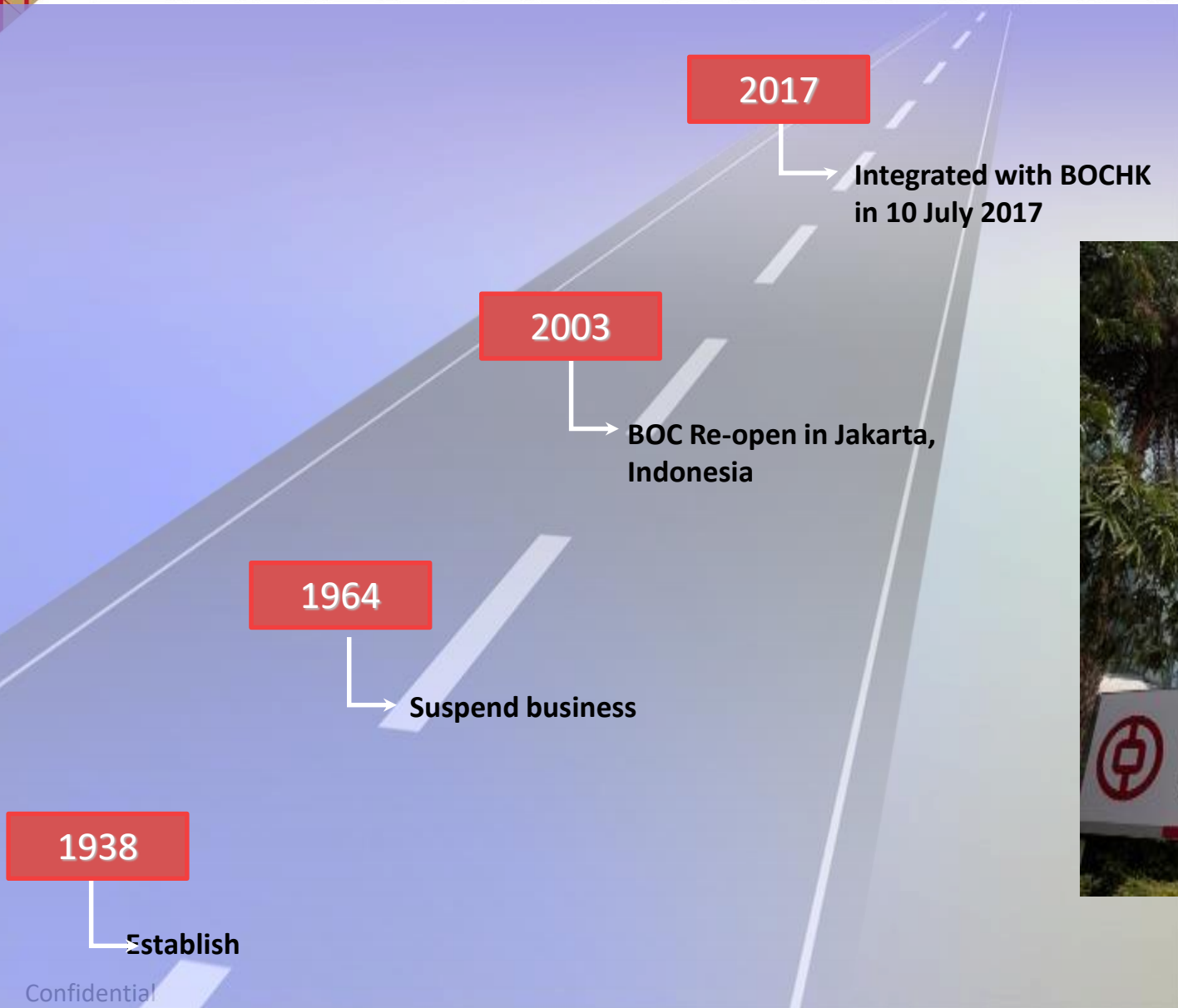


Bank of China (Hong Kong) Jakarta Branch

In November 1938, the Bank of China Batavia (now Jakarta) was established. Bank of China Jakarta Branch re-opened in May 2002. April 15, 2003 Bank of China Jakarta officially resumed business.



History of BOCHK Jakarta Branch



Outlets of BOCHK Jakarta Branch



- BOCHK Jakarta Branch is the 1st Chinese bank established in Indonesia
- One Head Office in Jakarta with 6 sub-branches and two main branches each in Medan and Surabaya
- Providing services to leading Financial Institutions (FIs) in Indonesia as a Hub for their RMB business
- We are confident to support all RMB business needs in Indonesia



Pioneer for RMB Development in Indonesia

A vertical timeline with eight milestones, each in a colored arrow-shaped box pointing downwards. The milestones are: Sep 2006 (brown), Apr 2008 (yellow-green), Jul 2009 (green), Sep 2009 (light green), Nov 2009 (medium green), Jul 2010 (teal), Aug 2011 (light blue), and Jan 2018 (grey).

- Sep 2006: Introduced “witness opening account in China”, and the focus is to provide packaged financial services to Indonesian students studying in China.
- Apr 2008: First to opened RMB exchange business and offered foreign exchange service of RMB against IDR and other major currencies.
- Jul 2009: Issued the first RMB L/C, it is also the first RMB transaction worldwide, finished the first RMB exchange transaction and opened the first corporate RMB settlement account in Southeast Asia.
- Sep 2009: Introduced the first trade RMB cross-border outward remittance in Indonesian Market. Up to September 2010, the total volume for cross-border trade RMB outward remittance transaction has exceeded 600 million.
- Nov 2009: Introduced individual RMB saving account and time deposit account in Indonesian market, granted the first RMB loan in Indonesia, and finished the first cross-border trade RMB inward remittance transaction.
- Jul 2010: Imported the first batch of RMB banknotes to Indonesian market.
- Aug 2011: Issued the first Union Debit Card in local market.
- Jan 2018: Processed the 1st cross-border RMB salary payment for Chinese Enterprise Staff.

Main Role and Achievement in RMB Market

We act as RMB service provider in Indonesian market which mainly focus in RMB Liquidity, RMB Settlement and Agency, RMB Exchange and RMB Cash with role and achievements as follow:

In 2020, our RMB Clearing Volume reached a total volume of CNY 386 billion which occupies **57%** of market share.

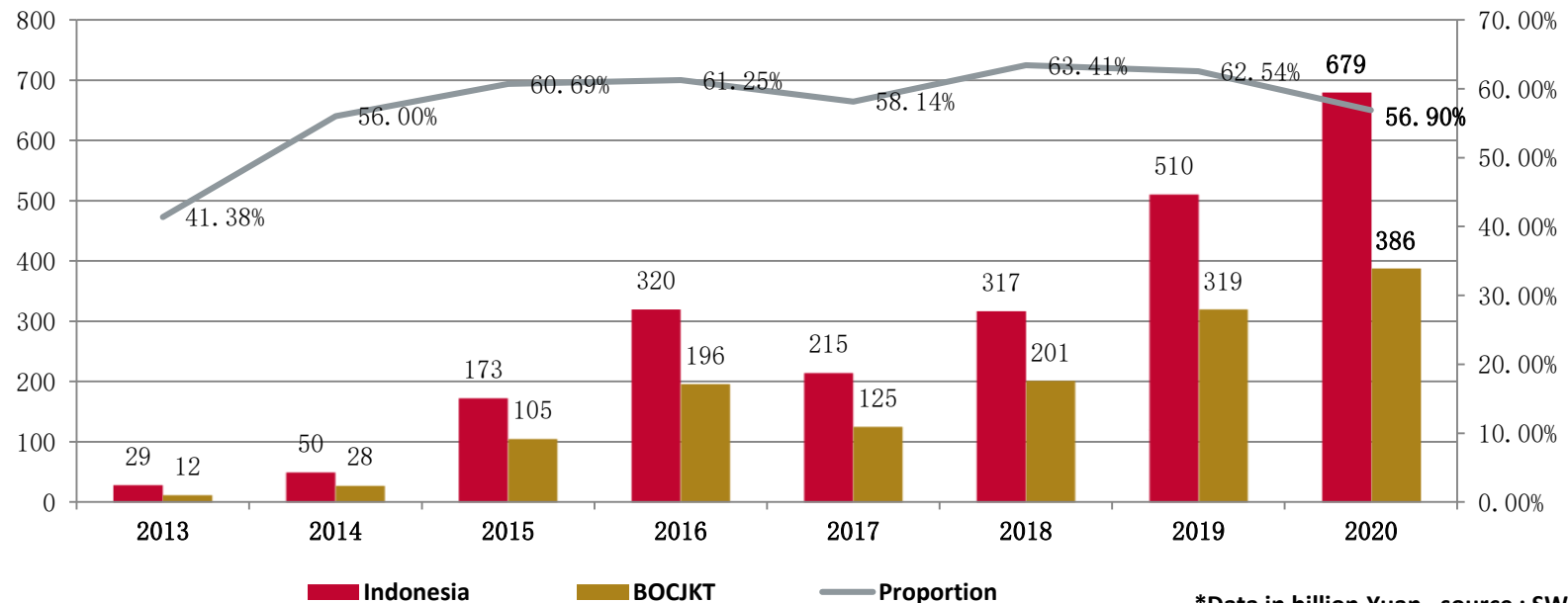
From year 2012-2020 BOCHK Jakarta branch RMB banknotes wholesale amounted to CNY 2.55 billion. **We are the only CNY Mint Banknotes supplier in Indonesia.**

We were granted Export License in early 2017 and succeeded to export CNY 875 million back to BOCHK in the same year. **By the end of 2020, total bank notes export accumulated to CNY 1.35 billion Yuan.**

Total Agency Service we provide **to clients until now has reached USD 15.2 billion (90% fund is from China) and RMB 11.90 billion.** As for current condition, most of the trade between Indonesia-China is still rely on USD, but through the LCS Framework that is under negotiation between BI and PBOC, we expect to promote CNY investment and payment in Indonesia.

Under support of Head Office, we are promoting financial channel through bond issuance to Ministry of Finance in Indonesia and Indonesia corporations to help them acquire lower cost of funding. Such as: Panda Bond and Dim-Sum Bond.

BOCHK Jakarta Branch's is the main channel for RMB internationalization in Indonesia



- In 2020, according to statistics from SWIFT International report, the amount of RMB settlement in Indonesia reached RMB 679 billion. The liquidation volume achieved by Bank of China Jakarta Branch accounted for 56.9% of Indonesia's total liquidation, reaching RMB 386 billion, continuing to be the number one in the market.
- From 2016 to 2020, the amount of RMB liquidation achieved by the Bank of China Jakarta branch for five consecutive years accounted for 61%, 58% , 63%, 63% and 57% of the total amount of Indonesia.
- Bank of China Jakarta Branch is the largest consumer cash supplier and the only legal second-hand cash purchaser in Indonesia.

BOCHK Jakarta Branch

Existing RMB Services

Trade Finance

- ▶ Our contribution and support for Trade Finance is the biggest for RMB export to China
- ▶ In 2020, the trade finance transactions and remittances reached **RMB 143 billion.**

• Cross-Border RMB Settlement

• Cross-Border RMB Guarantee

• Cross-Border RMB Refinancing

• Cross-Border RMB Factoring

• Cross-Border RMB Forfaiting

• RMB Import/Export Financing

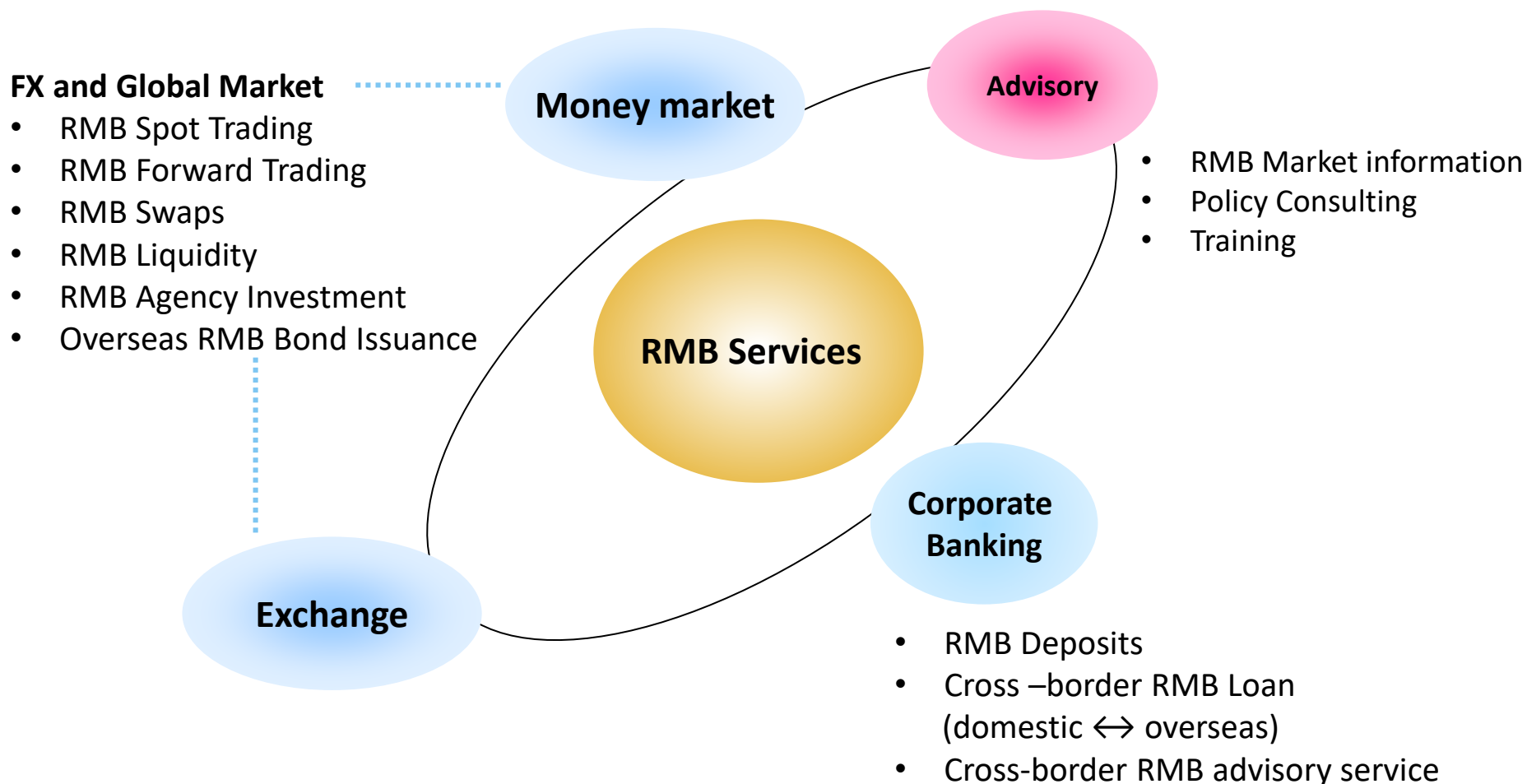
• RMB Supply Chain Financing

• Others

BOCHK Jakarta Branch

Existing RMB Services

- ▶ The main player for RMB FX Swap transaction in the market. In year 2019 the transaction equivalent to **RMB 68.3 billion**

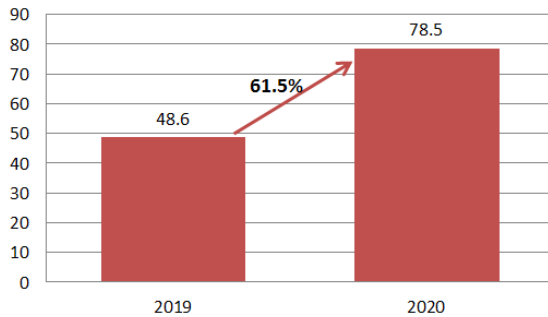




Trade with China, RMB Internationalization and LCS Framework

Trade Between Indonesia and China

Bilateral Trade Volume between Indonesia and China

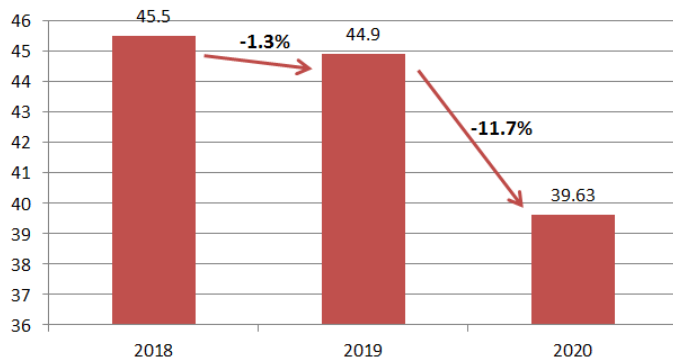


In USD Bio

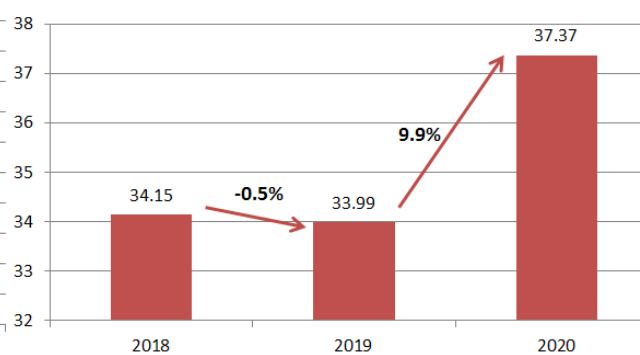
Source: trademap.org

- In recent years, bilateral trade between China and Indonesia has grown rapidly. **In 2020, the bilateral trade volume of goods between China and Indonesia was 78.5 billion U.S. dollars, a year-on-year increase of 61.5%.**
- Among them, China's exports to Indonesia were 39.6 billion U.S. dollars and its imports from Indonesia were 37.4 billion U.S. dollars. **China has maintained its status as Indonesia's largest trading partner for 10 consecutive years.** The total bilateral trade volume in 2020 has increased by 16 times compared with 2000.
- For the year 2020, a sharp decrease in Indonesia's trade balance deficit against China was driven by the significant increase in Indonesia's export to China.

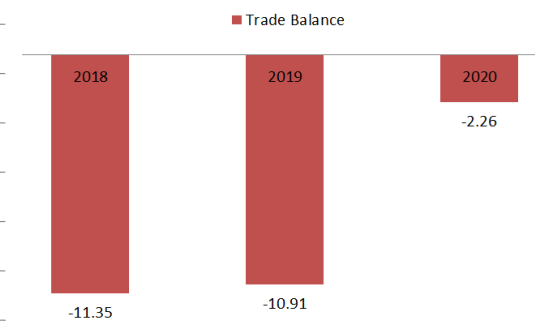
Indonesia's Import from China



Indonesia's Export to China



Trade Balance

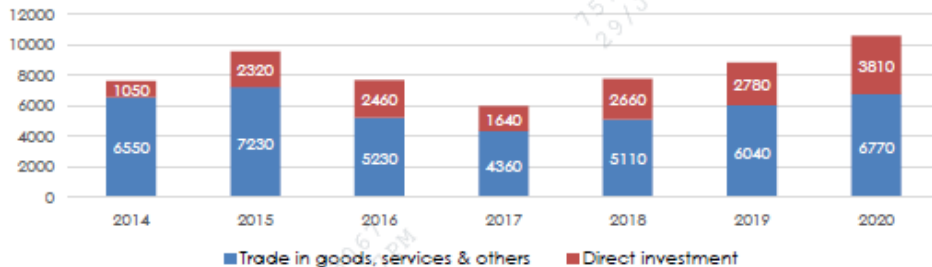


In 2019, China's new investment in Indonesia was US\$4.7 billion, an increase of 100%, making China the **second largest** source of foreign investment in Indonesia after Singapore. In 2020, China has invested a total of US\$4.8 billion in Indonesia. In just 6 years, **China has jumped from 9th to 2nd among Indonesia's overseas investment countries.**

Cross Border Use of RMB

- The RMB has been the **2nd** most active currency for cross-border payments with China, with a share of over 1/3 of the total.
- According to SWIFT data, in June 2021, the RMB has retained its position as the **3rd** most active currency for global trade finance by value, with a share of **3.42%**.

Cross-border RMB settlement

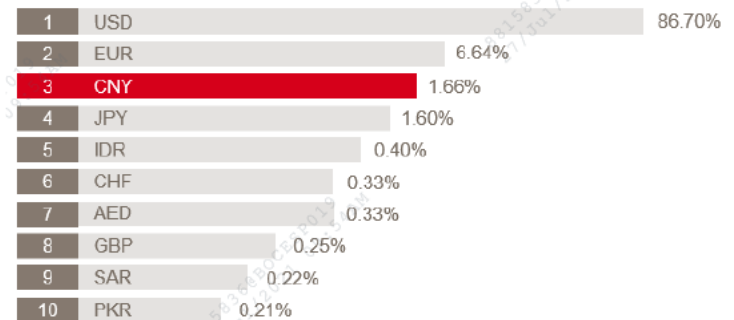


Source: PBOC

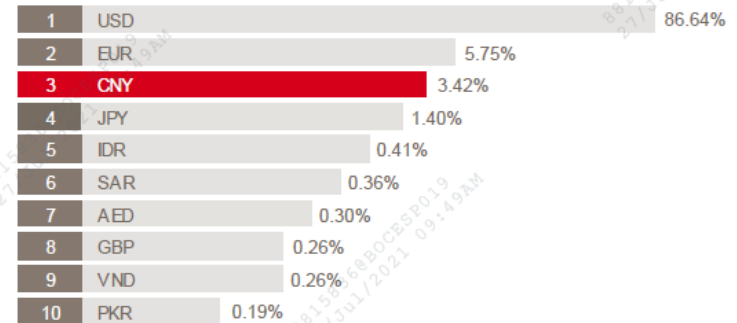
RMB's share as a global currency in trade finance market

Live and delivered, MT400 and MT700. Based on value.

June 2019



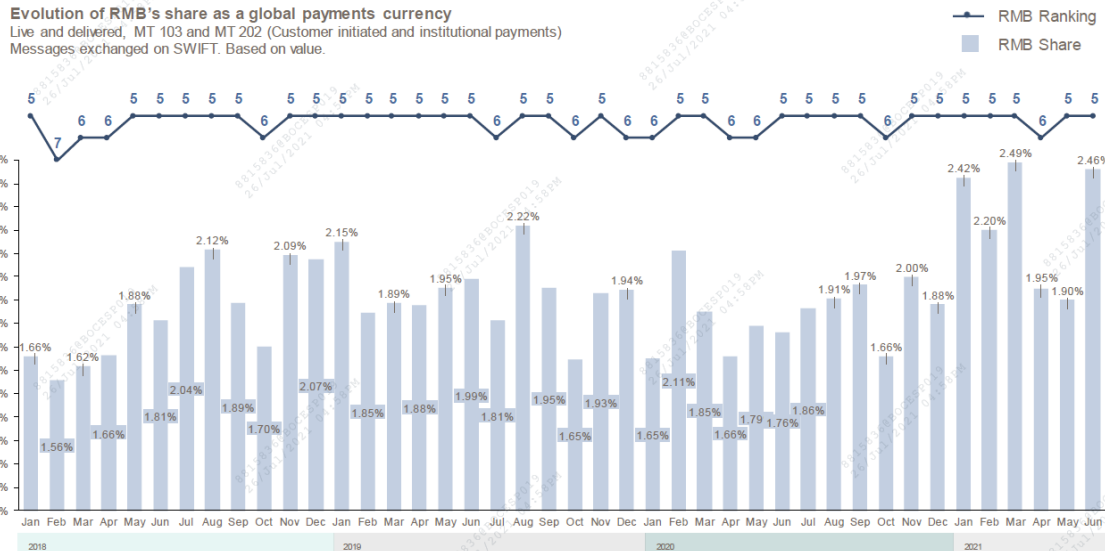
June 2021



RMB as a Global Payment Currency

- According to SWIFT data, in June 2021, the RMB has retained its position as the 5th most active currency for global payments by value, with a share of **2.46%**. Overall, RMB payments value increased by 65.51% compared to May 2021, whilst in general all payments currencies increased by 27.78%.

Evolution of RMB's share as a global payments currency
Live and delivered, MT 103 and MT 202 (Customer initiated and institutional payments)
Messages exchanged on SWIFT. Based on value.



June 2019

1	USD	40.10%
2	EUR	33.74%
3	GBP	6.63%
4	JPY	3.73%
5	CNY	1.99%
6	CAD	1.84%
7	AUD	1.63%
8	HKD	1.53%
9	SGD	1.05%
10	THB	1.01%

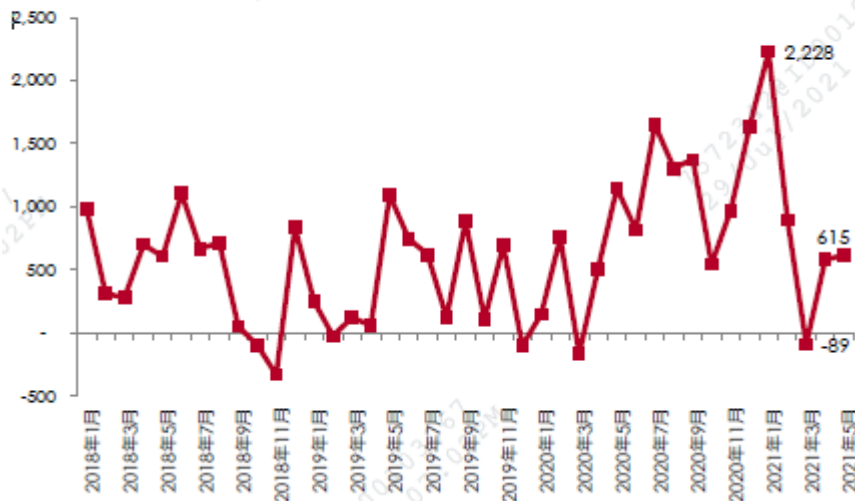
June 2021

1	USD	40.64%
2	EUR	37.92%
3	GBP	5.59%
4	JPY	2.66%
5	CNY	2.46%
6	CAD	1.61%
7	HKD	1.27%
8	AUD	1.10%
9	SGD	0.86%
10	THB	0.73%

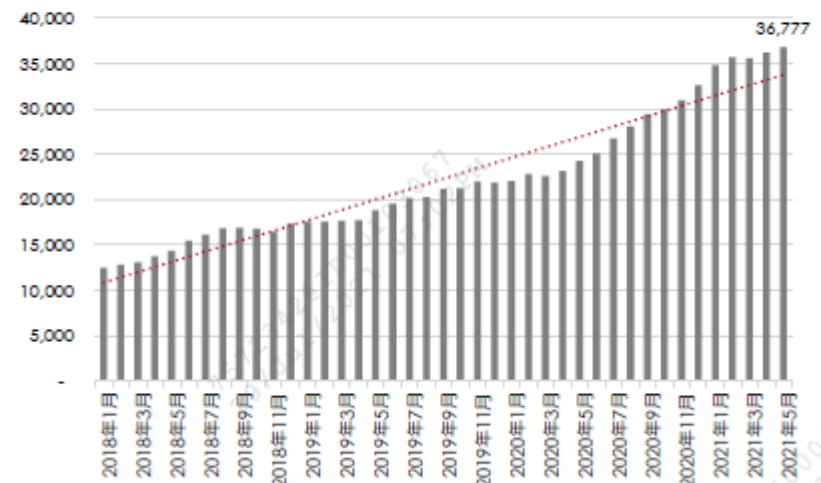
RMB as Investment Currency

- By the end of 2020, foreign institutions snapped up 3.25 trillion yuan worth of bonds, an increase of 1.07 trillion yuan or 49% YoY. Foreign holdings of onshore RMB bonds accounted for **4.2%** of total.
- Foreign central bank investors' total China bond holdings reached USD 263.7 billion, accounting for approximately 51% of all foreign institutions' holdings.

Foreign Investments in China Bond Market
- Net Capital Inflow (RMB 100mn)



Foreign holdings of onshore bonds (RMB 100mn)



Central Bank Cooperation

Clearing arrangements

- Overseas Clearing Arrangements: By end-2020, the PBOC has appointed **27** clearing banks have covered **25** countries and regions.
- CIPS (China's Cross-border Inter-bank Payment System): in 1Q2021, the CIPS handled 756,000 cross-border RMB transactions with a total amount of 17.49 trillion yuan, up 70.25% and 82.6% yoy respectively.
 - No. of participants: **1171** as of April 2021



Cooperation between Central Banks

- Local Currency Settlement (with Indonesia)
- Local Currency Cooperation Agreement (with Laos)
- Bilateral Local Currency Swap: By the end of 2020, the PBOC has signed bilateral currency swap agreements with central banks or monetary authorities of **40** countries and regions, totaling more than RMB 3.9 trillion yuan.



- **The first batch of RMB settlement of cross-border trade pilot areas** — Hong Kong, Macau, and Southeast Asia were listed as the first batch of overseas pilot areas for RMB settlement of cross-border trade transactions in July 2009.
- **One of the areas to carry out RMB business overseas earliest** — ASEAN countries such as Singapore, Malaysia, and Indonesia, have started various types of RMB business very early.
- **The region with largest number of appointments of RMB clearing banks at an early time** — Since 2013, the PBOC has successively appointed RMB clearing banks in Singapore, Malaysia, Thailand and the Philippines.

Local Currency Settlement

- ☑ **The People's Bank of China and Indonesia signed Memorandum Understanding (MoU) on LCS in September 2020.**
- ☑ The practical significance of LCS includes:
 1. Increasing trade activities within the ASEAN region and with neighboring countries by promoting local currency settlement;
 2. To manage exchange rate risk more effectively, to reduce exchange cost and improve the risk hedging ability;
 3. ASEAN countries can enhance international currencies function of their currencies, strengthen the pricing power and promote the robust development of their financial markets;
 4. Enhance ASEAN financial integration and reforms of the international monetary systems
- ☑ LCS IDR-CNY would include **FX transaction** such as Today, Tomorrow, Spot, Cross Currency Swap and Domestic Non-Deliverable Forward; **Investment Financing**, and **Trade Financing**.

Benefit

- ☑ Reducing reliance on USD
- ☑ Boosting trade activities between Indonesia and China
- ☑ To manage exchange rate risk more effectively, to reduce exchange cost and improve the risk hedging ability



Thank You

