

## What You Should Know This Week: CSOP's Weekly China Wrap Up

### China imposes bank withdrawal cap at RMB 100,000 per year for individuals

The State Administration of Foreign Exchange (SAFE) imposed new limits on overseas ATM withdrawals for individuals effective January 1, stating the measures as “necessary” to curb illicit activities such as terrorist financing and money laundering. Individuals will now be limited to a maximum withdrawal limit of RMB 100,000 (~USD 15,000) per year in total. Previously, the RMB 100,000 limit was set per year per bank account/bank card, but the number of cards an individual could have was not limited. The new rules are in addition to current foreign exchange spending caps of USD 50,000 per year, which citizens can employ to buy foreign exchange for personal use such as travelling.

#### *What is the implication?*

China is one of the strictest in terms of capital controls of major economies, and has been increasingly heavier handed in managing capital outflows. In an effort to protect its foreign exchange reserves and to control the RMB exchange rate, the country has imposed controls on individual and corporate levels, with the latter seeing large overseas acquisitions being clamped down on by regulators. The new rules are seen as further tightening of monetary control, despite capital outflows slowing in recent years. However, the efficacy of such individual limits are questionable, as large Chinese spenders have both the foreign exchange spending limit of USD 50,000, as well as access to foreign bank accounts and credit cards. Furthermore, with more rules imposed, Chinese citizens have looked for alternative ways of sending money out, including investment into Bitcoin.

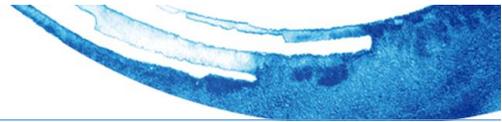
### “Hawaii of China” to scrap GDP targets in favor of environmental protection targets

Hainan, touted as “Hawaii of China”, has reportedly scrapped GDP and investment targets for many part of the province according to the state media. Hainan is one of China’s most popular domestic travel destinations, due to its tropical climate and sandy beaches. The policy change comes after criticism from Beijing that Hainan has failed to protect the environment “for the sake of money”. The province was also accused of misusing some land grants to benefit property developers, such as illegally reclaiming land meant for a cruise port to be used for property projects.

#### *What are the implications?*

Hainan is one of a string of provinces recently under scrutiny for failing to meet environmental protection goals. As one of China’s most popular domestic travel destinations, Hainan has been facing various issues including overloading of the sewage system, encumbering garbage management and excessive building of properties. Furthermore, some natural assets has been exploited as tourist spots without any protection; for example, the Sanya Coral Reef National Nature Reserve have no conservation or management measures in place at all.

It was made clear in the 19<sup>th</sup> National Congress that President Xi is serious about environmental protection; he mentioned the environment more times than he did the economy in his three hour speech to congress. Repercussions include demotions and firings of relevant government officials – in just the Hainan case, 291 officials have been “held accountable”. Hainan will be given 30 working days to propose a plan for remediation. The plans are to be released to the public, and results announced further down the road.



## Index definition:

1. The FTSE China A50 Index is the benchmark for investors to access the China domestic market through A Shares – securities of companies incorporated in mainland China and traded by Chinese and institutional investors under the Qualified Foreign Institutional Investor and Renminbi Qualified Foreign Institutional Investor (QFII & RQFII) regulation. Note that one cannot invest directly in an index
2. The CHINEXT index is China's Nasdaq-like barometer of high-tech stocks. Note that one cannot invest directly in an index
3. The MSCI China Index captures large and mid-cap representation across China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 150 constituents, the index covers about 85% of this China equity universe. Note that one cannot invest directly in an index
4. Bloomberg's Global Aggregate + China Index combines the Global Aggregate Index with the treasury and policy bank component of the China Aggregate Index. The EM (Emerging Market) Local Currency Government + China Index combines the EM Local Currency Government Index and treasury component of the China Aggregate Index. Note that one cannot invest directly in an index
5. Citibank's World Government Bond Index (WGBI) measures the performance of fixed-rate, local currency, investment grade sovereign bonds. The JPMorgan Emerging Market Bond Index (EMBI) are a set of three bond indices that track bonds in emerging markets. Note that one cannot invest directly in an index
6. The Hang Seng China Enterprises Index is a free-float capitalization-weighted index comprised of H-Shares listed on the Hong Kong Stock Exchange and included in the Hang Seng Mainland Composite Index. Note that one cannot invest directly in an index

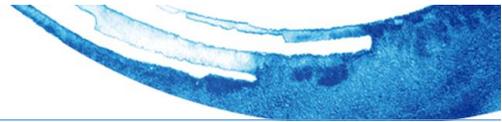
## Institutions:

1. PBOC: People's Bank of China
2. SOE: State-owned enterprise
3. IMF: International Monetary Fund
4. CBRC: China Banking Regulatory Commission
5. CIRC: China Insurance Regulatory Commission
6. CSRC: China Securities Regulatory Commission
7. SAFE: State Administration for Foreign Exchange
8. ICBC: Industrial and Commercial Bank of China
9. EU: European Union
10. G20: An international forum for the governments and central bank governors from 20 major economies
11. G7: An international forum for the governments and central bank governors from 7 major economies
12. UAE: United Arab Emirates
13. SSE: Shanghai Stock Exchange
14. LSE: London Stock Exchange
15. AIIB: Asian Infrastructure Investment Bank
16. WTO: World Trade Organization

## Currencies:

1. RMB: Renminbi, the national currency of China

*The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.*



2. USD: US Dollar, the national currency of the United States
3. GBP: Pound Sterling/Great British Pound, the national currency of the United Kingdom
4. JPY: Japanese Yen, the national currency of Japan
5. EUR: Euro, the official currency of the Eurozone
6. HKD: Hong Kong Dollar, the national currency of Hong Kong
7. USDCNH: Abbreviation for the US offshore Dollar/RMB currency pair

**Others:**

1. IPO: Initial public offering
2. SPO: Secondary Public Offering
3. MoM: month over month
4. YoY: Year over year
5. GDP: Gross Domestic Product
6. EM: Emerging Market
7. Bps: Basis points
8. FX: Foreign Exchange
8. OTC: Over-the-counter
9. GDP: Gross domestic product
10. ETF: Exchange-traded fund
11. FATCA: Foreign Account Tax Compliance Act
12. TPP: Trans-Pacific Partnership
13. SDR: Special Drawing Right, an international reserve asset
14. OBOR: One Belt, One Road
15. RCEP: Regional Comprehensive Economic Partnership