

Offshore Chinese Renminbi (RMB)

Overview of the Offering for Banks and Regulated Brokers

The interest in Asian investments has risen strongly over the last couple of years and many of the clients are looking for opportunities in China, one of the fastest growing Asian economies.

Offering

What RMB-denominated products are offered to clients?

- **Payment services¹**

- cash accounts in RMB (official ISO code: CNY),
- payments in RMB (official ISO code: CNY) outside mainland China,*
- payments in RMB (official ISO code: CNY) from and into mainland China,*/**

* The Bank or Regulated Broker must ensure compliance with all applicable restrictions and requirements.

** Payment restrictions for payments into mainland China and formatting requirements for trade related payments into mainland China apply.

- **Foreign Exchange**

- FX spot, forward and swap transactions in CNH.

- **Securities products²** [traded and settled in RMB (official ISO code: CNY) outside mainland China] as part of the F2B Securities offering.

- publicly listed equities,
- publicly listed structured products or OTC structured products without margin requirements,
- fixed income products,
- investment funds.

Are there daily limits of tradable RMB (e.g. currency change)?

- UBS reserves the right to determine a maximum daily amount on a case-by-case basis.

¹ Offerings are subject to availability and approval. RMB payments into mainland China are currently only available to banks and its corporate customers of banks but not available to regulated brokers. Hong Kong citizens are not permitted to make any payments in RMB. Private individual customers of banks are not permitted to make payments in RMB to mainland China.

² The product range is dependent on market availability and processing capabilities. OTC traded derivatives with margin requirements, private placement equities and new issues of 3rd party structured products are excluded from the offering.

What are the risks related to investments in RMB?

RMB is an emerging market currency with an increased currency risk (e. g. varying availability). Its convertibility and the open market are controlled by the Peoples Bank of China and may be changed at any time.

Thus RMB is currently not freely convertible and conversion, remittance or transfer of RMB may be subject to regulatory restrictions.

Functionality of Renminbi payment services

The payment to China will be debited to the Renminbi account in Switzerland and sent to the beneficiary through our Hong Kong branch. Prior to crediting, conversion from the offshore currency (CNH) to the onshore currency (CNY) is performed in the local clearing system (CHATS) at a 1:1 rate. The credit to the beneficiary account is then done in the onshore currency (CNY).

The same clearing process applies to payments from mainland China to Switzerland. No fees accrue from the clearing system's conversion in either direction.

Key UBS product restrictions

The following services can currently not be offered by UBS in Switzerland:

- cash deposits/withdrawals of RMB (official ISO code: CNY) banknotes,
- RMB (official ISO code: CNY) cheque services,
- lending services.

Requirements

Pre-requirement is an existing banking relationship with UBS and an open RMB account. An additional agreement regarding the RMB account needs to be signed.

Contact

Please contact your client advisor respectively your established contacts within UBS for more information.

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Risk disclosure statements for RMB products:

- RMB currency risk – for RMB products which are not denominated in RMB or with underlying investments which are not RMB-denominated, such products will be subject to multiple currency conversion costs involved in making investments and liquidating investments, as well as the RMB exchange rate fluctuations and bid/offer spreads when assets are sold to meet redemption requests and other capital requirements (e.g. settling operating expenses).
- Investment or market risk – RMB products are subject to investment risk and may not be principal protected, i.e. the assets that the products invest in or refer-enced to may fall as well as rise, resulting in gains or losses to the product. This means that you may suffer a loss even if RMB appreciates.
- Exchange rate risk – the value of your RMB deposit/products will be subject to the risk of exchange rate fluctuation. If you choose to convert your RMB deposit/products to other currencies at an exchange rate that is less favourable than that in which you made your original conversion to RMB, you may suffer loss in principal.
- Limited availability of underlying investment products – for RMB products that do not have access to invest in Mainland China, the available choice of underlying investments denominated in RMB outside Mainland China may be limited. This might adversely affect the return and performance of the RMB products.
- Possibility of not receiving RMB upon redemption – for RMB products with a significant portion of non-RMB denominated underlying investments, there is a possibility of not receiving full amount in RMB upon redemption. This may be the case if the issuer is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.
- Liquidity risk – RMB products may suffer significant losses in liquidating the underlying investment if such investments do not have an active secondary market and their prices have large bid/offer spreads.
- Credit risk of counterparties – for RMB products invested in RMB debt instruments not supported by any collateral, such products are fully exposed to the credit risk of the relevant counterparties. Where a RMB product may invest in derivative instruments, counterparty risk may also arise as the default by the derivative issuers may adversely affect the performance of the RMB product and result in substantial loss.
- Interest rate risk – for RMB products which are, or may invest in, RMB debt instruments, such instruments are susceptible to interest rate fluctuations, which may adversely affect the return and performance of the RMB products.
- Long term commitment to investment products – for RMB products which involve a long period of investment, if you redeem your investment before the maturity date or during the lock-up period (if applicable), you may incur a significant loss of principal where the proceeds may be substantially lower than your invested amount. You may also suffer from early surrender / redemption / withdrawal fees and/or charges as well as the loss of returns (where applicable) as a result of redemption before the maturity date or during the lock-up period.

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