

Several issues  
from the Corp *and*  
banking industry

# Cooperate side

Corp side	KOR	CHI	JAP	Hedge	Market
Reporting Currency	KRW	CNY	JPY	NA	NA
Foreign Currency USD	USD			required	developed
Non-USD	JPY, EURO, GBP, AUD, CAD, SGD, HKD etc			required	LQ
Trade currency	CNY, CNH			required	LQ, AC etc

- CNY, CNH → We need something

# Several Issues

Unstable  
CNH  
funding

- MDE → Increase offshore CNY supply
- Negative → decrease offshore CNY supply  
increase synthetic off shore funding

Hedge?

- Repayment dim sum bond?
- Unmatched AR, AP  
→ open position at maturity
- Hedge (SWAP, FWD, OPTIONS etc)  
→ LQ, Pricing issue still remain

Asset	Liability
ALM	
	EQ

# Several Issues

## Accounting Issue

- IFRS → fair market pricing issue
- Accounting at reporting currency
  - valuation issue / benchmark issue
  - hedging cost / unmatched position

Asset	Liability
valuation	valuation
	EQ

## Counter – party Issue

- CNH, CNY → OTC market
- Market player → commercial bank only
  - No Treasury activity involve
- Open to counter party risk
- Increase instability at financial crisis

# Several Issues



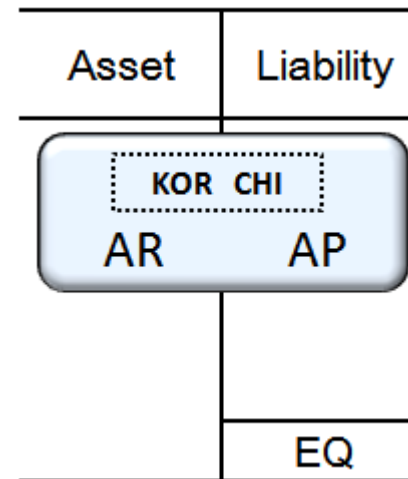
## Regulation Issues

- **Still regulated currency**
  - MDE → Negative system (positive sign)
  - Still regulated trade linked derivatives transactions, such as CNY SWAP, OPTIONS, FORWARD etc
- **Interbank CNY settlement**
  - Separation int'l CNY from local CNY
  - Only client request → Idle money Issue
- **More investment window for CNY holder**
  - PRC bond market → QII cap limit

# One way...

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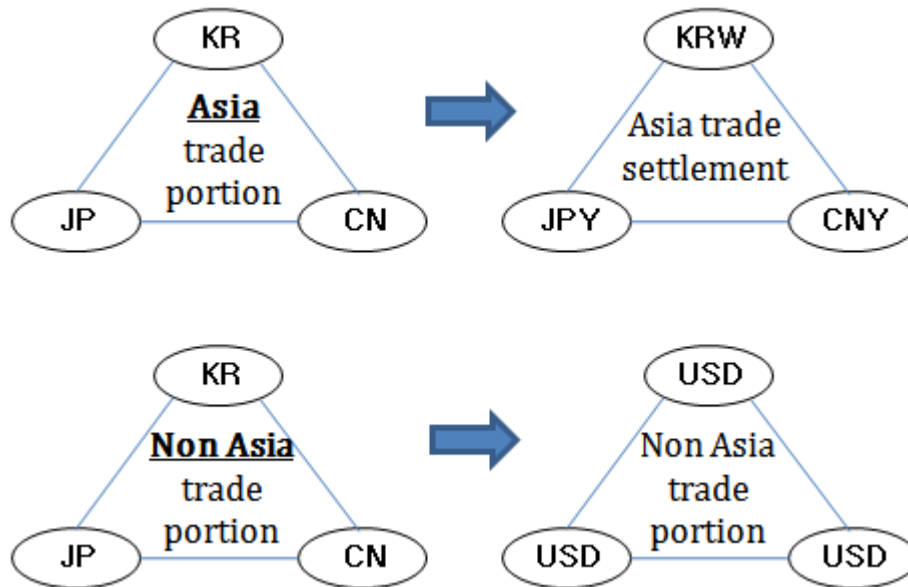
*matching*



# One way...

Some-  
thing?

- Corp B/S and financing activities are closely linked.
- We may develop primary & secondary loan/bond market.. If we,
  - pay trade settlement by local currency
  - find local currency position taker
  - utilize currency SWAP contract subject to agree on the fair pricing logic
- Asian trade settlement → Asian financing market → Increase stability

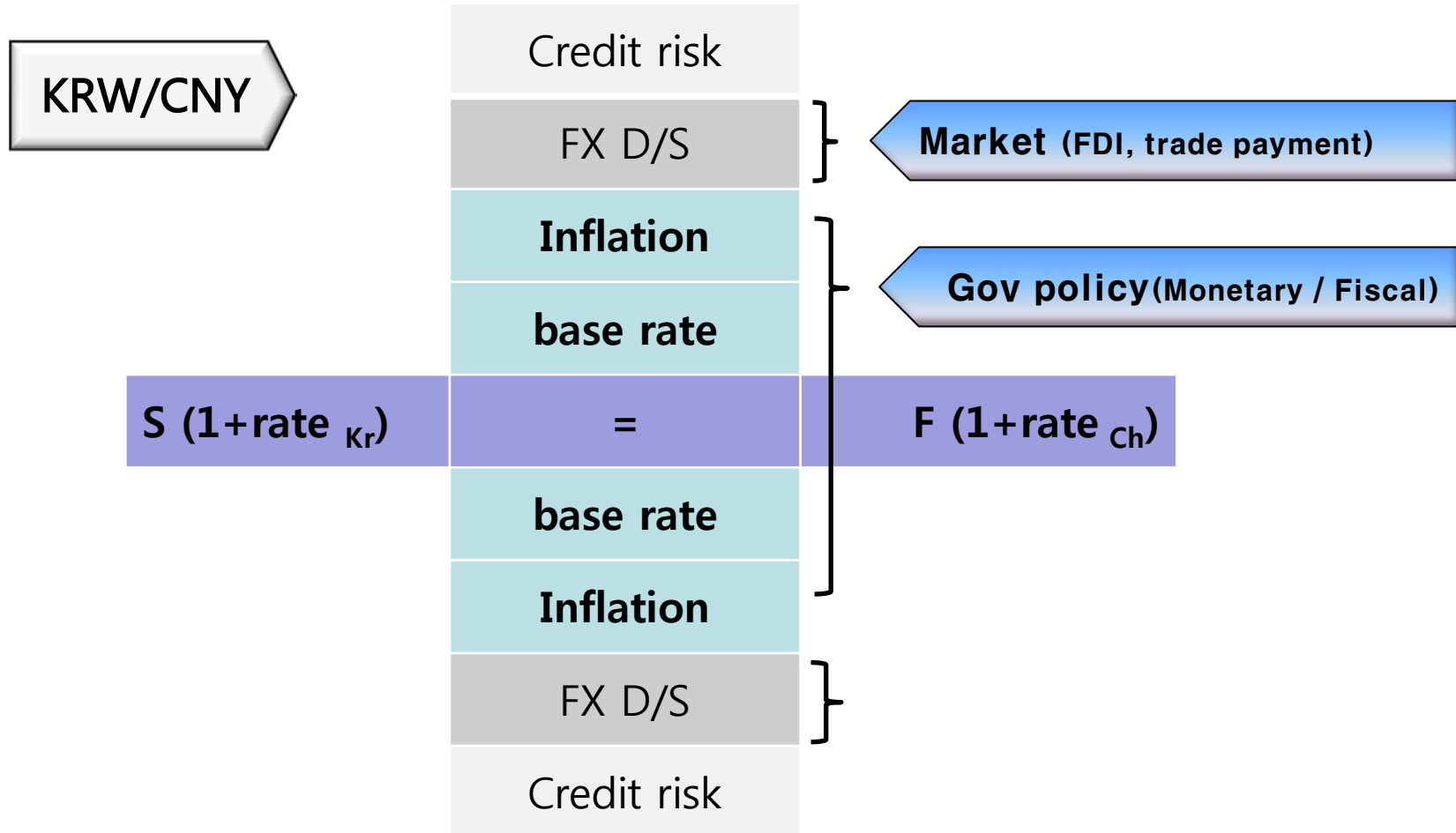


- KR → (+) CNY    (-) JPY
- JP → (+) CNY    (+) KRW
- CH → (-) CNY    (-) CNY

- KR → USD vs KRW
- JP → USD vs JPY
- CH → USD vs CNY

# One way...

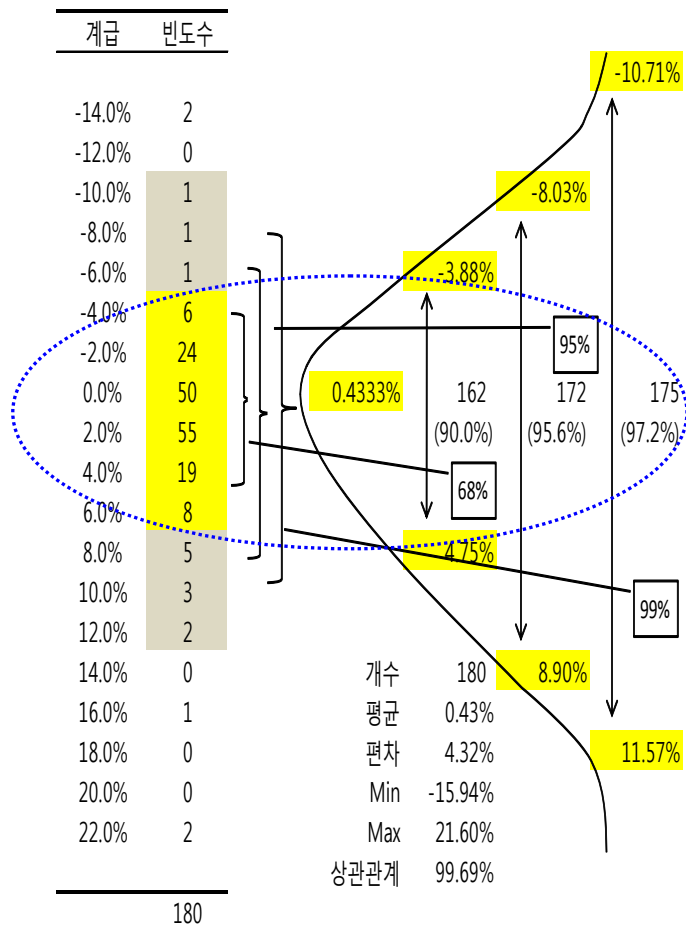
## Key factors → Exchange rate



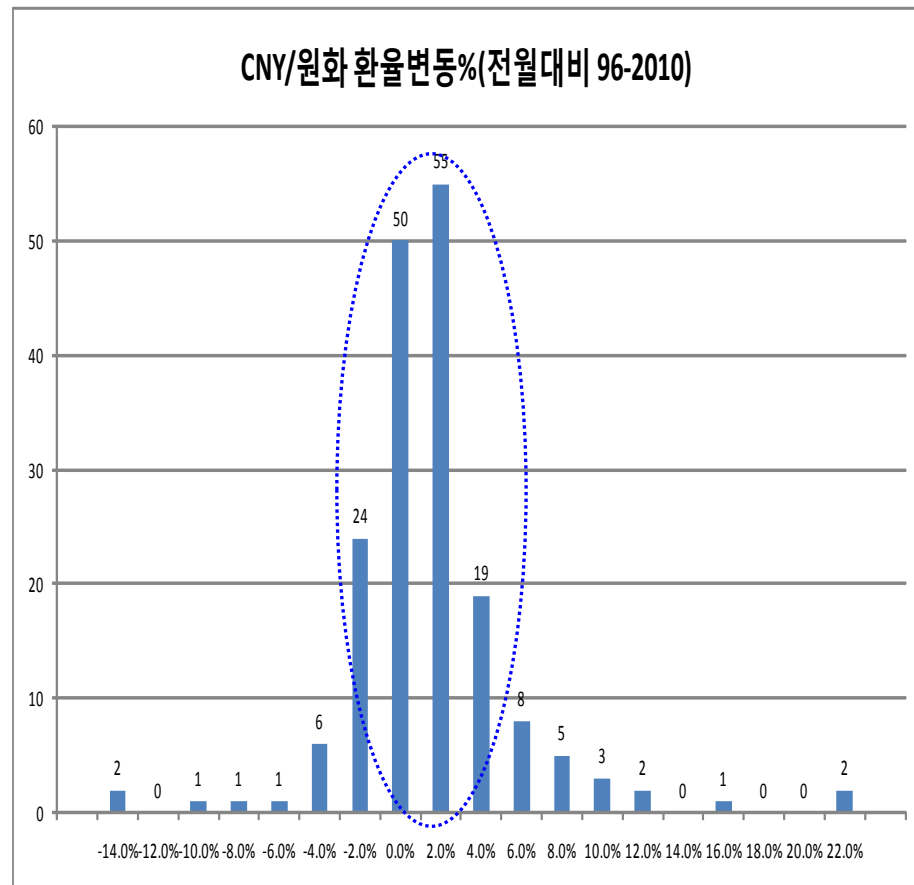


KRW/CNY

■ KRW/CNY monthly % change (1996~2010)



CNY/원화 환율변동%(전월대비 96-2010)



KRW/CNY

■ KRW/CNY monthly % change (1996~2010)

