

Press release  
LCQ11: Offshore Renminbi businesses  
Wednesday, January 23, 2013

Following is a question by the Hon Ng Leung-sing and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 23):

Question:

It has been reported that there is a trend of Taiwan's offshore Renminbi (RMB) business catching up with that of Hong Kong. The business permitted to be launched in the first round already includes currency exchange, deposit-taking, loans, remittances, trade settlements and wealth management products, etc. Moreover, it is not necessary to make application for individual types of business and there is no quarterly conversion quota for trade settlements. Such arrangements seem to be more favourable than those for Hong Kong. In this connection, will the Government inform this Council whether it has studied the development of offshore RMB business of the financial centres in other places; if it has, whether the Government has compared their competitive edges with those of Hong Kong in terms of offshore RMB business development, and whether it has studied how Hong Kong should enhance its competitiveness in this respect and co-operate with the places concerned in developing such business; if not, of the reasons for that?

Reply:

Mr President,

My reply to the question is as follows:

With the wider use of Renminbi (RMB) in cross-border trade, the demand for RMB financial services from overseas individuals and corporates will increase gradually. It is a natural development that overseas financial centres are making efforts to promote RMB business. Along with competition come business opportunities for banks and financial institutions in Hong Kong. For example, Hong Kong's banks will be allowed more room for developing RMB business with overseas banks, such as the provision of RMB correspondent banking and inter-bank lending services.

Monetary authorities of the Mainland and Taiwan signed the Memorandum of

Understanding on Cross-strait Currency Clearing Cooperation (MOU) in late August last year. It is agreed that the two sides will establish cross-strait currency clearing mechanism based on the principles and co-operation framework laid down in the MOU. Details of the clearing arrangements are yet to be announced. We have also been closely monitoring the development of RMB business in other places (e.g. London and Australia) and promoting co-operation and establishing linkages of these places with Hong Kong's offshore RMB platform, thus furthering Hong Kong's important role as the offshore RMB business centre.

Hong Kong has the "first-mover" advantage over other places for launching offshore RMB business as early as 2004. Hong Kong has all along been a platform for Mainland China to trade and invest overseas. With an increasing number of these transactions being settled in RMB, Hong Kong can have a role to play and can seize the business opportunities that come with it. Today, Hong Kong is the largest and most competitive offshore RMB business centre, providing one-stop service to corporates and financial institutions from different parts of the world. Apart from conducting cross-border trade settlement in RMB, Hong Kong also has the largest offshore RMB liquidity pool and financing market with a diversified range of RMB-denominated products on offer.

The industry and government are actively providing RMB services to overseas financial institutions at the wholesale level. For example, firstly, overseas banks have set up over 1 300 RMB correspondent banking accounts with banks in Hong Kong, in order to satisfy their clients' needs for RMB trade settlement and financing through Hong Kong's platform. Secondly, our RMB clearing platform has developed into a global RMB payment network with over 200 participating banks, providing efficient and reliable service to more than 30 countries and places. Thirdly, the operating hours of the RMB real-time-gross-settlement (RTGS) system in Hong Kong have extended to 11.30pm for a total of 15 hours since last June to provide longer trading hours for offshore RMB settlement for financial centres in the Euro timezone. We will continue to strengthen our market infrastructure and financing platform with a view to further enhancing the international use of RMB for trade settlement, financing and investment in a risk controlled manner.

At the Asian Financial Forum held in mid-January, Guo Shuqing, Chairman of the China Securities Regulatory Commission, said that the internationalisation of RMB will continue and the Qualified Domestic Individual Investors Scheme (QDII2) will be launched at an appropriate timing. He also said that the rules governing the RMB Qualified Foreign Institutional Investors Scheme (RQFII) are being revised to allow Hong Kong's qualified financial institutions to participate. The feasibility of

launching RMB Qualified Foreign Individual Investors Scheme (RQFII2) to cover qualified individual investors will also be examined. These measures will further expand the channel for capital flows between the Mainland and Hong Kong and help further strengthen the status of Hong Kong as an international asset management centre and an offshore RMB business centre.

Looking ahead, we shall strive to further consolidate and enhance these strengths in various areas. We shall also actively promote the services that Hong Kong as an offshore RMB business centre provides for corporates and financial institutions all over the world. At the same time, we shall make joint efforts for a win-win situation with other places by assisting and facilitating financial institutions and corporates around the world to expand their RMB business while promoting the use of Hong Kong's RMB financial platform to settle their transactions.

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