

Press release

Government holds seminar on Renminbi measures

Wednesday, December 14, 2011

Mainland officials explained to Hong Kong's business and financial sectors the specific arrangements for Renminbi (RMB) foreign direct investment at the "Seminar on Implementation of Central Government's Measures to Support the Financial Development of Hong Kong" today (December 14). Participants also took the opportunity to exchange views on RMB investment products.

The Vice-Premier of the State Council, Mr Li Keqiang, announced a package of measures to support economic and social development in Hong Kong during his visit to Hong Kong in August this year. Among the measures, more than 13 are related to financial services, eight of which are beneficial to the development of offshore RMB business.

The Director General of Monetary Policy Department II of the People's Bank of China (PBoC), Mr Li Bo, and the Deputy Director of the Department of Foreign Investment Administration of the Ministry of Commerce (MoC), Mr Wang Fung, were invited to elaborate on the Central Government's measures to support the development of an offshore RMB business centre in Hong Kong. The seminar, which was held by the Hong Kong Special Administrative Region (HKSAR) Government, aimed to foster smooth implementation of the measures and facilitate the development of offshore RMB business in Hong Kong.

The Financial Secretary, Mr John C Tsang, said in his opening address that Hong Kong is an important constituent of China's financial market. Mainland China could fully leverage Hong Kong's platform as an effective financial resource allocation platform to achieve the policy objective of facilitating the internationalisation of RMB.

"Funds may come in and go out in an orderly manner through the onshore and offshore fund circulation mechanism. An active RMB liquidity is conducive to the introduction of more RMB products in Hong Kong and would help to build a multi-layer financial market in China during the 12th Five-Year period. This would achieve the goal of promoting cross-border use of RMB whilst safeguarding the financial security of the nation," he said.

Mr Tsang said that the HKSAR Government had proactively followed up with the respective ministries and authorities about the measures announced by the Central Government to support Hong Kong's development. Some of the measures, for example RMB direct investment and RMB trade settlement, had been implemented successfully.

The MoC and the PBoC promulgated on October 14 the Notice on Cross-border Renminbi Foreign Direct Investment (the Notice) and the related Renminbi Foreign Direct Investment Settlement Rules (the Rules) respectively. Mr Tsang said that wider use of RMB for direct investment would lower the risk of currency exchange for Hong Kong enterprises.

He noted that the Notice has clearly set out the vetting criteria. This would enable enterprises to gain greater confidence in issuing bonds in Hong Kong, enhance international investors' interest in buying RMB bonds in Hong Kong and attract more enterprises to make use of the RMB fundraising platform here for financing direct investment on the Mainland. The scale of Hong Kong's offshore RMB business will be further expanded.

"The introduction of different RMB investment tools in the Hong Kong market will not only attract more funds to Hong Kong, but also increase the circulation of RMB between the onshore and offshore markets. Thus, the breadth and depth of the markets for Hong Kong RMB products will be enhanced. More innovative RMB products will be made available, thereby benefiting investors, financial institutions and the market as a whole."

Speaking at the panel discussion of the seminar, the Secretary for Financial Services and the Treasury, Professor K C Chan, said that the Notice and the Rules promulgated by the MoC and the PBoC respectively were testimony to the implementation of the series of measures by the Central Government to support Hong Kong's financial development. They showed the Central Government's backing for Hong Kong's position as an international financial centre.

"The promulgation facilitates investments by stating clearly the procedures for overseas enterprises to make direct investments on the Mainland in RMB, including the source of overseas RMB for direct investments, the statutory requirements and the vetting and administrative procedures," Professor Chan said.

"On the national level, RMB direct investment would promote cross-border use of the currency by serving the real economy.

"To Hong Kong, the measure provides more and better avenues for the growing RMB liquidity pool. It also paves the way for the development of RMB bond and securities markets in the city.

"For enterprises, direct investment on the Mainland in RMB would not only lower the cost for and the risk of currency exchange, but also provide diversified channels for raising funds. The availability of diversified fundraising channels, including bonds and shares, would enable enterprises to raise capital based on their needs for investments on the Mainland, especially against the background of the current global economy and volatility of the markets. The direct investment measure would offer various fundraising channels and ensure long-term and stable sources of capital for investments on the Mainland."

Professor Chan added that in the first 11 months of this year, there were 78 RMB bond issuances with a total value of RMB99 billion, offered by issuers including multinational enterprises and international financial institutions.

The seminar was jointly organised by the HKSAR Government, the Chinese General Chamber of Commerce, the Chinese Manufacturers' Association of Hong Kong, the Federation of Hong Kong Industries and the Hong Kong General Chamber of Commerce. About 400 leaders from the commercial and industrial sectors as well as the financial sector attended the event.

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