

**HOUSE OF COMMONS OF CANADA FINANCE COMMITTEE:**  
**STUDY ON THE CANADIAN RENMINBI TRADING CENTRE**

**Memorandum from the City of London Corporation**

*Submitted by the Economic Development Office*

***Introduction***

1. The City of London Corporation is a uniquely diverse organisation. A key part of its role is to support and promote the City as the world leader in international finance and business services. It also provides local services and policing for those working in, living in and visiting what is colloquially described as “the Square Mile”.
2. This memorandum is submitted on behalf of the City of London Corporation (hereafter referred to as ‘the City Corporation’) in the context of its experiences in supporting the development of the UK as a centre for Renminbi (RMB) business. The City Corporation has engaged with a wide variety of stakeholders, in the UK and globally, over several years on topics relating to the Chinese led internationalisation of the RMB. It has served as secretariat to the City of London RMB initiative since 2012 and Policy Chairman of the City Corporation Mark Boleat is the Senior Responsible Officer (SRO) for the UK Government’s Financial Services Trade and Investment Board (FSTIB’s) project on the RMB.
3. The City Corporation is not in a position to respond fully to questions regarding commercial decisions of RMB market participants or technical questions relating to specific market products and services, but the following paragraphs reflect the City Corporation’s first-hand experience and additional observations in facilitating the development of the UK RMB market, primarily through the City of London RMB initiative.

***Establishment of the City of London RMB initiative***

4. The UK and Chinese authorities declared publicly their joint interest in working together to support the international use of the RMB in 2011 at the official Economic and Financial dialogue led by the UK Chancellor and Vice Premier Wang Qishan.
5. London’s position as one of the world’s leading international financial centres put it in a position to add significant value to the Chinese objective to develop the renminbi as one of the world’s leading currencies. The City of London initiative promoting London as a centre for renminbi business was officially launched in April 2012, and is a key part of this effort, bringing together the private and public sectors. In consultation with the UK Government and financial sector representatives, the City Corporation agreed to serve as secretariat for the initiative. The vision is for London to develop as a “western hub” for the international RMB market as a complement to Hong Kong and other financial centres. Membership of the initiative can be found as an Appendix.

### ***Objectives of the City of London RMB initiative***

6. Through a variety of activities including practitioner roundtables, public statements and in-depth research the RMB initiative:
  - Provides leadership to the wider financial markets on the technical, infrastructure and regulatory issues relevant to the development of the RMB product market in London.
  - Advises HM Treasury on maximising London's capacity to trade, clear and settle RMB and articulate practical next steps and long term aims for the development of the RMB market in London. Additionally, the group advises HM Treasury and other UK authorities on any financial stability concerns the members may perceive.
  - Develops and maintains private sector dialogues on the international RMB market with regulators in Hong Kong and Greater China to complement that which is already maintained by the UK public sector.
  
7. The initiative in coordination with other financial sector institutions and wider stakeholders aims to:
  - Build a long term sustainable market that supports the internationalisation of the RMB – to make trade processing easier for European corporates and offer customers and investors the chance to invest, trade, bill and bank in RMB.
  - Simplify and increase access to RMB related products for a wide range of Western companies, including SMEs who do not necessarily have access to financial services in Asia.
  - Create deeper liquidity and broaden the range of financial services available in the European time zone.
  - Leverage London's expertise as a major financial centre.

### ***UK RMB market facts and figures 2014***

8. In order for the RMB to become truly internationally used, it needs to be used widely as a trade and investment currency beyond China's immediate neighbourhood. The UK is playing its part in the managed internationalisation of the RMB. London is fully committed to becoming the major RMB centre in the European time zone. Products and services available in London include:
  - Retail banking services – both personal accounts and private banking accounts - with total deposits in private banking accounts around ¥2 billion; London's total deposit base, including corporate accounts and interbank deposits at the end of June 2014 reached ¥25.4 billion.
  - A full range of corporate banking services - principally focused on forex, corporate accounts and trade financing;

- Total trade finance over the first half of 2014 reached a total of ¥26.5 billion.
  - Export financing in the first half of 2014 was ¥7.3 billion, 69% higher than in the first half of 2013.
- A full range of RMB forex products – including significant spot RMB forex trading, trading in non-deliverable FX forwards and non-deliverable FX options.
    - In the first six months of 2014 total deliverable RMB forex business rose by 127%, giving a total average daily volume of US\$ 42.4 billion.
    - Spot RMB forex grew to an average daily volume of US\$ 14.4 billion, a 160% increase compared to 2013 and almost 20 times more than the volume recorded by the same source in 2011.

### *Policy and market developments in the UK*

9. Market Infrastructure: As the leading centre for foreign exchange, London already possessed a strong and proven infrastructure for processing foreign currency payments.

Since 2012 additional measures have been introduced including the People’s Bank of China and Bank of England swap line agreement and the official appointment of a London clearing bank (China Construction Bank). These measures have enhanced London’s existing infrastructure. They have demonstrated the UK’s commitment to developing further RMB products and services and supporting the Chinese authorities’ long-term strategy to internationalise the RMB. In addition, they have succeeded in increasing corporate and investor confidence for using the currency to meet their business needs.

10. Product and services development: The UK offers a full suite of RMB products and services, on a par with those available in Hong Kong. With increased customer demand and a number of partnerships between UK institutions and Chinese firms, product innovation and development has increased substantially since 2012 and has continued to develop alongside the RMB market’s overall growth.
11. Chinese capital markets development: Chinese policy decisions such as the allocation of a London RQFII<sup>1</sup> quota and developments taking place in China such as the Hong Kong-Stock Connect with Shanghai and the testing of financial policies within the Shanghai Free Trade Zone have created new opportunities for corporates, investors and financial institutions. Alongside increased investor interest, these developments have encouraged bond issuances in both the offshore and onshore markets and will contribute to the on-going gradual development of China’s capital markets.

### *February 2015*

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<sup>1</sup> The RMB Qualified Foreign Institutional Investor (QFII) programme, allows qualified investors to raise offshore renminbi funds and invest directly into China’s onshore securities market,

*City of London RMB initiative participants*

1. The initiative includes 13 member banks with substantial RMB business experience, including:
  - Agricultural Bank of China (UK)
  - Australia and New Zealand Banking Group Limited (ANZ)
  - Bank of China (UK)
  - Bank of Communications (UK)
  - Barclays
  - China Construction Bank (UK)
  - Citi
  - Deutsche Bank
  - HSBC
  - Industrial and Commercial Bank of China (UK)
  - JP Morgan
  - The Royal Bank of Scotland
  - Standard Chartered
2. HM Treasury, the Bank of England and the Prudential Regulation Authority are observers to the initiative. The City of London provides the secretariat function for the group.
3. In addition to the core member and observer base, the initiative frequently engages with a broader range of companies and stakeholders. This includes engaging with technical market specialists to feed in to specific work stream initiatives. In addition, the initiative engages with a wide range of companies and stakeholders to increase awareness, understanding and to provide updates on recent developments relating to the internationalisation of the RMB. The initiative further engages with international stakeholders to share good practice and experience.

***Key publications***

4. The City of London RMB initiative has developed resource packs aimed primarily at corporates, which seek to clarify key RMB market developments and include case studies highlighting RMB usage and the benefits it can bring to treasury management. The City Corporation has commissioned a series of reports by Bourse Consult since 2012, which supply data on RMB flows in the UK and monitor trends that have developed over this period across trade services, foreign exchange and deposits. These publications along with further details of the City of London RMB initiative's activities are available publicly on the City Corporation's website at [www.cityoflondon.gov.uk/rmb](http://www.cityoflondon.gov.uk/rmb)