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## **Opening Address at the First ICBC RMB Internationalization Summit in Singapore**

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**Chairman of the Board of Directors, Executive Director of ICBC**

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Respected Minister Teo Ser Luck

Ambassador Duan Jielong

Assistant Director Audris Liang

Mr. Ma Jun

Distinguished guests, ladies and gentlemen,

Good morning!

In recent years, the China-Singapore cooperation in trade, investment and finance has benefited much from the promotion of RMB internationalization that has been gaining pace. As the RMB clearing house in Singapore, ICBC shoulders special responsibility for the offshore center drive in Singapore and the internationalization of RMB. It is my great honor to join you at this Summit today, share with you the current situation and trends of RMB internationalization and discuss the opportunities for future development. Also, we hope to establish this Summit as a platform for communication and idea exchange on RMB internationalization between China and Singapore. On behalf of ICBC, I'd like to extend the warmest welcome to all of you, and express my sincere gratitude to all the friends who have shown their care and support for ICBC.

With regard to the internationalization of RMB, here are some figures I'd like to share with you. As of June 2014, China's cross-border trade settlement in RMB stood at RMB2.1 trillion, accounting for 17% of its total value of imports and exports, up 14 percentage points from the 3% of 2010; direct investment in RMB reached RMB469.9 billion, up 156% over the past year; at the end of June 2014, offshore RMB deposits exceeded RMB1.6 trillion. RMB now has become the world's second largest currency for trade finance, the seventh largest currency for payment and the ninth widely traded currency, manifesting an increased influence as a strong global currency.

In Singapore, the RMB market has been developing rapidly since ICBC was named the RMB clearing bank. RMB funds pooled in a total of RMB254 billion at the end of this June from RMB60 billion two years ago; monthly RMB clearing volume reached RMB3.5 trillion at present from about RMB100 billion at the beginning; from this

January to August, 310,000 RMB clearing transactions with a total value of RMB21 trillion were completed; We therefore estimate the total shall be able to reach RMB30 trillion by the end of the year. The number of market participants and extent of participation are constantly rising. All of these are attributed to the joint efforts made by the Monetary Authority of Singapore, RMB clearing banks and all other participating banks. Furthermore, with strong supports from regulatory authorities in both countries, ICBC, as a RMB clearing bank, has allocated substantial resources for promoting new RMB policies and products. The Bank has held more than ten forums, workshops and policy dissemination meetings to promote new RMB policies and products, designed a variety of RMB service solutions for customers, spurred the development of Singapore's RMB bond market and played a leading role in developing the RMB market in Singapore. With regard to the Lion City bonds, ICBC successfully arranged the first Lion City bond in Singapore issued by a local company Swiber two weeks ago, opening the stage for local companies to issue RMB bonds; last week, ICBC Singapore Branch completed the issue of RMB4 billion Lion City bond, the largest-ever issue in Singapore. ICBC participated in or underwrote over 63% of the RMB15 billion Lion City bond issues in Singapore. These issuances have added vitality to the Singapore RMB market.

From the perspective of currency history, offshore market development is necessary for internationalization of a country's currency. The US dollar's global position today has benefited mainly from the massive expansion of the European US dollar market in the 1960s and 1970s. With the China's capital account not fully liberated yet, the offshore RMB market growth is particularly vital to push for RMB internationalization. Taking this opportunity, I'd like to share my ideas with you on how to drive the development of the offshore RMB market.

**First, follow the principle of “serving the real economy”.** All cross-border policies for RMB internationalization, from RMB payment and settlement under the trade account to the direct investment in RMB under the capital account, from RMB lending and two-way pooling to RMB pilot policy in Qianhai Shenzhen, Shanghai Free Trade Zone, Suzhou Industrial Park and Tianjin Eco-city, and from the scale-up of the RQFII pilot program to the Shanghai-Hong Kong Stock Connect, stay close to the principle of “serving the real economy”. When it comes to the offshore RMB market, this principle should also be followed. At present, the arbitrage margin between the two markets in exchange rate and interest rate is inevitable, and gives a strong impetus to the holding and use of RMB by offshore market participants. However, offshore RMB market development will just be an empty talk if we keep utilizing and relying on this spread and moving offshore RMB funds back to China for arbitrage purposes, let alone the goal of RMB internationalization. To pursue continuous and healthy growth of offshore market, we need to design products and services tailored to customer needs, provide customers with more convenience in trade and investment and achieve an all-win result in the course of serving the real economy.

**Secondly, accelerate RMB product innovation continuously.** PBOC has recently designated its clearing banks in Paris, London, Frankfurt and Luxemburg, and there are a total number of 8 RMB clearing banks as of today as more countries and regions has their own clearing banks established. Being the center of offshore RMB market, Singapore has its first-mover advantage in offshore RMB business. However, having a RMB clearing bank and offshore RMB business in Singapore does not necessarily

mean the city state will become a center of offshore RMB business. The center is like a reservoir, and even though there are large quantities of RMB transactions around the center, they are just like rivers passing through, and the currency used in the transaction did not get to stay in the reservoir. For a city to really become a RMB offshore center, the city must have the capacity to retain the water flowing through it. The difference of being in the center of offshore RMB business and being a center is that the latter is able to provide and innovate more RMB products. To further strengthen and utilize Singapore's advantages as a first mover for offshore RMB business, we must continuously enrich offshore RMB products offerings, such as offshore RMB credit products, RMB derivatives trading, RMB bond issue, private banking products and RMB-denominated commodity trading; and leverage on market forces to shape an offshore RMB self-circulation mechanism which is the "offshore RMB ecosystem" as emphasized by the Monetary Authority of Singapore, so as to expand the holding and self-sufficiency capability of the offshore market "reservoir".

**Thirdly, actively push for the development of offshore RMB infrastructure.** As RMB internationalization remains in the developmental stage, a regional clearing center is needed to facilitate the offshore market development. Therefore, establishing a clearing infrastructure is also an important part of the offshore center drive. Based on its leading technology in the industry, ICBC has established a unified clearing platform that provides internal integrated clearing services, supports 7\*24 clearing, and shares clearing channels, information, processes and products. Also, as an RMB clearing bank, we fully support and actively assist the Monetary Authority of Singapore with the development plan for the RMB RTGS and work closely with the Head Office Clearing Center and New York Branch aiming to provide around-the-clock RMB clearing services. Recently, ICBC Luxemburg Branch has been appointed the RMB clearing bank in Luxemburg, making ICBC the only commercial bank with RMB clearing branches stationed in both Asia and Europe, which is a significant step in ICBC's drive to establish a global RMB clearing network across different time zones and will play a positive role in further growth of offshore RMB market.

**Fourthly, Chinese banks should play a leading role.** As the RMB policy is updated frequently, some overseas market participants take a wait-and-see attitude on the acceptance and use of RMB as a result of their limited understanding of policy as well as a poor grasp of policy continuity and trends, partially due to the different languages and cultures. As the home currency bank for RMB, Chinese banks have inherent advantages in pursuing overseas RMB business, and should play a leading role in the process. Take the ICBC Singapore Branch for example, it is the RMB business that has enabled us to create, maintain and enhance the business ties with so many multinational corporations, Singapore companies and Chinese enterprises present today and further improved our local operation performance.

**Fifthly, strengthen communication and cooperation among offshore RMB centers.** I remember that last year when I chaired the kick-off ceremony of the clearing bank in Singapore, many friends from the press asked me about the competition between Singapore and Hong Kong, Taipei and London. But now it seems that all these worries are just a thing of the past. In the past year, the offshore markets witnessed rapid growth of all offshore centers. Take Singapore and Taiwan for example, Taiwan shows rapid growth in RMB deposits, while Singapore has a sharp edge in treasury operations and trade finance, evidenced by the skyrocketing volume of RMB clearing. Offshore centers are much more complementary than

competitive. We should strengthen the interaction and cooperation among offshore centers, unleash their respective strengths and step up the research, development and promotion of RMB products. **The RMB4 billion Lion City bonds we issued last week were traded in both Singapore and Taiwan.** The Lion City bond issued by Swiber, the first local issuer in Singapore, was popular among Taiwan investors. We believe that the interaction and cooperation among offshore markets will be increasingly broader in the future, and will advance the reach of RMB market.

All the honored guests, I believe that, with our joint efforts, Singapore's RMB market will usher in a more favorable environment for growth. Meanwhile, the sound development of the RMB market will further deepen the economic and trade relations between China and Singapore, and will contribute greatly to maintain and enhance Singapore as a financial center.

Thank you!