

The City: Open for RMB business

By **ALDERMAN FIONA WOOLF CBE**

LORD MAYOR OF THE CITY OF LONDON



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qualified as a solicitor in 1973 and worked in the corporate and banking fields at Clifford Chance before becoming a partner at CMS Cameron McKenna in 1981. Over the last 20 years she has worked around the globe, advising over 28 governments and the World Bank on Privatisation and Energy Reforms. She served as President of the Law Society of England and Wales from 2006-07 and became the 686th Lord Mayor of London on 8th November 2013.

Over the last few years, China has grown to become one of the UK's most important economic partners, and the key to the Asian region. As the UK economy rebuilds and moves towards a prosperous future, trade between our two countries continues to increase, acting as both an engine of economic growth and a vote of confidence in our partnership. Bilateral trade in goods and services between the two nations reached £46.6bn in 2012, with UK exports of goods and services to China reaching £13.7bn, up 10 per cent from the previous year, and exports from China to the UK accounting for £32.9bn

This growth has been possible because of the increased openness of the Chinese market, and this openness will drive our relationship forward, developing China's capacity as a financial centre and partner for the UK financial services industry. The City of London has always been committed to openness, and has historically thrived because of its open and international focus. As an open marketplace, London has not only held its position as the top city for international business, but has also

maintained the 31 per cent share of the global financial services market it held pre-crisis. The reason London is so resilient is because it adapts, it innovates, it invests, it stays modern and it also treats the changing shape of the world economy as an opportunity. This includes maintaining our openness to Europe and the EU. As the EU is both China's largest trading partner and its largest export market, London, Europe's financial capital, is uniquely well-placed to function as the gateway to Europe for Chinese companies looking to expand their overseas operations. The welcome recent news that Chinese banks, along with those from other foreign countries, will be able to apply to function as branches and not as subsidiaries means that this growing businesses community already comprising some 400-500 Chinese enterprises, will be able to take advantage of the full range of wholesale banking products offered by these institutions.

This increasing openness between the UK and Chinese economies will benefit both our economies, as will the internationalisation of the renminbi (RMB). The City of London Corporation has worked



for years with the Chinese authorities on this vital issue, which involved increasing awareness of RMB products and services in London. It has been over a year and a half since the official launch of the City of London Initiative for London as a Centre for RMB Business. Over this period, as our latest report London RMB Business Volumes 2012 shows, the volumes of RMB being transacted through London has grown exponentially. These increases were confirmed last month by SWIFT, which highlighted that 62 per cent of RMB traded outside of mainland China and Hong Kong is now done in the UK. Not only has the volume of RMB in London increased, but as the market continues to develop we have seen a substantial increase in the number of RMB products provided by London-based banks.

We warmly welcome the extension of the RMB Qualified Foreign Institutional Investor (RQFII) programme to encompass London, which allows qualified investors to raise offshore RMB funds and invest directly into China's onshore securities market. This is yet another signal that demonstrates the Chinese authorities recognise London is leading the way as a global offshore centre for RMB. The opening up of the RQFII scheme will help to increase capital flows between China and the UK further supporting the internationalisation of the RMB.

The agreement in June of a currency swap-line between the Bank of England and the People's Bank of China also highlights the significance of the internationalisation of the RMB to London, supports global liquidity in the offshore RMB pool for the CNH market, and gives greater confidence to market participants, boosting the already strong growth of London's RMB business volumes and support mutually beneficial trade and investment between our two countries.

The recent action by the UK government on improving the ease with which UK visas are issued to Chinese nationals will also help improve the openness between our two nations, and increase our bilateral trade. China is one of our most important trade partners, and the key to the Asian regional hub, and the City is keen to ensure that we do all we can to support the government's efforts to improve trade relations. This is why I, as Lord Mayor, will be making a visit to Hong Kong and Taiwan in January, as well as a visit to Vietnam and mainland China in October. On both these visits, I intend to sound the trumpet for the UK's financial and professional services industry, and to encourage both UK investment in China as well as Chinese investment in the UK, such as the recent £1.2bn deal between the Greater London Authority and Advanced Business Park to transform Royal Albert Dock into London's next business district, the Dalian

Wanda Group's £730m development project in South West London, and Huawei's London office dedicated to managing its global finances, which is part of its £1.3bn investment in the UK market.

The work of the City of London in China, including through its representative offices in Beijing and Shanghai, is guided through the City of London Advisory Council for China whose members represent key Chinese financial services stakeholders. The most recent meeting of the council took place in London on 22 November. Key topics discussed at this event included the process for London-based investors to apply for RQFII licences and the effects of recent reforms in China, including the establishment of the Shanghai Free Trade Zone which the City of London supports as a sign of the continued liberalisation of China's currency and opening up of its financial markets. On these issues and others, the City of London will continue to support interaction between the UK and China to create mutual benefits.

Today, the only way a country can keep pace in the global race is by embracing international collaboration. China and the UK have long shared a productive partnership and there is potential to further cooperate in maritime services, legal services, infrastructure, and high-end manufacturing to bring great benefit to each other's real economy. With mutual understanding and respect, China and Britain will enjoy a brighter future together that will continue to benefit communities and businesses for generations to come.

The reason London is so resilient is because it treats the changing shape of the world economy as an opportunity

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