

Accelerating Offshore RMB Market Development: Enriching Hong Kong's Offerings as an International Financial Centre

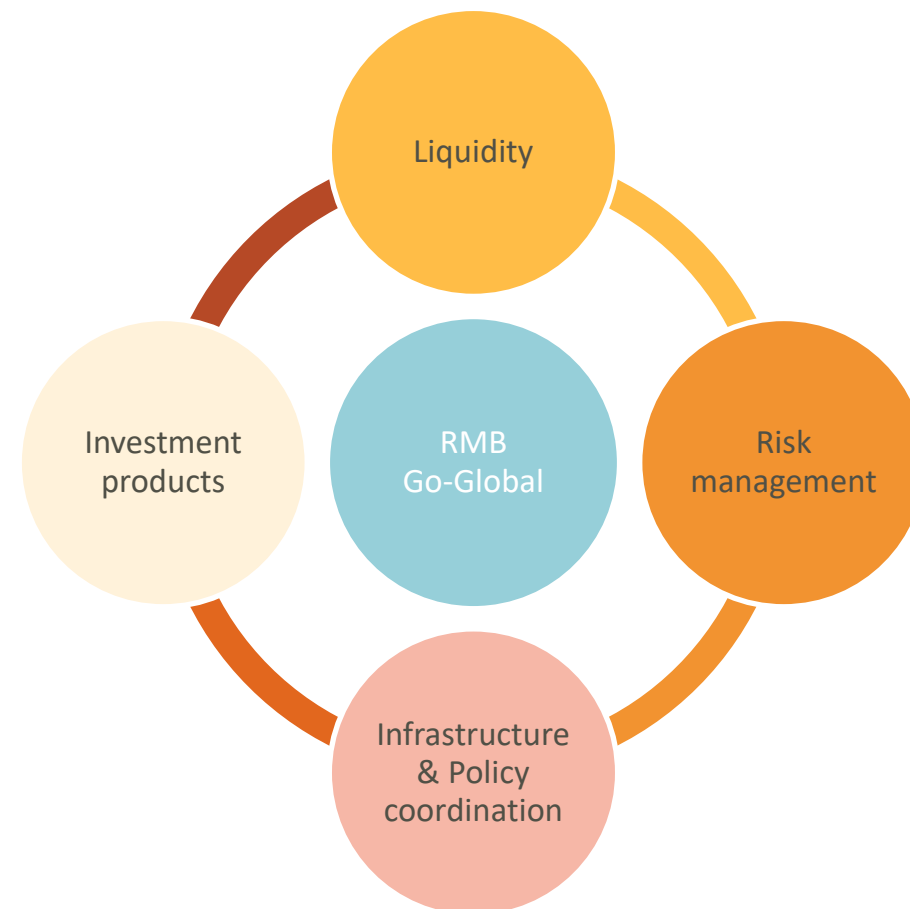
28 March 2024

Hong Kong's role in the internationalisation of RMB

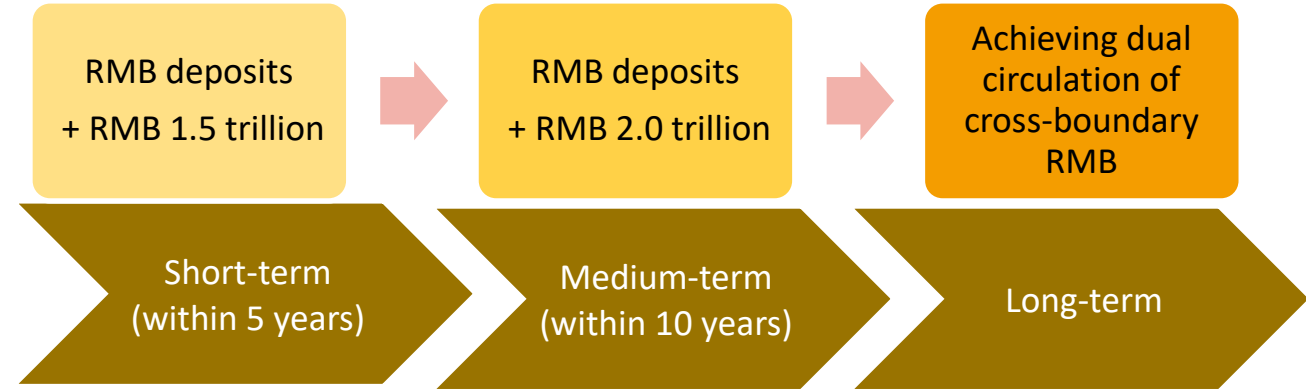
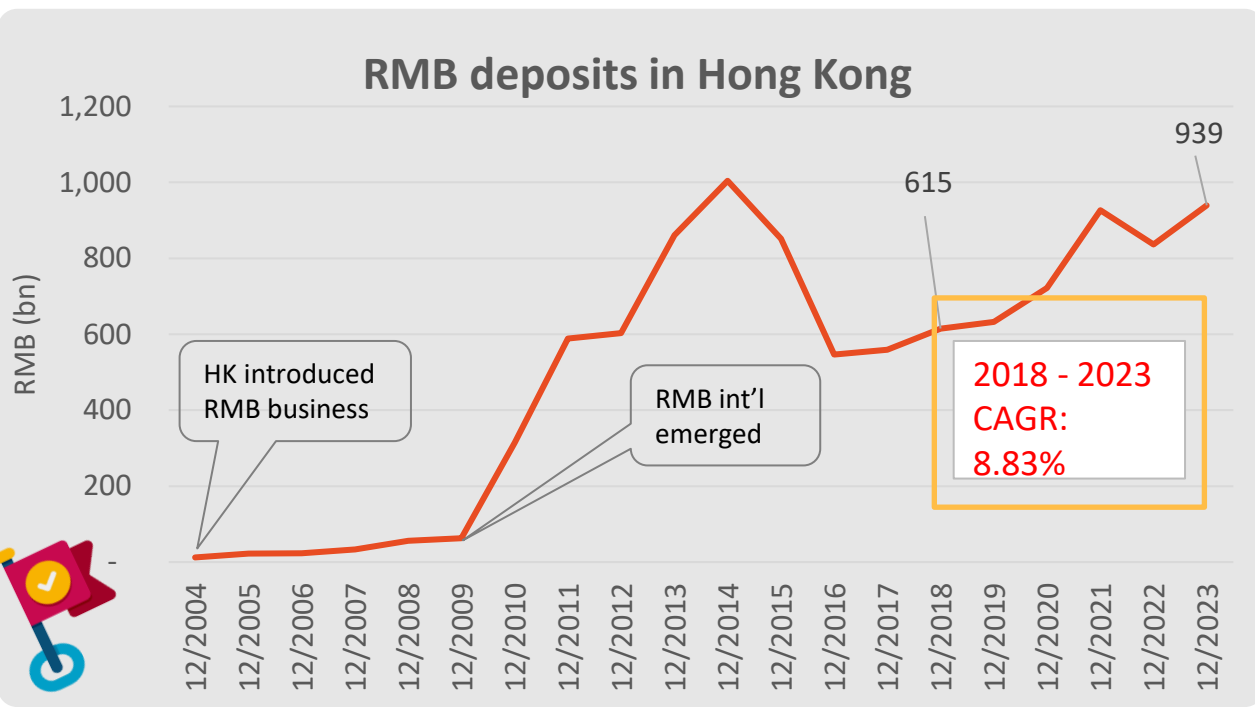
Key success factors as a leading offshore RMB centre

- **A substantial offshore RMB liquidity pool:** ~RMB 954.7 billion (January 2024)
- **Dominance as an offshore RMB clearing centre:** Hong Kong handles +70% of global RMB payment settlements
- **Major offshore RMB financing platform:** In 2023, the issuance volume of offshore RMB bonds soared to RMB 545.1 billion (65%↑ from the previous year)
- **Prominence in RMB and foreign currency trading:** In April 2022, the average daily turnover of RMB foreign exchange transactions reached USD 191.2 billion (77.7%↑ from April 2019)
- **A leading platform for global RMB investments:** Its rich array of RMB asset classes and the Connect schemes have transformed Hong Kong into an indispensable hub for global investments in RMB assets

Driving HK's agenda as the global offshore RMB business centre



Recommendations



Short-to-medium term measures

Theme 1: Optimising mutual market access schemes and exploring new connectivity options

Theme 2 : Enhancing the depth and breadth of the offshore RMB market

Theme 3: Accelerating RMB ecosystem development

Theme1: Strengthening mutual market access schemes and exploring new connectivity options



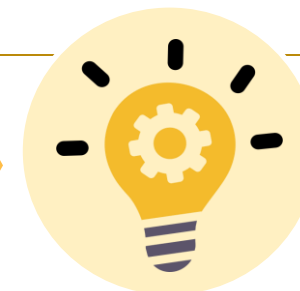
- **Recommendation 1: Optimising current mutual market access schemes**
 - **ETF Connect:** Include more distinctive ETFs, such as Hong Kong ETFs that invest in specific overseas markets and multiple markets for Mainland investors
 - **Bond Connect:** Broaden the scope to cover a broader range of securitisation products, such as asset-backed securities issued by the China Stock Exchange Market
 - **Swap Connect:** Expand its current focus on interest rates to include equity swaps, cross-currency swaps, and potentially even commodity swaps
 - **Mutual Recognition of Funds:** Relax 50/50 sales limit
 - **Wealth Management Connect:** Include RMB insurance products to give investors access to a broader range of product offerings
- **Recommendation 2: Strengthening connectivity further in emerging high-growth areas**
 - **REIT Connect:** Attract more REITs to be listed in Hong Kong and facilitate investors to participate in C-REITs and H-REITs
 - **Commodity Connect:** Build on the success of the Connect schemes in facilitating cross-boundary investment
 - **Private Equity Connect:** Establish green channels for cross-boundary private equity trading as an innovative approach to stimulate the industry

Theme 2: Enhancing the depth and breadth of the offshore RMB market



- **Recommendation 3: Boosting liquidity for the offshore RMB market**
 - Attract further RMB investment from other markets to stimulate demand for investment tools and products denominated in RMB
- **Recommendation 4: Diversifying offshore RMB product offerings**
 - Develop offshore RMB debt market by attracting a broader spectrum of issuers
 - Diversify and expand the RMB-denominated stocks
 - Offer tokenisation and offer more innovative RMB products
- **Recommendation 5: Enriching risk management tools for RMB product investments**
 - Swiftly launch China Treasury Bond Futures
 - Establish a robust and flexible regulatory framework that governs access to onshore RMB FX

Theme 3: Accelerating RMB ecosystem development



- **Recommendation 6: Enabling cross-boundary data flow**
 - Enhance data connectivity between Hong Kong and Mainland China by first strengthening data governance and policy coordination within the GBA, among others
- **Recommendation 7: Broadening talent connectivity**
 - Ease examination requirements or provide incentives to encourage financial professionals from both regions to actively participate in each other's respective markets
- **Recommendation 8: Leveraging infrastructure development, digital currency advancements, and innovation**
 - Update its cross-boundary infrastructure linkages to enhance efficiency and robustness
 - Leverage the development of digital currency to support the international expansion of RMB
 - Allow companies to take bold steps, learn from missteps, and foster growth, all while ensuring investor protection

Thank you!