The Singapore-London Renminbi Forum, 27 JANUARY 2015
Grand Hyatt Singapore

Mr Samuel Tsien, Group CEO, OCBC Bank
Chairman, The Association of Banks in Singapore

Mr Leong Sing Chiong, Assistant Managing Director, the Monetary Authority of Singapore; Mr Charles Roxburgh, Director-General, Financial Services, Her Majesty's Treasury; Distinguished Guests; Ladies and Gentlemen,

Good Afternoon.

It gives me great pleasure to welcome you to the Singapore-London Renminbi ("RMB") Forum. I would like to particularly extend a warm welcome to our friends from the UK, who flew in especially for this event.

[Singapore and UK – Natural Partners]

The idea of a joint forum between Singapore and the UK was initiated about a year ago, by the Chancellor of the Exchequer, Mr George Osborne, and Singapore's Deputy Prime Minister Mr Tharman Shanmugaratnam.

Both leaders recognized the synergies between the two leading international financial centres and agreed to support the establishment of a private sector-led forum where financial institutions, corporates and investors from both sides could come together to exchange views and share ideas on the further development of the offshore RMB market.

Indeed, Singapore and the UK share many synergies with each other, partly attributed to our close economic ties and partly due to our shared history dating back almost 200 years.

The UK is our fourth largest trading partner in the European Union and our second largest investment destination after China. Singapore is home to over 3,000 UK companies including GlaxoSmithKline (GSK), Unilever, Rolls Royce and the Shell Group, many of which have made Singapore and London their respective Asian and European headquarters. Singapore companies such as Singapore Technologies, SembCorp and ComfortDelGro have also established a strong presence in the UK.

Singapore and London are the world's foremost international financial centres. We are both particularly strong and active in foreign exchange, asset management and insurance activities. Both centres have successfully leveraged on these strengths to serve as effective gateways to Asia and Europe respectively.

UK banks such as HSBC, Standard Chartered, RBS, and Barclays all have a significant presence in Singapore. Conversely, all three Singapore home-grown banks, OCBC, DBS and UOB, are also present in London.

Our two countries can similarly bring this close partnership to bear in the area of RMB business – a new area that both of us have the foresight to embrace it early on, and we have the infrastructure and capability to develop it into a key component of our financial markets.

[The RMB — A New Global Currency]

The RMB has come a long way since the Chinese authorities first introduced policy liberalisation measures in 2009. Since then, the Chinese authorities have demonstrated strong commitment towards the continued internationalisation of its currency, and this trend is now irreversible notwithstanding the recent slowdown in the Chinese economy.

The RMB is already an important trade currency, second only to the US dollar in terms of trade finance usage. It has also begun to make inroads as an investment currency, with the progressive liberalisation of the capital account by the Chinese authorities, such as the opening up of the cross-border RMB lending channels, a number of which are unique to this region e.g. the Singapore-Suzhou Industrial Park, the Sino-Singapore Tianjin Eco-city and the recent Yunnan-Guangxi Financial Reform Zone.

There are also the cross-border investment channels, most notable of which is the RMB Qualified Foreign Institutional Investor ("R-QFII") scheme, of which both Singapore and the UK are both participants.

Then there is also the latest RMB Qualified Domestic Institutional Investor ("R-QDII") programme just announced by the People's Bank of China in December last year. R-QDII will attract more RMB liquidity to offshore markets, and as bankers in the room will know, more liquidity will encourage the creation of more investment products.

The RMB is also anticipated by many to become a reserve currency. Already, it is believed that some 50 central banks and sovereign wealth funds have included RMB in their official reserves[1]. Of the RMB 600 billion quota approved for foreign investors' investment in China's interbank bond market, about half was allocated to foreign central banks and sovereign wealth funds, according to the PBoC.

[China's New Role: Opportunities for Singapore and UK]

China's economic transformation presents a huge opportunity for Singapore, the UK as well as our respective regions. The country is rebalancing its economy, boosting domestic consumption while promoting urbanization, and reducing concentration of growth being

[1] DBS Group Research, Nov 2014

driven from investment and exports, although both still remain important economic drivers. Soon, China will be home to the largest middle class the world has ever seen, and with this, their demand for financial services will increase.

Another important driver of RMB activities is China's determination to "export capital" by encouraging Chinese companies to invest outside of China into new markets -- for new sources of demands, new supplies of resources and new technology.

ASEAN and Europe are China's top trading and investment partners. Bilateral trade between ASEAN and China, as well as between Europe and China, is expected to grow to 1 trillion[2] US dollars respectively by 2020. In fact, many corporates who are based here today have trade and investments in all three regions. With the RMB on track to becoming an international currency alongside the US dollar and the Euro, we can expect many of these trades and investments to eventually be dominated and funded in RMB. Singapore and the UK, as gateways to ASEAN and Europe, will for sure stand to benefit greatly from this development.

[Conclusion]

The fact that senior officials from the Monetary Authority of Singapore and Her Majesty's Treasury are both here today demonstrates the extent to which our respective governments are committed in building up the offshore RMB market. However, the market cannot thrive on policies and infrastructure alone. Its development is critically dependent on the role of the private sector, whose participation will expand the demand for, and the supply of, RMB products, such as cash pooling, bond funding, trade financing and treasury services.

I look forward to hearing the survey results, which will be presented by Asset Benchmark Research next, on how corporates are capitalising on the opportunities that the RMB presents, and I hope that this will encourage both end-users and service providers in the private sector to think hard about how to further build up their RMB capabilities.

I hope today's RMB Forum will take the development of the offshore RMB market for both of us to greater heights. We are confident that, as already the key financial centres in Asia and Europe, we can further expand our respective financial centres to also become key RMB hubs in Asia and Europe.

Thank you.

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[2] Projection based on Chinese Premier Li Keqiang's speeches at the 16th China-ASEAN leaders' meeting and the 16th China-EU leaders' meeting