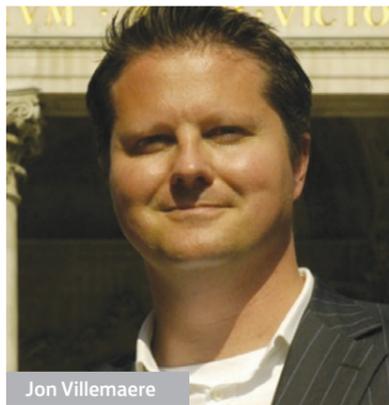




Perfectly positioned to become a leading RMB centre

by Jon Vollemaere, R5

Hong Kong remains the dominant offshore renminbi centre, but there is growing competition from London, Singapore, Luxembourg, Taipei, Paris and Frankfurt.



If you want more than Taxi driver insight in London, you have to go to the front of all knowledge, the centre of the universe, the source of all things - the pub. I was in the pub recently and spoke with a fellow punter about many things including the RMB.

What is it again? – It's the Chinese currency. And that's what they use in their pubs? What's a pint cost in China then? Actually they use the

Yuan and I guess a pint is probably about 30 Yuan.

Why do I mention this? Because despite the large, and growing, turnover in London, RMB is still somewhat unknown in daily life. At this point there is little, if any, knowledge of the Yuan, or the offshore and onshore RMB among the general UK population.

It is very different in Asia. You don't see London ATM's dispensing RMB like you do in Hong Kong. You don't see shops accepting RMB like they do in large areas of Asia. In fact you'd be hard pressed to find RMB on the Travelex board at London Heathrow.

But the man in the pub is aware that China is a big and growing market, buying large amounts of UK exports and supplying almost every product known to (and used by) man.

At the time of writing, Chinese

QUICK FACTS: LONDON

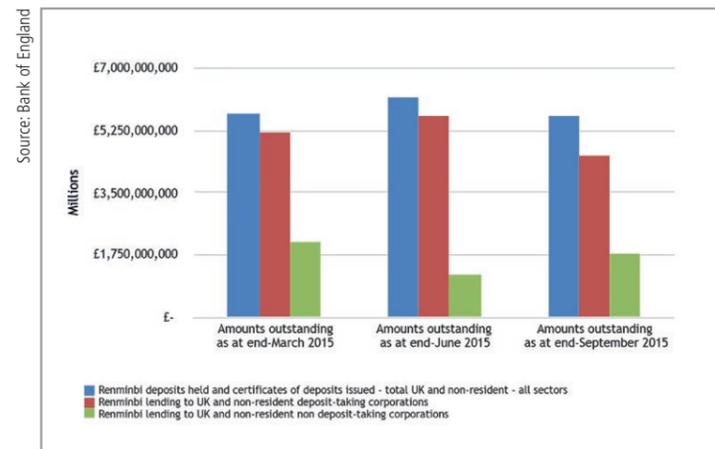
PBOC SWAP LINE	200BN CNY
CLEARER	CCB – LONDON BRANCH
TURNOVER	44,000

markets have been in the news rather a lot. I don't know the Chinese character for 'volatility', but you can be sure that its been used a lot lately. Any new economy on the world stage is due for a few knocks and China has been no exception in terms of global media coverage – some justified, some not.

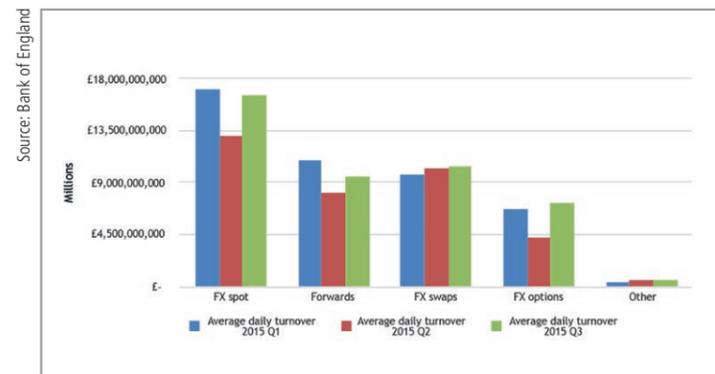
SO WHAT DOES ALL THIS MATTER TO LONDON?

Well if we go look at the main appeal of London as an RMB centre it comes down to four main areas:

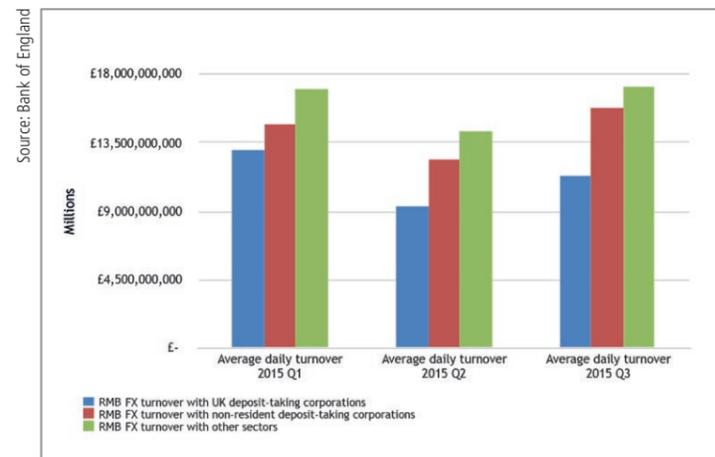
1. London is the most international and diverse capital market in the world. This capital is very attractive to both sides of the trade. China as a net saver has a large supply of cash it would dearly love to move into the London market and London



Renminbi deposits and lending



Renminbi foreign exchanges turnover by instruments



Renminbi foreign exchanges turnover by counterpart sector

would very much like to get its hands on all that local liquidity, whether current participants realise it or not.

2. London is one of the largest and most prestigious global financial centres. There is a great deal of confidence in China that London has the experience and market size to successfully manage renminbi flows.

Words like prestigious and privilege go a long way in China. As shown by the recent visit of President Xi Jinping's to the UK, there is a great deal of importance placed on being associated with, and welcomed by, red carpets into such an important marketplace.

The House of Lords is decorated with red leather seats, covered in gold, and the Queen has her own seat upon which no one else is allowed. All these things are not lost on visiting dignitaries from the middle kingdom.

As a result of London's leading position as a global financial centre, the UK was the first G7 country to do a swap deal with China and to receive a Renminbi Qualified Foreign Institutional Investor (RQFII) quota.

3. London sits in a strategically important geographical location and timezone. London has traditionally been the world's largest FX trading centre, driven by local expertise, its geographical location and timezone. Arguably it has positioned itself as the most liquid international centre in the world and the largest RMB centre outside Asia. It's trading day overlaps that of China and North America, giving the City an important geographical advantage for global trading, with approximately two-thirds of all RMB trading outside China and Hong Kong being in London.

4. London has extensive expertise and experience in all currencies including RMB. It has a sizeable market of international institutional investors who are ready to buy and sell RMB and its related products. The City of London is at China's disposal to assist it with internationalisation in every aspect. There is significant expertise in international markets, from the LSE to the LME. From Lloyds to LIBOR. With work for every law firm, accountant, adviser, compliance officer and broker as the sleeping giant begins to wake.

CONCLUSION

Despite a lack of awareness among the UK general public, there is the ambition within the City of London to dislodge Hong Kong from its number one position as an RMB centre. This will be a huge task due to its entrenched dominance, but the four main points above are already proving increasingly attractive to the Chinese and the global marketplace. As a result, London is in a strong, and growing, position to emerge as the worldwide centre for RMB trading.

There is also the fact that London has a large selection and concentration of some of the finest public houses in the world. American's and the Japanese do business on the golf course. Singaporeans do business at lunch, Australians at the sports stadium – but Britain does her best at the bar.