

Remarks by Leong Sing Chiong, Assistant MD, Monetary Authority of Singapore, at the Bank of China (BOC) Strategy Talk on Renminbi (RMB) on 20 September 2013

1 It is a privilege and a pleasure for me to be here for this important event. Bank of China has a long history in Singapore. It was first established in 1936 as a branch in Cecil Street, and over the last 3-4 decades, it has played a significant role in Singapore's economic development.

2 Today, Bank of China is the largest Chinese bank in Singapore by both total assets and headcount. Bank of China's major business units here include retail and corporate banking, trade financing and international trade settlement. Last October, MAS extended Qualifying Full Bank ("QFB") privileges to Bank of China under the China-Singapore Free Trade Agreement. With the QFB privileges it now enjoys, I am glad to learn that Bank of China is committed to growing its business in Singapore even further, particularly in Commodity Finance and Forfaiting, as well as in wealth management. But beyond these two areas, we also see Bank of China contributing to another key growth area in our financial sector – the development of the RMB market in Singapore. Let me share some thoughts on how we see RMB development shaping up in the coming years.

3 Internationally, the use of the RMB has been growing rapidly in recent years. According to a recent BIS survey, the RMB was ranked the 9th most traded currency globally. As a payments currency, the RMB has also leapfrogged to 11th place worldwide, up from 35th position just 3 years ago. We believe that as RMB internationalisation continues to progress, this has the potential to significantly transform the Asian financial landscape over the medium term. It is critical for Singapore's financial centre to build RMB capabilities early to position ourselves for the future.

4 In May this year, we launched RMB clearing arrangements in Singapore. In support of this, MAS and the People's Bank of China doubled the size of our bilateral currency swap facility to RMB300 billion and expanded its scope to provide RMB liquidity to banks in Singapore if needed. These two developments will provide a strong impetus for the future growth of RMB activities here. Indeed, since the launch of RMB clearing arrangements in Singapore, we have seen the RMB gaining strong traction amongst companies in Singapore and the region. To date, RMB deposits in Singapore have grown by about 40% since Dec 2012. Total RMB deposits amount to just over RMB140bn as at end-July this year.

5 Looking ahead, the prospects for further RMB developments in Singapore are bright. First, Singapore is well-placed to play a key role in intermediating RMB flows between China and her trading partners, particularly in Southeast Asia. China is ASEAN's largest trading partner, with total trade at US\$400bn, and we believe that this is set to grow further. Second, Singapore's deep and liquid capital markets will be able to support RMB financing needs in the region. Having already seen the issuance of four RMB-denominated bonds here since May, we can expect to see more RMB-denominated financing transactions here, as regional corporates raise funds through bond and equity issuances to tap on the strong investor base in Singapore.

6 Third, as a regional trade hub, we also expect strong and growing demand for RMB trade and financial services from the critical mass of international trading companies based in Singapore. As China continues to liberalise the use of the RMB offshore, this creates greater scope for more corporates to participate in the offshore RMB market. Two months ago, the People's Bank of China announced measures to allow companies based in China to channel surplus RMB liquidity offshore. This has triggered strong interest from Singapore-based MNCs and commodity traders to have the RMB added to their centralised cash pooling arrangements here, and plays to Singapore's strength as a regional treasury management hub.

7 Bank of China has a key role to play in shaping RMB developments in Singapore and the region. More recently, Bank of China has established an offshore RMB trading desk which enhances its ability to carry out RMB FX spot and derivatives trading activity in Singapore. Today, with the newly formed partnerships with the Singapore Exchange and Trafigura, together with the launch of the RMB Cross-border Index, I am optimistic that Bank of China will continue to contribute to the future growth of Singapore's RMB market in the years to come.

8 In conclusion, let me say that we appreciate the strong and deep commitments that Bank of China has placed in Singapore over many years, and look forward to continue close partnership with Bank of China as Singapore continues to grow as an international financial centre and offshore RMB centre.

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