

Box 4.1

Renminbi business in Hong Kong

Hong Kong plays a very unique and important role in the global financial market. Apart from being an international financial centre in the Asian time zone that is strategically located between the trading days of London and New York, the city also serves as an important interface between the global and Mainland financial systems. Leveraging on this favourable position, Hong Kong has great potential to develop renminbi business.

Renminbi business in Hong Kong – A timeline

- 2004 Renminbi business in Hong Kong commenced, with banks offering renminbi deposit-taking, exchange, remittance and debit/credit cards services.
- 2005 Renminbi cheque service was introduced and certain restrictions of the renminbi business were relaxed.
- 2007 Mainland financial institutions, upon obtaining approval by relevant Mainland authorities, can issue renminbi-denominated bonds in Hong Kong. The first issue of renminbi bonds in Hong Kong was issued in July.
- 2009 With the introduction of the pilot scheme for using renminbi for cross-border trade settlements, renminbi business in Hong Kong was further expanded. Enterprises in Hong Kong trading with the approved enterprises in five Mainland cities (namely Shanghai, Guangzhou, Shenzhen, Zhuhai, and Dongguan) can choose to settle trade transactions in renminbi. Banks in Hong Kong can provide related services to relevant enterprises, including renminbi deposit-taking, currency exchange, remittance and trade finance.
- Meanwhile, Mainland subsidiaries of two Hong Kong banks issued renminbi-denominated bonds in Hong Kong.

Hong Kong has thus achieved good progress in renminbi business over the past few years. The value of renminbi deposits outstanding stood at RMB54.4 billion at end-June 2009, a 348% jump from RMB12.1 billion at end-2004. By end-July, there have been nine issues of renminbi bonds in Hong Kong, totaling RMB27 billion, of which two issues were issued by the Mainland subsidiaries of Hong Kong banks. Hong Kong is the only place outside the Mainland with a renminbi bond market. The vast Mainland market will continue to provide abundant business opportunities for the Hong Kong financial sector.