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SINGAPORE ENHANCES CROSS-BORDER RENMINBI FLOWS AND CAPITAL MARKET CONNECTIVITY

Media statement by:
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Singapore has been a global leader in adopting the necessary financial market infrastructure to enable cross border flows of renminbi. Today's announcement by the Monetary Authority of Singapore – on key outcomes in financial co-operation arising from the recent state visit to Singapore by the President of the People's Republic of China, Mr Xi Jinping – telegraphs its intent to further inject liquidity into the market here, which is crucial to the renminbi being further embedded in the two-way trade and investment flows between the two countries.

- **Extending RMB arrangement to the Chongqing Municipality**

  Extension of cross border RMB facilities to the Chongqing Municipality will further drive the use and level of renminbi liquidity between the two countries, and reinforces Singapore's standing as both an enabler and a beneficiary of the RMB's continued internationalisation.

  The initiative will further encourage local investment and raise RMB liquidity in Singapore and, in the longer term, leave the door open to fresh equity raisings denominated in RMB, to tap the vast appetite for investment products in China.

- **Doubling Singapore's RQFII quota**

  After a relatively slow start, the utilisation of China's RQFII scheme – which provides international investors access to China's domestic capital markets – is increasing. As of June 2015, Singapore has the highest RQFII quota utilisation rate in the region, outside of Hong Kong reinforcing its role as a financial conduit for regional investors to participate in the China market.

  The interest for RQFII quota in Singapore has emerged from a variety of asset managers including those operated by insurance companies and even from ETFs wanting to get direct access into China.

  The doubling of the RQFII quota in Singapore will provide more headroom for our clients to apply for their quota.

- **Extension of the bilateral currency swap agreement (BCSA)**

  The extension of the BCSA signals to the Singapore banking sector that there will be ongoing RMB liquidity and provides the confidence needed to continue funding the trade and investment into China, as well as enhancing market stability in the offshore RMB market. The continuation of the BCSA will help anchor market confidence as Singapore's RMB market continues to grow by providing timely liquidity support to market participants.

Today's announcement follows a joint agreement reached in October between Singapore and Chinese governments allowing Singapore to lend RMB to corporates across Suzhou and Tianjin, and corporates in Suzhou and Tianjin being able to issue RMB bonds in Singapore.

China's trade and investment ambitions will be a defining commercial opportunity for ASEAN and many parts of the world over the coming decade and it is clear that Singapore means business in solidifying its financial links with China.

Singapore as a conduit for regional institutional investors' entry into China

Outside of ASEAN, the opening-up of China's capital markets provides ASEAN investors with the opportunity to access its significant domestic saver base.

Despite recent dislocations, market interest in China is increasing and institutional investors are looking to banking custodians to connect them with regulators and guide them through the new investment channels.

Continued collaboration between players in the financial industry, policymakers and regulators will therefore continue to be critical to ensure that Singapore remains at the heart of the FDI flows surrounding China's growth.

Renminbi-denominated deposits in Singapore totaled 322 billion yuan as at June 2015 – a 27% increase from the same period last year[1]. In addition, Singapore is the top economy outside China and Hong Kong to be using the renminbi for trade financing purposes[2].

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Notes to editors:

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[1] *Renminbi Rising: A New Global Monetary System Emerges*, Fung Global Institute and http://www.mas.gov.sg/statistics/rmb-statistics.aspx

[2] *RMB Tracker November 2013*, SWIFT