

Spotlight: One year on, Toronto RMB hub gains solid foothold, yet far to go

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TORONTO, March 23 (Xinhua) -- The renminbi hub in Toronto has started with strong footprints but still has a long way to go, business insiders say as Wednesday marked the first anniversary of inauguration of the first of its kind in the Western hemisphere.

A year ago, ICBC Canada was designated as the clearing bank for RMB, or Chinese yuan. A year on, ICBC Canada has inked RMB cooperation deals with institutions including Canada's five big banks, Toronto Stock Exchange and Export Development Canada.

Clearing accounts have made ready for 13 participant banks from eight countries and regions, and the cumulative settlement amount has reached 32.7 billion RMB (5.0 billion U.S. dollars), according to William Zhu, president and CEO of ICBC Canada.

The RMB market in Canada took some big steps over the past year. The Province of British Columbia issued its first Panda bond in China's domestic bond market in January 2016, raising 3 billion RMB. Canada Pension Plan Investment Board (CPPIB) invested 3.2 billion RMB in the common equity of Postal Savings Bank of China.

CI Investments became the first investor from the Americas to access China through Renminbi Qualified Foreign Institutional Investor (RQFII) program, which is designed to open up China's onshore securities markets to overseas investors using RMB.

Meanwhile, the Chinese banks in Canada, such as ICBC Canada and Bank of China (Canada), have forged ahead in promoting RMB business.

The acquiring business via Unionpay card has made pivotal progress, and a cluster of RMB dual currency debit and credit cards have been issued to local customers.

The RMB hub agreement between Canada and China also included a reciprocal currency swap line between the Canadian and Chinese central banks and an investor quota that allows access to Chinese capital markets.

Toronto Financial Services Alliance (TFSA) led the government-industry group that worked with the federal government to obtain the agreement with China.

"Canada having the only clearing bank in the Americas for the Chinese currency will help our country grow its stature as a RMB center and will strengthen the reputation of its financial industry, headquartered in Toronto," said **Janet Ecker**, president and CEO of TFSA.

According to Canadian Chamber of Commerce, the RMB hub in Toronto could boost Canadian exports to China by as much as 32 billion Canadian dollars (24.5 billion U.S. dollars) and save Canadian businesses 6.2 billion Canadian dollars in transaction over 10 years.

Nonetheless, the road forward is quite an uphill one. Given that Canada is a member of the north American free trade agreement and the United States remains Canada's largest trading partner, U.S. dollar is traditionally dominant in its foreign currency usage, financial experts warned.

"It's rather demanding for Chinese banks alone to develop RMB market overseas, local banks will also have to be engaged," William Zhu told Xinhua. "That's why ICBC Canada puts more focus on framework building to bridge the business services."

Experts believed that Chinese banks, as active advocates of RMB business, could do more when involved with foreign banks and financial agencies, especially when coupled with support from Canadian government policies.

A multi-pronged approach targeting a foreseeable free trade agreement negotiation between China and Canada, a closer collaboration in the financing and investment markets, and an extensive variety of RMB service products would help boost the market, said Li Aihua, president and CEO of Bank of China (Canada).

Statistics show that bilateral trade between China and Canada in 2015 achieved 10 percent growth to 85.8 billion Canadian dollars, and China stands the second biggest trading partner of Canada.

RMB internationalization is picking up pace as it has become the world's second largest trade finance currency and the fourth most-used currency for global payments, now only behind the U.S. dollar, euro and sterling.

The International Monetary Fund (IMF) also approved the inclusion of RMB in its Special Drawing Rights (SDR) basket as an international reserve currency.

"The RMB trading center might be just a small step, but it is a vital one, in ensuring that Canada remains closer to, and more connected to, China as it emerges as a powerful global force in the world's financial markets," said John M. Curtis, an executive fellow at the University of Calgary's School of Public Policy.

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