“Singapore can leverage on its strengths as a key wholesale funding centre to increase liquidity and circulation of the RMB in Asia. We are already seeing good growth in RMB deposits, both non-bank and interbank. We are also one of the largest centres for RMB payments … As a major regional funding centre, Singapore has traditionally supported the liquidity of the Asian markets and can partner China in promoting sustainable offshore use of the RMB.”

– Singapore’s Deputy Prime Minister, and Chairman of the Monetary Authority of Singapore, Mr Tharman Shanmugaratnam, at the ACI (The Financial Markets Association) 52nd World Congress, Singapore, 15 March 2013
GROWING INTERNATIONAL ROLE OF RENMINBI
Rising potential for international use of RMB

The Chinese economy has experienced rapid growth over the past decade. China, the world’s second largest economy, is also the world’s largest exporter and second largest importer. It is a major destination for foreign direct investment and is also an important source of outward direct investment, accounting for 18% and 4% respectively of the world’s total.

China has made notable progress to internationalise the use of the RMB. Over time, as China moves towards greater capital account liberalisation and as Chinese financial markets deepen, the RMB will play a transformational role in Asian finance, trade and investment.

The internationalisation of the RMB presents new opportunities that financial institutions, companies and investors can tap on. As an international financial centre, Singapore is plugged into these developments and is able to deliver and meet RMB solutions and needs.
Singapore is well-placed to play a key role in RMB internationalisation

Singapore is a major RMB trade finance and settlement centre. Between January to April 2012, RMB-denominated letters of credit (LCs) transmitted by SWIFT between commercial banks in China and Singapore accounted for 20% of all RMB-denominated LCs globally, making Singapore the largest corridor for usage of RMB LCs by transaction value after Hong Kong. In October 2012, Singapore is ranked among the top two offshore RMB centres (outside China/Hong Kong) in terms of SWIFT RMB payment value. In October 2013, Singapore accounted for 60% of RMB trade finance volume outside China and Hong Kong.

China has strong trade linkages with Singapore and Southeast Asia. As at end 2012, ASEAN-China trade reached a record high of USD 400.9 billion, making China ASEAN’s largest trading partner. As the gateway to Southeast Asia, Singapore can intermediate the RMB flows in ASEAN-China trade.

Many multinational companies and global commodities traders, including more than 4,000 Chinese companies, have set up operations in Singapore. Singapore is a business and finance hub to corporates and investors in this region, and Singapore offers attractive propositions to serve their RMB needs:

**Greater access to RMB liquidity**
The RMB Clearing Bank in Singapore provides greater access to RMB liquidity in China through its access to financial markets in China. Under the bilateral currency swap arrangement between Monetary Authority of Singapore (MAS) and the People's Bank of China (PBC), MAS can extend liquidity support to the market via the MAS RMB Liquidity Facility.

**Enhanced convenience for RMB trade settlement**
Through the RMB Clearing Bank, Participating Banks are able to access the onshore foreign exchange market to buy or sell RMB for trade purposes, on behalf of their clients.

**Suite of RMB investment channels and products**
Financial institutions in Singapore offer a comprehensive suite of RMB investment products ranging from RMB deposits, bonds, insurance endowment funds, and structured products. The extension of RMB 50 billion quota under the RMB Qualified Foreign Institutional Investor (RQFII) programme to Singapore, allows qualified Singapore-based institutional investors to channel offshore RMB from Singapore into China’s securities markets. RQFII licence holders can also develop RMB investment products catered to the needs of Singapore’s broad investor base.

**A choice location for centralising finance and treasury activities**
Singapore offers efficient single-location management of multiple currencies (including RMB), with convenient access to hedging and cash management solutions. Many multinational companies have set up regional finance and treasury centres in Singapore, to take advantage of this convenience.

**Strong RMB co-operation with China**
Singapore and China enjoy close relations, and both PBC and MAS signed an MOU on RMB Business Cooperation in April 2013. A number of initiatives that further promote the international use of the RMB through Singapore have been introduced in October 2013. These measures include cross-border RMB flows between Singapore as well as Tianjin Eco-City and Sichuan Industrial Park, and the direct trading of Chinese Yuan against Singapore Dollar in both China and Singapore markets. China will also consider Singapore as one of the investment destinations under the new RMB Qualified Domestic Institutional Investor (RQDII) scheme. This will allow qualified Chinese institutional investors to use RMB to invest in Singapore’s capital markets.
PROMOTING REGIONAL USE OF THE RMB
LEVERAGING SINGAPORE’S FINANCIAL CENTRE STRENGTHS
Singapore as a major financial centre of international repute

More than 700 financial institutions, with the world’s top players amongst them, have anchored themselves in Singapore to tap on opportunities in the Asian region. Singapore offers a broad range of financial services including banking, insurance, asset management and treasury services.

Active foreign exchange and derivatives markets

❖ Singapore is the largest foreign exchange centre in Asia and the third largest globally. Singapore’s average daily foreign exchange turnover is more than USD 380 billion.

❖ Singapore is also the largest over-the-counter interest rate derivatives trading centre in Asia ex-Japan.

Large pool of asset and wealth managers with strong China investment capabilities

❖ Singapore-based fund managers manage more than USD 1.2 trillion in assets in 2012, of which more than 80% are sourced from outside Singapore.

❖ Close to USD 4 billion in Qualified Foreign Institutional Investors investment quota has been awarded to asset managers in Singapore.

Proven location for raising capital, with a large base of investors

❖ Singapore is a proven location for RMB bond issuance, having witnessed the successful issuance of competitively-priced RMB bonds that were arranged by banks in Singapore.

❖ The Qualifying Debt Securities scheme offers cost-savings to overseas investors of bonds.

❖ The Singapore Exchange (SGX) is Asia’s most international exchange, consisting close to 40% in foreign listings.

❖ SGX provides listing, quoting, trading, clearing and settlement services for securities denominated in RMB.

❖ Issuers listing RMB securities on SGX can also offer dual currency trading, for flexibility to trade in RMB, Singapore Dollar or supported foreign currencies.
Key milestones in Singapore’s RMB journey

8 February 2013
PBC appointed the Industrial and Commercial Bank of China Limited, Singapore branch, as the RMB Clearing Bank for Singapore.

7 March 2013
PBC and MAS expanded the bilateral currency swap arrangement, doubling the size of the swap to RMB 300 billion. The scope of the swap was also expanded to allow provision of liquidity support by MAS.

2 April 2013
PBC and MAS signed a Memorandum of Understanding (MOU) on RMB Business Cooperation. Both central banks committed to work closely in developing the RMB market in Singapore under the MOU.

May 2013
The Industrial and Commercial Bank of China Limited, Singapore branch, commenced its clearing operations in Singapore on 27 May 2013. Within the first month of the launch of the clearing services, four banks issued a total of RMB 2.5 billion of RMB bonds which were cleared and settled in Singapore (“Lion City” bonds).
SINGAPORE’S JOURNEY AS AN OFFSHORE RMB CENTRE

22 October 2013
Singapore and China agreed, at the 10th Joint Council for Bilateral Cooperation (JCBC), on new initiatives to further promote the international use of RMB through Singapore. These initiatives are: extension of the RQFII programme to Singapore, with an aggregate quota of RMB 50 billion, China and Singapore to introduce direct currency trading between the Chinese Yuan and Singapore Dollar, to allow cross-border flows of RMB between Singapore and Suzhou Industrial Park (SIP) as well as Tianjin Eco-City (TEC), and Singapore will be given consideration as one of the investment destinations under the new RQDII scheme.

19 November 2013
The RMB Clearing Bank, Industrial and Commercial Bank of China Limited, Singapore branch, issued RMB 2 billion of RMB bonds in Singapore (“Lion City” bonds).
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