

## Hong Kong & Mainland China News – June-2015

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### Year-end hope for yuan float

By thestandard.com.hk

Tuesday, June 2, 2015

China International Capital Corporation forecasts the yuan may be fully convertible by the end of this year, as Beijing launches a series of relaxing measures to help the currency become a component of the International Monetary Fund's special drawing rights.

The value of the drawing rights is determined against a basket of currencies, including the dollar, euro, yen and the British pound.

Beijing is keen to see the yuan included in this basket.

CICC chief economist Liang Hong said the measures including launching a second version of the qualified domestic institutional investor scheme and relaxing access for foreign institutional investors will be taken to ensure the yuan's inclusion. The IMF says all SDR currencies must be "freely usable."

But DBS managing director of private banking Tommy Ong said the yuan is unlikely to become "fully convertible" as soon as this year.

"Chinese citizens are allowed to exchange no more than US\$50,000 [HK\$390,000] worth of yuan in one year, and there is no sign this rule may be lifted," he said.

But Ong believes the yuan could very possibly be included within this year.

The criteria for SDR inclusion is "free use" rather than "full convertibility" and the yuan has met at least 80 to 90 percent of that criteria.

Ong believes Hong Kong can continue to play an important role as an off- shore yuan market even if the currency becomes does become fully convertible, given that London remains the largest offshore market of the US dollar.

"Yuan internationalization will push up its value in the long term, accompanied by higher volatility," Ong added.

The former head of the Hong Kong Monetary Authority's direct investment division Edmund Ng told Bloomberg global institutions will buy more yuan bonds if it becomes a reserve currency.

He plans to start-up a fund that invests in Chinese bonds and expects demand for them to rise with interest-rate liberalization.

## **China, Hungary sign 'Silk Road' deal**

By rthk.hk

Sunday, June 7, 2015

Hungary and China have signed an accord to cooperate on the creation of a new Silk Road network, a Chinese plan to boost trade with Europe.

Hungarian Foreign Minister Peter Szijjarto, who signed the deal with Chinese counterpart Wang Yi, says cooperation between the two countries "has never been as good or as effective as now" and that Hungary seeks to become the regional hub for China's activities in Europe.

Mr Szijjarto said on Saturday the Chinese project includes a project financed by China to upgrade the 370-kilometer railroad link between Budapest and Serbia's capital, Belgrade.

## **IMF in China for currency basket review**

By rthk.hk

Saturday, June 13, 2015

A team from the International Monetary Fund is visiting China as part of the global lender's review over whether to include the Chinese yuan in its basket of currencies, an IMF official said.

An official said the IMF's review of the Special Drawing Right (SDR) basket was "under way and the technical work is still at an early stage."

"As part of the review, an IMF team is visiting China to have technical discussions," the official said in an email.

Beijing is pushing to get the yuan included in the SDR basket, which could raise its standing in the global financial system and mark an important step in Beijing's emergence as a global power.

IMF Managing Director Christine Lagarde has said it is a matter of time before the yuan is included in the IMF's unit of accounting, though US officials have said the currency is not yet ready to join.

Beijing tightly controls the yuan's movements and has strong capital controls, but it is pushing for increased use of the currency for trade and investment as part of a long-term strategic goal to reduce dependence on the US dollar.

## HK on `right track' with China

By thestandard.com.hk

Monday, June 15, 2015

Hong Kong should take advantage of the emerging China market to maintain its competitiveness as an international financial center, said Secretary for Financial Services and the Treasury Ceajer Chan Ka-keung.

Asked about the SAR being overreliant on the mainland market, Chan wrote in his blog that Hong Kong is on the right track in cooperating with it as China has the fastest growth of all the Asian economies.

With the internationalization of the yuan and its increasing circulation, Chan is positive that the Hong Kong market will not be marginalized. The Shanghai- Hong Kong Stock Connect demonstrated how Hong Kong benefited from collaboration with China, he added.

Chan said the economic development of Hong Kong should be in line with the mainland and overall Asian markets.

The increasing needs of financing among Chinese corporations creates an opportunity for Hong Kong to set up a bond market. Property management is another potential industry due to the prosperous development in Asia.

He doesn't think people should compare Hong Kong with other top financial cities like New York and London, as the SAR cannot offer financial management services to nonlocals to list European companies in the SAR.

To consolidate its role as an international financial center and offshore yuan center, Chan stressed that Hong Kong needs to join forces with the mainland market so regulators of both sides can build up a world-class monitoring system.

The government will focus more on human resources and policies, and also maintain healthy communications with the industry.

## **HK 2nd in attracting investment**

By news.gov.hk

Thursday, June 25, 2015

For the first time, Hong Kong ranked second in global foreign direct investment (FDI) inflows last year in the United Nations Conference on Trade & Development's World Investment Report.

Hong Kong received US\$103 billion in investments last year, a year-on-year increase of 39%, placing it second only to the Mainland (US\$129 billion) and ahead of the US (US\$92 billion), the UK (US\$72 billion) and Singapore (US\$68 billion) globally.

With US\$92 billion, Hong Kong also ranks second in terms of FDI outflows, after the US (US\$337 billion) and ahead of the Mainland (US\$116 billion), Japan (US\$1114 billion) and Germany (US\$112 billion).

Secretary for Commerce & Economic Development Gregory So today said the result highlights Hong Kong's role as a super-connector and a conduit for direct investment, adding that it reflects international investors' affirmation of the city's investment policy.

Director-General of Investment Promotion Simon Galpin was also encouraged by the numbers and noted that foreign investors use Hong Kong as a base to invest in the rest of China and the region, while Mainland companies increasingly use Hong Kong as a platform to make global investments and acquisitions.

## **Australia agrees to join Beijing-led AIIB**

By rthk.hk

Thursday, June 25, 2015

The Australian government on Wednesday said it would contribute A\$930 million over five years to the new China-led Asian Infrastructure Investment Bank (AIIB), making it the institution's sixth largest shareholder.

A total of 57 countries, including Britain, France and Iran, have joined the US\$100 billion lender, which is seen as a rival to the Western-dominated World Bank.

The AIIB, to be based in Beijing, will have a total paid-in capital of US\$20 billion as well as authorised capital of US\$100 billion, Foreign Minister Julie Bishop and Treasurer Joe Hockey said in a joint statement.

Mr Hockey will seal the agreement in Beijing on Monday.

## **Big bang for Beijing in new bank launch**

By thestandard.com.hk

Monday, June 29, 2015

One of China's biggest foreign policy successes will take concrete shape today when delegates from 57 countries sign an agreement on the Asian Infrastructure Investment Bank in Beijing.

The founding members of the China-backed AIIB will sign articles of agreement that decides each member's share and the bank's initial capital.

The AIIB is the brainchild of influential Chinese think tank China Center for International Economic Exchanges.

It had proposed the creation of the bank in 2013 as an institution that balances China's political and economic priorities, officials at the think tank said.

"The AIIB has made a lot of progress so far in its preparatory work, but this is only the first step in a long road ahead," Finance Minister Lou Jiwei said in a commentary published on the website of the official People's Daily newspaper on Thursday.

Apart from backing the AIIB, China has also pledged billions of dollars to the Silk Road fund and the "One Belt, One Road" initiative, which are also aimed at funding infrastructure to increase trade and connectivity between Europe and Asia.

In Hong Kong, Financial Secretary John Tsang Chun-wah expects the AIIB to be established in the end of this year or early next year.

He also said Hong Kong would grab the opportunities arising out of the "One Belt, One Road" initiative, hoping this can contribute to overall economic growth in the mainland while helping the SAR's economy to enter the next stage of development.

Tsang will attend the signing of the AIIB agreement in Beijing today and meet with the deputy foreign affairs minister, Zhang Ming.

## **Tax blacklist claim called unfair to HK**

By thestandard.com.hk

Monday, June 29, 2015

The accusation that Hong Kong is a tax haven is unfounded and unfair, says Secretary for Financial Services and the Treasury Ceajer Chan Ka-keung.

Chan wrote in his blog that the European Commission should review its inclusion of Hong Kong in the list of non- cooperative tax jurisdictions in mid-June. He said the list is loosely compiled, breaching the international practice of mutual assessment on tax affairs.

The list includes 30 territories, with Hong Kong and Brunei the tax havens in Asia. The European Commission said the blacklist can pressure non- cooperative jurisdictions to adopt international standards on tax transparency.

Chan said the commission ignored the updates that Hong Kong has signed three agreements on double taxation avoidance with three out of 10 states that have accused Hong Kong, and two agreements have already come into effect.

The Organisation for Economic Co-operation and Development has expressed its concern over the list, Chan said. The OECD pointed out that most of the territories on the list are cooperative tax jurisdictions.

Chan added that the Global Forum on Transparency and Exchange of Information for Tax Purposes has already recognized Hong Kong's efforts in its two-phase peer review in 2011 and 2013.

Chan said some parties make the mistake of thinking that Hong Kong is a tax haven due to its simple tax system and the government will work to change that.