## Yuan cross-border payment system ready: Reuters

By rthk.hk
Tuesday, March 10, 2015

China's long-awaited international payment system to process cross-border yuan transactions is ready, and may be launched as early as September or October, Reuters reported, quoting unidentified sources.

The launch of the China International Payment System (CIPS) will remove one of the biggest hurdles to internationalizing the yuan and should greatly increase global usage of the Chinese currency by cutting transaction costs and processing times.

It will also put the yuan on a more even footing with other major global currencies like the US dollar, as CIPS is expected to use the same messaging format as other international payment systems, making transactions smoother.

CIPS, which would be a worldwide payments superhighway for the yuan, will replace a patchwork of existing networks that make processing renminbi payments a more cumbersome process.

"The CIPS is ready now and China has selected 20 banks to do the testing, among which 13 banks are Chinese banks and the rest are subsidiaries of foreign banks," said a senior banking source who is involved in the matter.

The official launch will be in September or October, depending on the results of the testings and preparation, the source said.

A second source with direct knowledge of the matter said authorities want to launch the first phase of CIPS before December.

## Mainland's consumer inflation jumps to 1.4 percent

By rthk.hk
Wednesday, March 11, 2015

China's consumer inflation jumped to 1.4 percent in February, rebounding from a more-than-five-year low, official data showed on Tuesday.

The increase in the consumer price index (CPI) compared with a gain of 0.8 percent in January, according to National Bureau of Statistics (NBS) figures. The result, which exceeded the median forecast for a 1.0 percent gain in a survey of analysts by Bloomberg News, came largely due to higher prices for food and services surrounding China's annual Lunar New year holiday.

"Demand for fresh food increased" during the festival, senior NBS analyst Yu Qiumei said in a statement, "leading prices to rise by large margins." Qiu added that transport and tourism prices also increased, while labour shortages prompted by migrant workers returning home also pushed up costs for services such as nannies and housekeepers, which rose 6.3 percent from the previous month.

## Plans for Hong Kong

By thestandard.com.hk
Friday,March 13, 2015

Beijing will introduce new measures to strengthen Hong Kong as an offshore yuan center, if necessary, People's Bank of China governor Zhou Xiaochuan said.

"We have confidence in Hong Kong as a financial center and their ability to manage risk," Zhou said at a briefing in Beijing following the National People's Congress.

The government is satisfied with the Shanghai-Hong Kong Stock Connect operation, he said. "The design of the connect is relatively conservative because it is new."

Deputy governor Yi Gang added: "This year we will definitely launch the Shenzhen-Hong Kong Stock Connect program."

Yi also said the Hong Kong-US dollar peg is faring well so there is no need to tinker with it.

## Shenzhen link all set

By thestandard.com.hk
Tuesday, March 24, 2015

Details of the proposed link between Shenzhen and Hong Kong stock exchanges are expected to be revealed next month and the scheme is likely to start operating in October, local reports said yesterday.

Cumulative trading quotas for the Hong Kong- bound portion of both connect schemes involving Shanghai as well as Shenzhen will be lifted, while daily quotas could be raised to 20 billion yuan (HK$24.9 billion).

The investment range will be enlarged.

The Shenzhen-Hong Kong Stock Connect will include the main, small and medium enterprises and the ChiNext boards, and the Hang Seng HK small cap Index. But market sources said ChiNext stocks may be open only to institutional investors.

Meanwhile, Hong Kong Exchanges and Clearing (0388) will reportedly start a public consultation on shareholding structures by the third quarter.

Detailed plans on allowing the same shares to have different voting rights will be discussed.

The local stock exchange is also studying plans to stimulate turnover in Hang Seng Index futures.

## Yuan settlement growth tipped to double

By thestandard.com.hk
Friday, March 27, 2015

Cross-border trade settlement in yuan is expected to climb to more than 50 percent of China's total trade by 2020, more than doubling the current level, Stuart Gulliver, HSBC's group chief executive, said yesterday.

A scheme launched in 2009 and initially in five mainland cities to encourage cross-border trade settlement in yuan rather than US dollars has seen rapid growth in the past few years, with yuan settlement of trade debts rising from 1 percent of transactions in 2010 to 22 percent last year.

This momentum was unaffected by the quick depreciation of the yuan earlier this year, showing its use in trade settlement is rooted in genuine need and supported by confidence in the fundamental and relative stability of the currency, Gulliver told a forum yesterday.

The yuan, nicknamed the "redback," fell 2.4 percent against the dollar last year and that weakness remained until earlier this month when suspected intervention by China's central bank helped it recover some ground. The yuan has already broken into the top five as an international payments currency, overtaking the Canadian dollar and the Australian dollar, said global transaction services organization SWIFT.

Gulliver expects the yuan to increasingly represent a viable alternative to the US dollar and to finally become a main reserve currency alongside the dollar and euro.

He expects China to achieve full capital account convertibility by 2017.

Gulliver said the official 7 percent gross domestic production target is more a growth floor than a target, and Beijing is preparing to cushion the transition through further easing.

"I do not believe that China will have a hard landing," Gulliver said.

## More countries keen to join China investment bank

By rthk.hk
Monday, March 30, 2015

Russia, Australia and the Netherlands have become the latest countries to say they intend to join a China-led investment bank, in a move that underscores Beijing's growing financial power.

It follows news on Friday that Brazil wants to become a member of the Asian Infrastructure Investment Bank.

The United States - whose banks' lending policies sparked the 2008 financial crisis - is concerned that the China-led bank might not observe international standards of governance.

## Tsang eyes Asian bank opening

By thestandard.com.hk
Monday, March 30, 2015

Financial Secretary John Tsang Chun-wah said in his blog yesterday Beijing is very positive about Hong Kong's application to join the mainland-led Asian Infrastructure Investment Bank.

The bank was set up in October by representatives from 21 Asian nations. It was initially capitalized with US$50 billion (HK$390 billion) half of which was funded by China. So far, more than 40 countries and regions have said they plan to join the AIIB. No applications will be accepted after tomorrow.

Tsang said the SAR had proposed joining in December. Some local enterprises and professionals will get the opportunity to engage in key construction projects.

Tsang expects the AIIB to be officially established in June, and start operations by the end of the year.

Tsang also said Beijing's Silk Road Economic Belt and 21st Century Maritime Silk Road can bring abundant opportunities, with Hong Kong playing investor, mediator and supporter.

He plans to visit some emerging regional hub countries, starting in autumn.

On calls for localism, Tsang said he does not oppose them if all they want is to keep some Hong Kong features.

## Beijing aims at fine balance for yuan

By thestandard.com.hk
Monday, March 30, 2015

The mainland's economic policy has been clearer since this month's political meetings in Beijing.

Regional interest rates are falling as countries push currencies to stimulate exports and drive the economy.

China is doing the same, but not to weaken the yuan. Its strategy is to "give up" stimulating exports, hoping for all- round yuan stability, minimizing outflows to promote the stock, housing and domestic markets so that growth can be maintained above 7 percent.

Exchange-rate instability can make outflows from China grow, which is bad for the housing market, as well as for a stock market that is showing strength.

If the two markets are under pressure, that would rebound on the wealth effect, which will eventually affect the consumer market. Then the economy would face the risk of a hard landing.

Therefore, China will continue to cut rates and lower capital reserves.

But Beijing will intervene to keep the yuan's exchange rate in fine balance.

The Shanghai index should go as high as 4,500 points, and the property market will be more stable after more measures are imposed. But it will be difficult before it returns to its peak.