

### **Mainland should allow greater currency flexibility**

By rthk.hk

Thursday, May 7, 2015

The International Monetary Fund (IMF) says the mainland should allow "greater flexibility" in its currency exchange rate policy by reducing intervention on the back of a slowing economy.

The yuan is widely seen as undervalued and Beijing has been accused for years of suppressing its value in order to boost exports.

The IMF said it expects the mainland's economy will slow to 6 percent in 2017 and then stabilize around there.

The economy grew 7 percent during the first three months of this year - the lowest percentage rate in six years.

### **Russia and China sign accords in Moscow**

By rthk.hk

Saturday, May 9, 2015

Russia and China have signed a \$25 billion deal to boost Chinese lending to Russian firms and a number of other accords as Moscow's ties with the West fray over the Ukraine crisis.

Russian President Vladimir Putin and President Xi Jinping hailed their countries' improving relationship after Kremlin talks and a signing ceremony on the eve of a military parade marking the end of World War Two in Europe. Mr Xi is among about 30 foreign dignitaries attending the anniversary events in Moscow.

## **PBOC cuts interest rates again**

By rthk.hk

Monday, May 11, 2015

The mainland has cut interest rates for the third time in six months in a bid to lower companies' borrowing costs and stoke a sputtering economy that is headed for its worst year in a quarter of a century.

Analysts welcomed the widely-expected move, but predicted policymakers would relax reserve requirements and cut rates again in the coming months to counter the headwinds facing the world's second-largest economy.

The People's Bank of China (PBOC) said on its website it was lowering its benchmark, one-year lending rate by 25 basis points to 5.1 percent from May 11. It cut the benchmark deposit rate by the same amount to 2.25 percent.

"China's economy is still facing relatively big downward pressure," the PBOC said. "At the same time, the overall level of domestic prices remains low, and real interest rates are still higher than the historical average," it said.

Sunday's rate cut came just days after weaker-than-expected April trade and inflation data, highlighting that the mainland's economy is under persistent pressure from soft demand at home and abroad.

While the PBOC acknowledged the difficulties facing China's economy, it said in its statement accompanying the announcement that it wants to strike a balance between supporting growth and deepening structural reforms.

As part of these reforms, it lifted the ceiling for deposit rates to 1.5 times the benchmark level, the biggest increase in the ceiling since it began to liberalise the interest rate system in 2012.

## **Three orders on avoidance of double taxation agreements gazetted**

By ird.gov.hk

Friday, May 15, 2015

Three orders made by the Chief Executive in Council under the Inland Revenue Ordinance were gazetted today (May 15). The orders implement the Comprehensive Agreements for the Avoidance of Double Taxation (CDTAs) with South Africa and the United Arab Emirates (UAE) and the notes exchanged between Hong Kong and Japan regarding the exchange of information (EOI) article of the CDTA with Japan.

"The CDTAs ensure that investors will not have to pay tax twice on a single source of income. In simple terms, the CDTAs will bring tax savings and a higher degree of certainty on taxation liabilities for investors from the respective places when they engage in trade and investment activities with Hong Kong and vice versa," a Government spokesman said.

"As regards the exchange of notes with Japan, it will expand the coverage of tax types under the EOI arrangement of the existing CDTA Agreement with Japan, so as to fulfil our international obligation to meet global standards for enhancing tax transparency."

The orders will be tabled at the Legislative Council on May 20 for negative vetting. The CDTAs and notes exchanged will enter into force after both Hong Kong and the treaty partners have completed their ratification procedures.

Hong Kong signed the CDTAs with South Africa and the UAE in October 2014 and December 2014 respectively, and exchanged notes with Japan in December 2014.

## **Cross border access to mutual funds from July**

By rthk.hk

Friday, May 22, 2015

Local and mainland securities regulators have announced a long-awaited scheme, allowing mutual funds registered here and across the border to be sold in each others' market.

The scheme will be launched from July with an initial investment quota of 300 billion yuan for each way.

The scheme marks another key step after November's launch of a landmark stocks trading link between Hong Kong and Shanghai markets.

The Secretary for Financial Services, KC Chan, said the new scheme would encourage money managers to base their funds in Hong Kong.

Professor Chan also said he's not worried that the scheme would trigger a flow of hot money into the local stock market, saying the funds under the new scheme will have to be vetted by mainland and local regulators before taking up buying orders.

Regulators on both sides started discussing the new scheme in 2012 and reached a preliminary agreement in 2013.

## **China, Chile sign currency swap agreement**

By rthk.hk

Tuesday, May 26, 2015

Prime Minister Li Keqiang and Chilean President Michelle Bachelet signed a currency swap deal on Monday seeking to deepen economic ties by boosting trade and investment.

The currency swap agreement between Chile's central bank and the People's Bank of China eases the exchange of up to 2.2 trillion pesos (about US\$3.6 billion) for the next three years. China has signed currency swap deals with several countries and has worked with financial centers to develop international hubs for offshore trading of the currency.

"We want to strengthen our financial cooperation with Chile during this visit, and we have both signed this swap deal," Mr Li said during his visit to Chile, the last stop in his tour of South America, which also included Brazil, Colombia and Peru.

## **Yuan no longer undervalued, says IMF**

By rthk.hk

Wednesday, May 27, 2015

China's yuan currency, which Washington has long alleged was manipulated, is "no longer undervalued", the International Monetary Fund said on Tuesday.

"Our assessment now is that the substantial real effective appreciation over the past year has brought the exchange rate to a level that is no longer undervalued," the IMF said in a statement after a consultation mission to China.

Beijing is pushing for the currency to play a greater role in the world financial system, such as being included in the basket that makes up the IMF's own "special drawing rights" reserve currency.

"We urge the authorities to make rapid progress toward greater exchange rate flexibility, a key requirement for a large economy like China's that strives for market-based pricing and is integrating rapidly in global financial markets," the IMF said.

## Study gives SAR a renewed edge

By thestandard.com.hk

Thursday, May 28, 2015

Hong Kong is the world's second-most competitive economy in 2015 in a globally recognized ranking improving on its performance last year just after concern flared about supposed lost strength.

The yearly listing from the World Competitiveness Center of IMD, a business school based in Lausanne, Switzerland, shows Hong Kong just behind the United States and one place ahead of arch-rival Singapore.

The United States was the most competitive nation for a third successive year. China was 22nd one up on 2014.

Hong Kong was in top place in 2011 and 2012 only to slip to third in 2013 and to fourth last year.

Countries are evaluated against criteria including economic performance, government efficiency, business efficiency and infrastructure.

The center works with material from the World Bank, the International Monetary Fund and private consultancies. Executives are also interviewed.

The IMD report followed soon after the release of the latest Chinese Academy of Social Sciences' comprehensive economic competitive index.

In that one, the SAR lost the No1 spot it had held since 2002 to Shenzhen, sparking lively discussions on whether Hong Kong was on a slide.

The academy researcher heading the study said the SAR needed to look beyond trade, the financial sector, shipping, tourism and professional services to fuel its economy, calling for attention to innovation and emerging industries.

But such aspects are not included specifically in the IMD's annual formulations to decide positions.

Arturo Bris, director of the World Competitiveness Center, said countries looking to go up in the rankings must pay more attention to government policies and their judiciaries.

Governments should "have the right principles regulation, infrastructure, education," he said. "When we see good governments we see competitiveness."