



## WELCOME REMARKS BY VICE-GOVERNOR DR BALOG

*Budapest Renminbi Initiative, Plenary meeting, 26 March 2015, Central Bank of Hungary*

**Distinguished guests, Mr Bao, thank you for accepting our invitation to the plenary meeting of the Budapest Renminbi Initiative.**

**China is rising and becoming the engine of the world economy. It is a fact.** According to the GDP China will sooner or later surpass the United States. Chinese banks are among the largest banks in the World on the basis of their total assets or capital. And China is one of the most important trading partners of the European Union, including Hungary. This is perhaps the major reason, why we organized this meeting today.

**Hungary played always a special role in China's relations with the region.** So far the Magyar Nemzeti Bank has been the only central bank in Central and Eastern Europe to have concluded a foreign exchange swap agreement with the People's Bank of China. Furthermore, our countries were building good economic relationship in the previous decades as well, and cultural and student exchange programs also tied China to Hungary and vice versa. Recently, Hungary is where the Bank of China opened its branch in the region last year; and in recent years Hungary has become one of the most important regional target countries of Chinese investments and migration.

**The Budapest Renminbi Initiative is an important milestone in the establishment of the Central East European renminbi market including the Hungarian renminbi market.** The goal of the initiative is to create money-, foreign exchange and capital market infrastructures, to develop the clearing and settlement system and to support negotiations about Chinese capital market licences in cooperation with the major stakeholders of renminbi settlements in the financial, corporate and government sector.

**To arrive here numerous efforts were made by several stakeholders. Perhaps the key stakeholder was the People's Bank of China, which established swapline agreements with other central banks, appointed clearing banks and approved investment quotas to pave the way for renminbi internationalisation.** The Central Bank of Hungary was one of the first European central banks to conclude a swapline agreement with the PBOC in 2013, after two prominent institutions, the ECB and the Bank of England set good examples. The renminbi swapline agreement can serve as a backstop facility that supports confidence of both Chinese and European financial institutions in offshore market liquidity.

**Important to note, that global financial institutions, the Bank of China, the ICBC and further Chinese and international banks collaborated on the development of settlement systems and on their renminbi services.** Furthermore, public institutions such as Ministries and Treasuries were involved in the development of bond markets, while financial supervisory agencies started to negotiate relevant supervisory issues, share the necessary information and continuously evaluate the possibilities of enhanced cooperation.

**As a result of these efforts, the share of renminbi settlements grew to 30-40 percent of total payment flows between China and many EU countries according to the payment statistics of SWIFT.** Looking ahead, further liberalisation of China's capital account and exchange rate regime, the transformation of the Chinese savings portfolio and financing structure can provide countries of the EU with financing and diversification opportunities.

**On the first day of the Chinese Lunar Year, that was on the 19 of February 2015, the Magyar Nemzeti Bank announced the start of its Renminbi Programme.** After reviewing the actions taken by the members of the European System of Central Banks, the MNB has started to develop the financial infrastructure and institutional structure as part of the Hungarian Central Bank's Renminbi Programme. This will facilitate the utilisation of advantages arising

from the renminbi internationalisation and due to the role of Budapest in the region it can generate cross-border market activity and income for both China, Hungary and for the whole Central and Eastern European region.

**The Renminbi Program has four important elements.** The top management of the MNB will discuss issues such as (i) the opportunity of the renminbi foreign exchange reserve portfolio, (ii) whether central bank renminbi liquidity instrument is needed to deal with market disturbances, (iii) the development of the renminbi clearing and settlement infrastructure, (iv) and last, financial stability and supervisory issues related to the use of the renminbi and the cross-border activity of Chinese banks.

**Renminbi initiatives are important forums of the RMB market's development. The Central Bank of Hungary launched the Budapest Renminbi Initiative today to follow the international best practice.** For instance, the City of London launched the Initiative on London as a center for renminbi business, Frankfurt also started a RMB Initiative Group, and Luxemburg is a Center for International RMB Business.

**Priority objectives of the Budapest Renminbi Initiative include the establishment of bridges between offshore and onshore markets, and raising awareness and identify renminbi market development issues.** Based on experiences collected in London and Luxembourg, one of the major business possibilities in the receiving countries may be related to FX and capital market services.

**The Budapest Renminbi Initiative is expected to hold biannual meetings in the future, and we are looking forward to hosting you as well as a growing number of renminbi experts in the future. Today we organized three sessions.**

- In the first session, the Bank of China, the ICBC, the Hungarian Government Debt Management Agency and my colleague Mr Kuti will deliver interesting presentations about the liberalisation of the Chinese capital account and how it will form investment and fund raising opportunities in Europe.
- In the second session Mr Wang from the MOFCOM will deliver the first presentation. Then Ms Li from the Wanhua – Borsodchem group, a prominent Chinese investor in Hungary will explain the platform for the further economic cooperation between Chinese and Hungarian companies. Furthermore Mr Bődöcs from the Hungarian Investment Promotion Agency – will show why is Hungary: a proven location for Chinese investments
- At the third session renminbi settlement issues will be discussed first by Mr Yabin from the Bank of China Hong Kong Ltd. Also Mr Pataki from the most important Hungarian Bank, the OTP will introduce the bank's business plans for the People's Republic of China and its experience about renminbi clearing. Finally, Mr Bartha, Director of Financial infrastructures in the MNB will elaborate on the renminbi clearing centers around the world.

**I congratulate all participants on their remarkable achievements in the field of the renminbi internationalisation and I believe that the collaboration of the participants of the plenary meeting and further stakeholders will be a success story in these times of economic challenges. Last but not least, I wish you a fruitful discussion for today.**