

18 April 2012

Osborne hails London as Chinese renminbi trading centre

George Osborne believes London is the ideal location for offshore trading in Chinese renminbi (RMB) and wants the capital to become the world's top destination for the business.

The chancellor believes the city's specialism in bond issuance and foreign exchange makes it the perfect candidate to act as a centre for Chinese banks looking to conduct business in the west.

Speaking after HSBC launched its first renminbi bond in London, Osborne said: "It is the ambition of the British government to make London a western hub for the sector - with all the benefits that this will bring to our own economy.

He added: "This builds on the progress London has already made toward becoming the western hub for RMB."

The City of London Corporation published a report which demonstrated that renminbi deposits in London now come to a total of 109 billion yuan (£10.8bn).

The Corporation is cooperating with large banks to establish London as an offshore renminbi trading centre and reinforce an initiative with Hong Kong to work together on offshore trading of the currency.

Stuart Fraser, the Corporation's policy chairman, said: "As the world's leading global financial centre, London is perfectly positioned to act as the western hub for RMB as exchange controls are gradually relaxed.

"London has many natural advantages, including: time-zone, a trusted legal system, a respected regulatory framework, deep pools of liquidity and a strong track record of innovation.

"We are also home to global institutions that have expertise in utilising RMB-denominated products and services to benefit clients by facilitating trade with China. This will increase exports and help deliver jobs and growth in the UK and Europe."

London accounts for 26 per cent of the renminbi's global offshore foreign exchange market.

However, Jonathan Davis, managing director of Jonathan Davis Wealth Management, does not believe becoming a trading centre will necessarily provide a major boost for the capital.

Davis said: “The City of London is the largest financial centre in the world and due to its geographical location between time zones, etcetera, is excellently placed to take advantage of and develop this long-term growing market.

“I do not see it as a major boost to the London economy, just a relatively small add-on to what is already there. The City is generally in long term decline since 2008, as seen again in 2009-10 and now in secular decline.”