

# Financial centres jockey for position amid renminbi's growth



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AS THE RENMINBI'S USAGE CONTINUES TO INCREASE, THE WORLD'S FINANCIAL CENTRES – FROM LONDON TO TAIWAN – ARE COMPETING TO BECOME THE LEADING OFFSHORE HUB FOR RENMINBI PAYMENTS.

**M**ore than 1000 financial institutions in some 130 countries now do business in the Chinese renminbi. Since only June 2010, when trade settlement in renminbi with any corporate in the world was first allowed, the proportion of China's cross-border trade paid for in renminbi has jumped as high as 10%.

Swift's monthly Renminbi Tracker, which measures the number of renminbi payments over Swift's global financial messaging network, reveals that there have been some startling growth spurts in the currency's journey. For example, between October 2010 and July 2011, use of the renminbi rose by a mind-boggling 874%, and in just one month between October and November 2012, renminbi usage worldwide grew by 24%, to reach its highest ever level.

It is unsurprising that usage of the renminbi is growing so fast and becoming so widespread. Chinese companies are becoming increasingly important in the global economy and policy-makers in Beijing are slowly liberalising capital and currency controls. This opens the way for more and more customer and institutional payments to be made in the Chinese currency. By November 2012, it was in 14th place among the world's most used currencies.

In August 2012, of the 158 countries that had payments with China and Hong Kong, 20% make at least 10% of their payments in renminbi, and on average 4% of all payments value with China and Hong Kong was in renminbi. Strong performers are the Gulf countries, Singapore and the UK, while Canada and Germany also show good take up. Adoption of the renminbi by the US and Japan, by contrast, has remained low.

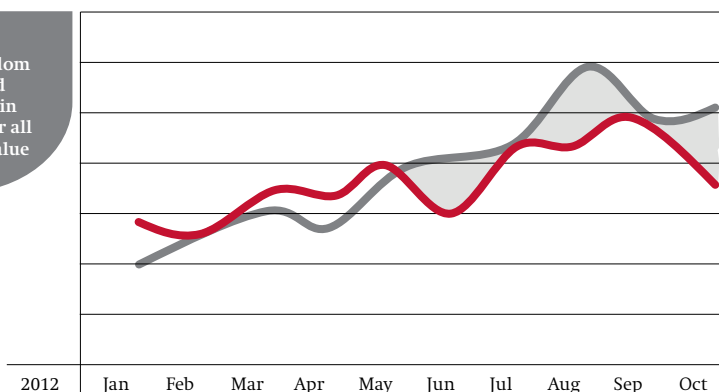
## Clearing race

The renminbi's rise has also unleashed a race to capture business in offshore clearing hubs. Hong Kong remains the world's largest offshore renminbi centre – processing 80% of cross-border renminbi

## MIND THE RMB GAP

RMB as world payments currency

United Kingdom surpassed Singapore in June 2012 for all payments value



Source: The RMB Tracker

CNY payments value evolution

— United Kingdom  
— Singapore curve

payments – but a few other countries are emerging as key centres as take-up increases. While more than 130 countries transact in renminbi with Hong Kong and China, about 90% of the volume is concentrated in just 10 countries. These are led by the UK and Singapore.

London, which has launched a high-profile bid to be a renminbi hub, recently overtook Singapore as the second largest offshore centre; between June and September 2012, its market share rose from 26% to 28%, while Singapore's declined from 34% to 26%. Taiwan is also taking a growing share of the business. In July 2011, it was 57th out of 131 countries exchanging renminbi payments; by mid-2012 it ranked seventh. In November 2012, renminbi represented 28% of the country's total payments value with China and Hong Kong, up from just 9% at the beginning of the year.

The currency clearing memorandum of understanding between China and the Central Bank of Taiwan, signed in August 2012, will drive adoption of the renminbi by Taiwan and help the country's market share to rise further, but in the meantime, Swift figures show that London is consolidating its lead. In October 2012, the payment gap widened between the top five renminbi countries (excluding China and Hong Kong), with UK payments rising by 3.9% and other centres' share declining, including Singapore, which saw payments falling by 22.7%. This trend was confirmed in November, with UK payments rising by 24% and Singapore payments by only 8%.

The renminbi has experienced some stumbles, however. In September, Swift's Renminbi Tracker revealed a decline in renminbi payments for the second consecutive month, with the currency falling back to 16th in the list of most used world currencies. Then, spectacular payments growth of 24% in the month to November (compared to an average 7% decrease across all currencies) saw the renminbi regain its earlier high place of 14th, with an all-time high market share of 0.56% (versus 0.42% a month earlier).

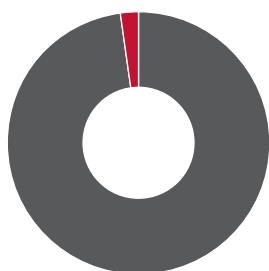
The renminbi still represents a tiny proportion of the global payments market – commanding only 0.56% versus the euro's 40.89%, for example – but the long-term trend suggests its rise will be inexorable. How this will play out amongst global financial centres remains to be seen.

## biography

Harry Newman is head of market initiatives at Swift.

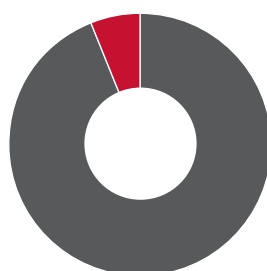
## MIND THE RMB GAP

Institutional transfers are driving the CNY adoption figures from October 2012



### United Kingdom

■ 2% Customer payments  
■ 98% Institutional transfers



### Singapore

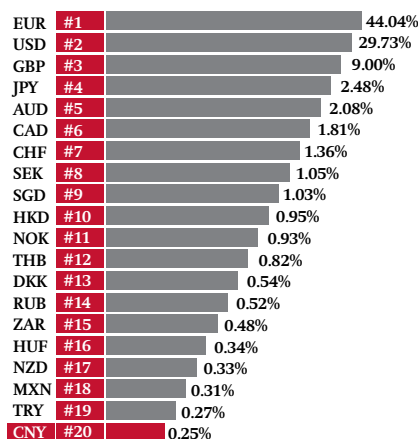
■ 6% Customer payments  
■ 94% Institutional transfers

Source: The RMB Tracker

## MIND THE RMB GAP

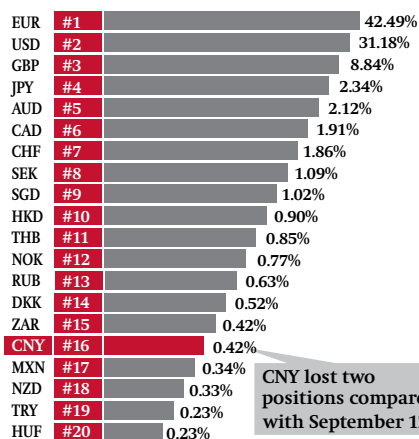
RMB as world payments currency

### JANUARY 2012



Source: The RMB Tracker

### OCTOBER 2012



CNY lost two positions compared with September 12