

Clearstream Spotlight

Offshore centres in Europe key to RMB internationalisation

A new study commissioned by Clearstream from Aite Group shows that market participants in Asia and Europe expect the development of offshore centres in Europe to play a key role in fostering global liquidity for China's international trading currency, the Renminbi (RMB).

Aite Group held detailed interviews with 24 top firms in the financial industry in Asia and Europe to capture their views on the internationalisation of the RMB and the development of European offshore centres. The aim of the study on 'Internationalising the RMB: Weaving a Web for the Next World Currency' was also to analyse the current state of RMB hubs in China.

The majority of interview respondents believe that Europe will play a key role in the currency's internationalisation process, though some raised questions around its long-term future once markets in China have been liberalised. 61 % of respondents believe a developed European infrastructure is key to the success of the RMB.

Operational barriers

Operational issues remain the biggest barrier to the use of RMB within trade finance and payments. In particular, a lack of clearing broker readiness for operating in RMB (32 %) and translation issues (32%) are the main challenges according to survey respondents. In addition, invoicing, accounting and bookkeeping

procedures need to be improved. Aite Group's research provides a unique insight into financial markets' growing interest in the Chinese currency. The findings reflect the potential for RMB growth whilst identifying key barriers to the further development of the offshore RMB, which financial market infrastructures such as Clearstream can help address.

Efficient infrastructure key to success

According to the study, the establishment of an efficient and recognised infrastructure as well as the optimisation of liquidity will be the main success factors for the international development of the RMB market. It is therefore crucial that market infrastructures such as Clearstream continue to facilitate the issuance, settlement and custody of RMB-denominated bonds in the European market. Clearstream already leverages its global settlement and collateral management infrastructure to accelerate and optimise the liquidity of the offshore RMB cash supply.

A currency on the rise

The internationalisation of the RMB will be a three-step process in which the currency is first used as a global trade and payment currency, then as a global investment currency and finally as a global reserve currency. As a trade currency, the RMB has rapidly gained importance in recent years and is now the second most used currency for trade finance in the world.

Clearstream's RMB market approach

Clearstream supports the internationalisation of the RMB by bringing together market providers and participants from across the finance community to collectively support the growth and increasing maturity of the offshore RMB market.

As a result, Clearstream customers will benefit from a greater exposure to the Chinese market, increased cash liquidity and reduced risk. New products and services will not only facilitate investment but also cash management, trade finance and other commercial financial activities in RMB. Chinese investors will benefit from lower funding costs.



More information

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