

John Glen speaks at the RMB Global Cities Dialogue in London

It's a pleasure to be asked to say a few words about the opportunities that lie ahead for RMB as a global currency.

But first I think it's worth spending a moment taking stock of this wonderful building and its surroundings.

The Roman foundations beneath us – a temple to the Persian god Mithras – remind us that London has always been a bridging point between different cultures; open to people and ideas from across the world.

The majestic views of St Paul's reflect the City's resilience. Over the centuries, the Square Mile has endured peace and war, fire and plague, boom and bust, each time emerging stronger than before.

And with its striking combination of sandstone and glass – and its energy efficient design – Bloomberg's new headquarters is a sign of the innovation and ambition that characterise the City today.

Openness, resilience, innovation...these are the time-honoured qualities that make London a leading centre for financial services.

These same strengths are accelerating us toward a position of leadership across the markets of the future, from FinTech and cyber-insurance to Islamic finance and green investment.

And our growing partnership with China is absolutely part of the City's ambitions for the future too.

The RMB Opportunity

In his visit to Beijing in April, the Chancellor, Phillip Hammond, spoke of the UK as the natural economic partner for China.

He outlined how we have the legal and technical expertise, and the capacity in our capital markets, to help deliver the Belt and Road Initiative.

In the same way, my message to you today is that we also have the transformative strengths that are necessary to help RMB fulfil its potential to be a leading currency in the global market.

Because despite China's incredible growth in recent times, we have yet to see an equally dramatic use of RMB.

RMB is only the 5th most used payments currency globally, sitting at just under 2% of the global total, as opposed to the US dollar at around 40%.

But this is now changing.

In 2016, we saw the addition of RMB to the International Monetary Fund's Special Drawing Rights. Since then, many countries have added the RMB to their mix of reserve currencies, including the UK.

The increasing use of RMB in trade has helped to popularise the currency, and initiatives like the Greater Bay Area and the Belt and Road are likely to further this trend.

The inclusion of RMB products in global indices is boosting opportunities for global investors and increasing exposure to the China market. This recognises the strides China has made in terms of market opening and transparency.

Here in London, we approach this opportunity from a position of strength.

The UK has been at the forefront of supporting Chinese efforts to open their markets over many years.

London is already home to the world's largest foreign exchange market and is the leading RMB trading and investment centre outside of China.

Around 36% of RMB transactions are carried out in the UK, compared with about 6% each in France and Singapore – and we're even ahead of Hong Kong.

The UK has also been home to many 'firsts' in RMB products.

In 2012, HSBC issued the first RMB-denominated bond outside of Greater China, and they chose to do it here in London.

In 2014, IFC issued the first RMB-denominated green bond: again, it was here in London.

And in the same year, the UK government issued an RMB 3 billion sovereign Dim Sum Bond, becoming the first western country to do so.

The UK market monitoring group, a partnership between the City of London and People's Bank of China, is now tracking these developments.

Their publication – the London RMB Business Quarterly – contributes to our understanding of the London offshore RMB market, providing recent data, policies and commentaries from market participants.

And it gives investors a way of keeping their finger on the pulse.

Next Steps

It was my enormous privilege to welcome Vice Premier Hu Chunhua to the UK for yesterday's Economic and Financial Dialogue.

This was the 10th such dialogue between our two countries. Through this enduring relationship we have sought to maintain London's position as a centre for RMB trading and investment, and further our shared efforts to tap its potential.

Yesterday morning, I was pleased to join the Chancellor at the London Stock

Exchange to witness the launch of the new London-Shanghai Stock Connect, which included the start of trading in Huatai Securities.

This initiative links the UK and Chinese markets together and means that, for the first time, any foreign company will be able to list in mainland China.

It is also the first time that international investors will be able to access China A-shares from outside of Greater China, and through international trading and settlement practices.

And it is the first time that investors will be able to trade across London and Chinese time zones.

Together, our two countries are now looking to deepen and broaden this connectivity.

Yesterday the EFD announced that the UK and China will accelerate plans to explore a UK-China Bond Connect.

We also secured agreement from the Chinese to undertake a feasibility study into extending their trading hours to help facilitate bond trading across our time zones.

I am confident that the London market will play its part by continuing to foster innovation in RMB products and services, and support the continued internationalisation of the currency.

Reform and openness

It will be important to see continued developments in China's financial reform and openness too.

China has made great progress in recent years.

Following announcements in 2017 to deepen access to China's financial markets for foreign investors, an important set of measures have been released.

This includes the removal of restrictions on ownership stakes, together with onerous regulatory requirements.

In securities and mutual-fund management joint ventures, foreign firms are now able to take 51% stakes, with the promise of full control by 2020.

In insurance, foreign companies can now also take 51% stakes in joint ventures and onerous requirements on operating history have similarly been removed.

And encouragingly China has promised further opening to come, along with continued progress on exchange rate reform and capital account convertibility.

The UK welcomes these breakthroughs and supports their continued implementation to enable greater foreign participation.

Conclusion

Let me draw this together.

The man behind this building and so many others in the City, Norman Foster, once said that it would be impossible to be an architect without also being an optimist.

And today, we too have good reason to be optimistic.

As the internationalisation of RMB progresses, we can build on solid foundations.

London's enduring qualities of resilience, innovation and openness are alive-and-kicking.

The City is already the leading destination for RMB trading and investment.

And with the tenth UK-China Economic and Financial Dialogue successfully concluded, the path before us is now one of growing partnership and opportunity.

I look to the City to continue to bring your innovation and ambition to bear as the RMB market develops.

I have every confidence that we can unlock the potential that RMB represents.

And I look forward to working with you, and with our friends in China and around the world, to make this so.

Thank you.