

Hong Kong Financial Regulation and RMB Internationalisation

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Overview

- Foundations
- Infrastructure
- Regulation: Issues
- Regulatory structure
- Looking forward

Foundations:

RMB Internationalization

- Store of value: AFC / GFC
- Means of payment:
 - Trade
 - Investment
 - Payment systems: HK
- Savings: deposit accounts
- Investment / cash management: debt / equity
- Finance
- Risk management: derivatives
- Convertibility

Infrastructure

- Sophisticated international multicurrency environment
- Policy support
- Interbank markets
 - Payment systems
 - Trust: regulation / disclosure / safety net
 - Information: interbank rate / disclosure
 - Repos / clearing / settlement

Regulation: Issues

- Information: markets and regulators
- Participants: banks, shadow banks and multiple jurisdictions
- Safety net: regulation, liquidity provision, deposit insurance, financial institution insolvency
- Derivatives markets: development and financial stability

Regulatory structure

- Coverage effective?
- Sufficient to address new developments?
- Sectoral v. single v. twin peaks

Looking forward

- Trade flows / trade settlement: key to supporting real economic activity and long-term development
- Cash management: key is development of sufficient depth of debt products
- Investment: key is move by Mainland to conduct “official” deals in RMB
- Finance: key is investment and trade flows
- Hong Kong / Shanghai relationship

Useful references

- D. Arner et al., “The Global Financial Crisis and the Future of Financial Regulation in Hong Kong”, AIFL Working Paper No. 4 (Feb. 2009):
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