

Report on the Budapest Renminbi Initiative Conference 2017*

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The Magyar Nemzeti Bank launched the Budapest Renminbi Initiative in 2015, within the framework of which an international conference is held annually, where domestic and foreign decision-makers, financial and economic leaders and professionals discuss the current situation and further development of Hungarian-Chinese economic-financial relations. The conference, which was being held for the third time already, occurred on 5 April 2017 and was attended by 110 participants from Hungary as well as from several Chinese cities and the United Kingdom.

The conference was opened by *Márton Nagy*, Deputy Governor of the central bank, who emphasised in his speech that the conference provides a good opportunity for the sharing of knowledge and experiences and for the development of new cooperation schemes. Márton Nagy called attention to the results of Chinese-Hungarian relations so far, and recalled that the central bank has encouraged the development of Chinese-Hungarian economic-financial relations with the launch of the Budapest Renminbi Initiative. Moreover, with its Renminbi Programme the MNB itself has spearheaded the development of the initiative, mentioning the renminbi bond investments of the central bank as a case in point. Furthermore, Márton Nagy noted that the “One belt, one road” and the 16+1 initiatives and the activity of the MNB support the further development of Chinese-Hungarian relations.

In the first lecture of the morning panel discussion, *Dániel Palotai*, Chief Economist and Executive Director of the Magyar Nemzeti Bank, presented the steps taken up to now by the MNB to develop Chinese-Hungarian relations and the accomplishments, as well as the potential for further development. At the beginning of his lecture he highlighted the points of connection between the New Silk Road (“One belt, one road”) concept, the Renminbi Programme of the central bank and the Renminbi Initiative of Budapest, which is manifest in the financial relations. He then pointed out that opportunities for new investments and financing sources are available in the constantly developing Chinese-Hungarian economic and financial relations. He emphasised that since the launch of the Initiative the settlement infrastructure for renminbi (RMB) has been developing, in which Bank of China plays a significant role,

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and more and more types of banking services are available related to the Chinese currency. Of the latter, he stressed the opportunity of direct conversion between the renminbi and the forint, which is already available in the onshore market. Among the directions of development, he identified the increase of the use of the renminbi in trade relations, development of the related financial markets, the opportunity of exploiting the RQFII quota (onshore share and bond investment opportunity for financial investors) and the opportunities of cooperation in research.

Zsolt Csutora, Deputy State Secretary for the policy of Opening to the East at the Ministry of Foreign Affairs and Trade, gave a welcome speech and shared his thoughts on the current points of Hungarian-Chinese cooperation. The closing lecture in the morning discussion panel was presented by *Chi Lo*, senior economist at BNP Paribas, who gave an overview of the developments in the internationalisation of the renminbi so far and then outlined further potential steps towards renminbi internationalisation. The first step was the dissemination of the currency in trade settlements. As the second step, he identified the increased use of renminbi in the capital markets. The latter refers to the use of RMB-denominated financial instruments, securities and other financial products (e.g. hedging transactions). In his opinion, in order to accomplish a shift in this direction, on the one hand the offshore RMB market needs to grow, for which it is necessary that the largest possible portion of exports to China should be settled in RMB, while on the other hand, further deregulation of the onshore market is also necessary. Finally, he highlighted that recently and probably in the future as well, the international financial system has been transforming in a direction that is favourable for the renminbi, and if we assess the future demand for traditional SDR currencies, the renminbi may be the currency for which demand could increase in the upcoming period.

The second session was organised around the real economy and related financial areas. In the opening lecture of this panel, *Mariann Gecse*, Director of Corporate Communication of Huawei presented the achievements of the company in the field of corporate social responsibility, highlighting environmental protection and programmes supporting future generations. Of the latter, since 2011 the company has worked with almost 500 students in Hungary in the secondary and tertiary educational sectors through its 'Seeds for the Future' programme and the agreement concluded with Széchenyi István University. *Zoltán Urbán*, Chief Executive Officer of EXIM, provided comprehensive information on the opportunities for export and import subsidies, giving an overview of the available options and the already completed and successful projects by the example of specific projects. He emphasised that financing is available in the form of equity as well, through various funds for companies involved in Chinese-Hungarian relations. *Xi Jingjing* gave a lecture on behalf of Bank of China. In her presentation, she gave an overview

of the development of Chinese-Hungarian relations, the current issues related to the internationalisation of the renminbi and the future role of the renminbi in the international financial system. After that she presented the banking services that could serve the continued development of Chinese-Hungarian economic and commercial relations. In addition to trade financing, they also offer corporate financing and cash management solutions, and risk management and investment products. The closing lecture of the panel was given by *Wu Wei*, representative of the China Foreign Exchange Trade System, who presented the general features of the onshore Chinese bond markets and the opportunities for market entry.

The participants discussed capital market issues in the afternoon panel. In the introductory lecture, Professor *Chen Xin* presented the results of the Chinese economy and the internationalisation of the RMB, and outlined how the process of RMB internationalisation is connected to investment opportunities in the securities market. *Richárd Végh*, chairman of the board and chief executive officer of the Budapest Stock Exchange, presented the plans of the Stock Exchange for RMB products, which covers a broad range in accordance with international practice: in addition to the traditional equity and currency products, plans call for bonds, ETFs and structured products to become available on the market. The stock exchange also maintains active relations with institutional investors and based on the experiences of the negotiations conducted with them he also reported that in certain cases some actors are already considering direct entry into the Chinese capital markets. At the same time, several challenges have been identified concerning market entry (e.g. language barriers, technical challenges). In his lecture *György Barcza*, Chief Executive Officer of the Government Debt Management Agency outlined the major milestones in the development of the Chinese bond market and recalled the success of the Hungarian dim sum bond issuance in 2016. He talked about the role of the Chinese currency in financing public debt and the plans for the future related to onshore bond issuance (panda bonds). In addition to giving a brief comparison of panda and dim sum bonds, he also presented the considerations regarding panda bonds. The closing lecture was held by *Miklós Endreffy*, senior portfolio manager of BIS, who gave a presentation about the features of the Chinese bond market, spoke about the market of derivative instruments available for the management of the bond portfolio, and presented the available yields in international comparison.

Through the examples and experiences of recognised experts in the field of Chinese-Hungarian relations and financial markets the participants learned about the opportunities available for the real economy and for investment and financing related to the New Silk Road, and promoted by the Renminbi Programme of the Central Bank and the Budapest Renminbi Initiative.