

Editorial

Bridging Markets

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As China is gradually opening up its capital markets, the potential of renminbi (RMB)-denominated trading in offshore markets seems unmatched, especially looking at the imminent growth of the RMB. In order to further establish the RMB as a trading and investment currency, the current endeavour to broaden the accessibility of RMB-denominated products in offshore markets and linking the Chinese and international capital markets becomes of vital importance.

The effort to internationalize the RMB is also significant for international investors, as China's financial market reform ultimately allows for better accessibility to attractive direct investment opportunities. China is progressively increasing the quota for Qualified Foreign Institutional Investors (QFII) and, thereby, broadens both onshore and offshore markets. Furthermore, liberalization initiatives are under way, allowing Chinese and foreign investors to interact in cross-border asset transactions.

Supporting globalization initiatives and alignments between the Chinese and international capital markets, both on a regulatory and organizational level, has become more important than ever, as we stand on the brink of China's integration with global capital markets. To fully understand the opportunities that lay ahead, we need to observe key events which undoubtedly propelled the RMB internationalization to its current state.

First, the Shanghai-Hong Kong (SH-HK) Stock Connect, a cross-boarder pilot programme that linked both markets, lifted former restrictions and historic limitations of trading shares previously targeted to local investors. SH-HK Stock Connect not only changed the structural investment landscape, but also provided unprecedented investment opportunities for foreign investors. In 2016, China is supposed to initiate Shenzhen-Hong Kong Stock Connect, improve SH-HK Stock



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Connect and further evaluates connections to European exchanges.

Another recent milestone was China Europe International Exchange (CEINEX), a cooperation between Deutsche Börse Group and two Chinese Exchanges, namely Shanghai Stock Exchange and China Financial Futures Exchange. Utilizing know-how, leveraging capabilities and channelling combined efforts through CEINEX, we embark on a mission to create a new RMB-offshore hub in Frankfurt by providing attractive investment opportunities to international investors, internationalizing the RMB and, most importantly, further developing the RMB as an investment currency. As of March 1st, 2016, total value traded amounted to approximately RMB 1.6 billion. Currently, about 200 products are being traded on CEINEX, in RMB and other currencies. Starting with ETFs, Bonds, DRs, and D-Shares, CEINEX is planning to extend

its product range from cash to derivatives products.

Lastly, it is irrevocable that the liberalization of China's economy has not gone unnoticed. An important step towards the internationalization of the RMB was accomplished last year, when the International Monetary Fund (IMF) announced its inclusion in the basket of currencies with Special Drawing Rights (SDR), given its substantial increase in the international use and trading. So, where do we go from here?

In order to promote RMB internationalization and create a new liquidity pool for RMB-denominated products, we need to actively engage in the development of global capital market integration between Chinese and international capital markets, political activities and support the opening of the world's second largest economy and, as a result thereof, provide new investment opportunities for investors, globally.