

# press release

FOR IMMEDIATE RELEASE

## **The inclusion of renminbi into IMF's Special Drawing Rights basket A long-term game changer for world financial markets**

**1 December, 2015, Singapore** – The official recognition of the renminbi as a global reserve currency is more than just an important milestone for the Chinese currency; it has significant, game-changing effects on global markets, Standard Chartered said.

Within slightly over a decade, China's extensive reforms have propelled the renminbi from being nonexistent on the world stage to becoming a currency in the International Monetary Fund's (IMF) Special Drawing Rights (SDR) basket.

"Today marks the beginning of another new chapter in the growth and development of the renminbi. The inclusion into the SDR highlights the renminbi's importance in the global financial system and is a key accomplishment since China embarked on its reform in 2004." said Sam Vilo, Head, Financial Markets and Asset Liability Management Singapore, Standard Chartered Bank. "We expect to see further developments which include flexible cross-border investments and remittance, expansion of free trade zones and greater opening up of capital account. We are confident that China will remain committed to promoting its currency in a steadfast and well-paced manner, on track to meet our forecast of becoming a G3 currency by 2020."

Vilo added: "Singapore is the largest offshore renminbi centre outside Hong Kong and an important gateway into the vibrant South East Asia region, so this development is expected to further increase demand for renminbi trade transactions and investments. Singapore's leadership position has been further strengthened by the latest initiatives MAS announced on cross-border renminbi flows and capital market connectivity, including the extension of renminbi cross-border scheme to Chongqing, the renewal and enhancement of the bilateral currency swap arrangement (BCSA) as

well as the doubling of the RMB Qualified Foreign Institutional Investor (RQFII) scheme quota to RMB 100 billion.

“As with all major changes and developments, there will inevitably be uncertainties and volatilities across financial markets, be it greater two-way USD-CNY variability or financial flows as international investors and reserve managers adjust their portfolio over time. It will take time for market participants to rebalance against a new reserve currency, which will eventually bring positive changes to global financial markets across FX, rates, fixed-income and other asset classes. We are confident that Singapore will remain an integral centre for renminbi given its importance for global FX and trade flows.”

After the SDR review, Standard Chartered expects a gradual pick-up of diversification inflows into renminbi assets from international investors and reserves managers, of which the latter would be a critical underlying support for the CNY in the coming years. Global central banks may reallocate one per cent of their reserve investments into renminbi assets annually. Standard Chartered expects inflows of US\$85 billion-US\$125 billion from global central banks in 2016, with at least five per cent of global reserves being denominated in renminbi by end-2020.

Central banks are likely to favour products such as renminbi bonds issued by the Chinese government, Policy Banks, high quality corporate bonds and Supranationals; and at the shorter-end of the curves, T-bills and bank deposits. Standard Chartered expects rising usage of the renminbi by corporates, financial institutions, and investors alike. From trade to investment to now becoming a global reserve currency, the renminbi has embarked on an irreversible journey.

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## **Standard Chartered**

Standard Chartered in Singapore is part of an international banking group with more than 86,000 employees and a 150-year history in some of the world's dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East, where we earn around 90 per cent of our income and profits. Our heritage and values are expressed in our brand promise, Here for good.

Standard Chartered has a history of 156 years in Singapore, opening its first branch here in 1859 and in October 1999 was among the first international banks to receive a Qualifying Full Bank (QFB) license, an endorsement of the Group's long-standing commitment to its businesses in the country.

The Bank transferred its Singapore Retail and SME business to a locally-incorporated subsidiary, Standard Chartered Bank (Singapore) Limited on 7 October 2013.

The Bank in Singapore serves both retail and corporate customers. It provides credit cards, personal loans, auto loans, mortgages, deposit taking and wealth management services to individuals and small to medium sized enterprises. The Bank also provides corporate and institutional clients with services in trade finance, cash management, lending, securities services, foreign exchange, debt capital markets and corporate finance.

The Bank employs around 7,000 people in Singapore and has a network of 18 branches, 7 Priority Banking centres and 32 ATMs.

The Bank's global business is managed from Singapore, as is its global Technology & Operations function.

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## **[Standard Chartered Renminbi Globalisation Index \(RGI\)](#)**

Standard Chartered launched the RGI in November 2012. The Index covers seven markets in offshore RMB business: Hong Kong, London, Singapore, Taiwan, New York, Seoul and Paris. It measures business growth in four key areas: deposits (denoting store of wealth), Dim Sum bonds and Certificate of Deposits (as vehicles for capital raising), trade settlement and other international payments (unit of international commerce) and foreign exchange (unit of exchange). As the Renminbi further internationalises, there is capacity to include additional parameters and markets.