

Rmb market for bank of china essay

[Business](#), [Industries](#)



A Critical Study Of Successful Factors In RMB Market For Bank Of China In Hong Kong

Abstraction

This intent of this undertaking is to happen out the utile ways to hold on the chance of the RMB trade colony pilot strategy In Hong Kong in order to hike the incomes and creates more net incomes of analyzing company which is Bank of China. The background is that the cabinet, the People ' s Bank of China (PBOC) , the cardinal bank, decides to spread out the range of settlement and colony agreement for Hong Kong Bankss to cover with RMB concern. The new concern will be launched after the proficient system is good developed. The cardinal bank will supply settlement systems for the concern. This will enable Bankss in Hong Kong to run more asset-related concern. The aims are that develop and supply diversify RMB-related services and merchandises of Bank of China base on the consequences of research inquiries. The basic literature reappraisal depend on the analysis of three facets which are the theory of offshore market and offshore fiscal Centre, the hypothesis of Hong Kong ' s seaward RMB concern and the great possible facets of going an offshore RMB Centre.

The research inquiries are designed into five facets of RMB-related banking concern which includes the RMB sedimentations, RMB recognition card, RMB hard currency backdown service, RMB bonds and RMB merchandise and service inventions. These research inquiries are critical and chief factors for Bank of China to hold on the chance of the RMB trade colony pilot strategy in Hong Kong. Furthermore, this undertaking has the research design forms in table signifier, three informations aggregation methods which include self-

administered study, telephone interview and face to confront interview. The trying method is convenience sampling and the sample size is about 180 interviewees.

Purpose

RMB market is a immense and possible market in Hong Kong. The purpose of the undertaking is that find out and place the utile methods to hold on the chance of RMB market in Hong Kong in order to make and develop the efficient concern schemes of Bank of China. Bank of China will acquire the immense benefits of RMB market in Hong Kong if this company has the successful RMB-related banking concern in Hong Kong.

Background

hypertext transfer protocol: //www.

aastocks.com/TC/ChangeLang.aspx? lang= EN & A ;

url=/en/stock/companyfundamental.aspx % 3Fsymbol= 02388hypertext

transfer protocol: //news.xinhuanet.

com/english/2005-10/12/content_3608654.htmlIn this undertaking, I attend to choose Bank of China (BOCHK) for analyzing.

This company has the alone advantages of RMB market in Hong Kong. We can cognize the methods to do every bit much as net incomes in RMB market via analyzing the RMB-related banking concern of Bank of China in Hong Kong. In add-on, Bank of China maintained their market leading in the RMB-related banking concern in Hong Kong. In 2008, the Group ' s significant growing of RMB sedimentations was 58. 5 % , accounted for the largest market portion. In the RMB recognition card concern, the company is besides

<https://assignbuster.com/rmb-market-for-bank-of-china-essay/>

amongst the top of Hong Kong that card figure and card family disbursement volume increased 24.6 % and 49.

8 % severally. More backdrops of BOCHK were extended to Hong Kong yuan railroad Stations along the automatic Teller machines in order to function the clients better. During the twelvemonth, the company besides acts as the three major Bankss in the Mainland to publish renminbi bonds in Hong Kong lead director, book-keeping line and distribution lines. Besides, three Bankss issued bonds a sum of up to 90 billion kwais. In add-on, BOCHK have good communicating and cooperation with other Bankss in China for fixing to supply clients with cross-border wealth direction services in the Mainland. The first half of 2009 is expected to be in the designated subdivisions of Bank of China launched the mainland.

Until the terminal of 2008, the Group ' s wealth direction over a figure of clients was increased by 21.5 % . The BOCHK through new concern chances, such as the Beijing Olympics, launched a series of new cards to spread out related concerns through new concern chances, such as the Beijing Olympics. In add-on, the company introduced the " CUP BOC Credit Card" with China Union Pay in December 2008. As Hong Kong ' s economic system is export-oriented, nature of Hong Kong ' s economic mentality depends critically on the development of the planetary economic system in 2009. Because a high grade of uncertainness is still vibrating in the planetary fiscal markets, the concern environment is expected to be really hard in the coming twelvemonth or even longer. We have seen that GDP growing was shriveling, unemployment rate was lifting and the negative wealth effects

were looking. Nevertheless, Hong Kong is still in a comparatively advantageous place.

This is because the company received the full support of the Mainland, while the Mainland in footings of both the economic and fiscal strength compared with other parts is comparatively stable. The cardinal authorities published in Renminbi 4-trillion stimulation bundles in November 2008 and the subsequent launch of a figure of policies and steps to excite the economic system, so the Hong Kong economic system and its fiscal services sector will convey new chances. Therefore, Bank of China can acquire the benefits in RMB market through different RMB services and merchandises in Hong Kong. Guaranting the RMB concern in the market leading, Bank of China hopes the approaching yuan trade colony pilot programs to open one of the chief Windowss of chance which allows the Guangdong Province, the Yangtze River Delta between Hong Kong to utilize the kwai as a trade colony currency. The intent is to spread out the Group ' s RMB banking concern. In add-on BOCHK developed the RMB remittal and foreign exchange concern actively and improved its comprehensive renminbi services to keep its taking position. Consequently, this undertaking can assist Bank of China to keep the prima place in the RMB-related banking concern market in Hong Kong and increase the income from RMB-related banking concern of Bank of China.

Research Aims

The critical and chief factors for Bank of China to hold on the chance of the RMB trade colony pilot strategy in Hong Kong.

Harmonizing to different RMB-related banking concern, these factors can clearly place what actions should be taken by Bank of China to hike the incomes and net incomes from the RMB market in Hong Kong. For keeping the market leading in Hong Kong ' s bing RMB banking concern, Bank of China should develop and supply diversify RMB-related services and merchandises base on the undermentioned research aims. 1.

) Measure preceived image of assorted HK Bankss2.) Evaluate the popularity of RMB as grip3.) Obtain people ' s perceptual experience of the chance of RMB4.

) Measure the credence degree of RMB recognition card5.) Calculate the ammount the behaviour of RMB cardholder disbursement6.) Identify which is the ideal location of ATM for RMB hard currency backdown7.

) Evaluate which is the best method to advance RMB bonds8.) Evaluate which new merchandise and service are valuable to clients

Critical Review Of Relevant Literature

This article mentions the theory of offshore market and offshore fiscal Centre. I think that Hong Kong as an international fiscal centre, the cardinal authorities attaches great importance to the function. Under the first stage of the agreement, four brace of Bankss in Hong Kong Renminbi (RMB) concern has opened. RMB sedimentations increased from a stable, smooth minutess and a stable exchange rate has to turn out that the kwai concern is really successful. In the SAR Government ' s proposal based on the cardinal authorities has approved in rule to spread out renminbi concern in Hong Kong on the scope. This includes increasing the renminbi kwai and the Hong

<https://assignbuster.com/rmb-market-for-bank-of-china-essay/>

Kong dollar per individual per dealing bound, in the abolishment of the recognition bound of RMB bank cards issued to beef up to the RMB remittal bound imposed by Hong Kong occupants to loosen up and spread out Hong Kong ' s RMB colony to designated merchandisers sections, and allows you to stipulate an bill Hong Kong to open RMB hard currency sedimentations histories and let the RMB deposits one-way exchange of foreign currency into Hong Kong dollars. Furthermore, the cardinal authorities besides agreed in rule to run in Hong Kong of a new RMB concern for ingestion in Guangdong Province to Hong Kong occupants look into issued by a limited figure of kwai.

Cardinal authorities will shortly implement the assorted agreements and a formal proclamation. I believe that these new steps will go an all-around development to advance Hong Kong ' s fiscal industry milepost. [hypertext transfer protocol: //english.](#)

[sina. com/taiwanhk/1/_2005/1012/49126. html](#) [hypertext transfer](#)

[protocol: //www. china. org. cn/english/travel/144883. htm](#) Furthermore, this article analysis and show the Hong Kong ' s seaward RMB concern.

Harmonizing to RMB concern in Hong Kong Bankss on a test footing, it is tagging the development of the banking sector is taking an of import measure frontward.

It promotes and facilitates the economic integrating between Mainland and Hong Kong for sing and passing money. I believe that the Hong Kong banking sector will prehend this chance and supply different RMB services to the populace in the close hereafter. Harmonizing to the base of RMB concern in Hong Kong bank, this opened up a new channel for the flow of renminbi

<https://assignbuster.com/rmb-market-for-bank-of-china-essay/>

finances between the Mainland and Hong Kong based on the banking system. Not merely Hong Kong's banking sector meets the demands of the market and the general populace, but besides it develops a new concern in order to consolidate the advantages of Hong Kong banking sector and heighten the fight of the banking sector.

For the long-run development, this helps to keep the Hong Kong's position as an international financial centre of great significance. The HKMA will work with the People's Bank to help in the early execution of the Hong Kong banking sector and the debut of renminbi concern. <http://www.info.gov.hk/hkma/eng/press/2003/20031118e4.htm>

http://www.chinadaily.com.cn/en/doc/2003-11/18/content_282618.htm

Recently, the People's Bank of China Hong Kong Monetary Authority signed a memorandum of cooperation on the operation of personal renminbi (RMB) concern in Hong Kong. This marks an important advancement in the financial sector, under the model of CEPA, to advance the development of renminbi concern in Hong Kong.

The MOU will heighten our offshore centre to go the footing for the renminbi, but besides strengthen Hong Kong as an international financial centre. Offshore markets and offshore financial centres. Fiscal services can be on land or at sea. Initially, the land in these two different is that those concerns issued within the state's currency under the control of attending and incorporating the state's judicial legal power, but does not cover those seaward concern legal power. Then came off-shore bank in New York and Tokyo, but the

<https://assignbuster.com/rmb-market-for-bank-of-china-essay/>

spread narrowed merely the pertinence of the issue of the state ' s legal power. (International Bank in the two metropoliss be allowed to carry on foreign currency concern in their state of abode without being capable to the commissariats of these states, every bit long as the isolation of these offshore operations ashore.)Offshore fiscal concern is originated in Europe. The term " European currency " includes all the usual off-shore money.

Initially, it refers to the dollar in Europe, the European Nipponese hankerings, British lb in Europe, Eurofranc, every bit good as major European currencies has been replaced in Europe, such as the German grade, Gallic franc and Dutch gulden. As the offshore concern is non in the currency within the district of the state, nor was put under the legal power of the State, its operation does non necessitate province blessing. But there are some requirements for the currency to go an international currency must be used for international pricing, charge, purchase and payment. That is why the U. S. dollar has remained so far a major offshore currency.

At nowadays, about all states there are an offshore concern and offshore markets. Strictly talking, all minutess in foreign currency-denominated offshore concern, is a sort of offshore markets. To go an seaward fiscal centre, we need more standards.

Merely those operators that there is a huge, but besides provides a comprehensive scope of services and high turnover, but besides as a major offshore currencies mediators, it can be regarded as an seaward fiscal centre. While the planetary in the past two or three decennaries, attempts to advance offshore concern, and merely a few topographic points in line as an

seaward fiscal centre position. Among them, London, New York and Tokyo is the largest of the three, while the Luxembourg, Zurich, Frankfurt, Hong Kong, Singapore, Sydney and Bahrain are secondary regional offshore fiscal centre. This shows that to go an seaward fiscal centre needs a figure of pre-articles, including political and societal stableness, economic freedom and free flow of information, regulation of jurisprudence and sound legal system, administrative efficiency, supply, substructure modernisation and the relation a better location. Offshore renminbi concern in Hong Kong Although the memoranda of cooperation will advance the development of seaward renminbi concern in Hong Kong, but it is non adequate to do Hong Kong a complete offshore yuan market, they fear to go a yuan offshore centres. Harmonizing to the Basic Law, the Hong Kong dollar legal stamp in Hong Kong Special Administrative Region (implied RMB in Hong Kong is a " foreign currency ") . These new agreements for Hong Kong from the Mainland ordinances control the free operation of the RMB concern (chiefly reflected by the Bankss to freely determined sedimentation rates and unsusceptibilities of the lower limit modesty demands) .

This makes Hong Kong Bankss to carry on renminbi offshore concern criterion. In fact, the RMB concern in Hong Kong has been runing at that place for a long clip, but merely in hard currency minutess. While the turnover is expected to quite big, it can merely be regarded as non-recurring or " grey market.

" However, the sign language of a memoranda of cooperation will convey quality and measure alterations. The former refers to the regularisation of

the bing concern, while the latter concerned about the debut of a assortment of services, including sedimentations, remittals, foreign exchange and recognition cards. These alterations prompted an offshore kwai market in Hong Kong. Expansion of renminbi sedimentations of great significance. In the yesteryear, the kwai is fundamentally limited to payment or as a dealing medium. Retail disbursement in the Mainland demand or for commercial intents has been held by occupants of the major media kwai. With the debut of deposit-taking concern, the RMB will spread out its maps, has become a shop of assets, greatly stimulate the demand for money. At the higher involvement rates and outlooks of RMB grasp, the renminbi sedimentations will be peculiarly attractive.

Restrict the enlargement of the RMB exchange rate 20000 6000 kwai, will assist to beef up this consequence. Remittance and recognition card concern besides has considerable possible. So far, the money modifiers offer lower fees and charges " belowground money " so that they can capture most of the concern. Nevertheless, the debut of renminbi sedimentations, letting Bankss to straight debit client sedimentations account for remittals, which will heighten the fight of the Bankss. Banks will besides profit from increased recognition / debit cards, recognition bound, and A licence Mainland visitants in Hong Kong, ATM backdowns. Under the new agreements, Hong Kong will set up a RMB glade system. In the absence of freely exchangeable and the deficiency of abroad colony installations, the kwai has non yet go a " existent " foreign currency.

Now, Bank of China will be selected as the RMB glade bank. The bank will be the Bank of China subdivision in Shenzhen to open a RMB colony history, and other Bankss to take part in personal RMB concern glade and colony services. Through the China National Foreign Exchange Trading Center and the proviso of relevant information, it will besides supply money transportation services, including remittal recreation, place covering, the sale of kwai. All the steps marked the beginning of Hong Kong to go yuan seaward centres. Through the creative activity of the universe ' s first offshore renminbi colony system, Hong Kong will acquire a better location as a footing for traveling towards yuan offshore centres. However, Hong Kong an offshore yuan market, at present there is no unvarying criterion, non to advert the renminbi offshore centre.

Relative to other currencies of the abroad operations, the RMB concern in the portfolio on the client and there were indispensable differences. RMB concern in Hong Kong is limited to single clients, merely sedimentations of Hong Kong occupants (holders of Hong Kong Identity Card) , does non include commercial entities and non-residents. Offshore concern in other currencies is based on mark companies and establishments, every bit good every bit non-residents as the chief clients.

This means that renminbi concern in Hong Kong is the lone retail graduated table. In Hong Kong is limited to the above four operations, but the abroad markets against other currencies can prosecute in a figure of other private concerns, including loans, securities and derived functions such asFrom the province authorities ' s control, Hong Kong ' s seaward yuan market is

limited. Bank of China, Hong Kong must besides obtain consent to carry on RMB concern. The ground is non yet to the full exchangeable kwai and the current agreement is discriminatory intervention in Hong Kong. In fact, while Hong Kong ' s seaward yuan market, steady growing, but in the kwai to go to the full exchangeable, Hong Kong is to go an offshore renminbi still a long manner from the centre. Great possible to go a renminbi offshore centre in the long tally, Hong Kong has a bright hereafter as the renminbi offshore centre, in position of the followers: 1.

Yuan could go a major international currency, and thereby besides become seaward minutess in major currencies. At present, the figure of environing countries yuan in circulation has been increasing. Some commercial Bankss and the cardinal Bankss use RMB as a modesty currency. In the 2002 World Cup in South Korea bank ' s currency exchange, the kwai has been given to the U. S. dollar, Nipponese hankering and the euro the same place. The Bank of Korea farther pointed out that the four major international currencies and the currency is the modesty currency. All facets of development reflect the adulthood of the renminbi as an international currency position.

(1) China ' s economic system is spread outing quickly. In 2002, China has the universe ' s 6th largest GDP states in the universe and the economic system of Southeast Asia has become an engine of growing. By 2010, gross domestic merchandise is expected to more than double that of 2000 and progressing to the universe ' s first 3. To farther progress to the 2nd place is possible in 2015. China ' s turning economic system will back up the renminbi become an international currency.

(2) bank a higher kwai and better its international repute. The RMB exchange rate has remained stable, as a incorporate exchange rate system was developed in the 1990s. During the Asiatic fiscal crisis, the Chinese Government did n't take to devalue RMB in order to forestall the competitory devaluation. This twelvemonth, China has non succumbed to the expected grasp of RMB which farther demonstrate their attending to the involvements of all parties and stableness of committednesss.

In add-on, China has 3, 000 billion in international militias, which is the 2nd clip the universe ' s largest international militias, to keep exchange rate stableness and better the international credibleness play a major function.

(3) to China ' s banking system is still a job, the Administration proposed a comprehensive reform, including the injection of bad debt write-down, market, the debut of foreign capital, in order to beef up corporate administration, which is widely expected to take consequence in the reform, the RMB will be to the full exchangeable. 2. The overall international trade place of China is estimated to keep balance or little excess.

Besides, this will assist to develop Hong Kong as the largest offshore centre for the renminbi. An international division of labour with China was produced by the economic forces of globalisation, as the universe ' s major mill, a immense figure of Chinese imports of natural stuffs and constituents and export finished merchandises to the United States and European markets. This has led to China ' s trade shortage to billow in Asia, particularly East Asia such as Taiwan, Singapore, South Korea and Japan. In the first 9 months of this twelvemonth, China ' s trade shortage reached USD39. 27 billion U. S.

dollars in Asia, while the trade excess with the United States and Europe, and USD9. 67 to make USD40.

89 billion. In this manner, the big supply of an seaward kwai market will look in East Asia. On trade in services, the mainland tourists traveling abroad has been more than 16 million U. S. dollars, double-digit growing, but besides the chief finish is East Asia.

This is another yuan beginning of supply. Thus, many East Asiatic metropoliss to carry on RMB concern in Hong Kong will go the centre of East Asia. Since the eruption of the Asiatic fiscal crisis, Hong Kong ' s position as an international fiscal centre has declined, which is reflected that the bank cut down the figure of contraction of external assets and liabilities of Bankss, offshore imparting concern contraction, and refused to foreign exchange minutess. However, Hong Kong started offshore renminbi concern in Hong Kong would intend the development of new concern in another currency early. Hong Kong can run RMB merchandises, and the kwai to go the universe ' s major offshore centres when the kwai to go to the full exchangeable.

By that clip, the size of Hong Kong ' s seaward operations will be strengthened, and to heighten Hong Kong as an international fiscal centre.

Research Methods

a.) Research design forms

Class Options

The grade Exploratory survey Formal survey

to which
the
research
inquiry has
been
crystallized

The
method of
informatio
ns MonitoringCommunication Study
aggregatio
n

The power
of the
research
worker to
bring forth
effects in ExperimentalEx station facto
the
variables
under
survey

The intent
of the ReportingDescriptiveCausal-

survey ExplanatoryCausal-Predictive

The clip
dimension Cross-sectionalLongitudinal

The topical

scope—

breadth
and depth CaseStatistical survey

—of the

survey

The

research
environme Field putingLaboratory researchSimulation

nt

The

participant

s ‘

perception
al Actual modus operandiModified modus

consciousn
operandi

ess of the

research

activity

B.) Data aggregation method1.

1.) Self-administered study The research study will be designed to roll up the informations for market in Hong Kong. This research study is fundamentally separated into five facets of RMB-related banking concern which includes the RMB sedimentations, RMB recognition card, RMB hard currency backdown service, RMB bonds and RMB merchandise and service inventions base on the consumer behaviour, demands and involvement. Besides, this research is implemented by Internet study. 2.) Telephone Interview In extra, the same research study will be implemented by telephone interview. The interviewee can give their thoughts and suggest of RMB-related services and merchandises of Bank of China via telephone interview. It can roll up the utile thoughts from mark clients.

3.) Face to confront interview The group interview will be hold to roll up the direct sentiments of RMB-related concern. Bank of China can prove the response of new RMB-related services and merchandises from the focal point group straight.

It is really of import portion for Bank of China to set and polish the RMB-related services and merchandises. c.) Sampling Method The convenience sampling will be used in this research. It is because convenience is the non-profitability sampling which is lower cost, more feasibleness, limited aim, better clip mode and no demand to generalise. Furthermore, the efficient and utile RMB-related research should be calculated and collected by a immense measure of interviewee because of each people about use banking services in Hong Kong presents. d.) Sample size In this research, about 180

interviewees will be contacted by self-administered study, telephone interview and face to confront interview.

Mentions

Henry, E.

(2000) Future of Banking. USA: Addison Wesley Longman. Flying Fu, Hui.

(2004/01/12) Hong Kong ' s Prospects as an Offshore Renminbi Centre.

HKGCC. hypertext transfer protocol: //www. chamber.

org. hk/hknewsletters/news_template. asp? id= 3737Yikun, F and Moller, D.

(2003/11/02) Additions from RMB Business in HK. China. org.

cnhypertext transfer protocol: //www. china. org. cn/english/2003/Nov/80550.

htmHKTDC. (2009/05/29) . The Pilot RMB Trade Settlement Scheme and

RMB Internationalisation. Available from hypertext transfer protocol: //www.

hktdc. com/info/vp/a/cepa/en/1/1/1/1X05VOBP/Closer-Economic-Partnership-

Arrangement — CEPA — Obsolete-/The-Pilot-RMB-Trade-Settlement-Scheme-

and-RMB-Internationalisation. htm [accessed 01/12/09]