

Committee(s)	Dated:
Public Relations & Economic Development Sub-Committee	25 July 2018
Subject: Policy Chairman's visit to Beijing and Shanghai. June 2018	Public
Report of: Director of Economic Development	For information
Report author: Sherry Madera, Special Adviser for Asia	

Summary

The City of London Corporation's Policy and Resources Chairman travelled to China from 13-15 June 2018. During the visit she travelled to Beijing and Shanghai, participated in the prestigious 10th Lujiazui Forum, hosted the celebration of the City of London Beijing office 10th anniversary, promoted the Asia Next Decade campaign and held a series of meetings with senior policymakers and business representatives.

Discussions focused on promoting the City Corporation's work in key policy areas for China, namely the Belt and Road Initiative, Green Finance and RMB Internationalisation. The Policy Chairman also received in depth market updates from key, high-level contacts which will help the Corporation shape its future work. The Chairman visits China at least once a year advance policy work, enhance relationships with key Chinese stakeholders and demonstrate our commitment to the market.

Overview of key messages:

- **The recent market reform initiatives rolled out by the Chinese government for financial services sector offer increased opportunities for collaboration between the UK and China.**
- **There was much interest in learning from the experience of the City of London Corporation in establishing a global financial services centre and building a comprehensive eco-system for financial services. The City of London is seen as a natural partner for the development of China's financial services sector now and in the decade to come.**
- **In addition to this positive sentiment, the City of London Corporation's work and strong presence in China is well-recognised. Our brand is well known, and commands respect.**
- **Our efforts in helping internationalise the RMB currency are also held in high esteem. During the visit the People's Bank of China said the City of London Corporation remains a crucial partner in RMB internationalisation and offered to endorse an upcoming report jointly chaired by the Corporation and PBoC and including stakeholders from across London.**
- **Challenges remain in identifying concrete opportunities for UK firms in the China initiated Belt and Road Initiative, but work is being undertaken to**

identify projects in third countries where UK and Chinese firms can work together.

- **As a result, there is an opportunity to work closer with industry and government in both countries to work towards creating a project list for the Belt and Road Initiative.**
- **Our work in green finance is well recognised as being done in close partnership with China. In particular, the New Development Bank expressed an interest in working together in the future to promote this growing sector.**
- **Overall the visit demonstrated that it is important to continue working with key Chinese stakeholders to advance opportunities for UK-China cooperation in financial service, and to identify the next phase of the Corporation's engagement with China.**

Recommendation(s)

Members are asked to note the report.

Background

1. The Policy Chairman was invited to participate in the 10th Lujiazui Forum in Shanghai, the cornerstone financial forum in China, to speak on World Economic Growth and Development of Financial Governance system in the Context of Economic Globalisation, drawing from examples of the City of London. The invitation to the highly influential forum is an excellent platform for the City of London Corporation to highlight its commitment in China, particularly in relation to our 10-year presence in Beijing and Shanghai, and senior City representatives have regularly participated as speakers at the Forum. It also serves as a great vehicle to showcase London's strengths in areas including green finance, RMB Internationalisation and the Belt and Road Initiative to key Chinese stakeholders. The Chairman's last visit to China took place in December 2017, when she travelled alongside HM Chancellor to the 9th UK-China Economic and Financial Dialogue (EFD) in Beijing.
2. The Policy Chairman visited Beijing on 13 June 2018 and Shanghai on 14-15 June 2018. Sherry Madera, the Corporation's Special Adviser for Asia, and Nathan Rodgers, the City's Media Office for Asia, accompanied alongside local colleagues. The key purpose of the visit was to meet with business and policy stakeholders to advance discussions on the City of London Corporations policy areas for China, and to gather market intelligence following the recent market reform announcements made by the Chinese government. It also presented an opportunity to host a celebration attended by over 80 high ranking guests to mark our 10th anniversary of our Beijing office.
3. The programme included meetings with senior policy makers, regulators, senior Chinese government officials, key representatives of financial institutions and the British Embassy.

Main Report

China Market Reform: Financial Services a Key Focus for 2018

1. On 10 April 2018, Chinese President Xi Jinping outlined major economic reform initiatives at the Boao Forum for Asia. The changes include measures to liberalise China's restrictive financial services sector; to increase imports by lowering tariffs on goods; and to strengthen protections on intellectual property. On the following day, Yi Gang, the Governor of People's Bank of China announced a detail timetable for liberalisation policies in respect of the financial sector. Both events were attended by the City of London Special Advisor for Asia. The timetable follows on from previous liberalisation policies issued in 2017 and early 2018.
2. Key initiatives included lifting restrictions on the scope of operations of foreign-invested insurance agency companies, easing restrictions on foreign ownership in certain sectors (including banking, securities, fund management, futures and financial asset management) and making market entry standards the same for both Chinese and foreign banks. Some of these initiatives have already been implemented, while others are expected to come into force on 31 December 2018.
3. At the Lujiazui Forum, PBoC Governor Yi Gang emphasized that the Chinese central bank will enhance its support for micro and small enterprises through monetary policy measures as the country further opens up its market for foreign players. Other market opening initiatives including the newly launched (1 June 2018) MSCI inclusion, where the US-based index company MSCI added roughly 230 China-listed shares to its emerging market benchmark, were also discussed by other speakers at the Forum, expressing enthusiasm and commitment from the Chinese government to develop a friendlier business environment for foreign financial services players in China.
4. The Policy Chairman's speech at the Lujiazui Forum outlined how China's continued financial reform and new opening up measures create new prospects for Shanghai-London cooperation, and reiterated that London will remain open for business after Brexit. The speech was well-received by the audience at the Forum and has been reported widely across approximately 100 sources in China and internationally.
5. Colleagues from the Department of International Trade (DIT) in China reiterated the huge impact of the merger of Chinese banking and insurance regulators earlier this year. This move by the Chinese government aimed to prevent financial risks such as arbitrage within the insurance sector.
6. Discussions with senior policy makers such as the Shanghai Pudong New Government indicated that the Chinese government are preparing to welcome more foreign players to the market. During all meetings there was a common theme of wanting to learn from the City of London's experience and expertise in setting up a global financial services centre and building a comprehensive eco-system for financial services. This creates the opportunity to explore further collaboration with these Chinese stakeholders, leveraging the greater access the recent China market reforms provide.
7. Throughout meetings it was evident that the Shanghai-London Stock Connect, which will be launched end of 2018 will be a major milestone for capital markets

cooperation. The Shanghai Stock Exchange is currently working on final preparations engaging closely with the London Stock Exchange Group, with support from City of London Corporation. Further market connectivity in relation to the insurance sector, bond and commodity markets are expected to follow in future.

8. Market reform initiatives for China's financial services sector create new opportunities for foreign players. Opening-up measures for bank subsidiaries, securities companies and other financial institutions will attract foreign investors with a particular interest in these businesses. It is important for us to follow closely latest developments and details of these policies to identify opportunities for UK financial services players. The City of London Corporation can also work with Chinese regulators through showcasing our strengths in building a global financial services centre to support China in some of these reform initiatives.

Our Work in China: Belt and Road Initiative (BRI)

9. The City of London Corporation is positioning London as a centre of excellence for Belt and Road project funding, by supporting HMT and promoting London as the natural Western hub of the Initiative. During the Chairman's visit to Beijing she launched a marketing piece 'Belt and Road: London on the Map', which profiles UK financial services firms' active support of BRI projects.
10. The BRI is a critical stream of work for our stakeholders in China and there is genuine demand for the City of London to support the development of BRI. Some examples from the Chairman's meetings are:
 - a. The National Development and Reform Commission (NDRC) welcomes the support of the City of London Corporation in collaborating with commercial partners to mobilise the crowding in of provide funding Belt and Road infrastructure projects. NDRC is working with a global financial services firm to attract private funding and create commercial benefits for the UK and Chinese players in third countries for the BRI.
 - b. DIT confirmed UK players are committed to supporting China to establish standards for BRI infrastructure projects. The Embassy is working with the Chinese government on establishing a UK-China Standards Cooperation Committee and to hold an annual dialogue on standards. DIT welcomes the support from the City of London Corporation to contribute to this initiative.
 - c. Chinese policy makers are prioritising risk mitigation measures for all BRI infrastructure projects. This is an area where the City of London Corporation has been and will continue to work closely with UK firms to provide risk mitigation expertise to China and third countries.
11. At the Lujiazui Forum in Shanghai, the Export-Import Bank of China launched a Belt and Road Financial Research Institute. During the same period, the Shanghai Insurance Exchange announced a similar initiative. These initiatives demonstrate commitment from Chinese institutions to the BRI, and in offer further opportunities for firms from the City of London and wider UK to provide expertise.
12. Using CoLC's existing platforms – the Green Belt and Road Investor Alliance and a UK Belt and Road Initiative Stakeholders Working Group (a group consisting of

City of London Corporation, TheCity UK, London and Partners, China-Britain Business Council, etc.) – we can advance our work on promoting London as a global connector to provide sustainable and innovative financing solutions on the Belt and Road. The planned Belt and Road Summit in London, which will be convened alongside the 10th UK-China Economic and Financial Dialogue, provides a near-term opportunity for us to take our work on the BRI to the next level. This Summit is a joint commitment from the UK Belt and Road Initiative Stakeholders Working Group, with endorsement from the CBBC-TCUK China Market Advisory Group, to showcase London's strengths on Belt and Road to an international audience. We are currently working with the People's Bank of China (PBoC) to launch a report on Belt and Road financing later this year to highlight London's strengths as a centre for crowding in private capital for Belt and Road projects.

Our Work in China: RMB Internationalisation

13. RMB internationalisation was identified as a key area that China will further develop in the next five years, particularly in light of the Belt and Road Initiative and its financing requirements. It is crucial for the City of London to respond to this in our next phase of promoting London as the number one offshore RMB clearing centre outside of Greater China, particularly in the face of strong competition from Luxembourg and Singapore. The Chinese central bank applauded our role in promoting and contributing to the development of RMB internationalisation.
14. PBoC has agreed to endorse the London RMB Offshore Market Monitoring Report, a document that the City of London Corporation will jointly publish with PBoC Europe Representative Office later this year, with PBoC's logo. This report will be an important piece of our work in 2018 to highlight London's position as an RMB clearing centre and provide industry in the City of London with value-added support for their work on RMB internationalisation.
15. Recognition from PBoC on our work to promote RMB internationalisation is important for us to continue to be a leader in this area. Our work with DIT in organising a RMB Internationalisation Dialogue in London later this year will be our subsequent step to explore our next phase of strategies on RMB internationalisation.

Our Work in China: Green Finance

16. During her visit to Shanghai, the Policy Chairman opened a green finance roundtable hosted by the Lujiazui Financial City Green Finance Development Committee (GFDC). Recurring themes were the UK's support in facilitating the issuance of green bonds and other green products; providing expertise on risk prevention and mitigation for green investments; developing financial services sector self-regulation and creating an industry-driven initiative to drive forward the burgeoning sector.
17. The New Development Bank (NDB) expressed enthusiasm to promote green finance in China and abroad. The bank is currently seeking international rating and expressed strong interest in working with the City of London Corporation to build network of research on economic infrastructure and financing infrastructure.

18. Officers will promote the Green Belt and Road Investor Alliance to a wider group of Chinese stakeholders to seek their feedback and support for the three workstreams, and explore collaboration opportunities with NDB.

Looking forward: Establishing Closer Link with China amid this 'Golden Era'

19. In 2018 the City of London is delivering the Asia Next Decade Campaign, a year-long consultation with key stakeholders in Asia and the UK to fully understand how the City of London's Asia activity can best support London's continued status as the world's leading global financial centre, and in recognition of the 10th anniversary of the City of London's representative offices in India and China. During this visit the Chairman received valuable feedback for the Campaign confirming interest in financing BRI projects, RMB internationalisation and green finance into our long-term planning for engagement with China.
20. Drawing from conversations during this visit, Chinese stakeholders do not see any obvious impacts arising as a result of Brexit. However, there was significant interest in post-Brexit regulation to ensure that the 'golden era' of UK-China relationship will continue. Many Chinese policy makers view the UK as a key trading partner and would like to leverage market reform to offer more opportunities for UK financial institutions in China, which will help to grow its financial services market further. There are opportunities for the City of London Corporation to enhance our support for China on its reform initiatives for the financial services sector by highlighting the expertise that UK firms could offer.
21. The City of London's well-recognised presence in China allows us to continue accessing market insights and updates on reform initiatives. The intelligence gathered will be reported back to HM Treasury (HMT) through the next UK-China Economic and Financial Dialogue later this year. Our close collaboration with DIT and HMT allows the City of London Corporation to be an important stakeholder in future mechanisms for UK-China cooperation.

Conclusion

22. The opening up of China's financial services market initiative provides further opportunities for collaboration for both policymakers and businesses within the UK and China. As a result, the City of London Corporation can and should play a key role in being the unique intermediary that links policymakers, governments and businesses in the two countries, a position that neither firms nor trade associations can offer alone. Our strong presence in China allows us to be in a good position to unfold these opportunities for both the UK and China.
23. Chinese stakeholders recognise the benefits for building a strong trading relationship with the UK, especially in the financial services sector. Increasing engagement and consistency of messaging are important to continue the existing UK-China momentum. Our work in China – especially in related to the Belt and Road Initiative, RMB Internationalisation, and green finance – give us a strong hand to pursue a closer relationship with this giant economy in Asia, working closely with wider HMG to better align the opportunities.

Contact:

Sherry Madera

Special Adviser for Asia

Sherry.Madera@cityoflondon.gov.uk

City of London delegation:

- Catherine McGuinness. Chairman of Policy. City of London Corporation
- Sherry Madera. Special Adviser for Asia. City of London Corporation
- Nathan Rodgers. Financial Services Media Officer for Asia. City of London Corporation