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# IMI Newsletter

International Monetary Institute  
Renmin University of China

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# Highlight

## 2017 International Monetary Forum

On July 15-16, 2017 International Monetary Forum was held in Renmin University of China. This forum is hosted by the Renmin University, organized by IMI, co-organized by the School of Finance of Renmin University and China Financial Policy Research Center. The theme of the forum is "financial development, financial stability and currency internationalization". In the opening ceremony the RMB Internationalization Report 2017 was released. This forum consists of six parallel forums centering on the topics of the Belt and Road Initiative and cross-border financial cooperation, green finance, internationalization of bond market, cross-border capital flow, Fintech, and the Sino-US Student Financial Dialogue.

The forum is one of the series of activities that celebrate the 80th anniversary of the RUC. Over 200 experts and scholars from financial regulation sectors, academia and financial institutions in Europe, America and Asia attended the conference and delivered speeches, including Wang Zhongmin, deputy chairman, National Council for Social Security Fund of China; Wu Qing, chairman of the Shanghai Stock Exchange; Ma Delun, former deputy governor of PBoC; Cai Esheng, former deputy chairman of CBRC, and incumbent chairman of the Finance Center for South-South Cooperation; Li Lihui, member of Financial and Economic Committee, NPC, and head of Blockchain research at National Internet Finance Association; Yang Chaofei, former engineer general, Ministry of Environmental Protection; Chang Junhong, director of the ASEAN+3 Macroeconomic Research Office (AMRO); Cao Tong, chairman of board, XFintech Corporation Limited, former vice president of Export-Import Bank of China; Wu Xiaoqiu and Liu Yuanchun, vice president of RUC; Lord (Neil) Davidson, former Advocate General of the UK; Bruno Bezar, managing partner of Cathay Capital Private Equity and former vice minister of finance of France; Yaseen Anwar, former governor of Central Bank of Pakistan; Anoop Singh, adjunct professor of Georgetown University; former head of Asia & Pacific Department at IMF. More than 100 media outlets covered this event.

On the morning of July 15th, the opening ceremony and Press Conference of RMB Internationalization Report 2017 was held, moderated by Guo Qingwang, dean of the School of Finance at RUC. Prof. Wu Xiaoqiu first made an opening remark on behalf of the RUC. He pointed out that the International Monetary Forum has been held for six years, exerting influence on RMB internationalization and global finance, and helping to improve the global monetary system and promote the reform of the international financial structure. Wu Xiaoqiu believed that China's financial sector has entered a major historical period of transition, mainly in the following three points: first, China's financial structure is quietly undergoing historical adjustments and changes. The prominent sign of this is that China's financial assets

gradually shift from focusing on financing to attaching equal importance to investment and financing. At the same time, China's financial risk structure is also changing. In the past, the most severe financial risk in China's financial system was capital shortage. So the basic criteria for regulation is capital adequacy. At present, the problem of a lack of transparency also begins to arise; second, technology is exerting profound influence on China's financial sector, and will largely disrupt traditional financial theories, propelling a fundamental change in the financial landscape; third, Chinese financial institutions are becoming internationalized, with growing impact and rising status in the world. Wu Xiaoqiu highly praised China's regulatory tolerance that allows the financial institutions to explore development paths. He stressed that China should adapt to changes, promote the reform of financial structure and expand the application of technology in the financial sector.

From 2012 to 2016, the RMB Internationalization Report conducted researches on the RMB internationalization index, the changes in the global trade pattern, the construction and development of the RMB offshore market, the monetary strategy under the BRI, currency internationalization and macro financial risk management. This year, the report themes on strengthening the financial transaction function of RMB.

After that, Wang Zhongmin, Yaseen Anwar, Chang Junhong, Anoop Singh and other guests delivered keynote speeches.

Wang Zhongmin identified with the ideas and views in the Report. At the same time he provided more insights from the perspective of "alternative paths of RMB internationalization". He pointed out that there are several levels of RMB internationalization and the basic market logics. In terms of trade, China is the most fully marketed country, but it only uses the role of money at the most basic level. He believed that in the context of BRI, RMB internationalization should be converted from trade to infrastructure, long-term industry



and other aspects of investment, thus expanding the RMB transaction volume, magnitude and size. He stressed that China's financial infrastructure is not sound enough, and the domestic market derivatives, alternative investment tools need to be developed, thus promoting the financial deepening and the better management of risks.

In his speech, Yaseen Anwar said that the BRI is a global initiative that would enhance regional connectivity and promote global trade and economic growth. The goal of the BRI is to achieve global economic recovery, build a sound financial infrastructure, eliminate financial structural imbalances, and restore market confidence in the global monetary system. We need to promote economic globalization and regional integration, break trade protectionism and enhance economic inclusiveness. He stressed that infrastructure construction requires cooperation between countries which should implement more reasonable regulatory policies. Major financial institutions should provide the appropriate financial support to provide employment opportunities and promote investment diversification. He pointed out that China and other countries in the Asia-Pacific region have a similar economic platform, the ability of self-sufficiency, and have become the engines of the global economy.

Chang Junhong believed that "ASEAN 10+3" region is the most dynamic region with the largest economies in the world. China in the past decade has been an important driving force for economic growth in the region, and has promoted the process of economic integration. China and its RMB have played an important role in regional trade, investment and financial markets, and have helped maintain the financial stability in the region. China should make good use of the "Belt and Road" initiative to boost cross-regional investment. At the same time, China should work with other countries in the region to promote the reform of the international financial system, strengthen risk prevention and risk control, develop new financial instruments and adapt to the new economic situation.

Professor Anoop Singh argued that the impact of RMB internationalization should be evaluated through recent market changes. IMF decided to include the Yuan into the SDR basket, indicating that RMB internationalization has reached the basic requirements and standards, and made significant progresses. RMB's inclusion into the SDR basket is conducive to accelerating the structural reform of China's market, reducing dependence on credit, further boosting consumption and powering market growth. He pointed out that RMB internationalization is still in its infancy and requires further structural transformation and adjustment of the economy, balanced policies, a more sound financial system and financial market. He believed that the central bank should assume the responsibility to respond to changes in the market, implement appropriate capital controls, interventions and exchange rate regulation.

On the afternoon of July 15th, the Seminar on Cross-border Financial Cooperation under Belt and Road Initiative and Inauguration of Cross-border Financial 50 Forum was held by IMI and the Modern Bankers magazine. Li Zheping, Executive Chief Editor of Modern Bankers, presided over the event.

Vice president Liu Yuanchun said in his opening remarks that with the Belt and Road Summit and the introduction of a series of cross-border financial policies, China's financial market is in demand for more diversified cross-border financial services. Against this backdrop, IMI and Modern Bankers magazine jointly launched the "Cross-border Financial 50

Forum”. The Forum is the first non-official, nonprofit academic organization that focused on cross-border financial policy research, theoretical discussion and practical innovation, and it promotes the academic and practical exchanges between China and the world. It is committed to becoming a high-end think tank that conducts research on frontier academic issues, cross-border financial ecological system construction, international exchanges and cooperation and new financial innovation.

Cai Esheng delivered a keynote speech. Guests held roundtable discussions on the two topics RMB exchange rate and Overseas Investment and Monetary Strategy and Financial Cooperation under BRI. The guests include Cao Tong, Chairman of Board, Xfintech Corporation Limited, former vice president of Export-Import Bank of China; Zong Liang, chief researcher of Bank of China; Ding Jianping, Deputy Director, Shanghai Institute of International Finance Center and director of Research Center for Modern Finance, SHUFE; Liu Jun, Executive Vice President, China Investment Corporation; Peng Wensheng, Global Chief Economist and Director of Research Institute, Everbright Securities; Herbert Poenisch, the former senior economist at the Bank for International Settlements; Tu Yonghong, deputy director of IMI; Wang Yongli, former vice president of Bank of China; Juan Carlos Martinez Oliva, Senior Director, Directorate General for Economics, Statistics, and Research, Bank of Italy; Wei Benhua, Former Deputy Administrator-in-bureau, State Administration of Foreign Exchange (SAFE); Xiao Geng, President, Hong Kong Institution for International Finance and Professor, University of Hong Kong; Guo Jianwei, president of Urumqi Central Sub-Branch, PBoC; etc.

On the afternoon of July 15th the parallel forum entitled Green Finance and RMB Internationalization was also held by the School of Finance, School of Environment and Natural Resources and the Chongyang Institute for Financial Studies, co-sponsored by IMI and the Center for Eco-Finance Studies, RUC. Lan Hong, deputy director of Center for Eco-Finance Studies and professor from the School of Environment and Natural Resources, RUC, served as the chair. Li Mingkui, Party Secretary of the School of Environment and Natural Resources, RUC, and Zhao Xijun, deputy dean of the School of Finance, RUC, delivered opening remarks. The following guests subsequently delivered keynote speeches: Ma Jun, Chief Economist at the Research Bureau of PBoC and Chair of the Green Finance Committee of the China Society for Finance and Banking; Yang Chaofei, Former Engineer General, Ministry of Environmental Protection; Ye Yanfei, Inspector, Policy Research Bureau, CBRC; Chen Liang, Director of Environmental Cooperation, Ministry of Environmental Protection; Lu Hanwen, Member of Credit Committee, China Development Bank; Zhou Yueqiu, Deputy Director, Green Finance Committee, China Financial Forum; and Ma Anquan, Deputy Mayor, Datong of Shanxi Province. The following guests held roundtable discussions on the international cooperation of green finance: Lu Zhengwei, chief economist with Industrial Bank and Huafu Securities; Ma Xianfeng, Deputy Director, Green Finance Committee, China Financial Association, Associate Dean, China Institute of Finance and Capital Markets (CIFCM), CSRC; Yin Hong, Deputy Secretary General, Green Finance Committee, China Financial Society, Deputy Director of City Finance Institute, ICBC. The following guests held roundtable discussions on green finance's practice in China's carbon trading and PV industry development: Zhu Da, World Bank senior researcher; Zhou Cheng, vice president of the Beijing Environmental Exchange; and Fei Zhong, Assistant Vice



President, Golden Concord Group Limited.

On the evening of July 15th the working dinner of macro economic outlook was presided over by Song Ke, deputy director of IMI. Yu Pingkang, Chief Expert in Financial Market, Insurance Association of China, Chief Economist, Changjiang Pension Insurance Co., Ltd., delivered a keynote speech entitled “reform is the best path to deleverage: China's economy in the new world pattern”, which analyzed the paths to deleverage from the angles of theory and practice. Hong Hao, Managing Director and Head of Research, BOCOM International, delivered a keynote speech entitled "What is damaging is not beautiful, what is beautiful is not damaging", analyzing A shares, US stocks, Hong Kong stocks trend and future investment strategies.

On the morning of July 16th, the sub-forum entitled "Internationalization of Bond Market: Opportunities and Challenges" was jointly organized by the IMI and FICCRUC. The Forum was chaired by Zhao Xijun, associate dean of the School of Finance, RUC. Ma Delun, former vice president of the People's Bank of China and Wu Qing, chairman of the Shanghai Stock Exchange, delivered keynote speeches. The following guests participated in the round-table discussions: Wang Ge, Managing Director and Head of Fixed Income, Huatai United Securities; Bu Yanhong, Vice General Manager of Asset Management, Postal Savings Bank of China; Mao Zhenhua, Board Director and Founder, China Chengxin Credit Management Co., Ltd.; Wang Changyun, Executive Associate Dean, Hanqing Advanced Institute of Economics and Finance, RUC; Wang Qing, President, Shanghai Chongyang Investment Co., Ltd.; Wang Guogang, Director, Finance Institute, CASS; Fan Xiwen, Chief Risk Officer, China-LAC Cooperation Fund; Li Yu, General Manager of Financial Market, China Guangfa Bank; Guan Mingjia, Managing Director of First Venture Securities, Chief Investment Officer of Fixed Income Department; Qu Qing, General Manager, Asset Management Division, Hua Chuang Securities; Wang Wei, Head of Fixed Income Research, Bank of China International; Xia Le, chief economist for Asia at BBVA Research; and Feng Bo, Former General Manager, Dalian Commodity Exchange.

On the morning of July 16th, the parallel forum entitled "Cross-border Capital Flow and Systemic Risk Prevention" was held by IMI and Official Monetary and Financial Institutions Forum (OMFIF), supported by the Cross-border Finance 50. The event was presided over by Adam Cotter, OMFIF's Head of Asia and Chief Representative of the Asia office in Singapore.

Renowned scholars delivered speeches on the evolution, present and future of China's cross-border capital flow, including Guan Tao, Senior Research Fellow, China Financial 40 Forum, Former Director General of International Payments, SAFE; Bruno Bezard, Managing Partner of Cathay Capital Private Equity, Former Vice Minister of Finance of France; Gao Haihong, Director, International Finance Research Center, CASS; Shen Jianguang, General Manager and Chief Economist, Mizuho Securities (Asia); Sun Lujun, Director, CNIC Corporation Limited; Zhang Bin, Senior Research Fellow, China Financial 40 Forum, Research Fellow, Institute of World Economics and Politics, CASS; Zhang Ming, Director of International Investment, Institute of World Economics and Politics, CASS, Chief Economist, Ping An Securities. They engaged in roundtable discussions with guests including Herbert Poenisch, the former senior economist at the Bank for International Settlements; Patrick D'Arcy, Counselor/Representative, Reserve Bank of Australia, China Office, Australian

Embassy; Chiu Cheng-Hsiung, Board Director, SinoPac Financial Holdings; Juan Carlos Martinez Oliva, Senior Director, Directorate General for Economics, Statistics, and Research, Bank of Italy; Ding Jianping, Deputy Director, Shanghai Institute of International Finance Center, Director, Research Center for Modern Finance, SHUFE. Lord (Neil) Davidson, Former Advocate General of the UK; E Zhihuan, Chief Economist, Bank of China (Hong Kong); Li Wenlong, Senior Economist in the ASEAN+3 Macroeconomic Research Office (AMRO); Iikka Korhonen, Head of the Bank of Finland Institute for Economies in Transition (BOFIT); and Zhou Yinggang, Associate Dean, Wang Yanan Institute for Studies in Economics, Professor, School of Economics, Xiamen University, delivered keynote speeches on "Strengthening the Financial Transaction Function of RMB and RMB Internationalization". They also engaged in roundtable discussion on this topic with guests including Wei Benhua, Former Deputy Administrator-in-bureau, SAFE and Yaseen Anwar, former governor of Central Bank of Pakistan.

On the afternoon of July 16th, the sub-forum entitled "Financial Transactions Driven by Fintech: Innovation and Security" was co-held by IMI and China Financial Technology 50 (CFT50), sponsored by Element Credit Co., Ltd. and Union Mobile Fintech Co., Ltd. Yang Tao, Assistant Director, Finance Institute, CASS, Chief Economist, China Fintech 50 Forum, presided over the event. Mr. Cao Tong gave an opening remark. Li Lihui, Member of Financial and Economic Committee, NPC, Head of Blockchain, National Internet Finance Association; Former Deputy President, Bank of China; Wang Yonghong, Secretary of the Party Committee, Rural Credit Banks Funds Clearing Center, Former Director General, Technology Department, PBoC; Qin Yi, Managing Partner of Investment Management, Deloitte Asia Pacific; and Huang Jinlao, Vice Executive President, Suning Financial Group, delivered keynote speeches. The first roundtable discussion centered on "artificial intelligence and financial transactions innovation and safety". It was hosted by Yan Wentao, CEO of China Chengxin Credit. Guo Zhenzhou, Chairman of Board and CEO, Quark Finance; Jiang Tao, CEO, Tongdun Technology; Teng Fang, co-founder of Innotree; Nie Fanqi, FDT Group founder, CEO; and Yin Jiayin, vice president of Element Credit, participated in the round-table discussion. The second roundtable discussion centered on "Block Chain and Financial Transaction Innovation and Safety". It was hosted by Cao Feng, Vice Chairman of Board and Chief Scientist, Shenzhen Block Chain Financial Service. Huang Lianjin, Chief Expert, Huawei Hyperledger; Tom Ding, String Labs' co-founder and CEO; Wang Jing, co-founder and CTO of Bubi Technology; Deng Di, Chairman, Center for China Blockchain Research, Chairman of Board, Taiyiyun Technology; Wu Fenghai, Vice President, Union Mobile Financial Technology Co., Ltd., participated in the roundtable discussion.

On the afternoon of July 26th, the sixth sub-forum entitled "Sino-US Cooperation in Green Finance and Financial Technologies and Sino-US Student Financial Dialogue" was held in the East Hall of the Student Activity Center, RUC. Young leaders from Harvard, Yale and other famous universities in the United States and from RUC, Tsinghua University, Peking University and other domestic first-class institutions discussed Sino-US cooperation in green finance and financial technologies, and well-known experts at home and abroad will also give professional comments.

The International Monetary Forum is organized by the IMI on an annual basis. Since 2012 it has been held for six times. In the forum IMI regularly issues "RMB



internationalization report" which conducts in-depth discussions on important theories and phenomena of international finance. This Forum attracts famous experts and scholars from regional research institutes, government departments and financial institutions in Europe, America, Asia, Africa and other regions.

### **Theme 1: Seminar on Cross-border Financial Cooperation under the Belt and Road Initiative and Inauguration of Cross Border Financial 50 Forum**

The National Financial Work Conference is held from July 14-15 in Beijing. President Xi Jinping lays much emphasis on opening the financial sector. We need to deepen the RMB exchange rate formation mechanism, push forward RMB internationalization and achieve capital account convertibility steadily. In order to promote financial innovation under the Belt and Road Initiative, we also need to improve other relevant mechanisms.

As the National Financial Work Conference is being held, the Seminar on Cross-border Financial Cooperation under the Belt and Road Initiative and Inauguration of Cross Border Financial 50 Forum (CBF50) is held in the Century Hall North, Renmin University of China on the afternoon of July 15th. Nearly 200 well-known experts, scholars and political leaders have attended the conference and delivered a speech, including Cai Esheng, Former Deputy Chairman of the China Banking Regulatory Commission (CBRC) and Chairman of the Finance Center for South-South Cooperation (FCSSC), Liu Yuanchun, Vice President of Renmin University of China, Wei Benhua, Former Deputy Administrator-in-bureau of SAFE, Liu Jun, Executive Vice President of China Investment Corporation, Zhao Xijun, Associate Dean of School of Finance of Renmin University of China, Cao Tong, Former Vice President of Export-Import Bank of China, Peng Wensheng, Global Chief Economist and Director of Research Institute of Everbright Securities, Guo Jianwei, President of Urumqi Central Sub-Branch of PBoC, Wang Yongli, Former Vice President of Bank of China, Tu Yonghong, Deputy Director of IMI, Yaseen Anwar, Former Governor of Central Bank of Pakistan, Anoop Singh, Adjunct Professor of Georgetown University, Former Head, Asia & Pacific Department, IMF, Herbert Poenisch, Former Senior Economist of Bank for International Settlements (BIS), Juan Carlos Martinez Oliva, Senior Director of Directorate General for Economics, Statistics, and Research of Bank of Italy, Iikka Korhonen, Head of Bank of Finland Institute for Economies in Transition (BOFIT) and so on. Also, more than 60 media reporters attend the seminar.

This seminar is jointly organized by IMI of Renmin University of China and Modern Bankers magazine, consisting of the inauguration of CBF50 and two roundtable discussions. The seminar is chaired by Li Zheping, Executive Director and Chief Editor of Modern Bankers.

Liu Yuanchun, Deputy President of Renmin University of China, delivers an opening speech on behalf of Renmin University of China. As a leader of the sponsored unit of CBF50, he pictures the background of the forum's inception. He points out that as the Belt and Road Forum is being held and a series of cross-border financial policies have been introduced, the need for various forms of cross-border financial services in China's financial market has also

been rising. In this context, IMI of Renmin University of China and Modern Bankers jointly launch the establishment of CBF50 in order to fill the gap in the cross-border financial market and to strengthen global interaction. In recent years, we have made major reforms in the cross-border financial sector. For example, cross-border payments, currency exchanges, cross-border clearing services and other sub-areas. But at the same time he thinks that the development of cross-border finance won't be smooth all the way. Developing a sound cross-border financial market is still a long way to go. Through a series of in-depth questions, he points out the right future direction for CBF50 and hopes that everyone should think and explore deeply when developing the cross-border financial field.

Cai Esheng, Former Deputy Chairman of CBRC and Chairman of FCSSC, delivers a keynote speech. Chairman Cai stresses that we cannot realize marketization overnight. In light of the development process, development path and the current economic situation, we need to look at the process of RMB Internationalization rationally from a global view. He holds that through RMB Internationalization and the Belt and Road strategy, we can truly realize “connectivity” and “Joint Discussion, Construction and Sharing” with the countries along the Silk Road and promote the infrastructure. Meanwhile, China, as the second largest economy, should give full play to the government departments and the private sector to promote the supply-side reform and structural adjustment, especially to accelerate the shift in driving forces for development.

The inauguration ceremony of CBF50 is the highlight of this seminar. CBF50, jointly established by Modern Bankers and IMI of Renmin University of China, is the first unofficial and non-profit academic organization. The forum focuses on policy research, theoretical research and practical innovation in cross-border finance, and promotes academic and practical exchanges between China and other countries. The forum is committed to holding frontline international symposiums, building cross-border financial and ecological systems, promoting international exchanges and cooperation and establishing a permanent high-end think tank for new financial innovation.

In the opening ceremony of the forum, Li Zheping, Executive Director and Chief Editor of Modern Bankers, mentions that “CBF50” is a product of the Belt and Road Initiative and the expanding cross-border financial market. The forum will carry forward financial innovation under the Belt and Road Initiative and improve related systems in response to President Xi Jinping's call of “opening the financial sector”. Through a series of academic activities, the forum can serve as a platform for members to fully communicate with each other and provide inexhaustible ideological power and technical sources for innovative development of cross-border finance.

Then, the first roundtable discussion starts. It is hosted by Zong Liang, Chief Research Fellow of Bank of China. The theme is “RMB Exchange Rate and Foreign Investment”.

Liu Jun, Executive Vice President of China Investment Corporation, thinks that RMB Internationalization is not just about the extension of currency function in general sense but more related to the currency's fundamental function based on its basic properties; that is, national interests. He emphasizes that the trend of globalization is irreversible and will continue to advance the human civilization. The global investment situation will experience a fundamental paradigm shift next. Hence, we must further study how to strengthen our national comprehensive strength.



Peng Wensheng, Global Chief Economist and Director of Research Institute of Everbright Securities, makes a detailed analysis from the relationship between exchange rates and foreign investment. He argues that foreign investment comes from a trade surplus, an increase in foreign investment in China and a decline in government reserves. Concerning the three funding sources of foreign investment, the external and internal investment might offset each other. The government's foreign exchange reserves and the private sector's foreign investment are possible to offset each other. He believes that the final increase in external investment will be reflected in China's net foreign assets. He stresses that increasing external net assets should be coordinated with improving productivity and internal economic structure in order to better control the uncertainty in exchange rates.

Herbert Poenisch, Former Senior Economist of BIS, compares the differences between RMB Internationalization and US dollar Internationalization. He points out that the paths for RMB and dollar are not exactly the same. At present, the pricing and payment in trade of the Belt and Road Initiative are still not carried out in Renminbi, so is the investment. And the US dollar has played a dominant part in the international financial field since World War II and has become a real reserve currency and pricing currency. Therefore, he suggests that in order to promote RMB internationalization, we should encourage the use of RMB in the overseas market by promoting the RMB cross-border payment system.

Tu Yonghong, Deputy Director of IMI, believes that changes in China's economic structure should be incorporated into RMB internationalization. With the upgrading and transformation of China's industry, the United States will become more independent on China's trade, making the exchange rate and trade relations between China and the United States relatively stable. At the same time, China's international balance of payments has undergone important changes, changing from trade and investment surplus to trade surplus and net outflow of capital. This change makes the capital account an important means of balance between China and other countries and lays a foundation for maintaining the stability of the exchange rate to manage RMB when the international payment is in balance. In terms of foreign investment, Professor Tu stresses that direct investment and the introduction of foreign investment are significant to China's economic development. She believes that under the current economic situation, we must actively expand foreign investment and consolidate the economic base of RMB internationalization. We must also carry out capacity cooperation to speed up cutting the excessive capacity and destocking so as to optimize and upgrade China's industry and create more resources. We need to learn the advanced technology and purchase good foreign brands through M&A. We should improve the aged service industry. We should also facilitate technological innovation and accelerate improving our weaknesses. We should formulate reasonable strategies for foreign investment and enable the direct investment to play a leveraging role in RMB Internationalization. Based on the domestic market, we need to expand the bilateral trade scale, promote RMB-denominated payments, stimulate the internationalization of financial institutions and provide comprehensive financial services for enterprises that have gone global.

Xiao Geng, Professor of the Business School and Public Policy School of Hong Kong University, holds that a stable exchange rate is the cornerstone of ensuring healthy and effective overseas investment and a link between the two pricing systems. According to the international status and development stage of RMB and dollar, China's economy has a shorter

history and still has a longer way to go. Maintaining a stable exchange rate can provide a frame of reference for China's structural adjustment. At the same time, Professor Xiao suggests that keeping the exchange rate fixed is of great significance to the risk management of the assets. A stable exchange rate enables the asset risk to be distributed in a more orderly way. If the exchange rate is liberalized too fast, it will bring significant short-term risks to China's foreign exchange reserves. Professor Xiao stresses that a fixed exchange rate is not contradictory to the market economy. The real market economy allows free cross-border capital flows. China should achieve the expected stability of the exchange rate through its characteristic macroeconomic regulation and control such as foreign exchange controls and fiscal policies.

The second roundtable discussion is hosted by Cao Tong, Chairman of Board of XFintech Corporation Limited and Former Vice President of Export-Import Bank of China. Its theme is "Currency and Financial Cooperation under the Belt and Road Initiative".

Ding Jianping, Director of Research Center for Modern Finance, SHUFE, amends Wei Shangjin and Kawai's economic model. Ding puts the basic trade, GDP and market size into the model and analyzes the relationship between RMB and the Belt and Road Initiative from the academic point of view. He believes that the fundamental factor of RMB Internationalization is to enhance a country's economic power, expand the market size, and explore the reasons why the market size is not consistent with the currency's frame of reference. Meanwhile, we should notice that RMB Internationalization is not a key to all problems.

Guo Jianwei, President of Urumqi Central Sub-Branch of PBoC, thinks that due to the lack of infrastructure connectivity between our country and other countries along the Silk Road, China does not have many business dealings with neighboring countries. As a result, there is an urgent need for these countries along the Silk Road to increase their investment in infrastructure, particularly in railway construction. China has a strong comparative advantage in infrastructure construction and can rely on infrastructure construction and industrial park construction to promote the RMB output. At the same time, China has much opportunity to cooperate with these countries in trade. The Belt and Road Initiative and RMB Internationalization will help expand the scale of RMB-denominated settlements and greatly improve people's welfare in neighboring countries. They can also help solve the problems like currency mismatch, maturity mismatch, structural mismatch and so on.

Juan Carlos Martinez Oliva, Senior Director of Directorate General for Economics, Statistics, and Research of Bank of Italy, highlights the importance of ADB. He believes that once the Asian investment bank is put into operation, its operation scale will continue to expand. It can motivate private sectors to get funds, strengthen market supervision and regulation, promote the development of the Silk Road, and thus becoming a very important driving force for RMB Internationalization. He argues that as RMB can be used more in the Asian region, including for investment, settlement and trade, which will, to a certain extent, contribute to the stability of the international financial system and the monetary system as a whole. He holds that the Belt and Road Initiative is not a tool for China to expand its influence on geopolitics. On the contrary, this strategy is conducive to regional solidarity and multilateral common development. Therefore, we need to establish a stable and reliable financial system and financial network, accept the international institutions' supervision and



achieve multilateral investment and trade. The Belt and Road Initiative will provide better opportunities both for China and even for the whole world. It will help each country realize modernization and globalization together and promote political stability and economic prosperity for the whole world. This initiative is in line with the interests of various countries.

Li Bingtao, Business Director of Everbright Securities and CEO of EBS International, proposes that the role of Hong Kong in international cooperation is positioned as a leader of civil diplomacy, a practitioner of strategies, a center of information exchanges, a controlling valve of country risk, a supplier of investment and credit enhancement, a distributor of asset allocation and a fair place for international arbitration. He puts forward his suggestions from the industry investment, service form, risk control, customer choice, geographical distribution to cooperation and exchanges. He stresses that by giving full play to the advantages of integrated management, brokers should seize the opportunity to cooperate, identify their own position and create a new core competence different from that of policy-based financial institutions, commercial banks, insurance institutions and other financial institutions.

Wang Yongli, Former Vice President of Bank of China, believes that the focus of the Belt and Road strategy is to promote RMB internationalization and emphasize equality, mutual benefit and win-win cooperation. He underlines that RMB internationalization does not lie in the cash level. Currency digitalization or even the electronic path is more important. We should adhere to liquidation basis of accounting. That is, we need to go global by doing accounts in the manner of creditors' rights and debt through clearing houses like banks. We must seize the opportunity to speed up building a RMB-based global clearing system and a trading center as the core of the International Financial Center, encourage the construction of various types of financial trading centers, including the development and opening up of the bond market like government bonds and the interbank market, enhance financial trading pricing power and improve our influence.

Wei Benhua, Former Deputy Administrator-in-bureau of SAFE, proposes that the Belt and Road Initiative is in line with the trend of the times and is consistent with the current situation of the international economy. The use of funds will greatly boost the economic development so as to truly realize joint discussion, construction and sharing. He suggests that China should strengthen financial cooperation with the countries concerned and jointly issue bonds to provide more adequate financial support for the infrastructure construction of the countries along the Silk Road. He believes that the Belt and Road Initiative will shape the future of RMB Internationalization and financial cooperation. It accords with people's aspirations and he is also full of confidence.

The Seminar on Cross-border Financial Cooperation under the Belt and Road Initiative and Inauguration of Cross Border Financial 50 Forum comes to an end. The seminar has brought together many Chinese and foreign leaders, experts and scholars from the financial sector, as well as those from the business community. They talk about their ideas and discuss with each other. Witnessed by those experts from the financial sector, the Cross Border Financial 50 Forum is officially founded. This financial event is undoubtedly important for promoting the Belt and Road Initiative and cross-border financial development and innovation.

## **Theme 2: Green Finance and RMB Internationalization**

On July 15, 2017 International Monetary Forum Theme 2 Sub-Forum on Green Finance and RMB Internationalization was successfully held at Renmin University. The forum was organized by School of Finance of Renmin University of China, School of Environment and Natural Resources of Renmin University of China and Chongyang Institute for Financial Studies of Renmin University of China, and co-organized by IMI and Ecological Finance Research Center at the Renmin University of China. Lan Hong, Deputy Director, Ecofinance Center, Professor and Ph.D. Supervisor, School of Environment, Renmin University of China, chaired the forum.

Li Mingkui, Party Secretary of School of Environment and Natural Resources of Renmin University of China, and Zhao Xijun, associate dean of School of Finance of Renmin University of China, delivered an opening speech respectively. Then experts and scholars delivered their keynote speeches.

Ma Jun, Chief Economist, Research Bureau of PBoC, delivered a keynote speech first. He commented on how the green financial system support the sustainable development of the green financial system, promote financial resources, build capacity, promote cross-border bond investment, promote environmental risk communication and improve the definition of green finance. He pointed out that the policy is the starting point of the green finance business, domestic and international introduction of more and more relevant policies show that green finance is mainstreaming.

Yang Chaofei, Former Engineer General, Ministry of Environmental Protection, delivered a keynote speech on “Green Development and RMB Internationalization”. He pointed out that in addition to the traditional circular economy, low-carbon economy, eco-economy and clean production, green development should also include green finance. He analyzed, contrasted and summarized the two relatively great green transformations experienced by the world's major economies after World War II, and argued that emphasizing policy information transparency, the correlation of national policy orientation and corporate behavior, establishing stakeholder coordination mechanisms, avoiding widening the gap between rich and poor, promoting environmental climate policy and the protection of international competitiveness and other experience can provide reference to RMB internationalization. RMB internationalization is currently facing serious environmental and resource challenges, and green development can protect and promote RMB internationalization.

Ye Yanfei, inspector of Policy Research Bureau, CBRC, delivered a keynote speech on “Green Finance Going Global”. Ye pointed out that the banking financial institutions should learn from the Equator Principles and other international good practices, attach great importance to the environmental and social risks facing customers and their important related parties in the construction, production and business activities, and implement whole-process management. Attention should be paid to protecting the local people interests, enhancing interaction with stakeholders, strengthening information disclosure and international cooperation, and building professional environmental teams.

Chen Liang, director of Environmental Cooperation, Ministry of Environmental Protection, delivered a keynote speech entitled “Learning from international experience and



building a green financial strategic system”. He pointed out that green finance can promote enterprise innovation, eliminate backward production capacity, and improve environmental quality in long-term and with stability. However, to control pollution and protect environment, we still lack environmental management funding, so there’s an urgent need for green financial innovation financing mechanism. The United States’ “Green Fund” and other green financial practices provide important international experience for China's green finance. He then introduced green finance practice and exploration carried out in our country, and made suggestions on the unified industry standard/database and green evaluation system, enterprise information disclosure, green factor capitalization/marketization and taxation system reform based on environmental demand.

Lu Hanwen, member of Credit Committee, China Development Bank, delivered a keynote speech on “Building a Green Financial System and Serving the National Strategy”. He pointed out that green finance has an important supporting role in the development of ecological civilization, but there are some problems and difficulties in the development, such as inaccurate data and inconsistent data, opaque project environmental information, weak current policy guidance and scattered ecological projects lack of initiative and so on. China's green finance development concept and experience set up an example for developing countries. We should continue to promote green financial, to improve the concept, method, and system, turning the Chinese initiative to a common principle and norms, embodying the Chinese elements in the global green financial system and promoting global sustainable development.

Zhou Yueqiu, deputy director of the Green Finance Committee, China Society for Finance, and director of the Institute of Urban Finance, Industrial and Commercial Bank of China, delivered a keynote speech entitled “Promoting the Development of Green Finance and RMB Internationalization”. Through green finance, funds are transferred to more needed, more ecological, and more environmentally friendly areas, supporting the sustainable growth of the real economy and making China's economy growing more sustained and with better quality. This is beneficial to both China and the world, and it will also help build fundamentals of RMB internationalization. The development of green bonds will help to enrich the RMB-denominated financial products and provide more investment options. Commercial banks can get to green finance and RMB internationalization by self-upgrading and providing differentiated green credit services.

Ma Anquan, vice mayor of Datong City, Shanxi Province, delivered a keynote speech on the “learning from Datong City’s experience of green finance”. Ma pointed out that Datong's exploration in green finance can be summarized as “in the most urgent situation, with the strongest desire, the most difficult exploration, and the most promising outlook”. He hoped to build an experimental area integrating green production and life, green energy and green financial through exploration, efforts and innovation, thus contributing to the country, the nation, Datong, and the public.

After the keynote speech and roundtable discussion, Lu Zhengwei, chief economist of Huafu Securities, Ma Xianfeng, deputy director of Green Finance Committee, China Financial Association and associate dean of China Institute of Finance and Capital Markets (CIFCM), CSRC, and Yin Hong, deputy secretary general of Green Finance Committee, China Financial Society and deputy director of City Finance Institute, ICBC, shared their

views on “green finance international cooperation”.

Zhu Da, Senior Research Fellow of the World Bank, Zhou Cheng, Vice President of Beijing Environmental Exchange, and Fischer, Associate Vice President of Hutchison Financial (Group) Holdings Co., Ltd. conducted a roundtable discussion on the practice of green finance in the development of China’s carbon trading and photovoltaic industry.

After the keynote speech and roundtable discussion, the “Green Finance and RMB Internationalization” Forum came to an end.

### **Theme 3: Internationalization of Bond Market: Opportunities and Challenges**

On the morning of 16 July, 2017 International Monetary Forum Theme 3 Sub-Forum was successfully held in the Century Hall North of Renmin University, with the theme of “Internationalization of Bond Market: Opportunities and Challenges”. This forum was held jointly by IMI and FICCRUC, and supported by Securities Association of China. Zhao Xijun, Associate Dean of the School of Finance, RUC, chaired the Session.

Ma Delun, chairman of Banking Accounting Society of China and the former deputy governor of PBoC, and the chairman of Shanghai Stock Exchange Wu Qing delivered keynote speeches.

Ma Delun mentioned in his speech about the great changes and developments in bond market—expanded market size, increasingly wide range of bond products, upgraded infrastructure, more diverse investors and further opened markets. With advanced system, the Chinese bond market received wider international recognition. According to Ma, RMB internationalization requires more RMB-denominated financial products and the internationalization of the bond market is an inevitable trend. The internationalization of the bond market has led to a new channel for cross-border capital flows, which is conducive to the bi-phase equilibrium of the balance of payments. However, how to maintain a stable monetary environment and further improve the monetary control still faces new challenges. He stressed that the finance itself is not an end, but should serve the financial services industry and the real economy.

Wu Qing deems that the internationalization of the bond market is an important component of China's opening up process. Without the internationalization of the bond market, it is difficult to achieve the RMB internationalization. Improving the financing mechanism of RMB, the pricing benchmark and risk management tools are important channels to promote the internationalization of the RMB. He pointed out that currently opportunities and challenges co-exist in in the internationalization process of China's bond market. On the one hand, in recent years the bond market developed fast, the market size ranking third in the world— second only to the United States and Japan. At the same time, China's bond market is young with features of emerging market and transition period, so both the system and the market itself need to be further improved. The China’s bond market internationalization is still far from that of the developed countries. He stressed that Belt and Road Initiative is an important opportunity. We should stick to strengthen the bond market, constantly improve related mechanisms, promote the internationalization of the SSE bond market, attract foreign



investors to invest in the SSE bond market; promote the international concept of green development, build a green financial system and explore multi-channel cooperation methods with foreign bond markets.

The first roundtable discussion centred on "Development of Internationalization of China's Bond Market", chaired by Managing Director and Head of Fixed Income of Huatai United Securities Wang Ge. The speakers are: Wang Guogang, Director of Finance Institute of CASS; Bu Yanhong, Vice General Manager of Asset Management for Postal Savings Bank of China; Mao Zhenhua, Board Director and Founder of China Chengxin Credit Management Co.; Wang Changyun, Executive Associate Dean of Hanqing Advanced Institute of Economics and Finance, RUC; Wang Qing, President, Shanghai Chongyang Investment Co., Ltd.

In his speech, Wang Guogang put forward two problems of the bond market in China. In his view, the deleveraging of entity enterprises should adjust the debt structure; adopt long-term liabilities to replace current liabilities, making full use of the bond market to solve the financing problem in China. At the same time, he proposed that China's interest rate market has not yet completed marketization; the main investors in the market lack the right to choose; external pricing system is not complete; the investment channels and investment products for urban and rural residents are still scarce. He stressed that the bond market is largely intangible; China should focus more on the development of the intangible market.

Bu Yanhong analyzed from the microeconomic aspect—the engagement agencies of the bond market. She pointed out that China changed from the international export power and trade power to the main force to promote the economic globalization. Along with the domestic economic restructuring and development, the opening of the financial market and the bond market is overwhelming. At present, in the total size of the three trillion, green bonds, debenture bonds and asset securitization products flourished; the non-standard transfer process further promotes the expansion of the bond market, which is the result promoted by the regulatory body, rating agencies and intermediaries. At the same time, the infrastructure of domestic bonds is still weak with the following problems: there are shortcomings in the market segmentation, market supervision and so on; the soft budget constraint disturbs the normal bond yield curve; the liquidity of the bond is not active and the interest rate derivative tools are not advanced. She believes that the domestic bond rating agencies and intermediaries should bear more responsibilities and obligations.

Mao Zhenhua proposed that China's rating and credit industry is fully open and no longer on the control list of foreign investment, which has a far-reaching impact for the entire market. He stressed that anti-risk goes firstly from the regulations—regulators should enhance the ability to monitor to and strengthen the financial infrastructure construction in the globalized background. The infrastructure doesn't only include the information superhighway and the clearing and settlement system, but more importantly the thinking and action of regulators, regulators and supervisors.

Wang Changyu's speech focused on the opening of the capital market in the RMB internationalization process. He pointed out that the opening of the capital market varies from different the economic and social development stage of different countries, cultural and legal environment, but the truth is to adhere to the direction and principles of marketization. The opening of the capital market is an important symbol of the internationalization of the

currency, which is conducive to enhancing the scale and depth of the offshore RMB market and opening the RMB backflow channel for the internationalization of the RMB. He stressed that we should see clearly the problems in the capital market, accelerate the pace of market-oriented reform and expand the share of the bond market.

Wang Qing analysed in the macro level the "exchange rate, interest rates and prospects of securities market". He suggested that the interest rate of RMB remained relatively stable by the end of 2016 in order to achieve the orderly, controlled and gradual process of the RMB devaluation. As Trump was elected president of the United States and the financial deleveraging proceeded by the PBoC, CBRC, CSRC and CIRC, the bond market began to undergo major changes accordingly. But this unstable situation is unsustainable, and in the future, the downward trend of interest rate liquidity may form a time window, making a more favourable financial environment for the capital market and bond market. He believes that the recent introduction of the bond is an important and promising reform way, and will have a significant influence on the opening of China's bond market and the internationalization of the RMB.

The second roundtable discussion focuses on "Internationalization of the Market and Institutional Business", chaired by Xia Le, Chief Economist for Asia, Research Department, BBVA. The speakers are: Fan Xiwen, Chief Risk Officer, China-LAC Cooperation Fund; Li Yu, General Manager of Financial Market, China Guangfa Bank; Guan Mingjia, Managing Director of First Capital; Qu Qing, General Manager, Asset Management Division, Hua Chuang Securities and Chief Analyst, Hua Chuang Bonds; Wang Wei, Director of Fixed Income Research, BOC International.

Fan Xiwen thought that the opening of bond market and capital market is very challenging. On the one hand, opening up exposed a country's capital outsourcing risk and problems of capital flight, soaring prices, loss of foreign reserves and other issues especially during an economic crisis, leading to further deterioration of the economy; On the other hand, overseas capital that flows into the Chinese credit market requires much more from the credit bonds, issuers and other related legal mechanisms, legal environment and market supervision. He proposed that China urgently needs to establish a syndicated loan market, improve communication with overseas investors, improve relevant laws and regulations, and enhance the overall self-confidence of the country.

Li Yu believes that domestically, the currency is the will of the country and internationally is the national interest. RMB internationalization needs a financial market that includes the US dollar, the euro and other foreign currencies. And we should increase the diversification of market participants and make it more attractive to global capital. He pointed out that the RMB interest rate bonds reflect the relationship between national credit and sovereign credit. China's credit bonds are more open and standardized in the approval of the issue, but there are the emergence of bankruptcy and other issues after the crises. Management authorities need to improve the relevant laws and regulations and regulatory procedures to achieve bilateral recognition with the foreign judicial departments. At the same time, in the process of expanding the internationalization of currency, we also need to consider the impact of digital currency on personal privacy.

Guan Mingjia shared his thoughts from the micro-operation of securities companies. He argues that bond transactions are inseparable from basic service facilities. Compared with the



domestic banks and exchanges, the bond market failed to form a market-oriented transaction way, mainly because of the lack of bond market functions and products. He suggested that foreign pension funds could be introduced during the opening of the bond market to provide more support for the offer of the bonds. At the same time, we should improve the market service facilities to help overseas investors access to the market more quickly and have better investment options.

Qu Qing believes that in the long run, the demand of foreign markets for China's bond market is very large. However, in the short term, China's financial institutions still need to improve the market-oriented bidding system, improve the ability to resist credit risk, standardize the institutional rating mechanism and improve the independence of the Chinese currency, so as to establish a sounder bond market and attract foreign investors to enter.

Wang Wei said in his speech, in recent years, China's direct financing market develops very fast and the opening of China's capital market has never stopped. He highly appreciates the openness of the Chinese government over the past few years and has full confidence in the future of the RMB internationalization. But he also suggested that the imperfect system of information regulation in China is an important reason for foreign investors hesitating of entering the Chinese market. China needs to further enhance the transparency and concentration of the bond market and improve the influence of Chinese-funded institutions abroad.

After the discussion of the theme, guests talked freely about the investment channels, derivatives in the bond market, the impact and the development of the Bond Connect and other issues.

#### **Theme 4: Cross-Border Capital Flow and Systemic Risk Prevention**

On the morning of July 16, the 2017 International Monetary Forum Theme 4 Sub-Forum jointly organized by IMI and the Official Monetary and Financial Institutions Forum (OMFIF) and supported by the Cross Border Financial 50 Forum (CBF50) was successfully held at Room 830, Mingde Main Building, Renmin University of China. The theme is “Cross Border Capital Flow and Systemic Risk Prevention”.

The following guests attended the forum and delivered key speeches: Guan Tao, Senior Research Fellow of China Financial 40 Forum and Former Director General of International Payments of SAFE; Bruno Bezar, Managing Partner of Cathay Capital Private Equity and Former Vice Minister of Finance of France; Gao Haihong, Director of International Finance Research Center of CASS; Shen Jianguang, General Manager and Chief Economist of Mizuho Securities Asia; Sun Lujun, Director of CNIC Corporation Limited; Zhang Bin, Senior Research Fellow of China Financial 40 Forum and Research Fellow of Institute of World Economics and Politics of CASS; Zhang Ming, Director of International Investment of Institute of World Economics and Politics of CASS and Chief Economist of Ping An Securities; Lord Neil Davidson, Shadow Treasury Minister for the Labour Party of the UK and Former Advocate General of the UK; E Zhihuan, Chief Economist of Bank of China Hong Kong; Li Wenlong, Senior Economist of ASEAN+3 Macroeconomic Research Office

(AMRO); Iikka Korhonen, Head of Bank of Finland Institute for Economies in Transition (BOFIT); and Zhou Yinggang, Associate Dean of Wang Yanan Institute for Studies in Economics and Professor of School of Economics of Xiamen University. This forum was chaired by Adam Cotter, Head of Asia and Chief Representative in OMFIF Singapore.

The theme of Roundtable I is “The Evolution, Status Quo, and Future of China’s Cross-border Capital Flows” and all key speakers shared their respective views on this theme.

Guan Tao delivered a speech from the perspective of China’s cross-border capital flows, analyzed the changes in China’s recent capital flows, and pointed out that as the domestic economy grows steadily and the financial risk is gradually released, cross border capital flows will gradually return to domestic fundamentals. Currently, cross border capital flows management produces positive fruits and the impact of the capital outflow risk has been relieved, but the financial opening up remains unchanged when its intension and pace are changed. If cross border capital orderly flows, then the government and the market can finally reach win-win results. In the future, liberalizing the exchange rate is the general trend and the trade surplus and the capital outflow will become the new normal of China’s international balance. Some cross border capital flows management is temporary, and market entities should seize the opportunity, constantly improve its ability to adapt to the fluctuating exchange rate, properly raise the awareness of financial risk, and not replace market operation with market judgment.

Bruno Bezard talked that at the current stage, China is quickly integrating with the global economy. China has become an important development engine of the global economy, so the RMB’s status will definitely improve as China gradually participates more in the global economy. As the RMB constantly deepens its internalization, China will play a more and more important role in the global public fundraising and finance. As for how to enable the RMB to avoid systemic risk, he thought that China needs to have a sound economic fundamental and a powerful financial system that can withstand any impact. The supervisory department should work hard to conduct supervision at both the micro and macro levels.

Gao Haihong mainly analyzed the Chinese policy predicament between exchange rate capital flows and the financial stability. She started from the 1997 Asian financial crisis and pointed out that it is improper for a country to conduct the policy package of opening up the capital account too early and fixing the exchange rate, which will easily trigger constant high prices of domestic assets and high inflation and the fixed exchange rate system will make the exchange rate unable to reduce external impacts. She thought that China could avoid the crisis at that time primarily because China’s capital account was closed. However, as China participates more in the global economy, China’s exchange rate policy will definitely have a great influence on China’s economy and trigger external concerns. She held that there is no single exchange rate system that can fit all countries. China needs to choose an exchange rate system that suits its current situations.

Shen Jianguang thought that the question of “protecting the exchange rate or the foreign currency reserve” has been falsified. The decreasing foreign currency reserve is more related to the panic capital outflow. Currency depreciation and foreign currency reserve decrease do not have a cause-and-effect relationship. As the RMB exchange rate grows steadily, China has gradually relieved the pressure from the large-scale capital outflow. In this context, our market-based reform will make further progress.



Sun Lujun mainly answered the question of sustainable capital outflow and management. He pointed out that this year, the pressure of capital outflow is greatly relieved, but under the influence of the US dollar appreciation, interest rate increase by the US Federal Reserve, and the expected slowdown of the GDP growth, the pressure of domestic capital outflow will still exist. He thought that the current capital management is reasonable to some extent, but China should enhance the transparency and the rule consistency of capital management and based on the domestic economic and market entities' operation and the reality of the international balance, China should gradually relieve or eliminate relevant capital management and steadily promote the capital account convertibility.

Zhang Bin held that there are three reasons for China's previous capital outflows: first, the domestic economic fundamentals and the easy monetary policies enabled more enterprises to invest overseas; second, from 2011 to 2012, China's large foreign debt caused enterprises to pay back when the RMB appreciated and accelerated the capital outflow; and third, China's exchange rate formation mechanism enhanced the pressure of capital outflow. Currently, the capital outflow slows down because the above-mentioned three factors begin to reverse. Zhang Bin was not optimistic about the future capital account management. He thought that our exchange rate is still not open and does not have the tendency to open in the future, so China will make limited progress in opening the capital account in the future.

Zhang Ming mentioned in his speech that from 2012 to 2013, the Chinese Academy of Social Sciences believed that accelerating the opening of China's capital account has three risks: first, the global finance may worsen and China's constant capital inflow may turn to outflow; second, the rigid exchange rate may turn the expected RMB appreciation into depreciation at any time; and third, before China's financial risk is completely resolved, opening the capital account may trigger great capital outflow. These concerns have been proved to be true, so the RMB internationalization greatly slows down. As for the reasons for the relieved capital outflow this year, Zhang Ming thought that first, the expected change in the exchange rate of the RMB against the US Dollar is greatly weakened; second, China's central bank's capital management is greatly enhanced; third, since the second half of last year, China's macro economy growth rate has gradually increased; and fourth, since the end of last year, the central bank and the three commissions' supervision has caused the domestic short end currency market to expand greatly, which triggers greater China-US deficits. Whether this relieved trend can sustain or not mainly depends on the comparison between the US and Chinese economic growth rates and the Chinese government's attitude towards supervision.

During the discussion, the following guests shared their respective opinions: Herbert Poenisch, Former Senior Economist of BIS; Patrick D'Arcy, Representative at the China Office of Reserve Bank of Australia; Chiu Cheng-Hsiung, Board Director, SinoPac Financial Holdings; Juan Carlos Martinez Oliva, Senior Director, Directorate General for Economics, Statistics, and Research, Bank of Italy; and Ding Jianping, Deputy Director of Shanghai Institute of International Finance Center and Director of Research Center for Modern Finance at SHUFE.

The theme of Roundtable II is to "Strengthen the Financial Transaction Function of RMB and RMB Internationalization" and all key speakers shared their respective views on this topic from different perspectives.

Lord Neil Davidson indicated that China's economy is gradually developing, China is

transforming its international status, and in the future, China will continue to open its capital account and trade market. As China improves its economic status, the western capital market will be more and more willing to participate in the Chinese market. In the future, the RMB will definitely become a key currency used by multinational enterprises not only for trades and the development of the Belt and Road Initiative, but also in the global economy. In the future, the RMB will definitely become a global currency and a normal international currency.

E Zhihuan thought that in recent years, the RMB internationalization has changed in the following three aspects: first, in terms of foreign currency reserves, all central banks have become more willing to hold the RMB as their foreign currencies; second, during the whole process of the RMB internationalization, the driving force has changed from trade and investment to security investment and reserve asset; and third, the domestic financial market continues to open up wider and the capital account liberalization also speeds up. However, international investors still have some doubts about the Chinese market, for example, doubts about the differences between the market management, the market liquidity, the credit rating, and the international standards. In the future, the RMB internationalization needs to reach three balances: the balances between enhancing the RMB's use frequency in the financial trade and stabilizing the exchange rate, between the external capital inflow and the domestic capital outflow, and between further developing the onshore market and the offshore market.

Li Wenlong mentioned in his speech that from the perspectives of the Chinese economy's share in the world and the RMB as the international reserve currency, although the RMB internationalization makes a little progress, it keeps developing. In terms of markets, in the future, the RMB internationalization needs to integrate or collect data of the offshore and onshore market exchange rates and borrowing and lending interest rates and to enhance the RMB's pricing power of the commodities market; in terms of institutionalization, China needs to enhance its arrangement of inflation targets and boost the capital market's confidence in the RMB through the introduction of inflation targets; and in terms of laws, China needs to modify the restrictions on the RMB payment flows provided in the Law of the People's Bank of China.

Iikka Korhonen thought that in the future, China will make further progress in its RMB internationalization. In the previous years, the RMB internationalization went through the temporary stagnation, but in the future, it will enjoy further growth. If China wants to truly internationalize its RMB, the capital must freely flow and we also need a transparent, well-regulated capital market to support cross-border trades. Only in this way can China promote the RMB internationalization.

Zhou Yinggang indicated that in recent years, as the RMB internationalization speeds up, the changing trends and influences of the RMB exchange rate attract great attention at home and abroad. He used a series of data to demonstrate that the RMB internationalization is speeding up and the RMB is becoming more and more important. During the RMB internationalization, the elasticity of the volatile exchange rate is increasing. Although the RMB enters into the channel of depreciation, the RMB's spillover effect is enhanced. The RMB's market-based reform can also explain why the RMB's influence increases.

The following guests also joined the discussion on this theme: Zhong Hong, Senior Research Fellow of International Finance Institute of Bank of China and Executive Associate Editor of Studies of International Finance; Wei Benhua, Former Deputy



Administrator-in-Bureau of SAFE and Former Executive Director for China in IMF; and Yaseen Anwar, Former Governor of the Central Bank of Pakistan.

### **Theme 5: Financial Transactions Driven by Fintech: Innovation and Security**

On the afternoon of July 16, with the theme of “Financial Transactions Driven by Fintech: Innovation and Security”, the “2017 International Monetary Forum Theme 5 Su-Forum” was held in Renmin University of China. The forum was co-hosted by IMI and ChinaFintech50Forum (CFT50), and it was presided over by Yang Tao, Assistant Director of Finance Institute, CASS, and Chief Economist of CFT50.

Cao Tong, Co-director of IMI, Chairman of Board of XFintech Corporation Limited made the opening remarks. He pointed out that, at present the essence of Fintech was that based on the maturity of a set of genes from the Internet era, the post-Internet era has brought changes to financial relations of production, so that many financial services have transformed from inner functions of financial institutions to financial infrastructure of the society. These changes will lead to adjustment of the financial system, and solve the problems in the multi-layered capital market and inclusive finance. Meanwhile, the development of Fintech is beneficial to the reconstruction of the regulatory system, and to the development of a better and more efficient regulatory system with strict control.

Keynote speeches were given by: Li Lihui, Member of Financial and Economic Committee of NPC, Head of Blockchain of National Internet Finance Association, Former Deputy President of Bank of China; Wang Yonghong, Secretary of the Party Committee of Center for Clearing of PBoC, Former Director General of Technology Department of PBoC; Qin Yi, Managing Partner of Investment Management of Deloitte Asia Pacific; Huang Jinlao, Vice President of Suning Commerce Group, Vice Executive President of Suning Financial Group.

Li Lihui pointed out in his speech that as credit is the basis of finance, and credit popularization is the premise of inclusive finance, how to apply big data technologies in popularizing credit and creating added value for credit, and to further promote financial transformation and upgrading and develop inclusive finance are important topics. He said that nowadays big data, artificial intelligence and blockchain are playing the leading role in Fintech, so only by integrating technologies and technological innovation could we realize the transformation of the financial industry. He suggested that we should strengthen the institutional construction and improve the laws and regulations on data collection, recording and application; we should make clear planning on data information, and limit the scope of data application to prevent the abuse of enterprise or individual information. Meanwhile, we should also upgrade the security technologies and systems to adjust to the new environment of data technology, and apply effective technologies and control measures to maintain data security.

Wang Yonghong provided new ideas from the perspective of the banking technology sector. He pointed out that any changes in the way of doing business, way of life and way of living brought by technological advancement would develop gradually. Technological development is a process in which productivity promotes the changes of production relations,

at the same time, production relations also have influences on productivity. The way Internet institutions apply new technologies is totally different from traditional banks, the former ones utilize a series of technologies to change the habits of users, and rebuild the relationship between people, business and finance. Mr. Wang thought that cloud computing would influence the development of the banking sector, and in the future, the development of the core systems of banks would bring a new opportunity for technological businesses. Besides, he thought that deep learning technologies should be applied in financial big data to form new risk control model and new credit model.

Qin Yi said that the innovation of technological companies involved using technologies to change traditional operation models of the financial sector and take more market shares from traditional financial institutions. She pointed out that innovation was aimed at creating a new operation model with business value. To realize real innovation requires full understanding of clients' needs, and self-sufficient technologies with a positive return of investment. Innovation does not necessarily mean the arrival of a new technology; it means the increase in efficiency due to the application of a new technology. She emphasized that innovation was not to develop a specific concept by a platform, an individual or a company, rather, it was to create a new product by the combination of multiple platforms and technologies, which was also the vision of real innovators.

Huang Jinlao mentioned that the development of Fintech was for solving the problems during financial transactions, and the theme and aim of finance was to allocate resources in different locations and at different time despite uncertain conditions, and the essence of Fintech development was to reduce transaction costs. Besides, the key to reducing transaction costs lies in enhancing the trust between the two parties and shortening the trading chain. He pointed out that by far Fintech has been mainly applied among individuals, and it just started among enterprises. He thought that in the future, the application of Fintech among enterprises would mainly be in the supply chain, which would help control warehouses through recognition technologies and the Internet of Things.

The theme of Roundtable Discussion I was "Artificial Intelligence and Innovation and Security of Financial Transactions", and the discussion was presided over by Yan Wentao, General Manager of Credit Investigation, Zhong Cheng Xin Credit Rating Corporation Limited. Guo Zhenzhou, CEO of Quark Finance thought that the development of inclusive finance relied on developing technologies to increase efficiency, reduce costs, better control risks and meet the diversified needs of clients. Meanwhile, innovation does not contradict security, because security comes from innovation and security is driven by innovation. Jiang Tao, Founder and CEO of Tongdun Technology thought that the major influence of artificial intelligence on financial transactions was increasing efficiency and reducing risks. The rapid growth of the retail industry and consumer financial business demands more on automatic decision and analysis. As a result, relevant technologies such as decision making engines, complex network, real-time computing, automatic training platforms based on models and innovation-driven companies would also develop fast. At the same time, some technologies substantially reduce risks, such as frauds and credit-related risks. Yin Jiayin, Vice-President of Elements Credit pointed out that, in the future artificial intelligence would become an important element in financial transaction services, and it would help discover the potential demand in the financial sector: in the front, customer services going on, in the middle, credit



extension and transaction decisions, in the background, risk control, examination and supervision. Teng Fang, Co-Founder of InnoTree.cn thought that the driving forces of this round of Fintech development came from global deleveraging, and the inner driving force was artificial intelligence. We must have a clear understanding of the boundaries of artificial intelligence, and make full use of this technology in the financial sector. He pointed out that we should improve relevant laws and regulations, clarify the regulatory responsibilities of different institutions, so that we could clear the way for the development of Fintech. Nie Fanqi, Founder and CEO of FDT emphasized that the key to financial innovation and security was the structure of investors. Artificial intelligence would bring a new life for financial institutions, rather than destruction, helping lower the threshold of financial services and realize inclusive finance.

The theme of Roundtable Discussion II was “Blockchain and Innovation and Security of Financial Transactions”, and it was presided over by Cao Feng, Vice Chairman of Board and Chief Scientist of Shenzhen Block Chain Financial Service. Huang Lianjin, Chief Expert of Huawei Hyperledger introduced the application of blockchain, such as Bitcoin and identity chain, and analyzed the security attribute of blockchain. Deng Di, Chairman of Board of Taiyiyun Technology believed that the development of blockchain not only involved the context of use, but also included the business models of enterprises. Tom Ding, Co-Founder and CEO of String Labs pointed out that although blockchain has not changed productivity, it has turned the production relations into flat ones. However, due to the lack of sufficient users and relevant infrastructure, blockchain has not been ready to be a killer application at this time. Wang Jing, Co-Founder and CEO of Bubi Technologies thought that only by analyzing the role of blockchain in reducing costs and increasing efficiency from the perspective of business, could we promote the products we have created. Wu Fenghai, Vice President of Union Mobile Financial Technology Co., Ltd. pointed out that before the inflection point of innovation turns out, there would be a period of preparation. The development of blockchain still requires some time for infrastructure construction.

# Research

## Roundtable on Money and Finance

### Editor's Note:

*Roundtable on Money and Finance is IMI's signature quarterly forum, held on the second Saturday afternoon of each March, June, September and the next January respectively (adjusted for national holidays and special occasions). The forum invites financial experts and leaders from home and abroad, having featured keynote speakers including Wei Jianguo, former vice minister of the Ministry of Commerce; Su Ning, former deputy-governor of PBoC; Chen Yulu and Pan Gongsheng, deputy-governor of PBoC; Robert A. Mundell, professor of Columbia University; Edmond Alphandery, former French minister of finance; Patrick Honohan, governor of Central Bank of Ireland; Yves Mersch, governor of Central Bank of Luxembourg. Currently, the forum has become a significant platform for academic exchanges in the macrofinance, and has cast great influence among financial researchers and practitioners.*

### **Roundtable on Money and Finance • Autumn 2017: Fintech and Banking Transformation**

On September 23, the Roundtable on Money and Finance Autumn 2017 under the theme of Fintech and Banking Transformation was held by IMI at Renmin University. Chairman of board of XFinTech, former vice-president of the Export-Import Bank of China, Cao Tong; director-general of Banking Innovations Supervision Department CBRC, Li Wenhong; former vice president of Bank of China, Wang Yongli; vice president of Shanghai Huarui Bank and chief information officer, Sun Zhongdong; general manager of China Everbright Bank Information Technology Department, Li Fan; deputy chairman of National Council for Social Security Fund of China, Wang Zhongmin; director of IMI and professor of School of Finance at RUC Zhang Jie took part in this conference and gave keynote speeches. Other participants include director of International Finance Institute of Bank of China, Chen Weidong; chief economist of Bank of China Hong Kong, E Zhihuan; chief risk officer of China-LAC Cooperation Fund, Fan Xiwen; executive director of Credit Management Research Center of RUC, Guan Wei; director of China Banking Research Center of Central University of Finance and Economics, Guo Tianyong; secretary of the board of directors of Shenhua Group, Huang Qing; deputy director of IMI Song Ke; director of CEO office of Ant Financial, Wang Zuogang; former deputy administrator-in-bureau of SAFE, Wei Benhua; vice president of Zhengzhou Bank Financial Research Institute, Wu Anhua; professor of University of Hong Kong and president of Hong Kong Institution for International Finance, Xiao Geng; vice president of Element Credit Co., Ltd., Yin Jiayin; chief risk officer of China Investment



Corporation, Zhao Haiying and other experts and scholars from financial industry. On this conference, the report “East or West, Home is Best? --Are banks becoming more global or local?” was also released, Zhao Changwen, director of Industrial Economy Division of the Development Research Center of the State Council made comments on the report. The conference was chaired by Ben Shenglin, executive director of IMI, dean of Zhejiang University Academy of Internet Finance.

Professor Zhuang Yumin delivered a speech on behalf of the School of Finance. She said that judging from the perspective of human development, science and technology has been an important factor in promoting financial development. The era of artificial intelligence also brings unlimited possibilities for the development of the financial industry. The conference coincided with the 80th anniversary of RUC, and the Applied Economics of RUC has just been included in the list of the world-class university and first-class discipline. She introduced the development of the School of Finance and its future plans to the audience, and also welcome all the guests to support and pay attention to the development of the School of Finance.

Cao Tong gave an introduction of the application of Fintech in small-and-medium-sized banks. He believes that Fintech's key words are technology, efficiency, and innovation. After reviewing the 150-year-long history of “finance, science and technology”, he pointed out the direction for small-and-medium-sized banks in the wave of scientific and technological revolution.

Director Li Wenhong shared her opinions from the perspective of regulators, including the awareness of Fintech, development and regulation on Fintech; and thoughts and suggestions on its supervision.

Next, Professor Ben Shenglin interpreted the report “East or West, Home is Best?——Are banks becoming more global or local?” He first summed up the development in world economy in the past year: the slow recovery, the existence of uncertainty and the growth of China's economy with the decline in import and export. Then he gave a brief introduction to the conclusion of this report.

Professor Zhao Changwen made comments on the report as a representative of the Expert Advisory Committee. He praised the hard work of Professor Ben and his team.

Wang Yongli shared his views on Fintech. The Internet has brought great changes to the financial industry and promoted the return of financial functions. When embracing the emerging innovations, people should be aware of their nature rationally.

Sun Zhongdong talked about the most suitable application of the mobile Internet technology in the banking industry, and introduced the smart banking development model of Huarui Bank in the face of the “Internet+” era.

Li Fan believes that the role of science and technology in financial industry is transforming from providing support into serving as a driving force and guide, which is in line with the views of the former guests. He then introduced the practice of Everbright Bank in intelligent products, big data and cloud platform.

Wang Zhongmin thought that Fintech is in the stage of rapid expansion, but more attention should be paid to the nature of finance. Talking about the origin of money, he put forward the most valuable development path for Fintech.

Professor Zhang Jie made a concluding remark in the end. He praised the wonderful

speeches of the guests and thanked them for their support and attention to IMI.



# Exchange

## 2017 China-US Student Leaders' Dialogue

On the afternoon of July 26, the China-US Student Leaders' Dialogue was held at the East Hall of the Student Activity Center. The forum was co-sponsored by School of Finance of RUC and the US CET Academic Project, organized by IMI and the Youth League of School of Finance, and supported by Beijing Gintong Net Investment Co., Ltd. The forum was chaired by He Qing, professor of School of Finance and senior research fellow of IMI.

This forum is themed "Sino-US cooperation in green finance and fintech." International students attending the forum come from world-class universities such as Yale University, New York University, University of Michigan, George Washington University, University of Minnesota, Brown University, Hill Dale College and Meadbury College. Domestic students come from Renmin University of China and Nanjing Normal University. They exchanged ideas in terms of Sino-US cooperation, green finance and fintech.

Sun Hualing, secretary of School of Finance Party Committee, delivered the opening speech. She thanked friends and students for their attention and help, and firmly believed that the financial dialogue between Chinese and American students would provide more talents for promoting Sino-US cooperation and win-win as well as world peace and development. It has become a successful model for international financial talent training and academic exchanges.

In the first part of the keynote speech, Benjamin Akre-Fens from the University of Minnesota explained the concept of "green bond", pointing out the significance of green bonds and ways to expand their issuance. Dai Zhuojun from Renmin University introduced fintech in detail, and compared the status quo of fintech in China and US in terms of capital and asset; Hu Jingyi from Nanjing Normal University objectively analyzed the significance of Sino-US green credit cooperation in the two countries and the world at large, pointing out the challenges and solutions in cooperation. In addition, Arthur Befumo from Yale, Max Bork from the New York University and Hu Xin from Renmin University discussed issues on carbon emission tax, electronic payments, and fintech regulation. Later, Yang Wang, Director of Hande Financial Research Institute and Chang Hu, Dean of the Department of Environmental Economics and Management of Renmin University, commented on the students' speeches, and praised the students for their efforts. Meanwhile, they offered valuable suggestions for students' speeches, and expressed their insights on green finance, financial technology among others, expressing their hope for Chinese and American students to join hands for sustainable development.

In the second part of the keynote speech, Weng Haitao from Renmin University elaborated on the basic connotation of green finance, analyzed the development of green finance in China and the US, and looked forward to future of green finance in China. Xiao Bogao from Renmin University analyzed the cooperation model of green finance; Jack Ombry from the University of Michigan introduced the mechanism and purpose of China's

financial investment by discounts based on the new policy. In addition, Sung Eun Bue from the University of Michigan, Shi Luji from Renmin University, and Eleanor Hume from the George Washington University had a discussion on financial opportunities and risks, green finance and international relations and sustainable fashion. Subsequently, Lan Hong, professor of Renmin University and Li Xiaodong, deputy managing director of Beijing Ginkgo Shenghong Investment Management Co., Ltd. gave their comments, profoundly explained the relationship between green industries and finance. They comprehensively analyzed the role of green finance in the economy and the society, and suggested that students do more pragmatic research.

Feng Yu, leader of the US CET Academic Project made a concluding remark. He spoke highly of the students' speeches, pointing out that this forum exceeds previous ones in terms of both scope and depth. American students were praised for making high quality academic reports in Chinese, as exchanging academic views in Chinese and English has become a major trend. Finally, he thanked the students for their performance and organizers for their preparation.

After the meeting, students from both sides had dinner together. As a platform for Chinese and American students to interact, this forum enhanced our international reputation and influence. At this forum, Chinese and American students discussed the hotspot issues of contemporary finance from environmental protection to technology, exchanged their research results, and listened to the valuable suggestions of professors. Through the discussion, the students deepened their understanding of international green finance and Sino-US financial cooperation and enhanced their friendship.



## Delegation of ASEAN+3 Macroeconomic Research Office (AMRO) Visits IMI

On August 30, ASEAN+3 Macroeconomic Research Office (AMRO) visited IMI for economic consultation. Both sides discussed issues such as capital flow, RMB exchange rate, RMB internationalization, etc. Experts attending the meeting include Li Wenlong, Senior Economist of AMRO; Anthony Tan, Senior Economist of AMRO; Liu Xinyi, Economist of AMRO; Yoichi Kadogawa, Specialist of AMRO; Tang Xinke, Researcher of AMRO; Zhao Xijun, Member of IMI Academic Committee, Associate Dean of School of Finance, RUC; Di Dongsheng, Associate Dean, School of International Studies, RUC; Gang Jianhua, Associate Professor, School of Finance, RUC; Qian Zongxin, Associate Professor, School of Finance, RUC; Qu Qiang, Research Fellow of IMI. The meeting was chaired by Wei Benhua, Member of IMI Academic Committee, Former Deputy Administrator-in-Bureau of the State Administration of Foreign Exchange, Former Director of AMRO.

The meeting focused on five topics: “Measures and challenges of capital flow management” “Impact of the introduction of counter-cyclical factors in the quoting RMB exchange rate against the US dollar” “China’s capital market opening and RMB internationalization” “Impact of the Fed’s rate hike and balance sheet reduction on China’s monetary policy and financial markets”, and “Macro-prudential management and systemic risk prevention”. During the economic consultation, Mr. Wei Benhua stated his opinion on RMB depreciation which is an issue concerned by AMRO. He pointed out that the direction of Chinese opening up and internal reform economic policy will not change. To establish the RMB exchange rate flowing mechanism is a gradual process, it needs a mature market to cooperate. Professor Zhao Xijun believed that, as the PBoC has decreased the weight of US dollar in foreign reserves, the impact of the Fed’s rate hike and balance sheet reduction on China’s monetary policy and financial markets is correspondingly weakened. In addition, Di Dongsheng expressed the view that the RMB exchange rate will show a trend of appreciation in the long term. We should have confidence in the future of RMB. When it comes to the inclusion of A share into MSCI Emerging Markets Benchmark Index, Gang Jianhua stated that this is a positive signal of the Chinese capital market development and a reflection of the importance of China in the global capital markets.

After the meeting, the participants took pictures together. The AMRO delegation expressed appreciation for the participation of IMI researchers in the economic consultation, and showed their expectation for more extensive cooperation and communication in the future.



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