



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

2019 International Monetary Forum

On July 6 to 7, the 2019 International Monetary Forum was held at Yifu Hall of Renmin University of China, organized by School of Finance and China Financial Policy Research Center of Renmin University, and co-organized by IMI, with the theme “High-quality Development and High-standard Financial Opening-up”. The topics centered on Financial Supply-side Reform and Financial Risk Prevention, Fiscal Reform and the Two-pillar Macro-control System, Asset Management and Wealth Management Subsidiaries of Banks, Renminbi Internationalization and High-standard Financial Opening-up, and Fintech.

Hundreds of experts and scholars from government sectors, academia and financial industry attended the forum including Liu Wei, President of Renmin University of China, Xiao Gang, Member of the National Committee of CPPCC, Former Chairman of CSRC, Hu Xiaolian, Chairman of the Export-Import Bank of China, Chen Yunxian, Party Member and Former Deputy Governor of Guangdong Provincial People’s Government, Li Lihui, Former President of Bank of China, Head of Block Chain Working Group, National Internet Finance Association of China, Wang Zhongmin, Former Deputy Chairman of National Council for Social Security Fund of China, Liu Jun, Vice President of China Investment Corporation, Wang Yi, Director-General of Department of Finance of Ministry of Finance, Huo Yingli, Director General of the Macro Prudential Administration, PBoC, Li Wei, Director-General of Science and Technology Department, PBoC, Li Jizun, Director of Market Department, CBIRC, Liu Shangxi, Dean of Chinese Academy of Fiscal Science, Wei Benhua, Former Deputy Administrator of the State Administration of Foreign Exchange (SAFE) and Former IMF Executive Director for China, Zhang Zhixiang, Former Director-General of International Department of PBoC and Former IMF Executive Director for China, Wang Guogang, Professor of School of Finance at Renmin University, Member of Academic Committee of CASS, Ding Zhijie, Vice President of University of International Business and Economics, Yao Yang, Dean of National School of Development at Peking University, Yaseen Anwar, Former Governor of Central Bank of Pakistan, Senior Advisor of ICBC Pakistan, Tae Soo Kang, Former Deputy Governor of Bank of Korea, Senior Research Fellow of Korea Institute for International Economic Policy (KIEP), Anoop Singh, Adjunct Professor of Georgetown University, Former Head of Asia & Pacific Department of IMF, etc.

On July 6, Zhuang Yumin, Dean of the School of Finance of Renmin University chaired the Opening Ceremony and Press Conference of the 2019 Annual Report of Renminbi Internationalization.

President Liu Wei delivered an opening speech. He pointed out that monetary capital is the most liquid and active element in the modern economic system. He hoped the forum can serve as a platform for all the guests to discuss the hotspots and key issues of China's

economic and financial development providing solutions to the problems. Liu Wei wrapped up his speech with wishes of success for the forum.

Wang Fang, deputy director of IMI and professor of the School of Finance at Renmin University, interpreted the "Internationalization Report on RMB 2019". She mentioned that the report pointed out that the RMB internationalization index RII rebounded strongly and reached 2.95% at the end of 2018. In the past ten years, it has achieved major changes from scratch and is now among the major international currencies. The theme of this year's report is "High Quality Development and High-Standard Financial Opening". The research team summarized three features of high-quality development in contemporary China, namely efficiency, stability and inclusiveness. It believes that high-quality development determines the future of RMB internationalization. In addition to providing a solid foundation and lasting power, it will also give RMB Internationalization Chinese and contemporary characteristics of high efficiency, stability and inclusiveness. The report emphasizes that high-quality development requires a more adaptive financial system, and high-level financial openness will help achieve high-quality development, but high-level financial opening needs to be gradually realized in further reforms. Current work focuses on consolidating micro-foundations centered on enterprises and financial institutions, deepening the development of financial markets, improving financial infrastructure, and improving financial management capabilities under open conditions.

The keynote speech was hosted by Zhang Jie, director of IMI and professor of the School of Finance of Renmin University. Xiao Gang, Hu Xiaolian, Huo Yingli and Yaseen Anwar delivered speeches successively.

Xiao Gang delivered a keynote speech on "The opportunities and challenges of china's stock market opening" and elaborated on a series of new measures for the opening of China's stock market, including the attraction of foreign long-term institutional investors, connectivity in the stock market, the increasing share of foreign investment in the stock market, two-way flow of cross-border investment and financing, integration into international indexes, and two-way opening of the securities service industry. He mentioned the significance of introducing high-quality resources, improving the structure of investors, promoting reforms through opening up, encouraging healthy competition, and promoting the growth of open economies. He also gave advice on the opening up of the stock market from the perspectives of market-oriented reforms of interest rates and exchange rates, further monitoring of cross-border funds, addressing the lack of risk management tools in the stock market, extension of domestic legal rules, further supervision of foreign financial institutions, and improvement of cross-border supervision.

Hu Xiaolian delivered a keynote speech entitled "Sharpen the financial competitive edge and advance the internationalization of Renminbi". She analyzed the data changes in China's current account and capital account, and came to the conclusion that China is transitioning from a commodity-exporting country to a commodity- importing and capital-exporting country. She also pointed out that China's financial sector is large yet not strong, hence the weakness of Renminbi internationalization. In the end, she put forward several suggestions to promote the overall competitiveness of China's financial sector.

Huo Yingli delivered a keynote speech entitled "Balance the efficiency and stability of cross-border capital flows". She believed that we should take both efficiency and stability into



account when speaking of high-quality financial opening-up, especially cross-border capital flows. First, it is necessary to improve the corresponding investment arrangements for the direct entry of foreign investors into domestic market and the interconnection of domestic and overseas transactions. Besides, we need to improve corresponding regulatory measures. In accordance with the requirements of high-quality development, we have continued to improve the institutional arrangements for opening up financial market in recent years, including settlement system, foreign exchange mechanism and risk hedging and opening-up channels. In terms of Renminbi internationalization, she believed that it is driven by the market and is a natural process. However, we're still facing problems like infrequent use of current account and Renminbi for payment. So we need to adapt to the needs of high-quality development, promote the opening up of financial market to a higher level, continue to improve the policy framework and relevant infrastructure arrangements for cross-border use of Renminbi, and continuously improve the macro-prudential management of cross-border capital flows.

Yaseen Anwar focused on a practical perspective. Against the backdrop of increasing global uncertainty risks, China's Belt and Road Initiative has created mechanism and opportunities for emerging economies to interconnect with each other. He also pointed out that corporate bond market can compete with the banking system. Finally, he said that global financial crisis called for the reform of Central Bank's regulation and supervision. The Financial Stability Board, including Central Bank, needs to create an enabling environment and regulatory mechanism to integrate capital requirements, infrastructure building and multilateral cooperation. Multilateral financial institutions also need to increase depoliticized lending.

The Theme 1 sub-forum centered on financial supply-side reform and financial risk prevention, chaired by Ben Shenglin, Co-director of IMI, Founder and Dean, Zhejiang University Academy of Internet Finance, and International Business School. Keynote speakers were Wang Zhongmin, Former Deputy Chairman, National Council for Social Security Fund of China, Chen Yunxian, Party Member and Former Deputy Governor, Guangdong Provincial People's Government, and Wang Guogang, Professor, School of Finance, RUC, Member of Academic Committee, CASS. Panel Discussion I, Opportunities and Challenges in Financial Supply-side Reform, and Panel Discussion II, Forestall and Defuse Major Financial Risks from Multiple Aspects, involved Chen Qiqing, Deputy Director, Department of Economics, Party School of the CPC Central Committee; Chen Xinjian, Executive Director and Vice President, Industrial Bank Co., Ltd.; Yao Yang, Dean of National School of Development at Peking University; Zhao Changwen, Director, Industrial Economy Division, Development Research Center of the State Council; Qu Qiang, Director, China Financial Policy Research Center, Renmin University of China; Fan Xiwen, Chief Risk Officer, China-LAC Cooperation Fund; Fang Xin, Vice President, PBoC Chengdu Branch; Vice Administrator, SAFE Sichuan Branch; Ding Jianping, Deputy Director, Shanghai Institute of International Finance Center; Huang Jinlao, Chairman of Board, Suning Bank Co., Ltd.; Zhou Yueqiu, Director, Institute of Urban Finance, ICBC; Secretary General, China Urban Financial Society; and Hu Jing, Partner of Financial Institutions Service Industry, PwC.

The Theme 2 sub-forum centered on fiscal reform and the two-pillar macro-control system, chaired by Wang Yi, Director-General, Department of Finance, Ministry of Finance. Keynote speakers were Liu Shangxi, Dean, Chinese Academy of Fiscal Science; Huo Yingli,

Director General, the Macro Prudential Administration, PBoC; Li Jizun, Director, Market Department, CBIRC; and Zeng Gang, Deputy Director General, National Institution for Finance and Development. Roundtable Discussion included Hu Xuehao, Deputy Director-General, Department of Finance, Ministry of Finance; Mu Changchun, Deputy Director-General, Payment and Settlement Department, PBoC; Yan Xiandong, Deputy Director-General, Statistics and Analysis Department, PBoC; Feng Bo, Former General Manager, Dalian Commodity Exchange; Huang Qing, Secretary of the board, China Shenhua Energy Company Limited; Zhang Haiyun, Director, Financial Market Research Center and Professor, School of Finance, University of International Business and Economics; Zhou Guangwen, Chairman of Board, Ginkgo Capital and Beijing Gintong Investment Co., Ltd.; Guan Wei, Executive Director, Credit Management Research Center; Professor, School of Finance, Renmin University of China, and Chen Yanbin, Executive Director, Key Research Base for Construction of National Economics Textbook, Renmin University of China.

The Theme 3 sub-forum was on Asset Management and Wealth Management Subsidiaries of Banks, chaired by Zhao Xijun, Associate Dean, School of Finance, Renmin University of China. Bu Yanhong, General Manager, Asset Management Department, Postal Savings Bank of China; Wei Quanhong, Deputy General Manager of ICBC Wealth Management Co., Ltd.; An Qilei, Former Deputy Director General, Financial Stability Bureau, PBoC; Cao Deyun, Executive Vice President and Secretary General, Insurance Asset Management; Jia Zhimin, Vice President of Asset Management, Pingan Bank; Zeng Gang, Deputy Director General, National Institution for Finance and Development; Chen Jianxiong, Vice President, China Orient Asset Management Co., Ltd.; Wang Ge, Vice President, Huatai United Securities; Wang Qi, Assistant General Manager and Director of Investment Research, China Fund; and Fang Qingli, Head of CICC Wealth Management have exchanged in-depth views under the themes of " Opportunities and Challenges of Wealth Management Subsidiaries of Banks" and " Asset Management in Global Competition".

The theme 4 sub-forum was titled "Renminbi Internationalization and High-standard Financial Opening-up" and was chaired by Zhang Zhixiang, former Director-General of International Department of PBoC and former IMF Executive Director for China. Liu Jun, Vice President of China Investment Corporation, Tae Soo Kang, former Deputy Governor of Bank of Korea and Senior Research Fellow of Korea Institute for International Economic Policy (KIEP), Anoop Singh, former Director of Asia-Pacific regulatory strategy of JPMorgan Chase & Co. and former Head of Asia & Pacific Department of IMF and Jean-Francois di Meglio, President of Asia Center have delivered keynote speeches successively. Tu Yonghong, Deputy Director of IMI, Chen Weidong, Director of International Finance Institute of Bank of China, Ding Jianping, Deputy Director of Shanghai Institute of International Finance Center, Ding Zhijie, Vice President of University of International Business and Economics, Herbert Poenisch, former Senior Economist of BIS, Xu Zaiyue, President of Cross-border Interbank Payment System Operator, Wang Fang, Deputy Director of IMI, E Zhihuan, Chief Economist of Bank of China (Hong Kong), Robert Elsen, Director and Deputy Head of Section IFR 1 International Policy - Technical and Bilateral Co-operation of Federal Financial Supervisory Authority (BaFin), Wang Buzhou, Deputy Manager of International Development of Shanghai Stock Exchange, Wei Benhua, former Deputy Administrator of the State Administration of Foreign Exchange (SAFE) and former IMF Executive Director for China and Xia Le, Chief



Economist for Asia of Research Department of BBVA have exchanged in-depth views under the themes of "Renminbi Internationalization and Opening-up of Chinese Financial Market" and "Renminbi Internationalization and Chinese Capital Market Reform".

The theme 5 sub-forum "Fintech Forum and Launch of China Fintech Annual Report (2019)" was chaired by Yang Tao, Assistant Director of Institute of Finance of CASS. Li Lihui, former President of Bank of China and Head of Block Chain Working Group and National Internet Finance Association of China, Li Wei, Director-General of Science and Technology Department of PBoC, Li Qian, Director of Public Affairs of National Internet Finance Association of China, Will Haskins, China Representative of Money 20/20 have delivered keynote speeches successively under the theme of "Fintech & Financial Reform and Opening-up". Du Xiaoyu, Deputy Secretary-General of Tencent Research Institute, Wang Guangyu, President of Huaxia New Supply Economics Research Institute and Chairman of China soft Capital, Li Zhenhua, Dean of Research Institute of Ant Financial, Yao Huiya, Head of WeBank Science and Technology Innovation Products Department, Liu Yong, Director of Zhongguancun Internet Finance Institute, Yan Wentao, President of CCX Credit Technology, Pan Zhijiang, General Manager of Fintech Innovation Center of DCITS, Li Xiangchen, Vice General Manager, Director of General Manager's Office, and Director of Digital Science and Technology Department of SinoPac Financial Holdings Company Limited, Li Weidong, Vice President of Tongdun Technology, Yuan Tian, Senior Research Fellow of AVIC Trust and other guests have participated in roundtable discussions. The forum was organized by IMI and China Fintech 50 Forum (CFT50) with Money 20/20 China and SinoPac Financial Holdings Company Limited as the co-organizers. The China Fintech Annual Report (2019) was launched and the "Fintech Scholarship" was inaugurated at the forum.

The theme 6 sub-forum was a thesis seminar on renminbi internationalization, chaired by Iikka Korhonen, Head of Research, Bank of Finland Institute for Economies in Transition (BOFIT). This session focused on the progress of RMB internationalization and its interaction with other aspects of China's opening up, such as banking sector and bilateral swap arrangements with other countries. Jennifer Lai from Guangdong University of Foreign Studies, Lu Dong from Renmin University of China, Wang Yao from Noah Holdings Hong Kong, and Xia Le from BBVA made presentations. A tentative result from the presentations was that RMB internationalization, though far from complete, had been influencing economic development in China and its economic partners.

In addition, the working dinner themed the night of fintech was held on the night of July 6. Ben Shenglin, co-director of IMI, Dong Junfeng, CEO of NetsUnion Clearing Corporation, Zhang Shaofeng, founder and CEO of Bai Rong Inc., Cao Feng, senior researcher of China Blockchain Study Alliance, Xue Hongyan, assistant to the president of Suning Institute of Finance, Lv Shifeng, founder and CEO of Xin Xin Finance Inc., and Dai Yi, Chief Data Scientist of Elements Credit made keynote speeches on Fintech innovations. The session was chaired by Song Ke, Deputy Director of IMI. Outstanding Student Awards for Gin Tong Global Talent Program and Model IMF were issued as well.

Research

Roundtable on Money and Finance

Editor's Note:

Roundtable on Money and Finance is IMI's signature quarterly forum held in 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 and Ma Delun, former deputy governor of PBoC; Chen Yulu, deputy governor of PBoC; Pan Gongsheng, deputy governor of PBoC and administrator of SAFE; Robert A. Mundell, professor of Columbia University; Edmond Alphandery, former French minister of finance; Patrick Honohan, former governor of Central Bank of Ireland; Yves Mersch, member of the Executive Board of the European Central Bank. Currently, the forum has become a significant platform for academic exchanges in the macro finance, and has cast great influence among financial researchers and practitioners.

Roundtable on Money and Finance · Spring 2019

On May 11th, Roundtable on Money and Finance·Spring 2019, jointly sponsored by the School of Finance of RUC and IMI, was held in Renmin University of China. The theme of the conference was “Financial Supply-side Structural Reform”.

Experts and scholars from the government and academic circles, representatives of advanced enterprises attended the meeting. We had Wu Xiaoqiu, Vice President of RUC; Dong Ansheng, Professor of Law School of RUC; Wang Yi, Director-General, Department of Finance, Ministry of Finance; Liu Qingsong, Dean of China Institute of Finance and Capital Market, CSRC; Feng Bo, Former General Manager, Dalian Commodity Exchange; Chen Weidong, Director of International Finance Institute, Bank of China; Yang Tao, Assistant Director, Institute of Finance, CASS; Chen Qiqing, Deputy Director, Department of Economics, Party School of the CPC Central Committee (National Academy of Governance); Di Dongsheng, Associate Dean, School of International Studies, RUC; Su Zhi, Professor of School of Statistics and Mathematics and Associate Dean of Internet Economy Institute,



Central University of Finance and Economics; Yu Pingkang, Chief Expert in Financial Market, Insurance Association of China and Chief Economist, Changjiang Pension Insurance Co., Ltd.; Zhu Taihui, Distinguished Research Fellow of National Institution for Finance & Development; Zhuang Yumin, Dean, School of Finance, RUC; Zhao Xijun, Associate Dean, School of Finance, RUC; Wang Fang, Professor, School of Finance, RUC; Zhang Jie, Director of IMI; Tu Yonghong, Deputy Director of IMI; IMI Research Fellows including Gao Xingwei, Li Xin, Lin Nan, Liu Chenjie, Liu Hongwei, Tian Xinming, Yang Xiao, Jing Linde.

Zhuang Yumin made an opening speech, extending welcome to all guests present. Then she introduced the latest development of the School of Finance.

Chen Weidong delivered a keynote speech with the theme of “Focus of Financial Supply-side Structural Reform”. He pointed out that China’s financial industry still focused on banking after a decade’s rapid development. In the development process, China’s banking industry paid more attention to scale expansion, which led to the “homogeneity” of banks. The rapid expansion of banks’ scale also led to the inefficiency in the financial industry. Potential risks lay in excessively growing financial institutions and lack of supervision in new business types. Chen Weidong mentioned two objectives of financial supply-side reform. One was to propel financial industry to effectively serve the real economy; the other was to build a financial development path with Chinese characteristics. In the future, theoretical research should focus on three aspects: determining the level of macro leverage ratio, the structure of indirect and direct financing, and stable and effective market structure.

Wu Xiaoqi pointed out from the perspective of financial basic function theory that we should dynamically understand the financial supply-side structural reform, among which reform, innovation and technological breakthrough were the linchpin. At different stages, the basic functions of finance such as payment and settlement, resource allocation and risk management were different. This was the law of financial development and the theoretical source of reform. To propel the reform, we need to develop the capital market and build a modern financial system.

Liu Qingsong delivered a speech on the theme of “Promoting the Construction of a High-Quality Capital Market”. He said that there were many problems in China’s capital market, including the imbalance of supply and demand of market resources, constrained transaction and high cost, insufficient relevant institutions in capital market, imperfect rule of law in market and so on. In the future, to promote the construction of high-quality capital market, we must uphold the principles of marketization, rule of law, and internationalization. In terms of risk prevention, we should take the prevention and control of “systemic” risks as the core.

Dong Ansheng elaborated on reforms of the bond market and China’s financial market. He thought that the focus of the financial supply-side reform was reforms of the stock, bond and bill systems. The important role of the bond market and short-term fund market in the capital market should be fully exerted. Dong also pointed out that bond market’s development required sound systems and rules, including block trading system, derivatives trading system, derivatives rules, negotiable instruments law and so on.

During the roundtable discussion, they discussed the content and methods of financial supply-side reform, the relationship between financial supervision and market innovation, deleverage, Fintech, financial operation mode and other issues.

Roundtable on Money and Finance·Summer 2019 and Seminar on Fintech Development and Supervision

On June 24, the Roundtable on Money and Finance • Summer 2019 and Seminar on Fintech Development and Regulation was held in Renmin university. The meeting was jointly organized by the School of Finance and IMI, co-organized by CFT50 and Institute of Fintech of Renmin University.

Wu Xiaoqiu, vice president of Renmin University, Mu Changchun, deputy director of the Department of Payment and Settlement of PBoC, Ye Mao, professor of the Department of Finance at the University of Illinois at Urbana-Champaign, and Yang Tao, assistant director of the Institute of Finance of the Chinese Academy of Social Sciences, delivered keynote speeches successively. Zhuang Yumin, Dean of School of Finance and of Renmin University, made an opening remark. The meeting was presided over by Zhao Xijun, associate dean of the School of Finance of Renmin University.

Wu Xiaoqiu delivered a speech on "How to Promote Financial Supply-side Reform". He explained the requirements of fintech development and supervision from the perspective of promoting financial supply-side reform. He pointed out that the cornerstone of China's financial reform is the capital market. The increase in per capita income demands the diversity of financing instruments, the increase in wealth management requires the diversity of financial assets, and the strong penetration of fintech has promoted the financial reform represented by new forms of payment. The three have provided the foundation and impetus for vigorously developing the capital market and promoting the marketization of the financial system. At present, the degree of financial marketization in China is insufficient, and the current regulatory standards are tolerant of financial innovation. Therefore, financial technology, especially third-party payment models of Internet finance, can have a revolutionary impact on the payment format of traditional Chinese finance. As an important aspect of China's financial supply-side structural reform, the development of the capital market needs to emphasize the interests of investors, make it transparent and market-oriented, give play to the role of supervision by public opinion, and set up punishment rules for false disclosure, fraudulent listing and other acts. These are the responsibilities of the registration system and Science and Technology Innovation Board.

Mu Changchun delivered a speech on the topic of "Lighthouse and the NetsUnion". Starting from the "lighthouse theory" of public goods supply, he talked about the development of the payment clearing system before central banks emerged. Reducing costs and improving efficiency are important factors for the development of unified payment systems. Payment services for public goods can be provided by the private sector, with the premise that the private sector has a spirit of working for the public and acts in compliance in rules. A completely free market is difficult to produce an efficient and low-cost payment system, so it requires the central bank to establish a unified payment settlement system. On the other hand, unified payment can help the central bank to implement monetary policies, and also serve the macroprudential management framework. He pointed out that NetsUnion Clearing Corporation is a unified clearing system established by non-bank payment institutions under the principle of "joint set-up, ownership and sharing". The central bank's digital currency, now dominated by the People's Bank of China, is also being developed through a two-tier



operating system.

Ye Mao delivered a speech on the topic of "Challenges of Financial Regulation in the US". He pointed out four major challenges on the regulation of US financial markets from four perspectives: regulatory targets, regulatory intensity, regulatory changes and regulators' positions. He believes that with the development of science and technology, there are some new facts in the trading field. In order to cope with this change, regulation should be based on the behaviors of human and machine. Many innovations are the result of regulation, and technology has increased the speed of competition, which has changed the previous profit model. Therefore, the regulatory authorities need to change the supervision in a timely manner. In addition, he pointed out that because the current regulatory rules are quite complex, when discussing a policy, it is necessary to consider whether the new policy conflicts with the old one. He said that in the United States, due to the different positions of regulators, sometimes there will be conflicts between the regulatory authorities, which has a strong American characteristic.

Professor Yang Tao delivered a keynote speech on the topic of "Banks' Digital Transformation and Supervision". He pointed out that the reform of financial technology is, in the final analysis, the entire economic society gradually transforming into a digital world. How to evaluate the digital transformation from a neutral perspective is the key. Affected by the economic cycle, financial cycle, bank's own cycle, technological cycle, and the superposition of the regulatory cycle, banks will become an important subject of transformation in the entire financial industry. Major changes in the financial industry cannot leave without regulation and constraints. Supervision should consider the characteristics of risks brought about by new technologies and how to use new technologies to cope with risks. At the same time, the application of regulatory sandboxes in China should clarify its connotation, reform and guarantee. Finally, he pointed out that how to effectively interact with the industry and better study the future boundary will become a key point that directly affects fintech innovation.

In the roundtable discussion, Liu Qingsong, Dean of China Institute of Finance and Capital Market, CSRC, Wang He, former Executive Vice President of PICC Property and Casualty Co., Ltd. Tan Songtao, Associate Dean of School of Finance, RUC, Ma Jun, Professor of Northeastern University, Zhang Zhaoyang, Vice President of Government Affairs of Visa China and Chief Representative of Beijing Representative Office, Ma Hongjie, Deputy Secretary General of ITSS (Information Technology Service Standards) Branch, Zhou Yonglin from Financial Market Department of Industrial and Commercial Bank of China, Zhang Jie, Director of IMI, Song Ke, Deputy Director of IMI, and IMI researchers Du Xiaoyu, Gang Jianhua, Luo Wei, Xiu Jing, Zhen Xinwei and other experts and scholars from the financial supervision department, theoretical and business community participated in the seminar and offered their wonderful views.

Roundtable on Money and Finance·2019 Xinjiang Forum: IMI-Khorgos Cross-border Finance Laboratory Founded

On May 21, the "China-Kazakhstan Conference of Promoting Bilateral Cross-Border

Currency Use”, co-sponsored by the Xinjiang Branch of the Bank of China (BOC) and the Bank of China Kazakhstan, was held at the China-Kazakhstan Khorgos International Cooperation Center in Ili, Xinjiang. Zhao Xijun, member of IMI Academic Committee and Associate Dean of the School of Finance of Renmin University of China and Jaynes Hards, Mayor of Khorgos unveiled the IMI-Khorgos Cross-border Finance Laboratory. Participants of the conference include

Tao Qingsong, Vice Governor of the Kazakhstan Autonomous Prefecture of Ili, Guo Jianwei, President of Urumqi Central Branch of PBoC, Hao Jianmin, Secretary of Municipal Party Committee of Khorgos, Tu Yonghong, Deputy Director of IMI and Li Junfeng, Chairman of Khorgos Jianxin International.

The IMI-Khorgos Cross-border Finance Laboratory will focus on policy research, theoretical discussion and practical innovation of cross-border finance. At the same time, it will actively explore new forms of economic and trade cooperation between China and neighboring countries, so as to lay theoretical foundation for Xinjiang to build an international financial center and a China-Central Asia Listing-Trading-Settlement Center for RMB and foreign currency. Besides, it will try to become a permanent research organization for the frontier academic research and ecosystem of cross-border finance, international cooperation, and financial innovation.

In the afternoon, the “Roundtable on Money and Finance · 2019 Xinjiang Forum” and the “BRI and RMB internationalization Seminar”, hosted by IMI, Xinjiang Finance Academy and the management committee of Khorgos Economic Development Zone and organized by Khorgos Jianxin International, were successfully held. Yue Yongsheng, Vice President of Xinjiang Finance Academy and Vice President of Urumqi Central Branch of PBoC, Associate Dean Zhao Xijun, Mayor Jaynes Hards and Chairman Li Junfeng delivered speeches. Chen Weidong, member of IMI Academic Committee and Director of the Institute of International Finance of BoC, Ma Jun, President of Xining Central Branch of PBoC and Qinghai Finance Academy, and Fang Xin, IMI academic member and Vice President of Chengdu Branch of PBoC and Sichuan Finance Society, delivered keynote speeches. Other guests include Luosang Zhandui, Vice President of PBoC Lhasa Central Branch, Tao Jundao, Vice President of PBoC Lanzhou Central Branch, Mei Guohui, Inspector of Beijing Management Department of PBOC, Hou Fei, Vice Manager of Global Marketing Department of BoC, Hu Yabing, Vice Manager of Financial Market Department of ICBC Head Office, Liu Xue, Assistant Manager of the General Department of Shanghai Gold Exchange, Zhang Wenzhong, Dean of School of Finance of Xinjiang University of Finance and Economics, Lu Aizhen, Director of Editorial Department of Xinjiang Finance and Economics, Wang Jiaqiang, Director of International Finance Research Institute of BoC, Li Honghan, IMI researcher and Vice Director of Management Committee of Khorgos Economic Development Zone and Xia Guangtao, Assistant Director of International Financial and Economic Research Center of Tsinghua PBoC School of Finance. The meeting was chaired by Tu Yonghong, Deputy Director of IMI.

In his keynote speech, Mr. Yue Yongsheng gave a detailed introduction to the monetary cooperation between China and countries along the Silk Road. He pointed out that promoting cooperation between China and Central Asia is not only a requirement for China’s regional balanced development strategy and sustainable economic growth during the new normal



period, but also an effective approach to stabilize the monetary and financial system and to realize the sustainable development of Central Asia.

Jaynes Hades stressed the importance of Khorgos in building core areas of the Silk Road Economic Belt, and the key role of the Research Center of China-Kazakhstan Khorgos International Cooperation in developing cross-border finance and offshore finance and building the financial service platform along the Silk Road Economic Belt and promoting RMB internationalization. He also talked about the efforts made by the Center of China-Kazakhstan Khorgos International Border Cooperation to build the regional international financial port and international financial sub-center since the introduction of cross-border RMB innovation policy, and what has been achieved so far.

Zhao Xijun elaborated on the two considerations of the Symposium on BRI and RMB Internationalization: First, current international environment is undergoing profound changes with the escalating Sino-US trade frictions as the major one. Second, globalization has gained popularity, and has increased uncertainties in global economy, finance, trade, investment and external environment. The Belt and Road Initiative therefore will play an even more important role. At the end of the speech, he expressed the vision of further implementing BRI with all parties concerned to seek for a high-level opening-up.

Chen Weidong noted in his keynote speech that China's science and technology, military power, economic and financial strengths can enable other countries to realize internationalization in the future. And at the same time, monetary internationalization will also change the status of each country's economic strength. Chen emphasized that the relative stability of exchange rate and a sustainable economic development are the prior prerequisites in the process of internationalization. Regarding the construction of RMB system, he believed that an efficient RMB liquidation system should be established; regulation and a legal system of new RMB technologies should be improved; the management of credit and liquidity risks should be further reinforced; the management rules should be strengthened.

In his keynote speech, Ma Jun mentioned that Qinghai province and Xinjiang Autonomous Region were linked by mountains and rivers, jointly guarding the "Belt and Road", and he also referred to the problems in the process of Qinghai promoting cross-border RMB business. He put forward four suggestions for the cross-border use of RMB. Strengthening monetary cooperation with countries along the "Belt and Road", stepping up the development of the "Belt and Road" regional RMB offshore market and continuously strengthening RMB's role in Hong Kong and Singapore, accelerating the building of cross-border RMB infrastructure, including cross-border RMB settlement account system and information management system, promoting the peaceful and open competition between RMB and US Dollar.

Fang Xin delivered a keynote speech on the issue of RMB as an international reserve currency. After RMB joined the SDR basket, we should provide RMB international markets to meet the needs of global foreign exchange reserves, avoid using current account as the only way to promote international liquidity, open up the channel for capital account to provide RMB externally, and increase the loan ratio in global RMB investment. He believed that the biggest-ever opportunity was under the "Belt and Road" framework. We could realize a stable and controllable capital circulation driven by capital account, supported by current account and through financial market. The financial market should be open not only to attract foreign

capital, but also to provide suitable financial products for back-flowed RMB, rather than withdrawing it directly.

In the roundtable discussion, Hou Fei provided pertinent suggestions on improving cross-border policies and promoting communication mechanisms at all levels in both countries. Hu Yabing thought that how to appropriately manage RMB value is the challenge confronting RMB internationalization and large capital inflows. Wang Jiaqiang pointed out that sufficiently active transactions, stable policy expectations and abundant products are the essential factors of the market. Li Honghan believed that it was necessary to jointly promote the RMB internationalization and the exchange rate formation mechanism, especially through market-oriented approaches. Liu Xue held the view that the most important function of the exchange was to ensure the normal operation of transactions and to decide the issuing prices. Mei Guohui proposed suggestions on the establishment of IMI-Khorgos Cross-Border Financial Laboratory and raised six positions for future financial development in Khorgos. Tao Jundao mentioned that our core role was to serve the facilitation and liberalization of trade and investment. He believed we should maintain the stability of the sovereign currency and strive to form a sustainable operation mechanism. Xia Guangtao expressed his view that only by determining RMB exchange rate mechanism can we ensure that in the future, all the mechanisms formed during bilateral control period were consistent in policies and real terms. Besides that, he said, in global research, the initial conditions generally decided the future status of equilibrium entry and exchange rates. Luosang Zhandui offered unique views and advice on international trade and exchange rate formation mechanisms through personal experience in Tibet. At last, Zhang Wenzhong presented his opinions about exchange rate formation mechanism, costs, needs and risks.

Young Economists Roundtable on Money and Finance (No. 3): Fiscal Policy and Local Government Debt

On April 13, the Young Economists Roundtable on Money and Finance (No. 3) hosted by IMI, co-organized by the FICCRUC and Sinolink Securities Institute was successfully held in Shanghai. The theme of the conference was "fiscal policy and local government debt". Tang Yue, executive general manager of Pingan Securities Fixed Income Research Team, Zhou Yue, chief fixed income analyst of Sinolink Securities Research Institute, and Zhang Wenchun, IMI researcher and associate professor of School of Finance, RUC, delivered keynote speeches successively. The roundtable was presided over by Sun Chao, IMI researcher and executive secretary of the FICCRUC.

Dr. Tang Yue elaborated on the theme of "Leverage, Production Capacity and Liquidity". He believed that China's leverage ratio continued to rise from 2008 and the slope will decline after 16 years. Structurally, the business sector is relatively stable, with the residential and government sectors ascending faster. He said that from 2011 to 2016, the contraction of production capacity cycle and the expansion of financial cycle brought about a bullish bond market. However, in the process of interest rate reduction after 2018, as the business sector was at the bottom of the production capacity cycle, the high demand for credit slowed down, and the foundation of the bullish debt market was not firm. In the future, it is necessary to



observe the leverage of the residential and government sectors. In the medium and long term, the two sectors have a tendency to deleverage, but there is great uncertainty in the short term. Finally, he stressed that in the financial sector, there is currently an upside-down of assets and liabilities, the deployment side lacks momentum, and the short-term interest rate debt market is not optimistic.

The topic of Dr. Zhou Yue's speech was "Positive Finance: Definition, Review and Prospect". He first talked about the word "positive" and pointed out that financial market participants and government departments have different understandings of positive finance. In future financial reforms, positive finance should emphasize sustainability, the guarantee of strategic priority and efficiency improvement. He elaborated on positive finance in 2019 from a forward-looking perspective, pointing out that this year's main theme is "to step up and enhance efficiency", with specific measures being structural tax cuts and infrastructure improvements, with emphasis on enhancing protection and improving people's livelihood. However, considering the slowdown in the growth rate of fiscal revenue, the insufficient balance of transferred surplus funds, the decline in land transfer revenue and other factors, fiscal expenditure throughout the year is likely to have a "high start but low end".

Prof. Zhang Wenchun shared with the participants "Discussions on Several Fiscal and Taxation Issues" from an academic perspective. He believed that China's businesses have a low tax burden now, but there are too many fees apart from the tax. He pointed out that China's finance is facing three major problems, namely "balance of payments pressure", "financial risks and sustainability" and "social security gap". He stressed the need to further prevent financial risks in the future, strengthen the role of budget constraints, reform and improve the transfer payment system, and do a good job in the legal and legislative work of major taxes.

In addition, IMI senior researcher Xu Yisheng, researcher Lu Gaofei and experts and scholars from Guotai Junan Securities, Shenwan Hongyuan Securities, Taikang Asset, CUAM, GTFund and other institutions also attended the meeting and participated in the roundtable discussion.

Young Economists Roundtable on Money and Finance (No.4): Special Situation Investment and Non-Performing Assets Management

On April 20, the Yong Economists Roundtable on Money and Finance (NO.4) themed on "Special Situation Investment and Non-Performing Assets Management" was held in Renmin University of China. The closed-door seminar was hosted by International Monetary Institute(IMI) and co-hosted by Beijing Hongshan Taiye Investment Management Co., Ltd. and Beijing Headsail Technology Co.,Ltd. Luo Ning, Research Fellow and Senior Economist of Pangoal Institution, Shi Xinjie, General Manager of Rocken international Investment management C.,Ltd., Xiong Yuan, IMI Research Fellow and Chief Macro-Economy Analyst with Guosheng Securities, Zhang Yu, IMI Research Fellow and Chief Macro-Economy Analyst with Hua Chuang Securities, delivered keynote speeches. The seminar was chaired by Jiang Bo, IMI Research Fellow and General Manager of Finance Department of the Tahoe Group.

Luo Ning delivered a speech themed on “Macro Risk Cycle and Financial Security”. He believed that the operation of non-performing assets and transactions would not be possible without a stable financial environment. Finance was the core competitiveness of one country, and thus preventing systemic financial risks was the most fundamental task. In terms of the development prospects, Luo Ning pointed out that without a discourse system, China’s financial sectors might be at a disadvantage when a new global governance system was formed in the future.

Shi Xinjie shared his opinions under the theme of “Practical Management of Irregular Bonds”. As for the deleveraging issue, he mentioned five leverages: state, local governments, state-owned enterprises, individuals and private enterprises; as for the irregular conduct of bonds, he thought it was related to four aspects: enterprises, law firms, governments and investors. In the end, he pointed out that China’s junk bond market, including Hong Kong’s dollar bond market, was a blue ocean market with a promising future.

Xiong Yuan made a speech on the topic of “Supply-Side Reform in Financial Sector and Equity Investment”. He suggested that China may usher in a big era of equity in the future. It was hard for China to replace the old driving force with a new one by traditional real estate industry. The Optimum allocation of residents' wealth required the full engagement of the capital market. In terms of supply-side reform in financial sectors, Xiong Yuan believed that this was mainly a process of addition, and we had to increase our financial supply, including financial infrastructure, financial products, and financial services.

Zhang Yu shared her views under the theme of "Assess the Cycle of Non-Performing Assets from the Perspective of Asset Allocation." She said that the key to reform lied in the structure and the reform of state-owned enterprises was the core of structural reform. In terms of state-owned enterprises reform, financial neutrality was the crucial part, which was the root cause of all the existing problems. When mentioning debt limit, she believed that state-owned enterprise’s debt scale was connected with the enterprise’s size. The bigger the size, the better the credit loan resources. However, as for private enterprise’s debt limit, it was related to the enterprise’s business capacity.

Jiang Bo delivered a speech on "The Love Sparks between Financial Technology and Non-Performing Assets". He pointed out that with the popularization of inclusive finance and consumer finance in recent years, people became more active in disposing their non-performing assets. The techniques applied to disposing non-performing assets of consumption were mainly concentrated in the processing of collection data, the wholesale and automation of collection business, the collection of big data and precise pricing. He also mentioned that the size of non-performing assets would expand in these two years, so more technology-enabled intermediaries would engage in the ecology of the financial industry.

In addition, Qu Qiang, IMI Assistant Director and Research Fellow, Tian Xinming, IMI Research Fellow and Manager of Fixed Income Department of Rongtong Fund, Zhang Tun, fellow of Postdoctoral Centre at China Cinda Management Co.,Ltd., Jing Linde, IMI Research Fellow and ICBC Asset Management Department officer also attended the meeting and participated in the round table discussion.



Macro-Finance Salon

Editor's Note:

Macro-Finance Salon is a high-level academic salon initiated by IMI and Department of Money and Banking of School of Finance at RUC. The salon aims at promoting the study and practice of Macro-Finance, as well as its disciplinary program, while carrying out in-depth research on Macro-Finance theory, policy and strategy. The concept of "Macro-Finance" stems from Professor Huang Da's fundamental idea of integrating macro and micro financial theory, which systematically regards finance and real economy as a whole. In the book of "General Theory of Macro-Finance", Chen Yulu, Deputy Governor of PBoC, demonstrates the fundamental connotation and methodology of Macro-Finance, laying theoretical and empirical foundation for Macro-Finance framework, which facilitates long-term economic growth and stronger national competitiveness.

Macro-Finance Salon (No. 117): Europe, Asia, USA: Gold and Silver

On April 2, Macro-Finance Salon (No. 117) was held at Renmin University of China. Georges Depeyrot, Professor of Paris Normal University, Board Member, Director of Research, and Senior Researcher of French National Centre for Scientific Research, gave a lecture on the topic "Europe, Asia, USA: Gold and Silver", elucidating the transition from bimetallism (gold and silver) to gold standard around the globe. Professor He Ping from School of Finance of Renmin University of China, presided over the lecture.

Professor Depeyrot's lecture includes four parts: the evolution of European monetary system, the mining of gold and silver and subsequent impacts, the DAMIN Program which focuses on the Silver Crisis (1860-1914), and Shanghai's overseas trade. In his preface, Professor Depeyrot interpreted the evolution of Western European monetary system in a vivid and thorough manner, using abundant pictures and analog videos. Later, taking the Gold Rush in western America in the mid-19th century as an example, he explained the mining of gold and its impact on the environment and economy, and introduced the then monetary system consisting of gold and silver.

Then, Professor Depeyrot introduced the DAMIN Program which he chaired, and clarified the research object and purpose. In his previous research on the Silver Crisis, Professor Depeyrot found that the discovery of silver mines (in the second half of the 19th century), the improvement of coinage technology, and the growing prosperity of global trade all contributed to the ultimate depreciation of silver. In the end, he analyzed the overseas trade of Shanghai, key port of China in the 19th century, and used sketch maps to show the flow of gold and silver in the Pacific region and the world. The profound impact of this trend was also explained in detail.

Macro-finance Salon (No.118): Round Coins with Square Holes on the Silk Road

On April 14, Macro-finance Salon (No.118) was held in Mingde Building of Renmin University of China. Wang Yongsheng, Deputy Secretary-General of China Numismatic Society and Director of Research and Information Department of China Numismatic Museum, delivered a speech entitled “Round Coins with Square Holes on the Silk Road——The Nature of Wuzhu and Kaiyuan Tongbao as International Currency”. Zhang Jie, Director of IMI and Professor of School of Finance, RUC, attended the meeting. The meeting was hosted by Tu Yonghong, Deputy Director of IMI and Professor of School of Finance, RUC.

The seminar mainly covered the cultural connotation and the development of “coins on the silk road”, round coins with square holes on the silk road, and the nature of Wuzhu and Kaiyuan Tongbao as international currency. First, starting with an introduction of the history of the silk road, he specified that the “money used on the silk road” was not merely the currency used in countries along the road. Rather, with the function of money, they were the medium to promote cultural exchanges and interconnectivity.

Then, Mr. Wang pointed out that due to the rise and fall of various political powers, the exchange and integration of western and eastern cultures, and the development of the silk road itself, the money used on the silk road developed in four stages, which all linked with each other. Namely, they are Extending to the East, Eastern Currency Extending to the West, Islamization, and Returning to the East.

Later, Director Wang introduced the nature of Wuzhu and Kaiyuan Tongbao as international currency. He said these two forms of currency were widely used in countries along the silk road, and were minted by many countries and regions as standard currency. All these demonstrated the prevalence of round coins with square holes and “Zhu” in Japan, Vietnam, Uyghur Knaganate, Karakhoja (Gaochang in Xinjiang province), etc.

At last, Wang concluded that according to the history, central Asia once used round coins with square holes before being Islamized. Wuzhu and Kaiyuan Tongbao served as the international currency and laid the foundation for later forms of coins. Therefore, it is obvious that with the rise of China, the internationalization of Renminbi is bound to happen.

Professor Tu Yonghong pointed out that in the past, people tended to compare the economic strength of major powers from a horizontal perspective. Director Wang, however, provided a vertical perspective to study the history of ancient Chinese currency, which had been highly internationalized throughout the one-thousand-year history. This laid a cultural and historical foundation for the numismatic study and the internationalization of Renminbi.

At the end of the meeting, Professor Zhang Jie said the brilliant speech given by Director Wang was of practical value. His speech started with the micro development of coins, and then discussed the internationalization of Renminbi, a macro topic, connecting the history with realities. Meanwhile, Director Zhang hoped to further discuss some questions with deeper meaning, such as whether the Chinese currency used in the west belongs to international currency, how far back does the ancient Chinese coins engaging in the flow of international currency go, and why China used copper instead of gold or silver used in the west as the mintage? These questions provided supplements to the discussion, broadening the horizons.



Macro-Finance Salon (No. 119): Regional cooperation and development challenges in Asia

On April 26, Macro-Finance Salon (No. 119) was held in Renmin University of China. Dr. D.J. Pandian, Vice President of AIIB, made a speech titled “Regional cooperation and development challenges in Asia”.

Prior to the salon, Wu Xiaoqiu, Vice President of Renmin University of China, met with Dr. Pandian and his fellow colleagues. Prof. Zhang Chengsi, Associate Dean of School of Finance, Prof. Di Dongsheng, Associate Dean of School of International Studies, and Fang Ke, Manager of Implementation Monitoring Unit of AIIB participated in the meeting. Prof. Wu introduced to the guests the history, philosophy and academic development of RUC. Dr. Pandian expressed his pleasure and honour to be invited, and asked the key to China’s success since reform and opening up. Prof. Wu replied that it was the persistence in emancipating the mind, seeking truth from facts, learning from advanced experience, deepening structural reforms, promoting openness, cultivating outstanding talents, and the unremitting efforts for self-improvement that led us to success.

Mr. Wei Benhua, Former Deputy Administrator of SAFE, Former IMF Executive Director for China and Mr. Zhang Zhixiang, Former Director-General of International Department of PBoC, Former IMF Executive Director for China attended the salon. Prof. Di Dongsheng chaired the salon.

First of all, Dr. Pandian made a brief introduction on AIIB. AIIB is a multilateral development bank initiated by China, India and other 55 countries with 100 billion USD registered capital. Till March, 2018, it has 97 approved members worldwide. AIIB bears the philosophy of clean and green development and adopts the highest global standards in management, environment protection, social security and other aspects. Since its establishment, AIIB, together with other MDBs, has devoted to enhancing the interconnection of regional infrastructure and promoting regional cooperation and sustainable economic development.

He mentioned the three priorities of AIIB. Namely, 1) Sustainable infrastructure: promoting green infrastructure and honouring commitments under Paris Agreement and SDG of UN; 2) Cross-border interconnection: prioritizing cross-border infrastructure construction, including highway, railway, port, airport, pipeline, telecommunication and so on; 3) Mobilizing private assets: cooperating with other MDBs, governments, private enterprises and partners to seek innovative solutions for mobilizing private assets.

He also pointed out that despite the accomplishments, AIIB is faced with many challenges, such as the rising nationalism and protectionism, geological constraints, conflicts between national policies, and lack of cross-border regulatory models, but we are confident to find appropriate solutions that satisfy all stakeholders.

Macro-finance Salon (No. 120): Silver Dollar’s Monetization and Global Integration

On the morning of May 7th, Macro-finance Salon (No. 120) was held in Renmin University of China. Wan Ming, associate researcher of ancient history at CASS delivered a

speech under the theme of Silver Dollar's Monetization and Global Integration. Zhou Jianbo, director of the Institute of Economic Thought History at the School of Economics at Peking University and Professor Wang Jue, academic leader in economic history at the School of Economics at Renmin University attended the meeting and participated in the round-table discussion. The meeting was moderated by Professor He Ping from the School of Finance at Renmin University.

In Wan Ming's speech, she first explained how she had started the research on silver dollar's monetization, and then mentioned that economy and trade in the Ming Dynasty and globally had been closely related with silver dollar's monetization. She elaborated on the five features of monetization and the domestic as well as international economic conditions in the Ming Dynasty. In addition, she pointed out that silver dollars' monetization itself was not due to the introduction of national decrees but a culture of the market. Meanwhile, it was closely related to the taxes and corvee reforms in the Ming Dynasty. Later she proposed that silver dollar's monetization had been intertwined with the global and China's silver trade in the Ming Dynasty and in this way, China was engaged in the primary construction of the global economic system. She stressed that silver monetization was a product being nurtured in China's society during the transition into the contemporary era and the exchanges of a China under transition and reforms with the upcoming world economic structure as well as the interaction of China's and the international reforms.

Later, guests Zhou Jianbo and Wang Jue made further themed discussion and exchanges. Scholars engaged in a heated discussion about the silver dollar's monetization, agricultural society's transition, commodity economy's development in the Ming dynasty, comparison between Chinese and Western currencies development, commodity economy's globalization and the research methods of economic history.

Macro-Finance Salon (No. 121): The Historical Evolution of Modern Finance Discipline and the Logic Behind

On the afternoon of May 7th, the Macro-Finance Salon (No. 121) was held in Renmin University. Zhang Chengsi, Associate Dean of the School of Finance in RUC, delivered a speech entitled "The Historical Evolution of Modern Finance Discipline and the Logic Behind". There were many experts present at the conference, including Zhao Wanli, Professor of the Hanqing Advanced Institute of Economics and Finance, RUC, Professor Erh-Cheng Hwa, Chief Economist of Baoshang Bank and Former Economist of IMF, Professor Huang Jun, Associate Dean of the School of Applied Economics, RUC, Song Wei, Associate Professor of the School of Finance, RUC, Cheng Gengli and Liu Hongwei, Research Fellows of IMI. Professor Wang Fang, Assistant Dean of the School of Finance of RUC, presided over the conference.

Professor Zhang Chengsi divides modern finance discipline into two branches, macro-finance and micro-finance. After reviewing the historical evolution of their core theories, he abstracted the internal logical connections between two seemingly separate branches and pointed out that financial price connects these two branches. Learning from the ups and downs of related theories, we can conclude that any quantitative financial theory that



avoids or rejects to consider financial price is doomed to failure because of the separation of theory and practice.

Professor Zhao Wanli shared his view from the perspective of corporate finance during comment session. He said that corporate finance researches focus on capital structure, executives, mergers and acquisitions, financing, equity structure and corporate governance. The key to agency problem is the frictions caused by information asymmetry and divergent motives. There are many intersections between corporate finance and economics, such as information asymmetry and game theory. Contract theory in economics is also widely used in corporate finance. In the end, he said that China should establish its own finance theory.

Professor Erh-Cheng Hwa also commented that finance should develop with times, and theory should reflect economic and social development. For instance, how can we determine money amount when economic situation changes? How can we match economic aggregate with social financing scale? When studying monetary theory, we should pay attention to monetary transmission mechanism. He also mentioned that when studying microfinance, we should pay attention to interest rate risks and absentee owners.

During discussion, guests talked about issues on interest rate marketization, price indicator, the connection of macro-finance and micro-finance, syllabus of finance and so on.

Macro-finance Salon (No. 122): The Evolution, Landscape and Lessons of the International Financial System

On May 18, the Macro-finance Salon (No. 122) was held at Renmin University of China. Xiao Yuanqi, Chief Risk Officer and office manager of China Banking and Insurance Regulatory Commission, attended the seminar and delivered a speech titled “Evolution, Landscape and Lessons of the International Financial System”. Wei Benhua, Former Deputy Administrator of the State Administration of Foreign Exchange and former IMF Executive Director for China, Zhang Zhixiang, former Director General of the International Department of PBoC and former IMF Executive Director for China, Qu Qiang, Director of the China Financial Policy Research Center, Wang He, Vice President of PICC P&C Insurance, Huang Qing, China Shenhua Group’s Secretary of the Board, Yang Xinchun, Deputy Chief Economist of China Hualu Group, Wang Ziwen, Director of Public Affairs Department of Ant Financial Services, and IMI Researchers Cheng Gengli, Lin Nan, Liu Hongwei, Tian Xinming, Yu Wanwan, Zhen Xinwei, etc. also participated in the salon, which was chaired by Song Ke, the deputy director of IMI.

Xiao Yuanqi first introduced briefly the current landscape of the international financial system. He pointed out that the domination of developed countries is the main feature of the current international financial system, in addition to the increasing participation and bigger voice of emerging economies. He also commented on the path and motivation of the financial system reform. Based on the above, Mr. Xiao talked about what we can learn from the evolution of the international financial system. He said that in order to understand and even shape the international financial system, it is necessary to respect the objective rules while take the initiative. We have to strengthen our competitive edges and exert a more positive influence on the international community. Finally, Mr. Xiao Yuanqi stressed the necessity of

studying the sustainability of the US dollar system, the international trade and financial system, etc.

In the discussion session, Wei Benhua said that we can start by revamping the International Monetary Fund, and subsequently change the landscape of the international financial system. The internationalization of the RMB will be an important driving force in this process. Qu Qiang said that the core of the international financial system should be the monetary system, which is the basis of the financial mechanism, institutions, and governance. The factors that affect market-government balance along with their mechanism and concrete impact should remain to be our current concerns. Zhang Zhixiang focuses on the basic role of national economic strength and the mechanism of domestic regulation. Concerning the multi-target regulation of China, it is necessary to constantly improve the transmission mechanism and take into account other objectives on the basis of controlling risks.

Macro-Finance Salon (No.123): Analysis and Outlook on the Development of Asset Management Industry

Macro-Finance Salon (No.123) was held on the afternoon of June 18 at Mingde Building of RUC. Mr. Song Yongming, deputy general manager of Minsheng Royal Fund Management co., LTD was invited to be the keynote speaker, and gave a speech titled “Analysis and Outlook on the Development of Asset Management Industry”. Participants include IMI research fellows Jiang Bo and Yang Feng, etc. The Salon was chaired by Mr. Xu Yisheng, IMI senior research fellow and chairman of board, China Soft Capital.

Mr. Song Yongming’s speech consists of four parts: overview of asset management industry, development status of asset management industry, regulation trend, and mutual funds. From the practical point of view, the current asset management industry tends to be an independent financial field. Song Yongming believes that the transformation of economic development mode has laid an important foundation for asset management industry. Generally, the development stages of an enterprise include start-up, growth, maturity, transformation and problem solving. In the past, growing and mature enterprises were the main entities of market financing, and indirect way of financing such as loans were the main tools. In the future, however, financing entities will shift to “full cycle” as mass entrepreneurship, mass innovation and industrial restructuring happen.

Through comparative analysis, the differences between western countries and China in terms of investors in asset management products determine that there are huge differences in business models and even the capital market of the two sides. Western investors are mainly people with high net worth and various insurance funds. Their relatively high risk-taking capacity can help to develop net worth products. Chinese investors, however, are mainly individuals, banks and other financial institutions, whose risk-taking capacity is quite low. In addition, the stable investment of people with high net worth and insurance funds have laid foundation for the sustained market stability, while markets with ordinary individuals as the main investment entities are more likely to experience severe fluctuations.



Macro-Finance Salon (No. 124): Comprehensive Surveillance Review

On June 28, Macro-Finance Salon (No. 124) was held at Renmin University of China. Mr. Sanjaya Panth, Deputy Director at the IMF's Strategy, Policy and Review Department, made a keynote speech on Comprehensive Surveillance Review. Mr. Wei Benhua, Former Administrator at the State Administration of Foreign Exchange and Former IMF Executive Director for China, and Prof. Zhao Xijun, Associate Dean of School of Finance at Renmin University, attended the salon and made their comments. The salon was chaired by Mr. Zhang Zhixiang, Former Director General of International Department of PBoC and Former IMF Executive Director for China.

Mr. Panth pointed out that the global economy is at a delicate moment. There are strains on global trade and financial integration, and traditional economic policy prescriptions are being increasingly questioned. At the same time, technological progress and demographic dividends in some parts of the world can, if harnessed properly, provide substantial boosts to economic well-being. These and other trends and uncertainties have raised the ante on IMF's continuing importance as guardians of global economic stability.

The IMF is currently undertaking a major review to help shape surveillance to prepare for the challenges of the future. The ongoing 2020 Comprehensive Surveillance Review (CSR) will develop a strategic blueprint for IMF surveillance—one that will shape how we provide value-added to global and national policymakers over the next decade. The CSR builds on the 2018 Interim Surveillance Review (ISR), which found that Fund surveillance has adapted well to the global conjuncture and become more attuned to risks. The ISR also identified areas where further efforts would be needed, such as macro-financial surveillance and coverage in Article IV staff reports of spillover impacts from systemic countries' policies on others. With a forward-looking perspective, the CSR will explore key global macro and financial trends, establish priorities for IMF surveillance work, and propose new ways to engage with member countries to enhance value for them. IMF policy advice will likely be anchored in a mindset of risk management, with a longer-term focus, deeper discussion on spillovers, and enhanced frameworks for dealing with macro-financial volatility that consider tradeoffs and complementarities of different policy instruments. The CSR will also coordinate closely with the 2020 Review of the Financial Sector Assessment Program (FSAP; joint with the World Bank), which is also underway. IMF Board discussion of the Comprehensive Surveillance Review (CSR) is scheduled in the Spring of 2020.

After his speech, the guests had a discussion on the role CSR plays in major crisis, the implication of the state capitalism under the new surveillance mechanism, the impact of financial innovation on surveillance policy, and the possible inconsistency of each country's internal surveillance and IMF's surveillance goals.

Macro-Finance Salon (No. 125): The Evolution of China-US Trade War

On June 30, Macro-Finance Salon (No. 125) was held at Renmin University of China. Mr. Yao Zhizhong, deputy director of the Institute of World Economy and Politics at the CASS, made a keynote speech on the Evolution of China-US Trade War. Mr. Wei Benhua,

Former Deputy Administrator of the State Administration of Foreign Exchange, Prof. Di Dongsheng, Associate Dean of the School of International Studies at Renmin University and IMI Research Fellows Qian Zongxin, Zhang Jinfan and Jing Linde, participated in the salon. The salon was chaired by Prof. Wang Fang, Assistant Dean of the School of Finance at Renmin University.

Yao Zhizhong elaborated on China-US trade war issues from the perspective of international relations politics and economics. He believes that the current goal of the US trade war is to reduce the trade surplus and gain greater benefits by adjusting trade relations and to prevent China from catching up and weakening China's development potential. In response to these two goals, the United States has two corresponding policies toward China: the first is to adjust trade relations to reduce the US trade deficit and promote the US's own economic development; the second is to weaken China's development potential and curb China's economic development. These two policies are consistent with the US national security strategy. Promoting US prosperity and maintaining US influence are the core interests of the US national security strategy. Under this circumstance, China's first strategy is to develop the ability to harm the interests of the United States. The greater the benefits China can provide to the United States, the stronger its ability to harm its interests. The second is to continue to develop the ability to stabilize the domestic economy and society, to maintain stable economic development is a very important means and the Americans have to pay to incite us.

In the discussion, Wei Benhua believes that the solution to the problem should allow the international community to have a correct understanding of the trade surplus and deficit between China and the United States. This is originally an economic issue, and the US has unprincipled expansion into the field of science and technology. Even in the field of national security, this does not comply with the rules of international trade. Therefore, we need to adhere to and emphasize the principle of multilateralism. We should return to the WTO system or negotiate a solution to a regional trade agreement. Later, from the perspective of international political economy, Di Dongsheng talked about his views on the US medical reform and inheritance tax.



McKinnon Lectures

Editor's Note:

As a highly respected economist of our time, Professor Ronald McKinnon is the founder of modern financial development theory. He was appointed as member of Advisory Board since the establishment of IMI in 2009, and made enormous contributions to its development. After he passed away in October 2014, his family generously contributed 1897 books from his personal collection to IMI. Therefore, we changed the name of “IMI Lectures” to “McKinnon Lectures” in perpetual memory of him. By “walking out” and “inviting in”, McKinnon Lectures invite a number of prestigious experts and scholars from China and abroad lecturing on macrofinance theories and relevant policies.

McKinnon Lectures (No.14): The Future of Global Economy and Currency Internationalization

On the afternoon of June 14, the McKinnon Lectures (No.14) was held in Renmin University of China. Mr. Mark Sobel, US Chairman of the Official Monetary and Financial Institutions Forum (OMFIF), Former IMF Executive Director for the US Department of the Treasury, delivered a keynote speech entitled “The Future of Global Economy and Currency Internationalization”. The meeting was chaired by Wei Benhua, Former Deputy Administrator, SAFE; Former IMF Executive Director for China. Discussants include Liu Hongwei from the Office of Financial Service of Beijing Chaoyang District, Zhen Xinwei, Senior Manager of Finance Department at Bank of China, Li Jing, Professor at Capital University of Economics and Business and other researchers.

Mark Sobel's speech is divided into two parts: the global economy and currency internationalization. In the first part of the speech, he pointed out a series of core issues in the current global economy by comparing the economic challenges and difficulties faced by the United States, Europe, Japan and China in recent years. In the second part, Mark shows that although the international monetary system is diversifying, it is difficult to change the dominant position of the US dollar as the world currency for short periods.

In the subsequent interactive discussion, Wei Benhua highly praised Mark's comprehensive and profound speech. He pointed out that the dollar's position in the international monetary system was fairly stable during the foreseeable time period. At the same time, he also expressed confidence in the Chinese economy. He believes that as the world's second largest economy, China's currency plays an increasingly important role in the international monetary system and will also benefit the healthy and stable development of the world economy. Later, Professor Li Jing and other participants discussed the various issues in depth.

Exchange

Launch of 2019 IMF Regional Economic Outlook for Asia and the Pacific

On the morning of April 23, the 2019 IMF Regional Economic Outlook for Asia and the Pacific was launched by IMF Resident Representative Office in China, IMI and Research Institute of Guotai Junan Securities at the Century Hall North of Renmin University of China.

Mr. Changyong Rhee, Director of the Asia and Pacific Department at the IMF, Prof. Wu Xiaoqiu, Vice President, Renmin University of China, Mr. Wang Song, President of Guotai Junan Securities, Mr. Jiang Wei, President of Research and Institutional Business Committee, Guotai Junan Securities, Prof. Zhang Jie, Director of IMI, Prof. Zhao Xijun, Associate Dean, School of Finance, RUC, Ms. Zhang Longmei, Deputy Resident Representative of IMF for China, Dr. Li Shaojun, Deputy Director and Global Chief Strategist, Research Institute of Guotai Junan Securities, Dr. Zhao Bogong, Department of Asset Management, ICBC, Dr. Hua Changchun, Global Chief Economist, Research Institute of Guotai Junan Securities and experts of financial management departments, research institutes and financial industry from US, Europe, Asia and other countries and regions attended the launch event and presented speeches. The launch meeting was chaired by Wei Benhua, Former Deputy Administrator, State Administration of Foreign Exchange, and Former IMF Executive Director for China.

In the opening remarks, Prof. Zhang Jie said that IMI and IMF have been teaming up for a long term, jointly releasing the IMF World Economic Outlook and the IMF Regional Economic Outlook for Asia and the Pacific every year, working together on the study and exploration of international macroeconomics and monetary and financial strategies, enabling international talents to be skilled in both finance and diplomacy and to accomplish the missions of the times and contributing to the development of global finance together.

Mr. Changyong Rhee first pointed out that Asian economy will follow a cold winter in the near future. The main reasons are as follows: First, the trade frictions between countries are escalating. Second, the major emerging economies in Asia are facing inflationary pressures and the risk of depreciation of their currencies. Third, rising oil prices has imposed more pressure on emerging Asian economies. On this basis, some uncertain factors will also have potential impacts on Asian economic development, including the Brexit uncertainty and the geopolitical issues of Argentina, which requires policy-makers getting prepared in time. At the same time, the easing of Sino-US trade frictions and the normalization of US monetary policy have facilitated the economic development of the Asia-Pacific region. Later, Changyong Rhee looked ahead to the trends in major Asian economies. He believed that the Asian economy has maintained the growth momentum and will contribute 60% of the global GDP growth in this year and next. Regarding the prospects of China's economy, he believed



that with the mixed effects of state incentives and external demand changes, China's economic growth is projected to slip by 0.1% and still faces downward pressure. However, due to the massive scale of Chinese market, China's economic growth will still account for a large proportion of global economic growth.

Prof. Wu Xiaoqi categorized important factors for sustained and steady growth of China's economy into seven parts: First, lower the target growth rate to 6%-6.5%. Second, promote structural transformation. It's the key to reduce the excessive dependence on natural resources and inefficient capacity and develop high-tech industrial clusters and competitive industrial structure. Third, continue to deepen reforms that guided by market orientation. Let the market play the decisive role in allocating resources and strike a balance between the role of the government and that of the market. Fourth, keep policies coordinated and adaptable. Especially adjust fiscal and tax policies in accordance with the business cycle. Fifth, boost innovation especially scientific and technological innovation. Chinese enterprises are supposed to take the lead in new materials, new energy, artificial intelligence, life science and other fields in the future. Sixth, expand opening up. Sino-US relationship is the most important part of China's foreign relations. China and the United States must solve various problems based on mutual benefit, respect and consultation. Seventh, improve labor force quality. Middle income trap is mainly caused by the contradiction between low labor force quality and the needs for high growth. Therefore, it's necessary to cultivate innovative talents for economic development. Finally, he expressed his optimism for China's economy.

Mr. Wang Song pointed out that China's economy is in the stage of strategic transformation from the middle-high income country to the high income country, requiring the increase of total factor productivity. At present, the fourth industrial revolution is a once-in-a-lifetime opportunity for China. Whether China can exploit the demographic dividend to support the rise of China's high-end manufacture and the transformation of its economic structure, as well as seize the advantages of the total scale in the current information-based and intelligent technology revolution are the decisive factors for China to promote industrial development and change the structure of industrial.

The panel discussion was chaired by Dr. Li Shaojun. Mr. Changyong Rhee, Prof. Zhao Xijun, Dr. Zhao Bogong, and Dr. Hua Changchun discussed the global economic growth momentum, the role of asset management industry in credit expansion, the demand and relative monetary policies of China's finance for achieving high-quality two-way opening up and other issues.

IMI Signed MOU with Central Banking Publications in Britain

At 11 a.m. London time on May 7, 2019, Professor Ben Shenglin, Co-Director of IMI and Dean of International Business School, Zhejiang University (ZIBS), visited the Central Banking Publications, a famous British financial publishing company, and signed a memorandum of understanding with it, which opened an important chapter of the overseas strategic cooperation of IMI.

David Pagliaro, head of Insight Group of Infopro Digital, the parent company of the Central Banking Publications, warmly welcomed Professor Ben Shenglin on behalf of the group. He gave adequate attention to the in-depth cooperation with IMI and ZIBS, and detailed the company's historical origin, current situation and close cooperation with China for a long time. Nick Carver, publisher, and Christopher Jeffery, editor-in-chief of the Central Banking Publications also attended this event. As a global financial publishing company, the Central Banking Publications engages in the reporting of central bank, financial supervision, payment system, public debt management and international finance, and has a broad influence worldwide since its establishment. The signing of the memorandum of understanding with the Central Banking Publications marks the further deepening of internationalization strategy and the expansion of overseas influence of IMI.



Roundtable on Long-term Policy for China-Europe Relations: Cooperation in Trade, Investment and Finance

On May 23, the Roundtable on Long-term policy for China-Europe relations: Cooperation in Trade, Investment and Finance was held in Renmin University of China. The meeting was jointly organized by IMI and the Official Monetary and Financial Institutions Forum (OMFIF) and the DZ Bank, and co-organized by the Cross Border Financial 50 Forum (CBF50). Participants include Kalin Anev Janse, Member of the Management Board and Secretary General of the European Stability Mechanism (ESM), Hans Vijlbrief, ESM President of the Economic and Financial Committee and the Eurogroup Working Group, Siegfried Ruhl, Head of Funding & Investor Relations at ESM, Frank Scheidig, Global Head of Senior Executive Banking at DZ BANK, Bill Block, US Treasury Representative in China, Bekele Debele, Program Leader, Sustainable Development, World Bank, Giovanni Garcea, Director, Economic and Financial Division, EU Delegation to China, Elske Smith, Head of Economic Affairs, Embassy of the Kingdom of the Netherlands in China, Ellie Groves, Programmes Manager of Europe, OMFIF, Zhang Zhixiang, Former Director-General, International Department, PBoC and Former IMF Executive Director for China, Xia Le, Chief Economist for Asia, Research Department, BBVA and Zhong Hong, Deputy Director, International Finance Institute, Bank of China. The meeting was chaired by Wei Benhua, Former Deputy Administrator, SAFE and Former IMF Executive Director for China.

The participants had a discussion on “Chinese and European Priorities in Finance, Investment and Trade” and “Multi-Currency International Monetary System”. For the first topic, Zhang Zhixiang believed that with a long history of trade, China and Europe can strike a balance between seeking common ground and reserving differences when cooperating with each other. We should, among other things, focus on liquidity and specific practices in different situations. Hans Vijlbrief held that Europe seeking global cooperation will last dozens of years. We should bear in mind the financial crises in the past decade, and give full play to the cooperation forum and cross-border institutions. In particular, Europe should reach a consensus on policies with China. Giovanni Garcea reviewed the debt crisis in Greece. He said for Europe, there is still a long way to go to reach a win-win scenario through cooperation. Meanwhile, because of its complexity, debt crisis should be kept a close eye on. Frank Scheidig said that Sino-Euro cooperation can draw lessons from France and the U.S., and give full play to fintech, commercial banks, cross-border institutions and emerging economies.

For the second topic, the participants discussed on the evolution and the future of world currency. Xia Le analyzed some problems in RMB internationalization, reviewed the internationalization process, and shared his opinions about the application of Triffin Dilemma on the withdrawal and floating exchange rate in current financial market and the reform and opening-up of financial markets. Bill Block believed that there are underlying reasons for the US dollar to dominate the market in the past decades. The emergence of world currency is the

result of natural selection in the financial market. Zhang Zhixiang held that the status of different currencies in the international market might be influenced by the differentiated economic conditions of countries, and political factors should also be considered. Bekele Debele said the performance of currency in the international market is closely linked with national policies. A unitary currency market didn't fit in the current trend of development.



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