



# Newsletter

International Monetary Institute  
Renmin University of China

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## Focus

### EuroRMB Seminars in London and Frankfurt

From October 13 to 16, IMI executive director Ben Shenglin, deputy director Tu Yonghong, and academic committee member Zhao Xijun led the IMI research team to London and Frankfurt, in order to present RMB Internationalization Report 2014: RMB Offshore Market Construction. This is the first time that China's think tank started European road show on RMB internationalization issues. It attracted much attention both at home and abroad.

On October 14, the London seminar was co-organized by IMI, Bank of Communications (London), and Official Monetary & Financial Institutions Forum (OMFIF). David Marsh, managing director of OMFIF; Dave Ramsden, chief economic adviser at British Treasury; Liu Zhuoshi, economist at the Bank of England; Jiang Bo, deputy manager of Industrial and Commercial Bank of China (London Branch) and other experts attended the conference. They discussed about the impact of RMB internationalization on European business and financial services, and long-term goals of RMB internationalization and its future opportunities.

The next day, the Frankfurt seminar was held at the Goethe University, jointly organized by IMI, Bank of Communications (Frankfurt Branch) and Goethe University. The event was attended by Rainer Klump, vice president of Goethe University Frankfurt and academic committee member of IMI; Wolfgang Koenig, executive director of House of Finance in Goethe University; Chen Yong, representative of People's Bank of China to Frankfurt; Li Biao and Chen Fei, General Managers of China Construction Bank (Frankfurt Branch) and Industrial and Commercial Bank of China (Frankfurt Branch) respectively. Participants discussed about the prospects and challenges for RMB internationalization, the RMB offshore business at Chinese banks, and the experience and lessons from the internationalization of Deutsche Mark.

In recent years, with the gradual internationalization of RMB, the world's leading financial centers including London and Frankfurt have actively built the offshore RMB market. In March, central banks of China-Germany, China-UK have signed MOUs to establish the RMB clearing and settlement operations in Frankfurt and London. On October 15, the British government issued the world's first foreign sovereign-debt offshore RMB bond. That's why London and Frankfurt have become the first European destinations for IMI RMB internationalization roadshow.

On both seminars, Tu Yonghong provided detailed interpretation of the RMB internationalization report 2014. She introduced the RMB Internationalization Index (RII), discussed about the optimal distribution of the offshore RMB markets, and projected the future development. China's RII is much lower than the dollar, euro and other major international currencies, but thanks to the strong real economy and stable financial sector, this index will maintain an upward momentum. Optimistic estimate is that RMB would become the world's third largest currency in three to five years.



# Research

## IMI Lectures

### Editor's Note:

*IMI Lectures consist of a series of high-level academic lectures. By “walking out” and “inviting in”, the seminars invite a number of prestigious experts and scholars from China and abroad lecturing on macro-finance theories and relevant policies. Previous speakers include Mr. Vivek Arora, assistant director of IMF Asian and Pacific Department; Ms. Annika Melander, director of Economic and Finance Department, Delegation of the European Union to China, First Counselor; Professor Niels Thygesen, Honorary Professor of Economics, University of Copenhagen.*

### South Korea's Experience of the Capital Market Development

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On October 17, Mr. Jae Hoon Yoo, chairman of Korea Securities Depository, visited IMI and delivered a speech entitled “South Korea's Experience of the Capital Market Development”. Professors and students from the School of Finance attended the lecture. Zhang Chengsi, director of the Monetary Finance Department, presided over the lecture.

In his speech, Mr. Jae Hoon Yoo said, the capital market is of vital importance to the national economy. Developing countries should effectively use market instruments in an orderly way and chose the fittest policies to improve the market performance. He also introduced South Korea's experience of capital market development from the perspective of the process, market scale and depth, diversification, internationalization and the unique characteristics.

In his opinion, China's capital market has a great potential to be among the top. South Korea's capital market has a better performance in that it synchronized with economic development. South Korea should continue to liberalize its capital market while fending off potential risks.

## Macro-Finance Salon

### Editor's Note:

*The Macro-Finance Salon is a high-level academic salon started by IMI. 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” academically 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”, President Chen Yulu of Renmin University demonstrates the fundamental connotation and methodology of macro-finance, laying theoretical and empirical foundation for macro-finance framework, which facilitates long-term economy growth and stronger national competitiveness.*

### Macro-Finance Salon (No. 12): Systemic Risk and Macro-Prudential Regulation

On October 19, the Macro-Finance Salon (No. 12) was held in Room 602 of Culture Square. Nicholas Beale, the chairman of Sciteb, an innovative international strategy and search firm, and visiting scholar of Isaac Newton Institute, was invited to give a keynote speech. Other attendees include Zhang Zhixiang, former director general of International Department of PBoC and former Executive Director for China in IMF; Wu Zhifeng, director of Latin America Department, Research Institute of China Development Bank; Zhao Xijun, associate dean, and Song Wei, associate professor of School of Finance, Renmin University of China. Deputy director and council member of IMI Tu Yonghong presided over the salon.

Mr. Beale illustrated the way to discern individual risk and systemic risk through graphs and models. He explained the triggers for systemic risk by introducing two variables into his model: the diversity of banks’ risk exposures, and the difference between banks’ average and optimal risk levels. But he also emphasized that the uncertainties in model parameters and probability distributions should be noted when analyzing specific cases. Based on Andy Haldane’s paper *The Dog and the Frisbee*, he explained the complexity of systemic risk, and proposed that leverage ratio should be regarded as important indicator in predicting bank risks. Mr. Beale shared three interesting research areas: the application of stress test in



dynamic analysis of systemic risk, testing the market's stability in financial crisis with ABM model, and efficiency analysis of supervision.

### **Macro-Finance Salon (No. 13): Trends and Challenges in Reserve Management**

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On October 26, the Macro-Finance Salon (No. 13) was held in Room 801 of Mingde Main Building, Renmin University of China. Dr. Marlene Amstad, regional consultant of Bank for International Settlements, lecturer at the University of Bern and consultant of the Federal Reserve, was invited as the guest speaker. Mr. Zhang Zhixiang, former director general, International Department of PBoC and former executive director for China in IMF, presided over the forum.

Doctor Marlene Amstad shared her research on the trends and challenges of reserve management. Her analysis focused on three aspects: optimal scale, asset composition and management framework. She first introduced three preventive motivations for building a foreign exchange reserve pool and the principles for determining the scale of foreign exchange reserves. Then she pointed out that we must consider the fragility of the financial sector and the spillover effect of monetary policies, so as to understand the gap between theory and practice. In terms of asset composition, she said RMB shows a trend of growth as foreign exchange reserve assets, which reflects the importance of emerging economies' currencies in international foreign exchange reserves. Dr. Amstad also compared the changes in the classes of international foreign exchange assets, and analyzed the diversification of investment portfolios. In the end, she demonstrated that foreign exchange asset portfolios should be determined considering the asset-liability balance of the central bank, the sovereignty and the nation, and the time limit is also important.

### **Macro-Finance Salon (No. 14): Currency, Internationalization and Yield Curve—Research on RMB Issues**

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On November 1, the Macro-Finance Salon (No. 14) was held at Renmin University. Doctor Yuksel Gormez, economic counselor and senior economist of Central Bank of Turkey, was invited as the guest speaker. He delivered a speech entitled "Currency, Internationalization and Yield Curve—Research on RMB Issues". Zhao Xijun, associate dean of School of

Finance, Renmin University and member of the academic committee of IMI, and Song Ke, assistant director of IMI, attended the forum. Ben Shenglin, executive director and council member of IMI, presided over the forum.

Dr. Yuksel Gormez talked about currency functions, currency internationalization and currency market. He first introduced the origin and nature of currency and demonstrated the development of currency. When he talked about fiat money, he stressed that in the future, the value of fiat money will be more related to the profitability of enterprises and the tax base of the country. He also explained the urgent demand for efficient and reliable means of payment triggered by trade.

When it came to currency internationalization, Dr. Gormez took RMB as an example and explained its inherent advantage as an international foreign reserve currency. He pointed out that RMB internationalization is inevitable, but it is a gradual process rather than a revolutionary one; China now have the courage and means to realize RMB internationalization, and RMB is now playing an important role in trade settlement, infrastructure investment and other areas.

Then he analyzed the yield curve, and concluded that accelerating interest rate liberalization and improving the yield curve of national debt will be the challenges that the Chinese central bank face in the long run, and China's monetary instrument market need to be further improved to support financial market development.

After the speech, Dr. Gormez was appointed as senior research fellow of IMI by Director Ben Shenglin.

## **Macro-Finance Salon (No. 15): Development and Study of Inclusive Finance**

On Nov. 23, the Macro-Finance Salon (No. 15) was held in Culture Square. Mr. Jiao Jinpu, director general of Financial Consumer Protection Bureau, PBoC, was invited to deliver a speech entitled "Development and Study of Inclusive Finance". Prof. Tu Yonghong, deputy director of IMI, Mr. Wu Zhifeng, senior research fellow of IMI, and Mr. Song Ke, assistant director of IMI, attended the event. Prof. Ben Shenglin, executive director of IMI, presided over the salon.

Mr. Jiao Jinpu elaborated on the domestic and international evolution of inclusive



Mr. Jiao Jinpu elaborated on the domestic and international evolution of inclusive financial system. He first analyzed the relationship between inclusive finance and exclusive finance and then pointed out that coverage and depth are two important parameters for inclusive finance. He also suggested we promote inclusive finance through technological innovation. Then Mr. Jiao Jinpu introduced international experience in inclusive finance and pointed out the direction for future efforts, which was to focus on providing financial services for SMEs and the most vulnerable groups in rural areas.

To conclude this salon, Director Ben Shenglin conferred Mr. Jiao Jinpu a letter of appointment as a member of IMI Academic Committee.

### **Macro-Finance Salon (No. 16): Analysis on Counter-cyclical Policy**

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On Nov. 30, the Macro-Finance Salon (No. 16) was held in Renmin University of China. Dr. Liu Jun, executive director and vice president of China Everbright Group, was invited to deliver a speech on the theory and practice of “counter-cyclical policy”. Mr. Wei Benhua, former deputy-in-bureau of the State Administration of Foreign Exchange, Ms. E Zhihuan, deputy general manager of Economics & Strategic Planning Department of Bank of China (Hong Kong), Mr. Chen Qiqing, director of Macroeconomic Department of Party School of the CPC Central Committee, and Mr. Song Ke, assistant director of IMI attended the salon. Mr. Zhang Zhixiang, former director general of International Department of PBoC, presided over the salon.

Dr. Liu Jun talked about the economic cycle from three aspects: monetary policy, macro control and macro policy. He compared monetary policies of America, EU, and Japan and reviewed the evolution and achievement of China’s monetary policy ever since 2000.

When talking about macro control policies in case of pro-cyclicality and counter-cyclicality, Dr. Liu Jun pointed out that ever since 2014 China’s monetary policy became “structured”. China combined targeted RDR cuts with targeted monetary tools. Monetary policy should focus on structural adjustment; and the mechanism of monetary policy is counter-cyclical.

In the end, Dr. Liu Jun concluded his speech with five points. First, counter-cyclicality



In the end, Dr. Liu Jun concluded his speech with five points. First, counter-cyclicalities are a concept about time period and point not about trend. Second, counter-cyclicalities, as a policy tool, will bring a new trend and once the trend takes its form, the concept of counter-cyclicalities and pro-cyclicalities no longer apply. Third, the essence of counter-cyclicalities lies in taking advantage of the trend. Fourth, counter-cyclicalities are based on scientific, accurate, and timely anticipation. Fifth, total factor productivity is key to the “counter” mechanism.

## **Macro-Finance Salon (No. 17) and Premiere of *The New Capitalism***

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On December 17, the Macro-Finance Salon and Premiere of *The New Capitalism* was held by IMI and China Citic Press in Run Run Shaw Conference Center, Renmin University. With his new book *The New Capitalism*, Xiang Songzuo, deputy director of IMI and chief economist of Agricultural Bank of China, attended the event and had a dialogue with audiences about current economic issues.

Guests attended include: Ma Weihua, former president of China Merchants Bank; Wei Benhua, former deputy-in-bureau of the State Administration of Foreign Exchange; Wen Tiejun, “san-nong” expert and professor of Renmin University; Zhang Yu, dean of School of Economics of Renmin University; Zhang Jie, director of IMI and associate dean of School of Finance of Renmin University; and He Li, CEO of JIEMIAN and founder of The Economic Observer and CBNweekly. Ben Shenglin, executive director of IMI and professor of Zhejiang University, hosted the event.

Dr. Xiang’s speech illustrated the development of economy from the stage of commercial capitalism and industrial capitalism to global financial capitalism. The economic system, the backbone of human society, has appeared three bipolarizations – the bipolarization of virtual economy and real economy, of credit resources allocation, and of real income and wealth distribution. Inspired by new thinking and traditional Chinese philosophy, and based on Chinese and foreign facts, Dr. Xiang proposed some attempts to resolve these distortions.

The capital market is on a roller coaster ride recently. Outdated economic theories and models are paralyzed after relentless shocks. *The New Capitalism* is the fruit of six-year’s devotion. Dr. Xiang stands on a higher shoulder to try to find the right approach towards economic reform and sustainable economic recovery.



## Macro-Finance Salon (No. 18) and the 1st RMB Era Forum

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On December 20, Macro-Finance Salon (No. 18) and the 1st RMB Era Forum was held in Culture Square. The forum focused on the Shanghai-Hong Kong Stock Connect Program, analyzed the performance of the program and the interest rate fluctuation in the global market, and discussed the future changes of the capital market. Prof. Tu Yonghong, deputy director of IMI; Prof. Zhao Xijun, associate dean of School of Finance of Renmin University; Mr. Zong Liang, deputy director of IFI, Bank of China; Mr. Cao Zhanzhong, executive assistant of Xinhua Index Company Limited; Mr. Sun Jianbo, chief strategist of Galaxy Securities; Mr. Yu Yao, analyst of Rising Securities; and other experts participated in the forum. Mr. Zhang Zhixiang, former director general, International Department of PBoC and former executive director for China in IMF, presided over the forum.

Prof. Zhao Xijun gave a report entitled “the influence of the Shanghai-Hong Kong Stock Connect Program on RMB internationalization”. He stressed that the program can utilize the advantages of Shanghai and Hong Kong and facilitates RMB internationalization.

Mr. Zong Liang emphasized that RMB internationalization has five major fronts: offshore RMB market, currency swap, regional cooperation, loans for commodities and the establishment of a global RMB settlement system. Mr. Sun Jianbo pointed out that the program will build an institutional bridge for global capital to enter Chinese market. RMB internationalization still requires China to focus on technological upgrading and improve development quality. Prof. Tu Yonghong shared his opinions on the program’s influence on RMB internationalization: First, the program shows China’s determination to open up; second, the performance of the security market has provided information support for capital market access and economic growth.

Later in the discussion, Mr. Cao Zhanzhong pointed out that currency internationalization is always accompanied by pricing power. Mr. Li Jianjun mentioned that the program is a long-term strategy; it has changed the internationalization process that is merely based on trade. Mr. Yu Yao pointed out internationalization target is a key issue, and industrial upgrading requires China to cultivate more high-tech talents.

## Exchange

### **IMI Academic Committee Member Rainer Klump Appointed as President of University of Luxembourg**

Professor Rainer Klump, member of IMI Academic Committee, has just finished his tenure as vice-president of the Goethe University Frankfurt. He has been appointed as president of University of Luxembourg, beginning since January 1, 2015. IMI research team, who went to Europe to release RMB Internationalization Report 2014, brought the congratulation letter from Prof. Chen Yulu, president of Renmin University of China, expressing the warm congratulations on his appointment and the anticipation of promoting further cooperation between the two universities.

University of Luxembourg is an important partner of Renmin University. On September 5, 2006, former Chinese President Hu Jintao and Grand Duke Henri of Luxembourg witnessed the signing ceremony of Memorandum of Understanding between the two universities. Prof. Chen Yulu has paid a visit to University of Luxembourg to launch the joint program for Master's Degree in Banking and Finance. Prof. Rainer Klump's appointment as the president of University of Luxembourg will further promote the cooperation between the two parties.



## Presentation on IMF World and Regional Economic Outlook

On October 23, the Presentation on IMF World and Regional Economic Outlook was held by IMF and IMI in Renmin University. The Presentation was attended by Alfred Schipke, IMF senior resident representative for China; Romain Duval, head of the Regional Studies Division of the Asia Pacific Department at the IMF; Tu Yonghong, deputy director of IMI; and Song Ke, assistant director of IMI. Zhang Zhixiang, former director general of International Department of PBoC and former executive director for China in IMF presided over the presentation.

After Director Tu's opening speech, Alfred Schipke presented the world economic landscape according to the Economic Outlook. He said the global recovery is still weak and uneven, and downward pressure is increasing. Therefore, advanced economies should adopt appropriate fiscal policies to sustain recovery, while emerging economies need to prepare for the potential market turbulences and to implement structural reforms so as to break the bottleneck of infrastructure investment.

Next, Romain Duval briefed the audience on the Asian economic outlook. He said Asian economy will remain stable with expected growth of 5.5% this year and 5.6% next year. Meanwhile, as US monetary policies return to normal, downward pressure in Asia-Pacific region is accumulating. Therefore, Asian countries need to transform the export-driven growth pattern and embark on the path of sustainability. Policy regulations should be more flexible, and fiscal policies complemented by monetary policy buffers will stimulate mid-term growth.

## **Columbia University Scholars Visit IMI**

On November 6, Joan Kaufman, director of the Columbia Global Centers | East Asia, and Marcos Troyjo, co-director of the BRICLab at Columbia University visited IMI and attended the economic consultation seminar. Other attendees include Zhao Xijun, associate dean of School of Finance, Renmin University; Di Dongsheng, associate professor of School of International Studies; and Song Ke, assistant director of IMI. Mr. Zhang Zhixiang, former director general, International Department of PBoC presided over the conference.

Mr. Zhao Xijun said that Columbia University has long been a partner of Renmin University in education and academic exchanges. He celebrated the substantial results achieved by the cooperative training projects between School of Finance and SIPA of Columbia University. Director Joan Kaufman agreed that the two parties should leverage respective strength and complement each other in order to gain a win-win partnership.

Then, Marcos Troyjo briefed the audience on the vision and research development of the BRICLab. Professor Di Dongsheng analyzed the reform of the international economic and financial governance structure and the transformation of China's development pattern under the new normal dynamics.

Columbia Global Centers | East Asia was launched in March 2009 in Beijing. The Center is dedicated to fostering dialogue between Columbia University and East-Asian universities, private sector, and government authorities. Researches in recent years focus on China's urbanization and health policies.



## **Seminar on Prospects of New International Development Institutions**

On November 13, Seminar on Prospects of New International Development Institutions was held in Renmin University of China. The Seminar was attended by Alfred Schipke, IMF senior resident representative for China; Henry Chan, board member of Uygongco Corporate in Philippines; and Zhang Youyi, Guo Jin, and Liu Jiye from the Eco-economy Strategy Institute of Development Research Center of the State Council. Zhang Zhixiang, former director general, International Department of PBoC and Former Executive Director for China in IMF presided over the presentation.

Alfred Schipke presented his view on the prospects of the Asian Infrastructure Investment Bank and the current collaboration between IMF and other international development institutes. Henry Chan elaborated on the opportunities and challenges facing the international development institutes. He argued that international development institutes require government support. Authorities should be effective in policy development, coordination and implementation. He added that structural reform would be crucial for China's future economic path, which determines the nation's appeal to strong partners.

## **The 1st Wealth Management Outlook Forum and Press Conference of "China Wealth Management**

On November 29, the 1st Wealth Management Outlook Forum and Press Conference of "China Wealth Management Report 2014" was held in Renmin University of China. The event was co-organized by School of Finance and IMI of Renmin University, Development Committee of Qingdao Pilot Project of Wealth Management and Financial Reform, and Qingdao Financial Department. The forum was attended by Chen Yulu, president of Renmin University; Bai Guangshao and Wang Feng, director and deputy director of Qingdao Financial Department; Zhuang Yumin, professor of Renmin University; Ji Zhihong, director general of Financial Market Department of PBoC; Ben Shenglin, executive director of IMI. Guo Qingwang, dean of School of Finance, presided over the lecture.

President Chen said that wealth management will embrace a new era of global prosperity. China's wealth management is propelled by all-round, diversified wealth demand. The pilot project in Qingdao means that wealth management has become an integral part of national financial strategy. In the future, we need to explore a viable path for China's wealth management industry and transformation of economic and financial structures.

Director Bai introduced the Qingdao Pilot Project of Wealth Management and Financial Reform. It has favorable conditions in terms of implementing innovative programs, resources pooling and culture building. Then, Professor Zhuang interpreted the Report on behalf of the task force. She emphasized that the Report's strength lies in that it traces the industry hot issues, analyzes current problems and project its future from the academia perspective.



## **2014 China Financial Forum and the 5th *Financial Studies* Forum**

On December 6, 2014 China Financial Forum and the 5th *Financial Studies* Forum was held in Run Run Shaw Conference Center in Renmin University of China. Pan Gongsheng, deputy-governor of PBoC; Li Yang, academic committee member of Chinese Academy of Social Sciences(CASS); Zhang Jianming, deputy secretary of party committee of Renmin University; Lu Lei, director of the Research Bureau of PBoC; Ji Zhihong, director general of Financial Market Department of PBoC; etc. attended the forum. Ji Zhihong presided over the forum.

In Zhang Jianming's speech, he pointed out the agenda of this forum: financial regulation, monetary policies, and financial reforms. This forum would lay a solid foundation for the building of a financial think tank. Lu Lei expressed his willingness to conduct in-depth discussion with the guests on macro and micro financial management practices.

Next, the 2013 Annual Award Ceremony for Outstanding Papers was held. One Best Award and seven Outstanding Awards were announced. Pan Gongsheng presented the awards. Zhang Jie then commented on the outstanding papers. He said that the author have put forward meaningful conclusions for China's economic and financial development with a bigger picture in mind. To gain further achievements, we need to write our own story in the economic and financial areas, rather than merely applying the mainstream economic models.





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