



IMI Newsletter

International Monetary Institute
Renmin University of China

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Highlight

Roundtable on Money and Finance • Winter 2016 and the Plenary Meeting of IMI

On January 15, Roundtable on Money and Finance•Winter 2016 and the Plenary Meeting of IMI was held at Renmin University. The Conference was presided over by Cao Tong, IMI co-director, CEO of XFinTech and former vice president of China Import and Export Bank.

On behalf of the School of Finance, Guo Qingwang, IMI academic committee member and the Dean of the School of Finance of RUC delivered the opening remark. He spoke highly of achievements of IMI in 2016, including Roundtable on Money and Finance, Macro-Finance Salon, McKinnon Lectures, Tao Xiang International Finance Forums, RMB Internationalization Report, etc. He also thanked advisory board members and academic committee members for their wholehearted support.

Ma Delun, chairman of Banking Accounting Society of China and Former Deputy Governor of PBoC, made a keynote speech. He said that the year 2016 was a brand new year for China's financial sector, which has entered a market-oriented, international and high-tech era. In the perspective of marketization, open market players are becoming increasingly active. The price is increasingly market-oriented and capital flow is more flexible. At the same time, people pay more attention to the changes that science and technology bring to the financial sector. In the perspective of international environment, protectionism, populism, the uncertainty, pace and intensity of dollar interest-rate hikes have a direct impact on RMB exchange rate. China's monetary policy is currently facing a variety of unprecedented conflicts and challenges. We need to discover the reasons behind and come up with solutions.

In Keynote Speech I "review and outlook of macro economy and finance", Guan Qingyou, IMI academic committee member, vice president of Minsheng Securities, and Xiang Songzuo, deputy director of IMI, delivered a speech respectively. Based on his observations of economic outlook, Mr. Guan put forward the following six points: At present, China's economy continues to slow down and policies tend to be conservative; although policies to "cut excessive industrial capacity, destock, deleverage, lower corporate costs and improve weak links" deviate slightly from the original intentions, considerable progresses have been made in

the past year; self-regulating ability of enterprises to cope with economic downturn should not be overlooked; disordered asset flows and asset shortage will continue; projections for RMB depreciation still exist, but there is little chance for a substantial depreciation; China's current fiscal pressure is not enough to trigger major political changes.

Dr. Xiang offered in-depth analysis on his observations and judgments of current global economy and the Chinese economy. In his view, the downturn of real economy and the exposure of overall economic risks add many unfavorable factors to RMB internationalization. We should reflect on the economic problems faced by major economies and the whole world and root causes; we should think about how to tackle income gap, vicious expansion of virtual economy and other issues, so that allocation of social resources can truly enhance China's competitiveness in real economy and science and technology.

In the keynote speech II "Outlook of RMB Exchange Rate", three IMI academic committee members delivered speeches, namely Chen Weidong, director of International Finance Institute of the Bank of China, Ding Jianping, director of Research Center for Modern Finance of Shanghai University of Finance and Economics, Ding Zhijie, assistant president of University of International Business and Economics. Mr. Chen analyzed the trend of RMB exchange rate, reasons behind RMB devaluation, global capital flow, US economic outlook and the dollar cycle. He also put forward suggestions for RMB internationalization. He believes that we should strengthen expectation guidance and management of RMB exchange rate market so as to effectively cope with cyclical fluctuations of RMB exchange rate, reduce the impact of RMB devaluation on real economy. Meanwhile, we should meet the needs of real economy and remain prudent about the pace of reform and development.

In his speech, "China-US exchange rate game and RMB exchange rate in 2017", Mr. Ding Jianping pointed out that China-US competition in the future will be determined by capital and enterprise competitiveness. China should seek a new path: use fiscal policies to conduct structural adjustment; implement accurate financial supervision; stabilize RMB exchange rate through self-regulatory mechanisms in foreign exchange market and refined big data.

Prof. Ding Zhijie mentioned in his speech that China should further cut reserves. He stressed that foreign exchange reserves are a part of the central bank's foreign assets and the impact of their changes depend on the current situation. The status of foreign exchange reserves should be analyzed in the balance sheet and the central bank balance sheet. He



believed that if the central bank fails to cut foreign reserves, it's difficult to stabilize exchange rate and asset prices. In terms of capital flows, we need to strengthen inflow management.

Ben Shenglin, executive director of IMI, dean of the Academy of Internet Finance of Zhejiang University, made a year-end summary report. He summarized IMI achievement in 9 aspects: expert team, research team, the establishment of expert workshop, various kinds of academic activities, increasingly rich research results, dynamic international exchanges, growing media influence, newly launched GINTONG Global Talent Program and IMI's inclusion in the top list of "2016 Big Data Report of Chinese Think Tanks". He also put forward IMI outlook in 2017. IMI will translate and publish of "IMF History Series", establish five research teams, actively build expert workshops, strengthen the management of researchers, optimize topic selection process, increase originality, expand international exchanges and cooperation, form a multi-level academic products series with focuses, and constantly enrich academic activities, figure out new ways to increase media influence, comprehensively promote the GINTONG Global Talent Program, initiate research on think tank rating indicators, actively promote the edit and submission of IMI Report, fully expand sources of funds to strengthen the board of directors.

The annual meeting also witnessed the first admission-awarding ceremony of the GINTONG Global Talent Program. The program aims to provide more practical help and guidance for students who are on campus or just graduate, so that they can better integrate into the economic world. Hu Xin, leader of the first undergraduate class of Program and a student from the School of Finance of Renmin University delivered a speech on behalf of all the students and expressed heartfelt thanks to program leaders and professors.

After the keynote speeches, the guests exchanged ideas and conducted in-depth discussion on RMB internationalization, China-US relations, the future development of China's financial system, internal risk management of financial institutions, governance, regulatory capacity, cross-border capital flows and other issues. Wang Yongli, senior vice president of Letv and former vice president of the Bank of China, talked about currency issues and expressed his view on the nature of currency, RMB internationalization and digital currency. Zhao Haiying, the CRO of China Investment Co., Ltd. analyzed opportunities and challenges facing China's financial reform from three perspectives: the world, US and China-US relations. Ji Zhihong, director-general, Financial Market Department of PBoC, analyzed changes and causes of credit risk premium during the downturn of China's economy in the perspective of monetary

policy, economic regime and income distribution. Li Wenhong, director of the Department of Innovation and Regulation of CBRC, pointed out that financial stability is an important factor that influences the confidence of overseas market in the Chinese market.

Other attendees include: Ji Hongbo, Party Secretary of the School of Finance, Renmin University of China; Zhu Qing, head of the Academic Committee; Feng Bo, former general manager of Dalian Commodity Exchange; Hu Xuehao, deputy director-general of the Ministry of Finance; Liu Qingsong, Former Division Chief of Henan Province CBRC; Qu Qiang, director of the China Financial and Policy Research Center; Shi Bin, vice chairman of Tong Chuang Jiu Ding Investment Holdings Co., Ltd; Sun lujun, director of CNIC Corporation Limited.; Wei benhua, former deputy administrator-in-bureau of SAFE; Zhang Xiaopu, deputy director-general of Macroeconomy Bureau, Central Leading Group on Financial and Economic Affairs, General Office of the CPC Central Committee; Zhao Xijun, associate dean of the School of Finance of Renmin University; Zhou Daoxu, chairman of board, Huarong International Trust Co., Ltd.; Zhou Guangwen, chairman of Ginkgo Capital Management Co., Ltd and Beijing GinTong Network Investment Co., Ltd; Li Zheping, vice chairman of the IMI Council, executive director and editor-in-chief of Modern Bankers Magazine; Tu Yonghong and Song Ke, deputy directors of IMI; Qu Qiang and Qu Shuangshi, assistant directors of IMI; and other IMI researchers.



Launch Meeting of *Start Sailing - Chinese Insurance Industry Taking the International Stage and Inauguration of AIF (Beijing Office)*

On March 23, the Launch of Start Sailing - Chinese Insurance Industry Taking the International Stage and Inauguration of the Academy of Internet Finance (Beijing Office) was held in Culture Square of Renmin University, co-organized by IMI and the Academy of Internet Finance of Zhejiang University. The event was presided over by Dr. Song Ke, deputy director of IMI.

At the start of the meeting, Mr. Li Jun, former president of Bank of Communications, and Prof. Ben Shenglin, founding dean of the Academy of Internet Finance and executive director of IMI, inaugurated the Beijing Office of the Academy of Internet Finance.

On the launch meeting, Prof. Ben interpreted the report in details. The report first analyzes the overall development environment faced by the Chinese insurance industry from four aspects: economic and social environment, policy supervision environment, market development environment and technological environment. He pointed out that in the post-crisis era, the international economic and financial environment has undergone tremendous changes, which has exerted a profound impact on the operation mode and development trend of Chinese insurance companies. As China is increasingly open to the outside world, taking the international stage for the Chinese insurance companies has become an important means to deepen the development of China's insurance market.

In this context, based on a systematic examination of the internationalization of China's insurance market, the report *Start Sailing - Chinese Insurance Industry Taking the International Stage* proposes "Ten Key Events in the Internationalization of China's Insurance Market". Furthermore, report analyzes sixteen Chinese insurance companies in four categories. On this basis it also constructs the Insurance Internationalization Index (III) using quantitative method to measure the degree of internationalization.

Based on the III, the current top five Chinese insurance companies are China Taiping Insurance Holdings Company Limited, Ping An Insurance (Group) Company of China Ltd., insurance business of Fosun Group, Anbang Insurance Group, and China Life Insurance Company Ltd. Chinese insurance companies are characterized by three features, namely

the deepening internationalization, diversified location selection and multiple means of internationalization. However, the gap among the companies is still obvious. The average III of three famous international insurance companies reaches 65.03 while the average III of the top five Chinese insurance companies only scores 20.05.

In addition, the report also analyzes four representative international insurance companies, namely AXA Group (AXA), American International Group (AIG), Prudential Public Limited Company and Nippon Life Insurance Company, regarding the background, means, current situation, difficulties and challenges of internationalization, aiming to provide implications for the development of Chinese insurance companies.

At last, based on the preliminary research, the report discusses the future growth of the Chinese insurance industry and puts forward the coresponding strategy and suggestions for the internationalization of these companies.

Mr. Li Jun, former president of the Bank of Communications, stated that research on the internationalization of Chinese insurance companies can draw lessons from that of the banking industry, using proportion of the overseas income and asset scale to measure the degree of internationalization.

Prof. Wei Li, director of Insurance Department of Renmin University, mentioned that the Chinese insurance companies do not possess internationalization foundation right now, but on the other hand, Chinese insurance companies take responsibility in One Belt and One Road Initiative. The insurance industry needs risk diversification on a global scale, so it is an industry with the gene of internationalization.

Mr. Zhou Daoxu, president of Huarong International Trust Co., Ltd., emphasized that internationalization can be achieved through active and passive ways. At present, Chinese insurance industry is developing rapidly, but falls behind in terms of risk control, scientific research, and talent pool. Thus, the insurance industry should take the internationalization initiative proactively which is in line with the national strategy and the rise of China.

Mr. Zhou Shangzhi, general manager of the Key Account Department of the China Export and Credit Insurance Corporation, shared some views on the internationalization of Chinese insurance industry based on his own working experience. He held that the scale, penetration rate, and coverage of Chinese credit insurance industry have exceeded the world average, and hopefully in the future, Chinese insurance companies will start sailing on the international stage.



Ms. Zhao Haiying, chief risk officer of China Investment Corporation, spoke highly of the III proposed in the report. She highlighted that the quality of talents and management is very important for internationalization. China is a growing market, but growth will eventually return to value; thus, we should not ignore the growth quality.

Mr. Dong Jianguo, Head of Innovation Department of the People's Insurance Company (Group) of China Limited, held that the security function of insurance industry attracts more attention from the government and the people. Since China's access into the WTO, Chinese insurance companies are doing well under the pressure of an open financial market and the competition of foreign insurance institutions. He believed that in the future, Chinese insurance companies will develop more efficiently in the international market and build an

Research

Roundtable on Money and Finance

Editor's Note:

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

Roundtable on Money and Finance • Spring 2017: Inclusive Finance and Credit System

On March 25, Roundtable on Money and Finance•2017 Spring was held in Renmin University of China. The theme of this roundtable is Inclusive Finance and Credit System. Keynote speakers include Wang Zhongmin, vice chairman of the National Council for Social Security Fund; Chen Long, chief strategy officer of Ant Financial Services Group; Wang Jun, professor at CEIBS and former chief financial expert of the World Bank Finance and Marketing Bureau. Other attendees include Wei Benhua, former deputy administrator-in-bureau of SAFE; Hu Xuehao, deputy director-general of the Finance Department of the Ministry of Finance; Chen Weidong, director of the International Finance Institute of the BoC; Guo Jianwei, president of the PBoC Urumqi Branch; Qu Fengjie, director of the Department of China-US Economic Relations, Institute of International Economic Research,



NDRC; Li Zhenhua, deputy director of the Ant Finance Services Group Research Institute; Yang Zilin, general manager of the Fixed Income Department of Huarong International Trust Co., Ltd.; Guan Wei, executive director of the Credit Management Research Center and professor of the School of Finance of RUC; Zhao Xijun, associate dean of the School of Finance of RUC; Yang Dong, associate dean of School of Law of RUC; Song Ke, deputy director of IMI; Wang Zuogang, senior research fellow of IMI; and other experts scholars from the financial regulatory authorities and academia. The conference was presided over by Ben Shenglin, IMI executive director and founding dean of Academy of Internet Finance at Zhejiang University.

In his opening speech, Prof. Zhao Xijun introduced the basic situation of the discipline setting and research strength of the School of Finance, and reviewed past course and original intention of IMI. He welcomed all the participants to share their ideas and insights on the conference.

Mr. Wang Zhongmin talked about the unfavorable social credit environment and the phenomenon of credit chaos. He believes that the fundamental problem lies in the lack of credit capitalization during the transformation from planned economy to market economy. When credit cannot be quantified to each market entity and credit accumulation cannot bring real benefits to people, many people will use negative credit behavior for arbitrage, which result in the current credit system distortion. Credit is a private good, but negative credit is a public good, therefore, we should prevent negative credit behavior and maximize the community's credit value.

Prof. Chen Long delivered a keynote speech on the Development of China's Credit Market. He mentioned that Alipay was created to solve the problem of credit deficiency in transaction. He discussed in detail the relationship between credit and commercial civilization, economic progress and social governance mechanisms through the case of Ant Financial Services. In view of the current four problems, namely low coverage rate of credit market, structural imbalance, a single source of data and lack of credit supply, he put forward six proposals: enhancing the credit system infrastructure, multi-dimensional information collection, balancing efficiency and independence of credit bureaus, balancing credit industry development and privacy protection, credit card management system and evaluation mechanism for credit industry development.

In his keynote speech, Prof. Wang Jun pointed out that inclusive finance does not just provide preferential financing conditions, but is intended to develop a commercially sustainable micro-financial form. If you start x- and y-axis at the point of high-income population's earning and the city center, and set the individual income and his/her distance from the city center as the horizontal and vertical axis respectively, then the boundary of the financial institution's service outward expansion is the commercially sustainable boundary. Within the boundary, any financial institution that makes small loans or rural loans is profitable, and the government does not need to use incentives. He believes that when establishing the credit system, spillover efficiency and cost should be weighed, and credit industry development and privacy protection should be balanced.

In the discussion session, Yang Dong said that the high integration of personality rights and property rights made the multi-dimensional data collection a must; Chen Weidong mentioned that financial sector first should serve social production, which was a firm foothold for developing an “inclusive” and “beneficial” inclusive finance; Guo Tianyong pointed out that poverty alleviation and inclusive finance were different concepts, and commercial banks could expand financial services through establishing inclusive finance department. Leveraging inclusive finance and internet finance could enhance the breadth and depth of commercial banking services to customers; Hu Xuehao said that inclusive finance was commercially sustainable under the government's support and was designed to complement the current financial system; Guo Jianwei started with the Xiaokang Society and explained that fiscal policies could promote inclusive finance, and new technology could help inclusive financial promotion in the backward areas; Guan Wei talked about the practice of inclusive finance in Sichuan Province and the development of credit management disciplines at RUC.



Macro-Finance Salon

Editor's Note:

Macro-Finance Salon is a high-level academic salon initiated 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” 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. 48): Why Is RMB More and More Important?

On January 12, Macro-Finance Salon (No.48) was held in Renmin University of China. Zhou Yinggang, professor of the School of Economics and deputy dean of the Wang Yanan Institute for Studies in Economics of Xiamen University, delivered a keynote speech on “why is RMB more and more important—based on a network analysis approach”. The meeting was presided over by Prof. Tu Yonghong, deputy director of IMI.

Starting from the international background of RMB’s influence, Prof. Zhou pointed out that RMB’s increasing influence could be analyzed from two aspects. First, its weight as a settlement currency is increasing; second, its impact as an investment currency on the global exchange rate market continues to expand. Then he analyzed RMB’s international influence through events like RMB joining the SDR, Brexit, Trump’s election, the Fed increasing

interest rate, etc. Although RMB exchange rate has witnessed fluctuations, its international influence is stronger. Based on a network identifying the spillover effect of exchange rate, he created RMB Influence Index. By using statistics and comparing with currencies in seven major developed countries and eight major Asian countries, he proved that RMB's international influence is stronger. He also analyzed onshore RMB's Influence Index and exchange rate, imports and exports, and foreign investment, and concluded that those data could explain why RMB's international influence is increasing although its exchange rate is dropping.

During the discussion, Prof. Tu Yonghong, Prof. He Qing, Prof. Di Dongsheng, Prof. Qian Zongxin, and Prof. Wang Fang raised questions about RMB's Influence Model. For example, is it reasonable to use a USD index? And how to show the relevance between other currencies and USD? Prof. Zhou answered the questions one by one. Besides, they also had discussions about the data usage and calculation method of the model.

Macro-Finance Salon (No. 49): Outlook in 2017 on the Allocation of Bank's Assets and Liabilities

On January 13, Macro-Finance Salon (No.49) was held at IMI. The salon invited Mr. Wang Jian, research fellow of IMI, senior analyst of banking from Guotai Junan Securities, to deliver keynote speeches on the outlook in 2017 on the allocation of bank's assets and liabilities. The salon was chaired by Qu Qiang, assistant director of IMI.

In his speech, Wang Jian first proposed that the allocation of bank's assets and liabilities is very important for macroeconomic managers, securities investors, financial institutions and the real economy. Then, he started from the analysis of M2 estimated through different channels and used the total amount of M2 to deduce backwards the situation of monetary base, so that we could know the liabilities and assets deposit in the central bank and the situation of the bank assets through the derivation of M2, so that we could roughly get the broad credit data within the balance sheet. Finally, he combined with the current infrastructure, the progress of PPP projects and the development of real estate to predict corporate growth and residential



demand. Combining with the MPA assessment requirement, he analyzed the space of off-balance sheet financing, and made a reasonable outlook in 2017 on the allocation of bank's assets and liabilities.

Then guests were asked to give their opinions. Mr. Jin Yu, analyst of the City Research Institute of ICBC, proposed that in recent years, in the context where the requirement of financial regulatory capital adequacy ratio is higher year by year and the economic is facing its downturn, the bank's asset risk began to expose. Many banks face the critical point of zero growth. One of the most prominent problems in the allocation strategy of bank assets and liabilities might be how to reflect the balance between these three elements: performance, risk and regulation. Mr. Jin thinks that reduced regulatory arbitrage can be used as a driving force for bank credit. Besides, bond investments and off-balance sheet financing will maintain a high growth.

Macro-Finance Salon (No. 50): Warning of Anti-globalization

On February 25, IMI held the Macro-Finance Salon (No. 50) at RUC. Mr. Yu Pingkang, IMI senior research fellow and chief economist of Changjiang Pension Insurance Co., Ltd., delivered a keynote speech on warning of anti-globalization. Chen Binkai, associate dean of school of economics, Central University of Finance and Economics, participated in the meeting. Gang Jianhua, associate professor of RUC, chaired the meeting.

From the characteristics of globalization, Mr. Yu pointed out that polarization between the rich and the poor was the primary cause for globalization being increasingly opposed, and with a large number of data and charts, he discussed in detail about inequality in the U.S., Europe and China. He also pointed out that inequality in the U.S. was mainly manifested in the unbalanced share of the benefits brought by globalization among different social classes. He mentioned that this problem was caused by the decline of the income of the middle and lower working class in the U.S., the poor class mobility and the decrease of social welfare. Then, He turned his attention to Europe, analyzed the incongruity among unemployment rate, financial profit and loss, salvage mechanism and other aspects in European countries. Moreover, that the population couldn't flow has made the prospect of European integration remains in doubt. He argued that the problem of globalization in Europe lied in the fact that countries and regions hadn't shared balanced benefit, leading to an increasingly serious thought of division and even

stimulating populism and anti-globalization thought. Finally, Yu analyzed the inequality in China from the perspectives of income distribution, medical care, education and social security, and compared it with that of the developed countries in Europe and America. Yu thought that China's inequality was mainly reflected in the classes, regions, and urban and rural. He believed that China should make the most of its system advantages, pay attention to the balanced development of all classes, especially the living condition of the lower class, so as to realize common prosperity.

In the discussion, Prof. Chen Binkai affirmed Yu Pingkang's view and further shared the inequality in developing countries. He clearly pointed out the close relationship between fairness of income distribution and rapid economic growth, social stability and institutional reform in developing countries, and explained the negative impact of income disparity on urban and rural areas, regions and industries.

Mr. Yu also shared his expectation of the macro economy and the capital market in 2017 and explained the core logic behind the view, emphasizing the importance of deepening reform for the future trend of China's economy. Finally, Yu communicated with the guests present and the listeners of IMI Live on issues such as medium-income traps and equal opportunities.

Macro-Finance Salon (No. 51): Option Trading and Transaction Strategies

On March 14, Macro-Finance Salon (No. 51) was held in Renmin University of China. George Jabbour, the guest speaker, is the professor of Finance in the School of Business at George Washington University. He is also a visiting professor at Franklin College (Switzerland), Dongseo University (South Korea), and Sorbonne University (France). The salon was presided over by Prof. Qian Zongxin, the associate professor of the School of Finance at Renmin University. Prof. Zhao Xijun, Associate Dean of the School of Finance, gave his comments on the speech.

Prof. Jabbour delivered a keynote speech on option trading and transaction strategies (risk control): experience from the U.S. and South Korea. Firstly, Prof. Jabbour introduced the concept of forward contracts, futures, options and swap transaction, and gave a review of the origin and history of financial derivatives. He said, financial derivatives were invented to prevent risks. However, due to the problem of overusing credit instruments and lacking risk management mechanism, they could impose great danger to the economy if not handled



properly. Therefore, regulations and laws concerning transparency are very necessary. Speaking of the financial crisis in 2008, Prof. Jabbour pointed out that information opacity and the risks generated by investors seeking for excessive benefits were two main causes of the crisis. He warned that, if these signals continue, for example, reforms see little effect, banks still operate in the dark, and financial derivatives transactions are overheated...another financial crisis might be around the corner. Additionally, taking the example of South Korea, Prof. Jabbour suggested that regulation, risk control, transparency and compliance were the four significant dimensions of derivatives market, and thus decision-makers should deal with challenges in these aspects. Lastly, Prof. Jabbour employed mathematical models in option trading and transaction strategies to explain that only when financial derivatives were handled properly, can we avoid risks and guarantee profits. He also highlighted the significance of rationality and education in financial market and financial activities.

After the speech, Prof. Jabbour answered questions from the audience about transparency, government role, regulation on option market and e-commerce, etc.

Macro-Finance Salon (No. 52): Deleveraging Experience in Developed Countries

On March 17, Macro-Finance Salon (No. 52), was held in Room 605, Cultural Square of Renmin University. Particularly, this salon invited Luo Yu, researcher fellow of IMI, assistant professor of school of finance at RUC to be the guest speaker. He delivered a keynote speech on "Research on Deleveraging Experience in Major Developed Countries". This salon was presided over by Qu Qiang, the assistant director of IMI.

Luo Yu introduced the meaning of leverage, commonly-used indicators and calculation methods. Then he analyzed the role of monitoring leverage rate in reducing the macroeconomic and financial risks. He argued that a pretty high leverage would hinder the economy and deleveraging in a reasonable and orderly way was the key for the economy to be powered up again. However there might be advantages and disadvantages in deleveraging, which was the government's choice for optimization. And then Luo Yu took the U.S., Europe and Japan as examples to analyze the measures and effectiveness of various departments of major developed countries through the debt balance/GDP and other indicators. He pointed out that deleveraging

in the U.S. could be divided into four stages. The process was essentially a shift of debt from the private sector to the public sector as well as a shift of high leverage risk from private sector to federal government. Thanks to the in-time and profound government intervention, U.S. had taken the advantage of a more complete market mechanism as well as the international status of U.S. Dollar and thus promoted the real economy, so that the deleveraging result in US was satisfying in general. In contrast, the private sectors and government departments in the euro zone countries had not been able to effectively deleverage due to factors such as the high-welfare and low-growth economic model, institutional deficiencies in fiscal and monetary policy, and lacking of exit mechanism. The debt crisis triggered by the financial crisis was still an important obstacle for recovery in Europe. In this regard, Luo Yu took the examples of Spain, Britain, Ireland, Italy and other countries for analysis. In his view, he thought that Japan was an opposite example of deleveraging in comparison. "Abe's economics" had a limited effect on deleveraging.

Next, Luo Yu introduced and evaluated the calculating method of economic leveraging in China's various sectors. He pointed out that the problem in China's leverage was somewhat different. In China, non-financial enterprises, especially those industries with high energy consumption, high pollution and overcapacity, had a higher leverage rate. Finally, Luo Yu shared the international experience in deleveraging from these aspects such as the determination of a reasonable leverage level, the relationship between cutting overcapacity and deleveraging in corporate sectors, the endurance capacity of financial sectors in deleveraging, the bottom line of financial rescue in the process of deleveraging, the space of adding leveraging in the residents sector.

Zhang Yu, a macroeconomics researcher at Minsheng Securities Research Institute, made comments centering several clear trends of the current macro level. She pointed out that the trend was very obvious in the new round of U.S. government adding leverage, the short-term boost of American economy, the deleveraging of Chinese financial sectors and the space of adding leverage for residents sector, but the amplitude of fluctuation was still uncertain. The condition of domestic and foreign deleveraging was very different in derivatives, financial supervision, non-performing assets, bankruptcy, etc, so China needed to create a better deleveraging environment. Zhang Yu also raised some problems worth thinking about, such as the ceiling of U.S. public debt, the balance between cutting capacity and unemployment



tolerance and the standard of evaluating zombie enterprises.

In the Q&A session, the audience raised some questions, such as the profit source of the financing circulation chain and the interbank certificate circulation chain, the relationship between the liabilities and the leverage ratio of the financial institutions, the applicability of

Tao Xiang International Finance Lectures

Editor's Note:

Professor Tao Xiang is one of the famous educators of international finance in China, and he is also the founder of international finance subject in Renmin University of China, who is at the meantime highly admired by a number of students. At the 10th anniversary of the professor's pass-away, proposed by graduates who had majored in international finance in RUC, the School of Finance and International Monetary Institute of RUC initiate the Tao Xiang International Finance Lectures, invite experts and scholars in international finance to give lectures and share their experience with the students, in order to cultivate outstanding talents for China to develop into the global finance center.

Tao Xiang International Finance Lectures (No. 8): Mechanism of and Lessons from the 2008 U.S. Financial Crisis

On March 19, the Tao Xiang International Finance Lectures (No. 8) was held at RUC. Mr. Fan Xiwen, the Chief Risk Officer (CRO) of China-LAC Cooperation Fund, made a keynote speech on "Mechanism of and Lessons from the 2008 U.S. Financial Crisis". The lecture was chaired by Wang Fang, senior research fellow of IMI and associate professor from the School of Finance of RUC.

Mr. Fan started with the after maths of the financial crisis. Through a series of graphs and data, he showed the dramatic slump of GDP, rapid rise of unemployment rate, sharp fall of stock market and closing-down of banks during the crisis. He also gave indicators such as VIX index, risk premium that reflected violent fluctuation and exhausted fluidity of the U.S. financial market at that time. Mr. Fan pointed out that until today, America is still shadowed



by the 2008 crisis.

Mr. Fan then talked about the following causes of generating the 2008 financial crisis. First, at the early stage of the crisis, the Fed had a slow response, and failed to accurately predict the severity of the crisis. Second, as for regulation, the Basel II Accord then encouraged the banks to bear more risks and develop faster, raising the possibility of systematic risks. Third, the Fed issued ultra-low interest rate for the first time during post-war period, leading to the climbing of leverage ratio. The overuse of leverage destroyed the root of the whole economy.

In the end, Mr. Fan Xiwen elaborated on the development of the crisis from two perspectives: housing prices and financial innovation. With regard to the housing prices, too many speculative capitals entered the real estate market before the crisis, leading to the rising of housing prices and banks' over-lending. The banks released many housing loans of new types, but they did not strictly verify the liabilities of the borrowers. Therefore, after the crisis, considerable loans were not taken back. On the other hand, various products of financial innovation frequently emerged. However, inaccurate risk predictions to these products resulted in numerous losses after the crisis. Mr. Fan concluded that China should strengthen the supervision and regulation of financial derivatives, so as to fend off financial crisis to a certain degree.

Tao Xiang International Finance Lectures (No. 9): CDS and Credit Risk Management

On March 26, Tao Xiang International Finance Lectures (No. 9) was held at Renmin University of China. Dr. Fan Xiwen, Chief Risk Officer of China-Latin America Cooperative Fund, delivered a speech on "Credit Risk Management: Innovation and Application of CDS". The lecture is chaired by Prof. Tu Yonghong, deputy director of IMI.

Dr. Fan elaborated and analyzed the special financial derivatives of CDS from the perspective of the emergence, development, evolution, characteristics and problems of CDS. He stressed that the difference between CDS and credit guarantee is that the reason for

creating this derivative is to avoid the risk of bonds rather than a specific debt. At the same time, the pricing and circulation of this derivative depend on the existence of the secondary market.

He pointed out that as a tool to manage, circumvent and hedge credit risk, CDS revolutionized the separation of cash flow and risk, and had a unique role in improving capital operation efficiency, releasing capital and developing trading strategies. At the same time, CDS as a credit derivative can continue to produce and derive infinitely outside investors, leading to the spread of risks. Coupled with its market system and internal interests of the situation, CDS has become the initial cause for 2008 financial crisis.

Regarding the development process and application prospect of CDS in China, Dr. Fan suggested that China should establish a relevant regulatory system for CDS, recognize its usefulness, focus on solving the secondary market pricing and recycling system, make clear judgments and develop solutions to better play the role of CDS in financial markets.



IMI-Hande Fintech Salon

IMI-Hande Fintech Salon (No. 2): Asset Digitalization

On March 1, the IMI-Hande Fintech Salon (No. 2) was held in Culture Square, Renmin University of China. The salon was co-organized by IMI and Shenzhen Qianhaihande Internet Finance Institute. Mr. Wu Yuanwen, CEO of the JingTum Tech, Deputy Secretary-General and Director of the Exchange Committee of Zhongguancun Big Data Industry Alliance, was invited to deliver a keynote speech on digitalization of asset. The salon was chaired by Su Zhi, professor of the School of Statistics and Mathematics and the associate dean, Internet Economy Institute of the Central University of Finance and Economics.

Mr. Wu started with the technical reason why the development of asset securitization in China is slow. He came to the theme of asset digitalization by introducing the background of Bitcoin. He believes that the digitalization of assets is based on cryptography through distributed consensus system to form electronic assets, and promote a safe and convenient circulation of electronic assets. Digital assets, cross-border e-commerce development, and the internationalization of the RMB need block chain technology. Later, Mr. Wu explained several approaches of assets digitalization. As to the technical level, he explained the three generations of block chain technologies' relationship and their own defects. He believes that the core block chain technology is that it has solved the problem of openness, security and uniqueness. Then, he analyzed the advantages and disadvantages of several technical achievements involved in the bottom technologies, including Bitcoin, Ethereum, Ripple, and Hyperledger. Finally, he also introduced China's exploration of assets digitalization and their future application.

In the Q & A session, Prof. Su talked about the relationship between digital assets and assets digitalization, the existence of money under the assets digitalization and the pricing of commodities. He believed that the block chain technology will change our lifestyle from a very low point of view. It is helpful to reduce the screening cost in the transaction. Even in the future when block-chain technology is widely applied, the world's future is combined by centralization and decentralization, rather than complete decentralization. In the trend of

assets digitalization, the shape of money will change, and the pricing of commodity will be different. Mr. Wu claimed that commodity pricing can be completed by the background intelligence of block chain technology.

IMI-Hande Fintech Salon (No. 3): Block Chain–Dialectical Unity of Autonomy and Sharing

On March 2, the IMI-Hande Fintech Salon (No. 3) was held in Renmin University of China. Ms. Ji Feifei, manager and co-founder of Tai Cloud Corp., delivered a speech on the dialectical unity of autonomy and sharing in block chain technology. The salon was chaired by Prof. Su Zhi.

Ms. Ji first introduced some basic concepts of block chain technology. It is a new application model featuring distributed storage and encryption algorithms. Decentralized distribution, tamper resistance, irreversibility and transparency are all its characteristics. Comparing to traditional internet transmission technology, block chain technology can realize the transfer of value on the basis of information transmission, and the procedure is transparent and safe. She believes that the core of this technology is the new-type trust mechanism. It can help solve the information asymmetry in market economy. With this technology, we can establish a new social co-construction mechanism.

Then, Ms. Ji theoretically explained the drivers for the development of block chain technology. Now sharing economy is in its heyday. The block chain technology can meet the needs of sharing economy because its open and transparent characteristics can help establish a trust mechanism, improve the efficiency of interaction between systems and sub-systems, and reduce cost. Block chain technology can realize harmonious sharing and build an efficient exchange relationship.

Finally, Ms. Ji described several scenes where the technology can be applied. It can help establish trust to solve the credit problem. As she says, “When people do not trust each other, we use machine to build trust.” Second, the technology can reduce transaction risk, thereby reducing transaction cost and advancing RMB internationalization. Moreover, it also provides a new-type financial supervision to make transactions open and transparent.



IMI-Hande Fintech Salon (No. 4): Fintech is Leading the Revolution of Payment System

On March 3, IMI-Hande Fintech Salon (No. 4) was successfully held in Cultural Square of Renmin University of China. Yang Tao, doctor of economics and assistant director of the Institute of Finance at CASS, gave a speech entitled “Fintech is Leading the Revolution of Payment System”. The salon was hosted by Prof. Su Zhi.

The topics covered fintech and new financial revolution, the impact of new technologies on the payment and clearing system, digital currency, and so on. Yang Tao pointed out that payment is not just a public financial infrastructure. It has gradually become part of the business model and a new means of marketing in recent years. Although more new players have entered the payment market using their own comparative advantage, original players have not been repulsed. Rather, they have returned to the market through technical cooperation and business cooperation and so on. The market competition is far from over.

Yang Tao believed that the motivations of applying block chain in the payment system are the fact that it reduces complexity, improves efficiency of end-to-end transaction and availability of asset and fund, reduces transaction costs of multiple transaction holders, improves transparency and invariance of transaction records, increases network flexibility through distributed data management, reduces operational and financial risks and so on.

In terms of the digital currency, Yang Tao argued that the concept of digital money is vague, and it is not uncommon. Due to the rapid development and lack of theoretical support, countries are facing similar problems when implementing policies. The concepts of digital money, electronic payment, financial technology and other dazzling concept were often tangled up together, whether it is in developed economies such as Europe and the US, or developing countries. These concepts are so vague that even regulators could not sort them out. At the same time, in recent years, countries have begun to pay more attention to new technologies to improve the efficiency and security of the national payment system, thus boosting economic and social development. In this context, digital money and related technologies are also often categorized as payment innovation, attracting a higher attention from policy makers. He pointed out that monetary system and currency issuance in the future

may be a compromise between centralization and decentralization. The central bank are likely to conduct “quasi-legal digital currency” experiments for the purpose of value determination, exchange and clearing in closed or semi-public scenes, in the asset market rather than the money market, in the form of local area network, alliance chain or private chain.

IMI-Hande Fintech Salon (No. 5): Intelligent Finance and Value Network

On March 6, IMI-Hande Fintech Salon (No. 5) was successfully held at the Cultural Building of Renmin University of China. The salon invited Mr. Yi Huanhuan as guest speaker. Mr. Yi is the board director of the Estock, board member of the KeyBridge, and the secretary general of the IFC1000. Mr. Yi delivered a keynote speech on Intelligent Finance and Value Network. The salon was presided over by Prof. Su Zhi.

The lecture centered on artificial intelligence and value networks. Artificial intelligence refers to the correct direction that has been found after the failure of the "simulated human brain" and "expert system". It is now undergoing a third leap characterized by the concept of "machine learning". And the value network has changed the internet from a platform of information-exchange into a value-exchange net, that is, "block chain."

When it came to artificial intelligence, through the two booms of the internet and fault analysis, Mr. Yi revealed the development of internet from the internet to mobile and finally to the artificial intelligence. Unlike the financial technology 1.0, which is characterized by a large number of structured data, the financial technology 2.0 has artificial intelligence, block chain, virtual reality as its cores. The financial technology 2.0, through data intelligence analysis, deep use of block chain, and re-establishment of the credit system, helps the virtual reality to extend the dimensions of the network. He said that the era of financial technology 2.0 has already come, and the future development prospects of the Internet will focus on AR, VR, automatic driving and other artificial intelligence.

As for the value network, Yi believed that all the information created by the user network will become part of its assets and value. For example, when information and credit (i.e. leverage) are connected, they affect the expansion of currencies. The new supply and demand



of intelligent finance and the expansion and iteration of the value network will drive the change of business model and will also change the way of human life.

Finally, he used Estock as an example to introduce the practical use of artificial intelligence and value of the network. He pointed out that artificial intelligence is still being explored for its actual utilization in the financial market because of the frequent price fluctuations and the great difficulty for machine's to "predict the future". His Estockapp team is trying its best in making it possible for "machine investment advisers" to come into being through machine learning techniques, natural language processing and knowledge spectrum building.

IMI-Hande Fintech Salon (No. 6): Block Chain and Hyperledger

On March 8, IMI-Hande Fintech Salon (No. 6) was held in Renmin University. This salon invited two guests, Zou Jun, CTO of Hainayun and doctor of service contract research, and Zhang Haining, chief construction executive of Chinese Research Center in VMware and Master of Computer Science from Simon Fraser University. Both delivered keynote speeches on the status quo and development of block chain technology and hyperledger. The salon was hosted by Prof. Su Zhi.

In his speech, Mr. Zou introduced the context, some key concepts, process, application and future of block chain in a systematic way. In his opinion, the block chain was developed under the context of three issues: internet credit, privacy and "double spend". As for the concepts, he explained types of block chain distribution, the approach and technological core of block chain trust, namely consensus algorithm. Zou Jun believed that the development of block chain technology can be divided into three stages: the first stage is taking programmable virtual currency as the main content; the second stage emphasizes the smart contract and programmable finance, through the center of the transaction books to complete the assets of digital; the third stage is using block-chain technology to create programmable organization and society beyond the currency and economic. At the same time, he pointed out that the history of the development of the block chain is the one of the consensus algorithm. In the application of the scene, he stated that the block chain technology does not apply to all

scenarios, but can be used in the financial sector, mainly for multi-party participation in transactions, non-tampering with equity registration and anti-double virtual currency and other scenes. He also gave more details by talking about specific examples such as P2P insurance, household electricity, carbon trading and land ownership. When talking about the development of the future, he held that the chain in the final analysis is indeed about the calculation, communication and storage. As the internet is entering the second half of establishing the integrity system, the chain in the future will be deeply integrated with the Internet infrastructure, law, regulation, networking and artificial intelligence, further achieving the transition from the Internet information dissemination to the block chain value.

Mr. Zhang first analyzed the core technical requirements of the commercial block chain, gave five business-friendly analysis from five dimensions—the data transparency, anonymous users, decentralization, collective maintenance, non-tampering, and explained the shortcomings of the bitcoin, the ethereum and the public chain and reasons of why they cannot meet commercial needs. He believed that the current block chain projects are hyperledger, bitcoin and ethereum. The three significantly differs in the project positioning, regulatory body and whether mining and so on. Different from decentralized bitcoins and ethereum, hyperledger should be decentralized for some parts. Zhang Haining briefly introduced the following five incubation sub-projects under the hyperledger project, of which Fabric is currently project with the most investments. He believed that Fabric is the basis of the application. Although there are some problems, but it is being improved. In the application of hyperledger, he held that only when the scene features with shared data, multiple writers, members of mutual trust, disintermediation and transaction-related characteristics, the block chain technology can be applicable. He illustrated this with examples of bank credit scenarios and the combination of supply chains and block chains.

IMI-Hande Fintech Salon (No. 7): The Design of Digital Currencies and the PBOC's Strategy

On March 8, IMI-Hande Fintech Salon (No. 7) was held in Renmin University of China.



Duan Xinxing, vice president of OKCoin gave the keynote speech entitled “The Design of Digital Currencies and the PBOC’s Strategy”. The meeting was presided over by Prof. Su Zhi.

Mr. Duan introduced the origin of bitcoin and the block chain, and he summarized several features of bitcoin. First, it is a new transaction medium which is not based on bank accounts or third parties. For example, both Wallet and Zcrash—two ways of bitcoin transactions are based on wallets and keys, instead of third parties. Second, bitcoin involves multiple block chain nodes, which are used for saving information. Even if one of them is under attack, others will fill in. Third, the clearing and settlement process is finished in one node, which is very convenient. By contrast, traditional process requires many procedures and steps, making it more complicated.

Mr. Duan believed that bitcoin and the block chain share the same structure. However, this does not mean that the block chain can be applied to all bitcoin transactions. This technology can be mainly used for large-sum transactions, complicated transactions, and the integration between different databases.

Then Mr. Duan pointed out that Yao Qian from Technology Department of PBoC and Wang Yonghong from Clearing Center of PBOC mentioned the concept of “one currency, two databases, and three centers.” “One currency” represents a digital RMB issued by the PBOC. It is calculated and issued on a unified basis, which is different from non-sovereign digital currencies. “Two databases” means data for digital RMB is saved both in local and the PBOC’s databases. This differs from traditional digital currencies which are held by individuals. “Three centers” means a digital RMB involves multiple centers, so that people may not lose their money when they lose their passwords. This measure is also aimed at anti-money laundering and anti-terrorism financing.

In the end, Mr. Duan shared his views on China’s digital currencies. He believed the PBOC cannot issue digital RMB recently for three reasons. The first is network coverage. People in some areas like Tibet still have no access to network. The second concerns encryption and security. Once the transaction system in the upper level goes wrong, it may damage the whole country’s reputation severely. Third, we must establish a new system for digital currencies, and this takes time. So for digital currencies, we need to be both positive and prudent.

IMI-Hande Fintech Salon (No. 8): Block Chain Changes Banking Industry

On March 15, the IMI-Hande Fintech Salon (No. 8) was held in Room 801, Mingde Building of Renmin University. Mr. Liu Sheng, chief architect of the Union Mobile Financial Technology Co., Ltd., was invited to deliver a keynote speech on Block Chain Changes Banking Industry. The salon was hosted by Prof. Su Zhi.

Mr. Liu started with introducing the current situation of block chain, which is used in the financial sector, especially the banking industry. He pointed out that the core of the block chain is distributed database, trusted machines and world computers. Then he dispelled the 3 rumors of block chain from three aspects: disruptive, decentralized and delay. He thought that it would be better to "change" than to "subvert" the banking industry. The core of the block chain is "distributed" rather than "decentralized". In the liquidation process, the block chain payment is relatively slower than the internet payment. Besides, the block chain can be used in "liquidation" but not in "settlement" processes which are led by the central bank. Mr. Liu said that, although the public chain is more mature, it is hard to be accepted by the mainstream financial institutions as a solution. Currently, the private chain and the alliance chain are immature and are very different from the public chain in terms of technical structure. The bottom block chain is transitioning from the "Spring and Autumn Ages" into the "Warring States Period". The industry hegemony has not appeared yet.

Subsequently, Mr. Liu explained in detail the impact of the block chain on the banking industry. He pointed out that, financial history is a history of science and technology. Although the bank's services and service methods are continuously improving, the bottom technology is still the old double-entry bookkeeping. Meanwhile, the block chain can provide us with a new key bottom technology - public books. He thought, as the technology develops, banks will tend to be invisible. Block chain technology can reduce the bank's costs in aspects like human labor, hardware and intermediary services. Besides, it can also help to reduce the risks, enabling the bank to understand customers better and promote information sharing. The block chain can also change the banking industry in aspects like the central bank's digital currency, payment and clearing, supervision and compliance, KYC and credit, etc.



He pointed that the essence of transaction is actually a probability game, it can't be easy to get long-term profits in transaction market. So we need to study hard, and collect experience from transactions.

Secondly, Mr. He briefly introduced the basic condition of RMB market, and highlighted the differences and connections between onshore RMB market and offshore RMB market. By combining his own working experience in the offshore RMB market in Hong Kong, he introduced some major products in the RMB market, such as forward exchange, currency option and dim sum bond.

At last, he talked about the 8.11 exchange rate reform. He thought this reform improved the transparency of the price mechanism of RMB central parity rate, integrated the offshore RMB market and onshore RMB market, and narrowed the spread between the two markets. He then analyzed the recent depreciation of RMB, and said that RMB is still the most stable currency of emerging countries. There is no need to be over panic. As to the future of RMB, he mentioned that in order to stabilize the exchange rate, reserves and internalization, we need to choose new policies. Stable reserve, internalization and floating exchange rates are the most probable choices.

IMI-Hande Fintech Salon (No. 9): Block Chain vs. Artificial Intelligence— Who Will Lead the Future Financial Technology

On March 16, IMI-Hande Fintech Salon (No.9) was held at Renmin University. The salon invited Mr. Cai Kailong, the founder of the Touchstone Asset Management Company and the co-founder of the IFC1000, to deliver a keynote speech on "block chain vs. artificial intelligence, who will lead the future financial technology". The salon was chaired by Prof. Su Zhi.

First, Mr. Cai shared his views on financial technology. He thought that financial

technology is divided into four stages: the interdiscipline like calculating finance, the sector strategy within a company such as establishing the technology department of capital market, the regional business model of Internet Finance, and the Fintech industry with the core of technology and data.

Then, Mr. Cai introduced the background of block chain and artificial intelligence, and made a comparison between them. He pointed out that, whether in terms of the scope of influence or application scenarios, artificial intelligence is far more developed than block chain and will become the main force guiding future changes. Artificial intelligence not only provides a large amount of data for the financial sector, but also helps achieve the high efficiency of financial applications. Therefore, financial sector has become the main sector of applying artificial intelligence. Intelligent investment consultant can learn how to optimize investment strategies through artificial intelligence, thus becoming the most popular application of financial technology.

Finally, he discussed three types of financial regulatory system and the regulatory trends in the future. He thought that financial regulation was an art of balancing. How to ensure the stable development of financial system while keep innovating is a tough issue for all regulators in the world.



Seminars on RMB Internationalization

Editor's Note:

In order to faithfully record the progress of RMB internationalization and objectively reflect the challenges in the long run, IMI has released the RMB Internationalization Report since 2012. The Reports draw broad attention from all sectors of society due to the independence, objectivity and referential value for decision making. Currently, the Reports have been released in both China and abroad in English, Japanese, Korean, Russian, Arabic, Simplified and Traditional Chinese characters. RMB Internationalization Report 2017 is under the theme Strengthen Renminbi Financial Transactions. On January 11, the research team visited CNIC Corporation on study tour. On March 25, the external review meeting of the Report was held.

Research Team of RMB Internationalization Report Visit CNIC Corporation

On January 11, the research team of RMB Internationalization Report including Prof. Tu Yonghong, deputy director of IMI, Prof. Dai Wensheng, Prof. Di Dongsheng, etc. visited CNIC Corporation Limited. Sun Lujun, director of CNIC, Wang Jiansheng, general manager of Asset Management Department, and Duan Dapeng, general manager of Risk Control Department received them and discussed related issues in depth with the RMB internationalization team.

Wang Jiansheng briefed the basic situation, investment direction, corporate governance, human resources, investment methods and strategy, value-added services, investment decision-making process, history and status quo of the development. Duan Dapeng introduced the specific mechanism and method of CNIC's risk management to the research team from three angles: the macrostructure, the investment control and implementation of specialized

projects.

Subsequently, the members of the research group and three representatives of CNIC discussed the return of company's investment, the management of foreign exchange exposure, the principle of asset allocation, and the expanding use of RMB in international investment and merger in depth.

The External Review Meeting of *RMB Internationalization Report 2017*

On March 25, the External Review Meeting of RMB Internationalization Report 2017 was successfully held at Renmin University of China. Participants include Chen Yulu, deputy governor of PBoC, Wei Benhua, former deputy administrator-in-bureau of SAFE, Zhang Xiaopu, deputy director-general, Macroeconomic Administration, Office of the Central Leading Group for Financial and Economic Affairs, Guo Jianwei, governor of Urumchi Central Branch of PBoC, Guo Song, director-general of Capital Account Management Department of SAFE, Sun Lujun, director of Guoxin International Investment Corporation Limited, Lv Wei, director of Cross-Border RMB Business Division at PBoC, Qu Fengjie, director of China-US Economic Relations at NDRC, Wang Min, deputy chairman of Securities Association of China, Chen Weidong, director of International Finance Institute at Bank of China, Huang Jinlao, vice executive president of Suning Financial Group, E Zhihuan, chief economist of Bank of China (Hong Kong), Zhao Xijun, associate dean, School of Finance, Renmin University of China, Huang Zhilong, Director of China Macroeconomic Research Center, Suning Institute of Finance, Ben Shenglin, executive director of IMI, Tu Yonghong, deputy director of IMI, and the members of the research team.

Prof. Tu Yonghong chaired the meeting and introduced the distinguished guests of honor. Wang Fang, associate director of the Department of Monetary Finance at Renmin University and senior research fellow of IMI, delivered a speech on behalf of the research team on the report with the theme of "Strengthening Renminbi's Function in Financial Transactions". She first reviewed the topics and major conclusions of the report from 2012 to 2016 and illustrated the background, ideas, train of thought, framework, conclusions, and suggestions of this year's report. At last, she pointed out the focus of this report and the difficulties during



the writing process and welcomed critical comments from the external experts.

Experts and scholars expressed their opinions on the structure, logical framework, thematic conclusions, wording, and data analysis of the report. Mr. Wei Benhua thought that this year's report selected a good topic, expressed in an objective manner, organized in the right direction, and made the focal points stand out, but some words need to be revised. He also offered some suggestions to expand the content of the report. Mr. Chen Weidong pointed out that the report had a complete framework and detailed research, but the RMB internationalization is a long-term national strategy. Thus, the report should avoid giving any illusion that "the RMB internationalization was pursuing high speed and large scale in the short run". Short-term analyses and suggestions should also be revised. Mr. Guo Song recognized the importance of "the inclusion of the Renminbi to the SDR" in the report, pointed out that the part of direct investment needed to be improved, and the Renminbi night trading could be included. Mr. Guo Jianwei believed that the analysis of the bond market was the highlight of the report and proposed that the reasons for the declining trade finance should be more carefully analyzed and the important role of credit in RMB internationalization should be emphasized. Mr. Lv Wei thought that the report took into consideration both theory and practice with comprehensive contents and demonstrated that reliable support should be provided for data selection and upgrade. Besides, he also offered suggestions on the Belt and Road Initiative and the RMB internationalization as well as the balance between policy implications and market as the driving force. Mr. Wang Min proposed that the report should include more contents about the capital market and risk prevention in financial transactions. He also provided suggestions and support to disseminate the report. Mr. Huang Jinlao thought that the report could include more contents and shared his observations on restrictions on foreign direct investment and key concept discrimination. Mr. Sun Lujun proposed his views on the relationship between financial transactions and the financial market and pointed out that the data update and wording in the report should be improved. Ms. Qu Fengjie thought that this report had a sound logical framework, topic, and organization and advised the report to further explore the real economy. Mr. Zhang Xiaopu indicated that the report was logical, systematic, and well-organized and the research on the RMB internationalization was deepening year by year. He suggested that the report should provide more analyses on the environment for the

RMB internationalization, the experience of other currencies' internationalization and the promotion policy of the offshore market. Prof. Zhao Xijun put forward suggestions on the reason analysis of index changes. He thought that a detailed reason analysis would provide more accurate reference for future policy making. Ms. E Zhihuan believed that the report faithfully recorded the course of history, which was of historic significance and reflected the gradual deepening of research on the RMB internationalization. She also noted that the report needed to improve the RII computation method and evaluation system and to focus on the improvement of the index's academic influence. Mr. Huang Zhilong shared his views on the relationship between the RMB exchange rate fluctuations and cross-border trade settlement.

At the end of the meeting, Governor Chen Yulu delivered a closing speech. He put forward suggestions to improve the report and pointed out misconceptions from the perspective of epistemology. He also indicated that RMB internationalization should be summarized and analyzed on the long run with a focus on the interaction among currency, finance, and the real economy. The RMB internationalization is based on the existing international economic and financial order under the framework of the United Nations. It aims to improve and complement the existing order rather than overthrow it. Thus, this report should try to avoid misinterpretations in expression. The inclusion of the RMB to the SDR is an institutional recognition of the legitimacy of its internationalization status, which is more important and basic than the short-term volatility of the declining exchange rate and the decreasing share of RMB in the foreign exchange market. The report should resolve the problems in this area and provide clearer argument when making conclusions.

Prof. Tu expressed her sincere gratitude on behalf of the research team to the experts and scholars for their suggestions and promised to make careful revisions to improve the report.



Exchange

The First China Venture Capital Forum

On January 8, the First China Venture Capital Forum was held in Yifu Hall of Renmin University of China (RUC), co-sponsored by Beijing Venture and Innovation Association and Science and Technology Communication Center of China Association for Science and Technology. The theme of the forum is “the prospect and development of venture capital in the new situation”. This forum is strongly supported by RUC’s Alumni Association, Department of Employment and Career, School of Business and School of Finance. Also, IMI and the Research Center for Venture Capital Development have provided much academic support for the forum. Experts and scholars of different fields, heads from the research institutes of venture capital and private equity funds, insurance companies, investment banks, venture capital companies and a number of mainstream financial media have participated in the meeting.

Dr. Dai Lijuan, vice president and secretary-general of Beijing Venture and Innovation Association, delivered an opening speech. Dr. Dai gave an introduction of the Association’s aim, development directions and resource advantages. Through integrating the excellent resources from financial, venture capital and academic institutions, the transformation of scientific and technological achievements and third-party service institutions, the Association has enhanced the capabilities in its output services, gradually established a highly efficient, professional venture and innovation platform and provided powerful support for the Beijing area and even the whole country in promoting entrepreneurship and innovation.

Then, Professor Liu Manhong, president of Beijing Venture and Innovation Association, delivered a speech. She said that the aim of the Association is to promote entrepreneurship through innovation. Encouraging entrepreneurship and innovation is a prevailing national policy around the world. Currently, with the strong support of national policies and the whole society in promoting entrepreneurship and innovation, China will make great progress both in quantity and quality and break new ground in the future.

In his speech, Professor Hong Dayong, vice president of RUC, said that it was exactly the right time and of great significance to hold this forum. Under the theme of “the Prospect

and Development of Venture Capital in the New Situation”, this forum explores how to effectively integrate the resource advantages of venture capital and deepen the innovation-driven development strategies to promote a sound and sustainable development of the investment field. Together with RUC’s key departments like the Alumni Association, Department of Employment and Career, Culture and Science Park and so on, Beijing Venture and Innovation Association has founded the Entrepreneurship Association of RUC and made much effort to actively prepare for the Alumni Entrepreneurship Foundation. Thanks to the in-depth cooperation between two sides, RUC can fully bring its subject advantages into play, integrate educational resources and perform its social responsibilities.

Moreover, Wang Jinzhan, director of Science and Technology Communication Center of China Association for Science and Technology, expounded the role and position of China Association for Science and Technology in entrepreneurship and innovation. Science and Technology Communication Center will try its best to accelerate the transformation of scientific and technological achievements, form a sound transformation mechanism and a perfect evaluation system of scientific research achievements so as to provide enough impetus for the sustainable development of entrepreneurship and innovation.

The first session of the forum is keynote speeches by four guests.

Xiao Bing, president and managing partner of Fortune Venture Capital, made a keynote speech entitled “new circumstances, challenges, and countermeasures in the venture capital industry”. He focused on the hot issues and opportunities of venture capital, and how to deal with the changes in the capital market.

Zhu An, partner of Deloitte Touche Tohmatsu CPA Ltd., also made a keynote speech entitled “development trends of China’s high-growth enterprises and new trends of the international capital market”. He shared the background information of the project—Deloitte’s Technology Fast 50 China, and offered an overview of the listed 50 top enterprises. Additionally, he made a detailed analysis of the innovation-driven strategy, the industrial layout and future capital flows.

Liu Jianhong, chief content officer of LeTV Sports Culture Develop, Co., Ltd., delivered a keynote speech entitled “the status quo and development directions of the LeTV Sports Industry”. He mainly analyzed the financing channels of LeTV sports and the current



business models. Also, he talked about the development paths of China's sports industry.

In his keynote speech entitled "finance and technology's promotion effect on entrepreneurship and innovation", Professor Yang Dong, assistant dean of Law School of RUC, elaborated the development trends and safety governance of finance and technology. He laid much emphasis on the positive role of finance and technology in entrepreneurship and innovation.

The second session of the forum is high-level dialogue themed "improving the financing environment for innovative businesses", led by associate professor Hu Bo, also deputy director of the Venture Capital Development Research Center of RUC.

Liu Manhong, Xuan Ruiguo, chairman of the board of China Automation Group Limited, Qiu Wenguang, secretary of the board of CITIC-Prudential Life Insurance Company Ltd., Xie Bing, managing director of Goldstone Investment Limited, and Fang Yan, senior partner of Beijing Jincheng Tongda & Neal were all invited as special guests to participate in the dialogue. The Guests discussed each of the following topics widely and deeply: how the financial capital could flow from the fictitious economy to the real economy; how we should better guide all kinds of financial capital to flow towards venture capital for financing support; what kinds of problems exist in the development process of venture and innovation companies; what kinds of legal risks we need to pay special attention to in the development process of venture and innovation companies, etc.

Being the first large-scale one of a series of 2017 activities organized by Beijing Venture and Innovation Association, this forum has invited many well-known experts and leaders from the venture capital field, the financial industry, the academic sector, the technology industry, and etc. to cooperate and innovate together. The Association will deepen the cooperation with RUC to explore an innovative talent cultivating model in higher education, to implement the educational reform of innovation and entrepreneurship, and to offer assistance and guidance to university students in the innovation and entrepreneurship cause.

Representatives of Security Association of China Visit Renmin University

On March 29, Mr. Wang Min, vice chairman of the Security Association of China, together with his colleagues, visited the School of Finance of Renmin University, and discussed the cooperation between the Association and the School. Attendees of the meeting include Chen Chuang, Li Yalin and the other two department heads from the Security Association; Tu Yonghong, IMI deputy director; He Qing, IMI senior research fellow, deputy director of the Monetary and Finance Department of the school of Finance; Zhu Shuangshuang, deputy director of IMI Publicity Department; and Jiang Nan, IMI research fellow.

Mr. Wang Min gave a brief introduction of the Security Association of China and elaborated on the function of its training center and the features of its training courses. The long-distance training began in 2008 and the training center has already accumulated abundant training resource, including courseware, laws and regulations, cases, teachers, etc. it has become a leader in the industry. In the future the training center will integrate resources by mobile terminals to better meet the needs of vocational training, investor education and regulatory cooperation. Subsequently, Wang Min introduced the condition of face-to-face training. As one of the core work of the association, face-to-face training is large-scale and is frequently held. Moreover, it is constantly expanding the teachers team and exploring the way to cultivate talents and the skills needed. He pointed out that cooperation with universities will be a breakthrough in developing the brand of the association's training course. The Association is willing to establish a cooperative relationship with the School of Finance in talent exchange, training courses and internship opportunities. Online Q & A, case study, collaborative research and other forms of cooperation can also be involved.

Prof. Tu Yonghong introduced the current research direction of IMI, and pointed out that the Association and IMI can exchange scholar resources, carry out joint research in the internationalization of securities companies and the "One Belt, One Road" initiative, and organize the release activities together.



Prof. He Qing suggested that the two sides can cooperate with each other, combine the advantages of both sides and cultivate talents together. Such training should also be provided to exchange students from other countries in Asia, Africa and Latin America. He also proposed that the two sides can jointly write the report on the internationalization of securities companies. The proposal was applauded by both sides.



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