Building Australia’s RMB Hub

New securities depository a key building block for Australian ambitions.

Interview with Helen Lofthouse, Executive General Manager, Derivatives and OTC Markets, ASX Limited
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ASX (The Australian Securities Exchange) recently launched a renminbi (RMB) securities depository service, further extending the suite of RMB services developed through its partnership with Bank of China, Sydney. Since 2014, ASX has been reacting to demand for RMB cash settlement through links to Hong Kong, mainland China and the rest of the world.

ASX’s Austraclear is Australia’s settlement system and central securities depository for the wholesale debt market. The depository service now also facilitates the issuance of RMB-denominated securities directly into Austraclear, allowing participants to settle and hold them.

Helen Lofthouse, Executive General Manager for Derivatives and OTC Markets at ASX, spoke with RMB Week about the new offering, its importance in the wider portfolio of RMB services and how the securities depository fits in with ASX’s overall growth and expansion as a provider of financial services in the Asia-Pacific region.

RMB Week: What is the importance of this launch for ASX and what does it mean for cross-border trade and settlement of RMB-denominated securities?

HL: In 2014 we went live with RMB cash settlement and now we’ve launched an RMB securities issuance and settlement capability. It means an entity can issue an RMB-denominated bond in Austraclear, investors who purchase that bond can hold it in Austraclear, and Austraclear can then facilitate the processing of all corporate actions on that bond, including RMB coupon payments, in the same way that Austraclear does for Australian dollar bonds. Importantly, the RMB bond will be held safely in Austraclear in accordance with local laws and highest regulatory standards.

RMB Week: Do you have any predictions as to volume and value of issuance and settlement of RMB-denominated securities through Austraclear?

HL: We are talking to a number of potential issuers who have funding requirements in RMB and who are considering issuing RMB bonds in Austraclear. Actual issuance volumes, of course, always depend on market conditions so it’s hard to predict likely volumes. But our RMB capabilities have been established with a long term view, and we expect that volumes will grow as the RMB becomes gradually more and more internationalised.

RMB Week: How does this product launch fit into ASX’s overall strategy regarding securities trading and settlement both in Australia and as a regional hub?

HL: In quite a few ways. This development is an important piece of our evolving RMB capabilities within Australia; but the multi-currency capabilities we have built are also important to us as we look towards the future and consider other services that are of value to participants in Asia-Pacific time zones. The ability to see real time value from cash and securities transactions in this time zone, as evidenced by our RMB capabilities, is very powerful.

Looking at our broader business at ASX, Australia-China access is important in a number of areas. We are partnering with a number of Chinese participants to make sure they have the access to the Australian market that they are looking for. We opened an office in Hong Kong last year and have built a new tech hub to provide data links to ASX’s data centre, ALC (the Australian Liquidity Centre), in Sydney. ASX recently announced our partnership with Perth Mint for developing precious metals derivatives contracts and we expect to launch the first of those next year. Precious metals are an important component not just of Australia-China trade, but also the rest of the Asia Pacific region: Australia is the world’s second largest producer of gold.

“The launch of this service isn't a one-off; it is part of a wider commitment to the Asia-Pacific region.” - Helen Lofthouse, ASX

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RMB Week: Bank of China has previously spoken of its view that Australia is strategically important as an offshore RMB market – how does the launch of this service build on the strategic relationship?

HL: We have a close partnership with Bank of China and they’re the nominated clearing bank for RMB in Australia. Users of the Austraclear RMB cash and securities settlement service will do so directly or indirectly through a Bank of China account. Our partnership with Bank of China and the links between China and Australia are material, and the partnership with them remains very important to make this work.

Bank of China are also an important partner for us in terms of communicating and establishing the right networks in China and with Chinese organisations. It is a productive relationship, which we value highly.

RMB Week: ASX has established links with Chinese market participants and industry groups such as the CFA (China Futures Association). In addition to the business operations that are being developed between Australia and China, are there knowledge sharing aspects to these deepening relationships?

HL: Very much so, and the relationship with CFA is a good example of that. We have a memorandum of understanding with the CFA, and we communicate regularly with representatives of some of the Chinese exchanges.

In the announcement made about the MoU with the CFA we said that, in the first instance, it was all about knowledge sharing and information sharing between us and them. That is the cornerstone of the relationship.

RMB Week: Finally, what are the core differentials between Australia’s capabilities in the RMB space compared to those developed by the other offshore RMB Hubs?

HL: We think Austraclear is one of the best platforms to use for RMB settlement - we use exactly the same processing capabilities and smart algorithms that we use for Australian settlements. We’re leveraging a known, robust platform with excellent capabilities that work very effectively for Australian dollar payments. The result of that is, if you’re doing RMB payments within Austraclear in Australia, we can process them in seconds. If you’re making a payment to Hong Kong, we typically see turnaround in a couple of minutes, and to mainland China we see times of about thirty minutes.

RMB payments within Austraclear are governed by the Australian Payment Systems and Netting Act 1998 (Cth) and therefore benefit from the same legal certainty and robustness as Australian dollar settlements. Many challenges are overcome by having the Australian legal framework and the same technology in place for the Australian dollar.

This interview first appeared on RMB Week.

For more information, go to asx.com.au/renminbi-settlement

Helen Lofthouse is the Executive General Manager for Derivatives and OTC Markets at ASX Limited. Helen joined ASX in September 2015. Her areas of responsibility include the listed derivatives markets at ASX, together with the OTC Clearing and ASX Collateral services, and the Austraclear bond and cash settlement services.

Prior to joining ASX, Helen was a Managing Director at UBS in London for 4 years. She was globally responsible for the OTC Clearing business at UBS, and was Head of Clearing and Execution Sales in London. While at UBS, Helen worked closely with regulators and other market participants on topics such as the impact of Basel 3 on cleared markets. Prior to UBS, Helen worked at J.P. Morgan in London for nearly 14 years in various roles, including setting up the Derivatives Prime Brokerage business, and as the European head of Fixed Income Prime Brokerage.
Something to settle with China?

Increasingly, global businesses are looking at opportunity in China’s opening capital markets. Now, these opportunities can be settled quickly, safely and reliably using the Australian Securities Exchange’s (ASX) RMB Settlement service.

ASX’s RMB Settlement service leverages Austraclear, Australia’s world-class CSD. It’s subject to the highest global regulatory standards and can make RMB payments and securities settlements in seconds.

It’s fast. It’s safe. It’s reliable.

Find out more about how your business can settle your RMB opportunity. Contact Blair Harrison, Senior Manager, ASX Collateral and Austraclear
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