

# China's Renminbi Challenges US Dollar Hegemony? Chinese Currency Trade in Major Financial Centers

London, Frankfurt, Toronto, Vancouver and San Francisco Battle to Become Western Centers for Chinese Currency Trade

By [Washington's Blog](#)

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Region: [Asia](#), [Canada](#), [Europe](#), [USA](#)

Theme: [Global Economy](#)

Germany, England, Canada and the U.S. are all vying to become Western centers for the Yuan trade.

## Germany

Bloomberg [reports](#) today:

Germany's Bundesbank and the People's Bank of China agreed to cooperate in the clearing and settling of payments in renminbi, paving the way for Frankfurt to corner a share of the offshore market.

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The central banks signed a memorandum of understanding in Berlin today, when Chinese President Xi Jinping met German Chancellor Angela Merkel, the Frankfurt-based Bundesbank said in an e-mailed statement.

Germany's financial capital prevailed over Paris and Luxembourg in a euro-area race to win trade in renminbi, which overtook the euro to become the second-most used currency in global trade finance in October, according to the Society for Worldwide Interbank Financial Telecommunication.

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Deutsche Boerse AG, which operates the Frankfurt Stock Exchange, also signed an [agreement](#) with Bank of China, expanding a partnership that will make it easier for Chinese issuers and Asian investors to access European capital markets, including stock listings.

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German companies including Siemens AG, the country's biggest engineering company, and Volkswagen AG are embracing the renminbi internally as a third currency for cross-border trade settlements.

## England

The BBC [pointed out](#) Wednesday:

The Bank of England has agreed a deal with the People's Bank of China to make London a hub for Chinese currency dealing.

The memorandum of understanding, to be signed on Monday, sets out settlement and clearing arrangements for the renminbi, or yuan, in London.

The signing is expected to be followed by the appointment of a London clearing bank for yuan.

62% of yuan payments outside of China already take place in London.

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Last year the UK and Chinese central banks signed a three-year currency swap arrangement worth 200bn yuan which allows them to swap currencies and can be used by firms to settle trade in local currencies rather than in US dollars.

The International Finance Corporation, the private sector arm of the World Bank, this month issued a 1bn yuan bond in London, the first by an international financial institution.

The Chancellor of the Exchequer, George Osborne, said: "Connecting Britain to the fastest growing parts of the world is central to our economic plan.

## Canada

The Globe and Mail [noted](#) last month:

Two Canadian cities are vying to become North America's primary centre for trading the Chinese yuan, an effort that has received federal backing amid a broader desire by Ottawa to strengthen ties with Beijing.

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No city in North or South America has yet developed as a major [yuan] settlement centre.

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Both Toronto and Vancouver see an advantage in being located in a common time zone with a large number of companies trading with China, be they American retailers or Chilean copper miners. Toronto has sought to seize on its status as Canada's major financial centre. Vancouver, meanwhile, argues its advantages stems from its existing volumes of trade finance, its substantial Chinese-speaking population and an incentive program that exempts foreign exchange trading from provincial taxes.

B.C. also took a lead in the RMB market in November when the provincial government launched a "dim sum" - or RMB-denominated - bond worth nearly \$425-million. It was the first triple-A rated foreign government to do so.

## U.S.

The U.S. isn't ready to cede the North American yuan trade to Canada.

According to the San Francisco Chronicle, San Francisco is also [bidding to become a yuan trading center](#).

The times, [they are a changing](#) ...

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