Chinese business & finance

# Deutsche becomes first European clearing bank for renminbi

China seeks to increase international use of its currency


Deutsche is the first non-Chinese bank in Europe to be allowed to clear and settle renminbi transactions © Paul Yeung/Bloomberg

**William Sandlund** in Hong Kong

Published 3 HOURS AGO



China's central bank has appointed Deutsche Bank to be the first European clearing house for renminbi as Beijing seeks to increase the international use of its currency.

The People's Bank of China authorised the German lender as a renminbi clearing bank in Frankfurt on Monday night.

Deutsche said on Tuesday that its appointment highlighted the renminbi's "continued internationalisation" and the bank's "growing role in facilitating trade, treasury and investment activity along major China-Europe corridors".

Most overseas renminbi clearing houses are the local branches of the four largest Chinese state-owned lenders — Bank of China, Industrial and Commercial Bank of China, Bank of Communications and China Construction Bank.

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"This establishes a direct bridge into China's financial system and strengthens our ability to support clients engaged in Europe-China trade and investment flows," said Leo Yin, president of Deutsche Bank China.

Yin said he expected European groups to use Deutsche's renminbi clearing to reduce "currency friction" and streamline supply-chain payments, while Chinese companies were likely to use it to fund investments in Europe and facilitate trade flows "while remaining in the renminbi ecosystem".

China has stepped up efforts in recent years to increase global use of its currency and challenge the dollar's dominance.

US President Donald Trump's erratic trade policies have added urgency to Beijing's campaign. The Communist Party's 15th five-year plan, released this year, called for expanding the renminbi's role in trade, investment and financing.

Deutsche has long been involved in renminbi internationalisation, joining the Cross-Border Interbank Payment System, China's alternative to Swift, as a direct participant in 2015.

The deepening financial integration comes as the German government is pushing its industry to reduce its dependence on China amid mounting trade tensions.

Yet China remains one of the most important overseas markets for German companies, with about 5,000 operating in the country, ranging from large carmakers such as Volkswagen to industrial groups such as Siemens and *Mittelstand* manufacturers.

Deutsche's history in China dates back to 1872, when it opened its first overseas office in Shanghai.

The German lender is the top-ranked non-Chinese bank for "panda bond" deals — renminbi-denominated debt issued by foreign institutions in mainland China — this year, according to data from Bloomberg.

With Chinese interest rates at historic lows, borrowing in renminbi has surged. Multinational groups such as Goldman Sachs, insurer Chubb and Singapore's state investor Temasek have scaled up issuance of "dim sum bonds", renminbi borrowed in Hong Kong.

While Beijing has seen some success promoting its currency in trade and offshore lending, the renminbi's share as a reserve currency remains low.

China has taken steps to open its bond markets further to foreign investors, but global fixed-income managers have been reluctant to increase their allocations to the country's sovereign debt.

Investors cite the country's relatively low yields, slowing economic growth and rising debt-to-GDP ratio as factors holding back increasing their allocations to Chinese government bonds.

*Additional reporting by Florian Müller in Frankfurt*



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