



BANK OF ENGLAND

News release

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People's Bank of China swap line

Governor Zhou Xiaochuan met Governor Mervyn King today during Governor King's visit to Beijing. They agreed to facilitate discussions on the establishment of a reciprocal 3-year, renminbi (RMB)/sterling currency swap arrangement. The arrangement would be used to finance trade and direct investment between the two countries and to support domestic financial stability should market conditions warrant. They have agreed that the Bank of England and the People's Bank of China (PBoC) would work together to sign the final agreement shortly.

Commenting, the Governor of the Bank of England said: "London is growing rapidly as a centre for RMB business. The establishment of a sterling-renminbi swap line will support UK domestic financial stability. In the unlikely event that a generalised shortage of offshore renminbi liquidity emerges, the Bank will have the capability to provide renminbi liquidity to eligible institutions in the UK. Our announcement today marks a significant milestone in constructive bilateral dialogue between the Bank and the PBoC. I am grateful to Governor Zhou and the staff at the PBoC for their contribution to this collaborative dialogue."

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Notes to Editors

1. Offshore RMB, widely denoted as CNH, refers to any RMB used outside of mainland China which trades on a free-floating basis. Liquidity can move freely between a number of other offshore centres, including Hong Kong (the H in CNH), London, Singapore and Taiwan.
2. For further information on the City of London Corporation's initiative to develop London as a centre of renminbi business, please see <http://www.cityoflondon.gov.uk/business/support-promotion-and-advice/promoting-the-city-internationally/china/Pages/London-as-a-centre-for-international-renminbi-business0425-3959.aspx>