

Memorandum of Understanding

between the China Banking Association and the
Swiss Bankers Association

27 June 2014

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The China Banking Association (CBA) and the Swiss Bankers Association (SBA) represent the banking sectors in China and Switzerland, respectively. There have been contacts and visits over several years and at increasing frequency. Both, CBA and SBA (“the parties”) are convinced that the time is ripe for intensifying cooperation and codifying it in a Memorandum of Understanding (MoU).

Overall, the relationship between China and Switzerland is excellent and well-established. Switzerland was one of the first Western countries recognising the new People’s Republic of China in 1950. In the mid-1950s, Swiss banks were among the first Western banks to establish correspondent banking relationships with Chinese banks. Switzerland was also one of the first countries to enter into commercial agreements with the People’s Republic of China, and, in 2007, formally recognised China as a market economy.

On the occasion of the visit of Prime Minister Li Keqiang to Switzerland in May 2013, China and Switzerland agreed on a comprehensive free trade agreement which was subsequently signed in July 2013, making Switzerland the first country in continental Europe to enter into such an agreement. The agreement will become effective in the summer of 2014. Both countries also launched a Financial Dialogue in December 2013 and will have a second round of discussions in June 2014.

CBA and SBA also noted the statement by Prime Minister Li Keqiang at the summer World Economic Forum in Dalian in September 2013 that the Chinese government will consider making Switzerland an offshore Yuan centre.

Both, the Swiss government and Swiss banks support Switzerland to further develop as a centre for China business, and particularly renminbi business, in Europe.

Hence, our two countries have very strong relationships today, and there is no doubt that the free-trade agreement and the financial dialogue provide an excellent platform for further enhancing trade and investments, as well as broadening and deepening financial sector cooperation.

At this point, CBA and SBA agree to cooperate on

1. Launching the Chinese-Swiss Financial Roundtable
2. Financial sector education and training
3. Promoting Switzerland as a centre for China-business, and particularly renminbi business, in Europe

Both parties are open to extending the cooperation to other areas over time.

Joint Chinese-Swiss Financial Roundtable

CBA and SBA agree to jointly organize a Chinese-Swiss Financial Roundtable.

The Chinese-Swiss Financial Roundtable complements the government-to-government financial dialogue by offering a channel for private sector involvement in Swiss and Chinese financial sector cooperation. It aims at facilitating the sharing of technical expertise, and, in particular, at promoting collaboration in research, education and training. It serves as a platform for regular exchanges of CBA and SBA as well as other financial sector associations (and possibly for regulators/supervisors) in both countries. It could also provide a forum for eventual agreements on facilitating market access and exchange of banking personnel to China and Switzerland, respectively.

Both parties aim at instituting the Chinese-Swiss Financial Roundtable as an event focusing on current issues and alternating between a Swiss and a Chinese location. After each roundtable, and at least six months prior to the next one, both parties will agree on the time and location of the next one. SBA will organize the roundtables in Switzerland (in cooperation with CBA) and bear the local cost of the roundtable. Likewise, CBA will organize the roundtables in China (in cooperation with SBA) and bear the local cost. Both parties will jointly determine the themes of the roundtable and actively promote participation among the banks they represent.

As a rule of thumb, each roundtable will convene a limited number of high-level participants and experts from

- Swiss and Chinese governments, central banks, regulators
- Swiss and Chinese banks
- selected industry reps/ CFOs

The format will emphasize direct exchange of views. There will be (keynote) speeches, but ample time for discussions “around the table” will be available rather than a sequence of lectures. The focus will be on current and business related topics. If appropriate, there will be a signing ceremony or a similar “ceremonial” event.

Cooperation in financial sector education and training

On various occasions, government officials and banks from China and Switzerland have expressed an interest in collaborating in financial sector education and training. There have been numerous visits by Chinese banking delegations in Switzerland. Swiss banks active in China have also offered training to Chinese banking staff. (Several Swiss and Chinese universities have also financial sector research cooperation and (some) educational offerings.)

All these efforts have remained piecemeal, however, and we believe that the financial dialogue provides a unique opportunity to develop a more systematic and comprehensive approach for the cooperation in training and education in banking and finance, according to the needs and possibilities of involved partners.

The Swiss Finance Institute (SFI)¹ associated with SBA and the China Bankers Institute associated with CBA may have particular expertise which could be leveraged.

CBA and SBA will agree on the specifics of their cooperation in financial sector education and training in a separate MoU by the summer of 2014.

Promoting Switzerland as a centre for China/ Renminbi business

CBA and SBA agree to cooperate in promoting Switzerland as a centre for China/ renminbi business in Europe, hence supporting the internationalization of the renminbi and contributing to a level-play field with respect to renminbi business.

The Chinese government has successfully promoted the internationalisation of the renminbi, and as a result the RMB is taking on a growing importance as both an onshore and offshore currency. The RMB has become one of the top ten global payment currencies and around 15% of China's external trade is settled in RMB – and growing. More than 10'000 financial institutions conduct business in RMB. By 2015 Chinese companies expect a third of Chinese external trade to be RMB-denominated.

The renminbi has taken on a growing role in foreign direct investments into China and outward investments from China. Rising trade and investment flows in renminbi produced an expanding pool of liquidity of 900 billion at the end of last year. Renminbi financing and foreign exchange markets have reached an estimated daily turnover of 13 to 25 billion for spot and forward transactions.

In a series of steps, the Chinese government has raised the quota for qualified foreign institutional investors based in Hong Kong, Taiwan, London, Singapore and Paris to invest offshore renminbi in the Chinese stock and bond markets to a total of almost 600 billion.

The People's Bank of China has authorised Chinese banks in Hong Kong, Taiwan and Singapore, and has signed MOU on renminbi clearing arrangements with Deutsche Bundesbank and Bank of England.

In light of the growing importance of the RMB as a trade, investment and reserve currency, the Swiss financial centre has considerably expanded its renminbi business, serving clients in China as well as clients in Switzerland and other locations around the world. Renminbi accounts with banks in Switzerland are available to private and corporate clients, and a rapidly growing number of products and services are available to commodity trade finance, private banking, and asset management clients.

¹ The SFI provides programs at the senior management level covering private banking, asset management, commercial banking, retail banking, investment banking, operations/ logistics as well as horizontal topics such as competitive strategy, global financial markets, strategic management, risk management, and management accounting. SFI also offers The Advanced Executive Program (AEP) which "aims to help senior managers and experts from financial and related sectors to strengthen their management competence, to broaden their factual knowledge and to promote integrated thinking with respect to the current dramatic trends in the financial industry." If there is sufficient Chinese interest, SFI should consider offering programs in China and possibly with Chinese translation. In addition to the open enrolment programs, the SFI offers tailor made and customized bank seminars and in-house trainings.

Swiss financial firms will continue to identify new business opportunities and to build a long-term and sustainable presence in China. By doing so, they will further contribute to the mutually beneficial relationship already in place between Switzerland and China.²

Horgen, Switzerland, 27 June 2014

((The MoU will be signed during the Round Table on June 27))

Patrick Odier
Chairman
Swiss Bankers Association

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China Banking Association

² Currently, Credit Suisse, UBS, Bank Julius Baer, Zurich Cantonal Bank and EFG Bank maintain a presence in China. In addition, foreign-owned banks have important franchises in both China and Switzerland, and almost two dozen Swiss banks are active in Hong Kong.