

Peso-yuan facility boosts ties

Trading platform for direct conversion between the two currencies is a milestone, says BOC's country head in Philippines

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The establishment of a peso-yuan spot market will expand trade and investment in both China and the Philippines, according to a senior bank executive.

Deng Jun, country head for Bank of China's (BOC) branch in Manila, said direct conversion between the Chinese and Philippine currencies will "facilitate investment, trade and tourism of both countries".

This, he said, is crucial given the expanding bilateral trade, growing Chinese investments and increasing number of Chinese tourists visiting the Philippines.

The peso-yuan spot market was launched on Nov 21, when several member banks of the Philippine Renminbi Trading Community (PRTC) executed the first batch of trades.

"The goal of this community is to build the yuan-peso foreign exchange market. This is a milestone in the Philippine financial industry," Deng told *China Daily Asia Weekly*.

Deng said the direct currency exchange will reduce the transaction

cost for both Chinese and Filipino tourists, entrepreneurs and investors.

"Before this trading platform (was established), each (financial) transaction must pass through the US dollar. The businessman, investor (and) tourist needs to pay twice," he said.

Deng said direct peso-yuan conversion will also mitigate foreign exchange risks given the fluctuation of the greenback.

The PRTC was officially formed on Oct 30 with the signing of a memorandum of agreement between BOC and 13 of the Philippines' biggest banks.

Under this agreement, clients of any of the PRTC's member banks can change their yuan directly to peso or vice versa.

Deng said the establishment of the peso-yuan spot market is just one of several moves that have deepened financial cooperation between China and the Philippines.

BOC, for instance, committed to extend a \$3 billion credit line from 2016 to 2022 to finance the Philippines' infrastructure and trade.

Also, Deng highlighted that three of the 29 agreements signed during Chinese President Xi Jinping's Nov



Deng Jun, country head for Bank of China's branch in Manila.

20-21 state visit to the Philippine capital were to enhance financial cooperation.

These were the Memorandum of Understanding on Renminbi Clearing Arrangement between the central banks of the two countries, the MOU on Panda Bonds Issuance between the Philippine Department of Finance and Bank of China, and Letter of No Objection to the Organization of the Renminbi-Philippine Peso Foreign Exchange Trading Market granted by the Philippine

central bank to the PRTC.

Deng said China's State-owned banks are also helping to finance the Philippines' flagship infrastructure development program, alluding to Philippine President Rodrigo Duterte's Build, Build, Build program.

He said BOC is helping the Philippines raise funds from the capital market by underwriting its "Panda bond" issuance. Panda bonds are yuan-denominated debt issued in China by a foreign entity.

"We underwrite (the offering) to show our support to the Philippine government. It's part of (China-Philippines) financial cooperation," Deng said.

In March, BOC was the lead underwriter when the Philippines issued 1.46 billion yuan (\$212.6 million) in three-year Panda bonds. The maiden offering was over six times oversubscribed, generating 9.22 billion yuan in orders.

Deng said BOC will be the sole underwriter for the Philippines' second Panda bond issuance, slated for 2019.

He said the Chinese government has also extended loans to finance some of the key projects under the

Build, Build, Build program. Two of these are the Kaliwa Dam-New Centennial Water Source and Chico River Pump Irrigation projects, being financed by the Export-Import Bank of China (China Exim Bank).

The Kaliwa Dam project, with a total cost of 18.72 billion pesos, is expected to deliver 600 million liters of water daily to residents of Metro Manila.

The Chico River Pump Irrigation project, which has a total cost of 4.37 billion pesos, will irrigate over 8,000 hectares of agricultural lands in the northern Philippine provinces of Cagayan and Kalinga.

Deng said that financial cooperation between the two countries also goes beyond infrastructure financing and the foreign exchange market.

"Trade is also very important. How do you trade efficiently and effectively? For example, in the Philippines, it's difficult for small and medium enterprises to find partners in China," he said. Deng said BOC helps these entrepreneurs by linking them up with the bank's clients in China.

BOC serves as "a matchmaker to facilitate trade and investment between the two countries", he said.

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