



RESERVE BANK OF AUSTRALIA

Speech

## Remarks at the Bank of China Sydney Branch's 75th Anniversary Celebration Dinner

**Philip Lowe** Governor

Sydney – 8 September 2017



[Acknowledgement of special guests and hosts]

It is an honour to be here this evening to celebrate the 75th anniversary of the opening of the Bank of China's first branch in Australia. On behalf of the Reserve Bank of Australia, I would like to pass on our warmest congratulations.

The story of how the Bank of China came to establish a branch in Australia in 1942 is a story of resilience and friendship.

Over recent weeks I have had the opportunity to read about this story through the yellowed pages of the Reserve Bank's archives. When conflict came to Singapore in 1942, Mr Parkane Hwang from the Bank of China's Singapore branch decamped to what was then known as Batavia. From there, he sought a visa to travel to Australia to establish a branch of the Bank of China in Sydney. It must have been a difficult and stressful time.

True to Australia's welcoming nature, especially to those in need, the visa was granted. By midyear, the branch was in operation, with Mr Hwang's deputy from the Singapore branch, Mr S.C. Lu, as its representative. In those days it was quicker to get a banking licence than it is today! It is clear from our archives that the granting of this licence was a significant sign of friendship by Australia towards China. It was very unusual at the time to grant such licences.

Upon the licence being granted, one of my predecessors as Governor – Governor H.T. Armitage of the Commonwealth Bank of Australia, which at the time carried out central banking functions – wrote to Mr Lu to congratulate the Bank of China on the new branch. I would like to read from that letter, as 75 years later I could not have put it better myself. Governor Armitage wrote:

'I feel sure that the entry of your Bank into the Australian Banking System will not only be of inestimable value in facilitating business relationships between China and Australia, but will also help to foster the increasing bond of friendship between our respective countries.'

Seventy-five years on, this sentiment remains just as valid as it was in 1942, despite the tremendous change in both our countries since.

Our files show that it was some years before the Bank of China's branch in Australia was able to turn a profit – a problem that has now been fixed. When the branch was first established, it was very restricted in its operations. It was limited to operating accounts for the Chinese Government and officials and for Chinese nationals visiting Australia. Notwithstanding these restrictions, it quickly established a presence in Australia. In May 1944, less than two years after operations began, Governor Armitage wrote to the Secretary to the Treasury stating:

'The Bank of China has proved to be a useful adjunct to the banking system in Australia, particularly in regard to facilitating the handling of remittances on behalf of Chinese citizens. They have faithfully observed the conditions under which they are allowed to operate.'

Today, of course, the Bank of China continues to facilitate currency exchange between China and Australia, but it is on a much larger scale. In 2014, the Bank of China was appointed the official RMB clearing bank for Australia, affording it more direct access to China's onshore financial markets and hence the ability to provide RMB liquidity in the Australian market. The establishment of the clearing bank has promoted the role of the RMB in trade among Australian companies and the development of the pool of local RMB deposits. This is an important development.

The Bank of China is also providing an important source of finance for Chinese companies operating in Australia as well as for Australian companies. It is making trade easier between our two countries by providing trade finance. It is also helping on the investment side, with securities and investment banking services.

The growth of Bank of China's operations from currency exchange to facilitating trade and now, more recently, to facilitating investment is mirrored in the deepening relationship between China and Australia.

On the trade side, in 1942 there was negligible trade between our two countries. Today, we are important trading partners. The deepening of the financial relationship is a more recent development and still has some way to go. China is an important source of direct investment in Australia and there are an increasing number of investment channels available to Australian entities looking to invest in Chinese financial markets. As one example of this, the RBA holds around 5 per cent of our foreign reserves in China.

I expect that, as the Chinese capital account is liberalised, the financial relationship between our two countries will deepen further. As we know from our own experience in Australia, the journey of financial liberalisation is a difficult one, but it is one that is well worth undertaking. As I have said on a number of previous occasions, the internationalisation of the RMB and the associated capital

account liberalisation in China is likely to be one of the biggest forces shaping the global financial system over the next decade or so. The Bank of China will help Australia be part of that.

Finally, again, I would like to congratulate the Bank of China on the occasion of the 75th anniversary of establishing a branch in Australia. The story of how the branch was established is one of resilience and friendship. In 1942 there was a hope that granting the Bank of China a banking licence would help build ties between our two countries. This hope has been realised. Our hope today is that the same will be true for the next 75 years.

Thank you.

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