Annex 2. From Gateway to Offshore RMB Hub: Hong Kong's Role as the Global Offshore RMB Business Center[7]

Background

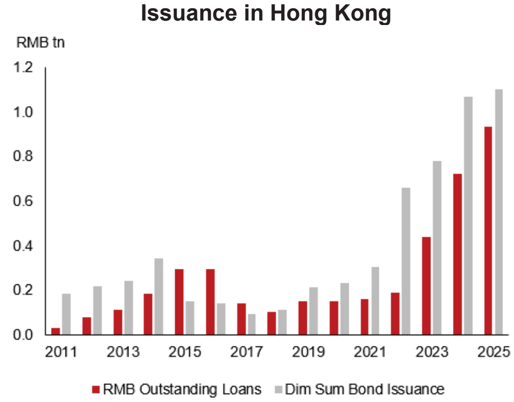
1. **Hong Kong remains the leading offshore RMB center, with offshore RMB activity expanding steadily in recent years**. Hong Kong has long served as the primary offshore hub for RMB business, supported by its deep and sophisticated financial markets, and strong real-sector and financial linkages with the Chinese Mainland. As the largest offshore RMB market, Hong Kong plays a pivotal intermediary role between the onshore (CNY) and offshore (CNH) markets, facilitating cross-border RMB settlement, financing, and investment activities through a market-driven framework. Since the launch of the RMB trade settlement scheme in 2009, Hong Kong's offshore RMB market has expanded significantly across a broad range of activities, including deposits, trade financing, bond issuance, and foreign exchange trading.

2. **The offshore RMB liquidity pool has regained momentum in recent years, supported by growing demand for RMB-denominated financial services**. Following a period of moderation, the CNH liquidity pool has resumed growth since 2020, with RMB deposits and Certificates of Deposit reaching RMB1.10 trillion, approaching the historical peak of nearly RMB1.16 trillion recorded in 2014 (Figure A2.1). On the demand side, RMB lending and dim sum bond issuance have also strengthened over the past three years, rising to RMB0.93 trillion and RMB1.10 trillion in 2025, respectively (Figure A2.2).

Figure A2.1. RMB Deposits and Certificates of Deposit in Hong Kong

Source: CEIC; AMRO staff calculations

Figure A2.2. RMB Loans and Dim Sum Bond Issuance in Hong Kong



Source: Bloomberg; CEIC; AMRO staff calculations

Structural Drivers of Hong Kong's Offshore RMB Business

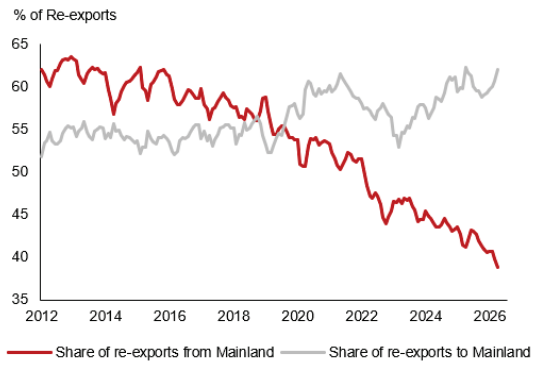
3. **Hong Kong's re-export structure is undergoing a notable shift toward Chinese Mainland-bound trade flows, reinforcing its position as the leading offshore RMB business hub**. As a traditional entrepôt, re-exports continued to account for around 99 percent of Hong Kong's total merchandise trade in 2025. However, recent trade data point to a significant change in the composition of re-export destinations and origins. Since 2020, the share of re-exports destined for the Chinese Mainland has exceeded the share originating from the Chinese Mainland (Figure A2.3), reversing the historical pattern in which Chinese Mainland-origin goods dominated Hong Kong's re-export trade. While Hong Kong has traditionally served as a gateway for Chinese Mainland exports to global markets, it is increasingly functioning as an intermediary platform for goods entering the Chinese Mainland,

[7] Prepared by Yanchen (Yannson) Wang, Economist.

underscoring its continued importance as a logistics, distribution, and trade-financing hub connecting external suppliers with Chinese Mainland demand.

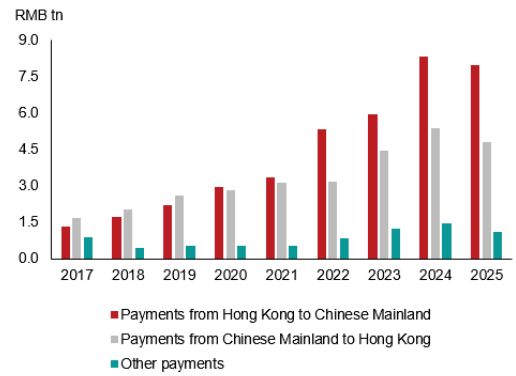
4. **The increasing use of RMB in Chinese Mainland-related trade is creating new demand for offshore RMB financial services**. The evolving trade structure is likely to result in increased RMB use in cross-border transactions, as import-related trade is generally more conducive to RMB invoicing and settlement when Mainland entities are key counterparties.[8] Consistent with this trend, RMB settlement flows between Hong Kong and the Chinese Mainland have expanded in both directions in recent years, with payments from Hong Kong to the Mainland exceeding those in the reverse direction (Figure A2.4). This pattern suggests the growing use of offshore RMB to settle transactions with Chinese Mainland counterparties, which is expected to boost demand for offshore RMB-denominated financial services, including trade financing, lending, and hedging. The resulting deepening of RMB financial intermediation will further strengthen Hong Kong's position as the leading offshore RMB business center and support the broader use of RMB.

Figure A2.3. Composition of Hong Kong's Re-exports with the Chinese Mainland



Source: CEIC; AMRO staff calculations
Note: Data is presented as a 3-month moving average. The latest observation is April 2026.

Figure A2.4. RMB Trade Settlement Flows between Hong Kong and Chinese Mainland



Source: Hong Kong Monetary Authority (HKMA)
Note: Underlying data are derived from the HKMA Half-Yearly Monetary and Financial Stability Report.

5. **The growing integration of ASEAN+3 trade and financial networks is strengthening demand for RMB-denominated services and reinforcing Hong Kong's role as the leading offshore RMB center**. As regional supply chains become increasingly integrated and trade linkages deepen across ASEAN+3 economies, demand for RMB-based settlement, financing, and liquidity management services may continue to expand, creating a broader structural basis for RMB usage beyond transactions directly involving the Chinese Mainland.

6. **Located at the crossroads of ASEAN and the "Plus-3" economies, Hong Kong serves as a leading entrepôt hub for cargo consolidation, distribution, and re-export activities** (Figure A2.5). In the era of artificial intelligence (AI), this advantage is further reinforced by Hong Kong's world-class air cargo infrastructure,[9] which is particularly well suited to handling high-value, time-sensitive goods such as semiconductors and advanced electronics. As a key intermediary in regional trade and supply chains, Hong Kong sees substantial demand for trade finance, foreign exchange, and cross-border payment services.

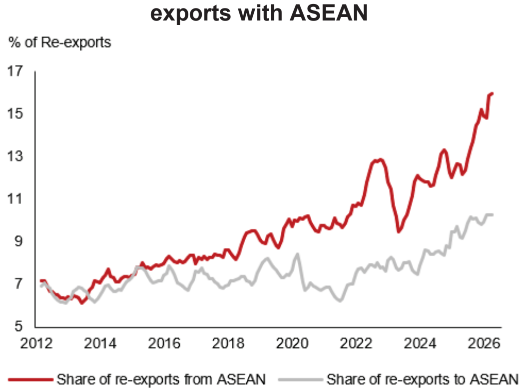
[8] Boz et al. (2025) estimate that the average share of RMB invoicing in goods imports across their sample economies was relatively low, at around 1.5 percent in 2023. According to the ECB (2026), the RMB's share as an invoicing currency for euro area trade with countries outside the EU remained modest, at around 2 percent in 2024.

[9] According to the latest World Bank data, Hong Kong ranked third in the ASEAN+3 region in terms of air freight volume in 2023, after the Chinese Mainland and South Korea, measured in metric tons times kilometers travelled.

Meanwhile, deeper economic integration within ASEAN+3 is contributing to a gradual diversification of trade settlement practices. Although the US dollar remains the dominant invoicing and settlement currency[10], RMB usage is expanding alongside growing trade and investment links with the Chinese Mainland. Consistent with this trend, the rapid growth of RMB over-the-counter (OTC) foreign exchange trading in recent years reflects the RMB's expanding role in regional trade and financial transactions (Figure A2.6). Building on its established financial infrastructure and network, Hong Kong could further enhance its capacity to channel RMB liquidity to ASEAN economies.

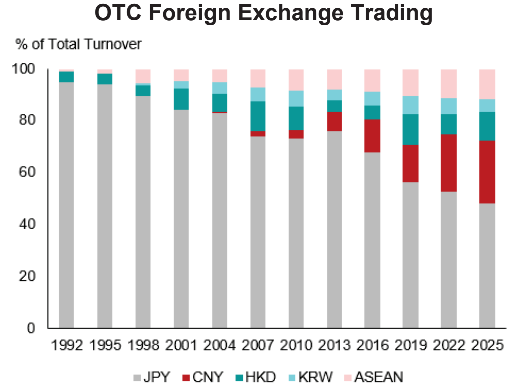
7. **Strong network effects reinforce Hong Kong's position as the leading offshore RMB center**. As the world's leading offshore RMB center, Hong Kong is well positioned to capture the growth in RMB usage across regional trade and financial transactions by providing a comprehensive range of RMB-denominated services, including trade financing, lending, liquidity management, foreign exchange trading, and risk-hedging solutions. The concentration of RMB liquidity, settlement activity, financial infrastructure, and market participants in Hong Kong also creates strong network effects. The resulting greater RMB usage attracts additional liquidity and market activity, further reinforcing Hong Kong's role as the leading offshore RMB center.

Figure A2.5. Composition of Hong Kong's Re-exports with ASEAN



Source: CEIC; AMRO staff calculations
Note: Data are presented as a 3-month moving average. The latest observation is April 2026.

Figure A2.6. Evolution of RMB Share in ASEAN+3 OTC Foreign Exchange Trading



Source: BIS's Triennial Survey; AMRO staff calculations
Note: ASEAN includes only IDR, MYR, PHP, SGD and THB due to data availability constraints.

Key Constraints on Offshore RMB Circulation and Hong Kong's Role

8. **Realizing the full benefits of recent structural trends requires addressing key constraints facing offshore RMB market development**. While the structural drivers discussed above have created favorable conditions for the expansion of offshore RMB activities, they do not necessarily translate into broader international use of the RMB. Continued growth in Chinese Mainland-related trade and deeper economic integration among ASEAN+3 economies have strengthened demand for RMB-denominated services and reinforced Hong Kong's position as the leading offshore RMB hub. Nevertheless, the development of a deeper, more diversified, and self-sustaining offshore RMB ecosystem is constrained by three key structural challenges: (i) limited market confidence stemming from the RMB's partial convertibility under a gradually liberalizing capital account; (ii) a relatively narrow range of investable RMB-denominated assets; and (iii) the concentration of RMB usage in transactions closely linked to the Chinese Mainland.

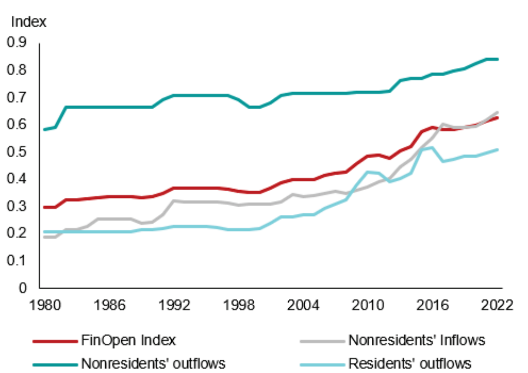
[10] Using a composite measure covering reserve holdings, foreign exchange trading, international debt issuance, and cross-border banking activity, Von Beschwitz (2024) finds that the RMB's international role remains substantially smaller than that of the major reserve currencies.

9. Hong Kong is uniquely positioned to facilitate the next phase of RMB internationalization despite these constraints. These challenges suggest an increasingly important role for Hong Kong in facilitating RMB internationalization. In particular, Hong Kong provides a market-based platform that helps mitigate some of the challenges relating to Chinese Mainland's still-evolving capital-account framework, while allowing offshore RMB activities to expand in a controlled manner.

10. Stable offshore RMB liquidity can help sustain market confidence despite the incomplete liberalization of China's capital account. As the primary offshore RMB market, Hong Kong plays a unique intermediary role by providing liquidity, price discovery, and risk-management functions that complement the gradual evolution of Chinese Mainland's capital-account regime. While capital account opening is expected to remain gradual and restrictions on cross-border capital flows are likely to persist in the foreseeable future (Figure A2.7), strengthening offshore RMB liquidity arrangements can alleviate concerns over liquidity shortages and market segmentation, particularly during periods of financial stress (Bahaj and Reis, 2024).

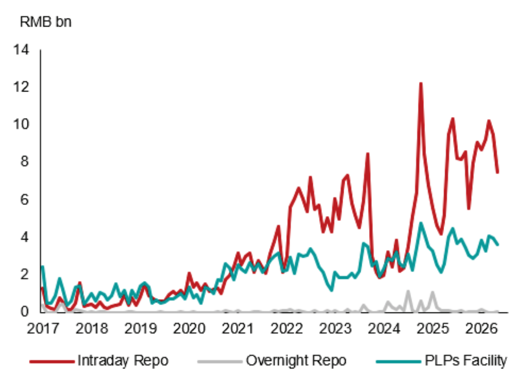
11. Hong Kong's liquidity infrastructure boosts confidence in the usability of the RMB for international transactions. Hong Kong's RMB liquidity facilities (Figure A2.8)[11], together with the continued development of offshore and cross-border repo markets, can help narrow excessive divergences between onshore and offshore RMB markets, support more stable CNH funding conditions, and reinforce confidence in the RMB's usability for international trade and financial transactions (Perez-Saiz and Zhang, 2023). In addition, expanding local currency transaction frameworks and direct quotation mechanisms between the offshore RMB and regional currencies can help deepen regional RMB liquidity networks, thereby supporting RMB internationalization.[12]

Figure A2.7. Capital Account Openness Indicators



Source: Li (2026); AMRO staff compilation
Note: The index measures the degree of capital account openness on a scale from 0 to 1, with higher values indicating greater financial openness.

Figure A2.8. Usage of RMB Liquidity Facility



Source: HKMA via Haver; AMRO staff calculations
Note: Usage of the RMB liquidity facility is calculated as the monthly average of daily facility utilization. The latest observation is May 2026.

12. Hong Kong is evolving from a gateway for Chinese Mainland-related RMB transactions into a central hub within the global offshore RMB ecosystem. This transition can be understood through a "hub-and-spoke" framework promoted by the HKMA under its

[11] The evolution of Hong Kong's RMB liquidity framework is summarized in Appendix Table A1.1.

[12] In June 2026, the People's Bank of China, the HKMA, and Bank Indonesia signed a Memorandum of Understanding to facilitate the direct exchange and settlement of IDR and CNH in cross-border trade and investment activities amongst corporates and institutions in Indonesia and Hong Kong. The initiative is expected to strengthen regional RMB liquidity networks, reduce reliance on third currencies in bilateral transactions, and reinforce Hong Kong's role as the leading offshore RMB hub connecting regional economies with offshore RMB markets.

RMB Business Facility (RBF) initiative,[13] in which Hong Kong functions as the central offshore RMB liquidity and infrastructure hub connecting the Chinese Mainland with a broader network of overseas RMB markets. Under this framework, Hong Kong facilitates the distribution of RMB liquidity, settlement services, and financial products across jurisdictions, helping to expand the reach of offshore RMB activities while maintaining close linkages with onshore markets. By strengthening RMB circulation beyond the Chinese Mainland and supporting RMB business in overseas markets, this framework has the potential to promote a deeper and more interconnected offshore RMB ecosystem.

Deepening Offshore RMB Markets: Priorities for the Next Phase

13. **Further development of offshore RMB markets will require both a broader supply of investable RMB-denominated assets and the wider use of RMB beyond Chinese Mainland-related activities**. The limited supply of investable RMB-denominated assets is a key structural constraint on the development of offshore RMB markets (Figure A2.9). Compared with major reserve currencies, the offshore RMB market offers a relatively narrow range of liquid assets and remains concentrated in Chinese Mainland-related exposures.

14. **The offshore RMB ecosystem also remains less developed than those of major international currencies**. Market development continues to be constrained by relatively limited liquidity, shallow secondary markets, insufficient hedging instruments (Figure A2.10). Offshore RMB usage is concentrated in Chinese Mainland-related trade, investment, and financial activities, with a significant share of offshore liquidity ultimately returning onshore, leaving demand closely tied to developments in Chinese Mainland's economy and exchange-rate expectations.

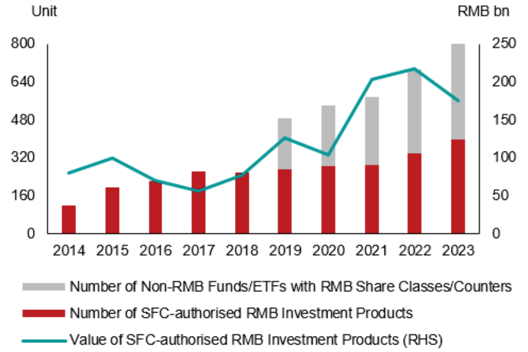
15. **Broadening the range of RMB assets and expanding RMB use beyond Chinese Mainland-related transactions will support a more self-sustaining offshore RMB ecosystem**. Expanding the supply of offshore RMB assets—including RMB-denominated bonds issued by foreign sovereigns, multilateral institutions, and international corporates—would broaden the investable universe and diversify credit exposures. Hong Kong should develop a wider range of RMB-denominated investment products, including index funds (or ETFs) tracking major global equity benchmarks (e.g., the S&P 500 and the FTSE All-World indices) as well as country- and regional-focused funds investing in markets such as Japan, Korea, and ASEAN. This would enable Chinese Mainland households and firms to diversify their overseas portfolios through channels such as QDII and Southbound Connect while avoiding foreign exchange risk. At the same time, the greater use of the RMB in regional trade, financing, and investment activities[14] between third parties will foster more autonomous offshore RMB demand and deepen RMB circulation outside the Chinese Mainland.

16. **Hong Kong is well positioned to facilitate the next stage of offshore RMB market development**. Together, these developments would support a more self-sustaining offshore RMB ecosystem and further strengthen Hong Kong's position as the leading offshore RMB hub for financing, investment, and global asset allocation.

[13] The "hub-and-spoke" model refers to the framework initiated by the HKMA under which Hong Kong serves as the central offshore RMB liquidity and infrastructure hub, linking the Chinese Mainland with other overseas financial centers that function as distribution spokes for RMB business.

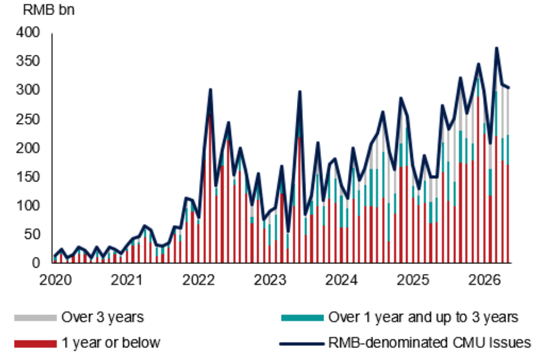
[14] Rather than focusing primarily on Mainland corporates, HKEX could broaden its outreach to international companies with RMB financing needs, encouraging them to list in Hong Kong and adopt the HKD-RMB dual counter model as a channel for RMB-denominated fundraising and trading.

Figure A2.9. RMB-denominated Investment Products in Hong Kong



Source: Securities & Futures Commission (SFC)
Note: Underlying data are derived from the SFC Asset and Wealth Management Activities Survey. Figures are as of 31 March each year. The coverage was expanded in the period from 2019 to 2023 to include the value and number of non-RMB-denominated unlisted funds with RMB share classes, as well as the number of non-RMB-denominated ETFs with RMB trading counters.

Figure A2.10. Secondary Market Turnover of RMB-denominated CMU Debt Securities



Source: HKMA via Haver; AMRO staff calculations
Note: RMB-denominated CMU issues consist of both fixed-rate and floating-rate instruments, with only a negligible share issued at floating rates. The latest observation is May 2026.

17. **Enhanced financial connectivity can strengthen Hong Kong's role as the central hub in the offshore RMB ecosystem**. As RMB internationalization advances, Hong Kong should continue to deepen connectivity between international and Chinese Mainland financial infrastructures. This includes deepening Hong Kong banks' participation in the Cross-border Interbank Payment System (CIPS) to support more efficient and resilient global RMB settlement, strengthening bond market linkages through the Central Moneymarkets Unit (CMU) OmniClear platform with international and regional Central Securities Depositories, and leveraging HKEX and related Connect schemes to facilitate cross-border capital flows and RMB financing activities. These initiatives will reinforce Hong Kong’s position as the principal platform linking onshore RMB liquidity with a broader network of offshore RMB markets.

18. **Digital innovation will improve the efficiency and reach of offshore RMB circulation**. HKMA's participation in Project mBridge[15] and related cross-border payment initiatives has demonstrated the potential of distributed-ledger-based and multi-CBDC arrangements to enhance cross-border payments and settlement. Building on its experience with tokenized bond issuance[16] and the development of Project Ensemble[17], Hong Kong could further expand the market for tokenized RMB-denominated assets—including bonds and money market instruments—by leveraging tokenized deposits and programmable settlement infrastructure. This would support innovation in RMB capital markets, improve issuance and settlement efficiency, and broaden the range of investable offshore RMB products. Together, these developments can expand access to RMB-denominated assets and strengthen the offshore RMB ecosystem.

[15] Project mBridge is a multi-CBDC platform involving the People’s Bank of China, the HKMA, the Bank of Thailand, the Central Bank of the United Arab Emirates and the Saudi Central Bank, designed to enable instant cross-border payments and settlement using distributed ledger technology.

[16] See the Roadmap for the Development of Fixed Income and Currency Markets, jointly issued by the SFC and the HKMA.

[17] Project Ensemble is a HKMA initiative that aims to foster the development of the tokenisation ecosystem in Hong Kong, seeks to explore innovative Financial Market Infrastructure to facilitate seamless interbank settlement of tokenised money. The SFC is part of the Architecture Community of Project Ensemble and co-leads tokenization initiatives for the asset management industry covering money market instruments and bonds, to promote wider adoption. In November 2025, the HKMA announced the launch of Ensemble[TX], representing a significant advancement in enabling real-value transactions involving tokenised deposits and digital assets within a controlled pilot environment.

19. The continued development of conventional and digital financial infrastructure will support the next phase of RMB internationalization.[18] While the RMB is not likely to challenge the US dollar's dominant global role in the foreseeable future, its role as a regional currency for trade, investment, and financial transactions will likely grow. In this context, Hong Kong, supported by its established conventional financial infrastructure and ongoing digital financial innovation, is well positioned to serve as the principal offshore platform supporting the RMB's internationalization.

Appendix A2.1: The Evolution of Hong Kong's RMB Liquidity Arrangements

Date	Development	Key Features
Jun 2012	Launch of RMB Liquidity Facility	Facility introduced to address potential short-term liquidity tightness in the offshore RMB market.
Nov 2014	Launch of Primary Liquidity Providers (PLP) scheme	The PLP scheme launched to support offshore RMB market liquidity; dedicated RMB repo facility provided to designated banks.
Oct 2024	Expansion of PLP scheme	HKMA designated 11 banks as PLPs and increased the dedicated PLP repo facility from RMB18 billion to RMB20 billion.
Jan 2025	Launch of RMB Trade Financing Liquidity Facility	Facility launched to provide banks with 1-, 3-, and 6-month RMB funds with a total size of RMB100 billion to support trade financing.
Feb 2025	Launch of Offshore RMB Repo Business	Introduced a channel for Northbound Bond Connect participants to conduct offshore RMB repo transactions in Hong Kong using eligible onshore bonds as collateral.
Aug 2025	Enhancement of Offshore RMB Repo Business	Expanded the offshore RMB repo framework to support collateral rehypothecation during the repo period and cross-currency repo transactions.
Sep 2025	Launch of Cross-boundary Repo Business	Introduced a new channel for overseas institutional investors to obtain RMB liquidity through the onshore repo market using eligible onshore bonds as collateral, with the proceeds available for offshore use.
Oct 2025	Enhancement of RMB Liquidity Facility	Reallocation of intraday funding to RMB30 billion and overnight funding to RMB10 billion (total of RMB40 billion unchanged).
Oct 2025	Launch of RBF (*Phase 1*)	Facility replaced the earlier Trade Financing Liquidity Facility, channeling onshore liquidity into the offshore market with a broader range of tenors and use cases.
Dec 2025	Enhancement of RBF (*Phase 2*)	HKMA broadened the scope of eligible financing activities to cover RMB capital expenditure and working-capital term loans.
Jan 2026	Expansion of RBF (*Phase 3*)	HKMA doubled the RBF from RMB100 billion to RMB200 billion. Under a “hub-and-spoke” model, the facility now has 40 participating banks and extends support to overseas entities.
Jul 2026	Further Expansion of RBF (*Phase 4*)	HKMA increased the RBF to RMB 500 billion and extended available funding tenors to up to three years, further strengthening the offshore RMB liquidity backstop.

Source: This AMRO staff summary is based on press releases issued by the HKMA.

[18] Robbert et al. (2026) suggests that financial linkages with China, particularly cross-border banking relationships and policy-supported financial channels, have become more important drivers of RMB internationalization than trade linkages, highlighting the growing importance of offshore financial centers in supporting RMB usage.

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