

## Zhu Hexin: Firmly advancing in-depth reforms and high-level opening-up in the foreign exchange sector to support high-quality economic development

Speech by Mr Zhu Hexin, Deputy Governor of the People's Bank of China and SAFE Administrator, at the 16th Lujiazui Forum "Financial openness, cooperation, and high-quality development amid global economic changes, Shanghai, 18 June 2025.

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Distinguished Party Secretary Chen Jining,

Former PBOC Governor Zhou Xiaochuan,

Mayor Gong Zheng, Deputy Director Wang Jiang, Governor Pan Gongsheng, Minister Li Yunze, Chairman Wu Qing, Vice Minister Hu Haifeng, and dear guests,

Good morning!

It's a great pleasure to join you at the Lujiazui Forum. I would like to take this opportunity to exchange some ideas with you on firmly advancing in-depth reforms and high-level opening-up in the foreign exchange sector, with a view to better supporting high-quality economic development.

Since April, the international economic and trade order has faced severe disruptions, and global financial markets have experienced significant volatility. Under the strong leadership of the Communist Party of China (CPC) Central Committee, China has strengthened counter-cyclical adjustments to macroeconomic policies, effectively responding to external shocks. As a result, the foreign exchange market has remained generally stable despite the complex and challenging environment. Since the beginning of this year, the RMB exchange rate has moved in both directions with enhanced flexibility. The RMB exchange rate has appreciated by 1.6 percent against the US dollar and remained generally stable against a basket of currencies. China's foreign trade has demonstrated strong resilience, with the current account surplus staying within a reasonable and balanced range. Cross-border investment has become more active, with net increase in domestic bonds holdings by overseas investors at a relatively high level, and foreign buying of domestic equities increasing recently.

Looking ahead, China's foreign exchange market remains well-positioned to maintain overall stability. **First, China's economy is expected to maintain its recovery and growth momentum.** China is stepping up the implementation of more proactive and effective macroeconomic policies, placing greater strategic emphasis on expanding domestic demand and strengthening the domestic economic circulation, while also fostering and scaling up new quality productive forces. These efforts will strongly support steady and sound economic growth. Recently, multiple international organizations and investment banks have raised their growth forecasts for China in 2025. **Second, the balance of payments will maintain a basic equilibrium.** China remains unwavering in its commitment to opening-up, with strengthened policy measures to stabilize foreign trade and investment, and a steady expansion of financial

market access. These factors will help foster more balanced cross-border capital flows. **Third, China's foreign exchange market will become more resilient.** Market participants have become more mature and rational, with the proportion of corporate foreign exchange hedging and the share of RMB cross-border settlements in goods trade both rising to around 30 percent, significantly enhancing their ability to cope with exchange rate fluctuations. In recent years, we have also accumulated rich experience in managing various risks. Despite continued uncertainties and instabilities in the external environment, we have both the capability and confidence to maintain the sound operation of the foreign exchange market and keep the RMB exchange rate basically stable at an adaptive and equilibrium level, thereby creating a favorable environment for high-quality economic development.

**Ladies and gentlemen,**

General Secretary Xi Jinping has emphasized the importance of staying committed to running our own affairs well and steadfastly expanding high-level opening-up, so as to counter the uncertainties of a rapidly changing external environment with the certainties of high-quality development. We will strike a balance between development and security, continue to deepen reform and opening-up in the foreign exchange sector, and promote the modernization of the foreign exchange governance system and governance capacity. Efforts will be made to **build a sound foreign exchange management system featuring "greater convenience, expanded opening-up, enhanced security, and upgraded intelligence"**. We will unswervingly pursue a path of financial development with Chinese characteristics, thus providing stronger foreign exchange support for China's high-quality economic development.

**First, in terms of "greater convenience", we will continue to improve a foreign exchange policy system that rewards integrity with greater access, and proactively enhance the quality and efficiency of foreign exchange services for the real economy.** We will step up reform and innovation in foreign exchange management, and grant greater convenience to entities with strong records of compliance and integrity, thus further facilitating the cross-border trade, investment and financing. **Firstly, we will focus on sci-tech enterprises and small and medium-sized enterprises (SMEs) to make significant efforts in the areas of technology finance, green finance, inclusive finance, old-age finance and digital finance.** Also, we will actively support the development of new quality productive forces, and provide comprehensive foreign exchange services along the entire chain for major national strategies, key areas, and weak links. **Secondly, we will steadily advance reform of bank foreign exchange operations** by comprehensively optimizing the management framework for pre-transaction due diligence, differentiated review during transactions, and post-transaction monitoring and reporting, thereby achieving a better balance between improving efficiency and managing risks. **Thirdly, we will establish a policy evaluation mechanism and an ecosystem assessment mechanism for foreign exchange management.** Taking alignment with national strategic goals, consistency with local development realities, and the tangible benefits delivered to enterprises and the public as key criteria, we will continuously boost the real impact of policies to ensure that people and businesses gain a stronger sense of fulfillment.

**Second, in terms of "expanded opening-up", we will promote high-level institutional opening-up in the foreign exchange sector to support the**

**development of a new system for a higher-standard open economy.** We will strengthen the overall planning and systematic integration of reforms, promoting RMB internationalization and the high-quality opening-up of the capital account in a coordinated manner. In addition, we will enhance the integrated management of domestic and foreign currencies, thus fostering a world-class business environment that is market-oriented, law-based, and internationalized. **Firstly, we will deepen the reform of foreign exchange managements for direct investment,** streamline the foreign exchange registration process for foreign direct investment (FDI), and shorten the negative list for fund use, so as to steadily support enterprises in participating in international cooperation across industrial and supply chains. **Secondly, we will prudently and steadily expand the connectivity of financial markets,** and refine the qualified foreign institutional investor (QFII/RQFII) program, thus facilitating foreign financial institutions in investing and operating in China. **Thirdly, we will advance the reform of foreign debt management by optimizing quota management,** shortening the "negative list" for the fund use of external debts, and gradually shifting the business of foreign debt registration to banks in an orderly manner. **Fourthly, we will deepen the development and opening-up of the foreign exchange market,** improve the product system, expand the range of market participants, and continue to enhance services for enterprises in managing exchange rate risks. **Fifthly, we will support region-specific opening-up and development,** explore integrated reform and innovation of foreign exchange management policies in pilot free trade zones, and actively support the development of key regions such as the Hainan Free Trade Port and the Guangdong-Hong Kong-Macao Greater Bay Area.

**Third, regarding "enhanced security", we will strengthen the dual management framework of "macro-prudential plus micro-regulation" in the foreign exchange market to safeguard its stability and ensure national economic and financial security.** Adhering to a bottom-line thinking, we will enhance open regulatory capabilities and risk prevention measures, fostering a positive interaction between high-quality development and high-level security. **Firstly, we will mitigate risks rising from external shocks.** We will intensify monitoring and early warning mechanisms for cross-border capital flows, strengthen macro-prudential management and expectation guidance, and maintain the RMB exchange rate at an adaptive and equilibrium level while ensuring a balanced international payments. **Secondly, we will strengthen oversight in foreign exchange.** We will advance the shift to entity-based regulatory approaches in the foreign exchange sector, crack down on illegal activities with heightened enforcement, and improve our capacity to identify and combat emerging criminal and illegal activities.

**Fourth, in "upgraded intelligence", we will leverage advanced technologies such as artificial intelligence and big data to elevate the digital and intelligent capabilities of foreign exchange regulation.** Through the development of "Smart Foreign Exchange Administration", we will provide more intelligent, efficient, secure, and user-friendly services to individuals and businesses. Simultaneously, we will enhance the intelligence, precision, and effectiveness of risk identification and regulatory oversight, empowering foreign exchange regulation with cutting-edge technological solutions.

**Ladies and Gentlemen,**

Currently, transformations of the world unseen in a century are unfolding at a faster pace. Confronted with drastic external changes, we will conscientiously implement the guiding principles of the Political Bureau meeting of the CPC Central Committee held on April 25, committing ourselves to both goal-oriented and problem-oriented approaches, staying attuned to market demand, and rolling out a basket of supportive policies to keep employment stable, sustain business operations, maintain market stability, and anchor the expectations.

**Firstly, we will support foreign trade enterprises through multiple policy measures.** We will further deepen the reform of trade-related foreign exchange management by launching a suite of facilitating policies. For example, we will launch high-level opening-up pilot programs for expanding cross-border trade, encourage banks to include more trade-related entities in emerging industries into the targets of facilitating policy support, optimize foreign exchange fund settlements for comprehensive foreign trade service providers, and facilitate the centralized overseas fund management for trustworthy engineering contracting firms. These policies are designed to support the innovation and development in trade.

**Secondly, we will proactively facilitate cross-border investment and financing.** We will implement a facilitating policy mix to better support the international economic and trading cooperation and exchange of personnel. For example, we will support research institutions across the country in attracting and leveraging foreign capital, further facilitate the cross-border financing and investment of technology-based companies, and shorten the negative list for the use of income generated under the capital account. We will promote nationwide the integrated RMB and foreign currency cash pooling program for multinational corporations, to facilitate the centralized use of fund within the corporate group. Through the pilot program for green foreign debt policies, we will encourage eligible enterprises to borrow foreign debts for green projects. Meanwhile, we will improve the fund management of domestic enterprises that list abroad by harmonizing the policies for domestic and foreign currency management, thereby facilitating the repatriation and domestic use of fund raised overseas. In the coming future, a batch of investment quotas under the Qualified Domestic Institutional Investor (QDII) scheme will be issued, to meet the reasonable overseas investment demand by domestic entities in an orderly manner.

**Thirdly, we will implement a package of innovative policies related to foreign exchange businesses in the pilot free trade zones, to actively support the strategy of upgrading the pilot free trade zones.** The policy package includes measures such as optimizing settlement processes for new international trade forms, and expanding the pilot program for Qualified Foreign Limited Partnerships (QFLP), among a total of ten facilitating policies.

**Ladies and Gentlemen,**

Accelerating the construction of Shanghai as an international financial center is a major strategic decision made by the CPC Central Committee. It holds special significance in serving the new development paradigm and promoting high-quality economic growth. In recent years, remarkable progress has been made in developing Shanghai as an

international financial center. Today, Shanghai has evolved into a city with the most comprehensive financial market system, the most diverse range of financial institutions, and the highest level of financial opening-up in China.

Since the beginning of this year, we have continued to step up support for building Shanghai into an international financial center. Not long ago, the People's Bank of China (PBOC), the National Financial Regulatory Administration (NFRA), the State Administration of Foreign Exchange (SAFE), and the Shanghai Municipal People's Government jointly released the *Action Plan for Further Facilitating Cross-Border Financial Services in Shanghai International Financial Center*. Recently, the PBOC and the SAFE approved the plan for upgrading the functions of Free Trade Accounts (FTAs) in the China (Shanghai) Pilot Free Trade Zone and the pilot plan for comprehensive reform of offshore trade financial services in the Lin-gang Special Area.

Moving forward, we will continue to strengthen the provision of high-quality policies and services to support entities of all types in participating in international competition and cooperation in a safer, more convenient, and more efficient manner. This will further enhance the competitiveness and global influence of Shanghai as an international financial center.

To conclude, I wish the Forum a full success! Thank you!