

Capital account convertibility and the construction of Shanghai International Financial Center-----from the perspective of empirical Test of QFII

Zhang Bo

((1983-),man,Huazhong University of Economic Sciences(Wuhan,430074),Dr..Research direction:monetary policy,Financial Market.)

Abstract: 12th "five-year plan" has set "construction of Shanghai International Financial Center" as a Strategic Target.However, compared with traditional international financial centers, Shanghai still.One factor which restrains the development of Shanghai would as partial of capital account as it openness the hinders Tal Flow and hampers the financial institutions to promote their competitive advantages through agglomeration.This article studies the relationship between openness accounts of capital agglomeration and the effect by empirical SIS based on QFII data, the results indicating that it improves agglomeration effect of financial institutions The limited openness of capital accounts and help to form the Shanghai International Financial Center.

Keywords: Capital account convertibility; International Financial Centre; Cluster Effect; QFII

Earlier than 1992 Year, Party's Four to establish Shanghai International Financial Center officially as a national strategy. @year 2 months, in accordance with central strategic positioning of Shanghai Promotion of Shanghai International Financial Center Construction Action Program "" proposed Three-step " Strategy, and to make Shanghai the first investment, Transactions, Develop RMB financial products The target of the is the center of. 2006 year one Month Shanghai International Financial Center Construction "Eleven-Five" plan " further mention out quantization target, to 2020 year, It is essential to build an international financial center that adapts to China's economic and financial strength. period year 1 The establishment of Shanghai International Financial Center on the launch of the month "Twelve-Five" planning is further clarified, to 2015 Year Basically establish Shanghai's global RMB product innovation, deal, Pricing and Clearing center status. through years development, Shanghai has formed a lujiazui-centric financial cluster. up to 2013 Year end, Shanghai aggregation up Home Banking Corporate financial institution, 3676 Sales Outlets, Home Securities Financial institutions, 131 Home security Insurance Financial institutions, compared to 2007 The year has grown 180%, 20%, 33% and 43%.

however, from the current pattern of the global financial center, There is still a difference between Shanghai and the top international financial centre from. based on the city of London from 2007 year-per-half-year release Global Financial Center index " (Global Financial Center Index, Hereinafter referred to ASGFCI), Shanghai Although it has been a bit of a stretch over time break, but still The name hovers around, cannot compare to London, Traditional international financial centres such as New York. Compared to cities such as New York, Shanghai at operating cost, Infrastructure, micro-ring such as life comfort. There are still gaps in the environment. But more importantly, Shanghai does not exist in financial efficiency such as commercial competition full, China also needs broader financial liberalisation to be able to make Shanghai an international financial centre. ... 1 domestic scholar Zenggang and Shi think, Insufficient information flow, enterprise level not enough contact is restricted by Shanghai An important factor in the development of financial agglomeration. 2 He Ying and Xiaobenhua passto GFCI profiling indicates that, in Shanghai Financial Market', 'Industry Support', 'National Environment and Service level from traditional financial center is a distance away from. 3 Liu Fang and Wu Dehui Think, compared to Shanghai, London has a better legal system, will count System, Infrastructure and human resources, Shanghai to build an international financial center, need to strengthen the talent pool, in Step

Perfect Financial Market system, Create a good financial environment, Strengthening financial system construction.⁴

Most of the above research uses qualitative analysis. The section of the literature takes only the form of discussion, or simply parse GFCI Index to explore the gap between Shanghai's construction of an international financial centre, focuses more on macroeconomic development and Micro-institutional factors. Less in-depth discussion on the important role of financial openness in the construction of an international financial centre, and none of the existing studies demonstrate the relationship between the opening of capital projects and the agglomeration of financial institutions through quantitative analysis.

Look at the extent to which our capital account is currently open., China has implemented on most capital projects opening, More stringent controls are foreign capital inflows in the securities market. But our country has been opened from 2003 year opening Securities Account Item, through QFII (Qualified Foreign institutional Investors, that qualified foreign machine construct investor) and RQFII (RMB qualified Foreign institutional Investors, refers to RMB eligibility foreign investors Foreign investors introducing capital Markets, up 2014 year 8 month, QFII and RQFII approved limit reached \$ billion, Foreign trade for one year in Shanghai. so, with QFII and RQFII development to represent, Research on the opening of capital account is of great significance to the construction of Shanghai International Financial Center.

1. The importance of capital account convertibility to the construction of an international financial centre

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The development of a country's financial industry and the international acceptability of its local currency and the openness of capital projects related. Capital account convertibility process, often the rapid development and efficiency of a country's financial industry.

(a) Because capital account openness can facilitate capital flows, to further the formation of an international financial centre

An international financial centre is essentially a financial agglomeration, from the origin of the aggregation, on the one hand because of the gold financial institutions' "Follow customers" strategy, providing multinational financial services for customers' business needs such as manufacturing; 5. another on the one hand the financial center's "Location Advantage" will also attract multinational financial institutions. 6. on provide customers Capital Cross-border settlement and Cross-border operations at the same time, Financial agglomeration must bring a lot of capital flows. 7. due to capital project openness while eliminating restrictions on capital transactions and exchange restrictions on capital inflows and outflows, open for capital items put in particular securities market open, Reduce the cost of financial agglomeration, Improve financial center's appeal to foreign financial institutions, has a positive effect on the formation of an international financial center.

(b) from international experience, International financial centres need a strong capital market, and capital items The opening of is a prerequisite for the high development of capital markets

take London and New York as examples, Up to 2014 Year 4 Month-end, daily Trading in London forex market is 2.4 million billion \$, New York Foreign exchange market daily average transaction to 811 billion \$, 44% and, respectively, for global daily exchange transactions 14.9%: Up to 2014 Year 6 Month-end, Its bond issuance balances account for the global debt balance of 1% and 9.2%, accounting for developed countries' bond balances 1% and 11.9% Up to Year end, its

Stock market value is 3 trillion of dollars and 18.7 trillion-dollar, accounts for the country GDP for 122.65% and 114.92%, is much higher than global The average level of 65% is ". The path of the New York financial centre to the international status of the United States dollar: First, The United States sells debt products to other central banks as an international reserve, causes the New York has a huge bond market, bring high market liquidity, on this basis, US public bonds, public bonds Easy to find the right investors, favor finance "non-mediation" and further "Securitization of assets and formation of structured products, in turn further increased liquidity in the financial markets: it's times, US developed financial markets reconfigure global savings, consuming the rest of the world alone, can say This is the U.S. financial markets that have cleared the global economy of total output. New York as financial center, attracting global funds while, also provides global financial assets. and the formation of London's financial center is more historic: first time before World War, British shilling (Sterling) is the world's leading international currency. from 1860 year to 1914 years, Global trade approximately 60% is in shillings closing. The appearance of the London International Financial Center and the UK Shilling internationalization for the first time, it is demonstrated that the internationalization of local currency and the development of financial center mutually promote, interdependent off Department. hereafter, Although the dollar has become a global currency, But Britain attracts a lot of outside control through looser regulation Bank to London settled, to drive large capital flows, and form an offshore forex center.

so, Opening of capital projects can promote economic development, Developing countries develop equity investments through Lower capital cost, stimulating investment behavior, increase productivity and drive economic growth, set for financial institutions, to form an international financial center create an enabling environment, 9M [* * *] reduction of capital flow barriers can be enhanced International status of the local currency, Raising financial internationalization level, enhance the international competitiveness of financial centers.

2. Is based on the QFII An empirical analysis of the impact of the on Shanghai's construction of an international financial center

(a) Positive Thinking

The previous literature for is mostly fromFDIPerspective on the impact of capital flows on financial agglomeration,and mostof them derivePositive correlation,MBut I haven't found the literature on the impact from the perspective of the opening of the securities market.This thetext to examine the influence of capital market opening on the agglomeration of Shanghai financial institutions.

Although China's capital account openness has greatly improved by now,MThe capital item for 90% is implementation basicConvertibleand partially convertible,and have prerequisites for further opening,MBut the securities market is always notlet go,capital controls remain relatively high.@so,There isno long-term,complete sample to divideanalyze.due to our country from2003year start,to try to taketheQFIIandRQFIImechanism,allow foreign agencies to voteInvestor invests in domestic securities market with total limit,Limited opening of our capital markets,onto a certain extent represents the open state of capital items in the securities market.so,in the Positive analysis section,This articleis based on data from QFII,Reviewing the impact of capital account opening on the agglomeration of Shanghai financial institutions.

(b)Sample selection and data source

because the variable is2003end of year to2013number of financial institutions in Shanghai at the end of the year,Thenumber of foreign banks in ShanghaiOn(ltnum),includes legal entities such as foreign bank branches and foreign bank representatives.because of the number of new per yearlevelsmallerSo the endof each period,corresponding,The arguments are based on the endof each term.up to2013yearEndof year,Shanghai Foreign Banking institution197home.

to participate in the Shanghai certificateAStock Number of foreign institutional investors(lnlnvestor),Number of approved institutional investorsamount(lnlnapp),approved quota(lnqfii),shareholding(Shanghai certificateAshares())Market value(lnvalue),whereQFIIapproved at average annual exchange rate of RMB to USD.All variables take a natural tovalue.becauseof theRQFIIthesample number is too small,short time span,This article applies only in the metering processQFIIData.data from Shanghai Financial Statistics Yearbook,million information,Theofficial website of the foreign Exchange administration.table1descriptionThe statistical characteristics of a variable.

(c)Empirical Validation

This article establishes a time series model,to investigate the opening of securities capital projects through Granger causality testimpact on the agglomeration of Shanghai's financial institutions.thetime series model is as follows:

$$ltnum=p0+^lninvestor+P2lninapp+p3lnqfii+p4lnvalue+s \quad (1)$$

before the Granger test,,In this paper, the stability of time series of each indicator is firstADFunit rootcheck,then,throughVARVerify the model is significant or not and how the argument affects the dependent variable.

1. ADFValidation.

This article checks the respective variableADFquarantine results as follows:

Isbased ontheADFQuarantine results for,Stock market value(Value)Time delay value(valuer)Smooth, so,Thetime series model is adjusted as follows:

$$ltnum=p.+^lninvestor+^lnlnapp+pslnqfii+pilnvaluetd+s \quad (2)$$

at the same time,This article usestheStataSoftware-related commands,excludes the cointegration relationships that exist in the metering equation,consists of thetoVECApplies to non-stationary sequence modeling known to assist relationships,So this article usesVARinsteadofVECDo regression validation.

2. VARValidation.

This article attempted a variety ofVARvalidationcombination,only in the metering equation including the number of approved institutionsand approvedQFIIThe return result of the investment quota is significant,and the actual number of investors and the market capitalizationregression results are not ideal.So this article preserves the

result ideal regression equation, measurement results are sorted as follows:

Note:***represents the 1% The confidence level of is significant,**represents the 5% The confidence level of is significant,*represents the 10% The confidence level of is significant.

The validation results for show, Number of approved institutional investors (Lninapp) and approved quota (ln-qfii) the impact on the number of financial institution clusters is significant. also, next figure confirms, VAR Check result feature root falls in unit circle, therefore stable, A description of the agglomeration of financial institutions in Shanghai by the approved machine the number of configurations and approved amounts affect, The opening of capital account to the establishment of a financial center in Shanghai.

3. Granger causality check.

after confirming the smoothness of the time series and excluding the assistance relationship, this The article is a Granger causality check. The verifies the math model as follows:

M M K

$$ltnum_t = a_0 + \sum_{i=1}^k ltnum_{t-i} + e_{1t}, ltnum_t = a_1 Q + \sum_{j=1}^k ltnum_{t-j} + e_{2t} \quad (3)$$

This paper focuses on the influence of the independent variable of capital account opening on the agglomeration of Shanghai financial institutions. The results of the check from table 4 show that: First, variable AppP The value is 0.004, in 1% The significant level of this article reject original assumption, That is to confirm that the number of approved institutions is the Granger factor to promote the agglomeration of Shanghai financial institutions; second, Change amount QFII for P The value is 0.009, This article also applies to the 1% The significant level of rejects the original assumption, Confirms the approved amount The degree is also the Granger factor of Shanghai financial institution's agglomeration.

so, you can see from the above tests that, The concentration of financial institutions in Shanghai is subject to the number of authorized institutions and the approved limit (= Capital Item open effect of, but about actual investment in Shanghai card A number of institutions for the unit, The test results for the stock market value are not significant. This article speculates that this result is due to the following: first, invests in The organization of the Shanghai certificate A Unit will still need to wait for approval from eligibility to quota - Day to six-year time can be obtained Amount of investment, Invest in A Stock time is unknown, during this time, agglomeration effect already generate, not invested by foreign agency in A Effects of the unit; Second, Foreign investment institutions shareholding market value by macro Environmental and economic factors greater impact, because China's stock market in recent years, especially from 2008 year start down, Persistent downturn, so the market value itself does not represent institutional investment behavior; Third, Compared to the stock market value, The approval of the will better reflect the investment strength and investment intentions of financial institutions, can show the concentration of financial institutions effect.

4. Conclusion and policy recommendations

This article is based on the importance of capital account convertibility to the construction of International financial center, Open from a capital account Place Perspective, qualitative and quantitative analysis Impact of the QFII on Shanghai's construction of an international financial centre. Empirical results confirm: Opening capital account to promote financial institutions in Shanghai, helps accelerate international financial center construction. for this article make the following related recommendations:

1. further relax existing

QFII and RQFII restrictions, encouraging foreign capital to make full use of this investment channel parameters with to our capital market, expand Investor Group, Increase the quota utilization. up to 2014 year third quarter end, QFII Total Positions - billion - share, Position Market value Total 1058, billion from QFII holding number of securities perspective, QFII on The heavy stock for the A unit is the 309 only, than previous period 253 only add only, Increase up to, 13%. Treasury, General Administration of taxation and SFC joint dispatch

clear, from 2014 Year One Month Day, to QFII, RQFII obtain transfer of equity investment assets such as equities from China, temporarily exempt from Enterprise Income tax, This is good news for foreign investment in our capital market. on policy development, Our country should continue to insist on encouraging the participation of foreign institutional investors in our capital market..

2. further broadening

the flow of capital through innovation, easing capital flow controls, Expand Capital Flow rules mode. with Shanghai FTA and Shanghai HK Tong for Opportunity, Promoting capital market support promoting FTA policy on the ground implementation, Promoting two-way flows of cross-border capital through free trade accounts, Promote offshore financial institutions and Enterprises to enter the Shanghai securities market according to the provisions of investment and transactions, Promote eligible individuals to carry out the cross-border Two-way investment, to promote the issuance of RMB by foreign parent companies of overseas institutions and the registered enterprises of the FTA in China by bond.

3. perfecting the system associated with capital account opening

Promote interest rate and exchange rate marketization, steadily release deposit interest rate control, rich Forex products, Further improve market infrastructure, stepping into enterprise, individual Large negotiable CDs. Establish and improve effective medium and small investor protection, Enhanced self-withdrawal company Retreat Internal decision procedure, Promoting the protection mechanism and civil liability of dissident shareholders, establishing significant information disclosure violation The special mechanism for the return of company shares to the market. only the relevant system is complete, Open Capital account will be positive to promote the development of our financial markets.

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