HD **Secret path revealed for China's billions buying foreign real estate**

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For years, wealthy Chinese have been transferring billions worth of their money overseas, snapping up pricey real estate in markets including Vancouver, New York and Sydney despite their country's currency restrictions.

Now, one way they could be doing it is clearer. Last week, when China Central Television levelled money-laundering allegations against the Bank of China, the state-run broadcaster's report prompted the revelation of a previously unannounced government program that enables individuals to transfer their yuan and convert it into dollars or other currencies overseas.

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Offered by some banks in the southern province of Guangdong, across the border from Hong Kong, the trial program was introduced in 2011 for overseas property purchases and emigration and doesn't constitute money laundering, Bank of China said in a statement. The transfers were allowed by regulators and reported to them, the bank said.

"What it shows is the government has been trying to internationalize the renminbi for a lot longer than we thought," said Jim Antos, a Hong Kong-based analyst at Mizuho Securities, referring to policy-makers' long-stated goal of allowing the yuan to become freely convertible with other currencies. "I'm rather encouraged by this news because this is the way they need to go."

China's foreign-exchange rules cap the maximum amount of yuan that individuals are allowed to convert at about $50,000 US each year and ban them from transferring the currency abroad directly. Policy-makers have taken steps in recent years, including allowing freer movements of capital in and out of China, as they seek to boost the global stature of the not-yet- fully convertible yuan.

"There's a silver lining in this incident as it may force the regulators to address the issue in a more open and transparent way," said Zhou Hao, a Shanghai-based economist at Australia & New Zealand Banking Group. "This is an irreversible trend."

The issue came to light after CCTV said Bank of China helped customers transfer unlimited amounts of yuan abroad through a product called Youhuitong, which means "superior foreign-exchange channel."

The program is another sign that China is testing methods to allow outward yuan flows before full convertibility, said May Yan, a Hong Kong-based analyst at Barclays. The goal has been announced by policy-makers since the 1990s, and is a step toward stated plans to make Shanghai a global financial capital by 2020.

"For an experiment, you want to see if there's any positives or negatives," Yan said. "When the bank or the regulators can accumulate that experience, then they will decide if they want to move forward, or broaden it or shut it down."

The central bank in February unveiled rules to make it easier for companies with operations in Shanghai's free-trade zone to move yuan in and out of the country, a further loosening of controls on currency flows. The yuan surpassed the euro as the world's second most-popular currency in trade finance in 2013, according to the Society for Worldwide Interbank Financial Telecommunication.

The Guangdong branch of China's currency regulator, the State Administration of Foreign Exchange, picked Bank of China, China Citic Bank and a foreign lender to let individuals transfer yuan abroad in a trial the banks were told not to promote, Time Weekly reported in April 2013. A Beijing-based Citic Bank media officer declined to comment on the program.

While the Bank of **China** didn’t provide figures, the 21st Century Business Herald estimated the lender has moved about 20 billion yuan ($3.2 billion US) abroad through Youhuitong, citing people with knowledge of the trial program. "Many **commercial** banks" in Guangdong offer a similar service, Bank of **China** said in its statement, without naming them.

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