

RMB Offshore Financial Centers as Institutional Complexes: A Legal-Institutionalist Perspective

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Abstract

This paper explores the conceptual foundations for classifying Renminbi Offshore Financial Centers (RMB OFCs) as institutions, drawing upon insights from New Institutional Economics (NEI), International Relations (IR), and legal theory. Although “institution” remains theoretically contested, the analysis demonstrates that RMB OFCs meet the definitional criteria advanced by broad and integrative institutionalist traditions. Far from being reducible to isolated rules or discrete organizational units, RMB OFCs constitute institutional complexes—cohesive configurations in which rules and organizations operate in a mutually reinforcing manner. From the perspective of Chinese authorities, these centers are conceived as deliberate governance structures that serve to internationalize the renminbi while preserving policy autonomy over capital controls and exchange rate mechanisms. By examining how various theoretical traditions conceptualize the relationship between rules and organizations, the study shows that RMB OFCs—similarly to U.S. Dollar Offshore Financial Centers (USD OFCs)—transcend conventional dichotomies and demand an interpretive framework capable of capturing their hybrid, transnational, and evolving institutional character. The paper concludes that recognizing RMB OFCs—and, by extension, USD OFCs—as institutional complexes, understood as integrated arrangements of rules and organizations, not only enhances conceptual precision but also offers

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a robust analytical lens for understanding China's evolving role in the transformation of global financial governance.

Keywords

China, Renminbi Offshore Financial Centers (RMB OFCs), Institutional Complexes, International Political Economy, Legal-Institutional Theory, Currency Internationalization

1. Introduction

The concept of “institution” occupies a central yet contested role across legal theory, International Relations (IR), and International Political Economy (IPE). In these disciplines, the term alternates between two main conceptual traditions: on the one hand, institutions are understood as systems of formal and informal rules that shape and constrain behavior (North, 1990); on the other hand, institutions are viewed as organized structures—such as central banks, courts, or international bodies—that operationalize and reproduce these rules (Prado & Trebilcock, 2019). This conceptual duality remains unresolved in much of the literature and generates particular analytical difficulties when applied to hybrid financial structures like the *Renminbi Offshore Centers* (RMB OFCs).

This paper addresses that lacuna by advancing a legal-institutionalist interpretation of RMB OFCs as institutions in their own right. The objective is not merely definitional. Defining RMB OFCs as institutions enables a more precise understanding of their normative foundation, regulatory design, and function within the broader architecture of international monetary governance. RMB OFCs are not reducible to a single rule or entity; they comprise complex, multilayered arrangements involving laws, bilateral and multilateral agreements, financial infrastructures, and both public and private organizations, interacting across jurisdictions to facilitate the international use of the Chinese currency.

From the outset, it is important to distinguish RMB OFCs from *USD OFCs* (U.S. Dollar Offshore Financial Centers). While the latter emerged largely through market-led initiatives—particularly in the context of the Eurodollar market—the RMB OFCs result from a deliberate process led by the Chinese state to promote the renminbi's internationalization under controlled conditions without full capital account liberalization.

To develop this institutional interpretation, the paper draws from New Institutional Economics (NIE), international legal theory, and institutionalist approaches in IR. While North's definition centers on rules (formal and informal constraints), and Prado and Trebilcock emphasize institutional design and organizational architecture, we explore their compatibility using Hodgson's broader view: institutions are systems of socially embedded rules that structure interactions and often include the organizations that enact and sustain them (Hodgson, 2006).

This conceptual synthesis reinforces our central argument: RMB Offshore Financial Centers (RMB OFCs) are best understood as institutions integrating legal norms, organizational arrangements, and financial mechanisms to expand the renminbi's global use. By extension, U.S. Dollar Offshore Financial Centers (USD OFCs) can also be conceptualized as institutions, albeit grounded in a different model of genesis. Unlike the RMB OFCs, which are predominantly state-led and diplomatically coordinated, the USD OFCs emerged primarily through market-driven forces and private-sector initiatives. This distinction in origin is significant but does not preclude a shared institutional character. Once it is demonstrated that RMB OFCs qualify as institutions for theoretical and empirical purposes, it logically follows that USD OFCs—despite their contrasting trajectories—also fulfill the definitional criteria. Both structures embody institutional features in their normative and organizational dimensions, and each contributes to reshaping the monetary geography of the international financial system.

2. Defining the RMB Offshore Financial Centers (RMB OFCs)

Despite the growing significance of RMB OFCs in China's strategy for currency internationalization, academic literature seldom provides a precise or consistent definition. Most studies address their operational or economic impact but neglect conceptualizing their institutional nature, which is essential for legal and normative analysis (Chey, 2013; Cohen, 2015; Subacchi, 2018).

Cheung (2014) defines RMB OFCs narrowly as financial centers outside the mainland of China where financial products denominated in renminbi are traded and do not fall under the jurisdiction of the issuing state. This definition highlights the offshore nature of the transactions but fails to capture these centers' institutional complexity and legal underpinnings.

We propose a more comprehensive definition: RMB OFCs are institutionalized financial environments in global or regional financial centers that support the international use of the renminbi through coordinated legal, regulatory, and organizational frameworks. These include banking, securities, and foreign exchange markets, all linked to formal agreements and transnational infrastructures.

More concretely, RMB OFCs are characterized by:

- **Legal arrangements**, such as memoranda of understanding (MoUs) between the People's Bank of China and foreign monetary authorities;
- **Organizational mechanisms**, such as the designation of Chinese state-owned banks (e.g., Bank of China) as official clearing institutions in each RMB OFC;¹
- **Financial infrastructures**, including CIPS (Chinese Cross-Border Interbank Payment System), a China-led system for international payments and settle-

¹These banks are responsible for adjusting the renminbi's offer in offshore markets, considering several factors, from China's domestic monetary policy to international market demands (BOCHK, 2023; HKMA, 2014; BIS, 2012).

ment denominated in renminbi, which functions as an alternative to SWIFT and CHIPS;²

- **Investment channels**, such as RQFII (Renminbi Qualified Foreign Institutional Investor),³ A program that allocates quotas to select financial institutions in host countries, allowing them to invest directly in Chinese onshore markets using renminbi;
- **Liquidity support instruments**, including swap agreements between the People's Bank of China and the host country's central bank.⁴

Functionally, RMB OFCs enable the renminbi to perform three classical monetary roles:

- 1) Store of value—through deposits and RMB-denominated securities, such as *dim sum bonds* (offshore RMB bonds issued outside China);
- 2) Medium of exchange—in offshore FX and interbank markets;
- 3) Unit of account—for pricing, trade, and investment operations.

Unlike USD OFCs—which emerged from deregulation and financial innovation in London and New York—the RMB OFCs are the product of Beijing's coordinated economic diplomacy and financial governance, aimed at cautiously expanding the renminbi's global role. Their architecture reflects a gradual, calibrated internationalization strategy that balances external integration with internal control.

The institutional distinctiveness of RMB OFCs lies in the deliberate combination of:

- Multilateral and bilateral legal frameworks;
- Centralized state coordination with host countries;
- Market access regimes are bound to sovereign agreements.

This hybrid composition supports the dual interpretation of RMB OFCs as *institutions*: They are governed by norms and formal arrangements, and simultaneously embodied in organizations and infrastructures. Understanding them as such fills an important gap in legal and IR literature, which tends to either oversimplify their design or overlook their legal and institutional character altogether.

²SWIFT (Society for Worldwide Interbank Financial Telecommunication): A global messaging network financial institutions use to transmit information and instructions related to financial transactions securely. Although SWIFT does not handle the transfer of funds, it provides the standardized communication infrastructure essential for cross-border payments, including those between banks, central banks, and other financial entities. CHIPS (Clearing House Interbank Payments System): A U.S.-based private clearing and settlement system operated by The Clearing House, used primarily for large-value domestic and international U.S. dollar transactions. CHIPS enables real-time, netted settlement among participating financial institutions and is critical to the global dollar-based financial architecture.

³RMB Qualified Foreign Institutional Investor (RQFII) was launched in late 2011. It allows qualified foreign investors in certain pilot countries or regions to directly invest in mainland China's capital market using offshore RMB. Shanghai Stock Exchange—QFII/RQFII. <https://english.sse.com.cn/access/qfii/qfii/introduction/>

⁴Bilateral currency swaps between central banks are financing arrangements in which one country's central bank can exchange its own currency for another. The swap funds can be used to support bilateral trade and investment activities, helping save exchange costs and reduce exchange rate risks. The State Council—The People's Republic of China: https://english.www.gov.cn/news/202402/16/content_WS65cef3efc6d0868f4e8e40d3.html

3. Are the USD and RMB OFCs Institutions? Debates from the Perspectives of NEI and IR

The concept of institution is one of the most enduring and contested in the social sciences. It has been debated since at least the 18th century, with Giambattista Vico's foundational contributions in his *Scienza Nuova* (1725).⁵ However, despite its historical prominence, there remains no universally accepted definition of what constitutes an institution (Hodgson, 2006). This theoretical plurality is not merely of academic interest: it directly shapes how we analyze complex regulatory and organizational phenomena within the international system. One such case is the RMB OFCs, which prompts a fundamental question regarding their legal, organizational, and financial features: Can they be conceptualized as institutions?

This question becomes even more pressing when the prevailing institution definitions oscillate between two poles. On one side stands North (1990), representing the New Institutional Economics (NIE), who defines institutions as “the rules of the game”—that is, formal constraints (constitutions, laws, contracts) and informal norms (conventions, cultural codes, behavioral expectations) that structure human interaction. In his analytical framework, organizations such as banks, stock exchanges, regulatory bodies, or central banks are not institutions themselves but rather the actors, the “players”, who operate within the institutional rules.

Legal-institutionalist perspectives, such as those advanced by Prado and Trebilcock (2019), contend that institutions are more adequately defined as *organizations*, particularly those with legal personality, normative authority, and institutionalized functions. From a jurist's standpoint, the mere existence of rules—even if enforced—does not constitute an institution. Instead, institutions are the legally and organizationally defined entities that create, apply, interpret, and enforce those rules. This view is grounded in a legal tradition that recognizes institutions not as abstractions but as structured and stable arrangements with operational capacity, decision-making authority, and recognized legitimacy. This conceptual divergence poses significant analytical challenges when interpreting complex institutional arrangements such as OFCs. An example is the RMB OFCs, which exhibit a comparatively higher degree of formalization, legal coordination, and state involvement.

These centers are structured through interdependent actors and institutional frameworks—including rules, norms, regulations, and organizations—that collectively sustain their governance architecture and operational functionality. These include bilateral clearing agreements, regulatory memoranda, quota systems (such as the Renminbi Qualified Foreign Institutional Investor, RQFII), designated clearing banks, and the CIPS—a state-led organization that functions as China's official infrastructure for the registration, clearing, and settlement of international transactions denominated in renminbi, as previously discussed in Section 1. Taken together, these elements indicate that RMB OFCs are far more than isolated sets of

⁵Period of the *Scienza nuova* of Giambattista Vico.

<https://www.britannica.com/biography/Giambattista-Vico/Period-of-the-Scienza-nuova>

rules or operational routines. Instead, they constitute complex institutional structures in which legal, normative, financial, and organizational components interact to produce a coherent and replicable model of offshore monetary governance. In this sense, RMB OFCs qualify as institutions under a broad, interdisciplinary definition encompassing the normative content of rules and the organizational capacity required to implement, enforce, and sustain them.

Scholars such as Hodgson (2006), Hall and Taylor (1996), and Keohane (1988) have emphasized that institutions should be understood as *durable systems of rules and structured practices* embedded in organizational settings and often carrying normative legitimacy. This conceptualization allows us to move beyond the dichotomy between “rules” and “organizations” by recognizing that real-world institutions often involve the fusion of both dimensions. As such, institutional arrangements like the RMB OFCs cannot be fully captured by models that treat rules and organizations as mutually exclusive categories.

Rather than attempting to resolve the definitional debate by choosing one side, this chapter adopts a synthetic position: North’s emphasis on norms and constraints and Prado & Trebilcock’s emphasis on formal organizations are not incompatible but instead capture different aspects of institutional reality. The RMB OFCs—rooted in legal agreements, operated through designated financial entities, and structured around specific normative functions—exemplify this dual nature.

Moreover, it is important to recognize that this debate is not confined to monetary policy or financial regulation. It has broader implications for conceptualizing governance forms in International Relations and global economic law. Abbott and Faude (2021) have noted that the fragmentation and pluralization of authority in the international order increasingly occur through institutional complexes rather than traditional, hierarchical bodies. The RMB OFCs—composed of multiple actors, agreements, infrastructures, and norms—exemplify this trend.

In sum, this paper argues that the RMB OFCs should be understood as institutional complexes: multifaceted, legally grounded, and organizationally embodied systems that regulate, coordinate, and expand the international use of the Chinese currency. Such a conceptualization aligns with legal and institutionalist theory, allowing for a more precise and nuanced analysis of China’s evolving role in global financial governance.

3.1. The Concept of Institution under NEI

Within the New Institutional Economics (NEI), the notion of institution has been central but remains deeply contested. Douglass North, a seminal figure in NEI, famously defined institutions as “the rules of the game”—humanly devised formal and informal constraints that shape human interaction (North, 1990). These rules include constitutions, laws, property rights, norms, conventions, and codes of conduct. Significantly, North distinguishes institutions from organizations, which

he sees as the “players”—entities that operate within and are constrained by and respond to these rules. For North (1990), organizations such as firms, political parties, stock exchanges, regulatory agencies, and courts are not institutions *per se* but actors within an institutional framework.

However, this distinction between institutions and organizations has generated substantial confusion and scholarly debate. Hodgson (2006) critiques this binary and proposes a more integrated definition: institutions are systems of established and prevalent social rules that structure social interaction. In Hodgson’s view, organizations are a special kind of institution because they are embedded within and simultaneously reproduce systems of rules. Hodgson lists examples of institutions that range from language, money, and etiquette to legal systems, norms of behavior, and formal organizations such as corporations or regulatory agencies. For Hodgson, institutions involve three core elements:

- 1) Criteria to distinguish members and non-members;
- 2) Principles of sovereignty or decision-making authority;
- 3) Internal command structures that define roles and responsibilities.

Hodgson’s contribution is fundamental in clarifying that North’s distinction between institutions and organizations is primarily analytical rather than ontological. In correspondence with Hodgson in 2002, North admitted that his treatment of organizations as “players” was a matter of abstraction intended to facilitate macroeconomic modeling, not a definitive exclusion of organizations from the institutional category (Hodgson, 2006).

Indeed, North recognized that organizations possess internal rules, hierarchies, and governance structures—characteristics that can, under any circumstances, justify their classification as institutions.

This acknowledgment is critical for our purposes. The RMB OFCs comprise normative rules (e.g., clearing agreements and regulatory harmonization protocols) and structured organizations (e.g., clearing banks, quota-allocation systems, and market regulators). To exclude such entities from the institutional domain merely because they are organizations would impoverish the analytical framework and obscure the institutional nature of the RMB OFCs as legally structured and operationally autonomous arrangements.

Moreover, Hodgson (2006) highlights that whether an organization is treated as a “player” or an institution depends on the level of abstraction and the object of analysis. Just as physicists may model a satellite as a singular point mass while acknowledging its internal complexity, economists may model organizations as unitary actors while recognizing their internal institutional characteristics. Accordingly, what counts as an institution depends not on ontological boundaries but on analytical purpose and scale.

This distinction becomes particularly salient in international financial governance. For instance, when considering China’s international financial strategy, the People’s Bank of China, along with designated clearing banks operating in offshore centers, may be treated both as participants in the system and as institutions

in their own right—depending on whether the analytical focus is functional (e.g., transaction-level behavior) or structural (e.g., governance capacity and norm-setting power). Prado and Trebilcock (2019) echo this reasoning from a legal perspective, arguing that institutional meaning must attend to function and formal authority, not merely form.

Still, not all NEI scholars adopt this broader interpretation. A more restrictive current within NEI, represented by authors such as Williamson (1987), Knight (1992), Oakerson and Parks (1988), and Crawford and Ostrom (1995), maintains a rigid separation between institutions and organizations. For these theorists, institutions are exclusively rules or prescriptions—the formal and informal codes humans develop to structure interaction. Organizations, by contrast, are actors that follow or strategically respond to these institutional prescriptions.

From this narrower standpoint, examples of institutions include:

- Legal codes that govern corporate governance and political systems;
- Constitutional provisions and commercial statutes;
- Informal norms of conduct and shared social expectations.

Ménard and Shirley (2008), although aligned with the restrictive NEI definition, inadvertently blur the lines between institutions and organizations by describing “organizational arrangements” as hybrid systems that include contractual structures, behavioral norms, and market-based relationships. Markets, for instance, are exchange and institutional frameworks composed of actors (banks, brokers, firms) and rules (contracts, clearing procedures, regulatory standards). Greif (2006) and Hodgson (2006) further reinforce this interpretation by treating markets as institutions, not merely because of the actors involved but due to the rule-based architecture that enables coordination, enforcement, and trust.

This insight is decisive in evaluating the RMB OFCs. Offshore financial centers are not simply platforms for transaction execution; they are institutional frameworks that integrate regulatory norms, compliance regimes, liquidity mechanisms (e.g., currency swap lines), and governance infrastructures. Whether we examine the RQFII program (which allocates quotas for foreign institutional investors), the China Cross Border Interbank Payment System—CIPS (a renminbi-denominated alternative to SWIFT), or bilateral agreements signed between China and host jurisdictions, we observe a convergence of rules and organizations in an integrated institutional complex.

Therefore, even within NEI, a nuanced reading supports the classification of RMB OFCs as institutions, particularly when the analytical focus shifts from individual rules to systemic coherence and functional embeddedness. If institutions are to be understood, as Ménard and Shirley (2008) concede, as rule-based arrangements that reduce uncertainty, coordinate expectations, and structure interaction, then the RMB OFCs, with their legal-institutional apparatus and organizational implementation, clearly satisfy the definitional criteria.

In conclusion, when interpreted with appropriate conceptual flexibility, the NEI framework provides a robust foundation for understanding the RMB OFCs

as institutional complexes. These are not mere aggregations of rules or assemblages of actors but systems in which rules, norms, organizations, and infrastructures coalesce to support the international use of the renminbi. As such, NEI contributes decisively to recognizing RMB OFCs as institutional entities within the broader architecture of global monetary governance.

3.2. The Concept of Institution under IR

As in the field of New Institutional Economics (NEI), the literature on International Relations (IR) presents a conceptual tension regarding the definition of “institution.” Scholars remain divided between those who adopt a restrictive definition—equating institutions with formal or informal “rules of the game”—and those who defend a broader conception that includes rules and the organizations responsible for their creation, enforcement, and reproduction.

Robert Keohane, drawing from his work with Axelrod and Keohane, defines institutions as “persistent and connected set of rules (formal or informal) that prescribe behavioral roles, constrain activity, and shape expectations.” (Keohane, 1988; Keohane, 1989; Axelrod & Keohane, 1985) This broad definition accommodates both general patterns of interaction—such as international law, diplomacy, the balance of power, and sovereignty—and specific arrangements, including formal organizations like the World Bank, the IMF, or the WTO. For Keohane, institutions may range from abstract normative frameworks to concrete organizations with defined legal personalities and operational mandates (Keohane, 1988; Keohane, 1989).

He distinguishes between general institutions, such as sovereignty or reciprocity, which reflect enduring norms that structure international conduct, and specific institutions, spatially and temporally bounded entities, often instantiated through legal and political processes, such as international regimes, treaties, or intergovernmental organizations. These specific institutions include both legal rules and the entities that enforce them. Keohane (1989) also argues that some institutional forms, like monetary regimes or trade regimes, should be conceptualized as institutional complexes—that is, as dynamic systems composed of interrelated rules, organizations, and enforcement mechanisms negotiated and maintained through state practice.

This integrative approach reflects an important theoretical move in IR: recognizing that institutions do not exist in a vacuum. They are constructed, maintained, and reshaped through interactions between states, international organizations, non-state actors, and transnational networks. In this sense, institutions are both normative structures and organizational embodiments of cooperation, coordination, and governance.

Koremenos, Lipson, and Snidal (2001) advance a more formalist definition. For them, international institutions are explicit arrangements negotiated among actors (usually states) that prescribe, authorize, or prohibit specific behaviors. They exclude informal norms or tacit bargains and focus on treaties, charters, and agree-

ments that codify rules and create institutional frameworks. Examples include the General Agreement on Tariffs and Trade (GATT), which evolved into the World Trade Organization (WTO), or multilateral environmental agreements. For these scholars, institutional diversity reflects functional differentiation—institutions vary in membership, authority, voting structures, and scope depending on the political objectives of their designers.

Notably, this more restrictive view limits the analytical inclusion of informal arrangements but provides methodological clarity, particularly for empirical testing. It assumes that states design institutions to serve their interests, and the rational calculation of costs, benefits, and enforcement needs can explain institutional variation.

Nonetheless, scholars such as [Lowndes \(1996\)](#) and [Buchanan and Keohane \(2006\)](#) caution against overly narrow definitions. Lowndes argues that “institution” is a multi-level concept that describes informal codes of conduct, legal instruments, and complex organizations. Institutions, she suggests, are present across all domains of human life—weddings, markets, and religious bodies can all qualify depending on the analytical frame. For [Buchanan and Keohane \(2006\)](#), institutions may be both norms and entities: they are governance structures created to coordinate behavior and reduce uncertainty in an anarchic international system.

Other institutionalist scholars in IR, such as [Martin and Simmons \(2002\)](#) and [Ostrom \(1990\)](#), emphasize the role of rules. They define institutions as formal or informal prescriptions that govern decision-making and behavior. In their view, organizations are distinct from institutions and should be treated as actors constrained or enabled by institutional arrangements. [Hall and Thelen \(2008\)](#) similarly conceptualize institutions as regularized practices embedded in rules, some of which are supported by legal sanctions, others by social expectations. In this approach, the analysis of the rule structure itself matters.

Despite this divergence, there are several commonalities across the IR literature:

- First, institutions are durable structures—whether rules or organizations, they exhibit stability, predictability, and shared expectations.
- Second, institutions enable and constrain behavior by prescribing roles and setting boundaries for permissible action.
- Third, institutions vary in formalization, ranging from codified legal instruments to diffuse normative frameworks.

Crucially, many IR scholars adopt either a restrictive or a broad definition depending on the analytical purpose. Whether institutions are treated as rule sets, organizations, or institutional complexes often depends on the question posed and the analysis level adopted. When examining norm diffusion or regime change, the emphasis may fall on informal norms; formal rules and enforcement bodies take precedence when studying treaty design or compliance.

This analytical pragmatism is key for our purposes. The RMB OFCs comprise formal bilateral agreements (e.g., swap lines and MoUs—Memoranda of Understanding), specialized organizations (e.g., designated clearing banks), and systemic

rule structures, such as laws established by central banks and securities commissions. Their institutional features include:

- Legal foundations negotiated between China and host countries;
- Operational mandates enforced by state-owned banks;
- Regimes of mutual recognition and regulatory coordination;
- Infrastructure for financial clearing, settlement, and investment.

From an IR perspective, the RMB OFCs and, by extension, other OFCs such as USD OFCs—should not be regarded merely as technical platforms or regulatory spaces. Instead, they are institutional constructs—designed, operationalized, and legitimized through international legal instruments, state-driven diplomacy, and multilateral practices. In Keohane’s terms, they qualify as institutional complexes composed of interdependent rules and organizations that structure transnational monetary governance (Keohane, 1989).

IR theory reinforces the understanding of RMB OFCs as institutional forms. Whether adopting a narrow or a broad definition, IR scholars broadly concur that institutions organize behavior, shape expectations, and stabilize interactions. The RMB OFCs perform all these functions through an intricate web of legal agreements, financial infrastructures, and organizational actors. As such, they are best interpreted as institutional arrangements embedded in the evolving architecture of international monetary governance—guided not solely by states or legal frameworks but by institutional logics that combine normativity, functionality, and organizational embodiment.

3.3. Empirical Dimensions and Comparative Observations

To further substantiate the theoretical arguments developed throughout this paper, this section explores some empirical dimensions that enhance and complement our institutional interpretation of RMB OFCs. RMB OFCs are conceptual models and observable and operational institutional complexes embedded in the global financial architecture.

The Hong Kong RMB OFC—established in 2004 as the first of its kind—remains the most dynamic and institutionally consolidated example. Often described as a pilot platform for offshore renminbi operations, it has been a strategic laboratory for testing cross-border RMB products and mechanisms. Its structure is underpinned by bilateral memoranda of understanding between the People’s Bank of China (PBoC) and the Hong Kong Monetary Authority (HKMA), the appointment of the Bank of China (Hong Kong) as the designated clearing institution, and the adoption of CIPS as the principal infrastructure for renminbi settlements.

The Hong Kong RMB OFC emerged from diplomatic coordination and technical discussions between the mainland of China and Hong Kong SAR authorities. Initially limited in scope, its development was guided by intergovernmental consensus to gradually expand offshore RMB operations. In 2003, with State Council

approval,⁶ the PBoC and HKMA initiated legal and operational preparations, culminating in the formal designation of a clearing bank. By February 2004, Hong Kong banks offered RMB deposit accounts, exchange services, and remittance options for personal clients. The evolution continued with the progressive expansion of quotas, removal of credit limits, and the authorization for RMB-denominated bond issuance targeting international investors—the so-called dim sum bonds, launched from 2008 onward. This progression illustrates the deliberate, state-guided construction of an institutional architecture capable of sustaining cross-border RMB activity ([International Monetary Institute of the RUC, 2019](#); [HKMA, 2014](#); [Subacchi, 2018](#); [Cheung, 2014](#)).

Similarly, the London RMB OFC exemplifies how this institutional model was adapted to a mature, market-driven financial center in the West. With political support from the British government since 2010, China pursued the establishment of a renminbi offshore hub in London without altering the structure of the existing USD-based OFC. The London Center was implemented to address the constraints and asymmetries associated with the dominant U.S.-led financial architecture, particularly those stemming from the reliance on SWIFT and CHIPS systems and the dollar's centrality in global payments. Instead of attempting institutional reform within the USD OFC, China strategically designed the London RMB OFC as an alternative node for renminbi-denominated finance, reinforcing that RMB OFCs are purpose-built institutions that function independently and in parallel to existing monetary frameworks.

Second, the RMB OFC model exhibits distinct features when contrasted with other state-driven financial architectures, such as the petrodollar system. While the petrodollar regime is anchored in geopolitical bargains and commodity-based trade patterns, RMB OFCs are embedded in legal arrangements, institutional infrastructures, and regulatory coordination mechanisms. They reflect a logic of institutional design rather than one of resource-backed monetary demand aimed at creating stable environments for the international use of the renminbi.

Third, the assertion that RMB OFCs function as “cohesive and functional wholes” is supported by observable empirical patterns. More than 25 jurisdictions operate active RMB OFCs governed by standardized MoUs, RQFII investment quotas, and a shared reliance on CIPS for settlement infrastructure. ([Perez-Saiz & Zhang, 2023](#)). These elements exhibit operational uniformity and demonstrate strategic coherence across jurisdictions, reinforcing the argument that RMB OFCs are institutionally consistent and not mere ad hoc arrangements.

Fourth, enforcement mechanisms in RMB OFCs further underscore their insti-

⁶The Chinese constitution describes the State Council as the executive body of the National People's Congress (NPC) and the “highest administrative body of the state.” Constitutionally, the main functions of the State Council are to formulate administrative measures, issue decisions, and orders and monitor their implementation, legislative bills for presentation to the NPC or its Standing Committee, and prepare the economic plan and the State budget for deliberation and approval by the NPC. The State Council is under the authority of the Chinese Communist Party, and the Politburo makes the final decisions (2019 Constitution of the People's Republic of China).

tutional nature. Compliance with RQFII quotas is monitored jointly by Chinese and host country regulatory bodies, while CIPS operates under real-time supervision by the PBoC and designated clearing institutions. Unlike traditional institutions such as the IMF, which rely on conditional lending frameworks and macroeconomic surveillance, RMB OFCs are enforced through embedded legal instruments, contractual mandates, and bilateral governance, producing enforceability through institutional structure rather than coercive conditionality.

Finally, although RMB OFCs are firmly anchored in state coordination, they rely heavily on non-state actors to ensure their effectiveness and credibility. Multinational banks act as liquidity providers and intermediaries in offshore renminbi markets; global asset managers structure RMB-denominated investment products (including green dim sum bonds); and international investors participate via the Shanghai-London Stock Connect.⁷ And RQFII mechanisms. These private sector actors contribute to RMB OFCs' legitimacy, functionality, and evolution, rendering them hybrid institutional ecosystems that blend public authority with private initiative.

These empirical insights affirm that RMB OFCs are not merely platforms for offshore transactions but rather complex institutional ecosystems characterized by legal precision, operational coherence, and public-private complementarities. This confirms the analytical value of interpreting RMB OFCs as institutional complexes, which aligns with the broader objective of capturing China's evolving role in reconfiguring global financial governance.

Fifth, while state-led coordination is central to RMB OFCs, non-state actors play indispensable roles. Multinational banks serve as market makers and liquidity providers, asset managers structure renminbi-denominated investment products (e.g., green dim sum bonds), and global investors participate in offshore renminbi markets via RQFII and Shanghai-London Stock Connect. These private actors contribute to RMB OFCs' operationalization, legitimacy, and evolution, reinforcing their institutional character as public-private hybrids.

These empirical considerations reinforce the argument that RMB OFCs are not merely functional platforms but complex institutional ecosystems that combine public authority with private initiative and legal design with financial innovation. This perspective strengthens the paper's central thesis and demonstrates the added value of interpreting RMB OFCs as institutional complexes.

⁷Shanghai-London Stock Connect and Shenzhen-London Stock Connect—part of London Stock Exchange Stock Connect—link one of the world's largest domestic capital markets with the leading international market. Global investors benefit from China's growth through London, while London Stock Exchange-listed companies can access Chinese investors directly. Stock Connect represents several firsts: i) the first time foreign companies can list in China and the first time companies listed on Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) can raise capital abroad through instruments fungible with their domestic shares; ii) the first time Chinese investors can access international stocks from within China without being subject to domestic capital controls; and iii) the first time international investors can access China A-shares from outside Greater China and through international trading and settlement practices. London Stock Exchange Stock Connect: <https://www.londonstockexchange.com/raise-finance/equity/london-stock-connect>

4. RMB OFCs as Institutions—Considerations on NEI’s and IR’s Approaches

Having examined the concept of institution under the theoretical lenses of New Institutional Economics (NEI) and International Relations (IR), we now turn to the central question: Can the RMB OFCs be properly conceptualized as institutions?

RMB OFCs are institutional arrangements located in Global and Regional Financial Centers⁸. Moreover, it is composed of interrelated financial markets. These markets involve many actors and instruments: public agents such as central banks, regulatory commissions, municipal authorities, and non-state participants, including commercial banks, investment firms, brokers, stock exchanges, legal professionals, and consultancy companies. Their actions are governed by a complex web of formal rules—laws, contracts, regulations, multilateral standards—and informal norms—customs, market practices, bilateral understandings, and ethical conventions.

From the perspective of both NEI and IR, this dense interaction of rules and actors is a defining feature of institutionality. As we have seen, while some scholars draw a strict line between “rules” and “organizations,” others, such as Hodgson (2006), Keohane (1989), and Buchanan & Keohane (2006), emphasize the complementarity between normative structures and institutional actors. In this framework, institutions are not reducible to a single element; they are systems in which norms and organizational agents co-evolve and reinforce one another.

The RMB OFCs embody this dynamic. They are institutional complexes in the sense articulated by Keohane (Keohane 1988; Keohane 1989): configurations composed of rules, procedures, and entities that, together, constitute an identifiable and persistent framework of governance. These include:

- Regulatory agreements, such as those between the People’s Bank of China and host jurisdictions;
- Operational mandates are assigned to specific clearing banks, often state-owned Chinese financial institutions;
- Market access instruments, such as the program RQFII, which permits foreign

⁸Global Financial Centers (GFCs) would be large international centers providing widely diversified financial services, with developed capital markets, stock exchanges, advanced payment systems, and physical and financial settlement systems, inserted in large domestic economies with highly liquid markets, where sources and uses of financial capital are diversified. Furthermore, regulatory frameworks are adequate to safeguard the integrity of principal-agent relationships and the supervisory functions of banks and other market agents, whether resident or non-resident (for instance, issuer and investment bank or quota holder and investment fund manager). Classic GFCs are London, New York, and Tokyo, including Paris, Frankfurt, and Toronto. The second category of OFCs, the Regional Financial Centers (RFCs), is characterized by developed financial markets, stock exchanges, and payments infrastructure, mediating the inflow and outflow of financial resources. However, these OFCs mainly serve the regions in which they are located. Furthermore, the main feature differentiating them from the first category is that the economies of the countries that host these jurisdictions are comparatively smaller than the domestic economies of the GFC’s host countries. Classic examples include Singapore, Dublin, Luxembourg, Dubai, Santiago, and Buenos Aires (GFCI-37, 2025; Palan et al., 2013; IMF, 2000; Park, 1982).

institutional investors to access onshore markets from abroad;

- Financial infrastructures, such as the Stock Exchanges, international clearing entities, and international investment banks, enabling international settlements in renminbi;
- Investment products like green dim sum bonds are structured to align with international financial and sustainability standards.

Each of these elements contributes to the stability, predictability, and legitimacy of the RMB OFCs as systems of international monetary governance. Together, they meet the definitional criteria presented by both NEI and IR scholars: they persist over time, structure expectations, coordinate behavior, and reduce transaction costs. From this angle, the RMB OFCs are not merely operational mechanisms for currency internationalization; they are institutional forms that shape and are shaped by international legal, financial, and political interactions.

Furthermore, the Chinese state does not treat these arrangements as analytically fragmented sets of rules or isolated organizations. Instead, it views the RMB OFC as a cohesive and functional whole—a strategic architecture composed of rules, agreements, and institutions designed to expand the global use of the renminbi while retaining policy control over its monetary base. This vision aligns with a broad and integrated conception of the institution, surpassing the dichotomy between “rules of the game” and “players.”

This understanding is critical not only for conceptual precision but also for methodological adequacy. The institutional character of the RMB OFCs is not a theoretical abstraction—it is observable in practice, embedded in legal texts, formalized in treaties, and operationalized through financial infrastructures. Their design is intentional, and their evolution reflects a systematic effort to insert the renminbi into the global financial architecture under conditions compatible with China’s developmental and macroprudential goals.

Based on the theoretical contributions of NEI and IR and grounded in the empirical realities of RMB OFCs, we can infer that these centers would be best understood as complex institutions. Their analysis demands a comprehensive and integrated conceptual framework that recognizes the interplay between rules, organizations, infrastructures, and strategies that define their institutional nature.

5. Concluding Remarks

This paper has demonstrated that Renminbi Offshore Financial Centers (RMB OFCs) exhibit normative frameworks and organizational structures, fulfilling the criteria [Keohane \(1989\)](#) outlined for institutional complexes. Drawing on insights from New Institutional Economics (NEI), International Relations (IR), and legal-institutionalist theory, we have advanced the argument that RMB OFCs should be conceptualized as institutions in a broad, integrated, and functionally grounded sense.

Throughout the analysis, the traditional dichotomy between rules and organi-

zations proves insufficient to capture the complexity of RMB OFCs. These centers are not simply aggregations of isolated components; they constitute dynamic governance architectures—similar to other OFCs—in which legal norms, financial mechanisms, and institutional actors are functionally interdependent and mutually reinforcing. Keohane’s notion of institutional complexes provides a valuable interpretive framework for understanding these hybrid formations, in which rules and organizations are coexistent and constitutive of one another.

Recognizing RMB OFCs as institutions in this broader conceptual sense offers significant analytical dividends. It enables a more accurate interpretation of China’s international monetary strategy and clarifies the institutional logic behind its efforts to internationalize the renminbi while preserving macroeconomic autonomy. More broadly, this recognition contributes to the theoretical refinement of institutional analysis in global finance, allowing scholars and practitioners to identify better and evaluate new institutional forms that transcend conventional organizational typologies. As such, RMB OFCs exemplify the evolving nature of global financial governance, where legal innovation, strategic statecraft, and transnational institutional design increasingly converge.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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