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IMF set for green light on China's yuan joining currency basket-sources

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International Monetary Fund staff are set to give the all-clear for China's yuan to be included in the lender's benchmark currency basket, laying the groundwork for a favorable decision by policymakers, people familiar with the discussions said on Sunday.

The IMF's executive board is scheduled to decide in November on putting the yuan on a par with the dollar, yen, euro and pound sterling and a key factor will be its performance against a checklist of technical criteria, as assessed by IMF staff.

Three people briefed on the IMF discussions, who asked not to be named because of the sensitivity of the issue, said a draft report from staff reached a favorable conclusion on including the yuan, also known as the renminbi (RMB).

"Everything is on course technically and there is no obvious political obstacle. The report leans clearly towards including the RMB in the (basket) but leaves the decision for the board," one of the officials said, adding that a penciled-in early November date for staff to circulate their report to board members has been pushed back by several weeks.

Two other officials said staff would recommend the yuan join the basket, which determines the mix of currencies that countries like Greece receive as part of disbursements from the IMF.

"There is no real discussion, no obstacles, all seems on course," a second official said.

Beijing is pushing for the yuan to join the Special Drawing Rights (SDR) basket as part of its long-term strategic goal of reducing dependence on the dollar and to mark the country's coming of age as an economic power.

An IMF spokesman said staff were finalizing a report to be considered at a formal board meeting planned for November, although no date had yet been set.

"The decision on the possible inclusion of the RMB in the SDR basket will ultimately be made by the IMF's Executive Board when the meeting is held," he said.

The second official said that may be postponed until early 2016. Any change to the basket will take effect in October 2016.

POLITICAL WINDS FAVORABLE

China has rolled out a flurry of reforms recently to liberalize its markets and also help the yuan meet the SDR criterion of being "freely usable", or widely used to make international payments and traded on foreign exchange markets.

China's central bank on Friday said it was freeing the interest rate market by scrapping a ceiling on deposit rates. Authorities have begun weekly issuance of three-month Treasury bills and plan to extend yuan trading hours to overlap with Europe -- all moves aimed at addressing IMF concerns, but also making it difficult to close out the checklist of technical

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criteria.

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Experts said the political winds were blowing in Beijing's favor.

France and the United Kingdom have backed the yuan's inclusion and countries including Germany and Italy have said they are open to the move, depending on the technical criteria.

Eswar Prasad, a professor at Cornell University and former head of the IMF's China Division, said he could not see the United States or Japan bucking a positive staff recommendation.

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"I think it will be very difficult for the IMF, especially given all that China has done this year, to deny China the prize it really wants," he said. (Additional reporting by Lidia Kelly in Moscow and Richard Cowan in Washington; Writing by [Krista Hughes](#); Editing by [Christian Plumb](#))

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