



TreasuryPulse

*Passion to Perform*

## Conducting Business with China: RMB Developments



By  
Eric Koo  
Head of Global Transaction Banking, Hong Kong  
[eric.koo@db.com](mailto:eric.koo@db.com)

When conducting business in a new market, a thorough understanding of the regulatory landscape is vital. And China is no exception to this. The key recent development here has, of course, been the cross-border RMB trade settlement program. The following provides an update on the current RMB situation in China and beyond.

### Recent Developments

Subject to case-by-case approval from the People's Bank of China, overseas corporates can now open RMB accounts in China and can also deposit RMB onshore or in overseas banks. Cross-border remittances are currently available in 20 provinces and municipalities: Beijing, Tianjin, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Fujian, Shandong, Hubei, Guangxi, Hainan, Chingqing, Sichuan, Yunnan, Tibet, Xinjiang, Shanghai and Guangdong.

Corporates can open offshore RMB accounts without restriction, subject to the regulatory conditions in the country where the account is maintained. And there are no restrictions on payments between such offshore accounts.

The bulk of cross-border payments are conducted using the SWIFT network with ISO (International Organization for Standardization) standards being applied. The ISO code for cross-border RMB payments is "CNY," while "CNH" is the abbreviation

being used for the offshore RMB market — the "H" standing for Hong Kong. However, at present, the CNH code cannot be used in SWIFT as this would require a formal ISO application. As a consequence, all cross-border RMB messages sent through SWIFT are currently identified using CNY.

## RMB Benefits

There are numerous reasons for wishing to choose the RMB to settle trade transactions, including FX and interest rate mitigation, natural hedging for those trading both ways and potentially widening an existing customer base in mainland China. However, corporates wishing to use RMB for cross-border transactions need to ensure their accounts payable and receivable processes are optimally aligned to accommodate the currency.

Deutsche Bank already offers RMB-denominated services in onshore and offshore account locations across the region. The Bank's local franchise became RMB-ready in late 2010 and, through the course of 2011, other countries will be enabled to offer RMB services. For example, since January of this year, corporates with RMB accounts at Deutsche Bank branches in Germany have been able to make inbound and outbound RMB transactions, while the accounts themselves can be included in domestic cash concentration structures.

With respect to corporate trade finance and foreign exchange services, the first RMB export letters of credit (LCs) have already been processed in Europe, and it is expected that import LC issuance will also begin in due course. The CNH FX market is developing quickly — with RMB being traded without restriction in Hong Kong — and volumes are increasing steadily as both foreign and domestic corporates issue RMB-denominated bonds. And, since February of this year, offshore RMB (CNH) trading has been possible via *Autobahn*, Deutsche Bank's electronic FX trading platform.