RMB internationalisation:
Perspectives on the future of RMB clearing

Executive summary
One year on from SWIFT’s 2011 white paper, industry dialogue about the internationalisation of the RMB has continued to advance. In 2011, financial institutions were trying to understand what the internationalisation of the RMB would mean for their businesses. Fast forward to 2012, and the possibility of “RMBification” is part of the strategy of most global transaction banks. Banks now have senior management sponsored task forces looking to identify and capitalise on developing opportunities while protecting the strength of their core franchises. Transaction banks are focused on evolving customer needs requiring product development, system enhancements and an understanding of the evolving regulatory environment.

This white paper is for stakeholders who are interested in the future of RMB clearing and for transaction bankers who are actively involved in the Offshore RMB business. The opening sections will provide a point of departure for common understanding, while the remainder of the paper is intended to spark dialogue on the future of RMB clearing and the evolution of the supporting infrastructures.

Growing, but not quite there
The development of the RMB in trade finance and investments has grabbed the attention of the corporate sector and financial community worldwide. In 2012, the increasing use of RMB has also been vigorously debated.

The debate mainly focuses on the decline in Offshore RMB (CNH) deposits in Hong Kong, describing its change based on prediction (or not) of appreciation. Hong Kong deposits have not grown in 2012 due to several factors including more approved channels to allow for the flow of funds back to China and increased investment options.

RMB Qualified Foreign Institutional Investors (RQFII) and streamlining of the process for foreign direct investment (FDI) have helped to facilitate more flow of funds back to China. This flow of funds, combined with the increase in RMB investment in dim sum bonds, certificates of deposit and other products, has resulted in a decrease in customer deposits. This should be seen as a positive sign in the development of the RMB.

The path of RMB internationalisation has been described in three phases – first use for trade finance, then for investment and in the longer term as a reserve currency. The decline in Hong Kong deposits shows the start of a movement towards RMB for investment purposes. Hong Kong is still the largest offshore centre for customer deposits; however, there has also been growth in other centres like the United Kingdom and Singapore. The development of

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these centres is necessary in order to lubricate RMB-based international trade.

The SWIFT business intelligence data, from 10,118 financial institutions in 210 countries, shows tremendous growth in the position of RMB in the list of world payment currencies, advancing from number 35th in October 2010 to number 14th in August 2012. So, regardless of the market sentiment ebbs and flows, we see during this longer time horizon the continued increased global use of RMB.

To provide a brief update on the RMB’s progress to date, we looked at the month-on-month value of payment transactions (customer transfers and institutional transfers). There was a continuous increase from October 2010 until August 2011 – at which point there was more volatility in payment value (see Figure 1). It is clear that in May and June 2012 we are coming close to the peak reached in August 2011. It is also important to realise that this value growth in the RMB is against a background of almost flat growth in most other currencies.

Trade finance, the first stage of RMB internationalisation, is still the primary driver behind the increase in RMB-denominated payment transactions (see Figure 2). While the majority of trade value will be captured in the above payment values, we can also look at the letter of credit values to see a measure of growth.

In trade finance, the continued growth can be attributed to corporations still seeing favourable borrowing costs, reduced foreign exchange (FX) risk and possible improved supplier access in paying in RMB. For corporations that buy and sell goods in China the use of RMB can provide a natural hedge. It can also help to reduce costs associated with transacting or funding operations onshore. In the CNH market, corporations have a greater ability to manage their RMB exposure using FX options and forwards.

There is an in-depth project underway to measure the relative growth in the international use of the RMB. The project is being sponsored by the SWIFT Institute (established in April 2012), which has given a research grant to Jonathan Batten (Department of Finance, Hong Kong University of Science and Technology) and Peter Szilagyi (Judge Business School, University of Cambridge) to complete a study on RMB internationalisation. Their study will track the path of RMB internationalisation to determine whether a tipping point is approaching, or has been reached. The resulting working paper is expected to be issued in Q1 2013.

The SWIFT community does need an answer to the redenomination question to address the possible “RMBification” of their businesses. However, for this year’s white paper, the community was strongly in favour of practical insights. As

2 Time series showing value of transactions start in October 2010. Data on volume of transactions goes back further but is a less effective measure of growth
a result, SWIFT and the industry editorial board have decided to focus on the future of RMB clearing. For the remainder of this paper, we will describe the current environment for Offshore RMB clearing and potential developments in payment market infrastructures. In particular, we will highlight what the market seeks in terms of the functionality of infrastructures required to address the needs of future RMB payment transactions.

Offshore RMB developments are dynamic. While we have made our best efforts to ensure that this white paper is as up to date as possible, we are describing a fast-moving target. For the latest news on the growth of the RMB, we recommend you subscribe to the SWIFT RMB Tracker by emailing swiftforbanks@swift.com.

### Milestones in RMB internationalisation

Developments since the 2011 white paper show the evolution of RMB internationalisation (see Figure 3). Chinese government policies and the support of foreign central banks and the private sector have been some of the main drivers of the increasing international use of the RMB.

While the regulatory environment has become significantly more liberal, cross-border payments with one leg in mainland China still face restrictions. Cross-border trade finance and cross-border current account transactions (e.g. dividends) can be done with limited restrictions. However, cross-border capital account transactions, RMB outward direct investment (ODI) and RMB FDI require governmental approval.

Interbank transfers, transfers between corporations or individuals and transfers between corporations and individuals with both legs of the transaction outside mainland China have had fewer restrictions over the years.

### Offshore RMB clearing – the current state of play

In this section we look at the infrastructure currently in place to support the growing international use of the RMB. Offshore RMB clearing currently consists of either going through the designated RMB Clearing Bank – or settlement institution – or making payments directly to an RMB Agent Bank in China. The choice between these two is typically based on the scope of usage for the two accounts, the return on investment/deposit and the complexity of account-opening processes.

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3 Bank Negara Malaysia (BNM) press release, 21 March 2012
The RMB Agent Bank involves a customer using a bank to settle directly with a correspondent bank in China (see Figure 4) and is estimated to be between 20% and 30% of the RMB clearing volume. One possible advantage with this model is the option to keep liquidity onshore and thus have access to onshore time deposits and interest rates, which could mean a better return on investment/deposit. However, liquidity is still a constraint since cash from PBOC can only be withdrawn at 9:00 (UTC +8) the next day.

The RMB Clearing Bank is estimated to process 70% to 80% of Offshore RMB. In Hong Kong, the first Clearing Bank was established in 2003 when Bank of China Hong Kong (BOC HK) was appointed by the PBOC as the Clearing Bank for Offshore RMB. In July 2010, after consulting with the HKMA, the PBOC signed a modified RMB clearing agreement with BOC HK. The agreement with the HKMA specified that Hong Kong financial institutions should follow local regulatory requirements and market factors to develop the RMB business.

BOC HK acts as the central clearing hub for Offshore RMB. The RMB real time gross settlement (RTGS) system provided by the HKMA and Hong Kong Interbank Clearing Limited (HKICL) provides the infrastructure to support this hub. As of 27 August 2012, there are 168 participants – 128 with a presence in Hong Kong and 40 overseas participants. The most up-to-date list of RMB RTGS clearing members is available at the HKICL website. Each bank on this list opens a settlement account with the RMB Clearing Bank.

The RMB Clearing Bank is an essential part of the Offshore RMB infrastructure (see Figure 5), as a central bank will normally settle only in its own currency. The Clearing Bank therefore holds the settlement accounts and will be the key provider of intraday liquidity for those who have an account with it. It is therefore critical that the RMB Clearing Bank has appropriate access to liquidity. It also needs to have a sufficiently high credit rating so that participant banks are comfortable leaving overnight balances. The PBOC and HKMA have agreed that BOC HK will function as the RMB Clearing Bank in Hong Kong until 2016.

When this model was first developed, counterparty risk was an issue. Participating banks opened RMB nostro accounts with BOC HK. BOC HK is a commercial bank, which created counterparty and concentration limit exposures. A fiduciary account is now used to address these limit risk concerns. The fiduciary account arrangement enables participating banks to transfer liquidity from their RMB nostro accounts with the Hong Kong RMB Clearing Bank to the fiduciary account with PBOC Shenzhen. This renders the exposure and limits into sovereign risk rather than commercial counterparty risk. As participating banks usually have larger sovereign exposure limits, this enables them to grow their Offshore RMB liquidity.

The BOC HK and RMB RTGS infrastructure is an important one not just for Hong Kong itself but also for Hong Kong as a hub for the majority of Offshore RMB transactions. Therefore, a welcome development earlier this year was the decision by the HKMA to extend RMB RTGS operating hours until 23:30 local time (UTC +8). However, the Hong Kong FX market and China National Advanced Payment System (CNAPS) both close at 17:00 (UTC +8), making it impossible for European markets to square positions overnight.

BOC HK, as the RMB Clearing Bank, has also extended its intraday repo service to match the extension of the HK RMB RTGS. BOC HK is not authorised to participate in the CNH market or buy/sell RMB for non-trade purposes in the CNY market. In the event of a disruption in the Offshore RMB market, the participating bank cannot sell non-RMB securities to cover its collateral obligations. In 2012,
the HKMA, J.P. Morgan and Euroclear began offering a cross-border collateral management service, enabling non-RMB assets to be used to provide Offshore RMB asset liquidity – enhancing liquidity for the European time zones.

Other developments important for the increasing global use of Offshore RMB include the HKMA’s payment-versus-payment (PvP) system, which was developed to address Herstatt risk through the simultaneous settlement of two FX transactions by using the associated payments. While PvP for HKD/USD has been in place since 2000, the HKD/CNY facility started in 2005. As the RMB is not currently CLS-eligible, PvP of RMB RTGS is critical as it provides a unique channel to support RMB FX transactions with HKD, EUR and USD, as well as a regional link to Indonesia for IDR and Malaysia for MYR.

Looking beyond the positive currency and infrastructure developments to support the increasing global use of RMB, operational challenges still exist for the RMB Clearing Bank, RMB Agent Banks and banking participants globally.

One of these challenges includes banks’ internal representations of Offshore RMB as ‘CNH’, while using the official ISO currency code ‘CNY’ for external communication. In 2009, the industry began discussing the challenges of translating the code ‘CNH’ to ‘CNY’ within their organisations. This discussion was pressing because ‘CNH’ is not an official ISO currency code and most commercial bank, vendor-operated and SWIFT systems are based only on ISO currency codes.

In April 2011, the industry decided to form three working groups to define and document guidelines on the use of SWIFT messages for Offshore RMB transactions. The resulting work provides a tactical solution for the immediate needs of the industry. These guidelines are available from SWIFT and are an essential part in initiating bilateral discussions between counterparties. The latest version of the guidelines was published on 30 June 2012 and is available together with the working group meeting minutes on the Offshore CNY Best Practice community forum at www.swiftcommunity.net. The industry is deliberating the need for a strategic solution to help address any need to automate a currency with a single ISO currency code, multiple spot rates and yield curves together with multiple clearing locations.

The other issue with the increase in RMB transactions is the increased use of financial messages containing non-Latin characters, which can result in anti-money laundering (AML) and sanctions screening challenges for RMB payments. While not an issue within China, the use of Chinese characters is a complex matter for foreign banks.

Currently the primary means of transmitting non-Latin characters, for example a beneficiary name, to China is by using the Chinese Commercial Codes (CCCs). The CCCs have a long history since they were originally used to transmit Chinese characters over electronic telegraph. The format is the same today with a four-digit code being used to represent one Chinese character. This may lead to potential gaps in sanctions compliance – if a bank is scanning only Latin names on regulatory watch lists, it may inadvertently accept payments from or make payments to a sanctioned entity.

The need to accommodate non-Latin characters in an international standard continues to be widely discussed in the community. A SWIFT advisory group called the Payments Market Practice Group (PMPG) has written a paper to describe this issue in more detail. The paper, ‘Handling of Multiple Character Sets: Taking the Debate to the Logical Level through Market Practice Development’, was published in June 2010 on www.swift.com. It is necessary that this discussion continues since this industry challenge raises concerns for many banks that want to control the risks involved in transacting in RMB effectively. In order to facilitate this, SWIFT is helping progress the dialogue on the use of non-Latin characters in FIN (a type of financial message used in clearing) and ISO 15022 messages. This is discussed in more detail on page 8.

The current RMB clearing model has served the industry well to date. Commendable progress has been made by BOC HK, HKMA, HKICL and the industry in infrastructure developments. SWIFT and our community are aware that there are some significant challenges that will need to be addressed to place RMB on an even playing field with other currencies from an operational perspective.

Developments in payment market infrastructure and offshore markets

The primary RMB clearing centre is Hong Kong. Hong Kong has developed to assist in the global clearing of Offshore RMB from different locations like the United Kingdom, Singapore, etc. For the purposes of this paper, a “spoke” is defined as a location where there is a pool of Offshore RMB liquidity outside of mainland China, whereas a “hub” is where Offshore RMB is cleared. This paper also uses “Offshore RMB centres” to refer to both the “hubs” and “spokes” in their entirety.

Since 2009, many of the developing Offshore RMB centres have been focused on optimising the existing hub in Hong Kong. Centres like Taiwan, Singapore and the United Kingdom are carefully considering aspects of the continued use of the Hong Kong hub. In 2012, there has started to be an increased dialogue about the full range of options for Offshore RMB centres. The discussion includes:

1. Continuing to leverage the “hub” (Hong Kong);
2. Developing a Clearing Bank with RMB RTGS (replicating the Hong Kong model locally);
3. Leveraging the development of the China International Payment System (CIPS)

Before discussing this on a country-by-country basis, it is necessary to take a view of the current status of these centres by looking at the RMB traffic volume from August 2012. RMB payment (MT 103 + MT 202 excluding...
volume of messages sent and received by the top 10 countries represents 92.7% of the worldwide RMB traffic. Countries that are the top 10 Offshore RMB centres are shown in Figure 6, with the associated percentage market share of volume of payments.

Hong Kong has a first mover advantage, which has resulted in the majority of the liquidity, a developed RMB RTGS infrastructure and a talent base for continued innovation in RMB product offering. China’s 12th Five-Year Plan (2011–2015) includes the goal of supporting Hong Kong’s development as an Offshore RMB business centre. More importantly, Hong Kong alone today has the extended RMB cut-off processing time that is intended to support transactions from other regions. Hong Kong also operates its RMB RTGS on all global public holidays – Monday to Friday – other than the first day of January. Over time, Hong Kong might lose some of this advantage to other emerging centres like Shanghai, Taiwan, etc.

However, the previously mentioned strengths of Offshore RMB liquidity, support of China and a robust infrastructure should help bring continued benefits to Hong Kong in the future. In London we have seen a significant market created for Offshore RMB deposits and FX trading. It is London’s stated ambition to become a “western hub” (not perhaps in the same way this paper describes “hubs”) for the international RMB market to complement Hong Kong and other emerging centres. London’s RMB clearing leverages Hong Kong’s existing infrastructure. Clearing RMB through Hong Kong has provided London a fast time to market, which in part has helped London create an advantage in establishing itself as the RMB gateway for the West. Since liquidity of an Offshore RMB centre is of the highest importance, London is expected to focus on increasing the deposits and to enter a swap agreement with China. In the future, London could consider options for its current clearing arrangement due to the difference in time zones. London may first evaluate the benefits of developing its local RMB clearing capability versus leveraging the established infrastructure of Hong Kong. We recognise that London has several strengths as an Offshore RMB centre, such as the experience of its financial services and legal professionals, the legal system itself, and established leadership in international bond issuances and the FX market. All these strengths can only help the city grow its “western hub” in the future.

At the time of writing, Singapore has a smaller amount of RMB deposits than Hong Kong and London. However, we have seen a significant increase in FX volumes in Singapore, which seems a logical strength since it is generally accepted to be the largest FX trading centre in Asia. Singapore is also currently using Hong Kong as a hub for Offshore RMB settlement. While Hong Kong is acting as a hub, Singapore might also consider a local RMB Clearing Bank. If successful in this endeavour, it is expected that Singapore may look to enhance its RTGS, creating a model similar to Hong Kong’s.

In Malaysia, the financial community appears focused on leveraging its strength in CNY/MYR trading. A BNM press release on 21 March 2012 announced that Malaysia’s Real Time Electronic Transfer of Funds and Securities (RENTAS) system would extend its RTGS services to include the RMB. Considering the infrastructural linkage of Malaysia’s RENTAS with HK’s RTGS and the settlement agent relationship between Hong Kong and Malaysia’s RMB Clearing Bank, Hong Kong has emerged as the de facto Offshore RMB settlement hub for Malaysia.

For Taiwan, cross-Strait trade is substantial and has the potential to increase further. Taiwanese commercial banks are currently leveraging the Hong Kong hub. To promote financial cooperation, the PBOC and the Central Bank of the Republic of China (Taiwan) have signed a cross-Strait currency clearing MOU. The agreement was signed at the end of August 2012 and is scheduled to take effect in 60 days from that date. A new spot rate is expected
to be created for the interbank market, denoted by “CNT” (not an official ISO currency code).

The MOU lays out plans for Taiwan to select a TWD settlement institution for China. At the same time, the PBOC will select a RMB Clearing Bank for CNY for Taiwan. There will still, however, be some challenges such as how to navigate rules and regulations, especially with two non-convertible currencies. At the time of writing, Bank of Taiwan has already been selected as the TWD settlement institution in mainland China. Based on 2012 data, Taiwan’s sent and received CNY payments make up around 1% of the Hong Kong volume. New regulation has been issued in Taiwan that implies that the overseas business unit should use this new CNY clearing route versus going through Hong Kong. We expect to start seeing a shift in liquidity away from Hong Kong by the end of 2012.

In the longer term, the key onshore centre for renminbi business will likely be located in Shanghai. China has decided to construct Shanghai as an international financial centre, but the legal environment, financial derivatives and regulation expertise are not fully prepared. In the next decade, the 12th Five-Year Plan is expected to promote profound reform in the financial sector.

Macau is already established as an Offshore RMB hub for local transactions and will continue to play an important role. The US, France and Mongolia are all in the top 10 and are spokes to the Hong Kong hub. They have the potential to play a bigger role in the future development of infrastructure although they have no publically stated plans.

At the time of writing, the majority of markets have leveraged Hong Kong as a hub for Offshore RMB clearing. The expansion of Offshore RMB hubs such as Hong Kong will ultimately depend on the strategy adopted by the PBOC towards these centres. The ability for local clearing might be viewed by countries as a key element for the continued evolution of their financial centre. Other nations might want to control trade and currency issues on their own terms, in their own regions, and by their own rules. Whatever the initial motivation for these developments, their speed of processing payment, operating hours and other value-added services will be possible points of differentiation. A goal should be to level the playing field for RMB with other currencies.

**Market expectations around future RMB clearing systems**

The community view is that the existing arrangement for Offshore RMB clearing is appropriate in the current environment. In the medium-to-long term, however, it may be important to have an enhanced platform that can address the need for longer operating hours to cover various time zones and lower the amount and cost of liquidity required to support these transactions. The following section is intended to be a practical starting point for dialogue related to the development of a future cross-border RMB clearing system.

The cross-border USD clearing and settlement may provide an example for what the future of RMB clearing can resemble. Local and regional USD systems have been developed but the advantages have diminished over time because of the US system’s enhanced operating hours and efficient use of liquidity due to the netting of the transaction. A typical USD payment can now be settled within seconds. This is why some industry participants prefer the use of centralised clearing bodies with many participants, continual technology and proven contingency support, and finality based on funds placed with the Central Bank.

While this has clearly worked for USD we cannot assume it will be the same for RMB because China is taking a measured approach in opening its economy. As a result, there is a need for the “firewall” between the domestic economy and the growing Offshore RMB market. Therefore, there will be more complexities in the payment process.

There is no public documentation available to evaluate the functionality of a future cross-border RMB clearing system – however, in this paper, some assumptions will be made. The first is that any such system will apply the risk management within the market infrastructure community.

The primary goal of a future RMB clearing system is to support the need for seamless routing of RMB payments not only within China but for RMB payments around the world. In order to have seamless routing of payments, access or reach is critical. It should be expected that an ideal model will connect to both domestic and overseas banks as its direct participants.

It is also critical that the community be able to exchange electronic payment information in globally accepted message standards. It is expected that international standard messaging formats, most likely ISO 20022, will be selected for communication between a future RMB clearing system and its direct participants. The use of international standards by the clearing system is welcomed. However, there will be a requirement for investment at the commercial banks to translate between ISO 20022 and ISO 15022, since ISO 15022 is currently the most common standard for payments in the international markets.

An international repository of reference data is also critical for the seamless routing of payments. It is requested that any new participant code be compatible with the Bank Identifier Code (BIC) and published in both the local language and in English for international use by participating banks. Use of international and reference data standards will improve the quality and efficiency of the clearing system.

If a future RMB clearing system allows for both Chinese and Latin characters in the message standard then this can be a complex matter for global
transaction banks. Today, CCCs are used as a workaround to address the use of Chinese characters in the MT standard messages and the resulting problem and risks in this practice are described on page 5 of this paper.

SWIFT acknowledges that for many institutions the MT standard will continue to play a significant role, whether exchanged between organisations or used as an internal data format, and the MT standard is constrained to a limited, Latin-only character set. SWIFT also understands that many of the legacy applications and platforms that are used to process payments in the region are incapable of supporting natively anything but Latin characters. Both limitations present difficulties for service providers that wish to support name, address and remittance information in Chinese characters.

SWIFT is therefore discussing with the broader community an enhancement to certain fields in MT messages that would enable them to convey non-Latin characters encoded as code numbers based on the Unicode standard. This development should allow Chinese characters to be passed through the payments system via legacy standards and applications, although it might not fully address the sanction screening challenge. Use of such an enhancement would be deployed on a strictly "opt-in" basis, protecting non-participants from receiving messages that they are unable to process. The discussion is still at an early stage, and SWIFT continues to consult with the industry on the value and feasibility of this suggestion.

Direct participants would also want information to monitor their payments, accounts (settlement and liquidity), reserves and alerts, and to make adjustments accordingly. As several payment systems already offer an automated, web-based user interface to support these functionalities, we can expect that a future RMB clearing system will provide similar functionality in addition to intraday and end-of-day statements.

In terms of liquidity management, its soundness depends not just on the management of the liquidity position in the bank’s settlement accounts but also involves securing the amount of liquidity and establishing its cost. Efficient collateral management is required.

Some additional features, which are not required but would be an additional benefit, are netting, gross settlement and PvP. PvP is important because any future system could eventually work towards the elimination of Herstatt risk for RMB. This system could work with existing multi-currency RTGS systems with RMB capabilities by providing access to Offshore RMB centres while the local RTGS addresses Herstatt risk, or work with CLS once RMB becomes an eligible currency to work toward mitigating this risk.

A future RMB clearing system is expected to create efficiency; however, there will be some challenges for the industry related to the translation of international standards, reference data and the use non-Latin characters that will require continued dialogue and industry cooperation. This development is expected to be a game changer for RMB payments and the industry is enthusiastic about being involved in the continued dialogue.

How can SWIFT help?

Last year's white paper identified three key areas where SWIFT could help in the internationalisation of the RMB.

The first was to facilitate the processing of Offshore RMB in financial transactions and to increase automation. SWIFT facilitated the Offshore CNY Working Groups to discuss the problems in processing Offshore RMB transactions. We produced the ‘Offshore CNY Guidelines for SWIFT MT and ISO 15022’ in February 2012, describing the use of structured codes in FIN messages for customers who are converting ‘CNH’ to ‘CNY’. There is also an updated version 2.1 from 30 June 2012 that includes payment nature codes and can be found on www.swiftcommunity.net or by contacting your SWIFT relationship manager.

The second area was to help broaden the industry’s understanding of the benefits of the RMB. Our 2011 whitepaper was a start and this paper is an extension of that series. SWIFT also publishes the RMB Monthly Tracker, which has been very well received by the community.

The third goal was to provide detailed business insights into RMB volumes so as to track market share and identify new business opportunities. SWIFT has a comprehensive Business Intelligence offering with supporting consulting work allowing flow analysis, tracking market evolution and benchmarking versus the market.

Through our engagement with banks on the future of RMB clearing, it has become clear that there are other areas where banks are looking for SWIFT’s support:

The future RMB clearing system will likely be built using international standards such as ISO 20022. SWIFT can provide translation support to participants for the translation between MT and ISO 20022. This allows faster deployment of the solution since it allows participants to defer, minimise or avoid upgrading legacy systems while offering compatibility.

With the introduction of ISO 20022, non-Latin characters can be used on the SWIFT network. For many institutions the MT standard will continue to play a significant role and many of the legacy applications and platforms that are used to process payments around the world are incapable of supporting anything but Latin characters. SWIFT is therefore discussing with the broader community an enhancement to certain fields in MT messages that would enable them to convey non-Latin characters as code numbers based on the Unicode standard.

Lastly, the codes used in any future RMB clearing system, and their compatibility with BIC codes, are critical for seamless global processing of payments. SWIFT is working to ensure compatibility of the codes and availability of directory information where mapping is needed.

For more insights into recent RMB transaction flows and which countries to focus on for your RMB business development, please contact swiftforbanks@swift.com for more information about our business intelligence products and services.
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Glossary of abbreviations

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AML</td>
<td>Anti-money laundering – procedures, laws or regulations in place to prevent, detect and report money laundering activities</td>
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<td>BIC</td>
<td>Bank Identification Code</td>
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<td>BOC HK</td>
<td>Bank of China (Hong Kong)</td>
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<td>CCC</td>
<td>Chinese Commercial Codes</td>
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<td>CIPS</td>
<td>China International Payment System</td>
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<td>CLS</td>
<td>Continuous Linked Settlement – an industry initiative that aims to significantly reduce foreign exchange settlement risk through simultaneous exchange of net currency values</td>
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<td>CNAPS</td>
<td>China National Advanced Payment System</td>
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<td>CNH</td>
<td>Offshore yuan/renminbi – denotes Chinese currency traded outside mainland China, mainly in Hong Kong. There is only one official ISO currency code for the Chinese yuan and that is ‘CNY’ (see CNY and RMB)</td>
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<tr>
<td>CNY</td>
<td>ISO currency code denoting the Chinese yuan, otherwise known as renminbi. Yuan is the basic monetary unit of China, while renminbi is the system of currency. CNY also denotes onshore RMB – Chinese currency traded within mainland China (see RMB and CNH)</td>
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<td>CPSS-IOSCO</td>
<td>A joint initiative of the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions</td>
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<td>CSD</td>
<td>Central securities depository</td>
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<td>EUR</td>
<td>ISO currency code denoting the euro</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>FIN</td>
<td>SWIFT’s messaging service that enables the secure and reliable exchange of MT messages in store-and-forward mode</td>
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<td>FX</td>
<td>Foreign exchange</td>
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<td>IDR</td>
<td>ISO currency code denoting the Indonesian rupiah</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>JPY</td>
<td>ISO currency code denoting the Japanese yen</td>
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<tr>
<td>MOFCOM</td>
<td>Ministry of Commerce, People’s Republic of China</td>
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<tr>
<td>MOU</td>
<td>Memorandum of understanding</td>
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| MT      | Message Type – denotes the data used to identify information within a standard SWIFT format message. Standard formats are:  
  - MT 103: payment instruction (customer)  
  - MT 202: payment instruction (bank)  
  - MT 210: advice of funds/pre-advice (customer)  
  - MT 300: foreign exchange confirmation  
  - MT 545: receive against payment confirmation  
  - MT 547: deliver against payment confirmation  
  - MT 940: detailed bank statement information  
  - MT 950: summary bank statement information |
| MYR     | ISO currency code denoting the Malaysian ringgit |
| ODI     | Outbound direct investment |
| PBOC    | People’s Bank of China |
| PFMI    | Principles for Financial Market Infrastructures – a report published by the CPSS-IOSCO committee |
| PMPG    | Payments Market Practice Group, a SWIFT advisory group |
| PvP     | Payment-versus-payment – a system wherein transfer of a payment in one currency occurs only if the final transfer of a payment in another currency or currencies takes place |
| QFII    | Qualified Foreign Institutional Investor; the QFII scheme allows foreign fund managers to convert foreign currencies into RMB to invest in China |
| RMB     | Renminbi – the currency of mainland China; otherwise known as yuan. Renminbi is China’s system of currency, while yuan is the basic monetary unit (see CNY and CNH) |
| RQFII   | Renminbi Qualified Foreign Institutional Investor; the RQFII scheme allows Chinese fund houses to establish RMB-denominated funds in Hong Kong for investment in mainland China |
| RTGS    | Real-time gross settlement |
| SWIFT   | Society for Worldwide Interbank Financial Telecommunication – a cooperative organisation created and owned by member banks to facilitate the transfer of information and payments/advice instructions between each other via a global data network |
| TWD     | ISO currency code denoting the new Taiwan dollar |
| USD     | ISO currency code denoting the US dollar |
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