



Offshore CNY Guidelines

Offshore CNY – Background

- Industry stakeholders have approached SWIFT on challenges surrounding offshore Chinese Yuan operations, in particular concerns regarding straight-through-processing (STP)
- During a meeting held on 2011 April 1st attended by representatives from a variety of segments of the financial industry, it was agreed that defining and documenting best practice on how to use SWIFT MT and ISO 15022 messages for offshore CNY transactions was required

The Industry Challenge

- The operational challenges started because firms are using the code CNH (that is being passed from the front office) for dealing of Offshore CNY
- Once the code CNH is passed to the middle or back office, CNH is likely to be translated to CNY for settlement, because CNH is NOT a valid ISO 4217 currency code and therefore not able to be processed in systems
- The majority of these transactions are currently being processed outside of STP channel
- As volume of transactions increases, this practice is hindering STP and could be prohibitive to business growth
- There was a need for a “tactical solution” since banks proprietary, vendor operated and SWIFT systems are all based on ISO currency codes

Offshore CNY Guidelines for SWIFT MT & ISO 15022

Payments

- MT 101, 103, 202, 210

Treasury

- MT 300, 304, 305, 306, 320, 321, 330,
... 340, 341, 360, 361, 380, 381

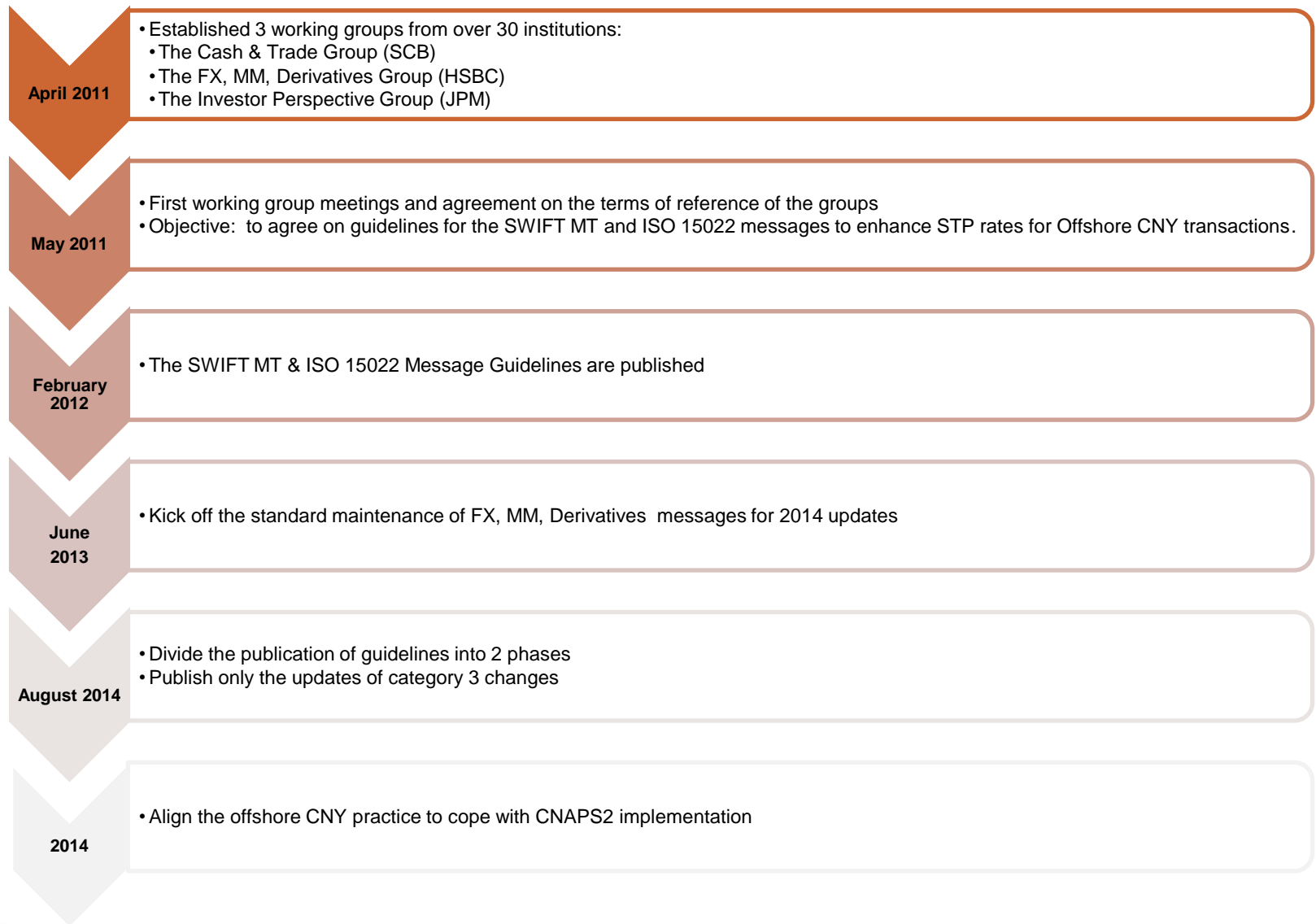
Securities

- MT 513, 514, 515, 540, 541, 542, 543, 544,
... 545, 546, 547, 564, 565, 566,
- **Standing Settlement Instructions for Treasury and Payment**
- MT 670, 671
- **Cash Reporting**
- MT 900, 910, 940, 942, 950

Usage of Guidelines

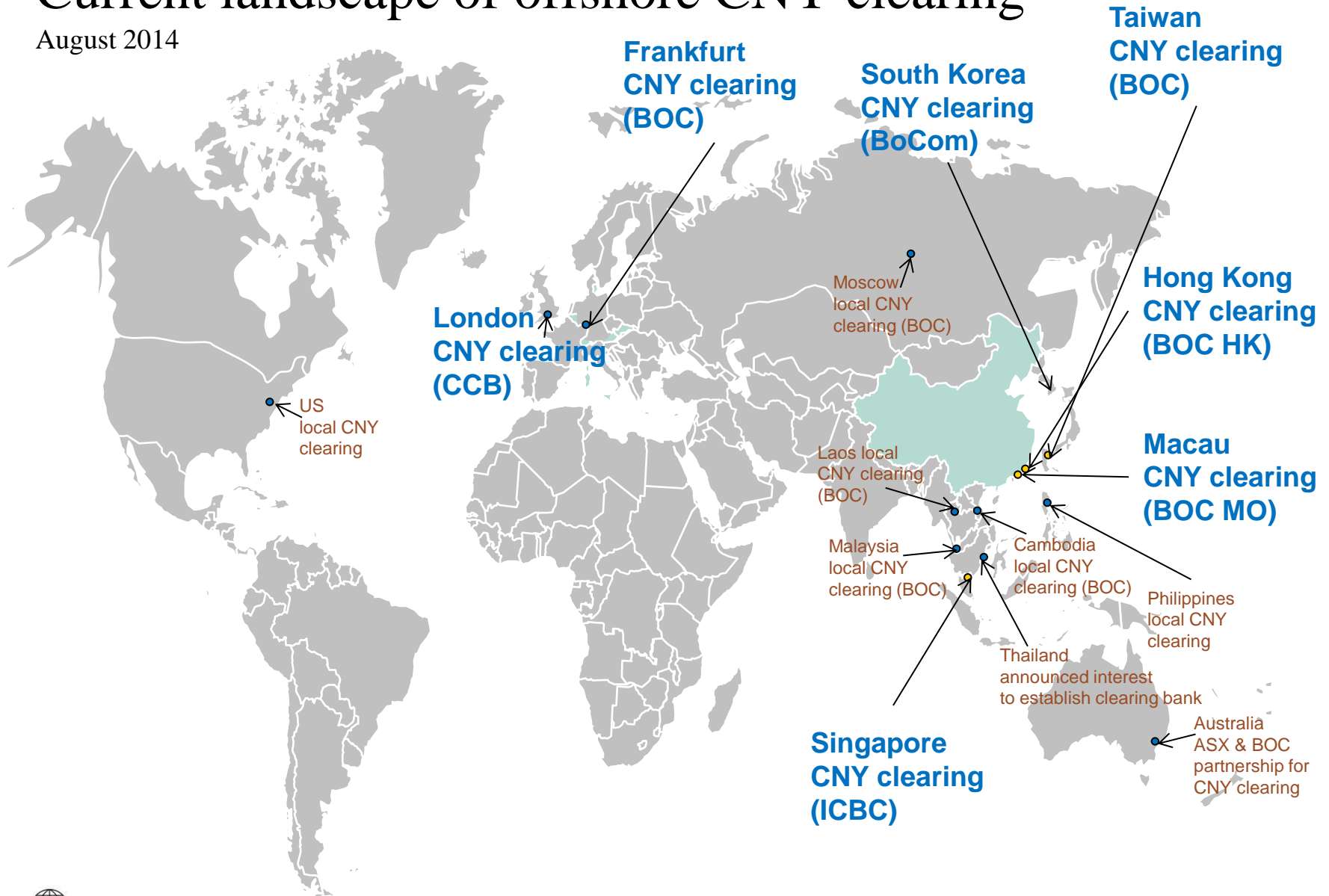
- The best practice document acts as a **guiding principle**
- The use of structured code is **optional** but serves as a baseline in counterparty communication
- The industry decided to focus on the immediate concerns, therefore, the first version of the guidelines focuses on **SWIFT MT** and **ISO15022**

Timeline of development

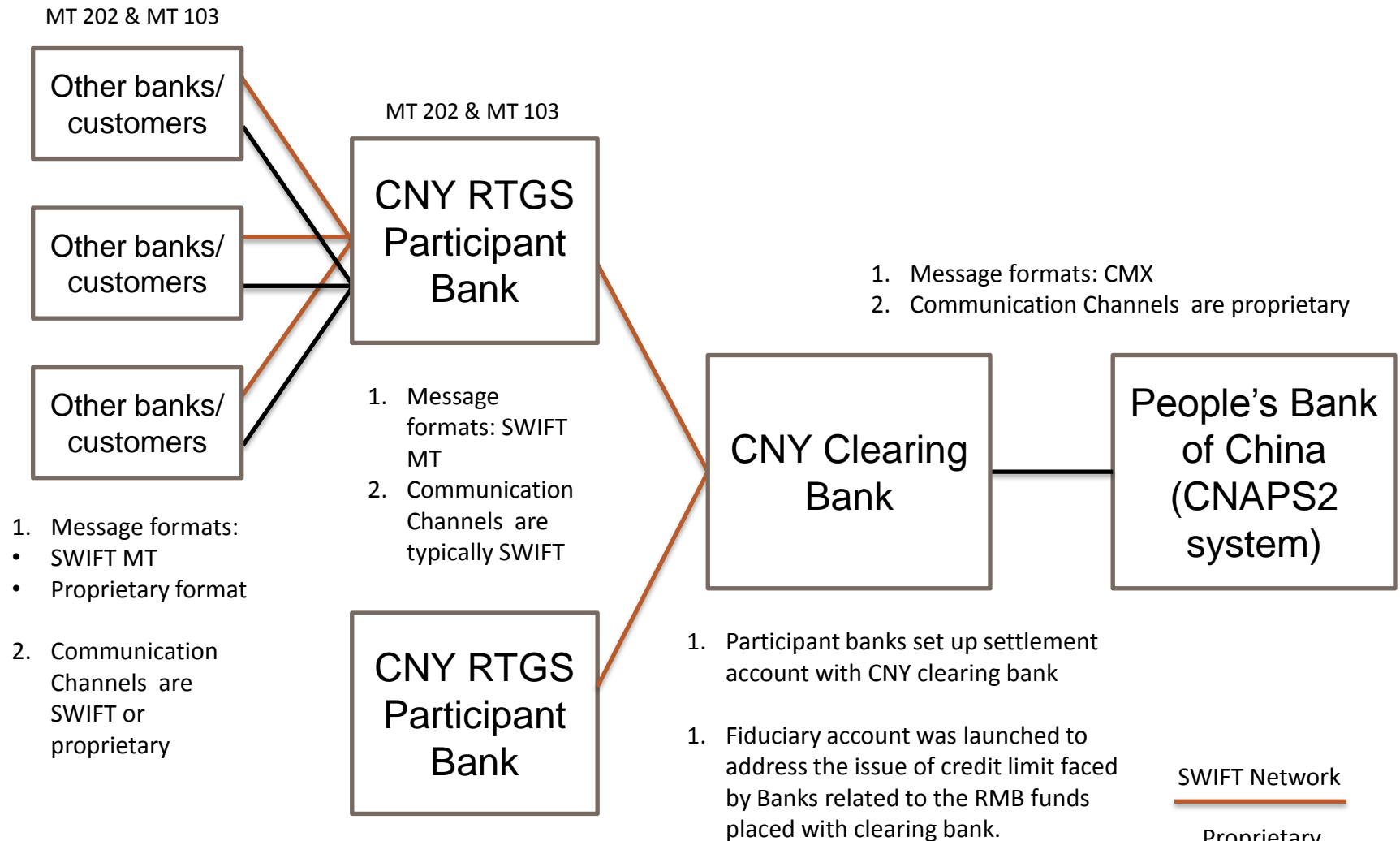


Current landscape of offshore CNY clearing

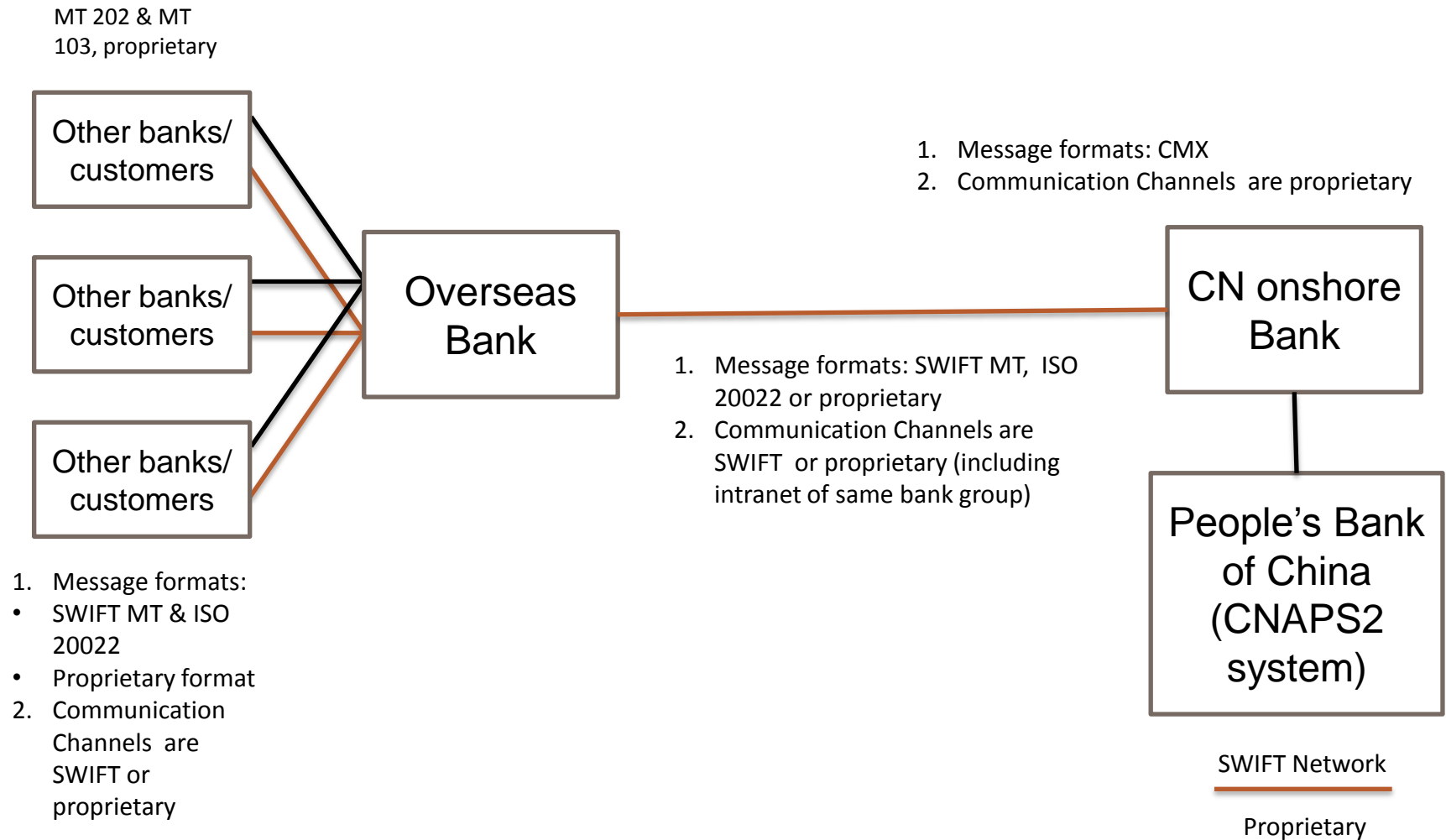
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Clearing Bank Model



Correspondent Banking Model



Tasks to complete in payments guidelines

- Align **one set** of the selected business type codes for cross-border for China incoming payment transactions required by CNAPS2 that cover both offshore clearing and correspondent banking models with market practice groups and offshore CNY clearing banks
- Agree on the business type code definitions and usage
- Agree on the field, format, and precise location to present the business type code in payment messages