

Measures for the Administration of Pilot RMB Settlement in Cross-border Trade

July 1st, 2009

- 1) Measures for the Administration of Pilot RMB Settlement in Cross-border Trade "Measures" (July 1st , 2009)

July 3rd, 2009

- 2) The Implementation of Measures for the Administration of Pilot RMB Settlement in Cross-border Trade "Implementation" (July 3rd , 2009)

The "Measures" and the "Implementation" stipulate for the first time that some designated and qualified enterprises are allowed to implement the RMB settlement in cross-border trade in the pilot areas. The authorities determine the list of enterprises according to their qualities and the recommendation from local government. The central bank of China will supervise the whole procedure and control the total amount of pilot RMB settlement.

The announcement of the "Measures" and the "Implementation" represents a substantial step for China's RMB settlement in cross-border trade and RMB settlement will enter into a new starting point for cross-border trade. The specific arrangements in the "Measures" and the "Implementation" are effective in avoiding the risk of exchange rate fluctuations. They can help RMB to achieve regionalization and internationalization. Meanwhile, the "Measures" and the "Implementation" can also provide enterprises with various kinds of services such as RMB trade financing and export buyers' credit.

In addition, the "Measures" and the "Implementation" also stipulate that the qualified domestic commercial banks are allowed to provide RMB settlement services in cross-border trade in the pilot areas. The qualified commercial banks shall sign the RMB settlement agency agreement with the foreign banks which participate in the cross-border trade. Then the domestic banks need to open bank accounts of the foreign banks for RMB settlement and cooperate with them as their agency. The central bank of China will determine the service scope of RMB settlement and supervise the operation of RMB settlement in cross-border trade.

Chinese banks, which are participating in cross-border trade RMB settlement, will be able to introduce more settlement services such as documentary letter of credit, documentary collection, remittance, pre-receipt and pre-payment. Chinese banks have good opportunities to take advantage in expanding their business scope and improving their abilities to achieve internationalization from these new regulations.