



Global RMB Clearing Service

Bank of China Head Office

Clearing Department

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1. Overview of RMB Internationalization

RMB has become the main currency of global payment

- ④ The **5th** payment currency, market share 1.8%
- ④ **1900+** financial institutions engage in RMB business
- ④ **153** countries and regions are using RMB for payment
- ④ The usage of RMB increases rapidly at regions along the Belt and Road



Clearing system is the most important infrastructure for RMB internationalization

1. RMB Internationalization – From Payment to Clearing

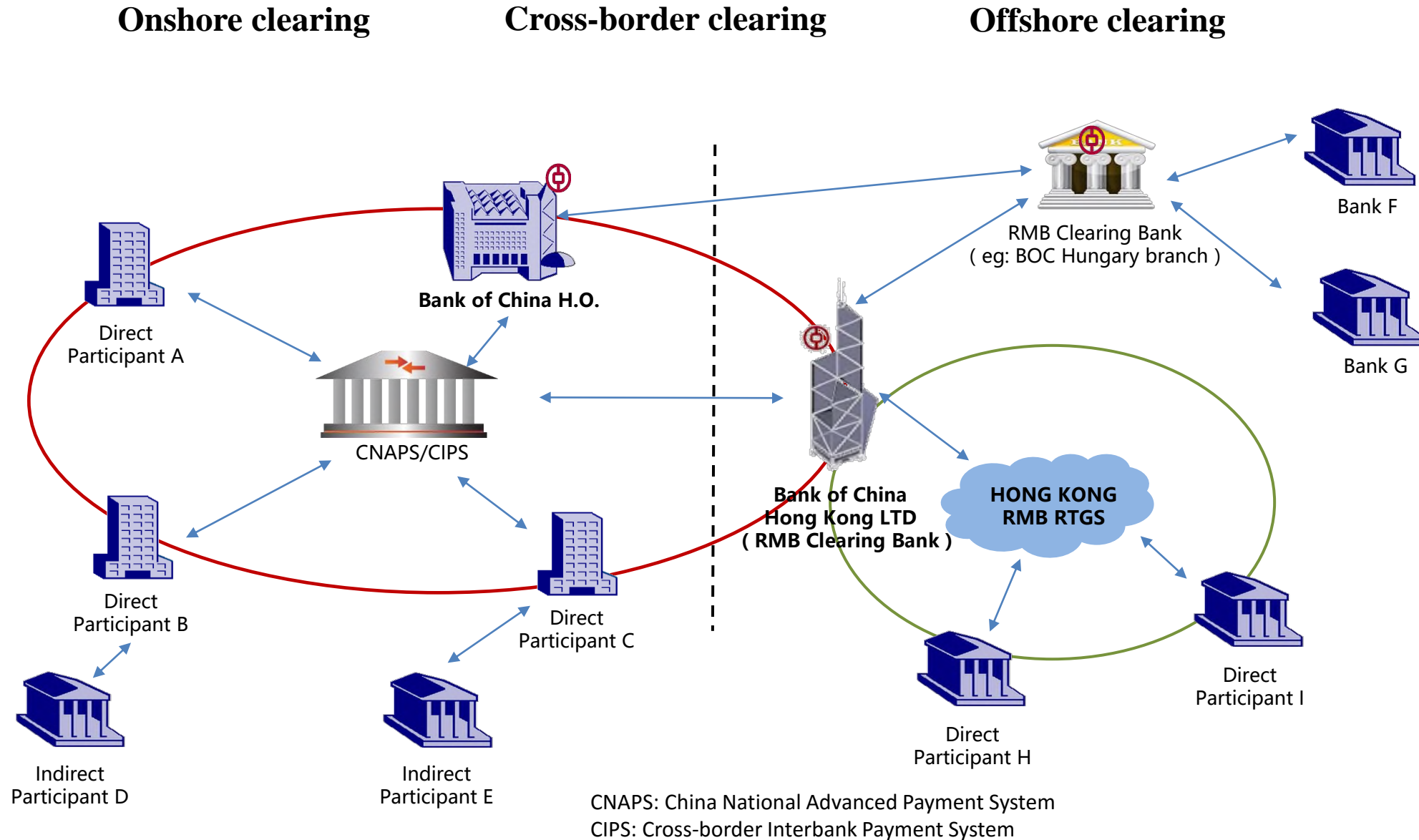
The Usage of RMB

- ⊕ **Trade:** settle import & export trade with RMB
- ⊕ **FX Transaction:** exchange RMB for other currencies, hedge risks and store value
- ⊕ **Finance:** get RMB funds from market players
- ⊕ **Investment:** invest in and hold RMB assets



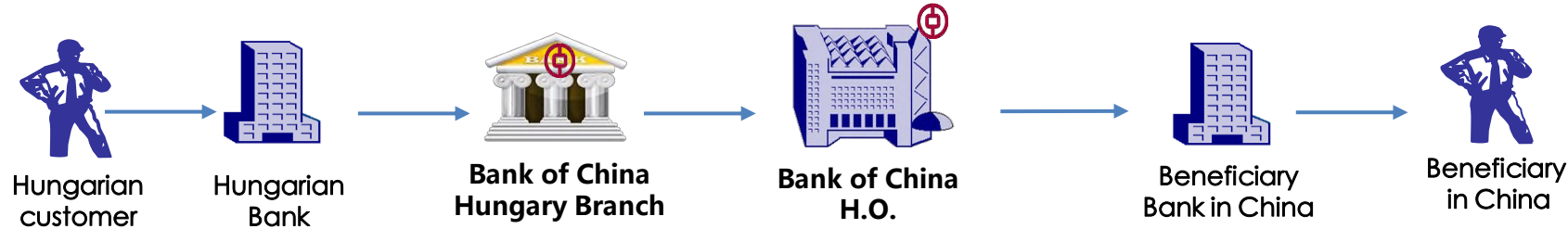
Clearing is the process of funds transfer from payer to payee, which is the basis of business activities

1. Global RMB Clearing System

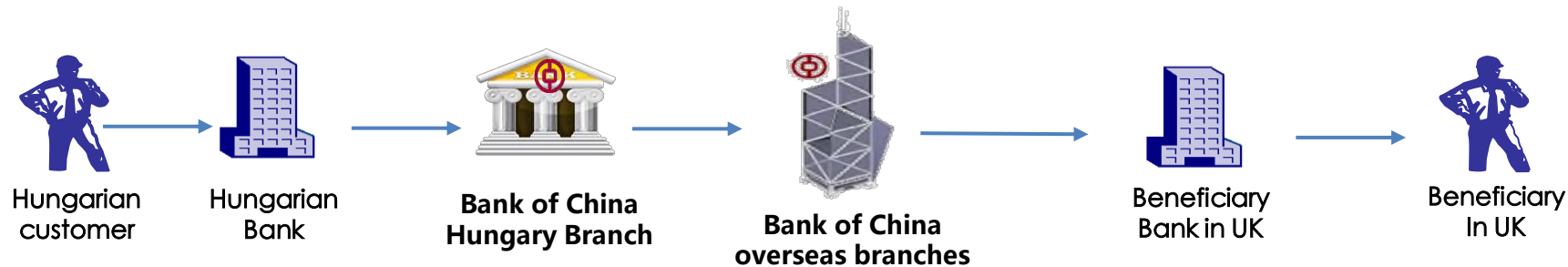


1. Cross-border Clearing and Offshore Clearing

Case 1 Cross-border Clearing: a Hungarian customer pays RMB to a beneficiary in mainland China



Case 2 Offshore Clearing: a Hungarian customer pays RMB to a beneficiary outside mainland China



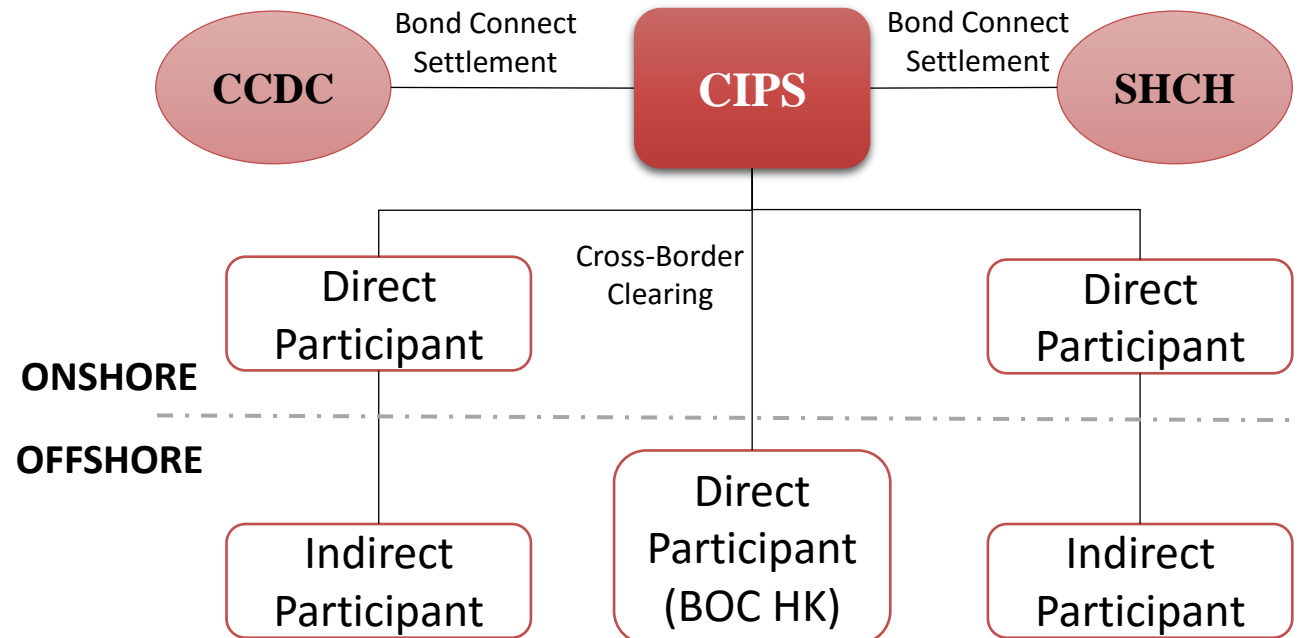
1. Cross-Border Interbank Payment System

CIPS provides clearing and payment services for financial institutions in the cross-border and offshore RMB business

- ⊕ **Participants:** **31** direct participants, **681** indirect participants, by the end of 2017
- ⊕ **Coverage:** **86** countries and regions including 40 countries along the “Belt and Road”

Features of CIPS

- ⊕ **Hybrid Settlement:** supports real-time gross settlement and netting at fixed interval
- ⊕ **Standardization:** adopts ISO 20022 message format, supports both Chinese and English
- ⊕ **Facilitation:** uses SWIFT BIC instead of 11 digit number of CNAPS
- ⊕ **Continuity:** 24 hours operation



1. Cross-Border Interbank Payment System

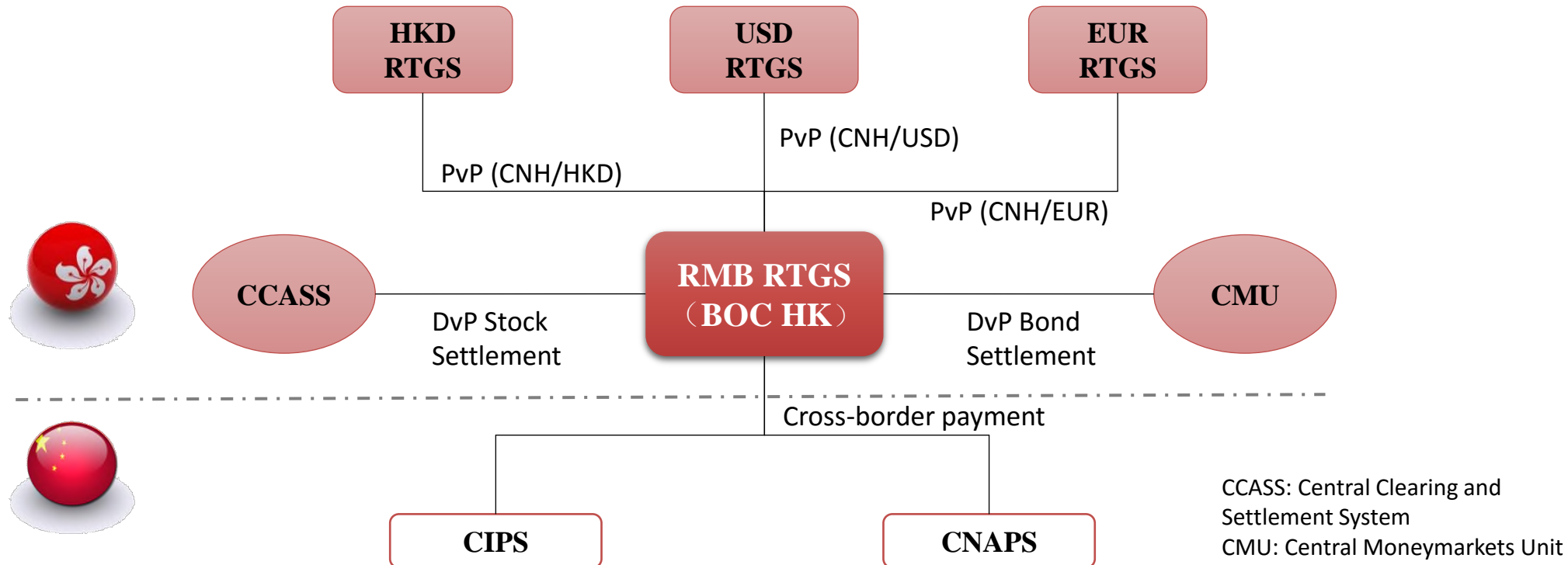
By the end of 2017, CIPS has had **31** direct participants.



1. Offshore Clearing System(e.g. Hong Kong RMB RTGS)

Hong Kong RMB RTGS links local financial markets, overseas payment system and custody system, constituting a comprehensive clearing network

- ⊕ Hong Kong remains the largest RMB clearing center with 76% activity share, nearly half of cross-border RMB payment handled via Hong Kong
- ⊕ 200+ direct participants, indirectly provides clearing services for nearly 2000 banks



1. RMB Clearing Banks

RMB clearing banks are the hubs of offshore clearing center and the propellant of RMB internationalization

- ⊕ Provide RMB clearing and currencies exchanges services for local customers
- ⊕ Supply liquidity for offshore markets
- ⊕ PBOC and local regulators has designated clearing banks in 23 countries and regions

Bank of China actively expands the scope of RMB clearing banks business, providing integrated RMB services

Bank of china Hungary branch:

- ⊕ **Clearing** : 60+ billion yuan, YoY 160%, over 70% market share
- ⊕ **Underwriting** : underwrote the first Dim Sum Bond in Central and Eastern Europe in 2016, assisted Hungary Ministry of Finance to issue Panda Bond in 2017
- ⊕ **Product innovation**: issued Panda Bond structured notes to local clients (cooperated with Budapest Exchange)
- ⊕ **Business development**: services covers countries in Central and Eastern Europe such as Hungary, Serbia, Bulgaria, Austria and Czech republic

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2. BOC-Global Payment Intelligence (BOC-GPI)

Available for: individuals, corporates and financial institutions

Features of GPI:

- ⊕ **Fast:** GPI payment will be processed real time and valued the same day
- ⊕ **Transparent:** all fees deducted during clearing will be shown to the remitter
- ⊕ **Traceable:** provide end to end payment tracking service. Remitter will be informed when beneficiary receive funds
- ⊕ **Multi-currencies:** support 13 main currencies including RMB, USD and EUR, etc.



2. BOC-CIPS clearing

Available for: financial institutions

Features of CIPS clearing:

⊕ **Extend RMB clearing network**

- Banks can find the clearing route when a bank joined CIPS, so that other banks can transfer the money to the bank accurately and rapidly

⊕ **Convenient account open procedure**

- Choose any bank of China's branches to open an account and get full services by Bank of China group

⊕ **Smart routing**

- Clients only need to send SWIFT message. BOC will choose the best RMB clearing route and convert the message to the format of local clearing system such as CNAPS, CIPS

⊕ **Account management**

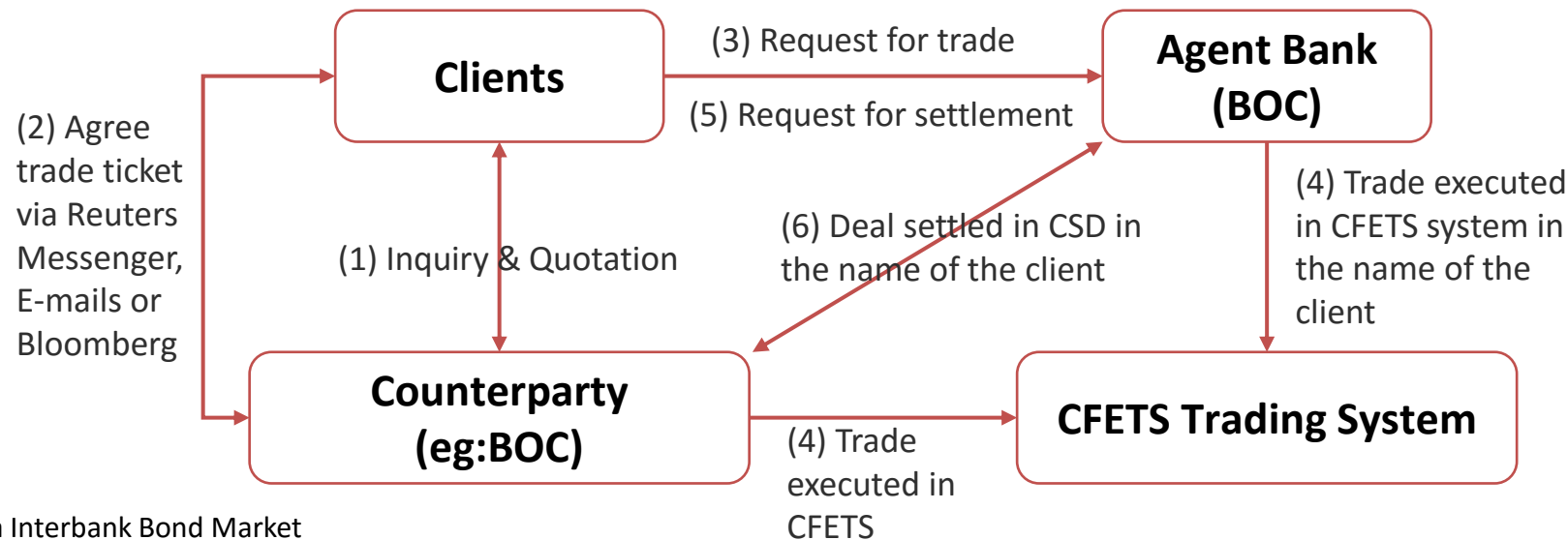
- provide supplementary services such as account management, intraday overdraft and reconciliation, etc.

2. BOC-CIBM Agent Bond Settlement

Available for: qualified institutional investors

Features of CIBM agent bond settlement:

- ⊕ **Assist to register and open accounts:** provide assistance when prepare registration materials, open funds and bonds accounts
- ⊕ **Trading and Settlement:** Execute dealing in CFETS platform, settle deal in CSD
- ⊕ **Inquiry and reconciliation**
- ⊕ **Value-added services:** settlement reports and investment advisory service, etc.



2. BOC-Exchange Settlement Bank

Available for: Exchanges

Features of Exchange settlement bank:

⊕ **Worldwide cooperation**

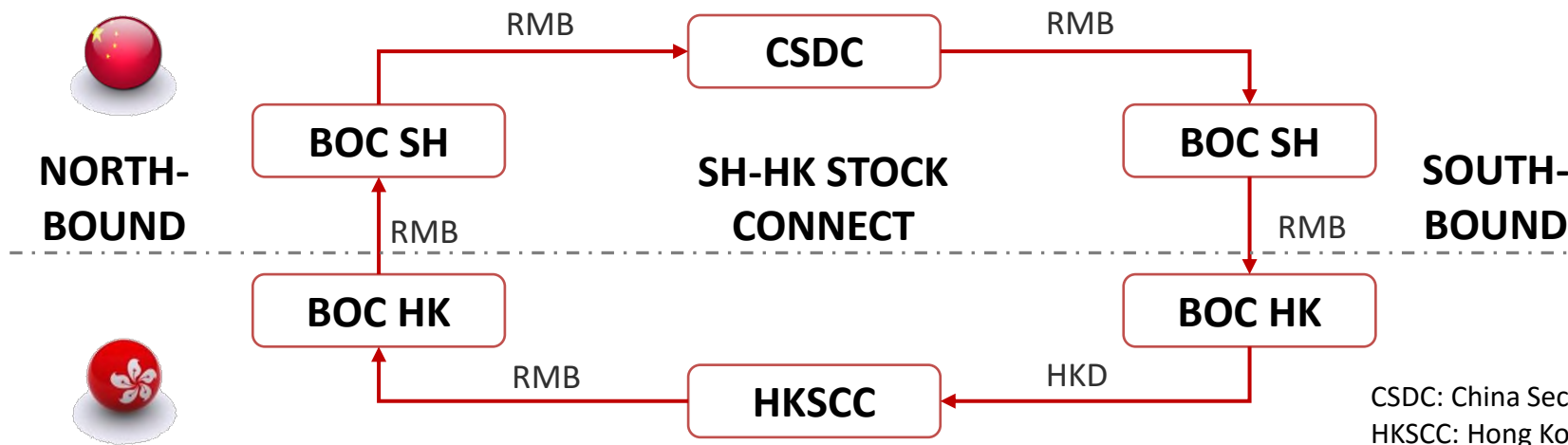
- Bank of China has signed MOU with over 20 main Exchanges worldwide.

⊕ **Abundant experience**

- Settlement bank of HKEX, SGX, DBAG and LSE, etc.
- Settlement bank of Shanghai-Hong Kong stock connect, Shenzhen-Hong Kong stock connect, bonds connect

⊕ **Completed products**

- A package service includes cross-border clearing, currencies exchange, intraday overdraft and custody, etc.



CSDC: China Securities Depository and Clearing CO.,LTD
HKSCC: Hong Kong Securities Clearing Company

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3. BOC-Global Leading RMB Clearing Service

Global leader in RMB Cross-border Clearing

- ④ **350** trillion yuan in 2017, YoY 12%
- ④ **20%** market share according to SWIFT, maintaining the first place in global market

Worldwide RMB Clearing Network

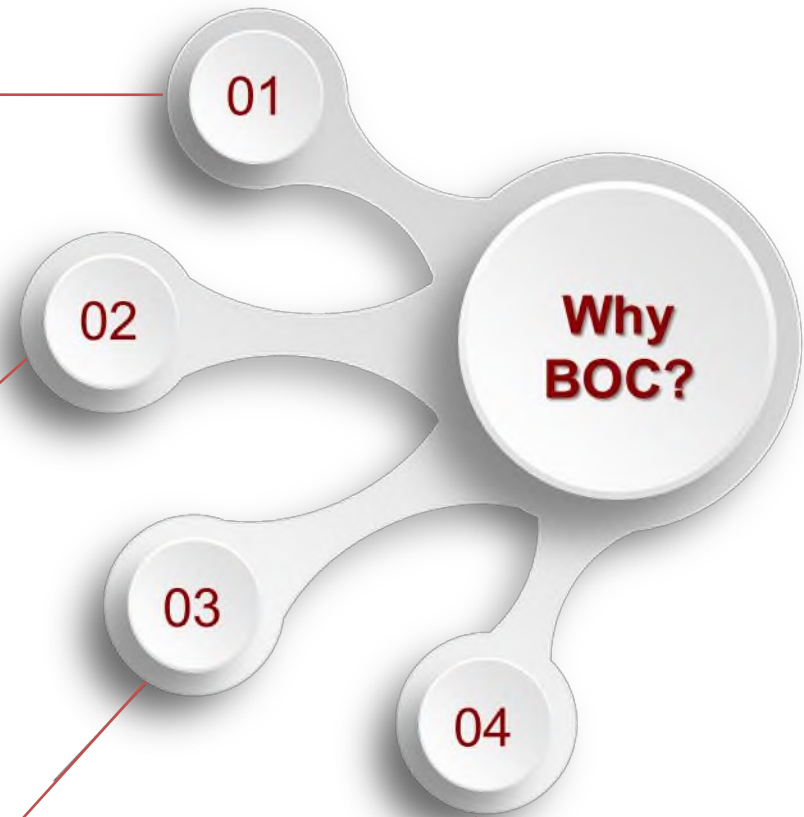
- ④ **1400+** cross-border RMB clearing accounts are opened for correspond banks
- ④ **2** direct participants in CIPS, **199** indirect participants

Largest Number of RMB Clearing Banks

- ④ **11** RMB clearing banks in Hong Kong, Macau, China Taiwan, Germany, France, Australia, Malaysia, Hungary, South Africa, Zambia and the US

24 Hours Service

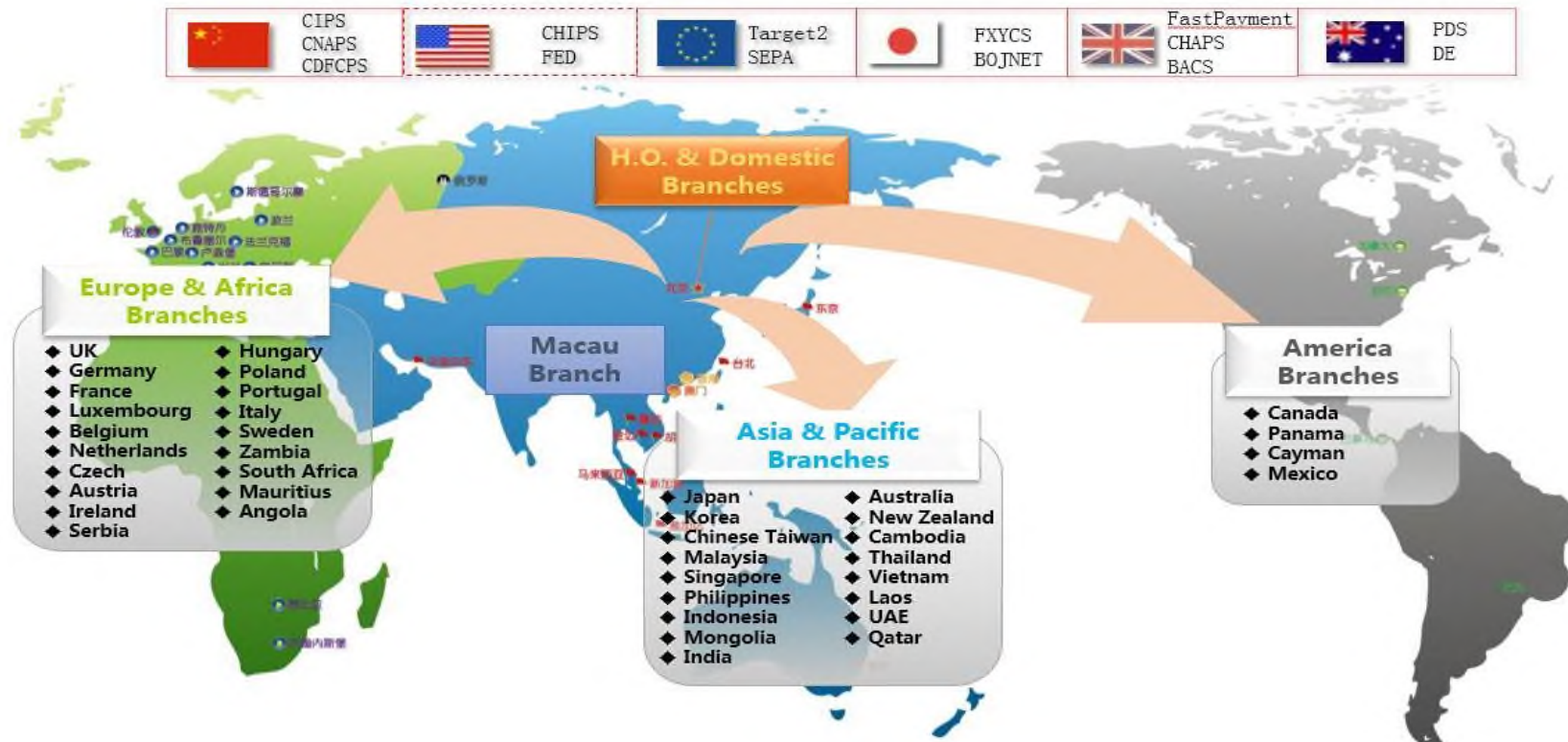
- ④ **24** hours clearing service and multi-language inquiry



3. BOC-Global Unified Payment Platform

GUPP is the central platform processing payment instructions for BOC group

- ⊕ **Multi-channels:** links SWIFT and 40+ local clearing system all over the world
- ⊕ **Standardization:** ISO 20022 message format, support several languages
- ⊕ **Continuity:** process orders from different time zones simultaneously, operate 24 hours continuously
- ⊕ **Multi-currencies:** 30+ currencies, 26,000+ items daily volume



3. BOC-Global Risk Management System

⊕ Comprehensive risk management scope

- BOC adheres to the “robust, rational and prudent” risk appetite, gets adapted to regulatory changes in a proactive manner and endeavors to establish a professional, efficient and differentiated system of comprehensive risk management.

⊕ Strictly AML and sanction policy

- Follow the “whichever is more stringent” principle to improve AML frameworks
- Sanction scanning center in Beijing and Guangzhou

⊕ Global data center

- Data centers in AP (Hong Kong), E&A (London), NA (New York)
- Backup centers in Beijing, Shanghai

⊕ Completed business continuous plan

- At least twice BCP tests per year
- Successful response to emergencies such as 911, Tokyo earthquake and Hurricane Sandy, etc.



Thanks

