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Start of the Yuan Cross-Border Payment System

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In October 2015 the Chinese Yuan the cross-border payment system or the RMB Cross-border Inter-bank Payment system (CIPS) began. In Phase 1 of CIPS, real time gross settlement of the Yuan using an international standard message type became possible. 19 mainland banks (11 Chinese banks and 8 Hong Kong and non-Chinese banks) were designated as “Direct Participants” that can directly access CIPS, 176 offshore banks (38 Chinese banks and 138 non-Chinese banks) were designated “In-direct Participants” that can in-directly access through Direct Participants. Further, since if banks satisfy the qualifications they can apply for participation in CIPS, it is possible that the participants will increase.

According to the People’s Bank of China (PBOC), until now cross-border settlements were done through designated offshore Yuan clearing banks or through agent banks within China. With the implementation of CIPS, settlement of cross-border Yuan will be concentrated into a common platform and is hoped to raise the efficiency of cross-border settlement transaction in total. Also, it was announced that the current cross-border Yuan settlement system will still be used to satisfy the needs of the market. Further, for offshore banks, because abundant offshore Yuan can easily be accessed through a highly confident system, CIPS, it is predicted that cross-border Yuan transaction will become more active.

Management of CIPS will be done by a new settlement institution in Shanghai under the administration of PBOC. In Phase 2 of CIPS, further enhancement in the convenience of cross-border and offshore Yuan settlement is targeted. As for now, although it cannot be specifically seen on how much further transactions will become possible and how much will be developed under Phase 2, it can be said that it will speed up the process of the internationalization of the Yuan.

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