

News Release

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HSBC AMONG FIRST BANKS LINKING TO CHINA'S RMB CROSS-BORDER INTERBANK PAYMENT SYSTEM

****** Starts processing RMB transactions via CIPS today ******

HSBC has become one of the first banks to be connected to China's Cross-border Interbank Payment System (CIPS), a centralised clearing platform for cross-border Renminbi (RMB) transactions. As a direct participant, HSBC China has started processing cross-border RMB transactions for its global clients through the new system, which officially launched today.

CIPS adopts an international standard messaging format and serves as a platform that centralises the processing of cross-border RMB payment transactions. The new system enhances the payment process, providing an optimal option among different clearing channels with varying messaging formats.

The introduction of CIPS is expected to be a catalyst for growing cross-border transaction volumes in RMB, which is now the world's fourth-most active payment currency and the second-most used currency in trade finance. HSBC expects more than half of China's global trade to be settled in RMB by 2020.

From a value perspective, there has been a significant adoption of RMB usage in Singapore. According to data from Swift, from January to July 2015, 52 per cent of all international flows from Singapore sent and received directly with China and Hong Kong took place in RMB. This was much higher than the 6 per cent done in US dollar and remaining 41 per cent in other currencies.¹

HSBC's RMB International Study 2015, released earlier in March this year, also showed that more Singapore companies are gearing up to use RMB to settle their cross-border trade with China. Of the 100 Singapore-based companies which have international business with China that were surveyed, around 41 per cent of the firms are expecting to increase their cross-border trade with China in the following 12 months. Additionally, 32 per cent of Singapore businesses which are currently not using RMB to settle their trade are planning to start using the currency in the future.²

Companies pointed out that the principal drivers behind RMB usage today include reduced foreign exchange risk, access to cheaper trade pricing and an anticipated increase in trade with China.

Helen Wong, HSBC Greater China Chief Executive, said: "The establishment of CIPS is an important milestone in RMB internationalisation, providing the infrastructure that will connect global RMB users through one single system."

"Because of the fast growth of cross-border RMB businesses, there is increasing demand for an international RMB clearing platform that adopts global market standards and offers efficiency in terms of trading time and language as well as risk and liquidity management. We believe CIPS will meet that demand, boosting RMB use worldwide and paving the way for China's currency to become truly global."

¹ South Korea and Taiwan use the RMB for the majority of payments with China and Hong Kong. Released on Sept 1, 2015, by Swift.

http://www.swift.com/about_swift/shownews?param_dcr=news.data/en/swift_com/2015/PR_RMB_august_2015.xml

² Release in March 2015 on HSBC Global Connections. <https://globalconnections.hsbc.com/singapore/en/articles/realising-chinese-dream-rmb-vehicle-future-growth>.

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1 Queen's Road Central, Hong Kong

Web: www.hsbc.com.hk

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In addition to the Bank's mainland China unit, HSBC Hong Kong will also participate in CIPS as an "indirect participant," connecting to the RMB system via HSBC China.

Commenting on this, Ms. Wong said: "An improved RMB settlement infrastructure will support more efficient RMB payments in offshore markets, which should in turn translate into stronger demand for RMB products internationally. As the leading offshore RMB centre, Hong Kong is ideally positioned to benefit from growth in global RMB transactions. We expect the Hong Kong RMB real-time gross settlement system to work hand-in-hand with CIPS to further grow the RMB market in Hong Kong, generating higher volumes of foreign exchange, debt issuance and transactions in other financial instruments."

HSBC has been a champion of RMB internationalisation since the beginning of this historic process. The Bank has established RMB trade and payment capabilities in over 50 markets globally, was the first international bank to settle RMB trade in six continents, and continues to be at the forefront of market developments within and beyond mainland China.

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Media enquiries:

Daniel Fitzpatrick

+65 6658 4799 / +65 8127 5963

daniel.fitzpatrick@hsbc.com.sg

Notes to editors:

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves around 48 million customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. The Group serves customers worldwide from over 6,100 offices in 72 countries and territories in Asia, Europe, North and Latin America, and the Middle East and North Africa. With assets of US\$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.

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