Cross-border RMB Settlement Business of Commercial Banks in China

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Abstract. The internationalization of currency in international finance as a hot topic has become the inevitable, also with improved to enhance China's economic strength and the degree of opening to the outside world, the internationalization of the RMB has attracted widespread attention, its position in the international economy and society becomes more and more important. China's cross-border RMB settlement business problem not only in the domestic and foreign theorists get attaches great importance to, is to promote the inevitable choice of China's comprehensive national strength and international influence, to the internationalization of the RMB has far-reaching significance.

Research Background and Significance
With the globalization of money, the internationalization of RMB is also imperative. As an important step in the cross-border trade RMB settlement business has aroused widespread concern in our country. At the same time, China is a big trading country, the development of cross-border trade RMB settlement business to China's trade development will have the effect of adding fuel to the flames. Since 2009 China's cross-border trade RMB settlement pilot, RMB international use of sustained and rapid development, RMB cross-border payments accounted for the foreign currency cross-border payments rose to 23.6%, RMB internationalization cooperation continues to deepen. According to the World Bank Financial Telecommunications Association's latest data statistics, in December 2014, the RMB has become the world's second largest trade financing currency, the fifth largest payment currency, the sixth largest foreign exchange trading currency.

The Significance of the Implementation of Cross-Border Trade in RMB
The role of cross-border RMB in the internationalization of the RMB is huge, promoting cross-border trade RMB settlement has a positive impact on China's macro economy and micro subject. In macro terms, cross-border RMB can promote the trade between the countries and regions around the world, accelerate the economic development between countries, but also help promote the diversification of foreign trade. From the micro subject, the cross-border RMB business to improve the foreign trade enterprises due to the loss of exchange rate fluctuations, broaden the scope of China's banking business, to achieve a win-win international and domestic market.
Conducive to Promoting the Economic Development of our Country and the Neighboring Countries or Regions

China and neighboring countries in the trade model, the industrial structure has a strong similarity and complementarity. China's trade status in neighboring countries has been in the middle position, exports to neighboring countries and regions in order to obtain a large number of industrial products, while imports from neighboring countries, the necessary resources of goods. Compared to neighboring countries, China's economic development is in front, neighboring countries economic level is weak, shortage of foreign exchange, use of the RMB as a valuation tool can reduce the cost of settling, effective mitigation of the neighboring countries of the shortage of foreign exchange, increase the ability of China's export commodities and production equipment.

Conducive to Promoting the Diversification of Foreign Trade

China's foreign trade mainly concentrated in some trade developed countries, such as the European Union, the United States and Japan, etc. If these countries economic and financial event changes or countries to implement trade protectionism, that China's import and export trade will be greatly affected. Especially in Europe and the United States and other countries have great influence on the international trade rules, China has also been under the pressure of a huge trade dispute. Promote trade diversification can effectively ease the situation, promote the regional economic integration of developing countries is conducive to the introduction of their own, in line with national conditions of the country's trade strategy. The implementation of cross-border trade in RMB business, is conducive to the lack of U.S. dollars and other freely convertible currency income countries and China's development of trade, thus benefiting from the diversification of China's foreign trade development.

Conducive to the Development of Enterprises

First, effectively avoid the exchange rate risk, give the company more money to choose the right. In the field of international trade settlement, most of them are in US dollar, Japanese yen, the euro, such as currency as a valuation tool, but the currency exchange rate fluctuations tend to be affected by the impact of the international economic situation, exchange rate volatility is very frequent. To promote cross-border RMB business can effectively avoid the loss caused by exchange rate fluctuations, reduce transaction costs, increase revenue, and thus improve the effectiveness of corporate decision-making.

Second, reduce settlement costs, improve enterprise income. In foreign trade, with foreign currency payment will often exchange cost, transfer fee and bank settlement and sale of foreign exchange middle income. These gains will bring unnecessary losses to the import and export enterprises, if in the collection, the use of RMB settlement, you can greatly reduce the transaction costs. Make the import and export enterprises in the early signing of the contract to determine the fixed income, improve the profitability of the enterprise.

Third, simplify the trade process, improve the rate of use of funds to speed up the settlement rate. At the beginning of the cross-border RMB business, import and export enterprises usually use foreign currency settlement, it will be more many intermediate links, such as import must first purchase of foreign exchange, exports must first conversion, growth capital circulation time, reduce the efficiency in the use of funds. After the pilot, through the RMB settlement, greatly accelerate the settlement rate, is conducive to enterprise personnel and resources to reduce investment, and thus make more profits.

Fourth, enjoy convenient approval, the export tax rebate policy concessions, etc. In July 2009, the people's Bank of China and other six ministries jointly issued on the cross-border trade “RMB settlement pilot management approach”, in the way clearly pointed out that in the export trade, pilot enterprises apply for refund (Exemption) of tax procedures cannot provide foreign exchange verification sheet can be in accordance with the relevant provisions of the direct experience of export tax refund (Exemption).

Conducive to the Development of Commercial Banks

First, increase the number of customers. With the trade development needs, more large multinational companies settled in China, in the scale of domestic investment more and more, and domestic enterprises to cooperate more closely, these changes will increase the demand for RMB settlement business, commercial banks can effective use of financial strength, existing clearing path, network marketing advantages, the establishment of more foreign customers, expand the customer base for commercial banks. At the same time, foreign banks can obtain more domestic enterprises, to provide more convenient financial services for domestic enterprises to invest overseas.

Second, the promotion of commercial banks to accelerate the layout of international. Due to policy reasons, Chinese banks in addition to the Bank of China, the foreign branches of other Chinese banks are not mature, the customer base is relatively thin. With the increase of the frequency of the use of RMB business in the offshore, the influence will gradually increase, the renminbi business will become most overseas branches of Chinese banks the main business. The overseas branches of Chinese funded banks will also be paid enough attention to the local market with the development of the internationalization of the RMB. Similarly, foreign banks will seize the opportunity to accelerate the development of RMB business in China, to lay the foundation for the construction of its network in china.

Third, increase the intermediate business income, expanding business. Domestic commercial banks in cross-border RMB business has two functions, one is to provide financial services to domestic enterprises, another is to open a RMB inter-bank transaction account of a domestic agent bank for foreign commercial banks. In the cross-border RMB development environment, foreign banks will certainly increase the pace of cooperation with the domestic commercial banks to open RMB settlement accounts in domestic commercial banks to carry out RMB financing business, These cooperation can make our country commercial bank increase certain settlement income, at the same time increase the intermediary business income in the settlement business, such as account management fee, remittance fee, etc.

Policy Recommendations to Promote the RMB Settlement of Cross-Border Trade

Bank Centric Strategy

Improve the banking settlement business can greatly promote the RMB settlement of cross-border trade efficiency, can be summarized as the following:

First, accelerate the innovation of related business varieties. Cross-border RMB business in China's development time is not long, want to enhance the RMB as valuation tools will, banks should study oriented financial market and meet its settlement business type of the investment and financing products, to meet the needs of customers. At the same time, it is also to increase cross-border trade in RMB and financial products portfolio innovation and offshore RMB business account of deposits and financing products and options futures and other financial
derivatives innovation. Through these innovations, in order to provide investment channels for offshore RMB funds. Of course, banks should also face different customers, provide product information is not the same, according to the customer demand information was summarized. Analysis feasibility study, introduction of innovative financial products, to promote high quality development of cross-border RMB trade settlement.

Second, the bank to increase efforts to promote. Because many companies use dollars has a long history, for cross-border RMB settlement is not very understanding, also can't recognize the benefits of using it, we should explain the cross-border trade RMB products to enterprises, and actively looking for potential customers and the relevant departments to carry out cooperation, seek the customer potential demand. At the same time, the bank can dispatch the business to business site visits, to provide cross-border RMB business training, introduced the development history of cross-border RMB, present situation, the latest policies and operating procedures, dispel enterprises in the field of new business worries. Enhance customer use will, in order to expand the influence of cross-border trade in the financial market, promote the development of cross-border RMB settlement.

Third, to strengthen the risk management of new business. As a new business varieties, financial products and constantly enrich, the continuous development of the financial market, for market and operational risk is particularly important, regardless of which steps to develop a little mistake will influence banks or even the entire financial market instability. Bank in the development of cross-border trade RMB business at the same time, also want to establish and improve the relevant operational procedures, give full play to its advantages, starting from their own, analyzed and summarized according to their requirements of the development of business products, everything should be steady progress, enhance the level of business and expand the international financial market. In the bank should pay attention to the internal rules, it should be with customs and safe sector co-operation, the establishment of information interaction platform, prevent all speculative or not real transaction data and ensure the reliability of every sum of cross-border trade RMB business data.

Fourth, the use of existing resources to meet the needs of the use of foreign currency. In the implementation of cross-border RMB trade settlement, inside and outside the enterprise get the vital interests, foreign enterprises to hold the renminbi will has also been substantial growth, but the supply of offshore RMB and the relative lack of, is not conducive to the promotion of cross-border RMB settlement business. Want to cross the threshold, the Chinese banks is a good stepping stone, for banks such as Bank of China has been outside the scale of business and has established a global network can through these overseas Chinese funded bank branch or agency of cross-border trade RMB settlement, exchange, enterprise financing and other financial willingness to provide services.

Fifth, actively carry out the overseas banking RMB assets. Development of RMB business in Hong Kong and Macao regions has been a long time, so the circulation scope is relatively broad, clearing system is relatively perfect, a certain market share, and in the national scope, the controllability is higher. So I carry out foreign banks RMB business can first from Hong Kong and Macao regions started. Now, RMB business in Hong Kong and Macao regions most banks is liability business such as Renminbi deposits, and off balance sheet activities such as RMB settlement and remittance, for business assets and enough space for development, local banks should increase holding RMB capital gains and positive development of RMB financial products and to make RMB more in Hong Kong and Macao regions and continue to promote the development of cross-border RMB trade settlement.
Enterprise Centric Strategy

First, to enhance the use of the RMB as a tool of awareness, understanding the benefits of the latest policy on cross-border transactions. In cross-border trade, the RMB has just started in recent years, enterprises should closely follow the national policy, fully aware of the use Renminbi as the advantage of valuation tools, such as can effectively avoid the risk of exchange rate, reduce the losses caused by exchange rate great changes, positive and trade counterparties to communicate, to persuade the other party to the use of the renminbi, in the appreciation of the renminbi is expected, the domestic enterprises can be appropriate to reduce product prices reached with the trade counterparty to achieve win-win results, for future use the renminbi as the settlement currency for lay the foundation.

Second, product innovation, enhance bargaining power. Want to enhance the discourse in the international community, it must have a strong international market competitiveness, so as to make it possible to become the international currency of the international currency. In our country enterprise, want to gain money options in trade can be in improving the market competitiveness of goods, if the trade status of enterprises is relatively backward, enterprises to export the goods belong to the lack of market possession rate lower works, the trade of country even less willing to use the exporting country's currency as the settlement currency for goods, is in a relatively weak position in international trade negotiations. With the pace of reform and opening up, for our country enterprise should increase international cooperation, improve the ability of enterprises to develop new products, gradually from the low level of work into the high-end system works, enhance the brand image, and improve the level of service.

To provide a good platform for enterprise product promotion. In two aspects of hard power and soft power synchronization progress, as long as the enterprise development in these two areas, we can enhance the international competitiveness of the currency in the international trade.

Third, to strengthen domestic enterprises to cooperate in the same industry. In the initial stage of RMB settlement of cross-border trade, a business negotiation ability in foreign trade is relatively weak, want to change this situation, domestic enterprises can strengthen cooperation, collective strength to enhance the negotiating capacity in international trade, have the ability of large enterprises can also be in the international set up branch and meet the body needs of enterprises of RMB. Cooperates also can in research and development of products, the introduction of qualified personnel and technology and other aspects of the introduction of cooperation, actively seeking cooperation, optimization of the domestic products with the strength of the collective, improve China's enterprises in the export commodity additional value. Finally, improve the currency option in the international community, to maximize the interests of enterprises.

Fourth, take the initiative to use the RMB as the settlement currency in the trade settlement. When the seller and the buyer settle money, the price negotiation ability is usually in favor of the buyer's market, in the import of goods, China's enterprises can take the initiative to choose the RMB as the settlement currency. Therefore, when importing a large number of primary products and raw materials, China's enterprises can actively refer to the requirements of the pilot enterprises, vigorously encourage and guide non pilot enterprises to actively promote cross-border trade RMB settlement. This will not only increase the supply of offshore renminbi, but also can not ease the pressure on the long-term trade surplus.
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[1] Economic reference, “Cross-border settlement is the opportunity to accelerate the internationalization of China's banks”.


