

RMB trade settlement services now available

Your global partner for trade in China



Frequently Asked Questions

1. Are all businesses in Malaysia eligible to open a RMB trade settlement account with HSBC? What are the criteria for account opening?

Businesses which engage in trade transactions with Mainland Designated Enterprises (MDEs) can open RMB trade settlement accounts to settle their trade in RMB. Normal commercial account opening procedures apply. MDEs are enterprises approved by the relevant authorities based on recommendations by the provincial government in China.

2. What are the benefits for Malaysian companies to conduct trade in RMB?

Chinese importers and exporters benefit from mitigation of foreign exchange risks which translates into more competitive and favourable pricing for Malaysian companies. Malaysian businesses which participate early in the programme will benefit in terms of first mover advantage and surge ahead of others which are not on board yet. Increased participation in the RMB trade programme will further cement bilateral Malaysia-China trade relationships.

3. What are the RMB services that HSBC offers to commercial customers?

The available RMB services includes:

- ▶ RMB foreign currency account – handling of RMB receipts and outpayments must be related to settlement of trade transactions with MDEs.
- ▶ Currency exchange – currency exchange between RMB and MYR or other foreign currencies are based on actual trade transactions.
- ▶ For exchange from MYR or other foreign currencies to RMB, exchange is allowed up to the amount of actual trade transaction and paid directly to MDEs. RMB funds from export proceeds can be converted to MYR or other foreign currencies.
- ▶ Remittances – outward and inward remittances up to the amount of actual trade transactions.
- ▶ Trade Services – including Documentary Credits, Bank Guarantee, Standby Documentary Credit, Documentary Collection (Documents against Payments-D/P, Documents against Acceptance-D/A), open account trading – up to the amount of actual trade transaction and paid directly to MDEs.

4. Can a Malaysian company contract a foreign exchange forward on RMB?

Forward hedging is not allowed in the pilot stage but Malaysian companies may buy RMB ahead of a valid trade outward payment to an MDEs up to the amount of the actual trade transaction. Proof of the valid trade transaction is required and will be at the final discretion of the Bank.

5. Does HSBC charge for these new RMB services?

The existing Commercial Tariffs will apply. For our latest Commercial Tariffs, please visit: www.hsbc.com.my/commercial

Frequently Asked Questions (continued)

6. Are there any restrictions on the maximum amount in each RMB denominated remittance?

There are no restrictions on the maximum amount in each RMB denominated remittance, but the remittance transaction must be related to actual trade and up to the actual trade amount.

7. Are there any restrictions on the deposit/withdrawal of a RMB trade settlement account?

Deposits are primarily from RMB export proceeds and outward payments related to settlement of trade transactions with Mainland Designated Enterprises (MDEs). RMB deposits can be converted back to MYR or other foreign currencies.

8. Can companies undertake RMB trade settlement with other than the selected cities in mainland China?

Currently, the scheme is only in its pilot stage and hence it is only applicable to selected cities in mainland China ie. Shanghai, Guangzhou, Shenzhen, Dongguan and Zhuhai. The key is for businesses to understand which trading partners in mainland China are eligible to pay or receive RMB to/from outside mainland China.

9. Is it possible for companies to undertake RMB trade settlement with a mainland China company not selected in this scheme?

The scheme is only in its pilot stage and is therefore applicable to MDEs only.

10. How can HSBC be sure that RMB transfers received are generated by MDEs?

It is required that the funds received must be RMB Trade Settlement coming from the MDEs.

11. Under what conditions does HSBC advise RMB Documentary Credits (DCs) from our mainland business counterparts?

There are no restrictions in advising an RMB export DC from correspondence bank in mainland China. However, trading partners should satisfy themselves that their counterparts in China are eligible to pay or receive RMB.

12. What modes of trade are allowed under the scheme?

Common modes of trade are allowed under the scheme, including Documentary Credit (DC), Documentary Collections (Documents against Payments-D/P and Documents against Acceptance-D/A), Bank Guarantees, Standby Documentary Credit and open account trading.

13. How do companies know whether their business partner is an MDE? Where can we find the list of these MDEs?

Companies need to establish with their trading partners in mainland China if their counterparts are eligible to pay or receive RMB to or from outside mainland China. As MDEs are approved by relevant authorities based on recommendations by the provincial government in China, the MDEs may check with their respective provincial authorities or alternatively check with their banks in Mainland China eg. HSBC China.

14. Are companies allowed to open a RMB account in advance of establishing a relationship with an MDE?

Yes, but no RMB transactions can be made prior to the actual import/export with the MDE and the account may need to be closed if no trade transactions are conducted with the MDE in due course.

15. Once RMB funds are received by the Malaysian company, are there any restrictions on further transfer of the funds?

RMB funds received from trade proceeds may be kept in the RMB account for payment of future payables or converted to MYR or other foreign currencies.

Note: The information provided in these Frequently Asked Questions is based on the Bank's current understanding of the pilot scheme requirements including information derived from third party sources and is subject to change without notice. The Bank believes the information to be reliable but makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness.

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