The People’s Bank of China (PBoC), the Chinese central bank, has developed an independent cross-border payment and clearing system for the Renminbi (RMB). Called the Cross-Border Interbank Payment System (CIPS), the move highlights the emerging internationalisation of the RMB and the growing level of cross-border RMB business. Focused on integrating the existing RMB cross-border payment and settlement channels, CIPS will improve the efficiency of cross-border clearing to meet the increasing demand for RMB worldwide. CIPS will additionally enhance and facilitate the security of transactions, as well as create a fair-market competition environment among participating banks.

**Status Quo**

Fifteen Chinese Banks act as offshore clearing banks – providing cross-border RMB clearing, with the PBoC processing the vast majority of the volume. These clearing channels involve different language codes, documents and formats, representing a notable challenge to the expected transaction volume growth.

**What has changed?**

CIPS introduces improvements, such as:

- The adoption of international standards (SWIFT ISO 20022), which improves process effectiveness and efficiency
- Connecting all participating banks to all onshore and offshore banks
- Increased processing capacity with more stability and efficiency
- Extended operating hours until 20:00 (from the present 17:00) China time, which extends same-day clearing capabilities to cover more time zones (including Europe, MENA, Africa, and Oceania), and ultimately further extensions to cover American time zones.

**What is the timeline?**

The rollout of CIPS is planned in phases. Phase I, launched on 8 October 2015, involves 19 banks, including 11 local and 8 international – being connected to CIPS. The scope of Phase I will be the successful testing of payment conversion. Subsequent phases will widen the scope and include more participating banks.

**What benefits can the client expect after Phase I?**

- SWIFT BIC suffixes will be used by CIPS
- Support of MT202COV messages enhances the efficiency of the payment route by enabling direct communication between CIPS participating banks
- The potential shift in cut-off times due to extended operating hours
- It supports Chinese Commercial Code.
Conclusion

Providing all banks with access to CIPS offers an additional Financial Market Infrastructure (FMI) for cross-border payments with the accompanying benefits for the industry, as well as our clients. CIPS facilitates the efficient processing of cross-border payments, resulting in shorter lead-time and subsequent capacity increase. This prepares for future volume growth. Meanwhile, extended operating hours enables same day clearing covering worldwide time zones. Overall, CIPS is considered a catalyst, and an important underlying FMI for the internationalisation of the RMB.

Offshore Renminbi Market

Onshore Renminbi Market

CIPS in the future: Please note that the above diagram is a planned design.

Clearing Bank Model
Agent Bank Model

Disclaimer:
This brochure is for information purposes only and is designed to serve as a general overview regarding the services of Deutsche Bank AG, any of its branches and affiliates. The general description in this brochure relates to services offered by Global Transaction Banking of Deutsche Bank AG, any of its branches and affiliates to customers as of October 2015, which may be subject to change in the future. This brochure and the general description of the services are in their nature only illustrative, do neither explicitly nor implicitly make an offer and therefore do not contain or cannot result in any contractual or non-contractual obligation or liability of Deutsche Bank AG, any of its branches or affiliates.
Deutsche Bank AG is authorised under German Banking Law (competent authorities: European Central Bank and German Federal Financial Supervisory Authority (BaFin)) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and the BaFin, and to limited supervision in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority. Details about the extent of our authorisation and supervision by these authorities are available on request. This communication has been approved and/or communicated by Deutsche Bank Group. Products or services referenced in this communication are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. For more information: www.db.com. Copyright © October 2015 Deutsche Bank AG. All rights reserved