



ATLAS

BY BNP PARIBAS

CASH MANAGEMENT

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BNP PARIBAS

The bank
for a changing
world

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China's nominal GDP was USD 14.7 trillion in 2020 while its GDP measured on a purchasing power parity (PPP) basis is the largest in the world. China is the world's largest exporter of goods (its global market share increased to 15% in 2020), a global industrial leader and a global financial player. The process of capital account liberalisation and RMB internationalisation is ongoing and the opening of local asset markets to non-resident investors has progressed rapidly recently. Meanwhile, controls over resident capital outflows remain significant.

China's exchange rate regime is a managed float. The Chinese currency has gradually become more flexible and market-driven in recent years, but government influence on the direction of the FX rate remains high. The RMB was included as the fifth currency in the IMF Special Drawing Rights (SDR) basket in October 2016.

Economic growth fell to 7.1% per year in 2012-2019 from 10.7% in 2002-2011. In 2020, the COVID-19 crisis demonstrated the Chinese economy's strong capacity to absorb a major shock and rebound; real GDP returned to its pre-crisis level at the end of Q2,2020 and economic growth reached 2.3% in 2020 overall. It should rebound to close to 8% in 2021, although the correction in the property market in H2,2021 has fuelled downside risks on growth in the short term.

In the medium term, China's structural slowdown is projected to continue. China continues a difficult economic transition: its investment/export-led growth model has reached its limits and far-reaching reforms are still needed to build a more balanced growth model that is more reliant on consumption and services, and less dependent on debt. Key goals of Beijing's medium-term strategy include: first, the rapid development of high-tech sectors aimed at sharply reducing China's dependence on foreign inputs; second, less polluting economic growth; and third, the achievement of "common prosperity", with priority given to improving the social safety net and reducing inequality. This could help boost household consumption. At the same time, this strategy also implies a risk of sudden regulatory changes, which may affect local confidence and private investment.

The transition process also requires major deleveraging of corporates and local governments and a cleaning-up of practises in the financial sector. Vulnerabilities in the financial system have grown steadily since the early 2010s as a result of the domestic credit boom and the rapid expansion of shadow banking activities. The authorities have started to tighten the financial sector's regulatory framework since 2016. Corporate debt deleveraging also started in 2017 but was interrupted by the COVID-19 shock. The number of corporate defaults is expected to increase in the short term as the authorities are likely to prioritise the reduction of financial instability risks.

Summary

BNP Paribas presence

BNP Paribas was the first foreign bank to open a representative office in Beijing in 1980, becoming a branch in 1997. The bank was awarded the Greenwich award for “Quality Leader Large Corporate Cash Management No 1”, Total Asia, 2018. The bank has four business centres in Shanghai, Beijing, Guangzhou and Tianjin , and a further 16 retail locations, together with full service retail banking through Bank of Nanjing.

It is one of the few international banks catering for both the domestic and international cash management requirements of customers, both foreign companies doing business in China and Chinese entities seeking to expand their international focus. The bank has a full RMB licence to serve all types of corporate clients in all currencies.

BNP Paribas is a major player in trade finance throughout Asia, offering a full suite of traditional trade (letters of credit, bankers’ guarantee, trade financing, standby letters of credit, etc.) and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products, including a unique inventory solution offered through our trade centres in Australia, China, Japan and Singapore, specifically for companies engaged in international trade, as part of a wider network of more than 100 trade centres globally. BNP Paribas has experienced trade finance advisors and personnel who deliver a range of customised trade solutions and advise on local market practices. These solutions are supported by the bank's ISO-certified trade services support team.

Currency

Currency

- Renminbi (RMB). Onshore RMB is referred to as CNY; offshore RMB is referred to as CNH.

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: CNY per USD	6.6445	6.759	6.616	6.908	6.90

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Chinese central bank is the People's Bank of China (PBC - www.pbc.gov.cn)
- Chinese banks are supervised by the National Financial Regulatory Administration (NFRA - www.nfra.gov.cn).

Bank accounts

Resident / non-resident status

- A company is generally considered to be resident in China if it is incorporated or effectively managed or controlled in China, unless the enterprise is regarded as resident in another country under a double tax treaty.

Bank accounts for resident entities

	Within CHINA	Outside CHINA
Local Currency	Permitted without restriction, convertible subject to the presentation of commercial documents to foreign exchange banks	Permitted with restrictions
Foreign Currency	Permitted with restrictions, convertible	Permitted subject to prior State Administration of Foreign Exchange (SAFE) approval, convertible

Bank accounts for non-resident entities

	Within CHINA	Outside CHINA
Local Currency	Permitted without restriction, convertible	Permitted with restrictions and prior People's Bank of China (PBOC) approval, convertible

Foreign Currency	Permitted with prior SAFE approval, convertible	Not applicable
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Lifting fees

- Per item-based charges and/or subscription fees are applied on payments between resident and non-resident bank accounts.

BNP Paribas Cash Management Capabilities

Collections

Cash collections	
Cheque collections	
Direct debit collections	
Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

Payments

Cash withdrawals	
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Cheque payments	✓
Direct debit payments	✓
Domestic outgoing transfers	✓
Commercial cards	●
Virtual cards	●
International outgoing transfers	✓
SWIFT gpi	●
Real-time international payments through BNP Paribas' network	●
Card issuing	●

Channels

Local e-Banking	●
Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

China has embraced the digital payments revolution. In Q3 2020, 64.97 billion electronic payments were processed with a value of RMB 696.4 trillion; mobile payments reached 34.5 billion, with a value of RMB 116.74 trillion, a year-on-year increase of 26.5% and 35.6% respectively. Having trialled a scheme to replace paper money with a digitized version of the Renminbi, China's is on target to become the first country to introduce a digital economy. QR codes are a common method of payment with Alipay and WeChat Pay the largest digital payment platforms in the country; both platforms have registered over a billion users. Over 94% of people use WeChat Pay or Alipay as their primary payment method.

Electronic banking services are available from most banks. There is no national electronic banking standard in China, so companies use banks' proprietary services. Online and mobile banking services are widely available and hugely popular, given the high numbers of smartphone users using their devices to access the internet (approximately 99% of users).

The Internet Banking Payment System (IBPS) integrates the online banking operations of most of the country's large domestic and foreign banks. Customers can make online transactions in real time, as well as access real-time account information via the IBPS. The limit for a single transaction is RMB 1M.

Payment Systems

CNAPS-HVPS	Type	<ul style="list-style-type: none"> high-value real-time payment system.
	Participants	<ul style="list-style-type: none"> Direct & indirect participants are the commercial banks approved by PBOC.
	Transaction types processed	<ul style="list-style-type: none"> HVPS mainly handles inter-city and local credit transfers above a given value (RMB 1M) as well as urgent low-value transfers electronically. Payment instructions are sent in real time and cleared transaction by transaction.
	Operating hours	<ul style="list-style-type: none"> 08:30–17:00 CST, operates on business days.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> Payments are cleared and settled in real time if both the sending and recipient banks are direct clearing members of CNAPS (China National Advanced Payment System). All other payments are settled on business hours. Cut-off time = 17:00 CST.
CNAPS-BEPS	Type	<ul style="list-style-type: none"> Bulk Electronic Payment System.

	Participants	<ul style="list-style-type: none"> • Direct & indirect participants are the commercial banks and the city-level branches of PBOC.
	Transaction types processed	<ul style="list-style-type: none"> • Low-value (below RMB 1M) and non-urgent RMB-denominated electronic credit and debit payments.
	Operating hours	<ul style="list-style-type: none"> • 24/24, 7/7. The processing cycle of the system runs from 16:00 on T-1 to 16:00 on T.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • The credits and debits of a receiving bank are settled on a next-day basis. • Dated debits are settled on a two-day cycle. • Cut-off time = 16:00 CST.
CIPS	Type	<ul style="list-style-type: none"> • Cross-border RMB Payment.
	Transaction types processed	<ul style="list-style-type: none"> • Cross-border RMB payments resulting from trade in goods and services, direct investment, financing and fund transfers for individual customers.

	Operating hours	<ul style="list-style-type: none"> • 5 business days x24hrs, plus 1st working day after holiday from 5am to 9am.

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value (above RMB 1M) and urgent RMB-denominated credit transfers are settled in real time via CNAPS-HVPS.
- Low-value (under RMB 1M) and non-urgent RMB-denominated credit transfers are settled on a same-day or next-day basis via CNAPS-BEPS.
- Foreign currency (AUD, CAD, CHF, EUR, GBP, HKD, JPY and USD) fund transfers can be settled during business hours via the CFCPS.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.
- The number of credit transfers processed fell by 11% in 2019, to eight billion. Value fell 0.4% to RMB 2,706 trillion.

Direct debits

- Direct debits are available but not widely used in China.
- Direct debits are available in the form of pre-authorised collections or dated debits.
- Direct debits can be settled on a same-day (pre-authorised collections) or next-day (dated debits) basis via CNAPS-BEPS.

Cheques

- The cheque is a common cashless payment instrument used primarily by small companies.
- There is a maximum permitted payment value of RMB 500,000 per cheque.
- Intercity cheques are truncated into electronic items and processed via the CIS. Final settlement is via CNAPS-BEPS.
- Intracity cheques are settled via the local clearing house system on a same-day basis.
- The value of cheques processed in 2019 fell 10% to RMB 134 trillion.

Card payments

- Card payments, particularly debit cards, are increasingly popular, especially for retail transactions.
- In Q3 2020, there were 97.5 billion card transactions, with a value of RMB 235.7 trillion, a year-on-year increase of 11.6% and 6.9% respectively. There were over eight billion active bank cards.
- China UnionPay (CUP) is China's national payment card operator. It has 80 member banks.
- Most payment cards are issued under the CUP brand.
- Visa and MasterCard-branded payment cards are also available.
- The central bank is promoting the use of chip-embedded payment cards with IC-based bank cards. Two billion IC cards had been issued in China.
- Contactless payment cards are issued.
- All card payments are processed and cleared via CNAPS-BEPS on a same-day or next-day basis.

ATM/POS

- There were approximately one million ATMs in China at the end of 2020.
- There were approximately 33.5 million POS terminals in China at the end of 2020.
- All payments are settled via CNAPS-BEPS on a next-day basis.

Electronic wallet

- Mobile wallet payments are popular for small-value items. WeChat and Alipay mobile payment apps are most popular accounting for more than 94% of all mobile payments.
- In Q3 2020, 64.97 billion electronic payments were processed with a value of RMB 696.4 trillion; mobile payments reached 34.5 billion, with a value of RMB 116.74 trillion, a year-on-year increase of 26.5% and 35.6% respectively.
- The NetsUnion Clearing Corporation platform is mandatory for transactions involving third-party online payment firms and banks.
- In Q3 2020, the NetsUnion platform processed 156.122 billion transactions, with a value of RMB 97.21 trillion, up 43.82% and 40.87% respectively year on year.

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current, checking and [demand deposit](#) accounts are permitted.

Demand deposits

- Demand deposits denominated in RMB or major foreign currencies are available.
- Banks are free to set rates on EUR, HKD, JPY and USD deposits if amounts are equal to or higher than USD 3 million or its foreign currency equivalent. The interest rate on amounts less than USD 3 million denominated in EUR, HKD, JPY and USD, is subject to a ceiling published by the central bank.

Time deposits

- Time deposits are available in RMB or major foreign currencies for terms ranging from one week to one year.
- Banks are free to set rates on EUR, HKD, JPY and USD deposits if amounts are equal to or higher than USD 3 million or its foreign currency equivalent. The interest rate on amounts less than USD 3 million denominated in EUR, HKD, JPY and USD, is subject to a ceiling published by the central bank.
- Foreign currency time deposits are available for terms ranging from three months to two years.

Certificates of deposit

- CDs can be issued paying fixed or variable interest. Fixed rate CDs have terms of a year or less. Variable interest CDs have maturities greater than one year.
- In 2021, the PBC approved the launch of foreign currency interbank CDs.

Treasury (government) bills

- Short-term Treasury bills are issued by the Chinese government. Terms vary.

[Commercial paper](#)

- Domestic commercial paper and corporate bills are issued by companies. All commercial paper in excess of RMB 3 million is required to be issued electronically.

Money market funds

- Domestic money market funds are available in the interbank market.

Repurchase agreements

- Repurchase agreements are increasingly commonplace in China.

Bankers' acceptances

- These are not common in China.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	●

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
Connexis Guarantee	●
SWIFTnet Supply Chain	●

- BNP Paribas Global Trade Solutions' (GTS) team in China is made up of 10 transaction banking sales specialists across 3 trade centres in Beijing, Shanghai and Guangzhou respectively. With its extensive product expertise, BNP Paribas' GTS in China has expertise in supporting corporates with the full range of trade finance products.

International trade

General trade rules

- As a member of the Asia Pacific Economic Cooperation (APEC) forum, China has agreed to liberalise trade and investment rules between member states.

Trade agreements

- China has signed bilateral or multilateral free trade agreements with more than 20 countries and regions.
- China has signed a Closer Economic Partnership Agreement (CEPA) with Hong Kong and Macau.
- The China-ASEAN Free Trade Area (CAFTA) eliminates 90% of tariff and investment barriers between the two parties.
- China and 14 other Asia-Pacific countries signed the Regional Comprehensive Economic Partnership (RECP).

Imports / exports

Imports	Crude petroleum	Integrated circuits	Iron	Natural gas	Gold	Motor vehicles	
Primary Import sources	South Korea (9.0%)	Japan (8.0%)	Australia (7.0%)	Germany (7.0%)	USA (7%)	Taiwan (6.0%)	
Exports	Broadcasting equipment	Computers	Integrated Circuits	Office machinery	Telephones		
Export markets	USA (17%)	Hong Kong (10.0%)	Japan (6.0%)				

Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD bn	1,990	2,216	2,417	2,387	2,497
	- services USD bn	208	213	234	244	235
Imports	- goods USD bn	1,501	1,740	2,037	1,994	1,982
	- services USD bn	442	472	526	506	381
Current account as % GDP		1.8	1.6	0.2	0.7	NA

Sources: IMF, International Financial Statistics and World DataBank, June 2021.



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