

Potential benefits of using Renminbi

Potential benefits for Exporters towards China

- Better price conditions or other contractual parameters
- Reduced transaction costs
- Expansion of customer base
- Reducing outstanding debt
- Mitigating foreign exchange risk

Potential benefits for Importers from China:

- Better price conditions or other contractual parameters
- Reduced transaction costs
- Expansion of supplier base
- Transparent contractual parameters
- Mitigating foreign exchange risk

The official ISO code for renminbi is CNY. For renminbi held on an account within China (onshore) the official CNY code is used.

However due to different regulation, there is a different code used for renminbi held on an account outside China (offshore), namely CNH.

Nevertheless, the two codes indicate the same currency so on payment systems and financial statements the official CNY code is used. So CNH does not indicate another currency but rather the offshore version of renminbi. Among others, the following areas are considered offshore: Hong Kong, London, Singapore, and Frankfurt.

CNY falls under control of Chinese authorities. Converting it to another currency or transferring it to outside China falls under capital restrictions, meaning that its conversion and transfer requires compliance with the prevailing regulatory environment. Therefore Chinese authorities may request further documents or certificates in order to accomplish the transaction.

Outside China CNH can be converted and transferred without any official limitation. However transferring CNH to China falls under capital restrictions as well. In case the transfer is allowed, the CNH transferred to China will be converted to CNY one-to-one (and vice versa). Nevertheless, converting offshore (CNH) or onshore (CNY) renminbi will be concluded at different exchanges rates and the interest rates of CNY and CNH differ as well, because there are different money markets to execute these transactions.