

Yuan trade pilot scheme kicked off

Three Shanghai companies became the first batch to complete cross-border yuan trade settlement deals yesterday, marking the launch of the nation's long-anticipated pilot renminbi trade settlement scheme.

The first international transaction of a \$2-million power plant equipment contract was made between an affiliate under Shanghai Electric Group and Indonesia's PT Central Daya Energi, which paid the money via Bank of China (Hong Kong), or BOCHK, to Bank of China's Shanghai Branch.

Shanghai Silk Group and Shanghai Huanyu Import & Export Co signed contracts with Hong Kong's China Products Trading (HK) Ltd and Ever Keen International Ltd, respectively, the same day, with the Shanghai branch of the Bank of Communications offering the transaction services.

The three deals in total were valued at 14.38 million yuan (\$2.10 million).

In a situation when the exchange rates of major settlement currencies were volatile, the settlement program in the more-stable yuan would "help mainland companies avoid exchange rate risks, and boost trade with Hong Kong and ASEAN (Association of Southeast Asian Nations)", Su Ning, vice-governor of the People's Bank of China, or the central bank, said yesterday.

On July 2, the central bank issued detailed measures on how to settle trade in yuan with trading partners in Hong Kong, Macao and ASEAN, and allowed Shanghai and four cities in Guangdong province to become the first batch to execute the trial program.

As early as last December, the central government announced the pilot scheme to promote the use of yuan to settle bilateral trade payments with neighboring trading regions and countries.

"The launch of the yuan settlement program meets companies' increasing need to use yuan as a currency for international payment and reduce the procedures for cross-border trade," said Li Lihui, president of the BOC.

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As for Hong Kong, the move will pave the way for it to become the nation's key yuan settlement center in the long run.

"The scheme will be a positive boost to Hong Kong's drive of becoming an overseas yuan hub," Daniel Chan, a senior investment strategist at DBS Bank said. However, how far the city would travel on that road depended on the pace of opening up of China's capital account, he said.

So far, 100 Shanghai-based companies, including Baoshan Iron & Steel Co and Shanghai Zhenhua Port Machinery Co have filed applications to join the trial scheme, but were still waiting for the central bank's official approval, according to Gu Jiahe, secretary-general of the Shanghai Municipal Commission of Commerce.

"We have agreed with a Hong Kong-based firm to import products worth 11.65 million yuan," Liu Shoupei, president of Shanghai Metals & Minerals Imp & Exp Corp, told China Daily yesterday, adding that the transaction will soon be completed through the Shanghai branch of the BOC.

In the same day, BOC's Shanghai branch also signed clearing agreements for yuan settlement in Shanghai with 11 foreign banks, including Standard Chartered, Bank of East Asia, and OCBC.

"Many of our clients from Singapore, Indonesia, and Malaysia, who are in conversation with Chinese firms for trading businesses, have showed great interest in yuan settlement," said Leong Wai Leng, China chairman of OCBC, Singapore's third-largest lender.

OCBC has submitted applications to join the trial program, but has to still settle two operational details with the regulator.

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