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Exclusive: China's international payments system ready, could launch by end-2015 - sources

HONG KONG/BEIJING | BY MICHELLE CHEN AND KOH GUI QING



A clerk counts Chinese 100 yuan banknotes at a branch of China Construction Bank in Nantong, Jiangsu province December 2, 2014.
REUTERS/CHINA DAILY

China's long-awaited international payment system to process cross-border [yuan](#) transactions is ready, and may be launched as early as September or October, three sources with direct knowledge of the matter told Reuters.

The launch of the [China](#) International Payment System (CIPS) will remove one of the biggest hurdles to internationalizing the yuan and should greatly increase global usage of the Chinese currency by cutting transaction costs and processing times.

It will also put the yuan on a more even footing with other major global currencies like the U.S. dollar, as CIPS is expected to use the same messaging format as other international payment systems, making transactions smoother.

CIPS, which would be a worldwide payments superhighway for the yuan CHN=[CNY=CFXS](#), will replace a patchwork of existing networks that make processing renminbi payments a more cumbersome process.

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"The CIPS is ready now and China has selected 20 banks to do the testing, among which 13 banks are Chinese banks and the rest are subsidiaries of foreign banks," said a senior banking source who is involved in the matter.

The official launch will be in September or October, depending on the results of the testings and preparation, the source said.

A second source with direct knowledge of the matter said authorities want to launch the first phase of CIPS before December.

"If it's all smooth, (the launch) will be in September or October. If there is a need for a bit more time, we are still confident about (rolling it out) before the year-end," said the source, who declined to be named because he is not authorized to speak to the media.

The system was expected to be launched in 2014 but was delayed by technical problems, with most market participants anticipating it would not come on stream before 2016.

OPENING UP

Currently, cross-border yuan clearing has to be done either through one of the offshore yuan clearing banks in the likes of Hong Kong, Singapore and London, or else with the help of a correspondent bank in mainland China.

"Misunderstandings under the current clearing system happen from time-to-time due to different languages and codings. The CIPS is a breakthrough since it will offer a united platform and enhance efficiency," said Raymond Yeung, an analyst at ANZ in Hong Kong.

The launch of CIPS will enable companies outside China to clear yuan transactions with their Chinese counterparts directly, reducing the number of stages a payment has to go through.

"This is a big development for the small and medium enterprise sector operating in China as their correspondent banks can now access a wider network for settling payments in yuan, leading to lower costs," said the head of treasury solutions at a large European multinational company based in Hong Kong.

For large international companies, CIPS will remove operational inefficiencies as companies will no longer have to worry about ensuring yuan transactions are processed at certain times of day, as they do now, he added.

China's yuan became one of the world's top five payment currencies in November 2014, overtaking the Canadian dollar and the Australian dollar, according to global transaction services organization SWIFT.

Global yuan payments increased by 20.3 percent in value in December compared to a year earlier, while the growth for payments across all currencies was 14.9 percent for the same period, SWIFT said.

China has accelerated the pace of yuan internationalization in recent years. The central bank assigned 10 official yuan clearing banks last year, bringing the total number to 14 globally that can clear yuan transactions with China.

The People's Bank of China was not immediately available for comment when contacted.

(Additional reporting by Saikat Chatterjee in Hong Kong; Editing by Richard Borsuk and Rachel Armstrong)

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15-Year Fixed Refi	3.23%	3.27%
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