



# PAYMENT TRANSACTIONS

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On its way to becoming a major economic power, the Chinese government is endeavouring to establish the Chinese currency renminbi (RMB) as an international means of payment. While the currency is not yet freely convertible, a pilot scheme set up by the Chinese central bank is nevertheless making international RMB transactions possible already. In this edition of our newsletter, we are reporting on the possibilities and limitations of RMB-based international transactions and on the latest developments with regard to making euro payments within Europe (SEPA).

## RMB payment transactions with the People's Republic of China

Until recently, it was not possible to make or receive payments in RMB due to China's policy of foreign exchange control. A pilot scheme for cross-border transactions in RMB was first set up in July 2009 and, in a rapid development last year, the number of companies in China which are authorised to use this scheme and the variety of permissible transactions were both increased.

Since July 2010, it has been possible to invoice trade and services transacted across borders with the People's Republic of China in RMB. In addition, companies can now hold RMB accounts both at a bank outside of China (offshore) and within China (on-

shore), although the latter option is not currently being used by many foreign companies because of the regulatory restrictions involved. Private individuals may now also hold offshore RMB accounts.

While you, as a company, can readily receive your export revenues from China in RMB, when it comes to paying for imports from China, you should first establish whether your counterparty in China is classified as an MDE (mainland designated enterprise) – only companies with this status are entitled to receive RMB payments from abroad. RMB payments that would be credited to a private account in China

are currently not permissible, with the exception of transfers between your own accounts. On the offshore RMB market, i.e. outside of China, RMB payments and foreign exchange trading can be effected without any constraints or maximum amounts.

If the pilot scheme is relevant to you, we will happily provide you with an RMB account and handle your payment and foreign exchange trading transactions in RMB. For more details relating to this subject, please do not hesitate to contact us:

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## European payment transactions (SEPA)

### SEPA migration deadline

The Lisbon Agenda, which was set out by Europe's heads of government in March 2000, not only had the political goal of creating a single European common market, but also sought to create a single payments area. The first milestone in this endeavour was reached in

January 2008 with the creation of the Single Euro Payments Area (SEPA). To complete the process, the European Commission has called upon everyone to definitively make the switch from their respective legacy payment systems and formats (e.g. DTA in Germany) to the SEPA system. To this

end, on 16 December 2010 the Commission presented a proposal for an EU regulation addressing the scheduled implementation of this aim. According to this proposal, use of the SEPA system for payment transfers would become binding for everyone engaging in payment transactions (in euros)

throughout Europe as of 1 January 2013 and would become binding in relation to direct debit transactions as of 1 January 2014. This applies to domestic payment transactions as well, since the SEPA system is not intended exclusively for cross-border transactions in

euros. A regulation is expected to be passed in autumn 2011, once the European Parliament and the European Council have been consulted. Based on this development and in view of the benefits of using the SEPA payment functions, we recommend that

our clients who are still using old formats (DTA, ESÜ, DTAZV) to make euro payments within the SEPA area begin with their transition to the SEPA processes as soon as possible (in particular for domestic transfers and direct debits). ■

## Three questions concerning payment transactions

### 1. What is an IBAN?

An international bank account number (IBAN) is an international, standardised notation for bank account numbers (ISO 13616).

It was developed as a way of improving/standardising payment systems. The standardised international structure of such a number, comprising verification and account details (bank identification plus account identification), makes it possible to tap integration and automation potential in data exchange between banks in different countries.

An IBAN is made up of a maximum of 34 characters. The first two characters represent the country code of the bank in charge of the account while characters three and four are check digits. The remaining characters up to a maxi-

mum of 30 are then used to identify the account.

### 2. What is a BIC?

A BIC, which stands for »bank identifier code«, is a standardised international code according to ISO 9362 that allows any direct or indirect transaction partner in the world to be identified. BICs are ascribed to banks, brokers, depositories and businesses by SWIFT for the purposes of communication within the finance sector. BICs (which are also known as SWIFT codes/addresses) are made up of either 8 or 11 alphanumeric characters.

### 3. What is the IBAN-Service-Portal?

The IBAN-Service-Portal operated by BV Zahlungssysteme GmbH is a

straightforward and inexpensive alternative solution that converts the existing master data of domestic customers (account number held with banks in Germany and bank sort code) into SEPA-compatible data (IBAN and BIC). To use this service, you first need to register online at

<http://www.iban-service-portal.de>

Please enter »kzx1u23z« as your provisional password and enter the IBAN of the account held with us when prompted to do so. Then follow the instructions on the website. There is a charge of EUR 16.50 (plus VAT) for each file (comprising a maximum of 100,000 datasets).

If you have any questions or comments concerning this or other aspects of payment transactions, simply contact your account manager or one of our payment transaction experts:

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#### Example of a German IBAN:

DE	12	20120000	1234567890
ISO country code (2 characters)		Bank sort code (8 characters)	Account number (10 characters)
Check digits (2 characters)			

*Remark:* The statements made in this brochure are partially based on public sources of third parties and do not constitute a consultation. This is an information brochure of Berenberg Bank.

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