

# NOTICE

## ABOUT TRANSACTIONS IN CHINESE YUAN (RENMINBI)

May 4, 2020

Before initiating CNY/CNH transactions, please read this entire Notice carefully. Should you have any questions, please do not hesitate to contact our colleagues.

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The official currency of the People's Republic of China is the renminbi (RMB), whose basic unit is the yuan. The ISO currency code of the Chinese yuan, as the official currency of the People's Republic of China, is CNY. This is the only official currency code to be used in transfer orders as well as notifications and statements related to transactions and single deals.

The People's Republic of China applies foreign exchange and capital restrictions with respect to the renminbi, and the supervisory authorities of the People's Republic of China examine and check compliance with the relevant legal and regulatory requirements.

As a result of the foreign exchange restrictions in force in the People's Republic of China, different legal and supervisory regulations apply to the yuan kept in so-called offshore accounts outside the territory of the People's Republic of China and in so-called onshore accounts within the territory of the People's Republic of China.

Because of the different regulatory environments, the market practice distinguishes between the renminbi registered in accounts outside and within the territory of the People's Republic of China and the related transactions, therefore other, non-official names of the renminbi are also used, yet, the official ISO currency code is CNY.

In the case of renminbi transactions, the market practice is as follows:

- a) if the renminbi is registered and managed in offshore accounts outside the territory of the People's Republic of China, originally in Hong Kong, the name CNH is used in communication outside SWIFT, but CNH may already be found in references to CNY settled in other offshore settlement centres, too;
- b) if the renminbi is registered and managed in so-called onshore accounts, within the territory of the People's Republic of China, the official CNY currency code must be used.

“CNH” does not designate a separate foreign currency, but it indicates that the renminbi is managed in offshore accounts. Offshore transactions typically include transactions carried out outside the territory of China, with Hong Kong, London, Frankfurt and Singapore being major offshore centres.

CNY is subject to supervision by Chinese state institutions, while transactions and deals are subject to foreign exchange and capital restrictions. CNY transactions (e.g. transfer, conversion) may be performed solely in compliance with the relevant Chinese legal and regulatory requirements in

force. Thus, CNY transfers from or to countries outside the People's Republic of China must always comply with the effective foreign exchange regulations of the People's Republic of China.

The Chinese authorities and supervisory bodies check compliance with the legal requirements and may, as a condition for the performance of the transaction, request the party initiating the transaction to demonstrate the fulfilment of the conditions and submit the documents substantiating this. CNH may be transferred outside the People's Republic of China without restrictions, the related transfer orders may be performed, and CNH may be converted at the available market exchange rate.

As a result of the different regulatory environments, CNH transfers to the territory of the People's Republic of China and the performance of the transactions giving rise to such transfers are also subject to restrictions.

Due to the different regulations and in compliance with the requirements of the Chinese state authorities, CNH amounts transferred to the People's Republic of China will be converted into CNY when, as a result of the financial transaction, they are transferred from a so-called offshore account to a so-called onshore account via wire or book transfer, and CNY amounts will be converted into CNH when, as a result of the financial transaction, they are transferred from a so-called onshore account to a so-called offshore account via wire or book transfer.

The so-called offshore foreign exchange (CNH) and onshore foreign exchange (CNY) are converted at different exchange rates, and CNH and CNY interest rates also differ.

Special regulations apply to the transfer of offshore CNH to the territory of the People's Republic of China: for example, the legal title of payment orders may only be a legal title determined and approved by the Chinese authorities; by default, cross-border transfers may be made only in connection with a commercial transaction; and cross-border CNY transfers related to other transactions are subject to separate official authorisation.

The Chinese financial authorities may check the payment orders and their legal title, suspend performance, and, in doing so, they may request that further information as well as documents and contracts related to the given transaction be provided. The Chinese financial authorities may refuse to complete a payment order if the client is unable to present the documentation pertaining to the order, or the documents fail to confirm the indicated and authorised title code or substantiate the given transaction, and if the client

does not comply with its statutory and information obligations at all or in an appropriate manner.

Before initiating a transaction and/or concluding a single deal in the renminbi (RMB), please obtain the necessary information about the relevant and effective provisions and legal and official requirements. Particularly in the case of financial transactions related to the territory of the People's Republic of China, i.e. the so-called onshore renminbi account(s), please make sure you obtain information in advance about the effective provisions of the People's Republic of China regarding foreign exchange and capital restrictions and about the applicable title codes— which have to be provided to the clients in the comment field when giving the payment order—so that you can make informed financial and investment decisions based on such information.

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