

Asia Market Intelligence

People's Republic of China

Presence

HSBC Bank (China) Company Limited started operations in Shanghai in April 2007 as a wholly-foreign-owned bank solely owned by The Hongkong and Shanghai Banking Corporation Limited. HSBC China incorporated the previous mainland China offices of The Hongkong and Shanghai Banking Corporation Limited.

The Hongkong and Shanghai Banking Corporation Limited has been present in mainland China for 142 years. It is one of the largest investors among foreign banks in mainland China, having invested over USD 5 billion in select mainland financial services entities and in the growth of its own operations, including an 18.6% stake in Bank of Communications, a 16.8% stake in Ping An Insurance, and an 8.0% stake in Bank of Shanghai. It has a branch in Shanghai, which conducts foreign currency wholesale banking business.

HSBC China has one of the largest service networks among foreign banks in mainland China. Our current network comprises 35 outlets, including 14 branches in Beijing, Chengdu, Chongqing, Dalian, Guangzhou, Hangzhou, Qingdao, Shanghai, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen and Xi'an, and 21 sub-branches in Beijing, Dalian, Guangzhou, Qingdao, Shenzhen, Shanghai, Suzhou, and Tianjin. Approval has also been obtained to set up a branch in Shenyang. As a locally incorporated bank, HSBC China provides foreign currency and renminbi (RMB)

services to local enterprises, foreign invested enterprises and other individual customers. With the full opening of the China market, HSBC China will further expand its network and service range to provide comprehensive banking to our customers.

Population:
1.31 billion

Currency:
Renminbi (RMB)

Capital:
Beijing

Business centres:
Beijing and Shanghai

Language:
Putonghua (Mandarin)

Time zone:
GMT +8 hrs

HSBC network:
14 branches and 21 sub-branches across China



HSBC 
The world's local bank

Clearing mechanisms

Before June 2005, it was difficult for companies to efficiently collect funds because of the existing clearing systems and payment instruments. Although the China National Advanced Payment System (CNAPS) had been nominated by the central bank as the new nationwide clearing system, it was still in its infancy, so companies were not able to use it on a nationwide basis to speed up collections. By June 2005, CNAPS (high value payment system) was finally established throughout China — a milestone enabling companies to realise the efficiency of a nationwide clearing mechanism that could cater to in-city and cross-city payments. The nationwide implementation of CNAPS (bulk electronic payment system) in 2006 should result in even greater use of CNAPS for payments, compared with traditional methods of paper based clearing. This will enable companies to ensure that receipts in bank accounts are processed quickly and efficiently.

In China, there are numerous instruments that can be used for in-city and cross-city payments, as well as underlying clearing mechanisms that will determine how quickly and efficiently funds will be credited to recipients' bank accounts. The accompanying table gives an overview of the evolution of clearing channels in China. Evolution of Clearing Channels and Payment Instruments:

TIME PERIOD	PAPER-BASED CLEARING	INSTRUMENT	CLEARING CHANNELS	AVAILABILITY OF FUNDS	REMARKS
Prior to June 2005	In-city payments	Cash	Bilateral	Immediate	
		Cashier's orders	Local in-city clearing house	Immediate	
		Company cheques	Local in-city clearing house	24-48 hours	
		Funds transfers via paper-based vouchers	Local in-city clearing house	24 hours	
	Cross-city payments	Bank drafts	Local bank in-house clearing network plus local in-city clearing house	24 hours	
		Commercial/bank-accepted drafts	Correspondent banks	Anywhere from 5 to 35 days	
		Funds transfers via local banks	Local banks in-house clearing network	24-48 hours	
		Funds transfers via CNAPS (HVPS)	Limited nationwide CNAPS coverage	Real-time	Dependent on bank membership and connectivity to CNAPS architecture. Refer to note 2.

June 2005 to date	In-city/ Cross-city payments	Funds transfers via CNAPS (HVPS)	Nationwide CNAPS architecture	Real-time	
		Funds transfers via CNAPS (BEPS)	Nationwide CNAPS architecture	Batch processing/same day credit	Transactions less than RMB 20,000

Notes

- CNAPS comprises high value payment system (HVPS) and bulk electronic payment system (BEPS):
 - HVPS is a real-time, gross settlement system that has covered all cities in China since June 2005. Payments made via HVPS between banks with direct membership can take a few seconds or minutes, regardless of their geographic locations. CNAPS HVPS has become the most popular collection channel for cross-city settlements. CNAPS allows up to 60 Chinese characters of information to be carried with the payment.
 - BEPS is a low-value clearing system (akin to automated clearing house or general interbank recurring order) that has been implemented throughout China. It uses the CNAPS architecture and caters to ordinary credit and debit transactions as well as bulk payments and collection processing, such as monthly salary payments or utility charge collections. As with HVPS, BEPS caters to both in-city and cross-city transactions. In some cities where BEPS has been implemented, such as Shenzhen, it has replaced local in-city paper clearing for transactions less than RMB 20,000.
- Sending and receiving banks with direct membership in and connectivity to CNAPS will be able to process and receive inward collections in a real time and straight-through process.

Account services

ACCOUNT TYPE	LOCAL BASIC ¹	LOCAL GENERAL	FOREIGN
Resident	Yes	Yes	Yes ³
Non-resident	No	No	Yes
Credit interest	Yes ²	Yes ²	Yes ⁴

¹ Cash can only be withdrawn from the basic account; salary payments can only be effected from the basic account; only one basic account can be opened by each company, irrespective of how many banks are used. Multiple general accounts can be opened.

² For RMB deposits, interest rates on these two account types are set and controlled by the central bank.

³ There are various regulatory requirements applicable to the opening and operation of foreign currency accounts. Different types of foreign currency accounts are opened for different purposes, and the operation of these accounts is subject to regulatory restrictions in relation to these specific purposes.

FOREIGN ACCOUNT TYPES	INFLOWS	OUTFLOWS	COMMENTS
Capital account	To receive capital injections and capital increases	Payments for current items and approved capital-items	In principal only one account can be opened with a bank located in the same region as the company
Settlement account	Collections for current item foreign currency	As above	
Foreign debt special account	To receive loan proceeds from overseas	As specified in the loan agreement, but can't be used to repay RMB loans	Foreign Debt registration required

Australia Bangladesh Brunei Hong Kong SAR India Indonesia Japan Korea Macau SAR Malaysia
Mauritius New Zealand People's Republic of China Philippines Singapore South Africa Sri Lanka Taiwan Thailand Vietnam

Foreign debt special loan repayment account	Transferred from other foreign currency accounts, or exchanged from RMB	Repayment of the foreign currency loan principal and interest	Not necessary, as foreign debt can be repaid through a foreign debt special account
Foreign currency loan account (including loan account and repayment account)	To receive the loan proceeds from onshore foreign currency loans by banks or through Entrusted Loans	To repay the principal and interest of onshore foreign currency loans from banks or through Entrusted Loans	Exchange to RMB not allowed
Temporary capital account	To temporarily receive funds related to direct China investment	Payment of expenses associated with direct investment in China	One account only

4 For resident account whose currency is the one of four major foreign currencies (i.e. US Dollar/Japanese Yen/Euro/Hong Kong Dollar), if the deposit amount is below USD 3 million equivalent, or the term deposit tenor is less than 2 years, the upper limits of deposits interest rates are regulated by the Central Bank. Otherwise, favourable interest rates may be negotiated between the customer and the bank. For non-resident foreign currency accounts, the interest rates applied are not regulated by the central bank.

Cash management products and services at a glance*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<p>Due to local regulation limitation, a few investment alternatives can be offered:</p> <ul style="list-style-type: none"> Local currency contract saving Local currency/foreign currency call deposits Local currency/foreign currency time deposits Other treasury products, such as structure deposits 	<p>Payment solutions deliver a full suite of accounts payable management services that meet customers' domestic and international payment needs. Our solution includes:</p> <ul style="list-style-type: none"> In-city/cross-city local currency payments via local clearing house, CNAPS and alliance banks Domestic/cross-border foreign currency payments via local clearing house, alliance banks and overseas currency clearing centre Automated beneficiary advising via email/fax Company cheque outsourcing. 	<p>Receivables solutions that help customers shorten their receivables collection cycles (Day Sales Outstanding — DSO), and provide information for reconciliation. This solution set also allows customers to outsource their accounts receivable reconciliation and management to the bank. Customer can enjoy:</p> <ul style="list-style-type: none"> In-city/cross-city local currency collection via local clearing house, CNAPS and alliance banks Domestic/cross-border foreign currency collection via local clearing house, alliance banks and overseas currency clearing centre HSBC<i>net</i> Receivables Management System (RMS) 	<p>Local currency cash concentration under the entrusted loan framework is available in China, which allows customers to optimise the efficiency of their idle cash balances among group entities. Due to current foreign exchange regulations and other business restrictions, corporates have few liquidity management options in China, nevertheless, HSBC has developed some innovative solutions on a case-by-case basis.</p> <p>We offer:</p> <ul style="list-style-type: none"> Bilateral entrusted loans Group entrusted loans Group liquidity solutions (so-called cash concentration)

* Cash management services are delivered via HSBC*net*, HSBC's global Internet banking platform, and HSBC Connect, HSBC's host-to-host electronic banking system.

Legal and regulatory considerations

There are several restrictions and regulatory requirements; please contact us for details.

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