



External Relations Department

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Expanding Local CNY Settlement and Clearing Mechanism in Pakistan

State Bank of Pakistan (SBP) has continuously been taking policy measures to ensure that imports, exports and financing transactions with China can be denominated in Chinese Yuan (CNY). SBP signed a Currency Swap Agreement with the People's Bank of China with the objective of promoting bilateral trade and financing direct investment between the two countries in the respective local currencies.

In order to further strengthen the trade channels and remittance flows in CNY, SBP has now allowed Bank of China (BOC) Pakistan to establish a local CNY settlement and clearing setup in Pakistan. BOC can open CNY accounts of the banks operating in Pakistan, to facilitate settlement of CNY based transactions such as remittance to/from China. BOC can also provide CNY liquidity to the interbank market for the settlement of CNY based transactions. It may be recalled that Industrial and Commercial Bank of China Limited (ICBC) Pakistan has already been allowed by SBP to offer similar services since 2015.

These steps are part of efforts by SBP to encourage trade with China in CNY and eventually in the respective local currencies. This settlement and clearing mechanism is expected to reduce costs and increase efficiency for the local banking system in transacting in CNY, enhance market liquidity and facilitate settlement of growing trade and investment transactions between China and Pakistan in CNY. Keeping in view the recent local and global economic developments, SBP expects this initiative to yield long-term benefits to China-Pakistan relationship in general, and Pakistan's economy and banking system in particular.
