

WIRING MONEY TO CHINA & AROUND THE WORLD

by [Steve Brown](#)

It is no surprise that the vast majority of money transferring outside the US is related to transactions going to China. We know from looking at the labels of almost everything we buy that most things in the world are made in China. Did you know that the vast majority of currency transactions that take place between China and other countries are settled in US dollars and not in renminbi? That is because until quite recently, the currency of China has been highly restricted and not allowed to be used outside of the country. As such, transactions between mainland Chinese companies and their foreign trading partners had to be denominated in dollars.

Restrictions are loosening now on the renminbi. In 2009, Beijing launched a program that allowed companies on the mainland to use renminbi for international trade. Among the first to use Chinese currency was IKEA, the world's largest furniture retailer, along with other large multinationals. Now about 10% of China's total trade is in renminbi. The advantages include better management of exchange risk, cutting transaction costs and processing payments faster.

As a community banker, you might be yawning right now and wondering what's in it for you. Given the sheer amount of trade flow back and forth, it is highly likely that some of your customers are importing and exporting to and from China. These don't have to be manufacturers, as even smaller retailers are buying things directly from China. Your community bank can make money by processing currency transactions for those customers and make even more if done so perhaps in renminbi (we can help you). Doing so not only helps your customers, but generates much needed fee income for your bank as it deepens and expands customer relationships.

Speaking with our team of international trading experts about these opportunities is worth your while. You will find that looser currency restrictions in China are not being fully leveraged and many customers are still paying in US dollars. The ability for businesses on both sides of the transaction to control the foreign exchange process helps reduce costs, increase fees for your bank, speed settlement and make cash flows more predictable. It provides an advantage for your customers, fees for you and is something we offer to hundreds and hundreds of client banks. Offering settlement in the Chinese currency could also give a competitive edge to your importing and exporting customers and help differentiate your bank from competitors.

We can help make the process easy despite impending regulatory changes under Dodd Frank for banks who offer international wire transfers, so don't worry about that either. At this moment, implementation of new regulations on international consumer transfers has been postponed and the final outcome is unknown, but we have your back so we will keep you informed and up to date. At PCBB, keeping our community bank customers up to date on regulatory issues is a priority and one we readily share with our customers. Call to explore the opportunities in the international world that can add fees for your bank as you deepen relationships with your small business customers buying and selling things from all over the world.

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BANK NEWS

M&A

Slow M&A: KBW reports banks announced 42 M&A deals in the Q1 with an average price of 1.11x tangible book (up from 1.09x in Q4) vs. 55 deals and 1.32x tangible book for the same period last year. M&A Down: Thomson Reuters reports the number of worldwide mergers in Q1 fell to the lowest level in 10Ys (8,115 transactions), but the value of deals in the US soared 89% from a year ago.

Libor Suit

16 large global banks were able to get antitrust lawsuits (for allegedly conspiring to keep Libor rates low) dismissed by a judge, after plaintiffs could not show enough facts they were harmed.

Mobile

An updated report from the Fed indicates the use of mobile banking jumped 33% between 2011 and 2012 and that the most common mobile banking activities were reviewing account balances, monitoring recent transactions or transferring money between accounts. Of note, 21% of mobile banking users have deposited a check with their phone in the 12 months prior to Nov. 2012. Mobile Risk: Security researchers at Kaspersky Labs say they have uncovered the first known malware attack on Android phones. It used an email account to lure people to open it on an Android smartphone that would launch an app that would then steal all text and phone messages sent or received, provide the phone's geo-location and all contacts.

Board Concerns

A study by EisnerAmper LLP of directors serving on the boards of public and private companies in various industries finds the most important areas of risk include: reputational (66%), regulatory compliance (59%), IT (54%), CEO succession planning (53%) and crisis management (47%).

Taxes

The IRS reports it has processed 77.1mm tax returns through Mar. 22 vs. 82mm for the same period last year. The average refund is \$2,827 this year vs. \$2,860 last year.

Less Risk

Bloomberg reports US bank credit card delinquencies have fallen to 2.47% of all accounts, the lowest level in 18Ys and well below the 15Y average of 3.87%.

Office Construction

Reuters reports US office construction fell to a 14Y low in Q1.

Bankruptcy

A federal judge has ruled the City of Stockton, CA can proceed with a Chapter 9 municipal bankruptcy.

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