

# China's Dual Exchange Rate System (CNY vs CNH)

## The origins of the offshore RMB (CNH) market

- In July 2009, the authorities lifted restrictions on RMB trade settlements between China and Hong Kong. This was the first time RMB settlements were permitted outside mainland China.
- In recent years, the authorities have incrementally eased regulations further. This has led to the development of RMB markets in Hong Kong and elsewhere (offshore RMB markets). These exist alongside the RMB market on mainland China (onshore RMB market), where buying and selling restrictions still apply. As a result, there are now two RMB markets.

## The onshore RMB (CNY) and offshore RMB (CNH) markets

- Onshore RMB is RMB that circulates on mainland China, while offshore RMB is RMB that circulates outside mainland China.
- These two markets differ according to regulations or market participants, and thus each market has its own exchange rate.

### Onshore RMB (CNY) market



RMB that circulates on  
mainland China

### Offshore RMB (CNH)



RMB that circulates outside  
mainland China  
(Hong Kong, Singapore, etc.)

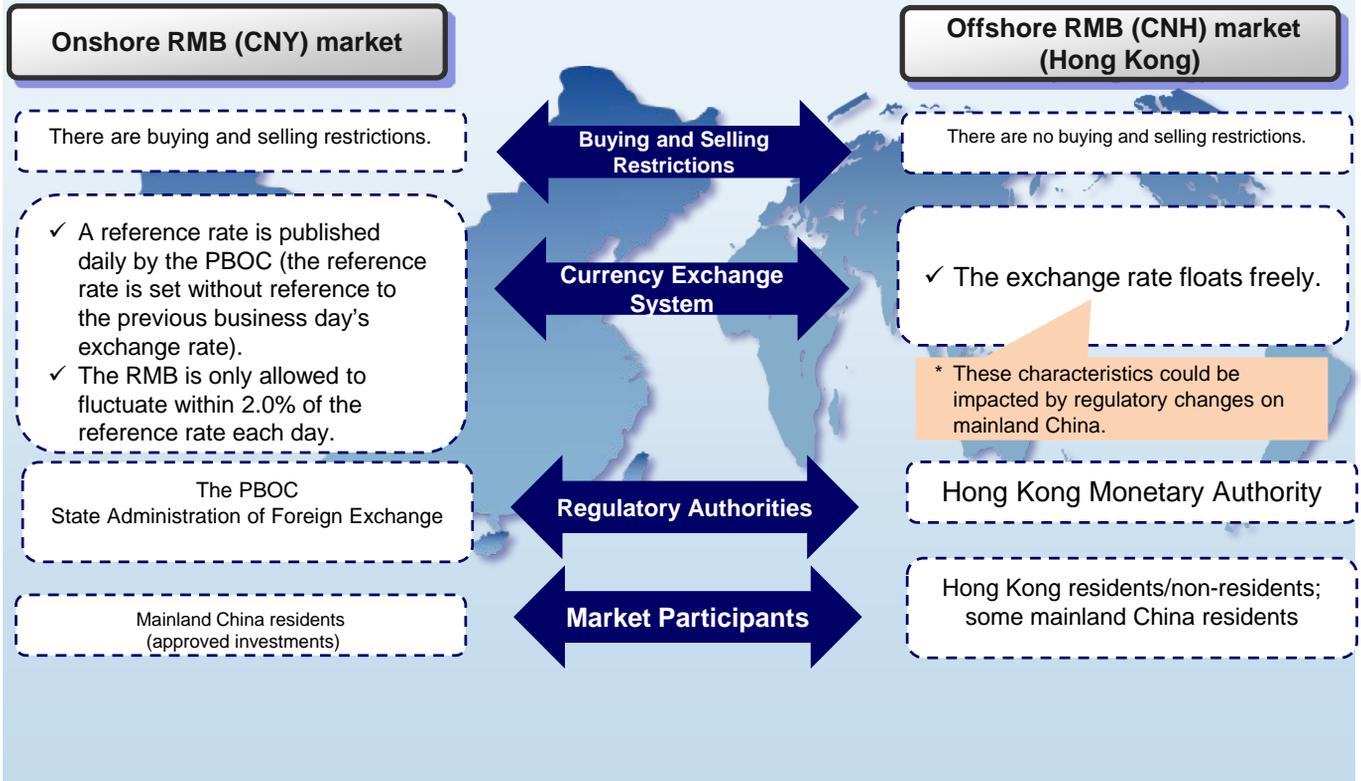
- CNH is used as the benchmark for the posted rate on Mizuho Bank's website.

## Currency code

- This does not mean there are two different currencies in circulation, namely, an onshore RMB (CNY) and an offshore RMB (CNH). CNY is the currency code for RMB assigned by the ISO (International Organization for Standardization).
- Mizuho Bank uses "CNY" to denote RMB funded in the onshore market and "CNH" to denote RMB funded in the offshore market.

## The differences between the onshore RMB (CNY) and offshore RMB (CNH) markets

The main differences are outlined below.



**Regulations in the onshore RMB market may be changed as needed. For the latest information, please contact the branch in charge of your account or any local Mizuho branch.**

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