

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

## 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 that RMB settlements were permitted outside Mainland China.
- Since then, 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 in Mainland China (onshore RMB market), where buying and selling restrictions still apply. As a result, there are now two RMB markets.

## Onshore RMB (CNY) and offshore RMB (CNH) markets

- “Onshore RMB” refers to RMB that circulates within Mainland China, while “offshore RMB” refers to 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  
within Mainland China

### Offshore RMB (CNH)



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

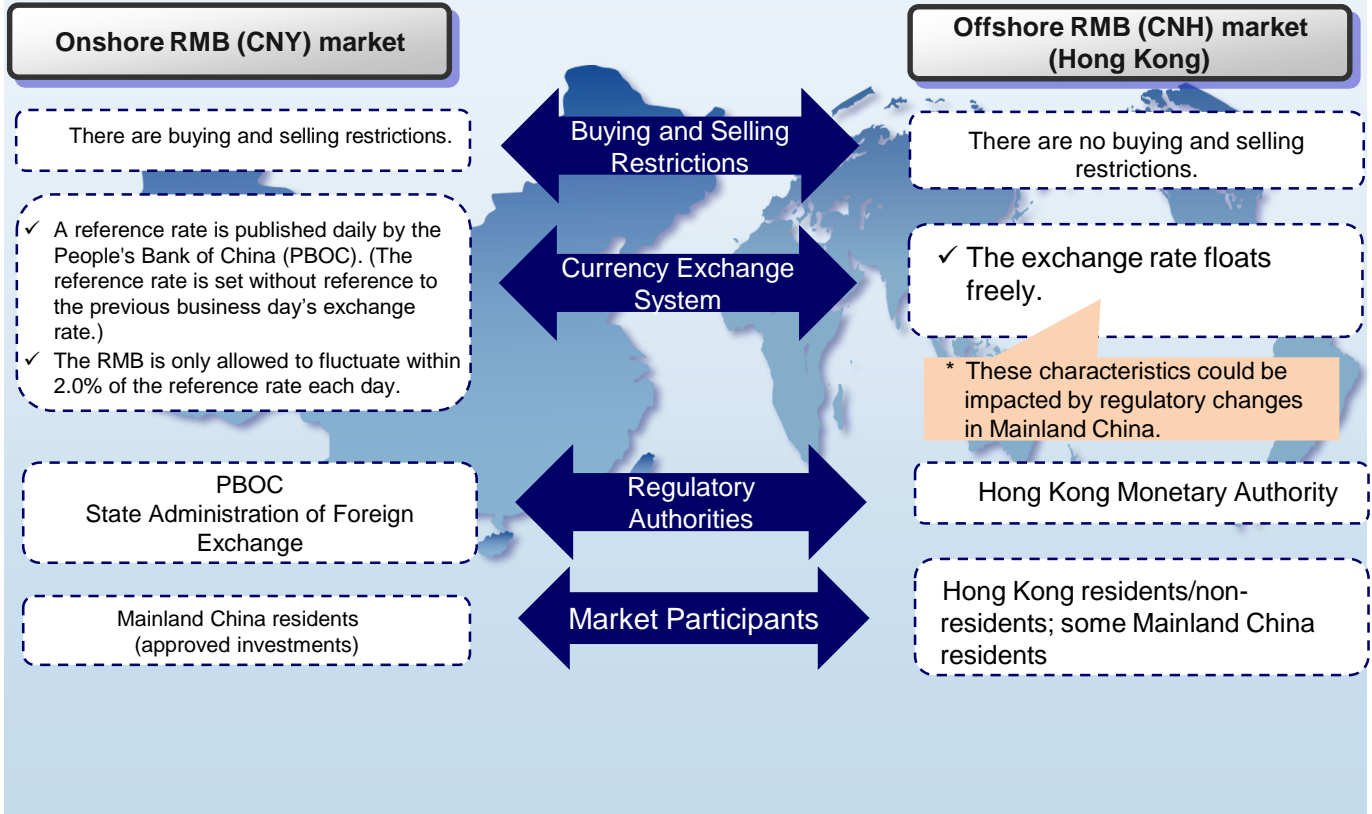
- CNH is used as the benchmark for the posted rate on Mizuho Bank's website.

## Currency code

- This does not mean that 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 within the onshore market and “**CNH**” to denote RMB funded within the offshore market, in order to distinguish them from each other.

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

The main differences are outlined below.



**The regulations in the onshore RMB market might be changed as needed. For the latest information, please contact the Mizuho branch in charge of your account.**

1. This publication is compiled for the purpose of discussion with your company. The conditions in this publication are based on a hypothesis, and neither the accuracy nor the integrity of information contained herein is indicated. The analysis in this publication is also based on a hypothesis, and the certainty of its results is not indicated.
2. Please note that the process and scheme herein might require a substantial change depending on information to be disclosed in the future, appraisal reports, views of rating agencies, changes in the institutional or financial environment, etc. In such a case, the results of the analysis in this publication might not be obtained. This publication does not exhaustively suggest risk.
3. Please conclude a contract as per your own judgment with the full understanding of the risk of the scheme in this publication. Please consult with experts, such as lawyers, certified public accountants, and tax accountants, for legal, accounting, and tax matters, respectively.
4. This publication, in whole or in part, cannot be (1) copied, photocopied, or duplicated by any means, or (2) made available to any third party other than your company, without the written permission of Mizuho Bank.

**One MIZUHO**  
Building the future with you

As of March 2021

**Mizuho Bank**

Copyright (c) Mizuho Bank, Ltd. All Rights Reserved.