



Settlements in Chinese yuan on the rise

Description

More countries are making use of China's Cross-Border Interbank Payment System, or CIPS. This comes after Western countries banned a number of Russian banks from using the SWIFT international settlement network in response to Moscow's invasion of Ukraine.

Japanese private-sector think tank Daiwa Institute of Research says that in January, some 21,000 settlements were made using CIPS per day on average. That's an increase of 50 percent from before the invasion. More than 100 financial institutions joined the CIPS network in 2022.

Teikyo University professor, Tsuyuguchi Yosuke says "Countries that do not stand with Japan, the US and Europe have become more suspicious of Western sanctions. These factors are behind the increased use of CIPS and the increase in gold reserves held by countries."

Beijing is trying to expand the payment network as part of its effort to promote the use of the yuan as an international currency.

Tsuyuguchi notes that the dollar's position as the dominant currency for international settlements will not end easily. But he says if transactions through CIPS continue to expand, that could weaken the effects of the SWIFT-related sanctions.

Category

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Date Created

02/25/2023