

## Compilation of Case Studies on Free Trade Accounts (FT Accounts)

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FT Accounts are unified rule-based local and foreign currency accounts opened by financial institutions for the business needs of enterprises and non-residents in the Free Trade Experimental Zone. These accounts operate independently from the existing traditional account system. The establishment of FT Accounts is an important institutional arrangement to explore convenient investment and financing exchange, expand the openness of financial markets, and guard against financial risks. On November 26, 2019, and December 31, 2019, China Merchants Bank Tianjin Branch and Bank of China Tianjin Branch respectively accessed the FT Account sub-accounting business system. The FT Account business was launched and operational in Tianjin. Since its operation, the two online banks have actively practiced the application of FT functions, explored beneficial aspects such as exchange rates, diversified financing channels, and streamlined settlement services, and played a functional advantage in fully implementing the "six stabilizations" and fulfilling the "six guarantees" tasks, as well as supporting inclusive financial policies. They have formed some typical cases that are promotable and replicable.

(1) "Reducing Trips" - Comprehensive Account Services: FT Accounts implement unified management of local and foreign currencies, eliminating the need to separately establish current and capital accounts. Enterprises can save management costs and improve efficiency. The eligible foreign currency types that can be opened for FT Accounts include USD, EUR, GBP, HKD, CHF, SGD, DKK, JPY, CAD, and AUD.

Case One: For domestic and foreign-invested enterprises in the area, at least four accounts need to be opened for normal operations and domestic re-investment, including RMB current account, USD current account, USD capital account, and RMB settlement pending payment account. By using the functionality of FT Accounts, enterprises only need to open an FTE account in RMB and USD to perform all previous operations. This not only improves the efficiency of account management but also saves costs.

Case Two: A state-owned large-scale engineering company in the area mainly engages in domestic and foreign engineering projects. Bank B opened an FTE main account for the company, including RMB sub-accounts and dual foreign currency sub-accounts in USD and HKD. By opening the FTE account, the transfer of funds between domestic and overseas sources only needs to be processed within the same account at Bank B, enhancing the efficiency of fund transfers for the enterprise.

Case Three: For a foreign-funded trading company in the area that receives capital and makes payments to domestic suppliers after forex settlement, the pain points include receiving capital in multiple foreign currencies from overseas and making frequent payments to domestic suppliers, leading to complex procedures. After Bank B opened an

FTE account for the client, it provided a solution for integrated local and foreign currency account management and facilitated capital project convenience. The receipt of multi-currency funds no longer requires multiple account openings, and the procedures for high-frequency payments are greatly simplified, earning praise from the client. Bank B processed about 200 payments totaling 70 million RMB for the client. Business procedures that used to take several days to complete now only take one day, effectively improving the efficiency of fund utilization for the enterprise.

(2) "Reducing Costs" - Offshore and Onshore Price Selection: FT Accounts can utilize resources from both offshore and onshore markets, allowing enterprises to compare the financing costs and convenience of FT Accounts with domestic settlement accounts. They can choose the financing mode that best suits their needs. At the same time, FT Accounts can use the offshore RMB exchange rate (CNH) for forex transactions, allowing customers to choose FT Accounts for forex transactions and reducing financial costs.

Case One: Bank A provided a general financial loan under the FTE for a client logistics company. This company is a small and medium-sized transportation enterprise mainly engaged in China-Europe freight train transportation agency services. Since the global outbreak of the pandemic, several countries have implemented lockdown policies on transportation routes, causing a tight cash flow for the company. After understanding the company's situation, Bank A recommended the advantages of low capital cost and convenient cross-border payments under the FT, and promptly provided a loan of 5 million RMB at a 30 basis point lower interest rate. This saved the company 7,500 RMB in interest, helping small and medium-sized enterprises alleviate the impact of the pandemic.

Case Two: Bank B issued a working capital loan of 100 million RMB to a construction company under the FTE, with an interest rate 10.45 basis points lower than the current LPR. Compared to onshore financing, the company significantly reduced its financing costs, supporting infrastructure construction under the "Belt and Road" initiative and stabilizing social investment. This is in line with the central government's policies of "six stabilizations" and "six guarantees."

Case Three: A foreign-invested enterprise conducted capital project transactions with Bank A, using the offshore exchange rate to process a capital settlement of 145.4 million USD. Compared to the onshore exchange rate, the client enjoyed a spread discount of 150 basis points, saving approximately 2.18 million RMB in exchange costs. The client highly praised the functionality of FT Accounts, promoting the injection of foreign capital into the domestic entity.

Case Four: Bank B assisted a domestic Chinese trade company in opening an international letter of credit through the FTE account. The transaction amount was 100,000 USD. During payment, Bank B provided the option to choose between offshore and onshore exchange rates. The company chose the offshore exchange rate for the forex payment, saving about 1,000 RMB in exchange costs and contributing to the

international trade development of Chinese enterprises.

Case Five: Bank A assisted a domestic import and export trading company in handling three import meat product payment and forex transactions, totaling 4.26 million USD. The company used the offshore exchange rate in the FT Account for forex transactions and enjoyed a spread discount of 64 basis points compared to the onshore exchange rate, saving about 60,000 RMB in financial expenses. This strongly supported the development of trade-oriented enterprises.

(3) "Assisting Efficiency" - Convenient Settlement Services: The unique account system of FT and its streamlined regulatory policies make fund settlement for enterprises more convenient and efficient.

Case One: Bank A processed off-shore trading transactions for a large company's FT sub-accounting unit, completing fund settlements for upstream and downstream enterprises on the same day, totaling 16.8931 million USD. For the client, using the FT account eliminated the need for the previous step of transferring foreign currency income to a pending verification account for cross-border trade income, which required submission of authenticity materials before transferring to a regular foreign currency settlement account. Now, the client only needs to provide transaction authenticity materials, and after bank verification, the funds are directly deposited into the integrated FT local and foreign currency account system, reducing the management costs of the supply chain.

Case Two: An international trade company dealing with bulk commodities needed to conduct international forfaiting business. Bank B opened an FTN account for the client and leveraged the bank's global forfaiting business platform. After comparing dozens of prices, the bank found the most favorable financing price for the client, enabling them to receive low-cost financing, saving financial expenses, and meeting the expansion needs of the business. Additionally, the client did not need to compare prices from multiple banks, saving labor costs.

Case Three: A domestic new economy enterprise within the region needed to borrow foreign currency for foreign debt. One year later, the debt had to be repaid in foreign currency. Bank B opened an FTE account for the client and received this foreign currency debt. After understanding the client's needs through consultation services, Bank B fully utilized the functional advantages of the FT account system in financial derivative products. They matched the client with an FT-exclusive forward exchange rate funding product. This product locked in the spot exchange rate and the forward exchange rate for the repayment date, fixing the exchange cost and mitigating exchange rate risks.

(4) "Bringing In" - Serving Overseas Enterprises: FT Accounts have a broad range of service targets, not only serving domestic enterprises but also extending services to overseas affiliates of domestic companies. This helps address time zone differences,

language barriers, broaden overseas financing channels, and enhance service quality and effectiveness.

Case One: Bank B fully leveraged the investment and financing advantages of both domestic and overseas markets under FT Accounts. They provided a 200 million USD loan to a large domestic company's overseas platform company under FTN accounts. This loan was used for the high-cost debt replacement abroad, enriching the financing channels for the enterprise's overseas subsidiaries and supporting the expansion of overseas markets.

Case Two: Bank A maximized its institutional qualifications under FT Accounts, based on a comprehensive understanding of Company A's qualifications in the area, further understanding of its knowledge about Company B's qualifications overseas. They opened an FTN account for Company B. Company B was mainly responsible for the overseas procurement and sales in Company A's entire industry chain. After opening the FTN account, the transfer of funds between domestic and overseas sources only needed to be processed within a single bank institution, greatly facilitating the efficiency of fund transfers for the enterprise. The client also used the price advantage of the offshore channel to reduce financial costs, alleviating the impact of the pandemic on the enterprise.

Case Three: Bank A made full use of the investment and financing advantages of FT Accounts and provided a 49 million USD loan to the overseas affiliate of a large financial leasing company in the area. This enriched the financing channels for outbound enterprises, realized onshore operation of offshore business, reduced communication costs for the enterprise, facilitated fund transfers, and enhanced service quality and effectiveness.

Case Four: A large domestic multinational company in the area planned to acquire overseas through its overseas registered SPV company. There was a funding gap, and they needed to process the acquisition loan through a bank. Within the scope permitted by policy, Bank B issued an acquisition loan to the overseas SPV company through FTN accounts for the payment of transaction consideration. The account opening and loan processing were both handled locally, which was more efficient and convenient than processing through overseas financial institutions. Additionally, the enterprise could select the loan currency based on overseas funding needs, reducing financial costs. Through the business operations of the FT account system, domestic banks expanded their business scope, achieved full-process monitoring of overseas loan funds, reduced operational risks, and enhanced international financial service capabilities.

(5) "Lowering Thresholds" - Full-Function Cash Pool: The full-function cash pool under FT has lower entry requirements compared to other cash pools. There are no restrictions on equity ratios between member units, and there are no requirements for the operating revenue of domestic and overseas members. Enterprises can freely choose currency for collection, and funds within the pool can be freely exchanged, helping enterprises reduce

risks, lower costs, preserve and increase value, and enhance fund management efficiency.

Case: Bank A implemented a "going global" strategy for a large multinational enterprise. The company established multiple subsidiaries overseas and needed cross-border fund transfers and collection. However, all overseas subsidiaries were in the initial stage of development and had low operating revenues, making them unable to meet the entry requirements of other cash pools. The full-function cash pool policy lowered the entry threshold. The company only needed to use a domestic registered enterprise or an overseas enterprise as the main sponsor to open an FT account, making it eligible to apply for the full-function cash pool within the FT account system. The full-function cash pool allowed equity-related domestic and overseas enterprises to perform onshore fund collection, centralized payment and collection for upstream and downstream supply chain enterprises, enabling flexible allocation, reducing currency risks, and achieving convenient centralized fund management.