

# 全球发展促进中心创新培训基地

Innovation Training Base of  
Global Development Promotion Center



## Settlement and Cross-border Payment for “Approach to China” E-commerce Cross-border Sales

Bank of China Xiamen Branch

2024-05

# CONTENTS

---

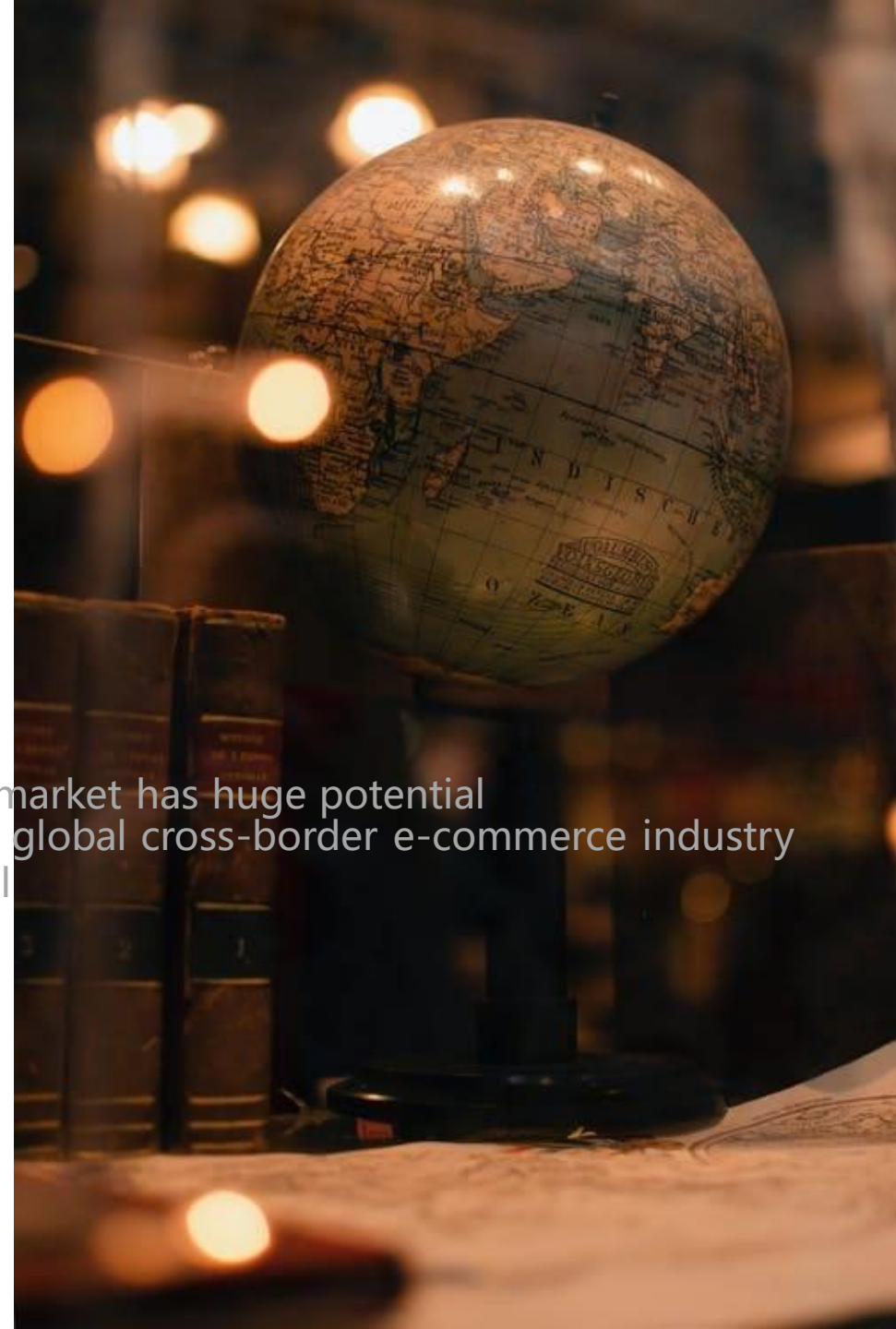
- The current development of global cross-border e-commerce
- Bank of China's cross-border e-commerce service practice
- Service suggestions for cross-border sales of “Approach to China” e-commerce



# 01

## The current state of development of global cross-border e-commerce

- Global cross-border e-commerce market has huge potential
- The four major models of the new global cross-border e-commerce industry
- Cross-border live streaming model



# Global cross-border e-commerce market has huge potential



According to eMarketer, global e-commerce grew at an annual rate of more than 20% from 2015-2020, far outpacing the growth rate of the global retail market, and the gap between the two has narrowed since the epidemic, but it remained significantly higher than the growth rate of the global retail market.

According to the latest forecast by eMarketer, global retail e-commerce sales will account for one-fifth (20.1%) of total global retail sales in 2024, totaling \$6.334 trillion, with more than half of e-commerce sales coming from China, estimated at \$3.235 trillion; the U.S. ranking second (\$1.251 trillion); and the U.K. ranking third (\$220.55 billion). By 2025, global e-commerce sales are poised to surge to \$7 trillion, with the cross-border sector sustaining its upward momentum. From 2024 and 2027, the worldwide e-commerce market is anticipated to expand at a steady compound annual rate of 7.8%, hitting the \$8 trillion mark by 2027.

According to the earlier forecast in 2023 by eMarketer, growth in the global retail e-commerce business will gradually slow over the next three years (red), but its share of total global retail sales will continue to rise (blue), as will total e-commerce sales (black).



Source: Insider Intelligence/ eMarketer Forecast January 2024

# Global cross-border e-commerce market has huge potential

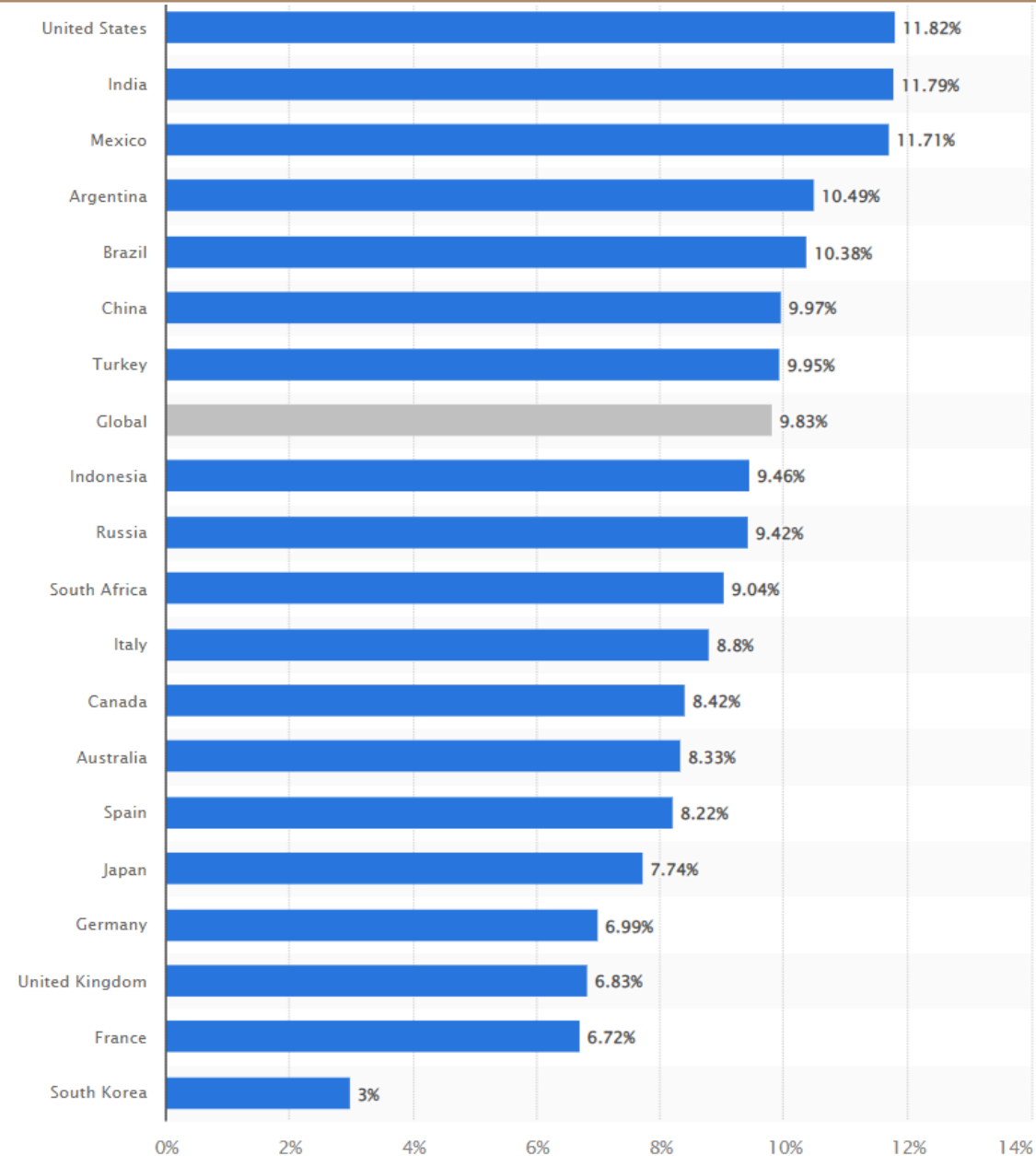


According to the latest industry forecast by Statista, the average CAGR of global retail e-commerce will be 9.8% between 2024 and 2028, with the US topping the list with a growth rate of 11.8%.

Emerging markets in the Americas such as Mexico, Argentina, and Brazil will all grow at a rate of more than 10%; India, China, and Turkey will all grow at a rate that exceeds the global growth rate.

Some developed countries have low retail e-commerce growth rates, such as only 3% in South Korea, less than 7% in France, the UK, and Germany, and less than 9% in Japan, Spain, Australia, Canada, and Italy.

Thus, data shows that the growth trend of retail e-commerce is better in China and some emerging markets, and that China, as one of the largest markets in the world, has a strong potential for growth.



# The four major models of the new global cross-border e-commerce industry



## E-commerce website

E-commerce website is an independent shopping website that realizes cross-border transactions by displaying products, shopping, and paying for orders to foreign users online. Data shows that the vertical e-commerce websites account for 33% of the most popular e-commerce shopping platforms for global users in 2019–2021, ranking first. Research organizations predict that the size of the e-commerce market in 2025, which is dominated by e-commerce websites, will reach 560 billion U.S. dollars, such as Shein, a typical cross-border e-commerce website big seller.



## Cross-border live streaming model

Through live demonstrations and real-time interactions, foreign consumers can also visualize product information, interact with anchors and buy products directly. According to consulting data, China's cross-border live e-commerce market is expected to be 284.58 billion in 2023, with a year-on-year growth of up to 155%, and the market size will reach 828.7 billion in 2025.

TikTok Shop has opened the door to “live e-commerce” in Southeast Asia.



## “Direct to Consumer” (DTC) model

This business model allows branded goods to reach consumers directly without relying on intermediary channels such as distributors in the traditional sense. Enterprises going overseas are beginning to shift to the second stage of competition between traditional foreign trade-based cross-border e-commerce and boutique cross-border DTC e-commerce. In 2022, about 64% of global consumers regularly bought goods directly from brands, and “brands going overseas” adopting the DTC model can obtain more financing channels. The DTC model is redefining the rules and landscape of global e-commerce.



## Platform full hosting model

It means that the e-commerce platform is fully contracted to store operation, logistics fulfillment, after-sales service and other complex links, while the merchants are only responsible for the creation and supply of products. Shein, Temu and other platforms were mainly based on the “fully hosting service model” in the early days. For example, Shein cooperates with suppliers in the form of providing goods and purchasing **06** s on the platform. Temu relies on Pinduoduo ‘s excellent supply chain integration capabilities, single-handedly hosts merchant stores, and strictly controls a full set of transportation, logistics, and after-sales links.

# Cross-border live streaming model



## 1. Influencer marketing

It refers to the merchants based on the platform's recommendations or market word-of-mouth to find influencers for live-streaming marketing, and the merchants need to provide samples, and pay a certain commission cost.

01

## 2. Merchant live streaming

It means that merchants stationed on the platform launch live broadcasts on their own, and the platform provides necessary tutorials and a certain amount of stream. There are essentially no additional platform fees for merchants, but the live streaming attention and buzz lacks the aggregation effect of the influencers.

02

## 3. Sec-killing(snapping up) live streaming

It is similar to Influencer marketing. Anchors partner with merchants to provide a certain amount of product and price below normal market price to the anchors' fans for a limited time, limited number of sales.

03

Comprehensive Services

## 4. Institutional live streaming

It refers to the special or multi-brand hybrid live broadcast through professional organizations that cooperate with the platform, applicable to the platform marketing seasons, such as the 618 Shopping Festival and Double 11 in China.

04

## 5. Live streaming at the origin

It refers to live broadcasting at the origin, mainly for agricultural products or fruits which are purchased and shipped directly from the place of origin. It enables consumers to have a more intuitive feeling about the products they buy.

05

## 6. Product live streaming

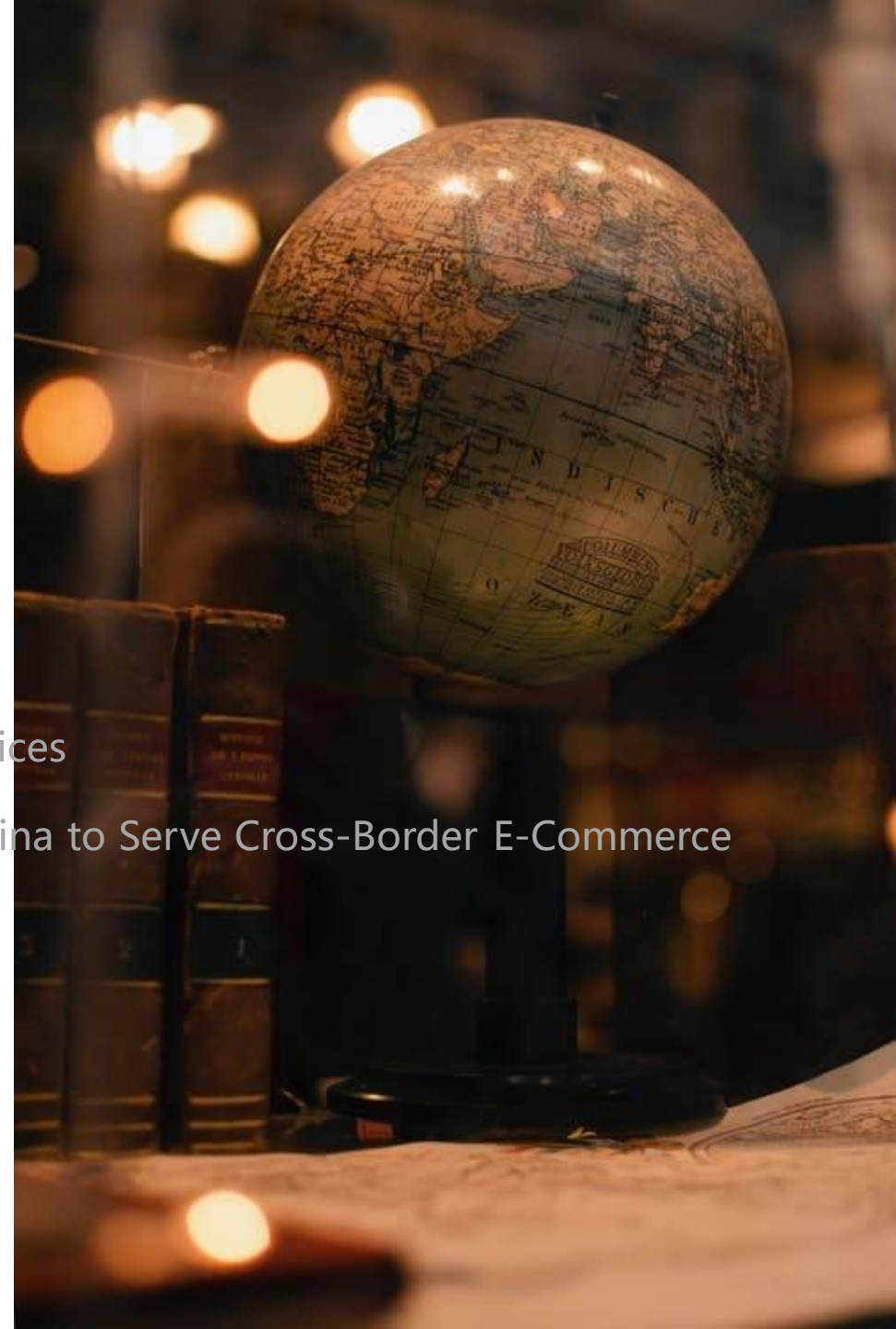
Anchors promote and highlight one or more products. Through personal trial, they bring users more intuitive feeling and experience.

06

# 02

## Bank of China's cross-border e-commerce service practice

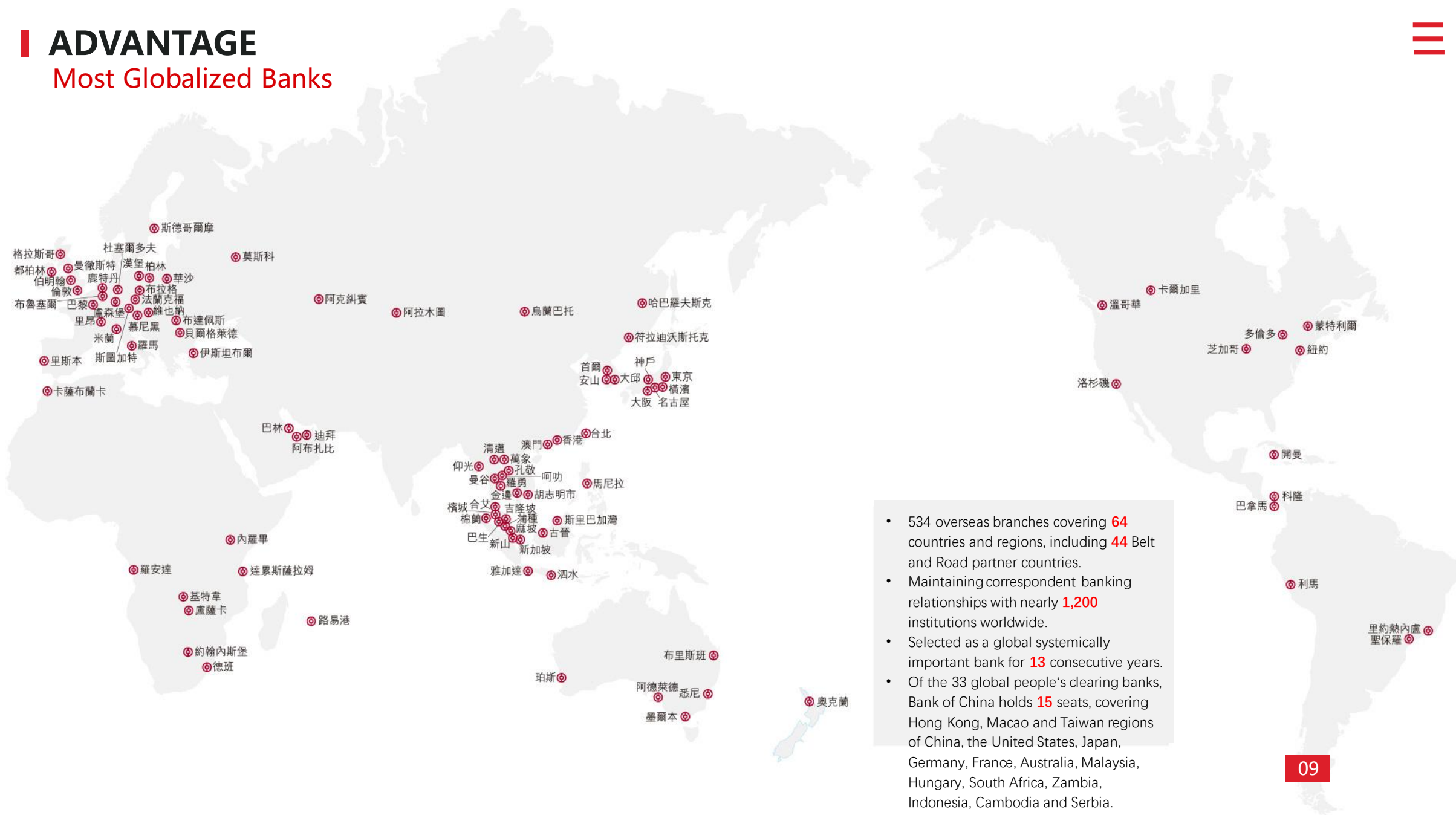
- Advantages of Bank of China's services
- Three Major Models for Bank of China to Serve Cross-Border E-Commerce





# ADVANTAGE

## Most Globalized Banks



- 534 overseas branches covering **64** countries and regions, including **44** Belt and Road partner countries.
- Maintaining correspondent banking relationships with nearly **1,200** institutions worldwide.
- Selected as a global systemically important bank for **13** consecutive years.
- Of the 33 global people's clearing banks, Bank of China holds **15** seats, covering Hong Kong, Macao and Taiwan regions of China, the United States, Japan, Germany, France, Australia, Malaysia, Hungary, South Africa, Zambia, Indonesia, Cambodia and Serbia.

# Full life-cycle financial services



- ✓ Policy consulting
- ✓ Account opening
- ✓ Capital fund settlement
- ✓ Corporate online banking
- ✓ Corporate mobile banking
- ✓ Inclusive financial loans
- ✓ Fixed asset loans
- ✓ Equipment import document service
- ✓ Cross-border settlement and exchange
- ✓ Ticket-granting service
- ✓ Debt-equity combination
- ✓ Working capital loans
- ✓ Trade financing
- ✓ Guarantee credit enhancement
- ✓ Exchange rate hedging
- ✓ Financial consulting
- ✓ Employee insurance
- ✓ Cross-border M&A
- ✓ Cash management
- ✓ Cross-border capital pool
- ✓ Group credit extension
- ✓ Supply chain financing
- ✓ Pre-listing tutoring
- ✓ Corporate bonds
- ✓ Asset securitization
- ✓ Equity incentive
- ✓ Personal banking



**Planning period**

**Start-up period**

**Growing period**

**Maturity period**

**Piloting period**

# Cross-border e-commerce settlement: three different models



Cross-border e-commerce settlement mainly consists of three models: interconnection business with domestic payment institutions, direct connection with cross-border e-commerce platforms/e-commerce websites and connection with overseas payment institutions. Among them, the interconnection business is the main mode of service at present. In 2024, the total value of cross-border e-commerce transactions handled by our bank amounted to RMB 813.327 billion.

## Interconnection business

- ✓ It refers to the mode in which the domestic payment institution undertakes the overseas return and domestic distribution (export mode) or domestic acquiring (import mode), and its cooperative bank is responsible for the cross-border clearing of return/outgoing payment and business processes such as income and expenditure declaration.

## Direct connection business

- ✓ Direct connection business refers to the mode in which a cross-border e-commerce enterprise directly opens a physical account outside the country and directly links to a domestic bank, and the domestic bank accepts inward remittances from outside the country from the enterprise and directly handles the crediting or distribution within the country (only for exports)

## Docking business with offshore payment institutions

- ✓ Docking business with foreign payment institutions refers to the mode in which banks directly accept instructions from foreign payment institutions for cross-border fund clearing and domestic distribution without going through domestic payment institutions (for exports only).

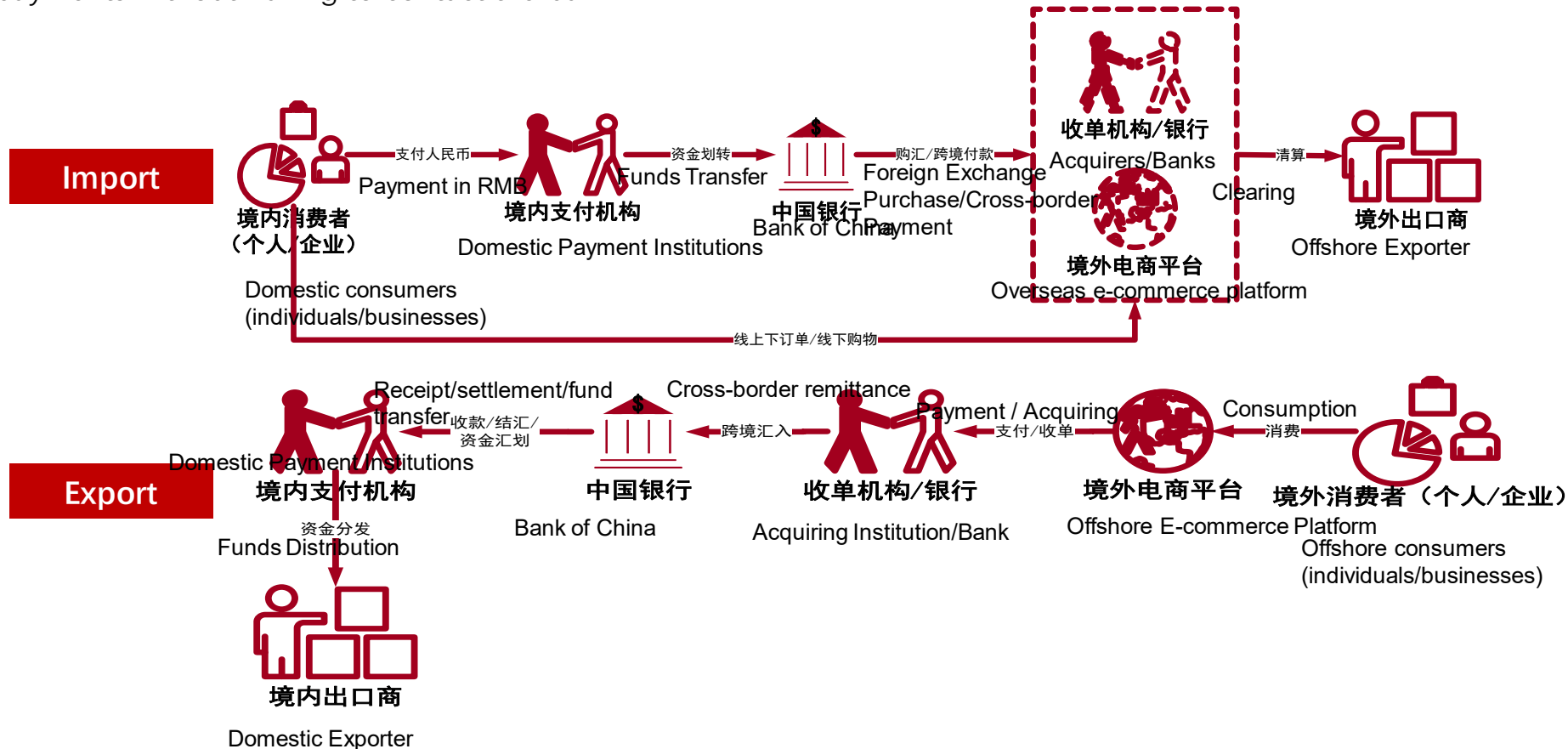
Bank of China, a dominant player in China's cross-border financial services, leads the industry in international settlement, cross-border RMB settlement, and foreign exchange operations.

- Global Network: With a presence in 64 countries and regions, BOC operates over 10,000 domestic branches and more than 560 foreign branches, delivering comprehensive cross-border settlement services worldwide.
- Robust Clearing Strength: As the RMB clearing bank across 15 countries and regions, BOC has established a world-leading cross-border RMB clearing network, maintaining its position as the world's largest in terms of cross-border RMB clearing and settlement volumes.

# Interconnection (docking domestic payment institutions)--BOC Cross-Border E-commerce-Three-Party-Pass

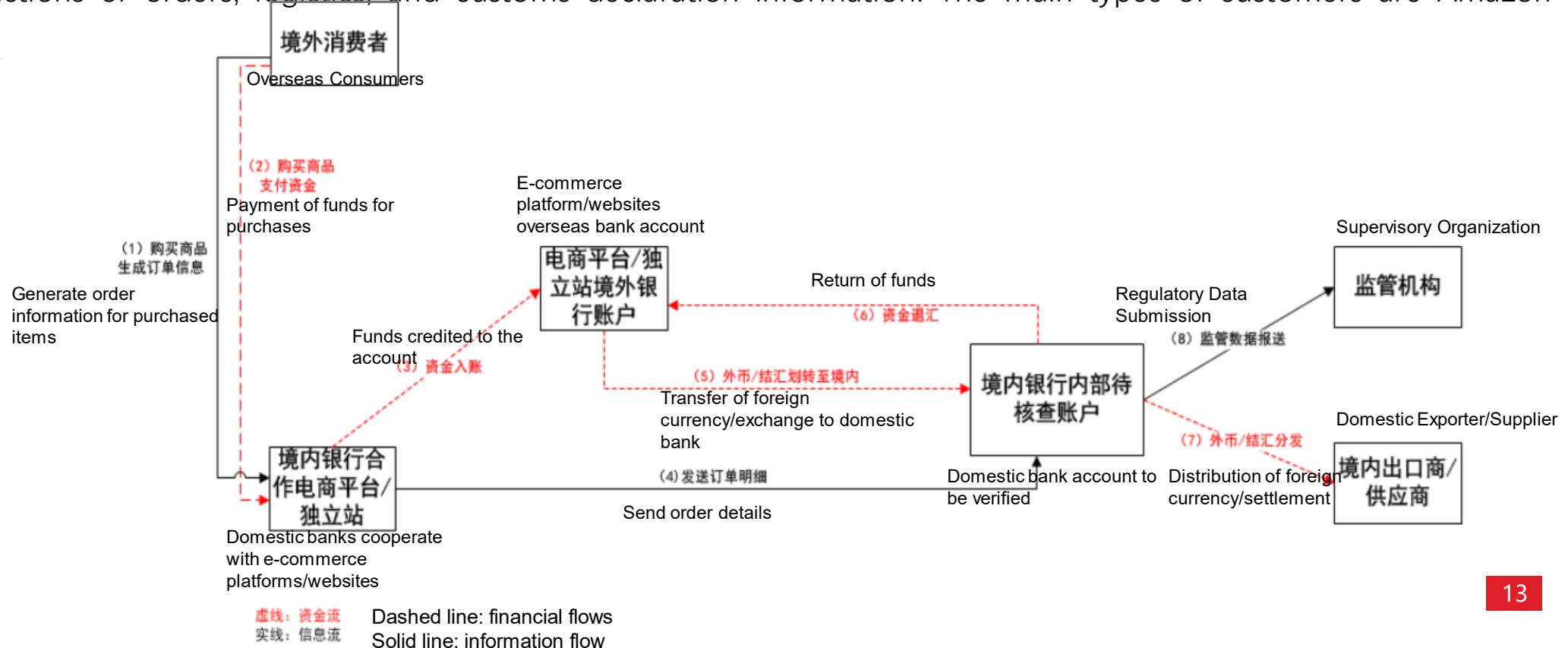


Bank of China provides domestic third-party payment institutions with comprehensive services such as cross-border remittance, settlement and sale of foreign exchange, balance of payments declaration, etc. By centralizing the settlement, sale of foreign exchange and cross-border fund clearing, Bank of China indirectly builds a settlement channel for users using third-party payments, so that the relevant users can complete cross-border payments without having to contact the bank.



# Direct connection (docking cross-border e-commerce platform) - BOC Cross-border e-commerce - E-commerce Pass

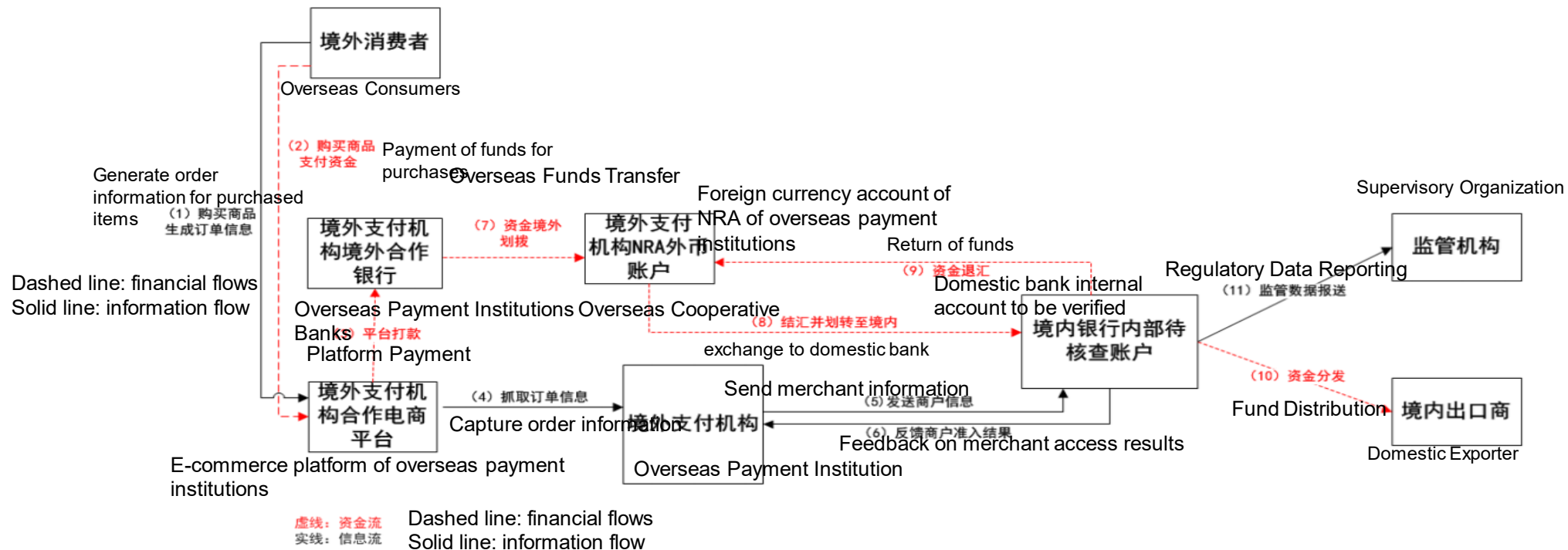
Bank of China's cross-border e-commerce direct collection refers to the docking between Bank of China and cross-border e-commerce platforms (including third-party platforms and e-commerce website platforms), providing cross-border fund settlement services directly to cross-border e-commerce participants on the basis of the electronic information of transactions or orders, logistics, and customs declaration information. The main types of customers are Amazon and Shein.



# Docking with Overseas Payment Institutions - BOC Cross-border E-commerce - Overseas Pass



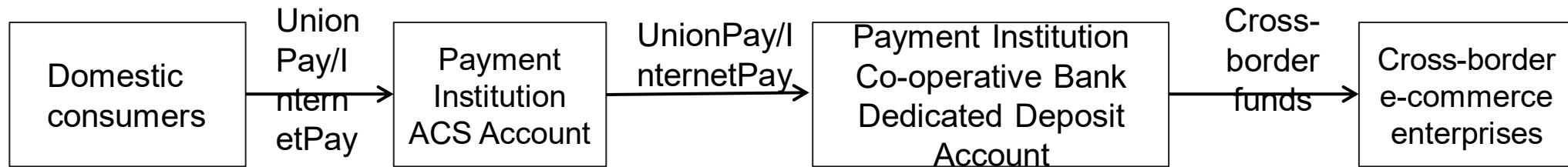
Bank of China cooperates with overseas payment institutions, which open NRA or FTN accounts in the FTZ with the status of “non-resident”, and the funds are remitted to the domestic market in the form of cross-border RMB after being cleared through the above accounts. At the same time, the foreign payment institutions will provide electronic information on transactions and conduct authenticity audits of the transactions, so as to realize the clearing of funds from foreign payment institutions to domestic banks.



# Flow of funds and information for cross-border e-commerce imports

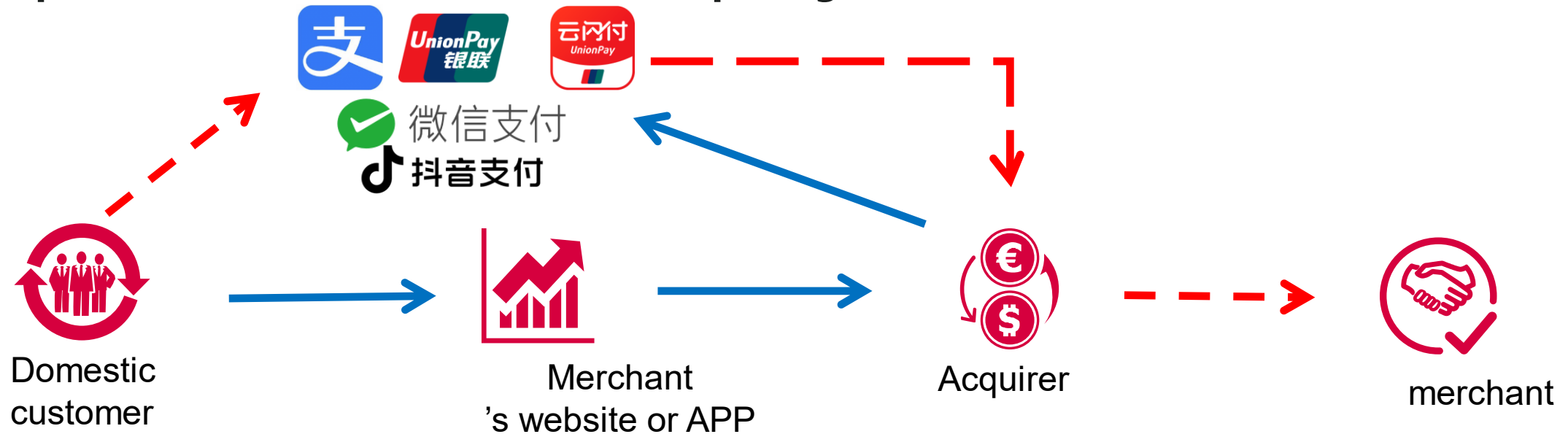


Cross-border e-commerce import transaction information flow



Cross-border e-commerce import transaction fund flow

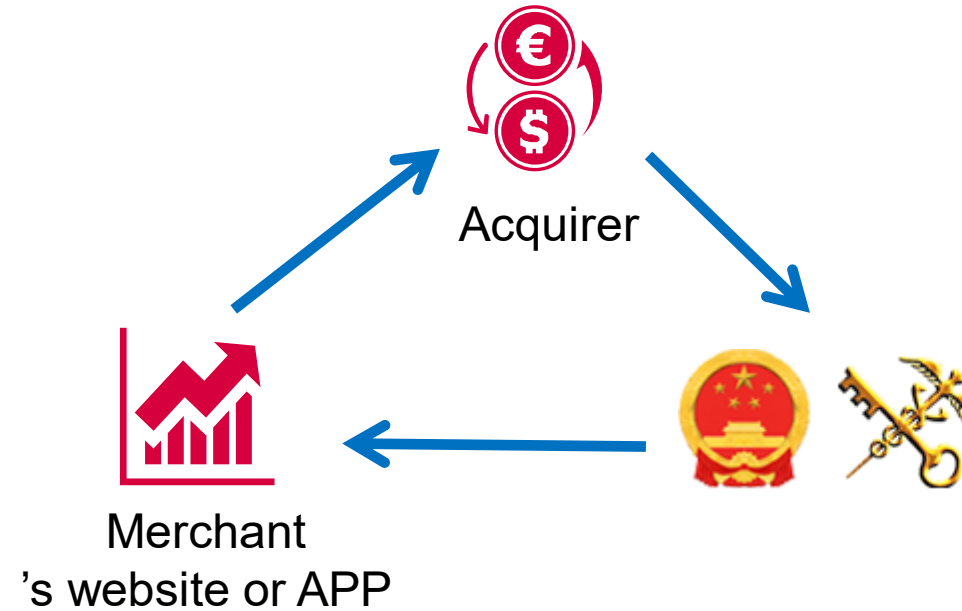
## Payment institutions to serve the process of imported e-commerce - domestic acquiring



1. The domestic customer places an order on the merchant's website or APP and selects UnionPay Cloud Flash Pay or WeChat or Alipay payment method;
2. The merchant's website or APP initiates a transaction with the acquirer and transmits the transaction order information to the acquirer through the interface;
3. The acquirer initiates the transaction to UnionPay or WeChat or Alipay;
4. the domestic customer completes the payment through UnionPay Cloud Flash Pay or WeChat or Alipay, and the acquirer notifies the merchant website or APP of the payment result;
5. UnionPay Cloud Flash Pay or WeChat or Alipay will clear the transaction funds to the acquirer;
6. The acquirer deducts the handling fee to the merchant according to the business agreement.

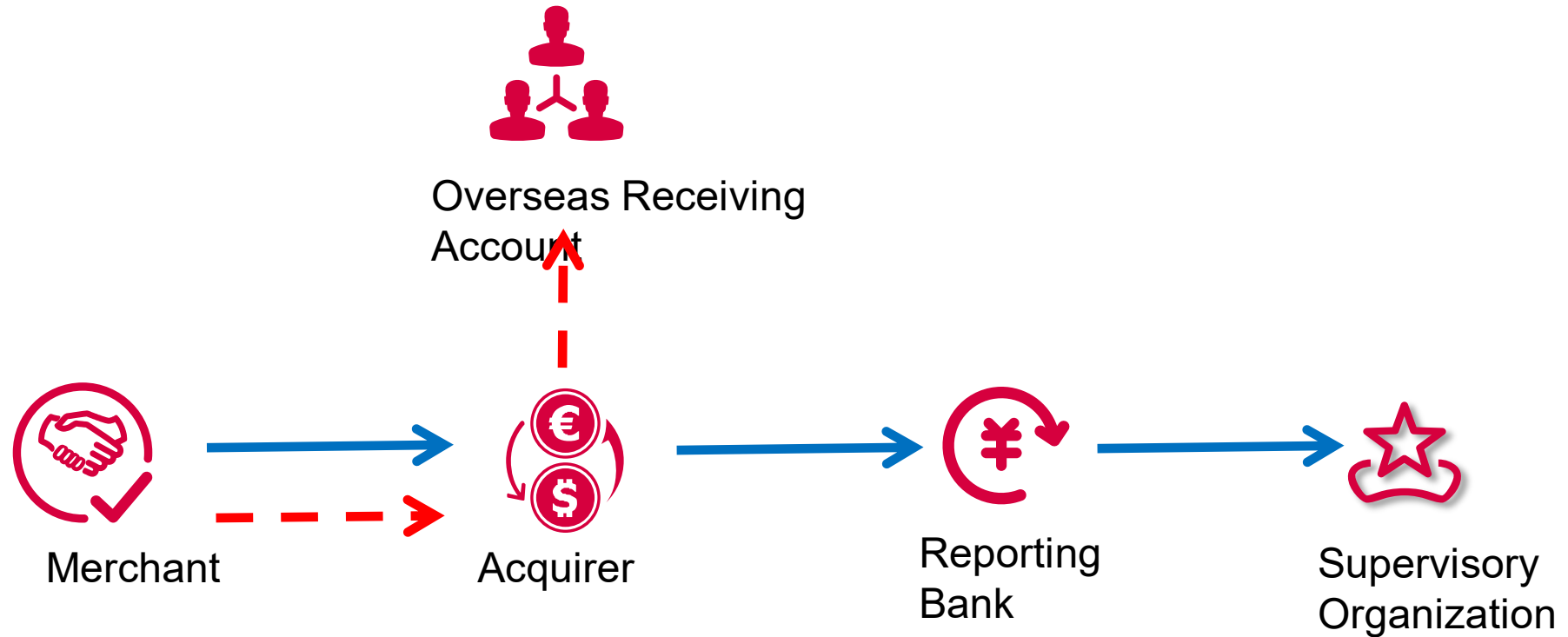


# Payment institutions to serve the process of imported e-commerce - Customs send orders



- 1.The merchant website or APP calls the customs declaration interface of the acquirer to send the payment information to the acquirer;
- 2.The acquirer will send the payment information to the customs electronic port;
- 3.The customs electronic port of entry according to the results of the three single comparison of the results will be returned to the merchant.

# The process of payment institutions serving imported e-commerce -- cross-border settlement



1. The merchant submits transaction documents to the acquirer and pays the cross-border funds to the acquirer;
2. The acquirer provides the reporting bank with transaction restoration declaration materials;
3. The reporting bank completes the transaction reduction declaration of the regulator;
4. The acquirer will clear the foreign currency funds to the overseas supplier's account.

# 03

## Service suggestions for cross-border sales of "Approach to China" e-commerce

- Essential Components in Import Cross-Border E-Commerce
- How to Start a Cross-Border E-Commerce Store
- Key Considerations for Cross-Border Payments in China



# The typical operational workflow of import cross-border e-commerce involves several key steps:

---

- **Product Selection and Supplier Collaboration:**
  - **Market Research:** Use data analysis tools to investigate the demand, consumer preferences, and competitive landscape of the target market, identifying promising product categories.
  - **Supplier Selection:** Seek for suppliers through cross-border e-commerce platforms and trade shows, assessing their credibility and product quality, so as to pick out suitable partners and negotiate the terms of cooperation.
- **Product Sourcing and Logistics**
  - **Contract Signing:** Finalize procurement details with suppliers and sign a contract outlining product specifications, quantities, prices, delivery timelines, etc.
  - **International Shipping:** Select shipping methods (sea, air, express) based on product characteristics and delivery urgency. Ensure legal import/export by arranging for customs declaration and inspection.
- **Warehouse and Inventory Management**
  - **Warehouse Strategy:** Decide between using overseas warehouses and domestic bonded warehouses. Overseas warehouses allow for advance storage, reducing delivery times, while domestic bonded warehouses streamline customs clearance and quick delivery.
  - **Inventory Management:** Implement an inventory management system to continuously monitor stock levels, establish safety stock limits and determine reorder points, to maintain adequate inventory without excess.
- **Online Store Operation and Sales:**
  - **Store Set-up:** Establish your store on a cross-border e-commerce platform, designing it with product information and images to enhance user experience and search engine rankings.
  - **Marketing and Promotion:** Promote your store through platform advertising, social media marketing, and search engine optimization, to increase your store's visibility and attract more customers.
  - **Order Management:** Efficiently handle customer orders by confirming details, organizing shipments, and providing excellent after-sales support, including managing returns and exchanges.
- **Customs Clearance and Delivery**
  - **Customs Procedures:** Upon reaching the destination country, engage customs agents or brokers process clearance with the necessary documents, pay duties, and ensure goods are released after customs verification.
  - **Domestic Deliveries:** Collaborate with reliable domestic logistics partners to deliver orders according the order address, offering flexible options like express shipping and dedicated logistics lines to meet customer needs.
- **After-Sales Service**
  - **Response to Customer Feedback:** Promptly address customer inquiries and complaints, resolving them effectively to boost satisfaction and foster loyalty.
  - **Returns and Exchanges Management:** Implement fair and streamlined return and exchange policies, efficiently managing inspections and storage of returned items.

# How to set up an online store

# I Step1 - Assessment and Decision-making



- **Product Selection / Market Selection**

- As “success hinges largely on product selection and less on operation process”, the right product choices are crucial for achieving success in store operation.
- Why Choose China -
  - From JAN - NOV 2024, China’s e-commerce sector has shown a steady growth, stated by the Department of Electronic Commerce of the Ministry of Commerce, with national online retail sales having reached a staggering RMB14 trillion, marking a 7.4% increase. This includes a 6.8% growth in physical goods sales and an impressive 18.3% rise in online service consumption. This surge in e-commerce has been a driving force behind the digital transformation of various industries, with the “Silk Road E-commerce” initiative promoting the win-win situation and mutual prosperity.

- **Cost-Benefit Analysis**

- Initial store setup fees
- Logistics and Tariff Expenses: Costs involved in First Mile, storage, Last Mile, import customs duties, etc.
- Marketing and Sales Expenses: 10-15%

# I Step2 - Registration and Review



## Application for Store Set-up

- **Account Registration:** Establish a business account on the Alibaba platform and complete the identity verification process. Additionally, registration for an overseas Alipay account in advance is necessary.
- **Documentation Preparation:** Assemble essential business documents, including your overseas company's registration certificate and tax registration certificate; brand-related files like the original trademark registration certificate, brand authorization letters, etc.; additional documents such as quality inspection reports may be necessary depending on the product category.
- **Information Submission:** Access the Tmall Global website, select "Start Selling," and follow the prompts to input your business name, contact details, and other required information. Upload all relevant qualification documents, ensuring they are in Chinese/English, or accompanied by a certified translation if in another language.

## Qualification Review

- **Brand and Entity Evaluation:** This stage takes around 3 business days and involves assessing the merchant's brand strength, target market, and the authenticity and validity of their entity qualifications.
- **Initial Qualification Review and Final Review:** This typically takes about 5 business days and focuses on ensuring the submitted documents are complete, authentic, and that the authorization pathways are clear and intact.

## Preparation for Store Set-up:

- **Account Activation and Confirmation:** Once your application is approved, activate your account, establish a secure store password, and verify all essential store information.
- **Agreement Signing and Fee Payment:** Complete the necessary store agreements, with a security deposit typically ranging from RMB 50,000 to 300,000. Annual fees are set at either RMB 30,000 or 60,000, depending on the chosen plan.

## Step 3 - Product Listing and Logistics

---

### Arrangements

- **Store Launching - Upload products and finalize Listing**

Product Listing: Prior to the store's launch, publish the required number of products.

Upon completion, the store status transitions to "successfully settled," allowing you to log in to the merchant backend and commence operations.

List products and create detailed product profiles.

These profiles are crucial for sales presentations, including the product name, key features (5 points), detailed description, images, and search keywords. Sellers must be aware of the certification requirements for the products they are offering.

- **Arrangement of Logistics/Shipping**

Cross-border shipping (First Mile + Last Mile):

Product Warehousing: Exclusive brand stores and marketplace flagship stores are required to store their goods in the Cainiao warehouse. Brand flagship stores can choose on their own.



# Basic Principles of Cross-Border Payment Remittance in China - Foreign Exchange Management



## General provisions on foreign exchange management

- ✓ Promoting balance of payments and national economic development
- ✓ The State shall not restrict current international payments and transfers
- ✓ The State implements the system of statistical declaration of balance of payments

## Responsibilities of the various parties involved in foreign exchange management

- ✓ State Administration of Foreign Exchange (SAFE): monitoring, verification, management, supervision
- ✓ Banks: compliance and implementation of three business principles (know your customer, know your business, due diligence review)
- ✓ Enterprises: ① law-abiding and compliant operation; ② authenticity and consistency of trade foreign exchange receipts and payments; ③ fulfillment of trade credit and other reporting obligations.

## Basic principles of trade in goods

- ✓ 1. Principle of Classification Management: Differentiated management is implemented according to the classification of enterprise directory;
- ✓ 2. Principle of authenticity: foreign exchange receipts and expenditures of trade in goods should have real and legal transaction basis;
- ✓ 3. Principle of subject consistency: "whoever exports who receives foreign exchange, whoever imports who pays foreign exchange", the collection and payment of foreign exchange and customs clearance should be consistent with the subject ("domestic consignee/consignor" on the customs declaration form), the agent import and export should be carried out by the agent for cross-border collection and payment of foreign exchange in principle;
- ✓ 4. The principle of consistency: goods trade receipts and expenditures should be consistent with the import and export of goods, that is, the consistency of transaction documents and receipts and expenditures behavior;
- ✓ 5. Implementation of "three anti" principle: anti-money laundering, anti-terrorist financing and anti-tax evasion.

# Basic Principles of Cross-Border Payment Remittance in China - Understanding your role in the transaction



## Suppliers from outside China

- ✓ Live streaming types: influencer marketing, snapping up live streaming, institutional live streaming, live streaming at the origin, product live streaming are all possible
- ✓ Goods flow: produced from your country and sold to Chinese customers via the above live streaming methods
- ✓ Trade flow: the live streamer may import goods to your company through a corporate entity in China



## Registered suppliers of enterprises in China

- ✓ Live streaming types: influencer marketing, snapping up live streaming, institutional live streaming, live streaming at the origin, product live streaming are all possible
- ✓ Goods flow: production and sale from your country to registered enterprises in your country, and sale to Chinese buyers through the live streaming platform
- ✓ Trade flow: imports are purchased by a registered enterprise in your country from a company in your country as a connected transaction



# Basic Principles of Cross-Border Payment Remittance in China - Incorporation of Domestic Companies



Legally register a company in China in the name of an enterprise or an individual (foreign-invested enterprise)

Industrial and Commercial Bureau of the place of registration



Go to the local bank (e.g. Bank of China) with business license and shareholders' documents to register the new FDI establishment.

Commercial banks in the place of registration



With the FDI registration certificate, open a capital account (in RMB or foreign currency) and a general settlement account at the local bank.

Commercial banks in the place of registration



Cross-border remittance of capital funds, normal settlement of foreign exchange payments or direct payment of RMB capital funds to foreign countries

Commercial banks in the place of registration

# THANKS

---

