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THE PEOPLE'S BANK OF CHINA

ANNUAL REPORT

2015

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GOVERNOR'S ADDRESS

In 2015, the domestic and international economic and financial environment was very grave and complicated. Under the leadership of the CPC Central Committee and the State Council, the PBC made active efforts in adapting to and steering through the new normal of economic growth, adhered to the principle of seeking progress while maintaining stability, implemented prudent monetary policy, pressed ahead with reform and opening up in the financial sector, maintained financial stability and enhanced financial services. These measures have significantly boosted the quality, efficiency and upgrading of the economy, and made positive contributions to the successful completion of the *12th Five-year Plan*.

Significant progress has been made in financial reform and development

Firstly, the ceiling on deposit interest rate was lifted, which marked a key step forward in the market-based interest rate reform. The central task of reform turned into building a market-oriented interest rate formation and adjustment mechanism. Secondly, further progress has been made in the quotation mechanism of the RMB central parity, where the market has played a more decisive role. Thirdly, the deposit insurance system was launched, which could better protect the rights and interests of depositors. Fourthly, reform of policy banks furthered, and the

capital injection to China Development Bank and the Export and Import Bank of China was accomplished. Fifthly, steady progress has been made in regional financial reforms such as the Shanghai Free Trade Zone, which provided replicable lessons and experiences that could apply elsewhere. The deepening of financial reforms has allowed the market to play a more decisive role in resource allocation, and facilitated finance to serve the real economy in a more effective manner.

The prudent monetary policy was kept in an appropriate stance

Facing downward economic pressures, the PBC continued to implement a prudent monetary policy, by making universal and targeted cuts in the reserve requirement ratio on several occasions, using macro-prudential policy to making counter-cyclical adjustments and using a mix of policy instruments in the adjustment of market liquidity and interest rates. Meanwhile, guidance to credit policy was reinforced to guide financial institutions to channel more financial resources to key areas and weak links in the economic and social development. In 2015, the liquidity in the banking sector was at a reasonable and appropriate level, and the financing costs were generally in decline, which bolstered stable and healthy economic and financial development.

China's international and regional financial influence has risen significantly

The PBC has unwaveringly maintained strategic national interest by deepening international financial cooperation and opening up the financial sector. The RMB was included into the SDR basket of the IMF, marking an important milestone in the internationalization of RMB. Efforts were made to implement the 2010 quota and governance reform of the International Monetary Fund (IMF), which made China's share of IMF quota rising from the 6th to the 3rd place. The accession into European Bank for Reconstruction and Development marked that China has joined all the global and important regional financial organizations.

Continued progress has been made in RMB internationalization and capital account convertibility

To better serve the real economy, the PBC has been improving the policy framework for cross-border use of RMB and further expanded international use of RMB. The PBC has signed currency swap agreements with 33 foreign central banks or monetary authorities, set up RMB clearing arrangements in 20 countries (regions) worldwide, and established RQFII mechanism in 15 countries (regions). Efforts have been made to promote steady progress in RQDII mechanism, press ahead with the Shanghai-Hong Kong Stock Connect and launched the Mainland-Hong Kong Mutual Funds Recognition Scheme.

The financial market developed in a sustained and healthy manner

The PBC has made continuous efforts in the innovation and development of China's interbank market, soundly managed the disclosure-based issuance of project financial bonds, green financial bonds, and securitized credit assets, and lifted regulatory approval requirements for the trading and circulation of bonds. Efforts were made to promote foreign institutions to issue RMB-denominated bonds in China and to remove the investment limits on quota and product-category for foreign central banks, monetary authorities and similar institutions. Overseas RMB clearing banks and participating banks were allowed to conduct bond repos. The limits on foreign exchange surrender position of national and market-maker banks were expanded, and standardized foreign exchange swap products were launched. In terms of the types of participants and products, trading mechanisms, infrastructure setups and management approaches, the opening-up of the interbank market to the domestic and external market participants has been significantly enhanced.

Steady progress has been made in safeguarding financial stability

Amidst the complex economic and financial environment in China and globally, the PBC attached greater importance to safeguarding financial stability. Efforts were made to reinforce monitoring and analysis of risks in critical industries and key areas,

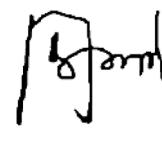
conduct timely research on turbulences in the stock market and thoroughly review the pilot on comprehensive business operation of financial industry. The PBC effectively prevented and mitigated financial risks and kept the bottom-line of avoiding systemic and regional financial risks.

Financial services and management have been effectively modernized

Financial service is a key function of the PBC, which provides the foundation and safeguard for implementing monetary policy and maintaining financial stability. The PBC attaches great importance to the application of information technology, management technology and other modern science and technologies in statistical work, payment and clearing, currency issuance, Treasury management, credit information management, anti-money laundering,

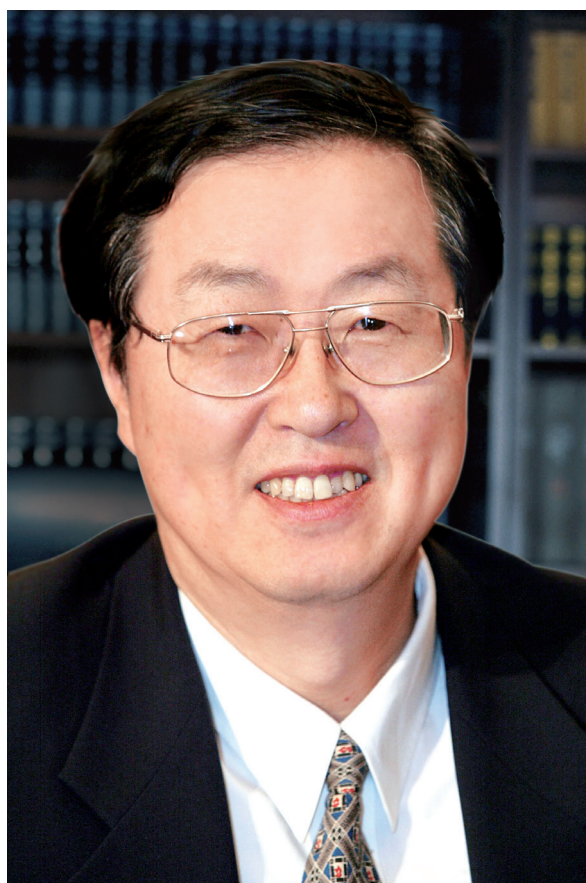
protection of consumer rights and etc, through which the PBC provided richer and safer financial services in a more convenient and effective manner. Meanwhile, supervision over the above-mentioned areas has been enhanced.

The year 2016 marks the first year of the *13th Five-year Plan*. In accordance with the requirements and arrangements of the CPC Central Committee and the State Council, in order to achieve goals of stabilizing growth, adjusting structure, promoting reform, enhancing livelihood and preventing risks, the PBC will further deepen reform and opening-up of the financial sector, and ensure effective financial services are provided in the structural reform, which includes reducing overcapacity and excess inventory, deleveraging, cutting costs and addressing existing weaknesses, so as to make due contribution for building a well-off society. ■



Governor of the PBC
April 18th, 2016

THE MANAGEMENT OF THE PEOPLE'S BANK OF CHINA



Zhou Xiaochuan

Governor of the PBC



Yi Gang

Deputy Governor
Administrator of the SAFE



Wang Huaqing

Commissioner of
Discipline Inspection



Chen Yulu

Deputy Governor



Pan Gongsheng

Deputy Governor



Fan Yifei

Deputy Governor



Guo Qingping

Deputy Governor



Zhang Xiaohui
Assistant Governor



Yang Ziqiang
Assistant Governor



Yin Yong
Assistant Governor

Notes: 1. As of December 31, 2015 from January 1, 2015.

2. Hu Xiaolian and Li Dongrong were no longer served as deputy governor of the PBC from February 2015; Jin Qi was no longer served as assistant governor of the PBC from March 2015.

MEMBERS OF THE MONETARY POLICY COMMITTEE OF THE PBC

Chairman:	Zhou Xiaochuan	Governor of the People's Bank of China
Member:	Xiao Jie	Deputy Secretary-general of the State Council
	Lian Weiliang	Vice Chairman of the National Development and Reform Commission
	Shi Yaobin	Vice Minister of the Ministry of Finance
	Yi Gang	Deputy Governor of the People's Bank of China Administrator of the State Administration of Foreign Exchange
	Pan Gongsheng	Deputy Governor of the People's Bank of China
	Zhang Xiaohui	Assistant Governor of the People's Bank of China
	Ning Jizhe	Vice Chairman of the National Development and Reform Commission Director of the National Bureau of Statistics
	Shang Fulin	Chairman of China Banking Regulatory Commission
	Liu Shiyu	Chairman of China Securities Regulatory Commission
	Xiang Junbo	Chairman of China Insurance Regulatory Commission
	Tian Guoli	President of the China Banking Association
	Fan Gang	Vice Chairman of Chinese Research Society for Economic System Reform, and Professor
	Huang Yiping	Associate Dean and Professor of the National School of Development at Peking University
	Bai Chongen	Associate Dean and Professor of Tsinghua University's School of Economics and Management

Note: In June 2015, with the approval of the State Council, Lian Weiliang, Shi Yaobin, Zhang Xiaohui, Tian Guoli, Fan Gang, Huang Yiping and Bai Chongen were appointed members of the MPC. Zhu Zhixin, Hu Xiaolian, Ma Jiantang and Hu Huaibang were no longer members of the MPC. Qian Yingyi, Chen Yulu and Song Guoqing have completed their term in the MPC. In March 2016, with the approval of the State Council, Liu Shiyu and Ning Jizhe were appointed members of the MPC; Xiao Gang and Wang Baoan were no longer members of the MPC.

ORGANIZATIONAL STRUCTURE OF THE PBC

ORGANIZATIONS OF THE PBC (NUMBER)	THE PBC HEAD OFFICE (PBCHO)	
Departments and Bureaus of the Head Office	25	General Administration Department (General Office of the CPC PBC Committee, Financial Regulatory Coordination Office)
Enterprises and Institutions Directly under the PBC	21	Legal Affairs Department
Overseas Offices	11	Monetary Policy Department
Departments of the Shanghai Head Office	13	Monetary Policy Department II
Regional Branches and Operations Offices	10	Financial Market Department
Sub-branches in Provincial Capital Cities	20	Financial Stability Bureau
Sub-branches in Quasi Province-level Cities	5	Statistics and Analysis Department
Sub-branches in Prefecture-level Cities	315	Accounting and Treasury Department
County-level Sub-branches	1 762	Payment System Department
		Technology Department
		Currency, Gold and Silver Bureau
		State Treasury Bureau
		International Department (Office of Hong Kong, Macao and Taiwan Affairs)
		Internal Auditing Department
		Human Resources Department (Organization Division of the CPC PBC Committee)
		Research Bureau
		Credit Information System Bureau
		Anti-money Laundering Bureau (Security Bureau)
		Financial Consumer Protection Bureau
		Education Department of the CPC PBC Committee
		CPC Committee of the PBC Head Office
		Retired Staff Management Bureau
		Office of Senior Advisors
		Staff Union Committee
		Youth League

GOVERNMENT AGENCY DIRECTLY
UNDER THE PBC

State Administration of Foreign Exchange

THE PBC SHANGHAI HEAD OFFICE (PBCSHO)
PLUS SUB-BRANCHES IN PROVINCIAL
CAPITAL CITIES AND QUASI PROVINCE-
LEVEL CITIES UNDER ITS ADMINISTRATION

General Administration Department
(General Office of the CPC Committee, PBCSHO)

Open Market Operations Department

Financial Market Management Department

Financial Stability Department

Statistics and Research Department

International Department

Financial Service Department I

Financial Service Department II

Foreign Exchange Management Department

Human Resources Department
(Organization and Education Division of the CPC
Committee, PBCSHO)

Discipline Enforcement and Supervision Department
(Internal Auditing Division)

Renminbi Cross-border Business Department

Financial Consumer Protection Department

Hangzhou Sub-branch

Fuzhou Sub-branch

Ningbo Sub-branch

Xiamen Sub-branch

THE PBC BRANCHES AND OPERATIONS OFFICES PLUS SUB-BRANCHES IN
PROVINCIAL CAPITAL CITIES AND QUASI PROVINCE-LEVEL CITIES UNDER
ADMINISTRATION OF THESE BRANCHES

Tianjin Branch

Shijiazhuang Sub-branch

Taiyuan Sub-branch

Hohhot Sub-branch

Shenyang Branch

Changchun Sub-branch

Harbin Sub-branch

Dalian Sub-branch

Nanjing Branch

Hefei Sub-branch

Jinan Branch

Zhengzhou Sub-branch

Qingdao Sub-branch

Wuhan Branch

Nanchang Sub-branch

Changsha Sub-branch

Guangzhou Branch

Nanning Sub-branch

Haikou Sub-branch

Shenzhen Sub-branch

Chengdu Branch

Guiyang Sub-branch

Kunming Sub-branch

Lhasa Sub-branch

Xi'an Branch

Lanzhou Sub-branch

Xining Sub-branch

Yinchuan Sub-branch

Urumqi Sub-branch

Operations Office (Beijing)

Chongqing Operations Office

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS



In 2015, the global economic situation was more complicated, with economic developments and monetary policies of major economies further diversified, fluctuations in international financial markets and commodity markets increased, and non-economic disturbances such as geopolitical factors deteriorated. The recovery of the U.S. economy gradually steadied. The Euro zone economy went back to recovery, but negative factors still existed. The Japanese economy was still faced with relatively large volatilities and disinflation pressure. The growth of emerging market economies continued to slow down, with some economies confronted with the risk of economic distress. ■



Economic Developments in the Major Economies

The recovery of the U.S. economy gradually steadied. In the first quarter, affected by factors such as bad weather and strikes along the West Coast ports, the real GDP growth rate of the United States (quarter on quarter and annualized) was -0.7 percent. However, starting from the second quarter and driven by factors including the expansion of the manufacturing and service sectors, rising growth rate of consumption, and continued pick-up of the real estate market, the U.S. economy recovered, and the real GDP growth rate of the second and the third quarter was 3.9 percent and 2.0 percent, respectively. During the fourth quarter, the U.S. economy continued to recover, with a slightly dropped real GDP growth rate at 1.0 percent and a slowdown in the expansion of the manufacturing and service sectors; but labor market kept improving, and the unemployment rate declined to the lowest level since 2008. Meanwhile, inflation remained at a low level, which was still quite far from the inflation target of the Federal Reserve.

The Euro zone economy went back to recovery, but negative factors still existed. The economy benefited from factors such as the stimulus policies of the European Central Bank and devaluation of the euro, and the quarter on quarter growth rate was 0.5 percent, 0.4 percent, 0.3 percent, and 0.3 percent in the four quarters of 2015, respectively. The labor market continued to improve, and unemployment rate declined to 10.4 percent in December 2015, which was the lowest level since February 2012. At the same time, the inflation rate remained subdued, and the pressure of disinflation still existed. Besides, the impact of refugees and the terrorist attack in Paris on the economic recovery of the Euro zone remained to be observed.

The Japanese economy was still faced with relatively large volatilities and disinflation pressure. During the first quarter, the growth rate of Japan rebounded substantially, but with the large decline of private consumption and net export afterwards, the economy contracted to some extent, with the GDP growth rate (quarter on quarter and

annualized) at -0.5 percent, 1.0 percent, and -1.4 percent, respectively in the second, third, and fourth quarter. Although PMI of the manufacturing sector witnessed an evident rise and the employment situation kept improving during the fourth quarter, affected by factors such as the continued fall of international oil prices, disinflation pressure still existed, and the year-on-year CPI growth rate was 0.2 percent in December, far from the 2 percent target set by the Bank of Japan.

The growth of emerging market economies continued to slow down, and some economies experienced negative growth. Affected by factors such as persistently low prices of commodities, reversal of international capital flows in the context of expectations on the interest liftoff of the Federal Reserve, and geopolitical shocks, the emerging market economies experienced growing risks in financial markets. In addition, structural factors also constrained the growth of some emerging market economies. As a result, the growth of some emerging market economies slowed down, and certain countries even witnessed negative growth, such as Russia and Brazil, whose GDP growth rate in 2015 was -3.7 percent and -3.8 percent, respectively.

Development of Global Financial Markets

In 2015, global financial markets continued to face large fluctuations due to factors such as expectations on the interest

liftoff of the Federal Reserve, diversified monetary policies of major economies, rising geopolitical risks and persistently low international oil prices.

Most of the currencies depreciated against the U.S. dollar. Affected by the expectations on the interest liftoff of the Federal Reserve, the U.S. dollar index kept rising, while most of the other major currencies depreciated against the U.S. dollar at varying degrees. At the year-end, the exchange rates of the euro, pound sterling and Japanese yen against the U.S. dollar closed at 1.086 dollar per euro, 1.4738 dollar per pound sterling, and 120.3 yen per dollar, depreciating by 10.23 percent, 5.36 percent and 0.52 percent respectively compared with those in the previous year. Currencies of emerging market economies depreciated substantially against the U.S. dollar in general. Specifically, the Kazakhstani tenge and Brazilian real both depreciated by over 30 percent, the South African rand, Russian ruble and Argentine peso all depreciated by more than 20 percent, and the Malaysian ringgit, Mexican peso and Indonesian rupiah depreciated by more than 10 percent.

The government bond yields of major advanced economies experienced higher fluctuation, while those of emerging market economies diversified. Affected by the expectations on the interest liftoff of the Federal Reserve, the government bond yields of major advanced economies showed a trend of increased volatility. At the end of 2015, the 10-year government bond yields of the

U.S., Germany and the U.K. closed at 2.275 percent, 0.634 percent and 1.961 percent, up by 10 basis points, 14 basis points, and 21 basis points compared with those in 2014, respectively. The 10-year government bond yield of Japan closed at 0.325 percent, decreasing by 5 basis points than that in 2014. Some emerging market economies saw diversified trends of government bond yields. The 10-year government bond yields of Argentina, Russia and Greece decreased by 840 basis points, 428 basis points, and 121 basis points respectively compared with those at the end of 2014, while the yields of Brazil, Turkey, South Africa and Indonesia rose by 416 basis points, 238 basis points, 197 basis points, and 102 basis points respectively compared with those in the previous year.

Global stock markets fluctuated substantially. In the first quarter, global stock markets performed generally well, but during the second and the third quarter, affected by deteriorating economic fundamentals of major emerging market economies, fluctuations across global stock markets rose substantially, and stock indices dropped sharply until the fourth quarter. At the end of 2015, the Dow Jones Industrial Average index closed at 17 425.03 points, down by 2.23 percent year on year, while the EURO STOXX 50 and Nikkei 225 indices closed at 3 100.26 points and 19 033.71 points, up by 3.21 percent and 5.73 percent respectively compared with those at the end of 2014. Stock indices of emerging market economies generally declined, and the stock indices of Turkey and Indonesia dropped by 16.32 percent and 12.39 percent, respectively.

The international oil prices remained low, and the price of gold fluctuated and went down. From February to June, driven by short-term factors such as the decrease of crude oil inventory of the United States, oil price fluctuated and rose from 45 dollars per barrel to above 60 dollars per barrel. However, since July, as the supply of global crude oil continued to exceed demand, international oil prices double dipped, and the prices of Brent oil and U.S. oil both dropped to below 40 dollars per barrel. The end of 2015 priced Brent oil and U.S. oil at 37.60 dollars per barrel and 36.69 dollars per barrel respectively, which were close to the lowest level since the global financial crisis. Affected by factors such as U.S. dollar revaluation, the price of gold fluctuated and went down. During the year, the highest price of gold reached 1 295.75 dollars per ounce, while the lowest was 1 049.40 dollars per ounce, and the year-end level closed at 1 062.25 dollars per ounce, down by 11.4 percent compared with the end of last year.

World Economic Outlook

Looking into 2016, global economy will continue to go through deep adjustment, and major risks include the following:

First, the liftoff of the policy rate of the Federal Reserve will lead to further diversification of monetary policies among major developed economies, which may cause some spillover effects. The diversification and interaction of the monetary policies of major economies will lead to adjustment of global asset

allocation and re-pricing of risks, further intensifying the fluctuation of cross-border capital flows. The path of interest rate liftoff of the Federal Reserve is constrained by many uncertainties, and may cause higher fluctuations in global economy and financial markets.

Second, some emerging market economies may encounter severe downward pressure. After the Federal Reserve started to raise its policy rate, the diversification between macroeconomic policies of emerging market economies and developed economies has further increased, and some emerging market economies are faced with the dilemma between responding to capital outflows and the slowing down of economic growth at the same time. In particular, economies that were characterized with high current account deficit, high reliance on external debt, high dependence on commodities exports, and exchange rate regimes that were pegged to the U.S. dollar de jure or de facto, would face much higher potential risks.

Third, global commodities prices fluctuated at a low level, which will result in higher pressure to economic growth of commodities exporting countries and raise their debt burden. Affected by multi-factors such as geopolitical issues and supply and demand, the prices of commodities will still be uncertain in the future. Therefore, some economies that have relatively less diversified economic structure and high dependence on commodities exports might face serious problems.

Fourth, global disinflation pressure still

exists. Affected by lower oil prices and the lack of domestic demand, major developed economies are generally faced with disinflation pressure, with inflation levels still largely below policy targets. Due to relatively weak global economic recovery, high debt levels and slowing down of investment growth, there is still disinflation pressure in the mid-term.

Fifth, global trade growth kept decelerating. Because of factors such as weak global economic recovery, decline of raw material import demand by emerging market economies, changing of global trade structure, internalization of global value chain, and the rise of new trade protectionism, global trade growth is slowing down and may drag global economic growth down.

Sixth, geopolitical risks have risen. The urgency of global anti-terrorism is higher, and the geopolitical situation in the Middle East tends to be more complicated, which may have an impact on international crude oil prices and the global financial markets. Meanwhile, it is difficult to find a workable plan to solve the refugee issue in Europe, which might affect the economic recovery of the Euro zone.

In its update of the *World Economic Outlook* in January 2016, the International Monetary Fund has lowered the world economic growth rate forecast by 0.2 percentage points to 3.4 percent. In particular, the forecasts for the growth rates of the United States, the Euro zone, Japan and emerging market economies were 2.6 percent, 1.7 percent, 1.0 percent, and 4.3 percent, respectively. ■

CHINA' MACROECONOMY



The domestic and international economic and financial environments were complex and fluid in 2015, leaving Chinese economy facing multiple difficulties and serious challenges. Against this backdrop, the Chinese government continued to adhere to the guidelines of seeking progress while maintaining stability, took initiatives to adapt to and guide the new normal, introduced renovated macro-management methods, promoted in-depth structural reform, endeavored to encourage innovation drive and stimulated the innate vitalities of the economy. Overall, as a result, the economy has grown steadily and the structural adjustment continued to go forward. ■



The economy grew steadily and the industrial restructuring made new headway

According to the preliminary statistics of National Bureau of Statistics, China's GDP stood at RMB67.67 trillion in 2015, growing by 6.9 percent year on year, which ranked in the forefront of the world's major economies. In the four quarters, the GDP grew by 7.0 percent, 7.0 percent, 6.9 percent and 6.8 percent respectively, exhibiting an overall stable trend (Figure 1). By industry, the value-added of the primary industry was RMB6.09 trillion, increasing 3.9 percent.

The value-added of the secondary industry was RMB27.43 trillion, an increase of 6.0 percent, of which, the total industrial value-added reached RMB22.90 trillion, achieving a year on year increase of 5.9 percent when calculated at comparable prices, slowing down by 1 percentage point from that of the previous year. The value-added of statistically large enterprises rose by 6.1 percent, down by 2.2 percentage points from the previous year. The value-added of the tertiary industry reached RMB34.16 trillion, growing by 8.3 percent.

The share of the service industry in GDP increased significantly. In 2015, the share of the service industry in GDP exceeded 50 percent for the first time, reaching 50.5 percent, up by 2.4 percentage points over the previous year, and exceeding that of the secondary industry by 10 percentage points. The contribution of service industry to GDP growth reached 57.7 percent, up by 7.1 percentage points. Accordingly, the shares of the primary industry and the second industry in the GDP were 9.0 percent and

Figure 1 China's Economic Growth



Source: National Bureau of Statistics

40.4 percent respectively, decreasing by 0.2 percentage point and 2.2 percentage points year on year respectively.

The industrial structure continued to optimize, whereas statistically large companies in high-tech and equipment manufacturing industries grew 10.2 percent and 6.8 percent year on year respectively, 4.1 percentage points and 0.7 percentage point higher than the overall growth of statistically large enterprise. As the integration of the Internet and various industries accelerated, emerging industries grew rapidly; and, the mass entrepreneurship and innovation flourished. 2015 saw newly registered companies increased by 21.6 percent. Energy saving efforts made new progress with the energy intensity of per unit of GDP decreased by 5.6 percent, 0.8 percentage point larger comparing to that of 2014.

The structure of demand improved with higher consumption contribution to growth

Consumption growth was basically stable, and its contribution to growth became stronger. In 2015, the contribution of the final consumption to economic growth reached 66.4 percent, up by 15.2 percentage point year on year. The total retail sales of consumer goods amounted to RMB30.09 trillion, growing by 10.7 percent in normal terms and 10.6 percent in real terms with the real growth 0.3 percentage point lower than in the previous year (Figure 2). Specifically, retail sales of consumer goods in urban areas

totalled RMB25.90 trillion, increasing 10.5 percent year on year, whereas that in rural areas reached RMB4.19 trillion, increasing 11.8 percent year on year. By consumption type, retail sales of goods grew by 10.6 percent to RMB26.8 trillion and catering sales by 11.7 percent to RMB3.23 trillion. Annual online retail sales, amounting to RMB3.88 trillion, posted a year on year growth of 33.3 percent. Specifically, online retail sales of consumer goods stood at RMB3.24 trillion, a year on year growth of 31.6 percent.

Investment growth decelerated. Total fixed asset investment in the whole country reached RMB56.20 trillion in 2015, a year on year growth of 9.8 percent in nominal terms and 11.8 percent in real terms, down by 5.5 percentage points and 2.9 percentage points respectively (Figure 2). During the year, investments to the three industrial categories reached RMB1.56 trillion, RMB22.41 trillion, and RMB31.19 trillion respectively, growing year on year by 31.8 percent, 8.0 percent and 10.6 percent. The real estate development investment was RMB9.6 trillion, a year on year growth of 1.0 percent in nominal terms, and 2.8 percent in real terms, down by 9.5 percentage points and 7.1 percentage points respectively.

Imports and exports fell. In 2015, the total imports and exports of goods was RMB24.57 trillion, decreasing 7.0 percent. Specifically, total exports was RMB14.13 trillion, down by 1.8 percent (Figure 2); total imports reached RMB10.45 trillion, a decline of 13.2 percent. The annual trade surplus

reached RMB3 677 billion, increasing 56.3 percent year on year, 10.1 percentage points higher than in the previous year.

Overall price levels remained subdued

The CPI remained subdued, climbing 1.4 percent year on year, or 0.6 percentage point lower than that in 2014. In the four quarters of the year, the CPI rose 1.2 percent, 1.4 percent, 1.7 percent and 1.5 percent respectively (Figure 3). In terms of food and non-food prices, food prices rose 2.3 percent, down by 0.8 percentage point over the previous year. Non-food prices rose 1.0 percent, sliding 0.4 percentage point. In terms of consumer goods and services, prices of consumer goods rose 1.2 percent, the growth falling by 0.6 percentage point; the prices of services rose 2.0 percent, down by 0.5 percentage point comparing to the growth in last year.

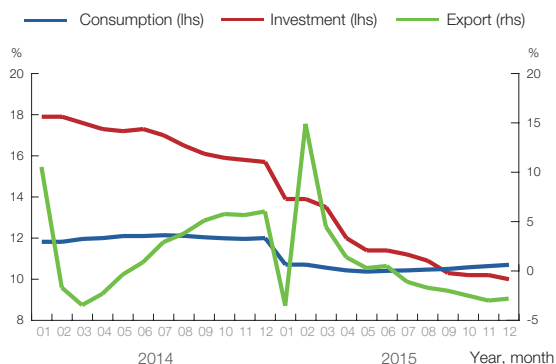
The PPI continued to remain low throughout 2015, decreasing 5.2 percent year on year, representing a 3.3 percentage points wider decline than that in the previous year. For

the four quarters, PPI fell 4.6 percent, 4.7 percent, 5.7 percent and 5.9 percent respectively (Figure 3). The prices of capital goods fell 6.7 percent or 4.2 percentage points larger than the decline in 2014. Prices of consumer goods fell 0.3 percent, or 0.1 percentage point greater than that of last year. The Purchasing Price Index of Raw Material, Fuel and Power (PPIRM) fell 6.1 percent year on year, 3.9 percentage points larger than that in 2014. By quarters, the PPIRM fell 5.6 percent, 5.5 percent, 6.5 percent and 6.9 percent respectively.

Overall employment situation was stable and households' income grew steadily

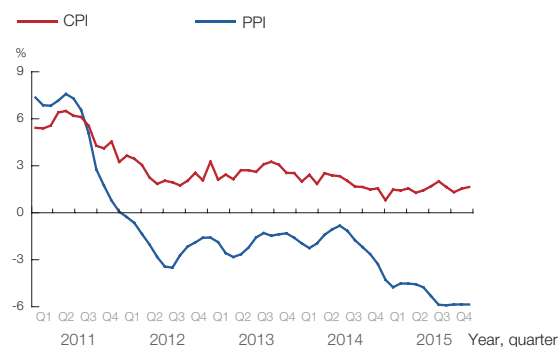
During 2015, new urban employment reached 13.12 million, a decrease of 100 000 people from the previous year (Figure 4). The registered urban unemployment rate stood at 4.05 percent in 2015, a year on year decrease of 0.04 percentage point. According to the statistical analysis of the Chinese Human Resources Market Information Monitoring Center, based on the

Figure 2 Accumulative Growth of Three Demands



Source: National Bureau of Statistics

Figure 3 Monthly YoY Development of Major Price Indicators



Source: National Bureau of Statistics

supply and demand information of public employment service institutions in about 100 cities, the ratio of job seekers to job vacancies for the four quarters of the year were 1.12, 1.06, 1.09, and 1.10 respectively. Although the ratios were lower than those in the same period of last year, the labor market demand was still slightly larger than the supply.

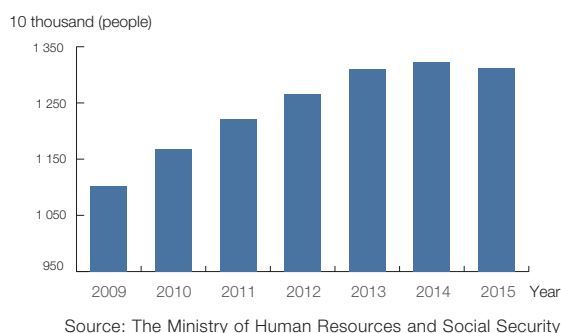
The national average per capita disposable income stood at RMB21 966, growing 8.9 percent year on year in nominal terms and 7.4 percent in real terms, which was higher than the GDP growth. Specifically, per capita disposable income of urban residents reached RMB31 195, growing 8.2 percent in nominal terms and 6.6 percent in real terms. The per capita disposable income of rural residents was RMB11 422, up by 8.9 percent in nominal terms and 7.5 percent in real terms. As rural residents' income has continued to outpace that of urban residents, the income gap between urban and rural residents has

continued to shrink. The per capita income gap between urban and rural residents was 2.73 times, 0.02 times lower than in last year.

Fiscal revenue grew slowly, whereas fiscal expenditure grew in a faster pace

In 2015, the fiscal revenue in China was RMB15.22 trillion, a year on year increase of 5.8 percent on a comparable basis¹, falling 2.8 percentage points from the previous year. Specifically, the central government fiscal revenue reached RMB6.92 trillion, making up 45.5 percent of the total revenue, an increase of 7 percent on a comparable basis; the fiscal revenue of local governments was RMB8.30 trillion, accounting for 54.5 percent of the national total, increasing 4.8 percent on a comparable basis. In terms of revenue structure, the tax revenue was RMB12.49 trillion, representing 82.2 percent of the national total revenue, up 4.8 percent year on year on a comparable basis; the non-tax revenue was RMB2.73 trillion, accounting for 17.8 percent of the national revenue, up 10.6 percent year on year on a comparable basis. China's general public fiscal expenditure reached RMB17.58 trillion, a year on year increase of 13.2 percent on a comparable basis, up by 4.9 percentage points. Specifically, the central government fiscal expenditure was RMB2.55 trillion, up 12.77 percent on a comparable basis. The fiscal expenditure

Figure 4 Changes in New Urban Employment



¹ In accordance with the requirements to improve the government budget system, a total of 11 funds, including funds used to provide basic public services and mainly used for personnel and institution operations, were recorded in the general public budget in 2015. As such, when to calculate comparable basis growths, it needs to deduct the above-mentioned 11 funds, and the same below.

of the local governments was RMB15.02 trillion, increasing 13.24 percent on a comparable basis.

Macroeconomic outlook

Downward pressures will remain significant; nonetheless, the economy is expected to perform within a reasonable range. At present, international and domestic economic and financial situations are still complex and grim. Internationally, with the weak global economic recovery and the sluggish growth of international trade, instability and uncertainties in the external environment are on the rise. Domestically, China is in a period of transformation of growth model and structural upgrade and in a process of converting from traditional growth engines to new ones; the accumulated imbalances and risks have further emerged in the country; and, the economic downward pressures are significant. However, as the world's second largest economy and a major developing country, Chinese economy has durable resilience, great potentials, and ample room for maneuver. The potential for economic growth and room for development is huge. A series of policy measures adopted previously with regard to maintaining stable growth, pushing forward economic structure adjustment, improving people's livelihood, and facilitating reforms have generated and are still releasing positive effects. In the meantime, the dual engines for economic growth formed by mass entrepreneurship and innovation on the one hand and expansions of public goods and services supply on the other, are

working well. New industries, new business models, and new growth engines are being fostered. The service industry and consumer consumption are experiencing fast growth. All these have become major forces that will bolster economic growth; at the same time, endogenous economic vitalities are gradually gaining momentum. In 2016 the macroeconomic policy will remain stable and continue to improve. The economic development potentials are expected to continue to be released, thus enable the Chinese economy to maintain a medium to high growth, to march toward more advanced stage of development and to achieve a good beginning for the implementation of the "Thirteenth Five-year Plan".

With the supply-side structural reform being pushed forward, the quality and efficiency of the supply system is expected to improve. Currently, the cyclical and structural problems in the economy are intertwined, but the major issues are structural imbalances that dominate the supply side. The central government has made it clear that in the period during and after 2016, while appropriately expanding the aggregate demand, China needs to step up efforts in the supply-side reform and implement the "Five Main Tasks", namely reducing overcapacity and excess inventory, deleveraging, cutting costs, and addressing existing weaknesses in the economy. Efforts shall also be made in promoting decentralization and integrating deregulations and regulations; transforming government functions and improving efficiency; and, increasing the supply of public goods and services.

The government shall also implement the innovation-driven development strategy, promote the in-depth integration of science and technology and the economy, transform and upgrade traditional industries, foster and develop emerging industries, accelerate the development of modern service industry, and improve the overall quality and competitiveness of the real economy. Measures shall also be taken to actively and steadily dispose the “zombie companies”, strictly control the expansion of production capacities, remove excess capacities and promote industrial optimization and re-structuring. Efforts shall be made to replace the business tax with a value-added tax, take comprehensive measures to reduce businesses’ costs of transaction, logistics, financing, energy consumption, and etc. The government will also promote the investment and financing system reform, develop a multi-level capital market, increase direct financing, and optimize financing structure. Other measures include vigorously promote the reform of state-owned enterprises, better

stimulate the non-public sector’s economic vitality, and promote the development of all types of companies and let them grow their strengths. As the supply-side structural reform will accelerate and so will the release of its effects, the supply system will improve in both quality and efficiency, enabling the supply structure to better adapt to changes in demand.

CPI will rise moderately with certain uncertainties. As the domestic economy is still facing some downward pressures, while excess supply and inadequate supply co-exist and structural overcapacity is quite serious, the probability that price remains stable will be relatively large. However, international commodity prices are unlikely to fall dramatically further, whereas the prices of certain agricultural products may fluctuate; labor costs and service prices have some rigidity; the increase in housing prices may spread into other sectors. In addition, CPI expectations are not so stable. The above factors may pose certain upward pressures on price development. ■

CHINA FINANCIAL PERFORMANCE



In 2015, the PBC continued to implement sound monetary policy, creating a robust and neutral monetary and financial environment for the economic and social development. Overall, the liquidity in the banking system was appropriately adequate; money and credit and all-system financing aggregates grew steadily; the credit structure continued to improve; interest rates declined noticeably; the RMB exchange rate showed greater flexibility; and, China's balance of payments was generally in equilibrium. ■



Monetary aggregates grew rapidly

At the end of 2015, the outstanding broad money (M2) reached RMB139.2 trillion, a year on year increase of 13.3 percent, 1.1 percentage points higher than that at the end of 2014. The outstanding narrow money (M1) was RMB40.1 trillion, increasing 15.2 percent year on year, 12.0 percentage points higher than that at the end of 2014. Currency in circulation (M0) grew by 4.9 percent year on year to RMB6.3 trillion, representing an acceleration of 2.0 percentage points compared with that of the end-2014. Net cash injections throughout 2015 amounted to RMB295.7 billion, increasing by RMB126.9 billion year on year.

Aggregate financing to the real economy remained at appropriate levels

At the end of the year, the stock of aggregate financing to the real economy stood at RMB138.28 trillion, representing an increase of 12.5 percent year on year, 1.8 percentage points lower than that at the end of 2014. The incremental aggregate financing in 2015 was RMB15.41 trillion, RMB469.8 billion less than that in 2014. In terms of

structure, there was a substantial increase in RMB loans and direct financings to the real economy. During 2015, the incremental RMB loans reached RMB11.27 trillion, up by RMB1.52 trillion year on year; non-financial corporates' bond and equity financings at home totalled RMB3.7 trillion, increasing RMB830 billion. Foreign currency loans and off-balance-sheet financing shrank. The annual RMB equivalent of foreign currency loans decreased RMB642.7 billion, down by RMB766.2 billion when compared to the previous year; the aggregate financing in the forms of entrusted loans, trust loans and undiscounted banker's acceptances reached RMB577.8 billion, decreasing by RMB1.99 trillion. Taking into account of the swaps of local debts and other factors, we believe that the aggregate financing provided substantial support to the real economy in 2015.

Loans of financial institutions registered stable and relatively rapid growth

At the year end, the outstanding local and foreign currency loans of all financial institutions reached RMB99.3 trillion, a year on year increase of 13.4 percent, essentially at par with the growth at the end of 2014.

This was RMB11.7 trillion more than at the beginning of the year and an acceleration of RMB1.3 trillion. The outstanding RMB loans registered RMB94.0 trillion, a year on year increase of 14.3 percent, or 0.6 percentage point more than that at the end of 2014. This was an increase of RMB11.7 trillion from the beginning of 2015 and an acceleration of RMB1.8 trillion.

The lending structure continued to improve

The credit support to “agriculture, farmers and rural areas” and to the small and micro companies, and other key sectors showed overall strength. By the end of the year, the outstanding loans to small and micro companies stood at RMB17.4 trillion, a year on year increase of 13.9 percent, exceeding the growth of loans to large and medium-sized companies during the same period by 2.7 percentage points and 5.3 percentage points respectively; the financial institutions outstanding local and foreign currency loans to the agricultural sector registered RMB26.4 trillion, a year on year increase of 11.7 percent, accounting for 27.8 percent of all types of loans.

The interest rates on loans of financial institutions declined noticeably

In December 2015, the weighted average lending rate offered to non-financial companies and other sectors was 5.27 percent, down by 1.51 percentage points year on year. In terms of floating interest rates, the share of loans with interest rates

lower than the benchmark rates increased, whereas the share of loans with benchmark or higher rates fell. In general, loans with lower than benchmark rates accounted for 21.45 percent of the total loans, up by 8.34 percentage points than that in December 2014.

Money market interest rates plumped, exhibiting an overall trend from high to low

In the first quarter, the weighted average interest rate of 7-day pledged repo stood at 4.3 percent, but it plumped to 2.6 percent toward the end of the second quarter and fluctuated within a narrow range of 2~2.6 percent in the second half of the year. Affected by the cash reserve and other factors during the Spring Festival, the interest rate of 7-day pledged repo peaked at 4.87 percent on February 16, a day close to the Spring Festival, and dropped all the way to the bottom of 1.88 percent on May 15, 2015. In December, interbank lending rate and weighted average interest rate of bond repurchase were 1.97 percent and 1.95 percent respectively, decreasing 1.52 percentage points and 1.54 percentage points respectively comparing to the same period of the previous year.

Yield curves of government securities moved downward sharply

At the year end, the yields of 1-year, 3-year, 5-year, 7-year, and 10-year government securities were 2.30 percent, 2.55 percent, 2.70 percent, 2.84 percent

and 2.82 percent respectively, down by 96, 82, 81, 77, and 80 basis points respectively comparing to the beginning of the year. The interest rate differential of 10-year and 1-year government securities was 52 basis points, increasing 16 basis points from the beginning of the year. In the first quarter, the yields of government securities fell first and then rose; in the second quarter, affected by the combined effects of falling money market rates, a jump in the supply of local government bonds, and the strong stock market performance, the yields of short-term government securities dropped sharply, showing a steep curve; since the third quarter, the yields of mid- and long-term government securities moved significantly downward as a result of violent volatility in the stock market, the heavy downward pressures in the economy and the intensified risk aversion in the market.

Bond indices trended up, whereas stock indices were volatile

In 2015, China Interbank Composite Bond Index increased from 158.77 points at the beginning of the year to 171.37 points at the end of the year, increasing 12.60 points, or 7.94 percent. China Interbank Government Bond Index on the stock exchange rose from 145.80 points at the beginning of the year to 154.54 points at the year end, increasing 8.74 points or 5.99 percent. The stock market indices climbed rapidly in the first half of the year, fell sharply in the middle of the year, and rebounded amid fluctuations after bottoming out in August and September. At the year end, the Shanghai Stock Exchange

Composite Index closed at 3 539 points, 9.4 percent higher than at the end of 2014; the Shenzhen Stock Exchange Component Index closed at 12 665 points, exceeding the level at the end of 2014 by 15.0 percent; the Growth Enterprise Board (GEB) Index (Chinext Price Index) closed at 2 714 points, exceeding the level at the end of 2014 by 84.4 percent.

RMB exchange rate fluctuated in both directions with enhanced flexibility

At the end of the year, the central parity of the RMB against the USD was RMB6.4936 yuan per USD, depreciating by 3 746 basis points or 5.77 percent from the end of previous year. From the time when China started to reform the RMB exchange rate regime in 2005 to the end of 2015, the accumulative appreciation of the RMB against the USD was 27.46 percent. In 2015, the appreciation of the RMB against the EURO was 5.08 percent and the depreciation of the RMB against the JPY was 4.65 percent. At the end of the year, CFETS RMB exchange rate index was 100.94, appreciating by 0.94 percent compared to the level at the end of 2014. The RMB exchange rate indexes referring to BIS currency basket and SDR currency basket were 101.71 and 98.84, respectively, with the former appreciating 1.71 percent and the latter depreciating 1.16 percent compared to 2014 year end respectively. According to the calculation of the BIS, the nominal effective exchange rate appreciation of RMB was 3.66 percent, whereas the real effective appreciation was 3.79 percent in 2015.

China's balance of payments was generally balanced with overall foreign debt risks under control

In 2015, China's current account surplus was US\$330.6 billion, a year on year increase of 19 percent, accounting for 3.0 percent of GDP, up by 0.3 percentage point compared to the previous year. The current account surplus was in an internationally recognized reasonable range. In terms of external assets, in 2015 the net increase of China's external investments was US\$392 billion, of which direct external investments increased by 53 percent and securities investments increased 5.8 times year on year, indicating that Chinese market entities were more active in participating in international economic activities. In terms of external

liabilities, in 2015 there was a net decrease of US\$93.6 billion in foreign investments in China. By contrast, in 2014 there was a net increase of US\$411.5 billion. The decrease in 2015 was mainly due to the net decline of US\$351.5 billion in foreign investment such as loans and trade financing in China, reflecting the unwinding of external debts by Chinese companies. In addition, foreign direct investments in China remained a sizable net capital inflow, showing that foreign capital aiming for making long-term investments was still optimistic about China's economic prospects. The warning indicator of external debt has been within the safe range according to international standards. Foreign debt risks continued to be under control, while foreign debt repayment was carried out smoothly. ■

MONETARY POLICY



Since the beginning of 2015, the Chinese economy has experienced increased downside pressures, moderating price levels and more frequent shocks from external uncertainties. Following the overall deployment of the Communist Party of China (CPC) Central Committee and the State Council, the PBC took the initiative to adapt to the new normal of economic development. Specifically, the PBC adhered to the general guideline of seeking progress while maintaining stability, continued to implement sound monetary policy, flexibly used price and volume monetary-policy instruments, further improved the macro-prudential policy framework, strengthened fine-tuning and preemptive adjustment, maintained appropriate and adequate liquidity situation, guided the lowering of financing costs, promoted economic restructuring, and at the same time firmly promoted market-based financial reform and further improved the monetary-policy framework. ■



The mix of policy instruments and term structures were optimized to ensure appropriate and adequate liquidity

Affected by factors such as expected interest rate hike of the U.S. Federal Reserve and the change in RMB equivalent of foreign exchange purchases, the supply and demand pattern of liquidity in the banking system changed greatly during 2015. In addition, various uncertainties such as stock market volatility, local government debt binge, and etc., also affected the supply and demand of liquidity. These have increased the difficulty and complexity of liquidity management. In view of the change in the liquidity situation, the PBC timely adjusted the operating direction of monetary-policy instruments, flexibly provided liquidity with various terms, and maintained the reasonable and adequate liquidity in the banking system, thus playing an important role in promoting the steady slide of money market interest rates and the lowering of

social financing costs. The PBC lowered deposit reserve requirement ratio five times, in order to compensate for the long-term liquidity gap. The PBC flexibly carried out open market operations mainly via reverse repos and Short-term Liquidity Operations (SLO), effectively smoothing out short-term liquidity fluctuations. It also used central bank lending, Standing Lending Facility (SLF), Medium-term Lending Facility (MLF), Pledged Supplementary Lending (PSL) and other tools, to timely provide liquidity to the banking system. The PBC expanded the pilot scope of credit-asset pledged central bank lending program to 11 provinces (municipalities), constructed the PBC internal rating system, and improved the PBC collateral management framework. These measures have not only expanded channels for small and medium financial institutions to access central bank funding, but also provided safeguard for the safety of central bank assets.

Using the price leverage to guide the slide of market interest rates

Given the increased downward pressures in the economy and the subdued price levels, and etc., the PBC timely and appropriately adjusted the prices of funds, guided and stabilized market expectations, and in turn lowered social financing costs. It successively lowered the benchmark lending and deposit interest rates five times, with 1-year loan and 1-year deposit benchmark interest rates lowered to 4.35 percent and 1.5 percent respectively. It guided 7-day repo interest rate to move lower nine times with the year-end repo interest rate standing at 2.25 percent and the corresponding money market rates trending down steadily. At the same time, the PBC paid more attention to stabilizing short-end interest rates, clearing up interest rate transmission channels, and exploring ways to build an interest-rate corridor mechanism. The PBC also promoted the SLF operations at its branches across China, explored SLF role as the upper limit of the interest-rates corridor, and explored the MLF role in leading mid-term interest rates when using it to increase liquidity to the market.

The macro-prudential policy framework was improved to guide reasonable growth of money and credit

First, the dynamic adjustment mechanism of the differentiated reserve requirement ratios was upgraded into Macro-prudential Assessment (MPA). Starting from 2016, the PBC conducted multi-dimensional guidance on the operation of financial institutions

in the following seven aspects: capital and leverage, balance sheet, liquidity, pricing behavior, asset quality, cross-border financing risks, and credit policy implementation, in order to establish a more comprehensive and resilient macro-prudential policy framework and guide financial institutions to strengthen self-regulation and self-management. Second, the PBC conducted research on establishing a macro-prudential policy framework on capital flow management, incorporating information such as foreign exchange liquidity and cross-border capital flows into the scope of macro-prudential management. The PBC also collected a risk reserve on forward sales of foreign exchange, expanded the macro-prudential management of overall integrated local and foreign currency cross-border financing, and applied the normal reserve requirement ratio to offshore financial institution's onshore deposits.

More efforts was made with regard to key areas and weak links to support structural adjustment and upgrade

First, targeted cuts in reserve requirement ratio were deployed to provide positive incentives and structural adjustment guidance. Relatively low reserve requirement ratios were applied to small- and medium-sized financial institutions and rural financial institutions. Targeted cuts in reserve requirement ratios were made five times, the accumulated above normal cuts amounting to 0.5 to 6.5 percentage points. Second, credit policy-related central bank lending and discounts were used to promote optimal

lending structure. The limits on agriculture-related and small-enterprise-related central bank lending and discounts were raised and interest rates on credit policy-related lending were lowered twice. Third, the administrative rules on agriculture-related central bank lending were improved and the research on setting up poverty alleviation-related central bank lending was carried out. Implementing the decisions of the Central Poverty Alleviation and Development Work Conference, the PBC stepped up its efforts in providing financial support to poverty alleviation, studied relevant approaches and set up poverty alleviation-related lending mechanism under the framework of lending to the agriculture sector and applied a more favorable interest rate, in order to guide financial resources to flow to poverty-stricken areas and to improve the financial services targeted at poverty alleviation and development. Fourth, support to the Pledged Supplementary Lending (PSL) by developmental and policy financial institutions was strengthened. The PSL targets have been expanded from China Development Bank to the Agricultural Development Bank of China and the Export-Import Bank of China. The PSL was used to support loans for renovation of shanty towns, major water conservancy projects and RMB “going global” projects.

Reform measures and macro-prudential management was combined to improve the efficiency of the financial sector

First, the PBC accelerated market-based interest rate reform, while constantly improved the market-oriented interest rate

formation and transmission mechanism. In October 2015, the PBC removed the upper limit of deposit interest rates. This marked the end of the control for interest rate and was a significant step in the market-based interest rate reform. The members of the self-regulatory mechanism for market interest-rate pricing were expanded, and the mechanism was further improved. The PBC actively promoted the establishment of provincial self-regulatory mechanisms across China to strengthen industry self-regulation and guidance on interest rate pricing for small and medium financial institutions, and to maintain a fair market competition order. The PBC worked on further strengthening the construction of Shanghai Interbank Offered Rate (Shibor) and Loan Prime Rate (LPR), and fostering and improving the financial market benchmark rate system. The interbank certificate of deposit business was promoted; the issuance of large-denomination certificate of deposit to businesses and individuals was launched; and, the market-priced liability products of commercial banks were expanded. Second, the PBC continued to proceed with the reform of market-based RMB exchange rate regime in a sound and orderly manner. On August 11, 2015, Chinese authorities improved the quotation mechanism of the central parity of the RMB against the USD, stressing that the quotes of central parity should refer to the closing rate of the interbank foreign exchange market of the previous day so as to reflect the change in market supply and demand. On December 11, 2015, China Foreign Exchange Trade System (CFETS) released RMB exchange rate index, putting great emphasis on the

value of RMB with reference to a basket of currencies, so as to better maintain the basic stability of RMB exchange rate against a basket of currencies. Thus, the RMB exchange rate regime, which is based on market supply and demand and referred to a basket of currencies, is further strengthened, and with balanced consideration given to reflecting the market supply and demand, maintaining the basic stability of RMB exchange rate against a basket of currencies and stabilizing market expectations. Further steps were taken to promote the development of RMB direct trading market. In November 2015, the RMB/CHF direct trading was launched in the interbank foreign exchange market. Third, an averaging method was used in assessing required reserves. Starting September 15, 2015, the averaging method was used in assessing required reserves. At the initial stage, the new method was applied in small steps and in a prudent manner with the end-of-day overdraft limit applied. The reformed assessment method can not only provide a buffer mechanism and increased flexibility for financial institutions in managing liquidity, but also help improve the monetary-policy transmission mechanism, creating proper conditions for the transformation of monetary-policy operation framework.

Monetary policy communication was strengthened to appropriately guide market expectations

The PBC promulgated policies through various channels, including publications such as *Monetary Policy Report* and *Regional Financial Performance Report*.

After the promulgation of major policies, the PBC used various platforms such as press releases, press conferences or media briefings, interviews by journalists, online interviews, and expert interpretation to provide information about the background, progress and implementation of policy measures in response to expressed social concerns. The timely disclosure of monetary policy operation was improved with immediate release of information on open market operations, SLF and other operations. Greater transparency of monetary policy is conducive to boosting market confidence and stabilizing public expectations.

Overall, the sound monetary policy has achieved good outcomes. There was appropriately adequate liquidity in the market; the money market operated smoothly; the lending rates of financial institutions declined noticeably; the flexibility of RMB exchange rate was enhanced; the money and credit and all-system financing aggregates maintained a rapid but stable growth; and, the credit structure was optimized. All of the above have created a suitable monetary and financial environment for the restructuring and transformation and upgrade of the economy.

Monetary policy outlook

In 2016, the PBC will earnestly implement the decisions of the 18th CPC National Congress, the Third, Fourth, and Fifth Plenary Sessions of the 18th CPC Central Committee and the Central Economic Work Conferences, and will follow the strategic arrangements of the Party Central Committee and the State Council. The

PBC will adhere to reform and opening up, adhere to the guideline of making progress while maintaining stability and the overall principle of maintaining stable macroeconomic policies while adopting flexible microeconomic policies, take the initiative to adapt to the new normal of economic development, and maintain policy consistency and stability. The PBC will continue to implement a sound monetary policy that is neither too tight nor too loose, conduct timely and appropriate fine-tuning and preemptive adjustment, enhance policy focus and flexibility, and manage aggregate demand in the supply-side structural reform, in order to create a neutral and fitting monetary and financial environment for structural reforms and to promote sustainable and balanced development of the economy. There will be an increased focus on reform and innovation and more measures to integrated reform and macroeconomic management, to combine monetary policy adjustment with in-depth reform, and to enable the market to play a more decisive role in resource allocation. Measures will be adopted in view of the deepening of financing and innovation to improve the monetary-policy framework, to strengthen price-based adjustment and transmission mechanism, to smooth transmission of monetary policies to the real economy, to address the outstanding issues emerging in the economic and financial operations, and to improve the efficiency of the financial system and its ability to serve the real economy.

First, the PBC will deploy a combination of monetary-policy instruments, optimize policy mix, strengthen and improve macro-prudential management, plan and implement macro-prudential assessment, maintain appropriate liquidity situation, and achieve appropriate growth of money, credit and all-system financing aggregates.

Second, the stock of credit assets will be revitalized and new loans will be optimized to support the structural adjustment, transformation and upgrading of the economy.

Third, the market-based interest rate reform and the RMB exchange-rate regime reform will be deepened to improve efficiency in the allocation of financial resources and to improve the monetary-policy framework.

Fourth, there will be continued efforts to improve the system of financial markets in order to support the role of financial markets in preserving stable economic growth, supporting economic structural adjustments, transformation and upgrading, deepening reform and opening up, and preventing financial risks.

Fifth, the reform of financial institutions will be deepened to improve financial services by increasing supply and enhancing competition.

Sixth, effective measures will be adopted to mitigate systemic financial risks and to preserve stability in the financial system. ■

Critical Progress Made in the Market-Based Interest Rate Reform

Column

Market-based interest rate reform is one of the most central tasks in China's financial sector reform. In recent years, China's market-based interest rate reform was expedited and made critical progress, consistent with the strategic arrangements of the Central Committee of the Communist Party of China and the State Council. At present, interest rates are basically liberalized, while interest rate formation and adjustment mechanisms keep improving, which has created favorable conditions for market to fully play a decisive role in resource allocation.

First, interest rates are basically liberalized. In March and May 2015, the PBC increased the upper limit for RMB deposit rates from 1.2 times the benchmark to 1.3 times and 1.5 times respectively. In August, the upper limit for deposit rates above one year (excluding one-year) was removed. In October, the floating ceiling of deposit rates at commercial banks and rural cooperative financial institutions was lifted. In May 2015, the upper limit of small-amount foreign currency deposit rates was removed nationwide.

Second, the self-discipline mechanism of market rate pricing was improved continuously. Membership of the self-discipline mechanism was further expanded to 643, including 10 core members, 469 basic members and 164 observers. The self-discipline mechanism played an important role in the self-discipline of financial institutions regarding independent pricing,

maintaining market rate pricing order and orderly promoting interest rate liberalization.

Third, financial product innovation was advanced in a well-sequenced manner. Efforts were made to promote the issuance and trading of interbank certificates of deposit (CDs), introduce large-value CDs for enterprises and individuals, and continuously expand the scope of market-based pricing for liability products by commercial banks. The annual cumulative issuance of interbank CDs posted 5.3 trillion yuan, and trading on secondary market reached 18.4 trillion yuan. The cumulative issuance of large-value CDs was 2.3 trillion yuan. The orderly increase in the size of CD issuance and trading not only effectively improved banks' capacity for active liability management and independent pricing, but also accumulated precious experience for carrying forward market-based interest rate reform.

The expedited market-based interest rate reform, on the one hand, injected new vitality into the transformation and development of financial institutions, which would help financial institutions further improve the capacity for independent pricing, refine financial services, and enhance the ability to pursue sustainable growth. On the other hand, the reform created conditions for transforming monetary policy framework, which would enable interest rates to truly reflect market supply and demand, and provide an important reference for central banks to adjust the level of interest rate so as to improve the efficiency of macro

adjustment. Besides, it was also of great significance in that it could allow the market to fully play a decisive role in resource allocation.

The PBC took advantage of good timing when the price level remained subdued and market rate showed a downward trend to generally liberalize interest rates, which showed positive effects. Interest rate pricing behaviors of financial institutions were relatively rational amid a multi-tiered interest rate pricing pattern with competitive differentiation. Besides, the market-based interest rate formation and adjustment mechanisms kept improving, which would also contribute to lower social financing costs, and foster a suitable monetary and financial environment for sound and sustainable economic growth.

China's market-based interest rate reform entered a new phase after administrative restrictions on interest rates were lifted with the core task shifting to speeding up the development of interest rates formation

and adjustment mechanisms tailored to market needs. During the next step, the PBC would continue to deepen the market-based interest rate reform, urge financial institutions to improve internal control arrangements, improve the capacity for independent and reasonable pricing as well as risk management, focus on fostering benchmark market rates and yield curves, and continuously improve the market-based interest rate formation mechanism. The central bank's policy rate system would be improved, with stronger capacity for interest rate adjustments. Efforts would be made to smooth the transmission mechanism of central bank's policy rates to financial markets and real economy. Three lines of defense, which refers to financial institutions, self-discipline mechanism and the central bank, should be given full play. Irrational pricing by financial institutions should be supervised and regulated, with effective incentives and constraints on interest rate pricing behaviors so as to maintain fair and reasonable pricing. ■

CREDIT POLICY



In 2015, the People's Bank of China (PBC) actively adapted its policy to the New Normal in economic development by strengthening the coordination of credit policy and industrial policy, improving ways to implement credit policy, diversifying credit policy operations, and enhancing effects of credit policy. Credit policy was given full play in stabilizing growth, adjusting structure, transforming growth pattern and benefiting people's livelihood. Financial institutions were encouraged to step up support for key and weak sectors so as to improve the quality and efficiency of national economy as well as promote sound and sustainable development. ■



Actively facilitate economic restructuring along with industrial transformation and upgrading

The PBC followed the requirements of macro adjustment and industrial policy, and encouraged financial institutions to improve credit management institutions, optimize credit structure, and beef up support for technological upgrading by enterprises, strategic emerging industries, "Made in China 2025", as well as mass entrepreneurship and innovation. It led the effort to publish *Several Opinions on Providing Financial Support for Stabilizing Growth, Adjusting Structure and Increasing Efficiency in Industry* in a bid to promote the expedited industrial transformation and upgrading. Financial institutions were encouraged and guided to speed up product and service innovation, and provide a strong support for the development of such sectors as services, domestic trade circulation, exports, science and technology, and culture. More efforts were made to properly handle financial services aimed at easing conflicts arising from reducing excess capacity. At the end of the year,

outstanding medium- and long-term loans to sectors with excess capacity went up 1.5 percent year on year, down 2.4 percentage points compared with the growth at the end of last year. Banking financial institutions were encouraged to boost green credit by continuously improving financial services for energy-saving and emission reduction, low-carbon economy, circular economy, as well as pollution prevention and control. They were also encouraged to provide more financial support and services to promote consumption. Efforts were made to provide credit policy guidance on the coordinated development of Beijing, Tianjin and Hebei in an attempt to continuously improve financial services for the coordinated development of these three places.

Enhance financial services for agriculture, farmers and rural areas as well as small and micro businesses

The PBC deepened rural financial reform and innovation, steadily advanced the pilot program of loans collateralized with the business right of rural contracted land and property right of farmer's housing in a well-

sequenced manner based on laws, and effectively revitalize rural resources, funds and assets so as to promote expedited agricultural modernization. Credit support for agro-linked projects such as new type of agriculture and hydraulic projects was enhanced through designating a leading bank for each project and ad hoc bridge loans to actively support the Going Global initiative of the agricultural sector. Small and medium-sized enterprises (SMEs) were encouraged to raise funds by issuing non-financial enterprise debt financing instruments, and eligible financial institutions were given support in issuing financial bonds for the specific purpose of extending loans to small and micro businesses. The assessment of credit policy effects was improved to ensure financial policies rolled out by the central government and financial authorities on agriculture, farmers and rural areas as well as small and micro businesses could be fully implemented. As of the year-end, outstanding agro-linked loans in broad statistical terms went up 11.7 percent over 2014 to 26.4 trillion yuan, and outstanding loans provided by financial institutions to small and micro businesses jumped 13.9 percent year on year to 17.4 trillion yuan.

Step up financial support for such key areas as poverty relief, employment and minorities

In line with the overall arrangement by the central government regarding poverty relief and development, the PBC proposed financial policy measures for targeted poverty relief based on research to strengthen the

interface between financial services and targeted poverty relief. Considerable efforts were made to promote financial inclusion and support the development of poverty-stricken areas as well as lift the poor out of poverty and help them live a well-off life. As of the year-end, outstanding RMB loans to poverty-stricken areas posted 4.15 trillion yuan, a year-on-year increase of 18.17 percent, 3.14 percentage points higher than the national average growth. Investment and financing channels for start-ups were broadened in a bid to provide strong support for college graduates, urban residents having difficulty in finding a job and veterans to get employed and start their own businesses. As of the year-end, outstanding micro collateralized loans extended by financial institutions nationwide posted 78.69 billion yuan, and outstanding student loans added 13.7 percent over the previous year, reaching 69.73 billion yuan. The PBC assisted relevant departments in improving national policies on student loans. Financial services in regions populated by ethnic groups were further improved. The PBC continued to oversee the implementation of preferential policies designed for minorities, including preferential interest rates on loans for minority trade and manufacturing of minority goods, and encouraged, along with guidance, financial institutions to increase credit support for regions populated by ethnic groups.

Further improve housing financial services

The minimum percentage for down payment in personal housing loans was lowered twice to bolster reasonable

housing consumption. In accordance with the principle of providing differentiated guidance and adopting policies by taking into account local circumstances, the PBC developed a nationwide region-specific differentiated housing credit policy system under which each province could make adjustments by themselves based on a self-discipline mechanism. It assisted the Ministry of Housing and Urban-Rural Development in reforming institutions on housing provident fund and exploring the development of a long-term mechanism for replenishing liquidity at the housing provident fund center. Guidance was offered to the Shanghai Housing Provident Fund Center when it issued, on a trial basis, 7 billion yuan securitized products backed by housing provident fund loans on the interbank bond market. The PBC explored the securitization of loans for shanty town renovation by supporting the China Development Bank (CDB) in issuing 3.04 billion yuan securitized products backed by shanty town renovation loans, first of its kind in China. It continued to support reasonable financing needs of the real estate sector by facilitating the issuance of non-financial enterprise debt financing instruments by real estate enterprises on the interbank market and pushing forward the issuance of mortgage-backed securities (MBSs) by banking financial institutions on the interbank market. The pilot program of extending loans collateralized with the property right of farmers' housing was launched.

Properly deal with financial services related to local government debt management, and support the innovation of investment and financing systems for urban development

The PBC assisted the Ministry of Finance (MOF) in publishing the *Opinions on Properly Addressing Follow-up Financing of Ongoing Projects by Local Government Financing Vehicles* to support the orderly progress of projects under construction. It took part in the institution building related to the supervision and regulation of special construction fund to promote the regulated operation of special construction fund and support the swift disbursement of special fund so as to tackle key problems constraining investment growth in time. Efforts were made to innovate the investment and financing mechanism for supply of public goods, and guide financial institutions to increase financial support for franchised programs and public-private partnerships. Financing support for the urban underground pipe gallery construction and the development of sponge cities was improved to drive effective investment focusing on increasing supply of public goods.

Promote the innovation on credit asset securitization market

The PBC issued a circular, specifying operational procedures for separate discretionary issues of credit asset-backed securities with one-time registration. It offered guidance to the National Association

of Financial Market Institutional Investors (NAFMII) in drafting information disclosure guidelines for different types of underlying assets. Market constraint and incentive mechanisms were improved along with ex post management as well as management during the issuance process. Credit asset-backed securities were diversified, the scope of issuers and investors was expanded,

and product standards and liquidity on secondary market were improved. As of the year-end, 198 credit asset-backed securities were issued by financial institutions with a cumulative value of 782.5 billion yuan and the outstanding value being 531.1 billion. Among it, 104 were issued in 2015 with the size of issuance being 398.7 billion yuan, a year-on-year gain of 123.7 billion yuan. ■

Targeted Financial Support for Poverty Alleviation

Column

Multiple measures were taken to push forward targeted financial support for poverty alleviation with vigorously developing inclusive finance as the focal point

In accordance with the overall deployment and requirements of poverty alleviation and development tasks of the CPC Central Committee and the State Council, the PBC has spared no efforts in promoting the development of inclusive finance and done its best in providing financial support to facilitate the mission of poverty alleviation. The measures taken include using multiple monetary policy tools, strengthening credit policy guidance, promoting innovation in financial products and services, strengthening financial infrastructure construction and optimizing financial ecological environment in the poverty-stricken areas.

First, a combination of monetary

policy tools were deployed, including making full use of differentiated reserve requirement ratio and increasing central bank agriculture-linked lending. The central bank agriculture-linked loans to financial institutions in poverty-stricken areas were issued at a rate of 1 percentage point lower than the rate of normal agriculture linked central bank lending. Second, credit policy guidance was strengthened. In December 2015, the PBC, together with the National Development and Reform Commission, the Ministry of Finance, China Banking Regulatory Commission, China Insurance Regulatory Commission, China Securities Regulatory Commission, and the State Council Leading Group Office of Poverty Alleviation and Development, jointly held a national teleconference to launch the national work-plan on using finance to promote poverty alleviation. Third, innovation in financial products and services targeted at

poverty-stricken areas were actively pursued. The related measures included selecting 67 poverty-stricken counties to participate in the pilot program of issuing loans collateralized with operation rights for contracted land and user rights for rural housing land, effectively broadening the pool of mortgage collaterals. Also, efforts were put into promoting poverty alleviation discount interest loans, and doing research and improving policies on entrepreneurship secured loans and subsidized student loans, so as to support local entrepreneurship and employment and poor students' access to education. Fourth, financial infrastructure construction in poverty-stricken areas was strengthened. Measures were taken to enhance farmers' use of bank card making withdrawals and bankcard services for migrant workers and to popularize settlement accounts, building a multi-leveled, extensive network of payment services and enhancing the poor farming households' access to financial services. The *Proposal on Aiding-farmers Withdrawal Service Policy Subsidy* was drawn to put forward specific subsidy standards reflecting the special difficulties in poverty-stricken areas to facilitate poverty alleviation. The program of building "credit households, credit villages, credit townships (towns)" were actively introduced to help people take advantage of credit information to secure financing. Fifth, greater efforts were put into financial literacy outreach to create a favorable environment for financial services to support development-oriented poverty alleviation.

As a result of constant efforts in promoting inclusive financial services in poverty-stricken areas, loans to these areas maintained rapid growth and the coverage of basic financial services was expanded constantly, reflecting the continued efforts in using finance to support poor households to reduce poverty and become prosperous. As of the end of the year, the outstanding RMB loans in China's poverty-stricken areas (a total of 832 counties, including 680 counties in the concentrated contiguous severe poverty-stricken areas and 152 key counties in the non-concentrated contiguous severe poverty-stricken areas) was RMB4.15 trillion, a year on year increase of 18.17 percent, 3.14 percentage points higher than the national average growth rate. In these areas, there were 5 185 county-level banking financial institutions with 43 598 outlets providing services. The numbers of branches of securities companies and of insurance companies were 167 and 5 315 respectively. In poverty-stricken areas, there were a total of 1.203 million ATM machines and POS devices, and other self-service equipment.

Forming "Tiandong Model" of using targeted financial support to reduce poverty, with rural financial reform as the focal point

At the Central Poverty Alleviation and Development Work Conference, held in November 2015, General Secretary Xi Jinping highly praised the achievements made in Tiandong County, Guangdong Province in taking advantage of finance

to alleviate poverty. He pointed out that “Tiandong County effectively addressed the financing difficulties faced by poor households, through the construction of six financial service systems, namely, institution, credit, payment, insurance, guarantee, and village-level service organization. As a result, the farming household’s loan coverage reached 90 percent”. The main experiences of “Tiandong model” in leveraging finance to alleviate poverty include the following:

First, the financial system was improved through building the institutional system and expanding financial service providers. Multiple financial institutions, such as banks, securities companies, insurance companies, guarantee companies, small loan companies, and rural funding cooperatives, and etc. have set up shop in Tiandong County. Second, the credit information system was improved to allow farmers easier access to small-sum loans. “Tiandong Farming Households Credit Information Collecting and Rating System” was set up and the credit information and poverty alleviation information management were integrated. Poor households can rely on credit ratings to get collateral-free and guarantee-free loans and they can obtain a loan of RMB1 000 to 100 000 in one day. During the past five years, the small-sum loans granted to 59 000 farming households have amounted to RMB2.28 billion, whereas loans granted to 9 145 poor households reached RMB456 million. Third, the village-level financial services system was improved, and the mechanism of “rural finance handled in villages” was set up. All poor villages in the entire county

set up “agriculture-related financial service offices” with designated financial service councilors, allowing basic financial services such as credit information collection, pre-loan investigation, post-loan debt collection, insurance services, and financial knowledge dissemination, be handled at the village level. Fourth, the payment system was improved to address the difficulties of payment and settlement problems faced by poor farmers. POS devices and telephones for making money transfers were installed in all poor villages, thus the farmers can handle deposits and withdrawals of no more than RMB2 000 without leaving their villages. As a result, Tiandong became China’s first county to have achieved “transferring payments by phone at each of its village”. Fifth, insurance system was strengthened to afford protection for poor farmers’ production and their living. Insurance on diversifying production risk of 13 agricultural products, such as mango, was offered. The insurance companies and banks worked together to promote services of “small farming households + small loans + small insurance” and diversification of risks, and provided the accidental injury insurance for left-behind children, insurance for the disabled, and other insurance products to protect the poor. Sixth, the guarantee system was strengthened and the financing channels for people living in poverty-stricken areas were expanded. Financing and guarantee companies were set up to help farmers to get loans. The accumulated guaranteed financings totaled RMB145 million with greater emphasis on small and micro agricultural companies engaging poverty alleviation and specialized large breeding farms. ■

FINANCIAL LEGISLATION



In 2015, the PBC continued to focus on improving the system of financial laws and regulations in line with the decisions and arrangements of the CPC Central Committee on fully promoting rule of law and building a law-governed government and by centering upon the mainstream of deepening financial reform. Efforts were made to properly deal with international financial legal affairs, strengthen law-governed administration and development of legal services, enhance the study of rule of law in financial sector, and deepen education of rule of law in financial sector so as to provide an effective support for fulfilling mandates in line with laws and promoting financial reform and development. ■



Focus on advancing financial legislation

Financial laws and institutions are the important corner stone to support orderly financial market development and maintain financial stability. In 2015, the PBC adhered to making laws in a scientific and democratic way and made new progress in formulating, amending, revoking and interpreting financial laws and regulations. First, it actively assisted the National People's Congress and relevant leading departments in formulating or amending laws and regulations related to fulfilling mandates, such as the *Law on Commercial Banks*, the *Securities Law*, the *Law on the Futures*, the *Law on E-commerce*, and the *Regulations on the Implementation of Budget Law*. Second, it promoted the development of the *Regulations on Deposit Insurance*, which set out ground rules for China's deposit insurance scheme, including the objectives, coverage, source of deposit insurance fund and management mechanism. It improved China's financial safety net. Third, it led the drafting of the *Regulations on Non-depository Lending Agencies*, which was issued by the Legal

Affairs Office of the State Council in August as an exposure draft. Fourth, it expedited the revision of the *Regulations on Foreign Exchange Administration* according to the annual legislation plan of the State Council. Fifth, after consulting with departments concerned, it submitted to the State Council the suggested revision of the *Regulations on Cash Management*. Sixth, it steadily pushed forward the revision of the *Law on the People's Bank of China*. Seventh, it formulated and cleaned up regulations and normative documents. The *Administrative Measures on Imports and Exports of Gold and Gold Products*, the *Administrative Measures for Online Payment Business of Non-bank Payment Institutions*, the *Measures for Supervising and Regulating Participants in Payment Systems*, the *Provisional Administrative Measures for Large-denomination Certificates of Deposit* were unveiled. In line with requirements of the State Council on enterprise registration reform, the PBC cleaned up relevant regulations and normative documents by revoking or amending those that could not meet the requirements.

Regulate the development of Internet finance and engage in recovery of corrupt assets and repatriation of fugitives from abroad

The *Guiding Opinions on Promoting the Healthy Development of Internet Finance* was issued, which proposed a series of policy measures for encouraging innovation and supporting the steady development of Internet finance, set down regulatory principles and division of labor for major business forms of Internet finance, specified regulatory responsibilities, and clearly defined the dividing line among businesses. It also put forward specific requirements regarding improving administration and preventing risks in such aspects as the administration of the industry, fund depository, information disclosure, consumer rights protection, cyber and information security, anti-money laundering and prevention of financial crimes. The *Administrative Measures for Online Payment Business of Non-bank Payment Institutions* was issued to further tighten regulation of online payment activities. In addition, efforts were made to promote the establishment of National Internet Finance Association of China to strengthen self-discipline in Internet finance and promote the regulated and sound development of this sector. The PBC assisted in the recovery of corrupt assets and repatriation of fugitives from abroad under the anti-corruption drive by leading the inter-departmental campaign on cracking down on transfers of illegal funds through off-shore companies and underground banks, which saw remarkable effects.

Earnestly deal with international financial legal affairs

The PBC actively participated in improving international economic and financial governance to protect China's rights and interests in financial development. In line with the overall arrangement of the State Council, it played a leading role in completing negotiations with the U.S. on intergovernmental agreement on the U.S. *Foreign Account Tax Compliance Act* (FATCA). It undertook work related to China-U.S. and China-EU bilateral investment treaty (BIT) negotiations, organized the 99th committee meeting of the Committee on International Monetary Law of the International Law Association, and attended the First Legal Affairs Meeting of the European Central Bank and delivered a speech, holding in-depth exchanges on post-crisis central bank governance reform, the international role of the RMB, and Europe's Capital Markets Union.

Fully strengthen law-based administration

The PBC strengthened institutions of law-based administration and capacity building by actively implementing the requirements of the State Council regarding streamlining administration and delegating powers, exercising administration while delegating powers, and optimizing services. First, it vigorously reformed the institution of administrative approvals, as it cancelled the approval of bond transaction and circulation on interbank bond market, with

the number of administrative approvals reduced from 24 at end-2013 to 17. It fully sorted out and cancelled 14 intermediary services in administrative approvals with only one service maintained. It compiled the PBC's negative list of market access and service guide for administrative approvals, and developed an online platform for handling issues related to administrative approvals. To further change the mindset, the PBC studied in time how to strengthen concurrent and ex-post regulation, optimize procedures and improve efficiency. Second, focus was put on improving institutions of law-based administration. The PBC published the amended *Administrative Measures of the People's Bank of China for Law Enforcement Certificate* and drafted the *Formulation Procedures and Administrative Rules of the People's Bank of China for Normative Documents*. Third, the PBC continued to strictly regulate law enforcement to ensure it is fair and polite. It promoted comprehensive inspection of law enforcement and information disclosure regarding administrative law enforcement, and put in place a random inspection mechanism to improve the efficacy of financial administration. Fourth, the PBC handled cases of administrative review based on laws. During the year, it received a total of 79 administrative review applications. Through handling administrative reviews based on laws and regulating behaviors in administrative law enforcement, it improved performance in law-based administration.

Improve the quality of legal consultancy

The PBC explored the development of a legal risk prevention and control system and the arrangements of appointing external lawyers. It designed the sample contract text and distributed to PBC branches for reference. It strengthened legal review of contracts, agreements, administrative law enforcement documents and replies regarding government information disclosure. The system of guidance on addressing classic cases was put in place. Sources of risk in legal affairs were sorted out and distributed to branches regularly. The PBC actively studied experience in dealing with cases and techniques to handle lawsuits, and properly handled various lawsuits and disputes. It promoted the development of information system for legal affairs to make financial legislation more information-based and more regulated.

Enhance research on financial legislation

Thematic research on financial legislation was enhanced by focusing on financial legislation programs and major legal issues that need to be addressed in deepening financial reforms. Research papers, such as the *Legal Issues and Thoughts on Solutions in the Issuance and Use of Digital Currency* and the *Research of Central Bank Governance Structure*, were completed. The joint research program with the Asian Development Bank, the *Comparative Study on Post-crisis Central Bank Act*,

was completed. An international seminar on central bank legal institutions was held jointly with the European Commission Delegation to China. The book titled the *Theory and Practice of Central Bank Act* was compiled and improved. In-depth study

was carried out on topical legal issues in fulfilling mandates, including online lending, regulation of Internet finance, bill business, and government information disclosure, which provided references for decision-making and specific work. ■

Development of Legislation on Internet Finance

Column

Internet finance is a new type of financial business model built on Internet technology and information telecommunication technology through which conventional financial institutions and Internet enterprises could provide such services as financing, payment, investment and information intermediation. It mainly includes Internet payment, online lending, crowd equity financing, Internet fund sales, Internet insurance, Internet trust and Internet consumer finance. In recent years, Internet finance has shown a fast growth momentum with increasingly bigger influence. To encourage innovation in Internet finance and prevent systemic risks at the same time, the PBC intensified efforts regarding the development of legislation on Internet finance so as to promote regulated and sound development of Internet finance.

Publish the *Guiding Opinions on Promoting the Healthy Development of Internet Finance to regulate the innovation and development of Internet finance*

In July 2015, the PBC published in tandem with other departments the *Guiding Opinions on Promoting the Healthy Development of Internet Finance* (hereinafter referred to as

the *Guiding Opinions*). Following the general requirement of encouraging innovation, preventing risks, fostering strengths and avoiding weaknesses, and pursuing healthy development, the *Guiding Opinions* regulates and guides the development of Internet finance.

First, it has proposed a series of policies on encouraging innovation and supporting the steady development of Internet finance. It encourages innovation of Internet finance platforms, products and services to activate market dynamics. Institutions engaged in Internet finance are encouraged to forge cooperation to complement each other. Financing channels for these institutions are expanded as an effort to improve financing environment.

Second, case specific guidance was offered and the regulatory responsibilities for Internet finance were clearly spelt out. In line with the principle of law-based regulation, proper regulation, case specific regulation, coordinated regulation, and innovation-driven regulation, the PBC clearly set down the division of regulatory responsibilities for

major business models in Internet finance so as to specify regulatory responsibilities and clarify the business dividing lines and minimum requirements for major business models in Internet finance, such as Internet payments, individual online lending, online micro loans, and crowd equity financing.

Third, a series of concrete requirements for improving institutions was proposed to regulate market order of Internet finance and create a favorable environment for the healthy development of Internet finance.

Fourth, policy arrangements on streamlining administration and delegating powers, improving fiscal and tax policies, and developing credit infrastructures were proposed to foster a supporting service system for Internet finance.

The *Guiding Opinions* is a guideline document for the development of Internet finance, which has identified the direction for the development of Internet finance in next phase, proposed measures, and clarified requirements. First, it clearly set down the development philosophy for Internet finance which focuses both on encouraging innovation and seeking regulated development. Several incentive policies and supporting measures were mapped out to activate market innovation dynamics and promote the steady development of Internet finance. Second, it clearly spelt out the basic principles and requirements for the development of major business models in Internet finance, and clarified the boundary between legal and illegal activities so as to crack down on the latter while protecting the former and prevent relevant risks. Third, it laid down the regulatory principles

for Internet finance, clarified division of regulatory responsibilities for major business models, specified regulatory responsibilities, and combined encouraging innovation with tighter regulation in a bid to promote the healthy growth of Internet finance and better serve real economy.

Publish the *Administrative Measures for Online Payment Business of Non-bank Payment Institutions* to further regulate online payments

To encourage innovation in payments, prevent systemic risks, regulate the market order of payment services, safeguard consumers' legal rights and interests, and promote the healthy development of online payments, the PBC issued in December 2015 the *Administrative Measures for Online Payment Business of Non-bank Payment Institutions* (hereinafter referred to as the *Measures*), effective on July 1, 2016.

The *Measures* clearly defined the connotation and boundaries of online payment business by non-bank payment institutions by fully taking into account the need for innovation and development of payment services market. It clarified regulatory standards and rules, and set down institutional arrangements in a systematic way, including arrangements on the real-name registration of payment accounts by payment institutions, business and risk management, cyber and information security, risk warning and protection of customers' rights and interests, information disclosure and legal responsibilities. A risk separation mechanism necessary to stop cross-market risks in Internet finance was put in place, and efforts were made to strike a balance among innovation, convenience and safety.

As a supporting regulatory measure to the *Guiding Opinions*, the *Measures* is an important step in further developing and improving the system of regulatory rules and institutions of Internet finance, which plays a significant role in regulating payment market development, protecting fair and orderly competition, balancing payment security and efficiency, protecting consumers' legal rights and interests, promoting payment innovation, and pursuing healthy development of Internet finance.

Establish the National Internet Finance Association of China to enhance self-discipline

To allow self-discipline to play a positive

role in regulating the market behaviors of institutions engaged in Internet finance and protecting the legal rights and interests related to Internet finance and in line with the requirements of the *Guiding Opinions*, the PBC, together with departments concerned, actively pushed forward the establishment and official operation of the National Internet Finance Association of China (NIFAC). The NIFAC is a national self-discipline organization for Internet finance, covering a whole spectrum of business models. It is expected to play a positive role in enhancing self-discipline, promoting regulated development of the industry, protecting consumers' rights and interests, and unleashing the innovation dynamics of market players. ■

FINANCIAL STABILITY



In 2015, the People's Bank of China (PBC) focused on two key tasks of promoting reform-driven development and safeguarding the bottom line of no risks. It steadfastly pushed forward reform and development, fully implemented policies on national financial security, steadily advanced the development of deposit insurance scheme, and strengthened the monitoring, assessment, early warning and resolution of financial risks. Institutions were improved regarding the comprehensive operation of the financial sector. The PBC played a bigger role in making international financial regulatory standards and codes, actively conducted updated assessment under China's Financial Sector Assessment Program (FSAP), continued to properly deal with central bank lending to maintain financial stability, and defended the bottom line of no systemic or regional financial risks by preventing and mitigating economic and financial risks.



Continue to enhance daily risk monitoring and assessment

The PBC fully assessed the soundness of China's financial system, issued the *China Financial Stability Report (2015)* and the *Regional Financial Stability Report (2015)*, and continued to strengthen the day-to-day monitoring of banking sector, securities sector, insurance sector and financial holding companies as well as non-financial institutions capable of financing. It supervised financial institutions in reporting major issues so as to early identify, report and resolve financial risks. The risk monitoring mechanism was improved for large problem enterprises, high-risk listed companies and all types of local trading venues, and research-based forward-looking assessment was strengthened on macro economic developments, regional financial risks and the trend of specific sectors. The PBC closely tracked new developments in burgeoning asset management sector while trying to get a clear picture. Based on recent experience

with risk monitoring of cross-sector financial services, it actively promoted uniform regulatory rules, clearly identified regulatory responsibilities, and enhanced regulatory coordination.

Fully identify potential risks and conduct ad hoc investigation and research on key issues

The PBC led the joint effort with relevant departments to systematically identify and sort out major potential risks in the financial sector through in-depth analysis of economic and financial developments at home and abroad as well as risk profiles. It analyzed causes of financial risks and continuously improved policy measures based on research to prevent and mitigate financial risks. During the unexpected turmoil on the A-share market since June 2015, the PBC closely monitored market risks, conducted an in-depth study on dynamics giving rise to risks, estimated the risk exposure of all types of financial institutions, and assessed

the possible impact of different scenarios on financial institutions' risk exposure. It also reviewed and reflected on the unexpected capital market turmoil, took stock of lessons and experience, studied the underlying institutional flaws exposed by the surprise turmoil, and offered policy recommendations on maintaining sound capital market performance in the long run and preventing systemic risks. Targeted in-depth studies were conducted on the quality of banking assets, removing advance payment in share subscription during IPOs, the daily upper and lower limit for individual shares and circuit breakers, pilot program of comprehensive operation in financial sector and institution reform for financial regulation. The PBC paid special attention to and conducted research on encouraging banking sector to support real economy, banking sector business environment and asset quality, leverage ratio of non-financial sector, innovation-driven development of financial institutions in securities sector, risks of all types of local trading venues, payments when policy matures and surrender risk in insurance sector, impact of interest rate cuts and stock market volatility on the insurance sector, insurance companies taking massive shares in companies listed in A-share market, development of catastrophe disease insurance, and development of asset management sector.

Further promote financial stability stress testing and on-site soundness assessment of financial institutions

Financial stability stress testing on 28 commercial banks was completed, and

2015 financial stability stress testing for large securities firms was completed, first of its kind. The PBC, together with relevant departments, assessed financial institutions and financial market risks through financial risk stress testing. It continued on-site soundness assessment, launched targeted assessment of liability business management, and explored the on-site soundness assessment of securities firms and insurance companies. Based on region-specific circumstances, the PBC conducted targeted on-site assessment of high-risk incorporated banking institutions, interbank activities and wealth management business, which provided a reference for risk monitoring and rating.

Fully participate in the making of international financial regulatory standards and codes

The PBC continued to get fully engaged in the work of such international organizations as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and working groups under these organizations. It played a bigger role in developing the total loss absorbing capacity (TLAC) for global systemically important banks (G-SIBs), and repeatedly shed light on the sharp difference between G-SIBs from emerging market economies and those from advanced economies in asset structure, source of financing and the level of globalization during international conferences, high-level visits, and bilateral consultations. Thus, they must be treated differently. The TLAC

framework was announced in November 2015. After rounds of consultation, emerging market economies would take a two-phase approach toward G-SIBs in implementing TLAC, which makes its implementation of TLAC six years later than that in advanced economies, which promoted the development of effective resolution mechanism for G-SIBs in China.

Active responses to the relevant assessment for China by international organizations

In August 2015, the FSB officially published the *Peer Review of China* on its website, which marked the completion of the first peer review in China. The report evaluated China's macro-prudential management framework and non-bank credit intermediation. In October, the International Monetary Fund (IMF) and the World Bank Group sent a joint mission to China, officially kicking off the updated assessment under the FSAP for China. The mission's preliminary decision was to conduct stress testing for banks as well as analyze and assess the structure of financial system, systemic risks and crisis management, financial inclusion, financial market infrastructures, and anti-money laundering and combating financing of terrorism. With regard to international standards and codes, the mission would assess China's efforts in implementing the *Core Principles for Effective Banking Supervision*, the *Objectives and Principles of Securities Regulation*, and the *Insurance Core Principles*. Besides, the PBC

actively participated relevant work pertaining to the FSB's peer review team on banking resolution mechanism and peer review team on shadow banking.

Continue to properly respond to financial risks

The PBC properly dealt with abnormal cash withdrawals at the outlets of some institutions, and successfully guided the restructuring of rural credit cooperatives in Lixian county, Hebei province. The Beiyin Rural Commercial Bank was established on August 31 2015 in Lizhou, Hebei province, marking the full completion of the restructuring of 27 rural credit cooperatives in Lixian county, Hebei province. It played a significant role in mitigating regional financial risks, promoting the coordinated economic development in Beijing, Tianjin and Hebei, and achieving social and economic stability.

Continue to improve central bank lending for achieving financial stability and asset management related to financial stability

The PBC adopted effective differentiated measures to improve rights protection and clean-up in central bank lending for the purpose of financial stability, and conducted loss identification and write-off in line with laws and regulations. Further work was done regarding asset management related to financial stability. Work was expedited on the resolution of trust assets in central bank lending for financial stability. ■

Safeguarding National Financial Security

Column

The Central Committee of the Communist Party and the State Council has always been attaching great importance to the national security issues. Amid new situations and tasks facing the national security, the Third Plenary Session of the 18th Central Committee determined to establish the National Security Commission of the Communist Party of China on November 12, 2013, in order to strengthen the leadership on the work concerning national security, implement the overall national security concept and embark on a national security path with Chinese characteristics which ensures the security for the people, prioritizes the political security, solidifies the economic security, safeguards military, cultural and social security and advocates international security.

Financial security, as an important part of national security, constitutes the solid basis of the overall national security, and safeguarding the national financial security is the important responsibility that the PBC must be committed to. For the present and future period of time, China will be faced with more complex domestic and international financial situations, with more unstable and uncertain factors arising. Internationally, the world economy is on a torturous recovery amid deep adjustments, with divergent monetary policies by major economies, increased volatility of global financial markets, more complicated geopolitical relations and evident spillover effects. Domestically, with intertwining cyclical and structural problems and increasing

economic downward pressure, some deep-seated conflicts of the economic management start to be exposed in the financial sector. In addition, while the increasing complexity and interconnectedness of the financial system are increasing, the long-standing institutional problems and cross-sector, cross-market risks start to be accumulating. In face of this new situation, the PBC will implement the overall arrangements of safeguarding national security by the National Security Commission, prepare to take on this long-term, complex and daunting task, take into account the new features and trends of the economic and financial developments, establish macro-prudential management system, continuously deepen the financial reform and opening-up, and maintain the valuation of RMB on a reasonable and balanced basis; to reform financial regulatory regime, enhance modern financial corporate system, improve regulatory rules which are in line with China's situation and international standards, and bridge the regulatory gap in the financial innovation to make regulation sufficiently cover potential risks in the financial sector; to improve foreign debt management under the macro-prudential regulatory system, and prevent large inflow and outflow of cross-border fund; to strengthen financial infrastructure construction, improve the function of deposit insurance system, considerably enhance financial risk monitoring, early-warning and crisis response capacity, so as to protect the national financial security and firmly safeguard the bottom-line of preventing systemic and regional financial risks. ■

FINANCIAL REFORM



2015 is the last year of the “Twelfth Five-Year Plan” period. The PBC conscientiously implemented the decisions of the CPC Central Committee and the State Council and accelerated financial system reform. Breakthroughs were witnessed in a series of major reforms in key areas and vital links of the financial sector. The decisive role of the market in allocating resources was further enhanced. The drive, vitality and creativity of market entities were stimulated. These progress greatly improved the quality, efficiency and upgrading of the economy. ■



Market-based interest rate reform achieved significant progress

In October 2015, the ceiling on deposit interest rates of financial institutions was fully removed, which represented a key step for the market-based interest rate reform. At the same time, the PBC further strengthened the construction of Shibor and LPR, while fostering and improving the financial market benchmark interest rate system. The PBC continued to promote financial product innovation in an orderly manner, continued to promote interbank certificate of deposit business and the issuance of large-denomination certificate of deposit for businesses and individuals. The market-based pricing of liability products issued by commercial banks gradually expanded.

The RMB exchange rate regime was further improved

In August 2015, the PBC further improved the quotation mechanism of the RMB central parity against the USD and the benchmark nature of the RMB central parity was strengthened significantly. The RMB exchange rate fluctuated in both directions and became more flexible and moved

toward the adaptive and equilibrium level. The CFETS RMB exchange rate index, the RMB exchange rate index referring to BIS currency basket and the RMB exchange rate index referring to SDR currency basket were launched, guiding the market to view RMB exchange rate via a basket of currencies. These indices more comprehensively reflected the changes in the value of RMB.

The deposit insurance system was formally launched

On February 17, 2015, Chinese Premier LI Keqiang signed the No. 660 Decree of the State Council. The *Regulations on Deposit Insurance* was promulgated on March 31 and became effective on May 1, 2015, marking the formal establishment of China's deposit insurance system. More than 3 000 deposit taking financial institutions across China have participated in the program. From May to December 2015, the transfer of premium payment was completed. Meanwhile, all work related to the institutional setup have been carried out in an orderly manner. Judging from the operation of the system over the past year, we found that the patterns of deposits at small, medium and large banks

remained stable and the operation of banking financial institutions was normal. As an important basic institutional arrangement in the financial industry, the deposit insurance system is of great significance in improving the financial safety net, strengthening depositor protection, promoting the development of market-based financial risk prevention and response mechanism, and building an effective long-term mechanism for maintaining financial stability.

Reform of financial institutions accelerated

The reform programs of China Development Bank, the Export-Import Bank of China and the Agricultural Development Bank of China were approved by the State Council. In July 2015, USD48 billion and USD45 billion of China's foreign exchange reserves were injected into China Development Bank and the Export-Import Bank of China respectively, significantly improving their capital strength and risk resistance capacity. In April 2015, the in-depth reform of the Rural Finance Business Division of the Agricultural Bank of China was extended to the entire country, further enhancing its financial services for the agricultural sector, rural areas and farmers and its services at the county level. In June 2015, the deepening reform program of the Bank of Communications was approved by the State Council. The program launched several reform schemes in terms of optimizing ownership structure, improving corporate governance, deepening the internal reform, strengthening external regulations, and etc., which were conducive to driving the bank to practically transform

its operation mechanism, strengthen its competitiveness, and enhance its ability to serve the real economy. In December 2015, the Postal Savings Bank of China successfully introduced 10 domestic and overseas strategic investors, raising RMB45.1 billion and achieving the conversion from a single shareholder to equity diversification. The State Council approved the transformation and restructuring programs of China Great Wall Asset Management Corporation and China Orient Asset Management Corporation. China Huarong Asset Management Corporation were successfully listed and traded in the Hong Kong stock exchange. All of these reflected the steady progress of asset management companies' business transformation.

Financial opening and innovation of pilot free trade zones progressed in an orderly manner

China (Shanghai) Pilot Free Trade Zone further promoted its in-depth financial reform. In October 2015, approved by the State Council, the PBC, the Ministry of Commerce, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission, the State Administration of Foreign Exchange, and the Shanghai Municipal Government jointly issued the *Proposal on Further Promoting the Pilot of Financial Opening and Innovation of China (Shanghai) Pilot Free Trade Zone and Accelerating the Construction of Shanghai International Financial Center*, putting forward 40 new measures for deepening

the construction of China (Shanghai) Pilot Free Trade Zone and Shanghai international financial center and further exploring new avenues of deepening financial reform and opening for the country. Local and foreign currency innovation businesses have rapidly developed in the free trade zone since its inception. During the year, the integrated local and foreign currency service was launched under free trade account, further expanding financial institution's business scope and operation convenience. As of the end of the year, 42 Shanghai-based financial institutions opened 44 000 free trade accounts, accumulatively handling cross-border settlement nearly RMB4.4 trillion. The China (Shanghai) Pilot Free Trade Zone established a macro-prudential local and foreign currency integrated overseas financing system and overseas financing approval requirements of borrowing bodies were abolished. All entities can decide on the size, duration, currency and financing type on their own. As of the end of the year, through free trade accounts, enterprises obtained the total local and foreign currency financing of RMB319.7 billion, with the average interest rate being 4.14 percent. Financial institutions can use free trade accounts to issue interbank certificate of deposit for financial institutions in the zone and abroad. Eight institutions completed the first batch issuance of RMB2.9 billion, with issuing interest rates within a range of 3.05 percent to 3.30 percent, 5 to 10 basis points lower than the interest rate of same institution's domestic issuance.

To implement the strategic plan of the CPC Central Committee and the State Council on the construction of Tianjin,

Fujian and Guangdong pilot free trade zones, in December 2015, the PBC issued three guiding opinions, namely, the *Guiding Opinions on Providing Financial Support for the Construction of China (Tianjin) Pilot Free Trade Zone*, the *Guiding Opinions on Providing Financial Support for the Construction of China (Fujian) Pilot Free Trade Zone*, and the *Guiding Opinions on Providing Financial Support for the Construction of China (Guangdong) Pilot Free Trade Zone*, aiming to establish financial services systems adaptable to cross-border trades and investment facilitations at pilot free trade zones and supporting their development.

Rural financial reform pilot programs proceeded in a sound and orderly manner

The PBC attached great importance to the work of rural finance. Apart from increasing its efforts in providing policy and financial support for the rural areas, the PBC endeavored to use reform and innovation as an important means to comprehensively improve and enhance rural financial services. Taking into account of the specific situations of rural economic structures and financial needs at various regions and the real conditions of local economic and financial development, the PBC mobilized the local and grassroots enthusiasm in carrying out the "bottom-up" reform and promoted the pilot work of rural financial reform, following the principle of launching pilots, summing up experience and disseminating experiences. In 2012, focusing on constructing the infrastructure of rural payment system and

credit information system, the PBC and the Zhejiang Provincial Government jointly carried out a comprehensive reform of rural finance (pilot) in Lishui. The pilot reform has currently achieved remarkable results with regard to “forest right mortgage loans, rural credit information system construction, and easy cash withdrawals for farmers”, thus initially forming “Lishui Model” of using finance to support and benefit rural areas. Notably, Lishui City topped other cities in Zhejiang Province in terms of the growth of agriculture related loans and the growth of rural per capita net income for six consecutive years. In 2014, as the leading agency, the PBC, together with relevant ministries and commissions, issued the *Financial Reform Program on Supporting Comprehensive Agricultural Reform Pilot of “Two Great Plains” in Heilongjiang Province*. In 2015, the PBC, led the research and design of the *Experimental Program of Comprehensive Rural Financial Reform in Jilin Province*, and carried out reform pilots at the two great plains in Heilongjiang Province and in Jilin Province, provided financial support to the scale operation of modern agriculture and to the transformation and upgrading of related industries. In 2015, the PBC led the efforts of formulating and issuing the *Experimental Program of Comprehensive Rural Financial Reform in Chengdu*, so as to carry out the reform pilot in Chengdu, Sichuan, with the reform focusing on providing financial support for integrated rural and urban development. In addition, the PBC also actively promoted the construction of national rural reform pilot zones in Tiandong in Guangxi, and Jinzhai in Anhui, and etc. At present, with a batch

of rural financial reform pilots with local characteristics have initially taken shape, the PBC has accumulated first-hand experiences as to how to proceed with the nationwide rural financial reform.

Two-way financial opening made comprehensive progress with China’s influence in international and regional financial affairs significantly improved

China has made impressive progress in two-way opening of financial markets. These included promoting foreign institutions and sovereign institutions to issue RMB bonds in China, carrying out registration management for foreign central bank type of institutions to access China’s interbank bond market, abolishing restrictions on investment quota and trading categories, allowing foreign RMB business clearing banks and foreign participating banks to carry out bond repo transactions in the interbank market, promoting more domestic institutions to issue RMB or foreign currency bonds abroad, introducing more qualified foreign institution to the interbank foreign exchange market, and further opening domestic commodity futures markets. The PBC also continued to promote capital account convertibility in an orderly manner, achieved full convertibility with direct investments, and realized the mutual recognition of funds in the Mainland and Hong Kong. RMB’s inclusion in the SDR currency basket marked that RMB internationalization has made a milestone progress. Efforts were made to promote the implementation of the IMF 2010 Quota and Governance Reform Program. China holds the third largest share of IMF

quota. These developments reflect greater representation and stronger voices of emerging markets and developing nations at the IMF.

Financial reform outlook

In 2016, the PBC will comprehensively implement the guidelines of the 18th CPC National Congress, the Third, Fourth and Fifth Plenary Sessions of 18th CPC Central Committee, and the Central Economic Work Conferences, continue to deepen reform in key areas, launch a series of financial reform and opening measures that will guide the overall reform, continuously release reform dividends, which include fostering market benchmark interest rates and yield curves, and improve the market-based interest rate formation and transmission mechanism and the PBC policy-oriented interest rate system.

The PBC will also further improve the market-oriented exchange rate regime, and facilitate consistent on-shore and off-shore RMB exchange rates. Efforts will be made in implementing policy and development financial institutions' reform programs, and establishing sustainable institutional and systematic arrangements. Efforts pertaining to the deposit insurance system will be carried out in an attentive manner. The PBC will continue to push forward regional financial reform and rural financial reform pilots to form replicable experiences. The financial industry's opening to the outside world will be promoted steadily and will lead to further reform, and etc. At the same time, the PBC will continue to develop financial risk monitoring, assessing, early warning and disposing mechanisms, and resolutely hold on to the bottom line of avoiding systematic and regional financial risks. ■

Major Breakthroughs Achieved in the Reforms of the Policy and Development Financial Institutions

Column

Since the establishment in 1994, the China Development Bank (CDB), Export-Import Bank of China (EximBank) and Agricultural Development Bank of China (ADBC) have played important roles in providing support to the infrastructure development, basic industries and pillar industries, foreign trade, Chinese enterprises' overseas development, the stockpiling of grain, cotton and edible oils and the infrastructure construction in the rural areas and agricultural sector. Nevertheless, against the backdrop of changing external environment, problems became exposed in the banks' inefficient governance structure, inadequate capital positions, weak internal controls and unsustainable growth, calling for further reforms as the solution. In December 2014, the overall reform plan of ADBC was approved by the State Council, while the overall reform plans of the CDB and EximBank were approved by the State Council in March 2015.

The reform plans have made clear the market positioning of the three banks. Firstly, the role of the EximBank and ADBC as policy financial institutions has been strengthened, while the positioning of the CDB as a development financial institution has been clearly defined. According to the international experience, the development and policy financial institutions performed crucial functions, especially after the international financial crisis, in meeting national strategic objectives, providing financial support to the key areas and weak links of the economy, and filling the gap left

by the commercial financial institutions. In China's case, a clearer positioning of the policy and development financial institutions is necessary for implementing the country's development strategy, optimizing the structure and function of the financial sector, as well as boosting the banks' own growth. Secondly, the boundaries of the business scopes have been drawn. Business of different nature has been distinguished based on business procedures and risk compensation mechanisms, which are subject to separate accounting and calculation. Lastly, the dynamic adjustment mechanism over business scopes has been put in place to achieve the coordination and development of the policy, development and commercial finance activities.

The reform plans stress the imperative to enhance corporate governance and internal controls. Due to the special business objectives, the three banks have different corporate governance from that of the commercial banks. For example, the composition of the board of directors shall be wider and more diversified, and the board of supervisors shall be more independent. Thus it is necessary to establish and maintain an efficiently functioning mechanism, which incorporates the strategic decision-making of the board of directors, the compliant supervision by the board of supervisors and the authorization and operation of the senior management. In the meantime, the three banks need to strengthen the internal controls and risk management to ensure safe and sound operation, measures

including building the market-oriented human resource management and incentive system, optimizing business procedures, strengthening the internal control measures, strictly implementing the prudential accounting standards and information disclosure requirements.

The essence of the reform plans is to put in place the capital restraint mechanism, which is mainly represented by capital adequacy ratio. Capital constitutes not only the basis of financial institutions to conduct business, absorb losses and mitigate risks, but also an effective means of restraining excessive expansion, ensuring sound growth and implementing prudential regulatory rules. As the international practices have shown, the capital levels of the policy and development financial institutions in a number of economies are higher than their commercial banks. For example, the capital adequacy ratios of the KfW IPEX-Bank in Germany, the Japan Bank for International Cooperation (JBIC) in Japan, the Brazilian Development Bank (BNDES) in Brazil, the Exim Bank in India and the Exim Bank in Malaysia are 15.1 percent, 14.5 percent, 15.9 percent, 15.3 percent and 29.7 percent respectively, much higher than the minimum capital level stipulated by the Basel agreement. In July, 2015, the CDB and EximBank received capital injections of US\$48 billion and US\$45 billion respectively from the country's foreign exchange reserve, which helped strengthen the two banks' capital positions and risk resistance capacity.

The reform plans stress the importance of external supervision and differentiated performance evaluation. For the purposes of effective risk prevention, the three banks share most regulatory requirements and standards with the commercial banks. On the other hand, taking into account the fact that the policy and development financial institutions primarily executing the national development strategies and partially pursuing commercial objectives, distinct assessment and separate performance evaluation system have been put in place to properly evaluate the management quality and capital operation capacity. In addition, the reform plans also specify the supporting policy measures to help the three banks better fulfill the functions of development and policy finance, measures including establishing the risk compensation mechanisms to ensure the financial health and sustainability, granting tax incentives on policy-oriented business to alleviate the operating burden, providing support to the credit rating of the banks' bonds to help secure the stable funding sources.

With the reforms, the three banks' capital strength and risk prevention capacity will be enhanced, the governance structure, capital restraint mechanism and internal controls will be improved, and their capabilities in providing financial services and achieving sustainable growth will be further advanced. This allows development and policy financial institutions to play a better role in underpinning the key areas and weak links of the economy during the critical period, and make greater contributions to the economic and social development. ■

China Regional Financial Reform and Innovation

Column

Regional financial reform is an important dimension of China's financial reform. In recent years, regional financial reform has spread across the country, covering the eastern coastal regions, the central industrial transformation regions, the less-developed western regions and the ethnic and border regions. The reforms have involved varied aspects, including opening of financial industry, RMB capital account convertibility, financial cooperation among Guangdong, Hong Kong, and Macau, rural financial reform, regulated development of private finance and cross-border financial cooperation. Multi-type regional financial pilot programs have proceeded steadily.

I. Focusing on internationalization and improving financial market system, efforts were made in developing Shanghai international financial center, which fully reflected the international and comprehensive nature of this reform. By doing so, Shanghai can expand financial service functions in multiple aspects and enhance financial innovation, its financial market's international bearing and global influence, so as to establish Shanghai's status as a global innovation, trading, pricing and clearing center of RMB products. In addition, taking advantage of the construction of China (Shanghai) Pilot Free Trade Zone, Shanghai can explore and expand cross-border use of the RMB and investment, financing and foreign exchange facilitation, steadily promote interest

rate liberation, deepen foreign exchange management reform, in order to generate replicable experience in using finance to support the development of the real economy and promoting cross-border trade and investment facilitation.

II. Focusing on financial opening and financial cooperation among Guangdong, Hong Kong, and Macau, an experimental demonstration window was built in the Pearl River Delta and Qianhai region of Shenzhen. With the development and opening of Shenzhen and Hong Kong cooperation zone of modern service industry, Qianhai of Shenzhen has actively explored new models of the RMB two-way flow mechanism and ways for foreign equity investment companies to carry out capital settlement and remittance, investment, fund management, and etc.; At Nansha of Guangzhou, the special reform focus was to develop science and technology-related finance and shipping finance and constantly improve the comprehensive financial service system. The reform at Hengqin of Zhuhai was to continuously improve and optimize the construction of back-office service base.

III. The pilot program in Binhai New District of Tianjing focused on improving the modern financial service system, financial reform and innovation. The program included setting up non-banking financial companies, enriching financial business, improving financial markets, and promoting financial

liberalization with the aim to create a modern financial service system adaptable to the socialist market economy; the program also included trying out comprehensive operation of financial institutions, revolutionizing and improving financial institution system, reforming foreign exchange management system, establishing a national equity trading market for non-listed companies, and optimizing the financial environment.

IV. The reform pilot program in Chongqing focused on expanding financial services to coordinate urban and rural development through building Chongqing as a regional financial center in the upper reaches of the Yangtze River. The program in Chongqing included reform and innovation in the following aspects: pushing forward financial system reform, improving the financial market system, improving urban and rural financial services, accelerating the development of a multi-leveled capital market, carrying out a pilot of foreign exchange management system reform, and building a modern rural financial system. The aims of these reforms were to explore the establishment of a financial system coordinating the needs of urban and rural areas and to improve urban and rural financial services.

V. The pilot program of cross-strait financial cooperation and building a cross-strait regional financial service center was launched on the west bank of Taiwan Strait and Quanzhou. The reform in Xiamen and Pingtan aimed at promoting the development of Taiwan-oriented offshore financial services, exploring the opening to Taiwan in such aspects as financial institutions,

currency exchange, securities business, and property transactions, and expanding the channels for Taiwan's financial capital to enter the Economic Zone on the West Side of the Straits. In Quanzhou, experiments were carried out to explore new ways and models for the financial industry to sever the real economy in the following aspects: establishing and improving a diversified financial institution system, stepping up efforts to provide financial support for media-sized small and micro companies, enhancing the capacity of rural financial services, strengthening financial cooperation between Quanzhou and Taiwan, Hong Kong, and Macau, and the Chinese living abroad, and regulating private financing.

VI. The pilot program in Xinjiang aimed at enhancing financial services in border areas and ethnic areas and providing support for leapfrog development in these regions. Specifically, the program sought to take advantage of the construction of the "Silk Road" Economic Belt, provide support for the leapfrog development in border and ethnic areas through broadening financing channels, promoting trade and investment facilitation, promoting currency cooperation and deepening the reform of foreign exchange management.

VII. The pilot program in Zhejiang focused on exploring diversified financial innovations in such fields as micro-finance, private finance, and trade finance. In Taizhou, the reform efforts were put into forming innovative, sustainable and replicable business models of providing financial services to small and micro companies in order to effectively ease the difficulties

and lower the high costs for small and micro companies to obtain financing. In Wenzhou, a comprehensive financial reform experimental zone was set up. The pilot program focused on developing private finance and improving financial services to SMEs. In Yiwu, the reform focused on fostering trade finance, while actively exploring supply chain finance and trade financing products, and pioneering RMB settlement business for personal cross-border trade.

VIII. Comprehensive financial reform and experimental zones were set up in Yunnan and Guangxi. The reform focused on innovations in cross-border RMB business. The border areas in Yunnan and Guangxi stepped up efforts in financial opening oriented toward domestic and overseas market, strengthening financial exchange and cooperation, promoting direct trading of the RMB and currencies of neighboring countries, and improving trade and investment facilitation.

IX. A wealth management system with Chinese characteristics was set up in Qingdao to carry out comprehensive financial reform in wealth management. In giving full play to the wealth management in serving the real economy, improving financial services, increasing household incomes and preventing financial risks, Qingdao set up a wealth management comprehensive financial reform pilot zone, and positively explored improving wealth management institution system, cultivating professional talents, innovating wealth management products and services, and promoting the development of a multi-functional wealth management market, and etc.

X. A modern science and technology financial service system was set up in the city circle of Wuhan of Hubei, aiming at exploring science and technology related financial innovation. The reform focused on using financial services to facilitate natural resources conservation, building environment-friendly society and developing East Lake National Innovation Demonstration Zone. With science and technology related financial innovation as its theme, the reform aimed at achieving an effective connection between scientific and technological resources and financial resources, accelerating the formation of a diversified, multi-leveled, multi-channeled science and technology investment and financing system, and exploring replicable and usable new ways for deepening science and technology related financial reform and innovation to serve the real economy.

Aiming at using finance to serve the real economy, China's regional financial reforms have effectively mobilized the enthusiasm of all parties and generated the paradigm of combining "top-down" and "bottom-up" methods to promote the financial reform. Respecting market selection while considering national coordination are conducive to improve the relations between the government and the market. This is in line with the essential experience of China's economic system reform featured by pushing forward comprehensive reform with breakthroughs in key areas and integrating of departments and regions at different levels. Meanwhile, it has provided a platform of early tryout implementation of various financial reforms. ■

Steady Promoting the Pilot Program of Providing Loans Collateralized with the Management Right of Rural Contracted Land and the Property Right of Farmer's Housing

With the acceleration of the agricultural modernization and new-type urbanization, the rural areas are facing increasing demands for the mid- and long-term financing and funding in large amount, which urgently called for stepping up rural financial reform and innovation to expand the collateral and guarantee scopes including the management right of the contracted land and the property right of farmer's housing, so as to further revitalize existing rural resources and assets.

According to the overall arrangement of the Third Plenary Meeting of the 18th Central Committee, as well as *the Guiding Opinions of the State Council on the Pilot Program of Providing Loans Collateralized with the Management Right of Rural Contracted Land and Property Right of Farmers' Housing* (hereinafter referred to the *Guiding Opinions*), the PBC spearheaded the efforts to implement the pilot program with other 11 relevant government departments including the Central Rural Work Leading Group of the CPC. With the approval of the State Council and the authorization of the National Congress, a total number of 232 counties (cities and districts) were allowed to use the management rights over contracted lands as the collaterals for the bank loans and 59 counties (cities and districts) were allowed to use the farmer's housing property rights as the collaterals for the bank loans on a pilot basis. The number of counties (cities and districts) participating

the pilot programs amounted to 278, with 13 counties overlapping, accounting for 9.7 percent of the total counties nationwide.

According to the *Guiding Opinions*, the pilot program shall be conducted by observing the rules and regulations, in a voluntary, orderly and steady manner, and with risks under control. Tapping the usufruct right on rural lands and granting more property rights to farmers serve as a starting point to deepen rural financial reform and innovation, and effectively revitalize rural resources, funds and assets, in a way to bring experiences and models to steadily promote rural land reform, as well as increase farmers' income and accelerate rural modernization.

The major tasks of the pilot program covered the following 5 aspects. Firstly, the pilot program shall allow the management rights and the property rights to be used as collaterals for financing purposes. The usufruct right on rural lands will be maintained, utilized and developed, and the property right of the farmers' lands will be effectively tapped. Secondly, the pilot program shall promote the innovation in rural financial products and services. Innovative and supportive arrangements were encouraged in the lending rate, term structure, loan volume, collaterals and risk controls. Thirdly, the pilot program shall help to establish the collateral disposal mechanism, allowing the financial institutions to dispose the collaterals through various

measures on the basis of ensuring the contractual rights and the basic housing rights of the rural households. Fourthly, the pilot program shall be conducted with improved supporting measures, including establishing the registration and licensing system for the farmers' management rights over lands, housing property rights and

homestead use rights, and establishing the property trading system and rural credit registration system. Fifthly, the pilot program will be conducted in coordination with other relevant policies and arrangements, including the monetary policy, fiscal policy, regulatory policy, insurance and guarantee arrangements. ■

FINANCIAL MARKET



In 2015, financial market performed stably, as all reforms were pushed forward steadily. Financial products and market players were increasingly diversified, and market infrastructures were improved continuously with rapid progress made in reform and opening up. Financial market played an important role in meeting the financing needs of the real economy, lowering social financing costs, stabilizing growth, adjusting economic structure and promoting reforms. ■



Money market performance

Size of trading made a record high. The full-year trading on money market totaled 522 trillion yuan, rising 99 percent year on year. Among it, trading on interbank lending market stood at 64 trillion yuan, up 71 percent from a year earlier, that on pledged repo market surged 104 percent over the previous year to 432 trillion yuan, and that on outright repo market soared 111 percent over the previous year to 25 trillion yuan.

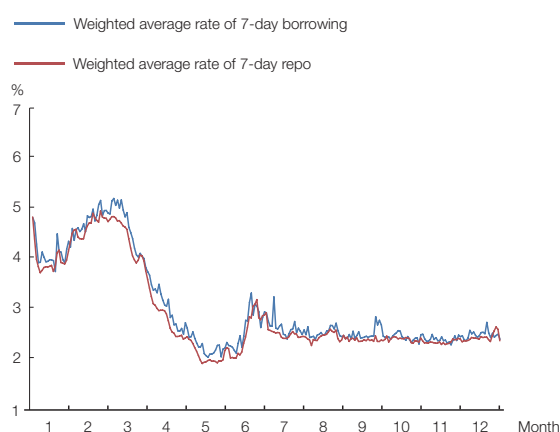
Trading showed a prominent feature of being short-termed. The full-year combined trading of overnight and 7-day money market products jumped 106 percent year on year,

accounting for 96 percent of the total in 2015, up 3 percentage points over the year 2014.

Liquidity remained at a reasonable and adequate level with the key interest rate dropped sharply. In December, the monthly weighted average interest rate on pledged repos was 1.95 percent, losing 154 basis points (bps) compared with the same period of 2014. Money market rates dropped after a rise during the year with the highest repo rate recorded on February 16, which was close to the Chinese Lunar New Year. The 7-day pledged repo rate climbed to 4.87 percent and then kept dropping to 1.88 percent on May 15, the lowest of the year (Figure 1).

Size of net lending by lenders increased, while borrowing institutions were more diversified. Policy banks and large commercial banks remained major lenders with a net lending of 112 trillion yuan and 106 trillion yuan respectively, accounting for over 90 percent of the total net lending on the market when combined. Urban commercial banks and securities firms were major borrowers, with a net borrowing of 51 trillion yuan and 42 trillion yuan respectively, comprising 24 percent and 20 percent of the total net borrowing.

Figure 1. Movement of Money Market Rates in 2015



Source: National Interbank Funding Center.

Bond market performance

Size of bond issuance and custody kept rising, but at a more considerable rate compared with 2014. During the year, total issues of RMB bonds on the bond market reached 22.34 trillion yuan, adding 87 percent year on year, up 55 percentage points over 2014 year. Among it, the issuance of government bonds was 1.99 trillion yuan, while that of local government bonds was 3.84 trillion yuan. Bonds issued by the China Development Bank (CDB), the Export-Import Bank of China (EximBank) and the Agricultural Development Bank of China (ADBC) hit 2.58 trillion yuan. Government sponsored agencies issued 240 billion yuan bonds, financial institutions including commercial banks issued 629.6 billion yuan financial bonds, and securities firms issued 351.6 billion yuan short-term financing bills. The issuance of credit asset-backed securities, interbank certificate of deposit and corporate debentures was 405.6 billion yuan, 5.30 trillion yuan and 7.01 trillion yuan respectively (Figure 2). As of the year

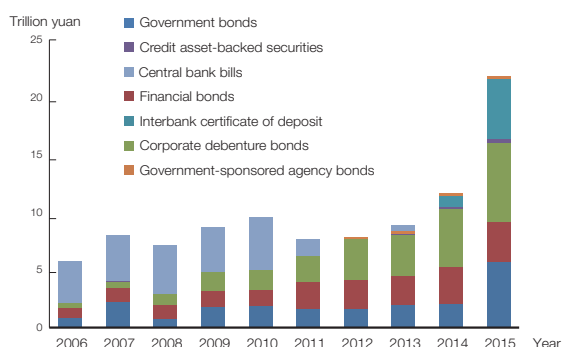
end, outstanding bond custody went up 35 percent over a year earlier to 47.90 trillion yuan, up 6 percentage points compared with the growth of the previous year. In particular, outstanding bond custody on the interbank market posted 43.93 trillion yuan, representing 92 percent of the total.

The share of cumulative net financing through issuance of corporate debentures in social financing continued to rise. The full-year cumulative net financing through corporate debentures stood at 2.82 trillion yuan, accounting for 19 percent of the total social financing in 2015, adding 4 percentage points compared with 2014.

Credit asset securitization grew rapidly. As of the year-end, financial institutions issued a total of 198 credit asset-backed securities, with a cumulative value of 782.5 billion yuan and an outstanding value of 531.1 billion yuan. Among it, 104 credit asset-backed securities were issued in 2015 with a total value of 398.7 billion yuan, a year-on-year increase of 123.7 billion yuan.

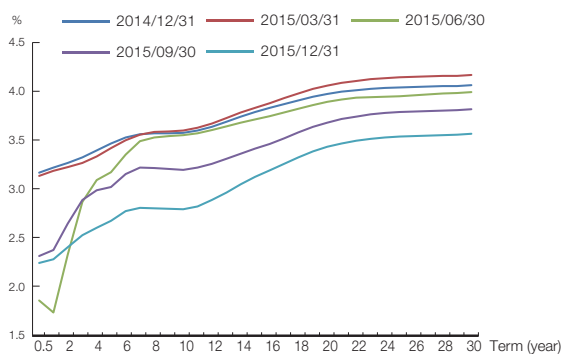
Trading was more active. Spot bond trade on the interbank bank posted 86.77 trillion yuan in 2015, with an average daily transaction of 351.3 billion yuan, surging 115 percent year on year. The monthly spot bond trade volume rose steadily from 4 trillion yuan in January to 11 trillion yuan in December, with an average monthly growth rate of 11 percent. Policy financial bonds, government bonds and medium-term notes were the top three performers in terms of the share in total trade.

Figure 2. Issuance of Major Types of Bonds on Interbank Bond Market in Recent Years



Sources: China Government Securities Depository Trust & Clearing Co. Ltd., and Shanghai Clearing House.

Figure 3. Movement of the Yield Curve of Government Bonds on Interbank Market in 2015



Source: China Government Securities Depository Trust & Clearing Co. Ltd..

The yield curve moved downwards sharply in general with a widening spread. As of the year-end, the yield of 1-year and 10-year government bonds was 2.30 percent and 2.82 percent respectively, down 96 and 80 bps compared with the end of last year. The spread between 10-year and 1-year government bonds was 52 bps, expanding by 16 bps compared with the end-2014 (Figure 3).

Over-the-counter trading increased as the multi-tiered market system was further improved. Bonds issued over the counter of commercial banks posted 2.6 billion yuan, including 97 million yuan of book-entry government bonds, 2.5 billion yuan of CDB financial bonds, and 22.33 million yuan of policy financial bonds. As of the year-end, outstanding bond custody on the over-the-counter market was about 3.2 billion yuan, including 1.6 billion yuan of book-entry government bonds, 1.5 billion yuan of CDB financial bonds, and 100 million yuan of EximBank financial bonds. The volume of trading over the counter was 10.93 billion yuan during the year, jumping 52 percent

compared with a year earlier. As of the year-end, the number of accounts opened over the commercial banks' counter was 2.5930 million, up 130.2 thousand over the previous year.

Investors on the interbank market were further diversified. During the year, eligible private equity investment funds, futures companies and their asset management products were introduced to the interbank bond market. As of end-2015, the number of participants in the interbank bond market was 9 642, a year-on-year increase of 3 180, or 49 percent. Among it, targeted client asset management schemes of fund companies and accounts opened for securities asset management at securities firms increased the most, with a total increase of 1 559 during the year.

RMB financial derivatives market performance

Interest rate swaps became more actively traded on the market. During the year, a total of 126 financial institutions participated in RMB interest rate swaps with 64.557 thousand deals sealed, advancing 50 percent over the previous year. The nominal value jumped 104 percent year on year to 8.230407 trillion yuan. In terms of term structure, 1-year products and those under 1 year were most actively traded with a total nominal value of 7.2420 trillion yuan, representing 88 percent of the total. In terms of reference rate, the reference rate for the floating end of RMB interest rate swaps mainly included 7-day repo fixing rate and Shibor. The nominal value of interest rate swaps with these two rates as the reference

accounted for 89 percent and 10 percent of the total.

Innovative products developed rapidly.

In April 2015, the China Interbank Funding Center and the Shanghai Clearing House jointly launched standardized bond forwards. The whole year saw 83 deals concluded with a cumulative value of 2 billion yuan. The trading volume of standard interest rate derivatives grew fast, as 994 deals were concluded throughout the year with a total nominal value of 501.4 billion yuan.

Foreign exchange market performance

Trading on the RMB foreign exchange market posted US\$17.76 trillion cumulatively in 2015 (with an average daily trading of US\$72.8 billion), climbing 39.25 percent over the previous year. In particular, transactions between banks and their clients, and those on interbank foreign exchange market¹ stood at US\$4.21 trillion and US\$13.55 trillion respectively.

Trading on spot foreign exchange market went up slightly. The cumulative full-year trading on spot foreign exchange market hit US\$8.26 trillion, adding 13.96 percent compared with 2014. In particular, spot foreign exchange purchases and sales at banks (excluding delivery of forward contracts) added up US\$3.40 trillion, rising 8.71 percent over 2014, while cumulative spot trade on interbank market stood at US\$4.86 trillion, advancing 17.93 percent over the previous year.

Trading of foreign exchange forwards continued to drop. The cumulative full-year trading of foreign exchange forwards stood at US\$494.96 billion, sliding 17.21 percent from a year earlier. In particular, forward foreign exchange purchases and sales between banks and their clients posted US\$457.761 billion cumulatively, with foreign exchange purchases from and sales to clients registering US\$131.791 billion and US\$325.969 billion respectively, sliding 16 percent and 56.14 percent, and increasing 33.35 percent respectively as compared with 2014. Cumulative trade of foreign exchange forwards on interbank market dropped 29.71 percent from 2014 to US\$37.2 billion.

Trading of foreign exchange and currency swaps increased substantially. The cumulative full-year trading of foreign exchange and currency swaps surged 82.40 percent over the previous year to US\$8.60 trillion. In particular, foreign exchange and currency swaps between banks and clients posted US\$242.694 billion cumulatively, up 11.68 percent over last year, while that on interbank market surged 85.81 percent over the previous year, hitting US\$8.36 trillion cumulatively.

Foreign exchange options were traded more actively. The cumulative full-year trade of foreign exchange options posted US\$404.665 billion, a year-on-year growth of 1.10 times. In particular, cumulative trading between banks and clients soared 84.16 percent year on year to US\$115.918 billion, while that on interbank market registered

¹ Trading between banks and their clients includes the total purchases from and sales to clients, while calculation of trading on interbank foreign exchange market was unilateral. The same below.

US\$288.757 billion cumulatively, a year-on-year growth of 1.22 times.

Gold market performance

Affected by multiple factors, including weakening risk aversion and falling commodity prices caused by strong expectations for interest rate hikes by the U.S. Federal Reserve Board, and an upbeat in the U.S. and major European stock markets, gold price moved downward during the year amid fluctuations, making a six-year low. At the year-end, AU9999 closed at 222.86 yuan per gram at the Shanghai Gold Exchange, losing 17.73 yuan per gram or 7.37 percent compared with the end of last year. Trading volume on the gold market increased sharply. Cumulative full-year trading volume on the Shanghai Gold Exchange reached 34.1 thousand tons, up 89.58 percent year on year, while that of gold futures on the Shanghai Futures Exchange went up 6.08 percent compared with a year earlier, posting 50.6 thousand tons.

Market institution building and policy measures

Market innovation was promoted vigorously. First, bonds issued by insurance companies to replenish capitals were introduced on the interbank bond market to expand capital replenishment channels for insurance companies so as to improve their solvency and capacity to fend off risks. Second, green financial bonds were introduced to provide new financing

channels for financial institutions to support green industrial projects via bond market, including environmental protection, energy conservation, clean energy, and clear transportation. This came as an effort to increase supply of green credit, medium and long-term green credit in particular. Third, forward transactions of standard bonds were launched. Centralized clearing of standard bond forwards and standard interest rate swaps, and net clearing of bond repos were introduced along with the set up of the clearing agency mechanism. Fourth, clearing of copper premium swaps in the free trade zone through the central counterparty (CCP), clearing of spot commodities in the free trade zone, and CCP clearing of RMB styrene swaps and ethylene glycol import swaps in the free trade zone were introduced. Fifth, gold price inquiry options were introduced, assets with market value were allowed to be used as margins, and attempts were made to steadily develop market making institutions on gold market.

Market institution building was improved.

First, the *Announcement of the People's Bank of China on Adjusting Administrative Policies Concerning Bond Transactions and Circulations on the Interbank Bond Market* was issued, which stipulated that bonds issued in line with laws could be traded and circulated on the interbank bond market after the establishment and registration of debtor-creditor relations. In the meantime, ex post management and that during the issuance of bonds were strengthened, and market transparency and orderliness were

also improved. Second, the *Administrative Measures for the Supervision of Money Market Funds* and its implementation rules were issued. Third, a circular was published to clearly spell out the specific operational procedures for discretionary separate issues of credit asset-backed securities after one-time registration. Information disclosure was improved to enhance market constraint and incentive mechanism. Credit asset-backed securities are more diversified and the scope of issuers and investors was expanded. Size of issuance was increased amid improved level of product standardization and liquidity on the secondary market. Fourth, the *Rules on the Registration and Issuance of Debt Financing Instruments* and the *Regulations and Procedures for Public Offering* were revised, which came as an effort to preliminarily develop a multi-tiered type-based registration and issuance management system. The *Detailed Rules on the Selection of Targeted Institutional Investors in the Private Placement of Debt Financing Instruments* was issued to introduce the mechanism of targeted institutional investors in the private placement of debt financing instruments. Fifth, standard foreign exchange swaps based on bilateral credit lines and automatic matching were introduced on the interbank foreign exchange market to increase market liquidity. Sixth, clearing of foreign exchange transactions through agents was introduced on the interbank foreign exchange market. Net clearing services were provided to small and medium-sized banks through developing

a tiered clearing system to lower the transaction cost of participating institutions. Seventh, the overall upper and lower limits in foreign exchange purchases and sales by national and market making commercial banks were expanded to facilitate banks' foreign exchange risk management, promote the development of foreign exchange derivatives market, and further unleash banks' capacity for providing foreign exchange liquidity to market.

Investors continued to diversify. First, the *Notice on Issues Concerning the Access to the Interbank Bond Market by Private Equity Investment Funds* was published, which allows eligible private equity funds to invest in the interbank bond market. Second, futures companies and their asset management products were granted access to the interbank bond market. Futures companies were required to, along with their assets management products, work with market makers or try to seal spot deals through bilateral quotes and quote requests.

Opening up was further promoted. First, overseas financial institutions and governments were allowed to issue RMB bonds on domestic market to further expand the scope of issuers on bond market so as to promote RMB cross-border use. Second, more domestic institutions were encouraged to issue RMB or foreign currency-denominated bonds on overseas market. Meanwhile, efforts were made to study and improve the management of bonds issued by domestic financial

institutions on overseas market. Third, the *Notice of the People's Bank of China on Bond Repo on the Interbank Bond Market by Overseas RMB Business Clearing Banks and Overseas Participating Banks* was issued to allow overseas clearing banks and participating banks to engage in bond repurchase agreements (repos) on interbank bond market. Fourth, the *Notice of the People's Bank of China on Issues Concerning RMB Investment in Interbank Market by Foreign Central Banks, International Financial Organizations and Sovereign Wealth Funds* was issued to allow these institutions to engage in transactions approved by the People's Bank of China on interbank market, including spot bond trade, bond repos, bond lending, and interest rate swaps. Fifth, foreign exchange trading session was extended. The daily operation hour of interbank foreign exchange trade system was extended to 23:30 Beijing time, effective on January 4, 2016 to promote

the consistency of RMB exchange rates at home and abroad. Sixth, eligible overseas banks participating in RMB purchases and sales were allowed to access interbank foreign exchange market in a bid to diversify participants in domestic foreign exchange market. Seventh, work was continued to promote the development of international board for gold. The Shanghai-Hongkong Gold Connect was launched in July 2015 to activate the connectivity between two major gold markets, one in the Chinese Mainland and the other in Hong Kong. International members were encouraged to engage in trading main board contracts to further optimize customs declaration procedures for gold import (entrepot) trade so as to provide qualified delivery, storage and transportation services that meet international standards for international members and clients. As of the year-end, cumulative trading of gold on the international board was 4 800 tons, with a value of 1.13 trillion yuan. ■

Opening up of China's Bond Market

Column

In line with the overall arrangement of the Central Committee of the Communist Party of China (CPC) and the State Council on RMB internationalization and capital account convertibility, the PBC continued to accelerate the opening up of China's bond market with some progress made both in going global and inviting foreign investors.

On going global, first, domestic financial institutions were actively encouraged to issue RMB bonds in Hong Kong. In 2007, the PBC and the National Development and Reform Commission (NDRC) jointly issued the *Provisional Administrative Measures for RMB Bond Issuance by Domestic Financial Institutions in the Hong Kong Special Administrative Region*, which allows eligible domestic financial institutions to issue RMB bonds in Hong Kong. As of end-2015, 16 domestic financial institutions had issued 103.5 billion yuan RMB bonds in Hong Kong. Second, active support was given to eligible domestic financial institutions in issuing RMB or foreign currency-denominated bonds in other countries or regions. In 2013, approved by the State Council, the Industrial and Commercial Bank of China (ICBC), and the China Development Bank (CDB) issued a total of 4 billion yuan RMB bonds in London on a trial basis. In 2015, 7 domestic financial institutions including the CDB and the China Life Insurance Company were given the green light to issue RMB or foreign-currency denominated bonds on

off-shore market. Third, the PBC actively supported and coordinated with the Ministry of Finance (MOF) in implementing the requirement of the State Council to promote the issuance of central government bonds in Hong Kong. From 2009 to 2015, the MOF issued cumulatively 136 billion yuan RMB-denominated government bonds in Hong Kong.

On inviting foreign investors, first, the PBC steadily pushed forward bond issuance by overseas institutions on interbank bond market. In 2005, two international development agencies, the International Finance Corporation and Asian Development Bank, were the first to issue RMB bonds on interbank bond market. In 2013, Daimler AG issued 5 billion yuan RMB-denominated debt financing instruments. In 2015, the HSBC, the Bank of China (Hong Kong) Co. Ltd. and Standard Chartered Bank (Hong Kong) Limited were allowed to issue a total of 3 billion yuan RMB bonds on interbank bond market. Canadian Province of British Columbia and Republic of Korea registered the issuance of RMB bonds of 9 billion yuan. As of end-2015, overseas issuers on bond market included overseas non-financial enterprises, financial institutions, international development agencies and foreign governments with a total issuance of 15.5 billion yuan. Second, more and more overseas institutions were allowed to invest in interbank bond market. The PBC has

allowed foreign central banks or monetary authorities, RMB clearing banks, overseas participating banks in RMB settlement for cross-border trade, sovereign wealth funds, international financial institutions, insurance institutions from Hong Kong, Taiwan and Singapore, qualified foreign institutional investors (QFII) and RMB qualified foreign institutional investors (RQFII) to invest in interbank bond market since 2010. In June 2015, overseas RMB clearing banks and participating banks were allowed to engage in bond repos on interbank bond market. In July, more preferential policies were rolled out for foreign central banks and similar

institutions to invest in interbank market, including streamlining access procedures, lifting the investment quota ceiling, and expanding the scope of investment. As of end-2015, a total of 292 overseas institutions invested in interbank bond market with an aggregate investment quota of 1.98 trillion yuan; the number of overseas RQFII pilot countries and regions was increased to 16 from 10 at the end of the previous year; 156 QFIIs were given a total investment quota of 444.3 billion yuan; The outstanding balance of domestically issued RMB bonds held by overseas institutions amounted to 751.706 billion yuan. ■

Green Financial Bonds Introduced to Interbank Bond Market

Column

To implement the *Overall Plan for Institutional Reform of Ecological Civilization* and the requirement of the Fifth Plenary Session of the 18th Central Committee of the CPC, speed up economic restructuring and upgrading as well as transformation of economic growth pattern, and achieve green development, circular development and low-carbon development, the PBC issued a notice in December 2015 to introduce green financial bonds to interbank market. This effort would provide debt financing channels to financial institutions that look for financing to support green industries. All types of investors were encouraged to increase green investment and fulfill social responsibilities. Efforts were also made to increase China's voice in international green financial market.

Green financial bonds are special bonds issued to raise funds specifically for financing green industrial projects. In recent years, they have become a type of debt instruments commonly used around the globe to finance green industries. To promote the development of green financial bond market in China, the PBC adopted an approach that combines government guidance with market constraints to guide and regulate green financial bonds from such aspects as definition of green industrial projects, use of funds raised, fund management before bonds fall due, information disclosure, and the assessment or certification of independent agencies. In the mean time, it clearly spelt out preferential policies for encouraging issuance of green financial bonds.

First, it stressed that funds raised could only be used for supporting green industrial projects. Issuers could screen projects according to the *Catalogue of Projects Supported by Green Bonds* attached to the notice. They could also refer to other criteria for defining green projects.

Second, clear regulations were set down for the management of funds raised before bonds fall due. Issuers are required to invest funds raised in green industrial projects according to their planned use of funds as soon as possible. To ensure flow of funds could be tracked, issuers are required to open special accounts or have a standing book. In addition, to reduce the cost of issuers, they are allowed to invest idle funds in highly liquid money market instruments with high credit ratings and green bonds issued by non-financial enterprises.

Third, requirements on information disclosure were stricter. Market constrains were given full play. Information disclosure requirements were higher for green financial bonds compared with plain financial bonds. Issuers are required to fully disclose in prospectus the type of green industrial projects to be invested in, project screening criteria, project decision-making process, objectives for environmental efficacy, and planned use and management regime for funds raised through bond issuance. Besides, they are also required to regularly

make public the use of funds raised during the period prior to the maturity of bonds.

Fourth, independent assessment or certification agencies were introduced. Issuers were encouraged to hire independent agencies to assess and certify their green financial bonds. Certified accountants were asked to produce special audit report on the use of funds raised. Specialized agencies were encouraged to conduct ongoing follow-up assessment of the green industrial projects supported by green financial bonds and their environmental efficacy. Assessment and certification opinions along with special audit reports by third parties should be disclosed to the market in time.

As an important example of product innovation on debt capital market, green financial bonds provide a new channel and a new option for expanding the source of funds for green projects. As of end-January 2016, the PBC approved the application by the Shanghai Pudong Development Bank, the Industrial Bank, and Bank of Qingdao to issue green financial bonds with a total volume of 108 billion yuan. Next, the PBC will actively expand the issuing size of green financial bonds and cut the financing cost of green financial bonds to further allow it to play an effective role in expediting the development of green finance in China and shifting the economy to a green and low-carbon pattern. ■

RMB INTERNATIONALIZATION



In 2015, the PBC pushed forward the RMB internationalization drive in an active and steady manner with the objective of enhancing the role of financial sector in serving the real economy. The policy framework for cross-border use of RMB was optimized continuously, the infrastructures for the international use of RMB was further improved, the international cooperation on the use of RMB achieved notable progress, and the volume of international use of RMB increased steadily. The RMB internationalization played a positive role in serving the real economy as well as in facilitating and promoting cross-border trade and investment. ■



International use of RMB was on a steady rise

On November 30, the Executive Board of the International Monetary Fund (IMF) decided to include the RMB in the Special Drawing Rights (SDR) currency basket, marking a milestone in the process of RMB internationalization. According to the latest statistics by the SWIFT, the RMB is the world's third largest currency in trade finance and the fifth most actively-traded currency on the foreign exchange market. As of the year-end, the RMB remained as the world's fifth largest payment currency, with a market share of 2.31 percent.

The RMB ranked the second in China's cross-border receipts and payments. The cross-border RMB receipts and payments totaled 12.1 trillion yuan in 2015, marking a year-on-year increase of 22 percent, accounting for 28.7 percent of the total cross-border receipts and payments, up by 5 percentage points over 2014. The RMB has ranked as the second largest currency in China's cross-border receipts and payments for five years in a row. During the year, the cross-border RMB receipts posted 6.19 trillion yuan in real terms, while RMB payments in real terms stood at

5.92 trillion yuan, resulting in a net inflow of 271.46 billion yuan, and the ratio of receipts to payments was 1:0.96. In 2015, the RMB settlement under current account increased 10 percent year on year to 7.23 trillion yuan, while that under capital account surged 43 percent from a year earlier to 4.87 trillion yuan. As of the year-end 2015, 170 thousand domestic enterprises had used the RMB as a settlement currency, banks from 124 foreign jurisdictions opened 2 843 RMB nostro accounts in China, while enterprises from 138 foreign jurisdictions opened about 27.5 thousand RMB non-resident accounts in China.

The RMB cross-border financial transactions proceeded in an orderly fashion.

As of the year-end 2015, a total of 292 overseas institutions gained the access to China's interbank bond market, with a total approved quota of 1.98 trillion yuan. Overseas RQFII pilot jurisdictions expanded to 16 from 10 at the end of 2014. 156 qualified foreign institutions were granted a total investment quota of 444.3 billion yuan. 15 institutions started to invest in overseas market through RQDII scheme, which opened a total of 115 RQDII accounts and remitted out of China a cumulative amount of 93.89 billion yuan in RMB fund. As of the

year-end, domestic RMB financial assets held by overseas institutions and individuals totaled 3.74 trillion yuan. In particular, outstanding domestic RMB stocks and bonds held by overseas institutions stood at 598.672 billion yuan and 751.706 billion yuan respectively. The number of foreign central banks (or monetary authorities) holding RMB-denominated reserve assets continued to increase. By the end of the year, approximately 50 foreign central banks or monetary authorities have held RMB financial assets in China and included them in foreign exchange reserves.

Policy framework was further optimized for cross-border RMB business

Favorable policy arrangements were laid out to further facilitate multinationals in conducting two-way cross-border RMB fund pooling activities. In September, the PBC issued the *Notice on Further Facilitating the Two-way Cross-border RMB Cash Pooling Business for Multinationals* to lower the threshold of business hours and operating revenues for the application by multinationals to conduct two-way cross-border RMB fund pooling activities, raise macro-prudential policy coefficient for the ceiling of net inflows of RMB funds, and relax restrictions on net fund inflows. This provided more convenience and room for multinationals to mobilize funds within and outside China.

Pilot programs of cross-border RMB business innovation were carried out in an active manner. During the year, the PBC actively supported the launch of pilot programs of cross-border RMB business innovation in different locations under the principles of being macro-prudential, easily replicable and widely applicable. Cross-border RMB business, including other

personal transactions under current account, overseas borrowing by enterprises, and equity investment funds, were launched in 15 pilot locations including Yiwu, Kunshan, Qianhai, Zhengzhou, Shanghai and Yunnan, which covered both coastal and border areas as well as the hinterland. Such a wide geographic coverage played a better experimenting role in promoting cross-border RMB business innovation.

Channels for cross-border RMB financial transactions were expanded in an orderly way. To further promote the orderly opening up of domestic financial market, the PBC issued in June the *Notice on Bond Repo by Overseas RMB Clearing Banks and Overseas Participating Banks on Interbank Bond Market*, which clearly stipulated that clearing banks and participating banks that are allowed to access the interbank bond market could engage in bond repos, including pledged and outright repos. In July, the PBC published the *Notice on Issues Concerning the RMB Investment of RMB in the Interbank Market by Foreign Central Banks, International Financial Organizations and Sovereign Wealth Funds*. The Notice stipulates that foreign central banks, international financial organizations and sovereign wealth funds conducting RMB investment in the interbank market should file for such business conduct, while they may engage in a wide scope of activities including spot bond trade, bond repos, bond lending, forwards, interest rate swaps and forward rate agreements, and they may decide on investment volume at their own discretion. On July 20, the PBC issued an announcement, stipulating that domestic crude oil futures would be priced and settled in RMB, and the trading be opened to overseas traders and brokers. This move marked a major progress in the opening up

of China's futures market. On September 30, the PBC issued another announcement, granting overseas central banks or similar institutions access to interbank foreign exchange market, which helped improve the level of openness and depth of domestic financial market, diversify investors in domestic capital market, and lay a more solid foundation for RMB internationalization.

Infrastructures for RMB internationalization were further improved

With the launch of the Cross-border Interbank Payment System (CIPS) (Phase I) on October 8, the RMB cross-border clearing and settlement system witnessed new breakthroughs in operation hour and clearing path. Such significant progress in cross-border payment and clearing arrangements under China's payment system would help boost the efficiency of cross-border RMB settlement and promote the use of RMB across the world. The CIPS (Phase I) processes two types of business through real-time gross settlement, namely, clients' transfers and financial institutions' transfers. It supports the settlement of cross-border goods and service trade, cross-border direct investment, cross-border financing and cross-border personal remittances. The operation hour covers major time zones for RMB business, including Europe, Asia, Africa, and Oceania. As of the year-end, participants in the CIPS included 19 direct participants and 185 indirect participants, covering 50 jurisdictions on six continents.

International cooperation on RMB yielded positive results

Overseas RMB clearing arrangements were further expanded. To support off-shore

RMB business development, the PBC signed with central banks from Switzerland, Chile, Hungary, South Africa, Argentina, Zambia, and the United Arab Emirates (UAE) a memorandum of cooperation on establishing RMB clearing arrangements in these countries in 2015. It designated the RMB clearing bank in Malaysia, Thailand, Chile, Hungary, South Africa, Argentina, Zambia and Switzerland. As of the year-end, the PBC had established RMB clearing arrangements in 20 jurisdictions, covering Southeast Asia, Western Europe, Central Europe, the Middle East, North America, South America, Oceania and Africa. RMB clearing volume through overseas clearing banks reached 312.09 trillion yuan cumulatively in 2015, including 35.6 trillion yuan in clearing for clients and 276.49 trillion yuan in interbank clearing.

Bilateral currency cooperation was further deepened. In 2015, the PBC signed the bilateral local currency swap agreements successively with five central banks, namely, central banks from Surinam, Armenia, South Africa, Chile and Tajikistan, with a total size of 57 billion yuan. It renewed the bilateral local currency swap agreements with 7 central banks, namely, central banks from Australia, Malaysia, Belarus, Ukraine, the United Kingdom, Turkey and the UAE, with the renewed swap size of 799 billion yuan. As of the year-end, the PBC had signed the bilateral local currency swap agreements with central banks or monetary authorities from 33 jurisdictions, with the total size of agreements exceeding 3.3 trillion yuan, which had played a positive role in facilitating bilateral trade and investment and safeguarding regional financial stability. ■

Steadily Achieving RMB Capital Account Convertibility

On October 29, 2015, the Fifth Plenary Session of the 18th CPC Central Committee passed the *Recommendations for the 13th Five-Year Plan for Economic and Social Development*, putting forward the task of achieving the RMB capital account convertibility in an orderly fashion, as well as promoting the inclusion of RMB in the Special Drawing Rights (SDR), making the RMB a convertible and freely used currency. The PBC adhered to implementing this policy guidance, and steadily promoted the international use of the RMB. With the consistent efforts in recent years, the RMB internationalization has witnessed positive progress, as the convertibility and free use of the currency have been continuously enhanced. On November 30, 2015, the International Monetary Fund (IMF) decided to include the RMB in the basket of SDR reserve currencies, marking a milestone in the process of the RMB internationalization. This signified the international community's recognition of China's economic development as well as the reform and opening up achievements, especially of the RMB internationalization.

The inclusion of the RMB in the SDR will bolster foreign investors' confidence in the RMB and boost their willingness to hold RMB assets as the domestic financial market continues to liberalize and RMB financial products on the international financial market continue to enrich. China will continue to deepen financial reforms towards the established objective, enhancing the openness of financial markets including

bond market and stock market, supporting the healthy development of the offshore RMB market, further improving the convertibility and free use of the RMB, and steadily promoting the convertibility of the RMB under capital account. Going forward, the major tasks are laid out as follows. (1) Facilitate the individual investment in the domestic and overseas market, roll out the pilot scheme of Qualified Domestic Institutional Investor (QDII2) when appropriate, and further improve the liberalization and convenience for domestic residents investing overseas and foreign investors investing in China's financial markets. (2) Promote the two-way opening up of the capital market, allow eligible well-performing foreign companies to go listed on the domestic equity market, and study the feasibility of introducing the Convertible Depository Receipts (CDR), and expand the openness of the bond market. (3) Review and revise the related rules and regulations, incorporate the convertibility under capital account into the legal framework, and establish internationally-accommodative accounting standards, regulatory standards and other laws and regulations to fit with the internationalization of the financial market. (4) Study and establish an all-around, multi-tiered policy framework for overseeing cross-border capital flows, set up the account system which integrates domestic and foreign currencies, strengthen the data monitoring and analysis of cross-border fund flows of the domestic and foreign currencies, and improve the effectiveness of the risk warning and control system. ■

FOREIGN EXCHANGE ADMINISTRATION



In 2015, the PBC continued to deepen the reforms of foreign exchange administration, with the administration approach shifting from emphasizing on application approval to emphasizing on monitoring and analysis, from emphasizing on ex-ante supervision to emphasizing on ex-post management, from emphasizing on market behavior management to emphasizing on institution-based management, from “presumption of guilt” to “presumption of innocence”, and from the “positive list” management to the “negative list” management. In line with these shifts of emphasis, the State Administration of Foreign Exchange (SAFE) accelerated the process of streamlining the administration procedures, delegating authority and transforming its government functions, thereby promoting in an orderly manner capital account convertibility, improving the monitoring, early warning, in-the-course and ex-post management of cross-border capital flows, and further strengthening the roles of foreign exchange administration in serving the economic structure adjustment, transformation and upgrading. ■



Efforts were made to further streamline the administration, delegate authority and thereby facilitate convenient trade and investment

Firstly, SAFE improved the pilot program of allowing multinational corporations to conduct centralized management and operations of their foreign exchange funds. The requirements were simplified pertaining to account opening, capital funds receipt and payment as well as use of funds, which helped reduce the corporations’ financial cost. Secondly, the SAFE expanded nationwide the pilot program of allowing payment institutions to conduct cross-border foreign exchange payment business. The requirements were standardized pertaining to the related business application and management, account management, information collection, as well as business supervision and verification. Thirdly, the SAFE modified the policies for administration of the franchised business concerning domestic and foreign currency exchange for individuals. The

pilot program was carried out on cross-border transport of foreign currency banknotes, which aimed at further facilitating convenient local and foreign currency exchange. Fourthly, the SAFE steadily promoted foreign exchange administration pilot programs in the free trade zones. Specifically, facilitation measures were taken in the free trade zones (FTZ) of Shanghai, Tianjin, Guangdong and Fujian, including, among others, allowing foreign invested enterprises registered in the FTZ to make foreign exchange capital account settlements at their own discretion, and allowing Class A enterprises to directly book into accounts the foreign exchange proceeds from trade in goods.

Efforts were made to promote RMB capital account convertibility in an orderly manner

Firstly, the pilot program on macro-prudential management of external borrowings was conducted in the three special economic

zones such as Beijing Zhongguancun, allowing enterprises in the zones to borrow an amount of foreign debts which are certain times of their net assets. Secondly, the convertibility was basically achieved for direct investment purpose. Annual inspections on the foreign-funded enterprises and overseas re-investment filing were canceled. The pilot program on voluntary settlement of foreign exchange capital funds by foreign-funded enterprises was rolled out nationwide. Thirdly, the scheme of mutual recognition of funds between mainland China and Hong Kong SAR was officially launched. The Operational Guidelines for Management of the Cross-border Offering and Distribution of Securities Investment Funds in Mainland China and Hong Kong SAR was published. A quota for the mutual recognition scheme was set at RMB300 billion for in and out flows of funds each way, while the quota limits on individual fund management institution or product were abolished. Fourthly, the domestic commodities futures market was further opened. The currency conversion quota and registration requirements were abolished for foreign investors' participation in the domestic crude oil futures market except for the declaration duty.

Efforts were made to improve the statistics and monitoring systems of cross-border capital flows

First was to subscribe to the International Monetary Fund (IMF)'s Special Data Dissemination Standard (SDDS), join the Coordinated Portfolio Investment Survey (CPI) of the IMF and international banking statistics reporting of Bank for International Settlements (BIS). Second was to fully implement *Balance of*

Payments and International Investment Position Manual Sixth Edition (BPM6). The balance of payments and international investment position sheets were compiled and published in accordance with the new international statistical standards. Third was to improve the monitoring and analysis of cross-border capital flows. Modules such as data sharing, abnormality monitoring and activities in free trade zones were newly added to provide technical support for daily monitoring and analysis.

Efforts were made to enhance the capacity of cross-border capital flows monitoring and analysis as well as risk mitigation

First was to improve in-the-course and ex-post management. The SAFE stepped up the efforts to enhance monitoring and management of the cross-border capital flows, raise the requirements on the review and verification of the authenticity and compliance of the banks' business activities, and resort to enhanced examination and inspections to contain the cross-border foreign exchange speculation and arbitrage. Second was to strengthen the management of the cross-border usage of bank cards. The SAFE imposed an annual limit on the amount of cash drawn abroad from bank cards, and standardized the scope of bank card usage. Third was to crack down on various kinds of non-compliance or illegal activities related with foreign exchange. Throughout the year, the SAFE investigated and dealt with more than 2 000 non-compliance cases, and collaborated with the public security forces to combat more than 60 cases of underground markets and illegal sales of foreign exchange. ■

FINANCIAL ACCOUNTING

The PBC pushed forward financial accounting transformation serving PBC key mandates like macro-prudential management and monetary policy implementation

The PBC studied a series of issues such as the PBC balance sheet historical records and future trends and the replacement of business tax with value-added tax in financial sector. With focus on financial accounting standards reform, the PBC made research on government comprehensive financial accounting reporting system reform and applicability of government financial accounting standards on the PBC. In addition, research was finished on G20 central bank financial accounting research to explore the construction of the PBC financial accounting risk management system. Other research topics included emerging economies central bank balance sheet management, and major economies central bank financial performance.

The PBC drew up a series of accounting bases related to foreign exchange forwards, complementary exchange rate risk sharing option, domestic currency swap lending facilities, and exchange rate risk reserves. Based on pilot programs in deposit indicators adjustment and local state treasury cash management, the PBC improved accounting management on depository financial institutions reserves.

Remarkable progress was made in financial accounting informationization. The

financial accounting integrated business system (1.0) was put into operation, with production of balance sheet on a daily basis and central bank financial accounting standard transformation. The financial accounting integrated business system (2.0) was in the process of development with the aim of integrating existing financial accounting information systems.

The PBC strictly carried out financial rules and regulations to improve financial governance

The PBC continuously implemented The Eight Rules of Political Bureau of the Central Committee, strengthened public activities and expenditure by issuing a set of regulations on party and government offices meeting designated management, expenditure management on international conference in China, and central and government offices travel accommodation standards. To deal with problems found in internal auditing and inspection tour, the PBC took strict corrective measures and specified internal management responsibility. In 2015, expenditures on receptions, vehicles and overseas trips, known as the three public consumptions in the PBC declined by 22 percent y-o-y.

The PBC vigorously pushed forward earmarked governance and reform by finishing office premises clean rectification on time and strictly carried out regulations of the central government on ceasing new

government building projects. In branch level, the PBC deepened reform on public vehicles to clarify objectives, principles and requirement on public vehicles governance.

The PBC intensified financial accounting standardization and scientific management to enhance capability of serving central government mandates

The PBC launched three-year rolling budgeting in light of the *Decision of the State Council on Deepening Budget Management Regime Reform*. The PBC strengthened budget performance monitor to guard against credit spending, budget flush on year end, and fabricated expenditure. By expanding budget performance assessment application, project funds included into management by objectives increased into 44 percent of total budget. To continuously propel standardization system construction, the PBC drew up guiding standards for branch level personnel expenditure, and tried to make safety expenditure quota standards. The PBC Collective Purchases and Quota Standard (2015-2016) was issued to intensify requirement on new purchases and purchase information disclosure. In addition, the PBC advanced fixed asset standardization construction and finished software asset inventory registration.

To further improve management on affiliates, the PBC released an array of rules and regulations such as the *Guiding Opinions on Strengthening Management on the PBC*

Affiliates, the Interim Measures of the PBC Currency Printing Affiliates on Performance Evaluation, and the Interim Measures of the PBC on Affiliates Performance Evaluation. The PBC affiliates management regime was rationalized step by step with clarified management requirement and inspire inspiring motivated mechanism. Furthermore, the PBC reinforced management on affiliates budget and major projects, and accomplished special tasks such as state-owned asset property registration, survey on enterprises under the PBC branches and affiliates.

During the special education program of the three guidelines for ethical behavior and the three basic rules of conduct, the PBC set up grassroot liaison station system to conduct field survey and inspection in branches and affiliates with the aim of allocating more financial resources to branches based on the major problems and difficulties in branches. In addition, the PBC drew three-five year plan for municipal-level branches major maintenance project and county-level branches repair and renovation project database with a rolling management pattern. The county-level branches repair and renovation fund allocation principle was established with priority to county-level branches in early-liberated, minority nationality, border, poor and disaster-stricken areas for repair and renovation. To deal with nature disaster, special arrangements for disaster relief funds was made to help disaster-stricken branches. ■

PAYMENT SYSTEM

Continuous advancement of payment system construction

In 2015, the State Council issued the *Decisions on Access Management of Institutions Conducting Bank Card Clearing Business*, making an institutional arrangement for an all-round opening-up of the bankcard clearing market. The PBC formulated the *Administrative Measures for Online Payment Business of Non-bank Payment Institutions*, putting into operation classified supervision and real-name system of payment accounts, in a bid to regulate the online payment business. The *Notice on Strengthening the Management of Outsourcing Bank Card Acquiring Business* was issued in an attempt to reinforce the management and risk-prevention of outsourcing business. The *Notice on Improving Personal Bank Account Services and Strengthening Bank Account Management* was released, aiming at setting up a classified management system of bank accounts, regulating the agent opening of personal bank accounts and improving bank account services. A number of documents including the *Provisional Measures on the Operation of RMB Cross-border Interbank Payment System* and the *Provisional Measures for Supervising and Regulating Agencies Operating the RMB Cross-border Interbank Payment System* were issued to enhance the regulation on the participants

and operators of the payment system. The PBC also issued the *Measures Supervising and Regulating Participants in the Payment System of the People's Bank of China*, stepping up the regulation on the system's participants. The *Emergency Response Plan of the Payment and Clearing System Crisis* was revised so as to prop up the system's emergency response capabilities.

Payment and market infrastructure improved with various payment systems¹ operating smoothly

The 2nd generation of China National Advanced Payment System (CNAPS2) witnessed nationwide popularization. Incorporated banking institutions were entitled to “one-stop” clearing services through the payment system and hence the payment and clearing efficiency of the system was further boosted. Comprehensive front subsystem of the centralized central bank accounting data system concluded its online promotion campaign as scheduled in 23 provinces (municipalities), including Beijing, Shanghai and Shandong. The RMB Cross-border Interbank Payment System (CIPS) Phase I was officially put into operation, further consolidating the existing RMB cross-border payment and settlement channel and resource.

1. Including High Value Payment System, Bulk Electronic Payment System, Internet Banking Payment System, Inter-city Bill Clearing System, China Domestic Foreign Currency Payment System and National Cheque Image Clearing System.

Payment systems of all kinds enjoyed secure and stable operation. Payment systems processed a total of 46.948 billion transactions during the year with a trading volume of 4 383.16 trillion yuan, a year on year increase of 53.74 percent and 29.34 percent respectively. The trading volume and value of the payment system of the PBC stood at 5.996 billion transactions and 3 135.25 trillion yuan, 43.31 percent and 27.67 percent more as compared with the previous year respectively. In particular, interbank clearing system of online payment witnessed fast growth, processing 2.966 billion transactions with a value of 27.76 trillion yuan, a year on year increase of 80.92 percent and 56.03 percent respectively. The trading volume of China UnionPay, urban commercial bank fund clearing center and the clearing center for rural credit unions, cooperatives and banks continued to expand. The CIPS witnessed stable performance. Specifically, the interbank clearing system of China UnionPay processed 49.28 trillion yuan worth of 20.668 billion transactions, a year on year increase of 75.01 percent and 46.62 percent respectively.

Regulated non-cash payment

Non-cash payment instruments enjoyed growing popularity. A payment instrument system, centered on bills and bankcards, was set up, with the online payment and mobile payment as the supplement. The establishment of the payment system effectively cut the circulation of cash and bolstered the payment efficiency. In 2015, the nationwide non-cash payment business

reached 94.322 billion deals with a trading value of 3 448.85 trillion yuan. First, efforts were made to further regulate the development of commercial draft business and boost the popularization of electronic commercial drafts. Second, the number of bankcards issued nationwide hit 5.442 billion, a year on year increase of 10.25 percent. The penetration rate of bankcards recorded 47.96 percent in 2015, up 0.26 percentage points as compared with the year earlier. Credit card business witnessed continuous growth, with a cumulative credit line of 7.08 trillion yuan and an outstanding balance of 3.09 trillion yuan, a year on year increase of 26.43 percent and 32.05 percent respectively. Third, electronic payment maintained growth momentum and mobile payment enjoyed fast expansion. In 2015, banking institutions processed 36.371 billion transactions of online payment and the trading value accumulated to 2 018.20 trillion yuan, a year on year increase of 27.29 percent and 46.67 percent respectively. A total of 298 million telephone payment transactions took place with a cumulative trading value of 14.99 trillion yuan, 27.35 percent and 148.18 percent higher as compared with 2014 respectively. 13.837 billion mobile payment transactions were made during the year with the trading value hitting 108.22 trillion yuan, up 205.86 percent and 379.06 percent over the previous year. As for non-bank payment institutions, the online payment transactions numbered 82.145 billion with a total trading value 49.48 trillion yuan, a year on year increase of 119.51 percent and 100.16 percent respectively.

Supervision on the payment service market strengthened further

First, strict regulations were imposed on the market entrance and exit of non-banking payment institutions. Close attention was paid to the development of the payment service market. The renewal plan of the *Authorization Certificate of Payment Services* was made so as to prudentially implement business entrance and set up a market exit mechanism as well. Risk treatment of problem institutions was reinforced. The payment business authorization certificates of two institutions seriously violating the relevant regulations were revoked. Second, efforts were made to construct a nationwide offsite supervisory system of non-bank payment institutions in a bid to make possible the dynamic monitoring, data statistics and analysis as well as joint supervision of branches and sub-branches regarding the reserve funds of payment institutions' clients. Third, onsite inspections on non-banking payment institutions were conducted across the country with priority attached to the management of clients' funds. Fourth, the index system of risk assessment of banking institutions and non-banking payment institutions was established and relevant implementation measures were also drafted. Fifth, the PBC, in collaboration with the Ministry of Industry and Information Technology, the Ministry of Public Security and three other ministries, issued the *Notice of the People's Bank of China on Designated Campaign Against Illegal Online Sales of Bank Cards*, kicking off a joint work mechanism aimed at cracking down on the

illegal sales of bankcards on the Internet. Sixth, preparations were made to take over the clearing centers of urban commercial banks and rural commercial banks, credit unions and credit cooperatives.

Continuous improvement of payment service environment in rural areas

The payment service environment in rural areas witnessed continuous improvement with financial inclusion making headways. First, measures were taken to implement the *Several Opinions of the General Office of the State Council on the Development of Financial Services for the Agriculture, the Farmers and the Rural Areas* and the *Guiding Opinions of the People's Bank of China on Further Improving the Environment for Payment Services in Rural Areas*. Stepped-up efforts were also made to support the development of rural areas, advance the construction of a payment system that provided preferential policies for the development of rural areas and facilitated the interbank agro-linked deposit withdrawal. Second, efforts were made to promote the use of non-cash payment instruments in rural areas in line with the conditions in rural areas. Investigations were made to explore the possible development mechanism of payment services in rural areas. Regions with mature conditions were encouraged to launch pilot programs so as to form a business mode that could be copied and popularized in other regions. Third, risk management of payment services in rural areas was intensified. In terms of

the incident of payment service station embezzling the funds of rural residents in some regions, investigations were made promptly so as to rectify the malpractices and, in the meanwhile, risk tips were handed out. As of the year-end, a total of 3.32 billion personal and entity bank accounts had been opened with financial institutions in rural areas, and a total of 2.222 billion bankcards of all kinds was issued with 2.39 cards per person. Banking stands in rural areas amounted to 121.7 thousand, among which 115.5 thousand stands (95 percent) were connected with the interbank payment system of the PBC. There also established 997.5 thousand service stands for withdrawing money in rural areas, covering approximately 534.9 thousand (over 90 percent) villages. Over the year, 236 million agro-linked deposit withdrawals were made and the total value hit 101.686 billion yuan, a year on year increase of 50.32 percent and 105.84 percent respectively.

Deepening international exchange and cooperation in the area of payment system

First, the PBC kept updated with the latest development of the international payment system through the platforms of CPMI, EMEAP, SEACEN and ASEAN+3, etc. Efforts were also made to bring our domestic payment system in line with international rules and raise our voice in international payment and settlement system. Second, the PBC went to great lengths to implement the *Principles on Financial Market Infrastructure (The Principles)*. Self-assessment and regulatory assessment of financial market infrastructure as well as the international assessment of the implementation of *The Principles* on the domestic market came to an end. Third, the PBC took lead in recommending financial infrastructure as one of the topics of the G20 summit finance and economics channel, so as to meet the need for domestic development and international strategy deployment. ■

Cross-border Interbank Payment System (CIPS)

Column

In recent years, with the release of various policies of cross-border RMB business, the trading volume of cross-border RMB business witnessed continuous expansion. RMB has become China's second largest cross-border payment currency and the fifth largest payment currency worldwide. The ballooning demand for RMB cross-border payment and settlement asks for better financial infrastructure. At the beginning of 2012, in order to meet the demand for RMB cross-border use, further consolidate the existing RMB cross-border payment and settlement channel and resource and boost the efficiency of RMB cross-border payment and settlement, the PBC decided to construct RMB Cross-border Interbank Payment System (CIPS) so as to satisfy the requirements for RMB business development worldwide.

The CIPS was intended to be built in two phases. The first phase of the system focused on real-time gross settlement and provided service for commodities trade, service trade, cross-border direct investment, cross-border financing and cross-border personal remittance. The second phase adopted a hybrid settlement mode that economized on liquidity and supported the development of RMB cross-border and offshore business in a comprehensive manner.

On Oct. 8, 2015, the CIPS (Phase I) was successfully put into operation. Breakthroughs were made in the operating

hours and clearing paths of RMB cross-border clearing and settlement system. By the end of 2015, the system had enjoyed stable performance and processed accumulatively 86 703 transactions worth of 480.898 billion yuan. A total of 19 domestic institutions got direct access to the CIPS as the first batch of the system's participants and 185 institutions from Asia, Africa, Europe and Oceania got indirect access to the system.

The main characteristics of the CIPS (Phase I) are as follows: First, real-time gross settlement is adopted to handle the remittance business for both individual clients and financial institutions. Second, direct participants got one-point access to the system. Centralized clearing shortened the clearing path and boosted the clearing efficiency. Third, the system adopted the international ISO20022 message standard and unified Chinese corner code to support the transmission of both Chinese and English messages. The fields such as name, address and charges are revised to better suit the automatic handling of RMB business. The design of CPIS messages takes into consideration of the conversion of the existing SWIFT MT messages so as to facilitate the direct processing of cross-border transactions and bolster the future development of the business. Forth, the operation hours of the system covers the main time zones of Asia, Europe, Africa and Oceania. Fifth, domestic direct participants got access to the system through a dedicated line.

The PBC issued the *Provisional Measures on the Operation of RMB Cross-border Interbank Payment System*, stipulating the access requirement for system participants as well as the requirements for account management and business processing, which helped lay a solid institutional foundation for the stable operation of the system and nurture a fair market environment. At the same time, the PBC made a push to set up the Cross-border Interbank Payment Clearing (Shanghai) Co., Ltd and let it independently operate the CIPS. The company is under the supervision and management of the PBC.

The CIPS, as an important financial

infrastructure, complied with the international regulatory requirements such as *Principles on Financial Market Infrastructure*. The establishment of the system marks both a milestone in the infrastructure construction of China's financial market and important progresses that have been achieved in cross-border payment and clearing arrangements of China's payment system. The setup of the system will also raise the settlement efficiency of cross-border RMB business and support the development of real economy and international trade. Moreover, the CPIS will also robustly boost the global use of RMB and support the implementation of the strategies of "Going Global" and "One Belt and One Road" Initiative. ■

BANKNOTE ISSUANCE AND MANAGEMENT

Smooth issuance of 100-yuan RMB banknotes (2015 version)

Approved by the State Council, the PBC officially issued the 2015 version of 100-yuan RMB banknotes on Nov. 12, 2015. In order to insure the smooth issuance of new banknotes, the PBC set up a reporting system and an emergency response reserve system of cash supply. Efforts were also made to formulate and implement a supporting program. The cash processing equipment of banking institutions were tested and upgraded in a comprehensive manner while related personnel were trained. Moreover, manufacturers of commercial counterfeit cash detectors were also tested and upgraded. As of the year-end, all the sorting equipment and counterfeit cash detectors of the PBC and banking institutions (including regional financial institutions and third-party sorting organizations) had been upgraded and a total of 1.1 million cash business practitioners had been properly trained.

Successfully insuring cash supply

A comprehensive assessment system of cash supply was established. Stepped-up efforts were also made to improve the information collection system regarding cash revenue and expenditure as well as cash demand of banking institutions. Cash injections were made in line with market demand so as to boost the injection efficiency

of cash vault. Allocation of cash vault was made in a balanced manner and cash vault in transit were allocated by means of rolling-over. Coordination between banknotes issuance and printing was reinforced. The yearly cash injection stood at 295.7 billion yuan, a year on year increase of 74 percent. Cash injection during the peak holiday season between the New Year's Day and the Chinese Spring Festival witnessed a year on year growth of 6.4 percent while cash vault injection of banknotes and coins with a denomination of 10 yuan or smaller was 21 percent more than that of the previous year. Supply of small-denomination RMB banknotes remained ample during the year.

Actively promoting the reform of common commemorative coins issuance mechanism

First, efforts were made to boost the production capacity of common commemorative coins and increase their issuance volume. Second, transparency of the exchange work of common commemorative coins was strengthened. Ever since the issuance of common commemorative coins in honor of the 70th anniversary of the Victory of War Against Japanese Aggression and World Anti-fascist War in Sep. 2015, information regarding the allocation quantity, exchange quantity as well as remaining

quantity of common commemorative coins have been released to the public in a bid to enhance public supervision on the issuance mechanism. Third, issuance based on pre-orders was launched. The public could take pre-orders online or onsite and exchange commemorative coins as scheduled, which greatly cut the time needed for the public to line up at the exchange site. Forth, the allocation quantity of common commemorative coins was determined on the basis of assessment of demands in different regions. The reserved exchange period connects with the onsite issuance period, greatly enhancing the efficiency of the issuance work of common commemorative coins.

Improving the tidiness of currencies in circulation

Stepped-up efforts were made to draft the *Standards for RMB Banknotes Not Suitable for Circulation*. Progresses were made in formulating the plan for destructing damaged or mutilated banknotes by automatically linked sorting and destructing equipment. Indexes measuring the tidiness of RMB banknotes in circulation were publicized in an attempt to push forward the destructing work. For the year, the denomination of damaged or mutilated banknotes destructed witnessed a year on year increase of 11 percent. The coinization of small-denominated banknotes was advanced. The sorting threshold of

edge contamination indexes of the BPS-100 banknotes sorting equipment was enhanced. The procurement scope for domestically-made cash processing equipment was expanded. As of the year-end, 10 nationwide commercial banks had reached the goal of gross sorting of cash payment in advance, while other commercial banks had also reached their phrasal objective of gross sorting of various denominations of banknotes at their respective branches in provincial capital cities. In 2015, the index measuring the overall tidiness of banknotes in circulation posted 40.1 percent, a year on year growth of 6.3 percentage points, with that of small-denominated banknotes hitting 62.4 percent. Coinization of small-denominated banknotes contributed to 30.9 percentage points in the growth of the general tidiness of banknotes in circulation.

Reinforcing the supervision on cash businesses of banking institutions

Work was done regarding the quantitative assessment of cash payment and receipt businesses as well as the offsite inspection mechanism. Onsite inspections on cash businesses of banking institutions were made. A total of 25 991 branches of commercial banks had been inspected during the year. Strengthened efforts were also made to advance the work of anti-counterfeiting RMB banknotes. The inquiry system of serial numbers on banknotes made headways. As

of the year-end, the nationwide serial number inquiry system of the ATMs, CRSs as well as through the bank counters had been fundamentally established, settling 5 198 disputes regarding counterfeiting banknotes and defending the reputation of banking institutions in 5 181 cases.

Promoting the security management work

Reform of the security work was pushed forward and risk prevention of cash vaults was reinforced. Security management tasks were fulfilled of banknotes production, escort, cash vault as well as the focal departments of the whole banking system. Emergency response mechanism was in place in times of earthquakes and floods. Campaigns aimed at boosting the regulated operation of cash vaults were launched and training programs of cash vault staff were organized on a continuous basis. Preliminary results were harvested of replacing examination with investigation of the cash vaults. Self-inspection and selective examination of the PBC headquarters with regard to the destructing mechanism of damaged or mutilated banknotes were also made at the same time. Selective examinations of cash processing businesses were conducted, based on which institutions were urged to adopt rectification measures. Supervision and assessment were made of the threshold identification and compliance of cash sorting equipment. As of the year-end, escort centers had been set up in 23 provinces and regions including Xinjiang and Tibet, among which

18 centers had been officially unveiled. In July, 10 new railway escort carriages were put into operation. An expert team of security techniques and prevention work was formed with the mission of developing the security management system of the PBC, the latter of which had been successfully operated on a trial basis in a number of PBC branches. The formulation of security standards had been kicked off and 5 new standards in this regard came into being. Work had also been done to implement the anti-terrorism work deployed by the CPC Central Committee and the State Council, including strengthening the security work of the cash vaults and escorting cash funds in Xinjiang.

Advancing the anti-counterfeiting work

Stepped-up efforts were made to boost the research into anti-counterfeiting technologies as well as promote the international exchange of the technologies. Regular seminars on anti-counterfeiting technologies were held and so was an information sharing mechanism. In terms of the shrinking number of confiscated faked large-denominated banknotes and substantially growing number of faked banknotes that were confiscated of small to mid-denominations, themed research programs were conducted. The PBC, in collaboration with the Ministry of Public Security, successfully launched a special action cracking down on counterfeiting related crimes, cracking a total of 451 cases involving counterfeiting banknotes. 500 quick response stations of counterfeiting banknotes supervision had been set up

in regions with high incidence of cases related to banknotes forgery. Therefore, a nationwide dynamic supervision system had been preliminarily established. The *Reward Methods of Anti-counterfeiting Work of the PBC* and the *Guidelines on Anti-counterfeiting Work of Banking Institutions* were promulgated. The volume of faked banknotes confiscated witnessed a year on year decrease of 7.89 percent during the year.

Prospective study on digital currency achieved results

In line with the principle of economy, convenience and safety, research was made into the general framework of digital currency issuance, business operation system, issuance mode as well as the arrangement during the coexistence period of digital and paper-based currencies. Efforts were also made to investigate into the techniques and standards, legal and supporting environment, influence, international experience and assessment of digital currencies, which reaped phrasal results. ■

Common Commemorative Coins (Banknotes) Issued by the PBC in 2015

Issuing Date	Theme	Made of	Variety	Front Cover	Back Cover	Denomination (yuan)	Diameter (mm)	Issuing	Color
								Amount (10 thousand sets)	
Feb. 6	Common Commemorative Coins Celebrating the Chinese Lunar New Year 2015	Golden and Silver Brass Alloy	1	"The People's Bank of China", "10 yuan" and its phonetic transcription "SHI YUAN" and 2015	A little goat with traditional decoration against the background of palace lantern and flowers and Chinese characters "乙未" on the left side of the coin.	10	27	8 000	Golden for the Outer Ring and Silver for the Inner Ring
Aug. 20	Common Commemorative Coins in honor of the 70th anniversary of the Victory of the Chinese People's War of Resistance Against Japanese Aggression and the World Anti-fascist War	Nickel covered steel	1	The national emblem, "The People's Republic of China" and 2015	Symbol consisting of the number 70 and "1945-2015", five pigeons flying from afar against the background of the Great Wall to symbolize the letter V, Chinese characters "中国人民抗日战争暨世界反法西斯战争胜利70周年" and denomination "1 yuan".	1	25	50 000	Silver

Issuing Date	Theme	Made of	Variety	Front Cover	Back Cover	Denomination (yuan)	Diameter (mm)	Issuing	Color
								Amount (10 thousand sets)	
Nov. 26	Common Commemorative Coins for Chinese Aerospace Industry	Golden and Silver Brass Alloy	1	The national emblem, "The People's Republic of China" and 2015	The main picture of Shenzhou-9 docking spacecraft surrounded by oriental red 1 satellite, shenzhou 5 spacecraft, chang'e 1, lunar rover as well as ancient folk totem symbolizing Chinese people's dream of flying to the sky. The picture of an abstract earth and Long March 2F rocket launcher are on the lower left while the lower right is a star comprised of pigeons.	10	27	10 000	Golden for the Outer Ring and Silver for the Inner Ring
Nov. 26	Common Commemorative Banknotes for Chinese Aerospace Industry	Banknotes	1	Shenzhou 9 spacecraft docking Tiangong 1 space laboratory. On the upper left is the national emblem, "The People's Bank of China", below which is the Oriental Red 1 satellite. On the lower left is the denomination "100" and its corresponding Chinese characters "壹佰圆". On the right is Chang'e 1 satellite, above which is the denomination "100" and Chinese characters "中国航天纪念"	From above are Chang'e 1 satellite, Chinese space station in 2020 Tiangong, jet aircraft, Fengru 2 propeller aircraft as well as the picture of bird gyrfalcon. On the upper left is a partial kite picture while on the upper right is the denomination "100". Below are the stamp of the PBC, the year 2015, phonetic transcription for the PBC, as well as the transcription of the PBC in four ethnic minority languages including Mongolia, Tibet, Uygur and Zhuang, the denomination "100" and phonetic transcription "YUAN".	100	155*77	30 000	Blue

STATE TREASURY MANAGEMENT

The State Treasury successfully delivered all receipt and payment transactions

The State Treasury at various levels delivered accounting in a well-regulated manner via improving internal control and risk management system, and ensured secure and sound operation of the State Treasury. In 2015, the state treasury system processed 25.61 trillion yuan of receipt transactions, which was 14.1 percent more year on year. A total of 26.46 trillion yuan of payment transactions were processed, increasing by 20.5 percent year on year. Certificate bonds worth 114.122 billion yuan and electronic savings bonds worth 185.918 billion yuan was issued, and 64.796 billion yuan worth of certificate bonds was redeemed. The PBC also conducted 10 calls for tenders for the term deposit under central state treasury cash management. Accumulatively 510.0 billion yuan was deposited with the winning commercial banks and 670.0 billion yuan was withdrawn from commercial banks in 13 operations. Besides, 6 pilot provinces and municipalities including Beijing conducted 32 calls for tenders for the term deposit under local state treasury cash management. Accumulatively 711.8 billion yuan was deposited with the winning commercial banks and 276.8 billion yuan was withdrawn from commercial banks in 10 operations.

Institutional arrangement of the state treasury further improved

The PBC took an active part in the revision of the *Regulations for the Implementation of the Budget Law*, and publicized the significance and benefits of state treasury management. Efforts were made to further improve institutional arrangements concerning state treasury management in accordance with the new *Budget Law*, start the standardization of state treasury accounting and the revision of measures on state treasury accounting supervision. The *Notice on Pilot Program of Electronic Collection of Non-tax Revenues of Central Government Entities* was issued jointly with the Ministry of Finance (MOF), which defined the workflow of electronic management of collecting non-tax revenues, and designated responsibilities and requirements of relevant agencies, facilitating the application of e-collection. The pilot program on cross-provincial collection of traffic violation fines was launched jointly with MOF and the Ministry of Public Security. Information exchange platform on cross-province collection of traffic violation fines was developed to help agent banks and violators.

Development of the State Treasury information system progressed smoothly

Active efforts were made to promote the construction of the second generation TIPS (Treasury Information Processing System), related software development and tests, review of technological plans and project feasibility study were paced up. In joint efforts with MOF, the PBC expanded the scope of application for networked expenditure, which has already covered provincial level and started to incorporate local and municipal level into the network. Connection of the customs and the State Treasury networks made substantial progress, and such connection was accomplished in 11 pilot areas including Beijing, which realized electronic delivery of customs revenue to the state treasury. Networked processing of fund withdrawal from the state treasury, correction and tax exemption/refund was delivered in joint efforts with taxation agencies, which was applied nationwide. Development of state treasury supervision system was promoted steadily, and development of the ex post supervision sub-system was almost completed, laying foundation for more scientific and well-targeted regulation over state treasury management.

Monitoring and management of the State Treasury was enhanced

On-site examination of 12 branch state treasuries including in Xinjiang and part of state treasuries within their jurisdictions was conducted, focusing on accounting of grass roots state treasuries, so as to enhance the

quality of accounting. In cooperation with the General Administration of Customs, the PBC conducted researches on commercial banks' delayed delivery of customs duties to the state treasury, and urged commercial banks and their branch offices involved to make active rectification. Implementing the State Council's call to deepen the reform on administrative approval, the PBC drafted guidelines on approval items concerning agent sub-treasury business by commercial banks and credit cooperatives and made detailed rules accordingly. Meanwhile, supervision and examination of agent sub-treasury business were enhanced to make steady progress in retaking the agent sub-treasury business from commercial banks and credit cooperatives. Outlines for the reform of state treasury management at the town and township level were proposed.

Treasury bond management has been improved

In cooperation with MOF, the PBC launched issuance quota management system of savings bonds and comprehensive appraisal system of savings bond underwriting group. On-site examination over the management of savings bond issuance and redemption in 6 branch treasuries was conducted to safeguard security of treasury funds. Further efforts were made to promote distribution of electronic savings bond via online banking, including timely identification of qualified online-banking treasury distribution institutions, so as to expand distribution channel of savings bonds.

Progress has been made in statistical work and research on Treasury bond issuance and redemption, with quarterly reporting system in place.

Its role in providing assistance to decision making was enhanced

Efforts were made to enrich statistical statement system of the state treasury, conduct daily maintenance and upgrading of Treasury Management Information System (TMIS) and improve the function of TMIS, laying foundation for related statistical work and analysis. Efforts were made to put in place quarterly analysis meeting mechanism, set up cross-regional research group and economic monitoring stations, and rolling monthly forecast on the stock of Treasury bonds, in order to deliver more in-depth, wide-covering and timely research on state treasury management issues. In-depth researches were conducted on stock Treasury bonds, transfer payment, local government debt swap and revitalizing the stock of fiscal funds, providing support for economic

development and decision making of government on various levels.

Cash management of the State Treasury made steady progress

The coordination mechanism on treasury cash management was improved, and the *Rules on Regular Meeting by MOF and PBC on Treasury Cash Management* was launched, so as to further enhance coordination. Steady progress has been made in promoting pilot programs concerning local treasury cash management, specifying requirements on tendering process, operation plans and information reporting of local treasuries, making detailed rules on accounting item design and accounting computation by local treasuries, and drafting the *Plan on Local Treasury Cash Management Operation Platform*. The PBC and the MOF jointly issued *Rules on Commercial Bank Term Deposit Tender for Central Treasury Cash Management in 2015*, so as to regulate the tender process. Tasks on treasury cash management for the year were accomplished smoothly. ■

Table 1 Issuance of Government Savings Bonds in 2015

Categories	Issues	Issuing Date	Actual	term			
			Issuing	3 years		5 years	
			Amount (100 million yuan)	Amount (100 million yuan)	Interest Rate (%)	Amount (100 million yuan)	Interest Rate (%)
certificate bonds	1st Issue	3.10-3.19	299.11	179.62	4.92	119.49	5.32
	2nd Issue	5.10-5.19	292.92	174.07	4.92/4.67	118.85	5.32/5.07
	3rd Issue	9.10-9.19	265.88	147.48	4.25	118.40	4.67
	4th Issue	10.10-10.19	283.31	148.47	4.25	134.84	4.67
savings bonds (electronic)	1st Issue	4.10-4.19	240.00	240.00	4.92		
	2nd Issue	4.10-4.19	160.00			160.00	5.32
	3rd Issue	6.10-6.19	211.41	211.41	4.67		
	4th Issue	6.10-6.19	160.00			160.00	5.07
	5th Issue	7.10-7.19	181.62	181.62	4.50		
	6th Issue	7.10-7.19	158.71			158.71	4.87
	7th Issue	8.10-8.19	175.15	175.15	4.50		
	8th Issue	8.10-8.19	199.97			199.97	4.87
	9th Issue	11.10-11.19	199.97	199.97	4.00		
	10th Issue	11.10-11.19	172.33			172.33	4.42

Table 2 Cash Management Operations of Term Deposit with Commercial Banks for Central State Treasury in 2015 (deposits)

Operation Date (interest date)	Batch of Deposit	Amount (100 million yuan)	Interest rate (%)	Term	Interest Income (10 thousand yuan)
1.22	2015(1)	500	4.68	6 months	116 679.45
2.27	201(2)	500	4.97	6 months	123 909.59
3.19	2015(3)	300	5.25	9 months	117 801.37
6.16	2015(4)	500	3.40	3 months	42 383.56
6.16	2015(5)	500	3.50	6 months	87 260.27
7.3	2015(6)	500	3.20	3 months	39 890.41
8.25	2015(7)	600	3.00	3 months	44 876.71
8.28	2015(8)	600	2.95	3 months	44 128.77
9.24	2015(9)	600	3.40	6 months	101 720.55
11.24	2015(10)	500	3.20	3 months	39 890.41
Total		5 100			758 541.10

Table 3 Cash Management Operations of Term Deposit with Commercial Banks for Central State Treasury in 2015 (withdrawals)

Operation Date (interest date)	Batch of Withdrawal	Amount (100 million yuan)	Interest rate (%)	Term	Interest Income (10 thousand yuan)
1.13	2014(7)	500	4.32	6 months	107 704.11
2.24	2014(10)	600	4.56	3 months	68 212.60
2.26	2014(5)	400	4.60	9 months	137 621.92
3.05	2014(11)	600	4.33	3 months	64 772.05
3.19	2014(12)	600	4.65	3 months	69 558.90
7.23	2015(1)	500	4.68	6 months	116 679.45
8.28	2015(2)	500	4.97	6 months	123 909.59
9.15	2015(4)	500	3.40	3 months	42 383.56
10.29	2015(6)	500	3.20	3 months	39 890.41
11.24	2015(7)	600	3.00	3 months	44 876.71
11.27	2015(8)	600	2.95	3 months	44 128.77
12.15	2015(5)	500	3.50	6 months	87 260.27
12.17	2015(3)	300	5.25	9 months	117 801.37
Total		6 700			1 064 799.73

Table 4 Local Treasury Cash Management Pilot Program Operations in 2015

Region	No. of Deposit Batches	Amount (100 million yuan)	No. of Withdrawal Batches	Amount (100 million yuan)	Outstanding amount (100 million yuan)	Interest Income (10 thousand yuan)
Beijing	6	1 400	2	700	700	104 650.00
Heilongjiang	2	200	0	0	200	0
Shanghai	9	2 838	5	1 688	1 150	202 326.99
Guangdong	4	550	0	0	550	0
Hubei	1	170	0	0	170	0
Shenzhen	10	1 960	3	380	1 580	7 975.80
Total	32	7 118	10	2 768	4 350	314 952.79

FINANCIAL INFORMATIZATION

Strengthened security governance system and enhanced financial information security

The PBC conducted research on the protection of key information infrastructure of the banking sector and improved the grading standards for key financial information infrastructure; actively tracked the security situation of third-party payment institutions and established a preliminary information security risk control mechanism for third-party payment institutions. The *Specification for Financial Electronic Authentication* was released as the industrial standard for financial electronic authentication institutions and for institutions that intend to build internal electronic authentication system. The *General Specification of Information Security for Internet Banking System* was revised and a cooperative mechanism was established to guard against cyber attack. The PBC guided banking institutions to cooperate with national teams on cyber security control so that they can improve their cyber attack prevention capability by taking advantage of the technological strength of the country.

The PBC revised the *Specification for Evaluating IT Emergency Response Capability of the People's Bank of China* and made constant effort to enhance cyber security of PBC; released the *Technical Specification for Construction of County/City Level Computer Rooms of the People's Bank of China* to regulate the management

of computer infrastructure of PBC branches; realized highly efficient technological service and administration by putting into operation the security administration information system and the online survey system; and optimized the financial institution code system to deliver better service.

Implemented the strategy of financial standardization and actively participated in international standardization activities

The PBC implemented the *Plan to Deepen the Reform of the Standardization Work* and promoted the establishment of a new standard system that would realize the coordinated and joint development of standards released by the government and standards formulated by market players; and strengthened the formulation and revision of financial standards and promoted the list-based management model. In 2015, nine national financial standards including the *Basic Requirements for Call Centers of the Banking Sector*, nine financial industrial standards including the *Guidelines for Internal Control Evaluation of Commercial Banks* and six PBC technical standards including the *Technical Specification for Data Life-Cycle Management of the People's Bank of China* were published, which greatly supported the regulated development of financial industry, prevention of financial risks, consumer protection and upgrading of banking service. There are 53 national

financial standards, 127 financial industrial standards and 8 PBC technical standards that are currently effective.

The PBC gave the China Financial Standardization Technical Committee (CFSTC) a bigger role to play as a coordinator of the work regarding financial standardization, strengthened guidance on workgroups of CFSTC and promoted the development of standards in key areas. The PBC enhanced research on the application of emerging Internet technologies such as cloud computing, big data and biological identification in the financial sector, and promoted the application and development of new technologies in areas such as Internet Finance and cyber security.

The PBC continued to optimize the mechanism for effective participation in international standardization activities, established a working system compatible with the features of international standardization activities, and encouraged financial institutions to take part in the formulation of international financial standards. Focusing on the *Plan to Deepen the Reform of the Standardization Work* and key areas regarding “Internet Plus”, the PBC enhanced the tracking of and participation in the international studies on important topics such as digital currency and third-party payment. Moreover, the PBC explored to turn certain Chinese standards into international ones by, for example, submitting the new work item proposal of *Specification of Description for Banking Products* to the International Organization for Standardization. The PBC also worked as a

member of the Global Legal Entity Identifier (LEI) System and put forward the strategy for LEI application in China.

Strengthened the application of financial integrated circuit cards and promoted the regulated and innovative development of payment technologies

The PBC promoted the implementation of the *Notice of the General Office of the People’s Bank of China on Promoting the Application of Financial Integrated Circuit Cards and Mobile Finance*, enhanced the contactless payment capability of financial integrated circuit card (ICC), and launched the campaign to terminate downgraded transactions. The application of ICC in the areas of public service and regular consumption has greatly increased, and the incidence ratio of bank card fraud in China is significantly lower than the global average. The PBC implemented the strategy of making ICC standards “going global”, for example, the banking industry of Thailand announced in August 2015 that it would adopt China’s ICC standard as its industrial standard for card issuance and acceptance. The PBC released the *Guiding Opinions on Promoting the Innovative and Healthy Development of Mobile Finance Technology* to specify the principles and requirements for the growth of mobile finance.

The PBC enhanced research on and management of payment and settlement technologies to promote risk prevention and control; strengthened studies on digital currency technologies and standards; wrote and published the *Interpretation of Mobile*

Finance: Key Technologies and Standards; began the development of statistics platforms for ICC and mobile finance to improve the statistics monitoring mechanism in these two areas; eliminated loopholes in the business systems of payment institutions; promoted the application of national cryptographic algorithms in ICC; added to relevant specifications and standards technical requirements supporting the use of domestic cryptography and chips; promoted commercial banks to upgrade terminal devices for the adoption of domestic cryptography; and completed the upgrading and connection of the interbank transfer and clearing system.

The PBC released technical specification for the application of mobile phone-based lending and enriched means of security certification for mobile financial services such as cellphone banking; guided pilot cities to build Mobile Trustable Public Service (MTPS) to promote the application of mobile finance, and the pilot programs were quite exemplary; guided the formulation of technical solutions, standards and promotion methods for the “cloud flash-pay”, and promoted clearing organizations and commercial banks to build platforms for “cloud flash-pay”; promoted the application of ICC in public transportation area such as on subway, on bus and in taxi; and actively implemented the strategy of promoting the coordinated development of the Beijing-Tianjin-Hebei area.

Enhanced management of technological resources and improved the construction of technological platforms

The PBC promoted the technological

management information system and disclosed to the whole PBC system the lists of projects, budget, procurement, contracts, payment and assets so as to make project management procedure more standardized and transparent; completed the initiation of IT projects of 2015, and projects regarding the development and maintenance of application systems were commissioned by signing procurement contracts instead of assignment paper; released the *Architecture Baseline for Systems of the PBC 2014*, and ensured that system development was compliant with architecture requirements by focusing on the examination of system quality based on the features of development and operation management; and promoted the application of genuine software and relevant studies were adopted by the *Promoting Genuine Software in China 2015*. Moreover, based on the principle of “architecture management and platforms going first”, the PBC finished the building of a number of important business systems such as the PBC terminal of the cross-provincial traffic violation fines payment system, the horizontal networking system connecting the customs, the treasury and the commercial banks, the general pre-posed system of the Accounting Data Centralized System; and promoted the upgrading of the data management platform and the data distribution platform, and optimized batch data exchange among treasury-related systems.

The PBC completed the “dual-active network” projects at provincial branches and continued to promote small-and-micro financial institutions to connect to the financial MAN;

finished the deployment of the new generation of network management and monitoring system at the provincial and vice-provincial branches of the PBC; optimized the network management and monitoring system and strengthened technological control capacity; released the *Technical Guidance on Financial MAN* and established a technical system for the connection, monitoring and management of PBC networks; published the *Specification for the Verification of Back-up Communication Lines of External Institutions Connecting*

to Provincial Financial MAN and examined and evaluated the network communication lines connecting to external institutions and their operation and maintenance; realized the concentration of email systems of PBC office network at provincial level; unified the network topology of the business and office networks, standardized device configuration, formed templates for security configuration and commonly used configuration, standardized network management procedure and promoted the standardized development of networks. ■

CREDIT REFERENCE AND SOCIAL CREDIT SYSTEM

Released the *Guidance on Regulation and Supervision of Credit Information Agencies* and improved the regulatory system for credit reference

In October 2015, the PBC released the *Guidance on Regulation and Supervision of Credit Information Agencies*, which, based on the regulatory principle of “compliance with law, protection of rights and interests, and full coverage”, specified matters regarding the approval and registration procedure of credit reference institutions, the management of reserve fund for individual credit reference institutions, and regulatory items, measures and procedures over the entire business lifecycle of the credit reference institutions. The *Guidance on Regulation and Supervision of Credit Information Agencies* is a detailed version of and a supplement to the *Regulation on Administration of Credit Reference Industry* and the *Methods on Administration of Credit Information Agencies*. The *Guidance* enriched the regulatory framework of the credit information sector, which would contribute to the timely identification and resolution of problems regarding the operation of credit information agencies and would help to make administration more elaborated.

Enhanced regulation of credit information agencies and protected the rights and interests of subjects of credit information

The PBC promoted the licensing of

individual credit information agencies and the registration of enterprise credit information agencies. By the end of 2015, there were 117 registered agencies for enterprise credit reference. The PBC conducted on-site inspection of the credit reference business of institutions connected to the database of basic financial credit information, so as to identify risks of information leakage and punish violation; implemented the statistics and reporting mechanism of credit information agencies, in order to closely monitor the credit information market and regulate its operation; and actively responded to complaints about credit information business to safeguard the rights and interests of credit information subjects. In 2015, there were 162 complaints and all of them were resolved.

Improved administration approaches, and regulated and promoted the development of credit rating market

The PBC gradually specified and standardized the procedure of registration of credit rating agencies, improved the dynamic monitoring and analysis system of credit information statistics, examined the default ratio of credit rating, promoted the classified administration of credit rating agencies, enhanced inspection of credit rating agencies with high default ratio and non-compliant operations, and regulated and promoted the development

of credit rating market. Based on the pilot programs of the previous two years, the PBC promoted the credit rating of micro-loan companies and surety companies nationwide in 2015, established a long-term working mechanism for the credit rating of these two types of companies, and enhanced the application of the credit rating results of these companies, so as to facilitate the healthy development of micro-loan companies and surety companies and to guard against financial risks. By the end of 2015, there were 112 credit rating agencies for legal entities and 80 for non-legal entities registered at the PBC. There were all together 28 258 cases of credit rating business in the credit market and the interbank bond market in 2015, in which 1 254 cases were for micro-loan companies and 1 939 were for surety companies.

Enhanced coordination and made progress in building the National Social Credit System

The PBC, together with the National Development and Reform Commission, took the lead in the establishment of the credit information sharing and exchange platform and the Credit China website to promote information sharing among government authorities and to offer public inquiry services, providing a more convenient channel for the public to obtain information; and carried out the program of selecting exemplary cities that had built sound social credit systems to serve as demonstrators for other places in promoting the development of local credit information system. Members of the Inter-Ministerial

Joint Meeting for the Development of Social Credit System actively promoted the construction of credit records and databases within their own institutions and for industries they were engaged in, so as to enhance the publicity of credit information and its application in the fulfill of administrative duties. Members managed to share information by signing information sharing agreement or memorandum to establish a joint mechanism to punish and deter discreditable conduct. The PBC participated in the formulation of the *Master Plan for Constructing a Unified Social Credit Code System for Legal Entities and Other Organizations*, promoted the application of business license with the Social Credit Code based on the integration of the former Business License, the Certificate of Organization Code and the Certificate of Taxation Registration, and played a cooperative role in the development of the unified social credit code system. The PBC of Taxation, the National Development and Reform Commission, the Ministry of Education and the Central Committee of the Communist Youth League of China jointly promoted the honesty campaign; released the *Notice on Strengthening Education on the Culture of Honesty* in September 2015, which incorporated the subject of honesty culture into the curriculum of moral and essential-qualities-oriented (EQO) education of middle and high schools, included credit reference knowledge into the national education system, and promoted institutions of higher education to offer courses on credit reference and to build platforms for credit reference research.

Strengthened guidance and promoted the establishment of credit systems for small-and-medium-sized enterprises and for rural areas

The PBC published the *Opinions on Promoting the Establishment of Credit Systems for Small and Medium Sized Enterprises and for Rural Areas* which specified that the development of the credit systems should start with pilot programs, focus on building the credit information service platform. The PBC also improved mechanisms for information collection, credit assessment and application, and enhanced policy support for small and medium-sized (and micro) enterprises and farmers so that the credit systems can support the work of the government, assist banks, and bring benefits to enterprises and farmers. The PBC released the *Indicators*

for Credit Information of Small and Medium-Sized Enterprises and *Indicators for Credit Information of Farmers* to regulate the collection of information of small and medium-sized enterprises (SMEs) and farmers. The PBC branches also launched the construction of the credit information databases of SMEs and of rural areas based on local conditions; improved the mechanisms of information collection, credit evaluation and information application for small, medium-sized and micro enterprises (SMEs) and farmers; and assisted SMEs and farmers that had sound credit records to have access to financing with lower costs. By the end of 2015, the PBC has established credit files for 2.59 million SMEs and 160 million farmers across the country, and has built more than 200 credit information databases of SMEs and farmers at city and county level. ■

ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Fully kick off the work related to the fourth mutual evaluation by the Financial Action Task Force (FATF)

In line with the methodology for the fourth mutual evaluation by the FATF, the PBC conducted self-evaluation of the implementation of anti-money laundering (AML) and counter-terrorist financing standards in China to fully understand the status quo of AML and combating financing of terrorism (CFT) in China and identify the gap with international standards. Based on the requirements of the fourth FATF mutual evaluation and self-evaluation, the PBC studied and developed work plans for mutual evaluation, and identified the work mechanism, division of key tasks and objectives of mutual evaluation. Assessment of national money laundering risks was conducted with the first assessment report on national money laundering risks issued and corresponding policy recommendations proposed based on assessment results.

Continue to intensify AML regulation and inspection efforts

In line with the Administrative Measures for the Regulation of Anti-money Laundering by Financial Institutions, the

PBC implemented regulatory measures in a phased-in manner according to plans. First, it completed the annual inspection and rating of the headquarters of 23 institutions with nationwide presence by conducting a systematic evaluation of the headquarters of major financial institutions for the first time. Second, it kept on tracking institutions with AML obligations and newly-established institutions to maintain ongoing regulation and regulatory continuity. A mix of measures was adopted, including conversations, on-site revisit, on-site guidance, and listen to regular briefing. The PBC continued to follow up with institutions with AML obligations that had legacy issues in on-site inspection, risk assessment, and inspection and rating during previous years, and urged them to implement corrective measures. Third, regulatory talks, visits and risk warning were adopted for institutions with weak compliance and high risks as well as for high-risk activities in order to make regulation better targeted and more effective. Fourth, money laundering risk assessment was conducted on different levels, which supported and safeguarded the implementation of risk-based regulatory principles. Efforts were made to actively explore the design and implementation of money laundering risk assessment

mechanism. A three-tiered system had basically taken shape, consisting of regional money laundering risk assessment, risk assessment of institutions with AML obligations by the PBC and risk self-assessment by these institutions. Risk assessment results were widely used. Fifth, the PBC explored the development of AML regulatory arrangements for incorporated institutions and actively engaged in regulatory institutional innovation.

While maintaining the intensity of law enforcement inspection, the PBC actively explored such issues as selection of target for inspection, application of inspection methodology, improvement of inspection organization, analysis of inspection data, and control of inspection procedures. It further intensified law enforcement inspection of non-bank institutions (including securities, insurance and payment institutions), newly-established institutions and high-risk institutions, improved inspection methodology and work mechanism, properly made use of inspection rating and risk assessment results, and widely applied data mining and AML on-site inspection system. During the year, AML law enforcement inspection was carried out for a total of 1 429 financial institutions and payment institutions with 158 institutions and 173 individuals penalized for non-compliance. On-site AML inspection was conducted for two big commercial banks and one big payment institution for the first time, guided by risk-based approach and regulation of the legal person. It was a breakthrough compared with traditional inspection, as

it targeted trading directly. The full and thorough inspection of AML institutions, procedures and systems at these three institutions would effectively urge relevant institutions to further strengthen work on AML and the capacity for money laundering risk prevention and control.

Make new progress in AML monitoring and analysis as well as investigation

The PBC closely focused on the general task of safeguarding national security and social stability by cracking down on crimes of money laundering and terrorist financing on the one hand, and implementing central government's work arrangements on anti-corruption, anti-terrorism, drug control and safeguarding stability on the other hand. As a result, AML monitoring and analysis as well as investigation achieved remarkable effects. The focus was put on strengthening the oversight over and guidance on CFT efforts by financial institutions. Financial institutions were asked to further improve the monitoring, analysis and report of terrorism-related funds transaction based on terrorism-related financing monitoring and analysis model. The China Anti-money Laundering Monitoring and Analysis Center (CAMLMAC) received a total of 1 529 reports on transactions suspicious of terrorist financing from financial institutions, referred and reported 140 suspicious transaction clues, and assisted in 41 cases of investigation of terrorism-related funds by law enforcement departments. The PBC branches provided 134 terrorism-related

clues to such departments as public security department and national security department during the whole year, and assisted relevant departments in investigating 338 terrorism-related clues. During the year, following the arrangement of the State Council, the PBC along with such departments as The Ministry of Public Security launched several targeted campaigns, including crackdown on illegal money transfer through off-shore companies and underground banks, crackdown on issuing fraudulent value-added tax invoice through gold trading, and joint war against drugs in hundreds of cities. It actively engaged in cracking down on illegal short-selling on securities market and illegal Internet fund-raising.

The CAMLMAC received a total of 416 million large-value transaction reports and 11.19 million suspicious transaction reports from 2 585 reporting institutions throughout the year. It provided 588 suspicious transaction clues to relevant departments and assisted in 2 647 cases of investigation. The PBC branches found and received 5 893 suspicious transaction clues, opened AML investigations on 764 selected clues, provided 1 540 clues to investigative departments, assisted investigative departments in opening AML investigations on 1 494 cases, and assisted in closing 268 cases, which effectively enabled financial intelligence to play a supportive role.

The PBC published money laundering risk warning regarding using other people's ID cards to open bank accounts, the deaf and dumb opening bank accounts in groups

under instigation, and new trends and circumstances in terrorist financing, which are frequently seen in economic crimes such as telemarketing fraud, illegal fund-raising, online gambling and underground banks. It could help financial institutions to improve the recognition of client's identity and suspicious transaction reports. Upon the red notice on detaining 100 fugitives across the world issued by the public security department, the PBC issued a document, requiring financial institutions to monitor accounts concerned and report account screening results to relevant departments, which provided a strong support for recovery of corrupt assets and repatriation of fugitives from overseas.

Deepen international cooperation on AML

The PBC deeply engaged in the work under such international organizations as the FATF, the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the Asia/Pacific Group on Money Laundering (APG). It played an important role in major decision-making regarding FATF's internal governance, enhancing CFT and membership expansion by taking advantage of FATF steering group and its role as a core member of the group. It promoted the EAG's internal governance reform, participated in making rules for EAG's mutual assessment, and sent staff to join the APG's mutual assessment of Bangladesh. As a result, China had a bigger influence on international AML efforts.

In August, the PBC signed the *Memorandum of Understanding on Preventing Money Laundering and Terrorist Financing* with the Monetary Authority of Macao, and held consultations with relevant agencies from the Hong Kong Special Administrative Region on regulatory cooperation. Under the China-U.S. Strategic and Economic Dialogue, the PBC attended the Sixth China-U.S. AML and CFT Seminar and Working Group Meeting, exchanging views and discussing important issues of common concern, such as combating terrorist financing, assessing national money laundering risk and research on

new typology for money laundering. It held detailed consultations with U.S. financial regulators on AML regulatory cooperation for the first time to actively advance China-U.S. cooperation on AML and CFT. In line with the consensus between China and U.S. heads of state, the CAMLMAC signed a memorandum of understanding on AML and CFT information exchange and cooperation with the FinCEN. During the year, the CAMLMAC signed cooperation documents on intelligence exchange with their counterparts from 10 countries, including the U.S.. To date, it has established cooperative relations with 35 overseas counterparts. ■

PROTECTION OF FINANCIAL CONSUMER RIGHTS AND INTERESTS

Great progress was made in legal system building on protection of financial consumer rights and interests

In 2015, the State Council officially released *Guidance on Enhancing Protection of Financial Consumer Rights and Interests* jointly drafted by the CBRC, CSRC and CIRC under the leading of the PBC, which clarified guidelines and working requirements concerning protection of financial consumer rights and interests and proposed the code of conduct for financial institutions, supervision and management mechanism and safeguard mechanism for protection of financial consumer rights and interests. It not only laid an important institutional foundation for protection of financial consumer rights and interests, but also played an important role in further promoting legislation and improvement of laws and regulations on protection of financial consumer rights and interests, marking a new stage in China's protection of financial consumer rights and interests.

Great achievements were gained in financial consumer education work

In-depth financial consumer education work was conducted through activities of "the Day for Financial Consumer Rights and Interests on March 15" and "Financial

Literacy Month" in September. Basic financial knowledge and new financial businesses that are closely related to daily production and life of financial consumers were especially introduced. Special attention was paid to give play to activeness and enthusiasm of financial institutions and payment institutions. Various financial literacy promotion activities were conducted in places like campuses, rural areas, communities, institutions and military camps.

Questionnaire survey on consumers' financial literacy was conducted. The survey was made according to 5 400 effective samples in 9 representative provinces (municipalities) selected across the country and the *Survey and Analysis Report on Financial Literacy of Consumers (2015)* was formulated.

Relevant work of inclusive finance was conducted in a deep-going way

Planning to Promote Development of Inclusive Finance (2016~2020) jointly formulated with the CBRC showed a blueprint of China's inclusive finance development in next 5 years on aspects of improvement of inclusive finance policies, perfection of financial organization system, diversification of financial products and services, acceleration of financial

infrastructure development, establishment of supporting guarantee system for inclusive finance and enhancement of publicity and education on inclusive finance, etc. Pilot inclusive finance work was conducted in Ningbo and development planning for inclusive finance in Tibet was formulated, aiming to initially establish a Chinese-featured inclusive finance indicator system.

As a Co-Chairman of Global Partnership for Financial Inclusion (GPII) under G20 framework, China closely monitored latest updates of international community in inclusive finance, reasonably expressed position concerning issues concerned by China, actively made stable achievements in relevant work and gradually took over GPII work in 2016 as the host country.

Supervision, examination and evaluation works were promoted steadily

Nationwide on-site examination concerning individual financial information protection and protection of financial consumer rights and interests in bank card field was conducted continuously and rectification of being examined financial institutions was actively followed up. Efforts were made to revise and improve *Evaluation Measures Concerning Protection of Financial Consumer Rights and Interests in Financial Institutions* and evaluation indicator system. Institutional evaluation was made concerning protection of financial consumer rights and interests. Scope of pilot of environment evaluation concerning protection of financial consumer rights and interests was further expanded to improve

influence of the environment evaluation in this regard. A system on typical case publicity and regulatory information disclosure was explored and established and *Typical Cases on Protection of Financial Consumer Rights and Interests* (2014) were organized and published.

Complaints of financial consumers were accepted and handled in an orderly way

In the whole year, a total of 22 479 complaints and 113 111 consultations from financial consumers were accepted through 12 363 consultation and complaint hotline designed for protection of financial consumer rights and interests and the complaint conclusion rate stayed above 90 percent. *Analysis Reports and Typical Cases on Complaint Acceptance and Handling Situation for Financial Consumption of the People's Bank of China* was released by quarters. Information Management System for Protection of Financial Consumer Rights and Interests was launched in nationwide banking financial institutions and classification standards on complaints of financial consumers were applied in many banking financial institutions in pilot manner. Alternative third-party resolution mechanism for financial consumption disputes was established in pilot manner. Shanghai established a mediation center for financial consumption disputes and the third-party resolution mechanism was established in Heilongjiang, Guangdong and Shaanxi, etc. in pilot manner. Mediation business had been conducted orderly. ■

INTERNATIONAL FINANCIAL COOPERATION AND RULE-MAKING

The PBC actively participated in and played a leading role in global economic governance through platforms such as G20

China took over the G20 presidency and joined the G20 troika. Taking this opportunity, the PBC actively participated in and played a leading role in global economic governance and macroeconomic policy coordination. The PBC actively contributed to various meetings under the G20 finance track by promoting discussions of important topics such as the global economy and the growth framework, safeguarded the national interests throughout the process and exerted China's influence on the global affairs; introduced China's economic and financial conditions in a frank manner and responded to concerns expressed by other parties, thus achieving good communication effects; closely followed G20 dynamics, analyzed and put forward response strategies, participated in communiqué drafting, so as to secure successful participation of the state leadership in the Antalya Summit; set up the working mechanism under the 2016 G20 finance track, finalized the agenda, duly performed responsibilities as the G20 presidency, and made comprehensive preparations for the G20 meetings.

The PBC was deeply engaged in economic and financial cooperation with

other BRICS countries, continuously improved the Contingent Reserve Arrangement, and succeeded in allying other BRICS central banks to sign the *Treaty for the Establishment of the BRICS Contingent Reserve Arrangement*, which played a supplemental role to the global financial safety net. The PBC actively participated in the BRICS finance ministers and central bank governors' meetings, coordinated with other BRICS countries on the IMF reform and other issues of mutual interest through enhanced communication and trust building.

The PBC fully participated in coordination of international financial policies and promoted international rule-making and standard-setting

Efforts were made to achieve the inclusion of the RMB into the special drawing right (SDR) currency basket of the International Monetary Fund (IMF). In accordance with the overall planning of the CPC Central Committee and the State Council, the PBC worked closely with other government agencies to successfully solve data transparency and operational issues, and secured wide-spread international support through multilateral and bilateral channels. Finally, the IMF made the decision to include the RMB into the SDR currency basket on November 30, 2015. This was an important

milestone of the RMB internationalization, and of China's integration into the global financial system.

The US Congress' passage of the IMF 2010 quota and governance reform increased China's quota share in the IMF. The PBC urged the US on both multilateral and bilateral occasions to accelerate ratification of the IMF's 2010 quota and governance reform, and called on all the Fund members to complete work related to the transition. On December 18, the 2010 reform plan was approved by the US Congress, and as a result, China's quota share in the IMF increased from 3.996 percent to 6.39 percent, making China the 3rd largest member from the 6th. China's voice and representation in the IMF was substantively enhanced.

The PBC actively participated in discussion at the IMF and the Paris Club on sovereign debt restructuring, and in particular IMF's initiative to improve the non-tolerance policy to arrears to official creditors, to safeguard China's national interests as the world's largest official creditor.

The PBC enhanced regional financial cooperation, pushed forward regional financial market development and safeguarded regional financial stability

The PBC promoted the role of the Asian Bond Fund (ABF) in the Asian bond market development, continuously improved crisis management and resolution frameworks, and strengthened regional economic and

financial monitoring under the mechanism of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP). Under the ASEAN+3 financial cooperation framework, the PBC further enhanced the operability of the Chiang Mai Initiative Multilateralization (CMIM) through improving its operational guide and carrying out test runs. Efforts were made to smooth the transition of the ASEAN+3 Macroeconomic Research Office (AMRO) to an international organization and improve its governance structure. The PBC promoted cooperation under the "Land and Maritime Silk Road" initiative, supported the initiative through providing better financial services. Efforts were made to improve the financial policy framework in support of the "Land and Maritime Silk Road" initiative, enhance the financial support to enterprises' "going global" strategy, and promote the use of the RMB in the countries along the land and maritime silk roads. The PBC hosted the 7th China, Japan, and South Korea Central Bank Governors' Meeting, participated actively in such mechanism as the Boao Asian Forum and Asia Pacific Economic Cooperation Organization (APEC), to enhance mutual understanding and exchange of views.

The PBC took part in major policy dialogues in a practical manner and deepened bilateral financial coordination and cooperation

The China-US Strategic and Economic Dialogue (S&ED) yielded substantive outcome. In June, the seventh Strategic and Economic Dialogue (S&ED) reached 77 outcome policies covering enhancing

economic policy cooperation, supporting financial stability and reforms, improving global cooperating and rules-making. In September, during President Xi Jinping's state visit to the US, the PBC was deeply involved in consultations on economic outcome policies, and achieved practical progress in establishment of RMB trading and clearing mechanism in the US, securing support from the US of the RMB's inclusion into the SDR basket, and strengthening financial market connection between the two countries.

China-European financial cooperation was advanced. The first China-Germany High-level Economic and Financial Dialogue was held in Berlin in March, during which Germany agreed to support the inclusion of the RMB into the SDR. In September, the High-level Economic and Financial Dialogue was held in Beijing, and positive progress was achieved in RMB's inclusion into the SDR, developing Paris' offshore RMB market, and promotion of mutual recognition of qualified central counterparties between China and Europe. At end-September, the PBC participated in the China-Europe Economic and Trade High-level Dialogue for the first time. Notable achievements included Europe's active response to China's bid to join the European Bank for Reconstruction and Development (EBRD), establishment of the 10-billion-euro China-Europe mutual investment fund and connecting the "Land and Maritime Silk Road" initiative and the European investment plan, expanding the RQFII pilot program to Luxembourg and Hungary, and taking into

favorable consideration the establishment of RMB clearing arrangements in Belgium. In September, the PBC also attended the Seventh China-UK Economic and Financial Dialogue, where the two sides reached 53 agreements. During President Xi Jinping's visit to the UK in October, the bilateral currency swap agreement was expanded to 350 billion yuan, 5 billion RMB-denominated central bank notes were issued successfully in London, and the China Foreign Exchange Trade System made progress in setting up a branch office in London. All of these efforts helped create a "golden era" for the China-UK financial cooperation.

The PBC also strengthened bilateral financial cooperation with neighboring countries and regions. The PBC successfully launched meetings of China-Russia and China-Kazakhstan sub-committees on financial cooperation. The PBC signed the Memorandum of Understanding on Financial Cooperation with the Central Bank of Russia at end-October, and reached consensus with the Central Bank of Kazakhstan on currency swap, expanding the use of local currencies in the settlement for cross-border trade transactions and strengthening financial cooperation at the Khorgos International Border Cooperation Center. RQFII quotas were granted or increased to South Korea, Singapore, Malaysia and Thailand. It also established the China-Vietnam Financial Cooperation Working Group and held the first meeting. The PBC and the Bank Negara Indonesia agreed in principle to enlarge the size of the bilateral currency swap. The PBC deepened cooperation with the Central

Asia, Black Sea and Balkan region and in particular Central and Eastern European countries by holding the 33rd Meeting of the Central Bank Governors' Club of Central Asia, Black Sea and Balkan countries. The joint investment and financing framework between China and Central and Eastern European countries was improved and financial cooperation with the 16 central and eastern European countries was strengthened.

The PBC actively participated in the multilateral development system to develop financial platforms for the “going global” strategy

The PBC successfully joined the European Bank for Reconstruction and Development on behalf of China and its shareholding in the Inter-American Investment Corporation, an affiliate of the Inter-American Development Bank (IDB) increased significantly, thus enhancing the voice and representation of China in the world's multilateral development system. At the same time, the PBC

continued to strengthen cooperation with the IDB, the African Development Bank (AfDB), the West African Development (la Banque Ouest Africaine de Developpement, or BOAD), the Eastern and Southern African Trade and Development Bank (PTA Bank) and the Caribbean Development Bank (CDB), and actively took part in the governance reforms and policy making of these institutions.

New platforms of financial support for “going global” strategy were set up. In light of the “Land and Maritime Silk Road” strategy and the international capacity cooperation strategy, the China-Latin America Production Capacity Cooperation and Investment Fund and the China-Africa Production Capacity Cooperation Fund—two medium- and long- term investment funds—were established with the size of the first phase totaling 10 billion U.S. dollars each. The establishment of the funds would provide support to infrastructure and social development projects in Latin America and Africa, and give new incentives for Chinese enterprises and financial institutions to “going global”. ■

Inclusion of RMB in the SDR Basket

Column

On November 30, 2015, the International Monetary Fund (IMF) decided to include the RMB in the Special Drawing Right (SDR) basket as a fifth currency along with the U.S. dollar, the euro, the Japanese yen, and the British pound. The weight of the RMB in the SDR basket is 10.92 percent, whereas the weights of the U.S. dollar, the euro, the Japanese yen and the British pound are 41.73 percent, 30.93 percent, 8.33 percent and 8.09 percent respectively. The new basket will become effective on October 1, 2016.

Background information about the SDR

The SDR is a supplementary reserve asset created by the IMF in 1969. It is a right to exchange for a freely usable currency and is a component of international reserves along with other reserve assets such as gold and foreign exchange.

The IMF typically reviews the currency composition of the SDR currency basket and their weights every five years. The review has two criteria. The first criterion is size of exports, that is, the country or region ranks among the top in terms of goods and service trade volume during the five years prior to the review period. The second criterion is that the currency is freely usable, that is, the currency is widely used to make payments for international transactions, and is widely traded in the principal exchange markets.

Inclusion of the RMB in the SDR basket

The PBC and the State Administration of Foreign Exchange (SAFE) together with other relevant departments had deeply engaged with the IMF since 2015 and solved data and operational issues related to the SDR review.

First, the PBC was deeply engaged with the IMF regarding issues on RMB assessment, which contributed to an objective assessment by the IMF regarding whether the RMB is a freely usable currency. China already met the export criterion during the 2010 SDR review. During the past five years, RMB internationalization progressed rapidly and the RMB became increasingly freely usable. Based on such major indicator as the share of RMB in global foreign exchange reserves, international banking liabilities, international debt securities, cross-border payments and trade finance, and its trading volume in principal exchange markets, the IMF noted that there was sufficient evidence to identify the RMB as a freely usable currency.

Second, the PBC actively solved operational issues related to the inclusion of RMB in the SDR basket. Specifically speaking, in July 2015, official reserve managers and their agents were given access to fixed-income market, and quota limits were removed. They were allowed to engage

in derivatives trading and choose commercial banks as their agents. Meanwhile, account, custody, trading and settlement procedures were streamlined. At end-September, the above-mentioned institutions were given access to foreign exchange market. They were allowed to engage in spot foreign exchange and derivatives trading directly with commercial institutions with the requirement of actual needs for derivatives trading removed. Foreign exchange trading session was extended, and more qualified overseas entities were given market access, which was aimed at ensuring consistency of RMB exchange rates on domestic and overseas markets. Interest rate liberalization was continued. In October, the PBC removed the ceiling for deposit rate. The MOF began issuing three-month treasury bills on a weekly basis starting from early October, which serves as the RMB representative interest rate for calculating the interest rate of SDR basket.

Third, the PBC actively improved data transparency standards in China. Its efforts include subscribing to the Special Data

Dissemination Standard (SDDS) of the IMF in October 2015, participating in the IMF's COFER (Currency Composition of Official Foreign Exchange Reserves) survey for the first time in September 2015, and participating in the IMF's Coordinated Portfolio Investment Survey (CPIIS) and the International Banking Statistics (IBS) of the Bank for International Settlements (BIS) in December 2015.

Significance and implications of the inclusion of RMB in the SDR basket

The inclusion of RMB in the SDR basket is an important milestone in RMB internationalization and the integration of the Chinese economy into the global financial system. It is also a recognition by the international community of the achievements that China has made in economic development and reform and opening up. At the same time, the inclusion of RMB in the SDR will also increase the representativeness and attractiveness of the SDR, and improve existing international monetary system, which is a win-win result for China and the world at large. ■

Brief Introduction to Overseas Investment and Financing Platforms

Column

The “Land and Maritime Silk Road” initiative is an important strategic decision made by the CPC Central Committee and the State Council in line with the world economic developments and the new circumstances and tasks the country is faced with, and also an important measure with a view to building an open economy and advancing the “going global” strategy. In the recent years, the PBC and the SAFE, in accordance with the overall arrangement of the CPC Central Committee and the State Council, actively pushed forward diversified use of foreign exchange reserve, and explored new models of making overseas investment and financing. In their efforts, several investment and financing platforms were set up, making notable contributions to advancing the “Land and Maritime Silk Road” initiative and facilitating Chinese enterprises’ bid to go global.

Investment and financing platform directly set up. In order to make use of foreign exchange reserves in an innovative manner, the SAFE set up SAFE Co-financing in May 2011, which provided foreign exchange loans on commercial basis to support Chinese enterprises’ bid to go global. Since its establishment, SAFE Co-financing directed foreign exchange reserves to several investment projects, rendering forceful support to Chinese enterprises that made outbound investments. In particular, after the “Land and Maritime Silk Road” initiative was unveiled, the PBC and the SAFE made active efforts, and beefed up support of SAFE Co-financing to enterprises’ “going global” strategy and their cooperation with overseas partners in production capacity.

Investment and financing platform jointly set up with domestic financial institutions.

In light of the “Land and Maritime Silk Road” initiative, the PBC and the SAFE led the efforts to establish the Silk Road Fund in December 2014 with a total size of 40 billion U.S. dollars, with a view to promoting investment in infrastructure construction in the region and international production capacity cooperation, and helping enterprises to go global. In order to better promote production capacity cooperation between China and Africa and Latin America through more innovative channels, the PBC and SAFE set up the China-Africa Production Capacity Cooperation Fund and the China-Latin America Production Capacity Cooperation and Investment Fund respectively with the China Development Bank and the EXIM Bank, with the size of 10 billion U.S. dollars each, to support Chinese enterprises’ cooperation in production capacity with the enterprises in the regions. In addition, the EXIM Bank, the SAFE and the Bank of China set up the China-Eurasia Economic Cooperation Fund with the total size of 10 billion U.S. dollars, and fund-raising in the first phase was completed. In order to promote China-Africa cooperation, the China Development Bank set up the China-Africa Development Fund in 2007, which received capital injection from the SAFE later to boost its total size to 5 billion U.S. dollars. The establishment of such investment and financing platforms has further diversified the channels through which China makes outbound investment, and facilitated outbound investment and trade of Chinese enterprises.

Investment and financing platform jointly set up with other countries. In order to carry out the outcome of the meeting between Premier Li Keqiang and heads of governments of Central and Eastern European countries in November 2013 and to promote economic and trade cooperation with the region, the EXIM Bank led the efforts in jointly setting up the China-Central and Eastern Europe Investment Cooperation Fund with the Hungarian EXIM Bank, and the Fund would focus on making equity investment. Fund raising in the first phase was completed and investment was already made, and more funds were being raised for the second phase. In order to carry out the outcome of Premier Li Keqiang's visit to Latin America in 2015, the China-Latin America Production Capacity Cooperation and Investment Fund set up the 20-billion -U.S.-dollar China-Brazil Production Capacity Cooperation Fund with its Brazilian counterparty, thus further facilitating bilateral economic and trade cooperation. In addition, the China Development Bank, the SAFE and UAE counterparties established jointly the China-UAE Joint Investment Fund, and fund raising was completed for the first phase.

Investment and financing platform jointly set up with multilateral development financial institutions. In 2015, the PBC participated in the capital increase of the Inter-American Investment Corporation affiliated to the Inter-American Development Bank Group, becoming the largest shareholder out of the region. In January 2016, the PBC became a member of the European Bank for Reconstruction and Development (EBRD), hence further strengthening exchange and cooperation with Central and Eastern Europe, eastern and southern Mediterranean and central Asia. The membership also became an important engine pushing forward "going global" of Chinese enterprises and financial institutions. In order to diversify investment and financing platforms and deepen cooperation with multilateral development institutions, the PBC set up the China Co-Financing Fund for Latin American and Caribbean Region totaling 2 billion U.S. dollars jointly with the Inter-American Development Bank in 2013, and the African Common Growth Fund amounting to 2 billion U.S. dollars jointly with the African Development Bank in 2014. ■

MAINLAND'S FINANCIAL COOPERATION WITH HONG KONG, MACAO AND TAIWAN REGIONS

Financial cooperation with Hong Kong and Macao

The PBC steadily pushed forward the development of RMB business in Hong Kong and Macao, and promoted trade and investment facilitation between Hong Kong and Macao and the Mainland. Throughout 2015, the RMB payments and receipts between Hong Kong and the Mainland reached 6.42 trillion yuan, accounting for 53.1 percent of all cross-border RMB receipts and payments with the Mainland, or the largest among all the regions. As of the end of 2015, outstanding RMB deposits in Hong Kong decreased by 15.2 percent to 851.11 billion yuan, accounting for 9.3 percent of all deposits of financial institutions in Hong Kong, or 18.5 percent of all foreign currency deposits. The stock of RMB-denominated Certificate of Deposit (CD) in Hong Kong posted 159.3 billion yuan. By the end of 2015, a cumulative total of 692.6 billion yuan of RMB-denominated bonds have been issued in Hong Kong. In particular, RMB-denominated bonds issued by overseas institutions amounted to 416.27 billion yuan; treasury bonds issued by MOF reached 136 billion yuan; and those issued by mainland institutions amounted to 140.33 billion yuan. Throughout 2015, RMB receipts and payments between Macao and the Mainland

totalled 226.94 billion yuan, accounting for 1.9 percent of the total cross-border RMB receipts and payments with the Mainland, or the ninth largest among all the regions. At the end of 2015, the outstanding RMB deposits in Macao posted 66.5 billion yuan, a year-on-year decrease of 35.7 percent.

Efforts were made to push forward two-way opening-up of the bond market. According to the overall arrangement of RMB internationalization and capital account convertibility, a lot of work was done to encourage onshore entities to issue bonds in Hong Kong, and Hong Kong entities to issue bonds in the Mainland, and improve access of Hong Kong and Macao institutions to the Mainland's inter-bank bond market. Throughout 2015, approved bond issuance in Hong Kong by Mainland financial institutions reached 103.5 billion yuan. HSBC, BOC China and Standard Chartered Hong Kong became the first batch of financial institutions that issued RMB-denominated bonds in the Mainland's interbank bond market. As of end-2015, 135 Hong Kong and Macao institutions were granted access to the inter-bank bond market, with the total approved quota of 945 billion yuan.

The PBC actively promoted innovative financial cooperation between Guangdong

Province and Hong Kong and Macao. While supporting the provision of cross-border RMB loans for the development and opening-up of the Qianhai District, the PBC promoted development of the RMB business of Hong Kong-based banks. As of end-2015, disbursement of RMB loans in the Qianhai District reached 33.93 billion yuan, and the outstanding loans were 21.57 billion yuan. Outstanding RMB loans extended by Hong Kong-based banks posted 297.4 billion yuan, an increase of 2.8 folds from end-2012. In June, enterprises within the Guangzhou Nansha and Zhuhai Hengqin New District were granted approval to borrow RMB loans from Hong Kong and Macao-based banks, thus further expanding the channels for RMB backflow, and providing more hedging opportunities to Hong Kong entities with RMB exposures.

Financial cooperation with the Taiwan region

Efforts were made to support orderly development of RMB business in the Taiwan region. With growing cross-strait economic and trade links, Taiwan's RMB market developed in a healthy and stable manner, with diversified business portfolio. Actual RMB receipts and payments across the Taiwan Strait amounted to 813.52 billion yuan, a year-on-year growth of 63.4 percent, accounting for 6.7 percent of all cross-border RMB receipts and payments. RMB deposits in Taiwan increased steadily. By the end of 2015, there were 69 domestic banking units (DBU) and 59 offshore

banking units (OBU) in Taiwan which were qualified to conduct RMB business in Taiwan, the outstanding RMB deposits posted 318.228 billion yuan, representing growth of 5.3 percent year on year, ranking the second among the foreign currency deposits in Taiwan. Outstanding discounts and loans reached 19.367 billion yuan. The channels for use of RMB funds became more diversified. As of the end of 2015, a cumulative total of 96 RMB Formosa bonds were issued, totaling 61.272 billion yuan. A cumulative total of 173 RMB-denominated funds were issued, amounting to 8.45 billion yuan. In July, Negotiable Certificate of Deposit (NCD) denominated in foreign currency and the RMB was issued in Taiwan, increasing new RMB-denominated wealth management products in the Taiwan market.

High-level Exchanges with authorities from Hong Kong, Macao, and Taiwan regions

In 2015, the PBC conducted a series of high-level exchanges with authorities from Hong Kong and Macao on economic and financial developments, connect programs of capital markets, development of offshore RMB business, RMB internationalization, and the "Land and Maritime Silk Road" initiative. Major activities included: Governor Zhou Xiaochuan met with Mr. Leung Chun Ying, Chief Executive of the Hong Kong SAR; Mr. Chui Sai On, Chief Executive of the Macau SAR, Mr. Tsang Chun-wah, Financial Secretary (FS) of the Hong Kong SAR; Mr. Chan Tak-Lam, Chief Executive of the HKMA.

Deputy Governor Yi Gang met with Mr. Chan Tak-Lam, Chief Executive of the HKMA; Ms. Leung Fung Yee, Executive Director of the Securities and Futures Commission; Mr. Eddie Yue, Deputy Chief Executive of the HKMA. Assistant Governor Zhang Xiaohui met with Mr. Chan Tak-Lam, Chief Executive of the HKMA. In October, Deputy

Governor Yi Gang and Deputy Governor Pan Gongsheng attended and addressed the 20th seminar on financial cooperation across the Taiwan Strait, in which senior officials had in-depth exchanges on issues such as financial inclusion, RMB internationalization, cooperation in credit information system, and internet banking. ■

HUMAN RESOURCES

Personnel composition

By the end of 2015, there have been 128 323 regular employees within the PBC system including 19 591 employees of the affiliated enterprises of the China Banknote Printing and Minting Corporation.

The number of female employees is 44 036, accounting for 34.32 percent of the total regular staff. In terms of educational level, there are 1 094 Ph.D holders, 11 814 Master's Degree holders and 68 682 Bachelor's Degree holders, accounting for 0.85 percent, 9.21 percent and 53.53 percent of the total staff respectively. As for staff of the PBC Head Office, 167 of them have Doctorate Degree, 360 have Master's Degree and 136 have Bachelor's Degree, taking up 23.29 percent, 50.21 percent and 18.97 percent of the employees of PBC Head Office. In 2015, the PBC system recruited 2 665 fresh graduates and working people through public channels, and there were 3 901 PBC employees retired.

From the perspective of organizational structure, the PBC Head Office has 717 employees (including those administered as civil servants and employed by public institutions affiliated to PBC); the PBC Shanghai Office has 599 staff; corporations and public institutions affiliated to PBC have 2 054 employees; PBC branches and operation offices (including operation offices of branches) have 6 280 staff; central sub-branches of provincial capitals and of sub-

provincial cities have 8 844 and 1 420 staff respectively; central sub-branches of cities and prefecture-level cities have 44 143 employees in total; and central sub-branches of counties and county-level cities have 43 977 staff in total.

In terms of age structure, there are 18 649 employees under 30 years old; 11 001 between 31 and 35; 11 674 between 36 and 40; 22 702 between 41 and 45; 30 395 between 46 and 50; 21 122 between 51 and 54; and 12 780 above the age of 55.

Changes in the composition of PBC leadership

In February 2015, Fan Yifei and Guo Qingping were appointed Vice-Governors and members of the Communist Party Committee of the PBC; Li Dongrong was relieved of his position as Vice-governor and member of the Communist Party Committee of the PBC; Hu Xiaolian was appointed Chairperson and member of the Communist Party Committee of the Export-Import Bank of China and was relieved of her position as Vice-governor and member of the Communist Party Committee of the PBC. In March 2015, Zhang Xiaohui and Yang Ziqiang were appointed Assistant Governors and members of the Communist Party Committee of the PBC. In August 2015, Yin Yong was appointed Assistant Governor and member of the Communist Party Committee of the PBC. In October 2015, Chen Yulu was

appointed Vice-governor and member of the Communist Party Committee of the PBC. In December 2015, Pan Gongsheng was appointed the Communist Party Secretary of the SAFE and Yi Gang was relieved of his position as the Communist Party Secretary of SAFE. In January 2016, Pan Gongsheng was appointed Administrator of SAFE and Yi Gang was relieved of his position as Administrator of SAFE.

Human resource capacity building

In terms of work related to organizational building and human resources, the PBC followed the principle that “the Party supervising its own conduct and enforcing strict discipline”, complied with the requirement of “three stricts and three earnestness”, served the core mission and enhanced reform and innovation. The PBC also implemented the principles set forth at the national conference for Ministers of organizations and the conference on human resource and social security, actively deepened the reform of human resource system, and steadily promoted the capacity building of the leadership, officials and staff. First, strengthened capacity building of leadership of all levels. In 2015, the PBC promoted and appointed 37 officials to Director-general level, adjusted positions of 62 officials at the same ranking, and completed the probationary period evaluation of 32 officials of Director-general level. Second, standardized the mechanism for official promotion and appointment and for staff administration. The PBC improved the promotion and appointment mechanism

by releasing the revised *Methods on the Appointment and Dismissal of Officials of PBC*, the *List of Position Titles* and the *Guiding Opinion on the Evaluation of the Leadership and Officials of PBC Branches*. The PBC specified the transfer of officials from leading positions to non-leading positions and gave opinions regarding the adjustment of relevant policies; strengthened management of PBC staff who were dispatched to remote areas by releasing the *Methods on the Management of PBC Staff Dispatched to Support Tibet, Qinghai and Xinjiang*; improved management of human resource of PBC affiliated corporations by formulating the *Temporary Methods on the Comprehensive Evaluation of the Leadership and Officials of the Banknote Printing and Minting Corporations of PBC* and the *Temporary Methods on the Comprehensive Evaluation of the Leadership and Officials of Corporations Administered by PBC*. Third, conducted strict management and supervision of officials. The PBC followed the requirement of “one report and two assessments” and reviewed the work of outgoing Party Secretaries; launched special campaigns such as the one on the management of positions of officials whose spouses had migrated overseas; regulated the reporting of personal affairs of officials and conducted random checks and verification of information by releasing the *Guideline on the Reporting of Personal Affairs and Specification for Random Check and Verification of the Reports of Personal Affairs of PBC Officials*. Fourth, enhanced personnel communication and exchange. The PBC implemented the principle of the

central government of focusing on human resource building at community level and on the promotion and cultivation of young officials; and organized the exchange of 47 officials of PBC branches at or under division chief level to work at other branches. In 2015, there were 23 volunteers selected to go to Tibet, Qinghai and Xinjiang to support local development; four officials participated in the aid program of the Organization Department of the Central Committee of CPC; 14 officials were dispatched to 7 provinces, cities and districts to take temporary posts; and 17 officials of PBC Head Office were selected to take temporary posts at commercial financial institutions, PBC branches and affiliated institutions. Fifth, conducted the review of personnel files of PBC officials. The PBC released the *Implementation Plan for the Review of Personnel Files of PBC Officials*, organized training courses for the review of officials' personnel files, and finished the first and second review of files of officials managed by the PBC Head Office. Sixth, strengthened capacity building of human resources. The PBC took the lead in organizing the program of the "Thousand Talents Plan" for financial sector and finished the review of applicants

of the youth project under the Plan. The PBC also adjusted the proportion of professional and technical positions in staff recruitment of PBC branches by releasing the *Notice on Adjustment of the Proportion of Professional and Technical Positions in Staff Recruitment of PBC Branches*. Seventh, enhanced the effectiveness of personnel education and training. The PBC implemented the *Regulation on Education and Training of Officials*, and took this as an opportunity to improve major training programs of all types and at all levels and to promote the collection of training information. In 2015, the PBC Head Office held 95 face-to-face training courses of various types involving 51 000 person-days; offered 14 online courses for 56 000 staff; and organized 14 overseas training programs. Eighth, standardized and optimized the work of staff recruitment. The PBC strictly followed the recruitment rules, and successfully completed the recruitment of regular staff and contract employees for PBC Head Office, branches, and affiliated institutions. The PBC released the *Guiding Opinion on Standardizing the Work of Recruitment Interview of PBC Branches* and put into operation the PBC Staff Recruitment and Application System. ■

INTERNAL AUDITING

The auditing and inspection work was steadily carried out

In 2015, the PBC internal auditing units completed more than 4 800 auditing programs. Firstly, performance and end-of-term audits were conducted on some officials, including heads of some branches and sub-branches as well as the affiliated institutions and enterprises, and chief representatives of the PBC overseas offices. These audits laid emphasis on the policy-making and execution in terms of budget management, financial receipt and payment, assets and liabilities, basic construction and procurement management. Secondly, audits on budget management were organized and conducted. It continued to focus on the execution of budget, the implementation of the “Eight-Point Code” made by the Central Government, analysis on the reasonableness of budget compiling and allocation, and performance on the allocation of financial resources. Thirdly, audits were conducted on the administration to law, centering on the principle of “no execution of duty without legal authorization, no declination under the lawful duty”. It exercised supervision over the administrative approval, law-enforcement inspection, the legitimacy, compliance and validity of administrative penalty. The issues of the system and mechanism related with administration according to law were summed up. Fourthly, audits on the accounting business and system operation

management of the Treasury were organized and conducted, and great efforts were put into audits on the centralized payment of the correspondent banks. Fifthly, the PBC organized and conducted audits on the operation and management of the second-generation payment system, with its focus on the potential risks affecting the stable running of the system and the data integrity. Sixthly, audits on capital construction management was conducted, mainly in the key risk links such as the organization management, investment control, project progress, project quality and construction effect. Seventhly, the PBC organized and conducted audits on the safety of fund issuance, with its key focus on the compliance of currency issuance and disposal. Eighthly, the PBC organized and conducted audits on the comprehensive technological management of branches and sub-branches, which helped raise their awareness of information security and enhanced their ability of risk prevention. Ninthly, the PBC organized and conducted audits on internal control, focusing on the supervision and evaluation over the effectiveness of control on the units, economic area and important business areas. Tenthly, the PBC conducted audits on institutions and enterprises affiliated to the PBC, with its emphasis on financial management, salary management, business management and governance structure. It promoted the risk management, internal

control and organization control of the audited units.

The basic work of internal auditing got constantly improved

Centering around the overall requirements on serving the risk management, internal control and governance management of the PBC, the internal audits developed extensively and deeply. Firstly, the construction of the internal auditing system was strengthened. *The Performance Auditing System of PBC Leading Cadres* was formulated and *Operational Manual of Internal Control Audits* was compiled. Secondly, the PBC enhanced the application of auditing achievements. Great efforts were made to utilize the auditing results through strengthening the auditing analysis, conducting following audits and keeping track of the afterward correction. By intensifying the analysis on the institutional and mechanism problems and collecting the common and prominent issues discovered in the audits, a comprehensive reference for risk warning was formed. It also kept a close eye on the correction of problems discovered in the previous audits and conducted subsequent audits. Thirdly,

the PBC continued to promote the risk assessment work of the auditing units. It studied and formed a *“Risk Event List of the PBC Provincial Branches”*, and organized the provincial branches to conduct risk assessment according to the *“List”*. A risk event list of the PBC sub-branches in prefecture-level cities and county-level sub-branches was gradually sorted out, hoping to construct a map of the risks existing in all the institutions and business areas of the PBC. The *“Risk Assessment Management System of the PBC Internal Auditing Units”* was developed and built up. Through the means of informatization, the efficiency of risk assessment was raised and the utilization value of assessment data was enhanced. Fourthly, the PBC continued to deepen the computer-aided auditing work. It went on to utilize the computer-aided auditing technique to conduct audits on the fund issuance and the Treasury. The application of computer-aided auditing tools in financial budget, science and technology management was promoted. Fifthly, the PBC deeply participated in the international exchange of auditing experience, attended the annual meeting of CBIA and promoted the research of internal auditing theory and practice. ■

FINANCIAL SURVEY AND STATISTICS

The PBC Advanced Construction of Financial Industry Comprehensive Statistics System

Financial industry comprehensive statistics was as a pivotal comprehensive financial infrastructure. Besides the mandates of stipulating and implementing monetary policy, the PBC carried the responsibilities of macro prudential management, prevention of systematic financial risk outbreak and contagion, and safeguard of financial stability. It was a necessity for China economic and financial reform and financial stability to establish a unified, all-round and sharing financial industry comprehensive statistic system in line with the development of new finance. In November 2015, in *The Explanation on the Suggestion of the Central Committee of the Communist Party of China on the Thirteenth Five-year Plan of National Economic and Social Development*, President Xi Jinping noted that it was a task to conduct financial industry comprehensive statistics by the means of data collection on financial industry full coverage to strengthen and improve financial macro economic management and safeguard financial stability. Over the past year, the PBC reinforced communication and coordination with other regulatory authorities to steadily advance financial industry comprehensive statistics. In June, Deputy Governor Pan Gongsheng presided the third session of financial regulatory information sharing and financial industry comprehensive statistics

conference, reaching fruitful consensus with the CBRC, the CSRC and the CIRC on the framework of financial industry comprehensive statistics construction committee, financial industry comprehensive statistics roadmap, division of labor, agenda, pilot plan, core indicators, information sharing and data safety. On September, Governor Zhou Xiaochuan presided the tenth session of financial regulatory ministerial joint conference at which all related parities agreed that under the framework of financial regulatory ministerial joint conference, the PBC steered other regulatory authorities to push forward information sharing and financial industry comprehensive statistics. In 2015, the PBC made steady progress in pilot program on financial industry comprehensive statistics. With the actively support and coordination of local government, Hefei Sub-branch and Nanchang Sub-branch has accomplished financial industry comprehensive statistics system tailored to local reality. In Anhui and Jiangxi Provinces, over 2 000 and 1 300 financial institutions from banking, securities, insurance, and pawnbroking sectors reported to the PBC branches, both with reporting rate over 98 percent.

The PBC Improved Statistic Regime on Aggregate Financing to the Real Economy

The establishment of statistic regime on aggregate financing to the real economy, as

a milestone innovation of monetary policy theory and practice, filled the gap of traditional aggregate indicators hard to reflecting financial innovation, helped to analyze off-balance sheet business of commercial banks, financial intermediary activities of non-banking financial institutions, monetary policy transmission in terms of financial institution asset side, facilitated direct financing and corporate financing structure, and encouraged financial institutions to optimize financial resource allocation and economic structure adjustment, transformation and upgrade.

China introduced the concept of aggregate financing to the real economy in 2010 and collected and released data of aggregate financing to the real economy in 2011. In recent years, the PBC improved statistics, analysis, publicity and disclosure of aggregate financing to the real economy, with wider social acknowledgment and acceptance of aggregate financing to the real economy as a major monitor and analysis indicator of China macro economic management in new state. Based on long time internal study and external expert argument, with the agreement of state council, the PBC released historical data of aggregate financing to the real economy on February 2015, and began to compile and release stock data on aggregate financing to the real economy on a monthly and quarterly basis respectively from 2015.

The PBC Promoted Financial Statistics Standardization and Internationalization

In addition to the issue of the *Rules and Standards for Classifying Financial Enterprises*, the PBC vigorously advanced release of four

financial industry standardization including *Lending Statistics Category and Coding*, *Deposit Statistics Category and Coding*, *SPV Coding Specification*, and *Asset Management, and Fund Trust Statistics Data Element Standard*. Furthermore, the PBC studied lending change factor special statistics system to make an all-round monitor on lending change factors like financial institution lending write-off, asset-backed securitization, and lending transfer. The flow lending statistics framework was set up to make an appropriate measure and evaluation on lending growth. The Internet financial statistics system was introduced to set up Internet financial statistics and monitor framework. With the bond statistics system in the pipeline, bond statistics interface standards saw its first application in the securities sector.

With the approval of the State Council, Governor Zhou Xiaochuan of the PBC wrote to Christine Lagarde, Managing Director of International Monetary Fund on December 6, 2015 to formally notify the decision of China to adopt SDDS of the IMF, indicating that China has finished overall procedure of adopting SDDS and would release relevant statistics data in line with SDDS. Since mid-July, the PBC made first monthly release on official reserve asset, international reserve and foreign currency liquidity data template, and all-coverage foreign debt data, another significant progress since the adoption of GDDS in 2002 to improve statistics data compilation and release system, and transparency, reliability, and international comparability of macro economic statistics data. In addition, to support the evaluation on the inclusion of RMB into SDR basket,

the PBC organized financial institutions to conduct asset and liability survey in line with IBS of the BIS, a wider application of IBS in financial institutions. The PBC closely followed FSB's statistics of G-SIBs by organizing domestic big bank to get ready to report.

The PBC focused on three major tasks, namely statistics, survey and analysis

In terms of statistics, the PBC adjusted financial institutions deposit and lending statistics caliber to accurately reflect deposit and lending aggregate. To ensure accuracy and timeliness of statistics data, the PBC launched financial statistics data collective system report checking, organized financial institutions to finish standardized institutional coding reporting system transformation and testing, and strengthened daily statistics reporting monitor. A group of special statistics monitor program was pushed forward in the fields of agriculture lending, banking acceptance bill, large, medium, small and micro enterprise lending, and real estate lending. The PBC started to studied inclusive finance statistics framework and improved agriculture and SME lending statistics system. A nation-wide financial statistics enforcement was unveiled with focus on agriculture and SME lending, in which 589 and 854 financial institutions received enforcement action in SME and agriculture lending respectively from PBC branches. County-level corporate financial institutions were evaluated to provide reliable evidence for evaluation policy application.

In the aspect of survey, the PBC continuously enhanced sensitivity of survey. On one hand, the PBC made advantage of economic survey data to objectively reflect survey results of 5 000 enterprises financial strengthen, enterprise questionnaire, banker questionnaire, urban depositor questionnaire and enterprise private financing. On the other hand, with wide solicitation and deep discussion, the PBC revised banker questionnaire, adjusted some questions in financier questionnaire, and finished industry enterprises financial strengthen survey indicator revision and data check. Besides, the PBC adjusted and supplemented product samples and organized special enforcement on enterprise product price survey system to reinforce monitor on enterprise product price. Facing changing financial performance, the PBC improved field survey mechanism and wrapped a number of survey report on earmarked topics like banking credit asset, employment statistics and regional financial risk prevention, and local government debt.

In the filed of analysis and research, the PBC intensified communication with local government, academic institutions and market institutions expert to polish medium and long term forecast framework on major economic and financial indicators and to enhance the pro-activeness and accuracy of analysis. Focused on main tasks like financial reform and development and financial macro economic management, the PBC organized its branches to unwrap research on structural monetary policy, interest rate adjustment system construction, demographic dividend and liability, and

migrant worker transformation. As to hot issues and difficult problems, the PBC completed a series of forecast and analysis reports on China citizen final consumption analysis and expectation, stable development of financial industry acting as the main economic propeller, analysis and application of unemployment public sentiment index, China regional economic distance changing trend and influence factor, China investment efficiency and development trend in the aspect of financial marketization,

and leverage ratio comparison between China and major economies. In addition, the PBC made close watch, monitor and analysis on international economic performance and monetary policy of major economies. By combining both economy and finance analysis, international and domestic analysis, logic and empirical analysis, macro and micro analysis, the PBC accomplished forecast and predict on economic development, providing strong support and quality reference on monetary policy decision. ■

China Has Officially Subscribed to the Special Data Dissemination Standard of IMF

Column

Before subscription to the SDDS of IMF, China had constantly improved its statistical data compiling and dissemination system according to the GDDS of IMF since 2002. SDDS and GDDS are both data dissemination standards set by IMF. The framework of SDDS and GDDS is more or less the same. However, SDDS puts higher requirements on the data coverage, dissemination frequency, timeliness, data quality and availability of the public. Besides, according to the standard, it needs to disseminate the data of the real economy, fiscal, financial, external and social population sectors.

In November 2014, President Xi Jinping solemnly promised on the G20 forum held in Brisbane that China would subscribe to SDDS. Hence, led by the National Bureau of Statistics, an inter-ministerial leading group and office was set up with the participation of the PBC, the Ministry of Finance, the General Administration of Customs and SAFE, which were responsible for the work related with China's submission to SDDS. Over the past year, every related department made concerted efforts and completed lots of jobs. They issued the data release schedule and statistical data explanation documents of every related department on the official website of IMF. On the website of the National Bureau of Statistics, the national major data page was issued. The international reserve and foreign

exchange liquidity template was published on the official website of the PBC. And major data of other related departments were respectively made public on their official websites.

Approved by the State Council, Zhou Xiaochuan, Director of the PBC, officially informed the CEO of IMF, Laggard that China decided to subscribe to SDDS. This signified that China had completed the whole process of subscription to SDDS and would disseminate relevant statistical data according to SDDS. On October 7th, the Deputy Director of PBC, Yi Gang and the Vice CEO of IMF, Lipton attended the ceremony of China's subscription to SDDS during the annual meeting of IMF held in Lima, Peru.

The subscription to SDDS accommodates to China's need to further reform and open up. It is conducive to enhancing the transparency, reliability and international comparison of macroeconomic statistical data. It is helpful to further make clear the macroeconomic situation and provide timely and accurate reference for the national macroeconomic policy-making. It is helpful for the international society and the public to deepen their understanding of China's economy and enhance China's participation in the global economic cooperation. Subscription to SDDS signifies China's important progress in improving its statistical system and raising its transparency. ■

The PBC Built An All-Coverage China Bond Statistics System in Line with International Standards

Column

Lesson from financial crisis and rapid development of China Bond market revealed that it was the new trend of central banks statistic evolution to set up bond statistics system serving monetary policy and financial stability, a pressing need for China macroeconomic management as well. In the aftermath of financial crisis, the BIS, the ECB and the IMF jointly released the *Handbook on Securities Statistics*, setting up a relevant, coherent and internationally comparable statistics standard and monitor framework. Recommendation 7 in The G20 Data Gaps Initiative clearly identified the need to adopt the *Handbook on Securities Statistics* and proposed the idea of country-to-country on improving statistics method.

The PBC made every effort to build all-coverage China bond statistics system in line with international standards. Bond statistics system was a component of sound financial market infrastructure with the mission of serving modernization of national governance system and central bank macroeconomic management, reflecting resource allocation of bond market in an all-round and accurate manner, making timely monitor on bond market risk and other contagion path, and providing reliable evidence on the improvement of market-based interest rate transmission mechanism and macro economic management. It consisted of five parts in building bond statistics system. The first was how to make all-coverage statistics on bonds issued in domestic exchanges and issued abroad by domestic citizen, and on

market participants and prices. The second was how to make application of international and national standards to improve statistics standardization. The third was how to process and demonstrate multi-dimensional information focused on piece-by-piece statistics on bond product. The fourth was how to make good use of integrated utility of data and market information collection. The fifth was how to build bond statistics information sharing platform covering every market.

The PBC reached wide consensus on unified bond statistics standards with relevant regulatory authorities, payment and settlement institutions, marking firm progress in bond statistics system construction. On December 2014, the PBC and the CSRC jointly published *Bond Statistics System*, whose statistics targets debt securities issued by China Interbank market, exchange market, commercial bank counter and other places, and those issued abroad by domestic institutions. The debt securities include bond, bills, and depository receipt. Under this system, reporting institution should report piece-by-piece the information like product, issuer, maturity, transaction, holder, bond yield and other related statistics materials. Its statistics coverage expanded to numbers of transaction and settlement institution and institutional investors including interbank bond market and exchange bond market.

The bond statistics system laid statistics standard covering different markets, marking a breakthrough of financial industry comprehensive

statistics in bond market, a significant move to underpin financial statistics infrastructure and economic and financial policy decision, and a major step to materialize ministerial coordination mechanism and bond market regulatory cooperation.

On March 2015, the PBC and the CSRC jointly published *Standard on Bond Statistics Monitor Management Information System File Interface*, indicating the first application of PBC

statistics interface standard in securities sector and the kick-off of bond statistics management information system standardization construction. The PBC, the CSRC and other settlement and clearing institutions worked closely to implement bond statistics system and interface standard requirement and to push forward system adjustment. In the future, the PBC would continue the cooperation with other parties to advance the construction of bond statistics system and realized expected goal on time. ■

FINANCIAL RESEARCH

Conduct research on formulation of financial Planning and financial regulation system reform

The PBC has practically promoted preliminary research and formulation of the 13th Five-year Plan, submitted the special research reports on *External Environment for China's Economic and Social Development during the 13th Five-year Plan Period* and *Policies on Effectively Supporting Real Economy through Fiscal and Financial Development during the 13th Five-year Plan Period*, and some research achievements were adopted at the Fifth Plenary Session of the 18th CPC Central Committee. Besides, it basically completed the basic framework and preliminary formulation of the 13th Five-year Plan for the financial sector, and submitted the preliminary plan.

The PBC has conducted research on the reform of financial regulation system. Comprehensively considering the general operation and development trend of China's financial industry and the relationship between macroprudential management and the monetary policy, the PBC has made in-depth research on China's financial regulation system and the direction of reforming this system. Some of research results have been adopted at the Fifth Plenary Session of the 18th CPC Central Committee.

Organize and promote regional financial reform pilot programs and carry out follow-up research on key problems concerning regional financial reform

The PBC worked with relevant departments to print and distribute the *Plan on Further Promoting a New Pilot for Financial Reform and Opening in the China (Shanghai) Pilot Free Trade Zone and Accelerating Construction of the Shanghai International Financial Center*, to promote orderly and coordinated construction of China (Shanghai) Pilot Free Trade Zone and the Shanghai International Financial Center. It made efforts to practically implement financial policies concerning the free trade zones in Guangdong, Tianjin and Fujian, and formulated guiding opinions upon research according to the overall plan about these free trade zones approved by the State Council. The PBC, together with competent authorities, printed and distributed financial reform plans for Taizhou, Zhejiang and Wuhan metropolitan area. Besides, it spared no efforts to promote successful experience in regional financial reform and risk monitoring and control, and keep a close watch over progress in financial reforms in Wenzhou and other areas to identify potential risks in these reforms as soon as possible.

Actively propel pilot programs of rural financial reform and start to work on G20 topics concerning inclusive finance

The PBC actively pushed forward pilot programs of rural financial reform by focusing on those in Lishui in Zhejiang, “two great plains” in Heilongjiang, Jinzhai in Anhui and Tiandong in Guangxi, etc. and formulating pilot programs for comprehensive rural financial reform in Chengdu and Jilin. Based on research, it tried to deepen reforms of rural credit cooperatives; besides, it actively participated in research and formulation of the *Regulations for Non-deposit Taking Lenders* and published *China Rural Financial Service Report (2014)* by summarizing latest progress in rural financial service and reform. It cooperated with the National People’s Congress to conduct investigation for drafting laws concerning rural finance. In addition, it started to work on G20 topics concerning inclusive finance and launched research on international cooperation.

Provide more financial support for regional economic and social progress and for the development of former revolutionary base and poverty-stricken areas

The PBC made contribution to rejuvenation of former revolutionary bases such as the central Soviet areas in Jiangxi, Fujian and Guangdong and those in Shaanxi, Gansu and Ningxia, Zuojiang River and Youjiang River areas, Dabieshan Mountain and Sichuan-Shaanxi provinces, participated in the formulation of documents like *Plans for Rejuvenation and Development of Former*

Revolutionary Base Areas in Sichuan and Shaanxi Provinces. It also developed on the basis of research policies to provide financial support to economic and social development of Fujian Province, old industrial bases in northeast China, economic belt along Yangtze River, Beijing-Tianjin-Hebei area, “One Belt, One Road”, Tibet and Tibetan areas in Sichuan Province.

Facilitate on the basis of research the establishment of the green financial system and actively study Internet finance

The PBC took initiative to establish the Green Finance Committee and published the research report titled *Building China’s Green Financial System*. Some suggestions proposed by the PBC were included in the CPC Central Committee’s 13th Five-year Plan and the *Overall Plan for the Reform of Ecological Civilization System* formulated by the CPC Central Committee and the State Council. The PBC took the lead in advocating green finance at the G20 Summit 2016 by helping to initiate the Green Finance Task Force. Besides, it formulated the *Green Bond Endorsed Project Catalogue* which provides basis for the development of the green bond market.

Under its auspices, the Internet Finance Research Center was established to conduct in-depth research on local Internet finance development; and the business model, legal relationships and essence of risks of major business forms of Internet finance, such as equity-based crowd funding, P2P lending, Internet-based insurance and Internet-based

credit reporting. The PBC also provided assistance to Beijing Municipal Bureau of Financial Work in studying and drafting the *Plan of Zhongguancun Science Park for Comprehensive Internet Finance Pilot Program*.

Reinforce macroeconomic and financial analysis and conduct in-depth research on major and difficult economic and financial issues

The PBC improved the price prediction method and completed the *Price Monitoring Report* on a quarterly basis. It improved and expanded the macroeconomic model to strengthen macroeconomic prediction and analysis and formulate macroeconomic prediction report. It also monitored money and credit supply and timely traced changes of market interest rates and liquidity.

Centering on the monetary policy, the PBC conducted research on the transmission mechanism of the monetary policy, selection of the policy interest rate, international experience in the interest rate corridor as reference, interest rate liberalization, and the central bank's collateral system. To address volatility on the capital market, it studied how to prevent stock market crash from triggering secondary risks, through what mechanisms

that bubbles are created, how to judge whether or not there are bubbles in China's economic development and what role that government policies play in creating asset bubbles.

The PBC reinforced its research on fiscal and taxation issues, explored the design of the system and mechanism to replace the business tax with the value-added tax in the financial sector, studied the fiscal system reform and local debt risks, and kept following up the division of power and expending responsibility between central and local governments and the tendency in reforming the management system for the target balance of the treasury general account.

The PBC kept studying hot spots in international economic and financial circles, and launched special research on the role of financial factor in the rising of major powers, the international use of RMB and its development in offshore markets, reshaping of international trade and investment rules, development of offshore financial business under the framework of the free trade zone, financial turbulence in emerging economies as global liquidity is tightened, and the development of foreign exchange derivatives market against the background of RMB internationalization, etc.. ■

China Financial Forum

Column

As a new non-profit financial think tank with Chinese characteristics established and managed by the PBC Research Institute of Finance, China Financial Forum (CFF) is under the management of the PBC. Closely following the “Four Comprehensives” strategic plan, aiming at serving the decision-making of the Party and the Central Government, and focusing on financial and economic policy research and consulting, CFF is committed to conducting cutting-edge and advanced theoretical and policy-oriented research in economics and finance with international perspectives.

On November 14, 2015, CFF was officially launched with its official website (www.cff.org.cn) and its WeChat public platform (cff_finance) going online at the same time. The CFF’s organizational structure includes the Council, the Academic Committee, Members of the Forum, Youth Forum and the Secretariat. Mr. CHEN Yulu and Mr. PAN Gongsheng,

Deputy Governors of the PBC, act as the Co-Presidents of the Council. Executive members of the Council include HONG Qi, JIANG Jianqing, LI Ruogu, LI Yang, WANG Guangqian, WU Xiaoling, and XIE Ping. There are 33 founding members of the CFF.

Since its inception, CFF has actively carried out research and policy consultation on major issues during the “Thirteenth Five-Year Plan” period, such as financial development plan, financial regulatory system reform, RMB internationalization, financial opening and innovation in the free trade zones, agriculture-related finance and inclusive finance, and Internet finance, and has achieved a number of important research results. CFF continued to expand international cooperation. It cooperated with the Deutsche Bundesbank in establishing Sino-German Center of Finance and Economics. It also set up a regular academic exchange mechanism with the Bank of England and the Federal Reserve Bank of New York. ■

PUBLIC COMMUNICATION AND EDUCATION

The PBC intensified information disclosure and policy explanation to facilitate communication with the public

A wide variety of channels was utilized by the PBC to facilitate information disclosure and policy explanation, including news release on the PBC web-site and Microblog, news release, press conferences, online interviews, public speech and official publications, helping the public to get a better understanding on central government policy. On the sideline of the annual sessions of the National People's Congress and the Chinese People's Political Consultative Conference, Governor Zhou Xiaochuan and other deputy governors attended press conference to answer questions related to financial reform and development from journalists home and abroad. A regular news release system was set up to interpret financial statistics data and statistics data on aggregate financing to the real economy. The PBC was included in the State Council news briefing and news conference to elaborate related policies to media home and abroad.

The PBC made wide literacy on financial reform and service to help the public get aware of and enjoy reform and service achievements

A variety of financial reform advanced in 2015 with steady enhancement of financial service benefiting the ordinary. Focusing on

the role of finance in serving and improving the public daily life, the PBC organized diversified outreaches closely related to the public in the field of payment and settlement, anti counterfeit currency, state treasury agent, credit collection, anti money laundering, rural finance to help the public to have an all-round and in-depth understanding of financial information. The PBC unveiled policy explanation on the *Regulation on Deposit Insurance, Administrative Measures for Online Payment Business of Non-bank Payment Institutions, Guiding Opinions on Promoting the Healthy Development of Internet Finance* to enable the public get a timely and accuracy information. In addition, the PBC launched outreach programs like Financial Consumer Rights Day and Financial Literacy Month to expand financial education and enhance financial literacy. The PBC actively pushed forward the inclusion of credit collection into national education system. According to incomplete statistics, 26 middle and primary school nationwide has set up credit education bases, and 5 and 317 college has introduced credit research platform and credit compulsory or optional course respectively. With the theme of improving credit communication and education for higher national credit, a six-month special outreach program was launched nationwide, with audience over 45 million. A series of outreaches on the 30th anniversary of the PBC acting as state treasury agent was

held to introduce the role of new channels and achievement of modern state treasury in serving the public. *The Public Welfare Advertisement on Anti Counterfeit Currency* was produced to introduce the 2015 edition of 100-yuan note of the 5th set of RMB banknote. Various media were used to make all-round and in-depth introduction on information and anti counterfeit features of new RMB notes, so as to enhance capacity of the public to identify counterfeit currency. The first Financial IT Week was successfully held to exhibit the achievement of financial IT to serve the public.

The PBC propelled transparent administration to enhance central bank accountability

On its website, the PBC made timely

release of information on news, bulletin, financial statistics, financial market performance, financial service report, and monetary policy report with increased information and frequency. New columns were set up on the website, such as the National People's Congress and the Chinese People's Political Consultative Conference in 2015, the 30th anniversary of the PBC acting as state treasury agent, the 2015 edition of 100-yuan note of the 5th set of RMB banknote, a convenient access to related information. The PBC released information on the PBC Microblog, the official Microblog of the PBC, to facilitate communication with the public. In 2015, the PBC Microblog released over 400 pieces of information in words, pictures, and cartoon, with 5.35 million followers. ■

STATISTICAL ANNEX

Selected Economic Indicators

(Year-end Balance)

	100 million yuan				
	2011	2012	2013	2014	2015
Gross Domestic Product (GDP)	484 124	534 123	588 019	635 910	676 708
Industrial Value Added	191 571	204 540	217 264	228 123	228 974
Fixed Assets Investment	311 485	374 695	446 294	512 021	562 000
Retail Sales of Consumer Goods	187 206	214 433	242 843	271 896	300 931
Urban Households	156 908	179 318	202 462	226 368	258 999
Rural Households	24 318	27 849	31 918	36 027	41 932
Export & Import (100 million of US dollars)	36 419	38 671	41 590	43 015	39 586
Export	18 984	20 487	22 090	23 423	22 766
Import	17 435	18 184	19 500	19 592	16 821
Balance	1 549	2 303	2 590	3 831	5 945
Foreign Direct Investment (100 million of US dollars)	1 160	1 117	1 176	1 196	1 263
Foreign Exchange Reserves (100 million of US dollars)	31 812	33 116	38 213	38 430	33 304
Consumer Price Index (previous year=100)	105.4	102.6	102.6	102.0	101.4
Government Revenue	103 740	117 210	129 143	140 350	152 217
Government Expenditure	108 930	125 712	139 744	151 662	175 768
Fiscal Balance	8 500	8 000	12 000	13 500	16 200
Per Capita Urban Household Disposable Income (yuan)	21 810	24 565	26 955	28 844	31 195
Per Capita Rural Household Disposable Income (yuan)	6 977	7 917	8 896	10 489	11 422
Number of Employed Persons in Urban Areas (million)	359.1	371.0	382.4	393.1	404.1
Registered Urban Unemployment Rate (%)	4.1	4.1	4.1	4.1	4.1
Total Population (million)	1 347.4	1 354.0	1 360.7	1 367.8	1 374.6

Notes: 1. Source from National Bureau of Statistics.

2. GDP and industrial value added in this table are calculated at current prices, while their growth rates are calculated at constant prices.

3. From 2011, the cut-off point of fixed assets investment statistics has been changed from a minimum of 500 thousand yuan to 5 million yuan, therefore the fixed assets investment figures in 2011 are not comparable with that of previous years, but growth rates are calculated on comparable basis.

4. From 2014, rural household income data are disposable income.

Selected Economic Indicators

(Growth Rates)

	2011	2012	2013	Percentage change	
				2014	2015
Gross Domestic Product (GDP)	9.5	7.7	7.7	7.3	6.9
Industrial Value Added	10.8	7.9	7.6	6.9	5.9
Fixed Assets Investment	23.8	20.3	19.3	15.3	9.8
Retail Sales of Consumer Goods	17.1	14.3	13.1	12.0	10.7
Urban Households	17.2	14.3	12.9	11.8	10.5
Rural Households	16.7	14.5	14.6	12.9	11.8
Export & Import	22.5	6.2	7.6	3.4	-8.0
Export	20.3	7.9	7.8	6.0	-2.8
Import	24.9	4.3	7.2	0.5	-14.2
Balance					
Foreign Direct Investment	9.7	-3.7	5.3	1.7	5.6
Foreign Exchange Reserves	11.7	4.1	15.4	0.6	-13.3
Consumer Price Index	5.4	2.6	2.6	2.0	1.4
Government Revenue	24.8	12.8	10.1	8.6	8.4
Government Expenditure	21.2	15.1	10.9	8.2	15.8
Per Capita Urban Household Disposable Income (after adjusting for inflation)	8.4	9.6	7.0	6.8	6.6
Per Capita Rural Household Disposable Income (after adjusting for inflation)	11.4	10.7	9.3	9.2	7.5
Number of Employed Persons in Urban Areas	3.5	3.3	3.1	2.8	2.8
Natural Population Growth (%)	4.8	5.0	4.9	5.2	5.0

Note: Same as the notes in prior page.

Aggregate Financing to the Real Economy

Aggregate Financing to the Real Economy (Increment)

	2014		2015	
	Increment (100 million yuan)	Proportion (%)	Increment (100 million yuan)	Proportion (%)
Aggregate Financing to the Real Economy	164 773	100.0	154 063	100.0
Of which: RMB Loans	97 816	59.4	112 693	73.1
Foreign Currency-denominated Loans (RMB equivalent)	3 554	2.2	-6 427	-4.2
Designated Loans	25 070	15.2	15 911	10.3
Trust Loans	5 174	3.1	434	0.3
Undiscounted Banker's Acceptances	-1 198	-0.7	-10 567	-6.9
Net Financing of Corporate Bonds	24 329	14.8	29 388	19.1
Domestic Equity Financing by Non-financial Corporations	4 350	2.6	7 590	4.9

Notes: 1. Aggregate Financing to the Real Economy is an aggregate indicator measuring the total funding from the financial system to the real economy (non-financial enterprises and households). The incremental data refers to the amount of funds gained during a certain period (a day, a quarter or a year). The stock data refers to the amount of funds gained at the end of a certain period (at the end of a month, a quarter or a year).

2. Source from the PBC, NDRC, CSRC, CIRC, CCDC and NAFMII.

Aggregate Financing to the Real Economy (Stock) in 2015

	Stock (1 trillion yuan)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	138.28	12.5	100
Of which: RMB Loans	92.75	13.9	67.1
Foreign Currency-denominated Loans (RMB equivalent)	3.02	-13.0	2.2
Designated Loans	11.01	18.0	8.0
Trust Loans	5.45	2.0	3.9
Undiscounted Banker's Acceptances	5.85	-14.8	4.2
Net Financing of Corporate Bonds	14.63	25.1	10.6
Domestic Equity Financing by Non- financial Corporations	4.53	20.2	3.3

Notes: 1. Aggregate Financing to the Real Economy (Stock) refers to the outstanding balance of funding from the financial system to the real economy (non-financial enterprises and households) at the end of a certain period.

2. Stock figures are calculated on the basis of book-value or face-value.

3. The growth rates are calculated at comparable prices and on year-on-year basis.

4. Source from the PBC, CSRC, CIRC, CCDC and NAFMII.

Aggregate Financing to the Real Economy (Increment) in 2015, by Areas

100 million yuan

Areas	Aggregate Financing to the Real Economy, by Areas	Of which						Net Financing of Corporate Bonds	Domestic Equity Financing by Non-financial Corporations
		RMB Loans	Foreign Currency-denominated Loans (RMB equivalent)	Designated Loans	Trust Loans	Undiscounted Banker's Acceptances			
Beijing	15 369	4 595	-1 161	2 452	737	101	7 180	1 190	
Tianjin	4 474	2 692	-151	785	113	-90	796	250	
Hebei	4 764	4 566	-32	30	-103	-642	517	205	
Shanxi	3 048	2 032	-18	282	-64	-138	717	149	
Inner Mongolia	1 869	2 181	-7	79	-452	-592	252	326	
Liaoning	6 194	3 475	-347	1 351	41	492	757	244	
Jilin	2 710	2 614	-7	183	-194	-292	189	98	
Heilongjiang	2 037	2 791	-20	33	-554	-574	115	80	
Shanghai	8 507	4 252	-511	1 539	726	273	1 476	491	
Jiangsu	11 394	9 253	-783	1 095	379	-2 043	2 507	618	
Zhejiang	6 291	5 387	-596	88	131	-1 039	1 275	749	
Anhui	3 575	3 410	-97	636	-311	-693	340	126	
Fujian	4 298	3 650	-445	602	-388	-482	906	284	
Jiangxi	3 020	2 891	-31	194	-383	-383	606	43	
Shandong	7 600	5 397	-305	437	-573	296	1 665	319	
Henan	5 756	4 207	-48	559	42	-26	701	143	
Hubei	4 248	4 105	-304	769	-209	-760	310	173	
Hunan	4 196	3 350	16	266	-138	-420	780	190	
Guangdong	14 443	11 028	-1 373	834	175	-77	2 155	1 114	
Guangxi	2 737	2 071	-72	359	0	-295	443	87	
Hainan	1 521	1 000	199	98	0	32	123	19	
Chongqing	2 969	2 380	-104	122	-222	-570	973	74	
Sichuan	5 812	4 109	-225	690	257	-466	751	240	
Guizhou	4 090	2 683	-12	980	-112	-98	572	0	
Yunnan	2 834	2 584	-29	333	-284	-628	670	73	
Tibet	794	502	3	22	232	-3	12	17	
Shannxi	4 539	2 914	-22	195	985	-254	487	95	
Gansu	3 441	2 611	-4	175	316	-24	164	110	
Qinghai	1 112	819	4	89	95	-136	159	67	
Ningxia	503	540	2	56	0	-152	26	6	
Xinjiang	1 837	1 367	-27	27	136	-207	402	28	

Note: Funding provided by headquarters of the financial institutions amounts to 724.5 billion yuan in 2015.

Selected Financial Indicators

(Year-end Balance)

	100 million yuan				
	2011	2012	2013	2014	2015
Money & Quasi-money (M_2)	851 590.9	974 148.8	1 106 525.0	1 228 374.8	1 392 278.1
Money (M_1)	289 847.7	308 664.2	337 291.1	348 056.4	400 953.4
Currency in Circulation (M_0)	50 748.5	54 659.8	58 574.4	60 259.5	63 216.6
Total Deposits with Financial Institutions	809 368.3	917 554.8	1 043 846.9	1 138 644.6	1 357 021.6
Savings Deposits	343 635.9	399 551.0	447 601.6	485 261.3	526 280.8
Non-financial Enterprise Deposits	303 504.3	327 393.7	361 555.2	378 333.8	430 247.4
Total Lending by Financial Institutions	547 946.7	629 909.6	718 961.5	816 770.0	939 540.2

Note: Deposits in housing provident fund management centers with bank accounts and deposits of non-depository financial institutions with depository financial institutions have already been included in money supply since October 2011.

Selected Financial Indicators

(Growth Rates)

	Percentage change				
	2011	2012	2013	2014	2015
Money & Quasi-money (M_2)	13.6	13.8	13.6	12.2	13.3
Money (M_1)	7.9	6.5	9.3	3.2	15.2
Currency in Circulation (M_0)	13.8	7.7	7.2	2.9	4.9
Total Deposits with Financial Institutions	13.5	13.4	13.8	9.1	12.4
Savings Deposits	13.8	16.3	11.9	8.4	8.5
Non-financial Enterprise Deposits	9.2	9.9	10.1	4.6	13.7
Total Lending by Financial Institutions	15.8	15.0	14.1	13.6	14.3

Note: Same as the note above.

Monetary Statistics

Depository Corporations Survey in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Net Foreign Assets	294 637.43	294 660.17	287 168.41	280 639.49
Domestic Credit	1 136 551.53	1 199 812.09	1 255 732.27	1 332 692.76
Claims on Government (net)	56 175.60	61 492.96	74 882.01	98 297.05
Claims on Non-financial Sectors	943 330.97	978 253.67	1 011 361.82	1 051 159.75
Claims on Other Financial Sectors	137 044.96	160 065.45	169 488.44	183 235.96
Money & Quasi-money	1 275 332.78	1 333 375.36	1 359 824.06	1 392 278.11
Money	337 210.52	356 082.86	364 416.90	400 953.44
Currency in Circulation	61 949.81	58 604.26	61 022.97	63 216.58
Corporate Demand Deposits	275 260.72	297 478.59	303 393.93	337 736.86
Quasi-money	938 122.25	977 292.51	995 407.15	991 324.67
Corporate Time Deposits	275 189.30	289 329.28	298 571.22	288 240.66
Personal Deposits	544 693.66	539 127.13	547 874.00	552 073.48
Other Deposits	118 239.30	148 836.10	148 961.94	151 010.53
Deposits Excluded from Broad Money	36 494.53	34 231.37	36 664.59	36 439.86
Bonds	129 897.12	139 064.65	147 648.53	160 003.65
Paid-in Capital	37 931.02	39 132.15	40 955.60	43 214.43
Others (net)	-48 466.48	-51 331.27	-42 192.09	-18 603.80

Note: Deposits in housing provident fund management centers with bank accounts and deposits of non-depository financial institutions with depository financial institutions have already been included in quasi-money.

Balance Sheet of the Monetary Authority in 2015 (Quarter-end Balance)

	100 million yuan			
	Q1	Q2	Q3	Q4
Foreign Assets	276 072.56	276 555.22	262 214.21	253 830.67
Foreign Exchange	268 160.81	267 149.38	258 244.37	248 537.59
Monetary Gold	669.84	2 094.73	2 207.71	2 329.54
Other Foreign Assets	7 241.92	7 311.11	1 762.13	2 963.55
Claims on Government	15 312.73	15 312.73	15 312.73	15 312.73
Of which: Central Government	15 312.73	15 312.73	15 312.73	15 312.73
Claims on Other Depository Corporations	31 478.70	23 263.93	25 234.76	26 626.36
Claims on Other Financial Corporations	7 847.15	7 696.35	9 696.55	6 656.59
Claims on Non-financial Sectors	41.30	55.01	57.28	71.74
Other Assets	11 473.10	14 192.58	13 523.34	15 338.87
Total Assets	342 225.55	337 075.83	326 038.88	317 836.97
Reserve Money	295 752.63	288 779.55	279 677.24	276 377.49
Currency Issue	69 078.10	65 111.90	68 454.85	69 885.95
Deposits of Financial Corporations	226 674.52	223 667.65	211 222.39	206 491.55
Deposits of Other Depository Corporations	226 674.52	223 667.65	211 222.39	206 491.55
Deposits of Other Financial Corporations				
Deposits of Financial Corporations Excluded from Reserve Money	1 729.00	1 692.29	1 843.40	2 826.42
Bond Issuance	6 522.00	6 522.00	6 522.00	6 572.00
Foreign Liabilities	1 405.32	1 465.51	1 649.93	1 807.28
Government Deposits	29 829.21	32 481.29	31 542.01	27 179.03
Equity	219.75	219.75	219.75	219.75
Other Liabilities	6 767.64	5 915.43	4 584.55	2 855.00
Total Liabilities	342 225.55	337 075.83	326 038.88	317 836.97

Notes: 1. Deposits of other financial corporations with the monetary authority have been no longer included in "Reserve Money" in line with the definition of "Reserve Money" defined by the International Monetary Fund.

2. Deposits of overseas financial institutions with the PBC have been included in "Foreign Liabilities" instead of "Other Depository Corporations".

Balance Sheet of Other Depository Corporations in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	40 915.72	40 914.79	43 382.85	41 594.51
Reserve Assets	233 400.50	233 976.54	224 109.93	219 330.07
Deposits with Central Bank	226 272.23	227 468.93	216 678.06	212 660.73
Cash in Vault	7 128.27	6 507.61	7 431.86	6 669.34
Claims on Government	70 692.07	78 661.52	91 111.29	110 163.34
Of which: Central Government	70 692.07	78 661.52	91 111.29	110 163.34
Claims on Central Bank	6 568.56	6 429.01	6 402.74	6 229.24
Claims on Other Depository Corporations	279 793.79	302 876.28	301 713.57	314 186.47
Claims on Other Financial Corporations	129 197.82	152 369.11	159 791.89	176 579.37
Claims on Non-financial Corporations	705 300.56	729 636.71	752 394.89	783 762.11
Claims on Other Resident Sectors	237 989.11	248 561.96	258 909.64	267 325.90
Other Assets	86 129.97	86 872.17	95 715.91	72 385.48
Total Assets	1 789 988.10	1 880 298.08	1 933 532.71	1 991 556.48
Liabilities to Non-financial Institutions & Households	1 143 385.80	1 173 335.92	1 203 731.68	1 249 742.73
Deposits Included in Broad Money	1 095 143.67	1 125 935.00	1 149 839.15	1 178 051.00
Corporate Demand Deposits	275 260.72	297 478.59	303 393.93	337 736.86
Corporate Time Deposits	275 189.30	289 329.28	298 571.22	288 240.66
Personal Deposits	544 693.66	539 127.13	547 874.00	552 073.48
Deposits Excluded from Broad Money	36 494.53	34 231.37	36 664.59	36 439.86
Transferable Deposits	8 965.94	8 508.81	9 381.15	10 806.19
Other Deposits	27 528.58	25 722.56	27 283.43	25 633.66
Other Liabilities	11 747.61	13 169.55	17 227.95	35 251.87
Liabilities to Central Bank	34 526.73	32 126.43	31 295.57	33 638.06
Liabilities to Other Depository Corporations	107 778.75	118 407.41	117 974.71	131 306.03
Liabilities to Other Financial Corporations	122 365.09	154 896.51	152 605.04	155 914.90
Of which: Deposits Included in Broad Money	118 239.30	148 836.10	148 961.94	151 010.53
Foreign Liabilities	20 945.54	21 344.34	16 778.72	12 978.41
Bond Issue	129 897.12	139 064.65	147 648.53	160 003.65
Paid-in Capital	37 711.26	38 912.39	40 735.85	42 994.68
Other Liabilities	193 377.81	202 210.43	222 762.61	204 978.01
Total Liabilities	1 789 988.10	1 880 298.08	1 933 532.71	1 991 556.48

Balance Sheet of Large-sized Domestic Banks in 2015 (Quarter-end Balance)

	100 million yuan			
	Q1	Q2	Q3	Q4
Foreign Assets	26 643.91	26 415.04	26 227.08	24 884.54
Reserve Assets	132 276.76	129 926.69	122 904.24	111 190.80
Deposits with Central Bank	128 435.92	126 452.59	118 656.81	107 456.99
Cash in Vault	3 840.84	3 474.11	4 247.42	3 733.80
Claims on Government	43 798.04	48 492.35	55 820.33	70 540.13
Of which: Central Government	43 798.04	48 492.35	55 820.33	70 540.13
Claims on Central Bank	6 189.93	5 997.73	5 967.86	5 908.48
Claims on Other Depository Corporations	116 838.46	135 278.98	126 980.80	131 167.49
Claims on Other Financial Corporations	40 068.67	38 926.98	43 582.98	47 454.67
Claims on Non-financial Corporations	374 416.19	385 118.35	398 181.34	416 234.50
Claims on Other Resident Sectors	126 418.80	131 495.53	137 370.44	142 372.88
Other Assets	55 683.19	54 604.23	61 483.01	38 639.56
Total Assets	922 333.95	956 255.89	978 518.08	988 393.06
Liabilities to Non-financial Institutions & Households	618 823.78	626 352.02	640 428.91	661 772.38
Deposits Included in Broad Money	592 155.66	599 891.34	608 856.15	612 006.74
Corporate Demand Deposits	148 109.86	158 510.33	159 844.17	169 086.72
Corporate Time Deposits	111 368.25	115 631.36	118 251.44	112 675.75
Personal Deposits	332 677.54	325 749.65	330 760.54	330 244.27
Deposits Excluded from Broad Money	17 598.24	16 339.75	17 388.19	17 737.95
Transferable Deposits	4 115.88	3 957.38	4 216.04	5 022.13
Other Deposits	13 482.37	12 382.36	13 172.15	12 715.83
Other Liabilities	9 069.87	10 120.92	14 184.58	32 027.68
Liabilities to Central Bank	17 713.29	20 555.66	18 984.72	19 559.78
Liabilities to Other Depository Corporations	14 646.01	19 920.75	26 277.70	30 885.19
Liabilities to Other Financial Corporations	58 396.61	72 148.92	61 679.35	61 407.33
Of which: Deposits Included in Broad Money	57 726.05	71 527.17	60 917.84	60 135.96
Foreign Liabilities	9 575.17	9 810.57	7 633.13	5 467.31
Bond Issue	71 502.76	73 542.59	76 658.12	80 907.47
Paid-in Capital	18 423.72	18 517.60	19 783.13	20 436.87
Other Liabilities	113 252.61	115 407.80	127 073.02	107 956.73
Total Liabilities	922 333.95	956 255.89	978 518.08	988 393.06

Notes: 1. The PBC compiles monetary and financial statistics on the basis of the RMB and foreign currency statistical data of domestically operating financial institutions in line with the concept, definition and classification of the IMF *Manual of Monetary and Financial Statistics*.

2. Large-sized domestic banks refer to those banks with total RMB and foreign currency assets of more than 2 trillion yuan (as of year end 2008), including the ICBC, CCB, ABC, BOC, CDB, BOCOM and the Postal Savings Bank of China Co., Ltd.

Balance Sheet of Medium-sized Domestic Banks in 2015 (Quarter-end Balance)

	100 million yuan			
	Q1	Q2	Q3	Q4
Foreign Assets	11 677.01	11 688.63	14 057.18	13 433.26
Reserve Assets	40 625.00	43 865.57	42 264.76	41 449.61
Deposits with Central Bank	39 923.03	43 198.68	41 613.37	40 820.81
Cash in Vault	701.96	666.89	651.39	628.80
Claims on Government	14 545.11	16 757.43	19 647.48	21 840.54
Of which: Central Government	14 545.11	16 757.43	19 647.48	21 840.54
Claims on Central Bank	126.43	146.22	123.60	122.40
Claims on Other Depository Corporations	59 815.21	59 642.60	62 646.05	65 520.82
Claims on Other Financial Corporations	50 833.78	65 764.67	65 468.58	71 282.10
Claims on Non-financial Corporations	165 398.27	170 285.22	172 923.37	180 137.43
Claims on Other Resident Sectors	48 010.94	50 763.10	53 335.91	55 929.47
Other Assets	13 309.87	14 824.20	15 819.10	14 033.09
Total Assets	404 341.61	433 737.65	446 286.03	463 748.73
Liabilities to Non-financial Institutions & Households	205 713.47	215 778.57	219 594.41	226 090.77
Deposits Included in Broad Money	190 774.69	201 671.35	204 401.05	211 664.35
Corporate Demand Deposits	56 588.42	62 043.95	63 303.22	75 061.44
Corporate Time Deposits	88 974.28	94 097.81	95 721.62	90 444.21
Personal Deposits	45 211.98	45 529.59	45 376.21	46 158.70
Deposits Excluded from Broad Money	13 779.78	12 744.64	13 799.43	13 045.52
Transferable Deposits	2 808.35	2 591.26	2 956.42	3 342.09
Other Deposits	10 971.43	10 153.38	10 843.01	9 703.43
Other Liabilities	1 158.99	1 362.58	1 393.93	1 380.90
Liabilities to Central Bank	12 654.60	7 648.96	8 278.28	10 208.58
Liabilities to Other Depository Corporations	37 939.58	38 631.60	35 809.89	42 450.90
Liabilities to Other Financial Corporations	49 490.82	64 243.52	67 288.94	68 221.15
Of which: Deposits Included in Broad Money	47 162.15	60 452.17	65 853.56	66 507.20
Foreign Liabilities	5 188.14	4 927.62	3 393.02	2 388.30
Bond Issue	51 701.04	56 201.88	59 761.51	64 192.10
Paid-in Capital	3 183.08	3 570.00	3 611.58	4 002.38
Other Liabilities	38 470.89	42 735.50	48 548.40	46 194.54
Total Liabilities	404 341.61	433 737.65	446 286.03	463 748.73

Note: Medium-sized Domestic Banks refer to those banks with total RMB and foreign currency assets of more than 300 billion yuan but less than 2 trillion yuan (as of year-end 2008), including China Merchants Bank Co., Ltd, Agricultural Development Bank of China, Shanghai Pudong Development Bank Co., Ltd, China CITIC Bank Co., Ltd, Industrial Bank Co., Ltd, China Minsheng Banking Corporation, China Everbright Bank Co., Ltd, Hua Xia Bank Co., Ltd, the Export-Import Bank of China, Guangdong Development Bank Co., Ltd, Pingan Bank Co., Ltd, Bank of Beijing, Bank of Shanghai and Bank of Jiangsu.

Balance Sheet of Small-sized Domestic Banks in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	517.21	610.15	716.82	693.71
Reserve Assets	42 754.10	43 901.47	43 031.88	47 046.77
Deposits with Central Bank	41 193.44	42 413.09	41 422.19	45 473.66
Cash in Vault	1 560.66	1 488.38	1 609.68	1 573.11
Claims on Government	10 001.52	10 852.62	12 642.92	14 705.23
Of which: Central Government	10 001.52	10 852.62	12 642.92	14 705.23
Claims on Central Bank	96.67	121.36	129.59	88.47
Claims on Other Depository Corporations	63 572.92	66 913.97	70 198.25	75 065.01
Claims on Other Financial Corporations	32 223.41	40 187.49	42 931.42	50 200.43
Claims on Non-financial Corporations	118 063.58	126 158.67	132 840.83	139 038.96
Claims on Other Resident Sectors	39 771.04	42 292.19	44 329.18	46 630.56
Other Assets	11 386.63	11 780.74	12 446.42	13 154.98
Total Assets	318 387.09	342 818.66	359 267.30	386 624.11
Liabilities to Non-financial Institutions & Households	214 995.48	226 452.40	237 308.35	251 930.92
Deposits Included in Broad Money	212 132.53	223 416.55	233 998.61	248 664.15
Corporate Demand Deposits	48 235.59	51 942.10	54 791.79	62 771.09
Corporate Time Deposits	54 171.31	59 044.08	62 264.85	62 883.98
Personal Deposits	109 725.64	112 430.38	116 941.97	123 009.08
Deposits Excluded from Broad Money	1 976.22	2 142.31	2 334.11	2 208.27
Transferable Deposits	347.40	339.19	454.51	389.41
Other Deposits	1 628.83	1 803.12	1 879.60	1 818.86
Other Liabilities	886.73	893.54	975.63	1 058.49
Liabilities to Central Bank	2 669.46	2 418.96	2 574.89	2 668.09
Liabilities to Other Depository Corporations	43 663.18	47 571.90	43 709.83	47 394.93
Liabilities to Other Financial Corporations	13 038.21	16 594.40	21 708.67	24 054.77
Of which: Deposits Included in Broad Money	12 486.17	15 769.32	20 774.01	22 820.54
Foreign Liabilities	805.94	978.23	862.96	850.26
Bond Issue	6 309.47	8 960.17	10 826.01	14 437.98
Paid-in Capital	8 945.78	9 493.88	9 812.31	10 641.37
Other Liabilities	27 959.56	30 348.73	32 464.28	34 645.79
Total Liabilities	318 387.09	342 818.66	359 267.30	386 624.11

Note: Small-sized Domestic Banks refer to those banks with total RMB and foreign currency assets of less than 300 billion yuan (as of year end 2008), including Evergrowing Bank, China Zheshang Bank, China Bohai Bank, small-sized city commercial banks, rural commercial banks, rural cooperative banks, and rural banks.

Balance Sheet of Foreign-funded Banks in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	1 937.99	2 054.12	2 190.30	2 390.65
Reserve Assets	2 650.29	2 524.09	2 438.89	2 899.27
Deposits with Central Bank	2 639.24	2 513.54	2 427.63	2 889.05
Cash in Vault	11.05	10.55	11.26	10.22
Claims on Government	1 695.02	1 837.79	1 936.60	1 793.24
Of which: Central Government	1 695.02	1 837.79	1 936.60	1 793.24
Claims on Central Bank	38.56	101.81	120.19	105.38
Claims on Other Depository Corporations	5 228.60	5 280.60	4 790.88	4 688.87
Claims on Other Financial Corporations	2 256.51	2 470.90	2 397.77	2 589.86
Claims on Non-financial Corporations	10 948.71	10 781.92	10 498.03	10 266.95
Claims on Other Resident Sectors	868.85	904.76	941.53	980.02
Other Assets	941.91	944.24	1 259.74	1 969.34
Total Assets	26 566.44	26 900.23	26 573.93	27 683.59
Liabilities to Non-financial Institutions & Households	14 266.01	14 079.04	13 844.17	14 592.80
Deposits Included in Broad Money	11 235.04	10 898.56	10 737.56	11 213.45
Corporate Demand Deposits	2 676.75	2 882.91	2 773.03	3 750.78
Corporate Time Deposits	6 765.12	6 344.67	6 375.07	5 958.48
Personal Deposits	1 793.17	1 670.97	1 589.47	1 504.20
Deposits Excluded from Broad Money	2 520.47	2 506.30	2 554.87	2 774.10
Transferable Deposits	1 218.48	1 290.64	1 389.18	1 562.76
Other Deposits	1 301.99	1 215.66	1 165.69	1 211.34
Other Liabilities	510.50	674.18	551.74	605.24
Liabilities to Central Bank	124.50	2.36	4.44	4.76
Liabilities to Other Depository Corporations	1 856.29	1 972.84	2 038.19	2 018.67
Liabilities to Other Financial Corporations	923.07	1 100.82	1 385.65	1 523.71
Of which: Deposits Included in Broad Money	699.16	877.41	1 155.40	1 314.78
Foreign Liabilities	5 361.17	5 593.31	4 856.19	4 241.26
Bond Issue	193.38	153.70	155.51	257.42
Paid-in Capital	1 636.73	1 704.97	1 709.77	1 744.23
Other Liabilities	2 205.29	2 293.20	2 580.01	3 300.74
Total Liabilities	26 566.44	26 900.23	26 573.93	27 683.59

Balance Sheet of Rural Credit Cooperatives in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	2.96	3.15	3.54	3.42
Reserve Assets	12 181.81	11 644.13	11 487.68	14 569.64
Deposits with Central Bank	11 168.08	10 776.48	10 575.59	13 846.24
Cash in Vault	1 013.74	867.65	912.08	723.40
Claims on Government	595.32	658.96	988.37	1 217.19
Of which: Central Government	595.32	658.96	988.37	1 217.19
Claims on Central Bank	116.97	61.88	61.49	4.50
Claims on Other Depository Corporations	24 671.46	24 024.44	24 133.03	19 771.18
Claims on Other Financial Corporations	2 432.60	3 258.82	3 062.65	2 709.76
Claims on Non-financial Corporations	23 308.55	23 467.09	23 748.30	22 691.57
Claims on Other Resident Sectors	22 420.11	22 583.31	22 361.20	20 729.17
Other Assets	4 536.73	4 426.50	4 419.46	4 249.14
Total Assets	90 266.51	90 128.28	90 265.71	85 945.57
Liabilities to Non-financial Institutions & Households	68 223.34	67 026.04	66 646.89	63 806.72
Deposits Included in Broad Money	68 104.31	66 910.11	66 526.46	63 630.41
Corporate Demand Deposits	9 895.24	10 129.58	10 325.42	9 916.45
Corporate Time Deposits	2 927.45	3 037.13	2 997.59	2 558.67
Personal Deposits	55 281.63	53 743.40	53 203.45	51 155.30
Deposits Excluded from Broad Money	6.89	6.74	6.88	7.46
Transferable Deposits	0.34	0.28	0.55	0.89
Other Deposits	6.55	6.46	6.33	6.57
Other Liabilities	112.14	109.19	113.55	168.85
Liabilities to Central Bank	1 241.75	1 390.03	1 342.91	1 071.97
Liabilities to Other Depository Corporations	8 990.70	9 725.46	9 799.85	7 908.88
Liabilities to Other Financial Corporations	418.39	691.40	394.61	507.92
Of which: Deposits Included in Broad Money	103.08	126.13	147.96	126.59
Foreign Liabilities	0.13	0.11	0.17	0.18
Bond Issue	1.00	16.29	57.16	17.88
Paid-in Capital	2 518.32	2 529.16	2 535.23	2 566.03
Other Liabilities	8 872.89	8 749.78	9 488.89	10 065.99
Total Liabilities	90 266.51	90 128.28	90 265.71	85 945.57

Balance Sheet of Finance Companies in 2015 (Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	136.63	143.69	187.94	188.92
Reserve Assets	2 912.55	2 114.58	1 982.49	2 173.99
Deposits with Central Bank	2 912.52	2 114.55	1 982.46	2 173.98
Cash in Vault	0.02	0.03	0.02	0.02
Claims on Government	57.06	62.36	75.59	67.01
Of which: Central Government	57.06	62.36	75.59	67.01
Claims on Central Bank				
Claims on Other Depository Corporations	9 667.15	11 735.70	12 964.57	17 973.10
Claims on Other Financial Corporations	1 382.85	1 760.25	2 348.50	2 342.55
Claims on Non-financial Corporations	13 165.27	13 825.46	14 203.03	15 392.70
Claims on Other Resident Sectors	499.37	523.07	571.38	683.80
Other Assets	271.64	292.26	288.19	339.37
Total Assets	28 092.50	30 457.37	32 621.67	39 161.43
Liabilities to Non-financial Institutions & Households	21 363.73	23 647.86	25 908.95	31 549.13
Deposits Included in Broad Money	20 741.45	23 147.10	25 319.32	30 871.89
Corporate Demand Deposits	9 754.85	11 969.73	12 356.31	17 150.39
Corporate Time Deposits	10 982.89	11 174.22	12 960.65	13 719.57
Personal Deposits	3.70	3.15	2.36	1.93
Deposits Excluded from Broad Money	612.92	491.63	581.11	666.55
Transferable Deposits	475.50	330.06	364.45	488.90
Other Deposits	137.43	161.58	216.65	177.64
Other Liabilities	9.37	9.13	8.53	10.70
Liabilities to Central Bank	123.13	110.47	110.33	124.88
Liabilities to Other Depository Corporations	682.98	584.85	339.25	647.48
Liabilities to Other Financial Corporations	97.98	117.45	147.82	200.02
Of which: Deposits Included in Broad Money	62.68	83.90	113.17	105.46
Foreign Liabilities	14.99	34.50	33.25	31.09
Bond Issue	189.47	190.03	190.21	190.79
Paid-in Capital	3 003.63	3 096.79	3 283.84	3 603.81
Other Liabilities	2 616.58	2 675.42	2 608.02	2 814.23
Total Liabilities	28 092.50	30 457.37	32 621.67	39 161.43

Monetary Aggregates in 2015 (Quarter-end Balance)

	100 million yuan			
	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	1 275 332.78	1 333 375.36	1 359 824.06	1 392 278.11
Money (M_1)	337 210.52	356 082.86	364 416.90	400 953.44
Currency in Circulation (M_0)	61 949.81	58 604.26	61 022.97	63 216.58
Corporate Demand Deposits	275 260.72	297 478.59	303 393.93	337 736.86
Quasi-money	938 122.25	977 292.51	995 407.15	991 324.67
Corporate Time Deposits	275 189.30	289 329.28	298 571.22	288 240.66
Personal Deposits	544 693.66	539 127.13	547 874.00	552 073.48
Other Deposits	118 239.30	148 836.10	148 961.94	151 010.53

Note: Including deposits in housing provident fund management centers with bank accounts and deposits of non-depository financial institutions with depository financial institutions.

Monetary Aggregates in 2015 (Year-on-year percentage change)

	Percent per annum			
	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	11.62	11.75	13.13	13.34
Money (M_1)	2.91	4.27	11.37	15.20
Currency in Circulation (M_0)	6.21	2.90	3.70	4.91
Corporate Demand Deposits	2.19	4.55	13.05	17.35
Quasi-money	12.62	12.58	13.78	12.61
Corporate Time Deposits	9.73	8.92	9.69	9.16
Personal Deposits	8.85	6.12	8.65	8.49
Other Deposits	44.50	57.61	51.43	40.63

Note: Same as the note above.

Statistics on Volume of RMB Issuance

100 million yuan

Notes & Coins	Year-end Balance of 2014	Year-end Balance of 2015
100 Yuan Note	58 253.31	60 950.62
50 Yuan Note	3 229.79	3 139.83
20 Yuan Note	1 189.02	1 209.52
10 Yuan Note	1 874.51	1 915.32
5 Yuan Note	895.54	883.78
2 Yuan Note	38.99	38.97
1 Yuan Note	581.59	592.73
5 Jiao Note	145.19	151.85
2 Jiao Note	20.97	20.92
1 Jiao Note	71.85	71.52
5 Fen Note	1.56	1.56
2 Fen Note	1.76	1.76
1 Fen Note	2.92	2.92
1 Yuan Coin	470.52	509.46
5 Jiao Coin	173.72	187.37
1 Jiao Coin	106.59	114.33
5 Fen Coin	6.94	6.95
2 Fen Coin	5.82	5.82
1 Fen Coin	3.50	3.52
Total	67 074.08	69 808.75

Note: Including currency in circulation and cash in vault of banking institutions.

Business Statistics on Non-cash Payment Operations in 2015

		Transaction Number (10 thousand)	Transaction Value (100 million yuan)
Commercial Papers	Bills of Exchange	211.94	15 594.23
	Banker's Drafts	5.03	804.85
	Transfer Bank Drafts	206.91	14 789.38
	Commercial Drafts	1 905.71	209 875.05
	Commercial Acceptance Bills	31.73	57 423.45
	Banker's Acceptance Bills	1 873.98	152 451.60
	Promissory Notes	458.6	41 515.78
	Cash Promissory Notes	10.63	1 761.69
	Transfer Promissory Notes	447.97	39 754.09
	Cheques	39 124.56	2 115 334.60
	Cash Cheques	9 725.26	116 950.35
	Transfer Cheques	29 399.31	1 998 384.25
	Organization Cheques	38 591.63	2 111 697.97
	Personal Cheques	532.93	3 636.64
	Total	41 700.81	2 382 319.66
Bankcards	Cash Deposits	919 221.03	709 687.47
	Cash Withdraw	1 842 092.15	731 488.29
	ATM	1 456 840.72	240 063.70
	Consumption	2 902 994.47	550 005.14
	Transfer	2 858 569.38	4 706 974.76
	Total	8 522 877.02	6 698 155.66
Settlements	Credit Transfer	634 276.38	24 099 366.86
	Direct Debit	233 240.60	1 281 260.16
	Consignment Collection Payment	75.66	7 840.86
	Domestic Letter of Credit	9.52	19 591.63
	Total	867 602.16	25 408 059.50

Note: Beginning from 2015 non-cash payment operation statistics are adjusted in its coverage with the inclusion of the three items of domestic letter of credit, credit transfer and direct debit in the settlement statistics, which covers remittance and entrusted collection of payment. Therefore, remittance and entrusted collection of payment are taken off.

Statistics on Transactions via Payment Systems

		10 thousand (number), 100 million yuan				
		2011	2012	2013	2014	2015
High Value Payment System	Volume (number)	37 211.44	47 035.96	59 548.66	71 256.49	78 883.86
	Value	13 552 814.97	17 719 972.13	20 607 617.10	23 468 933.87	29 520 565.22
Bulk Electronic Payment System	Volume (number)	56 304.92	75 393.50	104 027.48	143 580.15	183 526.95
	Value	183 614.11	185 477.54	203 154.11	220 751.23	249 402.68
Internet Banking Payment System	Volume (number)	\	26 580.35	71 784.34	163 914.52	296 555.07
	Value	\	35 630.14	94 684.65	177 893.21	277 563.81
Inter-city Bill Clearing System	Volume (number)	41 803.08	39 135.21	41 871.49	38 381.54	39 515.72
	Value	709 484.72	665 182.46	682 886.89	632 193.30	1 243 363.80
China Domestic Foreign Currency Payment System	Volume (number)	76.24	111.05	139.44	191.13	207.88
	Value	17 103.76	33 614.79	44 294.86	52 809.80	57 002.02
Interbank Fund Transfer System	Volume (number)	729 076.77	895 492.15	1 075 915.52	1 431 813.80	1 970 775.51
	Value	5 305 821.12	6 245 593.61	7 452 224.44	8 962 797.55	11 940 122.11
Interbank Bankcard Payment System	Volume (number)	1 038 147.93	1 248 897.88	1 513 946.08	1 867 366.07	2 066 757.44
	Value	159 285.29	217 631.82	322 972.28	411 097.10	492 752.74
Total	Volume (number)	1 902 620.38	2 332 646.10	2 867 233.02	3 716 503.70	4 636 222.43
	Value	19 928 123.97	25 103 102.49	29 407 834.32	33 926 476.06	43 780 772.38

Statistics on Numbers of Bank RMB Settlement Accounts

	10 thousand (number)				
	2011	2012	2013	2014	2015
Entity Settlement Accounts	2 824.22	3 169.57	3 558.06	3 976.91	4 439.03
Basic Deposit Settlement Accounts	1 693.30	1 904.47	2 162.35	2 468.02	2 835.43
General Deposit Settlement Accounts	859.41	983.28	1 099.47	1 196.90	1 272.76
Special Deposit Settlement Accounts	247.09	258.98	274.28	291.02	310.13
Temporary Deposit Settlement Accounts	24.42	22.83	21.96	20.96	20.71
Individual Settlement Accounts	408 185.37	487 811.70	560 720.36	647 271.18	732 526.66
Total	411 009.59	490 981.27	564 278.42	651 248.09	736 965.69

Statistics on Bankcard Numbers

	100 million (number)				
	2011	2012	2013	2014	2015
Credit Card	2.85	3.31	3.91	4.55	4.32
Ordinary Credit Card	2.52	2.89	3.44	4.00	3.93
Quasi-credit Card	0.34	0.42	0.47	0.55	0.39
Debit Card	26.64	32.03	38.23	44.81	50.10
Total	29.49	35.34	42.14	49.36	54.42

Interest Rate

RMB Interest Rates in 2015

	Jan. 1	Mar. 1	May 11	Jun. 28	Aug. 26	Oct. 24	Dec. 31
	Percent per annum						
Benchmark Rates							
Required Reserves	1.62	1.62	1.62	1.62	1.62	1.62	1.62
Excess Reserves	0.72	0.72	0.72	0.72	0.72	0.72	0.72
Loans to Financial Institutions							
20 Days or Less	3.25	3.25	3.25	3.25	3.25	2.90 ¹	2.90
3 Months or Less	3.55	3.55	3.55	3.55	3.55	3.20 ¹	3.20
6 Months or Less	3.75	3.75	3.75	3.75	3.75	3.40 ¹	3.40
1 Year	3.85	3.85	3.85	3.85	3.85	3.50 ¹	3.50
Rediscount	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Official Interest Rates on Deposits & Loans of Financial Institutions							
Interest Rates on Deposits							
Demand Deposits	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Time Deposits							
3 Months	2.35	2.10	1.85	1.60	1.35	1.10	1.10
6 Months	2.55	2.30	2.05	1.80	1.55	1.30	1.30
1 Year	2.75	2.50	2.25	2.00	1.75	1.50	1.50
2 Years	3.35	3.10	2.85	2.60	2.35	2.10	2.10
3 Years	4.00	3.75	3.50	3.25	3.00	2.75	2.75
Interest Rates on Loans							
1 Year or Less	5.60	5.35	5.10	4.85	4.60	4.35	4.35
1~5 Years (including 5 years)	6.00	5.75	5.50	5.25	5.00	4.75	4.75
Longer than 5 Years	6.15	5.90	5.65	5.40	5.15	4.90	4.90
Loan Prime Rate (Average) ²	5.51	5.30	5.05	4.80	4.55	4.30	4.30
Weighted Average Rates in Interbank Market in December³							
Interbank Borrowing							1.97
Bond-pledged Repo							1.95

Notes: 1. Central bank's lending rate on Nov. 6, 2015.

2. Respective average rates for Jan. 4, Mar. 2, May 11, Jun. 29, Aug. 26, Oct. 26 and Dec. 31, 2015.

3. Monthly average rates for December, 2015.

Interest Rates on Small-value US Dollar Deposits

	Percent per annum				
	Nov. 18, 2004	May 20, 2005	Aug. 23, 2005	Oct. 15, 2005	Dec. 28, 2005
Demand Deposits	0.075	0.075	0.275	0.775	1.150
7-Day Notice Deposits	0.250	0.250	0.500	1.000	1.375
1 Month	0.375	0.625	1.250	1.750	2.250
3 Months	0.625	0.875	1.750	2.250	2.750
6 Months	0.750	1.000	1.875	2.375	2.875
1 Year	0.875	1.125	2.000	2.500	3.000

Note: No adjustments since Dec. 28, 2005.

Shibor Monthly Average Rates in 2015

	Percent per annum							
	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	2.82	3.96	4.92	4.96	4.94	4.76	4.69	4.76
February	3.08	4.55	4.83	5.06	4.91	4.78	4.75	4.78
March	3.34	4.45	4.63	5.04	4.90	4.78	4.75	4.78
April	2.28	2.89	3.44	4.27	4.57	4.66	4.68	4.73
May	1.21	2.10	2.52	2.77	3.35	3.80	4.02	4.11
June	1.16	2.33	2.83	2.98	3.02	3.19	3.31	3.40
July	1.28	2.56	2.97	3.10	3.17	3.17	3.26	3.39
August	1.68	2.49	2.68	2.80	3.11	3.22	3.27	3.40
September	1.91	2.41	2.72	3.05	3.12	3.31	3.33	3.41
October	1.88	2.37	2.71	3.00	3.14	3.32	3.34	3.40
November	1.79	2.28	2.63	2.71	3.04	3.20	3.25	3.35
December	1.84	2.32	2.73	2.82	3.06	3.20	3.25	3.35

Financial Market Statistics

Money Market Statistics in 2015

	Q1	Q2	Q3	Q4
Turnover of Interbank Borrowing (100 million yuan)	82 577	162 214	177 156	220 189
Turnover of Interbank Repo (100 million yuan)	663 871	1 087 468	1 253 853	1 572 448
Quarter-end Shibor: Overnight (%)	3.18	1.26	1.99	1.99
Quarter-end Shibor: 1-Week (%)	3.89	2.65	2.41	2.36
Quarter-end Month Weighted Average Rates of Interbank Borrowing (%)	3.69	1.44	2.05	1.97
Quarter-end Month Weighted Average Rates of Bond-pledged Repo (%)	3.61	1.41	2.01	1.95
Commercial Bills Accepting (100 million yuan)	54 032	59 051	53 094	57 478
Quarter-end Commercial Bills Outstanding (100 million yuan)	101 740	107 948	106 254	104 124
Financial Institutions Discounting (100 million yuan)	192 278	287 203	272 983	268 865
Quarter-end Financial Institutions Discount Outstanding (100 million yuan)	30 769	37 817	43 128	45 756

Bond Market Statistics in 2015

	Q1	Q2	Q3	Q4
Total Bond Issuance (100 million yuan)	30 766	54 804	71 969	71 285
Government Bonds	2 099	15 128	22 443	19 739
Central Bank Bills	0	0	0	0
Financial Bonds	17 130	23 826	30 778	30 362
Interbank Negotiable Certificates of Deposits	7 138	9 517	16 071	20 298
Corporate Credit Bonds	11 537	15 821	18 729	21 120
International Institutions Bonds	0	30	20	65
Quarter-end Outstanding Balance of Bond Issuance ² (100 million yuan)	370 023	398 922	447 411	487 796
Government Bonds	105 629	117 398	137 283	154 524
Central Bank Bills	4 222	4 222	4 222	4 222
Financial Bonds	139 578	152 248	172 361	184 596
Interbank Negotiable Certificates of Deposits	10 256	14 143	22 188	30 274
Corporate Credit Bonds	120 548	124 977	133 449	144 329
International Institutions Bonds	46	76	96	125
Quarter-end Chinabond Composite Index (% , net price)	101.0	102.2	103.2	104.8
Quarter-end Chinabond Yield Curve (% , for 1-year term)	3.22	1.74	2.39	2.30
Quarter-end Chinabond Yield Curve (% , for 10-year term)	3.65	3.60	3.24	2.82

Notes: 1. Bonds in this table refer to all bonds issued in interbank market, stock exchange market and OTC market.

2. Corporate Credit Bonds include debt financing instruments of non-financial corporations, enterprises bonds, corporate bonds and transferable bonds.

Stock Market Statistics in 2015

	Q1	Q2	Q3	Q4
Total Funds Raised (100 million yuan)	1 969	4 025	1 951	3 376
Trading Turnover (100 million yuan)	412 158	979 326	602 752	556 302
Quarter-end Volume of Stock Issued (100 million shares)	37 865	40 503	41 889	43 015
Quarter-end Market Capitalization (100 million yuan)	477 018	584 574	419 528	531 304
Quarter-end Numbers of Companies Listed	2 683	2 797	2 800	2 827
Quarter-end Close Index	-	-	-	-
Shanghai Stock Exchange Composite Index (December 19, 1990=100)	3 748	4 277	3 053	3 539
Shenzhen Stock Exchange Component Index (July 20, 1994=1000)	13 161	14 338	9 988	12 665

Securities Investment Funds Statistics in 2015

	Q1	Q2	Q3	Q4
Number of Securities Investment Funds	2 027	2 379	2 540	2 724
Total Volume (100 million yuan)	44 966	62 386	64 222	76 674
Net Funds Assets (100 millions)	52 414	71 140	66 913	83 972
Trading Turnover (100 million)	14 381	33 353	21 870	7 256

Futures Market Statistics in 2015

	Q1	Q2	Q3	Q4
Transaction Volume (10 thousand lots)	77 083	92 493	100 674	87 519
Trading Turnover (100 million yuan)	1 194 104	2 342 740	1 582 057	419 693
Quarter-end Position (10 thousand lots)	1 155	1 104	963	1 178
Delivery Volume (lots)	195 574	328 598	325 528	114 987

Insurance Market Statistics in 2015

	Q1	Q2	Q3	Q4
Premium Income (100 million yuan)	8 425	5 277	5 338	5 242
Property Insurance	1 979	2 039	1 893	2 084
Life Insurance	6 446	3 238	3 445	3 158
Claim and Benefit Payment (100 million yuan)	2 311	1 893	2 056	2 414
Property Insurance	915	920	1 058	1 302
Life Insurance	1 397	973	999	1 112
Quarter-end Assets in Total (100 million yuan)	108 703	114 297	115 780	123 598
Of which: Bank Deposits	26 386	26 791	25 425	24 350
Investment	72 555	76 894	78 510	87 446

Gold Market Statistics in 2015

	Q1	Q2	Q3	Q4
Value Traded of Au99.99 (100 million yuan)	1 748	1 559	1 378	1 394
Value Traded of Au (T+D) (100 million yuan)	2 476	1 623	1 888	2 838
Value Traded of Ag (T+D) (100 million yuan)	2 592	1 926	2 083	1 589
Au99.99 Quarter-end Close Price (yuan/g)	236	235	231	223
Au (T+D) Quarter-end Close Price (yuan/g)	236	235	230	223
Ag (T+D) Quarter-end Close Price (yuan/kg)	3 508	3 397	3 251	3 210

Balance of Payments, External Debt Position, RMB Exchange Rate, etc.

China's Balance of Payments (2015)

Item	100 million of US dollars
1. Current Account	3 306
Credit	26 930
Debit	-23 624
1.A Goods and Services	3 846
Credit	24 293
Debit	-20 447
1.A.a Goods	5 670
Credit	21 428
Debit	-15 758
1.A.b Services	-1 824
Credit	2 865
Debit	-4 689
1.A.b.1 Manufacturing Services on Physical Inputs Owned by Others	203
Credit	204
Debit	-2
1.A.b.2 Maintenance and Repair Services n.i.e	23
Credit	36
Debit	-13
1.A.b.3 Transport	-370
Credit	386
Debit	-756
1.A.b.4 Travel	-1 781
Credit	1 141
Debit	-2 922
1.A.b.5 Construction	65
Credit	167
Debit	-102
1.A.b.6 Insurance and Pension Services	-44
Credit	50
Debit	-93
1.A.b.7 Financial Services	-3
Credit	23
Debit	-26
1.A.b.8 Charges for the Use of Intellectual Property	-209
Credit	11
Debit	-220
1.A.b.9 Telecommunications, Computer, and Information Services	131
Credit	245
Debit	-114
1.A.b.10 Other Business Services	189
Credit	584
Debit	-395
1.A.b.11 Personal, Cultural, and Recreational Services	-12
Credit	7
Debit	-19
1.A.b.12 Government Goods and Services n.i.e	-15
Credit	11
Debit	-26
1.B Primary Income	-454
Credit	2 278
Debit	-2 732
1.B.1 Compensation of Employees	274
Credit	331
Debit	-57

Continued

Item	100 million of US dollars
1.B.2 Investment Income	-734
Credit	1 939
Debit	-2 673
1.B.3 Other Primary Income	7
Credit	8
Debit	-2
1.C Secondary Income	-87
Credit	359
Debit	-446
2. Capital and Financial Account	-1 424
2.1 Capital Account	3
Credit	5
Debit	-2
2.2 Financial Account	-1 427
Assets	-491
Liabilities	-936
2.2.1 Financial Account Excluding Reserve Assets	-4 856
Assets	-3 920
Liabilities	-936
2.2.1.1 Direct Investment	621
2.2.1.1.1 Assets	-1 878
2.2.1.1.1.1 Equity and Investment Fund Shares	-1 452
2.2.1.1.1.2 Debt Instruments	-426
2.2.1.1.2 Liabilities	2 499
2.2.1.1.2.1 Equity and Investment Fund Shares	2 196
2.2.1.1.2.2 Debt Instruments	302
2.2.1.2 Portfolio Investment	-665
2.2.1.2.1 Assets	-732
2.2.1.2.1.1 Equity and Investment Fund Shares	-397
2.2.1.2.1.2 Debt Securities	-335
2.2.1.2.2 Liabilities	67
2.2.1.2.2.1 Equity and Investment Fund Shares	150
2.2.1.2.2.2 Debt Securities	-82
2.2.1.3 Financial Derivatives (other than reserves) and Employee Stock Options	-21
2.2.1.3.1 Assets	-34
2.2.1.3.2 Liabilities	13
2.2.1.4 Other Investment	-4 791
2.2.1.4.1 Assets	-1 276
2.2.1.4.1.1 Other Equity	0
2.2.1.4.1.2 Currency and Deposits	-1 001
2.2.1.4.1.3 Loans	-475
2.2.1.4.1.4 Insurance, Pension, and Standardized Guarantee Schemes	-32
2.2.1.4.1.5 Trade Credit and Advances	-460
2.2.1.4.1.6 Other Accounts Receivable	692
2.2.1.4.2 Liabilities	-3 515
2.2.1.4.2.1 Other Equity	0
2.2.1.4.2.2 Currency and Deposits	-1 226
2.2.1.4.2.3 Loans	-1 667
2.2.1.4.2.4 Insurance, Pension, and Standardized Guarantee Schemes	24
2.2.1.4.2.5 Trade Credit and Advances	-623
2.2.1.4.2.6 Other Accounts Payable	-24
2.2.1.4.2.7 Special Drawing Rights	0
2.2.2 Reserve Assets	3 429
2.2.2.1 Monetary Gold	0
2.2.2.2 Special Drawing Rights	-3
2.2.2.3 Reserve Position in the IMF	9
2.2.2.4 Foreign Exchange Reserves	3 423
2.2.2.5 Other Reserve Assets	0
3. Net Errors and Omissions	-1 882

Note: Beginning from 2015 China compiles BOP in accordance with the 6th Edition of *Balance of Payment and International Investment Position Manual*. Reserve assets are included in the capital account and financial account. "Credit" and "debit" entries are recorded positive value and negative value respectively. Besides "Credit" and "debit" entries, others are recorded as "balance". This table employs rounded-off numbers.

China's External Debt Position in 2015, by Sectors

	End-2015 100 million yuan	End-2015 100 million US dollars
General Government	7 231	1 114
Short-term	194	30
Currency & Deposits	0	0
Debt Securities	194	30
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
Long-term	7 037	1 084
SDR Allocation	0	0
Currency & Deposits	0	0
Debt Securities	3 990	615
Loans	3 046	469
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
The Central Bank	2 793	430
Short-term	856	132
Currency & Deposits	856	132
Debt Securities	0	0
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
Long-term	1 938	298
SDR Allocation	629	97
Currency & Deposits	0	0
Debt Securities	357	55
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	952	147
Other Depository Corporations	39 741	6 120
Short-term	32 597	5 020

Continued

	End-2015 100 million yuan	End-2015 100 million US dollars
Currency & Deposits	20 673	3 184
Debt Securities	4 903	755
Loans	7 019	1 081
Trade Credits & Advances	0	0
Other Debt Liabilities	1	0
Long-term	7 144	1 100
Currency & Deposits	0	0
Debt Securities	4 266	657
Loans	2 868	442
Trade Credits & Advances	0	0
Other Debt Liabilities	10	1
Other Sectors	27 740	4 272
Short-term	19 746	3 041
Currency & Deposits	0	0
Debt Securities	58	9
Loans	2 307	355
Trade Credits & Advances	17 360	2 673
Other Debt Liabilities	21	3
Long-term	7 994	1 231
Currency & Deposits	0	0
Debt Securities	1 372	211
Loans	5 639	868
Trade Credits & Advances	309	48
Other Debt Liabilities	674	104
Direct Investment: between Enterprises	14 457	2 226
Liabilities of Direct Investment Enterprises to Direct Investment Investors	12 485	1 923
Liabilities of Direct Investment Investors to Direct Investment Enterprises	16	2
Liabilities to Affiliated Enterprises	1 957	301
Total External Debt Positions	91 962	14 162

Notes: 1. "Short-term" and "Long-term" are decided by the signed agreements.

2. This table employs rounded-off numbers.

International Liquidity

	Millions of the US dollars			
	2012	2013	2014	2015
Total Reserves (minus gold)	3 325 440.1	3 833 291.0	3 853 759.9	3 341 006.0
SDRs	11 365.6	11 183.6	10 456.0	10 281.9
Reserve Position in IMF	2 485.3	792.2	285.9	362.4
Foreign Exchange	3 311 589.2	3 821 315.2	3 843 018.0	3 330 361.6
Gold (million ounce)	33.89	33.89	33.89	56.66
Gold (national valuation)	9 815.0	9 815.0	9 815.0	60 191.0
Foreign Liabilities of Other Depository Corporations	157 509.4	294 789.2	409 995.4	199 864.7

Gold and Foreign Exchange Reserves

Year	Gold (10 thousand ounce)	Foreign Exchange Reserves (100 million US dollars)	Change in Foreign Exchange Reserves (%)
2013	3 389	38 213.15	15.4
2014	3 389	38 430.18	0.6
2015	5 666	33 303.62	-13.3

RMB Exchange Rate

Year	Foreign Currency	Year-end Rate (RMB/per unit of foreign currency)	Change of Basis Points
2011	USD	6.3009	-3 218
	HKD	0.8107	-402
	JPY	8.1103	-157
	EUR	8.1625	-644
2012	USD	6.2855	-154
	HKD	0.8109	1
	JPY	7.3049	-8 054
	EUR	8.3176	1 551
2013	USD	6.0969	-1 886
	HKD	0.7862	-246
	JPY	5.7771	-15 278
	EUR	8.4189	1 013
2014	USD	6.1190	-221
	HKD	0.7889	-26
	JPY	5.1371	64
	EUR	7.4556	9 633
2015	USD	6.4936	3 746
	HKD	0.8378	489
	JPY	5.3875	2 504
	EUR	7.0952	-3 604

Note: The exchange rate of RMB against Japanese yen: RMB/100 Japanese yen.

RMB Internationalization

Statistics on RMB Cross Border Payment and Receipt

100 million of US dollars

Year	Current Account			Capital Account			Others	RMB Settlements of Cross-border Trade
	Total	Trade in Goods	Trade in Services and Others	Total	Overseas Direct Investment	Foreign Direct Investment		
2009	26	20	6	71	-	-	71	97
2010	3 501	3 034	467	604	57	224	324	4 105
2011	15 889	13 811	2 079	5 047	266	1 007	3 774	20 936
2012	28 797	26 040	2 757	11 362	312	2 592	8 458	40 159
2013	46 368	41 368	4 999	15 972	867	4 571	10 534	62 340
2014	65 510	58 947	6 564	34 078	2 244	9 606	22 229	99 588
2015	72 344	63 911	8 432	48 698	7 362	15 871	25 466	121 042
Total	232 435	207 130	25 305	115 832	11 107	33 870	70 855	348 267

Note: Historical data are adjusted in accordance with the balance of payments statistical coverage of currently used.

RMB Financial Assets Held by Overseas Institutions and Persons

100 million of US dollars

	Jan. 2015	Feb. 2015	Mar. 2015	Apr. 2015	May 2015	Jun. 2015
Stocks	6 086.33	6 651.00	7 384.13	7 977.90	8 503.53	7 844.00
Bonds	7 057.62	7 160.41	7 127.95	7 352.49	7 485.05	7 640.82
Loans	8 628.70	8 776.58	8 769.16	8 738.81	8 918.82	9 242.10
Deposits	22 087.28	21 050.81	20 248.02	21 529.76	21 111.13	21 203.45

	Jul. 2015	Aug. 2015	Sep. 2015	Oct. 2015	Nov. 2015	Dec. 2015
Stocks	6 007.68	5 489.45	5 285.15	5 925.79	4 601.25	5 986.72
Bonds	7 974.44	7 782.61	7 645.78	7 575.81	7 625.76	7 517.06
Loans	9 749.57	9 554.64	9 357.07	9 405.61	9 021.49	8 515.55
Deposits	19 622.04	18 310.73	16 641.77	16 412.77	14 841.64	15 380.65

Flow of Funds Statement in 2014 (Financial Transaction Accounts)

	Households		Non-financial Corporations		General Government		Financial Institutions	
	Uses	Sources	Uses	Sources	Uses	Sources	Uses	Sources
Net Financial Investment	50 328		-63 966		20 393		8 918	
Financial Uses	88 407		78 942		39 895		316 636	
Financial Sources		38 079		142 908		19 502		307 717
Currency	1 132		152		34		269	1 688
Deposits	44 788		42 993		31 870		13 828	130 364
Demand Deposits	4 952		-255		7 668			12 364
Time Deposits	39 369		19 994		15 523			74 886
Fiscal Deposits					5 531			5 531
Foreign Exchange Deposits	309		8 894		17		1 443	6 608
Other Deposits	159		14 359		3 131		12 385	30 975
Customer Margin of Securities Companies	2 045		3 267		1 603		1 115	8 169
Loans		38 079		101 873		-43	139 435	
Short-term Loans & Discounted Commercial Paper Loans		14 976		23 544			38 520	
Medium & Long-term Loans		22 336		38 308			60 644	
Foreign Exchange Loans		2		4 063		-43	3 548	
Designated Loans				25 070			25 070	
Other Loans		766		10 887			11 654	
Undiscounted Banker's Acceptance Bills			-1 198	-1 198			-1 198	-1 198
Insurance Technical Reserves	13 262		986			6 760		7 488
Inter-financial Institutions Accounts							38 876	28 153
Required & Excessive Reserves							21 112	20 834
Securities	2 720		433	33 300	4 174	11 804	53 772	19 177
Bonds	1 224		-3 005	24 329	3 002	11 804	52 842	17 931
Government & Public Bonds	509		-431		-6	11 804	11 732	
Financial Bonds			-2 490		2 627		19 034	19 171
Central Bank Bonds							-1 240	-1 240
Corporate Bonds	715		-84	24 329	381		23 317	
Shares	1 496		3 438	8 971	1 172		929	1 246
Securities Investment Funds	3 837		6 129		3 007		2 093	15 328
Shares							742	482
Cash in Vault							742	482
Central Bank Loans				12			15 665	15 654
Miscellaneous (net)	20 624		16 513		-793		23 395	59 777
Foreign Direct Investments			4 903	17 626				
Changes in Other Foreign Assets & Debts			4 765	-160		981	350	1 802
Changes in Reserve Assets							7 181	
Errors & Omissions in the BOP				-8 544				

100 million yuan

All Domestic Sectors		The Rest of the World		Total		
Uses	Sources	Uses	Sources	Uses	Sources	
15 673		-15 673		0		Net Financial Investment
523 880		15 543		539 423		Financial Uses
	508 207		31 216		539 423	Financial Sources
1 587	1 688	101		1 688	1 688	Currency
133 478	130 364	2 220	5 334	135 698	135 698	Deposits
12 364	12 364			12 364	12 364	Demand Deposits
74 886	74 886			74 886	74 886	Time Deposits
5 531	5 531			5 531	5 531	Fiscal Deposits
10 663	6 608	1 279	5 334	11 942	11 942	Foreign Exchange Deposits
30 034	30 975	941		30 975	30 975	Other Deposits
8 029	8 169	140		8 169	8 169	Customer Margin of Securities Companies
139 435	139 909	2 777	2 303	142 212	142 212	Loans
38 520	38 520			38 520	38 520	Short-term Loans & Discounted Commercial Paper Loans
60 644	60 644			60 644	60 644	Medium & Long-term Loans
3 548	4 022	2 777	2 303	6 326	6 326	Foreign Exchange Loans
25 070	25 070			25 070	25 070	Designated Loans
11 654	11 654			11 654	11 654	Other Loans
-2 396	-2 396			-2 396	-2 396	Undiscounted Banker's Acceptance Bills
14 248	14 248			14 248	14 248	Insurance Technical Reserves
38 876	28 153	-4 688	6 035	34 188	34 188	Inter-financial Institutions Accounts
21 112	20 834	-279		20 834	20 834	Required & Excessive Reserves
61 099	64 281	3 267	85	64 366	64 366	Securities
54 064	54 064			54 064	54 064	Bonds
11 804	11 804			11 804	11 804	Government & Public Bonds
19 171	19 171			19 171	19 171	Financial Bonds
-1 240	-1 240			-1 240	-1 240	Central Bank Bonds
24 329	24 329			24 329	24 329	Corporate Bonds
7 035	10 217	3 267	85	10 303	10 303	Shares
15 066	15 328	262		15 328	15 328	Securities Investment Funds Shares
742	482		260	742	742	Cash in Vault
15 665	15 665			15 665	15 665	Central Bank Loans
59 740	59 777	37		59 777	59 777	Miscellaneous (net)
4 903	17 626	17 626	4 903	22 529	22 529	Foreign Direct Investments
5 115	2 623	2 623	5 115	7 738	7 738	Changes in Other Foreign Assets & Debts
7 181			7 181	7 181	7 181	Changes in Reserve Assets
	-8 544	-8 544		-8 544	-8 544	Errors & Omissions in the BOP

NOTES TO SECTORS AND ITEMS IN FLOW OF FUNDS STATEMENT

Flow of Funds Statement (Financial Transaction Accounts)^① Presented in matrix format, Financial Accounts encompass all financial transactions among domestic sectors and with the rest of the world. In the accounts, all institutional units are grouped under five sectors: households, non-financial corporations, general government, financial institutions, and the rest of the world, and all financial transactions taken place among the five sectors are classified by financial instruments. The sectors and financial transactions are listed on the rows and columns of the matrix, respectively. The double entry flow of funds accounting is based on an accrual basis. In principle, all financial transaction flows are recorded according to the transaction prices. The terms “sources” and “uses” are employed to reflect the changes in financial assets and financial liabilities of each sector.

Households Include urban households, rural households and individual enterprises. This sector is mainly engaged in final consumption, self-served production, and a few profit-making production activities.

Non-financial Corporations Consist of profit-making resident corporations who has independent accounting and whose principal activity is the production of goods and non-financial services.

General Government Includes central government, local governments, government organizations and social security funds. They produce and supply non-profit output for public and individual consumption. They also bear the responsibilities of redistributing national income and wealth.

Financial Institutions Include central bank, commercial banks, and other financial institutions. They supply financial services including insurance.

The Rest of the World Non-residential units who have financial transactions with resident units.

Financial Uses The total amounts in the uses column of each sector.

Financial Sources The total amounts in the sources column of each sector.

Net Financial Investment The differences between financial uses and financial sources.

Currency^② Notes and coins in circulation.

Deposits All types of deposits denominated in local and foreign currencies, including demand deposits, time deposits, fiscal deposits, foreign exchange deposits, and others.

Demand Deposits Deposits that can be withdrawn on demand, including household demand savings deposits, enterprise demand deposits, government and organization demand deposits, and etc.

Time Deposits Deposits that cannot be readily withdrawn because they are subject to a fixed term of a period of prior notice before withdrawal, including household time deposits, enterprise time deposits, government and organization time deposits, and etc.

Fiscal Deposits Deposits of the government in the banking institutions, including fiscal vault funds, fiscal transition deposits, fiscal funds to be settled, national vault times deposits, planning deposits and special use funds deposits.

Foreign Exchange Deposits Foreign exchange denominated deposits of non-financial residents with domestic financial institutions and the rest of the world, and those of non-residents with domestic financial institutions.

Other Deposits Deposits that are not classified elsewhere above, such as designated deposits, trust deposits, margin account deposits, and etc.

Customer Margin of Securities Companies Deposits of clients for settlement of securities company client transactions, which is put into other depository corporations that serve as the third party.

Loans All kinds of loans including short-term loans, bills financing, medium and long-term loans, foreign exchange loans, designated loans, etc.

Short-term Loans and Bills Financing Loans provided by financial institutions with a short-term maturity (usually within one year or one year) are short-term loans. Bills financing means that financial institutions offer funds to clients by discounting the commercial papers, bankers' acceptance bills and other papers the clients hold.

① Some financial transactions are not accounted temporarily, such as equity, trade credit and some accounts receivables/payables.

② The volumes of RMB circulation in foreign countries and foreign currency circulation in our country are not accounted temporarily since the amounts are limited and difficult to compile at present.

Medium and Long-term Loans Loans with a longer term maturity (usually beyond one year).

Foreign Exchange Loans Loans in foreign currencies made by domestic financial institutions to non-financial residents and the rest of the world and those to residents by the rest of the world.

Designated Loans Loans used and managed for specific targets and goals by banking institutions entrusted by government, enterprises, households or other designators who have offered the funds.

Other Loans Loans that are not classified elsewhere above, such as trust loans, etc.

Undiscounted Bankers' Acceptance Bills Bankers' acceptance bills that have not been discounted in financial institutions, which equal all the bankers' acceptance bills minus their discounted parts to avoid repeated accounting.

Insurance Technical Reserves The net equity of social insurance and commercial insurance funds, prepaid insurance premium and outstanding claim reserves.

Inter-financial Institution Accounts Consist of nostro and vostro accounts, interbank lending and securities repurchases among financial institutions.

Required and Excessive Reserves Financial institutions deposits with the PBC and required reserves.

Securities All bonds and shares.

Bonds Negotiable and bearer instruments that give the holders the unconditional right to a fixed or contractually determined variable interest on a specified date or dates, and do not grant the holders any ownership rights in the institutional units issuing them. Bonds include government and public bonds, financial bonds, central bank bonds, and corporate bonds.

Government and Public Bonds Bonds issued by the government.

Financial Bonds Bonds issued by financial institutions excluding the central bank.

Central Bank Bonds Bonds issued by the central bank.

Corporate Bonds Bonds issued by the non-financial corporate businesses.

Shares^③ Documents which represent property rights on corporations and entitle the holders to a share in the profits of the corporations and to a share in their net assets.

Securities Investment Fund Shares Issued by securities investment funds, which represent quantity of beneficiary certificates entitled to the investors.

Cash in Vault Local and foreign cashes reserved for business by banks.

Central Bank Loans Loans extended by the PBC to financial institutions.

Miscellaneous (Net) Other domestic financial transactions not included elsewhere.

Direct Investment Foreign direct investment from abroad and outward direct investment made by domestic residents.

Changes in Other Foreign Assets and Debts The foreign assets and debts that are not included in foreign exchange deposits and loans or in reserve assets.

Changes in International Reserve Assets Consist of gold, foreign exchange, special drawing rights, reserve positions with the International Monetary Fund (IMF) and the use of IMF credit.

Errors and Omissions in the Balance of Payments^④ Arising from insufficient coverage, differences in timing, scope of coverage, classification, valuation and foreign exchange conversions of accounting during the process of Balance of Payments compilation.

③ Currently only includes the amounts of funds financed through listed shares.

④ As it is difficult to identify the proportion of this item on the current account to that on the capital account, all the errors and omissions in the Balance of Payments are presented on the Financial Transaction Accounts of Flow of Funds Statement temporarily.

FLOW OF FUNDS IN 2014

The volume of flow of funds in the whole system continued to expand, but the growth rate declined

In 2014, the volume of flow of funds in the whole system registered 53.94 trillion yuan, increasing by 4.3 percent or 2.24 trillion yuan from the previous year. The growth rates had kept positive for three years successively but had been declining since 2013. The aggregate financing to the real economy

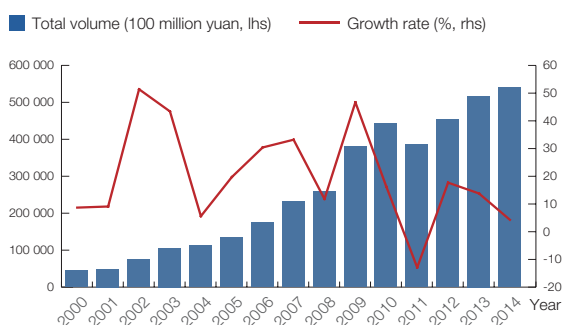
reached 16.46 trillion yuan, with the newly increased volume 0.86 trillion yuan less year on year. The ratio of total volume of flow of funds in the whole society against GDP in 2014 was 84.8 percent, 3.1 percentage points lower than that in 2013 (Figure 1, 2).

The incremental liability and equity financing of domestic non-financial sectors declined, while the financing structure was diversified

In 2014, newly increased liabilities and equity financing of domestic non-financial sectors (including households, non-financial corporations and general government, the same thereafter)¹ registered 20.05 trillion yuan, lower by 1.01 trillion yuan than that of the previous year and decreased by 4.8 percent, but was still the second highest level in history. The ratio of total volume of newly increased liabilities and equity financing of domestic non-financial sectors to the nominal GDP was 31.5 percent, which was 4.3 percentage points lower than that of the previous year and the lowest level in the past six years, but it was still higher than the average level through 2000 to 2008 by 7 percentage points (Figure 3). In general, although liability growth of domestic non-financial sectors slowed down, the relative volume (the ratio of newly increased financing to GDP) was at an overall appropriate level.

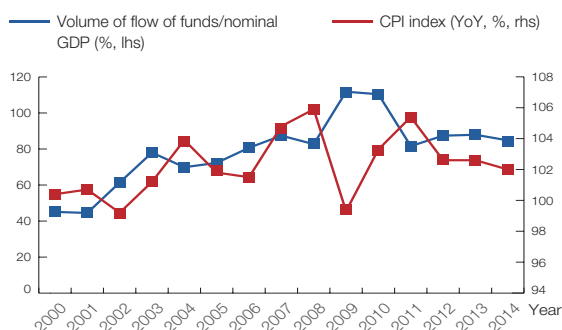
In terms of sectors, the total volume of incremental liabilities by households, non-

Figure 1 Total Volume and Growth of Flow of Funds



Source: The People's Bank of China.

Figure 2 Ratio of Volume of Flow of Funds to GDP and CPI



Source: The People's Bank of China.

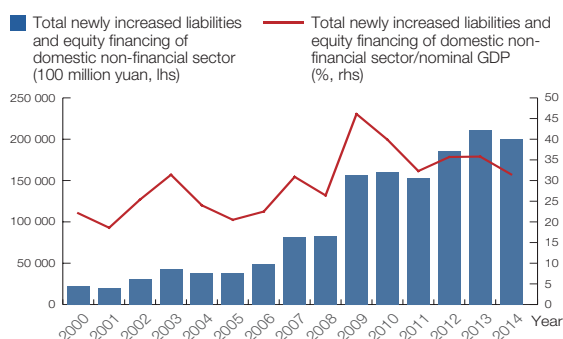
¹ Newly increased liabilities and equity financing of domestic non-financial sector includes new loans, bond financing, equity financing, undiscounted bankers' acceptances, insurance reserves, external liabilities, and etc., in which equity financing includes accountable equity financing.

financial corporate and government sectors were all lower than those in 2013. During the year, the newly increased liabilities and equity financing by the households, non-financial corporate and government sectors were 3.81 trillion yuan, 14.29 trillion yuan and 1.95 trillion yuan, down by 377.1 billion yuan, 521.5 billion yuan and 109.0 billion yuan year on year, and accounted for 19.0 percent, 71.3 percent and 9.7 percent of the total volume of newly increased liabilities and equity financing by domestic non-financial sectors, respectively. In particular, the share of household and government sectors decreased by 0.9 percentage points and 0.1 percentage points, respectively, while that of the non-financial corporate sector increased by 0.9 percentage points (Table 1).

In terms of financial instruments, financing through bonds and equity increased substantially, while financing through undiscounted bankers' acceptances witnessed a net decrease and a large drop in newly increased value than that of 2013. In 2014, newly increased financing by

domestic non-financial sectors through bonds and equities increased by 3.61 trillion yuan and 897.1 billion yuan, up by 16.3 percent and 112.1 percent year on year, respectively. Newly increased bankers' acceptances declined by 119.8 billion yuan, down by 115.4 percent year on year. Newly increase liabilities in terms of loans², insurance reserves and external liabilities (foreign direct investment and other external liabilities, the same thereafter) went up by 13.99 trillion yuan, 676.0 billion yuan and 1.84 trillion yuan, lower than those of the previous year by 3.9 percent, 7.9 percent and 4.6 percent, respectively. In terms of proportions, the proportion of loans (69.8 percent), corporate bonds (12.1 percent) and equities (4.5 percent) increased by 0.6 percentage points, 3.5 percentage points and 2.5 percentage points year on year, respectively, while the proportion of undiscounted bankers' acceptances (-0.6 percent), insurance reserves (3.4 percent) and treasury bonds (5.9 percent) declined by 4.3 percentage points, 0.1 percentage points and 0.3 percentage points year on year, respectively; the proportion of external liabilities

Figure 3 Ratio of Total Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors to Nominal GDP



Source: The People's Bank of China.

Table 1 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Sector in 2014

	New Increase (100 million yuan)	YoY Change (100 million yuan)	YoY Growth (%)	Proportion (%)	YoY Change in Proportion (percentage point)
Total	200 489	-10 076	-4.8	100.0	0.0
Households	38 079	-3 771	-9.0	19.0	-0.9
Non-financial Corporations	142 908	-5 215	-3.5	71.3	0.9
General Government	19 502	-1 090	-5.3	9.7	-0.1

Source: The People's Bank of China.

2 When calculating the stock of funds, the statistics of loans are processed according to a broad definition, including general loans, entrusted loans, trust loans, wealth management loans, and loans by micro-credit companies and credit companies, and etc., the same thereafter.

was 9.2 percent, the same with that of the previous year (Table 2).

Demand for financing by the household sector weakened, and the growth of newly increased financial assets slightly slowed down

In 2014, the newly increased liabilities by the household sector registered 3.81 trillion yuan, which was 377.1 billion yuan less than that of the previous year. The main drivers were weaker housing demand both for the purpose of consumption and business caused by downward pressure in the economy and slowing down of individual income growth. During the year, total sales of marketable residential real estate registered 6.2 trillion yuan, declined by 7.8 percent year on year, which was 34.4 percentage points lower than that of 2013. Incremental individual consumption loans

increased by 2.39 trillion yuan, 146.3 billion yuan less year on year, and incremental individual business loans went up by 896.9 billion yuan, 275.6 billion yuan less than that of 2013 (Figure 4).

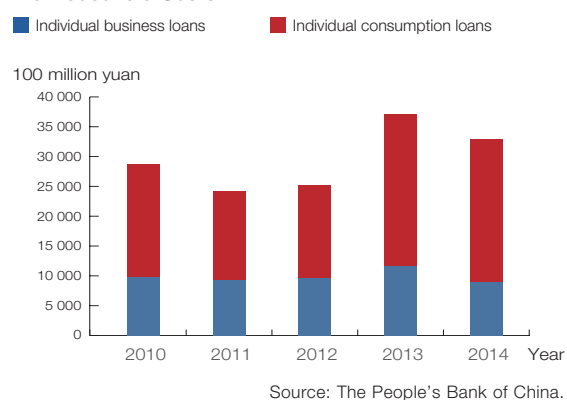
Affected by factors such as slowing down of income growth, newly increased financial assets of the household sector decreased to some extent. In 2014, the household sector increased holding of financial assets by 8.84 trillion yuan, 235.6 billion yuan or 2.6 percent less than that of 2013. In terms of asset composition, the household sector has adjusted the structure of their holdings as the stock market rose and the wealth management market became quite lively, which was reflected in lower proportion of deposits and higher share of equities and wealth management assets. During the year, newly increased household deposits³ reached 4.48 trillion yuan, 1.11 trillion yuan less than that of 2013 and accounted for 50.7 percent

Table 2 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Financing Structure in 2014

	New Increase (100 million yuan)	YoY Change (100 million yuan)	YoY Growth (%)	YoY Proportion (%)	YoY Change in Proportion (percentage point)
Total	200 489	-10 076	-4.8	100.0	0.0
Loans	139 909	-5 727	-3.9	69.8	0.6
Undiscounted Bankers' Acceptances	-1 198	-8 954	-115.4	-0.6	-4.3
Insurance Reserves	6 760	-576	-7.9	3.4	-0.1
Bonds	36 133	5 073	16.3	18.0	3.3
Corporate Bonds	24 329	6 218	34.3	12.1	3.5
Treasury Bonds	11 804	-1 145	-8.8	5.9	-0.3
Equity	8 971	4 742	112.1	4.5	2.5
Foreign Liabilities	18 447	-889	-4.6	9.2	0.0

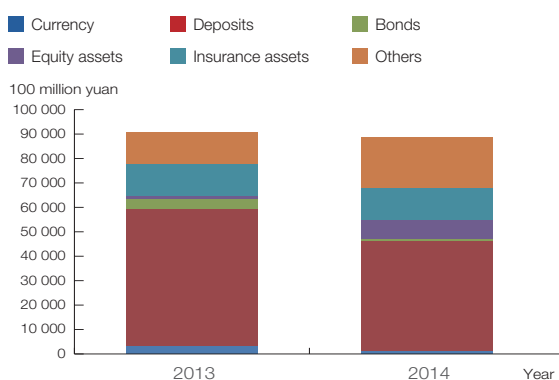
Source: The People's Bank of China.

Figure 4 Composition of Newly Increased Liabilities of the Household Sector



³ Statistics of deposits are processed according to a broad definition, including all deposits in domestic and foreign currencies as well as entrusted deposits in the Summary of Sources and Uses of Credit Funds of Financial Institutions, the same thereafter.

Figure 5 Composition of Newly Increased Financial Assets of the Household Sector



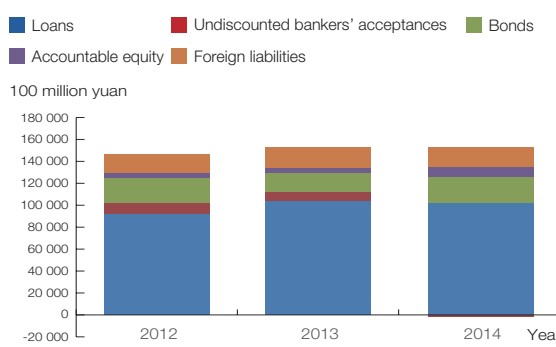
Source: The People's Bank of China

of total newly increased financial assets held by the household sector, down by 10.9 percentage points than that in 2013. Newly increased equity assets⁴ was 737.7 billion yuan, which was 632.9 billion yuan more than that in 2013 and accounted for 8.3 percent of the total, 7.2 percentage points higher than that of 2013. Newly increased other assets including wealth management assets registered 2.06 trillion yuan, which was 732.4 billion yuan more than that in 2013 and accounted for 23.3 percent of the total, 8.7 percentage points more than that of 2013. There was an evident flow of funds from deposits to other assets (Figure 5).

Newly increased financial assets of the non-financial corporate sector were substantially lower than that in 2013, with financing gap expanding

In 2014, newly increased liabilities and equity financing of the non-financial corporate sector registered 14.29 trillion yuan, 521.5 billion yuan or 3.5 percent lower than that in 2013. To be specific, newly

Figure 6 Composition of Newly Increased Liabilities and Equity Financing of the Non-financial Corporate Sector

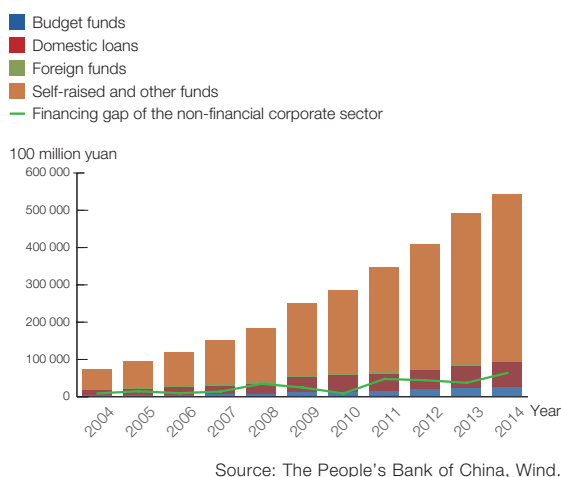


Source: The People's Bank of China.

increased loans registered 10.19 trillion yuan, 188.5 billion yuan less than that in 2013 and accounted for 71.3 percent of the newly increased liabilities and equity financing by non-financial corporate sector, which was 1.3 percentage points higher than that of 2013. Incremental corporate bond financing registered 2.43 trillion yuan, 621.8 billion yuan more than the previous year and accounted for 17.0 percent of the total, up by 4.8 percentage points than that in 2013. Equity financing reached 897.1 billion yuan, 474.2 billion yuan higher than that in the previous year and accounted for 6.3 percent of the total, increasing by 3.4 percentage points. Newly increased liabilities in the form of undiscounted bankers' acceptances decreased by 119.8 billion yuan, which were 895.4 billion yuan more than that in 2013, and accounted for -0.8 percent of the total, down by 6.0 percentage points year on year. The newly increased foreign liabilities registered 1.75 trillion yuan, 159.1 billion yuan less than that of 2013 and accounted for 12.2 percent of the total, down by 0.7 percentage points (Figure 6).

4 Equity-related assets include equity financing, securities investment funds, and margins of securities companies' clients, the same thereafter.

Figure 7 Financing Gap of Non-financial Corporate Sector and Sources of Total Fixed-asset Investment of the Society



Newly increased financial assets held by non-financial corporate sector reached 7.89 trillion yuan, 3.18 trillion yuan or 28.7 percent less than that in 2013. Specifically, deposits increased by 4.30 trillion yuan, 1.63 trillion yuan lower than that in the previous year and accounted for 54.5 percent of the total newly increased financial assets held by non-financial corporate sector, up by 1.0 percentage point compared with that of 2013.

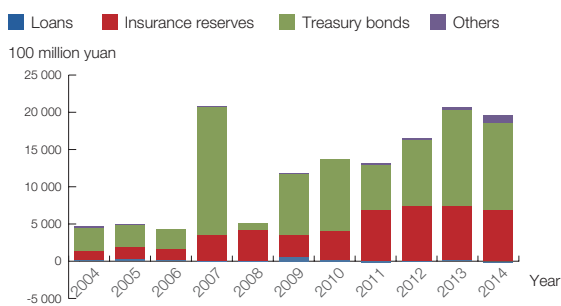
Financing gap of the non-financial corporate sector (i.e. the net financial liabilities, which equals to newly increased liabilities and equity financing less newly increased financial assets) reached 6.40 trillion yuan, 2.66 trillion yuan larger than that in 2013 (Figure 7). There were several reasons for this phenomenon. First, the growth of non-financial corporate sector profits was relatively slow, resulting in less growth in financial assets. Second, slower growth of incremental loans led to slower growth of deposits. Third, although total fixed-asset investment has evidently slowed down in 2014, the total investment

volume kept rising year by year, and the corporations still need more funds than the previous year, which reached 5.19 trillion yuan. Against the background that corporate incremental liabilities grew less than that in 2013, non-financial corporate sector must sacrifice financial assets to increase physical investment. Fourth, in terms of financing methods, as internal financing costs less than external financing, the non-financial corporate sector tended to rely more on financing from internal sources. Data shows that the proportion of self-raised funds in total fixed-asset investment of the society gradually increased. In 2000, the ratio of self-raised funds to total funds was 49.3 percent, while in 2014 the ratio was 69.9 percent, 20.6 percentage points higher. Therefore, as the corporations used their surplus funds in physical investment, corporate deposits took an obvious drop, and incremental financial assets were substantially less than that in the previous year.

Net fund surplus of the government sector was relatively large, showing the relative abundance of general government funds

In 2014, the government sector (including central and local governments, governmental agencies and organizations, administrative units and social security funds, the same thereafter) had newly increased liabilities of 1.95 trillion yuan, 109.0 billion yuan or 5.3 percent less than that in the previous year, though still the second highest level in the history. More specifically, newly increased liabilities in the form of treasury bonds and insurance reserves were 1.18 trillion yuan and 676.0 billion yuan, 114.5 billion yuan and 57.6 billion yuan less than that in 2013

Figure 8 Composition of Newly Increased Major Liabilities of the Government Sector



Source: The People's Bank of China.

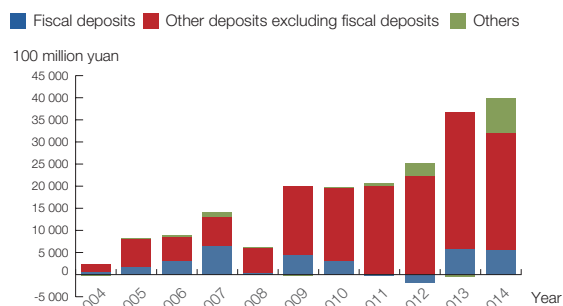
and accounted for 60.5 percent and 34.7 percent of the total, which declined by 2.4 percentage points and 0.9 percentage points compared with 2013, respectively (Figure 8).

Newly increased financial assets held by the government sector were 3.99 trillion yuan, 349.3 billion yuan higher than the previous year. Specifically, newly increased deposits registered 3.19 trillion yuan, 472.7 billion yuan less than that of 2013. Other incremental assets reached 802.5 billion yuan, which was 822.0 billion yuan more than that of 2013 (Figure 9).

Despite the fiscal deficit of 1.13 trillion yuan in 2014 after netting the government revenues and expenditures, the overall net fund surplus reached 2.04 trillion yuan (net fund surplus equals to newly increased financial assets less newly increased financial liabilities) and was 458.3 billion yuan more than that in 2013. This has shown an abundance of funds within the general government sector.

Growth of incremental financial assets and liabilities of financial institutions accelerated

Figure 9 Composition of Newly Increased Major Financial Assets of the Government Sector



Source: The People's Bank of China.

In 2014, the newly increased liabilities and equity financing of financial institutions (including the central bank, depository institutions, insurance companies, securities investment fund, and other financial institutions, the same thereafter) reached 30.77 trillion yuan, a year-on-year increase of 4.11 trillion yuan or 15.4 percent higher than that in the previous year, with the growth rate 14 percentage points higher than that of 2013.

The newly increased financial assets totaled 31.66 trillion yuan, up by 6.59 trillion yuan or 26.3 percent year on year, which was 15.7 percentage points higher than that in the year of 2013. Specifically, the newly increased loans reached 13.94 trillion yuan, accounting for 44.0 percent of total incremental financial assets of financial institutions and down by 15.0 percentage points than the previous year. Newly increased bond assets reached 5.28 trillion yuan, or 16.7 percent of the total, an increase of 5.9 percentage points compared with the previous year. The newly increased reserve deposits reached 2.11 trillion yuan, which constituted 6.7 percent, showing a rise of 1 percentage point. The newly increased non-discounted

bankers' acceptances decreased by 119.8 billion yuan, constituting -0.4 percentage of the total, a decrease of 3.5 percentage points year on year. The newly increased foreign financial assets registered 753.1 billion yuan, accounting for 2.4 percent of the total, down by 9.3 percentage points compared with the previous year.

The volume of domestic funds used by foreign sector and that of foreign funds used by China declined, with the outflow of funds increased

The newly increased foreign financial assets held by China (China's funds used by the rest of the world) reached 3.12

trillion yuan, which was 865.8 billion yuan or 21.7 percent lower than the previous year. The newly increased external financial liabilities and equity financing (foreign funds used by China) totaled 1.55 trillion yuan, which was 1.29 trillion yuan or 45.3 percent lower than that in 2013. This has shown an evident decline in China's external fund transactions. On the other hand, China's external net financial asset formation (external net financial asset formation equals newly increased foreign financial assets held by China minus newly increased external financial liabilities) was 1.56 trillion yuan, up by 36.7 percent year on year, demonstrating an increase of China's funds used by the foreign sector. ■

CHRONICLE

2015 CHRONICLE

JANUARY

6 Jan. The PBC and the CIRC jointly published the notice on issues concerning bond issuance for capital replenishment by insurance companies to regulate bond issues for this purpose by insurance companies, help insurers enhance solvency and protect investors' legal rights and interests.

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9 Jan.** The 2015 Work Conference of the PBC was held in Beijing. Fully in line with the requirements of the 18th National Congress of the Communist Party of China (CPC), the Third and Fourth Plenary Session of the 18th Central Committee of the CPC, and the Central Economic Work Conference, the PBC analyzed current economic and financial conditions, summarized work in 2014, and laid out the work for 2015 during the meeting. Governor Zhou Xiaochuan delivered the work report, while Deputy Governor Hu Xiaolian presided over the meeting and made closing remarks. Yi Gang, Wang Huaqing, Pan Gongsheng, Li Dongrong, Guo Qingping and Jin Qi attended the meeting and set down requirements for the work within their respective remit.

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12 Jan.** Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the Bank for International Settlements (BIS) in Basel, Switzerland. The meeting mainly discussed the dual impact of falling oil price and a stronger dollar on

global economy, the economic outlook for world's major economies and policy responses, and the relationship between central bank and financial markets.

21 Jan. While accompanying Premier Li Keqiang to the 2015 World Economic Forum and his work visit to Switzerland, Governor Zhou Xiaochuan attended the symposium entitled *Whether the Volatility in Global Market Has Become a New Normal*, hosted by the Forum, and delivered a speech.

The PBC and the Swiss National Bank signed a memorandum on cooperation with agreement on issues concerning the establishment of RMB clearing arrangements in Switzerland, and agreed to expand the pilot areas for RMB qualified foreign institutional investors (RQFII) program to Switzerland with an investment quota of 50 billion yuan.

FEBRUARY

5 Feb. The PBC cut the reserve requirement ratio (RRR) for RMB deposits at financial institutions by 0.5 percentage points. In the meantime, city commercial banks and non-county level rural commercial banks with the share of loans to micro businesses meeting the criterion for targeted RRR cuts got an additional cut of 0.5 percentage points. Agricultural Development Bank of China (ADBC) got an additional cut of 4 percentage points.

The PBC published the *Measures for Supervising and Regulating Participants in the Payment System of the People's Bank of China*, aiming to enhance the supervision and regulation of participants in the PBC's payment system to ensure safe and sound performance of the payment system.

6 Feb.

The PBC published the *Notice on Conducting Standing Lending Facility Operations at Branches and Sub-Branches Nationwide* and the *Notice on Publishing the Guidelines of the People's Bank of China on Collaterals for Central Bank Lending and Standing Lending Facility (Tentative)*. On the basis of previous experience with trial standing lending facility (SLF) operations at branches and sub-branches in 10 provinces (municipalities), the PBC expanded the pilot program nationwide to broaden channels for the central bank to provide liquidity support for small and medium-sized financial institutions.

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7 Feb.

Yi Gang, Deputy Governor of the PBC, attended the BIS Asia Consultative Council Meeting in Manila, Philippines.

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10 Feb.

Yi Gang, Deputy Governor of the PBC, attended the G20 Finance Ministers and Central Bank Governors Meeting and the Deputies Meeting in Istanbul, Turkey. Discussions at the meeting mainly covered such issues as global economy, growth strategy, infrastructure investment, international financial architecture, financial sector reform and international tax cooperation.

17 Feb.

Premier Li Keqiang signed the Decree No. 660 of the State Council, according to which the *Regulations on Deposit Insurance* would be unveiled on March 31, effective from May 1, 2015, which marked the official establishment of a deposit insurance scheme in China.

MARCH

1 Mar.

The PBC cut the benchmark RMB lending and deposit rates of financial institutions. In particular, one-year benchmark lending rate was lowered by 0.25 percentage points to 5.35 percent, while one-year benchmark deposit rate was reduced by 0.25 percentage points to 2.5 percent. Besides, the upper limit for the floating band of deposit rate of financial institutions was increased from 1.2 times the benchmark to 1.3 times.

4 Mar.

The PBC published the *Administrative Measures for the Export and Import of Gold and Gold Products*, which was aimed at regulating the export and import of gold and gold products to strengthen the management of exporting and importing gold and gold products.

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11 Mar.

Fan Yifei, Deputy Governor of the PBC, attended the BIS All Governors' Meeting and the 155th meeting of the Basel Committee on Banking Supervision (BCBS) in Basel, Switzerland. Discussions at the meeting mainly covered such issues as global economic developments and monetary policy responses, latest developments of debt crisis, calculation of risk-weighted assets and the identification and resolution of problem banks.

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17 Mar.

The First China-Germany High-Level Financial Dialogue was held in Berlin, Germany. The dialogue was co-chaired by Ma Kai, Chinese Vice Premier and Wolfgang Schäuble, Germany's Federal Minister of Finance. As member of the Chinese delegation, Yi Gang, Deputy Governor of the PBC, attended and addressed the meeting. The dialogue was concluded with a total of 21 outcomes.

18 Mar.

The PBC and Central Bank of Suriname signed a bilateral local currency swap agreement. The size of the swap facility is RMB1 billion/SRD 520 million.

20 Mar.

The State Council endorsed the *Plan for Deepening the Reform of China Development Bank* and the *Overall Plan for Implementing the Reform of Export and Import Bank of China*, requiring the PBC to earnestly implement reform measures jointly with other relevant departments based on the requirements of the plan and division of labor.

25 Mar.

The PBC and Central Bank of Armenia signed a bilateral local currency swap agreement. The size of the agreement is RMB1 billion/AMD 77 billion.

26 Mar.

The PBC published the notice on issues concerning the administration of credit asset-backed securities issuance, which streamlined the administrative procedures for issuing credit asset-backed securities, aiming to improve the efficiency of issuance administration and transparency, encourage trustees and originators to improve the quality of

information disclosure, protect investors' legal rights and interests, and promote the healthy development of credit-asset securitization.

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29 Mar.

Yi Gang, Deputy Governor of the PBC, attended the 56th Annual Meeting of the Board of Governors of the Inter-American Development Bank (IDB), which was held in Busan, Republic of Korea. During the meeting, Deputy Governor Yi Gang met with Moreno, President of the IDB. The two parties signed a Memorandum of Understanding between the People's Bank of China and the Inter-American Development Bank on a Medium-Term Cooperation Plan (2015~2019) to lay out the road map for the cooperation between the two parties in the next five years.

29 Mar.

Governor Zhou Xiaochuan joined discussions during a session entitled Prospects for Unconventional Monetary Policy when attending Boao Forum For Asia 2015, and elaborated on such topics as unconventional monetary policy.

30 Mar.

The PBC and the Reserve Bank of Australia (RBA) renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB200 billion/AUD 40 billion.

The PBC, the Ministry of Housing and Urban-Rural Development (MHURD) and the CBRC jointly published the *Notice on Issues Concerning the Policy for Personal Mortgage Loans*, aiming to improve the policy for personal housing loans to support residents' needs for self-occupied housing and upgraded housing.

31 Mar. The Monetary Policy Committee (MPC) of the PBC had its first quarterly meeting in 2015. The meeting was chaired by Zhou Xiaochuan, Governor of the PBC and Chair of the MPC. The MPC agreed that China's current economic and financial performance was stable overall, but the complexity of current situations should not be underestimated. The world economy was still in the period of deep post-crisis adjustment. The major economies went further divergence in economic developments, and non-economic factors such as commodity price volatility and geopolitical tensions had a bigger impact on global economy and international financial markets. The meeting noted that close attention should be paid to latest economic and financial developments at home and abroad as well as changes in capital flows, and efforts should be made to continue to adopt prudent monetary policy and keep liquidity at an appropriate level by maintaining a reasonable growth in money and credit as well as social financing. Financing and credit structures should be improved and optimized to lower social financing costs. Institutional reform of the financial sector should be deepened further so as to increase the efficiency of the financial sector and enable it to better support the real economy.

APRIL

10 Apr. The PBC and the South African Reserve Bank signed a bilateral local currency swap agreement. The size is RMB30 billion/ZAR 54 billion.

16 ~ 19 Apr. The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group, the G20 Finance Ministers and Central Bank Governors Meeting and BRICS Finance Minister and Central Bank Governors Meeting in Washington D.C., the United States. Major issues discussed at these meetings included global economic developments and risks, financial stability, geopolitical risks, reform of the IMF and growth strategy.

17 Apr. The PBC and the Bank Negara Malaysia renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB180 billion/MYR 90 billion.

20 Apr. The PBC cut the RRR for RMB deposits at depository financial institutions by 1 percentage point, and conducted targeted RRR cuts at the same time. Rural financial institutions including rural credit cooperatives and township banks saw an additional cut of 1 percentage point. The RRR for rural cooperative banks was lowered across the board to be on a par with that of rural credit cooperatives. The ADBC saw an additional cut of 2 percentage points.

29 Apr. The PBC published the *Notice on Fully Implementing the Reform of Agriculture-related Financial Service Department of the Agricultural Bank of China*, which expanded the reform to all branches of the Agricultural Bank of China (ABC) at the county level in a bid to further improve financial services for agricultural, farmers and rural areas as well as in counties.

The pilot program of RQFII was expanded to Luxembourg with an initial investment quota of 50 billion yuan.

MAY

- 9 May** The PBC issued a circular, announcing to remove the approval of bond transactions on the interbank bond market. It clearly stipulated that bonds issued in line with law could be traded freely on the interbank bond market. The circular also required efforts to improve information disclosure and strengthen investor protection in a bid to further promote a regulated bond market development.
- 10 May** The PBC and the National Bank of the Republic of Belarus renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB7 billion/BYR 16 trillion.
- 10 ~ 11 May** Zhou Xiaochuan, Governor of the PBC, attended All Governors' Meeting of the BIS in Basel, Switzerland. The meeting mainly discussed latest global economic developments and the impact on emerging economies of diverging monetary policy in major advanced economies.
- 11 May** The PBC cut the benchmark RMB lending and deposit rates of financial institutions. In particular, one-year benchmark lending rate was lowered by 0.25 percentage points to 5.1 percent, while one-year benchmark deposit rate was reduced by 0.25 percentage points to 2.25 percent. Besides, the upper limit for the floating band of deposit rate of financial institutions was increased from 1.3 times the benchmark to 1.5 times.
- 12 May** Zhou Xiaochuan, Governor of the PBC, attended the 6th High-level Conference on the International Monetary System co-sponsored by the IMF and Swiss National Bank in Zurich, Switzerland. Discussions at the meeting focused on such issues as unconventional monetary policy under new circumstances, different responses by emerging market economies and small open economies in the face of shocks, and the prospect for exit from unconventional monetary policy.
- 14 ~ 16 May** The PBC hosted the 33rd Meeting of Central Bank Governors Club of Central Asia, Black Sea Region and Balkan Countries in Shanghai. Premier Ma Kai attended the meeting and made opening remarks. The PBC Governor Zhou Xiaochuan, Deputy Governor Yi Gang attended the meeting. Discussions at the meeting mainly covered such issues as green finance, and global and regional economic and financial developments.
- 15 May** The PBC and the National Bank of Ukraine renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB15 billion/UAH 54 billion.
- 25 May** The PBC and the Banco Central de Chile signed a bilateral local currency swap agreement. The size of the agreement is RMB22 billion/CLP 2.2 trillion. On the same day, both sides

signed a memorandum on cooperation regarding the establishment of RMB clearing arrangements in Chile, and agreed to expand the pilot program of RQFII to Chile with an investment quota of 50 billion yuan.

28
31 ~ May

Yi Gang, Deputy Governor of the PBC, attended the 20th Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Governors' Meeting in Singapore. The meeting mainly discussed such issues as implications of changes in banks' business model for financial stability, major risks to regional economic performance, and medium-term growth of EMEAP economies and its implications for monetary policy.

JUNE

2 Jun.

The PBC published and implemented the *Provisional Measures for the Administration of Large-denomination Certificates of Deposit*. Large-denomination certificates of deposit (CDs) are large-denomination book entry CDs issued by depository financial institutions to non-financial institutional investors. The introduction of large-denomination CDs will help expand the scope of market-based pricing for liability products in a well-sequenced manner and improve the market-based integrate rate formation regime. It will also help further enhance the capacity of financial institutions for independent pricing, foster the market-based pricing

philosophy among enterprises and individual market players, and make constructive explorations and build up valuable experience for continuing market-based reform of deposit rates.

3 Jun.

The PBC published the *Notice on Bond Repos by Overseas RMB Clearing Banks and Overseas Participating Banks on the Interbank Bond Market*, which allows overseas RMB clearing banks and overseas participating banks to engage in bond repos on the interbank bond market and provides them with new liquidity management instruments for RMB assets.

4 Jun.

The *Plan for Deepening the Reform of Bank of Communications* was approved by the State Council. The plan put forward several reform measures in such aspects as optimizing equity structure, improving corporate governance, and deepening internal reform.

16 Jun.

China-Latin America Fund for Industrial Cooperation was set up and registered in Beijing. It is a medium to long-term development investment fund targeting Latin America with capitals contributed from foreign exchange reserves and by the China Development Bank (CDB). The initial size of the fund is \$10 billion.

21
26 ~ Jun.

Guo Qingping, Deputy Governor of the PBC, headed a delegation to the Third FATF Plenary Meeting of FATF-XXVI in Australia and visited New Zealand.

The 7th China-US Strategic and

22
24 Jun.

Economic Dialogue was held in Washington D.C., the United States. Vice Premier Wang Yang and the U.S. Secretary of the Treasury Jacob Lew co-chaired the dialogue. The PBC Governor Zhou Xiaochuan also attended the dialogue and exchanged views with his U.S. counterparts on such strategic issues as China-US cooperation on international financial architecture. The dialogue was concluded with 77 outcomes.

26 Jun.

The PBC Governor Zhou Xiaochuan visited Czech National Bank and exchanged views on Central and Eastern Europe cooperation.

27 Jun.

The PBC and the Magyar Nemzeti Bank signed a memorandum on cooperation regarding the establishment of RMB clearing arrangements in Hungary and the *Investment Agreement on Investing in China's Interbank Bond Market by the People's Bank of China on Behalf of the Magyar Nemzeti Bank*, and agreed to expand the pilot program of RQFII to Hungary with an investment quota of 50 billion yuan.

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28 Jun.

Zhou Xiaochuan, Governor of the PBC, attended the 85th BIS Shareholders' Meeting and the All Governors' Meeting in Basel, Switzerland. The meeting mainly discussed such issues as latest developments in Greece debt crisis, latest global economic developments and policy responses.

The PBC conducted targeted RRR

28 Jun.

cuts among financial institutions. Urban commercial banks and non-county level rural commercial banks with the share of loans to agriculture, farmers and rural areas meeting the criteria for targeted RRR cuts got the RRR lowered by 0.5 percentage points. Large state-owned commercial banks, joint-equity commercial banks and foreign banks with the share of loans to agriculture, farmers and rural areas or to small and micro businesses meeting the criteria for targeted RRR cuts got the RRR cut by 0.5 percentage points. The RRR for finance companies was cut by 3 percentage points.

The PBC lowered the benchmark RMB lending and deposit rates of financial institutions. In particular, one-year benchmark lending rate was lowered by 0.25 percentage points to 4.85 percent, while one-year benchmark deposit rate was reduced by 0.25 percentage points to 2 percent.

29 Jun.

The PBC Governor Zhou Xiaochuan accompanied Premier Li Keqiang to the 17th China-EU Summit in Brussels, Belgium.

JULY

6 Jul.

Pan Gongsheng, Deputy Governor of the PBC, accompanied Vice Premier Wang Yang to the meeting of chairs under the committee for regular meetings between Chinese and Russian prime ministers in Irkutsk, Russia.

7 Jul.

Zhou Xiaochuan, Governor of the PBC, attended the BRICS Finance Ministers and Central Bank Governors Meeting in Moscow. The meeting mainly discussed current global and BRICS countries' economic and financial developments, G20 issues of common concern and Contingent Reserve Arrangement (CRA). During the meeting, Governor Zhou Xiaochuan signed the *Agreement among Central Banks of BRICS Countries on Contingent Reserve Arrangement*, which specified the CRA's operating details.

The PBC and the South African Reserve Bank signed a memorandum on cooperation regarding the establishment of RMB clearing arrangements in South Africa.

9 Jul.

The 7th BRICS Summit was held in Ufa, Russia. President Xi Jinping was invited to the Summit. Participants fully mapped out the objective and direction of developing BRICS partnership, and the *Ufa Declaration* was issued after the meeting. The PBC Governor Zhou Xiaochuan attended the meeting.

13 Jul.

The Monetary Policy Committee (MPC) of the PBC had its second quarterly meeting in 2015. The meeting was chaired by Zhou Xiaochuan, Governor of the PBC and Chair of the MPC. The MPC agreed that China's current economic and financial performance was stable overall, but the complexity of current situations should not be underestimated. The world economy was still in the period of deep post-crisis adjustment with major economies going further divergence in

economic developments. The meeting noted that close attention should be paid to latest economic and financial developments at home and abroad as well as changes in capital flows, and efforts should be made to continue to adopt prudent monetary policy and keep liquidity at an appropriate level by maintaining a reasonable growth in money and credit as well as social financing. Financing and credit structures should be improved and optimized to lower social financing costs. Institutional reform of the financial sector should be deepened further so as to increase the efficiency of the financial sector and enable it to better support the real economy.

14 Jul.

The PBC published the *Notice on Issues Concerning the RMB Investment in the Interbank Market by Foreign Central Banks, International Financial Organizations and Sovereign Wealth Funds*, which streamlined procedures for foreign central banks and similar institutions to access China's interbank market, lifted quota restrictions, allowed them to select independently either the PBC or settlement agents on the interbank market as the agent for transactions and settlement, and broadened the scope of products available for investment.

The PBC and other nine ministries jointly released the *Guiding Opinions on Promoting the Healthy Development of Internet Finance*, aiming to encourage financial innovation, promote a healthy financial sector, clarify regulatory responsibilities, and regulate market order.

15 Jul. US\$48 billion foreign exchange reserves were used to inject capital into the China Development Bank, which successfully completed the capital replenishment required by the reform plan.

Working Group on China-Vietnam Financial and Monetary Cooperation met for the first time in Hanoi, Vietnam. Yi Gang, Deputy Governor of the PBC, attended and chaired the meeting. The two sides exchanged views on such issues as macro economic developments and monetary policy in China and Vietnam, financial stability and financial market development, local currency settlement in bilateral trade and investment, and the working group's work plan for next steps.

20 Jul. US\$45 billion foreign exchange reserves were used to inject capital into the Export-Import Bank of China, which successfully completed the capital replenishment required by the reform plan.

The PBC issued a circular, clearly stipulating that crude oil futures on domestic market should be priced in the Chinese yuan, and introducing overseas traders and brokerages.

AUGUST

10 Aug. The State Council published the *Guiding Opinions on the Pilot Program of Providing Loans Collateralized with the Management Right of Rural Contracted Land and Property Right of Farmers Housing*, which clearly asked the PBC together with other ten ministries including the Office of the Central Rural Work Leadership Group to set up a steering

group for the pilot program based on division of labor so as to prudently and steadily advance the pilot of providing loans collateralized with the management right of rural contracted land and the pilot program of using farmers' housing as a collateral, guarantee and its transfer.

11 Aug. The PBC issued a statement on improving the quotation mechanism for CNY/USD central parity. Starting from August 11, 2015, daily quotes given by market makers to the China Foreign Exchange Trade System before the opening of interbank foreign exchange market should be mainly based on the closing rate of the previous trading day with fine-tuning based on movements of major currencies during the previous trading day and the supply and demand in foreign exchange market.

The PBC cut the benchmark RMB lending and deposit rates of financial institutions to further reduce enterprises' financing cost. In particular, one-year benchmark lending rate was lowered by 0.25 percentage points to 4.6 percent, while one-year benchmark deposit rate was reduced by 0.25 percentage points to 1.75 percent. Besides, the upper limit for the floating band of deposit rate for time deposits above one year (excluding one year) was lifted.

26 Aug. The PBC issued the *Notice on Strengthening the Macro-prudential Management of Forward Foreign Exchange Sales*, which included forward foreign exchange sales in the macro-prudential management framework and asked financial institutions conducting forward foreign exchange sales on behalf of clients to put aside foreign exchange risk reserves.

SEPTEMBER

3 Sep.

The PBC and the National Bank of Tajikistan signed a bilateral local currency swap agreement. The size of the swap facility is RMB3 billion/TJS 3 billion.

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4 Sep.

The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the G20 Finance Ministers and Central Bank Governors Meeting in Ankara, Turkey. The meeting mainly discussed such issues as global economic developments, growth framework, investment and infrastructure, and international financial architecture.

4 Sep.

The 7th Tripartite Governors' Meeting among the PBC, the Bank of Japan (BOJ), and the Bank of Korea (BOK) was held in Ankara, Turkey. Zhou Xiaochuan, Governor of the PBC, Haruhiko KURODA, Governor of the BOJ, and Juyeol LEE, Governor of the Bank of Korea attended the meeting. The Governors exchanged views on recent economic and financial developments as well as financial liberalization in the three countries.

5 Sep.

The PBC published the *Notice on Further Facilitating the Two-way Cross-border RMB Cash Pooling Business by Multinationals*, which lowered the threshold for multinationals engaged in cross-border two-way RMB fund pool activities and relaxed restrictions on net fund inflows.

6 Sep.

The PBC cut the RRR for RMB deposits at financial institutions by 0.5 percentage points. In the meantime, it conducted targeted RRR cuts. Such rural financial institutions as county-level rural commercial banks, rural cooperative banks, rural credit cooperatives and township banks got an additional cut of 0.5 percentage points. Financial leasing companies and auto finance companies got an additional cut of 3 percentage points.

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7 Sep.

Zhou Xiaochuan, Governor of the PBC attended the BIS All Governors' Meeting in Ankara, Turkey. Governor Zhou Xiaochuan talked about China's recent economic and financial market developments, and reaffirmed the positions and views voiced at the G20 Finance Ministers and Central Bank Governors Meeting.

8 Sep.

The PBC, the National Development and Reform Commission, the Ministry of Education, and the Central Committee of the Communist Youth League jointly published the *Notice on Further Promoting Integrity-enhancing Culture and Education*. The four ministries worked in tandem to actively promote integrity-enhancing culture and education, and included the knowledge on credit information in the national education system.

11 Sep.

The General Affairs Office of the PBC released the *Provisional Measures on the Operation of the RMB Cross-border Interbank Payment System*, to regulate the operation of the system, prevent payment risks, clearly spell

out the administrative requirements for participants, and safeguard the legal rights and interests of agencies operating the system as well as that of participants.

14 Sep.

The PBC published the *Provisional Measures for Supervising and Regulating Agencies Operating the RMB Cross-border Interbank Payment System*, in an attempt to maintain the order of cross-border interbank payments and clearing, regulate and guide system operators to pursue sound operation and sustainable development, and prevent as well as mitigate risks.

15 Sep.

To further improve RRR mechanism, optimize monetary policy transmission mechanism, and boost financial institutions' flexibility in liquidity management, the PBC reformed the RRR review mechanism by shifting from focusing on the level of reserves at a specific point of time, which is the current practice, to looking at the average level of reserves set aside. That is, the ratio of average reserves set aside at the end of day by financial institutions as a legal entity to the RRR review base should not be lower than the RRR during the maintenance period. Besides, a daily lower limit was set for the RRR review. That is, at the end of each business day during the maintenance period, the ratio of reserves set aside by financial institutions as a legal entity at the end of day to the RRR review base could be lower than the RRR, but the difference should be within 1 percentage point (including 1).

17 Sep.

The PBC and the Central Bank of Argentina signed a memorandum on cooperation regarding the establishment of RMB clearing arrangements in Argentina.

18 Sep.

The 3rd China-France High-Level Economic and Financial Dialogue was held in Beijing. Vice Premier Ma Kai and French Minister for Economy and Finance Pierre Moscovici co-chaired the meeting. Yi Gang, Deputy Governor of the PBC attended and addressed the meeting as a member of the delegation. The dialogue was concluded with a total of 41 outcomes.

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21 Sep.

The 7th China-UK Economic and Financial Dialogue was held in Beijing. Vice Premier Ma Kai and the UK Chancellor of the Exchequer George Osborn co-chaired the meeting. Yi Gang, Deputy Governor of the PBC attended the meeting. The dialogue was concluded with a total of 53 outcomes, among which the PBC engaged in 15 outcomes.

21 Sep.

The PBC approved the application of the HSBC and the Bank of China (Hong Kong) for issuing financial bonds on the interbank bond market. It was the first case in which global commercial banks were allowed to issue RMB-denominated bonds on the interbank bond market.

23 Sep.

The Monetary Policy Committee (MPC) of the PBC held its third quarterly meeting in 2015. The meeting was chaired by Zhou Xiaochuan, Governor of the PBC and Chair of the MPC.

The MPC agreed that China's current economic and financial performance was stable overall, but the complexity of current situations should not be underestimated. The world economy was still in the period of deep post-crisis adjustment with major economies going further divergence in economic developments, and international financial markets and commodity prices were more volatile, and cross-market and cross-region impact emerged with more potential risks. The meeting noted that close attention should be paid to latest economic and financial developments at home and abroad as well as changes in capital flows, and efforts should be made to continue to adopt prudent monetary policy and keep liquidity at an appropriate level by maintaining a reasonable growth in money and credit as well as social financing. Financing and credit structures should be improved and optimized to lower social financing costs. Institutional reform of the financial sector should be deepened further so as to increase the efficiency of the financial sector, enable it to better support the real economy, and improve risk management.

24 Sep.

The PBC and the CBRC jointly published the *Notice on Issues Concerning Further Improving Differentiated Housing Credit Policy*, which further improved housing financial services and propped up reasonable housing consumption.

25 Sep.

The PBC published the *Notice on Promoting the Pilot Program of Credit Asset Pledged Central Bank Lending*, a decision to launch the pilot credit

asset pledged central bank lending in 9 provinces and municipalities, including Shanghai, Tianjin, Liaoning, Jiangsu, Hubei, Sichuan, Shaanxi, Beijing and Chongqing.

26 Sep.

The PBC and the Central Bank of the Republic of Turkey renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB12 billion/TRY 5 billion.

26
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27 Sep.

The PBC Governor Zhou Xiaochuan attended the 34th Meeting of Central Bank Governors Club of Central Asia, Black Sea Region and Balkan Countries in Tbilisi, Georgia. In-depth discussions were held on such issues as global and regional economic developments, and the impact of dollarization on developing countries. On the sidelines of the meeting, Governor Zhou Xiaochuan and Giorgi Kadagidze, Governor of the National Bank of Georgia signed a bilateral local currency swap framework agreement.

28 Sep.

The 5th China-EU High-level Economic and Trade Dialogue was held in Beijing. Vice Premier Ma Kai and Jyrki Katainen, Vice President of the European Commission, co-chaired the meeting. Zhang Xiaohui, Assistant Governor of the PBC attended and addressed the meeting as a member of the Chinese delegation.

The PBC published in tandem with the CBRC, the CSRC, the CIRC and the National Bureau of Statistics (NBS) the *Rules and Standards for Classifying Financial Enterprises*, which was aimed at promoting the sound development

of small and medium-sized financial institutions and beefing up financial support for the real economy.

28
29 Sep.

The PBC Governor Zhou Xiaochuan visited the National Bank of the Kyrgyz Republic (NBK) at invitation, and signed with Tolkunbek Abdygulov, Chairman of the Board of the NBK, an agreement indicating intent to enhance cooperation. It was aimed at promoting cooperation in local currency settlement and currency swaps between the two central banks.

29 Sep.

The PBC and the Bank of Zambia signed a memorandum on cooperation regarding establishing RMB clearing arrangements in Zambia.

30 Sep.

The PBC issued a circular to allow foreign central banks (monetary authorities) and other official foreign exchange reserve management agencies, international financial organizations and sovereign wealth funds to access China's interbank foreign exchange market in line with laws and regulations.

OCTOBER

6 Oct.

The PBC Governor Zhou Xiaochuan wrote a letter as the member representing China on the IMF's Board of Governors to Christine Lagarde, Managing Director of the IMF, officially announcing the decision that China was going to subscribe to the Special Data Dissemination Standard (SDDS). It signified that China had completed the entire process of subscribing to the SDDS and would disseminate statistical data in line with the SDDS.

7
11 Oct.

Yi Gang, Deputy Governor of the PBC attended the IMF-World Bank Annual Meetings, the G20 Finance Ministers and Central Bank Governors Meeting and the BRICS Finance Ministers and Central Bank Governors Meeting in Lima, Peru. The meetings mainly discussed such issues as global economic and financial developments and risks, financial regulatory reform, growth strategy and infrastructure investment.

8 Oct.

The RMB Cross-border Interbank Payment System (Phase I) was launched. It is an important financial infrastructure that can provide clearing and settlement services for cross-border and off-shore RMB business at domestic and foreign financial institutions.

19
20 Oct.

Zhang Xiaohui, Assistant Governor of the PBC, attended the 16th meeting of the financial cooperation subcommittee under the committee for regular meetings between Chinese and Russian prime ministers in Saint Petersburg, Russia. The meeting focused on such issues as expanding China-Russia local currency settlement, forging cooperation in payment system, and strengthening cooperation in banking and insurance sectors.

20 Oct.

To implement the outcome of the 7th China-UK Economic and Financial Dialogue, the PBC issued 5 billion yuan of RMB-denominated one-year central bank bills through book building in London, with a coupon rate of 3.1 percent. This was the first time for the PBC to issue RMB-denominated central bank bills outside of China, which plays a significant role in promoting the development of off-shore RMB market,

speeding up RMB internationalization, and promoting the inclusion of RMB into the SDR basket.

The PBC and the Bank of England renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB350 billion/GBP 35 billion.

23 Oct.

To help advance the registration reform of integrating the business license, the certificate of organization code, and the certificate of taxation registration into one document (three-in-one), the PBC issued the Circular No. 35, which promotes the use of business licenses featuring three-in-one document and one-license-one-code in monetary policy, financial market, financial stability, financial statistics, payment and settlement, financial technology, fiscal agent, credit information management, and anti-money laundering. Enterprises and professional farmers' cooperatives that have obtained business licenses featuring "three-in-one document" and "one-license-one-code" with unified social credit codes already uploaded no longer provide the organization code certificate and the certificate of taxation registration when engaged in relevant activities.

24 Oct.

The PBC cut the benchmark RMB lending and deposit rates of financial institutions. In particular, one-year benchmark lending rate was lowered by 0.25 percentage points to 4.35 percent, while one-year benchmark deposit rate was reduced by 0.25 percentage points to 1.5 percent. Besides, the upper limit for the floating band of deposit rate of commercial banks and rural cooperative financial institutions was lifted, which marked that interest rate was broadly liberalized in China.

The PBC cut the RRR for RMB deposits at financial institutions by 0.5 percentage points. Meanwhile, to step up positive incentives for boosting financial support for agriculture, farmers and rural areas as well as for small and micro businesses, the PBC lowered the RRR at eligible financial institutions by additional 0.5 percentage points.

26 Oct.

The PBC published the *Guidance on the Regulation and Supervision of Credit Information Agencies*, which would regularize the supervision and regulation of credit information agencies, protect the legal rights and interests of information entities, and promote a sound credit information industry.

29 Oct.

The PBC, Ministry of Commerce, the CBRC, CSRC, CIRC, SAFE, and Shanghai Municipal Government jointly promulgated the *Plan on Further Promoting the Pilot of Financial Opening up and Innovation in the Pilot China (Shanghai) Free Trade Zone and Accelerating the Development of International Financial Center in Shanghai*, which aims to further advance the pilot of financial opening up and innovation in China (Shanghai) Free Trade Zone, and speed up the initiative of building Shanghai into an international financial center.

31 Oct.

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2 Nov.

Zhou Xiaochuan, Governor of the PBC, accompanied Premier Li Keqiang to the Republic of Korea for a state visit and also to the 6th Trilateral Leaders' Meeting of China, Japan and the Republic of Korea (ROK), which contributed to new progress in China-ROK financial cooperation.

NOVEMBER

6 Nov. The PBC and SAFE jointly released the *Guidelines on Funds Management in Cross-border Issuance and Sales by Securities Investment Fund from the Chinese Mainland and Hong Kong* to support and regularize the mutual fund recognition between the Mainland and Hong Kong.

8 ~ 9 Nov. Zhang Xiaohui, Assistant Governor of the PBC, attended the BIS All Governors' Meeting in Basel, Switzerland. The meeting mainly discussed global economic developments, the impact of exchange rate movements on macro economy, as well as electronic money, financial inclusion and consumer education.

9 Nov. To promote bilateral trade and investment between China and Switzerland, facilitate the use of RMB and Swiss francs in trade and investment settlement and meet the demand of economic agents for lower exchange costs, the China Foreign Exchange Trade System (CFETS), authorized by the PBC, announced the direct trade between the Chinese yuan and the Swiss franc on the interbank foreign exchange market.

15 ~ 16 Nov. President Xi Jinping was invited to attend the G20 Leaders Summit and informal BRICS Leaders Meeting in Antalya, Turkey. The Summit focused on discussing global economic developments, pushing forward financial sector reform, enhancing international

cooperation in tax-related issues. The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang accompanied President Xi to the meeting.

20 ~ 23 Nov. The PBC Governor Zhou Xiaochuan accompanied Premier Li Keqiang to the 18th China-ASEAN Summit, the 18th ASEAN Plus China, Japan and ROK (10+3) Summit and the 10th East Asia Summit in Kuala Lumpur, Malaysia. Premier Li also had a state visit to Malaysia, which contributed to new progress in 10+3 financial cooperation and China-Malaysia financial cooperation.

23 Nov. The pilot program of RQFII was expanded to Malaysia with an investment quota of 50 billion yuan.

25 Nov. The first batch of foreign central banks and similar institutions completed filing with the CFETS, and officially accessed China's interbank foreign exchange market.

25 ~ 27 Nov. Chen Yulu, Deputy Governor of the PBC, headed a delegation to the 51st South East Asian Central Banks (SEACEN) Governors' Conference and 35th SEACEN BOG Meeting. The meeting mainly discussed such issues as increasing the resilience of the economy to address changes in global economic developments, managing global financial cycle and liquidity risk, and reshaping international monetary system.

27 Nov. The National Association of Financial Market Institutional Investors (NAFMII) accepted the registration of 6 billion yuan RMB-denominated sovereign bonds issued by the Canadian Province of British Columbia on China's interbank bond market.

30 Nov. The Executive Board of the International Monetary Fund (IMF) decided to include the RMB into the currency basket of the Special Drawing Right (SDR) as a fifth currency along with the U.S. dollar, the euro, the Japanese yen, and the British pound. The weight of the RMB in the SDR basket is 10.92 percent, whereas the weights of the U.S. dollar, the euro, the Japanese yen and the British pound are 41.73 percent, 30.93 percent, 8.33 percent and 8.09 percent respectively. The new basket will become effective on October 1, 2016.

DECEMBER

4 Dec. President Xi Jinping announced the establishment of China-Africa Fund for Industrial Cooperation (CAFIC). The CAFIC is a medium to long-term development fund targeting Africa with capitals contributed by national foreign exchange reserves and the Export-Import Bank of China. It aims to facilitate the development of railway, road, and aviation networks as well as industrialization in China and Africa through various but equity-centered market-based means. It mainly invests in Sub-Saharan Africa with an initial investment of US\$10 billion.

The Shanghai Housing Provident Fund Management Center issued 7 billion yuan of housing provident fund personal mortgage-backed securities, first of its kind, on the interbank bond market.

7 Dec. The NAFMII accepted the registration of 3 billion yuan RMB-denominated sovereign bonds issued by the Korean government on China's interbank bond market.

9 Dec. To carry out the strategic arrangement by the Central Committee of the Communist Party of China (CPC) and the State Council regarding the development of pilot free trade zone in Tianjin, Fujian and Guangdong, the PBC published the *Guiding Opinions on Providing Financial Support for the Construction of China (Tianjin) Pilot Free Trade Zone*, the *Guiding Opinions on Providing Financial Support for the Construction of China (Fujian) Pilot Free Trade Zone*, and the *Guiding Opinions on Providing Financial Support for the Construction of China (Guangdong) Pilot Free Trade Zone*. These documents came as the PBC sought to promote the development of real economy in the pilot free trade zone and intensify financial support for cross-border trade and investment financing.

10 ~ 11 Dec. Guo Qingping, Deputy Governor of the PBC, attended the seminar on anti-money laundering and combatting financing of terrorism under the China-US Strategic and Economic Dialogue in New York, the United States.

14 Dec. The Board of Governors of the European Bank for Reconstruction and Development (EBRD) approved that China be admitted to membership of the EBRD. China will become a member of the EBRD after completing the necessary domestic legal procedures. The EBRD, established in 1991 and headquartered in London, is one of the most important regional development financial institutions in the world.

The PBC and the Central Bank of the United Arab Emirates (UAE) renewed the bilateral local currency swap agreement. The size of the renewed agreement is RMB35 billion/AED 20 billion. On the same day, both sides signed a memorandum on cooperation regarding the establishment of RMB clearing arrangements in the UAE, and agreed to expand the pilot program of RQFII to the UAE with an investment quota of 50 billion yuan.

15 Dec. To carry out the *Overall Plan for Institution Reform of Ecological Civilization* and the requirement of the Fifth Plenum of the 18th CPC Central Committee, the PBC issued a circular to launch green financial bonds on the interbank bond market.

17 Dec. Zhou Xiaochuan, Governor of the PBC, and Ms. Elvira Nabiullina, Governor of the Central Bank of the Russian Federation, signed the *Memorandum of Understanding on Cooperation between the People's Bank of China and the Central Bank of the Russian Federation* to actively implement the important consensus on deepening

bilateral financial cooperation reached by the heads of state of the two countries. The goal of the MOU is to develop cooperation between the central banks in the spheres of mutual interests, including promoting local currency settlement, continuing cooperation in the areas of payments and bank cards, facilitating the access of one party to issue local-currency bonds on the territory of the other party, and enhancing cooperation in credit rating.

The pilot program of RQFII was expanded to Thailand, with an investment quota of 50 billion yuan.

18 Dec. The U.S. Congress ratified the 2010 quota and governance reforms of the International Monetary Fund (IMF). China's quota will increase from 3.996 percent to 6.39 percent, rising from the sixth to the third largest shareholder in the IMF with more say and higher representativeness.

23 Dec. The Monetary Policy Committee (MPC) of the PBC had its fourth quarterly meeting in 2015. The meeting was chaired by Zhou Xiaochuan, Governor of the PBC and Chair of the MPC. The MPC agreed that China's current economic and financial performance was stable overall, but the complexity of current situations should not be underestimated. The world economy was still in the period of deep post-crisis adjustment with major economies going further divergence in economic developments. Potential risks increased in international financial markets. The meeting noted that close attention should be paid to latest

economic and financial developments at home and abroad as well as changes in capital flows, and efforts should be made to continue to adopt prudent monetary policy and keep liquidity at an appropriate level by maintaining a reasonable growth in money and credit as well as social financing. Financing and credit structures should be improved and optimized to lower social financing costs. Institutional reform of the financial sector should be deepened further so as to increase the efficiency of the financial sector, enable it to better support the real economy, and improve risk management.

27 Dec. The 18th meeting of the Standing Committee of the 12th National People's Congress endorsed the *Decision on Authorizing the State Council to Temporarily Adjusting the Implementation of Relevant Laws and Regulations in 232 Pilot Counties (Cities and Districts) in Beijing Including Daxing District and 59 Pilot Counties (Cities and Districts) in Tianjin Including Jixian County*. The PBC-led pilot program

of promoting loans collateralized with the business right of rural contracted land and farmers' property right was given legal authorization and would be launched before December 31, 2017.

28 Dec. The PBC published the *Administrative Measures for Online Payment Business of Non-bank Payment Institutions* to regularize online payment activities by non-bank payment institutions, prevent payment risks and protect the legal rights and interests of parties involved.

31 Dec. The PBC published the *Administrative Measures for Agriculture-supporting Central Bank Lending* to regularize the administration of this type of central bank lending, which clarified such issues as its recipients, application, disbursement and recovery, administration, and oversight. It came as an effort to guide local incorporated banking financial institutions to increase the supply of agriculture-related loans to lower the financing costs for agriculture, farmers and rural areas.

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2015

No.	Document Number	Title (Main Content)	Date
1	Decree [2015] No. 1	(Administrative Measures on Import and Export of Gold and Gold Products)	03.04
2	Announcement [2015] No. 1	(Designation of clearing bank for RMB business in Kuala Lumpur)	01.05
3	Announcement [2015] No. 2	(Designation of clearing bank for RMB business in Bangkok)	01.05
4	Announcement [2015] No. 3	(Issues concerning bond issuance by insurance companies for the purpose of capital supplementation)	01.06
5	Announcement [2015] No. 7	(Issues concerning the management of credit asset-backed securities issuance)	03.26
6	Announcement [2015] No. 9	(Adjusting administrative policies concerning bond transactions and circulation on the interbank bond market)	05.09
7	Announcement [2015] No. 10	(Designation of clearing bank for RMB business in Chile)	05.22
8	Announcement [2015] No. 12	(Releasing the results of clearing normative regulations and documents)	05.29
9	Announcement [2015] No. 13	(Interim Regulations for Large-denomination Certificates of Deposit)	06.02
10	Announcement [2015] No. 14	(Designation of clearing bank for RMB business in Hungary)	06.25
11	Announcement [2015] No. 16	(Designation of clearing bank for RMB business in South Africa)	07.01
12	Announcement [2015] No. 17	(Revising the <i>Administrative Rules Governing the Auto Financing Companies</i>)	06.17
13	Announcement [2015] No. 18	(Normative regulations and documents abolished)	07.16
14	Announcement [2015] No. 19	(Issues concerning cross-border settlement for domestic crude oil futures trading)	07.20
15	Announcement [2015] No. 27	(Designation of clearing bank for RMB business in Argentina)	09.17
16	Announcement [2015] No. 29	(Designation of clearing bank for RMB business in Zambia)	09.17
17	Announcement [2015] No. 31	(Issues concerning the access to China's interbank foreign exchange market for foreign central banks and similar institutions)	09.30
18	Announcement [2015] No. 35	(Issues concerning approval of the business license with the unified social credit code)	10.23
19	Announcement [2015] No. 36	(Operational Guidelines for the Administration of the Proceeds from Cross-border Offerings and Sales by Mainland and Hong Kong Securities Investment Funds)	11.06
20	Announcement [2015] No. 38	(Designation of clearing bank for RMB business in Switzerland)	11.30
21	Announcement [2015] No. 39	(Regulations Concerning the Issuance of Green Bonds)	12.15
22	Announcement [2015] No. 40	(Increasing Foreign Exchange Trading Hours and Introducing Qualified Foreign Institutions)	12.21
23	Announcement [2015] No. 43	(Administrative Measures for Online Payment Business of Non-bank Payment Institutions)	12.28
24	Announcement [2015] No. 44	(Issues concerning import and export of gold and gold products)	12.29
25	Document [2015] No. 98	Notice on Issues Concerning Personal Housing Loan Policies	03.30
26	Document [2015] No. 170	Notice on Bond Repo by Overseas RMB Business Banks and Overseas Participating Banks on the Interbank Bond Market	05.28
27	Document [2015] No. 220	Notice of the People's Bank of China on Issues Concerning the RMB Investment in the Interbank Market by Foreign Central Banks, International Financial Organizations and Sovereign Wealth Funds	07.14
28	Document [2015] No. 221	Guiding Opinions on Promoting the Healthy Development of Internet Finance	07.14
29	Document [2015] No. 225	Notice on Issuing the <i>Special Span for Reform and Innovation of Science and Technology Finance in Wuhan Metropolises Area</i>	07.22
30	Document [2015] No. 279	Notice on Further Facilitating the Two-way Cross-border RMB Cash Pooling Business for Multinationals	09.05
31	Document [2015] No. 280	Opinions on Comprehensively Promoting the Establishment of the Credit System for Small and Medium-sized Enterprises and Rural Areas	09.06
32	Document [2015] No. 283	Notice on Further Promoting Integrity-enhancing Culture and Education	09.08
33	Document [2015] No. 309	Notice on Issuing the <i>Rules and Standards for Classifying Financial Enterprises</i>	09.28
34	Document [2015] No. 325	<i>Notice on Lowering the RMB Benchmark Loan and Deposit Interest Rates of Financial Institutions and Further Promoting the Interest Rate Liberalization Reform</i>	10.24
35	Document [2015] No. 336	Notice on Issuing the <i>Guidance on Regulation and Supervision of Credit Information Agencies</i>	10.26
36	Document [2015] No. 372	Guiding Opinions on Providing Financial Support for the Construction of China (Tianjin) Pilot Free Trade Zone	12.09
37	Document [2015] No. 373	Guiding Opinions on Providing Financial Support for the Construction of China (Fujian) Pilot Free Trade Zone	12.09
38	Document [2015] No. 374	Guiding Opinions on Providing Financial Support for the Construction of China (Guangdong) Pilot Free Trade Zone	12.09
39	Document [2015] No. 375	Notice on Issuing the <i>Overall Plan for the Reform and Innovation Pilot Zone for the Financial Services for Micro and Small Enterprises in Taizhou City of Zhejiang Province</i>	12.11
40	Document [2015] No. 377	Notice on Issuing the <i>Plan for Pilot Program of Comprehensive Rural Financial Reform in Jilin Province</i>	12.11
41	General Administration Department Document [2015] No. 210	Notice on Issuing the <i>Provisional Measures on the Operation of the RMB Cross-border Interbank Payment System</i>	09.11
42	General Administration Department Document [2015] No. 227	Notice on Issues concerning the Opening of RMB Bank Settlement Accounts by Foreign Central Banks and Similar Institutions at Domestic Banking Financial Institutions	10.20