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GOVERNOR'S ADDRESS

In 2014, under the leadership of the CPC Central Committee and the State Council and following the principle of making progress while maintaining stability and promoting reform and innovation, the People's Bank of China (the PBC) continued to implement sound monetary policy, enhanced financial support to the real economy, conducted better-targeted and more effective macroeconomic management, made significant progress in deepening financial reforms and opening-up, accelerated cross-border use of RMB, enhanced China's voice in the international financial arena, providing a facilitating money and financial environment for the sustainable and healthy development of the Chinese economy.

Continuing to enrich the macroeconomic management toolkit

Faced with the complicated situation of lackluster global growth momentum, domestic downward growth pressure, high financing costs for enterprises and gradual emerging of financial risks, the PBC continued to implement sound monetary policy, remained focused and proactive, tackled salient issues in the economy, continued to enrich the monetary policy toolkit, and conducted proper preemptive adjustments and fine-tunings in a timely manner. According to changes in the amount of RMB equivalent of foreign exchange purchase and the demand and supply of liquidity, the PBC adopted mixed monetary policy tools, including open market operations, Short-term Liquidity Operations (SLO) and Standing Lending Facility (SLF), so as to maintain reasonably abundant liquidity. Asymmetric reductions of benchmark lending and deposit interest rates were conducted to induce lower social financing costs. Letting the dynamic adjustment mechanism of differentiated reserve requirements to play its role in counter-cyclical management and credit structure guidance, the PBC cut targeted reserve requirement ratios on two occasions and established an incentive mechanism for financial institutions to increase the proportion of lending to the agricultural sector, rural areas and farmers as well as to small and micro businesses. The Medium-term Lending Facility (MLF) was designed to provide medium-term base money to commercial banks and policy banks meeting macro-prudential management requirements. Credit policy supporting central bank lending was launched and the central bank collateral management framework was established. The PBC introduced Pledged Supplementary Lending (PSL) to provide long-term, stable and reasonably-priced funding for development financing to support the renovation of shanty towns. The assessment of the effectiveness of credit policy guidance was improved to guide financial institutions to enhance financial support to key sectors and emerging industries, as well as the

improvement of people's livelihood, to improve and strengthen financial services to the agricultural sector, rural areas and farmers as well as to small and micro businesses, and to provide financial services to facilitate tackling the problem of excess capacity. Adjustments were made to the previous real estate credit policy, which had aimed at restraining housing purchase, based on market supply and demand, to encourage reasonable housing consumption. During the year, broad money M2 increased by 12.2 percent, new RMB-denominated loans increased by 9.78 trillion yuan, and aggregate financing to the real economy reached 16.46 trillion yuan. In December, the weighted average lending interest rate stood at 6.92 percent, decreasing by 0.22 percentage point compared with the previous year. The sound monetary policy provided strong support for economic and social development with GDP growing at 7.4 percent and CPI rising by 2 percent in 2014.

Continuing to deepen financial reform and opening-up

According to the arrangements of the CPC Central Committee and the State Council, the PBC leading group on comprehensively deepening reform was set up in February 2014 with an operating office in the Financial Stability Bureau to coordinate various financial reforms. First, the PBC further streamlined administrative procedures and delegating powers. In 2014, the PBC and State Administration of Foreign Exchange (SAFE) eliminated 11 items of administrative approvals. Second, it deepened market-based interest-rate and exchange-rate reforms. The upper limit of the floating band of RMB deposit rate was expanded to 1.2 times the benchmark rate, and the brackets of the benchmark interest rates were simplified. At the same time the self-regulatory market interest-rate pricing mechanism continued to improve. The PBC expanded the floating band of the RMB spot rate against the US dollar to 2 percent and launched direct trading of RMB against the New Zealand dollar, the British pound, the euro, and the Singapore dollar in the interbank foreign exchange market. As a result, the two-way flexibility of RMB was further enhanced and the central bank has basically withdrawn from regular foreign exchange intervention. Third, it promoted two-way opening-up of the capital markets. The PBC promoted the Stock Connect pilot program which connects the stock markets in Shanghai and Hong Kong, continued to promote overseas RMB bond issuance by domestic financial institutions, supported foreign non-financial institutions to issue panda bonds in China and allowed outbound remittance of funds raised for overseas use. Fourth, it deepened the reforms of financial institutions. Efforts were made to promote the establishment of the Housing Financing Department in China Development Bank (CDB). The PBC took the lead in forming the overall reform plan of the Agricultural Bank of China (ABC), the plan to deepen the reform of CDB and the overall reform plan of the Export and Import Bank of China (China Exim). The overall reform plan of the ABC was approved in December 2014, while the other two plans in March 2015. On March 31, 2015, the *Regulations on Deposit Insurance* was released, which would become effective on May 1, 2015. Fifth, it promoted regional financial reforms. The PBC started financial reform trials in China (Shanghai) Free Trade Zone, which included free-trade account system, foreign exchange facilitation for investment and financing, cross-border use of RMB, market-based interest rate

reform, and foreign exchange administration reform. The PBC also closely followed the developments of financial reform zones in Zhujiang River Delta, Wenzhou in Zhejiang Province, and Quanzhou in Fujian Province, and actively disseminated successful reform experiences. The Shanghai Gold Exchange launched the international gold board in the China (Shanghai) Free Trade Zone.

Earnestly safeguarding financial Stability

The PBC has always taken financial stability as a priority, and has worked hard to safeguard the bottom-line to prevent systemic and regional financial risks from happening. In 2014, the PBC strengthened risk monitoring and screening of industries burdened with overcapacity, the real estate sector, local government indebtedness and shadow banking, organized 17 major commercial banks to take financial soundness stress test, and conducted on-site examinations on the soundness of commercial banks, securities firms, insurance companies and trust companies. The developments in the enterprises engaging in financial services were closely followed. The PBC took the lead in regulating interbank businesses of financial institutions, and made efforts in preventing risks in Bitcoin business and in the security of online financial services. The PBC strengthened the coordination of financial regulation and supervision, reaching consensus with other agencies with regard to policies including mobilizing the stock of credit assets, pressing ahead with securitization of credit assets, mitigating the difficulties in the financing of small and micro businesses, expanding financial sector opening-up to domestic and overseas participants, preventing and resolving defaults of bonds and trust products and risks related to local government debt. Financial risk resolution related regulation responsibilities and burden sharing between the central and local governments were clarified. The recovery, loss recognition and writing-off of financial stability related central bank lending were conducted and small-scale risk events of financial institutions were properly handled.

Supporting the wider use of RMB in international transactions

Faced with new developments in international political and economic circumstances and opportunities and challenges for RMB internationalization, the PBC took advantage of the positive momentum to promote relevant reforms and facilitate the steady expansion of cross-border use of RMB. In 2014, RMB clearing arrangements were set up in 10 more countries including the UK and Germany. Steady and rapid development was witnessed in offshore RMB bond markets such as Hong Kong Dim Sum Bond market, Taiwan Formosa Bond market, French Arc de Triomphe Bond market and German Goethe Bond market. Efforts were made to support the UK government in launching 3 billion yuan of RMB-denominated Treasury bond. Local currency swap agreements worth 1.5 trillion yuan were signed or renewed with 13 overseas central banks or monetary authorities including those from Switzerland, Russia and Canada. Procedures for conducting RMB businesses in cross-border trade and direct investment were simplified. RMB settlement for cross-border trade transactions by individuals was

launched. And, centralized operation of RMB funds by multinational groups was carried out. The PBC promoted relevant authorities to publish trade, investment and balance of payment data in both RMB and the US dollar. RMB became the 2nd most widely used currency for cross-border payment, engaging a total of 189 foreign countries. Forty-seven countries or regions including UK held RMB assets in China and incorporated them into their foreign exchange reserves. The RMB has become an increasingly popular and valued reserve currency.

Promoting innovation and development of the interbank bond market

Following market-based principles, by way of further deregulation and innovation, and by strengthening market discipline and standardized management, the PBC has achieved sound and rapid development of the interbank bond market. In 2014, the PBC introduced consumption financing companies and insurance companies to issue financial bonds, and launched new products such as project-revenue notes, M&A bonds, supply chain notes, and carbon-emission bonds, in the interbank market. Efforts were made to establish central clearing mechanism of RMB interest-rate swaps and launch standardized interest-rate derivatives. The pilot program of credit asset securitization was further expanded. The PBC promoted the development of a multi-tiered bond market and guided qualified rural financial institutions, non-legal-person private equities, such as trust products, bank assets management products and eligible non-financial institutions to properly invest in the interbank market. The variety of bond business on commercial bank counters was expanded to include government sponsored agency bonds such as policy financial bonds. The PBC also promoted CDB bonds and other high-rating bonds to be issued simultaneously in the interbank bond market and exchange markets. Efforts were also made to launch pre-issuance trading of bonds in the interbank market and improve the market making system. In 2014, bond financing accounted for 14.7 percent of all-system financial aggregates.

Improving the overall quality of financial services and management

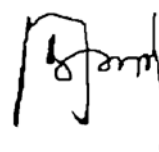
The PBC has always taken improving financial service and management as a fundamental task in promoting modernization of financial services for the whole society and in letting all Chinese people benefit from the outcomes of financial reform and development. In 2014, efforts were made to promote the amendment and revision of important financial laws and regulations, formulate classification standards of financial enterprises, improve bond market statistical system, and release regional all-system financing aggregates data on a quarterly basis. The PBC continued to improve balance-sheet management. Progress was made in the establishment of Cross-border Inter-bank Payment System (CIPS). The order of bankcard acquiring market was improved. The PBC formulated financial sector cyber security plan and strengthened financial sector testing and certification infrastructure. Efforts were made to promote the application of financial institution identifiers, establish local registration channel for Legal Entity Identification in China and realize international mutual recognition. The PBC promulgated the RMB banknote serial number inquiry program and launched "the clean banknote" cam-

paign. The state treasury management was improved and local state treasury cash management pilot programs started. Progress was made in the establishment of micro- and small businesses and rural credit systems, and the on-line individual credit information report inquiry service realized national coverage. The national anti-money laundering risk assessment system was set up, and the monitoring and analysis of fund flows provided significant intelligence support to anti-corruption, countering terrorism, anti-money laundering and related upper-stream crimes. The mechanism of financial consumer protection was further improved, and progress was made in the pilot program of third-party resolution mechanism for financial consumption disputes. The PBC also steadily pressed ahead with financial inclusion efforts.

Further enhancing the voice of China in the international financial arena

In line with the strategic interests of China, the PBC was actively engaged in comprehensive, multi-tier, flexible and pragmatic international financial cooperation. In 2014, the PBC took the lead in preparing for the Silk Road Fund, and studied facilitating financial policies for the Asian Infrastructure Investment Bank. The PBC carried out the financial tasks decided at the G20 Brisbane Summit, promoted the BRICS countries to sign agreement on the Contingency Reserve Fund, pushed forward the implementation of the IMF quota and governance reform and urged relevant parties to provide effective solutions. The PBC promoted the subscription to Special Data Dissemination Standard and received relevant assessment. Efforts were made to make new achievements under China-Russia and China-Kazakhstan financial cooperation mechanisms, promote the revised Chiang-Mai Initiative Multi-lateralization to take effect and doubled the size of reserve pool to 240 billion dollars. The PBC actively engaged in negotiations on China-US bilateral investment treaty and China-South Korean and China-Australia free trade agreements, and steadily pressed ahead with the financial cooperation with Hong Kong, Macau and Taiwan.

2015 is the key year for deepening reform in a comprehensive manner, the first year to fully promote the Law-based governance of the country by law and the year for concluding the 12th Five-Year Plan. Actively adapting to the new normal of economic development, the PBC will implement decisions and deployment of the CPC Central Committee and the State Council, improve macroeconomic management and financial reform and development, safeguard the sound operation of the financial system and maintain a favorable momentum for the sustainable and healthy development of the economy and the society.



Governor of the PBC
April 18th, 2015

THE MANAGEMENT OF THE PEOPLE'S BANK OF CHINA*



Zhou Xiaochuan
Governor of the PBC

*As of December 31, 2014 from January 1, 2014.



Hu Xiaolian

Deputy Governor



Liu Shiyu

Deputy Governor



Yi Gang

Deputy Governor
Administrator of the SAFE



Wang Huaqing

Chief Disciplinary Officer



Pan Gongsheng
Deputy Governor



Li Dongrong
Deputy Governor



Guo Qingping
Assistant Governor



Jin Qi
Assistant Governor

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

Zhu Zhixin, Vice Chairman of the National Development and Reform Commission

Wang Bao'an, Vice Minister of the Ministry of Finance

Hu Xiaolian, Deputy Governor of the People's Bank of China

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

Ma Jiantang, Director of the National Bureau of Statistics

Shang Fulin, Chairman of China Banking Regulatory Commission

Xiao Gang, Chairman of China Securities Regulatory Commission

Xiang Junbo, Chairman of China Insurance Regulatory Commission

Hu Huaibang, President of the China Banking Association

Qian Yingyi, Dean and Professor of Tsinghua University's School of Economics and Management

Chen Yulu, President and Professor of the Renmin University of China

Song Guoqing, Professor of the National School of Development at Peking University

ORGANIZATIONAL STRUCTURE OF THE PBC

ORGANIZATIONS OF THE PBC (NUMBER)

Departments and Bureaus of the Head Office	26
Enterprises and Institutions Directly under the PBC	21
Overseas Offices	11
Departments of the Shanghai Head Office	13
Regional Branches and Operations Offices	10
Sub-branches in Provincial Capital Cities	20
Sub-branches in Quasi Province-level Cities	5
Sub-branches in Prefecture-level Cities	315
County-level Sub-branches	1 762

THE PBC HEAD OFFICE (PBCCHO)

General Administration Department (General Office of the CPC PBC Committee)

Legal Affairs Department

Monetary Policy Department

Monetary Policy Department II

Financial Market Department

Financial Stability Bureau

Statistics and Analysis Department

Accounting and Treasury Department

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

Disciplinary Committee of the PBC

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

Shengzhen 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 2014, the global economy was still in the middle of a profound rebalancing, and the recovery was moderate with lackluster momentum. Economic performance and macroeconomic policies of major economies diversified evidently. International financial markets and commodity markets showed marked fluctuations, and disturbances caused by geopolitical issues or other non-economic factors had increased. Looking ahead, the pace of global economic recovery is expected to speed up, but major risks remain in the prospect of euro area economic recovery, continued diversification in economic performance and macroeconomic policies of major economies, global deflation, and large fluctuations of international oil prices.

Economic Developments in the Major Economies

The momentum of U.S. economic growth strengthened

Affected by unfavorable weather at the beginning of the year, the U.S. economy contracted 2.1 percent (quarter on quarter and annualized) in the first quarter of 2014. However, starting from the second quarter, the U.S. economy rebounded strongly, and the real GDP growth rate for the whole year

reached 2.4 percent, setting a record for the past four years. This was mainly driven by factors such as significant increase in corporate investment, continued recovery of the housing market, and growing in consumption and exports. Prices rose mildly under the influence of dollar appreciation and falling oil prices. 2014 witnessed the largest increase since 1999 in job creation, with the average monthly job creation registering 208 thousands, and the unemployment rate fell from 6.7 percent at the end of 2013 to 5.6

percent at the end of 2014.

Euro area economy performed weaker than expected and the pressure of deflation was relatively high

The euro area kept growing in the four quarters from the second quarter of 2013 to the first quarter of 2014. However, since the second quarter of 2014, the growth again slowed down, and investment stalled. Although a series of accommodative monetary policies were launched by the European Central Bank since June, and new asset purchase plans were announced in September, the recovery of the euro area economy was not put on track. The quarter-on-quarter growth rates of the second quarter and the third quarter were merely 0.1 percent and 0.2 percent. The inflation rate kept trending downward, and the Harmonized Index of Consumer Prices (HICP) in December declined to -0.2 percent, revealing large pressure of deflation. The unemployment rate exhibited a downward trend, but the unemployment rate was still as high as 11.3 percent.

The Japanese economy was apparently affected by policies

During the first quarter, Japan's economy rebounded substantially, but the growth rate evidently dropped under the influence of the hike in consumption tax since April 1 and other factors. The GDP growth rate (quarter on quarter and annualized) in the second and the third quarter were -7.3 percent and -1.6

percent respectively. In the fourth quarter, manufacturing sector PMI picked up slightly, and foreign trade took a turn for better, but consumer and investor confidence remained depressed, with the consumer confidence index constantly below 40 since September. In addition, affected by the continuous decline in international oil prices, Japan's price levels were again under great pressure. Since May, the year-on-year CPI kept dropping, and the inflation target seemed to be even more difficult to achieve

Growth of the emerging market economies slowed down in general with some countries experiencing financial market turmoil

Against the background of weak global economic growth and affected by domestic long-term structural constraints, such as less diversified economic structure, insufficient financial depth and rising debt levels, the emerging market economies experienced weaker inherent growth momentum and the growth rate slowed down as a whole. Major international institutions such as the International Monetary Fund had generally lowered the projected growth rates of emerging market economies in 2014 and 2015. In the fourth quarter of 2014, investors' risk aversion rose dramatically, which was caused by strengthened expectations for the Federal Reserve to raise interest rates, geopolitical conflicts, sharp fall of international oil prices and prominent structural problems, and some emerging market economies expe-

rienced financial market turmoil, with large fall of equity prices, intensified capital flight, and dramatic depreciation of local currencies. In particular, countries such as Russia and Brazil that have relied heavily on export of commodities suffered the most, and countries with relatively weak fundamentals and vulnerable external sectors, such as Indonesia, were also affected.

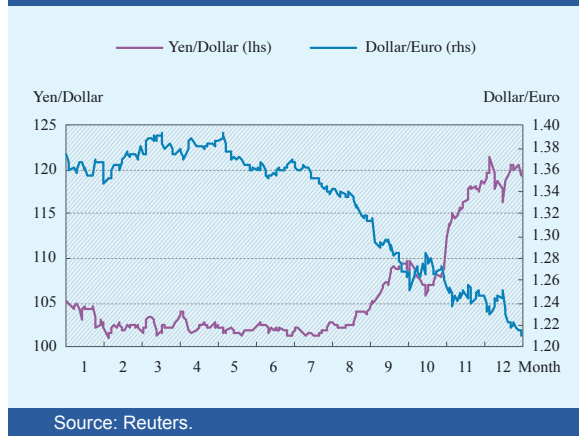
Development of Global Financial Markets

In 2014, global financial markets experienced large fluctuations due to factors such as diversified monetary policies of major economies, geopolitical risks and drastic fall of international oil prices. Specifically, stock markets of the advanced economies went up with volatility and the yields of their treasury bonds fell significantly. Financial markets of some emerging market economies experienced several rounds of turmoil, with their exchange rates significantly depreciated.

International foreign exchange markets

Most of the currencies depreciated against the U.S. dollar. At the year end, the exchange rates of the euro, pound sterling and Japanese yen against the U.S. dollar closed at 1.2097 dollar per euro, 1.5573 dollar per pound sterling, and 119.68 yen per dollar, depreciating by 11.99 percent, 5.94 percent, and 12.02 percent respectively compared with those in the previous year (Figure 1). Russian ruble, Argentine peso, Chilean peso, Mexican peso, and Brazilian Real all

Figure 1 Exchange Rate of Major Currencies in 2014



depreciated by more than 10 percent against the U.S. dollar, namely 43.34 percent, 23.69 percent, 13.37 percent, 11.61 percent, and 11.11 percent, respectively.

International bond markets

The government bond yields of major advanced economies fell dramatically, while the government bond yields of some emerging market economies went up significantly. At the end of 2014, the 10-year government bond yields of the U.S., Germany and Japan closed at 2.174 percent, 0.541 percent and 0.326 percent, decreasing by 83 basis points, 140 basis points, and 41 basis points than those in 2013 respectively (Figure 2). Some emerging market economies saw continued rising of their 10-year government bond yield, and Russia's 10-year government bond yield went up by 511 basis points at the year-end from the level in 2013.

International stock markets

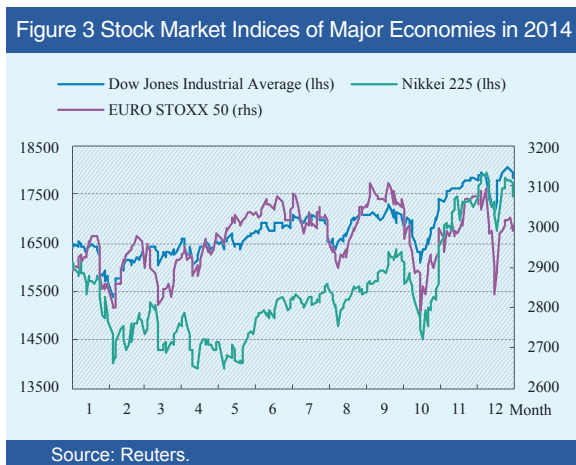
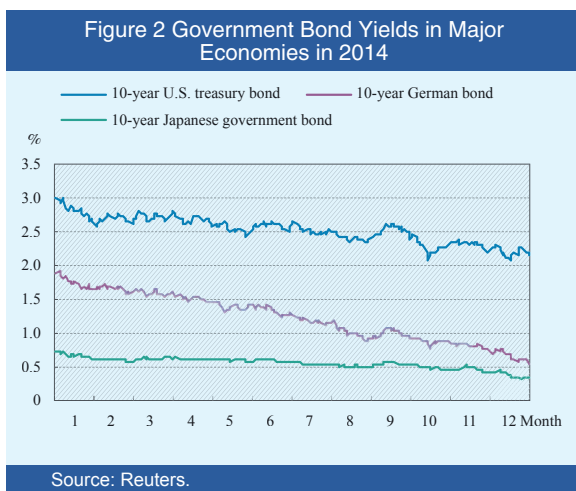
The stock market indices in major advanced economies went up, while most

emerging market economies experienced greater fluctuations in their stock markets. As of the end of 2014, the Dow Jones Industrial Average, EURO STOXX 50 and Nikkei 225 closed at 17,823 points, 2,990 points and 17,451 points, up by 7.5 percent, 2.4 percent and 7.1 percent year on year (Figure 3). During the year, some emerging market economies experienced several rounds of volatilities in their stock markets, but their stock indices strengthened in general. Particularly, stock markets in India, Indonesia and Turkey rose by 29.9 percent, 22.3 percent and 32.1 percent respectively. Nevertheless, affected

by the Ukraine crisis and its own economic downturn, Russia's stock market plummeted by 45.2 percent.

International Commodity Markets

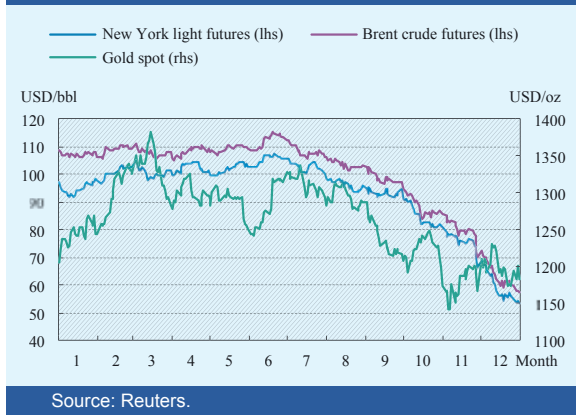
The prices of international crude oil continued to decline, while the price of gold fluctuated. Affected by OPEC's refusal to reduce production, higher production in North America driven by the shale revolution, and the slowdown of global economy, the supply and demand relations of crude oil reversed, and resulted in large drop of international oil prices. As of the end of 2014, the price of New York light crude oil futures and London Brent oil futures closed at 53 dollars per barrel and 57 dollars per barrel, down by 44 percent and 47 percent, respectively. Affected by the strong U.S. dollar and investor risk aversion, international gold spot price fluctuated. The intensification of the Ukraine Crisis pushed the international gold price to 1,382 dollar per ounce, the highest level in 2014 on March 14. But the spot price closed at 1,141 dollar per ounce on November 6, which was the lowest level of the year and was driven by the evident improvement in the economic and employment data of the U.S. and greater expectation for the Federal Reserve to raise interest rates (Figure 4).



World Economic Outlook and Major Risks

Looking into 2015, the pace of global economic recovery is expected to speed up,

Figure 4 Gold and Crude Oil Prices in International Markets in 2014



but major risks remain in the following areas:

The first risk concerns the euro area's recovery. Currently, the euro area economy is on the verge of recession, and the risk of deflation continues to rise. If the euro area falls into a lasting economic stall, the spillovers will negatively affect the global economic recovery through trade, financial and confidence channels. One particular risk is Greece. Even though international creditors have agreed to extend the Greece bailout plan for four more months, there is still uncertainty concerning whether Greece can receive the bailout funds in time. If the negotiations between Greece and its international creditors go astray, the default risk of the Greece government will continue to rise, and the Greek banking industry may face liquidity crisis, causing a severe blow to the recovery of the euro area economy.

The second risk is continued diversification in economic performance and macroeconomic policies of major economies. The economy of the U.S. is expected to keep growing, and the Federal Reserve is gradu-

ally normalizing its monetary policy. In the meantime, the prospects of recovery in the euro area and Japan are uncertain, and the central banks of these two economies might further scale up quantitative easing policies, but the time and paces are still uncertain. Pushed by diversification of economic growth and macroeconomic policies, global capital may be re-allocated across a larger geographical areas and on a larger scale, which might result in fluctuations in exchange rates and cross-border capital flows. This could put pressure on some economies with vulnerable economic and financial systems, and cause difficulties in the implementation of macroeconomic policies.

The third risk is global deflation. Currently, the euro area is on the verge of deflation, Japan's inflation has been lower than the two percent target for quite a long time, and the U.S. and many emerging market economies also saw significant drops in inflation levels. Deflation pressure is visible around the globe, and the combination of economic recovery stagnation and deflation will make the situation even more severe.

The fourth risk concerns large fluctuations of the international oil prices. During 2014, the international crude oil price dropped by nearly 50 percent, and the volatility of oil prices increased as well, causing greater uncertainty toward the future. Lower oil prices resulted in different impacts on different countries. For oil-importing countries, the low oil price is helpful for increasing house-

hold income, lowering import prices, improving balance of payments and fiscal conditions; while for oil-exporting countries, the low oil price means lower export revenues and stricter fiscal budget. Besides, the low oil price will drag down investment of the oil and gas industry, resulting in greater pressure on financial institutions whose exposure to the energy industry is relatively large.

In the *World Economic Outlook* published in April 2015, the International Monetary Fund projected that global growth rate will be 3.5 percent in 2015, and the growth projections for the U.S., the euro area, Japan and the emerging market economies are 3.3 percent, 1.4 percent, 1.0 percent and 4.3 percent respectively.

CHINA'S MACROECONOMY

In 2014, when the global economic and financial environment became complicated, China's domestic economy stepped into a stage that it had to simultaneously deal with slowdown in growth, make difficult structural adjustments and absorb the effects of previous economic stimulus policies with increasing downward pressures. Facing multiple difficulties and challenges, acting in light of the overall trend of development, the Chinese government maintained consistent and stable macroeconomic policies, applied innovative thinking and practices in macro-prudential management and made targeted and preemptive fine-tuning. Meanwhile, the government continued to deepen the reform and opening-up, stimulated economic and social vitality and spared no efforts in cultivating innovation. As a result, the national economy grew steadily within a reasonable range and made encouraging progress in structural adjustment.

Economic Performance in 2014

The economy grew within a reasonable range with further optimized structure

According to the initial calculation of the National Bureau of Statistics, China's GDP registered 63.65 trillion yuan in 2014, up 7.4 percent in real terms year on year, a deceleration of 0.3 percentage point as compared with previous year. For the four quarters, GDP growth stood at 7.4 percent, 7.5 percent, 7.3 percent and 7.3 percent re-

spectively, showing a stable trend (Figure 5). Broken down by sectors, the primary, secondary and tertiary industries grew 5.83 trillion yuan with a year-on-year increase of 4.1 percent, 27.14 trillion yuan with a year-on-year increase of 7.3 percent and 30.67 trillion yuan with a year-on-year increase of 8.1 percent respectively, showing a deceleration of 0.3 percentage point, 0.5 percentage point and 0.2 percentage point respectively as compared with the previous year.

The restructuring showed favorable developments. The contribution of con-



sumption to economic growth increased 3.0 percentage points, reaching 51.2 percent, as the demand structure further optimized. The value-added of the tertiary industry accounted for 48.2 percent of GDP, higher than the 46.9 percent in 2013, and 5.6 percentage points higher than that of the secondary industry. New industries, new types of businesses and new commercial models emerged constantly with the surprising rise of internet finance and the rapid growth of e-commerce, logistics and express delivery and other new types of businesses. Economic growth in the central and western regions was faster than that in the eastern region. The quality of economic development showed new improvement. The R&D expenses were more than 2 percent of GDP and energy consumption showed the largest decline in recent years, decreasing by 4.8 percent year on year.

Industrial production grew less rapidly while growth of corporate profits slowed down

The value-added of statistically large en-

terprises, if calculated at comparable prices, grew by 8.3 percent nationwide year on year, a deceleration of 1.4 percentage points as compared with the previous year. The monthly growth of value-added in the first half of the year stayed at around 9 percent while that in the second half year declined to about 7.5 percent. Broken down by sectors, the value-added of the mining sector increased by 4.5 percent, that of the manufacturing sector by 9.4 percent and that of the production and supply of electricity, thermo-power, gas and water by 3.2 percent year on year. The main business income of statistically large enterprises reached 109.5 trillion yuan, increasing 7 percent year on year with a deceleration of 4.2 percentage points as compared with the previous year; their profits rose 3.3 percent to 6.5 trillion yuan, down by 8.9 percentage points from that of the previous year. Among the 41 industrial categories, 28 achieved year-on-year profit growth, 7 less than in the previous year; 2 maintained the same level of profitability, 2 more than that in the previous year; and 11 showed year-on-year profit decline, increasing by 5 when compared with 2013.

Growth of domestic demand slowed down while exports presented moderate growth

Growth of investment slowed down. Fixed asset investment for the whole year was 51.28 trillion yuan, up 15.3 percent year on year in nominal terms and 14.7 percent in real terms, a deceleration of 4.0 percentage

points and 4.2 percentage points from the previous year respectively (Figure 6). During the year, the investment in the primary, secondary and tertiary industries amounted to 1.2 trillion yuan, 20.8 trillion yuan and 28.2 trillion yuan, showing year-on-year increases of 33.9 percent, 13.2 percent and 16.8 percent respectively. Investment in real estate development amounted to 9.50 trillion yuan, up 10.5 percent year on year in nominal terms and 9.9 percent in real terms, a deceleration of 9.3 percentage points and 9.5 percentage points over the previous year respectively.

Consumption grew in a relatively stable manner. Total retail sales of consumer goods amounted to 26.24 trillion yuan, increasing 12.0 percent year on year in nominal terms and 10.9 percent in real terms (Figure 6). Retail sales of consumer goods in urban areas hit 22.6 trillion yuan with a year-on-year increase of 11.8 percent; while retail sales in rural areas amounted to 3.6 trillion yuan with a year-on-year increase of 12.9 percent; online retail sales still showed rapid growth, reaching 2.8 trillion yuan or up 49.7 percent for the year. The consumption of telecommunication equipment and cultural and sport goods accelerated and mass consumption and services consumption picked up.

Imports and exports stabilized amid a slowdown. In 2014, imports and exports of goods totaled 26.43 trillion yuan, with a year-on-year increase of 2.3 percent, of which, the exports grew by 4.9 percent to 14.39 tril-

lion yuan (Figure 6) and the imports declined by 0.6 percent reaching 12.04 trillion yuan. The trade surplus in the year amounted to 2.35 trillion yuan with a year-on-year increase of 45.6 percent, up 34.8 percentage points as compared with the previous year.

Overall price levels remained stable

CPI growth narrowed. In 2014, CPI increased 2.0 percent year on year, a deceleration of 0.6 percentage point. CPI growth in each quarter was 2.3 percent, 2.2 percent, 2.0 percent and 1.5 percent respectively, showing a downward trend (Figure 7). The rise of food prices showed a large decline. In 2014, food prices increased by 3.1 percent, a deceleration of 1.6 percentage points as compared with the previous year; while the rise of non-food prices presented a slight fall, up 1.5 percent in 2014 with a deceleration of 0.1 percentage point. The deceleration of consumer goods prices was larger than that of service prices. Prices of consumer goods rose 1.8 percent, 0.7 percentage point lower than the previous year; while the service prices rose 2.5 percent, 0.4 percentage point lower than the previous year.

The year-on-year growth of PPI remained negative. In 2014, PPI decreased by 1.9 percent, which was the same as compared with previous year. For the four quarters, the PPI showed a trend of down-up-down, falling 2.0 percent, 1.5 percent, 1.3 percent and 2.7 percent respectively (Figure 7). Broken down by production and consumption goods, the prices

Figure 6 Accumulative Growth of Three Demands

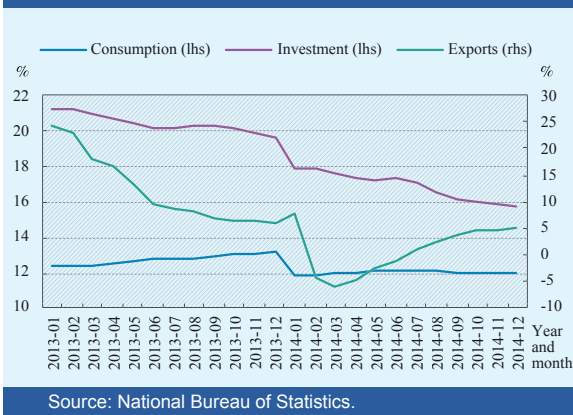
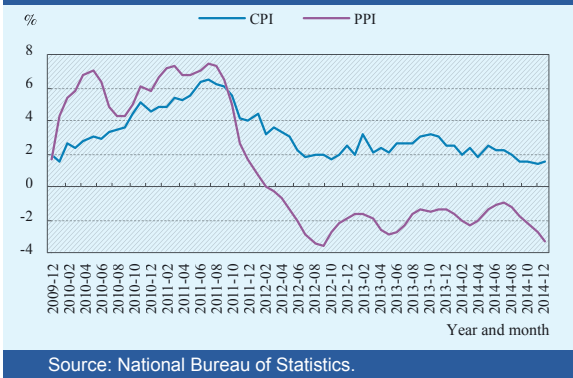


Figure 7 Monthly YoY Development of Major Price Indicators



of capital goods declined 2.5 percent, 0.1 percentage point lower than that in the previous year; the prices of consumption goods showed no increase, 0.2 percentage point lower as compared with previous year. PPIRM decreased by 2.2 percent year on year, 0.2 percentage point higher than in the previous year. From the first quarter to the fourth quarter, the PPIRM fell 2.1 percent, 1.9 percent, 1.5 percent and 3.2 percent respectively.

The overall employment showed favorable development and residents' income grew steadily

A total of 13.22 million new jobs were created in the urban areas in 2014, 120,000

jobs more than in 2013. At the end of 2014, the registered unemployment rate in the urban areas stood at 4.09 percent. According to the statistical analysis by China Human Resource Market Information Monitoring Center on market demand/supply information collected by public employment service agencies in about 100 cities, the demand for labor in the market still slightly exceeded the supply in 2014. The job vacancies-to-seekers ratios for the four quarters were 1.11, 1.11, 1.09 and 1.15 respectively.

In 2014, the national average per capita disposable income of residents totaled 20,167 yuan, increasing by 10.1 percent in nominal terms and 8.0 percent in real terms, faster than the economic growth. In terms of permanent residency, per capita disposable income of urban residents amounted to 28,844 yuan, up by 9.0 percent in nominal terms and 6.8 percent in real terms; while that in rural area hit 10,489 yuan, growing by 11.2 percent in nominal terms or 9.2 percent in real terms. In 2014, the real growth of per capital disposable income for rural residents was 2.4 percentage points higher than that for urban residents. The difference between the per capital disposable income for residents in urban and rural areas was 2.75 times, 0.06 smaller than that in the previous year. Population in poverty in rural areas was reduced by 12.32 million.

Fiscal revenue and expenditure experienced slow growth

In 2014, the fiscal revenue totaled 14.04 trillion yuan with a year-on-year increase of 1.14 trillion yuan, up by 8.6 percent, showing a deceleration of 1.5 percentage points as compared with that in the previous year. Specifically, central government revenue amounted to 6.45 trillion yuan with a year-on-year increase of 7.1 percent, accounting for 45.9 percent of the total national revenue; local government revenue hit 7.59 trillion yuan with a year-on-year growth of 9.9 percent. In terms of revenue structure, the tax revenue stood at 11.92 trillion yuan with a year-on-year increase of 7.8 percent, accounting for 84.9 percent of the total revenue; while non-tax revenue amounted to 2.12 trillion yuan, increasing 13.5 percent year on year. In 2014, the fiscal expenditure totaled 15.17 trillion yuan, representing an increase of 1.14 trillion yuan or 8.2 percent, down by 2.7 percentage points as compared with that of the previous year. Of the total, the central government expenditure hit 2.26 trillion yuan with a year-on-year increase of 10.2 percent; while the local government expenditure stood at 12.91 trillion yuan, up by 7.8 percent year on year.

Economic Outlook in 2015

Although facing increasing downward pressure, the economic growth will remain within a reasonable range

The year 2015 is the key year for deepening comprehensive reforms and the final year

for implementing the 12th Five-Year Plan. China's economy is stepping into a stage with more advanced economic form, more complicated labor division and more reasonable structure, and its development is marching into a new normal. However, China will still face difficulties in the coming years. Globally, economic development and monetary policies in major developed economies are going to diverge; there will be increased uncertainties with regard to capital flows. In addition, the emerging economies will face significant downward pressures. The rebound in foreign demand is likely to be limited. Domestically, the investment growth is sluggish; there are not many new consumption hot spots; prices of industrial products continue to decline; the costs of production are rising; small and micro businesses still find it hard and expensive to obtain financing and some confront with operational difficulties. Potential risks still exist in some sectors. Nonetheless, China's development is still at a stage of significant strategic opportunities. It has great potentials, resilience and room for maneuver. Continuous efforts will be made to promote new industrialization, information-oriented development, urbanization and agricultural modernization. With the increasingly strong development basis, China will be benefiting from its reform and accelerating economic restructuring and optimization. Besides, emerging industries and service sectors has shown rapid development. With the in-depth implementation

of the reform and opening-up policy and the further development of innovative drive, the continuous release of development potential will support China's medium and high growth of around 7 percent.

Prices are expected to be stable

Given the slower expansion of aggregate demand, the over-supply of industrial products and international commodities prices fluctuating at a lower level, the upward development of prices will be retrained. Since the last round of price hikes is still fresh in the mind of households, price expectations will be mixed and prices are expected to

fluctuate at low levels.

Employment will remain stable and households' income will continue to increase

With the accelerated development of the service sector, growing number of small and micro businesses and the ever-increasing size of the economy, jobs created by per unit of economic growth will increase. Although the growth at about 7 percent is slower when compared to the past, China's economy will still be able to support stable employment growth and the continuing increase of households' income.

CHINA'S FINANCIAL PERFORMANCE

In 2014, the PBC followed the strategic arrangements of the CPC Central Committee and the State Council, continued the sound monetary policy, and created a generally stable monetary and financial environment for economic and social development. The money and credit and the all-system financing aggregates grew at appropriate level and the credit structure and financing structure continued to improve. The costs of financing came down as the problem of high cost of corporate financing was eased to some extent. The RMB exchange rate remained stable around the reasonable equilibrium level with enhanced flexibility in two-way floating; international payments and expenditures were generally balanced.

Monetary aggregates grew in a stable and reasonable manner, while the supply channel for base money underwent structural changes

At the end of 2014, outstanding M2 stood at 122.8 trillion yuan, up 12.2 percent year on year on comparable terms, decelerating by 1.4 percentage points from the end of 2013. Since the second half of 2014, the growth of money decelerated somewhat due to the acceleration of the structural adjustments, the decline in the off-balance sheet financing, the strengthening of regulatory measures, and changes in the balance of payments situation. Nonetheless, the growth of

M2 in 2014 was 3 percentage points higher than nominal GDP growth, basically meeting the effective demand of the real economy. In 2014, the growth of RMB equivalent of foreign-exchange purchase trended lower. The channels of base money supply underwent structural changes, as monetary policy instruments of the PBC replaced the RMB equivalent of foreign-exchange purchases as the main channel to supply base money.

The financing structure diversified with significant increase in direct financing and slower growth in off-balance sheet financing

In 2014, aggregate financing to the real economy reached 16.46 trillion yuan, repre-

senting a decrease of 859.8 billion yuan from the level of last year and the second highest in history (a peak of 17.32 trillion yuan was registered in 2013). In terms of financing structure, the amount and share of direct financing reached historic highs. In 2014, the combined amount of financing via debt and equity offerings on the domestic market by non-financial enterprises posted 2.86 trillion yuan, an increase of 827.3 billion yuan year on year. This accounted for 17.3 percent of the aggregate financing, up 5.5 percentage points from that in 2013. New off-balance sheet financing declined notably year on year. In 2014, the combined amount of new entrusted loans, trust loans, and undiscounted bankers' acceptances registered 2.90 trillion yuan, a decrease of 2.27 trillion yuan year on year. This was due to the strengthened regulation over financial institutions' operation of non-standardized debt assets and interbank business.

The RMB loans grew at a steady and relatively fast pace, while the expansionary pressure was still large

At end-2014, outstanding RMB loans stood at 81.68 trillion yuan, up 13.6 percent year on year, 0.5 percentage point lower than at the end of 2013. The growth of loans fell in September and October, but in November and December, it gained significant speed over the same period in previous years. New RMB loans posted 9.78 trillion yuan in 2014 which was the highest in history (a peak of 9.59 trillion yuan was registered in 2009),

representing an acceleration of 890 billion yuan year on year. Of the total, 697.3 billion yuan of new loans was posted in December 2014, representing an acceleration of 214.9 billion yuan year on year.

The credit structure continued to improve

The credit support to the small and micro-businesses and to the central and western regions was enhanced; the growth of mid- and long-term loans to industries with excess capacity continued to fall. At the end of 2014, outstanding loans to the small and micro-businesses reached 15.26 trillion yuan, a year-on-year increase of 15.5 percent, 1.3 percentage points higher than that at the end of 2013 and 1.9 percentage points higher than the growth of other loans in the corresponding period. Outstanding loans to the western regions increased 16.7 percent on a year-on-year basis, 0.9 percentage point higher than that of loans to the central regions and 5.2 percentage points higher than that of loans to the eastern regions. The year-on-year growth of mid- and long-term loans to industries with excess capacity was 3.9 percent, 3.6 percentage points lower than at the end of 2013.

The lending rates lowered moderately and the share of loan at interest rates lower than the benchmark rates rose

In December 2014, the weighted average loan interest rate offered to non-financial companies and other sectors was 6.77 per-

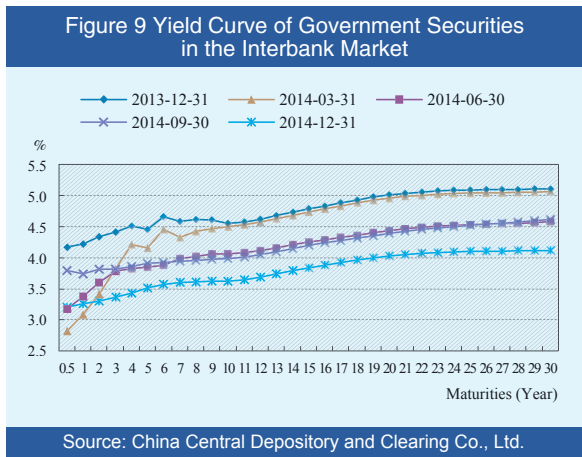
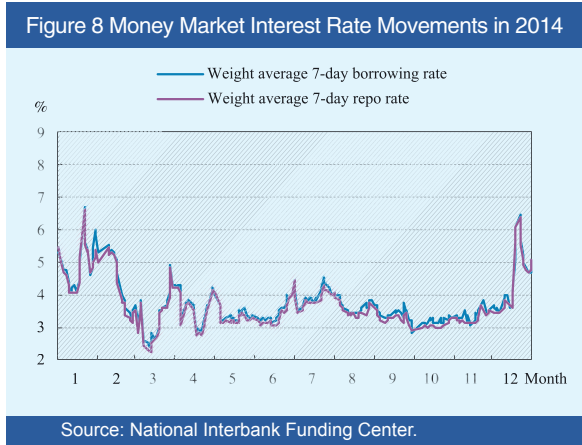
cent, down 0.42 percentage point year on year. In particular, the weighted average loan interest rate was 6.92 percent, down 0.22 percentage point; the weighted average bill financing rate was 5.67 percent, down 1.87 percentage points. The share of loans with interest rates lower than the benchmark rates were 13.10 percent, up 0.63 percentage point year on year.

Money market interest rates declined noticeably with overall lower fluctuations

In December 2014, the weighted average interest rate of interbank borrowing and bond-pledged repos both posted 3.49 percent, down 67 and 79 basis points respectively from the same period of the last year. Money market interest rates increased slightly after declined noticeably. The weighted average interest rate for 7-day bond-pledged repo was 4.05 percent in the first quarter, 3.45 percent in the second and the third quarter, 3.60 percent in the fourth quarter (Figure 8).

The yield curve of bonds shifted downward by a large margin

At end-2014, the yields of 1-year, 3-year, 5-year, 7-year, and 10-year government securities were 3.26 percent, 3.36 percent, 3.51 percent, 3.61 percent and 3.62 percent, down by 96, 105, 95, 98, and 93 basis points respectively from the end of 2013, while the spread between 10-year and 1-year government securities widened by 3 basis points to 36 basis points from the end of 2013 (Figure



9). The coupon rate of 3-year AAA-rated notes were 4.73 percent, dropping 157 basis points from that at the end of 2013. The spread between the coupon rate of AAA-rate notes and that of the bonds issued by policy banks with the same maturity reached 71 basis points, widening 16 basis points from the end of 2013.

The bond indices moved upward and the stock indices went up drastically

The interbank bond index rose 10.26 percent, from 143.93 points early in the year to 158.69 points at year-end, up 14.76 points. The Government Securities Index

on the stock exchanges rose 4.42 percent, from 139.52 points early in the year to 145.68 points at year-end, up 6.16 points. At end-2014, the Shanghai Stock Exchange Composite Index and the Shenzhen Stock Exchange Component Index closed at 3,235 points and 11,015 points, up 1118.7 points and 2892.84 points respectively from the end of 2013. The Growth Enterprise Board (GEB) Index (Chinext Price Index) closed at 1,472 points, up 167.32 points from the end of 2013. The weighted average P/E ratio of the A-share market of the Shanghai Stock Exchange rose from 11 times at end-2013 to 16 times at end-2014, while during the same period that of the Shenzhen Stock Exchange rose from 28 times to 35 times.

The RMB exchange rate fluctuated in both directions with enhanced flexibility

At the end of 2014, the central parity of the RMB against the US dollar was 6.1190 yuan per dollar, representing a depreciation of 221 basis points, or 0.36 percent, from the end of 2013. Since the beginning of the RMB exchange-rate regime reform in 2005 to the end of 2014, the RMB registered a cumulative appreciation of 35.26 percent against the US dollar. At the end of 2014, the central parity of RMB against the euro and the Japanese yen appreciated by 12.9 percent

and 12.5 percent respectively from the end of last year. According to calculations by the BIS, in 2014 the NEER and REER of the RMB appreciated 6.41 percent and 6.24 percent respectively.

The international payment and expenditure were generally in balance, private holding and debt repayment were the main ways of foreign exchange diversion

In 2014, China's total balance of payment surplus was 257.9 billion US dollars, representing a decrease of 48 percent from that in 2013^①. The current account surplus was 219.7 billion US dollars, an increase of 48 percent year on year; the capital and financial account surplus was 38.2 billion US dollars, down by 89 percent. Although for the year the balance of payments showed "double surpluses" in current account and capital account, quarterly statistics of cross-border capital flows showed rapid switches from surplus to deficit and vice versa. Since the second quarter of 2014, affected by the increased fluctuation of the RMB exchange rate in both directions, the changing domestic and international economic and financial environment, and some other factors, cross-border capital flows were under pressures to flow out of the country. During the second, third and fourth quarter, the capital and fi-

^①The 2013 Balance of Payments Statement has been revised based on the latest data. After the revision, the total balance of payments surplus in 2013 reached 494.3 billion US dollars. Specifically, the current account surplus stood at 148.2 billion US dollars, adjusted downward by 34.6 billion US dollars; the capital and financial account surplus was adjusted upward by 19.9 billion US dollars. This was mainly because the undistributed profit and distributed but not yet repatriated profit of foreign direct investment was adjusted based on the actual data obtained during foreign funded enterprises' annual review, which resulted in outflow earnings and foreign direct investment both increased by 35.4 billion US dollars.

nancial account turned into deficits of 16.2 billion, 9 billion and 30.5 billion US dollars, respectively.

Private holding of foreign exchange and the debt repayment were the main ways of foreign exchange diversion. In 2014, the domestic foreign currency deposits increased 108.4 billion US dollars and the domestic foreign currency loans increased 20.4 billion US dollars. The difference between the foreign currency deposits and loans had been used by banks overseas, which was an important reason why under other investment assets China's foreign loans and currency and deposits abroad showed significant increase. This also indicated the shifts from central holding of foreign exchange assets by the government to holdings by individual market participants, though the controls over these assets were still with the domestic market participants. Meanwhile, under other investment liabilities (that is, foreign loans, trade credits to China and currency and deposits in China), there was a net inflow of 50.2 billion US dollars, but the growth declined 77 per-

cent from the previous year, reflecting that domestic enterprises speeded up the repayment of large amount of US dollar denominated debts borrowed earlier. The increased private holding of foreign exchange showed that market participants were more willing to hold foreign exchange. This was in line with the macro-economic adjustment goals and the reform direction and was conducive to balancing the demand and supply of foreign exchange and improving macro-economic management. Debt deleveraging also helped the business sector to reduce currency mismatches and better deal with the shocks of capital flows. More importantly, the increased pressure for capital outflows since the second quarter of 2014 has not changed the double-surplus pattern of balance of payments. China's foreign-exchange reserve assets increased 118.8 billion US dollar. At the end of 2014, the foreign exchange reserves balance reached 3,843 billion US dollars, representing an increase of 27.1 billion US dollar from the end of last year.

MONETARY POLICY

During 2014, in accordance with the decisions and overall arrangements of the CPC Central Committee and the State Council, the PBC continued to implement sound monetary policy. Following the overall requirement of "maintaining stable aggregates and optimizing economic structure", the PBC illustrated innovative thinking and practices in macro-prudential management, putting more emphasis on targeted adjustments within a framework of range management, maintaining steady economic operation while stressing the support for the structural adjustment, transformation and upgrading of the economy, taking coordinated measures to address the problem of high social financing costs. In the next step, the PBC will continue to implement the sound monetary policy, more actively adapt to the new normal of the economy, pay greater attention to the neither tight nor loose monetary policy, put more emphasis on reforms and innovations, integrate monetary policy with deepening of reforms and further tap into the decisive role of the market in resource allocations.

Monetary Policy in 2014

2014 was the starting year for comprehensively deepening reforms and it was also a crucial year in the implementation of 12th Five-year Plan and for the coming 13th Five-year Plan. Under the simultaneous impacts of moderated economic growth, structural adjustments, absorption of the effects of the previous policies and with the manifest features of the new normal, the economy

continued to face downward pressure. In implementing the monetary policy measures, the PBC maintained steady aggregates while strengthened targeted adjustments in the framework of range management, tackled salient issues in economic operation and conducted pre-emptive adjustments and fine-tunings by way of structural adjustment.

The tool of combination was continuously improved and flexibly used to maintain

reasonably adequate liquidity

In 2014, as China's balance of payments and the RMB exchange rates moved closer to the equilibrium, the impact of cross-border foreign exchange flows on the liquidity in the banking system was generally neutral, though at times fluctuations could still be observed. Meanwhile, with the rapid development of financial markets and innovations, seasonal, market, and regulatory factors became intertwined, adding to the uncertainties in the demand and supply of liquidity in the banking system. Facing the complex and volatile liquidity situation, the PBC has closely monitored liquidity movements, enhanced its capacity in supplying the base money proactively, and enriched and improved policy toolkit taking into consideration of who needed liquidity, for how long and for what purpose. The PBC launched pilot programs of Standing-Lending Facility (SLF) at branches to enhance the channels for supplying normal liquidity to middle- and small-sized financial institutions by the central bank. The PBC also introduced the Medium-Term Lending Facility (MLF) as an instrument to provide medium-term base money to commercial banks and policy banks that met the macro-prudential requirements, guiding them to provide low-cost financing for the real sector supported by national policies. Through Pledged Supplementary Lending (PSL) facility, the PBC provided stable, long-term and reason-

ably priced funding to facilitate development finance in supporting shanty town renovation. Meanwhile, the pre-emptive and fine-tuning role of the open market operations was put into full play. The PBC conducted open market operation with proper direction, intensity and frequency. Given the complexity of supply and demand of short-term liquidity, the PBC timely shortened the duration of reverse repo from 28 days to 14 days, and used Short-term Liquidity Operation (SLO) to close the temporary financial shortfalls, effectively addressing a variety of factors that caused short-term liquidity fluctuations. A total of 3,021 billion yuan of reverse repo operations and 525 billion yuan of repo operations were conducted. A total of 620 billion yuan of central treasury funds was deposited in commercial banks.

Price-based instruments were used in a timely manner to guide interest rates move downward moderately

The PBC enhanced the interest rate flexibility of open market operations, led 14-day reverse repo rates dropped on four occasions by a cumulative 60 basis points in 2014. It cut Pledged Supplementary Lending rates twice, and used Medium-term Lending Facilities (MLF) to provide base money and to guide medium-term policy interest rates, dredging the interest rate transmission mechanism. On November 22, 2014, in order to tackle the problem of a lack of access to and high cost of financing in the real economy, in

view of the trend in economic fundamentals, including GDP growth, price and employment, and with approval of the State Council, the PBC reduced the benchmark RMB lending and deposit rates in an asymmetric manner. The benchmark one-year lending rate was lowered by 0.4 percentage point to 5.6 percent, and the benchmark one-year deposit rate was lowered by 0.25 percentage point to 2.75 percent. Other benchmark deposit and lending rates were adjusted accordingly.

Management of desirability lending was improved, and the mechanism for dynamic adjustment of the differentiated reserve ratio was employed for counter-cyclical purposes and credit guidance

Taking into consideration of the economic and financial developments at home and abroad, the capital adequacy of financial institutions, the soundness of the financial system and the implementation of credit policies, the PBC adjusted the parameters of the above-mentioned mechanism accordingly. At the end of the first, second and third quarters and in November 2014, the PBC adjusted the macro-prudential indicators four times, broadening the scope for desirability lending, strengthening credit support to SMEs, agriculture, rural areas and farmers, and the central and western regions and the underdeveloped regions.

Reserve requirements were lowered in a targeted manner to provide incentives to

financial institutions to increase lending to agriculture, rural areas and farmers and SMEs

Since the outbreak of the international financial crisis, improving monetary policy transmission mechanism through targeted operation has become a new trend for central banks in major economies. In 2014, the PBC also explored using aggregate instruments to guide the credit structure. On April 25, 2014, the PBC lowered the reserve requirements for county-level commercial banks in rural areas and rural cooperative banks by 2 and 0.5 percentage points respectively and on June 16, 2014, reduced by 0.5 percentage point the reserve requirement for commercial banks, which met the prudential requirements and reached a certain ratio in their lending to agriculture, rural areas and farmers and SMEs. On August 29, 2014, the reserve requirement for local corporate financial institutions in LuDian earthquake area was cut by 1 percentage point.

The new tool of credit policy supporting central bank lending was introduced and the central bank collateral management framework was established

At the beginning of 2014, a new category of "credit policy supporting central bank loans" was introduced, which included agriculture-supporting loans and the SME-supporting loans. During the year, the quota was increased on several occasions for

agriculture-supporting and SME-supporting loans and discounts; relevant management was improved; priority was given to discounting agriculture- and SME-related bills and the discounting rates were set at levels lower than the average interest rates of commercial loans with similar terms. These measures were aiming at strengthening financial institutions' credit support to agriculture, rural areas and farmers and SMEs. By the end of 2014, the outstanding agriculture-supporting loans, SME-supporting loans and discounts all exceeded the levels in 2013. In order to safeguard the creditor's right of the central bank, to prevent moral hazards of financial institutions, and to solve the problem of insufficient collateral held by small and medium-sized financial institutions, the PBC launched pilot programs for credit asset collateralization and central bank internal ratings in Shandong and Guangdong. Valuable experiences that could be applied to other regions were accumulated.

The market-based interest rate reform speeded up, and the financial institution pricing capability was enhanced

On November 22, 2014, the PBC expanded the floating band of the deposit interest rate from 1.1 times the benchmark deposit rate to 1.2 times the benchmark deposit rate and simplified the brackets of the benchmark interest rates so that the pricing capacity of financial institutions was further improved. The PBC removed the ceiling on small-value

foreign-exchange deposit interest rates in the China (Shanghai) Pilot Free Trade Zone. The self-regulatory market interest rate pricing mechanism continued to improve, and the membership in the mechanism continued to expand. The issuance and trading of interbank certificates of deposit was steadily promoted, which provided valuable experience for the issuance of certificates of deposit to enterprises and individuals. During the year, 998 certificates of deposit were issued in the interbank bond market with a total amount of 898.6 billion yuan. Meanwhile, the turnover in the secondary market reached 423.1 billion yuan.

The market-based RMB exchange-rate regime was further improved with the market supply and demand playing an increasingly important role in the RMB exchange-rate formation

In 2014, the overall market expectation of RMB exchange rate remained stable and as the RMB exchange rate showed enhanced flexibility in two-way floating. The market-based RMB exchange-rate regime was further improved. The PBC has generally exited from regular foreign-exchange interventions. Market supply and demand were playing an increasingly important role in the RMB exchange-rate formation. On March 15, 2014, the PBC announced that the floating band of the RMB spot rate against US dollar would be expanded from 1 percent to 2 percent. On July 2, the PBC removed the regulation over

the spreads between listed US dollar selling and buying rates of banks. As a result, all of the restrictions on the spreads of posted foreign exchange rates provided by banks to their customers were cancelled. In 2014, the direct RMB trading against the New Zealand dollar, the British pound, the euro, and the Singapore dollar was launched on the inter-bank foreign exchange market.

The dissemination and communication of monetary policy was strengthened to guide and stabilize market expectations

Along with the accelerated development of financial markets and the transmission of the monetary policy framework toward strengthening price-based adjustments, stabilizing market expectations plays an important role in the monetary policy transmission. The PBC attached great importance to communicating with market and guiding expectations. Through varied means and platforms such as *China Monetary Policy Report*, *China Regional Financial Performance Report*, as well as the PBC website, the PBC micro blog and the window guidance, the PBC timely released assessment and analysis of the macroeconomic situation to the market, timely disclosed information such as the improvement in and the use of monetary policy instruments, was proactive in addressing the heated social and market concerns, presented policy positions, gave out proper risk alerts, guided and stabilized public expectations.

Overall, the sound monetary policy has achieved good results. There was reasonably adequate liquidity in the banking system; the money, credit and all system financing aggregates grew stably; the financing structure was optimized; the market interest rates declined; financial institutions' overall loan interest rates trended down; and the issue of high cost of corporate financing was eased to a certain extent. The stable monetary and financial environment promoted the stable development of the economy and the transformation and upgrading of the economic structure.

Monetary Policy Outlook in 2015

The PBC will earnestly implement the decisions of the 18th CPC Congress, the 3rd and 4th Plenary Session of the 18th CPC Central Committee and the Central Economic Work Conference and follow the strategic arrangements of the CPC Central Committee and the State Council. The PBC will adhere to the guideline of seeking progress while maintaining stability and the overall principle of maintaining stable macro-economic policies while adopting flexible micro policies, take initiatives to adapt to the new normal of the economy, prioritize the change in the development pattern and structural adjustments, maintain the consistency and stability of policies, continue to implement a sound monetary policy that is neither too tight nor too loose, conduct timely and ap-

appropriate fine-tunings and preemptive adjustments, create a neutral and proper monetary and financial environment for the structural adjustments, transformation, and upgrading of the economy, and promote scientific and sustainable economic development. Innovation in reform will be emphasized and the reform measures will be integrated with the macro-economic management policies so that monetary policy will work closely with the reform measures to further tap into the decisive role of the market in resource allocations. In view of the financial deepening and the innovations in the financial markets, the conduct of policies, including that of the transmission mechanism, will be further improved. Efforts will be concentrated on solving the thorniest problems. The quality of financial services, the efficiency of the financial sector, and the capacity of the financial sector to provide services to the real sector will be improved.

Firstly, a combination of various monetary policy instruments will be employed; the macro-prudential policy framework will be improved; and, the combination of policy measures will be further optimized to keep liquidity at an appropriate level and to realize the opportune growth of money, credit,

and all-system financing aggregates. The broad money supply (M2) is expected to grow by around 12 percent in 2015.

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

Thirdly, 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.

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

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

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

Market-based Interest Rate Reform Advanced Orderly

Market-based interest rate reform is one of the most central reforms in the financial field. In recent years, China's market-based interest rate reform has proceeded continuously in a manner consistent with the overall arrangement of the Central Committee of the Communist Party of China (CPC) and the State Council. In 2014, the PBC continued to push forward market-based interest rate reform with major progress made in several areas, such as relaxing interest rate control, strengthening institutional building and promoting product innovation.

First, control on the interest rate at financial institutions was eased in a well-sequenced manner. On March 1, the PBC lifted the ceiling on small-value foreign currency deposit rate in the China (Shanghai) Free Trade Pilot Zone. Since the launch of the pilot program, the interest rate on small-value foreign currency deposits in the free trade zone had remained stable. Major Chinese banks' listed rates on small-value US dollar-denominated deposits were almost on a par with those before adoption of the new policy without any spread as compared with foreign currency interest rate outside the zone. The flow of foreign currency-denominated funds was normal in general, which was a helpful attempt in further liberalizing foreign currency deposit rate. On November 22, the PBC increased the upper limit of the floating range of RMB deposit rates from 110 percent to 120 percent of the benchmark when it cut financial institutions' benchmark lending and deposit rates and appropriately simplified the benchmark rate structure. With more room available for independent pricing, financial institutions' deposit pricing strategies diverged somewhat. There were emerging differences in deposit rates of all types of institutions, and some financial institutions adopted differentiated and detailed pricing based on such factors as business strategy, competition environment in different regions and the extent of client's comprehensive contribution.

Second, self-regulatory mechanism for pricing market rate was improved. The membership of the self-regulatory mechanism was expanded gradually with the addition of another 93 financial institutions, and the organizational structure improved step by step. It played an important catalyzing and constraining role in promoting

self-regulation of independent pricing by financial institutions, prompting financial institutions to improve corporate governance structure, strengthening financial hard constraints, increasing the capacity for independent pricing, safeguarding orderly financial market competition, and promoting regulated and sound market development.

Third, the issuance and trading of interbank certificates of deposit (CDs) progressed steadily. On the basis of membership expansion of the self-regulatory mechanism, the scope of interbank CD issuers was broadened accordingly. As the result, the size of interbank CD market continued to grow amid increasingly brisk issuance and trading. The interbank market witnessed 998 issues of interbank CDs across the year with a cumulative value of 898.6 billion yuan, while the transaction amount on the secondary market hit 411.3 billion yuan. The interest rate on CDs gradually became an important indicator reflecting changes in the supply and demand of funds on the market as well as expectations, which not only effectively improved banks' capacity for active liability management and independent pricing, but also accumulated important experience in launching large-value CDs targeting enterprises and individuals.

After years of gradual reform, there is only one last step left towards lifting China's interest rate control, that is the ceiling on deposit rate. International experience shows that liberalizing deposit rates is generally considered as the most crucial and riskiest step in the process of liberalizing interest rates. Against the backdrop of new normal in China's economic growth, proceeding with interest rate liberalization requires tougher actions not only to meet reform challenges, but also effectively ward off risks. On the one hand, the PBC would, by means of such measures as launching large-value CDs tailored to enterprises and individuals, liberalize interest rates in an orderly way, and appropriately handle the pace and intensity of market-based deposit rate reform so as to create a neutral and proper monetary and financial environment for sound and sustainable economic growth. On the other hand, it would also enhance price-based adjustment and interest rate transmission mechanism by, among others, improving self-regulatory mechanism for market rate pricing, fostering financial market's benchmark rate system and improving central bank's interest rate adjustment framework in a bid to create favorable conditions for the market to fully play a decisive role in resource allocation.

CREDIT POLICY

In 2014, closely following the requirements of allowing the market to play a decisive role in resource allocation and letting the government play a better role, the PBC improved the implementation of credit policy, expanded the toolkit for credit policy operation, enhanced the effectiveness of policy implementation, and gave full play to the positive role of credit policy in stabilizing growth, adjusting economic structure, transforming growth pattern and benefitting people's livelihood. Guidance was offered to financial institutions in beefing up support for key areas and weak sectors so as to lift the quality and efficiency of national economy as well as promote sound and sustainable development.

Strengthening the coordination and cooperation between credit policy and industrial policy to promote economic restructuring, transformation and upgrading

The PBC earnestly followed the national industrial policy and the requirements of macro-economic management, and oversaw and guided financial institutions in improving credit management mechanism and optimizing credit structure to push forward the strategic industrial restructuring, transformation and upgrading. Efforts were made to optimize the financial environment for enterprise mergers and acquisitions as well as restructuring. To step up financial support

for reforms and developments in key industries as ship-building, railways and energy, the PBC spearheaded the joint effort with relevant departments to release the *Guiding Opinions on Providing Financial Support for the Ship-building Industry to Expedite Restructuring and Promote Transformation and Upgrading*. The PBC exercised oversight over and offered guidance to financial institutions in accelerating product and service innovation in a bid to provide better financial support and service to, among others, the tertiary industry, the development of urban infrastructure and the logistics industry. Persistent efforts were made to address the problem of excess capacity through financial

services. At the year-end, outstanding long-term loans to sectors with excess capacity rose 3.9 percent year on year, down 3.6 percentage points as compared with the growth at the end of last year. Green credit was promoted vigorously, with the *2014~2015 Action Plan for Low Carbon Development through Energy-Saving and Emission Reduction* jointly mapped out with other relevant departments. The banking financial institutions were encouraged to improve internal credit policy to continuously provide better financial services for such areas as energy saving and emission reduction, low carbon and circular economy, as well as air and water pollution prevention and treatment. Efforts were made to improve financial support and services for enhancing imports and boosting consumption. The PBC also supported the development of national innovation system by rolling out the *Opinions on Actively Advancing Institutional Innovation and Steadfastly Improving Technology-Enhancing Financial Services*, which would deepen the interconnectedness between science and technology and financial services.

Intensifying financial services for rural areas, agriculture and farmers

Given the new features of and emerging demands from new types of agricultural entities and the operation of business of scale, the PBC released the *Guiding Opinions on Providing Financial Services to New Types of Agricultural Entities Including Fam-*

ily Farms. The arrangement featuring one bank assuming main responsibility for one agricultural entity was actively applied; financial institutions engaging in agro-linked business were guided to support at least one new type of agricultural entity in counties of agricultural importance by providing comprehensive financial services in a one-to-one manner. Investigation and research was conducted on the pilot reform of collateralized lending against the management right of rural contracted land and the property right of farmer's house, meanwhile joint effort was made with other relevant departments to study supporting policy measures. As of the year-end, outstanding agro-linked loans from financial institutions stood at 23.60 trillion yuan, jumping 13 percent year on year, 0.7 percentage point higher than the growth of all other types of loans in the corresponding period.

Improving financial services for small and micro enterprises

The PBC strengthened the monetary and credit policy guidance, and encouraged financial institutions to innovate in popularizing products and services while taking into account the characteristics of small and micro businesses. Small and medium-sized enterprises were encouraged to raise funds through bond issuance in the interbank bond market, which expanded their financing channels; while support was given to eligible financial institutions in issuing finan-

cial bonds specifically for financing loans to small and micro businesses. As of the year-end, outstanding loans to small and micro businesses from financial institutions hit 15.26 trillion yuan, a year-on-year increase of 15.5 percent, 6.1 and 4.9 percentage points higher than the respective growth of loans to large and medium-sized enterprises in the corresponding period.

Stepping up financial support for living standard

To allow the financial services to play an active and effective role in poverty alleviation and development in rural areas, the PBC unveiled the *Guiding Opinions on Comprehensively Providing Financial Services for Poverty Alleviation and Development* and improved the organizational structure of financial services in rural poverty-stricken areas. Guarantee arrangements for micro-loans were improved, and financial support was increased for the entrepreneurship and employment of the underprivileged, such as people finding it hard to get employed in urban areas and migrant workers. Commercial and locally-granted student loans were promoted in a practical manner, while support was beefed up for students from poverty-stricken families to go to school and start up businesses. As of the year-end, all types of RMB loans in the poverty-stricken areas amounted to 3.30 trillion yuan, surging 18.5 percent from a year earlier, outstanding collateralized micro-loans at all financial

institutions totaled 76.08 billion yuan, and outstanding student loans went up 10.8 percent over that in the previous year to 61.30 billion yuan. The PBC was actively engaged in mobilizing financial services for post-quake reconstruction and issued in time the *Guiding Opinions on Providing Financial Services for Reconstruction in the Wake of Ludian Earthquake* jointly with the China Banking Regulatory Commission (CBRC), the China Securities Regulatory Commission (CSRC) and the China Insurance Regulatory Commission (CIRC).

Further enhancing housing financial services

The PBC exercised oversight over and offered guidance to financial institutions in further implementing the differentiated residential housing credit policy to improve housing financial services. The *Notice on Further Improving the Financial Services for the Residential Housing Sector* was published jointly with the CBRC to improve financial services for the development of government subsidized housing and continuously support households' reasonable housing consumption. Efforts were made to extend the maturity of loans for the renovation of shantytowns and public rental housing, guide the CBD in establishing the Housing Financing Department to give a bigger role to development finance in supporting shantytown renovation, expand the scope of development finance to include construction of resettlement housing for residents

in shantytowns, public rental housing and ordinary commercial housing planned by local governments, broaden financing channels for shantytown renovation, and facilitate the bond issuance by enterprises undertaking shantytown renovation projects. Efforts were made to prop up justified financing needs of the real estate sector and promote debt financing instruments issued by real estate developers on the interbank bond market. The PBC facilitated the issuance of mortgage-backed securities by banking financial institutions, and published in tandem with the Ministry of Finance and the Ministry of Housing and Urban-Rural Development the *Notice on Developing Housing Provident Fund Mortgage Operation* to increase the supply ratio of this type of loans. The PBC branches and sub-branches continued to implement differentiated residential housing credit policy within their respective jurisdictions.

Promoting financial services regarding local government debt management and risk prevention

The PBC promoted regulation and institutional building in regard to local government borrowings, and assisted other relevant

departments in studying and formulating the *Opinions on Strengthening Local Government Debt Management* and corresponding rules for implementation. The PBC provided guidance to financial institutions in actively providing financial services for local government debt management in line with relevant guidelines and to better prevent financial risks.

Further expanding the pilot program of credit asset securitization

The PBC worked actively in tandem with members of the coordination team for the credit asset securitization pilot program to boost institutional building, and exercised oversight while guiding financial institutions to expand the pilot program. The financial regulatory coordination mechanism was given full play, and credit asset securitization was promoted as a regular operation through streamlining the administrative procedures of issuance, allowing issuers to make their own choice regarding underlying assets, and size, channels and timing of issuance, appropriately broadening the scope of underlying assets, and further diversifying investors. Financial institutions issued 66 credit asset-backed securities during the year, totaling 282 billion yuan.

FINANCIAL LEGISLATION

In 2014, following the overall legal requirements of the CPC Central Committee, the State Council and the National People's Congress (NPC) and focusing on needs of financial reform and fulfilling its mandates, the PBC continued to improve financial laws and regulations, comprehensively reinforced law-based administration, legal consultation, legal research, publicity of rule of law and team-building of legal professionals, and earnestly carried out all the work related to international financial legal issues, which provided legal support for the PBC to conduct law-based administration as well as for the promotion of financial reform and development.

Actively promoted financial legislation

First, the PBC speeded up efforts in making, amending, revoking and interpreting laws related to the fulfillment of its mandates. Close contact with the legislature was maintained to further promote the revision of the *Law of the People's Republic of China on the People's Bank of China*. The PBC actively participated in amending the *Budget Law of the People's Republic of China* and in-depth research of relevant issues. The amendments clarified the mechanism that the central bank manages the state treasury and embodied the requirements of modernizing the governance system. The amendments

were approved after deliberation by the Standing Committee of the NPC on August 21, 2014. The PBC assisted the NPC and the leading agencies in amending the *Securities Law* and drafting the *Futures Law* as well as the *Law on Electronic Commerce*, and thoroughly studied major issues involved in legislation and drafted relevant administrative regulations. Second, the PBC promoted the drafting of mandate-related administrative rules. The PBC drafted the *Regulations on Non-depository Lending Institutions* after taking into consideration China's needs in developing a multi-tiered credit market and weighing and drawing on good practices

from abroad. Institutional arrangements regarding market access, source of funds, regulatory and supervisory responsibilities and risk resolution were carefully designed to effect rule-based administration and facilitate the orderly development of non-depository lending institutions. The PBC pushed forward legislation on cash management to safeguard cash supply, regulate receipt and payment and use of cash, and facilitate reasonable cash circulation. It spearheaded the formulation of the *Regulations on Deposit Insurance*, the *Administrative Rules on RMB Bank Account*, and the *Administrative Rules on Financial Statistics*. Third, the PBC carried forward the drafting of mandate-related rules and normative documents. To improve the system of relevant administrative rules and regulations, the PBC promulgated such departmental rules as the *Administrative Measures for Freezing Assets Related to Terrorist Activities* and the *Administrative Measures for the Foreign Exchange Purchase and Sale Business Provided by Banks*, as well as normative documents, such as the *Notice on Strengthening the Administration of Bank Card Services*, the *Administrative Measures for Supervising the Anti-Money Laundering Operation of Financial Institutions (trial implementation)*, the *Administrative Measures for Bond Pre-Issuance on the National Interbank Bond Market* and the *Notice on Issuing the Procedures for Addressing Complaints about Credit Investigation*. Fourth, the PBC sorted through rules and

normative documents in line with the needs of reforming the administrative approval system and released the results in June and November.

Intensified law-based administration

First, in line with requirements of the State Council regarding simplifying administration and delegating power, the PBC vigorously advanced the reform of administrative approval system by substantially reducing the number of administrative approvals and delegating relevant administrative powers. With 6 items being cancelled in January and October, the number of items requiring administrative approvals came down to 18 from 24 at the end of last year. In the meantime, it seriously followed the arrangement laid out by the CPC Central Committee and the State Council by conducting in-depth studies on other issues related to streamlining and delegating administrative approvals. Second, cases of administrative reconsideration were handled properly to protect the legal rights of administrative counterparts and regulate the activities of administration enforcement bodies. Throughout the year, the PBC dealt with a total of 29 administrative reconsideration cases. It focused on methodology innovation and enhancing communication as well as coordination with parties involved when addressing these cases, as a result of which the disputes were settled and the legal rights of administrative counterparts protected. Third, the management of administrative

enforcement was strengthened. Taking into consideration its mandates and the practical needs, the PBC strengthened the supervision and inspection of administrative enforcement, and vigorously pursued accountability to effectively prevent enforcement risks.

Comprehensively enhanced legal service

The PBC continuously improved institutional-building and rule-making pertaining to legal consultation service to earnestly carry out its responsibilities. Management of lawsuits was intensified through clarifying procedures and responsibilities, drawing on experiences and lessons and summarizing regular patterns in handling cases, which helped further improve its capacity for preventing legal risks. Actively engaging in various major financial reforms, the PBC provided legal support by contributing legal advice on a range of reform measures based on thorough research. Adhering to the requirements of the *Regulation of the People's Republic of China on the Disclosure of Government Information*, the PBC carried out legal verification of the information to be disclosed to the public and protected the applicants' right to information. Throughout the year, 58 applications for publicizing government information were received and addressed. The contact with judiciary and administrative agencies as well as financial institutions was enhanced to forge a good cooperative mechanism.

Conducted solid research on financial legislation

Research was conducted on the nature, status and functions of central banks and core issues in central bank legal system to provide theoretical evidence for amending the *Law of the People's Republic of China on the People's Bank of China*. Thematic study on the *Development of the Legal System in China's Credit Market* was completed under the technical assistance provided by the Asian Development Bank. Research was deepened on legal issues related to the pilot program of pledging "two types of rights" in rural areas. The PBC participated in drafting judicial interpretations, an effort led by the Supreme People's Court, and conducted in-depth studies on, inter alia, reform of local financial regulatory regime, protection of personal financial information, and supervision and regulation of shadow banks. Efforts were made to actively promote the development of a unified registration and disclosure platform for movable property and the amendment of the *Procedures on the Registration of Pledged Accounts Receivable*.

Actively addressed international financial legal affairs

Negotiations on inter-government agreements regarding the *Foreign Account Tax Compliance Act* were basically concluded. Effective measures were taken to safeguard the legal rights and interests of Chinese fi-

nancial institutions and the Chinese government's regulatory sovereignty in areas of finance and taxation. Efforts were made to promote negotiations of China-US Bilateral Investment Treaty and China-EU Bilateral Investment Treaty. The work on Data Gaps Initiative of the Financial Stability Board was continued.

Continuously deepened publicity activities and training to popularize financial laws and regulations

First, the PBC compiled the *Interpretation of Regulations and Major Normative Documents Issued by the People's Bank of China in 2013* to promote market participants' timely understanding of its rules and regulations as well as normative documents. Second, publicity events aimed at popularizing laws were launched. The PBC comprehensively carried out the 6th Five-Year Plan for popularizing laws. Following the arrangements of the National Office for Popularizing Laws and under the theme of

upholding the spirit of the Constitution and building China into a country ruled by law, it embarked on outreach activities related to the 12·4 National Constitution Day and nationwide campaign on publicizing rule of law. It urged branches and sub-branches to step up efforts in publicizing rule of law and increase the influence of popularizing rule of law in financial sector. Third, the team of legal professionals was reinforced. The PBC sponsored training courses on legal skills and on understanding the decisions of the 4th Plenary Session of the 18th CPC Central Committee, and intensified trainings on publicity and provided guidance for branches and sub-branches, in order to ensure that the staff was well-prepared for performing the central bank's functions according to the law. Fourth, the PBC put emphasis on the exchange and popularization of experiences in adopting rule of law in the financial sector and promoted the development of financial legal information platform.

FINANCIAL STABILITY

In 2014, the PBC followed the principle of reform and innovation in carrying out the financial stability work, continued to improve the financial stability framework and policy tools with the five pillars of "reform, monitoring, evaluation, early warning and resolution" as its core, made solid progress in financial reform and development, steadily pushed forward establishing the deposit insurance system, strengthened the monitoring, evaluation, early warning and resolution of financial risks, properly dealt with various financial risks, enhanced the management of financial stability-related central bank lending, safeguarding the bottom line of preventing systemic and regional financial risks .

Strengthened the monitoring and assessment of financial risks and carried out risk investigation and prevention in key areas

The PBC carried out regular monitoring and assessment of financial risks. It published *China Financial Stability Report (2014)* and *Regional Financial Stability Report (2014)*, presenting a comprehensive assessment of the soundness of China's financial system. The PBC carried out routine monitoring on financial institutions and non-financial institutions with financing functions and enhanced the research and forecast of macroeconomic development, trends in specific industries

and regional financial environment. Efforts were made to gradually build and improve financial stability basic database of banking, securities and futures as well as insurance legal entities utilizing the financial stability assessment system. Supervisory and regulatory cooperation of the securities and futures industries were pushed forward in a steady pace. The monitoring of large problematic enterprises, high risk listed companies and various local trading venues was strengthened. Attention was paid to risks involved in repayment of life insurance premium and cancellation of life insurance policy and in use of funds by insurance companies. The

monitoring of financial holding companies' risks and of cross-industry and cross-market risks was enhanced and the research on the development and risk prevention of asset management industry was carried out. The PBC closely followed the development of "enterprises conducting financial business", and performed in-depth research on the policy direction, international experiences and supervisory recommendations in this field.

The PBC carried out financial stability stress test and on-site soundness assessment of financial institutions. 17 major domestic commercial banks took the financial stability stress test. This helped to build up relevant database, raise the accuracy of test outcomes and improve the quantitative analysis of credit risks, market risks, liquidity risks and contagion risks. According to the specific developments in the economy, the PBC also organized on-site assessment of credit asset authenticity and compliance in disposing non-performing assets of banking institutions, operations of trust companies, asset management business of securities companies and use of funds of insurance companies.

The PBC conducted rigorous research on causes of China's financial risks and risk prevention priorities, spearheaded the release of *Notice on Regulating Interbank Business of Financial Institutions*. The *Notice* consisted of 18 regulative requirements, including regulating activities in interbank business, enhancing and improving the internal and external management related to interbank business, and promoting standard innova-

tion in asset liability management and etc. The PBC worked together with the banking regulatory authorities in carrying out nationwide banking institution interbank business inspection, and urged banking institutions to implement the interbank business regulatory framework in order to promote the sound development of interbank business and to prevent financial risks.

Improved the risk response mechanism and properly dealt with unexpected risk events

The PBC studied and improved the central and local financial management regime, pushed forward the clarification of financial supervision and regulation responsibilities and risk solution responsibilities between the central and local authorities. The PBC organized the second round evaluation of the *Financial Institutions Emergency Response Plan (trial version)* and issued the *Notice on Further Strengthening the Reporting of Important Events by Banking Institutions*, which prescribed requirements for reporting important events, including the range, time limit, procedure, content and responsibilities of reporting. The reporting mechanism operated smoothly. The risk events of small financial institutions in certain regions were properly dealt with.

Actively participated in global financial stability affairs and carried out activities related to assessments organized by international organizations

The PBC actively participated in the international financial regulation reform and rule-making initiated by international organizations including Financial Stability Board (FSB), Basel Committee on Banking Supervision (BCBS), Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) and their working groups. In addition, the PBC closely followed developments in international financial regulatory reform, thoroughly analyzed the impact of these reforms and their implications for China, and steadily pushed forward the implementation of international regulatory standards and codes in China. The PBC deeply involved in formulating the standard of total loss-absorbing capacity of global systematic banks, and further promoted the multilateral and bilateral communication between China and the United States, and China and European countries.

National peer review is an important work promoted by the FSB, which focuses on evaluating members' adoption of FSAP recommendations and improvement made in related areas. China officially launched its first peer review in early 2014. Together with the Ministry of Finance, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission, the PBC set up a working mechanism, which included China national peer review inter-ministerial lead-

ing group and the inter-ministerial working group, followed through with relevant preparation. China national peer review mainly covered two aspects, namely "macro-prudential management framework" and "non-banking credit intermediation". Based on the results of the survey and on-site interviews, the review group, commenting from the perspective of international peers, fully affirmed the progress China had made in macro-prudential management and non-banking credit regulation since the FSAP review and gave constructive recommendations.

Strengthened the management of financial stability-related central bank lending

The PBC strengthened the regulation and review of financial stability-related central bank lending, strictly prohibiting the use of loans for unintended purposes, conducting relevant compilation of statistics and analysis, comprehensively reinforcing the basic management of financial stability loans, giving full play to the role of financial stability loans in preventing and resolving financial risks. The PBC also took effective measures to improve the collection of bad loans, taking advantage of the reorganization and restructuring of the problematic financial institutions, recovered some of the arrears, and carried out loss recognition and writing-out following corresponding laws and regulations.

FINANCIAL SECTOR REFORM

The year of 2014 was the starting year of carrying out the decisions of the 3rd Plenary Session of the 18th CPC Central Committee and deepening comprehensive reforms. Guided by the CPC Central Committee and the State Council, the PBC set up the leading group for deepening overall reform and an affiliated office in the Financial Stability Bureau to promote the financial reforms in an active and orderly manner, in order to give full play to the market's decisive role in resource allocation and further stimulate the market participants motivation, vitality and creativity. The efforts have achieved favorable progress and results.

The PBC set up the leading group for deepening overall reform

In February 2014, the PBC set up the leading group for deepening overall reform headed by Governor Zhou Xiaochuan. The leading group was responsible for the overall planning, coordination, promotion and oversight of the implementation of various reforms at the PBC. An office was established in the Financial Stability Bureau as the group's standing body, coordinating and promoting relevant reforms and carrying out daily business as directed by the leading group. Since its establishment, the leading group has absorbed the decisions of all the meetings of the central leading group for deepening

overall reform, enhanced communication and cooperation with other special reform groups and participating agencies involved in the relevant reforms. The PBC leading group has developed guiding documents with regard to the PBC work priorities in 2014 and 2015 and implementation plans for major reform initiatives led by the PBC (2014~2020). The leading group has effectively pushed forward the assigned reform tasks. As a result, remarkable outcomes have been achieved with regard to comprehensive in-depth reform.

Market-based interest rate reform was accelerated

On March 1, 2014, the ceiling on the

interest rate of small-value foreign currency deposit in China (Shanghai) Pilot Free Trade Zone was lifted. On November 22, the PBC announced to raise the upper limit of floating range of RMB deposit interest rate from 1.1 times to 1.2 times of the benchmark rate for financial institutions and to simplify the brackets of the benchmark interest rate, which enhanced the pricing capacity of financial institutions. Meanwhile, with more institutions joining the self-regulatory market interest rate pricing mechanism and more issuers participating the market, the issuing and trading of inter-bank deposit certificate became brisk, which not only effectively enhanced banks' liability management and pricing capacity, but also provided valuable experience for the issuance of large-denomination certificate of deposit to enterprises and individuals.

Market-based RMB exchange rate regime was further improved

On March 15, 2014, the PBC announced to expand the floating band of the RMB spot rate against the US dollar from 1 percent to 2 percent. On July 2, the PBC removed the regulation over the spread of listed US dollar selling and buying rates quoted by banks, allowing them to make independent pricing decisions according to market demand and supply. Since the expansion of the floating range, the RMB exchange rate has shown greater flexibility and the market expectation has begun to diverge. The central bank has

basically exited from its regular interventions in order to establish a managed floating exchange rate system.

Capital account convertibility was further enhanced

The pilot program on centralized foreign exchange fund management by multinational companies was expanded nationwide to genuinely reduce financial costs of large enterprises and multinational companies. In line with the philosophy of negative-list management, pilot reform on voluntary settlement of foreign currency capital was conducted in 17 state-level economic and financial reform pilot zones, such as China (Shanghai) Pilot Free Trade Zone and Tianjin Binhai New Area, allowing enterprises to make their decisions independently and voluntarily. Foreign exchange management for returning overseas investment was largely simplified. Foreign exchange can be purchased for the establishment and operation of special purpose vehicles in overseas markets, and the restraints on overseas lending by special purpose corporations were removed. The quota management of RMB Qualified Foreign Institutional Investor (RQFII) was streamlined and the pilot program of the Qualified Domestic Limited Partner (QDLP) was launched in certain areas. Shanghai-Hong Kong Stock Connect was officially launched on November 17, 2014, which further advanced the connection and linkage between the capital markets in the

Mainland and Hong Kong and promoted the dual-direction opening-up of China's capital market. All ex-ante approval for cross-border guarantees were removed and policies on external guarantees for domestic borrowing of the domestic and foreign-invested enterprises were unified. Approval requirements on certain procedures for transforming external debts into loans were removed. In some regions pilot programs were launched whereby foreign-invested enterprises can manage a proportion of their external debt on a self-regulatory basis in order to reduce their financing costs.

Deposit insurance system gained favorable development

In October 2014 the plan for establishing a deposit insurance system was reviewed and approved by the Executive Meeting of the State Council. On December 30, the collection of public suggestions toward deposit insurance regulations was completed. On March 31, 2015, the *Regulations on Deposit Insurance* was released and would become effective on May 1, 2015. On April 1, 2015, the State Council approved the *Plan for Establishing a Deposit Insurance System*, clearly requiring the PBC to administer the operation of the deposit insurance fund and to earnestly coordinate with relevant agencies in the implementation of the plan in accordance with the *Regulations on Deposit Insurance*. The deposit insurance system covers all deposit-taking financial institu-

tions in China, including commercial banks, rural cooperative banks and rural credit cooperatives. The deposit insurance adopts a system that combines benchmark premium rate with risk-related differential rates. The establishment of the deposit insurance system will help improve China's financial safety network, better protect depositors' interests, maintain the financial market and the public confidence in China's banking system, further define the respective roles of the government and the market, deepen the financial reforms, safeguard financial stability and promote the healthy development of China's financial system.

The reforms of financial institutions were further deepened

The reforms of policy-oriented and developmental financial institutions gained breakthroughs. In April 2014, arrangements were made at the 43rd Executive Meeting of the State Council to let developmental financial institution provide further support to shantytown renovation, providing legal, convenient, reasonably-priced and stable funding. In July, the Housing Financing Department of China Development Bank was established upon approval. After the review of the Executive Meeting of the State Council and approval of the central leading group on comprehensive in-depth reform, the State Council approved the overall reform plan of the Agricultural Development Bank of China in December 2014 and approved the in-depth

reform plan of China Development Bank and the overall reform plan of the Export-Import Bank of China in March 2015, requiring the PBC, in cooperation with relevant agencies, to enhance coordination and cooperation, improve supervision and management, and accomplish the follow-up work according to the approved reform plans and the division of responsibilities, so that the reforms of the three banks would be implemented in a legal and compliant, appropriate and orderly manner. The approval of the reform plans represents the essential progress in the reforms of policy and developmental financial institutions, This will enable these institutions to play a greater role in, delivering continuous, well-targeted and sound support to shantytown renovation, construction of important projects, industrial upgrading, China's equipment manufacturing and other enterprises going abroad, purchase and storage of grain, cotton and oil and construction of agricultural and rural infrastructure and important water conservation projects, making greater contributions to steady growth, reform, economic restructuring and better livelihood.

Large commercial banks, namely the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications, continued to deepen their reform, improve corporate governance, and maintain sound business development. The reform of the Agriculture-related Financial Service Department of Agricultural Bank of

China was promoted steadily with each supporting policy being improved and implemented. The Agriculture-related financial services were expended in scope and depth. As of the end of 2014, outstanding loans by the agriculture-related service departments of Agricultural Bank of China in 19 pilot provinces (regions and municipalities) amounted to 2.24 trillion yuan, an increase of 212.2 billion yuan from that at the beginning of the year, up by 10.48 percent and was 1.02 percentage points higher than the overall growth of outstanding loans of pilot branches. The incremental loan/deposit ratio reached 84.57 percent. The net profit after provision and amortization totaled 43.2 billion yuan.

Reform of other financial institutions was furthered. In August, 2014, China Huarong Asset Management Co., Ltd. officially signed strategic cooperation agreement with 8 strategic investors such as China Life Insurance (Group) Company and Warburg Pincus. The additional investment from China Life and investment from 7 new strategic investors totaled 14.543 billion yuan, accounting for 20.98 percent of the total shares after the capital injection in China Huarong Asset Management Co., Ltd. The detailed plan of reform and restructuring for China Everbright Group was approved by the State Council in July. The company was restructured from a solely state-owned enterprise into a share-holding company, and changed its name to "China Everbright Group Co.,

Ltd.". In September, CITIC Limited got listed in Hong Kong.

Regional financial reform was promoted in an orderly manner

Great efforts were made to implement trial financial reforms first in China (Shanghai) Pilot Free Trade Zone. Detailed rules and regulations were issued successively with regard to cross-border RMB payment business of payment institutions, expansion of RMB cross-border use, foreign exchange administration, separate account reconciliation and prudential regulation, and the free trade account business was officially launched to accumulate reform and opening-up, and risk management experiences that can be reproduced and promoted. The development of pilot financial reform zones in Pearl River Delta, Wenzhou of Zhejiang Province, Quanzhou of Fujian Province and Qianhai of Shenzhen was advanced and mature experiences of regional financial reform were earnestly promulgated.

Financial regulatory coordination mechanism was further improved

Together with other members of the Joint Ministerial Conference Mechanism for Financial Regulatory Coordination, the PBC strengthened the study of issues of great importance and potential problems in the financial sector, promoted and put into place relevant policies and institutional arrangements, and reached consensus on policy issues of

far-reaching significance, such as preventing and resolving significant potential risks in the financial sector, enhancing internal and external opening-up of the financial industry, promoting healthy development of Internet finance and advancing pilot programs of credit asset-backed securitization. The building of the comprehensive financial statistics system witnessed progress and the collection of comprehensive statistics of core indicators was further improved. With continuous improvement of the financial regulatory coordination mechanism, the synergies and effectiveness of financial regulation have been further strengthened, and the financial sector's capacity to prevent systemic regional finance risks and to better serve the real economy has been enhanced.

Financial sector reform outlook in 2015

In 2015, in pursuance of the decisions of the 18th CPC National Congress, the 3rd and the 4th Plenary Sessions of the 18th CPC Central Committee and deployment of State Council, the PBC will give full play to the market's decisive role in resource allocation and spare no efforts in making new breakthroughs in financial reforms in core fields and key links. Besides, the PBC will further advance market-based interest rate reform, improve the formation mechanism of RMB exchange rate, steadily push forward capital account convertibility, increase the efficiency of financial resource allocation and improve financial adjustment mechanism. In addition,

the PBC will get prepared and mobilize efforts for the successful launch of the deposit insurance system. The PBC will continue to deepen financial enterprise reform, improve modern financial enterprise mechanism, research to expand the pilot program of financial reform of the China's Agriculture-related Financial Service Department of Agricultural Bank of China, and implement the reform plan of policy-oriented financial institutions, in order to form a complementary and positive development pattern with reasonably-defined division of labor between policy-ori-

ented and commercial financial institutions as soon as possible. The PBC will also conduct regional financial reform steadily by deepening reforms in China (Shanghai) Pilot Free Trade Zone, popularizing mature experiences and promoting pilot programs in free trade zones (ports) in Tianjin, Guangdong and Fujian. What's more, the PBC will exert itself to further improve financial regulatory coordination mechanism, prevent and resolve financial risks in key fields and safeguard the bottom line of preventing systemic and regional financial risks.

Overall Progress Made in the Financial Reform of China (Shanghai) Pilot Free Trade Zone

To implement the general requirements of Party Central Committee and the State Council on constructing China (Shanghai) Pilot Free Trade Zone (hereinafter referred to as "FTZ"), the PBC, together with the CBRC, the CSRC and the CIRC, has issued more than ten policies and implementation rules and 51 proposals to support FTZ construction since 2013, thereby establishing the overall policy framework of FTZ financial reform. At present, with a number of innovative financial policies introduced for FTZ and risks controlled strictly, financial reform progressed smoothly, which effectively promoted real economy development and facilitated trade and investment.

The reform and innovation of financial system progressed steadily

Firstly, capital account convertibility was promoted in an orderly manner as a response to the urgent demand of real economy development, and meanwhile, necessary macro prudential supervision continued to be imposed on convertible accounts. As of the end of 2014, there had been accumulative 120 RMB offshore loans by enterprises in the FTZ, with the amount reaching 19.7 billion yuan. As the interest rate was only 4.2 percent, significantly lower than the onshore financing rates, financing cost was reduced remarkably. Secondly, under the prerequisite of basically stable interest rate level and deposit market, interest rate ceiling was removed on small-value foreign currency deposits in the FTZ. Meanwhile, the interest rate monitoring and management mechanism was set up, and Self-discipline Committee on Interest Rate Market was established, thereby leaving the market discipline mechanism to play an important role in the interest rate reform. Thirdly, job was done to deepen the reform of foreign exchange management system, and to facilitate trade and investment. Guided by the policy of "FTZ enjoying priority over non-FTZ area", we made great efforts to streamline administration by simplifying the document review of foreign currency purchase and selling under the current account and foreign exchange registration formalities for direct investment, relaxing foreign debt management, improving the centralized operation and management of foreign exchange funds of multinational headquarters, upgrading management of foreign exchange purchase and

selling, and facilitating banks to carry out OTC trading of commodity derivatives. As of the end of 2014, there had been 58 enterprises in FTZ registering for centralized operation and management of foreign exchange funds of multi-national headquarters. Fourthly, administration was streamlined and negative list approach was adopted. Post-hoc regulation was introduced thoroughly for cross-border RMB business, negative list management adopted for capital settlement of foreign-funded enterprises and foreign debt settlement of multi-national capital management in the FTZ, and procedures greatly simplified for ex-ante examination and approval.

Risk prevention and control system was established gradually for the open economy

Efforts were made to establish information system for monitoring and managing free trade accounts (FTA) so as to achieve real-time monitoring of cross-border capital flows. With an integrated supervisory mode for domestic and foreign currencies established, we could maintain control on the one hand, and promote opening up on the other. By the end of the year, a total of 10 banks had got connected to the FTA system, with the number of FTAs opened hitting 9,741. Job was also done to establish the system to prevent money laundering, terrorist financing and tax evasion, to carry out stress tests on potential financial risks, to establish monitoring and early warning system for abnormal capital flows, and to draw up contingency management measures under abnormal conditions. With the risk prevention and control system for open economy in the FTZ basically formed, we ensured steady progress of FTZ financial reform and sound operation of financial industry.

Opening and concentrating effects emerged in the financial industry

By the end of the year, there had been 116 license-holding institutions in the banking, securities and insurance industry in FTZ (before expansion). Huarui bank, the first private bank in the FTZ opened under approval. The total number of quasi-financial institutions reached 722. Taking advantage of innovative FTZ financial system, financial institutions launched a number of new products and services, such as trade financing via FTA, cross-border RMB offshore loans, two-way cross-border RMB capital pool, cross-border RMB payment and settlement, and so on.

Financial market internationalization achieved progress

The year of 2014 witnessed the launch of "International Board" and "International Financial Assets Trading Center" respectively by Shanghai Gold Exchange and China Foreign Exchange Trade System (CFETS), and the establishment of Shanghai International Energy Trading Center. With steady progress achieved in building platform for international financial asset trading, the construction of Shanghai international financial center was further promoted.

FINANCIAL MARKETS

In 2014, financial market reforms and development progressed steadily; innovation of financial products continued to deepen; market institution-building gradually improved; and, financial market played a bigger role in lowering social financing costs and facilitating the development of the real economy. Trading volume in the money market witnessed a year-on-year growth with concentration on short-term products and interest rates moving downward noticeably. Bond issuance and custody in the bond market jumped somewhat amid increasingly brisk trading. The overall yield curve shifted downward substantially. The variety of bonds traded over the counter of commercial banks was expanded further with trading volume continuously growing, while investors in the interbank market became more diversified. Trading of RMB interest rate derivatives became noticeably more active, while the curve of interest rate swaps steepened and moved downward. Trading volume on the foreign exchange market increased considerably with the structure of trading currencies improved persistently and the number of participants in the market increased further. The gold price rallied and later retreated, while the trading volume went up substantially.

Market Performance

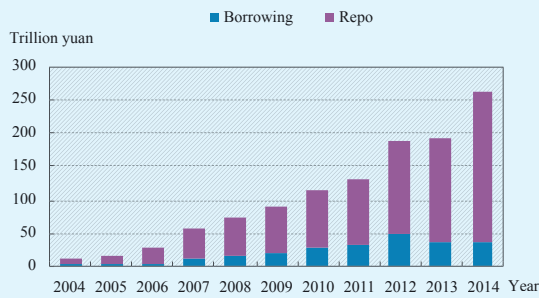
Money market

The turnover in the money market increased as compared with that in the previous year. The whole year turnover of the money market hit 262.09 trillion yuan, surging 35.32 percent over that in 2013. Among the total, the accumulated turnover of inter-

bank borrowing posted 37.66 trillion yuan, jumping 6.04 percent year on year, while turnover of bond repo added up to 224.42 trillion yuan, soaring 41.89 percent year on year (Figure 10).

The trading concentrated on short-term products. The turnover of interbank borrowing within seven days stood at 35.61 trillion yuan, accounting for 94 percent of the total

Figure 10 Movement of Trading Volume on the Money Market



Source: the National Interbank Funding Center.

turnover of interbank borrowing, the same as that in 2013; while the turnover of pledged repo within seven days posted 196.95 trillion yuan, taking up 93 percent of the total turnover of the pledged repo, up one percentage point year on year.

Fluctuations of money market interest rates moderated, while interest rates drifted downward noticeably. In December, the weighted average interest rate on pledged repos was 3.49 percent, sinking 79 basis points (bps) from the corresponding period of 2013, while that on interbank lending dropped 67 bps as compared with the same period of a year earlier to 3.49 percent.

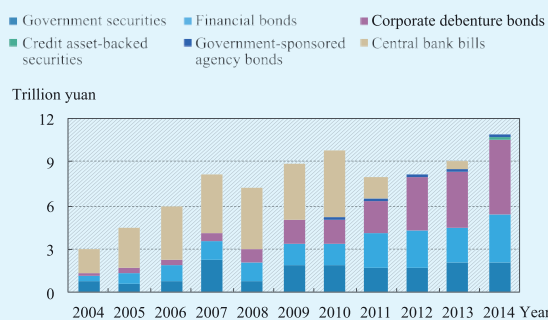
Lending by policy banks and large commercial banks increased significantly, while the composition of fund borrowers remained stable. Policy banks and large commercial banks saw a net lending of about 41 trillion yuan and 40 trillion yuan respectively, up 64 percent and 97 percent year on year, accounting for 44 percent and 43 percent of the total net lending, down by three percentage points and up by four percentage points respectively. The composition of fund

borrowers stayed relatively stable. City and rural commercial banks remained the biggest borrowers, with a net borrowing of about 33 trillion yuan and 14 trillion yuan, comprising 35 percent and 15 percent of the total net borrowing, down one percentage point and up three percentage points respectively as compared with a year earlier.

Bond market

The volume of bond issuance and custody expanded moderately. In 2014, a total of 11.02 trillion yuan of RMB bonds were issued in the bond market, jumping 22.26 percent year on year (Figure 11). By break-

Figure 11 Changes in the Size of Major Bond Issues in the Interbank Bond Market



Source: the China Central Depository and Clearing Co. Ltd. and the Shanghai Clearing House.

down, the Ministry of Finance (MOF) issued 1.70 trillion yuan of government bonds; on behalf of local governments, the MOF issued 290.8 billion yuan of local government debt; local governments issued 109.2 billion yuan of debt; the CDB, the Exim Bank and the Agricultural Development Bank of China issued 2.29 trillion yuan of bonds; commercial banks and other financial institutions issued

545.950 billion yuan of financial bonds; short-term financing bills by securities companies reached 424.690 billion yuan, and bonds by government-sponsored institutions amounted to 210 billion yuan. The issuance of credit asset-backed securities and corporate debenture bonds posted 281.980 billion yuan and 5.17 trillion yuan respectively. As of the year-end, outstanding bond custody on the bond market gained 17.99 percent year-on-year to 34.98 trillion yuan, of which, those on the interbank market went up 16.88 percent to 32.38 trillion yuan, accounting for 92.57 percent of the total.

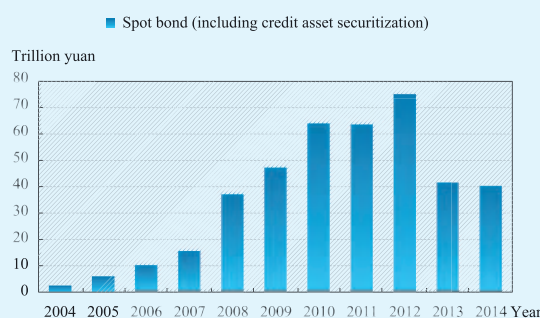
The share of cumulative net financing in terms of corporate debenture bonds in aggregate financing during the same period increased markedly. The full-year issuance of corporate debenture bonds went up 38.89 percent year-on-year to 5.17 trillion yuan, 35 percentage points higher than the growth of last year. Specifically, the issuance of debt financing instruments by non-financial enterprises surged 45.35 percent year-on-year to 4.12 trillion yuan, that of enterprise bonds soared 46.29 percent from last year to 695.2 billion yuan, and that of corporate bonds slid 14.64 percent to 348.381 billion yuan. The full-year net financing by corporate debenture bonds hit 2.43 trillion yuan, accounting for 14.7 percent of the all-system financing aggregates in the corresponding period, 4.28 percentage points higher than that in 2013.

Bond trading became increasingly brisk. Spot bond trading volume in the interbank

market reached 40.36 trillion yuan throughout the year, shedding 3.00 percent from a year earlier (Figure 12). Spot bond trading in the exchange markets grew by 59.91 percent year on year to 2.78 trillion yuan. The monthly trading volume of spot bonds rose steadily to 4.26 trillion yuan at the year-end from 1.91 trillion yuan at the beginning of the year with an average monthly growth of 7.53 percent. In terms of the type of bonds, the turnover of rate securities jumped 16 percent, accounting for 57 percent of the total, up nine percentage points year on year, while that of corporate debentures shrank 20 percent from a year earlier, taking up 43 percent of the total, down by nine percentage points year on year.

Bond indices moved upward whereas the yield curve in general drifted downwards by a large margin. The aggregate bond index on the interbank market climbed to 158.69 points at the end of the year from 143.93 points at the start of the year, representing an increase of 14.76 points, or 10.26 percent, while the government bond index on the ex-

Figure 12 Movement of Spot Bond Trading Volume on the Interbank Bond Market



Source: the National Interbank Funding Center.

change markets rose to 145.68 points at the year-end from 139.52 points at the beginning of the year, an increase of 6.16 points, or 4.42 percent. During the year, the yield curves of government bonds on the interbank market moved downward substantially. At the year-end, the yield of 1-year, 3-year, 5-year, 7-year and 10-year government bonds declined 96, 105, 95, 98 and 93 bps respectively as compared with the end of last year.

The variety of bonds traded over the counter of commercial banks was increasingly diversified amid persistently rising trading volumes. New issues traded at the counter of commercial banks included 21 book-entry government securities, 3 financial bonds issued by the CDB and 4 bonds issued by the China EximBank. The term structure was further diversified, covering six different maturities, namely, one year, three years, five years, seven years, ten years and fifteen years. The full-year turnover of book-entry government securities surged 283.42 percent year on year, hitting 7.170 billion yuan. Commercial banks sub-underwrote 6.7 billion yuan of CDB financial bonds and 3 billion yuan of EximBank bonds over the counter. As of the year-end, the number of accounts opened at the counter of commercial banks reached 16.74 million, a gain of 3.17 million, or 23.36 percent over that in 2013.

Investors became more diversified. During the year, PBC continued to broaden the scope of participants in the interbank bond

market, facilitated the development of a multi-tiered bond market, and steadily promoted the participation in China's interbank bond market by eligible overseas central banks or monetary authorities, international financial institutions, sovereign wealth funds, RMB clearing banks, overseas banks participating in RMB settlement for cross-border trade, foreign insurance agencies, RMB qualified foreign institutional investors (RQFIIs) and qualified foreign institutional investors (QFIIs). By the end of the year, the number of participants in the interbank bond market totaled 6,681, an increase of 606 over that of last year. 211 foreign institutional investors were already given the green light to invest in the interbank bond market, 73 more than that of last year.

RMB interest-rate derivatives market

Trading in the market became remarkably active. Throughout the year, a total of 115 financial institutions took part in RMB interest-rate swap transactions, concluding 43,019 deals with the nominal principal adding up to 4.03 trillion yuan, a year-on-year growth of 48 percent. In terms of term structure, the trading of one-year or less contracts were the most active, with a total nominal principal of 3.18 trillion yuan, comprising 79 percent of the total. In terms of reference rate, trading of products with 7-day repo fixing rate (FR007) as the floating rate reference was the most brisk, with the nominal principal reaching 3.27 trillion yuan, ac-

counting for 81 percent of the total. No deals were reported for forward-rate agreements or bond forwards. As of the year-end, 212 of standard interest-rate derivatives contracts were concluded since the product was launched in November, with a total nominal principal of 41.35 billion yuan.

The curve of interest-rate swaps steepened and moved downwards overall. At the year-end, 6-month, 1-year, 3-year, 5-year and 7-year FR007 swap rates dropped 178, 181, 179, 171 and 169 bps from the end of last year, while 5-year and 1-year FR007 swap rates bid-and-ask spread rose from 6 bps at the start of the year to 12 bps, showing a steepening curve.

Foreign exchange market

Trading on the foreign exchange (FX) market grew noticeably. The full-year trading volume advanced 16.7 percent from the previous year, totaling US\$8.9 trillion, a double-digit growth for the second consecutive year. Trading of the RMB against foreign currencies posted US\$8.8 trillion, up 16.9 percent, while that of foreign currency pairs stood at US\$60.56 billion, down 5.7 percent from last year. The turnover of foreign exchange derivatives exceeded that of the spot transactions. Throughout the year, foreign exchange spot transactions reached US\$4.12 trillion, edging up 1.2 percent year-on-year, while trading of foreign exchange derivatives hit US\$4.7 trillion, jumping 34.8 percent from the previous year. The share of foreign exchange

derivatives deals reached 53.0 percent, 7.1 percentage points higher than last year, outperforming spot transactions for the first time. In particular, swap transactions went up 32.1 percent to US\$4.5 trillion, forwards surged 63.5 percent to US\$52.9 billion, while currency swaps grew 3.1 times, posting US\$10.07 billion. At end-June, the State Administration of Foreign Exchange (SAFE) issued the *Administrative Rules Regarding Banks Providing RMB/FX Derivatives Business to Clients*, lifting the ban on short-selling by clients, which further promoted the development of the options market. The full-year trading of options grew five-fold year on year to US\$129.89 billion.

The structure of currencies traded in the foreign exchange market continued to improve. During the year, direct trading between currencies continued to expand as new currencies were introduced into the interbank foreign exchange market. For the whole year, the trading of the USD retained the dominant position, reaching US\$8.6 trillion and accounting for 96.6 percent of the total, edging up 0.7 percentage point over that of the previous year. With the authorization of the PBC, the interbank market launched the direct trading between the RMB and the New Zealand dollar, the British pound, the euro and the Singapore dollar in March, June, September and October respectively, with the full-year trading posting 28.07, 139.15, 340.71 and 84.05 billion yuan respectively. In particular, trading of

RMB/GBP and RMB/EUR surged 654.0 percent and 19.7 percent respectively year-on-year. The trading of the RMB against the Hong Kong dollar, the Canadian dollar, the Malaysian ringgit and the Russian ruble was 231.71, 1.53, 1.19 and 25.49 billion yuan respectively, rising 37.2 percent, 57.1 percent, 3.7 percent and 368.6 percent year on year. The trading of the RMB against the Japanese yen, the Australian dollar and the Thai baht posted 459.54, 149.21 and 0.21 billion yuan respectively, falling 64.0 percent, 0.3 percent and 60.5 percent from the levels in 2013.

The number of market participants expanded further. As of the year-end, the members of the spot market grew by 60 to 465, while those of forwards, foreign exchange swaps, currency swaps and options markets posted 98, 97, 84 and 39 respectively. There were 31 market makers in the spot market and 27 in forward and swap markets.

Gold market

The gold price rallied and then declined and the trading volume increased considerably. At the beginning of the year, due to factors such as geopolitical tensions, gold price experienced a rally, but retreated again under the impact of multiple factors, including sustained economic recovery in the U.S., the US Fed's exit from quantitative easing and the weakening demand for physical gold. At the year-end, the AU9999 on the Shanghai Gold Exchange (SGE) closed at 240.59 yuan per gram, up 4.13 yuan per gram or 1.75

percent as compared with end-2013. The full-year cumulative trading on the SGE totaled 18.5 thousand tons, surging 59.2 percent year on year, while that of gold futures on the Shanghai Futures Exchange was 47.7 thousand tons, up by 19 percent over the previous year.

Market Institutional Building and Policy Measures

Vigorously pushed forward market innovation

First, efforts were made to innovate over-the-counter (OTC) bond business. The PBC released Announcement No. 3 of 2014, increasing the variety of bond products that can be traded over the counter of commercial banks from book-entry government securities to CDB financial bonds, policy financial bonds and bonds issued by government-sponsored agencies like the China Railway Corporation. Administrative approval for commercial banks to offer trading of book-entry treasuries over the counter was removed. Second, the *Administrative Measures for Pre-issuance on the National Interbank Bond Market* was published to introduce bond pre-issuance trading on the interbank bond market. Third, the *Notice on Issues Concerning Establishing Central Counterparty Clearing for Over-the-Counter Financial Derivatives and Introducing Central Clearing to RMB Interest-Rate Swaps* was released to put in place the central counterparty clearing for OTC financial deriva-

tives. Fourth, the PBC provided guidance to the National Interbank Funding Center in introducing standard interest-rate derivatives to the interbank market. Fifth, the Shanghai Clearing House (SCH) was offered guidance in providing agency clearing for RMB interest-rate swaps and central counterparty clearing for financial derivatives with commodities as the underlying assets. Sixth, the PBC guided the SGE in launching the international board, and introducing spot gold products delivered in the Shanghai Free Trade Zone to speed up the opening up of the gold market. The SGE also introduced the mini spot gold deferred contract and gold consignment trading system to better meet market demand.

Expanded the number of investors in an orderly manner

First, the *Notice of the Financial Market Department of the People's Bank of China on Issues Concerning the Participation of Commercial Banks' Wealth Management Products in the Interbank Bond Market* was issued, stipulating the participation of bank wealth management products in the interbank market. Second, the *Notice on Issues Concerning the Participation of Qualified Non-financial Institution Investors in the Interbank Bond Market* was unveiled to allow eligible non-financial institution investors to engage in bond investment through the trading platform designed for qualified non-financial institution investors. Third, the *Notice of the Fi-*

ancial Market Department of the People's Bank of China on Properly Handling the Participation of Some Qualified Institutional Investors in the Interbank Bond Market was released to promote the regulated participation in the interbank bond market by four types of non-corporate investors, including rural financial institutions and trust products, asset management schemes of securities companies, targeted client asset management schemes of fund management companies and their subsidiaries, and asset management products of insurance asset management companies. Fourth, efforts were made to increase the number market players in the gold OTC market, introduce market making to the OTC market on a trial basis and increase the liquidity in the gold OTC market.

Improved financial market institutional building

First, the *Notice on Issues Concerning Issuance by Tender on the Interbank Bond Market* was published to regulate bond issuance by tender. Second, the Announcement No. 8 of 2014 was released jointly by the PBC and the CBRC, introducing consumer finance companies as a new issuer of financial bonds to the interbank market for the first time, and at the same time relaxing requirements for financial bond issuance applications by financial leasing companies and auto finance companies. Third, guidance was offered to the National Interbank Funding Center in publishing the *Business Proce-*

dures for Trial Market Making on the Inter-bank Bond Market to regulate and improve the trial market making. Fourth, the PBC guided the National Association of Financial Market Institutional Investors (NAFMII) in revising the *System of Indicators for Assessing Market Making* in line with market developments to further improve the criteria for market making assessment. Fifth, documentation applications by the SCH were endorsed regarding the *Measures for Margin*

Management, the Measures for Clearing Membership Administration, and the Administrative Measures for the Clearing Fund and Risk Reserve to promote the ongoing strengthening of risk management system by the SCH. Sixth, guidance was offered to the SGE in revising and improving rules and regulations, such as the *OTC Trading Rules of the Shanghai Gold Exchange* and the *Guidance on Agency Business on the Shanghai Gold Exchange*.

USE OF RMB IN INTERNATIONAL TRANSACTIONS

In 2014, the international status of the RMB improved steadily as the RMB business in cross-border trade, investment and financing was in full swing, and the bilateral currency cooperation deepened. The off-shore RMB markets maintained steady and sound development. The RMB has become a unit of account used in economic statistics, accounting and management related to foreign trade, cross-border investment and balance of payments, playing a bigger role in servicing the real economy.

Policy framework for cross-border RMB business continued to improve

Policies regarding the cross-border use of RMB were further optimized. In March, the *Notice on Issues Related to Streamlining the Administration of Enterprises Adopting RMB Settlement for Goods Export* was jointly released by the PBC, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation, and the China Banking Regulatory Commission, which delegated the authority of verification of the list of key enterprises and simplified administrative procedures. In June, the PBC published the *Guidelines on Implementation of the Opinions of the General Office*

of the State Council on Supporting Stable Growth of External Trade, which further simplified the RMB cross-border settlement procedures under current account and direct investment account. The RMB settlement became available for cross-border goods and services trade by individuals nationwide, and banks were allowed to engage in cross-border RMB business in collaboration with third party payment institutions so as to bolster stable growth of foreign trade and the structural adjustment of exports and imports. In November, the PBC promulgated the *Notice of the People's Bank of China on Issues Related to the Centralized Operation of Cross-border RMB Funds by Multinational Corporate Groups*, allowing multinational

corporate groups nationwide to operate cross-border RMB funds pool and kicking off centralized receipt and payment under the current account.

Pilot programs of innovative cross-border RMB business were actively explored. Since 2014, in line with the principle of launching widely-applicable and replicable pilot programs in a macro-prudential manner, the PBC kicked off the pilot programs of innovative cross-border RMB business in comprehensive financial reform pilot zones, including the Shanghai Free Trade Zone, Suzhou Industrial Park, Tianjin Eco-City and border regions in Guangxi Zhuang Autonomous Region and Yunnan Province. The pilot programs covered individual cross-border RMB business under current account, overseas RMB borrowing, two-way cross-border RMB funds pool, and outward RMB investment by equity investment fund, which have proved helpful in improving the existing policies and developing new policies on cross-border RMB business.

Channels for using RMB in cross-border financial transactions were widened gradually. In September, the General Office of the PBC released the *Notice on Issues Concerning the Cross-Border RMB Settlement for RMB-Denominated Debt Financing Instruments Issued by Overseas Institutions in Domestic Market*, clarifying policies on the administration of cross-border RMB settlement for RMB debt financing instruments issued by overseas institutions in the domestic

interbank bond market. In the same month, the Shanghai Gold Exchange launched the international board which used RMB as the pricing and settlement currency. In November, the connecting mechanism for trading in both the Shanghai and Hong Kong stock exchanges (Shanghai-Hong Kong Stock Connect) was officially launched, which would enable investors from both sides to trade through local securities companies (or brokers) the designated equity securities listed in each other's market with the RMB. The PBC and the China Securities Regulatory Commission published the *Notice on Issues Concerning the Pilot Program of Shanghai-Hong Kong Stock Connect*, spelling out stipulations on cross-border RMB flows in the pilot program. In November, the PBC unveiled the *Notice on Issues Concerning the Overseas Portfolio Investment by RMB Qualified Domestic Institutional Investors*, which officially launched the RMB qualified domestic institutional investor (RQDII) program to better support innovations in RMB products in the international market, promote RMB outflows and make it more widely used around the globe.

The use of RMB in the world grew rapidly

All types of cross-border RMB business continued to see rapid growth. During the year, cross-border RMB receipts and payments reached 9.95 trillion yuan, accounting for nearly one fourth of the total local and foreign currency cross-border receipts and

payments. Up to 189 countries used RMB in transactions with China. The RMB settlement under the current account posted 6.55 trillion yuan, surging 42 percent from a year earlier. Of the total, receipts stood at 2.73 trillion yuan, while payments hit 3.82 trillion yuan with the receipt-to-payment ratio being 1 to 1.4, almost the same as that in 2013. The RMB settlement for cross-border direct investment amounted to 1.05 trillion yuan, of which, the settlement of RMB outward direct investment was 186.56 billion yuan, soaring 118 percent over the level in 2013, while that of foreign direct investment jumped 92 percent year-on-year to 862.02 billion yuan. As of the year-end, domestic RMB financial assets held by overseas institutions and individuals totaled 4.4 trillion yuan. In particular, outstanding domestic RMB bonds held by overseas institutions reached 671.58 billion yuan, the number of overseas countries and regions participating in the pilot RMB qualified foreign institutional investor program increased to 10 from 4 in 2013, and 95 qualified foreign institutional investors obtained a total investment quota of 299.7 billion yuan.

The international status of the RMB improved steadily. According to the statistics of the SWIFT, by December 2014, the RMB had become the world's fifth largest payment currency, rising three notches from that in 2013, and taking up 2.17 percent of total market share, a year-on-year growth of 1.03 times. It has become the world's sixth larg-

est trading currency on the foreign exchange market, three notches higher than in 2013, and accounting for 1.82 percent of the total market share. It retained the status of the second-most used currency in global trade finance with a market share of 8.5 percent. Holdings of RMB-denominated reserve assets by overseas central banks (monetary authorities) showed a positive growth momentum, as some overseas central banks included the RMB in their foreign exchange reserves by such means as purchasing RMB bonds in the off-shore market. As of the year-end, more than 47 central banks or monetary authorities held RMB financial assets in China's domestic market and counted these assets as part of their foreign exchange reserves.

RMB off-shore markets grew in a sound and steady manner

In 2014, the RMB off-shore markets witnessed sound development with Hong Kong playing the dominant role and other markets developing side by side, including those in Singapore, London, Frankfurt and so on. Throughout the year, the total RMB clearing volume of Hong Kong RMB real-time gross settlement system hit 170 trillion yuan, more than doubled that in the previous year, while that through the RMB clearing bank in Singapore grew more than 13 times to 37.5 trillion yuan. During the year, the PBC signed memorandum of cooperation with central banks from 10 countries respectively,

including the United Kingdom, Germany, South Korea, France, Luxemburg, Canada, Qatar, Australia, Malaysia and Thailand, and established RMB clearing arrangements in these countries. As of the year-end, the PBC had put in place RMB clearing arrangements in 14 countries and regions, covering Southeast Asia, Western Europe, the Middle East, North America and Oceania, which would promote using RMB as a regional currency for invoicing, settlement, investment and financing.

Bilateral currency cooperation was deepened

The size of bilateral local currency swaps expanded persistently. In 2014, the PBC signed five new bilateral local currency swap agreements with central banks from Switzerland, Sri Lanka, Russia, Qatar and Canada with a total value of 545 billion yuan. It renewed bilateral local currency swap agreements with central banks or monetary authorities from eight countries and regions, namely, New Zealand, Argentina,

Mongolia, South Korea, Hong Kong Special Administrative Region, Kazakhstan, Thailand and Pakistan, with a total value of 957 billion yuan. As of the year-end, the PBC had signed bilateral local currency swap agreements with central banks or monetary authorities from 28 countries and regions with the total size approximating 3.1 trillion yuan.

Bilateral local currency settlement progressed continuously. While there is no policy barrier to RMB settlement for cross-border trade in China, there are still some difficulties due to government foreign exchange controls in some other countries. Signing local currency settlement agreements with central banks in these countries would create a favorable legal environment for RMB settlement to take root. In 2014, the PBC prompted central banks in, among others, Kazakhstan and Nepal to expand the local currency settlement agreement from border trade to general trade.

Shanghai-Hong Kong Stock Exchanges Connectivity Mechanism (Shanghai-Hong Kong Stock Connect)

Shanghai-Hong Kong Stock Connect is a mutual market access program, through which investors in Hong Kong and Mainland China can trade and settle shares listed on the each other market respectively via the exchange and clearing house in their local market. Shanghai-Hong Kong Stock Connect comprises of two trading and clearing mechanisms. One is the Shanghai Stock Connect, under which Hong Kong investors are able to trade eligible shares on the Shanghai Stock Exchange market via Hong Kong brokerages. The other is the Hong Kong Stock Connect, under which investors from Mainland China are able to trade eligible shares listed on HKEx. On April 10, 2014, Chinese Premier Li Keqiang announced a Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) at the Annual Conference of Boao Forum for Asia. The Shanghai-Hong Kong Stock Connect pilot program ("pilot program") was launched on November 17, 2014.

To positively implement the pilot program, the CSRC and the PBC successively promulgated regulatory documents and defined regulatory requirements. The pilot program mainly covers the following contents: (1) Pilot principle. The pilot follows local principles. Trading and clearing activities shall be compliant with market and business rules of the places where trading and clearing activities take place, whilst listed companies shall continue to be subject to rules and regulations of bourses where their shares are floated. (2) Investment target. In the initial phase, through the Shanghai Stock Connect, eligible stocks include all the constituent stocks of the SSE 180 Index and SSE 380 Index, and all "A+H" shares (all the SSE-listed A shares that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on SEHK); Through Shanghai-Hong Kong Stock Connect, Mainland investors will be able to trade the constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, and all "A+H" shares (all H shares that are not included as constituent stocks of the relevant indices but which have corresponding shares in the form of SSE-listed Shares). Both sides can adjust the scope of investment targets based on the pilot implementation. (3) Investment quotas. In the initial phase, cross-boundary trading and clearing activities

should meet the requirements of maximum cumulative trading quota (i.e. aggregate quota) and daily trading quota. In Mainland China, the aggregate quota is 300 billion yuan, and the daily trading quota is 13 billion yuan; in Hong Kong, the comparative figures are 250 billion yuan and 10.5 billion yuan, respectively. Both sides can adjust the scope of quotas based on the pilot implementation. (4) Eligibility of investors and participants. In the initial phase, only Mainland institutional investors and individual investors holding an aggregate balance of not less than 500,000 yuan in securities and cash amount are allowed to trade SEHK securities. (5) Trading and clearing mechanisms. Under Shanghai-Hong Kong Stock Connect, the Stock Exchange of Hong Kong Limited (SEHK), a wholly-owned subsidiary of HKEx, and Shanghai Stock Exchange ("SSE") will establish mutual order-routing connectivity and related technical infrastructure (Trading Links) to enable investors of their respective market to trade shares listed on the other's market. Simultaneously, the Hong Kong Securities Clearing Company Limited (HKSCC), which is also a wholly-owned subsidiary of HKEx, and China Securities Depository and Clearing Corporation Limited (ChinaClear) will establish the Clearing Links and each will become a participant of each other to facilitate clearing and settlement of cross-boundary trades. Through the Shanghai Stock Connect and the Hong Kong Stock Connect, funds shall be settled based on net offset balance in order to reduce cross-border capital flows.

The pilot program is an important innovation of the opening up of China's capital market. Combined with the existing schemes such as QFII, RQFII, QDII, and RQDII, the pilot program provides domestic and foreign investors with new channels of cross-border asset allocation. Nonetheless, it has some new features. (1) The high autonomy of investment and decision-makings. Under cross-border investment mechanisms like QFII, investors need to indirectly carry out cross-border investments through institutional investors. Under the pilot program, investors can choose eligible stocks and conduct direct investments. (2) Two-way cross-border investment mechanism. Under cross-border investment mechanisms like QFII, there is one-way outbound investment mechanism and one-way inbound investment mechanism. The pilot program adopts two-way cross-border investment mechanisms, under which domestic investors can make investments in overseas securities markets and overseas investors can invest in domestic securities markets. (3) Net capital settlement mecha-

nism. Since through the pilot program, funds shall be settled based on net offset balance, the amount of cross-border capital flows is far less than the amount of securities transactions, thus reducing the scale of cross-border capital and stabilizing cross-border capital flows. (4) Local currency trading mechanism. In the initial phase, through the pilot program, RMB is used as the transaction currency. Domestic investors can directly use RMB to trade HKEx-listed stocks, and Hong Kong investors can also directly use RMB to buy A shares.

Since the launch of the pilot program, its overall operation has been smooth and orderly. People from all walks of life have rendered positive feedback, indicating that the pilot program has been overall in line with expectations. As of the year-end, through the Shanghai Stock Connect, the transactions amounted to 167.512 billion yuan, with an average daily turnover of 5.584 billion yuan, and 24.88 percent of the aggregate quota (74.632 billion yuan) was used; through the Hong Kong Stock Connect, the transactions amounted to 20.564 billion yuan, with an average daily turnover of 734 million yuan, and 4.20 percent of the aggregate quota (10.5 billion yuan) was used.

Conforming to the international development trend of capital markets, the launch of the pilot program will help expand the two-way opening-up of China's capital market and promote its steady and healthy development. Meanwhile, it will help promote RMB capital account convertibility and the internationalization of RMB, cement Hong Kong as the international financial center, and promote the stable development of Hong Kong's financial market.

FOREIGN EXCHANGE ADMINISTRATION

In 2014, in accordance with the unified arrangements of the CPC Central Committee and State Council, SAFE always took the reform as the central task of all. It deepened the "five changes" of the foreign exchange administration, further promoted the streamlining of the administration and delegation of power, helped to facilitate trade and investment, accelerated the RMB capital account convertibility, strengthened the monitoring and management both during the course and after the event, innovated and perfected the use and management of foreign exchange reserve, and continuously enhanced the ability to serve the economic structural adjustment, transformation and upgrading.

Efforts were made to streamline the administration, delegate power and facilitate trade and investment, serving the development of the real economy

Firstly, the number of items requiring administrative approval was largely reduced. In 2014, five items requiring administrative approval were cancelled, with 17 items left effective. Laws and regulations were sorted out, and 88 foreign exchange regulations were abrogated in total. Through streamlining the administration and delegation of power, the endogenous power of enterprises has been enhanced. Secondly, SAFE strongly

supported the steady development of foreign trade. It continued to deepen the reform of foreign exchange administration concerning the trade of goods, promoted the facilitation of border trade and individual foreign trade, cancelled the administrative approval for the border trade account, quickened the capital turnover of enterprises, simplified the examination of documents for individual foreign trade, and promoted the diversified development of foreign trade. Thirdly, SAFE steadily pushed forward the pilot program of foreign exchange payment in cross-border e-commerce, which supported the development of new service industry such as e-commerce.

The pilot reform was actively pushed forward to accelerate the capital account convertibility

Firstly, SAFE popularized the pilot program of multinational corporations' centralized operation of foreign exchange fund around the country, which realized the centralized receiving and payment, net settlement, and sharing of external debt and overseas loans quota. Secondly, SAFE conducted the pilot program of voluntary settlement of foreign currency fund, which greatly simplified the settlement procedures of foreign currency fund and allowed enterprises to arrange the timing of exchange settlement according to their own need. Thirdly, SAFE reformed the foreign exchange administration mechanism of cross-border investment and financing. It substantially simplified the foreign exchange administration concerning round-trip investment, cancelled all the prior approval procedures for the cross-border guarantee, unified the policy of credit secured by external guarantee for enterprises both at home and abroad, loosened the management of upfront fee for the overseas direct investment, facilitated the overseas lending of domestic enterprises and enhanced the facilitation of cross-border investment and financing. The RQFII quota management was simplified and operation of relevant investment was facilitated.

Great efforts were made to develop the foreign exchange market, and a solid mar-

ket foundation was laid for the formation of the RMB exchange rate

First of all, SAFE cancelled the banks' limit on the clients' bid-ask spread of the quoted US dollar. Banks can voluntarily set the price according to the supply and demand of the market. Secondly, SAFE revised and issued the *Detailed Rules on the Implementation of the Measures for Handling the Settlement and Sale of Foreign Exchange by Banks*, simplified the market access threshold, supported the non-bank financial institutions to enter the interbank foreign exchange market and enhanced the flexibility of banks' position management. Thirdly, SAFE took the foreign exchange option as the focus and enriched the variety of exchange rate hedging tools. It combined the principle of business supervision and that of banking practice, and standardized the development of foreign exchange derivatives.

Statistical monitoring system of cross-border capital flow was perfected to enhance the early warning and prevention of risks

Firstly, SAFE strengthened the statistical monitoring of cross-border capital flow, making it more timely, scientific and accurate. The emergency plan management was further improved and the reserve of policy tools was enriched. Secondly, SAFE optimized the means of monitoring. It strengthened the system data integration and information sharing, and established the statistical

monitoring system of cross-border capital flow, which had provided technical support for the statistical monitoring and the foreign exchange inspection. Thirdly, SAFE severely cracked down on the illegal behaviors which violated the rules of foreign exchange administration. It intensified the punishment on illegal behavior such as false transit trade and illegal forward settlement of exchange. In 2014, SAFE altogether investigated and handled 1903 cases. Fourthly, SAFE consolidated the data basis. It perfected the stock and flow statistics of external financial debt and increased the frequency of data collection. Fifthly, SAFE increased the transparency of foreign exchange administration. It set up a press release mechanism and reinforced its interpretation of the balance of payments and reform policies concerning foreign ex-

change administration.

Management and application of foreign exchange reserve was innovated and perfected to serve the national strategy

SAFE made innovations in the application of foreign exchange reserve to better serve the real economy and national strategy. It stuck to the diversified investment strategy, optimized the allocation of currencies and assets, and ensured the safety, liquidity, maintenance and appreciation of the value of the foreign exchange reserve. It further improved the risk management framework, intensified the early warning and judgment of risks, perfected the contingency plan and enhanced its capacity of withstanding the impact of crises.

FINANCIAL ACCOUNTING

The PBC strengthened balance sheet management and pushed forward financial accounting transformation

The PBC reinforced financial accounting research and analysis. In terms of monetary policy implementation, the PBC focused on prediction of changes in the PBC balance sheet, especially correlation of monetary policy implementation and the PBC balance sheet. With annual and semi-annual study on the Fed and other foreign central bank asset and liability as well as financial strength, the PBC finished themed research on Central Bank Balance Sheet Policy in Major Advanced Economies and Inspiration. In addition, the PBC organized research on major economies' accounting criteria, accounting bases, profit allocation, and reserve computation policy. Also, the PBC engaged in research on credit asset collateral pilot program and internal rating to study credit rating model, procedure and indicator system in domestic credit rating institutions and commercial banks. Furthermore, the PBC wrapped up Research on the PBC Budget Performance Management to discuss budget performance management possibil-

ity, constraints and realistic bases with the aim of building up a new model for budget performance management. Combined with requirement of macroeconomic prudential management, the PBC stipulated Guiding Opinions on Improving Commercial Banks Accounting Analysis to guide commercial banks accounting information collection, processing and analysis method as well as indicator systems.

The PBC strengthened basis for central bank accounting. The preparation work was launched on revision of accounting systems. To support central bank loans category reform, introduction of monetary policy instrument such as mid-term lending, facility and pledged supplementary lending for shanty towns reconstruction, the PBC drew up supporting accounting principles and add new accounting items to back up implementation of monetary policy and fiscal policy innovation. After the launching of Central Bank Accounting Centralized System (ACS), the PBC followed its performance and tried to solve problems reflected in accounting statement. With the aim of integrating business system resources and enhancing system management capability and information processing capac-

ity, the PBC speeded up the construction of accounting integrated system.

The PBC implemented central government policies such as eight-point guidelines and strengthened financial accounting management requirement

In line with general requirement of the central government on thoroughly deepening reform, the PBC carried out supporting and earmarked corrective programs. By releasing *The Guiding Opinions on Pushing Forward Reform on Official Vehicle Using System* and drew up action plan, the PBC propelled standardized management on official car using. *The Guiding Opinions on Strengthening Management on the PBC Affiliated Companies* was drafted out to make a clear definition of the role of those companies and clarify duties and liabilities in operational management and risk prevention. *The Notice on Further Advancing Official Premises Clean and Rectification* was issued to clarify specific requirement on clean and rectification following *The Party and Governmental Official Premises Construction Criteria*. In addition, the PBC made arrangement on overall suspension on building new official premises and kept improving infrastructures such as business premises.

The PBC made further efforts on improving financial management system to control expenditures on reception, transportations, and overseas trips. The administrative measures on training fee, business trip reim-

bursement, and business flight were stipulated and issued to clarify the scope and spending standards on expenditures relating to reception, vehicles, and overseas trips as well as responsibilities between business and accounting departments. Also, the administrative principle was set up that major financial issues can only be made by collective decision and the leader will be the first person responsible. Furthermore, specific requirements were made on business activity budget management, spending reimbursement review, and expenditure information disclosure. Gross control and planning management were conducted on official overseas trip to implement joint review mechanism between official overseas trip and budget expenditure. Collective purchase was adopted on business vehicle insurance, maintenance, and fueling so as to decrease performance cost of business vehicles. Furthermore, business receptions were required to be paid by business card to lower reception cost.

The PBC made further advancement in information disclosure. The budget and settlement disclosure information has covered item and subjects under expenditures category with separate items on business vehicles purchasing and maintenance. Detailed information was disclosed on numbers of overseas business trips numbers and members, new and old business vehicles, and related information on domestic reception with explanation on specific information.

The PBC innovated financial accounting management means and better fulfilled central bank mandates

The PBC intensified budget management. An entire process management mechanism had taken shape with aimed budget planning, monitored budget implementation, evaluated budget outcome, feed-backed evaluated result, and applied feedback information. In 2015, the proportion of expenditure in items covered by performance trial program raised to 29 percent. The evaluated projects expanded from expenditures in currency issuance and circulation, large-scale maintenance to other accounts like infrastructure and administrative expenditure. Strictly following the budget allocation principle of overall planning with special emphasis on major project and projects in lower branches, the PBC drew up and disclosed guiding standards for personnel expenditure in county-level branches after taking a series of reform measures like separated personnel expenditure planning for provincial branches, monitor and surveillance. Furthermore, the PBC broadened budget planning standards application like currency issuance and circulation to prioritize resource for major business expenditure.

The PBC emphasized fixed asset management. *The Interim Administrative Measures on the PBC Software Asset Management* was issued with supporting accounting and settlement requirement. The disposition and approval procedure for fixed asset was clarified to exercise classified approval management for items like advanced retirement of fixed asset. Fixed asset allocation criteria construction was kicked off to build universal fixed asset allocation criteria. In addition, collective purchase planning management was launched with pilot program of purchasing service from social service provider.

The PBC intensified financial management in affiliates. In addition to urging affiliates and related companies to start state-owned asset ownership registration, the PBC made further advancement in reforms like the transformation of Financial Times into enterprise from state-owned institution and state-owned asset performance and budget management in China Financial Publishing House. Besides, the PBC required the affiliates to carry out quarterly financial report analysis and summarized report of board of director annual reports so as to make a comprehensive reflection of changes in revenue and expenditure.

PAYMENT SYSTEM

Continuous advancement of payment system construction

First, completing the compilation of *Regulation on RMB Bank Accounts Management (Opinion-soliciting Draft)* (hereinafter referred to *the Regulation*) and *Implementation Bylaws of RMB Bank Accounts Management (Opinion-soliciting Draft)*. *The Regulation* has been listed as the key legislation project by the State Council. *Notice on Strengthening the Management of RMB Interbank Settlement Accounts of Banking Institutions* was issued, effectively regulating the inter-bank business. Efforts were also made in formulating documents regulating the Free Trade Account (FTA) business. Second, the PBC formulated *Notice on Enhancing the Management of Bank Card Business* and *Notice on Strengthening the Management of the Printing of Bank Bills and Vouchers*, boosting the regulation of bank card business and the printing of bank bills. Third, investigations were made into drafting *Regulation on Online Payment of Payment Institutions*, *Guiding Opinions on Mobile Payment Business* and *Settlement Procedure of Domestic Letters of Credit (Revised Version)*, etc.

Forth, *Decision of Entry Management of Bank Card Clearing Institutions (Draft)* had been approved by the meeting of the State Council Standing Committee, marking a substantial breakthrough in this area. Fifth, *Supervisory Regulation on the Payment System Participants of the PBC* was drafted in a bid to step up the supervision on payment system participants and safeguard the secure and stable operation of the payment system.

Infrastructure of payment and clearing services improved with expanding business scale

The ACS witnessed nationwide popularization. The centralized central bank accounting data played a positive role in smoothing the monetary policy transmission mechanism and improving financial institutions' fund management capabilities. The second generation of the payment system was advanced smoothly. All of 302 incorporated institutions had gained access to the system. Important breakthroughs were made in the construction of the CIPS stage-1. The project schedule was released and confirmation of demand analysis and selection of par-

ticipating institutions had concluded.

Payment systems of all kinds^① enjoyed secure and stable operation nationwide with fast-expanding trading volume. Payment systems processed a total of 30.535 billion transactions across the year with a trading value of 388.85 trillion yuan, a year on year increase of 29.51 percent and 15.29 percent respectively. The trading volume and value of the payment system of the PBC stood at 4.184 billion and 2,455.79 trillion yuan, 50.24 percent and 13.49 percent more as compared with the previous year respectively. The system posted a daily trading volume and value of 12.9164 million and 9.77 trillion yuan. In particular, the cross bank clearing system of online payment witnessed fast growth, processing 1.639 billion transactions with a value of 17.79 trillion yuan, a year on year increase of 128.27 percent and 87.88 percent respectively. The trading volume of China Union Pay, urban commercial bank fund clearing center and the clearing center for rural credit unions, cooperatives and banks continued to expand. Specifically, the cross bank clearing system of bank cards of China Union Pay^② processed 41.11 trillion yuan worthy of 18.674 transactions, a year on year growth of 27.29 percent and 23.34 percent respectively.

Booming non-cash payment

Innovations in retail payment flourished, which helped boost the payment efficiency, reduce the cost and change the financial service mode as well as the entire life of the public. For the year, the trading volume of non-cash payment accumulated to 62.752 billion, a year on year increase of 25.11 percent, while the trading value posted 1817.38 trillion yuan, a year on year increase of 13.05 percent or a deceleration of 11.92 percentage points. First, the bill business saw a continuous slowdown in trading volume while the commercial draft business enjoyed steady growth. Second, the number of bank cards issued nationwide hit 4.936 billion, a year on year increase of 17.13 percent. To be specific, a total of 1.226 billion IC cards had been issued over the year. Thanks to the growing willingness of the public to use and accept bank card transactions, the penetration rate of bankcards recorded 47.7 percent in 2014. Credit card business witnessed moderate growth with a cumulative credit line of 5.6 trillion yuan and the outstanding balance of 2.34 trillion yuan at the year-end, a year on year increase of 26.75 percent. Third, electronic payment maintained growth momentum and mobile payment enjoyed

①Including bulk payment system, high-value payment system, online cross bank clearing system, intracity bill clearing system, domestic foreign currency payment system, internal payment system of banking institutions, cross bank payment systems of bank cards, National Check Image Exchange System, payment and clearing system of urban commercial banks and payment and clearing system of rural credit unions, banks and credit cooperatives.

②Including transactions of bankcard deposit, withdrawal, consumption, transfer and inquiry by means of ATM, POS terminals, mobile POS terminals and such emerging channels of telephone and internet.

fast expansion. For the year, banking institutions processed 28.574 billion transactions of online payment and the trading value accumulated to 1376.02 trillion yuan, a year on year increase of 20.70 percent and 29.72 percent respectively. 4.524 billion transactions of mobile payment took place with the banks over the year with the trading value hitting 22.59 trillion yuan, up 170.25 percent and 134.30 percent respectively as compared with the previous year. As for payment institutions, the trading volume of online payment stood at 21.816 billion and the trading value 16.21 trillion yuan, a year on year increase of 41.63 percent and 75.50 percent respectively. The mobile payment boasted a trading volume of 15.466 billion and a trading value of 8.41 trillion yuan, 299.53 percent and 655.51 percent higher than 2013 respectively.

Supervision on the payment service market strengthened further

Firstly, continuously advancing the verification of the information regarding the provision of payment institutions' clients. Efforts were made in setting up the supervision system for provision and implementing the mechanism of classified supervision, jurisdiction supervision, submission of annual supervisory report and report of important issues, etc. Secondly, further strengthening the management of bankcard business of commercial banks. Efforts were also made in regulating settlement cards of companies,

periodic issuance of prepaid cards of commercial banks as well as the cooperation between commercial banks and payment institutions. The development of emerging payment business were regulated. Thirdly, in terms of the risk events of prepaid card business, local governments shouldered the main responsibility of risk resolution. *Announcement of Risk Events Regarding Bankcard Preauthorization of the PBC* was printed and distributed. Payment institutions involved in the risk events underwent serious punishment. The joint mechanism between the PBC and the police regarding risk events in payment and settlement was established, regularly releasing risk-prevention tips and the collection of serious cases. Forthly, *Report on Risk Assessment Index System of China's Payment System* was formulated, pushing forward the risk evaluation of the payment system. Fifthly, verification of the authenticity of personal bank accounts came to an end. The inquiry function of RMB bank settlement account management system was improved and distant bank account opening made headway. Sixthly, reform of the clearing center of urban commercial banks and the capital increase of share expansion of rural commercial banks, credit unions and credit cooperatives were underway.

Continuous improvement of payment service environment in rural areas

Guiding Opinions on Further Improving the Environment of Payment Services in

Rural Areas of the PBC was promulgated, boosting the construction of a payment system that supported the development of the rural areas. Construction of payment service environment of the rural areas had been incorporated into the State Council's financial service for the agriculture, the farmers and the rural areas, providing strong policy support for the follow-up work. As of the year-end, a total of 2.745 billion personal accounts were opened with financial institutions in rural areas, which also boasted an issuance of 1.737 billion bank cards, or 1.95 cards per person. Banking stands in rural areas amounted to 112.6 thousand, among which 85.3 thousand stands (75.82 percent) were connected with the cross bank payment system of the PBC, and 107.1 thousand (95.17 percent) were linked with the internal payment system. There also established 920 thousand service stands for withdrawing money in rural areas, covering 500 thousand (85 percent) villages. In 2014, 4.509 billion non-cash fiscal agro-linked subsidies were distributed with a total value of 327.169 billion yuan. 157 million agro-linked deposit withdrawal were made and the total value hit 49.4 billion yuan, a year on year increase of 69.3 percent and 73.9 percent respectively.

Deepening exchange and cooperation between domestic and overseas payment systems

The PBC maintained good communication mechanism with other member countries in the area of payment, clearing and settlement through the platforms of CPMI, EMEAP, SEACEN and ASEAN+3, etc. The voice of the PBC in the internal payment and settlement system was growing. First, the PBC and the National Bank of Belgium had entered into a MOU of cooperative supervision on SWIFT. Second, the PBC go to great lengths to implement *Principles on Financial Market Infrastructure (The Principles)*. The PBC, together with the CSRC, established the leading group and office of financial market infrastructure and improved the coordination mechanism. The self-assessment of domestic financial market infrastructure had come to an end. In line with the assessment results of the CPMI and the IOSCO, the PBC and the CSRC had obtained the authorization, responsibilities and capabilities to implement the Principles. Third, the PBC had successfully concluded its 4-year chairmanship of the Payment and Settlement work group of the EMEAP and completed *Report on Regional Financial Inclusion of EMEAP*. Forth, the bilateral dialogue mechanism in the realm of payment was continuously improved. The bilateral meeting of China-Europe Central Bank Payment and Settlement was held, boosting the signing of a regulatory cooperation MOU of non-financial institutions in payment business.

Central Bank Accounting Data Centralized System Promoted Nationwide

Providing final settlement services for financial institutions, the central bank Accounting Data Centralized System (ACS) is the operational basis for payment system and the core support for the PBC in duty performance. The business scope of ACS covers deposits, loans and rediscount business between the PBC and financial institutions, money supply and withdrawal, open market operations, pledged financing, transfer of funds, internal financial accounting business, and so on.

In 2009, the PBC decided to build ACS, with a view to realizing centralized accounting data and business processing and whole-process monitoring, thereby improving service efficiency and risk management. On June 30, 2014, the nationwide promotion of ACS was completed successfully. The 341 PBC subjects shifted their accounting from the original central bank Centralized Accounting Book System (ABS) to ACS, which marked a new era of centralized business processing and data storage for central bank accounting.

Ever since put into operation, ACS has worked smoothly, with eminent advantages of precise processing, standardized business, well-controlled risk and in-time information. Its features were fully demonstrated as follows:

Firstly, it helped prevent risks and strengthen management. By centralizing business, ACS effectively prevented the risks arising from scattered operation, thereby laying foundation for standardizing accounting process and simplifying procedures. Thanks to the mechanisms such as electronic transfer and examination of the accounting document image information, business authorization and real time supervision, risk control was moved forward and internal control and in-the-process supervision was strengthened. With the close combination of accounting procedures with ex-ante approval, in-the-process control and post-hoc surveillance, improvement was achieved in management efficiency and risk prevention ability. Nationally centralized accounting data facilitated business inquiries. By getting rid of geographic restrictions and information isolation, it promoted accounting inspection to shift from on-site to off-site mode.

Secondly, it was beneficial to monetary policy implementation and macroeconom-

ic control effectiveness. As the core system for the central bank to fulfill duties, the accounting system bears the important responsibility of monetary policy implementation. Capable of providing reserve account balance in domestic and foreign currencies of all financial institutions across the country, ACS provided related departments and organizations with basis for timely and accurate decision-making. By setting up centralized parameters, such as interest rate and reserve ratio, ACS reduced operation steps and smoothed implementation channels, thus improving the effectiveness of monetary policy tools. At the same time, ACS could collect accounting information flexibly according to needs, which reduced intermediate links and avoided information distortion and lag caused by step-by-step compilation, thereby providing better accounting services and decision supports.

Thirdly, ACS helped realize one-point clearing and improve payment services. By providing fund collection service, ACS assisted financial institutions in collective fund management and binding payment, thereby making possible centralized inter-bank clearing with a single corporate account. Financial institutions could also use ACS to inquire and manage account liquidity of direct participants of both payment system and non-payment system in their jurisdiction. In addition, by integrating front-end subsystem and extending service terminal to financial institutions, ACS provided a variety of convenient on-line services, so as to facilitate financial institutions to get electronic receipts, carry out electronic reconciliation, handle payment and deposit business, etc.

BANKNOTE ISSUANCE AND MANAGEMENT

Stepped-up efforts were made to insure ample cash supply

Insuring cash supply. Efforts were made in making arrangements for the focal responsibilities of key cash vaults, stipulating the tasks of cash vaults at various levels. Injection of small-denominated RMB banknotes and coinization of small-denominated banknotes were further enhanced. Production capacity of RMB coins was growing, meeting the quantitative and structural demand for cash supply in peak season and across the year. The yearly cash injection stood at 170.1 billion yuan nationwide, a year on year decrease of 219.8 billion yuan or 56.4 percent. The holiday season between the New Year and the Chinese Spring Festival continued to witness a rigid market demand, with the net cash supply exceeding 2 trillion yuan for the first time, hitting 2.0772 trillion yuan or a year on year growth of 13 percent. The daily cash injection of small-denominated RMB banknotes posted 1.8 billion yuan, 10 percent more as compared with the previous year. Cash vaults across the country completed the injection of banknotes of 1 jiao (or 10 cents) with a few exceptions.

Only coins of 1 jiao will be injected into the market nationwide (with the exception of Tibet) from 2015. Therefore, 1 jiao will take lead in completing coinization .

Improving the tidiness of currencies in circulation. Efforts were also made in withdrawing and destructing damaged and mutilated banknotes. In order to insure the implementation of the plan for destructing damaged and mutilated banknotes, regular meetings or trainings were held to exchange practices among the PBC branches. For the year, the sorting amount of damaged and mutilated RMB banknotes witnessed a year on year increase of 10.43 percent. Specifically, the sorting amount by automatically linked sorting and destructing equipment and large-scaled equipment posted an annual increase of 19.44 percent and 14.76 percent respectively. In 2014, 72.29 percent of damaged RMB banknotes were destructed through automatically linked sorting and destructing systems.

Providing facility for the public to convert small-denominated RMB banknotes and common commemorative coins. Continued efforts were made in promoting the mecha-

nism of cash provisions of small-denominated banknotes, main bank stands and main banks. As of the year-end, a total of 21,885 main bank stands and 2,551 main banks have been established across the country. In order to facilitate the conversion of common commemorative coins, more bank stands and windows were opened during the issuance of common commemorative coins.

Steadily advancing the work of anti-counterfeiting RMB banknotes. Banking institutions were encouraged to launch designated campaign on cracking down on counterfeiting banknotes and promote the inquiry of serial numbers on banknotes. Full amount sorting of cash payment was pushed forward as scheduled. Serial number inquiry on the ATMs and CRS was realized in the year. There were a total of 473 thousand serial number inquiry counters at various banking institutions, 81.9 percent of the target number. As of the year-end, financial institutions and cash centers had been equipped with 139.8 thousand banknote sorting machines, a year on year increase of 86.5 percent.

Enhancing administration and safeguarding the orderly flow of RMB

Strengthening the RMB exit and entry administration and safeguarding its orderly flow. Efforts were made in promoting the direct cross-border transfer of RMB cash funds between Xiamen and Taipei and expanding the channels of cross-border transfer of RMB cash funds between China and Singapore as

well as China and Russia. Besides, the PBC, in collaboration with the General Administration of Customs, formulated administrative regulation on the clearance of RMB cash transfer at Huoerguosi Kazakhstan International Border Cooperation Center.

Regulating the use of the patterns on RMB banknotes and the operation and decoration on banknotes in circulation so as to safeguard the orderly circulation of RMB banknotes. The PBC, together with related departments, made an investigation into 39 cases of illegal advertisements of RMB, 44 cases involving illegal operation of banknotes in circulation and 79 cases of illegal use of RMB patterns, all of which were detected from its daily monitoring. Monitoring on the coin market was also strengthened to promote its orderly operation.

Promoting the anti-counterfeiting work in a comprehensive manner by means of close cooperation with relevant authorities

Efforts were made in improving the mechanism of anti-counterfeiting work. Members of the joint meeting of anti-counterfeiting were actively involved in promoting the work with clearly-cut shared responsibilities. The pilot program of layered management of anti-counterfeiting at the district or county level was launched, incorporating the work into the comprehensive assessment system of social security. Thus, local governments were entitled to greater responsibilities in this regard. An overhaul

was launched among the banking institutions to examine the anti-counterfeiting work and banking staffs were required to participate in the anti-counterfeiting capability assessment exams. A joint mechanism of anti-counterfeiting of banking institutions at the provincial level was established nationwide so as to reinforce banking institutions' emergency response and execution in preventing and intercepting counterfeiting banknotes.

The PBC, in collaboration with the Ministry of Public Security, launched a 5-month campaign on cracking down on counterfeiting banknotes, effectively suffocating the growth momentum of counterfeiting crimes. Cooperation was also made with the neighboring countries where RMB banknotes circulate in a joint anti-counterfeiting drive. Besides, a bilingual manual on RMB counterfeiting on overseas market was compiled in a bid to regulate the training and publicity of RMB anti-counterfeiting. Experts from the HK police were invited to give a training course on detecting faked banknotes of HK dollars, expanding the channel of anti-counterfeiting on the overseas market. Propaganda on anti-counterfeiting was made by means of Anti-counterfeiting Month, campus activities, the PBC website as well as the social media of weibo, etc.

For the year, a total of 340 million yuan worth of RMB faked banknotes were confiscated by the police across the country, a year on year increase of 5 percent, while the banking sector took over faked banknotes of 535

million yuan, up 22 percent from that of the previous year.

Going out in conducting the fundamental work based on the focal points

Speeding up the formulation of institutional standards. Efforts were made in revising *Regulation on Cash Management* and formulating *Regulation on the Import and Export of Gold and Gold Products*, *Regulation on Common Commemorative Coins Assessment*, *Quality Standard Framework of Newly-issued RMB Banknotes* and *Regulation on Management of Exposition of Gold and Silver Collections of the PBC*.

Strengthening the assessment of monetary gold and silver businesses. Supervision and monitoring of the in and out of the vaults for reserve fund and cash processing were attached greater importance to. Continued efforts were made in insuring the single banknote within one cash vault. Drills of vault keepers were launched and rotation and mandatory paid-leave of vault keepers put into force. Centralized and sudden inspections on cash vault and cash processing centers were made.

Construction of second-generation banknote issuance management system progressed smoothly. Tests of the coordination among different business modules were made. Based on the pilot program of Huaian and Tangshan, the program was expanded to cover the entire Jiangsu Province in line with the optimal principle.

Actively launching themed research projects. Research efforts were made in the anti-counterfeiting technology of the new-version RMB banknotes, second-generation of banknote issuance management framework, tidiness of RMB banknotes in circulation, standards on RMB banknotes not suitable for circulation as well as sorting agencies conducting the sorting businesses for banking institutions by renting offices from the PBC, etc.

Explorations were made in the harmless treatment of mutilated banknotes and waste. For the year, a total of 2,000 ton of mutilated banknotes and waste had undergone harmless treatment, marking the realization of the safe, sustainable and environment-friendly

treatment of mutilated banknotes and waste.

Strengthening the security of the escort system. In July, *Guiding Opinions on the Reform of the Escort System of the PBC Branches* was printed. A total of 11 escort center at the provincial level got the approval to be set up. Therefore, over one third of all the provinces had adopted the escort system. Renovation of the carriages of escort trains was underway. Renovation of the first batch of designed escort carriages finished, which were successfully put into pilot operation. In August, the PBC, together with the Chinese Armed Police Force, held a joint meeting on the logistics of banknotes escort. Meanwhile, a spot observation meeting and an anti-terrorist attacking drill were also held.

Table 1 Commemorative Coins (Banknotes) Issued by the PBC in 2014

Issuing Date	Theme	Made of	Variety	Front Cover	Back Cover	Denomination (yuan)	Diameter (mm)	Issuing Amount (10 thousand sets)	Color
Sep. 25	Common Commemorative Coins for Running Script of Chinese Character HE (harmony)	Brass Alloy	1	National Emblem of the PRC, "the People's Republic of China", "five yuan" and 2014	Running script of the Chinese character he (harmony), five kinds of scripts of he	5	30	7 000	Golden

STATE TREASURY MANAGEMENT

The State Treasury successfully delivered all receipt and payment transactions

With strengthening awareness of risk prevention, the State Treasury at various levels ensured the timeliness and accuracy in providing all receipt and payment services, and further improved the quality of accounting. In 2014, the state treasury system processed 44.4 trillion yuan of receipt and payment transactions, up by 7.9 percent year on year. Four issues of certificate government bonds and 10 issues of electronic savings bonds were conducted, with the total amount reaching 324.57 billion yuan. 116.09 billion yuan worth of matured certificate government bonds and government bearer bonds were redeemed. The PBC also conducted 12 calls for tenders for the term deposit under central state treasury cash management. Accumulatively 620.0 billion yuan were deposited with the winning commercial banks and 460.0 billion yuan were withdrawn from commercial banks in 10 operations.

Institutional arrangement of the state treasury made breakthrough

On August 31, Standing Committee of

the National People's Congress reviewed and approved the new *Budget Law*, in which the system of the PBC's managing the state treasury is again clarified and improved. And it is provided that all government revenues shall be turned over to the State Treasury, thus laying a sound foundation for improving the State Treasury Single Account System and State Treasury Centralized Receipt and Payment System. The PBC was actively engaged in the revision of the *Regulation for the Implementation of the Budget Law* by providing comments and suggestions, implemented the administrative license for the certification of agent banks collecting non-tax government revenues in 2014 by law, and started the standardization of State Treasury accounting practices nationwide.

Steady progress was made in developing the State Treasury information system

Construction of the second generation TIPS (Treasury Information Processing System) made progress as the proposal of business requirement and review by experts were completed. Twenty-six provinces (municipalities/autonomous regions) were

connected to the treasury network for disbursing treasury funds as a result of joint efforts made with the Ministry of Finance. In cooperation with the State Administration of Taxation, the PBC put the third phase of China Taxation Administration Information System (CTAIS) into operation in Guangdong, Henan and Inner Mongolia. The PBC also worked with the General Administration of Customs on connecting the network of the customs and the State Treasury, and basically accomplished the development of such system. Operation system of the State Treasury was improved to upgrade the central treasury booking system and front-end payment system. The Treasury Centralized Booking system (TCBS) and Treasury Front-End Payment System were successfully connected to the second generation payment system. The statistical analysis and Treasury bond management sub-systems under the Treasury Management Information System (TMIS) were completed. Application to start the project to develop the State Treasury Oversight System was approved. The study on *State Treasury Engineering Construction Design* was completed.

The PBC further enhanced monitoring and management of the State Treasury

The PBC issued the *Guiding Opinions on On-site Examination of Treasury Accounting Management* to improve and standardize the on-site examination of local Treasury accounting and booking. Efforts were made

to compile *Case Study on State Treasury Oversight* to improve risk management of Treasury funds. To implement the reform of administrative approval procedures set out by the State Council, the PBC eliminated the approval item for commercial banks and credit cooperatives as agents for transactions of town and township Treasury. Oversight and examination of Treasury business conducted by agent commercial banks were enhanced and withdrawal operation by agent commercial banks made steady progress. The PBC collected and sorted through the State Treasury Ex-post Supervision Reports written by provincial-level ex-post regulators and urged local Treasuries to improve their performance accordingly. The PBC conducted a survey on the operation of local Treasury centralized receipt and payment, identified problems in Treasury centralized receipt and payment and proposed reform measures accordingly.

The State Treasury statistical analysis made significant achievements

In-depth studies were carried out on invigorating stock fiscal funds, accelerating budget implementation, management of special fiscal accounts, local government debt, replacement of turnover tax with value added tax, producing reports that won comments and instructions from the leadership of the state council. According to the demand to monitor market liquidity, the PBC designed and further improved *Daily State Treasury*

Receipts, Payment and Deposit Statement and Daily Statement of Transactions between State Treasury and Commercial Banks. The *Notice on Strengthening Daily Monitoring of State Treasury Operation* was issued, requiring local Treasuries to set up a register for booking receipts and payments of high-value funds and refine statistical monitoring over the operation of State Treasury funds.

The management of the government securities was further improved

In joint efforts with MOF and other competent authorities, the PBC formulated regulations on issuance value management of savings bonds, comprehensive appraisal of savings bonds underwriting groups and the management of building Treasury bond underwriting groups. Working with MOF and CSRC, the PBC pressed ahead with the establishment of savings bonds underwriting groups in 2015 to 2017, warranting well-regulated savings bonds management in the next stage. The PBC made further innovation in terms of re-depositing and urging the redemption of matured certificate treasury bonds were further pressed ahead, and promoted opening up the online bank-

ing channel for selling electronic savings bonds in joint efforts with MOF. Various forms of Treasury bond outreach programs and "Treasury bond go rural" programs were organized to enhance T-bond literacy and facilitate smooth issuance of Treasury bonds.

Cash management of the State Treasury made significant progress

The PBC and the MOF jointly issued *The Measures on Pilot Program on Cash Management of Local Treasury*, designating 6 pilot areas including Beijing, Shanghai, Guangdong, Shenzhen, Hubei and Heilongjiang, and successfully kick starting the pilot program on cash management by local treasuries. Together with MOF, the PBC issued *The Rules on Term Deposit Bid of Central Treasury Cash Management by Commercial Banks in 2014*, standardizing bidding behavior of commercial banks in bidding for term deposit of Central Treasury cash management. To strengthen regular monitoring of deposit risks, a mechanism was gradually put in place on monitoring the influence of loan deposit ratio of banks that won the bid, so as to effectively prevent risks.

Table 2 Issuance of Government Savings Bonds in 2014

Categories	Issues	Issuing Date	Actual Issuing Amount (100 million yuan)	Term					
				1 year		3 years		5 years	
				Amount (100 million yuan)	Interest Rate (%)	Amount (100 million yuan)	Interest Rate (%)	Amount (100 million yuan)	Interest Rate (%)
Certificate Bonds	1 st Issue	3.10–3.19	396.35			257.40	5.00	138.95	5.41
	2 nd Issue	5.10–5.19	289.86	27.56	3.60	147.88	5.00	114.42	5.41
	3 rd Issue	9.10–9.19	376.51			231.37	5.00	145.14	5.41
	4 th Issue	11.10–11.19	298.94			179.51	5.00	119.43	5.41
Certificate Savings Bonds (electronic)	1 st Issue	4.10–4.19	240			240	5.00		
	2 nd Issue	4.10–4.19	160					160	5.41
	3 rd Issue	6.10–6.19	240			240	5.00		
	4 th Issue	6.10–6.19	160					160	5.41
	5 th Issue	7.10–7.19	224.08			224.08	5.00		
	6 th Issue	7.10–7.19	159.97					159.97	5.41
	7 th Issue	8.10–8.19	240			240	5.00		
	8 th Issue	8.10–8.19	160					160	5.41
	9 th Issue	10.10–10.19	180			180	5.00		
	10 th Issue	10.10–10.19	120					120	5.41

Table 3 Cash Management Operations of Term Deposit with Commercial Banks for Central State Treasury in 2014 (deposits)

Operation Date(interest date)	Batch of Deposits	Amount (100 million yuan)	Interest Rate(%)	Term	Interest Income(yuan)
2014.01.14	2014(1)	500.00	6.02	6months	1 500 876 712.35
2014.01.23	2014(2)	400.00	6.13	3months	611 320 547.96
2014.02.20	2014(3)	500.00	6.30	9months	2 356 027 397.27
2014.04.15	2014(4)	500.00	5.00	6months	1 246 575 342.45
2014.05.29	2014(5)	400.00	4.60	9months	1 376 219 178.11
2014.06.26	2014(6)	500.00	3.80	3months	473 698 630.12
2014.07.15	2014(7)	500.00	4.32	6months	1 077 041 095.91
2014.07.24	2014(8)	500.00	4.00	3months	498 630 137.02
2014.08.28	2014(9)	600.00	4.10	3months	613 315 068.50
2014.11.25	2014(10)	600.00	4.56	3months	682 126 027.38
2014.12.04	2014(11)	600.00	4.33	3months	647 720 547.94
2014.12.18	2014(12)	600.00	4.65	3months	695 589 041.04
Total		6 200			11 779 139 726.05

Table 4 Cash Management Operations of Term Deposit with Commercial Banks for Central State Treasury in 2014 (withdrawals)

Operation Date (Due date)	Batch of With- drawal	Amount (100 million yuan)	Interest Rate(%)	Term	Interest Income (yuan)
2014.01.09	2013(4)	500	5.01	6months	1 249 068 493.16
2014.02.13	2013(9)	300	6.00	3months	448 767 123.29
2014.03.11	2013(10)	300	6.30	3months	471 205 479.45
2014.04.24	2014(2)	400	6.13	3months	611 320 547.96
2014.07.15	2014(1)	500	6.02	6months	1 500 876 712.35
2014.09.25	2014(6)	500	3.80	3months	473 698 630.12
2014.10.14	2014(4)	500	5.00	6months	1 246 575 342.45
2014.10.23	2014(8)	500	4.00	3months	498 630 137.02
2014.11.20	2014(3)	500	6.30	9months	2 356 027 397.27
2014.11.27	2014(9)	600	4.10	3months	613 315 068.50
Total		4 600			9 469 484 931.57

DEVELOPMENT OF FINANCIAL IT INFRASTRUCTURE

The PBC insisted on the bottom line of security, enhanced capability of providing security service, and effectively safeguarded financial security and financial stability

The PBC continuously promoted capability for safeguarding information security. By making active efforts, the PBC gradually set up coordinated performance and maintenance mechanism to ensure major IT systems to run in a safe and stable manner. In addition, the PBC unfolded the construction of emergency monitor and command center, improved emergency management system, launched emergency response maneuver, and establish coordinated mechanism with national professional security forces. The PBC intra-city and remote data backup center was under construction to optimize intra-city data backup center and system. A central bank IT security control force was formed to establish security control mechanism and provide an overall ex anti, progressing and post IT security service for the PBC major networks and key business and transaction systems.

The PBC intensified coordination to pro-

moted capacity for safeguarding financial IT infrastructure. Thanks to the fully-fledged industry supervisory guidance coordinated mechanism, communication and coordination were strengthened between financial industry and national network security administrative authorities, security supporting units, and public service administrative units with closer collaboration in information sharing, emergency response, and resources provision. Personnel from financial industry were organized to compile Financial Industry Network Security Plan and the PBC Network Security Plan. Research was unfolded in subject of how to apply domestic IT to show the way of IT security for China financial industry in the long run.

The PBC emphasized top-level design, reinforced plan and criterion compilation to provide macro guidance for financial IT development

Strategic planning was under way. A comprehensive evaluation was conducted for the performance of the 12th Five-year

Plan for Financial Industry IT Development. Research was unfolded on the 13th five-year plan for IT development in financial industry to lay the foundation for the formulation of 13th five-year plan.

Financial standardization strategy was push forward in an all-round manner with major breakthrough in standards design, practical application, testing and certification, and internationalization. The PBC IT Standards system was released. The banking industry standards system was revised and issued. Enterprises standardization was advanced with the release of *Guidance on Banking Industry Standardization*. The financial institution code system was set up by issuing over 200,000 Financial Institution Code Certificates. The building of financial standards certification system was advanced. Mobile finance certification was approved by Certification and Accreditation Administration of the PRC. Technique requirements and testing specification standards were formulated for non-financial institution payment facility to realize sustainable development of standards and certification. The PBC vigorously advanced construction of Legal Entity Identifier (LEI) system with China LEI system accomplished and accepted by international system. The PBC released one financial national standard and sixteen financial industry standards. *The Evaluation Plan for Financial Industry Standards Application* was formulated to push forward financial standards application evaluation and make

standards play a supporting role for business development.

More achievements of financial IT development were shared. *Two Decades in China Banking IT Infrastructure Development* were compiled to reflect financial institution IT evolution. It filled in a gap in industry and had a inspiring significance for future development plan and industry demand analysis.

The PBC built up the consciousness of overall situation and service, and financial IT play a significant role in promoting economic growth and serving the public

The financial IC card issuance and promotion was speeded up. At end-2015, over 1.2 billion financial IC cards were issued with financial IC card becoming the main stream product in China bankcard. Financial IC chips card saw remarkable increase in utilization. In public service field, financial IC card were widely used with major utilized city increased to 110 from 47. In provinces and cities like Guizhou, Hebei, Shanxi, Anhui, Hunan, Ningxia, and Chongqing, local government released government document to encourage financial IC card development. The utilization of financial IC card in public transportation was included in the coordinated development plan among Beijing, Tianjin and Hebei. *The Notice on Gradually Closing Magnetic Stripe Function in Financial IC Card* was released to protect financial service information security and consumer legal rights and interests.

Mobile finance made remarkable advancement. *Mobile Finance Secure and Trusted Public Service Platform* (MTPS) has connected with 20 financial institutions including Industrial and Commercial Bank of China (ICBC), Agricultural Bank of China (ABC), Bank of China (BOC), China Construction Bank (CCB) and China Mobile Communications Corporation (CMCC), realizing inter-institutional application sharing, mutual acceptance and communication between systems. With National Development and Reform Commission, the PBC initiated mobile e-commerce financial IT innovation pilot program in five cities, namely Chengdu, Guizhou, Hefei, Shenzhen, and Ningbo to explore a realistic plan and business model of conducting financial business with mobile technology for the interest of the public and industry development, achieving positive results.

The PBC pushed forward development of IT infrastructures with stronger underpin in technique, and provided technique support for fulfilling central bank mandates

The PBC kept the principle of putting criterion and standards first. The baseline of the PBC system framework was released. Software research and development criterion were revised. Two PBC standards were released for data life cycle management technical criterion and public code criterion. In addition, quality inspection was conducted on application system and IT infrastructure construction gradually grew in the forms of

platforms with a standardized manner.

Construction for major IT system and network was speeded up. The national promotion was accomplished for the central bank accounting and settlement data collective system and its front systems to provide low-cost and efficient accounting and settlement service for financial institutions. Asset quality evaluation system for branches was finished to remarkably reduce risk of central bank lending and ensure central bank asset security. Top-level design was under way for security and guard IT system to promote the PBC IT and automatic capability for security and guard work.

Network construction and management was emphasized by finishing major system bandwidth upgrading and connecting small and micro financial institutions into financial intra-city network. Special inspection was launched on financial intra-city network performance and maintenance. Pilot program was introduced on double data backup in provincial level network node, as well as internet provincial collective project so as to raise the PBC network security and service.

The PBC uphold the principle of better coordination and cooperation among IT related units, improved collaboration, and pushed forward the central bank IT development to grow in an all-round, balanced and sustainable manner

In the headquarters level, the IT related units worked effectively with clear division

of labor. The Technology Department fulfilled its responsibilities in IT management such as organizing and coordination, framework management, system planning, project design, and guiding the IT development of financial industry. The Information Center of the PBC was the backbone of central bank information processing, business system performance, and network security safeguard, ensuring stable performance of central bank network and major systems. As the base of central bank IT development, China Financial Computerization Corp. centered on R&D, testing, authentication, security control, research and outreaches. In the branch level, a working mechanism was set up fea-

tured in policy guidance, pilot program promotion, and joint efforts. The PBC branch offices launched a series of projects such as regional information security management, financial IC cards application and promotion, financial institution code certificate issuance, mobile financial pilot program, and construction of network management and monitoring system, taking advantage of the synergies of the PBC IT related units. In cultivating IT working forces, a long term mechanism for personnel training and exchange was set up. Large scale project and technique training was utilized to enhance the capacity and skills of IT employees.

Global Legal Entity Identifier System

In order to construct a unified international financial regulatory framework and enhance the identification of systemic financial risk on a global scale, FSB established the Global Legal Entity Identifier System (hereinafter referred to as "LEI"), which has won the support of the G20. LEI is aimed at distributing the unique code to the legal entities engaged in international financial transactions, so as to strengthen the information management of those institutions engaged in global financial transactions and improve the effectiveness of financial regulation.

Coding Contents of LEI

The coding objects of LEI are the legal entities engaged in global financial transactions, which will probably extend to the branches of legal entities and natural persons in the future. Some of the European countries and regions require the institutions engaged in financial transactions to provide the LEI code. Those legal entities actively engaged in global financial market all need the LEI code, including financial institutions, financial intermediaries, registration institutions of exchange, institutions engaged in buying and selling shares or bonds and the trade companies.

According to the standard of *Financial Service Legal Entity Identifier* set by the ISO (ISO 17442: 2012), the LEI coding length is four sections with 20 bits, composed of numbers and letters.

<u>XXXX</u>	00	<u>XXXXXXXXXXXXXX</u>	<u>XX</u>
Prefix code of every nation		random code	check code

The domestic registration channel was set up, which realized China's independent code sending

In August, the local LEI system of China was established and the registration work of LEI was simultaneously started at home. *The National Technical Committee on Financial Standardization* is in charge of the operation and management of the local LEI system of China which provides services such as LEI coding registration, annual survey of code, data upgrading, code immigration, query and feedback, data inquiry and download. By the end of 2014, the local LEI system of China had distributed LEI code to 41 legal entities such as CFETS, China Development Bank, Huaxia

Bank, Bank of Jining, Dadi Futures, Huaxi Securities, Intime Property Insurance, Bright Sugar and Maodong International (Hongkong) Ltd. The local LEI system of China won the international mutual recognition, which marked that the LEI code issued by China had won the global recognition. This is beneficial for China to participate in the construction of LEI system more deeply and lays a sound foundation for its adaptation to the international rules and the butting of data standard.

The protection of information security was strengthened to safeguard the national interest

Firstly, analysis and research on LEI were fully conducted, especially on those sensitive issues China pays special attention to, such as the acquisition and management of micro-finance data, information security and information protection of legal entities. And prospective and strategic plan was well made. Secondly, the awareness of protecting the information security of legal entities was raised, and the legal entities in China were encouraged to register their codes at home. Thirdly, the overseas LEI code was moved back to China. Before the local LEI system of China was established, 287 domestic legal entities had already registered their LEI codes abroad. Therefore, considering the development of the financial market and the regulation in China, code immigration channel and services were provided for the legal entities in the local LEI system.

Prior study was promoted to explore new directions for the application of LEI

Application of LEI was explored in the areas of financial regulation, securities and tracking cross-border anti-money laundering. The implementation path of LEI was further clarified and study was made on the compatibility with the current codes. As China's financial derivative market is at its initial stage, we should start from research as to the application of LEI. The status quo of domestic financial market development and regulation should both be taken into account, the communication and cooperation with relevant departments should be strengthened, attention should be paid to the advances in the application of LEI in developed economies, the promotion of the application of LEI in the area of China's financial regulation should be studies, and new paths and directions for the development of LEI should be explored.

CREDIT INFORMATION MANAGEMENT AND THE DEVELOPMENT OF SOCIAL CREDIT SYSTEM

Planning Outline of the Development of Social Credit System (2014-2020) was released and implemented

Institutional members of joint inter-ministerial meeting of social credit system development, led by National Development and Reform Commission and the PBC, jointly formulated the *Planning Outline of the Development of Social Credit System (2014~2020)* (hereinafter referred to as "the *Outline*") that was issued by the State Council in June 2014. As the first planning designed for national social credit system development, the *Outline* clearly states the guidelines, development principles and objectives of social credit system development and forms a relatively comprehensive framework for the system, which plays a guiding role for the promotion of social credit system development and the creation of an honest and trustworthy economic and social credit environment.

Regulations on credit information were gradually improved

In March, *Procedures for Processing*

Complaints about Credit Information was developed, making clear statements on complaints acceptance procedure, evidence collection and verification, processing requirements and time limit, etc. Besides, the PBC established a cross-region cooperative mechanism on complaints investigation and processing and regulated the complaints processing nationwide to ensure that complaints can be processed effectively. In November, *Management Codes on Users of Basic Database of Financial Credit Information and Information Security Codes for Credit Information Institutions* were issued successively, making specific industrial standards on basic database user behaviors of financial credit information and information security of credit information institutions respectively, which is beneficial to avoid credit information revealing, protect legal interests of information subjects and promote healthy and rapid development in the credit information sector.

Management on credit information institutions was legally enhanced

In accordance with *Regulations on Managing Credit Information Sector* and *Mea-*

asures on Managing Credit Information Institutions, the PBC conducted management on licenses of individual credit information institutions and filing of enterprise credit information institutions. In October, *Notice of the General Office of the People's Bank of China on Publishing Enterprise Credit Information Institutions* was distributed, requiring each branch to publish list of enterprise credit information institutions who completed filing under the jurisdiction on the website and enhance the management on them. As of the end year, a total of 46 enterprise credit information institutions in 13 provinces and municipalities has completed the filing and was published on each corresponding website.

Credit information business in financial institutions were further regulated

In April, nationwide special check on the implementation of *Regulations on Managing Credit Information Sector* was finished, covering 2,791 outlets in 20 national financial institutions, 5 foreign banks and 405 regional financial institutions. Irregular behaviors (such as irregular use of credit information, less standard processing of credit information objections and the failure to reporting and informing bad information) were identified during the check and 786 financial institutions and their branches and outlets were punished. Long-term spot check mechanism and regular and dynamic non-spot check mechanism were gradually formed for credit information businesses of financial institutions. Com-

prehensive check was conducted regularly toward credit information businesses of all financial institutions under the jurisdiction of each branch so as to timely identify and punish irregular behaviors, promote regulated conduction of such business and safeguard legal interests of information subjects.

Credit rating management was further improved

The PBC continued reform of credit rating management in the credit market, clearly illustrated filing management procedures and methods, improved filing regulations and strengthened in-process and post-credit rating monitoring. As of the end year, 97 corporate credit rating agencies and 74 non-corporate credit rating agencies have been filed at the PBC. The continuous development of credit rating market provides market participants important reference information to avoid risks. In the year, 3,819 credit rating businesses were done in securities market and a total of 37,281 credit rating businesses in credit market. Pilot credit rating of micro-finance companies and financing-based guarantee companies expanded from 6 provinces (municipalities and regions) to 16 provinces (municipalities and regions) in a steady manner. By the end of 2014, the credit rating has been conducted in 969 micro-finance companies and 1,367 financing-based guarantee companies.

Credit information market showed gradual expansion with ever improving credit

information service

Information collection of the basic database on financial credit information became more comprehensive and played a more important role in credit risk prevention. In the year, information collection on entrusted loan and trust loan in financial institutions was started. As micro-finance companies and financing-based guarantee companies were accessible to Internet connection, the PBC collected their information jointly with Ministry of Environmental Protection, State Administration of Taxation and State Administration of Foreign Exchange. As of the year end, the database has contained credit information of 857 million natural persons and 19.69 million enterprises and other organizations with 405 million and 100 million inquiries respectively in the whole year. Business indicators of the PBC's account receivable financing service platform and unified registration platform for real estate financing showed stable increase. As of the year end, institutions registered at the account receivable financing service platform totaled 32,000 with financing turnover hit over 92 billion yuan; users registered at the unified registration platform for movable property financing accumulated to 9,427 with number of registered businesses and

inquired business reaching 1.57 million and 2.77 million respectively.

Small and micro enterprises and rural credit systems showed stable development

In February, *Suggestions on Accelerating Development of Small and Micro Enterprises and Rural Credit Systems* was distributed, explicitly pointed out guidance, objectives, contents and mechanism for the systems' development; and 63 pilot districts for small and micro enterprises and rural credit systems development were decided. Focusing on the pilot districts, each region continuously promoted the development of the two systems and assisted economic subjects, such as small and micro enterprises and farmers, who enjoy favorable credit to conduct financing activities. As of the year end, information of about 2.506 million small and micro enterprises has been added and complemented nationwide and a total of 405,000 small and micro enterprises has gained bank loans with loan balance of 8.9 trillion yuan. Credit archives were made for 160 million farmers nationwide. 100 million farmers were rated and 90.12 million farmers received credit support with loan balance reaching 2.2 trillion yuan.

Outline of Social Credit System Construction Plan (2014~2020) Promulgated and Implemented

On June 14, 2014, the State Council issued *Outline of Social Credit System Construction Plan (2014~2020)* (hereinafter referred to as "*Outline*"), which was the first special plan of national social credit system construction in China.

Outline analyzes the status quo, existing problems and background situation of social credit system construction in China. It is specified that accelerating the social credit system construction is the important basis for implementing Scientific Development Approach and building a harmonious socialist society, it is also an important means to improve socialist market economy, strengthen and innovate social governance. It is of great importance for enhancing credit awareness of society members, creating a good credit environment, enhancing the overall competitiveness of the country, and promoting social development and civilization.

Outline specifies the principles and objectives of social credit system construction, that is, to promote construction in an orderly manner in accordance with the principles of "government responsible for promoting while society building, improving the legal system and standardizing development, making overall planning and implementing step by step, making breakthrough on key points and strengthening application". By 2020, credit laws and regulations and standard system will be basically in place, so will be the credit system covering the whole society based on information source sharing. By then, credit supervision system will be generally sound, credit services market system complete, and the mechanism of encouraging credit and punishing default will be given a full role to play.

Centered around four major areas, namely, government integrity, business integrity, social integrity and judicial credibility, *Outline* specifies tasks in 34 aspects that are closely related to the vital interests of people and the healthy development of economy and society. *Outline* also puts forward three basic measures. First, efforts should be made to strengthen integrity education and culture cultivation, to establish good examples, to organize theme activities and carry out special treatment to tackle integrity problems in key industries, so as to cultivate sound values in the whole society, which cherishes integrity and detests promise-breaking activities. Second, job should be done to accelerate the construction and application of credit information system, and to establish a unified social credit code system for natural persons, legal

persons and other organizations, so as to promote information connection between industries and integrated information application within one area, thereby forming the information exchange and sharing mechanism nationwide. Third, job should be done to improve the operational mechanism of social credit system, encouraging integrity and punishing promise-breaking activities. We should award trustworthy subjects with incentive policies, such as priority, simplified procedures, "green channel", and impose regulatory, industrial and social constraints and punishment on promise-breaking subjects. We should establish and improve credit laws and regulations and standard system, foster and standardize credit service market, protect rights and interest of information subjects, and strengthen information security management.

It is stressed in *Outline* that supporting jobs need to be done in five aspects in order to fulfill the objectives and tasks of social credit system construction. First, we need to strengthen responsibility and implementation. Second, we need to intensify policy support. Third, we need to implement the projects of opening government information, establishing rural credit system and cultivating small and micro businesses credit system. Fourth, we should set examples for local credit construction, regional credit construction cooperation, and credit information application in key areas and industries. Fifth, we should improve institutional system and its coordination mechanism.

In order to implement *Outline* effectively and accelerate the construction of social credit system, National Development and Reform Commission (NDRC) and the PBC promulgated *Division of Labor for Outline of Social Credit System Construction Plan (2012~2020)* and *Three-year Major Tasks for Social Credit System Construction (2014~2016)* based on *Outline*. They listed 84 specific tasks under 12 categories for social credit system construction, including strengthening the construction of credit laws and regulations and standard system, promoting credit records building and information collecting and sharing, accelerating government credibility cultivation, intensifying business integrity fostering, promoting social integrity in an all-round way, vigorously promoting judicial credibility, establishing and improving credit reward and punishment mechanism, fostering and standardizing credit service market, protecting the rights of credit information subjects, guaranteeing credit information security, carrying out pilot demonstration activities, integrity education and culture cultivation, and strengthening organization and leadership. Meanwhile, plan of division of labor was drawn up for step-by-step implementation.

ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Efforts were made to further improve the system of anti-money laundering (AML) laws and regulations

On January 10, 2014, jointly with Ministry of Public Security and Ministry of State Security, the people's Bank of China (PBC) issued *Administrative Measures for Freezing Assets Related to Terrorist Activities*, which provided institutional basis for financial institutions and specific non-financial institutions to freeze assets related to terrorist activities.

In order to implement risk-based approach in AML supervisory system, to promote the adoption of corporate supervision, and to encourage money laundering risk assessment and self-discipline management of financial institutions, the PBC formulated *Administrative Measures for AML supervision of Financial Institutions (Trial)*, which came into effect in November. Thereby, institutional arrangements were made under the new circumstances for job division, off-site supervision, on-site inspection and other regulatory measures of AML supervision.

On the basis of summing up the experience of comprehensive pilot program

of large-sum and Suspicious Transactions Reporting (STR), and learning from overseas legislative experience, job was done to speed up the revision of *Administrative Measures for Reporting on Large-sum and Suspicious Transactions of Financial Institutions*. The tune was initially set to combine STR requirements on AML and combating financing of terrorism (CFT), to cancel the objective standards of STR, and to establish a reasonable doubt-based STR system, so as to urge financial institutions to establish and improve their own transaction monitoring system and standard.

Remarkable results were achieved in CFT

The PBC promulgated *Notice of the General Office of the People's Bank of China on Further Strengthening Counter-Terrorism Efforts of Financial Institutions* and *Notice of the General Office of the People's Bank of China on Strengthening Efforts to Monitor Terrorist Financing Transaction*. In June, the PBC made diagnostic investigation into the CFT of major financial institutions in the banking industry, interviewed some of the banking financial institutions,

gave risk warnings, and made requirements on strengthening the CFT efforts. For high risk areas, intensive training was carried out to improve the ability of local branches and financial institutions to combat terrorist financing. Pilot areas were guided to search for effective monitoring methods, on the basis of which, analysis models were set up and applied all over the country, and achieved remarkable results.

In 2014, the PBC system transferred 111 clues to the anti-terrorism departments, and assisted in AML investigation more than 258 times, thereby making outstanding contributions to clearing up a number of major terrorism-related cases. With special working mechanism for CFT monitoring and analysis established, China Anti-money Laundering Monitoring and Analysis Center (CAML-MAC) transferred 96 terrorism-related clues and reports to Ministry of Public Security and Ministry of State Security, and assisted in 40 cases of terrorism-related fund investigation by National Counter-terrorism Office, Ministry of Public Security and Ministry of State Security. Special analysis played an effective role in helping relevant departments to cut off terrorism-related funding channels and monitoring suspicious transactions of sensitive groups and cross-border transactions with high risk countries.

Job was done to further strengthen and improve AML supervision

In 2014, while maintaining supervision

over banking financial institutions, the PBC strengthened supervision and inspection of the securities, fund, trust, insurance and payment institutions. Within the year, special inspection of AML law enforcement was carried out over 1,262 financial institutions and payment institutions, with 162 organizations and 147 individuals punished. A variety of measures were taken to supervise and guide the obligation institutions to gradually implement corporate supervision and risk-based principle. Firstly, job was done to keep track of the general situation of obligation institutions and newly established institutions, especially the ones whose problems were exposed in the on-site inspection, risk assessment and ranking in the past annual inspections. They were urged to carry out corrective measures, so that the continuity of supervision was maintained. Secondly, supervision was better-targeted and more service-oriented. Based on suspicious transaction monitoring and analysis of money laundering type, *Warning on Money Laundering* was issued, which directed against the common illegal and criminal activities, such as false passport fraud by foreigners, money laundering of large-sum insurance dividends, telecommunications fraud, etc. Financial institutions were guided to strengthen their internal control systems and tilt AML resources to high risk areas. Thirdly, job was done to actively carry out money laundering risk assessment at different levels. A three-layer structure was basically formed, which

consisted of regional money laundering risk assessment, the assessment of obligation institutions by the PBC, and self-assessment of obligation institutions. The risk assessment results were widely used in developing differentiated and classified supervision, determining on-site inspection objects, selecting regulatory measures, guiding improvement scheme design, and improving the indicators of monitoring suspicious transactions. Fourthly, financial institutions were superintended to carry out classified client management and establish client-centered AML risk management mechanism. Fifthly, exploring efforts were made to establish corporate AML supervision system and the effective modes for small legal entities, such as rural banks and rural credit cooperatives.

AML monitoring, analysis and investigation made great achievements

By summing up 12 common suspicious transaction types and identification points in the banking industry, the PBC guided financial institutions to improve their ability to identify and prevent risks. To tackle the situation that criminals tended to hoard a lot of bank cards to receive and transfer funds for public related crimes, such as telecommunications fraud, illegal fund-raising and gambling, the PBC promulgated *Notice of the General Office of the People's Bank of China on Further Strengthening Bank Card AML Business*, requiring commercial banks to strengthen management of card issuance

and to take effective measures to prevent money laundering activities.

Within the year, the PBC system received 4,940 key suspicious transaction reports, of which 604 were investigated after screening, 866 were transferred to investigation departments as clues. The PBC assisted the investigation agencies in investigating 925 suspected money laundering cases. In particular, the PBC assisted the discipline inspection and supervision departments in investigating 285 corruption clues and helped uncover more than 180 cases of suspected money laundering. With the number of AML investigation hitting record high, the PBC strongly supported the efforts of the central government to combat corruption and related crimes.

In 2014, CAMLMAC received 404 million large sum transaction reports and 17.7253 million suspicious transaction reports. China UnionPay and other institutions started to submit data to CAMLMAC formally, and by the end of the year, the number of reporting institutions had reached more than 2,200. In 2014, CAMLMAC transferred 282 clues of suspicious transactions, reported 134 copies of information, received and responded to 1,699 cases that required joint investigation with the Central Commission of Discipline Inspection and Supervision, Supreme People's Procuratorate, Ministry of State Security, Ministry of Public Security, General Administration of Customs, etc. CAMLMAC has become an important source of information for combating terror-

ism, corruption and drug abuse in China.

AML international cooperation was enhanced to a new level

Emphasis was laid on promoting bilateral cooperation in AML supervision. In May, the PBC signed a memorandum of understanding on bilateral cooperation in AML supervision with the Central Bank of Argentina, and reached an initial agreement on bilateral cooperation in AML supervision with financial regulators of the United States, France, Russia, Singapore, Hongkong, Macao, etc. In the Fourth and Fifth AML and CFT Seminars under the framework of Sino US Strategic and Economic Dialogue, a variety of topics were discussed, including Sino US AML regulatory cooperation, international cooperation in crime-related asset forfeiture and recovery, criminal judicial cooperation, combating terrorist financing and so on. Carrying out joint research on new financial transactions, payment and virtual currency management, China and US reached a number of cooperation agreement. We also established AML exchange mechanism with relevant departments in Hongkong and Macao.

In terms of multilateral cooperation, China's status was further enhanced. In the first half of the year, China continued to serve as chairman on duty of Asia Pacific Group on Money Laundering, and successfully completed the term. In September, on behalf of China, the PBC joined FATF steering group under invitation, thereby entering

the decision-making body of FATF. Together with another 9 members, China will play a central role in FATF internal governance. It indicated that China's efforts on AML were highly recognized by the international community, which is good for China to exert even greater influence internationally in the AML field.

Throughout the year, CAMLMAC received 329 intelligence exchange letters from 20 countries and regions, an increase of 4.8 percent over the year before, and sent 228 intelligence exchange letters, an increase of 66.4 percent on a year-on-year basis. In 2014, CAMLMAC signed memorandum of understanding on financial information exchange with its counterparts in Columbia, Tajikistan and Nepal. By then, CAMLMAC had signed cooperation documents with 25 overseas counterpart institutions.

National money laundering risk assessment advanced in an orderly way

The new FATF international standard regards national money laundering and terrorist financing risk assessment as an important basis and prerequisite for AML. In 2014, the PBC launched the construction of national money laundering risk assessment system, and drafted China money laundering and terrorist financing risk evaluation framework together with Supreme People's Procuratorate, Supreme People's Court, Ministry of Public Security and part of financial institutions. In October, the Seventh National

Ministerial Joint Meeting on AML was held, during which special research and discussion was made on national money laundering risk assessment scheme and the job division, hence a key step of money laundering risk assessment in China.

AML administration was more IT-oriented

In September, the AML investigation information statistics module and supervision file management module were developed and prepared for launch. Its application will help implement new AML supervision system, further integrate and enrich AML supervision information resources, thereby enhancing AML supervision and classification research. At the same time, PBC branches also developed AML information systems, with a view to strengthening the ability to process and analyze on-site inspection data, to promoting case information sharing with judicial investigation organs, and to further improving working efficiency and analysis ability.

AML training tended to be institutionalized

In 2014, the PBC system organized special trainings on terrorism-related assets freezing, comprehensive business trainings and distance trainings, so as to enhance professional level of AML supervision personnel by learning new policies and business. Continued efforts were made to improve AML on-the-job training series textbooks for employees in the financial industry. The year witnessed the publication of AML practice textbooks for financial institutions in the insurance and securities industry and on-the-job AML trainings for the banking industry. Throughout the year, 6 trainings were organized for the banking industry, with the total number of trained staff reaching 118 thousand. CAMLMAC held 4 trainings on AML data submitting for financial institutions and payment institutions that were new comers to STR system, and held 2 trainings on identification and analysis of suspicious transactions for commercial banks that have a certain foundation in AML work, with the total number of trained institutions reaching 221.

FINANCIAL CONSUMER PROTECTION

The working mechanism of financial consumer protection is improving

In March, the PBC Financial Consumer Protection Bureau's Beijing head office and the PBC Financial Consumer Protection Department's Shanghai head office merged. At the same time, People's Bank of China submitted *the Report of Financial Consumer Protection in China* to the State Council, and recommended four suggestions including developing guideline for financial consumer protection. Under the inter ministerial financial supervisory coordination joint meeting mechanism of the state council, the PBC explored to establish the coordination mechanism in financial consumer protection between the PBC and the CBRC, the CSRC and the CIRC. Also, the PBC made research on establishing the coordination mechanism of financial consumer protection between central government and local government under the requirement of *State Council's view on defining financial regulatory responsibility and risk solution responsibility between central and local government*.

The regulatory work examine and review made positive achievement

First, the PBC initiated the special exami-

nation on financial consumption equity protection. The PBC published *Announcement of Individual Financial Information Protection Special Examination in 2013* to banking institutions. This is the first time that the PBC make public announcement in financial consumer protection area. The PBC made financial consumer protection special examination on bank card on 1,269 financial institutions (including affiliated agency) outlets, and issued *Announcement of Financial Consumption Equity Protection Specific Examine in Bank Card*.

Second, the PBC initiated thorough institutional review. The PBC edited and consummated *Measures of Financial Institution Financial Consumer Protection Review (Draft)* and review indicator system. Make pilot review in environment in the PBC Guangzhou office, Changsha central sub-office and Ningbo central sub-office. Changsha and Ningbo sub-office issued juristic environment review report. Guangzhou office started product pilot review together with financial consumer protection industrial self-regulatory regulation. The PBC made regulatory information disclosure pilot review in Nanjing office, Wuhan office, Shijiazhuang sub-office, Taiyuan sub-office and Nanchang sub-office.

Financial consumption dispute complaint acceptance and settling

First, the PBC developed and completed financial consumer protection information management system, operated on line in all the banking institutions in Shanghai, Jiangsu, Hubei, Shaanxi and Hunan province, and operated on line in part of banking institutions in other provinces.

Second, the PBC opened "12363 financial consumer protection telephone complaint" nationwide. By the end of 2014, 2,121 branches in the whole system accepted 16,535 complaint and 146,436 consulting cases in total.

Third, the PBC made seasonal analysis to the complaint data within the whole system, disclose typical complaint cases. Arranged the pilot application of classification standard of financial consumer.

Fourth, the PBC promoted the third-party non-litigation resolution mechanism of financial consumption dispute pilot experiment. The PBC chose Shanghai, Guangdong, Shaanxi, Heilongjiang and Sichuan to develop pilot experiment in provincial financial consumption dispute third-party non-litigation resolution mechanism. The PBC established Shanghai financial consumption dispute mediation center, and provincial financial consumer protection association (union) in Heilongjiang and Guangdong province. The financial consumption dispute mediation center in Shaanxi province has been authorized.

The pilot experiment in municipal financial consumption dispute third-party non-litigation resolution mechanism pilot experiment goes smoothly.

Inclusive finance developed in order

Based on the pilot experience in Sichuan, Shaanxi, Jilin, Zhejiang, Fujian and Guizhou province, the inclusive finance indicators system with Chinese character has been established and used to measure the development and regional difference in inclusive finance. Set up special research team, and went to Zhejiang, Guizhou, etc to make further understanding about the construction of payment and settlement system, credit collateral innovation, financial support for poverty alleviation and development, etc. The research team finished the PBC Report on Inclusive Finance, submitted to General Office of the States Council and the leading group office of comprehensive deepening of reform. The PBC made active exploration on the effective path to promote inclusive finance via mobile payment and bank card innovation.

On September, according to *Maya Declaration* proposed by Alliance for Financial Inclusion (AFI), the PBC made six international commitment, including actively developing inclusive finance propaganda and cooperation, drafting national strategy of inclusive finance, popularizing financial knowledge, improving financial consumer complaint reception and solution mechanism, developing financial quality question-

naire investigate, etc. On November, Queen Máxima of Netherlands visited China as an inclusive finance special representative of General Secretary of United Nations. The PBC held round table conference on inclusive finance, which exhibit China's active achievements in inclusive finance development.

The financial consumer education achieved obvious effect

During "3.15" period, the PBC held "Financial Consumer Rights and Interests Day" with local government, financial institutions and new media. In September, the PBC held "Financial Knowledge Popularization

Month", with the theme of "popularizing financial knowledge, facilitate consumers, building harmonious finance". During this activity, PBC composed handbook of financial knowledge as the main material in "Financial Knowledge Popularizing Month", which was then uploaded on the PBC website for consumers and institutions. The PBC held press conference to enhance the propaganda. Also, the PBC facilitated the availability of financial knowledge in army, village, university, government department and society, established hundreds of "The PBC financial knowledge popularization demonstration site".

INTERNATIONAL FINANCIAL COOPERATION AND RULE-MAKING

The PBC actively participated in global economic governance through platforms including G20

In November, the 9th G20 Summit was held in Brisbane, Australia. President Xi Jinping attended the meeting and delivered a speech on such topics as promoting global growth, improving global economic governance, and safeguarding energy security. Throughout the year, officials of the PBC attended all the G20 meetings, including the meetings of G20 finance ministers and central bank governors, the deputies' meetings, and various working groups meetings. At these meetings, the PBC led the work of formulating and submitting China's growth strategy, presenting the achievements that China made in economic development and reforms, which were reflected in the Brisbane Action Plan, and finally became an important outcome of the Summit.

The PBC also actively participated in the meetings of finance ministers and central bank governors of the BRICS countries, and substantially improved their financial cooperation. As the major advocate of the

BRICS contingent reserve arrangement, the PBC succeeded in securing consensus on the *Treaty for the Establishment of the BRICS Contingent Reserve Arrangement*, which was signed at the Fortaleza Summit in July. The signing of the *Treaty* demonstrated strategic mutual trust amongst the BRICS countries and their determination to jointly safeguard global financial stability.

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

The PBC urged the US on various multilateral and bilateral occasions to speed up domestic ratification of the 2010 quota and governance reform of the International Monetary Fund (IMF), and called on the IMF and other parties to come up with effective interim options, so as to implement the quota and governance reform. The PBC also promoted China's subscription to IMF's Special Data Dissemination Standards (SDDS). On the G20 Summit in Brisbane, President Xi Jinping announced that China would subscribe to SDDS. In December, China went through a

formal assessment by the IMF in this regard. Besides, it continued working with the IMF in areas of crisis relief and poverty and debt reduction. The PBC made contributions to the IMF's Poverty Reduction and Growth Trust (PRGT) and African technical assistance centers. It was also actively involved in discussions of sovereign debt restructuring organized by the IMF and the Paris Club, to make China's voice heard and to protect the rights and interests of China as a creditor country.

The PBC extensively involved itself in the activities and decision making of international financial institutions and standard setting bodies, such as the BIS, the FSB, and the BCBS. It attended the BIS Bimonthly Governor's Meetings, Special Governors' Meeting in Asia and Pacific Region, meetings of Committee of Global Financial System (CGFS), BCBS and etc., where it joined discussions on the direction and measures of major global financial supervisory reforms and the development of related standards. It was deeply involved in the process of setting standards for the total loss absorbing capacity (TLAC) of G-SIFIs, and implementation of FSB standards such as regulation over shadow banking, reform of benchmark interest rates, cross-border resolution of financial institutions, and reforms of over-the-counter derivatives markets, and made sure the reform initiatives and the international standards are in line with China's interests.

The PBC pushed forward regional financial cooperation and increased its regional

influence

The PBC continued to strengthen regional economic and financial monitoring under the mechanism of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP), closely followed the implications of the global regulatory reform for the region, improved crisis management and resolution frameworks, and promoted the development of Asian Bond Fund (ABF). Under the ASEAN+3 financial cooperation framework, the PBC succeeded in pushing for the revised agreement on Chiang Mai Initiative Multilateralization (CMIM) to come into effect in July 2014, according to which the size the reserve pool doubled to 240 billion dollars. At the same time the PBC gradually improved the operability of the CMIM, and enhanced the governance structure of the ASEAN+3 Macroeconomic Research Office (AMRO). In light of the "The Belt and Road Initiatives", the PBC pushed for establishment of the Silk Road Fund, which will contribute to mutual benefit in the region. The PBC was actively involved in activities of such mechanism as the South East Asian Central Banks, China, Japan, and South Korea Central Bank Governors' Meeting, the meeting of Central Bank Governors' Club of Central Asia, Black Sea Region, and Balkan Countries, 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 positive outcome. In July, the sixth S&ED was held in Beijing. The PBC worked closely with other government departments concerned, adhered to the principle of mutual benefits, properly handled disagreements between the two countries, maintained and further expanded the China-US economic cooperation. The dialogue reached 87 agreements in areas of strengthening coordination and cooperation of macroeconomic policies, deepening trade and investment cooperation, international cooperation and global governance reforms.

China-Europe cooperation was comprehensively improved. The PBC signed with the Deutsche Bundesbank the Memorandum of Understanding on establishing RMB clearing arrangements in Frankfurt am Main in March, and attended the third China-Germany intergovernmental consultations in October. In June, the PBC hosted the second China-Switzerland financial dialogue, and signed with the Swiss National Bank the China-Switzerland Local Currency Swap Agreement. In September, the PBC participated in the Sixth China-UK Economic and Financial Dialogue, where the two sides reached 73 agreements in areas of international economic policy coordination, trade and investment, and financial regulatory cooperation. In particular, the Dialogue resulted in the British government successfully

issuing 3 billion yuan of RMB-denominated sovereign bonds and announcing the inclusion of the RMB into its foreign reserve assets. In September, the PBC took part in the second China-France High Level Economic and Financial Dialogue, which achieved 46 agreements including designating the Bank of China as the RMB clearing bank in Paris, thus signifying a new stage of the China-France financial cooperation. In addition, two China-ECB dialogues were held at the working level, where the two parties exchanged views on issues such as monetary policy and financial stability.

The PBC also strengthened bilateral financial cooperation with neighboring countries and regions, which promoted economic and trade development. The PBC successfully launched meetings of China-Russia and China-Kazakhstan sub-committees on financial cooperation. It promoted direct trading between the RMB and the New Zealand dollar and the Singapore dollar; established RMB clearing banks in South Korea, Malaysia, Qatar, Australia, Thailand and etc.; strengthened financial cooperation with Nepal, Sri Lanka and other neighboring countries.

The PBC actively promoted economic and financial cooperation with the African, the Latin American and the Caribbean regions

The PBC strengthened cooperation and exchange of experiences with multilateral development institutions including the Inter-American Development (IDB), the African

Development Bank (AfDB), the West African Development (la Banque Ouest Africaine de Development, 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. The joint fund with

the AfDB was formally operation, which would support economic and social development in the African region. The PBC, in line with the overall arrangement of the Chinese government, further promoted mutual trust and cooperation in areas of finance, trade and investment.

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

Financial cooperation with Hong Kong and Macao

The PBC worked with other government departments to successfully launch the Shanghai-Hong Kong Stock Connect program. In April 2014 Boao Asian Forum, Premier Li Keqiang announced Shanghai-Hong Kong Stock Connect program. The PBC worked with other government departments to promote successful roll-out of the connect program on November 17, 2014 and its subsequent smooth operation. Shanghai-Hong Kong Stock Connect is of important significance for promoting financial cooperation between the Mainland and Hong Kong in that it will help benefit long-term stability and prosperity of the financial markets in Hong Kong, improve the capital market mechanism and promote multi-layered development of capital markets on the Mainland, and contribute to common prosperity of the Mainland and Hong Kong. At the same time, in order to support the Connect program, the PBC and the Hong Kong Monetary Authority (HKMA) eliminated the RMB conversion daily limit for Hong Kong

residents of no more than 20,000 yuan. As a result, the market demand for RMB greatly increased, which effectively promoted the development of the offshore RMB market in Hong Kong, and enhanced Hong Kong's status as an international financial center. At the same time, the PBC renewed the local currency swap agreement with the HKMA, which boosted the market confidence in Hong Kong.

The PBC steadily pushed forward the development of RMB business in Hong Kong and Macao, and promoted trade and investment facilitation between Hong Kong/Macao and the Mainland. Throughout 2014, the RMB payments and receipts between Hong Kong and the Mainland reached 5.24 trillion yuan, representing a year-on-year increase of 47.2 percent, accounting for 52.7 percent of all cross-border RMB receipts and payments with the Mainland, or the largest among all the regions. As of the end of 2014, outstanding RMB deposits in Hong Kong increased by 16.6 percent to 1003.6 billion yuan, accounting for 12.43 percent of all deposits of financial institutions in Hong Kong, or 23.7

percent of all foreign currency deposits. The stock of RMB-denominated Certificate of Deposit (CD) in Hong Kong posted 258.86 billion yuan. By the end of 2014, a total of 614.1 billion yuan of RMB-denominated bonds have been issued on a cumulative basis in Hong Kong. In particular, RMB-denominated bonds issued by overseas institutions amounted to 390.2 billion yuan; treasury bonds issued by MOF reached 108 billion yuan; and those issued by mainland institutions amounted to 115.9 billion yuan. At the end of 2014, the outstanding RMB deposits in Macao posted 103.41 billion yuan, a year-on-year increase of 20.5 percent.

The PBC steadily promoted the cross-border flow of RMB and steadily conducted approval of RQFII quota. The PBC continued to carry out the *Measures for the Pilot Program of Securities Investments in China by RMB Qualified Foreign Institutional Investors*, and expanded the pilot program to Hong Kong subsidiaries of domestic commercial banks and insurance companies, and to financial institutions that registered in Hong Kong and conducted business in Hong Kong. In the meantime, the scope of investment was expanded, as such, financial institutions could decide on what securities to invest in light of market conditions. By the end of 2014, the RQFII quota available to financial institutions from Hong Kong posted 516.4 billion yuan.

The PBC actively promoted innovative financial cooperation between Guangdong

Province and Hong Kong and Macao. Efforts were made to support the Ministry of Commerce's (Mofcom) initiative to achieve in Guangdong Province service trade liberalization to Hong Kong and Macao, and to improve the negative list associated with the *Agreement of Basically Achieving in Guangdong Province Service Trade Liberalization to Hong Kong and Macao*. The PBC joined the Mofcom mission to negotiate and agree on the language of the above-mentioned Agreement, and took part in the signing ceremony. The PBC provided support for establishing cross-border RMB business innovation experimental zone in Qianhai Deep Harbor Modern Service Cooperation District in Shenzhen. In Qianhai District, efforts were made to steadily push ahead with the cross-border RMB business innovation, actively implementing the rules on cross-border RMB loans to promote its orderly development.

Financial cooperation with the Taiwan region

Currency clearing arrangement was established between the Mainland and the Taiwan region. Under the framework of the *Memorandum of Understanding on Currency Clearing Cooperation across the Taiwan Strait* and upon the approval by the PBC, the Taipei Branch of the Bank of China began to process direct RMB banknotes transfer from Xiamen on January 17, 2014, and the cross-strait currency clearing mechanism operated smoothly in accordance with the relevant

laws and regulations of each side. This arrangement changed the previous entrepot transfer of RMB banknotes, and thus further facilitated cross-Strait RMB business.

Efforts were made to support orderly development of RMB business in the Taiwan region. The two-way conversion between RMB and Taiwan dollar and the continuous expansion of use of China Union Pay card in Taiwan better facilitated currency conversion for the compatriots across the Taiwan Strait and for Mainlanders when they consume in Taiwan. Actual RMB receipts and payments across the Taiwan Strait amounted to 498.03 billion yuan, a year-on-year growth of 92.2 percent, accounting for 5 percent of all cross-border RMB receipts and payments. RMB deposits in Taiwan stabilized after rapid increase. By the end of 2014, there were 67 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 302.267 billion yuan, representing growth of 45.8 folds from January 2012. Outstanding discounts and loans reached 16.872 billion yuan. The RMB-denominated bonds market in the Taiwan region also expanded at an accelerated pace. As of the end of 2014, about 44 RMB Formosa bonds were issued in cumulative terms in Taiwan by subsidiaries of Mainland's domestic policy banks, state-owned commercial banks or joint stock banks, with the total issuance amounting to 31.4 billion yuan.

Exchanges with authorities from Hong Kong, Macao, and Taiwan regions

In 2013, the PBC conducted a series of high-level exchanges with authorities from Hong Kong and Macao. Major activities included: Governor Zhou Xiaochuan met with Mr. Tsang Chun-wah, Financial Secretary (FS) of the Hong Kong SAR; Mr. Chan Tak-Lam, Chief Executive of the HKMA; and the delegation of the Hong Kong Association of Banks. Deputy Governor Hu Xiaolian met with Mr. Chan Tak-Lam, Chief Executive of the HKMA; Mr. Eddie Yue, Deputy Chief Executive of the HKMA. Deputy Governor Liu Shiyu led a delegation to study Taiwan's deposit insurance scheme and land mortgage practice; and met with Mr. Chan Chong, CEO of Taiwan Financial Services Roundtable; Mr. Yang Jinlong, Vice Chief Executive of Taiwan monetary authority; Mr. Huang Tianmu, Deputy Director General of Taiwan Securities and Futures Bureau; and the Taiwan delegation for the Cross-Strait Business Summit. Deputy Governor Yi Gang met with Mr. Chan Tak-Lam, Chief Executive of HKMA; Mr. Li Xiaojia, Chief Executive of the HKEx; and Mr. Yang Jinlong, Vice Chief Executive of Taiwan monetary authority. Deputy Governor Pan Gongsheng met with Mr. Yang Weimin, Executive Director of the Asset magazine; Mr. Yang Jinlong, Vice Chief Executive of Taiwan monetary authority; and the Taiwan Association of Banks. Deputy Governor Li Dongrong went to Hong

Kong to attend the Mainland Distinguished Persons to Visit Hong Kong Program.

On October 29 to 30, the Taipei Foundation of Finance, the Chung-Hua Institution for Economic Research, the Taiwan Financial Services Roundtable, and the China Society for Finance and Banking jointly held the 19th seminar on financial cooperation in

Taipei. Deputy Governor Pan Gongsheng attended the seminar in his capacity as Deputy Director of the China Society for Finance and Banking, which improved and promoted mutual understanding and cooperation among people in the political, commercial and academic communication in the mainland and Taiwan.

HUMAN RESOURCES

Staff composition

As of end-2014, the PBC staff reached 131,612 (including 20,199 staff working in the China Banknote Printing and Minting Co., Ltd and its subsidiaries).

Among the total, 42,909 staff or 32.60 percent were female. 1,043 or 0.79 percent held Ph. D degrees (in particular, 165 in the PBC Head Office, accounting for 22.18 percent); 10,915 or 8.29 percent held master degrees (in particular, 394 in the PBC Head Office, accounting for 52.96 percent); 67,227 or 51.08 percent held bachelor's degree (in particular, 145 in the PBC Head Office, accounting for 19.49 percent). In 2014, 2,451 new staff members were recruited from the year's graduates and other entities, and 3,708 were retired.

Among the PBC staff, 744 were in PBC Head Office (including both the staff managed referring to civil servant law and the staff in the PBC affiliation units), 595 in the Shanghai Head Office, 2,067 in the PBC direct affiliations, 6,503 in branches and operation offices (including operations offices under branches), 9,268 in sub-branches in provincial capital cities, 1,481 in sub-branch-

es in quasi province-level cities, 45,205 in sub-branches in prefecture-level cities and 44,788 in county-level sub-branches. Broken down by ages, 17,629 were under 30 years old, 11,036 were between 31 to 35, 12,910 were between 36 to 40, 25,679 were between 41 to 45, 33,051 were between 46 to 50, 18,434 were between 51 to 54 and 12,873 were 55 years old and above.

Changes of senior officials

In October, Liu Shiyu was appointed General Secretary of CPC Committee of the Agricultural Bank of China Co., Ltd. and no longer served as Vice Governor and member of CPC PBC Committee. In December, Liu Shiyu was appointed Chairman of Agricultural Bank of China Co., Ltd.

Team building and talents cultivation

Through earnestly following spirit of important speeches made by President XI Jinping and relevant requirements of the central government and implementing spirit of national conference on organizational work, PBC proactively deepened its cadre and personnel system reform and promoted

development of leaders, cadres and staff so as to facilitate its fulfillment of responsibilities and boost its scientific development. First, leaders in each level were enriched. Appointment and dismissal toward director-generals in PBC Head Office, direct affiliations and relevant units numbered 109. 34 director-generals were elected and appointed in branches and sub-branches; 22 director-generals (including 5 top leaders) were moved in a parallel manner; 10 directors were appointed to central positions of provincial capitals. Second, cadre communication was enhanced. According to needs on team building and duty performance of branches and sub-branches in Tibet, Xinjiang, Qinghai and other remote regions, PBC formulated and distributed *Suggestions of Further Enhance Team Building of Branches and Sub-branches in Tibet*. 19 cadres and 13 young volunteers were dispatched to Tibet and Qinghai and 7 cadres and 5 young volunteers were dispatched to Xinjiang; 10 cadres were seconded to local governments for work exchange successively; PBC organized inter-bank communication for 41 cadres at director level and below, which provided development opportunities for young talents. Third, strict supervision and management toward cadres were conducted. PBC studied and formulated *Requesting and Reporting Regulations for Important Issues in PBC System* and *Measures for Pre-appointment File Review of Cadres in PBC* in order to further perfect its regulations on cadre super-

vision; PBC controlled the phenomenon that the number of allocated cadres exceeded the fixed number and conducted position adjustment, cancellation and record filing related to cadres at deputy director and above level who did part-time job illegally and whose spouse moved overseas; random check and verification toward leaders' personal information was implemented. A database on personal information was established and information of 7,964 cadres at director and above level in PBC system were collected into the database; PBC strictly managed and reviewed cadres' personnel archives and required each unit to strictly review archives of all proposed, demobilized and newly employed cadres. Four, cadre training was enhanced. Centering on spirit of important speeches made by President Xi Jinping, PBC made over 100 rotational training courses for over 7,000 cadres at director and above level in branches and direct affiliations; in the year, 18 special training programs were conducted for domestic leaders and 17 training programs were made for professionals and young and key personnel. Leaders of each level receiving training courses totaled 13,704 persons per day, over 1,000 person times; 17 long-distance training projects of the Head Office were finished with total participants amounted to 64,222. Five, efforts were made to regulate recruitment. Regulations on *Written Examination Procedures for Branch Recruitment* and *Guidance for Regulating Interviews of Branch Staff Recruitment*

were developed and distributed to further regulate recruitment procedures in branches. Six, staff management and assessment were strengthened. PBC formulated and distributed its *Notice on Enhancing Management toward Employed Treasury Keepers and Guards in Branches*, which effectively maintained stable development of the team; feedback of performance assessment results was changed from rank to class so as to reduce assessment pressure and play its motivation and guidance roles. Seven, talents cultivation was fostered. PBC steadily introduced overseas high-level financial talents and took

the lead to complete talents reporting and review; besides, PBC organized experts who were selected into the "thousands of talented people" for the financial sector and held a symposium; 6 serial review meetings for senior-level professional qualification were conducted with such qualification granted to 292 people; election of the second batch of talents for "100 talents" project was started and 30 talents were elected and received concentrated training; efforts were made to select persons enjoying special government allowance and 2 candidates were chosen.

INTERNAL AUDITS

Comprehensive and full-dimensional transformation of the internal audits was continuously promoted

According to the requirements that "the transformation findings should be further refined, the transformation practice be further strengthened and explorations of transformation be further deepened", comprehensive and full-dimensional transformation of internal auditing practice was continuously promoted in terms of the "height", "depth" and "width". First, the PBC promoted the institutionalization of the transformation findings. This year, the *Trial Measures for PBC Internal Control Audits* was revised and issued, emphasizing that the audits should center on economic activities, key business activities and the policy-making process. Special attention was paid to the effective control of significant risk events, major items needing administrative approval and issues needing important policy-making. The *PBC Auditing Standard for the Information Technology* was issued and implemented, which fully standardized the content, method and evaluation standards of information technology audits. The layered system of internal audit-

ing rules and regulation was basically established, guided by *Internal Auditing Work System*, propped by auditing regulations of every major and complemented by concrete operating procedures, auditing schemes and cases. Second, the PBC popularized the transformation experience. Importance was attached to the role of cases in popularizing the auditing experience, and the selection mechanism of cases was set up. Many channels were adopted to strengthen the popularization and exchange of auditing experience. A special column was opened up in the Integrated Management System of Internal Auditing Practice was opened up to show the excellent auditing practices, innovations and theoretical discussions of branches at all levels. Excellent auditing cases were analyzed and interpreted through distance and on-site training. *Collection of PBC Internal Auditing Transformation Cases* was compiled and published, with more than 120 cases included. Third, the transformation practice was strengthened. Emphasis was laid on discovering the orientation of risks and problems in the audited programs, which made the audits become the aid of the management and gave

full play to the function and value of audits. Importance was attached to the application of computer-aided auditing tools. The *PBC Computer-aided Auditing System*, ACL software and other computer-aided auditing tools were utilized to screen and analyze the business data of currency issue, treasury and financial accounting. The format of auditing reports was optimized. The confirmation of responsibility and suggestions put forward for correction were more targeted in the end-of-term auditing reports. The problems discovered in some special auditing reports were classified according to the levels of importance, which was convenient for the management to quickly grasp the key problems. The implementation of the rectification measures for the audits was strengthened. Through sending feedback about the rectification, notification of the problems discovered in audits and subsequent supervision, the rectification of problems was promoted, thus giving effective play to the role of audits. Fourth, the explorations of transformation were deepened. The application of risk-oriented auditing mode was steadily promoted and guidance was given to conduct the identification of risk events. "The List of PBC Risk Events" were basically formed, covering 23 business functions, 96 business areas, and more than 800 risk events. The development of the Risk Assessment and Management System of the PBC Internal Auditing Units was actively organized to store, manage, analyze and utilize the risk

data. Great efforts were made to explore the performance audits. Besides the scope of the former performance audits, audits on energy conservation and emission reduction, centralized procurement, service of the functional departments, renovation project of the security prevention system were explored. Audits on the health of balance sheet were fully laid out, and some of the branches explored the audits on the whole balance sheet. The application of the audited findings was strengthened. Through various special auditing summary reports, comprehensive analysis report of the problems discovered throughout the year, deep analysis was made on the systemic and institutional problems. Changing from simply discovering problems to serving the whole bank's risk management and organizational governance, the function and value of audits were further enhanced.

The auditing programs were steadily carried out

In 2014, the PBC internal auditing units completed 969 performance and end-of-term auditing programs, 1,992 special audits and 343 auditing investigation cases, put forward and urged to implement proposals for taking corrective actions. First, performance and end-of-term audits were conducted on some senior bank officials, including directors of some branches and sub-branches, directors of the affiliated enterprises and institutions, and chief representatives of PBC overseas office. These audits focused on economic

responsibilities. Second, branch offices were organized to conduct internal control audits. These audits include not only comprehensive internal control audits on a specific bank, but also special internal control audits on some particular business areas such as procurement management, security and escort management. Third, auditing investigations were conducted on the budget management. 45 branches and sub-branches went through auditing investigations, during which special attention was paid to the budget management, management of pension, health care and housing fund, and the implementation of the Eight Point Guidelines. Fourth, audits on banknote issue and management were conducted. Subsidiary issue treasuries at the 5 branches, 76 central sub-branches and 83 sub-branches were audited. These audits laid emphasis on the management of issue treasuries, in and out storage of fund issuance, commemorative coins and damaged RMB. Besides, risk and performance analysis was conducted from the perspectives of inventory examination system, outsourcing of banknote processing business and supply of RMB of small denomination. Fifth, audits on management of Treasury accounting business and system operation were conducted. Audits were conducted on treasuries of 256 branches and sub-branches, during which special attention was given to the performance of duties including treasury management, supervision over the course of event and function as the fiscal agent. Sixth,

audits on infrastructure management were conducted. Emphasis was given to risks lying in some key links such as construction cost, bidding and project payment. Seventh, audits were conducted on e-procurement management. Special attention was given to problems and risk lying in some links such as internal control mechanism, organization and implementation of procurement, acceptance and maintenance services. Eighth, audits were conducted on the integrated management of science and technology. Targeted conduction of audits has promoted the branches and sub-branches to enhance their awareness of information security and their capacity of prevent risks as to information technology. Ninth, audits were conducted on enterprises and institutions directly affiliated to the PBC Head Office. Seven units were audited in total, during which special attention was paid to the financial management, salary management, business operation, information security, internal control and governance structure. These audits have promoted the audited units to improve their risk management, internal control and organizational governance.

Organization and management of internal auditing was strengthened and improved

First, more efforts were made in training, innovations were made in the training method, distance training was fully utilized and the scope of training was expanded. Second, the application of internal audit

findings was enhanced. Brief reports, special issues and bi-weekly reports on internal audits were compiled and distributed, which reflected the focuses, key discoveries and risk analysis of the internal auditing units. Third, comprehensive analysis of internal audits was enhanced. *Major Problems Discovered in PBC Internal Audits* was printed and distributed as a reference document for the Working Conference of People's Bank of China in 2014. Fourth, special emphasis was

given to continuously give full play to the confirmation and consultation function of internal audits in institution construction and standardized management. Fifth, emphasis was laid on the external exchange of internal audits. The PBC representatives attended the annual CBIA meeting organized by BIS and fully participated in the research project named "Three Lines of Defense" of Central Banks' Risk Management.

FINANCIAL SURVEY AND STATISTICS

The comprehensive statistics of financial industry was advanced

In recent years, new types of financial institutions and financial innovation continue to emerge and associated degree of complexity in the financial system substantially increases in line with the rapid development of China's financial industry. Under the framework of the Joint Ministerial Conference Mechanism of Financial Regulatory Coordination, the PBC strengthens communication and coordination with financial regulators and promotes the establishment of inter-sectoral networking mechanism, speeds up the construction of comprehensive financial statistics. Initial development and design of the core statistical indicators of the financial system and its implementation program were built up, selecting regions, such as Anhui, Tianjin, Guangdong, Zhejiang as pilot cities to steadily put the core indicators into practice. The PBC also makes researches on the practice of the financial industry of the developed and developing countries on compiling the financial comprehensive statistics and balance sheet, explores the construction of the comprehensive statistical system

framework and its implementation steps of China's financial sector, and studies on the establishment of the modern comprehensive statistical system of financial industry with "standardization of statistics as its basis, systematical integration as its content, business information as its means and information-sharing as its direction of development"

In order to comply with the development trend of financial industry comprehensive management, fully reflect financial institutions' deposit and loan business, in 2014, the PBC adjusted statistics caliber of deposit and loan, keeping the deposits of non-depository financial institutions with the depository financial institution into the "total deposit" statistics caliber, splitting the depository financial institutions' lendings to non-depository financial institutions into the "total loans". Amendments were made to items of statistics statements. The conversion of sources and uses of credit funds statement into balance sheet statement was pushed forward. Quarterly statistics on aggregate financing to the real economy in 31 provinces and regions were released. New indicators on monitoring and analysis of regional economic and

financial situation for local governments and other department were introduced. Innovative research on compiling stock statistics of aggregate financing to the real economy was made, and figures from 2002 were calculated and then released.

New progress was made in financial statistics standardization

The PBC speeds up the development of a number of national and industry standards. In collaboration with the National Bureau of Statistics, CBRC, CSRC, CIRC and some other ministries and according to the characteristics of financial enterprises, the PBC worked out the *Financial Enterprise Program*, dividing financial enterprises into four classifications, namely, large, medium, small and micro by using the two-layer composite classification method, and setting their corresponding designated size value. To expand the coverage of financial statistics, The PBC issued the *Bond Statistics System* jointly with the CSRC, thus establishing the bond market statistics framework covering the entire financial institutions. On August 28, the PBC promulgated rules of the financial industry-standard JR/T 107.1-7 of the *Statistical Data and Metadata Exchange (SDMX) standard*, which provides sharing of standardized formats of statistical data and metadata exchange, It is important to standardize the internal processing and external publishing of statistical standard of China's financial system, promote the interconnection of financial

statistics, information-sharing and operational cooperation, meet the needs of financial statistics, give full play to the role of finance statistics in the national macro-control and scientific decision making.

Preliminary elaboration of *the loan statistics classification and codes*, *deposit statistical classification and codes*, *the special purpose vehicle coding standard* and *the financial management, capital trust investment element standards on statistical data* on the four financial industry standards. Expand coverage of statistical standardization. Successfully completing standardized lending integrated statistical sampling of pilot expansion, pilot provinces was increased from 11 to 23, covering nearly 300 corporate with more than 3,000 branches, the size of effectiveness of deposit and loan, and sample representativeness of collection are significantly increased. In view of fast-growing in the current asset securitization, asset transfer of securitization, the loans business, explore traffic statistics methods, and establish special statistics to loans change system. Further improvement of the statistical classifications, build a complete loan statistics, scientific definition of entrusted loans business, standardize the accounting methods of entrust loans.

Innovations were made in financial survey and statistics

Actively promote the shadow banking supervision, in conjunction with the related sectors delimited data, the underlying statis-

tical framework is designed and actively promote the shadow banking statistics. Closely follow the effect of financial innovation on financial aggregates, in-depth analysis the dynamic relationship between main macro-economic variables such as money supply, GDP and price level, completion of the study *on the current statistical analysis of the basic situation of the money supply*. Statistical monitoring of corporate financing costs and agriculture-related loans, extended range of bankers' survey, new financiers' questionnaire system.

The depth of explore survey data, systematically carried out a number of index research, prepared a series of synthetic indices. Continue to track the 5,000 household's synthetic industrial enterprise boom index, price composite index and consumer confidence index and exchange rates. Try to design a small micro-enterprise production and management, finances, and other indices. Gradually establish a regional characteristic industry monitoring system, such as Zhejiang textile industry monitoring, Hunan non-ferrous metal industry monitoring, Guangxi sugar industry monitoring, Shanxi's coal industry monitoring.

The financial surveys and statistics work, as well as financial analysis were towards a new stage

Pay attention to statistical infrastructure. Maintain the accuracy and timeliness of statistical data. Strengthen integration

and systemic daily management of financial statistics, improve the system classification data check function, improve the efficiency of branches at all levels of the data checking. Deployment completed submits statistical data system of coding standardization agencies of financial institutions, strengthen daily monitoring. Carry out specific statistics loans on large, medium and small micro-enterprise. Successful completion of the economic survey of the banking industry, organized 3,930 Financial Corporation and its subsidiaries and branch to carry out census information reported. Unfold financial statistics check in the financial system, covering financial institutions (including its affiliates) 3,284. Optimizing the regional assessment mechanisms of corporate financial institutions, improve the efficiency assessment.

Improve questionnaire design. Use a combination of fixed problems and hot issues in survey mode of town resident savers questionnaire, banker questionnaire and export-oriented enterprises exchange rate tolerance questionnaire, update contents part of the investigation against the economic and financial situation changes, and increase the ability to quickly reflect the problem. Strengthen monitoring on production and management of enterprise, market demand and the price of money. To carry out research on "high labor costs, recruitment difficulty", "financing difficulty, financing expensive", "business Internet private financing conditions", "enterprise scale private financing",

"private financing interest rate" and other studies. Compiled monthly corporate goods price index, and to regularly update and maintain specifications product samples.

Strengthen investigation research. Strengthen the analysis of the economic situation and anticipation. Organize four times the economic and financial situation investigation through the year, to make judgment and analysis on the issues of economic trends, health of the enterprise, banking operations, and come up with specific

policy recommendations. Use boom tracking methods, regular analysis of the economic, prices, currencies, and credit situation. Carry out economic growth, prices, and finance, and foreign sector, financial and economic activities six ways more than 30 indicators 3-year rolling dynamic forecast. Meanwhile, conduct thematic studies on major issues in financial reform and development, financial macro-control, to provide strong support for decision making.

Statistics of China's Aggregate Financing to the Real Economy (Stock)

Aggregate financing to the real economy refers to the total amount of funds provided by the financial system to the real economy (i.e., non-financial businesses and residents). Among these funds, the incremental index refers to the amount of funds gained over a certain period of time (e.g. per month, per quarter or per year), while the stock index refers to the amount of funds gained at the end of a certain period (e.g. at the end of a month, a quarter or a year). In 2011, the PBC formally compiled and released the statistical data of the incremental aggregate financing to the real economy. In order to better satisfy the needs of every party and unify the statistical calibre, the PBC has set about establishing the statistical system of the stock aggregate financing to the real economy since 2014, and solicited opinions from relevant departments on the compiling method of indexes and the issued items. On February 10th of 2015, the stock historical data of the aggregate financing to the real economy from 2002 to 2014 was formally released. Starting from 2015, the stock data will be released every quarter.

Compared with the incremental data, the stock data of the aggregate financing to the real economy has its own characteristics. The major cause is that the incremental data of the aggregate financing to the real economy fluctuates obviously, making it unsuitable for comparative analysis. However, the growth of the stock data is rather stable, which is helpful to make comparative analysis with the growth of other economic variants. Meanwhile, the stock and incremental data of the aggregate financing to the real economy are not contradictory, instead they are complementary. They provide information support for the financial macro-regulation from different angles. Timely statistics and release of the stock and incremental data can make the aggregate financing to the real economy more perfect and reflect the relationship between the economy and finance more comprehensively.

According to the statistics, the stock data of China's aggregate financing has the following features. Firstly, China's aggregate financing has continuously expanded, which has effectively promoted the steady and rapid development of China's economy. By the end of 2014, the stock of the aggregate financing to the real economy

reached 122.86 trillion yuan, 8.27 times that of the end of 2002, with an annual growth of 19.3 percent. Its growth is higher than that of RMB loans over the corresponding period by 2.7 percent. The ratio of the stock to the nominal GDP of the corresponding period is 193.0 percent, up by 69.6 percentage points from 2002. Secondly, the proportion of RMB loans balance obviously declines. By the end of 2014, the balance of RMB loans provided to the real economy was 81.43 trillion yuan, 6.3 times that of the end of 2002. It accounts for 66.3 percent of the aggregate financing to the economy over the corresponding period, down by 20.5 percentage points from the end of 2002. Thirdly, direct financing has saw rapid growth and the financing structure has obviously been optimized. At the end of 2014, the balance of the aggregate financing to the real economy in the form of bonds and shares of non-finance businesses at home was 15.49 trillion yuan, 21 times that of the end of 2002, with a yearly growth of 28.9 percent. Its growth is quicker than the annual growth of RMB loans of the same period by 12.3 percent. It accounts for 12.6 percent of the stock of the aggregate financing to the real economy, increasing by 7.6 percentage points from the end of 2002. Fourthly, the off-balance-sheet business of financial institutions continuously increased the financial support to the real economy. As of the end of 2014, the balance of the aggregate financing provided to the real economy in the form of entrusted loans, trust loans and undiscounted bankers' acceptance was 21.44 trillion yuan, 35.4 times that of the end of 2002. It accounts for 17.5 percent of the stock of the aggregate financing to the real economy, increasing by 13.4 percentage points from the end of 2002.

Revision of Statistics Caliber for Deposits and Loans

Revised parts in statistics caliber of deposit and loans

In 2014, the PBC revised statistics calibers of total deposits and total loans. Deposits of non-depository financial institutions in depository financial institution were included into total deposits. Loans of depository financial institutions to non-depository financial institutions were included into total loans. Also, items in sources and uses of

credit funds were adjusted to optimize sources and uses of credit funds system.

Depository financial institutions included the PBC, policy banks, commercial banks, credit cooperatives, rural mutual cooperatives, and finance companies. Non-depository financial institutions included banking non-depository institutions such as financial leasing companies, financial trust and investment corporations, auto-financing companies, as well as security financial institutions, insurance financial institutions, transaction and settlement financial institutions, financial holding companies, and other financial institutions.

Aim of statistics caliber revision of deposit and loans

First, the revision would be in line with the international standards. In the process of currency issuance and deviation, the role of non-depository financial institutions was basically same as enterprise and individual. Deposits and loans of non-depository financial institutions had no substantial differences with those of enterprise and individual. Therefore, in line with the IMF criterion, sources and uses of fund between depository and non-depository financial institutions should be included into deposits and loans.

Second, the revision would ensure reliable statistics caliber and truly reflect aggregate of deposits and loans. In recent years, due to rapid growth of non-depository financial institutions, their deposits in depository financial institutions, same as deposits of enterprises and individuals, has become a major source of fund for depository financial institutions. To reflect this change, in October 2011, the PBC included funds of non-depository financial institutions in depository financial institutions into broad money M2. After this adjustment, total deposit became basically the same as deposits in broad money.

Third, the revision would enhance effectiveness of monetary policy. Before this revision, due to IPO and deposit rush, deposit scale and fund prices would fluctuated widely at season end, mitigating effect of monetary policy to some degree. After this adjustment, statistics caliber of deposits and loans were included most parts of funds flowed between depository and non-depository financial institutions, stabilizing fluctuation of deposit scale and fund prices, enhancing effectiveness of monetary policy

Implication of statistics caliber revision of deposit and loan

First is the implication to required reserve. In line with the Notice of the People's Bank of China on Matters concerning the Deposit Reserve Policy and Interest Rate Management Policy after the Adjustments of Deposit Indicators, no required reserve would be applied to deposits of non-depository financial institutions newly included in total deposits. Therefore, the revision would have no impact on depositing required reserve.

Second is the implication to money supply. For deposits of non-depository financial institutions in depository financial institutions had been included into broad money M2, this adjustment would have no direct impact on money supply statistics. However, it may affect money injection through factors like deposit deviation, and indirectly affect money supply

Third is the implication to aggregate financing to the real economy. Aggregate financing to the real economy showed fund support of financial system to the real economy, excluding funds among financial institutions. As a result, this revision would not directly affect aggregate financing to the real economy, but may influence credit injection, hence indirectly affect aggregate financing to the real economy.

Fourth is the implication to interest rate. After this revision, interest rate would remain unchanged for deposits newly included in total deposits. Interest rate would be decided upon market-based agreement between fund demand and supply parties, with no direct impact on market interest rate.

Fifth is the implication to loan-to-deposit ratio. The CBRC made no adjustment on calculation basis for loan-to-deposit ratio in line with revised statistics caliber for deposits and loans, hence there is no impact on calculation of loan-to-deposit ratio in financial institutions.

FINANCIAL RESEARCH

Fully conduct research on reform of economic and financial regimes and the 13th Five-year Plan for the financial sector

Research was carried out on reforming economic and financial regimes with key tasks undertaken in an effective manner. Efforts were made to study and summarize progress and achievements made by the PBC in the economic and financial regime reform, improve the interpretation for policies related to the reform, and actively promote the effective implementation of key tasks involved in the reform. The PBC completed the research on reforming central and local financial administration regimes, and promoted the reform of the identification of central and local financial regulatory responsibilities and accountabilities for risk resolution. Studies on the first batch of key issues in the financial sector identified by the State Council and work related to fully deepening reform were completed, while the cross-ministry coordination mechanism for economic regime reform functioned well.

Research on major issues in the early stage of the 13th Five-year Plan for the financial sector was conducted and bore fruit.

Thematic studies were completed on the basic idea about mapping out the 13th Five-year Plan for the financial sector, major programs, projects and policies to be covered by the Plan, and the basic idea about economic and social developments during the 13th Five-year Plan period, all of which provided important reference for the Central Committee of the Communist Party of China (CPC) and the State Council in drafting relevant plans. The PBC also assisted in other work related to the 13th Five-year Plan.

Steadily push forward research and practice related to regional financial reform innovation

The PBC worked out several options for regional financial reform, closely followed reform progress, and summarized as well as promoted experience and good practices. It led the effort to draft and publish documents targeting financial reforms, including the Comprehensive Financial Reform of Wealth Management in Qingdao, and the Deepening of Financial Cooperation among Guangdong province, Hong Kong, Macao and Taiwan and the Exploration of Financial Reform Innovation in the Nansha New District of

Guangzhou. Research was conducted on financial reforms supporting national strategies, such as the development of silk road economic belt and maritime silk road, the coordinated development among Beijing, Tianjin and Hebei province, the growth of economic belt along the Yangtze River, and the acceleration of economic and social development in Fujian province. The PBC assisted relevant departments in developing policies on providing financial support. It summarized the experience of facilitating exchange convenience for investment and financing through cross-border RMB business innovation in the Shanghai Free Trade Pilot Zone with proposed reform measures applicable nationwide or in some regions.

Efforts were made to actively promote financial support for economic and social developments in old revolutionary areas, Xinjiang Uyghur Autonomous Region, and the Tibetan areas in four provinces. Partnership support was promoted for the development of former Central Soviet Area like the south of Jiangxi province. In line with the guideline of the second informal central work conference on Xinjiang Uyghur Autonomous Region, the PBC spelt out implementation details and a list of tasks. It prepared reports on strengthening financial support for Xinjiang's economic development, developed policies for providing financial support for the economic and social developments in four prefectures in southern Xinjiang, and further improved policies on extending financial support for the economic and social

developments in Tibet and the Tibetan Areas in four provinces, namely, Sichuan, Yunnan, Gansu and Qinghai.

Deepen the research on and pilot of rural financial reform

Theoretical studies and policy design regarding financial reforms in rural areas were actively promoted. The PBC conducted in-depth studies on the intuitional problems requiring immediate solutions in rural finance, the establishment and improvement of a multi-tiered, wide-ranging, sustainable and moderately competitive modern rural financial service system tailored to modern agriculture featuring large scale operation, and policy measures for facilitating the sound development of new type of cooperative financial service in rural areas. Experience was drawn from rural financial reform and the *China's Rural Financial Service Report (2014)* was published.

Pilot programs of rural financial reform innovation were launched in a well-sequenced fashion. The PBC actively prompted relevant departments to promulgate documents laying out arrangements for Heilongjiang province to implement the targeted financial work plan included in the comprehensive "Two Plain" modern agricultural reform, steadily pushed forward the rural financial reform pilot programs in Lishui of Zhejiang province, Jinzhai of Anhui province, and Tiandong of Guangxi Zhuang Autonomous Region, and initiated rural pilot financial reform in Chengdu. Guiding opinions and relevant

administrative measures regarding the pilot program of loans pledged against the management right of rural contracted land and farmers' housing property right were rolled out, while research was conducted on further reforming rural credit cooperatives.

Seriously conduct analysis of macroeconomic developments and basic research

Analysis and forecast of macroeconomic developments were strengthened. The PBC closely analyzed macroeconomic situation, optimized models for macroeconomic forecasts, improved the methodology for price projections, and issued the report on macroeconomic forecasts for 2015 to guide market expectations. It monitored changes in money and credit aggregate as well as its structure, the implementation and effects of various monetary policy instruments, and the monetary policy stance of major countries, which provided reference and policy recommendations for monetary policy decisions and implementation.

All types of basic research were advanced steadily. The PBC initiated thematic studies on a range of issues, such as new changes in GDP accounting methodology and the impact, fixed asset investment and capital formation, the movement and trend of investment rate, monetary policy communication and transparency, leverage ratio, and interest rate liberalization. It continued to sort out financial historical materials, collect post-2005 China's financial chronicles, compile central bank chronicles for the pe-

riod of the Republic of China, and salvage valuable historical files.

Actively launch thematic research on key and thorny economic and financial issues

In-depth study was conducted on thorny financial issues requiring immediate solutions. The PBC completed the research on the implications of government policies amid risk of asset bubbles, and focused on examining such issues as China's urbanization drive and its financing mechanism, risk of excess capacity in China and policy response, the interaction between governments and banks, fully deepening reform to promote the transformation and development of the financial sector, central bank's policy rate and the yield curve of government bonds, the transmission mechanism for policy rate, informal finance, internet finance, and regulatory principles for shadow banking. It also promoted steadily researches on the regulation of micro finance, survey on the coverage of inclusive finance, and farmer-friendly payment service. And policy research on micro loan companies made remarkable progress.

Research on major international economic and financial issues was enhanced. The PBC spearheaded the effort to study how to increase the openness of China's financial sector both at home and abroad, and finished research reports on the development of off-shore RMB market, the co-movement mechanism for interest rates and exchange rates on on-shore and off-shore markets, and emerging market economies' strategic positioning

in the G20. Research was also conducted on such issues as problems and challenges faced by Chinese enterprises in overseas mergers and acquisitions, and international experience in addressing financial crises. The PBC also conducted in-depth studies on the reshaping of global trade and investment rules under the TPP negotiations and the impact on China, as well as the international experience in PPP and implications for China.

Thematic research was conducted on fiscal and tax issues, which are key links in economic reform. The PBC initiated in-depth targeted studies by closely centering upon fiscal policy, budget institutional reform, tax institutional reform and government debt management, with forward-looking policy recommendations. It examined pensions and its impact on national economy both in theory and practice, and proposed opinions on the arrangements regarding the investment and operation of urban workers' basic old-age insurance funds. It continued to carry forward the research on income distribution. Reform of mixed ownership at state-owned enterprises was reviewed, policy recommendations for guidelines and work plans were put forward.

Featured studies were conducted on green and low-carbon finance. The PBC summarized the overall development of the pilot carbon trading and compulsory carbon emission reduction in seven provinces and municipalities nationwide, and launched in-depth studies on such issue as the status quo and experience of global climate financing,

the development of climate bonds in other countries and implications for China, the potential impact of carbon emission reduction on financial stability and the policy response, financial asset risk from the perspective of low-carbon economy, and the financial policy on controlling coal aggregates.

Make one step forward in academic exchange and publications

A series of large academic exchange events were held, such as the symposium on reform of international monetary system, the summit on inclusive finance, and the Cross-Straits financial forum. Ad hoc symposiums were held on financial globalization, internet finance, and the replacement of business tax with value-added tax in the financial sector. The Youth Forum was established under the China's Financial Forum and convened its first meeting, which provided a platform for communications between young and middle-aged individuals acting as the backbone of financial research and elites from the financial sector. It also provided an opportunity to spot and foster young talents for financial research and practice. The PBC improved the quality of publications by remodeling journals and streamlining internal publications as well as launching contests to select excellent financial research papers. The mechanism for preparing and issuing the PBC working papers was put in place to strengthen the communication with the general public and guide public expectations.

PUBLIC COMMUNICATION AND EDUCATION

In 2014, focused on serving macroeconomic management, financial reform and stable economic growth, the PBC adapted to new normal state of public communication with innovated outreaches, contents and channels, effectively facilitating financial literacy, capacity, awareness to protect rights and interests.

Information disclosure and in-depth interpretation was unveiled to enhance public awareness

A wide variety of channels was utilized by the PBC to facilitate public communication and response, including the PBC website, news release on Microblog, press conferences, news briefings, online interviews, symposiums and forum, and official publications. Further advancement was made on news release system to disclose and interpret financial statistical data and aggregate financial to the real economy data with the aim of enhancing the central bank transparency and communication with the public, better understanding of central bank policy, and stabilizing public anticipation.

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 Deputy Governor Yi Gang attended press conference to answer questions of public interest. The questions covered market-based interest rate reform, RMB internationalization, currency swap, and RMB exchange rate formation mechanism. Governor Zhou Xiaochuan attended press conference of the Financial and Supervision Symposium in the Sixth Round of China-U.S. Strategic and Economic Dialogue, and answered questions from the press on market-based interest rate reform. Attending Boao Forum Annual Conference 2014 and Forum of Hongkong as an International Financial Center, Governor Zhou Xiaochuan delivered major points and answered questions from the press.

Financial reform and services were publicized to help the public understand and enjoy reform and service achievements

A variety of financial reforms advanced with steady improvement of financial services. Focusing on the role of finance in serving and improving the public daily life, the PBC

launched diversified featured outreaches to enable the public to have an all-round and multi-perspective understanding of financial information. The public consultation and outreaches was conducted on the Regulation on Deposit Insurance to help the public to know the implication of deposit insurance. The PBC unveiled "Financial Consumer Rights Day" program on March 15 and "Financial Literacy Month" drive in September. From June 14, the "Credit Record Day" program, featured on advancing social credit reporting system and promoting healthy development of credit market, began to conduct nationwide. Over 46,000 outreach programs were unveiled with 19.1 million pieces of pamphlet handed out and 23 million people benefited. About 8100 reports and articles were release by 2,570 media. A series of publicity programs were carried out on cross border RMB settlement over the past five years, financial support on foreign trade and economic growth, poverty relief, household farm, mobile finance security, benefiting the public to know, understand and enjoy financial services.

Transparent administration was further advanced to enhance transparency of central bank information

On its website, the PBC made timely release of information on news, financial laws, regulation and policies, normative

documents, financial statistics, monetary policy report, financial market performance, and financial service reports with increased information and frequency. To getting closer to the public, new columns were set up on the website, such as the National People's Congress and the Chinese People's Political Consultative Conference, Cross Border RMB Settlement over the Past Five Years, RMB Anti-counterfeit Survey and Financial Literacy Month, to access to related information. Administrative approvals and lists were disclosed on a timely manner on the column of Administrative Affairs Disclosure. More contents were added into the website, with the column of Working Papers to publish quality economic and financial academic paper written by the PBC staff.

Adapting to Internet technology development and information dissemination, the PBC released information on the PBC Microblog, the official Microblog of the PBC, to facilitate communication with the public. In 2015, focused on financial literacy and working achievements, the PBC Microblog released over 360 pieces of information in words, pictures, and cartoon, with 4.8 million followers. The official Microblog of the PBC played a significant role in conveying major policy, information and financial knowledge to the public and the market, as well as responding concerns from the public.

2014

STATISTICAL ANNEX



Selected Economic Indicators

(Year-end Balance)

100 million yuan

	2010	2011	2012	2013	2014
Gross Domestic Product (GDP)	408 903	484 124	534 123	588 019	636 463
Industrial Value Added	162 376	191 571	204 540	217 264	227 991
Fixed Assets Investment	251 684	311 485	374 695	444 618	512 761
Retail Sales of Consumer Goods	156 998	183 919	210 307	237 810	262 394
Urban Households	136 123	159 552	182 414	205 858	226 368
Rural Households	20 875	24 367	27 893	31 952	36 027
Export & Import (100 million of US dollars)	29 740.0	36 418.6	38 671.2	41 589.9	43 030.4
Export	15 777.5	18 983.8	20 487.1	22 090.0	23 427.5
Import	13 962.4	17 434.8	18 184.1	19 499.9	19 602.9
Balance	1 815.1	1 549.0	2 303.1	2 590.1	3 824.6
Foreign Direct Investment (100 million of US dollars)	1 057.4	1 160.1	1 117.2	1 175.9	1 195.6
Foreign Exchange Reserves (100 million of US dollars)	28 473.4	31 811.5	33 115.9	38 213.2	38 430.2
Consumer Price Index (previous year=100)	103.3	105.4	102.6	102.6	102.0
Government Revenue	83 101.5	103 874.4	117 253.5	129 142.9	140 349.7
Government Expenditure	89 874.2	109 247.8	125 953.0	139 744.3	151 661.5
Fiscal Balance	10 000	8 500	8 000	12 000	13 500
Per Capita Urban Household Disposable Income (yuan)	19 109	21 810	24 565	26 955	28 844
Per Capita Rural Household Net Income (yuan)	5 919	6 977	7 917	8 896	9 892
Number of Employed Persons in Urban Areas (million)	346.9	359.1	371.0	382.4	393.1
Registered Urban Unemployment Rate (%)	4.1	4.1	4.1	4.05	4.09
Total Population (million)	1 340.9	1 347.4	1 354.0	1 360.7	1 367.8

Notes: 1. Sources from *2014 China Statistical Yearbook*, *Statistical Communiqué of the People's Republic of China on the 2014 National Economic and Social Development* and *Report on the Implementation of the Central and Local Budget for 2014 and on the Draft of the Central and Local Budget for 2015*.

2. 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.

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

Selected Economic Indicators

(Growth Rates)

	Percentage change				
	2010	2011	2012	2013	2014
Gross Domestic Product (GDP)	10.6	9.5	7.7	7.7	7.4
Industrial Value Added	12.6	10.8	7.9	7.6	7.0
Fixed Assets Investment	23.8	23.8	20.3	19.3	15.3
Retail Sales of Consumer Goods	18.3	17.1	14.3	13.1	12.0
Urban Households	18.7	17.2	14.3	12.9	11.8
Rural Households	16.2	16.7	14.5	14.6	12.9
Export & Import	34.7	22.5	6.2	7.5	3.4
Export	31.3	20.3	7.9	7.8	6.1
Import	38.8	24.9	4.3	7.2	0.4
Balance					
Foreign Direct Investment	17.4	9.7	-3.7	5.3	1.7
Foreign Exchange Reserves	18.7	11.7	4.1	15.4	0.6
Consumer Price Index	3.3	5.4	2.6	2.6	2.0
Government Revenue	21.3	25.0	12.9	10.1	8.6
Government Expenditure	17.8	21.6	15.3	10.9	8.2
Per Capita Urban Household Disposable Income (after adjusting for inflation)	7.8	8.4	9.6	7.0	6.8
Per Capita Rural Household Net Income (after adjusting for inflation)	10.9	11.4	10.7	9.3	9.2
Number of Employed Persons in Urban Areas	4.1	3.5	3.3	3.1	2.8
Natural Population Growth (‰)	4.8	4.8	5.0	4.9	5.2

Note: Same as the notes in prior page.

Aggregate Financing to the Real Economy (Increment)

	The Whole Year of 2013		The Whole Year of 2014	
	Increment (1 trillion yuan)	Proportion (%)	Increment (1 trillion yuan)	Proportion (%)
Aggregate Financing to the Real Economy	173 169	100.0	164 571	100.0
Of which: RMB Loans	88 916	51.3	97 816	59.4
Foreign Currency-denominated Loans (RMB equivalent)	5 848	3.4	3 554	2.2
Designated Loans	25 466	14.7	25 070	15.2
Trust Loans	18 404	10.6	5 174	3.1
Undiscounted Banker's Acceptances	7 756	4.5	-1 285	-0.8
Net Financing of Corporate Bonds	18 111	10.5	24 253	14.7
Domestic Equity Financing by Non-financial Corporations	2 219	1.3	4 350	2.6

Note: 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). For the Aggregate Financing, the incremental data and stock data are compiled respectively. The incremental data refers to the amount of funds gained during a certain period (a month, 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.

3. Statistics for the current period is preliminary.

Aggregate Financing to the Real Economy (Stock)

	Stock (1 trillion yuan)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	122.86	14.3	100
Of which: RMB Loans	81.43	13.6	66.3
Foreign Currency-denominated Loans (RMB equivalent)	3.47	4.1	2.8
Designated Loans	9.33	29.2	7.6
Trust Loans	5.35	10.7	4.4
Undiscounted Banker's Acceptances	6.76	-1.8	5.5
Net Financing of Corporate Bonds	11.69	25.8	9.5
Domestic Equity Financing by Non-financial Corporations	3.80	12.7	3.1

Note: 1. Aggregate Financing to the Real Economy (Stock) refers to the outstanding balance of funding from the financial system to the real economy.

2. Statistics for the current period is preliminary.

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

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

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

Aggregate Financing to the Real Economy (Increment) in 2014, by Areas

100 million yuan

Areas	Aggregate Financing to the Real Economy, by Areas	Of which						
		RMB Loans	Foreign Currency-denominated Loans (RMB equivalent)	Designated Loans	Trust Loans	Undiscounted Banker's Acceptances	Net Financing of Corporate Bonds	Domestic Equity Financing by Non-financial Corporations
Beijing	12 877	4 845	787	3 026	349	-588	3 317	900
Tianjin	4 819	2 235	97	986	-32	385	993	65
Hebei	5 177	3 515	-1	568	172	-140	616	126
Shanxi	3 055	1 499	-12	1 046	-142	-305	858	7
Inner Mongolia	2 774	1 917	6	190	33	22	488	22
Liaoning	5 526	3 236	-12	1 051	12	45	893	97
Jilin	2 909	1 847	-1	240	291	216	99	99
Heilongjiang	2 731	2 000	-25	74	494	-159	183	80
Shanghai	7 761	3 347	59	1 440	2 104	-399	695	278
Jiangsu	13 440	7 547	-169	2 325	564	-63	2 509	349
Zhejiang	7 998	5 753	41	495	303	-722	1 341	395
Anhui	4 262	2 953	65	677	-102	-346	657	171
Fujian	3 488	3 634	152	619	-1 561	-312	595	171
Jiangxi	3 976	2 450	72	325	775	-86	306	34
Shandong	9 292	5 126	399	696	-40	965	1 580	210
Henan	6 828	4 027	-57	880	80	807	806	85
Hubei	5 843	3 347	-61	1 135	448	-70	707	150
Hunan	3 945	2 464	59	361	-20	-31	865	108
Guangdong	13 173	9 076	-171	2 523	225	-776	1 218	432
Guangxi	3 109	1 897	56	605	0	-200	538	43
Hainan	1 074	688	63	85	0	2	128	68
Chongqing	5 473	2 570	-8	850	43	646	906	80
Sichuan	7 092	4 221	108	1 217	218	-196	854	157
Guizhou	3 576	2 244	17	382	-28	362	454	64
Yunnan	3 092	2 158	39	352	-145	-183	706	27
Tibet	739	541	0	18	206	-59	10	15
Shannxi	4 850	2 579	18	578	700	-71	776	115
Gansu	3 139	2 229	0	176	-128	434	304	9
Qinghai	1 412	769	15	46	372	-42	216	0
Ningxia	842	654	-8	77	0	-12	78	27
Xinjiang	2 746	1 803	28	-78	363	-9	386	118

Note: Funding provided by headquarters of the financial institutions amounts to 796.8 billion yuan.

Selected Financial Indicators

(Year-end Balance)

100 million yuan

	2010	2011	2012	2013	2014
Money & Quasi-money (M2)	725 851 .8	851 590.9	974 148.8	1 106 525.0	1 228 374.8
Money (M1)	266 621 .5	289 847.7	308 664.2	337 291.1	348 056.4
Currency in Circulation (M0)	44 628.2	50 748.5	54 659.8	58 574.4	60 259.5
Total Deposits with Financial Institutions	718 237.9	809 368.3	917 554.8	1 043 846.9	1 138 644.6
Savings Deposits	303 302.5	343 635.9	399 551.0	447 601.6	485 261.3
Non-financial Enterprise Deposits	244 495.6	303 504.3	327 393.7	361 555.2	378 333.8
Total Lending by Financial Institutions	479 195.6	547 946.7	629 909.6	718 961.5	816 770.0

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

	2010	2011	2012	2013	2014
Money & Quasi-money (M2)	19.73	13.6	13.8	13.6	12.2
Money (M1)	21.19	7.9	6.5	9.3	3.2
Currency in Circulation (M0)	16.69	13.8	7.7	7.2	2.9
Total Deposits with Financial Institutions	20.16	13.5	13.4	13.8	9.1
Savings Deposits	16.31	13.8	16.3	11.9	8.4
Non-financial Enterprise Deposits	12.61	9.2	9.9	10.1	4.6
Total Lending by Financial Institutions	19.89	15.8	15.0	14.1	13.6

Note: Same as the note above.

Depository Corporations Survey in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Net Foreign Assets	284 032.46	289 009.16	288 865.66	288 390.38
Domestic Credit	972 329.30	1 016 864.17	1 032 886.40	1 076 962.18
Claims on Government (net)	48 406.96	46 665.62	47 087.11	55 047.00
Claims on Non-financial Sectors	831 077.66	858 227.76	878 406.79	902 512.86
Claims on Other Financial Sectors	92 844.68	111 970.79	107 392.50	119 402.31
Money & Quasi-money	1 160 687.38	1 209 587.20	1 202 051.41	1 228 374.81
Money	327 683.74	341 487.45	327 220.21	348 056.41
Currency in Circulation	58 329.30	56 951.05	58 844.99	60 259.53
Corporate Demand Deposits	269 354.44	284 536.39	268 375.22	287 796.88
Quasi-money	833 003.64	868 099.75	874 831.20	880 318.40
Corporate Time Deposits	250 779.04	265 644.22	272 197.01	264 055.71
Personal Deposits	500 399.16	508 024.93	504 261.93	508 878.12
Other Deposits	81 825.44	94 430.60	98 372.26	107 384.57
Deposits Excluded from Broad Money	28 640.34	32 791.61	33 008.22	31 135.85
Bonds	108 253.93	113 378.40	118 474.43	123 119.42
Paid-in Capital	33 107.34	33 666.00	34 121.01	36 630.20
Others (net)	-74 327.23	-83 549.88	-65 903.00	-53 907.71

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 since October 2011.

Balance Sheet of the Monetary Authority in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	280 177.69	280 169.49	280 121.20	278 622.85
Foreign Exchange	272 149.14	272 131.01	272 017.91	270 681.33
Monetary Gold	669.84	669.84	669.84	669.84
Other Foreign Assets	7 358.72	7 368.65	7 433.45	7 271.68
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	12 384.02	14 556.64	21 015.29	24 985.27
Claims on Other Financial Corporations	8 818.02	8 809.15	8 731.65	7 848.81
Claims on Non-financial Sectors	24.99	24.99	25.30	11.62
Other Assets	9 929.75	10 825.59	11 055.44	11 467.50
Total Assets	326 647.21	329 698.60	336 261.61	338 248.79
Reserve Money	274 741.06	279 898.66	285 299.18	294 093.02
Currency Issue	64 815.75	63 260.47	65 544.74	67 151.28
Deposits of Financial Corporations	209 925.30	216 638.19	219 754.43	226 941.74
Deposits of Other Depository Corporations	209 925.30	216 638.19	219 754.43	226 941.74
Deposits of Other Financial Corporations	0	0	0	0
Deposits of Financial Corporations Excluded from Reserve Money	1 365.61	1 516.55	1 661.73	1 558.35
Bond Issuance	7 762.00	7 132.00	6 922.00	6 522.00
Foreign Liabilities	1 998.79	1 477.31	1 964.00	1 833.83
Government Deposits	28 962.81	33 282.98	36 787.46	31 275.33
Equity	219.75	219.75	219.75	219.75
Other Liabilities	11 597.18	6 171.34	3 407.50	2 746.51
Total Liabilities	326 647.21	329 698.60	336 261.61	338 248.79

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 since 2011.

2. Deposits of overseas financial institutions with the PBC have been included in "Foreign Liabilities" instead of "Other Depository Corporations" since 2011.

Balance Sheet of Other Depository Corporations in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	29 878.58	35 152.00	35 940.34	36 688.97
Reserve Assets	216 345.26	223 025.06	226 343.41	233 488.70
Deposits with Central Bank	209 858.83	216 715.67	219 643.68	226 596.97
Cash in Vault	6 486.43	6 309.39	6 699.73	6 891.73
Claims on Government	62 057.03	64 635.87	68 561.84	71 009.60
Of which: Central Government	62 057.03	64 635.87	68 561.84	71 009.60
Claims on Central Bank	15 966.26	10 314.40	7 579.16	6 563.98
Claims on Other Depository Corporations	279 594.95	293 407.49	278 523.25	280 389.25
Claims on Other Financial Corporations	84 026.66	103 161.64	98 660.85	111 553.50
Claims on Non-financial Corporations	625 036.79	642 770.47	655 324.05	673 285.68
Claims on Other Resident Sectors	206 015.88	215 432.30	223 057.43	229 215.56
Other Assets	84 969.77	85 777.96	88 931.21	79 834.63
Total Assets	1 603 891.18	1 673 677.19	1 682 921.55	1 722 029.88
Liabilities to Non-financial Institutions & Households	1 056 770.74	1 097 645.59	1 086 315.72	1 102 202.55
Deposits Included in Broad Money	1 020 532.64	1 058 205.54	1 044 834.16	1 060 730.71
Corporate Demand Deposits	269 354.44	284 536.39	268 375.22	287 796.88
Corporate Time Deposits	250 779.04	265 644.22	272 197.01	264 055.71
Personal Deposits	500 399.16	508 024.93	504 261.93	508 878.12
Deposits Excluded from Broad Money	28 640.34	32 791.61	33 008.22	31 135.85
Transferable Deposits	7 252.95	7 927.87	7 814.61	8 156.70
Other Deposits	21 387.40	24 863.74	25 193.61	22 979.15
Other Liabilities	7 597.75	6 648.44	8 473.34	10 335.99
Liabilities to Central Bank	11 690.80	15 284.61	21 889.63	26 616.72
Liabilities to Other Depository Corporations	112 139.80	114 185.57	107 682.25	111 117.85
Liabilities to Other Financial Corporations	86 323.25	98 502.35	103 207.21	112 400.75
Of which: Deposits Included in Broad Money	81 825.44	94 430.60	98 372.26	107 384.57
Foreign Liabilities	24 025.02	24 835.02	25 231.88	25 087.62
Bond Issue	108 253.93	113 378.40	118 474.43	123 119.42
Paid-in Capital	32 887.59	33 446.25	33 901.26	36 410.44
Other Liabilities	171 800.05	176 399.40	186 219.16	185 074.51
Total Liabilities	1 603 891.18	1 673 677.19	1 682 921.55	1 722 029.88

Balance Sheet of Large-sized Domestic Banks in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	20 058.06	23 243.74	22 989.55	23 268.14
Reserve Assets	122 260.28	123 488.29	125 882.27	122 514.77
Deposits with Central Bank	118 655.76	120 044.02	122 056.79	118 637.65
Cash in Vault	3 604.52	3 444.27	3 825.48	3 877.12
Claims on Government	40 641.57	41 467.79	42 802.08	43 798.59
Of which: Central Government	40 641.57	41 467.79	42 802.08	43 798.59
Claims on Central Bank	13 724.67	9 585.07	7 073.01	6 230.14
Claims on Other Depository Corporations	117 007.73	124 524.51	118 423.73	119 071.79
Claims on Other Financial Corporations	24 781.98	36 374.55	33 304.49	36 983.54
Claims on Non-financial Corporations	339 685.31	347 254.01	353 217.66	359 189.15
Claims on Other Resident Sectors	110 341.06	114 987.47	118 820.49	121 801.01
Other Assets	61 507.72	60 473.38	62 408.50	53 022.53
Total Assets	850 008.36	881 398.81	884 921.79	885 879.65
Liabilities to Non-financial Institutions & Households	584 019.79	597 191.84	588 746.57	588 822.72
Deposits Included in Broad Money	564 109.19	576 592.56	567 164.60	567 167.06
Corporate Demand Deposits	146 816.40	152 656.38	144 757.25	149 263.31
Corporate Time Deposits	105 646.69	111 297.17	112 862.91	107 492.19
Personal Deposits	311 646.09	312 639.00	309 544.43	310 411.56
Deposits Excluded from Broad Money	14 590.34	16 277.16	15 608.58	14 089.23
Transferable Deposits	3 566.71	3 600.61	3 534.19	3 732.03
Other Deposits	11 023.63	12 676.56	12 074.38	10 357.21
Other Liabilities	5 320.26	4 322.12	5 973.40	7 566.43
Liabilities to Central Bank	3 540.79	6 308.79	12 161.71	12 629.72
Liabilities to Other Depository Corporations	18 427.52	20 902.96	20 267.59	21 852.31
Liabilities to Other Financial Corporations	40 012.79	49 911.77	50 215.78	53 509.47
Of which: Deposits Included in Broad Money	38 905.22	48 914.19	49 330.79	52 782.91
Foreign Liabilities	12 608.97	12 661.94	12 483.20	11 929.91
Bond Issue	67 592.86	69 944.53	70 672.23	71 222.15
Paid-in Capital	16 081.85	16 082.17	16 084.84	17 643.65
Other Liabilities	107 723.79	108 394.80	114 289.86	108 269.72
Total Liabilities	850 008.36	881 398.81	884 921.79	885 879.65

Notes: 1. As of January 2010, 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 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	8 211.63	10 120.24	11 004.41	10 802.31
Reserve Assets	38 531.59	41 366.73	41 364.41	44 166.20
Deposits with Central Bank	37 887.00	40 709.52	40 744.65	43 479.73
Cash in Vault	644.59	657.21	619.76	686.47
Claims on Government	10 972.99	11 933.52	13 640.97	14 513.02
Of which: Central Government	10 972.99	11 933.52	13 640.97	14 513.02
Claims on Central Bank	1 404.60	259.80	196.47	126.87
Claims on Other Depository Corporations	66 831.06	72 688.32	66 941.26	64 679.14
Claims on Other Financial Corporations	30 945.62	36 033.99	33 204.96	40 458.04
Claims on Non-financial Corporations	145 599.64	149 668.47	152 155.95	157 577.08
Claims on Other Resident Sectors	40 320.83	42 122.33	43 800.31	46 053.91
Other Assets	8 845.94	10 196.61	10 554.41	10 964.34
Total Assets	351 663.89	374 390.01	372 863.15	389 340.91
Liabilities to Non-financial Institutions & Households	189 559.37	205 343.60	198 745.48	201 771.50
Deposits Included in Broad Money	178 219.18	191 734.94	184 335.82	188 105.41
Corporate Demand Deposits	54 843.35	59 831.72	53 463.37	60 317.38
Corporate Time Deposits	79 308.05	84 581.75	86 282.00	83 300.40
Personal Deposits	44 067.79	47 321.47	44 590.45	44 487.63
Deposits Excluded from Broad Money	10 246.00	12 464.54	13 135.26	12 437.25
Transferable Deposits	2 044.32	2 606.08	2 598.47	2 496.58
Other Deposits	8 201.68	9 858.46	10 536.78	9 940.67
Other Liabilities	1 094.18	1 144.12	1 274.40	1 228.84
Liabilities to Central Bank	5 899.96	6 127.07	6 257.56	10 249.30
Liabilities to Other Depository Corporations	40 904.31	40 833.57	37 926.87	38 070.40
Liabilities to Other Financial Corporations	38 407.56	39 579.23	42 118.76	46 270.70
Of which: Deposits Included in Broad Money	35 811.05	37 185.31	39 036.00	43 431.21
Foreign Liabilities	4 678.47	5 666.74	5 991.50	6 338.84
Bond Issue	38 523.02	41 031.28	44 456.32	46 615.30
Paid-in Capital	2 656.28	2 737.82	2 749.54	3 029.66
Other Liabilities	31 034.93	33 070.69	34 617.12	36 995.21
Total Liabilities	351 663.89	374 390.01	372 863.15	389 340.91

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 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	371.66	351.79	400.80	575.03
Reserve Assets	37 824.35	39 676.19	40 432.58	45 602.52
Deposits with Central Bank	36 557.53	38 418.23	39 111.59	44 154.91
Cash in Vault	1 266.82	1 257.96	1 320.99	1 447.61
Claims on Government	8 352.82	8 704.99	9 328.35	9 804.64
Of which: Central Government	8 352.82	8 704.99	9 328.35	9 804.64
Claims on Central Bank	105.92	98.65	100.08	83.14
Claims on Other Depository Corporations	59 195.09	60 120.47	56 431.99	59 783.65
Claims on Other Financial Corporations	23 839.92	25 744.81	27 083.85	28 641.30
Claims on Non-financial Corporations	94 935.11	99 965.92	103 794.07	109 410.57
Claims on Other Resident Sectors	31 233.67	33 496.46	35 658.43	37 481.78
Other Assets	8 962.47	9 588.22	10 187.59	10 458.29
Total Assets	264 821.02	277 747.50	283 417.75	301 840.91
Liabilities to Non-financial Institutions & Households	181 577.18	191 978.53	195 250.52	205 272.33
Deposits Included in Broad Money	179 867.45	190 105.78	193 139.16	202 802.50
Corporate Demand Deposits	45 952.84	48 975.67	46 872.40	51 314.56
Corporate Time Deposits	46 137.61	49 678.69	51 748.86	52 304.46
Personal Deposits	87 777.00	91 451.42	94 517.90	99 183.48
Deposits Excluded from Broad Money	1 067.68	1 159.42	1 424.12	1 535.82
Transferable Deposits	292.13	304.98	313.99	356.77
Other Deposits	775.55	854.43	1 110.13	1 179.04
Other Liabilities	642.05	713.34	687.23	934.01
Liabilities to Central Bank	999.29	1 376.42	1 837.42	2 187.61
Liabilities to Other Depository Corporations	43 771.29	42 525.17	39 526.36	42 095.89
Liabilities to Other Financial Corporations	6 839.39	8 024.80	9 838.50	11 287.83
Of which: Deposits Included in Broad Money	6 472.24	7 766.42	9 439.13	10 546.90
Foreign Liabilities	714.29	702.87	785.64	753.43
Bond Issue	1 896.63	2 158.73	3 150.17	4 977.04
Paid-in Capital	7 459.08	7 785.87	8 128.33	8 558.96
Other Liabilities	21 563.88	23 195.10	24 900.81	26 707.84
Total Liabilities	264 821.02	277 747.50	283 417.75	301 840.91

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 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	1 109.61	1 294.78	1 443.41	1 888.69
Reserve Assets	2 951.42	3 018.86	2 898.58	3 205.40
Deposits with Central Bank	2 939.79	3 007.53	2 886.84	3 194.46
Cash in Vault	11.63	11.33	11.74	10.93
Claims on Government	1 342.80	1 799.12	2 055.36	2 184.62
Of which: Central Government	1 342.80	1 799.12	2 055.36	2 184.62
Claims on Central Bank	658.99	301.81	134.12	39.63
Claims on Other Depository Corporations	6 742.82	6 471.25	5 989.28	5 774.89
Claims on Other Financial Corporations	1 490.64	1 578.42	1 684.16	2 124.82
Claims on Non-financial Corporations	10 874.64	10 891.65	11 034.54	11 077.28
Claims on Other Resident Sectors	842.61	891.11	933.08	970.37
Other Assets	1 056.73	934.27	1 063.84	877.40
Total Assets	27 070.26	27 181.28	27 236.37	28 143.09
Liabilities to Non-financial Institutions & Households	15 015.76	15 123.90	15 006.82	15 730.67
Deposits Included in Broad Money	12 168.56	12 219.82	12 087.19	12 685.11
Corporate Demand Deposits	2 471.33	2 597.29	2 325.64	3 314.92
Corporate Time Deposits	7 634.71	7 573.70	7 760.51	7 440.21
Personal Deposits	2 062.53	2 048.83	2 001.04	1 929.99
Deposits Excluded from Broad Money	2 435.83	2 556.30	2 509.25	2 621.09
Transferable Deposits	1 121.81	1 189.36	1 171.01	1 249.23
Other Deposits	1 314.02	1 366.94	1 338.24	1 371.86
Other Liabilities	411.37	347.78	410.38	424.47
Liabilities to Central Bank	1.82	0.67	1.77	1.85
Liabilities to Other Depository Corporations	1 563.57	1 873.92	1 624.04	1 784.86
Liabilities to Other Financial Corporations	647.11	596.59	637.79	708.67
Of which: Deposits Included in Broad Money	519.66	452.11	460.23	512.50
Foreign Liabilities	6 023.24	5 803.41	5 971.08	6 056.96
Bond Issue	80.30	80.62	85.71	114.50
Paid-in Capital	1 618.00	1 634.85	1 660.95	1 654.05
Other Liabilities	2 120.46	2 067.32	2 248.22	2 091.54
Total Liabilities	27 070.26	27 181.28	27 236.37	28 143.09

Balance Sheet of Rural Credit Cooperatives in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	3.57	4.22	3.87	2.61
Reserve Assets	12 112.86	12 664.47	12 798.26	14 985.24
Deposits with Central Bank	11 154.03	11 725.89	11 876.94	14 115.69
Cash in Vault	958.83	938.58	921.32	869.55
Claims on Government	690.39	675.24	683.66	653.55
Of which: Central Government	690.39	675.24	683.66	653.55
Claims on Central Bank	71.58	69.07	75.48	84.21
Claims on Other Depository Corporations	22 298.80	21 577.18	21 179.65	18 939.23
Claims on Other Financial Corporations	2 276.74	2 487.34	2 356.48	2 377.99
Claims on Non-financial Corporations	22 353.85	22 912.05	22 877.69	22 917.85
Claims on Other Resident Sectors	22 891.07	23 526.34	23 415.09	22 443.07
Other Assets	4 374.87	4 369.16	4 498.55	4 272.88
Total Assets	87 073.74	88 285.07	87 888.74	86 676.63
Liabilities to Non-financial Institutions & Households	68 767.61	68 973.22	67 660.87	66 661.92
Deposits Included in Broad Money	68 640.19	68 854.23	67 531.55	66 484.37
Corporate Demand Deposits	11 211.95	11 406.00	11 044.12	10 847.51
Corporate Time Deposits	2 588.68	2 889.80	2 884.47	2 775.93
Personal Deposits	54 839.56	54 558.43	53 602.96	52 860.94
Deposits Excluded from Broad Money	5.20	5.51	9.35	6.09
Transferable Deposits	0.44	0.54	0.62	0.43
Other Deposits	4.75	4.96	8.72	5.66
Other Liabilities	122.22	113.48	119.98	171.46
Liabilities to Central Bank	1 137.52	1 359.55	1 524.68	1 435.21
Liabilities to Other Depository Corporations	6 914.72	7 415.30	7 828.51	6 697.71
Liabilities to Other Financial Corporations	345.06	333.55	355.90	560.50
Of which: Deposits Included in Broad Money	59.85	62.00	71.17	75.16
Foreign Liabilities	0.05	0.05	0.07	0.13
Bond Issue				1.00
Paid-in Capital	2 523.65	2 549.72	2 523.55	2 646.50
Other Liabilities	7 385.13	7 653.67	7 995.17	8 673.65
Total Liabilities	87 073.74	88 285.07	87 888.74	86 676.63

Balance Sheet of Finance Companies in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Foreign Assets	124.04	137.22	98.30	152.20
Reserve Assets	2 664.75	2 810.52	2 967.32	3 014.57
Deposits with Central Bank	2 664.71	2 810.49	2 966.89	3 014.53
Cash in Vault	0.04	0.04	0.43	0.04
Claims on Government	56.46	55.21	51.42	55.19
Of which: Central Government	56.46	55.21	51.42	55.19
Claims on Central Bank	0.50			
Claims on Other Depository Corporations	7 519.45	8 025.76	9 557.33	12 140.55
Claims on Other Financial Corporations	691.75	942.54	1 026.90	967.81
Claims on Non-financial Corporations	11 588.25	12 078.36	12 244.14	13 113.75
Claims on Other Resident Sectors	386.65	408.59	430.04	465.41
Other Assets	222.05	216.32	218.31	239.19
Total Assets	23 253.91	24 674.53	26 593.75	30 148.68
Liabilities to Non-financial Institutions & Households	17 831.04	19 034.50	20 905.46	23 943.41
Deposits Included in Broad Money	17 528.08	18 698.22	20 575.84	23 486.25
Corporate Demand Deposits	8 058.57	9 069.34	9 912.44	12 739.20
Corporate Time Deposits	9 463.31	9 623.10	10 658.25	10 742.53
Personal Deposits	6.19	5.79	5.15	4.53
Deposits Excluded from Broad Money	295.28	328.69	321.66	446.37
Transferable Deposits	227.53	226.30	196.32	321.66
Other Deposits	67.76	102.39	125.35	124.71
Other Liabilities	7.68	7.59	7.96	10.79
Liabilities to Central Bank	111.42	112.10	106.48	113.04
Liabilities to Other Depository Corporations	558.40	634.65	508.88	616.68
Liabilities to Other Financial Corporations	71.34	56.42	40.48	63.59
Of which: Deposits Included in Broad Money	57.42	50.57	34.94	35.89
Foreign Liabilities			0.41	8.36
Bond Issue	161.11	163.23	110.00	189.43
Paid-in Capital	2 548.73	2 655.83	2 754.05	2 877.63
Other Liabilities	1 971.86	2 017.81	2 167.99	2 336.56
Total Liabilities	23 253.91	24 674.53	26 593.75	30 148.68

Monetary Aggregates in 2014

(Quarter-end Balance)

100 million yuan

	Q1	Q2	Q3	Q4
Money & Quasi-money (M2)	1 160 687.38	1 209 587.20	1 202 051.41	1 228 374.81
Money (M1)	327 683.74	341 487.45	327 220.21	348 056.41
Currency in Circulation (M0)	58 329.30	56 951.05	58 844.99	60 259.53
Corporate Demand Deposits	269 354.44	284 536.39	268 375.22	287 796.88
Quasi-money	833 003.64	868 099.75	874 831.20	880 318.40
Corporate Time Deposits	250 779.04	265 644.22	272 197.01	264 055.71
Personal Deposits	500 399.16	508 024.93	504 261.93	508 878.12
Other Deposits	81 825.44	94 430.60	98 372.26	107 384.57

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

Monetary Aggregates in 2014

(Year-on-year percentage change)

Percent per annum

	Q1	Q2	Q3	Q4
Money & Quasi-money (M2)	12.05	14.72	12.92	12.16
Money (M1)	5.40	8.93	4.77	3.19
Currency in Circulation (M0)	5.17	5.34	4.16	2.88
Corporate Demand Deposits	5.45	9.68	4.90	3.26
Quasi-money	14.90	17.17	14.35	14.44
Corporate Time Deposits	16.25	16.50	13.85	13.48
Personal Deposits	11.45	12.05	9.16	8.96
Other Deposits	35.88	58.80	53.68	54.50

Note: Same as the note above.

Statistics on Volume of RMB Issuance

100 million yuan

Notes & Coins	Year-end Balance of 2013	Year-end Balance of 2014
100 Yuan Note	56 576.50	58 253.31
50 Yuan Note	2 921.48	3 229.79
20 Yuan Note	1 158.53	1 189.02
10 Yuan Note	1 839.43	1 874.51
5 Yuan Note	872.64	895.54
2 Yuan Note	39.02	38.99
1 Yuan Note	560.28	581.59
5 Jiao Note	136.73	145.19
2 Jiao Note	21.02	20.97
1 Jiao Note	67.91	71.85
5 Fen Note	1.56	1.56
2 Fen Note	1.76	1.76
1 Fen Note	2.92	2.92
1 Yuan Coin	432.41	470.52
5 Jiao Coin	157.03	173.72
1 Jiao Coin	98.30	106.59
5 Fen Coin	6.91	6.94
2 Fen Coin	5.82	5.82
1 Fen Coin	3.48	3.50
Total	64 903.73	67 074.08

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

Statistics on Numbers of Non-cash Payment Operations

10 thousand (number)

		2010	2011	2012	2013	2014
Commercial Papers	Bills of Exchange	679.24	531.72	469.24	377.13	307.56
	Banker's Drafts	4.77	4.97	5.11	4.74	3.86
	Transfer Bank Drafts	674.47	526.75	464.13	372.38	303.70
	Commercial Drafts	936.71	1 256.05	1 553.33	1 630.67	1 842.14
	Commercial Acceptance Bills	22.18	20.59	18.83	21.13	23.16
	Banker's Acceptance Bills	914.53	1 235.46	1 534.50	1 609.54	1 818.98
	Promissory Notes	786.06	805.29	718.89	626.17	477.30
	Cash Promissory Notes	5.82	7.93	2.12	1.86	1.66
	Transfer Promissory Notes	780.24	797.36	716.77	624.31	475.64
	Cheques	87 243.51	82 064.45	75 598.78	66 700.19	55 185.01
	Cash Cheques	27 703.18	26 442.42	24 789.07	21 702.69	17 897.01
	Transfer Cheques	59 540.33	55 622.03	50 809.71	44 997.50	37 288.00
	Domestic Letter of Credit	6.12	8.22	26.88	8.61	9.67
	Total	89 651.64	84 665.73	78 367.12	69 342.76	57 821.68
Bankcards	Cash Deposits	468 428.21	547 807.25	678 702.96	794 171.17	879 037.78
	Cash Withdraw	1 178 706.16	1 418 061.02	1 613 373.58	1 811 712.78	1 991 097.06
	Consumption	484 942.37	641 300.92	900 906.84	1 297 095.46	1 975 439.61
	Transfer	443 594.17	570 793.67	698 415.56	856 577.55	1 111 769.49
	Total	2 575 670.91	3 177 962.86	3 891 398.94	4 759 556.97	5 957 343.94
Settlements	Remittance	102 203.79	117 262.52	141 000.07	183 717.28	256 904.11
	Consignment Collection Payment	79.10	80.95	74.29	62.12	52.50
	Entrusted Collection of Payment	2 789.11	3 073.11	3 247.27	3 151.72	3 059.52
	Total	105 072.00	120 416.58	144 321.63	186 931.12	260 016.13

Statistics on Transaction Value of Non-cash Payment Operations

100 million yuan

		2010	2011	2012	2013	2014
Commercial Papers	Bills of Exchange	40 009.98	30 482.91	27 031.50	21 587.28	16 833.60
	Banker's Drafts	56.27	56.31	49.92	45.19	49.18
	Transfer Bank Drafts	39 953.70	30 426.60	26 981.58	21 542.09	16 784.42
	Commercial Drafts	108 454.34	142 266.10	160 629.40	182 409.49	192 795.12
	Commercial Acceptance Bills	5 935.44	8 373.65	4 893.96	6 685.14	7 457.68
	Banker's Acceptance Bills	102 518.90	133 892.45	155 735.44	175 724.35	185 337.44
	Promissory Notes	86 108.85	88 754.03	71 036.08	60 278.65	43 584.43
	Cash Promissory Notes	395.32	520.96	64.22	55.06	52.73
	Transfer Promissory Notes	85 713.53	88 233.07	70 971.86	60 223.59	43 531.70
	Cheques	2 605 034.99	2 737 769.05	2 687 934.69	2 595 621.84	2 425 666.23
	Cash Cheques	192 637.90	201 527.07	190 503.73	171 631.52	144 483.46
	Transfer Cheques	2 412 397.09	2 536 241.98	2 497 430.96	2 423 990.33	2 281 182.77
	Domestic Letter of Credit	5 573.16	11 872.40	17 029.53	17 071.25	20 975.97
	Total	2 845 181.32	3 011 144.49	2 963 661.20	2 876 968.51	2 699 855.35
Bankcards	Cash Deposits	448 641.76	533 568.66	577 087.75	666 058.47	706 428.22
	Cash Withdraw	509 818.00	593 447.23	613 658.67	707 988.82	744 137.96
	Consumption	104 297.67	152 118.84	208 256.04	318 315.25	423 840.00
	Transfer	1 404 872.80	1 959 118.64	2 063 116.79	2 541 239.04	2 624 616.02
	Total	2 467 630.23	3 238 253.37	3 462 119.25	4 233 601.58	4 499 022.20
Settlements	Remittance	3 627 199.96	4 660 276.94	6 290 077.14	8 804 179.43	10 787 170.89
	Consignment Collection Payment	7 616.09	7 543.56	6 704.51	6 684.84	6 835.44
	Entrusted Collection of Payment	104 159.66	126 288.20	140 534.83	154 179.21	180 961.92
	Total	3 738 975.71	4 794 108.70	6 437 316.48	8 965 043.48	10 974 968.25

Statistics on Transactions via Payment Systems

10 thousand (number), 100 million yuan

Volume		2010	2011	2012	2013	2014
High Value Payment System	Volume (number)	29 121.66	37 211.44	47 035.96	59 548.66	71 256.49
	Value	11 043 680.19	13 552 814.97	17 719 972.13	20 607 617.10	23 468 933.87
Bulk Electronic Payment System	Volume (number)	38 672.84	56 304.92	75 393.50	104 027.48	143 580.15
	Value	162 124.36	183 614.11	185 477.54	203 154.11	220 751.23
Internet Banking Payment System	Volume (number)			26 580.35	71 784.34	163 914.52
	Value			35 630.14	94 684.65	177 893.21
Inter-city Bill Clearing System	Volume (number)	44 957.39	41 803.08	39 135.21	41 871.49	38 381.54
	Value	731 904.25	709 484.72	665 182.46	682 886.89	632 193.30
China Domestic Foreign Currency Payment System	Volume (number)	54.48	76.24	111.05	139.44	191.13
	Value	9 506.38	17 103.76	33 614.79	44 294.86	52 809.80
Interbank Fund Transfer System	Volume (number)	524 460.31	729 076.77	895 492.15	1 075 915.52	1 431 813.80
	Value	4 580 717.89	5 305 821.12	6 245 593.61	7 452 224.44	8 962 797.55
Interbank Bankcard Payment System	Volume (number)	845 329.81	1 038 147.93	1 248 897.88	1 513 946.08	1 867 366.07
	Value	112 267.74	159 285.29	217 631.82	322 972.28	411 097.10
Total	Volume (number)	1 482 596.49	1 902 620.38	2 332 646.10	2 867 233.02	3 716 503.70
	Value	16 640 200.81	19 928 123.97	25 103 102.49	29 407 834.32	33 926 476.06

Statistics on Numbers of Bank RMB Settlement Accounts

10 thousand (number)

	2010	2011	2012	2013	2014
Entity Settlement Accounts	2 487.07	2 824.22	3 169.57	3 558.06	3 976.91
Basic Deposit Settlement Accounts	1 475.28	1 693.30	1 904.47	2 162.35	2 468.02
General Deposit Settlement Accounts	750.32	859.41	983.28	1 099.47	1 196.90
Special Deposit Settlement Accounts	237.10	247.09	258.98	274.28	291.02
Temporary Deposit Settlement Accounts	24.36	24.42	22.83	21.96	20.96
Individual Settlement Accounts	335 082.06	408 185.37	487 811.70	560 720.36	647 271.18
Total	337 569.12	411 009.59	490 981.27	564 278.42	651 248.09

Statistics on Bankcard Numbers

10 thousand (number)

	2010	2011	2012	2013	2014
Credit Card	22 972.57	28 545.91	33 109.51	39 079.24	45 509.50
Ordinary Credit Card	20 557.10	25 162.44	28 903.53	34 356.27	39 980.76
Quasi-credit Card	2 415.47	3 383.47	4 205.98	4 722.97	5 528.74
Debit Card	218 565.60	266 359.09	320 305.21	382 310.04	448 062.36
Total	241 538.17	294 905.00	353 414.72	421 389.28	493 571.86

RMB Interest Rates in 2014

Percent per annum

	Jan. 1	Nov. 22*	Dec. 31
Benchmark Rates			
Required Reserves	1.62	1.62	1.62
Excess Reserves	0.72	0.72	0.72
Loans to Financial Institutions			
20 Days or Less	3.25	3.25	3.25
3 Months or Less	3.55	3.55	3.55
6 Months or Less	3.75	3.75	3.75
1 Year	3.85	3.85	3.85
Rediscount	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
Time Deposits			
3 Months	2.60	2.35	2.35
6 Months	2.80	2.55	2.55
1 Year	3.00	2.75	2.75
2 Years	3.75	3.35	3.35
3 Years	4.25	4.00	4.00
5 Years	4.75		
Interest Rates on Loans			
6 Months (including 6 months)	5.60	5.60	5.60
6 Months ~1 Year (including 1 year)	6.00		
1~3 Years (including 3 years)	6.15	6.00	6.00
3~5 Years (including 5 years)	6.40		
Longer than 5 Years	6.55	6.15	6.15
Loan Prime Rate (Average)	5.73	5.56**	5.51
Weighted Average Rates in Interbank Market***			
Interbank Borrowing			3.49
Bond-pledged Repo			3.49

Note: * The PBC cuts RMB benchmark loan and deposit interest rates for financial institutions as of November 22, 2014. At the same time, the upper limit of the floating range for deposit interest rates would be raised from 1.1 to 1.2 times the benchmark level; maturity brackets of RMB benchmark loan and deposit interest rates would be duly reduced to three: (a) within one year (including one year), (b) one to five years (including five years), (c) above five years, all for the purpose of supporting the market-based interest rate reform. Besides, RMB benchmark interest rate on time deposit of five-year-term would be no longer published.

** This is the rate on November 24, 2014.

*** This is the rate in December.

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 2014

Percent per annum

	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	3.44	4.69	5.50	6.58	5.59	4.98	4.99	4.99
February	2.85	4.18	4.56	5.21	5.58	5.00	5.00	5.00
March	2.28	3.20	3.59	4.48	5.50	5.00	5.00	5.00
April	2.48	3.50	3.87	4.29	5.50	5.00	5.00	5.00
May	2.41	3.24	3.38	3.91	5.23	5.00	5.00	5.00
June	2.70	3.27	3.98	4.75	4.79	4.94	4.98	5.00
July	3.21	3.80	4.38	4.51	4.75	4.90	4.96	5.00
August	2.94	3.46	3.81	4.19	4.69	4.89	4.94	5.00
September	2.78	3.22	3.48	4.04	4.62	4.84	4.92	5.00
October	2.50	3.01	3.40	3.90	4.50	4.79	4.89	4.97
November	2.54	3.16	3.57	3.96	4.27	4.54	4.72	4.87
December	3.02	4.13	4.68	5.04	4.66	4.51	4.54	4.68

Money Market Statistics in 2014

	Q1	Q2	Q3	Q4
Turnover of Interbank Borrowing (100 million yuan)	71 361	106 459	97 263	101 544
Turnover of Interbank Repo (100 million yuan)	388 433	554 892	627 833	673 067
Quarter-end Shibor: Overnight (%)	2.80	2.91	2.53	3.53
Quarter-end Shibor: 1-Week (%)	4.18	3.87	2.87	4.64
Quarter-end Month Weighted Average Rates of Interbank Borrowing (%)	2.49	2.85	2.97	3.49
Quarter-end Month Weighted Average Rates of Bond-pledged Repo (%)	2.48	2.89	2.93	3.49
Commercial Bills Accepting (100 million yuan)	56 777	52 799	52 878	58 295
Quarter-end Commercial Bills Outstanding (100 million yuan)	94 870	102 013	97 232	98 782
Financial Institutions Discounting (100 million yuan)	108 238	148 197	168 712	182 143
Quarter-end Financial Institutions Discount Outstanding (100 million yuan)	18 840	22 028	27 000	29 169

Bond Market Statistics in 2014

	Q1	Q2	Q3	Q4
Total Bond Issuance (100 million yuan)	21 208	32 623	30 664	25 320
Government Bonds	2 140	6 580	7 865	5 162
Central Bank Bills	0	0	0	0
Financial Bonds	8 622	9 620	10 138	8 172
Corporate Credit Bonds	10 446	16 423	12 661	11 986
Quarter-end Outstanding Balance of Bond Issuance (100 million yuan)	309 056	325 804	342 033	353 231
Government Bonds	95 162	98 361	104 151	107 275
Central Bank Bills	5 462	4 832	4 622	4 222
Financial Bonds	112 502	116 505	121 112	125 489
Corporate Credit Bonds	95 899	106 075	112 117	116 214
International Institutions Bonds	31	31	31	31
Quarter-end Chinabond Composite Index (% , net price)	97.4	99.5	100.0	101.4
Quarter-end Chinabond Yield Curve (% , for 1-year term)	3.09	3.38	3.74	3.26
Quarter-end Chinabond Yield Curve (% , for 10-year term)	4.50	4.06	3.98	3.62

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

Stock Market Statistics in 2014

	Q1	Q2	Q3	Q4
Total Funds Raised (100 million yuan)	1 344	1 221	1 262	3 232
Turnover of Trading (100 million yuan)	121 903	94 691	190 646	335 146
Quarter-end Volume of Stock Issued (100 million shares)	34 224	35 483	36 239	36 795
Quarter-end Market Capitalization (100 million yuan)	236 625	244 129	293 548	372 547
Quarter-end Numbers of Companies Listed	2 537	2 540	2 569	2 613
Quarter-end Close Index				
Shanghai Stock Exchange Composite Index (December 19, 1990=100)	2 033	2 048	2 364	3 235
Shenzhen Stock Exchange Component Index (July 20, 1994=1000)	7 190	7 343	8 080	11 015

Futures Market Statistics in 2014

	Q1	Q2	Q3	Q4
Transaction Volume (10 thousand lots)	49 192	55 102	65 011	81 280
Turnover of Trading (100 million yuan)	573 161	583 577	674 833	1 088 312
Quarter-end Position (10 thousand lots)	803	986	1 004	910

Insurance Market Statistics in 2014

	Q1	Q2	Q3	Q4
Premium Income (100 million yuan)	7 000	4 489	4 445	4 301
Property Insurance	1 757	1 866	1 719	1 862
Life Insurance	5 243	2 623	2 726	2 439
Claim and Benefite Payment (100 million yuan)	1 859	1 672	1 706	1 978
Property Insurance	834	879	928	1 147
Life Insurance	1 025	793	778	832
Quarter-end Assets in Total (100 million yuan)	89 459	93 737	96 076	101 591
Of which: Bank Deposits	25 031	25 618	25 095	25 311
Investment	57 197	60 288	62 582	68 004

Gold Market Statistics in 2014

	Q1	Q2	Q3	Q4
Value Traded of Au99.99 (100 million yuan)	2 365	2 308	2 553	3 282
Value Traded of Au (T+D) (100 million yuan)	4 606	4 066	4 916	7 945
Value Traded of Ag (T+D) (100 million yuan)	3 904	2 533	4 047	9 153
Au99.99 Quarter-end Close Price (yuan/g)	258	262	256	241
Au (T+D) Quarter-end Close Price (yuan/g)	258	262	255	240
Ag (T+D) Quarter-end Close Price (yuan/kg)	4 113	4 272	4 212	3 447

Balance of Payments in 2014

100 million US dollars

	Line	Balance	Credit	Debit
Current Account	1	2 197	27 992	25 795
Goods & Services	2	2 840	25 451	22 611
Goods	3	4 760	23 541	18 782
Services	4	-1 920	1 909	3 829
Transportation	5	-579	382	962
Travel	6	-1 079	569	1 649
Communication Services	7	-5	18	23
Construction Services	8	105	154	49
Insurance Services	9	-179	46	225
Financial Services	10	-4	45	49
Computer & Information Services	11	99	184	85
Royalties & License Fees	12	-219	7	226
Consulting Services	13	164	429	265
Advertising & Public Opinion Polling	14	12	50	38
Audio-visual & Related Services	15	-7	2	9
Other Business Services	16	-217	14	231
Government Services, n.i.e	17	-10	11	20
Income	18	-341	2 130	2 471
Compensation of Employees	19	258	299	42
Investment Income	20	-599	1 831	2 429
Current Transfers	21	-302	411	714
General Government	22	-29	16	46
Other Sectors	23	-273	395	668
Capital & Financial Account	24	382	25 730	25 347
Capital Account	25	0	19	20
Financial Account	26	383	25 710	25 328
Direct Investment	27	2 087	4 352	2 266
Abroad	28	-804	555	1 359
From Abroad	29	2 891	3 797	906
Portfolio Investment	30	824	1 664	840
Assets	31	-108	293	401
Equity Securities	32	-14	170	184
Debt Securities	33	-94	123	217
Bonds & Notes	34	-92	123	215
Money Market Instruments	35	-2	0	2

Continued

	Line	Balance	Credit	Debit
Liabilities	36	932	1 371	439
Equity Securities	37	519	777	258
Debt Securities	38	413	594	181
Bonds & Notes	39	410	497	88
Money Market Instrument	40	4	97	94
Other Investment	41	-2 528	19 694	22 222
Assets	42	-3 030	995	4 025
Trade Credits	43	-688	282	970
Long-term	44	-14	6	19
Short-term	45	-674	276	950
Loans	46	-738	177	915
Long-term	47	-455	0	455
Short-term	48	-282	177	459
Currency & Deposits	49	-1 597	514	2 111
Other Assets	50	-8	22	29
Long-term	51	0	0	0
Short-term	52	-8	22	29
Liabilities	53	502	18 699	18 197
Trade Credits	54	-21	154	174
Long-term	55	0	3	3
Short-term	56	-20	151	171
Loans	57	-343	17 464	17 807
Long-term	58	-57	511	569
Short-term	59	-286	16 953	17 239
Currency & Deposits	60	814	994	180
Other Liabilities	61	52	87	35
Long-term	62	58	64	6
Short-term	63	-6	23	29
Reserve Assets	64	-1 178	312	1 490
Monetary Gold	65	0	0	0
Special Drawing Rights	66	1	1	1
Reserve Position in IMF	67	10	13	4
Foreign Exchange	68	-1 188	298	1 486
Other Claims	69	0	0	0
Net Errors & Omissions	70	-1 401	0	1 401

China's External Debt Position in 2014, by Sectors

	End-2014	End-2014
	100 million yuan	100 million US dollars
General Government	3 379	552
Short-term	0	0
Currency & Deposits	0	0
Debt Securities	0	0
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
Long-term	3 379	552
SDR Allocation	0	0
Currency & Deposits	0	0
Debt Securities	18	3
Loans	3 361	549
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
The Central Bank	619	101
Short-term	0	0
Currency & Deposits	0	0
Debt Securities	0	0
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0
Long-term	619	101
SDR Allocation	619	101
Currency & Deposits	0	0
Debt Securities	0	0
Loans	0	0
Trade Credits & Advances	0	0
Other Debt Liabilities	0	0

Continued

	End-2014	End-2014
	100 million yuan	100 million US Dollars
Other Depository Corporations	18 470	3 018
Short-term	14 963	2 445
Currency & Deposits	6 663	1 089
Debt Securities	0	0
Loans	8 288	1 354
Trade Credits & Advances	0	0
Other Debt Liabilities	12	2
Long-term	3 507	573
Currency & Deposits	0	0
Debt Securities	650	106
Loans	2 851	466
Trade Credits & Advances	0	0
Other Debt Liabilities	6	1
Other Sectors	26 741	4 371
Short-term	21 927	3 584
Currency & Deposits	0	0
Debt Securities	0	0
Loans	1 811	297
Trade Credits & Advances	20 104	3 285
Other Debt Liabilities	12	2
Long-term	4 814	787
Currency & Deposits	0	0
Debt Securities	6	1
Loans	4 438	725
Trade Credits & Advances	358	59
Other Debt Liabilities	12	2
Direct Investment: between Enterprises	5 584	913
Liabilities of Direct Investment Enterprises to Direct Investment Investors	4 719	772
Liabilities of Direct Investment Investors to Direct Investment Enterprises	6	1
Liabilities to Affiliated Enterprises	859	140
Total External Debt Positions	54 793	8 955

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

	2010	2011	2012	2013	2014
Total Reserves (minus gold)	2 862 276	3 197 107.2	3 325 440.1	3 833 291.0	3 853 759.9
SDRs	12 345	11 855.2	11 365.6	11 183.6	10 456.0
Reserve Position in IMF	2 593	4 104.4	2 485.3	792.2	285.9
Foreign Exchange	2 847 338	3 181 147.6	3 311 589.2	3 821 315.2	3 843 018.0
Gold (million ounce)	33.89	33.89	33.89	33.89	33.89
Gold (national valuation)	9 815	9 815	9 815	9 815	9 815
Foreign Liabilities of Other Depository Corporations	108 406	123 250.0	157 509.4	294 789.2	409 995.4

Gold and Foreign Exchange Reserves

Year	Gold (10 thousand ounce)	Foreign Exchange Reserves (100 million US dollars)	Change in Foreign Exchange Reserves (%)
2002	1 929	2 864.1	35.0
2003	1 929	4 032.5	40.8
2004	1 929	6 099.3	51.3
2005	1 929	8 188.7	34.3
2006	1 929	10 663.4	30.2
2007	1 929	15 282.5	43.3
2008	1 929	19 460.3	27.3
2009	3 389	23 991.5	23.3
2010	3 389	28 473.4	18.7
2011	3 389	31 811.5	11.7
2012	3 389	33 115.9	4.1
2013	3 389	38 213.2	15.4
2014	3 389	38 430.2	0.6

Note: The PBC made adjustments to RMB purchase of gold in April 2009.

RMB Exchange Rate, End-2014

Year	Foreign Currency	Year-end Rate (RMB/per unit of foreign currency)	Change of Basis Points
2010	USD	6.6227	-2 055
	HKD	0.8509	-296
	JPY	8.1260	7 478
	EUR	8.8065	9 906
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
		7.4556	9 633

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

RMB Cross-border Trade Settlements

100 million yuan

Year	Trade in Goods	Trade in Services	Total
2009	32	4	36
2010	4 380	683	5 063
2011	15 606	5 202	20 808
2012	20 617	8 764	29 381
2013	30 189	16 109	46 298
2014*	58 974	6 565	65 539
Total	129 796	37 329	167 125

Note: As of August 2014, statistics on transit trade without custom-clearance of goods are added in the calculation of trade in goods instead of trade in services, thus making the volume of trade in goods larger and the volume of trade in services smaller.

Flow of Funds

(Financial Transaction)

	Households		Non-financial Corporations		General Government		Financial Institutions	
	Uses	Sources	Uses	Sources	Uses	Sources	Uses	Sources
Net Financial Investment	48 913		-37 421		15 809		-15 838	
Financial Uses	90 763		110 701		36 402		250 782	
Financial Sources		41 850		148 122		20 593		266 620
Currency	3 250		321		78		31	3 915
Deposits	55 888		59 271		36 597		3 932	153 562
Demand Deposits	19 804		6 879		8 769			35 452
Time Deposits	35 621		28 110		17 508			81 239
Fiscal Deposits					5 766			5 766
Foreign Exchange Deposits	173		4 514		64		-168	1 751
Other Deposits	289		19 769		4 489		4 100	29 355
Customer Margin of Securities Companies	-85		-88		-58		-75	-310
Loans		41 850		103 757		29	148 049	
Short-term Loans & Discounted Commercial Paper Loans		17 828		26 445			44 273	
Medium & Long-term Loans		22 482		23 378			45 860	
Foreign Exchange Loans		15		3 450		-48	5 764	
Designated Loans				26 164			26 164	
Other Loans		1 526		24 320		77	25 987	
Undiscounted Banker's Acceptance Bills			7 756	7 756			7 756	7 756
Insurance Technical Reserves	13 160		841			7 336		6 665
Inter-financial Institutions Accounts							5 763	18 275
Required & Excessive Reserves							14 302	14 302
Securities	4 881		5 508	22 340	-563	12 949	27 701	4 139
Bonds	4 117		4 559	18 111	-1 088	12 949	27 027	3 555
Government & Public Bonds	3 737		410		-486	12 949	9 288	
Financial Bonds			2 325		-758		9 906	11 473
Central Bank Bonds			-12		-8		-7 898	-7 918
Corporate Bonds	381		1 835	18 111	164		15 732	
Shares	764		949	4 229	525		674	584
Securities Investment Funds Shares	369		382		253		325	1 352
Cash in Vault							442	420
Central Bank Loans							413	413
Miscellaneous (net)	13 300		28 318		95		12 882	54 655
Foreign Direct Investments			4 517	15 926				
Changes in Other Foreign Assets & Debts			3 875	3 132	0	279	2 656	1 476
Changes in Reserve Assets							26 606	
Errors & Omissions in the BOP				-4 788				

Statement in 2013

Accounts)

100 million yuan

All Domestic Sectors		The Rest of the World		Total		
Uses	Sources	Uses	Sources	Uses	Sources	
11 463		-11 463		0		Net Financial Investment
488 649		28 411		517 060		Financial Uses
	477 185		39 874		517 060	Financial Sources
3 680	3 915	235		3 915	3 915	Currency
155 687	153 562	1 154	3 279	156 841	156 841	Deposits
35 452	35 452			35 452	35 452	Demand Deposits
81 239	81 239			81 239	81 239	Time Deposits
5 766	5 766			5 766	5 766	Fiscal Deposits
4 583	1 751	446	3 279	5 029	5 029	Foreign Exchange Deposits
28 647	29 355	708		29 355	29 355	Other Deposits
-305	-310	-5		-310	-310	Customer Margin of Securities Companies
148 049	145 637	259	2 671	148 308	148 308	Loans
44 273	44 273			44 273	44 273	Short-term Loans & Discounted Commercial Paper Loans
45 860	45 860			45 860	45 860	Medium & Long-term Loans
5 764	3 416	259	2 607	6 023	6 023	Foreign Exchange Loans
26 164	26 164			26 164	26 164	Designated Loans
25 987	25 923		64	25 987	25 987	Other Loans
15 511	15 511			15 511	15 511	Undiscounted Banker's Acceptance Bills
14 001	14 001			14 001	14 001	Insurance Technical Reserves
5 763	18 275	8 603	-3 908	14 367	14 367	Inter-financial Institutions Accounts
14 302	14 302			14 302	14 302	Required & Excessive Reserves
37 527	39 428	2 058	156	39 584	39 584	Securities
34 615	34 615			34 615	34 615	Bonds
12 949	12 949			12 949	12 949	Government & Public Bonds
11 473	11 473			11 473	11 473	Financial Bonds
-7 918	-7 918			-7 918	-7 918	Central Bank Bonds
18 111	18 111			18 111	18 111	Corporate Bonds
2 912	4 813	2 058	156	4 969	4 969	Shares
1 329	1 352	23		1 352	1 352	Securities Investment Funds Shares
442	420		22	442	442	Cash in Vault
413	413			413	413	Central Bank Loans
54 595	54 655	60		54 655	54 655	Miscellaneous (net)
4 517	15 926	15 926	4 517	20 443	20 443	Foreign Direct Investments
6 531	4 886	4 886	6 531	11 417	11 417	Changes in Other Foreign Assets & Debts
26 606			26 606	26 606	26 606	Changes in Reserve Assets
	-4 788	-4 788		-4 788	-4 788	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 discount-

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.

ing the commercial papers, bankers' acceptance bills and other papers the clients hold.

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.

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

^④As 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 2013

In 2013, China's flow of funds had following features. First, the volume of flow of funds in the overall system kept increasing in a steady way. Second, incremental liability and equity financing of domestic non-financial sectors reached a new record high. In terms of structure, new household liabilities increased significantly year-on-year, reaching a record-high level, which was driven by housing demand; newly increased financial assets of the non-financial corporate sector registered an evidently higher level than last year, with financing gap contracting; net surplus of government funds was relatively large, showing an abundance of funds. Third, growth of incremental financial assets and liabilities and equity financing of financial institutions slowed down. Fourth, both the volume of domestic funds used by foreign sector and that of foreign funds used by China expanded sharply.

The volume of flow of funds in the whole system kept increasing in a steady way

In 2013, the volume of flow of funds in the whole system registered 51.71 trillion yuan, a new increase of 6.29 trillion yuan, slightly lower than that of 2012 (6.83 trillion yuan). During the year, the aggregate

financing to the real economy registered an increase of 17.32 trillion yuan, a year-on-year increase of 1.55 trillion yuan. The ratio of total volume of flow of funds in the whole society against GDP in 2013 was 87.9 percent, 0.5 percentage point higher than in 2012 (Figure 13, 14).

Figure 13 Total Volume and Growth of Flow of Funds in Recent Years

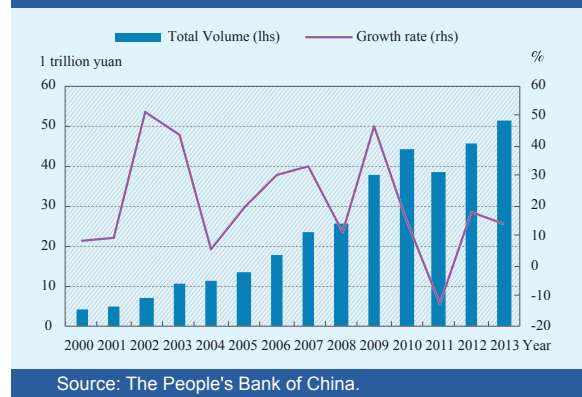
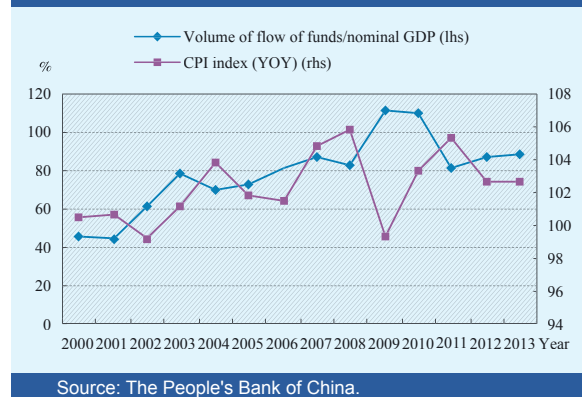


Figure 14 Ratio of Volume of Flow of Funds to GDP and CPI



The incremental liability and equity financing of domestic non-financial sectors

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.

reached a new record high, in which loan financing increased dramatically, while financing through undiscounted bankers' acceptances and corporate bonds increase much less year on year

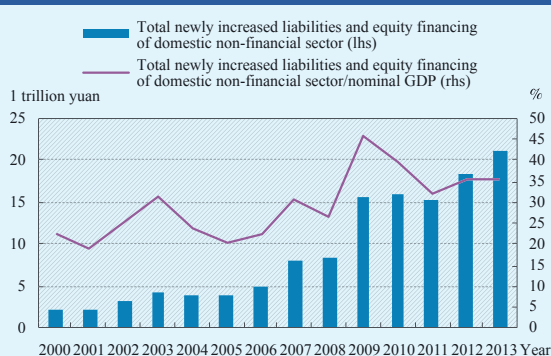
In 2013, newly increased liabilities and equity financing of domestic non-financial sectors (including households, non-financial corporations and general government, the same thereafter) registered its new historic high of 21.06 trillion yuan^①, an increase of 2.50 trillion yuan or 13.5 percent year on year, which was 7.9 percentage points lower than in 2012. The ratio of total volume of newly increased liabilities and equity financing of domestic non-financial sectors to the nominal GDP was 35.8 percent, 0.1 percentage point higher than in the previous year (Figure 15).

In terms of sectors, there was a large increase in the total volume of incremental liabilities by households and government sector in 2013. During the year, the newly

increased liabilities and equity financing by the households, non-financial corporate and government sectors were 4.19 trillion yuan, 14.81 trillion yuan, and 2.06 trillion yuan, up 1.41 trillion yuan, 674.8 billion yuan, and 414.8 billion yuan, and accounted for 19.9 percent, 70.3 percent, and 9.8 percent of the total volume of the newly increased liabilities and equity financing by domestic non-financial sectors, respectively. Among the above sectors, the proportions of incremental liabilities and equity financing by the households and government sectors increased by 4.9 percentage points and 0.9 percentage point, respectively, while that by the non-financial corporate sector decreased by 5.8 percentage points (Table 5).

In terms of financial instruments, financing through loans increased dramatically, while financing through undiscounted bankers' acceptances and corporate bonds increased much less year on year. In 2013, newly increased financing by domestic non-financial sectors through undiscounted bankers' acceptances, corporate bonds, equities and insurance reserves increased by 775.6 billion yuan, 1.81 trillion yuan, 422.9 billion yuan, and 733.6 billion yuan, decreased by 26.1 percent, 19.6 percent, 3.6 percent, and 0.9 percent compared with the previous year, respectively; newly increased financing through loans^②, treasury bonds, and external liabilities (foreign direct investment and

Figure 15 Ratio of Total Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors to Nominal GDP in Recent Years



Source: The People's Bank of China.

^②When 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.

other external liabilities, the same thereafter) went up by 14.56 trillion yuan, 1.29 trillion yuan, and 1.93 trillion yuan, up by 22.1 percent, 47.4 percent, and 9.6 percent, respectively. In terms of proportions, the proportion of loans (69.2 percent) and treasury bonds (6.1 percent) rose year on year, up by 4.9 percentage points and 1.4 percentage points, respectively; while those of undiscounted bankers' acceptances (3.7 percent), insurance reserves (3.5 percent), corporate

bonds (8.6 percent), equities (2.0 percent) and external liabilities (9.2 percent) declined by 2.0 percentage points, 0.5 percentage points, 3.5 percentage points, 0.4 percentage points, and 0.3 percentage points (Table 6).

Driven by housing demand, new household liabilities increased significantly year-on-year, reaching a record-high level

In 2013, newly increased liabilities of the household sector reached 4.19 trillion yuan,

Table 5 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Sector in 2013

	New Increase (100 million yuan)	YoY Change (100 million yuan)	YoY Growth (%)	Proportion (%)	YoY Change in Proportion (percentage point)
Total	210 565	25 022	13.5	100.0	0.0
Households	41 850	14 127	51.0	19.9	4.9
Non-financial corporations	148 122	6 748	4.8	70.3	-5.8
General government	20 593	4 148	25.2	9.8	0.9

Source: The People's Bank of China.

Table 6 Newly Increased Liabilities and Equity Financing of Domestic Non-financial Sectors by Financing Structure in 2013

	New Increase (100 million yuan)	YoY Change (100 million yuan)	YoY Growth (%)	Proportion (%)	YoY Change in Proportion (percentage point)
Total	210 565	25 022	13.5	100.0	0.0
Loans	145 637	26 321	22.1	69.2	4.9
Undiscounted bankers' acceptances	7 756	-2 743	-26.1	3.7	-2.0
Insurance reserves	7 336	-70	-0.9	3.5	-0.5
Bonds	31 060	-255	-0.8	14.8	-2.1
Corporate bonds	18 111	-4 421	-19.6	8.6	-3.5
Treasury bonds	12 949	4 166	47.4	6.1	1.4
Equity	4 229	-158	-3.6	2.0	-0.4
Foreign Liabilities	19 336	1 702	9.6	9.2	-0.3

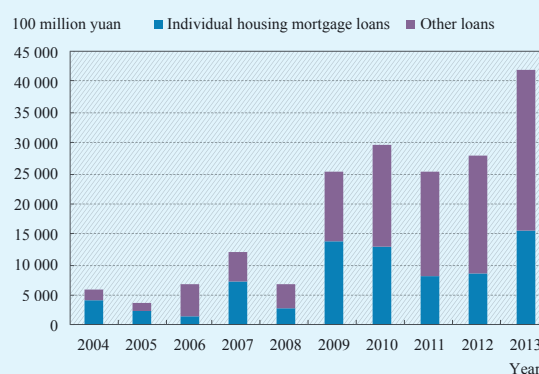
Source: The People's Bank of China.

which was 1.41 trillion yuan or 51.0 percent higher than the previous year, and saw the largest increase year on year since 2010. During the year, households evidently increased their spending in real estate asset purchases, and their liabilities rose accordingly. In 2013, total sales of marketable residential real estate registered 6.8 trillion yuan, rose 26.6 percent year on year, which was 15.7 percentage points higher than the 2012's increase; incremental individual housing loans increased by 1.56 trillion yuan, up by 720.3 billion yuan (Figure 16), which accounted for 37.3 percent of the total newly increased liabilities of the household sectors and was 6.9 percentage points higher than that in 2012.

Affected by factors such as rising physical investment by household sector, the allocation of funds by household sector in financial investment decreased correspondingly. In 2013, household sector increased financial assets by 9.08 trillion yuan, 369.6 billion yuan or 3.9 percent less than the previous year, which was the largest decrease in incremental volume since 1992, and the growth rate in 2013 was lower than that in 2012 by 23.9 percentage points. In terms of asset composition, during the year, household deposits^③ increased by 5.59 trillion yuan, 304.1 billion yuan less than the previous year and accounted for 61.6 percent of total households newly increased financial

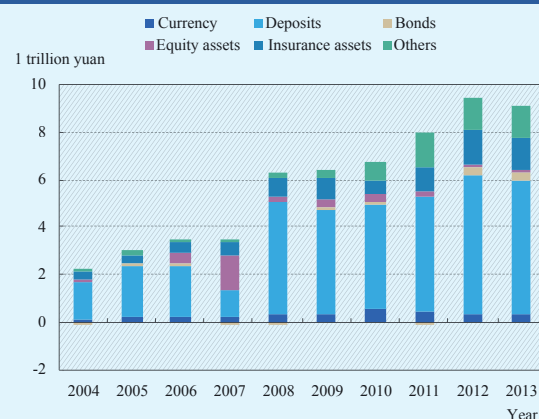
assets, 0.8 percentage points down compared with 2012; equity assets^④ increased by 104.8 billion yuan, 90.6 billion yuan less than that of 2012 and accounted for 1.2 percent of total, down by 0.9 percentage points; other assets, including wealth management assets, increased by 1.33 trillion yuan, 77.5 billion yuan less than in 2012 and accounted for 14.7 percent, down 0.2 percentage points than in 2012 (Figure 17).

Figure 16 Composition of Newly Increased Liabilities of the Household Sector



Source: The People's Bank of China.

Figure 17 Composition of Newly Increased Financial Assets of the Household Sector



Source: The People's Bank of China.

③Statistics 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.

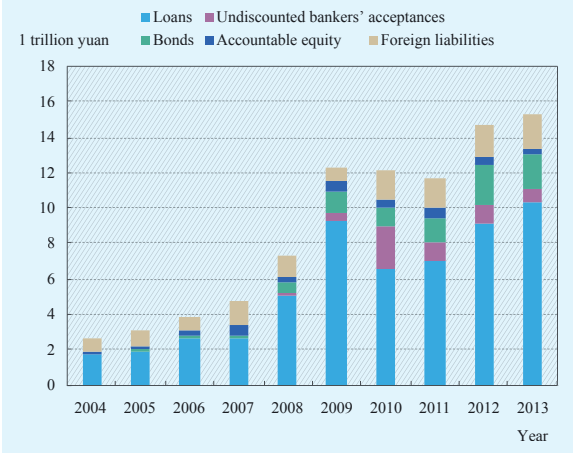
④Equity-related assets include equity financing, securities investment funds, and margins of securities companies' clients, the same thereafter.

Newly increased financial assets of the non-financial corporate sector registered an evidently higher level than last year, with financing gap contracting

In 2013, newly increased liabilities and equity financing of the non-financial corporate sector registered 14.81 trillion yuan, 674.8 billion yuan or 4.8 percent more than in 2012. To be specific, newly increased loans registered 10.38 trillion yuan, 1.21 trillion yuan more than that in 2012 and accounted for 70.0 percent of the newly increased liabilities and equity financing by non-financial corporate sector, which was 5.2 percentage points higher than that of 2012. Incremental corporate bond financing registered 1.81 trillion yuan, 442.1 billion yuan less than the previous year and accounted for 12.2 percent of the total, down by 3.7 percentage points than in the previous year. Equity financing reached 422.9 billion yuan, 15.8 billion yuan less than in the previous year and accounted for 2.9 percent of the total, decreasing by 0.2 percentage point. Newly increased liabilities in the form of undiscounted bankers' acceptances reached 775.6 billion yuan, which was 274.3 billion yuan lower than that of 2012 and accounted for 5.2 percent of the total, a decline of 2.2 percentage points. The newly increased foreign liabilities was 1.91 trillion yuan, 169.6 billion yuan more than that of 2012 and accounted for 12.9 percent of the total, up by 0.6 percentage points (Figure 18).

Newly increased financial assets held

Figure 18 Composition of Newly Increased Liabilities and Equity Financing of the Non-financial Corporate Sector

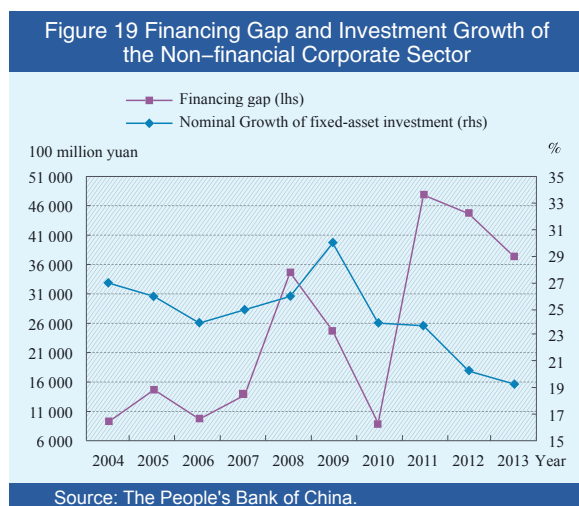


Source: The People's Bank of China.

by non-financial corporate sector registered 11.07 trillion yuan, 1.38 trillion yuan or 14.2 percent more than those in the previous year. Specifically, deposits increased by 5.93 trillion yuan, 1.23 trillion yuan higher than in the previous year and accounted for 53.5 percent of the total newly increased financial assets held by non-financial corporate sector, up by 5.1 percentage points compared with that of 2012.

Financing gap of the non-financial corporate sector (or the net financial liabilities, which equals to newly increased liabilities and equity financing less newly increased financial assets) reached 3.74 trillion yuan, 700.5 billion yuan less than the previous year. The main reason for decreasing financing gap of the non-financial corporate sector in 2013 is that the non-financial corporations' willingness to expand production and invest somewhat weakened (the nominal growth rate of all society fixed-asset investment was 19.3 percent, 1.0 percentage points

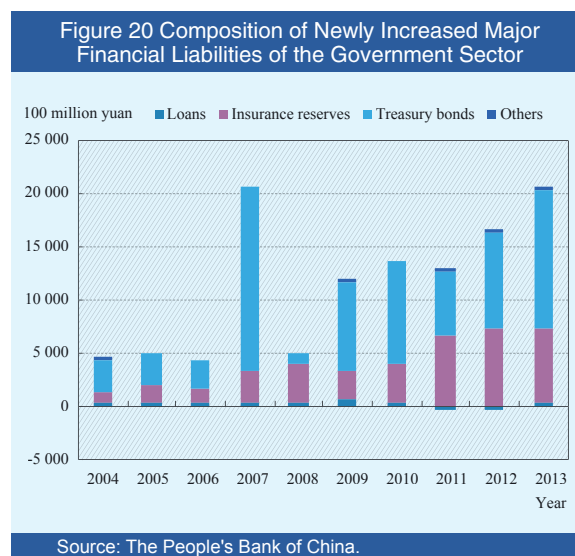
lower than the level in 2012), and financing demand decreased accordingly (Figure 19).



Net fund surplus of government sectors was relatively large, showing a relative abundance of general government funds

In 2013, 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 2.06 trillion yuan, which went up by 414.8 trillion yuan or 25.2 percent than those in the previous year, registering a record high since the year of 2008. More specifically, newly increased liabilities in the form of treasury bonds and insurance reserves were 1.29 trillion yuan and 733.6 billion yuan, respectively, in which the treasury bond liabilities increased by 416.6 billion more than in the previous year, and accounted for 62.9 percent of the total, 9.5 percentage points more than in 2012, while insurance reserve liabilities increased by 7 billion less than in the

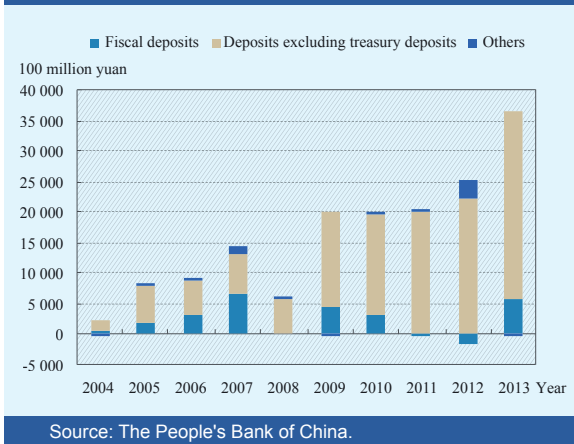
previous year and accounted for 35.6 percent of the total, down by 9.4 percentage points (Figure 20).



Newly increased financial assets held by the government sector was 3.64 trillion yuan, 1.29 trillion yuan higher than in the previous year. Specifically, the fiscal deposits registered 576.6 billion yuan, up by 754.8 billion yuan than in the previous year and accounted for 15.8 percent of total newly increased financial assets of the government sector, up by 23.4 percentage points. Other deposits, including those of government agencies, organizations and social security fund, increased by 3.08 trillion yuan, up by 848.0 billion yuan (Figure 21).

Despite the fiscal deficit of 1.1 trillion yuan in 2013 after netting the government revenues and expenditures, the overall net fund surplus reached 1.58 trillion yuan (net fund surplus equals to newly increased financial assets less newly increased financial

Figure 21 Composition of Newly Increased Major Financial Assets of the Government Sector



liabilities) and was 871.3 billion yuan more than in 2012. This recorded the highest surplus in history and showed an abundance of funds within the general government sector.

Growth of incremental financial assets and liabilities of financial institutions slowed down

In 2013, the newly increased liabilities and equity financing of financial institutions (including central bank, depository institutions, insurance companies, securities investment fund, and other financial institutions, the same thereafter) reached 26.66 trillion yuan, a year-on-year increase of 2.29 trillion yuan or 9.4 percent higher than that in the previous year, with the growth rate 15.5 percentage points lower than that of 2012.

The newly increased financial assets totaled 25.08 trillion yuan, up by 2.41 trillion yuan or 10.6 percent year on year, which was 5.8 percentage points lower than in the year of 2012. To be specific, the newly increased

loans reached 14.80 trillion yuan, which accounted for 59.0 percent of total incremental financial assets of financial institutions and up by 5.1 percentage points than in 2012. Newly increased bond assets reached 2.70 trillion yuan, or 10.8 percent of the total, a decline of 5.5 percentage points compared with the previous year. The newly increased reserve deposits reached a level of 1.43 trillion yuan, which constituted 5.7 percent of the total, showing a decrease of 4.5 percentage points year on year. The newly increased non-discounted bankers' acceptances reached 775.6 billion yuan, constituting 3.1 percent of the total, a decrease of 1.5 percentage points over 2012. The newly increased foreign financial assets registered 2.93 trillion yuan, accounting for 11.7 percent of the total, up by 8.8 percentage points.

Both the volume of domestic funds used by foreign sector and that of foreign funds used by China expanded sharply

The newly increased financial assets in the external sector of China (China's funds used by the rest of the world) reached 3.99 trillion yuan, which was 1.49 trillion yuan or 59.8 percent more than the previous year. The newly increased financial liabilities and equity financing (foreign funds used by China) totaled 2.84 trillion yuan, which was 1.59 trillion yuan more than in 2012, a sharp increase of 126.6 percent year on year.

2014

CHRONICLE



2014 CHRONICLE

January

3 Jan. The PBC released the *Notice on Regularizing the Administration of the Corporate Settlement Card Business*, to safeguard the lawful rights and interests of clients involved and prevent risks related to this business.

7 Jan. Jointly with the Ministry of Science and Technology, China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC) and State Intellectual Property Office, the PBC issued the *Opinions on Propelling Innovation upon Systems and Mechanisms and Providing IT-Based Financial Service*, making efforts, to name a few, on encouraging and guiding financial institutions to energetically build and develop the organizational system for promoting scientific and technological innovation, expediting the innovation upon the mode of IT-based credit product and service and further diversifying financing channels while complying with the rules of technological innovation and development. The Opinions also requires financial institutions to impel their moves towards

system and mechanism innovation and provide specific IT-based financial service.

8 Jan. The PBC's *Notice on Strengthening the Management of the Bank Card Service* was published to further regularize such service and keep the bank card market in order.

9~10 Jan. The PBC's work conference was convened in Beijing. By upholding the guidelines proposed at the 18th CPC National Congress and its Second and Third Plenary Session, as well as the Central Economic Work Conference, the conference reviewed the PBC's main work in 2013 and laid out new arrangements for 2014. At this conference, Governor Zhou Xiaochuan delivered the work report, and Hu Xiaolian, Deputy Governor of the PBC and also host of the conference, addressed the meeting with closing remarks. Besides, the conference was attended by Liu Shiyu, Yi Gang, Wang Huaqing, Pan Gongsheng, Li Dongrong, Guo Qingping and Jin Qi, who proposed specific requirements for areas they are responsible for.

10 Jan. The *Regulations on Freezing Assets Related to Terrorist Activities* was co-released by the PBC, Ministry of Public

Security and Ministry of State Security, to regularize procedures and conducts of freezing assets involved in terrorist activities and safeguard the state security and common good.

10~14 Jan. The PBC Governor Zhou Xiaochuan attended the All Governors' Meeting of the Bank for International Settlements (BIS), Financial Stability Board Steering Meeting and some other conferences in Basel, Switzerland. These meetings focused on such issues as the monetary policy framework of emerging market economies, productivity growth slowdown and monetary policy response as well as the interaction between financial regulation rules and the monetary policy; besides, they adopted upon consideration the revision of indicators concerning the leverage rate and liquidity and discussed the key areas of the global financial supervision reform in 2014.

17 Jan. The PBC released the *Notice on the Pilot Program of Standing Lending Facility*, to launch pilot programs in branches of Beijing, Jiangsu, Shandong, Guangdong, Hebei, Shanxi, Zhejiang, Jilin, Henan and Shenzhen on January 20, in a bid to meet the liquidity demand of local financial institutions with the legal person status complying with the macro-prudent requirement, anchor market expectations and facilitate smooth functioning of the monetary market.

23 Jan. The PBC held a meeting to summarize the first round of the CPC's mass line education activities and make new ar-

rangements for the second round. By studying and following important guidelines proposed by President Xi Jinping in his speech on the Central Government's conference summarizing the first round of the CPC's mass line education activities and formulating new plans for the second round, the PBC's meeting reviewed its own initial education activities and laid out new plans for the next step. It was chaired and addressed by Zhou Xiaochuan, Secretary of the PBC CPC Committee, PBC Governor and head of the leading group of the education activities, and attended by all members of the PBC CPC Committee as well as 29th Supervision Group of the CPC Central Committee which gave instructions at the meeting.

28 Jan. The PBC released the *Notice on Establishing a Centralized Clearing Mechanism for OTC Financial Derivative and Launching Centralized Clearing of RMB Interest Rate Swap*, to propel the financial derivatives market to develop in a sound and regularized way.

30 Jan. To further improve macro-control, regularize the function of refinancing and make full use of the central bank's role in managing liquidity and helping financial institutions to optimize the credit structure to better fulfill its responsibility, the PBC issued the *Notice on Adjusting the Central Bank Lending Classification*. In accordance with this notice, the central bank lending is reclassified from three into four categories; to be more specific, loans for liquidity are

further divided into loans for liquidity and loans supported by the credit policy. Loans for maintaining financial stability and targeted policy loans remain intact.

February

7 Feb. The PBC released the *Opinions on Accelerating Establishment of the Credit System for Small and Micro Businesses and Rural Areas*, so as to fulfill the State Council's requirement for providing financial support to small and micro businesses and rural economy, accelerate the establishment of the credit system for small and micro businesses and rural areas, offer information service to such economic players as small and micro businesses and rural households, manage to improve financial services for small and micro businesses as well as rural areas, agricultural sector and farmers, and promote the development of inclusive finance.

The *Overall Plan for the Wealth Management Comprehensive Financial Reform Pilot Zone in Qingdao* was released jointly by the PBC, National Development and Reform Commission (NDRC), Ministry of Finance (MOF), Ministry of Civil Affairs, Ministry of Human Resources and Social Security, Ministry of Commerce, State Administration of Taxation, CBRC, CSRC, CIRC and State Administration of Foreign Exchange (SAFE).

9~14 Feb. PBC Deputy Governor Li Dongrong led a delegation to attend the Second Plenary of the 25th Meeting of the

Working Group of Financial Action Task Force (FATF) held in Paris France.

13 Feb. The PBC released the *Guidance for Providing Financial Service to Such New-type Agricultural Businesses as Family Farm*, to encourage and direct financial institutions in the banking industry to boost innovation in areas like financial products, interest rate, term, lines of credit, procedures and risk control, reasonably allocate credit resources, and make down-to-earth efforts on providing various financial service to new-type agricultural businesses including the family farm, major specialized households, farmer cooperatives and leading enterprises in agricultural industrialization.

20 Feb. the PBC authorized its Shanghai Head Office to release the *Notice on Supporting China (Shanghai) Pilot Free Trade Zone to Expand RMB Cross-border Use*, to encourage pilot programs of innovative cross-border RMB business in the free trade zone, so as to expand the cross-border use of RMB.

22~23 Feb. Zhou Xiaochuan and Hu Xiaolian, PBC Governor and Deputy Governor respectively, attended the G20 Finance Ministers and Central Bank Governors Meeting and the meeting of their deputies held in Sydney, Australia. The two meetings mainly dealt with issues such as the current global economic situation, investment in infrastructure, all-around growth, IMF reform, financial sector reform and international taxation cooperation.

23~24 Feb. PBC Governor Zhou Xiaochuan participated in the BIS All Governors Meeting in Sydney, Australia. At the meeting were discussed recent global economic situation and turbulence in the financial market, major challenges confronting Asian financial stability, obstacles impeding communication on central bank policies and reasons underlying recent inflation decline.

March

1 Mar. The PBC removed the cap on the interest rate for small-amount foreign-currency deposits in China (Shanghai) Free Trade Zone. This pioneering action will provide experience in liberalizing the interest rate for such deposits across the country in the future. It can also lay a solid foundation for further reform of interest rate liberalization.

4 Mar. The PBC issued the *Notice on Launching Inspection Targeting at the Bank Card Acquiring Business* and the *Notice of PBC General Administration Department on Conducting Inspection Targeting at the Bank Card Acquiring Business*, so as to maintain the order of the bank card acquiring business market and promote sound development of the bank card business.

5 Mar. To give play to the role of PBC's credit-policy-supported loans in optimizing the credit structure and capitalize on PBC's agricultural loans to help financial institutions to serve spring cultivation and its preparation, the PBC granted additional agricul-

tural loans totaling 20 billion yuan to some provinces (autonomous regions, cities).

The PBC released the Announcement [2014] No. 3 concerning the diversification of counter-based bond service of commercial banks, so as to encourage commercial banks to provide the general public with more investment options and develop and to regularize the bond market.

6 Mar. The *Guidelines on Providing All-around Financial Services for Poverty Alleviation and Development* was issued jointly by the PBC, MOF, CBRC, CSRC, CIRC, State Council Leading Group Office of Poverty Alleviation and Development and the Central Committee of Chinese Communist Youth League, with the aim to further improve the financial service mechanism and facilitate sustained and sound economic development and social progress in poverty-stricken regions.

6~7 Mar. The PBC Deputy Governor Hu Xiaolian attended the Annual Meeting of Deputy Governors of Emerging Market Economies of BIS held in Basel, Switzerland. The meeting focused on such issues as spillover effects of advanced economies' monetary policy, countermeasures adopted by emerging market economies and currency internationalization.

10 Mar. The PBC released the *Notice on Providing Financial Service to the Poultry Industry*. By considering H7N9 epidemics and to address difficulties and fund shortage confronting enterprises and households

involved in this industry, the PBC proposed in this notice specific solutions by ensuring fund supply for normal production and operation, flexibly setting the loan term and payment method, adopting reasonable loan rates, establishing the emergency mechanism of financial service, reinforcing the financial policy support and strengthening policy coordination.

14 Mar. The PBC determined to enlarge the floating band of the RBM against USD on the foreign exchange market. On March 17, 2014, the floating band of RMB against USD on the inter bank spot market has been enlarged from 1 percent to 2 percent. On each business day, the spread between the RMB/USD buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 percent of the published central parity of USD on that day, instead of 2 percent. Other provisions in *the PBC Circular on Relevant Issues Managing the Trading Prices in the Inter Bank Foreign Exchange Market and Quoted Exchange Rates of Exchange-Designated Banks* shall remain valid.

18 Mar. Authorized by the PBC, the China Foreign Exchange Trade System (CFETS) announced the direct exchange between Renminbi and New Zealand Dollar in the inter-bank foreign exchange market.

20 Mar. The PBC issued the *Notice on Granting Loans to Small Local Financial Institutions with Legal Person Status to Provide More Credit to Small and Micro Busi-*

nesses. It added loans to small local financial institutional with legal person status under the category of credit-policy-supported loan, which are earmarked to help financial institutions to increase their credit to small and micro businesses. Meanwhile, The PBC granted a total of 50 billion yuan of such loans across the country.

24 Mar. The PBC Governor Zhou Xiaochuan met with Christine Lagarde, IMF Managing Director, and exchanged ideas with her on China's economic outlook and risks and issues concerning currency, finance and exchange rate policy reforms and measures.

26 Mar. China granted France a RQFII investment limit of 80 billion yuan.

27 Mar. PBC Governor Zhou Xiaochuan signed with Arthur Javadyan, Governor of the Central Bank of the Republic of Armenia the *Agreement of Cooperation between the People's Bank of China and the Central Bank of the Republic of Armenia*.

28 Mar. The PBC signed with the Bundesbank the memorandum of understanding on cooperation on RMB clearing arrangements in Frankfurt.

29~31 Mar. The PBC Assistant Governor Guo Qingping led a delegation to attend the 2014 Annual Meeting of the Boards of Governors of Inter-American Development Bank held in Brasilia, capital of Brazil, and paid a visit to the central bank of Mexico.

31 Mar. The PBC signed with the Bank of England the memorandum of understand-

ing on cooperation on establishing the RMB clearing arrangements in London.

April

2 Apr. The PBC Monetary Policy Committee convened the regular meeting for the first quarter of 2014, chaired by Governor Zhou Xiaochuan, Chairman of the Monetary Policy Committee. As argued at the meeting, China's economy developed at a reasonable rate, with generally stable financial development and price level, and was confronted with a complex situation in which positive and negative factors coexisted. It was emphasized at the meeting that by earnestly carrying out the guideline proposed at the 18th CPC National Congress, the Third Plenary Session of the 18th CPC Central Committee and the Central Economic Work Conference, close attention should be paid to the latest economic and financial dynamics both at home and abroad and the change of international capital flow, keep making stable progress and conducting reform and innovation, continue to implement the sound monetary policy, maintain moderate liquidity and realize reasonable growth of monetary credit and aggregate financing to the real economy.

11~12 Apr. The PBC Deputy Governor Yi Gang led a delegation to attend the G20 Finance Ministers and Central Bank Governors Meeting held in Washington DC, US. Participants in the meeting mainly discussed issues like the current global economic development, IMF reform, financial supervi-

sion reform and investment in infrastructure, and released a joint communique.

A delegation headed by the PBC Deputy Governor Yi Gang came to the IMF-World Bank Spring Meeting held in Washington DC, US, which focused on the recent development and risks concerning the global economy and financial market, global policy agenda and IMF reform.

18 Apr. PBC Governor Zhou Xiaochuan signed with Sheikh Abdulla Bin Saoud Al-Thani, Governor of Qatar Central Bank, the *Agreement of Delegated Investment in China's Interbank Bond Market by the PBC on Behalf of Qatar Central Bank*.

22 Apr. To strengthen financial support for farmers, agriculture and rural areas, find more fund sources, encourage increasing agriculture-related investment and further improving the capacity and quality of rural financial service, the PBC determined to lower the RMB required reserve ratio by two percentage points for county-level rural commercial banks and 0.5 percentage points for county-level rural cooperative banks.

23 Apr. The PBC determined to launch the pilot program of credit asset pledged re-lending in its branches and sub-branches. Recognizing credit assets as qualified collateral contributes to resolving small and middle-sized financial institutions' shortage of qualified collateral; therefore, it can further improve the PBC's collateral management framework.

24 Apr. The *Notice on Regularizing*

the Inter-Financial Institution Business was issued jointly by the PBC, CBRC, CSRC, CIRC and SAFE. The notice contains 18 provisions regularizing the category and accounting of inter-financial institution business, strengthening and improving internal and external administration of such business, and promoting regularized innovation upon assets and liabilities business. It aims to effectively prevent and control risks, increase capital flow into the real economy, reduce enterprises' financing cost, boost development of capital market at various levels and better support economic structural adjustment, transformation and upgrading.

25 Apr. The PBC renewed with the central bank of New Zealand a contract of currency swap of 25 billion yuan/NZD5 billion.

To carry out the guideline proposed at the 43rd Executive Meeting of the State Council, the PBC initiated the Pledged Supplementary Lending (PSL) to provide sustained and affordable funds to development financial institutions, so that they can support urban shanty towns reconstruction.

30 Apr. The PBC and the CBRC issued the Announcement No. 8 concerning issues related to financial bonds issuance by financial leasing companies, auto financing companies and consumer financial companies. The announcement purports to widen financing channels of such non-bank financial institutions as consumer financial companies, adjust conditions of financial leading companies and auto financing companies to issue

financial bonds and provide more financial support to consumption.

May

5 May. The PBC Governor Zhou Xiaochuan signed with Juan Carlos Fabrega, Governor of the Central Bank of Argentina the *Memorandum of Understanding of the People's Bank of China and the Central Bank of Argentina on the Prevention of Money Laundering and Financing of Terrorism*. As the first memorandum signed between the PBC and other central banks on bilateral anti-money laundering (AML) supervision cooperation, this document involves the bilateral AML supervision information exchange mechanism, mutual assistance and cooperation in on-spot AML inspection and intensified personnel exchange and training between two sides.

6 May. In order to comprehensively deepen the rural financial reform and accelerate innovation upon the rural financial system and in line with the State Council's instructions on the overall plan of Heilongjiang Province for pilot comprehensive supporting reform for modern agriculture on "two major plains", the PBC, NDRC, CBRC, CSRC, CIRC and the People's Government of Heilongjiang Province worked with the Rural Work Leading Group Office of the CPC Central Committee, MOF, the Ministry of Agriculture (MOA) to formulate and issue the *Heilongjiang Province's Pilot Financial Reform Program in the Comprehensive*

Reform Supporting Modern Agriculture on "Two Major Plains".

To strengthen financial market infrastructure construction and maintain sound and efficient functions and overall stability of the financial market, the PBC and CSRC jointly released the *Notice on Establishing Financial Market Infrastructure Construction Leading Group and Its Office.*

11~12 May. The PBC Deputy Governor Pan Gongsheng attended the BIS regular meeting of central bank governors held in Basel, Switzerland. The meeting mainly discussed global economic situation, effect of global asset management companies on emerging markets, impact of virtual currencies like Bitcoins on central banks and revision of net stable funding ratio as well as some other issues.

13 May To meet the State Council's requirement for implementing the project of information technology benefiting and strengthening the financial information security, further capitalize on the outstanding security of financial IC card, improve the security of transaction through bank card, prevent new frauds through fake cards possibly caused by downgraded transaction through financial IC cards, the PBC General Office released the *Notice on Gradually Canceling Downgraded Transaction of Financial IC Cards.*

19 May. To fulfill the State Council's requirement for boosting consumption of information product and service and expanding domestic demand, the PBC and NDRC

jointly launched the pilot project of innovations in Mobile E-Commerce Financial Services, to kick-start application innovation based on the Mobile Payment Security Trusted Public Service Platform (MTPS) in five cities including Chengdu, Hefei and Guiyang, and try to make breakthroughs in such areas as e-commerce, public transport, medical care, cultural tourism and intelligent community.

29~30 May. The PBC Governor Zhou Xiaochuan led a delegation to attend the annual meeting of the Board of Governors of African Development Bank (ADB) held in Kigali, capital of Rwanda, and visited central banks of Uganda and Burundi. During the annual meeting, he signed with ADB President Kaberuka an agreement to enter a USD2 billion co-financing fund known as "Africa Growing Together Fund".

29~31 May. The PBC Deputy Governor Yi Gang led a delegation to attend the 71st plenary of G30 convened in Versailles, France. The meeting mainly dealt with the situation of and challenges confronting the global economy.

30 May. The PBC spent KRW400 million (about 24 million yuan) to support enterprises' trade financing, which was made available to the Chinese side under the China-ROK bilateral currency swap arrangement representing the PBC's first use of funds received from the other side under a bilateral local currency swap arrangement.

June

9 Jun. To beef up support to the agricultural sector, farmers, rural areas, and micro and small enterprises and enhance the capability of the financial industry to serve the real sector, the PBC decided to reduce, effective on June 16, 2014, the deposit reserve ratio by 0.5 percentage points for commercial banks (excluding those that were subject to the deposit reserve ratio reduction on April 25, 2014) that have complied with prudential requirements and have reached the required ratios in their lending to the agricultural sector, rural areas farmers, or to small and micro enterprises. In addition, to order to encourage finance companies, financial leasing and auto leasing companies to contribute more to efficient fund use and the expansion of consumption, their RMB deposit reserve ratio was cut by 0.5 percentage points.

11 Jun. The PBC issued the *Guidelines on Implementation of Opinions of State Council General Office on Supporting Stable Growth of External Trade*, to support constant growth of the industry.

14 Jun. Under the initiation and participation of the NDRC and PBC, member agencies of the joint conference for the social credit system formulated the *Outline of Plan for Building the Social Credit System (2014-2020)*.

17 Jun. Based on the Memorandum of Understanding signed by the PBC and Bank of England, the PBC has authorized the

China Construction Bank (London) to serve as the RMB clearing bank in London.

18 Jun. Upon the authorization of the PBC, the CFETS announced to launch direct trading between Renminbi and Great Britain Pound (GBP) on the inter bank foreign exchange market.

Based on the Memorandum of Understanding signed by the PBC and the Bundesbank, the PBC authorized the Frankfurt Branch of Bank of China to serve as the RMB clearing bank in Frankfurt.

19~20 Jun. The PBC Deputy Governor Li Dongrong led a delegation to attend the 22nd Plenary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) held in Moscow, Russia.

22 Jun. To improve the supervision system for banks' sales and settlement of foreign exchange and maintain stable functioning of the foreign exchange market, the PBC released the *Regulations on Purchase and Sale of Foreign Exchange by Banks*, effective on August 1, 2014, to simultaneously replace the *Provisional Procedures for Designated Bank's Purchase and Sale of Foreign Exchange* (PBC Decree [2002] No. 4).

25~26 Jun. The PBC Assistant Governor Jin Qi led a delegation to attend the 15th Meeting of Financial Cooperation Sub-committee of China-Russia Prime Ministers' Regular Meeting Committee. Held in Shanghai, China, the meeting focused on such issues as cooperation in bilateral local currency settlement, project financing and trade financing

as well as cooperation in bank card business, insurance and financial supervision.

27 Jun. Attending the first China-Switzerland High-level Roundtable Conference held in Zurich, Switzerland, the PBC Governor Zhou Xiaochuan exchanged ideas with Switzerland representatives on issues like wealth management, RMB internationalization and banking personnel exchange and training. During the meeting, Mr. Zhou also met Swiss Finance Minister Schlumpf and discussed with her about achievements already made in financial cooperation between two sides and next steps to be taken.

28 Jun. The PBC and Banque de France signed a memorandum of understanding on establishing RMB clearing arrangements in Paris.

The PBC and Banque Centrale du Luxembourg signed a memorandum of understanding on establishing RMB clearing arrangements in Luxembourg.

28~29 Jun. The PBC Governor Zhou Xiaochuan attended the BIS annual meeting held in Basel, Switzerland and participated in the BRICs Central Bank Governors' Meeting and the 6th China-Japan-ROK Central Bank Governors' Meeting.

July

1 Jul. The PBC released the *Notice of the People's Bank of China on Trading Prices on the Interbank Foreign Exchange Market and Banks' Exchange Rate Quotations*, in order to further improve the RMB

exchange rate liberalization mechanism.

2 Jul. The PBC Monetary Policy Committee held its 2nd quarterly meeting chaired by Zhou Xiaochuan, PBC Governor and chairman of the Monetary Policy Committee. The meeting recognized that the China's economic performance was within a reasonable range, the development of the financial sector and the price level were both stable and economic and financial structure has experienced positive changes; but it warned that the overall situation remained complex, with both positive and negative factors. The meeting emphasized that the guidelines proposed at the 18th CPC National Committee, the Third Plenary of the 18th CPC Central Committee and the Central Economic Work Conference should be earnestly implemented. The PBC should pay close attention to the latest economic and financial developments both at home and abroad and dynamics of global capital flow. While making progress by maintaining stability, reform and innovation, it should continue to implement the sound monetary policy, flexibly use a multiple of monetary policy tools, keep liquidity at appropriate levels and bring about reasonable growth of money, credit and all-system financing aggregates.

3 Jul. China declared to grant ROK an RQFII investment limit of 80 billion yuan.

The PBC and the Bank of Korea signed a memorandum of understanding on establishing RMB clearing arrangements in Seoul.

4 Jul. In pursuance of the *Memorandum*

of *Understanding of the People's Bank of China and the Bank of Korea on Establishing RMB Clearing Arrangements in Seoul*, the PBC decided to authorize the Seoul Branch of the Bank of Communications of China to service as the clearing bank for the RMB business in Seoul.

7 Jul. China declared to grant Germany an RQFII investment limit of 80 billion yuan.

9~10 Jul. The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the 6th China- US Strategic Economic Dialogue held in Beijing, which saw 87 agreements signed.

15 Jul. At the presence of BRICS leaders, the PBC Governor Zhou Xiaochuan, on behalf of the Chinese Government, signed the *Treaty for the Establishment of a BRICS Contingent Reserve Arrangement (CRA)* together with other BRICS representatives in Fortaleza, Brazil. This CRA will complement and reinforce the global financial security net, which comprises the IMF, regional financial arrangements and bilateral swap facility between central banks, in addition to the countries' own international reserves.

15~18 Jul. The PBC Deputy Governor Li Dongrong led a delegation to attend the 17th Annual Meeting of Asia/Pacific Group on Money Laundering (APG) and TA & T Forum held in Macau, China.

17 Jul. The amended Chiang Mai Initiative Multilateralisation (CMIM) came into effect. The amendment doubles CMIM funds from USD120 billion to USD240 billion, intro-

duces CMIM Precautionary Line and increases the IMF de-linked portion from 20 percent to 30 percent.

18 Jul. The PBC renewed the bilateral local currency swap agreement with the central bank of Argentina, with 70 billion yuan/ARS90 billion involved.

19~20 Jul. The PBC Governor Zhou Xiaochuan paid a visit to Venezuela and signed a memorandum of understanding with the central bank of Venezuela for the purpose of reinforcing cooperation between the two sides.

21 Jul. The PBC signed an agreement of bilateral local currency swap with the Swiss National Bank. The size of the swap facility is 150 billion yuan/21 billion Swiss Francs.

24~26 Jul. The PBC Deputy Governor Pan Gongsheng led a delegation to Thailand and attended the 19th EMEAP (Executives' Meeting of East Asia-Pacific Central Banks) Governors' Meeting, the Informal Meeting of EMEAP Governors and Heads of Supervisory Authorities and the EMEAP-Eurosystem High-Level Policy Dialogues.

29 Jul. To consolidate achievements made in combating counterfeit currency crimes in recent years and effectively suppress the resurgence of such crimes, the Ministry of Public Security and the PBC jointly released the *Notice on Issuing the Plan of Centralized Actions Combating Counterfeit Currency Crimes*, to kick-start a nation-wide centralized action against fake money crime

from now on to the year end.

August

5~6 Aug. The semiannual meeting of PBC branch presidents was convened. In his work report delivered to the meeting, Governor Zhou Xiaochuan made an in-depth analysis of major issues in current economic and financial situations and laid out arrangements for periods ahead. The meeting was hosted and concluded by Deputy Governor Hu Xiaolian and attended by Liu Shiyu, Yi Gang, Wang Huaqing, Pan Gongsheng, Li Dongrong, Guo Qingping and Jin Qi.

8 Aug. The PBC increased the central bank discount quota for certain branches by a total of 12 billion yuan, with a requirement that the increased amount must be used in its totality to support financial institutions to increase lending to the agricultural sector, rural areas, farmers, and small and micro enterprises. The branches were required to take effective measures to further improve the management of central bank discount, to guide financial institutions to increase agrosupporting lending and lending to small and micro enterprises, and to reduce the social financing cost.

The PBC released the *Guidelines on All-around and In-depth Development of Rural Payment Service Environment*, in order to give full play to the basic role of rural payment service environment in promoting financial inclusion and improving urban-rural integration systems and mechanisms.

18 Aug. To keep up with the progress of the global Legal Entity Identifier (LEI) system, the PBC promoted the creation of a domestic LEI system by providing support to China Financial Standardization Technical Committee. The China Legal Entity Identifier system (LEICN) was formally launched and provided LEI registration services de dato. It passed the international mutual identification on October 20, 2014, representing the LEI codes issued by China have been accepted by the international community.

20 Aug. The PBC General Administration Department issued the *Administrative Rules Concerning Cash Sweeping of the Central Bank Accounting Data Integration System*, to guide and regularize financial institutions in the banking industry to manage cash sweeping by relying on the central bank accounting data integration system.

21 Aug. The PBC renewed the bilateral currency swap agreement with the central bank of Mongolia, with 15 billion yuan/MNT4.5 trillion involved.

25 Aug. The PBC Governor Zhou Xiaochuan and Mr. Ajith Nivard Cabraal, Governor of the Central Bank of Sri Lanka, signed in Beijing a bond investment agreement of the People's Bank of China to invest in China's interbank bond market on behalf of the Central Bank of Sri Lanka.

26 Aug. To provide all-around financial service to support relief and reconstruction efforts after the Ludian Earthquake, the PBC, CBRC, CSRC and CIRC jointly released the

Guidelines on Providing Financial Services for Disaster Relief and Reconstruction after Ludian Earthquake.

27 Aug. The PBC increased the agro-supporting central bank lending quota of selected branches by 20 billion yuan, to encourage rural financial institutions to increase agro-lending, and to adopt effective measures to further step up agro-supporting central bank loan management to effectively reduce financing cost of the agricultural sector, rural areas and farmers.

31 Aug. The NPC Standing Committee considered and adopted the new *Law of Budget*, which persists and further improves the rule that the PBC shall manage the state treasury in accordance with laws and administrative regulations.

September

5 Sep. In pursuance of the *Memorandum of Understanding between the People's Bank of China and the Banque de France*, the PBC decided to authorize the Bank of China Paris Branch to serve as the clearing bank for the RMB business in Paris.

In pursuance of the *Memorandum of the People's Bank of China and the Banque Centrale du Luxembourg*, the PBC decided to authorize the Industrial and Commercial Bank of China Luxembourg Branch to serve as the clearing bank for the RMB business in Luxembourg.

The PBC decided to issue the Financial Institution Code Certificate across the coun-

try, and this system will be first applied to the banking industry.

7~8 Sep. The PBC Governor Zhou Xiaochuan attended the BIS All Governors' Meeting held in Basel, Switzerland, and discussed with other representatives about new developments in global macroeconomic situation and on the financial market, analyzed risks related to global financial stability and explored the effective role of macro-prudent tools.

11~12 Sep. The PBC Deputy Governor Yi Gang attended the 6th China-UK Economic and Financial Dialogue held in London, UK, which saw 73 agreements reached by two sides. Thanks to the meeting, the UK Government successfully issued RMB-denominated sovereign bonds worth 3 billion yuan, and announced RMB as a reserve currency.

11~13 Sep. The PBC Governor Zhou Xiaochuan led a delegation to attend the 32nd governors' meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries held in Chisinau. Governors discussed the economic and financial situation of their countries, spillover effects, risk management and financial stability as well as other issues.

15 Sep. The PBC Deputy Governor Yi Gang attended the Second China-France High-level Economic and Financial Dialogue held in Paris, France, and the two sides came to 46 agreements.

16 Sep. The PBC Governor Zhou Xiao-

chuan and Governor Ajith Nivard Cabraal of the Central Bank of Sri Lanka signed the *Memorandum of Understanding on Financial Cooperation between the People's Bank of China and the Central Bank of Sri Lanka*, to strengthen the cooperation and exchanges in monetary and financial fields between the two central banks.

The PBC signed an agreement on bilateral local currency swap with the Central Bank of Sri Lanka. The size of the swap facility is 10 billion yuan/LKR225 billion.

17 Sep. The PBC initiated the Medium-term Lending Facility (MLF) to inject medium-term base money to financial institutions meeting the macro-prudent management requirement. Serving as the medium-term policy rate, the MLF rate can help reduce the financing cost of the real sector.

18 Sep. The PBC Governor Zhou Xiaochuan attended the launch ceremony of the International Board of the Shanghai Gold Exchange and made an important speech.

20~21 Sep. The PBC Governor Zhou Xiaochuan attended the G20 Financial Ministers and Central Bank Governors' Meeting held in Cairns, Australia. Ministers and governors discussed the current global economic situation, growth strategies, infrastructure investment, financial regulation and other issues and released a joint communiqué after the meeting.

24 Sep. The PBC Assistant Governor Jin Qi attended the 9th meeting of China-Kazakhstan Financial Cooperation Sub-

committee in Alma-Ata, Kazakhstan, and discussed with other participants about such issues as expanding local currency use of the two sides and strengthening cooperation in project and trade financing.

26 Sep. The PBC General Administration Department released the *Notice on Cross-border RMB Settlement of Debt-financing Instruments Issued by Overseas Institutions in China*, to promote facilitation of trade and investment.

29 Sep. With the authorization of the PBC, the CFETS has announced to launch direct trading between Renminbi and Euro on the inter-bank foreign exchange market.

The PBC and the CRBC jointly issued the *Notice on Further Improving Financial Services for the Real Estate Sector*, for the purpose of providing better financial services for government-subsidized housing projects, continuing to support the reasonable home buying demand of the household sector and promote the sustainable development of the real estate market.

30 Sep. The PBC Monetary Policy Committee held its third quarterly meeting of 2014, hosted by Zhou Xiaochuan, PBC Governor and Chairman of the Monetary Policy Committee. Participants in the meeting were of the view that China's economic performance was still within a reasonable range, with generally stable financial sector and price level, but China was confronted with a situation too complicated to be underestimated. They also noticed the divergence in

the international economic developments and monetary policies between major economies, more positive signals in the US economy, reinforced monetary easing in the euro area, and severe difficulties confronting the real sector of some emerging economies. The meeting stressed that, by earnestly carrying out the guidelines proposed at the 18th CPC National Congress, the Third Plenary of the 18th CPC Central Committee and the Central Economic Work Conference, the PBC should pay close attention to the latest developments of domestic and international economic and financial situation and the dynamic of global capital flow, keep making progress while maintaining stability, reform and innovation, continue to implement sound monetary policy, make flexible use of various monetary policy tools, keep liquidity at appropriate levels and promote reasonable growth of money, credit and social financing aggregates.

October

9~10 Oct. Premier Li Keqiang led a delegation including the PBC Governor Zhou Xiaochuan to attend the third round China-Germany negotiation held in Berlin, Germany.

10~12 Oct. The PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang attended the IMF-World Bank Annual Meeting, G20 Financial Ministers and Central Bank Governors' Meeting and BRICS Finance Ministers and Governors' Meeting. All these meetings focused on the global eco-

nomical and financial situation and risks, financial regulatory policies, growth strategy, infrastructure investment and other issues.

11 Oct. The PBC and the Bank of ROK renewed the bilateral local currency swap agreement with 360 billion yuan/Korean Won 64 trillion involved.

13 Oct. The PBC signed a bilateral local currency swap agreement with the Central Bank of Russian Federation. The size of the facility is 150 billion yuan/815 billion rubles.

The PBC convened a conference to review the CPC's mass line education activities. As requested by Governor Zhou Xiaochuan, Deputy Governor Hu Xiaolian, on behalf of the PBC CPC committee, summarized the PBC's efforts in popularizing the CPC's mass line policy. The conference was attended and addressed by Xing Yuanmin, head of the 12th Central Circuit Supervision Group, Deputy Director of CPPCC Committee for Economic Affairs, former Chairman of Tianjin CPPCC, and hosted by Deputy Governor Li Dongrong.

28 Oct. With the authorization of the PBC, the CFETS announced to launch direct RMB-SGD trading on the inter bank foreign exchange market.

The PBC and CSRC jointly released the *Bond Statistical System*, with the purpose of comprehensively and precisely reflecting dynamics on the bond market and monitoring and evaluating the effects of the bond market on monetary policies and financial stability

in an all-around way.

November

1 Nov. The PBC released the *Notice Concerning Centralized Cross-border RMB Fund Operation Conducted by Multinational Enterprise Groups*, making it clear that multinational enterprise groups are capable of centralized cross-border RMB fund operation as per relevant PBC regulations.

2 Nov. In accordance with the *Memorandum of Understanding between the People's Republic of China and the Qatar Central Bank*, the PBC decided to authorize the Qatar Branch of the Industrial and Commercial Bank of China to serve as the RMB clearing bank in Doha.

3 Nov. The PBC signed a bilateral local currency swap agreement involving 35 billion yuan/ 20.8 billion Qatari riyal, and a memorandum of understanding on establishing RMB clearing arrangements in Doha. Meanwhile, the PBC agreed to extend the RQFII Pilot Scheme to Qatar with an initial quota of 30 billion yuan.

The PBC released the *Notice on Further Promoting the Financial IC Card Application*, to make the card more inclusive and convenient with better quality.

In accordance with the *Memorandum of Understanding between the People's Bank of China and Bank of Canada on RMB Business Cooperation*, the PBC decided to authorize the Industrial and Commercial Bank of China (Canada) to serve as the RMB clear-

ing bank in Toronto.

4 Nov. The PBC and CSRC jointly issued the *Notice on the Pilot Shanghai-Hong Kong Stock Connecting Scheme*, to regularize relevant fund flow and guarantee successful implementation of the pilot scheme.

5 Nov. The PBC released the *Notice on Issues Relating to Overseas Investment by RMB Qualified Domestic Institutional Investors*, to broaden the two-way flow channels of RMB funds at home and abroad and facilitate overseas securities investment by RMB qualified domestic institutional investors.

8 Nov. The PBC and the Bank of Canada signed a bilateral local currency swap agreement involving 200 billion yuan/ CAD30 billion and a memorandum of understanding on establishing RMB clearing arrangements in Canada. The PBC declared on the same day to extend the RQFII Pilot Scheme to Canada with an initial quota of 50 billion yuan.

10 Nov. The PBC and the Bank Negara Malaysia signed a memorandum of understanding on the establishment of RMB clearing arrangements in Kuala Lumpur.

11 Nov. The PBC Governor Zhou Xiaochuan met with IMF Managing Director Christine Lagarde, and they exchanged ideas on issues like China's economic situation, SDR regular examination and economic situations in Europe and Russia.

13 Nov. The PBC Governor Zhou Xiaochuan met with Ernesto Gouveia, Governor of Central Bank of Mozambique. The two sides

signed a memorandum of understanding for reinforcing cooperation between the two central banks.

Jointly with the NDRC, MOF, Ministry of Commerce, Hong Kong and Macau Affairs Office of the State Council, Taiwan Affairs Office of the State Council, CBRC, CSRC, CIRC and SAFE, the PBC released *Opinions on Supporting Nansha New Area of Guangzhou Province to Deepen Financial Cooperation between Guangdong and Hong Kong, Macau and Taiwan and to Explore Financial Reform and Innovation*, to beef up support to Nansha's relevant efforts.

14 Nov. In accordance with the memorandum of understanding between the People's Bank of China and Reserve Bank of Australia, the PBC decided to authorize the Sydney Branch of Bank of China to serve as the RMB clearing bank in Sydney.

15 Nov. The PBC released the *Administrative Rules on Anti-money Laundering through Financial Institutions (Trial)*, to reinforce AML supervision and administration and promote effective fulfillment of financial institutions' AML responsibility.

15~16 Nov. President Xi Jinping, accompanied by the PBC Governor Zhou Xiaochuan and Deputy Governor Yi Gang, among others attended the ninth G20 Summit held in Brisbane, Australia. The summit focused on developments of and challenges confronting the global economy, implementation of the comprehensive growth strategy, promotion of infrastructure investment and

financial sector reform, reform of international financial framework and other issues.

17 Nov. The PBC and the Reserve Bank of Australia signed a memorandum of understanding on establishing RMB clearing arrangements in Australia. China declared to grant the pilot scheme of RQFII to Australia with an initial quota of 50 billion yuan.

20~21 Nov. The PBC Governor Zhou Xiaochuan led a delegation to attend the 50th Governors' Meeting and 34th Board of Governors Meeting of South East Asia Central Banks (SEACEN). On the meeting were discussed global and regional economic and financial situation, capital flow management, development of the regional capital market and financial integration as well as other issues.

21 Nov. The PBC decided to cut RMB benchmark loan and deposit interest rates for financial institutions as of November 22, 2014. The one-year RMB benchmark loan interest rate and deposit interest rate will be lowered by 0.4 percentage points to 5.6 percent and 0.25 percentage points to 2.75 percent respectively. At the same time, the upper limit of the floating range for deposit interest rates will be raised from 1.1 to 1.2 times the benchmark level in support of the reform for interest rate liberalization. Adjustments are made correspondingly to benchmark interest rates on loans and deposits of other maturities. Maturity brackets are also duly reduced.

22 Nov. The PBC and the Hong Kong Monetary Authority renewed the bilateral

local currency swap agreement. The size of the renewed facility is 400 billion yuan/ HKD505 billion.

23 No. The PBC and the National Bank of Pakistan signed a bilateral local currency swap agreement. The size of the swap facility reaches 10 billion yuan/ 165 billion Pakistani Rupee.

25 Nov. The PBC Governor Zhou Xiaochuan met with H.M. Queen Maxima, United Nations Secretary-General's Special Advocate for Inclusive Finance for Development. They exchanged views on inclusive finance and other issues of mutual interest. After the meeting, H.M. Queen Maxima attended the Financial Inclusion Development Roundtable chaired by Deputy Governor Li Dongrong, exchanged views on international experience in inclusive finance with representatives from the PBC, CBRC, CSRC, CIRC and financial institutions, and had in-depth discussions on the opportunities, challenges and effective means of development of inclusive finance in China, and the role of inclusive finance in helping under-privileged groups gain access to diversified financial services.

28 Nov. The PBC released the *Notice on Implementation of the "Decision of the State Council on Canceling or Adjusting a Group of Administrative Approval Items and Other Matter"* (the Decision), and proposed specific requirements for executing the Decision.

30 Nov. The *Regulations on Deposit Insurance (Consultative Documents)*, drafted by the PBC and the Legislative Affairs Office

of the State Council, were posted at www.Chinalaw.gov.cn to solicit public opinions.

December

10 Dec. The PBC and MOF jointly released the *Notice on Issuing "Pilot Administrative Program of Local Treasury Funds"*, to officially launch the pilot administrative program.

13 Dec. The PBC released the *Administrative Rules for Bond Pre-issuance Business on the Inter Bank Bond Market*, to regularize bond pre-issuance business, safeguard lawful interests and rights of market participants, improve the price discovery mechanism and fuel the development of the bond market.

14 Dec. The PBC and the National Bank of Kazakhstan renewed the bilateral local currency swap agreement. The size of the renewed swap facility is 7 billion yuan/ KZT200 billion.

17 Dec. The PBC released the *Notice on Examination and Approval of Authenticity Verification of Existing Personal RMB Bank Deposit Accounts*, to inspect the verification of identify information of existing personal RMB deposit accounts of all banks, consolidate achievements made in verification and implement the real-name registration system for bank accounts.

18 Dec. The PBC and the General Administration of Customs jointly issued the Announcement [2014] No. 31, effective on 1 January 2015, to reinforce the import and export administration of gold and gold products.

22 Dec. The PBC and the Bank of Thailand signed a memorandum of understanding on establishing RMB clearing arrangements in Thailand. Also on the day, the two sides renewed the bilateral local currency swap agreement. The size of the renewed swap facility is 70 billion yuan/THB370 billion.

23 Dec. The PBC Governor Zhou Xiaochuan and Yuva Raj Khatiwada, Governor of Nepal Rastra Bank, signed the *Supplementary Agreement to the Bilateral Settlement and Cooperation Agreement between the People's Bank of China and Nepal Rastra Bank*, and witnessed the signing of the *Memorandum of Understanding on Financial Information Exchange and Cooperation for Anti-money Laundering and Combating Financing of Terrorism between China Anti-Money Laundering Monitoring & Analysis Center and Nepal Financial Information Center*.

The PBC issued the *Notice on Policies of Deposit Reserve Requirement and Interest Rate Management after Adjustment of the Deposit Categories*. The notice clarifies that new deposits covered by adjusted categories should be included in the statistical coverage of the deposit reserve requirement, subject to a zero reserve requirement ratio for the time being; on the other hand, policies relating to the deposit interest rate remain intact, and the interest rate shall be set by two sides through negotiation in a market-based way.

24 Dec. To implement the *Notice of the State Council on Issuing the Implementation*

Plans on Accelerating Structural Adjustment and Promoting Transformation and Upgrading of the Shipbuilding Industry (2013-2015), the PBC, NDRC, the Ministry of Industry and Information Technology, MOF, Ministry of Transport, CBRC, CSRC, CIRC and SAFE, upon the approval of the State Council, jointly released the *Guidelines for Stepping up Financial Services to Accelerate Structural Adjustment and Upgrading of the Shipbuilding Industry*, to provide financial service for the structural adjustment and upgrading of the shipbuilding industry.

26 Dec. The PBC Monetary Policy Committee convened its fourth regular meeting in 2014, chaired by Zhou Xiaochuan, PBC Governor and Chairman of the committee. Participants in the meeting held that China's economic performance was within a reasonable range, the financial sector remained generally stable and structural adjustments have produced positive changes, but the complexities of the situation should by no means be underestimated. The world economy is still in profound re-adjustment in the post-crisis period; the US economy has shown more positive signs, the euro zone faces deflationary risks and the real sector in some emerging economies address many difficulties. The meeting stressed that the guidelines proposed at the 18th CPC National Congress, the Third Plenary Meeting of the 18th CPC Central Committee and the Central Economic Work Conference should be earnestly implemented. The PBC will pay close

attention to the latest economic and financial developments both at home and abroad and changes in global capital flow, uphold the path of making progress while maintaining stability, reform and innovation, continue to implement the sound monetary policy, pay more attention to maintaining an appropriate monetary condition, use of multiple of monetary policy tools flexibly, keep liquidity at appropriate levels and realize reasonable growth of money, credit and aggregate financing to the real economy.

29 Dec. The PBC released the *Notice on Improving Central Bank Credit Policy*

Supporting Loans to Step Up Credit Input to the Agricultural Sector, the Rural Areas and Farmers, and Small and Micro Enterprises, to adjust conditions for central bank credit policy supporting loan extension, lower the interest rates of central bank agricultural and small and micro enterprise supporting loans, specify the quantitative criteria and regulate the central bank credit policy supporting loans.

30 Dec. The PBC Operations Office opened the 12363 Hotline for Financial Consumption Rights Protection and Consultation. So far, the hotline service has been available across the country.

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2014

No.	Document Number	Title (Main Content)	Date
1	Decree [2014] No. 1	(Regulations on Freezing Assets Related to Terrorist Activities)	01.10
2	Decree [2014] No. 2	(Regulations on Purchase and Sale of Foreign Exchange by Banks)	06. 22
3	Announcement [2014] No. 3	(Diversification of counter-based bond service of commercial banks)	03.05
4	Announcement [2014] No. 5	(Enlarging the floating band of RMB against USD on the foreign exchange market)	03.14
5	Announcement [2014] No. 8	(Issues related to financial bonds issuance by financial leasing companies, auto financing companies and consumer financial companies)	04.30
6	Announcement [2014] No. 11	(Designation of clearing bank for RMB business in London)	06.17
7	Announcement [2014] No. 12	(Designation of clearing bank for RMB business in Frankfurt)	06.18
8	Announcement [2014] No. 13	(Normative regulations and documents abolished)	06.08
9	Announcement [2014] No. 14	(Designation of clearing bank for RMB business in Seoul)	07.04
10	Announcement [2014] No. 19	(Designation of clearing bank for RMB business in Paris)	09.05
11	Announcement [2014] No. 20	(Designation of clearing bank for RMB business in Luxemburg)	09.05
12	Announcement [2014] No. 24	(Qualification of banks for non-tax revenue collection on behalf of the Central Government)	10.14
13	Announcement [2014] No. 25	(Designation of clearing bank for RMB business in Doha)	11.02
14	Announcement [2014] No. 26	(Designation of clearing bank for RMB business in Sydney)	11.14
15	Announcement [2014] No. 27	(Designation of clearing bank for RMB business in Toronto)	11.03
16	Announcement [2014] No. 28	(Normative regulations and documents abolished)	11.28
17	Announcement [2014] No. 29	(Administrative Rules for Bond Pre-issuance Business on the Inter-bank Bond Market)	12.13
18	Announcement [2014] No. 31	(Issues related to import and export of gold and gold products)	12.18
19	Document [2014] No. 2	Notice on Regularizing the Administration of the Corporate Settlement Card Business	01.03
20	Document [2014] No. 5	Notice on Strengthening the Management of the Bank Card Service	01.08

No.	Document Number	Title (Main Content)	Date
21	Document [2014] No. 9	Opinions on Propelling Innovation upon Systems and Mechanisms and Providing IT-Based Financial Service	01.07
22	Document [2014] No. 29	Notice on Establishing a Centralized Clearing Mechanism for OTC Financial Derivative and Launching Centralized Clearing of RMB Interest Rate Swap	01.28
23	Document [2014] No. 37	Opinions on Accelerating the Establishment of the Credit System for Small and Micro Businesses and Rural Areas	02.07
24	Document [2014] No. 38	Notice on Issuing the Overall Plan for the Wealth Management Comprehensive Financial Reform Pilot Zone in Qingdao	02.07
25	Document [2014] No. 42	Guidance for Providing Financial Service to Such New-type Agricultural Businesses as Family Farm	02.13
26	Document [2014] No. 65	Guidelines on Providing All-around Financial Services for Poverty Alleviation and Development	03.06
27	Document [2014] No. 69	Notice on Providing Financial Service to the Poultry Industry	03.10
28	Document [2014] No. 235	Guidelines on All-around and In-depth Development of Rural Payment Service Environment	08.08
29	Document [2014] No. 252	Guidelines on Providing Financial Services for Disaster Relief and Reconstruction after Ludian Earthquake	08.26
30	Document [2014] No. 287	Notice on Further Improving Financial Services for the Real Estate Sector	09.29
31	Document [2014] No. 324	Notice Concerning Centralized Cross-border RMB Fund Operation Conducted by Multinational Enterprise Groups	11.01
32	Document [2014] No. 331	Notice on Issues Relating to Overseas Investment by RMB Qualified Domestic Institutional Investors	11.05
33	Document [2014] No. 336	Notice on the Pilot Shanghai-Hong Kong Stock Connect Scheme	11.04
34	Document [2014] No. 344	Notice on Issuing <i>Administrative Rules on Anti-money Laundering through Financial Institutions (Trial)</i>	11.15
35	Document [2014] No. 359	Notice on Implementation of the <i>Decision of the State Council on Canceling or Adjusting a Group of Administrative Approval Items and other Matter</i>	11.28
36	General Administration Department Document [2014] No. 73	Notice on Issuing <i>Procedures for Handling Credit Complaints</i>	03.26
37	General Administration Department Document [2014] No. 106	Notice on Establishing Financial Market Infrastructure Construction Leading Group and Its Office	05.06
38	General Administration Department Document [2014] No. 107	Notice on Gradually Canceling Downgraded Transaction of Financial IC Cards	05.13
39	General Administration Department Document [2014]No. 221	Notice on Cross-border RMB Settlement of Debt-financing Instruments Issued by Overseas Institutions in China	09.26

No.	Document Number	Title (Main Content)	Date
40	General Administration Department Document [2014]No. 257	Notice on Canceling Administrative Approval Items for Loan Card Issuance	12.04
41	General Administration Department Document [2014]No. 263	Notice on Issues Related to Implementation of <i>Administrative Rules on Anti-money Laundering through Financial Institutions (Trial)</i>	12.17
42	General Administration Department Document [2014]No. 278	Notice on Arrangements for the Operation and Maintenance of the Payment Settlement System in 2015	12.26