THE PEOPLE'S BANK OF CHINA

ANNUAL REPORT

2019

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MESSAGE FROM THE GOVERNOR

The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and is crucial in realizing the goal of building a moderately prosperous society. Facing the increasing risks and challenges both in and outside China, the People's Bank of China (PBC) followed the strong leadership of the Central Committee of the Communist Party of China (CPC) and the State Council, the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the general principle of pursuing progress while ensuring stability. It performed its responsibilities as the Office of the Financial Stability and Development Committee (FSDC), and implemented a prudent monetary policy. It took measures to defuse major financial risks and deepened the supply-side structural reform in the financial sector to improve financial management and services. All these efforts have delivered a great impact.

Monetary policy was more targeted and effective

With mounting downward pressure on the economy in 2019, the monetary policy focused on counter-cyclical adjustments, with three required reserve ratio (RRR) cuts. Central Bank Bills Swap (CBS) was created to support banks to replenish capital by issuing perpetual bonds to strengthen lending capacities. Monetary policy instruments including medium-term lending facility (MLF), standing lending facility (SLF) and open market operations were used flexibly to keep liquidity in the banking system abundant at a reasonable level. In 2019, the growth of M2 and total social financing was in step with nominal GDP growth and supported stable economic growth. Meanwhile, transmission of monetary policy was improved as a result of loan prime rate (LPR) mechanism reform, removal of the implicit floors of lending rates, and financing costs of enterprises were lowered. The RMB exchange rate was more flexible and functioned as an automatic stabilizer. The exchange rate was stable at an adaptive and equilibrium level.

Progress was made in financial risks management

Forestalling and defusing major risks is one of the three critical battles identified at the 19th CPC National Congress and vital in realizing the goal of building a moderately prosperous society. In 2019, the PBC took the lead in implementing the action plan of financial risk management and resolution, adopting a market oriented and law-based approach. As a result, the excessive rise in macro leverage ratio was contained; progress was made in curbing shadow banking and resolving risks of key financial institutions; risks from external shocks were addressed; bond default resolution mechanism was improved; financial risks of Internet finance was curbed across the board. In particular, the Baoshang Bank was put under receivership, a move that protected the legitimate rights and interests of depositors and other customers, removing the implicit guarantee of repayment, tightened the market discipline, and promoted credit standing diversification in financial markets and risk-based pricing. Meanwhile, a long-term mechanism was built and regulation of financial holding companies and coordination of financial infrastructure regulation was improve in a bid to make up for institutional weaknesses. The macro-prudential policy framework for external debt and real estate finance was improved. The bottom line of preventing systemic financial risks was maintained.

The financial system stepped up efforts to serve the real economy

The PBC took further actions to ease the difficulties facing small and micro businesses (SMBs) and private enterprises in accessing affordable financing. It collaborated with relevant government ministries including the National Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology, and financial regulatory authorities to create policy synergy. Monetary policy instruments were used innovatively and an RRR framework with three tranches and two preferential treatments was put in place. The private enterprise bond financing support instrument was tapped and support for accounts receivable financing by SMBs was enhanced. The credit information services were improved for SMBs. With concerted efforts, both the volume and coverage of SMB financing grew while the cost of such financing declined. The policy target of SMB loans from major state-owned commercial banks growing by more than 30 percent and comprehensive credit costs of SMBs falling by 1 percentage point was achieved with overshooting. Financial institutions provided support to key areas, projects and construction in progress to support high-quality growth of manufacturing sector. The work to provide financial support for targeted poverty alleviation saw notable progress. Financial services for rural rejuvenation improved, with smooth transition ensured after the expiration of the pilot program for offering loans collateralized by the operational rights of contracted farming land and rural housing ownership.

Reform and opening-up of the financial sector saw further progress

Following the requirements of President Xi Jinping on opening up sooner rather than later, the PBC and financial regulators announced 32 opening-up initiatives, and decided to remove the cap on foreign ownership in securities, funds, futures and life insurance joint ventures in 2020, ahead of schedule. The PBC scrapped foreign investment quotas, allowed foreign institutions to underwrite bonds on the interbank market and provide credit ratings services, and introduced 12 initiatives to further promote cross-border trade and investment facilitation. It lifted restrictions on pilot countries and regions for RMB qualified foreign institutional investors (RQFIIs) scheme, increased the quota on RMB remittance by individuals in Macao, expand the membership of RMB cross-border payment system, and promoted bond market infrastructure connectivity. Regional financial reforms were advanced, including providing financial support for China (Hainan) Pilot Free Trade Zone and Hainan Free Trade Port, the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated, high-quality development of the Yangtze River Delta. The international and regional financial cooperation continued to deepen. With G20 as the platform, international coordination on macroeconomic and financial policies was reinforced to safeguard multilateral rules and institutions.

Financial services and financial management continued to improve

Following China's vision of making development people-centered, the PBC further advanced reforms to streamline administration and delegate power, improve regulation, and upgrade services in the financial sector to enhance financial management and financial services. It conscientiously performed its responsibilities for coordinating important legislation in the financial sector to strengthen the law-based administration capabilities. The work to promote comprehensive financial statistics progressed well, with the basic financial data center established as scheduled. The research improved on fundamental but important issues facing central banks. The PBC stepped up the efforts to modernize the central bank's system and capacity for financial governance and to build a mechanism for healthy central bank balance sheet. It abolished the administrative permission required for bank account opening by companies, expanded the mobile payment convenience project, and completed centralized custody of all customer provisions held by payment institutions. It unveiled the FinTech development plan, launched pilot programs for FinTech applications, and increased the use of legal entity identifier (LEI). The 2019 edition Renminbi banknotes and coins to commemorate the 70th anniversary of the founding of the People's Republic of China were issued. The research and development of DC/EP progressed smoothly. Large-amount cash management was further standardized. The processes of withdrawing money from the State Treasury were optimized to ensure the dividends yielded by tax reduction policies were shared by SMBs. The *Interim Measures for Credit Rating Management* were promulgated, and unified registration for movable property guarantees was piloted in Beijing and Shanghai to elevate China by many places in the world business environment ranking. The plenary meeting of the Financial Action Task Force endorsed the Mutual Evaluation Report on China's Anti-Money Laundering and Counter-Terrorist Financing. The coordinating mechanism for the protection of financial consumers' rights and interests was established to further regulate financial marketing and promotions.

Since the beginning of 2020, the COVID-19 pandemic and a down cycle in the economy have greatly impacted China's economy and finance. Facing this complex and challenging situation, the PBC followed the requirement of the CPC Central Committee of pursuing a prudent monetary policy and making it flexible and adequate, decisively stepped up countercyclical adjustments, cut RRR three times, and used reverse repo unconventionally to keep liquidity abundant at a reasonable level and drive down interest rates. All these have created a favorable monetary environment for pandemic containment and smooth functioning of the financial market. Since the Chinese Lunar New Year holidays, the PBC has provided timely quick access to financial services including payment and clearing, State Treasury fund appropriation, safe cash supply, credit service and use of foreign exchange for imports of medical protective supplies. By the end of March 2020, it had introduced 30 financial support policies and measures with relevant authorities and made available RMB300 billion as low-cost special central bank lending to provide credit at preferential rates to major supplies manufacturers. It increased quotas for central bank lending and discounts by RMB500 billion to support the development of micro, small and medium-sized enterprises and encouraged policy banks to increase the special credit quota for private enterprises and SMBs by RMB350 billion. It also addressed issues facing enterprises in economic reopening, such as debt payment, cash flows and larger demand for financing.

Going forward, in accordance with the decisions and plans of the CPC Central Committee and the State Council, the PBC will continue to follow the general principle of pursuing progress while ensuring stability. It will coordinate the pandemic containment and economic and social development, and pursue a prudent monetary policy while making it flexible and adequate. It will forestall and defuse major financial risks and wage an all-out people's war against the virus. It will deepen reform and opening-up in the financial sector and ensure stability on the six fronts to create a favorable monetary and financial environment for achieving high-quality economic growth in China.

Governor of the People's Bank of China

易纲

MANAGEMENT OF THE PEOPLE'S BANK OF CHINA

Yi Gang

Governor of the PBC, Deputy Secretary of the CPC PBC Committee

Guo Shuqing

Secretary of the CPC PBC Committee, Deputy Governor

Chen Yulu

Deputy Governor, Member of the CPC PBC Committee

Pan Gongsheng

Deputy Governor, Member of the CPC PBC Committee, Administrator of the SAFE, Secretary of the CPC SAFE Committee

Fan Yifei

Deputy Governor, Member of the CPC PBC Committee

Zhu Hexin

Deputy Governor, Member of the CPC PBC Committee

Xu Jiaai

Commissioner of Discipline Inspection, Member of the CPC PBC Committee

Liu Guoqiang

Deputy Governor, Member of the CPC PBC Committee

Note: Management information disclosed in this report is as of end-2019.

MEMBERS OF THE MONETARY POLICY COMMITTEE OF THE PBC

Chairman:	Yi Gang	Governor, People's Bank of China
Members:	Ding Xuedong	Deputy Secretary-General, State Council
	Lian Weiliang	Vice Chairman, National Development and Reform Commission
	Zou Jiayi	Vice Minister, Ministry of Finance
	Chen Yulu	Deputy Governor, People's Bank of China
	Liu Guoqiang	Deputy Governor, People's Bank of China
	Ning Jizhe	Commissioner, National Bureau of Statistics
	Guo Shuqing	Chairman, China Banking and Insurance Regulatory Commission
	Yi Huiman	Chairman, China Securities Regulatory Commission
	Pan Gongsheng	Administrator, State Administration of Foreign Exchange
	Tian Guoli	President, China Banking Association
	Liu Shijin	Vice Chairman, China Development Research Foundation
	Liu Wei	President, Renmin University of China
	Ma Jun	Director, Center for Finance and Development, Tsinghua University

Note: Information on members of the Monetary Policy Committee disclosed in this report is as of end-2019.

ORGANIZATIONAL STRUCTURE OF THE PBC

ORGANIZATIONS OF THE PBC (NUMBER)

Departments and Bureaus of the Headquarters	26
Enterprises and Institutions Directly under the PBC	21
Overseas Offices	11
Departments of the Shanghai Head Office	14
Regional Branches and Operation Offices	10
Sub-branches in Provincial Capital Cities	20
Sub-branches in Provincial-Level Municipalities	5
Sub-branches in Prefectural-Level Cities	316
County-Level Sub-branches	1 761

THE PBC HEADQUARTERS

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

Secretariat of the FSDC Office

Legal Affairs Department

Research Bureau

Monetary Policy Department

Macroprudential Policy Bureau

Financial Market Department

Financial Stability Bureau

Statistics and Analysis Department

Payment and Settlement Department

Science and Technology Department

Currency, Gold and Silver Bureau (Security Bureau)

State Treasury Bureau

International Department (Office of Hong Kong, Macao, and Taiwan Affairs)

Credit Information System Bureau

Anti-Money Laundering Bureau

Financial Consumer Protection Bureau

Accounting and Treasury Department

Internal Auditing Department (Office of Leading Group for Inspection Work of the CPC PBC Committee)

Human Resources Department (Organization Division of the CPC PBC Committee)

Education Department of the CPC PBC Committee

Office of Senior Advisors

CPC Committee of the PBC Headquarters

Retired Staff Service Bureau

Staff Union

Youth League

GOVERNMENT AGENCIES DIRECTLY UNDER THE PBC

State Administration of Foreign Exchange

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

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

Open Market Operations Department

Financial Market Management Department

Financial Stability Department

Statistics and Research Department

International Department

Financial Services Department I

Financial Services Department II

Foreign Exchange Management Department

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

Discipline Enforcement and Supervision Department
(Internal Auditing)

RMB Cross-Border Business Department

Financial Consumer Protection Department

On-Site Inspection Department

Hangzhou Sub-branch

Fuzhou Sub-branch

Ningbo Sub-branch

Xiamen Sub-branch

PBC BRANCHES AND OPERATION OFFICES AND SUB-BRANCHES IN PROVINCIAL CAPITAL CITIES AND PROVINCIAL-LEVEL MUNICIPALITIES UNDER THE 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

Ji'nan Branch
Zhengzhou Sub-branch
Qingdao Sub-branch

Wuhan Branch
Nanchang Sub-branch
Changsha Sub-branch

Guangzhou Branch
Nanning Sub-branch
Haikou Sub-branch
Shenzhen Sub-branch

Chengdu Branch
Guiyang Sub-branch
Kunming Sub-branch
Lhasa Sub-branch

Xi'an Branch
Lanzhou Sub-branch
Xining Sub-branch
Yinchuan Sub-branch
Urumqi Sub-branch

Operation Office (Beijing)

Chongqing Operation Office

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

The global economy showed weak growth dynamic in 2019, featuring slow growth, low inflation, low interest rate and low productivity growth. To shore up the economy, major central banks started a round of rate cuts.

Economic developments in the major economies

Growth slowed in most major advanced economies

The US economy slowed but remained robust. In 2019, its annualized quarter-on-quarter GDP growth was 3.1 percent, 2.0 percent, 2.1 percent, and 2.1 percent respectively, and the annual growth was 2.3 percent. Inflation was mild, staying between 1.5 percent and 2.3 percent throughout the year. Excluding volatile energy and food prices, the core inflation remained slightly above 2 percent in 2019, registering 2.3 percent in November and December. The labor market continued to improve. Unemployment rate was on a downward trend, remaining at 3.5 percent since September, the lowest level in the recent 50 years.

The economy in the euro area continued to slow down amid weak momentum, growing 1.4 percent, 1.2 percent, 1.3 percent, and 1.0 percent respectively in the four quarters on a year-on-year basis. The annual GDP growth was 1.2 percent, versus 1.9 percent a year earlier. Inflation declined, from the peak of 1.7 percent in April to the low of 0.7 percent in October, before moving up at year end, but still below the level at the beginning of the year. Unemployment rate remained low, falling from 7.8 percent at the beginning of the year to 7.4 percent in October and remaining so until the end of the year, which was the lowest level since May 2008.

The UK economy slowed down and fluctuated due to the Brexit factor. It grew 2.0 percent, 1.3 percent, 1.2 percent, and 1.1 percent respectively in the four quarters on a year-on-year basis and 1.4 percent annually. As global oil prices were lower than expectations, the annual inflation hovered around the 2 percent target. The labor market was loose, with the unemployment rate between 1.8 percent and 1.9 percent, nearing the 35-year low.

The Japanese economy rebounded in the first half of 2019 before slowing down thereafter. Its outlook was affected by the upward adjustment of the consumption tax rate in October. The annualized quarter-on-quarter GDP growth was 2.2 percent, 2.3 percent, and 0.1 percent for the first three quarters respectively, but plummeted to -7.1 percent in the fourth quarter, the sharpest drop since the second quarter of 2014. As a result, the annual growth was 0.7 percent. The inflation remained low, with the core CPI between 0.3 percent and 0.9 percent year on year, much lower than the central bank's 2 percent target. The labor market was close to full employment, and the unemployment rate moved between 2.2 percent and 2.5 percent, the lowest in 18 years.

Performance of the emerging market economies continued to diverge

The Brazilian economy bottomed out in the first quarter of 2019, growing 0.6 percent, 1.1 percent, 1.2 percent, and 1.7 percent respectively in the four quarters on a year-on-year basis. The Russian economy bottomed out in the first and second quarter, with the year-on-year quarterly GDP growth of 0.4 percent, 1.0 percent, 1.5 percent, and 2.1 percent respectively. The Argentine economy recovered moderately from the persistent recession, growing -5.8 percent, 0 percent, -1.8 percent, and -1.1 percent respectively in the four quarters on a year-on-year basis. Economic activity picked up slightly in South Africa before weakening again, as the year-on-year growth posted 0.02 percent, 0.9 percent, 0.1 percent, and -0.5 percent respectively in the four quarters and the annual growth stood at 0.2 percent. India's economic growth moderated in recent years, posting 5.8 percent, 5.6 percent, 5.1 percent, and 4.7 percent respectively in the four quarters on a year-on-year basis.

Growth of global trade slowed down and productivity growth lost steam

Due to trade frictions and uncertainties across the globe, growth of trade volume declined. The second quarter of 2019 saw negative growth for the first time since the global financial crisis, reaching -0.14 percent. The growth recovered to 0.26 percent in the third quarter, still low compared with recent years. The World Trade Organization (WTO) projected global merchandise trade to shrink by 13 percent to 32 percent in 2020, much higher than the 0.1 percent contraction in 2019. Given the significance of trade to world economy, the sharp decline in trade will constrain corporate investments and add to downside risks.

Productivity growth was sluggish across the world. The Organization for Economic Cooperation and Development (OECD) data showed that not only labor productivity in the advanced economies including the US, Europe, and the UK was low from a historical perspective, productivity growth in the emerging market economies was also tepid in recent years. The slowing growth of labor productivity will weaken investment demand and growth potential.

Developments in global financial markets

The US Dollar Index rose, the euro weakened against the US dollar, while the pound sterling and the Japanese yen appreciated against the US dollar. Emerging market currencies depreciated against the US dollar

At end-2019, the US Dollar Index closed at 96.50, up 0.45 percent from end-2018. The euro, the pound sterling, and the Japanese yen closed at 1.1210 dollars per euro, 1.3259 dollars per pound, and 108.61 yen per US dollar respectively, down 2.26 percent, up 3.94 percent and 0.87 percent respectively from end-2018. Among the emerging market currencies, the Argentine peso, the Brazilian real, and the Indian rupee lost 37.16 percent, 3.45 percent, and 2.51 percent respectively against the US dollar from end-2018. The Russian ruble and the South African rand strengthened 12.53 percent and 2.53 percent against the US dollar respectively.

Yield of government securities fell in the major economies

At end-2019, the yield of 10-year US Treasuries closed at 1.91 percent, down 78 basis points (bps) from end-2018. Meanwhile, the yield of 10-year French, British, German, and Japanese government bonds dropped 59 bps, 44 bps, 43 bps, and 2 bps respectively from end-2018. Among the emerging market economies, the yield of 10-year Russian, Brazilian, Indian, and South African government bonds saw declines of 250 bps, 247 bps, 82 bps, and 63 bps, respectively.

Stock markets rallied in the major economies

At end-2019, the Dow Jones Industrial Average, S&P, and NASDAQ gained 22.34 percent, 28.88 percent, and 37.96 percent respectively over end-2018. The Nikkei 225, DAX, STOXX 50, and FTSE 100 picked up 18.20 percent, 25.48 percent, 24.78 percent, and 12.10 percent receptively from end-2018. Among the emerging market economies, the RTS, BUSE MERVAL, BOVESPA, SENSEX, and JALSH moved up 44.93 percent, 37.56 percent, 31.58 percent, 14.38 percent, and 8.24 percent respectively.

Crude oil and gold prices rebounded sharply

At end-2019, the price of Brent crude oil futures closed at US$66 per barrel, up 22.68 percent over end-2018, and the gold futures closed at US$1 790.95 per ounce, up 18.87 percent from the end of 2018. The spot price of LME copper rose 2.77 percent and the spot price of aluminum fell 4.81 percent, whereas the price of CBOT soybean price and maize increased 6.86 percent and 3.40 percent respectively.

Monetary policies in the major economies

The major advanced economies shifted to easy monetary policies

With concerns over the economic outlook, the US Federal Reserve (Fed) moved to ease monetary policy. On August 1, September 19, and October 31, it cut the target range for the federal funds rate by 25 bps each to 1.50 percent to 1.75 percent and restarted repo operation and purchase of Treasury bills. The European Central Bank (ECB) adjusted forward guidance on rate hikes since the beginning of 2019 and cut the deposit facility rate by 10 bps to -0.50 percent in September. This was the first time it had done so since 2016. The ECB also announced to restart asset purchases and launched a new round of targeted longer-term refinancing operations. Japan and the UK continued their loose monetary policies. The Bank of Japan (BOJ) maintained the target policy rate at -0.10 percent, while the Bank of England (BOE) kept the benchmark interest rate at 0.75 percent.

A wave of interest rate cuts swept the emerging market economies

Emerging market economies cut interest rates multiple times in the year either to support economic growth or meet inflation targets. The policy rate in some economies was close to or at historical lows. The Central Bank of Chile cut the overnight rate four times to 1.75 percent. The Reserve Bank of India cut the benchmark repo rate five times to 6 percent. The Central Bank of Russian Federation reduced the key rate five times to 6.25 percent. The Bank of Korea lowered the benchmark interest rate twice by 25 bps each to 1.25 percent. Bank Indonesia cut the benchmark interest rate four times by 50 bps each to 5.00 percent. Bank of Mexico reduced rate four times by 25 bps each to 7.25 percent. The Central Bank of Republic of Turkey lowered the 7-day repo rate four times to 12 percent and the Brazilian central bank cut the policy rate four times by 50 bps each to 4.50 percent.

Global economic and financial outlook

The downside risks to global economic growth increased sharply, putting all economies under downward pressure. Looking ahead, the global economy and financial market face the following risks:

First, as the spread of the COVID-19 pandemic impacts the world economy from the supply and demand sides, the global economy will face dramatically higher risks. On the supply side, as the COVID-19 pandemic hits most key links in the global value chain, production will stall and industrial chains will be disrupted. This will impact all countries on the chain. On the demand side, with the household and corporate sector suffering from income loss, uncertainties dampen market confidence, consumption and investment will decline. The financial market will amplify these shocks, further weakening demand and disrupting supply.

Second, as financial vulnerability increases, risk factors may lead to sudden risk aversion and destabilize the financial system. In the early period, under the loose global monetary conditions, the prices of financial assets will rise and debts accumulate, increasing the vulnerability of the financial system. The prolonged low interest rate will create asset price bubbles, making the financial system more vulnerable. In the future, uncertainties about the shock from the COVID-19 pandemic and financial market turbulence may also result in a resurgence of risk aversion, posing a higher risk to the global financial stability.

Third, the combination of slow growth, low inflation, and low interest rate pose a challenge to the monetary policy conduct. It is necessary to strengthen coordination of macro policies, including fiscal policy. Since the outbreak of the global financial crisis, economies relied excessively on monetary policy. With policy interest rates of major advanced economies already at historical lows, the room for further rate actions is limited. Furthermore, the marginal effect of QE and other balance-sheet policies may be limited. In the future, proactive fiscal policy and structural reform should be considered along with easy monetary policy.

Fourth, the aging population and sluggish growth of labor productivity will continue to impact the world economy. These factors, and cyber security and new technologies, may also adversely impact the global economic and financial stability. Moreover, the global economic slowdown may intensify trade protectionism or increase regional geopolitical conflicts and therefore put a drag on the global economic growth.

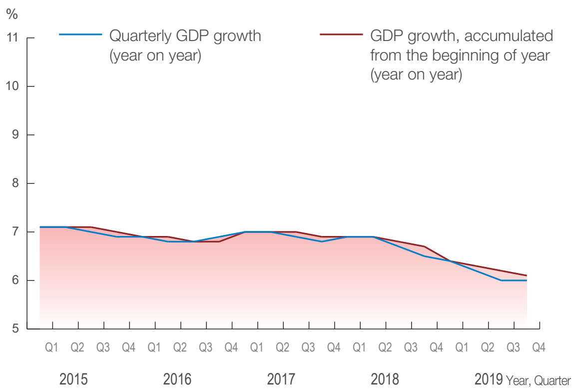
THE MACRO-ECONOMY IN CHINA

In 2019, facing significant increases in domestic and external risks and challenges, China followed the general principle of pursuing progress while ensuring stability, applied the new development philosophy, and pursued high-quality development. With supply-side structural reform as the main task, it focused on deepening reform and expanding opening-up, and continued the three critical battles. It coordinated the efforts to maintain stable growth, advance reform, make structural adjustments, improve living standards, guard against risks, and ensure stability. It took measures to stabilize employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations. With these efforts, China maintained stable economic performance and improved quality of growth.

The national economy grew amid stability and continuously optimized industrial structure

According to the preliminary statistics of the National Bureau of Statistics (NBS), China's GDP reached RMB99.09 trillion in 2019, a year-on-year growth of 6.1 percent at comparable prices. For the four quarters, GDP growth stood at 6.4 percent, 6.2 percent, 6.0 percent, and 6.0 percent respectively (Figure 1). The value-added of the primary, secondary, and tertiary industries registered RMB7.05 trillion, RMB38.62 trillion, and RMB53.42 trillion, or a year-on-year growth of 3.1 percent, 5.7 percent, and 6.9 percent respectively.

Figure 1. China's Economic Growth



Source: National Bureau of Statistics

In terms of the industrial value-added as a share of GDP, the primary and tertiary industries registered 7.1 percent and 53.9 percent, up 0.1 percentage point and up 0.6 percentage point respectively from the previous year, while the secondary industry registered 39.0 percent, down 0.7 percentage point from the previous year. In terms of contribution to economic growth, the primary, secondary, and tertiary industries contributed 3.8 percent, 36.8 percent, and 59.4 percent respectively. The contribution of the tertiary industry was 22.6 percentage points higher than that of the secondary industry.

Industrial production grew steadily, whereas corporate profitability declined slightly

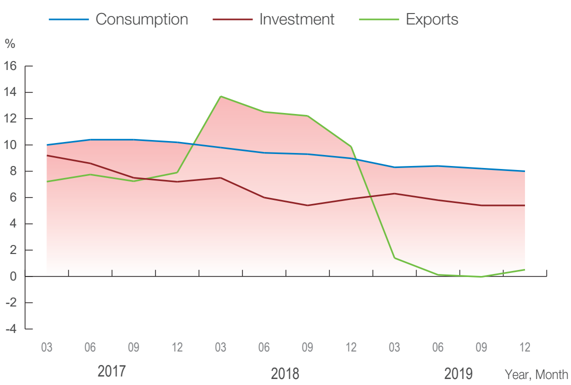
Overall industrial value-added reached RMB31.71 trillion in 2019, increasing 5.7 percent year on year but decelerating 0.4 percentage point over the previous year. The value-added of statistically large enterprises (SLEs) grew 5.7 percent year on year, a deceleration of 0.5 percentage point. In terms of the value-added of

SLEs by sector, the mining sector rose by 5.0 percent, the manufacturing sector rose by 6.0 percent, and the production and supply sectors for electricity, thermo power, gas and water rose 7.0 percent year on year. The profits of SLEs registered RMB6.20 trillion, down 3.3 percent year on year. Broken down by sector, profits of the mining sector reached RMB527.5 billion, up 1.7 percent year on year; profits of the manufacturing sector reached RMB5.1904 trillion, down 5.2 percent year on year; and the profits of the production and supply sectors for electricity, thermo power, gas and water were RMB481.6 billion, up 15.4 percent year on year. In 2019, the profit margin of the primary businesses of the SLEs was 5.86 percent, down 0.43 percentage point from the previous year, indicating a slight decrease in the profitability of industrial enterprises.

Consumption increased steadily, and contribution of external demand turned positive

In 2019, the contribution of final consumption expenditures to economic growth was 57.8 percent, 26.6 percentage points higher than the gross capital formation, and served as the main driver of the steady economic growth. Total retail sales of consumer goods amounted to RMB41.16 trillion in 2019, witnessing a year-on-year increase of 8.0 percent (Figure 2) though there was a deceleration of 1.0 percentage point. Retail sales of consumer goods in urban areas hit RMB35.13 trillion, with a year-on-year increase of 7.9 percent, while that in rural areas reached RMB6.03 trillion, up 9.0 percent year on year. Retail sales of commodities reached RMB36.49 trillion, up 7.9 percent year on year, and revenue in the catering industry hit RMB4.67 trillion, up 9.4 percent year on year. Online retail sales amounted to RMB10.63 trillion, a year-on-year increase of 16.5 percent. Specifically, online retail sales of consumer goods totaled RMB8.52 trillion, up 19.5 percent year on year, accounting for 20.7 percent of total retail sales of consumer goods and up 2.3 percentage points from 2018.

Figure 2. Growth of the Three Major Types of Demand



Source: National Bureau of Statistics

Total fixed-asset investments in 2019 posted RMB56.09 trillion, up 5.1 percent year on year (Figure 2) and a deceleration of 0.8 percentage point from the previous year. Specifically, fixed-asset investments (excluding in agriculture) reached RMB55.15 trillion, a year-on-year increase of 5.4 percent and a deceleration of 0.5 percentage point from the previous year. Among it, investments in the primary, secondary, and tertiary industries amounted to RMB1.26 trillion, RMB16.31 trillion, and RMB37.58 trillion, a year-on-year increase of 0.6 percent, 3.2 percent, and 6.5 percent respectively. Investments in real-estate development totaled RMB13.22 trillion, up 9.9 percent year on year and an acceleration of 0.4 percentage point from the previous year.

In 2019, the contribution of net export of goods and services to economic growth was 11.0 percent, in contrast to the negative contribution of 7.4 percent in 2018. Import and export of goods in 2019 reached RMB31.55 trillion, a year-on-year increase of 3.4 percent and a deceleration of 6.3 percentage points from the previous year. Specifically, export amounted to RMB17.23 trillion, up 5.0 percent year on year (Figure 2), and imports totaled RMB14.31 trillion, up 1.6 percent year on year. Trade in good posted a surplus of RMB2.92 trillion, increasing by RMB593.2 billion from the previous year. Trade with the Belt and Road countries reached RMB9.27 trillion, a year-on-year increase of 10.8 percent. Among this, exports amounted to RMB5.26 trillion, up 13.2 percent year on year, and imports amounted to RMB4.01 trillion, up 7.9 percent year on year.

Consumer price inflation accelerated while producer prices declined modestly

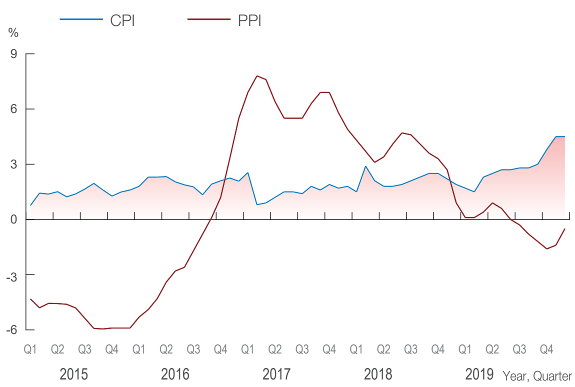
In 2019, the consumer price index (CPI) had a year-on-year increase of 2.9 percent, an acceleration of 0.8 percentage point from the previous year. During the four quarters, CPI was 1.8 percent, 2.6 percent, 2.9 percent, and 4.3 percent respectively (Figure 3). Specifically, food prices increased faster mainly driven by substantial rise in pork price, while the rise in non-food prices slowed down. Food prices increased by 9.2 percent, an acceleration of 7.4 percentage points from the previous year, with pork price up 42.5 percent year on year. Non-food prices rose 1.4 percent, a deceleration of 0.8 percentage point. Growth in the price of consumer goods accelerated, while services inflation fell moderately. The price of consumer goods rose 3.6 percent, an acceleration of 1.7 percentage points from that in 2018, whereas the price of services rose 1.7 percent, a deceleration of 0.8 percentage point from the previous year.

In 2019, the producer price index (PPI) declined 0.3 percent year on year, with the growth rate down 3.8 percentage points from the previous year. PPI growth was 0.2 percent, 0.5 percent, -0.8 percent, and -1.2 percent respectively in the four quarters (Figure 3). Specifically, the price of means of livelihood rose slightly, while the inflation of means of production moderated. The price of means of livelihood rose 0.9 percent year on year, an acceleration of 0.4 percentage point from the previous year. The price of means of production declined 0.8 percent year on year, a deceleration of 5.3 percentage points from the previous year. The Purchasing Price Index of Raw Materials (PPIRM) declined 0.7 percent year on year, with the growth rate down 4.8 percentage points from the previous year and with growth of the PPIRM standing at 0.1 percent, 0.1 percent, -1.2 percent, and -1.9 percent over the four quarters respectively.

Employment was stable and household income steadily increased

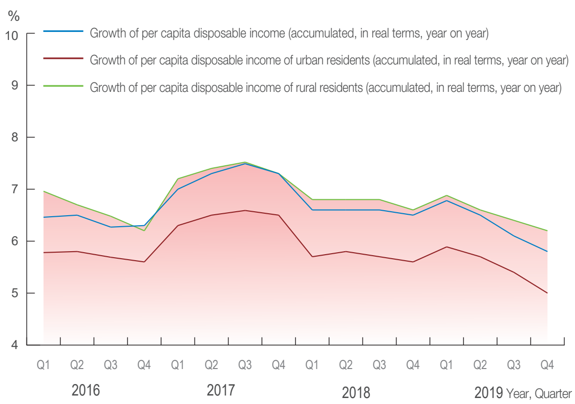
In 2019, 13.52 million new jobs were created in the urban areas, remaining above 13 million for seven years consecutively. The surveyed urban unemployment rate was 5.2 percent at the end of the year, up 0.3 percentage point from the previous year. The registered urban unemployment rate was 3.6 percent, down by 0.2 percentage point from the previous year. The per capita disposable income averaged RMB30 733, up by 5.8 percent in real terms and a deceleration of 0.7 percentage point from the previous year. Specifically, the per capita disposable income of urban residents was RMB42 359,

Figure 3. CPI and PPI Growth (year on year)



Sources: National Bureau of Statistics

Figure 4. Growth of Household Disposable Income



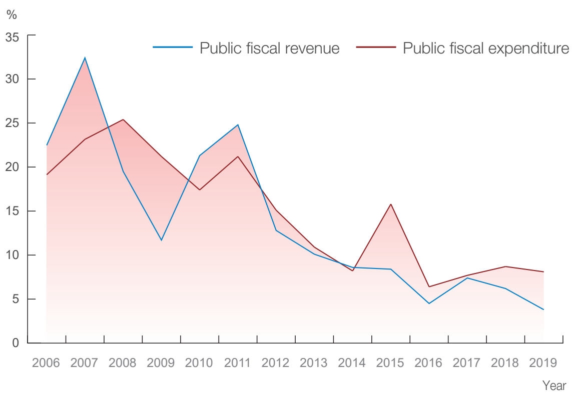
Source: National Bureau of Statistics

up 5.0 percent in real terms. The per capita disposable income of rural residents was RMB16 021, up 6.2 percent in real terms (Figure 4). The ratio of urban per capita income to that of rural counterpart was 2.64, down 0.04 percentage point from 2018.

The growth of fiscal revenue fell, and fiscal expenditures increased rapidly

In 2019, fiscal revenue totaled RMB19.04 trillion, up 3.8 percent year on year (calculated by the same statistical coverage, the same below), representing a deceleration of 2.4 percentage points from the previous year (Figure 5). In particular, central government revenue amounted to RMB8.93 trillion, a year-on-year increase of 4.5 percent, accounting for 46.9 percent of the total national fiscal revenue. Local government revenue hit RMB10.11 trillion, a year-on-year increase of 3.2 percent, accounting for 53.1 percent of the total national fiscal revenue. In the revenue structure, tax revenue stood at RMB15.80 trillion, a year-on-year increase of 1.0 percent, accounting for 83.0 percent of the total national fiscal revenue. Non-tax revenue was RMB3.24 trillion, a year-on-year increase of 20.2 percent, accounting for 17.0 percent of the total national fiscal revenue. In 2019, fiscal expenditures totaled RMB23.89 trillion, increasing by 8.1 percent year on year, down 0.6 percentage point from the previous year (Figure 5). In particular, central government expenditures amounted to RMB3.51 trillion, a year-on-year increase of 6.0 percent and local government expenditures reached RMB20.38 trillion, a year-on-year growth of 8.5 percent.

Figure 5. Growth of Fiscal Revenue and Expenditure



Source: National Bureau of Statistics

Macro-economic outlook

China will face multiple challenges, but growth is expected to remain within a reasonable range. Since the beginning of 2020, the rapid spread of the once-in-a-century pandemic has shocked the world economy. The pandemic has hit the world economy far more sharply than the 2008 financial crisis, exacerbating the risk of a deep global recession. The pandemic is disrupting global production and supply chains and causing volatility in international financial and commodity markets. As the evolution of international landscape is accelerating, there are more potential sources of volatility and risks, which will heighten the uncertainties of global economic performance. China's external environment will be more complex and challenging. China's first quarter economic growth was hard hit by the COVID-19 pandemic, and the combination of institutional, structural, and cyclical problems increased the downward pressure. The government adopted of a variety of measures in order to achieve both pandemic control and economic growth, the impact of the pandemic on China's economy is manageable on the whole. At the same time, in the context of fluctuations in external demand, domestic demand, especially consumer demand, will be a key factor in stabilizing economic performance. The supply-side structural reform will help remove the institutional and system barriers and unleash new growth potentials. The new business models such as online consumption and the smart economy are developing rapidly, and digital economy is gathering momentum. The economic structure will continue the transformation and upgrading. The government is accelerating innovation-driven strategies. The fiscal and monetary policies have adequate room for countercyclical response. All these factors will support stable and stronger growth and long-term sustainability.

Prices will remain generally stable. The impact of the pandemic on prices is limited. Food products like grain are sufficiently supplied. The government will adopt measures to support agricultural production, maintain food supply and price stability. The production of industrial consumer goods is being upgraded. Government measures to stabilize investments and strengthen domestic demand will help maintain balanced supply and demand of industrial goods. The CPI is expected to rise moderately while PPI may decline more significantly due to the downward trends of global commodity prices.

Employment will remain stable. Stable employment is the top priority in the work to ensure stability on six fronts. The government will implement preferential employment policy and relief measures to support pandemic affected enterprises. The deepening of reforms to streamline administration and delegate power, improve regulation, and upgrade services will help micro, small and medium-sized enterprises and the services sector to tackle challenges and pursue healthy development, minimizing the impact of the COVID-19 pandemic on employment. The positive roles of mass entrepreneurship and innovation, the rapid growth of new business models such as “Internet +” and the platform economy, and the strong employment potential of the services sector will create more opportunities for key groups to start their businesses or seek employment.

FINANCIAL PERFORMANCE IN CHINA

In 2019, the PBC implemented the decisions and arrangements of the CPC Central Committee and the State Council and kept the liquidity in the banking system at a reasonable and adequate level. Broad money supply (M2) and the total social financing (TSF) grew at a rate slightly higher than the growth rate of nominal GDP. The loans grew rapidly, while credit structure was further optimized, the lending rates dropped, and the RMB exchange rate was stable.

The broad money supply (M2) grew modestly

At end 2019, the balance of M2 was RMB198.6 trillion, up 8.7 percent year on year, an acceleration of 0.6 percentage point from the end of the previous year. Moderate growth of money supply provided support to high-quality economic growth. The balance of narrow money supply (M1) and currency in circulation (M0) grew 4.4 percent and 5.4 percent respectively over the previous year to RMB57.6 trillion and RMB7.7 trillion respectively. The net cash supply was RMB398.1 billion, RMB141.8 billion more than that in 2018.

The growth of aggregate financing to the real economy (AFRE) was slightly higher than that of nominal GDP

At end-2019, the stock of aggregate financing to the real economy (AFRE) posted RMB251.41 trillion, a year-on-year increase of 10.7 percent, 0.4 percentage point more than that at the end of the previous year. The AFRE (flow) was RMB25.67 trillion, representing an increase of RMB3.18 trillion year on year. In particular, the growth of loans in domestic and foreign currencies accelerated remarkably year on year; the decline of entrusted loans, trust loans, and undiscounted banker's acceptances moderated year on year; enterprise bond financing registered a significant increase while the increase of equity financing was slightly lower than that of the previous year; the year-on-year increase of government bond financing moderated; asset-backed securities (ABS) financing by depository financial institutions was less than that of the previous year whereas the growth of loan write-offs accelerated year on year.

Lending from financial institutions continued rapid growth and lending structure optimized

At end-2019, outstanding loans by financial institutions in domestic and foreign currencies grew 11.9 percent or RMB16.8 trillion year on year to RMB158.6 trillion, an acceleration of RMB698.7 billion from the increase in 2018. Outstanding RMB loans stood at RMB153.1 trillion, up 12.3 percent year on year. In 2019, inclusive loans to micro and small businesses (MSBs) rose by RMB2.1 trillion, 1.7 times that in the previous year, and outstanding loans at end of the year grew 23.1 percent, up 7.9 percentage points over that in the previous year. Loans to the household sector grew by 15.5 percent, down 2.7 percentage points from end-2018. The growth of loans to non-financial corporate and public entities accelerated year on year. In 2019, medium and long-term loans added RMB11.3 trillion, RMB798.6 billion more than the growth in 2018 and accounted for 67.3 percent of the total new loans, up 2.3 percentage points over the previous year.

Deposits at financial institutions grew steadily

At end-2019, the outstanding deposits denominated in domestic and foreign currencies of financial institutions amounted to RMB198.2 trillion, a year-on-year increase of 8.6 percent, up 0.8 percentage point from end-2018. Outstanding RMB deposits registered RMB192.9 trillion, up 8.7 percent year on year, representing an increase of 0.5 percentage point from end-2018. Outstanding deposits in foreign currencies stood at US$757.7 billion, up US$30.1 billion from the beginning of the year, or an acceleration of US$93.5 billion year on year.

Money market interest rates remained stable and the key rates declined

The weighted average interest rate of interbank lending, pledged repos, and outright repos was 2.27 percent, 2.30 percent, and 2.35 percent respectively, down 32 basis points (bps), 36 bps, and 65 bps respectively year on year. At end-2019, the 7-day interbank offered rate (IBO007) and the rate on 7-day repos by depository institutions pledged with low credit-risk bonds (DR007) were 2.85 percent and 2.81 percent respectively, losing 65 bps and 23 bps year on year. At end-2019, the overnight and 1-week Shibor was 1.69 percent and 2.74 percent respectively.

The weighted average interest rate on loans declined remarkably

In December, the weighted average interest rate on new loans stood at 5.44 percent, down 0.18 percentage point from September and down 0.2 percentage point year on year. From the beginning of 2019 to July, the weighted average interest rate of new corporate loans fluctuated around 5.30 percent. The lending rates declined after the LPR reform. The new corporate loans registered a weighted average interest rate of 5.12 percent in December, the lowest level since the second quarter of 2017 and down by 0.2 percentage point from that of July prior to the LPR reform. The decline was remarkably larger than that of the LPR, indicating that the LPR reform enhanced the independent pricing power of financial institutions, making the loan market more competitive and promoting the decline of lending rates.

The yield curve of government bond steepened and moved downwards, and the bond issuance rates fell

At end-2019, the interbank bond index closed at 197.80, up 4.56 percent from the end of 2018. The yields of 1-year and 10-year government bonds were 2.36 percent and 3.14 percent respectively, down 24 bps and 9 bps from end-2018. The spread between 1-year and 10-year government bonds was 77 bps, expanding 15 bps from end-2018. In December, the 10-year government bond was issued at a rate of 3.13 percent, 12 bps lower than that of the same period of the previous year. The coupon rate of 10-year financial bonds issued by the China Development Bank was 3.48 percent, down 11 bps year on year. The average rate of 1-year short-term financing bills (rated A-1) issued by AAA-rated non-financial enterprises was 3.47 percent, 55 bps lower than that in the same period of 2018.

The bond market index edged up, and the stock market indexes rebounded

At end-2019, the ChinaBond New Composite Index (Net Price), the ChinaBond New Composite Index (Full Price), and the Shanghai Stock Exchange Government Bond Index registered 102.57 points, 120.36 points, and 177.27 points respectively, up 0.64 percent, 1.31 percent, and 4.35 percent over end-2018. The Shanghai Stock Exchange Composite Index, the Shenzhen Stock Exchange

Component Index, and the Growth Enterprise Board Index closed at 3 050 points, 10 431 points, and 1 798 points at end-2019, up 556 points, 3 191 points, and 547 points respectively over 2018.

RMB exchange rate was stable and remained flexible

The RMB exchange rate moved in both directions on the basis of market supply and demand and remained basically stable at an adaptive and equilibrium level. At year-end, the CFETS RMB exchange rate index and the RMB exchange rate index against the SDR currency basket were 91.39 and 91.81 respectively, weakening 2.03 percent and 1.43 percent respectively compared with end-2018.

According to BIS assessment, the RMB nominal effective exchange rate depreciated 1.50 percent and the real effective exchange rate appreciated 1.11 percent in 2019. At end-2019, the central parity of the RMB exchange rate against the dollar closed at 6.9762 per dollar, depreciating 1.62 percent compared with end-2018. In 2019, the RMB-USD exchange rate fluctuated 4 percent, similar to that of major international currencies.

The balance of payments remained generally balanced

The surplus under the current account remained within a reasonable range, amounting to US$141.3 billion, or 1.0 percent of GDP. Specifically, the surplus of trade in goods increased, the deficit in trade in services shrank, and the investment income improved. The cross-border capital flows was basically stable, and financial accounts excluding reserve assets registered a surplus of US$37.8 billion. In particular, direct investments remained in surplus, and China is still a major destination for long-term capital investments. Portfolio investments continued to post net inflows, foreign investors remained interested in RMB assets in the medium and long run. Other investments continued the trend of small deficit, and the cross-border financing of market players became more rational and orderly. Throughout the year, the balance of payments was generally balanced and resilient. Subsequently, the reserve assets remained basically stable, the outstanding foreign exchange reserves posted US$3 107.9 billion at the year end. At end-2019, outstanding external financial assets and liabilities was up 4.2 percent and 6.3 percent respectively year on year, and net external assets totaled US$2.1 trillion.

FINANCIAL STABILITY AND DEVELOPMENT COORDINATION

In 2019, under the direct leadership of the State Council's Financial Stability and Development Committee (FSDC), the PBC performed its responsibilities as the FSDC Office. Following the decisions and plans of the CPC Central Committee and the State Council, it worked hard to ensure the smooth operations of the FSDC, and strengthened coordination, which is the Office's core function. It worked proactively to coordinate the deepening of reform and opening-up in the financial sector, financial sector's role in serving the real economy, prevention and resolution of major financial risks, and regulatory collaboration between central and local governments, to promote new progress in the financial reform, development, and stability.

Provided organizational guarantee for the smooth operations of the FSDC

In 2019, complex external environment and downward pressure in the Chinese economy exposed financial risks. Facing complex and challenging situations, the FSDC focused on enabling the financial sector to better serve the real economy, forestalling and defusing financial risks, and deepening reform and opening-up in the financial sector, strengthened coordination, facilitated various works, and delivered positive outcome. To earnestly perform its responsibilities as the FSDC Office, it revised the PBC's organizational structure, functions, and staffing, established the Secretariat of the FSDC Office and staffed it with competent officials. With a high sense of responsibility, it fulfilled its tasks efficiently, ensuring the efficient operations of the FSDC and supporting the FSDC to serve its roles. First, it organized the FSDC meetings. Coordinating and working together with relevant departments, it established an effective communication and collaboration mechanism to solicit ideas on and formulate agenda, make meeting arrangements, prepare materials before the meeting, and communicate press release after the meeting. Second, it monitored the implementation of the decisions and plans of the CPC Central Committee and the State Council on the financial work and the working program adopted by the FSDC. Adopting a ledger mechanism that includes each item adopted by the FSDC, it designated persons in charge for every item and tracked progress to ensure timely response and full implementation. Third, it communicated with market participants to guide expectations. It improved the FSDC expert pool mechanism, convened regular meetings with scholars and market practitioners to seek their views on economic and financial policies.

Proposed plans for advancing the reform and development of the financial sector

Based on the plans of the FSDC, the FSDC Office led the PBC, the CBIRC, the CSRC and the SAFE to form a working group on top-layer design for financial institutional reform. Following the systems theory and coordinated approach, the Office integrated top-layer design and coordination, combined top-level and on-earth perspectives, focused on structural imbalances in the financial system, and determined the overall thinking of advancing reforms. It took an approach of launching a reform initiative when it is well thought-out and actionable, and made a list of reform initiatives, based on which it proposed the reform priorities for 2020. The first is to advance banking reform. The regulatory assessment of commercial banks' financial services for MSBs will be improved to incentivize and guide commercial banks to improve inclusive finance. Small and medium-sized banks including rural credit cooperatives will deepen reforms and raise capital to strengthen service capabilities and risk resilience. Performance reviews will be carried out on government financing guarantee and re-guarantee institutions to better enable government financing guarantee institutions at the various levels to share risks. The second is to advance capital market reform. Efforts will be made to reform second board market and pilot the supporting system of registration-based IPO, build a mechanism for companies listed in the OTC market to get listed elsewhere, and improve the fundamental institutions of the capital market to better leverage equity financing to support the real economy, especially the innovative companies and small and medium-sized enterprises (SMEs). The rules for identifying standard credit assets will be released to transform the asset management business. The mechanism for standardized bill financing will be improved to better serve SMEs and supply chain financing. The third is to improve financial ecological environment, including crack-down on the violations of financial laws to protect financial consumers, better certificate management of CPA firms to enhance the information quality of financial markets. The fourth is two-way opening-up of financial markets. The issuance rules of panda bonds will be refined to encourage issuers that have genuine need of the renminbi funds to issue bonds. The two-way opening of credit rating industry will continue to allow more international agencies to offer credit rating services for bonds and encourage domestic rating agencies to expand international businesses.

Coordinated the further opening-up of the financial sector

The FSDC Office coordinated the PBC, the CBIRC, the CSRC and the SAFE to implement the decisions and plans of the CPC Central Committee and the State Council on further opening up the financial sector, advancing the opening-up of key areas with a view to promoting reform and development through opening-up. On July 20, 2019, 11 policy measures were announced, with the access and business scopes expanded for banks' wealth management subsidiaries, asset management, insurance, securities, funds, futures and rating, to further open up the financial sector. This was well received in the market and showed China's determination to further open up its financial sector. Efforts were also made to support Shanghai's development as an international financial center, and support foreign financial institutions with global competitiveness and industry influence to open and do business in Shanghai.

Established the local coordination mechanism of the FSDC Office

Establishing the local coordination mechanism of the FSDC Office was a key measure in strengthening regulatory collaboration between central and local governments and in addressing regulatory weaknesses. In accordance with the requirements of the CPC Central Committee and the State Council on establishing a collaboration mechanism for central and local governments in financial regulation, information sharing, risk resolution, and consumer protection, the FSDC Office developed a work plan for the local coordination mechanism and submitted it for approval. On January 8, 2020, with the approval of the State Council, the *Opinions of the Office of the State Council's Financial Stability and Development Committee on Establishing the Local Coordination Mechanism* was officially issued for implementation.

The local coordination mechanism of the FSDC Office is housed in provincial branches of the PBC. The PBC branch president serves as the shepherd, and members include heads of the local CBIRC, the CSRC and the SAFE agencies, the provincial financial administrations, and the provincial development and reform authorities and fiscal departments. Under the leadership of the FSDC Office, it executes guidance and coordination. Specifically, it is designed to monitor and oversee implementation of the plans of the CPC Central Committee, the State Council and the FSDC, strengthen regulatory collaboration, financial information sharing, and protection of financial consumers, and improve the financial ecological environment. It supports the local government's communication and coordination mechanism on financial work, monitor local government performance of their responsibilities in local financial regulation and prevention and resolution of local financial risks, and strengthen collaboration for synergies. Its overall purpose is to motivate both central and local governments to jointly build a sound financial environment.

Coordinated the prevention and resolution of financial risks

The year 2019 was critical in forestalling and defusing major financial risks. In accordance with the decisions and plans of the CPC Central Committee and the State Council, the FSDC Office, directly led by the FSDC, worked with relevant departments in addressing financial risks in a prudent and orderly manner and managed the pace and intensity of risk resolution, delivered preliminary results. First, introducing and monitoring the implementation of the action plan. The *Action Plan for Winning the Battle of Forestalling and Defusing Major Financial Risks*, formulated under the shepherd of the FSDC Office, was officially issued for implementation after approval from the CPC Central Committee and the State Council. According to the arrangements of the Action Plan, the FSDC Office adopted responsibility-based management, dynamically monitoring, inspecting and supervising the overall progress and clearly defining the roles and responsibilities of parties involved to create synergies. Second, fostering synergies for risk resolution. Financial authorities, financial institutions, and local governments worked together to properly resolve major risks, mitigating partial and structural liquidity risks facing small and medium-sized banks, and coping with risks arising from abnormal fluctuations in financial markets and external shocks. They cracked down on violations of financial laws and regulations, further improved the financial regulatory system, and maintained financial order and stability, successfully forestalling systemic financial risks.

MONETARY POLICY

In 2019, facing complex and challenging situations both at home and abroad, the PBC followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the decisions and plans of the CPC Central Committee and the State Council, and the fundamental requirement of enabling the financial sector to serve the real economy, and adopted a prudent monetary policy, maintaining reasonable growth of money supply and credit, improving credit structure and the transmission of monetary policy through reform to lower business financing costs. With this, it created a favorable monetary and financial environment for securing stability on the six fronts and high-quality economic growth.

Applied countercyclical adjustments in a scientific and prudent manner to maintain reasonable and adequate liquidity in the banking system

The PBC cut reserve requirement ratio(RRR) three times in 2019, releasing RMB2.7 trillion as long-term capital for financial institutions to support the real economy. It conducted open market operations and used medium-term loan facility (MLFs) flexibly and in a more forward-looking, targeted and proactive way, properly managed the pace of liquidity supply, kept liquidity reasonable and adequate, and maintained stable interest rates in the monetary market.

Stabilized aggregate and improved structure to ensure more effective and better targeted liquidity provision to the real economy

The PBC used structural monetary policy instruments to provide targeted guidance and established an RRR framework with three tranches and two preferential treatments. It announced three targeted RRR cuts in the year, i.e. one for inclusive finance in January, one for rural commercial banks serving counties in May, and one for city commercial banks operating within the provincial-level administrative regions in September. It continued to use instruments including central bank lending, central bank discounts, and macro-prudential assessment (MPA) to guide financial institutions to increase credit support to MSBs, private enterprises, and the manufacturing sector.

Proactively maintained a balance between domestic equilibrium and external equilibrium

In 2019, the PBC established a regular mechanism for issuing RMB-denominated central bank bills in Hong Kong, which helped diversify RMB assets with high credit ratings in the offshore market and optimize the structure of the offshore market, thus promoting the healthy development of the offshore RMB money market. Driven by market forces, the RMB exchange rate against the US dollar rose above 7 on August 5. Based on the market-based expectation stabilizing mechanism, along with strengthened expectation guidance with voices through different channels, market expectations were stable, and sales and purchase of foreign exchange by individuals and enterprise were normal. The RMB central parity rate, and the onshore and offshore RMB exchange rates were unified, fluctuated in two ways, and were generally stable at an adaptive and equilibrium level. The foreign exchange reserves remained above US$3 trillion. With increased flexibility, the RMB exchange rate served as an “automatic stabilizer” for adjusting the macro economy and the balance of payments. At the same time, external constraints were mitigated, the autonomy of monetary policy strengthened and the space of monetary policy expanded, paving the way for RRR cuts and loan prime rate (LPR) reform.

Deepened the supply-side structural reform in the financial sector and smoothed transmission of monetary policy through reform

The market-based interest rate reform was deepened. On August 17, the PBC announced to reform and improve the loan prime rate (LPR) mechanism, with a view to removing the implicit floors of lending rates, forcing banks to provide more financial resources to weak links such as private enterprises and MSBs, and lowering real interest rates through reform. It took a market and law-based approach to drive the shift of the loan pricing benchmark from the benchmark lending rate to LPR or a fixed interest rate. It tapped perpetual bonds to help banks replenish capital and created the Central Bank Bills Swap (CBS) to provide liquidity support. Throughout the year, banks issued perpetual bonds worth RMB569.6 billion.

Resolved risks in small and medium-sized banks in a prudent and orderly way to prevent systemic risks

The PBC adopted a targeted approach to resolving risks in individual small and medium-sized banks and achieved breakthroughs in resolving risks of key financial institutions. As a result, overall financial risks were under control. To tackle the structural liquidity shortage, it increased the quota for central bank discounts by RMB200 billion and for standing lending facility (SLF) by RMB100 billion to provide liquidity to small and medium-sized banks. It also established four lines of defense to address liquidity risks in small and medium-sized banks, i.e., central bank discounts, SLF, reserve requirement ratio, and central bank lending, to improve the risk control mechanism. Monetary policy operations were conducted to stabilize market confidence, which was conducive to maintaining the stability of financial markets.

Overall, the prudent monetary policy was forward-looking, well-targeted, proactive and effective, delivering remarkable results. The money supply and credit increased steadily, growth of M2 and the aggregate financing to the real economy (AFRE) slightly outpaced nominal GDP growth. The quality and efficiency of financial services to the real economy improved and credit structure improved, the MSB loans covered by inclusive finance were provide in larger volumes, to more enterprises and at lower cost, and financing conditions for private enterprises and manufacturing eased notably. Corporate lending rates dropped markedly. The RMB exchange rate fluctuated in two ways with increasing flexibility.

Outlook for monetary policy

In 2020, the PBC will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and implement the decisions and plans of the CPC Central Committee and the State Council. In the concluding year of the 13th Five-Year Plan Program, to secure a decisive victory in building a moderately prosperous society, the PBC will stay committed to the general principle of pursuing progress while ensuring stability and work to ensure stability on the six fronts. It will make the prudent monetary policy more flexible and appropriate, step up countercyclical adjustments, structural adjustments and reform, and keep prices basically stable. It will take firm actions to forestall and defuse major financial risks to prevent systemic financial risks. It will increase money supply and credit to support the prevention and control of the COVID-19 pandemic. First, it will apply a variety of monetary policy instruments in a flexible way to keep liquidity reasonable and adequate liquidity and promote the growth of money supply, credit and the aggregate financing to the real economy to be in step with economic growth. Second, it will facilitate banks to replenish capital through diverse channels including issuing perpetual bonds to strengthen banks' capabilities to serve the real economy and prevent financial risks. Third, it will innovate and apply structural monetary policy instruments to guide financial institutions to increase credit to MSBs, private enterprises, and the manufacturing sector, and to areas and regions engaged in pandemic prevention and control. While ensuring pandemic prevention and control, it will make all-round efforts to support reopening of various kinds of businesses. Fourth, it will improve the LPR transmission mechanism. It will advance the pricing benchmark switch of outstanding floating-rate loans, remove the implicit floors of lending rates, and ensure the smooth transmission of monetary policy. Fifth, it will strike a balance among ensuring the flexibility of the RMB exchange rate, improving the macro-prudential policy for cross-border capital flows, and strengthening international coordination on macro policies, so as to keep the RMB exchange rate generally stable at an adaptive and equilibrium level.

Column

Reforming and Improving the LPR Formation Mechanism to Bring Down Real Lending Rates

In accordance with the plans of the State Council, the PBC announced on August 17, 2019 to reform and improve the loan prime rate (LPR) mechanism. With a period of promotion, the LPR reform delivered remarkable outcomes. Quotations became much more market-based, and loans priced based on LPR accounted for a bigger share of the new lending. Efforts to remove the implicit floors of lending rates produced effect, and the interest rate transmission mechanism improved, driving real lending rates significantly lower.

Since the LPR reform, the number of quoting banks has increased from 10 to 18, all of which are banks with operations across the nation, and the LPR is available for loans above 5 years in addition to the current one-year loans. The LPR is quoted on the 20th of each month by each quoting bank based on the lending rate to their prime customers, by adding a number of basis points on the interest rate of open market operations (mainly the MLF), and calculated and announced by the National Interbank Funding Center, with the authorization of the PBC. The MLF rate is formed through market-based tendering and reflects banks' average marginal cost of capital. LPR, formed by adding basis points on the MLF rate, can adequately reflect the changes in market supply and demand of fund. Thus, the LPR has become more market oriented, serving as a guide in loan pricing.

At the same time, the PBC has encouraged banks to refer to LPR in pricing in a bid to remove the implicit floors of lending rates jointly set by some banks, and incorporated the applications of LPR into MPA and self-disciplinary mechanism management. With a period of promotion, LPR became a major pricing reference for new bank lending. Given this and in line with the reform path of "new lending first loan standing later", the PBC announced on December 28, 2019 to take a market-based and rule-of-law approach to advance the steady shift of the pricing benchmark of floating-rate loans outstanding. Between March and August 2020, lenders and borrowers can negotiate to decide whether to shift to LPR or a fixed interest rate. The PBC made it clear that the benchmark lending rate will no longer serve as a pricing reference for new lending from January 1, 2020.

LPR's impact on funds transfer pricing (FTP) also increased notably. Domestic commercial banks normally had two independent profit centers: the Asset and Liability Department managed medium and long-term fund and was mainly involved in the credit market, primarily referring to the benchmark deposit and lending rate for FTP before the LPR reform; the Financial Market Department managed short-term fund and was mainly involved in the money and bond markets, primarily referring to interest rates on the money and bond markets before the LPR reform. This led to two sets of interest rates inside banks. As the LPR reform is deepened, the market-based LPR will replace the benchmark lending rate as the major benchmark rate for FTP.

Overall, the LPR reform has achieved solid progress. Financial institutions generally agree that the lending market has become more competitive, the transmission mechanism of monetary policy has become smoother, and the transmission efficiency has increased markedly since the LPR reform. With continuous public communication, understanding and recognition of LPR among residents and enterprises have improved rapidly. The share of loans priced based on LPR has increased notably. At the end of 2019, LPR served as a pricing reference for more than 90 percent of new bank lending.

Going forward, the PBC will continue to keep liquidity reasonable and adequate, and advance the LPR reform to further tap its potential. It will push ahead with the shift of the pricing benchmark of loan outstanding in an orderly manner and drive real lending rates lower to lower corporate loan service cost. At the same time, it will facilitate banks to use more financial resources to support weak links such as private enterprises and MSBs, and optimize the allocation of credit resources to deepen the supply-side structural reform in the financial sector.

MACRO-PRUDENTIAL POLICY

In 2019, the PBC continued to improve the two-pillar framework underpinned by monetary policy and macro-prudential policy and achieved remarkable results in macro-prudential management. The Macroprudential Policy Bureau was established to improve the macro-prudential policy framework and the systemic risk monitoring system, and to introduced macro-prudential policy options for key areas. It led the introduction of the *Interim Measures for the Regulation of Financial Holding Companies* and formulated the assessment methodology and additional regulatory rules for systematically important banks with relevant departments.

Steadily built China's macro-prudential policy framework

In 2019, the PBC took the following steps to build the macro-prudential policy framework: first, it explored the matrix-based macro-prudential policy framework to prevent systemic financial risks and offer countercyclical guidance. It compiled the *Guidance on Macro-prudential Policies* to provide top-level design for macro-prudential management. Second, it studied the establishment the systemic risk monitoring, assessment and early-warning system and stress testing to provide references for macro-prudential decisions. Third, it took advantage of macro-prudential management work in key areas to expand the coverage of macro-prudential policies, diversify macro-prudential policy instruments, and establish the trigger, calibration and exit mechanism for the instruments.

Coordinated the regulation of systemically important financial institutions

Coordinating the regulation of systematically important financial institutions is a top priority and forward-looking institutional arrangement in macro-prudential management in China. The *Guiding Opinions on Improving the Regulation of Systemically Important Financial Institutions*, published jointly by the PBC, the CBIRC, and the CSRC in November 2018, establishes the macro policy framework for the regulation of systematically important financial institutions. Since the beginning of 2019, the PBC took an industry-by-industry and step-by-step approach in the development of detailed implementation rules, conducted the assessment of systematically important banks, and led the introduction of the *Measures for Assessing Systematically Important Banks* ("Assessment Measures"), soliciting public comments on November 26 upon approval of the State Council. The Assessment Measures establishes an assessment indicator system for systemically important banks in China, covering size, correlation, substitutability and complexity, and defining the thresholds, groupings, assessment methods, assessment scopes, and roles and responsibilities. The Assessment Measures also incorporates development and policy banks into the scope of systemically important banks, which is helpful for identifying the banks that have systematic impact on China's financial system and driving the sound operations of systematically important banks.

Steadily advanced the regulation of financial holding companies

Regulating financial holding companies is a key part of macro-prudential management. To address the weaknesses of the regulatory arrangements, improve regulation of financial holding companies, and effectively prevent and control financial risks to better serve the real economy, the PBC led the drafting of the *Interim Measures for the Regulation of Financial Holding Companies (Exposure Draft)* and solicited public comments in 2019. The Interim Measures were aimed to enable comprehensive, continuous, and transparent regulation of capital, behaviors, and risks based on the macro-prudential management philosophy, by starting with emphasizing the regulation of non-financial companies that control two or more types of financial institutions. Moreover, the PBC facilitated the pilot simulated regulation of financial holding companies. By understanding of different types of pilot institutions, it accumulated regulatory experience and improved focus and the regulatory rules for financial holding companies in terms of pertinence and actionability.

CREDIT POLICY

In 2019, the PBC implemented the decisions and plans of the CPC Central Committee and the State Council, stepped up efforts to advance the supply-side structural reform in the financial sector, and implemented a differentiated credit policy that emphasizes both support and restraint. It guided financial institutions to strengthen support to key areas and weak links, and guided reasonable allocation of financial resources. All these efforts enabled the financial sector to better serve the real economy.

Further promote economic structural improvement and upgrading

The PBC continued to strengthen the financial sector's capabilities to serve the high-quality growth of manufacturing sector. It intensified surveys and research, analysis and monitoring, and window guidance of the financial sector in serving manufacturing, incorporating the loans extended by financial institutions to the manufacturing sector into the specific-item assessment under the MPA. It carried out the differentiated credit policy that emphasizes both support and restraint, guided financial institutions to step up financing support to high-tech and advanced manufacturing, and oversaw debt disposal of zombie enterprises and those engaged in shedding excess capacity. By the end of 2019, outstanding loans to the manufacturing sector denominated in both domestic and foreign currencies amounted to RMB15.40 trillion, up 2.6 percent year on year, continuing a low but steady growth trend that started after recovering from the trough of 2016. Among these, the medium and long-term loans to high-tech manufacturing sector soared 40.9 percent, 26.30 percentage points higher than that to the whole sector.

The PBC also improved financial support policies for coordinated regional development. It issued the *Implementation Plan for Providing Financial Support for the Reform and Opening-up of Xiong'an New Area to Promote the Coordinated Development of the Beijing-Tianjin-Hebei Region* as an institutional guarantee for providing financial services for Xiong'an New Area. It studied the financial policy measures for relieving Beijing of functions non-essential to its role as China's capital to support the high-quality planning and development of the subcenter of the capital. To expand reform and opening-up in the financial sector, it studied the programs of providing financial support for the development of the Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port and an inland international financial center in Chongqing. It also facilitated financial services for the state's key regional development strategies covering the integrated development of the Yangtze River Delta, the building of Shanghai into an international financial center, the revitalization of Northeast China, and the development of a new land and sea channel in western China, building a regional economic landscape featuring complementarity and high-quality growth.

Stepped up financial support for targeted poverty alleviation

The PBC introduced the *Guiding Opinions on Providing Financial Support for Targeted Poverty Alleviation* *in 2019-2020*, encouraging financial institutions to optimize the allocation of financial resources with a focus on poverty alleviation, special groups, and public concerns, and promoting the effective integration of financial and industrial support for poverty alleviation to further motivate underdeveloped regions for development. It held the Facilitation Conference for Providing Financial Support for Targeted Poverty Alleviation in Deep Poverty-Stricken Areas in Lhasa to urge financial institutions to provide sound financial services to deep poverty-stricken areas. It tightened and improved central bank lending management for poverty alleviation, fully promoting the optimized use of pricing mechanism for lending with proceeds of central bank lending. It also created special central bank lending for poverty alleviation and supported the branches and sub-branches of Agricultural Development Bank of China, Agricultural Bank of China and Postal Savings Bank of China in "Three Regions and Three Prefectures" (Three Regions refer to the Tibet Autonomous Region, the Tibetan areas of Qinghai, Sichuan, Gansu, and Yunnan provinces, as well as Hetian, Aksu, Kashi, Kizilsu Kyrgyz in the south of Xinjiang Autonomous Region. Three Prefectures refer to Liangshan prefecture in Sichuan, Nujiang prefecture in Yunnan and Linxia prefecture in Gansu) in increasing credit supply there. At end 2019, outstanding central bank lending for poverty alleviation totaled RMB164.2 billion, including RMB13.9 billion in outstanding special central bank lending. Outstanding loans to people registered as living in poverty and those lifted out of poverty recorded RMB713.9 billion. Altogether, the above efforts benefitted 20.13 million people living in poverty.

Improved financial services for MSBs and private enterprises

The PBC tapped the role of macro-prudential assessment (MPA) in structural guidance, strengthened window guidance, and guided commercial banks to enhance financing support for micro and small businesses (MSBs) and private enterprises. It collaborated with relevant authorities to create the synergies of diverse policies and leveraged the three arrows in the policy toolkit, including credit, bond financing, and equity financing support. With financial technology, a variety of online products and services like unsecured loan and supply chain financing were innovated, effectively improving the capacity of financial services. It improved the management system for commercial bills and launched the standardized bill financing mechanism to encourage companies to substitute commercial bills for accounts receivable to standardize overdue payments by big players to small players. By the end of 2019, outstanding MSB loans covered by inclusive finance amounted to RMB11.6 trillion, up by 23.1 percent year on year and 7.9 percentage points higher than a year earlier; and outstanding loans to private enterprises stood at RMB46.17 trillion, representing a year-on-year increase of 7.5 percent.

Enhanced financial services for rural rejuvenation

The PBC issued the *Guiding Opinions on Encouraging the Financial Sector to Serve Rural Rejuvenation*, proposing the short-term and the medium-to-long-term targets for the financial sector to serve rural rejuvenation. The Guiding Opinions defines the differentiated positioning of agriculture-related financial institutions in serving rural rejuvenation and the key areas they support, urging them to strengthen support for poverty alleviation, food safety, new agricultural business entities and other key areas and weak links, and to launch more innovative financial products and ways of service to better meet financing needs for rural rejuvenation and enable integrated development of the primary, secondary and tertiary industries in rural areas. The PBC also introduced the *Circular on Ensuring Transition after the Expiration of the Pilot Program for Offering Loans Collateralized by the Operational Rights of Contracted Farming Land and Rural Housing Ownership to Improve Rural Financial Services*, urging local financial institutions to make good use of existing institutional arrangements to ensure smooth transition after the expiration of the said pilot program, promote the offering of loans collateralized by farming land and study the offering of loans collateralized by the use rights of homestead in light of varying regional circumstances. By the end of 2019, outstanding agriculture-related loans amounted to RMB35.19 trillion.

Reinforced financial services for the technology and cultural sectors

The PBC continued to improve policy measures for technology innovations supported by the financial sector, diversify financial instruments and expand financial bonds for innovation and business startups and debt-financing instruments issued by venture capital (VC) institutions. By the end of 2019, it supported 11 commercial banks in issuing RMB14.3 billion financial bonds for innovation and business startups, relevant enterprises in issuing RMB43.89 billion special debt-financing instruments for innovation and business startups, VC institutions in issuing RMB15.08 billion debt-financing instruments, emerging industrial companies of strategic significance in issuing RMB8.65 trillion debt-financing instruments and typical enterprises and technology innovation companies for the new economy in issuing RMB22.281 billion asset-backed notes. The PBC also implemented the guiding principles of the fourth plenary session of the 19th CPC Central Committee to build Beijing into a thriving socialist cultural capital with Chinese characteristics. It cooperated with the Ministry of Culture and Tourism to launch the program of building Dongcheng District of Beijing and Ningbo of Zhejiang into national demonstration zones for cultural and financial cooperation.

Strengthened financial services for employment, entrepreneurship, education, and minority ethnic groups

The PBC motivated local financial institutions to step up the implementation of collateralized startup loan policies, such as increasing the size of collateralized funds, properly expanding the quota of startup loans, simplifying loan approval processes, and improving performance review and incentive mechanisms based on local circumstances. It also encouraged them to strengthen support for ten key groups in employment and startup businesses, including retired and demobilized servicemen, returned migrant workers, and college or university graduates, and help them improve their living standards. Some regions increased the upper limit of collateralized startup loans for qualified individual borrowers to RMB300 000. The PBC also emphasized the supporting roles of student loans, recommending disabled orphans and students from families in extreme poverty as the key targets to ensure qualified poor students have access to loans. It implemented the interest-subsidized loan policies for trade and production of goods by minority ethnic groups, offering preferential rates on the working capital loans to companies engaged in trade and production of special ethnic commodities by minorities, and facilitated fiscal departments to offer interest subsidies.

Accelerated the establishment of a long-term management mechanism for real estate finance

As houses are for residence, not for speculation and government should not target the real estate for short-term economic stimulus, the PBC endeavored to ensure the continuity, consistency, and stability of the real estate finance policy to prevent excessive fund flow into the sector. It took a city-specific approach to implementing the differentiated housing credit policy and supported local governments to fulfill their primary responsibility in real estate regulation. It guided commercial banks to accelerate the adjustment and optimization of credit structure and to ensure the growth of real estate loans is properly controlled and more credit resources flow to key areas and weak links of the economy like the manufacturing sector and MSBs. It improved the financial policy system for residential leasing and steadily developed real estate investment trusts (REITs).

Provided financial services for local government debt management

The PBC deepened coordination and cooperation with fiscal departments, and supported bond issuance by local governments. It pushed ahead with financing for key projects in accordance with laws and regulations, directing financial institutions to optimize the allocation of credit resources to ensure reasonable financing needs of key projects like infrastructure are met based on commercial principles. Financial institutions are prohibited from providing funds to local governments in violation of laws or regulations.

Advanced the sound and standardized development of credit asset securitization

The PBC improved the operation mechanisms for the asset securitization market to promote its development through market-based, regulated, and transparent reform. It advanced the pilot program for non-performing asset securitization in an orderly manner. Throughout the year, 182 credit asset-backed securities (ABSs) worth RMB963.4 billion were issued, up by 3 percent year on year. By the year-end, outstanding credit ABS registered RMB1.97 trillion, up by 33 percent year on year.

Column

Alleviating the Difficulties Facing Private Enterprises and MSBs in Accessing Affordable Financing

The CPC Central Committee and the State Council attach great importance to financial services for private enterprises and micro and small businesses (MSBs). Following the decisions and plans of the CPC Central Committee and the State Council, the PBC has introduced a wide range of short-term and long-term initiatives to create policy synergies, to deepen the supply-side structural reform in the financial sector, improved the sustainable financing support mechanism for the financial sector to serve private enterprises and MSBs. With all these efforts, fresh progress has been achieved in alleviating the difficulties facing private enterprises and MSBs in accessing affordable financing.

Strengthening the support and guidance of monetary policy. The PBC built and improved the new policy framework for RRR that features “three tranches and two preferential treatments” to provide stronger incentives for extending loans to MSBs. It cut the RRR twice in May and September respectively, requiring financial institutions to offer all the funds released for loans to private enterprises and MSBs at lower interest rates. With the supporting role of credit policy for central bank lending and discounts harnessed, the PBC increased the central bank lending and discount by RMB253 billion to support MSBs to provide targeted and measured support to financial institutions in lending more to MSBs. The PBC also reformed and improved the loan prime rate (LPR) mechanism. On August 17, it published an announcement on reforming and improving the LPR mechanism, aiming to make LPR more market-based. It released LPR on a monthly basis and require banks to refer to LPR in pricing new loans, with a view to removing the implicit lower limits of loan rates, further smoothing the transmission mechanism of monetary policy, and driving down companies’ financing costs. In December 2019, 90 percent of new loans were priced based on LPR. As the LPR quotations fell, corporate loan rates dropped significantly.

Expanding the sources of credit funds of commercial banks. The PBC actively promoted the instruments for supporting bond financing by private enterprises, increased the efficiency of the instruments, and urged all participants to create synergies to expand the coverage of the instruments. By the end of 2019, the instruments had supported 82 private enterprises in issuing RMB78 billion bond financing instruments. The PBC also encouraged financial institutions to issue special financial bonds and use all the funds thus raised to provide more credit to MSBs. In 2019, RMB204.8 billion such special financial bonds were issued, RMB85.3 billion more than a year earlier and exceeding the annual target of RMB180 billion. Based on the progress in perpetual bond issuance, the PBC created the Central Bank Bills Swap (CBS) to support commercial banks in offering perpetual bonds to raise capital through diverse channels to increase credit supply. Throughout the year, RMB1.17 trillion of various kinds of capital replenishment bonds were issued, 2.4 times that of the previous year.

Urging financial institutions to improve financial services for private enterprises and MSBs. The PBC organized the credit policy-oriented effect assessment on private enterprises and MSBs to strengthen policy guidance. It urged financial institutions to enhance internal performance reviews and incentives, offer internal funds transfer preferential pricing, develop separate MSB credit plans, implement detailed due diligence and disclaiming rules, and optimize the allocation of policy resources to motivate frontline credit officers. It also encouraged financial institutions to use financial technologies to strengthen their capabilities to offer differentiated risk pricing to private enterprises and MSBs in terms of processes, approaches and technologies. It proposed innovating their products like unsecured loans and supply chain financing and accelerating the launch of online credit services based on internal customer information and external credit information such as tax payments, so as to increase the efficiency and amount of credit supply and step up their support for private enterprises and MSBs in their first-time loans.

Further promoting supply chain financing. The PBC advanced the special program of accounts receivable financing by MSBs. In 2019, 17 000 MSBs registered with the accounts receivable financing service platforms, raising RMB846.5 billion. The PBC improved the commercial bills management system, and launched the standardized bill financing mechanism to direct companies to substitute commercial bills for accounts receivable to regulate overdue payments by big enterprises to small enterprises. It also piloted the discount broker business, directing commercial banks to increase acceptance and discount of commercial bills and support bill financing by micro, small and medium-sized enterprises. In 2019, these enterprises raised RMB9.6 trillion through bill discount, accounting for 77 percent of all funds raised by enterprises.

Coordinating efforts to improve the local financing environment. The PBC advanced the credit system building for MSBs across the board. It approved the building of a MSBs digital credit information pilot zone in Suzhou, guided cities and provinces to build credit platforms with a focus on non-banking data of MSBs and explored both the use of alternative data like non-credit data and cross-province collaboration and sharing. It also cooperated with local governments in piloting unified registration for movable property guarantees. Under the current legal framework, statutory registrars entrusted its movable asset collateralization registration function to credit information centers, which will provide public announcement for registration and enquiry services. Beijing and Shanghai started unified registration for movable property guarantees on April 28 and 30, 2019. The PBC also promoted state financing guarantee funds and governmental financing guarantee institutions to play their roles and guided governmental financing guarantee and re-guarantee institutions to focus on MSBs and reduce their rates. It encouraged financial institutions to deepen cooperation between banks and guarantee institutions based on reasonable risk sharing to improve financing access for private enterprises and MSBs. It worked closely with local government departments to introduce policies, drive implementation, build financing interfaces, and organize visits and networking between banks and companies.

Overall, MSB financing has expanded in both volume and coverage with lower costs. By the end of 2019, outstanding inclusive MSB loans amounted to RMB11.6 trillion, up 23.1 percent year on year and 7.9 percentage points higher than a year earlier. New loans totaled RMB2.1 trillion in 2019, 1.7 times that of the previous year. The number of MSBs covered by inclusive finance reached 27.04 million, up 26.4 percent year on year. In 2019, the interest rate on inclusive MSB loans newly offered by financial institutions across the country was 6.7 percent, down by 0.69 percentage point from a year earlier. Among these, the average interest rate offered by five state-owned major banks was 4.7 percent, down by 0.74 percentage point from a year earlier, which, together with the reductions in other financing costs, brought down the comprehensive financing cost by 1.35 percentage points.

LAW-BASED GOVERNANCE IN THE FINANCIAL SECTOR

In 2019, the PBC, following the guidance of *Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era*, studied and implemented the guiding principles of the 19th National Congress of the CPC and the second, third, and fourth plenary sessions of the 19th CPC Central Committee, and earnestly implemented the principles of the Central Economic Work Conference and the Fifth National Financial Work Conference. It pushed ahead with key financial legislation in a coordinated way to support the work in preventing and mitigating financial risks. It advanced reforms to streamline administration and delegate power, improve regulation, and upgrade services, promoted law-based governance of the central bank, and carried out research on law-based governance in the financial sector. All these efforts provided a solid legal basis for building a modern central banking system.

Pushed ahead with financial legislation to improve rule of law in the financial sector

First, the PBC fulfilled its responsibility in coordinating the making of major laws in the financial sector. It implemented the arrangements for responsibility transfer with the China Banking and Insurance Regulatory Commission (CBIRC) in accordance the institutional reform plan of the State Council and put in place the mechanism for legislation coordination.

Second, the PBC stepped up efforts to bring in key legislation facilitating its performance of duties. Following the guiding principles of the Fifth National Financial Work Conference, it drafted the *Law of the People's Republic of China on the People's Bank of China (Proposed Amendments)*, formed the leading group and drafting team that drafted the *Law of the People's Republic of China on Commercial Banks (Proposed Amendments)*. It continued to promote legislating on the *Regulations for Non-Deposit-Taking Lenders*. It also drafted the *Regulations on Local Financial Supervision (Draft for soliciting public comments)* and the *Regulations on Financial Asset Management Companies (Proposed Amendments)*.

Third, the PBC took active part in drafting key economic and financial legislation. It participated in the promulgation of the *Foreign Investment Law*, the *Regulation on the Administration of Foreign-Funded Insurance Companies*, the *Regulation on the Administration of Foreign-Funded Banks* and the *Regulation on Optimizing Business Environment*. It pushed forward the revision of the *Enterprise Bankruptcy Law*, and took the lead in assessing the implementation of the law in the financial sector. It also engaged in the formulation or revision of basic economic and financial legislation, including the *Civil Code*, the *Securities Law*, and the *Futures Law*.

Fourth, the PBC formulated various rules and normative documents, consolidating the institutional foundation for the PBC to fulfill its duties. It formulated and implemented the *PBC Work Plan of Making Rules and Regulations in 2019*. It promulgated five documents including the *Decision to End Enterprise Bank Account Permit*, the *Measures for the Administration of the Use of Renminbi Designs*, the *Measures for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication*, the *Measures for Registration of the Pledge of Accounts Receivable*, and the *Interim Measures for the Administration of Credit Rating Industry*, and a dozen normative documents including the *Circular on Further Facilitating Investment in Interbank Bond Markets by Foreign Institutional Investors* and *the Circular on Ending Enterprise Bank Account Permit*. It also pushed ahead with the formulation of regulations such as the *Interim Measures for the Supervision and Administration of Financial Holding Companies*, the *Supplementary Regulations on Systemically Important Banks (Interim)*, the *Measures for Assessing Systemically Important Banks*, and the *Measures for the Administration of the Issuance and Trading of Asset-backed Securities*.

Provided Rule of Law Support for defusing major financial risks

First, the PBC participated in the risk resolution of key banks such as Baoshang Bank and provided comprehensive legal support for risk resolution.

Second, the PBC tightened administrative penalty for irregularities and breaches in the financial sector. Given that penalty standards for irregularities in the financial sector lagged behind and costs of breaches were very low, the PBC facilitated revision of laws including the *Securities Law* to raise costs for violating laws and regulations. In addition, existing applicable laws were fully applied to step up penalty for breaches in the financial sector.

Third, the PBC provided legal support for risks resolution associated with defaults on the bond market and Internet finance. It improved the risk resolution mechanism for defaults on the interbank bond market, and participated in defusing risks of local government debts and disposing of "zombie enterprises". It cooperated in the special taskforce of addressing financial risks in Internet finance.

Fourth, the PBC continued to advance special programs. It served as the leading department in the joint efforts to prevent and crack down on outbound transfers of illegal proceeds through offshore firms and underground money shops.

Advanced reforms to streamline administration and delegate power, improve regulation and upgrade services, and promoted rule of law in the central bank system

First, the PBC implemented the reform plans of the State Council to streamline administration and delegate power, improve regulation, upgrade services and improve the business environment in China. The PBC system sorted out the requirements for supporting materials submission, and decided to remove the requirements on 11 items and keep requirements on 22 items. It twice sorted out charges across its system, reducing about RMB2.85 billion in fee collection in the year. It facilitated the ending of enterprise bank account permit and carried out in pilot free trade zones a pilot program for the nationwide rollout of the reform separating permits from the business license. The PBC also served as the leading department in supporting the World Bank in its Ease of Doing Business Survey for Getting Credit, ensuring smooth consultation during the field assessment, advancing a pilot program of a unified registration system for movable asset collateralization in Beijing and Shanghai, stipulating in the *Regulation on Optimizing Business Environment* that a unified registration and public enquiry system for unified registration of movable asset and right guarantee will be established to boost the establishment of a national unified movable asset guarantee registration system.

Second, the PBC improved the systems and mechanisms for law-based administration. The administrative law enforcement information public disclosure system, the full-process law enforcement recording system, and the legal review system of major law enforcement decisions were improved. A pilot program for the reform separating investigation for evidence from decision of penalty made progress. Guidance was provided to branch offices to carry out general inspections of law enforcement.

Third, the PBC pressed ahead with law-based governance of the central bank. It organized the law-based governance assessment of 31 provincial branch offices, and convened a conference to study and plan the measures for promoting law-based governance of the central bank in 2020, so that relevant objectives could be achieved on schedule.

Carried out in-depth research on law-based governance in the financial sector

The PBC carried out research on topics including basic institutional arrangements, capital market reform and top-level design of financial reforms, and organized in-depth study on deepening financial reforms to optimize financial structure, reform of policy banks, development and regulation of small and medium-sized banks, and reform of registration-based IPO system. It studied the Basel III Accord, the total loss absorbing capacity (TLAC) and other basic macro-prudential tools to expand the policy toolkit in support of macro-prudential management.

Improved quality of legal counseling and enhanced public awareness of law-based governance in the financial sector

The PBC conducted legal reviews for government information disclosures, reports and complaints, replies to letters of petition and civil contracts, and improved legal counseling services. It responded to administrative and civil litigations in a proper way and handled administrative decision appeal review in accordance with laws. It also continued to implement the "Seventh Five-Year Plan" for increasing people's knowledge of the law and launched the Constitution Week publicity campaign across its system.

FINANCIAL STABILITY

The year 2019 was crucial in winning the critical battle of preventing and defusing major financial risks. The economic and financial market conditions were complex both in and outside China. The world is undergoing momentous changes and such trend is accelerating. Potential sources of volatility and risk points increased notably, and external shocks including the China-US trade frictions are having an increasingly adverse impact. In pursuing progress while ensuring stability, the PBC adhered to the approach of bottom-line thinking and remained firmly determined to win the critical battle. It took measures to resolve risks in key areas effectively and accurately, deepened reforms of financial institutions, continued risk monitoring and assessment, and pushed ahead with the implementation of the deposit insurance scheme, effectively maintained financial stability and security.

Continued the critical battle to forestall and defuse major financial risks

The PBC, together with relevant authorities, carried out plans to forestall and defuse major financial risks in accordance with the thinking, measures and action plan defined by the CPC Central Committee. As a result, significant progress and outcomes were achieved. The overly rapid rise in the macro leverage ratio was contained. The risks associated with shadow banking were controlled, and the diversion of funds out of the real economy and multi-layered reinvesting of fund were contained. Breakthroughs were made in risk resolution of key financial institutions. Financial order was rectified and risks arising from Internet finance were fully controlled. Efforts to overcome weaknesses in regulatory systems were accelerated to effectively respond to financial market fluctuations and risks associated with external shocks. Overall, with focused efforts of rectification, financial risks were effectively controlled and accumulated risks were mitigated.

Resolution of high-risk institutions in a prudent and orderly way

First, Baoshang Bank (BSB) was taken over smoothly. On May 24, 2019, the PBC and the CBIRC took over BSB in accordance with the law. Deposit insurance scheme played its role in protecting legitimate rights and interests of customers, maintaining social stability, ending the expectation and practice of risk-free repayment, according to relevant laws and regulations, preventing moral hazards, and promoting credit stratification in financial markets and reasonable risk-based pricing. With concerted efforts, the receivership went smoothly. The BSB continued its business operation in an orderly manner. The acquisition and transfer of large-value creditor right, and asset and capital verification was completed. Second, solid progress was achieved in the restructuring of Hengfeng Bank. Guided by the local government and the regulators, Hengfeng Bank took a market and law-based approach and implemented a two-step reform plan of "stripping off non-performing assets and attracting strategic investments to increase capital". On December 31, 2019, Hengfeng Bank completed its reform of non-tradable shares and set up new accounts, signifying the success of its market-based reorganization. Third, the Bank of Jinzhou was restructured after risk resolution. In June 2019, the PBC, together with the CBIRC and the Liaoning Provincial Government, worked together to restructure the Bank of Jinzhou, increasing the market confidence in the bank, improving the market expectations of the robustness of small and medium-sized financial institutions and preventing the spillover of risks to other small and medium-sized financial institutions. In partnership with relevant authorities, the PBC guided the bank to dispose of a large amount of risk assets in a market and law-based approach, replenish capital and repair the balance sheet to strengthen its resilience.

Effectively addressed abnormal fluctuations in the financial market and external shocks

The PBC strengthened and improved the financial stability coordinating mechanism, prudently responded to shocks on financial markets from internal and external factors, and adopted a comprehensive approach to maintain the stability in liquidity supply, of financial markets, financial institutions, financing costs, Covid-affected industries, and financial markets in Hong Kong. It worked to ensure the functioning of the quick response mechanism against major abnormal capital market fluctuations and continued to assess capital market risks and cross-market risks. It used the instruments of financial market stress index and stress testing for equity pledge financing risks to step up day-to-day risk monitoring, and studied how to diversify a package of optional policy instruments for financial market stability. Together with relevant authorities, it advanced capital market reforms such as the establishment of the Science and Technology Innovation Board and the pilot of the registration-based IPO system, implemented the overall plans of the opening-up of the financial sector, and improved market institutions and mechanisms.

Built and improved supporting institutions for the new asset management regulations

The PBC pushed ahead with the building of supporting systems for the new asset management regulations. It built and improved infrastructure for asset management such as the comprehensive statistics and information registration system, introduced detailed supporting rules for the industry, and tightened industry regulation and self-disciplinary management to steer more private capital and resources to support innovation, business startups, creation, and industry transformation and upgrading. It tracked and monitored the rectification progress of asset management in financial institutions. Since the new asset management regulations were implemented, asset management made adjustment accordingly in an orderly manner. Net value-based asset management products steadily increased, conduit business shrank significantly, and risks associated with shadow banking were mitigated. The asset management industry saw a steady and orderly transformation. Capturing the opportunity of opening-up, the PBC facilitated the transformation and upgrading of asset management business to better serve the high-quality growth of the real economy.

Advanced market-based debt-for-equity swaps

Through targeted RRR cuts, the PBC released about RMB500 billion in funds to support market-based debt-for-equity swaps and built a comprehensive assessment mechanism to assess the use of such fund on a quarterly basis. After the RRR cuts, the debt-for-equity swaps increased in volumes and sector coverage and improved in quality, supporting stable growth, reforms, economic structural adjustment and risk prevention. By the end of 2019, investments for market-based debt-for-equity swaps hit RMB1.43 trillion, including the post-RRR cut new investments of RMB1.03 trillion. Seventeen commercial banks covered by the RRR cuts made additional investments of RMB903.7 billion, 4.5 times that of prior to the RRR cut; and 521 companies were involved, with their asset-liability ratio dropping by 15 percentage points on average. Moreover, market-based debt-for-equity swaps played a positive role in driving the multiplied growth of credit, improving corporate governance, enhancing the development of a multi-tiered capital market, supporting financing of manufacturing sector and private enterprises, and mitigating debt risks of major companies.

Steadily deepened reforms of financial institutions

The PBC facilitated the full implementation of the reform plans of development and policy financial institutions. Working together with members of the reform working group, it launched various measures including building and strengthening board of directors, improving governance structure, and defining business scope. It pushed the Agricultural Development Bank of China to set up its board of directors. It guided policy financial institutions to operate within their business scopes and mission statement, and to strengthen support to key areas and weak links while tightening risk prevention and control, so as to better serve national development strategies. It steadily advance reforms of major commercial banks and other large financial institutions, standardizing the relations between their shareholders' meeting, the board of directors, the supervisory board and management, improving corporate governance, tightening internal controls, building an effective mechanism for decision-making, execution, and checks and balances, to improve business operation, management, and risk control capabilities. The PBC also pushed the Agricultural Bank of China to enhance the institutions and mechanisms of its Rural Finance Division.

Continued with risk monitoring and assessment

The PBC continued to improve the monitoring and assessment of risks in the banking, securities, and insurance sectors. It drafted and published the *China Financial Stability Report (2019)* to enhance financial-risk communication, assessments, and policy interpretations to actively guide market expectations. The PBC conducted quarterly ratings of more than 4 400 financial institutions across the country and informed local governments of the high-risk institutions rated 8-D to press them to perform their responsibilities in risk resolution. Stress testing were conducted on 1 171 banking institutions and risk communications were provided when necessary to encourage financial institutions to pursue sound operations. The PBC conducted risk monitoring of major problem companies, addressed major risk events promptly, and enhanced the study and assessment of macro-economic conditions, regional financial risks and specific industry trends. In accordance with the plans of the National Security Commission of the CPC, it performed its responsibilities as the shepherd of the National Financial Security Coordinating Mechanism, coordinating the efforts in safeguarding national financial security and working with members on risk assessment and special assessment of financial security.

Facilitated central bank lending earmarked for financial stability purpose and asset management for financial stability purposes

Efforts were made to intensify the day-to-day monitoring and administration of central bank lending for financial stability purposes and to take various effective measures to maximize the recovery of central bank lending by actively consulting with the relevant authorities, local governments, or parties involved in the restructuring of the borrowing institutions to maximize the recovery of central bank lending and protect the central bank's claims in accordance with the law. Efforts were also made to manage assets related to financial stability and promote the entrusted institutions to speed up disposal of the entrusted assets involved in financial stability operations.

Effectively implemented the deposit insurance scheme

The PBC continued the routine jobs of premium collection and fund management. It further promoted the implementation of differentiated risk-based premium mechanism to match premium rate with the risks involved. Quarterly monitoring of the risk profile of insured institutions was conducted to enhance risk identification and alerts. The PBC explored the role of deposit insurance in risk corrections at early stages so as to identify early risks and to reduce the occurrence of risks. As of end-2019, early correction measures were enforced on 503 insured institutions in total, including requirements to capital replenishment, asset expansion control, credit lines limit for major deals, and leverage ratio reduction. The PBC duly incorporated Deposit Insurance Fund Management Co., Ltd. under the Chinese law as a market-based risk resolution platform for deposit insurance. Outreach activities to improve awareness of deposit insurance policies were arranged to allow deposit insurance to act as an anchor for public confidence and to enhance the soundness of the banking system.

Actively participated in international financial stability affairs

The PBC actively participated in the Financial Stability Board, the Basel Committee on Banking Supervision, the Executives' Meeting of the East Asia-Pacific Central Banks, and the ASEAN+3 Macroeconomic Research Office, promoting development and implementation of reform policies and increasing China's voice in making international financial rules. The PBC continued to proceed with the follow-up and update of Financial Sector Assessment Program (FSAP) and tracked the progress of relevant agencies in implementing FSAP recommendations.

Column

Progress in Forestalling and Defusing Major Financial Risks and Next Steps

Forestalling and defusing major risks is one of the three critical battles defined at the 19th CPC National Congress and a key initiative in building a moderately prosperous society. Under the strong leadership of the CPC Central Committee, the unified plans of the State Council, and the direct leadership of the FSDC, financial authorities and institutions are determined to win the battle in defusing and resolving major financial risks.

I. Important progress was made

Performing its responsibilities as the FSDC Office, the PBC, together with relevant authorities, implemented the thinking, measures and action plan defined by the CPC Central Committee to forestall and defuse major financial risks. As a result, important progress have been achieved.

First, stabilizing the macro leverage ratio to ensure the general stability of financial support for the real economy. At the macro level, aggregate money and credit supply was appropriate, a prudent monetary policy was implemented, and growth of M2 and aggregate financing for the real economy was compatible with nominal GDP growth. At the micro level, enterprises were pushed to lower leverage ratios, the excessive growth of household leverage ratio was curbed, and implicit local government debt was mitigated. As a result, the rapid growth of the macro leverage ratio was contained.

Second, disorderly development of shadow banking was curbed and the relevant financial businesses gradually returned to its original purpose. Asset management regulatory rules were unified, new asset management regulations and its supporting implementation rules were released, to address regulatory arbitrage and the expectation and subsequent handout of risk-free repayment with institutional arrangements, and to facilitate stable transformation of financial institutions' asset management business in the transitional period. Conduit business featuring multi-layer nesting shrank, speculation and funds moving around within the financial sector without entering the real economy were contained. As a result, the risks in shadow banking declined gradually.

Third, a targeted approach was adopted to accurately preventing and defuse risks in key financial institutions. In the principle of category-based and targeted treatment, risks were resolved which were already exposed and associated with key financial institutions with systemic impacts. In May 2019, in strict accordance with laws and regulations, the PBC took over Baoshang Bank, protected the legitimate rights and interests of depositors and other customers, removed implicit guarantee and risk-free repayment, and tightened the market discipline.

Fourth, firm actions were taken to rectify financial order and to contain disorder in key areas. Solid progress were made in special program of managing financial risks in Internet finance and mitigating risks in Internet lending. Rectification of equity-based crowd-funding and online insurance were concluded, with risks markedly decreased. Illegal fundraising was cracked down on. Solid progress was made in the clearing and rectification of various trading places.

Fifth, reform and opening-up in the financial sector was deepened to respond to financial market fluctuations and risks from external shocks. Science and Technology board were rolled out and the registration-based IPO system was piloted. Access to the banking, securities, and insurance markets was greatly eased. A wide variety of policy instruments were applied to increase the supply of liquidity, to smooth out short-term market fluctuations, to mitigate the partial and structural liquidity risks of small and medium-sized banks. Effective measures were taken to respond to shocks from cross–border capital flows to keep the RMB exchange rate generally stable at an adaptive and equilibrium level.

Overall, with continuous and centralized rectification efforts and a combination of measures, solid progress was made in mitigating and defusing major financial risks. Financial risks that had accumulated rapidly were resolved gradually and effectively controlled. Prominent risks in key areas were orderly addressed and growth momentum of systemic risks contained. Stable and healthy development was seen in the financial sector as a whole.

II. Next steps

Next, under the strong leadership of the CPC Central Committee, the PBC will follow the general principle of pursuing progress while ensuring stability, apply the new development philosophy, deepen the supply-side structural reform, and endeavor to ensure stability on the six fronts. While consolidating the outcomes achieved in the early period of the critical battle, it will adopt the given guidelines and policies, adjust and improve its thinking and measures, and focus more on preventing risks while seeking stable growth and high-quality development and strengthening its financial governance capabilities to forestall major systemic financial risks.

First, tightening and improving macro control to deepen the supply-side structural reform in the financial sector. The PBC will continue the prudent monetary policy, stepping up countercyclical adjustments to ensure reasonable and adequate liquidity and the reasonable growth of aggregate financial for the real economy. It will deepen the supply-side structural reform in the financial sector. It will improve the financial system structure, and advance reforms of small and medium-sized banks and rural credit cooperatives to make the financial system more adaptive, competitive, and inclusive.

Second, taking a targeted approach in resolving risks in key areas and fully rectifying financial orders. The PBC will continue resolving risks in key institutions and mitigate risks of local small and medium-sized financial institutions. It will take firm action in the Internet finance rectification program such as peer-to-peer online lending and crack down on illegal financial activities like illegal fundraising to rectify financial orders.

Third, clearly defining roles and responsibilities of different parties to create synergies for risk resolution. The PBC will urge financial institutions to perform their primary responsibilities, improve corporate governance, enhance internal controls to strengthen the first line of defense in preventing and defusing risks. It will urge local governments to perform their responsibilities in local risk resolution and stability and to dispose of as appropriate high-risk financial institutions within their jurisdictions. It will urge financial authorities to perform their regulatory responsibilities to properly mitigate partial and structural risks.

Fourth, address weaknesses in regulatory systems and strengthen financial regulation. The PBC will accelerate its efforts to introduce the interim measures for the supervision and administration of financial holding companies, improve the detailed implementation measures for regulation of systemically important financial institutions, and improve regulatory systems for financial infrastructure. It will push the revision of basic financial legislation including the *Law of the People's Bank of China* and improve the legislation in key areas of cracking down on illegal financial activities. It will also explore the market and law-based exit mechanism for financial institutions based on deposit insurance as the platform.

Fifth, continue reform and opening-up in the financial sector in a practical manner to prevent and control risks arising from abnormal financial market fluctuations and external shocks. The PBC will step up efforts to reform and open up the financial sector, ensuring already released measures are implemented. It will endeavor to ensure stability on the six fronts and improve response to external shocks. While steadily advancing RMB internationalization and capital account convertibility, it will also promote two-way opening-up in the financial sector, encouraging foreign financial institutions and capital to move into China's financial markets, improve the resilience and competitiveness of China's financial system.

FINANCIAL MARKET

The year 2019 was crucial to advancing the supply-side structural reform in the financial sector and winning the critical battle against major financial risks. Following the plans of the CPC Central Committee and the State Council and the fundamental requirement of enabling the financial sector to serve the real economy, the PBC, together with relevant authorities, focused on institution building and product innovation. While expanding opening-up in the financial sector, it endeavored to forestall and defuse financial risks. It also gave full play to the bond market's role in maintaining stable growth, advancing reform, making structural adjustments, improving people's living standards, and guarding against risks. With this, the bond market was on track to pursue high-quality development.

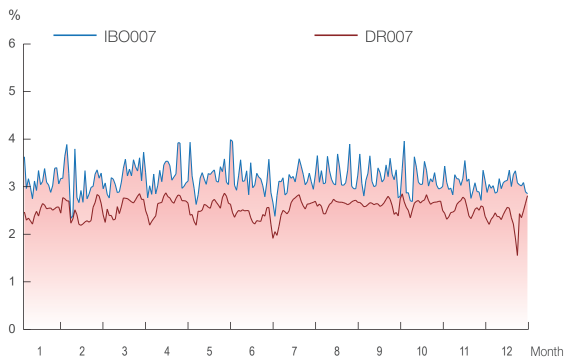
Performance of the money market

In general, the volume of trading increased. The cumulative trading volume of the interbank money market posted RMB971.27 trillion in 2019, surging 12.68 percent from the previous year. Among this, trading on the interbank funding market increased 8.86 percent year on year to RMB151.64 trillion, and trading on the pledged repo market jumped 14.31 percent from the previous year to RMB810.09 trillion, whereas outright repo market trading was slashed 32.14 percent compared with the previous year to RMB9.54 trillion.

Short-term trading still dominated the money market. 7-day and shorter-term trading accounted for 95.37 percent of the total, up 1 percentage point over 2018. Among this, overnight funding took up 86.18 percent, 3.24 percentage points higher than that in 2018, while the share of 7-day funding fell 2.18 percentage points to 9.19 percent.

In general, the interest rate dropped. The PBC kept liquidity in the banking system abundant at a reasonable level with three cuts in the reserve requirement ratio (RRR) and a policy mix of medium-term lending facilities (MLFs) and repos, and the overall level of interest rates moved downward. In particular, the annual weighted average rates on interbank lending, pledged repos, and outright repos stood at 2.27 percent, 2.30 percent, and 2.35 percent respectively, down 32 bps, 36 bps, and 65 bps year on year. At end-2019, the 7-day interbank borrowing rate (IBO007) and the rate on 7-day repos by depository institutions pledged with low credit-risk bonds (DR007) were 2.85 percent and 2.81 percent respectively, losing 65 bps and 23 bps year on year (see Figure 1).

Figure 1. Movements of Money Market Rates, 2019



Source: National Interbank Funding Center

Large Chinese banks were the major fund providers. During the year, large commercial banks, policy banks, and listed commercial banks were the biggest fund providers on the money market, with net lending of RMB156.09 trillion, RMB1 084.00 trillion, and RMB54.68 trillion respectively, accounting for 45.66 percent, 31.71 percent, and 16.00 percent of total net lending. Securities firms, fund managers, and rural financial institutions were the major borrowers, with net borrowing of RMB111.99 trillion, RMB70.31 trillion, and RMB25.91 trillion, representing 32.76 percent, 20.57 percent, and 7.58 percent of the total net borrowing.

Bond market performance

In 2019, the size of bond issuance totaled RMB45.3 trillion, jumping 3.1 percent year on year, shedding 3.9 percentage points compared with the previous year. The size of bond issuance on the interbank bond market amounted to RMB38.03 trillion, declining 0.3 percent year on year; and the size of bond issuance on the exchanges reached RMB7.30 trillion, surging 25.60 percent year on year. As of year-end, outstanding bonds in custody reached RMB99.10 trillion. Outstanding bonds in custody on the interbank market reached RMB86.45 trillion, accounting for 87.20 percent, while outstanding bonds in custody on the exchanges was RMB12.66 trillion.

The size of local government bond issuance increased slightly. In 2019, the size of local government bond issuance totaled RMB4.36 trillion, up 4.70 percent year on year, which was 9.10 percentage points higher than a year earlier. Specifically, the size of general bond issuance was RMB1.77 trillion, down 20.20 percent from 2018; and the size of special bond issuance was RMB2.59 trillion, up 32.90 percent. The size of new bond, refinancing bond and debt-swap bond issuance hit RMB3.06 trillion, RMB1.15 trillion, and RMB157.9 billion, up 40.80 percent and 76.70 percent and down 88.30 percent year on year respectively. The share of new bonds reached 70.10 percent, 18 percentage points higher than a year earlier. As of the year-end, outstanding local government bonds in custody amounted to RMB21.12 trillion.

The size of spot bond trading expanded. The trading volume of spot bonds reached RMB217.35 trillion, surging 38.60 percent from the previous year. Among this, spot bond trading on the interbank market was RMB209 trillion, up 38.50 percent over 2018, while that on the exchanges gained 40.90 percent over 2018, amounting to RMB8.35 trillion. Policy financial bonds, interbank negotiable certificates of deposit and T-bonds, the top three bonds with the highest trading volume shares on the interbank market, accounted for 42.80 percent, 23.60 percent, and 16.30 percent of the total respectively. In addition, debenture bond trading, including trading of non-financial institution debt financing instruments, enterprise bonds, and asset-backed securities (ABS), reached RMB20.41 trillion, accounting for 9.40 percent.

The size of financial bond issuance rose significantly. The size of financial bond issuance on the interbank bond market hit RMB6.18 trillion (excluding interbank negotiable certificates of deposit), gaining 29.60 percent from 2018. In January 2019, the first perpetual bond was issued by the Bank of China. Throughout the year, undated additional tier-1 capital bonds worth RMB569.6 billion were issued by commercial banks. Tier 2 capital bonds worth RMB595.5 billion were issued, up 21.35 percent year on year. Further, special financial bonds worth RMB298.5 billion were issued for agricultural loans, small and micro businesses loans, green loans, and innovation and entrepreneurship loans, climbing 13.90 percent from 2018.

Bond yields fluctuated slightly and bond yield curves became less steep. At end-2019, the yields of 1-year and 10-year government bonds were 2.36 percent and 3.14 percent respectively, sliding 24 bps and 9 bps compared with end-2018. The spread between 1-year and 10-year government bonds stood at 77 bps, expanding 15 bps from end-2018. The total inter bank bond index closed at

197.80, up 4.56 percent from the end of 2018. The yield changes for low credit-risk bonds could be considered in four stages in 2019: from the beginning of the year to mid-April, driven by better-than-expected macroeconomic data and the seesaw effect between the stock market and the bond market, market risk appetite rebounded and bond yields surged. On April 24, the 10-year government bond yield jumped 26 bps from the beginning of the year to 3.43 percent. But between May and mid-August, as risk aversion strengthened due to twists in China-US trade talks and the higher expectations on Fed's rate cuts, bond yields plummeted. As a result, the 10-year government bond yield closed at 3.00 percent on August 13, the lowest in the year. In September, as CPI rose quickly driven by pork price hikes, concerns over tightened monetary policy widened due to higher inflation expectations, and money supply shrank, the 10-year government bond yield kept climbing and closed at 3.29 percent at the end of October. From early November to the year-end, as the PBC unexpectedly cut the interest rate on MLF and open market operations, the loan prime rate (LPR) decreased while the economic and financial data for October was much lower than expectations. Therefore, bond yields oscillated downward. In December, market liquidity level remained a dominant factor affecting the bond yield. Bond yields continued to fall. The 10-year government bond yield was basically flat compared with the beginning of the year.

The size of debenture bond issuance increased steadily. In 2019, corporate debenture bonds worth RMB9.73 trillion were issued, up 26.91 percent from a year earlier. Net funds of RMB3.24 trillion were raised through corporate debenture bonds, representing a year-on-year increase of 23.17 percent. At end-2019, outstanding corporate debenture bonds in custody were RMB21.75 trillion, setting a new record high.

Default events increased in terms of number and amount. A total of 68 enterprises defaulted on 196 bonds on China's bond market, 16 more than that of 2018. The defaulted amount was RMB125.540 billion, climbing 22.10 percent over 2018. 51 enterprises defaulted for the first time, 6 more than a year earlier. No industrial or regional concentration was found among the defaulted bond issuers.

The investor structure was broadly the same. By the year-end, outstanding bond holdings of depository financial institutions on the interbank market registered RMB49.61 trillion, accounting for 57.40 percent; bond holdings of non-corporate institutional investors totaled RMB25.53 trillion, making up 29.60 percent, consistent with a year earlier. As of the year-end, there were a total of 25 888 players on the interbank market, increasing 5 125 over the end of 2018. Among them, 3 082 were domestically incorporated institutions, 240 more than the end of 2018; and 20 196 were domestic non-corporate institutions, surging 3 461 over end-2018.

Over-the-counter (OTC) trading was increasingly robust, with more products available for trading. The size of OTC bond issuance on the interbank market was RMB122.073 billion, down one percent year on year. The volume of OTC trading was RMB252.861 billion, jumping 92 percent year on year. The OTC products were diversified. At end-March 2019, the OTC issuance of local government bonds officially kicked off. As of the year-end, the actual subscription to local government bonds over the counter was RMB10.984 billion, of which 44 percent were subscribed by individual investors.

Performance of financial derivatives

The RMB interest-rate swap market saw active trading. The number of deals on RMB interest-rate swap market amounted to 238 000, up 26 percent year on year. The nominal value declined 16 percent from a year ago to RMB18.1 trillion. Breakdown by term structure shows that 1-year products and those under one year were most actively traded with a total nominal value of RMB11.12

trillion, representing 61.27 percent of the total. The 7-day fixed repo rate and the Shibor served as the reference rates for the floating leg of RMB interest-rate swap transactions, accounting for 72 percent and 26.40 percent respectively of the total notional principal of interest-rate swaps. After the LPR formation mechanism reform, the trading volume of LPR-based interest-rate swaps began to increase, concluding 654 transactions throughout the year with a total notional principal of RMB75.1 billion.

Credit risk mitigation instruments generally performed steadily. The year saw 118 transactions with a total notional principal of RMB14.783 billion. Broken down by product variety, credit risk mitigation warrant was the dominant instrument. Throughout the year, 105 credit risk mitigation warrants were created with a total notional principal of RMB13.853 billion, and bonds worth RMB45.806 billion were issued. Breakdown by term structure shows that the products under one year were most actively traded, representing nearly 80 percent of the total. Breakdown by credit ratings of reference entities shows that AA+ and AA ratings accounted for nearly 90 percent of total transactions, and the protection rates of reference entities with different credit ratings diverged.

Performance of the FX market

Trading on the RMB/foreign exchange (FX) market reached US$29.12 trillion in 2019 with average daily trading at US$119.343 billion, up by 0.17 percent over the previous year. In particular, transactions between banks and their clients and those on the interbank FX market stood at US$4.11 trillion and US$25.01 trillion respectively.

Trading on the spot FX market grew steadily. In 2019, cumulative trading on the spot FX market hit US$11.36 trillion, a year-on-year gain of 2.63 percent. In particular, spot FX purchases and sales at banks (excluding delivery of forward contracts) added up to US$3.42 trillion, declining 0.37 percent from the previous year, while cumulative spot trading on the interbank FX market stood at US$7.94 trillion, up by 3.98 percent over the previous year.

Transactions on the FX forward market dwindled. The cumulative full-year trading of FX forwards stood at US$380.641 billion, a year-on-year decrease of 29.76 percent. In particular, forward FX purchases and sales between banks and their clients posted a cumulative US$304.691 billion, with FX sales to and purchases from clients registering US$79.759 billion and US$224.932 billion, plunging 32.94 percent, 66.95 percent, and rising 5.59 percent respectively from 2018. Cumulative trading of FX forwards on the interbank market slashed 13.24 percent from the previous year to US$75.95 billion.

Trading of FX and currency swaps decreased. The cumulative trading of FX and currency swaps declined 0.51 percent from 2018 to US$16.53 trillion in 2019. In particular, FX and currency swaps between banks and clients posted US$119.488 billion cumulatively, up 15.30 percent compared with 2018, while those on the interbank market dropped 0.61 percent from the previous year to US$16.41 trillion.

Transactions on the FX options market expanded. In 2019, trading on the FX options market amounted to US$850.022 billion, rising 0.31 percent from 2018. In particular, cumulative trading between banks and clients went up 13.78 percent year on year to US$268.818 billion, while that on the interbank market registered US$581.204 billion cumulatively, sliding 4.90 percent compared with 2018.

Performance of the gold market

The gold market was stable. 68 600 tons of gold was traded on the Shanghai Gold Exchange (SGE), up 1.63 percent year on year. The turnover hit RMB21.49 trillion, climbing 17.43 percent from 2018. Gold prices presented an upward trend. At the year-end, Au9999 closed at RMB340.80 per gram on SGE, jumping 19.75 percent year on year.

Institution building and policy measures

Bond market institution building was strengthened. The PBC published the *Opinions on Supporting the Issuance of Financial Bonds for Innovation and Entrepreneurship by Commercial Banks* to guide commercial banks to increase their support for innovation and entrepreneurship. The *Notice on Supporting the Pilot Zones for Green Finance Reform and Innovation to Issue Green Debt Financing Instruments* was released to expand the financing channels for pilot zones for green finance reform and innovation. It also issued the *Notice on the Operation Plan for Supporting Instruments of Debt Financing by Private Enterprises on the Interbank Market* to define the roles and responsibilities of participants. In addition, it advanced the reform of financial bond issuance management system, established basic database for small and medium-sized banks, and optimized the approval processes to improve efficiency.

Innovation in bond products was boosted. The PBC launched the undated additional tier-1 capital bonds, strongly supporting the banking industry in optimizing their capital structure. The PBC, together with the China Securities Regulatory Commission (CSRC), released the *Notice on the Pilot Work of Open Bond-Index Securities Investment Funds* to promote the development of the exchange-traded bond funds. It supported the institutions of commercial banks that implement debt-for-equity swaps in issuing financial bonds to boost orderly deleveraging.

The bond default resolution mechanism was improved. The PBC, along with the National Development and Reform Commission (NDRC) and the CSRC, drafted the *Notice on Default Resolution of Corporate Debenture Bonds (exposure draft)* to diversify the market-based default bond resolution mechanisms. It directed the National Association of Financial Market Institutional Investors (NAFMII) to introduce relevant supporting rules. It also guided its branches, sub-branches, self-discipline organizations and intermediaries to intensify default risk monitoring and improved the regional default risk response mechanisms.

Regulatory coordination in the financial market was boosted. The PBC led the drafting of the *Work Plan on Coordinating the Regulation of Financial Infrastructure*, which was reviewed and adopted at the 10th meeting of Commission for Further Reform under the CPC Central Committee, with a view to building a financial infrastructure system that features rational distribution and effective governance. Together with the NDRC and the CSRC, it drafted the *Administrative Measures for Information Disclosure for Corporate Debenture Bonds (exposure draft)* to boost the unified classification of information disclosure for corporate debenture bonds and push ahead with unified law enforcement in the bond market.

FX market building and development were promoted. First, the PBC improved the management of FX risks arising from foreign institutions' bond investment, adjusted the real need-based management, and expanded hedging channels, further facilitating the management of FX risks by foreign institutional investors in the interbank bond market. Second, it revised jointly with the China Foreign Exchange Trade System (CFETS) and commercial banks the *Trading Rules on the Interbank Foreign Exchange Market*, which was officially released by the CFETS. It supported the CFETS to improve the trading model of prime brokerage, introduced Ideal, an instant messaging tool, launched the trading of foreign currency-pair options and developed the standards for transaction confirmation in the FX market. It also supported the Shanghai Clearing House (SHCH) for improving its centralized clearing rules and default clearing mechanism. Third, it conducted FX and derivatives surveys organized by the Bank for International Settlements (BIS) and worked actively with the Global Foreign Exchange Committee (GFEC).

The PBC stepped up gold market institution building and promoted business innovation. First, it standardized the gold leasing business, and developed the preliminary administrative measures for gold leasing. It directed the SGE to revise and improve systems such as detailed auction trading rules, membership management measures, violation resolution approaches and performance management of dealers and market makers. Second, the SGE launched the Shanghai silver benchmark price trading, diversifying the market-based pricing system for precious metals in China. The SGE also launched the silver price asking options trading, further diversifying the risk management and hedging instruments for the silver market. The SGE enabled continuous noontime trading, with 13 hours of continuous trading.

Active opening-up of the bond and gold markets

The opening-up of the bond market was prudently advanced. At the year-end, 796 foreign institutions gained access to the interbank bond market, and the amount of bonds in the custody of foreign institutions on the interbank bond market totaled RMB2.20 trillion, up 27 percent year on year. The opening-up of the financial sector deepened. First, China's bond market was included in the two major international bond indices. On January 31, 2019, Bloomberg officially confirmed that the RMB-denominated Chinese government bonds and policy bank bonds would be included in the Bloomberg Barclays Global Aggregate Index starting from April. On September 4, 2019, JPMorgan announced that the RMB-denominated Chinese government bonds with high liquidity would be added to the Emerging Market Bond Index Global starting from February 28, 2020. Second, arrangements for foreign investments in the Chinese market were improved. On October 16, 2019, the PBC and the State Administration of Foreign Exchange (SAFE) jointly released the *Circular on Further Facilitating Investments by Foreign Institutional Investors in Interbank Bond Markets*, allowing the same foreign players to conduct non-trading transfers of bond holdings between Qualified Foreign Institutional Investors (QFII)/RMB Qualified Foreign Institutional Investors (RQFII) accounts and China Interbank Bond Market (CIBM) Direct accounts, and to transfer funds directly between accounts. Third, S&P Global (China) Ratings was allowed to assign ratings to bonds on China's interbank market. Fourth, the Silk Road-related bonds were launched, expanding domestic and foreign players' fund sources to support the Belt and Road Initiative. Fifth, foreign institutions were permitted to obtain Type-A lead underwriting licenses in the interbank bond market.

The opening-up of the gold market was expanded. First, the SGE and the Chicago Mercantile Exchange (CME) launched new gold contracts using each other's price. Second, cooperation and communication with the Russian gold market was deepened. The SGE and the Moscow Exchange provided training to each other's employees.

RMB INTERNATIONALIZATION

In 2019, following the decisions and plans of the CPC Central Committee and the State Council, the PBC focused on serving the real economy and promoting trade and investment facilitation. It forged ahead, and further improved cross-border RMB policy arrangements. As a result, the cross-border use of the RMB bucked the trend and grew rapidly, driving RMB internationalization another step forward.

The role of the RMB as an international currency was further enhanced

The role of the RMB as a payment currency was continuously strengthened. According to the latest statistics of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), as of December 2019, the RMB was the sixth largest payment currency in the world, with a market share of 1.94 percent.

The role of the RMB as a currency for investment and financing continued to grow. Foreign investors could invest in China's financial market through multiple channels, including the RQFII scheme, the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect, the CIBM Direct, and the Bond Connect. Domestic institutional investors could invest abroad in RMB-denominated financial products through the RMB Qualified Domestic Institutional Investors (RQDII) scheme, and domestic investors could also access overseas financial markets through stock connects and mutual recognition of funds. As of year-end, domestic RMB-denominated financial assets held by overseas institutions and individuals totaled RMB6.41 trillion, rising 30 percent year on year.

The role of the RMB as a reserve currency grew gradually. RMB reserve assets held by central banks around the globe increased rapidly since the RMB was included in the Special Drawing Rights (SDR) basket. According to data released by the International Monetary Fund (IMF), RMB-denominated reserves held by central banks around the world stood at US$217.7 billion as of end-2019, accounting for 1.96 percent of the total, up 0.89 percentage point over 2016 when RMB was just included in the SDR basket, making the RMB the fifth largest major reserve currency. Incomplete statistics show that over 70 overseas central banks or monetary authorities included the RMB in their FX reserves.

Further breakthroughs were made in using the RMB as a denominating currency. On August 12, 2019, NR made a debut on the Shanghai Futures Exchange, with trading access given to foreign investors. On October 11, 2019, the first iron ore spot trading contract denominated and settled in the RMB was signed at Rizhao Port, Shandong, streamlining the processes for domestic sales after imports. Foreign investors will have access to more commodity futures, as China promotes RMB denomination and settlement through a phased-in approach.

The cross-border use of RMB increased rapidly

In 2019, in the face of the complex and changing economic and financial conditions in and outside China, cross-border RMB payments and receipts by banks on behalf of their clients totaled RMB19.7 trillion, up 23 percent year on year. Continuing the fast upward trend of the previous year, cross-border RMB payments and receipts set new record highs. In particular, cross-border RMB receipts and payments registered RMB10 trillion and RMB9.7 trillion, jumping 24 percent and 22 percent from 2018 respectively. Broken down by region, cross-border RMB settlements with Hong Kong, Singapore, Germany, Taiwan, Macau, and Japan were the highest, accounting for more than 68 percent of total cross-border RMB payments and receipts.

Cross-border RMB flows remained stable and orderly. In 2019, the PBC strengthened macro-prudential management, conducted counter-cyclical adjustments, and improved the self-regulatory mechanism for cross-border RMB business as well as management during and after business activities. As a result, the cross-border RMB business saw sound development amid stable and orderly cross-border fund flows. In 2019, the cross-border receipts-to-payments ratio was 1 to 0.96 and was basically balanced, with a net inflow of RMB360.5 billion. Structurally, a net outflow under the current account and a net inflow under the capital account were maintained.

Cross-border use of RMB under trade and direct investment was on the rise. In 2019, cross-border RMB payments and receipts under trade and direct investment amounted to RMB8.9 trillion, climbing 14 percent from 2018, contributing to the growth of the real economy. Cross-border RMB payments and receipts under trade in goods totaled RMB4.2 trillion, up 16 percent year on year, and much higher than the import and export growth of 3.4 percent registered by the Customs for the same period. Its share in total imports and exports recorded by the Customs for 2019 was 13.4 percent, 2 percentage points higher than that of 2018. Particularly, RMB settlements for cross-border e-commerce surged 71 percent, further raising the awareness of the RMB among foreign individuals and institutions.

Both domestic and foreign enterprises were more willing to choose the RMB in cross-border settlements. First, as unilateralism and protectionism resurge, using RMB to settle cross-border trade can help enterprises reduce reliance on the major international currencies and better respond to trade hegemony and bullying from other countries. Second, while the RMB exchange rate became more elastic, with the RMB exchange rate appreciating, depreciating and then gaining losses in 2019, enterprises' needs for mitigating exchange-rate risk strengthened. Using RMB can help them transfer the exchange rate risk to their foreign counterparties and thus mitigate all exchange rate risk. The PBC's survey on the cross-border use of RMB shows that enterprises were enthusiastic about participating in the cross-border RMB business. 86 percent respondents used RMB to settle their cross-border trade, rising 0.3 percentage point from the end of 2018.

Shifts of production capacities drove the cross-border use of the RMB in the neighboring countries and the countries along the Belt and Road. While improving policy arrangements, the PBC urged financial institutions to improve their service levels to tangibly facilitate outward investments, project contracting, and construction of cooperative industry parks by enterprises, effectively driving the neighboring countries and the countries along the Belt and Road to use the RMB. In 2019, the cross-border RMB settlements between China and its neighbors jumped 18 percent over 2018 to RMB3.6 trillion. The cross-border RMB settlements between China and the countries along the Belt and Road hit RMB2.7 trillion, up 32 percent year on year and making up 14 percent of the country's total in 2019.

The opening-up of the financial market brought about the wider cross-border use of the RMB under portfolio investment. In recent years, the PBC has stepped up its efforts to expand the opening-up of the financial market. It simplified investment processes, boosted integration of different channels for opening-up and improved policy arrangements like exchange rate risk hedging and taxation, which has won high recognition from international investors. Foreign players sped up investments in China's financial market and foreign holdings of RMB assets increased steadily. As of the year-end, domestic RMB-denominated financial assets held by foreign players in the form of equities, bonds, loans, and deposits stood at RMB6.4 trillion, rising 26.7 percent year on year. Among this, bonds in custody held by foreign investors accounted for 2.3 percent of total bonds in custody on the interbank bond market, and the market value of shares they held was 3.6 percent of total A-share market value. In 2019, the cross-border RMB receipts and payments under portfolio investment jumped 46 percent year on year to RMB9.5 trillion, accounting for nearly 50 percent of the total.

The infrastructure, supporting businesses and capability building for RMB internationalization were strengthened

Overseas RMB clearing arrangements were further improved. In 2019, the PBC authorized the MUFG Bank and Bank of China Manila Branch as the RMB clearing banks. As of end-2019, China had designated 27 RMB clearing banks in 25 countries and regions. The nature and role of clearing banks became clearer and the coverage more reasonable.

The coverage of the RMB Cross-Border Interbank Payment System (CIPS) was expanded further. As of end-2019, there were 33 direct participants and 903 indirect participants in the CIPS covering over 94 countries and regions worldwide, with the actual business coverage expanding to 3 023 incorporated financial institutions from 167 countries and regions. The RMB processing capabilities were markedly strengthened. In 2019, the total business volume of the CIPS accounted for 54 percent of all cross-border business volume of the RMB, making it a major channel for cross-border RMB settlements.

The RMB off-shore market developed steadily and orderly. The PBC actively promoted direct trading between the RMB and the currencies of the neighboring countries and the countries and regions along the Belt and Road. With this, RMB/FX trading on the off-shore markets was increasingly active and the RMB began to be some countries' anchor currency. In 2019, the daily average trading volume of the RMB against the South Korean won in South Korea was 333 times that in China, which made the IMF believe that the South Korean won had begun to be pegged to the RMB.

Bilateral currency cooperation deepened. In 2019, the PBC signed or renewed bilateral currency swap agreements with the central banks or monetary authorities in Macau, Singapore, Turkey, Hungary and Suriname as well as the European Central Bank. In January 2020, it signed the bilateral currency cooperation agreement with the Bank of the Lao PDR. With these efforts, the barriers for use of the RMB overseas were being removed. As of the year-end, the PBC had signed bilateral currency swap agreements with central banks or monetary authorities in 39 jurisdictions with the total amount exceeding RMB3.7 trillion.

Capability building was fully advanced. Cross-border RMB policy outreach was provided through multiple channels, such as China International Import Expo, China-ASEAN Expo, Sino-South Korea Bilateral Local Currency Settlement Forum, Sino-Japan Forum for Further Bilateral Local Currency Cooperation and other platforms. All-round efforts were made to provide cross-border RMB policy outreach, business promotion and technical assistance to domestic and foreign market players, especially the financial markets and central banks in the neighboring countries and the countries along the Belt and Road.

The outlook for RMB internationalization

Now is a good time to boost RMB internationalization. A higher level of RMB internationalization is favorable for maintaining stable cross-border trade and investment. It is favorable for deepening the opening-up of the financial sector and promoting the integration of China's financial standards into the international ones. It is favorable for increasing the economic interconnectedness between China and its neighbors as well as the countries along the Belt and Road and optimizing the allocation of China's global resources and its industry presence. It is favorable for China's deeper participation in global financial governance and promoting the reform of international monetary system. Going forward, RMB internationalization will focus on serving the real economy to make the RMB freely usable.

First, RMB internationalization will remain market-driven. Efforts will be made to explore the higher-level trade and investment facilitation and persistently remove barriers to RMB use in China and abroad to create a level-playing field for the RMB and other major convertible currencies. Second, China's opening-up of the financial sector and connectivity in infrastructure will continue, which will further facilitate use of the RMB by overseas investors for investments in China's bond and stock markets. Third, sound development of the offshore market will be pursued. Efforts will focus on making the RMB more freely usable and on promoting positive interactions between and deep integration of the onshore and offshore markets. Fourth, macro-prudential management will be strengthened. Great efforts will be made to monitor and analyze cross-border capital flows, provide early warning of relevant risks and make counter-cyclical adjustments to prevent cross-border capital flow risks.

FOREIGN EXCHANGE ADMINISTRATION

In 2019, facing increasing risks and challenges in and outside China, the PBC remained committed to the "four upholds" and to ensuring stability on the six fronts. It deepened reform and opening-up in the FX sector, with a focus on serving the growth of the real economy. It forestalled cross-border capital flow risks and maintained a general equilibrium in the balance of payments. As a result, the stability of the FX market and national economic and financial security were ensured.

Enhanced cross-border trade and investment liberalization and facilitation

First, launching 12 facilitation initiatives. Reviewed and approved by the State Council executive meeting, the *Circular of the State Administration of Foreign Exchange on Further Enhancing Cross-border Trade and Investment Facilitation* was released to further facilitate FX business handling, and support stable foreign trade and stable foreign investment. Second, deepening reforms to streamline administration and delegate power, improve regulation, and upgrade services. The SAFE launched the government service online handling system and the "Internet + regulation" system for dry run, greatly facilitating government services and standardizing FX administration. It launched the cross-border blockchain-enabled financial service platform, and extended US$11.8 billion to 2 115 enterprises in the year to support their accounts receivable financing, helping address SMEs' difficulties in accessing financing. Further, it supported the development of new formats and models of trade and simplified business handling processes for SMBs. It deepened reform on centralized operation and management of cross-border capital of multinational companies. Third, supporting pilot free trade zones and the Guangdong-Hong Kong-Macao Greater Bay Area in piloting FX administration reforms first. Many FX businesses were carried out under the capital account in 18 pilot free trade zones such as China (Shanghai) Pilot Free Trade Zone and China (Tianjin) Pilot Free Trade Zone. Four types of materials were removed from applications for administrative approval for FX administration in pilot free trade zones across China. FX receipts and payments facilitation was piloted for trade in goods in the Guangdong-Hong Kong-Macao Greater Bay Area. Electronic tax filing was fully realized in the area. Six preferential policies were introduced for Macao to facilitate cross-border investment and financing by enterprises in Hengqin and Macao. Fourth, promoting the joint building of the Belt and Road Initiative towards high-quality development. The *Overview of Foreign Exchange Administration Policies of Countries along the Belt and Road (2018)* was updated and released as a reference to help market players carry out reasonable trade and investment activities and safeguard their lawful rights and interests.

Solid progress in FX administration reform

First, enhancing the qualified institutional investor system. The SAFE removed investment quota caps on qualified foreign institutional investors (QFIIs/RQFIIs) to further meet the investment needs of foreign investors in China's financial market. Second, boosting the development of the FX market. The SAFE prudently advanced the pilot program of FX sales and purchases by securities companies. It also improved regulation of the FX market and guided the CFETS to revise the *Trading Rules on the Interbank Foreign Exchange Market*. Third, expanding the opening-up of the bond market. The SAFE took measures to facilitate investment in the interbank bond market by foreign institutional investors and enabled connectivity between capital and bond through different investment channels. Fourth, increasing connectivity in the stock market and boosting its internationalization. The SAFE supported the launch of the Science and Technology Innovation Board, or STAR Market, and Shanghai-London Stock Connect. It defined the exchange administration rules involved in the issuance of CDR/GDR.

Impactful efforts to forestall and defuse major FX risks

First, strengthening monitoring capabilities and levels of cross-border capital flows. The SAFE tightened dynamic monitoring of the FX market and risk assessment of the balance of payments. It established a regular, dynamic early warning mechanism for cross-border capital flows and boosted cross-department regulation. Second, improving the administration framework of "macro-prudence + micro-regulation" in the FX market. The SAFE released the *Measures for the Assessment of Regulatory Compliance and Prudential Operation of Banks' Foreign Exchange Business* to transmit FX administration policies. Based on the macro-prudential administration policies, it made market-based counter-cyclical adjustments to cross-border capital flows. Third, cracking down on FX illegalities such as underground banks and illegal FX margin. Throughout the year, 2 547 cases of foreign exchange violations were investigated and prosecuted, and RMB860 million was fined or confiscated, of which 96.4 percent were from false trading, fraud, evasion of FX, and illegal trading of FX.

Improved FX reserves operation and management

First, FX reserves steadily increased. Despite the widespread trend of negative interest rates around the world and global financial market turbulence, China's FX reserves rose steadily. As of end-2019, FX reserves amounted to US$3.1079 trillion, up US$35.2 billion or 1.1 percent from the beginning of the year. Second, investment and operation capabilities were strengthened. The SAFE optimized the allocation of currency assets, improved the investment policies, enhanced the risk management framework and increased the operation transparency of FX reserves. Third, use of FX reserves was diversified based on commercial rules. The SAFE innovated business models, better performed the duties of investors, and promoted equity investment institutions such as the Silk Road Fund to improve corporate governance.

ACCOUNTING

Steadily improved accounting governance

Following the requirement of the Fourth Plenary Session of the 19th CPC Central Committee of "building a modern central bank system", the PBC pushed ahead with the modernization of its accounting governance, organized study of central bank accounting theories and finance institutions, and tracked and analyzed its balance sheet. It improved its financial risk management mechanism, enhanced its accounting database, and built and improved the accounting standards and finance institutions for it to perform responsibilities as a modern central bank.

Budget performance management was advanced across the board. The PBC issued the *Measures of the People's Bank of China for Budget Performance Management (Interim)* to build an itemized and region-based system that is comprised of KPIs and common indicators, enabling comparison, measurement and dynamic adjustment based on granular and quantitative indicators. It expanded and deepened performance reviews, with the self-evaluation items featuring full coverage. It emphasized the application of performance review results by building a mechanism that links the results to annual budget arrangements and resource allocation. With this, a new budget performance management landscape took shape, featuring full coverage, integration of business with finance and top-down alignment.

The accounting system became more standardized. The PBC refined budget quota standards and dynamically adjusted the database of quota standards. It advanced the development of standards for technical-use housing and asset allocation for special purposes. It also expanded the application of quota standards to budget review, project arrangement and asset allocation.

IT reform for accounting was advanced. The PBC applied technology to enhance the management function of the accounting information system, and improve the storage, analysis, sharing and application quality of accounting information with a view to tracking, reflecting and monitoring the information of business activities throughout the processes. It also applied accounting big data to support decision making, process analysis and result evaluation.

Affiliate management was tightened. Following the guiding principle of the state on enterprise and public institution reform, the PBC emphasized political building, improved its work mechanisms and advanced the deep integration of Party building and business management. It stressed functional positioning, tightened classified management, and guided its affiliates to focus on core business and pursue reform and development to support the performance of duties. Problem-oriented, it optimized the governance structure, and revised and improved the management systems on investment, financing and performance review.

Consolidated progress in full and strict management

System foundation for rigorous management was solidified. The PBC revised the *Management Measures of the People's Bank of China for Infrastructure Construction*, issued austerity regulations, and organized self-checks on assets and capital management, with an emphasis on strict management and effective execution. It built and improved the communication, sharing and consultation mechanism for monitored information including audits of financial revenues and expenditures, by using accounting for supervision.

The austerity requirement was implemented with rigor. The PBC enhanced hard budget constraints and tightened spending management. As a result, the “three major fiscal expenses” (expenses on receptions, vehicles and overseas trips) fell by 7.11 percent year on year in 2019. With matrix management, centralized budget review and performance monitoring adopted, budget management became more standardized, refined and scientifically advanced.

Infrastructure construction management was improved. The PBC prioritized the dynamic management of project pools, and organized joint initialization reviews, field survey-based reviews, and comprehensive reviews to ensure scientific decision making, and standardized management of projects. It also tightened quality and risk control over infrastructure construction projects to advance key project construction in an orderly manner.

Fixed assets and centralized procurement management was enhanced. Following the principle of ensuring legal compliance, responsibility performance, coordination and classified policy implementation, the PBC established a long-term mechanism for real estate management and utilization to increase the utilization efficiency of real estate. It also deepened the government procurement system reform, and adjusted and optimized the management processes for centralized procurement projects.

Comprehensive coordination and underpinning roles

The professional accounting support was provided for macro policy implementation. While implementing monetary policy and macro-prudential regulatory policy, the PBC offered in time the ideas and suggestions on implementing accounting standards in the financial sector to relevant authorities, and conducted reserve requirement policy-related accounting items management. To support the implementation of macro control policy and the efforts to forestall and defuse major financial risks, it tightened classified asset management and built and improved the financial buffer mechanism.

Accounting research was conducted. The PBC emphasized the survey outcomes and improved the survey mechanism that features jointly building across lines, cooperation between departments and regions, and linkage between systems and industries. It made in-depth study on major financial and accounting issues, and participated in the development and revision of domestic and international accounting standards. It also made full use of the accounting sector’s roles in supporting financial reform, supporting decision making and reflecting policy effectiveness.

Financial resource provision was ensured. While improving the supply structure and increasing the allocation efficiency, the PBC focused on ensuring expenditures on obligatory items, effective operations and key projects to meet the funding needs of major policies, businesses, projects and infrastructure. It ensured the timely provision of special expenditures on stability maintenance, village work and disaster relief as well as special maintenance and reconstruction funds for primary-level sub-branches.

Steadily strengthened accounting capabilities

Upholding the key role of Party building in accounting development, the PBC implemented an accounting talent development project. With a focus on “four capabilities”, the PBC strived to build a professional talent team featuring a reasonable structure, high qualities, strong capabilities and job-person match to help it perform responsibilities. With values of “firm belief, tight regulation and correct book”, it worked tirelessly to shape a central bank accounting culture that meets the requirements of the new era. It also took a raft of measures to improve its people’s conduct. It introduced the *Code of Professional Ethics and Conduct for PBC Accountants*. While encouraging its accountants to sharpen their sense of mission, it tightened behavioral constraints, in a bid to build an accounting team with strong loyalty, good conduct and a high sense of mission for the new era.

PAYMENT SYSTEM

Continued to improve the payment and market infrastructure

The service level of the PBC's payment system was further improved. First, the "pay by mobile number" function of the online Interbank Payment System (IBPS) was rolled out. As of end-2019, 205 banking institutions launched this function online, accounting for 97 percent of IBPS participants, and the number of subscribers to this function topped 16.6 million. Second, the State Administration of Taxation (SAT) was given access to the small-value payment system to verify the account information of taxpayers, which facilitated the collection and refunding of personal taxes.

Construction and management of the Central Bank Accounting Data Centralized System (ACS) were stepped up. First, the new-version of the *Contingency Plan of the Central Bank Accounting Data Centralized System* was released to further accelerate emergency response of the ACS. Second, the operation standards and manual on the new functions of the ACS were issued to guide institutions in business handling. Third, fund pooling management was improved. 11 financial institutions were approved to provide fund pooling services, so as to save their liquidity. Fourth, connected business handling based on the ACS was promoted, with the ACS connected to the Accounting Integrated Business System (AIIS) in an all-round way and to China's Deposit Insurance System directly. Fifth, the emergency response capabilities of the ACS were strengthened to ensure effective response to emergencies, with no external services disrupted.

Construction of the RMB Cross-border Interbank Payment System (CIPS) was enhanced. First, the "lending message of clearing institutions" function was added to the CIPS to enable clearing institutions to complete cross-border settlements through debiting, and to meet regulatory requirements and business needs in different jurisdictions. Second, the CIPS participant structure was optimized. Efforts were made to encourage NUCC and City Commercial Banks Clearing Co., Ltd. to join the CIPS as direct participants, and invite eligible overseas institutions and overseas branches of Chinese-funded banks to do so. Third, important strides were made to ensure the safe and stable operation of the CIPS to strengthen the day-to-day participant management capabilities of the CIPS, and improve its capabilities to prevent risks arising from overseas business development.

Management of cross-border financial network and information services was improved. First, the PBC prompted the SWIFT to build business presence in China. It helped the SWIFT to meet domestic regulatory requirements, accept industry self-discipline management, and improve its services for domestic users. Second, the PBC supervised overseas providers and domestic users and constantly refined the regulatory measures in line with the *Circular on Strengthening the Administration of Cross-border Financial Network and Information Services*.

Enhanced the legal framework for payments and settlements

Bank account services were optimized across the board. First, the PBC removed the corporate bank account approval, and implemented the requirements of the State Council on the reforms to streamline administration and delegate power, improve regulation, and upgrade services and the decisions made at the 35th executive meeting of the State Council in 2018. Second, the PBC pressed ahead with the construction of the enterprise-related information sharing mechanism. Together with the Ministry of Industry and Information Technology, the SAT and the State Administration for Market Regulation, it launched the connected enterprise information verification system, providing an efficient and authoritative channel for banks to verify seven kinds of enterprise-related information such as business license information, and enterprise shareholder and contributor information. Third, the PBC advanced the construction of the integrated bank account system for both domestic and foreign currencies. It developed general guidelines around the real-name bank account system, and coordinated efforts to develop a pilot program. Fourth, the PBC piloted the account opening witness services for Hong Kong and Macao residents to open type-II and III mainland personal bank accounts. This pilot program was officially launched on March 20 and December 20, 2019 in Hong Kong and Macao respectively. 86 900 accounts of this kind were opened by the end of 2019.

Relevant laws and regulations on payments and clearing markets were refined. First, the PBC solicited ideas on the *Circular on Standardizing Collection Business (Exposure Draft)* at its official website, in order to put forward targeted regulatory requirements to safeguard users' rights and interests, given that the collection business is highly convenient but vulnerable to security problems. Second, the PBC solicited ideas on the *Measures for the Administration of Bankcard Clearing Institutions (Revised)* at its official website as well as that of the Ministry of Justice, in an attempt to enhance supporting systems and measures to meet the needs for opening up the bankcard market. Third, the PBC drafted the *Regulations on Non-bank Payment Institutions* to raise the legal level of the regulatory system. Fourth, the PBC published the *Circular on Further Standardizing the Supervision and Management of Modifications of Non-bank Payment Institutions* to emphasize the principle of territorial regulation of modifications of payment institutions.

The institutional foundation for cracking down on illegal and criminal activities was consolidated. First, the PBC released the *Circular of the People's Bank of China on Further Strengthening Payments and Settlements Management and Guarding against New Types of Illegal and Criminal Activities via Telecommunication Networks*, proposing 21 measures against new types of illegal and criminal activities via telecommunication networks and pressing ahead with implementation. Second, the PBC issued the *Circular on Guarding against Risks of Type II and III Personal Bank Settlement Accounts* and the *Circular on Intensifying Risk Prevention for Type II and III Personal Bank Settlement Accounts* to push relevant institutions to perform the supervision and management responsibilities.

Fully strengthened regulation of the payment services market

Regulation of the non-bank payment services market was intensified. First, centralized deposit of provisional funds was implemented, providing a strong boost to interest accrual of clearing margins. As of January 14, 2019, provisional funds of payment institutions were all deposited with the PBC, and the balance of such deposits amounted to RMB1.53 trillion as of the end of 2019, effectively preventing the fund risks of payment institutions and guiding them to resume their original role as payment services intermediaries. Second, risk monitoring and resolution were tightened for payment institutions. The *Circular on Intensifying Risk Monitoring and Resolution for Non-bank Payment Institutions* was released to prevent risks arising from provisional funds. Investigations were carried out into the D+0 advance payment business of payment institutions to prevent the risk from embezzlement of advance payment. The *Circular on Supporting Risk Control of Individual Online Lending Platforms at the Crucial Stage* was released, to support relevant authorities to get payment institutions out of P2P online lending business in a steady and orderly manner. Third, regulation of payment institutions was conducted systematically, and special rectification was organized against unlicensed operations, which was made a regular work mechanism.

The 2018 classified rating of payment institutions was completed, enhancing regulatory effectiveness. License renewal services for payment institutions were provided, except two institutions that seriously violated regulations and failed to provide payment services.

Work was done to ensure smooth operations after the cut-off of the direct connections between payment institutions and banks. First, after such connections were cut off on January 14, 2019, the PBC guided NUCC and China UnionPay to introduce relevant functions for personalized businesses such as offline recharging, payments and contract signing to support payment institutions and banks to carry out relevant activities in compliance with laws and regulations. Second, the PBC ensured smooth operations during business peaks after the cut-off, directing NUCC and China UnionPay to successfully cope with payment peak periods, such as the Chinese New Year Lucky Money campaign, and June 18 e-carnival and Singles' Day shopping bonanzas, thus ensuring the payment experience of consumers.

Supervision and management of payment and clearing institutions were improved. First, the PBC guided clearing institutions to compete within their business scopes in a good order and improve their service capabilities. Second, the PBC intensified business continuity management. It organized clearing institutions to assess system software, hardware and communication equipment to improve the emergency response capabilities. Third, the PBC migrated transactions via intra-city clearing systems to its large- and small-value payment systems. As of the end of 2019, 24 out of the 38 intra-city clearing systems across China had completed transaction migration.

Crackdowns on illegal and criminal activities were intensified. First, the PBC continued to press ahead with the prevention and crackdowns on new types of online illegal and criminal activities through the telecommunication networks. It further implemented the penalty mechanism for buying and selling bankcards and accounts and vigorously supported clampdowns on such illegal and criminal activities along the Sino-Burmese border area to disrupt the fund transfer chain. Second, the PBC strengthened security management of Type-II and III personal bank accounts. It urged commercial banks and China UnionPay to build and improve the risk monitoring mechanism, with a focus on disrupting unusual activities such as centralized and batch account opening. It organized China UnionPay to build special verification access for Type-II and III personal bank accounts, actively partnered with the CBIRC in regulation, and worked with public security authorities to crack down on illegal and criminal activities.

Boosted high-quality development of payment services

The payment service environment in rural areas was improved further. First, the PBC piloted the "Mingonghui" special accounts for rural migrant workers in Guizhou and Shenzhen to facilitate remote opening of special accounts by rural migrant workers and their receiving of wages from their labor service companies via China Construction Bank, so as to ensure they can receive an accurate amount of wages in a timely and secure manner. Second, the PBC activated a self-service transfer function of the integrated front sub-system of the ACS for rural financial institutions and supported them to handle various capital businesses online, effectively addressing the difficulties encountered by the rural financial institutions in remote and county areas. Third, to facilitate payment services for agriculture, farmers, and rural areas as well as small and micro businesses (SMBs), the PBC guided China UnionPay to launch featured products with commercial banks, including small and micro business card, and village revitalization card, provided refined and integrated payment service solutions for SMBs, and also provided featured services for agriculture, farmers, and rural areas, such as farmer-assisting loans, subsidies, production and sales of agricultural produce, and life services. Fourth, the PBC stepped up risk management for farmer-assisting cash withdrawal services with bankcard. It released the *Circular on Conducting Screening and Elimination of Risks Associated with Farmer-assisting Cash Withdrawal Services with Bankcard and Rectification Efforts* to support risk screening, elimination and related rectification.

The bankcard market was opened up in a good order. The PBC did a good job in the orderly opening-up of the bankcard market, continuously strengthening institutional construction for market opening, and establishing a work mechanism featuring mutual constraints and joint decision making for the approval of accessing the bankcard market. In March 2019, the PBC and the CBIRC jointly accepted the application for the preparation of a bankcard organization from MasterCard NetsUnion Information Technology (Beijing) Co., Ltd., a MasterCard-related entity, in compliance with laws. In June, it issued a bankcard clearing license to China UnionPay. In November, it accepted the application for setting up a bankcard organization from Express (Hangzhou) Technology Service Co., Ltd., an American Express-related entity, in accordance with laws.

Indigenous-branded bankcards were supported to go global. The PBC encouraged China UnionPay to speed up overseas market expansion for application acceptance and card issuance. As of end-2019, the UnionPay card global acceptance network was extended to 178 countries and regions, covering over 29 million overseas merchants, with 130 million cards issued overseas. Leveraging its own technical standards, China UnionPay built the national switching networks in Laos and local TPN (transferable prototypical networks) in Thailand, and also established dual-brand cooperation with switching networks of many countries such as Russia, Belarus, Ukraine, Uzbekistan and Serbia.

Column

Abolishing Corporate Bank Account Approval to Help Improve the Business Environment

To implement the guiding principle of the CPC Central Committee and the State Council on reforms to streamline administration and delegate power, improve regulation, and upgrade services and the requirements of the 35th executive meeting of the State Council in 2018, the PBC enhanced its political stance, built a firm philosophy of finance for public good, and abolished corporate bank account approval across the country five months in advance. Meanwhile, it tightened account risk management, improved bank account services and strengthened information sharing with relevant authorities to ensure corporate bank accounts are opened and managed based on quality services. Since approval was abolished, 5 335 500 new basic deposit accounts and 16 600 temporary deposit accounts had been opened by commercial banks for companies by the end of 2019. With relevant businesses carried out stably and in a good order, account opening can be completed in a day or two for companies. The increase in the account opening efficiency has helped improve the business environment and this abolishment has been highly regarded in society.

I. Abolished corporate bank account approval across the country five months ahead of schedule

The PBC acted quickly and took a batch-by-batch approach. It abolished corporate bank account approval across the country on July 22, 2019, more than five months earlier than required by the State Council. This should be attributed to the following. First, clearly defining the overall requirement. During the pilot period, the PBC officials surveyed pilot regions many times and raised the overall requirement of ensuring convenient account opening and tight risk control while strengthening corporate bank account services and management. Second, providing system guarantee. While deploying efforts for approval abolishment across the country, the PBC introduced relevant systems to fully standardize the corporate bank account opening processes. Third, abolishing the approval by batches. The PBC took a batch-by-batch approach to abolishing the opening approval. Based on pilot experience, the abolishment was carried out in six batches. Fourth, extensive promotion and guidance. The PBC organized its branches and commercial banks to promote and interpret corporate bank account management policies to ensure the public understand and use the policies properly.

II. Adopted a two-faceted approach to fully enhance corporate bank account management

While abolishing the opening approval, the PBC made all-round efforts to tighten ex-ante, ongoing and ex-post management of corporate bank accounts. First, it pressed commercial banks to perform their primary responsibilities and strengthen full lifecycle management of corporate bank accounts. After the approval was abolished, it was made clear that opening an account is a legal civil activity and market behavior conducted by the company and the commercial bank as the player of market economy based on equality and free will, and commercial banks started to be fully responsible for managing corporate bank accounts. They controlled account opening, intensified account monitoring, and built a full lifecycle management system for corporate bank accounts to strengthen resilience. Second, the PBC made better use of regulatory tools to improve the effectiveness of regulation. It diversified regulatory instruments, built a big data-based risk monitoring model, established a mechanism for sharing typical risk characteristics and cases reporting, and enhanced application of risk monitoring results to ensure companies and banks could work together to prevent and control account risks. It implemented the punishment mechanism for trading bank accounts. It also organized self-inspections inside commercial banks and law enforcement inspections by its branches to hold the institution and relevant personnel accountable for illegally opening a bank account.

III. Improved corporate bank account services to better serve SMBs and the real economy

Since the approval abolishment, the PBC has guided commercial banks to shorten waiting time and speed up handling through rebuilding the account opening processes and integrating account opening submissions. Thanks to this, companies only need to visit a bank once for opening a bank account and get better experience. With quick access given, booking services launched and field opening services provided through mobile devices, the PBC has strengthened its abilities to serve small and micro businesses (SMBs) and the real economy. The time needed for a company to open an account has been shortened from 3-4 days before the abolishment to 1-2 days. A company with sufficient application documents and without unusual or suspicious circumstances can have its account opened within one day and start to handle payments and receipts through the account right afterwards, indicating the opening efficiency and capital turnover have been increased and banks' abilities to serve SMBs and the real economy are improving.

IV. Established a cross-department information sharing mechanism to improve the government service capabilities

The PBC signed an Memorandum of Understanding on building an information sharing mechanism with the Ministry of Industry and Information Technology, the State Administration of Taxation and the State Administration for Market Regulation to break information silos. Within four months, it established a high-quality Online Verification System for Corporate Information and launched it on June 26, 2019. This system enables commercial banks to verify seven classes of corporate information across the country, namely, registration information, given telephone number, tax payment status, business license information, shareholder and contributor information, inclusion in the abnormal operator list, and inclusion in the major discredited enterprise list, offering an efficient and authoritative channel for banks to verify corporate information. It also provides fundamental support for abolishing account opening approval, improving corporate bank account services and tightening ongoing and ex-post regulation. By the end of 2019, 179 banks connected to this system verified a total of 3.4205 million transactions.

Column

Facilitating Mobile Payments by Hong Kong and Macao Residents in the Mainland

To implement relevant requirements of facilitating mobile payments by Hong Kong and Macao residents in the mainland under the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area*, the PBC organized market institutions to study the implementation plan, and developed a regulatory principle of promoting development while regulating innovation. It advanced the pilot of legitimate, regulation-complying and actionable plans and rolled them out at a proper timing to facilitate small-amount mobile payments by Hong Kong and Macao residents who work, travel and live in the mainland.

1. Defined the overall principles to promote development while controlling risks

While boosting the introduction of facilitation initiatives for mobile payments in the Guangdong-Hong Kong-Macao Greater Bay Area, the PBC also paid close attention to the risks associated with cross-border payments, such as risks of unlicensed operations, false transactions, alterations, falsification, illicit capital flows, and money-laundering. To forestall and defuse major risks, the key is to prevent and control financial risks. To strengthen the risk prevention and control capabilities during two-way opening up of the financial sector, the PBC defined the overall principles for facilitating mobile payments by Hong Kong and Macao residents in the mainland: first, opening up on an equal footing should be championed. Projects intended to evade regulation in the mainland are rejected and those intended to disrupt financial order in the mainland are prohibited. Second, the requirements for see-through regulation shall be met. All regulatory policies of the PBC, Hong Kong Monetary Authority and the Monetary Authority of Macao shall be abided by and local regulators' compliance requirements on anti-money laundering and counter-terrorist financing shall be followed. Third, regulatory restrictions must be clearly borne in mind. The cross-border RMB clearing arrangements shall not be broken through. Cross-border direct connection between payment institutions would not be allowed. Cross-border payments shall be carried out through a lawfully qualified clearing institution in the mainland. Fourth, the cross-border interbank payment system (CIPS) shall be used as a cross-border RMB clearing channel to provide participants with convenient cross-border settlement services. Fifth, a step-by-step approach shall apply. Legitimate, regulation-complying and actionable plans shall be launched first, piloted and rolled out at a proper timing.

2. Responded to the expectations of Hong Kong and Macao residents and drove the launch of cross-border mobile payment projects

Based on the above principles, the PBC has driven the launch of five cross-border mobile payment projects, i.e., Cloud Pay APP for Hong Kong and Macao, WeChat (Hong Kong) e-wallet, Alipay (Hong Kong) e-wallet, and Bank of China Macao mobile banking and Mpay.

2.1 Cloud Pay APP for Hong Kong and Macao was launched on September 10, 2018. This APP allows Hong Kong and Macao residents to register with their local mobile phone numbers and link them with their local UnionPay cards for NFC, scanning and online payments. Once downloaded, it can be used for cross-border payments with great ease.

2.2 The WeChat (Hong Kong) e-wallet project is carried out in two phases: the first phase was launched on October 1, 2018 for offline merchants in the Greater Bay Area in the mainland. It is chiefly used for cross-border payments for trade in goods and services under the current account. With diverse payment features including scanning payment, in-APP payment, payment by red packet, transfer and F2F payment, it provides secure and convenient mobile payment experience for Hong Kong residents. The second phase would be targeted at offline merchants across China and access would also be given to online merchants.

2.3 The Alipay (Hong Kong) e-wallet project is carried out in two phases: the first phase was launched on March 1, 2019 for offline merchants that provide small-amount convenience services in mainland cities in the Greater Bay Area. The transaction would be completed in the passive scanning model. The second phase was launched on October 9, 2019 for offline merchants across China. Active scanning model is added. Access is also given to online merchants.

2.4 Bank of China Macao mobile banking and Mpay were launched on December 20, 2019. They enable Macao users to pay merchants of Bank of China in the mainland by scanning the code for consumption scenarios covering clothing, food, residence and transportation under the current account. They are now piloted in Zhuhai, and access will be given to more merchants later in a regulation-complying and orderly manner.

Going forward, the PBC will prudently advance cross-border mobile payments in the Greater Bay Area. It will further cooperate with Hong Kong Monetary Authority and the Monetary Authority of Macao in supporting eligible local payment institutions in Hong Kong and Macao to work with legitimate clearing institutions in the mainland to launch mobile payment applications and provide more mobile payment options for Hong Kong and Macao residents in the mainland.

CURRENCY ISSUANCE AND MANAGEMENT

Fully ensured cash supply

The 2019 edition of the fifth series of the renminbi, including banknotes in denominations of 50 yuan, 20 yuan, 10 yuan and 1 yuan, together with coins of 1 yuan, 0.5 yuan and 0.1 yuan, was launched. It involved the most denominations in one launch after the second series. To ensure smooth circulation, the PBC developed a work plan in advance and made good preparations for printing and production, machine upgrading, promotion and training. Featuring much higher anti-forgery and printing quality, the new edition has been in smooth circulation after successful launch and highly regarded by the banking sector and the public.

Cash supply was fully ensured. In 2019, the yearly net cash injection topped RMB398.1 billion, a year-on-year increase of 55 percent. Money in circulation (M0) was RMB7.72 trillion at the year-end, up by 5.4 percent from a year earlier. Cash injection between the New Year’s Day and the Chinese Spring Festival amounted to RMB1.8 trillion, still featuring explosive growth during holiday seasons. Given the cash operation features, the PBC implemented a cash statistics system, increased industry surveys on major users of cash, and conducted sample surveys on public payment journals in an innovative way. It deepened forecast and special research on cash operation to ensure flexible RMB banknote printing and coin production and optimize the allocation of reserve funds.

Tightened RMB circulation management across the board

Currency, gold and silver services were enhanced. The PBC advanced the building of cash service demonstration zones. A group of leading, exemplary and scalable cash service demonstration zones were built up in urban communities, counties and rural areas and won high public satisfaction, driving the continuous improvement in the cash circulation environment. The PBC also established a monitoring system and an evaluation mechanism for the tidiness of RMB in circulation. 1 349 monitoring points were set up across the country in 2019, making the evaluation mechanism more scientifically advanced. Following the plans of the State Council, the PBC helped the General Administration of Customs (GAC) build the single window platform, which made possible online application and handling of the import and export licenses for gold and gold products, and the certificates for banks’ allocation and transport of RMB cash into and out of China, thus raising the service level and promoting trade facilitation.

RMB circulation management was improved further. The PBC developed a work plan for the pilot large-amount cash management and solicited input from ministries, committees, local governments and the public to further drive the preparations for the pilot. It proposed the classified rectification principle for refusing cash payment and intensified rectification in major industries. It organized random visits to commercial banks for small-amount RMB services with a view to improving their cash service. It revised and issued the *Measures for the Administration of the Use of Renminbi Designs* (PBC Decree [2019] No. 2), refining the management principles, and optimizing the approval procedures to safeguard the reputation of the RMB and maintain its circulation order. It also tightened the management of RMB currency culture and punished violations according to the law.

Steadily advanced the transformation and development of currency, gold and silver businesses

Cash processing transformation was promoted. Following the overall-planning-and-gradual-advancing strategy, the PBC deployed six branches and sub-branches as the pilot cash processing centers to explore a socialized cash service system. It intensified the regulation of the cash sorting industry and implemented the requirements of advancing reforms to streamline administration and delegate power, improve regulation, and upgrade services. It also built a rating system for cash sorting players, and developed cash sorting standards and cash sorting machine standards to standardize the development of the industry. Further, it steadily advanced the full sorting of cash from banking institutions to enhance their cash sorting quality. By the end of 2019, 16 of 18 national banking institutions had achieved full sorting of all denominations of cash they provided.

Transformation of gold and silver administration was further advanced. The PBC steadily expanded the pilot program for non-standard gold and silver check, tightened risk control, strengthened technical support, and intensified research and application, so as to make gold and silver administration more refined, process-based and IT-driven, with volume and value equally emphasized. Meanwhile, it played an active role as a platform for researching China's currency history. With its encouragement and mobilization, its branches and sub-branches, private organizations and individuals submitted more than 40 papers throughout the year. It also organized themed research on silver and currency to identify the historical laws of currency issuance.

Improved cash vault security management

The PBC organized cross-check, special screening and rectification for cash vaults that cover all its branches and sub-branches across the country to solidify its management foundation. It held teleconferences and conference calls on cash vault management to recognize role models, disclose cases of non-compliance and define transformation priorities. It conducted a reserve fund custody pilot program, explored diversified reserve fund warehousing models and provided cash services for counties in a flexible manner. It finished the first-phase pilot of appointing contracted staff as cash vault keepers and continued to build professional cash vault keeper teams. It pushed ahead with the smart pilot of cash vault management and rolled out the second-generation logistics module for currency issuance management system.

Improved the issuance management of common commemorative coins

The PBC studied the reform plan for the market-based issuance of common commemorative coins and developed management rules and the implementation plan. It further optimized the pre-order issuance processes to ensure the smooth issuance of the common commemorative coins for the 70th anniversary of the founding of the People's Republic of China. Starting from the issuance of the Lunar New Year commemorative coins for 2020, the booking verification mechanism will come into force to technically prevent repeated booking or false booking. The PBC also innovated the techniques used in such coins, launched for the first time square common commemorative coins with round corners for Mount Tai, a world cultural and natural heritage site, and won wide public recognition. It took a hard line on violations in the issuance of common commemorative coins and announced them as a way of punishment.

Stepped up anti-counterfeiting efforts

Intensified efforts were made to crack down on counterfeit currency. In 2019, the PBC played an active role as the initiator of the State Council Anti-counterfeit Currency Joint Conference, identified 47 major regions for rectification that were heavily affected by counterfeit currency, and issued more than 50 risk reminders to the local government throughout the year, stepping up crackdown on counterfeit currency. It convened the 50th contact person meeting of the State Council Anti-counterfeit Currency Joint Conference, and reached an agreement on accelerating relevant legislation amendment. It organized surveys on legal applicability to special counterfeit currency crimes and pushed the inclusion of counterfeit currency illegality in the scope of penalties for administration of public security, providing a legal weapon to primary-level law enforcement authorities. It disseminated anti-counterfeit currency knowledge through diverse channels and established partnerships with China Railway and China Central Television. In the Anti-counterfeit Currency Publicity Month in September, it launched an online FAQ campaign on anti-counterfeit knowledge related to the new edition of the renminbi, attracting more than 12.76 million participants.

The society-wide defense system against counterfeit currency was enhanced. The PBC revised and issued the *Measures for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication* (PBC Decree [2019] No. 3) to establish a comprehensive system and build in banks a strong line of defense against counterfeit currency. It also actively advanced standardized and institutionalized management to ensure the counterfeit currency identification capabilities of cash equipment. By the end of 2019, it issued the 18th qualified product list. It founded the China Numismatic Society Professional Cash Equipment Committee to promote the standardized development of the industry and propel companies to carry out operations in compliance with laws and regulations. It holistically rebuilt anti-counterfeit currency training and established a new training mechanism, while making it clear that it will no longer organize any training and will shift its focus to ongoing and ex-post regulation.

Steadily advanced the R&D of the central bank digital currency

While ensuring two-tier operations, M0 positioning, controllability and anonymity, the PBC finished high-level design, standard development, function R&D, integrated test and pilot preparation for the central bank digital currency, together with research participants. It studied digital currency, closely followed international frontier developments in digital currency and stepped up analysis and assessment of relevant developments. It enhanced monitoring and study of private digital currency, organized in-depth study of the design mechanism and possible impact of stablecoins like libra, and developed countermeasures, proactively responding to the challenge from private digital currency.

TREASURY MANAGEMENT

Treasury accounting was secure and efficient

In 2019, the treasury system of the PBC processed RMB39.58 trillion of receipt transactions in a timely and accurate manner, jumping 15.1 percent year on year. In particular, central and local receipts were RMB13.79 trillion and RMB25.79 trillion, surging 7.1 percent and 20.0 percent respectively. Payment transactions in the amount of RMB40.48 trillion were processed, an increase of 14.4 percent year on year. Among these, central payment amounted to RMB6.21 trillion, up 8.7 percent, while local payment amounted to RMB34.28 trillion, a rise of 15.6 percent. The PBC cooperated in the transition of responsibilities for the collection and management of social insurance funds to tax authorities and ensured the smooth and orderly inclusion of social insurance funds in the treasury. In 2019, a total of RMB3.04 trillion of social insurance funds was included in the treasury and RMB3.03 trillion was transited. It cooperated with the SAT in smoothly completing tax refunding to SMBs, ensuring the dividends of tax break policies were shared by SMBs. As of the year-end, taxes of RMB4.88 billion were refunded to SMBs through 14.72 million transactions, benefiting 5.33 million SMBs.

Institutional arrangements of the treasury were further improved

The PBC communicated with the Ministry of Justice, the Ministry of Finance and relevant departments of the National People's Congress and participated in the revision of the *Regulations on the Implementation of the Budget Law*. To provide secure, high-quality, easy and convenient treasury services to taxpayers, it introduced the *Measures for Payment Services for Intermediary Receipt of the State Treasury (Trial)*. Given the developments of the treasury business, it revised the *Basic Management Rules on Treasury Accounting*. Together with the Ministry of Finance and the SAT, it improved relevant policies to get ready for the smooth settlement and payment of annual personal income tax. It also completed qualification confirmations of agent banks for the collection of non-tax revenue of the central government, laying a solid foundation for the collection.

The treasury IT system improved steadily

To support fiscal, tax and financial reforms and implement the new requirements for the development of treasury business, the PBC refined in time the business requirements for every system of the state treasury project. To tackle the challenges imposed by the accelerated fiscal and taxation reforms to the treasury business system, the PBC paid close attention to the operation of the system and increase in its business volume, conducted stress tests and joint tests in multiple scenarios, and optimized and upgraded the system many times to improve its functions and increase its processing efficiency. At end-2019, the computerized refund process was available across the country, ensuring the smooth implementation of fiscal and tax reform policies. The PBC also drafted the *Administrative Measures for Entrants into the Treasury Information Processing System (TIPS) (Interim)*, boosting the standardized management of TIPS-related business.

Treasury bond management was significantly strengthened

The annual target for treasury savings bonds in terms of issuance and redemption was met. 22 issues of treasury savings bonds worth RMB399.825 billion were completed throughout the year, accounting for 99.96

percent of the total issuance planned for the year and setting a new record high. 8 issues of certificate T-bonds worth RMB147.154 billion were completed; and 14 issues of electronic T-bonds worth RMB252.671 billion were completed. A total of RMB132.203 billion worth of certificate T-bonds were redeemed, including principal of RMB111.277 billion and interest of RMB20.926 billion. To solve the difficulty facing investors in buying bonds, the PBC carried out a buy-as-you-arrive pilot program, which produced positive outcomes. It drafted the *Administrative Measures for Certificate T-bonds* to further standardize the management of certificate T-bonds. In addition, breakthroughs were made in the redemption of certificate T-bonds. Of 40 underwriting commercial banks, 34 provided nationwide redemption services, solving the difficulty confronting investors in intercity redemption. The PBC also encouraged underwriters satisfying regulatory requirements to apply for online sales of treasury savings bonds. 5 underwriters were added to the online seller list in the year. By the year-end, 34 of 40 underwriters had obtained the qualification for online sales of treasury savings bonds. Further, the PBC organized sub-treasuries to carry out diverse forms of treasury bonds promotions and village sales to disseminate the knowledge of treasury bonds and raise the awareness of financial consumer protection while boosting the local sales of treasury bonds.

Monitoring of the treasury was constantly reinforced

The PBC conducted special inspections of China Construction Bank on its agent business for centralized collection and payment for state treasury and intermediary receipt of the state treasury. It also investigated and rectified the problems in commercial banks about their agent businesses for centralized collection and payment for state treasury and intermediary receipt of the state treasury. It intensified regulation on banking institutions as treasury agents, effectively safeguarding the security of state budget funds. It pushed sub-treasuries to retake 93 agent treasuries including 23 agent sub-treasuries and 70 agent town treasuries, setting a 5-year high. Based on the existing regulatory and system requirements and the fiscal institutional reform, it drafted the *Guidance on Treasury Structure Setup (Interim)* to standardize local treasury structures. It also guided sub-treasuries to develop systems to tighten the ex-ante and ongoing treasury business regulation. Further, it improved local treasury management by combining onsite inspections of treasury accounting management and inspections of central budget revenue, and combining treasury business inspections and statistical analysis inspections, which effectively ensured treasury regulation while reducing the burden on grass-root institutions.

Notable outcomes were achieved in treasury statistical analysis

The PBC prepared on time the high-quality daily and monthly statements on the receipts and payments of the treasury, ensuring treasury statistics were accurate enough to provide timely references for decision making. It continued to mine treasury data and refine the indicators system for treasury statistical analysis. It also explored the new reporting framework and indicators system for treasury accounting analysis. In addition, it monitored and analyzed the operation of treasury funds, especially at special points in time, so as to support decision making on liquidity management. It tracked the advances of the supply-side structural reform and the fiscal and tax institutional reform, and assessed the effect of the tax cut and fee reduction policy, providing useful references for macro decision making. It also paid close attention to the latest dynamics and findings in international fiscal and tax matters and compiled developments and special publications on international fiscal and tax matters.

Cash management of the treasury made steady progress

The PBC cooperated with relevant authorities in central treasury cash management, boosted provincial and local treasury cash management and increased 2-month term deposit operation instruments for the central treasury. In 2019, the central treasury disbursed RMB390 billion in 5 term deposits, and received RMB490 billion in 6 treasury term deposits with interest income of RMB2.204 billion and a balance of zero at end-2019. The local treasuries made 145 term deposits that released RMB2 452.5 billion, and received RMB2 747.75 billion from 168 matured term deposits, with interest income of RMB17 billion and a balance of RMB712.25 billion at year-end. The PBC improved the communication mechanism on treasury cash management, so as to make use of treasury cash management to coordinate fiscal and monetary policies. Based on the tendering and bidding situations of central treasury cash management and the bidding rate movements, as well as fund supply and demand, interest rate changes and response on the money market, it compiled and reported business information of treasury cash management to provide references for decision making. Given Baoshang Bank's participation in local treasury cash management, it directed relevant sub-treasuries to collect term deposits on schedule.

Table 1 Issuance of Treasury Savings Bonds, 2019

Variety	Issue No.	Issue Time	Term (Year)	Coupon Rate (percent)	Total Actual Issuance Amount (RMB100 million)
Certificate T-bonds	1st	3.10-3.19	3	4.00	171.67
	2nd	3.10-3.19	5	4.27	118.70
	3rd	5.10-5.19	3	4.00	266.63
	4th	5.10-5.19	5	4.27	166.18
	5th	9.10-9.19	3	4.00	239.23
	6th	9.10-9.19	5	4.27	159.69
	7th	11.10-11.19	3	4.00	209.59
	8th	11.10-11.19	5	4.27	139.85
	Subtotal				1 471.54
Electronic T-bonds	1st	4.1-4.9	3	4.00	152.19
	2nd	4.1-4.9	5	4.27	235.29
	3rd	4.10-4.19	3	4.00	253.00
	4th	4.10-4.19	5	4.27	341.58
	5th	4.20-4.30	3	4.00	122.78
	6th	4.20-4.30	5	4.27	121.87
	7th	6.10-6.19	3	4.00	200.00
	8th	6.10-6.19	5	4.27	200.00
	9th	7.10-7.19	3	4.00	150.00
	10th	7.10-7.19	5	4.27	150.00
	11th	8.10-8.19	3	4.00	150.00
	12th	8.10-8.19	5	4.27	150.00
	13th	10.10-10.19	3	4.00	150.00
	14th	10.10-10.19	5	4.27	150.00
	Subtotal				2 526.71
Total					3 998.25

Table 2 Term Deposits Disbursed by Central Treasury Cash Management at Commercial Banks, 2019 (New Deposits)

Date (Value date)	Series No.	Amount (RMB100 million)	Bidding Rate (percent)	Term	Expected Interest Income (RMB100 million)
Jan. 24	1st, 2019	1 000	3.30	1M	2.53
May 30	2nd, 2019	800	4.01	3M	8.00
Jul. 26	3rd, 2019	1 000	3.32	2M	5.73
Oct. 28	4th, 2019	600	3.20	1M	1.47
Nov. 19	5th, 2019	500	3.18	1M	1.22
Total		3 900			18.95

Table 3 Term Deposits Disbursed by Central Treasury Cash Management at Commercial Banks, 2019 (Matured)

Date (Due date)	Series No.	Amount (RMB100 million)	Bidding Rate (percent)	Term	Actual Interest Income (RMB100 million)
Jan. 4	11th, 2018	1 000	4.02	1M	3.08
Feb. 21	1st, 2019	1 000	3.30	1M	2.53
Aug. 29	2nd, 2019	800	4.01	3M	8.00
Sep. 27	3rd, 2019	1 000	3.32	2M	5.73
Nov. 25	4th, 2019	600	3.20	1M	1.47
Dec. 17	5th, 2019	500	3.18	1M	1.22
Total		4 900			22.04

Table 4 Provincial-Level Local Treasury Cash Management, 2019

Region	New Deposits	Amount (RMB100 million)	Deposits Matured	Amount (RMB100 million)	Balance at Year End (RMB100 million)	Actual Interest Income (RMB100 million)
Beijing	10	3 100.00	11	3 350.00	600.00	13.93
Tianjin	0	0.00	1	150.00	0.00	1.37
Hebei	10	1 700.00	10	1 700.00	200.00	6.31
Shanxi	6	1 050.00	7	1 200.00	170.00	8.56
Inner Mongolia	0	0.00	0	0.00	0.00	0.00
Liaoning	0	0.00	0	0.00	0.00	0.00
Jilin	1	60.00	1	60.00	0.00	0.51
Heilongjiang	2	200.00	3	300.00	0.00	1.16
Shanghai	6	3 150.00	6	3 600.00	750.00	20.73
Jiangsu	5	870.00	5	870.00	540.00	7.92
Zhejiang	9	1 850.00	9	1 890.00	750.00	15.01
Anhui	2	280.00	2	310.00	80.00	3.27
Fujian	4	400.00	6	560.00	120.00	4.34
Jiangxi	7	1 160.00	7	1 160.00	580.00	10.67
Shandong	3	500.00	4	730.00	0.00	4.02
Henan	2	200.00	4	380.00	0.00	2.93
Hubei	5	1 200.00	4	900.00	500.00	6.09
Hunan	1	100.00	2	150.00	0.00	0.60
Guangdong	5	450.00	6	880.00	100.00	3.83
Guangxi	2	230.00	3	330.00	0.00	1.20
Sichuan	3	500.00	4	670.00	100.00	5.11
Chongqing	5	1 250.00	5	1 350.00	400.00	8.31

Cont.

Region	New Deposits	Amount (RMB100 million)	Deposits Matured	Amount (RMB100 million)	Balance at Year End (RMB100 million)	Actual Interest Income (RMB100 million)
Guizhou	0	0.00	3	300.00	0.00	1.07
Yunnan	8	1 015.00	8	1 105.00	60.00	4.17
Tibet	2	540.00	3	520.00	270.00	4.73
Shaanxi	4	500.00	4	500.00	100.00	2.41
Gansu	1	100.00	2	260.00	0.00	1.43
Qinghai	10	490.00	11	552.50	107.50	2.98
Ningxia	7	210.00	8	220.00	60.00	1.19
Xinjiang	0	0.00	0	0.00	0.00	0.00
Qingdao	0	0.00	2	60.00	0.00	0.55
Dalian	0	0.00	0	0.00	0.00	0.00
Ningbo	5	780.00	4	750.00	230.00	2.89
Hainan	3	160.00	3	190.00	100.00	1.81
Shenzhen	5	1 940.00	6	1 940.00	1 120.00	17.66
Xiamen	12	540.00	14	540.00	185.00	3.25
Total	145	24 525.00	168	27 477.50	7 122.50	170.00

FINTECH

Strengthened planning and regulation to advance the healthy and orderly development of fintech

Marked progress was made in the high-level design for the development of fintech. The PBC introduced the Fintech Development Plan 2019-2021, aiming to guide the financial sector to speed up the development of fintech and advance high-quality digital transformation under the principle of being integrity and innovative, ensuring safe and controllable development, pursuing benefits for all, and seeking open and win-win development.

The fintech regulatory framework took shape. The PBC released many fintech rules covering cloud computing, personal financial information protection, blockchain security, financial apps, and APIs. It studied the test-and-trial mechanism for innovation that is inclusive, prudent and flexible, and defined the fundamental requirements, boundaries and leeway of fintech innovation. It also explored novel regulatory instruments that can ensure security while encouraging innovation, and kick-started tests in Beijing. It pushed the incorporation of fintech products into the certification system uniformly promoted by the state, improved fintech quality management and prevented the spillover of risks arising from technical weaknesses to the financial sector.

Fintech applications were widened considerably. The PBC took the lead while working with the NDRC, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the Ministry of Human Resources and Social Security, and the National Health Commission in piloting fintech applications in 10 provinces and cities. It built a coordinated development platform for the corporate sector, educational institutions, academic institutions and users, promoted system interfacing between finance and industry and commerce, social insurance and taxation, and organized connected technology verification for bar code payment and facial recognition payment. It guided financial institutions to make full use of data and technology to optimize business processes, increase product supply and improve financing services.

Fintech research and exchanges were deepened. The PBC researched key topics on fintech and performed a thorough analysis on the impact of fintech on monetary policy, financial stability and financial markets as well as the challenges it posed to them, providing a solid theoretical foundation for the development and regulation of fintech. It held the Chengfang Fintech Forum and the Fintech Sub-forum of the World Internet Conference. It also had communication and exchanges on fintech with monetary authorities in the UK, Russia, Singapore, Central and Eastern Europe as well as international organizations such as the World Bank, the IMF, and the Financial Stability Board (FSB).

Pushed ahead with IT application to improve technical competence

The PBC tightened architectural control, guided and standardized the building of provincial data centers and conducted quality evaluation of application systems. It built a central bank government service platform and the Internet + regulation system to strengthen its government service and regulatory capabilities. It sped up the building of a financial big data-based analytics and service platform, summarized the pilot experience of its provincial branches in big data application and urged the building of provincial data application platforms. It expanded the piloting of an app called financial institution's information sharing system to support the financial sector in better serving the public. It streamlined and integrated network lines of its branches and sub-branches and started to build a comprehensive fintech information management platform. As a technical leader in the financial sector, it completed reviews for the 2019 banking technology development awards and selected 161 winner projects. It organized visits to see excellent technology fruits and held exchanges on test results in the banking industry. It pushed the Fintech Committee of China Society for Finance and Banking to build a comprehensive research and communication platform that connects finance and technology for synergies.

Reinforced coordination to forestall and defuse cyber security risks in the financial sector

The PBC developed rules to identify and recognize key information infrastructure in the financial sector. It organized the banking industry for attack-and-defense exercises to strengthen their hands-on capabilities to address cyber threat. It successfully ensured cyber security for the celebration of the 70th anniversary of the founding of the People's Republic of China. To ensure cyber security in the financial sector, it enhanced the rules system, developed classified protection standards and code application standards, and provided stronger work guidance. In addition, it developed the full life-cycle data protection standards to standardize data security management and introduced the data classification guide to improve the data classification mechanism. Further, it fulfilled the first phase target for the deployment of IPv6 at scale in the financial sector and built the cyber security awareness and information sharing platform for financial sector.

Deepened standard application to advance financial standardization

Solid progress was made in Legal Entity Identifier (LEI) application. By the end of 2019, more than 13 000 domestic institutions were LEI-coded. LEI application rules were applied in many systems, such as credit rating, bond issuer registration and filing, interbank bond market registration and filing, accounts receivable pledge registration, external financial asset, liability and transaction statistics, and securities account business guide. Therefore, the LEI application capabilities were greatly strengthened.

Financial standards and financial governance experienced integrated development. The PBC launched a campaign to identify corporate standard pacesetters, attracting 1 233 financial institutions and financial equipment manufacturers to participate. 2 293 standards were made public and 107 pacesetters were identified. Financial standards continued to play an active part in serving society and the corporate sector. Notable progress was seen in Chongqing and Zhejiang in the pilot of financial standards innovation.

Significant improvement was achieved in the quality of standards systems and international cooperation on financial standardization. The PBC released 7 standards for the financial sector such as security management rules for basic data elements of interbank markets and mobile apps for financial clients. It also sped up the development of national mandatory standards for property security such as technical standards for RMB cash equipment regarding the counterfeit currency identification capabilities and security standards for bank card processing terminals. In addition, Chinese experts led the R&D of many international financial standards, playing a bigger role in international organizations' standardization efforts and standardization for international hot areas.

CREDIT INFORMATION AND THE SOCIAL CREDIT SYSTEM

Fostered and developed credit information markets, built a third-party credit information system covering the entire society, and improved credit information services for the public

Application of blockchain in credit information was studied. Following the instructions of General Secretary Xi Jinping and considering the developments and practice in China's credit information markets and fintech, the PBC studied application of blockchain technology in credit information, with a view to enabling blockchain-based credit information connectivity and maximizing the social benefits of data resources in an orderly and standardized manner.

A credit information market development strategy was planned to accelerate the establishment of a credit information system covering the entire society. The PBC worked on a strategy to drive China's credit information markets toward high-level two-way opening-up and market-based high-quality development. It also developed a master plan for China's credit information markets, aiming to build through benchmarking against world-class market a credit information system that is aligned with China's position as a major economy.

The second-generation credit information system was launched to improve credit information services. The PBC Credit Reference Center accelerated the launch of the second-generation credit information system, increased positive guidance to the market, and proactively responded to market concerns, ensuring the credibility of the basic financial credit information database. Currently, the system has been successfully launched. By the end of 2019, the information of 1.02 billion individuals, 28.341 million businesses and other organizations was incorporated into the basic financial credit information database, and 3 737 and 3 613 institutions were connected to the personal and corporate credit information systems, with 2.4 billion and 110 million queries answered throughout the year, respectively.

Personal credit information products and services were enhanced. The PBC verified the credentials of the directors, supervisors and executives at Baihang Credit Scoring, a personal credit information agency, improved the offsite monitoring system, enhanced the graded protection for the credit information system security and conducted onsite inspections and offsite regulation. In more than one year since its inception, Baihang had focused on information sharing and application in Internet finance, inclusive finance, consumer finance and alternative data application. It developed many personal credit information products such as credit reports, information verification, special watch lists and anti-frauds, contributing to the development of inclusive finance and the prevention of credit risks associated with online lending. As of the end of 2019, Baihang was connected to 334 institutions including 150 peer-to-peer (P2P) online lending platforms and collected information on 48.25 million individuals in total, answering 85.64 million queries annually.

The credit information service model was innovated for SMBs, and a digital credit information pilot zone for SMBs was approved to be built in Suzhou. The PBC pushed provinces and prefecture-level cities to build local credit information platforms focused on non-lending alternative data of SMBs. It urged the government sector and public institutions to open access to the public credit information they hold and apply them to the financial sector. In 2019, it approved the building of a digital credit information pilot zone for SMBs in Suzhou, promoted the experience of Suzhou and Taizhou in building local credit information platforms and encouraged local governments to build local credit information platforms when necessary. Local credit information platforms were launched in Anhui, Guangdong, Yunnan, Sichuan, Shenyang, Hangzhou, etc. Interfaced with integrated financial service platforms or functioning directly as integrated financial service platforms, such local credit information platforms provided financial institutions and SMBs with one-stop integrated services covering supply-demand matching, information inquiry, credit evaluation, risk early warning, sharing, mitigation and compensation.

The corporate credit information market was fostered to deepen the supply-side structural reform in the credit information sector. 128 corporate credit information institutions serving 46 000 users were filed with the PBC by the end of 2019. Under the PBC's guidance, corporate credit information institutions built practical and diverse credit service products for SMB financing using non-lending alternative data and helped SMBs without credit history to get the opportunity for first credit transaction. Based on a sample of seven corporate credit information institutions, the PBC built a quarterly monitoring system for credit services for SMB financing. The monitored data shows that the seven institutions answered 9.2689 million queries about SMB credit information, and helped 578 500 SMBs obtain loans of RMB370.353 billion, of which 50.45 percent were credit loans. The loan accessibility was 18.06 percent, the average weighted interest rate was 7.41 percent and the non-performing loan (NPL) ratio was 0.8 percent.

Significant breakthroughs were made in the development of the credit rating industry

The fundamental regulations and systems for the credit rating industry were built and improved. Given the developments and regulatory practice in China's credit rating industry, the PBC, together with the NDRC, the Ministry of Finance and the CSRC, formulated the *Interim Measures for the Administration of the Credit Rating Industry*. Officially promulgated on November 26, 2019 as a joint regulation, the *Interim Measures* defines the policy orientation for the standardized development of the credit rating industry and builds and improves a system framework for unified regulation. The *Interim Measures* is also integrated with international rating regulatory standards in tightening external regulation, raising transparency, promoting fair play and strengthening accountability, which proved helpful for standardizing the development of China's credit rating industry, bringing into full play the roles of credit rating in risk identification and risk-based pricing and boosting the sound development of China's financial sector.

Central bank internal rating was promoted. The PBC used the targeted guidance of central bank internal rating and credit asset pledged central bank relending to encourage banks to extend loans to SMBs. In 2019, nearly 36 000 enterprises were rated, of which 83 percent were SMBs, and RMB172.2 billion in central bank relending (including SLF) was extended based on the central bank internal ratings.

Intensified credit information regulation to protect the lawful rights and interests of information subjects

Regulation of institutions with access to the basic financial credit information database was intensified to ensure credit information security. The PBC organized onsite inspections of the head offices of Bank of Communications, Huaxia Bank, Industrial Bank, and China Zheshang Bank. In addition, it led its branches in onsite inspections of connected institutions within their jurisdictions, and conducted, together with the CBIRC, law enforcement inspections of mucfc.com. It also urged financial institutions to further standardize the credit information business, minimize disputes and complaints, and step up their efforts to protect the lawful rights and interests of information subjects. Violations of regulations were cracked down on. Offsite regulation was also intensified. The PBC required connected institutions to verify their credit information users on the day they made queries, formulate monthly reports on credit information security, conduct quarterly self-checks and self-corrections as well as annual performance reviews and ratings on credit information compliance and information security. Thanks to this, connected institutions built and improved their management mechanisms for credit information compliance and information security.

Legislation on the protection of personal financial information was delved into. Given the practices in domestic financial markets, the PBC developed a research report on legislating the protection of personal financial information and drew up a legislation draft, symbolizing notable progress was achieved in introducing special legislation for protecting personal financial information.

Credit information markets were supervised and inspected to maintain market order. The PBC organized its branches to conduct onsite inspections and offsite regulation of registered corporate credit information institutions to standardize their professional behaviors and safeguard the lawful rights and interests of information subjects. In 2019, 17 onsite inspections were conducted on registered corporate credit information institutions and the filings by 10 institutions were revoked. In partnership with market regulatory authorities, the PBC incorporated the field of credit information into the market access negative list to clean up misleading promotions or disruptions to market order under the disguise of credit information. It also cooperated with public security and cyberspace authorities in investigating and prosecuting institutions suspected of illegally trading personal information.

A people-first approach was adopted to make the handling of complaints more efficient, and step up efforts to protect the lawful rights and interests of information subjects. The PBC handled complaints and petition letters transferred from diverse channels, urged its branches to handle and respond to complaints and appeals, coordinated the processing of complaints from other regions, and provided policy consulting and interpretation services. In 2019, 128 complaints about credit information were handled bank-wide and all of them were settled as scheduled.

Prudently expanded the opening-up of the credit information industry

High-quality opening-up of the credit information industry was boosted. Following the decisions and plans of the CPC Central Committee and the State Council, the PBC designed the opening-up path for the credit information industry, enabling foreign credit service institutions to carry out business activities smoothly in China. In January 2019, S&P Global (China) Ratings, the first wholly foreign-owned credit rating agency in China, was officially allowed access to the Chinese market and to carry out business activities, which symbolizes that foreign credit service institutions had taken shape in China. By the end of 2019, Shanghai Huaxia Dun & Bradstreet Corporation and Experian Credit Service (Beijing) Co., Ltd., the two foreign credit service institutions which completed registration with China earlier, recorded annual revenue of RMB220 million and RMB70.33 million from credit services, respectively.

International communication and cooperation on credit information were expanded. The second onsite work meeting of the International Committee on Credit Reporting (ICCR) in 2019 was held in China, bringing together representatives of international organizations, credit information regulators and credit information associations from 21 countries and regions, such as the World Bank and central banks. At the meeting, China's achievements in building a credit information system and its leading practice in importing alternative data into credit information were shared.

Promoted the standardized development of a social credit system

Following the guiding principles of the CPC Central Committee and the State Council, remarkable progress was made in the establishment of a social credit system. Along with the NDRC, the PBC led the effort in establishing a social credit system together with members of the inter-ministerial coordination mechanism. In 2019, the inter-ministerial coordination mechanism submitted to the General Office of the State Council the *Guiding Opinions on Boosting the Establishment of a Social Credit System to Build a Novel Credit-based Regulatory Mechanism* and requested for issuance. The *Opinions* was aimed to establish a credit regulatory mechanism that spans the full life-cycle of market participants including ex-ante, ongoing and ex-post regulation to guide market participants to uphold integrity. Moreover, positive outcomes were achieved in the establishment and application of a social credit information system and a government and public credit information system, and a punishment mechanism for dishonest behaviors. As a result, government integrity, business integrity, social integrity and judicial credibility were boosted.

On the other hand, the PBC and the NDRC paid close attention to the willful expansion of credit policies in certain regions and fields, such as extension of the black list and expansion of the scope of joint punishment of discredited behaviors. They listened to ideas and suggestions through diverse channels and reviewed and standardized the establishment of the credit system. In 2019, under the guidance of the State Council, the PBC expedited the preparation of some regulatory documents. It clearly defined the scope of public credit information, what is discredited behavior as well as the scope of joint punishment measures, and also corrected some illegitimate and unreasonable policies so as to ensure a law-based social credit system and a better business environment.

Efforts were stepped up to build credit systems for micro, small and medium enterprises and rural areas. The PBC guided local institutions to collect, evaluate and apply credit information of micro, small and medium enterprises and rural households, and encouraged financial institutions and government agencies to develop supporting policies and measures to help creditworthy micro, small and medium enterprises and rural households grow through financing while lowering their financing costs and improving the local credit environment. By the end of the year, credit archives were built for 2.61 million micro, small and medium enterprises and over 180 million rural households.

The PBC diversified and expanded outreach activities to create a favorable social environment for the development of the credit information industry. On June 14, 2019, it held a press conference on the establishment of a credit information system in the State Council Information Office to share with the media the evolution of the credit information system in China. A nationwide campaign was held in 2019 to address pain points facing SMBs and private enterprises in accessing financing and help them seek growth through financing based on their credit information. Incomplete statistics show that the PBC branches conducted 122 000 outreach events throughout the year, which were reported by more than 3 600 news media. Overall, nearly 2.1 million SMBs and private enterprises benefited from these events and an audience of more than 23.30 million was involved.

Column

Implementing the *Interim Measures for the Administration of the Credit Rating Industry* to Boost the High-Quality Development of China's Credit Rating Industry

Since the 2008 global financial crisis, the international community has reached a broad-based consensus on tightening credit rating regulation. In recent years, the PBC has conscientiously performed its responsibilities as a competent authority of the credit rating industry. Together with the NDRC, the Ministry of Finance and the CSRC, it has implemented the decisions and plans of the CPC Central Committee and the State Council to jointly boost the high-quality development of China's credit rating industry.

On November 26, 2019, the PBC took the lead while working with three other authorities in officially releasing the *Interim Measures for the Administration of the Credit Rating Industry* (hereinafter referred to as the *Measures*), which was regarded as the most important milestone in the 30-plus-year of China's credit rating industry.

Based on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the guiding principles of the 19th CPC National Congress, and the Second, Third and Fourth Plenary Sessions of the 19th CPC Central Committee, the *Measures* highlights the goal of modernizing the governance system and capacity of the credit rating industry and defines the policy orientation for boosting the high-quality development of China's credit rating industry as the financial sector is opened up further. Overall, the *Measures* saw many breakthroughs:

First, it was made clear for the first time in an official document that the PBC will be recognized as the competent authority of the credit rating industry, with the NDRC, the Ministry of Finance and the CSRC as the business administrators. The four authorities will establish an inter-ministerial coordination mechanism. Based on their respective responsibilities, they will coordinate and collaborate with each other to jointly tighten regulation.

Second, it was made clear for the first time that a unified, cross-market regulatory system framework will be established to overcome regulatory weaknesses and prevent regulatory arbitrage. As the basic regulatory rules for the industry, the *Measures* will be guidelines for the study and development of the market-specific and category-specific business administration rules. With the *Measures*, a unified regulatory framework will be established and the business administrators will be relatively independent in regulation.

Third, it was made clear for the first time that the self-discipline organizations of credit rating agencies will conduct self-disciplinary management and will be subject to the regulation and guidance of the competent authority and business administrators. Self-discipline will be a strong complement to administrative regulation in the industry. A professional self-disciplinary management system will be established to strengthen self-constraint of the industry.

Fourth, for the first time, relevant requirements for foreign credit rating agencies to apply for credit rating qualifications in China were clearly set forth. In accordance with relevant regulations set by the competent authority and business administrators, foreign credit rating agencies will enjoy national treatments.

Fifth, drawing on the international regulatory experience and consensus, regulatory efforts will focus on independence, transparency, management of conflicts of interest and rating quality. Further requirements will be raised on rating agencies to refine the content and channels of disclosure and particulars, so that authorities can compare and assess their rating quality and technology to regulate the market.

Sixth, more rigorous administrative punishment will be imposed according to the law. Market surveys and prudential assessment show that higher fines can, on the one hand, fairly effectively deter violating behaviors in the rating industry, which is favorable for standardizing its development. On the other hand, higher fines are in line with international practice and favorable for driving domestic rating agencies to get adapted to international standards as fast as possible. Moreover, strict regulation is favorable for strengthening domestic and foreign investors' confidence in the RMB bond markets.

The *Measures* will have a spillover effect, benefiting both the credit rating industry and China's financial market. Given that the current top priority is to forestall and defuse financial risk to better serve the real economy, the implementation of the *Measures* can help the credit rating industry to play a better role in risk identification and risk-based pricing, which is favorable for improving the financing environment for companies, forestalling financial risks and boosting the high-quality development of China's financial markets.

Going forward, the PBC will increase coordination and collaboration with the NDRC, the Ministry of Finance and the CSRC based on the unified regulatory rules to strengthen regulatory synergies and promote the high-quality development of China's credit rating industry.

Column

The Nationwide Rollout of the Central Bank Internal (Enterprise) Rating Aimed at Supporting Monetary Policy Operations Proved Impactful

In 2019, the PBC steadily advanced the central bank internal (enterprise) rating, forestalled collateral risks and ensured its asset security, strongly supporting monetary policy operations.

Enhanced the design of the system framework, and improved the rating system

In 2019, the *Circular of the General Office of the PBC on Improving the Administration of Central Bank Lending and Standing Lending Facility Collateral* was issued, requiring that credit assets that are not rated by the central bank will no longer serve as the central bank collateral since 2020. The Non-financial Corporate Rating Office took the lead in streamlining the work mechanism, designating the PBC Credit Reference Center to conduct the central bank internal (enterprise) ratings and allowing it to entrust the rating work with Shanghai Credit Information Services Co., Ltd. and Huida Company. It also led the Center in standardizing the central bank internal (enterprise) rating processes, optimizing the rating system, improving the rating efficiency and quality, thus successfully refining the central bank internal (enterprise) rating systems and rules.

Expanded the central bank internal (enterprise) rating coverage

As of the year-end, 2 429 financial institutions in 31 provinces (cities and autonomous regions) were covered in the central bank internal (enterprise) rating system, accounting for 52.94 percent of all financial institutions in the banking sector. An accumulated 170 200 enterprises were reported for rating and 133 200 enterprises were rated, with a pass rate of 65.27 percent.

In 2019, 1 592 financial institutions, particularly rural commercial banks, city commercial banks, village banks and rural credit cooperatives, reported data on enterprises for rating, which accounted for 98 percent of the total. Throughout the year, 47 700 enterprises were uploaded for central bank internal (enterprise) rating, up by 50.91 percent year on year; 35 900 enterprises were rated, up by 51 percent year on year; 26 400 enterprises were rated acceptable and above, up by 77 percent year on year; and the pass rate was 73.73 percent, higher than 63.07 percent in 2018.

Strengthened support for SMBs to alleviate their financing difficulties

Of the 133 200 enterprises rated by the end of 2019, 106 500 were SMBs, accounting for 79.95 percent. Of the 35 900 enterprises rated in 2019, nearly 30 000 were SMBs, making up 83.61 percent, versus 61.61 percent in 2015. SMBs became the main central bank internal (enterprise) rating targets. While addressing the shortage of qualified collateral in local corporate financial institutions, financial institutions were encouraged to also use the credit asset pledged central bank lending to support the development of SMBs. In particular, they needed to simplify lending approval processes, lower lending rates, and improve lending efficiency to SMBs with good central bank internal (enterprise) rating results.

Enhanced the application of the rating results to provide local corporate financial institutions with liquidity

Based on the central bank internal (enterprise) rating results, locally incorporated financial institutions are allowed to apply for central bank lending by pledging credit assets. By the end of 2019, 865 deals of credit asset pledged central bank lending worth RMB248.1 billion in total (including standing lending facility) were extended across the country. As the deals and value of credit asset pledged central bank lending steadily increased, the liquidity strains facing local corporate financial institutions eased. With more money available for lending, local corporate financial institutions strengthened their financial support for SMBs and improved the financing environment for them.

ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM

Passed the fourth round of mutual evaluation on anti-money laundering (AML) by the Financial Action Task Force (FATF)

Together with other members of the Inter-Ministerial Joint Conference on Anti-money Laundering, the PBC proactively cooperated with the FATF in its fourth round of mutual evaluation on AML. In February, the Mutual Evaluation Report on Anti-Money Laundering and Counter-Terrorist Financing (CFT) Measures of the People's Republic of China was reviewed and adopted at the plenary meeting of the FATF, symbolizing the target was met. The Report fully recognizes China's progress in the work of AML/CFT in recent years. It concluded that China has the foundation for a sound system to tackle money laundering and terrorist financing, while some problems still need to be addressed.

Improved the AML inter-ministerial coordinating mechanism

The PBC pushed the inclusion of AML in the national development framework for financial stability to elevate the level of AML coordination. It held the 10th meeting of the Inter-Ministerial Joint Conference on AML to study how to improve the work mechanism of the joint conference, define the primary responsibilities of the members and develop next steps for AML. It also strengthened regulatory coordination on AML. Its regulatory cooperation with other financial regulators on AML saw solid progress. It carried out regulatory activities together with other regulators under relevant agreements and collaborated with relevant authorities in major special activities, achieving significant outcomes in cracking down on money laundering, terrorist financing and relevant predicate crimes.

Further improved AML institutional arrangements

The PBC initiated the revision of the *Anti-money Laundering Law*. Given the problems identified during mutual evaluation, practical needs and hot issues causing public concerns, it drafted the revised version of the *Anti-money Laundering Law*. Based on domestic practices and international standards on AML, it established and implemented the risk evaluation procedure for money laundering and terrorist financing for corporate financial institutions and revised the *Administrative Measures for Client Identification and Client Identity Information and Transaction Records-keeping by Financial Institutions*, and the *Administrative Measures for Supervising the Anti-money Laundering of Financial Institutions*.

Tightened and improved AML regulation

To implement the plans of the first AML meeting within the financial system, the PBC took risk-based, problem-based and case-based approaches, tightened regulation, deepened cooperation and intensified accountability to improve the effectiveness of AML regulation. First, stepping up AML law enforcement inspections. The PBC adopted a risk and corporate-based regulatory approach to tighten AML regulation. It organized 9 major financial institutions which had conducted AML law enforcement inspections over the years to review their inspections to expand the impact. 1 744 responsible institutions were inspected for AML in 2019. For non-compliance cases, penalties of RMB215 million were imposed on institutions and individuals in accordance with the law. At the same time, administrative AML penalties became much more severe, reflecting the PBC's determination to tighten regulation. Second, advancing risk evaluation. The PBC built a regulatory structure featuring risk evaluation and law enforcement inspections to solidify the risk-based regulatory foundation. It completed the risk evaluation on the first four large responsible corporate financial institutions, and conducted ratings on the AML efforts by responsible corporate financial institutions directly under it. For the problems identified, it ordered the problem institutions to rectify, guided them to improve money laundering-related risk management and urged them to shift from a compliance-based AML approach to a risk-based approach. In addition, it organized risk evaluation among non-profit organizations for counter-terrorist financing.

Conducted AML investigations and monitored transactions

To ensure national security, the PBC performed an in-depth analysis of the typology of money laundering and guided responsible institutions to step up their efforts to prevent money laundering and terrorist financing risks in high-risk areas and crack down on money laundering more rigorously. Leveraging its advantages in AML investigation, it cooperated with relevant authorities in a series of special campaigns, such as cracking down on gang crimes, counter-terrorism, anti-corruption, drug control, underground banks and fraud, and achieved notable results.

Throughout the year, 15 755 suspected trading cues were identified and received. Among these, 1 143 cues were investigated for AML, and 4 858 cues were transferred to investigation authorities. The PBC helped investigation authorities conduct AML investigations on 4 007 cases and crack 622 cases suspected of money laundering. Money laundering crime was announced in 77 cases in accordance with Article 191 of the *Criminal Law*. With this, national security, financial security and public interests were safeguarded.

To support the efforts of counter-terrorism, anti-secession, anti-corruption, and anti-tax evasion, and crack down on money laundering and relevant predicate crimes such as underground banks, illegal pyramid selling, drug trafficking and telecom frauds, China Anti-money Laundering Monitoring and Analysis Center (CAMLMAC) played an active part in intelligence-based investigation and provided 5 437 batches of financial intelligence to discipline and law enforcement authorities in the year. The scope of AML monitoring was expanded further. Specific non-financial institutions like precious metal exchanges and real estate companies substantively performed the AML data reporting obligations. The second generation AML monitoring and analysis system was launched and 1.6376 million reports of suspected trading were received throughout the year, with report quality enhanced further. The development of the CAMLMAC Shanghai Center was well underway. International communication and cooperation on financial intelligence was deepened to support the recovery of corrupt assets and repatriation of fugitives from abroad.

Deepened AML international cooperation

In July 2019, China officially became the chair of the FATF. It focused on driving strategic reviews of mutual evaluation, guiding application of new technologies, expanding impact of AML regulation and monitoring money laundering in illegal trading of wild animals. It hosted the first Regulator Forum and the Forum on Cracking Down on Money Laundering in Illegal Trading of Wild Animals. Further, it formulated the *Guidance on the Use of Digital ID in Anti-money Laundering* and solicited global opinions for the first time. It also deeply participated in major decision making in the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and Asia/Pacific Group on Money Laundering (APG) and fully and faithfully performed its responsibilities as the chair of EAG.

It expanded its influence in multilateral AML platforms, strongly safeguarding national interests and diplomatic agenda. It also hosted an AML symposium for the mainland, Hong Kong and Macao, signed an Memorandum of Understanding (MoU) with the Hong Kong Monetary Authority on AML regulation cooperation, and actively cooperated with AML authorities of other neighboring countries and regions. The CAMLMAC signed an MoU on financial intelligence exchanges and cooperation with financial intelligence units (FIUs) in Iceland and Pakistan.

Column

The Mutual Evaluation Report on Anti-money Laundering and Counter-terrorist Financing Measures of the People's Republic of China Adopted by the Financial Action Task Force

On April 17, 2019, the FATF published *Mutual Evaluation Report on Anti-money Laundering and Counter-terrorist Financing Measures of the People's Republic of China* (hereinafter referred to as the *Report*). The FATF is the world's most influential inter-governmental body that promotes policies to combat money laundering and terrorist financing and sets global standards for AML/CFT. In 2018, the FATF commissioned the IMF staff-led international evaluation team to conduct a one-year mutual evaluation for China and evaluate the effectiveness and compliance of China's AML/CFT measures. The team paid an onsite visit to Beijing, Shanghai and Shenzhen, and conducted face-to-face interviews with more than 900 representatives from over 100 institutions. The PBC along with the other members of the Inter-Ministerial Joint Conference on AML made conscientious preparations and assisted in the completion of the mutual evaluation. In February 2019, the *Report* was adopted by the FATF at its Second Plenary Meeting of FATF-XXX.

The *Report* fully recognizes China's progress in the work of AML/CFT in recent years and concludes that China has the foundation for a sound system to tackle AML/CFT. The *Report* holds that China has established a multi-tiered national money laundering risk evaluation system, and formulated and implemented its national AML/CFT strategies. The Inter-Ministerial Joint Conference on AML operates effectively. China's AML/CFT regulatory system has made positive progress in the financial sector. Law enforcement authorities have made remarkable achievements in combating predicate crimes of money laundering activities, and pursued and confiscated a large amount of criminal proceeds. China attaches great importance to CFT and implements effective investigations, prosecutions and conviction of crimes regarding terrorist financing. In terms of international cooperation, China has established a sound legal framework and has carried out Special Operations Skynet and Fox Hunting to help with the recovery of enormous overseas criminal assets. In addition, the *Report* identifies problems in China such as lack of AML regulation from specific non-financial industries and mechanism deficiency in implementing the UN's TFS resolution, and offers recommendations for improvement.

The *Report* provides a summary of China's AML measures by the FATF and pertinent evaluations of China's national risk evaluation and policy coordination, supervision and monitoring of DNFBPs. The recommended actions it offers are conducive to China's efforts in enhancing the level of compliance and effectiveness of AML measures. However, due to the differences in the legal frameworks and cultures among FATF member economies as well as the limitations of the evaluation procedure and time arrangements, improperness is inevitable in some aspects.

The adoption of the *Report* means a lot for China's reputation and economic and financial security and stability. The PBC will adopt proper suggestions in the *Report* based on national realities and take strong, systemic measures to improve the AML system, intensify AML regulation, deepen AML investigations and participate in AML international cooperation. It will take this as a new starting point to advance AML efforts and contribute to preventing and controlling major risks and safeguarding financial security.

FINANCIAL CONSUMER PROTECTION

Improved continuously the institutional framework for financial consumer protection

The PBC surveyed and evaluated the results of implementing the *Implementation Measures of the People's Bank of China for Financial Consumer Protection* and elevated the Measures as the relevant procedures of department regulations. Along with the CBIRC, the CSRC and the SAFE, it released the *Circular on Further Standardizing Financial Marketing and Promotions*. In addition, it improved the coordinating mechanism for financial consumer protection with the CBIRC Consumer Protection Bureau and the CSRC Investor Protection Bureau, thereby reinforcing its leading and coordinating roles in financial consumer protection.

Solid progress was made in financial consumer education and financial knowledge dissemination

The PBC organized and carried out intense financial awareness activities, such as Financial Consumer Day and Improve Financial Literacy, Keep Your Purse Safe. Together with the CBIRC, the CSRC and the Cyberspace Administration of China, the PBC launched a financial knowledge dissemination campaign to encourage rational investors and well-behaving online financial consumers, which marked the uniform planning of financial knowledge dissemination activities by the CBIRC, the CSRC and the PBC. It organized surveys on the financial qualities of consumers in 2019 and released the *Report on Consumers' Financial Qualities (2019)*. Moreover, it strongly championed the inclusion of financial knowledge in the national education system. The framework and key points of financial knowledge for compulsory education provided to the Ministry of Education would be used as a reference for the next round of educational reform. A pilot program for the inclusion was run by its branches and local educational authorities in 10 provinces (regions and municipalities) while the pilot program for prefecture-level cities and counties had been rolled out nationwide. It also organized the compilation of financial readings for middle school students and developed interactive games to innovate the way of financial education, making it more targeted and up-to-date.

Significant outcomes were achieved in the clean-up of illicit financial advertising and marketing

Along with the CBIRC, the CSRC and the SAFE, the PBC released the *Circular on Further Standardizing Financial Marketing and Promotions*. For that purpose, it increased communication and coordination with the State Administration for Market Regulation, the CBIRC and the CSRC, and built a collaboration mechanism for financial advertising governance. Moreover, it deepened the monitoring and resolution of financial advertising, and improved the monitoring and resolution mechanism for financial advertising. By the end of 2019, it had monitored a total of more than 40 million financial advertisements. In 2019, it addressed 3 179 cues of financial advertising suspected of violating laws or regulations and resolved them based on their responsibilities and in accordance with the law. It also linked financial advertising governance to supervision and inspection, institution assessment, complaint management and financial education for financial consumer protection.

Steadily advanced supervision, inspection and assessment for financial consumer protection

The PBC announced the inspection results of consumer protection in the payment services sector for 2018, arranged onsite inspections for 2019 and severely punished violations. Further, it directed its branches to assess institutions within their jurisdictions and announce assessment outcomes. It summarized the assessment outcomes of 18 major commercial banks nationwide for 2018, exchanged ideas with the CBIRC on the outcomes, and held talks with these institutions to give feedback. It also arranged the institution assessment for 2019 and improved the assessment approaches by adding talks with institutions and conversations with executives.

Ensured steady operations of the complaint handling and settlement system

The 12 363 inquiry and complaint hotline for financial consumer protection was run smoothly. Every quarter, the PBC issued the Complaints from Financial Consumers and Typical Cases. Its branches received 63 130 complaints from financial consumers and settled 95.70 percent of them in 2019. The complaint classification standards for financial institutions were implemented. It designed and developed a complaint statistics monitoring and analysis system and propelled commercial banks to get connected to it and launch the service. It also pushed ahead with the development of complaint classification standards for non-bank payment institutions and conducted a pilot program. In addition, it promoted the establishment of local financial consumer dispute mediation organizations and the building and operation of financial alternative dispute resolution (ADR) organizations in accordance with laws and regulations. Together with the Supreme People's Court and the CBIRC, it also held a facilitation meeting on building a diversified financial dispute resolution mechanism and released the *Opinions on Boosting the Diversified Financial Dispute Resolution Mechanism across the Board*.

Boosted financial inclusion in an orderly way

The PBC galvanized the implementation of the *Plan for Boosting the Development of Inclusive Finance (2016-2020)*. Working with the CBIRC, it led the drafting of the interim assessment plan and released the *2019 Report on the Development of Inclusive Finance in China*. In addition, it organized the 2018 questionnaire, indicators reporting and analysis on inclusive finance and published the *Analysis Report on China's Inclusive Finance Indicators (2018)*. It also organized the development of inclusive finance indicators in the Yangtze River Delta and introduced the *Inclusive Finance Indicators System in the Yangtze River Delta (Interim)*. Further, it conducted special surveys on digital inclusive finance and released the *Impact of Digital Inclusive Finance in China and Problems and Recommendations*. It also led the G20 Global Partnership for Financial Inclusion (GPFI) topic reform, boosted the implementation of the Financial Inclusion Global Initiative (FIGI) program for China and took an active part in the Alliance for Financial Inclusion (AFI).

Column

China Led the G20 GPFI Topic Reform

The G20 Leaders' Summit was held in Osaka, Japan from June 28 through June 29, 2019. The G20 Leaders' Declaration recognized the importance of financial inclusion to global growth and endorsed the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*, prepared by the GPFI, and added the *Proposed Global Partnership for Financial Inclusion Work Program* as its annex.

The GPFI, officially launched in 2010 by the G20 leaders, is comprised of all G20 countries, interested non-G20 countries and relevant international organizations. It is one of the most important platforms for the international community to boost the development and cooperation in financial inclusion. On behalf of China, the PBC led and completed the GPFI topic reform in the first half of 2019.

Under the Chinese presidency of the GPFI in 2016, the PBC, on behalf of China, proposed topics such as digital financial inclusion, which were highly recognized by G20 countries. It supported the development of the *G20 High-Level Principles for Digital Financial Inclusion*, and the *Implementation Framework of the G20 Action Plan on SME Financing* and many other documents on major achievements, which were endorsed at the G20 Hangzhou Summit.

Approved by the G20 Buenos Aires Summit, the GPFI mechanism was further improved. In January 2019, the GPFI topic reform kicked off. In February, the PBC and the Brazilian central bank took the lead in streamlining the GPFI topics and relevant international organizations' topics on financial inclusion. They designed the questionnaire, solicited opinions and selected seven candidate topics based on questionnaire feedback in March. Then in April, the GPFI members scored and prioritized the candidate topics based on their preferences. Digital financial inclusion and SME financing came out first and second. On that basis, the PBC and the Brazilian central bank drafted the *Proposed GPFI Work Program*, solicited opinions and won wide support. In June, at the GPFI plenary meeting, the PBC and the Brazilian central bank delivered a work report on the GPFI topic reform, which was unanimously adopted. Afterwards, the *Proposed GPFI Work Program* was adopted at the G20 Finance Ministers and Central Bank Governors Meeting and submitted to the G20 Osaka Summit.

Digital financial inclusion and SME financing have been chosen as the two long-term topics of the GPFI for 2020 and beyond. At the same time, the G20 chairs have the leeway to propose one-year topics. While leading the reform, the PBC participated in the whole processes of the reform. The reform results reflected the hot issues on global financial inclusion and the expectations of most GPFI members. The selection of digital financial inclusion and SME financing, the two topics closely related to the major outcomes of the G20 Hangzhou Summit, as the GPFI's long-term topics are also aligned with China's expectations of the G20's efforts on financial inclusion. Overall, as the initiator of the G20's topic reform on financial inclusion, China played an active role in global governance in financial inclusion.

INTERNATIONAL FINANCIAL COOPERATION AND GLOBAL ECONOMIC GOVERNANCE

Participated in and led global economic governance through platforms like G20 and IMF

The PBC pushed the G20 to strengthen macro policy coordination and uphold multilateralism, and provided support for Chinese leader's participation in the G20 Osaka Summit. First, it enhanced policy coordination to boost sustainable trade, investment and economic growth. Second, it continued to improve the international financial architecture, and called on the International Monetary Fund (IMF) to prioritize the resource and governance reform, in a bid to reinforce global financial safety net. Third, it exerted great efforts in financial sector reform, green finance, high-quality infrastructure investment and financial inclusion, thereby achieving constructive outcomes.

The PBC kept actively engaged with the IMF and constantly enhanced China's say and representation. It pushed all parties to commit to further advance the IMF quota reform to ensure quotas' top position in the IMF's resources and make it clear that a quota change should focus on increasing the quota shares of dynamic economies. It conducted the Article IV consultation with the IMF where the IMF made objective and appropriate assessment on China's economic and financial developments and reform progress, strengthening the global confidence in the Chinese economy. In addition, it took an active part in the election of the new managing director of the IMF. The new managing director visited China during the "1+6" Roundtable, laying a foundation for strengthening the cooperation between China and the IMF.

The PBC enhanced BRICS coordination on major topics to strengthen resilience. First, it led BRICS countries in coordinating stances on major global economic and financial policies to improve global economic governance. It pushed BRICS countries to strengthen coordination, uphold multilateralism on occasions like the G20 summits, and voice emerging markets' needs on major economic and financial topics to jointly increase the say of emerging market economies and developing countries. Second, it developed and improved the Contingent Reserve Arrangement (CRA) mechanism. It continued to improve the regular central bank consultation mechanism among BRICS countries and boosted the monitoring & analysis and risk early warning capacities of the CRA. It called for the second CRA test run and further improved the CRA mechanism and processes. Third, it promoted substantive BRICS Bond Fund (BBF) preparations and defined the architectural design and details of the BBF. Fourth, it continued to drive BRICS cooperation on cross-border payments, anti-money laundering and counter-terrorist financing.

Participated in international financial reform to promote international rule-setting

The PBC enhanced cooperation with the Bank for International Settlements (BIS), a professional platform for major central banks across the globe to analyze economic risks, monitor financial markets and develop regulatory rules. It emphasized stronger collaboration of central banks in BIS's discussions around risk assessment and policy response, so as to jointly safeguard a stable monetary and financial environment. Meanwhile, it studied new challenges, opportunities and risks facing the global financial system and had timely exchanges with other central banks on financial innovation and topical issues like fintech and central bank digital currency. Given RMB internationalization and BIS's advantages in reserve management, it hosted in Beijing the RMB Internationalization Symposium together with BIS to promote RMB products, and increase the transparency of policy frameworks, making RMB assets more attractive. Further, it participated extensively in developing and implementing international financial regulatory standards through standard-setting bodies such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS), and promoted the alignment of domestic standards with international ones.

Boosted high-quality financial connectivity under the Belt and Road Initiative

The PBC held the Thematic Forum on Financial Connectivity at the second Belt and Road Forum for International Cooperation. First, it held the Thematic Forum on Financial Connectivity themed with Building Open and Market-based Investment and Financing System under the Belt and Road Initiative. The meeting brought together more than 230 representatives of governments, international organizations, financial institutions, enterprises and academic institutions from around 50 countries. The heated discussion created an enabling environment for the success of the forum. Second, in line with the general requirement of boosting high-quality development under the Belt and Road Initiative, many significant outcomes were achieved, including creation of Silk Road-themed bonds, development of the *Green Investment Principles for the Belt and Road (GIP)*, signing an MoU on Enhancing Investment and Financing Cooperation in Third-party Markets with the European Bank for Reconstruction and Development (EBRD), and strengthening capacity building in the Belt and Road countries via the China-IMF Capacity Development Center (CICDC) and the EBRD.

The PBC continued to boost high-quality financial connectivity under the Belt and Road Initiative. It improved the policy system for financial support for the Belt and Road Initiative to build an open and market-based investment and financing system under the Belt and Road Initiative. It continued to strengthen cooperation with third parties, supporting capacity building in the countries along the Belt and Road via the CICDC. It encouraged networked presence of financial institutions and financial services in the Belt and Road countries and urged them to use local currency more frequently. It also encouraged more financial institutions to sign GIP and supported financial institutions to conduct the business of Overseas RMB Fund.

Strengthened regional financial cooperation, promoted regional financial market development, and safeguarded regional financial stability

The PBC played an active role in completing the first periodic review of the Chiang Mai Initiative Multilateralization (CMIM), and further enhanced coordination and cooperation between the CMIM and IMF to safeguard regional financial stability. Within the framework of the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP), the PBC strengthened regional economic and financial monitoring and promoted the Asian bond market development. The PBC hosted in Shenzhen the 24th EMEAP Governors' Meeting & the 8th Informal Meeting of EMEAP Governors and Heads of Supervisory Authorities (GHOS), and led the effort on improving the EMEAP Governors' Meeting. The PBC engaged assiduously in the cooperation in the South East Asian Central Banks (SEACEN), and carried out well work related to Boao Forum for Asia and the Lancang-Mekong Cooperation.

Addressed properly the China-US trade tension and strengthened bilateral financial coordination and cooperation

The PBC attended the high-level China-US trade negotiations, where agreement was reached on the opening-up of China's financial sector and foreign exchange rate issues, with the outcomes written in the Phase One trade deal.

Based on the existing bilateral dialogue mechanisms, the PBC strengthened bilateral financial cooperation with the US, Europe, the UK, Japan, Russia and China's neighbors and expanded financial cooperation with Central and Eastern Europe, Africa and Latin America.

Enhanced pragmatic cooperation with multilateral development institutions

The PBC strengthened cooperation with the EBRD under the Belt and Road Initiative. It signed with the EBRD an MoU on Enhancing Investment and Financing Cooperation in Third-party Markets during the second Belt and Road Forum for International Cooperation and hosted with EBRD a symposium on the Green Transformation in Eurasia. It enhanced pragmatic cooperation with multilateral development institutions such as African Development Bank, Eastern and Southern African Trade and Development Bank, and West African Development Bank. It participated in the seventh general capital increase of the African Development Bank and the fifteenth replenishment of the African Development Fund. It also signed a joint investment fund agreement with the Inter-American Development Bank. In addition, it pushed multilateral development institutions for co-financing to strengthen financing support for Latin America and Africa.

Overview of the PBC Leadership's Diplomatic Activities in 2019

China-US trade talks	
30-31 Jan.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the US for the China-US trade talks with the American team led by US Trade Representative Robert Lighthizer.
14-15 Feb.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the sixth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in Beijing.
21-22 Feb.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the seventh round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in the US.
28-29 Mar.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the eighth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in Beijing.
3-5 Apr.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the ninth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in the US.
30 Apr.-1 May	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the tenth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in Beijing.
9-10 May	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the US for the eleventh round of high-level trade talks with the US.
30-31 Jul.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the twelfth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in Shanghai.
10-11 Oct.	Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the thirteenth round of high-level trade talks with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin in the US.
International organization and multilateral activities	
13-14 Jan.	The All Governors' Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Yi Gang, Governor of the PBC, attended a series of meetings, including the Meeting of the Board of Directors, the Meeting of the Economic Consultative Committee, the Global Economy Meeting and the Meeting of Governors and Heads of Supervision.
10-11 Feb.	The Special Governors' Meeting of the Bank for International Settlements (BIS) was held in Hong Kong, China. Guo Shuqing, Secretary of the CPC PBC Committee, attended a series of meetings including the Meeting of Governors and CEOs, the Asian Consultative Council and the Global Economy Meeting.
10-11 Mar.	The All Governors' Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Guo Shuqing, Secretary of the CPC PBC Committee, attended a series of meetings, including the Meeting of the Economic Consultative Committee, the Global Economy Meeting and the Meeting of Governors.
11-12 Apr.	Chen Yulu, Deputy Governor of the PBC, attended G20 Finance Ministers and Central Bank Governors' Meeting in the US. The G20 Finance Ministers and Central Bank Deputies' Meeting and the Response to Global Imbalance Seminar were held before the meeting. Deputy Governor Chen also attended the BRICS Finance Ministers and Central Bank Governors' Meeting on April 11.
12-13 Apr.	Chen Yulu, Deputy Governor of the PBC, attended the Thirty-Ninth Meeting of the International Monetary and Financial Committee (IMFC) in Washington D.C., US.
24 Apr.	Chen Yulu, Deputy Governor of the PBC, attended and addressed the opening ceremony of the 7th Joint Conference of the People's Bank of China and the International Monetary Fund.
7 May	Chen Yulu, Deputy Governor of the PBC, attended and addressed the 7th Paris Forum in Paris, France. The forum mainly discussed how to provide sustainable development financing to low-income countries.
7-9 May	Chen Yulu, Deputy Governor of the PBC, led a delegation to attend the 28th Annual Meeting of Board of Governors of the European Bank for Reconstruction and Development held in Sarajevo, Bosinia and Herzegovina.
12-13 May	The All Governors' Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Yi Gang, Governor of the PBC, attended a series of meetings, including the Meeting of the Banking and Risk Management Committee, the Meeting of Governors from major emerging market economies, the Meeting of the Economic Consultative Committee, the Global Economy Meeting, and the Meeting of the Board of Directors.

	International organization and multilateral activities
8-9 Jun.	Yi Gang, Governor of the PBC, attended the G20 Finance Ministers and Central Bank Governors' Meeting held in Fukuoka, Japan.
27-29 Jun.	The G20 Leaders' Summit was held in Osaka, Japan. President Xi Jinping attended the summit and BRICS Leaders' Informal Meeting. He also met with the US and the Japanese leaders and attended many other multilateral and bilateral events. Yi Gang, Governor of the PBC, also attended the events. The G20 Osaka Leaders' Declaration was endorsed at the summit.
30 Jun.	The 89th Annual General Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Yi Gang, Governor of the PBC, attended a series of meetings, including the Meeting of the Board of Directors, the 89th Annual General Meeting and the Andrew Crockett Memorial Lecture.
21-27 Aug.	Fan Yifei, Deputy Governor of the PBC, attended the annual meeting of the 35th Council of the Eastern and Southern African Trade and Development Bank in Zambia and visited the Central Bank of Kenya.
7-9 Sep.	The All Governors' Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Yi Gang, Governor of the PBC, attended a series of meetings, including the Roundtable on Financial Stability, the Advisory Board Meeting of the Financial Stability Institute, the Meeting of Governors from major emerging market economies, the Meeting of the Economic Consultative Committee, the Global Economy Meeting, the Meeting of Governors and the Meeting of the Board of Directors.
10 Sep.	Yi Gang, Governor of the PBC, attended the Conference jointly held by the Bank of Spain and the Reinventing Bretton Woods Committee in Madrid and delivered a keynote speech on China's balance of payments and capital account liberalization.
20 Sep.	The PBC and the Bank for International Settlements (BIS) co-hosted the Symposium on RMB Internationalization in Beijing. Yi Gang, Governor of the PBC, and Mr. Agustin Carstens, BIS General Manager, attended the event and co-chaired it.
17-18 Oct.	Yi Gang, Governor of the PBC, and Chen Yulu, Deputy Governor of the PBC, attended the G20 Finance Ministers and Central Bank Governors' Meeting and Deputies' Meeting in Washington D.C., US.
18-19 Oct.	Yi Gang, Governor of the PBC, and Chen Yulu, Deputy Governor of the PBC, attended the Fortieth Meeting of the International Monetary and Financial Committee (IMFC) in Washington D.C., US.
18 Oct.	Yi Gang, Governor of the PBC, attended the inaugural event of the International Platform on Sustainable Finance (IPSF) in Washington D.C. during the 2019 IMF/WBG Annual Meetings, and delivered remarks.
10-11 Nov.	The All Governors' Meeting of the Bank for International Settlements (BIS) was held in Basel, Switzerland. Yi Gang, Governor of the PBC, attended a series of meetings, including the Meeting of the Banking and Risk Management Committee, the Meeting of the Economic Consultative Committee, the Global Economy Meeting, the Meeting of Governors and the Meeting of the Board of Directors.
13-14 Nov.	The 11th BRICS Summit was held in Brasilia, the capital of Brazil. President Xi Jinping attended and delivered a speech at the meeting. Yi Gang, Governor of the PBC, also attended the meeting.
21 Nov.	Guo Shuqing, Secretary of CPC PBC Committee and Chairman of the CBIRC, met with Ms. Kristalina Georgieva, the Managing Director of the International Monetary Fund. They exchanged views on deleveraging in China, risk resolution of small and medium-sized banks, climate change and green finance.
	Regional diplomatic activities
26-28 Mar.	Yi Gang, Governor of the PBC, accompanied Premier Li Keqiang to the opening ceremony of the 2019 Boao Forum for Asia annual meeting, among others.
2-3 Apr.	Chen Yulu, Deputy Governor of the PBC, attended the ASEAN+3 Finance and Central Bank Deputies' Meeting in Chiang Rai, Thailand.
1-2 May	Chen Yulu, Deputy Governor of the PBC, attended the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting in Nadi, Fiji.
22-23 May	Pan Gongsheng, Deputy Governor of the PBC, attended the 56th Executives' Meeting of Deputies of East Asia Pacific Central Banks (EMEAP) in Seoul, Korea. Topics such as global and regional economic and financial situations, cyber-security and distributed ledger technology, and improvement of EMEAP Governors' Meeting were discussed at the meeting.

Regional diplomatic activities	
10 Jun.	Yi Gang, Governor of the PBC, attended the Tripartite Governors' Meeting among the People's Bank of China, the Bank of Japan, and the Bank of Korea in Fukuoka, Japan. Governors exchanged views on the recent economic and financial developments in each country.
1 Jul.	Yi Gang, Governor of the PBC, attended the Bank of Finland Conference on Monetary Policy and Future of Economic Monetary Union (EMU) in Helsinki.
28-30 Aug.	Yi Gang, Governor of the PBC, attended the 24th EMEAP Governors' Meeting & the 8th Informal Meeting of EMEAP Governors and Heads of Supervisory Authorities (GHOS) in Shenzhen, China, and chaired the meetings.
27 Nov.	Zhu Hexin, then Deputy Governor of the PBC, attended the China and Central and Eastern European Countries (17+1) High-Level Fintech Forum in Vilnius, Lithuania, and delivered a speech.
30 Nov.-1 Dec.	Pan Gongsheng, Deputy Governor of the PBC, attended the 57th EMEAP Deputies' Meeting and related meetings in Manila, Philippines.
12-13 Dec.	Chen Yulu, Deputy Governor of the PBC, attended the ASEAN+3 Finance Ministers' and Central Bank Deputy Governors' Meeting in Xiamen, Fujian.
24 Dec.	Yi Gang, Governor of the PBC, accompanied Premier Li Keqiang to the China-Japan-ROK Leaders' Meeting in Chengdu, Sichuan.
Bilateral diplomatic activities	
18 Jan.	Chen Yulu, Deputy Governor of the PBC, attended the second China-Germany High-Level Financial Dialogue in Beijing. The PBC and the Deutsche Bundesbank signed the Memorandum of Understanding on Cooperation between the People's Bank of China and Deutsche Bundesbank.
29 Apr.	Yi Gang, Governor of the PBC, met with Mr. Rodolfo Nin Novoa, Minister of Foreign Affairs of Uruguay and signed the Memorandum of Understanding on Cooperation between the People's Bank of China and the Central Bank of Uruguay.
9 Jun.	Yi Gang, Governor of the PBC, and Mr. Veerathai Santiprabhob, Governor of the Bank of Thailand (BOT), signed a Fintech Co-operation Agreement.
17 Jun.	Chen Yulu, Deputy Governor of the PBC, accompanied Vice Premier Hu Chunhua to the UK and attended the 10th China-UK Economic and Financial Dialogue.
10 Jul.	Chen Yulu, Deputy Governor of the PBC, attended the first China-Italy Finance Minister Dialogue in Milan, Italy.
12 Aug.	Yi Gang, Governor of the PBC, met with Governor of the Bank of Lao P.D.R. (BOL) Sonexay Sitphaxay and they exchanged views on bilateral financial cooperation. On behalf of the Lao Government, Governor Sonexay Sitphaxay presented a friendship medal to the PBC to acknowledge its role in promoting bilateral financial cooperation. It is the first such medal presented by BOL to a Chinese institution.
28-29 Aug.	Chen Yulu, Deputy Governor of the PBC, attended the 20th meeting of the Financial Cooperation Subcommittee under the Committee for Regular Meetings between the Chinese and Russian prime ministers in Kaliningrad, Russia.
16 Sep.	Chen Yulu, Deputy Governor of the PBC, accompanied Vice Premier Hu Chunhua to the 23th Meeting of the Committee for Regular Meetings between the Chinese and Russian prime ministers in Russia.
15 Oct.	Pan Gongsheng, Deputy Governor of the PBC, accompanied Vice Premier Han Zheng to the 15th meeting of the China-Singapore Joint Council for Bilateral Cooperation in Chongqing.
Other diplomatic activities	
17-22 Feb.	Liu Guoqiang, Deputy Governor of the PBC, led a Chinese delegation of the PBC, the Legislative Affairs Commission of the National People's Congress Standing Committee and the Supreme People's Court to the second Plenary Meeting & Working Group Conference of Financial Action Task Force (FATF)-XXX. The *Mutual Evaluation Report on Anti-Money Laundering and Counter-Terrorist Financing Measures of the People's Republic of China* was reviewed and adopted at the meeting.
10-12 Oct.	Fan Yifei, Deputy Governor of the PBC, attended and addressed the 5th Fintech Innovation Forum in Sochi, Russia.

Column

Taking the Initiative to Orderly Expand the Opening-up of the Financial Sector Based on Domestic Needs

Since the 18th CPC National Congress, China has been committed to expanding the opening-up of the financial sector, deepening the reform of RMB exchange rate formation regime and promoting capital account convertibility, which have delivered a positive impact. Since 2018 in particular, a new round of opening-up has kicked off in the financial sector. More than 40 measures featuring great policy intensity and wide coverage have been announced in succession, which have produced notable outcomes.

Significant headway has been achieved

The foreign ownership caps on the banking, securities and insurance industries and their business scopes have been relaxed. The caps on foreign investments in banks and asset-management companies have been removed. The foreign ownership caps on securities, fund management, futures and life insurance joint ventures have been relaxed to 51 percent and will be removed in 2020. The business scopes of foreign banks have been significantly expanded. Restrictions will no longer be imposed on the business scopes of foreign securities companies and insurance brokers to give equal treatment to both domestic and foreign players. Market access for foreign institutions has been broadened in terms of asset size, operation period and shareholders' qualifications.

A host of steps have been taken to promote two-way opening-up of the capital market. As foreign issuers and investors are on the rise on the interbank bond market, supporting institutions like accounting, taxation and trading systems have been improved. Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, Bond Connect and Shanghai-London Stock Connect have been launched, making substantive breakthroughs in financial market connectivity both in and outside China. Crude oil and iron ore futures denominated in the RMB were made available to international investors to attract foreign traders. The foreign exchange administration systems for qualified institutional investors have been improved, with investment quota caps on qualified foreign institutional investors (QFIIs) and RMB qualified foreign institutional investors (RQFIIs) removed.

Market access restrictions on credit information, credit rating and payments have been eased. The bank card clearing market has been opened up. Market access policies for foreign non-bank payment institutions have been clarified to give them national treatment. Foreign institutions are allowed to provide corporate credit information services in China. The credit rating market has been opened up, allowing foreign credit rating agencies to rate all types of bonds on the interbank bond market and on exchanges.

Expanding the opening-up of the financial sector is of great significance

It is an underlying requirement to boost high-quality economic growth. China's financial sector cannot meet the requirements of high-quality development in market structure, operation philosophy, innovation capacity and service level. Expanding opening-up can make the market more competitive. By drawing on advanced foreign practices and experience, Chinese financial institutions can scale up and strengthen their capabilities, and ultimately better serve the real economy.

It is an inevitable choice if China wants to capture global opportunities of strategic importance. Economic globalization requires optimized resource allocation in terms of scope and level. To capture opportunities of strategic significance, it is imperative for China to strengthen the global competitiveness of its financial sector. Enterprises going global have stronger needs for outbound investment. Further opening up the financial sector enables Chinese enterprises to fully participate in external investment and financing as foreign financial institutions enjoy advantages in overseas network, risk management, products and services.

It can also boost financial innovation to meet the needs of economic and social development. Novel financial services are demanded by the emerging industries. Financial innovation is required to manage risks arising from economic and financial performance. To satisfy these needs, the only solution is to advance financial innovation and strengthen the competitiveness of the financial sector. Practices show that financial innovation is usually boosted by international competition and opening-up.

The opening-up of the financial sector will be boosted further based on domestic needs

Going forward, the PBC will make strengthening the financial sector's capabilities to serve the real economy its starting point and ultimate purpose. Based on domestic needs and the principle of market- and law-based internationalization, it will advance the opening-up of the financial sector, the reform of RMB exchange rate formation regime and the capital account convertibility, and implement pre-establishment national treatment and the negative list. In so doing, it aims to achieve institutionalized and systemic opening-up and build an open financial system featuring free competition and a sound financial system environment, with the modern corporate governance mechanism in place.

The opening-up of the financial sector doesn't necessarily increase risks. To effectively prevent financial risks, it is necessary to ensure a sound financial regulatory system, effective financial markets, rigid market restrictions and strong risk control capabilities of financial institutions. In recent years, China has seen continued improvement in the evaluation, prevention and early warning of its systemic risks, the financial risk resolution mechanism and the financial regulatory system, the perfection in the macro-prudential management framework and markedly strengthened resilience to financial risks. All this has provided a strong guarantee for safeguarding financial security. Next, the PBC will further improve the regulatory framework and overcome the weaknesses of the regulatory system as soon as possible to make financial regulation more professional and effective. It will also build different firewalls to strengthen its capabilities to forestall and defuse major risks. It will ensure regulatory competency compatible with the level of opening-up. At the same time, it will strengthen cooperation in cross-border regulation and risk resolution, implement major international financial standards and rules and reduce cross-border regulatory arbitrage and risk spillover. It will do whatever it takes to safeguard financial stability and security.

Column

Strengthening Third-Party Market Cooperation to Support the Belt and Road Initiative

Highly inclusive and open, the Belt and Road Initiative (BRI) is guided by the principle of "extensive consultation, joint contribution, and shared benefits", and welcomes the involvement of all parties in the third-party cooperation to achieve a "1+1+1>3" result. While making use of its own advantages, the PBC leverages the expertise and international reputation of international institutions, and the advantages of advanced economies in system, talent, capital and technology and works with them on third-party markets along the Belt and Road. They have boosted financial connectivity and capacity building of the countries along the route, providing enduring impetus for high-quality Belt and Road cooperation.

Promoted joint financing for third-party markets to deepen financial connectivity under the Belt and Road Initiative

The PBC established joint financing mechanisms with multilateral development institutions, producing initial synergy. It committed US$2 billion, US$3 billion and US$2 billion to create joint financing funds with the Inter-American Development Bank, the International Finance Corporation and the African Development Bank respectively. It also invested US$75 million in the Financial Institution Development Fund under International Finance Corporation and EUR250 million in the EBRD's Equity Participation Fund. By the end of 2019, these joint financing mechanisms had invested nearly US$6 billion in around 200 projects in regions committed to the joint building of the Belt and Road including Europe, Central Asia, Latin America and Africa, covering water hygiene, electricity and transport, thus greatly boosting the economic and social development of countries along the Belt and Road and achieving mutual benefits.

The PBC guided Chinese financial institutions through financing cooperation with multilateral development institutions and financial institutions from advanced economies, accumulating many beneficial practices. The China Development Bank (CDB), the Bank of China (BOC), and the Industrial and Commercial Bank of China (ICBC) joined the EBRD, the Inter-American Development Bank and other multilateral development institutions in offering syndicated loans for the construction of airports, ports, roads and wind farms in the Middle East, North Africa, Central Asia, and Latin America, contributing greatly to local infrastructure and people's well-being. The Silk Road Fund and European Investment Fund set up a joint investment fund, connecting the BRI with the European Juncker Plan. In 2017, the CITIC Group and Japanese, South Korean and Thailand's financial groups reached consensus on a joint investment in Thailand's Eastern Economic Corridor (EEC) program. In 2019, the China Investment Corporation and Bpifrance signed an agreement on cooperative projects to co-finance waste-to-energy plants and solar energy and wind energy in Mauritius jointly established by private enterprises from China and France.

Promoted capacity building in third-party markets to improve the soft environment for the Belt and Road Initiative

The PBC cooperated with international organizations in capacity building, fostering a sound system environment for the development of the countries along the Belt and Road. In April 2018, China-IMF Capacity Development Center (CICDC) was established to help BRI participating countries to enhance their macroeconomic policy and financial policy frameworks and improve the soft environment for financial connectivity under the BRI. The CICDC emphasized the integration of the IMF's expertise with the actual needs of the countries along the route to design tailored curriculum. In 2019, the CICDC provided 15 domestic training sessions, and 2 overseas workshops with IMF's Africa Training Institute and the EBRD. It trained 580 trainees from 52 BRI participating countries in Southeast Asia, Central Asia, Western Asia, Central and Eastern Europe, Africa and Latin America. In addition, the PBC created technical assistance funds for capacity building with the African Development Bank, the West African Development Bank and the Inter-American Development Bank. They promoted experience-sharing and technical communication via joint research and international symposiums to support capacity building in African and Latin American countries.

The PBC encouraged Chinese financial institutions to cooperate with those from advanced economies to provide intellectual support for the countries along the Belt and Road. Together with financial institutions of many countries along the Belt and Road, the ICBC initiated the regular interbank cooperation and communication mechanism under the BRI to provide training on economic policies. The CDB has organized more than 100 training sessions to over 3 000 participants from countries along the Belt and Road since 2013. The BOC provides the international financial communication and cooperation training classes for the countries along the route and has trained more than 200 people from 32 countries. The Export-Import Bank of China and the Agricultural Bank of China provided a series of relevant training sessions based on their growth strategies, meeting the needs of their customers along the route for diversified development.

In 2019, the PBC signed an MoU on Enhancing Investment and Financing Cooperation in Third-party Markets with the EBRD. They agreed to conduct comprehensive third-party market cooperation in Central and Eastern Europe and Central Asia that are along the Belt and Road. This marked the acceleration of the institutionalization of third-party market cooperation. Going forward, the PBC will join hands with all parties concerned to proceed with third-party market cooperation, improve the level of institutionalization, expand the scope and implication of cooperation, enable synergy at a higher level with a wider coverage and make joint efforts, so as to bring BRI benefits to more partner countries and regions, and achieve extensive consultation and joint contribution for shared benefits.

THE MAINLAND'S FINANCIAL COOPERATION WITH THE HONG KONG SAR, THE MACAO SAR, AND FINANCIAL SECTOR INTERACTIONS WITH TAIWAN

Advanced financial cooperation with Hong Kong and Macao

The PBC pushed forward the development of RMB business in Hong Kong SAR and Macao SAR. In 2019, the PBC issued thirteen tranches totaling RMB150 billion of central bank bills in Hong Kong. It gradually developed a mechanism for issuing central bank bills in Hong Kong on a regular basis, which can further diversify RMB investment products with high credit ratings and tools for RMB liquidity management. It met the demand of offshore market investors, improved the yield curve of offshore RMB bonds, and promoted the development of off-shore RMB market in Hong Kong and Macao. With the approval of the State Council, the PBC signed a bilateral local currency swap arrangement with the Monetary Authority of Macao in the amount of RMB30 billion/MOP35 billion in December 2019. The term of the agreement is three years and can be extended upon mutual consent. The signing of the agreement is conducive to maintaining the financial stability of the mainland and Macao and supporting their economic and financial development. As of end-2019, the RMB deposits in Hong Kong hit RMB632.207 billion, up by RMB17.190 billion or 2.80 percent year on year, while that in Macao reached RMB49.95 billion, climbing by RMB5.14 billion or 11.47 percent over the end of 2018.

The development of the Guangdong-Hong Kong-Macao Greater Bay Area enjoyed stronger financial support. To underpin the development of the Greater Bay Area, the PBC created a facilitation team and studied, proposed and pushed forward a raft of schemes for supporting the development of the area. In 2019, the PBC promoted mobile payment facilitation for Hong Kong and Macao residents in the mainland. It supported the launch of Cloud Pay App for Hong Kong and Macao, WeChat (Hong Kong) e-wallet, and Alipay (Hong Kong) e-wallet in Hong Kong and Macao, and supported offline scanning payments by users of Bank of China Macao mobile banking and Mpay to merchants of the bank in the mainland, thus making it more convenient for Hong Kong and Macao residents who work, study and live in the mainland. In March and December 2019, the PBC conducted a pilot program in Hong Kong and Macao for opening accounts in the presence of agents as the witnesses, allowing Hong Kong and Macao residents to open type-II/III personal accounts with local pilot banks in the presence of their agents as the witnesses. This has further facilitated the handling of mainland banking business by Hong Kong and Macao residents.

The PBC continued high-level financial dialogues with Hong Kong and Macao. In 2019, Yi Gang, Governor of the PBC, met with Paul Chan, Financial Secretary of Hong Kong, Norman Chan, former Chief Executive of the Hong Kong Monetary Authority (HKMA), Eddie Yue, incumbent HKMA Chief Executive, Laura Cha, Chairman of Hong Kong Exchanges and Clearing Limited (HKEX), Charles Li, HKEX Chief Executive, and a delegation of the Hong Kong Association of Banks, as well as Benjamin Chan, Chairman of the Monetary Authority of Macao, among others. The PBC had extensive exchanges with the financial sectors of Hong Kong and Macao on topics such as the development of the Guangdong-Hong Kong-Macao Greater Bay Area, economic conditions and financial stability in Hong Kong and Macao, RMB internationalization, capital market connectivity and fintech cooperation.

Supported financial cooperation across the Taiwan Straits

RMB business in Taiwan remained basically stable. In April 2009, the mainland-based Association for Relations across the Taiwan Straits (ARATS) and the Taiwan-based Straits Exchange Foundation (SEF) signed the *Cross-Straits Financial Cooperation Agreement* in Nanjing. Afterwards, the PBC and the monetary authority in Taiwan held consultation on currency cooperation across the Straits based on the 1992 Consensus to boost the RMB business in Taiwan. As of end-2019, the balance of RMB deposits (including negotiable certificate of deposits) in Taiwan was RMB261.033 billion, decreasing by RMB37.408 billion or 12.53 percent from the end of 2018; The outstanding discounts and loans hit RMB15.820 billion, climbing by RMB3.256 billion or 25.91 percent year on year.

The PBC supported China UnionPay and non-bank payment institutions in the mainland to provide small-value payment services to Taiwan residents, facilitating their work, study and lives in the mainland. It supported Taiwan credit information institutions and mainland-based credit information institutions to cooperate based on commercial principles and provide credit information services to individuals and corporations across the Straits. It also supported Taiwan-funded enterprises in the mainland to offer bond financing instruments in the local interbank market, with a view to facilitating their financing.

Financial exchanges across the Taiwan Straits continued to thrive. Since 1994, the China Society for Finance and Banking, a private academic group, has been functioning like a bridge for financial exchanges and cooperation across the Straits. It had held 23 cross-Straits financial seminars in a row (renamed Seminar on Financial Cooperation across the Taiwan Straits for the 19th seminar and beyond), building a platform for financial exchanges across the Straits and boosting the financial policy communication, business cooperation and social cohesion across the Straits. In January, the 23rd Seminar on Financial Cooperation across the Taiwan Straits was held in Taipei. It was co-hosted by the China Society for Finance and Banking and Chung-Hua Institution for Economic Research, etc. Ms. Zhang Xiaohui, Vice President of the China Society for Finance and Banking, led a delegation of 29 financial-sector practitioners from the mainland to attend the seminar. Participants exchanged views on financial inclusion, financial support for small and micro businesses, cross-border electronic payments, and regulatory technology, among others. In November 2019, the PBC Shanghai Head Office attended and addressed the 2020 Anti-money Laundering Seminar of Taiwan-funded Banks in Shanghai, held by the Exchange Society of Taiwan Bank Workforce in the Mainland.

HUMAN RESOURCES

Staff composition

As of end-2019, the number of PBC staff totaled 127 087, including 17 306 staff at China Banknote Printing and Minting Co. Ltd. and its subsidiaries.

Among this total, 47 001 or 36.98 percent of the staff are female. 1 249 or 0.98 percent of the staff hold PhD degrees, 18 222 or 14.34 percent hold master's degrees, and 74 063 or 58.28 percent hold bachelor's degrees. Among the staff at the PBC Headquarters, 157 or 21.63 percent are PhD degree holders, 464 or 63.91 percent are master's degree holders, and 94 or 12.95 percent are bachelor's degree holders. In 2019, 7 328 new staff members were recruited from among new graduates and experienced job applicants, and 4 101 staff members retired.

In terms of the organizational structure, among the PBC staff, 726 are in the PBC Headquarters, 689 are in the Shanghai Head Office, 1 991 are in PBC subsidiaries and agencies, 6 568 are in branches and operational offices (including the operational offices of the branches), 9 210 are in sub-branches in provincial capital cities, 1 453 are in sub-branches in provincial-level municipalities, 44 528 are in sub-branches in prefectural-level cities, and 43 841 are in county-level sub-branches.

In terms of the age structure, 26 518 are under 30 years old, 12 762 are in the range of 31 to 35 years old, 10 510 are in the range of 36 to 40 years old, 12 305 are in the range of 41 to 45 years old, 24 489 are in the range of 46 to 50 years old, 22 633 are in the range of 51 to 54 years old, and 17 870 are 55 years old or above.

Team building

In 2019, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the PBC faithfully implemented the guiding principles of the 19th CPC National Congress, the second, third and fourth plenary sessions of the 19th CPC Central Committee as well as the National Conference for the Heads of Organization Departments. It worked to ensure that the Party exercised effective self-supervision and practiced strict self-governance in every respect. Taking enhancing the Party's political building as the overarching principle, it launched a campaign on the theme of "staying true to the Party's founding mission" and advanced the building of primary-level Party organizations and the development of Party members. While focusing on developing competent officials who are loyal to the Party, have moral integrity, and demonstrate a keen sense of responsibility, it stepped up its efforts to build professional teams. As a result, a solid organizational guarantee was provided for it to fulfill its duties in a new era.

First, the PBC launched a campaign on the theme of "staying true to the Party's founding mission" and advanced the building of primary-level Party organizations and the development of Party members. The campaign was carried out in two batches. Following the decisions and plans of the CPC Central Committee, it focused on implementing the guiding principles of the campaign. While studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the fundamental task, it remained committed to the overall requirement of "staying true to the Party's founding mission, taking up responsibilities, identifying gaps and ensuring implementation". Thanks to stronger leadership and careful organization, all Party members of the PBC were involved in the campaign. With study and education, surveys and research, inspection and rectification conducted, significant outcomes were achieved in this campaign. To advance the building of primary-level Party organizations, it enhanced the systems and optimized the setup of Party organizations of its affiliates. It improved the intraparty political atmosphere, holding special criticism and self-criticism meetings and organizational life meetings to steer Party members to compare and correct, along with themed education. It implemented the *Regulations on CPC Sub-committees (Tentative)*. It worked to address the problems that some primary-level Party organizations were weak and slackened and pushed them to rectify and improved performance assessment on primary-level Party organizations in Party building, further standardizing and regularizing the building of primary-level Party organizations. It provided guidance industry by industry to solidify the foundation for Party building in its affiliates. It also faithfully implemented the *Regulations on Educating and Managing CPC Members*, providing education and training to Party members, pushing for granular management of them and increasing intraparty care and support.

Second, the PBC endeavored to build a competent and professional team of officials who are loyal to the Party, have moral integrity, and demonstrate a keen sense of responsibility. Following the *Regulations on Selecting and Appointing Party and Political Leaders*, the PBC selected and appointed excellent leaders and strengthened political building among them. Putting being politically strong as the primary requirement, it enhanced supporting systems and work procedures, and selected and appointed competent and hardworking officials. For public servants, it advanced the posts and ranks parallel system, pushed for rank conversion and promotion efforts, and ensured public servants could be promoted either by post or by rank. Further, it emphasized the development and selection of outstanding young officials. It organized surveys on excellent young officials in branches and introduced policies to foster sufficient and motivated young officials in branches who are both competent and professional. To serve and ensure the state's major strategy and its performance of its responsibilities, it implemented the secondment plans of the CPC Central Committee, and facilitated cross-departmental and cross-regional exchanges to create conditions and platforms for the growth of young officials.

Third, the PBC made all-round efforts to manage, supervise and galvanize officials. It intensified officials management and supervision, cleaning up the ownership of shares or securities of non-listed companies (enterprises) among all its officials and employees. It supervised and inspected talent selection and appointment based on inspections by the Party Committee of the headquarters making helping leaders increase their sense of responsibility a key part of its inspections. Along with themed education, it carried out a campaign to address the prominent problem of weak sense of responsibility among officials and developed initiatives to motivate them and strengthen their sense of responsibility. It enhanced the compensation protection mechanism for exchange officials in branches. It also urged Party committees (leaderships) at all levels to shoulder their primary responsibilities, implement policy measures to care for officials and make strengthening officials' sense of responsibility part of their day-to-day work to build a long-term mechanism.

Fourth, the PBC stepped up its efforts to educate and train officials and build teams. It made studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era a primary political task in educating and training its officials and built a long-term learning mechanism. It introduced the *Opinions of the PBC on Implementing the 2018-2022 Education and Training Plan for Officials across China* and the *Notice on Implementing the Training Rules for Employees of the PBC Affiliates*, with a view to making officials education and training more up-to-date, targeted and effective. The PBC also launched the Internet training system to provide more platform options for distance learning, thus expanding the training coverage. Following the guiding principles of the CPC Central Committee on deepening the professional title system reform, it deepened the professional title system reform across its system. It created senior professional titles for accountants, revised the review rules and increased the levels of professional titles to provide more opportunities for technical talent to pursue professional development.

Fifth, the PBC strengthened team building for its branches. It improved the recruiting procedures for its branches and direct affiliates. With the list of absent examinees without any good reason published, the sitting rate of the written exam reached an all-time high, making the competition even fiercer. The interviewer dispatching system was further standardized, making staff recruitment more standardized and scientific. Improvement was also made in the performance assessment. Following the requirement of the CPC Central Committee on reducing burdens on primary-level organizations, it simplified and optimized the performance assessment indicators system for its branches, reducing the assessment burdens on primary-level banks.

INTERNAL AUDITS

Steadily carried out internal audits

Taking implementing the major decisions and plans of the CPC Central Committee and the State Council as its top priority, the PBC adopted a risk- and problem-based approach, conducted internal audit and supervision, and pushed for rectification. Therefore, it strengthened its management capabilities and better performed its duties. First, audit and investigations were conducted on financial services for SMBs. The PBC evaluated its branches, local governments and relevant departments as well as financial institutions on policy transmission and implementation, in a bid to enhance the quality and effectiveness of financial services for the real economy. Second, audit and investigations were conducted on financial support for poverty alleviation. Emphasis was on measures for matching financial support with poverty alleviation needs, the use and management of central bank lending for poverty alleviation, the implementation of the microfinance policy for poverty alleviation, and the linkage of financial support for poverty alleviation and poverty alleviation by developing industries, so as to enhance the effect and benefit of financial support for poverty alleviation. Third, audits were conducted on budget management. Following the requirement on ensuring strict management in an all-round way, the PBC endeavored to forestall and defuse risks associated with the use of public capital, and emphasized the concept of budget management performance, in order to boost the quality and efficiency of budget management. Fourth, audits were conducted on economic responsibility of leading officials of PBC branches, its direct affiliates and relevant units as well as chief representatives of PBC overseas offices. In so doing, the PBC drove leaders of various levels to perform their duties and strengthen their sense of responsibility and ensured public power was exercised in a standardized way. Fifth, audit and investigations were conducted on non-bank payment institutions. Emphasis was on the impact of cutting direct connection to banks by non-bank payment institutions and centralized deposits of clients' funds held by them, in order to push them to perform administration responsibilities more efficiently. Sixth, audits were conducted on currency issuance. The PBC reviewed and evaluated the standardization, security and effectiveness of cash vaults and banknotes operation to enhance the standardized operation and ensure the security of reserve funds. Seventh, audits were conducted on treasury management. The PBC reviewed and evaluated the compliance of treasury business processing and the security of treasury funds, so as to drive the improvement of treasury management. Eighth, audits were conducted on fixed assets management. The PBC focused on the whole processes of fixed assets management, in order to ensure sound systems, standard operations, clearly established ownership, clear fundamentals and reasonable allocation. Ninth, audits were conducted on IT outsourcing. The PBC evaluated the compliance, benefits and effects of key links of IT outsourcing such as needs, procurement and performance as well as the effectiveness of risk control to push for the enhancement of IT outsourcing management. Tenth, audits were conducted on major financial information systems. The PBC laid emphasis on system operation management and fund security, so as to ensure the security, reliability and continuous operation of the information systems.

Improved fundamental work constantly

With a view to better promoting standardized management and performance in compliance with the laws and regulations, the PBC promoted a deepened development of internal audits. First, intensifying auditing rectification. By strengthening auditing analysis, notifying of problems, and conducting follow-up audits, the PBC urged feasible rectifications. It summarized risk-related events and relevant institutional regulations involved in economic activities, and provided risk warnings. Second, improving internal controls. In addition to compiling internal controls reports, the PBC improved the environment for internal controls, facilitated information exchanges and improved the internal controls mechanism for economic activities such as budgeting, payments and receipts, procurement, assets, project construction and contract management. Third, advancing risk assessment by the internal audit department. While upgrading the risk assessment management system, the PBC conducted risk assessment and attempted defining audit strategies based on risk assessment outcomes. Fourth, enhancing IT-based auditing. The PBC formulated the *Regulations on Data File Interface for Internal Audits*. It developed the data transformation sub-system, studied the audit analysis model for business data, and drove the application of assisted audit techniques in various audits. In addition, it promoted the non-structured big data-enabled audit approaches, developed the automatic analysis scripts for information system security configuration and explored penetration testing and analysis techniques. As a result, the IT-based internal audit capacity was constantly strengthened.

FINANCIAL STATISTICS

Fully advanced comprehensive financial statistics

First, as asset management product statistics grew in depth and breadth, the PBC worked to fully understand and dynamically monitor the risks and relevance of asset management products. It built and refined an analysis and monitoring framework for asset management products and fully, rapidly and effectively monitored the new transformation models of asset management products, greatly supporting the efforts to prevent and mitigate financial risks. Second, with the structured data foundation for macro leverage ratio strengthened, the PBC estimated the leverage ratio of residents in 344 cities (above prefecture-level cities) across the country based on statistics, providing grounds for decision making on structural deleveraging policies. Third, a full-coverage monitoring system for financing statistics was established in the real estate sector, effectively addressing fund diversification to better serve financial control in the real estate sector. Fourth, substantial breakthroughs were made in statistics of financial holding companies and systemically important banks, preliminarily establishing the "profiling" function. Fifth, the PBC drafted statistical systems for local financial organizations, and completed in advance the schedule and roadmap for comprehensive financial statistics as required by the State Council, providing important data support for further preemptively preventing and mitigating systemic financial risks. Sixth, with a uniform platform as the basic guideline, it studied and built a national basic financial database that aligns with the development direction of big data. On December 26, 2019, the basic financial data center was registered. Seventh, in the face of both theoretical and practical issues on comprehensive financial statistics, the PBC organized people from the financial sector to study comprehensive financial statistics for effective application.

Financial statistics served the two pillars of monetary policy and macro-prudential policy

First, the PBC further improved statistics management efficiency and effectiveness, and maintained sound management and control, laying a solid foundation for aggregate liquidity forecast for each month. Second, it constantly improved the methodology for aggregate financing to the real economy (AFRE) or total social financing statistics. The "exchange asset-backed securities" and "government bonds" were included in the statistics of AFRE. The refined AFRE indicators could reflect the financial support the financial system provides to the real economy on a broader basis. Third, it tightened assets and liabilities statistics management of financial institutions across the board, finished the consolidation and balanced linkage of the national balance sheet together with the National Bureau of Statistics, and compiled the national balance sheet of 2017. Fourth, it worked to improve the financial market statistics system, expand the bond statistics scope, and establish the statistical system for the bill market. Fifth, it carried out special statistics on the private sector, micro, small, medium-sized and large enterprises, green credit, inclusive finance and targeted poverty alleviation, and completed the fourth economic census for monetary and financial services and other financial sectors with great success. Sixth, it improved capital flow statistics in all respects, and embarked on preparing the trial balance of quarterly financial accounts in an attempt to better analyze the deep-seated problems with the financial structure. Seventh, it interpreted changes in financial data at financial statistics press conferences and through other channels, and promoted monetary policy to guide public expectations towards the right direction.

Identified hot and challenging issues and emerging problems via surveys and monitoring

First, the PBC carried out sustained and in-depth surveys on local government debts, risks facing financial institutions and regional financial risks and produced reports, providing key references for preventing and mitigating major risks. Second, it enhanced surveys on financing of small and micro businesses, carried out special surveys on intensive extension of credit to small enterprises by financial institutions, and organized assessment of county-level legal-person financial institutions for 2018, providing full and targeted support for credit policies that address the difficulties of micro and small enterprises in accessing affordable financing and support the development of agriculture, farmers and rural areas. Third, for the first time, it completed a national survey on assets and liabilities of urban households, bridging the gap in micro household data. Fourth, it conducted in-depth micro surveys and analysis of enterprises, including mining micro financial data of enterprises, and assessing impacts of policies such as tax and fee reductions and additional tariffs imposed by the US. Fifth, it included the labor and employment-related issues of industrial enterprises and service enterprises in the institutional framework of enterprise survey, providing more accurate information that supports employment-related decision-making for the framework of monetary policy objectives. Sixth, it intensified real estate monitoring and analysis, advanced regular monitoring of second-hand housing prices and real estate inventories in major cities, providing information to support financial decision-making for the real estate sector. Seventh, it conducted a bank credit utilization survey to help monetary policy makers get an accurate picture of the financing needs of the real economy.

Focused situation and special analysis on fundamental financial issues

First, the PBC strengthened pre-research and pre-assessment of economic situations to support monetary policy decision-making. It made forward-looking judgment on critical issues in economic performance such as economic growth and diverging price trends. Second, it stepped up risk monitoring and research to support the efforts to prevent and mitigate major risks, a critical battle in China. Following the overall work arrangements for structural deleveraging, it intensified special analysis of leverage ratio, closely tracked the latest developments of China-US trade tensions, and used the economic models to conduct quantitative analysis of the impact of trade tensions on China's economic and financial performance. Third, it continued to enhance research into basic economic and financial issues. Its research covered international comparison of central banks' balance sheets, objective assessment and reasonable adjustment of liquidity, China's financing structure and financing efficiency, added value of the financial industry and national income distribution, the impact of VAT reduction on prices, economic growth and tax burdens on the banking industry, estimates of the capital gap of banks, cost structure, enterprise upgrade and economic transformation, comparison of inclusive micro and small loans between China and the US, and the relationship between digital currency issuance and currency statistics under the two-tier operation system.

Column

National Basic Financial Database

General Secretary Xi Jinping made it clear at the fifth National Financial Work Conference that a unified national basic financial database should be built. The national basic financial database will provide a core underpinning and a carrier for collecting comprehensive financial statistics. Building a national basic financial database is to build comprehensive statistics that cover all financial institutions, financial infrastructures and financial activities to help dynamically monitor the statistics of financial institutions and financial activities across the whole processes and the whole chains, and to effectively underpin policy decisions and key measures for regulatory coordination. This database will help meet the pressing needs of proactively forestalling and defusing systemic financial risks and safeguarding financial stability and provide an important foundation for strengthening financial governance capabilities and boosting the modernization of China's system and capacity for governance.

The purpose of building a national basic financial database is to build, based on advanced big data concepts and technologies, a flexible, efficient business-driven and application-oriented cluster with a reasonable architecture that can securely store and scientifically manage comprehensive financial statistics covering all financial institutions, financial infrastructures and financial activities. Featuring data connectivity and transparency, this database will support full data sharing and wide application, and make good use of the key roles of comprehensive financial statistics in underpinning monetary policy decisions, macro-prudential management and financial regulatory coordination to meet the pressing needs of proactively forestalling and defusing systemic financial risks and strengthening the capabilities of the financial sector to serve the real economy.

The national basic financial database will have four features as follows: First, comprehensive and coordinated. This means the content of the database will be comprehensive and coordinated. Comprehensive means the statistics will cover all financial institutions, infrastructures and activities, and the scope of statistics can be flexibly expanded along with financial developments and changes in decision-making requirements to ensure the full coverage continues to be effective. Coordinated means the database will play a core, fundamental role as a data regulation and control mechanism to ensure the coordinated and unified content of the database and support data connectivity and transparency. Second, intensive and compatible. This means that building a high performance cluster with a reasonable architecture using the database and data warehouse building technologies to intensively manage data and information and ensure data security and management efficiency. Meanwhile, this database will be compatible with statistics from the PBC, the CSRC and CBIRC as well as the SAFE to be aligned with the existing statistical systems and arrangements. Third, wide application. This means that data analysis software and visible tools will be deployed and data mining algorithm will be embedded to support a variety of applications including data inquiries, statement generation, dynamic and visible presentation, econometric analysis and building of data mining models. A sound data relationship network will be built to enhance the value of data and solidify the foundation of data application. Fourth, enhanced services. Based on the comprehensive financial statistics sharing mechanism, the national basic financial database will have a sound user system to provide precise, flexible and diverse data services to macro-management authorities and society by privilege, need and data application capability. The data service approaches will be diversified to strengthen the initiative to provide data services. The user interface will be optimized, with a knowledge library and a communication community available to improve user experience.

Following the arrangements of the *Opinion of the General Office of the State Council on Promoting Comprehensive Statistics in the Financial Sector*, the PBC is making all-round efforts to boost the building of the national basic financial database.

FINANCIAL RESEARCH

Deepened research on basic, major and difficult economic and financial issues

Throughout the year, the PBC studied many basic macro-economic and financial issues facing China, such as the basic theoretical frameworks for monetary policy and macro-prudential policy, financial regulatory reform, financial stability and risk resolution, relationship between money supply and GDP, natural rate of interest, supply-side structural reform in the financial sector, pension regime reform, and major economic trends. To ensure better financial services for the real economy, it thoroughly studied rural credit cooperatives reform, county financial market structure, community banks, SMB financing and qualifications of non-depository lending organizations, supporting policy research for rural finance and inclusive finance reforms, and also released the *2018 Report on Rural Financial Services in China*. Moreover, it deepened study on topics such as WTO reform, China-US trade tensions, negative interest rate, currency history, history of communist finance, and fintech. It also studied issues related to the 14th Five-Year Plan.

Advanced the regional pilot financial reform and increased financial support for regional development

The PBC continued to improve systems for the construction of pilot zones for green finance and inclusive finance reforms. It set up the innovative pilot zone for green finance reform in Lanzhou New Area, Gansu, and pilot zones for inclusive finance reforms in Ningbo, Zhejiang Province, and Ningde and Longyan, Fujian Province. It also coordinated the research on the building and the evaluation systems of financial pilot zones for scientific innovation. While intensifying the evaluation of regional financial reforms, it exerted more efforts to replicate and publicize experience in these pilot reforms. To implement the state's major regional development strategies, it led the financial sector in supporting the research and development of policy initiatives for deepening the reform in Hainan and building Hainan Free Trade Port, developing Guangdong-Hong Kong-Macao Greater Bay Area, expanding the China (Shanghai) Pilot Free Trade Zone to new areas and building Shanghai into an international financial center, and promoting the integrated high-quality development of the Yangtze River Delta. It also continued to provide financial support for the economic and social development of Xinjiang, Tibet and major Tibetan-inhabited provinces. Further, it increased targeted aid to Xingan County, Jiangxi to further boost the rejuvenation of the previous Central Soviet Area in the south of Jiangxi.

Promoted the establishment of a green finance system

The green finance policy instruments were diversified. The performance assessment of green credit was carried out nationwide. Initial outcomes were achieved in building the green finance standard system. One international standard and five industrial standards were initialized, one national standard was under initialization procedure and some green finance standards were piloted in innovative pilot zones for green finance reform. In addition, the PBC studied international cooperation and governance in green finance. It also released the *China Green Finance Progress Report 2018* to summarize the developments of green finance in China.

Intensified the monitoring and analysis of economic and financial developments

The PBC deepened the analysis and assessment of China's macroeconomic situations. It evaluated the effect of macroeconomic policies and focused on commodity price movements, monitoring them on a quarterly basis. It conducted field visits and surveys, combining micro surveys with macro analysis. It also improved the contact mechanism with chief economists from financial institutions and increased communication with market institutions. Together with the researchers of the academia, the government, financial institutions and its branches, it expanded and improved macroeconomic models, enhanced forward-looking research into major international financial issues, and held more discussions on the international economic and financial developments monitored. As a result, a monitoring model and an indicators system for economic and financial vulnerability in the emerging market economies were built.

Built a national high-end think-tank and increased academic exchanges

Following the requirements on national high-end think-tanks, the PBC researched key topics on a national high-end think-tank and reported findings. It held many high-level academic meetings, such as 2019 China Pension System Reform and Pension Investment Forum, 2019 China Finance Society Annual Meeting & China Financial Forum Annual Meeting, Impact of Libra and Relevant Response, and Building of International Financial Hub and Currency Internationalization. At these meetings, discussions were held and policies were publicized, with positive outcomes achieved.

Column

Encouraging Outcomes in Pilot Zone Building for Digital Inclusive Finance Reform

In December 2016, with the approval of the State Council, the PBC, together with relevant ministries, formulated and released the *Overall Program of the Pilot Zone for Inclusive Finance Reform in Lankao County of Henan Province*, to carry out inclusive finance pilot reform in the county. Under the guiding principle of poverty alleviation in counties through inclusive finance, the pilot zone focused on strengthening inclusive finance infrastructure and used digital technologies for online-offline integration. As a result, the Lankao model with the digital comprehensive service platform for inclusive finance as the core and consisting of the financial service system, the inclusive finance credit system, the credit information system and the risk control system was established. With traditional finance and digital finance integrated, the difficulty confronting farmers in accessing loans, and the difficulty to collect their information and control risks were addressed. This pilot reform proved impactful.

In 2015 through 2019, the average compound annual growth rate of SMB loans in Lankao County was 9.44 percentage points higher than the provincial average, and that of agriculture-related loans was 10.67 percentage points higher than the provincial average. As of end-2019, the ratio of loans granted to loans requested was 40.88 percent for farmers, 34.82 percentage points higher than the end of 2016. The Lankao model was rolled out to Kaifeng and 22 counties (cities and districts) in Henan in 2018 through 2019.

Below are the approaches and experience of the Lankao Pilot Zone. First, fully harnessing digital technologies. Given the constraints of traditional financial services such as high costs and limited fixed outlets, the Lankao Pilot Zone built Pu Hui Tong, a digital comprehensive service platform for inclusive finance, and launched online the businesses that are closely related to people's daily lives, such as account management, micro finance, agriculture-related insurance, savings and wealth management, payments and agricultural subsidies, making inclusive finance services easily accessible to people. Moreover, equal opportunities are given to financial institutions for fair play at low cost and low risk. Estimates by a financial institution outlet in the Lankao Pilot Zone show that the time needed to handle a loan application online is 28 percent faster than offline and the management cost is down by 20 percent. As of end-2019, more than 900 inclusive finance products of over 180 banks (including branches) were launched in the Pu Hui Tong App, covering credit, wealth management and payments. Across the province, 2.47 million users downloaded and subscribed to the app, including more than 500 000 real-name users, and a total amount of RMB690 million was loaned. The digital inclusive finance platform has reduced the cost of inclusive finance, increased its accessibility and expanded its service scope.

Second, online-offline integration. To address the digital divide that is prevalent among the mid-aged and the elderly in rural areas, the Lankao Pilot Zone embedded inclusive finance in the county, township and village-level convenience service system, integrating the inclusive finance service station into the Party-public service center. This gives people access to convenience services inside their village.

Third, expanding the coverage of inclusive finance while tightening risk control. The Lankao

Pilot Zone emphasized the building of credit information system and risk control system. Starting with building a credit information environment in rural areas, it promoted the "credit + credit information" model built on credit archives. It also launched the risk sharing mechanism along with incentives, clearly defining the roles and responsibilities of the local government, financial institutions and borrowers, in a bid to improve the sustainability of inclusive finance.

Column

Fresh Progress in Green Finance

In 2019, China boosted the development of green finance along the dimensions of establishment of a standard system, basic theoretical research, policy instruments in reserve, product and service innovation as well as international exchanges and cooperation. A series of new impacts were thus delivered.

First, the green finance market developed rapidly. As of the year-end, China's outstanding green loans denominated both in local and foreign currencies hit RMB10.22 trillion, ranking first globally. This was 15.4 percent higher than the beginning of the year and accounted for 10.4 percent of total loans to enterprises and other units for the same period. By the year-end, China had offered RMB1.1 trillion worth of green bonds both at home and abroad, which was the second highest in the world. In 2019 alone, it offered more than RMB380 billion worth of green bonds including asset-backed securities both at home and abroad. In addition, the innovative green finance instruments and environmental risk management instruments including environmental risk stress test methods and environment benefit assessment instruments were diversified. Various concepts like green investment and environmental, social, and governance (ESG) investing were further promoted.

Second, the green finance policy frameworks were improved. As for infrastructure, the green finance statistics system was enhanced and statistics quality on green credit and green bonds were markedly improved. The green finance standard system was being built to ensure standards are domestically unified, internationally integrated, clear and actionable. To be specific, one international standard and five industrial standards were initialized, and one national standard was under initialization procedure. As for positive incentives, central and local governments used fiscal funds flexibly and mobilized private capital for green projects. The PBC included qualified green credit and green bonds in the scope of qualified collateral for monetary policy operations. As for regulation, performance assessment of green credit was conducted on depository financial institutions to steer them to allocate more green assets and enhance risk management. Environmental information disclosures were standardized. Listed companies were mandated to take three steps to information disclosures. Regulation of green finance bonds within their maturity was tightened. Therefore, information asymmetry was significantly reduced.

Third, the theoretical research on green finance went deeper. The PBC studied the stress transmission path between carbon trading, enterprises and banks. It used Shanxi as a sample to estimate the impact of climate change on the financial indicators of the coal, metallurgy and thermal power industries and on related financial risks. The Green Finance Committee of China Society for Finance and Banking summarized about 30 climate risk analysis models and studied the impact of climate change on the financial risk transmission in China's coal-fired power industry in the coming five years.

Fourth, the regional green finance reform was further advanced. In November 2019, the State Council approved the building of an innovative pilot zone for green finance reform in Lanzhou New Area, Gansu. By then, nine places in six provinces were designated as innovative pilot zones for green finance reform. These pilot zones broke new ground and carried out pilot projects to bring about greater progress across the board, charting the course for the development of green finance across the country. Incomplete statistics show that as of the year-end, eight pilot zones of five provinces registered RMB493.42 billion in outstanding green loans, up by 37.12 percent year on year, and RMB94.547 billion in outstanding green bonds, up by 180.89 percent over 2018. In addition, the industrial self-discipline mechanism for green finance, the national self-disciplinary innovative pilot zone joint conference system for green finance reform, and the coaching mechanism for innovative pilot zones for green finance reform performed their functions well, providing a system guarantee for pilot zones to increase exchanges, participate in orderly competition and jointly enhance their brands.

Fifth, in-depth discussions on green finance were carried out in major international bilateral and multilateral frameworks to draw attention from the international community to green development. In 2019, the PBC actively prompted G20 countries to continue the green finance work and put sustainable finance into the outcome documents on high-quality infrastructure investment, and promoted the affirmation by the G20 leaders of the significance of sustainable finance to global economic growth in the Leaders' Declaration. The Central Banks and Supervisors Network for Greening the Financial System (NGFS) thrived, with 54 member institutions and 12 observer institutions by the year-end. As the NGFS initiator and member of its Steering Committee as well as the chair of the workstream on micro-prudential supervision, the PBC focused on mapping the approaches and models adopted by financial institutions in environmental and climate risk analysis, analyzing the credit risk differentials between green and brown assets and producing positive outcomes. In April 2019, it steered the Green Finance Committee of China Society for Finance and Banking and the City of London's Green Finance Initiative to initiate with many institutions the *Green Investment Principles for the Belt and Road* (GIP). As of the year-end, 35 institutions from 14 countries and regions had signed the GIP, and workstreams and the secretariat had been set up. In September 2019, UNEP FI released the *Principles for Responsible Banking* (PRB). Led by the PBC, the ICBC participated in the drafting and preparation of the PRB throughout the processes. As of end-2019, four Chinese banks had signed it. In October 2019, China supported the EU to take the lead in establishing the International Platform for Sustainable Finance (IPSF) to mobilize private capital for sustainable environmental investment and push for the implementation of the *Paris Agreement* and the achievement of the UN 2030 Sustainable Development Goals. On behalf of China, the PBC signed the joint statement and participated in relevant endeavors. Moreover, PBC steadily deepened the bilateral green finance cooperation with the UK and France. The number of pilot Chinese and British financial institutions for climate and environmental information disclosures increased from 10 to 13, covering banking, asset management and insurance and other industries. China and France held joint meetings on green finance to discuss various topics such as risk weights of green assets, and disclosure of environmental information.

GOVERNMENT INFORMATION DISCLOSURES AND CENTRAL BANK COMMUNICATIONS

Promoted government information disclosures to enhance credibility of the PBC

The PBC faithfully implemented the newly revised *Regulations on Government Information Disclosure of the People's Republic of China* and the requirements of the *2019 Priorities for Government Information Disclosures*. To serve macro control, and financial reform, development and stability, it strengthened communication with the public and the financial market, and fully ensured people's rights to know, participate, express and supervise, in a bid to further enhance its credibility and transparency.

Proactive information disclosures were optimized further. Following the requirement for the entire process disclosure of government information, the PBC actively promoted disclosure of decision-making, implementation, administration, services, and results. At the PBC's official website and the websites of its branches, information such as policies and regulations, business reports, financial data, responsibility performance, annual budgeting and final accounting, public servant recruitment and employee recruitment was disclosed in time. The PBC also seriously handled proposals from delegates to the National People's Congress (NPC) and motions from members of China People's Political Consultative Conference (CPPCC), which covered various topics including macro control, forestalling and defusing major financial risks, alleviating difficulties facing SMBs and private enterprises in accessing affordable financing, financial services and financial management. In handling the proposals and motions, it increased communication with NPC delegates and CPPCC members to ensure satisfactory replies, which were announced at its website. In accordance with the headquarters' unified plans and the new measures for reforms to streamline administration and delegate power, improve regulation, and upgrade services, its branches ensured information disclosures on abolishing corporate bank account approval and dynamic adjustments to the market access negative list. Under the principle of disclosures by law enforcement institutions, PBC branches continued to implement with rigor the announcement system for administrative law enforcement, standardized administrative law enforcement behaviors and disclosed information about administrative law enforcement in a timely and legitimate way, including administrative approvals and administrative penalties. In 2019, the PBC disclosed 5 021 administrative penalties, 55 regulations and normative documents, and 108 replies to proposals and motions.

The procedures for disclosures upon application were enhanced. The PBC accepted and duly responded to citizen's and legal persons' applications for government information disclosures in accordance with the law. It fully consulted relevant institutions for government information that is required by law to seek a third-party opinion for disclosure. Its branches faithfully implemented the new standards and requirements for disclosures upon application. They improved handling processes, adopted ledger management and prudently handled citizens' and legal persons' applications for government information disclosures. In 2019, the PBC disclosed 1 268 replies to citizens' and legal persons' applications for government information disclosures.

The government information disclosures systems were improved. In line with the newly revised *Regulations on Government Information Disclosure of the People's Republic of China*, the PBC enhanced further the systems for proactive disclosures and disclosures upon application, standardizing relevant work and processes. It defined priorities of the whole system for government information disclosures for 2019. While raising new requirements on public opinions solicitation, policy release and interpretation, announcement of administrative law enforcement, public opinion monitoring and response, strengthening proactive disclosures and enhancing the building of the government information disclosure platform, it improved the levels of government information disclosures and transparency within the whole system, putting into full play the key roles of government information disclosures in making administrative decision making more scientific and transparent. In 2019, the PBC solicited opinions 23 times.

Enhanced policy release and interpretation to guide and stabilize market expectations

The PBC intensified efforts to release news and offered policy interpretations. As the primary press spokespersons, its leaderships attended 11 conferences such as the NPC & CPPCC press conference, the press conference on celebrating the 70th anniversary of the founding of the People's Republic of China, the press conferences of the State Council Information Office and regular policy briefings. They were interviewed by the Chinese and foreign media nine times to give an authoritative response to topical issues causing social and market concerns. For example, regarding the implementation of the guiding principles of the Central Economic Work Conference, China-US trade tensions and exchange rate fluctuations, Governor Yi Gang and Secretary of the CPC PBC Committee Guo Shuqing accepted interview requests from Chinese and foreign media many times to stabilize and steer market expectations by giving authoritative interpretations. The regular news release mechanism was improved. The spokesperson and department heads attended five press briefings on quarterly financial statistics, and six press conferences and briefings to interpret policies and address concerns.

Special outreach regarding policies of general concern was conducted. In 2019, the PBC conducted more than 70 campaigns around current policies such as celebrations on the 70th anniversary of the founding of the People's Republic of China, developments of the financial sector, financial services for private enterprises and SMBs, abolishment of corporate bank account approval and adjustment of personal housing mortgage rate, as well as topical issues related to people's lives such as the launch of the 2019 edition of the fifth series of the renminbi, optimization and upgrading of the credit information system, mobile payment projects and convenient treasury services. With this, the public developed a more thorough and deeper understanding of different policies.

Communication channels were expanded, with the advantages of new media for government affairs leveraged. In 2019, the PBC released more than 30 000 pieces of information at its website, including nearly 400 pieces of news. It launched the English website to reach out to more international audience and released more than 1 000 pieces of English information. Its government affairs micro-blog posted 390 blogs, attracting more than 3 million followers. It also launched its WeChat official account for government affairs named the People's Bank of China. By the year-end, 217 articles were released through the WeChat account, with more than 600 000 followers and 22.27 million page views.

STATISTICAL ANNEX

Selected Economic Indicators

(Year-End Balance)

RMB100 million

	2015	2016	2017	2018	2019
Gross Domestic Product (GDP)	688 858	746 395	832 036	919 281	990 865
Industrial Value Added	234 969	245 406	275 119	301 089	317 109
Fixed Asset Investments	562 000	606 466	641 238	645 675	560 874
Retail Sales of Consumer Goods	300 931	332 316	366 262	380 987	411 649
Urban Households	258 999	285 814	314 290	325 637	351 318
Rural Households	41 932	46 503	51 972	55 350	60 332
Exports & Imports (USD100 million)	39 530	36 856	41 071	46 224	45 777
Exports	22 735	20 976	22 633	24 867	24 995
Imports	16 796	15 879	18 438	21 357	20 782
Balance	5 939	5 097	4 196	3 509	4 212
Foreign Direct Investments (USD100 million)	1 263	1 260	1 310	1 350	1 381
Foreign Exchange Reserves (USD100 million)	33 304	30 105	31 399	30 727	31 079
Consumer Price Index (Previous year=100)	101.4	102.0	101.6	102.1	102.9
Government Revenue	152 217	159 552	172 567	183 352	190 382
Government Expenditures	175 768	187 841	203 330	220 906	238 874
Fiscal Balance (Negative figure indicates a surplus)	16 200	21 800	23 800	23 800	27 600
Per Capita Urban Household Disposable Income (yuan)	31 195	33 616	36 396	39 251	42 359
Per Capita Rural Household Disposable Income (yuan)	11 422	12 363	13 432	14 617	16 021
Number of Employed Persons in Urban Areas (million)	404.1	414.3	424.6	434.2	442.5
Registered Urban Unemployment Rate (%)	4.05	4.02	3.90	3.80	3.62
Total Population (million)	1 374.6	1 382.7	1 390.1	1 395.4	1 400.1

Notes: 1. Sources from *2019 China Statistical Yearbook*, *Statistical Communiqué of the People's Republic of China on the 2019 National Economic and Social Development* and *Report on the Implementation of the Central and Local Budget for 2019 and on the Draft of the Central and Local Budget for 2020*.

2. 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

	2015	2016	2017	2018	2019
Gross Domestic Product (GDP)	7.0	6.8	6.9	6.7	6.1
Industrial Value Added	5.7	5.7	6.2	6.1	5.7
Fixed Asset Investments	9.8	7.9	7.0	5.9	5.1
Retail Sales of Consumer Goods	10.7	10.4	10.2	9.0	8.0
Urban Households	10.5	10.4	10.0	8.8	7.9
Rural Households	11.8	10.9	11.8	10.1	9.0
Exports & Imports	-8.1	-6.8	11.4	12.6	-1.0
Exports	-2.9	-7.7	7.9	9.9	0.5
Imports	-14.3	-5.5	16.1	15.8	-2.7
Balance					
Foreign Direct Investments	6.4	4.1	4.0	3.0	2.4
Foreign Exchange Reserves	-13.3	-9.6	4.3	-2.1	1.1
Consumer Price Index	1.4	2.0	1.6	2.1	2.9
Government Revenue	8.4	4.5	7.4	6.2	3.8
Government Expenditures	15.8	6.4	7.7	8.7	8.1
Per Capita Urban Household Disposable Income (inflation-adjusted)	6.6	5.6	6.5	5.6	5.0
Per Capita Rural Household Disposable Income (inflation-adjusted)	7.5	6.2	7.3	6.6	6.2
Number of Employed Persons in Urban Areas	2.8	2.5	2.5	2.3	1.9
Natural Population Growth (‰)	5.0	5.9	5.3	3.8	3.3

Note: Same as the notes for the previous table.

Aggregate Financing to the Real Economy

Aggregate Financing to the Real Economy (Increment)

Item	2018 Increment (RMB100 million)	2018 Proportion (%)	2019 Increment (RMB100 million)	2019 Proportion (%)
Aggregate Financing to the Real Economy	224 920	100.0	256 735	100.0
Of which: RMB Loans	156 712	69.7	168 835	65.8
Foreign Currency–Denominated Loans (RMB equivalent)	-4 201	-1.9	-1 275	-0.5
Designated Loans	-16 062	-7.1	-9 396	-3.7
Trust Loans	-6 975	-3.1	-3 467	-1.4
Undiscounted Bankers' Acceptances	-6 343	-2.8	-4 757	-1.9
Corporate Bonds	26 318	11.7	33 384	13.0
Government Bonds	48 531	21.6	47 204	18.4
Domestic Equity Financing by Non-Financial Corporations	3 606	1.6	3 479	1.4

Notes: 1. The increment in the aggregate financing refers to the total value of financing provided by the financial system to the real economy within a certain period of time.
2. Sources: PBC, CBIRC, CSRC, CCDC, and NAFMII.
3. 2018 data are retroactively-adjusted on comparable basis.
4. The PBC further improved the statistics of AFRE from December 2019, by incorporating treasury bonds and local government general bonds into the statistics of AFRE, and combining them with the existing local government special bonds under the item of government bonds. The value of the indicator is the face value of the bonds under custody. The PBC improved the statistics of corporate bonds in AFRE from September 2019 by incorporating exchange-listed corporate asset-backed securities into corporate bonds. Starting from September 2019, the PBC included local government special bonds in the statistics of AFRE. Starting from July 2018, the PBC improved the methodology for statistics on aggregate financing to the real economy by including asset-backed securities of depository financial institutions and loan write-offs into the statistics of AFRE under the item of other financing.

Aggregate Financing to the Real Economy (Stock), 2019

Item	Stock (RMB trillion)	Growth (%)	Proportion (%)
Aggregate Financing to the Real Economy	251.41	10.7	100.0
Of which: RMB Loans	151.57	12.5	60.3
Foreign Currency–Denominated Loans (RMB equivalent)	2.11	-4.6	0.8
Designated Loans	11.44	-7.6	4.6
Trust Loans	7.45	-4.4	3.0
Undiscounted Bankers' Acceptances	3.33	-12.5	1.3
Corporate Bonds	23.56	13.8	9.4
Government Bonds	37.73	14.3	15.0
Domestic Equity Financing by Non-Financial Corporations	7.36	5.0	2.9

Notes: 1. Aggregate financing to the real economy (stock) refers to the balance of financing provided by the financial system to the real economy at the end of a certain period of time.
2. Stock figures are calculated on the basis of book-value or face-value.
3. The year-on-year growth rate is calculated on a comparable basis.
4. Sources: PBC, CBIRC, CSRC, CCDC, and NAFMII.
5. The PBC further improved the statistics of AFRE from December 2019, by incorporating treasury bonds and local government general bonds into the statistics of AFRE, and combining them with the existing local government special bonds under the item of government bonds. The value of the indicator is the face value of the bonds under custody. The PBC improved the statistics of corporate bonds in AFRE from September 2019 by incorporating exchange-listed corporate asset-backed securities into corporate bonds. Starting from September 2019, the PBC included local government special bonds in the statistics of AFRE. Starting from July 2018, the PBC improved the methodology for statistics on aggregate financing to the real economy by including asset-backed securities of depository financial institutions and loan write-offs into the statistics of AFRE under the item of other financing.

Aggregate Financing to the Real Economy (Increment), 2019, By Region

RMB100 million

Region	Aggregate Financing to the Real Economy, By Region	Of which							
		RMB Loans	Foreign Currency–Denominated Loans (RMB equivalent)	Designated Loans	Trust Loans	Undiscounted Bankers' Acceptances	Corporate Bonds	Government Bonds	Domestic Equity Financing by Non-Financial Corporations
Beijing	14 630	6 489	120	-1 730	-1 290	-1 295	6 975	1 009	486
Tianjin	2 866	2 317	-269	-638	-352	-764	875	920	109
Hebei	8 339	5 367	-63	169	173	-375	623	1 577	41
Shanxi	4 222	2 569	170	-20	-33	-37	575	661	33
Inner Mongolia	1 492	900	-14	18	37	-729	17	904	44
Liaoning	2 942	4 624	-146	-819	-186	-1 347	-296	447	29
Jilin	2 965	1 773	-12	23	-98	-37	227	693	18
Heilongjiang	3 097	1 107	-1	-21	963	-46	40	733	10
Shanghai	8 642	5 204	169	-658	-885	564	2 746	763	403
Jiangsu	24 104	17 345	-291	-836	368	975	3 139	1 874	289
Zhejiang	22 162	16 003	-174	-409	72	1 017	2 679	1 530	333
Anhui	7 255	5 302	31	-584	446	-487	532	1 394	90
Fujian	8 974	5 697	-78	-152	-493	1 049	860	1 032	145
Jiangxi	6 726	5 033	-20	-173	-200	-357	1 008	947	29
Shandong	13 831	8 483	-145	-438	-276	186	1 829	1 811	162
Henan	11 323	7 554	142	-298	395	295	681	1 448	94
Hubei	8 734	6 096	142	-97	-495	-165	1 058	1 435	131
Hunan	8 850	5 828	16	57	114	-147	936	1 521	42
Guangdong	29 190	22 125	-464	-689	-1 378	78	4 787	2 076	549
Guangxi	5 484	3 714	-29	-99	0	403	217	890	51
Hainan	954	641	-38	-62	0	16	-35	330	5
Chongqing	5 970	4 710	-2	-98	91	-147	149	951	19
Sichuan	9 653	6 464	43	-482	-373	52	1 659	1 356	52
Guizhou	5 367	3 485	4	-134	336	51	369	870	14
Yunnan	4 926	3 003	-39	-198	25	-82	607	1 133	45
Tibet	23	139	0	32	-275	-83	68	122	7
Shaanxi	4 522	3 519	-7	15	-1 030	-7	857	795	76
Gansu	2 445	1 246	-40	-56	320	-256	183	722	29
Qinghai	1 278	27	2	16	687	1	14	382	0
Ningxia	801	370	-5	-19	0	-10	-26	266	86
Xinjiang	2 948	1 646	-14	-167	-168	40	196	1 084	59

Notes: 1. Aggregate financing to the real economy (increment) by region refers to the total value of financing provided by the financial system to the real economy within a certain period of time in a certain region.
2. Sources: PBC, CBIRC, CSRC, CCDC and NAFMII.
3. Funding provided by the headquarters of financial institutions totaled RMB2.25 trillion.
4. The PBC further improved the statistics of AFRE from December 2019, by incorporating treasury bonds and local government general bonds into the statistics of AFRE, and combining them with the existing local government special bonds under the item of government bonds. The value of the indicator is the face value of the bonds under custody. The PBC further improved the statistics of corporate bonds of AFRE from September 2019 by incorporating exchange-listed corporate asset-backed securities into corporate bonds. The PBC has incorporated local government special bonds into AFRE since September 2018. Local government special bonds are recorded when claims and obligations are registered with custody institutions. Starting from July 2018, the PBC improved the methodology for statistics on aggregate financing to the real economy by including asset-backed securities of depository financial institutions and loan write-offs into the statistics of AFRE under the item of other financing.

Selected Financial Indicators

(Year-End Balance)

RMB100 million

	2015	2016	2017	2018	2019
Money & Quasi-money (M_2)	1 392 278.1	1 550 066.7	1 690 235.3	1 826 744.2	1 986 488.8
Money (M_1)	400 953.4	486 557.2	543 790.2	551 685.9	576 009.2
Currency in Circulation (M_0)	63 216.6	68 303.9	70 645.6	73 208.4	77 189.5
Total Deposits with Financial Institutions	1 357 021.6	1 505 863.8	1 641 044.2	1 775 225.7	1 928 785.3
Savings Deposits	526 280.8	569 149.3	595 972.6	631 202.4	697 395.4
Non-financial Enterprise Deposits	430 247.4	502 178.4	542 404.6	562 976.2	595 365.0
Total Lending by Financial Institutions	939 540.2	1 066 040.1	1 201 321.0	1 362 966.7	1 531 123.2

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

Selected Financial Indicators

(Growth Rates)

Percentage Change

	2015	2016	2017	2018	2019
Money & Quasi-money (M_2)	13.3	11.3	8.1	8.1	8.7
Money (M_1)	15.2	21.4	11.8	1.5	4.4
Currency in Circulation (M_0)	4.9	8.1	3.4	3.6	5.4
Total Deposits with Financial Institutions	12.4	11.0	9.0	8.2	8.7
Savings Deposits	8.5	8.2	4.7	5.9	10.5
Non-financial Enterprise Deposits	13.7	16.7	8.0	3.8	5.8
Total Lending by Financial Institutions	14.3	13.5	12.7	13.5	12.3

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.

Monetary Statistics

Depository Corporations Survey, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Net Foreign Assets	260 083.03	261 730.80	262 993.65	264 599.38
Domestic Credit	2 039 203.61	2 074 943.10	2 124 547.70	2 172 833.39
Claims on Government (net)	260 601.41	266 278.66	276 851.27	290 115.78
Claims on Non-financial Sectors	1 514 310.67	1 550 378.03	1 601 533.91	1 631 601.14
Claims on Other Financial Sectors	264 291.53	258 286.42	246 162.53	251 116.47
Money & Quasi-money	1 889 412.14	1 921 360.19	1 952 250.49	1 986 488.82
Money	547 575.54	567 696.18	557 137.95	576 009.15
Currency in Circulation	74 941.58	72 580.96	74 129.75	77 189.47
Corporate Demand Deposits	472 633.97	495 115.22	483 008.20	498 819.68
Quasi-money	1 341 836.59	1 353 664.01	1 395 112.54	1 410 479.67
Corporate Time Deposits	359 015.48	362 162.76	374 318.07	363 486.04
Personal Deposits	782 606.12	790 201.11	807 437.27	819 161.84
Other Deposits	200 214.99	201 300.14	213 357.20	227 831.79
Deposits Excluded from Broad Money	46 938.67	47 447.74	46 835.37	48 194.51
Bonds	263 847.38	268 945.81	272 586.06	280 399.31
Paid-in Capital	55 041.18	57 368.41	61 933.98	64 795.53
Others (net)	44 047.28	41 551.76	53 935.46	57 554.60

Balance Sheet of the Monetary Authority, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	218 109.66	218 521.93	218 767.53	218 638.72
Foreign Exchange	212 536.65	212 455.20	212 353.95	212 317.26
Monetary Gold	2 663.61	2 781.97	2 855.63	2 855.63
Other Foreign Assets	2 909.41	3 284.76	3 557.96	3 465.84
Claims on Government	15 250.24	15 250.24	15 250.24	15 250.24
Of which: Central Government	15 250.24	15 250.24	15 250.24	15 250.24
Claims on Other Depository Corporations	93 667.54	101 860.31	106 774.83	117 748.86
Claims on Other Financial Corporations	4 708.59	4 841.63	5 167.63	4 623.39
Claims on Non-Financial Sectors	26.97			
Other Assets	16 789.62	23 121.16	16 006.52	14 869.26
Total Assets	348 552.63	363 595.27	361 966.76	371 130.48
Reserve Money	303 711.03	313 085.98	305 881.99	324 174.95
Currency Issues	81 310.67	78 236.87	80 217.69	82 859.05
Deposits of Financial Corporations	209 648.14	221 817.24	212 229.56	226 023.86
Deposits of Other Depository Corporations	209 648.14	221 817.24	212 229.56	226 023.86
Deposits of Other Financial Corporations				
Deposits of Non-Financial Institutions	12 752.22	13 031.88	13 434.74	15 292.04
Deposits of Financial Corporations Excluded from Reserve Money	4 693.39	4 236.60	4 775.23	4 574.40
Bond Issues	315.00	740.00	940.00	1 020.00
Foreign Liabilities	819.25	903.76	1 105.55	841.77
Government Deposits	31 407.14	35 682.52	38 526.80	32 415.13
Equity	219.75	219.75	219.75	219.75
Other Liabilities	7 387.06	8 726.66	10 517.43	7 884.49
Total Liabilities	348 552.63	363 595.27	361 966.76	371 130.48

Note: Starting from 2017, local currency accounts of international financial organizations are reflected as net positions.

Balance Sheet of Other Depository Corporations, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	61 767.86	62 599.90	64 271.44	63 618.27
Reserve Assets	223 795.70	236 258.71	225 914.74	236 958.41
Deposits with the Central Bank	217 426.60	230 602.81	219 826.81	231 288.83
Cash in Vault	6 369.10	5 655.91	6 087.94	5 669.58
Claims on Government	276 758.30	286 710.93	300 127.82	307 280.67
Of which: Central Government	276 758.30	286 710.93	300 127.82	307 280.67
Claims on the Central Bank				
Claims on Other Depository Corporations	294 875.95	295 166.31	290 077.06	296 766.19
Claims on Other Financial Corporations	259 582.94	253 444.78	240 994.89	246 493.07
Claims on Non-Financial Corporations	1 023 574.63	1 040 312.12	1 072 307.21	1 085 249.79
Claims on Other Resident Sectors	490 709.08	510 065.90	529 226.71	546 351.35
Other Assets	109 324.64	109 708.29	110 958.59	110 002.47
Total Assets	2 740 389.10	2 794 266.96	2 833 878.45	2 892 720.22
Liabilities to Non-Financial Institutions & Households	1 716 456.29	1 749 286.60	1 778 064.83	1 798 147.07
Deposits Included in Broad Money	1 614 255.57	1 647 479.09	1 664 763.53	1 681 467.55
Corporate Demand Deposits	472 633.97	495 115.22	483 008.20	498 819.68
Corporate Time Deposits	359 015.48	362 162.76	374 318.07	363 486.04
Personal Deposits	782 606.12	790 201.11	807 437.27	819 161.84
Deposits Excluded from Broad Money	46 938.67	47 447.74	46 835.37	48 194.51
Transferable Deposits	15 017.88	14 926.96	14 018.91	15 660.48
Other Deposits	31 920.79	32 520.77	32 816.46	32 534.03
Other Liabilities	55 262.05	54 359.77	66 465.93	68 485.01
Liabilities to the Central Bank	99 705.13	108 056.97	90 790.32	98 826.22
Liabilities to Other Depository Corporations	108 128.80	107 772.27	106 141.89	114 185.41
Liabilities to Other Financial Corporations	172 181.03	171 808.87	186 008.05	198 935.37
Of which: Deposits Included in Broad Money	168 962.67	168 313.65	181 042.06	193 523.84
Foreign Liabilities	18 975.24	18 487.27	18 939.77	16 815.85
Bond Issues	263 847.38	268 945.81	272 586.06	280 399.31
Paid-In Capital	54 821.42	57 148.66	61 714.23	64 575.78
Other Liabilities	306 273.82	312 760.51	319 633.31	320 835.22
Total Liabilities	2 740 389.10	2 794 266.96	2 833 878.45	2 892 720.22

Balance Sheet of Large Domestic Banks, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	33 607.82	34 433.27	34 650.85	33 060.93
Reserve Assets	114 263.58	121 144.31	116 632.20	115 339.86
Deposits with the Central Bank	111 007.21	118 291.72	113 529.16	112 446.60
Cash in Vault	3 256.36	2 852.59	3 103.05	2 893.26
Claims on Government	176 290.10	181 811.55	187 998.98	190 308.42
Of which: Central Government	176 290.10	181 811.55	187 998.98	190 308.42
Claims on the Central Bank				
Claims on Other Depository Corporations	110 879.23	106 288.46	104 356.06	108 627.92
Claims on Other Financial Corporations	60 247.84	58 905.69	56 648.63	59 675.10
Claims on Non-Financial Corporations	507 840.50	511 600.80	530 200.45	531 980.52
Claims on Other Resident Sectors	246 081.59	254 094.59	261 743.33	269 474.04
Other Assets	51 284.48	51 198.55	52 360.13	49 340.18
Total Assets	1 300 495.15	1 319 477.23	1 344 590.63	1 357 806.98
Liabilities to Non-Financial Institutions & Households	881 378.34	886 185.40	902 169.43	899 124.38
Deposits Included in Broad Money	810 464.49	816 430.88	823 408.37	817 776.11
Corporate Demand Deposits	235 333.45	243 249.03	237 395.90	235 743.20
Corporate Time Deposits	129 917.94	128 647.86	133 662.96	128 904.45
Personal Deposits	445 213.10	444 533.99	452 349.51	453 128.45
Deposits Excluded from Broad Money	24 740.65	24 537.40	23 911.21	24 106.24
Transferable Deposits	7 334.72	7 106.66	6 688.68	7 167.44
Other Deposits	17 405.93	17 430.73	17 222.53	16 938.80
Other Liabilities	46 173.19	45 217.12	54 849.84	57 242.02
Liabilities to the Central Bank	49 225.11	52 089.01	43 931.28	46 897.94
Liabilities to Other Depository Corporations	20 705.75	23 623.85	21 879.24	28 760.32
Liabilities to Other Financial Corporations	65 085.14	66 869.79	74 351.98	76 363.43
Of which: Deposits Included in Broad Money	63 673.35	65 435.22	72 822.72	74 666.79
Foreign Liabilities	6 326.46	6 410.02	7 218.67	5 415.55
Bond Issues	108 965.38	113 085.21	116 591.36	121 339.51
Paid-In Capital	22 529.88	23 327.47	26 773.71	26 489.63
Other Liabilities	146 279.09	147 886.47	151 674.96	153 416.22
Total Liabilities	1 300 495.15	1 319 477.23	1 344 590.63	1 357 806.98

Note: Large domestic banks refer to those banks with total RMB and foreign currency assets of more than RMB2 trillion (with the total asset size at end-2008 as a reference), including the Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, China Development Bank, Bank of Communications, and the Postal Savings Bank of China Co., Ltd.

Balance Sheet of Medium-sized Domestic Banks, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	23 766.21	23 657.00	24 963.47	25 405.90
Reserve Assets	36 865.87	39 869.15	37 926.83	40 480.93
Deposits with the Central Bank	36 317.71	39 362.73	37 417.46	39 958.08
Cash in Vault	548.16	506.42	509.37	522.85
Claims on Government	57 823.96	59 972.38	62 971.47	65 120.91
Of which: Central Government	57 823.96	59 972.38	62 971.47	65 120.91
Claims on the Central Bank				
Claims on Other Depository Corporations	39 877.93	42 354.17	42 024.34	41 453.38
Claims on Other Financial Corporations	89 914.49	91 389.30	84 221.08	87 300.51
Claims on Non-Financial Corporations	242 418.76	246 837.66	253 745.13	259 666.41
Claims on Other Resident Sectors	119 419.47	124 971.01	129 645.35	133 930.46
Other Assets	19 349.54	20 372.51	18 971.96	19 640.41
Total Assets	629 436.23	649 423.19	654 469.64	672 998.92
Liabilities to Non-Financial Institutions & Households	295 753.66	308 801.75	310 632.67	314 307.07
Deposits Included in Broad Money	278 223.05	291 252.50	292 210.90	296 613.03
Corporate Demand Deposits	104 160.37	111 927.68	107 294.22	111 423.76
Corporate Time Deposits	109 754.08	111 702.44	116 149.21	113 512.27
Personal Deposits	64 308.61	67 622.38	68 767.48	71 677.00
Deposits Excluded from Broad Money	14 660.92	14 731.65	14 371.35	14 638.38
Transferable Deposits	4 602.83	4 584.19	4 079.83	4 543.72
Other Deposits	10 058.09	10 147.46	10 291.51	10 094.66
Other Liabilities	2 869.69	2 817.60	4 050.42	3 055.65
Liabilities to the Central Bank	40 115.31	42 104.47	33 555.13	36 167.33
Liabilities to Other Depository Corporations	35 155.96	33 654.50	34 915.28	35 853.92
Liabilities to Other Financial Corporations	65 134.64	66 012.09	72 329.82	77 677.82
Of which: Deposits Included in Broad Money	64 119.97	65 251.96	70 797.40	76 642.57
Foreign Liabilities	6 612.57	6 418.25	6 388.75	6 419.05
Bond Issues	110 744.79	113 788.38	116 547.96	121 922.97
Paid-In Capital	6 431.92	7 560.19	8 228.75	9 505.89
Other Liabilities	69 487.38	71 083.55	71 871.28	71 144.87
Total Liabilities	629 436.23	649 423.19	654 469.64	672 998.92

Note: Medium-sized domestic banks refer to banks with total RMB and foreign currency assets of more than RMB300 billion but less than RMB2 trillion (with the total asset size at end-2008 as a reference), including the 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., Export-Import Bank of China, Guangdong Development Bank Co., Ltd., Ping'an Bank Co., Ltd., Bank of Beijing, Bank of Shanghai, and Bank of Jiangsu.

Balance Sheet of Small Domestic Banks, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	1 694.99	1 856.37	1 890.92	2 005.44
Reserve Assets	58 543.55	60 856.42	56 777.56	64 860.12
Deposits with the Central Bank	56 469.83	58 972.15	54 735.14	62 936.69
Cash in Vault	2 073.72	1 884.27	2 042.42	1 923.43
Claims on Government	38 174.20	40 257.60	44 116.65	46 624.22
Of which: Central Government	38 174.20	40 257.60	44 116.65	46 624.22
Claims on the Central Bank				
Claims on Other Depository Corporations	99 607.75	99 873.66	98 605.81	97 216.01
Claims on Other Financial Corporations	100 037.23	94 682.93	90 945.32	91 183.75
Claims on Non-Financial Corporations	218 027.37	225 585.53	231 031.53	235 857.96
Claims on Other Resident Sectors	106 887.20	112 490.32	119 494.42	125 354.11
Other Assets	22 301.49	21 854.65	22 982.14	24 517.97
Total Assets	645 273.78	657 457.47	665 844.36	687 619.58
Liabilities to Non-Financial Institutions & Households	431 792.53	444 499.08	454 179.94	466 768.77
Deposits Included in Broad Money	423 363.23	435 576.31	444 454.93	455 700.58
Corporate Demand Deposits	100 492.25	104 676.81	104 402.42	107 988.32
Corporate Time Deposits	88 712.28	90 938.61	91 117.18	89 184.37
Personal Deposits	234 158.69	239 960.89	248 935.33	258 527.89
Deposits Excluded from Broad Money	3 314.02	3 641.57	3 786.69	4 161.72
Transferable Deposits	835.24	925.66	990.44	1 102.19
Other Deposits	2 478.78	2 715.91	2 796.24	3 059.54
Other Liabilities	5 115.28	5 281.20	5 938.32	6 906.47
Liabilities to the Central Bank	9 361.58	12 897.54	12 459.43	14 790.28
Liabilities to Other Depository Corporations	40 332.72	38 497.86	37 738.88	38 822.75
Liabilities to Other Financial Corporations	40 356.57	37 090.64	37 610.43	42 923.42
Of which: Deposits Included in Broad Money	39 865.18	36 271.33	36 070.18	40 697.69
Foreign Liabilities	1 190.05	1 201.82	1 051.55	931.65
Bond Issues	43 349.40	41 197.41	38 599.81	36 267.48
Paid-In Capital	16 718.56	16 993.44	17 426.93	19 063.43
Other Liabilities	62 172.38	65 079.67	66 777.39	68 051.79
Total Liabilities	645 273.78	657 457.47	665 844.36	687 619.58

Note: Small domestic banks refer to banks with total RMB and foreign currency assets of less than RMB300 billion (with the total asset size at end-2008 as a reference), including Hengfeng Bank, China Zheshang Bank, China Bohai Bank, small city commercial banks, rural commercial banks, rural cooperative banks, village banks, and other small domestic banks.

Balance Sheet of Foreign-Funded Banks, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	2 500.53	2 443.42	2 546.47	2 949.84
Reserve Assets	2 644.78	2 903.66	2 879.59	3 251.56
Deposits with the Central Bank	2 639.32	2 898.53	2 874.61	3 247.02
Cash in Vault	5.46	5.13	4.98	4.54
Claims on Government	2 739.90	2 884.31	3 095.66	3 387.65
Of which: Central Government	2 739.90	2 884.31	3 095.66	3 387.65
Claims on the Central Bank				
Claims on Other Depository Corporations	5 178.01	5 377.88	4 864.89	5 186.35
Claims on Other Financial Corporations	3 811.95	3 663.66	3 645.86	3 662.39
Claims on Non-Financial Corporations	11 982.75	12 132.32	12 632.78	12 266.48
Claims on Other Resident Sectors	1 524.19	1 572.89	1 609.37	1 682.57
Other Assets	12 961.53	12 812.80	13 114.29	12 684.30
Total Assets	43 343.64	43 790.94	44 388.92	45 071.15
Liabilities to Non-Financial Institutions & Households	17 054.10	17 706.37	18 493.99	19 485.67
Deposits Included in Broad Money	12 744.39	13 126.12	13 101.72	14 390.32
Corporate Demand Deposits	3 849.58	4 131.48	3 869.68	5 346.55
Corporate Time Deposits	7 606.71	7 690.59	7 928.57	7 705.69
Personal Deposits	1 288.09	1 304.05	1 303.47	1 338.08
Deposits Excluded from Broad Money	3 302.60	3 624.62	3 850.18	3 952.53
Transferable Deposits	1 700.79	1 752.43	1 764.07	1 945.53
Other Deposits	1 601.82	1 872.19	2 086.11	2 007.01
Other Liabilities	1 007.11	955.64	1 542.09	1 142.82
Liabilities to the Central Bank	84.99	160.62	133.40	183.44
Liabilities to Other Depository Corporations	2 823.37	2 893.23	2 497.27	2 662.67
Liabilities to Other Financial Corporations	1 128.05	1 162.94	1 210.79	1 263.59
Of which: Deposits Included in Broad Money	1 024.17	1 052.33	1 058.91	1 140.01
Foreign Liabilities	4 827.00	4 444.31	4 272.80	4 041.18
Bond Issues	694.91	806.35	785.45	858.75
Paid-In Capital	1 954.11	1 974.89	1 976.51	1 978.68
Other Liabilities	14 777.11	14 642.23	15 018.71	14 597.17
Total Liabilities	43 343.64	43 790.94	44 388.92	45 071.15

Balance Sheet of Rural Credit Cooperatives, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	6.94	6.89	4.74	4.66
Reserve Assets	8 764.40	8 740.77	8 697.48	9 541.03
Deposits with the Central Bank	8 279.02	8 333.37	8 270.18	9 215.56
Cash in Vault	485.38	407.40	427.30	325.47
Claims on Government	1 658.06	1 691.74	1 857.13	1 697.81
Of which: Central Government	1 658.06	1 691.74	1 857.13	1 697.81
Claims on the Central Bank				
Claims on Other Depository Corporations	19 770.05	19 638.55	18 915.62	15 993.80
Claims on Other Financial Corporations	1 517.21	1 110.59	1 513.89	894.71
Claims on Non-Financial Corporations	15 642.67	15 149.55	14 820.58	13 808.16
Claims on Other Resident Sectors	15 309.56	15 476.15	15 359.45	14 559.84
Other Assets	2 929.43	2 966.42	3 008.55	3 256.19
Total Assets	65 598.31	64 780.67	64 177.43	59 756.20
Liabilities to Non-Financial Institutions & Households	46 879.67	45 975.93	44 995.20	42 228.06
Deposits Included in Broad Money	46 799.40	45 904.31	44 925.21	42 106.71
Corporate Demand Deposits	7 663.73	7 653.37	7 397.27	6 353.52
Corporate Time Deposits	1 505.49	1 478.78	1 454.10	1 270.92
Personal Deposits	37 630.18	36 772.16	36 073.84	34 482.27
Deposits Excluded from Broad Money	0.27	0.25	0.43	0.52
Transferable Deposits	0.25	0.24	0.41	0.51
Other Deposits	0.02	0.01	0.02	0.02
Other Liabilities	80.00	71.37	69.56	120.82
Liabilities to the Central Bank	654.43	558.48	502.42	552.65
Liabilities to Other Depository Corporations	7 991.80	7 959.11	8 222.37	7 277.28
Liabilities to Other Financial Corporations	134.96	237.55	157.53	317.65
Of which: Deposits Included in Broad Money	113.99	123.96	102.63	111.77
Foreign Liabilities	0.68	1.21	0.66	0.88
Bond Issues	16.18	8.48	1.48	0.60
Paid-In Capital	1 510.10	1 476.46	1 407.60	1 416.18
Other Liabilities	8 410.49	8 563.46	8 890.17	7 962.90
Total Liabilities	65 598.31	64 780.67	64 177.43	59 756.20

Balance Sheet of Finance Companies, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Foreign Assets	191.36	202.97	214.98	191.50
Reserve Assets	2 713.52	2 744.40	3 001.07	3 484.90
Deposits with the Central Bank	2 713.51	2 744.30	3 000.25	3 484.88
Cash in Vault	0.02	0.09	0.82	0.02
Claims on Government	72.08	93.35	87.92	141.66
Of which: Central Government	72.08	93.35	87.92	141.66
Claims on the Central Bank				
Claims on Other Depository Corporations	19 562.98	21 633.59	21 310.34	28 288.74
Claims on Other Financial Corporations	4 054.22	3 692.61	4 020.11	3 776.61
Claims on Non-Financial Corporations	27 662.59	29 006.27	29 876.73	31 670.26
Claims on Other Resident Sectors	1 487.06	1 460.94	1 374.79	1 350.32
Other Assets	498.17	503.35	521.52	563.42
Total Assets	56 241.99	59 337.47	60 407.47	69 467.41
Liabilities to Non-Financial Institutions & Households	43 598.00	46 118.07	47 593.60	56 233.14
Deposits Included in Broad Money	42 661.01	45 188.98	46 662.39	54 880.81
Corporate Demand Deposits	21 134.58	23 476.86	22 648.70	31 964.33
Corporate Time Deposits	21 518.98	21 704.48	24 006.05	22 908.33
Personal Deposits	7.45	7.64	7.64	8.14
Deposits Excluded from Broad Money	920.21	912.25	915.52	1 335.10
Transferable Deposits	544.06	557.78	495.47	901.09
Other Deposits	376.16	354.47	420.05	434.01
Other Liabilities	16.77	16.84	15.69	17.23
Liabilities to the Central Bank	263.71	246.84	208.65	234.57
Liabilities to Other Depository Corporations	1 119.19	1 143.72	888.85	808.47
Liabilities to Other Financial Corporations	341.67	435.87	347.51	389.45
Of which: Deposits Included in Broad Money	166.01	178.85	190.22	265.01
Foreign Liabilities	18.48	11.66	7.34	7.55
Bond Issues	76.73	59.98	60.00	10.00
Paid-In Capital	5 676.86	5 816.21	5 900.73	6 121.96
Other Liabilities	5 147.37	5 505.12	5 400.79	5 662.28
Total Liabilities	56 241.99	59 337.47	60 407.47	69 467.41

Monetary Aggregates, 2019 (Quarter-end Balance)

RMB100 million

	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	1 889 412.14	1 921 360.19	1 952 250.49	1 986 488.82
Money (M_1)	547 575.54	567 696.18	557 137.95	576 009.15
Currency in Circulation (M_0)	74 941.58	72 580.96	74 129.75	77 189.47
Corporate Demand Deposits	472 633.97	495 115.22	483 008.20	498 819.68
Quasi-money	1 341 836.59	1 353 664.01	1 395 112.54	1 410 479.67
Corporate Time Deposits	359 015.48	362 162.76	374 318.07	363 486.04
Personal Deposits	782 606.12	790 201.11	807 437.27	819 161.84
Other Deposits	200 214.99	201 300.14	213 357.20	227 831.79

Note: In January 2018, the PBC improved the statistical methodology for money market funds (MMF) in money supply by replacing MMF deposits (including certificates of deposit) with MMFs held by non-depository institutions.

Monetary Aggregates, 2019 (Growth Rate)

Percentage Change

	Q1	Q2	Q3	Q4
Money & Quasi-money (M_2)	8.6	8.5	8.4	8.7
Money (M_1)	4.6	4.4	3.4	4.4
Currency in Circulation (M_0)	3.1	4.3	4.0	5.4
Corporate Demand Deposits	4.8	4.4	3.4	4.3
Quasi-money	10.3	10.4	10.5	10.6
Corporate Time Deposits	7.9	8.3	7.0	6.9
Personal Deposits	13.0	14.1	14.3	13.5
Other Deposits	4.7	1.0	3.1	6.9

Note: In January 2018, the PBC improved the statistical methodology for money market funds (MMF) in money supply by replacing MMF deposits (including certificates of deposit) with MMFs held by non-depository institutions.

Statistics on the Volume of RMB Issuance

RMB100 million

Notes & Coins	Year-End Balance, 2018	Year-End Balance, 2019
100 Yuan Note	69 269.58	72 424.07
50 Yuan Note	3 093.03	3 250.40
20 Yuan Note	1 425.17	1 576.76
10 Yuan Note	2 242.05	2 394.04
5 Yuan Note	981.14	1 015.62
2 Yuan Note	38.90	38.80
1 Yuan Note	752.09	781.88
5 Jiao Note	154.92	153.92
2 Jiao Note	20.84	20.75
1 Jiao Note	71.20	71.02
5 Fen Note	1.56	1.56
2 Fen Note	1.76	1.76
1 Fen Note	2.92	2.92
1 Yuan Coin	625.10	642.93
5 Jiao Coin	235.04	248.05
1 Jiao Coin	136.46	141.04
5 Fen Coin	6.96	6.96
2 Fen Coin	5.82	5.82
1 Fen Coin	3.55	3.55
Total	79 068.09	82 781.86

Note: Including currency in circulation (M_0) and cash in the vault of banking institutions.

Common Commemorative Coins Issued by the PBC in 2019

Issuing Date	Theme	Made of	Denomination (yuan)	Size of Issuance (million)
Jan. 25	Common Commemorative Coins Celebrating the Chinese Lunar New Year 2019	Golden and Silver Brass Alloy	10	2.5
Sep. 19	Common Commemorative Coins for the 70th Anniversary of the Founding of the People's Republic of China	Golden and Silver Brass Alloy	10	1.5
Nov. 28	World Cultural and Natural Heritage - Mount Tai Common Commemorative Coins	Brass Alloy	5	1.2

Commemorative Coins Made of Precious Metals Issued by the PBC in 2019

Theme	Made of	Weight	The Maximum Size of Issuance (coins)
2019 China Panda Gold and Silver Commemorative Coins	Common gold coin	30 grams	1 000 000
	Common gold coin	15 grams	600 000
	Common gold coin	8 grams	600 000
	Common gold coin	3 grams	800 000
	Common gold coin	1 gram	1 000 000
	Common silver coin	30 grams	10 000 000
	Refined gold coin	1 kilogram	500
	Refined gold coin	150 grams	5 000
	Refined gold coin	100 grams	10 000
	Refined gold coin	50 grams	20 000
	Refined silver coin	1 kilogram	20 000
	Refined silver coin	150 grams	60 000
Silver commemorative coins celebrating the Chinese Lunar New Year 2019	Common silver coin	8 grams	2 700 000
Panda silver commemorative coin inscribed with words for the 40th anniversary of State Administration of Foreign Exchange	Common silver coin	30 grams	10 000
2019 Auspicious Culture gold and silver commemorative coins	Refined gold coin	5 grams	5 000
	Refined silver coin	100 grams	10 000
	Refined and thickened silver coin	60 grams	20 000
	Refined gold coin	3 grams	10 000
	Refined silver coin	30 grams	20 000
	Refined silver coin	30 grams	2×20 000
Precious metal commemorative coins for the International Horticultural Exhibition 2019	Refined gold coin	5 grams	10 000
	Refined silver coin	30 grams	30 000
	Refined platinum coin	3 grams	20 000
Gold and silver commemorative coins for the 70th Anniversary of the Diplomatic Relationships between China and Russia	Refined gold coin	8 grams	3 000
	Refined silver coin	30 grams	10 000

Theme	Made of	Weight	The Maximum Size of Issuance (coins)
Gold and silver commemorative coins for the Art of Chinese Calligraphy (Official Script)	Refined gold coin	8 grams	10 000
	Refined silver coin	150 grams	5 000
	Refined silver coin	30 grams	3×20 000
Panda silver commemorative coin inscribed with words for China 2019 World Stamp Exhibition	Common silver coin	30 grams	20 000
Gold and silver commemorative coins for the World Heritage — the Ancient City of Ping Yao	Refined gold coin	150 grams	600
	Refined gold coin	8 grams	10 000
	Refined silver coin	30 grams	20 000
7th CISM World Games Gold and Silver Commemorative Coins	Refined gold coin	5 grams	10 000
	Refined silver coin	150 grams	3 000
	Refined silver coin	15 grams	4×30 190
The gold and silver commemorative coins for the 70th Anniversary of the Founding of the People's Republic of China	Refined gold coin	150 grams	2 000
	Refined gold coin	8 grams	60 000
	Refined silver coin	1 kilogram	5 000
	Refined silver coin	150 grams	7 000
	Refined silver coin	30 grams	2×100 000
Panda gold and silver commemorative coins inscribed with words for China International Import Expo	Common gold coin	8 grams	10 000
	Common silver coin	30 grams	20 000
Gold and silver commemorative coins for the Centenary of Nankai University	Refined gold coin	8 grams	10 000
	Refined silver coin	30 grams	20 000
Silver commemorative coin of Beijing International Coin Exposition 2019	Refined silver coin	30 grams	30 000
2020 Chinese Geng Zi Year (Year of the Rat) gold and silver commemorative coins	Refined gold coin	10 kilograms	18
	Refined gold coin	2 kilograms	50
	Refined gold coin	1 kilogram	118
	Refined gold coin	500 grams	600
	Refined gold coin	150 grams	1 000
	Refined colored gold coin	150 grams	1 000
	Refined gold coin	15 grams	8 000
	Refined gold coin	10 grams	10 000
	Refined gold coin	3 grams	120 000
	Refined colored gold coin	3 grams	120 000
	Refined silver coin	1 kilogram	10 000
	Refined silver coin	150 grams	10 000
	Refined colored silver coin	150 grams	10 000
	Refined silver coin	30 grams	60 000
	Refined silver coin	30 grams	60 000
	Refined silver coin	30 grams	200 000
	Refined colored silver coin	30 grams	200 000

Business Statistics on Non-Cash Payment Operations

		2018		2019	
		Transaction Number (10 000)	Transaction Value (RMB100 million)	Transaction Number (10 000)	Transaction Value (RMB100 million)
Commercial Papers	Bills of Exchange	26.75	1 969.77	23.31	1 759.67
	of which: Bankers' Drafts	0.03	1.80	0.01	0.72
	Transfer Bank Drafts	26.72	1 967.97	23.30	1 758.95
	Commercial Drafts	1 892.57	162 125.04	2 106.78	182 522.59
	of which: Commercial Acceptance Bills	107.43	19 082.38	612.50	59 668.25
	Bankers' Acceptance Bills	1 785.14	143 042.67	1 494.28	122 854.34
	Promissory Notes	116.14	9 850.58	68.78	6 419.47
	of which: Cash Promissory Notes	0.02	0.62	0.04	2.35
	Transfer Promissory Notes	116.20	9 861.72	68.74	6 417.12
	Cheques	20 166.63	1 314 684.40	16 792.76	1 147 400.13
	of which: Cash Cheques	6 536.37	45 500.90	5 497.85	40 212.41
	Transfer Cheques	13 630.27	1 269 183.49	11 294.90	1 107 187.72
	of which: Organization Cheques	20 082.89	1 313 617.77	16 730.52	1 146 568.46
	Personal Cheques	83.75	1 066.63	62.24	831.68
	Total	22 202.10	1 488 629.80	18 991.62	1 338 101.86
Bankcards	Cash Deposits	786 332.67	600 271.24	708 501.86	528 832.47
	Cash Withdrawals	1 408 666.10	589 002.97	1 138 525.90	516 512.98
	of which: ATM	1 236 946.49	254 500.28	964 284.63	215 188.59
	Consumption	9 833 618.05	927 585.26	15 879 218.26	1 171 499.56
	Transfers	9 007 309.45	6 504 177.40	14 472 608.27	6 647 099.25
	Total	21 035 926.27	8 621 036.86	32 198 854.28	8 863 944.27
Settlements	Credit Transfers	918 852.84	27 160 333.10	838 518.75	27 062 014.16
	Direct Debit	54 171.33	394 370.54	45 515.05	502 833.52
	Consignment Collection Payments	20.59	6 093.94	18.82	8 500.46
	Domestic Letters of Credit	6.66	16 238.23	6.86	19 480.70
	Total	973 051.42	27 577 035.81	884 059.47	27 592 828.84

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

Statistics on Transactions via Payment Systems

10 000 (volume), RMB100 million (value)

		2018	2019
High Value Real-Time Payment System	Volume	107 310.73	109 420.65
	Value	43 534 782.76	49 507 235.60
Bulk Electronic Payment System	Volume	218 279.40	262 747.64
	Value	355 326.99	605 762.37
Online Payment Inter-Bank Clearing System	Volume	1 209 784.49	1 401 083.51
	Value	890 544.71	1 107 671.35
Inter-City Clearing System	Volume	35 488.89	28 222.42
	Value	1 120 284.71	818 879.01
Domestic Foreign Exchange Payment System	Volume	213.52	220.26
	Value	83 267.58	85 351.07
Check Image Exchange System	Volume	0.00	
	Value	0.00	
Intra-bank Payment System of Banking Financial Institutions	Volume	3 669 527.73	1 646 891.13
	Value	13 320 871.21	12 186 942.70
UnionPay Inter-bank Bankcard Clearing System	Volume	2 632 478.30	13 517 472.61
	Value	1 190 709.89	1 736 037.62
City Commercial Bank Draft Processing System and Payment Clearing System	Volume	6 295.78	477.20
	Value	5 882.82	7 320.89
Rural Credit Bank Payment Clearing System	Volume	845 084.42	130 239.91
	Value	84 505.30	29 284.94
Cross-Border Interbank Payment System	Volume	144.24	188.43
	Value	264 463.17	339 255.39
NetsUnion Payment System	Volume	12 847 693.77	39 754 200.00
	Value	579 065.80	2 598 422.78
Total	Volume	21 572 301.25	56 851 163.76
	Value	61 429 704.92	69 022 163.73

Notes: 1. According to the PBC working requirement of breaking the direct connection between third-party payment institutions and commercial banks, all third-party payment institutions joined the system of UnionPay or NetsUnion, and the business between the payment institutions and commercial banks, as well as business between the Urban Commercial Bank Clearing Co., Ltd. or members of Rural Credit Banks Funds Clearing Center and third-party payment institutions are not included in calculating transactions of the intra-bank systems of banks, urban commercial bank payment and clearing system, and rural credit bank payment and clearing system.

2. Starting from Q2 2018, the number of transactions processed by the interbank bankcard payment system only includes transactions of capital settlement, while inquiries, account verification, and other non-capital settlement transactions are excluded. Starting from Q1 2019, the volume of transactions processed by the interbank bankcard payment system includes online payment involving bank accounts initiated by payment institutions and processed by the interbank bankcard payment system.

3. Starting from 2017, City Commercial Bank Draft Processing System and Payment Clearing System not only covers statistics on Bankers' Acceptances, remittances, and automatic deposits and withdrawals, but also real-time payments and receipts on behalf of clients.

Statistics on the Number of RMB Bank Settlement Accounts

Unit: 10 thousand

	2015	2016	2017	2018	2019
Entity Settlement Accounts	4 439.03	4 939.47	5 483.43	6 118.87	6 836.87
of which: Basic Deposit Settlement Accounts	2 835.43	3 282.67	3 792.31	4 334.98	4 913.61
General Deposit Settlement Accounts	1 272.76	1 306.72	1 331.11	1 407.88	1 527.97
Special Deposit Settlement Accounts	310.13	330.01	340.96	357.45	377.22
Temporary Deposit Settlement Accounts	20.71	20.07	19.05	18.56	18.06
Individual Settlement Accounts	732 526.66	830 315.62	916 851.64	1 006 847.17	1 128 368.62
Total	736 965.69	835 255.09	922 335.06	1 012 966.04	1 135 205.49

Statistics on the Number of Bankcards

Unit: 100 million

	2015	2016	2017	2018	2019
Debit Cards	50.10	56.60	61.05	69.11	76.73
Credit Cards (including combo cards with both debit and credit functions)	4.32	4.65	5.87	6.86	7.46
Total	54.42	61.25	66.93	75.97	84.19

Interest Rates

RMB Interest Rates, 2019

Percentage Change

	Jan. 1	Dec. 31
Benchmark Rates[1]		
Required Reserves	1.62	1.62
Excess Reserves	0.72	0.72
Loans to Financial Institutions		
1 Month	2.90	2.90
3 Months	3.20	3.20
6 Months	3.40	3.40
1 Year	3.50	3.50
Discount	2.25	2.25
Official Interest Rates on Deposits & Loans of Financial Institutions		
Interest Rates on Deposits		
Demand Deposits	0.35	0.35
Time Deposits		
3 Months	1.10	1.10
6 Months	1.30	1.30
1 Year	1.50	1.50
2 Years	2.10	2.10
3 Years	2.75	2.75
Loan Prime Rate (LPR)		
1 Year	4.31	4.15[2]
Longer than 5 Years		4.80[2]
Weighted Average Rates in the Interbank Market[3]		
Interbank Borrowing		2.57
Bond-Pledged Repo		2.68

Notes: 1. In 2019, the PBC didn't adjust the deposit and lending rates of financial institutions or the benchmark interest rates on RMB deposits of financial institutions.
2. Data released on December 20, 2019.
3. Monthly average rates for December 2019.

Interest Rates on Small-Value USD Deposits

Percentage Change

	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 December 28, 2005.

Shibor Monthly Average Rates, 2019

Percentage Change

	Overnight	1-Week	2-Week	1-Month	3-Month	6-Month	9-Month	1-Year
January	2.02	2.60	2.67	2.85	3.00	3.11	3.30	3.35
February	2.15	2.50	2.55	2.72	2.81	2.91	3.02	3.12
March	2.35	2.61	2.70	2.79	2.79	2.85	2.95	3.07
April	2.35	2.65	2.78	2.76	2.81	2.87	2.96	3.09
May	2.18	2.61	2.63	2.76	2.91	2.95	3.07	3.17
June	1.52	2.50	2.58	2.83	2.89	2.94	3.10	3.19
July	2.11	2.53	2.54	2.54	2.62	2.71	3.02	3.09
August	2.58	2.65	2.67	2.63	2.66	2.73	3.00	3.07
September	2.36	2.66	2.76	2.70	2.71	2.79	2.98	3.05
October	2.47	2.67	2.72	2.74	2.77	2.84	2.96	3.06
November	2.20	2.59	2.58	2.78	2.99	3.01	3.04	3.11
December	1.86	2.51	2.62	2.91	3.03	3.05	3.08	3.12

Note: Data listed are the monthly average rates.

Financial Market Statistics

Money Market Statistics, 2019

	Q1	Q2	Q3	Q4
Turnover of Interbank Borrowing (RMB100 million)	409 999	424 340	362 232	319 802
Turnover of Interbank Repo (RMB100 million)	1 965 818	2 029 833	2 144 386	2 056 260
Quarter-End Shibor: Overnight (%)	2.49	1.37	2.64	1.69
Quarter-End Shibor: 1-Week (%)	2.70	2.60	2.84	2.74
Quarter-End Monthly Weighted Average Rate of Interbank Borrowing (%)	2.42	1.70	2.55	2.09
Quarter-End Monthly Weighted Average Rate of Bond-Pledged Repo (%)	2.47	1.74	2.56	2.10
Commercial Bills Accepted (RMB100 million)	54 356	46 590	50 323	53 927
Quarter-End Commercial Bills Outstanding (RMB100 million)	122 036	123 905	124 847	127 852
Financial Institutions Discount (RMB100 million)	35 634	27 607	30 141	31 207
Quarter-End Financial Institutions Discount Outstanding (RMB100 million)	28 684	30 007	31 888	33 546

Bond Market Statistics, 2019

	Q1	Q2	Q3	Q4
Total Bond Issuance (RMB100 million)	102 482	112 011	124 923	112 656
Government Bonds	19 157	27 193	25 259	13 578
Central Bank Bills	0	0	0	0
Financial Bonds	59 801	63 170	67 380	69 010
of which: Interbank Negotiable Certificates of Deposit	40 482	43 079	45 946	50 206
Corporate Debenture Bonds	23 439	21 554	32 133	29 932
International Institutions Bonds	85	95	150	138
Quarter-End Outstanding Bonds (RMB100 million)	894 865	925 949	957 080	989 950
Government Bonds	339 528	354 685	369 948	377 273
Central Bank Bills	15	40	140	220
Financial Bonds	330 940	339 900	349 168	364 622
of which: Interbank Negotiable Certificates of Deposit	100 504	99 799	100 812	107 239
Corporate Debenture Bonds	222 772	229 694	236 143	246 176
International Institutions Bonds	1 611	1 631	1 681	1 659
Quarter-End Chinabond Composite Index (%, net price)	102.1	101.8	102.2	102.6
Quarter-End Chinabond Yield Curve (%, for 1-year term)	2.44	2.64	2.56	2.36
Quarter-End Chinabond Yield Curve (%, for 10-year term)	3.07	3.23	3.14	3.14

Note: Corporate debenture bonds include debt financing instruments of non-financial corporations, enterprises bonds, corporate bonds, transferable bonds, and so forth.

Stock Market Statistics, 2019

	Q1	Q2	Q3	Q4
Total Funds Raised (RMB100 million)	1 005	2 654	1 255	1 948
Trading Turnover (RMB100 million)	340 732	354 636	303 777	275 014
Quarter-End Volume of Stocks Issued (100 million shares)	58 309	59 322	60 432	61 720
Quarter-End Market Capitalization (RMB100 million)	562 856	536 297	545 836	592 935
Quarter-End Number of Companies Listed	3 617	3 648	3 708	3 777
Quarter-End Closing Index				
Shanghai Stock Exchange Composite Index (December 19, 1990=100)	3 091	2 979	2 905	3 050
Shenzhen Stock Exchange Component Index (July 20, 1994=1000)	9 907	9 178	9 446	10 431

Securities Investment Funds Statistics, 2019

	Q1	Q2	Q3	Q4
Number of Securities Investment Funds	6 011	6 263	5 828	6 111
Total Volume (RMB100 million)	132 762	127 653	129 844	136 937
Net Funds Assets (RMB100 million)	139 432	134 129	137 876	147 673
Trading Turnover (RMB100 million)	19 668	22 767	23 066	26 178

Futures Market Statistics, 2019

	Q1	Q2	Q3	Q4
Transaction Volume (10 000 lots)	76 395	95 731	115 114	104 917
Trading Turnover (RMB100 million)	560 724	724 784	857 439	762 910
Quarter-End Position (10 000 lots)	1 597	1 705	1 506	1 914
Delivery Volume (lots)	263 304	343 821	217 630	323 087

Insurance Market Statistics, 2019

	Q1	Q2	Q3	Q4
Premium Income (RMB100 million)	16 322	9 215	8 983	8 125
Property Insurance	2 953	2 940	2 765	2 991
Life Insurance	13 369	6 275	6 218	5 134
Claim and Benefit Payments (RMB100 million)	3 318	2 914	3 179	3 483
Property Insurance	1 428	1 490	1 622	1 962
Life Insurance	1 891	1 424	1 557	1 521
Quarter-End Assets, Total (RMB100 million)	191 082	195 026	199 601	205 645
Of which: Bank Deposits	26 189	26 335	25 213	25 227
Investments	144 364	147 337	152 558	160 043

Gold Market Statistics, 2019

	Q1	Q2	Q3	Q4
Value Traded of Au99.99 (RMB100 million)	3 957	3 451	3 130	2 959
Value Traded of Au (T+D) (RMB100 million)	9 908	13 658	23 295	12 138
Value Traded of Ag (T+D) (RMB100 million)	8 105	6 494	33 122	22 909
Au99.99 Quarter-End Closing Price (yuan/g)	281	314	345	341
Au (T+D) Quarter-End Closing Price (yuan/g)	281	315	344	342
Ag (T+D) Quarter-End Closing Price (yuan/kg)	3 510	3 635	4 238	4 346

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

RMB Exchange Rate

Year	Foreign Currency	Year-End Rate (yuan per unit of foreign currency)	Change in Basis Points
2015	USD	6.4936	3 746
	HKD	0.8378	489
	JPY	5.3875	2 504
	EUR	7.0952	-3 604
2016	USD	6.937	4 434
	HKD	0.8945	567
	JPY	5.9591	5 716
	EUR	7.3068	2 116
2017	USD	6.5342	-4 028
	HKD	0.8359	-586
	JPY	5.7883	-1 708
	EUR	7.8023	-4 955
2018	USD	6.8632	3 290
	HKD	0.8762	403
	JPY	6.1887	4 004
	EUR	7.8473	450
2019	USD	6.9762	1 130
	HKD	0.8958	195.8
	JPY	6.4086	2 199
	EUR	7.8155	-318

Note: The exchange rate of the RMB against the Japanese yen is reflected as yuan per 100 Japanese yen.

Official Reserve Assets, 2019

	Q1		Q2		Q3		Q4	
	USD100 million	SDR100 million	USD100 million	SDR100 million	USD100 million	SDR100 million	USD100 million	SDR100 million
Foreign Exchange Reserves	30 987.61	22 321.33	31 192.34	22 437.12	30 924.31	22 683.32	31 079.24	22 475.17
Reserve Position at the IMF	84.09	60.58	82.33	59.22	84.15	61.73	84.44	61.06
SDRs	107.22	77.23	108.11	77.77	107.85	79.11	111.26	80.46
Gold	785.25	565.64	872.62	627.73	930.45	682.49	954.06	689.94
	6 062 ten thousand ounces	6 062 ten thousand ounces	6 194 ten thousand ounces	6 194 ten thousand ounces	6 264 ten thousand ounces	6 264 ten thousand ounces	6 264 ten thousand ounces	6 264 ten thousand ounces
Other Reserve Assets	-2.99	-2.16	-3.11	-2.24	-2.25	-1.65	0.33	0.24
Total	31 961.18	23 022.62	32 252.35	23 199.60	32 044.51	23 505.00	32 229.32	23 306.87

Note: The data in this table are published both in USD and SDR terms, and the exchange rate of the SDR is derived from the IMF Website.

China’s Balance of Payments, 2019

USD100 million

Item	Amount	Item	Amount
I. Current Account	1 413	1.2.8 Charges for the Use of Intellectual Property	-278
Credit	29 051	Credit	66
Debit	-27 638	Debit	-344
1. A Goods and Services	1 641	1.2.9 Telecommunications, Computers, and Information Services	80
Credit	26 434	Credit	349
Debit	-24 793	Debit	-270
1.1 Goods	4 253	1.2.10 Other Business Services	194
Credit	23 990	Credit	692
Debit	-19 737	Debit	-498
1.2 Services	-2 611	1.2.11 Personal, Cultural, and Recreational Services	-31
Credit	2 444	Credit	10
Debit	-5 055	Debit	-41
1.2.1 Manufacturing Services	154	1.2.12 Government Goods and Services n.i.e	-21
Credit	157	Credit	16
Debit	-4	Debit	-37
1.2.2 Maintenance and Repair Services	65	2. Primary Income	-330
Credit	102	Credit	2 358
Debit	-37	Debit	-2 688
1.2.3 Transport	-590	2.1 Compensation of Employees	31
Credit	462	Credit	143
Debit	-1 052	Debit	-112
1.2.4 Travel	-2 188	2.2 Investment Income	-372
Credit	358	Credit	2 198
Debit	-2 546	Debit	-2 570
1.2.5 Construction	51	2.3 Other Primary Income	11
Credit	144	Credit	18
Debit	-93	Debit	-7
1.2.6 Insurance and Pension Services	-62	3. Secondary Income	103
Credit	48	Credit	259
Debit	-110	Debit	-157
1.2.7 Financial Services	15	3.1 Personal Transfer	1
Credit	39	Credit	40
Debit	-24	Debit	-40

Continued

Item	Amount	Item	Amount
3.2 Other Secondary Income	102	2.1.2 Portfolio Investments	579
Credit	219	Assets	-894
Debit	-117	Equity and Investment Fund Shares	-293
II. Capital and Financial Account	567	Debt Securities	-601
1. Capital Account	-3	Liabilities	1 474
Credit	2	Equity and Investment Fund Shares	449
Debit	-5	Debt Securities	1 025
2. Financial Account	570	2.1.3 Financial Derivatives (other than reserves) and Employee Stock Options	-24
Assets	-1 987	Assets	14
Liabilities	2 558	Liabilities	-37
2.1 Financial Account Excluding Reserve Assets	378	2.1.4 Other Investments	-759
Assets	-2 180	Assets	-323
Liabilities	2 558	Other Equity	-15
2.1.1 Direct Investments	581	Currency and Deposits	-863
Assets	-977	Loans	331
Of which: Equities	-849	Insurance, Pensions, and Standardized Guarantee Schemes	-12
Debts	-128	Trade Credit and Advances	368
Of which: Financial Sector	-175	Other Accounts Receivable	-132
Equities	-191	Liabilities	-437
Debts	16	Other Equity	0
Non-financial Sector	-802	Currency and Deposits	-557
Equities	-658	Loans	425
Debts	-144	Insurance, Pensions, and Standardized Guarantee Schemes	18
Liabilities	1 558	Trade Credit and Advances	-288
Of which: Equities	1 313	Other Accounts Payable	-35
Debts	246	Special Drawing Rights	0
Of which: Financial Sector	184	2.2 Reserve Assets	193
Equities	159	Monetary Gold	0
Debts	25	Special Drawing Rights	-5
Non-financial Sector	1 374	Reserve Position in the IMF	0
Equities	1 153	Foreign Exchange Reserves	198
Debts	221	Other Reserve Assets	0
		3. NET errors and omissions	-1 981

Notes: 1. China compiles the BOP in accordance with the 6th edition of the *Balance of Payments and International Investment Position Manual*. Reserve assets are included in the capital account and the financial account.

2. Credit and debit entries are recorded as positive and negative values, respectively. Balance is calculated by adding credit and debit entries. All other entries are recorded as balance except the credit and Debit entries.

3. Under the financial account, the net increase and net decrease of external financial assets are recorded as negative and positive values respectively. The net increase and net decrease of external liabilities are recorded as positive and negative values respectively.

4. This table employs rounded-off numbers.

China's External Debt Position, 2019, By Sector

USD100 million

Item	Amount
General Government	2 709
Short-term	102
Currency & Deposits	0
Debt Securities	102
Loans	0
Trade Credits & Advances	0
Other Debt Liabilities	0
Long-term	2 607
SDR Allocations	0
Currency & Deposits	0
Debt Securities	2 145
Loans	462
Trade Credits & Advances	0
Other Debt Liabilities	0
Central Bank	363
Short-term	254
Currency & Deposits	108
Debt Securities	146
Loans	0
Trade Credits & Advances	0
Other Debt Liabilities	0
Long-term	109
SDR Allocations	97
Currency & Deposits	0
Debt Securities	0
Loans	0
Trade Credits & Advances	0
Other Debt Liabilities	12
Other Depository Corporations	9 180
Short-term	6 823
Currency & Deposits	4 113
Debt Securities	535
Loans	2 150
Trade Credits & Advances	0
Other Debt Liabilities	25
Long-term	2 357
Currency & Deposits	0
Debt Securities	1 633
Loans	715
Trade Credits & Advances	0
Other Debt Liabilities	9
Other sectors	5 923
Short-term	4 288
Currency & Deposits	3
Debt Securities	27
Loans	543
Trade Credits & Advances	3 580
Other Debt Liabilities	136
Long-term	1 635
Currency & Deposits	0
Debt Securities	705
Loans	687
Trade Credits & Advances	64
Other Debt Liabilities	179
Direct Investments: between Enterprises	2 398
Liabilities of Direct Investment Enterprises to Direct Investment Investors	1 482
Liabilities of Direct Investment Investors to Direct Investment Enterprises	100
Liabilities to Affiliated Enterprises	816
Total External Debt Positions	20 573

Note: Short-term and long-term are decided upon by the signed agreements. This table employs rounded-off numbers.

RMB Internationalization

Statistics on RMB Cross-Border Payments and Receipts

RMB100 million

Year	Current Account			Capital Account				RMB Settlements of Cross-Border Trade
	Total	Trade in Goods	Trade in Services and Others	Total	Overseas Direct Investments	Foreign Direct Investments	Other	
2009	26	20	6	71	-	-	71	97
2010	3 501	3 034	467	604	57	224	324	4 105
2011	15 889	13 811	2 078	5 047	266	1 007	3 774	20 936
2012	28 797	26 040	2 757	11 362	312	2 592	8 458	40 159
2013	46 368	41 368	5 000	15 972	867	4 571	10 534	62 340
2014	65 510	58 946	6 564	34 078	2 244	9 606	22 228	99 588
2015	72 344	63 911	8 432	48 698	7 362	15 871	25 465	121 042
2016	52 275	41 209	11 066	46 193	10 619	13 988	21 586	98 468
2017	43 243	32 301	10 942	65 122	4 579	11 961	48 582	108 365
2018	51 069	36 572	14 497	107 466	8 048	18 586	80 832	158 535
2019	60 374	42 440	17 934	136 328	7 575	20 253	108 500	196 702
Total	439 396	359 652	79 743	470 941	41 929	98 659	330 354	910 337

RMB Financial Assets Held by Overseas Institutions and Persons

RMB100 million

	Jan. 2019	Feb. 2019	Mar. 2019	Apr. 2019	May 2019	Jun. 2019
Stocks	13 132	15 586	16 839	17 034	15 119	16 473
Bonds	18 090	18 067	18 188	18 275	19 383	20 140
Loans	8 696	8 128	8 535	8 768	8 379	8 340
Deposits	10 704	10 994	11 176	10 988	11 283	11 113

	Jul. 2019	Aug. 2019	Sept. 2019	Oct. 2019	Nov. 2019	Dec. 2019
Stocks	16 551	16 903	17 686	18 450	18 712	21 019
Bonds	20 801	20 973	21 841	21 994	22 695	22 629
Loans	8 371	7 911	8 181	8 263	8 292	8 332
Deposits	11 312	11 186	10 934	11 566	10 958	12 149

Flow of Funds Statement, 2018 (Financial Transaction Accounts)

	Households		Non-Financial Corporations		General Government		Financial Institutions	
	Uses	Sources	Uses	Sources	Uses	Sources	Uses	Sources
Net Financial Investments	55 348		-79 875		-46 515		74 253	
Financial Uses	135 701		-4 163		19 147		185 604	
Financial Sources		80 353		75 712		65 663		111 350
Currency	1 969		231		51			2 563
Deposits	77 092		11 724		16 168		-12	105 210
Demand Deposits	18 712		-766		254			18 200
Time Deposits	54 633		22 350		19 532			96 516
Fiscal Deposits					-596			-596
Foreign Exchange Deposits	-221		-4 011		-13		-180	-4 184
Other Deposits	3 968		-5 849		-3 010		168	-4 726
Customer Margin of Securities Companies	-366		-565		-64		-181	-1 229
Loans		78 514		49 160		4 448	125 268	-6 124
Short-term Loans & Discounted Commercial Paper Loans		24 947		23 401			48 348	
Medium & Long-term Loans		49 533		50 075			99 607	
Foreign Exchange Loans		2		-2 246		33	-2 854	43
Designated Loans		4 260		-18 364		-2 043	-16 554	-363
Other Loans		-228		-3 705		6 458	-3 279	-5 804
Undiscounted Bankers' Acceptance Bills			-6 343	-6 343			-6 343	-6 343
Insurance Technical Reserves	22 155		1 071			12 117		11 109
Inter-Financial Institution Accounts							8 283	2 201
Required and Excessive Reserves							-9 970	-9 610
Bonds	1 047		1 049	18 298	1 049	48 532	106 833	45 350
Government Bonds	843		-4		-40	48 532	43 066	
Financial Bonds	28		6		533		45 659	45 350
Central Bank Bonds							7	
Corporate Bonds	176		1 048	18 298	556		18 102	
Stocks	1 694		3 174	6 758	297		1 447	2 696
Securities Investment Funds Shares	5 601		8 637		981		2 771	18 784
Cash in Vault							-516	-491
Central Bank Loans							9 592	9 592
Miscellaneous (net)	26 511	1 840	-33 845	1 799	665	136	-52 398	-62 842
Foreign Direct Investments			6 384	13 466				
Changes in Other Foreign Assets & Debts			4 320	3 175		430	-423	482
Changes in Reserve Assets							1 250	
Errors & Omissions in the BOP				-10 601				

RMB100 million

All Domestic Sectors		Rest of the World		Total		
Uses	Sources	Uses	Sources	Uses	Sources	
3 211		-3 211		0		Net Financial Investments
336 289		21 413		357 702		Financial Uses
	333 078		24 624		357 702	Financial Sources
2 251	2 563	312		2 563	2 563	Currency
104 973	105 210	643	405	105 615	105 615	Deposits
18 200	18 200			18 200	18 200	Demand Deposits
96 516	96 516			96 516	96 516	Time Deposits
-596	-596			-596	-596	Fiscal Deposits
-4 424	-4 184	646	405	-3 779	-3 779	Foreign Exchange Deposits
-4 723	-4 726	-3		-4 726	-4 726	Other Deposits
-1 177	-1 229	-52		-1 229	-1 229	Customer Margin of Securities Companies
125 268	125 998	1 913	1 184	127 181	127 181	Loans
48 348	48 348			48 348	48 348	Short-term Loans & Discounted Commercial Paper Loans
99 607	99 607			99 607	99 607	Medium & Long-term Loans
-2 854	-2 168	1 913	1 228	-941	-941	Foreign Exchange Loans
-16 554	-16 510		-44	-16 554	-16 554	Designated Loans
-3 279	-3 279			-3 279	-3 279	Other Loans
-12 686	-12 686			-12 686	-12 686	Undiscounted Bankers' Acceptance Bills
23 226	23 226			23 226	23 226	Insurance Technical Reserves
8 283	2 201	1 360	7 442	9 643	9 643	Inter-Financial Institution Accounts
-9 970	-9 610	360		-9 610	-9 610	Required and Excessive Reserves
109 979	112 180	5 115	2 915	115 095	115 095	Bonds
43 865	48 532	4 623	-44	48 488	48 488	Government Bonds
46 227	45 350	465	1 341	46 691	46 691	Financial Bonds
7			7	7	7	Central Bank Bonds
19 881	18 298	28	1 610	19 908	19 908	Corporate Bonds
6 612	9 454	4 015	1 172	10 626	10 626	Stocks
17 989	18 784	795		18 784	18 784	Securities Investment Funds Shares
-516	-491		-25	-516	-516	Cash in Vault
9 592	9 592			9 592	9 592	Central Bank Loans
-59 067	-59 067			-59 067	-59 067	Miscellaneous (net)
6 384	13 466	13 466	6 384	19 850	19 850	Foreign Direct Investments
3 897	4 087	4 087	3 897	7 985	7 985	Changes in Other Foreign Assets & Debts
1 250			1 250	1 250	1 250	Changes in Reserve Assets
	-10 601	-10 601		-10 601	-10 601	Errors & Omissions in the BOP

NOTES ON SECTORS AND ITEMS IN THE FLOW OF FUNDS STATEMENT

Flow of Funds Statement (Financial Transaction Accounts)[1]: Presented in matrix format, financial accounts encompass financial transactions among the domestic sectors and with the rest of the world. In the accounts, all institutional units are grouped under five sectors: households, non-financial corporations, governments, financial institutions, and external sector, and all financial transactions taking place among the five sectors are classified by the 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 of sources and uses are employed to reflect changes in the financial assets and the financial liabilities of each sector.

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

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

Governments: Include the central government, local governments, government organizations, and social insurance funds. They produce and supply non-profit output for public and individual consumption. They also assume responsibilities for redistributing national income and wealth.

Financial Institutions: All financial corporations and quasi-corporations that are mainly engaged in financial intermediary or relevant financial activities. These institutions provide financial services in banking, insurance, and securities sectors.

External Sector: Non-resident units that have financial transactions with resident units.

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

Financial Sources: The total amount 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 of the depository institutions, including demand deposits, time deposits, fiscal deposits, foreign exchange deposits, and others.

Demand Deposits: Deposits that can be withdrawn on demand.

Time Deposits: Deposits that cannot be readily withdrawn because they are subject to a fixed term and prior notice before withdrawal.

Fiscal Deposits: Deposits of the government in banking institutions.

Foreign Exchange Deposits: Foreign exchange-denominated deposits of domestic institutions with domestic financial institutions and the rest of the world, and those of external sector with domestic financial institutions.

Other Deposits: Deposits that are not included in the above categories, such as designated deposits and trust deposits.

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 the financial institutions offer funds to the clients by discounting the commercial papers, bankers' acceptance bills, and other papers held by the clients.

1. At present, some financial transactions are not yet available, such as equity, commercial credit, certain accounts receivable and accounts payable.
2. Statistics on the amount of RMB circulation in foreign countries and that of foreign currency circulation in China are not available yet.

Medium and Long-term Loans: Loans from financial institutions to enterprises and households with longer maturities (usually more than 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 loans to residents by the rest of the world.

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

Other Loans: Loans that are not classified elsewhere above, such as trust loans, financial leasing, and advances.

Undiscounted Bankers' Acceptance Bills: Bankers' acceptance bills that have not been discounted in financial institutions, which equals all the bankers' acceptance bills minus their discounted parts.

Insurance Reserves: The net equity of social insurance and commercial insurance funds, prepaid insurance premiums 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 institution deposits with the PBC and required reserves.

Bonds: Securities issued by institutions to raise funds and repaid in line with stipulated terms and conditions, including government bonds, financial bonds, central bank bonds, corporate bonds, etc.

Government Bonds: Bonds issued and guaranteed by the government institutions with interest and principal repaid on dates as agreed.

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 non-financial corporations.

Stocks[3]: Documents that represent property rights on corporations and entitle the holders to a share of the profits of the corporations and to a share of their net assets.

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

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

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

Direct Investments: Foreign direct investments from abroad and outward direct investments made by domestic residents.

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

International Reserve Assets: Refer to external assets held by China's central bank, including foreign exchange, monetary gold, special drawing rights, and reserve positions at the International Monetary Fund (IMF).

Errors and Omissions in the Balance of Payments[4]: Arise from inconsistencies between current account and capital and financial account due to differences in sources and point of time during the process of compiling the Balance of Payments through double-entry accounting.

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

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

ANALYSIS OF CHINA'S FLOW OF FUNDS IN 2018

The scale of the flow of funds in the real economy contracted significantly

In 2018, as the global economic growth slowed down, trade frictions intensified, the domestic economic growth decelerated, regulation tightened and off-balance sheet business shrank, the total flow of funds in the real economy of China contracted drastically by 43.5 percent year on year, 30.1 percentage points higher than the drop in the previous year, to[1] RMB35.8 trillion, RMB27.6 trillion less than a year earlier. The flow of funds in the real economy was equivalent to 39.7 percent of GDP, 37.4 percentage points lower than that in the previous year.

New financing and new financial assets of domestic non-financial institutions fell by 11.7 percent and 42.6 percent respectively, and the funding gap widened markedly

In 2018, new liabilities and equity financing (hereinafter referred to as new financing) of domestic non-financial institutions[2] amounted to RMB22.2 trillion, which was RMB2.9 trillion, or 11.7 percent, less than that during the previous year.

By sector, the amount of new financing of households, non-financial enterprises, and governments was RMB8.0 trillion, RMB7.6 trillion, and RMB6.6 trillion respectively, which was RMB86.5 billion more, RMB5.3 trillion less, and RMB2.3 trillion more than that in the previous year, respectively. In terms of the financing structure, the three sectors accounted for 36.2 percent, 34.1 percent, and 29.6 percent respectively of all new financing of domestic non-financial institutions respectively. Compared with the previous year, the share of households and governments increased by 4.6 and 12.6 percentage points respectively, while that of non-financial corporations decreased by 17.1 percentage points (see Table 1).

Table 1. New Liabilities and Equity Financing of Domestic Non-Financial Institutions in 2018 (By Sector)

	New Increase (RMB100 Million)	YOY Change (RMB100 Million)	YOY Growth (%)	Share (%)	YOY Change (Percentage Points)
Total	221 728	-29 266	-11.7	100.0	–
Households	80 353	865	1.1	36.2	4.6
Non-financial corporations	75 712	-53 034	-41.2	34.1	-17.1
Governments	65 663	22 904	53.6	29.6	12.6

Source: People's Bank of China

Table 2. New Liabilities and Equity Financing of Domestic Non-Financial Institutions in 2018 (By Instrument)

	New Increase (RMB100 Million)	YOY Change (RMB100 Million)	YOY Growth (%)	Share (%)	YOY Change (Percentage Points)
Total	221 728	-29 266	-11.7	–	–
Loans	132 122	-37 728	-22.2	59.6	-8.1
Undiscounted Bankers' Acceptance Bills	-6 343	-11 724	-217.9	-2.9	-5.0
Insurance Reserves	12 117	3 861	46.8	5.5	2.2
Bonds	66 830	8 416	14.4	30.1	6.9
of Which: Corporate Bonds	18 298	15 691	601.9	8.3	7.2
Government Bonds	48 532	-7 275	-13.0	21.9	-0.3
Stocks	6 758	-3 126	-31.6	3.0	-0.9
Foreign Liabilities	6 470	9 354	-324.3	2.9	4.1

Source: People's Bank of China

Loans and bonds, the major financing instruments, contributed to around 90 percent of the financing of non-financial institutions combined. Among that, loans accounted for 59.6 percent, 8.1 percentage points lower than

1. Total flow of funds refers to the aggregate of funds used by households, non-financial corporations, governments, the financial sector and the external sector or their financial sources.

2. Domestic non-financial institutions include households, non-financial corporations, and governments.

a year earlier. Bond financing accounted for 30.1 percent, 6.9 percentage points higher than the previous year, chiefly driven by rapid increase in corporate bonds, whose share went up by 7.2 percentage points from a year earlier (see Table 2).

New financial assets of non-financial institutions totaled RMB15.1 trillion, down by RMB11.2 trillion or 42.6 percent year on year.

By sector, new financial assets of households accounted for 90.1 percent of total new financial assets, 36.6 percentage points higher than a year earlier; and new financial assets of governments made up 12.7 percent, 2.4 percentage points lower than the previous year.

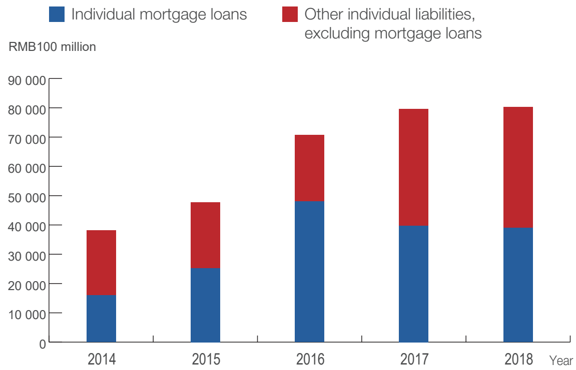
Among financial assets of non-financial institutions, trust plans, deposits, and wealth management for customers increased much less than the growth in the previous year. Such decrease of the above three instruments combined accounted for 91.7 percent of total decline in new assets. Bonds and equities went down by RMB335.8 billion and RMB546 billion, or 51.6 percent and 51.4 percent respectively.

Non-financial institutions posted a funding gap of RMB7.1 trillion in the year, plummeting by RMB8.3 trillion from a surplus of RMB1.2 trillion in the previous year.

Household liabilities grew steadily, but financial assets growth slowed down, leading to a reduced surplus on a year-on-year basis

In 2018, new liabilities of households amounted to RMB8 trillion, RMB86.5 billion, or 1.1 percent more than that of the previous year. Residential commodity housing sales reached RMB12.6 trillion, up by 14.7 percent, which was 3.4 percentage points higher than a year earlier. However, due to the increase in the down payment ratio and the higher mortgage rate, personal mortgage loan rose by RMB3.9 trillion, RMB81.7 billion less than the increase of the previous year. The personal mortgage loan accounted for 48.5 percent of new household liabilities, 1.6 percentage points less than the previous year (see Figure 1).

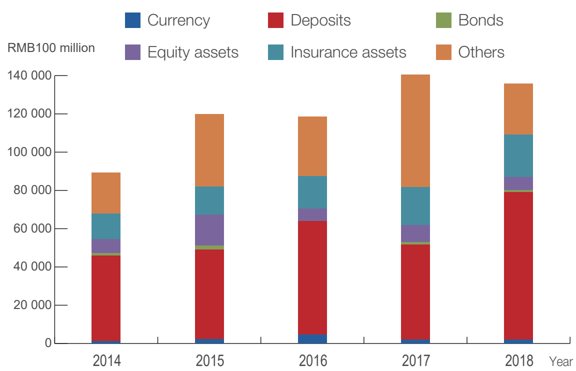
Figure 1. Structure of New Household Liabilities



Source: People's Bank of China

New financial assets of the household sector registered RMB13.6 trillion, a decrease of RMB482 billion from the previous year, or 3.4 percent. Since non-standard off-balance-sheet financing regulation tightened at the beginning of the year, off-balance sheet businesses like banks' wealth management for customers had been back on the balance sheet. Due to this, compounded with sluggish stock markets, deposit and insurance assets accounted for a higher share in new household assets while bonds, equities and wealth management saw losing shares. New deposit and insurance assets of households hit RMB7.7 trillion and RMB2.2 trillion respectively, up by RMB2.7 trillion and RMB224.1 billion from a year earlier. Other new assets including wealth management registered RMB2.7 trillion, RMB3.2 trillion less than the previous year. New equities reached RMB692.8 billion, down by RMB174.5 billion from the previous year (see Figure 2).

Figure 2. Structure of New Household Financial Assets



Source: People's Bank of China

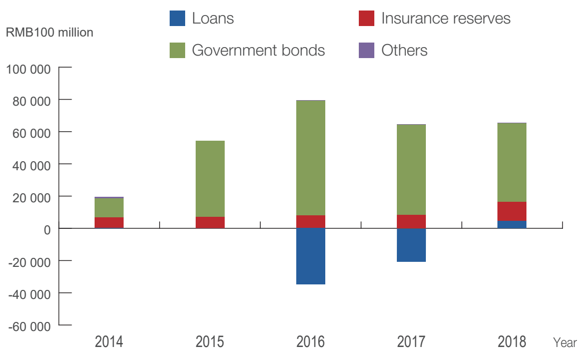
Households posted a fund surplus of RMB5.5 trillion, RMB568.5 billion less than a year earlier.

New financial assets and liabilities of non-financial corporations decreased, and the funding gap continued to grow

In 2018, non-financial corporations recorded an increase of RMB7.6 trillion in financing, down by RMB5.3 trillion, or 41.2 percent from the previous year. New loan[3] financing, undiscounted bankers' acceptance financing and equity financing declined notably while new bond financing increased more markedly than a year earlier. New loans registered RMB4.9 trillion, RMB6.4 trillion less than the previous year. New loans accounted for 64.9 percent of new financing of non-financial corporations, down by 22.9 percentage points year on year. Entrusted loans and trust loans slumped by RMB1.8 trillion and RMB682.2 billion respectively, RMB2.6 trillion and RMB2.8 trillion lower than that in the previous year. Along with tightened financial regulation, enterprises shifted from off-balance sheet financing to on-balance sheet financing and bond financing, with direct financing accounting for a higher share while indirect financing losing its share. New bond financing of non-financial corporations reached RMB1.8 trillion in 2018, an increase of RMB1.6 trillion over the previous year, accounting for 24.2 percent of the total new financing of non-financial corporations, 22.1 percentage points higher than that in the previous year.

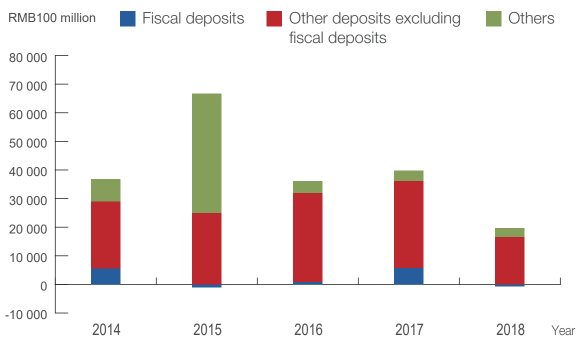
Financial assets in non-financial corporations decreased by RMB416.3 billion, a drop of RMB8.7 trillion compared with an increase of RMB8.2 trillion in the previous year. The steepest decline was seen in trust equities, which was RMB3.1 trillion, losing RMB4.9 trillion compared with an increase of RMB1.8 trillion in the previous year. Deposits grew by RMB1.2 trillion, RMB3.9 trillion less than the growth of the previous year. Undiscounted bankers' acceptances declined by RMB634.3 billion, falling RMB1.2 trillion compared with an increase of RMB538.1 billion in the previous year.

Figure 3. Composition of Major New Liabilities in the Government Sector



Source: People's Bank of China

Figure 4. Composition of Major New Financial Assets in the Government sector



Source: People's Bank of China

Non-financial corporations recorded a funding gap of RMB8 trillion, RMB3.4 trillion more than a year earlier, marking the third consecutive year of increase.

3. In flow of funds accounting, loans is a wide-ranging concept, including general loans, entrusted loans, trust loans, wealth management loans, and loans provided by micro lenders and other lenders.

New liabilities of governments rose rapidly while financial asset growth slowed down considerably, leading to a significant expansion in funding gap

In 2018, governments[4] posted new liabilities of RMB6.6 trillion, up by RMB2.3 trillion or 53.6 percent year on year. Loans rose by RMB444.8 billion, RMB2.6 trillion more than a year earlier. Insurance reserves of social security funds increased by RMB1.2 trillion, RMB386.1 billion more than the previous year. Bond financing by governments grew by RMB4.9 trillion, RMB727.5 billion less than the previous year. In the year, the government offered RMB2 trillion worth of debt-converting bonds, RMB773.6 billion less than a year earlier (see Figure 3).

New financial assets of governments stood at RMB1.9 trillion, RMB2.1 trillion less than the previous year. Fiscal deposits decreased by RMB59.6 billion, a fall of RMB628 billion compared with an increase of RMB568.4 billion in the previous year. Deposits other than fiscal deposits increased by RMB1.7 trillion, down by RMB1.4 trillion or 44.8 percent from a year earlier. Other incremental assets reached RMB297.9 billion, RMB70.2 billion less than that in the previous year (Figure 4).

Governments recorded a funding gap of RMB4.7 trillion, RMB4.3 trillion more than the previous year. As tax and fee reduction was greatly intensified in 2018, fiscal expenditures were RMB3.8 trillion more than fiscal revenues, increasing by 22.1 percent year on year, contributing significantly to ensuring macroeconomic stability.

The expansion of the financial sector slowed down dramatically. New financing decreased by 68.8 percent, new financial assets contracted by 47.9 percent and intra-financial sector trading shrank significantly

In 2018, the financial sector[5] recorded an increase of RMB11.1 trillion in financing, declining by RMB24.5 trillion, or 68.8 percent, from the previous year. The intra-financial sector trading, especially off-balance sheet trading, slumped. New deposits reached RMB10.5 trillion, down by RMB3.7 trillion from a year earlier. Entrusted deposit financing contracted by RMB1.7 trillion, RMB2.4 trillion lower than an increase of RMB735.7 billion in the previous year. Trust equities decreased by RMB3.3 trillion, RMB7.9 trillion lower than an increase of RMB4.7 trillion in the previous year. Wealth management for customers declined by RMB200.7 billion, RMB614.1 billion less than the decrease of the previous year. The intra-financial sector trading including trust, wealth management for customers, inter-financial institution accounts and entrusted deposits, which account for nearly 30 percent of the balance of the funding sources of the financial sector, contracted by nearly 90 percent.

New financial assets of the financial sector reached RMB18.6 trillion, RMB17 trillion or 47.9 percent less than that in 2017. New loans reached RMB12.5 trillion, down by RMB5.3 trillion from a year earlier and accounting for 67.5 percent of total new financial assets of financial institutions. As regulation of off-balance sheet business such as entrusted loans tightened in 2018, entrusted loans contracted RMB1.7 trillion, RMB2.4 trillion lower than an

4. Governments sector includes governments, government organizations, administrative institutions, and social security funds.

5. The financial sector covers the central bank, depository monetary institutions, insurance companies, securities investment funds, and other financial institutions.

increase of RMB734.8 billion in the previous year. Other loans declined by RMB327.9 trillion, RMB1.6 trillion lower than an increase of RMB1.3 trillion in the previous year, chiefly driven by the dramatic decrease in trust loans. New central bank loans amounted to RMB959.2 billion, RMB1.5 trillion less than a year earlier. The reserve requirements decreased by RMB997 billion, RMB2 trillion lower than an increase of RMB1 trillion in the previous year.

New financing and new assets in the financial sector had declined for two years in a row. In 2018, the decline was dramatic, chiefly driven by the significant shrinkage of intra-financial sector trading. Funds circulation within the financial sector without entering the real economy was contained. Financing was extended to the non-financial sector, effectively bridging the funding gap of non-financial institutions.

The increase in China's net external financial assets was RMB778.1 billion less year on year and the funding gap in the external sector was narrowed

In 2018, China's foreign financial assets recorded an increase of RMB2.5 trillion (Chinese funds used by the external sector), and ODI increased by RMB638.4 billion, RMB49.7 billion less than a year earlier. International reserve assets increased by RMB125 billion, RMB492.9 billion less than the previous year.

China's external financing (foreign funds used by China) climbed by RMB2.1 trillion and China's net external financial assets[6] rose by RMB321.1 billion, RMB778.1 billion less than the increase in the previous year.

6. Net external financial assets equals new foreign financial assets minus new foreign financial liabilities.

APPENDIXES

Chronology

January

3 Jan. The PBC Work Conference was held in Beijing. Under the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the conference thoroughly studied and implemented the guidelines of the 19th National Congress of the Communist Party of China (CPC) and the Central Economic Work Conference, reviewed main work in 2018, analyzed current economic and financial situations, and made arrangements for key tasks in 2019.

4 Jan. The PBC announced to lower the reserve requirement ratio for financial institutions by 1 percentage point, 0.5 percentage point of which was cut on January 15, 2019 and a further 0.5 percentage point on January 25, 2019. In addition, the Medium-term Lending Facilities (MLF) due to mature in the first quarter was not renewed.

10 Jan. The PBC announced the issuance plan for precious metal commemorative coin project for 2019.

14 Jan. The PBC and the Bulgarian National Bank signed a Memorandum of Understanding on Cooperation between the two central banks with the objective of deepening the relations and strengthening the cooperation in the field of central banking.

17 Jan. Under the guidance of the PBC, the National Association of Financial Market Institutional Investors (NAFMII) organized its members to formulate the *Guidelines on Debt Financing Instruments of Overseas Non-financial Enterprises (for Trial Implementation)*, promoting the well-regulated development of debt financing instruments of overseas non-financial enterprises and further opening up the interbank bond market.

17~18 Jan. The first G20 Finance and Central Bank Deputies Meeting since Japan took over the G20 presidency was held in Tokyo, Japan. Representatives of the PBC attended the meeting. At the meeting, Deputies discussed issues including global economic developments, international financial architecture, high-quality infrastructure investment, financial sector reform and international tax cooperation in light of major work arrangements of Finance Track in 2019.

23 Jan. The PBC conducted Targeted Medium-term Lending Facility (TMLF) operations of RMB257.5 billion for Q1, 2019, aiming to ensure long-term and stable financing from financial institutions to private enterprises and small and micro businesses with preferential interest rates.

24 Jan. The PBC announced to launch the Central Bank Bills Swap (CBS) to provide liquidity support for banks to issue capital bonds without fixed terms, namely perpetual bonds, and include qualified perpetual bonds as eligible collateral. On January 25, Bank of China issued RMB40 billion perpetual bonds, first of its kind in China with the bid-to-cover ratio over 2 and the interest rate at the lower end of the range. On February 20, the PBC conducted the first CBS operation with open market primary dealers. The size of the operation registered RMB1.5 billion with a term of one year and a rate of 0.25 percent.

25 Jan. The PBC conducted the 2018 dynamic assessment of targeted reserve requirement ratio (RRR) cuts for inclusive finance.

28 Jan. S&P Global was approved to provide credit rating services in China.

29 Jan. Guo Shuqing, Secretary of the CPC PBC Committee, inspected the China National Clearing Center and attended the 2018 Criticism and Self-Criticism Meeting of the CPC Committee of the center.

30 Jan. To earnestly improve the efficiency and quality of finance to serve rural revitalization, the PBC, the CBIRC, the CSRC, the MOF, and the Ministry of Agriculture and Rural Affairs (MARA) jointly released the *Guidelines on Providing Financial Support for Rural Revitalization*.

30~31 Jan. Yi Gang, Governor of the PBC, accompanied Vice Premier Liu He to the US for the China-US economic and trade talks with the American team led by US Trade Representative Robert Lighthizer. Governor Yi accompanied Vice Premier Liu to the US for multiple rounds of high-level talks on China-US economic and trade issues in 2019.

February

1 Feb. Guo Shuqing, Secretary of the CPC PBC Committee inspected the NAFMII and the SAFE Investment Center, and expressed solicitude to the staff.

11 Feb. The PBC renewed the bilateral local currency swap agreement with Centrale Bank van Suriname. The size of the swap facility is RMB1 billion or SRD1.1 billion.

13 Feb. The PBC issued three-month and one-year RMB-denominated central bank bills in Hong Kong, each worth RMB10 billion with bid rates of 2.45 percent and 2.80 percent respectively.

17~22 Feb. Liu Guoqiang, Deputy Governor of the PBC, led a Chinese delegation comprised of the PBC, the Legislative Affairs Commission of the National People's Congress Standing Committee and the Supreme People's Court to the second Plenary Meeting & Working Group Conference of Financial Action Task Force (FATF)-XXX. The *Mutual Evaluation Report on Anti-Money Laundering and Counter-Terrorist Financing Measures of the People's Republic of China* was reviewed and adopted at the meeting.

21 Feb. The PBC issued the *China Monetary Policy Report (Q4 2018)*.

March

10 Mar.

The Second Session of the 13th National People's Congress held a press conference at its Press Center. Yi Gang, Governor of the PBC, Chen Yulu, Deputy Governor of the PBC, Pan Gongsheng, Deputy Governor of the PBC and Administrator of the SAFE, and Fan Yifei, Deputy Governor of the PBC, answered questions from Chinese and foreign journalists on China's financial reform and development.

17~19 Mar.

Pan Gongsheng, Deputy Governor of the PBC visited Hong Kong and Macao Special Administrative Regions, and held surveys and discussions with the Hong Kong Monetary Authority, Macao Monetary Authority, representatives of the Hong Kong banking industry, Secretariat for Economy and Finance of Macao on financial support for the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

24 Mar.

Yi Gang, Governor of the PBC, attended China Development Forum and delivered a speech titled Further expanding financial opening-up to drive high-quality economic development.

25 Mar.

The PBC released the *Notice on Further Enhancing Payment and Settlement Management and Preventing New Telecom-Cyber Crimes*.

26~28 Mar.

Yi Gang, Governor of the PBC, accompanied Premier Li Keqiang to the opening ceremony of the 2019 Boao Forum for Asia Annual Conference, among others.

April

11~12 Apr.

Chen Yulu, Deputy Governor of the PBC, attended G20 Finance Ministers and Central Bank Governors' Meeting in the US. The G20 Finance Ministers and Central Bank Deputies' Meeting and the Response to Global Imbalance Seminar were held before the meeting. Deputy Governor Chen also attended the BRICS Finance Ministers and Central Bank Governors' Meeting on April 11.

12 Apr.

The Monetary Policy Committee (MPC) of the PBC held its first quarterly meeting in 2019.

12~13 Apr.

Chen Yulu, Deputy Governor of the PBC, attended the Thirty-Ninth Meeting of the International Monetary and Financial Committee (IMFC) in Washington D.C., US.

17 Apr.

The FATF published *Mutual Evaluation Report on Anti-Money Laundering and Counter-Terrorist Financing Measures of the People's Republic of China*.

24 Apr.

The PBC decided to launch the 2019 edition of the fifth series of the renminbi, including banknotes with denominations of 50 yuan, 20 yuan, 10 yuan and 1 yuan, together with coins of 1 yuan, 5 Jiao and 1 Jiao on August 30.

The PBC conducted TMLF operations of RMB267.4 billion.

26 Apr.

Guo Shuqing, Secretary of the CPC PBC Committee, inspected the Bureau of Anti-Money Laundering and the China Anti-Money Laundering Monitoring and Analysis Center, met with and extended regards to the staff, and held workshops with them.

30 Apr.

The PBC published the *Notice on Supporting the Pilot Zones for Green Finance Reform and Innovations to Issue Green Debt Financing Instruments*.

May

6 May

The PBC announced to lower the RRR for county-level rural commercial banks to the same level as for rural credit cooperatives. The RRR adjustment was carried out in three phases, respectively on May 15, June 17 and July 15. China's new RRR framework featuring three tranches and two preferential treatments was basically put in place.

7~9 May

Chen Yulu, Deputy Governor of the PBC, attended the 28th Annual Meeting of Board of Governors of the European Bank for Reconstruction and Development held in Sarajevo, Bosnia and Herzegovina.

10 May

The PBC renewed the bilateral local currency swap agreement with the Monetary Authority of Singapore (MAS). The size of the renewed agreement is RMB300 billion/SGD61 billion.

15 May

The PBC issued three-month and one-year RMB-denominated central bank bills in Hong Kong, each worth RMB10 billion with bid rates of 3.00 percent and 3.10 percent respectively.

The PBC and the CSRC jointly issued the *Notice on the Pilot Work of Open Bond-Index Securities Investment Funds* to promote the development of bond-index public funds in the interbank market and the exchange market.

17 May

The PBC released the *China Monetary Policy Report (Q1 2019)*.

21 May

Guo Shuqing, Secretary of the CPC PBC Committee, inspected the Legal Affairs Department, met with and extended regards to the staff, and held a workshop with them.

24 May

The PBC and the CBIRC jointly released the *Announcement on Taking Over Baoshang Bank Limited* (BSB) to take over the bank.

27 May

The PBC and the SAFE jointly released the *Administrative Measures on Cross-Border Capital of Depository Receipts (for Trial Implementation)*.

30 May

Guo Shuqing, Secretary of the CPC PBC Committee, inspected the Financial News Press and held workshops with the leadership of the Financial News Press and the China Financial Publishing House.

The PBC and the Central Bank of the Republic of Turkey renewed a bilateral local currency swap agreement. The size of the facility is RMB12 billion/TRY10.9 billion.

31 May

The PBC decided to authorize Mitsubishi UFJ as an RMB clearing bank in Japan.

June

5 Jun. The RMB qualified foreign institutional investor (RQFII) pilot area was expanded to the Netherlands, with an investment quota of RMB50 billion.

6 Jun. The mobilization meeting of the PBC for the campaign themed Staying true to the Party's founding mission was held in Beijing.

7 Jun. The BSB Takeover Team and the Deposit Insurance Company signed the claims acquisition and transfer agreements with all large corporate and interbank creditors.

11 Jun. Guo Shuqing, Secretary of the CPC PBC Committee, inspected China UnionPay and held a seminar themed Implementing Themed Education to Boost Financial Services with enterprises and public institutions in Shanghai.

14 Jun. To enhance liquidity support to small and medium-sized banks, build four lines of defense to forestall and defuse liquidity risks facing them and keep their liquidity adequate, the PBC issued the *Notice on Providing Liquidity Support to Small and Medium-Sized Banks* to increase the quota for central bank discounts by RMB200 billion and for standing lending facility (SLF) by RMB100 billion.

17 Jun. Chen Yulu, Deputy Governor of the PBC, accompanied Vice Premier Hu Chunhua to the UK and attended the 10th China-UK Economic and Financial Dialogue.

18 Jun. Guo Shuqing, Secretary of the CPC PBC Committee, inspected the Silk Road Fund and the Jiyuan Company, and held a workshop themed Implementing Themed Education to Further Pursue the Belt and Road Initiative.

24 Jun. The PBC and the CBIRC jointly issued the *Report on Financial Services for China's Micro and Small Enterprises (2018)*, which was the first publicly released white paper on the financial services for micro and small enterprises by Chinese authorities.

25 Jun. The MPC of the PBC held its second quarterly meeting in 2019.

26 Jun. The PBC issued for the first time the one-month and six-month central bank bills worth RMB30 billion in Hong Kong, including RMB20 billion worth of 1-month central bank bills and RMB10 billion worth of 6-month central bank bills, with the bid rates of 2.80 percent and 2.82 percent respectively.

27 Jun. The PBC conducted the second CBS operation in 2019 for primary dealers of open market operations. Valued at RMB2.5 billion, the swap will be due in one year with a rate of 0.25 percent.

27~29 Jun. The G20 Leaders' Summit was held in Osaka, Japan. President Xi Jinping attended the summit and BRICS Leaders' Informal Meeting. He also met with the US and the Japanese leaders and attended many other multilateral and bilateral events. Yi Gang, Governor of the PBC, also attended the events. The *G20 Osaka Leaders' Declaration* was adopted at the summit.

July

1 Jul.	China became the official chair of FATF for a term of one year.
2 Jul.	Guo Shuqing, Secretary of the CPC PBC Committee, inspected the Operations Office and held a workshop themed Implementing Themed Education and Intensify FinTech Research to Improve Financial Services.
8 Jul.	Guo Shuqing, Secretary of the CPC PBC Committee and Secretary of the CPC CBIRC Committee, led the CPC PBC Committee and the CPC CBIRC Committee to visit the Jiaozhuanghu Tunnel War Site Memorial Museum in Shunyi, Beijing. They held Party Day activities themed Staying true to the Party's founding mission for education on the history of revolution.
10 Jul.	Chen Yulu, Deputy Governor of the PBC, attended the first China-Italy Finance Minister Dialogue in Milan, Italy.
11 Jul.	The joint CPC Committee of BSB Takeover Team and BSB Custody Team decided to create the Temporary CPC BSB Committee and Temporary BSB Discipline Committee to stop the general meeting of shareholders, board of directors and board of supervisors of BSB from performing their responsibilities, strengthen the Party leadership over BSB and tighten its internal management.
15 Jul.	The PBC conducted one-year MLF operations in the amount of RMB200 billion, with an interest rate of 3.3 percent.
19 Jul.	The PBC released *2019 China Regional Financial Performance Report*.
20 Jul.	The Office of Financial Stability and Development Committee under the State Council released a series of policies and measures to further open up China's financial sector.
23 Jul.	The PBC conducted one-year MLF operations in the amount of RMB200 billion, with an interest rate of 3.3 percent. The PBC conducted TMLF operations in the amount of RMB297.7 billion.
24 Jul.	The PBC comprehensively carried out the program of optimizing the pricing mechanism for the use of central bank lending for poverty alleviation to issue loans, so as to guide financial institutions to rationally determine the interest rates for loans issued with central bank lending for poverty alleviation and effectively reduce financing costs in poor areas.
25~31 Jul.	Xu Jiaai, Commissioner of Discipline Inspection, inspected UnionPay International Japan Branch, China Great Wall Coins Investment Ltd., and Bond Connect Co., Ltd., and held workshops with Independent Commission Against Corruption and Hong Kong Monetary Authority.
26 Jul.	The PBC solicited public opinions on the *Interim Measures on Supervision and Regulation of Financial Holding Companies (Exposure Draft)*.

August

9 Aug.

The PBC conducted the third CBS operation in 2019. Open to primary dealers of open market businesses, the operation registered RMB5 billion with a term of three months and a rate of 0.10 percent. This was the first time for the PBC to conduct three-month CBS operations.

The PBC released the *China Monetary Policy Report (Q2 2019)*.

12 Aug.

Yi Gang, Governor of the PBC, met with Governor of the Bank of Lao P.D.R. Sonexay Sitphaxay and they exchanged views on bilateral financial cooperation. On behalf of the Lao Government, Governor Sonexay Sitphaxay presented a friendship medal to the PBC to acknowledge its role in promoting bilateral financial cooperation. It is the first such medal presented by BOL to a Chinese institution.

14 Aug.

The PBC successfully issued RMB20 billion three-month and RMB10 billion one-year RMB-denominated central bank bills in Hong Kong, with the bid interest rate at 2.90 percent and 2.95 percent respectively.

15 Aug.

The PBC conducted one-year MLF operations in the amount of RMB400 billion, with an interest rate of 3.3 percent.

17 Aug.

To make loan rates more market-based, improve the interest rate transmission efficiency and lower real loan rates, the PBC issued the Announcement No. 15 [2019] to reform and improve the LPR formation mechanism.

20 Aug.

The PBC for the first time authorized the National Interbank Funding Center (NIFC) to announce the LPR under the new mechanism. The one-year and above-five-year LPR were 4.25 percent and 4.85 percent respectively.

The PBC released the *FinTech Development Plan (2019-2021)* to outline guidelines, basic principles, development targets, key tasks and support measures for FinTech development in the next three years.

25 Aug.

To deepen the reform of the LPR, the PBC released the Announcement of the People's Bank of China No.16 [2019], requiring that starting from October 8, 2019, new individual commercial mortgage loans should be priced by adding basis points to the newly announced LPR of corresponding maturity.

26 Aug.

The PBC conducted one-year MLF operations in the amount of RMB150 billion, with an interest rate of 3.3 percent.

27 Aug.

The PBC launched special central bank lending for poverty alleviation to support the credit expansion and reduce the financing costs in the three regions and three prefectures, so as to help achieve the goals for targeted poverty alleviation.

The PBC and CBIRC jointly published the *Opinions on Supporting the Issuance of Financial Bonds for Innovation and Entrepreneurship by Commercial Banks* to encourage commercial banks to issue financial bonds for innovation and entrepreneurship so as to expand the credit supply in both fields, to tap the creative potential of various innovative entities, and to promote the economic restructuring and industrial upgrading.

31 Aug.

The BSB Takeover Team employed an institution for the asset and capital verification of BSB.

September

6 Sep.

The PBC announced that on September 16 it would comprehensively lower the RRR for financial institutions, excluding finance companies, financial leasing companies, and auto finance companies, by 0.5 percentage point, and further lower the ratio by 1 percentage point for city commercial banks operating solely within the provincial administrative regions, to be implemented on October 15 and November 15, with a cut of 0.5 percentage point each time.

10 Sep.

The SAFE announced to remove the quota on QFII and RQFII.

11 Sep.

The PBC conducted the fourth CBS operation in 2019. Open to primary dealers of open market businesses, the operation registered RMB5 billion with a term of three months and a rate of 0.10 percent.

16 Sep.

Chen Yulu, Deputy Governor of the PBC, accompanied Vice Premier Hu Chunhua to the 23th Meeting of the Committee for Regular Meetings between the Chinese and Russian Prime Ministers in Russia.

The PBC decided to authorize Bank of China Manila Branch as an RMB clearing bank in the Philippines.

17 Sep.

The PBC conducted one-year MLF operations in the amount of RMB200 billion, with an interest rate of 3.3 percent.

20 Sep.

Authorized by the PBC, the NIFC announced the one-year and above-five-year LPR was 4.2 percent and 4.85 percent respectively.

25 Sep.

The MPC of the PBC held its third quarterly meeting in 2019.

The PBC improved the management of collateral for central bank lending and the SLF, classified collateral according to the credit rating and liquidity, and set different requirements based on monetary policy operations, so as to ensure the safety of central bank funds.

26 Sep.

The PBC issued RMB10 billion of six-month RMB-denominated central bank bills in Hong Kong, with an interest rate of 2.89 percent.

30 Sep.

The PBC Headquarters held a campaign themed Flying National Flags and Singing National Anthem for My Beloved Motherland to celebrate the 70th anniversary of the founding of the People's Republic of China.

October

8 Oct.

The PBC and the European Central Bank (ECB) extended a bilateral currency swap agreement in the amount of RMB350 billion, or EUR45 billion.

12 Oct.

The PBC solicited public opinions on the *Rules for Verification of Standard Debt-Based Assets (Exposure Draft)*.

15 Oct.

Pan Gongsheng, Deputy Governor of the PBC, accompanied Vice Premier Han Zheng to the 15th meeting of the China-Singapore Joint Council for Bilateral Cooperation in Chongqing.

The PBC issued the *Measures for the Administration of the Use of Renminbi Designs*.

The PBC and the SAFE released the *Notice on Issues Concerning Further Facilitating Investment by Foreign Institutional Investors in the Interbank Bond Market*.

16 Oct.

The PBC and the State Administration for Market Regulation (SAMR) jointly released an announcement to incorporate FinTech products into the national certification system.

17 Oct.

The PBC released the *Measures for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication*.

17~18 Oct.

The PBC conducted the fifth CBS operation in 2019. Open to primary dealers of open market businesses, the operation registered RMB6 billion with a term of three months and a rate of 0.10 percent.

19 Oct.

The NDRC, the PBC, the MOF, the CBIRC, the CSRC and the SAFE jointly issued the *Notice on Further Clarifying and Regulating Investment from Asset Management Products of Financial Institutions in Venture Capital Funds and Government-Sponsored Industrial Investment Funds*.

21 Oct.

Authorized by the PBC, the NIFC announced the one-year and above-five-year LPR was 4.2 percent and 4.85 percent respectively.

November

5 Nov.

The PBC conducted MLF operations in the amount of RMB400 billion at the rate of 3.25 percent, down by 5 basis points (bps) from the previous operation.

7 Nov.

The PBC issued RMB20 billion three-month and RMB10 billion one-year RMB-denominated central bank bills in Hong Kong, with an interest rate of 2.90 percent for both.

13~14 Nov.

The 11th BRICS Summit was held in Brasilia, the capital of Brazil. President Xi Jinping attended and delivered a speech at the meeting. Yi Gang, Governor of the PBC, also attended the meeting.

14 Nov.

Guo Shuqing, Secretary of the CPC PBC Committee, inspected PBC Nanchang Sub-branch and Jiangxi Office of the CBIRC, met with and extended regards to staff there, held a workshop themed Deepening Financial Reform to Serve the Real Economy and urged the second batch of institutions to conduct the campaign themed Staying true to the Party's founding mission.

15 Nov.

The PBC conducted MLF operations in the amount of RMB200 billion, with an interest rate of 3.25 percent.

16 Nov.

The PBC released the *China Monetary Policy Report (Q3 2019)*.

20 Nov.

The Supreme People's Court, the PBC and the CBIRC held a facilitation meeting on building a diversified resolution mechanism for financial disputes.

Authorized by the PBC, the NIFC announced the one-year and above-five-year LPR was 4.15 percent and 4.8 percent respectively.

21 Nov.

Guo Shuqing, Secretary of CPC PBC Committee and Chairman of the CBIRC, met with Ms. Kristalina Georgieva, the Managing Director of the International Monetary Fund. They exchanged views on deleveraging in China, risk resolution of small and medium-sized banks, climate change and green finance.

22 Nov.

The PBC released the revised *Measures for the Registration of Pledged Account Receivables*.

26 Nov.

The PBC and the CBIRC jointly solicited public opinions on the *Evaluation Measures for Systemically Important Banks (Exposure Draft)*.

The PBC, the NDRC, the MOF and the CSRC jointly released the *Interim Measures for the Administration of the Credit Rating Industry*.

27 Nov.

The PBC conducted the sixth CBS operation in 2019. Open to primary dealers of open market businesses, the operation registered RMB6 billion with a term of three months and a rate of 0.10 percent.

December

1 Dec.

The 2019 annual meeting of Financial Education Review and Prospects & the 9th meeting of the 7th Council was hosted by the China Foundation for Development of Financial Education in Beijing. Yi Gang, Governor of the PBC, attended the meeting and delivered a speech on current economic and financial developments.

5 Dec.

The PBC signed a bilateral local currency swap agreement with the Monetary Authority of Macao in the amount of RMB30 billion/MOP35 billion.

6 Dec.

The PBC published the *Measures for Administration of Payment Services for Intermediary Receipt of the State Treasury (Trial)*, which would take effect on January 6, 2020.

The PBC conducted MLF operations in the amount of RMB300 billion, with an interest rate of 3.25 percent.

8~10 Dec.

The PBC and World Bank co-hosted Global Summit on Reserves Management in Beijing.

10 Dec.

The PBC and the Magyar Nemzeti Bank, the central bank of Hungary, renewed their bilateral local currency swap agreement in the amount of RMB20 billion/HUF864 billion.

11 Dec.

The State Council approved the restructuring scheme submitted by the BSB Takeover Team and ordered it to be jointly conducted by the PBC, the CBIRC and local governments of Inner Mongolia and Anhui.

16 Dec.

The PBC conducted MLF operations in the amount of RMB300 billion, with an interest rate of 3.25 percent.

19 Dec.

The PBC released the Announcement No. 29 [2019], further facilitating individual RMB cross-border remittance in Macao, raising the ceiling of Macao residents' remittance to their mainland RMB accounts under the same name from RMB50 000 to RMB80 000 per person per day.

20 Dec.

The PBC, the NDRC and the CSRC solicited public opinions on *Administrative Measures for Information Disclosure on Corporate Debenture Bonds (Exposure Draft)*.

The PBC issued RMB10 billion of six-month RMB-denominated central bank bills in Hong Kong, with an interest rate of 2.90 percent.

Authorized by the PBC, the NIFC announced the one-year and above-five-year LPR was 4.15 percent and 4.8 percent respectively.

24 Dec.

Yi Gang, Governor of the PBC, accompanied Premier Li Keqiang to the China-Japan-ROK Leaders' Summit Meeting in Chengdu, Sichuan.

The PBC, the CBIRC, the CSRC and the SAFE jointly published the *Notice on Further Standardizing Financial Marketing and Promotions*, which would take effect on January 25, 2020.

The PBC conducted the seventh CBS operation in 2019. Open to primary dealers of open market businesses, the operation registered RMB6 billion with a term of three months and a rate of 0.10 percent.

The PBC announced the issuance plan for precious metal commemorative coin project for 2020.

26 Dec.

The 10th Work Meeting of the Inter-Ministerial Joint Conference on Anti-Money Laundering was held in Beijing. Yi Gang, Governor of the PBC and convener of the meeting, attended and addressed the meeting. Liu Guoqiang, Deputy Governor of the PBC, chaired the meeting.

27 Dec.

The PBC, the NDRC and the CSRC jointly solicited public opinions about the *Notice on Default Resolution of Corporate Debenture Bonds (Exposure Draft)*.

The MPC of the PBC held its fourth quarterly meeting in 2019.

28 Dec.

To deepen the market-based interest rate reform and further boost the utilization of LPR, the PBC released the *Announcement on the Shift of the Pricing Benchmark of Existing Floating Rate Loans*, requiring financial institutions to adopt a market and law-based approach to promote the shift to LPR or a fixed interest rate.

30 Dec.

Yi Gang, Governor of the PBC, visited the Investment Center of the SAFE to meet with and extend regards to the staff responsible for the operation and management of foreign exchange reserves.

The PBC lowered the interest rates on SLF by 5 bps. After the cut, the interest rates of overnight, seven-day and one-month SLF loans was 3.35 percent, 3.50 percent and 3.85 percent respectively.

MAJOR RULES AND ADMINISTRATIVE DOCUMENTS PROMULGATED IN 2019

No.	Document Number	Title (Main Content)	Date
1	Decree [2019] No. 1	Abolishing Corporate Bank Account Approval	04.08
2	Decree [2019] No. 2	Measures for the Administration of the Use of Renminbi Designs (2019)	10.15
3	Decree [2019] No. 3	Measures of the People's Bank of China for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication	10.17
4	Decree [2019] No. 4	Measures for Registration of the Pledged Account Receivables	11.22
5	Decree [2019] No. 5	Interim Measures for the Administration of Credit Rating Industry	11.26
6	Announcement [2019] No. 1	Abolition of Standards for RMB Banknotes Not Suitable for Circulation	01.09
7	Announcement [2019] No. 2	Panda Silver Commemorative Coin Inscribed with Words for the 40th Anniversary of State Administration of Foreign Exchange	02.03
8	Announcement [2019] No. 3	2019 Auspicious Culture Gold and Silver Commemorative Coins	04.16
9	Announcement [2019] No. 4	Launching the 2019 Edition of the Fifth Series of Renminbi Banknotes and Coins of RMB50 Yuan and Below	04.24
10	Announcement [2019] No. 5	Precious Metal Commemorative Coins for the Beijing International Horticultural Exhibition 2019	04.25
11	Announcement [2019] No. 6	Organizing the Registration of Social Commercial Cash Receiving Equipment Producers for Participating in Equipment Upgrade and Testing	05.09
12	Announcement [2019] No. 7	Gold and Silver Commemorative Coins for the 70th Anniversary of the Diplomatic Relationships between China and Russia	05.16
13	Announcement [2019] No. 8	Administrative Measures on Cross-Border Capital of Depository Receipts (Trial Implementation)	05.27
14	Announcement [2019] No. 9	Panda Silver Commemorative Coin Inscribed with Words for China 2019 World Stamp Exhibition	05.27
15	Announcement [2019] No. 10	Gold and Silver Commemorative Coins for the Art of Chinese Calligraphy (Official Script)	05.27
16	Announcement [2019] No. 11	Authorizing an RMB Clearing Bank in Japan	05.31
17	Announcement [2019] No. 12	Gold and Silver Commemorative Coins for the World Heritage — the Ancient City of Ping Yao	05.31
18	Announcement [2019] No. 13	7th CISM World Games Gold and Silver Commemorative Coins	07.03
19	Announcement [2019] No. 14	Continuing to Conduct Upgrade and Testing for Social Commercial Cash Receiving Equipment Producers	08.02
20	Announcement [2019] No. 15	Reforming and Improving the Loan Prime Rate Formation Mechanism	08.19
21	Announcement [2019] No. 16	Announcement Regarding Adjustment of Interest Rates for New Individual Commercial Mortgage Loans	08.27
22	Announcement [2019] No. 17	Commemorative Coins for the 70th Anniversary of the Founding of the People's Republic of China	09.05
23	Announcement [2019] No. 18	Authorizing an RMB Clearing Bank in the Philippines	09.16
24	Announcement [2019] No. 19	Panda Gold and Silver Commemorative Coins Inscribed with Words for China International Import Expo	09.27
25	Announcement [2019] No. 20	Gold and Silver Commemorative Coins for the Centenary of Nankai University	09.27
26	Announcement [2019] No. 21	Qualification Confirmations of Agent Banks for the Collection of Non-Tax Revenue of the Central Government	09.29
27	Announcement [2019] No. 23	2020 China Panda Gold and Silver Commemorative Coins	10.26
28	Announcement [2019] No. 24	Issues Related to Transfer of Bonds in Default upon Maturity	12.31

No.	Document Number	Title (Main Content)	Date
29	Announcement [2019] No. 25	World Cultural and Natural Heritage — Mount Tai Common Commemorative Coins	11.06
30	Announcement [2019] No. 26	Launching the Verification Mechanism for Pre-Orders of Common Commemorative Coins	11.08
31	Announcement [2019] No. 27	2020 Chinese Geng Zi Year (Year of the Rat) Gold and Silver Commemorative Coins	11.08
32	Announcement [2019] No. 28	2020 New Year Celebration Commemorative Coins	12.16
33	Announcement [2019] No. 29	Further Facilitating Individual RMB Cross-border Remittance in Macao	12.19
34	Announcement [2019] No. 30	Shift of the Pricing Benchmark for Existing Floating Rate Loans	12.28
35	Document [2019] No. 6	Notice on Issuing the Industrial Standards for the Interbank Market Metadata and the Interbank Market Information Exchange Protocol	01.15
36	Document [2019] No. 11	Guidelines on Providing Financial Support for Rural Revitalization	01.30
37	Document [2019] No. 17	Notice on Issuing the Action Plan for the Construction of Shanghai International Financial Center (2018-2020)	01.17
38	Document [2019] No. 25	Notice on Issuing the Measures for Administration of Funds for Foreign Employees to Participate in Equity Incentives of Domestic Listed Companies	01.25
39	Document [2019] No. 64	Notice on Offering the First and Second Issue of Certificate T-Bonds in 2019	03.05
40	Document [2019] No. 85	Further Enhancing Payment and Settlement Management and Preventing New Telecom-Cyber Crimes	03.25
41	Document [2019] No. 116	Announcement on Supporting the Issuance of Green Debt Financing Instruments by Pilot Zones for Green Finance Reform and Innovations	04.30
42	Document [2019] No. 120	Notice on Offering the Third and Fourth Issue of Certificate T-Bonds in 2019	05.06
43	Document [2019] No. 124	Guiding Opinions on Providing Tangible Financial Support for Targeted Poverty Alleviation in 2019-2020	05.09
44	Document [2019] No. 127	Notice on Lowering the Reserve Requirement Ratio for Renminbi Deposits of Rural Commercial Banks Serving Counties	05.09
45	Document [2019] No. 128	Notice on the Pilot Work of Open Bond-Index Securities Investment Funds	05.17
46	Document [2019] No. 155	Notice on Optimizing Comprehensive Control of Blank Check — Related Illegal Conducts	06.11
47	Document [2019] No. 209	Notice on Issuing the FinTech Development Plan (2019-2021)	08.20
48	Document [2019] No. 217	Notice on Offering the Fifth and Sixth Issue of Certificate T-Bonds in 2019	09.03
49	Document [2019] No. 240	Notice on Issues Concerning Further Facilitating Investment by Foreign Institutional Investors in the Interbank Bond Market	10.15
50	Document [2019] No. 269	Notice on Offering the Seventh and Eighth Issue of Certificate T-Bonds in 2019	11.05
51	Document [2019] No. 292	Notice on Issuing the Measures for Administration of Payment Services for Intermediary Receipt of the State Treasury (Trial)	12.06
52	Document [2019] No. 316	Notice on Further Standardizing Financial Marketing and Promotions	12.24
53	General Office Document [2019] No. 71	Notice on Effectively Collecting Information on Additional Deduction of Mortgage Loan Interests from Individual Income Tax	03.29
54	General Office Document [2019] No. 103	Notice on Issuing the 2019 Priorities for Government Information Disclosures	05.27
55	General Office Document [2019] No. 185	Guiding Opinions Regarding Financial Service Support for Toll Road System Reform	10.22

PRESS RELEASES ON QUARTERLY MEETINGS OF THE MONETARY POLICY COMMITTEE IN 2019

On April 12, the Monetary Policy Committee (MPC) of the People's Bank of China (PBC) held its first quarterly meeting in 2019 (its 84th meeting in total) in Beijing

The meeting analyzed the domestic and international economic and financial situations. It was noted at the meeting that the Chinese economy had maintained sound growth momentum with strong resilience, and the switch to new growth drivers had gathered pace. The RMB exchange rate had remained stable, financial market expectations had improved, and the economy had become more resilient against external shocks. The prudent monetary policy had reflected the demand for countercyclical adjustments, as the macro leverage ratio had tended to stabilize, the measures adopted to prevent and mitigate financial risks had produced results, and the financial sector had provided stronger and more efficient support for the real economy. The domestic economy and financial sectors both had seen progress in structural adjustments, yet deep-seated problems and critical contradictions still persisted and the international economic and financial environments had become more complex. The Chinese economy still faced many uncertainties.

It was pointed out at the meeting that the PBC would continue to closely monitor the marginal changes in the economic and financial situations both at home and abroad, strengthen the sense of crisis, maintain strategic orientation, maintain countercyclical adjustments, and strengthen coordination among monetary, fiscal and other policies. Preemptive adjustments and fine-tuning would be made at proper time so as to prevent risks with the priority of stabilizing growth. The prudent monetary policy should be more properly managed to avoid massive liquidity injection, and maintain liquidity at reasonably adequate level and keep the growth rates of broad money M2 and total social financing (TSF) consistent with the nominal GDP growth rate. The financial system reform would be deepened by refining the two-pillar regulatory framework of monetary and macro-prudential policies, advancing the reform in interest rate and other key areas, and smoothing the monetary policy transmission channels. Based on the requirements in deepening supply-side structural reform, efforts would be made to optimize financing and credit structures with an emphasis on adjusting and optimizing the structure of financial system, and to enable private enterprises to get financial support that matches their contributions to the economic and social development. The quality and effectiveness of financial sector's support to the real economy would be enhanced by comprehensively implementing policies, while the financial services provided for small and micro enterprises, as well as agriculture, rural areas and rural people would be improved, and a virtuous triangular cycle would be fostered among keeping monetary policies prudent, enhancing the vitality of micro entities and giving play to the functions of the capital market, so as to nurture the overall virtuous cycle of the national economy. In the meantime, the two-way opening-up at a high level in the financial sector would be further expanded to enhance the capacity for economic and financial management, risk prevention and control in an open economy, and participation in the international financial governance.

It was emphasized at the meeting that following Xi Jinping's Thought on Socialism with Chinese

Characteristics for a New Era, PBC would earnestly implement the principles of the 19th National Congress of the CPC, the Central Economic Work Conference and the Report on the Work of the Government, and adhere to the principle of pursuing progress while ensuring stability in accordance with decisions and arrangements by the CPC Central Committee and the State Council. The PBC would not only stimulate the vitality of micro entities but also innovate and improve macro control, so as to further maintain stability in job creation, preserve financial stability, support stable growth of foreign trade and foreign direct investment, and stabilize investment and expectations. The PBC would use a combination of monetary policy instruments to keep the RMB exchange rate generally stable at an adaptive and equilibrium level, strike a balance among interest rates, exchange rates and the country's balance of payments, facilitate the stable and sound development of economy, stabilize market expectations, forestall and defuse financial risks, and hold the bottom line of preventing systemic financial risks.

On June 25, the MPC of the PBC held its second quarterly meeting in 2019 (its 85th meeting in total) in Beijing

The meeting analyzed the domestic and international economic and financial situations. It was noted at the meeting that the Chinese economy had maintained sound growth momentum with strong resilience, and the switch to new growth drivers had gathered pace. The RMB exchange rate had remained stable and had become more resilient against external shocks. The sound monetary policy was practiced responding to the requirements of countercyclical adjustment, the rapid growth of macro leverage ratio had been curbed, the prevention and control of financial risks had been steadily and resolutely carried forward, and continued improvements had been made to the quality and efficiency of the financial sector serving the real economy. Domestically, the structural adjustment in the economic and financial sectors had delivered positive outcomes, yet deep-seated problems and prominent contradictions still persisted. The international economic and financial situations had become more complex, and external uncertainties and destabilizing factors were adding up.

It was pointed out at the meeting that the PBC would continue to closely monitor profound changes in the economic and financial situations both at home and abroad, be more mindful of the difficulties ahead, maintain its strategic resolve, innovate and improve approaches to macro control, make timely and appropriate countercyclical adjustments, and enhance macro policy coordination. The sound monetary policy would be maintained appropriate in intensity, money supply would be properly managed, and massive liquidity injection would be avoided, so as to ensure that the growth of M2 and TSF would be in line with the nominal GDP growth. The PBC would continue to deepen the financial system reform, improve the two-pillar regulatory framework underpinned by monetary policy and macro prudential policy, and further improve the transmission mechanism of monetary policy. Meanwhile, based on the requirements of deepening supply-side structural reform in the financial sector, efforts would be made to optimize financing and credit structures, to provide stronger support for high-quality development, and to boost the compatibility between the financial system and the supply and demand systems. The PBC would improve financial services offered to small and micro businesses as well as agriculture, rural areas, and farmers, to enable private enterprises to get financial support that matches their contribution to the economic and social development, to facilitate the formation of a triangular framework in which the supply system, the demand system, and the financial system support each other, and to drive the overall virtuous circle of national economic development. Moreover, measures would also be taken to further expand the high-level two-way opening-up of the financial sector, consolidate the capability of managing economic and financial situations and preventing risks in an open market, and enable stronger capacities to participate in the international financial governance.

It was emphasized at the meeting that the PBC would follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly implement the guidelines of the 19th National Congress of the CPC, the Central Economic Work Conference and the Report on the Work of the Government, continue acting in accordance with the decisions and arrangements of the CPC Central Committee and the State Council, adhere to the underlying principle of pursuing progress while ensuring stability, strengthen its efforts to invigorate micro-entities, and make further progress in stabilizing employment, preserving financial stability, supporting stable growth of foreign trade and foreign investment, and stabilizing domestic investment and expectations. A combination of monetary policy instruments would be used to keep liquidity at reasonably adequate level. The PBC would deepen interest rate liberalization reform, keep the RMB exchange rate basically stable at an adaptive and equilibrium level and promote the stable and sound development of economy. Effective measures would be taken to prevent and defuse financial risks, so as to achieve risk prevention while facilitating high-quality development, properly manage the intensity and pace of risk resolution, stabilize market expectations, and hold the bottom line of preventing systemic financial risks.

On September 25, the MPC of the PBC held its third quarterly meeting in 2019 (its 86th meeting in total) in Beijing

The meeting analyzed the domestic and international economic and financial situations. It was noted at the meeting that currently China's major macroeconomic indicators were within a reasonable range, the economy had maintained a growth momentum with strong resilience, and new growth drivers were replacing the old ones. The RMB exchange rate had remained stable and had become more flexible in two-way fluctuations and more resilient against external shocks. The sound monetary policy responded well to the requirement of countercyclical adjustment, the rapid growth of macro leverage ratio had been curbed, financial risks were generally under control, and continued achievements had been made in improving the quality and efficiency of the financial sector serving the real economy. Domestically, the structural adjustment in the economic and financial sectors had delivered positive outcomes, yet the downward pressure on China's economy is mounting. The international economic and financial situations had become more complicated, and external uncertainties and destabilizing factors were adding up.

It was pointed out at the meeting that the PBC would continue to closely monitor profound changes in the economic and financial situations both at home and abroad, be more mindful of the difficulties ahead, maintain its strategic resolve, and focus on performing its own duties. It would innovate and improve approaches to macro control, strengthen countercyclical adjustment, and enhance macro policy coordination to forge synergy. The sound monetary policy would be kept appropriate in intensity, money supply properly managed, and massive liquidity injection avoided, so as to ensure that the growth of M2 and TSF would be in line with the nominal GDP growth and prices are generally stable. The PBC would continue to deepen the financial system reform and improve the regulatory framework underpinned by the two pillars of monetary policy and macro prudential policy. Moreover, based on the requirements of deepening the financial supply-side structural reform, efforts would be made to optimize financing and credit structures, to provide stronger support for high-quality development, and to boost the compatibility between the financial system and the supply and demand systems. The PBC would work vigorously to improve monetary policy transmission, employ market-based reforms to remarkably lower the real interest rates, guide financial institutions to enhance their support for the real economy, especially for small and micro businesses and private enterprises. Therefore, private enterprises would get financial support that matches their contribution to the economic and social development. Efforts would be made to facilitate the formation of a triangular framework in which the supply system, the demand system, and the financial system support each other, so as to drive the overall virtuous circle of national economic development. Moreover, measures would also be taken to further expand the high-level two-way opening-up of the financial sector, consolidate the capability of managing economic and financial situations and preventing risks in an open market, and enable stronger capacities to participate in the international financial governance.

It was emphasized at the meeting that the PBC would follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly implement the guidelines of the 19th National Congress of the CPC, the Central Economic Work Conference and the Report on the Work of the Government, continue acting in accordance with the decisions and arrangements of the CPC Central Committee and the State Council, uphold the underlying principle of pursuing progress while ensuring stability, strengthen its efforts to invigorate micro entities, and make all-round efforts to ensure stability on six fronts. A mix of monetary policy tools would be used in a flexible way to keep liquidity reasonably adequate. The PBC would deepen reforms to strengthen the market's role in setting interest rates, improve LPR formation mechanism to promote its application, keep the RMB exchange rate basically stable at an adaptive and equilibrium level, and boost the sustained and sound development of the economy. Effective measures would be taken to prevent and defuse financial risks, so as to achieve risk prevention while facilitating high-quality development, properly manage the intensity and pace of risk resolution, stabilize market expectations, and hold the bottom line of preventing systemic financial risks.

On December 27, the MPC of the PBC held its fourth quarterly meeting in 2019 (its 87th meeting in total) in Beijing

The meeting analyzed the domestic and international economic and financial situations. It was noted at the meeting that China's major macroeconomic indicators were within a reasonable range, the economy had maintained a growth momentum with strong resilience, and new growth drivers were replacing the old ones. LPR had been fully rolled out, making loan rate pricing more market-based. The RMB exchange rate was generally stable, and the two-way floating exchange rate regime was more flexible, with stronger resilience against external shocks. The prudent monetary policy had reflected the demand for countercyclical adjustments, as the macro leverage ratio had stabilized, the measures adopted to prevent and mitigate financial risks had produced results, and the financial sector had provided stronger and more efficient support for the real economy. Domestically, the structural adjustment in the economic and financial sectors had delivered positive outcomes, but the downward pressure remained high. Globally, the economic and financial situations were complex, and the fact that the world was accelerating its changes had become more evident.

It was pointed out at the meeting that the PBC would continue to closely monitor profound changes in the economic and financial situations both at home and abroad, turn external pressure into a strong incentive to deepen reform and expand opening up and make all-out efforts to get its own business done. It would innovate and strengthen macro control, seek to ensure the prudent monetary policy is moderately flexible, and apply various monetary policy instruments to keep liquidity reasonable and adequate. It would also ensure the growth of M2 and TSF in step with nominal GDP growth and avoid massive liquidity injection to keep prices stable. It would deepen the supply-side structural reform in the financial sector. This meant it would steer large banks to extend their service priorities to lower-tier cities, and drive small and medium-sized banks to focus on their primary responsibilities and principal business and improve financing structure and credit structure, in an attempt to provide stronger support for high-quality development and build a modern financial system that is highly adaptive, competitive and inclusive. The PBC would work vigorously to improve monetary policy transmission, lower cost of social financing, employ market-based reforms to remarkably lower the real interest rates, guide financial institutions to enhance their support for the real economy, especially for small and micro businesses and private enterprises. Therefore, private enterprises would get financial support that matches their contribution to the economic and social development. Efforts would be made to facilitate the formation of a triangular framework in which the supply system, the demand system, and the financial system support each other, so as to drive the overall virtuous circle of national economic development. In addition, measures would also be taken to further open up the financial sector at a high level and in two ways, consolidate the capability to manage economic and financial situation and prevent risks in an open market, and enable stronger capacities to participate in international financial governance.

It was emphasized at the meeting that the PBC would follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, earnestly implement the guidelines of the Fourth Plenary Session of the 19th CPC Central Committee and the Central Economic Work Conference, continue acting in accordance with the decisions and arrangements of the CPC Central Committee and the State Council, uphold the underlying principle of pursuing progress while ensuring stability, ensure countercyclical adjustments of macro policies in a scientific and prudent approach, strengthen its efforts to invigorate micro entities, and make all-round efforts to ensure stability on six fronts. It would improve the collaboration and transmission mechanisms of fiscal, currency and employment policies to ensure economic fundamentals are within a reasonable range. It would deepen the LPR reform, drive the shift of the pricing benchmark for existing floating rate loans and ensure the RMB exchange rate is stable at an adaptive and balanced level. It would make all-round efforts to forestall and defuse major financial risks, strike a balance between stable growth and risk prevention, focus on forestalling risks during reform and development and stabilize market expectations to hold the bottom line of preventing systemic financial risks.